

**MINUTES OF SPECIAL SESSION
FISCAL YEAR 2012-13 BUDGET DISCUSSION
HIGHLAND CITY COUNCIL
MONDAY, MARCH 26, 2012**

Mayor Michaelis called the Special Session to order at 6:00pm. Council members present were Schwarz, Bardill, Bellm and Nicolaidis. Others in attendance were City Manager Mark Latham, Directors Cook and Korte, Director Library Angela Kim, HCS Manager Steve Ferguson, Tracey Robinson, Deputy City Clerk Hediger and City Clerk Bellm.

Electric

Director Cook pointed out the critical measures that City Manager Latham help us to establish for the Electric Department: Revenue dedicated to personnel will not exceed 10%; operating income per KWH will not exceed .006 based on benchmarks provided in the 2010-2011 APPA Statistical Report; total O&M cost, not including purchase of power, will average \$33.50 monthly per customer based on APPA benchmarking; review and modify electric connection fees to cover all related costs at 100%; review and modify pole attachment fees to cover all related costs at 100%; and, utilize data collected during the prior fiscal year regarding outage costs as a benchmark and reduce this cost by 10%. We did re-evaluate our connection fees to the pole; we will continue to look at that.

This next year we need to retrofit the two Nordberg generators with Oxidation Catalysts to meet IEPA standards for 2013 (cost estimate of \$75,000). We would also propose bringing the tree trimming activity in-house, for an anticipated savings of \$53,000 per year. This proposal includes adding two staff members to our crew. We are working on a SmartGrid assessment and developing a strategic plan for the department from the findings. We continue the conversion of the remaining 2400-volt circuits to eliminate the substation on Poplar Street, and construct new ties to increase system reliability.

Mayor Michaelis stated being an arborist, they have a tough decision as to whether to save a tree or cut it down. What would we do with the arborist situation? Director Cook reported we use a contracted arborist or we have Ryan Hummert look at the tree. Director Korte noted Ryan Hummert is an arborist. He does make some decisions as to what trees to remove or save. I do not know that he is a certified arborist; however, his training is in that field. Mayor Michaelis noted we have had some instances of trees that were taken down that probably could have been saved and others that remained and then fell down causing damages. City Manager Latham pointed out Public Works Director Joe Gillespie is in charge of trees in the right-of-way. The city is divided into four quadrants; so, each tree is reviewed every four years as to good, remove, prune, etc. Councilman Bardill agreed we have had a couple of trees that were reviewed and then we got claims for them falling down on private property and causing damages. Councilman Schwarz stated I would image it is tough to make that decision. Councilman Bardill noted the Silver Maple that fell last year, showed no signs of disease when it was last reviewed prior to it going down in a storm. Councilman Schwarz asked do we have an arborist on staff. If so, then are they making these decisions? Mayor Michaelis inquired should Ryan be out there making a decision, if he is not certified. Should we look at getting Ryan certified? Does anyone know what that involves? Director Cook stated the lineman that we have, right now, if it is jeopardizing our line and it is

diseased, we will get permission from the homeowner to take it down, because it is beneficial to all parties. Mayor Michaelis asked is NG Gilbert certified arborists. Director Cook did not know; however, he stated, I have linemen who have been trained in whether a pole is good, but none of them are certified. That is why, every few years, we have a company that comes in and stamps the pole, certifying the pole as been inspected and “good”. The liability is on that company then. Mayor Michaelis stated I am not asking for a decision on this; however, I feel we should look at whether Ryan is certified or not. If he is not, then we should look at what it would take to get him that certification. Councilwoman Bellm stated just because a certified arborist says a tree is “okay”, I am not sure that will limit our liability if it falls down two months later. I am not sure what a certified arborist does and the scientific reliability behind it all. Mayor Michaelis stated having them certified, I think, makes the chances of them making better decisions better and limits our liability. Councilwoman Bellm stated either way, I do think it is something we should at.

