ENOCH CITY WATER BOARD
NOTICE AND AGENDA
August 11, 2022 at 4:30pm
City Council Chambers
City Offices, 900 E. Midvalley Road

Join Zoom Meeting
https://us02web.zoom.us/j/83389857214
Meeting ID: 833 8985 7214
Dial by your location
+1 346 248 7799 US (Houston)

1. CALL TO ORDER OF REGULAR MEETING
- **a. Pledge of Allegiance –**
- **b. Invocation –Audience invited to participate.**
- **c. Approval of agenda for August 11, 2022 –**
- **d. Approval of minutes for July 14, 2022-**
- **e. Conflict of Interest Declaration-**

2. CONSIDER WATER RATE PROPOSAL AND MAKE A RECOMMENDATION TO THE CITY COUNCIL

3. PUBLIC COMMENTS

4. BOARD/STAFF REPORTS

5. ADJOURN

In compliance with the Americans with Disabilities Act, persons needing auxiliary communicative aids and services for these meetings should call the City Offices at 586-1119, giving at least 48 hours advance notice.

CERTIFICATE OF DELIVERY

I certify that a copy of the forgoing "Notice and Agenda" was delivered to each member of the City Council, emailed to "Cedar City Daily News", posted on the Enoch City website, on the City Office door and published on the Utah Public Meeting Notice website on **8-08-22**.

Lindsay Hildebrand 8/08/2022

Lindsay Hildebrand, City Recorder **Date**

MINUTES
ENOCH CITY WATER BOARD
July 14, 2022 at 4:30 pm
City Council Chambers
City Offices, 900 E. Midvalley Road
Meeting ID: 884 7604 9153

MEMBERS PRESENT: Chairman Coby Zobell, Doug Grimshaw, Steve Woolsey, Alan Miller and Spencer Jones - absent

STAFF PRESENT: City Manager Dotson, Council Member David Harris, City Recorder Lindsay Hildebrand, Public Works Director Hayden White, Council Member Richard Jensen, and Utility Clerk Carrie Horton

PUBLIC PRESENT: There were none present.

1. **CALL TO ORDER OF REGULAR MEETING –** Coby Zobell
    - **a. Pledge of Allegiance –** Led by Alan Miller
    - b. **Invocation –Audience invited to participate.** Given by Steve Woolsey
    - **c. Approval of agenda for July 14, 2022 – Chairman Zobell made a motion to approve the agenda. Alan Miller seconded and all voted in favor.**
    - **d. Approval of minutes for June 9, 2022- Chairman Zobell made a motion to approve the minutes. Steve Woolsey seconded and all voted in favor.**
    - **e. Conflict of Interest Declaration-** None stated

2. **CONSIDER AMENDED WATER RATE SCENARIOS AND SEND RECOMMENDATION TO THE ENOCH CITY COUNCIL**

City Manager Dotson introduced Matt Kennedy who works with RCAC. He gave background information about the company. We had contracted with them about two years ago and have been working closely with Mr. Kennedy.

Mr. Kennedy was on Zoom and gave a detailed presentation, in the form of a slide show, regarding the results from the water rate study that had been going on for the past two years. City Manager Dotson noted that the presentation was being recorded for those that may want to review the information. Mr. Kennedy said that they had come up with a bunch of solutions to challenges over the years. One of the first things they worked on was identifying capital assets that need to be replaced. They also reviewed the City's budget, sales data, and actual monthly usage from residents, along with some other specific topics in relation to the study. Mr. Kennedy listed several key points within the presentation and went over each one in detail. He created a five-year forecasted budget that included factors, such as, fixed and variable costs, and sales, which take into account conservation and growth adjustment. He also presented a table of information that reflected what would happen if things don't change and we do nothing. The two lines focused on were net loss/gain and net cash flow over the period of five years. The results showed both lines in the negative. He said we should be generating an additional $225,000 to $300,000 a year over the next five years to cover costs. The affordability factor is looking at what percent of median household income (MHI) goes toward monthly water bill. The target is under 1.5% to 2.5%, which means it's affordable. Some funders might not award grants unless it's under a certain percent. He had the MHI at about 0.60%.

Mr. Kennedy put together two proposals. They both reduced tiers and increased usage rates. He first went over Proposal one and explained the results of the new rates. In order to justify the data within the tiers, he looked at how much water people are actually using by going back from the past 12 months of residential use. The first tier was calculated at a usage of 0 to10,000 gallons with a base rate of $29. The second tier was calculated at a usage of 10,001to 40,000 gallons and an overage fee of $0.80 per thousand gallons. The third tier was calculated at a usage of 40,001 to70,000 and an overage fee of $1.20 per thousand gallons. The fourth tier was calculated at a usage of anything over 70,001 gallons and an overage fee of $1.60 per thousand gallons. In addition to this information, Mr. Kennedy mentioned that if the base rate was raised by $1 then some of the expenses may be covered. He calculated a 20% increase on the average residential bill.

