

## NORTH OGDEN BUDGET RETREAT MINUTES

February 20, 2014

The North Ogden City Council convened in an open meeting on February 20, 2014 at 8:10 a.m. in the North Ogden City Council Chambers at 505 East 2600 North. Notice of time, place and agenda of the meeting was delivered to each member of the City Council, posted on the bulletin board at the municipal office and posted to the Utah State Website on February 14, 2014. Notice of the annual meeting schedule was published in the Standard-Examiner on January 24, 2014.

PRESENT:            Brent Taylor            Mayor  
                       Kent Bailey            Council Member  
                       Justin Fawson        Council Member  
                       Lynn Satterthwaite   Council Member  
                       Cheryl Stoker        Council Member (Arrived at 11:55 a.m.)  
                       James Urry            Council Member

STAFF PRESENT:   Ronald F. Chandler    City Manager  
                           S. Annette Spendlove   City Recorder/HR Director  
                           Bryan Steele            Finance Director  
                           Kevin Warren            Chief of Police  
                           Craig Giles              Public Works Director  
                           Tiffany Staheli         Parks and Recreation Director

Tiffany Staheli offered the invocation and led the audience in the Pledge of Allegiance.

### **ACTIVE AGENDA**

#### **1. FINANCIAL TRENDS**

City Manager Chandler stated early in his career he was introduced to a program that performs trend analysis and he has used it ever since. He provided the Council with a 38 page document including the data from the trend analysis and he briefly highlighted a few items from the document such as the comparison of year to year per capita data; revenues per capita; data regarding restricted revenues used for capital financing; data regarding elastic revenues such as sales tax revenues. Most of North Ogden City's revenues come from sales tax and a much smaller portion comes from property tax revenues. Another trend relates to user charges and fees and whether those fees cover the costs associated with a service being provided. The City subsidizes the majority of the services provided to residents. There was a brief discussion regarding the idea of creating an enterprise fund associated with the North View Aquatic Center; fees will be charged at the Center to cover the operational cost at the facility. Mr. Chandler then focused on the trend of expenditures per capita. This trend is somewhat deceiving because it does not encompass the amount of money residents are paying in taxes to other entities, such as the North View Fire District. Also, in recent years the City stopped contributing to the motor pool fund and, instead, used the money available in that fund to balance the general fund. Last year the Council made the decision to fund one-third of the motor pool costs, this year there will be an additional one-third in funding, and next year the final third will be contributed. It would cost \$240,000 to fully fund the motor pool at this time. This is an additional trend related to personnel costs for the City, which have not

changed much over the past 10 years. Mr. Chandler also focused on the trend relating to expenditures by function, which provides a breakdown of trends in each individual department of the City and includes the percentage of the total net operating expenditures. There was a brief discussion regarding the fluctuation in expenditures in a few of the departments with a focus on changes in personnel costs due to reduction in force by attrition. Mr. Chandler then reviewed the trend relating to employee benefits as a percentage of salaries and wages; it is a very important indicator for the City and it illustrates that in 2002 employee benefits constituted 32 percent of salary costs, but by 2012 that percentage grew to 52. If that trend were to continue, benefit costs would constitute 75 percent of employee salaries by 2024 and that is unsustainable. In 2013 the City offered a high deductible health insurance plan to the employees, which resulted in a dip in benefit costs to 48 percent of total salary costs. He reviewed the structure of the high deductible health insurance plan in comparison to the traditional health insurance plan and explained how savings were realized. Health benefit cost increases are a national problem and options for addressing the problem are dwindling. Mayor Taylor stated that it is important for the Council to keep in mind that some of the salary and benefit numbers in 2009 and 2010 are skewed by the fact that the City lost its Fire Department due to the creation of the North View Fire District. Salaries appear to have remained constant while benefit costs have continued to increase. Mr. Chandler then referenced the trend relating to enterprise funds in the City and their net income before considering depreciation. When depreciation costs are added to the budget, all enterprise funds with the exception of the solid waste fund are not able to fund those depreciation costs. In the past the Council has set a goal to fund depreciation and the City continues to work towards meeting that goal through steps like rate increases. Mr. Chandler concluded the trend report indicates the City is doing well and making improvements, but there are still challenges ahead of the City. The City needs to continue to work towards fully funding the motor pool fund and improving employee compensation among other things. There was a discussion regarding operations and funding of the Fire Department before it was eliminated due to the creation of the North View Fire District. This led to an additional discussion regarding the average household income for residents in North Ogden.

