



UTILITIES AND TAXES

JANUARY 31, 2023



POWER BILL

FY 2023 (1st 6 Months) July - Dec Block Actuals						
Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	July-Dec 6 month totals
33,886,349	32,735,950	26,969,941	23,192,777	23,053,837	24,501,602	164,340,456
\$2,226,647	\$2,317,268	\$2,149,167	\$1,763,197	\$1,859,759	\$3,115,219	\$13,431,257
\$66.30	\$71.36	\$80.06	\$76.10	\$80.67	\$127.14	\$0.081728

Budget \$64.50 / Mwh



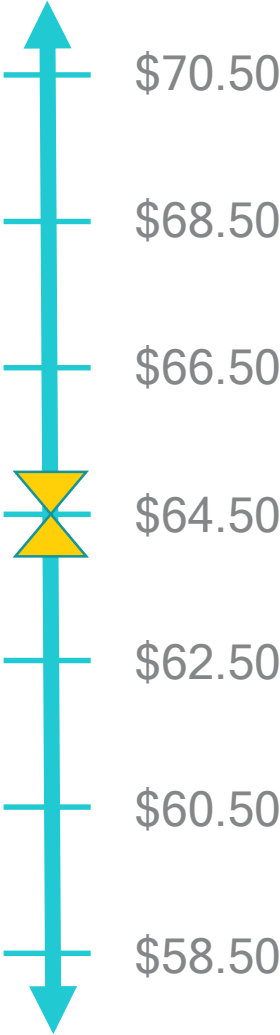
FUEL FACTOR

Budget

Dollars \$10,429,880

Megawatts 163,688

Budgeted Cost \$64.50





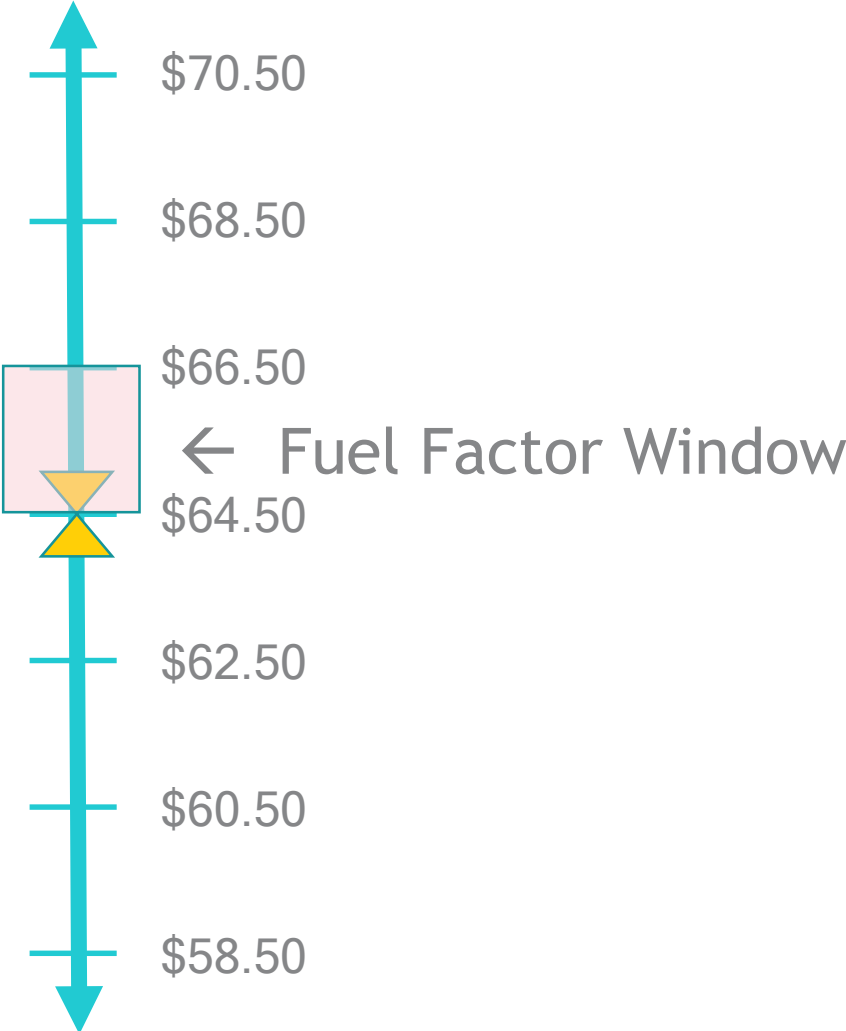
FUEL FACTOR

Budget

Dollars \$10,429,880

Megawatts 163,688

Budgeted Cost \$64.50





FUEL FACTOR

Budget

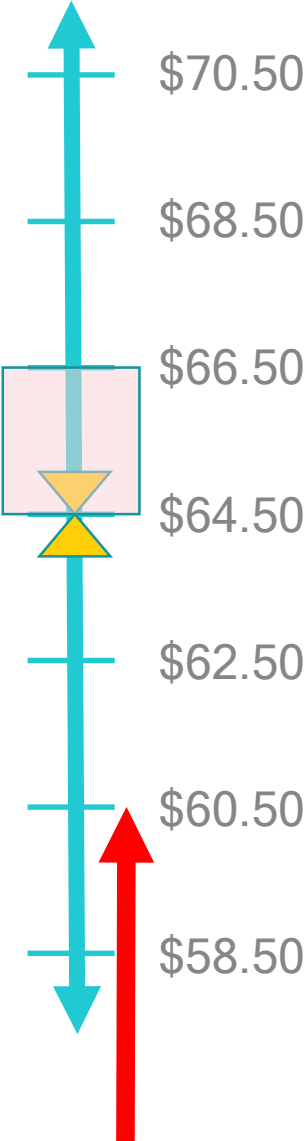
Dollars \$10,429,880
Megawatts 163,688

Budgeted Cost \$64.50

Actual Example

Dollars \$9,922,000
Megawatts 164,000

Actual Cost \$60.50
Difference \$656,000



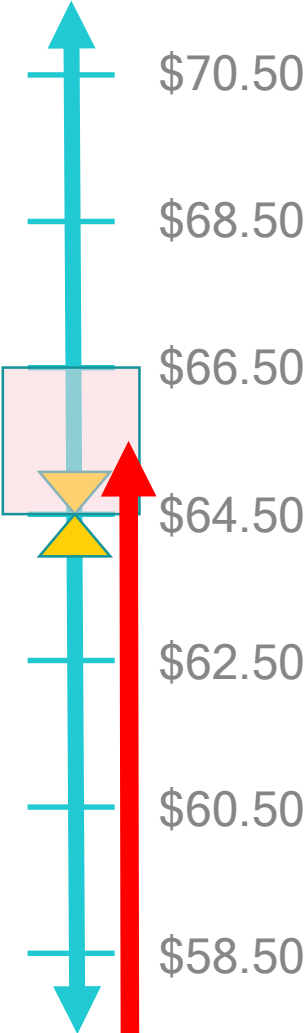


FUEL FACTOR

Budget

Dollars \$10,429,880
Megawatts 163,688

Budgeted Cost \$64.50



Actual Example

Dollars \$10,742,000
Megawatts 164,000

