



HIGHLAND CITY

HIGHLAND CITY COUNCIL SPECIAL WORK SESSION MINUTES

Tuesday, June 12, 2018

Approved July 17, 2018

Highland City Council Chambers, 5400 West Civic Center Drive, Highland Utah 84003

PRESIDING: Mayor Rod Mann

COUNCIL MEMBERS

PRESENT: Brian Braithwaite, Ed Dennis, Tim Irwin (via telephone), Kurt Ostler, Scott L. Smith

CITY STAFF PRESENT: City Administrator / Community Development Director Nathan Crane, Assistant City Administrator Erin Wells, Finance Director Gary LeCheminant, City Recorder Cindy Quick

OTHERS: Ron Campbell, Ed Barfuss, Tim Ball and Natalie Ball

7:00 P.M. SPECIALWORK SESSION (CITY COUNCIL CHAMBERS)

Call to Order – *Mayor Rod Mann*

Invocation – Council Member Kurt Ostler

The meeting was called to order by Mayor Rod Mann as a regular session at **7:00 p.m.** The meeting agenda was posted on the *Utah State Public Meeting Website* at least 24 hours prior to the meeting. The prayer was offered by Council Member Kurt Ostler.

1. HIGHLAND CITY COMPREHENSIVE FINANCIAL SUSTAINABILITY PLAN

Discussion on the results of the fiscal sustainability model prepared by Lewis Young Robertson and Burningham

City Administrator Nathan Crane introduced Fred Philpot, representing Lewis Young Robertson and Burningham, who would be presenting the results of the model for the sustainability plan. The purpose of the presentation was to help the Council understand how the model works and eventually prepare a final report. He further explained that this was just one step in the economic development process and reminded Council that it was not a budget document.

Fred Philpot gave an overview of the presentation he would be giving and stated that the idea behind the analysis was to look at a long-term plan for the General Fund. He said that many entities go through a similar analysis relating to enterprise funds. He presented a slide showing the following tasks in the analysis process:

- Task 1: Project initiation and kick-off meeting
- Task 2: Coordination with staff regarding capital needs and new expenditures
- Task 3: Expenditure evaluation
- Task 4: Development revenue projections
- Task 5: Establish financing plan
- Task 6: Review findings
- Task 7: Update/additional scenarios
- Task 8: Documentation and presentation

Fred Philpot reported that they were on Tasks 6 and 7 and would soon be moving on to Task 8. He explained that the challenge most entities face with the General Fund was the loss of buying power over time. Which is such a concern that it has been proposed to take legislative action at a State level. He explained how the certified tax rate works and said that it maintains budget neutrality while capturing new growth. However, the rate does not include an inflation variable. He explained that a city may have cost increases that exceed or outpace the growth. The purpose of the analysis was to determine if Highland City’s General Fund would be able to keep pace with estimates of inflation, growth and level of service increases.

Council Member Ed Dennis addressed the revenue projections and wanted to be sure that certain figures were not counted as new revenue, because they were carryovers from the previous year. Fred Philpot confirmed that this number was excluded from new revenue. He reminded the Council that the report was not a budget document. Council Member Ed Dennis noted that he did not want to include prior fund balances into the projections.

Fred Philpot continued the presentation by detailing the model assumptions, as follows:

- Model Assumes 2019 Budgeted Revenues and Expenses
- Includes New Growth Property Tax Revenue (Approx. \$60K)
- Future Assumptions regarding Primary Revenues:
 - Base Year Tax Levy –0.0013270
 - Sales Tax – 4% Growth (Historic at 6.6%)
 - Utility Franchise Tax – 3% (Historic at 4.2%)
 - Others:

Other Revenues	Proposed	Historic (2011-2017)
Licenses & Permits	3%	11.8%
Intergovernmental	2%	4.4%
Fees & Services	3%	25.3%
Court Fines	0%	-1.3%
Other	3%	12.4%
Miscellaneous	3%	8.8%
Garbage & Other	3%	3.6%

Council Member Brian Braithwaite asked if the utility franchise tax was reasonably stable in slower years and Mr. Philpot answered affirmatively. Council Member Brian Braithwaite suggested that they did not need to pad this tax fund as they would with sales tax because it would not fluctuate too much.

