

- A. **CALL TO ORDER/ROLL CALL**
__Garretson __Schmidt __Nisly __Schenk __Fairbanks __Scofield
- B. **PLEDGE OF ALLEGIANCE**
- C. **APPROVAL OF AGENDA (ADDITIONS/DELETIONS)**
- D. **CITIZEN COMMENTS**
- E. **HEARINGS, PRESENTATIONS, PROCLAMATIONS & RECOGNITIONS**
 - 1. Daniel Lizalde of Hot Rod Resurrections to discuss 4th of July Car Show event
- F. **CONSENT AGENDA**
 - 1. Approval of Minutes – Council Meeting, April 10, 2023
 - 2. Approval of InvoicesMotion _____ Second _____ Vote _____
- G. **ACTION ITEMS**
 - 1. Nisly Brothers Trash Hauling Contract ExtensionMotion _____ Second _____ Vote _____
- H. **DISCUSSION ITEMS**
 - 1. Independence Day Celebration
 - 2. City Administrator Recruitment
- I. **CITY ADMINISTRATOR’S REPORT**
- J. **GOVERNING BODY COMMENTS**
- K. **EXECUTIVE SESSION**
- L. **ADJOURNMENT**

*****IMMEDIATELY FOLLOWING COUNCIL MEETING THE GOVERNING BODY WILL CONVENE A HEARING OF THE SOUTH HUTCHINSON LAND BANK*****

- A. **CALL TO ORDER**
- B. **ACTION ITEM**
 - 1. Accept Land DonationMotion _____ Second _____ Vote _____
- C. **ADJOURNMENT**

Meeting Date: April 24, 2023
Department: Administration
Prepared By: Joseph Turner, City Administrator
Agenda Title: Consent Agenda

Background/Analysis – Consent agendas are designed to take routine business items, non-controversial items, and other matters where a consensus has been reached and combine them into one single motion and vote. Items on the consent agenda should not be discussed or debated by the governing body. Any member of the governing body may elect to pull an item from the consent agenda for a separate vote.

Notable Items:

- Approval of Minutes from April 10, 2023, regular meeting
- Approval of Invoices

Recommendation – Motion to approve the consent agenda as presented.

Exhibit A – Minutes from April 10, 2023, regular meeting
Exhibit B – AP Invoices



Present: Garretson, Nisly, Schenk, Fairbanks, Scofield

Absent: Schmidt

Others Present: City Attorney Mark Tremaine, City Administrator Joseph Turner, Police Chief Darrin Pickering, Officer Matt Gabrielson, and City Superintendent Ronnie Pederson

A. **CALL TO ORDER/ROLL CALL**
 _X_Garretson _A_Schmidt _X_Nisly _X_Schenk _X_Fairbanks _X_Scofield

B. **PLEDGE OF ALLEGIANCE**

C. **APPROVAL OF AGENDA (ADDITIONS/DELETIONS)**

D. **CITIZEN COMMENTS**

1. Father Weldon of Our Lady of Guadalupe Church asked permission from the council to sell beer in the beer garden during their Fiesta on June 2-4, 2023. Permission was granted and a temporary event permit was issued and signed.

E. **HEARINGS, PRESENTATIONS, PROCLAMATIONS & RECOGNITIONS**

1. Nathan Alexander, ONEOK presented a proposal to purchase a projector and screen for the Community Center at no cost to the city. They would also provide a cabinet to store equipment accessories which would be housed in the maintenance room. The city council agreed, approved and thanked Nathan for ONEOK’s continued support and improvements for the city.

Nathan also asked the council to consider taking credit card payments for the Community Center rental, as obtaining a check from their corporate office is sometimes difficult. The council agreed to investigate the suggestion.

Nathan’s final proposal was the Emergency Use Firewater Supply Project. This would improve the system infrastructure for the city and allow for continued expansion in the future. OKEOK would incur all costs, including payment to PEC (Professional Engineering Consultants) for new connections. The council liked the idea and City Administrator Joseph Turner will be in contact with Nathan to discuss further actions.

F. **CONSENT AGENDA**

1. Approval of Minutes – Council Meeting, March 27, 2023
2. Approval of Invoices

Motion: Nisly Second: Scofield Vote: 4-0

G. ACTION ITEMS

1. Hutchinson Chamber 2023 Greater Hutch Economic Development Allocation - Deborah Teufel proposed the city’s assistance of \$10,000 for development and increased work force as a collaboration with Hutchinson and Reno County. The pledge of monies would be assessed each year. Councilman Matt Nisly stated he has attended Chamber meetings discussing this issue and it is a good opportunity for growth of South Hutchinson.

Motion: Fairbanks Second: Nisly Vote: 4-0

2. Hutchinson Chamber 2023 Growth Inc. Economic Development Funds – Deborah Teufel also proposed the city’s assistance of \$5,000 for the specific focus of planning and developing in said areas to coincide with the Greater Hutch project.

Motion: Fairbanks Second: Schenk Vote: 4-0

3. Ideatek Wireless Agreement – Idea Tek would like to renew their agreement to keep equipment on top of the grain elevator and reduce the agreement’s stated term of 7 years to 5 years.

Motion: Scofield Second: Fairbanks Vote: 4-0

4. Police Department Purchase and Swap of Vehicles – Discussion took place regarding the purchase of 2 new Police Pursuit Rated (PPR) vehicles and providing the Public Works department with a truck currently used by the police department.

