



## Orem Public Works Advisory Commission Meeting Minutes

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

CONDUCTING: Tai Riser

ATTENDING: KC Shaw Stan Roberts Carol Walker  
Chris Tschirki Neal Winterton Reed Price  
Tom Macdonald Lane Gray Keith Larsen  
Lawrence Burton Steve Downs Debbie Lindsay

CITY COUNCIL: Mark Seastrand Margaret Black Brent Sumner  
COUNCILMEMBERS-ELECT: Sam Lentz Debby Lauret  
MAYOR: Richard Brunst

ABSENT/EXCUSED: Val Hale Bill Peperone Luke Peterson

VISITORS: Marc Haynie James Fawcett

### APPROVED

Tai Riser welcomed Commission members, City Council members, City Council Members-Elect, Mayor Brunst and visitors and then turned the time over to Chris Tschirki to discuss the Citywide Impact Fee Study.

Chris said that the Citywide Impact Fee Study is in process. He has met with a variety of people including representatives from Water, Sewer, Storm Water, Street Lighting, Traffic Signals, Fire, Police, and Parks to start the request for proposal process to hire a consultant to perform a City-wide Impact Fee Study. This would impact all new development in the City of Orem. It became apparent as we started this process that not many of the attendees understood impact fees, the history and legal aspects. As a result we will provide an "Impact Fee 101" course for all that were in attendance. We will then get input and develop an RFP that will reflect the needs of each of those organizations within the City of Orem.

Regarding the Master Plan, we have a website that we have been updating. The updates can be found at [utilities.orem.org](http://utilities.orem.org). In the past two weeks we have had a Sewer Base Rate Outreach. We will be discussing this at length today. There was a Sewer Base Rate presentation given at a City Council Work Session on October 27<sup>th</sup>. We followed up with a proposal to change the philosophy of applying the Sewer Base Rate at the December 12<sup>th</sup> City Council Meeting. This is in the form of an ordinance. The City Council postponed a decision until

January 12, 2016 for further discussion and outreach to the community. This is the main reason we are meeting today as an advisory commission.

On December 8<sup>th</sup> we presented the Draft Storm Water Master Plan in the City Council Work session. We will gather feedback and comments from City Council. We will be looking at those concerns and then bring back the Storm Water Master Plan for adoption by the City Council on January 26, 2016.

We have been asked to prepare a 5 year, 7 year and 10 year implementation for each Master Plan which would include the Water, Sewer and Storm Water Master Plans. We have these prepared for consideration by City Council.

Chris asked if there were any questions regarding the progress and scheduling of the Master Plans. No questions were raised.

Chris said the plan is to move forward with Storm Water. We cannot do so with Sewer until we have the Sewer Base Rate in place and modify the rates accordingly.

KC Shaw asked if Bowen Collins has produced a final copy of the Master Plan or a final copy of each component of the Master Plan.

Chris replied that each utility has its own version which will be modified a little bit. Bowen Collins has obtained comments. Those comments have not been incorporated in to the report until they get feedback from the City Council. They will finalize this after this has taken place.

Tai asked about the recalculation of the financial plan.

Chris said that with the Sewer Base Rate we anticipated a \$500,000 adjustment to our revenues. After the study (Sewer Base Rate Evaluation Project) was completed it was projected to actually be \$1.1 million. These figures have not yet been incorporated in to the Plan because we are waiting for that final adoption and approval. The rates would then be adjusted accordingly.

Tai turned time over to Neal Winterton for discussion of the Sewer Base Rate.

Neal welcomed all the meeting and reminded everyone that this is a public meeting and invited comments and asked that those wishing to comment to raise their hand to be recognized.

Neal referred everyone to the screen for his PowerPoint presentation. (A copy of this presentation will be included with these minutes as they will be referenced to throughout the discussion.)

Page one refers to the Implementation Plan. Chris covered this in his discussion.

Neal referred to page 2 which is the flier that was sent to the citizens. Neal felt the flier was well done, but it was not sent out in a timely manner.

Contact was also made via email and robo-calls to businesses and multi-family units. Details on these contacts are on page 3 of the presentation. Many incoming phone calls from citizens were handled. There was a wide variety of opinions ranging from full support to very unhappy about the changes. Neal referred to an email from Utah Apartment Association (UAA) which is found on page 4 of the presentation. Steven Downs, Assistant to the City Manager, has had several conversations with them. The UAA was not excited about the proposed changes but they did not oppose the change. Neal said that he feels that this not an endorsement but perhaps a silent endorsement. He quoted their email which states "Your new system would be like what everyone else already does."

