
City of Grand Island



Tuesday, October 05, 2004

Study Session Packet

City Council:

Carole Cornelius

Peg Gilbert

Joyce Haase

Margaret Hornady

Robert Meyer

Mitchell Nickerson

Don Pauly

Jackie Pielstick

Scott Walker

Fred Whitesides

Mayor:

Jay Vavricek

City Administrator:

Gary Greer

City Clerk:

RaNae Edwards

7:00:00 PM

Council Chambers - City Hall

100 East First Street

Call to Order

Pledge of Allegiance

Roll Call

A - SUBMITTAL OF REQUESTS FOR FUTURE ITEMS

Individuals who have appropriate items for City Council consideration should complete the Request for Future Agenda Items form located at the Information Booth. If the issue can be handled administratively without Council action, notification will be provided. If the item is scheduled for a meeting or study session, notification of the date will be given.

B - RESERVE TIME TO SPEAK ON AGENDA ITEMS

This is an opportunity for individuals wishing to provide input on any of tonight's agenda items to reserve time to speak. Please come forward, state your name and address, and the Agenda topic on which you will be speaking.

MAYOR COMMUNICATION

This is an opportunity for the Mayor to comment on current events, activities, and issues of interest to the community.



City of Grand Island

Tuesday, October 05, 2004

Study Session

Item -1

Update on 1/2 Cent Sales Tax Projects

Staff Contact: Gary Greer

Council Agenda Memo

From: Gary D. Greer, City Administrator
Meeting: October 5, 2004
Subject: 1/2 Percent Sales Tax Projects
Item #'s: 1
Presenter(s): Gary D. Greer, City Administrator

Recently, there has been a lot of discussion concerning financing strategy concerning the 1/2 Percent Sales Tax Projects. As is the case most of the time, there is not enough money to accomplish all the projects immediately. Therefore, as the numbers are clearer concerning the 1/2 cent projects, there will be a need to continually:

- Prioritize
- Cost Contain
- Value Engineer
- Justify Expenses
- Seek Other Revenues
- Avoid Unnecessary Cost

This is no different than a private business that is facing positive growth and the need to update facilities. Additionally, we are finding that bid costs are coming in higher for construction related projects due to the many projects that are in store for the community.

City Administration recommends the City Council consider Fire Station #1, the Law Enforcement Center, and the Library Expansion as top priorities for immediate attention. In order to assure that these facilities move forward it appears that the other proposed sales tax projects need to be delayed, phased, and/or considered pay as you go projects. Additionally, the cost for the three priority projects will need to be contained, reduced without reducing the effectiveness of the facility.

We will have to continually adjust to the economic forces surrounding each of the 1/2 percent projects as information becomes available. Following is the original 1/2 percent project plan along with a possible re-prioritization of the 1/2 percent sales tax projects that will allow us to move forward with the priority projects:

Original 1/2 Percent Project Plan

Financed Projects:

1)	Fire Station # 1 Replacement	\$3,000,000
2)	Fire Training Facility (Land, Building, Burn Building, Training Tower)	\$4,000,000
3)	Police/Sheriff Law Enforcement Center	\$3,000,000
4)	Library Expansion	\$7,000,000
5)	Aquatics Projects (according to Aquatics plan)	<u>\$3,000,000</u>
	Total:	\$20,000,000

The aforementioned if amortized for 20 years at 5% would create approximate annual costs of: **\$1,593,449.**

Annual Cash Projects:

1)	Grand Generation Center Capital Fund	\$100,000
2)	Cornhusker Army Ammunition Recreation Development	\$125,000
3)	Hike/Bike Trail Development	\$125,000
4)	Infrastructure Emergency Funds	<u>\$ 56,551</u>
	Total:	\$406,550
	Annual Grand Total:	\$2,000,000

Possible Re-Prioritization of 1/2 Percent Sales Tax Projects:

Financed Projects:

1)	Fire Station # 1 Replacement	\$3,000,000
2)	Police/Sheriff Law Enforcement Facility	\$8,600,000
3)	Library Expansion	<u>\$7,000,000</u>
	Total:	\$18,600,000

The aforementioned if amortized for 20 years at 5% would create approximate annual costs of: **\$1,492,512.**

Annual Cash Projects*:

1)	Grand Generation Center Capital Fund	\$100,000
2)	Cornhusker Army Ammunition Recreation Development	\$125,000
3)	Hike/Bike Trail Development	\$125,000
4)	Infrastructure Emergency Funds	\$ 56,551
5)	Fire Training Facility (Phased plan to be determined)	?
6)	Aquatics Projects (according to Aquatics plan)	?