Motion: Scofield Second: Fairbanks Vote: 3-1 (Nay: Nisly)

H. DISCUSSION ITEMS

1. Water Rights Perfection Update - An update was given by City Administrator, Joseph Turner on the monthly water rights perfection report and water usage difference between 2022 and 2023.

I. CITY ADMINISTRATOR’S REPORT

City Administrator, Joseph Turner stated his position has been posted and a handful of applicants have applied, and he predicts there will be more to follow in the coming week.

J. GOVERNING BODY COMMENTS

Councilman, Matt Nisly brought up concern for the property at 6th & Poplar. It was determined the single owner/occupant is now the current owner of the property and future conversations with the property owner will most likely take place.

K. EXECUTIVE SESSION

1. Attorney-Client Privilege

Motion: Nisly Second: Scotfield Vote: 4-0

“I move that the governing body recess into executive session regarding correspondence recently received from the District Attorney, pursuant to K.S.A. 75-4319(b)(2) for consultation with the city attorney which would be deemed privileged in the attorney-client relationship; to include the city administrator and city attorney; with the open meeting to resume at 6:56 p.m. in the city council chambers.”

2. Non-Elected Personnel

Motion: Nisly Second: Schenk Vote: 4-0

“I move that the governing body recess into executive session regarding a review of performance of two department heads, pursuant to K.S.A. 75-4319(b)(1) to discuss personnel matters of non-elected personnel; to include members of the governing body, the city administrator and the city attorney; with the open meeting to resume at 7:10 p.m. in the city council chambers.”

L. ADJOURNMENT

Nisly motioned to adjourn the meeting at 7:11 p.m.

Motion: Nisly Second: Schenk Vote: 4-0

(Attest): Michele Nightingale
Michele Nightingale, City Clerk

INVOICES PAID (4/10/2023 thru 4/23/2023)

Gen Gov	Description	Vendor	Inv. Amt	Ck Date
101-101-6000	Phone Service (Current)	Vaspian	\$118.50	4/17/2023
101-101-6000	Fed Universal Fund Contribution	Vaspian	\$2.10	4/17/2023
101-101-6000	Electric Utilities	Eergy	\$229.87	4/17/2023
101-101-6000	Gas Utilities	KS Gas	\$279.39	4/17/2023
101-101-6002	Bond-Notary-MDN	Nationwide	\$50.00	4/17/2023
101-101-6002	Harmoni Towers Legal Council	Parker & Parker	\$4,000.00	4/17/2023
101-101-6002	Zoning Code Regulations	Parker & Parker	\$4,000.00	4/17/2023
101-101-6004	Shred Service	Underground Vault/Storage	\$92.00	4/17/2023
101-101-7000	Labor Law Posters	Personnel Concepts	\$22.62	4/17/2023
101-101-7000	Postage Meter Ink Cart	Pitney Bowes	\$91.29	4/17/2023
101-101-7000	Office Supplies	Office Plus	\$355.69	4/17/2023
101-101-7000	Return Address Window Env.	Applied Computer Services	\$140.00	4/17/2023
101-101-7002	Bottled Water - Gal.	Culligan	\$21.00	4/17/2023
			\$9,402.46	

Police	Description	Vendor	Inv. Amt	Ck Date
101-102-6000	Gas Utilities	KS Gas	\$878.70	4/17/2023
101-102-6000	Electric Utilities	Eergy	\$542.83	4/17/2023
101-102-6000	Fed Universal Fund Contribution	Vaspian	\$2.10	4/17/2023
101-102-6002	LEC Netmotion Software	SHI	\$413.95	4/17/2023
101-102-6004	Window Stripping	Innovative Tint & Graphics	\$110.00	4/17/2023
101-102-6004	3 volt CR2023	DESS LLC	\$33.00	4/17/2023
101-102-6005	Cell Phone Usage (Current)	Verizon	\$164.12	4/17/2023
101-102-7000	Office Supplies	Office Plus	\$87.40	4/17/2023
101-102-7002	Bottled Water - Gal.	Culligan	\$42.00	4/17/2023
101-102-7002	Car/Truck Maint. Supplies	Carquest	\$193.36	4/17/2023
			\$2,467.46	

Street	Description	Vendor	Inv. Amt	Ck Date
101-103-6000	Gas Utilities	KS Gas	\$701.30	4/17/2023
101-103-6000	Electric Utilities	Eergy	\$649.16	4/17/2023
101-103-6000	Fed Universal Fund Contribution	Vaspian	\$2.10	4/17/2023
101-103-6000	Phone Service (Current)	Vaspian	\$85.00	4/17/2023
101-103-6003	Uniform Services	UniFirst	\$117.95	4/17/2023
101-103-7000	OSHA Compliance Journal	PV Business Solutions	\$99.50	4/17/2023
101-103-7002	Gloves/Safety Glasses	Western Supply	\$121.32	4/17/2023
101-103-7002	Acetone/Filters	Carquest	\$293.60	4/17/2023
101-103-7002	Idler/Module/Spark Plugs	Fairview Service	\$79.85	4/17/2023
			\$2,149.78	

