

# Hildale-Colorado City Utility Department

Organizational Structure and Hiring Policy

August 23<sup>rd</sup>, 2018

## General

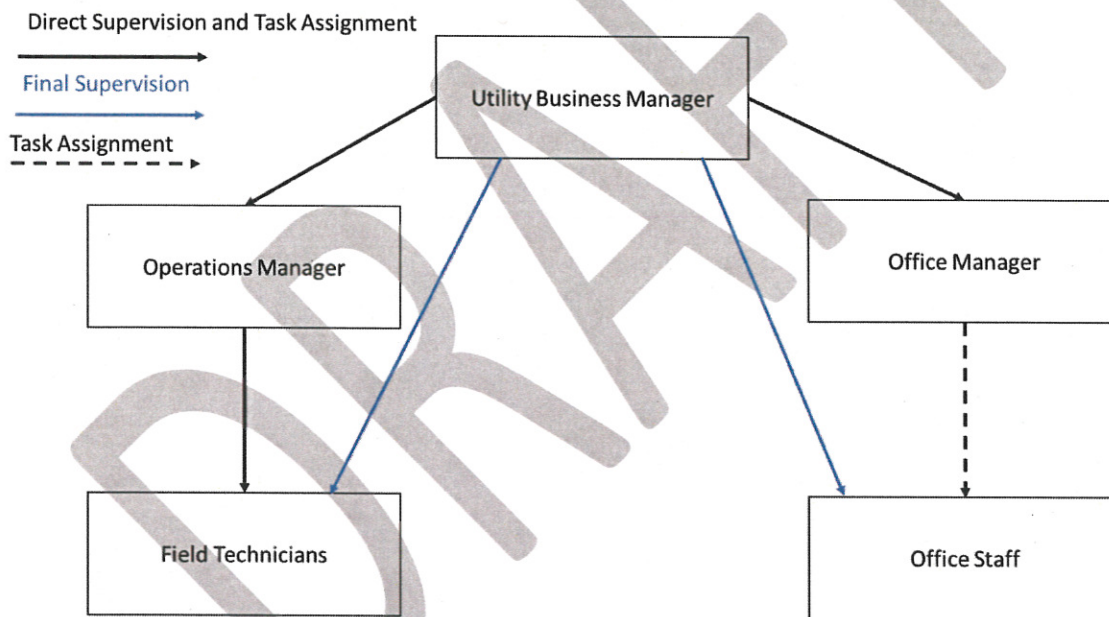
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It is resolved that the Hildale-Colorado City Utility Department (HCUD) organize itself to better facilitate efficiency of operations for both the field and administrative staff. This document will identify the organization of supervision, tasking and evaluation of HCUD employees.

## Department Organization

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The HCUD department is headed by the Utility Business Manager, who has final supervision of all personnel and task assignments. They also have direct supervision of the Operations Manager and the Office Manager. Additionally, the Utility Business Manager has all authority necessary to mitigate risk and liability throughout the department in accordance with established policies, as well as, local, state and federal regulations.



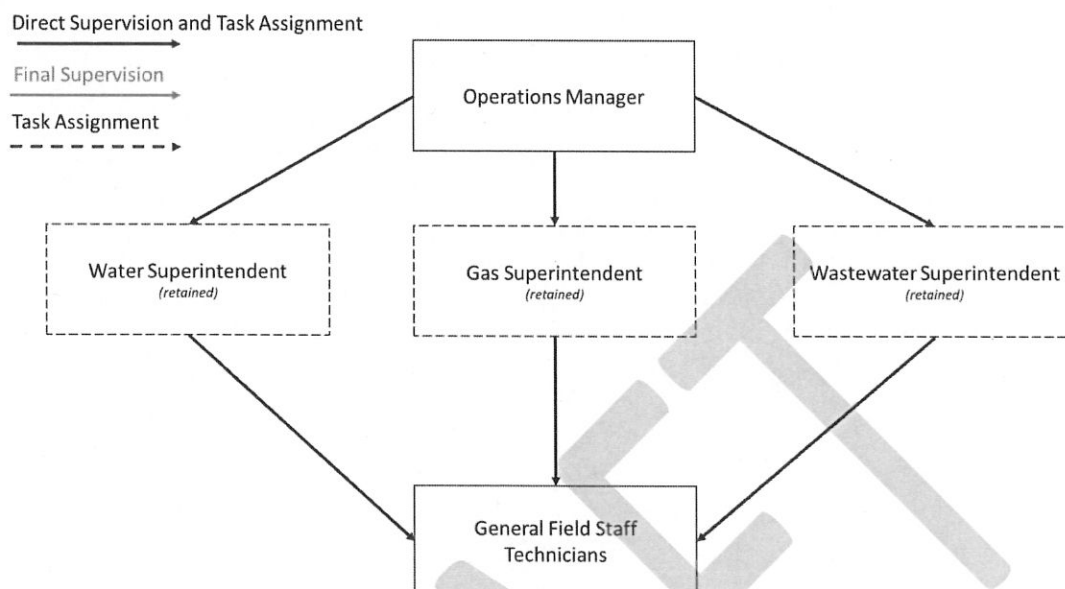
## Field Staff Organization

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The Gas, Water, and Wastewater Departments have assigned superintendents whose responsibility is to directly supervise staff in continuing operations and maintenance. The most vital responsibility superintendents have is regulatory compliance with policies, ordinances and regulations from various governing bodies. Due to the size and scope of the HCUD departments, the roles of each Superintendent will be retained by the Operations Manager until such a time as filling that role will be needed.

The Operations Manager will have direct supervision over Gas, Water, and Wastewater Department technicians. Technicians will be cross-trained and certified on all utility

departments until such a time that dedicated employees to specific departments are needed.



#### Field Staff Hiring Policy (Non-Management/Supervisory)

For non-management/supervisor positions within HCUD’s field staff, a hiring board of the Utility Business Manager, the Operations Manager/Superintendent, and Colorado City Town Manager will constitute the review committee to review applications as per the Colorado City Personnel Policy Chapter 4, Section 3 v. 2017.

The interview and evaluation process will be developed by the Operations Manager and approved by the Utility Business Manager and Colorado City Manager per Colorado City Personnel Policies in Chapter 4, Section 4 v. 2017.

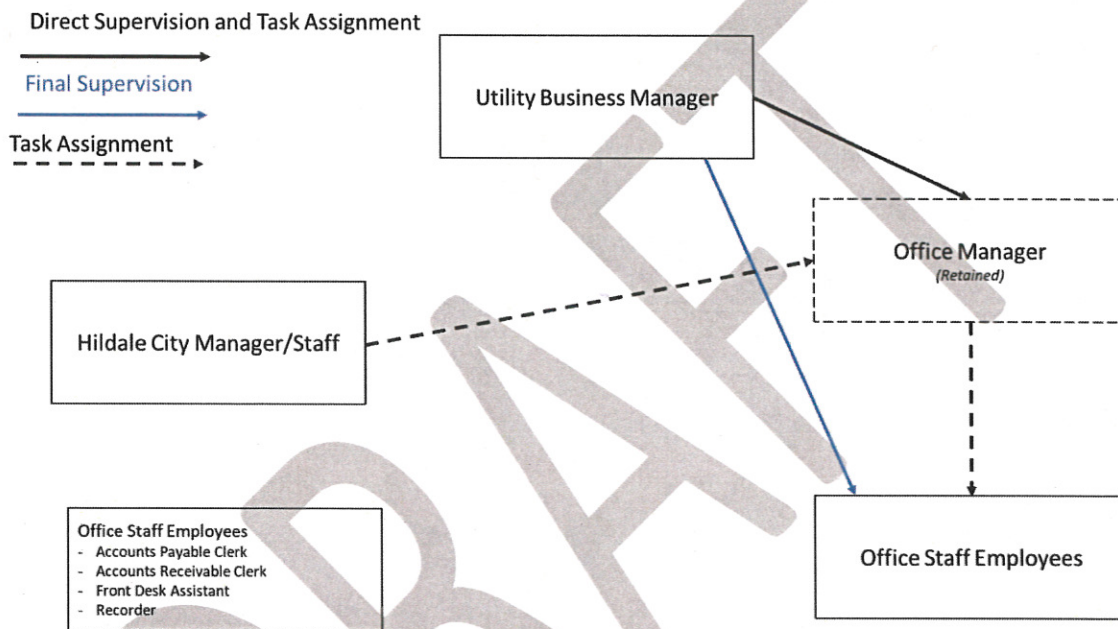
The interview committee will be chaired by the Utility Business Manager, and will consist of the Operations Manager, and Superintendent. Once an applicant has been chosen, they are considered to be hired. No action will be required of the Utility Board and the newly hired employee will not be subject to be interviewed by the Utility Board. Only a motion to reject the hire on the basis that the new hire does not meet the job requirements or has failed to disclose pertinent information to the hiring committee will be entertained.

### **Office Staff Organization**

HCUD’s office administrative functions and employees are under the direct responsibility and supervision of the Utility Business Manager. The HCUD’s Office Administration is not divided, either in practice or in nominal terms, by the Gas, Water and Wastewater Departments like HCUD’s field operations. The office staff are tasked, but not supervised

by the Utility Office Manager. Due to the size and scope of HCUD's office administration, the Office Manager may be retained by the Utility Business Manager.

The hiring and evaluation process for HCUD's office staff is different due to their dual responsibilities to the Utility Department and the City of Hildale. Office staff identified in this policy will directly work for the Utility Manager who will evaluate their performance, and provide recommendations for promotion, salary and disciplinary actions. Hildale City Management will work through the Utility Manager for similar functions when it comes to Hildale City tasks.



### Office Staff Hiring Policy

All Office Staff hires are subject to Hildale City Personnel Policy 4, v. 2017. The Utility Office Manager, acting as the supervisor for the office staff, will represent the interests of HCUD.

### **Structure Immaterial Incidents and Issues**

At all levels, there are four main exceptions to the supervisory chain outlined here, and those include past, present or future potential issues of discrimination, fraud, sexual harassment, and threat to life or limb. These specific issues will involve the highest levels of administration through Hildale City and/or Colorado City and require immediate action and remedy.





To the Chairman of the Utility Board,

I would like to formally request that Weston Barlow be officially appointed as the Operations Manager for the Hildale-Colorado City Utility Department. Salary negotiation and official job description should remain pending until further organizational restructuring can be completed and will be proposed for Board Action in September 2018.

Harrison Johnson  
Utility Business Manager  
Hildale-Colorado City Utility Department



P.O. BOX 840490 320 E. NEWEL AVE. HILDALE, UTAH 84784 PHONE: 435-874-1160 FAX: 435-874-2603

## NOTICE TO THE PUBLIC

In order to maintain the safety and integrity of the culinary water system, the Utility Department will begin an enforcement sweep of Hildale City Ordinance Chapter 51, Article 1 and Colorado City Ordinance Chapter 51 Section 80 to 89.

***It shall be unlawful at any place supplied with water from the city water department to install or use any physical connection or arrangement of piping or fixtures which may allow any fluid or substance not suitable for human consumption to come in contact with potable water in the city water distribution system, without using a backflow prevention device or assembly designed and approved for the prevention of such backflow. Any such device or assembly must be approved for installation by the city water department and in accordance with the state plumbing code with respect to each application.***

- Hildale Ord. No. 01-9-1, § 3, 9-11-2001;

***It shall be unlawful at any place supplied with water from the Colorado City Water Department to install or use any physical connection or arrangement of piping or fixtures which may allow any fluid or substance not suitable for human consumption to come in contact with potable water in the Colorado City Water Distribution System, without using a backflow prevention device or assembly designed and approved for the prevention of the backflow.***

- Colorado City Ord. 2001-1§ 51.82

\*\*\*This citation includes garden hoses submerged in standing puddles, swimming pools or any other water container not suitable for potable water. \*\*\*

The approved back flow methods are

1. Air gap (no direct connection)
2. Reduced Pressure Zone Backflow Prevention Assembly (RP)
3. Pressure Vacuum Breaker (PVB)
4. Spill-Resistant Vacuum Breaker (SVB)
5. Atmospheric Vacuum Breaker (AVB)
6. Double Check Assembly (DC)
7. Hose Bibb Vacuum Breaker (HBVB)



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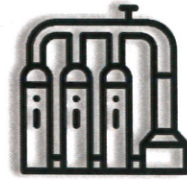
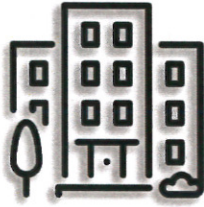
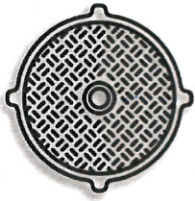
Anyone found in violation of Hildale-Colorado City ordinances pertaining to cross connection and backflow control will receive a notice from the Department. The property owner served with the violation will have 24 hours from the notice date to come into compliance with the ordinances. Property owners who remain out of compliance will be referred to the city for penalties and fines and may be subject to water service disconnection.

Contact Us:

Utility Department  
320 E. NEWEL AVE.  
HILDALE, UTAH 84784  
Phone: (435) 874-2323  
utilities@hildalecity.com

Reference: (Ord. No. 01-9-1, § 3, 9-11-2001); (Ord. No. 01-9-1, § 4, 9-11-2001)

DRAFT



# Hildale-Colorado City Utility Department

Twin City Water Works Fee Analysis and Recommendation

Authored By:

Harrison Johnson

Utility Business Manager





Hildale-Colorado City Utility Department

## Introduction

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Twin City Water Works (TCWW) established in the decades ago as a water service and supply company has been the Cities' principle water supplier. Managed by a board, and administered by a single employee, they deliver over 90% of the Cities' water. TCWW operates multiple wells in the city area and two spring water sources in Jan and Maxwell Canyons.

