MINUTES of the regular **City Council** meeting of Wellsville City held **June 05, 2024,** at the Wellsville City Offices at 75 East Main. City officials present were Mayor Thomas G. Bailey; Councilwomen Kaylene Ames and Denise Lindsay; Councilmen Carl Leatham, Bob Lindley, and Austin Wood. City Engineer Chris Breinholt and City Manager/Recorder Scott E. Wells were also present. A copy of the Notice and Agenda were mailed to the Mayor and Councilmembers and emailed and faxed to the Herald Journal on May 31, 2024. The meeting was called to order at 6:00 p.m. by Mayor Thomas G. Bailey.

Others Present:	Tracy Bodrero	Pat Burns	David Cook
	Erik Daenitz	Bruce Gates	Vicky Gates
	Megan Petersen	Linda Wursten	

Opening Ceremony: Councilwoman Kaylene Ames

The Council reviewed the amended agenda. **Councilwoman Denise Lindsay made a motion, seconded by Councilman Bob Lindley, to approve the agenda as presented.**

YEA 5	NAY 0	ABSTAIN 0	ABSENT 0
Kaylene Ames			
Carl Leatham			
Bob Lindley			
Denise Lindsay			
Austin Wood			

The Council reviewed the minutes of the May 15, 2024, regular City Council meeting. **Councilman Austin Wood made a motion, seconded by Councilwoman Kaylene Ames, to approve the minutes of the May 15, 2024, regular City Council meeting.**

YEA 5	NAY 0	ABSTAIN 0	ABSENT 0
Kaylene Ames			
Carl Leatham			
Bob Lindley			
Denise Lindsay			
Austin Wood			

Payroll is approved through the budget, therefore, the checks approved in the City Council minutes are not in numerical order from City Council meeting to City Council meeting as the city uses the same checking account for payroll and accounts payable. The Payment Approval Report is dated 04/03/2024. City Manager/Recorder Scott Wells noted 'BT Crane & Pumping Service, LLC' was paid to remove the buckling bleachers at the Wellsville Rodeo Arena. After review and discussion, **Councilman Bob Lindley made a motion, seconded by Councilwoman Denise Lindsay, to approve the city's accounts payable bills for payment, represented by check number 29407 through 29434.**

YEA 5	NAY 0	ABSTAIN 0	ABSENT 0
Kaylene Ames			
Carl Leatham			
Bob Lindley			
Denise Lindsay			
Austin Wood			

Payroll is approved through the budget, therefore, the checks approved in the City Council minutes are not in numerical order from City Council meeting to City Council meeting as the city uses the same checking account for payroll and accounts payable. The Payment Approval Report is dated 06/05/2024. City Manager/Recorder Scott Wells noted 'BioLynceus' was paid for sludge remover in the sewer cells. After review and discussion, **Councilwoman Denise Lindsay made a motion, seconded by Councilman Austin Wood, to approve the city's accounts payable bills for payment, represented by check number 29577 through 29631.**

<u>**YEA 5**</u>	<u>**NAY 0**</u>	<u>**ABSTAIN 0**</u>	<u>**ABSENT 0**</u>
Kaylene Ames Carl Leatham Bob Lindley Denise Lindsay Austin Wood			

At 6:13 p.m., Mayor Thomas G. Bailey opened the meeting for citizen input.

Linda Wursten thanked the mayor, city council, city manager, and public works employee for their support at the Memorial Day Veteran's Recognition Program on May 18, 2024. The Historical Committee honored 32 of our deceased hometown veterans with a brief history and patriotic banners displayed on Main Street.

At 6:14 p.m., citizen input was closed.

Beginning at 6:15 p.m., the Council shall receive public input, then consider **Resolution 2024-02**, an amendment to the Wellsville City code, Title 8, Public Utilities, Chapter 1, Water use and Services to increase the minimum monthly water rate. Erik Daenitz of Zions Public Finance, Inc. introduced himself and began a slide presentation title 'Wellsville City Water Rates Study' (see Attachment #1 and Attachment #2). Mr. Daenitz outlined the study's key takeaways. Wellsville City continues its stable path of growth with an average annual growth rate of 2.0 percent-per-year since 2018. Concurrently, the City is planning for important capital projects while navigating post-COVID inflation effects, which have raised the cost of capital projects broadly. Therefore, rate increases are needed within the City's Water Fund. The proposed rate structure provides revenue sufficiency for the City's Water Fund over the five-year study period, while also supporting a $3.2 million loan that equips the City to undertake its planned Well Drilling and Pump House Capital project in the near term. Additionally, while utility fee changes do impact residents, Wellsville's proposed changes are within the range of fees charged by similarly sized municipalities in the region. The study sought to minimize the impact on residents ,while still equipping the City to pursue essential capital investments. An $11.29 increase per month is recommended for ¾" and 1" meter connections up to 10,000 gallons per month, bringing the monthly bill to the $41.79 total. This will allow Wellsville to continue to pursue its expected capital program, which is essential for new infrastructure and accommodating future growth. Comparing proposed increases in Wellsville for fiscal year 2025 versus regional communities, for a ¾" connection using 10,000 gallons per month, will be approximately 4 percent higher on average than neighboring communities. However, Wellsville's new rates would remain lower than Millville, Mendon, and Richmond.

Mr. Daenitz continued, the need for water system capital investments frequently arises from two main sources, system growth and aging infrastructure. The study's proposal allows Wellsville to continue operating its water system while executing on needed capital investment. Growth in operating expenses is conservatively projected at an average annual rate of five percent per year. The Wellsville City 5-Year Capital Plan for Water Fund projects $3,515,035.00 for Well Drilling and Pump House for 2025. With the annual rate increase, it is projected to earn $176,248.00 to replace 200 West from 800 South to Grace Owens and PRVs, in 2028. The annual rate increase is projected to earn $765,463.00 to upsize waterline from the gravel pit tanks to 200 West, in 2029. As well as earn $314,118.00 to replace waterline from Lindley Reservoir to 1600 South line. The new rate's structure provides operational stability for Water Fund operation while also achieving its capital plan. The study then compares the proposed scenario with an alternative where no changes are made to the existing rates structure. The analysis demonstrates that the fund would not be able to undertake its intended capital plan as revenues before debt service would eventually become negative within the study period. The approach used in this analysis is commonly referred to as a "revenue sufficiency model." All expenses (operating and capital) are first calculated, and then rates are structured to cover annual expenses, maintain sufficient debt service ratios, and to keep at least 180 days on hand in the water utility fund. Mr. Daenitz concluded that Wellsville City is well-positioned to continue to invest in the future of its water infrastructure. While near-term rate increases will impact residents, these adjustments will allow the City to sustain the health of its water operation and capital plan. Future proposed rates are within the range of peer communities for residents consuming up to 10,000 gallons of water per month.

Mayor Thomas G. Bailey asked the Council if they had any questions for Mr. Daenitz. Councilwoman Denise Lindsay thanked Mr. Daenitz for the comprehensive analysis and asked if municipalities ever pursue terms longer than five years. Mr. Daenitz said a five-year term is as extensive as he has seen implemented given the difficulty of predicting financial futures five years out. Councilman Bob Lindley clarified that the target for fund health is to keep 180-days on hand in the water utility fund. Mr. Daenitz confirmed.

At 6:32 p.m., Mayor Thomas G. Bailey opened the public hearing.

Tracy Bodrero read the study's conclusion aloud. He clarified that Wellsville City currently allots 20,000 gallons per resident month. He asked if the study is suggesting the City decrease resident's monthly water allotment. Mr. Daenitz stated that the study is *not* suggesting any changes of usage allotment volumes, it is only changing the base rate and the rates associated with usage rates. In the study's growth projections, it states that growth in culinary water equivalent residential connections (ERCs) is based on historical growth in the City and is projected at an average rate of 23 ERCs per year over the five-year period from 2025-2029. Mr. Bodrero asked if there would be a shortcoming in the study's projected revenue if ERCs do not grow at the projected rate given strict building restrictions for private property owners. Mr. Daenitz explained that the report has been informed by the trailing ten-year historical growth rate of the City. He added that in the presented alternative, where no changes were made to the existing rates structures, eventually the revenues associated with that path would not be enough to cover the expenses of the fund regardless of any capital investment program or not. A rate increase is necessary to cover the existing costs of the system. Mr. Bodrero asked the city engineer how susceptible to damage a municipal well system is in a 4.1 to 7.2 magnitude earthquake. City Engineer Chris Breinholt replied that he could not answer that. Mr. Bodrero asked if the proposed well was damaged in an earthquake, would the well be insured or would the City have to take out another loan to drill a new well. City Manager Scott Wells stated that is unknown.