Actual Cost \$65.50
Difference **-\$164,000**

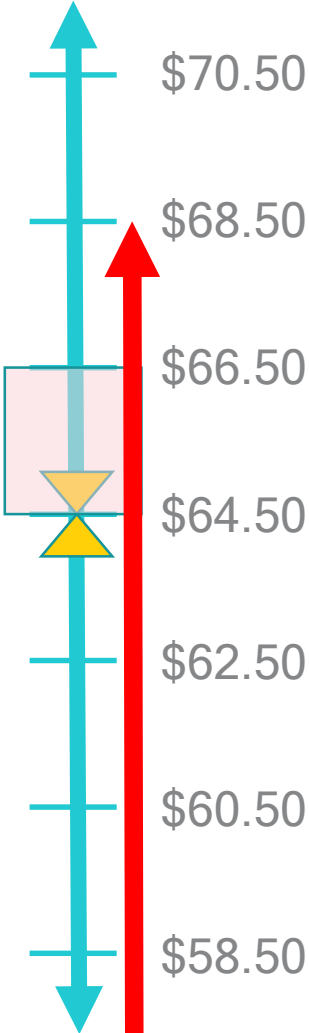


FUEL FACTOR

Budget

Dollars \$10,429,880
Megawatts 163,688

Budgeted Cost \$64.50



Actual Example

Dollars \$11,234,000
Megawatts 164,000

Actual Cost \$68.50
Difference **-\$656,000**
City Loss **-\$328,000**
Fuel Factor \$328,000

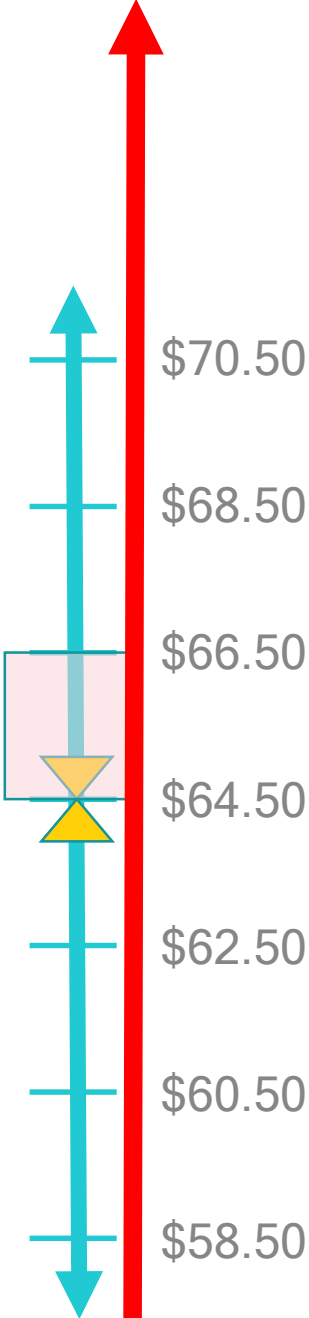


FUEL FACTOR

Budget

Dollars \$10,429,880
Megawatts 163,688

Budgeted Cost \$64.50



Actual

Dollars \$13,431,257
Megawatts 164,340

Actual Cost \$81.73
Difference **-\$2,831,578**
City Loss **-\$328,680**
Fuel Factor \$2,501,898

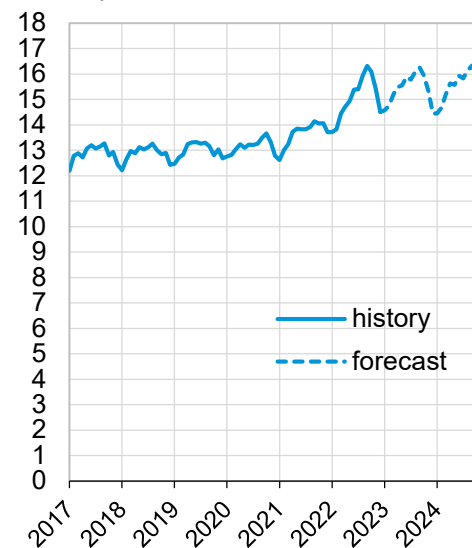
Recouped over next 6 months
Rate increase ~13% Residential
As much as 20% comm/ind
Change will be ~ \$12.75 / month



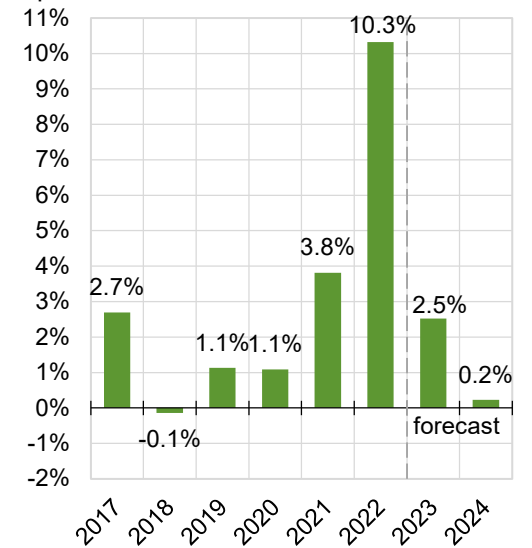
MARKETPLACE

- Lehi to use reserves and add \$0.017 to all energy sales. (12/14/22)
- Logan appropriated \$6,700,000 in surcharges (\$0.01801) to cover power bill. (1/5/23)
- Rocky Mountain asks to raise customer service charge from \$8 to \$29.25 per month over the next 5 years. (10/26/22)