## **2. REVENUE TRENDS AND PROJECTIONS**

### **a. FEE SCHEDULE DISCUSSION**

Finance Director Steele used the aid of a PowerPoint presentation to provide the Council with information regarding revenue trends and projections for the upcoming fiscal year. The presentation began by explaining that during the coming year, Utah will experience moderate growth. Nationally, growth levels are expected to continue improving. However, the state economy will not outperform the U.S. to the degree that it did following the Great Recession. It has taken the rest of the country longer than Utah to rebound from the recession. Mr. Steele reviewed a chart identifying the general fund revenue sources for the City and noted sales tax is the City's biggest source of revenue. There was a brief discussion regarding how sales tax revenues are distributed to cities throughout the State based on population and the location of the sale; the discussion led to legislation regarding sales tax and property tax. Mr. Steele provided the Council with information regarding the different tax sources that the City has some sort of control of. The City has seen an increase in sales tax revenues over the past two years and this year the projection is for revenues to continue to increase, though the rate of increase will not be as rapid. The City budgets conservatively for sales tax revenues, which usually results in a sales tax revenue surplus. Mr. Steele stated he estimates the City will recognize an increase in the coming fiscal year of \$250,000 over last year's sales tax revenues. Council Member Urry inquired about historical data relative to the City's utility franchise tax revenues and Mr. Chandler explained that revenues have increased significantly since 2004 growing from \$618,000 to \$1,080,000, but the growth leveled off in 2008 and has been fairly flat since that time. The tax is levied on phone, power, and gas utilities and the City enters into franchise agreements in order to charge the taxes. Utility taxes tend to increase in times of growth

and when usage rates increase. Mr. Steele then reviewed historical data regarding the City's sales tax collections and building fee collections from 2008 to the current fiscal year. Mr. Chandler provided some information regarding the process to issue building permits for The Cove housing development. Mr. Steele explained the average home value in North Ogden is \$207,600 and the City receives \$188.74 in property taxes annually for a home with that value. A five percent increase in property tax rate is equal to approximately \$52,400 in additional revenue for the City. Mr. Chandler noted that the citizens have the option to file a referendum to oppose a property tax increase, which has made the property tax increase process much more difficult. Mr. Steele then explained that the total of remaining revenues will remain approximately the same; estimated total revenues are projected to increase about \$310,000. One-half of any projected increase in revenue over last years budgeted revenue will be transferred to the Capital Projects Fund – or \$155,000.

### **3. CONSIDERATIONS FOR 2014-2015 FISCAL YEAR BUDGET**

#### **a. SALARIES**

Mr. Chandler then stated this discussion is in follow up to the work done by the City's Employee Compensation Committee; the Committee has been asked to attend a future Council meeting to participate in a discussion regarding how to proceed with implementing their compensation ideas. He provided the Council with a brief history of the work completed by the Committee to date. He provided each Council Member with a handout including salary data for each employee of the City and identified the employees' wages compared to market rates identified for their positions. He stated he has made recommendations to increase or maintain employee salaries according to how their current salary compares to the market and whether an employee fits within the cost control, retention, or attraction employment category. He used his own position as an example and stated the City Manager position is considered to be in the retention category and, therefore, his wage increase would be approximately seven percent.

Council Member Fawson asked if benefits are calculated into salaries. Mr. Chandler answered no. There was a discussion regarding how the City's benefit package compares to benefit packages offered in other cities.

Mr. Chandler then stated the bottom line is that if the Council were to follow the method recommended by himself and the Committee, the total cost to the City would be \$250,669 per year in perpetuity. Mayor Taylor stated that would be six percent of the total City budget. Mr. Chandler then explained the process staff has undertaken to lump employees within a salary range position in the City. If all employees were assigned to the correct salary range position and compensated according to the recommendations of the Committee, the cost to the City would be \$238,631; this is a more realistic number because it factors some of the employee turnover issues that have occurred in the City. Mr. Chandler stated his recommendation differs slightly from the recommendation of the Committee and that is why they have been invited to a Council meeting to have further discussions regarding this issue.

