

Minutes of the regular meeting of the Daggett County Commission/Redevelopment Agency Board held on **Monday, March 26, 2018** in the Commissioner Chambers at the Daggett County Courthouse. Commissioners Jack Lytle, Randy Asay and Clyde Slaugh were present. Auditor/Recorder Keri Pallesen, Assessor Lesa Asay and Clerk/Treasurer Brian Raymond were also present. The meeting was called to order at 10:12 a.m. by Commissioner Lytle.

Also present: Thompson Davis, Dave McDonald, Steve Habovstak and Chris Collett

**Citizen Comments:** None given

### **Policy and Legislation Items from the Posted Agenda:**

#### **Discussion And Consideration Of Other Dutch John Issues And/Or Agreements:**

Commissioner Slaugh said he would like to know where we are at. Commissioner Lytle said that he just got off the phone with Mayor Rogers and there are some small tweaks that need to be made to the agreement, especially regarding police/sheriff services. There was discussion that the land portion of the agreement also needs some work. The Town felt that the water be given in increments of 1500 acre feet, but that is up to the Bureau of Reclamation and the Town needs to show the need for it. Dave McDonald said that the water is a 2005 right and it can be called by water users downstream. Any lease contract has to be written so that if Dutch John needs the water it is available. Commissioner Asay would like to hear from Attorney Niel Lund, who was not present at the time. Assessor Lesa Asay, said he was going to be late. Commissioner Lytle said he was encouraged that there was still room to work on the agreement. Commissioner Asay asked about the document and Mr. McDonald replied that as it is written it is not collaborative and needs some tweaks. Mr. McDonald thought that this meeting was a perfect chance to get the Town Council together, although that 10 am is not a good time as almost everyone has full-time employment which makes day time meetings difficult. Keri Pallesen asked if she needed to be here as she thought it was to be a different purpose to the meeting. Commissioners Asay and Slaugh said they thought that was correct based on some discussion in a closed session. Commissioner Asay said that he would like to get together with the Town of Dutch John and continue working on this. Thompson Davis said that it is like a land negotiation where something is written and then there is a counter-offer and there might be counter-counter offers, etc. Attorney Niel Lund said that he would send the word doc to the Town so they could start the process of reviewing it and marking up the parts that they feel need to be changed, but Mr. McDonald did not feel that it could be completed at tonight's meeting, but they would start the process and get it done as expeditiously as possible. Mr. Lund said we have not been served a "Notice of Claim" from Dutch John.

Commissioner Slaugh made the motion to go into a closed session at 10:47 and Commissioner Asay seconded the motion. All were in favor and the motion carried. Commissioner Asay made a motion to go out of closed and it was seconded by Commissioner Slaugh. All were in favor and the closed session was ended at 12:06 pm.

After a recess for lunch the Workshop came back into session at 1:08 pm. Commissioner Lytle welcomed everyone and Town Council member Dave McDonald was given the floor and he presented some information from the Town's point of view related to rates and looking to when the Town might take over the water bond. The handouts were estimates and the bond is not an operational cost so it's not readily apparent in the budget. There are approximately 80 residential meters out of a total of about 106 meters. Most residential units in Dutch John have 3 bedrooms and it averages out to about 3, which is almost even with the commercial number of rooms at 203. Rural

water uses the bedroom as a unit to measure the potential use of water. According to Mr. McDonald at this level the water and sewer leaves only \$16,000, but does not include any overage sales, which rural water encourages systems not to get reliant on overages as they are never for sure. Anything over can go towards covering non-cash expenses and Mr. McDonald said that the revenue may be under by about \$40,000 which is affecting reserves and non-cash items like depreciation. Revenue from The Handout shows the Dutch John Resort having 26 units and not the 12.5 they are currently being billed. The same problem exists with the Trout Creek Flies and Sweet Lorraine's Bed and Breakfast. Mr. McDonald claimed that this analysis validates the rate study originally done but it is not being billed this way, which is why the system is not covering all the costs. Chris Collett said the base use of \$12,000 gallons seemed high and Mr. McDonald said that was on purpose and he has all the numbers on his computer and will come up to the shop and show him the historical information. If you don't sell extra water in the summer due to a wet season and you've based your budget on that then you will go broke. The differences between residential and commercial charges are 17% or \$9 per month, which is not that unusual and the difference is even larger in some other areas. The difference is residential customers are just trying to survive while commercial customers are trying to make a profit off their facilities.

