

The Mayor and Council of the City of Fairbury met in regular session in the Council Chambers located at 612 D Street, Fairbury, Nebraska, on the 20th day of May, 2014, at 7:30 p.m. Mayor Homer L. Ward called the meeting to order.

Notice of meeting was given in advance thereof by publication in the Fairbury Journal News, Fairbury, Nebraska, the designated method of giving notice, as shown by affidavit of publication. The Open Meetings Act was posted in the meeting room and pointed out by Mayor Ward as required by law.

Roll call found the following Council Members present: Doug Brown, Roger Bailey, Tim Polson, Phil Rogge, Ed Friesen, and Brad Kuzelka. Absent: Rick Carmichael and Kelly Davis.

Mayor Ward called for the submittal of forms to request future agenda items. No forms were submitted during the meeting.

Mayor Ward read the Consent Agenda:

1. Approval of the minutes of the regular meeting of May 6, 2014.
2. Approval of claims.
3. Approval of the April 2014 Reconciliation Report.
4. Approval of the appointment of David Lange to the Museum Board. Term to expire July 2014.

Polson moved to pull the claim for Gilbert Hinrichs in the amount of \$1,008.00, per the request of the Finance Committee, to turn the claim back to the Park Department for more explanation of the hours and the days worked. Motion seconded by Brown. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Friesen moved to approve the consent agenda as amended. Motion seconded by Rogge. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Mayor Ward opened the Public Hearing concerning the Proprietary Budget and Budget Summary for the City of Fairbury Utilities for May 1, 2014 to April 30, 2015. Larry Naiman Assistant Superintendent of Utilities addressed the Council. Naiman stated this is the 28th year he has come before the City Council to discuss the Proprietary Budget. Naiman stated this budget document originated from the time when the tax lids were imposed on municipals. Naiman stated it is a positive statement on their part to say that the rates that are being charged as revenues are for the operation of the water, waste water, and electric department. Naiman stated the budget statement summary sheet shows the actual revenues and expenses for the fiscal years of 2012 and 2013, projected amounts for 2014, and projected amounts for the next year's 2015 fiscal year budget; the utility fiscal year ends April 30. Naiman stated in March when he's working on the budget, he doesn't have all the figures; so the revenues and expenses are estimated. Naiman

