

**TREMONTON CITY CORPORATION
CITY COUNCIL MEETING
January 21, 2014**

Members Present:

Diana Doutre
Lyle Holmgren
Jeff Reese
Bret Rohde
Byron Wood
Roger Fridal, Mayor
Shawn Warnke, City Manager
Darlene S. Hess, Recorder

CITY COUNCIL WORKSHOP

1. Mayor Fridal called the January 21, 2014 City Council Workshop to order at 5:35 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 Doutre, Holmgren, Reese, Rohde, and Wood, City Manager Shawn Warnke, Recorder Darlene S. Hess, City Engineer Chris Breinholt, Public Works Director Paul Fulgham, Police Sergeant Kevin Allred for Chief David Nance, Treasurer Sharri Oyler, and Finance Director Curtis Roberts.

Mayor Fridal welcomed the guests present and asked them to introduce themselves: Wayne Pyle, West Valley City Manager and current UTOPIA Board Chair and Gary Crane, Layton City Attorney. Attorney Crane handles the legislative affairs for UTOPIA.

2. Presentation and review of the Pre-Development Agreement between Utah Telecommunications Open Infrastructure Agency (“UTOPIA”), Utah Infrastructure Agency (“UIA”) and Macquarie Infrastructure Development LLC

Mayor Fridal asked the Council to set aside any past negative experiences with UTOPIA and try to think of what can be done from this time forward that would be of benefit to Tremonton City and to UTOPIA, as well.

Mr. Pyle said that he and Mr. Crane were not present to discuss any particular subject related to UTOPIA other than they thought the Council wanted them to talk about the Macquarie proposal. They will also be willing to discuss any questions the Council may have about UTOPIA. Mr. Pyle wanted the Council to understand that he is not paid nor employed by UTOPIA. He sits on the UTOPIA Board and has for a number of years. He is the Board Chair right now because of a rotation schedule and not because of desire or any particular agenda that is going on.

Mr. Pyle stated that both his and Mr. Crane’s main concerns are their cities in considering this Macquarie proposal. He agrees with the Tremonton City Council that UTOPIA has had a checkered past in terms of build, operations, relations with the Legislature, relations

with the member cities, etc. One thing that has become perfectly clear over the past couple of years is that what is being done right now is not going to work in the long term.

The model that UTOPIA has been operating under over the last couple of years does have some appeal and some success to it from an operating expense standpoint and from the new debt coverage standpoint. UTOPIA is actually making progress. They are seeing the operational shortfall shrink a little bit at a time. Mr. Pyle feels that UTOPIA will finally get to where they want to be, but even if they do, it leaves UTOPIA with a big problem: the network never will have been built and never will have been able to fulfill one of the original objectives. A lot of the cities, such as West Valley, could get to “operational neutral” from a finance standpoint and from a handling of the debt standpoint, but they would still only be 16% built and would never have an actual network in their city. Layton is in a worse condition than West Valley from a standpoint of having that fiber system built.

Taking the premise that a city does want to see the fiber networks built, and Tremonton does have a good proportion of the City already built, Mr. Pyle explained that Macquarie proposes that they come in as a private party, an infrastructure investment firm as well as investment banking, and provide the financing to build and operate the system. They will guarantee the function of the system and the cities will not be any further responsible for the operational expense from a shortfall standpoint or from a future issue standpoint to the system. What will be required in return for that is for the cities to sign a concession agreement with Macquarie that they would operate this system for thirty years along with a plan and a guarantee based upon which Macquarie’s investment would be paid back.

Mr. Pyle referred to when the State Legislature told UTOPIA that their operation had not been run well and that there was an inherent model problem. Those conversations led to the idea that UTOPIA, or a model that would grow out of UTOPIA, would be operated as a utility system. The logic behind that was that UTOPIA was good at building and running utilities, but they were not good at building and running enterprises. UTOPIA agreed that cities are better at running utilities.

The utility model was discussed, but at that time, they didn’t have any way to finance the utility. Macquarie came along six or seven months ago and said they like the UTOPIA network, that it is well built and well maintained, and that it is state of the art from a function standpoint, but what UTOPIA doesn’t have and what Macquarie could help supply is scale. UTOPIA has twenty thousand connections that can be served right now out of a potential one hundred and fifty-three thousand potential connections in the eleven UTOPIA cities. There is no way UTOPIA is going to be able to finish building the system. It is an under scaled asset. Macquarie indicated that they are interested in partnering with the cities to build it.

