

**ACKNOWLEDGEMENT OF RECEIPT OF NOTICE OF MEETING  
OF THE MAYOR AND CITY COUNCIL OF  
THE CITY OF DAVID CITY, NEBRASKA**

The undersigned members of the governing body of the City of David City, Nebraska, hereby acknowledge receipt of advance notice of a regular meeting of said body and the agenda for such meeting to be held at 7:00 o'clock p.m. on the **10<sup>th</sup> day of July, 2019**, in the meeting room of the City Office, 557 North 4<sup>th</sup> Street, David City, Nebraska.

This agenda is available for public inspection in the office of the City Clerk and may be modified up to twenty-four hours prior to the opening of the meeting.

Dated this 3<sup>rd</sup> day of July, 2019.

**AGENDA AS FOLLOWS:**

1. Roll Call;
2. Pledge of Allegiance;
3. Inform the Public about the location of the Open Meetings Act and the Citizens Participation Rules;
4. Minutes of the June 26<sup>th</sup>, 2019 meeting of the Mayor and City Council;
5. Consideration of Progress Estimate #20 for Constructors, Inc. in the amount of \$262,716.20;
6. Consideration of Pay Estimate #9 to Eriksen Construction Co., in the amount of \$96,759.69 for the Wastewater Treatment Plant Project;
7. Consideration of Pay Estimate #1 to Midlands Contracting, Inc. in the amount of \$47,725.74 for Sanitary Sewer Rehabilitation;
8. Consideration of Claims;
9. Committee and Officer Reports;
10. Presentation by Stacey Anderson of SOCS Websites;
11. Presentation by John Krajewski of JK Energy Consulting, LLC, concerning the 2019 Cost of Service / Rate Design Study - Electric Utility;
12. 8:30 p.m. presentation by Jason of Revised Government Websites;
13. Consideration of the proposed budgets for the upcoming fiscal year October 1, 2019 – September 30, 2020;
14. Adjourn.

CITY COUNCIL PROCEEDINGS

July 10, 2019

The City Council of the City of David City, Nebraska, met in open public session in the meeting room of the City Office, 557 North 4<sup>th</sup> Street, David City, Nebraska. The Public had been advised of the meeting by publication of notice in The Banner Press on July 4<sup>th</sup>, and an affidavit of the publisher is on file in the office of the City Clerk. The Mayor and members of the City Council acknowledged advance notice of the meeting by signing the Agendas which are a part of these minutes. The advance notice to the Public, Mayor, and Council members conveyed the availability of the agendas, which were kept continuously current in the office of the City Clerk and were available for public inspection during regular office hours. No new items were added to the agendas during the twenty-four hours immediately prior to the opening of the Council meeting.

Present for the meeting were: Mayor Alan Zavodny, Council members Tom Kobus, Dana Trowbridge, Gary Smith, John Vandenberg, and Pat Meysenburg, City Attorney Jim Egr, and City Clerk Joan Kovar. Council member Kevin Hotovy was absent.

Also present for the meeting were: Stacey Anderson of FES (A Foundation of Support – SOCS Websites), Marianne Long and son Frank, Joyce Smith, Planning Commission Member Janis Cameron, Library Director Kay Schmid, Library Board Member Steve Smith, Sheriff Tom Dion, Deputy Clerk Tami Comte, Interim Water Supervisor Aaron Gustin, Park/Auditorium Supervisor Bill Buntgen, Electric Supervisor Pat Hoeft, and Street/Airport Supervisor Chris Kroesing.

The meeting opened with the Pledge of Allegiance.

Mayor Alan Zavodny informed the public of the “Open Meetings Act” posted on the east wall of the meeting room asked those present to please silence their cell phones.

The minutes of the June 26, 2019 meeting of the Mayor and City Council were approved upon a motion by Council member Trowbridge and seconded by Council member Meysenburg. Voting AYE: Council members Smith, Vandenberg, Kobus, Trowbridge, and Meysenburg. Voting NAY: None. Council member Hotovy was absent. The motion carried.

The Downtown Project “punch list” was discussed. Mayor Zavodny stated that he quite often gets phone calls from people saying “come look at this”. It was noted that the brick on south 5<sup>th</sup> were never re-laid.

City Attorney Egr stated: “My suggestion is, we’ve got another council meeting in two weeks, we need to get Al Hottovy here to discuss this and one way to do that is to say: “look, we’re not going to pay this bill”. We’ve got to make sure we have 10% retainage; we want to know what the heck is going on and where we are at. He signs that “I have reviewed this estimate and it appears to be correct”, but then our retainage has been reduced from 10% now down to 5%. We don’t pay this until we get an explanation about the punch list and how much is left on the punch list. That’s two weeks; I say we don’t pay this.”

Mayor Zavodny stated: “I recommend we table this to July 24<sup>th</sup>.”

Council member Trowbridge made a motion to **table** consideration of Progress Estimate #20 for Constructors, Inc., in the amount of \$262,716.20 to the July 24<sup>th</sup> Council Meeting. Council member Vandenberg seconded the motion. Voting AYE: Council members Smith, Kobus, Trowbridge, Vandenberg, and Meysenburg. Voting NAY: None. Council member Hotovy was absent. The motion carried.

Council member Kobus asked how the Wastewater Treatment Plant Project was going. Interim Water Supervisor Aaron Gustin stated: "They still say they are going to finish on time. They had to dig up part of the main access road again yesterday, there was a small leak they wanted to locate."

Council member Kobus stated: "I don't think that much is going on down there; Sorry, but that's my opinion."

Interim Water Supervisor Aaron Gustin stated: "If you want my assessment, it's looked the same for the last two months. They keep tearing up the road, putting it back, tearing up the road, and putting it back. It rains, we get behind, can't move dirt; it's mud... That's just my assessment. I don't know anything substantial that's been done since the valves were replaced in the effluent pump station a couple months ago. The cell is drained, they've got some things exposed...."

Council member Trowbridge made a motion to **table** consideration of Pay Estimate #9 to Eriksen Construction Co., in the amount of \$96,759.69 for the Wastewater Treatment Plant Project to the July 24<sup>th</sup> Council Meeting. Council member Kobus seconded the motion. Voting AYE: Council members Smith, Meysenburg, Vandenberg, Kobus, and Trowbridge. Voting NAY: None. Council member Hotovy was absent. The motion carried.

Interim Water Supervisor Aaron Gustin stated: "Midlands sent an e-mail the other day that said substantial flooding has heeded their ability to start."

Council member Trowbridge made a motion to **table** consideration of Pay Estimate #1 to Midlands Contracting, Inc., in the amount of \$47,725.74 for Sanitary Sewer Rehabilitation. Council member Kobus seconded the motion. Voting AYE: Council members Vandenberg, Meysenburg, Smith, Trowbridge, and Kobus. Voting NAY: None. Council member Hotovy was absent. The motion carried.

Council member Trowbridge stated: "Let's ask Craig what Midlands is doing because they aren't even in town."

Mayor Zavodny asked for consideration of claims. Council member Smith made a motion to authorize the payment of claims and Council member Meysenburg seconded the motion.

Council member Trowbridge stated: "JK Energy Consulting \$2,000. The report that's in my book basically tells me what I already knew before he came. That's item #11 and we'll talk about it later, but I don't know why you'd pay anybody \$2,000 to tell you what you already know. So, that's just my comments."

Mayor Zavodny asked for roll call: Voting AYE: Council members Vandenberg, Smith, and Meysenburg. Voting NAY: Council members Kobus, and Trowbridge. Council member Hotovy was absent. *[16-404: orders for the appropriation or payment of money shall require for their passage the concurrence of a majority of all members elected to the council. The mayor may vote on any such matter when*

*his vote will provide the additional vote required to create a number of votes equal to a majority of the number of members elected to the council, and the mayor shall, for the purpose of such vote, be deemed to be a member of the council.]* Therefore, City Clerk Kovar called upon Mayor Zavodny who voted AYE. The motion carried.

Mayor Zavodny asked for any comments or questions concerning the Committee and Officer Reports.

City Clerk Kovar stated that C.J. Novak stopped in this morning to tell her that he was resigning. It was too late to add this to the agenda so it will be on the July 24<sup>th</sup> agenda for consideration. C.J. provided the following letter:

Dear Joan Kovar

I am writing this letter to officially inform you of my resignation from my position as Interim Wastewater Supervisor for the City of David City. My last day of employment will be July 23 2019.

I would like to thank everyone for the opportunity to work for the City of David City. I have enjoyed my four plus years working for the city and have added many new skills to my resume as a result of working here. I have enjoyed learning in a field that is very important to the livelihood of a community, that I feel I have become a part of.

