**Utility Committee Meeting – February 10, 2025**

Utilities Meeting Summary:

Attendees: Council President King; Council Members Baltzell, Buxton, Clausen, Fleck, Gray, and Sanford; Mayor Hazel; Safety Service Director Hitchcock

Start Time: CM Baltzell called the Utility Meeting to order at 6:16 PM

Main Topics Discussed

1. **Water Operating Fund for 2025**

* **Financial Overview:**
  + **Income vs. Spending:** Current spending exceeds income from water services.
  + **Carryover Funds:**
    - **Current Balance:** $4 million.
    - **Minimum Required:** $2 million.
    - **Implications:** The $4 million carryover provides a buffer but is projected to be depleted by upcoming projects and ongoing expenses.
* **Rate Increases:**
  + **Last Increase:** 2009.
  + **Need for Increase:** Due to sustained periods without rate hikes and rising costs, an increase is necessary to balance the budget.
  + **Potential Methods:**
    - **Across-the-Board Increase:** e.g., 3% rate hike applied uniformly.
    - **Chemical Adders:** Specific increases tied to chemical costs.
    - **Special Adders:** Targeted increases for specific projects, such as the GAC facility.

2. **Planned Projects**

* **Short-Term Projects (Next 3 Years):**
  + **Water Line Replacement:** Approximately $2 million allocated.
  + **Project Management:** Mix of in-house projects and those bid out to contractors.
* **Capital Projects (Next 6 Years):**
  + **Water Department Capital Improvements:** Investments in plant equipment and infrastructure.
* **Specific Projects Mentioned:**
  + **Sugar Street Water Line:** Coordination with county projects, total estimated cost $1.4 million.

3. **Carryover Fund Management**

* **Historical Context:**
  + **2012-2013 Minimums Set:** $2 million for water
  + **Current Status:**
    - **Water Carryover:** $4 million (above the $2 million minimum).
    - **Discussion on Adjusting Minimums:** Proposal to increase the water carryover minimum to $3 million.
* **Future Projections:**
  + **Budget Implications:** At current spending rates, the carryover may last approximately four more years before requiring action.
  + **Scenario Planning:** Evaluating how different rate increases impact the carryover balance and fund sustainability.

4. **Rate Adjustment Strategies**

* **Incremental Increases:**
  + **Pros:** Easier acceptance by the public, gradual financial impact.
  + **Cons:** May extend the timeline before sufficient funds are raised.
* **Lump-Sum Increases:**
  + **Pros:** Rapidly addresses funding gaps.
  + **Cons:** Potential public resistance due to larger single-year hikes.
* **Service-Based Rate Adjustments:**
  + **Cost of Service Study:** Considering adjustments based on the actual cost associated with different service sizes and types.
  + **Subsidies for Schools:** Maintaining lower rates for schools as part of community partnerships.

5. **Communication and Public Relations**

* **Storytelling:** Emphasizing the necessity of rate increases by linking them to essential projects and infrastructure improvements.
* **EPA Requirements:** Maintaining appropriate carryover funds to meet Environmental Protection Agency standards and avoid scrutiny.
* **Public Awareness Challenges:** Addressing the invisible nature of water and infrastructure projects to garner public support.

6. **Additional Topics**

* **Interior Painting Project:**
  + **Cost:** Approximately $500,000.
  + **Scheduling:** Spread over three years to avoid large single-year expenses.
  + **Issue Addressed:** Rust from chlorine off-gassing in the water tower ceiling.

Action Items

1. **Develop Rate Increase Scenarios:**
   * Create models for various rate increase percentages (e.g., 2%, 3%) to determine potential revenue and fund sustainability.
   * Present scenarios to the council for review and decision-making.
2. **Communicate with the Public:**
   * Develop a strategy to effectively convey the reasons for rate increases.
   * Highlight ongoing and planned projects to demonstrate the necessity of funding.
3. **Conduct Cost of Service Study (Optional):**
   * Assess the feasibility and benefits of implementing service-based rate adjustments.
   * Evaluate potential subsidies for educational institutions.
4. **Coordinate Upcoming Projects:**
   * Align Sugar Street water line replacement with county projects to ensure efficiency and cost-effectiveness.
   * Monitor budget closely to accommodate large upcoming expenses.

Follow-Up Points

* **Council Approval:** Present rate increase scenarios and receive feedback or approval.
* **Public Meetings:** Schedule sessions to discuss rate changes and gather community input.
* **Monitoring Fund Levels:** Regularly review the carryover balance to make timely decisions on rate adjustments.
* **Project Updates:** Provide ongoing updates on the status and progress of major projects to the council and the public.

Additional Notes

* **Future Rate Increases:** Potential for gradual increases over several years to minimize public resistance.
* **Carryover Adjustments:** Considering raising the minimum carryover from $2 million to $3 million to provide a larger financial buffer.
* **Project Prioritization:** Focus on critical infrastructure projects that have significant community impact, such as fire-critical water main replacements.

CM Baltzell adjourned the meeting at 6:38 pm

Submitted by Michael F. Didonato, Clerk of Council