

Adopted Minutes
Spanish Fork City Council Work Session
May 30, 2006

Elected Officials Present: Mayor Joe L Thomas, Councilmembers, Seth V. Sorensen, Chris C. Wadsworth, Steven M. Leifson, Matthew D. Barber, Councilman G. Wayne Andersen was in attendance by electronic communication.

Staff Members Present: David Oyler, City Manager; Seth Perrins, Assistant City Manager; Richard Nielson, Assistant Public Works Director; Richard Heap, Public Works Director; Kent Clark, Recorder; John Bowcut, IS Director; Dee Rosenbaum, Public Safety Director; Junior Baker, City Attorney; Russell Olson, Finance Committee; Leonard Ellis, Finance Committee; Kimberly Robinson, Deputy Recorder

Citizens Present: Grace Conlon, Janice Nielson, Katie Schmitt

CALL TO ORDER

The meeting was called to order by Mayor Thomas at 6:14 p.m.

NEW BUSINESS

Authorization for Mayor to sign agreement with NRCS

Councilman Wadsworth explained in order to disperse the funds received through agricultural recreation the Mayor has to sign an agreement with the NRCS.

Councilman Barber made a **motion** to authorize the Mayor to sign the agreement with NRCS. Councilman Wadsworth **seconded** and the motion **passed** by a roll call vote all in favor.

WORK SESSION

Budget Review FY 2007

Councilman Wadsworth recognized the attendance of some members of the finance committee. He then listed the items to be discussed:

- \$94,500 Transfers from Enterprise Funds.
- Automated Meter Reading.
- Public Safety Building Funding.
- Reserve Pool.
- Pressurized Irrigation Revenue.
- Salary Survey
- Retirement.
- New Ball Park.

- Broadband Payback.
- Options for Change.

\$94,500 Transfer from Enterprise Funds

Automated Meter Reading

Mr. Olson explained the \$94,500 is whether the Council wants to lease the property or buy it. Mr. Olson clarified the accounting fund is to show it as some sort of asset instead of an expenditure.

Councilman Andersen stated at the committee meeting this was unanimously passed. Everyone felt there was a reasonable expectation from each of the departments, the motion was to leave it the same and account for it the current way.

Mr. Ellis said the meter reading is also part of the issue as well.

Mayor Thomas's concern is the purchase price for the infrastructure, he feels it should be counted as an asset with some method for payback so the sewer gets the value from it.

Councilman Wadsworth noted at some point in time they will be reading the meters. If by chance that does not happen they can decide if they want to continue doing it the way they are currently.

Mr. Olson explained it would just be moving an asset fund from one entry to the other.

Councilman Sorensen understands it is a limited amount in the system that they are paying.

Mr. Ellis said it would not be prudent to not install it. There would be a high cost to the residents in the future if it is not installed.

Mr. Foster said the technology is there to turn the meters on and off. It is not as reliable as they would like, but it's still there. They are looking at new products. They have used it in certain situations at the city already and it has worked. The technology is getting better and better all the time. They have found one technology that the cost is reasonable and they will be able to do what they need to do with the system. They are looking into it. Mr. Foster explained the situations when they would install the disconnect ability in the meters. The system will read both the water and electric meters.

Councilman Wadsworth asked what it would take to connect the two.

Mr. Foster said they have tested several systems and they have found some that are able to do what they need.

Mayor Thomas asked if the sewer will be metered.

Mr. Clark explained that it would not be metered because it is measured by the water usage and not by the sewer usages.

Mr. Oyler asked if there was anything the system needed to do besides meter reading and disconnections.

Mr. Foster said the system gives data. Each residential customer uses a certain amount of power and they are able to build their system setups based on the usages recorded. The system helps so they can be more proactive when they deal with power outages. They are able to tell the loading on different lines and substations knowing usage they are able to detect problems before an outage occurs. Right now equipment must be used at the residence to test for outages and problems with this system allowing them to detect it without even having to visit the property. It will help manage the transformer loads and figure the actual usage on a transformer.

