

MINUTES OF THE VERNAL CITY COUNCIL SPECIAL BUDGET WORK
SESSION HELD MAY 15, 2013 at 6:00 pm in the Vernal City Council room, 374
East Main, Vernal, Utah.

PRESENT: Councilmembers JoAnn Cowan, Dave Everett, Bert Clark and Sonja Norton, and Mayor Gary Showalter. Councilmember Ted Munford was excused.

ACKNOWLEDGEMENT OF SPECIAL MEETING: The consensus of the Council was to approve the special meeting

FY2014 BUDGET: UTILITY FUNDS:

Water rates:

Ken Bassett stated that he met with Mike Davis, Finance Director, and discussed the utility rates and fund balances. The main concern is that the Sewer Fund is not keeping up with the expenses and will continue to deplete the unappropriated fund balance.

Ken Bassett brought the Council's attention to a spreadsheet showing the Water Fund balance for the last few years. This year the water fund expenses exceed revenue by \$245,000, which includes the depreciation. Although depreciation is not considered an actual expense, when the utility needs to be replaced, there needs to be funds to pay for the replacement. If the City is not funding the depreciation, those funds will not be available. The net balance for the water fund without the depreciation is \$159,000, but a debt payment of \$253,000 is not included. The starting balance of the utility funds for this fiscal year was \$1.4 million dollars. If the City continues to take approximately \$100,000 off that balance each year, there will not be any unappropriated balance available after a few years. The City is fortunate that the Community Impact Board helps finance water projects, however, many times that funding is in the form of a loan. Councilmember Cowan asked if there is a fund where the depreciation amount goes. Ken Bassett stated no, it is simply a balance sheet item. Mayor Showalter stated the depreciation can be considered the same way as the large 550 truck that is being overused, with each mile depreciating the vehicle, but has to be accounted for.

Ken Bassett noted that in the Sewer Fund the expenses exceed the revenue by \$93,000 with the depreciation. If the depreciation is taken out, that fund is in the black \$93,000, but there is still a debt payment of \$87,000 leaving a balance of \$5000.

Ken Bassett presented the Council with a water and sewer rate history for the last decade. He noted that in January of 2007, the basic sewer rate was increased. Then in January of 2008, the overage increased by 25 cents. Councilmember Cowan asked how the sewer overage is monitored. Ken Bassett stated it is only charged to commercial users and is based on their water usage. During the summer months an adjustment is made taking into account outside watering. He stated that in April of 2011, there was a substantial increase of \$11 in the water rates and a \$2 increase in sewer rates. The Public Works Committee discussed the need to consider depreciation, to make sure these utility systems are operating in the black.

**MINUTES OF THE VERNAL CITY COUNCIL SPECIALBUDGER WORK SESSION HELD
MAY 15, 2013**

Ken Bassett then presented a survey of what other water utilities in the area are charging. He noted that although the City has the highest base rate for water, the other water districts also charge a property tax fee which supplements their rates. Based on the current number of connections, if the water rates were raised by \$1, it would raise an additional \$36,000 a year. If the overage fee were increased by 40 cents, it would generate an additional \$227,000. The Public Works Committee is recommending that increase. Councilmember JoAnn Cowan questioned why the water for commercial is the same as residential. She stated that residential users use additional water to keep their yard nice while commercial users use extra water to make money. There was some discussion regarding commercial sewer uses. It was noted that the \$1 increase for water would not affect the fixed income families in the community as much as increasing the overage. Mayor Gary Showalter noted small incremental increases can be justified easier than a large increase. Councilmember Cowan stated she would prefer raising the overage so families that use more water pay their fair share. Dave Everett stated that the Governor is also advertising to conserve on water. Councilmember Norton asked if the recommendation is to raise the sewer also. Ken Bassett stated yes, that if the sewer rate is increased by \$1.10 it would generate \$54,000. The recommendation is to increase the overage from \$3.65 to \$4.05. Mike Davis stated this would make the bill an even \$80 a month.

Councilmember Cowan asked if funding the depreciation is typical for other cities. Ken Bassett answered that other cities do depreciate their utilities. He explained that he has been on the Water Board for the State and they see water rates of \$50 and \$60 a month, and the residents want to live in pristine areas where they do not mind paying more for water. In larger communities, the amount of connections helps keep the rates down. After further discussion, the direction of the Council was to put the recommended rate increases on the agenda for approval.

ADJOURN: There being no further business, the special meeting was adjourned.

Mayor Gary Showalter

ATTEST:

Roxanne Behunin, Deputy Recorder

(S E A L)