

AMERICAN FORK CITY COUNCIL
JULY 21, 2020
WORK SESSION MINUTES

This meeting was held electronically

Members Present:

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

Staff Present:

David Bunker	City Administrator
Camden Bird	Community Services Director
Terilyn Lurker	City Recorder
Anna Montoya	Finance Officer
Aaron Brems	Fire Chief
Cherylyn Egner	Legal Counsel
Adam Olsen	Senior Planner
Darren Falslev	Police Chief
Derric Rykert	Parks and Recreation Director
Scott Sensanbaugher	Public Works Director

Also present: Todd Brightwell, Nick Dall, and Randy Sant

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, July 21, 2020, electronically, commencing at 4:00 p.m.

1. Presentation on the Water Infrastructure Bond

Anna Montoya, Finance Officer, began the presentation by providing an overview of the existing projects. They were pursuing financing through the State of Utah Board of Water Resources. In order to do so, the City needed to publish a notice of the utility water bills requesting public comment. Ms. Montoya presented a project description as well as a map of the project located at 700 North and 600 East. She explained that this project replaced old and undersized main pipelines and was part of the culinary water system. It also replaced dilapidated lines that had suffered outages. It was necessary to provide adequate fire protection and culinary water services to certain parts of the City, and to provide a new well in the southern portion of the City. All of this work would be done as one project in several phases. Public Works had estimates for all phases and the plans were nearly finished for two portions. The remaining phases were also underway.

Council Member Shelton asked how the estimates were determined. Scott Sensanbaugher, Public Works Director, said these estimates were determined by Horrocks Engineering with assistance from PEPG on one of them.

Ms. Montoya continued with an overview of the estimated project cost, explaining that the total project was \$25.8 million for both the transmission line and the well. With financing, the Board of Water Resources was recommending 85% of that being financed, therefore suggesting that 15% be funded out-of-pocket. These funds would come out of cash reserves, thereby showing good faith to the board. Any portion that went to the southern area could be paid by impact fees. Ms. Montoya noted that the City had cash reserves in the impact fees that would cover the 15% of out-of-pocket expenses. Most of the bond costs were in the estimates and it was noted that the board charged 1%. It had also been recommended that the City pay off the 2013 revenue bonds. This showed to the board that there was no competition in paying, as this loan would be paid first. The total out-of-pocket would be \$4.7 million and financing would be for \$22 million. Ms. Montoya noted these were project estimates and were subject to procurement, but staff felt these were safe numbers.

Ms. Montoya explained that the parameters had a threshold of \$29.5 million in project costs and financing. This was higher in case they had to go to open marketing finance. They felt they would be well within that amount. Staff had asked the City's financial advisors to look at different options, and management felt that going to the Board of Water Resources was the best option because they offered the lowest interest rate, the bond callable any time, they offered a fast track to get the financing, and the overall debt service would be lower.

David Bunker, City Administrator, noted they did not need to adopt another parameters resolution if the City ended up needing to go out to the open market. Ms. Montoya said as far as paying for the loan, the annual debt service was impact fee eligible. She then reviewed details regarding the minimum debt service of the bond. Assuming they experienced an economic downturn, they would also be able to cover the debt service by 3.5%. Any operating costs and ongoing repairs were included in the service coverage. Ms. Montoya concluded that the project was viable without a rate increase for water customers based on the coverage ratios analyzed by staff.

Ms. Montoya addressed some of the concerns the City received from public comment. She explained that they were able to cover the debt with the growth rate. The impact fees would contribute to the majority of the loan repayment. They would go through the formal procurement policies, and the bond parameters were a not-to-exceed.

Council Member Shelton asked if the coverage ratio was based on parameters or numbers from the State. Ms. Montoya said this was based off the City's financial statements and on the estimated State numbers. She continued that they would only draw upon the State loan for the amount needed, so as to help save interest expenses. The costs were closely tracked, reviewed, and audited. The debt service was for culinary water revenues only and would not affect property taxes or PI rates. The City would use the reserves/savings for non-impact fee eligible portions of the project.

Council Member Barnes stated the biggest question was what they meant by the statement that impact fees will contribute to the majority of the loan repayment; what will they about the rest? Ms. Montoya explained there was 4.71% that would be paid with impact fees and 3.51% that

would be without. She noted that about 20% that would be impact fee eligible. She added that staff was comfortable with the impact fees coming in to paying for a portion of the debt service. Mr. Bunker explained that a portion of this project would cover the costs of some lines that were under sized or dilapidated. He noted the replacement of the pipe on 600 East and Main Street was not impact fee eligible and would therefore need to be paid for through a different mechanism. The road down 200 South did not have a water line that was sufficient, and therefore it was impact fee eligible. He explained that when noting that the majority of projects were impact eligible, staff was indicating about a 90% range.