I will do all I can in my final days to ensure that duties that are mine continue to be fulfilled. It has been a great experience for me and I look forward to continuing friendships I have gained while working here.

Sincerely



Clarence Novak

Council member Trowbridge stated: "I had a visit with the Sheriff today, and the Sheriff called my attention to our budget for this current year that we are in, and we have budgeted \$22,000 to buy him a patrol car, and the patrol car he wants costs \$36,250. So, when we go to the contract and read what it says, there are no dollar figures in it. It says we buy him a vehicle suitable for doing his work. So that's a budget issue that will come to bite us here before long."

Mayor Zavodny stated: "I was going to bring that up under the budget discussion. That's a new State bid price. I visited with him today also and I think that's something that we need to look at should we continue this agreement, of maybe every three years. We need to spell that out; we've got to limit, to some extent, what that contract is going to cost us and factor it in. They are a lot of different ways to approach it."

Park/Auditorium Supervisor Bill Buntgen reported that they had a walk-through last Wednesday of the new Park restrooms and shelter; the Fire Marshall, Contractors, etc. They still need to seed around the areas but the restrooms are now open.

Council member Kobus made a motion to accept the Committee and Officers Reports as presented. Council member Meysenburg seconded the motion. Voting AYE: Council members Trowbridge, Kobus, Vandenberg, Meysenburg, and Smith. Voting NAY: None. Council member Hotovy was absent. The motion carried.

Stacey Anderson of FES – A Foundation of Support; SOCS Websites made a presentation concerning the Web design. Stacey stated: “We are a non-profit 501C3 organization and provide support services to communities and other non-profit organizations so you can succeed in fulfilling your mission. We are a little bit different in the market in that we are a non-profit and that we work on an at cost price point. Some of the cities and organizations that we have worked with are Beatrice, Crete, Education Quest Foundation, Humphrey, Neligh, Ashland, and Hickman to name a few. The SOCS intuitive editing tools make posting new articles and breaking news quick and painless. We are ADA compliant, so if someone is visually impaired coming to your website, the visually impaired reader will be able to read the content back to them. It is also keyboard compliant so if a person can’t operate a mouse, they can just use the arrows to get around the website. All of our support staff are in Lincoln, so we’re 50 miles away, we are not very far. So, if you need anything, need somebody here to help you, you want somebody to come to Lincoln to sit with a support person, anytime, we are here to support you. We are not going anywhere; we are a stable foundation that’s been around 30 years.” Stacey showed samples, designs, and available options. Discussion followed.

*[Note: Stacey presented prices, etc., as did the others who presented on June 26<sup>th</sup>, however, I did not include those in the minutes so that someone making a later presentation could not reduce their price just to undercut the others.]*

Mayor Zavodny thanked Stacey for her presentation.

Jason Saarela of Revize Government Websites called in to make a video presentation concerning the Web design. They are headquartered in Troy, Michigan, have been in business almost 25 years now, and are specifically experts in government website designs with resident engagement features and an easy to use content management system. They build the website from scratch according to your needs and objectives and make it unique. Presently they have over 1500 governmental clients, they have over 500 Counties and County agencies, and they work with populations anywhere from 80 residents on up to over two million. They are ADA compliant. He presented a Power Point presentation and ready to use design templates, explaining that you can use one of four design templates as your starting base. They have a full technical support staff that is available by phone, Monday thru Friday, 8:00 a.m. to 8:00 p.m. Eastern time, they have 24-hour e-mail support and a 24-hour on-line customer portal and then within the content management system they have a full library of FAQ’s, and on-demand video tutorials. They can provide scrolls for “news alert messages”. There are 95 different languages available, so if you want to see the website in Spanish, you click on Spanish and it’s in Spanish. Jason continued to explain many of the available options and components available.

Mayor Zavodny thanked Jason for his presentation.

John Krajewski of JK Energy Consulting, LLC, 650 J Street, Suite 108, Lincoln, NE 68508, presented the 2019 Cost of Service / Rate Study – for the Electric Utility. John stated:

“The purpose of my study was to review the financial performance for the utility and determine if we needed to make any rate changes, make sure the rates reflect our goals, that the rates were fair and non-discriminatory, and that they were competitive with neighboring utilities. When I look at your existing revenues and compare them to the expenses for the electric utility, I’ll just say I wish every client I worked with was in as good a financial condition as your electric fund is. In terms of your revenues versus your expenses, the cash you have on hand in the utility is good revenue, there really weren’t any financial issues that I could identify with the electric utility. The only real question I have going forward is, I’ll just really quickly, you have about \$600,000 in your net income, cash flow is fine. That is a very healthy margin for your electric utility. If I thought that there would be no negative changes, cost wise going forward, I might even suggest a slight decrease, but I think there’s enough risks in the electric industry that’s the last thing I would recommend right now. I think there are too many things going on with regional transmission costs, carbon dioxide control, all those types of issues, that I think it’s best to just leave the rates where they are so that you don’t have to raise rates again in the near future. The one risk factor I will say is, with regards to the power plant, my understanding in talking to staff is that you have some staffing issues there, changes there, so you are not currently receiving the lease income from NPPD. I will say, if you needed to replace the net income reflected from the power plant, you are looking at about a 2½% rate increase just to replace the net; you have about a \$300,000 reduction in revenue, you’d have about a \$200,000 reduction in expenses, looking at natural gas costs, labor, repairs, replacements, all that, so I know that staff is looking at that and trying to come to grips with how that’s going to be going forward. I do think that is one risk factor I would look at. Again, I don’t think I would raise rates just on that; the plans you are making to take care of that issue will take care of themselves.” John presented a review of the rates and stated that the only one that he felt needed to be increased at this time was the charge for street light / alley light rentals, and he suggested a 3% increase for that rate, which would only amount to about \$120/year. John stated: “This rate study wasn’t a wasted effort. You have the assurance you can go to your customers and say “our rates are adequate, our finances are in good shape, we’re collecting the revenues from the right customers going forward”, so, I think it eliminates the risk that a customer can come in and say “my rates are too high”, or “you should be charging this customer class more than you are charging me”. You say “no, we had a professional come in, look at it, everything looks reasonable”.

Discussion followed.

Council member Trowbridge stated: “I retract my earlier statements about the \$2,000 with you being a complete waste.”

Following is the 2019 Cost of Service / Rate Design Study:

## 2019 COST OF SERVICE / RATE DESIGN STUDY

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CITY OF DAVID CITY, NEBRASKA  
ELECTRIC UTILITY

CITY COUNCIL REVIEW DRAFT

JUNE 26, 2019

**JK** *Energy  
Consulting  
LLC*

JK ENERGY CONSULTING, LLC  
650 J STREET, SUITE 108  
LINCOLN, NEBRASKA 68508  
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## EXECUTIVE SUMMARY

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This study was prepared by JK Energy Consulting, LLC for the City of David City, Nebraska (City). The purpose of the study was to review the electric rates for the City and its electric utility (Utility) and ensure that electric rates are adequate to pay for projected expenses. In addition, rates for each rate class were reviewed to ensure they were fair, reasonable and non-discriminatory, and reflective of the cost of service.

Based on the analyses completed, it appears the existing rates are sufficient to cover projected expenses in fiscal year (FY) 2019. Projected retail revenue based on existing rates for FY 2019 is approximately \$4.2 million (Table 1, Line 2), which generated surplus revenue of approximately \$0.6 million (Table 1, Line 22). This indicates the existing rates are adequate.

Based on the request of the City, a scenario was developed to assess its financial condition if the power plant was shut down. Currently, the power plant brings in approximately \$301,000 of revenue, which the estimated operating costs are approximately \$195,000. If the power plant was shut down, a 2.5% rate increase would be needed in FY 2019 to replace the lost revenue (see Table 2).

Of the projected revenue requirements, approximately \$2.7 million (Table 3, Line 10) is for purchased power from Nebraska Public Power District (NPPD), including transmission service to deliver these purchases. This represents approximately 65.4% of projected revenue requirements.

The cost of service analysis was completed to assess the amount that each rate class should be paying compared to the revenue that is being collected from existing rates (Table 5). The analysis also indicated how much revenue is collected in each season compared to the cost of service in the respective season (Table 6). With the exception of Alley Light Rentals, it appeared that the rate recovery from each class was reasonable and that no adjustments to individual rate classes would be necessary. With the exception of Alley Light Rentals, the recovery for customer charges appears reasonable and consistent with the cost of service.