Development of the Cities' water infrastructure was mostly the result of public work projects directed by Bishop Fred Jessop of the FLDS church during the 1980's and 1990's. From mainline extensions to water treatment facilities, most were products of the communal labor that typified civic development during that period of the Cities' history. Upon the establishment of the municipal utility department, the ownership and operation were turned over to the Cities. Due to Hildale's proximity to the spring water sources and the geographical location of many of the water and wastewater treatment systems, Hildale was given most of the ownership of the public water system.

In the years that followed, TCWW was confronted with multiple legal challenges that alleged TCWW of fraud, and tax evasion which resulted in successful lawsuits being brought by the States of Utah and Arizona. Arizona specifically has levied a tax lean to the sum of \$500,000, which has an existing principle of somewhere between \$300,000 and \$400,000. Most recently, TCWW has been embroiled in a legal battle with the United Effort Plan Trust (UEP) over the ownership of water rights that threatens TCWW's entire supply of culinary water. TCWW and the UEP jointly agreed to deed all water rights, wells and infrastructure to the ownership of the Cities' and the administration of the Utility Department. The agreement has now been approved by the Utility Board, Hildale City, but awaits agreement from Colorado City, and the District Court Judge who is overseeing the litigation. The agreement also stipulates that upon ownership transfer, TCWW's tax lean will also become the responsibility of the Cities, unless the State of Arizona agrees to forgive the remaining amount in order to spare the cities' tax payers.

In July of 2018, TCWW requested to raise the whole sale water rate provided to the Cities from \$.693 to \$1.07 representing an increase of 54%. In order to accommodate the rising cost of whole sale water the Utility Department would be forced to raise the customer's rate dramatically.

## TCWW Contract with the HCUD

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In the fiscal year ending in July 2018, TCWW delivered 374,584,000 gallons to the Utility Department at a water wholesale rate of \$.693/1000 gallons totaling \$259,586.71 of revenue to TCWW. This rate was set as per RESOLUTION NO. 10-12-01 between Hildale



## Hildale-Colorado City Utility Department

City and Twin City Water Works and is set to be reviewed every five years. The last rate review was in 2015, and the next one is scheduled in 2020. As far as HCUD management is concerned, all rate review requests and negotiations between the established anniversaries would be at the pleasure of the Utility Board. HCUD's contractual obligation to purchase water from TCWW appears to be only 12 gallons per minute as per the same resolution.

Regarding the potential for well shutdown, TCWW cannot shut down the wells for reasons of contractual dispute, but only for maintenance and repair, and a shutdown must be precipitated by written notice.

### **TCWW Current Fee**

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As stipulated by TCWW, their organization is a non-profit, which means they have no investors to which profits or dividends are paid. Their fee therefore should only be a reflection of operating, maintenance and capital improvement costs as stated in the 2010 agreement. TCWW's current fee stands at \$.693/1000 gallons of water, and in the calendar year of 2017 HCUD paid \$238,965.80 for bulk water. Of that it is estimated only \$80,961.59 was for power for the wells with a remaining margin \$158,004.21. The margin appears to be excessive as maintenance and operations costs are not likely to be anywhere near that much. According to the current Water Conservancy District Chairman, the highest wholesale water rate he has seen is \$.55/1000 gallons, and this includes water systems that extract water and carry it over far greater distances than our system for Hildale and Colorado City.

According to Sylmar Barlow, TCWW board chairman, legal costs relating to the multiple lawsuits TCWW is fighting make up a majority of the organization's operating costs. Janet Jeffs has similarly stated that litigative costs constitute a majority of the operating costs. Sylmar states further that he possesses the financial documents that justify the current rate and the current rate increase. The only documents provided to HCUD is a well power analysis that only gives usage patterns and the assessed costs of power bills. HCUD has requested documentation of financial operations directly from Sylmar Barlow and Janet Jeffs but no further documentation has been provided.

### **TCWW Proposed Rate Assessment**

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The proposed increase in July of 2018 to \$1.07/1000 gallons has virtually no justification in the given well power analysis. Below is predicative data analysis based on historical prices over the past three years. With moderate usage decline over the same period there appears to be no good justification for a 54% rate increase.



Hildale-Colorado City Utility Department

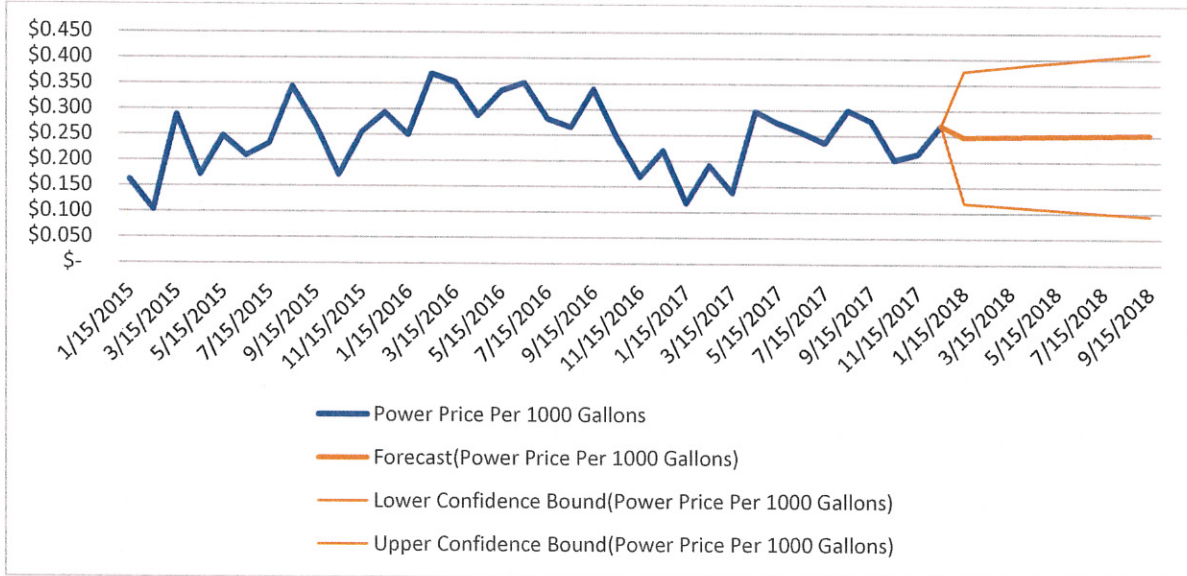


Figure 1 Data Provided by Well Power Usage Analysis from Spring Ranch.

When comparing usage with price per 1000 gallons there appears to indicate a mismanagement of resources. Generally, when there is higher usage, most supply operations exist in an economics of scale where unit price decreases. This does not appear to apply to TCWW in this case as unit usage doesn't appear to be a good indicator of the power rate applied from the wells.

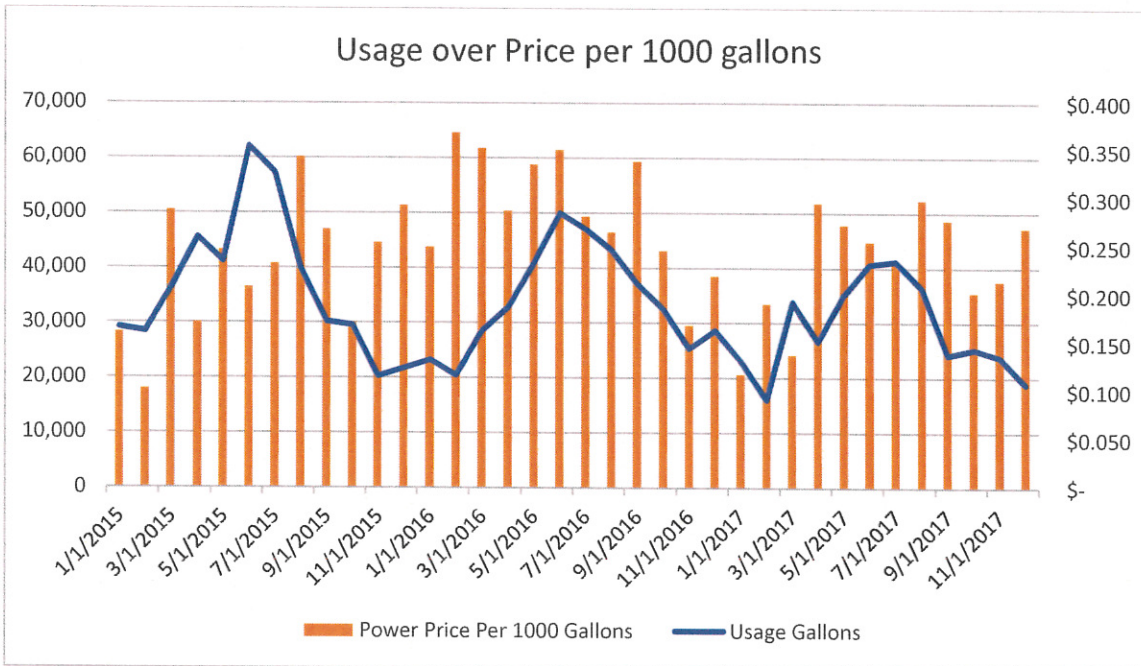


Figure 2 Data Provided by Well Power Usage Analysis from Spring Ranch



Hildale-Colorado City Utility Department

Therefore, citing increasing power rates as a justification for their rate increase does not appear to “hold water.”

The rate increase would force HCUD to dramatically increase customer rates.

## **TCWW’s Financial Position Assessment**

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HCUD’s disposition, as their only customer, is that TCWW is effectively an operating subsidiary of the water department. Therefore, it is the position of HCUD management that there be complete transparency of financial and operating information. HCUD’s assessment of TCWW’s financials is essential in order for the Board to negotiate in good faith. So far we have not received the necessary information to make any concrete conclusions about the future viability of their company.

HCUD’s overall assessment of TCWW’s financial position, based on limited available information, is dire. This is based on the following information. Sylmar stated that TCWW sold all of its equipment to their single contractor Spring Ranch. I assess that there are two likely reasons. One, TCWW’s legal fees have forced the company to dump all realizable assets in order to continue to pay for legal representation. Two, in addition to increasing liquidity in order to pay for legal fees, TCWW may be trying to deny the plaintiff in their lawsuit as much value as possible, which indicates that they believe their legal position is weak and may lose. In either case, TCWW becoming insolvent could pose issues as their creditors will assume the claim on their wells and require further action by HCUD in order to ensure continued water supply. Finally, TCWW’s proposed rate increase could indicate they are sliding down a “debt spiral”. This is where their fixed costs are high, causing them to increase rates to cover their costs, but in turn it forces HCUD to look for alternatives like our Power Plant Well and the Academy Well. Even incremental increases in use of municipally owned sources, or the prospect of the increase may cause TCWW to increase rates in order increase revenue before HCUD can find other suppliers.

### TCWW’s Unaccounted for Expenses (UE)

Between 2015 and 2017 there is \$527,048.52 in unaccounted expenses, and there has been no documentation to indicate what that money was spent on. There are undoubtedly some maintenance and material costs, but they are unlikely to be that high. As stated by TCWW representatives, legal costs likely make up the bulk of the unaccounted-for revenue. Additionally, the maintenance contract TCWW has with Spring Ranch could provide some insight into where the bulk of that leftover revenue went.





Hildale-Colorado City Utility Department

## **Business Manager Recommendation**

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In the interest of the community to which the Department serves, I recommend the board formally reject the proposed rate increase, fully endorse the agreement between TCWW and the UEP on financial grounds, and formally approve staff to aggressively research for alternative sources of water that both increase quality and decrease cost.

RESOLUTION NO. 10-12-01

**A RESOLUTION APPROVING THE FORM OF THE AGREEMENT FOR SALE OF BULK WATER BETWEEN TWIN CITY WATER WORKS AND HILDALE CITY, UTAH, AND AUTHORIZING THE EXECUTION AND DELIVERY THEREOF.**

**WHEREAS**, Hildale City, Utah, has entered into an inter-governmental agreement with Colorado City, Arizona, ("Cities") and Twin City Water Authority regarding the joint operation of the Cities' combined culinary water system ("System"), and

**WHEREAS**, additional water sources are anticipated being proffered to the Cities in order to provide for new services, and

**WHEREAS**, Hildale City desires to balance supply and demand for new service locations by obtaining new water, and

**WHEREAS**, Hildale City desires to provide for the health, safety, and welfare of both existing and new service locations within the System, and

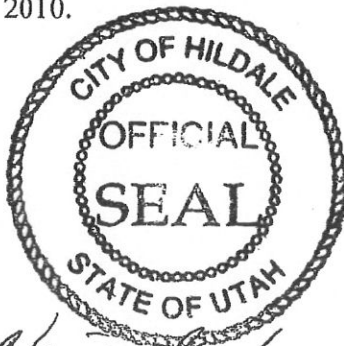
**WHEREAS**, the Hildale City Council has received the recommendations of the Board of Trustees of Twin City Water Authority,

**NOW THEREFORE, BE IT RESOLVED** by the Mayor and City Council of Hildale City as follows:

Section 1. The Mayor and the City Recorder are hereby authorized to execute and deliver the AGREEMENT FOR SALE OF BULK WATER between Twin City Water Works and Hildale City, at the completion of necessary documents required by the quantity/quality resolution for the new service locations connected with the housing project on Carling Street and Utah Avenue.

