



MURRAY
CITY COUNCIL

MURRAY CITY MUNICIPAL COUNCIL COMMITTEE OF THE WHOLE

The Murray City Municipal Council met as a Committee of the Whole on Tuesday January 16, 2018 in the Murray City Center, Conference Room #107, 5025 South State Street, Murray Utah.

Council Members in Attendance:

Diane Turner, Chair	District #4
Dave Nicponski, Vice-Chair	District #1
Dale Cox	District #2
Jim Brass	District #3
Brett Hales	District #5

Others in Attendance:

Blair Camp	Mayor	Jan Lopez	Council Director
Doug Hill	Chief Administrative Officer	Jennifer Kennedy	City Recorder
Janet Towers	Deputy Mayor	Trong Le	IT
Jennifer Heaps	Comm. & Public Relations Director	Pattie Johnson	Council Office
Blaine Haacke	Power – General Manager	Matt Millis	Zions Bank
G.L. Critchfield	City Attorney	Danyce Steck	Finance Director
Tim Tingey	ADS Director	Danny Astill	Public Works
Jennifer Brass	Resident	Janice Strobell	Resident

Ms. Turner called the Committee of the Whole meeting to order at 4:45 p.m. and welcomed those in attendance.

1. Approval of Minutes

Ms. Turner asked for comments or a motion on the minutes from November 14, 2017. Mr. Hales moved approval. Mr. Brass seconded the motion. All were in favor.

2. Discussion Items

2.1 Murray Culinary Water User Rate Analysis – Danny Astill

Mr. Astill introduced Mr. Millis, Vice President of Zions Public Finance, Inc., who was asked to help recalculate culinary water user rates for Murray City. Mr. Millis presented a slide show noted as, the Culinary Water User Rate Analysis. (See Attachment #1 for complete details.)

The following is an overview of the slide show:

Mr. Millis stated the city's culinary water system is in a strong position, but with many water lines in need of repair and replacement each year - increasing capital expenses need to be faced as the system ages. Water rates have not increased in nine years, which has been good for residents, however, this does not pay for future repair and replacement projects. Operational and maintenance costs continue to increase each year, which diminishes the amount of revenue that can meet capital needs. Therefore, the city must maintain a strong financial position by meeting bond coverage and cash requirements.

Capital Projects

A bar chart reflected Capital Projects from 2018 – 2022. The cost for pipe replacement was noted, including impact fee cash funding, representing anticipated growth between 2019 and 2020, as well as, non-impact fee cash funding, which would be funded with new increased rates. Mr. Millis said the estimated cost for pipe replacement projects, including the city's well replacements was between \$2 million and \$3 million. An \$8.6 million bond would be issued in 2018 to help fund capital projects.

Mr. Brass asked what the typical life span of a pipe system was. Mr. Astill reported 100 years or more- Murray has 10-12 year old lines with no corrosion at all. Wells, housing and equipment do need maintenance.

Financial Coverage

A bar graph described culinary water rates, revenue and expenses. Mr. Millis noted annual expenses, and projected revenue, with proposed rate increases, as well as, projected annual revenue - without rate adjustments. He said rates could remain lower when bonding for capital expenses. Residents on the eastside – with no water use, will have no bond payment.

Annual Revenue Increases

Annual changes to rate revenues was explained on a bar chart. The typical monthly rate in 2017 was \$33.69. Mr. Millis explained cost of service rates are recommended to increase each year, over five years – therefore, the following would be anticipated:

- Year - 2018 – 11% increase - Rate - \$37.40
- Year - 2019 - 6% increase - Rate - \$39.64
- Year - 2020 - 6% increase - Rate - \$42.02
- Year - 2021 - 6% increase - Rate - \$44.54
- Year - 2022 - 5% increase - Rate - \$46.77

After that, rate increases could cover capital projects.

Changes to Rate Structure

Senate Bill 28 requires that culinary water providers have a conservation based rate structure. Mr. Millis explained the city currently has a seasonal rate structure that functions well and incentivizes conservation, although, it does not meet the intent of the current law. In addition, a tiered rate structure would encourage water conservation by increasing the cost of water through a graduated pricing as more water is used.

