

PAYSON CITY
CITY COUNCIL MEETING
Payson City Center, 439 W Utah Avenue, Payson UT 84651
Wednesday, April 17, 2024

CONDUCTING Brett Christensen, Mayor Pro Tem

ELECTED OFFICIALS Brett Christensen, Taresa Hiatt, Brian Hulet (online), Anne Moss, Ryan Rowley, William R. Wright (online)

STAFF PRESENT David Tuckett, City Manager (online)
Cathy Jensen, Finance Director
Kim E. Holindrake, City Recorder
Jason Sant, City Attorney (online)
Robert Mills, Development Services Director
Travis Jockumsen, Public Works Director/City Engineer
Scott Spencer, Fire Chief
Jill Spencer, City Planner
Tracy Zobell, Parks & Golf Director
Karl Teemant, Community Services Director
Shawn Black, Power Director (online)

OTHERS Samuel Sorenson, Diane Jensen – Payson/Santaquin Chamber of Commerce,
Lacey Smith, Mark Beauchamp, Utility Financial Services, Jillian Jurczyk,
Utility Financial Services

MOTION: Councilmember Moss – To appoint Brett Christensen as Mayor Pro Tem. Motion seconded by Councilmember Rowley. Those voting yes: Brett Christensen, Taresa Hiatt, Anne Moss, Ryan Rowley. The motion carried.

A. CALL TO ORDER

William R. Wright, Mayor, called this meeting of the City Council of Payson City, Utah, to order at 6:02 p.m. The meeting was properly noticed.

B. PRAYER & PLEDGE OF ALLEGIANCE

Prayer offered by Ryan Rowley.
Pledge of Allegiance led by Samuel Sorenson.

C. CONSENT AGENDA

1. Approval of the April 3, 2024, City Council Meeting Minutes
2. Proclamation – Kevin Bacon Day
3. Proclamation – Municipal Clerks Week
4. Resolution – UAMPS Firm Power Supply Project Prepay Agreement
5. Resolution – Addendum agreement with South Haven Farms
6. Resolution – Real Estate Purchase Contract with Troy Lerwill
7. Resolution – Appointment of City Engineer

MOTION: Councilmember Moss – To approve the consent agenda as listed. Motion seconded by Councilmember Hiatt. A roll call vote was taken as follows and the motion carried.

Yes	-	Brett Christensen
Yes	-	Taresa Hiatt
Yes	-	Brian Hulet
Yes	-	Anne Moss
Yes	-	Ryan Rowley

D. PETITIONS, REMONSTRANCES & COMMUNICATIONS

1. Payson/Santaquin Chamber Business, Employee, or Community Service Award

Diane Jensen announced the first quarter Chamber Business Award to Menchies owned by Wendi and Craig Shipley.

2. Payson/Santaquin Chamber of Commerce Quarterly Report

Anne Moss stated she attended the monthly meeting yesterday morning. She encouraged businesses in the community to join the Chamber and promote their business and be involved in the community. Sponsors are needed for various activities as well as scholarship donations for future business owners and the high school. It is a great way to get involved and get to know the community.

Diane Jensen explained the Chamber held three breakfast club meetings, three meet and eats at Hot Rod Diner, held the Annual Gala, five ribbon cuttings, supported a couple bills and bagels events, a bowling night event, and coordinated a great business event with Congressman Burgess Owens. Congressman Owens visited Chubby's, Payson Fruit Growers, MTECH site, Job a Pop, Rocky Mountain ATV, Olson's Green House, and WICP Payson Tech. She and Jim Rowland attended the Chamber Winter Conference on Capitol Hill. The chamber office has moved to the ERA building, which is cost effective. The Chamber Community Guide Magazine was mailed to 15,000 homes and businesses with facts and information about the cities and businesses. The Chamber is working on the first quarterly community service award and focusing on the employee award next month. The Passport to Summer begins for school kids for the summer where the kids visit businesses and get their passport stamped. Last year 600 kids participated. A summer pool party will be held for all the kids who participated in the activity. Jones Paint has committed to joining the Chamber as a gold member; we are excited to have them involved.