Mr. Pyle explained that Macquarie’s proposal is roughly the same concept as waste collection or any other service that municipalities run, though it is more complex in that there are eleven different cities, each with different bills, different fees, and different city and public desires. Still, the basic idea is the same. Macquarie wouldn’t own the system. The member cities would still own the system at the end of the thirty years, but Macquarie would build and operate the system and carry all the debt on their books. They are looking for a return on that investment as any other private partner would do.

Councilmember Holmgren stated that, as he understands it, Macquarie would come in and put in the infrastructure and then there would be a utility fee charged to the residents. Not everyone in the cities would participate in fiber optics. Councilmember Holmgren questioned how Layton and West Valley are handling that.

Mr. Pyle responded that neither West Valley nor Layton is committed or convinced they are going to be accepting this proposal either. Their cities are doing an examination of the proposal now. But, from West Valley's standpoint, the crux of the whole thing is the utility fees. Obviously, the lower the fee is, the easier the service would be to sell. The way West Valley is approaching their consideration of the proposal is by doing data research within the city to determine what percentage of the households are interested in participating in fiber optics and by asking the residents what they want and what utility fee they would support. Once West Valley has those answers, it will allow them to go forward to determine if the proposal is feasible. West Valley will also be doing a financial analysis to get an idea of what the utility fee should be. They will also be assessing what the network build needs really are.

All Macquarie cares about is that they get their service contract dollar back. They don't care what the cities charge at the residential or commercial level. West Valley isn't charging the municipal cost for waste management right now because, over the years, they have built a pretty healthy fund balance. There is an envisioned scenario for fiber optics to enable cities to have some flexibility in how they charge. Councilmember Reese stated that Tremonton City is required to have a certain number of blue garbage cans for the City's recycling program or the provider would not provide the service. He asked if that will be the case with Macquarie. Mr. Pyle responded that what cities could do, even if they didn't have enough customers but really want the service, is to cover part of the fee themselves.

Councilmember Wood asked if companies like Comcast could come through the UTOPIA fiber optic system and sell through that. Mr. Pyle said that would not happen. He mentioned the situation that happened with Google in Provo. When Google went into Provo they essentially took over all the customers that were on Provo's network. Google pushed Comcast, Veracity and all the other service providers out the door. Before Provo had built that network, it was an open system meaning any service provider could "ride" it. Once Google took it over it became a closed system meaning Comcast and Veracity could not participate and use that system.

It was made clear with Macquarie from the start that this must still be an open network. UTOPIA has always invited Comcast and Century Link to participate. UTOPIA also believes that it would be a lot of pressure as there would be seven times the number of addresses connected to the system.

Mr. Pyle stated that West Valley was going to make UTOPIA mandatory. Councilmember Reese expressed the opinion that Tremonton will have to do that. Councilmember Holmgren said that it is a tough decision. About 80% of the households in Utah have broadband.

Gary Crane, from Layton City, said that the invitation is extended to any of the UTOPIA member cities. This is not something that can be stopped half way up the hill. A

decision must be made to continue or just slide all the way back down. Going dark is not an option for any of the cities.

Councilmember Reese commented that the reason the Tremonton City Council feels the way they do is because Tremonton can't get another hook-up. Councilmember Reese said that he knows of an individual who has a box and they won't plug him in. That is the bitterness that comes across.

Mr. Pyle said that is something he didn't know. He knew that the cable couldn't be laid from the street to the house in Tremonton. Councilmember Reese added that there are homes that have the installation completed but UTOPIA won't come in and hook them up. That is what Tremonton is dealing with.

Mr. Crane stated that this is an opportunity that all the member cities should carefully look at to make sure something that could potentially be of great benefit isn't being passed up. There is a difference between what Macquarie is offering and what an ordinary financier would offer because it doesn't "hit" our revenues. What Macquarie is offering is a service and it doesn't hit a city's bonding capacity anymore than Waste Management does.

The toughest part of the proposal is trying to figure out the fee. People don't like the sound of "fee," but most people are already paying for such services. In Layton, all of the parks have wireless internet. People go to the parks to use the internet because it is so much faster there than it is in their homes. Macquarie will continue to provide network in public places as a wireless overlay.

Mr. Crane stated that Layton has this great big UTOPIA debt of \$2.6M annually that isn't going to be paid off for thirty years. They feel it is better to trade that debt for a fee where the people will actually have something for what they are paying for. The debt is no longer a tax burden. For just a few dollars it can be added to the fee Macquarie will charge. The debt will be paid and everyone will have the service provided to their home. Layton City held focus groups within their neighborhoods and people are incredibly pleased with the choices they would have if they just have the line coming into their home.

