



**MURRAY CITY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE**

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, October 5, 2010, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Jeff Dredge	Council Chairman
Darren V. Stam	Council Vice Chairman
Jim Brass	Council Member
Jared A. Shaver	Council Member
Krista Dunn	Council Member

Others in Attendance:

Daniel Snarr	Mayor
Jan Wells	Mayor's Chief of Staff
Frank Nakamura	City Attorney
Michael D. Wagstaff	Council Executive Director
Janet M. Lopez	Council Office
Danny Astill	Public Services
Anne vonWeller	Public Services
Blaine Haacke	Power
Zachery Fountain	Mayor's Office
Jennifer Brass	Citizen
David Carpenter	MIS
Steve Jones	Hansen, Allen & Luce
Doug Hill	Public Service Director
Shaun Pigott	S. Pigott Associates

Chairman Dredge called the meeting to order at 5:02 p.m. and welcomed those in attendance.

Business Item #1 - Waste Water Rate Study, Doug Hill and Shaun

Pigott

Mr. Hill informed the group that Shaun Pigott had recently consulted the City on a waste water rate study. He has completed a number of rate studies in the past for Murray. Additionally, he was instrumental in helping to put together the storm water utility several years ago. The waste water master plan was recently updated with several projects identified. A number of these projects are urgent, specifically the State Street sewer line project. With new restaurant facilities at Fashion Place Mall the sewer

flow is impacted. Within the next year, or so, that line needs to be improved, along with some other lines identified in the master plan. This led to the rate study in order to be prepared to finance these projects.

Mr. Hill introduced his staff: Anne vonWeller and Danny Astill, and mentioned that Steve Jones would be in attendance to answer questions related to the Waste Water Master Plan.

Mr. Hill explained that the rate study details would be presented, and he would like to answer questions and receive input that evening. At the following Council Meeting on October 19, 2010, the rate study would be on the agenda for consideration, and, if adopted, would go into effect on November first. He said that it is an aggressive schedule, however, with the necessity for bonding, the rates need to be instituted right away. Rates always go into effect on November first of each year, the reason for fast tracking this issue.

Mr. Pigott stated that he would go through the most important points from the rate study and impact fee update, which was completed over the last two months. Additionally, he has provided an actual model for future scenarios of "what if" situations. Mr. Pigott said that the utility is in very good financial health. It is well run and operated with important decisions incrementally over the years, so that large fee increases are not necessary.

The current sewer rate is based on two tiers. One is the base charge, which is \$6.13 for a typical single family home, and a flow rate measured in hundred cubic feet (Hcf), which is \$1.82. That translates to about \$25.88 per month for a single family consumer. This is very competitive with other utilities along the Wasatch Front.

The number of accounts:

- 962 Commercial (11%)
- 7,968 Residential (89%)
- 8,930 total

Overall rate revenue:

- \$953,939 Commercial (28%)
- \$2,466,070 Residential (72%)
- \$3,420,009 Total

Overall rate revenue:

- \$646,931 Base (19%)
- \$2,773,078 Flow (81%)
- \$3,420,009 Total

Looking at these numbers as a business model, there is much volatility in the revenue because much of it depends upon how much is actually consumed. People are

paying for what they are using, Mr. Pigott remarked.

The total wastewater annual revenues:

- Service charges of \$3,460,438
- Connection fees of \$4,000
- Impact fees of \$30,000
- Interest revenue \$3,000
- \$3,497,438 total revenue from the utility

Total wastewater annual expenses:

- Operations and maintenance \$1,075,742
- Administration and City Hall reimbursement \$1,044,996
- Central Valley O&M \$1,376,700
- \$3,497,438 total expenses

Mr. Pigott pointed out that it is important to know what an EDU is and how many of them exist. EDU stands for equivalent dwelling units, like single family residences. The accounting shows the following information:

- Residential flow revenue \$1,888,433 annually
- The cost per Hcf is \$1.82
- Annual Hcf billed was 1,037,600
- This makes the average consumption or use 10.85 per month
- Total residential EDUs are 7,968

In sewer business, the goal is to measure how much flow is going to the treatment plant. This is based on winter average consumption, therefore, eliminating the irrigation usage in the summer.