3. Public Forum (6:12 p.m.)

Lacey Smith is reaching out for assistance regarding concerns in her neighborhood. She lives in Payson View Estates and the builder is Patterson Homes. Before coming tonight, she has spoken with Patterson, city officials, police chief, and multiple police officers and nothing gets done. She voiced concerns with unfinished yards, slope and erosion issues with dirt going into the storm drain, vacant lots full of weeds that seed into our established grass and neglected vacant lots full of trash and junk. She was told homeowners were sent certified letters to complete their landscaping and that the landscaping bond had gone back to the city. The home at the bottom of the hill has become a junk yard with multiple abandoned cars. She has contacted the Patterson representative who doesn't seem to care so she feel it falls on city to speak to Patterson. She is an avid outdoors person and loves ATVs and dirt

bikes at the appropriate spot. There is nonstop dirt bike riding behind her home where it is posted no trespassing. Patterson told her to contact the police. The police has been there and talked to them. One person said James Patterson gave him permission to ride there. Because there are no homes behind them, the engine noise bounces off the mountains. Her yard has been driven on and the neighbor's yard has been ripped up multiple times. The riders have called them dirty names and flipped them off. Patterson isn't blocking off the area, and the city trail is being ripped up. She is at a standstill, and everyone is tired of it. She doesn't feel she should constantly call the police and then the dirt bikes are gone when the police arrive. The police have been great, but the city needs to contact Patterson. It makes her hate where she lives.

Councilmember Hiatt realizes this is being caused by Patterson and asked Jason Sant what can be done. What about the yard with the abandoned vehicles and junk and the properties that aren't landscaped? Does the city have fines that can be issued? The dirt bikes are tearing up the city trail.

Jason Sant stated that until Patterson finished the homes, there is nothing that can be done except call the police. The properties can be cited and fined. The yard landscaping will be installed in the spring. If the dirt bikers have permission, they can be there. If not, they can be cited. The city can look into the trail issue.

Robert Mills noted staff had a good conversation with Patterson a couple weeks ago and brought up the primary concern with the homes not abiding with the landscaping standards. He sent the certified letter to the property owners. The city needs to move to the enforcement stage. Some of the homes have a landscaping bond that can be foreclosed on, which won't cover the cost of landscaping. Patterson is aware of the situation and are not pleased with the responses from the homeowners with non-landscaped yards. Patterson is making systematic changes for future phases to provide most of the landscaping themselves. Violators need to be addressed quickly. He will follow up with Patterson on the vacant lots and these issues and provide an update at the next meeting.

Councilmember Hiatt asked if the bond amount could be increased. She has seen the situation, and it's bad.

Jason Sant noted the state law changed, and the city is no longer allowed to ask for a landscaping bond.

Robert Mills clarified the city can't require a bond but can still require landscaping before a certificate of occupancy is issued. The city has allowed a bond if the homeowner chooses to do so. The bond amount does need to be increased. This area does require front and back landscaping for stabilization requirements.

4. Staff and Council Reports (6:27 p.m.)

Staff Reports

DEVELOPMENT SERVICES – Robert Mills thanked the council for attending the joint work session with Elk Ridge City last week and hoped it was helpful. He would like feedback from the council in order to determine future planning meetings.

PARKS & GOLF - Tracy Zobel stated a senior state golf tournament was held at the Gladstan Golf Course today. He introduced two new golf assistants, Remington Newell and Tanner Nicholls. It's

great to have them and they are going through the PGA program. Remington Newell stated he likes the historical buildings in Payson and the Nebo Loop Road and forest. Tanner Nicholls spent lots of hours at the Payson pool when he was younger, and the first girl he dated was from Payson. He's excited to work here.

RECREATION – Karl Teemant reported the Recreation Department has moved to the Wilson Elementary School, 517 South 600 West. An awning has been ordered, and he'll get something in newspaper. Arbor Day is April 25 with tree planting at 1:45 p.m. at the East Hills Park. Cinco De Mayo will be celebrated on May 3 at the Peteetneet amphitheater from 5 p.m. to 9 p.m. with cultural entertainment.

