

**WORK SESSION OF THE
BRIGHAM CITY COUNCIL TO
REVIEW THE GENERAL PLAN
December 15, 2016
5:00 PM**

PRESENT:	Tyler Vincent DJ Bott Alden Farr Ruth Jensen Tom Peterson Mark Thompson	Mayor Councilmember Councilmember Councilmember Councilmember Councilmember
ALSO PRESENT:	Mark Bradley Dave Burnett Mary Kate Christensen Paul Larsen Kirk Morgan Mike Nelsen Derek Oyler Jason Roberts	City Planner Public Power Director City Recorder Economic Development Director City Attorney Police Chief Finance Manager City Administrator

Discussion on Power Rate Study

Mr. Burnett and Mr. Roberts came to the table. Mr. Burnett introduced Dave Burke, consultant.

Mr. Burke said he looked at projected operating results on existing rates and did a cost of service analysis. Revenues will continue to go up slightly.

Projected Operating Results
At Existing Rates

Year	2016	2017	2018	2019	2020
Operating Revenues	\$14,539,297	\$14,681,901	\$14,861,830	\$15,005,454	\$15,151,505
Less Operating Expenses	(11,598,616)	\$11,798,969)	\$12,023,294)	(12,284,307)	(12,554,149)
Plus Non-Operating Revenues (Expenses)	220,507	95,165	103,565	112,365	121,365
Less Transfers	(2,292,643)	(2,202,185)	(2,228,072)	(2,248,489)	(2,269,246)
Change in Net Position	\$968,545	\$775,912	\$714,029	\$585,022	\$449,475
Net Position as Percent of Revenues	6.6%	5.3%	4.8%	3.9%	3.0%

The net margin is currently at 6.6%. Overtime, if no increase in fees is implemented, it will decrease to 3.0%. This is not an unreasonable bottom line. Mr. Burke explained that depreciation is considered as an expense, although the City is not actually writing a check to anyone. Debt service includes only the interest, not the principle payments. In addition, capital improvements the City is making on a cash basis are not in this analysis. The following table shows the capital improvements and the principle payments.

Projected Cash Reserves
Existing Rates

Year	2016	2017	2018	2019	2020
Beginning Balance	\$3,144,373	\$3,541,205	\$3,408,175	\$2,623,198	\$2,581,460
Plus Change in Net Position	968,545	775,912	714,029	585,022	449,475
Less Capital Improvements	(704,556)	(\$1,158,000)	(1,750,000)	(885,000)	(\$1,300,000)
Less Debt Principal	(314,583)	(210,000)	(220,000)	(225,000)	(235,000)
Plus Depreciation	447,425	459,058	470,994	483,240	495,804
Ending Balance	\$3,541,205	\$3,408,175	\$2,623,198	\$2,581,460	\$1,991,739
Reserves as % of Revenue	24%	23%	18%	17%	13%

Mr. Roberts noted that the amounts for capital improvements are higher than what the City has typically spent. In addition, revenues are staying constant, but there is an increase of costs.

Mr. Burke stated that 24% reserves is a reasonable portion, but not overly healthy. Thirteen percent projected in 2020 is lean.

Mr. Burke also provided a cost of service analysis. The below table analyzes the cost of the utility and spreads it across different groups of customers, such as residential, general service and industrial in order to compare the allocated costs to serve each class of customer compared to the revenue.

Electric Cost of Service Results
Comparison of Percent Cost and Revenues
2015 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	37.4%	40.9%	(8.6%)
General Service	32.4%	31.1%	4.1%
Industrial	6.6%	6.5%	2.6%
Industrial – High Voltage	22.9%	21.3%	7.7%
Security Lighting	0.7%	0.3%	N/A
TOTAL	100%	100%	0.0%

The residential class is approximately 37.4% of the cost to serve, with 40.9% of the City's revenue from this class. The total amount of revenue from the residential class exceeds the cost to serve them. However, the general service and industrial customers is just the opposite. This means residential customers are subsidizing the larger customers.

Due to these findings, Mr. Burke recommended that residential rates remain the same. He also recommended slight increases for general services and industrial. This should be done over time to bring the other revenue up to the residential revenue.

There is currently a customer charge of \$4.57, which is approximately half of what the cost of service indicates it could be. However, this is not unusual. Most providers try to keep the customer charge as low as possible as a protection for smaller customers.

The City's winter rate is a single energy rate of \$0.1015 per kWh for the first 400 kWh. The summer rate is an inverted rate, meaning the more a household uses the more expensive it is. This is another benefit for the small user. Bigger homes with air conditioning are in the more expensive rates. Inverted rates encourage conservation.

Mr. Burke felt that the City's rate structure is a good structure and should remain the same.

