

CLEARFIELD CITY COUNCIL MEETING MINUTES
6:00 PM WORK SESSION
May 21, 2024

City Building
55 South State Street
Clearfield City, Utah

PRESIDING: Temporary Mayor Pro Tem Tim Roper

PRESENT: Councilmember Nike Peterson, Councilmember Tim Roper, Councilmember Megan Ratchford, Councilmember Dakota Wurth

ABSENT: Councilmember Karece Thompson, Mayor Mark Shepherd

STAFF PRESENT: , City Manager JJ Allen, Assistant City Manager Summer Palmer, Community Services Director Eric Howes, City Attorney Stuart Williams, Police Chief Kelly Bennett, Public Works Director Adam Favero, Finance Manager Rich Knapp, City Recorder Nancy Dean, Deputy City Recorder Chersty Titensor

VISITORS: Andrew Pratt, Channing Licon – Stout Building Contractors, Johnathan Ward – Zions Bank

Councilmember Wurth moved to elect Councilmember Roper as the temporary Mayor Pro Tem for this meeting, seconded by Councilmember Ratchford. All voting AYE.

Temporary Mayor Pro Tem Roper called the meeting to order at 6:04 p.m.

2024 FRAUD RISK ASSESSMENT

This item was presented first instead of in the order as on the Agenda.

Rich Knapp, Finance Manager, informed the Council that the Office of the State Auditor started the annual requirement of filing the Fraud Risk Assessment in 2020 in an attempt to get municipalities to measure their level of risk for fraud. He said most of the score addressed separation of duties. He said the auditors required a discussion about fraud with the Council annually. He reviewed the results of the assessment where the organization scored 345/395. Mr. Knapp reviewed the internal audit function of the assessment and while the auditors recommended it be an outside party that performed that audit, it had been determined last year that it was not worth the extra money and time. Mr. Knapp had given partial points for that item because Staff performed the internal audit. JJ Allen, City Manager, confirmed that Councilmembers Peterson and Ratchford were on that City's Audit Committee. Councilmember Wurth asked about the ability for Staff to get CPA designation. Mr. Knapp said he was looking into getting his Certified Public Finance Manager (CPFM) through the Government Finance Officers Association (GFOA).

Councilmember Peterson arrived at 6:08 p.m.

WATER AND SEWER PROJECT FUNDING

Rich Knapp, Finance Manager, explained the discussion was a continuation of the various budget scenarios that had been reviewed in the April 30, 2024 work session. He made clear that projects were the main driver in obtaining financing. He explained that since the rate study, costs were much higher and unanticipated additional projects had been added. It was anticipated in the rate study that the City would be borrowing \$5.5M but now that amount approximately \$9M.

Mr. Knapp introduced Johnathan Ward, Zions Bank, who would explain options for financing. Before moving on, Mr. Knapp clarified the Council's intention of the timing for the new rate roll out for both base water fees and water usage fees; and questioned whether to make them effective January 1, 2024 or July 1, 2024. JJ Allen, City Manager, explained in order to secure financing the City needed to increase the rates, thus waiting until January meant the City waited until then to borrow money, which was not what the City wanted to do. Based on that, Staff assumed the rates would be changed July 1, 2024, but he wanted to confirm that with the Council.

Jonathan Ward, Financial Advisor with Zions Bank, said it made more sense to start in July. He said payments would not start until six months to a year after closing on the financing, but the City needed to secure sufficient resources to make those payments. He said one of the key lending ratios for creditors was the coverage ratio. He explained that the coverage ration meant after expenses were paid, the residual amount had to exceed bond payments by 1.25 times. He said it was covered in the bond legal documents depending on the structure. He said the City would want to have revenues on hand to meet that requirement. Mr. Allen asked if there was any reluctance to move forward with base rate increases July 1, 2024. The Council agreed to move forward with the increases.

Mr. Allen asked Council if the per gallon rate increases should begin in July also or should the City wait until January 2025. Councilmember Ratchford asked if the City raised the 2% on the base and did not do per gallon until January how much it would set the City back. Mr. Knapp said it would not set them back. Mr. Allen pointed out that raising both in July would make the City's financial position more robust but was not imperative. Councilmember Peterson understood that pulling the trigger in July might have an impact on the bonding rate and how favorable the City looked on paper. Mr. Ward said it could, depending on what method of sale was used for the bonds. He said traditional investors thought the more robust the better and better the credit, the lower the interest costs.

Councilmember Peterson thought if raising rates sooner would help with a favorable bond rating and savings on the back end then she thought it was important to realize what water was currently costing. Mr. Allen pointed out that an update for the consolidated fee schedule would need to be added to the meeting schedule. Councilmember Peterson appreciated the recommendation to take a little different approach to how water fees were structured, with it centered more on base rate and less on consumption, with the switch toward conservation and recognizing the stability needed for the revenue needed. Mr. Knapp said Weber Basin charged a base rate.

