

Heber City Corporation
City Council Meeting
August 9, 2011

6:00 p.m.

PUBLIC HEARING

The Council of Heber City, Wasatch County, Utah, met in **Public Hearing** on August 9, 2011, in the City Council Chambers in Heber City, Utah.

Present:

Mayor

David R. Phillips

Council Members

Eric Straddeck

Nile Horner

Robert Patterson

Alan McDonald

Benny Mergist

Also Present:

City Manager

Mark K. Anderson

Deputy City Recorder

Michelle Kellogg

Police

Chief Rhoades, Lt. Bradley,

Officers Jones and Bresnan

Others Present: J.C. Kaiserman, Erik Rowland, Mike Johnston, Harry Zane, Jerry Duke, Pam Patrick, Harold Patrick, Karen Bassett, Dewey Lu, Joyce Lu, Nelda McNeil, Mark D. McNeil, D. Hutchinson, Agnes Tucker, Dan Tucker, Kira Remington, Joyce Grant, David Remington, Jim Weston, Dennis Roberts, Sylvia Avne, Rick Brough-KPCW, Ann Horner, Wendy McKnight, Tracy Taylor, Cammay Nebeker, LaRue Hiatt, Deb Anderson, Terra Kremer, Jeff Labrum, Danny Labrum, Philip V. Congino, Rita Wills, Don Wills, Wilma Maxfield, Sandy Drury, Craig Drury, Carol Clark, Daniel Mauer, Jim Mohr, Brent Groth, Pat Groth, Gwen Groth, Dave Kennamer, Leonie Poll, Debbie Whiting, Aaron Gabrielson, Liz Lewis, Doug Stober, Peter Witkamp, Paul Miller, Rick Kellogg, Brent Hiatt, Glinda Straddeck, Kraig Powell, Rod Cook, LeNell Heywood, Bruce Heywood, Thad Fitzsimmons, Kristi Fitzsimmons, Murl Rawlins, Bret Whiting, Bonnie Durtsch, Brian Chawner, Deb Chawner, Dave Hicken, Tanya Hicken, Kim Powell, Jacki Evans, Jeff Theobald, Jill Theobald, Finn Theobald, Tom Burkemo, Lisa Burkemo, Gary Foy, Scott Werrett, Sherm Smith, David Grenala, Steve Gibson, Nancy Nebeker, Mark Olpin, David Neil Hilton, Sr., Scot Lythgoe, Curt Oakeson, Dan Brush, Angela Brush, Lane Lythgoe, Wilma Cowley, George Bennett, Tyler North, Craig Hansen, Wayne Shelton, Christel

Swasey, Harrison Swasey, Philip Johnston, Scott Swasey, Sheila Johnston, M. Kirby, Hugh Nyman, Jackie Evans, and others whose names were not legible.

PUBLIC HEARING

Mayor Phillips opened the meeting and welcomed all in attendance. He stated the purpose of the public hearing was to discuss the proposed Heber City property tax increase. He set forth some rules for the members of the audience. He also indicated the proposed tax increase was an important and sometimes contentious issue, and stated that none of the five Council members intended to vote for the increase. He then turned the time over to Anderson.

Anderson began his presentation on truth in taxation. He explained that most residents' property values had gone down yet their taxes had increased. The market value of homes was shifting taxes from one property owner to another. The way it worked was the property owner paid more money because property values decreased.

Anderson stated the City property tax was only 20% of the City General Fund revenue, and the tax rate given the City by the State was .001022. An increase of 45.74% was proposed. He explained the breakdown in the total property taxes and explained the City made up only 8.77% of that tax. If the proposed tax increase passed, the City portion would increase to 12.25% of the total property tax.

Anderson indicated that since taxes had not increased since 1990, 43% of the City's buying power had been lost because of inflation. Anderson also explained the revenues that were only one-time monies, the new budgeted employees and the other changes in the tentative budget.

Mayor Phillips opened the Public Hearing for comments from the audience.

Peter Whitkamp stated he had nothing to benchmark the figures that Anderson presented. He was worried about the economy. He asked for copies of the budgets from the past three years.

Gary Foy stated he owned a lube center in front of Smiths for 10 years, and had four lube centers in the State. He followed trends around the State, and indicated he felt an impact because of the economy. He said he felt it in Heber the most because taxes in other cities were lower than they were in Heber.

