

MEMORANDUM

TO: Clerk Sean Richardson
FROM: Mayor Ken Tedford
DATE: 24 March 23
RE: Board Minutes

The attached minutes of the Fallon City Council Meeting held March 21, 2023, reflect the discussion and approval of three resolutions 23-02, 23-03 and 23-04, respectively adjusting electrical, water, and sewer rates. The minutes report that discussion ensued relative to the need to increase revenue for the electrical, water, and sewer funds and the history of the existing rates.

The purpose of this memorandum is to clarify my discussion in support of the proposed increase for the utility rates.

The City operates a number of enterprises which serve the citizens on a continuing and are financed or recovered primarily through charges to their users. Management of these enterprises must be fiscally solvent and able to appropriately capitalize assets and operations. The City of Fallon's electrical, water treatment, and sewer treatment utilities are three such departments within the City. The City has designed its rates to differentiate between fixed operational costs and those costs that vary based upon the commodity provided and provide adequate capital to operate the specific utility. In the years since the prior rates were set, all aspects of operating the electric, water, and sewer utilities have increased. Accordingly, the rates needed to be increased to correspond with those costs.

In discussing the need to increase rates, I sought to contrast our operations to a traditional, for-profit corporate utility. Corporate-owned and maintained utility companies have a legal obligation to make and remit dividends to its investors in return for their initial capital investments. In those circumstances, customer's rates also ultimately are set with an eye to corporate dividends. In effect, rate payers of those utilities contribute to the profits of stockholders across the nation and the world. In contrast, the customers of the City's utilities are citizen-owners of its utilities, and our rates are not structured to derive profits and the only return on investment is to benefit our citizens. My intent in contrasting these two paradigms was to draw attention to the fact that rates paid by the City's customers and citizens are not paid for the purpose of generating private profits but for the provision of services to our citizens. I am providing this memorandum to clarify my position.