December 21, 2015 Special

The Seward City Council met in special session at 7:00 p.m. on Monday, December 21, 2015, with Mayor Joshua Eickmeier presiding and Marilyn D. Varner, Deputy Clerk/Finance Director/Assistant Treasurer recording the proceedings. Upon roll call, the following Councilmembers were present: Sid Kamprath, Dean Fritz, Barbara Pike, John Singleton, Chris Schmit. Other officials present: City Administrator Bruce Smith, City Attorney Kelly Hoffschneider (present at 7:15 p.m.) Absent: Jonathon Wilken, Ellen Beck, Richard Hans, Assistant Administrator /Clerk-Treasurer/Budget & Human Resources Director Bonnie Otte.

Notice of the meeting was given in advance thereof by the method of communicating advance notice of the regular and special meetings of the City Council of the City of Seward, Nebraska, as stated in Ordinance No. 2015-08, which was adopted on the 5th day of May, 2015; said method stating that the notice of such meeting, with the agenda thereon, be posted in the following places: City Hall, Seward County Courthouse, Municipal Building, and Seward Public Library. The certificate of posting notice is attached to these minutes. Notice of this meeting was simultaneously given to the Mayor and all members of the City Council and a copy of their acknowledgment of receipt of notice and the agenda are attached to these minutes. Availability of the agenda was communicated in the advance notice and in the notice to the Mayor and Council of this meeting. All proceedings hereafter shown were taken while the convened meeting was open to the attendance of the public.

THE PLEDGE OF ALLEGIANCE

Mayor Eickmeier announced that a copy of the Agenda for this meeting is posted on the north wall of the Municipal Building and copies are available on the north wall where a copy of the Open Meetings Act is also posted for public inspection. He also noted that any citizen wishing to address the Council should come to the podium, state their name and address and limit their comments to five minutes. All remarks should be directed to the Mayor/Chairperson, who will then determine who will make any appropriate response. The City of Seward reserves the right to adjust the order of items on this agenda if necessary and may elect to take action on any of the items listed.

Mayor Eickmeier explained that since the City Attorney would be late, the order of the agenda items would be arranged.

6. CONSIDERATION OF PURCHASING A HYBRID VEHICLE FOR CITY ADMINISTRATION

Administrator Smith explained that the Nebraska Community Energy Alliance has $6,000.00 funding left for calendar year 2015 for purchase of an energy-efficient vehicle. The City is considering the purchase of a 2013 Chevrolet Volt with approximately 30,000 miles for $16,000.00, so the total City cost would be $10,000.00 after receipt of grant funding. This amount is not specifically budgeted, but cost savings could be achieved in other areas if the purchase were made.

Some discussion was held on the two 2015 Nissan Leafs (total electric vehicles) that were purchased in the last fiscal year, and when the final payments would be made (in Fiscal Year 2016-2017). Mr. Smith explained that if the Chev. Volt were purchased, possibly one of the older vans (Chev. Venture or Pontiac Montana) would be eliminated.

Councilmember Singleton moved, seconded by Councilmember Pike, that the purchase of a Chevrolet Volt be approved, with the receipt of $6,000.00 funding from the Nebraska Community Energy Alliance.

Aye: Schmit, Kamprath, Fritz, Pike, Singleton
Nay: None

Absent: Wilken, Beck, Hans. Motion carried.

3. CONSIDERATION OF AWARDING FINANCING FOR SEWARD GOLF COURSE

Mr. Smith explained that in order for the City to award financing for the proposed golf course, an ordinance is required, but no ordinance was prepared for this meeting.

Moved by Councilmember Pike, seconded by Councilmember Schmit, that the financing for the Seward Golf Course be tabled until the necessary ordinance is available.

Aye: Singleton, Schmit, Kamprath, Fritz, Pike
Nay: None
Absent: Wilken, Beck, Hans. Motion carried.

1. PUBLIC HEARING - 7:00 P.M. - CONSIDERATION OF CITY OF SEWARD ACQUISITION OF SEWARD COUNTRY CLUB REAL AND PERSONAL PROPERTY

Mayor Eickmeier opened the public hearing. No public comment was received. Mayor Eickmeier closed the public hearing.

Due to the late arrival of the City Attorney, Item Two will be continued later in the meeting.

