



WATONGA PUBLIC WORKS MINUTES FOR DECEMBER 1, 2020

In accordance with the Oklahoma Open Meeting Law, this Agenda was posted November 25, 2020 Prior to 5:00 PM. at the Watonga City Hall, on the door of the City Clerk's office, located at 117 North Weigle, Watonga, Oklahoma.

The Watonga Public Works Authority of Watonga did meet immediately following Watonga City Council Meeting at 6:00 PM on Tuesday, December 1, 2020 in the Auditorium of Watonga City Hall, located at 117 North Weigle, Watonga, Oklahoma for a scheduled meeting.

Council Present: Julie Almaguer, Kendra Baker, Travis Bradt, Ryan Bruner, Allen Cowan, Mina Green and Bill Seitter. Also present, Mayor Gary Olsen, City Manger Larry Mitchell, City Attorney Jared Harrison and City Clerk Verlen Bills. Lindsey Doyel absent.

Declaration of a Quorum: at 6:24 PM.

CONSENT AGENDA

A. Approve the minutes of the previous PWA Meeting held November 17, 2020.

Motion to approve the Minutes of the previous PWA Meeting held November 17, 2020 was made by Ryan Bruner and seconded by Alan Cowan.

Mayor Olsen called for a vote;

J. Almaguer abstained K. Baker abstained T. Bradt aye R. Bruner aye
A. Cowan aye M. Green aye B. Seitter aye

Motion carried.

AGENDA

1. **Consideration and Discussion Only:** Review of the Intergovernmental Agreement between the City of Watonga and the Cheyenne and Arapaho Tribes, establishing utility rates and public safety / emergency services.

Mr. Mitchell: As we noted to Council a couple of weeks ago, we had the committee comprised of Mr. Seitter, Mr. Bradt, City Attorney Jarred Harrison meet with members of the Cheyenne Arapaho Tribe to discuss the project schedule, opening schedule, and to talk about cross deputation for law enforcement and our public safety response to the Casino. We also discussed the Inter-local Agreement or Intergovernmental Agreement or Memorandum of Understanding (MOU) as we are calling it. We thought it was important to bring everyone up to date on where we think we are. It is somewhat difficult, in the sense that we have made three offers to the members of the Cheyenne Arapaho Tribe Casino Group on electrical rates, sewer and water rates. In your packet are copies of the Intergovernmental Agreement that was distributed to them in May, and then, at that May Meeting we asked them to red-line that agreement and get it back to us. We have not had a response from them at this time.

We suggested the MOU and the Casino Group told us that they liked the idea. An MOU was drafted in August that basically highlighted principals issued in the Intergovernmental agreement, with the provision that the formal agreement would be adopted and executed by the time that the Casino/Hotel Conference center was opened. That MOU was delivered to them in August. At the meeting on November 12, they made some verbal commitments, saying that when the waterline was complete, and they were connected and had water, they would sign the MOU. Later in our conversation, they started making verbal changes to the values of the items in the Intergovernmental agreement, and or in the MOU. One of those changes had to do with the amount of money they were willing to provide to the City for the purchase of a Fire Apparatus. They also made reference to the in-kind or in-lieu contribution that they were planning to make each year. The original amount was \$100,000. In the MOU we modified that to \$75,000. During that meeting on November 12, there were a couple of comments made, suggesting that they were looking at \$50,000. We thought it was important to visit with the Council tonight to let you know where we are with finalizing a formal agreement.

Mr. Mitchell continued: Secondly, their startup date for the Casino, I believe is either December 21 or 22nd. They are having a job fair here at City Hall tomorrow from 10:00 AM to 3:00 PM.

The waterline project is completed. We are testing to make sure that it's properly cleaned out and chlorinated. We are waiting for test results so the Casino will have access to water. The Casino Group made the comment, once they had water service, then they would sign the MOU. At this time we still do not know what that document will look like.

Mr. Mitchell: We have also had discussions about a cross deputation agreement between the Tribe and the City. Mr. Harrison has had some conversations with their Attorney. As of today, we have not seen a suggested contract from them.

We do not want to rush the Council through something. We did not want to call a special meeting and ask Council to approve or vote on something that you have not had a chance to discuss or review.

