

A Meeting of the  
Brian Head Town Council  
Town Hall - 56 North Highway 143  
Brian Head, UT 84719  
**TUESDAY, SEPTEMBER 22, 2015 @ 1:00 PM**

# AGENDA

- A. CALL TO ORDER** **1:00 PM**
- B. PLEDGE OF ALLEGIANCE**
- C. DISCLOSURES**
- D. APPROVAL OF THE MINUTES:**
1. August 11, 2015 Town Council Meeting
  2. August 25, 2015 Town Council Meeting
- E. AGENDA ITEMS:**
1. **UTILITY RATE DISCUSSION.** Bret Howser, Town Manager. The Council will hold a discussion on the utility rates.
  2. **BUILDING INSPECTION AGREEMENT WITH IRON COUNTY.** Bret Howser, Town Manager. The Council will consider an agreement with Iron County for building inspection services.
  3. **SHUTTLE SERVICE DISCUSSION.** Bret Howser, Town Manager. The Council will hold discussion on the town's shuttle service.
- F. ADJOURNMENT**

**Date: September 18, 2015.**

Available to Board Members as per Resolution No. 347 authorizes public bodies, including the Town, to establish written procedures governing the calling and holding of electronic meetings at which one or more members of the Council may participate by means of a telephonic or telecommunications conference. In compliance with the Americans with Disabilities Act, persons needing auxiliary communications aids and services for this meeting should call Brian Head Town Hall @ (435) 677-2029 at least three days in advance of the meeting.

## CERTIFICATE OF POSTING

I hereby certify that I have posted copies of this agenda in three public and conspicuous places within the Town Limits of Brian Head; to wit, Town Hall, Post Office and The Mall on this 21<sup>st</sup> day of September 2015 and have posted such copy on the Utah Meeting Notice Website and have caused a copy of this notice to be delivered to the Daily Spectrum, a newspaper of general circulation.

\_\_\_\_\_  
Nancy Leigh, Town Clerk





## Town Council Staff Report

**Subject:** Utility Rates  
**Author:** Bret Howser  
**Department:** Administration  
**Date:** 9-22-15  
**Type of Item:** Discussion

### **SUMMARY:**

Staff and Council will discuss utility rates in light of a recent petition from the Grand Lodge to reduce utility rates for hotels. No official action is scheduled, although Council may move to direct staff to return with an ordinance or resolution for official action.

### **PREVIOUS COUNCIL ACTION:**

On June 9, 2015, Council approved a 4% increase in utility rates, which included the removal of the discounted rates for hotel rooms. On August 25, 2015, following a petition from the General Manager of the Grand Lodge, Council directed staff to revert to the half ERU charge for hotel rooms and return with a renewed study of the utility rates.

### **BACKGROUND:**

During the summer/fall of 2013, the Town Council engaged in a rigorous review of the financial position of the Town's utility funds. Staff presented a Utility Fund Financial Model which served as a focal point for conversation. The model showed a significant funding deficiency in the Water Fund, short-term health but long-term deficiency in the Sewer Fund and long-term excess of funding in the Solid Waste Fund. The largest expense-side factors behind deficiencies were unfunded indebtedness and future capital replacement needs.

During the FY 2015 budget process, Council looked at a schedule of rate increases covering a ten year span. These rate increases ranged between 1% and 4% each year during the period. Understanding the need for proactively addressing the situation, Council adopted the first of these rate increases – a 3% increase to the total utility bill for FY 2015 (which dramatically increased the water fee while reducing the sewer and solid waste fees – thus spending down sewer/solid waste fund balances while beginning to build water fund balance).

Again during the FY 2016 budget process Council reviewed an updated Utility Fund Financial Model, which showed continued need for small rate increases in the foreseeable future. Council adopted a 4% rate increase for FY 2016, while

simultaneously decreasing the residential bulk water rate 25% and increasing the charge for hotel rooms from a 0.5 ERU charge to a full 1.0 ERU charge (effectively doubling the monthly bill for hotels).

On August 11, 2015, the Council reviewed the decision of the Parowan City Council not to renegotiate the sewer treatment agreement. Council agreed with the staff recommendation to indefinitely delay the sewer treatment plant project which had been anticipated in the Utility Fund Financial Model. This would reduce the projected utility rate increases in future years.

On August 25, 2015, Council heard the concerns from local hotels regarding the recent increase in their bill and directed staff to resume charging the 0.5 ERU rate to hotels, and return with a new analysis of the utility rates.