U.S. monthly nominal residential electricity price
cents per kilowatthour



Annual growth in nominal residential electricity prices
percent



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, January 2023



HEBER CITY BOND RATING (1/18/23)

The Rating Outlook Negative, however, reflects expectations that lower operating margins and higher spending will weaken financial metrics and Fitch's growing concern that future rate increases may not keep pace with rising costs. The lack of timely cost recovery during fiscal 2022 resulted in a \$2 million operating loss and spike in leverage to 10.3x from an average 6.3x over the preceding three years.



OPTIONS

1. Leave Fuel Factor language as is and let increase go into effect.
2. Adjust resolution language to adjust the Fuel Factor window.
3. Add dollars to the fiscal year 2023 fuel budget to decrease Fuel Factor calculation.

* Some Cities/Utilities have a rate stabilization fund to deal with rapidly moving market conditions. We effectively do this with our reserves.



RECOMMENDATION

- Power has over \$6,270,000 in unassigned reserves.
 - This is beyond the recommended 30% reserve.
 - This does NOT include money reserved for projects.
 - This does NOT include impact fee money.
- This amount was partly gathered by acquiring power resources below budgeted price.
- We recommend using **\$2,000,000** of this and assigning it to the power purchase budget for 2023.

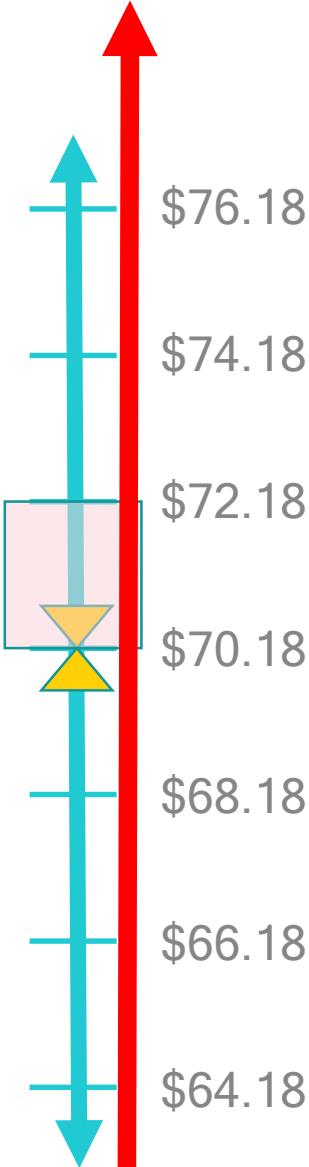


FUEL FACTOR

Budget

Dollars \$11,487,530
Megawatts 163,688

Budget: \$64.50 to \$70.18



Actual

Dollars \$13,431,257
Megawatts 164,340

Actual Cost \$81.73
Difference **-\$1,898,128**
City Loss **-\$328,680**
Fuel Factor \$1,569,447

Leaves almost a million dollars in the budget for the next six months

Recouped over next 6 months
Rate increase ~8% Residential
As much as 12% comm/ind
Change will be about \$7.50 /mo.



FINAL THOUGHTS

- IF in favor, NOT a \$2,000,000 budget adjustment.
- Effectively putting our inflationary rate increase into effect now.
- When we adopt budget we will have a better picture of second half of 2023 and all of 2024.
- Any rate changes can be done with thought to how the Fuel Factor is working. (e.g. have it go into effect at expiration of Fuel Factor.)
- It is also unclear exactly how much money the fuel factor will recoup. It is dependent on a number of factors including weather and growth.



DEBT

2013

City	GF Debt	Enterprise Debt	Pop	GF Debt / Capita	Enterprise Debt / Capita	Total Debt / Capita
SF	\$17,725,000	\$10,775,000	36,277	\$488.60	\$297.02	\$785.62
Provo	\$49,439,000	\$47,043,000	115,919	\$426.50	\$405.83	\$832.32
Mapleton	\$2,295,100	\$7,982,116	8,442	\$271.87	\$945.52	\$1,217.39
Springville	\$24,024,221	\$14,441,885	30,621	\$784.57	\$471.63	\$1,256.20
Payson	\$7,585,000	\$18,962,889	18,938	\$400.52	\$1,001.31	\$1,401.83
PG	\$34,440,454	\$32,858,398	34,519	\$997.72	\$951.89	\$1,949.62
AF	\$15,719,000	\$48,340,000	27,147	\$579.03	\$1,780.68	\$2,359.71



DEBT

2023

Continue with the general policy of pay as you go?

City	GF Debt	Enterprise Debt	Pop	GF Debt / Capita	Enterprise Debt / Capita	Total Debt / Capita
Springville	\$18,230,804	\$12,184,120	36,135	\$504.52	\$337.18	\$841.70
PG	\$16,388,000	\$26,555,000	37,949	\$431.84	\$699.75	\$1,131.60
Payson	\$4,329,270	\$27,324,404	22,142	\$195.52	\$1,234.05	\$1,429.58
AF	\$12,826,589	\$45,959,868	34,422	\$372.63	\$1,335.19	\$1,707.82
Provo	\$118,631,298	\$93,398,312	114,084	\$1,039.86	\$818.68	\$1,858.54
Mapleton	\$9,685,139	\$20,087,646	12,414	\$780.18	\$1,618.14	\$2,398.32
SF	\$41,165,736	\$86,301,474	43,870	\$938.36	\$1,967.21	\$2,905.57
SLC	\$237,050,000	\$3,377,325,000	200,478	\$1,182.42	\$16,846.36	\$18,028.79