Fire	Description	Vendor	Inv. Amt	Ck Date
101-104-6000	Gas Utilities	KS Gas	\$276.68	4/17/2023
101-104-6000	Electric Utilities	Eergy	\$331.60	4/17/2023
101-104-6000	Fed Universal Fund Contribution	Vaspian	\$2.10	4/17/2023
101-104-6002	Truck Maintenance	Weis Fire & Safety	\$7,430.02	4/17/2023
101-104-6003	Sludge Buildup	Roto Rooter	\$100.00	4/17/2023
101-104-6003	Battery for 2012 Chevy Silverado	Rose Motor Supply	\$145.97	4/17/2023
101-104-6003	Radio Repair/Programming	TBS Electronics	\$20.00	4/17/2023
101-104-6005	Cell Phone Usage (Current)	Verizon	\$144.24	4/17/2023
101-104-6014	Training Class	Hutch Fire	\$60.00	4/21/2023
101-104-7002	Bottled Water - Gal.	Culligan	\$16.80	4/17/2023
			\$8,527.41	

Court	Description	Vendor	Inv. Amt
101-106-6004	Inmate Health Care	Diamond Drug	\$26.89 4/17/2023
101-106-6004	Court Services	Underground Vault/Storage	\$24.60 4/17/2023
101-106-6004	SH Warrant Only	Radiology Profs of Hutch	\$41.00 4/17/2023
101-106-6015	Batch Collection	Ks State Treasurer	\$1,193.50 4/17/2023
			\$1,285.99
		GENERAL TOTAL	\$23,833.10

Park	Description	Vendor	Inv. Amt
101-105-6000	Electricity	Evergy	\$150.72 4/17/2023
101-105-6001	Inland Marine Policy	Chubb	\$4,694.00 4/17/2023
			\$4,844.72

Non-Departmental	Description	Vendor	Inv. Amt
101-109-6000	Electricity	Evergy	\$6,038.33 4/17/2023
			\$6,038.33

Water	Description	Vendor	Inv. Amt
201-000-6000	Electricity	Evergy	\$3,068.23 4/17/2023
201-000-6000	Locate Fees	Kansas One Call	\$51.00 4/17/2023
201-000-6002	Water Samples	Ks Dept Health & Enviro	\$82.00 4/17/2023
201-000-6003	Uniform Services	UniFirst	\$117.95 4/17/2023
201-000-6005	Cell Phone Usage (Current)	Verizon	\$169.85 4/17/2023
201-000-7000	OSHA Compliance Journal	PV Business Solutions	\$99.50 4/17/2023
201-000-7000	Labor Law Posters	Personnel Concepts	\$22.62 4/17/2023
201-000-7002	Back Flow Device Callibration	Elite Pro	\$332.50 4/17/2023
201-000-7002	Batteries	DESS LLC	\$35.03 4/21/2023
201-000-8013	Water Protection Fees	KSDEPWWF	\$2,113.09 4/17/2023
			\$6,091.77

Sewer	Description	Vendor	Inv. Amt
301-000-6000	Electricity	Evergy	\$12,447.12 4/17/2023
301-000-6000	Locate Fees	Kansas One Call	\$51.00 4/17/2023
301-000-6001	2023 Ram Truck Premium	Provalue Ins	\$927.00 4/17/2023
301-000-6002	Soil Testing/Shipping	Reno Co Extension Council	\$29.00 4/17/2023
301-000-6002	Lab Analysis	SDK	\$598.00 4/17/2023
301-000-6003	Grit Removal	Reno Co Solid Waste	\$164.00 4/17/2023
301-000-6003	Uniform Services	UniFirst	\$117.95 4/17/2023
301-000-6005	Cell Phone Usage (Current)	Verizon	\$81.38 4/17/2023
301-000-6005	Sewer Locations (Current)	Verizon	\$294.84 4/17/2023
301-000-7000	OSHA Compliance Journal	PV Business Solutions	\$99.50 4/17/2023
301-000-7002	Back Flow Device Callibration	Elite Pro	\$332.50 4/17/2023
301-000-7002	Batteries	DESS LLC	\$35.03 4/21/2023
301-000-7002	Wash Bottles	USA Bluebook	\$49.00 4/17/2023
			\$15,226.32

Street/Sales	Description	Vendor	Inv. Amt
403-000-7013	Econ. Dev. Funds	Growth Inc. (Chamber)	\$5,000.00 4/17/2023
403-000-7013	2023 Econ. Dev. Allocation	Greater Hutch (Chamber)	\$10,000.00 4/17/2023
			\$15,000.00

ASAP	Description	Vendor	Inv. Amt
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801-000-4015	Forfeit Cash Bond -Rue	City of SH	\$250.00	4/17/2023
			\$250.00	

Comm Ctr	Description	Vendor	Inv. Amt	
811-000-6000	Electricity	Evergy	\$195.47	4/17/2023
811-000-6000	Gas Utilities	KS Gas	\$133.22	4/17/2023
811-000-7002	Vacuum/Bags	Janitorial Supply	\$252.80	4/17/2023
811-000-7002	Bathroom Supplies	Janitorial Supply	\$240.10	4/17/2023
			\$821.59	

Equipment Reserve	Description	Vendor	Inv. Amt	
901-000-8021	2023 Dodge Durango	Allen Samuels	\$40,900.00	4/21/2023
			\$40,900.00	

Capital Improvement	Description	Vendor	Inv. Amt	
902-000-8024	Backflow Preventer-Splash Park	Core & Main	\$3,052.28	4/17/2023
			\$3,052.28	

GRAND TOTAL	\$116,058.11
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Meeting Date: April 24, 2023
Department: Administration
Prepared By: Joseph Turner, City Administrator
Agenda Title: Nisly Brothers Trash Hauling Contract Extension

Background/Analysis – The City of South Hutchinson currently contracts with Nisly Brothers (Nisly) for residential waste hauling services. The 2017 agreement called for an initial five-year term with an automatic three-year extension that expires on July 31, 2025.