Council Member Shelton asked if the City would pay for impact fee eligible projects from its cash reserves, which would later be reimbursed by impact fees. Ms. Montoya said this was correct.

Council Member Barnes asked if the project would be bid out in pieces or as one whole project. Mr. Bunker explained that Horrocks Engineering had been designing the 700 North phase for a while, and this portion would go out to bid. This was also the case with the 200 South segment. Those segments could go out to bid once the funding was secured. As soon as the other phases were designed and submitted to the State, they could begin the work. Mr. Sensanbaugher stated that Horrocks Engineering felt that separate bids would be best, and he noted the City anticipated it would receive between three and four bids. Council Member Barnes said he would like to have a discussion on the bids when they were received.

Ms. Montoya went over the timeline of the project. She explained that the timing as to when funding would be received depended upon when the moratorium was lifted, and the project construction kicked off. Council Member Shelton stated that he would like to have the timeline included in the administrative supports so they could follow the project. He asked when the adoption of the impact fees would be done, to which Mr. Bunker explained there was a work session scheduled for August 18th wherein this would be discussed.

Council Member Barnes asked how many existing wells the City currently had and was using. A citizen had stated that some had been capped, but he was not sure if that was true. Mr. Sensanbaugher said there were five active wells and they were all used; they rotated based on need. He knew there were a couple wells that were not being used but he was not aware of them being capped; they would have to invest in these upgrades. Mr. Bunker added that per City Code, when development occurred the well was turned over to the City. He concluded that none of the wells had been capped but some may not be used.

Council Member Shelton pointed out there were no wells on the south side of town with limited access points from the north of the freeway. By putting a storage tank and well down in that area, they could provide better service. Mr. Sensanbaugher stated that the well would be put right into the system and not stored. Mr. Bunker explained that Bowen and Collins had conducted a study for locations of the well so they had an idea of where they would like to install one for the best use; he added that this would not be used for storage. In response to a question from Council Member Shelton, Mr. Bunker explained that they could not put a storage tank on the south side of the freeway because of the elevation and would therefore be difficult to maintain.

Council Member Carroll asked if boosters would be needed for the water itself, to which Mr. Bunker explained that the motor was designed to push water into the system instantaneously and right into the storage. Council Member Carroll inquired as to how the City was able to have so

many projects be impact fee eligible. Mr. Sensanbaugher explained that this was due to the City having to upsize the lines.

Council Member Carroll asked with regard to the timeline, how long would it take for the City to obtain funding once everything was approved by the State in August. Ms. Montoya recalled that the closing date would happen fairly quickly and could be done in a couple of weeks. Mr. Bunker concurred that this would be the best-case scenario, adding that the plans would be finalized by mid-August, with project bids going out during the first part of September.

Mr. Bunker suggested that when the City received positive answers for the funding, they could consider lift the moratorium. He added that they could work on the line through the winter. Council Member Barnes asked if the capacity to handle growth would be sufficient. Mr. Bunker said it would take a several months for these large projects to be finished; furthermore, not all of the units would be occupied by Day 1. The time of construction and unit absorption should coincide. Council Members Barnes and Carroll were worried that they would not coincide, and they did not want the vertical to go too quickly. There was some discussion as to what wording could be used when lifting the moratorium to ensure the time of construction and unit absorption coincided.

There was a brief discussion on how the public hearing would take place. Ms. Montoya noted the City had received several letters that would be forwarded to the Board of Water Resources. Council Member Shelton asked if comments would be written-only, or if Terilyn Lurker, City Recorder, would be at an anchor location to receive public comments. Council Member Barnes clarified that there would not be any opportunity for live comments. Council Members Shelton, Barnes, and Carroll indicated that they felt citizens should be able to make comments. There was discussion as to how this could be managed with proper social distancing protocols in place. Cherylyn Egner, Legal Counsel, explained the current public noticing requirements.

2. Discussion on Downtown Revitalization

Todd Brightwell, Nick Dall, and Randy Sant were present to discuss this item. Mr. Sant explained that when they put the report together several steps were followed, including gathering information, reviewing the General Plan, creating an Economic Development Committee in collaboration with the Chamber of Commerce, and holding S.W.O.T. Analysis meetings. Mr. Sant presented strengths and weaknesses of the downtown area, as well as potential opportunities and threats to the area if not developed strategically.

When reviewing the General Plan, Mr. Sant noted that one of the objectives listed was for development to continue focusing on the improvement of downtown American Fork. These revitalization efforts had been a priority for several years, however those improvements still had not been made. In developing a new plan, the team considered several reasons for these delays. Mr. Sant then discussed visioning principles for the revitalization of downtown American Fork, which including creating an icon that represented the City's identity as a way of making it stand out in the region. The intent was to make American Fork a hotspot for urban living, a City with beautiful civic and public spaces, and sustainable economic growth. In order to reach those goals within the City, the plan therefore addressed four key components: design, organization, promotion, and economic restructuring.