We have made it clear to the Casino Group, in absence of a formal agreement we would proceed to implement our large commercial utility rates for water, sewer, electric, and trash service until such time as we do get a formal agreement. There may be some hard feelings about that. This basically summarizes where we have been over the last nine months.

Mr. Harrison: One thing I do want to add to that, for the cross deputation agreement, I have let their Attorney know that until we add that, we do not want police and fire responding. Especially the police as this is outside of their jurisdiction. Until we have a cross deputation agreement, the Police are not authorized to respond. As in utilities agreement, it is as if we have no agreement and leave that where it is.

Mr. Bradt asked what was their response to this?

Mr. Harrison: He basically said he had not seen any agreement with the cross deputation information in it as had been discussed. He would get with the Tribe and get back to us and left it at that.

Mr. Mitchell: There are two issues with cross deputation. One is that the Casino / Hotel is outside the City Limits. Secondly, it is on Tribal land. There are some real issues when you have the City Police on Tribal land. Should there be an event in the parking lot where somebody backs into somebody or runs over somebody, then who responds? Until we get that agreement, the City has a tremendous amount of liability getting involved in those circumstances.

Mr. Seitter: I thought at our last meeting, that their lawyer said that he had that cross deputation.

Mr. Mitchell answered, he should. It is a standard cookie cutter kind of agreement. This is not their first time at this, they have four or five other casinos. And across the State there are 110 casinos in Oklahoma. They should have an idea of what is required for these agreements.

Mr. Seitter recalled the previous meeting with the Casino Group and he remembered that they did have this.

Mr. Harrison: I was not at that meeting. I can not speak on that. I do not want to convey the wrong message going back and forth here. He did not necessarily say that he did not have anything like that. He just reported that he had not done anything as it relates to Watonga. He might have a generic agreement, but not for our local situation.

Travis Bradt: I thought that they did say though you had some kind of MOU.

Mr. Mitchell: He has seen the MOU we have offered and he did make the comment that they liked the idea of an MOU.

Mr. Harrison: I did respond to their Attorney after that meeting and I allowed that I did not like the idea of an MOU at this time. We are past that point. We need the actual agreement. And he replied that he liked a couple of things about the MOU. I suggested, what we call the document is not important, as long as it has the right terms and it is a final binding agreement. We can name it what is needed as long as we have the provisions we need in it.

Mrs. Baker asked, as they are working there and to be opening soon, do they already have utilities?

Mr. Mitchell replied, they do not have water yet. They do have electricity, we set up temporary power for construction. We have just finished the waterline last week and we are testing and flushing the new line and waiting for test results that will allow for public consumption. Then it can be connected to the Casino / Hotel Service. This could happen this week.

Mrs. Baker asked, will the City hook up the water service before we sign a contract?

Mr. Harrison noted, this is different than what everybody was expecting. But note that municipalities can provide their services within and without boundaries. We are completely within our legal power to provide utilities to them, even though they are not within the municipal limits.

As we do not have an agreement, they will be paying the regular rate, not the incentive rate that has been discussed in previous meetings, because we do not have this agreement. As Mr. Mitchell has commented, it will be the large commercial electric rate not the discounted rate. We are playing both sides of this. We are not giving them the incentive, but we can still provide utility service and get properly paid for this.

Mr. Seitter noted, our agreement (understanding) all along was to provide it to a certain point at their property line. Correct? It is their responsibility to hook into our service. We are not running our utilities all the way into their facility.

Mr. Mitchell: We are setting the meter for them. Then they will tie into that, for that service.

Mrs. Baker asked, more or less hypothetically, as the Hotel and Casino will be actually run by several contractors, who are we really dealing with?

Mr. Mitchell agreed with the question. The other thing to keep in mind, the Intergovernmental Agreement will set the utility rates for a period of six years before the rates will be renegotiated.

Mr. Cowan commented, I thought that this was more concrete than what you are telling us. I hate to hear that they are backing away from some of the items.

Mr. Mitchell: From that November meeting, we have several verbal agreements and they liked the idea of an MOU, but we have received nothing in writing. No MOU, Contract or red-lined document to compare with what is being talked about.

