

**SANTA CLARA CITY COUNCIL SPECIAL MEETING
WEDNESDAY, FEBRUARY 7, 2018
MINUTES**

THE CITY COUNCIL FOR THE CITY OF SANTA CLARA, WASHINGTON COUNTY, UTAH, met for a Special Meeting on Wednesday, February 7, 2018, 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 Pro Tem Mary Jo (Tode) Hafen
Council Members: Herb Basso, Jarett Waite, Mary Jo (Tode) Hafen, Ben Shakespeare and Wendell Gubler
City Manager: Edward Dickie
City Recorder: Chris Shelley

Others Present: Brock Jacobsen, Assistant City Manager; Jack Taylor, Public Works Director; Brad Hayes, Parks & Trails Director; Dan Nelson, Fire Chief; Bob Flowers, Police Chief; Mason Baker, UAMPS; Cindy Frei

1. **Call to Order:** Mayor Pro-Tem, Tode Hafen called the meeting to order at 5:01 p.m.

2. **Opening Ceremony:**

- Pledge of Allegiance: Wendell Gubler
- Opening Comments: Wendell Gubler

- Mayor Rosenberg was excused from the meeting.

3. **Working Agenda:**

A. General Business:

2. Fire & Police Departments Update. Presented by Bob Flowers, Police Chief & Dan Nelson, Fire Chief.

- Chief Flowers talked about how the police are getting more speeding complaints. He also said that DUI's are up. He talked about the new recruit, Jessica and that she is at training right now. He will bring her to meet the Council at another meeting. He said that other municipalities have been interested in hiring her also. He also talked about the homicide that occurred in Santa Clara. He said that the defendant in that case has pleaded guilty today. He mentioned about the animal shelter and that things are going well there. He said there has been a change in personnel there and he will report on that at another meeting.

- Herb Basso asked if there has been an increase in burglaries recently.
- Chief Flowers said there have been.
- Chief Nelson said they have hired 23 volunteer firefighters, 27 part-time firefighters and 2 full-time firefighters. He said they are expanding the Rachel Drive Fire Station and they are headquartering at the Ivins Fire Station until the expansion is done. He said that the Wildland Academy is just finishing up. He mentioned that they are hiring separate employees for Wildlands so that the City is not left without firefighters while the wildland crew is out. They are looking at staffing needs and will need to hire 2 more employees, which will be part of the new budget in the new fiscal year. He said that medical is looking at purchasing a new ambulance due to an increase in calls. They will also need to purchase new or refurbished medical monitors by FY 21/22. He also said that the quick response rescue vehicle is 12 years old with 100,000 miles on it and is having mechanical problems. It will need to be replaced by FY 18/19.
- Herb Basso asked if the ambulance pays for itself.
- Chief Nelson said not quite but it is getting close. He said that training is better and quality has improved since the merger. He said they are looking for funding for the ladder truck. It will cost about \$1 million. There are different ways to fund the truck. He also talked about an engine they have that is 22 years old and nearing the end of its service cycle. Also, Engine 33, the wildlands engine has 110,000 miles on it and needs to be refurbished within FY 20/21. The estimate on the refurbish is \$150,000.
- Herb Basso asked if the City was making any money or breaking even with the ambulance.
- Ed Dickie, City Manager, stated that the City probably won't ever break even. Council will monitor it. He said that Staff will keep their eye on it too and if it doesn't do well the ambulance can be sold to Gold Cross.
- Ben Shakespeare asked who covered the gaps between shifts.
- Chief Nelson said that Staff did.
- Herb Basso commented that our Staff is well trained.
- Mayor Pro-Tem Hafen asked Chief Nelson to pass along to the crews that Council appreciates them and that they do a good job.
- Brock Jacobsen, Assistant City Manager, reminded City Council about Obama Care and that because of that Wildlands can only work so many hours and months or the City has to pay them benefits.
- Ed Dickie reminded City Council that partnering with Ivins causes Ivins to pay 55% of the costs and Santa Clara City pays 45%.