UTOPIA providers have already said that they will provide basic fundamental service. Macquarie is concerned about what minimum service they are going to provide to the aging population. The current providers said that with a small box that they bring in from the fiber service, they can provide full service.

Councilmember Doutré asked if Macquarie would still charge the \$3,000 connection fee per home. Mr. Pyle responded that Macquarie would cover that. Councilmember Holmgren asked if his understanding is correct that the connection would be free and the only charge would be the service fee.

Councilmember Wood stated that the biggest problem he had from the beginning was the financing package and the 2% escalation every year. If Macquarie has deep pockets and bonding facilities, why don't they refinance that debt? Mr. Pyle replied that the problem is the financing structure. There is a premium that the cities would have to pay to break those SWAPS. It is not that it can never be done, it just can't be done right now due to

the current interest rates. It is based upon economic conditions which have gotten a little better – closer to being a break even situation, but it just isn't there yet.

Councilmember Wood then asked how UIA would be merged with UTOPIA. Mr. Pyle responded that there are three cities that are not in UIA at this time. Macquarie will look very different. It is conceived, if this were to go forward, it would basically be the formation of another new organization. It won't be UTOPIA. The management would look completely different. Conceptually, what UTOPIA will look like is more of a management contracting entity. It would be responsible for maintaining the current contract obligations with the cities and possibly with the service providers, though the service providers might be handled under the new organization

Mr. Crane commented that Macquarie wants an open system that is connected to every home. Developers like being able to offer that in the subdivisions they build. Macquarie can then upsell the product to whatever level the customer wants. There are all kinds of things they can upsell the product to. There are some providers that are looking at the possibility of providing extensive content. That is exciting.

Macquarie is a \$600B Australian company. They are bigger than Google and twice as big as the next PPP so they carry a lot of influence. When they come into a room, it is interesting to see the providers that are present, and the only reason they are there is because Macquarie is there. Mr. Crane encouraged the Council to take a look at what Macquarie has to offer because it could be something that could really change the picture after all everyone has gone through. This may be the opportunity the member cities are looking for to provide a service that will be extremely appreciated and will generate a lot of business.

Mayor Fridal asked if TV will be provided, as well. Mr. Crane said that TV can be provided but it won't be the primary service. Internet and telephone will be the primary services and that can be provided with a \$50 box in the home. Every city can individualize the services they provide. Hot spots can also be provided. There are things older people use without realizing they are internet related: cell phones, emergency alert buttons, doing genealogy on line. The Macquarie proposition is as close as UTOPIA has come to being able to do those things. Mr. Pyle reminded the Council that everyone is already paying for these services now.

Mr. Crane said that the financing agreement with Zions Bank is a big deal for Layton. At some point in the future, Layton is going to have to increase taxes, not because of the escalation, but because of natural growth. The UTOPIA member cities are going to have to take care of these UTOPIA problems before they will ever be able to raise taxes. Macquarie offers an option of taking care of those problems.

Councilmember Holmgren asked someone to address the idea of going dark, or shutting down the entire system. Mr. Pyle said that the way he looks at it is that it would be more expensive for the member cities than it is now. It wouldn't be covering the UIA debt; it would be more expensive because it wouldn't cover any potential law suits. It is not a viable alternative.

Mr. Crane explained what would happen from a legal standpoint. To begin with, the

\$16M stimulus grant would be immediately due and payable to the Federal Government and all the cities would have to split that cost. There is a large penalty for defaulting on the SWAPS. In addition to that, UTOPIA has individuals who have already put out \$3K to obtain the service. They would all have to be paid back.

Councilmember Doutré asked what would happen to those who paid the \$3K for a connection. Mr. Pyle said that this has been discussed with Macquarie. Even though it is a substantial number of people, the number is small enough that it is felt that Macquarie would propose to either refund the money or otherwise compensate them. Director Fulgham commented that this was the first connection to UTOPIA in the City and they were not charging that fee then. He wants UTOPIA enough, however, that he is willing to pay that \$12 per month to keep his high speed, 100 Mg connection.

Councilmember Reese said that everything sounds good but he really has a hard time wanting to go with anything as long as we have the management of UTOPIA involved. They have not used good business practices and that is just not done in the business world. Mr. Pyle responded that that is another potential advantage of the proposal in that it is known that the Macquarie management would be good for the system. The number of connections would increase, and a management is being added with Macquarie's expertise. Councilmember Reese asked if Macquarie would be making the financial decisions. Mr. Pyle replied that they would. Mr. Crane added that the people Macquarie brought in were very high quality people from all over the country.