The commercial side shows the following:

- Commercial flow revenue \$884,645
- Cost per Hcf is \$1.82
- Annual Hcf billed is 486,068
- $486,068 / 10.85 / 12$ equals 3,733 commercial EDUs

The makes the total number of equivalent dwelling units 11,701. This number will be important in future calculations.

Discussing the budget and capital cost assumptions, Mr. Pigott stated that the City sewer utility has two outstanding bonds.

- Water & Sewer Revenue Bond Series October 15, 2003 - This is currently paid out of the Administrative and City Hall reimbursement, therefore, it is covered.

- Principal \$130,941
- Interest \$111,861
- Total \$242,802

- Central Valley Bond Payment, which extends to 2025 - This is paid for under the Central Valley O&M in the budget.
 - Principal \$148,130
 - Interest \$86,805
 - Total \$234,935

The City also has expenses of:

- Central Valley Monthly costs of \$72,121 - Reflected in Central Valley O&M.
- Central Valley Revised Capital Projects - The total escalated costs are \$12,152,068, which goes through 2016. Murray's portion of that is only 10.22% based on the bond payment allocation. These costs are cash funded and not part of the financing strategy that will be discussed later.
- Minimum Fund Balance Currently Maintained at \$825,000 - This is a significant amount giving the City lots of flexibility. The forecast has mimicked that amount. This serves as a rainy day fund for the City's own collection system, but also, for the Central Valley Facility. Additionally, this serves as a pledge against existing bonds.
- Sewer Line Up sizing/Replacement Projects
 - \$1,945,802 escalated over a 12-year construction period - These were identified in the master plan as pieces of the collection system that need up sizing or replacement
 - Cash funded
 - Evenly distributed over the 12 years
 - Larry H. Miller replacement project was included in these projects, however, it is now one of the three major Master Plan updates.
- Target: Debt Fund in 2012 the Three Highest Priority Master Plan Projects along with the State Street Replacement Project

Mr. Pigott outlined the overall Capital Improvement Plan (CIP) from the 2009 Wastewater Collection System Master Plan with a total cost of \$5.2 million. Projects one, two, and three needed to be completed quickly, in a three to five-year period. The

other projects could be deferred, however, the department wanted to begin the replacement project sequence no later than 2014.

1. Bypass Sewer - State Street from 5770 S. to Umbra Lane - \$564,000.
2. Up sizing - State Street from 6100 S. to 5770 S. - \$714,000.
3. Up sizing - Edison Ave. from State Street to Main Street - \$265,000
4. Relaying and Up sizing - Riverside Pump Station - \$983,000
5. Up sizing - 300 W. from 5800 S. to 5600 S. - \$503,000
6. Sewer Replacement Projects - \$2,168,020

The model allows the City to do some “what if” scenarios as to rate impacts, and planning the impacts so there will be a reasonable cash flow requirement through the forecast period.

The projects that are being proposed for bonding include:

1. Bypass Sewer - State Street from 5770 S. to Umbra Lane - \$564,000.
2. Up sizing - State Street from 6100 S. to 5770 S. - \$714,000.
3. Up sizing - Edison Ave. from State Street to Main Street - \$265,000
4. Sewer Replacement - State Street - \$706,225

These projects total \$2.25 million. Cash financing would require about a 40% rate increase, whereas, bonding becomes more affordable. Everyone has a different philosophy about borrowing. There has never been a more favorable borrowing situation, especially with Murray’s rating, credit history, and operations of the utilities. Mr. Pigott feels this is a viable option that needs consideration.

The bond option is for a 20-year revenue bond, with an interest rate of 4.75%. The coverage factor of 1.2% demonstrates that the City collects revenues over and above what is needed for operations and payments on the bond. Additionally, there is an issuance cost of 1%, which is factored in the borrowed funds.

The proposal, Mr. Pigott explained, is to issue one bond in fiscal year 2011 and maintain the fund balance at \$825,000.

The escalated costs for the bond-funded projects are about \$2.38 million. The numbers have been inflated because the estimates are about two years old now. (The four targeted projects are detailed above.)