3. Legislative Update. Presented by Tode Hafen, Council Member.

- Mayor Pro Tem Hafen said she is working with Lowery Snow. She has nothing to report yet. She said it is an interesting process. She is going up to Salt Lake City for a meeting and will have more to report after the meeting.

4. Quarterly Financials. Presented by Brock Jacobsen, Assistant City Manager.

- Brock Jacobsen talked about how Medicare and Medicaid take the portions right off the top. He talked about the financials for the period ending Dec. 31, 2017. The expenditures were 50.3% and revenues earned 62%. (See attached.) He mentioned that the administration is overdue to the bond payment. Concerning Impact Fees, the revenue

was \$602,192 and the budget is \$1,061,000 with 56.85% spent and actual expenditures were \$89,355 with the budget being 1,061,000 which is 8.5% spent. The Water Fund: revenue \$1,264,576 and expenditures \$270,978. Sewer fund: revenues \$365,131 and expenditures \$272,927.

- Ben Shakespeare asked if the expenditures were accounted for. Are they already spent?

- Brock Jacobsen gave explanation. He also said that Electric Fund revenue was \$3,120,995 and expenditures were \$2,377,679. Storm Water Fund: revenue \$296,380 and expenditures \$246,284. He said that everything looks much better on the Quarterly Financials. He showed the Council graphs (see attached) and stated that the City is on pace to have the highest sales tax revenue year. He talked about the highway and room taxes that are shown on the graph. He said that the highway tax and room tax have increased. We are hoping for our first \$100,000 month.

5. Set Public Hearing for Budget Amendment for FY 2018 for February 28, 2018 at 5:00 pm. Presented by Brock Jacobsen, Assistant City Manager.

- Brock Jacobsen said they will be amending the General Fund and Administrative Budget and creating funds for Fire (\$175,000) and EMS (\$233,000).

Motion to set Public Hearing for Budget Amendment for FY 2018 for February 28, 2018 at 5:00 p.m.

Motion by Jarett Waite, seconded by Herb Basso.

Voting Aye: Jarett Waite, Ben Shakespeare, Herb Basso and Wendell Gubler.

Voting Nay: None.

Motion Carried.

1. Consider Approval of Power Sales Agreement. Presented by Jack Taylor, Public Works Director.

- Jack Taylor gave an explanation about the Power contract. He then introduced Mason Baker, the UAMPS Attorney.

- Mason Baker gave a slide presentation to City Council. He explained that UAMPS started looking at this project in 2012. He said the size of the reactors were too small. There has been an analysis completed. He said they have entered into a lease agreement and this is long term. It could run for 100 years. He talked about the Carbon Free Power Project and said it is energy efficient and has small modular reactors. It works because of the greenhouse gas regulations, resource replacement and regulated markets. This resource fits well into the desire for corporations to have more sustainable electricity. He said that the initial license term from the Regulatory Commission is 40 years. He said the facility could operate much longer than that, up to 80 years. UAMPS currently participates in 3 different coal plants. All of them are 30 plus years old and they anticipate that the coal resources currently being relied upon will likely be coming offline in the mid-2020's and that's around the same time period it is anticipated this resource will be coming online so it fits well into that need. He stated that the intermountain west is not in a regulated market. He said the regulated market in California could expand and cover Utah, Arizona and other intermountain states. He said as they see these regulated market proposals are developing they see this resource playing very well in the future regulated markets. He explained the technology behind this. He said it is a typical large

