

Kimball Board of Public Works
Regular Meeting
January 27, 2015

A regular meeting of the Board of Public Works was convened in open and public session at 4:15 p.m. on January 27, 2015 at the City Council Chambers. Board members Cederburg, Merryfield, Moeser, Fossand, and Robinson were present. Also present were Electric Utilities Superintendent Hinton, Power Plant Supervisor Terrill, Water Superintendent Ford, Landfill Superintendent Schulte, City Administrator Ortiz, City Clerk Russell and City Treasurer Sisk. The public was represented.

Notice of the meeting was given in advance by publication in the Western Nebraska Observer. Notice of the meeting was given to the members and a copy of their acknowledgement of receipt of notice and the agenda is on record at the office of the City Clerk. Availability of the agenda was communicated in advance notice and in the notice to the members. All proceedings hereafter shown were taken while the convened meeting was open to the attendance of the public.

Chairperson Cederburg called the meeting to order at 4:15 p.m. and acknowledged the posted Open Meetings Act.

The Board of Public Works reviewed the following items under the consent agenda:

1. Minutes from December 23, 2014
2. Claims;
3. Treasurer's Report from December 2014; and
4. Financial Reports from December 2014.

Robinson moved and Moeser seconded to accept the consent agenda. On roll call vote, the following votes were recorded on the electronic voting board. Aye: Cederburg, Merryfield, Moeser, Fossand, and Robinson. Nay: None. Absent: None. Motion passed.

The Board authorized signatures on FirstTier banking resolutions.

Cederburg opened discussion on the financing of the South substation project. Ortiz had provided a timeline to the board at the last meeting. He received word from the electrical engineers that the project will be delayed a month. This will allow the City to address some maintenance issues at the Power Plant.

Ortiz introduced Brad Slaughter, Vice President of Ameritas Investment Corporation. Slaughter distributed an amortization schedule indicating 10 year, 15 year and 20 year schedules and explained the debt service by schedule. The 10 year note would be an average payment of \$69,490; the 15 year note would be an average payment of \$51,324; and the 20 year note would be an average payment of \$42,652. Slaughter

commented on the increased expense for interest for the 15 and 20 year schedules. He said one of the benefits for the City is that the NDEQ water note was refinanced a few months ago and this actually takes it off the books from a debt to revenue standpoint. Robinson asked what the typical schedule would be for a project such as this. Slaughter indicated that with a project this size, it is probably a 15-20 year time frame for most communities. He added that interest rates are still very low. This would be a five year call because that is where the lowest yield on the bonds is found.

Cederburg mentioned that rates are based on credit quality and Slaughter said they want to make sure there is some cushion. Slaughter commented on preparing the documents in February or March and receiving the money in March or April. Ortiz said the Combined Utilities Bond, Series 2015, will be on the next agenda for the Board's recommendation to the City Council.

Ortiz said the initial figures just included the substation costs, the engineer and Ward Electric. He will also include the fuel costs and commented on rolling other items into the bond. Slaughter commented on a bond anticipation note and Cederburg said that getting them sold to investors is not an issue. He added that they will give the local banks the first opportunity and if there is anything left over, they offer to others. Slaughter said they do market bonds locally.

The Board members thanked Slaughter for the information.

Lance Terrill, Power Plant Supervisor, presented a slide show to show the current equipment at the Power Plant. He explained the priority items and the secondary items. The total for the priority items is approximately \$64,790.

Priority item 1 is the Cooper engine fuel injector. Terrill said when the line was fixed in November, there was damage done to the housing injector. To refurbish would cost \$6,841.60 with two to three weeks delivery. To purchase a new one would cost \$22,607.22 with 20 weeks delivery.

Priority item 2 is the relay testing. The testing was due in 2013 and it was last tested in 2010. Terrill said the cost for this will be \$9,700 which doesn't include travel.

Priority item 3 is the DC batteries which were installed sometime in the 1990's (1995 – 1997). There are 20 batteries, 3 cells each. The issue with these is the batteries are getting old. The engineer indicated that new ones should be purchased and the cost is about \$10,000.

Priority item 4 is the crankcase inspection. There is no real wear and tear; however, this is a cost that is necessary in the near future. The cost for this would be \$15,632 for four days just for the Cooper engine.

Priority item 5 is separate gas meters for all generators. This is required by MEAN and ERPA regulations. Ortiz said part of the agreement with MEAN is to maintain the

generators. One of MEANS requirements is that they want to call and be up and running within a precise period of time.

Priority item 6 – there is boiler damage spouting attributed to roof sag. The boiler is only five to six years old. Terrill said he has asked for a quote on the roof repair.

