

**The notes are from City Council meeting minutes on May 07, 2009.**

## **Council's 2009-10 Budget Presentation**

Mayor Pro Tem Jensen presented the Council's 2009-10 proposed budget.

The following points were the Council's main focus as they reviewed the budget:

1. Stay the course for Vision 2012
2. No reduction in City services
3. Maintain the integrity of our infrastructure
4. Fund for capital improvements
5. Maintain emergency funds
6. Avoid reduction in work force
7. Protect employee benefits
8. Keep employees to at least 96% of market

As the Council evaluated where the City is in the midst of the financial downturn, they realized the City is fortunate because there is a cultural among employees of frugality, teamwork, a can-do attitude, cost awareness, and awareness of cost reductions. It is because of this cultural that the City has been able to deal with the current economy in a more proactive approach rather than reacting to the crisis. For example, the ambulance rebid the oxygen supplier contract to provide oxygen to be used in our portable and stationary tanks saving \$5,000 in the first year. They also developed a "real time" inventory system for disposable supplies and only purchasing disposal supplies when actually needed and in the minimum amount. The Fire Department is using train the trainer where possible as opposed to sending firemen out of the City for training and car pooling or using the City van when possible. The Emergency Management Department is using volunteers for office work. Leisure Services have reclassified all temporary positions and placed them in the appropriate wage bracket to better reflect the local job market. They also delayed early hiring of temporaries and terminating those employees as early as possible without compromising job needs and requirements. They have also asked vendors to warehouse supplies and materials and still give the City the volume purchase price. They have used in house resources when possible, maximized the use of volunteers, and federal summer intern programs have been applied for to supplement the work force. Public Works has reduced storm drain cleaning expenses by \$10,000 by using in house manpower and equipment for annual clean out of catch basins. They started using the UDOT fueling station at the mouth of the canyon for an average savings of 15 cents per gallon. They saved \$75,000 for tree trimming by using in house crews in conjunction with contractors. They saved \$2,000 by repairing a backflow valve in house instead of replacing it. They continue to save money by centralizing purchasing. They saved \$6,000 by repairing hydrants on Main Street instead of purchasing new ones. Bidding projects during the economic downturn has cut pricing in half from engineering estimates. They rebuilt a pump at the Waste Treatment Plant instead of replacing it, saving \$15,000. They rebuilt an aerator and saved \$7,000. They coordinated street cuts with the Street and Water Departments which saved several thousand dollars on street repairs. The Administration Department is requiring every purchase order over \$5,000 be pre-approved by the Director of Finance

prior to purchase. They have begun investing excess cash in higher yielding CDs to maximize interest income. They have also analyzed the cost of banking services and saved \$2,000 per year by cancelling a sweep service that was not making any money. The Police Department reduced one part-time employee saving \$12,000 per year. They also reduced one police fleet vehicle saving \$24,000. The Senior Center budget lines, with the exception of their nutrition line, have remained the same for many years. They are continually seeking ways to save money on the nutrition program by utilizing the Community Pantry and seeking better prices for items they use regularly. They also have a protocol in place in case they need to limit the number of participants receiving Meals on Wheels or attending the congregate lunch site. The Museum reduced exhibit expenses by taking advantage of the National Endowment for the Humanities. They also switched to postcard mailers for advertising and have stopped outsourcing for graphic design projects. They saved in the professional/technical line by doing projects themselves and restricting unnecessary projects. They are also making use of volunteers. In preparing the 2009-10 budget the main focus was balancing the budget while being sensitive to the current economic effect of Brigham City citizens. They faced significant challenges in budgeting this year's expenditures. It is projected over a half million dollars reduction in revenue from sales tax and interest income. Sales tax is projected to decrease 10% and interest income by 69%. It is also projected that energy sales will decrease for some of the larger commercial and industrial businesses within the City. Some additional challenges are that electric rates will increase from Rocky Mountain Power (RMP) and Western Area Power Administration (WAPA). The City has invested in a long-term master plan for all utilities. The challenge is to manage the revenue to support a general fund budget of \$11.2 million and a utility budget of \$17.1 million. One of the key economic solutions the Council implemented in this budget is to pass through the energy cost increases from RMP and WAPA. The City is not in a position to absorb these increases so the users are going to have to pay for what they use. Another is to use approximately \$177,000 from the Fleet Fund to cover expenditures. In addition, the directors have been directed to restrain their budgets. There are no projected increases in the General or Utility Fund Balances. Additional economic solutions include funding grant projects to leverage City funds against projected costs. An example of this is a grant received for the airport in which the City will pay \$26,000 and in return the City will receive \$1.2 million in grants. For the Mantua trail system the City will receive \$466,000 and the City will pay \$75,000 and \$89,000 in in-kind services. The City will invest \$6,500 for a matching grant for police safety vests. It is also proposed to use Capital Project Funds to approve projects that have been approved by the City Council. This will facilitate a better utilization of surplus funds from approved capital projects and take advantage of the purchasing power of the dollar in the current economy. The City will continue to aggressively seek grant funding. This year's proposed General Fund Revenue is proposed to decrease 1% over last year's budget. The proposed General Fund Budget for 2009-10 is \$11.2 million, which is down slightly from last year's of \$11.3 million. Property tax comprises only 6% of the General Budget. Sales tax and transfers make up 24% and 30% respectively. Sales tax is projected to be \$2.7 million, which is 10% lower than last year due to the current economy. The Council has set a policy to decrease the percentage of utility transfers to the General Fund. In 2006-07 the percentage was 17%. The 2009-10 budget has the transfer set at 15.3%, totaling \$2.37 million, which is 1% less than last year. The overall percentage of funds being transferred is going in the right direction. The City needs

