



AMERICAN FORK CITY COUNCIL
AUGUST 5, 2025
WORK SESSION MINUTES

Members Present:

Bradley J. Frost	Mayor
Staci Carroll	Council Member
Ryan Hunter	Council Member
Tim Holley	Council Member
Ernie John	Council Member
Clark Taylor	Council Member

Staff Present:

David Bunker	City Administrator
Camden Bird	Assistant City Administrator
Anna Montoya	Finance Director
Stephanie Finau	Deputy Recorder
Sam Kelly	PW Director
Al Scott	Assistant PW Director
Heather Schriever	Legal Counsel
Aaron Brems	Fire Chief
Cameron Paul	Police Chief

Also present: Keith Larson (Bowens Collins & Associates), Royce S. Shelley, George Brown, Reid Shelley, Blaine Wilson (Beautification Committee), and William John.

The American Fork City Council held a work session on Tuesday, August 5, 2025, in the City Administration Conference Room, located at 51 East Main Street, commencing at 4:00 p.m.

WORK SESSION

1. Discussion on the culinary and pressurized irrigation rate study.

Mayor Frost opened the work session by acknowledging the Council's ongoing discussions regarding culinary and pressurized irrigation systems, emphasizing the vital importance of water to the community. He noted that state regulations require residential water metering, and while the process is nearly complete, Mr. Bunker clarified that approximately 90% of households have meters installed.

Mayor Frost explained that the Council will be reviewing two separate systems—culinary water and pressurized irrigation—which operate independently. The goal is to establish a

fair and transparent rate structure. He assured attendees that the process will include multiple opportunities for public input and will proceed thoughtfully, without unnecessary urgency. Decisions will be guided by data and community feedback, allowing time for careful analysis and updates.

He then introduced Keith Larson from Bowen Collins & Associates to present the findings of the water study.

Mr. Larson reminded the Council of his presentation a year ago, during which it was determined that additional water usage data was needed before moving forward. With that data now collected, he returned to present updated findings. His presentation focused on two key areas: the overall revenue requirements for the city's water system and the specific rate structures for culinary water and pressurized irrigation (PI) needed to meet those requirements.

He revisited a previously shared slide, noting its relevance given recent trends. Drawing on 20 years of experience, Mr. Larson emphasized that the past three to four years have seen the most significant increases in water system costs he has encountered. He identified three primary drivers of these increases: system expansion and aging infrastructure, inflation, and—though to a lesser extent—conservation efforts. Each of these factors, he noted, merits further discussion.

Mr. Larson addressed infrastructure challenges, explaining that new homes typically include developer-installed utilities—such as water and sewer—whose costs, currently around \$50,000 per single-family home in Utah, are embedded in the home price and financed through mortgages. In contrast, much of the City's infrastructure, installed in the 1950s and 1960s, is now aging and requires replacement. Unlike initial installation costs, replacement expenses must be covered through utility rates, marking a shift in how infrastructure is financed. He noted that many older Utah communities are undergoing similar transitions and acknowledged that residents have become accustomed to relatively low water bills.

Council Member John clarified that while this applies to the culinary water system, it does not reflect the condition of the pressurized irrigation (PI) system, which was installed starting in 2007 and remains relatively new. He emphasized the importance of distinguishing between the two systems when discussing infrastructure needs.

Council Member Hunter asked whether the evaluation would result in separate rate increases for culinary and PI systems, or if PI metering alone would drive a rate adjustment. He sought clarity on whether the rate structures would be considered independently.

Mr. Larson confirmed that rate increases are being considered for both systems. He noted that the City currently subsidizes PI revenue with culinary water income and emphasized

that his presentation is not a critique of past efforts, but a reflection of current realities and the steps needed to ensure future sustainability.

Mr. Larson addressed inflation, noting that while the previous 2021 study assumed an average annual inflation rate of 3%—resulting in an expected 12% increase over four years—actual inflation has been closer to 30%. He emphasized that this rise has not yet stabilized and affects operating costs such as wages and equipment. More significantly, infrastructure costs have increased at a much higher rate, nearly doubling in the same period. A recent local survey indicated that infrastructure-related expenses have risen approximately 2.5 times faster than general inflation, posing substantial financial challenges for system maintenance and upgrades.

