

DATE Tuesday June 21st, 2016

Special Meeting
UNIFIED FIRE SERVICE AREA

Meeting
~ MINUTES~

Midvale Fire Station 126
607 East 7200 South
Midvale, UT 84047

June 21, 2016

8:30 a.m.

(or Immediately Following Unified Fire Authority Board Meeting)

PRESENT: JOANN SEGhini (CHAIR)
 SAM GRANATO
 LARRY JOHNSON
 BEN MCADAMS
 CORALEE WESSMAN-MOSER
 CHRISTOPHER PENGRA
 RICHARD SNELGROVE

ABSENT: SHELDON STEWART

ALSO PRESENT: MICHAEL JENSEN, CHIEF; KARL HENDRICKSON, CHIEF LEGAL OFFICER; TONY HILL, CHIEF FINANCIAL OFFICER; JOEL RICHARDS; BRETT WOOD, HERRIMAN CITY MANAGER; MIKE WATSON, ASSISTANT CHIEF; MARTY SLACK, ASSISTANT CHIEF; STEPHEN HIGGS, ASSISTANT CHIEF; MIKE KELSEY, ASSISTANT CHIEF; RAND ANDRUS, ASSISTANT CHIEF; MARLON JONES, ASSISTANT CHIEF; MIKE GREENSIDES, BATTALION CHIEF; CLINT SMITH, BATTALION CHIEF; BRIAN ANDERTON, BATTALION CHIEF; MIKE ULIBARRI, BATTALION CHIEF; LEE ASCARTE, BATTALION CHIEF; RILEY PILGRIM, BATTALION CHIEF; ROSS FOWLKS, BATTALION CHIEF; STEVE PROKOPIS, BATTALION CHIEF; CAL DAN BROWN, CAPTAIN; JEREMY ROBERTSON, LOCAL 1696; CLIFF BURNINGHAM, LOCAL 1696; CALOGERO RICOTTA, HUMAN RESOURCES; DAVE NICPONSKI; BILL APPEGARTH, RIVERTON CITY MAYOR; RANDY SANDT, RIVERTON CITY; MICAYLA DINKEL; RYAN PERRY, CLERK.

Chair JoAnn Seghini presided

Public Comment:

No public comment was given

Public Hearing to Receive and Consider Comments on Proposed Amendments to the Fiscal Year 2016 Budget:

Trustee Granato, seconded by Trustee McAdams, moved to open the public hearing. The vote was unanimous in favor of the motion.

Tony Hill stated that in the packet you have a list of the amendments. We need to make an adjustment to our property tax levy. We are reducing the amount by \$460,000. The first slide shows the taxable value for the District. Our taxable value is \$21 Billion for 2016. It is up \$1.4 Billion from last year or a 7.3% increase. The new growth is very important for this budget; the amount of new growth is \$281 million for 2016. This sounds like a lot of new growth, but when you have \$21 billion in assessed valuation, this only equates to 1.3% in new growth. The next slide shows our collection rate. Our collection rate has increased year-over-year for the past five years. We are up to a 97.3% collection rate for 2016. We have a .0023 cap for the rate that we can assess. The blue line in the slides shows what our adopted rate has been. Our rate did get to a high level in 2013 as we neared our cap; this was due to the assessed valuation dropping. Our rate has fallen since then. Our new rate will be .001884.

Chief Jensen stated that when our rate went high, it was the year after the Kennecott slide.

Trustee Wessman-Moser asked if there was any correlation with the judgment levy?