pressurized water reactor. Each module would be 15 feet in diameter and 76 feet tall. In the typical 1000-megawatt reactor and you can place 126 small nodular reactors in the same amount of space. It's a tight package that they come in and brings with it a much more inherently safe design. The steam generators and the pressurizers have gone inside of it and the reactor core is down at the bottom. Everything is contained in that reactor containment and because of that it is safer than the existing reactor. It is also safer because many systems were eliminated that are typically in existing large reactors. They have it down to 9 systems. He showed what the reactor building would look like. There are 6 reactor bays on each side. There is a reactor pool and in the event that there is some sort of accident the pool would allow the reactors to safely cool down. The reactors are mostly below grade. The protected fence area is approximately 35 acres. He said that they will be able to generate 600 megawatts in an area roughly 35 acres. It is a zero-carbon emitting resource. They have a wind farm that generates roughly 60 megawatts and it comprises 17,000 acres. NuScale has the triple crown for safety which means that if there was an accident the plant can safely shut down and self cool indefinitely without any ac or dc power, no additional water would be needed and no operator action would be necessary to safely cool these down. NuScale is in the process of getting their design certified by the NRC. In December the NRC came out with their determination that they agree with NuScale's assertion that they don't need any ac or dc power and that the reactors can safely cool down in the event of an accident. NuScale is in the process of going through the NRC design certification process. They submitted their design at the end of 2016. Things seem to be going very well. They are looking at a 46-month review and they are anticipating getting certified in January 2021 and UAMPS is looking at submitting their application to the NRC to construct and operate in the summer of 2020. He said that by the time UAMPS is submitting they will have a very good idea how NuScale is doing in the process. He said the technology is attractive to UAMPS because it is factory built and the modules would be built in a factory and assembled on site. The design is simplistic and should result in lower operation and maintenance costs. He said they appreciated how safe the design is. He said the emergency planning zone would be set at the fence line.

- Herb Basso asked if there was already generation of power in the area where this will be built or would transmission be a new cost.

- Mason Baker said that factor went into their siting analysis and from the preferred site location there will be some transmission built but it would be small. He talked about how flexible the resource can be. This technology is great because it can be run flat out and there could be a modular or two to deal with the intermittency of renewables. The NRC will be the primary regulator over the facility, which will be built near the City of Idaho Falls within the Idaho National Laboratory. He said the team participating in this is NuScale, UAMPS, FLORA, Energy Northwest, Department of Energy and Tennessee Valley Authority. They have signed an MOU with Tennessee Valley Authority to sketch out with them how they can work together to make their projects successful. The DOE is looking at ways to help this project and make it successful, which means reduced cost exposure. They may lease the first two modules that come on line. He said they are also considering entering into power purchase agreements with various Federal facilities and they are also talking to Department of Defense installations throughout the west. He said they would need to secure water rights for the project. They will go through the process of acquiring water rights and making sure it is available for the project to use and have that determination done by the time they would make the decision to submit the NRC

application. The engineering procurement and construction development agreement would be between FLORA, NuScale and UAMPS and it would serve as a bridge agreement that would take them to a full final engineering procurement and construction agreement that would be used to construct the facility. FLORA and NuScale are going to continue to revise their cost estimates for the project and UAMPS wants to make sure that the project is cost effective and at this point they need to do further engineering to agree to a binding EPC contract price. UAMPS has devised what is referred to as the economic competitive test and under this test they agree to a price ceiling of \$65 a megawatt hour which means they revise their cost estimate and if they exceed that price then UAMPS would have the right to terminate further development in the project and seek a significant portion of its development costs back from NuScale and FLORA. The reimbursement percentage would decline over time. That will mean gaining cost certainty and derisking the project. He said that he thinks the project will end up in the mid-\$50 range for UAMPS to proceed forward with it. He said that the Power Sales Contracts are consistent with other UAMPS Power Sales Contracts. They have been changed a little bit to account for the long development period that is associated with this project. They are take or pay power sales agreements which means participants have a payment obligation regardless of whether the project is producing electricity or not. The payments are to come solely from each participants electrical revenue system and each participant would agree to a rate covenant whereby they are saying they are going to collect rates sufficient to meet their payment obligations under the power sales contract. There is a step-up obligation that would occur if there was a default by a participant, the non-defaulting participants would have to step up and make good on the defaulting participants entitlement shares. The step-up obligation is capped at 25%. He said they have not had a defaulting participant since 1998. He also said they have capped the amount that any one participant can sign up for to avoid the risk of having a large participant defaulting. The Project Management Committee is the body that drives it and this is comprised of the 34 participants that are in the project, each participant has a representative on this committee, and they have complete decision-making authority. They will determine whether or not the project is feasible or whether it should be terminated or suspended and certain decision would be subject to a vote of 75% of the number of participants and by the number of entitlement shares. He talked about the Budget and Plan of Finance which has in it the estimated total development costs and they go to each participate and based on what they have signed up for explain to them what their cost will be during the various phases of the project. The development cost cap cannot be increased without the Budget and Plan of Finance going back to each participant governing body. In the Budget and Plan of Finance there is an estimated total cost of constructing the facility, the commercial operation date is identified, there is an analysis, how the project will be financed (lines of credit and long-term revenue bonds). He talked about phases, which is where the off ramps are for the participants. They are planning on having the Power Sales Contracts executed by April 1, 2018. Once the agreements are executed and in effect then the first phase, the licensing period, would begin. During this phase there will be additional runs of the economic competitiveness test and they will be working on project agreements such as the lease agreement, the operating agreement with Energy Northwest and they will be working on water acquisition and putting together the license application for NRC. They are anticipating that this will be completed around June 2020 at which time the PMC would be making the decision whether to submit the NRC license application. If the license application is