Neal said that there is no "hard and fast" rule on how to fund a Sewer Utility. We have a need to operate the system and have a replacement program. We currently do not have full,

robust replacement program which is what we seek. The original amount needed for year one prior to the study was \$1.3 million. The proposed Sewer Base Rate change would yield \$1.1 million. We felt that that was close enough to our target amount that we would not need to adjust other rates in order to meet that need.

Neal said that some of the arguments that we are hearing is that the City doesn't maintain the sewer laterals to the multi-units which may only have two laterals for 300 apartments. If you look at 300 single family dwellings you would have 300 laterals which are not maintained by the City. This is not a solid argument in Neal's opinion. Sewer mains are designed for Peak Flow. If there were 3 residents in each unit of a three hundred multi-family unit and 3 people living in a single family dwelling, the peak flow for each of these units would be the same as 300 single family homes. We have an average of 3.7 persons per unit in Orem.

We are unique in the way that we currently bill. Most other Utah cities bill the way we would like to with the exception of Provo who currently bills similarly to what we are currently doing. They are closely watching what we end up doing.

Bill Peperone has asked to be excused from today's meeting due to a scheduling conflict. He sent an email to Chris. Neal asked Chris to comment on this.

Chris said Bill asked him to read the email to the Commission and City Council. It reads:  
Chris,

I have a conflict tomorrow morning and won't be able to make the joint meeting of the PWAC and the Municipal Council. I apologize. Please share the following thoughts with the Council.

I have reviewed the Powerpoint presentation for tomorrow and I want to voice unwavering support for an increase in sewer services for those on the system who have not been paying for their proportionate impact. I think starting the new billing formula in July 2016 is more than fair. I believe that if it was widely understood that the single-family homeowners have been subsidizing for profit businesses on the system the Council would receive a long and sustained protest from the homeowners. There is never a perfect time to implement a fee increase. There will always be arguments as to why increases should not be done or that they should be delayed. This proposal is simple and obvious initial step in a larger, overall strategy to make more sustainable Orem's delivery of essential services.

The staff support to the PWAC has been professional and beyond responsible. Staff provides timely and appropriate information and makes themselves available for any questions or follow-up that is needed by PWAC members.

Thank you for the opportunity to serve on the PWAC.

Respectfully,

Bill Peperone

Tom Macdonald asked Chris to give some background on Bill Peperone.

Chris explained that Bill is a member of the PWAC as well as a former City Councilmember for Orem. By profession he is a Planner and currently works for Provo City as their Long Range Planner.

KC asked to comment. He reviewed today's presentation prior to the meeting. He believes the problem is that we are not doing a good job communicating the O& M (Operations

and Maintenance) costs of operating a Treatment Plant and the impact of installing a system. If it were truly equitable, the people who live in north east Orem would pay more than the people who live in Wolverine Crossing (WC) because WC is just across the street from the Treatment Plant. We need to do a better job in saying there is a difference. The argument that we should only be paid based on flow is flawed. There is a cost to install a system and the privilege to connect to it. Under that argument, a steel mill should pay the same costs to get power to their plant as compared to a one bedroom home. This is just silly. You cannot do that. You have to have a greater capacity in the system for a greater user. We are simply not doing a good job of communicating the difference between the O&M costs of operating a treatment plant and the impact the capacity has on the collection system. The problem is people say “I pay based on my meter and the usage”. Yes. That is what Lawrence gets down at the Plant. You pay based on that usage but there is a cost to have capacity in the system that they need to pay for. Multiunit apartments are not paying for that capacity.

Tom spoke with one of our guests, Marc Haynie earlier. Mr. Haynie had asked him if this was different than a hotel. How do we charge a hotel? Tom asked if we could discuss this. If he had a 12-unit hotel vs. a 12 unit apartment, are they paying the same or is it different? How is it currently being billed?

Neal replied that currently it is being paid per account. The proposal is to apply the AWWA (American Water Works Association) multiplier to the non-residential customers. It is hard to apply a per unit cost to Walmart, Winco, the mall, etc... We felt that hotels fell under the non-residential umbrella. Our proposal does apply to hotels whereas currently it does not.

