



City of Grand Island

Tuesday, August 14, 2018
Council Session

Item G-3

Approving Minutes of August 7, 2018 City Council Study Session

Staff Contact: RaNae Edwards

CITY OF GRAND ISLAND, NEBRASKA

MINUTES OF CITY COUNCIL STUDY SESSION

August 7, 2018

Pursuant to due call and notice thereof, a Study Session of the City Council of the City of Grand Island, Nebraska was conducted in the Council Chambers of City Hall, 100 East First Street, on August 7, 2018. Notice of the meeting was given in the *Grand Island Independent* on August 1, 2018.

Mayor Jeremy L. Jensen called the meeting to order at 6:00 p.m. The following Councilmembers were present: Mitch Nickerson, Jeremy Jones, Julie Hehnke, Linna Dee Donaldson, Michelle Fitzke, Vaughn Minton, and Mike Paulick. Councilmember Mark Stelk was absent. Councilmembers Chuck Haase and Roger Steele were present at 6:58 p.m. The following City Officials were present: City Administrator Marlan Ferguson, City Clerk RaNae Edwards, Finance Director Patrick Brown, City Attorney Jerry Janulewicz and Public Works Director John Collins.

PLEDGE OF ALLEGIANCE was said.

SPECIAL ITEMS:

Presentation of Utilities Budget for FY 2018-2019 and Cost of Service Study. Utilities Director Tim Luchsinger stated utility rates were required to be non-discriminatory and reflected the actual cost of service. The last electric system study was implemented in 2004. Introduced was John Krajewski representing JK Energy Consulting, LLC who presented the study. Changes since the last rate study were: significant capital improvements to comply with stricter emissions limits for coal-fired generation; reduction in off-system sales revenue; SPP Integrated Marketplace; and fuel cost changes.

The purpose of the study was to review the financial performance and develop rates that reflected the cost of service and accomplish other goals established by the Utility. They wanted rates that were competitive, rates that provided sufficient revenues to cover projected operating expenses, and rates that reflected the cost of service for each rate class. They were not recommending any rate increase this year. On a cash basis, deficits were projected to increase from \$16,000 in FY 2018 to \$1.3 million by FY 2022.

Projections were subject to uncertainty such as future energy-related legislation, including greenhouse gas legislation and renewable energy requirements. Without a rate increase, return on rate base remained below the target of 6.11% through FY 2022.

The Cash Reserve Policy included five components:

- Operational
- Power Cost
- Asset
- Capital Improvement

- Debt Service

The existing minimum cash was \$32 million. He recommended we improve our cash reserve policy by adding a catastrophic risk component to cover loss of revenue, cost of system replacement, and having an additional \$4.7 million. It was recommended to revise the minimum cash to \$36.7 million.

Findings of the Cost of Service Study were: customer-related costs were higher than existing customer charge and rates collected in the summer season were less than the cost of service while winter season rates were greater than the cost of service.

The following rate design goals were presented:

- Long-term financial integrity
- Fair, reasonable and non-discriminatory rates
- Competitive rates compared to City's peer group
- Encourage use during low cost periods
- Discourage use during high cost periods
- Recognize cost of service for each rate class and season

The following proposed changes to rate design were:

- Increase customer charges for Residential and Commercial customers
- Increase demand charges
- Simplify energy blocks
- Change to fixture-based lighting rates
- Increase base power cost

Mr. Krajewski stated that with the proposed rate changes, the City's rates were still competitive with peer groups including: NPPD, LES, OPPD and the City of Hastings. Reviewed were the rate comparisons for residential and commercial customers with the proposed rate changes.

The recommendation was to adopt the rate ordinance as presented which would increase customer charges for Residential and Commercial customers and simplify Residential and Commercial rate blocks. It was also recommended to amend the Cash Reserve Policy to include a reserve for a catastrophic event.

Mr. Luchsinger presented the following recommendations:

- Neutral to overall income
- Increase monthly customer charge
- Revise basis of power cost adjustment calculation
- Eliminate of redundant rate blocks
- Revise streetlight rate
- Increase minimum cash reserve

He explained the electric rate structure. He stated they were working on putting in all new meters that were wireless.