Mr. Sant explained that one of the priorities listed in the plan was to hire an effective, trusted project manager: someone who could focus on the downtown efforts and be in charge of implementing the plan. They needed to develop and prepare marketing information, closely monitor, and manage the work plan, and then coordinate and design the form-based code material. The project manager would work with a committee to develop a five-year work plan to ensure the implementation of objectives within the City.

Mr. Sant enumerated several challenges for which the City should prepare. He then explained that there were a number of tools that would help them overcome those challenges. For instance, the team recommended putting the downtown area into an RDA for tax increment zoning and felt the Opportunity Zone would be beneficial. Additionally, they could put together a revolving loan fund and grant, business improvement district, special assessment bonds, tax increment bonds, sales tax bonds, MAG grants (they were recommending a parking study), and Public Infrastructure District (PID). The final report would include more details on each of these options.

Todd Brightwell stated the next steps were to create a clearly defined organizational structure, develop materials and other resources to market the plan, formulate a list of desired tenants for the downtown corridor, create a strong relationship with downtown land owners, and develop a meaningful, public/private partnership.

Council Member Shelton stated that this had taken over a year and he was afraid it was taking away from the synergy, as the cost of building downtown would be more expensive because it was not raw ground. For this reason, any incentive that could be offered to developers would be crucial. He asked how they could implement this plan on a quicker timeline, to which Mr. Sant stated he understood there were plans to extend the Opportunity Zone. He continued that the project manager would be responsible for building relationships with developers, and that there were already individuals who were interested in moving forward. He stated that once the plan was adopted by the Council, they could get moving on implementation quickly. Council Member Shelton expressed that he was passionate about this plan moving forward and reiterated his concern regarding the timeline.

Council Member Taylor stated that he was in the process of trying to buy a building and he would love to take advantage of the Opportunity Zone. He expressed his desire to see this plan actually become a reality and stated that there were other investors keeping an eye on the Opportunity Zone in American Fork.

The Mayor and Council discussed concerns about the viability of the plan presented. Mr. Sant explained that just because an opportunity zone was created, did not ensure that developers would come in with proposals. He stressed the importance of hiring the right project manager to promote the zone and solicit proposals. He and his team did not want to present a plan to the City that sat on the shelf. However, they needed a commitment from the Council before they could move forward. There was subsequent discussion regarding the types of projects that could be successful in the Opportunity Zone based on current activity in the area as well as market demands.

3. Presentation of the Fraud Risk Assessment (Requested by Terilyn Lurker, Recorder)

Ms. Montoya explained that the State Auditor had developed several guidelines for local governments to follow, which were designed to help measure and reduce risk of fraud to the City. The guidelines outlined best practices for assessing overall risk levels. She stated that these

guidelines were not internal control assessments performed by an independent auditor; therefore, a high score did not indicate a lack of internal controls.

Per the State Auditor's assessment, Ms. Montoya explained that the City scored high in separation of duties, written policies, and staff training. She presented a list of improvement areas identified in the assessment and noted that the overall score for the City was 310 out of 395 which was categorized as a moderate risk level.

It was recommended they have an Audit Committee that the City Council meet with annually, or more as needed. The Audit Committee was recommended by the Office of the State Auditor and helped to ensure that City management effectively developed and enforced systems that complied with all state laws, provided accurate reports, operated a fraud hotline, and reviewed financial statement conducted by auditors.

Council Member Shelton expressed that this assessment was helpful in identifying areas throughout the City that needed to be tightened up, and he expressed appreciation for an Audit Committee. In response to a question from Council Member Shelton, Ms. Montoya clarified that the external auditors contracted with the City followed Governmental Accounting Standards Board (GASB) audit requirements and reported to the City Council. Further discussion regarding audit processes ensued. Council Member Shelton asked if the guidelines listed in the Open and Public Meetings Act (OPMA) would need to be followed if sensitive materials were brought up during audit processes. Ms. Egner stated that if the whole Council was present, then yes, OPMA guidelines needed to be followed. Mr. Bunker added that if sensitive material warranted discussion, they could meet in a closed session. Council Member Carroll stated that all committees in the City were required to hold their meetings publicly. Ms. Egner concurred with Council Member Carroll; however, she said she would investigate the matter further. Mr. Bunker noted that while American Fork City did have room for improvement, the City did hold a fraud meeting with its employees. He believed the fraud hotline was an important factor to fraud mitigation efforts.

4. Adjourn

The meeting ended at 5:55 p.m.



Terilyn Lurker, City Recorder