Heber City Corporation
City Council Meeting
03/04/2010

4:00 p.m.

BUDGET MEETING

The Council of Heber City, Wasatch County, Utah, met in **Budget Meeting** on 03/04/2010 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
	City Recorder	Paulette Thurber
	City Engineer	Bart Mumford
	City Planning Dept	Allen Fawcett, Tony Kohler, Jason Boal
	Chief of Police	Ed Rhoades
	City Building Dept	Wes Greenhalgh, Mindy Kohler, Don Blackburn

Others Present: Mike Johnston, Mike Thurber, Paul Royall, Doyle Moorman, Chris Pedersen, Tracy Emmanuel, John Emmanuel, Mark Olpin, Jacob Anderson, Maurice Chatwin and Devin Bagley.

Mayor Phillips explained this meeting this was a public meeting but not a public hearing and if anyone wanted to visit with their neighbor, to please whisper. He wanted to give the Council a chance to discuss the burning issues without a lot of interruption. He explained this meeting would not be the final budget meeting of the year and that there would be several others. He said the Council would entertain questions at the end of the meeting.

Anderson said the last time the Council met in February there was discussion about the current budget situation. For the benefit of the audience, the discussion was based on the anticipated reduction in sales tax and franchise and property taxes, which accounted for 90% of the shortfalls for the current budget year or about $400,000. He projected the City would be able to reduce expenditures within the current budget year by approximately $350,000 of that shortfall. He continued the City came into this fiscal year with a General Fund surplus of $900,000 and anticipated there would be $356,000 of that expended to balance this budget; and right now, looking at approximately $400,000 of surplus to get through this fiscal year, would leave the

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City with $500,000 surplus for next year. He explained State law required municipalities to have a minimum 5% of the total budget in a reserve fund.

Anderson continued that the discussion he wanted with the Council tonight was what cuts in expenditures could be identified to help with this current fiscal year and the next fiscal year and what potential revenue could be explored to help bolster General Fund reserves. He said those were the things talked about during the last two meetings but not a lot of final decisions had been made. He said he was still working on projecting expenses and revenues for next year assuming status quo but he needed to have a long-term, sustainable plan.

Anderson had previously talked about a property tax increase and Councilman McDonald asked for additional clarification. He indicated the last time a property tax increase was initiated by Heber City was in 1991 because the City had a deficit from the termination of the Garbage Fund. However, since that time, the City had not raised property taxes. He gave an example from his own home and in 19 years since that increase he paid $4 more now a year in City taxes than in 1990. He pointed out that every other entity in the community had raised taxes and by using the CPI (Consumer Price Index) during that same 19 year period, the City had lost approximately 67% of its buying power associated with property taxes by not increasing taxes on property. The unfortunate situation now was the nation was experiencing the worst economy seen in decades and looking at a property tax increase at this time was very difficult. However, he felt the Council had delayed a property tax increase for much longer than similar entities.

Anderson continued that the projected property tax that Heber City was to receive this year was $734,000 which was about 15% of the General Fund budget. To date, the City had collected less than $650,000 of that. It was felt that some of that was attributed to foreclosures, subdivisions that had been foreclosed on or having financial problems, etc. He said a 10% increase in property tax would yield an additional $73,000 a year for the City and, in his personal circumstances, would increase his taxes by $12 or $15 a year. The increase would depend on the value of the home but an average residence would probably see a $12 to $20 per year increase for every 10% increase.

He said the City still had the ability within the General Fund to appropriate more surplus to other funds, but not a lot; the City had set aside monies for the purchase of vehicles that could be used; the City owned two properties that needed to be kept available for the bypass; other properties that the City leased out as farm land; and the Council could ask for reimbursement from properties they had purchased from the Corridor Preservation Funds. He felt the City had been fortunate to receive stimulus funds on Center Street and suggested the Red Ledges $1,000,000 might be used in other areas because that stimulus fund supported the Center Street Project. Another option would be to sell property and there had been some discussion about a possible increase in the dividend from H&LP that had not been increased since the 1980's.

