

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 19th day of January, 2016, at 7:30 p.m. Mayor 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, Rick Carmichael, Roger Bailey, Tim Polson, Brad Kuzelka, and Kelly Davis. Absent: Ed Friesen and Phil Rogge.

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 January 5, 2016.
2. Approval of claims.
3. Approval of the December 2015 Reconciliation Report.
4. Approval of the re-appointment of Glen Tedrow to the Board of Public Works. Term to expire January 2020.

Bailey moved to approve the Consent Agenda with the revision of the minutes of the regular meeting on January 5, 2016 to read that Bailey was absent from that meeting. Motion seconded by Carmichael. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis all voted "yes". Friesen and Rogge absent. Motion carried.

Mayor Ward opened the public hearing regarding an application for Sunset Ridge Addition Final Plat, a plat of a part of the Northwest ¼ of Section 11-2-2, Jefferson County, Nebraska, located at 2006 E Street in Fairbury, Nebraska. Robert Brackle addressed the Council. Brackle stated the only thing that changed from the previous public hearing for the preliminary plat is a note was added on the map for the sixteen foot utility easement which reads "any above ground utility structures need to be placed as close to the east property line as possible". No one else addressed the Council during the public hearing. Mayor Ward declared the hearing closed.

Carmichael moved to set the Public Hearing concerning the City of Fairbury, Nebraska 1 & 6 Year Street Improvement Plan for 2016-2021 for February 2, 2016 at 7:30 p.m. Motion seconded by Bailey. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Bailey moved to set the Public Hearing for the semi-annual review of the Local Option Sales Tax for Economic Development (LB840) Program for February 2, 2016 at 7:30 p.m. Motion seconded by Polson. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Brown moved to approve the recommendation from the Planning Commission to approve the application for Sunset Ridge Addition Final Plat located at 2006 E Street in Fairbury, Nebraska. Motion seconded by Davis. (The Planning Commission approved the application including the waivers which are included in the subdivision agreement.) On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Polson moved to approve the recommendation from the Finance & Keno Committee to approve the proposal from Petersen Plumbing & Heating in the amount of \$5,820.00 for two Nutone 2 Ton heat pumps and air handlers for the Museum. Motion seconded by Kuzelka. On roll call, Polson, Bailey, Carmichael, Kuzelka, and Davis voted "yes." Brown abstained. Friesen and Rogge absent. Motion carried.

Mayor Ward read from the agenda "presentation by Blobaum & Busboom, P.C. of the City of Fairbury Enterprise Funds Financial Statements and Schedules for fiscal year 2014-2015 audit." Brian Blobaum addressed the Council. Blobaum presented the City of Fairbury Enterprise Funds (utility funds) Financial Statements and Schedules for Fiscal Year Ending April 30, 2015. Blobaum stated their firm is issuing an unqualified (clean) audit opinion that results indicated in the financial statements are free from material misstatement for both the Enterprise Funds Financial Statements and the City of Fairbury Financial Statements. As part of the Government Auditing Standards tests and reporting on internal controls and compliance with laws and regulations are required which could have a direct and material effect on the financial statements. They found no such instances of noncompliance, but did indicate a reportable control deficiency of a lack of separation of duties in various aspects of receipts and disbursement transactions. Blobaum stated the internal control deficiencies such as the lack of separation of duties, which they report in every governmental entity they audit; as small governmental entities do not have enough people to perform every financial duty separately. Blobaum stated during the last couple years the utility went through a consolidation of the utility billing with the general ledger. Since then, there has been some classification and inconsistencies that make it so that the monthly financial statements probably do not provide as much information as they would like to see to support proper oversight by the Board of Public Works (BOPW); management indicated they are taking steps to alleviate this. Blobaum continued with an overview stating the net income for the Light Department shows an increase of loss the last four years; a loss of \$65,593.00 in 2012, a loss of \$436,392.00 in 2013, a loss of \$1,133,668.00 in 2014, and a loss of \$1,074,791.00 in 2015. The loss in 2014 of \$1,133,668.00 included a \$250,000.00 settlement based on several years of information. Without the settlement amount, the loss would be around \$900,000.00 so you can see the progression of greater losses every year. The labor costs are very consistent – in 2013 \$1,745,590.00, in 2014 \$1,769,323.00 and in 2015 \$1,766,105.00. In the Water Department both the net incomes and the