Nisly would like to secure an extension of this agreement until July 2035 for long-term planning purposes, especially in light of supply chain disruptions and 18-to-24-month delivery timetables for vehicles and equipment.

Short Background/History

Prior to 2017, the City was serviced by Stutzman Refuse Disposal (SRD) which was purchased and now owned by Waste Connections. The City switched because not only did Nisly submit a lower rate for our customers, it agreed to pick-up of waste at city-owned properties for free. This was a direct savings of about \$10,000 annually on top of the lower rates.

In 2016-17, residents paid \$11.52 per month under the Waste Connections contract. Under Nisly, our rates dropped to \$11.05 per month in August 2017. Our residents currently pay \$11.61 per month, or basically the same price they were paying in 2016-17.

Current Contract Highlights

The Nisly contract calls for a five percent franchise fee and three percent billing fee. Our total billing for trash hauling services is about \$100,000 per year. The City generates about \$8,000 per year in these fees. These are pass-thru charges that any vendor would pay.

City Facilities Trash Pick-up

Nisly does not charge the City to pick up its trash at City Hall, fire/police station, public works facilities, or parks per our contract. Waste Connections billed us. This \$10,000 savings to the City each year exceeds our entire franchise and billing service fees paid by our residents.

Annual Clean-up Day & Special Events

The Nisly contract calls for providing the following free of charge:

Drop-off and pick-up of up to six 40 cubic yard dumpsters (city pays disposal fees)
Residential trash carts AND up to 24 portable toilets for City sponsored events

Waste Connections did not provide any of these services free of charge as part of their contract.

CPI/Rate Increases

Under the current contract, Nisly is allowed to increase rates a maximum of 2% per year. Our previous contract with Waste Connections allowed the company to increase rates that were equal to the CPI change.

Proposed Contract Extension Terms/Changes

Nisly is proposing the following extension terms and changes:

- Ten (10) year extension thru July 31, 2035, with three (3) year mutual options
- Remove the two (2) percent rate increase cap to allow for full capture of CPI increases

10-year Term

Some members of the governing body may balk at a 10-year extension. It is atypical for South Hutchinson to enter into a 10-year waste hauling agreement. However, it is not uncommon in the public sector and many municipalities enter into agreements of such length.

There are a couple of key points to consider on this front.

Waste hauling is very capital intensive, and companies are having difficult times recruiting and retaining drivers. These factors can make it very difficult for companies to handle expansion if/when they win a new contract with a municipality. Conversely, the loss of a contract, depending on its size, may result in a company having too many trucks and/or employees on the payroll. Agreements with longer terms are highly desirable for corporate planning and strategic purposes.

If a contract is a good contract for the municipality, strong consideration should be given to the idea of maximizing that benefit by extending it as long as possible.

Rate Increases/CPI

Our residential customers have enjoyed tremendous savings under our current contract with Nisly because of the 2% cap on rate increases. Using the BLS CPI online calculator, when you factor in the full effects of inflation, our August 2017 rate of \$11.05 per month should have jumped to \$13.58 per month instead of the current rate of \$11.61 to fully account for inflationary pressures.

Historically high levels of inflation have been absorbed by Nisly and they have not requested any modification or adjustments under our current contract. They have been a very good partner and have not pressured us for concessions. In light of the lessons learned during this period, I highly doubt many vendors will be capping annual rate increase numbers to 2% in the foreseeable future.

You would have to go back to the 1978-1982 period to find inflation rates at or in excess of our recent inflationary period. At some point, there has to be a recognition that it is not sustainable for a business to absorb the costs of inflation the way Nisly has done to this point.

Other Considerations

Customer Service & Relationships

Nisly is a great community partner that provides excellent customer service to our residents and to the City of South Hutchinson and its city administrator. We do not receive complaints about their service from our residents and they are extremely easy to work with when it comes to planning citywide dump days and providing portable toilets and trash bins for community events.

Future Economic Uncertainty

This proposal allows the council to lock in an extremely competitive rate for our residents for an extended period of time. Under the terms of this extension, the 2% rate increase cap remains in effect until July 31, 2026. Here is a breakdown of future rates for our customers:

August 1, 2023: \$11.84
August 1, 2024: \$12.08
August 1, 2025: \$12.32
August 1, 2026: \$12.32 + CPI index increase

When you study historical inflation rates you find that it is very rare for a high inflationary period to last more than four years. By the time the 2026 rate increase is calculated, we will be about five years out from the initial high inflation rates we experienced in 2021. While I cannot predict the future, it seems highly likely that we will have made it through the brunt of the high inflation environment under the terms of a contract that caps our rate increase at 2% per annum.

There are a myriad of risks and other factors that could arise between now and 2025 that could create an even more volatile economic climate and result in much higher rates in the future.

Concluding Thoughts

A long-term extension provides significant protection and cost savings for our customers with minimal risk. In this instance and based on our current rates, I do not believe there is much upside benefit to be gained by waiting and assessing the landscape in two years.

How much lower can our trash rates go?

I believe that there is much more risk to the upside and that a deal we can secure in two years will have terms that are less favorable than the ones that have been proposed.

At the end of the day, if you are paying a very competitive price for a service (which we are), is it unreasonable to pay a CPI increase for that service? I do not believe so.

