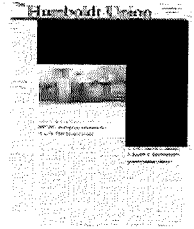


Title: City declares state of financial emergency

Author:

Size : 69 Inches Sq Humboldt,KS Circulation: 561

Keywords: League of Municipalities



City declares state of financial emergency

By Nick Reynolds

The Humboldt City Council met Monday, Feb. 22, at 7 p.m., for a special meeting.

The special meeting was called to consider passing a resolution declaring a state of financial disaster for the City of Humboldt.

The resolution is in response to the recent extreme winter weather that impacted most of the central United States.

As temperatures fell to dangerously low levels across the region, the demand for electricity and natural gas rose dramatically, leading to shortages, and vastly inflated prices for natural gas.

In response, people across the region were asked to do their part to help in conservation, by reducing their usage of gas and energy.

The strain of the increase was compounded by the cold causing wellheads to freeze, and other issues within the infrastructure.

These issues fueled a massive spike in the price for natural gas, topping out upwards of \$600 a unit for one day.

City administrator Cole Herder asked the council to meet to review the situation, and to consider declaring a state of financial emergency for the city.

Herder reported that he had discussions with the League of Kansas Municipalities, who encouraged member cities to consider similar resolutions as soon as possible.

Herder also briefly reviewed

the process of the city purchasing natural gas, which is done through the Kansas Municipal Gas Association (KMGA).

KMGA contracts approximately one-third of the anticipated amount the city will require that year several months in advance, one-third one month in advance, and the final third on a daily index.

An otherwise mild winter, and low gas prices, caused an extremely high demand in the sudden cold snap, one of the worst in 40 years, exasperated by well freeze-offs, and demand for electrical generation.

The normal cost for natural gas is around \$3/MMBtu, that KMGA deals in. These are very similar to the units used by the city.

Herder stated that they were warned Tuesday, Feb. 9, that anticipated costs could be ten times the normal rate, and were asked to spread a conservation message to customers.

Herder personally contacted Humboldt's top users of natural gas, like B&W, and asked them to do their part to conserve.

An emergency meeting was called Sunday, Feb. 14, by KMGA, where it was learned that the daily price index for the weekend, was \$329/MMBtu, covering Saturday, Sunday, Monday, and Tuesday.

Herder worked with Allen County Emergency Management to put out a CodeRED at this

point, stressing conservation.

The price for natural gas was reportedly at \$622.785/MMBtu for Wednesday, Feb. 17.

The price dropped dramatically the following days, down to \$44.53 for Thursday, \$7.945 Friday, and \$4.385 for the weekend.

Herder noted that city workers read meters Wednesday, Feb. 17, and Thursday, Feb. 18, on schedule with when they would normally read meters.

In January, the city billed customers for 13,045 units; and for February, the billing will be for 16,833 units.

Herder was surprised to see a much smaller increase than he had feared, and was grateful to the people of Humboldt for doing their part to conserve.

Herder noted that KMGA has not yet released the 'mixed' rate that will be charged for natural gas, but reported that it could be in excess of \$70/MMBtu, more than 20 times the normal rate.

He also reported that KMGA had to make a \$1 million advance payment over the weekend to secure gas, and that they were putting out a 'collateral call' to member cities.

Humboldt's portion would be for \$49,022, or approximately \$2.91/unit.

Herder stressed further that the numbers he was working off of were rough estimates at best, and that they would not know concrete numbers on gas prices until

Title: City declares state of financial emergency

Author:

Size : 69 Inches Sq Humboldt,KS Circulation: 561

Keywords: League of Municipalities

at least March.

Breaking down the situation further, and why the city should declare a state of financial emergency, Herder noted that if they were charged at \$70/unit, the city's cost for February would be approximately \$1.2 million.

The city's typical monthly bill for gas hovers around \$35,000. The budget for 2021 only has \$375,000 for the purchase of gas.

The city is also forbidden by statute to use general fund dollars to pay for utilities, though Herder noted, that the entire city's budget, including reserve funds, was only around \$2 million.

Herder has been in contact with numerous entities over the past week, seeking information.

Herder's opinion is that the city should work with KMGa to hold off on billing member cities until state or federal aid could possibly be negotiated, and the possibility of investigation into alleged market manipulation.

Herder has also been in contact with state and federal legislators, pushing for disaster relief.

Council member Sarah Hart asked how much the average person in Humboldt would see their bill go up, and when they could expect to see an increase.

Herder responded that he did not know, that there were no good numbers to work off of yet.

Herder stated that the city will bill for February as normal, at the same rate as January, with the addition of \$2.91 per unit, to cover the collateral cost from KMGa.

Discussion then turned to the resolution. The resolution would

set Humboldt at the table in the event that disaster relief comes up.

The council motioned to adopt the resolution declaring a state of financial emergency for the City of Humboldt.

With no further business, the Humboldt City Council motioned to adjourn until their next regular meeting Monday, March 8, at 7 p.m.