



City Council Staff Report

REPORT DATE: June 14, 2023

MEETING DATE: June 28, 2023,

| | |
|-----------|---|
| SUBJECT | Irrigation System Work Session |
| ITEM TYPE | <input type="checkbox"/> Public Hearing <input checked="" type="checkbox"/> Work Session <input type="checkbox"/> Action Item |
| PRESENTER | Jasmine Griffin, City Treasurer; Jeremy Besbris, City Administrator |

APPLICABLE VICTOR VALUES

- | | | |
|--|--|---|
| <input type="checkbox"/> Culturally Historic | <input type="checkbox"/> Sustainable | <input type="checkbox"/> Connected to Nature |
| <input type="checkbox"/> Small Town Feel | <input type="checkbox"/> Family Friendly | <input checked="" type="checkbox"/> Administrative Need |

PURPOSE & PROCESS

The purpose of this item is to examine options for sustaining operations and maintenance of the irrigation and sprinkler system, and to consider forming a lateral irrigation district with statutory powers to operate the system going forward. No action is needed at this time, however, staff would like direction on how to proceed.

BACKGROUND/ALTERNATIVES

The current configuration of the City's culinary water systems and irrigation systems took place in the 1970s. During that decade, the City installed a metered culinary water system using spring waters and an unmetered underground piped irrigation system delivering Trail Creek Irrigation water from a single point source controlled by Trail Creek Irrigation and Sprinkler Company (Trail Creek). All properties within city limits were offered piped irrigation, and records indicate 117 homes, and 18 businesses in what is now considered "old town Victor" subscribed to the new system in 1976.

That same year, the City specified certain rules and regulations governing the irrigation system. A letter to the Victor City Council dated May 14, 1986 from city staff member Harold Holmes, stated, et alia: each subscribers' entire property be factored into their irrigation assessment regardless of impervious development; that once a property subscribed the underlying property could not escape the financial obligation associated with said subscription; subscribers had to pay the annual assessment independent of whether they used irrigation water; and the city would collect and pay to Trail Creek the assessed value of the assigned shares on behalf of all subscribers. Indeed, these rules and regulations are consistent with the City's operation of the system to this day except for one critical matter.

Specifically, Holmes' 1986 letter clearly describes a \$350.00 "basic fee" per acre, with a minimum annual fee of \$150.00 --- and these amounts were to be subject to 6%, un compounded, "installation inflation factor". In other words, the City Council expected rates to rise over time to cover the initial construction costs and year-to-year increases in operating and maintenance costs. However, the current fees charged by the city for "old town" subscribers is \$134.54 per acre -- roughly \$900 less than it should be per the 1976 fee schedule. Though fee schedules often evolve over time, the fact that irrigation costs less now than it did in 1976 pertinences the need for a complete overhaul of the system.

The City might not be the best authority to govern an increasingly capital-intensive system benefits fewer and fewer city residents each year. Since 1976, annexations and new subdivisions and lot splits mean fewer residents are subscribers, or if they're subscribers, their access to irrigation water impractical. Therefore, while it was likely true in 1976 that councilmembers were also subscribers to the city's system, that is increasingly less likely in 2023. And as a result, the council body is increasingly less representative of the typical irrigation user. This lack of representation complicates the decision making around an important resource at a moment when challenging decisions are needed to sustain the system.

STAFF RECOMMENDATION

The irrigation system is at an inflection point where new revenues are necessary to increase operations and maintenance to control basic costs and ensure the reliable delivery of irrigation water to its subscribers. Staff seeks the Council's direction based on the two options outlined below.

Option A - Stay the Course: Staying the course means allowing the system to continue without overhauling the system's governance. Under this option, the City maintains its exclusive control over the system. However, Option A is not viable without new revenues to support the true cost of operations and maintenance. Therefore, Option A is only viable with new funding for a watermaster to oversee the system's annual M&O. Based on a rosy estimate of year-to-date expenditures, staff estimates the minimum annual fee must increase to a minimum of \$250.00 per acre just to cover FY23's irrigation budget shortfall.

