



City of Grand Island

Tuesday, September 12, 2006

Council Session

Item G2

Approving Minutes of August 29, 2006 City Council Study Session

Staff Contact: RaNae Edwards

OFFICIAL PROCEEDINGS

CITY OF GRAND ISLAND, NEBRASKA

MINUTES OF CITY COUNCIL STUDY SESSION

August 29, 2006

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 29, 2006. Notice of the meeting was given in the *Grand Island Independent* on August 23, 2005.

Mayor Jay Vavricek called the meeting to order at 7:00 p.m. The following members were present: Councilmember's Meyer, Whitesides, Pielstick, Gilbert, Nickerson, Pauly, Hornady, Walker, and Haase. Councilmember Cornelius was absent. The following City Officials were present: City Administrator Gary Greer, City Clerk RaNae Edwards, Finance Director David Springer, Interim City Attorney Dale Shotkoski, and Public Works Director Steve Riehle.

INVOCATION was given by Pastor Cheryl Lamb, First Presbyterian Church, 2103 West Anna Street followed by the PLEDGE OF ALLEGIANCE.

MAYOR COMMUNICATION: Mayor Vavricek commented on the recent death of Staff Sgt. Jeffrey Hansen, 1st Squadron, 167th Calvary Regiment serving in Iraq. A moment of silence was observed.

Waste Water Treatment Plant Update Regarding Aerated Static Pile Composting and Anaerobic Digestion. Steve Riehle, Public Works Director reported that on June 6, 2006, CH2MHill updated the city council on the facility plan for the Grand Island Waste Water Treatment Plant. The consultant recommended the following:

- Implement anaerobic digestion at the appropriate time
- Pursue financing with revenue bonds to speed implementation
- Continue with aerated static pile composting by improving existing compost area
- Continue landfilling remainder of sludge until digesters are constructed

CH2M Hill economists and engineers in coordination with city staff reviewed the financial records for the division and presented the following:

Tom Heinemann, CH2M Hill showed a PowerPoint presentation reviewing previous presentations to the City Council regarding solids handling options, anaerobic digestion, and recommendations.

Financial Analysis:

Background – City's Current Budget was mentioned as conservatively managed, low debt ratio at 35% (normal 50-60%), pay-as-you-go projects had been implemented since 1995 without major rate increases, and wastewater rates were mid-level compared to other cities.

Goals & Objectives were: evaluate funding for proposed Capital Improvement Projects (CIP) (Digesters and Composting); review adequacy of existing rates to generate sufficient revenues; determine level and timing of debt financing; propose rate increases; and develop Financial Model to aid in the analysis.

Scott Higby, CH2M Hill presented the financial analysis from the study.

Financial Rate Analysis: Mr. Higby mentioned the following key parameters: maintain cash balance of 120 days of operating reserves; level and timing of debt funding – limit debt funding to cost of Digesters and Composting; available revenue must be 1.25 times the debt service (bond covenant); and maintain \$1.2M for Capital Improvement Program (CIP) for other projects.

City's Top Waste Water Customers: It was mentioned that Swift & Co. packing plant was top waste water customer in the City with 57% of the total, food processing 4%, implement manufacturing 1%, and all other customers 38%.

Loading Scenarios: The packing plant makes a significant impact in the analysis. The following three variables were evaluated: packing plant continues as-is; packing plant reduces loading (lagoon); and packing plant no longer a customer.

Rate Increase Assumptions: Rate increases above the consumer price index (CPI) were spread over the 2 year project implementation period, thereafter rates stayed close to the CPI. Previous rate increases average 2.9%, Consumer Price Index average 2.6% for the years 1997 through 2006.

Scenario No. 1 (Present Situation): Loading remains at present levels; projects: digesters & compost; highest available capital (\$37.3m for 10 year period); savings -\$1m per year (compared to landfilling); largest debt (\$12.8m); 20 year debt repayment; with rate increases of 5.5% in 2008 and 2009.

Scenario No. 2 (Expected Situation): Loading and revenue reduced; projects: digesters & compost; CIP available (\$28.4m for 10 year period); savings -\$0.5m per year compared to landfilling; large debt (\$9.6m); 20 year debt repayment; with rate increases of 5.5% in 2008, 2009, and 2010.

Scenarios Remaining: Continue with landfilling reduces available CIP by \$.05m to \$1m annually; least “financial risk” is to proceed with ASP composting. Selection of Digesters based on quantitative and qualitative analysis. (odors, operation, cost, etc.) A “significant” drop in loading would require a significant rate increase to cover operational costs and debt service.

