

NORTH OGDEN CITY COUNCIL MINUTES

March 12, 2013

The North Ogden City Council convened in an open meeting on March 12, 2013 at 6:30 pm 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 March 8, 2013. Notice of the annual meeting schedule was published in the Standard-Examiner on December 30, 2012.

PRESENT:	Richard G. Harris	Mayor
	Kent Bailey	Council Member
	Wade Bigler	Council Member
	Justin Fawson	Council Member
	Cheryl Stoker	Council Member
	Brent Taylor	Council Member
STAFF PRESENT:	Ron Chandler	City Manager
	Annette Spendlove	HR Director/City Recorder
	Bryan Steele	Finance Director
	Gary Kerr	Building Official
	Jon Call	City Attorney
VISITORS:	Joan Brown	Don Brown
	Troop 412	Phillip Swanson
	John Arrington	Brent Chugg
	Rachel Trotter	Brian Russell
	Stacey Giatras	

Mayor Harris welcomed those in attendance.

Council Member Bailey offered the invocation and Boy Scout Derrick led the audience in the Pledge of Allegiance.

CONSENT AGENDA

1. Consideration to approve the minutes of the January 22, 2013 City Council meeting.
2. Consideration to approve the minutes of the January 31, 2013 City Council meeting.
3. Consideration to approve the minutes of the February 12, 2013 City Council meeting.
4. Consideration to approve business licenses.

Council Member Bailey moved to approve the consent agenda. Council Member Fawson seconded the motion.

Council Member Bigler asked if the Council will be discussing minutes in a closed meeting. He stated that if that is the case, it may be necessary to pull the minutes of January 22 from the consent agenda. City Manager Chandler stated that if the Council chooses to do that, it will be necessary to consider an

amended motion to remove the January 22 minutes from the consent agenda. He stated that if the Council collectively feels comfortable moving forward with adopting the minutes, they can vote on the current motion; but, if the Council collectively feels that more discussion of the January 22 minutes is necessary either now or during a closed meeting, then they can table consideration of the January 22 minutes until a later date.

Council Member Bigler moved to amend the motion to pull the January 22 minutes from the consent agenda and approve the consent agenda with that change. Council member Bailey seconded the motion.

Voting on the motion:

Council Member Bailey	aye
Council Member Fawson	aye
Council Member Stoker	aye
Council Member Taylor	aye
Council Member Bigler	aye

The motion passed unanimously.

Council Member Bailey moved to table the January 22, 2013 minutes to a later meeting. Council Member Bigler seconded the motion.

Voting on the motion:

Council Member Bailey	aye
Council Member Fawson	aye
Council Member Stoker	aye
Council Member Taylor	no
Council Member Bigler	aye

The motion passed.

ACTIVE AGENDA

1. PUBLIC COMMENTS:

John Arrington, no address given, stated he does not understand why the Council cannot approve minutes; the minutes are of an open meeting and whatever was decided then. He stated he does not understand why they cannot be approved.

2. CONSIDERATION AND/OR ACTION TO APPROVE FUNDING FOR THE PUBLIC WORKS FACILITY.

City Manager Chandler reviewed a PowerPoint presentation regarding funding options for the Public Works Facility. He stated the Public Works Facility Committee has been working towards the construction of the facility and one of the things they have been discussing is the amount of money that

will be spent on the project. He stated that is a budgeting issue, so it falls to the City Council. He stated the funding for the project was discussed at the last Council meeting and Finance Director Steele provided information regarding the funds available and where the funds come from. He stated tonight he will carry that discussion forward and Mr. Steele will provide more detailed information where necessary. He stated that no matter the price put on the project, the same type of discussion is necessary. He stated the first option is to construct the project to the size allowed by the amount of funding currently available. He stated the second option is to save additional money to build funding over time. He stated the third option is debt service and the fourth option is to generate monies via the sale of assets. He stated that if the City decides not to build on the current site, that property can be sold. He stated the fifth option is a combination of all four options listed. He reviewed the first slide in his presentation, which highlighted the amount of funding currently available and where that funding comes from. He stated the City currently has \$2,924,746 available for capital improvements. He stated the money comes from the enterprise funds, the capital improvement fund, and the general fund. He added there is also money available via an RDA transfer totaling \$632,207. He stated the Administration will be recommending proceeding with that transfer in the current budget year. He noted that at the end of Fiscal Year (FY) 2012, there was approximately \$900,000 in the general fund balance, which was 18 percent of the total general fund budget. He stated the Council talked two weeks ago about reducing the fund balance to 10 percent and use the extra funding for the Public Works Facility. He stated that would leave the general fund balance at approximately \$585,000.

Council Member Bigler asked if the \$351,000 is the eight percent that the general fund balance would be reduced by. Mr. Chandler answered yes. He then continued reviewing his presentation on the next slide and explained during the budget retreat there was discussion about the capital requests submitted by various Departments of the City. He stated since that discussion he has added one request to the list; he then reviewed the list of requests as follows: Administration requested \$40,000; Community Development requested \$78,500; Emergency Preparedness requested \$19,000; Community Services requested \$376,500; Police requested \$121,800; and Streets requested \$556,600.

Council Member Fawson asked for an explanation of some of the requested items that have been removed from the original list. Mr. Chandler stated that the items eliminated include the plotter for Community Development; the mounds at the Aquatic Center; the WiFi hotspots at various City parks; and the fence around Wadman Park. He then explained the biggest item that was added to the capital project list was in the Streets Department. He stated it is non-Class C road funds and it was simply an additional \$500,000 to be used for streets projects. He stated the numbers are fluid and there is much work still to be done on the budget. He stated some projects may be completely removed or pushed to another year and there is even the potential to add some projects or items back to the budget.

