

AMERICAN FORK CITY COUNCIL
SEPT. 17, 2019
WORK SESSION MINUTES

Members Present:

Bradley J. Frost	Mayor
Kevin Barnes	Council Member
Staci Carroll	Council Member
Clark Taylor	Council Member

Members Absent:

Barbara Christiansen	Council Member
Rob Shelton	Council Member

Staff Present:

David Bunker	City Administrator
Camden Bird	Admin Analyst
Wendelin Knobloch	Associate Planner
Lauralee Hill	Deputy Recorder
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

Also present: Camille Buhman, Marc Edminster, Kathy Shaw, and several others.

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, Sept. 17, 2019, in the City Administration Office Conference Room, located at 51 East Main Street, commencing at 4:00 p.m.

Mayor Frost excused Council Members Christiansen and Shelton who were traveling.

1. Discussion with Jibe Media on the City's rebranding.

Camden Bird stated that he had provided the Council's feedback to Jibe Media. They sent back a list of questions for the Council. He stated that the general message back to Jibe was that the Council liked several of the logos but felt that none of the logos provided had absolutely captured the look and feel the council desired. Collectively, the top picks were Concept 3 and Concept 15. Mr. Bird reviewed the comments the City Council had already provided. He stated

that no one from Jibe Media was in attendance in order to allow the council to deliberate freely. Rather, Jibe Media thanked the Council for the feedback and sent some questions in response.

Jibe Media Question 1: In your opinion, what makes concept 3 a strong logo? Or what do you like about it?

Council Member Carroll stated that she liked Concept 3 because it was a geometric shape.

Council Member Taylor stated that he liked Concept 3 because of the double entendre but he wanted the typeface to be more robust.

Council Member Barnes asked for a combination of Concept 3 and Concept 15.

Mr. Bird asked Council Member Carroll why she liked the geometric shape and she explained that she seemed to prefer a border around the logo. She mentioned that she also liked Concept 15 even though that logo was not a geometric shape.

Council Member Taylor stated that he would like to see more substance and suggested making the mountain in Concept 3 fifteen percent bigger.

Council Member Carroll stated that she would like to see a thicker line around the circle.

Council Member Barnes said that he would like to see the logos in color.

Jibe Media Question 2: Based on previous Council response, it is understood from the Council that a mark or iconic illustration is preferred over the “text only” logos. Why were several other logo concepts the *did* include “marks” not liked?

Council Member Carroll stated that Concept 1 reminded her of a fruit stand.

Council Member Taylor stated that he felt Concept One looked more like “amber waves of grain” as opposed to the mountains surrounding American Fork.

Jibe Media Question 3: Would some of the typographic concepts be stronger if paired with a “mark”?

The Council agreed that they wanted a mark.

Jibe Media Question 4: Should the American Fork logo mark have some kind of a scene or can it be more abstract?

There was some talk about this and the Council agreed that, in general, they were interested in a scene.

Council Member Carroll stated that she was hoping for a logo with a nostalgic feel.

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

Mayor Frost invited Legal Counsel Camille Buhman to present to the Council.

Ms. Buhman stated that she had been invited to provide the Council with several of the documents that would be considered when the council voted at the next meeting on September 24, 2019. She stated that she had drafted a communications service contract and the bylaws for LightHub.

David Bunker mentioned that the bylaws would not be voted on in the upcoming council meeting but the Council could discuss them.

Ms. Buhman stated that there were a great number of legal documents and that her intent was to help the council understand them.

Council Member Taylor stated that he thought Council Member Shelton would want to be present for the discussion on the bylaws.

Council Member Carroll asked two questions about two of the proposed bylaws. On page 4, section p of the bylaws it states “The board of directors shall have the authority but not the obligation to establish a records’ classification retention policy...” She suggested removing the words “not the obligation” from this section. She understood that, as a government agency, the board would be required to follow the retention rules.

Mr. Bunker stated that if a governmental organization doesn’t want to establish their own retention policy, they were subject to the state’s retention policy. A municipality wasn’t *obligated* to establish their own retention policy unless they desired to do so.