Wastewater Treatment Plan Loading Variability:

Approach to Implementation: all current customers remain; construction of packing plant lagoon would be decided within the next 3 to 6 months; because the packing plant is a significant customer (50% of the loading), the City must protect its investment interests; and implement a take-or-pay type of agreement similar to the 1994 agreement.

Take – Or – Pay Evaluation: Agreement protects city’s interest when financing improvements; customers continue to discharge and pay bills; and it ensures adequate revenue even with a drop in loading.

Tom Heineman presented the following recommendations.

Solid Handling Recommendations: Implement short-term aerated static pile composting improvements immediately, provide financing of ASP composting with revenue bonds; debt \$2.1 million (composting only); obtain Take-or-Pay agreement from packing plant customer; work with packing plant customer to conservatively size digester project for 10 year loading projection; if loading remains at current levels, implement rate increases of 5.5% in 2008 and 2009; if loading decreases, implement rate increases of 5.5% in 2008, 2009, and 2010; provide financing of digesters with revenue bonds; debt (current loading: \$10.7 million – digestion only, reduced loading: \$8.9 million – digestion only); and implement anaerobic digestion project, but only if the Take-or-Pay agreement and the loading sizing has been finalized.

Gary Greer, City Administrator commented on debt financing, loading volumes from Swift & Co. Packing Plant, odor reduction, and rate increases. Mentioned was that the City should wait to do anything until we know what Swift & Co. would do and the effects before we raise rates.

Concerns were raised by Council regarding rate increases. Mr. Reihle answered questions regarding the lagoon and smells. He stated our lagoon was no longer in use. Discussion was held regarding the changes Swift was making short-term and long-term. Mr. Greer stated within 6 months to a year we would know the effects of the changes made by Swift. Landfilling costs compared to digesters and compost was discussed.

Mr. Greer recommended we engage in the aerated static pile composting, work with Swift, and bring this decision back for Council regarding the anaerobic digestion in the future.

Update Concerning Employee Handbook. Brenda Sutherland, Human Resources Director reported on the changes being recommended for the Employee Handbook (Personnel Rules and Regulations). Ms. Sutherland stated some of the changes were the addition of administrative policies being incorporated into the Personnel Rules.

The following areas changed in the Personnel Rules were presented:

- Dress code policy
- No Smoking policy
- Community leave bank policy
- Sick leave would now be referred to as medical leave
- Formal addition of “probationary status”
- Changes in the reduction of force policy
- Computer network policy
- Telephone usage policy
- Political activity policy
- Employment of relatives – changed to Nepotism policy
- Reimbursable business travel expense

- Interview and relocation expenses
- City Hall closure policy
- Compensation for unused sick leave at retirement
- Removal of retiree health insurance
- Tuition reimbursement
- Bilingual pay

Councilmember Nickerson stated he was glad to see the positive changes to tuition reimbursement. Councilmember Meyer stated he did not agree with Section 3.04 Resignations, Retirements and Layoffs with regards to sick leave payouts and Section 3.13 Employment of Relatives, would like to see the Police and Fire Departments excluded from this section. Councilmember Hornady mentioned concerns with the tuition reimbursement at 100% reimbursed with a grade of “C” or better and the amount of leave available to employees.

Councilmember Haase asked questions concerning the City Administrator serving at the pleasure of the Mayor and the administrative day-to-day duties. Councilmember Whitesides asked questions concerning the Nepotism policy and what changes were made. Ms. Sutherland stated the new policy was basically the same as the old one. Steve Lamken, Police Chief stated the current policy did not cause any problems at the Police Department. Councilmember Walker agreed that direct supervision of relatives should not be allowed. Several Councilmember’s had concerns regarding the Nepotism policy. Councilmember Whitesides recommended including in Section 3.13, second paragraph, end of first sentence the words “on a daily basis”.

Councilmember Gilbert questioned Section 3.16 “Administrator/Mayor” and other areas in the policy stated “Administrator or Mayor”. Mr. Greer stated he felt “Administrator” should be struck from this section. Ms. Gilbert raised concerns regarding no limits for tuition reimbursement.

Mayor Vavricek recommended in Section 3.08 Political Activity to include “candidate” for Mayor or City Council. This will be brought back for Council approval at the Regular Meeting of September 12, 2006 with implementation to take place on October 1, 2006.

ADJOURNMENT: The meeting was adjourned at 9:00 p.m.

RaNae Edwards
City Clerk