Section 2. The officers of the City are hereby authorized and directed to fulfill all obligations under the terms of the Agreement.

**PASSED AND ADOPTED** by the City Council of Hildale City, Utah on this 14<sup>th</sup> day of December, 2010.



Attest:

BY: Vincen Barlow  
Vincen Barlow, Recorder

HILDALE CITY

BY: Carlos S. Jessop  
~~David Zitting, Mayor~~  
Carlos S. Jessop  
Mayor pro tem

## AGREEMENT FOR SALE OF BULK WATER

THIS AGREEMENT, made and entered into as of this 20 day of December, 2010 by and between Twin City Water Works, Inc., a Utah non-profit corporation (the "Company"), and the City of Hildale, Utah, a municipal corporation ("City").

### RECITALS

This Agreement is made with regard to the following facts, among others:

#### Sale of Bulk Water

- A. Company owns certain rights to well water.
- B. The City desires to acquire from Company the right to purchase bulk well water.
- C. Subject to the condition set forth in this Agreement, the Company is willing to deliver water at its Well sites and the City is willing to pay for such water.

### AGREEMENT

THEREFORE, in consideration of the promises and mutual covenants and agreements herein set forth, the parties hereto agree as follows:

#### 1.0 Definitions

As used in this Agreement, the following terms, when capitalized, have the meanings indicated:

- 1.1 "Commencement Date" shall mean the date of this Agreement.
- 1.2 "Points of Delivery" shall mean those points at which Well water is delivered to City by Company, which Points of Delivery are located as shown on **Exhibit "A."**
- 1.3 "Well" means the location of all wells and springs owned or leased by the Company and used for culinary purposes, the necessary land to operate the well sites and all pumping.

#### 2.0 WATER TREATMENT AND DELIVERY

2.1 Acceptance, Treatment and Delivery. The City shall accept delivery at the Points of Delivery for 9.34 gallons per minute of water from the Company's Wells, but shall not be required to accept any more water than will reasonably fill its storage facilities considering

the City's ongoing use (including retail sales) of water, and its proprietary sources of water, if any.

2.2 Metering. The quantity of water delivered by Company to City at the Points of Delivery shall be determined by metering devices to be installed, owned, operated and maintained by the Company at the Points of Delivery. The metering devices shall be located at any mutually agreed upon location. The City shall approve the type and location of each metering device to be installed by the Company. Such approval shall not be unreasonably withheld. The metering devices required by this Agreement will be open to the City during regular working hours for the purposes of inspection by the City. If, for any reason, the metering devices shall become inoperative, City and Company mutually shall estimate water deliveries through the metering devices and Company's monthly billing to City shall be based on such estimate.

2.3 Bulk Water Charges. The City agrees to pay to Company \$0.693 per 1,000 gallons of water delivered to the City. This rate of \$0.693 for 1,000 gallons of water will be reviewed by the parties to this Agreement on or near each fifth anniversary of this Agreement and appropriate and reasonable adjustments as agreed to by the mutual parties, shall be made to reflect increased power costs, increased direct well maintenance cost, or changes in the cost of living.

2.4 Monthly Billings. Monthly bills to City will be based on the quantity of water delivered to City as recorded by the metering devices as approved in Section 2.2 above. Monthly bills shall be paid by the City within thirty (30) days from the date of postmark. Payments not delivered within thirty (30) days after bills are postmarked shall bear interest at the rate of ten percent (10%) per annum until paid.

2.5 Quality of Water. The Company shall comply with well head protection requirements and shall ensure that its wells are approved sources of water pursuant to applicable legal standards. The Company shall also ensure that the quality of water meets all state and City standards. When reasonably required by the City, the Company will obtain and deliver Certificates of Compliance from the State of Arizona and the State of Utah.

Company shall ensure that the water is provided in the best quality attainable using prudent management and maintenance measures, and shall exercise its best efforts to maximize the quality of water, and shall do nothing to diminish the quality of water provided. Company shall comply with all federal, state and local laws, regulations and standards applicable pertaining to the treatment and quality of drinking water.



2.6 Distribution to Customers. The Company's obligation and responsibilities to City to deliver Water under this Agreement shall not extend beyond the Points of Delivery. City shall be responsible and assume full liability for the distribution of water received, including, but not limited to, all operation and maintenance costs for delivery to City's eventual users. City shall indemnify, defend, and hold Company harmless from and against all expense, liability and claims for damage to property or for injury to or death of any persons arising out of or in any way connected with the distribution, or lack thereof, of water by the City once delivered by Company to the City at the Well; provided, however, that this indemnification shall not apply to, nor release the Company from, any obligation of the Company under this Agreement.

2.7 Shut-Downs. Company shall have the right to shut down the Wells for purposes of routine maintenance and repair. Company shall also have the right to shut down the Wells in the event of any emergency. Company shall give City notice of maintenance and repair shutdowns as soon as such shutdowns are scheduled by Company and such advance notice of emergency shutdowns as in Company's judgment is practicable. The Company, by virtue of this Agreement, does not assume or create any liability to the City or any other customer of the City or to any other person, firm or corporation for any claim, demand, loss or damage of any nature or character whatsoever due to, or arising out of, any failure, diminution or interruption of any delivery of water at the Wells.

### 3.0 TERM

This Agreement will be effective for an initial term beginning as of the date first written above and continuing for a period of one hundred (100) years after the Commencement Date. This Agreement may not be modified or amended in any manner unless in writing and signed by the parties.

### 4.0 REPRESENTATIONS, WARRANTIES AND COVENANTS OF COMPANY

The Company represents and warrants, jointly and severally, to City that as of the date hereof and as of the closing date:

4.1 Company Status and Power. Company is a dully organized and validly existing corporation in good standing under the laws of the State of Utah. Company has all requisite corporate and other powers and all necessary franchises, certificates, permits, approvals and other authorizations required to carry on and conduct its business and to own, lease, use and operate its properties at the place and in the manner in which such business is presently carried on and conducted.

4.2 Effect on Agreement. To the best of its knowledge, the performance of this Agreement by Company and fulfillment of the terms and provisions of this Agreement does not

and will not conflict with or result in any breach, default or violation of any terms, regulations, order, writ or decree of any court or any governmental department, commission, board, bureau, agency or instrumentality or of the Articles of Incorporation or Bylaws of Company or of any indenture, contract, agreement, lease or other instrument to which Company is a party or is subject, or by which any of its properties or assets are bound.

4.3 Title to Properties, Absence of Liens and Encumbrances. All leases pursuant to which Company leases any real property are valid and binding in accordance with their respective terms, and there is not, under any of these leases, any existing material default or event of default which, with notice or lapse of time or both, would constitute a material default. Company has not received any notice of violation of any applicable law, ordinance, regulation or requirement relating to its operations or to its owned or leased properties.

4.4 Defaults. To the best of its knowledge, Company is not in material violation of or in material default with respect to any applicable law or any applicable rules, regulation, order, writ or decree of any court or any governmental department, commission, board, bureau, agency or instrumentality which would impair Company's performance of its obligations hereunder.

4.5 Litigation. Company is not a party to any actions, suits or proceedings which are pending with respect to, nor to the knowledge of Company are any suits or proceedings threatened against or affecting the Company, and Company does not know of any facts or circumstances which should or could reasonably form the basis for any such action, suit or proceeding by or against Company at law or in equity or before any governmental department, commission, board, agency, bureau or instrumentality which involve the possibility of any judgment or liability, whether or not fully covered by insurance or which may impair the ability of the Company to perform its Obligations hereunder.

## 5.0 REPRESENTATION, WARRANTIES AND COVENANTS OF CITY

City represents, warrants and covenants to Company that, as of the date hereof and as of the closing date:

5.1 Incorporation, Good Standing, Authority Relative to Agreement. City is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Utah, and has all requisite power and authority to own, lease and operate its properties, to carry on its functions as now being conducted and to entered into this Agreement and perform its obligation hereunder.

5.2 Effect of Agreement. This Agreement constitutes valid and binding obligations of City enforceable against City in accordance with its terms, subject only to the discretion of the courts in granting equitable relief and to the provisions of any applicable insolvency laws. The

execution, delivery and performance of this Agreement have been duly authorized according to law and, to the best of the City's knowledge, do not and will not conflict with or result in any breach, default or violation of any terms, condition or provision of any applicable law or rule, regulation, order, writ or degree of any court of any governmental department, commission, board, bureau, agency or instrumentality or of the Charter or Code of City or of any contract or agreement to which City is party or by which City is bound.

#### 6.0 INSURANCE

Company will maintain such insurance for, in no event less than one million dollars (\$1,000,000.00), and will hold the City harmless for all claims for damages to property or for bodily injury, including death, as may arise from matters covered under this Agreement. Company will deliver to the City certificates of such insurance, which certificates shall be subject to the inspection and approval of the City for adequacy and protection. The policies and insurance required by this Agreement shall provide, during the term hereof, that the City shall be given notice at least ten (10) days in advance of cancellation or material change in such policy or policies.

#### 7.0 MISCELLANEOUS PROVISIONS

7.1 Binding Effect. The provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the respective heirs, personal representatives, successor and assigns of the parties.

7.2 Attorneys' Fees. If any action is brought by any party with respect to its rights under this Agreement, the prevailing party shall be entitled to reasonable attorneys fees and court costs as determined by the court.

7.3 Further Documentation. Each party agrees in good faith to execute such further or additional documents as may be necessary or appropriate to fully carry out the intent and purpose of this Agreement.

7.4 Construction. This Agreement shall be constructed according to Utah law.

7.5 Headings and Counterparts. The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of any provision of this Agreement. This Agreement may be executed in any number of counterparts, all of which shall be an original but all of which shall constitute one and the same instrument.

7.6 Notices. Any notice to be given or payment to be made hereunder shall have been properly given or made when received by the City or the Company, as the case may be, or when deposited in the United States mail, in an Arizona post office, certified or registered, postage prepaid, address as follows:

As to Company: Twin City Water Works  
P O Box 218  
25 North Richard Street  
Colorado City, AZ 86021-0218

As to City: Hildale City  
City Manager  
P O Box 840809  
Hildale, UT 84784-0809  
PH: 435-874-1160  
FAX: 435-874-2603

or addressed to such other address as the party to receive such notice or payment shall have designated by written notice given as required by this paragraph.

7.7 Waiver. The Waiver by either party of any breach of any terms, covenant or condition herein contained shall not be deemed a waiver of any other terms, covenant or condition, or any subsequent breach of the same or any other term, covenant or condition herein contained.

7.8 Remedies. If the City or Company should default in the timely performance of its obligations under this Agreement, the party not in default, to the extent permitted by applicable law, shall be entitled to all damages incurred arising from the default in a suit or proceeding to enforce its rights under this Agreement, including reasonable attorneys' fees and cost of suit as set by the court. The foregoing shall not in any way limit or restrict any right or remedy at law or equity which would otherwise be available to such party not in default.

7.9 Entire Agreement. The terms, covenants and conditions of this Agreement consist of the entire Agreement between the parties and no understanding or obligations not herein expressly set forth shall be binding upon them. This Agreement may not be modified or amended in any manner unless in writing and signed by the parties. This Agreement may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but altogether shall constitute but one and the same Agreement.



7.10 City's Monetary Obligation. The City's monetary obligations hereunder are, and shall be, limited to the revenues from the sale of water and other legally available monies. The City's monetary obligations hereunder shall not constitute a general obligation of the City or give rise to a claim against its power of taxation.

This Agreement may not be assigned in whole or in part without the prior written consent of the City.

IN WITNESS WHEREOF, the parties hereto have executed the Agreement herein the day and year first above written on behalf of the City and Company by the respective City officials and Company officials and attested by the City Recorder.

CITY OF HILDALE, a municipal corporation, ("City")

By: Carlos S. Jessop  
~~David Zitting, Mayor~~  
Carlos S. Jessop  
Mayor pro tem

ATTEST:

Vincen Barlow  
Vincen Barlow, Recorder



TWIN CITY WATER WORKS, INC., a non-profit Utah corporation, ("Company")

By: Ann S. Barlow, Pres.

ATTEST:

[Signature]  
Secretary

# EXHIBIT A

## Water Source

### Springs

Jans Canyon Hildale City  
Maxwell Canyon Hildale City

### Wells

#1	350 S. 450 W. Colorado City
#2	350 S. 450 W. Colorado City
#3	585 W. Johnson Avenue Colorado City
#4	195 S. Richard Street Colorado City
#5	155 S. Richard Street Colorado City
#6	5 S. Richard Street Colorado City
#7	5 N. Richard Street Colorado City
#8	730 W. Township Avenue Colorado City
#9	330 N. Willow Street Colorado City

# Twin City Water Works

## Well Power Usage Analysis

Analyzing the power cost differences of pumping shallow wells versus deep wells

May 2018

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## Introduction

The purpose of this report is to determine the cost differences of running shallow wells versus deep wells.

There are many factors that must be considered when analyzing the cost differences of pumping deep wells versus pumping shallow wells. The most obvious factor, and the factor easiest to measure, is the cost of power in relation to the amount of water sold. Other factors include original equipment costs, replacement equipment costs, well rehabilitation costs, routine maintenance costs, and eventually well replacement costs.