Council Member Kurt Ostler commented that the State started collecting internet sales tax from Amazon last August and he wondered if staff had noticed any growth from online sales.

Finance Director Gary LeCheminant said that there was some revenue but nothing substantial.

Fred Philpot presented assumptions regarding inflationary growth, as follows:

- Salaries – 3% growth, Year 1-5
- Benefits – 7% growth, Year 1-5
- Public Safety Expenditures – 3% growth, Year 1-5
- General Expenditures – 3% growth, Year 1-5

Mayor Mann asked about the percentage increase for Police and Fire in the upcoming budget. Finance Director LeCheminant responded that it was close to 5%. City Administrator Nathan Crane stated that the numbers presented by Mr. Philpot were just inflationary costs.

Fred Philpot continued with the presentation explaining that expenditures were divided into three categories: General Operations and Maintenance, Debt Service, and Capital Improvements. He noted that they would need to meet with each department head to determine new expenditures. He then presented a slide depicting the increase in expenditures for the next two fiscal years, as follows:

- FY 2019 Expenses
 - No New Operating or Capital Expense in 2019
- FY 2020 Expenses
 - Inflationary Growth
 - New Operations and Maintenance - \$827,400
 - New Capital - \$628,727

Council Member Ed Dennis asked if there would be a transfer out of the General Fund for 2019, and Finance Director Gary LeCheminant confirmed that they would be transferring \$245,000. City Administrator Nathan Crane said that this transfer was included in the expense sheet they went over in May.

Fred Philpot showed a spreadsheet detailing the expenditures and indicated a few projects. He stated that the current state of the General Fund could handle inflation costs without any new expenses for a few years but would then need an increase of 16% to maintain that in 2023. He recommended that entities go through the process to capture inflation costs every three to five years.

Mr. Philpot then presented the four scenarios they had prepared for the City Council. He specifically addressed Scenario Three – Increase to Fund 100% of Cost and said that they would need roughly 113% new property tax revenue to mitigate the operating expense increase and the capital expense increase. He explained that the challenge was that one-time increases could lead to higher fund balances, so he suggested staggering the capital expenses over time.

Council Member Scott L. Smith asked how they could run a fund balance reserve at 40% when the State limits the fund balance reserve at 25%. Mr. Philpot explained that they would transfer funds from the reserve into the capital projects fund. The 113% increase illustrates the magnitude of their need and hopefully they would start thinking more about how to prioritize projects.

Fred Philpot also briefly addressed Scenario Four – Increase to Fund Costs, Less Public Safety. The next step in the process would be to present alternative scenarios, finalize Council priorities, and preparing the final analysis and report.

He said that staff had asked him to explore numbers for residential and non-residential ERUs, and what that would look like from an efficiency standpoint. He noted that he had used data from the County regarding home values and increased it slightly for his calculations. Council Member Brian Braithwaite asked why the cost of the home would make a difference if the ERU was based on the number of households in the community. Mr. Philpot explained that the cost of the home was important when calculating one-time money for the City. The tax rate would be the same for all households.

The Council continued to discuss home values with Mr. Philpot, and whether the calculations were based on market value.

In response to a question from Council Member Kurt Ostler, Mr. Philpot explained that ERU stands for Equivalent Residential Units. In the calculations, a single-family dwelling was one ERU, and 10,000 square feet of retail space was one ERU.

Council Member Brian Braithwaite asked how schools and churches were included in the ERU calculations. He noted that someone was paying the public safety costs for these exempt commercial uses because it wasn't bringing in its own revenue. Mr. Philpot responded that it was already built into the allocation that was currently being received. After some continued discussion, it was discovered that Council Member Braithwaite was referring to commercial uses and Fred Philpot was referring to retail uses. Retail uses would create an excess revenue to cover public safety costs but commercial uses would not.

