

**MURRAY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE**

Meeting Minutes

Tuesday, July 11, 2023

Murray City Hall, 10 East 4800 South, Poplar Conference Room, Murray, Utah 84107

Attendance:

Council Members and others:

Garry Hrechkosy – Chair	District #5
Phil Markham – Vice Chair	District #1
Pam Cotter	District #2
Rosalba Dominguez	District #3
Diane Turner	District #4 - Excused

Brett Hales	Mayor	Jennifer Kennedy	City Council Executive Director
Doug Hill	CAO (Chief Administrative Officer)	Pattie Johnson	Council Administration
Susan Nixon	CED Senior Planner	Tammy Kikuchi	Chief Communications Officer
Brenda Moore	Finance Director	Ben Gray	IT
Craig Burnett	Police Chief	Brooke Smith	City Recorder
Mark Richardson	City Attorney	Joey Mittelman	Fire Chief
Russ Kakala	Public Works Director	Steve Roberson	Deputy Fire Marshal
Ben Ford	Wastewater Superintendent	Anthony Semone	NeighborWorks
Citizens			

Conducting: Council Chair Garry Hrechkosy called the meeting to order at 4:30 pm.

Approval of Minutes: Committee of the Whole – June 6, 2023. Ms. Dominguez requested one update to the minutes. Edited minutes would be reconsidered at a future meeting.

Discussion Items:

• **Murray Power Rate Study.**

Power Director Greg Bellon explained that an emergency power rate increase was requested a few months ago to address soaring energy prices, but Council Members asked that a rate study be completed first. As a result, Mr. Bellon collaborated with Dave Berg Consulting to get the rate study conducted. Mr. Berg presented the final Electric Cost of Service Rate Design Study to discuss options for moving a power rate increase forward.

Mr. Berg explained that normally the power rate generates funding to make the utility function, but due to significant cost increases in energy over the last year, a negative financial impact occurred. This was why he determined that more revenue was needed to turn things around as he calculated the new rate design which included a cost of service for different types of customers. The recommendations included two possible options for raising power rates and a suggested update to the existing SCA (Supply Cost Adjustment) formula.

Mr. Berg confirmed the City had not implemented a power rate increase in 11 years, so keeping the existing rate was not an option. He explained that currently operations at the existing rate resulted in a \$10 million loss, so without a rate increase a deficit would continue to grow annually. He said because cash reserves beginning at \$24 million, would soon fall to just below \$15 million, capital improvements were minimized as much as possible. Mr. Bellon agreed and reported that a new master plan was underway which would provide a five-year plan for completing capital improvements.

Mr. Berg analyzed the expenses of the utility to understand the cost of service for various types of customers, which was compared to the percentage of revenue. As a result, the following options were analyzed for raising the current power rate:

- Set a goal of \$10 million in reserves at the end of FY 2026.
- Option #1: An immediate onetime increase, which would be 13% for general service small customers and 27% for all other classes.
- Option #2: Three annual increases, which would be 7% each year for general service small customers, and 14% each year for all other classes. It was noted that after three years, Option #2 rates are 15% higher than Option #1 rates.
- Implement a new SCA formula.

Discussions related to existing conditions continued, as well as, for both options regarding capital projects, peak and off-peak seasonal use, low-income customers, small commercial users, and large and ultra large commercial customers. Mr. Berg pointed out that Option #1 provided a slower way of reaching the 2026 goal of \$10 million in reserves. He provided a chart to examine a monthly residential customer by comparing Murray's current monthly base rate of \$3.35 to other Utah city rates. He pointed out that Murray's current \$3.35 rate was not enough to cover operating expenses, and the \$10 range was where most Utah cities were headed, which was comparable to Rocky Mountain power rates. Mr. Berg explained in detail projected operating results and proposed rates for both Option #1 and #2 and the projected cash reserves for each option.

A review of the City's current SCA policy occurred and new SCA recommendations were outlined as:

- Implement automatic SCA to adjust bills up or down if actual power costs are different.
- Make adjustments monthly.
- Remove need to proactively change rates for conditions outside utility's control.
- Projections would be based on \$0.0608 per kilowatt hour for wholesale costs (which is the proposed new SCA formula).

Mr. Berg said Murray's current power rates have been the lowest in the State, lower than other Utah Associated Municipal Power System members and lower than Rocky Mountain Power customers, because market pricing was favorable for Murray, until now. That is why with substantial changes to the power industry and significant power cost increases, adjustments to the Murray Power rate would come at a great cost regardless.

Mr. Markham was impressed with the fairness that was built into the rate structures presented. Council Members agreed and a study of rate structures and utility bill examples continued to understand precise increases. Option #1 and Option #2 seasonal peak usage costs were compared in detail. Demand charges were analyzed, and high energy users were compared with low-income users. He personally favored Option #2 and pointed out that Option #1 would most assuredly guarantee that another significant rate increase would eventually be needed again. Ms. Moore commented that Council Members recently approved an ordinance requiring all enterprise funds to maintain reserves of 30% of revenue, and Option #1 would not provide that savings. Mr. Hrechkosy agreed Option #2 provided a better pathway to ensure reserve requirements. Ms. Dominguez said impact fees would help with coming growth. Mr. Bellon confirmed existing impact fees are in place, but they would review them again in the next year to ensure good coverage.