submitted each participant is given the option to withdraw from the project. They are on the hook for the cost incurred up until that point in time but they have no further cost obligation. Moving forward, the NRC application is submitted and the NRC anticipates taking roughly 39 months to review it and UAMPS will continue to update the Budget and Plan of Finance to make sure the project is still cost effective for the participants. The second phase concludes with the NRC issuing UAMPS a license to construct and operate and at that point in time the PMC will evaluate whether it still makes sense to proceed forward and if they decide to proceed forward the Budget and Plan of Finance will go back to all of the participants governing bodies and they will have an opportunity to decide if it makes sense for their community. This would be the final option to withdraw for each participant. At this point in time we would be moving into construction and issuing long-term revenue bonds. The construction period will be approximately 32 months. This is scheduled to be done in 2027 when the 12th module is scheduled to come online. Operations could be up to 80 years. After operations would be decommissioning. The NRC license stays in effect until decommissioning is complete. The cost numbers do include decommissioning costs. They are currently in the process of meeting with other interested parties. They have negotiated an agreement with NuScale whereby the next \$6 million of spend is subject to 100% reimbursement and that is really important for the participants. He said they do have the existing 50% of the costs being picked up by the Department of Energy to submit the NRC application. He stated that what they are asking participants in the project to do is to determine at what percentage they would like to participate in the project and he said they want to make sure they answer any questions participants may have and if it makes sense for their community to approve the power sales contract.

- Jack Taylor said that basically what Mason is saying is even though the City may sign the power sales contract the City still has at least two more opportunities to get out of the project.

- Mason Baker said that is correct. The first opportunity arises at the end of the first phase of the licensing period. That is when they would be submitting the NRC application. The second unilateral right for participants to withdraw is at the end of the second phase when they get the NRC license. Prior to that the PMC could make a decision whether to terminate the project. He stated that Jack Taylor sits on the PMC.

- Herb Basso mentioned a memo from Jack Taylor that states that UAMPS is paying 25% of the costs and 100% of the control. He asked what Santa Clara's share is.

- Jack Taylor said his recommendation to the Council is that we pick up 2 megawatts of the 600 megawatts that are in the project. He said that we do have a coal-fired plant that we are going to lose a megawatt and then we will lose another small plant. The City has another contract that is almost 2 megawatts that will go away in 2022. The 2 megawatts from this project will take care of what we are going to lose with a little bit of load growth.

- Herb Basso said that we need more than 2 megawatts just from what we are going to lose. He asked how much this comes to in dollars and are our reserves going to cover that.

- Jack Taylor said that we don't have exact dollars yet. We know that we are not going to go over \$65 per megawatt hour.

- Herb Basso said he would like to go for 3 megawatts.

- Mayor Pro Tem Hafen asked Jack is there is a way to adjust if someone wanted more megawatts.