Mr. Burke reviewed Schedule #6, which is relevant for small businesses. Most small businesses do not use any more energy than a house. The cost for a small business for the first 500 kWh is \$0.1760, or 70% higher than residential rates. This schedule does not have a customer charge. If the usage has a demand that is more than 10 kW they are also billed for demand. The rates for smaller users in this group should be significantly less. Mr. Burke will recommended combining the first two blocks into a single block, which will be lower than the \$0.1760 rate, and adding a customer charge. This will create a slight increase in revenue with Schedule #6, and a big difference in their bills depending on the type of customer.

There are two Industrial Schedules: #8 is General Industrial Service and #9 General Industrial Service – High Voltage. Schedule #8 has a declining block demand rate. If they use more the 500 kW the rate is \$11.28; anything over that is \$10.35 per kW. Mr. Burke said there is not a strong cost basis for doing this. He recommended going to a single demand rate and a single energy rate. This will create a slight increase in revenue. Most of the revenue increase will come from the energy rate.

Schedule #9 is for the City's high load customers. The City receives 20% of the electric revenue from these customers, but sells them 40% of the City's energy. The demand charge is lower than it should be at \$8.56 per kW. He recommended a higher demand rate with a slightly lower energy rate.

Mr. Burke briefly discussed solar energy. The issue is that solar customers are generating a lot of energy, so they are buying very little or no energy from power companies, but they are still putting a demand on the system. This is because during several months of the year, solar customers receive no solar energy. Power companies are not getting any contribution from them for the fixed cost of the system – to help pay for transformers, wires, service to the house, etc.

Mr. Burke will send a final report to the Council and staff in January.

Discussion on Proposed General Plan

Councilmember Peterson said the general plan warrants a lot more time and attention from the Council. He suggested scheduling a series of 4-5 one-hour work sessions to review each section.

Councilmember Farr asked if the Council should consider West Forest as a commercial-industrial area and utilize the train station as a development vehicle to get increment money to build an overpass.

John Janson from Civil Solutions Group came to the table. Mr. Janson said the general plan talks about the West Forest corridor and trying to improve it and do a mixed use. It is where the train station is proposed.

Councilmember Farr said West Forest is proposed for a commercial-industrial district, maybe the FrontRunner would get moved to the north or south of town. Mr. Janson said the train station would be a catalyst for change in that area in the long term. If the Council decides to move the FrontRunner station to 1100 South, which is the other alternative, it would cause a ripple effect in the general plan. There would have to be changes to the transportation map, the land use text and the transportation section.

Councilmember Thompson said the 2030 is that the Front Runner will get to Logan via SR-30.

Councilmember Farr said the general plan estimates Brigham City's population will have 3,000-4,000 increase in population in the next 10-20 years. The current bus system has only 3-4 people on the bus. The FrontRunner in Pleasant View is now nonexistent. Some thought the population would increase more than that. Mr. Janson added that the projections are highly dependent on what happens with the local economy. If more big businesses come to the area, the population increases more rapidly.

Councilmember Farr felt that Brigham City will have the same issue Pleasant View has because there is no right-of-way. Mr. Janson felt that this is a temporary issue that will be accomplished.

Councilmember Peterson said the transportation map shows 1000 West tying into 400 South, but it doesn't show that on the general plan map. He felt that this was the easiest and least expensive fix for the railroad crossing. Mr. Janson said the transportation map shows the major road plans for the future, but this can be added. Mr. Janson said it's possible to show both options – 1000 West and 1200 West. Councilmember Peterson felt the station should stay at 200 South because if it is on 1200 West it would be in Perry and they would control the zoning.

Councilmember Peterson said when the Chamber of Commerce encouraged the UTA tax, the reason they said 200 South was because there was a potential of getting a stop in the Willard Area. If the stop is in Perry, that would probably not happen. He thought what would drive the decision is how UTA decides to access Logan. Councilmember Bott said when the Chamber was doing this, UTA told them they could not pass Forest Street because the train couldn't make the 'S' curve. Mr. Larsen clarified that they wouldn't allow the station to be at Forest Street because of the safety concerns of a platform in that area. Mr. Bradley said UTA has purchased property at 200 South in a good faith effort to show they are working towards this.

Councilmember Peterson suggested meeting with UTA to hear their future plans. Mr. Janson said they had participation from UTA during the general plan process. There are a lot of questions that they don't have answers to yet.

This discussion will continue in a later work session with UTA.

There was discussion on the property in the area where the proposed 1200 West will be. The Council instructed staff to talk to the property owners in this area.

The Council scheduled future work sessions as follows:

January 5 – Economic Development
January 19 - Transportation and Main Street with UDOT if available
February – Meeting with UTA

The meeting adjourned at 6:55 PM.

The undersigned duly appointed Recorder for Brigham City Corporation hereby certifies that the foregoing is a true, accurate and complete record of the December 15, 2016 Work Session.

Dated this _____ day of _____, 2016.

Mary Kate Christensen, Recorder