STATE OF ALABAMA)(
	:
COUNTY OF BALDWIN)(

The City Council met in a Work Session at 4:30 p.m., Fairhope Municipal Complex Council Chamber, 161 North Section Street, Fairhope, Alabama 36532, on Monday, 10 February 2020.

Present were Council President Jack Burrell, Councilmembers: Jay Robinson, Jimmy Conyers (arrived at 4:34 p.m.), Robert Brown, and Kevin Boone, Mayor Karin Wilson, City Attorney Marcus E. McDowell, and City Clerk Lisa A. Hanks.

Council President Burrell called the meeting to order at 4:33 p.m.

The following topics were discussed:

- Electric Superintendent Michael Allison and Jim Marshall from Jackson Thornton addressed the City Council and presented the attached presentation, "City of Fairhope Electric, Gas, Water & Wastewater Cost of Service Studies 12 Month Ending September 2018." Council President Burrell questioned Other Revenues. Mr. Marshall stated that sewer needs multi year reducing usage over a two-year period. He commented the more they use; the more you lose. Mr. Marshall suggested water to have a revenue neutral rate adjustment to be consistent with the other utilities. Mr. Allison commented after a year we can either redo study or implement next step. Mr. Marshall said you are getting 68 cents on one dollar for service. Council President Burrell stated we could make whole 100 percent over four years or up to 80 percent over two years. Mr. Allison said he would run both for their review. Council President Burrell requested the information be sent to City Clerk Lisa Hanks and she would get information to us.
- Councilmember Conyers said the Historic Preservation Committee will meet in February to review the draft ordinance; and then will present to the City Council.
- Councilmember Robinson stated there was a presentation at the last Recreation Board
 on the four fields on Volanta. He commented the Tree Committee has had a vacancy
 over a year; and wants the City Council to suspend the rules to allow a Silverhill
 resident to serve. Councilmember Robinson said this applicant is well qualified to be
 on the Tree Committee; and more knowledge is good for the Committee.
 - Councilmember Conyers said we looked into consolidating committees into one when Sherry-Lea Botop was here; ones that would work together.
- Council President Burrell gave a brief update on the Fairhope Airport Authority regarding the Women's Air Race Classic. He said that the City would be the starting point for this race in 2024 with 120 teams and their support personnel. Council President Burrell said the Industrial Development Board met and recommended to preserve the MI property and not rezone parcels.
- Recreation Director Pat White addressed the City Council and announced that the first Fairhope Storm game is scheduled for February 29, 2020 at 6:00 p.m.

- Gas Superintendent Terry Holman addressed the City Council and thanked everyone who visited the Gas exhibit / table during the State of the City.
- Electric Superintendent Michael Allison addressed the City Council regarding Renewable Energy; being an agent for the AMEA; and the need to approve the AMEA rider to provide renewable energy.
- Planning and Zoning Manager Hunter Simmons addressed the City Council
 regarding building height questions; and nothing being in the Zoning Ordinance for
 specifics. He said we need to be clear on what we are doing. Councilmember
 Conyers said that his interpretation is nothing over 40' in the CBD; and mixed used is
 nothing over 35'. Councilmember Robinson said we need the least amount of
 interpretations for whomever enforces this; and it need to be simple and consistent.

Building Official Erik Cortinas commented that pitched roofs gain height. He said the City uses the 2-10 Rule regarding chimneys; roof top terraces require handrails and fire safety stairs. Council President Burrell asked Mr. Simmons to put it in writing his opinions of what these building heights mean. Mr. Cortinas commented another issue measuring from the natural grade and not the base flood elevation from FEMA.

