

**MINUTES OF REGULAR SESSION
HIGHLAND CITY COUNCIL
MONDAY, MAY 6, 2024**

Mayor Hemann called the Regular Session to order at 6:30pm at the Highland Area Senior Center. Council members Sloan, Frey, Bellm, and Napper were present. Others in attendance were City Manager Conrad, City Attorney John Hackett, Directors Cook, Gillespie, Rosen, and Widman, Supervisor Pinsker, Treasurer Nicolaidis, Chris Flake, Deputy City Clerk Hediger, City Clerk Bellm, 3 Representatives of IMEA, and 11 citizens.

MINUTES

Councilman Frey made a motion to approve the minutes of the April 15, 2024 Regular Session as attached. Motion seconded by Councilwoman Bellm. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

PUBLIC FORUM

Citizens' Requests and Comments:

St. Paul School – Student Appreciation Day Road Closure Request – Representative requested road closure for the safety of the children on Wednesday, May 15, 2024 for Student Appreciation Day. They will put out all of the barricades themselves during the hours of 9:00am – 2:30pm. Councilwoman Bellm made a motion to approve the request of St. Paul School closure of Lemon Street and Olive Street, between 9th Street and Main Street on May 15, 2024, 9:00am - 2:30pm as attached. Motion seconded by Councilman Frey. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Jean Korte asked if the US Department of Energy awards 45 subsidies that will be for only one unit at Prairie State. How will IMEA fund two additional IMEA projects, if the citizens are only interested in public funded projects? The proposed CCS project will require a new substation. How much will running additional CCS projects cost the members and how will they be funded? How will IMEA meet EPA requirements and how much will that cost? If deemed too expensive, what technology is IMEA's next choice? If nuclear seem viable, micro modular units may be a benefit for Highland. Would Highland be explained that and offered that? Does the contract extension have any provisions that if IMEA rates exceed Ameren rates or services not met, is there an early opt out? Citizens need to know the costs and the plan. What is the reason for signing a contract with no specific details?

Requests of Council:

No comments or requests.

Staff Reports:

City Manager Conrad reported the EMS switch over occurred May 1. We have not had any issues. The fire department has been called out a few times until backup could arrive. EMS Chief Wilson, Safety Director Widman and I will be meeting with RuralMed tomorrow.

It is that time of year again. There are twenty pending grass cases and twenty other code violations that Building & Zoning Staff is actively working with right now. .

Public Works Director Joe Gillespie provide copies to the council of a form letter that will be going out to all of our water customers, with except of about 200, regarding a new law change that requires us to take action with addressing lead service pipes. Your service line is from your service connection, at the city's main, into your house. The EPA has asked us to find out what the material of that line is. Since we do not know, we are forced to classify it as "unknown". They assume that it is lead until they know otherwise. This language has been given to us by the IEPA. The most common means of getting lead contamination into your body is through lead dust and paint chips. We have about ten years of records on service lines that we have recorded what those lines are made of. Eventually, we will have to get a contractor that will hydro-excavate the service in front of your home and record that information.

Director Gillespie reported the City of Highland does introduce a corrosion inhibitor that coats the inside of the pipes, by introducing phosphates and other components in the water processing. We have taken sixty samples every 6 months for the last 2.5 years and have satisfied the requirements of the State of Illinois. There are things you can do to minimize risks: We recommend running water for couple of minutes, especially in the morning. Water sitting in the pipes typically has the most contaminants. Running the faucet for a few minutes, helps coat the line. Carbon-based filters on the system helps. Drinking bottled water is another option. You can test your water also by getting kits from the local hardware store. Once we know what the materials are for the service lines we will not need to provide these letters to customers. This is a multi-year process through 2027. The IML has been working with a group to assist us with costs to find out what the service lines are. Mayor Hemann asked when this is going out. Director Gillespie replied this week. Councilwoman Bellm asked how is this going out. Director Gillespie replied in the mail as its own mailing. Councilwoman Sloan asked why we do not mention anything about this new law to explain why we are sending this letter now. Director Gillespie replied this is the letter we were given to supply.

