

**MINUTES OF REGULAR SESSION
HIGHLAND CITY COUNCIL
MONDAY, JANUARY 4, 2016**

Mayor Michaelis called the Regular Session to order at 7:00pm. Council members Schwarz, Frey, Bellm and Nicolaides were present. Others in attendance were City Manager Mark Latham, City Attorney John Long; Directors Cook, Gillespie, Imming, Korte, Rosen and Schoeck; Sergeant Steinbeck, Fire Chief Bloemker, EMS Chief Wilson, Supervisor Limestall, Library Director Kim, Deputy City Clerk Hediger, City Clerk Bellm, Scott Hunt, of Hunt-Rosche, Inc., 3 citizens and one member of the news media.

MINUTES

Councilman Schwarz made a motion to approve the minutes of the December 21, 2015 Regular Session as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Frey, Bellm, and Nicolaides voted aye, none nay. Motion carried.

PUBLIC FORUM

Citizens' Requests and Comments:

No comment or requests made.

Requests of Council:

No comments or requests made.

Staff Reports:

City Manager Latham reported on the rainstorm event that occurred last week. He reported most of the areas that we have done improvements on with storm sewers and the work of Streets and Alleys have helped limit issues. As of today, we had seven work orders. Most were minor. We have targeted the area along Lemon Street. Staff looked with the camera today and staff will review findings. With the investments made and the work done by staff, we made it through okay.

Mayor Michaelis noted that the next meeting is scheduled for Monday, January 18, which is Martin Luther King Day. He asked if the council wanted to continue with holding the meeting that day. Councilman Schwarz stated he is indifferent. Councilman Frey stated he is the same. Councilwoman Bellm expressed that she is available either day. If there is scrutiny for holding a meeting on that day, then we should change the meeting date. Councilwoman Bellm made a motion to change the date of the next meeting to Tuesday, January 19, 2016, in honor of Martin Luther King Day; seconded by Councilman Schwarz. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

NEW BUSINESS

Bill #16-01/ORDINANCE Amending Rates for Water Service and Usage – Councilman Schwarz made a motion to approve Bill #16-01/Ordinance #2715 amending rates for water service and usage as attached; seconded by Councilwoman Bellm. Councilman Schwarz asked how do we compare to other municipalities on water rates. Public Works Director Joe Gillespie reported a comparison of charges was done; however, it is very difficult to get equal comparison, since some have meter charges, while others build it into the water usage rates. We tried to base our comparison strictly on usage. Councilman Schwarz asked is reason that O’Fallon, Collinsville, and Edwardsville are lower, is economy of scale. Director Gillespie stated that is fair to say. He added that O’Fallon has not raised rates since 2006. Edwardsville generates just over four million gallons per day. Ours is one million gallons per day. Councilman Schwarz asked for clarification on the reason for rate increases. Director Gillespie explained this department has operated at negative cash flow since 2008. We need to get to positive and buildup fund for replacement of oldest water mains. We instructed Hunt-Roche that we want to get funds available for replacement of water mains and maintenance on our water tanks. Councilman Schwarz asked how often do need to replace mains. Director Gillespie reported we have some cast iron mains that are 80 years old. We have made several repairs on those lines. Some of the holes you see along Broadway are those cast iron lines. One of the things we want to look at is a master plan for replacement for water mains. Councilman Schwarz asked if the lining process used for sewer mains could be done on water lines. Director Gillespie acknowledged that might be an option. It is not something that I have investigated yet, but will look at. The proposed rates are for 3% increase to get us back to positive cash flow in operations and afford us to have Hunt-Roche do a master plan for us with \$300,000 per year in water main replacement. In the second year that this is in place, it will provide funds to begin do some of those replacements. Councilman Schwarz noted we do not know how many lines or areas would provide for or the number of years needed. Councilwoman Bellm noted that it is possible that increases in years 3-10 may not be needed.

Scott Hunt, with Hunt-Roche, Inc., introduced himself and noted their firm did the design on the clarifier for your system. \$300,000 is a random number; however, from experience, I can tell you that you will not get the best bang for your buck because of engineering cost to actual project expenses. I agree with the economy of scale for the other communities. Hillsboro built a new plant and had to raise rates 75% in one year to raise funds to cover those costs. Mayor Michaelis asked if the rates for sewer will go up with this. Director Gillespie replied no. Sewer rates are separate. We used the water consumption gallons to base the usage for sewer, but the rates of those units are separate. Councilman Schwarz noted the highest rates would be Hillsboro, Greenville and then Highland. Director Gillespie concurred, pointed out that not all communities have the same infrastructures – plants, treatment methods and processes. We use surface water. Some of these other communities get water from wells. Councilman Schwarz asked if we have looked at using wells, if it is cheaper to treat. Mr. Hunt stated that geography plays a lot into that. Councilman Schwarz asked why well water is cheaper to treat. Mr. Hunt explained it has less particles in it and foreign chemicals and matters, so it requires less chemicals to treat well water.

