

KAYSVILLE CITY COUNCIL
July 16, 2020

Minutes of a regular Kaysville City Council meeting held on July 16, 2020 at 7:00 p.m. in the Business Resource Center of the Davis Technical College at 450 South Simmons Way, Kaysville, UT. A Fiber Project Q&A was held at 5:45 P.M., with a Public Hearing following at 6:00 P.M.

Council Members present: Mayor Katie Witt, Council Member Michelle Barber, Council Member Andre Lortz, Council Member Tamara Tran (via teleconference), and Council Member Mike Blackham.

Excused: Council Member John Swan Adams

Others Present: City Manager Shayne Scott (via teleconference), City Attorney Nic Mills, City Recorder Annemarie Plaizier, Information Technology Assistant Jordan Hansen, Police Officer Lexi Benson, Steve Hiatt, Tommy Jeffcott

5:45 P.M. - FIBER PROJECT Q&A

6:00 P.M. - PUBLIC HEARING TO ALLOW PUBLIC INPUT REGARDING (A) THE ISSUANCE AND SALE BY KAYSVILLE CITY, UTAH OF NOT MORE THAN \$22,000,000 AGGREGATE PRINCIPAL AMOUNT OF TELECOMMUNICATIONS, SALES AND FRANCHISE TAX REVENUE BONDS, SERIES 2020; AND (B) ANY POTENTIAL ECONOMIC IMPACT THAT THE PROJECT TO BE FINANCED WITH THE PROCEEDS OF THE SERIES 2020 BONDS ISSUED UNDER THE ACT MAY HAVE ON THE PRIVATE SECTOR; AND RELATED

Steve Hiatt commented that he supports the City Council and what they do for the city. Mr. Hiatt said he wanted to speak against the issuance of bonds and the fiber project. Internet is already being provided throughout the city, albeit at different service levels. He appreciates that the people will be able to vote on this, as well as that people will only have to pay for fiber if they want it and they will know exactly what it will cost them. While he likes the model that is being proposed, he feels that it's not fully accurate in the long run. The city is pledging city revenues, even though it's not a tax. If we don't get the take-rates and subscriptions we want, the city will end up having to pay for the shortfall through the general fund and there is no way to predict how much that will cost us. The city needs to make sure they are considering all costs and the impacts it will have in the long run.

There were no further comments or questions. Mayor Witt closed the Public Hearing at 6:11 p.m.

7:00 P.M. – CITY COUNCIL OPENING

Pastor Tommy Jeffcott, with the Kaysville Bible Church opened the meeting with a prayer.

RECOGNITIONS AND PRESENTATIONS

PROCLAMATION DECLARING JULY 4, 2020 AS “THE DAY KAYSVILLE CAME TOGETHER, INDEPENDENTLY”

Council Member Barber commented that we had a very unique 4th of July this year as a result of the global pandemic. The pandemic has affected individuals across the world and changed many of our traditional celebrations. Kaysville came together through our independent celebrations leading up to July 4th in different ways. The celebrations held showed unity throughout the city and are especially meaningful during this critical time. Council Member Barber commended our residents for their innovation and resilience, and their coming together as a community.

Council Member Barber read a proclamation declaring July 4, 2020 as “The Day Kaysville Came Together, Independently”, and showed a slideshow of images from the 4th of July celebrations of 2020.

DECLARATION OF ANY CONFLICTS OF INTEREST

No conflicts were disclosed.

CONSENT ITEMS

Council Member Barber made a motion to accept the following consent items:

- a. Approval of the Minutes of June 4, 2020.
- b. A Resolution accepting Coronavirus Relief Fund Monies from the State of Utah, authorizing an Interlocal Cooperation Agreement to allocate a portion to the County for Economic Aid, and authorizing the city manager to allocate the remainder to city needs.

The motion was seconded by Council Member Lortz.