A discussion was held among Council and staff about how inflation and rising infrastructure costs impact long-term utility planning and rate structures.

Mr. Larson noted that American Fork's infrastructure dates back to the 1950s and 1960s, with significant additions in the 1970s and 1980s. He emphasized the importance of consistent investment in the system, a challenge shared by many cities across Utah.

He explained that a substantial subsidy currently flows from the culinary water system to the pressurized irrigation (PI) system, primarily due to ongoing payments on construction bonds for the PI system. As those bonds are paid off, funds can be redirected to support culinary system upgrades. Mr. Larson cautioned against fully separating the financial management of the two systems, as doing so could result in disproportionate rate structures—potentially making PI more expensive than culinary water and incentivizing misuse. He stressed the need for a holistic approach that balances both systems effectively.

Regarding updates since the 2024 study, Mr. Larson shared that city costs have been revised to reflect inflation, with some capital projects deferred within the 10-year plan. He and city staff worked to tighten the budget and stretch project timelines. Impact fee revenues and growth projections have been adjusted downward to align with historical trends. He also noted that no rate increase occurred in 2025, effectively delaying necessary adjustments. Rehabilitation and replacement costs have been updated to reflect current conditions.

Mr. Larson outlined the city's water system costs using a color-coded framework:

- Blue: Operations and Maintenance (O&M)
- Orange: Bond obligations, primarily related to the pressurized irrigation (PI) system
- Green: Capital projects identified in the master plan
- Light Green: Additional rehabilitation and replacement investments

He then described city revenue projections:

- Blue Line: Revenue including impact fees
- Brown Line: Revenue excluding impact fees, illustrating their contribution
- Red/Pink Line: Recommended funding level for long-term sustainability, calculated by dividing the system's total value by its expected lifespan and adjusting for system age—particularly in relation to PI. This target includes both O&M and reinvestment needs, even when bonds cover part of the infrastructure.

Mr. Larson cautioned that without changes to current rates, modest growth will occur, but it will fall short of meeting the system's investment needs.

Mr. Bunker added that the city recently installed a 36" main line from 700 North to 200 South to meet demand on the south side. However, a shortfall remains between 700 North and the lower tank, which now requires upsizing. This project, along with a newly constructed well on the south side, represents key infrastructure investments needed to support continued growth.

In response to Council questions, Mr. Bunker confirmed that these projects are included in the Impact Fee Analysis (IFA), which will be presented to the Council in the coming months. The IFA outlines all capital projects eligible for impact fee funding.

Mr. Larson addressed the financial outlook for the city's water system, noting that cash flow in 2024 was just over \$25 million but will decline as projects are completed. Without changes to current rates, the city risks depleting funds by 2029 or having to delay critical infrastructure projects. He proposed a rate adjustment plan (referenced in the packet), recommending a \$5/month increase in 2026 to support necessary expenditures. This increase would be split between culinary water (\$3) and pressurized irrigation (\$2), keeping the current subsidy structure in place until PI bonds are paid off.

Sam Kelly noted that average usage will rise due to a lower base rate when water is not in use, meaning the actual increase may exceed \$5 for some households. Mr. Larson clarified that the proposed increase applies to both systems combined and would result in an average PI bill rising from \$22 to \$24/month, with adjustments to both base and volume rates.

Council Member Carroll expressed concern that the increase was intended for maintenance and repair, seeking clarification on that expense. Mr. Larson responded that while the city was close to target levels in 2020–2023, inflation has significantly increased O&M, rehabilitation, and replacement costs. He acknowledged that the 2021 decisions were sound at the time but insufficient given current conditions.

Council Member Hunter raised concerns about residents paying higher base rates for improvements that may appear to benefit specific areas, such as Lakeside. Mr. Bunker

clarified that the improvements are part of a broader system valued at approximately \$500 million, with investments distributed citywide to support growth.