At 6:37 p.m., **Councilman Carl Leatham made a motion, seconded by Councilman Austin Wood, to close the public hearing.**

<u>**YEA 5**</u>	<u>**NAY 0**</u>	<u>**ABSTAIN 0**</u>	<u>**ABSENT 0**</u>
Kaylene Ames			
Carl Leatham			
Bob Lindley			
Denise Lindsay			
Austin Wood			

Councilman Bob Lindley stated that as staggeringly expensive as the financial figures are for the proposed well, they are also unavoidable. Councilwoman Denise Lindsay called the figures a "harsh reality." Mayor Bailey addressed the Regional Comparison table and noted that Mendon and Millville cities have recently drilled new wells. Councilman Carl Leatham shared that former councilman and public works employee Perry Maughan has advocated for a building moratorium for a decade given concerns related to the water system's aging infrastructure and overall growth. Over that time, the city has repaired aging infrastructure as effectively as possible. Councilman Leatham strongly encouraged Wellsville City to utilize available water resources before those resources could be taken away. Wellsville City must have the water capital investments to meet system growth and aging infrastructure he concluded. Councilman Austin Wood asked if the Report has addressed finances if the test well fails. City Manager/Recorder Scott Wells and City Engineer Breinholt explained that Wellsville City is paying the $300,000 to $350,000 for the test well therefore, the test well is not included in the Water Rates Study Report. Mayor Bailey pointed out there is never a guarantee that a test well will be proven. Councilman Leatham asked if the proposed new well will affect flows of the surrounding springs. City Engineer Breinholt stated that the consulted professional hydrogeologist does *not* anticipate the proposed well will negatively affected surrounding springs. The projected depth of the proposed well is 800-feet, in a semiconfined stratum where the water is hydrologically separated, he added. He repeated that there are no guarantees concerning wells however the due diligence of experts indicates it is a good location for a well in the Upper Pressure Zone. Councilman Lindley asked if the cost estimate will be lower if the well does not have to be drilled all the way to 800 feet. City Engineer Breinholt answered yes. Mayor Bailey expressed appreciation to Mr. Daenitz and Zions Public Finance, Inc. for their assistance throughout the Water Rate Study and loan process. He also thanked the Utah Division of Water Resources. **Councilman Bob Lindley made a motion, seconded by Councilman Austin Wood, to adopt Resolution 2024-02, an amendment to the Wellsville City code, Title 8, Public Utilities, Chapter 1, Water use and Services to increase the minimum monthly water rate over the coming five-year period to ensure revenue sufficiency, as shown in Table 9: Proposed Rates (see Attachment #1).**

YEA 5	**NAY 0**	**ABSTAIN 0**	**ABSENT 0**
Kaylene Ames Carl Leatham Bob Lindley Denise Lindsay Austin Wood			

Next, the Council shall consider adoption of **Resolution 2024-03**, authorizing the issuance of Water Revenue Bonds. City Manager/Recorder Scott Wells read the Summary and Script for Bond Resolution,

"*Summary and Script for Bond Resolution*
Wellsville City
Water Revenue Bonds, Series 2024

Water Revenue Bonds

- *The Bonds will be purchased by the Division of Drinking Water.*
- *The Division of Drinking Water has agreed to purchase the Bonds with the following terms:*
  - *$3,200,000 principal amount*
  - *2.40% interest rate*
  - *Approximately 20 year maturity (payable in equal installments every year beginning March 1, 2025 and ending March 1, 2045).*
  -

Bond Resolution (references are to sections of the Bond Resolution)

- *Authorizes the City Manager, as Designated Officer, to approve the final terms of the bonds, within the following parameters (Sec. 1(b)):*
  - *$4,000,000 maximum principal amount (the Division of Drinking Water approval is for $3,200,000 but we used a maximum amount of $4,000,000 in case something changes);*
  - *21 year maximum maturity;*
  - *2.40% interest rate.*
- *Purpose of bonds: Construction of improvements to the City's water system, including drilling a new well and constructing a new well house, a pump line to an existing reservoir, and a flushing/drain line for the well (Second paragraph of Bond Resolution).*
- *Authorizes posting a notice of bonds to be issued on the State Public Notice Website, which begins 30-day contest period on the bond (Sec. 5).*
- *Authorizes the holding of a hearing on the Bonds on July 3 (Sec. 6).*
- *Authorizes sending a notice of the Bonds to the City's water customers (this is required by the State) (Sec. 7).*

City Manager/Recorder Wells explained that Sec. 7 displays the letter of notice to residents. The letter will invite residents to the 07/03/2024 public hearing and request residents respond with letters for or against the Bond. Resident letters will then be forwarded the Division of Drinking Water. Councilwoman Kaylene Ames verified that adoption of **Resolution 2024-03** is the next step to progress towards drilling a new well. City Manager/Recorder Wells affirmed the **Resolution** is the next step but clarified that the proposed resolution does *not* lock Wellsville City into the Water Revenue Bond. **Councilwoman Denise Lindsay made a motion stating "I move that we adopt a Resolution (2024-03) authorizing the issuance of water revenue bonds." Councilman Bob Lindley seconded.**

YEA 5	**NAY 0**	**ABSTAIN 0**	**ABSENT 0**
Kaylene Ames Carl Leatham Bob Lindley Denise Lindsay Austin Wood			

City Planner Jay Nielson then presented an updated status report on the **General Plan**. He began by addressing the current housing crisis throughout Utah and stated that Governor Spencer Cox's proposed solution is to condense housing in municipalities. Mayor Thomas G. Bailey addressed soaring housing prices and the mounting obstacles excluding today's youth from owning homes. City Planner Nielson agreed the forces which have generated the housing crisis are complex and colossal. However, the Utah Legislature is making efforts to mitigate the problem outside of the housing market by pressing municipalities to increase density. City Planner Nielson encouraged the Mayor and Council to read the Utah Land Use Politics Blog, which is Wilf Sommerkorn's take on the latest in Utah land use politics and law guiding city planners. Mr. Sommerkorn is the Deputy Executive Director of the Utah Land Use Institute. City Planner Nielson shared that at the end of the 2024 Legislative Session, Governor Cox stated "*You've done some incredibly innovative things that I believe will transform our state and lead the nation... You have passed the largest housing attainability package in the country.*" Another leader in the Legislature declared that "*We feel confident that the majority of the cities want to do the right thing. They want to provide housing for their people.*" City Planner Nielson read a quote from Mayor Chris Hart of Ivins, Utah, "*You screwed all the cities. You just make life impossible for us as a mayor and city council to try and keep something special about this place,*" Hart said, referring to the Legislature. Mayor Hart continued, "*The question that's on the mind of our residents is, 'All right, we're growing. We came here, we helped it grow. We kind of like it the way it is. What are you going to do to keep it this way?' And isn't that the challenge in growth, right? It's how do you keep the flavor, the personality, the image of the city intact as you grow?*" City Planner Nielson added that the attitude and culture of the Legislature is moving away from requesting or valuing public input due to nimbyism (a person who objects to the siting of something perceived as unpleasant or hazardous in the area where they live, especially while raising no such objections to similar developments elsewhere). City Planner Nielson read, "*Cox has called on Utahns and their elected leaders to overcome nimby attitudes and get serious about rising to the challenge of solving the state's housing crisis. While the governor stressed the carrot aspects of the new legislation, he raised the specter of employing the stick if cities and residents don't do their part voluntarily... If Utahns and their elected leaders do not step up to the challenge, Cox warned, the state would have no choice but to step in to "change zoning laws" and "take a more active approach" to avert an even worse crisis.*" City Planner Nielson said he has never seen State oversight to this extent. Mayor Bailey stated that condensing housing is only an option if property owners are willing to sell their land. Councilman Bob Lindley noted that contractors will put as many housing units on a piece of property as possible to maximize their profits. City Planner Nielson and Councilman Carl Leatham shared that Hyrum City just approved a 980-lot subdivision south of Mountain Crest High School. Councilman Leatham added that a 24-unit adult living facility is also being developed in Hyrum. City Planner Nielson stated that no one in good conscience should revisit the **General Plan** without an understanding of the current housing crisis. City Planner Nielson has examined a list of 27 suggestions provided by the Legislature for communities over 5,000 people, three of which those communities must adopt. He stated that the three least obtrusive of those items were,