FIRE AND AMBULANCE – Chief Spencer stated the Great Utah Shake Out is tomorrow at 10:15 a.m. Live fire training is this Saturday and involves the surrounding cities. Staff is also participating in training at a house in Haskelville. The open burn ends the end of April.

Council Reports

Councilmember Rowley reported he and Shelby Bohling, Communities That Care Coordinator, went to Springville City to see how their youth council is run in order to start up the Payson youth council. It's an opportunity for freshman to seniors to tour facilities, listen to managers, attend field trips, and be involved in the community. They will get out and serve the community as well as partner with businesses and entities. The program should be up and running by August with the new school year. The secret to the owners of Menchies success is positive attitude. He's grateful to have them as part of Payson.

Councilmember Moss noted the owners of Menchies are amazing people. She questioned the construction on 930 West that has been going on for a long time and is causing issues. She questioned if penalties accrue when it takes so long. Also, the vacant lot issue Ms. Smith brought up needs to be looked into as well. Travis Jockumsen stated it should be close to repaving and is being done by a private developer. There are no fines, but the project could be shut down, which doesn't help speed it up. He will look into a penalty fee. Robert Mills noted the city can do enforcement, liens, etc. against these properties.

Councilmember Hulet stated the city received a tourism grant for \$45,000 for the food hall for a feasibility study. Last Saturday, he hiked five miles of trails in Payson. He doesn't see where the city has any trail maps available for the public. Congratulations to Jonathan Knight on his promotion as City Engineer; he's doing a great job. The Economic Development Board held a retreat last Monday and discussed the Payson Strategic Plan.

Mayor Wright thanked Councilmember Christensen for being the mayor pro tem tonight. He is in St. George attending the power conference and Utah League of Cities and Towns conference.

Councilmember Christensen is excited to have the pressurized irrigation on earlier this year for landscaping. He hopes citizens are wise with it and hold back until needed.

E. ACTION ITEMS

1. Resolution – Appointment of new Planning Commission Members and Oath of Office (6:40 p.m.)

194
195 Presentation:

196 Councilmember Christensen stated the recommendation for the Planning Commission appointments is
197 Kirk Beecher and Rachel Becker for four-year terms and Perry Adams for a two-year term.
198

199 **MOTION: Councilmember Rowley – To approve the (resolution) appointment of new planning**
200 **commission members and proceed with oath of office.** Motion seconded by Councilmember Hiatt.

201 A roll call vote was taken as follows and the motion carried.
202

203	Yes	-	Brett Christensen
204	Yes	-	Taresa Hiatt
205	Yes	-	Brian Hulet
206	Yes	-	Anne Moss
207	Yes	-	Ryan Rowley

208

209 2. Resolution – Appointment of new Board of Adjustment Members
210

211 Presentation:

212 Councilmember Christensen stated the recommendation for the Board of Adjustment appointment is
213 Michael Hardy for a five-year term.
214

215 **MOTION: Councilmember Moss – To approve (resolution) Michael Hardy for the Board of**
216 **Adjustment.** Motion seconded by Councilmember Rowley. A roll call vote was taken as follows and
217 the motion carried.
218

219	Yes	-	Brett Christensen
220	Yes	-	Taresa Hiatt
221	Yes	-	Brian Hulet
222	Yes	-	Anne Moss
223	Yes	-	Ryan Rowley

224

225 Judge Jewell swore in the members of the Planning Commission and Board of Adjustment.
226

227 Robert Mills expressed his appreciation for these citizens in volunteering for these positions and
228 service.
229

230 3. Presentation/discussion regarding Power Impact Fees (6:45 p.m.)
231

232 Presentation:

233 Shawn Black introduced Mark Beauchamp and Jillian Jurczyk with Utility Financial Services. They
234 will discuss the changes needed to increase revenue to complete needed power projects and properly
235 allocate the power impact fee.
236

237 Mark Beauchamp explained several months ago, he presented an impact fee report based on a capital
238 improvement plan that needed to be updated. Since that time, the capital improvement plan has been
239 revised and updated, which changes the impact fee. Impact fees try to accomplish two things First,
240 growth to pay for growth the existing rate payers. Second, fairness to new customers who present a

value for fixed cost recovery. To accomplish this, the impact fee and infrastructure are evaluated and then the benefits provided are subtracted.

