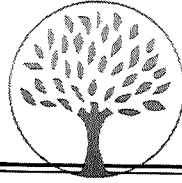


CITY OF OSAWATOMIE

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L. Mark Govea, Mayor

To: House Financial Institutions and Rural Development
From: Mike Scanlon, City Manager
Date: March 2, 2021
RE: Testimony in Support of City Utility Low-Interest Program

As the Midwest dug itself out of the extreme winter weather in mid-February, a new but related challenge presented itself. Power partners and providers across the Midwest were seeing hyper-inflated pricing due to the out of balance open markets, and municipalities across the region were scrambling to pay weekly energy bills that are more than 10x higher than their previous monthly averages. The City of Osawatomie, in Miami County, has not been immune to the exorbitant rate levels on the energy open markets. Our WEEKLY bill from KMEA for charges accrued during this record-breaking weather was estimated to be nearly \$1,000,000. In comparison, our average MONTHLY total comes out to between \$90,000 - \$110,000.

One million dollars. For a single week! We are a rural community of just 4,300, and most of our residents are firmly in the low-to-moderate income range. A significant percentage of our population is older and aging adults on fixed incomes. How were we going to pass on this unexpected and unavoidable seven-figure bill to our consumers? It's not like we could have made better or different decisions during the extreme weather. We can't just disconnect the City from the electric grid for three days of the most bitter winter weather of a generation to avoid the outrageous open market rates – that's how people end up dead in their homes. And we all know that the majority of working-class Kansans are still struggling financially from the COVID-19 pandemic. So how can we ask our residents to prepare for utility bills that are several hundred dollars higher than a regular winter bill? This cold snap and the energy repercussions associated with it has the ability to bankrupt our average household.

We're worried about our local school district, who is 14% of our utility customer base, and how they're going to be able to pay a bill 10x higher than normal in a year where they've already seen restricted budgets and extraneous expenses to keep our kids and educators safe during a pandemic.

We're worried especially about our small businesses who haven't had a chance to take a breath for 11 months. They've had their opportunity for profit and success flatlined by a pandemic and now they're supposed to find the money for outrageous utilities or risk being shut off and continuing to circle the drain. That's a death sentence.

Losing our small businesses on the cusp of being able to enjoy them freely again? Creating a financial hardship for our school district just as the kids are getting ready to go back to class and prepare for a fairly normal 2021/2022 academic year? These are the options we have?

Which leads us to the overarching question in all of this: how is the City supposed to pay this bill upfront without flushing our operating funds or bankrupting itself? How is a municipality of 4,300 LMI residents supposed to have enough in reserves to pay an unexpected million-dollar bill within just 12 business hours? We received our bill on Friday, February 26th at noon. It was due by end of day on Monday, March 1st and there's another one coming on Friday. What do we do?

Fortunately (and we use that term loosely) for Osawatomie, some rates have been reevaluated and our pool credit applied to the open market charge and our first weekly bill from KMEA was \$195,531.00. We expect next Friday's bill to be similarly high, as the rates didn't immediately drop back to regular levels. In order to pay these much higher bills on time and avoid further consequences, we've worked with our local financial partner, First Option Bank, to issue no-funds utility warrants equivalent to \$400,000 that we expect will cover the payments for this week and next. We sought this short-term financing in an effort to preserve our existing fund balances and protect our assets moving forward should another emergency present itself. This severe weather might have been the first in a generation, but we doubt it will be the last or the only. With climate action becoming an active feature in most every strategic plan across the nation, it's clear that these "once in a generation" or "100-year" events are shortening their sleep cycles.

There needs to be something in place at the State level to assist municipalities facing financial emergency. The City Utility Low-Interest Program will provide much needed relief.