

Mayor Kelley speaks about communicating the increase to the public, the other fees and services we provide, and asks about the background of the base rate increases.

Assistant City Manager Mike Null advises rates were increased in January 2024 by approximately 7% and then in October 2024 increased by 10%.

Mayor Kelley speaks about the increase before 2024 was back in 2015 or 2016 and speaks about ways to try and ease the frequency of increases and ease the impact of the increase.

Council Member Butler suggests a concern with the residents will be over the new developments.

Mr. Nowakhtar advises that as those developments come into the system, they are paying impact fees. Long term, that provides the city economies of scale. As the system grows, the city can spread those distribution investments over a larger customer base.

Discussion followed concerning impact fees and how it will help with the infrastructure.

Mayor Kelley asks if staff has investigated averaging of the bills and charging so that citizens can essentially pay a yearly average every month.

City Manager Steve Kennedy advises the electric system has been used as a budget-balancing mechanism, relying on reserves and fund balances rather than covering all costs. This approach has led to a declining fund balance and increasing transfers, indicating a core problem. With recent efforts by individuals like Finance Director Ms. Wang and others have focused on stabilizing costs through strategic contract purchases and pricing adjustments. This emphasizes the need for a stronger financial strategy, including setting aside funds for renewal and replacement to avoid borrowing or issuing bonds for future needs. This would stabilize rates and strengthen the system over time. Recent rate increases and planning aim to address longstanding vulnerabilities and move toward a sustainable solution rather than postponing issues.

Council Member Gaw asks what a 14% increase will mean to the average bill for the average customer.

Mr. Nowakhtar advises that a good approximation for that is 1,000-kilowatt hours. With the 14% increase it will be approximately \$14 for every 1,000-kilowatt hour.

Council discussion followed concerning the next steps.

Mr. Null advises the Council to receive the report and then based on the direction staff will come back to the next meeting with a resolution to define what is done with the over collection and then an ordinance would be brought to the Council for the rate increase.

Mayor Kelley asks for an explanation on repaying the half a million to repay Interfund Transfer.

Finance Director Sue Wang advises in the fiscal year 2003 audit the General Fund took out a loan from the electric fund of \$1.2 million due to General Fund balance having a deficit of \$1.5 million. This was done for the auditors not to write the city up for using restricted funds to pay for operating expenses.

Motion to accept the plans for the overage with two million dollars and direct staff to come back with a rate ordinance.

Motion made by Council Member Johnson, Seconded by Council Member Butler.

Voting Yea: Mayor Kelley, Council Member Butler, Council Member Gaw, Council Member Johnson

City Attorney Arnold updates the Council on the lawsuit with Pegasus and advises they are requesting a 10% reduction in the amount owed to the city for reimbursement.

City Manager Steve Kennedy speaks and suggests in lieu of having another meeting Council approve the 10% and then allow the attorney and himself to negotiate anything further. Mr.