The City's current rate ordinance should be revised to provide a more definitive method for recovering costs related to Power Factor Adjustment for the commercial service and industrial service rate classes. The proposed method would provide for demand charges to be increased based on the ratio of the required power factor (0.90) to the measured power factor. Two other minor adjustments were proposed that were administrative in nature and do not change any rates.

The City's existing rates were compared to NPPD, Butler County Public Power District, and the cities of Schuyler and West Point, Nebraska. Overall, the City's rates are very competitive with neighboring utilities (see Tables 7 and 8).

## **Conclusions**

The following conclusions were reached, based on the information provided and analyses completed:

1. The projected revenue requirement for FY 2019 was approximately \$3.6 million excluding projected margins from current rates.
2. Projected revenues from existing rates are approximately \$4.2 million.
3. The power plant currently brings in approximately \$301,000 of revenue. A 2.5% rate increase would be needed in FY 2019 to replace lost revenue if the power plant was shut down.
4. The largest component of the test year budget was purchased power expense, representing 65.4% of the projected test year budget. Future rate increases are highly dependent on rate increases implemented by the City's power supplier.
5. Existing rates recover sufficient revenue to cover projected expenses through FY 2023.
6. With the exception of Alley Light Rentals, the cost of service analysis indicated that rates for each rate class were within a range of reasonableness indicating it would not be necessary to adjust rates for any rate class.
7. The Power Factor Adjustment clause should be modified to specify that the demand charge would be increased if the customer does not maintain power factor of at least 90%.
8. The City's rates are very competitive with neighboring utilities.

## **Recommendations**

The following recommendations were developed based on the analyses completed and conclusions reached:

1. The City should approve the rate ordinance as submitted in Appendix A. This ordinance includes changes to the Power Factor Adjustment clause and a 3% rate increase for the Alley Light Rentals rate class.
2. The City should review its rates on a regular basis, particularly as purchased power costs change.

## **PURPOSE AND APPROACH**

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The purpose of this study was to review the electrical rates charged by the City and develop rates that were consistent with a number of goals established by the City. The goals established by the City included having rates that provide sufficient revenues to cover projected operating expenses and having rates that reflect the cost of service for each rate class.

The approach to the study involved completing several tasks. Retail sales, purchased power, operating expenses, and financial information was collected. Test year expenses for FY 2019 were projected and future revenues and expenses were projected through FY 2023. A rate plan was developed to meet the financial goals established by the City.

The allocated cost of service for each rate class was calculated and compared to revenue from existing rates. The rate ordinance was reviewed and revised. A written report was prepared and presented to the City Council on July 10, 2019.

## **BACKGROUND**

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### ***City of David City – Electric Utility***

The City operates its electric utility, which serves customers located within the City and in some areas adjacent to the City. The Utility serves approximately 1,500 customers, including a mix of residential, rural and commercial customers.

### ***Purchased Power***

The City purchases its total electric requirements from NPPD under a long-term purchase arrangement. In FY 2019, the projected cost of purchased power from NPPD is approximately 6.1¢/kWh, delivered to the Utility.

Future retail rate increases will be highly dependent on rate increases implemented by NPPD. Purchased power represents approximately 64.6% of the Utility's test year budget, so any increase in power costs will most likely require a rate increase at the retail level. There is also future power cost uncertainty related to environmental restrictions and possible greenhouse gas regulations. These issues could result in a major change in the City's future power costs and should be monitored because of their potential impact on the City's retail rates.

## **PROJECTED FINANCIAL RESULTS**

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The purpose of preparing projected financial results is to compare projected revenues with projected expenses and determining the need for future rate increases. Projections were prepared for the period FY 2019 through FY 2023 based on information provided by NPPD and the City.

### ***Parameters***

The following parameters were used to develop the projected financial results.

1. Historical and projected results were prepared based on the City's fiscal year (October through September).
2. Revenues were calculated based on the existing rates.
3. The FY 2019 budget was used as the basis for the test year budget, with adjustments for known changes and to ensure consistency with historical actual expenditures.
4. Power supply rates were projected to remain stable through FY 2023.
5. Operating and maintenance expenses, administrative costs, and other internal expenses were projected to increase at a rate of 3% annually.
6. Capital improvement and reserve funding was included based on historical needs.

7. Projected financial results were presented on a "cash basis" as opposed to "accrual basis." Cash basis accounting includes capital improvements but does not include depreciation expense.

### ***Projected Financial Results***

Table 1 (see page 6) shows the projected financial results for FY 2019 through FY 2023, along with historical financial results for FY 2017 and FY 2018. The projected financial results do not include rate increases but does include power plant revenue. Without a rate increase or use of reserve funds, the projected net income would be approximately \$590,000, decreasing to \$567,000 by FY 2023 (see Table 1, Line 22).

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Table 1  
 City of David City, Nebraska  
 2019 Cost of Service Study  
 Projected Financial Results  
 Re-Opening Power Plant

| Line | Description                           | Actual (1)  |             | Test Year    |              | Projected    |              |              |
|------|---------------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
|      |                                       | 2017        | 2018        | 2019         | 2020         | 2021         | 2022         | 2023         |
| 1    | Operating Revenues                    |             |             |              |              |              |              |              |
| 2    | Retail Sales                          | \$4,050,987 | \$4,163,247 | \$ 4,158,294 | \$ 4,158,294 | \$ 4,158,294 | \$ 4,158,294 | \$ 4,158,294 |
| 3    | Power Plant Revenue                   | 300,232     | 300,180     | 301,000      | 301,000      | 301,000      | 301,000      | 301,000      |
| 4    | Sales Tax Revenue                     | 165,171     | 175,287     | 160,000      | 160,000      | 160,000      | 160,000      | 160,000      |
| 5    | Other Revenue / Miscellaneous         | 276,182     | 315,423     | 212,266      | 212,266      | 212,266      | 212,266      | 212,266      |
| 6    | Total Operating Revenue               | \$4,792,572 | \$4,954,136 | \$ 4,831,560 | \$ 4,831,560 | \$ 4,831,560 | \$ 4,831,560 | \$ 4,831,560 |
| 7    | Operating Expenses                    |             |             |              |              |              |              |              |
| 8    | Personnel Services                    | \$ 553,453  | \$ 577,086  | \$ 562,115   | \$ 576,978   | \$ 596,348   | \$ 614,238   | \$ 632,665   |
| 9    | Production                            | 2,632,112   | 2,672,683   | 2,718,129    | 2,616,684    | 2,616,684    | 2,616,684    | 2,616,684    |
| 10   | General Operations                    | 332,901     | 207,216     | 431,300      | 444,238      | 457,568      | 471,253      | 485,432      |
| 11   | Sales Tax Expense                     | 165,171     | 178,885     | 175,000      | 175,000      | 175,000      | 175,000      | 175,000      |
| 12   | Occupation Fee / In Lieu Of Tax       | 259,208     | 287,536     | 285,000      | 285,000      | 285,000      | 285,000      | 285,000      |
| 13   | Total Operating Expenses              | \$3,942,245 | \$3,904,216 | \$ 4,171,544 | \$ 4,099,902 | \$ 4,130,598 | \$ 4,162,216 | \$ 4,194,791 |
| 14   | Operating Income                      | \$ 850,327  | \$1,049,920 | \$ 660,015   | \$ 731,658   | \$ 700,962   | \$ 669,344   | \$ 636,778   |
| 15   | Non-Operating Expense/(Revenue)       |             |             |              |              |              |              |              |
| 16   | Interest Income                       | \$ (46,967) | \$ (76,123) | \$ (30,000)  | (30,000)     | (30,000)     | (30,000)     | (30,000)     |
| 17   | Interest Expense                      | 175         | -           | -            | -            | -            | -            | -            |
| 18   | Capital Improvements / Reserves       | 187,854     | 168,224     | 100,000      | 100,000      | 100,000      | 100,000      | 100,000      |
| 19   | Total Non-Operating Expense/(Revenue) | \$ 141,162  | \$ 32,101   | \$ 70,000    | \$ 70,000    | \$ 70,000    | \$ 70,000    | \$ 70,000    |
| 20   | Net Income Before Transfers           | \$ 709,165  | \$1,017,819 | \$ 590,015   | \$ 661,658   | \$ 630,962   | \$ 599,344   | \$ 566,778   |
| 21   |                                       |             |             |              |              |              |              |              |
| 22   | Net Income - Cash Basis               | \$ 709,165  | \$1,017,819 | \$ 590,015   | \$ 661,658   | \$ 630,962   | \$ 599,344   | \$ 566,778   |
| 23   | Rate Change for Breakeven Cash Flow   |             |             |              | -15.9%       | -15.2%       | -14.4%       | -13.6%       |

Notes:  
 (1) Based on audited financial statements.



