

CLEARFIELD CITY COUNCIL MEETING MINUTES
6:00 P.M. WORK SESSION
May 1, 2018

PRESIDING:	Mark Shepherd	Mayor
PRESENT:	Kent Bush	Councilmember
	Nike Peterson	Councilmember
	Tim Roper	Councilmember
	Karece Thompson	Councilmember
PRESENT VIA TELEPHONE:	Vern Phipps	Councilmember
STAFF PRESENT:	JJ Allen	City Manager
	Summer Palmer	Assistant City Manager
	Stuart Williams	City Attorney
	Greg Krusi	Police Chief
	Scott Hodge	Public Works Director
	Eric Howes	Community Services Director
	Spencer Brimley	Community Development Director
	Brad McIlrath	Senior Planner
	Trevor Cahoon	Communications Coordinator
	Nancy Dean	City Recorder

VISITORS: Betty Parker, Bruce Cook, Troy Green

Mayor Shepherd called the meeting to order at 6:01 p.m.

TOUR OF FREEPORT CENTER

Betty Parker, Freeport Center Associates, provided a brief history of the Freeport Center with the Council. She reviewed the tenant list for Freeport Center Associates and provided information to the Council regarding the amount of tax revenue generated as a result of those tenants. She showed a drone aerial video of the facility and took the Council on a walking tour of Lifetime Products.

The City Council returned to City Hall to review the 2018/2019 fiscal year budget at 8:30 p.m.

DISCUSSION ON THE 2018/2019 FISCAL YEAR BUDGET

Rich Knapp, Finance Manager, commented the proposed budget still had outstanding issues to be resolved before it would be ready for adoption. He indicated staff had currently only projected property tax revenue and the costs for long term disability, health insurance, property and liability insurance, and the indirect cost allocation for the Enterprise Fund.

Mr. Knapp provided an analysis on the General Fund which indicated total operating revenue was projected to be \$16,201,942 and expenditures should be approximately \$16,181,976 which left \$19,966 in a net operating surplus. He stated the surplus was a positive factor and indicated sustainability but expressed concern that any sway in the economy could affect the balance in a negative way. He also informed the Council that the proposed budget would leave \$2,752,147 in the unrestricted revenue balance which would be 17.3 percent. He stated the Government Finance Officers Association (GFOA) recommended maintaining an unrestricted fund balance at no less than two months of regular general fund operating expenditures.

Mayor Shepherd commented the City traditionally tried to keep the unrestricted revenue balance at 18 percent. Mr. Knapp agreed and added that keeping the unrestricted revenue balance at two months operating expenses was the recommendation from GFOA but State Law allowed for the City to keep up to 25 percent of revenues in the unrestricted fund balance. JJ Allen, City Manager, added the cap requirement by the State used to be 18 percent but that was changed a few years back. He stated since that time the City has targeted the 18 percent or two months of operating expenses as its goal.

Mr. Knapp indicated staff had reviewed the proposed budget for additional cuts after an indication from the Council that it did not intend to maintain the current certified property tax rate, but rather accept the County's recommended rate. He proposed the Spillman software migration project be postponed for a year to balance the budget. He suggested budget cuts could alternately come from street surface treatments, scaling back the vehicle replacement schedule, forgoing camera replacements at the Clearfield Aquatic and Fitness Center (CAFC), forgoing cameras in the police interview rooms, asking departments to identify other budget cuts, scaling down training costs, changing the cost share ratio for health insurance, and reducing the amount identified in the employee compensation plan. He offered there might be a combination of any of the listed cuts used to balance the budget.

Mayor Shepherd commented the Spillman software migration project appeared to be a good proposal since the City was in the middle of another migration to a new finance software and had a new IT Manager. He cautioned that cutting the Spillman software migration was only postponing the expense until next budget year.

Councilmember Phipps agreed the Spillman software migration project was a good one to postpone. He asked if there was still a risk that the premiums for health insurance might come in higher than budgeted. Mr. Knapp indicated the City projected a 15 percent increase to health insurance premiums but the hope was the increase would actually be under 15 percent.

Mayor Shepherd asked if the Spillman cut balanced the budget. Mr. Allen indicated the cut would balance the budget; however, it was important to note the City was still using the unrestricted fund balance for one time projects to balance the budget. Mayor Shepherd expressed his opinion that small increases to property taxes were a lot better for residents than one-time larger increases. Councilmember Bush agreed. He commented there were other communities planning double digit increases to property tax because they had not maintained property tax revenue.

