Minutes of the Centerville City Council **work session** held Tuesday, January 13, 2015 at 7:00 p.m. at the City Hall Council Chambers, 250 North Main Street, Centerville, Utah.

MEMBERS PRESENT

Mayor	Paul A. Cutler
Council Members	Tamilyn Fillmore John T. Higginson Stephanie Ivie Lawrence Wright
MEMBER ABSENT	Ken S. Averett
STAFF PRESENT	Steve Thacker, City Manager Randy Randall, Public Works Director Kevin Campbell, City Engineer Katie Rust, Recording Secretary
STAFF ABSENT	Blaine Lutz, Finance Director/Assistant City Manager
VISITORS	Fred Philpot, Lewis Young Robertson Burningham Interested Citizens (see attached sign-in sheet)

DRAINAGE UTILITY FEES

Steve Thacker, City Manager, explained that Drainage Utility Fee Scenarios 1, 2, 7, and 8 as previously presented to the Council were adjusted to reflect a start date of July 2015 rather than February in order to give citizens more time to be ready for the increase. The time frame of the Scenarios has also been extended from 2020 to 2025.

Scenario 1: No increase
Scenario 2: One time increase (112%) with no debt
Scenario 7: Staggered increase (35%, 15%, 10%, 3%, 3%) with debt
Scenario 8: Staggered increase over two years (55%, 55%) with no debt

Fred Philpot with LYRB explained that approximately 1,500 EDU's are within subdrain districts and approximately 4,400 are outside the subdrain districts. Residents within subdrain districts pay a higher Subdrain Utility Rate to pay for services that have had to be supplied by the City in the absence of Home Owner Associations (HOA). Developments in those areas were granted the ability to construct homes with basements on the condition that subdrain systems were installed, but most of the HOAs failed to remain sustainable and collect the necessary fees.

Steve Thacker, City Manager, explained that approximately 36% of the revenue received in the Drainage Utility Fund comes from subdrain fees. The other 64% comes from storm drain fees. That relationship is preserved in all four scenarios. Mr. Philpot added that the blend of fee revenue and bond revenue in Scenario 7 provides more of a balance between those paying for the services and benefiting from the services. The existing Water Revenue Refunding Bonds expire in 2021. Between 2021 and 2025, when the days of working capital dips below zero in Scenario 7, the Council could either raise rates or issue a new bond. Kevin Campbell, City Engineer, commented that with Scenario 7 the cumulative increase for citizens after the 2020 increase would be approximately 81%, compared to the 112% in Scenario 2 with no debt.

Councilwoman Fillmore stated that she considers herself to be fiscally conservative, and she is not in favor of unnecessary bonding, but she feels that government should not collect more money than is needed. She pointed out the difference in unreserved ending cash reserves between Scenario 2 ($882,758) and Scenario 7 (-$781,461). Councilwoman Fillmore said she likes that the debt scenario allows the cost of projects to be shared over time by those who will be benefiting from them. She said she would not want to overburden residents now for projects that will be done several years from now. Referring to Scenario 7, Councilwoman Fillmore suggested continuing with an annual 3% increase through 2025 to mitigate the forecasted shortfall. Mr. Philpot adjusted the scenarios and provided projections in response to requests from the Council. He said he does not recommend making decisions based on assumptions for 2025 since many variables will change between now and then.

Councilwoman Ivie said she is in favor of a 112% one-time increase, with a stipulation in the ordinance that the rate be reevaluated and decreased over time if possible. Councilwoman Ivie said in her opinion it seems fiscally irresponsible to raise rates and issue debt with the end result being negative days of working capital by 2025. Councilman Wright added that the City may need the projected cash reserves in Scenario 2 for unanticipated projects. Mr. Randall expressed the concern that bonding creates complexities when partnering with other entities to complete projects. Mr. Philpot responded that funds raised through utility fees have no spending time limit, and interchange is possible between projects funded by fee revenues and bond revenues.

Mr. Thacker reminded the Council that the scenarios can be adjusted to achieve a desired rate increase or amount of bonding. He commented that it is often thought that enterprise operations should be run like a business, borrowing for capital investment to successfully compete for customers. Centerville does not have competition for storm drain and subdrain systems, but that does not mean the City should overload customers. Mr. Thacker shared the opinion that the burden should be more fairly distributed over the life of the projects. Even with bonding, the cost of projects with a 50 year life expectancy is only spread over 20 years. Councilwoman Ivie disagreed, stating that she does not agree with going into debt. She asked where the money to pay off the bond debt would come from. Mayor Cutler explained that payments are made using monthly fee revenue.

Mr. Randall emphasized that he feels the City needs a sustained ability to maintain and replace the water system. He said he believes costs will not go down, and the list of projects will continue to increase. Mayor Cutler mentioned the low interest rate currently available on municipal bonds. Councilwoman Ivie responded that any interest paid is a greater cost than paying cash. Mr. Randall stated he would like the City to be able to do projects in the most economical way by combining multiple street-related projects in a specific location at one time, which can be difficult when partnering with other entities. Mr. Randall expressed the opinion that bonding is appropriate for expansion projects, but cash provides more flexibility for maintenance and replacement.

The Council discussed the fact that not all needs can be anticipated on the project list. Unexpected problems will occur. Mr. Philpot stated that most communities do not fund full depreciation and replacement of systems. Mr. Thacker added that some replacement projects can be anticipated. Mayor Cutler commented that the Council needs to decide the level of quality desired for the City's storm drain and subdrain systems. Councilwoman Fillmore stated that as a Council they are making up for the past and trying to plan better for the future. She recognized that any scenario will be painful, and stated she would be comfortable with either Scenario 2 or Scenario 7. She said she would like to know which the citizens would prefer.

Councilman Higginson suggested the Council present Scenarios 2, 7, and 8 to the public. He said he knows which scenario he would prefer, but he would like to hear from the public. Councilman Wright suggested the Council select a "preferred" scenario to present. Councilwoman Fillmore suggested presenting Scenarios 2 and 7. Mr. Campbell commented that Scenario 8 would give businesses more time to be ready for the large impact with no debt. The Council agreed to present Scenarios 2, 7, and 8 at an open house and public hearing on February 17th. Referring to Scenario 8, Councilman Higginson stated he would prefer an initial increase of 60% and a second increase of 30%, rather than two 55% increases. Staff agreed to analyze possible adjustments to Scenario 8.

ADJOURNMENT

Mayor Cutler adjourned the work session at 8:34 p.m.

Marsha L. Morrow, City Recorder

2-3-2015
Date Approved

Katie Rust, Recording Secretary

CENTERVILLE CITY UT
1848
CORPORATE SEAL

WORK SESSION

CENTERVILLE CITY COUNCIL MEETING

Tuesday, January 13, 2015

7:00 p.m.

NAME (PLEASE PRINT)	ADDRESS**
NEIL LISH	478 E. 1200 N. CTRV.
Rick Bingham	290 E Casa Loma Dr.
Blaine Roskelley	93 N 100 E
Dale McIntyre	258 E 200 S.
Jim Hasleton	323 E 1200 N
Mark Gabriel	1912 N. 200 E.
Holly & Bill Shaw	1148 N 300 E.
Bryan Willey	1054 N 460 E.

** Your address will be used only in the event the City staff needs to contact you pertaining to an issue discussed in the City Council meeting.