**Sensitivity Case: Power Plant Shutdown**

Based on the request of City staff, a scenario was developed to assess the City's financial condition if the power plant was shut down (see Table 2). In FY 2019, projected power plant revenue from the NPPD lease agreement is \$301,000 if the plant is operational. If the power plant was shut down, a rate increase of \$105,750, or 2.5%, would be needed in FY 2019 to replace the lost revenue and enable the City to maintain the same projected net income as if the power plant remained in service.

Table 2  
 City of David City, Nebraska  
 2019 Cost of Service Study  
 Projected Financial Results  
 Continued Power Plant Shutdown

| Line | Description                           | Test Year    | Projected    |              |              |              |
|------|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
|      |                                       | 2019         | 2020         | 2021         | 2022         | 2023         |
| 1    | Operating Revenues                    |              |              |              |              |              |
| 2    | Retail Sales - Existing Rates         | \$ 4,158,294 | \$ 4,158,294 | \$ 4,158,294 | \$ 4,158,294 | \$ 4,158,294 |
| 3    | Rate Change                           | 105,750      | 105,750      | 105,750      | 105,750      | 105,750      |
| 4    | Power Plant Revenue                   | -            | -            | -            | -            | -            |
| 5    | Sales Tax Revenue                     | 160,000      | 160,000      | 160,000      | 160,000      | 160,000      |
| 6    | Other Revenue / Miscellaneous         | 212,266      | 212,266      | 212,266      | 212,266      | 212,266      |
| 7    | Total Operating Revenue               | \$ 4,636,310 | \$ 4,636,310 | \$ 4,636,310 | \$ 4,636,310 | \$ 4,636,310 |
| 8    | Rate Change (%)                       | 2.5%         | 2.5%         | 2.5%         | 2.5%         | 2.5%         |
| 9    | Operating Expenses                    |              |              |              |              |              |
| 10   | Personnel Services                    | \$ 562,115   | \$ 578,978   | \$ 586,348   | \$ 614,238   | \$ 632,665   |
| 11   | Production                            | 2,718,129    | 2,616,684    | 2,616,684    | 2,616,684    | 2,616,684    |
| 12   | General Operations                    | 431,300      | 444,239      | 457,566      | 471,293      | 485,432      |
| 13   | Decrease for Power Plant              | (195,250)    | (195,250)    | (195,250)    | (195,250)    | (195,250)    |
| 14   | Sales Tax Expense                     | 175,000      | 175,000      | 175,000      | 175,000      | 175,000      |
| 15   | Occupation Fee / In Lieu Of Tax       | 285,000      | 285,000      | 285,000      | 285,000      | 285,000      |
| 16   | Total Operating Expenses              | \$ 3,976,294 | \$ 3,904,652 | \$ 3,935,348 | \$ 3,966,966 | \$ 3,999,531 |
| 17   | Operating Income                      | \$ 660,015   | \$ 731,658   | \$ 700,962   | \$ 669,344   | \$ 636,778   |
| 18   | Non-Operating Expense/(Revenue)       |              |              |              |              |              |
| 19   | Interest Income                       | \$ (30,000)  | \$ (30,000)  | \$ (30,000)  | \$ (30,000)  | \$ (30,000)  |
| 20   | Interest Expense                      | -            | -            | -            | -            | -            |
| 21   | Capital Improvements / Reserves       | 100,000      | 100,000      | 100,000      | 100,000      | 100,000      |
| 22   | Total Non-Operating Expense/(Revenue) | \$ 70,000    | \$ 70,000    | \$ 70,000    | \$ 70,000    | \$ 70,000    |
| 23   | Net Income Before Transfers           | \$ 590,015   | \$ 661,658   | \$ 630,962   | \$ 599,344   | \$ 566,778   |
| 24   |                                       |              |              |              |              |              |
| 25   | Net Income - Cash Basis               | \$ 590,015   | \$ 661,658   | \$ 630,962   | \$ 599,344   | \$ 566,778   |
| 26   | Rate Change for Breakeven Cash Flow   |              | -15.9%       | -15.2%       | -14.4%       | -13.6%       |

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## **COST OF SERVICE**

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The purpose of the cost of service analysis is to identify the costs related to serving each class of customers. Several steps were completed to prepare the cost of service analysis. A test year budget was prepared based on the FY 2019 operating budget with adjustments for known changes. Each expense item was identified and assigned to a utility function, and further classified as a demand, energy or customer related expense. This process is called "functionalization" and "classification." The costs related to each function are then allocated to each customer class based on generally accepted cost allocation principles for municipal electric utilities. The allocated costs were compared to revenues based on existing rates. The comparison of the cost of service to revenue from existing rates was used as a factor in designing rates.

### ***Test Year Budget***

The FY 2019 operating budget and usage data from FY 2018 was used as the basis for the test year budget. The purpose of preparing a test year budget is to create a scenario that is as close to "normal" operating conditions as possible, reflecting known changes for the utility. The test year budget included the following adjustments to the FY 2019 operating budget:

1. Normalization of revenues to reflect typical weather and recorded revenue in audited financial statements.
2. Adjustment of purchased power costs to reflect projected NPPD rates and Butler County PPD sub-transmission rates.
3. Inclusion of the budgeted margin from Table 1 of approximately \$0.6 million.

The test year budget for FY 2019 was approximately \$4.2 million and is summarized in Table 3 (see page 9). This figure represents the amount that needs to be collected from retail rates. It includes all operating expenses and is reduced for revenue from interest income and other non-retail revenue.

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**Table 3**  
**City of David City, Nebraska**  
**2019 Cost of Service Study**  
**Test Year Budget by Function**  
**Annual**

| Line | Rate Class                         | Production /<br>Transmission | Subtrans/<br>Distribution | Customer/<br>Admin | Total               |
|------|------------------------------------|------------------------------|---------------------------|--------------------|---------------------|
| 1    | Residential                        | \$ 961,739                   | \$ 502,706                | \$ 85,403          | \$ 1,549,849        |
| 2    | Residential Summer Controls        | 152,651                      | 60,667                    | 14,066             | 247,384             |
| 3    | Commercial Single Phase            | 197,481                      | 109,126                   | 23,175             | 329,782             |
| 4    | Commercial Three Phase             | 101,962                      | 54,976                    | 4,640              | 161,578             |
| 5    | Industrial                         | 1,191,561                    | 498,899                   | 5,236              | 1,695,696           |
| 6    | Industrial Off-Peak                | 103,604                      | 39,525                    | 4,071              | 147,201             |
| 7    | Irrigation On-Peak                 | 2,013                        | 2,867                     | 716                | 5,596               |
| 8    | Irrigation Off-Peak                | 5,034                        | 9,383                     | 710                | 15,127              |
| 9    | Street Light / Alley Light Rentals | 2,083                        | 867                       | 3,132              | 6,082               |
| 10   | <b>Total</b>                       | <b>\$ 2,718,129</b>          | <b>\$ 1,299,016</b>       | <b>\$ 141,149</b>  | <b>\$ 4,158,294</b> |
| 11   | <b>Percentage</b>                  | <b>66.4%</b>                 | <b>31.2%</b>              | <b>3.4%</b>        | <b>100.0%</b>       |

***Functionalization and Classification***

Functionalization and classification involves assigning the expense items to a function and classifying those expenses by allocation method. Functions vary by utility and are based on power supply arrangements, size and type of utility. The following functions were used for the Utility:

1. Purchased power
2. Transmission and sub-transmission service
3. Distribution (primary and secondary)
4. Services
5. Meter reading
6. Billing and customer accounting

Expenses were classified into demand-related, energy-related, and customer-related classifications. Some costs are allocated solely to a single classification. For example, transmission service is classified as demand-related. Other functions, including primary distribution, are spread between the demand-related and customer-related classifications. The classifications were based on cost causation and how the costs should be recovered from the Utility's retail rate classes.

Table 4 (see page 10) summarizes the classification of test year expenses, including the allocation to the various retail rate classes. Approximately \$346,000 is customer-related, \$1.1 million is energy-related, and \$2.7 million is demand-related expense. Based on this classification, 8.3% of the Utility's test year budget is customer-related, 26.8% is energy-related, and 64.8% is demand-related.

