

**CONFIDENTIAL**

Date: October 28, 2019

To: Mayor Jeffrey W. Hall, City of Alexandria

From: John Kyte, Kyte Consulting, LLC  
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Re: City of Alexandria Utilities Assessment and Planning

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**Overview**

The City of Alexandria, population approximately 50,000, owns and operates a Utilities System which consists of an electric power generation and distribution system, a water works plant and distribution system, a natural gas distribution system, and a wastewater collection system and treatment plant, all owned and operated by the city. These utilities provide electric, gas, water and wastewater service to customers located within, and adjacent to, the City of Alexandria and are operated as a single revenue producing utility.

The City's electric system is powered by a combination of wholly-owned generating assets and contracts for secure power purchases with the Louisiana Energy and Power Authority (LEPA) and Central Louisiana Electric Company (CLECO). The electric system has a capacity of approximately 235 - 265 MW, and serves approximately 50,000 customers. The electric system has approximately 350 employees for whom the city provides wages, insurance and a pension package.

Financially, the Utilities System carries approximately \$130 million in debt at an interest rate of three percent (3%) and electric demand growth is low (under one percent annually in 2017). At the same time the city is heavily dependent on system revenue generation to provide a major portion of its budget. In addition, the growth of renewable electricity generating sources that produce power at competitive prices threatens the long-term value of city-owned generating assets.

Concerns exist that the current situation may not be sustainable, nor in the city's best interests, for the long-term. The City of Alexandria is considering conducting a thorough assessment and valuation of the city's utility assets and options for changes to the current system. Options might include leasing the city's electric system assets to an operator, franchising the operations, or an outright sale of assets. Any action ultimately would, ideally, provide debt relief and guarantee an adequate electricity supply for the long-term. Added benefits might include some level of revenue generation and an upgraded electric delivery system for the city. In addition, federal or state funding might be available to help with asset disposition or sale. For its own protection, the city needs to understand these options and the potential long-term consequences of simply maintaining the status quo.

**Plan outline**

Undertaking this task will require: a thorough third-party assessment and valuation of the city's utility assets and options for changing the current system; reviews and approvals by the City Council at various stages in the process; and, a sustained public education, media relations and government relations program to develop public understanding and acceptance. This memo primarily focuses on the third element – the public education program.

Change of any kind inevitably involves human emotion and reaction, and this is especially so when that change is driven by government action, involves taxpayer monies, and affects delivery of vital services, such as electricity, gas and water.

Recognizing this, we recommend development and execution of a three-pronged communications strategy designed to: 1) raise initial awareness of the issues and concerns among key constituencies and community influencers before the issue becomes widely known; 2) position the process for addressing the issue as open, transparent and in the best interests of the City; and, 3) build strategic support for the assessment process and recommendations among community, political and third-party leaders, ultimately leading to adoption of a remedy that provides debt relief, guarantees a secure electricity supply and, if possible, generates long-term revenue for the city. Important in this third component will be addressing the potential for job losses in the Utilities System.

This communications program would include message development, traditional and social media components, media training for key personnel, ally and expert recruitment, and public forum management, and may include research.

The program should be designed to develop key messages and materials promptly so city officials are prepared to address short-term issues that may arise, while also creating the foundation for a longer-term, sustained and consistent communications program to develop public support for ultimate adoption of a recommended solution. Specific recommended program elements include:

1. Legal and Regulatory Approvals Process:
  - Develop a step-by-step roadmap of key legal and regulatory processes, and each required approval
  - Anticipate and address potential problem points (e.g., legal hurdles, potential legal challenges, public meetings, etc.)
  
2. Audience Identification:
  - Who will make legal, regulatory or political decisions that will determine or affect whether the program moves forward?
  - Who are the key public audiences whose support for the program is most important?
  - Whose opposition to the program could be most detrimental?
  - What are the known or anticipated positions of City Council members?
  - Who are potential third-party allies and community "influentials" that can be recruited?
  - What third-party experts are available to lend support?
  
3. Message Development:
  - Research options:
    - Review any existing research
    - Consider additional public opinion research to establish benchmark, test resonance of initial draft messages
    - Message testing (focus groups, on-line)
    - On-going research to fine-tune, based on feedback
  - Message Development – finalize three key messages, with proof points
  - Develop audience/message matrix

4. Public Hearings:
  - What is required? Who controls format and proceedings?
  - Should voluntary forums be considered for transparency, accountability?
  - Strategic approach – traditional or “science fair”?
  
5. Media Relations:
  - Media Training for key personnel, potential spokespeople
  - Editorial Board meetings
  - Desk-side briefings, as necessary (may include third-party experts)
  - Editorial and op-ed placement
  - Third-party expert opinions and letters to the editor (LTEs)
  - Media monitoring
  - Paid media (if necessary to deliver unfiltered information)
  
6. Materials Development:
  - Building from research and key messages, develop:
    - Basic presentation
    - Talking Points
    - Fact Sheets
    - Op-eds
    - Q&A (internal use)
    - FAQs (external use)
  
7. Miscellaneous
  - Identify City of Alexandria staff resources

By developing a comprehensive plan, and familiarizing key individuals with it, we provide city officials the tools to ensure consistent delivery of key messages, to manage issues and potential confrontations, to minimize risks and to maximize the opportunity to have the community embrace the recommended solution.

### **Terms of Engagement**

Based on our current understanding of the City of Alexandria’s needs at this time, and acknowledging that this program would be somewhat front-loaded, we propose an initial monthly retainer of \$7,500 for professional fees, subject to further discussion and agreement. This retainer can be revisited after three months to evaluate fairness to both parties, and again at six months. It is understood that the actual level of work may vary month-to-month based on the specific services needed, and that the level of activity will be driven, in part, by various political and legal developments.

While we do not anticipate significant expenses, out-of-pocket expenses such as printing, photography, approved travel and related expenses, and third-party vendor invoices will be billed in addition to the professional fees noted above.

We are available to meet with you or other city officials individually or collectively, as necessary. We look forward to further discussion regarding this important initiative.