The presentation was handed over to Council Member Jensen, who explained that he had talked with City Manager Dotson to answer questions and receive information. Then he created Proposal two. He wanted to make sure residents pay a price as close as possible to the amount it would cost to deliver them their acre foot of water and the residents that use less than 10,000 gallons of water weren't subsidizing those residents that use more, while also encouraging conservation. To illustrate this, he used the same amount of tiers as Mr. Kennedy and explained the dollar amounts for usage and overages. The first tier starts at less than 10,000 gallons of water at a base rate of $15 per month. The second tier was calculated with a usage of 10,000 to 25,000 gallons with an overage fee of $2.53 per thousand gallons. The third tier was calculated with a usage of 25,001 to 60,000 gallons with an overage fee of $4.00 per thousand gallons. The fourth tier was calculated at a usage of anything over 60,000 gallons with an overage fee of $ 8.00 per thousand gallons. Each proposal was given to the Water Board members for reference.

Doug asked for clarification on how Council Member Jensen came up with the base rate and overage amounts. City Manager Dotson said he took the cost to maintain the system to get everyone their water and divided it by the number of customers there are, then they had to figure out how many acre feet of water that is. He then plugged in the numbers to see what dollar amount it would cost to provide that number of acre feet of water to the customer. Winter months will be less and summer months will be more. Anything above that 25,000 gallons will cost more.

Council Member D. Harris noted the current and proposed average bills aren't significantly different. He asked what the average usage was. Council Member Jensen said in the summer the average usage is barely over 25,000 gallons. Council Member D. Harris said the idea is if the adjusted rate structure causes people to use less water then there is an overall drop in usage which means we drop in revenue. We can't cover 87% of fixed costs. He was concerned that if people do conserve a lot, the City can't cover our costs. Alan was concerned about expenses and revenue in Proposal two. City Manager Dotson said we are counting on growth factor to increase our capacity. Council Member D. Harris asked if it was better to reward lower usage with lower base rate. You have to factor in the change of behavior you'll force in doing this. Some will use less which means less revenue.

Mr. Kennedy continued his presentation. He said there is a balance between revenue and water conservation. There were additional considerations when looking at both scenarios. He also said in relation to last year's flood, people watered less. So, the numbers projected for this year could be different. He gave recommendations. Proposal two would need determination for rates in other classes and seasonal variation in revenue. He asked the Water Board members if they have any questions or different aspects that they would want him to look at. Alan asked Mr. Kennedy if he had a proposal that falls between the two. He said yes he does. It's close to Proposal one. He was looking at raising the base rate by $10.00 across the board. The usage tiers would stay the same but the overage rate would be $1, $1.40 and $1.80 and that would find the balance. They could also decide that top tier should be more severe. He gave a scenario. Alan suggested adjusting the rates every year to about $4 to $8. This way the governing board becomes accustomed to increases. We work into this and a goal is to generate reserve funds. This provides opportunity to do things when opportunity arises. Rather than a huge jump which will be perceived a bit harsh.

Council Member D. Harris said he liked small incremental increases. He suggested increasing rates by 3% every year. City Manager Dotson said that the Council looks at this every year when they go over the budget. There was a short discussion about switching the amounts of gallons used per month or quarterly. Council Member D. Harris said $154,000 per year in reserves is the target as an annual recommendation. Regarding Proposal two, Steve suggested raising the base rate to maybe $20-$25 a month instead of $15 to offset the winter months. He also suggested lowering the overage fee in tier two from $2.53 to $1.75. There was discussion on the base rate and fixed costs. Council Member D. Harris said he liked the base rate of $20 to $22 because then we aren't reliant on the over users. He thought Proposal two could be dangerous. Doug said the excessive overage use pays for water rights for people that don't own water rights. He liked Proposal 1.5 with a $30 base rate because we need to increase revenues. City Manager Dotson said from a management aspect we need to stay out of the negative yearly, but having a consistent a base rate year-round is the most important. Steve said he is ok with charging a base rate of $30. Chairman Zobell suggested leaving it the way it is, but make small increases in increments. City Manager Dotson said the data and the expertise from Mr. Kennedy is far better than any of us have done. We need to trust the information that we have.

Matt shared his screen to illustrate Proposal 1.5. Alan talked about keeping that net cash flow at about what our deprecation is instead of going to that extreme. Mr. Kennedy said we could still hit the target if he adjusted the top tier from $4 to $3.50 in the overage fee. There would still be a potential discrepancy, so a buffer would be good. He said the general consensus from the Water Board is decreasing the amount of water used in the base rate from 30,000 to 10,000 gallons. City Manager Dotson said 10,000 gallons is the average usage for 90% of residents in the winter months.