Mr. Mitchell pointed out, there are two parts of this, we have control of the utility. We can set the rates wherever we want to set the rates. The other part is in lieu of tax payment or their support payment of \$100,000 or \$50,000, whatever this may be. That is negotiable. It is also negotiable as to what we will accept for payment for fire apparatus. But in my view, we have control of the utilities.

Mr. Cowan asked, are the Tribe and the Casino combined? Is the new 12,000 square foot building to the east connected with the Casino Group?

Mr. Mitchell replied, they are connected in the sense that the utilities in the new 12,000 square foot building are from the same source as the Casino / Hotel.

What the Tribe refers to as an Emergency Care Building or Facility is a different subsidy of the Cheyenne Arapaho Tribe, separate from the Lucky Star Casino Group. When we met with them, they did not know who the contractor was nor had they seen a set of plans.

Mr. Cowan asked for clarification, the money we paid to Red Hawk Construction a short time back, to assist with the waterline, has nothing to do with the Casino Group and their construction?

Mr. Mitchell: That is a valid point, we are dealing with two separate entities. I do not think, any of our dealings with the Casino Hotel applies to the other buildings. And I do not think the other building deserves or could argue that they should have the same utility rates as the Casino and Hotel. The other location is not going to be a commercial venture. They are basically going to be a community center, if you want to oversimplify this. It may be some sort of a training center or a facility they can use for tribal meetings. More in the line of a Community Headquarters for Tribal Members, but it has nothing to do with the Casino and Hotel.

Mr Harrison: If I could jump back to the first thing you said, the disappointment for not having the in-lieu of payment or the payment for a ladder truck. Remember, if we do not have those agreements then we do not need a ladder truck. We currently do not need one. The only reason you need one now is for the Hotel. This would not be a huge loss. We are not out money buying the ladder truck if we do not have an agreement and get that lump sum cash. And, yes, we will not get the in-lieu money but we will be charging a higher utility rate. I do not know the numbers, but I remember talking to Mr. Meacham the other day. He pointed out that we are not going to get hurt that much.

Mr. Cowan, so the 7.4 cents per kilowatt hour is not going to be in play if they do not sign an agreement? What is the rate for Large commercial users?

Mr. Mitchel replied it would be 10 cents per kilowatt hour for the large commercial user.

Mr. Cowan noted, that should be enough difference to notice.

Mr. Harrison: I just want to make sure you understand that it is not over, just because there is no agreement. They are still not getting everything they wanted, and we are in a good position here. The City will be okay either way. It would be nice to be able to work this all out. Having regular cash flow is good. Having a ladder truck would be a nice thing. But it is not the end of the world, you are not going to be out lot of cash if this agreement does not get put in place.

Mr. Mitchell: They (the Casino Group) may be in an uncomfortable position. They have to have public safety services to that facility. If they do not get it from Watonga then they will need to initiate their own public safety.

Mr. Bradt mentioned, their consultants agreed, as soon as the waterline is completed and service provided to them then they will be ready or able to do something. At least that is what I thought they were indicating. I was hoping that means they will be ready to sign some kind of paper at that time. They may be waiting until the Hotel gets open. They want to get the Casino open this month because they believe this will profit considerable in December. We hope they come to a meeting soon ready to sign.

Mr. Bradt: I hope this does not come to the point where this matters. We want to be good neighbors, we want to be good members of the community. So we should want to maintain that attitude. They want to turn on the Casino only at this time, not the Hotel. The Hotel will not be completed until later. But, they want to get it completed enough to open the Casino. They think, during the month of December, they could make over a million dollars. We hope that's the case because of the fact we want this agreement signed and we are ready to go.

Mayor Olsen reminded us that there are also two electrical transformers installed and ready to go.

Mr. Cowan agreed, we have done all that was asked of us.

Mr. Mitchell: We have honored our word of this agreement and then some.

Mr. Seitter: I would add, we have honored our word, with the understanding that we were going to get a ladder truck, and we were going to do the set point percentage on electricity, and there was going to be \$100,000 in lieu money. That was the agreement when we honored our word. And now that we've honored our word, it seems like the agreement has changed.