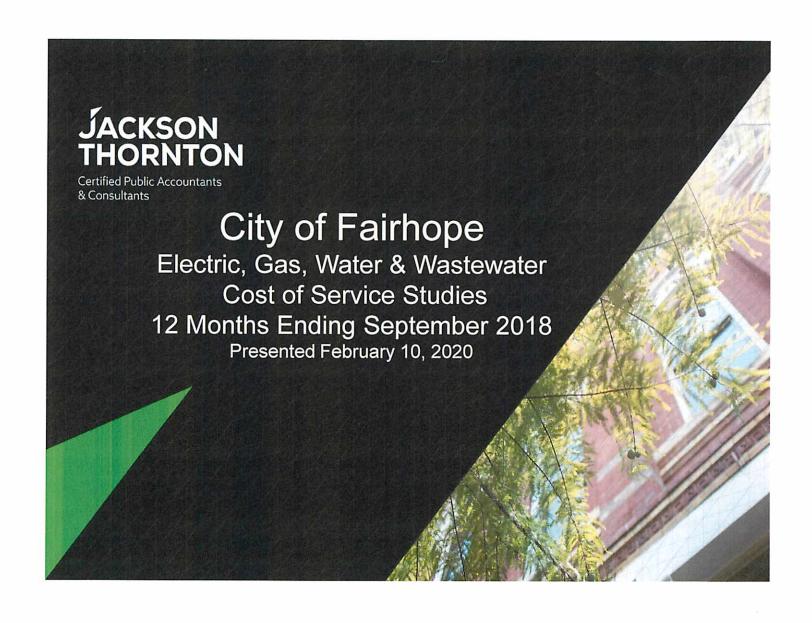
- Public Works Director Richard Johnson addressed the City Council regarding the following items:
 - 1) Safety Coordinator Michael Johnson began today; will be the liaison to the Personnel Board; and will work to prepare Safety Policy.
 - 2) Mardi Gras begins this weekend in Fairhope
 - 3) Sanitation being looked holistically with Baldwin County, Daphne, Foley, and Fairhope with the County possibly building a County Recycling Facility. All of us pay ECUA; and if we are to pay someone, pay ourselves. County will look at an ADEM Grant to help facilitate this facility. He said a draft resolution will be sent to the City Clerk for the next agenda.
 - 4) Crosswalks are in and he explained the LED lighting; and these will only be seen by oncoming traffic. We can replicate this inhouse when needed.

There being no further business to come before the City Council, the meeting was duly adjourned at 5:39 p.m.

Jack Burrell Council President

Lisa A. Hanks, MMC

City Clerk



Typical Objectives of Rate Study

- 1. Revenue Stability and Sufficiency
- 2. Fairness and Equity
 - Fair is related to cross subsidies
 - Equity is related to Price=Cost
- 3. Ability to Pay
- 4. Simplicity (Admin & Cust Understanding)
- 5. Defensible

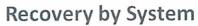
Overview of Process

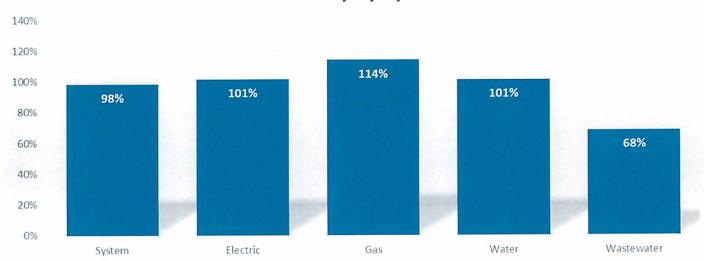
- 1. Determine Revenue Requirements
 - How much does the system need to operate?
- 2. Develop Revenue Requirements by Rate Class
 - How much does the system need to recover by rate class?
- 3. Develop COS Rates and Design Acceptable Rates
 - How does the system best recover the needed revenues?
- 4. Implement Rate Changes

Cash Method – All Systems Revenue Requirement

TOTAL REV. REQ.	System		Electric PF		Gas	Water	W	'astewater
Operations & Maintenance	\$	12,632,438	\$ 3,698,786	\$	2,725,640	\$ 2,899,088	\$	3,308,924
Plus: Power Cost/Purchased Gas	\$	14,552,972	\$ 12,631,562	\$	1,921,410			
Plus: Transfers	\$	3,181,000	\$ 979,000	\$	702,000	\$ 1,500,000		
Plus: Debt Service	\$	1,280,800	\$ 92,458	\$	47,448	\$ 228,179	\$	912,715
Plus: Rate Funded Capital Imp.	\$	7,567,000	\$ 2,608,406	\$	1,344,455	\$ 1,656,226	\$	1,957,912
Total Revenue Requirement	\$	39,214,210	\$ 20,010,212	\$	6,740,953	\$ 6,283,493	\$	6,179,551
Less: Other Revenue	\$	652,948	\$ 345,643	\$	31,833	\$ 257,898	\$	17,574
Rate Requirement	\$	38,561,262	\$ 19,664,569	\$	6,709,120	\$ 6,025,595	\$	6,161,978
· 集、有一类性,是扩展的一种一类。		System	Electric PF	ly if	Gas	Water	W	'astewater
Total Current Revenue	\$	38,565,245	\$ 20,309,183	\$	7,687,466	\$ 6,358,263	\$	4,210,334
Current Recover (\$)	\$	(648,965)	\$ 298,970	\$	946,513	\$ 74,769	\$	(1,969,217)
Current Recovery (%)		98%	101%		114%	101%		68%