Mr. Pyle commented that he agrees there have been many problems with UTOPIA but, at the same time, the people who have served on the UTOPIA Board have been asked to do an almost impossible job in terms of keeping all the cities happy, the network operating, the providers happy, and participating on a responsible basis.

Councilmember Doutré asked how soon this will be available. Mr. Pyle responded that there are four phases but the overall assessment time is around 6 months. After that, once the agreement is signed, it is projected to be a two year build time. Mr. Crane added that from day one, after the agreement is signed, Macquarie will take over the entire operation and will guarantee the network and the build.

Mr. Pyle stated that at some point in time, maybe four or five years from now and over the longer term, without some kind of model change things are not going to work for UTOPIA. Mr. Crane added that UTOPIA just doesn't have any money to build out. Another thing is that this doesn't even touch the \$185M that the member cities still have to pay out of their budgets.

Mr. Crane said that if Tremonton wants to become involved, the window is open. Off-ramps have been arranged where cities can get off the program if they don't want to go any further. The first off-ramp has already been initiated. Right now a lot of resources are being invested to determine how to build out the system and what the number is. That number is extremely important. The second thing they need to know is what people think. Macquarie is doing a lot of work on identifying people within the jurisdictions who would like to be a part of this. That does not mean that they are begging people to be a part of it but that it is an opportunity they may want to look at. Macquarie was asked what would happen if someone didn't join today, could they join in the future, and the answer was, "yes, they can," but the chances are that the expense of doing that is going to

be greater. The other “neat” thing is that even other cities can be added in the State and not be tainted by the UTOPIA issue.

This is a window that Tremonton needs to look at. Involved people from Tremonton are needed. Councilmember Wood commented that if they all joined in and Macquarie takes over, interest rates rise up, the SWAP goes away, could everything be refinanced at that time? Mr. Pyle said that from a resource standpoint Zions definitely could do it, and expressed surprise that they won’t do that now.

Councilmember Holmgren asked if Tremonton decided that they would like to at least get past the engineering and see what the numbers are, what would Tremonton be looking at. Mr. Pyle replied that Tremonton would be responsible for their pledged proportion which is 2% of the potential \$480K. There wouldn’t be any up-front responsibility for that.

Mr. Crane commented that a lot of the engineering work has to be done anyway so that UTOPIA knows what it has left to build out and what it will cost to go forward with Macquarie or any other financing model. Councilmember Wood stated that Tremonton is pretty much engineered and built out. Mr. Crane responded that Tremonton is almost all built out, but upgrading and refreshing will need to be done. Macquarie will be updating and refreshing for the next thirty years in order to keep the system viable. Some of that will be shared by the cities.

Mr. Crane stated that what is trying to be decided is whether the member cities want to move forward and have Macquarie engineer our cities to find out what the population build is, do surveys, etc., and then provide the cities with that data when they are done so a decision can be made with that data.

Review of agenda items on the 7:00 p.m. Council Meeting:

Due to time restraints, there were no discussions on the Agenda.

The meeting adjourned at 6:35 p.m. by consensus of the Council.

CITY COUNCIL MEETING

Mayor Fridal called the January 21, 2014 City Council Meeting to order at 7:04 p.m. The meeting was held in the Tremonton City Council Meeting Room at 102 South Tremont Street, Tremonton, Utah. Those in attendance were Mayor Fridal, Councilmembers Doutre, Holmgren, Reese, Rohde, and Wood, City Manager Shawn Warnke, Recorder Darlene S. Hess, City Engineer Chris Breinholt, Public Works Director Paul Fulgham, Police Sergeant Kevin Allred for Chief David Nance, Treasurer Sharri Oyler, and Finance Director Curtis Roberts.

1. Opening Ceremony:

Mayor Fridal informed the audience that he had received no written or oral request to participate in the Opening Ceremony. He 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 Mr. John Kitch and the Pledge of Allegiance was led by Ms. Connie Archibald.

2. Introduction of guests:

Mayor Fridal welcomed all in attendance.

3. Approval of Agenda:

Mayor Fridal asked if there were any changes or corrections to the Agenda. No comments were made.

Motion by Councilmember Wood to approve the agenda of January 21, 2014. Motion seconded by Councilmember Doutre. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde, and Councilmember Wood - aye. Motion approved.

4. Approval of minutes – January 7, 2014:

Mayor Fridal asked if there were any changes to the minutes. There were no comments.

Motion by Councilmember Reese to approve the minutes of January 7, 2014. Motion seconded by Councilmember Holmgren. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde, and Councilmember Wood - aye. Motion approved.

5. Public comments: Comments limited to three minutes:

John Kitch thanked the Council for the work that has been done on the streets. They are a little cleaner.