- "*Rezone for densities necessary to facilitate the production of moderate income housing.*
- *Implement zoning incentives for moderate income units in new developments.*
- *Reduce, waive, or eliminate impact fees related to moderate income housing.*"

City Planner Nielson then outlined the scope and $91,000 budget for revising the **General Plan**. $75,000 of which has been awarded to Wellsville City through UDOT's largest grant offered for planning assistance A consultant will also be hired for the revision. City Planner Nielson has been evaluating potential consultants and will soon write requests for qualifications. With those vetted qualifications, City Planner Nielson will determine the three most qualified candidates and present them to the Council and Planning Commission. Mayor Thomas G. Bailey thanked City Planner Nielson for his ongoing efforts. Councilman Bob Lindley and City Planner Nielson discussed options to create a balanced group of citizens, not entirely composed of nimby attitudes, for the public committee to assist with the **General Plan** revision. Councilwoman Kaylene Ames said the Council will not have difficulty finding residents open to healthy growth throughout the city. **Councilman Carl Leatham made a motion, seconded by Councilman Bob Lindley, to continue the discussion regarding the General Plan update.**

YEA 5	NAY 0	ABSTAIN 0	ABSENT 0
Kaylene Ames Carl Leatham Bob Lindley Denise Lindsay Austin Wood			

City Manager/Recorder Scott Wells will discuss the third quarter financial statement for March at the next City Council meeting. **Councilwoman Denise Lindsay made a motion, seconded by Councilman Austin Wood, to discuss the third quarter financial statement for March at the next City Council meeting on June 19, 2024.**

YEA 5	NAY 0	ABSTAIN 0	ABSENT 0
Kaylene Ames Carl Leatham Bob Lindley Denise Lindsay Austin Wood			

Department Reports:

Councilwoman Denise Lindsay-
1) **Resolution 2024-02** is now in effect; increased rates will show on the utility billing mailed to residents tomorrow. **Resolution 2024-02** is an adjustment of solid waste collection and disposal fees, curbside recycling fees and curbside green waste fees.
2) The $1.00 Green Waste Service Fee upon each city utility bill has been removed after the Council denied **Resolution 2024-03. Resolution 2024-03** was a resolution to adopt an adjustment to the fee associated with the Bulk Green Waste Services provided by Waste Management of Utah, Inc. and Wellsville City. Bulk green waste service was discontinued based on the number of votes received from the citizen's Bulk Green Waste Survey and the limited window of time the service is offered by Waste Management.

Councilman Carl Leatham-
1) Councilman Leatham has heard glowing reviews of the Memorial Day Ceremony.
2) Councilman Leatham stated he was touched by the brief histories and honoring of 32 of our deceased hometown veterans at the Memorial Day Veteran's Recognition Program. Councilman Leatham declared we owe a massive debt of gratitude to those who have come before us. He thanked Heather Rowser and the Historical Committee for all their efforts.

Mayor Thomas G. Bailey-
1) Mayor Bailey commended Councilman Bob Lindley and City Manager/Recorder Wells for their efforts with the Memorial Day Ceremony.
2) Mayor Bailey thanked the Historical Committee for the Veteran's Recognition Program and the patriotic banners displayed on Main Street. He lauded the Historical Committee's research efforts. Mayor Bailey also thanked City Manager/Recorder Wells for organizing the Veterans flags.

Councilwoman Kaylene Ames-
1) Councilwoman Ames recently attended the 2024 Utah Municipal Arborist workshop as well as a tour of the green waste facility. Wellsville City was brought up as the oldest community in Cache Valley with the oldest trees. The Wellsville Beautification Committee will continue tree risk assessments. The majority of Wellsville's trees are Green Ash which are at risk to emerald ash borers. Councilwoman Ames is looking forward to adding the tree risk assessment to the updated **General Plan**.

Councilman Bob Lindley-
1) Thanked everyone for their efforts on the Memorial Day Program.
2) Expressed appreciation to city staff for their help with the upcoming Youth Fishing Derby, on June 8th from 8:00 a.m. to 10:00 a.m.

Councilman Austin Wood-
1) Councilman Wood is excited to see how well utilized the new pickleball courts have been. No hours have been posted on the pickleball courts. Lights turn off around 11:00 p.m.
2) Thanked the Wellsville Stake Youth who volunteered for the Wellsville City Memorial Day clean up on May 21, 2024.

City Manager/Recorder's Report:
1) Flowers, shepherd hooks, solar lights, and all other decorations were removed from the cemetery yesterday for the annual clean up day.
2) Bids for the new cemetery section, grass, and roads are soon to close.
3) Cement barricades at the bulk green waste dumping site are being hauled away. The pit will soon be filled in. The metal recycling bin will be moved to the public works building next to the gravel pit where it will be under better surveillance. Prohibited contaminants thrown into the metal bin have resulted in hefty fines.
4) An additional $55,000 of RAPZ tax funding has been awarded to Wellsville City and will be utilized for additional trails, a new basketball court, and resurfacing the tennis court.

At 7:56 p.m., **Councilman Bob Lindley made a motion, seconded by Councilman Carl Leatham, to adjourn the meeting.**

YEA 5	NAY 0	ABSTAIN 0	ABSENT 0
Kaylene Ames Carl Leatham Bob Lindley Denise Lindsay Austin Wood			

Thomas G. Bailey
Mayor

Scott E. Wells
City Manager/Recorder

Attachment #1

Wellsville

GATEWAY TO CACHE VALLEY

Wellsville City

Water Rates Study Report

May 2024

ZPFI

ZIONS PUBLIC FINANCE, INC.

Attachment #1

Contents

Summary

Key Takeaways from the Study

Wellsville City (the City) continues its stable path of growth with a population 4,113 as of the 2022 census. This amounts to an average annual growth rate of 2.0 percent-per-year since 2018, when the City population stood at 3,828. At the same time, the City is planning for important capital projects while navigating post-COVID inflation effects, which have raised the cost of capital projects broadly. Therefore, rate increases are needed within the City's Water Fund.

The proposed rate structure provides revenue sufficiency for the City's Water Fund over the five-year study period, while also supporting a $3.2M loan that equips the City to undertake its planned Well Drilling and Pump House Capital project in the near term.

Additionally, while utility fee changes do impact residents, Wellsville's proposed changes are within the range of fees charged by similarly sized municipalities in the region for ¾" and 1" meter service, where most residential consumption lies.

TABLE 1: RECOMMENDED ANNUAL PERCENT CHANGE IN BASE & USER RATES IN THE WATER FUND

Recommended Annual Percent Change in Base & User Rates Across Funds

Fund	2024	2025	2026	2027	2028	2029
Water Fund	0%	37%	10%	9%	9%	9%

Source: ZPFI as of May 2024.

The study sought to minimize the impact on residents while still equipping the City to pursue essential capital investments. The table below highlights the change an average resident may experience in the future.

TABLE 2: WHAT WILL THE AVERAGE RESIDENT PAY EACH MONTH?

What Will the Average Resident Pay Each Month?

Fund	2024 (Current Bill)	2025	2026	2027	2028	2029
Water Fund	$30.50	$41.79	$45.96	$50.10	$54.61	$59.52
YoY % Change in Total Bill	**0%**	**37%**	**10%**	**9%**	**9%**	**9%**

Source: ZPFI as of May 2024.

This will allow Wellsville to continue to pursue its expected capital program, which is essential for new infrastructure and accommodating future growth.

TABLE 3: WELLSVILLE CITY 5-YEAR CAPITAL PLAN FOR WATER FUND

Wellsville City 5-Year Capital Plan for Water Fund

Fund	2024	2025	2026	2027	2028	2029	Fund 5Y Total
Water Fund	$0	$3,515,035	$0	$0	$176,248	$1,079,581	**$4,770,864**
Annual Total	**$0**	**$3,515,035**	**$0**	**$0**	**$176,248**	**$1,079,581**	

Source: ZPFI as of May 2024.