Cammay Nebeker, Valley Hills, stated she received her tax notice and saw the proposed property tax increase. Her family had to cut their budget, which would affect revenue for Heber and the County. She appreciated the service the Council gave, and indicated as a citizen, she felt she was a problem solver. She stated the example shown on the overhead indicated a home

valued at \$225,000, and asked how many people lived in homes valued at \$225,000. She also asked if the County had assessed the property valuations. Anderson responded that changes in valuations were determined by the County Assessor. The Assessor reduced the values based on current home values. Council Member Horner said the tax increase would make the City whole since the City was guaranteed a certain amount. He indicated the City would not receive a shortfall when home values went down. She encouraged the City to save money and not spend money.

Terra Kremer, 345 East 100 South, was concerned with setting a precedent for other entities if the City got its tax increase passed. She asked the Council to look at other alternatives.

LeNell Heywood, 760 North Mill Road, stated taxes had increased because of the increased school tax, so the City increase would be a real hardship. She suggested cross training employees, and compared Heber to other cities that reduced their departments. She also suggested refinancing outstanding bonds and cutting employee wages.

Dan Tucker stated his sidewalk had been a mess for 22 years and he didn't expect it to be fixed for another 10 years. He stated people in the community hadn't had raises in their incomes for five or six years, yet the City wanted to raise taxes. He advised the Council to use common sense instead of greed.

Dennis Roberts, 1310 Valley Hills Blvd., stated he appreciated the new roads around the City. He asked about the study on City efficiency to justify the City's expenditures. He also asked, "If you don't know what revenue is coming in why are you giving more?", and referred to the survey of giving donations to events and for services. He asked about the airport hangars, to which Mayor Phillips invited all in attendance to the budget meeting to receive answers to their specific questions.

Harry Zane, Valley Hills, didn't feel that the City should support private entities, and indicated he was shocked by the donations listed on the City Survey.

Sylvia Avne was concerned about paving stones. Her husband fell on a paving stone in California and was severely injured. The injury cost them \$200,000, so they gave up their home and moved to Heber. She suggested using prisoners to do City work. She indicated she loved the parks and liked seeing lots of police officers around.

Hugh Nyman, 343 East 600 South, indicated the proposed budget was not posted on the website. He stated he was disappointed in the City leadership and was opposed to the budget and the tax increase. He saw in the budget that a storm drain fee was also being proposed, which for a business, that meant the cost would be passed on to the consumer. He was also concerned with

raising water and sewer rates, which was totally unacceptable. He suggested looking for other ways to cut the budget.

Jerry Duke, 130 East 400 North, stated the 2002 budget was more than the budget last year, and he commended the Council on their fiscal control. He asked what percentage of surplus funds the City had, and he recommended using those. He stated 21% of taxes came from franchise taxes. Because of this, the City hadn't had to raise property taxes. He said franchise taxes were hard on older people. He also indicated some of the City's water pipes needed to be replaced, and suggested planning needed to be done for the future.

Steve Gibson, Muirfield Subdivision, thanked KCPW for bringing this meeting to the public. He stated since the budget was not posted on the website, there should be no vote tonight. He asked to hear from the City a list of budget cuts. He also talked about the Jordanelle SSD passing their costs down to the residents in the valley.

Lane Lythgoe, 370 South Main Street, stated he owned an architecture company. He appreciated and respected the job of the Council. As a businessman, his business went down 35% since 2009. He had to think outside the box on expenses and revenues for his business. He knew the Council would do the right thing and indicated too many taxes would sink residents.

Daniel Mauer, 1300 East, appreciated the prudence of having a rainy day fund. He felt that when money was spent, there needed to be a way to cover expenses. He indicated he preferred having smaller tax increases over a period of time rather than spend all the City reserves and impose a higher tax later. He encouraged small tax increases, and said he liked seeing his tax dollars spent locally.

Craig Hansen stated the problem with the proposed tax increase was there was no explanation given as to why it was needed.

Bret Whiting, 254 South 500 East, thanked the Council for their service. He stated he had never heard of increasing revenue before setting the budget, and said this was putting the cart before the horse. He was told Walmart would save us all, and thought a tax increase was irresponsible.

David Hutchinson, Valley Hills, stated the economy was painful for citizens and the Council should take that into consideration. The City should be run like a business - lean and efficient. If there was a surplus one year, taxes should be reduced the next year. The surplus money should not be spent for new projects. Donations might be for good causes, but they should only be given by the tax payer, not a public entity.

Jackie Evans stated she was a research director for Utah Taxpayers Association. By looking through the proposed budget, she saw a \$360,000 increase for employee benefits and salaries. If this was eliminated, no tax increase would be necessary. She was astonished that the Council would increase taxes to pay for salaries and benefits. She encouraged the Council to alter the budget instead of raising taxes.