It is my recommendation that the governing body move forward with approving a 10-year extension. It is a competitive rate for our residents and a fair deal for the company, which has treated us well throughout the duration of the relationship.

Financial Impact – No significant impact

Recommendation – Staff recommends council authorize the mayor to sign the extension agreement with Nisly Brothers, Inc., for trash hauling services.

Exhibit C – Proposed Extension Agreement

Exhibit D – Current Agreement

EXTENSION AGREEMENT

This Extension is made and entered into the ____ day of _____, 2023 by and between the City of south Hutchinson, Kansas, a municipal corporation (the "City") and Nisly Brothers, Inc. (the "Contractor").

Background

A. The City and the Contractor are parties to a Contract for Refuse and Recyclables Collection dated May 3, 2017 (the "Agreement");

B. The parties wish to extend and amend the Agreement in accordance with the terms of this Extension.

WHEREFORE, the parties hereby agree:

1. The Agreement is currently in effect and shall be for a term ending July 31, 2035. The Agreement shall automatically renew each August 1 (the "renewal date") for additional terms of three (3) years each, unless either party shall give a written notice of termination to the other party at least 120 days prior to the renewal date.

2. Effective as of August 1, 2025, as compensation for refuse removal and disposal and recycling services as provided in the Agreement, the City will collect the following charges monthly from each residential customer and will retain a 3% billing fee and 5% franchise fee from the gross rate and pay to Contractor monthly in one lump sum the following revised rates:

Residential cart rates	Monthly Rate August 2025 – July 2026
Trash carts dumped once per week and recycle carts dumped every other week	
Resident: 1 trash cart weekly and 1 recycle cart every other week	\$12.32
Disabled rollout service: 1 trash and 1 recycle cart every other week	\$12.32
Rollout service: 1 trash cart weekly and 1 recycle cart every other week	\$24.53
Additional trash cart	\$5.56
Additional recycle cart	\$3.34

Contractor will not increase the stated rates until August 1, 2026. Thereafter, the Contractor may raise rates effective as of the renewal date each year in accordance with the increase in the BLS Index, by multiplying such monthly rates stated above by a fraction, the numerator of which shall be the BLS Index for the month of May immediately preceding the rate increase, and the denominator of which shall be the BLS Index for May of 2025. The “BLS Index” means the Consumer Price Index for “All Urban Consumers - All Items” (1982-84 = 100.00) issued by the

Bureau of Labor Statistics of the United States Department of Labor, or in the event such index is no longer maintained, such other then-current index as is generally used for the same purposes and will yield a result approximating that of the BLS Index. Contractor will give a minimum of 30 days' written notice to the City to institute a rate increase.

This Extension is a part of the Agreement. Except as expressly amended hereby, all terms and conditions of the Agreement remain in full force and effect as written.

IN WITNESS WHEREOF, the parties have executed this Extension the day and year first above written.

CITY OF SOUTH HUTCHINSON

NISLY BROTHERS, INC.

By: _____
Name: _____
Mayor

By: _____
J. Marvin Nisly, President

ATTEST:

Name: _____
City Clerk

Attachment #g
**CONTRACT FOR REFUSE AND RECYCLABLES
 COLLECTION**

This agreement made and entered into this 3RD day of May 2017, by and between the City of South Hutchinson, Kansas, a municipal corporation, hereinafter referred to as City, and Nisly Brothers, Inc., of Hutchinson, Kansas, hereinafter referred to as Contractor.

WHEREAS, Contractor desires to furnish the necessary equipment and manpower to collect, remove and dispose of all garbage, trash, and other waste materials, and recyclables for recovery, from the residents of the City within its corporate limits, and the City desires to grant to Contractor the exclusive right to the same, this contract is made for the purpose of setting forth the terms and conditions of such collection.

NOW THEREFORE, in consideration of the premises, moneys to be paid, services to be rendered, and mutual covenants herein contained, it is hereby mutually agreed between the City and Contractor as follows.

Contractor agrees to furnish the equipment and manpower necessary to collect recyclables for reclamation, and collect and dispose of garbage, trash, and other waste material from the City.

Contractor shall make collections of refuse and recyclables within the City between the hours of 6:00 A.M. and 6:00 P.M. Contractor shall take reasonable care to not litter refuse or recyclables in the process of making collections and take reasonable care to not allow the same to blow from any vehicle used for collection.

Contractor agrees to furnish such collection service in a good and workmanlike manner. The equipment used for such collection services shall be kept in good mechanical working order and shall be kept reasonably clean and sanitary.

Residential Service

1. All materials to be collected pursuant to this contract must be located next to the street from which the trash is normally collected.
2. Residential refuse collection shall be once per week on a day mutually agreed upon. Each resident is provided a Contractor owned 95 gallon trash cart. Trash in cart should be bagged. Carts shall remain the property of Contractor. Contractor shall collect all normal residential trash. This does **NOT** include the following items, commercial trash, remodeling - construction debris, (lumber, plaster, drywall, floor covering and roofing material, concrete, etc.) tires, appliances, yard waste, unbundled brush, or brush over 3 inches in diameter, or more than 3 feet in length, or one account for more than one household. Any trash not in the trash cart must be in throwaway containers such as boxes or bags, no more than 30-gallon capacity, (no loose piles of

trash) and be clearly marked, located by the regular trash pickup area. No box or bag may exceed 40 pounds in weight. Some examples of acceptable normal trash are, moving boxes, general household clean up, couches, chairs, or other furniture, etc. Contractor reserves the right to reschedule bulky item pickup up to two weeks later. For customers who regularly have extra trash (three or more times per month) an additional cart will be issued for an additional charge. Any additional service must be negotiated between Contractor and each customer.