Council Member Scott L. Smith said that about 75% of the City's sales tax comes from shared sales tax from the State. Finance Director Gary LeCheminant said that it was even more than 75%, based on his calculations. Council Member Smith expressed a concern that Highland was not getting the appropriate amount of internet sales tax because they did not have their own zip code.

Council Member Smith requested that that they find more data regarding public safety services being used by retail uses. He felt that this information would help them make a better decision about how those costs should be allocated. Mr. Philpot said that this was outside of the scope they were given for this analysis but they could do as requested.

Fred Philpot commented that if Highland City only added retail space in the future, the costs for public safety would still go up without an increase in population.

Council Member Brian Braithwaite was concerned that the ERU numbers presented were not realistic and it would be hard to explain to residents. He requested that they produce scenarios that reflected reality and allocated cost to retail uses. City Administrator Nathan Crane said that this might be a different type of project. He said it was a great discussion for public safety but it was outside of the scope staff had asked for the analysis.

After some discussion about the ERU calculations, Fred Philpot explained that there was a difference between allocation and cost. The numbers he presented were just talking about allocation. There would be an additional cost with retail spaces but they currently were not being allocated that cost. The Council may need to further discuss how the costs were allocated.

Fred Philpot commented that the analysis illustrated the potential challenges of how to allocate costs. He understood that the Council's primary questions were about the cost of development and what type of development they should pursue in Highland. He explained that there are a lot of variables with regard to that equation. Council Member Ed Dennis confirmed that he was concerned that the results of the analysis were not

logical and could not be used to help answer that question. Mr. Philpot reiterated that they would need to look at how the costs were being allocated.

Council Member Kurt Ostler suggested a study be done showing how retail or office space and assisted living facilities would impact Highland City. He wanted to know if they should be encouraging retail development along SR-92, or if residential and office uses would be beneficial.

Finance Director Gary LeCheminant said that the analysis shows that the General Fund would not be able to sustain inflation and expenses and was what the Council should be taking away from the study. He was afraid that talking about ERUs was distracting them from the main issue of the General Fund.

Council Member Brian Braithwaite said that part of the argument about ERUs was valuable because their biggest expense was public safety. Their discussion directly correlated with ERUs and their impact on property tax.

City Administrator Nathan Crane said that the important task would be to finalize the analysis from Lewis Young Robertson and Burningham. A discussion on allocating costs for public safety would take place at a later date.

Mayor Mann said that his takeaway from the presentation was that the City had a problem with revenue and two options for resolving that issue were to impose some sort of ENS fee and reevaluating property tax. He said that people need to be aware that only a small percentage of their property tax actually goes to the City. It was not easy to raise property taxes but the City needed to at least cover inflation costs.

Council Member Brian Braithwaite said that education was very important when it came to property tax. Council Member Scott L. Smith added that only about 14% of property tax goes to Highland City, most of the tax money goes to the School District.

Council Member Ed Dennis redirected the conversation to capital expenses and asked if it would be beneficial to set a ceiling on capital expenses and average out the expenses over a few years. City Administrator Nathan Crane explained a few of the capital and maintenance expenses for the fiscal year.

Council Member Brian Braithwaite suggested that Fred Philpot create a chart showing City expenses with and without Loan Peak Public Safety so that they could discuss public safety expenses more clearly with the residents.

There was a discussion regarding capital projects, and Council Member Kurt Ostler suggested that staff focus on security cameras in the children's area of the library and to make sure that they had enough money for the portion they had to match for the Murdock Connector.

Council Member Scott L. Smith asked about the interlocal agreement that the City entered into regarding the Murdock Connector. He wanted to know if they knew the exact cost for the City regarding the road. City Administrator Nathan Crane responded that UDOT was entering into an agreement with MAG to get funding for the road.

Council Member Brian Braithwaite said that the cost should not be allocated to the cities. The reason they entered into the interlocal agreement was to motivate cities that were dragging their feet on the project. The costs referred to in the agreement were inflation costs.

