

**CITY OF MASCOUTAH  
CITY COUNCIL MINUTES  
#3 WEST MAIN STREET  
MASCOUTAH, IL 62258-2030**

**SEPTEMBER 14, 2020**

The minutes of a virtual workshop of the City Council of the City of Mascoutah.

**CALL TO ORDER**

Mayor Gerald Daugherty called the meeting to order at 6:00 p.m.

*Present:* Mayor Gerald Daugherty and Council members John Weyant, Pat McMahan, Michael Baker, and Walter Battas.

*Absent:* None.

*Other Staff Present:* City Manager Brad Myers, Assistant City Manager Kari Speir, Utility Billing Supervisor Kim Stambaugh, Electric Department Supervisor Larry Linck, Public Works Director Jesse Carlton, City Engineer Tom Quirk, Finance Coordinator Lynn Weidenbenner.

**DISCUSSION (ELECTRIC RATES AND PHASE II ELECTRIC)**

Mayor Daugherty opened with background information about his most recent article in the Mascoutah Herald. He has been comparing Mascoutah electric rates versus Ameren rates of surrounding municipalities and has done this for many years. He has also compared two county co-ops, one of which is higher than Mascoutah rates by one cent. His first thought is to drill down on internal costs and see if there is anything the City can fix by evaluating the financial position in regards to the City's future Phase II project. Mayor Daugherty stated that he needs a financial analysis and find out exactly what is included in the bills. There is approximately 10 million dollars in reserve, which will be utilized for the upcoming Phase II project.

Councilman Weyant asked if there is a set amount that is necessary for emergencies (tornadoes, transformers, etc.) because he believed that amount was approximately 13 million dollars. Mayor Daugherty stated that it was not that high. In the past, when the City generated electric, it was important to have a large reserve just in case a generator would go out. Now that the City does not generate, that lessens our requirements and potentially gives the City some flexibility.

Councilman Baker stated that when he was in business, electric rates were something he studied and researched and the rates have been historically high. He presented an Ameren bill and stated that Ameren's bill has everything broken down and listed, where Mascoutah's bill has one line, which is not transparent for our users. Mascoutah's ordinance states that the electric rate is 6.64 cents per kilowatt-hour, and dividing the number of the one line, it comes to around 14 cents per kilowatt-hour. The bottom of the bill states the other charge, but Mascoutah does not break it out. One question he has been asking for many years is how much do we make? What is our profit margin? He has never been able to receive that answer and believes the City should have

that number written down. He would also like to know how the City figures out the fuel surcharge and he understands that this number goes by the consumer price index for the prior quarter. He feels it should be something that is easy to figure out. He stated that he would like to evaluate the difference in residential rates versus business rates. He has bills for Scott Schools and Mascoutah Schools and the difference in the two is approximately \$350,000. His intentions are not to eliminate the electric department, but he would like to see where the City could still operate efficiently and still save the users some money and may have too much money in reserves but still have what is needed if there was ever a tornado or something that could be catastrophic. Mayor Daugherty stated if that were ever to happen, whatever insurance did not cover, reserves would cover, and if necessary, a loan would need to be taken out for the rest.

Councilman Baker asked if anyone knew what the City's profit margin is based on its overhead. City Manager Myers stated that would be understandable in a for-profit business; however, that number varies from month to month based on the fuel surcharge. Baker asked if the City has a formula we use to determine how much we tack on to that amount. Mayor Daugherty stated we decide that when we set the rates. Myers stated that if we now have enough in reserves, perhaps there is something that can be done to back that off a little. Myers stated that Utility Financial Solutions conducted the last rate survey in 2015. He feels that having a large reserve at this time is a good idea so that the City can pay for Phase II and not have such a large debt payment.

Councilman McMahan stated it might be worthwhile to check the last time the City raised the rates and check what the reserves were at that time and each year since. If the reserves were consistent as far as the dollar amount and the rates were the same, it would seem to indicate that the charges were consistent as well. If the reserves are not going crazy and the rates are not either, everything seems to be very consistent. Daugherty pointed out the audit report that shows the amount of cash in the electric department has gone up in the last five years. This is one of the reasons that the City has not raised rates because the reserves were going up. McMahan reiterated that the reserves were going up in anticipation of the Phase II project. Myers stated it would be nice to have a much less debt payment. Daugherty asked what the plan was as far as taking a large amount of cash out of reserve to pay for the project. Myers stated that the City would be paying some of it and taking a loan for the rest. Assistant City Manager Speir confirmed and stated that since the project has been delayed, the cost of the project has now increased. Half of the project will be paid with reserves and the other half would be paid with loans. McMahan felt that was a wise decision to leave some in reserves because no one knows what could happen. Speir stated the rate study done in 2015 said the reserves should have, at a minimum, \$3.5 million dollars. The City has decreased spending across the board, which has allowed the reserves to continue to grow. McMahan equated that to the TIF 2B district, where the City has allowed that balance to grow, knowing there are projects and expenditures coming up. He feels that is good planning. Baker pointed out that the difference between the two is TIF funds are not usage based, but property tax based.