Terrill explained the secondary items which includes housekeeping and general maintenance. He is trying to find everything that is leaking and clean things up. Terrill provided names of the contacts for services and parts.

Ortiz commented that they still make parts for the Cooper engine, but the other five Superior engines are obsolete. Terrill offered tours to anyone that is interested in looking at the Power Plant.

Ortiz updated the Board members on MEAN. Ortiz said that communities are looking at a rate increase from MEAN and it is not the traditional rate increase. He said MEAN is completely overhauling their rate structure. A lot of time and due diligence has gone into the past year in terms of MEAN overhauling their rate structure.

The Board of Public Works passed a 6% rate increase in October 2013 and another 6% increase that went into effect April 1, 2014. Ortiz said the consumption this past summer was reduced which resulted in a \$6 million deficit for MEAN. The MEAN Board of Directors has instituted a customer charge. MEAN's fiscal year is April through March, so it is hard to gauge and predict what type of expenses to look at.

Ortiz said Kimball is not alone in this. One of the big structural changes is MEAN is trying to recover enough revenue to meet the fixed costs (the known expenditures). They are instituting a fixed costs recovery charge to pay those bills and the ultimate rate restructuring model is going to be painful. The rate restructuring was overwhelmingly approved at the last MEAN Board meeting.

Ortiz explained the revenues and expenses and how MEAN's revenues are structured. He also explained the Regional Transmission Offices (RTO's) have had an impact on how MEAN buys and sells power. He said they no longer have the ability to sell directly to other entities without going through the RTO's, which affects MEAN's revenue.

He explained the 2015-2016 revenue breakdown, 47% energy costs, 13% support energy, 39% fixed cost recovery charge and 1% RITA. The 2015-2016 fixed cost recovery charge (Kimball's is \$41,763 per month) is going to go directly into paying the components and will also contribute to load forecasting.

Ortiz commented on support energy and what it means. He also commented on hydro power and that one-third comes from WAPA and the remaining comes from MEAN, with a small portion from the Wind Farm. Ortiz explained the 2015-2016 long term capacity expenses by resource; the energy purchases by generation; and the market

transactions. The transaction expense includes pass-through costs, firm agreements and non-firm estimates costs.

Ortiz said the annual cash expenditures by category consists of almost one-half for energy expenses. MEAN is moving away from a cash basis. Because they are a non-profit organization, they are operating as cash basis. Due to the massive fluctuations, they are moving into a hybrid between utility basis and cash basis.

Ortiz commented on the proposed FY 15/16 rate changes and said communities will start to see the fixed cost recovery charge in April. Support energy will be rolled into the energy cost.

Ortiz had provided Board members the most current MEAN bill and commented on the MEAN demand billing and the MEAN energy billing. Ortiz commented on the 13-month analysis of MEAN Rate Restructuring and talked about the estimated total MEAN charges and the percent difference in total MEAN charges. There is no way to absorb this with a different rate structure and Ortiz commented on the cost studies. Ortiz said he hopes to have a summary or RFP at the next meeting so the Board can provide input so everyone is aware of what the City wants to accomplish with the rate study. In the meantime, the City cannot absorb what is coming down the pipeline from MEAN.

Ortiz distributed a summary of electrical customer billing for the period of January 1, 2015 to January 21, 2015. This gives a snapshot of what type of rate increases are being looked at and Ortiz said the Board would have the option of increasing on all the rate structures. The 6% rate increase in April 2014 was an across-the-board increase.

Robinson inquired if this would be implemented on April 1st and Ortiz said it could be done March 1st.

Ortiz said Slaughter provided the figures of what the bond is going to cost annually and he asked the Board to also consider rolling the Power Plant's priority expenses into the bond.

Cederburg said this entire situation has not helped the net asset revenue of the City's departments. Ortiz said many municipalities will be impacted; Kimball is not alone. The entire country is experiencing this.

Cederburg said the Board needs to look at the overall broad picture. The electric sales generates an income but the water, sewer, waste disposal and garbage eat up the revenue with their losses. This is not a way the City can continue to do business. In the long term, the citizens' utility rates will be lower with long-range planning rather than taking it one day at a time. The Board needs to be as conservative as they can for the citizens and really needs to consider the citizens but be fair.

Ortiz commented on the higher utility bills this past month and said is due to the colder temperatures and a longer billing cycle.

Ortiz is asking for guidance in terms of what the Board wishes to prepare for the next meeting and how they want the rates structured and the percentage. Cederburg said he doesn't see where the Board can recommend less than 8% without going backwards and hoping to break even. He said he hopes there will be information on all the utilities within six months and look at other rate increases at that time.