<u>Water and Sewer Rates:</u> Last year in the Sewer Fund, the City had an operating deficit of $149,000. Because of depreciation expense there was less than $100,000 in positive cash flow. The auditor recommended the Council look at those rates in order to allow for maintaining the system at an acceptable level. Anderson summarized information about the sewer fund. It was stated the current charge was $12.00 per service per customer as a base fee. His summary

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information was from November 2008 to October 2009. Base fee collection was $548,208. There were miscellaneous revenues of $15,000 and fixed operating expenses (manpower, benefits, equipment, facilities). He said the only variable item was how much water was treated by HVSSD--so just looking at fixed operating expenses/revenues there was a net operating loss of $151,000. He discussed variable revenues based on the rate of .83 per thousand gallons of water that runs through the meter. He discussed the costs paid to the Sewer District for treatment purposes.

Councilman McDonald pointed out that in looking at the operating revenue and expenditures sheet, the revenues had stayed flat. He felt that with more people moving in, the revenues should have picked up. Anderson said part of the issue was that people were being more conservative in their water usage. It was discussed that as the City accepted new infrastructure the maintenance of those subdivisions started; but, if those lots remained empty, the cost was entirely the City's without participation of the residents.

Mayor Phillips pointed out the real question was whether or not the rates were adequate—that was the decision that needed to be made. Councilman Horner talked about the HVSSD bond and said when that was retired, the City had not reduced the fees. Anderson said the City was allowed to continue at the same rates because it had to incorporate inflation. Anderson talked about the empty lots the City had accepted the infrastructure on, and as soon as they were occupied, the residents started sharing the cost of the infrastructure. Councilman Horner argued that the City's costs in maintenance were over projected. Councilman McDonald said the revenue was flat and it made no sense that there had been increases in benefits and wages. He said he couldn't see how a business could increase wages if revenues were flat. Anderson said the City was trying to compensate the employees at a fair rate. Mayor Phillips said it was a Council decision in regard to employee compensation. Councilman McDonald suggested an operational audit be done. Councilman Mergist said he did not understand it all, but the City was trying to pay its employees better and also hire better people. He said he had reviewed the charts and felt, because of some of the numbers going down, the City was doing something right. Mayor Phillips said the employees were not overpaid—in fact studies showed Heber's wages were too low. He indicated the Council had made an effort to try and get the employees paid fairly with the thought in mind of doing it when the balance sheet allowed it. However, because of the economy, the Council was not able to do an increase this last year. Another issue that had to be looked at was the cost of replacing the infrastructure slowly and not wait until it cost a million dollars. Councilman Mergist did not want to burden the old town residents with the expenses of the new subdivisions.

Councilman Horner agreed with Councilman McDonald that an audit should be done. Anderson indicated there was a financial audit done on a yearly basis. He said too, there had been an operational audit in 2004 and some of the suggestions from that audit had already been implemented. Anderson said Heber City staffing was low in relation to other cities.

Mayor Phillips – taking the discussion back to property taxes. It had always been a policy of the City Council that they look at providing services at the level that could be afforded without raising property taxes. But like other cities, Heber was feeling the crunch. The last few months the property tax collections were getting better—the gap was being filled. It was indicated Heber

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was having a hiring freeze, there had been no raises and the Council was looking at everything possible to not raise taxes--we are looking at all angles. It was suggested it might help if the City got some commercial businesses on board next year.

Councilman McDonald indicated he wanted an audit in the water and sewer departments to help him make a good decision. Anderson said as expenses were looked at in the Sewer Department $300,000 was from HVSSD based on flows that come from our system that they have to treat and also a contingency charge on top of flow charge that the City had no control over other than representation on that Board. Anderson talked more about the empty lots and the underground system in place and said eventually there would be customers using those lines. Mayor Phillips suggested the Council talk to the Department Heads. Councilman McDonald interrupted him and said he definitely wanted to talk to the Department Heads. Councilman Mergist wanted to be able to show the people there was nothing else the Council could do and had to raise taxes. He did not want to just raise taxes. Councilman McDonald said the revenues in water and sewer had to be fixed by looking inside the organization. Councilman Mergist talked about a water can that he felt had been pushed on the City by the Department Head that was ridiculous. It was a Cadillac when a Volkswagon would have been sufficient. He felt if the City needed to take a 15% loss in returning all that stuff, it would be worth it. He indicated everyone needed to make sacrifices so the City could move forward.

