

Heber City Corporation  
City Council Meeting  
August 23, 2011

7:00 p.m.

PUBLIC HEARING

The Council of Heber City, Wasatch County, Utah, met in **Public Hearing** on August 23, 2011, in the City Council Chambers in Heber City, Utah.

Present: Mayor David R. Phillips  
Council Members Nile Horner  
Robert Patterson  
Alan McDonald (via phone)  
Benny Mergist

Excused: Eric Straddeck

Also Present: City Manager Mark K. Anderson  
Deputy City Recorder Michelle Kellogg  
City Engineer Bart Mumford  
Planning Director Tony Kohler  
Police Chief Ed Rhoades

Others Present: Erik Rowland, Pam Patrick, Harold Patrick, Dennis Roberts, Murl Rawlins, MaryAnn Anderson, Jeffery M. Bradshaw, Dave Kennamer, Jim Mohr, Cammie Nebeker, David Remington, Bret Whiting, LeNell Heywood, Karen Bassett, Ann Horner, Kissy Horner, Joe Dunbeck, Tracy Taylor, Debbie Whiting, and others whose names were not legible.

Pledge of Allegiance: Mayor David Phillips

Mayor Phillips opened the meeting and excused Council Member Straddeck. He indicated Council Member McDonald would join the meeting via telecommunications later in the evening. He asked Deputy Recorder Kellogg to read the public hearing notice regarding this meeting, and then turned the time over to Anderson for a PowerPoint presentation.

Anderson explained his presentation (see attached). Council Member Horner asked about the \$380,000 Snow Removal Equipment Building expense on slide 20 in the presentation. Anderson explained the City would only have to fund 5% of that cost, but the entire cost would need to be shown in the budget. He indicated an FAA grant would pay the other 95% of the cost.

Mayor Phillips asked what maintenance was needed for the Police Department building. Anderson indicated new carpet was needed and as well as other physical maintenance issues. Anderson concluded his presentation.

Mayor Phillips opened the public hearing to the audience for comments.

**Cammie Nebeker**, 1461 Lakeview Drive, stated she heard from certain citizens that sales tax revenue from Walmart did not have to be turned over to Heber City for a period of time. Anderson stated that concept was false, and explained the City did not enter into any negotiations with Walmart or Valley Station to reduce taxes or fees. Per Utah State Code, 50% of sales tax would be allocated to the jurisdiction in which the sale occurred, and 50% would be allocated based on population. Because Heber City was a regional shopping area, it was not allowed to keep all the sales tax based on population. Anderson estimated Walmart and other businesses would have \$40 million this year in sales, generating \$300,000 in sales tax revenue. Heber would keep approximately \$150,000. Mayor Phillips stated the other 50% would go to the State which would distribute it to other communities.

Nebeker also asked why the developer didn't pay for the Muirfield Park Trail. Anderson stated when Muirfield was developed, the developer gave the City 14 acres for a City park, which would not be part of the HOA. Nebeker urged the Council to use a combination of suggestions concerning the budget. She did not want raises for employees, and requested that costs were kept low so people could put their money into the economy.

**David Remington**, 510 South 980 East, stated since there would be no property tax increase, the City had a \$500,000 deficit. He asked what the expected life of a police vehicle was. Chief Rhoades stated in the past, police vehicles were exchanged every five years. Now with budget cuts, the Police Department was keeping vehicles for 6-7 years, putting 75,000-100,000 miles on each vehicle. Remington asked what an administrative vehicle would be used for. Anderson indicated it was needed for traveling to training meetings. He stated the Council wanted to purchase a pre-owned vehicle for \$18,000. When Remington asked about Mill Road Estates Park, Anderson stated there was no time frame for putting in playground equipment due to some high water issues. When asked about the line item on professional and technical services at \$10,000, Anderson stated that was for contracted IT services and the annual audit service. Remington asked the Council to look at all options before passing the budget.

**Pam Patrick**, 1610 East 1050 North, stated she didn't see anybody using most of the parks, and suggested when cuts were needed, to consider parks. She also discussed the COLA raise, and asked the Council to consider the fact that seniors didn't get raises. She asked how much employees paid for their benefits. Anderson indicated 15% for their dental and eye care insurance premium and 13% for their health insurance premium. Patrick suggested employees could pay more for their benefits, and employees might also be able to come up with ideas on how to save money so citizens wouldn't lose any services. In looking at the budgeted department needs, she stated some were increased and some were decreased. For example, the Planning Department staff went down but its office supplies and other needs had increased. Anderson said he didn't have the supporting documents to explain that but would get it and could meet with her at a later date.