Mayor Taylor stated he met with the Employee Compensation Committee Chair, Neal Berube, recently and he communicated that he feels it is very important to make some changes to employee salaries based on the recommendations of the Committee; he recommends using market salaries as a guide. He added Mr. Berube also recommends ranking jobs by importance and making decisions regarding the critical positions sooner. He concluded Mr. Berube feels the Council needs to be very proactive regarding this issue.

Council Member Bailey asked if Mr. Berube is representing his own feeling or the feelings of the entire Committee. Mr. Chandler stated that the Committee collectively shares the same position as Mr. Berube.

He then discussed different ideas for implementing salary increases are dependent on several different factors, such as the need to retain employees that the City has made significant investments in. Mayor Taylor added that he has met with each Department Head of the City since taking office and each of them have expressed their concerns regarding salary issues in the City; he stated they are not whining but are genuinely expressing that the amount of money their employees are being paid are not sufficient to support their families. He noted the City could make a small investment in exchange for good will and loyalty from the employees; this is the number one thing that impacts employee morale. Council Member Bailey stated the Council has been waiting for reasonable recommendations from the Administration before acting. Mr. Chandler reminded the Council that the employees did receive a three percent, one-time bonus last year and he reminds the employees of that from time to time.

Council Member Satterthwaite inquired as to the amount of time that has gone by since City employees last received a pay raise. Mr. Chandler stated raises were last given in fiscal year 2010.

Council Member Bailey stated he would like for the City to employ a policy that allows for review of salaries on a regular basis so that the City is not in this situation again. City Recorder Spendlove stated the City has a policy that calls for a wage analysis every three years, but it was not done because of economic conditions. There was a discussion regarding the policy as well as the work that has been done by the Committee, which was followed by a discussion regarding the amount of money the City invests in a new Police Officer with a focus on the fact that many Police Officers begin seeking work with other jurisdictions after they are trained due to the fact that other jurisdictions offer much higher pay opportunities. Council Member Fawson stated he is of the mindset that the Council vote to implement pay raises for the Police Department as soon as possible to 'stop the bleeding'. There was a discussion regarding how to make those changes given that the financial information being discussed is relative to the next fiscal year. Council Member Urry inquired as to the turnover rate of the Police Department. Chief Warren stated he has lost three police officers in the last 18 months. Mr. Chandler stated it would be necessary to review historical data to determine the actual turnover rate and when reviewing that data the City's turnover rate would likely be modest. Council Member Urry stated that he wants to ensure that the City is considering the entities that employees are moving to. He noted the City cannot compete with jurisdictions like Salt Lake City or Utah Highway Patrol. Mr. Chandler agreed, but added the City has a lack of promotional opportunities for long term employees and he concluded that he has compared to entities with comparable population and budget rather than to all entities within a 75 mile radius of North Ogden City.

Council Member Satterthwaite reiterated the importance of a policy that addresses this issue and provides consistency so that employees know they can expect relative to potential pay increases or cost of living adjustments. Mayor Taylor agreed.

Mr. Chandler then explained there are some employees that are within the cost control category and they will not receive a pay increase according to the recommendation he has provided to the Council. It is understood that there may be higher turnover in those positions. This was followed by a brief discussion regarding the problems with considering the market when determining salaries; there are many more intangible benefits that an employee considers when determining employment that is appropriate for them and their family. There was a general discussion regarding how to implement salary increases City-wide, after which Mayor Taylor stated he and Mr. Chandler will take the Council's recommendations under advisement and make changes to the proposal prior to the next budget retreat meeting during which the Council will have the opportunity to review the proposal with the Employee Compensation Committee.