**ANALYSIS:**

Utility Fund Financial Model Update

Staff has updated the Utility Fund Financial Model to include 2015 actual financial data as well as replacing the sewer treatment plant project with a continuation of payments on the existing sewer lagoons. The resultant projected rates are as follows:

Fiscal Yr	Residential				%	Commercial					Monthly Bill
	Water	Sewer	Solid Waste	Monthly Bill		Water	Sewer	Office	Retail	Restaurant	
2015	75.00	27.00	7.00	\$109		147.58	88.55	7.00	47.00	64.00	\$275
2016	76.00	30.00	7.00	\$113		149.55	89.73	7.00	47.00	64.00	\$279
2017	80.00	30.00	7.00	\$117	4%	157.42	94.45	7.00	47.00	64.00	\$291
2018	82.00	32.00	7.00	\$121	3%	161.35	96.81	7.00	47.00	64.00	\$298
2019	82.00	35.00	10.00	\$127	5%	161.35	96.81	10.00	67.14	91.43	\$314
2020	82.00	38.00	12.00	\$132	4%	161.35	96.81	12.00	80.57	109.71	\$326
2021	80.00	40.00	12.00	\$132	0%	157.42	94.45	12.00	80.57	109.71	\$319
2022	79.00	40.00	13.00	\$132	0%	155.45	93.27	13.00	87.29	118.86	\$322
2023	79.00	40.00	13.00	\$132	0%	155.45	93.27	13.00	87.29	118.86	\$322

Small increases are still likely to be needed in upcoming years, including another 4% increase next year. This is consistent with the projections shown to the Council in June. However, with the removal of the sewer treatment plant project, only a 3% increase rather than a 9% increase is anticipated for FY 2018. Ultimately, rates are now only anticipated to reach a level of \$132/mo in 2023 rather than \$140.

As always, it should be noted that these are projections and Council is only asked to be aware of them. We are not adopting a slate of future increases now.

Staff is not recommending a change in rates due to this update of the financial model at this time. The payoff for the removal of the treatment plant project will come in future years.

## Re-Evaluating the Distribution of Rates

The Council made the decision in June to increase the rates for hotels based on the observation that hotel rooms are functionally not dissimilar from condos and the assumption that water usage was similar between the two. Council believed it was “fair”, using assumed usage as the measuring stick for fairness, to charge condos and hotel rooms the same utility rate.

Since then, there has been a fair amount of discussion regarding what is the “fair” way to charge a hotel room vs. a condo vs. a commercial establishment. What follows is an attempt to illustrate what would be fair rates if usage were the determining factor.

### ***Flat per gallon approach***

Some have suggested that the fairest way to determine rates is to charge per gallon of usage. This is relatively easy to calculate. Total usage last year was about 29 million gallons. We need \$1.3M to operate the system. That’s about \$0.045/gallon.

However, staff sees some potential issues with implementing this kind of system.

- 1) Total usage of the system fluctuates from year to year, resulting in unsteady and unpredictable revenues, while expenditures related to maintaining and improving the system do not fluctuate. If our costs were on a pure per-gallon basis, this would be a different story.
- 2) Metering would have to be completely overhauled. In the Mall, for instance, there are only two meters, one for the condos and one for the businesses. Every time one business turned on the tap, they would be running up the other businesses bills. Without individually metering, we run the risk of putting HOAs or other associations in the position of resolving usage disputes.
- 3) The impact on individual businesses and users is difficult to predict and would likely have drastic political implications. In all likelihood, this would dramatically increase the Resort’s bill, for instance. We can explain that it’s fair across the board based on usage, but I’m not sure that will stick in people’s heads when they go to the voting booth.

### ***User Type Approach***

The following chart shows usages by user type over the past three years:

#### **Water & Sewer Usage**

	Year 12-13	Year 13-14	Year 14-15	Average	Proportionate Share
Hotel	6,998,000	7,878,000	7,948,000	7,608,000	<b>24%</b>
Cedar Breaks Lodge	5,108,000	6,058,000	5,988,000	5,718,000	
Grand Lodge	1,890,000	1,820,000	1,960,000	1,890,000	
Commercial	2,108,177	2,139,057	2,701,403	2,316,212	<b>7%</b>
Condos	20,392,115	18,668,022	14,722,053	17,927,397	<b>56%</b>
Residential	4,350,013	4,201,846	3,562,556	4,038,138	<b>13%</b>
<b>Total Usage</b>	<b>33,848,305</b>	<b>32,886,925</b>	<b>28,934,012</b>	<b>31,889,747</b>	

The Town is currently budgeted to collect about \$1.3M from general user fees in the Water Fund and another \$504,000 in the Sewer Fund. Regardless of how the rates are distributed, these amounts must be collected in order to fund the systems. It is a common misconception that the system costs fluctuate with usage. They don't. Our costs are largely the same whether anybody ever turns on the tap or not. The only way to significantly reduce the total amount of fees we must collect is to reduce manpower or equipment – affecting our ability to address system failures – or delay/defund system improvements.

So, in order to collect the necessary fees, but to collect them based on usage, you might apportion the needed funding levels based on average historical usage of the different user types, as shown on the following chart.