**Tracy Taylor**, 451 North 1300 East, wished the Council would have its discussion on the budget before the public hearing portion so she could comment on what was said. She requested Anderson's PowerPoint presentation be downloaded on the City website. She also remembered a request from the August 8, 2011 Public Hearing that statistics from the last three years would be posted on the website, as well as projections going forward to the next three to four years, but stated it wasn't accessible yet. She indicated one thing about employees' health care benefits were the percentages, and stated they were out of line with what the private sector paid. She suggested the employees pay a higher deductible. Taylor again referred to the last public hearing meeting, and stated a person from the Utah Taxpayers Association had said Heber was odd to give COLA raises. Taylor didn't think those raises should be given across the board to all the employees. She thought people making over \$80,000 per year in Heber was so good, since most people and especially seniors didn't earn that much. She asked the Council for fair salaries for the employees, and suggested only giving the lower salaried employees a raise.

With no further comments, Mayor Phillips closed the public portion of the public hearing. A call was made to Council Member McDonald. Mayor Phillips stated Council Member Straddeck had asked Mayor Phillips to read a prepared statement from him in his absence. The following was read:

*From Council Member Straddeck*

*Mayor and Council:*

*I would like to offer a few thoughts and suggestions about the proposed budget.*

- 1. I believe we should increase the anticipated revenues by \$200K.*
- 2. Since no storm-water fee will be collected we still have about \$543K of mostly on-going expenses that do not have an on-going funding source. To reduce that gap I suggest the following:*

*a. Use surplus funds (city savings) to purchase the one-time capital requests that were previously approved in the amount of \$256K. This leaves a gap of \$278K.*

b. Remove the Finance Director position from this year's budget, which will reduce the budget by \$104K or over 37% of the remaining shortfall. This amount is not insignificant and among those in attendance at the public hearing who were against the tax increase I saw heads nod across the entire room when I made the suggestion. To be sure the city could certainly use additional administrative/financial resources . . . we continue to run a very lean organization and I'm sure the additional help would be appreciated. However with such a large expense gap to close and since the city manager is CPA certified and our auditor continues to consider the city to be financially well-run from both a fund balance and internal control perspective, we should not encumber the city with such a large on-going expense that we cannot pay for at this time except through the use of city savings. This leaves a gap of \$174K.

c. Certainly the prior airport manager served the city well in his duties, however it was the right thing to eliminate the position when the economy turned south and it remains the right thing to not reinstate it with the economy still struggling and the Council not wanting to burden the residents with higher taxes. Of all the new admin positions being considered, this one is the most obvious to not fund. While I am sure the City Manager would welcome a relief of those duties, we need to continue to have him serve in that capacity until the city has the on-going funds to pay for the airport manager position. This leaves a gap of \$151K.

d. Remove the Parks/Cemetery worker. The removal of this position frustrates me because of the condition of many of our city properties, particularly on Main Street. Mark Rounds does a great job with the staff he has, but there is simply more work than can be handled and I am sure he could use the additional help. But the expense gap is still too large and this position is next on the list. This leaves a gap of about \$98K.

e. I believe the correct principle is to not fund any of the new positions since we do not have an on-going funding source, however if the council were to fund any at all the two that should be funded are the ones in the Police and Public Works departments. As front-line positions these workers have direct and immediate impact to resident safety, resident well-being and city-wide infrastructure. At the very least the council could set aside the \$300K in additional surplus last fiscal year to fund the balance of these two positions for the next three years should we have no additional increase in revenues.

3. The city has engaged a consultant to review the city's wage structure for its employees and in fairness to all of them, any adjustment up or down to this structure should be postponed until the study is complete. I personally believe that the study will show that for a city manager position that is responsible for 50 employees, has an annual budget of over \$4 million and has under management \$10 million in short-term and \$90 million in long term assets, that the wage is a fair one; but I don't know that for certain and neither does anyone else on the council, which is why we agreed to the study in the first place. All council members should honor that commitment as we previously agreed and let the study conclude before make changes to any wage structure.

Mayor Phillips indicated he appreciated the comments made by the public tonight. He said it would not be out of order for the audience to contribute during the remainder of the meeting if the discourse was civil. He then turned the time over to the City Council.