KC said that the explanation of what the base charge should be saying is “you are buying in to the capacity of the system”. You pay based on usage on O& M. But to connect to the system, to get on to the toll road, you have to pay your toll. A car should not pay the same rate as a bus because the capacity is different.

Carol asked for clarification. She was asking if a hotel incurs all the cost of each unit but an apartment is very separate. Even though are each big units they should pay accordingly.

KC’s response was that the City should calculate the capacity needs for whatever unit that is and then charge accordingly. They system has to have that capacity to carry the peak flow.

Carol asked if what he is saying is that a hotel should have one rate and each separate apartment should have a rate, not the whole apartment complex?

Neal reiterated that we should be charging by unit. That doesn’t mean that we sent each unit a bill. The bill should be sent to the whole complex based on how many units there are.

Mayor Brunst asked to comment. He said the system has some fixed costs. This is what the base rate is reflecting. The right to use those sunken fixed costs is what your base rate charge is. Each living unit should have to pay for that right to participate in their part of the capacity. Looking at it from a living unit situation, regardless of whether you are in a condo, apartment or single family home, each unit should pay for that right to hook up to the system to help pay for the sunken and fixed cost. The volume cost is the amount of operation that you use. He feels the idea of raising the volume cost and not move forward with the fixed cost or base rate spreads this out over the whole community and that is not equalizing things fairly. What we are trying to do is equalize things so those who have not been paying for the fixed cost and sunk cost should pay just as those in single family dwelling do throughout the community. He didn’t feel that the explanation of what a base rate is in relationship to the fixed and sunk costs vs. your volume charge were explained well in the City Council meeting. He believes that if people understood this it would make more sense to them. He also noted that all other cities he has looked at, other

than Provo, charge by the living unit. He feels this is fair and equitable. He feels the \$9.32 rate is fair and equitable. He feels that Chris needs to create a visual that shows where other cities are on their base rates because this would show that we have one of the lowest base rates. He said he had one citizen ask why we just don't raise the tax on everyone in the city, call it a tax and be done with it. He reiterated that this is 1) not a tax but a fee to use the system and 2) those that are paying the base rate currently should not have to pay a higher charge because others are not paying at all. He believes that *all* should pay for the fixed and sunk costs. This is not a volume charge or cost. He said he also had a citizen that said the fixed cost is for someone in the Utility Department to send out the bill and those types of costs. This is not what the fee is for. He wants a better explanation done so that people can better understand what it is and what it is for.

Neal said we would get in to some of this a little later in today's presentation. He gave an example of a situation where there are 10 accounts that service 196 units. Currently the bill for those 10 units would be \$93.20. Our proposal is to keep the base rate at \$9.32 for the first year. The monthly base rate for the 196 units would be \$1,826.72. That sounds like a lot of money and it is a lot of money. But when you compare us against other cities, we are giving our citizens a great value. He put up the visual titled "How do other cities bill?" (page 6). He said he received comments in the public meetings that some landlords were saying that their tenants would go someplace else. If that is the case, they will pay even more in utilities elsewhere.

Mark Seastrand had questions on the comparative on the "How do other cities bill?" slide. He wonders if we could add comparable consumptions to that visual. He thinks it would be beneficial to show both the base rate and consumption. He feels this might bring a complete picture.

Mayor Brunst said that the flow rates in other cities is different than ours is. He believes this might be a good item to add in as well.

KC said that he struggle to understand the visual. He gave the example of Pleasant Grove. Their base rate is \$24.14. The visual shows (in the 4<sup>th</sup> column) their monthly sewer base rate is \$4,731.44 but the current (column 5) shows a difference of \$4,638.24.

Tom pointed out that this is the difference between the cities of Pleasant Grove and Orem. The differences shown on the slide is the difference between Orem and the other cities listed. The last column (column 6) is showing what the difference would be between the new Orem rate.

Neal said that column 6 shows that Pleasant Grove would be paying \$2,904 per month *more* than we are even proposing.

Margaret Black said that what normal people need is to have things simplified. It needs to be simple for them to understand. She said what we need to be saying is that if you are renting an apartment in Pleasant Grove, you are paying \$24.14 base rate. If you rent an apartment in Orem, you would pay \$9.32 base rate. This would be the end of the discussion! She thinks that the more information you add, which is helpful information and interesting, that people have a hard time wrapping their head around it.

Mark said that he heard that the base rates published for each city might include the water base rate and not just the sewer base rate.

Neal said that is not the case. These are the sewer base rates as he personally called each city to the gather the data in order to create a fair picture.

