CLEARFIELD CITY COUNCIL MEETING MINUTES
6:00 P.M. WORK SESSION
August 9, 2016

PRESIDING:	Mark Shepherd	Mayor
PRESENT:	Keri Benson	Councilmember
	Kent Bush	Councilmember
	Nike Peterson	Councilmember
	Vern Phipps	Councilmember
	Bruce Young	Councilmember
STAFF PRESENT:	Adam Lenhard	City Manager
	JJ Allen	Assistant City Manager
	Stuart Williams	City Attorney
	Scott Hodge	Public Works Director
	Spencer Brimley	Development Services Manager
	Greg Krusi	Police Chief
	Eric Howes	Community Services Director
	Curtis Dickson	Community Services Deputy Dir.
	Summer Palmer	Administrative Services Director
	Rich Knapp	Finance Manager
	Brian Hogge	Senior Accountant
	Terrence Jackson	IT Manager
	Nancy Dean	City Recorder
	Kim Read	Deputy City Recorder

VISITORS: Kathryn Murray, Susan Becker – Zions Public Finance

Mayor Shepherd called the meeting to order at 6:01 p.m.

DISCUSSION ON THE FINDINGS OF FACT, CONCLUSIONS AND RECOMMENDATION ON THE REVOCATION OF THE RELAX HEALTH CENTER BUSINESS LICENSE

Stuart Williams, City Attorney, referred to the Findings submitted by the administrative hearing officer used to hear the appeal of the revocation of the Relax Health Center business license. He asked if there were any questions from the Council regarding the procedures and process and there were none. He explained the options available to the Council as defined by City Code:

- Hold its own hearing to consider additional evidence, or
- Adopt the recommended findings of the administrative hearing officer.

Mr. Williams stated he communicated with the property management company who represented the owner of the property, and they were both aware of the issues surrounding the business and the City's actions thus far and had indicated they had no intentions to enter into another lease agreement with the business owner.

DISCUSSION ON THE IMPACT FEE STUDY

Rich Knapp, Administrative Services Director, introduced Susan Becker, Zions Bank Public Finance, to the Council and announced she would be presenting information regarding the impact fee study and the utility rate study.

Scott Hodge, Public Works Director, announced the City had contracted with Horrocks Engineering to complete an Impact Fee Study, who in turn partnered with Zions Bank to complete the financial analysis portion of the Study. He reported the legislation which regulated impact fees was very detailed and complicated and shared an example. Mayor Shepherd asked when the last study had been completed and Mr. Hodge responded the last study was completed in 2007. He reviewed the process which had been used to complete the study. He clarified the document identified as the IFFP (Impact Fee Facilities Plan) had been completed by Horrocks and Zions Bank had completed the Fee Analysis.

Ms. Becker expressed appreciation to staff for ensuring she received accurate information that was needed to complete the study. She pointed out State Code required two separate documents be prepared: the Impact Fee Facilities Plan (IFFP) and the Impact Fee Analysis. She reviewed some specific requirements with the Council. She emphasized five specific criteria were required to be measured:

- Identifying any existing and proposed service levels.
- Identifying any excess capacity in the City’s systems (“system” improvements only).
- Showing demand created by new development and how demand would be met.
- Identifying facilities and cost based on a six to ten year horizon.
- Discussing funding options - how would it be paid for and what facilities would be needed or where could the City purchase its needs in order to accommodate increased capacity.

Ms. Becker explained the definition of impact fees to the Council and emphasized collected impact fees for new development had to be spent within six years which was why the Analysis was based on a six to ten year horizon. She stated information included in the IFFP would be used to determine the proportion that would be appropriated for residential and/or commercial development, taking into consideration credits, which would be against any outstanding bonds.

Ms. Becker explained an ERU was an Equivalent Residential Unit and ESU referred to an Equivalent Surface Unit which was used for impervious surface specifications specific to storm drainage. She reviewed the current fees and proposed maximum fees and pointed out the fees were significantly decreasing.

Ms. Becker shared an illustration which identified growth projections for water/sewer and storm water with the Council. She explained how the excess capacity for culinary water had been calculated with growth projections. She reviewed culinary water costs for new construction projects and pointed out monies remaining in the Impact Fee fund balance (referred to as credits) could be used toward the new construction projects. She mentioned the outstanding bonds were also considered as credits.