	<b>Total Fees Needed</b>	<b>Hotel 24%</b>	<b>Comm. 7%</b>	<b>Condo 56%</b>	<b>Resid. 13%</b>
Water	\$1,322,000	\$315,392	\$96,019	\$743,186	\$167,402
Sewer	\$504,000	\$120,240	\$36,606	\$283,333	\$63,821

Then divide the funding apportioned to each user type by the current number of customers (or units) in each of those user types. The following chart shows what the monthly utility bill would be under this usage-based scenario:

	<b>Hotel</b>	<b>Comm.</b>	<b>Condo</b>	<b>Resid.</b>
Units	257	18	1,064	250
Monthly Charge				
Water	\$102	\$445	\$58	\$56
Sewer	\$39	\$169	\$22	\$21
Trash	\$7	\$47	\$7	\$7
	<b>\$148</b>	<b>\$661</b>	<b>\$87</b>	<b>\$84</b>

Compare that to the current monthly bill by user type:

	<b>Hotel</b>	<b>Comm.</b>	<b>Condo</b>	<b>Resid.</b>
Water	\$38	\$150	\$76	\$76
Sewer	\$15	\$90	\$30	\$30
Trash	\$7	\$47	\$7	\$7
	<b>\$60</b>	<b>\$287</b>	<b>\$113</b>	<b>\$113</b>

If usage is the determinant of “fairness”, then hotels and commercial users are currently being “discounted” to the tune of about 60% each while condos and single family homes are being “overcharged” by about 30%.

#### Competing Values of Being Business-Friendly vs. Being Fair

The Council has a stated goal of being business friendly. Certainly this goal would extend to how businesses are charged on their utility bill. If you simply charge businesses based on their

usage like everybody else, are you really being business friendly? Or is some kind of a discount in order?

That said, you can't just discount businesses on their bill and expect that related expenses will just disappear. Somebody has to foot the bill. A discount to commercial users necessarily results in an overcharging of residents. Is it possible to be fair to residents while simultaneously being business friendly?

Also we run into the quandary of determining what is a business. When the argument is made that a hotel is different than a condo because it's a business, it's quickly noted that many of the condos are also rented out. For that matter, so are many of the houses. Should we change our applicable utility rates when a condo owner or home owner signs up for a nightly rental business license?

Perhaps the solution is to back away from those two competing values and take a simple pragmatic approach. What's realistic? Is charging a business \$661 a month on their utility bill realistic? Is doubling the hotel utility bill realistic? Is shifting additional burden to homeowners or condo owners to further subsidize businesses realistic?

#### Staff Recommendation

After evaluating the data and all of these questions, staff believes that the current rate structure is realistic. It is certainly business friendly, and it may not be particularly fair to condo owners who may compete with the hotels, but it's realistic.

We don't recommend changing the current rates.

#### **DEPARTMENT REVIEW:**

Administration

#### **FINANCIAL IMPLICATIONS:**

Financial impacts could vary depending on direction. Staff would return with an analysis of the financial impact of Council's chosen direction.

#### **BOARD/COMMISSION RECOMMENDATION:**

N/A

#### **RECOMMENDATION:**

Staff does not recommend changes to the current rate structure. If Council agrees, staff will return with an amendment to the fee schedule setting hotel rates back to 0.5 ERU.

#### **PROPOSED MOTION:**

N/A



## Town Council Staff Report

**Subject:** County Building Inspection Interlocal Agreement  
**Author:** Bret Howser  
**Department:** Administration  
**Date:** 9-22-15  
**Type of Item:** Legislative

### **SUMMARY:**

The Council will consider an Interlocal Agreement with Iron County to provide commercial building inspection services and some residential inspection services for Brian Head Town.

The agreement was sent to the County for their approval and was sent back to us with a couple of changes that are identified in **red font**. Section 8 and 10.

### **PREVIOUS COUNCIL ACTION:**

The Council approved a budget amendment on 9-1-15 removing the Building Inspector position from the budget at the staff's request. That adjustment necessitates a new approach for providing building inspection services in Town.

### **BACKGROUND:**

In the years following the onset of the Great Recession, development activity in Brian Head slowed greatly. With demand for building inspection low and the budget tight, the Town instituted a reduction in force eliminating the full-time Building Inspector position. At that time, the Town Manager (a former building inspector) assumed building inspection duties for the Town. Prior to the departure of that Town Manager, the Town began training one of the Public Works employees to fill the role, and he provided building inspections until his departure in early 2015. Since that time, the County has provided inspection services free of charge to the Town. Additionally, the Public Works Director (also a former building inspector) has renewed his licensing sufficient for some residential inspection and has performed building inspection on a limited basis.

