

A Pre-Meeting of the City Council was held on Tuesday the 17th day of September 2019.

Present were Councilmen Brown, Carsrud, Lundvall, McLeland, Neary, and Mayor Carter-King; City Administrator Davidson and City Attorney Reyes; Directors Aguirre, Cole, Henderson, and Wilde; Managers Monahan, Schoen, Palazzari, and Toscana; City Clerk Staskiewicz.

Warm Up Items

Councilman McLeland thanked all who organized and participated in the Memory of the Eight Run. The event was well done and very successful.

Councilman Carsrud commended the Water Division for a job well done in repairing a water main break on Butler Spaeth and Boxelder Road.

Nebraska Municipal Power Pool (NMPP) Water Distribution Rates

Utilities Director Cole gave a presentation on water distribution revenue requirements, explaining the Enterprise Fund, and the split between “actual” expenses and “actual” revenue. Water distribution expenses historically exceed revenues. City-funded, large capital projects that benefit the water distribution systems are paid by the optional 1% sales tax. Smaller capital projects like fire hydrant maintenance and small water main repairs are paid by distribution rates. Most of the water fund is currently healthy, but the distribution revenue does not sustain distribution expenses. Director Cole recommended the following for future considerations. 1) review revenue recommendations from NMPP; 2) look at distribution rates and plant investment fees; 3) fund the city swimming pool through other revenue sources; 4) create separate divisions within the water enterprise fund for “wholesale” operations/capital expenses, and “distribution” operations/capital expenses; 5) set up a distribution depreciation reserve for ongoing capital replacement projects; 6) implement \$0.40/1,000 distribution rate increase over several years.

Andrew Ross, Director of Nebraska Municipal Power Pool presented Council with historical data for the City’s “distribution” funding. He explained the three (3) factors used for financial planning for utility rates. 1) tracking of debt coverage ratio (not currently applicable in Gillette); 2) net operating incomes; 3) cash. He spoke about the importance of booking depreciation for future expenses. Factoring in depreciation allows for a gradual rate increase, rather than being surprised by a large expense, which creates the need for a sudden large increase in rates (rate shock). NMPP’s study matched the Water Divisions’ data, recommending a gradual increase of \$0.40/1000 gallons. Mr. Ross stated that the industry is moving toward recovering fixed expenses with fixed revenues, which would result in adding a fixed meter charge for all water customers. Mr. Ross informed Council that compared to the industry standard, Gillette’s distribution residential rate is extremely low. Director Cole stated that Council will be presented with two (2) or three (3) scenarios comparing rates, with and without a fixed meter charge, for consideration. The rate recommendations will be brought before Council for discussion by the end of the calendar year, with implementation planned for May of 2020.

Review September 17th Council Agenda

The group discussed the upcoming agenda items.

Executive Session

Councilman Lundvall made a motion to move into an Executive Session to discuss real estate and litigation; seconded by Councilman Brown. All voted aye. The motion carried.

Adjournment

There being no further business to come before the Council, the meeting adjourned at 6:32 p.m. An audio recording of this meeting is available in the City Clerk’s Office.

(S E A L)

ATTEST:

Cindy Staskiewicz, City Clerk
Publish date: September 25, 2019

Louise Carter-King, Mayor