



AMERICAN FORK CITY COUNCIL
JUNE 16, 2026
WORK SESSION AGENDA

Notice of Electronic Meeting

One or more City Council members may be physically absent from this meeting but may participate electronically.

Notice is hereby given that the American Fork City Council will hold a special session, immediately followed by a work session on Tuesday, June 16, 2026, in the City Administration Conference Room, located at 51 East Main Street, commencing at 4:00 p.m. The agenda shall be as follows:

WORK SESSION

The purpose of the City Work Sessions is to prepare the City Council for upcoming agenda items on future City Council Meetings. The Work Session is not an action item meeting. No one attending the meeting should rely on any discussion or any perceived consensus as action or authorization. These come only from the City Council Meeting.

1. Discussion on proposed amendments to the city's municipal code.
2. Discussion on pressurized irrigation water rates.
3. Discussion on culinary water rates.
4. Discussion on automatic annexations.
5. Adjourn.

Dated the 12th day of June 2026.

/s/Terilyn Lurker
City Recorder

- In accordance with the Americans with Disabilities Act, the City of American Fork will make reasonable accommodations to participate in the meeting. Requests for assistance can be made by contacting the City Recorder at 801-763-3000 at least 48 hours in advance of the meeting.
- The order of agenda items may be changed to accommodate the needs of the City Council, staff, and the public.

CITY COUNCIL STUDY ITEM

City of American Fork
COUNCIL WORK SESSION
JUNE 16, 2026

Department Recorder

Department *Terilya Lunken*

STUDY ITEM

2. Discussion on pressurized irrigation water rates.
3. Discussion on culinary water rates.

BACKGROUND

The council and staff will discuss proposed pressurized irrigation water rates, followed by a discussion on the culinary water rates.

SUPPORTING DOCUMENTS

American Fork Culinary & PI Water Rate Schedule 2026-2030 (PDF)



TECHNICAL MEMORANDUM

TO: David Bunker, PE; American Fork City
COPIES: File
FROM: Keith Larson, PE; Bowen Collins & Associates
DATE: December 10, 2025
SUBJECT: Culinary and Pressurized Irrigation Rate Structure Update

INTRODUCTION

American Fork City has retained Bowen Collins & Associates (BC&A) to conduct and document a rate study and rate structure evaluation for the City's culinary and pressurized irrigation (PI) water utilities. The rate updates are part of American Fork's ongoing efforts to manage the cost of its system and keep user rates up to date, manageable, and equitable.

The City's primary objectives for its water rate policies are:

- Maintaining high quality, reliable water service at affordable prices for customers;
- Encouraging wise use of resources through conservation; and
- Maintaining stable revenue generation adequate to fund system needs.

The primary purpose of this report is to document the water rate study and provide recommendations regarding implementation of rate structure adjustments and rate updates to the City's culinary and PI user rates. The culinary and PI rates are intended to become effective sometime early in 2026.

REVENUE REQUIREMENTS

The American Fork City water fund is a self-funding enterprise. This means that funding requirements are defined by the amount of revenue needed to fund expected expenses. The City's responsibility is to balance maintaining reasonable rates for their customers, while also budgeting responsibly to build, operate, and maintain the culinary and PI water systems. This includes:

- Day-to-day operations and administration,
- Replacing or rehabilitating the existing system, when necessary (or budgeting for when those projects will be needed in the future), and
- Planning for growth to ensure any new water infrastructure meets the City's standards and benefits customers.

Working with City staff, BC&A identified both historical and projected water system revenue and expenditures as shown in Figure 1.