Mayor Mann said that another agreement would be created before the road was funded. The project went to the state at MAG's request, so they should be willing to pay the construction costs. He noted that the design and construction would be done by the State but the cities would maintain the road once its completed.

Council Member Brian Braithwaite reported that MAG has consistently said that they would cover the cost of the road. With the new agreement, it would be the first time the cities had seen real numbers since 2013.

There was a brief discussion regarding Pheasant Hollow and Council Member Brian Braithwaite confirmed that the City had signed an agreement with the residents to communicate with them regarding the Murdock Connector.

Mayor Mann asked the Council if they wanted to give direction to staff regarding capital expenses. Council Member Braithwaite suggested that they spread costs out over seven years and create a prioritized list including cost estimates for each project. City Administrator Crane confirmed that staff would analyze the expenditures and prioritize those expenses. Once they had the Council's input on that list, they would have Mr. Philpot update the model. Council Member Ed Dennis requested that they update home values in the assumptions as well. Council Member Braithwaite reiterated his request for a scenario with public safety broken out of the expenses.

City Administrator Nathan Crane noted that the Police and Fire departments had concerns about recruitment and employee retention. Chief Thompson was currently working on a strategic long-term plan to identify costs.

Council Member Ed Dennis asked if the Council wanted to increase the scope of Fred Philpot's work to include a full-blown economic study. After some discussion, the Council determined that they would allow the analysis to be updated and finalized and then they would discuss whether they wanted a more detailed economic study.

ADJOURNMENT

Mayor Rod Mann called for a motion to adjourn.

Council Member Brian Braithwaite MOVED to adjourn the meeting and Council Member Scott L. Smith SECONDED the motion. All voted yes and the motion passed unanimously.

The meeting adjourned at 9:12 PM.

I, Cindy Quick, City Recorder of Highland City, hereby certify that the foregoing minutes represent a true, accurate and complete record of the meeting held on June 12, 2018. This document constitutes the official minutes for the Highland City Council Special Work Session.



Cindy Quick, CMC
City Recorder

HIGHLAND CITY

Utah

GENERAL FUND FINANCIAL PLAN

JUNE 2018



GENERAL FUND CFSP

- ▣ **Overview of Purpose and Process**
- ▣ **Historic Trends**
- ▣ **Modeling Assumptions**
- ▣ **Preliminary Forecast of New Expenditures/Growth in Expenditures**
- ▣ **Next Steps**

PURPOSE

- **Proactive Approach to Sustainability**
 - **Evaluate Funding Gaps, Level of Service and Cost Savings**

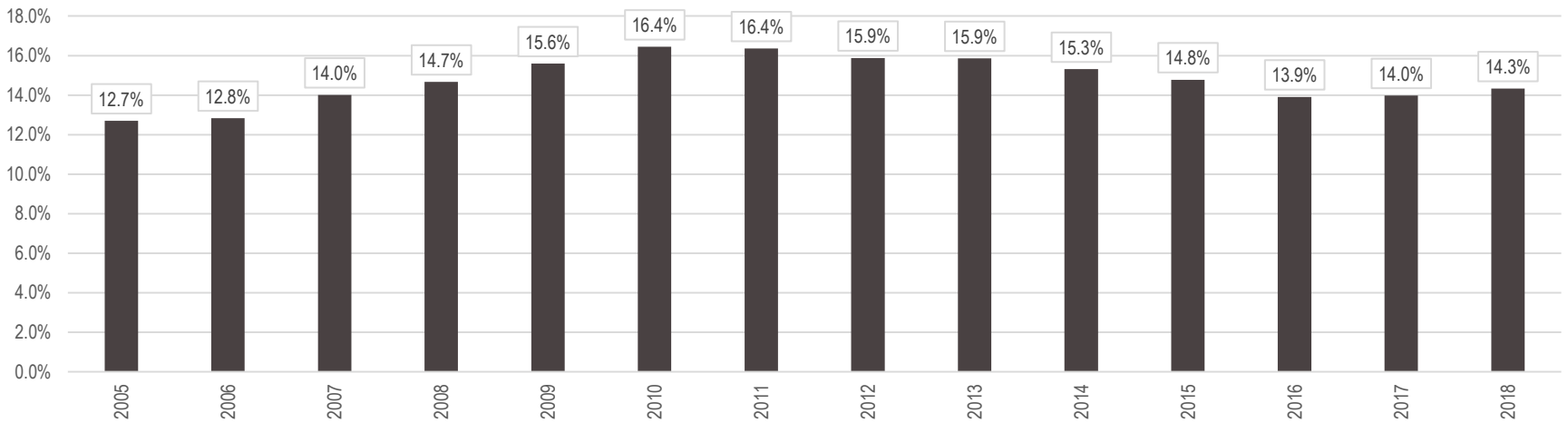
- **Develop A Solution to Solve a Common Problem**
 - **Evaluate Resources We Can Control**

