

UTILITY ADVISORY BOARD MINUTES

Thursday, February 8, 2018 – 5:15 p.m.
Mendenhall Wastewater Treatment Plant
2009 Radcliffe Road

Board Members Present: Geoff Larson – Vice-Chair; Bryan Farrell; Andrew Campbell;
Janet Hall Schempf (telephonically); Kevin Buckland

Board Members Absent: Leon Vance – Chair; Grant Ritter

Staff Present: Roger Healy; Autumn Sapp; Holly Kveum

I. CALL TO ORDER

The meeting was called to order at 5:22 p.m. by Vice-Chair Larson.

II. APPROVAL OF AGENDA

Agenda was approved without amendment.

III. APPROVAL OF MINUTES

January 11, 2018 Draft UAB Meeting Minutes- approved as submitted.
January 19, 2018 Draft UAB Work Session Meeting Minutes- approved as submitted.

IV. PUBLIC PARTICIPATION

None.

V. ACTION ITEMS

Mr. Healy gave a brief update of the on-goings of the Utilities including recruitment of a new Superintendent, project statuses, and frozen waterline complaints. Mr. Buckland disclosed to the board that he had become a part owner of the Rainy Day Carwash center effective the previous week.

VI. INFORMATION ITEMS

A. Rate Increase Continued Discussion – Ms. Sapp started off the discussion by reviewing the \$12 million capital reserve target that was pre-set in the wastewater dashboard; Staff had researched but could not come to a conclusion as to how that reserve target had come to fruition. Ms. Sapp told the Board that she had reviewed the 2013 rate study and found a recommendation that the reserve target should be 1-2% of the Utilities asset value and with the addition of an operational reserve. Ms. Sapp said Staff had decided to use approximately 2% as their target rate, and found that \$7 million would serve as a valid amount for the wastewater capital reserve target- the board agreed with this assessment. Mr. Farrell asked if the dollar was valued in today's rates, and Mr. Healy answered no, that they were rough numbers with approximately 3% inflation included. Vice-Chair Larson added that the biggest driver in this valuation is the Utilities' assets, and encouraged Staff to implement an asset management system to capture that information. The board continued to review the updated dashboard in which Staff had normalized the averages of the CIPs and included a 2.5% increase for wastewater, and that the water rates seemed to be stable through FY29. The Board discussed the updated dashboard, noting the spike in FY23 from the temporary 1% sales tax contribution; Mr. Healy added that he anticipates future sales tax monies to be project oriented and that the UAB should not assume these benefits to be available in the near future. The board discussed the allocation of the funds through the next several fiscal years and how it could be tweaked to normalize the rate model. Vice-Chair Larson added that regardless if the CBJ implemented a cost of service model, there would still be a five-year rate increase to account for cash flow needs. Vice-Chair Larson continued to impress the need to keep the Assembly aware of the Utilities' financial status and understand the need of long term planning rather than reactionary rate increases. Mr. Buckland disagreed and emphasized that equitable rates should be reviewed as soon as possible before implementing any long term rate increases. Mr. Buckland then presented a spreadsheet to the Board he had compiled that provided a comparison of HOA fees for condominium owners to flat rate service for a single-family residence, showing a \$100 difference per month. Mr. Buckland continued to stress that the Board should focus their review on equitable rates rather than continuing to lock in inequity through flat rate increases. Mr. Campbell added that regardless of the inequality, the Utility requires a certain amount of money to maintain operations, and that must be captured through a rate increase. The Board continued to discuss the potential rate increases, and why increases are generally requested in five-year increments. Ms. Sapp interjected during the discussion that if the Board includes in their Annual Report a goal to implement a rate study to identify different user groups that it will take a substantial amount of time to complete between

the RFI and RFP processes. Mr. Healy added that if the recommendation for rates would result in a major change, then the Assembly will be subject to a heavily weighed/judged political process. The Board continued to discuss the potential arguments from different user groups, how/what motion to make for Staff to include in the annual report, and alternatives to rate increases including revenue bonds and lines of credit to ease the burden of the increased cost on the rate payer. The Board ran through some additional scenarios in the water dashboard to both stress test the model and to stabilize it, and felt comfortable that the water utility fund balance was stable enough to forgo another rate increase at this time. The Board then discussed the submittal of the Annual Report and what direction it should take; last year's report was primarily a high-level financial overview of the Utilities, whereas in the past the report had been a summary of the Board's main discussions, actions/motions, attendance records, and goals. Mr. Campbell asked and Staff agreed that a rate increase recommendation was necessary to include in the Annual Report if were to be implemented in FY20. The Board continued to discuss the need for a five-year incremental rate increase versus a one-year or three-year increase. Vice-Chair Larson reiterated that current Assemblies cannot obligate future Assemblies and previously approved rate increases can and have been changed. Mr. Campbell added that it would be beneficial to include a rate study into the Annual Report goals. Ms. Sapp added that dates could be included on the Board's goals to increase accountability. Mr. Campbell then made a motion for the UAB to recommend an annual increase of 2.5% for the wastewater utility for each of the next five fiscal years, and at this time no increase is recommended for the water utility rates, Mr. Farrell seconded the motion, and the motion passed. The Board directed Staff to draft the Annual Report and to include the motion made at the meeting so it could be reviewed by the Assembly as soon as possible.

VII. NON-AGENDA ITEMS

None.

VIII. ADJOURNMENT

The meeting adjourned at 7:07 p.m.