Ortiz reminded the Board that the annual amount of the bond has to be factored into the rate increase and inquired if there was a preference on the amortization schedules. Robinson prefers the 15-year schedule. Cederburg inquired about including the Power Plant expenses into the bond and said his preference would be to include them. Robinson agreed. Discussion was held on the injector and Terrill said he can get another refurbished one as a backup. Slaughter commented that the additional \$60,000 would only increase the annual payment average to \$60,000 on the 15 year amortization schedule and added that this is on the high side.

Cederburg said an 8% increase is not going to cover the extra payment that the City will have starting soon. Merryfield said he doesn't want to raise the rates now and then six months down the road raise them again. Ortiz said the City is tied contractually to MEAN until 2036 and any other company would require a contractual agreement as well.

Ortiz explained the electric revenues and said it will cost \$7.2 million to run the power plant just on fuel costs alone.

Robinson said the percentage that looks to be the best is 13%. Merryfield asked if raising the rates on the water and sewer would lower the rates on electric. Ortiz said it would initially. Merryfield commented on doing an overall across the board raise of 10% and then the City would get the required amount needed. Ortiz commented on the rate studies and said they would be a much more detailed analysis. He said the Board might want to consider going forth on the electric rates and doing the rate studies for all utilities and revisiting the rates. Ortiz said the Board is probably going to see rate increases on the water and sewer that don't equal the electric increase.

Merryfield said that operating at a loss is not a good idea; however, anytime there is talk about raising rates, people get upset. He just wants to do this as smart as possible and commented on lowering the total amount by doing an across the board rate increase.

Ortiz said he can bring back specific analysis at the next meeting. Robinson said he would like to see the analysis to see what a straight across the board impact would be for all departments. He said he would still like to have a cost study done.

Dave Ford said the Water and Wastewater Departments have lost money as long as he has been with the City. He thinks that Ortiz's idea of doing a cost study for all utilities is the way this needs to be done. He said he is also a customer and he just thinks that some sort of rate study needs to be done. The Water Department backhoe needs to be

replaced, the water tanks needs to be refurbished, among other things. Cederburg said another way to look at it is raising utility rates now and another one in six to seven months gives some buffer for citizens.

Fossand asked how in-depth the rate study would be and Ortiz said the parameters could be tailored to how the Board wishes. He commented on long-term needs and figuring out ways to cut back as much as possible. All the while making sure to look at the overall rates to figure out what needs to be changed and how much and also looking at redoing some policies. This will, however, take time.

Christy Warner inquired if a 12% rate increase is adopted, will there be an “over-increase” after the rate study is done? She commented on adopting a rate increase now and getting additional revenue as soon as possible. Warner said that customers want to know that the rate study was done and that things are being done as efficiently as possible. She said the rate increase should be done sooner rather than later so the City’s bills can be paid.

Moeser said feels an electric rate increase should be adopted as soon as possible. Cederburg said to adopt the electric rate increase now and once there is good, solid information for the other utilities, adopt rate increases for them at that time.

There being no further discussion, Merryfield moved and Moeser seconded to adopt a 13% electric rate increase and include the Power Plant priority items figures in the Combined Utilities Bonds. On roll call vote, the following votes were recorded on the electronic voting board. Aye: Cederburg, Merryfield, Moeser, Fossand, and Robinson. Nay: None. Absent: None. Motion passed.

Ortiz said he has tried his best to educate everyone and Cederburg suggested speaking with the Western Nebraska Observer since a representative was not in attendance.

Robinson moved and Moeser seconded to remove the discussion and action on accepting waste at the Landfill from an entity outside of the region and setting rates for this service from table. On roll call vote, the following votes were recorded on the electronic voting board. Aye: Cederburg, Merryfield, Moeser, Fossand, and Robinson. Nay: None. Absent: None. Motion passed.

Cederburg opened discussion on accepting waste at the Landfill from an entity outside of the region and setting rates for this service. Ortiz has spoken with Golder Associates and they informed him a number of landfills have not allowed oilfield companies to bring in their waste, due to specialized training and other issues. There are some landfills within the Front Range that might take that waste; however, it is at a premium cost to the oilfield companies. Ortiz recommended that at this time the Board not pursue this and said that Clean Harbors can possibly accept the waste.

Ortiz said the City's policy had always been that waste from entities outside the region is not accepted. He commented on adopting a formal policy that it will not be accepted which can be considered at the next meeting.

There being no further discussion, Moeser moved and Fossand seconded to not accept waste from outside the Kimball County area and draft a policy to clarify this. On roll call vote, the following votes were recorded on the electronic voting board. Aye: Cederburg, Merryfield, Moeser, Fossand, and Robinson. Nay: None. Absent: None. Motion passed.