6. New Council Business:

- a. Discussion and consideration of Tremonton City participating in the Pre-Development Agreement between Utah Telecommunications Open Infrastructure Agency (“UTOPIA”), Utah Infrastructure Agency (“UIA”) and Macquarie Infrastructure Development LLC.

Mayor Fridal stated that what is trying to be decided tonight is whether the City should pursue the study part of the Macquarie proposal. Manager Warnke said that the Pre-Development Agreement has four milestones or phases with different off-ramps which would allow the City to choose to be excluded from moving forward. The first decision the Council needs to make is if the City is going to do the first phase, or milestone, which will deliver a lot of the information needed to make a decision. Tremonton’s responsibility for that work would be roughly \$12K. The overall time frame is about six months.

Councilmember Wood stated that Tremonton has most of the engineering in

place. The survey would be nice, but he wasn't sure Tremonton would want to jump in right now. Councilmember Wood asked how soon UTOPIA needs an answer on this agreement and was told it is needed as soon as possible.

Councilmember Rohde said he would like to know what the four milestones are and whether any of them are out of reach for Tremonton. Manager Warnke replied that they are listed in the Pre-Development Agreement: Milestone 1 - Business Case Analysis, Milestone 2 - Negotiation of Terms, Milestone 3 - Commercial Close, and Milestone 4 - Financial Close.

Councilmember Rohde commented that the Council needs to see the data. He would love to know how the citizens feel about the adoption: how many would say "absolutely not" and how many would say "Let's go forward with this."

Councilmember Holmgren said that he put the question out on Facebook and had ten responses. Eight of the ten were very positive, one had questions about it, and one was negative. Though it was not a scientific survey, it helped him a little bit. Also, following some of the newspaper articles going around, most of them are pretty positive. One in Orem was negative, but their question was on the fee structure. Councilmember Holmgren said that his feeling is that Tremonton ought to go ahead with the first phase and see what the costs are. It sounds like Macquarie is going to pick up all the costs other than the initial costs of the first phase.

Manager Warnke referred the Council to Page 30 of the Pre-Development Agreement where it shows the costs associated with each of the Milestones. Tremonton would be obligated for whatever portion of the Milestones the City participates in.

Mayor Fridal commented that after Milestone 1, the Council will have the information they need to make a decision about going forward.

Councilmember Rohde said that the other thing that concerns him is that, if the City decides to get involved in this again, is there going to be any penalty because Tremonton wasn't a part of UIA. Councilmember Wood said that there would be no penalty because a third entity will be created.

Councilmember Wood asked Manager Warnke if he thinks Tremonton ought to get in this year. Manager Warnke replied that he thinks it is the best opportunity Tremonton has to change the position the City is in. Whatever the City does, going forward will be difficult.

Councilmember Reese said that he feels the Council needs to take the first step to see where we are.

Councilmember Rohde commented that Mr. Crane and Mr. Pyle were thinking outside of the box on other services that could be provided that would actually reduce the costs of those services. There may be some other things that can be done that would reduce the costs.

Councilmember Wood said that he really hates the mandate that all of the residents would have to get on the system, but they indicated that they might throw in some phone service. That was really a bright spot. Tremonton is in this thing for thirty years. He is not sure all of the City's residents understand that. We have the payments every year with the 2.5% escalation. This might be the scenario the Council has been looking for to get out of that.

Councilmember Holmgren said that he thinks that as Macquarie comes into Tremonton and everybody is hooked up for free, that the usage rate within the City will go up quite a bit. Excise fees will also generate additional revenues if more people hook up and use the system. He said that he spoke with an electrical engineer who works at home and he really appreciates having UTOPIA in his home. This is something that could hold a lot of promise for the citizens of Tremonton.

Finance Director Roberts cautioned the City Council, should they determine to go forward with Macquarie, that there is an agreement that is going to be entered into where the City will be paying to Macquarie the user fee that is collected. There would also be an agreement that gets structured to where Macquarie's portion is paid back. The question is who that gets paid back to. The terms of the payback fee structure is more favorable towards UIA participants than just UTOPIA participants. Director Roberts cautioned that if the City chooses to be involved with the study, that they fully understand what the potential payback will be to Tremonton vs. everyone else and if it is unfairly structured towards those who went to UIA.

Director Roberts told the Council that what is being asked for right now is \$12K. They also said that as things progress further through the milestones, there are additional costs that will come along. As each milestone is reached, the commitment needs to be analyzed. There is only 12K committed right now - \$12K to find out if there is some feasible way to reduce \$338K.

