

PAYSON CITY
CITY COUNCIL MEETING
Payson City Center, 439 W Utah Avenue, Payson UT 84651
Wednesday, September 21, 2016 6:00 p.m.

CONDUCTING Mayor Richard Moore

ELECTED OFFICIALS Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips, Doug Welton
(7:50 p.m.)

STAFF Dave Tuckett, City Manager
Sara Hubbs, Finance Director/Recorder
Travis Jockumsen, Dev. Serv. Director/City Engineer, PW Director
Jill Spencer, City Planner
Mark Sorenson, City Attorney
Kim Holindrake, Deputy Recorder
Karl Teemant, Recreation Director
Tracy Zobell, Golf Pro
Ron Crump, Electrical Superintendent
Janeen Dean, Community Events Coordinator
Scott Spencer, Fire Chief

OTHERS Dave Berg- Dave Berg Consulting, Richard Steele, Ross Welch –
Patterson Construction

This meeting of the City Council of Payson City, Utah, having been properly noticed, was called to order at 6:04 p.m.

A. PRAYER & PLEDGE OF ALLEGIANCE

Prayer offered by Councilmember Hulet

Pledge of Allegiance led by Councilmember Phillips

B. CONSENT AGENDA

1. Approval of August 31, 2016 Payson City Council Special Meeting Minutes
2. Approval of September 7, 2016 Payson City Council Meeting Minutes
3. Resolution – Amendment to the Advance Auto Parts Deferral Agreement
4. Resolution – Approving an Amendment to the Water Transfer and Banking Agreement between Payson City and Winterton Family Living Trust

MOTION: Councilmember Hardy - To approve the Consent Agenda as outlined. Motion seconded by Councilmember Hulet. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips. The motion carried.

C. PETITIONS, REMONSTRANCES & COMMUNICATIONS

1. Public Forum

Richard Steele stated he moved to Payson in 1973. He does all he can to improve the reputation of Payson. He speaks up for the police whenever he can. This year he cheered for Jason Chaffetz in the Provo parade that shook his hand. He is trying to get a state representative to lift the mining moratorium on steel and titanium so he can mine in Eureka. He wants to patent titanium. Last year he was in the redwood forest. He recently crossed the golden gate bridge. Payson is as great as any of those towns. This town has a great history, and we need to speak up for this town.

2. Council and Staff Reports

Staff Reports

RECREATION – Director Karl Teemant reported that the youth soccer wrapped up. Thursday will be the end for the most part for soccer. The club soccer and the adult Latin leagues will play into October. Youth flag football begins next week and adult flag football will begin two weeks later. The adult fall softball leagues are wrapping up as well. They have begun winterizing the pool. The play feature is being refurbished and repainted. They began aeration and fertilization of the fields.

GOLF - Tracy Zobell stated the pavilion up at Canyon Park is coming along. The ladies golf association closing social is a week from tonight. The men's association closing social will be the first of October. Timpkin has a tournament the first part of October, and then things wind down. They have been busy with the good weather. Last year the golf course was able to stay open until almost Thanksgiving.

FIRE AND AMBULANCE– Chief Spencer stated Thursday, October 6 is the coloring contest for fire prevention week for the elementary schools. They pick one child from each grade and school, pick them up in a fire truck or ambulance, have lunch and do some education with them. They hosted the county fire chief's luncheon last week at the golf course. Fire and medical calls last weekend were mostly during the evening and night hours. In a 36 hour period, they had over 21 calls.

COMMUNITY EVENTS - Janeen Dean thanked the mayor, council, and community for their support with Onion Days and Salmon Supper. Today she had a wrap-up meeting to discuss what went well and how to make things better. She is working on the Santa Dash, which will be the day after Thanksgiving along with Christmas caroling and turning on the lights at Peteetneet. This year she is adding a Christmas boutique at Peteetneet.

Council Reports

Councilmember Phillips stated roads are getting paved and almost complete.

Mayor Moore stated 600 East is getting repaired and will hopefully be done before winter. He appreciated all those who worked for the Onion Days celebration and the Salmon Supper.

3. Scout Attendance Certificates

Linda Carter presented scout attendance certificates to Trey Zobell and Zane Zobell.

D. OTHER

1. Presentation on a Power Rate Study (6:20 p.m.)

Staff Presentation:

Ron Crump stated the electric cost of service and rate design study has been completed. Dave Berg is here to present the interim report.

Dave Berg stated he has been doing rate studies for all kinds of utilities for 30 years and teaches classes as well. This report includes information so far prior to the rate design. Rates for electric utilities have two primary issues to address. One being the rate or price tag put on the product that is sold. This generates the needed revenue. It is critical that the right amount of revenue is generated relative to the expected expenses. The second item is cost of service where you look at the different kinds of customers begin served such as residential, commercial, and industrial.