City Manager Chris Conrad introduced IMEA representatives in attendance to present on the proposed renewal of power purchase agreement with IMEA: Kevin Gaden, President & CEO; Staci Wilson, Director of Governmental Affairs; and, Michael Genin, Director of Gas & Energy

IMEA Presentation on Renewal of Power Purchase Agreement -

Michael Genin reported the IMEA started in 1984. In the 1960s, small towns ran their own power plants generating their own power using coal or diesel generators. In the 1970s, Illinois Power formed, but 42 communities held out. The biggest investor in Illinois went into nuclear, and they were passing on the rate increases to the customers. A joint action group formed by these towns to give them the power do tax exempt bonds and negotiate rates together. To issue long-term contracts and take out bonds, we need long-term commitments by members. Your IMEA contract provides many services, at no additional cost. We are committed to not only providing reliable and affordable electricity, but many rate-savings and value-added services. We work to identify renewable energy options a part of the power supply; we have provided affordable and stable pricing for over ten years; legal and regulatory assistance to our members by industry experts; and, local representation on the IMEA Board of Directors. Dan Cook is the representative for Highland. We have a variation of members where if it is cold up north and warm down south, we can transfer power one-way or other. Since IMEA formed, we have provide several value-added services to our member towns. For Highland, there was the 138kv Line negotiated, Greenville line, LED light replacement incentives, and capacity credits. The current contract goes through 9/30/2035. The extension provides us with resources that will allow us to ensure steady rates, steady supply, and resources to continue to diversify as we transition to the future and ensure we meet state and federal mandates. Mr. Genin pointed out rates are projected to significantly decrease by roughly 25% when bonds are paid in 2035.

Staci Wilson, Director of Governmental Affairs, highlighted the advantages of a contract with IMEA. We are the highest financially rated power supplier in Illinois. We have a long-term energy portfolio. The key is our agency is yours. Mike talked about that it is a representative governmental agency. Ms. Korte asked good question. When we signed on with Prairie State, you helped us make that decision. We are not a coal company; we are an energy portfolio agency. We stand for affordability, reliability, and sustainability. Any savings we have in rates flow through to the communities and their customers. We are reliable and predictable. We have a 24/7 operations center that supports local crews. We have a sustainable business plan. We want a responsible transition that is proven as affordable and reliable as we convert from traditional generation to carbon-free resources. IMEA rates to Highland have remained flat over the previous ten-year period. They are projected to continue to remain flat. The transmission costs, which is what electric flows across, and that is what is volatile. Municipalities want to limit changes in costs. The long-term ownership model insulates the citizens from swings in the market. In our portfolio we have a 25MW solar farm that we have signed on for; six solar installations online in member communities, and we are currently adding several more. We have two major wind projects totaling 120MW. Coal produced energy is the existing Prairie State and Trimble County. Hydro power plants are Peru and Rock Falls. We do hedges and market purchases, as well. As far as sustainability, we needed to develop a plan of where we are going. Two years ago, we started on the plan to provide a roadmap, of sorts, for a 2050 net-zero vision. It targets reductions in greenhouse gases while providing affordable, reliable, and sustainable power supply. We want to offer programs to mitigate peak loads and integrate clean energy programs, which includes battery storage. IMEA offers energy efficiency project funding for communities and are working on grants to accelerate these programs, with hope to advance EV infrastructure within our communities as well. With sustainability, we recognize that it is important to transition to our energy future. IMEA is committed to efforts to combat climate change. Climate change is a critical issue. We are committed to creating a sustainable energy future by providing stable-priced, reliable and cleaner power that ensure our members' residents a higher quality of life for future generations. In order to do this, we will review the plan on a three-year cycle by going to our member communities to update the plan, as we recognize that things change.

