

**MINUTES OF REGULAR SESSION  
HIGHLAND CITY COUNCIL  
MONDAY, NOVEMBER 21, 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, Asst. City Manager Lisa Peck, City Attorney John Long; Directors Bell, Gillespie, Korte, Rosen and Schoeck; EMS Chief Wilson, Fire Chief Bloemker, Police Lt. Conrad, Library Director Kim, Treasurer Foehner, Deputy City Clerk Hediger, City Clerk Bellm; three representatives of Scheffel Boyle, 4 citizens and one member of the news media.

**MINUTES**

Councilman Schwarz made a motion to approve the minutes of the November 7, 2016 Regular Session as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

**PROCLAMATIONS**

Mayor Michaelis read a document proclaiming the week of November 21 through 25, 2016 as Youth Appreciation Week, in conjunction with Optimists International Youth Appreciation Week, in the City of Highland.

Mayor Michaelis read a document recognizing the contributions that small businesses make to the economy and proclaimed November 26, 2016 as Small Business Saturday.

**PUBLIC FORUM**

Citizens' Requests and Comments:

No comments or requests brought forth.

Requests of Council:

No comments or requests made.

Staff Reports:

*Presentation of Findings of Electric Rate Study* - Director of Light & Power Dan Cook presented the findings of the cost of service study. The goals of the study was to validate current costs. The rates we use now were established in 1995 and 1998. We want to ensure the long-term viability of the department, improve sustainability and reliability of the system, and align with current best practices. Director Cook pointed out the interesting chart on the next page. That straight line across the bottom is our electric rate of \$.0744 per kilowatt. In 1997, our O&M was \$1.98 million; now it is \$2.99 million annually. Our lineman wages have increased 100%, from \$19.01 per hour; now, \$38.46 per hour. Still,

we have yet to raise our electric rates in that time. Many will point out that we have a cost adjustment rate; however, that just covers the changing cost of the electric power itself, not providing for maintenance or improvements to the system. These stagnant rates in combination with rising O&M has decreased reserves. We are also suffering from declining and devaluing of the system, by not putting improvements into our system. Director Cook stated our system is not a degraded system, by any means; however, if we continue to not put money into improving our system, we will begin to see failures and reliability issues.

Director Cook reported, with this study, we did a look at what our neighboring providers are charging. Current monthly residential electric rates, for Highland are \$0.1019 per kilowatt-hour; Southwest Electric, \$0.1174/kwh; and, Ameren, \$0.0966/kwh. We are proposing increasing our rate to \$0.1041/kwh. Our current residential meter charge is \$6.00 per month; Southwest, \$23.24; and, Ameren, \$17.65. We are proposing an increase to \$11.00. He noted an Ameren customer would have to use in excess of 880-kilowatt hours for our meter to be more costly than Ameren. Charter, Frontier and Ameren all attach to our poles. We are proposing increasing that fee to \$7.68 per attachment. In addition, we would propose charging appropriately for service upgrades and rental lights. These changes would allow the department to build our reserves back up to a healthy level, invest in renewing our infrastructure, ensure continuing system reliability, and continue to operate a cost effective and reliable power system for years to come. Director Cook pointed out that detailed information is included in the council's packet, which explain how we came up with these figures. City Manager Latham, Finance Director Korte and I have gone through this study and are in agreement with the proposed charges.

Councilman Schwarz asked do you have specific concerns with infrastructure of our system. Director Cook replied no; however, one example is the transformers, which have a projected life, at a certain capacity. Our peak has been 37 megawatts. As much as you can keep those transformers below the 12-16-14-megawatts. We would like to do more preventative maintenance on the entities to extend their lifespan and to prevent failure. Councilman Schwarz summarized you are saying the department is running lean. Director Cook concurred.

Councilman Frey expressed concern about the proposed meter charge increase. Director Cook reported there are three classification of meters: commercial, industrial, and residential. Residential would go from \$6 to \$11 per month. Councilman Schwarz asked if that is being based, in part, off what it cost to maintain those. Director Cook replied yes. We are also looking at and comparing to what other providers are charging for this also. Councilman Frey inquired about the present practices of charging for service upgrades and proposed changes. Director Cook explained that if presently we are feeding you for a 200A, but you have built a shed and put a welder and other stuff in the shed, requiring more power. Historically, we provided the pole and would upgrade for minimal cost.

Councilman Frey expressed I appreciate the work done at putting this together. I am concerned about the elderly, with such an increase in the meter charge, because they feel their electric bill is so high already. He suggested we look at phasing the increase in so that they are not as impacted. Director Cook asked for council's approval to proceed with putting together an ordinance to implement the rates. Councilwoman Bellm stated she has no problem with 3% increase. Costs go up over time and we have not done anything with the rates in such a long time. I do agree with Councilman Frey on the concern of the meter charge. Director Cook asked if the council would consider lowering the meter charge, but increasing the electric charges. Councilman Schwarz stated I think we should look at what our costs of the meter and service is and charge to that accordingly. Then we have a basis for the charges. Director Cook reported we have 5768 residential customers, 652 commercial, and 155 industrial meters. Commercial will be increasing from \$12 to \$17, with \$19 recommended; Industrial would go from \$25 to \$39.50. The study and industry practices recommended \$90. For residential meters, the proposed rate would provide \$346,000 additional revenue. Frontier has 738 poles with attachments, at a rate of \$3.00;

Charter has 2,201 poles, with a current rate of \$5.50. We proposing increasing those to \$7.68. Councilman Schwarz asked if they pay based upon the figure that we provide. Director Cook explained, even at the proposed rate, we are charging far less than ICC allowed amount, and we provide them with the basis for the charges. Councilwoman Bellm asked if the pole attachment fees could be increased to offset not increasing the meter charges as much. Director Cook pointed out that the proposed increases would generate \$721,000 in additional revenue for the department. Of that, pole contribution is only about \$8,000 of that.

