

PERRY CITY WORK SESSION
PERRY CITY OFFICES
May 20, 2021

5:30 PM

OFFICIALS PRESENT: Mayor Kevin Jeppsen presided and conducted the meeting. Blake Ostler, Nathan Tueller, Esther Montgomery, Toby Wright and Andrew Watkins

OFFICIALS ABSENT: None

CITY STAFF PRESENT: Shanna Johnson, City Recorder; Robert Barnhill, City Administrator; Bill Morris; City Attorney, Scott Hancey; Chief of Police, Tyler Wagstaff; Public Works Director

OTHERS PRESENT: Nelson Phillips, David Walker, Melanie Barnhill, Nate Mueller

ITEM 1: Welcome to Order and Welcome

Mayor Jeppsen welcomed everyone and called the meeting to order.

ITEM 2: Work Session Fiscal Year (FY) 2022 Budget Planning

Shanna Johnson said that it is required by law to present a tentative budget to the Council. The work session is to work through the details of the budget and set a tentative public hearing date to pass the budget, the tax rate will also need to be set. She said they are hoping to set that date for June 10th and if they are not ready to pass the budget at that time, they can set a special meeting for June 17th.

Ms. Johnson went through the overview of the budget. The streets budget in FY20 closed out \$682,000, was budgeted for \$802,000 and is trending at \$436,000. She said to keep in mind that the cog money is included in that with \$250,000 budgeted. Street projects are not done yet but it looks like it is set to end below budget. She explained that if a project is completed by June 30th but the bill doesn't come until after that, it will be pushed back to FY20. Tyler Wagstaff said that road projects should add approximately \$90,000 to the FY21 budget.

The changes in the new street budget include:

- Personnel changes
 - Performance/benefit increase
 - Small (20%) increase for new maintenance employee
- Equipment changes
 - Fleet increase due to a Mac small dump truck (split between a couple of different budgets)
 - Fuel (trend shows going down but set for more for more plowing and fuel prices going up)
- Street Utilities
 - Up slightly \$750
 - Street light maintenance staying the same at \$4,000

- Facilities
 - Open stall shed \$49,000 in building grounds and maintenance (to keep equipment out of the weather)
 - \$43,000 to asphalt and landscape the yard
- Road repair
 - Increase \$71,580 based off RFP (Request for Proposal) with total road projects being \$397,995
 - Miscellaneous services and sidewalk repair went down slightly

Robert Barnhill presented a map showing the locations where roads would be removed, replaced, chip and seal replacement projects, and soft places that need repair. Mr. Wagstaff and the Council discussed the road repairs. Council Member Ostler asked Mr. Wagstaff how he felt about the street budget (in regards to the limited amount available to meet the needs). Mr. Wagstaff said tackling the worst spots is first priority but also maintaining what we have (chip seal). He feels that there is a lot that needs to be done but he feels that they are gaining headway. Ms. Johnson reviewed the street budget in the workbook with the Council.

Ms. Johnson then discussed the utility fund in FY20 being \$733,221 that was actually spent, FY21 budgeted \$883,000, trending to spend \$838,000 and the proposed new utility fund amount is \$908,857. Water ended at \$422,000 in FY20, in FY21 \$556,284 was budgeted. She discussed proposing a budget amendment in the proposed budget that would be changing that amount to \$569,045 (for \$23,000 to address an emergency repair for the wastewater coming out of well #3 that was causing some icing issues on concrete that was causing safety issues). The proposed amount is \$550,000. This does not include capital projects that are not part of the operations budget.

