

KAYSVILLE CITY COUNCIL
WORK SESSION
March 29, 2024

Minutes of a special Kaysville City Council work session held on Friday, March 29, 2024 beginning at 8:00 a.m. in Kaysville City Hall at 23 East Center Street, Kaysville, UT.

Council Members present: Mayor Tamara Tran, Council Member John Swan Adams, Council Member Mike Blackham, Council Member Abbigayle Hunt, Council Member Nate Jackson

Excused: Council Member Perry Oaks

Staff Present: City Manager Jaysen Christensen, Finance Director Dean Storey, Assistant Finance Director Levi Ball, City Recorder Annemarie Plaizier, Power Director Brian Johnson

OPENING

Mayor Tran opened the work session and welcomed everyone present.

REVIEW AND DISCUSSION OF THE TENTATIVE FY 2025 BUDGET IN REGARDS TO CITY BUILDINGS AND PARK IMPROVEMENTS

City Manager Jaysen Christensen reviewed the upcoming budget schedule for Fiscal Year 2025, noting that the next budget work session is planned for April 12. However, he stated that Staff feels the council will need an additional work session following that meeting. Mr. Christensen suggested holding a work session during the last week of April. The city council discussed the possibility of holding another work session on Wednesday, April 24.

Finance Director Dean Storey explained that this year's budget review process is being conducted differently, with multiple work sessions focusing on specific areas of the budget. Today's session will concentrate on reviewing the capital projects and infrastructure planned for the power department.

Assistant Finance Director Levi Ball presented projections of the Power Department's capital needs, comparing them with the current budget and highlighting adjustments made by the Power Department Director, Brian Johnson. Some items from previous years were struck through, indicating a reassessment of priorities.

Power Department Director Brian Johnson elaborated on these changes, stating that the suggested revisions were based on the department's evolving needs, as well as the need to prioritize spending on two substations due to increased prices and altered load distribution within the power system resulting from increased demand from new construction in the city. He clarified that changes in load management had relieved some strain on the power system, reducing the immediate urgency for certain repairs. However, it is important that these issues be addressed for the future. Mr. Johnson highlighted concerns about aging infrastructure, specifically mentioning primary direct bury lines, which are wires buried directly in the ground. He is worried about these lines as they

are now fifty to sixty years old and showing signs of wear with increasingly frequent burnups. He elaborated on the process of identifying faults in these lines using specialized equipment and explained the steps involved in making repairs.

Levi Ball recalled that in the previous year, \$2.6 million from the fund balance was used to cover expenses in the power department.

Dean Storey clarified that the power fund operates separately from the general fund and is sustained by retained earnings or fund balance, with unspent funds rolling over to the next fiscal year for future use.

Brian Johnson mentioned the procurement of a derrick truck costing just under \$450,000, stating that it was ordered but he was told not to expect it for another three to five years, which is when the city will be expected to pay for it. Because of this, the budget allocation for the truck has been delayed for another few years until production of the truck has commenced.

Dean Storey contrasted this situation with the procurement of a firetruck, highlighting the difference that while they had to prepay for the firetruck, they still had not received it.

Levi Ball highlighted the main items in the budget projection, specifically focusing on two substations, Schick and Burton, which are highlighted in blue as they are impact fee eligible. He also mentioned the omission of any allocation for the ops center, following up on previous discussions where the Council's discussion has shifted more towards the building of a power building.

Council Member Jackson raised a question about the striking out of certain items in the budget, asking if it was a conservative approach or just removing items from a wish list.

Brian Johnson clarified that while some items may seem like wish list items, they are necessary to prevent future power problems.

Council Member Jackson asked about the priority of projects within the struck-out items.

Brian Johnson mentioned that the boring of the conduit rebuild for the 2400-volt system would be considered a priority as it would greatly mitigate power issues and frustrations.

Council Member Jackson expressed concern about the creation of unforeseen problems and expenses by postponing certain budget items.

Brian Johnson said that additional funds have been allocated in the general maintenance fund within the power budget to cover maintenance of lines and address equipment failures. He emphasized that these funds have been consistently included in previous budgets and will provide financial coverage for any unexpected issues, such as equipment failures or burnt-up wires.

Levi Ball added that several budgeted items that had been included in the budget were for upsizing wire due to power load considerations, which may no longer be as urgent with the introduction of new substations.