3. Contractor shall make collections of residential recyclables every other week. Such collections will be made using the curbside Single Stream Recycling program. Contractor will provide special 95-gallon recycling cart to each customer who wants to recycle. All acceptable containers, steel (tin) and aluminum beverage and food cans, glass jars and bottles, type 1 – 7 plastic containers and mixed paper; newspapers, books, magazines, cardboard and chipboard, may be commingled in the recycling cart at the curb on recyclables collection day. All recyclables must be in the cart. Each resident who recycles may participate in the Nisly Rewards4Recycling program. Contractor will provide information to city to be distributed as needed.
4. Residents who are unable to wheel the carts to the curb may contact the City for rollout service. Rollout service picked up every other week for disabled residents will be provided at the rates below. City will qualify, keep records of residents who qualify, and account to Contractor.
5. Residents who are not disabled may choose rollout service at the rates below.

Rates

As compensation for refuse removal and disposal and recycling services as herein provided, City will collect the following charges monthly from each residential customer and will retain a 3% billing fee and 5% franchise fee from the gross rate and pay to Contractor monthly in one lump sum.

Residential cart rates	Monthly Rate Aug 2017- July 2020
Trash carts are dumped once per week and recycle carts are dumped every other week	
Resident: 1 trash cart weekly and 1 recycle cart every other week	\$11.05
Disabled rollout service: 1 trash and 1 recycle cart every other week	\$11.05
Rollout service: 1 trash cart weekly and 1 recycle cart every other week	\$22.00
Additional trash cart	\$5.00
Additional recycle cart	\$3.00

No increase for 36 months, then CPI increase equal to previous calendar year CPI, not to exceed 2.0%. Increase effective on August 1, 2020 and each successive year.

Miscellaneous

1. Contractor's present disposal cost at the Reno County Landfill is \$0.00 per ton. For each dollar per ton increase in landfill charges, the monthly rate to be paid for residential cart service shall increase \$0.10 per trash cart. Contractor will give a minimum of thirty days written notice to the City to institute this change.
2. Contractor shall provide trash and recycling service for normal trash and recyclables from all City owned buildings and parks inside the City limits, without any charge.
3. Contractor shall provide up to six 40 cubic yard containers for City's annual 'City Cleanup', each year, without any additional charge except that City will pay disposal fees. The day will be mutually agreed upon.
4. Contractor shall provide residential trash carts and up to 24 portable toilets in various locations for City sponsored events each year, without any additional charge.
5. The City agrees to inform Contractor of the number of customers desiring services and any changes in service, and will each month account for and itemize charges. City will pay to Contractor in one lump sum for each customer serviced each month by the 25th of following month.
6. Contractor and the City shall negotiate a mutually agreeable rate adjustment when costs beyond the control of the Contractor are increased. These include, but are not exclusive of, federal, state, or local laws or ordinances that mandate new taxes, or surcharges that directly or indirectly impact Contractor in providing services.
7. If Contractor fails to comply with all the terms of this agreement, unless such failure is no fault of Contractor, or if the Contractor finds it cannot fulfill this agreement with City, either shall give the other a written notice no less than sixty days in advance to terminate this agreement.
8. During the time in which this contract is in force and effect, City shall make no other contract relative to the collection of refuse and garbage within the City and shall give Contractor the exclusive right to remove and collect the same, except where residents haul their own refuse.
9. It is expressly understood and agreed that Contractor is an independent contractor and is not the agent, servant, or employee of City and is not authorized to represent himself as such and City shall not be responsible nor liable for any acts of Contractor.
10. Contractor agrees to file a certificate of insurance written by a company licensed to do business in Kansas, providing public liability insurance covering all operations and all vehicles operated by the Contractor in City.

Such policy shall provide not less than \$1,000,000.00 general liability insurance for each accident and not less than \$2,000,000.00 aggregate general liability.

- 11. City represents that streets and alleys that Contractor will need to use to provide the services of this agreement are capable of bearing the weight of Contractor's trucks necessary to provide said services. Contractor shall not be liable for any damage to pavement, curbing or any other surface in the City rights of way resulting from equipment providing services in the City, except in the case of operator negligence.
- 12. This agreement shall be subject to change to comply with all laws and ordinances of the City and of the State of Kansas and the federal government.
- 13. Contractor reserves the right to refuse service to any customer whose account is not current with City.
- 14. This agreement shall be for the period beginning on August 1, 2017, and ending on July 31, 2022. This agreement shall be automatically extended and renewed on the same terms and conditions, for an additional three year period, ending July 31, 2025. This agreement may be terminated at the end of the initial term by either of the parties hereto by giving the other written notice of such termination not less than 60 days prior to the expiration of the original term.
- 15. This agreement may not be assigned by contractor without prior written consent of City.
- 16. This agreement is governed by and shall be interpreted in accordance of the laws of the State of Kansas.

IN WITNESS WHEREOF, the parties hereto have subscribed this contract this

3rd day of May, 2017.

CITY OF
SOUTH HUTCHINSON, KANSAS

A.E. Murray
A.E. Murray, Mayor

NISLY BROTHERS, INC.