Councilmember Young requested clarification for how previously collected impact fees which paid for previous new construction could be used toward current new construction. Ms. Becker responded the previously collected funds should have been expended or were in the process of being completed, in theory. Adam Lenhard, City Manager, added there were identified projects which were still on the list in the process of being completed.

Ms. Becker reviewed the summary page which identified the ERCs (Equivalent Residential Connection), bond payments, credits and the resulting maximum impact fee of $254.13 for water. She explained why the impact fee would increase as the bond decreases. She stated the general approach to the formula was excess capacity, the buy in, new construction, other costs such as impact fee fund balance, and any credits or outstanding debt. She emphasized the buy in costs could often be low because law dictates the actual cost of the system at the time it was put in place not current market value.

Ms. Becker reviewed similar information relative to sewer which resulted in the maximum fee of $613.13. She also reviewed the information regarding storm water and explained no excess capacity had been identified, pointing out the figures resulted in the maximum impact fee of $64.81.

Councilmember Phipps stated he had difficulty with the concept of equating the excess capacity to a dollar value relative to the culinary water figures. Ms. Becker stated generally it was a percentage of the system as a whole since it would be impossible to determine excess capacity pipe by pipe and shared an example.

Councilmember Bush inquired why there was a difference in fees specific to each calendar year if the study would be applicable for six years. Ms. Becker responded this was a difficult concept to explain and pointed out the total maximum fee which could be collected was $288.30; however, there were still outstanding bonds. She continued to explain a new homebuilder couldn't be assessed both the buy-in costs and the outstanding bond costs and clarified that was the reason behind the credit being applied to the impact fee. She pointed out as growth occurred more people were paying toward the bond, in addition, the dollar amount of the bond was decreasing over time. She suggested the City use the summary sheet as a fee schedule.

Adam Lenhard, City Manager, indicated the impact fees were not changing from year to year and suggested the amount of information included in the study would allow the City to implement the fees identified on the summary sheet and a discussion took place.

Mr. Lenhard noted the figures included in the study were substantially lower than what was currently being assessed.

DISCUSSION ON THE UTILITY RATE STUDY

Rich Knapp, Finance Manager, reported the last time the City had a third party complete a rate study was in 2007 and an in-house update was completed in 2010. He believed the newest study was probably more accurate and suggested the City could defend what it charged for services based on it.

Susan Becker, Zions Bank Public Finance, explained the City had some latitude in how it structured its utility rates compared to impact fees and suggested the Council had choices specific to residential verses commercial rates. She pointed out the rate study was completed using the following assumptions:

- Increase of operating costs by 2 to 3 percent per year.
- Budget $100,000 per year for unexpected repair and replacement.
- Goal for cash balances was 275 days of operating expenses. She stated that number was considered a "standard."

Mr. Knapp pointed out bond rating agencies looked to see how much cash the City had on hand to determine how solvent or strong the City's financial position was.

Ms. Becker reviewed rate structures for sewer with the following suggestions:

- Increase single-family residential and commercial base rates by two percent per year.
- Increase multi-family residential by five percent the first year; then three percent per year thereafter.
- No changes to consumption rate.
- No proposed bonding.

Ms. Becker shared information specific to the storm water fee structure informing the Council rates would need to increase by 15 percent per year from $4.89 to $14.96, if no bonds were issued. She presented the following suggestions:

- Increase rates by three percent per year and issue a $3.6 million bond in 2021.
- Increase rates by five percent per year and issue a $2.5 million bond in 2021.

She explained the need for bonding was due to the following:

- Maintenance Operation Center Phase III construction in 2022 was projected to cost $1.2 million.
- Freeport Industrial Parkway Pond Outfall was projected at $670,000.
- Significant infrastructure projects at 400 South and 100 North were identified.

She mentioned the timeframe mirrored when a culinary water bond was needed and could be done at the same time to save costs. She shared an illustration of the proposed three percent increase from Fiscal Year 17 to Fiscal Year 25 and an illustration of the proposed five percent increase.

