



## Orem Public Works Advisory Commission Meeting Minutes

7:00 a.m. Tuesday, September 15, 2015  
Orem Public Works Department  
Conference Room 2  
1450 West 550 North

CONDUCTING: Tai Riser

ATTENDING: Luke Peterson            Bill Peperone            Chris Tschirki  
Lawrence Burton            Lane Gray            Tom Macdonald  
Reed Price            Carol Walker            Mike Collins  
Keith Larsen            Debbie Lindsay

ABSENT/EXCUSED: Val Hale            K.C. Shaw            Stan Roberts  
Neal Winterton

### APPROVED

Tai welcomed everyone. There was not a quorum present so it was decided to wait on approving the meeting minutes until a quorum was present.

Carol Walker thought the Open House on August 18<sup>th</sup> was very well done. Mike Collins and Keith Larson from Bowen Collins Associates were in attendance. They helped produce some posters on display. There were four streaming videos. Chris said there were many questions about rates. The biggest concern expressed was the need for the rate increase over a 5 year period. Most citizens in attendance felt this was a bit aggressive. The comment cards were transcribed verbatim and were made available on [utilities.orem.org](http://utilities.orem.org). There were 22,000 invitations sent for the Open House. The invitation included some general information. There were 81 citizens that attended the first Open House and 50 that attended the second meeting.

Luke Peterson arrived so a quorum was present. Tai *called for a motion* on approving the August minutes. Bill Peperone *made a motion* to approve the minutes. Carol *seconded the motion*. *Motion to approve the August minutes passed unanimously*. Tai turned the time back over to Chris for review of the Sewer Base Rate.

Chris explained that the report he was presenting was prepared by Tyler Bain, our GIS intern. (This presentation is included as part of the meeting minutes.) Tyler was hired for specifically for this project. Unfortunately Tyler was unable to attend today's meeting so Chris is making the presentation. The presentation includes the nuts and bolts of how we are billing those that receive sewer services. Chris explained Tyler's qualifications: He is a graduate of the University of Utah in their Geography program with an emphasis on GIS. He was hired to evaluate how much revenue we are actually using every year as a result of not billing by the unit.

Tom recommends that we drop the term “intern” from the report when it is presented to the City Council. He feels that if it is left in the Council may discount it. If they think that some young college student did it, it may not have any credibility. All the Council will need to know is that Chris and PWAC have reviewed it but we may not want to lead with it being done by an “intern”.

Chris said that he will consider this. The report itself will be touched up and refined a bit before it is presented.

Chris explained that Tyler evaluated our database and tied it to our GIS data system. (GIS – Geographic Information System). This was to insure there were no “leaks” in our system. He wanted to identify where every single meter is in the City. This was done internally through our GPS surveying equipment. Through our survey we have shot in 99+% of all meters and associated them with the geographic database. This was then tied in to our billing system. The end goal is that in end we have a 1:1 ratio of those accounts vs. what we have physically surveyed in the field. Tyler has helped us identify several gaps through this process. Chris said we feel this will be a more equitable billing scheme to recover more funds for properties that have more units. If there are many units to one relationship for connection we felt we needed to make that a 1:1 connection so that every single unit would be billed accordingly. Tyler also evaluated this from the parcel data from Utah County. We have been able to associate our spatial data with our date billing system. He worked on this from the months of December 2014 to May 2015. He was then able to create a Process Overview (found on pages 2-4 in the presentation). Please refer to these pages for the process.

Chris explained our meter reading system. Lane said that we currently have 60-65 books. A book is anywhere from 50-150 meters to be read. The city is divided in to 4 quadrants. One quadrant is “read” each week and billed for. There is a bill going out each week for a different quadrant. Chris noted that in Tyler’s report it states there are 99 books. He was able to identify errors and discrepancies. Our database system identifies the status of each account as residential or commercial. (This is shown in Step 3) He then verified this information shown in Step 4. Chris explained that in Step 5, Tyler used a variety of methods to determine how many units were in a home or facility including Google Street view, Zillow and other Real Estate sites. He looked at long term and short term care facilities (step 10). Hospitals were treated as commercial units. Mobile home parks were verified and units checked in these as well. Most mobile home parks are on a master metered system which means they are only billed for one or two sewer base rates regardless if there are 100 units in the park. This was corrected as well.