Table 4 – Cost of Additional Investment in Plant

Capital Projects	Impact Related %	Start Date	Bonding - Impact only	Bonded	Bonding Years	Bonding Interest	Total to be Spent (net of past spending)	Impact Fee Cost
New Power Resource	56%	2024	\$ 18,513,000	Yes	20	5.0%	\$ 33,000,000	\$ 18,513,000
SUVPS Bond Payment-Impact Fee	50%	2024 - 2033	3,840,000	Yes	25	5.0%	7,680,000	3,840,000
South Substation, T-line, Feeders	83%	2024	6,970,128	Yes	20	5.0%	8,367,500	6,970,128
North/Arrowhead Substation, T-line, Feeders	73%	2025	4,581,470	Yes	20	5.0%	6,250,300	4,581,470
Strong Tie Feeders 510 - 730	53%	2025	-	No			205,300	107,783
Feeder 510/610 I-15 Crossing	45%	2024	-	No			74,400	33,406
South Substation tie to 800 South SR-198/500W	44%	2024	-	No			244,100	107,648
Strong Tie Feeders 710 - 320	49%	2024	-	No			368,500	180,197
46 kV T-loop to South Substation	29%	2025	-	No			2,448,700	697,880
South Substation 810 tie to 510/730	41%	2024	-	No			628,000	257,480
Rebuild 330 Mainline	42%	2027	-	No			369,900	153,509
Strong Tie Feeders Arrowhead 920 - 330	48%	2029	-	No			496,600	238,368
510 Mainline	55%	2027	-	No			355,800	194,978
730 Mainline	28%	2027	-	No			612,500	170,275
Southwest Substation and Feeders	30%	2029	2,311,768	Yes	20	5.0%	7,604,500	2,311,768
North Substation and Feeders	30%	2029	2,311,768	Yes	20	5.0%	7,604,500	2,311,768
Total							\$ 76,967,200	\$ 41,029,257

Table 4 is the updated impact fee analysis. The second column from the right is the Total to be Spent, which projects almost \$77 million of capital improvements projected over the next six years for various projects. Also identified is the percentage related to additional growth or what should be allocated to new customers. The Impact Fee Cost column summarizes the percentages related to growth over the next six years totaling just over \$41 million, which will be bonded for over the next 20 years. Therefore, the impact fee analysis looks at actual expenditures to pay back the debt service over the next six years.

Table 5 – Calculation of Impact Fees by REU

Capital Projects	Start Date	Bonding - Impact only	2024	2025	2026	2027	2028	2029	Six Year Total
New Power Resource	2024	\$ 18,513,000	\$ 1,485,531	\$ 1,485,531	\$ 1,485,531	\$ 1,485,531	\$ 1,485,531	\$ 1,485,531	\$ 8,913,186
SUVPS Bond Payment-Impact Fee	2024 - 2033	3,840,000	272,457	272,457	272,457	272,457	272,457	272,457	1,634,745
South Substation, T-line, Feeders	2024	6,970,128	559,301	559,301	559,301	559,301	559,301	559,301	3,355,806
North/Arrowhead Substation, T-line, Feeders	2025	4,581,470	367,629	367,629	367,629	367,629	367,629	367,629	2,205,774
Strong Tie Feeders 510 - 730	2025	-	-	107,783	-	-	-	-	107,783
Feeder 510/610 I-15 Crossing	2024	-	33,406	-	-	-	-	-	33,406
South Substation tie to 800 South SR-198/500W	2024	-	107,648	-	-	-	-	-	107,648
Strong Tie Feeders 710 - 320	2024	-	180,197	-	-	-	-	-	180,197
46 kV T-loop to South Substation	2025	-	-	697,880	-	-	-	-	697,880
South Substation 810 tie to 510/730	2024	-	257,480	-	-	-	-	-	257,480
Rebuild 330 Mainline	2027	-	-	-	-	153,509	-	-	153,509
Strong Tie Feeders Arrowhead 920 - 330	2029	-	-	-	-	-	-	238,368	238,368
510 Mainline	2027	-	-	-	-	194,978	-	-	194,978
730 Mainline	2027	-	-	-	-	170,275	-	-	170,275
Southwest Substation and Feeders	2029	2,311,768	185,502	185,502	185,502	185,502	185,502	185,502	1,113,013
North Substation and Feeders	2029	2,311,768	185,502	185,502	185,502	185,502	185,502	185,502	1,113,013
Total			\$ 3,634,653	\$ 3,861,585	\$ 3,055,923	\$ 3,574,685	\$ 3,055,923	\$ 3,294,291	\$ 20,477,060
Less Current Impact Fee Balance									\$ (1,592,226)
Net Impact Fee Recovery									\$ 18,884,834