## **b. OTHER EXPENDITURE ITEMS**

Mr. Steele reviewed other items that could potentially impact the next fiscal year budget. The expenditures were highlighted in Mr. Steele's PowerPoint presentation as follows:

- Retirement increases
  - Non Public-Safety Employees: Tier 1 – 1.18%, Tier 2 – 1.14%
  - Public Safety Employees: Tier 1 – 1.54%, Tier 2 – 1.53%
  - With salaries as they are now, impact on general fund is roughly \$25,000, on enterprise funds it is about \$5,000.
- Motor Pool Funding
  - Continue on path to fully fund Motor Pool. Still around \$240,000 short in fully funding. For this year, we will add ½ of that amount to the funding. Of which about \$85,000 will come from the General Fund.
- Health Insurance
  - No figures yet, generally start with a 10% increase. (\$41,000 increase in General Fund and \$10,000 increase to other Funds). If employees are currently on the HDHP and choose to go to the traditional health plan, it represents an increase of \$1,850 to the city.
- Impact Fee Analysis
  - The City needs to update its Public Facilities Plan and Impact Fees. The study needs to be certified by an outside source. \$25,000 - \$50,000
- Utility charges to other funds
  - two ways it can be handled
    - Charge those funds for the services they use as any other customer
    - If they are not charged then it is considered a transfer from the Utility Funds to other funds and a notice has to be sent out to the other utility customers showing the amount of “transfer” and a public hearing needs to be held in regard to the matter.
    - Staff will determine how much this amounts to and have it ready for the tentative budget.
- Police to Factor Identification Equipment
  - Required to be in place by September 2014
  - Initial cost to City is \$9,500

There was brief general discussion about a few of the items included in the bulleted list. There was a focus regarding how the City's impact fees compare to impact fees charged in other cities and how those fees can be challenged by developers.

Mr. Chandler led a discussion regarding utility charges to other funds and stated this practice will be greatly impacted when the Aquatic Center is transitioned to an enterprise fund. This led to a discussion regarding metering of water used at City facilities, parks, and the Aquatic Center. Council Member Urry stated he wants to understand the true cost to operate the Aquatic Center and, for that reason, he wants to ensure the water used there is metered and the enterprise fund pays for water usage. Mr. Chandler stated that is ultimately the Council's decision, but it is a common practice for cities to not charge their various Departments for utility services. Council Member Urry stated that practice can distort the true costs of the City.

Chief Warren then provided the Council with information regarding the need to purchase and install two-factor identification equipment. There was a general discussion about how the equipment works.

**Council Member Satterthwaite moved to recess for lunch. Council Member Bailey seconded the motion.**

**Voting on the motion:**

|                                     |            |
|-------------------------------------|------------|
| <b>Council Member Bailey</b>        | <b>aye</b> |
| <b>Council Member Fawson</b>        | <b>aye</b> |
| <b>Council Member Satterthwaite</b> | <b>aye</b> |
| <b>Council Member Stoker</b>        | <b>aye</b> |
| <b>Council Member Urry</b>          | <b>aye</b> |

**The motion passed unanimously.**

**The meeting reconvened at 12:08 p.m.**

**2.a.FEE SCHEDULE DISCUSSION**

Mayor Taylor stated he would like to revert back to item 2a on the agenda given that all Council Members are now present. Copies of the consolidated fee schedule were provided to each Council Member and the document was briefly reviewed by Mr. Chandler.

Council Member Urry stated he had some concerns regarding business license fees relative to the fact that fees should be based on the cost that the City incurs in administering the business licensing program. Council Member Bailey stated the City has studied that issue and has data to back up the fees that are charged. Mr. Chandler agreed and stated the most recent study was conducted two years ago. There was a general discussion regarding the reasons the City requires businesses to be licensed and there was a focus on the difference between proportionate and disproportionate fees. Mr. Chandler read the section of City Code that defines a business in the City and specifies how businesses are licensed. Mayor Taylor stated the focus of the discussion should be that the City Code is followed and all businesses should be treated fairly and made to adhere to the same licensing requirements. Mr. Chandler then stated that he had a recent discussion with the City Attorney regarding the reason that the North Ogden City Council approves business licenses; he asked what would happen if the Council were to deny an application for a business that had met all of the City's licensing requirements. He explained the City Attorney told him that in that event the City would get sued and would lose because there is no warranted basis for denial. He asked the Council if they feel it is necessary for them to continue to approve business licenses or if it would be sufficient to provide basic information to the Council regarding licenses that have been approved by the Administration. The Council concluded they would like to have the information about businesses licensed in the City. There was then a general discussion regarding the types of businesses that are permitted in the City and the restrictions and regulations for those businesses, with a focus on conditional uses throughout the City. Mr. Chandler stated it may be necessary to direct the Planning Commission to review the sections of City Code that provide conditional use regulations.