County Property Tax Rates

<u>City</u>	<u>2022 Rate</u>	<u>Tax on \$500 K home</u>		<u>YOY Change</u>
Woodland Hills	0.00321	\$ 794.48		-24%
Provo	0.00171	\$ 423.23		-23%
American Fork	0.001679	\$ 415.55		0%
Mapleton	0.001489	\$ 368.53		-27%
Alpine	0.001306	\$ 323.24		0%
Pleasant Grove	0.001303	\$ 322.49		-13%
Salem	0.001227	\$ 303.68		0%
Payson	0.001193	\$ 295.27		-12%
Lehi	0.001189	\$ 294.28		-17%
Springville	0.001159	\$ 286.85		-23%
Cedar Hills	0.001123	\$ 277.94		-25%
Spanish Fork	0.001111	\$ 274.97		-2%
Elk Ridge	0.001093	\$ 270.52		-27%
Saratoga Springs	0.001028	\$ 254.43		-24%
Santaquin	0.000935	\$ 231.41		-27%
Orem	0.000925	\$ 228.94		-15%
Lindon	0.000907	\$ 224.48		-19%
Highland	0.000817	\$ 202.21		-27%
Eagle Mountain	0.000541	\$ 133.90		-25%



PROPERTY TAX INCREASE FOR INFLATION

- 8% property tax increase
 - Annual increase of **\$22.95** on a \$450,000 home
 - Annual increase of **\$53.35** on a \$750,000 home
- Should we plan on a truth in taxation hearing for an inflationary increase in property taxes? (This is separate from any discussion on funding fire.)



