

Heber City Corporation
City Council Meeting
05/13/2009

5:00 P.M.

BUDGET MEETING

The Council of Heber City, Wasatch County, Utah, met in **Budget Meeting** on May 13, 2009, in the City Council Chambers in Heber City, Utah.

Present: Mayor David R. Phillips
Council Members Jeffery Bradshaw
Elizabeth Hokanson
Eric Straddeck
Nile Horner
Robert Patterson

Also Present: City Manager Mark K. Anderson
City Recorder Paulette Thurber

Others Present: Mike Thurber

Anderson told the Council he had put together a PowerPoint presentation which highlighted the most significant items in the budget. He proposed to go through each fund, one at a time, and talk about impacts.

General Fund: Anderson indicated this budget would not include three positions that were in last year's budget, Animal Control Technician, Accounting/Cemetery Secretary, and Police Sergeant. He said Chief Rhoades had applied for a grant for the Police Sergeant position. If that grant is awarded, the sergeant position would be filled. It was explained that grant would be for a three year period and would pay wages and benefits. After that the City would have to fund the position 100%. Anderson said staff had applied for a grant with WorkForce Services that would allow for four seasonal positions; two in the Parks/Cemetery Department, one in the Police Department and one in the Animal Control Department. These positions would be like interns and funded by WorkForce Services. He said this particular grant was a result of stimulus monies.

Wages: Anderson said there would be no COLA or merit wages this year with the exception of the Justice Court Judge. He said the City had to meet the State requirement for the Judge which is they are paid a minimum of 50% and maximum of 90% of a District Court Judge. The other factor to determine his wage would be the case load in the Court. After calculating, Anderson put that position as a grade 26, step 1. If the Judge progressed through the same process as others, it would take 10 years to reach the maximum.

Health Insurance: Anderson said there would be a 9% increase on the traditional plan or a 13.37% reduction on the HSA plan. However, that reduction would not all be realized as he anticipated that money would be used to fund the HSA. He said the Council needed to determine what that percentage would be. HSA's are the trend of the future. Anderson proceeded to explain the HSA process. An overhead of information given to us by First West Benefits was shown.

It was thought that for \$6,000, approximately, the employee checks would not decrease because of premium increases. In other words, to cover the additional cost so the employees don't have to absorb the increase in insurance, the City would pay \$6,000. At this point there was quite a bit of time discussing HSA's. Anderson said Mayor Phillips had initially proposed the idea of the City absorbing the additional premium. Anderson asked what the City Council was comfortable with as far as the City's contribution to the HSA. Anderson said what Mayor Phillips was suggesting could easily be accomplished. Discussion about finding a way to fund that total premium increase and give back to the employees via the HSA.

Councilmember Straddeck asked if the Council really wanted to consider an option between the traditional plan and the HSA plan. Councilmember Bradshaw suggested that, when dealing with 65 families, there would be those that wouldn't change regardless. Councilmember Hokanson wanted to allow an option as did Councilmember Bradshaw. Mayor Phillips asked what Anderson meant by what portion to put into the HSA. Councilmember Straddeck said he was currently working with a company that had 130 employees and they had done exactly this and gone to a mandatory HSA. He said the company was funding the deductible and their people had no choice. He indicated no one had left the company because of the change and he thought it was because they did a good job with education. Anderson indicated the sooner there was 100% participation on the HSA, the sooner the City would realize a cost benefit. Councilmember Horner wanted to go all or none as did Councilmember Straddeck. Councilmember Straddeck said the down side was to those that go in for every sneeze and sniffle. Otherwise he did not think there was a down side. Anderson suggested the down side, from an employee standpoint, was there would be those who would go through their deductible faster than the City could put into their HSA. Mayor Phillips summarized the issue was either giving an option or not. Councilmembers Hokanson, Patterson, and Bradshaw wanted to offer an option. Councilmembers Straddeck and Horner preferred the employees have no option and the changeover be 100%. Councilmember Horner suggested the employees vote and go with the majority. Anderson from the City Manager's perspective, it was good to let the employees have a choice. From the City's perspective, it would save the City money sooner to go on a HSA. Councilmember Straddeck suggested the Council needed to remember why they were having a budget meeting—to streamline and make cuts, where needed.