J Marvin Nisly
J Marvin Nisly, President

ATTEST

Denise McCue
Denise McCue, City Clerk

Meeting Date: April 24, 2023
Department: Administration
Prepared By: Joseph Turner, City Administrator
Agenda Title: Acceptance of Land Donation

Background/Analysis – Juan Jose Martinez, the owner of three (3) vacant parcels in the Prairie Ridge development, contacted the City of South Hutchinson regarding these parcels. We discussed his potential plans and how recent offers to purchase the property did not cover his outstanding taxes and special assessments, which are currently delinquent.

During this conversation, I proffered the idea of the City of South Hutchinson acquiring the parcels via land donation and relieving him of this tax burden and landscaping maintenance over the course of this growing season. I believed it would create a win-win situation for both parties. Martinez expressed support for the idea and is willing to donate the land.

Explanation of Tax Delinquencies and Tax Sales

When parcel owners do not pay the taxes and special assessments owed on property, it goes to the tax sale to be auctioned. The goal is to find a buyer who will pay an amount equal to or greater than the amount owed. However, when these parcels are sold to a new buyer, the delinquent taxes are wiped out and each taxing authority loses that money.

Thus, when a parcel is sold for less than the delinquent taxes owed, the city and other taxing jurisdictions lose that money owed and can no longer collect it.

The key to recovering property taxes and special assessments that are delinquent at the auction is by having a parcel that is worth more than the outstanding amount owed. Vacant parcels in a subdivision that are saddled with special assessments are not an attractive purchase at a tax sale.

That explains how Martinez and other speculative buyers purchased the Prairie Ridge parcels in 2020 for \$100 to \$300 each. These buyers risked a couple of hundred dollars betting that they might be able to sell the parcels at a later date in excess of their purchase price plus any future amounts owed on taxes and special assessments.

Reno County charges administrative fees of around \$600 per each parcel sold at auction. This is to cover all of their costs associated with the auction (e.g., public notices, etc.).

Therefore, when those parcels were sold in 2020 for less than \$600, the City of South Hutchinson did not receive a penny of those proceeds.

Had I been the city administrator in 2020, I would have advised and encouraged the city council to allow me to acquire those properties at auction because it was obvious to me that their intrinsic value is significantly less than the total amount of taxes and special assessments owed on the parcels. As a consequence of not purchasing those parcels, you are left with speculators controlling the parcels and a “rinse/repeat” cycle of allowing taxes to

become delinquent and triggering another tax sale. This process will repeat until buyers believe the intrinsic value of the land exceeds the remaining amounts owed.

Additionally, by having control over all of the parcels, the city has a better opportunity to work with a homebuilder to explore the building of multiple units because of the economies of scale and efficiencies that come with bulk building versus one-off lot construction.

Confusion about Taxes & Special Assessments

In order to transfer a piece of property from one owner to another, the delinquent taxes must be cured. Many people are confused about how this works and the mechanics of it so I will explain it in great detail below.

Each of these three parcels have a “general tax” on the value of the vacant land in the amount of \$123.06 per year. This is what we commonly call a “property tax” and this amount is divided between all of the taxing jurisdictions based on their respective mill levies. Currently, South Hutchinson would receive about 29% of that amount, or \$35.50.

The “special assessment” portion of the tax bill is \$1,847.17 per year. The owner of this parcel must pay this amount every year until the entire amount owed is paid off. The City receives 100% of these proceeds. On these parcels, the “special assessments” owed are to help the city recover the costs associated with building the concrete roads and gutters, and installation of the water and sewer lines.

What generally happens in Kansas is that a developer approaches a city about building homes in a subdivision. The city will agree to fund the costs of the infrastructure upfront by issuing bonds which will then be paid back via special assessments over 15-20 years.

What should normally happen and what I would advise is that the city would require some form of collateral or security from the developer in exchange for fronting the costs of these improvements with the bond offering. This is to protect the taxpayers. When a city issues a bond, it is making a declaration that it will pay back the investors in the bond before any other expense. It is a serious obligation.

For reasons I am not privy to, the City of South Hutchinson either did not require this collateral from the developer or released them from the obligation. As such, when the special assessments became delinquent, South Hutchinson taxpayers became responsible for the amount owed to the bond holders.

In our annual budget, we have a revenue line called “special assessments.” When a parcel owner pays their special assessments to Reno County, the county then remits that money back to the City. This is essentially a “pass-thru” transaction. When the City receives those funds, it then uses them to make principal and interest payment on the bond(s) that funded the projects related to that special assessment.

In an ideal world, the City would estimate and budget receipt of nearly 100% of that annual special assessment revenue because all of the parcels would have homes on them. Nobody is going to allow a home worth \$250,000 to be sold at an auction because they didn't pay \$5,000 in special assessments and/or taxes.

However, when you have vacant parcels like we do in Prairie Ridge, the special assessments are not secured by anything but the dirt. And in this instance, each of these parcels still has more than \$20,000 in special assessments remaining on them.

When you have vacant parcels that are delinquent on the special assessments the parcels will go to tax sale. Usually, this will occur after about three years. In our situation, we are talking about a parcel that will have about \$5,541 owed on it (\$1847 x 3 years).

Again, at this auction the amount owed is wiped out. That means that every South Hutchinson taxpayer must eat the cost of that \$5,541. Every taxpayer is forced to subsidize this "debt" that has been written off.

However, delinquent taxes are not normal debts. We cannot send a collection agency to go after the parcel owner to recoup this money. And these owners do not get punished with any negative marks on their credit score.