## Background

The shallow aquifer consists of wells that are approximately 100 feet deep. These wells pump water from the alluvial valley fill. Wells in this aquifer have significant iron and manganese problems that require frequent servicing because of the biofouling of not only the pump and piping, but also the well screen itself. Shallow wells run about 40 – 50 pounds of pressure at the pump.

The deep aquifer consists of well that are approximately 600 – 700 feet deep. These wells pump water from the shinerump formation. Wells in this aquifer do not have significant iron and manganese problems. These wells do not require as much routine maintenance as the shallow wells, but when they do require maintenance it is costlier. Deep wells run about 300 pounds of pressure at the pump.

Information used for this report was obtained from Twin City Water Works power bills and billing records. The primary focus is on the pumping power costs. This factor has the most information readily available, and an immediate and direct operational cost effect.

## Scope

This report analyzes power bill information from December of 2014 through March of 2018. Each of the power bills for the various well sites were reviewed for actual costs. Monthly costs with late charges, capital credits, over-billings, under-billings, and billing errors being removed from the amounts were analyzed



so that each amount used provided an accurate indication of the actual power charges for that month. A power bill or two were missing from the information provided, and these were estimated based on the next month billing information and previous charges.

Over the three-year analysis period it is noted that the power costs in relation to the number of gallons billed ranged from a high of \$0.36888 per thousand gallons of water billed to a low of \$0.11018. This indicates that at certain times the amount of money expended for power to produce the water that is sold is 3.3 times as much as at other times. Analyzing the power demand data, it is noted that the lowest times are times that only shallow wells were running, while the highest time noted had both shallow and deep wells running. There are many factors that can affect this number such as well efficiency, deep versus shallow wells running, percentage of the month that each of the wells ran, number of well starts in the month, power rates, and power surcharges. Taking all of these into consideration, the biggest single cost factor has been deep versus shallow wells running. This is due to the amount of additional energy needed to pump water from the greater depth.

For the months of February and March of 2018, only deep wells were used. Using the average of these two months, and the average of December 2016 and January 2017 which had only shallow wells running we find a difference of \$0.18510 per thousand gallons of water billed.

This analysis does not include all of the factors and costs involved with operating the wells. It focuses on power costs. This does not constitute a complete rate analysis of the overall billing rate. Although the information has been analyzed to the best of our ability, any changes in provided information or changes in estimates could alter the conclusion.

## Conclusion

From the data analyzed and taking the various factors into consideration the power cost difference to pump deep versus shallow wells is estimated at \$0.18510.

**Thousand Gallons Billed by Month**

	Springs	Wells	Total	Price/1000
December 14	3,275	22,095	25,370	\$ 0.22203
January 15	3,390	25,818	29,208	\$ 0.16184
February 15	3,271	25,153	28,424	\$ 0.10298
March 15	3,540	32,704	36,244	\$ 0.28872
April 15	3,348	42,228	45,576	\$ 0.17198
May 15	3,349	37,804	41,153	\$ 0.24711
June 15	4,381	57,690	62,071	\$ 0.20867
July 15	3,225	54,014	57,239	\$ 0.23283
August 15	3,201	36,645	39,846	\$ 0.34363
September 15	2,499	27,683	30,182	\$ 0.26855
October 15	3,000	26,598	29,598	\$ 0.17199
November 15	3,293	17,019	20,312	\$ 0.25481
December 15	3,357	18,375	21,732	\$ 0.29331
January 16	3,392	19,858	23,250	\$ 0.25019
February 16	3,147	17,327	20,474	\$ 0.36888
March 16	3,460	25,110	28,570	\$ 0.35297
April 16	3,189	29,522	32,711	\$ 0.28794
May 16	3,324	37,502	40,826	\$ 0.33589
June 16	3,038	46,957	49,995	\$ 0.35140
July 16	3,067	44,035	47,102	\$ 0.28212
August 16	3,099	40,215	43,314	\$ 0.26576
September 16	8,772	28,310	37,082	\$ 0.33951
October 16	6,191	26,339	32,530	\$ 0.24633
November 16	6,092	19,239	25,331	\$ 0.16899
December 16	4,235	24,389	28,624	\$ 0.11018
January 17	4,060	19,106	23,166	\$ 0.11813
February 17	3,148	12,813	15,961	\$ 0.19140
March 17	3,428	30,415	33,843	\$ 0.13839
April 17	3,201	23,378	26,579	\$ 0.29622
May 17	3,239	31,856	35,095	\$ 0.27344
June 17	2,905	37,754	40,659	\$ 0.25609
July 17	3,079	38,165	41,244	\$ 0.23563
August 17	3,219	33,052	36,271	\$ 0.29902
September 17	3,133	21,042	24,175	\$ 0.27815
October 17	3,129	22,105	25,234	\$ 0.20281
November 17	3,068	20,717	23,785	\$ 0.21509
December 17	3,258	15,558	18,816	\$ 0.27012
January 18	3,309	22,033	25,342	\$ 0.17734
February 18	2,946	13,480	16,426	\$ 0.27205
March 18	3,543	13,984	17,527	\$ 0.32645
April 18	7,549	18,572	26,121	

Feb Mar Average	0.29925
Dec Jan Average	0.11415
Difference	<u>0.18510</u>

Power Bill Total Charge

Bill

	Cottonwood Wells	Well 10	Well 17	Well 19	Well 21	Well 4	Well 8	Total PwrBill
December 14	\$ 3,329.14	\$ 354.77		\$ 15.57	\$ 123.49	\$ 1,067.36	\$ 15.36	\$ 4,905.69
January 15	\$ 2,650.04	\$ 344.66	\$ 15.86	\$ 15.74	\$ 21.97	\$ 1,114.28	\$ 15.86	\$ 4,178.41
February 15	\$ 1,573.07	\$ 228.99	\$ 57.84	\$ 15.36	\$ 22.93	\$ 676.96	\$ 15.17	\$ 2,590.32
March 15	\$ 2,265.58	\$ 305.72	\$ 1,210.12	\$ 1,744.04	\$ 2,583.15	\$ 893.55	\$ 440.12	\$ 9,442.28
April 15	\$ 1,676.66	\$ 331.80	\$ 817.96	\$ 1,114.99	\$ 1,718.14	\$ 1,035.09	\$ 567.53	\$ 7,262.17
May 15	\$ 2,539.01	\$ 325.96	\$ 1,311.43	\$ 1,482.37	\$ 2,025.08	\$ 1,049.51	\$ 608.20	\$ 9,341.56
June 15	\$ 3,884.25	\$ 396.71	\$ 1,406.05	\$ 2,128.01	\$ 2,594.03	\$ 1,022.86	\$ 606.55	\$ 12,038.46
July 15	\$ 3,997.87	\$ 474.08	\$ 1,672.64	\$ 2,063.62	\$ 2,524.91	\$ 1,124.54	\$ 718.56	\$ 12,576.22
August 15	\$ 3,713.25	\$ 451.94	\$ 1,577.96	\$ 2,044.68	\$ 3,017.55	\$ 1,253.23	\$ 533.57	\$ 12,592.18
September 15	\$ 3,103.86	\$ 359.86	\$ 214.15	\$ 290.29	\$ 1,884.12	\$ 1,104.54	\$ 477.35	\$ 7,434.17
October 15	\$ 2,461.03	\$ 354.49	\$ 13.73	\$ 13.73	\$ 23.70	\$ 1,090.49	\$ 617.33	\$ 4,574.50
November 15	\$ 2,853.54	\$ 156.85	\$ 13.73	\$ 13.73	\$ 23.62	\$ 1,053.80	\$ 221.32	\$ 4,336.59
December 15	\$ 3,937.61	\$ 20.95	\$ 13.73	\$ 13.73	\$ 24.06	\$ 1,363.63	\$ 15.91	\$ 5,389.62
January 16	\$ 3,394.76	\$ 295.56	\$ 14.96	\$ 13.73	\$ 23.93	\$ 1,209.43	\$ 15.91	\$ 4,968.28
February 16	\$ 2,824.43	\$ 442.31	\$ 19.23	\$ 1,665.34	\$ 24.12	\$ 1,400.58	\$ 15.62	\$ 6,391.63
March 16	\$ 4,001.20	\$ 509.24	\$ 1,316.29	\$ 1,788.54	\$ 24.41	\$ 1,207.10	\$ 16.39	\$ 8,863.17
April 16	\$ 4,153.43	\$ 394.12	\$ 1,332.43	\$ 1,775.46	\$ 23.82	\$ 805.63	\$ 15.82	\$ 8,500.71
May 16	\$ 4,375.94	\$ 434.89	\$ 1,920.80	\$ 2,436.03	\$ 1,603.30	\$ 1,135.24	\$ 690.21	\$ 12,596.41
June 16	\$ 5,799.62	\$ 519.12	\$ 1,951.41	\$ 2,298.23	\$ 3,922.92	\$ 1,220.86	\$ 788.56	\$ 16,500.72
July 16	\$ 4,339.84	\$ 364.99	\$ 1,497.37	\$ 1,992.00	\$ 2,822.43	\$ 780.65	\$ 626.05	\$ 12,423.33
August 16	\$ 4,132.38	\$ 395.64	\$ 1,143.71	\$ 2,162.10	\$ 1,811.27	\$ 680.97	\$ 361.57	\$ 10,687.64
September 16	\$ 3,875.97	\$ 502.54	\$ 854.64	\$ 2,725.24	\$ 574.11	\$ 916.05	\$ 162.94	\$ 9,611.49
October 16	\$ 3,397.19	\$ 362.49	\$ 28.77	\$ 1,931.48	\$ 34.22	\$ 494.34	\$ 239.61	\$ 6,488.10
November 16	\$ 1,328.94	\$ 115.86	\$ 27.86	\$ 1,105.79	\$ 24.42	\$ 461.92	\$ 186.34	\$ 3,251.13
December 16	\$ 1,078.81	\$ 214.87	\$ 29.03	\$ 514.93	\$ 34.37	\$ 573.74	\$ 241.31	\$ 2,687.06
January 17	\$ 1,186.41	\$ 31.67	\$ 28.72	\$ 29.63	\$ 34.17	\$ 523.75	\$ 422.63	\$ 2,256.98
February 17	\$ 1,041.43	\$ 30.99	\$ 28.64	\$ 515.83	\$ 33.96	\$ 498.35	\$ 303.23	\$ 2,452.43
March 17	\$ 1,036.56	\$ 32.44	\$ 29.04	\$ 2,051.09	\$ 34.42	\$ 622.29	\$ 403.43	\$ 4,209.27
April 17	\$ 2,777.58	\$ 32.63	\$ 1,107.70	\$ 2,250.75	\$ 34.50	\$ 579.79	\$ 142.01	\$ 6,924.96
May 17	\$ 3,003.22	\$ 228.57	\$ 1,356.02	\$ 1,857.27	\$ 1,504.78	\$ 537.56	\$ 223.28	\$ 8,710.70
June 17	\$ 2,287.50	\$ 370.21	\$ 1,514.86	\$ 1,688.68	\$ 2,502.72	\$ 818.18	\$ 486.27	\$ 9,668.42
July 17	\$ 3,192.24	\$ 203.30	\$ 657.16	\$ 1,603.09	\$ 2,677.17	\$ 419.86	\$ 240.10	\$ 8,992.92
August 17	\$ 3,258.39	\$ 33.58	\$ 1,102.68	\$ 1,624.49	\$ 3,166.87	\$ 667.73	\$ 29.39	\$ 9,883.13
September 17	\$ 439.30	\$ 30.63	\$ 1,806.93	\$ 30.05	\$ 2,740.85	\$ 775.84	\$ 29.16	\$ 5,852.76
October 17	\$ 38.28	\$ 27.46	\$ 983.00	\$ 30.05	\$ 2,637.47	\$ 737.63	\$ 29.16	\$ 4,483.05
November 17	\$ 348.79	\$ 27.46	\$ 330.60	\$ 278.02	\$ 2,887.92	\$ 554.01	\$ 29.23	\$ 4,456.03
December 17	\$ 38.86	\$ 27.46	\$ 29.23	\$ 1,930.86	\$ 1,947.86	\$ 198.72	\$ 29.46	\$ 4,202.45
January 18	\$ 38.69	\$ 27.46	\$ 29.09	\$ 2,197.21	\$ 1,552.69	\$ 32.91	\$ 29.30	\$ 3,907.35
February 18	\$ 39.07	\$ 27.54	\$ 29.23	\$ 2,207.99	\$ 1,301.22	\$ 33.20	\$ 29.01	\$ 3,667.26
March 18	\$ 40.64	\$ 27.46	\$ 29.01	\$ 1,881.96	\$ 2,524.22	\$ 32.27	\$ 29.46	\$ 4,565.02



