

**SANTA CLARA CITY COUNCIL SPECIAL WORK MEETING
WEDNESDAY, APRIL 29, 2015
MINUTES**

THE CITY COUNCIL FOR THE CITY OF SANTA CLARA, WASHINGTON COUNTY, UTAH, met for a Special Meeting on Wednesday, April 29, 2015, at 5:00 p.m. in the City Council Chambers of the Town Hall at 2603 Santa Clara Drive, Santa Clara, Utah.

Notice of the time, place and agenda of the meeting was provided to the Spectrum and to each member of the governing body by emailing a copy of the Notice and Agenda to the Spectrum and also, along with any packet information, to the mayor and each council member, at least two days before the meeting.

Present: Mayor Rick Rosenberg
Council Members: Herb Basso; Ken Sizemore; Jerry Amundsen
City Manager: Edward Dickie
City Staff: Lisa Bundy

Others Present: Brock Jacobsen, Admin Director; Brad Hays, Parks Director; Jack Taylor, Public Works Director; Corey Bundy, Building & Zoning Official;

1. **Call to Order**: Mayor Rosenberg called the meeting to order at 5:03 p.m.

2. **Working Agenda**:

A. General Business:

1. Storm Water Master Plan Discussion. Presented by Russ Funk, Sunrise Engineering.

- Russ Funk started his presentation by stating this project originally started back in 2013. It was put on hold while the Washington County Flood Control Authority finalized their standards. He gave an overview of the study. The process starts with the User Analysis, which includes the projected growth rate, planning period and the Equivalent Residential Units (ERU's). Next, we determine an Impact Fee Facilities Plan. This includes hydrologic and hydraulic modeling (evaluating the actual pipelines and channels to make sure they have the capacity to carry the storm water runoff), existing and future demands, and the recommendations to meet those demands. Lastly, we are able to put together the Impact Fee Analysis, which includes the total project costs, the impact fee eligible costs and the proposed Impact Fee.

Santa Clara's growth rate has slowed down from the year 2000. There has been limited growth south of Santa Clara River. However the housing market is starting to recover. They project a growth rate of 2.6% through 2016 with a 5% build-out growth rate. They estimated our population for 2013 to be at 6,483 with a build-out population totaling 18,240.

- Ken Sizemore asked if Sunrise used the same population calculations for the Transportation Plan as they are using for the Storm Water Plan.

- Marv Wilson with Sunrise Engineering commented the Master Transportation Plan

deviated from this model because they tried to closely match the MPO projections as close as possible. Marv stated the population build-out ended up the same for both plans.

- Russ continued his presentation stating they took sample areas throughout the City in all different zones and counted the number of lots/homes in those areas. Using the 2010 census, they were able to determine the number of people per household per acre, and then figured the estimated build-out population to the City boundary. In the undeveloped Mixed-Use Zone in the heights, they figured 75% of the land area, realizing there may be commercial or other zone types in the future.

Santa Clara has 2,047 existing ERU's. The estimated build-out number is 5,472, which is an additional 3,425 ERU's added to the system.

The Hydrologic and Hydraulic modeling was determined with existing GIS Data as well as supplemental field investigations to survey the known problem areas and the rest of the City. They also reviewed previous Storm Water Master Plans from 1997, 2001, and 2004. The Hydrologic Modeling uses HEC-1, SCS curve numbers, sub-basin delineation, rainfall data, design storms, soil type and land use. They did some onsite testing in the problem areas, requested by Jack, to make sure the problem areas had the details necessary to give accurate data. The results showed the system is generally functioning properly. There were a couple culverts that were a little shy of the 100-year runoff projects. If the improvements were within 10% of the calculated required capacity, they were considered adequate.

Based on the entire study, they have come up with a list of improvements. Some of the recommended improvements have been completed such as the Santa Clara Drive Drainage Improvements and the Canyon View & Scenic Dr. Storm Drain. Some of the new recommendations are: replace the existing concrete irrigation ditch between Santa Clara View Drive and Heights Drive; direct flow to existing storm drain system on Arrowhead Trail; replace flood irrigation ditch on Vineyard and correct low point; install storm water facilities at City Hall; install 30" HDPE line on the east side of Highway 91 around the bend to Santa Clara River; install an 18" line from master planned intersection near North Town Road to Lava Flow; correct flooding problems from 400 East & North Town intersection; maintain 100-year flood channel in Lava Flow Wash; maintain 100-year flood channel in the South Hills and build detention basin to detain flow to Santa Clara River; meet anticipated BMP Water Quality regulations and improvements; plan for engineering studies and mapping. The overall cost of these improvements is \$4.65 million. However, 52% of the projects are impact fee eligible, bringing the total to \$2.45 million. Sunrise then estimated the total impact fees by using the estimated total and dividing it by the estimated future ERU's to get a total Impact Fee for Residential of \$517 per ERU and Commercial at \$864 per ERU – a decrease from the current \$1,088.76 per ERU.