Transfer of Ownership

When the City acquires this land via donation, it must "cure" the delinquent taxes to complete the transaction. In order to do this, the City must then write a check to the county in the amount owed. All we are effectively doing, is writing a check to ourselves, because the county will send that money right back to us when they do their next tax distribution.

Some people mistakenly believe that when the City cures the outstanding taxes they are bailing out the property owner or giving away taxpayer money to that owner. This is absolutely not the case and the above explanation should make that clear. No financial benefit has been provided to the property owner.

Mechanically, the only thing that has happened is that the City has "booked" the financial loss on the taxes that it will realize months later at the tax sale.

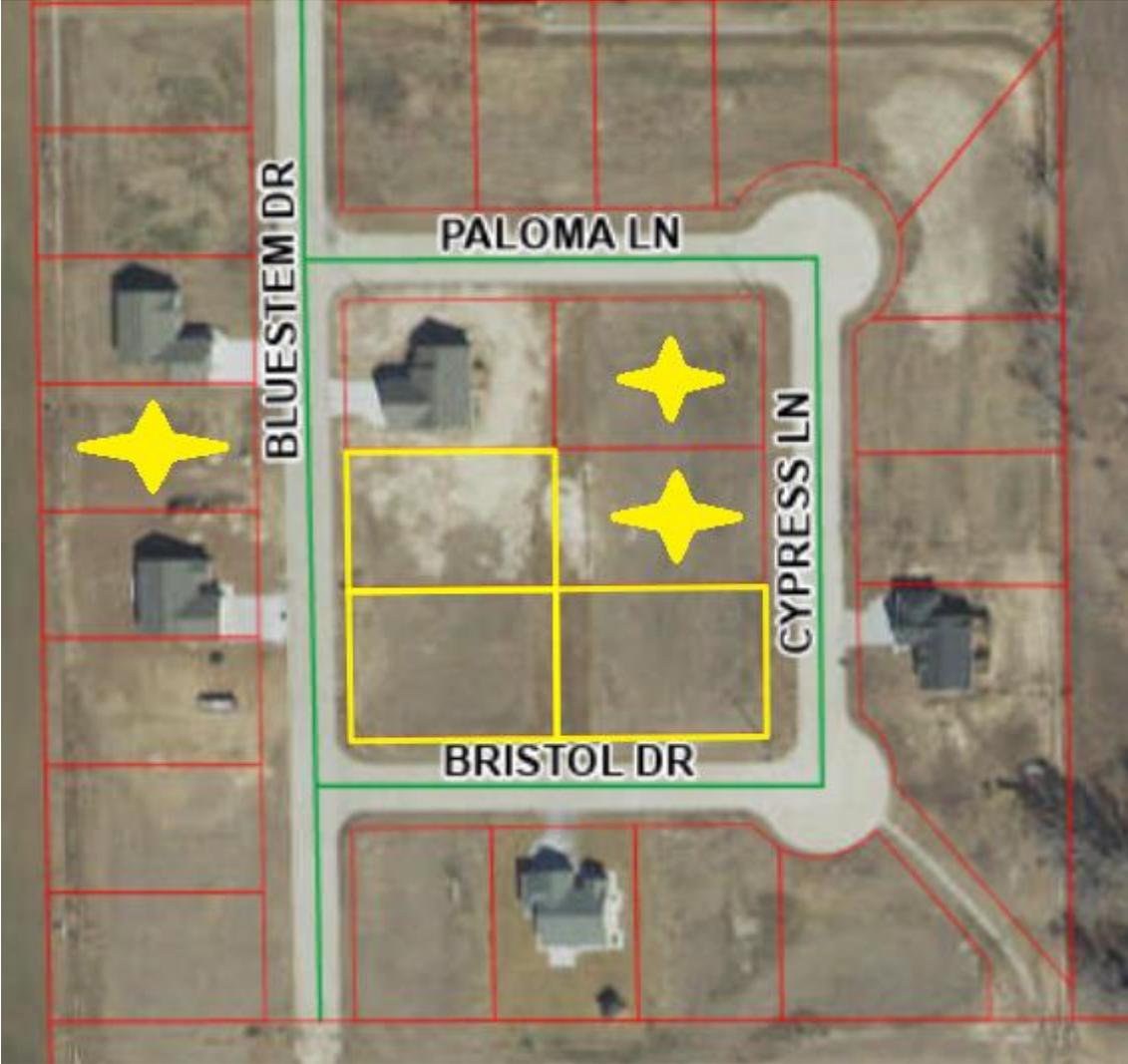
By acquiring these parcels and placing them in the land bank, the City has more control and flexibility. The City can pause the special assessments, it can re-amortize them over a longer period of time, and it can possibly enter into a deal with a developer to build homes.

Financial Impact – No significant impact

Recommendation – Staff recommends council vote to accept these donated parcels.

Exhibit E – Map & Legal Description of Parcels

Donated Parcels



Yellow Stars: Parcels previously donated to the City of South Hutchinson
Yellow Rectangles: Parcels (3) offered to City of South Hutchinson as a donation

Current Owner & Legal Descriptions

- Owner: Juan Jose Martinez

- Parcel 1: Lot 1, Block 5, Prairie Ridge Addition – Phase 2 to the City of South Hutchinson, Reno County, Kansas
- Parcel 2: Lot 2, Block 5, Prairie Ridge Addition – Phase 2 to the City of South Hutchinson, Reno County, Kansas
- Parcel 3: Lot 6, Block 5, Prairie Ridge Addition – Phase 2 to the City of South Hutchinson, Reno County, Kansas