



P.O. Box 1 • 131 N. Main • Cheney, KS 67025-0997 • (316) 542-3622 • Fax (316) 542-0185

---

To: House Financial Institutions and Rural Development  
From: Danielle Young, City Administrator/Clerk, Cheney, Kansas  
Subject: Testimony in Support of City Utility Low-Interest Program  
Date: March 3, 2021

The City of Cheney supports HB 2429, creating a City Utility Low-Interest Program to allow for cities to borrow from the State to cover the extraordinary natural gas costs incurred during the extreme weather crisis event of February 2021. This program is urgently needed for many municipal utilities to respond to the significant financial strain. The loan program would allow community owned natural gas utilities to utilize the low-interest loan program to be paid back over a 10-year period, with an interest rate 2% below the market rate as per K.S.A. 75-4237.

Currently, the City of Cheney and other cities are faced with limited options of paying our expected February invoice to KMGa for natural gas purchased for our City in February. Options include billing these high prices in a lump-sum directly out to consumers, utilizing reserve funds or issuing no fund warrants. The City's natural gas reserve fund has a balance of \$250,241.14, which would typically be adequate and cover 97% of the City's annual natural gas purchases of \$256,937; however, because of the unprecedented daily index prices, the City of Cheney is expecting an invoice in the next few weeks from KMGa in the amount of \$1.684 million for gas purchased in just the month of February.

The City is concerned for our customers who would be unable to pay the utility bills if we passed the expense on in a lump-sum instead of spreading out the expense over several years. If customers receive these bills, estimated at hundreds and thousands of dollars for their gas usage, we fear that 42% of our community who live in rental housing, will leave our community with unpaid bills, and the city will not be able to recover the cost. We also fear for our businesses that are in dire financial situations after closing their doors during stay-at-home orders during COVID. In addition, the future of our gas utility may be at jeopardy as businesses and homeowners will now view natural gas as an unreliable and expensive source of energy; whereas, in reality natural gas has historically and consistently shown to be two to three times lower than electric prices.

If cities are required to deplete our reserve funds and issue no fund warrants, there will be a detrimental effect on the City's bond rating, creating additional financial and economic stress on municipalities across the State. This will create hardships for economic development to occur within our communities and impact the State of Kansas. For instance, in the City of Cheney we are working on a housing development that will require use of our natural gas reserve funds to install natural gas main lines at the City's expense and a bond to cover special assessments for streets and the extension of water and sewer main lines. If help from the State is not received, this housing development could come to a halt creating a stagnant economy and limited growth to our community and region.

Thank you for your consideration of HB 2429 and we urge your support of HB2429 to address the current financial situation and allow for funding to be received in the urgent timeframe we are facing.

Danielle Young  
City Administrator/Clerk