Ron Crump stated the \$80,000 under annexation projects in table 2-2 go toward buying out any power facility in the annexation areas. There are approximately 6200 residential land commercial electric customers.

Dave Berg stated it is a conservative estimate that there will be 35 new customers in 2016. Table 2-3 is a summary of the projected operating results. Depreciation is an expense, which is a non-cash item. The change in net position shows a negative in 2016, moves to slightly positive, and then negative again. This is about a zero net change in position. Revenues are slightly higher and expenses are about equal. Impact fees are in the non-operating revenues. Operating revenues are predominantly selling electricity to customers along with some connection charges and a few miscellaneous charges. Operating expenses go down from 2016 to 2017 because of a new coal contract but then begin to go up with inflation and growth. Purchase power and transmission expenses are the bills paid by the city to secure power to serve customers. The cost of sales and service come from the city's audit. There are many sources of power to serve customers. Exhibit 3-A, Functional Unbundling, details the various expenses. In 2015, which is the test year, the city purchased \$7,930,889 in power. The total expense of operating the system is around 12 million per year. The total revenue requirement for 2015 was 12.4 million.

Tables 2-4 and 2-5 are cash reconciliations for regular reserves and impact fee reserves. Cash grows slightly moving forward from 1.4 million to about 2 million. This is not excessive reserves at all for a utility this size. Impact fees show fairly significant capital improvement projects in 2017 and 2019. The need for these projects is driven by growth. Without the growth, they could be delayed. Growth would also offset the balance. The bottom line is there isn't an immediate need for a rate increase. However the reserves are not overly healthy.

Ron Crump stated that impact fees will not cover all the needed improvements but a substantial part. It is very close.

Dave Berg stated he has completed several studies with surrounding cities. Compared to other cities, Payson in general is in good shape because a big rate increase is not needed. He does have some suggestions on rate design.

Table 3-3 compares the cost of service on a percentage basis for each class. Cost of service is not an exact science so anything reasonably close is in good shape. When revenue is close to cost, it is very good. A residential customer is more expensive to serve than a commercial customer. Small

commercial customers are paying too much compared to the cost to serve them. Large commercial customers are paying slightly more than the cost to serve them.

Doug Berg reviewed the utility annual rates handout and made the following suggestions. Note energy charge blocks are designed to encourage conservation.

- Residential and Residential All-Electric Rate 103 – The \$10 customer charge is a good level. The number of energy charge blocks should be reduced from five to two or three with a wider differential. This will not change the overall revenue.
- General Service Rate 104 (no kW) - These are small commercial businesses who don't use much more than a residential customer. There should be a lower customer charge and a single energy rate for this class.
- General Service Rate 105 (Demand) - Demand suggests having only two blocks; keep the first block and combine blocks two and three. The demand charge is too low and energy charges too high. Revenue then wouldn't change.
- General Service Industrial 2 Rate 106 and 1 Rate 107 – These energy rates should be lower with a higher demand charge.
- Government Facilities Rate 199 – This is a lower rate overall for city buildings, facilities, etc.
- Residential Net Metering Rate 108 – This category are those customers using solar. Currently customers get a one for one credit for all the power generated by their system at the full retail price of electricity. In Utah only Rocky Mountain Power is legally obligated to handle it this way. Many cities are looking at potential alternatives to handle net metering. One option is to put all local expenses of the system in the customer charge. The second option is a full demand charge like the commercial customers. A demand charge is a different kind of metering. A third option is a system access charge that is a fixed charge per month to pay for the local distribution system. This still uses net metering but there is an access charge. A fourth option is a minimum bill provision, but it doesn't generate any revenue, which he doesn't recommend. The fifth option is a full feed tariff where the customer only gets a cost for what they over generate. He suggested uniting with other communities to create an access fee that is adopted by the state of Utah.

There will be a section 4 of the report that will include recommendations and some rate comparisons as well as neighboring comparisons. This will be the next step.

E. PUBLIC HEARINGS/ACTION ITEMS

1. Ordinance – Budget Amendment for Fiscal Year 2017 (7:35 p.m.)

MOTION: Councilmember Phillips – To go into the public hearing. Motion seconded by Councilmember Hardy. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips. The motion carried.

Staff Presentation:

Sara Hubbs reported that most of the items are carryovers from fiscal year 2016 to fiscal year 2017 projects. The truth in taxation funds will be used to pave the library parking lot first and the administration building parking lot second.

Public Comment:

No comments.