Tony Hill stated that there is not a correlation. The green line on the slide is the judgment levy and it is a separate levy. 2014 was the first year that the Board adopted a judgment levy. It does bring in a little revenue to the District. The judgment levy rate is .000004 for 2016. The next slide shows the dollars in revenue that we have collected since 2012. In 2012 we were around \$31 million, we had a bump in 2013/2014 with Eagle Mountain and Taylorsville joining the District. Just the last three years, we have seen new growth, but it is very modest. It is just 1% from 2014 to 2015 and 1.3% for this year. This slide shows what the District looks

like and our structural balance for the 2016 budget. We are collecting \$43.8 million and expending \$46.8 million. We usually bring in a little more revenue than the budget, just because of how the collection rate works. When you see that trend in the collection rates, our budget will be a little bit lower because we are collecting our five-year average. We usually bring in a little more revenue than budgeted and we have under-expend. We have a drawn down on our fund balance over the past few years. This is something that the Board is going to have to look at as we move into future years. What level of fund balance are we comfortable with and what things do we need to do to bring our budget back into a more structured balance than it is right now. It wasn't too many years ago, in 2013, that we were collecting more revenue than our expenditures. With our efforts to fund the employees with the UFA fees, these UFA fees have gone up faster than our property tax revenues. This year we had a pretty modest increase to our UFA fees at 2%, but that is double of our revenue increase. When we do a 3% or 4% increase to the UFA budget, you can see where our issues are coming from.

Trustee Pengra stated that for some of the faster growing communities in the District, especially for Eagle Mountain, we just had a significant expenditure for station 251. I don't expect that we are going to be building any additional stations in the near future. We are building 600 homes this year, so there is tax revenue that will be brought in that won't be matched by growth. I understand that those fees will probably continue to go up on the UFA side. I don't know what this looks like for the District budget long-term and I don't know what that looks like for Herriman that will see that trend reverse on the District budget.

Tony Hill stated that we hope that rather than 1% new growth number, that as these areas develop, that our tax base increases. If we get a 3% new growth, this certainly helps. If we get a 3% new growth and a 4% UFA fee, we are still hurting ourselves.

Chief Jensen stated that I would like to give one caution, as you see the new developments come online and they are residential, the residential units receive a 45% reduction. It is not 100% that we are going to see in revenue. We will only see the 55% of these residential developments.

Chair Seghini stated that apartment buildings also receive the 45% reduction.

Trustee McAdams stated that if it is a primary resident that you own, then you get the 45% reduction.

Karl Hendrickson stated that the property needs to be treated as a primary residence in order to get the reduction.

Chief Jensen asked if that means the big apartment buildings get the reduction?

Karl Hendrickson stated that the question has always been on how you look at it. Do you look at it as residence or an investment property? In the hands of the owner, it is an investment, for the people living there it is a primary residence.

Chief Jensen stated that this means you are only getting 55% of the revenue for these projects.

Trustee Wessman-Moser stated that she would like to reiterate my comments on the earlier UFA board meeting. I believe it would be helpful to receive additional informational budget detail for the District. I will include my previous discussions that we need to get Board packets and Board minutes on the website. We need to be transparent in this Board as well as the UFA.

Tony Hill stated that we also need to reduce the property tax number by \$460,000. In the original budget, there was nothing in the delinquent tax number. The \$40 million in the current years revenue included current year plus delinquent taxes. We need to increase our judgment levy a little bit. We have our eligible judgments from the County Auditor. So we need to increase the amount by \$8,500 for this year. Our delinquent taxes are a budget of \$600,000. Our impact fees are coming in better than expected, so I would like to increase it by \$200,000. We closed the LBA \$6 million bond for the Taylorsville station and we have that money now. The first \$1.9 million of the \$6 million gets returned to the District for costs already incurred on the project. In the original budget, the station was budgeted in the general fund. We need to transfer this to the Local Building Authority (LBA) fund. To balance the budget, we need to transfer from fund balance by \$386,000. On the expenditure side, we need to reduce the capital outlay by \$3.1 million. This is not exactly the \$6 million that the station will cost. In the original budget we were trying to estimate how much of station 117 we were going to do in the current year's budget. We estimated \$4 million in 2016 and we were going to do the rest in 2017. We need to reduce the amount by \$3.1 million. What we are leaving in the capital outlay budget is \$500,000 for the station in Eagle Mountain and whatever other needs come up in the other 22 stations. In the expenditure budget, we need to true up how we are budgeting for our bond payment. In the original budget we had too much in the lease portion and not enough in the interest. We would just like to true up the principal cost vs. the interest cost with the negative \$500,000 and a positive \$700,000. With the UFA fee we will reduce the amount because we had put in a placeholder of 3% and the actual amount was 2.1% that reduces the amount by \$426,000. The last two amendments are the \$6 million in the LBA and increase the \$1.5 million in debt services to \$1.8 Million.