TABLE 4: REGIONAL COMPARISON – MONTHLY COST FOR BASE FEE AND USAGE UP TO 10,000 GALLONS

Regional Comparison - Monthly Cost for Base Fee and Usage up to 10,000 Gallons

	Meter Size			
City	3/4"	1"	1-1/2"	Population
Hyde Park	$32.25	$32.25	$32.25	5,328
River Heights	$29.75	$29.75	$29.75	2,143
City of Lewiston	$35.00	$45.00	$55.00	1,941
Millville City	$46.00	$46.00	$46.00	2,435
Mendon City	$54.00	$54.00	$54.00	1,342
Richmond	$63.00	$63.00	$63.00	2,916
Wellsville City (Current)	**$30.50**	**$30.50**	**$61.00**	**4,137**
Wellsville City (Proposed)	**$41.79**	**$41.79**	**$83.57**	**4,137**

Source: ZPFI as of May 2024.

Comparing proposed increases in Wellsville for fiscal year 2025 versus regional communities, we see from the table above that Wellsville's rates, for a ¾" connection using 10,000 gallons per month, will be approximately 4% higher on average that the peer group listed above. However, Wellsville's rates are lower than Millville, Mendon, and Richmond. Most residential users fall into this ¾", 10,000 gallon per month category.

Background and Approach

Rates must be designed to keep up with changes in operational and capital costs and must be structured to serve customer needs fairly and equitably. As such, Wellsville City has two components to its water rates: 1) a base rate charged to all customers monthly; and 2) a flow rate tied to actual demands placed on the system.

The approach used in this analysis is commonly referred to as a "revenue sufficiency model." All expenses (operating and capital) are first calculated, and then rates are structured to cover annual expenses, maintain sufficient debt service ratios, and to keep at least 180 days on hand in the water utility fund.

Water Rates

The below sections summarize the current conditions and anticipated growth of Wellsville City's Water Fund. Additionally, proposed changes are presented the highlight the need for updates with respect to Water Fund rates.

Growth Projections

Growth in culinary water equivalent residential connections (ERCs) is based on historical growth in the City and is projected at an average rate of 23 ERCs per year over the five-year period from 2025-2029.

TABLE 5: PROJECTED CULINARY ERC GROWTH

Water ERC Growth	2024	2029
101 - Water - 3/4" & 1" MTR - City	1,229	1,344
102 - Water - 1 1/2" MTR - City	2	2

Water ERC Growth	2024	2029
103 - Water - 2" City - Monthly	5	5
104 - Water - 3" Meter - City	0	0
105 - Water - 4" Meter - City	1	1
106 - Water - 6" Meter - Heritage Center	1	1
107 - Water - 6" Meter - City	1	1
108 - Water - 1" Meter - City - Monthly	4	4
109 - Water - 8" Meter - City - Monthly	1	1
110 - Water - 2" City - Bi-Monthly	3	3
111 - Water - 3/4" & 1" MTR - County	5	5
112 - Water - 3/4" MTR-County-No Overage/WTR Right	1	1
116 - Water - 6" Meter - County	1	1

Source: ZPFI as of May 2024.

Operating Expenses

Growth in operating expenses is conservatively projected at an average annual rate of five percent per year with a few exceptions. In fiscal year 2025, specific operating expense projections are included based on Staff input and anticipated 2025 budgets.

Outstanding Debt

There is existing debt through 2027 with the fund paying for minor debt service on the Utah Board of Water Resources Revenue bond at $5,000 per-year. Please see the table below for the Water Fund's existing debt schedule.

TABLE 6: EXISTING DEBT

Water Fund Existing Debt	2024	2025	2026	2027	2028	2029
Utah Board of Water Resources Revenue Bond	$5,000	$5,000	$5,000	$5,000	$0	$0
Total	**$5,000**	**$5,000**	**$5,000**	**$5,000**	**$0**	**$0**

Source: ZPFI as of May 2024.

Capital Projects

As mentioned in the broader introduction, the City plans important water capital initiatives as its main near-term project is the Well Drilling and Pump House capital project. A breakdown of these projects is provided below. ZPFI notes these expenses are slightly higher than adopted budgets as we add a future inflation factor of five percent per year to estimated capital construction costs.

TABLE 7: WATER CAPITAL PROJECTS

Wellsville City 5-Year Capital Plan for Water Fund

Project	2024	2025	2026	2027	2028	2029	Fund 5Y Total
Well Drilling and Pump House		$3,515,035					**$3,515,035**
Upsize Waterline from Gravel Pit Tanks to 200 West						$765,463	**$765,463**
Replace Waterline from Lindley reservoir to 1600 S Line						$314,118	**$314,118**
Relace 200 West from 800S to Grace Owns and PRV					$176,248		**$176,248**
Annual Total	**$0**	**$3,515,035**	**$0**	**$0**	**$176,248**	**$1,079,581**	**$4,770,864**

Source: ZPFI as of May 2024.

Rate Structuring

Current rates are structured as follows:

TABLE 8: CURRENT RATES

Base Rates	Amount
101 - Water - 3/4" & 1" MTR - City	$30.50
102 - Water - 1 1/2" MTR - City	$61.00
103 - Water - 2" City - Monthly	$105.60
104 - Water - 3" Meter - City	$220.60
105 - Water - 4" Meter - City	$334.10
106 - Water - 6" Meter - Heritage Center	$122.00
107 - Water - 6" Meter - City	$560.95
108 - Water - 1" Meter - City - Monthly	$30.50
109 - Water - 8" Meter - City - Monthly	$787.45
110 - Water - 2" City - Bi-Monthly	$105.60
111 - Water - 3/4" & 1" MTR - County	$61.00
112 - Water - 3/4" MTR-County-No Overage/WTR Right	$61.00
116 - Water - 6" Meter - County	$200.00
Usage Rates 101 - 110	
0-20,000	$0.00
20,000-50,000	$0.60
> 50,000	$0.80
Usage Rates 111 - 116	
0-20,000	$0.00
20,000-50,000	$1.20
> 50,000	$1.60

Source: Wellsville City, ZPFI as of May 2024.

Proposed Rates

To ensure revenue sufficiency in the Water Fund over the coming five-year period rates increases will be required. The proposed structure is designed to allow the fund to maintain its expected capital projects program while also ensuring stable operations.

TABLE 9: PROPOSED RATES

Proposed Rates	Amount by Fiscal Year				
Base Rates	**2025**	**2026**	**2027**	**2028**	**2029**
101 - Water - 3/4" & 1" MTR - City	$41.79	$45.96	$50.10	$54.61	$59.52
102 - Water - 1 1/2" MTR - City	$83.57	$91.93	$100.20	$109.22	$119.05
103 - Water - 2" City - Monthly	$144.67	$159.14	$173.46	$189.07	$206.09
104 - Water - 3" Meter - City	$302.22	$332.44	$362.36	$394.98	$430.52
105 - Water - 4" Meter - City	$457.72	$503.49	$548.80	$598.19	$652.03
106 - Water - 6" Meter - Heritage Center	$167.14	$183.85	$200.40	$218.44	$238.10
107 - Water - 6" Meter - City	$768.50	$845.35	$921.43	$1,004.36	$1,094.75
108 - Water - 1" Meter - City - Monthly	$41.79	$45.96	$50.10	$54.61	$59.52
109 - Water - 8" Meter - City - Monthly	$1,078.81	$1,186.69	$1,293.49	$1,409.90	$1,536.79
110 - Water - 2" City - Bi-Monthly	$144.67	$159.14	$173.46	$189.07	$206.09
111 - Water - 3/4" & 1" MTR - County	$83.57	$91.93	$100.20	$109.22	$119.05