Sheila Johnston, 1422 Lakeview Dr., said her comments were for the benefit of the community. She had steadily attended City Council meetings for 12 years and had seen cuts over the years, including 10 employees. She asked if the \$360,000 was for the existing employees. Anderson clarified that \$120,000 was for the existing employees and \$240,000 for four and a half new employees in the proposed budget. Johnston stated she was willing to pay for services in the community for the safety of the children. Taxes had not been raised in 20 years, and there comes a point where taxpayers needed to make sure we could sustain our City. She did not want to pass on deficiencies to another generation.

Tracy Taylor stated she was running for City Council and had been to a lot of meetings over the past five years. Since other speakers had expressed concern over tax money being used for the private sector, she thought it was only fair to bring up the fact that taxpayer money was used on a speculation deal to construct airport hangars and also that land was sold for under its appraised price. She indicated she was a realtor and that was what was needed on the Council to help it make better decisions.

George Bennett stated he was a business owner and resident. He was disappointed in the taxing system as it was set up today. He was not disappointed in the City tax because it was so low. He stated he was ready to pay for more services, especially for more police and equipment.

Mike Johnston, Valley Hills, commended the Council for getting this many people out to the hearing. He stated his City tax had actually gone down \$35 in the past 10 years. On the local level, he felt he received so many services for \$140 a year. He knew the City needed more manpower because water lines had been broken for six months and Christmas lights were not removed from the trees on Main Street until June. He supported a tax increase.

Aaron Gabrielson, Chairman of the Republican Party, thought the increase would go to wages and benefits for employees instead of increased services. He had a hard time with that and stated there might be a time for a tax increase but this was not it.

Mayor Phillips closed the public portion of the public hearing and turned the time over to the City Council members.

Council Member McDonald stated he was grateful for the turnout since during regular meetings not many people would come out. He then read the following prepared statement:

This year's budget process was a little easier than last year, but that is not to say the budget process is ever easy. The city council and city manager have undergone a daunting task over the past few months in trying to balance the budget. It has required a lot of time and effort to find more efficient approaches to balance the budget, taking into consideration the revenues that are coming in and the expenditures that are going out.

In Last year's budget process, the city council was faced with a bleak scenario as we had to find funding to compensate for a large deficit. This forced the council to make cuts to personnel and some services such as maintenance of public grounds, road and building repairs, police and public works equipment and other items. I do feel that these services were noticeably missed by Heber City residents, but everyone seemed to get along just fine without them. These cuts in expenses, allowed for significant belt tightening in the 2010-2011 fiscal year, and moved the city toward a budget that city council can say is more sustainable going forward. Although we are able to see the budget in a more positive light this year, the economic challenges facing our nation and city are not over. These challenges continue to require us to make difficult decisions about how we effectively and efficiently provide city services. The city is the custodian of the public resources and the city council and city manager have the fiduciary responsibility to protect the assets and keep them viable.

As we look to the future, it is evident that we will continue to face a struggling economy, and the critical situations we find ourselves in will unfortunately not be changing in the next year. In fact the new challenge that we are going to have to deal with is the rising cost of inflation which will have a huge impact on the city and its employees. Inflation is affecting every sector of the economy and one of the most costly areas to the city is the energy resource that we uses on a daily bases are going to cost us more. The council and the city manager must continue to look at every area and every department to find ways to keep the city on solid finical ground.

To aid our efforts in looking over every department, the council had the head of each department bring a finical projection of what there department needed for the 2011-2012 facial year. I commend all the department heads for submitting in reasonable requests for their budgets and give kudos for the efficient manner in which they are running their departments. Each item that was requested by the department heads was looked at in detail by the council. We funded only those items that were determined to be of critical need for the departments. I will say there were a number of items that were legitimate needs requiring funding, but unfortunately our budget revenues would not allow for these additional expenses at this time. On This part of the budget process of going through the departments finical needs to continue their operation of service to the citizens, I support and feel what was approved by the council were legitimate and justified expenses.

In the city's 2011-2012 fiscal budget you will also see rate adjustments to your water and sewer fees and with a new addition of a storm drain fee. I do not support these rate increases and will not support them at this time because they are not needed to fund these utilities the city runs for its residents. I have recommend and requested that the city to go to an outside source to do a cost of service study or analysis to help design our needed rates, so that we can know what to fairly and accurately charge residents for this service. The cost of service study is critical to understanding your cost; it will give us a rate design process to help justify the costs charged to customers. We need to know what our rate of return is so we can identify the level of operating income needed to cover our debt expense, depreciation, and inflation costs. I want to see a 5 year financial plan in place, along with long term rate track to follow. At this time the city does not have any of these in place and it really does not know what it is costing to provide the services to the resident's door. Until these studies come in, which will help us know whether or not our charges for the services are covering our costs, and the council has had time to review the information from these studies for our contracts for services to the residents, I cannot support or justify the fee increase for the water, sewer and storm drain because we plainly do not know what our cost of services are.