Currently, Murray has a seasonal water rate structure of \$0.89 per 748 gallons in the winter, and \$1.29 in the summer. One CCF of water equals approximately 748 gallons.

After the change occurs, users would pay a water rate according to the size of their meter, rather than the type of user class. A tiered rate will apply to each class based on usage. For residential users with a one inch meter - rates will range from \$.95 per CCF up to 8, to \$2.50 per CCF for usage over 80 CCFs. Eight inch meters will be charged \$.95 per CCF up to 1,120 CCFs increasing to \$2.50 per CCF for usage over 11,061 CCFs.

Annual bills for various types of users, such as, Residential, Multi-family, Commercial, Church, School and Large Users, such as the hospital, were compared to new proposed billing - as it related to the rate increase. The following is a summary of those increases:

- Residential - Water bill comparisons reflected increases over the course of one year, depicting two proposed outcomes. Estimates ranged between a 4% increase, and an 8% increase - because users are able to lower water bills based on conservation and savings. This is achieved by using less water than the average annual bill.
- Multi-family users - Based on current usage, water bill comparisons, reflected increases over the course of one year, resulting an 11% increase on average use.
- Commercial - Water bill comparisons for commercial users, such as, Zions Bank, reflected the highest rate increase of 52% due to current over use. The opportunity to decrease consumption would produce a large savings.
- Churches – A 20% increase was noted.
- Schools - Water bill comparisons reflected increases over the course of one year, depicting two proposed outcomes. Based on current usage, increases ranged between 21% and 30% - because users are also able to utilize irrigation water for watering. The average estimated increase of \$100 per month was noted for schools.
- Large Users – The largest user in the city is Intermountain Medical Center. Based on current usage, the hospital would see an increase between 20% and 27%.

Impact Fee Changes

Mr. Millis said fee increases would help cover the cost of wells and storage tanks. The adoption of the impact fees must follow a 10-day public noticing period that would be intended to notify interested parties.

A chart depicted all meter sizes up to 12 inches, equivalency ratios for each size, and the proposed impact fee; the current cost related to each size was included, reflecting the dollar amount increase that would occur. It was noted that all meters would see a 13% increase, and Murray City's meter size does not exceed 8 inches. The last change in impact fees occurred nine years ago.

Mr. Astill expressed a desire to gain feedback as soon as possible from the council about moving forward with the tiered system. He said if the city did not go through with the impact fee process, there would be a need to adjust capital improvements.

Mr. Nicponski felt it was important to move forward with the change.

Mr. Astill explained bonding would get initial projects started, after which, new rate increases would provide the cash to fund pending improvements.

Mr. Cox wondered about good stewardship over schools automatic sprinkling systems that have a tendency to turn on, even during rain storms, which produce 1-2 inches of rain. Mr. Astill explained calls were made to notify schools when the situation was noticed. He noted the new tiered rate structure would increase those costs immediately during a situation like that, which was good reason and opportunity to attain 'smart controllers'.

All council members agreed to move forward with the tiered structure rate.

2.2 Power Department Quarterly Report – Blaine Haacke

Mr. Haacke provided a basic system report regarding the following:

Hydro Plant - Until repairs could be made, the plant came to a halt for a month in August, due to an incident involving a raccoon. Because of significant damage, the transformer was replaced and an upgrade to the relay was made, in order to increase the tripping speed. Repair costs were \$850,000, and the plant would be ready for the spring runoff.

Outages - The city averages approximately 15 outages per month, some of which are not the city's fault. Mr. Haacke reported 20% of outages are related to equipment failure, 25% to customer problems, from Mylar balloons getting caught in lines, chain saws disturbing lines while cutting branches and other things, such as, squirrels, cars hitting power poles, and tree branches falling on lines.

Osmose Pole Study - A project is underway for testing all wood power poles in the city. Most wood poles intended to last 30 to 40 years could be rotted and need replacing. A contract has been in place with a firm who would test 20% of the city's wood poles each year, over the next five years.

