



City of Grand Island

Tuesday, July 27, 2021

Council Session

Item G-2

Approving Minutes of July 13, 2021 Budget Work Session

Staff Contact: RaNae Edwards

CITY OF GRAND ISLAND, NEBRASKA

MINUTES OF CITY COUNCIL BUDGET WORK SESSION

July 13, 2021

Pursuant to due call and notice thereof, a Budget Work 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 July 13, 2021. Notice of the meeting was given in *The Grand Island Independent* on July 7, 2021.

Mayor Roger G. Steele called the meeting to order at 7:16 p.m. The following City Council members were present: Mike Paulick, Justin Scott, Michelle Fitzke, Mark Stelk, Jason Conley, Vaughn Minton, Bethany Guzinski, Maggie Mendoza, Mitch Nickerson, and Chuck Haase. The following City Officials were present: City Administrator Jerry Janulewicz, City Clerk RaNae Edwards, Finance Director Patrick Brown, Interim City Attorney Stacy Nonhof, and Public Works Director John Collins.

SPECIAL ITEMS:

Presentation of Solid Waste Division Budget for Fiscal Year 2022. Public Works Director John Collins presented the Solid Waste Budget for FY 2022.

Mr. Collins stated they received no funding from the General Fund and all revenues were generated from tipping fees. This was one of the few divisions within the City that had competition. They served both residents and non-residents. He stated the landfill had 19 years of life left in the current area which included Cells 1, 2 & 3 and approximately 27 years of life were left in the total Phase 1 area.

Mentioned were notable items in FY 2021 with continued routine capital replacement schedule within the Landfill with a new compactor. The Transfer Station operations and facility improvement study and rate study were presented to Council on June 8, 2021.

The following 2022 Budget was presented:

- Personnel - \$1,387,074
- Operations - \$1,311,018
- Capital - \$5,479,283

The following 2022 Budget Capital expenditures were presented:

- Replacement of Transfer Station loader - \$164,000
- Replacement of Transfer Station truck-tractor - \$122,000
- Replacement of transfer trailer - \$78,000
- Landfill leachate evaporator - \$50,000
- Begin Transfer Station improvements - \$2,760,000

The total FY2022 Capital Expenses were \$5,479,283.

Mentioned was a rate increase proposed for FY 2022 of 3.57% increase at the Transfer Station.

Mr. Collins was requesting .25 FTE for a part time Division Clerk. This was for an additional part time clerk to work Saturday mornings at the Transfer Station. There were often over 150 customers on Saturdays at the Transfer Station. This would allow for two (2) part time clerks to work together and to be able to better handle peak customer/traffic times.

Mr. Collins explained the construction of the transfer station which would include more lighting, tipping floor, and two scales. Solid Waste Superintendent Jeff Waittier commented on the rates.

Presentation of Utilities Department Budget for Fiscal Year 2021-2022. Utilities Director Tim Luchsinger introduced John Krajewski with JK Energy Consulting, LLC, 74408 Road 433, Smithfield, Nebraska who gave a presentation on the Electric Cost of Service/Rate Design Study. Mr. Krajewski stated the last completed Electric Cost of Service/Rate Design Study was done in 2018. Several changes had occurred since then. Refinancing of outstanding debt, risk factors associated with events like February 2021 weather, and the need to ensure adequate reserves while funding operating costs and capital project needs.

The purpose of the study was to review financial performance and develop rates that would reflect the cost of service and accomplish other goals established by the Utilities Department, such as rates that were competitive, sufficient revenues to cover projected operating expenses, and reflect the cost of service for each rate class.

On a cash basis, deficits were projected to increase from \$4.2 million in FY 2021 to \$10.5 million by FY 2025. They found that customer-related costs were higher than existing customer charges and in general; all rate classes needed rate increases for revenues to reflect the cost of service. The proposed changes would increase the customer charges for residential customers from \$8.00 to \$10.00 in FY 2022. A typical residential bill would increase \$2.73 in October 2021 and \$2.80 in October 2022. Mentioned was that additional rate changes of 3% in FY 2024 and FY 2025 might be necessary to maintain sufficient revenue to cover projected expenses.

Discussion was held regarding a rate increase. Mr. Luchsinger stated he was confident in the study and was recommending a 3% rate increase in the future. The current cash reserve as of the end of May was \$60 million. The current life expectancy for Platte Generating Station (PGS) was 5 to 10 years. Mentioned was moving personnel from Burdick Station to PGS to save costs. Alternative fuels were mentioned along with decommissioning the Burdick Station.

Mr. Luchsinger stated both the electrical and water were dependent on the weather. Reviewed were the budget guidelines of budgeting conservative (low) revenues and conservative (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 \$32,348,429 and the Water Fund budget was \$2,797,897 for FY 2021-2022.

Review Electrical Enterprise Fund.

The following Electric Capital Improvements were presented with a total Capital Budget of \$11,590,000:

- Transmission and Substation Upgrades - \$1,300,000
- Bond payments - \$3,785,000
- Distribution improvements - \$6,370,000
- Power plant maintenance/improvements - \$135,000

Review Water Enterprise Fund. The following Water Capital Improvements with a total Capital Budget of \$2,350,000 was presented:

- Bond payments - \$345,000
- Distribution improvements - \$1,625,000
- Production improvements \$380,000

Presentation of Wastewater Division Budget for Fiscal Year 2022. Public Works Director John Collins reviewed the Wastewater Division.

The Wastewater Division was an Enterprise Fund that relied on revenues collected from community residents, businesses, and industries to meet all state and national requirements. It is funded solely through self-generated revenue. The average residential bill for 2020 was \$31.07, well below the \$55.77 average.

Mr. Collins gave an overview of the Wastewater Division and the FY 2021 Capital Projects which totaled \$7,438,100.

The following proposed Capital projects for 2021/2022 were presented for a total amount of \$12,195,000:

- Laboratory, Operations Control Center & Admin Building Renovation - \$500,000/\$3,991,067
- Clarifier Rehabilitation - \$186,000
- Aeration Basin Diffuser Replacement - \$50,600
- WWTP Security System - \$50,000
- Flow Improvements - \$3,430,000/\$8,800,000
- UV System Upgrade - \$39,000
- North GI/CNRA Improvements - \$5,370,000/\$9,102,550
- Collection System Rehabilitation - \$70,000
- Lift Station 17 Relocation - \$1,425,000/\$1,915,000
- Buffering Tanks - \$600,000/\$7,250,000
- Lift Station 1 - \$300,000/\$600,000
- Custer to Broadwell; Capital to State Collection System Rehabilitation - \$90,000/\$990,000
- Flow Monitoring - \$85,000

Presented was the 2022 Budget:

- Beginning Cash - \$15,512,759
- Revenue – \$14,383,493
- Total Revenue – \$29,896,252
- Operating Costs – \$8,378,323
- Loan/Bond Payments - \$4,178,995
- Capital Expenses - \$12,195,000
- Total Expenditures - \$24,752,318
- Ending Cash Balance – \$5,143,934

Reviewed were the 2022 Capital Project future expenses which totaled \$12,195,000. Mr. Collins stated there was 8% inflation, delays in shipping and shortage of workers due to issues from COVID. Mentioned were several Wastewater Operation Awards received.

ADJOURNMENT: The meeting was adjourned at 8:34 p.m.

RaNae Edwards
City Clerk