Murray has scheduled rate increases over a five-year period by ordinance. Currently, there is a scheduled increase of 4% on November 1, 2010. The rate and revenue requirements will be as follows:

- Immediate increase of 6.15% (2.15% more than planned)
- November 1, 2011 increase 3.03%

- November 1, 2012 increase 3.62%
- November 1, 2013 increase 3.20%
- November 1, 2014 increase 6.32% - This spike would be due to Murray's share of the Central Valley composting facility, and would be paid out of cash.

Mr. Brass commented that making improvements now, or when the bond is available, would allow the City to take advantage of the low interest rates and a favorable bid environment.

Mr. Pigott mentioned that this is the forecast the City is looking at. In terms of rates, currently, for a single family home the rate is about \$25,88 per month. Effective November 1, 2010, with a 6.51%, the rate would increase to \$27.47.

By comparison to other communities, South Salt Lake is about \$35,81, West Valley City is about \$34, South Jordan is about \$26.37, and Taylorsville/Bennion charges O&M of \$13 and an additional \$10 to \$12. Some cities charge O&M through monthly fees and also a property tax.

Ms. Dunn asked if any communities are raising rates. Mr. Astill responded that two Central Valley cities are raising rates, and some had significant increases two years before.

Mr. Pigott addressed the impact fees for sewer stating that the current amount is about \$1,800 per EDU. Part of his study has rebench-marked that fee. There are two components to an impact fee under Utah law. One, is a buy-in to an existing facility, and the capacity represented by that facility (compensation for the investment other folks have already made). One would try to isolate the original investment less depreciation or book value of the assets. There is about \$7.5 million in depreciated assets in the ground now. Original costs would be significantly higher. There is also Central Valley and Murray's percentage of the investment made in that facility. That amounts to about \$97.8 million total, and Murray's share is about 10%, \$9.7 million. The debits are what remains on the outstanding bonds. Murray's share is about \$2.4 million. This is the amount that can be legitimately recovered in impact fees.

The denominator is what the law requires as available capacity to new connections. This is computed mathematically by estimating the total number of EDUs existing and future. Based on growth projection that number is about 12,928 EDU.

The calculation takes the value of available capacity of \$11,831,732 divided by 12,928 EDUs, giving a reimbursement fee of \$915 per EDU. This is the amount to buy-in to the existing capacity available.

The second part of the equation is future improvements. This gets into the master plan. Each of the projects was evaluated in the context of what will repair an existing problem, versus what will add capacity. The adding capacity costs will be

isolated in this situation. Those costs are about \$560,000 to add future demand by growth. Also, how many additional EDUs will be served. That is about 1,227 EDUs.

Because Murray is virtually built out already, much of this growth is in redevelopment. Based on that, growth is only about 1,227 EDUs. This is consistent with the assumptions in the master plan.

Council members questioned that low number of additional EDUs. Mr. Dredge pointed out that much of the scheduled growth is from higher density in redevelopment. Ms. Dunn added that in some places 600 housing units are being constructed in an area that currently has an old warehouse.

Mr. Hill suggested that Steve Jones from Hansen, Allen, and Luce could address this question. Mr. Hill stated that the higher density was taken into consideration when the master plan was conceived. Mr. Jones explained that the overlay area with higher density was figured for Fireclay and the Murray downtown. Sometimes the apartment does not equal the average for EDUs. A single family dwelling may have seven people living in it, while an apartment may have one, Mr. Shaver offered. Ms. vonWeller further noted that in the higher density areas, there would not be usage for a lot of landscaping.

Mr. Pigott indicated that the current impact fee per EDU is \$1,840, for a one inch meter. Impact fees do increase depending on the flow. This is translated into flow factors and meter equivalency, which is how the impact fee is computed. What can change is the calculation of the revised impact fee. The new fee computes to \$1,372 per EDU, which is about a 25% reduction. This is in large part related to a very reasonable master plan, capital costs and the cost of growth. It indicates a legitimate impact fee for the sewer program.

The rates will increase some, while the impact fees decrease. Mr. Hill reminded the group that impact fees only amounts to about \$30,000 per year of revenue, therefore, this reduction will not impact the utility much at all.