Kevin Gaden explained IMEA's portfolio has transformed and has a plan to continue that transformation as it works towards decarbonization. In 2009, it was the 70MW Lee DeKalb Wind Project; 2016, municipal solar in Rantoul; 2019 50MW Wind Project, St. Charles; and, 2020-2021, more municipal solar power projects. In the next year, we will begin a battery study. We are looking to add 1 megawatts of solar in the next year, with hope to have our board approve in August/September, so we could put it online in 2026. In 2030, we want to replace the expiring wind contract with Lee Dekalb, and in 2035, with Green River. At the end of 2045, Prairie State will be retired. So, why are we doing this right now? We need to replace a number of resources. These replacements have to be put into place before coal and gas resources are taken offline. There is a lot of work to do, not only locally, but nationwide, before traditional energy sources go away. I believe Highland will need power in 2036 and beyond. Ten of thirty members have approved these contracts. There are 145MG that need to be procured before 2035. As Staci and Mike have eluded to, is that we have long-term resources that are going to be there as we transition. Whether steam or small modular nuclear facilities, they are in the early or experimental state. I am not in favor of being part of the experiment.

As we get prepared to retire Prairie State, we are in 2024, and have eleven years left on the contract. The cost of the contract in ten years is very costly. If we make them 15-25-year projects, it is more affordable. This is shown in the graph, in the presentation: The red line is of a purchase agreement for 9.5 cents per kilowatt-hours of solar power, which is the average cost estimate for a 10-year agreement. As you get to the 20-year contract, you are looking at 6.5 cents per kilowatt-hours. The difference is \$6.4 million higher cost each year in a ten-year period span for customers. Highland is about 3% of our customer base. The IMEA has the highest credit rating of any utilities in the state of Illinois,

because we are not-for-profit serving communities and been doing this for over 30 years. In this case, we have many projects that will be paid off by IMEA in 2035. If we are not paying that is a savings for all members. The power supply costs for the City of Highland have been very stable and we project it to remain to be stable. We are seeing higher replacement costs for these renewable investments, due to supply chain issues, labor, tariffs, and insurance costs.

Mr. Gaden stated the contract extension looks much like the current contract, with a similar format as existing contract, but with dates changed to reflect forward timelines. Rates and charges are calculated in the same manner as existing contract. All rates are cost-based and listed in there. Everyone pays the same costs at a percentage of their part of IMEA. The contract also includes access to the services that the agency provides, which accounts for 2.8% of the cost that we bill the City of Highland. The decisions you and the IMEA have made has kept costs stable over a long period of time, while peers around you saw 160% increases last summer. When there is an issue, it does not take George and staff a long time to get power restored. If and when you enter into the new agreement, it allows our members to get your own local power source. If you decided you want to do a battery and solar project, then that is your option. If you decide to enter into this contract, the member directed resource can be done within Illinois. The cities have those options. Some members do not want to do it themselves, they leave it to IMEA; however, it is an option. You all have been leasing your generation ability and receiving approximately \$535,000 in capacity credits each year, so that you have the power plant ready to go if you need it. With the new contract, all existing members get \$3.20/kilowatt-month for those that own and operate these units. These allow valuable hedge against capacity prices; and, it is important to Highland to have it as a backup for an emergency. When there is a loss of long-term thermal resources, because of a need to take a break for maintenance it creates volatility in the market. IMEA tries to keep those blips manageable. The capacity purchase agreement is very similar current agreement. Highland is one of nineteen cities that have power generation capabilities. We work with you to keep those generators running and in compliance with government requirements. The value of capacity will be going higher. We want to make it equitable but fair for those that do not have capability to generate power.