Power Consumption in KwHrs

Usage

	Cottonwood	Well 10	Well 17	Well 19	Well 21	Well 4	Well 8
December 14	39485	4199		26	9.5	10809	23
January 15	30331	4057	30	28	0	11352	30
February 15	15720	2433	30	23	13	6288	20
March 15	23503	2938	12859	19089	27313	8270	4646
April 15	16112	3690	7747	10889	16457	9811	6307
May 15	23833	3303	12972	14343	18639	9249	6255
June 15	39408	4000	14017	22126	25192	8980	6235
July 15	40636	4989	17363	21358	24396	10007	7571
August 15	38325	4725	16234	21132	30070	11307	5365
September 15	29936	3627	137	294	17902	9805	4611
October 15	22693	3563	0	0	20	9734	5863
November 15	27214	1206	0	0	19	9363	1641
December 15	39942	86	0	0	24	12493	26
January 16	30621	2529	13	0	20	9843	21
February 16	25577	4150	58	14611	22	11581	20
March 16	36750	4782	11542	15910	25	11475	28
April 16	37591	3568	11691	15772	19	7195	22
May 16	39866	3998	17821	22811	12090	10571	6321
June 16	55866	4962	19092	22244	38062	11819	7523
July 16	43872	3514	14915	20353	27281	7881	6196
August 16	41145	3522	10601	22320	15094	6464	2970
September 16	39413	5192	7075	29189	1202	9432	547
October 16	41988	4416	21	25462	20	6253	2066
November 16	13239	512	20	12752	19	6004	1412
December 16	13604	1201	26	2906	23	7730	2328
January 17	15368	70	21	36	20	6897	5212
February 17	11918	54	18	2802	15	5428	3078
March 17	11845	76	24	26114	22	7320	4356
April 17	32096	79	12718	29162	23	6671	365
May 17	35772	2064	16509	23281	14225	5649	1983
June 17	25573	4352	18934	21210	29516	9933	5998
July 17	39321	1804	5840	19652	33411	4104	2240
August 17	35997	83	11229	17970	35652	7230	26
September 17	536	43	20779	35	30454	8696	23
October 17	71	0	9606	152	28945	8178	23
November 17	79	0	759	46	32422	5688	24
December 17	79	0	24	21566	18586	870	27
January 18	77	0	22	25178	13298	74	25
February 18	82	1	24	25324	9933	78	21
March 18	103	0	21	20903	26424	65	27

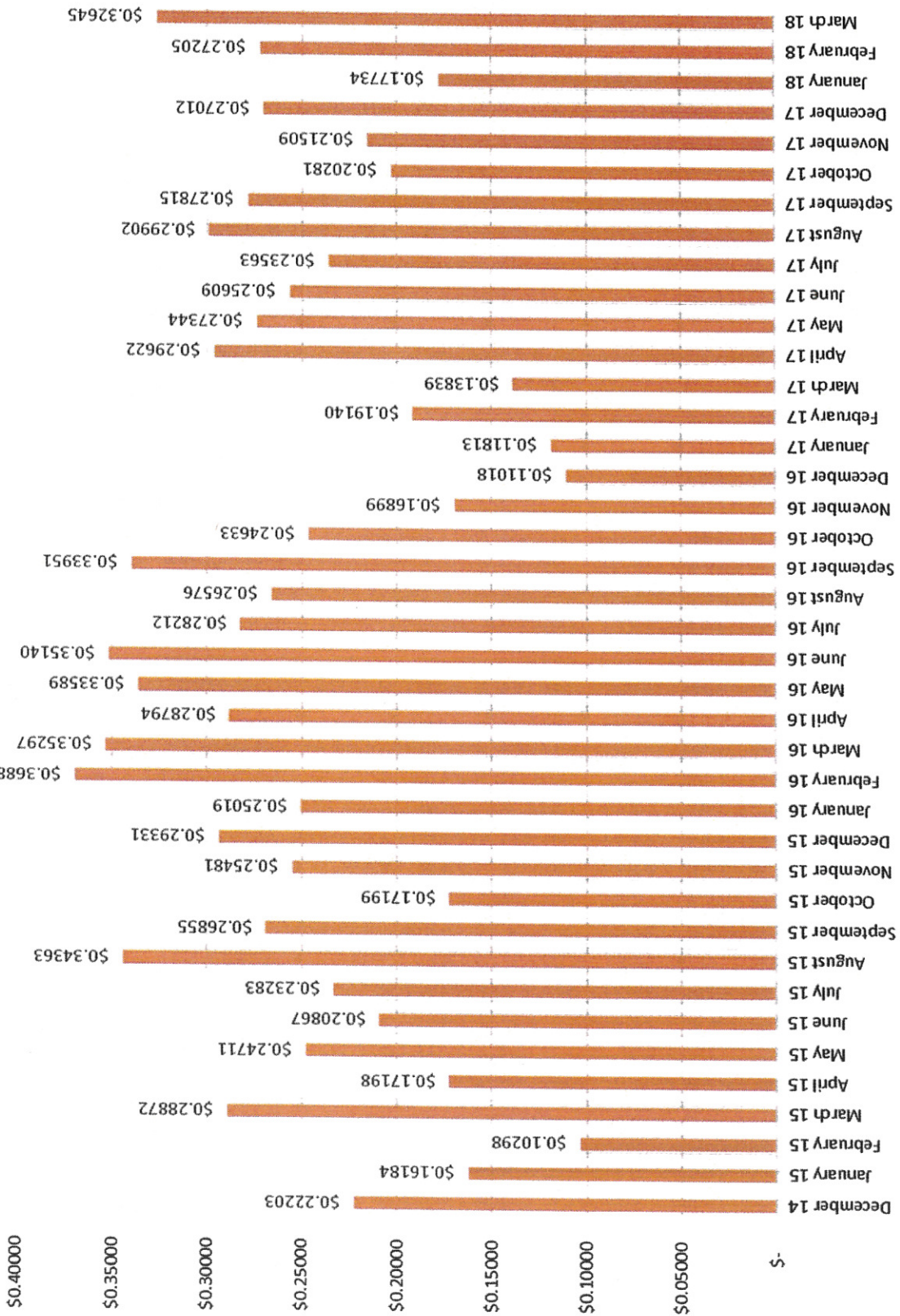
Power Demand in KW

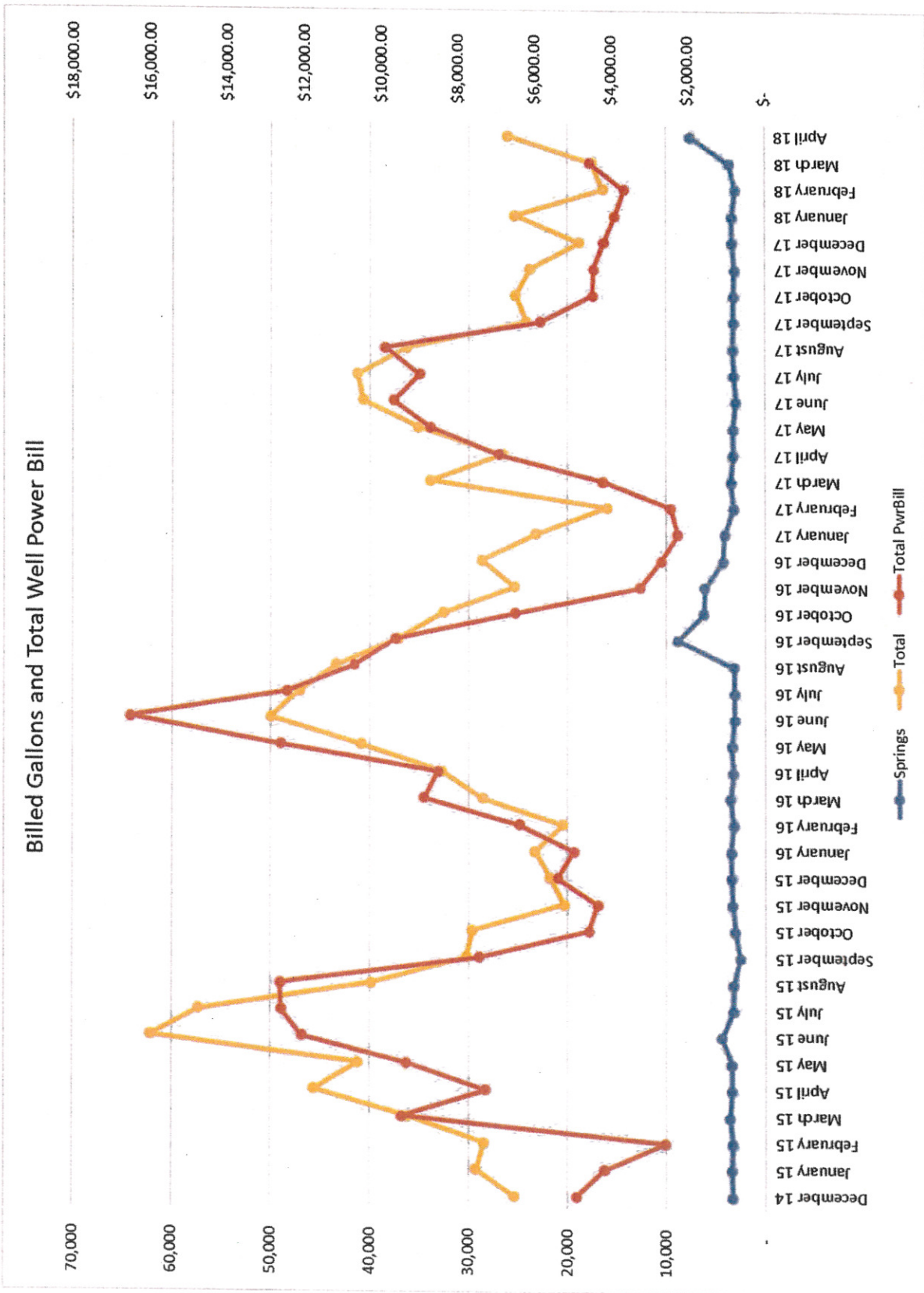
Demand

	Cottonwood	Well 10	Well 17	Well 19	Well 21	Well 4	Well 8
December 14	54	6		0	15	16	0
January 15	54	6	0	0	0	16	0
February 15	55	6	6	0	0	16	0
March 15	53	6	30	38	55	16	10
April 15	53	5	30	38	55	16	10
May 15	64	5	30	38	55	16	10
June 15	64	6	31	37	55	16	10
July 15	64	6	29	37	55	16	10
August 15	52	6	29	37	55	16	10
September 15	96	6	27	36	44	16	11
October 15	67	6	0	0	0	15	16
November 15	67	6	0	0	0	15	10
December 15	64	0	0	0	0	15	0
January 16	54	6	0	0	0	15	0
February 16	43	5	0	38	0	15	0
March 16	55	6	29	38	0	15	0
April 16	65	6	30	38	0	16	0
May 16	65	6	31	37	57	17	11
June 16	78	6	27	35	49	17	11
July 16	71	6	30	36	56	13	11
August 16	73	6	30	37	56	15	11
September 16	61	6	30	37	47	14	11
October 16	73	7	0	37	0	9	10
November 16	52	7	0	38	0	9	9
December 16	23	14	0	38	0	10	9
January 17	23	0	0	0	0	10	10
February 17	23	0	0	37	0	14	9
March 17	23	0	0	38	0	14	11
April 17	65	0	30	38	0	14	11
May 17	63	8	30	37	56	17	8
June 17	59	7	30	33	54	17	8
July 17	58	7	30	35	45	15	8
August 17	57	0	30	33	50	13	0
September 17	39	0	30	0	46	13	0
October 17	0	0	30	0	47	13	0
November 17	33	0	30	30	46	13	0
December 17	0	0	0	38	56	13	0
January 18	0	0	0	38	56	0	0
February 18	0	0	0	38	56	0	0
March 18	0	0	0	38	55	0	0