4. PRESENTATION & CONSIDERATION OF POWER SUPPLY PROPOSALS

John Krajewski, JK Energy Consulting LLC, Lincoln, Nebraska, reviewed his findings regarding a power Supply Evaluation completed by his firm. Power supply proposals were solicited, and reviewed to ensure these proposals met minimum requirements. An initial economic assessment was prepared, with a short list developed. Proposers were provided the opportunity to update proposals, and a recommendation was prepared.

The Requests for Proposals were initially sent to 17 suppliers, with 6 entities providing proposals that were responsive for power supply: American Electric Power, Big Rivers Electric Corp., First Security Power (disqualified), Heartland Consumers Power Dist., Municipal Energy Agency of NE and Nebraska Public Power District. Two service providers offered market participant services.

Three options were presented in layout of the RFP for consideration: 1) 30 percent in 2019-2021; 2) 50-90 percent in 2021 and 3) Total requirements beginning in 2022. Evaluation Parameters were: No NPPD production rate increase through 2027, no City load growth, and for alternate suppliers, 3.7 percent NPPD adder through 2021 for customers who do not sign a new wholesale contract, 30 percent reduction in 2019 and 100 percent reduction in 2022.

An assessment of initial responses revealed that alternate suppliers provide lower costs beginning in 2019 (30 percent reduction), $300,000 annual savings in 2019-2021, with approximately 5 percent savings. Larger savings resulted in 2022, $1.0 million per year, decreasing over time, with 16 percent savings in 2022. A comparison of alternatives graph was included in the analysis.

Potential strategies were: Option One - Do nothing, with approximately $200,000 per year more expensive through 2022, preserving right to reduce or limit purchases for any reason or terminate agreement on five years' notice (NPPD has option to terminate with five years' notice, also). Option Two: Sign a new contract with lower cost than Option One, based on surcharge NPPD is assessing (subject to outcome of litigation). Lowest cost contract would provide for option to reduce if NPPD does not meet rate thresholds, providing long-term stability

option in exchange for long-term commitment. The City forgoes opportunity to purchase from third party in 2019 and beyond (potential savings in power supply); Option Three (Reduce/Terminate)includes higher cost ($200,000) through 2018 (subject to litigation outcome), potential savings in 2018-2021 of $300,000 annually in 2019-2021 because of NPPD surcharge and savings of more than $1 million in 2022, decreasing over time. The scenario based on a 30 percent reduction in 2019-2021 may be able to reduce purchases by more based on litigation outcome, with notice required by December 31, 2015 to reduce purchases from NPPD. City would need to give notice before December 31, 2016 if it wants to terminate agreement at end of 2021. Giving respondents an opportunity to refine proposals may result in further energy cost reductions.

Conclusions were: NPPD new contract is best long-term (greater than 10-year initial term), cost-based arrangement (low rate cost escalation, resource stability); Option One (staying on existing contract) provides City with flexibility over next six years (observe NPPD rate changes, ability to reduce purchases with three-year notice, ability to terminate with five years' notice); Cost for Option One compared to Option Two is $200,000 per year; City could save approximately $3.2 million in 2016-2027 (2016 NPV) by selecting new supplier (based on 30 percent reduction & termination of NPPD GFPS at end of 2021, supplier offered fixed prices through 2027).

Mr. Krajewski made the following recommendations: If long-term power supply stability at low cost is most important factor to the City, they should consider signing the new NPPD 20-Year Agreement. If City prefers terms of existing agreement, including reduce and limit options, it should do nothing monitor NPPD developments, particularly if it gives notice to terminate the GFPS. If lowest cost after 2019 is most important to City, notice to reduce purchases and terminate agreement should be given (provide notice to NPPD for reduction, subject to outcome of litigation, provide termination notice effective December 31, 2021 and commence negotiations with one or more short-listed providers).

Nebraska Public Power Representatives Chad Podolak (Wholesale Account Manager), John McClure (Vice President of Governmental Affairs & General Counsel), Traci Bender (Chief Financial Officer) and Mary Harding (Board of Directors) were present. A handout was distributed which outlined the history of partnership with the City of Seward and other Nebraska communities. These representatives reviewed short-term versus long-term power supply commitments, methods of power generation (maintaining diverse mix of fuel types), financial considerations for the future, and all services provided to communities (equipment, labor during storm damage, etc.)

