



## **SPECIAL CITY COUNCIL**

**Council Chambers, City Hall – 131 N Main St**

**February 25, 2021 at 3:00 PM**

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### **MINUTES**

#### **HONORABLE MAYOR MIZE AND MEMBERS OF THE COUNCIL**

#### **CALL REGULAR MEETING TO ORDER**

#### **MEMBERS PRESENT**

Mayor Philip Mize called the meeting to order at 3:03 pm. Council members Jeff Albers, Kassie Gile, Ryan Graf, Greg Kampling and Greg Williams were present. Staff present were City Administrator/Clerk Danielle Young, City Attorney Austin Parker (phone), Police Chief Ken Winter, Director of Golf Kevin Fowler, Maintenance Superintendent Brad Ewy, and Utility Clerk Angie Gassmann

#### **PLEDGE OF ALLEGIANCE TO THE AMERICAN FLAG**

#### **DECLARATION OF LOCAL STATE OF FINANCIAL EMERGENCY**

Motion: Approve Resolution 305-2021

Motion made by Councilmember Kampling, Seconded by Councilmember Williams.

Voting Yea: Councilmember Kampling, Councilmember Albers, Councilmember Gile, Councilmember Graf, Councilmember Williams.

#### **DISCUSSION OF NATURAL GAS BILLING**

Administrator Young gave a presentation regarding the natural gas pricing situation explaining that the daily index gas prices have seen historical highs of \$329 to \$622 during the arctic blast cold spell between February 6<sup>th</sup>-19<sup>th</sup>. The highest price KMGA had experienced in the last two decades for supply on this pipeline occurred in February 2014 at \$31.265/MMBtu and lasted a single day. Young explained that staff had been working with our vendors on billing options to our residents. KMGA had to already front a bill directly to the pipeline to keep the gas on to our City and has already invoiced the City for a collateral call of \$49,145. The City anticipated an additional collateral call from KMGA in the upcoming weeks and expect the KMGA bill in 2 weeks to be \$1,684,000, but are still waiting on the exact amount as there may be other penalties assessed from the pipeline.

Young asked Council to determine how to bill the gas utility customers. Per the fee resolution adopted by the Council, staff is to bill out the price per mcf + \$2.40/mcf plus a monthly service charge. Young stated the City had a few options to explore in paying the estimated \$1.6 million invoice. The City could utilize financial, such as a bond or no fund warrant. The No Fund Warrant is an unsecured loan that will cost the City additional fees and charges, will go against the City's bond rating, and take 45-60 days to secure funding. The City could also utilize the Utility Reserve Funds and pay them back once assistance is received or payments from our customers are received. This does not mean rates for the other utilities, such as water and sewer will go up.

Young reminded Council that the billing period ended on February 15<sup>th</sup> and high usage and the daily index price of gas escalated even higher to \$622 after this billing cut-off date. So residents will not only receive this high bill, but would also receive a high bill on April 1<sup>st</sup>. At this time, staff did not know what that rate would be for April 1<sup>st</sup>, but estimated it to be similar, if not higher than the amounts presented today.

Young stated that overall, the average residential customers used 13.5/mcf of gas and the average person saw an increase of 2.5/mcf over last month's bill. The middle two quadrants, or middle half, of Cheney residents used 11-16/mcf of gas this month.

Young presented 4 options for Council to consider for a billing rate:

Option 1- Billing rate of \$5.94, which is a billing rate comparable to last month's rate of \$5.95/mcf and utilizes estimated February pricing before the event occurred. Based on this pricing and the increased usage, the average customer would see an increase of \$11.75. With this option, the City would need to carry the burden of \$670,591.86 for this billing cycle.

Option 2- Billing rate of \$8.52, which is a billing rate calculated like Option1, but adding in the \$49,145 collateral call to KMGa who fronted \$1 million to keep the gas flowing to our community. The average residential customer would see an increase of \$45-\$53. With this option, the City would need to carry the burden of approximately \$621,446.86 for this billing cycle.

Option 3- Billing rate of \$11.10, which is a billing rate calculated like Option 1 and 2, but instead of \$49,145 in collateral, it would be \$98,290 in collateral, as the City anticipates an additional collateral call next week. The average customer would see an increase in their bill from \$78-\$94 this billing cycle.

Option 4- Based on the City's normal operation of setting the gas rate, our calculations show that the billing to our customers would be at \$41.16/mcf. The middle two quadrants of our customers, or 50% of our customers in the middle range, would see the gas portion of their utility bill between \$400-\$700. Understanding that this amount is a significant increase to the consumer, staff has reached out to the City's billing vendor and determined a way to create an additional line item for this gas amount so Council could approve payment plans and late fee penalties to be waived on this amount. This would ensure customers were still paying their water, trash, and sewer portion to keep funds flowing to other utilities.

Young explained that by billing the full rate, it placed the obligation on the customer for the exact gas they used. If a customer moved, it would allow the City to show the customer was obligated to that amount and collect. It would also give the City additional cash flow to be able to pay the anticipated bill and cut down the overall cost to the City if money is borrowed. The downside is that it's placing a large financial responsibility on the consumer. Staff felt there was a large amount of anxiety amongst residents wanting to know how to plan for their gas bill and if a lower billing rate was approved, staff felt it necessary to inform customers their next month's bill could also see an increase. Young stated she would continue fighting for the city's utility and residents and pass on the assistance to the customers if received.

Councilmember Albers asked how the collateral funds works and Young stated it was her understanding that the collateral amount was a pre-payment to their invoice and the amount would be credited to their February invoice.