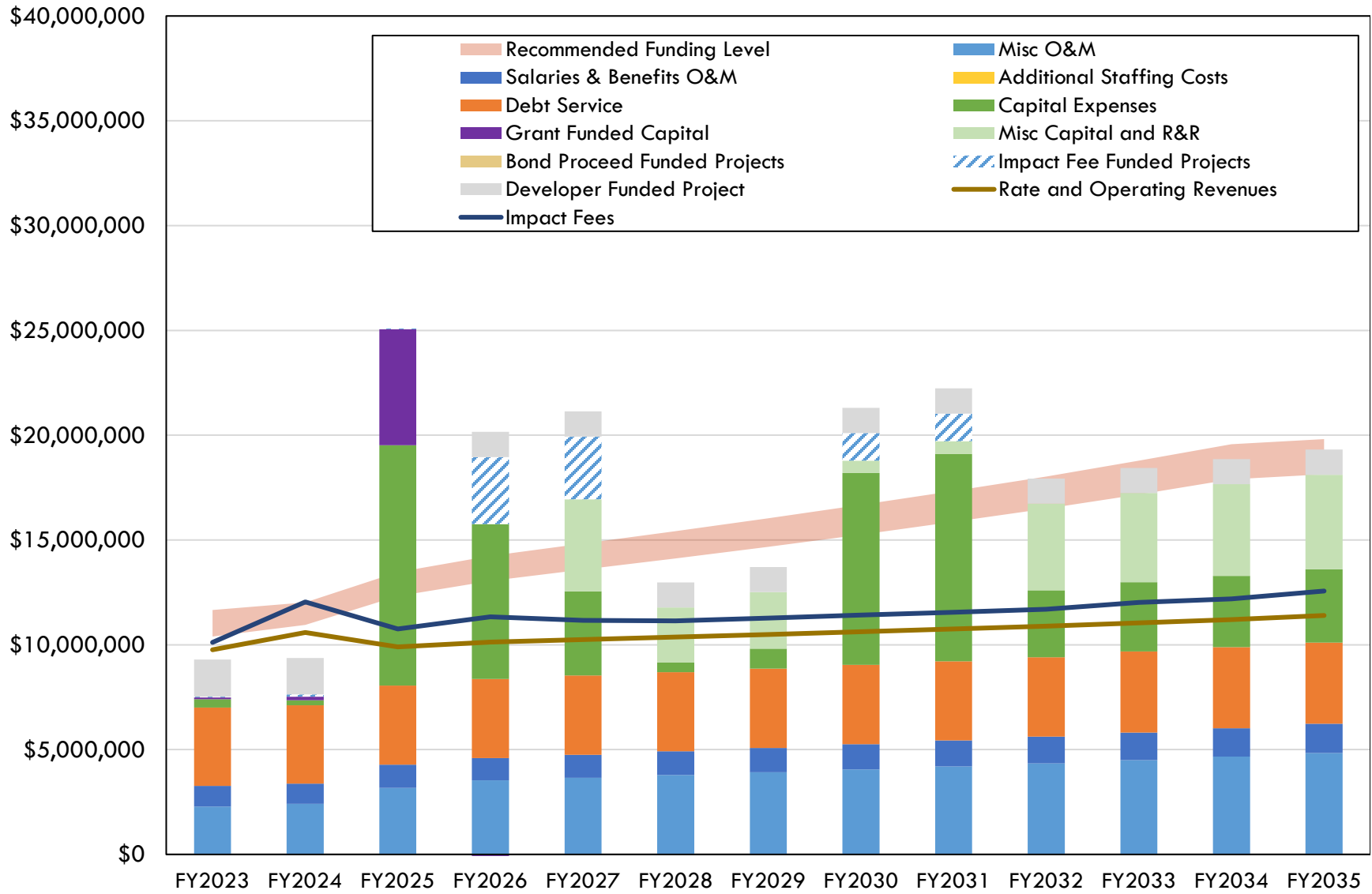


Figure 1 - Revenue Needs

Several conclusions can be made from the data contained in Figure 1:

- **Projected Expenditures** – As shown in the figure, historic revenues have mostly been sufficient to fund observed expenditures in the culinary and PI systems until fiscal year 2025. Expenses are expected to exceed revenues in the near future for several reasons, including the following:
 - **Capital Expenditures** – Large costs are anticipated in the next several years in association with the construction of capital projects and infrastructure required for the City to continue growing. Much of the “bones” of the City’s water system have already been built, but there is still active development requiring expansion of the existing culinary and PI infrastructure, which requires large upfront capital costs. This rate study carefully reviewed capital projects with City staff and the City’s existing water master plan to show accurate costs and schedules of these projects. This will allow the City to budget and prepare appropriately.
 - **Rehabilitation and Replacement** – It is important for all municipalities to budget for system rehabilitation and replacement (R&R) costs. BC&A considered a minimum level of funding that should be available for infrastructure based on the estimated cost to rehabilitate or replace existing infrastructure and its expected design life. This value will be important to maintain as infrastructure is built and requires maintenance. As can be seen in Figure 1, there are a few years in the 10-year planning window where the City has budgeted at or beyond this level of funding. By the end of the 10-year window, the City’s water budget consistently meets this recommended finding level.
 - **Inflation** – Over the last several years, the City has seen significant increases in cost as a result of inflation. This affects nearly all budget categories of the City. Existing and future budgets have been increased to reflect these changes in cost.
- **Projected Revenues** – If existing rates remain unchanged, the City’s water enterprise fund will completely run out of money in fiscal year 2029. Even if all capital projects were cancelled, the City would only have enough revenue to fund expected O&M, debt service, and R&R until approximately fiscal year 2031. Immediate revenue increases are needed to fund planned capital projects for culinary and PI system growth and maintenance. The City should consider increasing water rates as soon as possible to have sufficient funds for planned expenditures.

REVENUE ALTERNATIVES AND RECOMMENDATIONS

BC&A considered multiple rate increase alternatives, each of which provided the City with an adequate revenue stream to cover planned expenditures in the next 5 years. After discussing with City staff and City Council, BC&A recommends increasing water rate revenue to by the amounts shown in Table 1.

**Table 1
Recommended Rate Increases**

	2026	2027	2028	2029	2030
Recommended Percent Rate Increase	12%	9%	9%	8%	8%

Figure 2 shows projected revenues if these revenue increase recommendations are implemented.