Council Member Carroll next inquired about page 7, section 3.1 stating that she didn’t see the requirement of a two thirds majority vote for appointment of a CEO. She asked if this would be added to the bylaws.

Ms. Buhman stated that the board would be responsible for making this determination.

Mayor Frost stated that he felt that this was similar to the Golf Course Board of Directors.

Ms. Buhman stated that this was similar in format to many other dynamic corporations. Because LightHub is dynamic and will increase in municipalities over time LightHub needs a government entity to oversee it. In addition, funds must be allocated to pay for the payment of bills. Having operating capital within the organization will be important.

Council Member Taylor asked about what she meant by having operating capital.

Ms. Buhman stated that LightHub had to be designed to maintain the NOC and the network. There would be fees including legal fees. Money would need to be allocated to LightHub in order to pay the operating expenses LightHub would incur. She asked if there were any other questions about the bylaws.

Mr. Bunker stated that he had one comment about Article 7 on page 10 dealing with how LightHub could dissolve or how members of LightHub could exit if they chose to do so. He stated that the first part talks about dissolution of LightHub stating that on the fifth line it reads “...dissolution of LightHub shall be determined by calculating the value of all contributions of each member beginning with the year 2019 and continuing through dissolution”. He felt that it

would be important to add the caveat “excluding members’ projects”. He stated that there may be some members who have made larger contributions to LightHub. If a city’s project is part of LightHub and has been bonded through LightHub it basically becomes an asset of LightHub. He stated that it would be detrimental to LightHub for a departing city to request calculation and distribution of the value of a project upon departure. For this reason, he suggested the slight change. He further clarified that if American Fork bonded through LightHub, their project would be excluded from LightHub’s assets before making the value calculation. In essence, each City would keep their own projects.

Ms. Buhman stated that this could be added although she felt it was redundant.

Council Member Taylor asked if there was any value to entering LightHub in the early days.

Mr. Bunker explained that there was no benefit to entering early. The point is that communities come together to share resources and bring costs down.

Council Member Barnes confirmed that the board would vote on policy issues or budgets, etc. He asked what would happen if there was a tie vote.

Ms. Buhman stated that there was a separate paragraph in the interlocal agreement stating that in the case of a tie, the CEO would have the tie-breaking vote.

Council Member Taylor asked whether partnering cities that contributed more had more voting power.

Ms. Buhman asked clarified that a city joining LightHub was required to sign a service agreement pledging 95% of their utility fee to LightHub. LightHub grants each municipality a one to one vote in terms of administrative matters (each city has one vote). She stated that project voting is different. While each city will sign the service agreement upon entrance some cities may also bring an asset to share that other cities might benefit from using. She gave the example of American Fork with their NOC and their fiber. If this were the case, the city with the asset might draw up a separate agreement outlining the terms in order for other cities to utilize the asset.

Council Member Barnes asked if the service agreement that each city would sign upon entrance would be identical for every City. He asked what would happen if another entity didn’t like the agreement.

Ms. Buhman stated that ideally, every city would sign the agreement as drawn up. She stated that if another entity wanted to change the LightHub agreement, those changes would have to be approved by the legal counsel for LightHub.

Mayor Frost asked Ms. Buhman to briefly summarize the bylaws.

Ms. Buhman did so mentioning that the CEO and board members would have regular meetings where minutes would be taken to make operational decisions and decisions regarding municipalities applying for membership. Each member municipality would receive one vote on administrative issues with a two thirds majority passing on most things except in the case of a tie

in which case the CEO would break the tie. She noted provisions for governing the CEO and provisions for exiting, She referred to duties that LightHub would perform.

Council Member Taylor asked if provision was made for the CEO position to rotate annually.

Council Member Carroll stated that the information about this possible rotation was too vague.

Mr. Bunker clarified that the Chairman of the Board was rotated yearly – not the CEO.