Option B – Form a Lateral Ditch Water User's Association Per Statute. Section 42-1301 of Idaho Code governs the formation of a Lateral Ditch Water Users Association. The basic purpose of such an association is to provide direct governance over lateral system (subsystems that receive their water from a single point source beyond their direct control), and to do so, said association is empowered to take various actions, such as borrowing and assessing debt for the conveyance of irrigation water to the association's members. The basic steps to form such an association are outlined below and could likely be accomplished before the next irrigation season in FY24. In that case, the irrigation fund would be eliminated from the city's budget, but the City would still be assessed irrigation fees as determined by the new association.

Basic Steps under I.C § 42-1301 Lateral Ditch Water User's Association

- (1) Formation of the entity, including filing of articles and by-laws and appointing board members;
- (2) election of board members;
- (3) assignment of irrigation shares assigned to the City by Trail Creek to newly formed entity;
- (4) [following a declaration of surplus property] conveyance en-masse of easements and infrastructure.

Forming a new association is likely to be the easy part, as the benefit and effect of any new association will heavily depend on the level of care exercised by the new association's board and its ability to raise new revenues. On the one hand, Option B positions the users who directly benefit from the system to make challenging but necessary decisions to revive the system and to ensure their properties stand to benefit from the system moving forward. To this end, the City, as the largest shareholder in the new association, would still have significant decision making power, but it would cease to be the sole custodian of the system. This is arguably a more equitable outcome for taxpayers, most of whom are not system subscribers, but it would also diminish the City's ability to control costs assessed by the association to its members.

SUGGESTED MOTION

N/A

LEGAL

The above recommendations have been vetted by legal counsel but is ongoing and dependent on Council's direction.



Irrigation Fee Analysis

Date: 5-30-2018

1.0 Operation & Maintenance

| Category | Fiscal Year | | | | | | | | | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|--------------------|---------------------|--|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018* | |
| Salaries and Benefits | | \$ - | \$ 2,588.00 | \$ 5,489.00 | \$ 6,026.00 | \$ 7,548.00 | \$ 7,842.00 | \$ 5,464.12 | \$ 5,940.00 | |
| General Maintenance | \$ 3,827.00 | \$ 2,532.00 | \$ 6,172.00 | \$ 2,676.00 | \$ 3,793.00 | \$ 12,331.00 | \$ 2,661.00 | \$ 319.50 | \$ 3,200.00 | |
| Equipment | | | | | | | | | \$ 1,755.72 | |
| Misc. | | | | | | | | \$ 939.00 | 0 | |
| Total Number of Shares | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | |
| Reserves (10% of Operational Cost) | | | | | | | | \$ 1,019.01 | \$ 1,368.75 | |
| Total | \$ 3,827.00 | \$ 2,532.00 | \$ 8,760.00 | \$ 8,165.00 | \$ 9,819.00 | \$ 19,879.00 | \$ 10,503.00 | \$ 6,802.63 | \$ 12,264.47 | |

2.0 Trail Creek Share Breakdown

| Category | # of Shares |
|--|-------------|
| Shares - Total | 219 |
| Shares - City Parks (City Property) | 49.18 |
| Shares - City Property Owners (Old Town) | 114.82 |
| Shares - Golf Vista Park (City Property) | 9.04 |
| Share - Golf Vista Property Owners | 45.96 |
| Total Check | 219 |