Councilmember Reese commented that Director Roberts makes a good point. This is a study to see if Tremonton can make something out of UTOPIA. Director Roberts agreed and said that there may be some bi-products off of this. If Manager Warnke stays involved with them and understands those survey questions, the Council may be able to derive some other information that is beneficial to the City so that the \$12K isn't even a loss at that point. From that standpoint, Director Roberts said that he thinks it is a go and recommends that the Council look at the proposal. Then, at each milestone, the information needs to be communicated to make sure everyone understands the commitment.

Manager Warnke pointed out that there are UTOPIA/UIA member cities that have made commitments that Tremonton hasn't. Right now there are cities that are paying a disproportionate share of operational costs as a result of managers and others trying to solve issues with UTOPIA. These cities are going to want to look towards getting back to an equal playing field. Manager Warnke said he is not sure that is unfair.

This is an issue that is very complex. It is going to be a fast moving process. There are a lot of opportunities to get involved. Manager Warnke encouraged those who want to participate to do so. Different committees will be established. There will be a large committee called the LPC Committee which is modeled after the Utah League of Cities and Towns (ULCT). It will be a high level briefing for elected officials. The idea is that no elected official will be without the information needed to make decisions.

Councilmember Holmgren asked if Tremonton will even have a say with only a 2.5% vote. Manager Warnke said that the biggest concern he has is how fast the process is going to move forward and that there may be so much momentum that Tremonton can't jump out, though they have represented that we can. The City needs to be really involved and engaged. There are cities that have picked up a larger share than what proportionately has been decided. It has been discussed from time to time that they could force things through, but the larger cities have never done that. It sounds like each city can determine their own destiny as it relates to this decision.

Motion by Councilmember Holmgren to go ahead and participate in the Pre-Development Agreement between Utah Telecommunications Open Infrastructure Agency (“UTOPIA”), UIA and Macquarie Infrastructure Development to the first off ramp and try to get some more information so the Council can make better decisions. Motion seconded by Councilmember Rohde. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde, and Councilmember Wood - aye. Motion approved.

- b. Discussion and consideration of adopting Resolution No. 14-06 approving the Wastewater Planning Program Report for 2013.

Director Fulgham said that this is the only State report that he has to file that has to be brought before the City Council for a Resolution, and that he highlighted the things that the Department had issues with this year. Financially, they do pretty good: bills are being collected; plans are being made for the future, growth, and expansion. On the Collection System, this past year there were eight plugged sewers that were related to City infrastructure problems. On average, there are usually four a year. In 2012 there was zero. The only thing he can see different was that with the cold winter there were more issues with freezing.

In the wastewater treatment category, the oxygen level was one point lower than the allowable limit. The monthly average is 5.5 and the level dropped to 4.9 one month. They were assessed a couple of points for that.

The other point they were assessed was due to the aging system. There is nothing that can be done about that. As the system gets older it is assessed additional points for not doing an upgrade. Then, they are always assessed points on how the bio solids are handled even though Tremonton composts. Because bio solids are produced, they are assessed points.

Director Fulgham stated that Page 16 shows the capacity status of the Treatment Plant. The Treatment Plant is still 300,000 gallons a day under capacity. The BOD loading is under and the TSF (suspended solids) is right on.

Councilmember Reese asked what the plans are for getting rid of the odor problem. Director Fulgham replied that he has the engineer working on some estimates. It is mainly just getting the solids out faster. The engineer is looking at some process options as well as options on loading and adding more oxygen to the process.

Councilmember Rohde asked if the funding estimates in the report for 2014 have already been budgeted. Director Fulgham responded that they have not. Councilmember Rohde then asked how old the City's system is. Director Fulgham said that the Treatment Plant was built in 1964. The majority of the collection system was put in in the 60's, but parts of the system go back to the 20's. At one time the system dumped into the river. There have been upgrades in 1979, 1994, 2003, and a small one in 2010. They are constantly upgrading.

One thing that was added to the permit this year, starting in November, is ammonia. They are having issues with the ammonia in the winter. Summer won't be hard. That is something that will be looked at.

Councilmember Rohde asked at what point they do replacements. Director Fulgham replied that he has talked to the City Engineer about doing an Impact Fee Study because the Impact Fees that are collected have to be spent every six years. There is probably going to come a time when the City is either going to have to do a big upgrade at the existing facility or relocate the facility. As the City grows to the southern boundaries, either that wastewater will have to be pumped up north or they will have to relocate something south of town. The problem is that if a big upgrade or replacement is done, it is hard to keep the existing process going. The timing for the major replacement or relocation is dependant upon growth. It could be twenty or thirty years from now. When it happens, it will probably become a more regional plant.