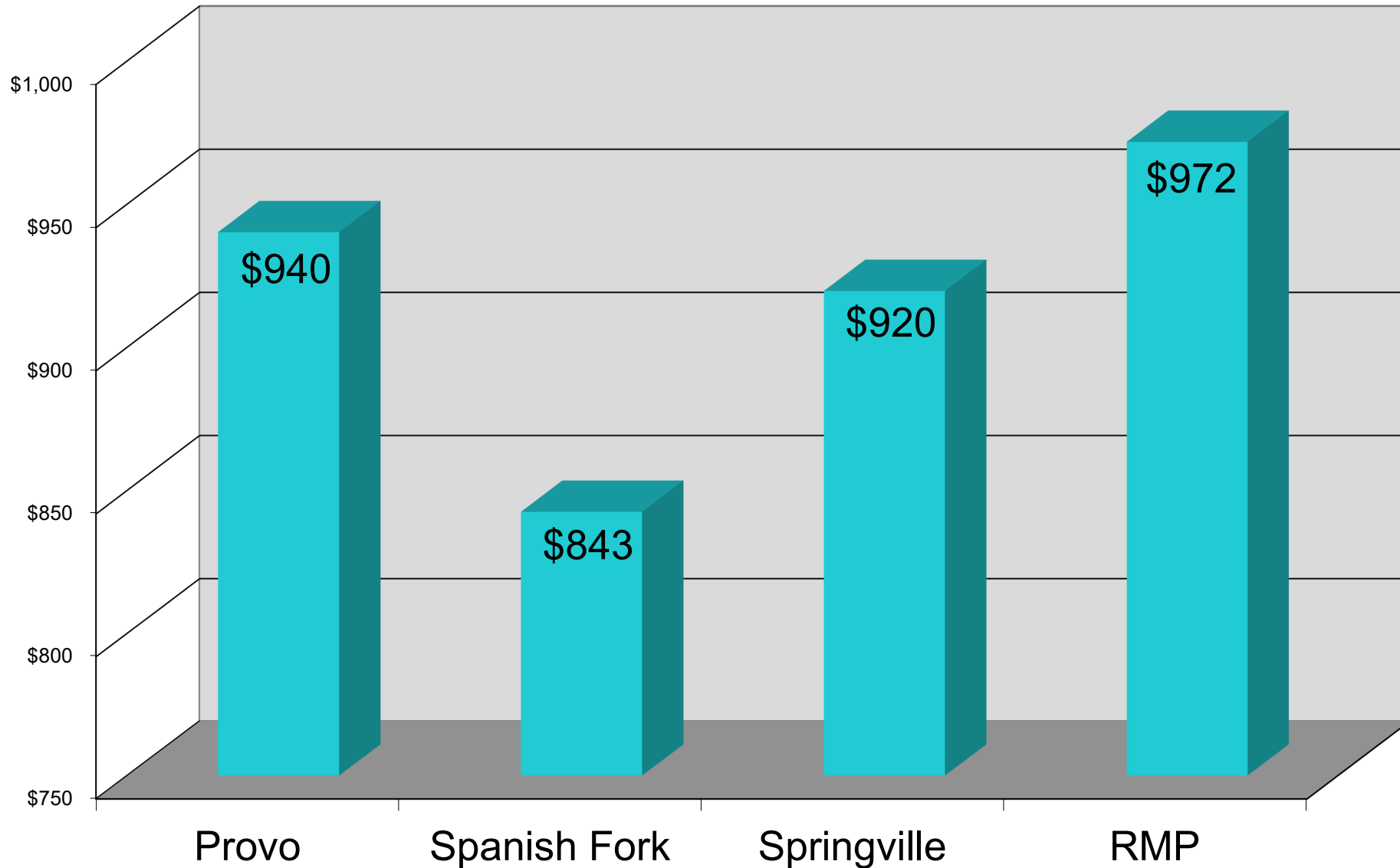
UTILITY RATES - SAMPLE ONLY FOR FY2024

Utility	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10y Ave	3y Ave
Power	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	0.0%	1.0%	4.0%	0.8%	1.7%
Residential Water	0.0%	0.0%	3.0%	3.0%	9.0%	0.0%	2.5%	0.0%	3.0%	10.0%	3.1%	4.3%
Commercial Water	0.0%	0.0%	3.0%	5.0%	9.0%	0.0%	2.5%	0.0%	3.0%	10.0%	3.3%	4.3%
Secondary Water		Started in 2017		0.0%	0.0%	0.0%	2.5%	0.0%	3.0%	10.0%	2.2%	4.3%
Wastewater - Industrial	0.0%	1.5%	4.0%	0.0%	1.5%	3.0%	2.5%	0.0%	5.0%	7.0%	2.5%	4.0%
Wastewater - Other	0.0%	1.5%	6.0%	0.0%	1.5%	2.0%	2.5%	0.0%	3.0%	7.0%	2.4%	3.3%
Storm Water	0.0%	1.5%	0.0%	10.0%	0.0%	2.0%	2.5%	0.0%	12.0%	7.0%	3.5%	6.3%
Solid Waste	0.0%	1.5%	0.0%	4.20%	0.0%	3.0%	2.5%	0.0%	1.4%	7.0%	2.0%	2.8%
Recycling	Started i	1.5%	0.0%	8.7%	16.0%	0.0%	2.5%	10.0%	1.4%	7.0%	5.2%	6.1%
Average of Big 3	0.0%	0.5%	3.0%	1.0%	3.5%	0.7%	2.5%	0.0%	2.3%	7.0%	2.1%	3.1%
(Power, Water, Wastewater-Residential)												
Inflation - CPI-U	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	2.47%	4.6%
CPI-U West Region	1.5%	1.9%	1.2%	1.9%	2.8%	3.1%	2.8%	1.5%	7.1%	6.2%	3.00%	4.9%
							Inflation on Calendar years					



2015 Residential Rate Comparison

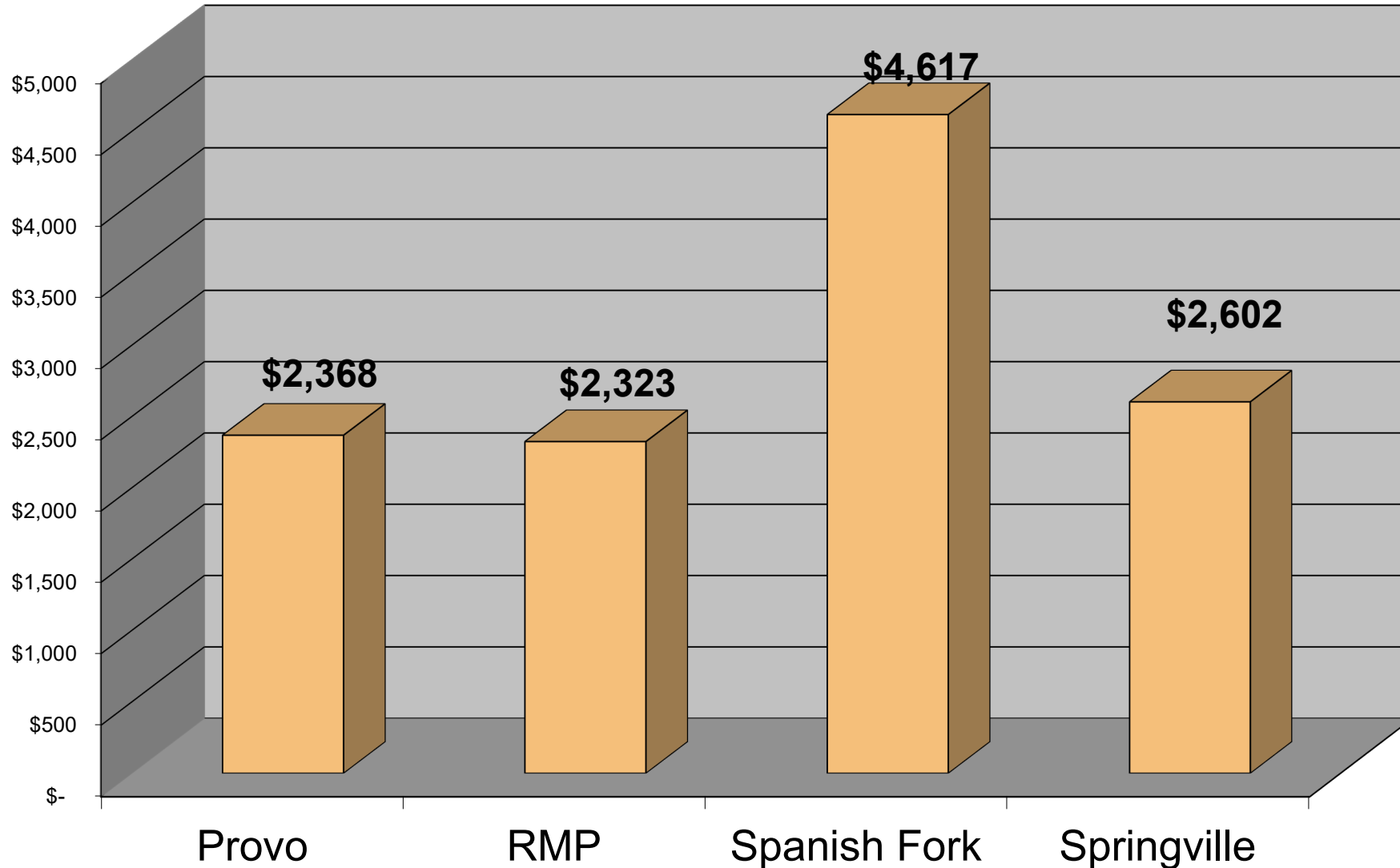
(Annual Bill at Avg. Consumption of 700 kWh/mo)