Councilman Barber clarified that the \$94,500 is based on the current meter readings.

Mr. Foster said the cost for the meters is the same as the aircards they are currently purchasing for the Public Safety Department.

Councilman Sorensen explained that the new system enables people to test for leaks, and do more themselves.

Mr. Foster said they are ahead of the curve for technology and this will be a benefit to the City.

Mr. Bowcut said if they want to manage the resources the City needs to manage the system so it will work better.

Councilman Barber stated the budget item was fine to leave in as long as the appropriate amount is given.

Councilman Sorensen is fine with the item remaining in the budget.

Councilman Wadsworth said he feels there is a postponed value in doing this project.

Mr. Olson explained the benefit will not be seen now but the books will show and carry the information.

Mr. Clark explained the expense \$94,500 is the capitalized costs that are out in the street, the asset is growing more each year as people add on to the system.

Mr. Foster said the system gives enough information to know where the power is going before there is a problem.

Councilman Wadsworth clarified that the system helps project the issues before they happen.

Funding for the Public Safety Building.

Mr. Olson said the Council has to decide how they want to fund this project.

Discussion was made by the Council to use sales tax as a funding option.

Mr. Oyler stated the reserve pool can be used to help fund the project. There are some funds in reserves to help fund the debt service amount and make the payments less.

Mr. Ellis said it ties into the property taxes. Spanish Fork City has significantly lower property taxes than the surrounding areas. He feels a G.O. Bond will enable the funds to come from the property taxes to help meet the payment requirements.

Mr. Clark explained the certified tax rate and the process that the Council would have to follow for the funds. If they use some of the reserves and buy down the principal portion it will make the annual payment less.

Councilman Sorensen asked where the funds would come from to make the payments without hurting other sources.

Mr. Olson explained the difference between a reserve fund and a designation fund.

Mayor Thomas asked how much was currently available to add to the fund.

Mr. Clark stated the recommended amount is 1 million plus another 2 million to buy it down. Mr. Clark also stated that he holds the reserves in high trust and he is responsible to ensure the city has the reserves for when they need them. He does not feel that borrowing money like the Mayor has requested is prudent. He also said there is responsibility to balance the funds out and he feels the City can use some of the funds to help fund this project.

Councilman Wadsworth asked if the goal was to have 50% coverage in each fund.

Mr. Clark said 50% is the goal and they are currently getting close to those amounts in the reserves.

Councilman Wadsworth clarified that there are currently funds available that are not earmarked for other projects.

Mr. Olson excused himself early at 7:12 p.m.

Councilman Sorensen expressed his concern using the reserves, and wants to ensure that if something happens they will still have the funds to handle the situation. He then discussed an example of when the transformers went down.

Mayor Thomas explained that to use our reserves to pay down some of the debt now will help save money for the citizens in the future. He is in favor to use the reserves now and save the citizens from having to pay that much more.

Councilman Sorensen agreed that they need to buy the payment down as much as possible and feels it will benefit everyone if they do so.

Councilman Wadsworth asked that the funds be kept high enough in the reserves that the transformers can be replaced if something happens again.

Mr. Oyler explained the City uses the funds to fund projects in the community so they do not have to fund it in other ways. He listed some projects that have been funded by the reserves such as the pool, Main Street, and the fairgrounds are all paid for by the reserves generated out of the electric fund revenue. Mr. Oyler said the discussion the Council has been having deals with the usage of the reserve funds to pay for the police station. He feels it is the same as paying for the other projects in the community.

Mr. Foster noted in just a few years the cost of the transformers has gone up significantly. They paid around \$312,000 for the first transformer, and the latest one purchased was \$412,000 the cost has increased and will continue to rise.

Mr. Ellis added that the Council will still need to bond for the rest of the funds needed.

Councilman Andersen said as a minimum they should keep the property tax rate where it is currently. Those funds can be used to help cover the cost of the payments.

Councilman Wadsworth said the finance committee unanimously agreed the hearing be held to bond for the funds.

Councilman Andersen said it was decided to keep the tax rate the same and possibly even raise it a little to help fund the project.