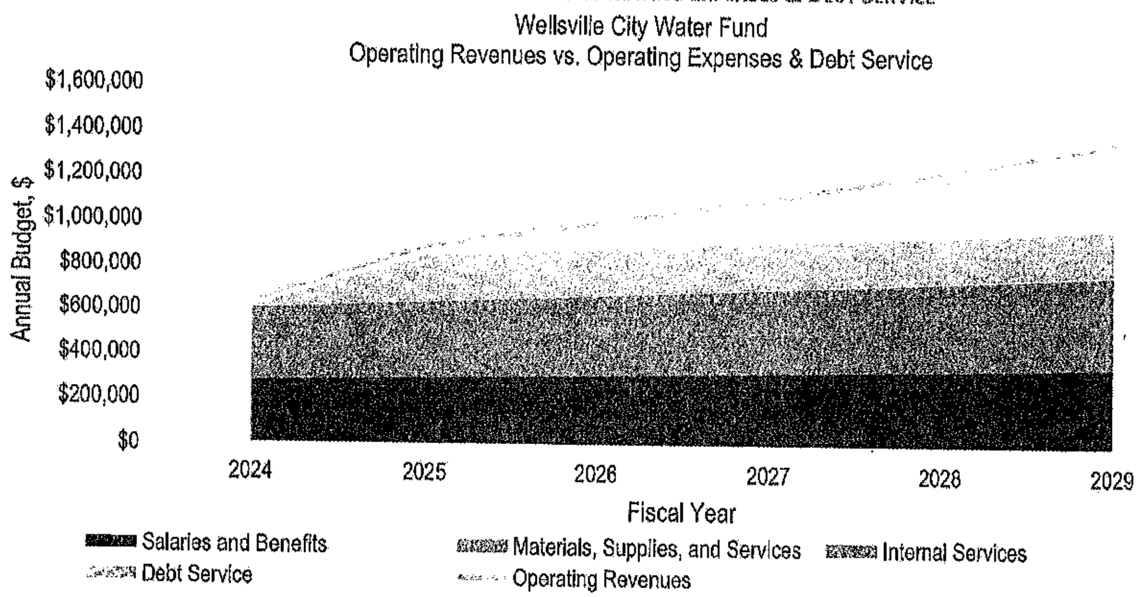
112 - Water - 3/4" MTR-County-No Overage/WTR Right	$83.57	$91.93	$100.20	$109.22	$119.05
116 - Water - 6" Meter - County	$274.00	$301.40	$328.53	$358.09	$390.32
Usage Rates 101 - 110	**2025**	**2026**	**2027**	**2028**	**2029**
0-20,000	$0.00	$0.00	$0.00	$0.00	$0.00
20,000-50,000	$0.82	$0.90	$0.99	$1.07	$1.17
> 50,000	$1.10	$1.21	$1.31	$1.43	$1.56
Usage Rates 111 - 116					
0-20,000	$0.00	$0.00	$0.00	$0.00	$0.00
20,000-50,000	$1.64	$1.81	$1.97	$2.15	$2.34
> 50,000	$2.19	$2.41	$2.63	$2.86	$3.12

Source: ZPFI as of May 2024.

Further Analysis

The proposed rates structure above is designed to allow the fund to pay its operating expenses while still undertaking its intended capital plan over the five-year-period.

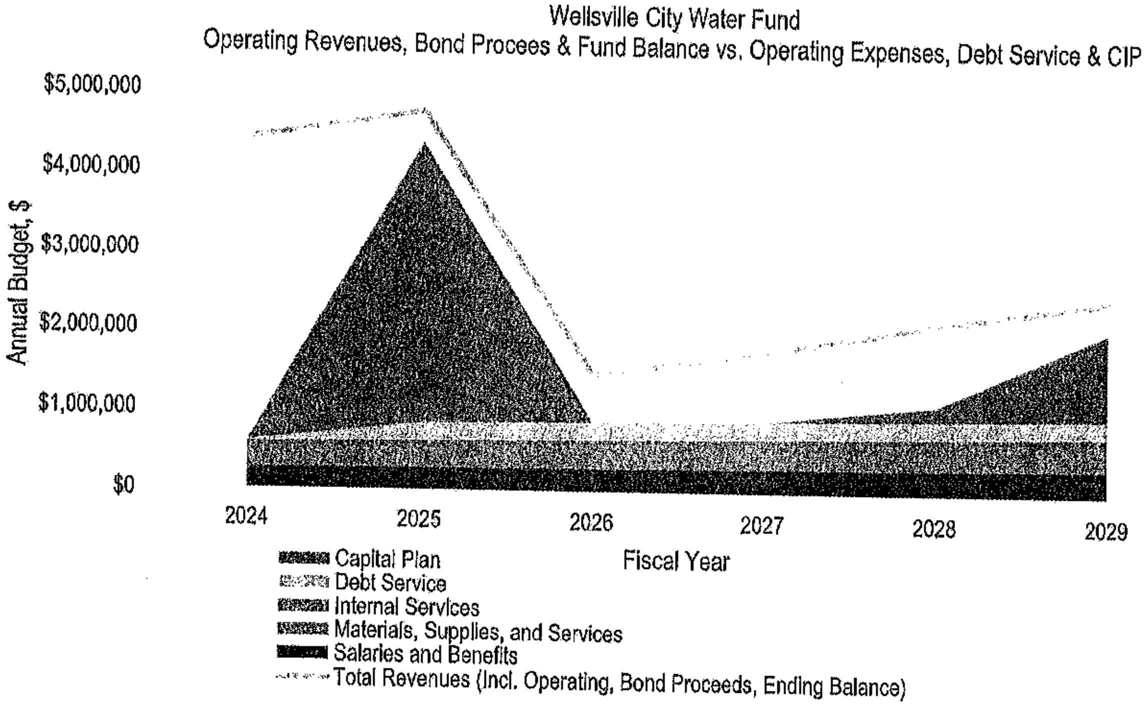
Chart 1: Wellsville Water Fund Operating Revenues vs. Operating Expenses & Debt Service



Source: ZPFI as of May 2024.

The below chart highlights that when factoring all revenues, inclusive of new loan proceeds, revenues cover operating expenses, debt service, and the fund's capital program.

CHART 2: WELLSVILLE CITY WATER FUND OPERATING REVENUES, BOND PROCEEDS & FUND BALANCES VS. OPERATING EXPENSES, DEBT SERVICE AND CIP



Source: ZPFI as of May 2024.

Next, a table of key metrics also illuminates that this scenario is sustainable given that debt service coverage ratios remain above 1.2 for the five-year-period and fund cash balances remain stable through the future five-year-period.

TABLE 10: WATER FUND KEY METRICS

Water Fund Key Metrics	2024	2025	2026	2027	2028	2029
Net Revenues Before Debt Service	$100,011	$324,389	$398,800	$473,802	$558,566	$654,188
Debt Service	($212,404)	($212,404)	($212,404)	($207,404)	($207,404)	($207,404)
Capital Expenses	$0	($3,515,035)	$0	$0	($176,248)	($1,079,581)
Ending Cash Balances	$3,795,011	$391,962	$578,359	$839,757	$1,014,671	$381,875
Debt Service Coverage Ratio	**20.00**	**1.53**	**1.88**	**2.23**	**2.69**	**3.15**
Days Cash on Hand	**2,284**	**225**	**316**	**437**	**502**	**180**

Source: ZPFI as of May 2024.

Lastly, we compare the above scenario with an alternative where no changes are made to the existing rates structure. This analysis demonstrates that the fund would not be able to undertake its intended capital plan as revenues before debt service would eventually become negative within the study period.

TABLE 11: WATER FUND KEY METRICS – IF NO RATE CHANGES UNDERTAKEN

Water Fund Key Metrics	2024	2025	2026	2027	2028	2029
Net Revenues Before Debt Service	$100,011	$83,555	$63,048	$40,949	$17,179	($8,346)
Debt Service	($5,000)	($5,000)	($5,000)	$0	$0	$0
Capital Expenses	$0	($3,515,035)	$0	$0	($176,248)	($1,079,581)
Ending Cash Balances	$595,011	($2,841,468)	($2,783,420)	($2,747,471)	($2,906,540)	($3,994,467)
Debt Service Coverage Ratio	**20.00**	**16.71**	**12.61**	**8.19**	**-**	**-**
Days Cash on Hand	**358**	**(1,629)**	**(1,520)**	**(1,428)**	**(1,439)**	**(1,884)**

Source: ZPFI as of May 2024.

Conclusion

Wellsville City is well-positioned to continue to invest in the future of its water infrastructure. While near-term rate increases will impact residents, these adjustments will allow the city to sustain the health of its water operations and capital plan. Future proposed rates are within the range of peer communities for residents consuming up to 10,000 gallons of water per month.

Appendix

The full proposed rates schedule is placed below again for reference.