Review Electrical Enterprise Fund. Utilities Director Tim Luchsinger stated both the electrical and water were dependent on the weather. Reviewed were the budget guidelines of budgeting low revenues and high operating costs. They maintain adequate cash reserves and manage controllable operating expenses and capital expenditures.

Cash reserve considerations were: working capital, replacement power, asset replacement, Capital Improvement Reserve, and Debt Service Reserve. The proposed Electric Fund budget was \$36,655,000 and the Water Fund budget was \$4,123,000 for FY 2018-2019.

The following Electric Capital Improvements were presented:

- Transmission and Substation Upgrades - \$1,150,000
- Bond payments - \$3,110,000
- Distribution improvements - \$4,225,000
- Power plant maintenance/improvements - \$3,185,000

They anticipated the Burdick Steam Unit Retirement and staff reorganization.

Review Water Enterprise Fund. Utilities Director Tim Luchsinger reviewed the following Water Capital Improvements:

- Bond payments - \$300,000
- Distribution improvements - \$1,475,000
- Production improvements \$300,000

Discuss Utility Deposit. Finance Director Patrick Brown stated currently only commercial accounts were being asked for a utility deposit (no less than \$200 and no more than \$2,000) and those deposit accrued interest. They were proposing changing the deposit to \$250 to new residential customers or residential customers who were transferring service to a new address that did not have two (2) years of good payment history. The utility deposits for residential customers would be credited back to the customer accounts when either: a) the residential customer had one (1) year of good paying history (no returns) using auto-pay or b) the residential customer had two (2) years of good payment history.

The City would not pay interest on any deposits going forward. No other utility provider in the area was paying interest to customers on their utility deposits. If the city elected to stop paying interest then the commercial accounts currently with deposits would be paid interest up to the new ordinance effective date.

Mr. Brown answered questions regarding the security deposit. Currently there was not a deposit in place. He stated this change would be more efficient for his department.

Review Fee Schedule. Assistant Finance Director William Clingman sated there were several humane society animal fees that had been removed since we do not collect them. Building Department Director Craig Lewis explained the mobile sign permit fees. Public Works Director John Collins commented on the Public Event Closure fee of \$75.00. He answered questions regarding the uncovered load as there was no way to enforce it.

Review Full Time Equivalent (FTE) and Salary Adjustments – Non-Union. City Administrator Marlan Ferguson stated each year there has been a salary ordinance. Human Resources Director Aaron Schmid reviewed the following:

- FOP Labor Agreement would increase on average by 2.5%
- AFSCME Labor Agreement would increase on average by 3%
- IAFF Labor Agreement would increase on an average by 0%
- IBEW Finance Labor Agreement would increase on an average by 3%
- IBEW Service/Clerical Labor Agreement would increase on an average by 3%
- IBEW Utilities Labor Agreement would increase on an average by 3%
- IBEW WWTP Labor Agreement would increase on an average by 3%
- Non-Union would increase on an average by 1.5% plus 1.5% increase in retirement compensation

Mr. Ferguson reviewed the proposed increase in FTE's. One Office Clerk at the Heartland Shooting Park, one full time and three seasonal Maintenance Workers for the New Veterans Sports Complex, four (4) part time Airport Police Officers, and authorizing two additional sworn police officers utilizing the COPS Grant.

Police Chief Robert Falldorf stated currently a full-time officer was used for the airport security which took them off the streets. They had come up with a proposal to hire retired part-time certified officers to work the airport. Chief Falldorf answered questions regarding the COPS Grant. The City had been awarded \$500,000 and was in the second year of the grant but could be continued for three years. He stated they were limited to only three officers they could send to the academy at one time. They came up with lateral transfers to help with this situation.

Mayor Jensen stated the FOP had demanded that the City bargain with them regarding personnel issues and lateral transfers.

Discussion was held concerning the vote of the 1/2 cent sales tax and how that affected the 2018-2019 budget. It was mentioned that the budget could be amended. Comments were made concerning the vehicle tax.

Mayor Jensen stated he was worried about this budget and the city in the long term and that we needed to be cautious. There needed to be revenues to cover the additional expenses.

ADJOURNMENT: The meeting was adjourned at 8:32 p.m.

RaNae Edwards
City Clerk