TREMONTON CITY CORPORATION
CITY COUNCIL MEETING
DECEMBER 29, 2020

Members Present:
Connie Archibald
Lyle Holmgren
Bret Rohde—excused
Rick Seamons
Lyle Vance
Roger Fridal, Mayor
Shawn Warnke, City Manager
Linsey Nessen, City Recorder

CITY COUNCIL MEETING

Mayor Fridal called the December 29, 2020 City Council meeting to order at 5:30 p.m. The meeting was held in the City Council Meeting Room at 102 South Tremont Street, Tremonton, Utah. Those in attendance were Mayor Fridal, Councilmembers Archibald, Holmgren, Seamons, and Vance, City Manager Warnke, and City Recorder Nessen. The following Department Heads were also present: Fire Chief Robert LaCroix, Public Works Director Paul Fulgham, and Police Chief Kurt Fertig. Also in attendance was: City Engineer Chris Breinholt. Councilmember Rohde was excused.

For the Opening Ceremony Mayor Fridal asked anyone who may be offended by listening to a prayer to step out into the lobby for this portion of the meeting. The prayer was offered by Councilmember Holmgren and the Pledge of Allegiance was led by Councilmember Seamons.

1. Discussion and consideration of adopting Resolution No. 20-55 reaffirming, amending, and enacting, new fees and fines in a schedule entitled Tremonton City Consolidated Fees and Fines Schedule including, but not limited to, amending fees for secondary water, culinary water, and emergency medical services fee

   Manager Warnke explained the proposed bond ($4.4 million), as well as the improvements the bond would provide to the City to bring it into compliance with the State's requirements for peak day supply. This includes appropriating some of our Water Fund reserves to keep the cost as low as possible. The bond scenario we anticipate is a 15-year term at a 1.76% interest rate. Total principal and interest over the life of the bond would be $5.1 million with an annual debt service of $342,000. The bond covenants would require us to have a 1.25 debt service coverage, which would require us to deliver $427,000 of new revenues. That equates an annual increase of $121 to the billable units (3,526).

   Manager Warnke said the City could increase base rates and tier rates to get these revenues. The base rate is the amount anyone pays without using any water while the tier rates are the cost per 1,000 gallons. If you increased the base rate only it would go up $10.10. The pros for an increase on the base and tier rates are more participation generated by commercial users and individuals who use more water. The con is that revenue is subject to variability due to weather patterns and conservation. We could have

less money than we need to pay the bond and since we are cutting everything so close this is a real problem. Also as people switch from the culinary to secondary system that could put us in a deficit relative to the bond. When looking at a base rate increase the pro is that it is a guaranteed amount of revenue needed to pay the bond. Residents who have alternative sources of irrigation water will still participate at an equal level. The con is that individual entities that use more water will not necessarily pay more. He then showed the Council historical base rate data over the years. If they were to apply a 3% inflation rate the base rate would be up to $30. I recommend we increase the base rate by $10.10. You could always adjust that later.

Manager Warnke then gave an overview of impact fees. We exact from developers all the improvements we can to service that development. The Capital Facility Plan is evaluated and the City identifies what projects need to occur in that 6-10 year period. It is a fallacy to think that cities can require or even structure new growth to pay for all their costs. We do our best to maximize the exactions we are allowed within the bounds of State Code. Citizens need to realize they have benefitted from user rates paid by other generations. Councilmember Vance said we are going back and connecting secondary to all existing homes and if we did not have growth we would not need to increase our prices at this point. We are trying to build Tremonton so is there anyway we can raise impact fees to help offset those costs? Manager Warnke said yes, we are putting more energy into doing that through the contract with Jones and Associates, who will provide an Impact Fee Facility Plan. We are also working with Zions Public Finance for the impact fee amounts. The hard part about impact fees is we collect them at the building permit and at that stage you are expected to have capacity. It is hard to fund growth with impact fees. Councilmember Seamons brought up information comparing surrounding cities' impact fees to Tremonton and asked how are we falling behind so much yet growing so fast? Director Fulgham explained that the City's impact fee used to be higher, but legislation changed the process and lowered that. Many of our surrounding towns do not fall under our same category and were not affected. We agree with you and that broke our heart when we had to back off, but legislation made us reduce it. Engineer Breinholt said you cannot ask people to pay more than what you have asked people in the past to pay per connection for buy in. Manager Warnke said they are system improvements, which benefits the entire community. Infrastructure is bigger than a project improvement. We are moving forward on an Impact Fee Study update and will adjust it. When we do a future facility they are charged their share through exactions. It does not look at replacement costs or inflation, it is the actual cost to construct.

Councilmember Vance asked if there has been any movement on culinary wells. Manager Warnke said we understand this is the direction of the Council and will start looking for the best opportunities. The cost is about $25,000 to explore existing wells and do the analysis. There is also the option to drill a well, which is potentially cheaper, but not the best water quality. There is also the BR Project, which would provide a certain amount of source development to Box Elder County in about 2050.

Mayor Fridal said our secondary water will get us by for now, but we have to be pursuing other sources of water. Councilmember Holmgren said I would like to see us explore the King well, along with others. Councilmember Vance said we have to see secondary water through to meet the ERCs and get that to every house. If these developments come in and build everything they are proposing we are dead even with culinary water. Engineer Breinholt said we would be a bit ahead of that if we continue with the secondary system. If we do not do anything else we have 26 ERCs available. Councilmember Vance said we

ought to put as much effort into finding culinary water right now while we are trying to keep up with growth. Manager Warnke said we could acquire a source now and not necessarily develop it. We all agree we need to be diligent in acquiring culinary water.

