



City of Grand Island

Tuesday, January 24, 2012

Council Session

Item G2

Approving Minutes of January 17, 2012 City Council Study Session

Staff Contact: RaNae Edwards

CITY OF GRAND ISLAND, NEBRASKA

MINUTES OF CITY COUNCIL STUDY SESSION

January 17, 2012

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 January 17, 2012. Notice of the meeting was given in the *Grand Island Independent* on January 11, 2012.

Mayor Jay Vavricek called the meeting to order at 7:00 p.m. The following Councilmember's were present: Bob Niemann, Kirk Ramsey, Peg Gilbert, Mitch Nickerson, Linna Dee Donaldson, Scott Dugan, Randy Gard, and John Gericke. Councilmember's Chuck Haase and Larry Carney were absent. The following City Officials were present: City Administrator Mary Lou Brown, City Clerk RaNae Edwards, City Attorney Bob Sivick, and Interim Finance Director Jaye Monter.

INVOCATION was given by Community Youth Council member Anna Jean Scarborough followed by the PLEDGE OF ALLEGIANCE.

MAYOR COMMUNICATION: Mayor Vavricek introduced Community Youth Council members Anna Jean Scarborough and Juan Palma.

OTHER ITEMS:

Update Concerning Lincoln Park Pool Parks & Recreation Director Steve Paustian reported that Council had authorized the rehabilitation/replacement of Lincoln Park swimming pool during the 2011-12 budget process. The original cost to renovate the existing pool was \$1,421,000 and a new pool was \$2,371,000 as provided by a study from Olsson Associates.

Requests for Qualifications were issued and JEO Consulting was hired to develop the plans and specification for the rehabilitation/replacement of the Lincoln Park pool. It was JEO Consulting opinion that rehabilitation of the Lincoln Park pool would cost \$1,346,500 and a new pool could be constructed for an estimated cost of \$1,550,000.

Mr. Paustian stated new construction could provide several benefits over rehabilitation. The existing pool could operate this summer and allow for new pool construction during the same time thereby eliminating winter construction which typically was more expensive and less efficient. The new pool would be ready for the 2013 swim season. It would also allow the 3 meter diving board which would not be allowed by the NE State Health Department regulations if the current pool was rehabilitated. Locating the new pool west of the existing pool would allow for the incorporation of the existing wading pool and picnic shelter into the new facility as well.

Based on \$200,000 annual income from the CRA tax levy and 4% debt service the City could retire the cost of \$1,400,000 in 7.3 years or the \$1,550,000 cost in 8 years.

Comments were made concerning the variance in cost from the two studies. Mr. Paustian stated construction costs had gone down instead of up in the last few years. Olsson's analysis was geared toward rehabilitation and estimated it on the high side. Also Olsson did not have a detailed plan of the new construction. Adequate parking, size of a new pool, and high diving board were mentioned as a plus.

Mr. Paustian explained the demolition of the old pool should be less than \$10,000. The estimate of \$1,550,000 was derived from a similar pool constructed at Exeter, NE.

City Administrator Mary Lou Brown stated this item would come before Council at the January 24, 2012 Council meeting.

Discussion Concerning Wastewater Treatment Plant Options. City Administrator Mary Lou Brown answered the question of "Why we are having this community discussion?" Mentioned was that she liked to ask lots of questions and part of the City Administrator's job was to bring policy decisions.

Public Works Director John Collins reported that at the November 15, 2011 Study Session city staff, along with staff from Veolia Water presented information on the negotiated contract between the two for the possibility of contracting management of the Wastewater Treatment Plant (WWTP). At that time Council wanted more time to study the issue.

Mr. Collins stated the goal was to meet the treatment requirements and citizen's expectation in the most efficient cost effective manner. There were three choices before the City Council:

- A. Continue as we have historically (i.e. Do nothing different)
- B. Contract Operations
- C. Initiate an alternate improvement plan

Reviewed were the following rate increases:

- 4 scheduled 9% rate increases approved by Council; which equate to a more than 40% increase.
- \$44 million rehabilitation initiative.
- Revised estimates are higher than those of the rate study. Example: Headwork
 - Rate study estimate: \$9.22 million
 - Current estimate: \$13.3 to \$15 million

The following effects to rate payers were presented:

- Typical Medium Residential Monthly Fee Rises from \$20.00 to \$27.21 (Table 20 of Rate Study)
- Median Income Per Capita: \$17,071/y or around \$6.50/h take home (Wikipedia)
- Average rate payer works 3 hours per month to pay for sanitary service and will work more than an hour more each month to pay for the scheduled increases.