She shared information regarding culinary water base rates and Scott Hodge, Public Works Director, explained how meter size and ratio rates were used to determine the figures. She also reviewed current residential usage tiers with the Council and pointed out the commercial rate was $1.11 per 1000 gallons. She expressed her opinion the usage tiers were acceptable because it didn't place users in a "punitive" category. She shared an illustration identifying the following information:

No bond issuance

- rate increases would have to be extremely high – between 4 percent per year and 18 percent per year depending on meter size.
- Residential base rate would increase 15 percent per year.

Issuance of a bond

- Proposed increase of three percent per year for single family residential.
- Percentage changes vary by water meter size.
- No recommended changes for water usage fees; tiers were appropriate.
- Issue a $5.5 million bond in 2021- HAFB tank and transmission pipe for a cost of $4.1 million and Maintenance Operation Center Phase III in 2022 at a projected cost of $1.2 million.

She reviewed the summary of proposed rate increase impacts with the Council pointing out the increases averaged two percent per year. She mentioned she had hypothetically used four percent for 20 years for the bond in her calculations. She asked the Council if there were any questions.

Councilmember Benson requested clarification regarding the Hill Air Force Base tank. Adam Lenhard, City Manager, explained it was a proposed three million gallon storage tank to be built on the Base. He continued that location would provide elevation needed for the gravity fed water pressure system. Scott Hodge, Public Works Director, stated the City currently had a two million gallon water well on the Base and was hopeful a similar agreement could be put in place for the additional storage tank.

Councilmember Bush mentioned the NDSD (North Davis Sewer District) was required to adhere to standards and regulations required by the EPA (Environmental Protection Agency) and expressed concern similar regulations would soon be in place for storm water. He suggested rates would be impacted significantly if similar filtration processes were required and a discussion followed.

Mr. Knapp pointed out the Good Will Policy had been included in the storm water calculations. He emphasized the utility rates would come to the Council at a later date for approval with other amendments to the Consolidated Fee Schedule and would be effective January 1, 2017. He requested direction from the Council regarding the three percent or five percent increase for storm water rates.

Councilmember Young believed a three percent increase would be sufficient since the City would be second guessing future scenarios. He suggested that would build up an adequate increase for unforeseen circumstances. Mr. Knapp pointed out the justification for a five percent increase was to bond for a lower amount in 2021. Ms. Becker added the City had enough identified projects to justify the five percent increase. Mr. Lenhard stated utility rate increases were strictly a policy decision and staff would implement the Council’s decision.

Councilmember Peterson stated she needed more time before making any recommendation and a discussion took place. Councilmember Benson requested clarification if the rate increases would subsequently take place every three years. JJ Allen, Assistant City Manager, responded the history of the City has been to adopt rates for a three year period, effective annually; however, the law allowed the City to update rate increases as needed.

DISCUSSION ON THE 2016/2017 FISCAL YEAR BUDGET

Rich Knapp, Finance Manager, reviewed changes to the tentative budget since June 14, 2016:

- Grant revenue and expenses specific to the Victim's Advocate position.
- Worker Compensation Fund costs.
- Water costs specific to usage at City facilities.
- Energy Performance Lease Purchase and subsequent reduced energy costs.
- Reallocating of funds for projects which weren't completed in Fiscal Year 16.
- Reduced interest earnings for General Fund allocations.
- Increase in building permit fees.
- Decrease in telecom tax trend.
- CDBG actual costs.

Councilmember Bush moved to adjourn the work session and reconvene in a City Council policy session at 6:55 p.m., seconded by Councilmember Benson. All voting AYE.

The work session reconvened at 8:25 p.m.

DISCUSSION ON THE 2016/2017 FISCAL YEAR BUDGET CONTINUED

Mr. Knapp clarified a comment from the Fiscal Year 16 year end update provided during the policy session. He explained the $1.8 million in the unrestricted fund balance was equivalent to 30 percent of budgeted funds as opposed to the reflected 17 percent. Councilmember Peterson expressed concern with that number since the Council had just approved maintaining the City's current tax rate. She asked what the plan was for spending down reserves.