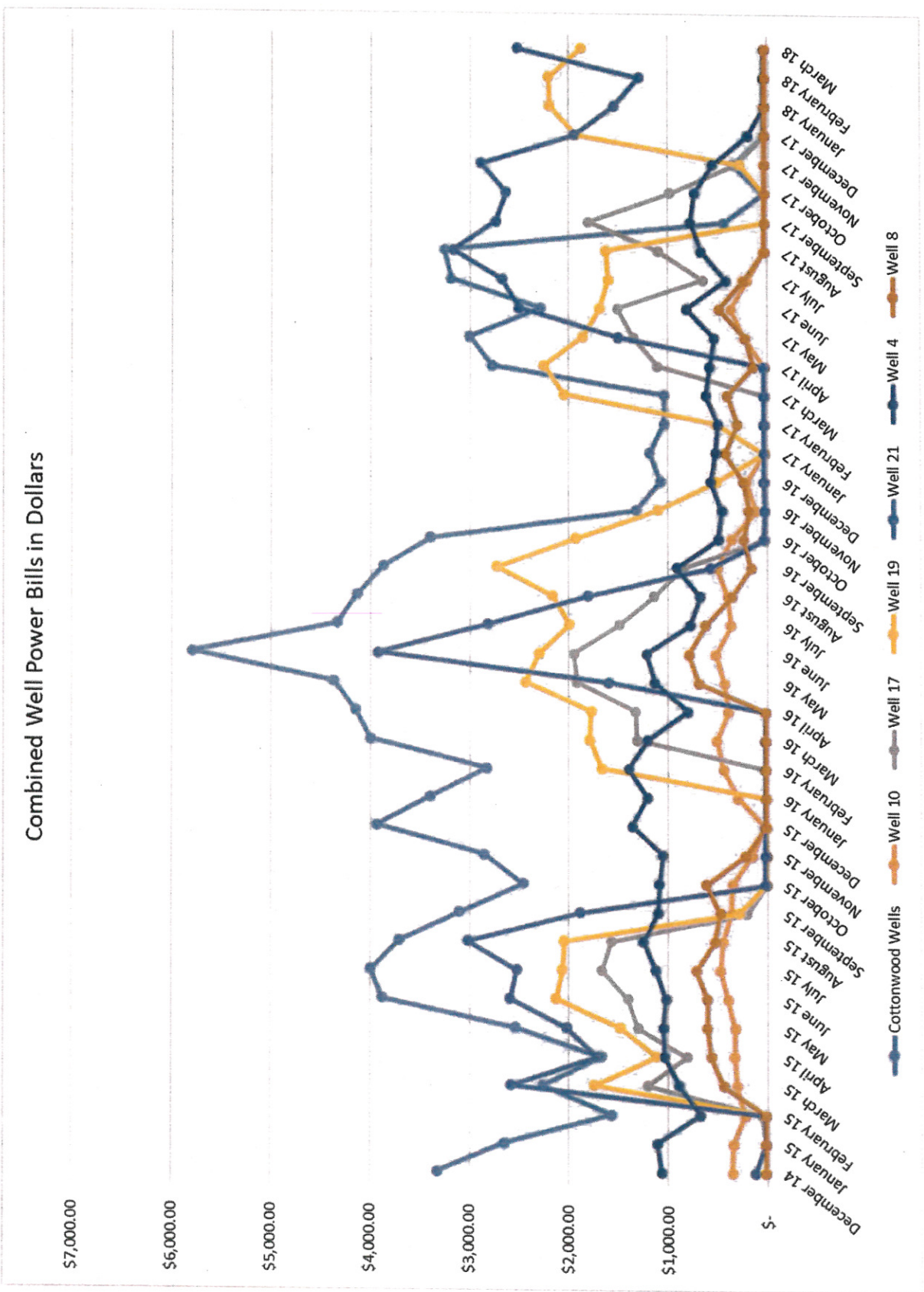


Power Costs in Dollars per Thousand Gallons of Water Billed from Wells



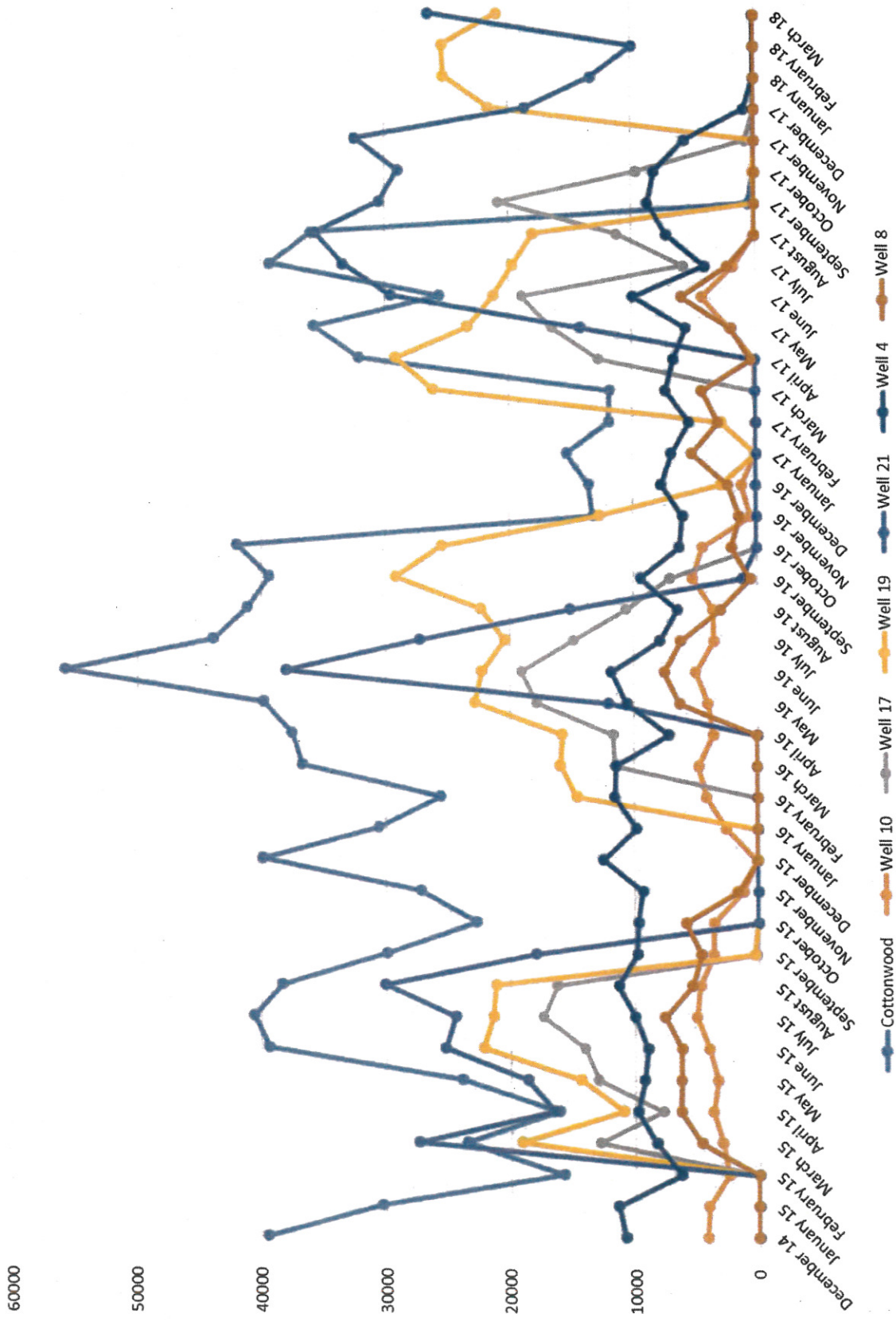


Combined Well Power Bills in Dollars

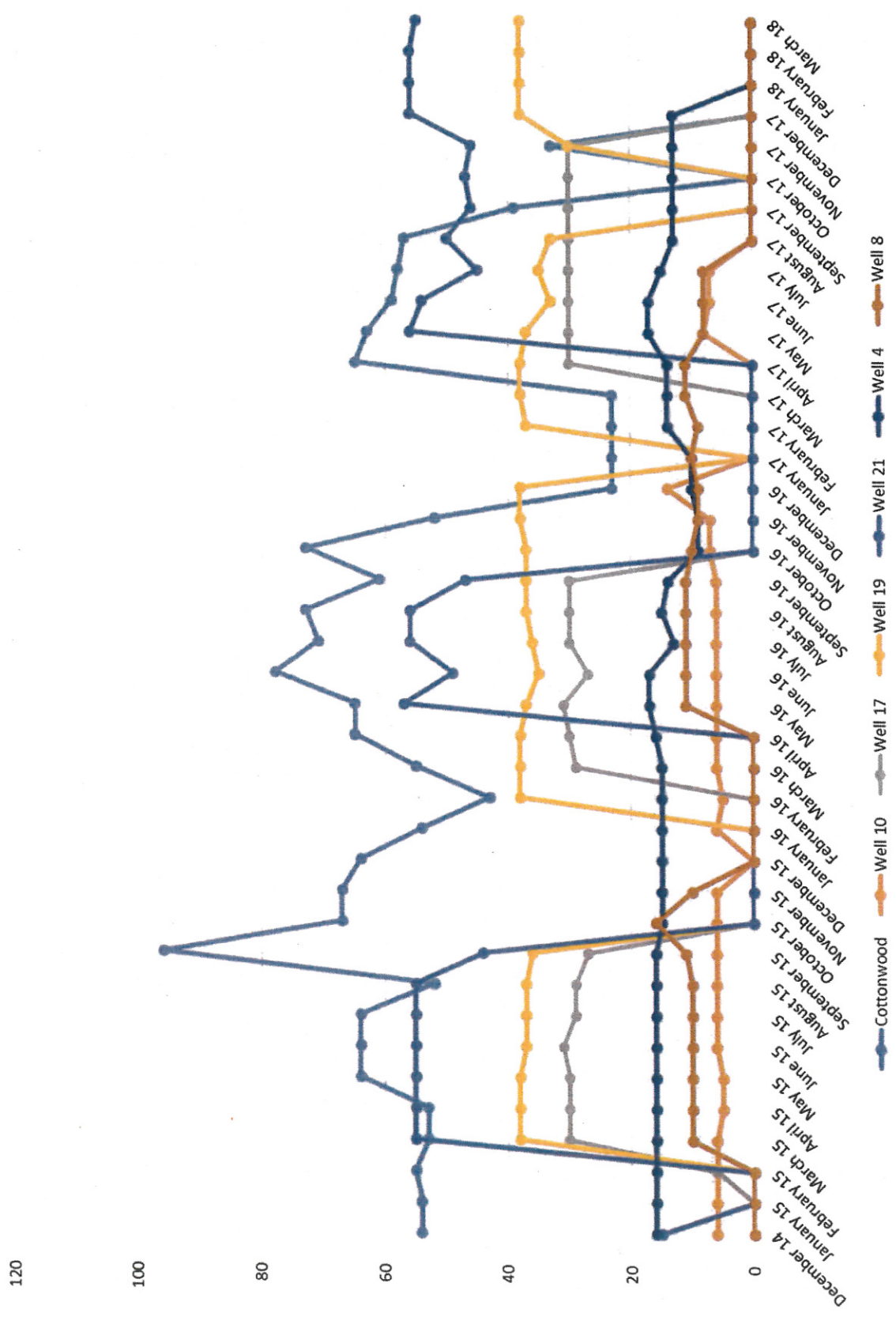




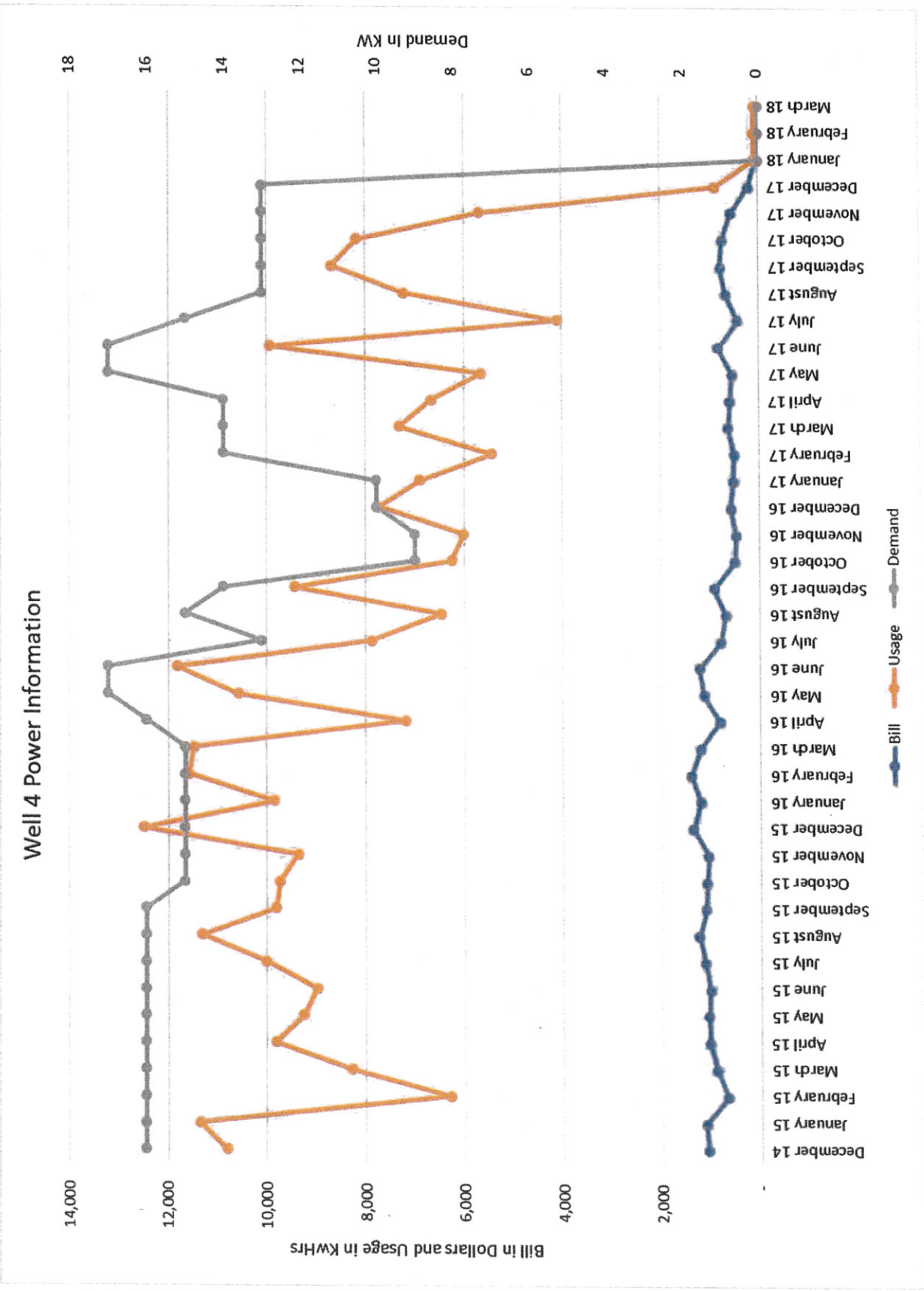
Combined Power Usage in KwHrs

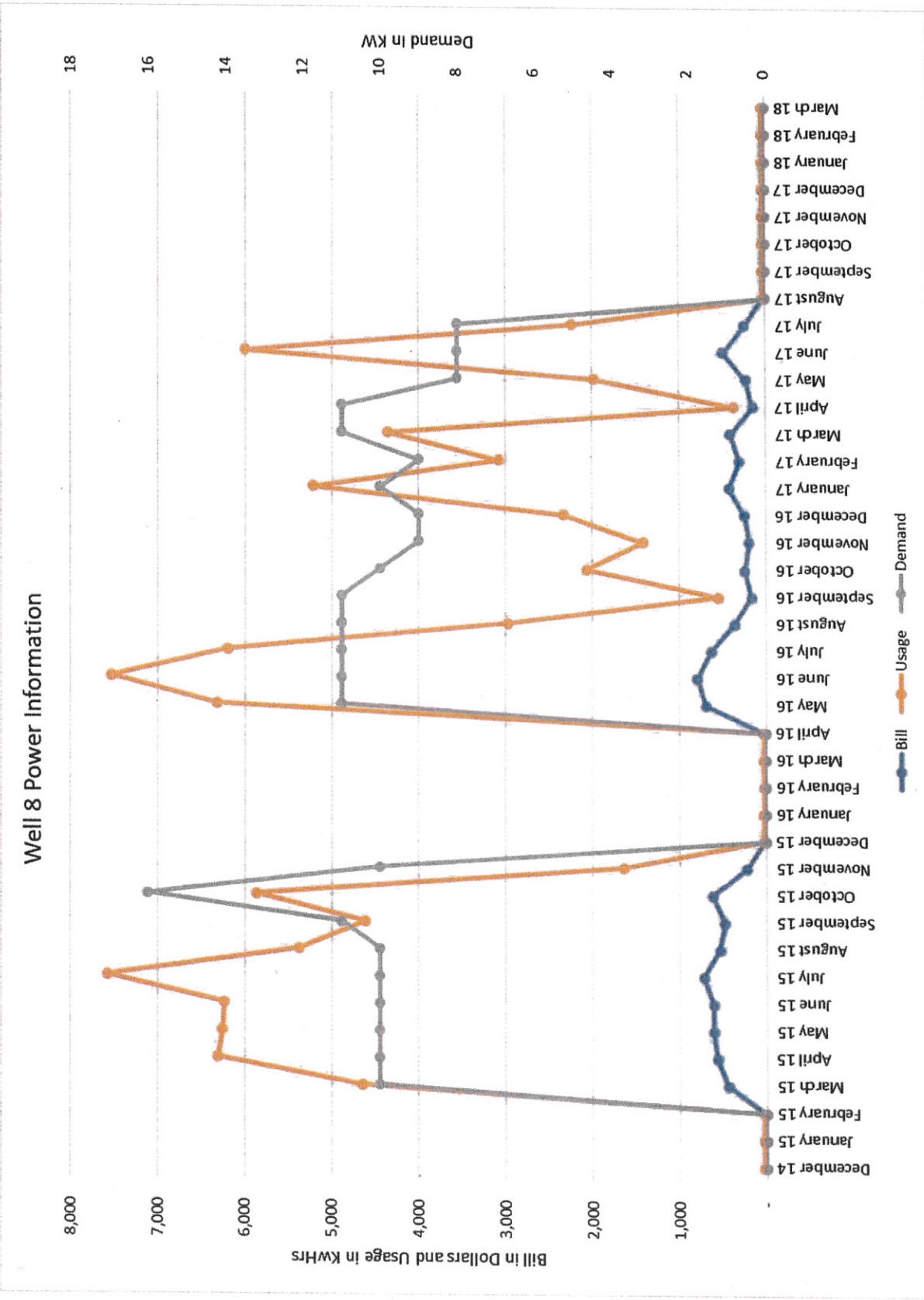


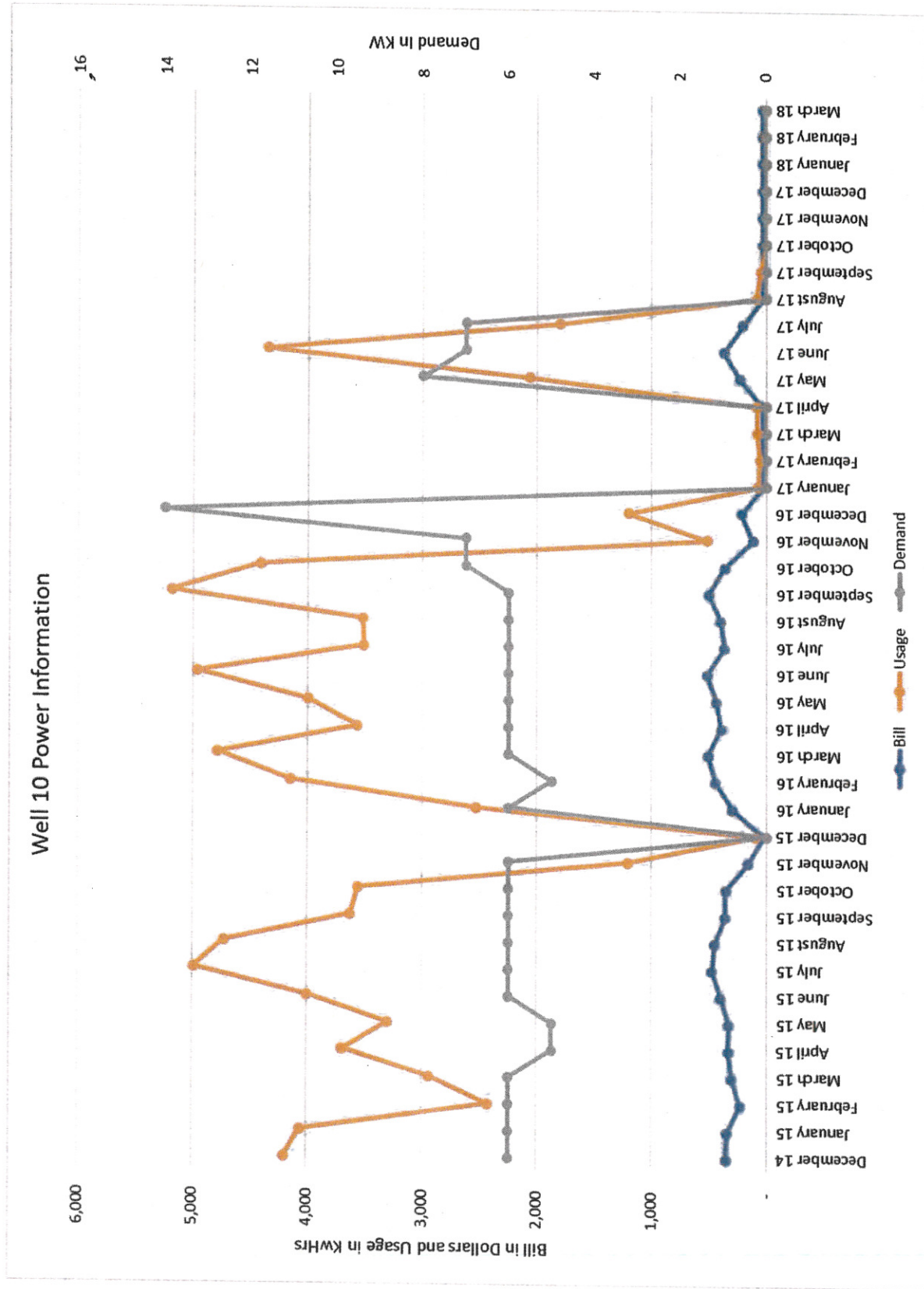
Combined Well Power Demand In KW



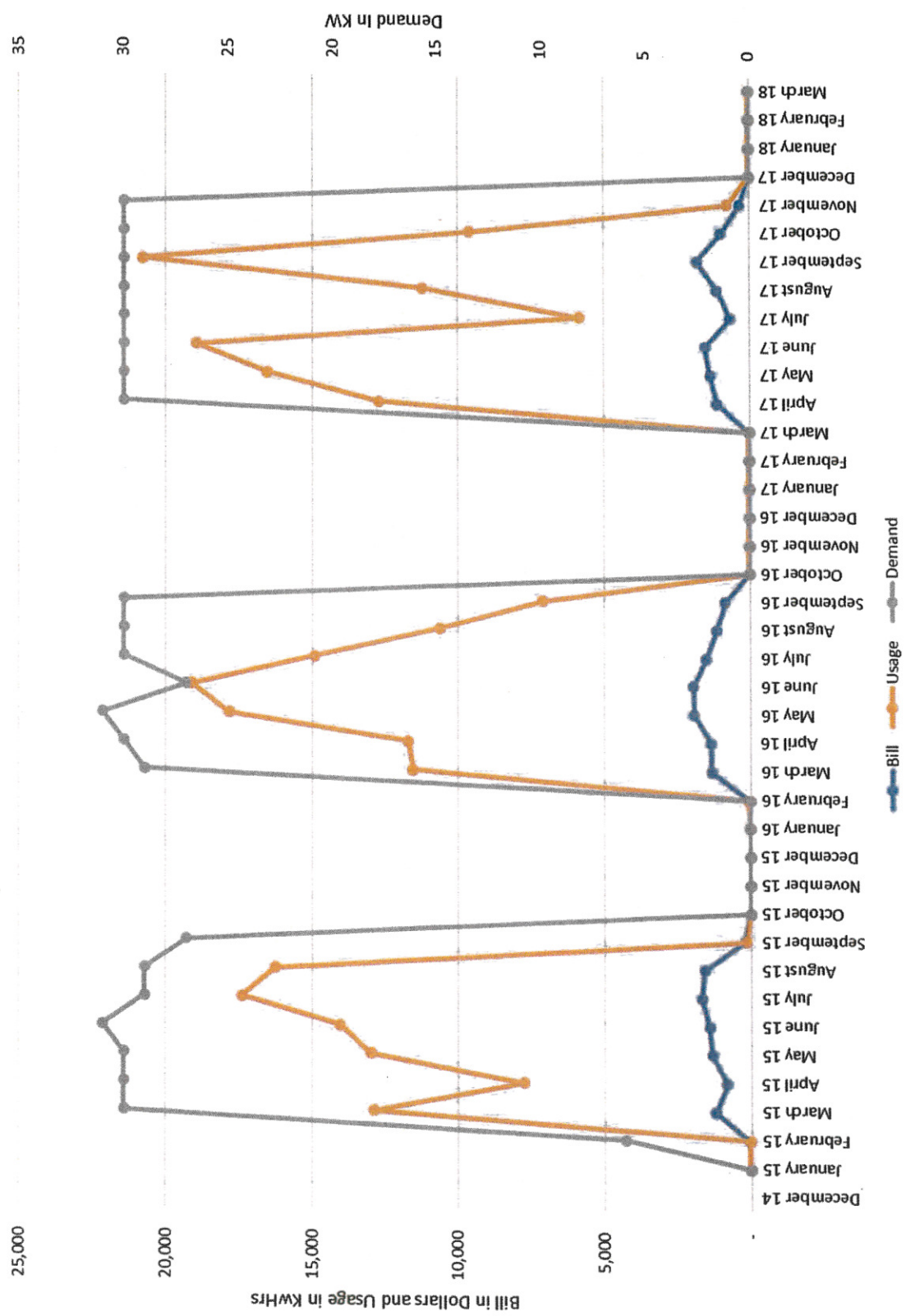




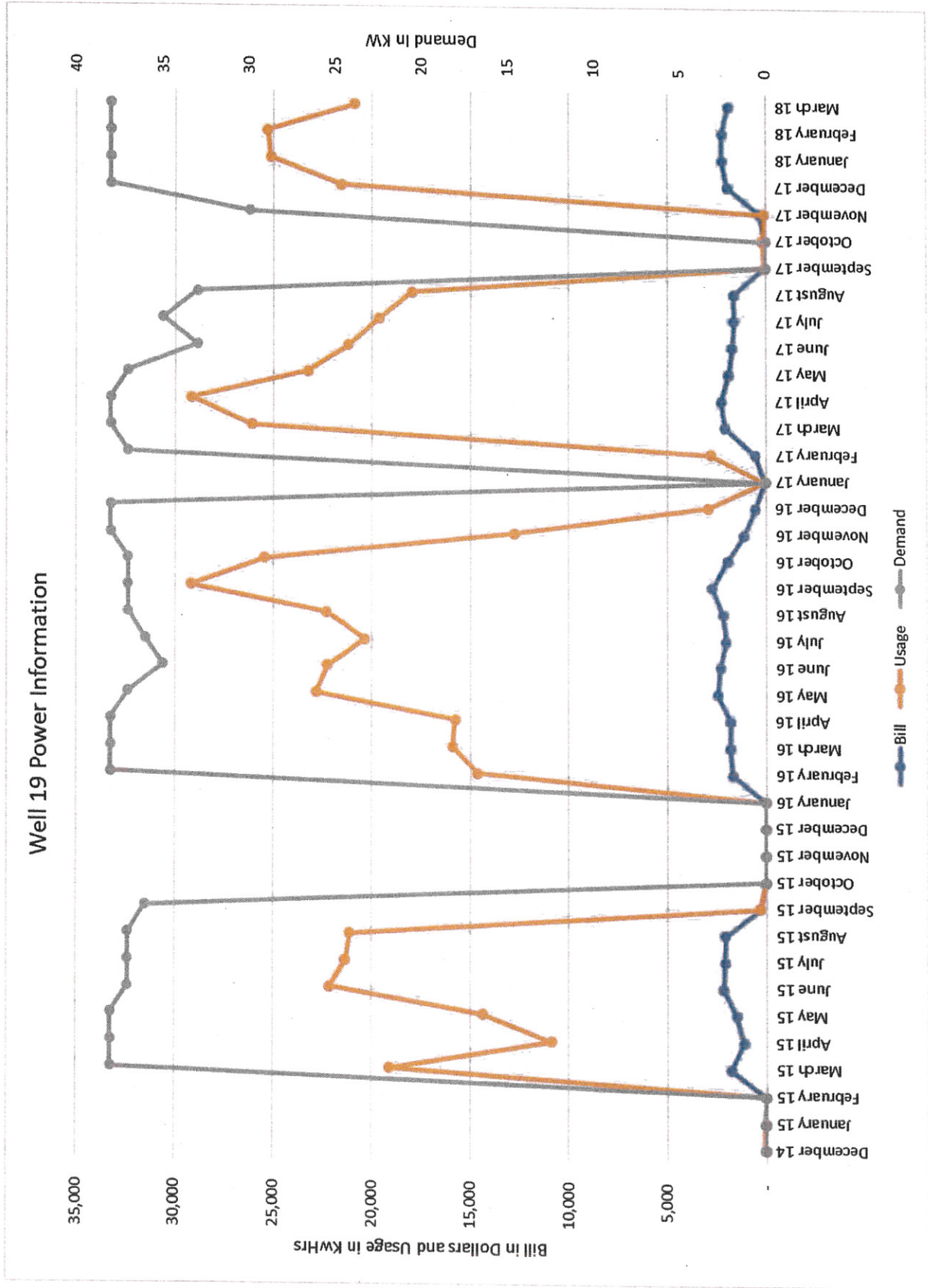




### Well 17 Power Information

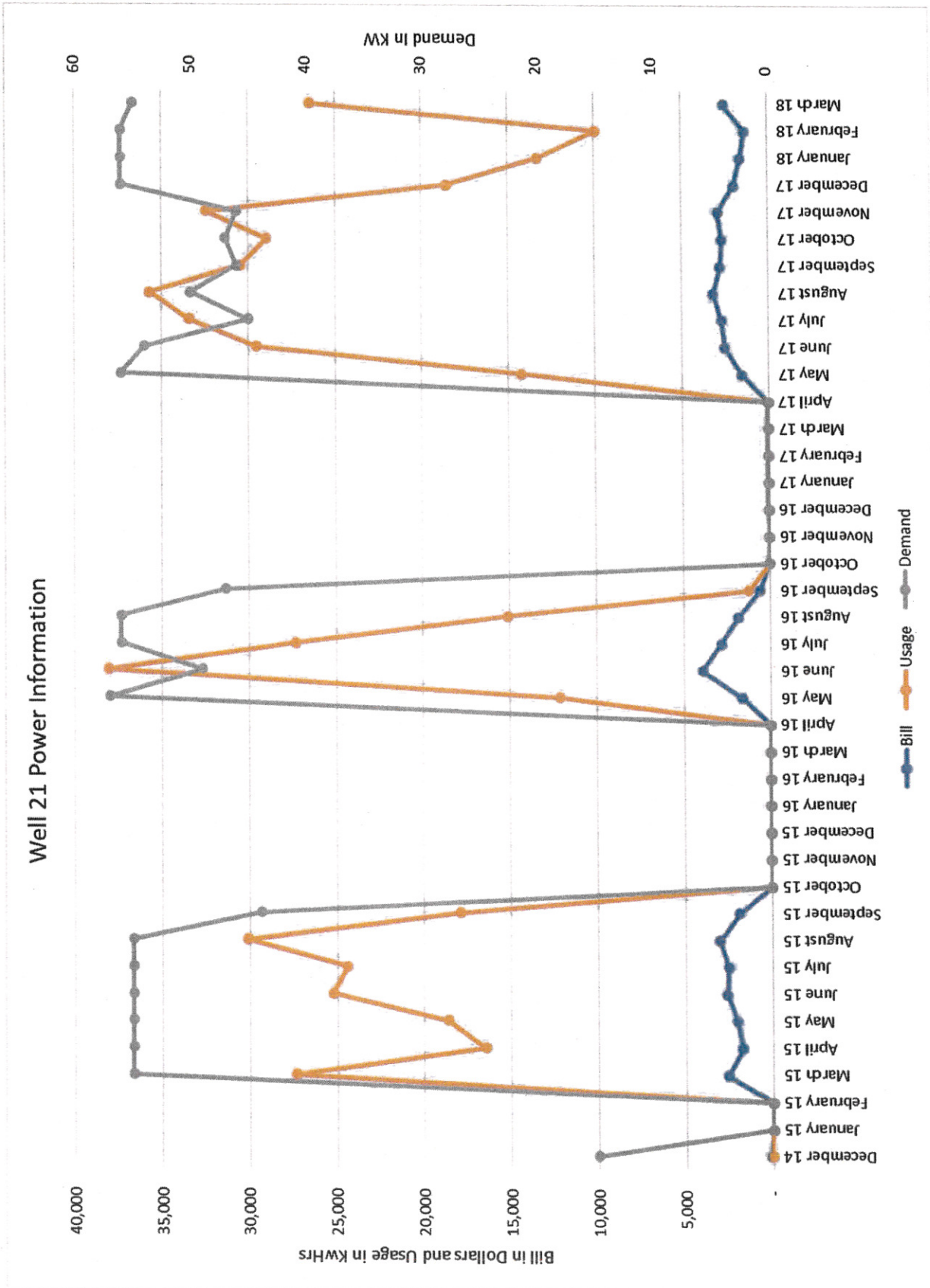




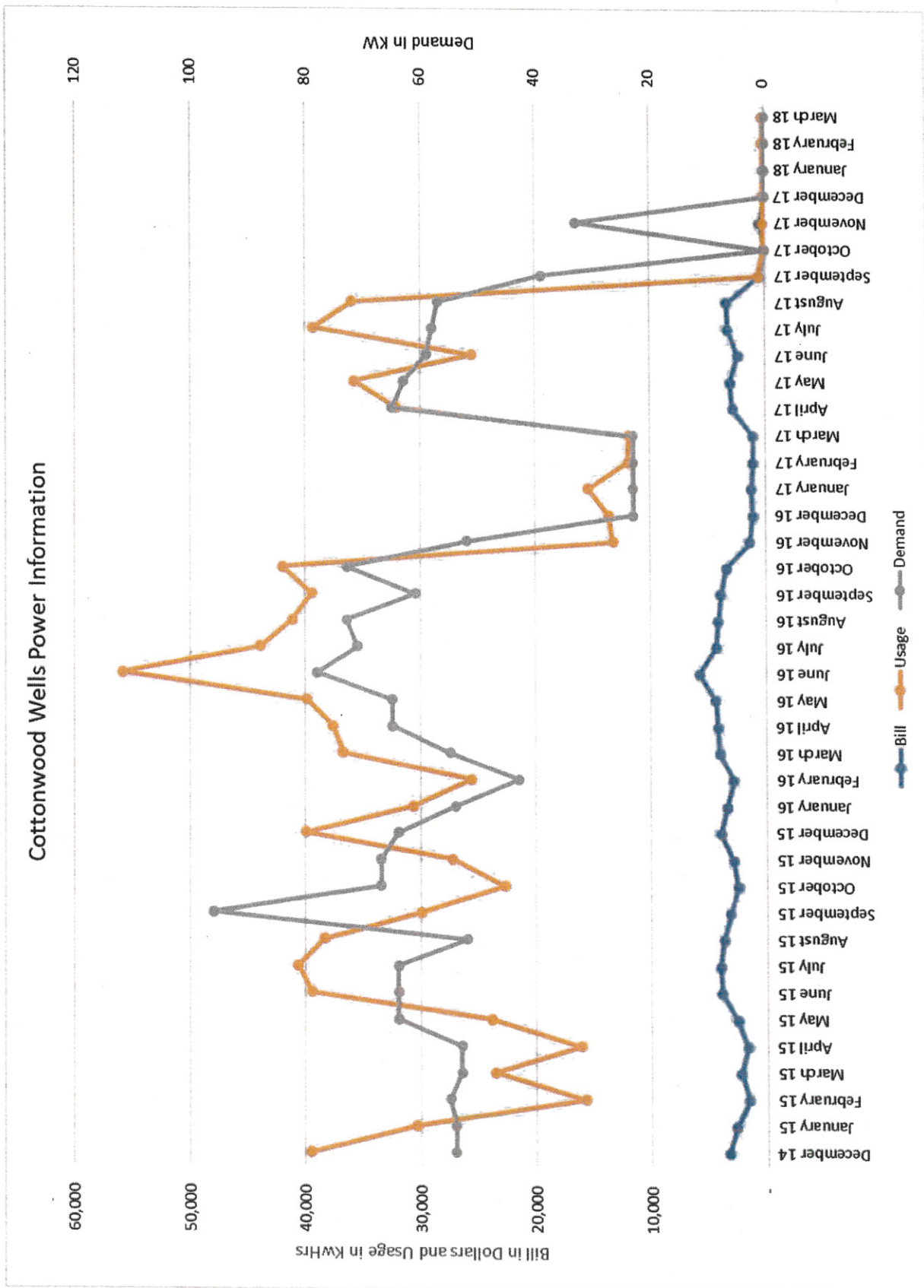




Well 21 Power Information



### Cottonwood Wells Power Information



### Power Service Information

Account Number	Location Name	Wells	Service Address	Rate
1781700	Well 21	21	25 N Richard St	General Service #2 Arizona
1782500	Cottonwood Wells	11,24,22	440 W Mohave Ave	General Service #2 Arizona
1780600	Well 19	19	25 N Oak St	General Service #1 Arizona
1772400	Well 4	4, 4B	195 S Richard St	General Service #1 Arizona
1772300	Well 10	10	155 S Richard St	General Service #1 Arizona
1768100	Well 8	8	525 W Garden Ave	General Service #1 Arizona
1781000	Well 17	17	335 N Willow St	General Service #1 Arizona

### Well Information

Number		Approx Depth	HP	Approx Flow Rate
4	Shallow	100	15	150
4B	Shallow	100	5	50
8	Shallow	100	15	100
10	Shallow	100	10	100
11	Shallow	100	15	150
15	Shallow	100	2	20
24	Shallow	100	15	140
17	Deep	500	30	130
19	Deep	540	40	190
21	Deep	590	60	280
22	Deep	540	50	180



P.O. BOX 840490 320 E. NEWEL AVE. HILDALE, UTAH 84784 PHONE: 435-874-1160 FAX: 435-874-2603

## Memo Regarding Water Impact Fees August 23, 2018

Utility Board &  
