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**Minutes of the
Power Committee Budget Review Meeting
(Joint Meeting with Power Commission)**

Bountiful City Power Department
April 7, 2020 (8:00 a.m.)

7 Present:

8 Committee Members: Richard Higginson, Randy Lewis, Kendalyn Harris
9 Power Commissioners: John Cushing, Susan Becker, Paul Summers,
10 David Irvine, Dan Bell, Jed Pitcher
11 City Manager: Gary Hill
12 Assistant City Manager: Galen Rasmussen
13 Department Personnel: Allen Johnson, Alan Farnes, Jess Pearce,
14 Jay Christensen, Luke Veigel, David Farnes,
15 Nancy Lawrence
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17 Official Notice of this meeting had been given by posting a written notice of same and an agenda at
18 the City Hall and providing copies to the following newspapers of general circulation: Davis County
19 Clipper, Standard Examiner, and on the Utah Public Notice Website. This meeting was also conducted
20 as an electronic meeting with some participants joining in that forum.
21

22 Power Commission chair Jed Pitcher called the meeting to order at 8:05 a.m., and welcomed those in
23 attendance.

24 **PRESENTATION OF BUDGET**

25 The meeting was turned over to Allen Johnson, Light & Power Department Director, and the
26 department staff to present the detailed budget for the Light & Power fund. Allen Johnson gave a
27 brief introduction and then invited Jay Christensen, Light & Power Accountant, to lead out on a review
28 of the budget request. A PowerPoint slide presentation was shown to the group which highlighted
29 key programs and projects underway within the funding levels of the current Fiscal Year 2020 budget
30 and those contemplated and requested to be funded under the Fiscal Year 2021 budget.

31 It was noted that the Fiscal Year 2021 budget is balanced with revenues and transfers against
32 Expenses totaling \$42,210,748. This budget contemplates paying down the \$9,350,000 in outstanding
33 debt. There is a 2% requested increase in rates with a new two-tier system to be implemented. There
34 are also some fee changes based on approved formulas which are presented for review and adoption
35 annually. The budget overall is designed to maintain desired services and to fund essential capital
36 projects. Operating revenues are budgeted at \$28,342,893 with Operations and Maintenance
37 expenses at \$19,617,136.

1 Personnel Services is budgeted at \$4,849,728 which includes funding for 34 full-time and five part-
2 time employees. Ten of the full-time employees are scheduled to receive a merit raise at some point
3 during the upcoming fiscal year. The budget contains a 2% cost of living allowance for all employees
4 and a 6% increase in health insurance. There is also funding for the equalization of retirement
5 benefits between Tier 2 with Tier 1 employees.

6 Non-Operating Revenues and Expenses are budgeted at a net expense of \$9,225,214, primarily to pay
7 off the 2010 Bond.

8 Capital expenses are budgeted at \$4,320,000 for Fiscal Year 2021 and were reviewed Jay Christensen,
9 Alan Farnes and Luke Veigel. Specific capital projects were reviewed

10 Operating Transfers are budgeted at \$13,392,235 comprising the use of retained earnings for projects,
11 amortization of the San Juan power plant project, paying off the outstanding 2010 Bond, and transfers
12 to the General Fund.

13 The 2010 bond can be paid off early on November 1, 2020 in the amount of \$9,350,000. Net bond
14 payments for Fiscal Year 2021 are scheduled for \$1,003,980. Future net savings of paying off the
15 bond is approximately \$1,000,000 per year. There are no future plans for debt issuance by the Power
16 Fund. Gary Hill notes that the Power Fund days cash on hand after paying off the 2010 Bond would be
17 six months or more.

18 A rate increase of 2% is proposed along with a \$2.00 increase to monthly customer charges and a
19 revision of the existing rate system to a new two tier rate system for residential customers.
20 Additionally, there are two changes being made to connection fees.

21 Residential rates in the two tier system will go from \$0.0925 per Kwh to \$0.0800 for the first 400 Kwh
22 used and \$0.1022 per Kwh for all additional Kwh used. There was discussion between the power
23 commissioners on varying rate combinations that could be considered.

24 A discussion was held on effects of the COVID-19 pandemic and plans being made to keep employees
25 safe and to keep services underway. Work crews will be divided into one-third size units to rotate
26 work and maintain social distancing requirements.

27 Following discussions, the budget requests were again summarized and submitted for approval. A
28 question was asked by Committee chair Higginson. What would the effects be of delaying pay off of
29 the bond for a year and cash flow/balances? Allen Johnson indicated that each year delayed adds
30 about \$1,000,000 in operating expenses. Commissioner Jed Pitcher asked Gary Hill if he felt
31 comfortable in asking customers on behalf of the City to pay a 2% increase in electric rates. Gary Hill
32 feels that the rate increase is an important component of the City's financial health, but not a "deal
33 killer" this year. Committee member Lewis mentioned support of the budget request. Allen Johnson

1 noted also that rates are set to maintain the system and deliver value to the customer. Bountiful
2 City's rates and Rocky Mountain Power's rates are both projected to rise over time but Bountiful City's
3 rates should continue to stay a little below those of Rocky Mountain Power. Committee member
4 Harris was asked for an opinion on the budget and she noted her approval of the budget and the work
5 of staff.

6 Commissioner David Irvine made a motion to approve the Fiscal Year 2021 budget request but to
7 revisit the rate increase at end of May or first part of June 2020 before enacting it. The motion
8 included reviewing rates again in September 2020 to assess impacts versus the economy. Several
9 Commissioners agreed with the motion. Committee chair Higginson supports the budget request,
10 recognizes the potential for an economic downturn and supports David Irvine's motion. All
11 Committee and Commissioners voted aye.

12 It was also suggested that a study be made by the staff of the Power Department to be ready with
13 revenue neutral options, if needed.

14 Committee chair Higginson called for a motion on the Power Fund budget. The budget was passed
15 with a motion from Committee member Harris with a second from Committee member Lewis. Voting
16 was unanimous with Committee member Higginson, Harris and Lewis voting aye.

17 The budget review portion of the meeting adjourned at 9:30 a.m.