Council Member John commended Mr. Bunker for successfully refinancing the original 2006–2007 bonds, reducing interest rates without extending the bond term—resulting in substantial savings.

Mr. Larson emphasized the importance of acting now to prepare for the future. He presented updated billing projections and comparisons to surrounding cities, noting that American Fork currently ranks in the bottom quartile for water rates. With the proposed increase, the city would move to the middle range, which he described as a reasonable position. He highlighted that other cities, including Pleasant Grove and Provo, are undergoing similar rate adjustments.

He concluded by noting that inflation, delayed capital expenditures, lower impact fee revenues, and the absence of a 2025 rate increase have all contributed to the current funding gap. While careful planning is essential, he advised against delaying action further, as postponement will only lead to steeper increases in the future.

Culinary Rates

Mr. Larson confirmed that no structural changes are recommended for culinary water rates. The rate adjustments made in 2021 remain effective, and he sees no need to revise the rate structure. Instead, he proposed a straightforward 12% increase across both base and volume rates for 2026. This increase would apply uniformly, meaning all users would see their bills rise by approximately 12%, depending on water usage. For example:

- Low-usage households may see an increase of \$2.42/month
- Higher-usage households may see an increase of \$5.42/month
- The average household, using roughly 5,000 gallons/month, would see an increase of about \$3/month

Pressurized Irrigation

Mr. Larson recommended updating the PI rate structure to incorporate both lot size and actual water usage, now that metering is in place. Currently, PI fees are based solely on lot or irrigated area size, resulting in a flat monthly charge. The proposed change would retain lot size as the base but add a usage-based component. This approach aligns with best practices and complies with a state mandate requiring metered, tiered PI billing by 2030.

Mr. Bunker confirmed that the 2030 deadline applies to both full metering and implementation of a tiered rate structure. Mr. Larson clarified that for single-family residential properties, rates will be based on lot size, while for non-residential and commercial properties, rates will be based on irrigated area.

Mr. Kelly added that non-residential properties already have approved site plans that include landscape and irrigation area calculations. These figures will be used moving forward. He noted that some site plans include impervious features (e.g., sidewalks) within the landscape totals due to zoning requirements. While these features have historically been counted toward landscaping requirements, they will no longer be excluded from irrigation calculations. The city will rely on the approved plans as submitted, eliminating the need for remapping or recalculations, which will save staff time and ensure consistency.

Rate Recommendations

Mr. Larson proposed that the updated PI rate structure include both a base rate and a consumption-based charge. To ease the transition, he recommended a five-year phased approach to adjusting the balance between base and volume charges. The goal is to introduce the volume-based component gradually, starting with a modest charge in the first year. This would prevent residents from experiencing a sudden spike in their bills and allow time to adapt to the new structure. Rather than immediately implementing the full cost-of-service balance, the city would incrementally shift toward it over the five-year period.

Proposed PI Tier Structure - Tier 1

Mr. Larson explained that the first step in implementing a usage-based PI rate structure is to establish usage tiers. To do this, he analyzed 2024 residential water use per connection and projected future usage once full metering is in place. Based on trends observed in other Wasatch Front communities with metered systems, he anticipates a 25% reduction in average usage, as customers typically use less water when billed based on consumption rather than a flat fee.

For context, he referenced Utah State University's recommendations for optimal landscape irrigation, which are based on evapotranspiration rates and efficient sprinkler system performance. Even after expected reductions from metering, the data suggests there is still room for improved efficiency.

Using this information, Mr. Larson developed a tiered rate structure. The goal is to provide an initial block of water at a relatively low cost—sufficient to meet essential outdoor needs—followed by higher rates for additional usage. This approach encourages conservation while ensuring fairness and sustainability.

