ELK RIDGE
CITY COUNCIL MEETING
MARCH 31, 2016

TIME AND PLACE OF MEETING

This **Work Session** of the Elk Ridge City Council was scheduled for **Thursday, March 31, 2016 at 7:00 PM**. The meeting was held at the Elk Ridge City Hall, 80 East Park Drive, Elk Ridge, Utah.

Notice of the time, place and Agenda of these Meetings were provided to the Payson Chronicle, 145 E. Utah Ave, Payson, Utah, and to the members of the Governing Body on March ____, 2016

ROLL CALL

Council Members: Ty Ellis, Nelson Abbott, Tricia Thomas, and Dale Bigler
City Recorder: Royce Swensen

OPENING REMARKS: Nelson Abbott brought the meeting to order.

CITY COUNCIL BUDGET WORK SESSION

7:00 P.M.

1. WATER BUDGET

Ty Ellis presents budget proposal (see power point heretofore referred as pp) clarifying the budget from 2010 until present. Current water operating income is $56,000 in the negative.
Royce Swensen said that in converting to Pelorus software, funds were named in different accounts.
Ty Ellis has determined (pp page 2015 Water Budget) that in matching the auditing report with the City's records, operating expenses are determined to be -$70,000.
Nelson Abbott stated that numbers that are in water operating expenses probably should be accounted for somewhere else and not let the water department absorb those costs.
Ty Ellis said that the numbers may be off because he's not sure what expenses the auditor included in water operating costs. The auditor stated that The City should be running at 2 - 4% surplus which should be 11,000 plus. The City needs to make up $81,000.
Nelson Abbott asked when it was that the City got away from running at a surplus.
Ty Ellis showed the number has been negative since 2013. To make up to the $81,000 needed, The City should raise water rates by 15% to run at 2 - 4% surplus.
Dale Bigler stated that these numbers indicate the City hasn't made enough to run the city water.
Ty Ellis and Nelson Abbott state that if you don't figure in depreciation the City is doing fine, the City just doesn't have any savings to cover repairs.
Nelson Abbott suggested that the City began running in the red when they had to repair the well. Since that time costs have gone up because it costs more to pump the water than it used to.
The City is running over by 15 - 18%.
Tricia Thomas asked whether the average cost of water bill needs to increase, or the base.

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FACTORS IN WATER COSTS

Nelson Abbott said that water costs factor in administration costs (employees), and costs of new meters ($500 for meter)
Royce Swensen stated that new State law is requiring higher water rates to force people to conserve water. The tiers after the base rate must be higher than the base rate. (See pp Page 2015 Water Use Expense) Base rate has to cover the costs of the winter months.
Dale Bigler stated that the decision was made that "snowbirds" can have their water turned off and wouldn't be charged for it, but they would have to pay the hook up fee when it's turned on again which is $100.

Base rate is determined by:
Depreciation divided by the number of homes operating costs + base cost of the system + the cost of 12K gals of water + bond divided by number of residents divided by 12.

Nelson Abbott said each household has a water right allocated to it, if that household uses more than that amount, they should be charged more than those who conserve to stay below that amount.
Royce Swensen: The water right amount is determined by the size of the lot.
Nelson Abbott: The base rate should be determined by inside use and garden. The smaller lots on the north side of town, even though they use less, cost more to pump to them.
Ty Ellis mentioned the Base Rate is determined by (pp Page Option 1) 2016
$281,000 Base Rate Gross $30 for Base Rate
W/Depreciation $50 Base Rate with no water.
$60 with $10 for 12,000 gallons
Usage tiers
Usage Cost: Electrical costs for pump $130,000
Fee per gallon
Royce Swensen mentioned that meters are covered in building permit fees
Ty Ellis said that base rates cannot be based on usage. Administration costs (Wages) and water being used by the city for city purposes are costs included in the water budget.
Dale Bigler wanted to move on to another budget item, but the rest of the Council agrees that this is the biggest budget problem.
Nelson Abbott suggests that the danger in including wages in the operating costs is that if there are any raises in wages or changes in personnel, it eats into paying for the system.
Tricia Thomas suggested those costs can be absorbed in the tiers. The City doesn't know how much water is used in watering the parks and those costs are included in the water budget. The meters need to be checked to determine how much water the parks are using.
Nelson Abbott mentioned that when the new parks came online several years ago, power bill doubled because of water usage. The City needs to perhaps have systems

