

AMERICAN FORK CITY COUNCIL
SEPT 3, 2019
WORK SESSION MINUTES

Members Present:

Bradley J. Frost	Mayor
Kevin Barnes	Council Member
Staci Carroll	Council Member
Rob Shelton	Council Member
Clark Taylor	Council Member
Barbara Christiansen	Council Member

Staff Present:

David Bunker	City Administrator
Camden Bird	Admin Analyst
Wendelin Knobloch	Associate Planner
Lauralee Hill	Deputy Recorder
Aaron Wilson	Engineer
Aaron Brems	Fire Chief
Kyle Maurer	Finance Officer
George Schade	IT Director
Timothy Merrill	Legal Counsel
Darren Falslev	Police Chief
Derric Rykert	Parks and Recreation Director
Scott Sensanbaugher	Public Works Director

Also present: Shaun Johnson, Boyd Cook, Todd Marriott, Kathy Shaw, Ken Bird, and several others. Sid Boswell participated electronically for a portion of the meeting.

WORK SESSION

The purpose of City Work Sessions is to prepare the City Council for upcoming agenda items on future City Council Meetings. The Work Session is not an action item meeting. No one attending the meeting should rely on any discussion or any perceived consensus as action or authorization. These come only from the City Council Meeting.

The American Fork City Council met in a work session on Tuesday, September 3, 2019, in the City Administration Office Conference Room, located at 51 East Main Street, commencing at 4:00 p.m.

Mayor Frost welcomed everyone and noted that every Council Member was present for this meeting.

1. Discussion on short term rentals in American Fork

Mr. Merrill explained that the City currently did not allow short-term rentals and the group would discuss if they should be allowed in American Fork. They wanted to address the nuisance problem such as noise, parties, parking, and trash, as well as address the enforcement. The owners of the rentals would be required to obtain a license in order to operate their business.

Council Member Carroll asked if the police had been called about any short-term rentals during their prohibition. Chief Falslev answered affirmatively, noting that there was one instance.

Mr. Merrill said he drafted a letter to business owners stating short-term rentals were not allowed. However, no one had been penalized. The Council discussed the various homes that were currently being rented and which ones were causing problems for the neighbors. Council Member Carroll what other options were available for enforcing the current regulations other than by sending the letter. Mr. Merrill stated that staff hoped for voluntary compliance. If owners continued to rent their home, the City would take them to court. The option was to conduct a “sting” operation where the police would book a rental to identify who was compliant and who was not.

Council Member Barnes asked if there was a grace period for coming into compliance, to which Mr. Merrill responded in the affirmative. The City currently had not taken any one to court.

Council Member Carroll stated that accessory apartments would self-regulate. Council Member Shelton stated that Utah was number two in the nation for home appreciation prices. Accessory apartments were a more viable option for homeowners to rent out a part of their home. This was also true for short-term rentals. Council Member Shelton also asked about the two-night minimum for short-term rentals. Mr. Merrill stated that one-night rentals were often used for parties. The two-night minimum was a deterrent for this type of behavior.

Council Member Barnes stated that he did not like that the ordinance discriminating against the size of the property. Council Member Taylor asked if they should consider a home where only one room was rented. Mr. Merrill said enforcement would be difficult in these instances.

Mr. Merrill explained that there was a landlord registry for those who leased their homes. He said they should have a registry for short-term rentals as well. Council Member Shelton said owners that lived on premise or next to the duplex were exempt from this requirement. He suggested they do this for short-term rentals. Council Member Taylor and Mayor Frost both agreed.

Council Member Christiansen said the owner was not always present due to vacations or other events. Therefore, there would not always be a responsible party. Mayor Frost said the Council needed to be prepared to respond to the neighbors that wanted an absolute prohibition.

Mayor Frost asked Chief Falslev if he had concerns. Chief Falslev explained that they needed to have the local number of a responsible party if there were complaints.

2. Discussion on private bonds for creating a Public Infrastructure District (PID) for development improvements.

Shaun Johnson was invited to lead the discussion on the item. He presented the staff report as well as an aerial map of the affected areas. He explained that the main categories for this project included direct project costs and costs associated inside the development. Additionally, this item covered system-wide community improvement costs. The total costs of the improvements were about \$71.2 million.