The \$20,477,060 in the Six Year Total column is the amount needed to recover from new customers over the next six years less the current impact fee balance of \$1,592,226. This makes the net impact fee recovery \$18,884,834 from new customers over the next six years.

Determination of Residential Equivalent Units	Base Impact Fee - 200 Watt
Actual kWh Purchases 2023	140,719,395
Projected kWh Purchases 2028	168,827,225
Change in Purchases adjusted for losses	27,105,388
Average Residential kWh annual use	8,692
Residential Equivalent Units	3,118
Total Investment	\$ 18,884,834
Average cost per Residential Equivalent	\$ 6,056
Less Maximum Utility Contribution	1,460
Impact Fees to be recovered per Residential Equivalent	\$ 4,596

The projections show 3,118 new residential customers (residential equivalents) coming into the system over the next six years. The impact fee related cost for those 3,118 customers equates to \$6,056 per residential equivalent. This is then adjusted by \$1,460 for the value these customers provide and brings the impact fees to be recovered per residential equivalent to \$4,596. Therefore, a 200 AMP 120/240-volt service requires \$4,596 to be recovered through impact fees. This information is used to develop a rate schedule based on amperage for the different types of customers added to the system, which is what the city council needs to approve. A typical residential home with a 200 AMP service would be charged \$4,596 for 120/240 volts, \$6,899 for 120/208 volts, and \$15,920 for 277/480 volts. Updating impact fees only affects new customers or developers.

Impact Fee Rate Comparison

Description / Panel Rating	Average	Payson City - Revised	Heber City	Dixie Power	St George	Spanish Fork City	Brigham City	Lehi City	Provo City	Morgan City
Residential (120/240 1 Phase)										
200 AMP	\$ 3,179	\$ 4,596	\$ 6,310	\$ 5,925	\$ 4,809	\$ 2,686	\$ 2,052	\$ 1,980	\$ 1,750	\$ 1,076
400 AMP	5,921	9,192	12,619	10,350	8,244	5,288	4,104	3,464	3,536	2,152
Commercial (120/240 1 Phase)										
200 AMP	\$ 4,143	\$ 4,596	\$ 6,310	\$ 5,925	\$ 6,529	\$ 2,686	\$ 4,104	\$ 3,177	\$ 3,501	\$ 1,076
400 AMP	7,409	9,192	12,619	10,350	13,058	5,288	6,498	4,312	7,002	2,152
600 AMP	13,189	13,787	18,929	14,775	19,587				10,503	2,152
Commercial (208/120V 3 Phase)										
200 AMP	\$ 7,895	\$ 6,899	\$ 9,472	\$ 9,998	\$ 13,068	\$ 8,209	\$ 6,156	\$ 7,671	\$ 2,628	\$ 5,044
400 AMP	15,218	13,797	18,945	17,775	26,136	16,321	12,312	15,589	5,255	6,725
600 AMP	23,036	20,696	28,417	26,663	19,587	27,146	24,624	23,259	7,883	
Commercial 480/277V 3 Phase)										
200 AMP	\$ 16,398	\$ 15,920	\$ 21,858	\$ 23,080	\$ 30,157	\$ 8,209	\$ 14,364	\$ 18,063	\$ 6,064	\$ 5,044
400 AMP	31,744	31,840	43,716	41,031	60,315	16,321	28,386	35,879	12,128	6,725
800 AMP	63,252	63,679	87,431	82,061	120,629	27,146	56,772	71,758	24,256	16,813
1200 AMP	96,117	95,519	131,068	123,092	180,944	54,222	85,158	107,884	36,383	22,417