MOTION: Councilmember Phillips – To close the public hearing. Motion seconded by Councilmember Hardy. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips. The motion carried.

MOTION: Councilmember Hardy – To approve the budget amendments as proposed. Motion seconded by Councilmember Carter. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips. The motion carried.

F. RESOLUTIONS, ORDINANCES, AGREEMENTS (7:40 p.m.)

1. Resolution – Approving Board Member to the Economic Development Board

Councilmember Hulet reported that Kris Phillips is the owner of the Stadium Cinemas. The Economic Development Board voted her to be on the committee.

MOTION: Councilmember Hardy – To approve a resolution for Kris Phillips to be a member of the Economic Development Board. Motion seconded by Councilmember Phillips. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips. The motion carried.

2. Resolution – Amendments to the Fee Schedule for the Solid Waste Department

Staff Presentation:

Dave Tuckett reported that over the last couple years, Utah County has held two, home hazardous waste events each year. Previously the cost was covered by the county. The county adopted an ordinance that now all the cities have to pay \$1 per ton of municipal waste effective July 2016. Staff is proposing to amend the solid waste fees. Residential will go from \$10.86 to \$12.02 to cover the cost of the waste. There is also an increase for each size of commercial container.

MOTION: Councilmember Hulet – To adopt a resolution amending the fee schedule for the Solid Waste Department as outlined. Motion seconded by Councilmember Hardy. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips. The motion carried.

G. ADJOURNMENT TO CLOSED SESSION

1. Discussion Regarding Property Sale and/or Purchase

MOTION: Councilmember Hulet – To go into closed session. Motion seconded by Councilmember Hardy. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips. The motion carried.

(Councilmember Welton present at 7:50 p.m.)

MOTION: Councilmember Hardy – To adjourn the closed session. Motion seconded by Councilmember Welton. Those voting yes: Linda Carter, Mike Hardy, Scott Phillips, Doug Welton. The motion carried. (8:03 p.m.)

MOTION: Councilmember Carter – To go back into the City Council Meeting. Motion seconded by Councilmember Phillips. Those voting yes: Linda Carter, Mike Hardy, Scott Phillips, Doug Welton. The motion carried.

(Brian Hulet returned.)

MOTION: Councilmember Hardy – To adjourn the council meeting and open the work session.

Motion seconded by Councilmember Phillips. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips, Doug Welton. The motion carried.

H. WORK SESSION (8:05 p.m.)

1. Proposal by Patterson Construction for a Senior Living Development at Approximately 800 South and 500 West

Staff Presentation:

Jill Spencer reported Patterson Construction is proposing a senior living development near 800 South and 500 West. The project size is just over 13 acres. It is a senior living community to include independent living units, assisted and memory care living, and active adult housing units. There is a potential partnership with the city to construct a new facility for the Payson City Senior Citizen Program. There are many details to work out if that is the direction of the city council. Some rezoning and ordinance amendments will be needed.

Developer Presentation:

Ross Welch presented and explained the conceptual layout. He feels there is a need in the Payson community for this type of development. Patterson Construction will do a study to ensure there is a need, which is required in order to get financing in place. The concept shows 120 units in a two-story complex in a six-acre area. The plan is to phase the project. The memory care is on the main floor and assisted living on the top floor. The main building floor plans are studios with about 650 square feet. The 55+ units are about 1,400 square feet on the main. The senior citizen facility would be on city property with a cross-access agreement for use with their basement. The building is about 6,000 square feet. He would build the senior citizen center. He would like to work out an arrangement in exchange for things like snow removal. This is a conceptual plan and the cost has not been factored into everything.

Jill Spencer stated that Commissioner Warner emailed her stating he is happy to see the land developed. It is generous of Patterson Construction to build the senior center. He questioned whether the city would be able to support the building and grounds. He questioned whether the senior center will be large enough for the future. The twin homes on the south are on prime real estate that could be used for executive housing because of the elevations.

Council Discussion:

Mayor Moore stated there is a real fine line on what is used as far as their facility and what is used as far as the city facility and how that would be split as far as snow removal, wear and tear on building, etc. He wants a clear picture. He likes the partnership. It needs a hard line on where the city takes over and where Patterson takes over.

Councilmember Hulet likes the concept. He is concerned about losing space for office buildings along 800 South.

I. ADJOURNMENT

MOTION: Councilmember Phillips – To adjourn the meeting. Motion seconded by Councilmember Carter. Those voting yes: Linda Carter, Mike Hardy, Brian Hulet, Scott Phillips, Doug Welton. The motion carried.

The meeting adjourned at 8:50 p.m.

/s/ Kim E. Holindrake
Kim E. Holindrake, Deputy City Recorder