Council Member Bailey inquired as to what the bulk of the capital project money in the Community Services Department would be spent on. He asked if it is several small items or projects. Mr. Chandler stated that they are looking to purchase four new vehicles at a cost of \$153,000. He added there is a mower clean out station for \$10,000. He stated there was a request for \$20,000 for night lighting at the Aquatic Center and an additional \$10,000 for educational stops along the Lake View Trail. He reiterated these are not the final figures and going through the budget process the Council can determine if those items should remain in the budget or if they should be pushed to a future FY. He then stated during the last Council meeting one potential funding scenario was discussed and that was to use the Enterprise Funds, the RDA transfer, and the General Fund Balance towards the Public Works Facility, for a total of \$2.2 million. He stated the remaining \$715,283 in the Capital Projects Fund could be used for other capital projects or purchases.

Council Member Bailey stated the number he does not see built into that data is the amount the City has saved to be used for the project. He asked if that is included in the General Fund Balance amount. Mr.

Chandler stated that it is built into the numbers he presented. He stated it is also part of the RDA transfer amount.

Council Member Bigler asked about the \$500,000 that was saved. Mr. Chandler stated the amounts he is referencing do not include the property purchase money and that is separate. Council Member Bigler stated he is talking about the \$500,000 the City has saved for the project. He stated he asked about that amount in the past and he was told that it was independent of the other funding available. Mr. Chandler stated it has been earmarked for the project. Council Member Bailey asked if it is included in the numbers being reviewed tonight or not. Mr. Chandler stated it is not included in the numbers he is reviewing. He stated that if the Council were to opt for the scenario that he just presented, the actual total would be \$2.7 million and that would also include the land purchase. He then stated that if the Council wanted to also fund all other capital expenditures that were identified in the previous slide, they would be about \$435,000 short in funding. He stated that the anticipated project cost for the Public Works Facility is anywhere between \$2.5 and \$3.5 million; none of the numbers at this point are written in stone and he is only presenting information based on what he felt the Council was comfortable with at the last meeting.

Mr. Chandler then reviewed slide five in his presentation and reiterated the funding options available to the Council include limiting construction to available funds, continue to save for the project, debt service, sale of assets, or a combination of all options. He noted the Council is being asked to set a budget number the Public Works Committee can use as they are working towards preparing a request for proposal (RFP) document. He stated if the Council is not comfortable deciding on a figure for the project at this point, the debt service option becomes very important. He stated if the Council decides they are willing to go into debt for the project, that will send the Committee down one path. He stated if the Council decides against debt, that will send the Committee down another path. He stated these are the decisions the Council is being asked to make this evening.

Mr. Chandler then reviewed the slide entitled "savings" and stated that for every dollar increase to the City's utility rate, that would generate \$67,200 in new revenue annually. He stated increasing property taxes by 4.6 percent would result in an annual increase in revenues of \$48,000. He stated that right now the City has funds invested in the Public Treasurers Investment Fund through the State and that money is currently earning $\frac{3}{4}$ of a percent in interest.

Mr. Chandler then reviewed the slide entitled "debt service" and he explained that for each \$500,000 the City borrows, it would cost about \$57,000 per year in debt service. He stated that is based on information he received last week from Zion's Bank based upon the most recent bonds they have sold. He stated that would be a 10 year bond; the Council had indicated they wanted to discuss the call dates on a bond. He stated the call dates are flexible and would give the City the opportunity to retire debt before the end of the bond. He stated the lowest interest rate he has seen is 1.995 percent. He stated 2.706 percent interest is applied to bonds with a flexible call date.

Council Member Fawson asked if there is an advantage to bonding over other funding options, such as a conventional loan. Mr. Chandler stated the City is very limited on what they can do with a conventional loan. He stated there are restrictions against simply going to a bank and borrowing money. He stated that the City would more than likely want to do a private placement bond wherein the City can select a half-dozen or more groups that would be interested in purchasing it. He stated that is because of the amount of the bond. He stated the bond amount will likely be less than \$2 million and the cost associated with getting a bond rating would increase that amount. He stated that is why a private placement would be the best option.

Council Member Taylor asked if the figures presented by Mr. Chandler include principle and interest. Mr. Chandler answered yes. Council Member Taylor asked how much the interest would be. Mr. Steele stated that he has not calculated the interest costs.

Council Member Bailey asked if there are other fees associated with this type of bond. Mr. Chandler answered yes and stated there are up-front costs associated with the issuance of a bond. He stated the minimum cost the City will see is about \$20,000 and that could increase by two percent. He stated that would cover bond counsel, financial advising, and the trustee that holds the bond in trust and executes all necessary paperwork. Council Member Bailey asked if those costs are being rolled into the debt itself. Mr. Chandler answered yes. Council Member Bailey stated that part of the amortization includes amortizing the up-front costs. Mr. Chandler answered yes. Council Member Bailey stated that means the \$57,000 includes not only interest, but also the up-front costs that are amortized over the life of the bond. Mr. Chandler answered yes. Council Member Bigler stated that it will cost the City \$7,000 per year for 10 years. Mr. Chandler stated that is not correct; it would be \$57,000 per year for 10 years. He stated that includes principle and interest. Council Member Bigler stated that \$50,000 times 10 years is \$500,000 so that is the principle. He stated that means it will cost \$7,000 per year on top of the principle for 10 years. Council Member Bailey stated that seems somewhat high; he would expect it to be closer to \$2,700 per year based on a bond amount of \$500,000. He stated there must be some other costs. Mr. Chandler stated the payment amount includes principle and interest and issuance costs. Council Member Bailey stated straight amortization on the amounts referenced would result in \$4,700 per month rather than \$7,000. Mr. Chandler stated he will look at the numbers more closely and get back to the Council.