Adam Lenhard, City Manager, responded the excess fund balance would allow the City to continue to address needed projects where funding couldn't be recognized previously. Mr. Knapp pointed out half of the cost for the Maintenance Operations Center had been funded and suggested excess fund balance would allow for additional appropriations if needed. A discussion followed regarding the need for Truth in Taxation and the current unrestricted fund balance. Mr. Lenhard suggested the Council consider whether the approved budget provided appropriate value for expected services to Clearfield residents. He emphasized staff was dedicated to providing a consistent level of service to residents.

DISCUSSION ON THE CONSOLIDATED FEE SCHEDULE

Rich Knapp, Finance Manager, referred to the staff report on the Consolidate Fee Schedule. He informed the Council that the City was in its second year of its contract with Waste Management and reviewed the rate structure. He pointed out the increase in cost for the service which became effective July 1, 2016. He also explained the City paid Waste Management and Wasatch Integrated Waste for waste services. He stated it was proposed to increase the fee for the second trash container to $7.65 from $7.50 to cover the actual cost to the City in addition to any proposed similar increase by Wasatch Integrated Waste.

Councilmember Bush proposed increasing the second can and reducing the cost for the recycle can to encourage residents to recycle and a discussion took place. Mayor Shepherd suggested no increase to the second can costs and the Council agreed. Mr. Knapp pointed out the City wasn't covering its costs for the second trash can by $0.03.

Mr. Knapp also explained the City billed approximately 6500 customers and every month approximately 1000 of those customers paid their utility bill late and were assessed a $10 late fee with a late notice being mailed. He continued two weeks after the first notice approximately 150 customers were subject to shut off with an additional $35 fee.

He reported the utility department implemented a pilot program in February in an attempt to reduce the number of shut offs and demand on public works personnel, in which an additional late notice, a door hanger, was delivered to the residence the day prior to utility shut off. He announced the program resulted in reducing the number of shut offs from approximately 150 to 61 per month. He stated the current question was whether to charge a fee for the door hanger notice. Mr. Knapp stated there was a cost to the City for the door hanger of approximately $8.50 so he proposed a $10 fee for that particular service. He informed the Council that if a customer did experience utility shut after two notices the late fees could be close to the original bill and expressed concern the fee could be considered "punitive" in nature. He referred to information included in his staff report for the Council to consider and a discussion took place regarding the fees.

Adam Lenhard, City Manager, suggested the Council consider not assessing the $10 second notice fee but rather increase the shut off fee and the discussion continued. Councilmember Phipps pointed out there was a valid cost for delivering the second notice which the City wasn't attempting to collect. Councilmember Bush expressed concern residents who pay the utility bill timely were subsidizing those fees. Mr. Knapp pointed out revenue had decreased because less people were paying the $35 shut off fee as a result of the free second door hanger notice. At the conclusion of the discussion the Council believed the $10 fee for the door hanger notice was justified and directed staff to benchmark the shut off fee to determine if the shut off fee of $35 was appropriate. Mr. Lenhard added an updated memo would be sent to the Council identifying that information which would be included in the Consolidated Fee Schedule update.

Spencer Brimley, Development Services Manager, also explained language in the City Code specific to bonding and liability insurance for fireworks stands needed to be amended. He stated the language identified the City as "additional insured" and suggested the City be identified as a "certificate holder". He explained the amendment would ensure fireworks stand vendors would continue to have appropriate insurance during the duration of their enterprises. He stated the proposed language would be included in the Consolidated Fee Schedule.

Mr. Brimley mentioned members of the public had expressed concern with the City's fee for Administrative Site Plan review and reported he had completed an analysis comparing similar fees with neighboring cities and was proposing the fee be reduced from $400 to $200. He shared his analysis comparing other cities' fees and concluded $200 was an average fee. Councilmember Bush expressed agreement as long as the fee covered the City's costs.

The meeting adjourned at 9:02 p.m.

APPROVED AND ADOPTED
This 13th day of September, 2016

/s/Mark R. Shepherd, Mayor

ATTEST:

/s/Nancy R. Dean, City Recorder

I hereby certify that the foregoing represents a true, accurate, and complete record of the Clearfield City Council meeting held Tuesday, August 9, 2016.

/s/Nancy R. Dean, City Recorder