Councilmember Peterson said it was frustrating that the City got charged the same amount while being asked to conserve.

Councilmember Ratchford asked what the difference in interest would be if half of the increases were done in July and the remainder in January. Mr. Ward did not have that information but thought the amount would be nominal. Mr. Allen asked if he thought it would make a difference in terms of interest savings or acquiring more advantageous financing. Mr. Ward said if the coverage ratio went from 1.25 times to 1.26 times there would not be a material effect on the interest rate, but it depended on how much would be collected in that six months. Mr. Knapp said it was not a big money decision but more of a political decision. Mr. Allen said it would not make a material difference in financing but a slight difference in financial standing of the water fund or sewer fund. Councilmember Roper recommended they do both at once. Councilmember Ratchford recommended splitting it into two steps to make it more digestible. Councilmember Peterson said either way was okay but messaging was important. She wanted to make sure residents knew what was coming. Councilmember Wurth said he was keen on the cost of debt servicing and for him it was important that the rates were raised once and not twice. He did not want that notification to go out multiple times, but he felt it was really important to do the messaging really well. Councilmember Peterson said it was important to let residents know that they would not see the typical increases in January. She recognized the cost for infrastructure was staggering but would only get worse if it was pushed off into the future. Council agreed to do both increases in July and no increases in January.

Mr. Ward, Zions Bank, discussed the three sale methodologies and explained the details to take into consideration in deciding upon which financing type to choose. He said because there were both water and sewer projects being contemplated, and the City had no outstanding water or sewer revenue bonds outstanding, the City could create a new legal framework with which bonds were collateralized. He explained the thought would be to combine water and sewer funds as a security for bond holders. Going forward those two funds would fund water and sewer projects.

He explained the application process with the State's Infrastructure Bank. He said the State had about \$21M in available funding and he was aware of two competing applications that might factor into whether that became an option for the City. Councilmember Peterson asked if Mr. Knapp had a preference as far as repayment. Mr. Knapp said he had already anticipated a higher debt service payment, but recognized the benefit of the shorter term, and the prepayment feature was important. Mr. Knapp thought the City could handle that repayment. He pointed out that another bond would be retired in 2028, which would free up the ability for the City to meet that higher payment even better. Councilmember Peterson said she liked the shorter term but acknowledged the payment was an extra \$100k per year. Mr. Knapp was not sure if the proceeds would be given in a lump-sum amount of if they would need to make draw downs, but said if it was a lump sum then the City would be earning interest higher than that.

Councilmember Peterson wondered if there were any strings to prevent a lump sum draw, it being from the State. Mr. Ward said the State usually liked to hold onto money and give advances, which saved the City interest because payments were made on what was advanced, but he thought the State also did lump sum payments. He mentioned that the IRS typically did

not like taking a margin on that type of transaction, but the UDOT Infrastructure Bank did not say whether it was taxable or tax exempt.

Summer Palmer, Assistant City Manager, asked how new the program was established. Mr. Ward thought it started with water/sewer in 2023. Councilmember Peterson said there were a lot of aspects with that option that were appealing, but unanswered questions gave her pause. Mr. Knapp pointed out the City could potentially save about \$100k in bond attorneys by going with the State's Infrastructure Bank route. Councilmember Peterson acknowledged the potential advantages but wanted to see facts in writing. Mr. Ward assured her that the tool for transportation had been in use for 20 years.

Mr. Allen said Staff would like to explore the State Infrastructure Bank and in doing so could get more details. He asked if a Parameters Resolution would be needed. Mr. Ward said they required a resolution to enter the agreement but that could be a motion, or formal resolution. Mr. Knapp said if the Infrastructure Bank did not work out then the City would need a Parameters Resolution with the other two options. Mr. Ward said statutorily, the agreement would be evidenced by bond. He said it was an eight-page agreement that did not say anything about the Bond Act, security, how it compared to other revenue source or outstanding obligations.

Ms. Palmer pointed out that Mr. Ward had said there was an advantage to starting the application soon. Mr. Ward recommended starting application as soon as possible. He said if the other applications were for projects that met the State's prioritization schedule, then it could displace the City's application. Ms. Palmer asked if the City were to wrap a project into the bonding that would improve the sewer or drainage system under Hwy 193 would it improve its application position. Mr. Ward thought it might help. Mr. Allen also mentioned SR 126 that had power and telecom lines.

DISCUSSION OF THE MOC CONTRACT AWARD FOR PHASES 3 & 4

Adam Favero, Public Works Director, introduced Channing Licon, Project Manager for Stout Building Contractors if Council had any questions for him. Mr. Favero reminded Council that in 2012 the City had hired Think Architecture to complete a Facility Needs Assessment for a new Maintenance and Operations Center. That assessment spelled out the future needs for the Public Works and Parks Department and was the document used for building out the site currently known as the Maintenance and Operations Center (MOC). He expressed his appreciation to the Council for its understanding and support of Staff. He explained the needs and challenges of the Mechanics Shop which was 80-90 years old. He reviewed the needs and challenges of the current Operations Building which was a used building when it was reconstructed over 30 years ago. He showed in detail the building and site design features.