that water less when it's raining. The City needs to know the usage in the park and determine whether system needs to be updated.
Royce Swensen said that the parks are metered so the City can determine how much is used on the parks.
Ty Ellis stated that he needs numbers from last year for park water usage.
Tricia Thomas asks if the City pays more for power during the day than at night.
Nelson Abbott answered not yet. SESD is looking at adjusting so the rates are lower at night.
Nelson Abbott and Ty Ellis asked for information from Royce Swensen in which Royce can provide the number of gallons invoiced per month last year.
Royce Swensen said the Average Home Usage during the month of August is about 40,000 gallons.
Base fee for the first 12,000 gallons runs $3 per thousand. So the next tier has to be more than that. Base fee doesn't change, but the first 12,000 gallons is $1 per gallon. Is Nelson Abbott suggests $12 mo increase on the base, $1 per gallon for the first 12 gallons and start the state required increased tier system at 12,001 gallons.
Royce Swensen Wanted to figure what the fixed costs are; what it costs to run the whole business, and what it takes to run on fixed costs only, divided by the households.
Ty Ellis suggested fixed costs include depreciation per home, administrative fees, and operating expenses. Divide that by households and then include in the base the 12k gallons of water. Everything used over that 12k falls into the tiered rate structure. That rate structure has to be greater than the cost of utilities to run it or the non-fixed costs to run it. And then you have to account for the additional 4%.
Royce Swensen said the base fee also must include a growth factor.
Nelson Abbott said The City can't adjust the rate for water like SESD does.
Ty Ellis asked how far out the City wants to take the rate change.
Consensus is 5 years, however with projected growth, the rate change should cover more than the 5 years.

With the information Royce Swensen will be providing of the number of gallons invoiced per month last year, and using the formula of: Fixed costs(which includes depreciation, fixed administrative and operating expenses) divided by households and then including in the base 12k gallons of water; then any amount used over that 12k falls into the tiered rate structure which will be greater than the fixed and non-fixed cost of utilities to run it, plus accounting for the additional 4% needed; the issue of raising water rates will be solved for the next meeting.

Snowbirds will still need to pay base rate. What they are paying is less than the fixed costs. It's a small percentage of the population.
Ty Ellis asked how much a well will cost and why does the City need a new well.
Royce Swensen answered Ty Ellis that well costs are 1.5 – 2 million and **redundancy** is the need for the new well.
Nelson Abbott mentions that the Capital Facility plan includes triggers that when population reaches a certain number that the City needs to drill another well, and when it gets to another certain population number, the City needs another tank, and those factors are included in the determination of the impact fees. Impact fees are covering the new well. 60% to redundancy – 40% to new growth. New well would cost $2 Million. Existing residents would cover $800,000 and the impact fees should cover the $1.2 million.

Royce Swensen stated the current test well costs of $270,000 are covered by the impact fees collected now.
Tricia Thomas stated that the people don't care about that. They want to limit the population.
Nelson Abbott said that those same people were hopping mad when the pump went out and the City didn't have a back-up plan so they couldn't get their water.
Ty Ellis asked how much the City has in the coffers now.
Royce Swensen told Ty Ellis that at the end of June 2015 the City has $92,000. Now the City has $271,000. It is projected The city will have $339,000 at the end of June.
Ty Ellis asked when the City will need the well.

Conclusion: Change the base calculation to include the well costs.

Royce Swensen asked what the City's plan is to fix water infrastructure.
Tricia Thomas asked whether this is still part of the water rate change because of the selling point to old timers that new people are paying into depreciation that will pay for repairs.
Royce Swensen asked about buying the water rights that, according to the experts the City hires, it would be stupid not to do it.
Nelson Abbott stated that SUMWA Water should continue in business because the rights have protection. They can't be protested. The City should try to get the option extended.
Royce Swensen stated that the City owns approximately 40 water shares.
Nelson Abbott Suggested The City could get $4500 per share right now which would give the city $180,000 in the City's coffers to go toward the new well if the City can sell them right now.
Premier Point can't continue unless they can get water rights.
Royce Swensen stated that The City won't issue a C of O until they have the proper water rights.