On page 5, Tyler identified that there were 21,847 Utility Billing Database (UBD) entries. He checked and verified those according to the 11-step plan from the previous pages just reviewed. Of those, 20,141 were classified as residential and 1,706 were identified as non-residential. The 20,141 residential accounts contained 27,472 units. This means there are many more residential units than actual residential accounts, approximately 7,300. This is broken down in tables shown on page 6 & 7. Chris explained that the first line showing zero is showing non-residential. The chart shows 18,323 single family dwellings that are currently being billed. The chart goes on to show duplexes, triplexes, etc... This goes up to 196 units which is Wolverine Crossing. At the bottom of the chart, Tyler identified 27,472 residential living units.

Chris went on to page 8 titled Residential Revenue Increase. Tyler identified the meter sizes of ¾”, 1”, 1.5”, 2”, 4”, 6” and 10” associated with residential units. Of the ¾” units there are 873 units not currently being billed for. These are probably due to duplexes or four plexes. This equated to an additional revenue amount of \$8,136.36. For one-inch meter size, we are not

billing for 1,792 units equating to lost revenue amounts of \$16,701.44. These are monthly amounts. Please refer to the chart on page 8 for further figures. In total, we are missing \$68,520.64 monthly and \$822,247.68 annually. There are two 10" meters at Wolverine Crossing which accounts for 266 units but they are currently being bill for only 2. Reed asked if this means that their current bill will go from \$18 to \$2,460.48. Chris clarified that will go from \$18 to \$2,460 + \$18!

Tom said that we have been talking about this for over a year and questioned why we haven't implemented any of this yet. Chris affirmed that this will take place. Reed stated that we didn't have the numbers in place until after Tyler was able to do the study. Tom reiterated that we have known that we have been charging Wolverine Crossing extremely low rates for at least a year and we have done nothing to correct it. He questions the reasoning behind not following through earlier with the corrections.

Chris said that we have been gathering the information and the report was only just finalized in September. There have been some "tweaks" done on it. We wanted to go through our database to understand completely who this will affect and exactly which accounts. We haven't had this information before to act on it. We originally guessed at \$500,000 but as we finish looking at this report, the total is *more* than \$822,000. We didn't want to also increase the sewer base rate inappropriately so we had to get these numbers from the report in place.

Chris moved on to page 9 titled "Mixed-Use Developments". This involves three: 1) Wolverine Crossing, 2) a mixed use development located at 202 E 800 S. This was the first mixed-use development in Orem. It consists of a three story building with retail on the lower level and apartments in the two upper levels, and 3) is Midtown360. Reed questioned why we are not billing Midtown. Chris said they are currently being billed commercially on the large meter only.

Chris went on to page 10 titled "Commercial Properties". We have 1,709 commercial properties with a variety of meter sizes. Their meter size will dictate how their increase will move forward. Chris said that we are using American Water Works Association (AWWA) base rate multipliers. If we have a meter larger than  $\frac{3}{4}$ " then there will be a multiplier associated with their base rate which is tied in to their actual demand on our system. Chris pointed out that this is shown in greater detail on page 11, "Commercial Revenue Increase". He pointed out column 3 which shows the current base rate, and column 5 which is the base rate multiplier. For a  $\frac{3}{4}$ " meter, there will be no impact because their multiplier is 1. With each larger meter size, there is an associated AWWA base rate multiplier. This would be an additional increase of \$25,712.58 monthly and \$308,550.90 annually.

On page 12 we look at both residential and commercial combined together. We are looking at a total gain of \$1,130,798.64. Months ago when we started looking at these issues, we felt that \$500,000 was a good placeholder. According to this reports, we were woefully underestimating the amount.

Chris then asked how this ties back to our sewer base rate analysis? We had Fred Philpot analyze this and produce a financial plan to move forward with our sewer model over 5 years. This included the assumption that \$500,000 would be generated as a result of the water meter implementation. What we have learned since is that the amount is closer to \$1.1 million. We will now need to go back to Fred and rerun the financial model and adjust the base rates accordingly. If the Council does move forward and adopt this then we will be able to reduce that effective base rate more than we are currently reducing. If the Council does not adopt this we will need to increase to accommodate the \$500,000 that is in as a placeholder. Chris feels this is a moving

target right now. We must have the correct numbers in place before we produce the final base rate numbers for the financial plan.

Tai asked what the recommendation is for the timing of implementation.

Chris said that the next slide will help with that (page 13). This is a GIS map showing Residential Units within the City. The map is color-categorized. Orange represents one unit, green is 2, blue is 3, purple is 4, and red is 5+. Chris directed us to look at the red. It is localized along State St and 1200 W for the most part. He pointed out the Northridge development located in the northeast section of town specifically. This development was the first residential development that had master metering. There are two meters in the development which means they are being billed for only two sewer base rates. There are 82 residential units (homes) within the development.