Mr. Shaver commented that it is interesting that the sewer fees are based on what goes through the pipe, not what comes out. Mr. Hill said that the City does not have the ability to measure the sewer coming out. Mr. Jones stated that during the master plan process, what went into the property for water use was compared with what was metered, and with metering at Central Valley. These three numbers matched very closely.

Mr. Hill explained that at the next Council meeting he will present the new five-year rate plan to the Council for consideration, which will replace the remaining two years of the existing rate schedule.

Business Item #2 - Committee and Board Reports

Intermountain Power Agency (IPA) - Blaine Haacke Mr. Haacke mentioned that he is on the IPA Coordinating Committee based on Murray's 4% entitlement in the plant. Chair Ray Farrell, who was a pioneer in municipal power, passed away. He was involved since the beginning of the plant, even back to the Colorado River Storage Project (CRSP) signing in the 1970s. Ted Olsen, from Ephraim, was named the new chair. He is also on the UAMPS board.

Murray has been invited to participate in quarterly coordinating committee meetings. Two are held in Utah, one in California, and one in Las Vegas. That committee is looking at options for the year 2027 when the IPA contracts expire. Currently, Murray has 72 MW of power entitlement, which we can choose to use or sell to Californian entities. Every six months the City researches whether it will exercise a call back.

California is under mandates to maintain a specific amount of renewable resources, and by the year 2027 they must rid themselves of all coal generated power. This committee is making suggestions for the IPA plant at that time. Some of the options include:

- Re-powering one of the two units to natural gas. (The response is why do away with a good coal fired plant.)
- Utah would utilize the coal fired power and California the natural gas
- Putting renewable energy on the IPA site so California can get their solar, and wind using transmission from the plant to California.
- Shut one unit down.
- Reduce entire plant capacity to 70-80%, which would reduce the carbon output, but the cost would go up.
- Hope that some cooler heads prevail politically, so that legislation on cap and trade, and carbon emissions are backed off.
- Sequester or capture the carbon coming out of the stacks and locate it underground or control it by some other method.

Very often it comes down to Utahans against Californians. Utah has control of the board, however, LADWP owns 48% of the plant and they usually get what they want. The California senate failed to pass a critical RPS standard last week, therefore, concern has diminished temporarily. The negotiations to sell some of Murray's landfill energy to California stalled due to this.

Mr. Brass mentioned the California directive to use renewable power only generated internally. Mr. Haacke confirmed that, however, he said it is a split between use of 50% internal generation and 50% from outside the state. This means that the millions of dollars spent on wind generation in Milford could be legislated out of their portfolios. Utah does own the transmission equipment, therefore, there will be negotiations on transmission.

Mayor Snarr asked if Rocky Mountain Power has an interest in these issues. Mr.

Haacke responded that Rocky Mountain has coal fired power, and not many people are buying. It has 4% entitlement, like Murray. Rocky Mountain has a clause in their contract which requires that it vote the same as LA.

Utah Associated Municipal Power Systems (UAMPS) - Blaine Haacke

UAMPS is continuing to market the wind power in Idaho Falls. They need 100 MW of subscriptions and only 56 MW have been committed thus far. Construction is going to continue, and the price for Murray, should the City commit, would be about \$80/MWh. This compares to hydro costs of \$30, Hunter and San Juan at about \$50, and the landfill is \$60. It would be quite expensive, even though there are green tags (RECs) involved. He does not feel there is enough of a value to add it to our portfolio. Murray is not considering this option.

Murray wants to comply with a voluntary renewable level of 20% by the year 2020. We currently have 17-18%, and there are ten years to gain 3% more. RECs could be purchased if necessary.

Mr. Brass commented that he has studied the power graphs from this wind resource. The wind power generated in Idaho shows wind increasing when usage goes into low-load hours, and decreases during high-load hours. This is expensive power during hours when it is not needed. Mr. Haacke stated that January through March are the best months when power demands are low. The project is rated at 33%, meaning it is "on" 33% of the time. The probability is, P50, meaning there is a 50% chance that it will be 33% on. The Spanish Fork wind farm was also rated P50, although, historically it gets P20 of 33% on. Mr. Haacke reiterated that this is not a good fit for Murray.

