

CITY OF HENDERSON – RECORD BOOK

Record of Minutes of A Called Work Session *Meeting on* March 20, 2018

A Called Work Session of the Board of Commissioners of the City of Henderson, Kentucky, was held on Tuesday, March 20, 2018, at 3:30 p.m. in the third floor Assembly Room, Municipal Center, 222 First Street, Henderson, Kentucky.

There were present the Honorable Steve Austin, Mayor, presiding.

PRESENT:

Commissioner Patti Bugg
 Commissioner Robert N. Pruitt, Sr.
 Commissioner Bradley S. Staton
 Commissioner Austin P. Vowels

CITY STAFF MEMBERS included Russell R. Sights, City Manager; Dawn Kelsey, City Attorney; Maree Collins, City Clerk; Donna Stinnett, Public Information Officer; Robert Gunter, Finance Director; Connie Galloway, Human Resources Director; Owen Reeves, Gas System Director; and Mike Richardson, Police Reserve Officer.

ALSO PRESENT: Paul Bird, Water and Sewer Commission Chair; George Jones, Water and Sewer Commission Member; Gary Jennings, Water and Sewer Commission Member; Julie Wischer, Water and Sewer Commission Member; Tom Williams, HWU General Manager; Mr. Todd Bowley, HWU Chief Financial Officer; William L. “Buzzy” Newman, Jr., Director of Field Operations; Kevin Roberts, Director of Plant Operations; John Baker, Projects and Compliance Manager; Patty Brown, HWU Administrative Assistant; News 44 Reporter; Douglas White, *The Gleaner*; and Bill Stevens, WSON Radio

THE FOLLOWING AGENDA ITEMS WERE DISCUSSED:

1. Review and Discussion of the Financial Management of the Henderson Water Utility and Possible Rate Increases
 - ✓ Tom Williams, Henderson Water Utility General Manager, gave a brief Financial and Operational Overview:
 - Detailing that they have four “clean water factories” with 39 employees and \$7.2 million in expenses
 - Infrastructure including nine water towers totaling 10,580,000 gallons capacity; two clearwells with a total capacity of 2.1 million gallons; 235 miles of water mains and 202 miles of sewer lines stretched over three counties; 12,000 water meters; 53 sewer pump stations and three waster pump stations; five field crews, two camera truck operators, one utility locator with 25 people dedicated to Field Maintenance; plus 12 employees including secretarial staff, superintendents, GIS specialist, Automation & SCADA, and vehicle mechanic totaling 37 people with \$6.2 million in expenses
 - Stormwater-\$1.0 million annually in maintenance expenditures for all storm water pipes, catch basins and inlets, and all ditches that are not along a road or street
 - The Utility has a total of 89 employees with operating expenditures of \$15.2 million
 - The Utility fixes water leaks; maintains and renews infrastructure by repainting and repairing tanks, rebuilding and maintaining water intake, rebuilding and wastewater basins, upgrading the wastewater plant to reduce combined sewer overflows, maintaining and monitoring overflow points to Ohio River and Canoe Creek, and replacing equipment at the wastewater plant
 - The Utility serves not only the 27,500 residents of the City of Henderson, but approximately 800 homes just outside the City limits; provides the Henderson County Water District with an average of 1,200,000 gallons of

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water per day; provides wastewater treatment to the City of Corydon; provides water and wastewater treatment to the City of Sebree; and provides water to Beech Grove in McLean County

- Approximately 40% of revenue is from water, 56% from wastewater, and 4% from the new stormwater fees
- Tyson Foods, International Paper and Henderson County Water District account for 43.2% of revenues
- Approximately 72.5% of operating expenses are fixed expenses and include: Salary/Benefits, Power/Fuel, and Chemicals
- Challenges met include the completion and termination of the Consent Judgment-\$41 million project; three of nine water tanks have been painted at a cost of \$1.74 million; renovations at the North Water and Wastewater plants and the Raw Water Intake at the NWTP totaling \$20.2 million; and refinanced all debt at lower interest rates
- Remaining Challenges include meeting Water Regulations enacted as a result of the Flint Michigan Crisis; Wastewater Regulations relating to combined sewer overflows-local pollution limits-nutrient limits; Retirement Pension contributions; Aging Workforce with 12 retirements in the last two years and 15 more are anticipated in the next five years; Aging Water Distribution and Sewer Collection Systems with some water tanks that have not been painted in 25 years and some water mains are over 100 years old; Declining Usage-“The Conservation Conundrum;” Strategic Plan for Capital Spending totals \$13.8 million in the next four years; and Insufficient Cash Flow
- Three proposed rate scenarios, with minimum usage, were proposed: 1) \$10 User Charge on both Water and Sewer for \$20 total with 750 gallons included; 2) \$10 User Charge on Water and \$20 User Charge on Sewer for a total of \$30 with 750 gallons included; and 3) \$15 User Charge on Water and \$25 user Charge on Sewer for a total of \$40 with 1,500 gallons included
 - The Utility will be in a cash deficit in late 2020 with the current rate and in late 2023 with scenario 1; scenarios 2 and 3 will both provide positive cash flow through at least 2025

DISCUSSION WAS HELD regarding the leakage rate of 23% of treated water due in part to the aging of the water mains; \$1 million per mile to replace pipe; comparisons of water and sewer rates with other communities; volumetric VS minimum usage rates; being the first City of any size in Kentucky to complete their Long-Term Control Plan and the debt service that goes along with that; that the debt service is much smaller because the projects were completed now instead of in the future; that the volumetric rate is not proportionate to how much it actually costs to provide the service; how would the City’s Bond Rating be affected if HWU was allowed to spend down all of their reserves; possibility of phasing in the minimum usage rates; find balance between keeping the Utility healthy and residents’ financial health; that the water rates have been kept artificially lower than the cost to provide the service for a while now; and the possibility of a hybrid plan to move gradually to the minimum rate billing.

It was determined that HWU staff would prepare several rate scenarios to possibly phase in changing to a ‘minimum bill’ rate along with hybrid plans that include both the ‘volumetric’ and ‘minimum’ billing rates; and to schedule another joint work session on Tuesday, March 27, 2018 to begin at 4:30 p.m. for review and discussion of those plans.

NO FORMAL ACTION WAS TAKEN BY THE BOARD OF COMMISSIONERS.

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MEETING ADJOURN:

MOTION by Commissioner Pruitt, seconded by Commissioner Vowels to adjourn.

The vote was called. On roll call, the vote stood:

- Commissioner Staton ----- Aye:
- Commissioner Pruitt ----- Aye:
- Commissioner Bugg ----- Aye:
- Commissioner Vowels ----- Aye:
- Mayor Austin ----- Aye:

WHEREUPON Mayor Austin declared the work session adjourned at approximately 5:15 p.m.

ATTEST:

Steve Austin, Mayor
March 27, 2018

Maree Collins, City Clerk