Mr. Mitchell: I agree with Mr. Seitter's comment and I would go one step further. We are in the position of saying, until terms are agreed to then we're going to charge you this "rate".

Mr. Seitter: And, the terms could be, less for a ladder truck, and less annual in-lieu money so the electric rate would need to be adjusted. We still need to get our money back in the planned six years. We will need to charge more for services.

Mr. Mitchell: That is certainly a decision that the Council can make. And we are in the driver's seat. They need the water, they need public safety or their Chief or their Governor will not allow them to open.

Mr. Mitchell continued, I should relate to you, of the Casino we were working with in Guymon. We tried to negotiate an agreement for cross deputation with them and provide an EMS. We could never get them to the table. We could not get them to sign an agreement until the day before they were to open. They paid a premium for waiting until the last day.

Mr. Bradt: We have meet with the Casino Group at least 10 times. We have put a lot of work into this. Eventually there is going to be a tremendous amount of economic activity happen. I am not saying we roll over and play dead just because of that, we will not do that. We are in the driver's seat. I think we should continue to negotiate with them in good faith, but time is getting short.

Mr. Harrison: I did try to impress upon them that our last meeting will be December 15 and we have no desire to call a special meeting. We need any agreements well in advance of that so we have a chance to review.

Mr. Bradt noted that he had told them the same thing. The Council does need some time to review.

Mr. Bradt: And I recommend the Council Members review the documents.

Mr. Bruner replied, I do not like the discussions about getting less.

Mr. Bradt suggested that there will be a happy medium somewhere. I do not know where that will be at this time, but we need to remember that we will make our money off the utilities.

Mr. Cowan: We had a much simpler, similar project for a local businessman here in town, for the NAPA Store. We will recoup our money in sales tax and they will be a utility customer. But I know it did cost us up front.

Mr. Bradt: The other consideration of this is, that we have already set up the infrastructure, the waterline and sewer. We can use this for other opportunities and not just the Casino Hotel.

Mr. Seitter: The key thing we have not talked about, is that electricity rate of 7.4 cents, and that is a take or pay. And it could be more. That is really meant to be the minimum.

Mr. Bradt replied that the Casino Group think, that once the Hotel is open the utilities will be much more.

Mr. Bradt: We are just trying to explain in a short 15 minutes what has happened in the previous 10 meetings with the Casino Group.

Mr. Cowan expressed appreciation to Mr. Bradt and Mr. Seitter for the time they have put into this project.

Mr. Mitchell: We hope to have an important vote or two coming up in the next couple of weeks. We need to see something if they want to open on December 21.

Mr. Bruner asked about part of the agreement, and quoted, “the city shall provide fire protection and ambulance responses to the Casino Development and shall commit sufficient resources in the form of upgraded facilities and additional public safety.”. Is that not open ended to where they can just say, well that does not meet our standards.

Mr. Harrison: That wording is fine in a position such as a memorandum of understanding or letter of intent. But for the final agreement, you are one hundred percent correct. We will want that narrowed down significantly to more precise wording and that is what we will do.

Mr. Mitchell: We have already told them, we have approved two additional police officers and a full time firefighter. Once again, we have kept our word. We have already provided the additional manpower that is needed to get service to them.

Mr. Cowan asked, about the Contract, it refers to Council Members and Council will be changing in the near future. Will that have any effect?

Mr. Harrison: I will need to look back at that again, but my gut reaction is that this is what it is at the time we signed and that is where we are at. Situation do not necessarily change after the fact. I do not know how critical that ends up being to the underlying agreement, though.

Mr. Bruner asked, what will we do with this “pie in sky” \$75,000?

Several replied, it has already been spent, Police Officers, Firefighters, waterlines and other utilities.

Mr. Mitchell: Long term, in the future, what would we do with that \$75,000? It would go into the operating budget either with the Fire Department or the Police Department. Or maybe split it? We could put it in a capital improvement fund for improvements later.

Several suggested, to help grow our City.

Mr. Mitchell: In the agreement it is tied to Public Safety, but it does not tie our hands. As long as we are providing Public Safety, we can allocate that money wherever we want.