stated now since the budget document is complete his projection is that the \$8,389,827.00 revenue is 2% more and that the anticipated operating expenses is a little less than the \$9,471,913.00; so the projected loss of \$1,082,086.00 for the combined three proprietary functions would be more like a loss of \$762,000.00. Naiman stated the capital improvements expenditures for the fiscal year of 2012 and of 2013 are actual amounts spent – 2012, \$563,512.00 and 2013, \$258,566.00. Naiman stated the projected amount of \$174,909.00 for 2014 ended up being approximately \$210,000.00. Naiman stated in 2008 the capital expenditures were \$343,554.00; in 2009, \$359,725.00; in 2010, \$532,524.00; and in 2011, \$656,098.00. Naiman stated he wants to point out the fact that the utilities maintain cash flow to pay general operating expenses by delaying money to be spent on capital improvements. Naiman stated the last page of the budget document is his own comments and observations. Naiman stated the actual purchased power costs for 2011 were \$3,780,106.00; for 2012, \$3,940,044.00; for 2013, \$4,653,800.00; and for 2014, \$5,566,407.00. Naiman stated he compared purchased power costs from preceding years to show an increase and on the next line he wants to show a comparison of revenues compared to those purchased power costs. Naiman stated from 2012 to 2011 that was a 4% increase in purchased power costs; in 2013 it was a 15% increase in purchased power costs over 2012; and in 2014 it was a 16.4% increase over 2013. Naiman stated the revenues from rates in 2012 compared to 2011 there was a negative 3% increase in revenues compared to the 4% increase in purchased power costs; in 2013 compared to 2012 there was a 7% increase in revenues, but were offset by a 15% increase in purchased power costs; and in 2014 there was a 4.5% increase in revenues over 2013 compared with a 16.4% increase in purchased power costs. Naiman stated the 4.5% is pretty much relevant to the 4% rate increase that was passed last year; that would have been the first rate increase since about 2010. Naiman stated he compared the purchased power costs compared to the total operating expense of the utility. Naiman stated in 2011 the purchased power cost was 66% of the total electric operating expense; in 2012 it was 66% of the total operating costs; in 2013 it was 68% of the total operating costs; and in 2014 it was 74% of the total electric operating costs. Naiman stated the combined capital improvements for the electric, water, and sewer in 2011 were \$650,698.00; in 2012, \$563,512.00; in 2013, \$258,566.00; and in 2014, \$215,346.00. Naiman stated in 2011 and 2012 the utility was hit with some pretty significant mandates – one was the inability for the wastewater treatment plant to produce enough air, so they could pass the NDEQ test; so the utility had an unanticipated expenditure of \$424,000.00 for that year, plus it carried on to the next fiscal year for another \$47,000.00. Naiman stated on top of that, the utility was also trying to get in compliance with the spills prevention containment counter measures mandate by the EPA; so they had to install some new tanks and put on some new burner tips down at the plant. Naiman stated those two major wastewater treatment plant mandates and the EPA mandate for the storm water runoff was a significant part of those capital expenses. Naiman stated for fiscal year ending April 30, 2014 the capital expenses for the Light Department were \$147,717.00 for purchasing transformers, \$7,031.00 for meters, and \$21,196.00 for a used pickup; for the Water Department, new valves were put on at the east well for maintenance in the amount of \$9,490.00 and \$5,891.00 for new meters; for the Sewer Department, \$12,447.00 for the muffin monster which is the digester that receives the wastewater at the wastewater treatment plant that needed to be replaced and \$6,704.00 for a centrifugal pump. Council member Brad Kuzelka asked if the larger capital improvement amounts in 2011 and 2012 were basically caused by mandates and

the \$250,000.00 is normal operating costs. Naiman stated yes that is correct. Naiman stated the Water Department, just normal expense; the Board of Public Works (BOPW) just paid the first installment for the wastewater treatment plant loan and the water department loan just last week - \$97,000.00 for one semi-annual payment. The water department loan for the water filtration plant was \$48,975.50. Naiman stated the utility initiated a second rate step increase to the water rates last year which will help us to maintain a debt service ratio of two to satisfy our DEQ loan covenant. Naiman stated for the future, there is a continued threat of the nitrate level exceeding NHHS parameters which would mean a significant capital expense cost for construction of a nitrate removal plant or whatever remedial action that would be appropriate at that time after consideration of the options that have already been suggested in the study that has been done. Naiman stated the BOPW have discussed some projects that need to be addressed:

Water Superintendent Jeff Sweetser attended a board meeting – there are some fire hydrants dating back to 1930 that need to be replaced which they're anticipating the cost for new hydrants and the insertions of appropriate valves to be hooked to the main – could run anywhere from \$4,500.00 or more. There is a high service pump in the basement of the power plant that pumps the water from the reservoir through the distribution main to the water tower or to any other points in the water distribution system which also dates back to 1930 – sometime in the near future it is recommended that pump be removed from service and either be rebuilt or replaced with a new pump.

for the wastewater treatment plant: the annual loan payment was \$134,465.00. Naiman stated for this they have to maintain a revenue yield of 10% over operating expense to satisfy that NDEQ loan covenant. Naiman stated as the sanitary sewer infrastructure ages, increased maintenance is necessary. Naiman stated they have been doing some work with the contractor to clean and foam out some sanitary sewer mains that our equipment is not capable of doing; and they have more targeted for this upcoming year – so that will be part of the capital expenses that will be addressed from the sanitary sewer department. Naiman stated another significant investment may be required at the wastewater treatment plant to improve the effectiveness of the sludge in the treatment process. Naiman stated there is a 1978 truck that was purchased used from the City of Lincoln that they have used for quite some time; they have done some improvements on the truck – sometime in the future years, the truck will need to be addressed.