The cost is \$60,000 per year. There are approximately 6,126 wood power poles in the city, with 1,500 more to analyze. So far, 128 poles need replacing and the project should be completed this summer.

Gas Turbines - Turbines were not utilized very much last year, due to market pricing being more advantageous. As pricing remains this way, the turbines would be considered more for emergency backup.

The three gas turbines, guaranteed to last 10 years, have lasted 15 years. Therefore, combustion cracks were discovered in the chamber of engine #2. Utilizing reserves will be assessed to cover the repair costs, which could be \$500,000 or more.

Methane - Methane gas is 7% of the city's energy resource and comes from two plants. One engine, located at the Trans Jordan Landfill, recently failed for 45 days, which was rebuilt and is operating well now. This has 95% reliability. Salt Lake County determined another engine could be added, however, Rocky Mountain Power said more transmission would be needed, which does not make sense based on that expense.

New Projects - The city is working towards three new projects:

- Large scale solar – The Utah Municipal Power Association (UMPA), and the city of St. George are taking a statewide lead on procuring a large scale solar plant in central, southern Utah. Mr. Haacke anticipates attaining details related to the cost by the end of January 2018. Although the facility has not been constructed yet, he said a non-disclosure agreement is in place, where Murray's intentions are to add to the city's green portfolio. Additional solar might be marketed to the city's customer base in 200 kilo watt hour (kWh) blocks, however, for now the city's interest is only in 5 megawatts (MW) out of the 100 MW expected to be shared by other cities.

Ms. Turner wondered if solar panel energy would last longer into the evening if batteries were utilized. Mr. Haacke thought in due time it might be possible by installing an adder.

- IPA – Due to California legislation another resizing of the plant is underway. The city's entitlement to energy would be reduced to 36 MW of the 900 MW plant. Construction would begin in 2023.
- Small nuclear plant in Idaho – The project is years away from breaking ground, although, presently partnerships and alliances are being formed to build and operate a small nuclear plant. The Nuclear Regulatory Commission is examining the concept design and operational parameters of the new technology and approval could be two to three years away. The cost just for licensing is \$40,000. Murray has invested \$20,000 for attaining information and possibly a very small portion of future nuclear generation.

2.3 Proposal to Establish an Elected Official Filing Fee – Jennifer Kennedy

A study was completed to determine if the city should implement a filing fee when candidates elect to run for office. Ms. Kennedy reported nine out of 16 Utah cities currently charge filing fees. One

city charges \$120 for council member positions, and \$352 for mayor candidates. She noted Sandy City charged \$10, and Taylorsville charges \$100.

Mr. Tingey commented Murray City never had such filing fees, however, based on study results conducted by an outside source, a \$95 filing fee would be suggested.

Mr. Nicponski felt if a person was willing to pay a \$95 filing fee, it would reflect a more serious interest.

Ms. Turner stated it costs the city money to prepare the documentation.

Ms. Kennedy said it was common that most candidates expect to pay filing fees.

Mr. Cox said that is being considered on a legislative level.

Ms. Turner appreciated Ms. Kennedy providing study results. There was a consensus of the council to move forward with a \$95 filing fee.

3. Announcements: Ms. Lopez made the following announcements for January 2018:

- Wednesday, January 17 - City School Coordinating Council, 5:00 p.m. School District offices
- Friday, January 16 - Police Banquet, Doty Education Center
- Tuesday, January 23 - Access to Opportunity, 8:30 – 3:00 p.m. Salt Palace
- Tuesday, January, 23 - Wasatch Front Private Dinner with Mayor Ben McAdams, 6:00 p.m. Snowbird, Cliff Lodge
- Wednesday, January 24 - ULCT, Local Officials Day, 12:15 p.m. Salt Palace
- Tuesday, January 30 - Mid-year Budget Retreat, Noon, Council Chambers

4. Adjournment: 6:17 p.m.

**Pattie Johnson
Council Office Administrator II**