No public comment was given

Trustee Pengra, seconded by Trustee Wessman-Moser, moved to close the public hearing. The vote was unanimous in favor of the motion.

Public Hearing to Receive and Consider Comments on Proposed Judgment Levy:

Trustee Snelgrove, seconded by Trustee Pengra, moved to open the public hearing. The vote was unanimous in favor of the motion.

No public comment was given

Trustee Snelgrove, seconded by Trustee Pengra, moved to close the public hearing. The vote was unanimous in favor of the motion.

Approval of Resolution Amending the FY 2016 Budget, Adopting an Ad Valorem Tax Rate, and Adopting a Judgment Levy:

Trustee Snelgrove, seconded by Trustee Pengra, moved to approve the resolution. The vote was unanimous in favor of the motion.

Update on Bond Closing:

Trustee McAdams left the meeting and participated electronically.

Tony Hill stated that we sold the bonds last Tuesday. Everything went really well. In our last meeting we mentioned the amazing savings at 17% or \$4 Million over the life of the bond. It was a great transaction. Everything went great and we have the money in our account waiting for us to start drawing on it to finish station 117. It turned out to be great and we thank you for your support. This was certainly the right avenue to go.

Trustee Snelgrove asked what the rate was?

Tony Hill stated that it was a little over 2.5%. Starting out in the process, we were hoping to get 2.7% and the final bid was a little over 2.5%.

Chief Jensen stated that Zion's Bank told us that it was the best day that we could have done it timing wise.

Deputy Chief Scott stated that the rate was 2.57%

Tony Hill stated that it was a competitive bid. With our solid bond rating we had a lot of interest.

Resolution Approving Amendments to the Articles of Incorporation of the Local Building Authority:

Karl Hendrickson stated that this is an attempt to bring the legal reality and conformance with practical reality. The LBA was originally created as the Local Building Authority of Salt Lake Valley Fire Service Area. We have changed the name

of the Service Area and we need to change the name of the LBA. The other thing that occurred was that in the original documents we created a Secretary/Treasurer. We have never operated with a Secretary/Treasurer. We have operated with a Clerk and a Chief Financial Officer. This brings us into conformance with that. The reason is that it is on the LBA and this agenda is that the Service Area needs to approve this as well as the LBA needs to adopt it. Then we will file them with the Department of Commerce and correct all the records.

Trustee Wessman Moser, seconded by Trustee Snelgrove, moved to approve the resolution approving amendments to the articles of incorporation of the Local Building Authority. The vote was unanimous in favor of the motion.

Riverton CDA:

Mayor Bill Applegarth thanked the Board for its service. We have an area in our City that is between Mountain View Corridor and Bangerter Highway. It goes on the East side of 13400 South and extends North to about 13000 South. In this area is the development of 85 acres with CenterCal. This is a development that we have been working on for years. Randy Sandt is our representative for the City and a great legal mind as well as an economic development mind.

Randy Sandt stated that this project area is 698 acres in total size. It is currently off the tax roles with no taxes generated from the property. It was owned by PRI, which now is the Suburban Land Reserve, which is an arm of the LDS Church. This development is Phase I and is 85 acres of the 698 acres. This is similar to Station Park in Farmington, which is a CenterCal project, but bigger. This is going to be approximately 1.4 million in total square footage of development. The breakout is about 833,000 sq. ft. of retail, 566,000 sq. ft. of office. There is a hotel being planned and a residential component. The residential component may be changed to office depending on the needs for office space. This is 250,000 sq. ft., which is equivalent to 243 units. The breakout is 50% retail, 34% office and 15% housing. We are estimating that this project will bring in an estimated assessed valuation of \$300 Million. We are projecting that there would be \$114 Million of new tax revenue that would be generated. We are asking for 75% participation for 25 years. The reason we are asking for this length of time is that CenterCal is working with the lender and the rate they need to get, we need to go a little longer than the usual 20 year project area. Your proportionate share of that would be about a total of \$3.7 million or \$150,000 a year of your 25%. We are coming to you for just 85 acres of the projects 698 acres. The city believes that this will be a catalyst for the remaining property. The City is making a significant contribution with their development agreement with SLR. They are responsible for bringing in the infrastructure necessary to improve the other 600 plus acres that will be remaining. We are hoping that if we get asked to participate that we won't need to come back here because this catalyst will open the door for great things to happen and generate more revenue than what we are asking you to participate.