Why IMEA? IMEA has committed staff; low-cost, reliable and sustainable power; you have a direct voice in decision-making. We share your long-term obligation to serve you – not Wall Street. Mayor Hemann asked Mr. Gaden to address some of Jean Korte's questions. Mr. Gaden stated, with regard to compliance. Our plants are compliant with levels today and we expect to be in the future. CO2 is not in the federal register, yet. Forty-two states attorneys plan to file complaints against it. It is not just power generators, but also other industries – concrete, plastics, etc. that will be pushing back against that. The carbon-control thing is a conundrum. There is only one in US, which is less than a 300MW facility. Boundary Dam has been 100% guaranteed but produces less than 200MW. Our Prairie State project is an 800MW megawatt facility. We will comply with all federal and state requirements. We will be paid off in 2035. If we can get to 2039, with a paid off plant, which we will shut down that is a saving. If there is new technology that creates the same level of reliability and meets the needs, then we will have no problem as an agency to shut it down. A lot of the alternate options are still be tested and we are still trying to figure out the longevity and sustainability of them. On the termination clause should price or serviceability changes, Mr. Gaden stated we do not know what the future holds, but does anyone. We negotiate with solar, wind, and water generators, as well as coal and gas; and, in all of those, no one knows legal changes that could occur in the future. Mayor Hemann asked what happens if Naperville does not come along with the extension. Mr. Gaden responded Naperville started taking power supply in 2011; they knew fair well about every part of those contracts when they joined in. They have something they know right now. They are about 30% of our group. If the city decides, they can walk away. Again, they were not part of the agency until 2011. 93% of their citizens said their electric department does an exemplary job. There are risks moving forward. We believe Naperville is a very solid part of our agency and we believe they will continue. Mayor Hemann noted there is a concern of some citizens that we are going to be a coal-supplied community. Mr. Gaden pointed out IMEA says we want to grow our mix of

how we get our energy from renewable sources. Right now, just over 11% comes from renewable energy. We hope to be at 25% in the next year; and, we have several other projects that will increase that amount. The state's Illinois Power Agency is about 6.8% today. As Prairie State is retired, we have to work towards replacing it while we pay off the debt of the resource investment. We are proud to make the changes we are without being told it needed to be done now. The renewable energy resources are not going to the 40-50-year resources, they will be replaced out on much shorter basis.

NEW BUSINESS

Approve Mayor's Reappointment of Bradley Scott to the Police Pension Board – Councilwoman Bellm made a motion to approve the mayor's reappointment of Bradley Scott to the Police Pension Board, for another two-year term, to expire May 12, 2026 as attached. Motion seconded by Councilman Frey. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Approve Mayor's Reappointments of Jim Meridith, Diane Korte-Lindsey, Josh Kloss, and Marshall Rinderer and the Appointment of Kurt Vonder Haar to the Industrial Development Commission – Councilman Frey made a motion to approve the mayor's reappointments of Jim Meridith, Diane Korte-Lindsey, Josh Kloss, and Marshall Rinderer and the appointment of Kurt Vonder Haar to the Industrial Development Commission, for one-year terms, as attached. Motion seconded by Councilwoman Bellm. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Bill #24-56/RESOLUTION Approving Change Orders Fifteen, Sixteen, and Seventeen for the City Hall Renovations and Construction Project – Councilwoman Bellm made a motion to approve Bill #24-56/Resolution #24-05-3105 approving Change Orders Fifteen, Sixteen, and Seventeen for the City Hall Renovations and Construction Project as attached. Motion seconded by Councilman Frey. City Manager Conrad reported we still have some change orders that are outstanding that we will be bringing forward. Mayor Hemann asked if everything is still on schedule. City Manager Conrad reported yes. We are meeting on May 16 with the contractor about change orders to the council chambers. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Bill #24-57/RESOLUTION Approving and Authorizing the Execution of a Proposal for Civil Engineering Services with Oates Associates Inc. for the Sixth Street Reconstruction Project (PW-04-22) – Councilman Frey made a motion to approve Bill #24-57/Resolution #24-05-3106 approving and authorizing the execution of a proposal for Civil Engineering Services with Oates Associates Inc. for the Sixth Street Reconstruction Project (PW-04-22), in the amount of \$33,500.00, as attached. Motion seconded by Councilwoman Bellm. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Bill #24-58/RESOLUTION Authorizing Approval of Amended Amount of Expenditure of Rebuild Illinois Funds and Motor Fuel Tax Funds for Construction of Matter Drive, PW-05-21 – Councilwoman Bellm made a motion to approve Bill #24-58/Resolution #24-05-3107 authorizing approval of amended amount of expenditure of Rebuild Illinois Funds and Motor Fuel Tax Funds for Construction of Matter Drive, PW-05-21 as attached. Motion seconded by Councilman Napper. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Bill #24-59/RESOLUTION Requesting Authorization to Use \$470,000 of Rebuild Illinois Funds from the City's MFT Account for the Matter Drive Reconstruction Project (PW-05-21) – Councilman Frey made a motion to approve Bill #24-59/Resolution #24-05-3108 requesting authorization to use \$470,000 of Rebuild Illinois Funds from the City's MFT Account for the Matter Drive Reconstruction