Two wholesale contract options were included in NPPD's information: Option A: 20-year term, with up to 10 percent renewable behind the meter, ability to reduce if NPPD's average wholesale cost exceeds 45th CFRC percentile; allows NPPD to "bank" credits if NPPD is below the CFC 25th percentile, lowest cost option; and Option B: 20-year term, up to 1 percent renewable behind the meter, can reduce down to 50 percent with maximum of 10 percent per year for any reason, below 50 percent reductions can occur with exit payment, 3 percent premium above Option A.

Mayor Eickmeier mentioned that the City's current contract is valid for another five years (expires in 2021) and expressed concern that NPPD was asking the City to begin a new 20-year contract while the previous contract would still be in effect.

An inquiry was made about the percentage of NPPD's energy generated by coal. Mr. Podolak responded that about 51.7 percent is coal-generated. In 2014, about 20 percent of energy generated exceeded NPPD's needs, with excess being sold to

market. NPPD is working to have a diversified portfolio of energy generation methods, managing emission standards for the future.

NPPD's increased costs due to retirees/spouses benefits were briefly discussed. All of NPPD's customers are paying for catch-up costs related to NPPD's underfunded benefit packages for retirees.

Ken Schmieding, Seward resident who was a former NPPD Board member, felt that NPPD continues to do work for the people of the state of Nebraska. He feels they have quality employees and the Council should reflect on their past history.

Moved by Councilmember Pike, seconded by Councilmember Kamprath, that the City accept the Nebraska Public Power District 20-Year Wholesale Contract Option A as described previously.

Aye: Singleton, Schmit, Kamprath, Fritz, Pike
Nay: None
Absent: Wilken, Beck, Hans. Motion carried.

5. CONSIDERATION OF ISSUING NOTICE TO NEBRASKA PUBLIC POWER TO REDUCE ENERGY PURCHASE

No action was taken on this item, since the Council approved a contract with Nebraska Public Power District in the previous agenda item.

2. CONSIDERATION OF CITY OF SEWARD ACQUISITION OF SEWARD COUNTRY CLUB REAL & PERSONAL PROPERTY

At 8:40 p.m., Councilmember Kamprath moved, seconded by Councilmember Schmit, that the Council enter into executive session not to exceed twenty minutes, to include Mayor, City Administrator, City Attorney and all Councilmembers present to discuss possible acquisition of Seward Country Club real and personal property.

Mayor Eickmeier reiterated the purpose of the executive session is to discuss possible acquisition of Seward Country club real and personal property.

Aye: Fritz, Pike, Singleton, Schmit, Kamprath
Nay: None
Absent: Wilken, Beck, Hans. Motion carried.

At 8:57 p.m., a motion was made by Councilmember Schmit, seconded by Councilmember Pike, that the meeting be reconvened in open session.

Aye: Kamprath, Fritz, Pike, Singleton, Schmit
Nay: None
Absent: Wilken, Beck, Hans. Motion carried.

Mayor Eickmeier explained that during executive session, the City's acquisition of Seward Country Club real and personal property was discussed. No action was taken.

Moved by Councilmember Fritz, seconded by Councilmember Pike, that Mayor Eickmeier be authorized to execute a Purchase Agreement for the Purchase of the Seward Country Club, consistent with the latest draft of the Asset Purchase Agreement circulated, and further authorized Mayor Eickmeier and City Attorney Hoffschneider to continue negotiations for the acquisition of the Seward Country Club, consistent with the terms of the Asset Purchase Agreement.

Aye: Kamprath, Fritz, Pike, Singleton, Schmit

Nay: None
Absent: Wilken, Beck, Hans. Motion carried.

7. MOTION TO ADJOURN

Moved by Councilmember Singleton, seconded by Councilmember Kamprath, that the December 21, 2015 Special City Council meeting be adjourned.

Aye: Schmit, Kamprath, Fritz, Pike, Singleton
Nay: None
Absent: Wilken, Beck, Hans. Motion carried.

THE CITY OF SEWARD, NEBRASKA

_____
Joshua Eickmeier, Mayor

_____
Marilyn D. Varner
Deputy Clerk/Finance Director/
Assistant Treasurer