DISCUSSION ON THE ISSUANCE OF DEBT FOR THE DESIGN AND IMPLEMENTATION OF THE ENERGY PERFORMANCE CONTRACT PROJECT

Rich Knapp, Finance Manager, reported the City completed the bid process for issuance of debt following the Council’s approval of the energy performance contract the first of July 2016. He stated five bids were received and staff selected All American Investment Group. He referred to the visual illustration and explained All American’s submission was a rate of 2.04 percent or $388,000 issuance cost, which was 0.28 percent or $95,000 less than what McKinstry had used for calculation purposes. He mentioned in addition to the $95,000 savings it decreased the term of the loan which would now be 13 years with the first payment coming due January 31, 2017. He emphasized the energy savings would pay for the debt service; therefore, it would be budget neutral.

He asked if there were any questions from the Council and there were none.
DISCUSSION ON THE PARAT TAX PROJECT FUNDING

Eric Howes, Community Services Director, shared the illustration of the PARAT Tax Master Plan and spreadsheet and emphasized the goal was to provide outstanding service. He shared a new visual illustration in which the City had been divided into four separate quadrants with the respective parks in each quadrant. He reviewed the projects identified for each specific park with the Council.

Mr. Howes reviewed the Capital Projects list and emphasized $550,000 of the $1.8 million had been appropriated for new projects. He expressed his opinion that the use of PARAT Tax revenue would decrease five to seven years’ worth of projects from the current Capital Improvement Project list.

Mr. Howes explained the challenges associated with the delay in the City receiving the collected revenue in conjunction with completing the identified projects. Councilmember Phipps shared feedback he had seen on his neighborhood Facebook page regarding the City’s parks and expressed his desire for additional amenities at the parks and suggested possible improvements to North Steed Park would be beneficial. Mr. Howes emphasized the scoring of the identified projects was strictly based on councilmembers’ feedback, he merely organized the information. He agreed with Councilmember Phipps’ remarks about the current amenities at City parks and emphasized he would like to have one special amenity at each park to encourage or draw residents to that particular park and also believed renovations were justified.

Councilmember Bush expressed concern regarding the scoring of the identified projects. He also expressed concern with the tables, benches and trash cans being considered for funding as one of the items on the list. He believed there were some metal tables located at some pavilions which were still in good usable condition and didn’t believe they should all be replaced with concrete tables. He also expressed concern regarding vandalism to the concrete tables and a discussion took place comparing product options for the tables. Councilmember Bush suggested only replacing the tables as needed using park maintenance funds as opposed to PARAT Tax revenue as he believed the public approved the tax with the idea that “special amenities” would be recognized at the parks. Councilmember Young suggested implementing a “maintenance cycle” for the tables.

Mayor Shepherd pointed out the Council had been given at least three opportunities to identify projects for the PARAT Tax appropriation and believed staff needed direction to proceed. He expressed confidence with staff in carrying out the Council’s decisions and suggested now wasn’t the time to readdress the entire priority list. He indicated the present discussion was to determine whether the Council wanted to borrow funds to complete projects, which would reflect a significant improvement to the public, as opposed to waiting for the PARAT Tax revenue to be recognized prior to completing the improvements.

Rich Knapp, Finance Manager, reviewed the following specific to financing PARAT projects:
- Last year the City received $210,000 in PARAT Tax revenue.
- The proposed annual payment for financing would be no more than $205,000.
- Last payment would be April 2025.
Current market rate was approximately 2.16 percent, all inclusive rate which included bond issuance costs.

Based on the interest rate and payment, the City could finance $1,673,000.

As of June 2016 PARAT balance on hand was $250,000.

Approximate total interest and cost of issuance was $166,175.

Maximum duration of construction fund was three years.

Mr. Knapp shared and reviewed the illustration of the figures and pointed out the finance costs would decrease what could be used toward projects by $166,175 but believed it would benefit the residents long term. A discussion took place comparing the pros and cons associated with financing the projects. Councilmember Bush stated he never envisioned borrowing funds to pay for identified projects and the discussion continued.

Councilmember Benson expressed concern about moving forward with completing the identified projects, pointing out priorities and the fact that councilmembers could change within the next 10 years. Mayor Shepherd responded councils would always change and question decisions made by predecessors. As an example, he pointed out the current Council was dealing with how the Aquatic Center was financed.

Councilmember Young suggested borrowing and moving forward with the BMX track and the rope course because revenue could be expected from their implementation and agreed with Councilmember Bush. He suggested borrowing from the City to finance some of the projects. Mayor Shepherd recommended borrowing from the City to begin completing some of the projects.

Adam Lenhard, City Manager, pointed out there were two separate issues for consideration:
1 – Timing of the projects
2 – What and how many of the projects did the Council want to begin completing

Mr. Howes explained it was easier to do more of the same thing all at once such as new playground equipment for several parks as opposed to just one park, the same for pavilions, and so forth because he could lump them together for the bid process. A discussion took place regarding the identified projects and those which could be completed without bonding. Councilmember Bush stated he was interested in repairing and refinishing the concrete tables already owned by the City prior to purchasing additional new ones.

Councilmember Young moved to adjourn the work session and reconvene in a City Council policy session at 6:55 p.m., seconded by Councilmember Benson. All voting AYE.

The work session reconvened at 7:50 p.m.