gross profits are increasing to the point where we have \$213,123.00 of net income in this last fiscal year and the labor costs are consistent or lower. The Sewage Disposal Department is pretty consistent; the net income for this last fiscal year was \$103,055.00 and the labor costs are consistent or lower. The percentage increase in power costs in the last two years was 12% then 11%. The percentage increase in total power sales was 2% and 7%, so you can see an increasing difficulty in making enough margin. Kilowatt hours (KWH) sold versus KWH purchased – if you look at the KWH purchased, we're not really increasing any dramatic amount. We've lost a tremendous amount of margin in these years which points to not following power cost increases with sale price increases. Blobaum stated the labor costs are not part of the problem as far as what has happened to our margins and our profits. We had no increase in total labor costs this last year and 1% the previous year in the Light Department; same with the Water Department and the Sewage Disposal Department. We have held labor costs very well in check the last several years. The big issue is the power margin percent in the Light Department. The advances from the Water and Sewer Department in the amount of \$675,536.00 were to prop up the joint checking account that is held between all of the departments. The Water Department had a net income of \$213,123.00 with the cash balance at the beginning of the fiscal year was \$435,789.00 and at the end of the fiscal year was \$354,657.00 the reason being that \$375,536.00 was transferred to the Light Department. The Sewage Disposal Department had a net income of \$103,055.00 with the cash balance at the beginning of the fiscal year was \$372,785.00 and at the end of the fiscal year was \$216,859.00 the reason being \$300,000.00 was transferred to the Light Department. Blobaum states these transfers are basically because we have a joint checking account between the three departments, so when the electric department goes negative then obviously there is a transfer from the other departments. Blobaum stated where does the Light Department stand with the other departments – technically as of the end of the fiscal year, there was \$809,671.00 owed to the Water and Sewer Departments from the last several years together. Blobaum stated the BOPW probably should cash CDs and put the money in the Water and Sewer Department or rename the CDs as a transfer from the Light Department to the Water and Sewer Department to eliminate those balances. Blobaum stated the main concern is the margin in the Light Department.

Blobaum went on to present the City of Fairbury Financial Statements for fiscal year 2014-2015 audit, with Fiscal Year Ending September 30, 2015. Blobaum explained the Governmental Funds Cash spreadsheet stating the cash total for the General, Special Revenue, and Debt Service is \$2,536,831.00 in 2015 which is \$300,000.00 more than the previous year which is a good sign. Blobaum stated if he pulls out the LB840 and CDBG funds, we have a net modified total of \$2,210,440.00 on hand at the end of the fiscal year versus \$2,034,197.00 from the previous year which is a net "spendable" cash increase of \$176,243.00 at the end of the fiscal year. Blobaum stated in the long-term debt we are down to \$825,000.00; we paid off about \$250,000.00 during this last year. The Governmental Revenues at the end of the 2014-2015 fiscal years were \$3,598,444.00 and last year was \$3,603,639.00. The Governmental Expenditures were less at the end of the fiscal year at \$3,403,234.00 and last year was \$3,670,868.00 the difference being having \$200,000.00 less in

personnel costs. Blobaum stated the main concern goes back to the Light Department. City Administrator Collin Bielser stated in terms of the electric and utility departments, he will be working with the BOPW and the City Council to what he calls a slow grow, where we will eventually come into equilibrium and then a positive cash flow. Bielser stated obviously the things that are out of our control like the cost of producing power and with what is occurring nationwide with new environmental regulations is impacting us; but we will move forward in a responsible manner to project future savings with efficiencies that will be created, offset by rate increases. It will be a managed problem and a managed solution.