During the budget process in spring 2015, the Council directed staff to include a full-time position in the budget which would do building inspection as required and public works labor the balance of the time. Staff was unsuccessful recruiting an employee which could satisfactorily fill both roles without the need for extensive training. Staff returned to the Council last month with a new plan, eliminating the full-time position in favor of two part-time positions which would provide public works labor, fire inspection, and code enforcement. The stated plan at that time was to continue providing building

inspection services using Iron County inspectors and the Public Works Director (Tom Stratton) until there was enough building activity and resultant revenue to justify a full-time building inspector position.

Also last month, the Chief Building Official for Iron County – Chad Nay – approached the Town with a proposal to formalize the relationship between the County and the Town for inspection services, and Council directed staff to work with Mr. Nay on an agreement.

**ANALYSIS:**

The attached agreement is a modification of the County’s standard agreement which they’ve used in the past when providing building inspection services for municipalities. The outlines the following:

- County is to provide inspections for all commercial permits
- County will do residential inspections when the Town requests it
- County retains control over their personnel, scheduling, work flow, etc
- County is not doing code enforcement, but they’ll ensure that LMC requirements are not violated by adhering strictly to final approved design
- County is responsible for all labor, equipment, etc. to perform the job
- Any inspections done by the County falls under their insurance, any done by the Town is under ours
- County gets 70% of Permit/Plan Check fees for any permit they handle.
- County collects fees for permits they handle, and remit 30% to Town quarterly.
- Town collects impact fees.

**DEPARTMENT REVIEW:**

Administration, Public Works

**FINANCIAL IMPLICATIONS:**

The Town has budgeted about \$30,000 in building permit revenue for FY 2016. It is anticipated that this would reduce the revenue in this line to approximately \$10,000.

**BOARD/COMMISSION RECOMMENDATION:**

N/A

**RECOMMENDATION:**

Staff recommends that the Town enter the proposed interlocal agreement.

**PROPOSED MOTION:**

I move to approve the attached Interlocal Cooperative Agreement for Building Inspection Services with Iron County and to authorize the Town Manager to enter into the agreement on behalf of the Town.

## INTERLOCAL COOPERATIVE AGREEMENT FOR BUILDING INSPECTION SERVICES.

Agreement made on this \_\_\_\_\_ day of \_\_\_\_\_, 2 \_\_\_\_\_, by and between Iron County a body politic, hereinafter referred as "County" or "The County", and \_\_\_\_\_ a body politic, hereinafter referred to as "Town" or "The Town".

**Whereas**, County and Town are responsible for providing building inspections for all new construction and remodeling projects; and

**Whereas**, each entity has traditionally provided an inspection service to the citizens of the County and the Town; and

**Whereas**, it is mutually beneficial for the County and the Town to join together in providing building inspection services for the residents, builders, developers, entities, and all those concerned; and

**Whereas**, County and Town desire to make the most efficient use of their powers and resources by correlating and sharing with others on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant a form of *Inter Local Cooperation* that will work best with geographic, economic, population and other factors influencing the needs and development of local communities and to provide benefit of economy of scale, economic development and utilization of resources for the overall promotion of the general welfare of County and Town; and

**Whereas**, the State of Utah has enacted legislation as provided for in Title 58 Chapter 56 Utah Code annotated 1953 as amended, requiring building inspectors to be certified and licensed, and maintain stringent qualifications and standards for the building inspection profession; and

**Whereas**, the cost for maintaining a licensed building inspector will be prohibitive if addressed individually in each government entity in Iron County, and

**Whereas**, by joining with other cities in Iron County, County and other cities could operate the inspection program at the cost of the program; and

**Whereas**, the County is willing to serve as the lead agency in providing the inspection service to be performed by the County's Building Department.

In consideration of the mutual covenants and promises herein, the parties agree as follows:

1. County shall provide all commercial building inspection services within the Town. The County shall also provide residential building inspection services within the Town

for specific projects as requested by the Town. Notwithstanding the shared nature of residential building inspection services between the Town and the County, services for residential projects which the Town requests be provided by the County shall be provided in their entirety by the County.

2. The Planning, organization, scheduling, direction and supervision of the building inspector and all other matters incidental to the delivery of general building inspection services to Town shall be as determined by County. County shall retain exclusive authority over the activities of the building inspection services personnel in the service area of the County and Town.
3. General building inspector services shall not include general responsibility for enforcement of zoning ordinances. The granting or withholding of building permits will however fully conform to all zoning regulations then in effect. Building inspections conducted on active permits will ensure that actual construction is consistent with designs which have been approved and determined to be in conformance with the Town's Land Management Code.
4. The Building inspection personnel will give prompt consideration to requests from the Town regarding the delivery of general building inspection services therein. County building inspections services personnel will make every effort to comply with these requests in a timely manner if they are consistent with good management practices, scheduling conflicts and planning.
5. The County shall provide all building inspection services outlined in Section 1 of this agreement commencing on the date of this agreement, and County shall further be responsible to (a) hire, (b) train, (c) supervise and (d) provided qualified inspectors.
6. County shall furnish all labor, equipment, facilities and supplies required to provide the Town with general building inspection services as provided herein.
7. County shall obtain all necessary liability insurance and hold the Town harmless and defend all the claims against the Town, as related to the building inspections services performed by the County Building Department within the Town. Town shall assume liability for, defend against, and except County from all costs or damages for injury to person or property caused by Town.
8. County shall collect building permit, inspection fees, and plan check fees according to the Town's approved fee schedule for all services provided by the County as set