Councilman Schwarz asked is there enough work for two staff members all year around. Director Cook stated tree trimmers work all year around. They get to each section of town every three years. Additionally, we have feeder lines that we need to maintain and the cemetery contacts us, if there is a tree branch out there that looks questionable. Councilman Schwarz pointed out this proposal is another two staff members begin added and another union to negotiate with. Director Cook stated they would be in the IBEW and those rates are already in the contract. NG Gilbert has a four-hour call out minimum; by contract, our call-out minimums are only two hours. If they are rained out on a workday, they get four hours and go home, regardless of how many hours they work. With having in-house staff, I can have the two staff members do other things around the shop, then when it quits raining, they can go back to work. My understanding is that tree trimming tends to be a “stepping stone” to getting onto a crew as a lineman. HSC Manager Steve Ferguson added HCS needs a lot of assistance with tree trimming, to prevent squirrels from chewing on the fiber optic lines; so, we would be able to utilize them as well. Councilman Schwarz asked City Manager Latham for his thoughts. City Manager Latham stated this was talked about four years ago, as costs were escalating. Originally, we did not see that much savings compared to what we see today. The other thing that Director Korte and I talked about is we still have another outside crew coming in to do the right-of-way (along the streets). It has been a while since we had a storm that created outages; however, we would not have to wait as long for them to respond and we would be able to prioritize where to send them. Councilman Schwarz pointed out once we decide to go with this we will have to purchase equipment. Director Cook acknowledged the start up is \$175,000 - \$180,000. The chipper and the truck would not go to waste if this did not work out. City Manager Latham added we had so many power outages about nine years ago, and that is when the decision was made to begin this tree-trimming plan. Director Cook stated the outages we are having, recently, are not from trees, they have been from animals. Mayor Michaelis expressed what really scares me the most, is that the decision an arborist makes could be a life or death decision if the tree should fall on someone. Director Cook stated Ryan is probably the best option, as it is in his field of training. Mayor Michaelis pointed out we increase our liability when we say that a tree is good, but then it comes down. City Manager Latham stated we need to discuss this with Director Rosen, since Ryan is under his department, Public Works Director Gillespie and the Tree Commission. Mayor Michaelis suggested talking to Director Rosen and Ryan to see if they know what additional training would be required to certify Ryan.

Councilman Schwarz asked what Ameren charges per KWH. Director Cook stated I do not know exactly; however, Ameren is higher than our rates. In looking at a survey of charges by surrounding providers, our charges are in the middle. Councilman Schwarz pointed out criteria ‘Operating income per KWH will exceed .006 based on benchmarks provided by 2010-2011 APPA.’ What was the level this past year? Director Cook explained those are goals; however, with maintaining our lines and the types of services we provide, it fluctuates. Director Korte reported the end of the last fiscal year, operating income per KWH was at .0130. Year-to-date through January 2012 it was at .0303. Councilman Schwarz stated that is a lot of fluctuation. Director Korte responded it depends upon power sales/usage.

Fiber to the Premises (FTTP)

Steve Ferguson, HCS Fiber Operations Manager, stated we are still monitoring our critical measures as we continue to start up and grow. Right now, we are working on stability issues and servicing customers. We had system issues a few months ago; however, now a lot of the calls are more user issues. Major initiatives for this next year are to complete installation of Phase II, which should be closed out by the end of this week. Our

goal is to complete Phase III by the end of September. Councilman Schwarz asked when Phase II was initially scheduled to end. Steve responded he was not sure. We are behind on finishing it. The cabinets were to be completed in December; however, we are now at the end of March. The contractor has assured us it will be finished the end of this week. This is also why there are penalties built into the contract for Phase III. We have a 75% penetration on business and 10% on residential. If we achieve 25% penetration, we should be able to reach our budget. City Manager Latham stated part of the problem is our video portion is behind. Switching to Cisco equipment increased our costs; however, the equipment should allow the Family Digital package to exceed the packages offered by Charter without the boxes on the televisions. HCS Manager Ferguson stated our goal is 2,000 subscribers by April 30, 2013. When we get to 1,050 customers, we are covering all of our fixed and variable costs.