PROCESS

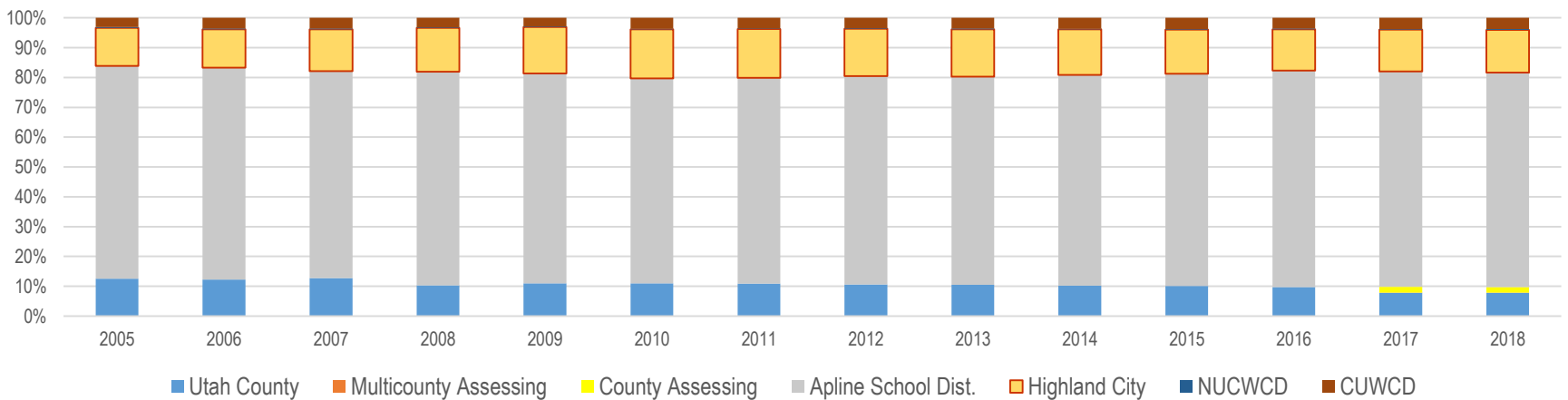
- **TASK 1: PROJECT INITIATION & KICK-OFF MEETING**
- **TASK 2: COORDINATION WITH STAFF REGARDING CAPITAL NEEDS AND NEW EXPENDITURES**
- **TASK 3: EXPENDITURE EVALUATION**
- **TASK 4: DEVELOP REVENUE PROJECTIONS**
- **TASK 5: ESTABLISH FINANCING PLAN**
- **TASK 6: REVIEW FINDINGS**
- **TASK 7: UPDATE/ADDITIONAL SCENARIOS**
- **TASK 8: DOCUMENTATION AND PRESENTATION**

HISTORIC TRENDS

Highland Tax Rate as a Percent of Total Tax Rate for Tax Area 045-0001 (Utah County)



Tax Rates for Tax Area 045-0001 (Utah County)