Mr. Bruner: I would hope we use this money to find a way to keep progressing. Maybe matching grants when we struggle to find the funding for major improvements.

Mr. Bradt mentioned artist renderings for the Casino that were being passed around.

Mr. Bruner asked to clarify, just the Casino will open at first? Will a restaurant open also?

Mr. Mitchell replied, we still do not know for certain, I would say, when they open the Casino, they will have some form of deli bar or sandwiches and coffee. Full service restaurants should open when the Hotel opens, but we do not know. On the plans, they show a bar restaurant area with conference room space in the back corner of the Casino so they might have a deli bar with catering services or something similar.

Mr. Mitchell: I do not know for sure as to the operations of the Cheyenne Arapaho Casinos, but a lot of the Tribes lease out all the operations for the casino, the hotel and restaurant operations. The Tribes generally do not touch any of this. Security is even contracted out.

Mr. Mitchell continued, I hope the conversation was helpful to the Council.

2. Comments:

Mr. Mitchell asked of Mr. Jacks, were you able to find the insurance premiums?

Mr. Jacks replied, the premium last year was \$69,304 and the premium this year is \$57,894. For this year, we have paid \$14,496 in October and \$3,591 in July so we have paid approximately \$18,000 for the year so far. Of course there is option to refund the escrow account which will effect this.

Mr. Mitchell; That is very reasonable. I would have guessed it would be higher than that. That makes the refund closer to 50 percent.

Mr. Seitter asked, we take the \$26,000 cash and then we give it back to them?

Mr. Mitchell: I think you take the cash and pay the premium from next year's budget. We will budget whatever the premiums are for next year. If we have a good year then the premiums will be flat with little increase.

Mr. Jacks noted that the premiums went down almost \$12,000 in just one year. It could go down more depending on how many cases we have.

Mayor Olsen replied that we have not had a large number of serious Worker's Compensation Claims.

Mr. Cowan asked about the digester at the Treatment Plant. Are we back to one hundred percent?

Mr Mitchell: We are not back online yet. We have a meeting scheduled on December 12 or 13th with Garver Engineering. They have completed their evaluation of the Treatment Plant and we want to sit down with them and go through that evaluation before we do anything to bring the digester back online. The digester has been completely cleaned. It cost a bit more money, well, substantially more money than we originally estimated. A couple of reasons for that, one was the ice storm that slowed everything down and we had a lot of equipment just setting out there during this time. Another reason was the bottom, the last three feet or so of the digester was basically like concrete. I will be asking Light and Water Supervisor Warren Rice to come to the next Council Meeting and give the Council a recap of that project.

They actually had to get in there and chisel it out. We tried to use a fire engine hose to break it up but that did not work. But it do not make sense to do two thirds of the work and leave the rest undone. In two years we would be right back in there again. Unfortunately, it costs more than we projected and that is my fault.

Council was understanding and the consensus was that it had to be done. Any project like this will always cost more than expected.

Mr. Bruner asked how long had it been since the last clean out?

Mayor Olsen replied, 12 years and part of that time the Prison was also online.

Mr. Mitchell: The other problem was under that layer of concrete like sediment was a layer of trash and debris that got in because the drip chamber and grinder are not working.

Mayor Olsen: The "Muffin Monster"

Mr. Mitchell: All this debris was coming into the plant and clogging everything Up. It was quite a mess.

Mayor Olsen: Also, some of this was because of equipment failures at the Prison. They were sending us a lot of debris.

Mr. Mitchell: But we are going to wait until we review the evaluation from Garver Engineering before we do anything else. We do have the capacity needed to handle the Casino and Hotel.

Mr. Cowan asked, can you tell us what is happening at the old Holleytex Building?

Mr. Mitchell: It is a marijuana grow house. We have been visiting with a group out of Oklahoma City and Moore. They are doing a significant amount of work on that building. They project to spend between eight and ten million dollars. The people leasing the building are the ones doing the improvements. They have started with about 36,000 square feet and want to expand out to about 120 to 130,000 square feet over the next year or two. They have spent a million dollars just replacing the roof.

Mr. Seitter asked, we are selling them the electricity?

Mr. Mitchell: We are.