3.0 Trail Creek Sprinkler Fee

| Category | Fiscal Year | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018* | |
| Trail Creek Sprinkler Company Yearly Fee | \$ 3,936.00 | \$ 3,808.00 | \$ 3,385.00 | \$ 3,822.00 | \$ 3,822.00 | \$ 3,822.00 | \$ 4,260.00 | \$ 4,406.50 | \$ 4,547.51 | |
| Number of Shares Billed | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | 219.00 | |
| Average Charge per Share | \$ 17.97 | \$ 17.39 | \$ 15.46 | \$ 17.45 | \$ 17.45 | \$ 17.45 | \$ 19.45 | \$ 20.12 | \$ 20.76 | |
| Charge for City Property Owners (Old Town) | \$ 2,063.61 | \$ 1,996.50 | \$ 1,774.73 | \$ 2,003.84 | \$ 2,003.84 | \$ 2,003.84 | \$ 2,233.48 | \$ 2,310.29 | \$ 2,384.22 | |
| Charge for Golf Vista Property Owners | \$ 826.02 | \$ 799.16 | \$ 710.39 | \$ 802.10 | \$ 802.10 | \$ 802.10 | \$ 894.02 | \$ 924.76 | \$ 954.35 | |
| Charge for City Parks (Including Golf Vista) | \$ 1,046.36 | \$ 1,012.34 | \$ 899.88 | \$ 1,016.06 | \$ 1,016.06 | \$ 1,016.06 | \$ 1,132.50 | \$ 1,171.44 | \$ 1,208.93 | |
| Total Check | \$ 3,936.00 | \$ 3,808.00 | \$ 3,385.00 | \$ 3,822.00 | \$ 3,822.00 | \$ 3,822.00 | \$ 4,260.00 | \$ 4,406.50 | \$ 4,547.51 | |

4.0 Revenue Requirement Summary

| Category | Fiscal Year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|-----------------|------------------|--|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017* | 2018 | |
| Operation and Maintenance | \$ 3,827.00 | \$ 2,532.00 | \$ 8,760.00 | \$ 8,165.00 | \$ 9,819.00 | \$ 19,879.00 | \$ 10,503.00 | \$ 6,802.63 | \$ 12,264.47 | |
| Trail Creek Sprinkler Charge | \$ 2,063.61 | \$ 1,996.50 | \$ 1,774.73 | \$ 2,003.84 | \$ 2,003.84 | \$ 2,003.84 | \$ 2,233.48 | \$ 2,310.29 | \$ 2,384.22 | |
| Total Revenue Requirement - Old Town | \$ 5,890.61 | \$ 4,528.50 | \$ 10,534.73 | \$ 10,168.84 | \$ 11,822.84 | \$ 21,882.84 | \$ 12,736.48 | \$ 9,112.93 | \$ 14,648.69 | |
| Recommended Yearly Fee Per Share | \$ 51.30 | \$ 39.44 | \$ 91.75 | \$ 88.56 | \$ 102.97 | \$ 190.58 | \$ 110.93 | \$ 79.37 | \$ 127.58 | |

*Pro-Forma Test Year

5.0 Summary

| | Proposed Rate | Existing Rate | % Increase |
|---|---------------|---------------|------------|
| Old Town Property Owner Yearly Fee | \$ 127.58 | 126.12 | 1.16% |
| Golf Vista Property Owner Yearly Fee (Pass Along) | \$ 20.12 | 20.02 | 0.50% |
| Trail Creek Parks Fee (Including Golf Vista Park) | \$ 1,171.44 | 1165.34 | 0.52% |

6.0 Basis for Billing

The City bills the users of the irrigation system on a per acre basis. If a property owner owns a lot that is a quarter of an acre the yearly bill would be calculated as follows:

| | |
|--------------------------|-----------------|
| Old Town Property: | |
| Property Size (Acres): | 0.25 |
| Yearly Fee per Acre: | \$ 127.58 |
| Total Yearly Fee: | \$ 31.89 |

| | |
|---|----------------|
| Golf Vista Property Owner (Trail Creek Fee Pass Along): | |
| Property Size (Acres): | 0.25 |
| Yearly Fee per Acre: | \$ 20.12 |
| Total Yearly Fee: | \$ 5.03 |