Councilmember Phipps stated the City historically underspent its estimated budget. He expressed his opinion that factor created lower risk. Mayor Shepherd expressed his opinion that part of the reason the City was seeing a higher unrestricted fund balance was higher revenues than projected and the inability to fill a budgeted police officer position. He stated the City ran a lean budget and cautioned a downturn in the economy could significantly affect the City's ability to provide services at the current level. Councilmember Phipps stated the decision to accept Davis County's certified tax rate for the City was an assessment of risk. He suggested it was difficult to predict economic conditions that would negatively impact the budget. Mayor Shepherd commented economic professionals were forecasting some degree of a recession in the near future. He also expressed concern that Clearfield lacked the economic growth of other communities because it was pretty much built out and when there was growth it came through redevelopment that was incentivized with tax increment revenue.

Councilmember Bush suggested there was a misconception that maintaining the current property tax rate was a tax increase. He expressed his opinion that it was only a tax increase if the rate was raised not just maintained. He compared it to prices going up on groceries and paying more taxes not because the sales tax increased but because the price of the groceries increased. Councilmember Phipps stated he had to buy groceries to live but his house had not changed. He agreed there was a valid argument to be made that the cost of running the City increased but not equating property tax with sales tax. He expressed his opinion that there was a reason why there was a balance of taxes for government because they affect different people in different ways.

Councilmember Roper stated he had spoken with residents that did not want to see the City maintain the property tax rate because they did not want to pay more property taxes. He commented many residents were on fixed incomes. He suggested there were still things that could be cut from the budget to balance it without maintaining the property tax rate. He stated he was not comfortable with the City purchasing a street sweeper and other things identified in the budget.

Mr. Allen provided clarification that the street sweeper was being purchased by the Enterprise Fund, so it was not being purchased with property tax revenue. He added he was only previously aware of Councilmember Phipps' concerns about the purchase of a street sweeper. Mr. Allen explained the purchase of the street sweeper was a level of service question. He continued the analysis assumed sweeping the streets three times per year but Councilmember Phipps thought once a year was a sufficient service level. He asked if there were other members of the Council that were concerned about the purchase of the street sweeper.

Councilmember Peterson referred to Councilmember Bush's earlier comments about other communities experiencing larger tax increases for residents because they had not planned appropriately and agreed that it was not good policy to hold off analyzing the need for adjustments in property tax revenue regularly. She commented there was something to be said for tightening expenditures for one or two years even though it might be uncomfortable. She agreed it was important to not allow those cuts in expenditures to become risky. She added many residents were experiencing tight budgets.

Councilmember Thompson asked how much of an increase there would be to residents if the City maintained its certified tax rate. He expressed his opinion that it was important to have consistent revenue to keep the City operating in a good way. He continued it might not be prudent for the City to hold off maintaining the rate since it chose to accept the County's rate last year. He stated he did not want to see the residents hit with a large increase to property rates at a later date. Councilmember Bush stated it was difficult to know how maintaining the rate would affect residents until the County identified what the rate would be. Mr. Allen stated staff projected an increase in property tax at \$5 per year for the average homeowner if the rate were maintained.

Mayor Shepherd acknowledged a majority of the members of the Council felt strongly about accepting the County's certified tax rate for the City.

Eric Howes, Community Services Director, addressed the budget issue associated with funding the additional cost associated with replacing the pool play structure. He asked how willing the Council was to fund the additional cost. Councilmember Phipps asked if it was possible to rebid the project to try for better pricing. Mr. Howes replied a rebid was unlikely to bring a reduction in the price because there was only one company in Utah who was certified to work on the type of liner in the City's pool and they were the low bidder. He informed the Council that the second lowest bid was using the low bidder as a subcontractor and their pricing was about \$100,000 above the lower bid. Councilmember Phipps suggested the concerns about safety made it a priority to replace the pool play structure. He commented it was important to remove the risk. Councilmember Peterson agreed. Mayor Shepherd commented that funding the cost increase from PARAT Tax might possibly have an impact on some other future projects. Councilmember Bush commented he was in favor of spending PARAT Tax revenue on the pool play structure and pickleball courts. There was consensus from the Council that the additional funding for the pool play structure was a priority.

The meeting adjourned at 9:10 p.m.

APPROVED AND ADOPTED
This 12th day of June, 2018

/s/Mark R. Shepherd, Mayor

ATTEST:

/s/Nancy R. Dean, City Recorder

I hereby certify that the foregoing represents a true, accurate, and complete record of the Clearfield City Council meeting held Tuesday, May 1, 2018.

/s/Nancy R. Dean, City Recorder