Proposed SFR PI Phase-in

Mr. Larson explained that Tier 2 in the proposed PI rate structure is designed to cover usage up to the seasonal peak in July. For most residents, the majority of summer watering will fall within this tier. Tier 3 provides an equivalent volume above Tier 2, and Tier 4 applies to any usage beyond that. This tiered framework is intended to promote conservation while ensuring fairness across different property sizes. To maintain

consistency with past practices, the rate structure continues to adjust for lot size. Mr. Larson created size “bins” (e.g., under 9,000 sq. ft., 9,000–12,000 sq. ft., etc.) and calculated the appropriate water volume for each tier based on a uniform irrigation rate. For example, in Tier 1, a one-acre lot would receive approximately 73,000 gallons, while a 9,000 sq. ft. lot would receive about 10,000 gallons.

Mayor Frost asked whether other Utah cities had experienced revenue instability after implementing metering. Mr. Larson responded that cities that transitioned to metered PI systems typically saw a 20–30% reduction in water use within the first few years. American Fork’s current usage patterns closely match those cities prior to metering, suggesting a similar outcome is likely.

To reflect this, Mr. Larson recommended phasing in the expected water-use reductions over three years:

- Year 1: Assume residents achieve ~50% of the eventual savings
- Year 2: Assume ~75% of the savings
- Year 3+: Assume full reduction, consistent with other Utah cities

He noted that while he initially modeled an “instant change” scenario, it resulted in steeper rate increases and was less realistic. The phased approach better aligns with observed behavior in comparable communities.

PI Rate Structure Proposal: Base + Volume Phase-In

Current Structure:

- Small lots (<9,000 sq. ft.) pay a flat \$21.68/month year-round, regardless of usage.
- Larger lots pay more, but all charges are flat and based solely on lot size.

Proposed Changes (Starting 2026):

- Simplify lot-size categories into manageable “bins” for easier administration.
- Start with the 2030 target base rate (e.g., \$17/month for small lots), but only small volume charges at first.
- In 2026, revenue split: ~73% from base rate, ~27% from volume.

Each year after:

- Shift more revenue to the volume side by applying annual increases only to the volume rates; base rates remain fixed.
- By 2030, achieve a balanced cost-of-service model: 50–60% base rate/40–50% volume charges

Rationale:

- Prevents sudden bill increases.
- Allows residents time to adjust usage habits.

- Aligns with state requirements and industry best practices by 2030.

Mr. Larsen reiterated that the base rate is straightforward to scale, but scaling the consumption tiers for every possible lot size is a headache. So instead of adjusting the tiers for each square footage, it's grouped in bins. He stated that a 12,001 sq ft lot will pay a higher base rate, but they also get more water included in the cheaper tiers, so it balances out. It comes down to fairness—vs.—simplicity trade-off: exact per-square-foot tiering would be ultra-precise but nearly impossible to manage; bins make it workable while still being equitable he stated.

Mr. Larsen commented that he could scale things exactly by square footage on the base rate, but since each bin also gets a matching amount of extra water in the cheaper tiers, it makes sense to just keep the base rate tied to that water amount. In other words, your rate is based on your bin, and your bin determines both your base rate and the water that comes with it.

Discussion ensued in detail about per-square-footage, rates in the different tiers per water use, and when to implement it on to the residents.

Mr. Larsen explained to the staff and council that the city has a total of 8,000–9,000 residential lots. He mentioned that he can give a full meter data report for 2024 and show how 3,500 lots out of those 9,000 exactly what their bill would be and see how much Tier 4 water they're using.

Discussion ensued about the data from the previous year and the current year about water usage. Mr. Larsen commented that he has yet to analyze the new data, to which Mayor Frost asked him to analyze the data to see water usage for the lots as what they are now using and get back to the Council with that report.

Mr. Larson clarified that the category he labeled “non-single family residential” rather than “commercial” was because it also includes apartment complexes and institutional uses, such as temples. The same overall concept applies here, and the numbers remain identical. The only difference is that this category includes more bins to account for the much larger lot sizes as in irrigated acreage not total lot sizes.

