

COUNCIL PROCEEDINGS

Work Session

April 29, 2013

6:00 p.m.

A Work Session meeting of the City Council of the City of Gillette, County of Campbell, State of Wyoming, was held on Monday the 29th day of April 2013 in the second floor Community Room, pursuant to due notice and call. The Presiding Officer called the meeting to order and upon roll call the following were found to be present:

Council Members present: Kevin McGrath, Forrest Rothleutner, Louise Carter-King, Robin Kuntz, Ted Jerred, and Council President Opseth.

Council Member absent: Mayor Tom Murphy.

Staff present: J. Carter Napier, City Administrator; Charlie Anderson, City Attorney; John Aguirre, Human Resources Director; Kendall Glover, Utilities Director; Dustin Hamilton, Director of Engineering and Development Services; Tom Pitlick, Finance Director; Brent Wasson, Lieutenant; Wayne Lindgren, Utilities System Analyst; Geno Palazzari, PEG Manager; Patti Davidsmeier, Community & Gov't Relations Manager; and Karlene Abelseth, City Clerk.

Warm Up Items

Councilman Kuntz asked staff to look into complaints that he has received concerning road damage on Westover Road. City Administrator Napier explained that the repairs are underway.

CT II Purchase & Sale Agreement Discussion

Utilities Director Glover summarized the history concerning the combustible turbine and the pursuit to purchase it from Black Hills Power. Currently 23 MW of power comes from WYGEN III and 40 MW of power is purchased from M.E.A.N. (Municipal Energy Association of Nebraska). He went on to say that the benefit of ownership is having a say in the operation of the unit and paying actual costs versus an inflated annual cost. In previous discussions with Black Hills Power, economy energy was introduced which allows for a comparison of cost generating on the open market with other power plants, and depending on demand, can be less expensive than operating a facility. He went on to say that the consultant firm SAIC, revealed that over a 20 year period, there could possibly be a savings of \$43 million to \$106 million. Services have been retained with Barbara Bonds and Steven Freudenthal, who have been involved in the negotiation process with Black Hills Power and their attorneys. A consultant with SAIC was hired to view the maintenance records for the turbine and during an inspection, found a warranty issue that Black Hills Power was working on with General Electric. During this process, an oil leak was discovered. Black Hills Power and General Electric have negotiated for a number of months. General Electric evaluated the condition and stated that the unit is well within the parameters of safe normal operations. However, Black Hills Power decided to send the turbine to Canada, at their cost, to have the machine taken apart and replace all the seals. Mr. Glover added that due to the discovery of the oil leak, negotiations took place for an extended warranty period that would begin on the closing date of October 1, 2014, and extend two years beyond that date or, an equivalent number of hours, whichever comes first, and would include all cost up to \$2,000,000. If there were maintenance issues during this period

of time, Black Hills Power would be responsible for the cost. Councilman McGrath expressed his concerns about the oil leak and asked about looking into a longer warranty period. Mr. Glover stated that Black Hills Power's commitment was to get the issue resolved before the closing date. If this does not happen by the closing date, then there will be a two year period of warranty to fall back on. Mark Lux, representative of Black Hills Power, assured the Council that BHP would not accept an oil leak in any of their engines, and they will not accept an oil leak in this engine. Black Hills Power will spend approximately \$400,000 in repairs for the engine, and anticipate it being completed within three to four weeks. He went on to say that BHP needs to rely on this engine for summer peaking demand, and will make sure that the leak gets resolved. After the discussion, City Administrator Napier concluded by informing Council that this agreement will be on the May 6th agenda for Council's consideration. He went on to say that there will be representatives from Black Hills Power in attendance should Council have further questions.

Campbell County Land Board Agreement Discussion

City Administrator Napier gave an explanation of the draft agreement and spreadsheet in regards to the Campbell County Land Board Agreement. He informed Council that on May 21st, there will be a City/County Luncheon Meeting and there could be direction to potentially bring a conclusion to the agreement. Mr. Napier requested that if Council had directives concerning the agreement, they are brought to staff's attention during this meeting in order to prepare the draft language. Mr. Napier stated the biggest point of discussion is located on page 8 of the draft agreement as it relates to funding alternatives. He explained the alternatives, and stated at this point in time, staff is proposing a 15% level of funding. Councilman Rothleutner expressed concerns about Item (M) on page 5 of the draft agreement, and requested that the language be removed. He feels by leaving the language in the draft agreement it would only add confusion in the future. City Attorney Anderson explained that Subsection (M) was written in response to the Land Board's suggested language in which they wanted to have access to effluent. He went on to say that he believes the Land Board thought that effluent was an available alternative and they didn't realize that someone had to spend between \$5,000,000 and \$7,000,000 to treat the effluent so it could be used. City Administrator Napier stated that he agrees with City Attorney Anderson, and that the County felt that the effluent was more attainable than a \$7,000,000 investment would require, and feels the language could be removed. Councilman McGrath asked about the road maintenance that was discussed at a previous City/County Luncheon. City Attorney Anderson stated it is addressed in Item (L) and annexing the Cam-Plex would not have an effect on operations and the level of maintenance would remain as it is. He went on to say that land is not being purchased; the City is annexing the property. Mr. Napier stated the agreement, in its draft form, does not change the maintenance responsibilities despite annexation. Councilman Kuntz stated it was his recollection that the City would maintain Boxelder Road and the extension of the dirt road. City Administrator Napier affirmed that was correct, and went on to say that any roads on Cam-Plex proper would not be maintained by the City. Councilman McGrath asked about maintenance of the water and sewer mains. City Administrator Napier stated a comparison was made during the City/County luncheon concerning the relationship the City would have to the Cam-Plex with its infrastructure, as it is done with the Gillette College. The City has a main through the campus of the Cam-Plex and stated

one thing that should be considered is to approach the Land Board for easement access so the City can exercise valves and perform other maintenance. If this is not granted, then the Land Board would be responsible for maintaining the main themselves. After further discussion, Council President Opseth concluded by stating a few months ago he was in attendance at a meeting that included the Mayor, two Land Board Members, and two Commissioners. It is his recollection that everyone left the meeting in agreement that if the City could commit to a solid number for Cam-Plex budgeting purposes, and he recalls 15% being discussed, then that would meet their needs and he doesn't feel the need to go above 15% at this point in time.

Medical Fund Recommendation

City Administrator Napier and Human Resource Director Aguirre gave a presentation concerning the medical fund and recommendations for the same. Mr. Napier stated that he wanted to take more of a business plan approach in regard to managing the medical fund plan closer, which is similar to the approach of the enterprise funds. Mr. Napier gave a comparison of revenues and expenses concerning the funds and went on to say that the overall ability of the fund to cover the costs is showing an even more troubling trend. Human Resource Director Aguirre presented information concerning claims and the costs associated with those claims. He went on to say that the recommendations of the Task Force is a 10% Medical premium increase and a 10% dental premium increase that would begin on July 1, 2013. The Medical Fund Task Force would also continue to explore plan change options like health savings accounts, health reimbursement accounts, high deductible plans, or a combination of these options.

Agenda Items

The group discussed the agenda items for May 6, 2013.

Adjournment

There being no further business to come before the Council, the meeting was adjourned at 7:40 p.m.

Tom Murphy, Mayor

(S E A L)

ATTEST:

Karlene Abelseth, City Clerk

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