The changes in the water budget include:

- Staff
 - New maintenance employee (utility worker 40% of the wages go to the water)
 - Performance/benefit increase
- Equipment changes
 - Increase of \$7,138 for the other portion of the Mac small dump truck
 - Fuel (increase on trend and increase of fuel costs) budgeted for \$3300
 - Computer and IT
 - Springs and auto meters have gone down slightly
 - Well #2 \$37,000 added for inspection and repairs that may need to happen
 - Improvements other than building has gone down due to spring work that has been completed
 - 900 West water line goes down because that is completed
- Capital Improvements
 - Water line at 3600 South is being held off to see if there can be some developer participation, they added 3000 S Hwy 89 to 1200 W (changing the amount from \$1.5 million to \$1,000,093)
- Water rate change
 - Set a user rate going up to \$19.50 from \$15.00 (public hearing will be set in Council meeting) This will allow for system improvement and replacement, increase

operation efficiency, replace old faulty infrastructure, and prepare for growth in the community.

The next budget Ms. Johnson discussed was the storm drain budget. It ended at \$114,336 in FY20. She explained that it was higher because of work on 100 West that was a one-time project. \$89,250 was budgeted, the trend is \$70,210 and the proposed budget for FY21 is \$90,964.50.

The changes in the storm drain budget include:

- Staff
 - New Maintenance employee (shared between departments)
 - Performance/benefit increases
- Supplies go down
- Storm drain adds some money but storm drain management goes down
- Detention pond goes down

Priorities for the storm drain are to continue to be compliant with SWPP (storm water management and protection program) and increase efficiency and maintenance of the Storm Water system. Mr. Wagstaff added that the only major increase in funds was for cleaning storm drains out that may be a problem. Council Member Wright said that if this fund is only at 50%, it should either be spent or moved. Mr. Wagstaff said that he thinks that they went off of trend last year, professional and technical may have not been adjusted, and there were a couple of projects listed in that. He was not over the budget last year so he was unsure. Ms. Johnson said she is working on the March update and it may show that there has been more spent. She said they can analyze that and look at it to see if they need to adjust.

Ms. Johnson moved to garbage which is mostly contract based. She said that \$232,000 was the actual for FY20. The budgeted amount was \$237,700 and the trend \$222,692. She explained that there was a contract change at the beginning of FY21 and there was a portion of time during that change where there was an audit on the number of cans. The audit on cans showed that there were people that had extra cans that were not paying for them (i.e. garbage can blows away and a neighbor ends up with the extra can). This audit allowed adjustments to bills to make sure that people were paying for the number of cans they are using. The new garbage company numbers their cans so it will be easier to track this. The budget goes up for the contract change, the tipping fees that changed, as well as the audit on those cans. She reviewed the revenues and expenditures taking in account the revenue and line items, showing that they are \$10,000 better.

Ms. Johnson discussed the state form for the utility fund. When looking at major improvements and capital outlay it shows a loss. This includes the \$23,000 for the wastewater coming out of well #3. It shows the total operating revenue for FY22 coming in at \$919,210. Operating expenses are at \$908,857, impact fees are \$115,524, miscellaneous revenues come in at \$1500, and net income and loss is \$127,377. She stated after accounting for capital expenses the utility fund shows a loss of \$831,126 that will come out of cash saved. Council Member Ostler said that with the loss, this fund should be left with approximately \$2 million. He said from his perspective, they can look at this number and see if they feel comfortable with that number or if they can spend more. Ms. Johnson said that it is taking care of most of the capital projects that need to be done that were listed by Brett Jones. The Council discussed the projects and timeline of when they will be done. Mr.

Wagstaff discussed there being a shortage on pipe and other material that may affect being able to complete some capital projects. Council Member Watkins asked how much of the \$2 million is restricted. Ms. Johnson said that it would be over \$1 million. She said she will update the slides and send them to the Council.

Ms. Johnson discussed the sewer fund for FY20 spending \$1,166,402. The budgeted amount was \$1,123,361. The trend amount is \$1,000,106 and the proposed amount is \$1,000,187. She said they did cut \$37,000 in equipment budget at the wastewater plant that they are adding back, they were trying to respond to any losses in revenue that we had. She explained that sewer fund is made up of two areas, collection and treatment. In collections they spent about \$106,000 in FY20, the budgeted amount was \$197,000 in FY21, trending is \$197,110 and the proposed budget for FY22 is \$218,695.