Ms. Buhman moved on to the service agreement previously mentioned. If any changes were made to the Service Agreement by an incoming city, the attorney for LightHub and the LightHub Board must approve the changes and the edited document must be signed by the LightHub Chairman of the Board and by the Mayor, the City Recorder, and the City Attorney of the incoming city prior to approval. If municipalities want to push back on terms, LightHub's legal counsel and Chair will review the terms and make decisions. She stated that the agreement has definitions of the significant terms in the contract, payment for connection services terms, approval and publications requirements, and general "catch-all" provisions for those wanting to join LightHub in section 5. Section 5 is the section with "disqualifiers". Referring to section 2 she made explanation about connection services noting that a place was provided to fill in the number of end users in the City and the contract fees.

Mayor Frost stated that the Council might need some time to review the document as they had just received it.

Ms. Buhman stated that this is the document that allows the City to apportion a part of their connection fee to LightHub.

Council Members Carroll and Bunker stated that some entities might not want a utility fee – they may prefer another type of fee and Council Member Carroll stated that she wasn't imagining limiting all of the partners to the same model that AF City uses.

Council Member Taylor stated that he liked the idea of every City using the same model. He stated that we are changing the way we think about and look at utilities. This means much more than providing fast internet.

Ms. Buhman stated that this is a utility model. Rapid communication isn't about trolling more quickly on Amazon. It's about the health and safety of citizens and businesses.

Council Member Carroll questioned the "one for one" vote. She wondered why cities bringing in greater assets or more money would have the same voting power as cities bringing in lesser assets or less money.

Ms. Buhman stated that this was a percentage. Each municipality would pay to LightHub (each fiscal year) 95% of the incoming utility fee model. She stated that each individual City makes decisions about their utility fees. It is incumbent upon each city to determine what their utility fee will be.

Council Member Carroll stated that she wanted each municipality (including American Fork) to be treated fairly. She stated that if the City didn't bond under LightHub and 95% of AF's utility fees were earmarked for LightHub, how would the City pay for the bond?

Mr. Bunker stated that the service agreement assumed that American Fork City would bond under LightHub.

Kathy Shaw stated that the 95% of the utility fee goes toward the personal debt of each municipality that bonded under LightHub. She mentioned that the operational costs for each city are separate from this noting that each home/residence/business will have a fee assessed that the City will pay to LightHub for operational costs.

Council Member Barnes asked if the operational costs would be a set dollar amount.

Mr. Bunker explained that these costs could fluctuate based on the cost of the operations.

Council Member Carroll reiterated that as she understood it, everything hinged upon other entities being forced to bond under LightHub as the agreement required the entering city to relinquish 95% of their utility fee.

Ms. Shaw stated that if a city didn't bond through LightHub, they simply wouldn't sign the particular agreement requiring 95% and their utility fees would remain in their city to cover their bond.

Mr. Bunker suggested adding some language that "if bonding occurred outside of LightHub the agreement would change".

Council Member Taylor asked what benefit there would be to a City joining LightHub if they didn't want to bond under LightHub.

Mr. Bunker responded that cities would want to be part of LightHub for efficiency of operations. These efficiencies would be outside of their individual projects. The project puts the stuff in the ground. There will still be a need for customer service, etc. Every community will have these needs. Short of joining LightHub, each City will need to hire a full time person to service their individual community. In contrast, if multiple municipalities join LightHub, they can share one service center. He gave several other examples.

Council Member Taylor stated that if another entity didn't use our NOC, they would still need to provide their own service center and staff.

Ms. Buhman explained that LightHub might not be right for every city and each entering municipality would come with their own capitalistic draw.

Mr. Bunker gave an example of an efficiency. City A and City B have their own system and their own NOC. City A and City B want to engineer for new subdivisions that are coming into their respective services. In addition, both cities need to purchase the switches and the gears that bring the light to the NOC. Perhaps all of the entities order the same switches and gears and get a much better deal. This is one example of an entity that has their own project but wants to share operational efficiencies.

George Schade mentioned again the value of sharing a call center with those sharing our NOC. He also gave the example of discounted prices on software packages.

Council Member Taylor questioned whether City A and City B could share licenses across NOCs. He felt that the NOC was the big deal breaker for him. Each NOC has its own characteristics. An entity coming in that doesn't use American Fork's NOC wouldn't be able to provide value to LightHub.

Ms. Buhman stated that the Board of Director's can decide which entities are good candidates for LightHub.