Mr. Chandler then reviewed the slide entitled "capital funding". He stated the Council has been talking quite a bit about long term assets, such as buildings, sewer systems, water systems, sprinklers, and roads and the possibility of saving money to fund that infrastructure in some way. He stated the focus has been funding depreciation for those systems. He stated he took the current depreciation schedule and explained that the City currently capitalizes everything over \$500. He stated he removed everything between \$500 and \$5,000 because he will be proposing that the City's capitalization start at \$5,000. He stated he recalculated depreciation based on that. He noted that this is only for the general fund and does not include any utility funds. He stated the City's annual depreciation cost is \$837,000. He stated he and Mr. Steele reviewed that data and felt that they could not ask the Council to fund that amount of depreciation when the total property tax revenue for the City is approximately \$1 million. He stated that the depreciation schedule is broken into the following categories: items depreciated between zero and five years; six and 10 years; 11 to 25 years; and 26 and over. He stated there are some items that are being depreciated over 50 years. He stated he and Mr. Steele discussed the impractical nature of trying to save for something for 50 years and the amount of a cash balance the City would need to carry in order to do that. He stated of the \$837,000, the long term items accounted for over \$650,000. He stated he looked at the five year capital plan and noted the plan that has been presented to the Council is not a complete capital plan; it has utility funds, parks, and streets, but it does not include anything from administration, finance, community development, etc. He stated there have been one year capital plans for those divisions of the City. He stated if the City is going to have a true capital plan, all of those areas of the City need to be included in it. He stated that the term of the capital plan should also be longer: it should be extended from five years to ten years. He stated he visited with all Department Heads and they told him that it would not be difficult for them to expand their capital plans for the coming FY. He stated a ten year plan would be much more reasonable and it would be easier to figure out how to fund for the City's future needs. He stated that reducing the current amount of capital requests does not worry him too much, but he is worried for budgeting for 2015 because the only way to fund capital projects at that point will be to come in under budget in every other area of the City. He stated that is where a capital plan comes in. He stated that as the Council continues to review the budget he would like to also present a 10 year capital plan and divide it into two sections; right now the capital plan has both repair and replacement costs as well as new service types of costs. He used a police car replacement as an example

and stated that would fall under the repair and replacement category. He stated if the City decides to hire a new Police Officer, it will be necessary to purchase and equip a new police car and that would fall under the new service costs category. He stated that it is important for the Council to understand the difference between the two types of requests. He stated he only raises these issues because they may impact the decisions that are made regarding funding for the Public Works Facility. He stated that the more money budgeted for the project, the less that will be available for capital projects or purchases. He stated the converse is true as well. He then reverted to the original point of discussion and reiterated the Public Works Committee is at a point where they need a budget for the project in order to prepare the RFP for the project. He stated if the Council is not prepared to make that decision tonight, another important question is to determine if the project will be paid for by incurring debt or by other means. He stated that decision will also dictate what direction the Committee will go.

Council Member Bigler stated he thinks the current funding available to the City is close enough that it is not necessary to go into debt. He stated the City is currently collecting an extra \$100,000 per year that has been saved for the project, so if it is built now, there will be an extra \$100,000 coming in because the fees charged to residents have not been reduced at all. He added that at a previous meeting he asked if it was possible. . .all the other monies the City has for capital projects. . .how much per year does the City end up with at the end of the year versus what the City takes in. He asked how much per year the City has coming in versus what it has been using. He asked how long it will take to “refill the pot”. Mr. Chandler stated a lot of that data depends on the economy. He stated the City only has two ways, other than the \$100,000, of building up the capital funds; one is through impact fees, which are related to growth, and those revenues can be used for new services, but cannot be used for repair and replacement of infrastructure. He stated the other way is coming in under budget; revenues would need to be higher than projected and expenses would need to be lower than projected. He stated the difference would be used for capital purposes. He stated if the economy is great, which is currently the case and sales tax revenues are coming in higher than projected, there will be a little money left over that can be used for capital; however, if the economy should “tank” again, the City may not have that extra money. He stated those are hard projections to make; there are no real dedicated funds for capital so the City is reliant upon the economy and the strength of the budget. Council Member Bigler stated it is certainly not an exact science, but usually the best indicator is to look at the past. He asked if the staff could look at the pattern over the past five years. Mr. Steele stated this year the City will have between \$100,000 and \$200,000 available. He stated he is not sure that has always been the case during the recession. Council Member Bigler stated that if that is combined with the other \$100,000 the City has been saving for the Public Works Facility, the City would have between \$200,000 and \$300,000 per year. Mr. Steele stated he is talking about the general fund and he believes Council Member Bigler is talking about the enterprise funds. Council Member Bigler stated he is talking about both funds. Mr. Chandler stated a good rule of thumb is that if the City is coming within three to four percent to the good of the revenues and expenditures budgeted for the year, that is doing good. He stated figures beyond that usually occur during heavy growth periods. Council Member Bigler asked what three to five percent would be in a dollar figure. Mr. Steele stated the general fund is approximately \$6 million so three percent would be \$180,000. Mr. Chandler stated he feels \$150,000 to \$300,000 is a fairly reasonable range. Council Member Bigler reiterated there is the additional \$100,000 that the City has been saving for this project. Council Member Bailey asked if that \$100,000 is part of the upcoming FY budget. Council Member Bigler stated that it will be going somewhere because the rates charged to residents have not been reduced. Mr. Chandler stated it could simply be absorbed into the expenses throughout the six departments of the City. Council Member Bailey asked how much of that money comes from enterprise funds and how much comes from the general fund. Mr. Steele stated it all comes from enterprise funds. Council Member Bigler stated he is trying to get a ballpark idea of the rate of replenishment of the capital funds.

Council Member Bailey stated Mr. Chandler mentioned that if the City were to use all capital funds for capital projects this year. . . is that not the pattern that the City has employed in the past. He stated there was a concern that the capital fund will be totally wiped out. Mr. Chandler stated that in the past three years the City has come through the recession by not doing capital improvements. He stated the funds have built up each year with the use of extra funds. He stated that the motor pool fund balance was also used. He stated some money has come from not replacing employees when they left the City, but the bulk of the money saved has been done by not doing capital projects. He then added that the City needs to start looking at repaying the motor pool fund, which will cost approximately \$300,000 and may take several years.