UAMPS is studying a 5-MW waste heat project west of Fillmore. Waste heat will be taken from a gas compressor station on the Current River pipeline. The heat is dissipating into the atmosphere, and the idea is that a turban can be added for generation. Murray may want to participate in this, with a possibility of other waste heat resources around the state. It is around the clock generation, with RECs attached, and will be about \$70/MWh. Murray is included in the study phase with UAMPS, which amounts to \$2,000 per year. It will produce about a 700-kW interest for Murray.

Craig-Mona is a transmission line Murray has an interest in, which runs from Craig, Colorado to Mona, Utah. Energy was brought in from Colorado on that line for several years. It has probably more than paid for itself. In the last seven to eight years it has been less expensive to purchase energy from the wholesale market on this side of the Rocky Mountains than to bring it in from Colorado. It has been rented out to Rocky Mountain Power, until last year, which netted about \$4,000 per month. The lease has run out, and the transmission line is unused, costing Murray about \$15,000/month. St. George is also hurt by this at about \$40,000/month. We are pressing UAMPS to find a buyer for this line. We are willing to cut the transmission rates to get anything on it, and Mr. Haacke wanted the Council to be aware of this situation.

The IPA call-back for Murray is only 500 kW for this winter. There are very

competitive prices on the wholesale market, therefore, that is the reason for a low call-back. Unit one will be down for about six weeks for a major overhaul. That makes the resource cost in the \$70 range. The second unit will be overhauled after the first one is complete. We are hoping that will not run into the summer months.

Lastly, Mr. Haacke mentioned the Truckee-Donner agreement, with escape clauses if necessary, to sell energy and RECs at an anticipated revenue of about \$350,000 to \$450,000 per year.

Mr. Brass mentioned a visit to the first Salt Lake County landfill, where all the engines have been overhauled. Even with that the availability of the plant is 99%, therefore, it has turned out to be a great deal. That one is bare bones in comparison to the TransJordan plant.

TransJordan Cities - Anne vonWeller Ms. VonWeller stated that disposing of e-waste has become a big trend. The legislature is talking about charging a disposal fee on manufacturers to create a fund for e-waste disposal. Now Sandy will accept e-waste and Murray sends people there. They have two full time people to monitor it, whereas, Murray does not.

TransJordan is doing a green waste cost benefit analysis to accelerate and give incentives in order to preserve capacity at the landfill. It turns out to be very complicated to know the value of capacity. Additionally, green waste makes good methane for electricity.

South Valley Sewer District has approached TransJordan regarding partnering on composting operations. Now composting is done on green waste only, no bio-solid component is in it. With South Valley the bio-solid waste is included giving a more valuable product. They are proposing a plant that is completely inside, capturing all the methane. Central Valley already does this.

Cell number five is under design, the permitting process has begun, and construction is anticipated for 2012. The permit process is fairly lengthy. Last year cell three was capped, cell four is up now, and cell five would be the largest. It is possible to go deeper with better ground at that location.

Ms. vonWeller commented that the RFP for waste collection had been opened. She has a good idea who will get the contract, although, all the bids involve substantial increases. There will be a presentation to the Council on that soon to review the costs.

Council of Governments - Jan Wells One item of business was a discussion on the legislation relating to e-scrap. Most of the cities and the county are supporting it, and she feels Murray will, also.

Mayor Cullimore is the chairman of the TRAC committee, which stands for Tourist Recreation and Culture. This committee takes care of funding that comes

through that organization. He reported that funding is flat, however, in four years bonds will begin to pay off on some of the buildings that were built, and at that point there will be some growth in the available funds.

The October meeting will address projects for the next STIP (Statewide Transportation Improvement Plan). Murray will try to get the Vine Street project from 900 East to Van Winkle funded. The City has requested this in the past, however, now we would like to push it forward. A UTA update will be given, and Ms. Wells feels the \$8 million grant for bus maintenance from the federal government will be discussed.

UTOPIA - Jeff Dredge Final discussions relating to Board membership in UTOPIA and UIA are taking place. The feasibility study would be completed for distribution the following day. Meetings to review the feasibility study and model will be put together with Council members and UIA staff. UIA would like a decision on this by October 19. Some of the UTOPIA members are leaving the board to serve on UIA and Murray has been asked to serve on the Executive Board.

