

WORK SESSION – Thursday August 21, 2025

**Minutes of the Huntsville Town Council Work Session held at the Huntsville Town Hall
7474 E. 200 S., 5:00 p.m.**

The work session was scheduled to discuss the Zions Bank Water Study Results

Attending: Mayor Richard Sorensen, TCM Bruce Ahlstrom, TCM Lewis Johnson, TCM Artie Powell, Jim Truett, Tommy Christie, Katherine Engstrom

Zoom: TCM Sandy Hunter, Mark Johnson-Zion's Bank, Ron Gault-Huntsville Water Board Chair, Susie Becker-Zion's Bank

Susie Becker of Zion's Bank explained the results of the water rate study with a power point presentation. **(See Attachment #1)**

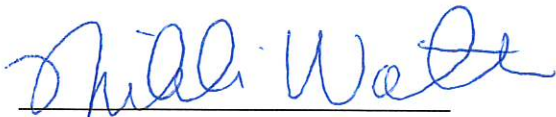
She began by explaining that doing nothing would lead to negative net revenues and poor debt coverage. She then presented three options for rate increases and bond issuance to fund capital projects. The current base rate of \$57 was highlighted as a reference point for future adjustments.

The first option involved an 80% rate increase and issuing a \$1.5 million bond at 4.5% interest, starting projects immediately. The second option was a 70% rate increase and a 2.5% bond interest rate. The third option involved two 70% and 30% rate increases, starting projects in 2027 without bonding, resulting in higher short-term costs but no long-term interest payments.

The TC discussed two options for funding water infrastructure improvements: a \$1.5 million bond with below-market rates through the State Drinking Water Division, or a private placement. Mark Anderson, bonding agent, explained that while the State could potentially offer a below-3% rate, private placement would be more expensive due to smaller bond size. Ron Gault confirmed that a bond could fund replacing a troubled water line section in 2026 and sustainability upgrades to the water plant. Ron thanked Susie for doing such a great job and said that he liked option one or two.

The TC spoke with Mark Anderson about the loan application and his contract with the town. He explained that the water rates would need to be adjusted before applying for the loan in September. He offered to help review the financial part of the application. They also discussed his contract for bond issuance services. Mark clarified that the minimum fee would be \$10,000 and services would only be billed if a bond is issued.

Meeting Adjourned at 5:35 p.m



Nikki Wolthuis, Deputy Clerk

Z
P
F
I

HUNTSVILLE WATER RATES

Financial Requirements

- Maintain a debt service coverage ratio of at least 1.25
- Maintain 150-180 days cash on hand

Inputs and Best Practices

- Operating expenses increase at 5 percent per year
- Capital costs are for \$1.5 million which can be spread over several years
- Fair and equitable rates
- Rates are easy to implement and understand

CURRENT BASE RATES

Description	Amount
<i>Base Rate – Residential In Town</i>	
Residential In - 3/4"	\$57.50
Residential In - 1"	\$89.50
Residential In - 1 1/2"	\$127.50
Residential In - 2"	\$166.50
Residential In - 3"	\$235.50
<i>Base Rate – Residential Outside of Town</i>	
Residential Out - 3/4"	\$75.00
Residential Out - 1"	\$116.00
Residential Out - 1 1/2"	\$166.50
Residential Out - 2"	\$212.50
Residential Out - 3"	\$258.50

DO-NOTHING SCENARIO

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Net							
Revenues before Debt Service	(\$187,016)	\$48,412	\$36,286	\$23,447	\$9,859	(\$4,516)	(\$19,720)
Capital Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service Coverage Ratio							
Days Cash on Hand - End of Year							

Option 1

- Increase rates as follows **with all rate increases taking effect on October 1, 2025 and each fiscal year thereafter (beginning July 1):**

FY 2026 - 80%

- Issue a \$1.5 million bond in FY2026 for 20 years at an anticipated 4.5 percent interest rate
- Begin all projects in FY2026

OPTION 1

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Net							
Revenues before Debt Service	(\$187,016)	\$242,031	\$296,199	\$285,127	\$273,318	\$260,733	\$247,334
Capital Expenses	\$0 (\$1,545,000)		\$0	\$0	\$0	\$0	\$0
Debt Service Coverage Ratio		3.13	1.51	1.46	1.40	1.34	1.27
Days Cash on Hand - End of Year			259	347	415	463	492

Option 2

- Increase rates as follows with all rate increases taking effect on **October 1, 2025 and each fiscal year thereafter (beginning July 1):**

FY 2026 – 70%

- Issue a \$1.5 million bond in FY2026 for 20 years at an anticipated 2.5 percent interest rate
- Begin all projects in FY2026

OPTION 2

	2026	2027	2028	2029	2030	2031	2032
Net							
Revenues before Debt Service	(\$187,016)	\$217,828	\$263,709	\$252,417	\$240,385	\$227,577	\$213,952
Capital Expenses	(\$1,545,000)	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service Coverage Ratio		2.81	1.49	1.43	1.37	1.30	
Days Cash on Hand - End of Year			215	291	346	384	403

Option 3

- Increase rates as follows with all rate increases taking effect on October 1, **2025 and each fiscal year thereafter (beginning July 1):**

FY 2026 - 70%

FY 2027 – 30%

- No bonds issued
- Projects spread over 5 years with about \$300,000 of expenses per year, beginning in 2027

OPTION 3

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Net							
Revenues before Debt Service	(\$187,016)	\$217,828	\$429,404	\$419,237	\$408,340	\$396,674	\$384,199
Capital Expenses	\$0	\$0	(\$318,270)	(\$327,818)	(\$337,653)	(\$347,782)	(\$358,216)
Debt Service Coverage Ratio		2.81	5.45	5.37	5.28	5.18	5.01
Days Cash on Hand - End of Year	-	174	204	209	192	155	

SUMMARY AND COMPARISON

SUMMARY	Current/Do-	Option 1 - by	Option 2 – by	Option 3 - by
	Nothing	2028	2028	2028
Base Rate	\$57.50	\$103.50	\$97.75	\$127.08
10,000 gallons	\$20.25	\$36.45	\$34.44	\$44.76
Total per Month	\$77.75	\$139.95	\$132.19	\$171.84
	No bond	\$1.5M bond in 2026	\$1.5M bond in 2026	No bond
	No capital projects start in 2026	Projects start in 2026	Projects start in 2026	projects start in 2027 - spread over 5 yrs
				\$1.5 million of