- Herb Basso asked how soon the new regulations would be required.
- Russ commented there are already regulations in place to treat storm water runoff but it is in the City's best interest to plan now for the future.
- Mayor, Marv and Council discussed the storm water quality in the river and the regulations required. Santa Clara City is doing well but need to plan for the future.
- Mayor commented there were a couple of areas on the map Russ presented that need to be updated and discussed with Jack if the Highway 91 Project would needed to be shown.
- Jack commented we would be cleaning the retention basin out and building up the walls.
- Russ commented maintaining the basin wouldn't be impact fee eligible but in O&M.

- Ed Dickie asked if there would be something done on the wash on the Beasley property behind Harmon's.
- Jack commented they found the easement from Shan Gubler and will run a 30" pipe over to the wash.
- Mayor, Jack and Russ commented the City would be responsible for storm drain maintenance of the area. Currently there are no master-planned improvements, but storm drains will still need to be designed and implemented.
- Russ commented the next phase is the Public Hearing on May 13th, 2015. The Study will be available at the Public Hearing.
- Mayor commented he talked to SUHBA
- Ken Sizemore asked Jack what the plan is for maintaining the existing system and connecting them to the new systems.
- Jack commented a lot of our infrastructure is new along Santa Clara Drive; we maintain and clean all the drains every year. The City collects \$13 per month for Storm Water Bonds. Once the bonds are paid, the City may elect to keep some of the fees to fund maintenance and replacement costs. Once the concrete ditch and Highway 91 get addressed, we won't have any replacement needs in the near future.
- Mayor thanked Sunrise Engineering for their time.

2. Power Rates Presentation and Discussion. Presented by Jack Taylor, Public Works Director.

- Jack Taylor introduced Mark with Utility Financial Solutions. They have been working on our Cost of Service and Electric Unbundling Study.
 - Mark started his presentation by introducing himself and his company. He is president of Utility Financial Solutions. They work in 42 states and have done over 500 Electric Cost of Service Survey's. They also teach training courses for board members and City Council members.
- Mark continued the presentation by stating they started working on this project last year. He discussed the results of the five-year financial projection. The goal is to review the results, discuss Council's recommendations for moving forward and come up with a Cost of Service rate structure. He presented an example of a five-year projection with no rate increases and a target debt coverage ratio of 1.45%. When bonds are issued, they're required to meet an ordinance for debt coverage per bond. The City has to meet 1.25% debt coverage ratio. The City must generate 25% more in cash through operations, than what the debt service payment is. In the five-year example shown, for 2016, with no rate increases, the debt ratio is .85%, which would mean we would be failing coverage. The coverage would get worse each year. The next item to address is the minimum cash reserve; Santa Clara would need to maintain about \$2.8 million in cash reserves. The last item to address is the target operating income. Most utilities are moving toward using a Utility Basis. Rather than funding debt service and capital improvements as they occur, we replace that and fund depreciation expense and a rate of return. The rate of return is not a way to make money, but rather a break-even rate of return. It funds the infrastructure replacement.
- Mark discussed their recommend rate track. For 2016 and 2017, they are looking at a 6.5% increase each year; then 4.2% for following years. By 2020, the City would be at their operating target. He suggested approving the rate increases for the next three years at one meeting instead of approving each rate each year. This scenario was the minimum

he would recommend. For 2016, the estimated target break-even rate of return is 3.4%. Investors who make investments on utility's rate of return is around 10-10.5% after taxes. Mark discussed Cost of Service results with Council. The overall recommend rate increase is 13.6% due to the following factors: residential requires a 6% increase, small commercial 2%, large commercial showed a decrease of -9% and -6%. The City streetlights are paid for by the City, however, the cost is \$356,000. If that cost were converted, it would be \$13.50 per month per customer to cover the costs incurred. The study suggested the base rate to be \$13.50 per month; the current rate is \$17.50. The reason the rate is higher is because the cost of the discounted first 500 kilowatt-hours is being rolled into the base rate.

Mark showed Council presentation slides for average residential homes and options for those who use may use solar. Currently, if a customer installs a 5kw rooftop solar unit, the customer would be charged approximately \$55 per month but the cost of providing service to the same customer is \$82. One solution to this problem being used in the industry is a residential demand charge.

