

SPECIAL MEETING OF THE CITY COUNCIL
WORK SESSION
February 15, 2023
6:00 p.m.

PRESENT: DJ Bott Mayor
Alden Farr Councilmember
Matthew Jensen Councilmember
Ryan Smith Councilmember
Robin Troxell Councilmember

ALSO PRESENT: Dave Berg Rate Consultant *via Zoom*
Christina Boss City Recorder
Dave Burnett Public Power Director
Mike Christiansen City Attorney
Tom Kotter Finance Director
Derek Oyler City Administrator
Chad Reyes Police Chief
Brandon Thueson Fire Chief

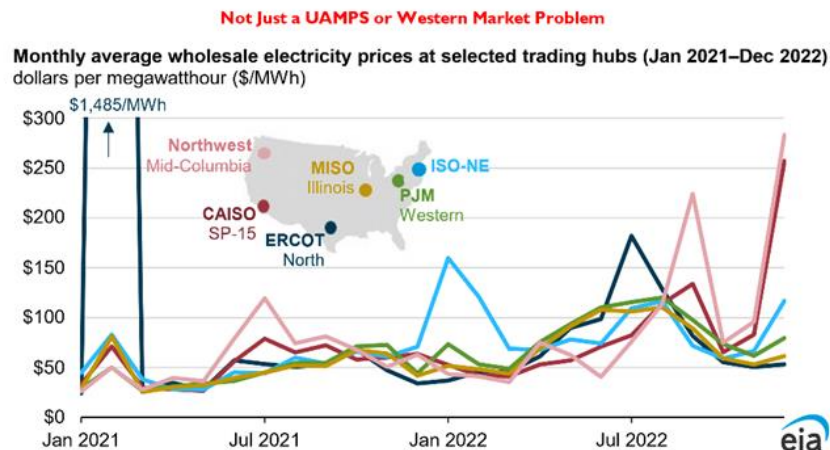
EXCUSED: Dave Hipp Councilmember

Mayor Bott asked Councilmember Troxell to give the reverence period and Councilmember Farr to lead the Pledge of Allegiance. Mayor Bott excused Councilmember Hipp for medical reasons.

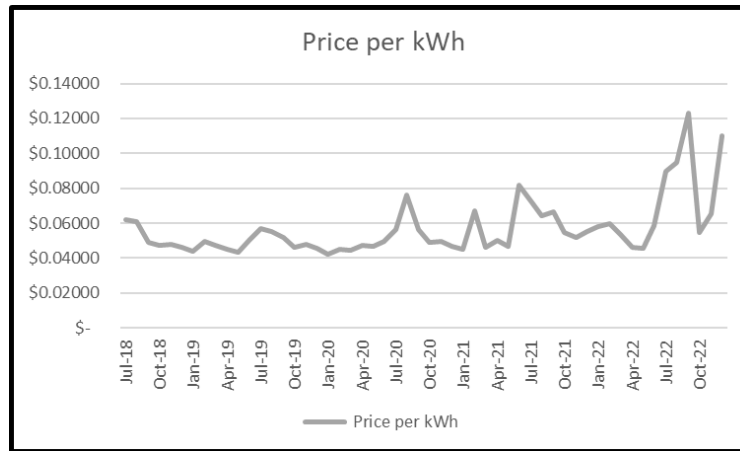
Mr. Kotter came forward and displayed his Power Purchase Adjustment Clause (PPAC) presentation on the screen. Following is a summary of key points:

- Brigham City owns and operates its own electrical grid
- City has purchased wholesale power from UAMPS since July 2016 due to Rocky Mountain Power (RMP) changing rate structure to treat the City as a large commercial user thereby increasing rates
- Volatility in energy markets mainly due to natural gas prices and shortage of coal; wholesale prices for natural gas in western US were 300% higher in December 2022 than January 2022
- City does not profit from rate increases
- City pursues forward market purchases and development of generation assets to mitigate market volatility

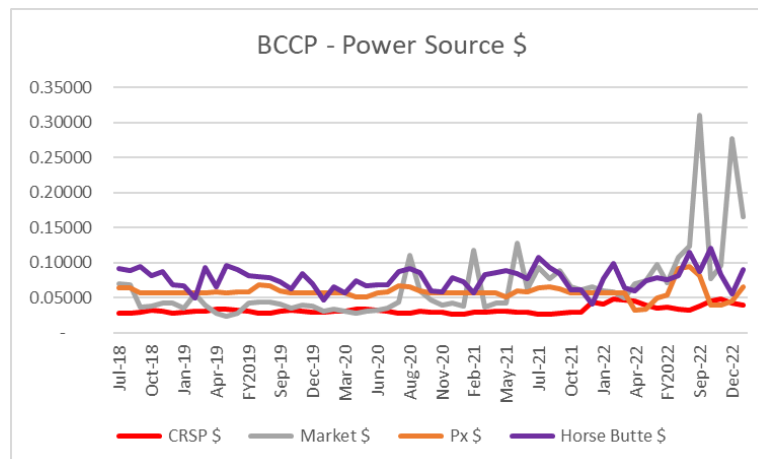
Mr. Kotter displayed graphs depicting current trends in wholesale power prices.



