

PERRY CITY WORK SESSION
PERRY CITY OFFICES
April 14, 2022

6:00 PM

OFFICIALS PRESENT: Mayor Kevin Jeppsen presided and conducted the meeting. Council Member Nathan Tueller, Council Member Toby Wright, Council Member Blake Ostler, Council Member Dave Walker and Council Member Ashley Young.

CITY STAFF PRESENT: Shanna Johnson, City Recorder; Robert Barnhill, City Administrator; Tyler Wagstaff, Public Works Director; Scott Hancey, Chief of Police; Hyrum Anderson, Police Officer

OTHERS PRESENT: none

ITEM 1: Welcome to Order and Welcome

Mayor Jeppsen welcomed everyone and called the meeting to order. He said the intent this evening is to present the tentative budget to the council, per the new Title 2, the report due the first meeting of April. He noted that Chief of Police, Mr. Hancey and Public Works Director, Mr. Wagstaff will give their presentation at the council meeting on April 28, to address the largest portions of their department's budget. He mentioned that Ms. Johnson will send a copy of the PowerPoint presentation to the council after this meeting. Then he asked if the council would first review the tentative budget and if there are questions they will address them later.

ITEM 2: Work Session Regarding Tentative Budget Report

Ms. Johnson informed the new council members that usually the tentative budget meeting was done in May but with the new Title 2 (adopted in the Perry City Municipal Code); it requires this step to be done in April. She gave a budget timeline (as shown in slide 2) by stating the suggested date for a public hearing regarding the budget is June 9 and the council has to pass a tax rate or proposed tax rate changes before June 22. She explained they can go through the regular process and just accept the certified tax rate. Alternatively, if a tax rate higher than the certified tax rate is approved the city have to accept a provisional budget with the planned tax rate and move into a Truth and Taxation situation. By state law, June 30, is the final day for approval of the budget unless the council elects to go through Truth and Taxation, then it's due by August 30.

Ms. Johnson reviewed a PowerPoint presentation detailing the Fiscal Year 2022-2023 tentative budget beginning with the General Fund (slides 3, 4, 5). She noted that the General Fund Revenue is \$4,966,051, which includes maintaining our current property tax rate. She noted that the city's policy over the last few years is to maintain our property taxes and this budget allows for a conservative projected tax income increase of 13 percent. Next, she explained that for the past few years our sales tax has been trending with an increase of about 16 percent however, in the report it shows a conservative increase of 8 percent. She mentioned that because of the new city hall there would be a new revenue source in the Property Income line item of the budget from the lease at the building. Then she expressed to the council that this revenue will cover approximately half of the new city hall bond payment.

Ms. Johnson reported that the general fund revenues exceeds expenses by \$8,339 and this amount will be contributed to fund balance.

Council Member Ostler asked if the income from the rented property is from base rent or if it includes the common area maintenance. Ms. Johnson answered that it was for base rent only.

She continued by reviewing a pie chart detailing revenue, explaining that taxes were the highest contributor in the General Fund Revenue. Ms. Johnson quickly pointed out a few of the pie chart categories.

Ms. Johnson continued the presentation with the breakdown of the \$4,966,051 General Fund Expenses. She noted that the slides outline key factors or changes in the budget. She briefly explained the expense key factors (slide 6) as follows: First is the proposed new city building which will have a bond payment of \$243,000 however, it might be lower. Next shows a proposal of \$134,648 for an additional police officer. This amount includes wages, benefits, equipment and a fleet lease payment on a new police automobile. The budget also includes a \$149,249 in compensation and benefit increases. The final key factor on this slide is capital projects that the city will contribute \$91,000. There will be \$51,000 of the \$91,000 contribution pledged to the 1200 W North project. This pledge is part of a match toward the \$2.8M grant that Perry was awarded. This contribution will continue annually for the next five years. Ms. Johnson said there was a remaining balance from the 1200 W South project that will be moved to this account for this 1200 W North project. The total amount of the city's match is \$455,000. She said we plan to complete \$458,643 in road projects, using Class C funds. We plan to use \$25,000 to convert all streetlights to LED, which should pay for itself within three years through reduced power fees. Also, because of the recent changes in the cost of gas the fuel budgets were increased by 57 percent across all department budgets.

Council Member Walker asked if the budgeted \$40,000 parks equipment was for playground equipment and maintenance. Ms. Johnson said it was for equipment and improvements for the council to decide which project it should go to. She mentioned that this fund presently has \$200,000 and the budgeted amount will be added to this amount. Also, that they have access to the impact fees throughout the year.

Chief of Police, Scott Hancey, added that the new officer will be a supervisor position. This position will be filled after the approval of the budget and at the next budget year, or starting in July.

Council Member Ostler wanted to know more about the compensation and benefit increases. Ms. Johnson explained that the budget includes the BRAG 7 compensation plan it focuses on market increases using the Bear River market. It also includes performance increases, and a 7% cost of living increase.