The above impact fee rate comparison shows several rate comparisons with the average 200 AMP at \$3,179 and Payson City at \$4,596. Heber City recently updated its impact fee to \$6,310. Utah is a high growth state and Payson is a high growth area. As a result, there are a lot of additional investments being made in Utah to serve these new loads. Some of these utilities haven't updated their impact fee for several years so most of these will be going up. Tonight, the council needs to review and consider approving these impact fee related costs.

Table 8 – 120/240 Voltage Current vs. Proposed Fees

Residential Single Phase (120/240V)						
Amps	kVA	Max Capacity (kW)	Average Use (kW)	Current Fee	Proposed Fee	% Change
60	14.4	2.00	1.20	\$ 739	\$ 1,379	87%
100	24	5.00	2.00	\$ 1,263	\$ 2,298	82%
125	30	6.00	2.40	\$ 1,515	\$ 2,872	90%
150	36	7.00	2.80	\$ 1,768	\$ 3,447	95%
200	48	8.00	3.20	\$ 2,021	\$ 4,596	127%
225	54	10.00	4.00	\$ 2,526	\$ 3,550	41%
400	96	14.00	5.60	\$ 3,536	\$ 9,192	160%
Commercial (120/240V)						
Amps	kVA	Max Capacity	Average Use	Current	Proposed	% Change
100	24	5.00	2.25	\$ 1,421	\$ 2,298	62%
125	30	7.00	3.15	\$ 1,989	\$ 2,872	44%
150	36	9.00	4.05	\$ 2,557	\$ 3,447	35%
200	48	14.00	6.30	\$ 3,978	\$ 4,596	16%
400	96	19.00	8.55	\$ 5,399	\$ 9,192	70%

The above table compares the proposal to the current fees. For example, the city charges \$2,021 for a 200 AMP service when it costs the city \$4,596. If this money isn't recovered from the new customer, it goes into the rate base and is paid by the existing rate payer. The cost for residential and commercial services goes up but the larger three-phase services go down as shown in Table 9 below. The rate schedule is set up to be consistent and proportional, which is why it shows positives and negatives.

Table 9 – 120/208 Voltage Current vs. Proposed Fees

Commercial 3 Phase (120/208V)						
Amps	kVA	Max Capacity	Average Use	Current	Proposed	% Change
125	45	16.00	7.00	\$ 4,546	\$ 4,312	-5%
150	54	24.00	11.00	\$ 6,819	\$ 5,174	-24%
200	72	31.00	14.00	\$ 8,808	\$ 6,899	-22%
400	144	63.00	28.00	\$ 17,900	\$ 13,797	-23%
600	216	94.00	42.00	\$ 26,709	\$ 20,696	-23%
800	288	126.00	57.00	\$ 35,801	\$ 27,594	-23%
1,000	360	157.00	71.00	\$ 44,609	\$ 34,493	-23%
1,200	432	189.00	85.00	\$ 53,701	\$ 41,391	-23%
1,600	576	252.00	113.00	\$ 71,602	\$ 55,189	-23%
2,000	720	315.00	142.00	\$ 89,502	\$ 68,986	-23%

Council Discussion:

Discussion regarding 200 AMP and 400 AMP services are based on customer preference. Developers may question the changes, but the costs are passed onto the new homeowner. The impact fees for new commercial are fairly in line with other areas in Utah. The city definitely doesn't want to lose money on new homes, which is a good goal. The power impact fee was previously changed in about 2014. A large apartment complex is charged per individual meter/residential unit. The impact fee is based on the size of the meter. Previously, commercial users were paying a disproportionate cost compared to residential users. The new proposed impact fee has balanced the cost/fee. Impact fees are typically reviewed and updated when there is substantial growth and large projects.