Mr. Bruner: I remember Mr. Rice was concerned about being able to supply the electricity they might require.

Mr. Mitchell: We are watching this closely. We can provide service for their startup, but once they get past the initial phase, we are a little concerned about the amount of power they may require. We may have to figure out ways to beef up our system.

Mr. Bruner asked if OMPA will help us?

Mr. Mitchell: Yes, we have already had two meetings with them. We are hoping that their power projections are not as high as they say. If it is, we could be looking at a \$600,000 per year utility customer.

Mr. Seitter: And they are not asking for a special rate?

Mr. Mitchell replied no. They would be charged the regular large commercial rate.

Mr. Cowan asked, will there electric use be as large as the Casino Hotel.

Mr. Mitchell: They will be larger.

Mr. Cowan: And they are already our customer? We will not need to contract with them similar to the Hotel Casino?

Mr. Mitchell: We are their utility provider. Depending on their future needs, we may have to do some serious upgrading to the electrical system. We may be looking at a sub-station in the long term.

If you think about it, they have to have grow lights for the plants. Then the lights generate a lot of heat. So they have to have air conditioning to remove the heat. They are paying for power both ways. And I do not think they are interested in Behind the Meter Generation or Solar Panels.

Mr. Mitchell continued, they also intend to hire 50 to 60 employees.

Mayor Olsen added, at a fairly good wage.

It was noted that this group has also built several large building east of Watonga just north of the cemetery.

Mr. Bradt commented, even if this grow house does not stay, we will have the infrastructure for that location in place for the next opportunity.

Mr. Bruner: Several years ago, when we were trying to attract businesses, we kept trying to tell people about the Holleytex building. There reply was, yes it is a big building, but your electricity is not up to standards, and there were a lot of things that would not work for them in the past.

Mr. Bradt noted that the owner is putting on a new roof also. That is an expensive job.

Mrs. Almaguer asked how much of the building are they using?

Mr. Mitchell replied that they may use up to approximately 150,000 square feet.

Mr. Bradt added, the whole building is about 253,000 square feet so they might eventually use about two thirds of the building.

Mr. Cowan asked, is there a wild guess number for the price of a sub-station?

Mr. Mitchell replied, a very broad ball park number would be about 2.5 million dollars. The way to finance that is to get the customer committed to a long term agreement. Then you capture part of their utilities to pay the debt service on that improvement. It is something that requires a long term commitment. If they leave, yes the building is still there with our electricity, but the next tenant is probably not going to need all that power and we are still paying for this sub-station. We need to protect ourselves, but this can be done. Also, we can do what is called a tax increment district or just a district and draw a line around the building and around the sub-station, and then capture the property taxes to help you pay for that substation. There are ways to finance it. At this time we are just trying to determine what their long term power needs are going to be. They about scared us to death at the first meeting we had with them. I do not remember the numbers, but it was just astronomical. Mr. Rice's response at that meeting was, we have a choice, we can either provide power to them or power to the rest of Watonga. Their numbers were that big. Our infrastructure would need a major overhaul.

Mr. Bradt noted that they plan to hire 50 to 60 new employees.

Mr. Mitchell added, and the Casino Hotel is talking about 50 to 60 employees. That is a 120 new employees for the community.

Mr Cowan: we cannot grow without infrastructure to grow. I would support it.

Mayor Olsen asked, in humor, would Grow House employees have to pass a drug test?

Mr. Mitchell: I think some of the initial employees are already moving this way. We have seen several new utility customers in the Light and Water Office. They may be Managers or Security Personnel.

3. **Adjourn:**

Julie Almaguer made the motion to adjourn. Motion was seconded by Ryan Bruner.

Mayor Olsen called for a vote;

J. Almaguer aye K. Baker aye T. Bradt aye R. Bruner aye

A. Cowan aye M. Green aye B. Seitter aye

Motion carried at 7:11 PM.

Mayor Gary Olsen

City Clerk, Verlen Bills

NOTICE:

As of November 15, 2020 Open Meeting Regulations are back in full effect. At least five (5) Council Members must be present in order for the Mayor to declare a quorum. Others may attend by teleconference if need be. Please allow the City Clerk's Office 24 hours notice at 580 623 4669.