- December bill for power purchases was \$0.0910/kWh; historically price is \$0.0490/kWh for the same time period; 85% increase



- 1-3% of baseload generated at City's hydro-electric plant; remaining power comes from long term contracts with UAMPS



- Increase in power costs not due to growth; December 2022 bill was \$1.7 million compared to \$804,000 in December 2021; only 4% increase in power purchased
- City built rate stabilization fund in 2019 which grew to \$2.1 million; helped maintain lower rates; fund was depleted last year
- In 2019, utility fund cash balance was \$14.1 million; at the end of FY 2022, balance was \$8 million
- PPAC is applied to adjust charges that are above or below the base amount of the rates based upon changes in costs of wholesale power purchased from energy providers; PPAC rate can fluctuate with the costs of wholesale power
- PPAC base rate was established at \$0.0656 for projected wholesale power cost of \$65.70/MWh
- Projected wholesale power cost for first half of fiscal year was \$5,865,343; actual wholesale power cost was \$9,110,389
- Mr. Kotter recommended the immediate implementation of the PPAC rate at \$0.0523

Mr. Berg stated the drain on reserves cannot continue. He explained half of the PPAC rate is to catch up for what has been lost to date, and half of the rate is to make up for the next six months based on market predictions. If the market comes down and the City over-collected, the money is reimbursed to customers by way of reducing the PPAC rate and potentially taking it negative. Mr. Berg stated in high markets, the forward contracts are not much lower than the market. They are bought in blocks of power on a seasonal basis. The City needs to balance how much they contract for to avoid being stuck with a higher rate in a forward contract.

Mr. Kotter went on to explain what would happen if the City no longer transferred funds from Brigham City Public Power (BCPP) to the General Fund and instead obtained those funds via property tax revenue. The average home would see a 136% increase just for Brigham City.

Tax Year	Home Value	Taxable Value (55%)	Tax Rate	Property Tax
2021	\$ 245,775	\$ 135,176	0.00123	\$ 167
2022	\$ 363,444	\$ 199,894	0.00123	\$ 246
2022 - NT	\$ 363,444	\$ 199,894	0.00291	\$ 581

In the past 20 years the BCPP has transferred \$38.1 million to the general fund which accounted for 62% of the transfer. Historically the money has been used for public safety. Mr. Kotter pointed out that with a reduction in transfer, there would need to be a corresponding reduction in expenses for employees/departments.

Transfer %	Total Transfer	Difference from 15%
14%	\$ 2,367,298	\$ (169,093)
13%	\$ 2,198,205	\$ (338,185)
12%	\$ 2,029,112	\$ (507,278)
11%	\$ 1,860,020	\$ (676,371)
10%	\$ 1,690,927	\$ (845,464)

Employees

Police officer - \$90,000; Fire/EMS - \$100,000;
Parks - \$60,000

Departments

Police \$5.4 million; Ambulance - \$2 million;
Fire - \$1.6 million; Senior Citizens - \$1.2 million;
Parks - \$781,000; Recreation - \$694,000;
Museum Gallery - \$283,000

Mr. Kotter recommended the City implement the rate increases and PPAC adjustments proposed by Mr. Berg in the rate study presented last year, and continue to look at mitigating future market exposure with various forward products and involvement in the Carbon Free Power Project (CFPP).

Mayor Bott invited folks to come forward and make comments and ask questions regarding the PPAC.

Tim Hawes – Mr. Hawes asked how the PPAC fee would work. Mr. Oyler stated the rate would be charged on the total number of kilowatts used. There was a brief explanation given regarding the various power projects the City is invested in.

Doug Eriksen – Mr. Eriksen asked why the City doesn't advocate for solar. Mr. Oyler explained the City has to plan for the days solar power does not produce so that solar customers still have power. Mayor Bott added the majority of power consumed is in the evening when solar is not producing.

Misty Eriksen – Ms. Eriksen questioned the solar contract status and solar storage. Councilmember Troxell encouraged solar customers to push the solar industry for storage options. Ms. Eriksen expressed concerns for folks on a fixed income with increases in property taxes and utility bills.

Josh Webster – Mr. Webster was concerned that his pay was no longer sufficient to cover rent and utilities and asked how to get relief or leniency. Councilmember Farr suggested the equal pay plan. Mr. Oyler spoke about the deferral program for delinquent accounts as well as equal pay adjustments and the PPAC rate.