Bailey moved to approve transferring \$7,819.07 from the General Fund ~ \$6,881.14 to the Library Fund and \$937.93 to the Museum Fund for year-end closing entries. City Administrator Collin Bielser explained the Library was over budget mainly due to the retirement of the library director. Motion seconded by Polson. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Polson moved to approve the Special Designated Liquor License application for Michael Murman, Glacial Till Vineyard & Winery, LLC for a Wine Sampling/Tasting event to be held at Stagecoach Mall Antiques and Tasting Room located at 508 E Street, Fairbury, Nebraska on February 13, 2016 from 5:00 p.m. to 11:00 p.m. Motion seconded by Carmichael. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Davis moved to approve the recommendation from the Housing Committee regarding CDBG – Citywide Housing Rehabilitation Program – Contract #14-HO-3S061 to approve awarding the Rehabilitation Construction Contract for Applicant #010 / 921 9th Street and authorizing Mayor Ward to sign the Contract. Motion seconded by Carmichael. (The contractor is Quality Remodeling from Walton, Nebraska in the amount of \$13,205.50.) On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Brown moved to accept the high bid received for the lease of the Industrial Park farmland from Anthony Ebke in the amount \$8,340.00 (\$162.00 per acre on 50+ farmland acres and \$40.00 per acre on 6+ grassland acres) and also authorizing Mayor Ward to sign the Cash Rent Farm Lease Agreement. Motion seconded by Polson. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Mayor Ward read by title Ordinance No. 3059: AN ORDINANCE OF THE CITY OF FAIRBURY, NEBRASKA, APPROVING THE FINAL PLAT FOR SUNSET RIDGE ADDITION TO THE CITY OF FAIRBURY, NEBRASKA. Brown moved to introduce and give 1st reading of Ordinance No. 3059. Motion seconded by Bailey. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried.

Within the City Administrator's report, Collin Bielser updated the Council regarding the water nitrates report – the last results came in with the lowest being in the mid 7's and the highest being in the mid 8's. The City has been invited to go to the final round of an application for the Department of Roads Safe Routes to School Alternative Transportation Program. The City received a nice card from a citizen that thanked the City for a special pickup over the holidays. The newspaper had a nice article a few weeks ago about our Police Department helping a family. The City will be doing a low to moderate income (LMI) survey which is necessary to receive future CDBG funding. We've used the LMI survey in the past to do a community assessment where we ask questions and monitor the last two times what we have done. We will do a similar survey this year, but will change it somewhat to a citizen's satisfaction survey; a lot of the same questions will be asked, as in the past, for comparison. Bielser recommends that we add a few questions; getting the opinion of the adequacy of the City's website, amenities in City parks, trash service, City office hours, response time of the Police and Fire Departments, if people feel safe in their neighborhoods; among others. The last time we did the LMI survey, the number one priority for expenses was in public safety, law enforcement, and fire department. Bielser is also requesting to add a section that talks about capital projects for the City to get input of what people would like to see for capital projects; some ideas could be a new swimming pool that has been discussed, north H Street rehab, City Park improvements, etc. Bielser asked Council members to provide any feedback from your wards that you're hearing, to be added to this list. Bielser would like to create this as more of a guide in the future to how we prioritize our budget along with goals of the City Council and of staff needs, and to hear from the citizens about what their opinions are of our services that we offer and how well we are doing it. Bielser stated last week the Mayor hosted a roundtable of the employers which was a very good discussion. Out of the discussion came four main topics – housing, education, technology, and promotion recruitment of how we can strengthen our community. Those employers will be participating with the City and other community organizations to make it a community partnership in order to address some of the City's challenges. The first step went very well.

Bailey moved to adjourn the meeting. Motion seconded by Carmichael. On roll call, Polson, Bailey, Carmichael, Brown, Kuzelka, and Davis voted "yes." Friesen and Rogge absent. Motion carried. Meeting adjourned at 8:05 p.m.

Homer L. Ward, Mayor

ATTEST: Sharyl Preston, City Clerk