Margaret said that she personally loves the chart, but would like to see an additional visual entitled "The simple version". She speaks for those that don't understand it. She doesn't want the information to be so complicated that no one understands it.

Neal moved forward in the presentation. There are no requirements that say that what the funds are earmarked for. He quoted Tom Macdonald from the Council meeting: “Fairness should be the underlying principle”. Neal noted that he is responsible for the operations and success in our permit, our utility and our infrastructure. He needs the funds to operate the utility and funds to support a CIP (Capital Improvement Project) program. We can discuss how we fund that and how we proportionate these things, but at the end of the day we need \$6.7 million for operations. In the first year it was suggested to have \$1.3 million and that number will only go up. We need to get to that \$6.7 million. The AWWA multipliers are published and established but we can change those. We already know that every city and every entity does this a little bit differently. The arguments (page 8) that we have heard of and that we have discussed today deal with the fact that the city doesn’t bill each unit and it is up to the landlord to collect the fees. This is true in many cases. This is the case in many of the other services provided at these apartment complexes. The grounds keepers don’t bill each unit for their services and many times power and gas are included in the rent as well and not individually billed for. We don’t have meters on each unit in each complex. The billing should be billed based on volume. He feels KC made a good point. The argument that distance between units isn’t 80’ or 100’ whereas a single family home may have a longer length so they should pay less. If this were the case, then the east side of town should pay more than the west due to distance from the plant. It’s like saying that those living on a hillside should pay more for snowplowing or there should be a per-book rental fee at the library or an entrance fee to use the parks.

KC said that this doesn’t address capacity, that this is a flow issue. We are not doing a good job of explaining that the residents are buying in to capacity and then you pay for flow.

Tom said that it is also an infrastructure issue. The capacity at the plant is based on how much is coming in.

KC said that this is correct but it is a flow issue.

Tom said that the pipe to the house is also part of our total cost. He thinks that the last bullet on page 8 title “Arguments” is a valid concern that it does cost less to serve the 196 units in one block vs. 196 homes down a typical street.

KC said that if this is the case, then the connection point from there on down has to be increase proportionately because if there are 300 units coming in at a single point, the pipe has to be bigger going down stream.

Neal said that the plant and pipes are designed on peak flow. He showed the visual titled “Options” (page 9). The first option on the visual is to apply a water meter multiplier across every account. The next on the visual is to apply a reduction factor (80%?) for all multi-family dwellings. The next option is to charge 100% of the sewer base rate for every residential living unit as originally proposed. There is also an option to not charge any volume charge which would add up all the units in the city and apply a single charge to them. He said there is a sewer district in the area that does that very thing. They charge based on what their need is divided by the number of units in that city and charge accordingly.

KC asked how many pump stations Orem currently has.

Neal replied that we currently have seven.

KC asked if we charge differently to those residents who use the pump stations.

Neal replied that we do not charge them differently.

KC said that he is subsidizing people who have to pump instead of them paying their proportional share. He said what we have is a “postal” model where everyone pays the same in terms of where you live. He wants to make certain that we understand that there is a difference

between O&M (operations and maintenance) and capacity charge. If people understood this, they would want this to be fair to everyone. Everyone should pay their capacity charge.

Neal went on to page 10 in the visual titled "Options – Suggestions". These options include giving consideration/credit for billing, give consideration/credit for less pipe in the network and apply 100% to the first unit and 80% for units 2+. The billing component applied to the sewer fund between meter reading and the administration charge to utility billing is about \$240,000 out of the total \$6.7 million. This is very small, about 3%. If we took \$240,000 divided by 22,000 divided by 12 months we could see what that would yield. Neal then asked for some thoughts (page 11, "Billing Philosophy Discussion). He asked for any questions on the suggestions and options. We have 290 miles of pipe in the city. He feels Tom is leaning towards giving credit for distance between pipe. There is generally 80-100' of pipe to the main and is not proportionally a lot of distance. There is a longer distance from the east side of Orem to the plant than there is on the west side of the city. Your pipes have to be proportionally larger downstream.

Chris noted that when a developer comes in to the city, they pay for all the infrastructure costs including sewer, water, storm water, streets, etc... in their development.

Tom asked if we assess them a fee for this.