On City Revenue sources:

1) The city did receive a boost from in its sales tax revenues this year of about 6.5% due to the 2010 censes which showed the population of the city has grown to over 11K residents. This was an unexpected yet welcome change, as we will need additional funding to help support some of the ongoing expense of the city. The sales tax revenue is still our number one source for funding the city budget and the revenue streaming coming in from it is up.

2) The City's rainy day fund or the surplus fund account increased to the level of almost 1.2 million this year, this was another welcomed but unexpected source of additional revenue. I was not counting on this account being much over 400K for this coming fiscal year because of what we took out of last year to cover the cities deficit problem. Even though the city has used the general surplus fund heavily over the past few years to fund the shortfalls in the city budget, this account continues perpetuate itself and is in excellent financial shape. In fact it is already expected to grow addition 300K more this year than previously projected. A good portion of the increase in this fund came in from an overdue account from the County's corridor preservation fund. This fund was set up to help reimburse the County and the city for when they acquired land for the future bypass road system. Although I was not personally responsible for obtaining this additional 284K from the corridor preservation fund, I could see that the money was needed for our 2011 budget, and therefore made attempts to help secure the money by asking the County Council members to approve of the funding. I made sure this item was placed on the COG meeting agenda for the board to approve of the reimbursement 284K the city had spent on land purchases for the bypass road system. Which was approved by the COG

members?

3) The city council has its disposal over 2.5 million dollars from accounts to fund the budget shortfall of revenues vs. expenses. Our current projected shortfall that cannot be fully funded from our fixed accounts is only at 567,205. This would still leave the city close to 2 million dollars for any emergency or some unforeseen shortfall.

a) The General surplus fund has 900K for the council to use.

b) The capital projects fund has 587K, which 500k has been set aside for a new city office building

c) The internal service fund has 904K for the council to use to fund the budget

d) The perpetual care fund has 143K for the council to fully use.

e) The airport hanger's project owes the Capital projects fund 980K, this money could have been used on capital improvements projects of the city, and instead it was used to fund a speculative project.

4) Without these additional boosts to our revenue income and the 2.5 million dollars setting in the city's accountants for the council to use, my decision concerning how we could secure funding for the city's budget this year would have been different. We might have needed to raise property taxes to cover the shortfall if there was nothing left, but I cannot justify raising taxes when we have 2.5 million dollars setting idle.

5) However, I feel local Governments must be extremely careful not to overburden their sources of revenue which is the residents and business of the City. Overtaxing destroys the financial infrastructure of the city's economy. It leads to discontent with the residents and businesses and burdens them with a financial debt commitment to the city. It also takes money out of the economic system that supports the city. In this year's tentative Budget for the city, you will see a property tax increase and I would like to make it publicly known that I did not support it for the reason I have stated above. I feel there is enough money coming in from all of the city's revenue sources to fund the city this year, making an increase in property taxes unnecessary. It is difficult for me to justify raising taxes when our surplus fund is above the state statute minimum requirements of 5% and our revenue accounts are increasing. I realize that surplus fund is 'one time funding' and is considered a saving account that the city can use to make up for its shortfalls during hard economic times like the one that we are now in. If this was the only revenue fund account we were using we would be in trouble because it would soon be exhausted, but we use it along with the other fixed revenue accounts to make it all balance out. Even though it is a short term solution, it has worked for us over the course of this recession and I believe it will get us through another year without property tax increases which would be even more destructive to the local economy if put in place at this time.

6) With the proposed unnecessary property tax increase and the rising of the city's water and sewer fees on the residents and business of the City, I will not support the proposed tentative budget unless the council we make amendments to it to remove them.

Council Member Horner read the following prepared statement:

I would like to thank all of you for taking time to come here and voicing your concerns. We all need to remember this is your money, the taxpayers', this is not our money. I am glad to see you are here to have a say in how your money is being spent.

This last budget process has been very frustrating. It is the City Manager's job to bring a balanced budget before the Council. I cannot believe with 2.9 million dollars in surplus funds that he would see the need to encourage the Council to go to truth in taxation and raising of fees especially in this current economic climate.

I would like to inform you that I was never given the opportunity to vote on the survey that went out in the water bill. It is my opinion that the survey was nothing but a scare tactic to make the citizens believe we have to cut services or raise taxes. I believe and in fact have proposed options that wouldn't affect any level of services and would enable us to decrease expenses.