The vote on the motion was as follows:

Council Member Barber, yea
Council Member Lortz, yea
Council Member Tran, yea
Council Member Blackham, yea

The motion passed unanimously.

WORK ITEMS

FIBER SUPER PARAMETERS RESOLUTION DISCUSSION

Council Member Barber explained that this proposed resolution will allow the City Council to issue bonds contingent upon the public vote on the fiber to the home project.

Council Member Lortz added that the TAC committee is planning for the Council to consider a super parameter resolution at their next Council meeting. That resolution will be published

beforehand for people to review. The resolution outlines the major components of the bond parameters and how much principal will be borrowed. It also includes the total funding the city expects to receive. The coupon rate on the bonds will be between 4 - 5%, but the true interest cost is approximated at 3.15%. The bond will be secured by the fiber infrastructure fees charged to those who subscribe for service, but will also be guaranteed by sales and franchise taxes. There will not be any property taxes pledged for this bond. We anticipate to have a capitalized interest fund for the first 2 years of interest expense so that the bonds don't have any payments due from the project for over 2 years. This allows the project to build and grow subscribers, and doesn't force a high-obligation from the beginning. Also included in the parameters resolution is a reserve fund which would pay the final year of the bonds or protect against a default. However in speaking with the consultants today, they have stated that they don't anticipate that we will need a reserve fund. If that reserve fund is removed from the parameters, it will save 1.4 million dollars in borrowing. Also included in the parameters is the issuance cost, and they plan to reimburse for all expenses for this project through the election so that it will put any monies spent that was authorized previously back into the general fund. Our consultants have suggested that, given the election, the city wait until the end of the year to try to get into bond market. We expect to be getting the funding by February 2021 if the proposition passes. The model includes an estimate of subscriptions needed in order to make this project self-sustaining. We have listed the 4200 home subscription that would be necessary to make this self-sustaining and pay the bond off in 30 years. If we are able to drop off the reserve fund and be able to get the interest rates as they are today, that would drop off another 550 subscribers off of the needed requirement. We expect to have 5000 to 5500 subscribers, which is based off of the number of responses received from the survey sent last October. It will likely take us about 5 years to get those subscribers, and that's why we've tried to prepare to allow for the obligations and allow for the growth to occur over time. If we have a higher subscriber take rate, we will be able to get the bond paid off sooner. Some have expressed some concern about the risk of not being able to get enough subscribers to make this self-sustaining. However the first thing we need is to get at least 50% of the voters to vote for this on the ballot. It is likely that a majority of people who vote for this will subscribe to fiber within the next 5 years or so. Residents seem to be excited about this project. It will bring a lot of value to the city and will help bring competition for these services. There will be lower principal payments for the first 8 years of the bond and so we won't have to be self-sustaining for 4 ½ years. We are also working on how we can expedite construction. If we can build the infrastructure faster it will only help us get more subscriptions.

Council Member Blackham said that he feels the estimated take rate numbers are accurate and is comfortable with the resolution.

Council Member Tran asked what happens if we don't get the percentage take-rate we want.

Council Member Lortz said that if the voters approve this proposition but we aren't able to get the number of subscribers needed to be self-sustaining, then we would have to get a tax subsidy from sales and franchise taxes. At that point we would also likely adjust the rates to those who had already subscribed. There are other aspects that would affect those numbers as well. The model does not yet include businesses subscribers and how their subscriptions would affect the take rate. Businesses with a higher use will help generate revenue faster, reducing the number of homes we would need to subscribe. Council Member Lortz added that the TAC committee just launched a wait list for those interested in Kaysville fiber to sign up. It will help to give us a better idea on how many are ready to commit to this.

Council Member Tran commented that residents have asked her why the city is interested in doing the Kaysville fiber project.