Chris said that the developer installs it and then deeds it back to the city as part of the cost of developing within the city limits. There may be less in terms of frontage to their property but what we are talking about is capacity downstream of that development or facility. He said that you would think that if they are in north east Orem, as KC was saying, they would be charged more but they are not. Likewise, if they are closer to the plant they would be billed less, but are not.

KC said we could also say that you can only use the sewer system in your home. You can't go to the mall or to your place of business and use the sewer system there because if you do we will have to charge you differently. He said that we could make it very, very complicated.

Neal said that the variable portion of the \$6.7 million is something that could vary based on a volume which would be approximately \$700,000. Even a 80-90% reduction on that \$700,000 is extremely small (This is included on pg 14 of the visual which shows a Spreadsheet). We treat approximately 2,840,000,000 gallons on years. We charge Lindon straight pass-through costs for treatment. That yielded about \$1226.88 per million gallons. If we were to take what we believe it costs us to treat and pass through, that ends up being about \$3.5 million. We currently generate about \$4 million. If we were to look at our fixed costs and just go with volume we would actually reduce our volume charge and apply more to the sewer base rate.

Mark asked for clarification.

Neal said that currently our volume charge generates \$4 million of revenue and our base rates generate \$2.46 million for a total of about \$6.5 million. Our operation budget is \$6.7 million so there is a gap. We do receive payment from Lindon, Pretreatment fees and Vineyard that are not part of the base rate and the volume charge. He referred to the visual "Spreadsheet" below the orange line. If someone were to ask what it costs to treat the sewage and apply that to volume it would actually make our base rate go up.

Mark asked for more clarification. The base rate is relative to service provided vs. the fixed costs of maintaining the system? The base rate is undercharging and the consumption rate is overcharging?

Neal clarified that the consumption rate is overcharging for the treatment component.

Tai pointed out that on the visual “Talking Points” the last bullet point is the key. This leaves no money for CIP.

Neal agreed that there is no money for CIP. He hopes that he has made this clear. We are going to have to raise our rates to our residents not because we want to swim in money, not because we want to be flush with funds and transfer funds to the General Fund. We don’t do that! We can’t do that as it is not legal to do this. He is fighting for this because this is the money he needs in the accounts to replace pipe, pumps, to purchase vehicles, to clean the sewers. We aren’t talking about raising rates to be flush with money. We are talking about a lot of money but it isn’t frivolous. We aren’t asking for operational increases. We aren’t asking for raises. We are asking for CIP funds.

KC asked if he could put it a little differently. He pointed out that the operational rates will vary with cost of power, chemical and labor rates. Those rates will have to be raised to meet whatever our costs are. The problem is that we are wearing the system out. We are not putting aside any money for the replacement of the CIP funds. This is where the \$9.32 should be applied. We are applying that money to the operation of the system and not any to the CIP to maintain capacity.

Tom asked for clarification. He asked KC if the usage charge should pay the bulk of the \$6 million and the \$9.32 or whatever the base rate is should pay for CIP?

KC said that there is some operation of the system because Lawrence does flushes and other maintenance, but at the end of the day you should have a charge that is dedicated to CIP.

Neal said that we are going to propose a rate increase. We have presented the 5, 7, and 10 year plans to the City Council to show where we need to be as far as rates are concerned. This \$9.32 is only a first step to create the equity for the basis. This \$9.32 is a methodology and a philosophy of fairness.

KC asked if there was any debt service in the operational charge. Does the city have a loan that is being paid off?

Neal affirmed that there is a debt being paid.

KC continued on to say that capital portion is being consumed in all the debt and operations.

Tom asked if the debt is in the \$6.7 million.

Neal affirmed this. He said the only thing not in the \$6.7 million is our CIP budget. There is \$500,000 which is not much.

Brent Sumner said that he has talked to a lot of apartment owners regarding this \$9.32 base rate. He said the people he has talked to feel that we are picking on a group. He wonders if it wouldn’t be better if we emphasized the 5 year plan. He knows that we have, but we need to help people understand that even if we add the fee to each apartment now, down the road all consumers are going to see a price increase. He doesn’t feel that this is being communicated well.

Carol recapped with reiterating what Brent spoke about; that apartment owners feel they are being picked on so we need to do a better job of explaining that this is being done across the board.

Neal stressed that what we need is a \$6 million CIP budget and this \$9.32 fee is \$1.1 million of that budget.

Brent said that he feels the residents are for this because they feel the apartment owner/renters think they are getting off “scott free”.

Neal said that when he has spoken to citizens about this issue most of them are flabbergasted that this is the way it has been.