* Growth in sales tax and/or inclusion of other sources of revenue (grants, general fund, other agencies, fees, ect.) may be included to fund phases of projects.



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Study Session

Item -2

Update by Bill Stovall, Hall County Regional Airport for Air Service to the East

Bill Stovall representing Hall County Regional Airport and Jeff Bethune representing Mesa Airlines will update the Mayor and Council on air service to the east.

Staff Contact: Bill Stovall, Executive Director Regional Airport



City of Grand Island

Tuesday, October 05, 2004

Study Session

Item -3

Electric Utility Economic Study

Staff Contact: Gary R. Mader

Council Agenda Memo

From: Gary R. Mader, Utilities Director

Meeting: October 5, 2004

Subject: Electric Utility Economic Study

Item #'s: 3

Presenter(s): Gary R. Mader, Utilities Director
Mary Garrison, Stanley Group

Background

The last rate increase in the Electric Department was in 1980. In that intervening period the City has enjoyed an unusually stable period of electric costs due to a number of factors including steady city load growth, low inflation rates, and stable fuel prices nationally, particularly coal and natural gas. But over the last few years, that stable environment has changed.

Discussion

As was discussed at last year's Electric Budget hearings and more recently by the Utility Auditors, the Electric Utility financial reports have shown a general down trend in the financial position of that utility for over a year. From December '02 to December '03, the department's reserves have been reduced by 26%.

The reduction occurred during a period of relatively normal operations and capital improvements. Department staff began analyzing the source of the decline and now believes that it is directly attributable to increased energy costs for production; fuel costs and purchase power costs. The following indicate the state of these factors;

- Delivered coal costs have increased 14% since December '02 and are expected to firm up at that or a higher level.
- Natural gas prices are extremely volatile but on average, have approximately tripled in the last two years.
- Oil prices have increased sharply and OPEC continues production limits.

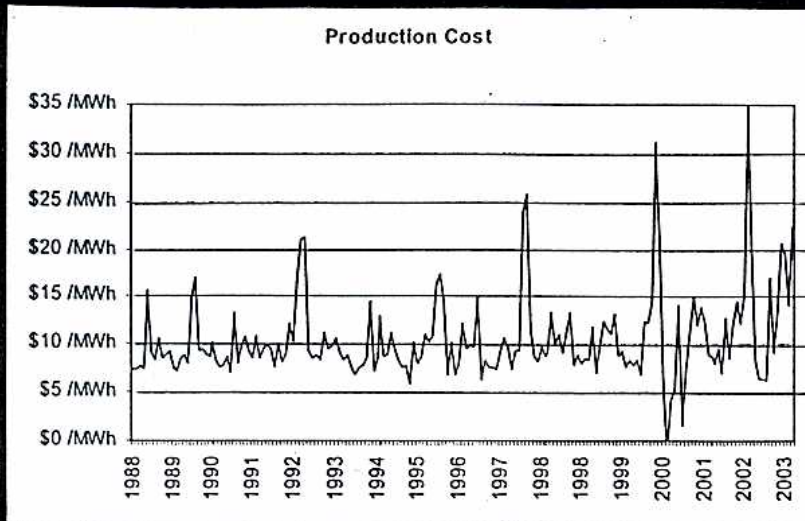
Electric energy markets have reflected the aforementioned source fuel price increases.