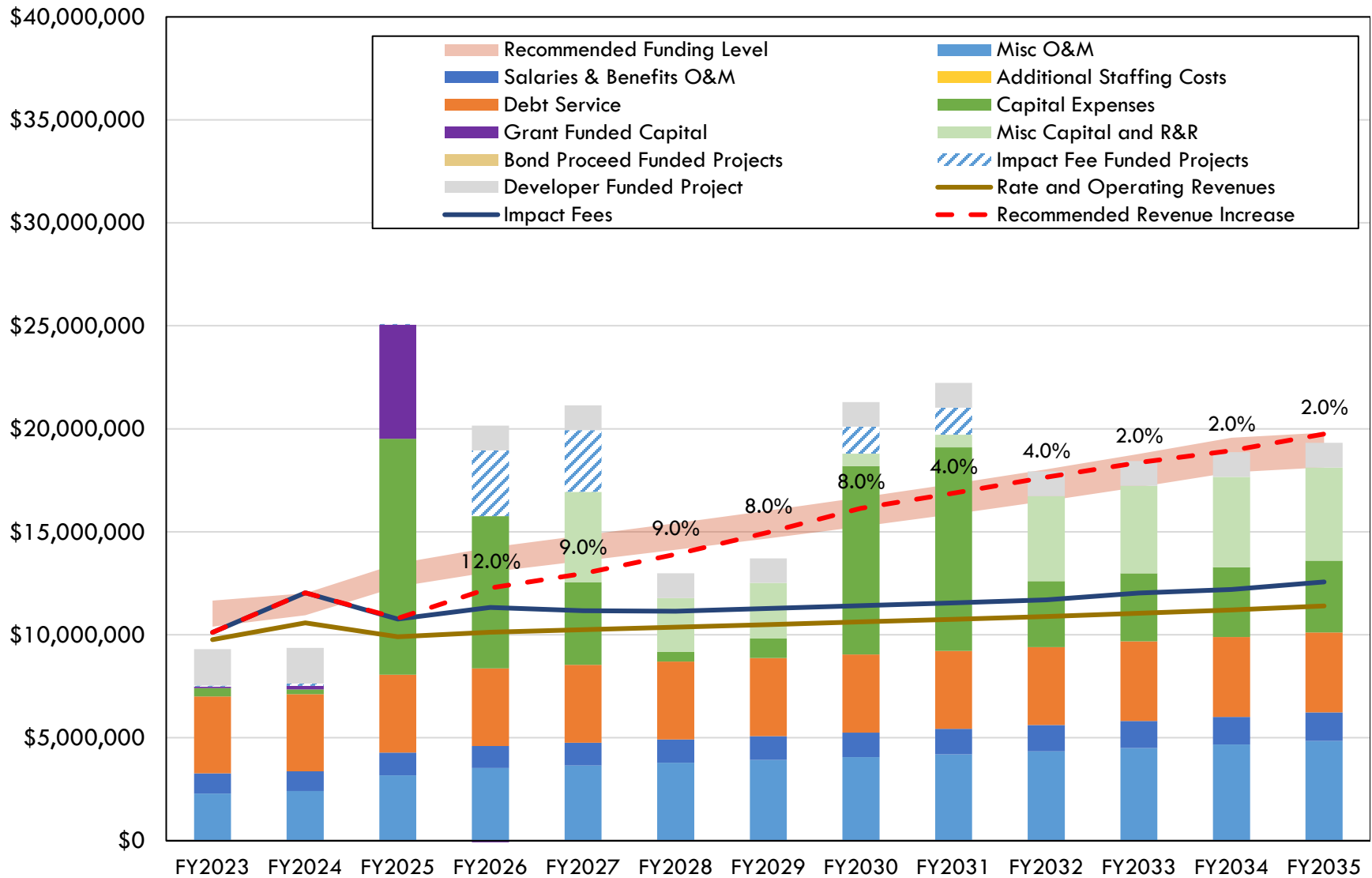


Figure 2 – Recommended Rate Increases and Bonding

WATER RATES

This section summarizes our analysis of the existing rate structure and recommended changes to continue to achieve the City's goals of providing water at affordable and equitable costs while also encouraging wise use of resources through conservation.

EXISTING RATE STRUCTURE

The current culinary and PI rate structures are based on rate studies completed in 2018 and 2012, respectively. These rates have been updated periodically in an attempt to keep up with inflation, with the most recent updates occurring in FY2022 for culinary rates and FY2016 for PI rates.

The following sections briefly describe the existing customer classes and structure of both culinary and PI rate schedules.

Culinary Rate Structure

The City's culinary rate schedule is based on use type (i.e. single-family residential (SFR), multi-family residential (MFR), and non-residential) and meter size. All culinary rates include a base rate and a volume charge with four tiers. The current rate structure was developed following a detailed cost-of-service analysis in 2018. City staff indicated to BC&A that this structure is still meeting the City's needs and there was no desire from the City's perspective to change the structure. Therefore, given that the existing structure is a defensible, cost based structure that is meeting the City's needs, BC&A recommends maintaining the existing culinary rate structure.

Pressurized Irrigation Rate Structure

Historically, the City's PI system has been unmetered. Therefore, the existing PI rate structure consists of a monthly flat fee based on lot size and use type (i.e. residential, commercial, agricultural, etc.). All customers (regardless of use type) are charged a flat base rate. Residential customers are given a 9,000 square foot allowance, beyond which the lot is charged an increasing amount based on the total area of the lot. Non-residential customer rates are the same as residential, but each non-residential lot is assigned an assumed percentage of irrigated acreage (i.e. the bill is based on only the estimated irrigated portion of the total lot size), and no 9,000 SF allowance is provided.

PROPOSED CHANGES TO PI RATE STRUCTURE

BC&A considered multiple options related to PI rate structures and discussed these options with City staff and City Council members. Based on these discussions and best practice cost-of-service principles, BC&A recommends the City implement the following changes to the PI water rates:

- Create a rate with a base component and increasing block volume component. The increasing block volume component encourages wise water use and is now required by Utah state law.
- Charge base rates based on gross lot size for residential customers and mapped irrigated area for non-residential customers.
- Correlate volume allotments and volume charges based on typical irrigation needs on the Wasatch Front to encourage wise use of outdoor water application. BC&A recommends adopting multiple customer classes grouped by similar lot size to define volume allotment blocks.

OTHER CONSIDERATIONS

Currently the City has signed agreements with 324 shareholder customers which provide these customers with a discounted PI water bill. The City has recently been re-evaluating these agreements and water shares. As of the writing of this memo, the City was still discussing policy for dedicated water shares moving forward. Once a decision has been finalized concerning these irrigation shares,

the City might consider revisiting the results of this rate analysis to understand the implications of the PI water share policy. The overall impact of share agreements on total water revenue is expected to be limited, therefore, all other recommendations in this memo can move forward independently of this shareholder policy decision.