There was discussion regarding the 2018 budget and the rate calculator and which versions were the most current. Thompson Davis asked if the County had been subsidizing the system and it was replied that in the past the County did subsidize the system but in the past few years we have not, but neither have we been building up the reserve fund. Questions Mr. Davis asked are what the bond number is, what the operations budget is both fixed and variable and what the anticipated reserve is. Mr. Smith came and made a presentation based on what he was asked to do, but he has also built a usage model that needs information to be able to use. Mr. Davis said that the current model punishes businesses instead of a discount for large quantities and he wants to look into the usage side of things. Mr. McDonald said that usage is fine for large, year round systems, but it doesn't work in a small, seasonal area like Dutch John. As he was leaving he said, the ordinance is written and it is how billing will occur with the Town once it takes over the system and it is validated against the model Mr. Smith developed two years ago and he doesn't see a good reason to change. Chris Collett asked how Mr. Davis envisions this billing system to work. Mr. Davis replied that he wanted to see it based more on water usage, not just on beds or taps. We need to have the numbers so we can work on the model. The bond payment is a little over \$21,000 per year. It is in the financial statements. Wages should be a fixed cost. The tank is brand new and some pipes belong to the BOR and other pipes are a part of the system, so there needs to be some reserves set up for contingencies. Mr. Davis said it seems unfair that his business is paying so much and others aren't paying as much for more water. Mr. Davis said that he feels he is being penalized for building additional units, but Mr. Collett said that those are operating expenses of doing business. Overage costs need to be increased, but you can't bank on them and budget for them. The fixed costs are most of the costs, and few of the costs are variable. There are only a dozen or two line items to look at to decide what is fixed and what is variable. Various years expenses and revenues were examined and items that are not being adequately addressed. Mr. Collett said he is on call seven days a week and so the previous part-time person needs to be considered being put back in place. That we be about \$15/hr for 20 hours a week for 52 weeks, would be a starting place and certified person would probably cost more than \$15/hr.

Mr. Davis asked about the transfer of the system and its unknown how long it will be and there was discussion that the bond transfer is about a 12 week process. The county is not sure where the Town is in their part of the prep and paperwork for the transfer.

Keri Pallesen was asked questions about the budget, revenues and expenses. The BOR is charging approx. \$42 per acre foot for the water and that may rise to \$70 acre/foot when a new agreement is required in a few years. The revenues and expenses were examined and there was additional discussion on the needs for increased staffing for part time and person and overtime for Mr. Collett. The house will have some expenses when it is part of the water system. Mr. Collett estimated that the breakdown for his time for water versus sewer is about 70/30 so far. Mr. Davis had to take off and in parting said he needs to know what these fixed and variable costs are in order to figure out how the needs of the system are being met. Niel Lund said as he added up the costs for Dutch John Resort and Trout Creek, which are quite high, they are not in keeping with what we are trying to do with Economic Development to bring new businesses to the area and between the two businesses are 1/3 of the revenue for the whole system, which is probably not a good idea. Mr. Davis said that the solution is to sell more land and develop the area which would provide more revenue for the system, which has room for growth. Mr. Davis said as he was leaving that he would just like to see the numbers so we can work this out.

Mr. Collett asked if we had analyzed the commercial rates as to the type of business, like are they for profit or non-profit or institutional. Mr. Collett said that the Greendale system has higher costs than Dutch John for smaller amounts of water and higher overages. Mr. Collett said that a new state law passed and it requires a peak daily usage of 800 gallons per connection and an annual daily average of 400 gallons per household. The state figures the average is 600 gallons per day in Utah. Mr. Collett said we can't just ignore this situation, but at some point in time it will be transferred to Dutch John and they will probably not follow any changes we make. How are you going to fix this and maybe one suggestion is to have higher overages. Other options could make Delta Plan One happy and then make 80 other customers unhappy. Mr. Raymond suggested looking at the types and number of businesses on a hook up as he studied this in the past there were many different rate structures in different systems. With Trout Creek and Dutch John Resort there are multiple types of businesses using the water and you could charge for the types of business instead of for the rooms. Like they would just be charged for three base units as they have their main business, motel rooms and RV spots and then they pay for all the overages about the three base units and you don't have to track the number of rooms, beds or taps or anything. The base expense could be higher and the overage could also be higher.

There was discussion about the two houses that are on one meter and that Delta Plan one has been notified that we could turn it off and see if anything else is using that water. They also need to be separated and Mr. Collett said that he thinks that they need to cap off the current line and create two new lines to the houses. That would answer the questions and get it the way it should be.

We can make a small adjustment to residential but there's not much room for increases as they already paying some of the highest rates in the state, but we can go higher with the overages. The same problem exists with the Commercial users as there are so few of that type of user that the only way to increase revenue is to charge more for the overages, but then people may stop using as much water and the whole system will suffer if you start counting on the overages.

There was discussion of similarities between Dutch John utilities and the utilities that the County is paying on the Jail for no usage. There is a need to separate the Sheriff's Office lines from the Jail lines. We can't subsidize any entity. Water has always been a hot topic and people have been killed over these issues. Mr. Collett said he was willing to help with this, so Mr. Lytle said that he would like him to take a look at the budget and get a feeling if this is accurate.

Mr. Collett said he wasn't going to be able to attend the meeting tomorrow and he had a question on the policy as he was rehired and so there is a question on the policy as some who have been rehired have started over and others picked up where they left off, so the policy should be clearer and it should be considered if employees are an asset or a necessary evil. The question was asked if employees leave do they have to cash out and it was thought there wasn't a choice and Mr. Lund said that this is a fairly rare situation for employers.

Motion to adjourn was made by Commissioner Asay at 4:15 pm.

s/ Brian Raymond  
Clerk/Treasurer\_Brian Raymond

/s/ Jack Lytle  
Commissioner Jack Lytle

/s/ Clyde Slauch  
Commissioner Clyde Slauch

/s/ Randy Asay  
Commissioner Randy Asay