Councilman Nicolaides pointed out that Clinton County Electric is \$42.00 minimum monthly rate. He expressed he would like to see increases put into place over a couple of years and rate charges increase to 4%, and increase to the meter charges of only \$3.00. City Manager Latham proposed that Dan, Kelly, and he look at the numbers based upon various scenarios. Councilman Schwarz expressed he feels the costs should be assigned as incurred. I would not trade the numbers off.

## **NEW BUSINESS**

Bill #16-102/RESOLUTION Approving Estimated Tax Levy – Councilwoman Bellm made a motion to approve Bill #16-102/Resolution #16-11-2420 approving estimated tax levy as attached; seconded by Councilman Schwarz. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #16-103/RESOLUTION Approving a Three-Year Agreement for Auditing Services with Scheffel Boyle – Councilman Schwarz made a motion to approve Bill #16-103/Resolution #16-11-2421 approving a three-year agreement for auditing services with Scheffel Boyle as attached; seconded by Councilwoman Bellm. Councilman Schwarz inquired about the escalation of fees over the agreement. Director of Finance Kelly Korte reported the increases are 3-4% from the current agreement. Mark Korte, Principal at Highland Office for Scheffel Boyle explained that we look at the number of hours used and the various forms reported. This past year, we had the addition of GASB 68 pension reporting. Councilman Schwarz summarized it is not just costs going up, but also the reporting requirements that have increased. Mr. Korte reported the framework for GASB 68 began, last year; however, there is ongoing testing of those pension figures. Like everyone else, our costs do increase from year to year. Mayor Michaelis stated he and City Manager Latham were discussing this item today. We both agree that we are very fortunate to have Scheffel Boyle, the services they provide, and to have them here in Highland. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #16-104/ORDINANCE Authorizing the Borrowing of Money from Bradford National Bank to Finance the Purchase of a 2017 Johnston VT651 Street Sweeper – Councilwoman Bellm made a motion to approve Bill #16-104/Ordinance #2756 authorizing the borrowing of money from Bradford National Bank to finance the purchase of a 2017 Johnston VT651 Street Sweeper as attached; seconded by Councilman Schwarz. Councilman Schwarz asked if it would be practical for the city to loan itself money from another fund. City Manager Latham responded that is not a practice we want to get started. Councilman Schwarz asked if that could be pursued. It would end up saving money for the city, over time. Director Korte stated it was something we could look at. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #16-105/RESOLUTION Waiving Normal & Customary Bidding Procedures and Authorizing Additional Purchase of ITRON Electric Meters with RDUG Functionality from Anixter Power Solutions – Councilman Schwarz made a motion to approve Bill #16-105/Resolution #16-11-2422 waiving normal & customary bidding procedures and authorizing additional purchase of 492 ITRON Electric Meters with RDUG functionality from Anixter Power Solutions, for the amount of \$57,710.00 as attached; seconded

by Councilwoman Bellm. Councilman Schwarz asked are these established prices. Director Cook reported there is not much negotiating that anyone can do. They did give us a discount of \$5 per meter. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

Bill #16-106/RESOLUTION Waiving Normal & Customary Bidding Procedures and Authorizing Additional Purchase of Electric Meter Modules and Associated Communication Equipment from Tantalus Systems – Councilwoman Bellm made a motion to approve Bill #16-106/Resolution #16-11-2423 waiving normal & customary bidding procedures and authorizing additional purchase of 492 electric meter modules and associated communication equipment from Tantalus Systems, for the amount of \$40,440.00 as attached; seconded by Councilman Schwarz. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

Approve Notice of Municipal Letting for Bid #E-08-16 for the Sportsman Road Street Lighting project – Councilman Schwarz made a motion to approve Notice of Municipal Letting for Bid #E-08-16 for the Sportsman Road Street Lighting project as attached; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried.

## **REPORTS**

Approve Warrant #1040 – Councilwoman Bellm made a motion to approve Warrant #1040 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 Section 5 ILCS 120/2(c)(21) to discuss approval of executive session minutes; seconded by Councilwoman Bellm. Roll Call Vote: Schwarz, Frey, Bellm and Nicolaides voted aye, none nay. Motion carried. Meeting adjourned at 7:43pm.

Mayor Michaelis reconvened the Regular Session at 7:51pm. Roll Call Vote: Councilman Nicolaides, Bellm, Frey and Schwarz were present, along with City Manager Latham, Deputy City Clerk Hediger and City Clerk Bellm.

Mayor Michaelis stated nothing discussed in Executive Session this evening would be acted upon in this session.

Councilwoman Bellm made a motion to adjourn; seconded by Councilman Schwarz. All council members voted aye, none nay. Motion carried and meeting adjourned at 7:52pm.

Joseph Michaelis, Mayor

Barbara Bellm, City Clerk