I would strongly encourage my fellow Council members to be willing to make the hard decisions to not just pull from the rainy day funds but to reduce our spending and create a balanced budget.

He stated he had never been in favor of a tax or rate increase, and indicated the City needed residents' disposable income to stimulate the economy. Council Member Horner stated he wanted to vote for the budget now.

Council Member Horner moved to adopt the 2011-12 budget with the following amendments: there would be no property tax increase, the storm drain fees would be removed, the part-time airport manager would be removed, the funds from the property tax increase would be replaced with funds from other accounts, the City Manager would no longer be over finance when a finance director was hired, so the City Manager's yearly salary would be reduced by \$15,000 when the finance director position was filled, the airport duties would be given to the City Manager, and the COLA increase for employees would be rescinded. Mayor Phillips indicated this meeting was not announced as a budget meeting but as a property tax hearing. He stated under the law, the proposed budget must be posted for 10 days prior to the budget hearing. He was not going to run the City by what "feels good" but run it by the law. Mayor Phillips didn't understand why Council Member Horner was trying to run the budget through tonight when it hadn't been properly noticed. He would not recognize this motion.

Council Member Mergist stated he supported the tentative budget and stated this hearing forced citizens to come out to confront the Council. He indicated that in the amount of time he had served on the City Council, he had never seen this turnout at a meeting. He said every decision the Council made in other meetings lead up to the decision made tonight. Council Member

Mergist stated he supported a majority of what Council Member Horner shared, with the exception of employee benefits and the COLA raise. He indicated the City needed to be competitive with other markets or it would become an employee training ground for other entities. But he did not support the fee increases. He stated it was a difficult job being on the Council. He knew the City suffered because employees left. He stated jobs could probably be performed more efficiently within the City. He stated he had looked at every line item on the budget and only approved the items the City needed. He also indicated the City needed a study to determine water rates but the Council had only heard from one firm so far that did this type of analysis. Thus, he didn't know why the City charged the amounts it did. He thanked everyone for coming out. Concerning donations, he clarified that tax dollars weren't spent for Cowboy Poetry but through the transient tax collected by the City. He also stated he did not support the airport hangar decision.

Council Member Straddeck stated he heard a lot of numbers, rhetoric and misdirection provided in these comments. He wanted to echo Council Member Mergist's comment when he said the vote for the proposed tax increase enabled this meeting, which had been beneficial. He stated if Council members Mergist, Patterson and he had not voted to include this in the proposed budget, then this \$576,000 gap between expenses and revenue would not have been discussed and this meeting would not have occurred. The other Council members, who didn't vote for the proposed tax increase, didn't want this discussion to happen. Council Member Straddeck wanted the audience to be aware that there were surplus funds to fill the gap, but he knew the City committed to these expenses year after year and there wasn't a funding mechanism to cover those expenses with year after year revenues. Council Member Straddeck stated he would vote for a tax increase until the Council altered the budget to reduce those expenses. He asked, "Why would the City get an \$80,000 per year finance director when the City Manager was a CPA and the City's independent auditor stated year after year that the City was extremely well run and the internal controls were in place that needed to be in place." He thought the funding should go to the jobs that fixed the water lines, sprayed the weeds and fixed the roads.

Council Member Patterson indicated there were misstated facts in the comments made tonight. He appreciated the turnout and the comments given. He stated the Council proposed to put the tax increase in the tentative budget to provide funding for the infrastructure. The infrastructure in central Heber was wearing out and the City couldn't continue to spend one time monies because these things were wearing out too quickly. He thought a long-term solution was needed, not a short-term solution. He expressed he did not want to vote on a budget tonight because that was not what everyone was there for. He stated he had a lot of friends in the audience and they should all be friends as they were all citizens of this community.

Council Member Straddeck wanted to correct himself in saying Council Members Horner and McDonald didn't want this discussion tonight. He apologized and stated that was not what he meant.

Mayor Phillips said the discussion was good and the public turnout was wonderful. He stated the City Council was doing their best. Nobody liked property tax increases and hadn't for a long time. He knew at least four Council members were not in favor of the property tax increase. He also clarified that it was the Council's call how to spend City money, not the City Manager's. The City Manager only laid out the numbers, but it was the Council that determined where to spend the money. He said the issue tonight was if the City Council wanted to raise property taxes.

Council Member McDonald made a motion to remove the property tax increase, to remove the water, and sewer fee increases and the storm drain fee from the tentative budget. Council Member Mergist made the second.

Voting Aye: Council Members Horner, McDonald, and Mergist. Voting Nay: Council Members Straddeck and Patterson.

With no further business, the meeting was adjourned.

Michelle Kellogg, Deputy City Recorder