Table 4  
 City of David City, Nebraska  
 2019 Cost of Service Study  
 Classification of Expenses  
 Annual

| Line | Rate Class                         | Customer   |          | Energy       |         | Demand       |         |
|------|------------------------------------|------------|----------|--------------|---------|--------------|---------|
|      |                                    | (\$)       | (\$/mon) | (\$)         | (¢/kWh) | (\$)         | (¢/kWh) |
| 1    | Residential                        | \$ 213,933 | \$ 17.33 | \$ 391,803   | 2.96    | \$ 944,114   | 7.14    |
| 2    | Residential Summer Controls        | 35,236     | 17.26    | 69,238       | 2.98    | 142,911      | 6.10    |
| 3    | Commercial Single Phase            | 52,183     | 22.19    | 76,030       | 2.96    | 201,568      | 7.84    |
| 4    | Commercial Three Phase             | 19,079     | 41.84    | 41,130       | 2.96    | 101,369      | 7.29    |
| 5    | Industrial                         | 11,846     | 50.20    | 489,143      | 2.94    | 1,194,907    | 7.18    |
| 6    | Industrial Off-Peak                | 9,065      | 50.31    | 44,005       | 2.87    | 94,141       | 6.36    |
| 7    | Irrigation On-Peak                 | 1,960      | 33.17    | 937          | 2.76    | 2,669        | 7.67    |
| 8    | Irrigation Off-Peak                | 1,974      | 32.91    | 2,079        | 2.71    | 11,073       | 14.42   |
| 9    | Street Light / Alley Light Rentals | 522        | 0.89     | 2,110        | 5.72    | 3,450        | 9.36    |
| 10   | Total                              | \$ 345,618 |          | \$ 1,116,474 |         | \$ 2,696,202 |         |
| 11   | Percentage                         |            | 8.3%     |              | 26.8%   |              | 64.8%   |

### Cost Allocation

The functionalized costs were allocated to the various rate classes using generally accepted methods for preparing embedded cost of service studies. There is no standard cost of service methodology set by a regulatory agency that the City is required to follow. There are a number of guidelines that municipal utilities typically follow, including publications and guidelines from the American Public Power Association, the National Association of Regulatory Utility Commissioners, and the Federal Energy Regulatory Commission.

Demand-related costs were allocated on the basis of coincident or non-coincident demands, depending on the function, and adjusted for losses. Energy-related costs were allocated on the basis of energy sales, adjusted for losses. Customer-related costs were allocated on the basis of the weighted number of customers within each rate class, with weighting factors determined based on the cost of metering, customer billing or services.

Some expenses are not easily assigned to a particular function. Examples of expenses that are not easily assigned include interest income, general administrative expenses, and miscellaneous operating revenue. These expenses were assigned to functions at the same ratio as expenses that were directly assigned to functions, which is one of several generally accepted methods for assigning these costs to the appropriate function.

### Comparison of Revenues to Cost of Service

Revenues collected from existing rates were compared to the allocated cost of service. The purpose of this comparison was to provide guidance on the adequacy of existing rates for each rate class. This comparison can be used to assess the general magnitude of rate changes needed for each rate class and is one factor in determining the need for rate adjustments for individual rate classes.

Table 5 compares the revenue from existing rates to the calculated cost of service. The cost of service indicated that Commercial Three Phase rates would need to increase 6.1% to reflect the cost of service. Industrial rates would need to decrease 3.1% to reflect the cost of service. With the exception of Alley Light Rentals, rates for the major rate classes were within a zone of reasonableness by being within approximately 10% of the calculated cost of service. The Alley Light Rentals rate is the only rate class that shows the need for a rate adjustment.

**Table 5**  
**City of David City, Nebraska**  
**2019 Cost of Service Study**  
**Comparison of Cost of Service**  
**to Revenue from Existing Rates**  
**Annual**

| Line | Rate Class                         | Revenue Existing Rates | Cost of Service     | Difference  |             |
|------|------------------------------------|------------------------|---------------------|-------------|-------------|
|      |                                    |                        |                     | \$          | %           |
| 1    | Residential                        | \$ 1,522,850           | \$ 1,548,849        | \$ 26,000   | 1.8%        |
| 2    | Residential Summer Controls        | 237,056                | 247,384             | 10,329      | 4.4%        |
| 3    | Commercial Single Phase            | 330,232                | 329,782             | (451)       | -0.1%       |
| 4    | Commercial Three Phase             | 152,313                | 161,578             | 9,266       | 6.1%        |
| 5    | Industrial                         | 1,750,613              | 1,695,695           | (54,917)    | -3.1%       |
| 6    | Industrial Off-Peak                | 141,150                | 147,201             | 6,050       | 4.3%        |
| 7    | Irrigation On-Peak                 | 5,380                  | 5,596               | 216         | 4.0%        |
| 8    | Irrigation Off-Peak                | 14,456                 | 15,127              | 671         | 4.6%        |
| 9    | Street Light / Alley Light Rentals | 4,243                  | 6,092               | 1,838       | 43.3%       |
| 10   | <b>Total</b>                       | <b>\$ 4,158,294</b>    | <b>\$ 4,158,294</b> | <b>\$ 0</b> | <b>0.0%</b> |

Table 6 (see page 12) shows the calculated cost of service for the summer and winter season. Summer season rates would require a decrease of 6.4% to recover the cost of service, while winter season rates would need to increase approximately 3.9% to recover the cost of service. In general, this indicates that future rate increases, when necessary, should be directed more toward winter usage than summer usage.

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**Table 6**  
**City of David City, Nebraska**  
**2019 Cost of Service Study**  
**Comparison of Cost of Service**  
**to Revenue from Existing Rates**  
**Summer**

| Line | Rate Class                         | Revenue Existing Rates | Cost of Service     | Difference          |              |
|------|------------------------------------|------------------------|---------------------|---------------------|--------------|
|      |                                    |                        |                     | \$                  | %            |
| 1    | Residential                        | \$ 521,333             | \$ 526,320          | \$ 4,987            | 1.0%         |
| 2    | Residential Summer Controls        | 82,291                 | 85,655              | 3,364               | 4.1%         |
| 3    | Commercial Single Phase            | 112,975                | 114,434             | 1,459               | 1.3%         |
| 4    | Commercial Three Phase             | 53,805                 | 55,516              | 1,712               | 3.2%         |
| 5    | Industrial                         | 722,743                | 608,670             | (114,074)           | -15.8%       |
| 6    | Industrial Off-Peak                | 50,623                 | 51,594              | 972                 | 1.9%         |
| 7    | Irrigation On-Peak                 | 5,380                  | 5,596               | 216                 | 4.0%         |
| 8    | Irrigation Off-Peak                | 14,456                 | 15,127              | 671                 | 4.6%         |
| 9    | Street Light / Alley Light Rentals | 1,414                  | 1,809               | 395                 | 27.9%        |
| 10   | <b>Total</b>                       | <b>\$ 1,565,021</b>    | <b>\$ 1,464,722</b> | <b>\$ (100,299)</b> | <b>-6.4%</b> |

**Winter**

| Line | Rate Class                         | Revenue Existing Rates | Cost of Service     | Difference        |             |
|------|------------------------------------|------------------------|---------------------|-------------------|-------------|
|      |                                    |                        |                     | \$                | %           |
| 1    | Residential                        | \$ 1,001,517           | \$ 1,023,529        | \$ 22,012         | 2.2%        |
| 2    | Residential Summer Controls        | 154,764                | 161,729             | 6,965             | 4.5%        |
| 3    | Commercial Single Phase            | 217,257                | 215,347             | (1,910)           | -0.9%       |
| 4    | Commercial Three Phase             | 98,508                 | 106,062             | 7,554             | 7.7%        |
| 5    | Industrial                         | 1,027,869              | 1,087,025           | 59,156            | 5.8%        |
| 6    | Industrial Off-Peak                | 90,528                 | 95,606              | 5,079             | 5.6%        |
| 7    | Irrigation On-Peak                 | -                      | -                   | -                 | 0.0%        |
| 8    | Irrigation Off-Peak                | -                      | -                   | -                 | 0.0%        |
| 9    | Street Light / Alley Light Rentals | 2,829                  | 4,272               | 1,443             | 51.0%       |
| 10   | <b>Total</b>                       | <b>\$ 2,593,272</b>    | <b>\$ 2,693,572</b> | <b>\$ 100,299</b> | <b>3.9%</b> |

**RATE DESIGN**

The purpose of rate design is to develop rates that help achieve established revenue and financial performance goals while balancing other rate goals established by the City. This process involves meeting goals that sometimes conflict with each other. For example, a goal to have competitive rates may conflict with the need to have rates that recover sufficient revenue to pay for projected expenses.