Mr. Larson stated that this graph shows the various entities and what they charge for water based on volume. For example, Saratoga Springs charges \$0.30 for the first 8,000 gallons, and then their rates increase across six different tiers. He explained that his proposal would begin in the first year at a rate lower than nearly all other cities—except for Lindon, which currently charges a flat rate and has not yet implemented its tier structure. Over time, however, the proposal escalates so that by Tier 4, the rate would place the city among the highest in cost compared to neighboring communities. In contrast, Tiers 1 through 3 would remain average to below average. Mr. Larson emphasized that this structure captures the council’s intent: not overly aggressive in the early tiers, but intentionally punitive at Tier 4 to discourage excessive use. While rates could go higher, he felt the proposal meets the city’s objectives.

Mr. Larson explained that the impact of the proposed changes depends on both lot size and individual water use. A few sample scenarios were reviewed: for low water users, the

increase would amount to only about 2% over the course of a year. However, for very high-water users, the increase could range from 14% to as much as 17%.

Council Member John explained that customers will pay the base rate during the six months when the system is not operating. During the six months when the system is running, they will see both the base rate and the additional charges tied to their water volume.

Mayor Frost noted that during the 3-year historic drought, the city pushed water conservation messaging aggressively—through social media and every available channel—to ensure residents understood the need to reduce usage. He recalled that residents were very responsive: when it rained, many turned off their irrigation systems as requested. While not everyone complied, the majority demonstrated strong cooperation, even during snowstorms. He emphasized his confidence that residents would respond similarly again, noting that this year's conditions are more of an anomaly. Because residents tend to educate themselves and adjust their usage, he questioned whether the city might be overlooking a variable. For example, in years with an unusually wet spring, irrigation might not be needed until June, resulting in green landscapes without system use—and reduced revenue for the city. Conversely, in drier years, irrigation might start much earlier, increasing usage. He asked whether the City has flexibility to adjust rates or policies in response to changing weather patterns and move a little bit with Mother Nature.

Mr. Larson responded that the system is not designed to move with Mother Nature. Instead, revenues are based on long-term averages rather than the results of any single year. For example, a year with heavy June rainfall will balance out a year like the previous October, when it was hot and dry with no rain. While there will always be some higher- and lower-use years, he stated he is comfortable with the overall balance. He added that the new structure also creates an incentive to conserve, since residents will now pay for every gallon, they use.

Is the current Credit fair for shareholders?

Mr. Larson provided an overview of the shareholder credit program, noting that while the financial impact is modest, it is still meaningful. The city currently has 324 shareholder customers—representing just under 4% of the system—holding a total of 426 shares. These shares qualify for monthly billing credits. In 2024, the total value of shareholder credits was approximately \$136,000, accounting for about 4.3% of total system revenue, which is proportionally consistent with the number of participating accounts. He reminded the Council that this analysis was previously reviewed a year ago, when the fairness of the credit was discussed. At that time, the full cost of service was calculated at \$28.60 per month. With the shareholder credit—halved for a $\frac{1}{4}$ share—the monthly bill is reduced to \$13.40. When converted into a perpetual lease using a 5% discount rate, this equates to a present value of approximately \$3,200. On a per-share basis, the credit reflects a value of about \$13,000, which closely aligns with the then-market value of water shares (around \$12,000).

Mr. Larson concluded that the shareholder credit remains fair—slightly generous, but effectively equivalent to market value.

Is the current credit fair for the city

Mr. Larson provided additional context on the shareholder credit program by analyzing its impact from the City's perspective. He explained that the City's water-related expenditure falls into two broad categories:

- Operational costs (e.g., treatment, distribution, administration)
- Capital costs (e.g., source development, infrastructure maintenance)

Shareholder water helps offset some capital costs—specifically source development and water purchase—resulting in an estimated savings of about \$10 per month per shareholder customer. However, Mr. Larson noted that the City currently pays approximately 30% more in shareholder credits than the actual financial benefit it receives. While this suggests the credit may be slightly high, he emphasized that when viewed from both the shareholder and City perspectives, the credit remains generally fair and within a reasonable range. He cautioned, however, that with the upcoming implementation of the new PI rate structure, administering shareholder credits will become increasingly complex. Determining how to manage these credits moving forward will be a key challenge for the City.