Mr. Chandler continued his review of the fee schedule and there was a discussion about the fee associated with a hearing with the City's Administrative Hearing Officer. Council Member Bailey stated he likes the idea of implementing a fee that covers the actual costs of holding the hearing. Mr. Chandler stated the consolidated fee schedule will be voted upon in conjunction with the budget. Council Member Bailey stated he also feels it is a good idea for staff to study fees, such as business license fees, to ensure they are not exorbitant and simply cover the cost of administering the business licensing program.

Council Member Stoker asked if someone has to pay to use the posse grounds and the lights at the facility. Parks and Recreation Director Staheli stated that residents can use the park at any time free of charge; the fee included in the fee schedule is for groups or events. Council Member Urry provided the Council with a brief history of the reason that the junior posse is not charged for use of the posse grounds. Mr. Chandler added that he has been talking with the junior posse leadership about the potential of hosting a rodeo in North Ogden. He then stated he wanted to raise the idea of changing the name of the Community Services Department of the City; it is being confused with different community service organizations and staff prefers calling the Department the Parks and Recreation Department. The Council concurred with the recommendation to change the name. Mr. Chandler stated he will conduct research to determine how to make the change.

Council Member Bailey stated a young resident approached the Council recently asking for help in locating an archery park in the City; he was directed to work with staff and has been told the City is not interested in the idea and he asked for more information about that issue. Chief Warren stated he and Ms. Staheli have looked for a safe location for such a use and the City does not have a park that provides that. He stated he met with the resident and suggested that he participate in the potential development of a gun and archery range in West Ogden. There was a brief discussion regarding the criteria that must be met to make a site safe for an archery range. Mr. Chandler also provided the Council with an update regarding the request to rename the North Ogden skate park after Kit Collins. The Cherry Days skate board event will carry Mr. Collins' name and the family was also given the option of erecting a memorial for Mr. Collins at the skate park, such as a bench.

Council Member Satterthwaite asked if there is a different price for a non-resident to purchase a season pass at the Aquatic Center. Ms. Staheli answered no and stated that is because passes were not being purchased by non-residents and it was of greater financial benefit to the City to offer a season pass at a flat cost to all users and market those passes more heavily; more passes have been sold at the flat rate. The cost for non-resident passes was \$10 more than the cost for a resident pass and the City only has to sell four or five more resident passes to make up the amount of money that was being generated by that additional \$10. There was a discussion regarding the amount of people that visit the pool each day during the season, with a focus on how many of those people are season pass holders versus how many have purchased a day pass. Council Member Urry stated that prices at other pools are less than the prices charged at the North Ogden Aquatic Center and this led to a discussion regarding the fact that rates were increased to make a concerted effort to cover operational and personnel costs associated with the Center. Mr. Chandler stated that if there is anything he could change about the pool he would remove the splash pad and expand the lazy river. He added he would also like to add more security cameras to the facility and provide the life guards with additional training regarding when it is appropriate to ask for assistance from the Police Department. Mayor Taylor stated he would like Ms. Staheli to conduct research to determine if it would be sensible to extend the hours of operation at the pool to increase use and generate additional revenues. Council Member Fawson asked if it has been easier for Ms. Staheli to staff the lifeguard positions. Ms. Staheli answered yes and stated it became easier when the wages for the lifeguards were increased. She noted she is already hiring for the upcoming season.

