

1 Minutes of the Centerville City Council **work session** held Tuesday, January 13, 2015 at 7:00
2 p.m. at the City Hall Council Chambers, 250 North Main Street, Centerville, Utah.

3
4 **MEMBERS PRESENT**

5
6 Mayor Paul A. Cutler

7
8 Council Members Tamilyn Fillmore
9 John T. Higginson
10 Stephanie Ivie
11 Lawrence Wright

12
13 **MEMBER ABSENT** Ken S. Averett

14
15 **STAFF PRESENT** Steve Thacker, City Manager
16 Randy Randall, Public Works Director
17 Kevin Campbell, City Engineer
18 Katie Rust, Recording Secretary

19
20 **STAFF ABSENT** Blaine Lutz, Finance Director/Assistant City Manager

21
22 **VISITORS** Fred Philpot, Lewis Young Robertson Burningham
23 Interested Citizens (see attached sign-in sheet)

24
25 **DRAINAGE UTILITY FEES**

26
27 Steve Thacker, City Manager, explained that Drainage Utility Fee Scenarios 1, 2, 7, and
28 8 as previously presented to the Council were adjusted to reflect a start date of July 2015 rather
29 than February in order to give citizens more time to be ready for the increase. The time frame
30 of the Scenarios has also been extended from 2020 to 2025.

31
32 Scenario 1: No increase
33 Scenario 2: One time increase (112%) with no debt
34 Scenario 7: Staggered increase (35%, 15%, 10%, 3%, 3%) with debt
35 Scenario 8: Staggered increase over two years (55%, 55%) with no debt
36

37 Fred Philpot with LYRB explained that approximately 1,500 EDU's are within subdrain
38 districts and approximately 4,400 are outside the subdrain districts. Residents within subdrain
39 districts pay a higher Subdrain Utility Rate to pay for services that have had to be supplied by
40 the City in the absence of Home Owner Associations (HOA). Developments in those areas
41 were granted the ability to construct homes with basements on the condition that subdrain
42 systems were installed, but most of the HOAs failed to remain sustainable and collect the
43 necessary fees.
44

45 Steve Thacker, City Manager, explained that approximately 36% of the revenue received
46 in the Drainage Utility Fund comes from subdrain fees. The other 64% comes from storm drain
47 fees. That relationship is preserved in all four scenarios. Mr. Philpot added that the blend of fee
48 revenue and bond revenue in Scenario 7 provides more of a balance between those paying for
49 the services and benefiting from the services. The existing Water Revenue Refunding Bonds
50 expire in 2021. Between 2021 and 2025, when the days of working capital dips below zero in
51 Scenario 7, the Council could either raise rates or issue a new bond. Kevin Campbell, City
52 Engineer, commented that with Scenario 7 the cumulative increase for citizens after the 2020
53 increase would be approximately 81%, compared to the 112% in Scenario 2 with no debt.

1 Councilwoman Fillmore stated that she considers herself to be fiscally conservative, and
2 she is not in favor of unnecessary bonding, but she feels that government should not collect
3 more money than is needed. She pointed out the difference in unreserved ending cash
4 reserves between Scenario 2 (\$882,758) and Scenario 7 (-\$781,461). Councilwoman Fillmore
5 said she likes that the debt scenario allows the cost of projects to be shared over time by those
6 who will be benefiting from them. She said she would not want to overburden residents now for
7 projects that will be done several years from now. Referring to Scenario 7, Councilwoman
8 Fillmore suggested continuing with an annual 3% increase through 2025 to mitigate the
9 forecasted shortfall. Mr. Philpot adjusted the scenarios and provided projections in response to
10 requests from the Council. He said he does not recommend making decisions based on
11 assumptions for 2025 since many variables will change between now and then.
12

13 Councilwoman Ivie said she is in favor of a 112% one-time increase, with a stipulation in
14 the ordinance that the rate be reevaluated and decreased over time if possible. Councilwoman
15 Ivie said in her opinion it seems fiscally irresponsible to raise rates and issue debt with the end
16 result being negative days of working capital by 2025. Councilman Wright added that the City
17 may need the projected cash reserves in Scenario 2 for unanticipated projects. Mr. Randall
18 expressed the concern that bonding creates complexities when partnering with other entities to
19 complete projects. Mr. Philpot responded that funds raised through utility fees have no
20 spending time limit, and interchange is possible between projects funded by fee revenues and
21 bond revenues.
22

23 Mr. Thacker reminded the Council that the scenarios can be adjusted to achieve a
24 desired rate increase or amount of bonding. He commented that it is often thought that
25 enterprise operations should be run like a business, borrowing for capital investment to
26 successfully compete for customers. Centerville does not have competition for storm drain and
27 subdrain systems, but that does not mean the City should overload customers. Mr. Thacker
28 shared the opinion that the burden should be more fairly distributed over the life of the projects.
29 Even with bonding, the cost of projects with a 50 year life expectancy is only spread over 20
30 years. Councilwoman Ivie disagreed, stating that she does not agree with going into debt. She
31 asked where the money to pay off the bond debt would come from. Mayor Cutler explained that
32 payments are made using monthly fee revenue.
33

34 Mr. Randall emphasized that he feels the City needs a sustained ability to maintain and
35 replace the water system. He said he believes costs will not go down, and the list of projects
36 will continue to increase. Mayor Cutler mentioned the low interest rate currently available on
37 municipal bonds. Councilwoman Ivie responded that any interest paid is a greater cost than
38 paying cash. Mr. Randall stated he would like the City to be able to do projects in the most
39 economical way by combining multiple street-related projects in a specific location at one time,
40 which can be difficult when partnering with other entities. Mr. Randall expressed the opinion
41 that bonding is appropriate for expansion projects, but cash provides more flexibility for
42 maintenance and replacement.
43

44 The Council discussed the fact that not all needs can be anticipated on the project list.
45 Unexpected problems will occur. Mr. Philpot stated that most communities do not fund full
46 depreciation and replacement of systems. Mr. Thacker added that some replacement projects
47 can be anticipated. Mayor Cutler commented that the Council needs to decide the level of
48 quality desired for the City's storm drain and subdrain systems. Councilwoman Fillmore stated
49 that as a Council they are making up for the past and trying to plan better for the future. She
50 recognized that any scenario will be painful, and stated she would be comfortable with either
51 Scenario 2 or Scenario 7. She said she would like to know which the citizens would prefer.

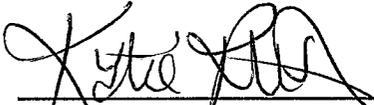
1 Councilman Higginson suggested the Council present Scenarios 2, 7, and 8 to the
2 public. He said he knows which scenario he would prefer, but he would like to hear from the
3 public. Councilman Wright suggested the Council select a "preferred" scenario to present.
4 Councilwoman Fillmore suggested presenting Scenarios 2 and 7. Mr. Campbell commented
5 that Scenario 8 would give businesses more time to be ready for the large impact with no debt.
6 The Council agreed to present Scenarios 2, 7, and 8 at an open house and public hearing on
7 February 17th. Referring to Scenario 8, Councilman Higginson stated he would prefer an initial
8 increase of 60% and a second increase of 30%, rather than two 55% increases. Staff agreed to
9 analyze possible adjustments to Scenario 8.

10
11 **ADJOURNMENT**

12
13 Mayor Cutler adjourned the work session at 8:34 p.m.

14
15
16
17 
18 _____
19 Marsha L. Morrow, City Recorder

20
21
22
23 2-3-2015
24 _____
25 Date Approved

26
27
28
29 
30 _____
31 Katie Rust, Recording Secretary