Cash Method – All Systems Revenue Requirement





Sewer Recommendations

- The Sewer System has a \$2,000,0000 shortfall.
- Due to the potential for economic dislocation, we do not suggest that the gap be closed in the immediate future.
- We suggest that the City consider eliminating the usage included in the customer charge over a two year period.
 - Year 1 Reduce usage included from 2,000 gallons to 1,000 gallons.
 - Year 2 Reduce usage included from 1,000 gallons to zero.
 - Based on 2018 Billing Statistics, this would generate approximately \$820,000 in additional annual revenue.

Sewer - Inside City Rate Curve - Full Implementation

	ost of ervice	Cun	rent Rate	Pro	oposed Rate	Difference	
Customer Charge (includes 2,000 Gals)	\$ 14.76	\$	14.32	\$	14.32	\$ -	No Usage Included
Usage >2,000 Gallons	\$ 6.13	\$	4.24	\$	4.24	\$ 	

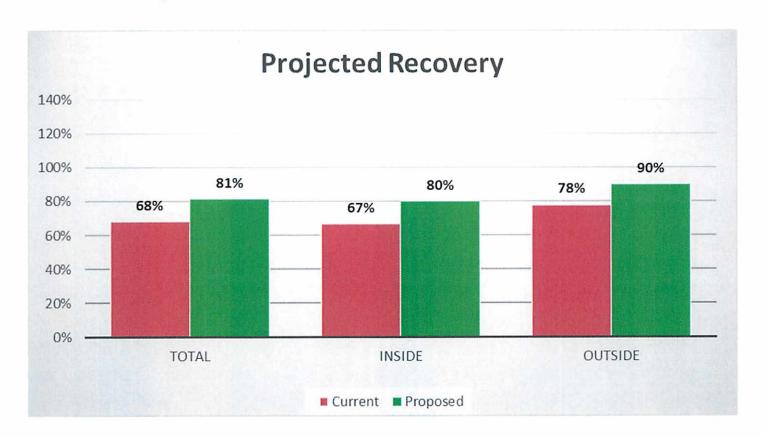
INSIDE COST CURVE



Sewer - Inside City Rate Impact - Full Implementation

Usage		С	OS Rates	es Current Rates		Proposed Rates			Monthly Change		Daily Change	Cı	urrent \$/kGal	Proposed \$/kGal		
	1	\$	20.89	\$	14.32	\$	18.56	\$	4.24	\$	0.14	\$	14.32	\$	18.56	
	2	\$	27.02	\$	14.32	\$	22.80	\$	8.48	\$	0.28	\$	7.16	\$	11.40	
	3	\$	33.15	\$	18.56	\$	27.04	\$	8.48	\$	0.28	\$	6.19	\$	9.01	
	4	\$	39.28	\$	22.80	\$	31.28	\$	8.48	\$	0.28	\$	5.70	\$	7.82	
	5	\$	45.41	\$	27.04	\$	35.52	\$	8.48	\$	0.28	\$	5.41	\$	7.10	
	7	\$	57.67	\$	35.52	\$	44.00	\$	8.48	\$	0.28	\$	5.07	\$	6.29	
	10	\$	76.06	\$	48.24	\$	56.72	\$	8.48	\$	0.28	\$	4.82	\$	5.67	
	12	\$	88.32	\$	56.72	\$	65.20	\$	8.48	\$	0.28	\$	4.73	\$	5.43	
	15	\$	106.71	\$	69.44	\$	77.92	\$	8.48	\$	0.28	\$	4.63	\$	5.19	
	20	\$	137.36	\$	90.64	\$	99.12	\$	8.48	\$	0.28	\$	4.53	\$	4.96	
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Sewer - Projected Recovery - Full Implementation



Water – Revenue Neutral Rate Adjustments

- The Water System is adequately meeting its revenue requirement, so additional revenue is not needed at this time.
- To maintain a similar rate methodology across all four utility systems, consider eliminating the usage included in the customer charge.
- In order for this adjustment to be revenue neutral, the volumetric rate would need to be reduced approximately \$0.35/kGal with each decrease in allowance.