Council Member Taylor stated he has a couple of thoughts; he has put out proposals in the past for how to fund the project. He stated that as he looks at it, the City has a lot of other projects that will need attention in the coming years. He stated in his own neighborhood there have been at least 10 homes built in the last six months and the rest of the City is growing as well, which will result in the need to increase services. He stated because of the recession the City has ‘robbed Peter to pay Paul’ and money was not put into the motor pool to pay for new vehicles down the road. He stated those are real costs and it will bite the City if the money is not replaced. He stated the years ahead are not necessarily years of plenty where the City will have a lot of excess cash. He stated the excess that will result from good fiscal management will go back to paying for some of the things that have been neglected by making ends meet. He stated it may be possible to scrimp and save and squeeze every possible cent out of every fund to do the project with no or little debt, but he would ask if that is the wisest approach. He stated that if the City can incur a reasonable amount of debt and pay for the majority of the project with available funds, he thinks that is what most families would also do. He stated they would decide against completely emptying the savings account to avoid debt. He stated that he put out a proposal last week whereby 40 percent of the project would be funded by debt, such as a short term loan. He stated the annual revenue of \$100,000 referenced by Council Member Bigler could be used to service the loan and retire the debt. He stated that would more than pay the bond payment noted by Mr. Chandler earlier in the meeting. He stated that in his mind it is wiser to take a reasonable amount of debt for a needed project than to completely emptying every possible fund and “shooting ourselves in the foot” in many ways for the coming years when there will be other projects. He reiterated he is in favor of a reasonable amount of debt, which he believes could be kept at or below 40 percent of the total project cost. He stated a 60 percent cash down payment is much more than what was being considered in the past.

Council Member Bailey asked if there are short term financing alternatives. He stated it sounded to him like Mr. Chandler was saying bonding is the only financing option the City has. Mr. Chandler stated the other option would be something like a Municipal Building Authority (MBA) lease where the building would be put up as collateral for the project. He stated there are different types of bonds, but they still have a 10-year term. Council Member Bailey stated the City really does not have the same financing options that a business would have. Mr. Chandler answered no and stated the only flexible thing the Council can consider is the type of collateral used to secure the loan. He stated the Council could consider user fees as the debt service and the actual rates would become the collateral. He stated the City also has the option of using a sales tax revenue bond and a portion of sales tax would be pledged towards the debt payment. He stated the biggest difference is how the bond will be sold; bonds below \$2 million will most likely be private placement bonds and will not be sold on the public market.

Council Member Bigler stated he wanted to talk about the specific numbers that the Committee has come up with based on the requests that Public Works Director Blanchard and the City Engineer have made for the facility. He stated they have requested a 20,000 square foot building. He stated the Engineer has projected high prices for the facility; he projected \$52 per square foot for the 20,000 square feet of garage space. He stated that includes the additional two bays that were previously listed as an option for future growth. He stated that prior to that the entire building was 20,000 square feet; 16,000 for the bays in the

garage and 4,000 for the office space. He stated that in the last meeting the Committee included the additional two bays, which pushed the garage space to 20,000 with an additional 4,000 square feet for the office space. He stated that with the high numbers the Engineer projected for the project, the total cost would be \$1.4 million. He stated the office space would cost \$100 per square foot and the garage space would cost \$52 per square foot; the two of those costs averaged equals \$60 per square foot for the entire building. He stated that the Committee Chairman Brett Chugg and other professionals that have built these types of facilities have done projects like this for between \$55 and \$58 per square foot fully equipped and furnished. He stated \$60 is a high end, but it would not be more than that. He reiterated the total project cost based on that square footage amount is \$1.4 million. He stated that if the property costs are \$600,000, that means the total would be \$2 million. He stated there will be some land prep costs, but the Council has talked about the City employees doing as much of that work as possible, which most cities have also done. He stated there are some other improvements to the property that the City would need to pay for, but if the project were at \$2 million and there is \$2.2 million available funding plus \$500,000 or \$600,000 for the property purchase, the entire savings would not be depleted. He stated the exact project amount the Committee has arrived at, just for the building, is \$1,440,000. He stated that is based on the Engineer's figures for the requests that Mr. Blanchard made. He reiterated the City has \$2.2 million in available funding for just the project without the property. He stated that with the other costs that surely will arise, he thinks "we are in the ballpark" and "we do not need to bond". He stated the property that the City is contracted to purchase is a block away from the current Public Works. He stated it would be nice to build everything at once, however, if it comes down to being able to pay cash for everything, but not having quite enough to build a new salt shed, he would rather use the existing shed a block away than finance that part of the project and pay interest on it. He stated he would rather use the extra money that would be paid to the bank in interest costs and pay that to the City in an account. He stated in a year from now there might be enough money to do the extra things. He stated he thinks that when it comes down to the final numbers and a decision between taking out a loan or not, it would be best to ask the Committee what things should be cut from the project at this point in time with the idea of saving for those items to be added to the facility in the future. He stated there is a lot of storage space at the current site and vehicles can be stored there as necessary. He stated he does not want to go into debt to build those things that are just down the street from where the new facility will be. He stated he thinks the numbers from the Committee and the staff can be covered without going into any debt.

Council Member Bailey stated he agrees with Council Member Bigler; he would prefer to do the project without any debt at all. He stated there will be some trade-offs, but if it is possible to make most of the project work without going into any debt at all and do the rest of the project in phases, he would much prefer doing that rather than going down the pathway of incurring debt.