forth in Section 1 of this agreement within the Town boundaries. County shall retain 70% of said fees with the remaining 30% of the fees being remitted to the Town. The Town shall collect any applicable impact fees. **County's recommended changes: 8. County shall collect fees as outlined in this contract. Inspection fees for the building fees shall be assessed in accordance with the Brian Head Town valuation and fee schedule. County shall retain 70% of said fee and remit 30% of said fee to the Town. All other fees shall be assessed in accordance with County valuations and schedules and shall remain with the County. Including plan check, plumbing, mechanical, electrical and re-inspection fees. The Town is responsible to collect all connection fees, impact fees, ect.**

9. Payment shall be made quarterly to Town based upon calendar year of funds collected for building fee. **County's recommended changes: 10. This contract shall be for the period of one (1) year from the date signed by both parties. This contract may be extended by mutual agreement of both parties.**
10. This *Inter Local Agreement* can be terminated upon a mutual agreement. Of both parties. County and Town agree that should either party terminate the agreement, written notice shall be furnished one (1) year prior to revocation of this agreement for the purpose of providing each party the ability to find alternative services.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

*Brian Head Town*

\_\_\_\_\_  
*Brian Head Town Manager*

*Attest:*

\_\_\_\_\_  
*Brian Head Town Clerk*

(SEAL)

*Iron County*

\_\_\_\_\_  
*Chairman, Board of Iron County Commissioners*

*Attest:*

\_\_\_\_\_  
*Iron County Clerk*



## Town Council Staff Report

**Subject:** Transit Service (Shuttle) Discussion  
**Author:** Bret Howser  
**Department:** Administration  
**Date:** 9-22-15  
**Type of Item:** Discussion

### **SUMMARY:**

Council will have a discussion regarding the desired level of service for transit service (shuttle), the options for delivering the service, and funding alternatives. Council may direct staff to pursue certain options in the future, but no binding decisions are scheduled for this meeting.

### **PREVIOUS COUNCIL ACTION:**

In recent years, the Town Council has included a winter public shuttle service in the Strategic Plan. The strategy was budgeted to the tune of \$120,000 in FY 2016 (increased from about \$90,000 two years ago). About 20 years ago, the Town instituted an enhanced service business license fee (colloquially called the "Shuttle Fee") to fund the shuttle service as well as increased snow removal service.

### **BACKGROUND:**

Recently, Town staff has received a fair amount of negative feedback regarding the Shuttle Fee and its use. While there seemed to be a limited concern regarding the level of service, a handful of businesses have been more concerned with the fact that the fee is collected year-round while the service is only provided seasonally.

This past summer, Brian Head Resort held an event nearly every weekend and enjoyed great success. Many of the businesses experienced year-to-year revenue growth in double digits. These events may signify the beginning of significant local economic growth in the summer.

For one of these events, the Resort asked the Town to provide shuttle service for the weekend. Town staff investigated the cost to do so (about \$2,500) and offered to fund half of the cost from the Town's contingency budget in an effort to be supportive of the Resort's initiative and to be business friendly. The Resort was dissatisfied with this offering, and argued that it was the Town's responsibility to provide the service at no cost to the Resort since, 1) the Town collects a Shuttle Fee, and 2) the other businesses were benefitting so much from the Resort's summer events without contributing. The Town offered to help contact businesses to solicit their participation.

Upon reaching out to the other businesses, Town staff received acute negative feedback regarding the Town’s Shuttle Fee. Businesses seemed to expect that the Town should provide shuttle service year-round since the Shuttle Fee is collected year-round.

At this point, Town staff realized that it was probably time for the Council to revisit their policy regarding transit service and the funding of that service. What follows is an analysis of this very thing.

**ANALYSIS:**

Staff hopes to re-evaluate the whole public transit concept in Brian Head from the ground up. To do this, we should revisit 1) the level of service – What do we want? 2) the service delivery method – Who will do it? – and 3) the funding mechanisms – How do we pay for it?

Level of Service – What do “We the People” want?