Council Member Barber said that if you look at this from a bigger perspective, data and network connectivity is a necessary part of our lives. We are grateful for those providers who have been around and have taken care of our needs up until now, but their services haven't changed much over the years. By having government come in and facilitate this, it will allow for more private companies to compete to bring greater service and opportunities to the city, through better infrastructure. Infrastructure projects directly benefit the lives of our residents. We have the benefit of learning a lot from other municipal fiber projects and seeing their successes and failures and learning from them. It has put us in the position of being very cautious with this project, and taking the steps necessary to make this successful. Being able to better connect the city to our water meters and power meters will be a great benefit to the city. This is the future for all of us.

Mayor Witt added that fast internet service is a utility. Being able to provide all residents access to a good fiber network is crucial to advances in so many aspects of life, such as healthcare, education, economy, arts and sciences. This paves a road for our future and is why it is important. We gave the opportunity for private businesses to consider coming to our city to build out this infrastructure, but it hasn't happened and is why the city is stepping in.

Council Member Lortz made a motion to move the Fiber Super Parameters Resolution to an action item, seconded by Council Member Barber.

The vote on the motion was as follows:

Council Member Barber, yea
Council Member Lortz, yea
Council Member Tran, yea
Council Member Blackham, yea

The motion passed unanimously.

FIBER BALLOT INITIATIVE DISCUSSION

Council Member Barber explained that a lot of work goes into getting something on the ballot and their committee has been working with bond attorneys to make sure we can do it successfully. They are asking the Council to review the proposed ballot language and suggest adjustments, if needed.

Council Member Blackham commented that if the people vote for this and then he will support it, but we need to make sure we are as clear and concise with the language as we can possibly be for our residents. What is being proposed as part of the proposition is a 30 year bond and we don't know what technology will be like in 20 years. There are a lot of unknowns. People need to understand that even though this is not a general obligation bond, it's a revenue bond and there will be an obligation to it through sales and franchise taxes if we don't meet the take rate numbers needed. Council Member Blackham said that he would like to see that the ballot language be adjusted to state that this bond will be backed by sales and franchise tax. As it's written now is a little misleading. If this is voted for by our residents, we ultimately would hope that we will get

enough subscribers to make this self-sustaining. There also shouldn't be a penalty to those residents who want to sign up later on.

Council Member Lortz commented that he had spoken with Council Member Blackham before the meeting about this and reached out to our bond council to ask for a suggestion on the wording. It was suggested that "...backed by Sales and Franchise Taxes, but for which no property taxes will be pledged..." but inserted after "...to finance the costs thereof with a revenue bond obligation..."

Council Member Barber stated that she had spoken with Council Member Adams before the meeting about this addition to the language and he said that he would support the change. The committee will also be sending out a voter information pamphlet later on which will help make things more clear.

Council Member Blackham made a motion to move the Fiber Ballot Initiative to an action item, subject to the changes as discussed. The motion was seconded by Council Member Lortz.

The vote on the motion was as follows:

Council Member Lortz, yea
Council Member Tran, yea
Council Member Blackham, yea
Council Member Barber, yea

The motion passed unanimously.

FIBER RATE SCHEDULE RESOLUTION DISCUSSION

Council Member Lortz explained that this had been reviewed by the Council previously, but a few changes had been made since speaking with Connex, who was one of the winning bidders for this project. After some discussion, they have come to the arrangement that Connex would be able to be an ISP on the network, but will still allow for other providers to be on the network. We are working through those details with their contract. The first change to the proposed schedule was to add the basic service price. They are still in the process of reviewing the details for those who qualify as a HEAT residence or low-income and how they would receive a discount off of the rate. The other prices and service levels have remained the same as proposed previously. The committee wants to make sure it is clear that there are no connection fees. The fiber fees proposed here includes the fiber modem, but not a Wi-Fi router without an additional cost. Our goal is to pay off the bond as quickly as possible before we look at reducing rates. We will have standard rates set for what it will cost for a port on the network. The fiber fee is to fund the construction. The operations and maintenance is funded by port fees that the ISPs will pay to Kaysville. We have begun discussions with other ISPs as well and those are ongoing conversations. As soon as we have commitments we will announce those other ISPs. We are still working with Connex and other business partners in regard to the commercial service level to figure out what is a fair and reasonable fee schedule to charge our businesses. Some businesses have many employees using services all day long and will need a higher bandwidth. Smaller businesses or home businesses will not have that need and we want to make sure we accommodate for all those different levels. There will be an option for those who wish to prepay for the infrastructure with an upfront payment of \$2,700 rather than being charged monthly. Doing so will adjust their monthly ISP rate because