Mr. Steele then resumed his presentation regarding budgeted expenditure items and stated that at the end of June 2014 the Fund Balance is projected to be around 16% of General Fund revenues or about \$945,000. The City has guidelines that General Fund Balance will not be less than 10% of General Fund Revenue (this amounts to approximately \$600,000 currently). This can be written into a financial policy as discussed at the work session in February. There was a discussion regarding recent legislation that increased the maximum amount that could be held in the Fund Balance to 25 % of General Fund revenues and Council Member Bailey suggested that the City always strive to have that amount in the Fund Balance. Mayor Taylor stated it is necessary to determine funding for capital projects and other items as

well. Mr. Steele explained additional budget issues include creating a new enterprise fund for the Aquatic Center. There was a discussion regarding the operational subsidy of the Aquatic Center with a brief focus on the budget for the Center and the idea that 90 percent of the costs associated with the Center are being covered by revenues generated at the facility. The debt service for the swimming pool bond comes from taxes generated by the Redevelopment Agency (RDA).

Mr. Steele stated another budget issue is the potential creation of a Street lighting fund which will allow for: installing new sodium based street lights costs about \$2,250. For LED lights it costs about \$3,250. Switching out current street lights (sodium based) to LED costs about \$1,350 per light (112 need to be changed); and creation of a street lighting utility fund where all revenue would go to install new street lights and change current lights to LED. If a \$1 fee was added to resident's utility bills it would generate approximately \$5,600 per month or \$67,200 annually to install and replace street lights (which is 20 new street lights or 50 light replacements). Council Member Bailey inquired as to the reasoning for replacing functioning sodium lights with LED lights. Mr. Chandler stated the City is spending a lot of money to replace bulbs on the sodium based lights each month; a research project is underway to determine the actual bulb replacement costs. There was a discussion regarding implementing a policy to dictate the manner in which the lights will be replaced, with Council Member Bailey asking for additional information to be presented at the next budget retreat meeting to illustrate the cost to continue the current practice compared to converting to LED lighting. He also asked if the issue could be addressed by the creation of a special improvement district (SID). Mayor Taylor stated he feels street lighting is something residents are willing to pay for. Council Member Bailey agreed, but noted he would like to implement a sunset clause to reduce or eliminate street lighting rates once the street light conversion is complete.

### **c. CAPITAL PROJECTS**

#### **i. REVIEW OF CAPITAL FACILITIES PLAN**

Mr. Steele then reviewed the following projected fund balances; as of June 30, 2014 staff anticipates the following fund balances:

- CAPITAL PROJECTS FUND - \$505,423 (W/O TRANSFER FROM GENERAL FUND)
- WATER FUND - \$1,826,844
- SEWER - \$899,908
- STORM WATER - \$1,278,384
- MOTOR POOL - \$955,677
- POLICE MOTOR POOL - \$133,140

The amounts are what should be in the accounts after 50% of the balance is transferred to the Fund Balance.

The Council took a break at 2:00 p.m. and the meeting resumed at 2:14 p.m.

#### **ii. PUBLIC WORKS FACILITY FUNDING**

Mr. Chandler stated each Council Member was provided a copy of the City's Capital Facilities Plan (CFP); the Plan was created in 2006 and the year to year capital facilities project come from the Plan; the Parks CFP has also been added to the plan. He then stated he wants to have a discussion about the Public Works Facility Project and he reviewed the process the selection committee has undertaken to select a contractor for the project and there was a brief discussion about the bids submitted by various contractors. Mr. Chandler stated the anticipated total project cost is \$2,282,775, which includes site work; the cost could increase to \$2,557,775 if certain aspects of the project are selected. The project budget is \$2.2

million, so any amount over that will need to come from new revenues from any enterprise fund; the only funding source that cannot be accessed for the project is impact fee revenues. He added he also feels a contingency amount should be added to the project budget. He then briefly reviewed the various aspects of the project. The contract will be presented to the City Council soon and decisions will need to be made regarding whether it is necessary to increase funding for the project or cut various aspects from the bid and project. There was a general discussion regarding the bid amounts and Council Member Bailey stated he does not feel he can make a decision until he has heard all other requests for capital funding.

Mayor Taylor asked if there are any aspects of the project that Public Works Director Giles feels are an absolute necessity. Mr. Giles stated the salt storage shed is a very important aspect of the project to increase efficiency.