Mayor Thomas said he would rather let the tax rate go down and then vote and bond for the new rates.

Mr. Clark explained the process of how to keep the property tax rate the same. He stated there would need to be an advertisement for a public hearing and the Council would then set the certified tax rate at a different amount at the hearing.

Mayor Thomas said he feels the past bonded amount should be removed if the public was promised it would be.

Councilman Wadsworth feels the Council has to keep their promise to the public and then they can move forward with the different rates in the future.

Councilman Barber said he feels the electric revenue fund would be a source for some of the money to use towards the payment.

Mr. Ellis explained that because of the certified tax rate the property taxes have decreased over the last few years.

Mr. Oyler said the question the Council has to ask themselves is does the city have enough revenue coming into the electric department to cover the cost of the payments. He then explained the difference between rates and taxes. Mr. Oyler said the Council can determine where they want the funds to come from.

Councilman Andersen said that because the Council made a promise 10 years ago that the tax rate will decrease, are they creating a bigger problem down the road because they will have to more dramatically raise the rate to pay for this project.

Councilman Barber asked where the funds will come from if not from the electric revenue.

Councilman Andersen suggested using the electric revenue for now, and they will look at raising the property taxes because they are the lowest around.

Mayor Thomas is optimistic that the electric funds will be healthier in the future.

Councilman Wadsworth noted the property tax is able to be deducted where the other taxes would not be deductible.

Mr. Oyler stated in the future they will have a better idea of the cost of the building, and they can then discuss ways to fund the building at that time.

Councilman Wadsworth said if the City already owned property to build the building on they would have the potential to save money.

Mr. Ellis reminded the Council they have to be competitive with the other cities and the certified tax rates would have to be kept competitive and will probably need to be changed.

Mayor Thomas feels the City needs to be competitive and that they will know more about the costs in the future.

Mr. Ellis Excused himself early 7:40 p.m.

Councilman Wadsworth made a **motion** to recess the work session at 7:42 p.m.
Councilman Barber **seconded** and the motion **passed** all in favor.

The meeting was reconvened at 7:50 p.m.

Mr. Clark explained the information given in the binders to the Council. If the Council has different subjects they want information for, or formats they would like to see they should let him know. Mr. Clark said the staff can provide whatever information the Council feels would be useful to them.

Mayor Thomas thanked Mr. Clark for his work and effort.

Councilman Leifson thanked Mr. Clark as well and said this was great information.

Mr. Oyler stated that as the finance committee continues to meet the information will be given to the Council.

Councilman Wadsworth thanked Mr. Clark for the great information. He would also like to see the information available online.

Pressurized Irrigation (PI) Revenue

Mr. Heap said they try to keep the pressurized irrigation rates lower than the culinary water rates.

Councilman Sorensen said the money is set aside for those funds and they are to pay off the bonds early.

Mayor Thomas feels the money that comes in is inflated and he would like to see the rates come down for everyone.

Councilman Barber asked how the base rate for twin homes and apartment buildings was calculated.

Mr. Heap explained they get charged the base rate for both even though there is only one hook-up, but it is at a reduced rate.

Mayor Thomas feels one meter should charge one rate and he will check into the amounts of the multi-family housing. He has been asked by many people to change the rates and what makes them different amounts.

Councilman Leifson asked for the information and that the Council review it and bring it back for discussion.

Salary Survey

Councilman Wadsworth noticed the survey will be in the budget and he is happy to see it moving forward.

Mr. Perrins explained they had looked at different ways to do the salary surveys. They don't feel it is a cost effective way to go if they are doing annual surveys. They have contacted a group that will study and review the job descriptions and form a committee to make sure the job descriptions are up to date. They will compare the positions with

whomever we ask them to. It is the same firm that does Orem City's surveys. The cost will be about \$2,000 a year to upkeep and every five years they will do a review and update the information. The city will direct them who to compare the surveys with.

Councilman Wadsworth asked if the compensation packages would be included in the survey.