Myers said that once the City spends the money on the Phase II project, the reserve will be back to approximately \$3.5 to \$5 million as costs have increased. Baker asked about the cost of transformers, and Myers responded that the last one that had to be replaced was more than \$150,000 with installation. Linck confirmed that amount and stated the substation transformers could be at least a million dollars.

Baker stated he thought they were going to look at drilling down on the rates and the financial part to see what could be done and would like to know what will be done to achieve that. Daugherty stated they have already discussed ideas, however they can not drill down too much further during the Phase II project if they are wanting a certain amount in the reserve. Baker would like to know what all the costs are. Daugherty thought to drill down and look at a 10-year projection on income and expenses to potentially reduce rates, but at this current situation, he feels that cannot be done.

Baker referred to the utility study from 2015, which suggested raising rates by 3 percent yearly and increasing the base charge. Rates have not been raised since 2011. Baker said he has heard the City does not make money on electric; it is only a pass through. He would like to know how much the City is billed by the IMEA, which Myers stated that number changes monthly. Baker feels that if we got the last 24 months that would provide a good estimate. Myers stated this is not a spending problem, as the City is well within. He also appreciates the fact that multiple people have stated they do not want to eliminate the electric department, as they provide so much more.

Baker feels that the current situation could be deterring potential businesses and residents from coming to Mascoutah. The Buxton Report said there were many people that were right for Mascoutah, yet they have not come here. Myers pointed out that there is an upcoming Planning Commission meeting for a new business coming to town.

Myers stated that they did offer a breakdown before on the utility bills, yet it caused confusion for users. There needs to be transparency, but without confusion. Daugherty stated he would like to see a comparison between Mascoutah and other IMEA customers. Baker stated he has bills from other IMEA customers and there is a difference. All discussed having IMEA come to discuss this at another workshop.

Baker asked if Mascoutah is out of solar to give out. Myers stated that Mascoutah is not completely out yet, but it is getting there. Daugherty stated this should be a discussion with IMEA about what is coming with renewable sources. Baker asked if we could get an exact number on an IMEA buyout.

Baker stated that the original plan for the Phase II project was to go along Silver Creek to the west of Mascoutah. He said he thought this could have been a better option as it would provide the least delays. Weyant would like to know if there is a cost figure going to the west as opposed to the east. Myers stated that the cost of going through the wetlands of Silver Creek would be extremely costly. Weyant pointed out that there has been a large amount of added costs on the east plan, and thought it may be worthwhile to find out what it would cost to reevaluate going to the west. Daugherty felt that this has been studied fully and the engineers are the ones that stated that going to the east was the best option.

Baker feels that the more our customers conserve, the more our rates will have to go up. Every solar option, every time an LED lightbulb is plugged in, or any other conservations, our rates will still have to go up to make up for the loss in usage as the more we save, the more that it will cost.

McMahan asked if we could talk with the IMEA about if the City could determine what the City will allow and permit as far as solar. Myers stated that Public Works Director Jesse Carlton is an IMEA Board Member and this is something that is in its infancy with IMEA.

Daugherty would like to establish the value of having our own electric department. For him, it is worth the possible \$500 more per year to have our own department. Weyant asked if the electric department could put together a list of all of the work that they do throughout the City that if we did not have an electric department, all of these projects would have to be contracted out. He mentioned the lights that were recently added in Scheve Park, and if Mascoutah's electric department was not there to complete that project, that would have cost thousands in outside labor.

Myers discussed the immediate storm response. Our electric department supervisor was out of power for 18 hours after the last storm, where Mascoutah's power was restored that evening. The Electric Department has moved lights at the park, rewired the History Museum, tree trimming, all work at City Hall, the Santa Hut, special events, Homecoming, and if needed, our electric department can assist with plowing roads in the winter. He feels it is worth it. McMahan said those people that are out of power with Ameren after large storms who have lost freezers full of food after extended outages; he feels those people would agree that the increased cost is worth the value. Baker stated that some people on a fixed income might disagree that the added cost is too high. He reiterated that the intent is not to eliminate the electric department, but how could we provide a service at a lesser cost to the citizens.

Daugherty asked if the City should put out an advisory referendum regarding Mascoutah power. All felt this was not necessary. He stated that we need to determine if the City will still have the necessary reserves if we lower rates.

### **COUNCIL MISCELLANEOUS**

Daugherty mentioned that Representative Charlie Meier's office called to inquire if Mascoutah would be interested in hosting a County Fair. Baker stated that many years ago, the State was paying a large sum of money for a municipality to host a fair. Daugherty (years ago) attended a meeting in Springfield and was told that they would not receive any money. McMahan stated the MIA would not want a part of that type of event as opposed to Homecoming.

### **PUBLIC COMMENTS**

None

### **ADJOURNMENT**

McMahan moved, seconded by Weyant, to adjourn at 7:06 p.m.

*Motion passed.* Motion passed by unanimous yes voice vote.

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Julia Biggs, Executive Assistant