Council Member Fawson stated he is of the mindset that he likes to have a little bit of a cushion and he likes to be prepared for a rainy day and worst case scenarios. He stated he likes Council Member Bigler's proposal; the current facility will be essentially empty once the new facility is built and there are a lot of things in the old facility that can be used for some time. He stated he does not think there is a rush to get rid of that piece of property and it will be available if the City needs it. He asked what would happen in the event of a rough winter that causes more road repairs than expected. He stated there are several other budgetary issues that could arise and he asked the City's options in the event that there is suddenly the need for an additional \$500,000 or \$1 million to cover necessary costs. Mr. Chandler stated the City's rainy day funds are essentially the general fund balance. He stated that the City is restricted to having no more than 18 percent of the total general fund in reserve and that equals approximately \$1 million. He stated that using some of the fund balance for the Public Works Facility would reduce that amount to approximately \$500,000 to \$600,000. He stated the other fund balances available are in the enterprise funds and there are not the same restrictions on those funds as for the general fund wherein the reserve can be built to a higher amount. He stated that the Utah State Legislature is currently considering legislation that would increase the general fund balance limit to 25 percent of a total general fund budget

so that may give the City more flexibility to save money. He stated those are really the City's options for rainy day funds.

Council Member Bailey continued the same line of thinking as Council Member Fawson and asked if the City were to find a need for additional road repair funds or other funding, would the City still have the same option of going to the bond market and raising funds. He stated that could be done if the need arises rather than opting to keep a big cash balance and borrow money at this time for the Public Works Facility. He stated it seems like a more prudent course to him because the City would still have the option of going to the bond market. Mr. Chandler stated the one difference is time and it depends on the severity of the emergency of the need for funding. He stated it usually takes two to four months to finalize a bond. Council Member Bailey stated he has a hard time imagining an emergency that the City would not see coming, other than an earthquake or other natural disaster. He then stated that all of this discussion pre-supposes that things will move forward on the property that the City is carrying out due diligence for and there are no site work surprises that will put the cost of the project beyond the costs that are being projected. He stated that looking back at the initial proposal to tear down the existing Public Works Facility and use that property in addition to adjacent properties, everything would go back to square one and be evaluated from there. Mr. Chandler stated that whatever number the Council decides upon will give the Public Works Committee what they need to use their creativity to investigate the issues the Council is talking about. He stated site work and other studies need to take place before the final decision is made to purchase the other piece of property. He stated there have been discussions about things like keeping the facility on the current site, phasing the project, etc. He stated that initially there was discussion about completing the bays in phases, but there was a discussion where Council Member Fawson and Phil Swanson started talking about office space and the idea was born to take the bays that would be part of a future phase and use them for nice, but temporary office space that could be easily converted someday. He stated that the more expensive work to construct the office space could be saved for the next phase of the project. He stated that if the Council were to decide on a figure or whether to go into debt, that will give the Committee the ability to use their creativity to come up with different options.

Council Member Bigler pointed out the City will still own the property where the current facility sits, which is huge because it is in a commercial zone. He stated the current market is not a seller's market so the City would want to hang onto that property and sell it eventually at a commercial rate that would give the City a whole lot of money. He stated that it would be worth a lot more than the property that the City is seeking to buy further to the west and it is a huge asset the City will have for the future. He stated that the City also has the piece of property in the northeast section of town that can be sold when the time is right. He stated the City definitely has some options; he would think the City would want to hang onto the property for now, but future Councils and residents would need to know that asset exists and when it is sold it will dramatically lower the cost of the new facility or pay back the City funds. He stated it is a known fact that the City can get a prime price for the property in the future because property adjacent to it has sold and the City has an idea of what the property could sell for.

Council Member Bailey stated Mr. Chandler mentioned he felt the disparity between the \$715,000 that would be left for capital improvements and the requested amount of \$1.1 million was not so large that it would be impossible to reach it without causing too much problem. Mr. Chandler stated that one of the big areas of requests were in the Community Services Department; they asked for a lot of new items or replacement of items. He stated he does not think there will be too much difficulty. He stated he does think that as part of the discussion the Council should begin looking at more of a long term idea for capital expenses. Council Member Bailey stated he absolutely agrees with that concept, but the City is dealing with an issue that has been postponed for so long and it cannot be postponed any longer. He stated the Council is actually dealing with 10 years worth of decisions right now and that puts them in a position where they must address this one big project before they can start looking at more long term projects so that this does not happen again.

Council Member Fawson stated his understanding was that the \$715,000 would also fund some of the depreciation that has gone unfunded in the past and he asked if that is correct. Mr. Chandler stated that the \$715,000 is entirely from the general fund and has nothing to do with the enterprise funds.

Council Member Taylor stated that the additional \$450,000 of projects will move to next year, plus any new projects that may develop next year. Mr. Chandler stated that may be the case and he provided an example using the Community Services Department. He stated tomorrow they will hold their pre-bid meeting regarding the potential privatization of lawn care and snow removal for City parks. He stated the bids for those services are due at the end of the month and if the Council determines they want to proceed with that project, there will be a reduction of \$180,000 in personnel costs. He stated that is a big maybe. He stated projects like road projects will be shifted to another year, but that is not entirely the case for all projects that will be unfunded this year. Council Member Taylor stated the difference will be that the City will start with \$0 in the capital projects fund. Mr. Chandler stated that is true if all \$715,000 is used for the Public Works Facility. Council Member Taylor asked if this is a normal year for capital requests and the amounts being requested are similar to what the City may see next year. He stated if that is the case he does not know how those projects will be funded if all available funding is depleted. Mr. Chandler stated that as he has looked at the five year plan, the requests for each year are roughly the same; a couple of years there are lower requests, but last year's requests were a little bit higher based on really big road improvements.