Councilmember Holmgren said at this point we need to do Service Area 5 and start exploring other options for culinary water. Service Area 5 is important as far as the bridge from where we are right now to where we need to be. Councilmember Seamons asked how we are going to pay for Service Area 9 when it comes on. Director Fulgham said my hope is that we would have reserves. We have to build our portion on it and if we spend our reserves that gives us less to explore future wells and for other projects. Councilmember Seamons said I am sure citizens do not want us to come back in three years needing another $2 million. I would like to know what it would cost to finish this out. Director Fulgham said it would cost $1 million to bring a line across without the help of developers. That can be reduced with their participation. Manager Warnke said the contemplated PID would fund the pump station and main line, and potentially the upsizing. We would reimburse the PID with impact fees for upsizing the system because that is a system improvement beyond the capacity needed to service their development. That is the incentive for the City to participate in the PID because it would allow for some of those system improvements to be done.

Councilmember Vance said I have looked at our current fees and think it would be better to increase costs to those who are using water. That way people who use the water will be paying for it. Manager Warnke agreed with the methodology of that, but said the simplest way to ensure the bond is met is to increase the base rate. Councilmember Vance suggested increasing the base rate by $5.90 and then increasing each culinary tier by 25 cents. Manager Warnke said the problem with trying to use the tier rate at this point is that as people migrate over to secondary, which is cheaper, that requires you to make up the revenue on the culinary side. Mayor Fridal said I have to agree with Councilmember Vance on this. I can see the common sense in having something just raised $10.10 every month, but I do see that users need to help pay for it. Councilmember Holmgren said I agree the users should pay for it, but by the same token, we need to have a pretty sure revenue source until things get built out and users start to come on. Manager Warnke said maybe in the short term we increase the base rates and watch the usage then we would have better estimates. When more people migrate over we adjust the rates then for usage. I feel like in the short term it would be better to increase the base rate. Mayor Fridal suggested raising the base rate by the proposed $10.10 and in two years readdressing it to see if it could be lowered. Councilmember Vance said it has to be leveled out to where everyone using water is paying their fair share and there is no better way than through usage. Councilmember Vance said, it is like we are trying to land a plane. We know that we are going to need to make adjustments to water rates in the future.

Councilmember Vance made a motion to increase the base rate on the culinary system by $5.90 a month, as well as a 25-cent increase for tiers 1 and 2 on the culinary. For each tier after that it would be raised by 50 cents. There would also be an increase on the commercial side with each tier going up 25 cents.

Motion by Councilmember Vance to approve the resolution as stated. Motion seconded by Councilmember Seamons. Roll Call Vote: Councilmember Archibald - aye, Councilmember Holmgren - aye, Councilmember Seamons - aye, Councilmember Vance - aye. Motion approved.

2. Discussion and consideration of the City Council directing City staff to work with the City Municipal Advisory Alex Buxton, with Zions Public Finance and Randall Larsen, Gilmore Bell to prepare a parameters Resolution and other documents associated with consideration of secondary water bonds

Manager Warnke said the rates increased with the intent of going through the bonding process. We need direction from the Council to get the resolution drawn up for our January 5 meeting. This would set the limits for the bond. We will talk specifics at the next meeting, but we want to be on the same page. We want you to be aware we will prepare the parameters resolution, which would delegate authority for making decisions on the bond to a small working group. That group would include Councilmember Vance, Mayor Fridal, Finance Director Roberts, and myself. You would be giving the framework to a smaller committee to make the final decision because of the shorter timeframes that are associated with getting terms and locking into those.

Motion by Councilmember Holmgren to approve the working group's authority to make decisions and set parameters for the bond. Motion seconded by Councilmember Archibald. Vote: Councilmember Archibald - aye, Councilmember Holmgren - aye, Councilmember Seamons - aye, Councilmember Vance - aye. Motion approved.

3. CLOSED SESSIONS: No closed session held at this time.

- ***a. Strategy session to discuss the purchase of real property when public discussion of the transaction would disclose the appraisal or estimated value of the property under consideration or prevent the public body from completing the transaction on the best possible terms; and/or***
- ***b. Strategy session to discuss the character, professional competence or physical or mental health of an individual; and/or***
- ***c. Strategy sessions to discuss pending or reasonably imminent litigation; and/or***
- ***d. Discussions regarding security personnel, devices or systems***

4. Adjournment

Motion by Councilmember Holmgren to adjourn the meeting. Motion seconded by Councilmember Vance. Vote: Councilmember Archibald - aye, Councilmember Holmgren - aye, Councilmember Rohde - aye, Councilmember Seamons - aye, Councilmember Vance - aye. Motion approved.

The meeting adjourned at 6:56 p.m.

The undersigned duly acting and appointed Recorder for Tremonton City Corporation hereby certifies that the foregoing is a true and correct copy of the minutes for the City Council Meeting held on the above referenced date. Minutes were prepared by Jessica Tanner.

Dated this 19th day of January, 2021.

Linsey Nessen, City Recorder

Follow-up items for the Council and City Staff

City staff would start working with Zions Public Finance and Gilmore Bell to prepare a parameters resolution and other documents associated with the proposed bond for secondary water.

City staff will also start looking at other sources of culinary water and their costs.