Mr. Collins stated the condition of equipment and historical cost indicated that the decision process did not work consistently and they were not performing as well as they should. Waste

was effectively treated but it cost more. Improving decisions may reduce the rate of increase in fees.

Presented were the Potential Results of Contracting Operations:

- Optimize plant operations by utilizing expertise gained through years of operating dozens or even hundreds of these facilities
- Reduce our operating costs
- Reduce long term costs by guiding our choices during the \$44 million repair program
- Continued odor reduction by optimizing operation

Local Control and Ownership for all options were:

- City retains ownership of plant and all assets
- City Council retains authority to set rates
- City Council approves all capital Improvements
- Public Works continues to provide operational oversight and accountability

Presented was the history of the WWTP starting in July 2011 through the present. Discussion was held concerning the selection criteria of the Request for Qualifications.

Mr. Collins explained the three options as follows:

Option A. – Do Nothing

- Default action
- Increasing rates are planned as approved by Council
- No change in risk
- Asset condition will continue to vary
- Public Works will continue to address efficiency and customer concerns

Option B. – Contract Operations

- Better recommendations to Council for decisions
- Contract to deliver plant performance
- Use of technical expertise from other facilities
- Reduced supplier costs with quantity discounts
- Known operational costs with fewer and smaller year over year spikes

Plant staff would retain their current pay, receive more and better training, and have more and better opportunities. What does not change would be: infrastructure rehabilitation; rehabilitation estimates were higher than rate study's estimates; scheduled rate increases; ownership, rate setting; and Capital expenditures implemented.

Discussion was held concerning rate increases. Mr. Collins stated there may be rate increases within the next 2 to 4 years besides the scheduled rate increases already set. Ms. Brown stated the rate increase currently set was based on the estimates presented. Once Council decided whether or not to contract the WWTP an agreement could be negotiated. It was mentioned that

Capital infrastructure was driving the 9% rate increases over the next 4 years and decreased revenue from JBS.

A Citizens' Contract Compliance Committee would meet to ensure contract compliance and provide for accountability to the community. The committee members would include representatives from the community, council and City staff.

Option C. – Internal Improvement Effort

- Cannot copy Veolia, but can develop an automation/efficiency plan
- Range of options, costs and time
- Administered by Public Works

Mr. Collins reviewed Asset Management; Monitoring and Automation; Process Review (Treatment); Procurement Review; Technical Skills; and Staff Utilization and Process Review (Activities) relating to internal improvement efforts.

Mr. Collins answered questions concerning the current asset management system in place at the WWTP. Comparisons were made with the Lincoln Wastewater Treatment Plants.

Mr. Collins commented on the estimated incremental rate payer cost or savings for each option.

- A. Do nothing: \$0
- B. Contract Operations: \$500,000 annual savings
- C. Internal plan: Based on the Lincoln case study, cost \$40 million over 10 years

Council recessed at 9:15 p.m. and reconvened at 9:20 p.m.

Interim Finance Director Jaye Monter answered a question concerning consulting fees \$110,000,000 over the last two years. The last five years was 3.9 million in consulting fees. Ms. Brown commented on union employees going on strike. Companies had work stoppage programs in place.

The following WWTP employees spoke in opposition of contracting management of the WWTP to Veolia Water:

- Doug Whitt, 690 5th Road
- Dave delaMotte, 623 Meves Avenue
- Brad Green, 1114 Hall Court
- Gary Christensen, 4242 Shanna Street
- Ed Smith, 2624 West 1st Street
- John Henderson, 1068 Hwy 281, St. Paul, NE
- John Rundle, 4306 Lariat Lane

Comments were made concerning a philosophical change, being proactive instead of reactive, having experts in place, and starting now to do better. Consulting fees over the last 5 years were mentioned with a large part for the odor issues. Mentioned was what the citizen's of Grand Island wanted. Phone calls to City Councilmember's were not in favor of contracting with Veolia Water.

Support from the Council was given to the WWTP employees. Mentioned was that the success of the employees came from management. Recommended was that a committee be created with whichever option was approved.

It was recommended by Council that at the January 24, 2012 Council meeting a Resolution be brought forward regarding this issue.

ADJOURNMENT: The meeting was adjourned at 10:46 p.m.

RaNae Edwards
City Clerk