Council Member Bigler stated that according to what staff said earlier, the \$715,000 will be grown by \$300,000 in 12 months, so there will be approximately \$1 million available next year for capital projects. Mr. Chandler stated that assuming the economy is great and assuming that Mr. Steele is brilliant in his budgeting and the City comes in with three percent to the good in the budget, that amount will build up over time if it is not used for anything else. He stated that if the City is under budget by \$200,000 each year and that is not used each year, then the fund will be back up to \$1 million in five years. He stated, however, that if the money is spent, that means there is only \$200,000 available each year for capital expenses. Council Member Bigler stated he was asking how much would be leftover in a year and he thought Mr. Chandler said three to four percent of the budget was a safe number. Mr. Chandler stated he thinks it is a safe number if the economy does not tank and the City employees do a good job at keeping on track with expenses. He stated that coming in three percent under budget is probably realistic, but it is not a guarantee. Council Member Bigler stated the City has been doing that. Mr. Chandler stated that is true for the most part. He stated that the last three years were a little bit different. Council Member Bigler stated the numbers cannot be specific, but the principle is that the City has \$715,000 in the fund and it is not that it is all depleting and there is more coming. Mr. Chandler stated part of what the Council needs to remember is that the \$715,000 number is a little deceptive because it represents the last few years of the City coming in under budget. He stated that would be gone had the City funded the motor pool fund or done some other capital projects that were requested. He stated the money is there, but it is there because the City was "robbing Peter to pay Paul". He stated the City would have ended up with a decision at the end of each year; they could have taken the money and saved it for capital, which is essentially what happened, or they could have given it to the motor pool fund since it was not being paid. He stated the number is deceptive because of the multiple types of funds the City uses. He stated that it is save to project that the City will come in three percent under budget, but he reiterated there are no guarantees.

Mayor Harris stated the Council has received the employee compensation report and they know they need to take some steps to bring the employees closer to parity with other cities and the private sector. He stated the discussion has been strictly about capital money at this point, but he asked if there are other funds available that would allow for increases in salaries for City employees. Mr. Chandler stated that is a hard question to answer because there are decisions to be made regarding that issue. He stated when

talking about the report from the employee compensation committee, or the funding for the motor pool fund, or using money to save or pay for debt service, those things all effect the City's operational revenues and expenses. He stated the Council will definitely be faced with a little of a balancing act going into the budget and one of the things that is really important for everyone, including employees, are expectations. He stated that if it becomes the goal of the Council to increase compensation of the employees, fully fund the motor pool, save \$100,000 for the public works facility or go into debt for the project. . .all those things are not going to happen in one year; it will take the City a little bit of time to get out of the situation that it took some time to get into. He stated probably the best recommendation he heard from the employee compensation committee was for the Council to come up with their policy or philosophy regarding those issues because that will dictate everything else staff does about that issue. He stated that recommendation is not in a vacuum and is not mutually exclusive. He stated when talking about cost containment, retention, and funding a motor pool, those things are not mutually exclusive. He stated if the Council were to decide to save money or put more towards the public works facility, it will need to come from somewhere else in the budget and that will mean an increase in revenues or a decrease in expenses elsewhere. He stated his understanding of the Mayor's question is that using the capital money will have an effect on operations as well. Mayor Harris agreed the money has to come from somewhere; it is a balancing act and if money is put in one place it will need to come from somewhere else.

Council Member Bigler stated he appreciates Mr. Chandler and Mr. Steele working on all the issues, such as employee compensation. He stated they are ahead of the game and working on different insurance options; insurance is changing a lot all over the country and staff has looked at options and presented them to the Council during the budget retreat. He stated there are things that could save the City quite a bit of money and all of that will be put together. He then stated he has a question about the funding for the public works facility; does the \$700,000 include what would be remaining in the general fund. Mr. Chandler asked Council Member Bigler if he was talking about the fund balance. Council Member Bigler answered yes. Mr. Chandler stated it does not include that; it takes the fund balance down to 10 percent. Council Member Bigler stated every one percent would be about \$44,000. Council Member Bailey asked if 10 percent would be \$580,000. Council Member Bigler stated that he was using the \$391,000 figure that was referenced in the discussion of taking the fund balance from 18 to 10 percent. He stated he was asking if that was eight percent and Mr. Chandler said yes so he divided that by eight and figured that one percent would be \$43,937.50. He stated that the City would still have 10 percent, which is a very healthy fund, but the \$700,000 does not include the general fund, which can be used for other things. Mr. Chandler asked if he was talking about using it in an emergency. Council Member Bigler stated yes and stated it could even be transferred to other funds if necessary. He stated that if he felt the City were doing the project the right way and it was still necessary to bond for some funding, he has said all along that if that were necessary he would do that. He stated he feels it is at a point where it is close enough that he would like to do the project within the amount that is available based on the figures presented by staff. He stated that, like Council Member Bailey said, it would be very wise to look at the other projects and plan for the future. He stated he thinks it would be silly to put a bunch out for a building that. . .there has been a lot of talk about depreciation over the last year and trying to look ahead and determine what other buildings would be necessary and to put stuff in a building 10 years from now and have a loan on this one. . .let's get this one done without a loan and then go to work to start looking long term. He stated that would be his hope.

Mayor Harris stated there has been quite a discussion and he asked if the Council is ready to make a motion.

Council Member Bailey moved to set as a budget for the Public Works Facility project \$2.2 million as identified by staff and work within the budget as Council Member Bigler has suggested. Council Member Bigler seconded the motion.

Council Member Bigler stated he wanted to clarify his suggestion. He stated that would be \$2.2 million for the project when it is put out for bid because the City already has the money for the land. He stated \$2.2 million is not the total project cost. Council Member Bailey agreed and stated that his understanding is that the land costs and the money that has been set aside will be a wash. Mr. Chandler stated that is correct.

Mayor Harris stated that Council Member Bailey made the point that the Council is pre-supposing that things will go a certain way, but things could change. He stated the Council is making a decision tonight that may be subject to change later on. Council Member Bailey stated that is correct and if things do not go the way the Council is expecting them to go, they will be back to square one and look at the issue again. Mayor Harris stated he wanted to clarify that the Council is not making an irreversible decision.