for the Electric Department: EPA mandates are including but not limited to the mercury air toxins rule and the cross state air pollution rule threaten to pressure electric rates to increase at a faster rate than customers may be able to absorb. Naiman stated the Supreme Court has overruled the challenges that were launched to the EPA about the quick process of trying to impose these rules on coal plants in the Midwest; we're highly reliant on coal and any coal plants that have to be closed or any accelerated expenses by power providers to update coal plants at a rapid rate could mean more pressure on electric rates. Naiman stated this past year the BOPW has invested time and money in improving lines; the board discussed these line items – they seen some increases in their costs of the expenses for the operation of lines and maintenance of conductors – that is no more than simple maintenance of all city rural lines, new poles, new cross arms, etc. and also spent a considerable amount of time on tree maintenance this past year; which with the winds we've had this winter and spring, the time of outages

have shown a significant decrease – so they feel this is an investment that was definitely beneficial.

Council member Phil Rogge stated this budget is for May 1, 2014 to April 30, 2015, is there a reason why we didn't do this in April since we are already twenty days into the month of May. Naiman stated he does the budget in coordination with Blobaum & Busboom's time; Naiman assembles the numbers and they put it in the appropriate format and budget document. Rogge asked regarding the budget for the Light Department in 2015, has \$2,700,303.00 for capital improvement expenditures. Naiman stated the 2015 year budget, is set up that if we needed to, we could spend down to a cash balance of \$500,000.00 without having to have another public hearing. Naiman stated perils are happening all around us, one year it was in Moore, Oklahoma, another year it was in Texas, this is also related to ice storms or any peril that might happen – this gives the City and the BOPW the authority to spend down to \$500,000.00 to rebuild the system if necessary, without having to have another public hearing. Rogge stated he went from what the total revenue was from 2013 for the electric, \$7,097,582.00 and then went to the projected for 2014, \$7,066,027.00 which is a \$31,555.00 loss – doesn't that reflect the rate increase we did. Naiman stated the rate increase projected a million dollar loss for the electric department this year - Naiman is anticipating that it will not be that; the utility imposed a 13.2% increase May 1, 2014 – so the first fiscal year, according to the rate study, the utility will lose another \$700,000.00 on the electric department, the second year hopefully the utility will break even at the end of that fiscal year. No one else addressed the Council during the public hearing. Mayor Ward declared the hearing closed.

Friesen moved to approve the recommendation from the Personnel Committee to approve the appointment of Kruz Schoenrock as Full Time Police Officer. Motion seconded by Rogge. Friesen stated the Personnel Committee met a couple weeks ago and had approved the appointment of Schoenrock pending the psychological evaluation; which has now been completed and Schoenrock passed the evaluation. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried. Schoenrock was sworn into office by City Attorney David Barga, who administered the Oath of Office to Schoenrock.

Brown moved to approve the Proprietary Budget and Budget Summary for the City of Fairbury Utilities for May 1, 2014 to April 30, 2015 as presented. Motion seconded by Rogge. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Friesen moved to approve transferring \$2,694.36 from the Community Redevelopment Authority Fund to the General Fund as well as transferring the same \$2,694.36 from the General Fund to the Paving Fund for Fairbury Foods TIF and also transferring future Fairbury Foods TIF payments in the same manner. Motion seconded by Kuzelka. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Polson moved to approve the recommendation from the Finance and Keno Committee to approve the (Cornerstone Energy) Constellation New Energy Acceptance Agreement". Motion seconded by Brown. Rogge asked if we're adding to the agreement as the original agreement was dated in 2005, which automatically renews every year – maybe the Council does not need to vote on the agreement since it automatically renews. Polson stated Chris Goeking, with the Fire Department, was questioning if they wanted to renew the agreement or not. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Rogge moved to authorize Mayor Ward to sign a pre-application for the 2014 Nebraska Affordable Housing Program funds to implement a Citywide "Owner-Occupied Housing Rehabilitation Program". Motion seconded by Polson. (Since we will not have a notice of award on the housing application we submitted in the annual cycle to include demolition, we will have to submit another application for CDBG with rehab only to be considered in case we don't receive funding through the annual cycle.) On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Brown moved to approve the Special Designated Liquor License application for the Bonham Theatre Project for a Fund Raiser event to be held at Stagecoach Mall Antiques and Tasting Room located at 508 E Street, Fairbury, Nebraska on July 4, 2014 from 10:00 a.m. to 10:00 p.m. Motion seconded by Rogge. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Brown moved to approve the recommendation from the Personnel Committee to allow the Street and Alley Department to hire one additional part-time/seasonal worker. Motion seconded by Bailey. Brown stated this will allow putting someone on the street sweeper full time this summer. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Brown moved to approve the recommendation from the Personnel Committee to approve the job descriptions for Pool Manager and Lifeguard/Seasonal. Motion seconded by Rogge. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Friesen moved to adopt Resolution No. 941 requesting a Deed of Reconveyance be executed for purpose of releasing and extinguishing lien and encumbrance of Deed of Trust executed by Brian Stewart and Chris Stewart, and authorizing Mayor Ward to sign the Beneficiary's Request on said Deed of Reconveyance. Motion seconded by Rogge. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Rogge moved to adopt Resolution No. 942 requesting a Deed of Reconveyance be executed for purpose of releasing and extinguishing lien and encumbrance of Deed of Trust executed by Tatro Chiropractic, P.C., and authorizing Mayor Ward to sign the Beneficiary's Request on said Deed of Reconveyance. Motion seconded by Friesen. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried.