Brian Johnson said that while the new substations will enhance the need for upgrades in some areas, it will also alleviate load pressures in other areas depending on how power is redirected. There is a lot of load shifting as property is developed and new buildings are built. Larger developments and businesses will have a much larger impact on power load distribution. As they are built, staff will have to figure out how to share the load between substations accordingly.

Council Member Hunt asked for clarification regarding the impact on power load distribution once the substations are completed.

Brian Johnson explained that while some load may return to its previous state, it will still be less overall due to changes in the system. He highlighted areas like Burton and Sunset, where load priorities may shift, necessitating mitigation measures in the future. Immediate expenses related to power load changes won't resurface right away, which will allow for some financial flexibility. Mr. Johnson also mentioned potential future expenses related to electric vehicle charging stations and other unforeseen loads, which are constantly monitored by their substation technician, Greg Remington, to ensure system stability amidst evolving demands.

Council Member Blackham raised why financial projections for a power building had not been included in the budget.

Dean Storey responded, stating that they do not have enough building details about a power building to determine the potential cost but they hoped to have a rough estimate in the coming weeks. He explained that initially, there had been consideration for combining Public Works and Power into one building, but city staff is now leaning towards proposing separate facilities for flexibility in financing.

Council Member Jackson inquired about the possibility of building an addition onto the current building to save on costs.

Dean Storey confirmed the feasibility of an addition, but emphasized that such additions would be considered as brand new items for budgeting purposes. He also clarified the distinction between capital items and ongoing maintenance expenses covered by the power-operating budget. Impact fees are collected at the issuance of building permits to help cover costs for capacity improvements to our infrastructure. Mr. Storey mentioned the availability of using funds from impact fees towards a new building or addition. However, there is only about a quarter the current power reserve funds that would be available to spend.

Council Member Blackham suggesting allocating funds annually to build up a reserve for future construction.

Dean Storey discussed the significant impact of power costs on the city's expenses, highlighting their reliance on UAMPS for power procurement. He presented a slide showing the costs incurred in FY 2022 each month through current 2024, noting that certain months saw higher costs due to various factors such as outages at facilities like the Nebo power plant. Mr. Storey mentioned that while costs have softened recently, projections for the current month, and future months, remain uncertain. He explained that UAMPS estimates future costs based on historical load data and resource availability, adjusting for seasonal variations in power consumption.

Brian Johnson added that power procurement varies depending on peak and off-peak months, with UAMPS factoring in resource usage percentages to predict future expenditures for the city.

Dean Storey pointed out in the overview of the city's projected costs from UAMPS for FY 2024 that the city is nearing budget projections. However, we will still be short \$400,000 by the end of the year. While we are not yet back to power costs in 2022, we are approaching similar numbers of those of 2023. Mr. Storey emphasized the importance of forecasting future costs and anticipated additional expenses for power.

Council Member Jackson inquired about the accuracy of UAMPS' projections.

Brian Johnson responded that they were generally close to the mark. Mr. Johnson explained that the city's power budgets are based on UAMPS projections, with some padding added for insurance purposes.

Council Member Blackham added that historically, UAMPS projections tended to be 20 to 25% higher than the previous year's costs, which would bring the figures closer to \$12,900,000.

Council Member Jackson inquired about potential disruptions similar to last year's outage at the Nebo power plant.

Brian Johnson responded that while unforeseen events are always a possibility, current challenges with power primarily revolve around coal availability and rising prices. He explained that Hunter, a power plant running on coal located in Emery County near Castledale, is operating at partial capacity due to difficulties in sourcing coal and increased costs. Additionally, maintenance issues at Hunter have necessitated significant repairs, adding to operational challenges. Mr. Johnson noted fluctuations in gas prices but mentioned that some resources have been secured under contracts to stabilize operations.

Dean Storey emphasized that each city that is part of UAMPS is unique in their own way and have their own varying power resources. He pointed out that entities like Logan and Bountiful have hydro or generating facilities, providing them with more flexibility compared to Kaysville, which relies heavily on UAMPS due to its limited resource options.

Council Member Jackson inquired about the city's considerations regarding a generation facility.

Brian Johnson explained that staff has been exploring a couple options: substation batteries and gas generation. He elaborated on the battery option, mentioning that while it involves charging batteries during off-peak hours and using them during peak hours, the high cost and limited lifespan of batteries pose challenges. Mr. Johnson discussed the gas generation alternative, noting recent discussions with Wheeler. He highlighted the city's heavy reliance on Nebo for power and the potential risks associated with this dependence. He emphasized the importance of diversifying the city's power sources to mitigate such risks, acknowledging that gas generation alone may not address this concern.