Tai said that the approach of the PWAC was to take the inequities out of the system first, see where that put us, then raise rates from that point across the board. He said it doesn't make sense to raise rates and still have the inequities in the system.

Neal pointed out that this is not just "the low hanging fruit". We are not just picking on the "easiest target" to raise millions of dollars.

Brent said that he thinks we should be stressing the 5 year plan.

Mayor Brunst still believes that we need to bring up is that we are trying to make this equitable for all user of the system. This has nothing to do with picking on one group or another. It has to do with making it equitable for *all* groups. We aren't trying to pick on any one particular group whether it is apartment complexes, businesses or the 82 homes in the Northridge neighborhood. He feels they should all be paying their fair share. He feels he is paying more than his fair share as a homeowner if he is paying for 82 homes in Northridge that currently aren't paying. It needs to be equitable for both sides.

Tai agreed with Margaret. It costs us money to send out the fliers but it leaves people swimming in the details and it becomes more confusing to them. They don't understand step 22 out of a 1,000 step process. He believes there needs to be some simplicity to any communication sent out to the public. He thinks that the large percentage of the population cannot understand the fliers sent out. He also pointed out that any delay costs us more money.

Neal said that sometimes we are accused of being too simple and sometimes we are accused of being too detailed. We need to be both. He thanked everyone for their input.

Steve Downs said that we have talked about putting the details somewhere that can be accessed by the public. He said that we have a tentative draft for the next meeting to be held January 12<sup>th</sup>. It is much simpler and it directs people to [www.utilities.orem.org](http://www.utilities.orem.org) for more details.

Reed said that one of the struggles and responsibilities that we have is to balance equity and manageability. We could ask residents how many people are living in the home and charged per person but this is not manageable. We are trying to make this as fair as possible.

Neal said that it is not perfect. Some households are larger and some are smaller.

Tai said the he has one kid that takes longer showers than the others!

Margaret pointed out that once we say "it's not perfect" we have defeated ourselves. What we need to say is that it is the most equitable way to manage it. Stay positive.

Debby had questions. She spoke about one of the proposals was the first base rate would be 100% and there would a smaller rate for the second units. She wondered if this was a good compromise or a good will gesture to the landlord telling them they may not be paying equitably but we will give you a little bit of a break from the single family rate. She wanted to know if we had run the revenue numbers on what 80% of the single family rate?

Neal replied saying the residential component was \$800,000 so 80% of that is \$640,000.

Tai pointed out that it is still the same cost to access the system. He doesn't believe that because they have multiple units that they should get a discount. The fact is that the system still costs the same.

KC pointed out that we are mixing flow and capacity. We are still struggling with this. No one should get a discount for capacity!

Tai said that in essence what happens is because you are bigger we are going to subsidize you. He disagrees 100% with subsidies. All the sewer base rate is access to the system.

Sam said the he likes KC's point about the capacity. He asked if we threw out the fact of how many units they have and base it off the size of their meter and use the AWWA multiplier across the board to include single family homes as well as multiplexes.

KC said that is saying "my rate should be based on my flow". He said that he is stressing that this is the capacity of the system and not flow.

Mayor Brunst said that one thing to remember is that if you have a 6" meter and one complex could have 100 units and one could have 200 units. If you did it by meter size, you would still be inequitable. He does not feel that this would be fair. He encouraged everyone to go back to the basic that we are looking at and that is we are using a system that we have fixed and sunk costs and you have a right to use that system. That \$9.32 charge is your charge to use that system. He said the fixed cost should be the same for everybody. He said that across the board he doesn't believe in subsidies, there shouldn't be differences based on meter (sizes). It should be based on living unit as a fixed cost.

KC said that you are buying in to system. If you own a second home in Orem and you live in St George and you come to Orem maybe three times a year and use the system, you are buying in to that capacity. Don't confuse the flow that you generate from your unit with the capacity of the system. We are not communicating that well.

Sam asked for clarification. When we say "capacity to the system" you aren't talking about the capacity of that connection to my house, you are talking about the whole network system.

KC said yes, the entire system.

Neal added the entire system all the way to the plant, including the plant, the sizing of it and the capacity and ability to handle it all.

KC said that if the City Council would pass an ordinance that says you have to use the system in this particular manner so no peaks are generated and we have a constant flow to the treatment plant Lawrence could decrease the size of the treatment plant 3 times! But we are not going to do that so you have to pay for the capacity of that system at the peak. This is what you are paying for.