Anderson suggested projecting a spreadsheet on the overhead to help the Council see the needs/expenses of the City. He indicated the Storm Drain Fund could merge with the General Fund but the costs could still be broken down if needed. He asked if the Council preferred to keep a Storm Drain Utility Fund, consisting of street sweeping, ditch maintenance, flood control, storm water master plan, and storm water basin maintenance, or if they preferred to merge these expenses into the General Fund since no fee would be imposed to cover the expenses of the separate fund.

Council Member Horner made a motion to remove the Storm Drain Enterprise Fund and keep those expenses in the General Fund. Council Member Mergist made the second.

Voting Aye: Council Members Horner, Patterson, McDonald, and Mergist. Council Member Straddeck was excused. Anderson indicated the General Fund and the Storm Drain Fund merged together would result in a \$303,528 deficit.

Council Member Horner said to balance the budget, the Council needed to come up with \$534,053. Anderson reviewed the depreciation on the overhead and stated it was being underfunded. Funding depreciation was built on infrastructure. He indicated Heber had half new infrastructure and half old infrastructure, so 100% depreciation funding was not necessary.

Council Member Mergist made a motion to remove the vector truck and front end loader from the budget. Council Member Horner seconded the motion. Anderson stated the purchase would not affect the deficit. Council Member Horner asserted removing those items would keep the operating reserve up.

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

It was indicated there was a \$303,528 General Fund deficit, \$153,606 in reduced revenues/increased expenses, and a \$119,163 deficit in the Sewer Fund. Mayor Phillips asked if depreciation was part of that deficit, and Anderson replied that it was included in that figure. Anderson stated if the sewer deficit was not resolved, the depreciation would go under the current percentages of 42% for water depreciation and 57% for sewer depreciation.

Anderson talked about moving the 2010-2011 budget forward to proceed with the Muirfield Park Trail improvements and also for completing the Snow Removal Equipment building at the airport. All Council members agreed to move those expenses forward.

Mayor Phillips asked about 100 South water line project. Anderson said the funding would come out of the Water Fund. All Council members agreed to proceed with that project.

Anderson asked about the Central School debt of \$60,291 and stated there were two advantages to paying it off now. First, there would be no more interest or fees to the trust department that holds the debt, and second, paying it off now would free up money for next year's budget. Council Member Horner moved to pay off the Central School loan using monies from the Capital Projects Fund. Council Member Patterson made the second.

Voting Aye: Council Members Horner, Patterson, McDonald, and Mergist. Council Member Straddeck was excused.

Anderson stated other issues were included in the spreadsheet on the overhead. He projected the surplus would be over the 18% maximum allowed by law.

Council Member Mergist moved to keep as new hires: the Police Officer position and the Finance Director position, change the full-time Parks/Cemetery position to a part-time position, and terminate the Public Works position and part-time Airport Manager position. Council Member Horner seconded the motion.

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

Council Member Horner moved to cut the City Manager's wages by \$15,000 when the Finance Director was hired. Council Member Mergist made the second. Anderson read the following prepared statement:

*Mayor and Council:*

*The first time I heard of my proposed salary reduction was at the Truth in Taxation hearing held on August 9<sup>th</sup>. I appreciate Councilman Horner's desire to balance the City's budget, but I am perplexed with his proposal to reduce my wage for the following reasons:*

*The Council has proposed the hiring of a Finance Director to reduce my workload and create better separation of duties. The cost of hiring a Finance Director at the salary identified by the Council of \$75,000 with benefits is approximately \$104,800. My proposed salary reduction is \$15,000. Thus the increased cost to the City is approximately \$90,000. As Councilman Straddeck*

*mentioned at the Tax Hearing, I am a CPA and the City has had excellent audit reports for the 21 years that I have worked for the City. Because of my accounting background, I have been willing/able to oversee the City Finances to help keep administrative personnel costs down for the last 13 years that I have been City Manager. I do acknowledge that a Finance Director would be a welcome addition to the City based on my current workload.*

*Normal compensation programs use the highest valued duty to determine salary range. The wage I make is consistent with other City Managers of similar sized Cities with similar years of experience. The wage I am being paid has been approved by this and other City Councils and I have never asked for any special consideration in the 21+ years I have worked for the City. Therefore, it is confusing to me that my wage is proposed to be reduced because one of my lesser duties is being delegated. I am not mindful of any other department heads wages that are proposed for reduction as their departments receive consideration for additional manpower. Also, please be assured that I would not advocate a wage reduction for other employees as the public is well served by those who lead the departments of the City.*