Dental Insurance: Anderson said he had made an executive decision and the City would go with the preferred provider plan and have only a 2.28% increase. Consequently, for those employees that wanted to go outside the network, they would have more dental out-of-pocket expense.

Long Term Care: That benefit was eliminated on April 30, 2009.

Retirement. Anderson reviewed the City contribution number changes. For Public Safety, the City contribution went from 22.61% to 23.34% and Public Employee from 11.62% to 11.66%.

He explained the City had historically contributed 13% toward the Public Employee's plan so the 1.38% now going into their 401K plan would be reduced to 1.34%. He said there would probably be some changes next year or some really scary rates because the Utah Retirement System lost 5.6 billion dollars last year.

General Fund Revenues: The current budget for sales tax was 86% of the 2007-2008 level. He talked about April being a very bad month and hoped that did not continue. He said he was anticipating \$833,000 in next year's budget from Red Ledges. (\$166,000 will be received June 1 and be in this year's budget) He explained he proposed to move \$50,000 from the Capital Project Fund to keep the reserve at 5%. Heber Light and Power had increased their dividend starting June, 2008, and that will happen for two years to offset the six quarters they did not pay the City in 2000-2001. These were a summary of things previously talked about for proposed cost reductions. He indicated the Public Works Crew had started maintaining the secondary and ditch irrigation systems again, mileage and per diem had been amended, overtime restricted and travel and training budgets had been reduced. Anderson said Robert McKnight would be retiring the end of June and that position would not be filled.

Anderson talked about the Consolidated Fee Schedule. He explained the redline/strikeout format. He reviewed proposed fee increases. He discussed the need to start leasing the new hangars and proposed \$1000 a month with month-to-month leases. Discussion about the proposed cemetery fee increase. Discussion about some new fees proposed by the Building Department. Anderson said he would talk to Blackburn about the Plan Review Fee and if it was sufficient for the time it took, overhead, etc. Discussion about other proposed fee increases. Anderson said he planned to attach this Fee Schedule as an exhibit to the Budget Document for final approval. The Council wanted to discuss this Fee Schedule another time and concentrate on the Budget Document right now.

General Fund Capital Items: Anderson reviewed the slide associated with these items. These items included Center Street widening, Valley Hills Park retention wall repair, laptop computers for police vehicles, and backhoe lease renewal (done annually). He said he had given the Council a list of everything being requested and what was being proposed for funding. Those things he mentioned were the most significant. Councilmember Straddeck wondered about the computer requests. He thought that number was significant and caught his eye. He suggested if there were things that could wait, they should be put on hold because of the economic conditions right now. Councilmember Horner said as far as computers, he thought \$15,000 was excessive. He thought driving back and forth to the City Shop was less expensive than putting computers in the Public Works trucks. Anderson said the request for the Public Works' computers was not so much replacement, but starting to utilize technology. Councilmember Horner said he understood the Police Department request. However, he did not think the City was to a point when the Public Works had to have computers in their trucks. Discussion about the crane request. Anderson said that because of some back injuries, it was felt this was a reasonable request. It did, however, add \$20,000 to the cost of a vehicle. Councilmember Hokanson wanted to know what the ramifications of not purchasing the crane this year. Anderson said it tied up the backhoes. Councilmember Horner said he had questions about laptops, the maintainer box, and the tooling and flow tester. It was felt the Council needed to get some answers from Tozier. Councilmember Horner asked about the fee for work order tracking. It was explained that was the annual fee, not

a new system. Councilmember Horner wondered what it would cost to update the Master Plan. He suggested that instead of spending so much on updating the Plan, the City spend the money on action instead. Anderson indicated the Master Plan had not been updated since 2003 and it was time. Anderson said he would look into the possibility of using impact fees to pay Mumford's wages for that project.