Polson moved to adopt Resolution No. 943 requesting a Deed of Reconveyance be executed for purpose of releasing and extinguishing lien and encumbrance of Deed of Trust executed by Tammy L. Cleary, dba TLC Creations, and authorizing Mayor Ward to sign the Beneficiary's Request on said Deed of Reconveyance. Motion seconded by Kuzelka. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried. Mayor Ward stated it is refreshing to have these three resolutions pass because these are people that have gotten money from the City, took care of their obligation the way they should; so the City has released the encumbrances on the properties.

Within the City Administrator's report Joseph Parker stated during the Residential Citywide Clean-Up – the City picked up 112.58 tons of materials and residents also hauled 81 loads to the transfer station. The City also had a cleanup for businesses the week of May 5th. The businesses hauled 19 loads to the transfer station which amounted to 6.45 tons. Parker stated he has had 46 nuisances of grass and weeds handed to him in the last couple days.

Within the Mayor's report, Mayor Ward stated the Union Pacific has been working on the railroad crossings in town.

Within the Committee reports, Larry Naiman stated the Little Blue NRD will be in attendance at one of their Board of Public Works meetings in June – tentative date is June 10, 2014. Naiman stated the NRD will have taken some nitrate samples and may have some readings to review. Naiman stated this month we are already ahead in water consumption than we were last year at this time. Naiman stated it is approximately 1,400,000 gallons in the first stage. The water emergency plan is two million gallons, so it not even being June, we're already pressing that. Naiman stated we shouldn't be complacent about the abundance of water that we think we have; more threats there than we realize. Naiman invited Council members to attend the meeting with NRD. Bailey asked Naiman to have Preston email the Council with the date of the meeting with NRD. Polson stated last fall we had lots of discussion regarding the swimming pool, maintenance and painting – just wants to know if we have everything done and if we're ready for the pool to open. Parker stated we're still a little short of lifeguards. Bailey asked if they have done some painting. Parker stated yes they have. Parker stated the water was a little dirty in one spot, this morning – they have a vacuum they use and they're cleaning that out. Parker stated we were also losing a little bit of water the first couple days, so Mick is watching that closely. Parker stated right now the guards are training and the pool is full of water – should be ready to go by next week. Rogge stated E Street sure is nice since that project is completed. Mayor Ward stated they will be doing a walk through tomorrow of both the E Street and 3rd Street projects.

Polson moved to adjourn the meeting. Motion seconded by Rogge. On roll call, Polson, Bailey, Brown, Rogge, Friesen, and Kuzelka voted "yes." Carmichael and Davis absent. Motion carried. Meeting adjourned at 8:13 p.m.

Homer L. Ward, Mayor
ATTEST: Sharyl Preston, City Clerk