Mr. Lenhard requested clarification for staff regarding financing identified PARAT Tax projects. He stated it was his understanding the Council directed staff to borrow from itself, up to one million dollars, to complete as many projects as possible up with the exception of the benches, tables, and trash cans and allowing staff to further research those products. Mr. Knapp expressed concern about where those funds could be recognized for those purpose and suggested he would
have a better idea once the rate study was completed and a discussion followed. JJ Allen, Assistant City Manager, mentioned funds could possibly be recognized in the CDRA.

Councilmember Peterson stated she was not comfortable with borrowing money against revenues being collected in the form of a “tax.”

Mr. Howes responded he would be implementing a plan to complete projects which could be completed through the use of PARAT Tax revenue already collected.

DISCUSSION ON INTERFUND LOANS FOR THE FISCAL YEARS 2016 AND 2017 BUDGETS

Rich Knapp, Finance Manager, shared an illustration which identified the amount of funds each of the Enterprise Funds would need to be reduced by in order to correct an accounting issue from Fiscal Year 2007/2008. He indicated the General Fund would be paid back in the following amounts:

- Water $697,422
- Sewer $137,636
- Storm $142,933
- Garbage $ 97,399
- $1,075,391

He mentioned the transaction would also affect the City’s rate study because beginning balances would be lower; however, the Impact Fee Study, which was also in the process of being completed, identified funds that would need to be transferred from the Impact Fee balances for projects completed since 2008, which was when the last Impact Fee Study was completed. He suggested that transaction would offset those figures and then some. He emphasized both issues were non-related; however, additional monies would be recognized in the Enterprise Funds.

Adam Lenhard, City Manager, requested Mr. Knapp explain how or where the issue originated. Mr. Knapp explained at the end of fiscal year 2015, the auditors recognized information which reflected the General Fund was owed funds from the Enterprise Funds. He continued current staff, nor the auditor, knew the history regarding the loan and staff believed, after completing research, the identified $756,236 was the result of Fund 50 (all water, sewer, storm, garbage in one fund) being separated into four separate funds. He stated cash was moved to create those funds but not knowing it created a system which reflected the General Fund was still owed those monies.

Mr. Lenhard suggested the staff at that time believed designating the four separate funds would reflect a greater level of transparency as far as how funds were being spent. He expressed his opinion it was a good move; however, it created an accounting issue, which was partially a software issue. Mr. Knapp pointed out the only way to resolve the issue was to transfer money back to Fund 50 and emphasized the fund balance would not change; the asset would be changed from an IOU to cash. He stated Fund 50 was specific to Utility Billing.
Mr. Knapp stated the transaction would be effective end of Fiscal Year 2016 and indicated Enterprise Funds didn’t require the budget to be amended. Councilmember Peterson asked how it would affect the rate study. Mr. Lenhard referred to the Three Year Plan for Enterprise Funds and stated the beginning balances would be lower by the respective amounts, which would result in having less available cash to complete projects. He indicated additional Impact Fee Revenue would offset a great deal of that amount and suggested rates would need to recognize an increase in order to mitigate a delay in necessary projects.

DISCUSSION ON SERVICE LINE INSURANCE POLICIES

Summer Palmer, Administrative Services Director, informed the Council that Adam Lenhard, City Manager, and Mayor Shepherd had met with representatives from Utility Service Partners during the National League of Cities Conference. She mentioned she had also completed some research on the company’s partnership with the National League and expressed her opinion it would be a good partner for the City as well for service line insurance.

She distributed information and shared a visual presentation with the Council. She shared an illustration identifying a waterline from the street to a home and pointed out the line from the City’s main connection to the home was the responsibility of the homeowner. She reminded the Council many areas of the City had an aging infrastructure and suggested many residents weren’t aware of the responsibility. She stated the insurance would offer protection, an insurance policy, against anything happening to those lines. She indicated as part of the partnership with the company, the residents would be informed and educated as to what was the City’s and residents’ respective responsibility in the event of failure.

Ms. Palmer emphasized it was an insurance or warranty program which the City would partner with to market to residents. She indicated residents would receive mailings of literature on a bi-annual basis which would remind them of the three offered products. She reviewed each proposed product with the Council pointing out what would be covered and other benefits. She stated the insurance was different from the City’s Good Will Program which covered damages caused by failure of infrastructure within the City’s streets. She reviewed rates and explained Utility Services would be responsible for direct mailings to residents in addition to billing participating residents directly.

A discussion took place regarding the program. Ms. Palmer reviewed the premiums associated with the coverage and mentioned the City would receive fifty cents for every policy purchased by a resident or the City could forfeit that benefit and request a rate reduction. She suggested directing those proceeds to the Good Will Program. The Council directed staff to move forward with implementing the program.

Mayor Shepherd pointed out numerous residents in his neighborhood alone had experienced water or sewer line failures and shared some of the repair costs with the Council. Ms. Palmer expressed concern many of the City’s residents probably didn’t have the money set aside to cover those types of repair costs and believed it would be a benefit to the City’s population. Mayor Shepherd suggested at $150 per year, $1500 over 10 years wouldn’t cover the cost to replace either a water or sewer line and believed it could be considered an investment.
The Council continued to discuss the program benefits and coverage and Ms. Palmer emphasized there was no cost to the City in implementing the program.

The meeting adjourned at 8:30 p.m.

APPROVED AND ADOPTED
This 9th day of August, 2016

/s/Mark R. Shepherd, Mayor

ATTEST:

/s/Nancy R. Dean, City Recorder

I hereby certify that the foregoing represents a true, accurate, and complete record of the Clearfield City Council meeting held Tuesday, July 26, 2016.

/s/Nancy R. Dean, City Recorder