2015 Small Commercial Rate Comparison

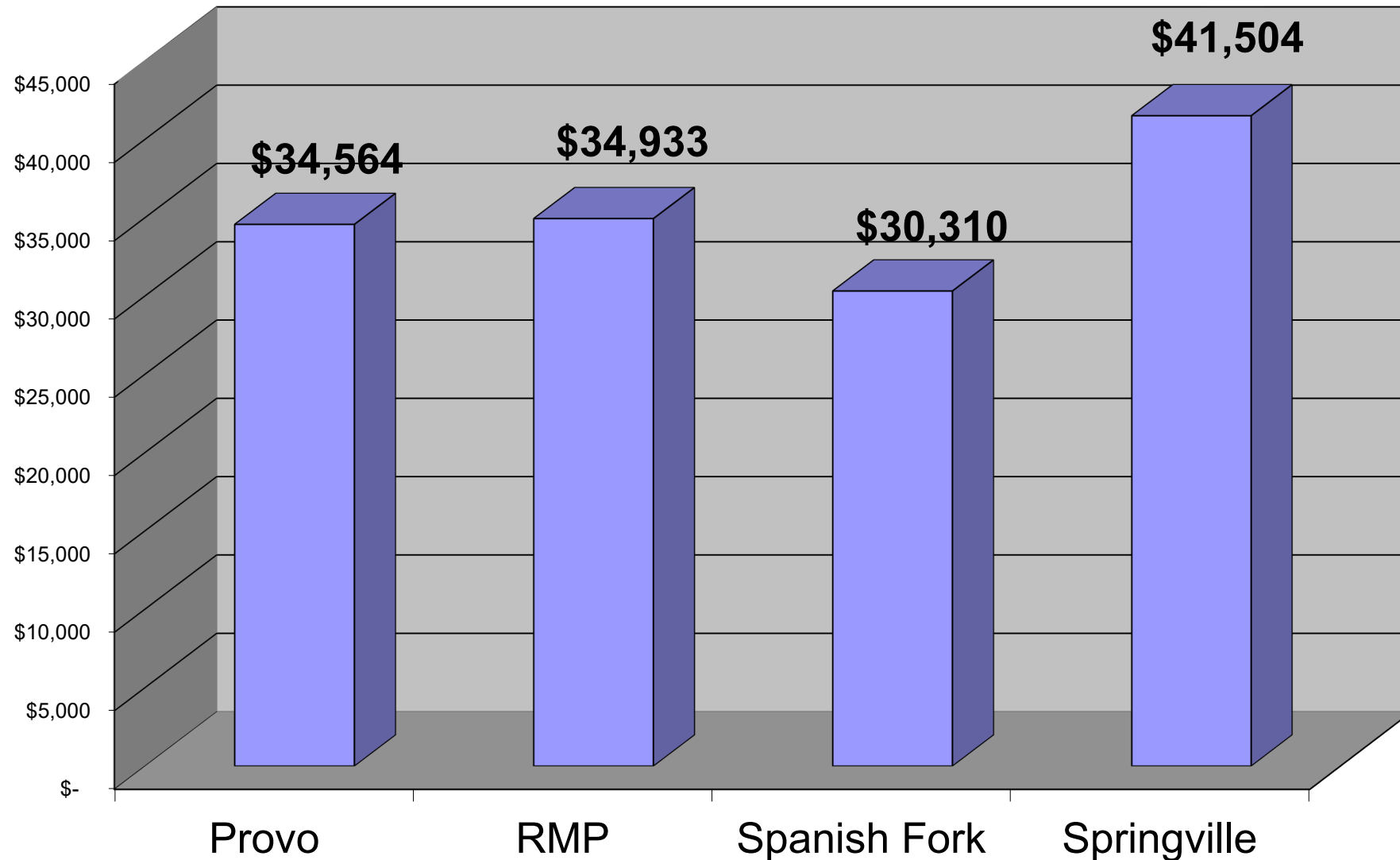
(Annual Bill at Gas/Convenience/Fast Food Store - Ave. 30,000 kWh & 55 kW)