The changes for sewer collection budget are:

- Staff
 - New maintenance employee (shared between departments)
 - Performance/benefit increases
 - Tier 2 contribution
- Small increases including:
 - Professional/Technical increasing \$1100
 - Miscellaneous services (including repairs for broken manhole covers) adding \$14,800
 - Shared IT expenses
 - Office Supplies
 - Professional Technical
 - Lift Station at Walmart (to allow for cleaning) \$3,000 increase
 - Improvements going down for line repair being completed

Ms. Johnson then reviewed the treatment area spending \$1,065,090 in FY20, the budgeted amount was \$926,000, trending is at \$909,000 and proposed is \$969,000.

The changes for waste water treatment budget are:

- Staff (this one does not include the new maintenance employee)
 - Wages/benefits
 - Tier 2 to Tier 1 contribution change (\$753)
- Supplies going up \$7,000
- Equipment going up \$37,000
- Workers comp insurance (split the two employees into their own so that both cities are accountable) increasing \$1200
- Phosphorus removal was moved into utilities

Ms. Johnson explained that there was a change in cash balance due to the bond refinance. The refinance has now started adding money back into the fund balance. Council Member Tueller asked how much money is in the inter-local agreement fund (the money that gets put into an account for expansion and growth if the difference comes in under what the budgeted amount is). Ms. Johnson said she would find out. She suggested to keep in mind that the bond requirement requires an asset

management schedule be put in place. She urged the Council to be familiar with the inter-local agreement as both Willard and Perry are seeing new growth. She asked Council Member Tueller to get a detailed list from the sewer board of what is a repair and what is a capital improvement. Council Member Ostler asked about the inter-local agreement fund Council Member Tueller mentioned. He wanted to know if it was for funding of expanding and not funding of replacement. He asked why this does not come from impact fees. Ms. Johnson said that all impact fees are encumbered to the bond payment. She explained there is not a savings of impact fees. Council Member Ostler clarified his question asking if the nature of the inter-local agreement provision is funding expansion through existing user rates. Ms. Johnson said that it would only do that if capacity is exceeded (right now 1/3 of capacity is being used). Mr. Barnhill added that someday it would exceed capacity and would then be funded that way. Council Member Tueller said he does not want a misconception that they (the sewer board) are trying to fund expansion, he said over the years money has been trickling in there that has not been spent. Ms. Johnson said that they as a Council can also amend their budget at the end of the year if they see that there is a need to reduce budget so they are not required to add money to the savings outlined in the interlocal agreement. Mayor Jeppsen asked if the expansion fund is tracked by each city. Council Member Tueller said that they are.

Ms. Johnson discussed compensation review next. She said the compensation tools they have been using since 2018 have been performance increases, market based increases, and also cost of living increases. Right now the budget only includes performance increases. She discussed the last few year's increases in detail and how they were figured. She reviewed the table showing the different ways that the increases would affect the budget. She discussed the fund balance and said the money coming in is more than what the operation costs are.

Ms. Johnson discussed the benefit outlook with PEHP being a larger increase this year than in the past at 5.4% (that is split with employees). She explained that when shopping the market, this is still better when comparing the costs/benefits that the employees get with PEHP.

Ms. Johnson discussed the employment market right now being very competitive. She said that we need to stay competitive. Some employees are sitting well but others may be at a lower rate that may need the performance, market, and COLA to bring them to a level where they are happy and easier to retain.

Ms. Johnson explained the state form and how to navigate the revenue detail (comparing the budget workbook to the state form).

ADJOURNMENT

Mayor Jeppsen closed the work session.

The meeting adjourned at 6:21 p.m.

Shanna Johnson, City Recorder

Kevin Jeppsen, Mayor

Tyra Bischoff, Deputy Recorder