City Attorney Austin Parker stated there were legal considerations on the fourth option that should be discussed in executive session. Young clarified the fourth option would be billed out at a billing rate of \$41.16 and \$42.16.

Motion to enter into executive session to discuss legal considerations deemed privileged in the attorney-client relationship KSA 75-4319 (b)(2) at 3:22 pm for 5 minutes with Administrator Young, Superintendent Ewy and Attorney Austin Parker.

Motion made by Councilmember Gile, Seconded by Councilmember Graf.

Voting Yea: Councilmember Williams, Councilmember Albers, Councilmember Gile, Councilmember Graf, Councilmember Kampling

Motion to enter into executive session to discuss legal considerations deemed privileged in the attorney-client relationship KSA 75-4319 (b)(2) at 3:29 pm for 15 minutes with Administrator Young, Superintendent Ewy and Attorney Austin Parker.

Motion made by Councilmember Kampling, Seconded by Councilmember Gile.

Voting Yea: Councilmember Williams, Councilmember Albers, Councilmember Gile, Councilmember Graf, Councilmember Kampling

Motion to enter into executive session to discuss legal considerations deemed privileged in the attorney-client relationship KSA 75-4319 (b)(2) at 3:45 pm for 10 minutes with Administrator Young, Superintendent Ewy and Attorney Austin Parker.

Motion made by Councilmember Kampling, Seconded by Councilmember Gile.

Voting Yea: Councilmember Williams, Councilmember Albers, Councilmember Gile, Councilmember Graf, Councilmember Kampling

Mayor Mize stated Council was back in regular session at 3:55 pm with no binding action taken.

Billing options were discussed amongst Councilmembers. Attorney Parker discussed how billing options 2 and 3 would take care of the capital and give the City two weeks to see what else evolves from the pricing situation. Councilmember Kampling thought that all of the KMGAs cities needed to file a Consumer Protection Act against the pipelines. Councilmember Albers stated that since the City had been billed for one collateral call, option 2 would cover that and if an additional collateral call was done, it could be covered on next month's bills.

Councilmember Albers thought the bigger issue would be that the City won't be able to pay the \$1.6 million bill. Albers thought regardless, the citizens rate should be more level. The City Attorney thought if the City billed at a larger increase, some people just wouldn't pay and the City would end up with a mess of delinquent accounts.

Councilmember Kampling asked about the cities not on KMGAs and how much of an increase they would see. He asked why Garden Plain was not being hit with the high prices. Attorney Parker mentioned that they were in a different situation and it could be that their company couldn't pass on the charges without a lawsuit being filed. Mayor Mize thought the daily differences on the pipelines was deceitful.

Mayor Mize referenced a letter the City received from the Attorney General and asked for clarification if the letter was asking how the City planned to bill out for gas usage. Young stated that the letter was asking that we report what our billing rates were. Mize asked if the Attorney General was seeing what approach cities took to determine their stance?

Councilmember Kampling thought they should wait until the next Council meeting to figure out the city's gas bill. Councilmember Albers asked if the City could lower the \$2.40 fee from the City down to \$1.20 to reduce the cost to the citizen and soften the blow. Ewy responded by saying that our budget for the year depends on making that revenue. Young calculated out a lower amount of \$1.65 instead of \$2.40 to meet the same revenues as February 2020 based on consumption. Councilmember Albers stated he liked Option 2 and utilizing the \$1.65 rate instead of the normal \$2.40 rate from the City.

Ewy was asked for his opinion. Ewy states he thought the City should include the \$49,000 collateral call in the billing price. Ewy and Kampling both agreed to the billing rate in option 2. Gile liked the option for the City to lower their share to try and make it even with last year's revenues. Councilmember Kampling thought that we

should urge people to contact their representatives for something to be done. Albers and Ewy thought the citizens should continue to be informed about the situation. Mayor Mize expressed concern that some people may leave the City if they received a huge bill. Gile asked if a letter could be included in the utility bills.

Mayor Mize asked Young’s opinion on the billing rate. Young felt good with Option 2, but was still concerned about the long-term situation of the City and fronting a bill for \$1.5 million. She agreed that the consumers should not have to pay the high rates, but thought citizens had a lot of anxiety about their upcoming bills and they should understand that next month’s bill could also be high.

Councilmember Albers agreed that the City wasn’t out of the wood yet, but billing at a lower rate could buy more time. Kampling thought that the cities should get together and file a conjunction with the Consumer Protection Agency. Ewy mentioned that if he didn’t think the government would step in and help, then the City should bill Option 3, but was hopeful by next month to have additional information. Mayor Mize added that the city could adjust next month’s billing if more information is found out. Mayor Mize told Council they needed to decide if Option 2 was to be used for billing and that the City could still have a big debt that he wasn’t sure how to fix, but didn’t see a way to pass it on to the consumers at this point.

Councilmember Albers made a motion to approve Billing Rate Option 2 of \$6.12 with a upcharge from \$2.40 to \$1.65, making the billing rate at \$7.77, Seconded by Councilmember Kampling.

Voting Yea: Councilmember Kampling, Councilmember Albers, Councilmember Gile, Councilmember Graf, Councilmember Williams

Councilmember Albers commended Young on her work. Mayor Mize suggested that we reach out to the other cities.

**ADJOURN**

Motion to adjourn at 4:29 pm.

Motion made by Councilmember Kampling, Seconded by Councilmember Williams.

Voting Yea: Councilmember Kampling, Councilmember Albers, Councilmember Gile, Councilmember Graf, Councilmember Williams



Philip Mize, Mayor

Attest:

Danielle Young, City Clerk