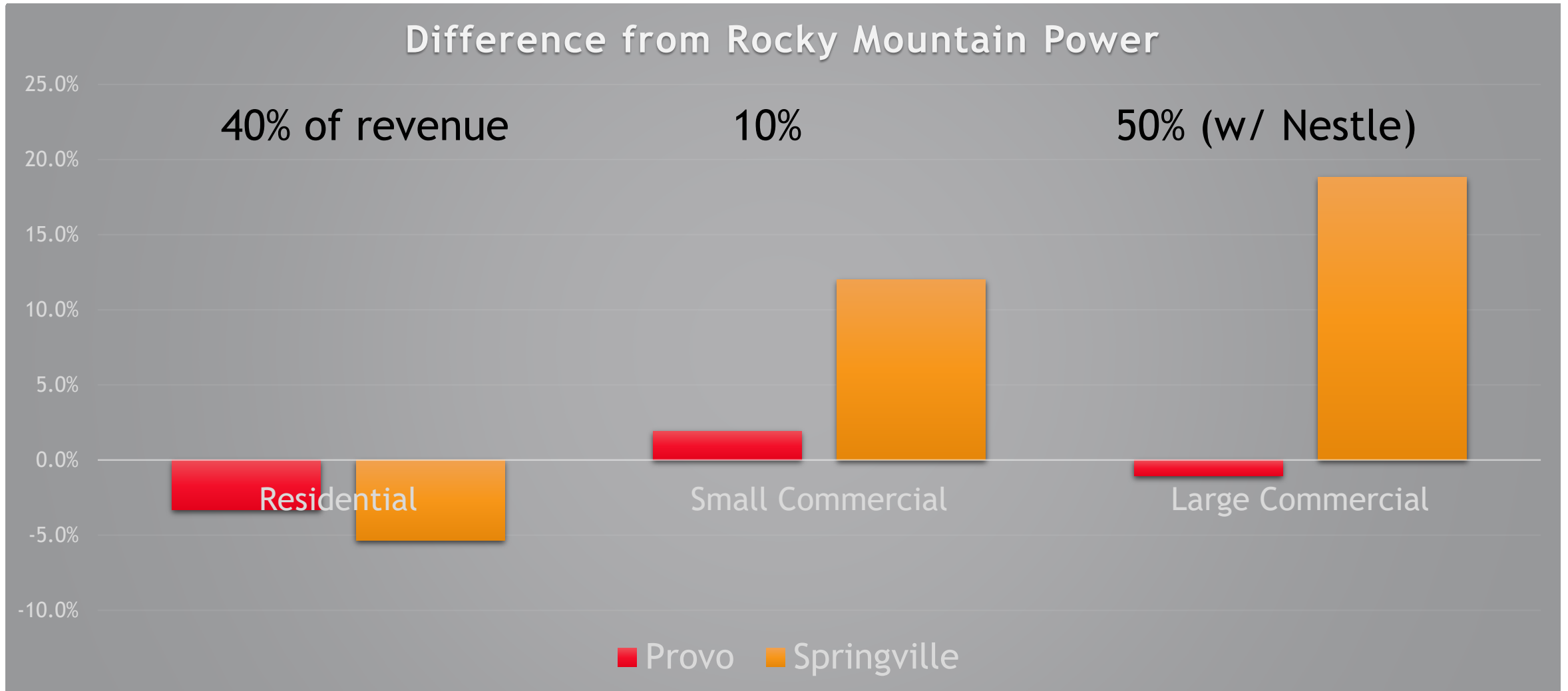




2015 Large Commercial Rate Comparison

Annual Bill at Average Consumption of 81,650 kWh and 143 kW





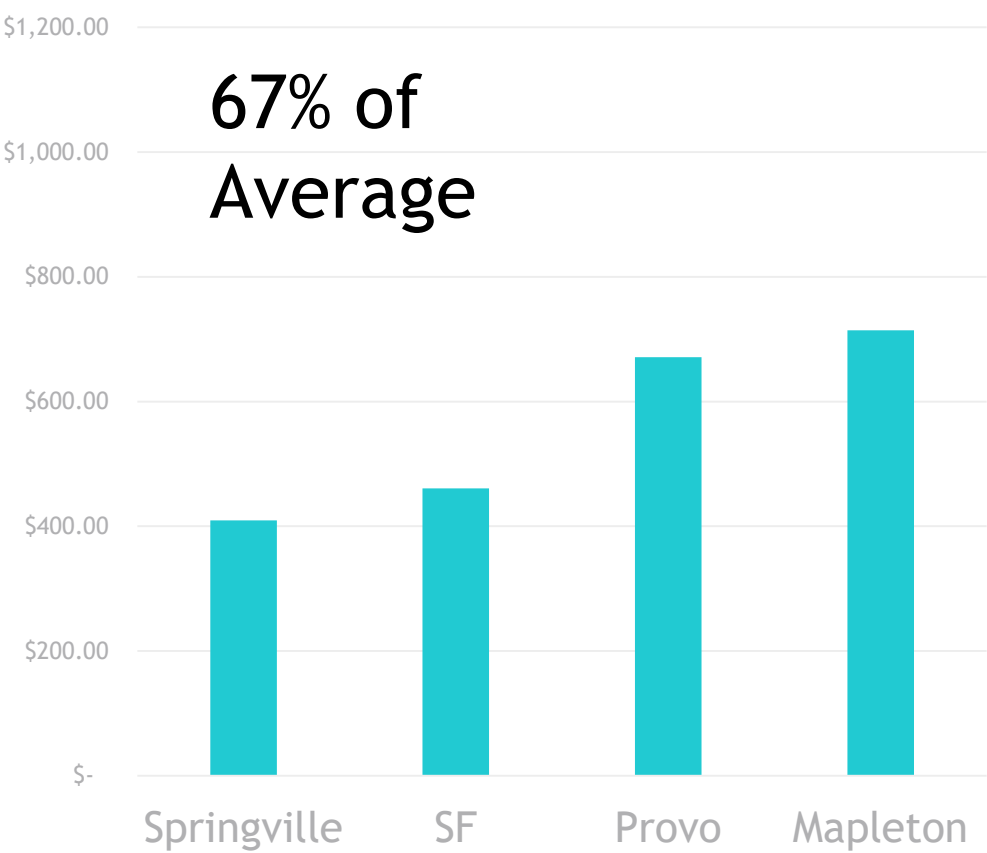
Should we complete a rate analysis?



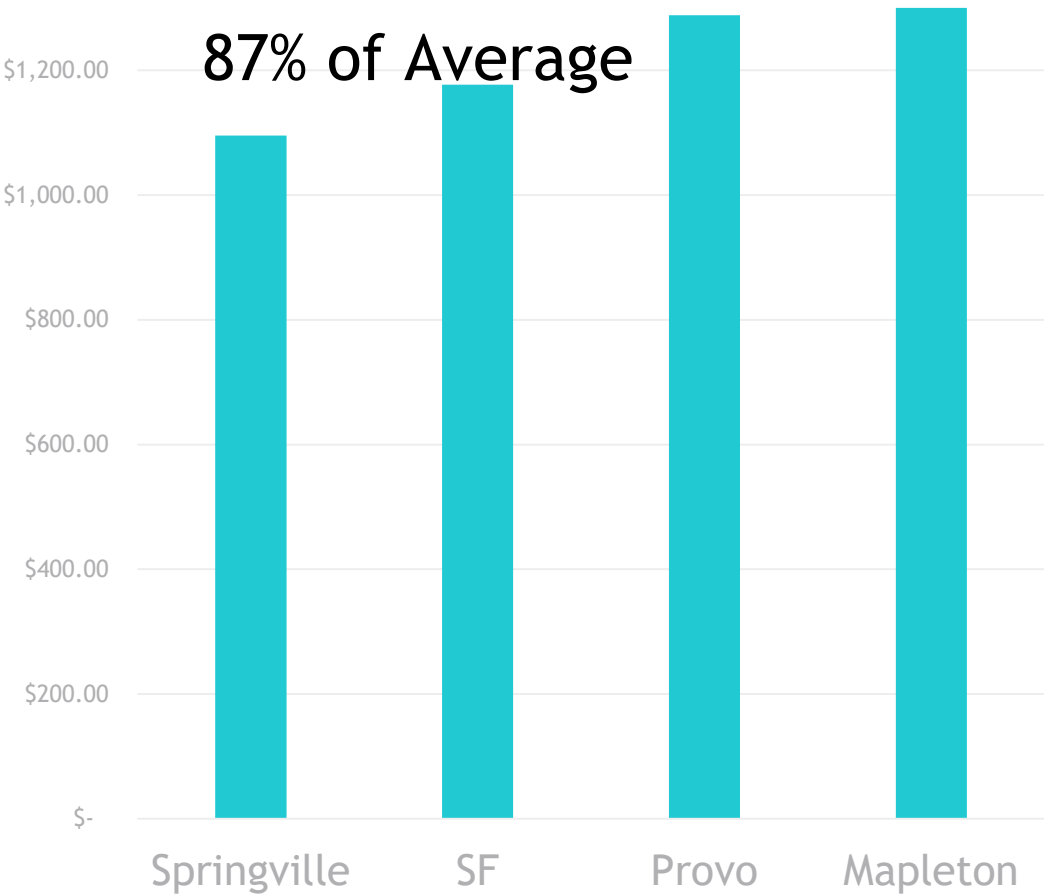
WATER BILLS - ANNUAL

Should we be more aggressive at closing this gap?