Tom pointed out that this has been in effect for 20+ years.

Chris said that it has actually been in place for over 30 years. Chris said that we fully anticipate a great deal of pushback from that neighborhood when we start charging each home individually.

Tom would like to charge them retroactively but Chris said that won't be possible and will start from implementation.

Mike suggested that when the arguments start, we could point out that we *could* charge them retroactively for the past 30 years!

Both Mike and Tom pointed out that everyone else is subsidizing them and that they need to pay their fair share.

Chris went on to the final page titled Move Forward Plan. He said he would like to take this presentation with any changes or updates from the PWAC to the City Council work session to be held on October 27<sup>th</sup>. He plans to present it for adoption at the November 10, 2015 City Council Meeting. His recommendation is to have the effective date of January 1, 2017 which would give landlords a one-year window to adjust their rates with their renters.

Tai feels this is way too long for implementation. He said we would be giving up well over \$1 million through 2016. He pointed out that most leases are not that long. He gave Wolverine Crossing as an example that rents for summer or winter. He thinks we would be talking about an increase of less than \$10/rental unit.

Tom agrees. He doesn't think that we need to give these complexes the benefit of another 1.5 years of artificially low rates. He pointed out that we have known about this for over 30 years in the case of the Northridge neighborhood.

Tai made a recommendation of implementation of January 1, 2016 and let the residents push back.

Mike pointed out that most of the newer, modern apartment complexes bill separately for utilities anyway on a monthly basis.

The PWAC members were in agreement with the January 1, 2016 implementation. Chris said he would love to do that.

Tai *made a motion* for January 1, 2016 implementation. Luke *seconded the motion*. *Voting was unanimous* in favor of January 1, 2016 implementation.

Chris made the date change on the visual from January 1, 2017 to January 1, 2016.

Tom pointed out that they have already received a letter from the City which he believes was disregarded. He thinks we ought to tell them that we alerted them to this issue in "X" month whenever the letter was originally sent.

Reed said the letter was sent probably in February of this year.

Tom said, in that case, we gave them notice over 6 months ago. Now we have the details to give them final notice. This is something they knew or should have known to begin implementing.

Chris said he will need to provide the information to Fred Philpot, our financial analyst consultant with Bowen Collins. The numbers will replace the \$500,000 place holder in the sewer base rate financial plan.

Carol asked if there is a penalty if the landlords, etc... don't follow through with this.

Chris said that it would be the same penalty that we have in place for anyone else who doesn't pay their utility bill. The outside option is to turn the water off which we don't like to do. If the water is turned off, they would be required to come in and pay any late fees to get the water back on. On average, there are 30 water shut-offs each month.

Chris asked for any other recommendations in moving forward with this plan. He said there would be additional information that is not included in the presentation today regarding fees and charges. He will be presenting this separately to the Council. The Council will vote on this on November 10<sup>th</sup>.

Tai wondered if there should contact with Council members prior to the October 27<sup>th</sup> work session.

Tom believes this would be helpful.

Chris said that after the last City Council work session he spoke with Councilman Brent Sumner. He felt that Brent has historically opposed to this whole idea. Chris said that Brent did come up to him and told him that he felt that he could support this. He thinks that Brent has changed some of his perspective on some of these ideas.

Tom reminded everyone that Election Day is November 3, 2015. He encouraged everyone to fill out the ballot and mail it back as soon as possible.

Chris invited to attend the September 22<sup>nd</sup> field trip to Canyon Springs and Alta Springs. This is part of the City Council work session. Council members will be coming as well as PWAC members. The plan is to leave the Public Safety Building at 3:00 pm.

Chris pulled up Google Maps and showed where each of the springs are located. Canyon Springs is located directly north of Timpanogos Park. Alta Springs is further up the canyon to the north and east of Timpanogos Park. Canyon Springs has been under construction. Chris showed on the map where the locked gates are. There is no vehicle access to the springs. It is accessible by foot or bike. The areas around the springs themselves are fenced and there is no access to the public.

Chris said that the springs are our collection area where ground water and spring water is collected by a perforated pipe network. The pipe is underground. The water is collected and piped to a point where it is then dosed with chlorine. It is then pumped from the chlorine location near where Mama Chu's Restaurant is near the mouth of Provo Canyon. At this point it is pumped in to our system.

Lane pointed out that there are several other springs in this spring area. They are spread in a wide area all the way to the facility.