Anderson reviewed other slides related to the General Fund Capital items, Debt Service Payments, Capital Projects, Storm Drainage Impact Fees, (about half of what Mumford had requested) Street Impact Fees, Park/Trails Impact Fees, etc.

Discussion about the Wasatch County rodeo grounds, a storm water retention pond (possibly on the Ernie Giles' property) and Cowboy Village trade.

Water Enterprise Fund – proposed rate increase: Anderson reviewed current rates and proposed an increase. He then reviewed the Secondary Water rates. He then reviewed the water cost analysis slide. He presented information from other cities as a comparison and indicated Midway City was planning on raising their culinary water rates. Anderson reviewed the property tax analysis sheet.

Anderson discussed the options regarding water rates and felt as though those were the options available to the City at this time. He indicated that in the Water Fund, the only variable costs was electrical and chlorine. He reviewed the Water Fund Capital items and Sewer Enterprise Fund. He felt it appropriate to discuss rate increases at this time. He indicated a frequent question was, "Why hasn't the City reduced sewer rates since the bond has been paid off?" He indicated the fact was the debt was paid but the operating costs had increased each year. Discussion about operating expense and what constituted that cost. Anderson indicated the Sewer System cost less to operate than the Water System. Anderson indicated he had created a new fund in which to break out construction of the new hangars from other operating expenses of the Airport.

Internal Service Fund: Councilmember Horner asked about the Stainless Steel Salt Spreader and whether one was being added, was broken, or a need. Councilmember Patterson felt that item was a good one to cut. Anderson indicated the City had \$800,000 in that fund for vehicle replacement and it had been established for that purpose. Mayor Phillips said he appreciated the Police Chief saying they could wait a year to exchange vehicles. That was a "hunker down" attitude and he appreciated that. It was indicated the money in this fund could be transferred to another, if necessary.

Councilmember Straddeck said appreciation should be expressed to the Building Department because of the sacrifices they had been making to help other Departments. He wanted the appreciation of the Council expressed to them. Councilmember Horner said the Parks and Cemetery Department had fewer employees and was more than willing to reduce employees and do the same amount of work. He continued they had not had the same rate increases as Public Works for some time. He said, too, the City had had a lot of turn over in the Public Works Department which made costs go up. He expressed concern with starting the Public Works personnel at a higher rate of pay than the Parks and Cemetery personnel. He said the Council needed to look at the Parks/Cemetery Department, too, and pat them on the back. Anderson said

every Department had been willing to make sacrifices. Anderson said this was a real issue with a lot of emotion involved with it. However, it had been decided already not to solve any wage issue this year. Councilmember Horner suggested the Parks were the image of our City—that is what people saw when they passed through—not the sewer working right.

Anderson reviewed the summary slide and asked what the Council wanted next besides having Steve Tozier at the next meeting to discuss some of their questions in the Public Works Department. Councilmember Bradshaw said he was more inclined to increase water rates than sewer rates. He said as far as he was concerned, he thought we were about ready to finalize this budget. Councilmember Straddeck said his concern was the surplus being used to balance this year's budget and using towards the next year's budget. He did not think there would be a turn around or improvement in revenues in the next year. He had a lot of concern with using \$435,000 in excess funds this year and next year \$348,000. Councilmember Bradshaw said there were some issues in which the outcome could not be predicted, those being the Boyer Project and Red Ledges. He felt the City would see a significant increase in revenues. He said there were so many unknowns, it was hard to predict. Mayor Phillips indicated that in the nine years he had been serving, the Council had never, once adopted, had to look at the budget again until time to look at the new year's budget. However, because of the times now, this budget would have to be looked at again in 90 days. Anderson predicted if the City continued to see sales tax reduction, the Council would need to look at head count reduction. He suggested looking at the budget again in August.