### **iii. 2014-2015 CAPITAL PROJECT REQUESTS**

Mr. Steele noted the capital fund fund balance has a projected ending balance for FY 2014 - \$505,423; there will be a transfer from General Fund of ½ projected increase in revenue for FY 2015 - \$165,000. The total amount available to be spent \$670,423. He then reviewed the capital project request for the upcoming fiscal year. Council Member Satterthwaite stated he would like to have an opportunity to review supporting documentation for the projects to gain an understanding of the urgency of each project; this will assist the Council in making the best funding decisions.

Mr. Chandler continued his review of the various capital project requests and there was brief general discussion throughout regarding the aspects of various projects.

The Council took a break at 3:20 p.m. and reconvened at 3:45 p.m.

Mr. Chandler stated the Administration is seeking from the Council direction regarding their priorities for capital funding. He stated additional information regarding each of the capital project requests can be provided to the Council at the next budget retreat meeting.

Mr. Steele continued the review of the capital project requests in each fund of the City and there was continued discussion among the Council and staff relative to the reasoning for some of the requested projects. At the conclusion of the discussion, Mr. Chandler discussed the money available to potentially fund capital projects; the capital projects fund has a balance of \$660,000, but there are \$807,000 in capital project requests. He referenced the public works facility project and stated if all of the 'add-on' aspects of the project were approved, the project amount would increase by \$440,000, which would create a potential deficit of \$586,000 in the general fund. He reviewed several different budgeting scenarios, encompassing the total capital project requests as well as the public works facility project funding. He asked the Council's position regarding the proposed transfer of \$155,000 of the available fund balance to the capital projects fund based on the policy that was adopted by the Council last year. He also asked if the Council wants to only fund the base amount for the public works facility project or if they would like to consider funding any of the extra project aspects. He stated he also needs to know if the Council wants to consider any kind of revenue increase in the form of tax or fee increases. He asked the Council how low they would like to take the various fund balances and whether they want to dedicate 10 percent of revenues to motor pool funding.

Council Member Bailey inquired as to the potential motor pool funding requests the Council will be faced with next year. Mayor Taylor stated the Governing Body needs to understand the standard replenishment amount that will be needed to fund the motor pool account after the account is made whole. Mr. Steele stated the motor pool fund is currently \$240,000 short of being fully funded; the total amount to be contributed each year after the fund is made whole is \$600,000. Council Member Baily stated the motor

pool is an ongoing funding need and he stated the Council needs to know how much it will take each year to maintain the fund and how many projects will be requested in the motor pool fund next year and in future years. He asked how much was allocated from the motor pool fund last year, to which Mr. Steele answered approximately \$66,000. Council Member Bailey stated the funding request this year is 10 times that. There was a discussion about the history of the motor pool fund and the Police Department's contribution to the fund. In 2010 the contributions to the motor pool fund were \$646,000, but that decreased to \$300,000 over the next couple of years. Mr. Chandler stated he can provide additional information regarding motor pool funding at the next budget retreat meeting. Council Member Bailey stated that it appears that the City does not have enough money to fund all requests or anything over the base bid amount for the public works facility; the Council needs to understand all funding sources in order to prioritize the project requests.

Council Member Satterthwaite asked for information regarding proposed reserve fund amounts. Mayor Taylor provided Council Member Satterthwaite with a document detailing reserve fund balances and stated the amount to be contributed to capital projects has already been subtracted from the fund balances listed, so there is actually more money available.

Mr. Chandler stated he is not asking the Council to make budget decisions today; he simply needs some direction to be able to proceed with making adjustments to the proposals in order to meet the priorities set by the Council. He reiterated the Council established a policy last year requiring the transfer of half of the excess fund balance to capital projects; that amount this year would be \$155,000 and he asked if the Council feels strongly about continuing that policy. He stated other options would be to leave the amount in the fund balance or provide some flexibility by allowing the money to be used for operational costs. Council Member Bailey inquired as to what operational costs could be funded by the money. Mr. Chandler stated it could be used for salary and benefit increases or other operational increases discussed earlier in the meeting. He reiterated the amount available is \$155,000.