Council Member Bigler stated the motion is to give the public works committee guidance like they asked for. Mayor Harris stated that is what he is saying; the motion will allow the committee to proceed with their work. He added one caveat is that the City has been “robbing Peter to pay Paul” in many areas and streets is one of them. He stated he thinks the Council might be surprised by how much it is going to cost to keep streets up to standards. He stated he felt Council Member Bailey was saying that if the City does get into the sort of situation where there is an emergency that needs to be taken care of then it may be necessary to look at bonding; then the City will be bonding for streets instead of a public works facility. He stated he thinks it is important that the Council understands all of those things and he thinks they do. Council Member Bigler stated that the City could sell some property and then they will have options.

Council Member Fawson stated he agrees with Council Member Bigler’s and Mayor Harris’ comments; the Council is not precluded from looking at bonding in the future. He stated he likes this proposal. Mayor Harris stated that as long as the Council understands they need to remain flexible.

Council Member Taylor stated he appreciates the discussion. He stated he thinks the City will end up with a great facility no matter what happens, but he does think that the point is that the City is still going to have to “pay Peter”. He stated there are still a lot of funds that have not been contributed to. He stated he personally thinks it is a wiser approach to take out a reasonable amount of debt to do the project. He stated the Engineer’s amounts were mentioned and the Engineer’s total cost estimate was \$3.5 to \$3.9 million based on how much of an override is included in the budget. He stated that he thinks the Council is using a few pieces of his estimate to come up with these numbers, but he thinks there is a lot more in the estimate. He stated he does not claim to have any construction expertise. He stated he is glad the door is open to reconsider this if needed to complete the project because the estimate was significantly higher than the budget that is being set. He stated he would rather see a reasonable amount of debt that is less than half the budget and still have money available for the many other needs of the City.

Council Member Fawson stated there really was no mention in the committee meeting by the Engineer about using the space that the City already has for some things that can be built out over time. He stated that in his mind that is the justification for the budget being set.

Voting on the motion:

Council Member Bailey	aye
Council Member Bigler	aye
Council Member Fawson	aye
Council Member Stoker	aye
Council Member Taylor	no

The motion passed 4-1.

**Mayor Harris stated he would move to item four on the agenda in order to hear public comments before convening in a closed session.

4. PUBLIC COMMENTS.

Phil Swanson, 1066 E. 3300 N., thanked the Council for providing the Public Works Committee with a budget as a starting point and some dollar figures they can begin to work with. He stated he hopes the stars align in a manner that the project can be done without bonding or some kind of indebtedness. He stated we all want to be debt free if we can. He stated he is grateful for their expressed willingness to entertain indebtedness if that is what it takes in order to do the project right and not cut corners. He stated there seems to be a lot of assumptions and hopefully the stars will align. He reiterated he appreciates them and hopes they are sincere in their willingness to consider indebtedness if that is what it takes.

Brian Russell, 1151 E. 3400 N., stated he was making some calculations about what this decision will cost the City and in last week's quote of \$52 versus \$48 per square foot, that is an eight percent increase and that is what the City has lost by not acting last year. He stated that if the Council wants to look at the past as an indication of the future then we will be earning one percent on our money, we would otherwise pay four to five percent interest on a loan, but we are paying eight percent for inaction. He stated he thinks we are hurting ourselves on money. He stated one of the reasons capitalism does so well in the United States and the developed world is that there is a willingness to go into risk and pay and service debt and trust each other to do that. He stated it is not so bad to do those things; most of us do it for our homes, education, and other worthy purposes, even for things we use on a daily basis that are needs. He stated this project would fit into that; it is an investment as well as a need for use. He stated that we do that and we prosper and it is a way of trusting each other and come together for the better welfare of the community. He stated he thinks the unwillingness to look at debt dismisses that principle. He stated that places like Ethiopia and other African or Asian countries do not go into a lot of debt and they are what they are. He stated he would encourage the Council to reconsider as they have left the door open for incurring debt; it is actually wise to do so even though it may end up in different pockets, it still would benefit us and that would be the good thing about it.

5. CITY COUNCIL, MAYOR, AND STAFF COMMENTS.

Council Member Bailey stated he had no additional comments to make.

Council Member Fawson stated that in light of the burglaries that the Council received an email about earlier today, he was wondering if the City has an opt-in video surveillance list from residents. He stated he knows the City has a link for crime reports on the website and he believes crime reports keep track of people that visit their site and set up an account who have video surveillance. He stated he was wondering if that could potentially be a resource for the Police Department and if a crime happens in a general area the residents could be called upon to share their surveillance. Mr. Chandler stated he would check with the Police Chief on that issue. Council Member Fawson then stated he is wondering at what point the Council can consider or discuss the ski and snowboard school as part of the City's recreation program. He stated that issue came up a few months ago and the City received a couple of proposals regarding it. He stated it is something he would like to see happen and he thinks there would be enough interest in the community, especially for the elementary age children. Mr. Chandler stated Ms. Stahelie has been looking into that and he will ask her to give a report on that issue at the next meeting. Council Member Fawson then stated he wanted to respond to Mr. Arrington's comments regarding the minutes.

He stated it is his understanding that the Council can approve or not approve minutes based on their accuracy or a review of the recordings; the minutes are not actual recordings and they are not historical. He stated the written minutes are the record of the meeting and if there is an objection the City Council can oppose them and the Council can review them and the recording and approve them later. He then stated he wanted to express his satisfaction with the overall project costs the Council anticipates on the public works facility project, being reduced by many millions of dollars. He stated that the additional expense the City will incur because of increased interest rates or construction costs, he still feels like as a resident of the City he is saving millions of dollars and he is very pleased about that.