- Jack Taylor said there may be other participants who have taken too much that might be interested in getting rid of some. He said that has happened in the past.
- Mayor Pro Tem Hafen asked if the 2 megawatts is what Jack is most comfortable with.
- Jack Taylor said that from 1999 to 2017 the peak growth was 4.6% and the energy growth rate was 4.4% so we have grown over 4% but some of those years had 0% growth. There could be other projects that are more efficient. He said the 2 megawatts is pretty conservative and he wouldn't have a problem going with 2 ½ megawatts. 3 megawatts would be stretching it.
- Herb Basso said he worried about taking the risk of not having enough power for the future. He said he would rather be on the risk side of having to sell power instead of having to find power. He doesn't think that 3 megawatts is way over buying of a commitment.
- Brock Jacobsen asked Mason Baker about what the City's options are if they decide on 2 megawatts today. What other opportunities are there to either increase or decrease the amount that we want?
- Mason Baker said he thinks there will be opportunities to increase because there is an unsubscribed amount that they are trying to market right now and Jack will hear monthly updates on where we are in the subscription efforts and as new participants come into the project the PMC will control the entrance of those participants and it would be an opening for those participants that are in the project to go up if they desire to do so.
- Herb Basso asked if there would be a priority to those already participating.
- Mason Baker said that they control the project so they can reject a participant and it is an opportunity for them to re-access.
- Jarett Waite said he discussed this with Doug and he felt that energy efficiency will outweigh growth in the future. He trusts Doug's perception on that. He thinks it is important to choose a number that is safe. He feels the safe number is 2 to 2 ½ megawatts.
- Herb Basso said he likes 2 ½ a little bit more verses 2.
- Ben Shakespeare said he believes we will have the ability to add along the way. He is good with 2 or 2 ½ megawatts.
- Jarett Waite said 2 ½ megawatts unless you consider how close we are to build out during that time. Then he feels more the 2 megawatts.
- Wendell Gubler said he is for 2 megawatts.
- Jack Taylor asked Mason if Council needs to approve the contact and then approve the resolution or is that all in one.
- Mason Baker said he thinks it is all in one.
- Mayor Pro Tem Hafen said she has two documents.
- Jack Taylor said we will be paying a percentage of licensing fees. We have 2 opportunities to go out of this. He asked Mason that if there isn't 100% participation would this project go forward.
- Mason Baker said it doesn't have to be 100% subscribed if they are able to make the economics work.
- Herb Basso said it will sell. It is clean, reasonable and long-term.

Motion to Approve the Power Sales Agreement and Approve Resolution 2018-04R requesting 2.5 megawatts.

Motion by Jarett Waite, seconded by Ben Shakespeare.

Voting Aye: Jarett Waite, Herb Basso, Wendell Gubler and Ben Shakespeare.

Voting Nay: None.
Motion Carried.

- Jack Taylor said that City Council will get constant reports and at the UAMPS Conference, which he hopes Council will come, there will be a big update there.
- Ben Shakespeare asked for a text about the meetings.
- Jack Taylor said that the UAMPS Conference is August 12-15 in Logan.
- Ed Dickie said that the Budget Retreat on March 12 at 9 a.m. is scheduled during Spring Break. He and Mayor Rosenberg suggest moving it to March 7 instead of the Work Meeting and have it at noon to 6 p.m. The other option is March 19.
- Herb Basso said he votes for the Monday date.
- Jarett Waite said that Mondays are harder for him but if it starts later he can make it work.
- Wendell Gubler said he needs to check his calendar.
- Mayor Pro Tem Hafen stated that Council needs to set a tentative date.
- Ben Shakespeare said he prefers the 7th, the sooner the better.
- Mayor Pro Tem Hafen said that March 7th will be the tentative date.
- Ed Dickie said we will plan on March 7 at noon. The next City Council meeting is February 28. The 14th was cancelled because of Valentine's Day.

4. Adjournment:

Motion to adjourn by Ben Shakespeare.
Seconded by Herb Basso with all members present voting aye.
Meeting Adjourned at 7:11 p.m.

Chris Shelley – City Recorder

Date Approved: _____