*Winter Service*

Currently the Town provides shuttle service during the winter only. Right now this service consists of the following:

- Weekdays non-holiday season – One 15 passenger vehicle from about 9am-5pm
- Fridays non-holiday season – One 15 passenger vehicle from about 9am-10pm
- Saturdays & holiday season – Two 15 passenger vehicles and a 40 passenger bus from about 9am-5pm, plus one 15 passenger vehicle from 5pm-10pm
- Sunday – Two 15 passenger vehicles and a 40 passenger bus from 9am-5pm

In recent years, the level of service for winter transit has been set by joint decision of the Town and the Resort. Town staff will call a meeting with the Resort in about August/September. During this meeting, we review ridership data and attempt to evaluate demand during certain days and certain times. Then we draft a schedule opening/closing dates of the Resort, holiday season dates, and decide how many buses we want operating during which times. This is written into a draft contract for service.

Over the past few years, there has been a fairly large increase in the level of winter service in response to the Resort’s concerns. The cost to meet this level of service has grown 37% in the past four years, while the Enhanced Service Business License Fee funding the service has grown 35%.

Brian Head Town - Visitor Services Retail Fee (Revenue) & Transportation Service (Expenditure)						
For Actual Fiscal Years 2011, 2012, 2013, 2014, 2015, and Budgeted Amount for Fiscal Year 2016						
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u> <u>(Budget/Revised</u> <u>Budget)</u>
3220 - Visitor Services Retail Fee (Shuttle Fees)	\$ 178,045	\$ 171,611	\$ 182,294	\$ 210,201	\$ 240,179	\$ 205,000
4140.485 Admin - Transportation Service	\$ 88,439	\$ 104,067	\$ 94,274	\$ 121,503	\$ 106,185	\$ 121,200

This year, the Resort did not express a desire for any significant shifts in level of service for the winter. Staff believes that the current level of winter service will accommodate up to 175,000 skier days. Development of the Village Core, however, could shift demand dramatically.

### *Summer Service*

Currently, the Town does not offer any summer transit service. However, there may be future demand for summer transit due to the following:

- 1) Summer Events: The Resort has entered the summer event market with a high degree of early success. With events nearly every weekend, there were hundreds and sometimes thousands of additional summer visitors in Town all summer long. Currently, they don't seem to have much need for a shuttle as they tend to come in personal vehicles and there is plenty of parking in the Giant Steps and Navajo Lodge parking lots to accommodate them. A couple events though, such as the car show, saw visitors parking out on Hwy 143 and in the shoulder on side streets. As attendance at these events expands, as we hope and expect, there could start to be regular demand for shuttle service.
- 2) Cedar Breaks National Monument: The Town has a stated strategy to better integrate with CBNM and establish ourselves better as their gateway community. A shuttle loop from the Town to the Monument would go a long way toward achieving this goal. Some visitors to the park would be more apt to stay in one of our hotels/condos and eat at our restaurants if they could leave their car in one spot and just hop on a shuttle to tour the Monument like they do in Bryce or Zion. Also, CBNM hopes to start packaging wildflower and night sky tours with local lodging in hopes of broadening their visitor experience. A shuttle could certainly help foster the success of this new approach.

Staff believes that as the linkages between Brian Head and CBNM grow stronger, the Town will attract quite a few more of the nearly 700,000 annual visitors to the Monument. A shuttle will be imperative at that point, and having the shuttle before we get to that point may expedite the process.

Summer transit service could take various forms. As summer visitor patterns within Town are less predictable than winter, an on call 15 passenger vehicle is probably most appropriate to handle typical in-town service. However, running a 15 passenger sprinter on a loop during events between the hotels/resort/pond could be advantageous. Also, a loop between Town and the various stopping points in the monument might be considered.

While staff doesn't believe the demand for ongoing in-town service is there currently, occasional demand spikes related to events are tough for us to address at the moment. We have to contract out with a bus company which will charge thousands of dollars for one weekend. It's not very cost efficient.

If Council wishes to continue with contract transit service, staff recommends that we consider running a weekend loop to the Monument for a summer season to see if it results in an uptick in Monument visitors spending money in Brian Head. This service could be modified on event weekends which require a higher level of in-town service. If however the Council wishes to explore in-house service provision, this opens up quite a bit of flexibility in how we might approach summer transit service.

### *Long Term Service Options*

Assuming that Brian Head continues to grow the way we hope, and if Iron County and Cedar City grow the way the State projects, there may someday be a need for transit service options through Parowan Canyon for both visitors and commuters, as well as perhaps someday transit service all the way from Cedar City. There is no real demand for this right now, and staff doesn't recommend any action to address this in the near future. Just keep it in mind for the long-term.

### *Transit Level of Service Survey*

Staff took the initiative, in light of recent comments and concerns from business owners, to send a quick survey to businesses in an effort to better understand their concerns regarding the shuttle service. The survey was meant to get an idea of whether their concerns were more related to the service levels or the funding. Survey emails were sent to about 100 businesses licensed in Brian Head, and 26 responses were returned. The results were as follows (the scale is 1 – 5):

Question 1: How would you rate the Town shuttle service during the winter season?