Council Member Bailey stated he feels the employee compensation issues need to be addressed and it seems that the only way to address that issue is via a tax increase – which he is not in favor of – or by cutting other costs. Mayor Taylor stated money from the general fund balance could also be used. Mr. Steele stated it is not the best idea to support operating expenses with the fund balance because that is one-time money and salary increases will be an ongoing cost. Council Member Bailey stated the Council needs to identify an ongoing funding mechanism. Mr. Chandler stated he simply needs to understand if the \$155,000 is available for him to use when considering different funding options. Council Member Bailey stated it may be possible to use the \$155,000 to fund half of the salary increases this year and identify another funding source next year. There was a brief discussion regarding the projected sales tax revenue increase of four to six percent next year, after which Mr. Chandler stated he will proceed with making amendments to the budget with the following direction from the Council: maintain the policy of transferring half of the budget surplus to capital projects; identify spending cuts; phasing of salary increases; identify additional revenue generating options. He then focused on funding for the public works facility project and stated he needs direction from the Council regarding whether to fund the base project amount or to fund additional aspects of the project. Council Member Satterthwaite asked Mr. Giles what his highest priority would be relative to the additional project add-ons, to which Mr. Giles answered the salt shed. Council Member Satterthwaite stated the Council needs to go through the exercise of identifying what other budget items will need to be given up in order to fund add-ons for the project. Council Member Bailey agreed. Mr. Chandler stated he and the staff will bring back a list of priorities for them to consider at the next budget retreat. Council Member Stoker stated the Council also needs to consider that many projects have been put on hold for the past couple of years and those projects should be considered as well. There was a brief discussion regarding reserve fund balances in the various accounts of the City.

Council Member Fawson stated that earlier in the discussion there was a brief focus on the fact that benefit costs will increase as salaries are increased. He stated benefits include things like 401K contributions, but it may not be necessary to increase those types of benefits at this time. He stated it is not always necessary to increase benefit contributions along with a salary increase. Council Member Bailey asked if the City contributes to a 401K account for employees. Mr. Chandler stated that the City matches an employee's 401K contribution up to three percent; that is in addition to the City's contribution to the URS for employees. Council Member Bailey agrees with Council Member Fawson's recommendation to consider compensation as a whole.

Mr. Chandler asked the Council if they are open to considering user fees or taxes. Council Member Bailey stated that rates were increased last year and he does not want to revisit that again at this time. He stated he is also opposed to a tax increase. Council Member Urry agreed. There was a discussion regarding increasing fees in conjunction with raising employee salaries due to the fact that translates to an increase in the City's costs.

Council Member Urry asked if there are options for the City to consider relative to amending the City's trash collection schedule to encourage more recycling in the City. There was a brief discussion regarding the City's recycling program with Mr. Chandler providing the Council with information regarding several options to consider in order to increase recycling participation and reduce the City's tipping fees.

The Council concluded they are not opposed to considering fee increases to fund cost increases, but they are opposed to considering a tax increase. Mayor Taylor stated the Administration will prepare a spreadsheet that can be edited throughout the next budget meeting to give the Council a real-time understanding of the implications of their amendments to the proposed budget. He then asked the Council to add to their calendar a work session meeting for March 4 to discuss funding for the Monroe Boulevard project. The next budget meeting will be held March 20; there was a discussion regarding whether it is necessary for the Employee Compensation Committee Chair to attend the meeting and the consensus was that if Mr. Berube would like to attend the meeting he is welcome.

Council Member Urry stated one option for reducing expenses may be to competitively bid the City's engineering services contract. Mr. Chandler stated he is not sure of the term of the contract, but the service has not been bid for some time. He stated the City's garbage hauling contract is also being competitively bid this year.

#### **4.ADJOURNMENT**

**Council Member Fawson moved to adjourn the meeting. Council Member Satterthwaite seconded the motion.**

#### **Voting on the motion:**

|                                     |            |
|-------------------------------------|------------|
| <b>Council Member Bailey</b>        | <b>aye</b> |
| <b>Council Member Fawson</b>        | <b>aye</b> |
| <b>Council Member Satterthwaite</b> | <b>aye</b> |
| <b>Council Member Stoker</b>        | <b>aye</b> |
| <b>Council Member Urry</b>          | <b>aye</b> |

**The motion passed unanimously.**

**The meeting adjourned at 5:27 p.m.**

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Brent Taylor, Mayor

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S. Annette Spendlove, MMC  
City Recorder

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Date Approved