Ms. Johnson continued with a pie chart to show percentages and categories on the budgeted General Fund Expenses (slide 7). She advised that 30 percent of the budget is allocated to the police department, 25 percent to administration, 24 percent of the budget is for streets, and other smaller percentages have been allocated to other departments (gun range, fire, animal control, etc.).

Council Member Ostler asked if the restricted 7 percent for ARPA Well Project was to be transferred from the general fund to the utility fund. Ms. Johnson said it will be listed restricted until the project begins and then it will be transferred to the utility fund. Mr. Ostler then confirmed it was a utility fund asset that will be expensed out of the utility account.

Ms. Johnson noted to the council that the area is having inflation equal to approximately 8 percent and this is reflected by the total proposed increase in the general fund expenses of \$369,953 or an 8.6 percent, which is similar to this inflation rate.

Council Member Ostler questioned if the proposed increase in the general fund expenses included using funds not used in the previous fiscal year. Ms. Johnson said that the city would use some of the Fiscal Year 2022 (FY22) fund balances to contribute to the down payment of the new city hall. However, in Fiscal Year 2023 (FY23) the city will not use any saved funds except for restricted funds. She noted that the general fund balance at the end of FY2022 (after making the down payment) is projected at 23 percent and is projected at 20 percent for FY2023. She stated that the city is only required to have 5 percent so we are sitting well.

Ms. Johnson advised that the council will need to consider the following before they approve this budget (slide 9).

- Revenues can change based on taxes
- Decision to Maintain Tax Rate vs. Certified Tax Rate (projected difference of \$100,210)
- Revenue can change based on Economy
 - Recession will equal less sales tax (The last recession highest annual loss was \$125,000)
 - Fuel Increases may also effect how much people spend
- Contract Changes can Impact Budget
- Bond Payment may change based on terms (these are reoccurring fees)
- Many of the key budget requests will be reoccurring if approved:
 - Bond Payment, New Employees, Wage Changes, Fleet Lease

Council Member Ostler confirmed the basis of the revenue for this budget was that we maintain the current property tax rate. Ms. Johnson agreed and stated she has projected a conservative estimated increase of 13 percent within this budget.

The next few slides (slides 10, 11, 12) show the operation portion of the utility fund. Ms. Johnson pointed out that they are focusing on operations and she will not be focusing on cash flow or non-operating expenses. She reviewed the four key factors or changes in utility revenue. She started with water rates and stated that when the council passed the water rate last year it included an automatic increase of 3 percent each year. Therefore, the public water bill will go up \$0.59 for a monthly base rate of \$20.09. She noted based on the trend from past years the budget includes an estimate of 34 new homes in FY2023, but we will probably have more. Next, she noted that the total revenues in the utility fund is \$45,266 short. This short fall has a lot to do with storm drain compliance and water costs. The city administration is recommending an increase to the storm water fee. Presently, the monthly storm water rate for each utility account is \$4.00 and to make up the utility fund short fall it will need to be raised by \$2.04. However, if we wanted the storm drain department to cover all of its expenses the rate will need to be raised by \$2.60. Ms. Johnson

explained the utility fund revenue consists of user fees for water, garbage, storm drain, interest, and a water connection fees.

Ms. Johnson reviewed the Utility Fund expenses of \$978,221 (slide 13). She explained that the budget includes an increase of \$36,000 for additional storm drain compliance measures needed based on our recent audit from the state. Council Member Tueller noted that when our population exceeded 5000 we had to meet additional storm drain maintenance requirements. Another \$18,000 increase to the budget came with the recently passed garbage contract and she said that the budget includes compensation and benefits increases of \$38,560.

She then mentioned a couple of non-operational capital projects, which are not included in the operations budget but pulls from available cash and applicable impact fees. Ms. Johnson detailed the projects which include \$200,000 to begin the Well #5 project (which ARPA funds will cover) and \$400,453 has been budgeted for the 2700 S waterline project. She said another thing to remember is if the capital projects scheduled to be completed in Fiscal Year 2022 are not done before June 30, these amounts will move to the FY2023 budget.

Ms. Johnson said that there is a total proposed increase to the Utility Fund expenses of \$61,591 or 6 percent (slide 14). She said we will need to have a public hearing for the storm drain rate increase and it should be done prior to July 1.

Ms. Johnson said the council will need to consider the following before they approve the Utility Fund budget (slide 15).

- Automatic rate increases have been set for water and will correct losses over time
- We recommend a rate increase in storm drain:
 - Of either \$2.04 to balance fund or;
 - \$2.60 to break even with costs
 - Current rate is \$4.00

Ms. Johnson continued the presentation by reporting on the projected sewer fund revenue (slide 16, 17, 18). She stated the sewer fund revenue is able to include impact fees as they are encumbered to the wastewater treatment plant. The budget shows that the city should receive \$1,388,607 in revenue. She noted that our sewer revenue bond requirement states we need a debt coverage ratio of 125 percent and we are at 134 percent therefore there is no need for a rate increase in Fiscal Year 2023. Revenue includes a projection of from the 34 new homes. She also noted that revenues are \$100,984 higher than planned expenses, which will be added to available cash and can be used on future needed repairs or improvements. Ms. Johnson commented that the majority of the sewer revenue comes from sewer sales, then impact fees, and the city receives a reimbursement from Willard for their portion of the operation and maintenance expenses at the wastewater treatment plant (WWTP). She explained this amount is projected to be \$176,648.