Valley Emergency Communications Center (VECC) - Darren Stam Mr. Stam gave some history regarding the formation of VECC 12 years ago. At that time Unified was scheduled to become part of VECC, however, they did not join. Recently, some communities have resisted paying 911 funds to VECC because they have to pay Unified for the same services. This has caused some problems. The state legislature has allocated money for a study, and there was a vote at VECC to send a letter of support for the study in the valley, only if all three agencies concurred on the letter. That would include Salt Lake City, Unified and VECC. The hope is that the study will not be slanted toward any one entity. Still ongoing is the discussion on who will abide by the recommendations in the letter.

Central Valley Water - Jim Brass Mr. Brass stated that Central Valley is trying to finalize the budget. They have proposed a 2% merit increase for employees and a 4% increase in health insurance. Mr. Brass questions this because the member cities have not been able to give increases due to revenue shortfalls. If the budget is approved, Murray will have to make it up from its fees.

The state government is beginning to look at nutrients entering rivers, streams, and lakes. It is essentially fertilizer run off from homes and farms. There was a power point presentation that Mr. Brass distributed to all Council Members and it showed the impact on rates as it affects Murray. It looks like there could be a significant increase, depending on the level of removal of potassium and nitrates. It is still being considered. Some of the goals are worthy. It prevents algae build up in waterways, which creates issues for fish and wild life. We will keep an eye on how that progresses.

Association of Municipal Councils - Jim Brass Mr. Brass indicated that he had sent out notes from this meeting to Council Members and reminded them that the meeting was essentially a discussion of transit oriented development. Envision Utah presented their ideas, which Murray has used as a model for its own ordinances.

Legislative Policy Committee - Zachery Fountain The last meeting consisted of discussions regarding the direction of the legislature in the next session. Prior to that a number of legislative initiatives were presented for discussion.

Alcohol reform - There is an initiative to convert 48 licenses from bar to general restaurant, which is being pushed by commercial developers, as a way to get external restaurant groups into Utah.

Election issues - Whether or not municipalities should be involved in the administration of election processes is the issue here, Mr. Fountain expressed. The option would be to turn everything over to counties for administrative costs. This has stalled at the legislature.

Water - The role of the state engineer is the issue on water. The water licensing process and converting water rights were discussed. The state engineer has been administratively forfeiting any changes, which has been taking four to sixteen years to process. If one wants to change water use from agricultural to some other form, the state engineer has unilateral authority to direct what he thinks should happen. If one has 100%, he may allow only get 43%, and the rest would automatically go to special service districts. There is an attempt to limit how the engineer evaluates the process, to make sure it is fair and expedited.

Billboards - Mr. Fountain said that an update on billboards was given and there seems to be an easing of hostility with the billboard industry for the next session. Both sides have agreed to refrain from antagonism, and work through interim meetings to build a property rights coalition relationship to address their concerns on local issues.

Impact Fee re codification - This will lay out the process clearly for all involved to streamline the procedures.

Immigration - No specifics were discussed on this matter, as a large focus will be on this topic in the next legislative session.

Library Board - Jared Shaver Everyone is aware of the changes with fee increases, which were approved in a Council meeting.

In August, the Board held a special meeting to discuss reporting and the library structure. The Board feels that because the Director is hired by the Library Board, he should represent them, however, the Board Chair should represent them at Council reporting sessions, and in the Mayor's office. This creates some structural differences, and affects ordinances, which the Board is currently reviewing. There is no consensus yet, although, the Board does not see the purpose of having a Council representative on the Library Board. These matters will come forward in the future.

Library usage is up consistently 11-12% on a monthly basis. This is on both electronic media, print materials, and books on CD.

Murray Power - Blaine Haacke Mr. Haacke asked for additional time to address communication between UAMPS and the City. They would like to streamline information exchange. Ms. Dunn and Mr. Shaver asked for the concise “blue sheet” that is printed, along with the agenda and results. Ms. Dunn mentioned a desire to get those reports electronically.

Mr. Haacke said that he will request that Mr. Farnsworth, Ms. Wells and Mr. Wagstaff receive everything and the others, just that information requested.

There being no other business, Mr. Dredge adjourned the meeting at 6:22 p.m.

Janet M. Lopez
Council Office Administrator