Ortiz reported that a few months ago the City Council approved selling land adjacent to the Wastewater Treatment Facility to Great Plains Communications for \$20,000. At the last City Council meeting, they agreed to transfer the \$20,000 to the Board of Public Works with the condition that the money be used for one of the capital projects at the Wastewater Treatment Facility which includes the upgrade of the control panel.

Discussion was held on rescheduling the next meeting due to the League of Nebraska Municipalities Conference. Board members agreed to reschedule the meeting to February 26, 2015 at 4:15 p.m.

There being no further business to come before the Board of Public Works, Robinson moved and Moeser seconded to adjourn the meeting at 5:58 p.m. On roll call vote, the following votes were recorded on the electronic voting board. Aye: Cederburg, Merryfield, Moeser, Fossand, and Robinson. Nay: None. Absent: None. Motion passed.

Chairperson

City Clerk

Board of Public Works-Utility Claims-January 27, 2015-Laura Bateman-Certifications-60.00; Frenchman Valley Coop-Bulk Diesel-679.17; GreatAmerica Financial Services-Lease-365.00; Kimball Auto Parts-Parts-26.37; Nebraska Public Health Enviro Lab-Water Samples-60.00; Shopko Stores Operating Co.-Supplies-73.26; USA Blue Book-Supplies 493.77; Waste Systems-Dumpster Lids-2,966.02; Payroll Fund-Payroll Transfer-43,326.12; Centurylink Communications, Inc.-Long Distance-204.16; City of Kimball-Transfer-812.12; Connecting Point-Copy Usage-179.12; Dollar General Corporation- Supplies-16.40; One Call Concepts-Locates-37.45; Staples-Charges-325.42; Star-Herald Newspaper-Advertising-591.21; Viaero-Cell Phone Usage-109.33; Western Nebraska Observer-Meeting Notices-251.20; City of Kimball-Closure/Post Closure Funding-16,3679.57; CenturyLink-Telephone-639.43; Charter Communications-Internet-215.25; Frenchman Valley Coop-Fuel-2,377.32; Hasler-TotalFunds-Postage-2,000.00; High West Energy-Utilities-7,002.00; Intralinks, Inc.-Computer Support-45.00; Visa-Firstier Bank-Charges-66.21; Payroll Fund-Payroll Transfer-44,107.40; Buyer's Reality Inc. -Service Deposit Refund-52.72; City of Kimball-Transfer-29.42; City of Kimball-Transfer-1,149.07; City of Kimball-Occupational Tax-10,013.93; Combined

Utilities-Utilities-200.96; Corpro An Aegion Company-Removal Cathodics-935.00; Crescent Electric Supply Co.-Parts-192.73; Croell Redi-Mix-Fill Flow-710.75; Golder Associates-Professional Services-241.50; HD Supply Waterworks, Ltd.-Meter Yokes-96.33; Hometown Hardware-Supplies-531.10; Ideal Linen Supply, Inc.- Mats-53.71; Intermountain Sales of Denver, Inc.-Locator-2,769.00; Intralinks, Inc.-Yearly Services-865.80; John-Robert Faden-Contract Labor-525.00; Keep Kimball Beautiful-Landfill Fee-2,530.00; Kimball Auto Parts-Parts-569.14; Kimball Health Services-Medical-268.18; Kimball Service Center-Flat Repair-18.00; MEAN-Mean Billing-150,116.27; Dennis & Robin McIntosh-Service Deposit Refund-108.11; Napa Auto Parts-Parts-226.90; Nebraska Dept. of Environmental Quality-Solid Waste Disposal-681.88; Nebraska Safety & Fire Equipment, Inc.-Fire Extinguisher Inspection-21.00; Northern Safety Co., Inc.-Supplies-124.91; Northwest Pipe Fitting, Inc.-Supplies-27.82; Pace Analytical Services, Inc.-4th Qtr-Proj.-480.00; Panhandle Coop-Bulk Fuel-2,038.08; Panhandle Coop Association-Supplies-90.57; Powerplan-Repairs- 1,927.37; Prestige MFG.-Dumpster Repair-131.28; Robinson Electric-Maintenance-506.00; Safetyline Consultants, Inc.- Safety Training-750.00; Scottsbluff Screenprinting-Uniforms-293.00; Shopko Stores Operating Co.-Supplies-120.44; SourceGas, LLC-Gas Service-9,285.05; Staples-Charges-39.70; The United States Life Insurance Company-Long Term Disability-548.43; USA Blue Book-Supplies-187.17; Wilma Vencill-Service Deposit Refund-51.30; Larry Wallin-Service Deposit Refund-165.17; Water Environment Federation-Dues-70.00; Wesco Distribution Receivables Corp.-Supplies-436.74; Z & S Construction Co., Inc.-Contract Labor-1,082.25.