30,000 ave summer use



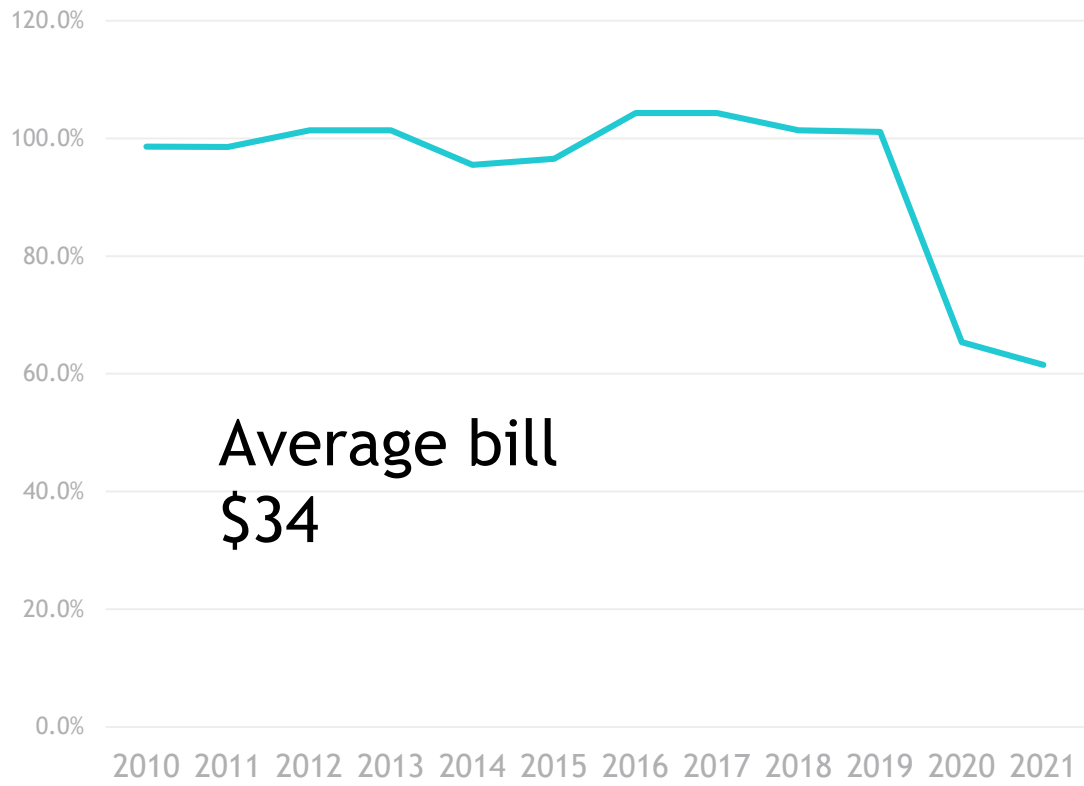
90,000 ave summer use





SEWER RATES

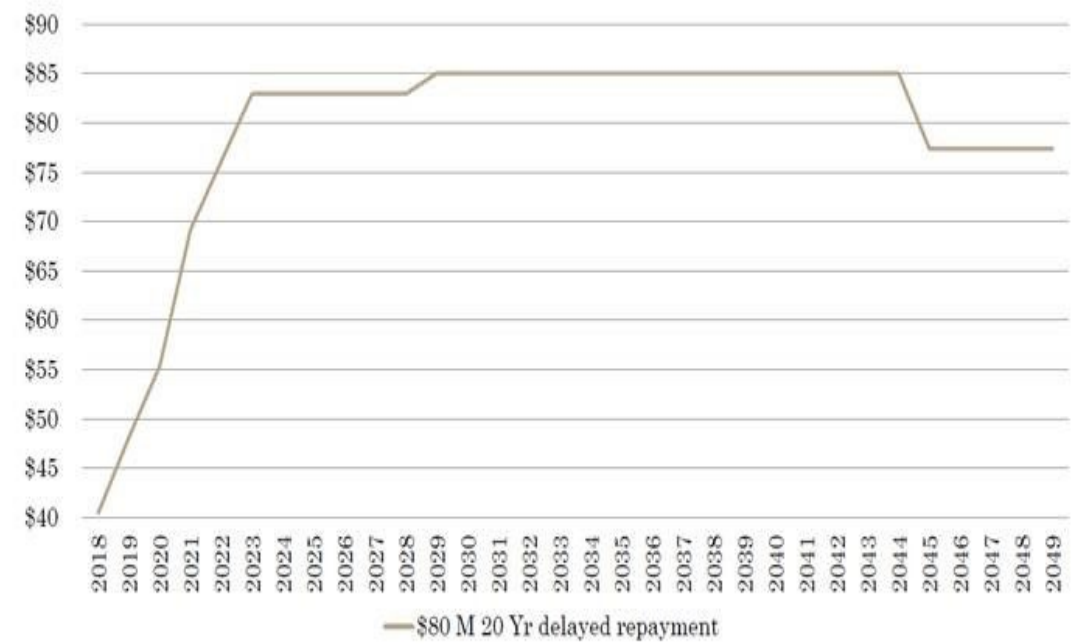
Sewer Rates % of neighboring community rates
(Ave. Resident. Mapleton, Provo and Spanish Fork.
Lower # is better.)



SF/Mapleton are at \$46

Do we start preparing for a new plant now?

Wastewater Rate Forecast



2018	2019	2020	2021	2022	2023	2024	2025
\$40	\$48	\$55	\$69	\$76	\$83	\$83	\$83



SEWER RATES CONTINUED

- We are on the only city close by to have a different water and sewer rate for industrial/commercial users. Do we take a look at this?*

*Remember that these users are likely paying a high rate for power.

	Springville		Provo		Spanish Fork	
Water	\$	311,597	\$	332,151	\$	385,320
Sewer	\$	285,402	\$	913,927	\$	484,674
Total	\$	597,000	\$	1,246,077	\$	869,994