The next step is to schedule a public hearing and send the proposed impact fee to the Utah Homebuilder's Association for review. Once adopted, there is a 90-day waiting period before the impact fee goes into effect. The approved impact is also sent to the state.

4. Presentation/discussion regarding Power Rate Increases (7:05 p.m.)

Presentation:

Mark Beauchamp reviewed the financial projection and targets, cost of service results, and impact fee study.

The long-term financial projection is compared to certain key financial targets to ensure the utility is financially stable. This is balanced with the potential rate adjustments on customers as much as possible. The cost of service looks at what classes of service is causing certain costs in the system so each customer on the system is paying a fair share.

Projections are built upon certain assumptions about future growth, inflation, cost changes, and capital expenditures. When looking into the future five years, the only thing certainty is that it will be wrong because a lot of the assumptions may not materialize and could be higher or lower. Projections tend to be fairly close to what occurs. Financial projections should be reviewed more frequently, which is a key part in keeping the utility financially stable. It should be done at least every two to three years. Assumptions keep the cash in balance and rate as minimal as possible. Capital improvements are identified for bonding. Two bonds to fund the capital improvement have been identified in the projection period, i.e., 2025 for \$8,250,300 and 2029 for \$15,209,000. Last year, Payson imposed a 10% rate adjustment for customers, which is included in the projection. He reviewed the following table for current rates.

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Impact Fee Cash	Projected Total Cash Balances	Recommended Minimum Cash
2024	10.0%	1.08	\$ (638,473)	\$ 2,944,040	\$ 571,556	\$ 3,889,667	\$ 8,125,632
2025	0.0%	1.08	(627,642)	3,349,798	(529,518)	2,536,710	9,011,293
2026	0.0%	1.06	(877,297)	3,362,609	(824,930)	786,216	9,133,560
2027	0.0%	1.20	(964,789)	3,388,077	(1,639,103)	(774,377)	9,266,605
2028	0.0%	1.01	(1,053,178)	3,401,360	(1,934,515)	(2,743,127)	9,397,106

*Restricted cash balances are restricted for SESD lawsuit.

The utility should have a minimum cash reserve of about \$8 to \$9 million, which the city is currently substantially below at \$3.8 million even with the 10% increase. Over the next five years, the cash reserve goes negative.

The proposal includes a series of 5.5% rate adjustments to get the utility in line and financially stable as well as minimize impacts on current rate payers. The cash reserve reaches about \$7.5 million by 2028. Optimal operating income deals with depreciation and replacement costs. Determining revenue requirements is not an exact science so minimums are defined. Exceeding the optimal operating target over charges the rate payers. Everything is a balance. He asked if the council is comfortable with the financial projections and the 5.5% rate adjustment. The rates will be designed by whatever guidance the council gives tonight.

Jillian Jurczyk explained the projected impact fee is negative because the revenues are conservative because growth may not happen. There may be a lag between when infrastructure is installed and when the impact fee is paid. It's a timing difference. The cash reserve would go up quicker if growth is quicker. The average residential customer (1,150 KW) will see a monthly increase of \$5.63. A 550 KW resident would be \$4,67 monthly and a 1,500 KW resident would be \$9.87 monthly.

Electric Cost of Service Results

Customer Class	Cost of Service	Projected Revenues	Effective % Change
Residential	\$ 9,985,546	\$ 8,526,114	17.1%
Commercial Electric - No Demand	356,902	295,313	20.9%
City Use	924,820	630,691	46.6%
Commercial Electric - Demand	6,105,443	5,284,531	15.5%
Industrial 1 Electric	1,958,690	1,705,285	14.9%
Industrial 2 Electric	915,380	742,263	23.3%
Total	\$ 20,363,652	\$ 17,187,786	18.5%

Mark Beauchamp explained the above table shows the costs to provide services to each customer class. The residential cost of service is higher than the projected revenues and would need a 17.1% increase to balance, but that is not what is proposed. The total system increase should be about 18.5%. The idea is to move each class closer to the actual of providing service over time. Each class would see a 5.5%+/- depending on how much of an increase is needed to reach projected revenues for that class. The council needs to then determine a band width of say 2%, meaning no rate class would increase more than 7.5% or decrease less than 3.5%. This means no dramatic change needs to be made to classes themselves. He recommends a plus or minus 1% making the largest increase 6.5% and the smallest 4.5%.