Councilwoman Bellm expressed raising rates is not something I like to see us do; however, if that is what is needed to then we need to. Councilman Frey agreed, adding I feel the master plan is important. We do not want to get to where we were with the sewer mains. We need to provide quality water. I do not want to see us have boil orders. City Manager Latham noted our highest water usage year, in recent years, was 2012, which was a drought year. The last few years, we have had relatively wet summer months. Some of our bigger industrial users are recycling their water, so volume drops and revenues, as a result, drop. Councilman Schwarz asked, long term, do we need to look at digging a well. What is that cost? Mr. Hunt explained geography plays into that. For small towns, the costs are \$80,000 - \$90,000. Larger communities, like Collinsville, are in the range of \$200,000, for that size of well. It would not resolve the immediate issues. It is only a long-term option. It is not a good practice to mix well water treatment with surface water treatment. In the future, as you plan toward a new treatment plant, it is something to look at, with the change out of plants. Revenues are trimming down.

That is the trend with all communities. As people change out wash machines, toilets, water heaters, etc., people are getting systems that are more efficient.

Mayor Michaelis noted that the memo there are set rate increases for the first two years and then increase 3% for years three through ten. That concerns me. Councilwoman Bellm asked how it is stated in the ordinance. Director Gillespie reported Years 3, 4, 5, etc. have 3% increases built into the ordinance. Councilman Frey stated he would prefer to put this into place and then review and adjust later, if needed. Director Gillespie stated, under the study, a 33% increase in the first year, would get the department into the black. What is presented to you, right now, you will operate in the red for the first two years and then get into the black within the third year. Mr. Hunt noted, that is if everything holds steady. He recommended revisit the \$300,000 maintenance program after those first three years. The number of customers has been increasing 1.35%, even though consumption has been reducing. Director Gillespie stated this is what we consider minimal for any capital improvements. If something large comes up, we are going to have trouble covering anything like that. Councilman Frey stated that is all the more reason to revisit this program and the rates after three years. Councilwoman Bellm asked what the impact of waiting two weeks is. Director Gillespie responded we were hoping to get the increase in effect for January's usage. Mr. Hunt pointed out you would lose 1/12th of the projected revenue. Director Gillespie stated operating expenses are likely to increase, based on recent trend, and they have accounted for that with a 3% projection in this plan. Water and sewer lines are neglected items because you cannot see them. A new street you can see and feel when you drive on it. You go to the sink and you expect the lines to work. Mr. Hunt noted the guys from rural development (Hillsboro), explained the guidelines for rural development is the comparison for what people pay for their cable bill versus utilities. We are paying five times more to watch television than what it costs for water.

Mayor Michaelis inquired if the council wants to vote on this as it is or table and bring it back as a three-year rate ordinance. Deputy City Clerk Hediger recommended voting on this and either passing or rejecting. If it fails, the proposed ordinance can be rewritten with clarification and brought to council. City Attorney John Long advised it would be better to come up with something better for clarity than the proposed ordinance before the council tonight. Councilman Frey suggested if we come back with new ordinance for three years, and then revisit this in three years, we will have some bonds paid off at that time, also. City Manager Latham pointed out what it is a continual cost for us is to repair these cast iron lines. We just paid to have Broadway resurfaced 4-5 years ago, and now we have these holes from patching water lines. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted nay, none aye. Motion failed.

REPORTS

Approve Warrant #1008 – Councilwoman Bellm made a motion to approve Warrant #1008 as attached; seconded by Councilman Schwarz. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

Councilwoman Bellm made a motion to temporarily adjourn this regular session to enter into executive session under the Illinois Open Meetings Act under 2(c)(1) to discuss personnel matter; seconded by Councilman Schwarz. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried. Meeting adjourned at 7:53pm.

Mayor Michaelis reconvened the Regular Session at 8:56pm. Council members Nicolaides, Bellm, Frey and Schwarz were present. Also present were City Attorney Long and City Clerk Bellm.

Mayor Michaelis stated that nothing discussed in the executive session would be acted upon in this open session.

Councilwoman Bellm made a motion to adjourn; seconded by Councilman Schwarz. Roll Call Vote: Schwarz, Frey, Bellm, and Nicolaides voted aye, none nay. Motion carried. Meeting adjourned at 8:46pm.

Joseph Michaelis, Mayor

Barbara Bellm, City Clerk