Trustee Johnson asked how long the project would be going on?

Chair Seghini stated that it would be 25 years.

Randy Sandt stated that the total project would depend on the market. We are hoping for a projected build out of 698 acres to be a 25 – 35 year time.

Trustee Johnson asked if there would be improvements until build out?

Randy Sandt stated that there would be improvements as users come in. This is a great corridor. It will have great access and eventually there will be a TRAX station there.

Mayor Applegarth stated that we have a preferred TRAX route here. We are building a divided road with a TRAX line coming down the middle of it. We have an understanding with UTA on that.

Randy Sandt stated that most of the increment would be used for the preparation of the site. They need to move significant amounts of dirt. The increment will mainly be for infrastructure and site development. The goal would be that if you agree to move forward, we would bring back a resolution. I did have a discussion with Ryan about a cap. We are happy to consider a cap. If we were to put in a cap, that number would be \$11.250 million based on the \$300 million assessed valuation.

Trustee Pengra asked if the local government is participating?

Randy Sandt stated that Riverton City does not levy a property tax, but Riverton has the responsibility of putting in \$23 Million of infrastructure within the project area. So their participation will be putting in sales tax, impact fees, and whatever else to put in the infrastructure within the project area. It is not just the infrastructure of this, but it also the infrastructure needed to improve the 698 acres, this is their commitment.

Chair Seghini stated that you could see the importance of an RDA and CDA by going through Bingham Junction. Without the infrastructure, which comes through the CDA, the development wouldn't happen. This would be a great asset as part of the taxing entity for our organization. Without that CDA, you can't move.

Randy Sandt stated that City has already put significant dollars into this area without the CDA. They knew that they needed to get this area ready for development. They have put in \$89 million, plus they will have an additional \$21 million over the next 25 years that they will be responsible to do. They are not asking for reimbursement because they know that they needed to make a

contribution. We also took into consideration that you would also see some revenue from impact fees.

Trustee Pengra asked if we have all this information provided in the packet related to the City's participation?

Randy Sandt stated that we did not provide that information, but we are happy to send it to you.

Trustee Pengra stated that this information would be helpful and the reason why is that this is a big project. I understand the need for 25 years, but to have some level in comfort, I am certainly interested in the participation of the local entity. What is the revenue you anticipated bringing in? Obviously you don't have the property tax, but what are your sales tax figures? What is the impact fee estimates and to what degree is that money going back out the door? Is that 75% for you, probably not because it is not property tax.

Randy Sandt stated that 100% of impact fees would go back into the project. There will have to be some sales tax because when you are looking at \$20 - \$21 million worth of infrastructure. You are not going to be able to do all of that with impact fees. We can provide you that information and what the commitment is. We haven't spent a lot of time breaking down impact fees, but we can do that. We can certainly show you what that City commitment is and it is significant. When you go through a County participation, you have to put in the participation rates and it is a 4 -1 match on the County participation. I would assume for you that it would be a 3-1 match.

Trustee Wessman-Moser stated that I agree that a CDA is a very important tool for our communities to expedite economic development. Because this is my first experience sitting on a board that is approving a CDA, what type of analysis have we done with our finance officer or administration to review this? I believe in the presentation that the portion from UFSA would be \$150,000 a year for our 25% that we would retain. Does this sufficiently supply us with revenue to serve the needs and finance the needs that we will have? Certainly I would like to see the impact fee analysis. This will help to see if we need to build a station to service the area. Would we need to build a station and what do we project for that type of project consisting of 50% commercial, 34% office and 15% housing? What does this create in calls for service and does this \$150,000 a year cover the costs? The amount does seem small for funding a firefighter.

