

Roll Call

The Kalamazoo City Commission met in special session as a Committee of the Whole on Monday, August 29, 2022 at 5:00 p.m. in the City Commission Chambers at City Hall. The purpose of the meeting was to discuss 2022-2023 utility rates

COMMISSIONERS PRESENT:

Mayor David Anderson
Vice Mayor Don Cooney
Qianna Decker
Jeanne Hess
Chris Praedel

COMMISSIONERS ABSENT:

Stephanie Hoffman
Esteven Juarez*

Also present were City Manager Jim Ritsema, City Attorney Clyde Robinson, and City Clerk Scott Borling.

Commissioners Excused

Commissioner Hess, seconded by Vice Mayor Cooney, moved to excuse the absences of Commissioners Hoffman and Juarez. With a voice vote the motion passed.

Public Comments

An opportunity was given for general public comments, but no comments were offered.

2022-0288

Presentation: FY2023
Proposed Utility Rates

Tom Wheat from the Utility Policy Committee (UPC) reported the Committee had studied the proposed utility rate increases at their meeting on August 11th and was recommending the City Commission approve the increases.

*Commissioner Juarez arrived at 6:05 p.m.

Public Services Director James Baker delivered a presentation entitled *FY2023 Proposed Utility Rates*. At the end of the presentation, Director Baker indicated rate consultant Bart Foster from The Foster Group was available via telephone if there were any questions for him. A copy of the slides from this presentation was filed with the papers for the meeting.

In response to questions and comments from City Commissioners, Director Baker and Mr. Foster provided the following information:

- Stantec was a consulting firm engaged by the UPC to make recommendations regarding water rates. The UPC selected Stantec after a qualifications-based selection process, and their contract would be presented to the City Commission for approval on September 6th. The City had selected The Foster Group as its consultant for water and wastewater rates earlier in the year. Both Stantec and The Foster Group provided analysis for the water rates, and they were in agreement regarding the rate recommendations. Beginning in 2023, Stantec would provide consulting services for water rates, and The Foster Group would provide consulting services for wastewater rates.
- both rate ordinances (water and wastewater) would be offered for first reading on September 6th with final adoption scheduled for September 19th. From a process standpoint the only difference between the two ordinances was the effective date.

- a “smart meter” was a water meter that communicated usage data over radio frequencies, eliminating the need for on-site meter reading. The current implementation strategy was replacement through attrition. It would cost approximately \$16 million to get all water system users on smart meters. The replacement process would accelerate once all the lead service lines were replaced.
- all utility systems were facing cost pressures. It was not known whether other systems were planning rate increases, but all rate payers will be facing increases eventually. Kalamazoo was trying to get ahead of the issue and face problems head-on.
- the proposed rate increases would be in place through the end of 2023, with no additional increases proposed during that time.
- drivers of the overall cost increase included rising costs for fuel and chemicals, cost increases because of material shortages, and increases in construction contract bids (15-30%).
- the City was trying to keep construction costs down by giving contractors extra time to complete projects and by procuring commodities like water main in to have on hand for projects rather than putting the uncertainty of procuring those supplies on the contractor.
- the City Manager’s Office, Chief Financial Officer, and City Commission have been willing to make investments in the utility, which resulted in an upgrade in the City’s bond rating. The upgrade meant the City would pay less to borrow money. It was important for the utility to be able to have positive financial metrics.
- if the City Commission did not approve the proposed rate increases, the City’s ability to continue with planned investment in the system would be impacted.
- the water and wastewater systems were supported mainly by user rates. Legally, the revenue from utility rates could be used only for utility related expenses.
- Public Services staff would meet with customer stakeholder groups to explain the rate increases. Staff would work on ideas for communicating the increases to the public and would bring ideas back to the City Commission.

Commissioner Decker expressed appreciation for the assistance programs and thanked Director Baker for the door-to-door canvas with information on lead testing services and filters. Commissioner Decker expressed support for good communication and outreach about the proposed increases.

Vice Mayor Cooney remarked that the proposed improvements were needed; people needed to know that their drinking water was safe.

Commissioner Juarez thanked Director Baker and his staff for their work. Commissioner Juarez commented that most people did not understand everything that went into getting water out of a faucet.

2022-0288

Presentation: FY2023
Proposed Utility Rates
(cont’d)

2022-0288

Presentation: FY2023
Proposed Utility Rates
(cont'd)

Mayor Anderson thanked Commissioners for their comments and questions and for working together. Mayor Anderson stated this item would come before the City Commission at least two more times, and people should assume comments made by Commissioners at this meeting were not the last ones on the topic. Mayor Anderson noted the City would still have low utility rates, even with the proposed increases. Mayor Anderson remarked on the importance of having clean water, which people often took for granted. Mayor Anderson explained the utility was a public system and, as such, was not operated as for-profit enterprise. Mayor Anderson expressed gratitude that the City Commission had the opportunity to work with people who could be trusted as subject matter experts.

City Manager Ritsema recognized the utility leadership team: Deputy City Manager Jeff Chamberlain, Director Baker, Assistant Public Services Director Anthony Ladd, Support Services Division Manager Valetta Sellers-Evans, and Deputy Public Services Director Teresa Johnson.

Commissioner
Comments

An opportunity was given for comments from City Commissioners, but no comments were offered.

Adjournment

The meeting adjourned at 6:20 p.m.

Scott A. Borling
City Clerk

Approved by the City Commission on: _____

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