TABLE 12: PROPOSED RATES

Proposed Rates	Amount by Fiscal Year				
Base Rates	**2025**	**2026**	**2027**	**2028**	**2029**
101 - Water - 3/4" & 1" MTR - City	$41.79	$45.96	$50.10	$54.61	$59.52
102 - Water - 1 1/2" MTR - City	$83.57	$91.93	$100.20	$109.22	$119.05
103 - Water - 2" City - Monthly	$144.67	$159.14	$173.46	$189.07	$206.09
104 - Water - 3" Meter - City	$302.22	$332.44	$362.36	$394.98	$430.52
105 - Water - 4" Meter - City	$457.72	$503.49	$548.80	$598.19	$652.03
106 - Water - 6" Meter - Heritage Center	$167.14	$183.85	$200.40	$218.44	$238.10
107 - Water - 6" Meter - City	$768.50	$845.35	$921.43	$1,004.36	$1,094.75
108 - Water - 1" Meter - City - Monthly	$41.79	$45.96	$50.10	$54.61	$59.52
109 - Water - 8" Meter - City - Monthly	$1,078.81	$1,186.69	$1,293.49	$1,409.90	$1,536.79
110 - Water - 2" City - Bi-Monthly	$144.67	$159.14	$173.46	$189.07	$206.09
111 - Water - 3/4" & 1" MTR - County	$83.57	$91.93	$100.20	$109.22	$119.05
112 - Water - 3/4" MTR-County-No Overage/WTR Right	$83.57	$91.93	$100.20	$109.22	$119.05
116 - Water - 6" Meter - County	$274.00	$301.40	$328.53	$358.09	$390.32
Usage Rates 101 - 110					
0-20,000	$0.00	$0.00	$0.00	$0.00	$0.00
20,000-50,000	$0.82	$0.90	$0.99	$1.07	$1.17
> 50,000	$1.10	$1.21	$1.31	$1.43	$1.56
Usage Rates 111 - 116					
0-20,000	$0.00	$0.00	$0.00	$0.00	$0.00
20,000-50,000	$1.64	$1.81	$1.97	$2.15	$2.34
> 50,000	$2.19	$2.41	$2.63	$2.86	$3.12

	% Change by Fiscal Year				
	2025	**2026**	**2027**	**2028**	**2029**
Proposed Annual % Change in Rates	37.0%	10.0%	9.0%	9.0%	9.0%

Attachment # 2

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Wellsville City Water Rates Study

Wellsville
GATEWAY TO CACHE VALLEY

May 2024

Zions Public Finance, Inc.

Attachment #2

Key Takeaways

Wellsville Continues to Grow

+2%

per Year

Capital Investment Sustains Water System for Future

$3.3M

Well Drilling and Pump House

Water Rate Changes are Proposed

+$11.29 /Month

Increase for ¾" and 1" meter connections up to 10,000 gal./month. Monthly bill = $41.79.

New Charges Are In Range of Regional Communities

+4.0%[1]

Higher rate vs. average of group of 5 regional communities for 3/4" connection up to 10,000 gallons per month

: Zions Public Finance. As of May 2024. 1. Analysis compares ¾" user up
00 gallons per month across six similarly sized municpalities.

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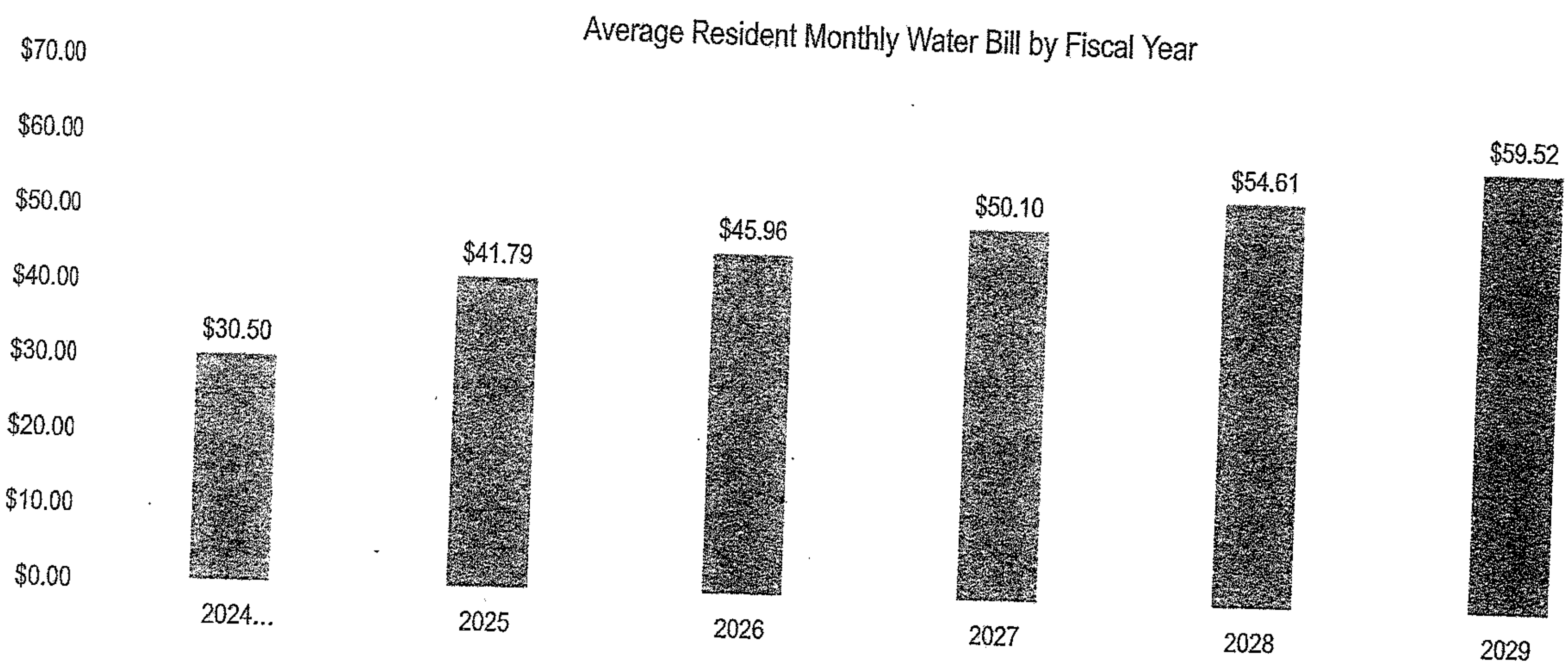
Attachment #2

What is Changing?

ɩn average resident would experience the below monthly bill over the coming fiscal ears.



: Zions Public Finance. As of May 2024.

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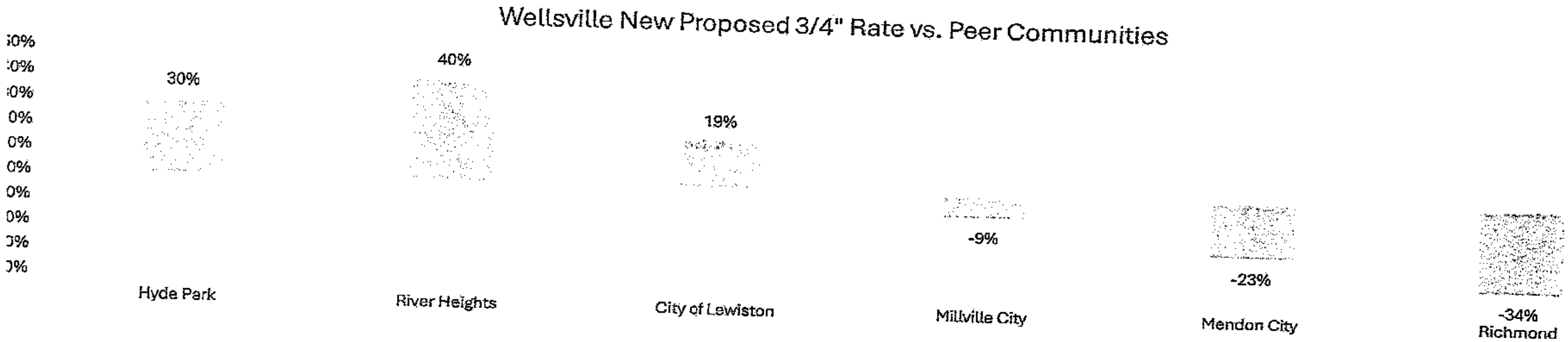
How Do We Compare?

/ellsville's new rates, in 2025, would be lower than some and higher than others when ompared to other regional municipalities of similar size, 4.0%[1] higher when averaged cross these entities.