Council Member Bigler stated that the figures per square foot, such as \$52 per square foot, that is not from a developer that has bid the project; rather it is from the City Engineer who estimated high on that cost. He added that in 2011 the bond expert came to the City Council meeting in July and they were looking at \$8.5 million in the property and the bond resolution was to authorize up to \$10 million in funding. He stated the expert figured the cost to be \$9.6 and the resolution said it could be up to \$6 million. He stated that he said if we hope for the best and prepare for the worst, what would it be at a six percent interest rate. He stated they figured that amount and it was approximately \$18 million. He stated that Council Member Taylor asked what would be more realistic at that time because that was the high end of the interest rate and the bond expert said the more realistic rate at that time was 4.25 percent so Council Member Taylor asked them to figure the project cost with that interest amount. He stated the interest rate discussed tonight is substantially lower than that so putting all the numbers together, the City is not losing by not doing it at that point in time if the interest rates are quite a bit lower now than they were then. He stated at that old rate the project cost was over \$16 million and the bond term was 25 years rather than 30. He stated that if it is all taken together he is very pleased with what is happening and he thinks it is being done the right way. He stated the City has sharp people on the committee. He stated there may be some that, no matter what the City does, will tend to think that the building is being built in a cheap manner and that it is going to fall apart and that it will not be a good facility. He stated that is not the case and this is the facility and the square footage that was asked for including two optional bays. He stated that their estimate had many other things included in it, such as the land prep and the committee was specifically asked if that cost included employees doing some of the work. He added there are a couple of companies that have offered their services to help with the project. He stated the City Engineer said he did not know anything about that and he had just estimated high as though the costs included the entire project. He stated that is the unknown part, but there is still several hundreds of thousands of dollars to do that. He stated he is confident the project will be done with quality and will be done right. He stated he keeps trying to remind himself that the reason for the project is to service the residents and the City, period. He stated that we do not want to waste money doing it, but we do not want to cut it short either. He stated the Council wants the Public Works Department to be able to do everything they need to do and service the community well. He stated he thinks when this project is done, everyone in the City will see that it was done the right way at the right price. He stated there will always be two sides and people will have different opinions until the proof of the project is available. He stated he is absolutely sure that the Public Works Department will be thrilled with the finished project and the residents will also be thrilled. He stated it will serve the City very well for years to come at the right price.

Council Member Stoker stated she is happy with how things have gone and she is happy that the project will be built with the cost of \$2.2 million. She stated she is glad they have the chance to do so without going into debt, with the option of knowing that if the variables arise, the Council can go back and look at the issue and they are not locked in. She stated that she also thinks the Council is in agreement with what is coming down the road and things need to be planned for and, if necessary, the City can bond for those projects. She stated that as a resident she feels very comfortable building the public works facility for this cost and she would be more agreeable to bond for something later like the streets than the facility. She stated she is happy with the way things have been decided and she is open to looking at different financing for things coming down the road.

Council Member Taylor stated that he agrees with Council Member Bigler that the project will be well done and will turn out well; everyone feels it will be a good project and not matter what it is it will be done in a quality manner. He stated that the thing he wanted to mention, which Council Member Bigler also raised on interest rates, is a very good point that they have come down substantially even since last year. He stated no one knows for sure where the rates will go; obviously they will go up eventually, but he thinks the cost of doing the complete project now including moving the salt bays to the new facility, adding the storage bays, and completing the site prep all at once. . .we know what that cost is now and it is at or somewhere near two percent. He stated Mr. Chandler gave the Council two bonding options and one was two percent and the other was 2.7 percent. He stated the Council knows the opportunity costs of doing that construction now; it is at or around two percent for a 10-year payback. He stated that doing that same construction down the road, costs may change between now and then. He stated most economists have said construction costs will rise significantly as the economy comes back to life. He stated they are at historic lows, as are the interest rates. He stated that he wanted the Council to keep those figures in mind. He stated to do the complete project now will cost the City around two percent in interest and in 10 years once that is paid off and rates are a lot higher, the City can look back and say they saved a lot of money by doing the project with a reasonable bond at a very low interest rate versus construction costs and other things as the project went along.

Mr. Chandler asked the Council to look at their calendars for April 16 and asked them if they are available for another budget meeting. He stated they would like to start at 4:00 p.m. and it will not take nearly as long as the last one. He stated at that point the staff can bring a fairly close to balanced budget to the Council for their review and consideration. He stated he will get in touch with the Council in the next couple of days to see if that will work.

Council Member Fawson inquired as to when the Utah League of Cities and Towns (ULCT) conference will be held this year. Mr. Chandler stated it is scheduled for April 10, 11, and 12. Mayor Harris noted the Council will have the Council meeting on April 9. Council Member Bigler asked if it would be possible to cancel that item and consider any short agenda items at the April 16 meeting. He stated that would help someone that is planning to attend the ULCT that wants to travel the St. George on April 9. Mayor Harris stated that if there is a short agenda for April 9, they can consider doing that. Council Member Bigler stated that is what he would rather do. Council Member Bailey stated he will be out of town on April 9. Mayor Harris stated he will look at perhaps postponing agenda items scheduled for April 9 to April 23 depending on the time frames associated with those items.

3. **CONSIDERATION TO ENTER INTO A CLOSED MEETING TO DISCUSS THE CHARACTER AND PROFESSIONAL COMPETENCE OF AN INDIVIDUAL. §UTAH CODE 52-4-205.**

Mayor Harris asked for a motion and second and he noted a two-thirds affirmative vote is necessary to enter into a closed meeting.

Council Member Bailey moved to recess in a closed meeting. Council Member Fawson seconded the motion.

Voting on the motion:

Council Member Bailey	aye
Council Member Bigler	aye
Council Member Fawson	no

Council Member Stoker aye
Council Member Taylor aye

The motion passed.

6. **ADJOURNMENT.**

Council Member Bailey moved to adjourn the meeting. Council Member Stoker seconded the motion.

Voting on the motion:

Council Member Bailey aye
Council Member Bigler aye
Council Member Fawson aye
Council Member Stoker aye
Council Member Taylor aye

The motion passed unanimously.

The meeting adjourned at 9:56 pm.

Richard G. Harris, Mayor

S. Annette Spendlove, MMC
City Recorder

Date Approved