Councilman Mergist said he would like to move forward in the meeting tonight and eliminate car allowances. He said he was prepared to give his up, as well. Councilman Horner agreed that car allowance needed to be eliminated. Councilman Mergist suggested that either a City vehicle be used or get paid per mileage. Councilman Horner felt the only people mileage should be paid to was the Council. Councilman Mergist disagreed. Discussion about the current vehicle policy which addressed the use of City vehicles and/or use of personal vehicles and the rates associated with each. Councilman Straddeck said he had no problem with his own car allowance. However, he felt car allowances were not applied uniformly in that they were not given to every employee but rather there were only two people paid a car allowance other than Council. He suggested the car allowance was part of the compensation package and by eliminating that, it affected the compensation package of those two employees and directly affected them. Some Councilmembers disagreed. Anderson said when he was asked to be City Manager, car allowance was part of his compensation. Mayor Phillips indicated almost every City Manager in Utah received a car allowance. Additional discussion about compensation packages. Councilman Horner suggested the Council look at compensation packages as well as car allowances. Councilman McDonald said he would take car allowance away from the Council. He suggested maybe the Council needed to look at each benefit package and make sure the City was fair with everyone. Mayor Phillips suggested one thing to look at was that the City Council had had one or two bumps in car allowances in 10 years but had not had a pay raise, either.

Councilman Patterson, talking about water and sewer, said what the City had was an old system in old town and the Council could not let that go on forever--it had gone on for 19 years. He continued the City had a lot of buying power over the years but now something had to be done. As far as car allowance, he agreed with Councilman Straddeck that it was part of the compensation package for the two employees. He said he sometime thought this Council was trying to reinvent the City in six months and suggested some of the conversation was petty. He

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continued it was like some of the decisions made over the last 10 years were not good ones and everything had to be changed in the first year of this new Council. He said he was passionate about this feeling and the new Councilmembers were trying to do too many things too quickly just so they could say "boy we came in and changed things." He said the new Councilmembers needed to sit back for a couple months and just listen and learn. "We need to study and be serious and not be flippant and shoot from the hip." He continued the City had serious problems in sewer and water and solutions couldn't be put off for another 10 years. He suggested the previous Councils and management had run a pretty efficient ship. He suggested the City was lean and he did not think the Council should just disregard the idea of a property tax increase. Councilman Mergist suggested he did not think the Council had done everything they could to help the situation up to this point and there was a need to put issues in order. He suggested taking a few minutes in the next budget meeting to discuss what had already been accomplished.

Councilman McDonald suggested for the three hangars being leased at the Airport, the lease fees be raised to $2,500 a month and suggested a 60-day notice be given that the rate would be going up. Councilman Horner agreed. Councilman Straddeck asked what the reason was for the current rate. Anderson said it was a figure everyone felt they could lease out at. However, the fact that there were two un-leased hangars, told him the amount might be too high. He did not want to be in a position where none were leased. However, if the rate was higher, the person leasing might buy it because it would be cheaper in the long run. Anderson indicated the money the City had coming in now for those three hangars covered the interest costs.

Councilman Mergist suggested the time was getting close to the date a budget had to be adopted. He wanted to continue to chip away at the issues and get some decisions made.

Councilman Straddeck said Council was talking about shifting policy from having an allowance to reimbursement of allowance. He asked the rest of the Council if they would be willing to increase wages on those people that had car allowance to make them whole. Councilman Mergist said no. Councilman Straddeck responded Councilman Mergist was being unfair. Councilman Horner agreed with Councilman Mergist and suggested the City could buy a car and provide gas a lot cheaper than car allowance. Councilman Straddeck argued again the Council was targeting just two employees. Councilman Horner suggested the Council remove the car allowance for the two people and the Council for the remaining budget year and don't bill ourselves for vehicles in the next year. Councilman McDonald agreed. Councilman Straddeck suggested the car allowance be taken away from the Council only. Councilman Patterson wanted to leave car allowance status quo. Councilman Mergist wanted to change to mileage instead of car allowance in next year's budget.

Anderson said that based on tonight's decisions he would project the balance of this year and next year so it could be understood how much more needed to happen.

Councilman Mergist expressed concern with the Public Works Department. He thought it would run more efficiently on a 4-10 schedule and a 3-day weekend was a morale booster. He said to structure the Department so staff was weak on Monday and Friday and full force on Tuesday, Wednesday, and Thursday and he wanted a 4-day work week year around.