Tom asked about a study that was done approximately 18 years ago. Have we found access to whatever the study was and whatever ever salient point was made?

Mayor Brunst said that Jamie Davidson sent that to Council members via email yesterday (December 14, 2015).

Tom said that Chris, Neal and KC are the best to read and understand this study. He asked if they have read it yet. Neal said that he has read it. Tom asked what the key points of that study were.

Neal said the key points he read was that there was a need just like we are discussing today. There were three options including charging by unit. Another was to put everything in to the volume charge. This was discussed extensively and studied by a group. At that time, they chose option 3 because they felt this was the option that would be best for the City. This was the all volume charge.

Mayor interjected that they lowered the base rate and increased the volume charge. What happens in this case is that everyone in the entire system pays a volume charge. That does not address what we are trying to do now. We are trying to address the inequality. The 1998 study looked at it as a tax on the entire populace. He feels that this study does not apply to what we are trying to do now. He doesn't think it went the right direction. They went strictly by volume. We are trying to go with equality on using the fixed costs. He also believes the summary from the 1998

study was incorrect. He believes what we are trying to do with equality across the board is the correct way to go.

Neal said that they only used the financial models from the 1998 study. They were looking at how much money they needed and what their costs were and what the easiest way was to get to that point. There was no science behind this such as amount of use; who uses more and who uses less.

A visitor, Marc Haynie, asked to make a comment. He said that he was a part of the 1998 study. He said that they had the exact same perspective. They had a panel studying this issue just like PWAC is doing now. All the same questions were reviewed. The home in Northridge was a major item of discussion. He said that we could go over all that has been discussed today until our minds explode, but the fact is every property in the city is different. Every situation is different. Everyone utilizes the system differently. When you try and shift to the fixed side of things you create more inequities. You can set up a structure that solves problems like the Northridge problem. But in doing so, you create additional problems. We went through all of this and the reason that they came to the conclusion that they did was because that was the *only* way to solve the majority of the inequities and problems.

Neal said that was only the opinion of that group at that time.

Mr. Haynie said they also had hired an engineering firm that helped that came to the same conclusion. It wasn't just a group of citizens that didn't understand the system. The engineering firm came to the same conclusion with them and the committee that studied the issue.

Neal said that our engineering firm (Bowen Collins) has recommended this method being discussed today.

Mr. Haynie said he understands that is kind of the going trend, as Neal mentioned other cities are billing the same way. He said he is not opposed to raising rates. He understands that we need the capital to fund the system. He said to go ahead a raise the rates as he is not opposed to them. But the current system you have in place solves a majority or more of the inequities in the rate structure than any other proposal you can come up with. He said "I know this because I helped study it. We went through all these same discussions. I understand the points. There is no other rate structure that will solve more of the inequities. The hotel comparison – that hotel uses the system and utilizes the system and utilizes the capacity in exactly the same way as a multiunit building with the same number of units".

Neal said that they don't.

Mr. Haynie replied that they do.

Neal once again said that they don't.

Mayor Brunst said that "the reality is regardless of how many people live here, if we all use the sewer system, we are all using it the same way. If we hook up to it, we should have to pay the same rate for all of us to hook up to it. It should be by the living unit. Again, if you are doing it off a volume charge I feel that is inequitable and becomes a tax on everyone. I believe there needs to be an equitable base rate and volume charge and both the same for everyone. I don't believe we should lower the base rate as the study suggests and then up the volume charge. I don't think that is fair to the homeowners and the residents who are paying their base rate right now".

Neal noted that our time is gone. He said he isn't sure the Commission (PWAC) wants to take action on today's notes since they already have in prior meetings in endorsement of the "by unit" billing methodology. He turned the time back over to Tai.

Tai said he said that the PWAC recommendation has already been made. He asked if anyone wanted to discuss that prior recommendation.

KC said that he continues to believe that this is a reasonable move to make. Tom emailed him the 1998 study. He would like to look at that study and see what conclusions they came to. But he continues to believe that making base rate uniform across per living unit is a reasonable thing to do.

Tai said he agrees. He asked for any other comments. There were none. He asked for a motion to approve the September 15, 2015 minutes.

Carol *made a motion* to approve the minutes.

KC *seconded the motion*.

*Minutes were unanimously approved.*

Tai adjourned until the next meeting which is scheduled for January 19th.