- Average Score: 4.33
- Comments include:
  - Need better signage and website info
  - Better communication with drivers (dispatch rather than drivers on cell phones)
  - Mixed reviews on driver responsiveness/helpfulness

Question 2: Do you see a need for summer shuttle service?

- Average Score: 2.20

Question 3: Do you see a need for shuttle service through Parowan Canyon?

- Average Score: 2.92
- Responses were very distributed on this one
- Several comments about the need for this shuttle to expand workforce options

Question 4: How should the shuttle service be funded?

- Retail Business License Fee (Shuttle Fee): 28%
- Rider Fares: 20%
- Property Taxes: 0%
- Mix of fees/or taxes: 52%

- Other: 0%
- Several comments suggesting fares for Parowan Canyon and free system in-town

In-House vs. Contract – How can we best provide the service?

*Contracting with Private Service Provider*

The town currently contracts with Arrow Stagelines (formerly Mesquite Bus Company) for the winter shuttle service. The Town put out to RFP last year for service and Arrow was the only respondent, even after staff submitted direct invitations both verbally and in writing for other service providers to bid. Arrow bid \$120,000 for the current service level.

Despite the fact that the lack of competition in this market is not keeping our costs particularly low, there are other benefits to going with a private contractor:

- Risk of lawsuit, equipment failure, etc. is on the private service provider. They assume financial exposure for contingencies.
- They have a very strong advantage in recruiting drivers. They know how and where to recruit drivers, and can keep them on full time moving them from job to job. If they lose a driver mid-season, they have a pool of drivers to pull from.

There are certainly disadvantages as well:

- No competition in the market means the Town may be exposed to being price gauged in the future.
- The Town has much less service level control, including quality of buses and managing attitudes and customer service skills of drivers.

One example of the service level issues that arise when contracting privately has been observed in recent dealings with Arrow. The Town was involved in contracting with Mesquite Bus Company last year when they were bought out by Arrow Stages. During the transition, Arrow promised the Town would be serviced by new buses next year in an effort to reassure the Town and make us comfortable moving forward with Arrow instead of Mesquite. This year, we contacted them to ask if the new buses would be in service this year. They responded that they have new buses and that we could have them but the contract would have to be renegotiated for a higher price.

*In-House Transit Service*

The table at right shows estimated costs to provide transit service in-house at different service levels. The estimates assume pay levels up to \$20/hr, fuel costs at the highest level of the past three years, and maintenance costs at \$0.75/mile at the highest mileage of the past three years. Staff thinks these are

**In House Transit Cost Estimates**

	<i>Level of Service</i>		
	<b>Current</b>	<b>Summer</b>	<b>Canyon</b>
Personnel	\$43,000	\$103,000	\$115,000
Fuel	\$8,000	\$10,600	\$12,800
Maintenance	\$10,500	\$13,900	\$16,800
Other Ops	\$15,000	\$32,000	\$36,000
Vehicle Replac	\$27,000	\$33,750	\$39,583
<b>Total</b>	<b>\$103,500</b>	<b>\$193,250</b>	<b>\$220,183</b>

conservative estimates (meaning that we assumed the highest costs in the reasonable spectrum).

Costs for vehicle replacement were based on current advertisements for used vehicles a few years old (see attachment). The operation would require three vehicles:

- 40 passenger - \$65,000, estimated life 3-5 yrs
- (2) 15 passenger - \$35,000, estimated life 3-5 yrs

The cost to provide the current level of service is anticipated to be around \$100,000 on the high end, which would be about 20% cheaper than our current contract. However, providing in-house service would open the possibility for providing summer service as well. In our assumptions, we included a full-time regular (benefitted) driver if we provide summer as well as winter service, which bumps the cost up quite a bit. If we were to provide only weekend summer service, a full-time employee would not be required and summer service could be a cheaper option.

Intangible benefits of providing the service in-house include:

- More customer service control with drivers working directly for us
- Nicer vehicles and a better look/feel for the Town
- Options for summer transit at a relatively low cost (including running shuttle during only certain events using current Public Works employees)

Drawbacks include:

- Difficulty recruiting/retaining part-time drivers
- Assumption of additional risk

### Funding Alternatives – How do “We the People” Pay for It?

#### *Enhanced Service Business License Fee (Shuttle Fee)*

The Town has for years charged a 1.5% gross receipts tax (which is like a sales tax) to businesses – which they pass along to their customers – intended to cover the cost of the shuttle service as well as defray some of the snow removal costs. The fee is enacted under the authority of the business license section of State statute, which allows a Town to collect a fee for “enhanced services”, including transit and snow removal. Technically, this fee is called the Retail Business License Fee, but everybody has come to call it the Shuttle Fee – which has in part led to business owners forgetting that it was also intended to pay for snow removal. The fee generates nearly \$200,000 annually, and while businesses don’t like it, it is generally assessed as a tax to the consumer and not listed in the businesses’ prices. It is also technically considered a fee, rather than a tax, and is therefore tax deductible for businesses.