Council Member Blackham asked about the Nebo power plant.

Brian Johnson said that the Nebo power plant runs solely on natural gas. Mr. Johnson provided

further details on the recommendation from their recent study regarding creating gas generation for the city. He explained that the recommendation suggested that the city would effectively utilize only 5 megawatts of generation capacity. Mr. Johnson outlined the calculation of effective usage hours based on historical data, noting that it would have only been efficient to use their own generation for approximately 2200 hours in the past year. He further explained the factors considered in the analysis, such as peak hours and market prices. Mr. Johnson mentioned that the estimated cost for the entire gas generation facility, including equipment and construction, would amount to \$11,000,000.

Council Member Blackham mentioned previous practices within Kaysville Power of purchasing power from the power pool at low rates.

Dean Storey explained that purchasing power through open market sources is no longer permitted, and UAMPS now manages this type of scheduling through their dispatch office.

Council Member Jackson inquired about the size and location of the gas generation facility in relation to the ops center.

Brian Johnson specified that the generation facility must be adjacent to a substation.

Council Member Jackson asked about the benefits of having generators, beyond having diverse power resources.

Brian Johnson responded that it would provide potential for lower fixed power rates. He elaborated on the cost projections for a generator. Mr. Johnson emphasized the potential payoff of utilizing the city's own generation and acknowledged that further exploration would be necessary to determine additional costs to have a generator, such as connecting to Dominion Energy and securing necessary permits.

Dean Storey inquired about the feasibility of turning the project into a power pool with the city's own generation.

Brian Johnson explained that while some cities are pursuing this approach where UAMPS would have a contract with the city, and then if they needed additional power resources they would pay the city to draw on the power pool. However, Kaysville currently lacks the right power feed infrastructure to be able to do that.

Council Member Blackham raised the possibility of contracting with entities like Lagoon or Bountiful to purchase excess power generated by their facilities.

Brian Johnson explained that while feeding back excess power to other entities is a possibility, it would be overseen by UAMPS. UAMPS manages the process, coordinating the distribution of power to other municipalities or resources in need. Mr. Johnson noted that while there may be a kickback from this arrangement, the logistics of such a small-scale generation, which is what Kaysville Power would have, would need further discussion and clarification from relevant parties.

Mayor Tran suggested the need for increasing power rates, which Brian Johnson affirmed.

Council Member Hunt recalled past discussions about nuclear energy projects in Idaho and inquired about their potential benefits.

Brian Johnson clarified that the project is no longer an option, citing that the company proposing the project ran into difficulties in garnering support, financing, and meeting regulatory requirements.

Council Member Hunt proposed exploring the possibility of generating power from city water lines, similar to Bountiful's hydroelectric generation from a dam.

Brian Johnson acknowledged the idea, mentioning previous inquiries into the feasibility of such a project. He explained that implementing hydro turbines in the water pipes would require significant investment and infrastructure modifications but concluded that it was not practical due to insufficient constant flow and challenges in distributing the generated power back to substations.

Dean Storey presented slides showing projected power costs for the remainder of FY 2024 and 2025 per kWh based on UAMPS data, indicating an 18% increase from 2022 levels, resulting in approximately \$0.085 per kWh for the next year. He clarified current residential power rates, highlighting a customer service charge of \$9 and a tiered structure with the first block of 1000 kWh priced at \$0.09. The city is paying \$0.08 per kWh for power, and residents are only paying \$0.09, which does not give the city much of a margin in our power budget to do anything but just purchase power. A power rate increase is needed to cover additional operational and maintenance costs.

Council Member Blackham asked about the average monthly power usage for a residential home.

Brian Johnson responded that it is approximately 983 kWh per month.

Dean Storey explained that most residential homes fall within the first tier of our power rate structure. Mr. Storey presented a rate comparison of the annual costs from different cities near Kaysville that also provide power. He explained that every other city they compared rates with had a winter rate and a summer rate, with the exception of Bountiful City, which has one rate. Kaysville is the only city that has the first power tier set at first 1,000 kWh. Most have their first rate set at 400 kWh, and their rates varied. Mr. Storey said that there is a need for the city to review our power tier rate structure and its effectiveness.

Mayor Tran queried the average cost per house per month, leading to a discussion on summer and winter rates and their implications for household costs.