Mr. Johnson continued by explaining Ardero's plans. Their goal was to include several amenities such as soccer fields, pickle ball courts, frisbee golf, and splash pads to attract residents. These amenities could be placed inside the PID development. He suggested other options that would be attractive to residents. He continued explaining that this area would be large enough to warrant another fire station. He said they would help with the development by donating land. He noted the cost was more than the revenues could handle and they would need government assistance in order to develop.

Mr. Bunker asked Mr. Burningham to explain how the PID would be funded. Mr. Burningham explained that Senate Bill 228 made changes to the code regarding funding. He explained this bill helped fund larger areas that were being developed. The code allowed a limited property tax to fund these projects.

Council Member Barnes asked what the limits were. Mr. Burningham explained that there was a tax rate limit. Furthermore, there were requirements the City was required to follow. The City would be liable for the debt and the initial funds. Other states' development growth was studied to determine the best course of action.

Mr. Burningham explained a PID could only be formed by a City. The City would not become a part of the City's balance sheet. The debt would be repaid by the entity's limited property tax. He said the properties that were available were typically difficult to develop, thereby making it more expensive to develop.

Mr. Burningham continued by discussing the formation and governance of the PID. He explained the development required 100% consent from the property owners and voters within the PID boundaries. He suggested adopting standard policies for evaluating all PID requests. He said all the costs should be made by those who were petitioning for the PID.

A governing document was available for the PID. Mr. Burningham discussed the information in the document. He explained they would be required to do market studies to determine the tax rate. The document included requirements that would be set up by an interlocal agreement. A few of the agreements would include:

- The PID would be limited in power
- Reporting requirements would be established
- Debt and mill rate limits would be established.

There was subsequent discussion on the taxation and the financing of the development. Council Member Shelton said the traditional development cost was built into the plans. The PID was profit margin was smaller and not worth it to developers to build. This was due to the infrastructure not being developed in these areas. He noted residents would not be willing to pay extra the entire public already had access.

Boyd Cook explained that they had worked with several financial institutions to issue large bonds. These funds would buy the product, the infrastructure and other amenities. The taxpayers and the impact fees would help pay down these bonds. Mr. Bunker said the roads would service a larger area than just the development.

Council Member Shelton expressed concerns about whether or not this was worth the cost, stating that this might not be economically sustainable. Mr. Johnson said they were trying to be cautious about the economic viability.

Mr. Burningham said there were two alternatives:

1. They could wait, but the rates were already low;
2. The City could finance the infrastructure.

He further noted the City had historically financed the infrastructure, not the developer. He said they were hoping to find out if American Fork was interested in this type of development. They were willing to gather more information if they were willing to proceed.

Council Member Barnes asked if the HOAs would be responsible for the amenities. Council Member Shelton responded that they would not be required.

Council Member Carroll clarified the intent of the PID would be limited to a minimum size of land. Mr. Burningham stated that this was a good tool for a large development type. Mr. Burningham commented that they had spoken with consultants that had indicated American Fork was in the center of where they anticipated development growth would occur on the Wasatch Front. The bond investor hoped there was an infrastructure to support the demand of a development.

There was continued discussion on the financing of the infrastructure. Council Member Shelton commented that normal developments had infrastructure installed as developers put in their buildings. He explained that this was a problem for the PID. Mr. Bunker explained they would only be responsible for large scale public infrastructure. Council Member Shelton said he was concerned they would put down asphalt and tear it up. The developer needed to be responsible for the infrastructure.

Mr. Burningham said they would need to decide how the project was financed and how it was repaid. He said the PID residents should not have to pay back the entire bond. The City should use impact fees and possibly spread the payment out over the course of 20 years. Council Member Shelton stated that he wanted the developers to be liable for the risks associated with the PID.

**Note: The Council took a short break.*

3. Discussion on policy considerations and financial projections for the proposed broadband project.

**Note: The meeting resumed at 6:07 p.m.*

Todd Marriott and Kathy Shaw took seats at the table to present. Mayor Frost welcomed Sid Boswell who worked for Design 9, which he explained was the company that put together the financial model for the project. It was noted that Mr. Boswell was participating electronically.

Mr. Bunker explained that the models were different than what was previously presented. The current model represented the total borrowing amount of \$30 million. There was subsequent discussion on the debt and the total funding.

Mr. Boswell explained that the biggest change was the total amount of debt. He presented several spreadsheets from Lewis and Young, which included information pertaining to the interest rate. The second change regarded the bond. He noted that there was a small change to the capital expense. Council Member Shelton asked why the interest income doubled. Mr. Boswell stated that this was based on the feedback from the last meeting.