Nonetheless, the fee is somewhat politically unpopular. The survey of businesses still shows the fee the single most desirable mechanism to cover the cost of service, but most respondents were interested in seeing a mix of mechanisms.

### *Federal Funding*

The potential for Federal funding is very unclear. FTA Formula Grants exist and are a favorite funding option for larger transit systems in the state. The funds are administered by the State, and the process for obtaining the funds appears complex. We are aware that larger systems, like Park City, have been successful obtaining 5310 and 5311 funding, but staff is trying to ascertain from smaller transit operations (such as Cedar City) whether these funds have been readily available for rural operations. We have not heard back after repeated messages.

At this point, staff recommends that Federal funding be considered a fallback option. A responsible transit system should be designed to be financially self-sustaining, with Federal funding supplanting local funding when the former is available.

### *Transportation Local Option Sales Tax (0.25%)*

The Town Council could, following a popular vote of the people, enact a Local Option Transit Sales Tax of a quarter percent. As a funding mechanism, this is probably less desirable than the existing Shuttle Fee, as it functions basically the same, but would generate one-fifth of the revenue. It may, however, be more politically palatable – although astute business owners would likely realize that it's virtually the same concept.

In order to generate enough revenue, it would have to be used in tandem with the existing Shuttle Fee. The Shuttle Fee could be dropped slightly simultaneous to the advent of a Transit Sales Tax. However, since the sales tax would also be paid by businesses not licensed in Brian Head but remitting point of delivery sales taxes to Brian Head, the Shuttle Fee could be dropped by slightly more than 0.25% and still generate the same revenue. This would result in an overall sales tax rate drop of about 0.05%.

Shifting the funding mechanism towards a tax collected by the State, though, could present future problems if the State trends toward streamlined sales tax or further sales tax redistribution. The Town should consider whether we want to subject another of our revenue sources to the volatility of the State Legislature.

### *Rider Fares*

The Town could charge a fare for riding. Since most shuttle trips in Town are very short, it would need to be a small fee, and ridership numbers suggest that this would not generate much revenue. The Town should consider whether such a fee would have a greater negative impact on the guest experience than the fare is worth. Also, collection of the fee would be an issue, requiring a technological solution that may cost more than the fee would generate.

There was some appetite on the business survey to see a fare, but comments suggested that those responses may have had a fare in mind for out-of-town service, such as commuter service through Parowan Canyon.

### *Advertising Revenue*

Some transit systems generate a little revenue through selling advertisement on the buses. Staff doesn't anticipate that there would be more than a couple thousand dollars a year in potential revenue from this source.

### *Cedar Breaks National Monument*

Staff has approached CBNM to gauge their interest in financial participation for a shuttle loop between the Monument and Brian Head. The Superintendent of the Monument has a lot of interest in the shuttle, but is non-committal regarding financial participation. Obviously, it would have to go through an arduous Federal budget process.

### *Property Taxes*

There is no appetite shown in the survey to cover the cost of shuttle service with property taxes. That said, businesses have consistently rejected the explanation that part of the Shuttle Fee pays for snow removal. They seem to expect that the entire Shuttle Fee should be used for shuttle service and shuttle service only. So either the expand shuttle service to match the revenue brought in, or reduce the shuttle fee. Obviously, if the Town did either of those things we would need to cut the budget elsewhere or find new revenue to keep providing the current level of snow removal. Indeed, the Council recently had a discussion around the need to expand our snow removal response capacity. If we took this option, we may want to have a discussion around raising property taxes to cover snow removal expenses.

### Staff Recommendation

- Look to do service in-house on a 3-5 year trial basis starting in FY 2017. Winter service provided at current LOS, and spot summer service available during events.
- Put Transit Local Option Sales Tax on ballot next year to fund shuttle system. Create Transit Service run as enterprise fund, use federal funds to supplement (rebate shuttle fee to businesses when there are federal funds)
- Reduce Shuttle Fee to 1% and increase property tax by \$80,000 to cover snow removal costs, **or** separate the Shuttle Fee into two different business license fees: one for transit and one for snow removal
- If 0.25% Transit Local Option Sales Tax passes, reduce shuttle fee by 0.3% **or** use the additional revenue to fund expanded service

### **DEPARTMENT REVIEW:**

Administration and Public Works

### **FINANCIAL IMPLICATIONS:**

Varying depending on Council direction – see details of the report

**BOARD/COMMISSION RECOMMENDATION:**

N/A – if Council wishes, this could be run through the Business Technical Advisory Committee

**RECOMMENDATION:**

See staff recommendation in Analysis section

**PROPOSED MOTION:**

N/A