MINUTES OF LAYTON CITY COUNCIL WORK MEETING — **MARCH 15, 2018; 5:34 P.M.**

MAYOR AND COUNCILMEMBERS PRESENT: **MAYOR BOB STEVENSON, JOYCE BROWN, BRUCE DAVIS, TOM DAY, SCOTT FREITAG AND JOY PETRO**

STAFF PRESENT: **ALEX JENSEN, TERRY COBURN, TRACY PROBERT, STEVE JACKSON, WES ADAMS AND KIM READ**

The meeting was held in the Council Conference Room of the Layton City Center.

Mayor Pro Tem Davis opened the meeting and turned the time over to Staff.

AGENDA:

BUDGET DISCUSSION

Alex Jensen, City Manager, referred to a handout provided by Public Works which identified the street maintenance projects which would be completed using B & C road funds included in the FY19 budget. The Council asked about the different types of maintenance and streets identified on the list and Steve Jackson, City Engineer, responded to the questions. He explained how the connection from Valley View Drive to Highway 89 would be accomplished and a discussion took place. Mr. Jensen explained when considering options for the connection at Highway 89, UDOT believed the Antelope Drive connection was the best option when looking at it from a "transportation perspective" and City Staff had agreed.

Tracy Probert, Finance Director, shared a visual presentation specific to Class "C" Special Revenue Road Fund and reviewed it with the Council.

Mr. Probert also reviewed the Debt Service Fund with the Council associated with the UTOPIA infrastructure.

Mr. Probert directed the Council to the Storm Sewer fund and reminded the Council of the one dollar increase last year which accounted for the additional revenue. He also reviewed revenues and expenditures specific to the Storm Sewer Fund and Sewer Fund. He pointed out there was no longer an increase from the North Davis Sewer District. He reviewed the Refuse Fund and Mr. Jensen reported the Transfer Station would begin within the next few years and a discussion followed regarding the closure of the burn plant and recycling.

Mr. Probert reviewed the Street Lighting Fund with the Council and pointed out a small balance was recognized and Mr. Jensen explained how the funds had been used in conjunction with UDOT projects in addition to the cost associated with new lights. Mr. Probert pointed out the new lights were considerably cheaper to operate. A discussion took place regarding the small cell tower implementation which was recently approved by the Utah Legislature.

Mr. Probert reviewed revenue and expenditures associated with the Pool Fund and pointed out the City would be covering the operating loss of approximately $500,000. Mr. Jensen informed the Council Davis School District had requested a meeting with City Staff about the use and need for a facility available to the District and its interest for bonding in the future to accomplish future projects. He also reviewed the Emergency Medical Fund and stated the fund balance was strong. A discussion followed regarding potential revenue associated with the new IHC hospital.

Mr. Probert stated the UIA Telecom Fund was steady and a discussion followed. He reviewed the Secondary Water Fund and pointed out the figures identified in the proposed budget reflected the anticipated expenses associated with maintaining Weber Basin's Water System. He suggested Staff review the water rates prior to reviewing the budget specific to the Water Fund.

Mr. Jensen explained the proposed water user rate analysis was a complicated process and indicated the figures being presented weren't in final form. He pointed out the costs to provide water were increasing and adjustments would be needed to provide adequate infrastructure and cover those costs. He informed the Council Staff would be requesting its direction relative to utility rates. Councilmember Day asked when the last increase took place and Mr. Jensen responded the last increase took place in 2012.

Mr. Probert referred to the Water User Rate Analysis and reviewed rate analysis objectives. He stated the conservation tiered rate structure for residential users included in the study would bring the City into compliance with recent legislation. He mentioned the tiered structure for commercial users hadn't been included with the study. He reported on the financial status and issues related to the City's culinary water system and pointed out the following:

- Rates would need to increase to cover projected operation and maintenance and capital expenses.
- The last water rate increase occurred in 2012.
- Changes in Impact Fee Laws had pushed a substantial capital burden from development to the City.
- The City had previously absorbed the eight percent annual increases from Weber Basin.

Councilmember Davis asked what percentage of culinary water was purchased from Weber Basin and Mr. Jackson believed it was approximately fifty percent. Mr. Jensen pointed out there were very few cities that had its own deep water wells and indicated it resulted in significant savings to the rate payers and shared a scenario with the Council.

Mayor Stevenson arrived at 6:32 p.m.

Councilmember Day asked about the required Capital Improvements for Weber Basin and how those costs could impact the City's contract with Weber Basin and Mr. Jackson responded Weber Basin used two separate documents to adjust the costs on a yearly basis, which had resulted in the previous eight percent annual increase. He continued to explain Weber Basin was required to build up enough funds to replace aging facilities and infrastructure.

Mr. Probert reviewed proposed culinary water base fees and shared a rate comparison with other municipalities. He pointed out the model was suggesting a thirty-five percent increase for 2019; a twenty percent increase for 2020; followed by an additional ten percent increase for 2021 resulting in a base rate of $22.90 for the residential 3/4-inch meter. He mentioned the current base rate was $12.85 for residential with the 3/4-inch meter. He indicated the associated increases would obviously take place throughout all other meter sizes.

Councilmember Davis asked what a typical residence would use in terms of gallons per month and Mr. Probert responded a minimum bill type payer typically used anywhere from 5,500 – 7,000. Councilmember Day asked if most residential users were within the base fee and Mr. Probert believed there was a slide in the presentation which would address the question and indicated the availability of secondary water impacted the amount of culinary water used at a residence.