Harrison Johnson, Manager

Mr. Chairman, Board and Manager,

It has come to my awareness that we are nearing the time required by Arizona law to study the water impact fee. The Water Impact Fee study was done in 2014, and is required to be updated every 5 years. This study cost the department around \$40,000 for the engineering and more for staff time. This study was challenged in the Department of Justice Court case, which required us to pay another \$16,000 for an analysis of the engineering study done by Sunrise Engineering.

From the implementation of the Impact Fee to date we have received only one (1) ¾" meter impact fee, in the amount of \$11,820.00

The Water department has implemented only 1 Capital project that was listed in the study, that the fees could be used for and that is the purchase of water rights. For this the water department has incurred a loan in the amount of \$345,600.00. As there has not been enough impact fees paid to cover the loan payments, the payments necessarily have been made out of user fees.

Now, since the time of the impact enactment the department has not seen the projected growth.

In my opinion it would not be a wise investment to do another impact fee study at this time. The water department has more than five year's capacity at the previously projected growth rate 4% to 5% without significant infrastructure development. The department needs to sell more connections/water to maintain it's current level of service.

Therefore, I it is my recommendation to repeal the impact fee ordinance entirely and immediately.

Regards,

Weston Barlow  
Operations Manager





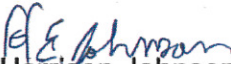
To the Chairman of the Board of the Hildale-Colorado City Utility Department,

In discussing the impact fees with Weston Barlow, he illustrated the need to drop the water impact fee and the benefit to the financial position of the Hildale-Colorado City Utility Department (HCUD).

The past performance of the water impact fee has not been an asset to the Department's development. The future does not appear much better as potential developments and new customers are either discouraged in building or contrive ways to avoid the impact fees.

Water impact fees have made only nominal contributions to water infrastructure development. Nearly all development of said infrastructure has been funded by usage and connection fees, bonds and related grants. The funding available from water impact fees does not even top \$15,000 which may not be even enough to cover incidental costs of infrastructure development projects that average in the hundreds of thousands. Beyond the anemic performance of impact fees in providing funding, our water and wastewater services are vastly under-utilized. This creates the least favorable of all possible situations, where HCUD needs usage to maintain its systems and increase metered sales, but implemented a funding function that categorically discourages increased usage through new customers.

It is the recommendation of the Hildale-Colorado City Utility Department management and the water superintendent that the board recommend that the respective city councils enact a total repeal of the water service impact fee. HCUD management will provide analysis and support to the councils in whatever capacity is necessary.

  
Harrison Johnson  
Utility Business Manager  
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