Director Korte noted we included the new bond money into the upcoming budget; however, the bond proceeds will be here April 12, so they will arrive in this budget year and we will transfer them forward. City Manager Latham added we got the same rate from S&P ("A"-rating), as we got on the last bonds. Presales will be the week of April 2; Edward Jones will be selling the bonds. Councilman Schwarz stated we need to get this going as fast as possible. Time is money. HCS Manager Ferguson stated we are real competitive with Charter. The injustice that Charter does to their customers is raising the rates after six months or so. The only comment that we have gotten is the need to have the set-top boxes for all televisions to get the full channel selections on all sets in the house, which will change with the new equipment. Councilwoman Bellm acknowledged we all knew there was going to be technology issues; however, it sounds like the bugs are being taken care of. Steve stated the service we are able to give to our customers surpasses what Charter provides. The customers know us one-on-one and we know them.

Miscellaneous Funds

Library

Angela Kim, Director of Louis Latzer Memorial Public Library, stated we have not made a lot of changes from the prior year. We did allow for a 2% increase in salary for staff. We just received notice that we are getting a \$50,000 accessibility grant from the state of Illinois, so we will need to move things around in the budget to get those matching funds into it. With the renovations and improvements made already, we are within \$200,000 - \$300,000 of doing everything we wanted to do. There has been a lot of positive feedback on the improvements. We will be updating four restrooms. The ones in the basement are ADA accessible, but not to current ADA accessibility standards. The two restrooms upstairs will be revamped to make them more accessible; however, they will not be fully ADA accessible, due to space constraints.

We had one board member that felt very strong about how we assessed the fees for non-residents, in the past. There is either the property tax method or average. With a change in board members, we are going to try to increase the rates of those out of town users. We run about 70,000 people through the year. Computer usage is down; however, I feel that is because of free WiFi. We own almost 42,000 print items and had 65,376 circulations last year. Our number of borrowers has decreased, so we need to look at what we can do to market ourselves through regional media, Facebook, service clubs and marketing to schools. Our personnel cost have decreased due to retirements, and we are running pretty lean. However, I could consolidate some of the duties, if staffing changed. We are looking to invest in upgrades such as new firewall and laptop computers to check out for in-house use. Councilman Schwarz inquired if they have looked at hosting overnight events and game tournament nights to bring in different markets. Director Kim stated we have tried speakers; however, some of the adult classes have not been well attended. We have saw where other libraries have offered yoga; however, we do not want to compete with the Rec Center. We talked about computer classes, but we are not set up with the equipment and space for it. We continue to evaluate new ideas.

Misc. Funds

Director of Finance Kelly Korte reviewed the remaining Miscellaneous Funds: Property & Reserves is the savings accounts for amounts budgeted by department to go to reserves. We have only one department pulling funds out, which is EMS for the new ambulance. TIF District #1 is generating about \$100,000 this year, so we have budgeting \$125,000 into it next year. Plans are for storm water improvements in that area when have enough funds. The General Administration brings over about \$200,000 for business retention and city marketing into the Community Development Fund. The new TIF district (TIF #2 Northside Conservation)

shows funds coming in and going towards improvements. Police Pension and IMRF are employee retirement funds. In the Audit Fund, we have reduced auditing costs down the last few years, because we have done a lot of the spreadsheets in house before the auditors arrive. Enterprise funds are not included in the Liability Insurance Fund. There is also the Solid Waste, Cemetery Land Replacement and Cemetery Board of Managers Funds. Mayor Michaelis asked when the contact with Harry's comes up for renewal. Director Korte noted it was a one-year contract. She noted typically we would transfer funds from the Solid Waste Fund into Street & Alley for alley repairs. It was a mutual agreement that it was not necessary to move the funds over each year. If Street & Alley does a major repair, we will move funds over. Mayor Michaelis asked is an increase expected from Harry's. Director Korte stated they will have to show an increase in fuel costs or other factors. City Manager Latham noted the only concern I hear is that they put the green waste in with the household waste; however, the landfill they go to accepts it both together. Mayor Michaelis stated I have not received any complaints. Director Korte reported we go for days without calls regarding trash collection; there are usually odd circumstances when it does occur now.

Councilwoman Bellm made a motion to adjourn; seconded by Councilman Bardill. All council members voted aye, none nay. Motion carried. 7:30pm.

Joseph Michaelis, Mayor

Barbara Bellm, City Clerk