Next, they reviewed the projected \$1,287,623 sewer fund expenses (slide 19). Ms. Johnson explained key factors or changes to the budget including a new side-by-side vehicle and a lease purchase of a new truck. The cost of the side by side is \$18,000 but will have a \$9,000 split between sewer and parks. She stated their plan is to sale two of the city trucks, which will pay for the side-by-side and one year's lease on the new city truck. In addition, the WWTP Equipment proposal is

increased by \$40k and the budget includes compensation and benefit increases totaling \$28,036. This brings the total proposed increase to \$95,332 or about an 8 percent change.

Ms. Johnson reviewed a slide that showed a copy of the FY23 Project/Increase Worksheet (slide 21). Ms. Johnson recommend the council start with this sheet, review it, and then work through the budget before they make their final budget decisions. She then talked about a few line items on this worksheet and about possible upcoming changes to the budget.

The final slide (slide 22) highlighted other sections of the State Budget Form and information as follows:

- Debt Service Fund – Being Moved to RDA Budget (Pointe Perry CDA)
 - FY22: \$300,000 will be transferred to General Fund for City Hall down payment with balance of fund balance being transferred to the RDA
- Capital Projects:
 - City Hall – FY22 will show activity in regards to paying the down payment on the New City Hall. FY23 has no activity.
 - 1200 West South – Closing out in FY2022, remaining cash will move to 1200 W North
 - 1200 West North –
 - FY2022 includes funds for our portion of trail going north to Walmart.
 - FY2023 Expends our match for the construction of the 1200 W North Trail
 - FY2023 shows a new contribution from 1200 W South fund balance and a transfer from General Fund of \$50,706 1/5 of our remaining match on a \$2.8M Grant
 - Parks Equipment – FY2023 has a contribution of \$40k making \$240k available for equipment
- Fleet Lease Fund – Holds all fleet lease and depreciation

In closing, Ms. Johnson noted that in the next meet the council will be presented with a resolution to amend the budget to do a little cleanup. For example, showing fixes with the mass transit, grant money, ARPA funds, transfers of funds for the city hall down payment, and other line items.

Council Member Walker made a comment that the budget of \$40,000 is not enough for parks. He believes it should be around \$200,000. Ms. Johnson said that the budget had more last year but this year the focus is on the new city hall and in different year's budget it might increase. City Administrator Barnhill noted that there are options from other fund sources that may allow improvements to parks and trails. Council Member Walker suggested maybe using more of the city's fund balance for parks.

Ms. Johnson said for the council to keep in mind that fund balance does not always equate to cash but also includes assets. Because of this she said she's spoke to the city accountant to get a comfortable down payment amount for new city hall. City Administrator Barnhill requested to have this type of calculation or formula available for the council to use as they are making their decision to approve the budget.

Council Member Young asked if the city needs to put a park at the Point Perry area. This was discussed and it was decided that they do not unless the developer's elect do some type of open space area.

Since there was a few available minutes City Administrator Barnhill gave an update on the UDOT meeting they attended. He said that Perry received part of a grant from UDOT for the middle section of Historic Orchard Pathway. He explained that they will provide approximately \$800,000 as long as Perry provides a 20 percent match of \$200,000 for the trail. Council Member Walker added that the city can add employee workers time while working on the plans and the right-a-way the city has inquired along with other cost to go towards the \$200,000 match. Ms. Johnson pointed out that the city has contracted with a lawn-care company to mow the parks this summer which will free up some of the Public Works time to focus on this and other such projects.

Council Member Walker also mentioned that in the meeting with UDOT they discussed creating a Corridor Agreement between UDOT and the city for Highway 89. This agreement would plan out the future of Highway 89 and how it might meet the needs of both UDOT and Perry. The Corridor Agreement would have a high level of detail about improvements on the highway and will help with getting grants in the future. This planning is just in the beginning stages and Perry will need to come up with ideas on their portion of the highway.

Council Member Wright asked for explanation of the \$2.2 million that is going to city hall. Ms. Johnson said that \$1 million is going for the down payment, \$1.2 million in renovations. Then the city will bond for \$2.8 million, but the bond terms are yet to be decided. She proceeded to further explain the city's payment plan for the bond agreement.

ADJOURNMENT

Mayor Jeppsen closed the work session.

The meeting adjourned at 6:57 p.m.

Shanna Johnson, City Recorder

Kevin Jeppsen, Mayor

Anita Nicholas, Deputy Recorder