Shareholder Credit Adjustments

Mr. Larson explained that continuing to apply shareholder credits against *volume charges* conflicts with the City's conservation goals. To address this, he proposed eliminating the current "half credit" model and replacing it with a flat monthly credit of \$53.60 per share. This figure is based on the higher valuation (\$13.40/month), rather than the \$10/month benefit the City receives. While the credit is slightly generous, he noted it remains within a fair range.

However, he cautioned that this approach effectively creates a perpetual lease—the City continues to pay for water it never owns, which does not contribute to long-term water security. As a result, he recommended the following:

Recommendations:

1. Phase Out the Shareholder Credit Program
 - Establish a defined timeline for ending the program.
 - Allow shareholders time to sell their shares to the City or other buyers.
 - Transition away from the ongoing "rental" model.
2. Stop Accepting New Shareholder Credits
 - Prevent expansion of the program and further long-term obligations.
 - Requires a formal agreement with the irrigation company to enforce.

The Council discussed some of the highlights of the presentation.

Council Member John supported halting new shareholder credits but noted that phasing out the program would be more complex due to the original agreement, which did not include a sunset clause. He suggested renegotiating with shareholders to reflect inflation and rising costs, possibly by requiring more water or a payment component.

Mayor Frost questioned whether the irrigation company's position was a legal barrier or a matter of negotiation. He emphasized the historic importance of shareholders in establishing the PI system and urged a respectful, collaborative approach.

Council Member Hunter acknowledged that while the value of water shares has increased, it may appear inequitable to phase out credits now, especially since the City holds more control.

Council Member John recommended presenting the issue transparently to shareholders, letting them know where the city thought they would be, where they are, the gap, and how they resolve it. He confirmed that the irrigation company board is actively discussing the matter.

Mayor Frost concluded by emphasizing the need to honor the contributions of shareholders while also addressing the City's evolving financial and operational needs.

Royce Shelley, speaking as a shareholder, expressed concern about the proposed 5–10 year phase-out of shareholder credits. He explained that his shares were inherited and are tied to specific parcels, with the intent to pass them down. From his perspective, phasing out the credits could feel like a form of property loss, as the shares are viewed as an ownership right. He questioned the future value of the shares if they no longer provide utility bill credits.

Council Member John responded that shareholders would still retain ownership of their shares, which currently hold a market value of \$14,000–\$18,000. These could be passed down or sold, and their value could offset water bills for many years. He acknowledged that while the original agreement didn't include a phase-out clause, the City must now consider fairness and sustainability in light of rising costs. He emphasized the need for a collaborative renegotiation with shareholders.

Council Member Carroll suggested sending residents a personalized summary at the end of the summer showing what their bills *would have been* under the new rate structure.

Anna Montoya noted that while usage data is now included on bills, the City is also working on an online calculator to help residents estimate future bills based on their usage.

Council Member Taylor stressed the importance of early communication, recommending that residents be informed by September to prepare for the changes.

Mr. Bird proposed updating the online calculator with the proposed rates and offering anonymized usage data for Council review. This could also serve as a public education tool.

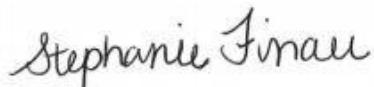
Mayor Frost emphasized the importance of analyzing historical usage data in the context of the new rate structure before making final decisions. He supported a data-driven approach to ensure transparency and alignment.

Council Member Hunter suggested hosting an open house to help residents understand the upcoming changes and provide feedback.

Mayor Frost concluded that while the Council appears aligned with the proposed structure, the City must continue to review data, engage stakeholders, and communicate clearly to ensure a smooth transition.

2. Adjourn.

The Meeting adjourned at 6:08 pm.

A handwritten signature in black ink that reads "Stephanie Finau". The signature is fluid and cursive, with "Stephanie" on the top line and "Finau" on the bottom line.

Stephanie Finau, Deputy Recorder