The existing rates were reviewed to determine if they meet the goals that were established by the Utility and its consultant. These goals included:

1. Ensuring the long-term financial integrity of the utility.
2. Establishing rates that are fair, reasonable and non-discriminatory.
3. Developing rates that are competitive with neighboring utilities.
4. Encouraging usage during low cost time periods, while discouraging usage during high cost periods.
5. Recognizing the cost of service for rate classes and seasons.

### ***Summary of Rate Schedule Changes***

The only substantive rate change proposed was a 3% increase in Alley Light Rentals rates and a change related to the charging of power factor adjustments to large commercial and industrial customers. As the rate schedule is written, there is no definitive methodology for charging customers that fail to maintain a power factor of at least 90%.

The proposed language would provide for an increase in the monthly demand charge based on the ratio of 0.90 to the measured power factor at the time of the customer's peak. This methodology is similar to the power factor adjustment clause used by a number of other regional utilities, including NPPD.

The other two proposed changes to the rate ordinance (see Appendix A) are administrative in nature:

- Update the Applicability section of the Irrigation Service rate to reflect NPPD's designated peak hours.
- Change the title of Section 4. Rate Modification to Production Cost Adjustment (PCA). This would make this section consistent with language in other sections of the rate ordinance.

### ***Rate Comparisons***

The City's existing rates were compared to NPPD, Butler County PPD, and the cities of Schuyler and West Point, Nebraska. The comparisons were based on existing rate schedules for 2019 and do not consider future rate changes that may be implemented by other utilities. Table 7 (see page 14) compares Residential rates and Table 8 (see page 14) compares Commercial Service rates at various usage levels for the summer and winter seasons. In general, the City's rates were competitive with neighboring utilities in the summer and winter season.

**Table 7**  
**City of David City, Nebraska**  
**2019 Cost of Service Study**  
**Typical Bill Comparison**  
**Residential**

| Summer Comparisons |              |                   |               |                   |               |
|--------------------|--------------|-------------------|---------------|-------------------|---------------|
| Utility            | 500 kWh      | Utility           | 1,000 kWh     | Utility           | 2,500 kWh     |
| Schuyler           | 68.05        | Schuyler          | 122.10        | Schuyler          | 265.05        |
| <b>David City</b>  | <b>74.25</b> | <b>David City</b> | <b>124.25</b> | <b>David City</b> | <b>266.75</b> |
| NPPD               | 76.81        | NPPD              | 129.99        | NPPD              | 289.54        |
| Butler Co. PPD     | 79.00        | Butler Co. PPD    | 132.50        | Butler Co. PPD    | 293.00        |
| West Point         | 89.50        | West Point        | 153.00        | West Point        | 343.50        |
| Winter Comparisons |              |                   |               |                   |               |
| Utility            | 500 kWh      | Utility           | 1,000 kWh     | Utility           | 2,500 kWh     |
| Schuyler           | 57.55        | Schuyler          | 101.10        | Butler Co. PPD    | 188.25        |
| NPPD               | 66.05        | NPPD              | 103.58        | NPPD              | 201.55        |
| Butler Co. PPD     | 72.25        | <b>David City</b> | <b>118.00</b> | <b>David City</b> | <b>236.50</b> |
| <b>David City</b>  | <b>73.00</b> | Butler Co. PPD    | 119.00        | Schuyler          | 245.75        |
| West Point         | 84.50        | West Point        | 139.00        | West Point        | 284.50        |

**Table 8**  
**City of David City, Nebraska**  
**2019 Cost of Service Study**  
**Typical Bill Comparison**  
**General Service**

| Summer Comparisons |               |                   |               |                   |                 |
|--------------------|---------------|-------------------|---------------|-------------------|-----------------|
| Utility            | 1,000 kWh     | Utility           | 5,000 kWh     | Utility           | 10,000 kWh      |
| Butler Co. PPD     | 150.00        | <b>David City</b> | <b>557.00</b> | Butler Co. PPD    | 962.50          |
| NPPD               | 153.09        | NPPD              | 561.75        | <b>David City</b> | <b>1,044.50</b> |
| Schuyler           | 156.30        | Butler Co. PPD    | 570.00        | NPPD              | 1,072.58        |
| <b>David City</b>  | <b>157.00</b> | Schuyler          | 615.10        | Schuyler          | 1,146.60        |
| West Point         | 208.36        | West Point        | 736.80        | West Point        | 1,397.35        |
| Winter Comparisons |               |                   |               |                   |                 |
| Utility            | 1,000 kWh     | Utility           | 5,000 kWh     | Utility           | 10,000 kWh      |
| NPPD               | 127.89        | Butler Co. PPD    | 420.00        | Butler Co. PPD    | 735.00          |
| Butler Co. PPD     | 138.00        | NPPD              | 435.75        | Schuyler          | 776.70          |
| Schuyler           | 148.80        | Schuyler          | 461.20        | NPPD              | 820.58          |
| <b>David City</b>  | <b>157.00</b> | <b>David City</b> | <b>477.00</b> | <b>David City</b> | <b>877.00</b>   |
| West Point         | 208.36        | West Point        | 634.80        | West Point        | 1,145.35        |

Rate comparisons are important but cannot take into account other factors that cause rate differences. For example, rural cooperatives typically pay a fixed lease payment and/or gross receipts tax but do not provide discounted or free services to governmental entities. Municipally-owned utilities may transfer funds to the City as an in-lieu-of tax payment and in some cases provide free or discounted labor and equipment to the City or other enterprise funds.

## CONCLUSIONS

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The following conclusions were reached, based on the information provided and analyses completed:

1. The projected revenue requirement for FY 2019 was approximately \$3.6 million excluding projected margins from current rates.
2. Projected revenues from existing rates are approximately \$4.2 million.
3. The power plant currently brings in approximately \$301,000 of revenue. A 2.5% rate increase would be needed in FY 2019 to replace lost revenue if the power plant was shut down.
4. The largest component of the test year budget was purchased power expense, representing 65.4% of the projected test year budget. Future rate increases are highly dependent on rate increases implemented by the City's power supplier.
5. Existing rates recover sufficient revenue to cover projected expenses through FY 2023.
6. With the exception of Alley Light Rentals, the cost of service analysis indicated that rates for each rate class were within a range of reasonableness indicating it would not be necessary to adjust rates for any rate class.
7. The Power Factor Adjustment clause should be modified to specify that the demand charge would be increased if the customer does not maintain power factor of at least 90%.
8. The City's rates are very competitive with neighboring utilities.

## RECOMMENDATIONS

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The following recommendations were developed based on the analyses completed and conclusions reached:

1. The City should approve the rate ordinance as submitted in Appendix A. This ordinance includes changes to the Power Factor Adjustment clause and a 3% rate increase for the Alley Light Rentals rate class.
2. The City should review its rates on a regular basis, particularly as purchased power costs change

The proposed budgets for Fiscal Year 2019 – 2020 were presented and discussed.

Mayor Zavodny asked Library Director Kay Schmid: “What’s the future of the Library look like, 5 – 10 years from now, because it’s really getting away from the people that go put their hands on a book or magazine? Where should we focus our thinking as we plan ahead?”

Library Director Kay Schmid stated: “I don’t have a crystal ball but I will give you my best estimate. Libraries are not dying, they are actually being used more, and that is our experience as well.” Kay presented the following and provided an overview on the library:

**Our Library in 5 Years:**

**Our library will continue to be a Community Center, providing a destination to connect people to information and entertainment through activities with others, programs, and traditional library materials. Free WiFi, computer services, availability of materials( both electronic and physical), literacy programs, Butler County historical information and photographs, study rooms, meeting rooms, etc. will continue to be important.**

**There will be more children’s books and children’s programs.**

**There will be more electronic access to YA and adult books, movies, audio books, magazines, newspapers and other materials, while maintaining smaller collections of those items available in print.**

**There will be fewer non-fiction, DVD, audio book, magazines and newspaper selections.**

**The areas made available by smaller book collections will be used for additional group and technology opportunities, and programming.**

**Peer Libraries**

Broken Bow—(Pop. 3,516)-Open 2704 hours. Operating budget—\$234,063. Circulation—31,824

Gothenburg—(Pop. 3510) Open 2714 hours. Operating budget—\$228,002 Circulation—33,930

Auburn—(Pop. 3,336) Open 2392 hours. Operating budget—\$228,002. Circulation-37,504

West Point—(Pop. 3324) Open 2886 hours. Operating budget—\$289,853 Circulation—76,492

Central City—(Pop. 2,903) Open 2626 hours. Operating budget—\$257,405. Circulation—75,140