Mr. Favero reviewed the contractor selection process. Stout Building Contractors was the contractor he was proposing to award the contract to. He showed the evaluation summary. Mr. Licon said the environment with contracting right meant subcontractors were getting very competitive. He stated that if the City waited much longer prices would go up. The contractor's bid amount was \$10.3M with a total projected cost of \$10,924,896. The projected budget was \$10.925M. Mr. Favero showed the tentative schedule which anticipated approval by the Council

in the policy session on May 28, 2024. The construction phase of the project was estimated to take 294 days (10 months plus). The completion date was anticipated for Summer of 2025. Subject to change and were schedule was only estimated at this point.

Mr. Licon said Stout had been contacting various subcontractors and at this point lead times were looking good. He said it was their plan to have the structure dried in by winter, but maybe not the roof. He stated that since they would be starting as soon as possible, they did not have money for winter conditions, so it was important to get started right away. He had been contacting subcontractors with the anticipation of getting started as soon as possible.

Councilmember Peterson asked if there was anything in the contract that identified any incentives if the contractor were to finish by a particular date. Mr. Allen said that had not been done but it could be. He asked Stout what a meaningful incentive would be. Mr. Licon said incentives were nice but the company did not strive for that. He said they wanted to get the job done as quickly as possible and their daily costs were more than incentives would be.

DISCUSSION ON THE REQUIRED INTERLOCAL AGREEMENT FOR THE DAVIS COUNTY HOME INVESTMENT PARTNERSHIP PROGRAM

Councilmember Wurth started out by letting the Council know he would be recusing himself as a decision maker on the item but would be giving information on the program he was responsible for administering at his job at Davis County.

Stuart Williams, City Attorney, asked Councilmember Wurth to explain the Davis County HOME Investment Partnership Program. Councilmember Wurth said it was a sister program to CDBG. He said it was a HUD program that was a formula allocation for affordable housing. He said the genesis of it was that Salt Lake and Provo had their own consortium and the State got its own allocation from HUD every year. He explained that to meet the criteria to be a HOME Consortium the community and units of local government that comprised a consortium had to meet a minimum threshold on their initial year of funding to satisfy HUD requirements. He anticipated that the annual funding would be about \$550k every year, but the minimum was \$750k for the first year.

He said they had gone to the Olene Walker Board who believed in the program enough to award a grant upwards of \$200k to gap the first year to start administering. He said there was no impact to the current entitlement programs. There would be no change to staff and no administrative burden because management would fall to the County. Mr. Allen pointed out that by participating, the Clearfield residents would be eligible to benefit from the HOME program.

Councilmember Wurth explained the program was project based and a committee would review projects requesting funding. He said the first allocation would start July 1, 2025. He explained that the committee would recommend projects to the County Commission for funding who would then authorize the projects. Councilmember Wurth explained that the other cities had signed on for the County CDBG program to make up the "Urban County" and the concept of a consortium had been a part of that agreement. It was required to get Layton City and Clearfield City to sign the agreement to reach the minimum requirement.

Ms. Palmer asked for examples of projects for which the funds had been used. Councilmember Wurth said there were certain acceptable uses for funds. The initial thought was for D-restricted properties that received LITEC funds that were expiring in the near future. The hope was to leverage the funds to purchase and preserve that affordability period. He said the County was short 10k units for 60% AMI and below and did not want that to grow. He said the construction of multi-family housing was the most popular, but he thought in the first couple of years the preservation element was where the County would probably focus. Ms. Palmer asked if there was a chance for Clearfield City to become an entity on its own. Councilmember Wurth said there was no chance. Ms. Palmer said even though a project may not materialize in Clearfield in the next 10 years there was no loss, and no reason not to sign the agreement. Councilmember Wurth said the net benefit to the County as a whole and to the State's affordability issue was that was bringing \$550k every year that would not have existed otherwise.

Mr. Williams pointed out that the version of the Interlocal Agreement would change. Councilmember Wurth said there might be minor revisions. Council had no concerns with proceeding forward.

Councilmember Peterson moved to adjourn at 7:25 p.m., seconded by Councilmember Wurth.

RESULT: Passed [3 TO 0]

YES: Councilmember Peterson, Councilmember Ratchford, Councilmember Wurth

NO:

**APPROVED AND ADOPTED
This 25th day of June 2024**

/s/ Mark R. Shepherd, Mayor

ATTEST:

/s/ Nancy R. Dean, City Recorder

I hereby certify that the forgoing represents a true, accurate, and complete record of the Clearfield City Council meeting held Tuesday, May 21, 2024.

/s/ Nancy R. Dean, City Recorder