PROPOSED NEW RATES

Combining the recommended rate increases with the recommended structure changes discussed above results in the recommended 5-year culinary and PI rate schedules found in Tables 2 through 5 at the end of this memorandum.

CONCLUSIONS

Based on the analysis contained in this report, the following actions are recommended:

1. **Adopt and Implement New Rate Structure and New Rates.** It is recommended that American Fork adopt the rates summarized in Tables 2 through 5. These changes are needed to:
 - Continue to meet immediate operations and maintenance needs;
 - Fund capital expenditures necessary to meet the City's longer-term system investment goals;
 - Keep rates current with inflation and projected system growth; and
 - Provide a manageable uniform rate structure for the City's entire culinary and pressurized irrigation water systems.
2. **Continue Monitoring System Costs and Revenues.** After the implementation of any rate changes, we would suggest American Fork monitor actual costs and revenues, as well as customer responses. Doing so is especially critical considering the adjustments to the PI rate structure and the beginning of metering PI water. The City should monitor system costs and revenues for a period of one year and then determine if any rate adjustments are needed. This is especially important given the current volatile inflationary environment and the accelerated growth that is expected to continue in the City.
3. **Update this Rate Study Periodically.** All rates are calculated based on existing conditions and assumptions about the future which may need to be revised from time to time. Therefore, in addition to short-term monitoring of system costs and revenues as stated above, it is recommended that this rate study be fully revisited and updated every 3 to 5 years. Doing so will ensure rates are as up to date as possible and will also keep the City ahead of expiring rate schedules.

**Table 2
Recommended Residential Culinary Rates**

	2026	2027	2028	2029	2030
Monthly Base Rate (\$/meter/month)					
<i>Single Family Residential</i>					
<i>3/4" and smaller</i>	\$18.47	\$20.13	\$21.94	\$23.70	\$25.59
<i>1"</i>	\$20.31	\$22.13	\$24.13	\$26.06	\$28.14
<i>1 1/2"</i>	\$22.13	\$24.12	\$26.29	\$28.40	\$30.67
<i>2"</i>	\$27.18	\$29.63	\$32.30	\$34.88	\$37.67
<i>Multi-Family Residential</i>					
<i>First Unit</i>	\$18.47	\$20.13	\$21.94	\$23.70	\$25.59
<i>Each Additional Unit</i>	\$13.32	\$14.52	\$15.82	\$17.09	\$18.45
Volume Rates (\$/thousand gallons/month)					
<i>Base Allowance (0-3 thousand gallons)</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Block 2 Rate (3-6 thousand gallons)</i>	\$4.02	\$4.38	\$4.78	\$5.16	\$5.57
<i>Block 3 Rate (6-9 thousand gallons)</i>	\$4.84	\$5.27	\$5.75	\$6.21	\$6.71
<i>Block 3 Rate (Above 9 thousand gallons)</i>	\$5.67	\$6.18	\$6.73	\$7.27	\$7.85

**Table 3
Recommended Non-Residential Culinary Rates**

	2026	2027	2028	2029	2030
Monthly Base Rate (\$/meter/month)					
<i>Single Family Residential</i>					
<i>3/4" and smaller</i>	\$20.32	\$22.15	\$24.14	\$26.07	\$28.16
<i>1"</i>	\$22.14	\$24.14	\$26.31	\$28.41	\$30.68
<i>1 1/2"</i>	\$23.98	\$26.14	\$28.49	\$30.77	\$33.23
<i>2"</i>	\$29.03	\$31.64	\$34.49	\$37.25	\$40.23
<i>3"</i>	\$66.21	\$72.17	\$78.67	\$84.96	\$91.76
<i>4"</i>	\$79.97	\$87.17	\$95.01	\$102.61	\$110.82
<i>6"</i>	\$112.10	\$122.19	\$133.19	\$143.84	\$155.35
<i>8"</i>	\$148.81	\$162.21	\$176.81	\$190.95	\$206.23
<i>10"</i>	\$199.30	\$217.24	\$236.79	\$255.74	\$276.20
Volume Rates (\$/thousand gallons/month)					
<i>Base Allowance (0-3 thousand gallons)</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Block 2 Rate (Above 3 thousand gallons)</i>	\$3.53	\$3.85	\$4.19	\$4.53	\$4.89