- Mayor Rosenberg asked how a residential demand charge is determined.

- Mark commented with AMI, the utility could bill customers based on peak demand.

Mark continued with the presentation discussing Santa Clara's inclining rate structure and options presented in the study. He recommends changing the small, medium and large commercial. Inclining rate structures are rare for commercial, he recommends flattening out the rates in the near future and combining the tiers. He recommends a single-digit increase each year versus double-digit increases every other year. To meet the 1.45% debt coverage, he recommends a 7.2% increase in rates.

Mark asked Council if they would be comfortable with the 6.5% increase in rates for the next two years, then the 4.2% for the following three years. Mark is seeking direction from Council to design a rate structure they are comfortable with. He would like to present a three-year structure to be approved all at once.

- Ken Sizemore commented he is uncomfortable giving direction without all Council members present.

- Mark commented the need for rate increases will not go away. Each year the need will increase and the decisions will get harder to make.

- Herb Basso asked if the base rate is not covering the fair-share of costs.

- Mark commented it is difficult to make that assumption because of all factors involved; the inclining rate structure, the street light costs not being charged to customers, etc. He would not recommend decreasing the customer charge, he recommends increasing the rate.

- Herb commented if we are not covering costs at \$17.50, then we need to increase the base rate to at least cover those costs so other customers are not subsidizing it. The tier was to encourage conservation, not penalized those with larger homes.

- Mayor asked what the rate would increase to if there were an additional \$1 or \$2 added to the base rate.

- Mark showed a slide with new rates to council that showed a 6.83% increase. It increased the base rate from \$17.50 to \$18.50. The slide showed the impact on each residential class. The average customer usage is 1275 kWh; those customers would see an increase of \$8.48 per month. Mark discussed different increase options with Mayor and Council.

- Ken Sizemore asked how many large customers we have.

- Mark commented there are very few schools and churches.

- Herb asked how many medium commercial customers we have.
- Mark commented we have 7 medium commercial users. Those customers are between 10 and 50 kW per month.
- Ken asked when the last rate increase was.
- Jack commented he will research and find out but he believes it was in 2010. He stated had we increased rates by 1% every year we would be in good shape. Santa Clara's rates haven't increased for the last 5 years. It was difficult to predict transmission rates and costs.
- Council discussed how to better maintain the power rates for the future to prevent large rate increases in the future. There are many utility services looking at rate increases because of the cost of energy.
- Jack commented they would work with neighboring cities to educate the people on why the rates are increasing and the need for it.
- Mayor and Council gave Mark direction to come up with a three-year rate track and possibly take away the tier structure on commercial, the base rate increase, solar and the need to address rates every three years.
- Jack commented he is working with UAMPS to come up with an agreement on Solar that will benefit the City as well as the customer, possibly using a wholesale rate.
- Mayor commented this would be back on the agenda in 6 months.

6:40 p.m. Mayor Rosenberg left the meeting.

6.40 p.m. Brock Jacobsen left the meeting.

3. Kent Frei Land Trade. Presented by Corey Bundy, Building & Zoning Director.

- Corey Bundy presented the maps for the land trade agreement with Kent Frei. The first map showed the current land ownership, the second map showed the proposed traded land and the third map showed the final ownership after the trade. The trade is to clean up the property lines near the barn road, in exchange for land Kent owns on the hillside. The City Attorney believes this can be done with a boundary line agreement. Kent Frei would be responsible for the costs involved. There would be a public hearing as well.
- Ed commented there is no benefit in the City keeping the land; most of the property owners are already using it. The City would gain property on the hillside in the exchange, which is surrounded by City-owned property already. It would be a benefit to all involved to make the boundary line adjustments.
- Herb Basso asked if there was financial loss.
- Ed commented the City Attorney didn't think we needed an appraisal. The City would go through the proper channels for the exchange, including a public hearing and notice to all residents within 300 feet.
- Council members all agreed the exchange was in the best interest of all parties involved.

4. Update on FY2015-16 Tentative Budget. Presented by Edward Dickie, City Manager.

- Ed Dickie commented there was a small change to the AP Wireless Agreement. They received a check from the Huntsman's Games for \$1000. With both changes, it increases approximately \$25,000 back into the fund. They will adopt the final budget on May 27th.
- Ken Sizemore commented he wouldn't be in attendance to the meeting but has no concerns with the budget at this time.

8. Adjournment:

Meeting Adjourned at 6:54 p.m.

Chris Shelley – City Recorder

Date Approved: _____