you've removed the fiber fee. Based upon the assumptions in the model, if the bond is paid off in 15 years, paying up front would be equivalent to receiving a 5.5% interest rate on your money, or 9% if it is paid off in 30 years.

Council Member Barber commented that having the option for people to pay the full amount up front is a great option. If someone can pay for it up front, they will have a lower monthly fee to pay.

Council Member Lortz said that they have also listed a no ISP service on the fee schedule. When someone requests to connect to Kaysville fiber they have opted-into the network and will have a \$25.00 a month fiber fee on their utility bill until they end their utilities with the city. They will have the option to cancel their ISP service whenever they want, based upon their agreement with the ISP but will have an obligation to the fiber fee once they have connected to the network. Residents will have their choice on which ISP they want to sign up with. Renters will be able to opt into the network and will pay the fiber fee until they move out. The landlord will not be responsible for that fiber fee. The next resident that moves in will have the option to connect to the network or not. If the upfront payment has been made for that home connection it will be rolled over onto the new homeowner, and they will be considered under the adjusted monthly rate fee as outlined in the schedule.

Council Member Lortz made a motion to move the Fiber Rate Schedule Resolution to an action item, seconded by Council Member Tran.

The vote on the motion was as follows:

Council Member Tran, yea
Council Member Blackham, yea
Council Member Barber, yea
Council Member Lortz, yea

The motion passed unanimously.

CALL TO THE PUBLIC

Steve Hiatt said that he is grateful for the Council's willingness to discuss the fiber project and bond, and thanked them for answering his questions tonight. It was good to have more clarification on this, and appreciates the additional language proposed for the ballot. Mr. Hiatt said that there might need to be more clarification to residents about what would happen if they have opted in previously but choose to not have an ISP anymore. They need to understand that they will still be obligated to pay the fiber fee. Also, the city needs to be careful as to not seem biased in any information that is published in regard to the ballot proposition. Will there be more opportunities for the public to be able to speak in regards to this project and the proposed bond?

COUNCIL MEMBER REPORTS

Council Member Lortz commented that the timeline of the fiber project and the public hearings that will be held are outlined on the kaysvillefiber.com website. Another bond hearing will be held in September, which specified time requirements are outlined by state requirements. We will

also have a public meeting on October 1st regarding the proposition. We want to make sure we have plenty of feedback and input from our citizens, and appreciate the cautions provided to us.

Council Member Blackham said that he met with Jared Tubbs earlier to get more clarification on the needs of our water department. We have some great employees that work hard, but they are in need of more help.

Council Member Tran commented that she has been working with the Community Development department and the business support group, and they've been able to come up with ways to help create business incentives using Cares Act Funding. The Police Department has also helped to come up with a "Kaysville Cash" program.

Council Member Barber said that there are recreation programs available for kids to be able to sign up. The Recreation Department is also following Health Department standards to make sure they are helping to protect everyone who participates in these programs.

Mayor Witt commented that our coronavirus cases in Davis County are still going up and encouraged everyone to commit to the "Moonshot Challenge", where for 55 days people commit to wearing a mask, maintaining social distance, isolating as needed, supporting our health care workers, caring for neighbors, supporting our local businesses, as well as praying for heavenly help to be given relief from this plague.

ADJOURNMENT

Council Member Barber made a motion to adjourn the City Council meeting at 7:45 p.m., seconded by Council Member Blackham and passed unanimously.