Conclusion: try to get an extension on the buying of water rights.

2. BUDGET

Nelson Abbott asked why the numbers of what was initially budgeted for Utility Franchise Fees are different from the revised amount.
Royce Swensen said he tries to underestimate income and overestimate expenditures to give a buffer. State determines amount of Property Taxes.
Ty Ellis would like to estimate higher income or more realistic income, knowing what will be cut if the funds aren't there, rather than estimate low.
Nelson Abbott stated that he likes that Pelorus can show what percentage the City is into projected revenues.
Tricia Thomas asked why the City can't save a larger amount for the fire truck, and if the City can't come up with the larger amount, the lower amount will be taken instead. The budget can be amended during the year.
Royce Swensen said he wouldn't project over $300,000.
How does the city determine where the extra money is allocated?
Dale Bigler said a fire in the foothills can cost $1 million to take care of. He feels the City needs $1 million in savings.

Ty Ellis says the City needs to plan closer to the correct amount of income which he believes is $50,000.
Replacing Cody Black is going to give the City extra in the budget.
Ty Ellis suggested income is $320,000 due to sales tax, and is a number below the projected curve.
Dale Bigler suggests building permits aren't reliable.
Nelson Abbott thinks the City should hire its own building inspector; suggesting it would at least save the City money if not bring in money.

Truck repairs

The City is over budget on repairs.
Royce Swensen brought up a leasing program through the state. No maintenance, vehicles are under warranty including 2 oil changes, tire rotation. The guys would have to not drive the vehicles out of the town.
After adjusting the income higher the City is only under budget $4,000 rather than $50,000, and that's with a full time sheriff.
Nelson Abbott doesn't believe the City needs a full time sheriff, but that neighbors taking care of neighbors will do the job better. Survey indicates citizens want better law enforcement. But under the current budget the City should take out the full time sheriff.
Dale Bigler believes the flashing speed trailer would fill that need. Ticket revenue is deducted from the bill charged for the sheriff.
Nelson Abbott wants to know who sets speeding ticket fines.

It was determined there needs to be a separate meeting for roads. Impact fees can be used for repairs.

Underfunded
- Roads
- Fire truck
- Equipment
- Shed(s)
- Park trail maintenance
- City office
- Digital records
- Fire Equipment
- Snow plow
- Parking lots

Most important
1. Firetruck $15,000 + $10,000
2. Roads $25,000 + $10,000
3. SCBA $10,000 + $25,000
4. Equipment Replacement +$33,000
   - $1500 repair job needed
   - $3500 repair job needed
   - Ty wants a replacement plan.
     1. Leasing – Buy – money up front
     2. 2 – year lease
5. Snow Removal/Bobtail +$25,000

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Nelson suggested periodic vehicle inspections like they do on the Fire trucks. Lack of "ownership" on the part of the employees causes them not to take care of the vehicles.

6. Salt Shed $15,000
7. Trails $7,000

   Dale says the trail needs to be sealed.
   Nelson said trails at Payson lakes installed in 1988 haven't been sealed and they're fine.

8. Public Works Parking Lot ($4,000)
9. Digital Records ($4,000)
10. Civic Center ($5,000)

   On the survey Citizens want a civic center.

3. HOW TO SAVE MONEY

Nelson Abbott thinks the City can consolidate costs and do more tasks in house.
Nelson Abbott and Dale Bigler had a question on pp 3 2014 – 2016 budget.
There was $287,931 in Salaries and Wages then it changed to $337,000.
Royce Swensen answered that the payroll would be split out in each department, the new amount is all of them together.
Nelson Abbott was concerned that the apparent dramatic rise in salary and wages would appear suspicious to people looking at it.
Dale Bigler stated that he thinks things are done much more professionally now than ever.

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