Monthly Charges

Customer Class	COS Customer Charge	Current Average Customer Charge
Residential	\$ 17.79	\$ 11.97
Commercial Electric - No Demand	33.68	15.86
City Use	46.42	6.05
Commercial Electric - Demand	84.41	36.63
Industrial 1 Electric	622.63	122.09
Industrial 2 Electric	385.39	122.09

The next aspect that goes into the overall rate adjustment is the fixed monthly charge. The table above shows the current average customer charge at \$11.97, but the cost is \$17.79. This monthly charge covers the cost of the meter, meter repairs/replacement, monthly meter reading, monthly bill, and maintaining service to the facility. These fixed costs don't change based on usage and are still incurred by the city even if electricity isn't used. He recommended moving this slowly about \$1.50 each year to get to the \$17.79. This is a fairness issue and is included in the 5.5%.

Council Discussion:

Councilmember Christensen stated the numbers sound fair, and it makes sense.

Councilmember Rowley explained these large bond payments and debts we've discussed rely on power that came quick and cheap through coal-fired power. With the reduction of these and other different sources of power, the cost is different and not as reliable. Coal-fired plants are being taken offline. As this continues, Payson needs to do something to be self-reliant and provide power. One way is to buy better newer generators for the facility to provide power and not buy on the open market, which is volatile and expensive. The council doesn't make these decisions lightly. Doing nothing increases rates as well because power is purchased from other entities at a higher rate. The city needs to be proactive and look to future to be self-reliant. Users need to be more cognizant of usage and use less. Power is so important.

Mark Beauchamp noted the most important point to customers is reliability. Investments must be made to the system to ensure reliability. New generators will ensure a more reliable electric service and caps costs by not purchasing from the open market. This plan directs the city in providing a reliable service. The adjustments are reasonable and are a low-cost, reliable service.

Mayor Wright stated he attended a meetings today with UAMPS and heard much of this as well. There are costs associated with providing power. The city can pay now or a lot more later. He would rather charge smaller rates over time than one big one. New generators give the city the ability to cap and defray the costs. It gives flexibility and benefits the customers and citizens overall. Excess power can also be sold to defray the cost of operation.

Councilmember Hulet noted solar has changed over the last couple of years and Payson has quite a lot of solar customers. The city is actually losing money on these solar customers during day. He wants to put more in the fixed cost by having it go up faster than the variable cost. He would also like to look at rates for those on fixed incomes understanding there are state and federal assistance programs.

Mark Beauchamp stated it makes sense and would help fix part of it. When it comes to solar, there are certain ways to bill them. Net metering was done to incentivize solar. As solar continued to grow over the last five years, utility rates have been impacted substantially. Most utilities are moving away from net metering and into in-flow, out-flow or net billing.

Jillian Jurczyk clarified that a net billing tier went into effect in 2017, which some customers are grandfathered.

Shawn Black noted the city is losing money on solar customers.

Mark Beauchamp would like to have a discussion and do a solar study. It's possible to create a rate for those on a fixed income and different ways to do it. One way is to give a discount on the bill if the resident is at the 200% poverty level or below, which is verified through an outside entity each year. Moving forward, rates will be created based on the 5.5% adjustment with a +/- 1% band width and adjust the customer charge by \$1.50 for the council and staff to review. Additional information is needed to address the solar issue.

F. ADJOURNMENT

MOTION: Councilmember Hiatt – To adjourn. Motion seconded by Councilmember Moss. Those voting yes: Brett Christensen, Taresa Hiatt, Brian Hulet, Anne Moss, Ryan Rowley. The motion carried.

The meeting was adjourned at 7:50 p.m.

Kim E. Holindrake, City Recorder

DRAFT