Minden—(Pop. 2886) Open 2560 hours. Operating budget—\$150,372 Circulation—21,744

David City—(Pop. 2834) Open 2080 hours. Operating budget—\$127,150 Circulation—48,155

Valentine—(Pop. 2778) Open 2978 hours. Operating budget—\$224,163 Circulation-45,186

Kimball—(Pop. 2717) Open 2717 hours. Operating budget—\$115,392 Circulation—13,841

Madison—(Pop. 2,388) Open 1846 hours. Operating budget—\$77,352 Circulation—8,025

Ashland—(Pop. 2,430) Open 2470 hours. Operating budget—\$198,775. Circulation—31,552

**Fast Facts, 2018—**

Number of items held at the end of 2018.—23,805

Number of E-books held as part of Nebraska Overdrive—25,629

Number of registered borrowers—1,362

Circulation of adult materials—21,737

Circulation of children's materials—26,418

\*Estimated number of children in David City, 2017—0-19 years of age—728

**Number of children's programs—126 with average attendance of 16. Total for year—2,016**

**Number of young adult programs—15 with average attendance of 12. Total for year—180**

Estimated number of adults in David City, 2017—20-54 years of age—1138

\*Estimated number of adults in David City, 2019—54-85+—968

**\*Number of adult programs—63 with average attendance of 28. Total for year—1,764**

**The following technologies are made available for patrons:**

Internet access on 12 computers in Tech Center

WiFi Access throughout facility.

Color Printer/Copier

Black and White Printer/Copier

Document Scanner

Wireless Printing

3D Printer

Vinyl Cutter

Laptops

Projector

Early Learning Technology

Maker Space

Microfilm Machine/Scanner and Reader

**For Older Adult Patrons:**

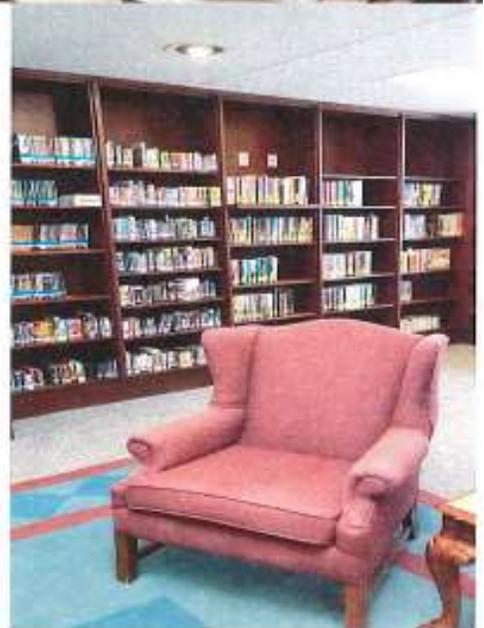
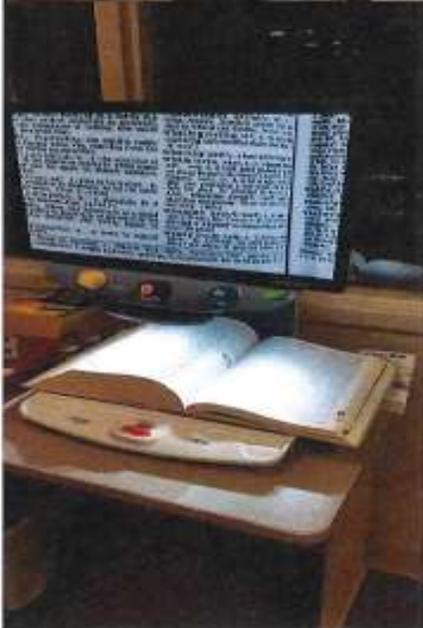
Desktop Video Magnifier. Provided by Dr. Haney.

Adult Large Print Books, Audio Books, DVD's.

Accessible Building with Electric Doors and Restrooms.

Accessible Technology Center and Tech Tutors.

Monthly Presenters and Programs, often with lunch provided.



Mayor Zavodny thanked Library Director Kay Schmid for her presentation.

Street/Airport Supervisor Chris Kroesing presented his budgets. Mayor Zavodny questioned how many of the bricks from the downtown improvement project did we need to

keep in inventory, how are we going to secure them, are we sorting them, and where could they be safely stored.

Street/Airport Supervisor Kroesing stated: "We don't have any place inside where we could palletize them and put them inside. The Astro building is full from the west side to the east side with equipment, Christmas decorations, etc. At the Airport, however, we have a big asphalt pile from way back when Jim McDonald (previous Street Supervisor) was here; he piled that up out there. We need to get rid of that old dirt and asphalt, etc., and clean that up. The Airport is locked all the time, except if someone goes into a hangar, or Roth for their spraying or something like that. We could pile the brick out there. We have some bad brick areas in town, and then we need to keep plenty for the downtown if we accidentally rip them out some winter with the grader. I don't know if you'd say keep 4 or 5 dump truck loads of brick on hand?"

Council member Trowbridge stated: "The Downtown is all Purington (brick) aren't they?"

Street Supervisor Kroesing stated: "I believe so."

Council member Trowbridge stated: "Which will keep you away from the Buffalo (brick). I have no idea what a responsible number would be, if it would be five thousand, or ten thousand."

Street Supervisor Kroesing stated: "The one thing about it though is, we want to have plenty because you run out, then you have to buy them back, and you don't want to have to do that. We have them now." Discussion followed.

Mayor Zavodny stated: "For a start, can we sort through somehow and get rid of the splintered ones? If we don't have to make a rash decision, you have to move the pile to make space for them, just store them and then make a decision later on, on how many we can sell? Kind of see what we use over some time. There is no super big rush to get rid of them, but I think keeping all of them is kind of crazy."

Council member Trowbridge stated: "If you kept 10,000 bricks, you'd have virtually two blocks of two lanes, so that would give you some concept as to how much repair work you could do, and I can't see that you would do any more than that. So just pick a number between 5,000 to 10,000 and then what do we do with the rest of them?"

Council member Kobus stated that a lot of the brick are disappearing. Council member Kobus saw people taking them from the old landfill / tree disposal site, so he stopped and made them take them back off their trailer.

Mayor Zavodny stated: "I have heard, anecdotally, over the holidays and stuff people were out there from Omaha and such taking brick from that area. We are required to either sell them at auction or some public bid process. Okay, let's start on the Street Department budget."

Street Supervisor Chris Kroesing stated: "I am looking for a truck. I do realize that Pat's electric crew purchased a Western Star dump truck. It has been a great plow truck for us, it works perfect for us, but it is not sufficient, it's a 6- or 8-yard dump truck, for hauling asphalt out of Lincoln or Omaha for us. We've always had a bigger dump truck, a 10- or 12-yard dump truck which also has a plow on it we use in the winter time, for hauling out of Lincoln and Omaha. When we were working with asphalt this Spring, and were coming back from Lincoln,

the frame split and went out and the bags on the rear end went out and they were about ready to tear. Inland Truck estimated \$20,000 - \$25,000 to repair it if everything goes right.”

Council member Trowbridge stated: “You just don’t fix an old truck like that; you just don’t.”

Street Supervisor Chris Kroesing stated: “I brought that to the Mayor’s attention and he asked me to start getting truck quotes. I started with the State bid that is Western Star and then I also sent bids to Mac, Sterling, and International. It’s been three weeks but I haven’t heard anything back from Sterling and International.”

Council member Kobus stated that sometimes they won’t submit anything unless it is an actual bid request.

Council member Trowbridge agreed saying: “If I didn’t have a written bid proposal in front of me, I wouldn’t answer one either; it’s just liars’ poker.”

Mayor Zavodny stated: “If we get closer to deciding to go that way, I agree, and maybe Tom can help, but we need to spec it out so everyone is bidding apples to apples.”

Council member Trowbridge stated: “But, with the numbers I am seeing in front of me this evening, do we need to go that far? Are we going to spend \$180,000.00, which is \$60,000 more than the Library’s annual budget, on one truck?”

Discussion followed.

Street Supervisor Chris Kroesing stated: “This year, our Patch Master asphalt crew, that has been coming out for 30 years, informed us that they are retiring. I talked to the Mayor about this. Geneva used to do all of their own asphalt work and now they are contracting everything out. I was able to get a roller, a cold patch machine, and a walk behind roller all for \$500. We want to start doing our own patching; we are fully capable of it if we have a few more pieces of equipment. That is why I’m concerned about a reliable DOT approved safe truck going back and forth to Lincoln and back hauling asphalt and a planer for our Bobcat.”