Chris explained that while we do treat the water with chlorine, there is no filtration. He said that the water is pure enough to drink without chlorination but we are obligated by law to give it a dose of chlorine in the event there was ever any contamination in the spring field area.

Chris then traced the path from Canyon Springs to the Alta Springs area. The trip to Alta Springs requires 4-wheel drive vehicles.

Chris said that at Alta Springs we will see a brown door which opens in to the mountain. Inside the door is a cool, cave atmosphere where we will see water flowing from the spring into a collection facility. You will be able to dip your cup in and have a drink! Chris explained that Alta Springs provides 10% of Orem's drinking water and Canyon Springs provides 5%. These springs are two of the oldest sources of drinking water in Orem.

Lane said that the Alta Aqueduct (which is underground now) was originally a ditch built in the 1870s. It was designed and engineered through a gun barrel. The ditch was dug utilizing gravity to take the water in to Orem.

Chris turned the time back over to Tai.

Tai asked Chris about a chart that was shown at the Open Houses. The chart showed four different bonds that the City has. He said that one was at 1.48%, another one was at 0% and the remaining two showed variable. His concern is that on one of the variable rate bonds it showed that the principle balance is \$5 million with interest to be paid over the life of the bond as \$5 million. He had two questions: 1) What is the actual interest rate and 2) What are the options to potentially refinance and lock down the interest rate?

Chris said that Brandon Nelson of the Accounting Department and Richard Manning of Administrative Services are looking in to when that can be refinanced.

Tai likes what is happening with the sewer base rate and asked if there are other opportunities to inject fairness in to the system that have been overlooked? Are we missing something else?

Chris said the main thing would be to replace meters. There is about 2 billion gallons that are not being billed for currently. We produce around 9 billion gallons and bill for about 7 billion. That 2 billion isn't just because of the meters. There are losses in our system that account for the majority of that 2 billion. To clarify, he said there is leakage in the system.

Tom said that new meters won't necessarily capture 2 billion gallons.

Chris concurred that this is correct.

Tai asked if there is a way, based on how much water is going out of the system, to identify roughly where the losses are located?

Chris said there are ways to do that. We are starting a study right now with the State to do a water leak assessment city-wide. We have been aware and become more concerned about this issue the older our system gets.

Reed said this is not unique to Orem. There are losses in every city.

Mike said that all systems lose water at about 12%. He thinks that probably a quarter of the loss is due to meters. He said that they showed in the Master Plan that replacing meters will have a payback which nothing else we can do will.

Chris asked the commission to remember that in order to recoup that money there is a capital expense. Ideally we do not want to lose any water as it is our most valuable resource other than people. The biggest inequities in the system would be the meters and the sewer base rate.

Bill asked what the status of impact fees that that PWAC has recommended.

Chris said that we are going through an RFP right now. We will be hiring someone to do a City-wide analysis. Brenn Bybee, the Assistant City Manager, has gathered together some draft

RFPS and we are in the process of reviewing those. This will be advertised in the next month. Any new development will be required to pay an impact fee.

Bill explained that first we have to do a study that quantifies what that impact fee should be. This is mandated by State law. We have to find the consultant to do the study to give us the information before the fees can then be adopted. We are looking at approximately a year from now. If Orem City had Provo City's Park Impact Fee, just the apartments going in right now would easily add several million dollars to the Parks fund.

Tai would like to see some focus and fast-track some of the inequities in the system. He said that it would give us a better argument by saying "We are going to increase grandma's rate "x" amount *after* we've taken the unfairness out of the system".

Chris we can do this but as Bill mentioned it will be at least a year before we can have that in place.

Tom asked if there was any way we can do this quicker than a year?

Chris said that the RFP process will take about 2 months and the study will take 6 months. They would then have to analyze the data and then we have to provide everyone with transparency and information that they need to fight it.

Tai said that he assumes that the impact fee has multiple parts. Assuming this, is there any part of the process that a builder will go through to build a new development that can be increased without the study?

Chris said not legally. The State is pretty strict on impact fees.

Reed said that when the report on the Mayor's potential wage increase was given, the presenter said that one of the things she learned was there is a reason that the gears turn slowly and it is because we are using public funds. We have to show we are sacrificing efficiency to maintain the public's trust. The same goes here.

*Tai asked for a motion to adjourn. Bill moved to adjourn. Carol seconded the motion. Voting was unanimous.*

Tai adjourned until the next meeting which is scheduled for October 20<sup>th</sup>.