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Councilman Horner wanted in this budget year, starting immediately, to look at going to a 5-8 schedule across the board. He said the employees might get more done on 4-10's but he wanted 5- 8's across the board and the people he had talked with wanted the employees on a 5-8 schedule. Councilman Mergist said statistically in the public works' field, more work got done in a 10-hour day. Councilman Horner disagreed. He said he could compromise with part working Friday and part Monday in the Public Works Department. Councilman Mergist suggested leaving the schedule at 4-10's with a split. Again Councilman Horner said he wanted 5-8's across the board. Councilman Straddeck said he was sixes but he wanted to make a data-driven decision. He continued that if the data proved it was sixes and the employee base wanted 4-10's, why not stick to 4-10's. He wanted to see the data, evaluate the data and then make a decision. He said he would not make a decision just because "we think" but because "the data says so."

Discussion about part-time help. Anderson said the Business License person was working in the Treasurer's office replacing the individual that had left. He said the City had 3,500 accounts and was only supplementing the Treasurer's office by eight hours. He said there was work to be done and no one was working just to cover hours. Councilman McDonald said the City needed to be open five days a week even if, in the summer time, it was more effective for 4-10's for Public Works.

The question was asked if it was necessary to hire someone to help cover and if that would be necessary if the hours were 5-8's--could people be eliminated if the schedule was 5-8's? Anderson said the City lost a 20-hour person and had only added five or six hours to another person. Anderson said the volume of work was sufficient for the added hours. Mayor Phillips suggested the cost savings would only happen if someone was terminated by the City going to 5-8's. Councilman Straddeck indicated that absent the data, he was in favor of a 4-10 schedule. Councilman Horner wanted 5-8's. Councilman Patterson wanted the schedule left as currently in place. Mayor Phillips discussed the fact that some employees worked their extra day off to help balance their personal budgets. He felt if there was a cost savings to the City by going to a different schedule, then that needed to be identified.

Anderson had included in the Council packet of information the study, Working for Utah, which was a study done by the State in relation to a strict 4-10 shift. An overhead was shown of the savings/costs based on 4-10 work week. Anderson said a strict 4-10 schedule was the most cost effective but was not something the Council felt good about. As a compromise with employees, a 5-10 schedule was offered in the office. Councilman Horner argued that if the work could be done in a 4-10 schedule, then it could be done in a 5-8 schedule. Anderson reviewed the study and an analysis he had done on costs related to the office building. Based on that analysis incorporated with the desire of the employees to work a 4-10 schedule, he suggested the schedule remain 4-10's with the building being open 5-10's. He discussed the fact that the additional hours open was a benefit to the public especially on cut-off days when people had until 6:00 p.m. to get in to pay their bill rather than 5:00 p.m. He discussed, too, the fact that more and more business was being taken care of electronically. He said as he talked to Department Heads, he asked them what savings they felt could be utilized by going to a different schedule and what personnel could be cut. They felt the only savings was the utility costs. Councilman Horner again

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recommended a 5-8 schedule, keeping only full-time employees and terminating the part-time employees.

Chief Rhoades expressed concern for the employees because they were looking at two years without a pay increase. He said that 14 out of 17 in his Department worked two jobs and if the Council decided on a 5-8 schedule, people would have to leave their second job and would lose their homes. He said the City had very good people in the organization--people buckle up and do the job. He cautioned that if the Council kept cutting benefits, good people would leave. He also expressed concern with cutting wages which would be very bad for the morale of the organization.

Paul Royall loudly vocalized his opinion that this meeting had been going on for two hours and it was a waste of everyone's time. He said the Mayor needed findings of fact and if he couldn't find them, then he should resign. He was very unhappy that the Council hadn't done more in this two hour session and felt it ridiculous.

Tracy Taylor indicated she would like to see the full packet of this budget meeting on the web site and felt if people could see it, there might be worthwhile input. She said that as a taxpayer, she wanted to see the completed budget on the web site. She expressed concern with sewer and water and thought as a Valley there had been reaction to growth instead of reaction to the economy down turn. She felt there was never anyone looking ahead and as a real estate broker, it saddened her to see all the development approved in the Valley. She expressed concern that there was too much inventory in the market and felt the community leaders needed to be ahead of the game. She said she would like to see impact fees raised before the market started to rebound. She then questioned, when the City was looking to save thousands, why have an architect design on a snow removal building. Anderson explained that was a requirement by the FAA and 95% was paid by the FAA. Mayor Phillips indicated impact fees were under review right now.

Wes Greenhalgh – couldn't speak for all departments but his Department had taken on the cleaning of the toilets, vacuuming the common areas and the secretary was also doing cemetery, accounts payable and purchasing.

At this time, the Council adjourned the Budget Meeting to allow time for a dinner break before the Regular Meeting started.

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Paulette Thurber, City Recorder

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