<u>Each Water Board member's recommendation:</u>

Doug – Keep the base rate the same at $29

1st Tier – 0 to 10k included

2nd Tier – 10k to 40k with an overage fee of $1.00

3rd Tier – 40k to 60k with an overage fee of $2.00

4th Tier - anything above 60k with an overage of $3.00 *this needs to have a bigger overage fee because they need to pay for the cost of water rights.

Alan – Keep the base rate the same at $29

1st Tier – 0 to 25k included

2nd Tier – 25k to 50k with an overage fee of $1.80

3rd Tier – anything over 50k should have a higher overage fee

Coby – Keep the base rate at $29

1st Tier – 0 to 10k included

2nd Tier - 10k to 25k with an overage fee of $0.80

3rd Tier – 25k to 50k with an overage fee of $1.00

4th Tier – anything over 50k with an overage fee of $2.00

Steve - Keep the base rate at $30

1st Tier – 0 to 10k included

2nd Tier – 10k to 30k with an overage fee of $1.00

3rd Tier – 30k to 60k with an overage fee of $2.00

4th Tier – anything over 60k with an overage of $3.00

Council Member Jensen said he liked that the reserve would pay for the depreciation and wanted to put extra in savings so they had money for the Pine Valley water. Council Member D. Harris agreed. Mr. Kennedy said if there are projects the City is planning on, he can incorporate that into the budget. Education on what would happen if nothing changes will help the residents understand these rate changes.

3. PUBLIC COMMENTS – There were no public comments

4. BOARD/STAFF REPORTS

5. ADJOURN – Doug made a motion to adjourn. Alan seconded and all voted in favor.

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Lindsay Hildebrand, City Recorder **Date**

Rob Dotson <rob@enochcity.org>

Presentation

Matthew Kennedy <mkennedy@rcac.org> Sun, Aug 7, 2022 at 8:35 PM
To: Rob Dotson <rob@enochcity.org>

Hi Rob,

Sorry I didn't get back to you on Friday. But it was great to be at the meeting and have a chance to discuss the rates for Enoch. Based on where we left off at the council meeting, I ran the numbers for setting the tiers as follows, with the same $29 base rate. I did adjust the conservation factor lower, around 2.5-5% reduction in water use.

Adjust tiers to:

- 20,000g included
- 20,001-40,000 at $1.00/1,000 gallons
- 40,001-60,000 at $2.00/1,000 gallons
- Over 60,001 at $3.00/1,000 gallons
- Maintain base rate at $29,00

With these adjustments, a 5-year forecast can be seen below. As you can see, Enoch would not meet it's recommended reserve contributions over the five year period.

Results of the new rates	2022	2023	2024	2025	2026	5 Years
TOTAL EXPENSES	$2,217,441	$1,847,714	$1,885,311	$1,889,216	$1,929,881	$9,769,563
TOTAL REVENUE	$2,223,330	$1,827,022	$1,863,280	$1,894,111	$1,922,315	$9,730,058
NET LOSS OR GAIN: (Short/Over to Reserves)	$5,890	-$20,691	-$22,032	$4,895	-$7,567	-$39,505
NET CASH FLOW (Contribution to Reserves)	$174,223	$137,619	$136,279	$161,322	$148,860	$758,304
Affordability assuming MHI of $62643 for residential meters.	0.74%	0.74%	0.76%	0.78%	0.79%	
Are you putting enough money in reserves?	Yes	No	No	Yes	No	
Positive Annual Cash Flow?	Yes	Yes	Yes	Yes	Yes	

As a point of comparison, I kept the same tiers and usage rates, but increased base rates by a dollar to $30. This results in a five year net gain of $104,447, seen below.

Results of the new rates	2022	2023	2024	2025	2026	5 Years
TOTAL EXPENSES	$2,217,441	$1,847,714	$1,885,311	$1,889,216	$1,929,881	$9,769,563
TOTAL REVENUE	$2,252,121	$1,855,813	$1,892,070	$1,922,901	$1,951,105	$9,874,010
NET LOSS OR GAIN: (Short/Over to Reserves)	$34,680	$8,099	$6,759	$33,685	$21,224	$104,447
NET CASH FLOW (Contribution to Reserves)	$203,014	$166,410	$165,069	$190,112	$177,651	$902,256
Affordability assuming MHI of $62643 for residential meters.	0.76%	0.76%	0.78%	0.80%	0.81%	
Are you putting enough money in reserves?	Yes	Yes	Yes	Yes	Yes	
Positive Annual Cash Flow?	Yes	Yes	Yes	Yes	Yes	

Let me know your thoughts on recommendation from the council.

Just a heads up, I will be on the road Monday to Sunday this week, with a little time in the office on Thursday.

Thanks,
Matt

[Quoted text hidden]