Attachment: American Fork Culinary & PI Water Rate Schedule 2026-2030 (Pressurized Irrigation and Culinary Water Rates discussion)

**Table 4
Recommended Residential PI Rates**

		2026	2027	2028	2029	2030			
Monthly Base Rate (\$/meter/month)*									
<i>All Single Family Residential</i>		\$0.0017 x Gross Lot Size (SF) + \$3.50 Minimum monthly base rate of \$18.80							
Volume Rates (\$/thousand gallons/month)									
<i>Tier 1</i>		\$0.43	\$0.64	\$0.86	\$1.04	\$1.29			
<i>Tier 2</i>		\$0.56	\$0.83	\$1.12	\$1.35	\$1.68			
<i>Tier 3</i>		\$0.83	\$1.23	\$1.65	\$2.00	\$2.48			
<i>Tier 4</i>		\$1.72	\$2.56	\$3.44	\$4.16	\$5.16			
Volume Block Definitions by Gross Lot Size (thousand gallons)									
<i>Thousand SF</i>	≤ 9	9- 12	12- 16	16- 21	21- 28	28- 38	38- 50	50- 65.3	>65.3
<i>Tier 1</i>	0 - 10	0 - 13	0 - 18	0 - 24	0 - 31	0 - 42	0 - 56	0 - 73	0 - 97
<i>Tier 2</i>	10 - 30	13 - 40	18 - 53	24 - 72	31 - 93	42 - 127	56 - 167	73 - 218	97 - 290
<i>Tier 3</i>	30 - 50	40 - 67	53 - 89	72 - 120	93 - 156	127 - 211	167 - 278	218 - 363	290 - 484
<i>Tier 4</i>	> 50	> 67	> 89	> 117	> 156	> 211	> 278	> 363	> 484
*All residential lots are assumed to irrigate 50% of their gross lot size. The City may consider offering an option for residents to map their lot and determine exact irrigated area. If this option is included, the Non-Residential equation (Table 5) should be used to calculate resulting monthly base rates for the irrigated area.									

**Table 5
Recommended Non-Residential PI Rates**

		2026	2027	2028	2029	2030				
Monthly Base Rate (\$/meter/month)										
<i>All Non-Residential</i>		\$0.0034 x Irrigated Area (SF) + \$3.50 Minimum monthly base rate of \$23.90								
Volume Rates (\$/thousand gallons/month)										
<i>Tier 1</i>		\$0.43	\$0.64	\$0.86	\$1.04	\$1.29				
<i>Tier 2</i>		\$0.56	\$0.83	\$1.12	\$1.35	\$1.68				
<i>Tier 3</i>		\$0.83	\$1.23	\$1.65	\$2.00	\$2.48				
<i>Tier 4</i>		\$1.72	\$2.56	\$3.44	\$4.16	\$5.16				
Volume Block Definitions by Irrigated Area (thousand gallons)										
<i>Thousand SF</i>	≤ 6	6 - 10	10 - 20	20 - 40	40 - 80	80 - 150	150 - 250	250 - 400	400 - 600	> 600
<i>Tier 1</i>	0-11	0-18	0-37	0-73	0-147	0-275	0-458	0-733	0 - 1,100	0 - 1,467
<i>Tier 2</i>	11 - 33	18-55	37-110	73-220	147 - 440	275 - 825	458 - 1,375	733 - 2,200	1,100 - 3,300	1,467 - 4,400
<i>Tier 3</i>	33 - 56	55-93	110 - 187	220 - 373	440 - 747	825 - 1,400	1,375 - 2,333	2,200 - 3,733	3,300 - 5,600	4,400 - 7,467
<i>Tier 4</i>	>56	>93	>187	>373	>747	>1,400	>2,333	>3,733	>5,600	>7,467

Attachment: American Fork Culinary & PI Water Rate Schedule 2026-2030 (Pressurized Irrigation and Culinary Water Rates discussion)