Regional Comparison - Monthly Cost for Base Fee and Usage up to 10,000 Gallons

City	Meter Size 3/4"	1"	1-1/2"	Population
Hyde Park	$32.25	$32.25	$32.25	5,328
River Heights	$29.75	$29.75	$29.75	2,143
City of Lewiston	$35.00	$45.00	$55.00	1,941
Millville City	$46.00	$46.00	$46.00	2,435
Mendon City	$54.00	$54.00	$54.00	1,342
Richmond	$63.00	$63.00	$63.00	2,916
Wellsville City (Current)	**$30.50**	**$30.50**	**$61.00**	**4,137**
Wellsville City (Proposed)	**$41.79**	**$41.79**	**$83.57**	**4,137**

: Zions Public Finance. As of May 2024. 1. Analysis compares ¾" user up 00 gallons per month.

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Attachment #2

Attachment #2

Capital Projects

Jeed for water system capital investments frequently arise from two main sources.

System Growth	Aging Infrastructure
As communities grow, costs rise[1]	As existing infrastructure ages, costs rise

: Zions Public Finance. As of May 2024. 1. This is partially addressed
h impact fees, which are outside the scope of this study.

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Attachment #2

Capital Projects

his plan allows Wellsville to continue operating its water system while executing on eeded capital investment.

Wellsville City 5-Year Capital Plan for Water Fund

Project	2024	2025	2026	2027	2028	2029	Fund 5Y Total
Well Drilling and Pump House		$3,515,035					$3,515,035
Upsize Waterline from Gravel Pit Tanks to 200 West						$765,463	$765,463
Replace Waterline from Lindley reservoir to 1600 S Line						$314,118	$314,118
Relace 200 West from 800S to Grace Owns and PRV					$176,248		$176,248
Annual Total	**$0**	**$3,515,035**	**$0**	**$0**	**$176,248**	**$1,079,581**	**$4,770,864**

: Zions Public Finance. As of May 2024.

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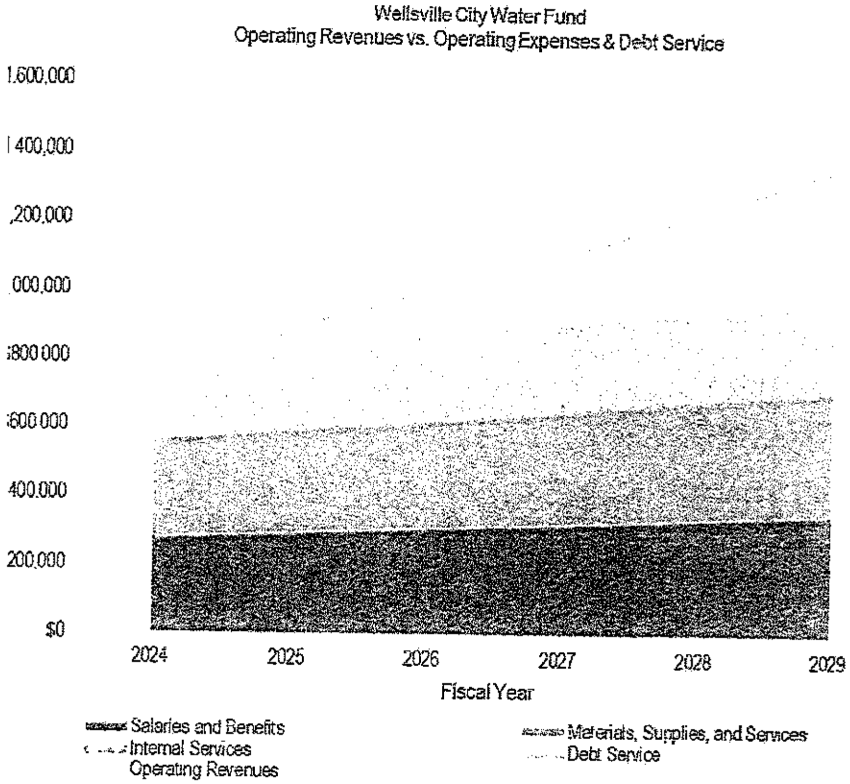
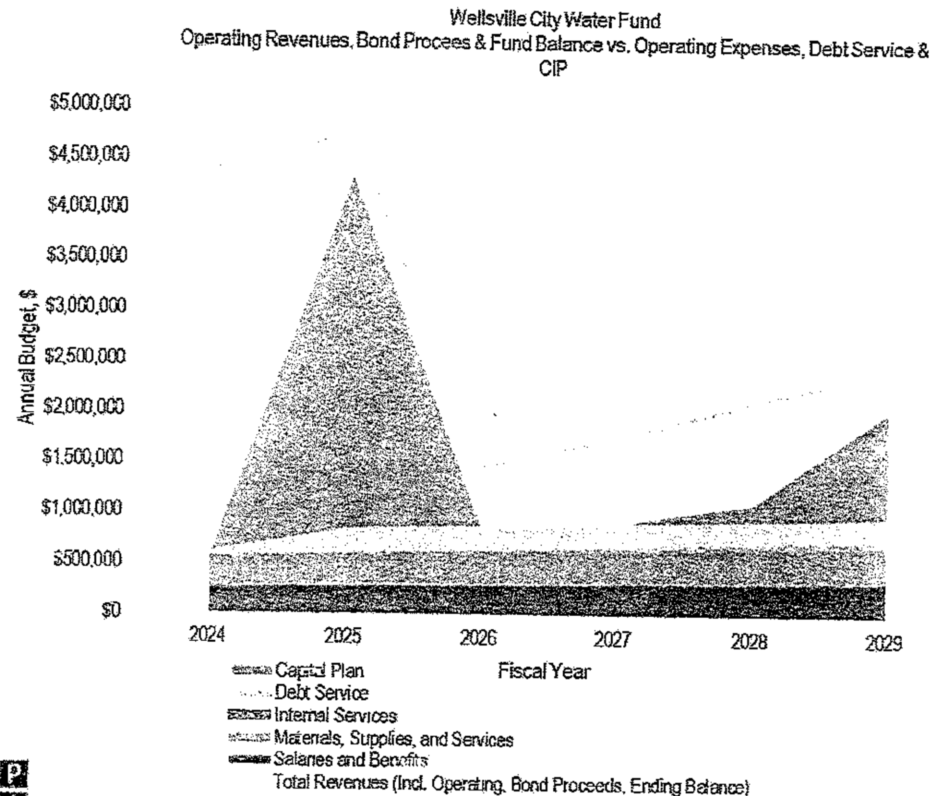
Fund Health

ıe new rates structure provides operational stability for Water Fund operations while so achieving its capital plan.





ɜ: Zions Public Finance. As of May 2024.