Dennis Baird – Mr. Baird felt the utility transfer was a regressive tax because lower income folks pay a higher share proportionately. He questioned the price per kWh of the CFPP.

Adam Olson – Mr. Olson asked how the utility transfer and a property tax increase could be avoided. Mayor Bott stated departments would have to be eliminated. Mr. Olson also questioned the City's debt. Mr. Oyler explained the general fund has two debt type obligations, the Academy Center and a bond for USU campus infrastructure, which is paid for by tax increment and USU. Ninety-eight percent, or the remainder, of City debt is utility debt. Mr. Oyler added that the City owning its power utility has historically enabled the City to charge significantly lower utility rates than surrounding cities and Brigham has one of the lowest City property taxes in Box Elder County. He also noted that the churches, schools, government, state, and county facilities are high users of utility and general fund services but are non-taxable. If the general fund is funded with property taxes instead of a utility transfer, the nontaxable entity revenue would be lost.

Kristina Lenderman – Ms. Lenderman encouraged City Councilmembers to look at what can be cut. She also asked how long the proposed PPAC rate would be in place. Mayor Bott stated in six months the City would look at the market rates and if there is still volatility the PPAC would continue. Ms. Lenderman asked that the frequency of reviews be increased.

Sam Burt – Mr. Burt requested the City Council look at every budget line item and cut one time money. He supports cutting services like fireworks, and stated Brigham utility rates will be double RMP rates.

Tim Hawes – Mr. Hawes felt the City should charge only 50% of the proposed PPAC rate to cover the last six months in case future predictions are incorrect.

Mike Shay – Mr. Shay suggested lowering the PPAC rate to help folks on a limited budget. He also stated the price of natural gas is going down.

Alyssa Jensen – Ms. Jensen works for the Bear River Association of Governments (BRAG) and saw a big increase in the number of people applying for utility assistance. She supported cutting services or fund raising. She asked about the City's purchase of Mountain View Elementary School. Mr. Oyler explained the City will expend zero dollars in the transaction with the School District.

Barry Richardson – Mr. Richardson asked how much power would come from the CFPP. Mayor Bott and Mr. Oyler stated the City is committed to 15 MW. The City will have an opportunity to increase or decrease the megawatts as the project moves forward.

Brenda Lindquist – Ms. Lindquist asked about bringing new business in to generate more revenue. Mayor Bott explained a lot of businesses have a population threshold of 100,000. Ms. Lindquist asked about a catastrophic emergency and power outages. Mr. Oyler stated the City has to have cash balances in the utility funds to cover those types of emergencies.

Todd Davis – Mr. Davis felt that cutting back on expenses should be considered, not just raising utility rates. He asked why the City is not investing in its own power company.

David Heap – Mr. Heap suggested the City make changes to the equal pay plan so that it is available to more people and make payment plans for folks who fall behind with their bills. Mr. Heap asked if the City is open to other power projects. Mr. Oyler explained the City looks at new projects every month and considers feasibility, transmission, investments, etc.

Juliana Larsen – Ms. Larsen expressed concern for folks on fixed incomes and the way the City spends money. She suggested more transparency and putting important events on the City's homepage.

Maryann Barnett – Ms. Barnett asked about long-term contracts and felt the City may need to change how they purchase power. She would like to see more support for solar customers and using the power they make to benefit the City.

Scott Dean – Mr. Dean suggested the City put information on the utility bills regarding donations for customers needing assistance, as well as information on money management. Mr. Dean asked how much money the City wanted in utility fund balance. Mr. Oyler stated the City works toward having a year's worth of operating cash on hand.

Mr. Berg signed out of the meeting at 8:44 p.m.

Richard Barnett – Mr. Kotter briefly explained his property tax slide at Mr. Barnett's request. Mr. Oyler stated the percentage of the property tax bill that flows to Brigham City is 17-18% of the total bill. Mr. Barnett would like to see the City consider renewable resources, such as solar panels on City facilities. Mr. Oyler explained Horse Butte and Colorado River are both renewable projects. The total megawatts pushed to the grid from Brigham City solar customers is 1.2 megawatts on a 42–43-megawatt system. It is not something the City can rely on when looking at the whole portfolio. In reference to suggestions to eliminate the utility fund transfer and instead use property tax revenue, Mayor Bott noted that utility fees can be adjusted to the market but once the property tax is bumped up, it does not come back down.

Todd Davis – Mr. Davis suggested a combination of ways to recover the loss in the utility fund with property tax adjustments, electric fee adjustments, and cutting back on expenses.

The meeting adjourned at 9:00 p.m.

The undersigned duly appointed Recorder for Brigham City Corporation hereby certifies that the foregoing is a true, accurate and complete record of the February 15, 2023 City Council Work Session.

Dated this 17th day of March 2023.

Christina Boss

Christina Boss, Recorder