The attached graphs illustrate the history of the department's energy costs. For most of the last 15 years (Graph #1), production costs, while very variable on a month to month basis, did, on average, remain fairly steady through 1999 (Graph #2). The historical high peaks are periods when PGS has been down for maintenance and the old gas fired steam units and power purchases were used to meet City electric demand. But in 2000, the volatility of pricing increased and there began a general uptrend in the average costs (Graph #3), with average production costs ramping up approximately 40% from 2000 to 2003. Department staff believes that this is a trend in the industry rather than a "blip" on the radar. This view is shared by other of the state's electric utilities who have had rate increases in the last two years; including OPPD, NPPD, Lincoln, Hastings and others.

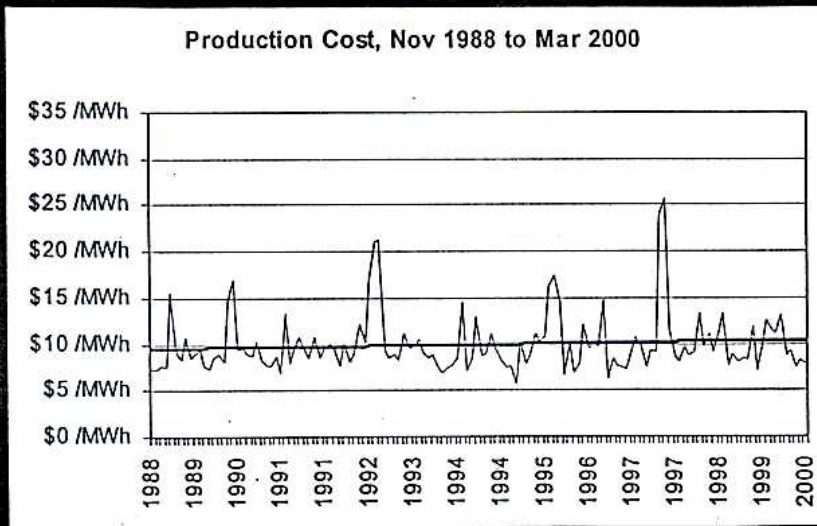
Economic Evaluation

As a result of the declining financial condition of the Electric Utility, an economic evaluation was begun in May, 2004. The firm of Stanley Consultants was commissioned to conduct the study working closely with Electric Department Staff. The Study concludes that it is necessary to increase Electric Department revenue to maintain that Department.

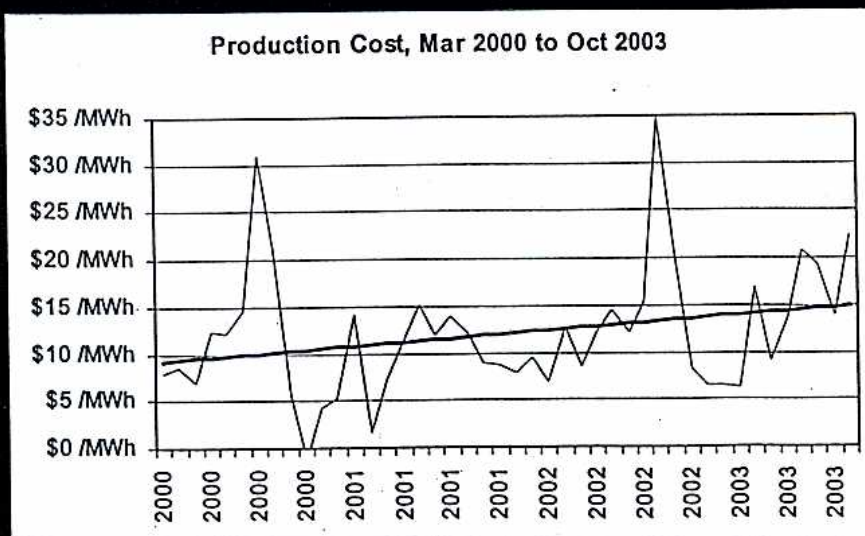
The results of that Economic Evaluation are scheduled for presentation to Council at the October 5, 2004 Study Session.



Graph #1



Graph #2



Graph #3