HISTORIC TRENDS

City	2017 Final Muni Rate	Rank	Total Levy	Rank
Vineyard	0.004015	1	0.012551	3
Eagle Mountain*	0.003093	2	0.011583	8
Mapleton	0.002729	3	0.013396	1
Provo	0.002089	4	0.010785	9
Springville	0.002087	5	0.013111	2
American Fork	0.002082	6	0.010639	10
Pleasant Grove	0.002029	7	0.010586	11
Cedar Hills	0.002024	8	0.010581	12
Lehi	0.001830	9	0.010397	13
Saratoga Springs	0.001822	10	0.010379	14
Santaquin	0.001734	11	0.012401	4
Salem	0.001633	12	0.012300	5
Lindon	0.001451	13	0.009987	15
Highland	0.001428	14	0.009985	16
Orem	0.001346	15	0.009913	17
Alpine	0.001305	16	0.009862	18
Payson	0.001280	17	0.011947	6
Spanish Fork	0.000955	18	0.011622	7

City	2016 Population	2017 Final Muni Rate	Rank
South Ogden	17,094	0.002900	1
Farmington	23,140	0.001942	2
Clinton	21,672	0.001925	3
Hurricane	16,159	0.001671	4
North Salt Lake	20,301	0.001450	5
Highland	18,647	0.001428	6
Centerville	17,286	0.001354	7
Brigham City	18,975	0.001318	8
North Ogden	18,791	0.001289	9
Payson	19,810	0.001280	10

- Property Tax Comparisons: Utah County and Comparable Cities (2017 Auditor's Final Tax Rate)

*Eagle Mountain Rate Includes Unified Fire Levy

HISTORIC TRENDS

- ❑ What are the Primary revenues available to Municipalities?
 - ▣ **Property Tax** – Most stable source, rate controlled by City Council
 - ▣ **Sales Tax** – Fluctuates with economy, State Legislature controls the distribution formula “
“ Over the long term, the sales and use tax base is gradually declining relative to the economy as a whole” 2013 Report from the Utah Office of Legislative Research and General Counsel
 - ▣ **Franchise Fees** – More stable than sales tax but not as stable as property tax. Limited to maximum of 6% on gas and electric, 3.5% on telecommunications
 - ▣ **Building and Development Fees** – Unpredictable and decrease near buildout, usually cover reimbursement of actual staff time and processing expense

HISTORIC TRENDS

COMPARISON OF GF REVENUES



HISTORIC TRENDS

REVENUES	2011	2012	2013	2014	2015	2016	2017	AAGR
Transfers	\$70,000	-	-	\$57,100	\$57,100	\$448,411	\$215,434	20.6%
Taxes	\$4,287,188	\$4,479,195	\$4,570,688	\$4,869,404	\$4,883,695	\$5,132,016	\$5,411,090	4.0%
Licenses & Permits	\$336,152	\$413,120	\$501,576	\$552,019	\$544,022	\$737,499	\$654,754	11.8%
Intergovernmental	\$573,697	\$552,578	\$572,239	\$550,820	\$580,525	\$631,186	\$744,351	4.4%
Fees & Services	\$35,427	\$17,657	\$15,455	\$26,239	\$63,646	\$132,902	\$137,306	25.3%
Court Fines	\$257,710	\$265,582	\$287,278	\$280,404	\$241,002	\$244,543	\$238,538	-1.3%
Other	\$27,811	\$42,357	\$30,082	\$28,043	\$33,365	\$40,335	\$56,037	12.4%
Cemetery	\$75,440	\$54,396	\$81,455	\$155,955	\$133,105	\$133,605	\$190,635	16.7%
Miscellaneous	\$426,609	\$389,290	\$395,327	\$439,090	\$432,749	\$460,222	\$708,652	8.8%
Garbage & Other	\$832,445	\$631,532	\$653,124	\$962,224	\$815,244	\$968,844	\$1,028,007	3.6%
Total Revenues	\$6,922,481	\$6,845,707	\$7,107,225	\$7,921,298	\$7,784,453	\$8,929,563	\$9,384,804	5.2%