Chief Jensen stated that what we would like to get is to get information back from the Board. We will definitely run that analysis. If you are comfortable, Karl would have to be involved in an Interlocal agreement and determine caps and our involvement. We need to make sure you are comfortable and receive your direction on analysis. We will definitely get the information that you are requesting. If you are comfortable we can get this information and put it on the next agenda. It is about

timing, if you want it ready for the next Board meeting or if you want the discussion first.

Chair Seghini stated that we would be giving permission to further investigate the impact and turn it over to Karl for analysis and wouldn't make a decision until August.

Trustee Wessman-Moser stated that we already have examples in our community that we already serve of retail and what kind of draw on services that it takes. We also have the information with office and housing. I think we can run analysis and be specific with the amount that we retain in revenue and whether it will meet the expenditures that we will have. Otherwise, I certainly believe that we need to be a partner and invest in the communities that are part of our District.

Trustee Johnson asked if \$150,000 would be for the year?

Randy Sandt stated that the \$150,000 would be for a year.

Trustee Johnson asked if this amount goes up as it goes on?

Randy Sandt stated that it would go up if the assessment in the project goes up. We have done our analysis of the development and what we believe the County will assess the development. If the assessment goes up then the revenue would go up. If the assessment goes down, then the revenue would go down as well. The agreement if you decide to go forward as a Board, would include that we will give you 75% for 25 years or a cap whichever comes first. This protects us from the standpoint that you either get to 25 years or a cap. This is only off of 85 acres of the 698. I agree with the comment that you need to verify that whatever you are getting off of this 85 acres would cover the costs that you would have with the development. We hope that there will be a much larger increment that would be coming in that will not need participation from you and would increase your budget substantially, because you have agreed to participate in the catalyst to get everything moving. Without this, the property will sit the way it has for whoever knows how long. I can tell you that from the Farmington development that we have done a lot of analysis with the spinoff development that comes from it. The latest was Cabelas, they were looking at seven other sites, but they liked this one because of the development that it draws. There is no participation on the Cabelas, so I think this is an example of what is happening. We can do that same type of analysis for the Police District. We can put in how many firefighters you would need as well as the truck you need.

Trustee Johnson asked if CentralCal is waiting to close on the property until everything is set in stone?

Mayor Applegarth stated that they have not closed on the property. But they have moved forward. They would like to start in September. This isn't a long-range plan for when they will start. They need to be moving dirt. We were at the ICEC

conference and one of the potential leasers cornered me and asked if this would be open in the fall of 2017. I said we would try. They said, we don't want you to try, we want to know when it will be open. There is a lot of pressure.

Chair Seghini stated that the action at this point is to get more information, work with our legal council and bring back a recommendation for our August meeting.

Chief Jensen stated that we need direction. We will work with Randy on numbers and have Karl start looking at the Interlocal to start getting a boilerplate ready. Once we get the numbers, we will disseminate them for the August meeting.

Trustee Wessman-Moser stated that she would hope that we would get the information in ample time. I think that at least a 20 day advance because there is probably additional clarifying questions and I would hate to be trying to look at this 24 hours before our meeting and making a decision.

Chief Jensen stated that we would send out the information as soon as we get it back.

Chair Seghini stated that we would refer this to legal council and bring back for approval in August.

Cancelation of July 19, 2016 Board Meeting:

Trustee Johnson, seconded by Trustee Pengra, moved to cancel the July 19, 2016 Board Meeting. The vote was unanimous in favor of the motion.

Internal Items:

Trustee Granato, seconded by Trustee Wessman-Moser, moved to approve the minutes for May 26, 2016. The vote was unanimous in favor of the motion.

Trustee Pengra moved to adjourn.

Adjourned at 10:05 a.m.