Council Member Shelton asked if staffing was with Lighthub or American Fork City. Mr. Marriott responded this depended several factors, including how the Council decided to proceed.

Mr. Bunker explained that if the City bonded for the full amount, it would be covered by the City. He then asked the Council to allow Mr. Boswell to finish his presentation before asking more questions.

Mr. Boswell continued by explaining how they would stay solvent. He shared the financial documents explaining their income statements. He also discussed capital improvements, interests, and principal payments. He noted that the payments increased by year seven.

There was a discussion on the take rate. Council Member Barnes wanted the model to show 25% through the entire model. There was subsequent discussion and clarification of this topic. Mr. Boswell said he understood the Council wanted a flat 25%. He explained that a 3% growth was added into the model, which incurred moderate capital costs.

Council Member Shelton asked why numbers doubled on page six of the income statement. Mr. Boswell explained that they had 30% additional business connected and a 5% take rate. Council Member Shelton asked if this was a higher take rate than the previous model. Mr. Boswell responded in the negative, explaining that they treated residential and business models differently. Council Member Shelton asked where the additional \$300,000 was obtained. Mr. Boswell said he would have to look if there were changes. The biggest change was in the service fee. Council Member Shelton asked to discuss interest income, to which Mr. Boswell directed the group to page 10 of the document. Interest was calculated very conservatively using prior year interest. At Council Member Shelton's request, there was subsequent clarification regarding the math. Council Member Shelton asked about the fringe benefits, noting they had raised to 20%. Mr. Bunker stated that the benefits would cover everything including retirement and insurance. Mr. Bunker suggested the take rate remain at 25% at year three.

They then moved on to discuss the equipment and cost. Mr. Boswell explained they worked the money for the equipment replacement into the costs.

Council Member Shelton further discussed the take rate. He asked how they could get a better take rate. Mr. Marriott said they were only making estimates and that he thought their projections were reasonable. Council Member Shelton gave other possible suggestions to reduce the costs. It was stated that Council Member Shelton's numbers were incorrect.

**Note: Mr. Boswell left the meeting.*

The Council then compared the take rate to Kaysville. Mr. Bunker explained Kaysville had a knock fee and American Fork did not. He said if they used to know services they would have to pay. Council Member Carroll said she did not want to make a change. Council Member Taylor agreed.

Council Member Shelton asked if the Council would charge the fee after the bond was paid. Council Member Carroll stated that the future Council would be responsible for reducing the rate. She did not want to make a policy decision for a distant future time. Council Member Shelton insisted they make this decision.

Council Member Barnes said he understood \$12.50 a month was needed to cover the bond, as opposed to \$9.95. He agreed with Mayor Frost that they could pay for the bond from different sources. Council Member Taylor said when a bond was retired the residents did not get a reduction. Council Member Shelton agreed the taxes should go down when the bonds were paid. Council Member Taylor said it did not matter if it was a utility fee or if they paid the bond another way.

Council Member Shelton said he wanted more transparency on the bills being implemented. People wanted to know how their tax dollars were spent. Mayor Frost said they could not waive the fee. If they waived the fee it would not be considered a utility. Kathy Shaw responded the cost could go down to \$1.95 if the criteria were met.

There was subsequent discussion on the poverty level and the possible waivers for utilities. Mr. Marriott continued by discussing property access licenses. Pamphlets about the fiber lines would be distributed. They would then speak with homeowners and gather signatures. He said the service providers would quickly install their services. Residents would be charged no matter what.

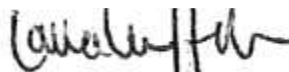
Mr. Marriott noted some HOAs had signed ten-year agreements with internet providers. They would need to be sensitive to these individuals and the Council would need to make decisions on these cases. There was subsequent discussion about how to handle these instances.

Council Member Shelton asked when fiber would be available, to which Mr. Marriott responded it would be available by June 2020. Council Member Barnes asked who would receive the service first. Council Member Shelton suggested they consider underserved neighborhoods first.

Council Member Christiansen asked about the current ratio of assets to liabilities. Mr. Marriott explained that they capped growth but were still refreshing the assets. He said he would investigate this matter further.

4. Adjournment

The work session adjourned at 7:42 p.m.



Lauralee Hill