Mr. Probert directed the Council to the proposed residential tier structure and pointed out the City currently billed on a flat rate of $1.14 per gallon for residential usage above 14,000 gallons. He also reviewed the flat rate costs for commercial, schools and churches. He shared the proposed residential sample tiers based on volumetric rates. Mr. Jackson pointed out the tiered legislation was put in place to encourage conservation and Mr. Jensen added the tiers had been based on the amount of water most people were using and not created to capture large amounts of revenue. Mr. Probert reminded the Council the base was included within the base rate and a discussion followed. Councilmember Brown suggested the residents should be notified of the rate increase, educating residents before its implemented.

Mr. Jensen explained multi-family was considered a commercial user and reported Staff would be exploring a tiered structure for multi-family developments. He shared some examples of water usage among commercial users and indicated the study reflected residential users were subsidizing the commercial users. He explained Staff would be looking for ways to create a better balance between the large commercial users, small commercial users, multi-family users and the single family users. He suggested the rate structure shouldn't cause the single family residential user to subsidize commercial or multi-family users and a discussion took place. Mr. Jensen requested direction from the Council on its philosophical view related to water rates. A discussion took place about multi-family water usage and rates. Mr. Probert and Mr. Jackson explained scenarios and formulas used in trying to calculate an appropriate rate structure.

Councilmember Davis requested further clarification on how meter size impacted the water system. Mr. Jackson explained the size of the meter determines how many gallons per minute would be available based on demand. He added the larger meters had a definite effect on the City's water system. The discussion continued and the Council expressed agreement with the proposed rates for residential and directed Staff to further explore tiers for the commercial and multi-family, in addition to implementing a conservation component with the multi-family.

Mr. Jensen indicated the target date for the new rates was July; however, the Council could designate implementation at a later date. Mayor Stevenson suggested implementing the water increase in September allowing residents time to become comfortable with the increase and the high water usage months would have passed and the Council was in agreement.

Mr. Jensen also indicated Staff had recommended three years of rate increases which would allow the City to appropriate funds for large infrastructure projects without the need for bonding. He mentioned another piece which hadn't been discussed with the Council was specific to rate increases to the secondary water systems. He added the final piece for consideration was specific to the idea of reimbursement for fiber. He explained how the cost for the fiber system should be appropriated to each Enterprise Fund, as opposed to just the General Fund, and explained how the respective funds would pay their respective share for the infrastructure and asked the Council how much it wanted to capture from the Enterprise Funds for the fiber system. Mayor Stevenson inquired if Mr. Jensen had a recommendation on the approach and proper balance in recovering those costs.

Mr. Jensen expressed concern about trying to capture the costs all at once and suggested a proposed rate of approximately three dollars for water, sewer and storm sewer collectively would cover reimbursement costs. Mr. Probert indicated sewer and storm drain funds could accommodate for those costs. Mr. Jensen requested input from the Council that Staff could use in determining how to proceed. He suggested with the growth that would come from getting the fiber infrastructure built, he believed the City would surpass the thirty percent take rate. A discussion took place specific to the fiber installation.

Mayor Stevenson requested something in writing outlining the rates, timing specific for the next five years and proposed take rate for fiber prior to making a decision. Mr. Jensen explained UTOPIA was continuing to be built in Layton and the City could reimburse those costs down the road. He also explained the benefits to Layton City residents due to the installation of the fiber in conjunction with the utilities and a discussion took place. Councilmember Brown reported she had attended meetings at the National League conference which spoke to the necessity of fiber infrastructure and a discussion continued about the benefits of the infrastructure. Wes Adams, Water Superintendent, mentioned the City had recently installed new water meters and reported the fiber infrastructure had also been installed at the City's water sites.

Mr. Probert reviewed the proposed secondary water rates and indicated the thirty-three percent increase would begin in 2020. He indicated those increases would cover only a percentage of the recommended repair and replacement projects included in the Master Plan. He explained how the initial increases didn't allow for construction projects, only the operations and maintenance, and requested direction from the Council. Mr. Jackson explained the Master Plan considered one system was providing either culinary outdoor or secondary outdoor which resulted in the funding being calculating by both of those systems. Mr. Probert clarified the culinary and secondary water rates were used to arrive at the rate needed to sustain the combined system of providing water.

Councilmember Day asked if the Master Plan had taken into account the assets of the separate irrigation companies and Mr. Jackson responded the construction projects had been identified as new projects in the Master Plan to build out the system. He clarified the repair and replacement line was what the City had identified if it took over the existing systems from the irrigation companies. Councilmember Day asked if funds had been identified to purchase the assets and Mr. Jackson responded calculations reflected a negative figure based on the depreciation of the pipes. Councilmember Day expressed his opinion shareholders within the irrigation companies would probably disagree and a discussion followed. Mr. Jensen indicated this would need to be a discussion point at a later time and suggested the rates would need to be adjusted during the negotiation process with the different systems. Mayor Stevenson summarized the Council needed direction Councilmember Day suggested the rates be adjusted to reflect a more equitable rate for commercial users like the industrial park. Mr. Jensen reported Staff would bring forth a tiered system.

Councilmember Freitag stated Mr. Probert had completed some research and reported it appeared the City was receiving the correct amount of funds from the State for the 911 fees. He mentioned the figures had reflected grant funding received the prior year which accounted for the significant decrease in this year's funds.

MAYOR'S REPORT

Mayor Stevenson reported he had visited with representatives from the Davis Clipper regarding a community newspaper. He reported the estimated cost would be approximately $4,000 per month, or $48,000 per year for 14 issues. He added they would also provide a reporter to the City. He indicated he would like to discuss the issue during a future work session unless there was objection from the Council and a discussion followed. Councilmember Brown inquired if the proposed budget had included a public relations/communications/marketing employee and Mr. Probert indicated funds had been appropriated in the budget for that purpose. A discussion followed regarding the responsibilities of the position in relation to the newspaper.

The meeting adjourned at 8:13 p.m.

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Kimberly S Read, City Recorder