Project (PW-05-21) as attached. Motion seconded by Councilwoman Bellm. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Bill #24-60/RESOLUTION – Waiving Customary Bidding Procedures and Authorizing the Purchase of Twenty Pole-Mount Distribution Transformers – Councilwoman Bellm made a motion to approve Bill #24-60/Resolution #24-05-3109 waiving customary bidding procedures and authorizing the purchase of twenty pole-mount distribution transformers from T&R Electric, in the amount of \$36,030.00 as attached. Motion seconded by Councilman Napper. Mayor Hemann asked why are we waiving the usual and customary bidding procedure. Director Dan Cook acknowledge this is for a lot of transformers here. Recently, we just ordered two transformers and before we could get the purchase order to them, one was already sold. T&R rebuilds and they have cores ready for some of units. Hopefully, we will pay \$1,500, versus \$4,000 on the market. We are still awaiting transformers that we ordered last year. We hope to get them sometime around the end of this year. We should have these back within a year. On the next agenda, we will be asking for some three-phase transformers. These should be available in 28-30 weeks. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Award Bid #PR-01-24 for the Weinheimer Community Center Roof Replacement Project – Councilman Frey made a motion to award Bid #PR-01-24 for the Weinheimer Community Center Roof Replacement Project to Joiner Sheet Metal and Roofing, in the amount of \$198,000, as attached. Motion seconded by Councilwoman Bellm. Councilman Napper asked how long do you think that will take. Director Mark Rosen reported 1-2 weeks to get everything off, and then they will come back and seal it down. We are looking at around three weeks. We will not close during the project. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Approve a Notice of Municipal Letting, Bid #PR-04-24 for the Korte Recreation Center Repaving Project – Councilwoman Bellm made a motion to approve a Notice of Municipal Letting, Bid #PR-04-24 for the Korte Recreation Center Repaving project as attached. Motion seconded by Councilman Napper. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Bill #24-61/ORDINANCE Amending the Municipal Code Chapter 90 – Zoning, Article V. – Off-Street Parking and Loading, Sec. 90-228. – Parking and Storage of Vehicles, (b) Outside Storage of Recreational Vehicles, Equipment, Materials, Boats or Personal Watercraft Shall Meet the Following Performance Standards: to Include the Word “Trailer” - Councilman Frey made a motion to approve Bill #24-61/Ordinance #3337 amending the Municipal Code Chapter 90 – Zoning, Article V. – Off-Street Parking and Loading, Sec. 90-228. – Parking and Storage of Vehicles, (b) Outside Storage of Recreational Vehicles, Equipment, Materials, Boats or Personal Watercraft Shall Meet the Following Performance Standards: to include the word “Trailer” as attached. Motion seconded by Councilwoman Bellm. Chief Widman reported we received some complaints of people leaving trailers parked in the roadway. In the past, they were falling under “equipment”, so we are asking to add “trailer” to come into compliance with the state. She explained trailers should be on their property; it must be on paved area of property; and, it must be behind the front site of their residence. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

REPORTS

Accepting Expenditures Report #1265 for April 13, 2024 through May 3, 2024 – Councilwoman Bellm made a motion to accepting Expenditures Report #1265 for April 13, 2024 through May 3, 2024 as attached. Motion seconded by Councilman Frey. Roll Call Vote: Councilmembers Sloan, Frey, Bellm and Napper voted aye, none nay. Motion carried.

Councilwoman Bellm made a motion to adjourn. Motion seconded by Councilman Napper.
All aye, none nay. Motion carried. Meeting adjourned at 8:10pm.

Kevin B. Hemann, Mayor

Barbara Bellm, City Clerk