to maintain this trend by increasing utility rates. The 2008 audit report revealed an upward trend in the General Fund fund balance. The City needs to maintain this trend by regularly increasing utility rates to compensate for the ever increasing cost of operation. As of June 30, 2008 the City can finance operations for 134 days without any revenue. It is estimated the fund balance as of July 30, 2009 will be \$2 million, which is an 18% increase from June 30, 2008. The 2008 audit report indicated that as of June 30, 2008 the unappropriated fund balance in the General Fund was under the state limit of 18% by \$336,000. During the past year the City has added to the General Fund Balance and are estimating that the amount under the state limit by June 30, 2009 will only be \$10,000. Because of that, the Council is not proposing any increases in the General Fund balance. The cost to operate City utilities is continually increasing. The budget includes a utility rate increase of 3.32% for water, waste collection, storm drain, waste treatment and electrical. This is less than the 3.8% CPI which the Council benchmarked. The budget includes \$1 million for electrical grid improvements and \$552,000 for water system improvements. There is also \$20,000 budgeted for consulting services to investigate renewable energy resources and prepare guidelines to achieve them. As of June 30, 2009, it is estimated the Electric Emergency Fund will be at \$304,000. An additional \$50,000 is budgeted for this fund. It is estimated by June 30, 2010 it will be up to \$354,000. This money is available to replace major electric infrastructure in emergency situations. The cost of a large transformer at the east substation would be between \$500,000-\$1.7 million. Next year's budget will include an increase from RMP of 3.65% and WAPA by 2.42% and a municipal energy sales tax increase of .75%. These will be passed onto the consumer. Total expenditures for the 2009-10 budget are \$37 million, an increase of 10% over last year's expenditures of \$33.6 million. The breakdown of expenditures include \$11.2 million for the General Fund, \$965,000 for debt service, \$745,000 for the golf course fund, \$86,000 for the airport, \$17.1 million for public utilities, \$1.9 million for the Fleet, \$746,000 for the library, \$2.1 million for the RDA, and \$1.2 million for capital project funds. Supervisors were asked to submit a flat budget for this year's operations. Everyone met this challenge except in circumstances where operating needs had to be increased to cover past deficits. Over one-third of the total general budget is spent in public safety, including Police, Fire, Ambulance and Emergency Services. The Administration Department comprises 22% of the budget, which includes the Mayor's Office, City Council, Administration, Buildings, Economic Development, Human Resources and Risk Management. The Public Works Department comprises 26% of the overall expenditures and has five divisions that include: Community Development, Inspection, Streets, Parks and Public Works/Engineering. The Leisure Services Department comprises 12% of the General Fund Budget and has four divisions that include: Leisure Services Administration, Cemetery, Swimming Pool and Recreation. The Senior Citizen's Department comprises the remaining 5% of the budget. In the 2008/09 Budget \$50,000 was budgeted for emergencies and disasters. Last year's Box Elder Creek restoration project was appropriated from this fund dropping the estimated balance at June 30, 2009 to \$20,000. In the 2009-10 budget this was increased by \$100,000. The estimated Emergency Disaster Fund balance at June 30, 2010 will be \$120,000. This year the departments submitted capital improvement requests in excess of \$8.3 million. This did not include \$8.9 million for the Wakegan Water and Sewer Utility Project which will be funded by State loans that the City bonded for and are guaranteed by the Box Elder County Special Assessment Area and Procter & Gamble. Subsequent to

prioritizing the requests, we have budgeted for \$2 million worth of capital facility upgrades in the 2009-10 budget. This coming year's budget contains 21 new vehicles and specialized pieces of equipment that will be replaced and 10 vehicles and specialized pieces of equipment that will be leased for a combined total of 31 vehicles and pieces of equipment. The vehicles and equipment will be purchased through the Fleet Lease Replacement program for a total of \$991,294. Last year a total of 18 vehicles and new pieces of equipment were purchased and 12 pieces of equipment were leased at a cost of \$1.1 million, of which \$200,000 was used to purchase a new platform ladder truck. The expenditures this year have been reduced by 6%. Generally speaking, the leased equipment is comprised of the Fire Department vehicles and the heavy equipment used by other departments for excavation and maintenance. The Council used the CPI of 3.8% as this year's bench mark for the 2009-10 Performance Merit increases. However, due to the struggling economy, it was necessary to decrease the merit increases to 1% and fund a market adjustment of \$15,411 for employees below the minimum range of their pay grade. In light of the current economy and in comparison with other cities along the Wasatch front, we believe this increase to be reasonable. Our employees are currently at 96% of market. We were able to continue the match for employee 401K retirement plans, keep health insurance participation the same, avoid employee layoffs, work furloughs or reduced work hours. The City Council has agreed to re-look at the merit increase in October when we have a better feel for the 2009 sales tax revenue. Mayor Pro Tem Jensen expressed appreciation to the Mayor, staff and employees for the excellent job they did in preparing their budgets and supporting the vision. The Council was able to balance this budget because of their commitments. A public hearing on the 2009-10 budget will be held on June 4 as part of the regular City Council Meeting.