After more discussion Mr. Hrechkosy asked each Council Member for direction in moving forward:

- Mr. Markham: Option #2 with the new SCA formula.

- Ms. Cotter: Option #1 with the new SCA formula.
- Ms. Dominguez: Option #1 with the new SCA formula.
- Mr. Hrechkosy: Option #2 with the SCA formula.
- Ms. Turner: Option #2 by text.

The consensus was to move Option #2 forward that would include consideration of the new SCA formula. A final decision would be made during the July 18, 2023 council meeting.

- **Power Department Report.**

Mr. Bellon oversees 45 employees in his department. Recently crews worked to replace and fix 116 nonworking street lights throughout the City. Unit number two at the hydro power plant is now up and working with a few minor problems, unit one is still not working due to programing issues. With half of the resource operating, the plant is generating 2.5 megawatts of energy. Public Power festivities will be held on September 15, 2023.

- **Reports from Boards and Commissions representatives:**

- UIA (Utah Infrastructure Agency) – Finance Director Brenda Moore reported that the City would receive \$540,000 in dividends from UIA, due to a 1.9% rate adjustment. The net bond payment is now \$1.4 million which is less than the original debt payment. Ms. Moore would adjust the budget to reflect the increase.
- UTOPIA (Utah Telecommunication Open Infrastructure Agency), COG (Council of Governments), Salt Lake VECC (Valley Emergency Communications Center) and Metro Fire – CAO Doug Hill gave the following reports:
 - UTOPIA: Total availability in the City is now just over 16,000 properties which is about 100% of the City. Total subscribers have increased to 4,500 customers which equates to a little over 30% take rate. Overall the network has over 178,000 addresses with about 55,000 active members. This is growth of about 1,500 homes per month with approximately 600 new subscribers per month. All of the original member cities are completely built out. Construction is projected for Pleasant Grove, Syracuse, Santa Clara and Cedar Hills by this summer and a contract was executed to complete the city of Bountiful. Mr. Hill said there is a benefit to Murray when more cities join the service.
 - COG: – Over the last two months presentations were given about a federal grant program related to climate pollution reduction, plans for corridor preservation throughout Salt Lake County, and the biggest issue was the Winter Response Plan, where Murray is legally required to participate. The plan intends to provide temporary homeless shelters during the winter by August 1, 2023. Currently a location has not been identified in Murray to provide 600 beds, so \$120,000 would be contributed to the Homeless Coalition. Other items of discussion included a transit study for the Cottonwood Canyons, various advisory board appointments and COG election appointments.
 - VECC: The call center continues to meet all of their performance call standards. Mr. Hill said budgetarily he voted against a proposed 5% COLA for VECC, because he did not feel it was right to approve a higher COLA than what was approved for Murray City employees. The 5% COLA was approved.
 - Metro Fire: Nothing to report.
- CVW (Central Valley Water) – Wastewater Superintendent Ben Ford said the CVW budget would be presented to the board this coming September, with final consideration in October. As part of

the budget one more bond is requested to complete the rebuild project. The estimated amount is \$50 million for a last phase of construction that will occur this fall. A federal grant was approved for \$5 million that would go towards that need. Mr. Ford did not expect the bond to require another Murray City wastewater rate increase. Mr. Markham asked what the total bonding amount for the entire CVW expansion project was. Mr. Ford said approximately \$370 million; construction is ongoing and due to the pandemic; the completion date was moved to 2026 instead of the original 2024 deadline. He reported that an ammonia violation occurred in the discharge permit, but there would be no penalty issued. In addition, CVW was able to lock in natural gas pricing for the next year and a half at a very low rate of \$4.58 per unit.

- **Discussion on an ordinance amending Section 17.16.010 of the Murray City Municipal Code relating to the appointment of hearing officers for land use appeals and variances.**

Senior Planner Susan Nixon explained the proposed text amendment to reduce the minimum number of hearing officers from three officers to two; and also increase the number of consecutive terms hearing officers may serve, from three to five years. Ms. Nixon said currently the City only has two officers, which puts the City in Code violation so the text amendment would put the City in compliance. There was a brief discussion about the volunteer program that is very helpful to the City.

Mr. Hrechkosy announced that District #1 Council Member Phil Markham would accept a full-time appointment by Mayor Hales. Effective July 18, 2023, Mr. Markham is resigned from the Murray City Council, and would be sworn into office during the July 18, 2023 Council Meeting as Murray City's new Community and Economic Development Director. The application process to fill the District #1 council position begins Wednesday, July 19, 2023 and all applications must be submitted by 5:00 p.m. on Thursday, August 3, 2023. A Special Council meeting to hire the interim council member is scheduled for 5:00 p.m. on Tuesday, August 8, 2023. Council voting to replace vice-chair and board positions currently held by Mr. Markham will occur during the August 1, 2023 council meeting.

Adjournment: 6:23 p.m.

Pattie Johnson
Council Office Administrator III