Mr. Bunker reminded the council that the NOC (the project) and the service agreement are separate agreements. He reiterated that some municipalities will only join for operational efficiencies.

Mayor Frost asked if allowing a City to use our asset would require the City Council's vote.

Ms. Buhman stated that this would be governed by LightHub.

Mr. Bunker stated that AF City provides a contract for LightHub in which they set forth the terms of use for the asset belonging to them. LightHub is the broker for AF City's assets. They don't create the terms or determine the price.

Ms. Buhman stated the next contracts she will work on are the contracts for the NOC and the mid mile fiber to be drawn up between AF and LightHub. The interlocal agreement is the pass-through entity.

Council Member Taylor concluded that LightHub does not exist except for the interlocal agreement.

George Schade explained his software example more fully.

Ms. Buhman stated that she wanted to protect and maximize the asset that the City paid millions of dollars to acquire. She stated that the City wasn't giving away the asset. They were utilizing and maximizing it.

Council Member Barnes stated that this agreement was based on the assumption that the other entities coming in were going to pay a utility fee. If they didn't, the agreement would have to be tweaked.

Council Member Barnes suggested another work session before Tuesday night's City Council meeting so Council Members Christiansen and Shelton could be part of the meeting.

There was some discussion about when Council Member Christiansen and Council Member Shelton would be back.

There was general consensus that another work session should be occur before the City Council meeting and it was tentatively scheduled for the following Monday at 4 p.m.

Council Member Carroll asked what the scenario would be if a city wanted to bond under LightHub but they didn't have utility fees to pledge.

Ms. Buhman stated that each entity would need to find a way to pledge a revenue stream to LightHub. They would not be able to come in free of charge. She stated that these changes could be made by the board.

Council Member Carroll stated that the contract would have to allow for modifications.

Ms. Buhman stated that there would need to be various contracts. Perhaps one incoming city wouldn't want to pledge 95% of their utility fees but instead pledge sales tax. As long as the board is content that there is enough revenue coming into LightHub to pay for operational expenses they would likely approve entrance of said municipality. The agreement for every city would be the same in theory but there could be some variations.

Council Member Carroll stated that it would be important to be able to see other contracts.

Council Member Taylor and Mr. Bunker stated that they were trying to protect American Fork assets by making sure that city was covered before giving up all but one vote on a board.

Mayor Frost thanked Camille Buhman for her help.

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

Mr. Bunker stated the Council and staff had chosen a very conservative approach with regard to financial projections for the broadband project. He referred to page 2 – cash at year end stating that if this number ever hit zero or was negative then the city would have a funding problem. He went on to say that the completion of the project would occur in the first three years. Once the project was completed, and the phases were done and hooked up, revenue would begin to come in and net income could be determined.

Council Member Barnes stated that this model still allowed the city to have a positive net income after interest and depreciation by year four.

Council Member Carroll asked for a comparison between this 25% uptake document and the former 25% uptake document that had been provided.

Mr. Bunker provided the answer by referring to the previous document and the council agreed that the numbers were what they had expected.

Mayor Frost asked if the Council was comfortable with the contingencies.

Council Member Barnes mentioned a recommendation he had made regarding a ten percent contingency fee be added to the current numbers.

Mr. Bunker stated that there was already a contingency built into the model but not into the finance package. This had been added into the finance package upon the recommendation of Council Member Barnes. With the addition of this fee the total ended up being about \$32.5 million. This figure also included first year operations and capitalized interest.

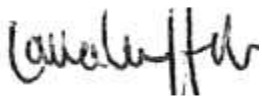
Council Member Carroll asked if \$32.5 million was the number showing in the current document.

The Council referred to pages 6 and 7.

Mr. Bunker suggested that Lewis Young and Design 9 confer to make sure that their figures matched. He stated that the most recent model included the construction costs, the finance costs, the capitalized interest costs, the contingency costs, and the closing costs built in.

4. Adjournment

The meeting adjourned at 5:45 p.m.

A handwritten signature in black ink, appearing to read "Lauralee Hill". The signature is written in a cursive, flowing style.

Lauralee Hill, Deputy Recorder