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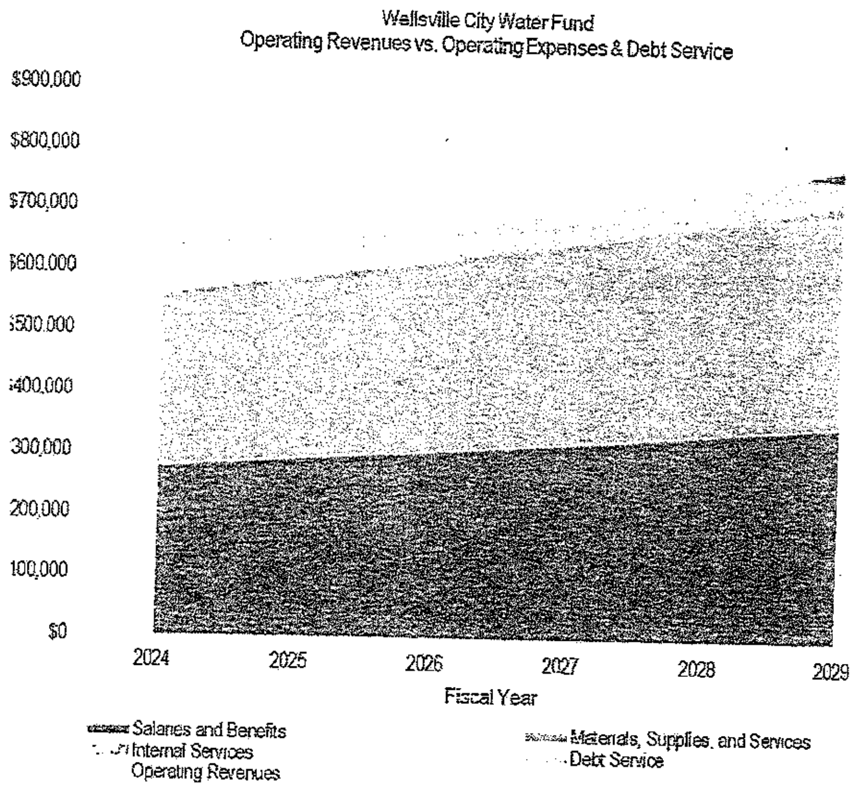
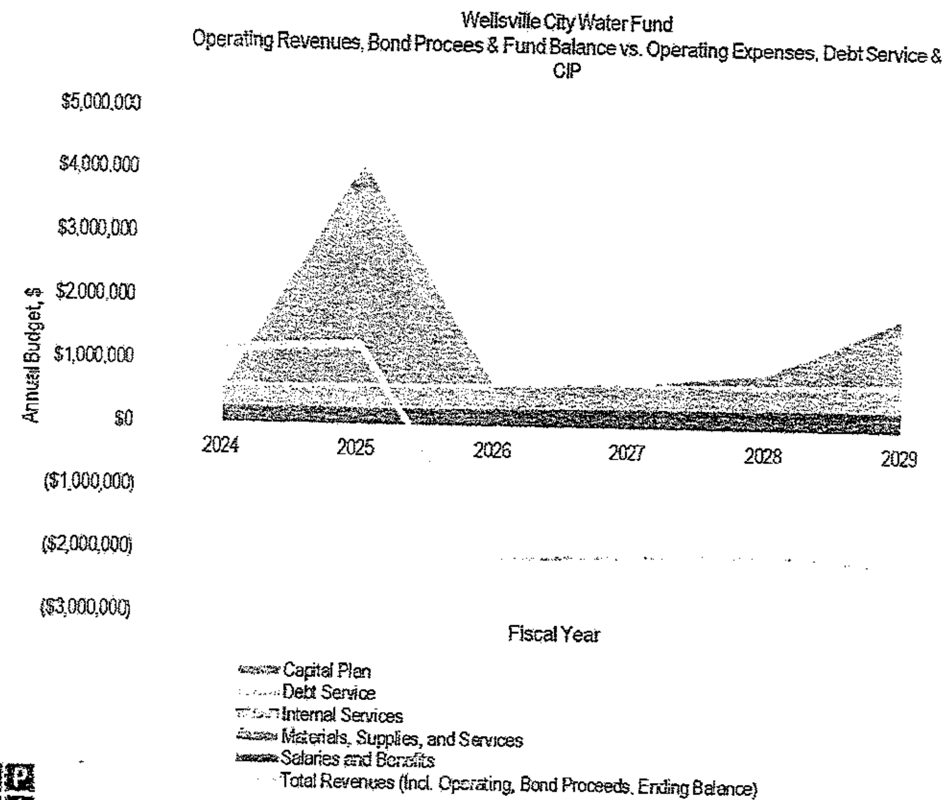
Attachment #2

Fund Health – What if We Did Nothing?

ver time, operations become unsustainable while the capital program would not be chieved.





: Zions Public Finance. As of May 2024.

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Existing and Proposed Rates Structure

e new rates structure would require annual changes that taper toward the end of the e-year period.

	% Change by Fiscal Year				
	2025	2026	2027	2028	2029
Proposed Annual % Change in Rates	37.0%	10.0%	9.0%	9.0%	9.0%

ent Rates	
: Rates	**Amount**
- Water - 3/4" & 1" MTR - City	$30.50
- Water - 1 1/2" MTR - City	$61.00
- Water - 2" City - Monthly	$105.60
- Water - 3" Meter - City	$220.60
- Water - 4" Meter - City	$334.10
- Water - 6" Meter - Heritage Center	$122.00
- Water - 6" Meter - City	$560.95
- Water - 1" Meter - City - Monthly	$30.50
- Water - 8" Meter - City - Monthly	$787.45
- Water - 2" City - Bi-Monthly	$105.60
- Water - 3/4" & 1" MTR - County	$61.00
- Water - 3/4" MTR-County-No Overage/WTR t	$61.00
- Water - 6" Meter - County	$200.00
;e Rates 101 - 110	
,000	$0.00
)0-50,000	$0.60
000	$0.80
;e Rates 111 - 116	
,000	$0.00
)0-50,000	$1.20
000	$1.60

Proposed Rates	Amount by Fiscal Year				
Base Rates	**2025**	**2026**	**2027**	**2028**	**2029**
101 - Water - 3/4" & 1" MTR - City	$41.79	$45.96	$50.10	$54.61	$59.52
102 - Water - 1 1/2" MTR - City	$83.57	$91.93	$100.20	$109.22	$119.05
103 - Water - 2" City - Monthly	$144.67	$159.14	$173.46	$189.07	$206.09
104 - Water - 3" Meter - City	$302.22	$332.44	$362.36	$394.98	$430.52
105 - Water - 4" Meter - City	$457.72	$503.49	$548.80	$598.19	$652.03
106 - Water - 6" Meter - Heritage Center	$167.14	$183.85	$200.40	$218.44	$238.10
107 - Water - 6" Meter - City	$768.50	$845.35	$921.43	$1,004.36	$1,094.75
108 - Water - 1" Meter - City - Monthly	$41.79	$45.96	$50.10	$54.61	$59.52
109 - Water - 8" Meter - City - Monthly	$1,078.81	$1,186.69	$1,293.49	$1,409.90	$1,536.79
110 - Water - 2" City - Bi-Monthly	$144.67	$159.14	$173.46	$189.07	$206.09
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Usage Rates 101 - 110					
0-20,000	$0.00	$0.00	$0.00	$0.00	$0.00
20,000-50,000	$0.82	$0.90	$0.99	$1.07	$1.17
> 50,000	$1.10	$1.21	$1.31	$1.43	$1.56
Usage Rates 111 - 116					
0-20,000	$0.00	$0.00	$0.00	$0.00	$0.00
20,000-50,000	$1.64	$1.81	$1.97	$2.15	$2.34
> 50,000	$2.19	$2.41	$2.63	$2.86	$3.12

: Zions Public Finance. As of May 2024.

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Appendix

Attachment #2

Attachment #2

Preserving Fund Health

he proposed rates structure provides adequate cash balance and debt service overages ratios.

Water Fund Key Metrics	2024	2025	2026	2027	2028	2029
Net Revenues Before Debt Service	$100,011	$324,389	$398,800	$473,802	$558,566	$654,188
Debt Service	($212,404)	($212,404)	($212,404)	($207,404)	($207,404)	($207,404)
Capital Expenses	$0	($3,515,035)	$0	$0	($176,248)	($1,079,581)
Ending Cash Balances	$3,795,011	$391,962	$578,359	$839,757	$1,014,671	$381,875
Debt Service Coverage Ratio	20.00	1.53	1.88	2.23	2.69	3.15
Days Cash on Hand	2,284	225	316	437	502	180

: Zions Public Finance. As of May 2024.

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Attachment #2

Water Fund 5Y Projected Expenses and Revenues

Water Fund 5Y Projected Expenses and Revenues

Expense	2024	2025	2026	2027	2028	2029
Salaries and Benefits	$279,465	$293,438	$308,110	$323,516	$339,691	$356,676
Materials, Supplies, and Services	$281,299	$295,364	$310,132	$325,639	$341,921	$359,017
Internal Services	$45,665	$47,948	$50,346	$52,863	$55,506	$58,281
Operating Expenses	**$606,429**	**$636,750**	**$668,588**	**$702,017**	**$737,118**	**$773,974**
Debt Service	$5,000	$212,404	$212,404	$212,404	$207,404	$207,404
Capital Plan	$0	$3,515,035	$0	$0	$176,248	$1,079,581
Total Expenses	**$611,429**	**$4,364,189**	**$880,992**	**$914,421**	**$1,120,770**	**$2,060,959**
Revenue						
Base Charges	$484,534	$678,816	$759,383	$841,555	$932,368	$1,032,709
Usage Charges	$152,504	$212,920	$238,602	$264,861	$293,913	$326,050
Operating Revenues	**$637,037**	**$891,736**	**$997,985**	**$1,106,416**	**$1,226,281**	**$1,358,760**
Total Revenues (Incl. Operating, Bond Proceeds, Ending Balance)	**$4,406,440**	**$4,756,150**	**$1,459,350**	**$1,754,178**	**$2,135,441**	**$2,442,833**

urce: Zions Public Finance, May 2024.

ZIONS PUBLIC FINANCE, INC