Dean Storey discussed the power fund's cash reserve policy, adopted in 2014, which consists of three components: operating reserve, capital reserve, and utility rate stabilization. For the power operating reserve, we need to have enough funds reserved for 180 days of prior year operating expenses, which amounts to \$7,597,802 at this time. For the capital reserve, there needs to be a contingency for power's largest system capital component, so if a substation were to go down there would be monies available to meet that need. There also needs to be funds in reserve for rate stabilization, which amounts to 10% of prior year resource costs. Based off data from 2022, it is estimated that there needs to be about \$9.7 million in cash reserves in the power fund. Mr. Storey also mentioned a retention fund balance with UAMPS, suggesting that it could replace the need

for a portion of the cash reserve.

Levi Ball presented a slide showing the current cash balance in the power fund and projected balances, factoring in operational expenses, capital purchases, and other financial considerations. The projections indicated a potential shortfall below the desired reserve level.

Council Member Blackham inquired about if consideration had been made of the revenue coming into the power fund.

Levi Ball said that there was a \$1.4 million loss in operating activities in FY 2023. However, 2023 was kind of an anomaly. Historically, the city has seen a positive balance generated from operating activities at the end of the year of about \$200,000. It is estimated that we will see a positive revenue from operating activities of about \$250,000 in FY 2024. We have also taken into account the revenue that comes in through extension fees, impact fees, and interest income.

Council Member Adams raised questions about impact fees and their potential impact on the city's budget in the future, particularly in light of large projects like the development that was approved for Phil Holland off 400 West.

Dean Storey explained that impact fees typically cover the cost of extending services to new developments, thus mitigating the immediate financial burden on the city. The decrease in projected impact fee revenue, as being shown in the budget, was attributed to the city issuing fewer building permits. People are not building as they used to, and we do not foresee that changing anytime in the near future.

Levi Ball noted that the current year's impact fee revenue had slowed compared to previous years.

Dean Storey presented considerations for potential changes to the city's power rates and customer service charge. He suggested modifications to the rate tier structure, with a possible decrease to 400 kWh on the first tier and an increase in the customer service charge, possibly to \$10 or \$12 per month. Mr. Storey provided comparisons of customer service charges from other cities, noting that Lehi was planning to increase theirs to \$13 in the upcoming year.

Council Member Adams highlighted the significant impact of each dollar increase in the customer service charge, amounting to \$120,000 per year for every dollar increase.

Jaysen Christensen and Brian Johnson expressed concerns about the lack of business for the Power Commission to discuss, suggesting that it might be more efficient for the council to handle power-related matters directly. They proposed revising the code to allow for more flexibility in the commission's meetings, possibly meeting as needed or annually instead of quarterly.

The city council discussed the effectiveness and necessity of the city's Power Commission. Some council members, like Mayor Tran and Council Member Hunt, advocated for keeping the Commission in place for potential future needs and as a form of citizen involvement. Council members also discussed the public perception and the efficiency of having the Power Commission, with some expressing concerns about the redundancy of the commission's role given the council's competence and interest in power matters. Ultimately, they agreed to consider various options, including keeping the commission but making it less active or ad hoc in nature. They

acknowledged the importance of ensuring that the commission's meetings are productive and not perceived as a waste of time.

Brian Johnson expressed gratitude for the council's effectiveness and efficiency, noting that Kaysville's administration and council are well regarded compared to other cities. Regarding the potential need for a power building, Mr. Johnson emphasized its importance from an operational standpoint. Mr. Johnson highlighted the challenges posed by the current lack of adequate space in their current situation and the need for shelter for equipment, emphasizing the potential benefits of having a dedicated building for the power department. Mr. Johnson expressed support for exploring options for a power building to address operational needs effectively.

Council Member Blackham highlighted the potential benefits of having a separate power building, emphasizing how it could free up space for other departments within the operations center building and improve overall efficiency. He mentioned the revenue source from the power company and suggested that if the city builds up reserves over time it could make a bond more feasible for funding the project.

Dean Storey acknowledged the importance of the power building but also raised concerns about the financial implications, as the council will likely have to not only approve funding for a building through a bond but also approve more rate increases to cover power costs.

Council Member Adams inquired about the space requirements and potential costs for a proposed power building.

Brian Johnson expressed that he feels that a building for the power department would be considered a high priority from an operational standpoint.

Council Member Jackson suggested the idea of expanding the existing building to accommodate multiple departments, fostering interaction among staff, and potentially reducing costs.

The city council recognized the operational necessity of a power building but also highlighted the financial complexities and the need for careful planning and consideration of various factors.

Mayor Tran concluded the session, thanking all attendees, and adjourned the meeting at 9:35 a.m.