



Meeting Minutes - Draft

Financial Advisory Board

Wednesday, September 4, 2024

6:00 PM

NEU

Special Meeting

A. CALL TO ORDER:

B. ROLL CALL:

Also Present: Raymond Munch, Finance Director; Darrell Blenniss, Director of Water; Brian Groth, Director of Electric; Melanie Smith, Accountant; Doug Splitt, Budget, Technology & Administration Manager - Water

Present 7 - Thomas Gavin, Mark Gizzo, Edward Harvey, Josh McBroom, Jignesh Patel, Michael Soenke, and Curtis Williams

Absent 1 - Jeff Walker

C. PUBLIC FORUM:

None

D. REPORTS:

E. NEW BUSINESS:

Approve the recommendations for electric and water utility rates for 2025 through 2027

Director Munch gave a presentation on the electric and water utility rate studies. Munch began with an overview of the rate study process, noting that the Public Utilities Advisory Board reviewed service levels and capital improvement plans for each utility earlier this year. He then discussed the specific issues facing each utility that were significant considerations in building new rates.

Director Munch noted that the Electric Utility is challenged by declining cash balance resulting from lower energy sales in recent years, while at the same time facing growing capital needs. Director Groth responded to several questions from the Board that spoke to specific challenges in procurement, supply chains, energy markets and cost escalations.

Director Munch then addressed the challenges facing the Water utilities, specifically the need to fund significant capital projects at Springbrook Water Reclamation Center and water main replacements. Munch noted that the Springbrook plant requires \$180 million in work over the next five to eight years. Director Blenniss provided some additional context around the projects, cost

and timelines.

Director Munch then reviewed the outcomes of the Electric rate study beginning with a review of assumptions that were used. Munch noted that leaving rates as is would result in a negative cash position of more than \$30 million by 2027. To avoid that scenario, the consultant and City staff recommend rate increases of 6.1% in 2025 and 5.1% in 2026 and 2027. The financial model also includes \$7.5 million in new debt. Munch also discussed a plan to increase the customer charge gradually over three years to align with the cost of service. The Board asked why that change would not be made all at once in year one. Munch noted this is a fairly substantial change to the fixed charge that staff felt should be incorporated over three years. Munch concluded with a review of the bill impacts for a residential customer based on these rate recommendations and a comparison to the current ComEd rate.

Next, Director Munch reviewed the results of the Water rate study. Munch noted that the significant capital needs require a higher rate adjustment of 23% in water rates and 10% in wastewater rates each year over the next three years. The financial model also includes the issuance of \$81.6 million in new debt over three years. Munch also noted that staff recommends an increase in the outside-the-city surcharge from 10% to 30%, which aligns with comparable communities. Munch reviewed the impact of the proposed rate increases on the residential bill.

Board members expressed concern that the water rate increases were too high, specifically noting that the capital program should be funded through debt to the extent possible. Board member Gavin noted the generational equity issues with funding capital through rates versus debt. The Board requested that staff go back to the rate consultant and look at additional debt financing and how that could mitigate rate increases. The Board expressed support for the Electric rate model as presented.

Director Munch advised the Board that staff would do additional work and report back to the Board before a final recommendation is made to City Council.

F. OLD BUSINESS:

G. ADJOURNMENT:

Chairman Harvey made a motion to adjourn the meeting, second by Williams and approved by voice vote. Meeting adjourned at 7:43 p.m.