Motion by Councilmember Reese to adopt Resolution No. 14-06. Motion seconded by Councilmember Wood. Vote: Councilmember Dautre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde, and Councilmember Wood - aye. Motion approved.

- c. Discussion and consideration of creating and hiring substitute Police Officer positions for the Tremonton City Police Department.

Police Sergeant Allred asked that Chief Nance be excused. The purpose of this request is that the Police Department has had a couple of officers off duty – one went on extended leave because of surgery, and then, in March, another officer will be lost for three months to the military. During those times, because the Police Department is so small, it requires overtime shifts. Chief Nance thought hiring part-time officers would be more economical. It might not eliminate all of the overtime, but it would help.

Mayor Fridal asked if there are people out there who are looking for jobs like this. Sergeant Allred responded that there are. The Police Department has made a few preliminary contacts to see if there is any interest. They are basically looking at Brigham City Officers because they use Lexipol which is exactly like Tremonton's so it wouldn't be necessary to do a lot on policies and procedures. Also, they use the same system for doing their reports. Tremonton would just be providing them with a shirt. All the equipment and cars would be used from the officer(s) that are on leave.

Motion by Councilmember Wood to start hiring substitute Police Officers for Tremonton City. Motion seconded by Councilmember Holmgren. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde, and Councilmember Wood - aye. Motion approved.

- d. Discussion and consideration of directing City staff to draft a Resolution amending Resolution No. 12-42 a Professional Service Agreement with Jones and Associates, INC for the creation of an Impact Fee Facilities Plan, Impact Fee Analysis, and Capital Facilities Plan and allow for an increase of \$4,000 to the budget.

Manager Warnke stated that a specific Service Agreement for Impact Fees was drafted outside of the overarching Professional Services Agreement that the City has with Jones and Associates. Part of the Special Service Agreement for Impact Fees was to try to zero in on what the costs would be. Manager Warnke and Director Fulgham thought that it would be prudent to for the City council to adopt a not-to-exceed amount with the Special Service Agreement for Impact Fees. There were two different options that were discussed. One would be to just do the hourly rate, which Manager Warnke does not recommend. The other would be to have a not-to-exceed amount.

There were some unexpected issues that arose. Jones and Associates did not put a lot of contingencies into the not-to-exceed amount. Typically, they don't give a not-to-exceed amount. The other is that Jones and Associates had problems with some of the old data converting to a new version of modeling software for water.

At this point, the Council has a decision to make. They can keep the contract bid or they can decide to amend it to cover some of the unexpected costs.

Engineer Breinholt told the Council that he enjoys working for the City. The work he did was work that needed to be done to get the Council what they need to make decisions on Impact Fees. Manager Warnke and Engineer Breinholt agreed that the learning curve costs should be borne by the City.

Manager Warnke added that this is an Impact Fee eligible cost that can be added into the Impact Fee calculation.

Motion by Councilmember Doutre to direct the Staff to draft a Resolution amending Resolution No. 12-42. Motion seconded by Councilmember

Holmgren. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde, and Councilmember Wood - aye. Motion approved.

- e. Discussion and consideration of assembling a working committee to review the North Box Elder County Veterans Memorial Committee's bylaws and make recommendations on adapting the aforementioned bylaws into a City policy for the administration and maintenance of the Veterans Memorial.

Councilmember Doutre stated that it has come to the Council's attention that the City's Veterans Memorial is in need of some upgrading. The veteran's names are coming off of the Memorial. The statue has some corrosion problems and either one more flag pole needs to be added for a POW flag, or put the flag below the U.S. flag. The Memorial was put up about ten years ago, so some names need to be added.

The committee would like to go by the by-laws of the people who originally designed the Memorial. The Women's Civic Club has \$800 to go towards this project and the American Legion is also helping. The Committee would like to get everything done as soon as they can. Councilmember Doutre has talked to some people who are willing to help and who have the knowledge to make the Memorial look really nice. It is something they want to keep up.

Manager Warnke commented that originally a Box Elder Committee was established to build the Memorial and they created by-laws. It is Manager Warnke's understanding that this committee no longer exists and the administration of the Memorial was turned over to the City. That being the case, it would behoove the City to have policies in place whereby the Staff, in administering the Veteran's Memorial, could operate in a consistent manner.

Motion by Councilmember Reese to authorize the formation of a committee to prepare a policy for the administration and maintenance of the Veterans Memorial. Motion seconded by Councilmember Holmgren. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde, and Councilmember Wood - aye. Motion approved.

7. Comments:

- a. Administration/City Manager Advice and Consent.