Mayor Phillips asked what the thought was on a water increase. Councilmember Horner wanted some time to think about it. Councilmember Patterson wanted to think about it, as well. Councilmember Hokanson agreed with Councilmember Bradshaw, as far as sewer. She was not yet ready to make a decision on water. Councilmember Straddeck felt the Council needed to look at cutting back even more. He felt either a sewer or water increase was needed or the Council needed to inform the people the City could not operate at the same level as before. It seemed to him the ball was turned and staff was trying to raise revenues to pay expenses instead of taking care of expenses first. Councilmember Horner agreed. Councilmember Horner felt the Council needed to look at cuts. "We are having problems, but so is everyone else out there," he said. He referred to the fees Blackburn had proposed that might keep someone from even building a house. He wanted to be very careful about raising fees. Anderson said the City did not run on a budget with a lot of fluff. So unless the Council wanted to reduce services, something had to be done to counter the expenses.

Councilmember Horner indicated he wanted to talk about the Airport Manager position. He asked what it would cost the City if he was not on board. Anderson said there were things that someone would have to do. For instance the security gates, hangars leasing and more hangars to be built if the Council wanted to go that way. He said Ivie had handled the moving of the fence and kept Eric Bunker and Blaine Smith happy. There was also snow plowing and making sure the lights were operational. Councilmember Horner said OK3 Air had done that in the past. Anderson agreed but said they also damaged the equipment. He said with Ivie, the City was looking at a higher level of service. Councilmember Horner suggested the City have OK3 Air do the work at \$18 an hour and just paying them for the hours they worked verses one full-time person with insurance benefits, etc., would be a savings. He wanted to take a real hard look at

Airport costs. Councilmember Bradshaw said we had taken a real hard look at our costs for the last three years. He understood the Airport monies were in a different fund than the General Fund. Councilmember Horner indicated Ivie's wages came out of General Funds instead of Airport funds. Councilmember Bradshaw indicated the Council had talked about this several times. He asked Councilmember Horner if his problem was he just wanted to get out of the airport business. Councilmember Horner said no. Councilmember Bradshaw suggested the Council must have wanted to put him full time or they wouldn't have done it. Anderson said the City had the highest level of service at the Airport now than ever before. Anderson indicated the City had found a perfect fit for what was wanted and needed out there. He praised Ivie for successfully overseeing the building of the hangars. He indicated Ivie did not make a lot of money but the hangars created economic activity in the community. He said he would hate to cut him back to part time and lose him and then have to replace him. Ivie had not had a salary increase since he started and Ivie had removed a tremendous burden off of Anderson. Councilmember Hokanson said the City was lean and always had been. She wanted to take a look at some of Tozier proposals. She did not think, beyond Public Works, there was much else the Council could do.

Councilmember Hokanson suggested the Council take the information home, study it, and look for other ways or things to cut.

Councilmember Straddeck questioned if there was no increase to wages, where was the \$30,000 increases to operating expenses coming from. He asked why a \$1,000 increase in travel, as an example and why an increase in office supplies. Anderson said possibly the increase in office supplies deals with sending out water bills and the postage rate increase

Anderson said he was not suggesting raising property taxes this year, but felt it should happen next year. Discussion about property tax increase. Anderson recommended that be done annually as more and more cities were handling that issue that way. He said not raising property tax in 19 years was probably not wise as now the increase will have to be more significant than it would have otherwise had to be.

Anderson said the Public Works Department was providing a better service in the water and sewer fund. "We are not putting on bandages now, but actually making repairs," he said.

Discussion about when to meet again to finalize some issues and visit with Tozier. Anderson indicated the Police Department was the Department struggling the most in order to cover all their shifts.

Next Budget Meeting on May 21st. 5:00 p.m. Anderson will have Tozier come to that meeting.

At 8:45 p.m. the Special Budget Meeting held on May 13, 2009, adjourned.

Paulette Thurber, City Recorder