Council member Kobus stated: “I’ll tell you another thing, sometimes if you go to Constructors or where ever you get the asphalt, those guys will haul it cheaper than you can even start a truck up. We’ve had them hauling white rock and stuff this year; we can’t even start our trucks up for that. They can just do it; that’s what they do.”

Discussion followed.

Mayor Zavodny stated: “What we are going to do, if it’s acceptable to the Council, we are going to use a plug number and give you authorization now, of up to \$50,000.00. Everybody good with that? Yes, ok. Now, the clarifier I want to put on that, as Council member Trowbridge said, if you buy it for \$40,000 and it needs tires and maybe some new brake pads or whatever, factor that in too, but come in under that number.”

The electric department budget was discussed. Mayor Zavodny stated: “This Council needs to decide what our plan going forward is with the power plant piece. Are we going to have Pat’s department run it and try to keep collecting the NPPD money, or are we not, because he needs to know? So, let’s have that discussion.”

Council member Trowbridge asked: "What are our options?"

Mayor Zavodny stated: "Do away with the NPPD payments and figure out, are we going to sell the assets we have there, or are we going to let them sit? It's limited options. It's a complicated question because we can't even get parts for the old engines, so it's a tightrope to keep doing that because some of those old ones you just can't get parts for."

Electric Supervisor Pat Hoefft stated: "They have an inventory of parts there, I just don't know if it would cover a major incident."

Discussion followed. Mayor Zavodny stated: "We are basically dumping this in your lap, so tell us what your recommendation would be of what we should do with that place."

Electric Supervisor Pat Hoefft stated: "Well, I more or less have until September to get it going. The Cats I am really comfortable at running; those we could keep for storm purposes, say we did lose part of the town and had to generate. But we could only maybe pick up, depending upon the load, say we could pick up the Hospital and David's Place for 2 – 3 hours, then pick up the Downtown, keep our grocery stores freezers froze, and then switch; you could do a rolling blackout depending on the load. Like Memorial week-end, when I had the problems and stopped in there to check the loads, we could have generated the whole town with the Cats that day. It depends on the load."

After much discussion Mayor Zavodny stated: "You operate until you have an expense that's not feasible. Do we have a consensus, that we operate as long as we can and as soon as we have a big expense we are done?" The Council agreed.

The other items on the electric department budget was discussed.

The City budgets were discussed. Mayor Zavodny had instructed City Clerk Kovar to notify the Department of Aeronautics that we were not replacing the gas tanks or adding the card readers in next year's budget. We are basically just budgeting for maintenance items only at the Airport.

The water and sewer budgets were discussed. It was decided to budget for 5 to 6 employees. We currently have 3 employees for the water & sewer departments and Aaron thought that 5 would be a good number.

Interim Water Supervisor Aaron Gustin stated: "I need a set of hands and I need a brain. At the Wastewater Treatment Plant, it is 75% organization and paperwork, and 25% mowing."

Mayor Zavodny stated: "I guess what I would say we should consider doing is, let's budget for 6, we don't have to spend it. Let's budget, let's start with 5, and then you come back to Council and say "we think we need 1 more employee and here's what we're going to use them for". Put the budgetary authority for 6 individuals, but we are going to hire 2 to make a staff of 5 at this point."

Discussion followed.

Council member Smith left the meeting at 9:30 p.m.

The Sales Tax Fund was discussed. Mayor Zavodny stated: "One thing we need to discuss, it's time to say we've been subsidizing those ballfields, and without our money you can't operate, so what's the plan here? I think that discussion needs to happen. If we can get the downtown done, and then we keep plugging away on paying that off until that's taken care of with sales tax, and then we can start looking for recreation stuff. That's the last leg of the stool.

City Clerk Kovar asked if the Mayor and Council wanted to leave the \$20,000 budgeted, on Sales Tax #10-2243 Ballfield, for the upcoming year and they responded "no, make it zero".

Mayor Zavodny stated: "I will make that known tomorrow, that it's not in the budget for next year."

Council member Trowbridge asked: "Can we plug it back in as recreational activities? We are going to benefit more children."

An additional \$20,000 budget was added to Sales Tax #10-2254 Park & Recreation.

Keno was discussed. City Attorney Egr stated that the City needed to give 6 months' notice if they wanted to discontinue Keno. The Mayor and Council instructed City Attorney Egr to start the process of notifying Nebraska Cooperative Government Lottery that the City would like to discontinue Keno.

The other City departments were discussed.

City Clerk Kovar questioned if anyone had heard anything about Tax Increment Financing concerning Timpte. "Where is the paperwork on it? Has anyone talked to Mike Bacon, Bacon & Vinton, about Tax Increment Financing?"

Council member Trowbridge stated: "Yes; Mike, Phil, and I had a conversation a couple weeks ago. They ran some numbers and Phil was going to get me an e-mail stating what they were, and that day hasn't come yet."

It was noted that at previous meeting, when Council member Trowbridge was absent, Phil Lorenzen had introduced Senior Vice President Cody Wickham, who Phil had stated would be helping to relieve some of his duties.

Council member Trowbridge stated: "Joan, the Tax Increment Financing for Timpte will pay for the \$57,000 we spent a long time ago on the wastewater when they moved it, Obrist came over and did it quickly, and then about another \$177,000 on water and sewer entrances that were being done maybe 3 weeks ago, and up to about \$200,000 on electric infrastructure to harden those lines; TIF will pay for all of that and that money will come early, and the dirt we buy, that money will come later."

City Clerk Kovar stated that she and the Mayor each received the following letter, dated June 27, 2019, from Phil Lorenzen of D.A. Davidson, announcing his retirement. Mayor Zavodny, the City Council, and City Clerk Kovar all agreed that Phil will be dearly missed; he was a wonderful, intelligent, individual.



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D.A. Davidson & Co. member SIPC

June 27, 2019

Valued Clients and Friends,

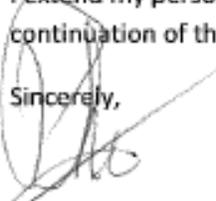
It is with mixed emotions that I announce and inform you of my decision to retire from not just years, but rather decades of my municipal finance/bond underwriting career. First, I cannot yet fully anticipate the emptiness I expect I will feel in not being readily available to assist you with your questions, project planning and successes. I do, however, enthusiastically look forward to focusing on quality adventures with family and expanded travel. The joy of more family time plus that of my charitable and fraternal organization involvement and my hobbies, including more parades and antique car shows is the winning choice. I have a garage full of old car projects that have long been on hold.

I will miss and cherish the relationships gained over so many years, but also expect I will appreciate the absence of night meetings, late night travel, missed meals and those never ending document signing and publication deadlines. I will continue to recognize the public projects I have been blessed to have had a hand in – schools, municipal buildings, swimming pools, parks, ball diamonds, street and utility systems, fire equipment, airports – yes even sewer and solid waste projects. Water towers in the distance with familiar names have provided and will continue to provide a ready source of pride.

Many of you have become acquainted with my D.A. Davidson associates; contact information is enclosed. They will reach out to you – please don't hesitate to contact them as well. Be assured that the transition will be easy and arrangements are in place to enable me to be a resource as may be helpful to each of you and to my associates as current projects advance.

I extend my personal thank you for the trust and confidence you have granted me. You will find continuation of that same trustworthy service in my capable D.A. Davidson associates.

Sincerely,



Philip A. Lorenzen

There being no further business to come before the Council, Council member Trowbridge made a motion to adjourn. Council member Meysenburg seconded the motion. Voting AYE: Council members Vandenberg, Kobus, Trowbridge, and Meysenburg. Voting NAY: None. Council member Hotovy and Smith were absent. The motion carried and Mayor Zavodny declared the meeting adjourned at 10:20 p.m.



CERTIFICATION OF MINUTES  
July 10<sup>th</sup>, 2019

I, Joan Kovar, duly qualified and acting City Clerk for the City of David City, Nebraska, do hereby certify with regard to all proceedings of July 10<sup>th</sup>, 2019; that all of the subjects included in the foregoing proceedings were contained in the agenda for the meeting, kept continually current and available for public inspection at the office of the City Clerk; that such subjects were contained in said agenda for at least twenty-four hours prior to said meeting; that the minutes of the meeting of the City Council of the City of David City, Nebraska, were in written form and available for public inspection within ten working days and prior to the next convened meeting of said body; that all news media requesting notification concerning meetings of said body were provided with advance notification of the time and place of said meeting and the subjects to be discussed at said meeting.

\_\_\_\_\_  
Joan Kovar, City Clerk