- 1) Discussion of inviting individuals to participate on an Advisory Committee to review submitted Statement of Qualifications from Branding Consultants.

Manager Warnke told the Council that the Staff did publish the Requests for Statement of Qualifications for the development of a comprehensive Brand for the City. The deadline to submit is tomorrow. In those Statements of Qualifications there is an Advisory Committee that was

contemplated that would look at all the respondents and narrow the field. The Council could then hold interviews with the consultants, as well.

Manager Warnke has some ideas on who could participate. There might be a Councilmember that should participate. Councilmember Rohde asked if this would go along with Economic Development. It was felt that it would. It is also contemplated that a few staff members would be involved, also, maybe Joan Hammer from the County who does marketing branding. If any of the Council has an interest in participating, keeping the quorum restrictions in mind, let Manager Warnke know.

2) Update on the implementation of accepting credit cards.

Manager Warnke said that a year ago the Staff started on the process of putting things in place so the City can accept credit cards. The challenge had been trying to enact the 3% service fee the Council elected to do and that would recoup the cost for accepting credit cards. There have been some changes within Visa's rules that more easily allow cities to charge service fees to the consumer. It will take two swipes of the card. On line, it would show as two different transactions.

It is anticipated that the City will have up to six merchant accounts. There will be three different payment options for credit cards: Court, Utilities, and Recreation. Each one will have its own Merchant Account.

The other challenge has been for the gateway services to be able to code according to Visa's rules to accept the service fee. Express Bill Pay, the gateway vendor that the Council selected now has the ability to code.

Tremonton had to apply to Visa to be accepted into a Governmental Education Program to charge the 3%. The Staff is waiting for that approval. It should come in a couple of weeks.

Councilmember Doure made the point that customers need to be told up front that the City will accept their credit card but that a service fee will be charged. Manager Warnke said that Visa's rules require disclosure to the customer that a service fee is being charged. The customer must also be given the opportunity to opt out if they so choose.

Councilmember Rohde asked if the Staff has looked into the impact if the City were to just pay the 3% service fee. Manager Warnke said that when they looked at it about a year ago, it was about \$10K annually.

Manager Warnke said that once the City is accepted into the Governmental Educational Program, it will only take a few days to be able to start receiving credit cards. Director Fulgham has already made the infrastructure improvements to the facility. The Staff just needs to work with Director Roberts on the internal reconciliation processes. It was originally contemplated just doing the Court to begin with because they

have a lower volume, and then refine the process. Through the gateway option which is accepting credit cards on line, they believe that the reconciliation process might be even easier.

Councilmember Wood asked Director Roberts if there are other cities that he works with that are taking credit cards. Director Roberts said that he knows of other cities that are doing it. The biggest problem is reconciliation and getting whoever is taking credit cards to cut off their date so that it coincides with the date it comes into the City records and hits the bank. When it takes two or three days to hit the bank, or at months end, the books could be off and it is hard to reconcile. Some cities don't worry about reconciling. They realize that there are times when the books will be over or under. They may lose \$1K in a month or gain a couple of hundred dollars. Sometimes a transaction disappears and there is no way to recover it, so it is just written off. The Staff has been fortunate to be able to track down most of the discrepancies in the past because the City has a detailed reconciliation process.

b. Council Reports:

Councilmember Doutre reported that she found out that there are a couple of ladies doing historical books about Tremonton. Working with the Museum, she found out that they are going to open up a dinner theater. The Museum is coordinating with the ladies that are writing the book, and hopefully they will be able to come up with a really nice history of the City.

Councilmember Reese said that he received the SDAT Report that Manager Warnke sent. It is very detailed and interesting. They have some great ideas.

Councilmember Rohde told the Council that he is joining the Box Elder County Emergency Preparedness Committee. They hold a meeting once a month at the Hospital. He is excited to see where they can go with that. He will get with Jim Hess and start working on some of that.

Mayor Fridal said that Saturday there is an Emergency Preparedness get-together in Brigham City. They invited Tremonton. Mayor Fridal will check the time and let Councilmember Rohde know.

Mayor Fridal asked Councilmember Wood if he would be interested in being on the Utah State Advisory Board. They meet every couple of months in Brigham City. Councilmember Wood said he would think about it.

8. Adjournment.

Motion by Councilmember Wood to adjourn the meeting. Motion seconded by Councilmember Rohde. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde - aye, and Councilmember Wood - aye. Motion approved.

The meeting adjourned at 8:13 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 Norene Rawlings.

Dated this _____ day of _____, 2014.

Darlene S. Hess, Recorder