Mr. Perrins said he was not sure if compensation was figured into the survey but he will check.

Councilman Wadsworth made a **motion** to take a short break at 8:20 p.m. Councilman Sorensen **seconded** and the motion **passed** all in favor.

Councilman Andersen Excused himself early at 8:24 p.m.

Councilman Barber made a **motion** to move to executive session for land use at 8:25 p.m. Councilman Sorensen **seconded** and the motion **passed** by a roll call vote all in favor.

The work session reconvened at 9:20 p.m.

New Ball Park

Councilman Barber asked why there is another phase of the ball park being constructed.

Mr. Oyler said they are finishing the existing one that is currently under construction.

Mr. Robinson said they had split it into two budgets.

Broadband Infrastructure

Mayor Thomas asked if any of the infrastructure will be paid back to the entities that have helped to fund it.

Mr. Oyler said there has been a process created to handle that type of situation.

Mayor Thomas feels the citizens are not seeing their value in the system. If they don't see it he would like to see the people using the system paying it back and not everyone as a whole.

Councilman Sorensen disagreed. He felt the customers using broadband were not using the rest of the infrastructure.

Discussion was made concerning the infrastructure.

Mayor Thomas wants to see in the future the payments made until the payment is paid off. He wants the citizens to not have to pay the bill for other usages.

Mr. Oyler said in ten years if the system is not used they will set up a note and pay back the money they put into it and continue the bond. It is a call the Council will have to look at in eight to ten years.

Councilman Barber said Provo City had made an interest bearing note.

Mr. Baker stated it was passed to cover those kinds of costs.

Mr. Clark explained the note to be paid back is the excess over the bonded amount.

Councilman Wadsworth clarified that the sewer and water will be paying part because you can't have one without the other. The metering is the cornerstone of the projects.

Mr. Bowcut stated that the SCADA system is involved as well.

Mayor Thomas wants the citizens to know what their money is being used for.

Mr. Bowcut stated the infrastructure was originally installed for the utilities.

Mayor Thomas stated it came with the promise that they will save a ton of money on meter management.

Mr. Oyler reiterated how the project grew from the infrastructure to be tied in to all the citizens getting involved.

Councilman Barber feels the Council needs a work session where staff can come and explain the value of the meter reading.

Options for Change

Mayor Thomas explained he has learned a lot about the budget and would like to have more information. He hopes the Council keeps the options open over the year and that they continue to make the budget work for this community.

Mr. Heap stated the tentative budget numbers were given in March and things have changed since then. He hopes the Council will keep in mind that things are constantly changing.

Mayor Thomas said the work sheets were very helpful.

Councilman Wadsworth thanked the finance committee for the graphs and information submitted.

Mr. Oyler reminded the Council that this budget is workable and flexible and it is for the Council's review.

Mayor Thomas hopes that within the next week citizens will e-mail the Council with any questions or comments they may have about the budget. He also invited the citizens to attend the next Council meeting when the budget will be discussed.

Councilman Wadsworth said he appreciates the staff getting the information posted in a timely manner.

Mr. Perrins demonstrated how to find the information on the cities website.

Mr. Oyler said this is now the elected officials budget and next week the public hearing and the citizens can give the Council input. The Council will have to adopt the budget but it is able to change as needed. A formal budget must to be adopted. He also asked that if there are any concerns to please let the staff know.

Mr. Perrins said that the last thing staff wants is for the Council to leave this budget meeting with questions. He asked the Council to please ask their questions if they have any because this is their budget and he wants the information to be clear.

Mr. Oyler asked that questions be submitted in enough time so staff can do the research and provide the information necessary.

Councilman Wadsworth said he liked the way the budget was laid out this year.

Mr. Clark explained the process for the truth and taxation hearing. If that is the way the Council chooses to fund the public safety building they will have to pursue those requirements.

Adjournment

Councilman Wadsworth made a **motion** to adjourn the meeting at 9:39 p.m. Councilman Leifson **seconded** and the motion **passed** all in favor.

ATTEST:

Kimberly Robinson, Deputy Recorder