*I am willing to do my part if necessary to help facilitate a balanced budget. Unfortunately, at this time, I feel singled out and it does not feel like a team effort that I am being asked to participate in. I feel badly that I have not earned the respect of Councilman Horner to warrant his approach in a more appropriate setting on such a personal matter.*

*I would hope that the Council would not approve this motion to reduce my wage until I have been offered the courtesy to discuss this matter with the entire legislative body in a more appropriate setting. I would hope that my 21.5 years of service to Heber City has earned me that right.*

Council Member Patterson stated he agreed with everything Anderson said. This motion was a surprise to him, as well as other things showing up and being passed without discussion. This was not right. He further stated Anderson was an excellent City Manager, very overloaded, prudent and conservative. He indicated the City was in good financial shape, and said this was not the right setting to discuss such a matter. Mayor Phillips stated nothing of this nature had been discussed in work sessions or City Council meetings, and indicated the finances were not Anderson's major responsibility as City Manager. Mayor Phillips indicated this motion came as a complete surprise and asked if this issue had been discussed between some of the City Council members outside of City Council meetings, because that would be illegal. Council Member Horner stated he talked with Anderson, who indicated his duties involved with finances took 30% of his time.

Anderson indicated the compensation study was near completion. Mayor Phillips asked if the Council could all discuss this issue before voting on it. Council Member McDonald suggested

the Council should pass the budget and work out the details at a later time. Council Member Mergist rescinded the second to the motion. Council Member Horner rescinded the motion. Mayor Phillips emphasized the City was in good shape and some reasons for not having a property tax increase in 21 years was due to good money management by the Council over these years.

Council Member Horner moved to rescind the employee 3% COLA and instead give a wage increase of 2% to hourly wage employees only. Council Member Mergist seconded the motion. Council Member Mergist stated he wanted to clarify that his initial proposal was a 2% raise for hourly employees. He wanted to do something for those out on the lines each day. He regretted not pushing his original proposal through. Mayor Phillips stated he heard from many of the public and he thought employees were underpaid and should be paid fairly. Anderson clarified that to only raise the hourly employees' wages would necessitate a revamping of the compensation plan, since this raise would move some up the steps and others would not be on a step in their pay grade.

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

Anderson requested the pay modification to begin in the current pay period and forward. He then indicated with these changes, he would need to calculate the remaining deficit. Council Member Horner stated the Council could authorize the remaining funds coming from surplus monies.

Council Member Patterson moved to eliminate the \$303,528 deficit in the budget after Anderson gets the exact figures, by using reserve surplus monies to balance the budget. Council Member Mergist seconded the motion. Anderson asked if it included the items in Water and Sewer Funds, and the carryovers to complete the Muirfield Park Trail and the 100 South waterline project. Council Member Patterson included those items in his motion.

Voting Aye: Council Members Horner, Patterson, McDonald, and Mergist. Council Member Straddeck was excused.

Cammie Nebeker approached the Council and asked if the minutes were approved because she wondered why the \$15,000 wage deduction proposal came as a surprise since it was proposed in the Truth in Taxation Public Hearing. Mayor Phillips clarified he was surprised at that taxation meeting. She also asked why the Snow Removal Equipment (SRE) building and the employee COLA was acted on before the budget was passed. Anderson explained the fiscal year end was June 30, which was the peak of the construction season. He hoped the project would be completed but it wasn't, so the balance was carried over to accommodate the completion of the

SRE building. Anderson stated typically the final budget would be approved in June, but since there was a tax increase proposal, the date for budget approval had to be delayed until August.

Council Member Horner asked if the SRE building passed at the tentative budget meeting, why it would be brought up again now. Anderson stated in 2010-2011 the City set aside money for the SRE building and estimated it would be finished by June 30, 2011, therefore it was not in 2011-2012 proposed budget. It wasn't until May that it was determined the building would not be completed in that fiscal year so the money would need to be approved in the final budget for 2011-2012. The same situation occurred with the 100 South Waterline project.

With no further business, the meeting was adjourned.

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Michelle Kellogg, Deputy City Recorder

APPROVED 10/06/2011