HISTORIC TRENDS

EXPENDITURES	2011	2012	2013	2014	2015	2016	2017	AAGR
Council	\$79,644	\$41,189	\$49,025	\$72,338	\$68,050	\$59,037	\$82,085	0.5%
Court	\$261,777	\$271,655	\$271,307	\$288,843	\$261,324	\$258,843	\$242,574	-1.3%
Administration	\$389,285	\$264,601	\$299,290	\$417,588	\$390,018	\$412,381	\$415,923	1.1%
Auditor	\$10,550	\$5,561	\$6,122	\$9,500	\$9,500	\$9,500	\$11,000	0.7%
Finance	\$155,206	\$99,171	\$101,644	\$220,066	\$147,420	\$158,075	\$155,943	0.1%
Recorder	\$91,946	\$106,246	\$91,340	\$101,867	\$119,799	\$117,754	\$100,672	1.5%
Treasurer	\$66,796	\$62,774	\$28,910	\$66,041	\$41,297	\$24,632	\$41,715	-7.5%
Attorney	\$24,202	\$30,810	\$25,213	\$36,908	\$40,445	\$245,250	\$244,175	47.0%
Library	\$229,932	\$228,651	\$223,070	\$248,825	\$240,013	\$353,793	\$327,583	6.1%
Appeal Authority	-	\$1,243	\$3,685	\$3,361	-	\$1,585	\$1,250	NA
Planning	\$192,627	\$179,389	\$182,888	\$174,256	\$177,307	\$84,648	\$73,726	-14.8%
Police	\$1,446,534	\$1,542,541	\$1,603,353	\$1,610,476	\$1,778,687	\$1,860,812	\$1,925,948	4.9%
Emergency Services	\$750,363	\$1,047,318	\$1,072,385	\$1,113,950	\$1,265,188	\$1,298,250	\$1,260,609	9.0%
Building Inspection	\$142,741	\$147,030	\$154,242	\$170,046	\$195,955	\$214,228	\$202,204	6.0%
Streets & Roads	\$536,223	\$569,298	\$588,163	\$669,161	\$571,944	\$733,157	\$805,333	7.0%
Engineer	\$42,781	\$28,871	\$27,045	\$68,463	\$249,350	\$309,663	\$244,201	33.7%
Parks & Rec	\$317,887	\$273,231	\$311,203	\$432,305	\$352,565	\$407,849	\$510,251	8.2%
Cemetery	\$176,043	\$136,265	\$66,495	\$79,670	\$70,793	\$62,457	\$79,949	-12.3%
Community Events	\$105,229	\$73,965	\$87,699	\$79,067	\$142,160	\$106,255	\$118,222	2.0%
Garbage	\$524,130	\$539,253	\$562,628	\$609,882	\$667,107	\$685,942	\$696,255	4.8%
Transfers	\$1,204,650	\$1,245,864	\$1,197,319	\$1,235,000	\$741,516	\$1,084,227	\$1,375,624	2.2%
Total Expenditures	\$6,748,546	\$6,894,923	\$6,953,026	\$7,707,613	\$7,530,439	\$8,488,338	\$8,915,242	4.7%

HISTORIC TRENDS

- **From 2011-2017:**
 - **Revenues have increased by \$2.5M (including Transfers)**
 - **Increase of \$2M excluding Transfers and Sale of Fixed Assets**
 - **Expenses have increased by \$2.0M (excluding Attorney Legal Settlements)**
 - **Public Safety accounts for nearly \$1M of the total cost increases**

HISTORIC TRENDS

- **Challenges Affecting the General Fund**
 - **Loss of Buying Power**
 - **Level of Service/Growth Issues**
- **Is the General Fund able to keep up with both inflation and growth?**

MODEL ASSUMPTIONS

- ❑ MODEL ASSUMES 2019 BUDGETED REVENUES AND EXPENSES
- ❑ INCLUDES NEW GROWTH PROPERTY TAX REVENUE (APPROX. \$60K)
- ❑ FUTURE ASSUMPTIONS REGARDING PRIMARY REVENUES:
 - ▣ **Base Year Tax Levy** –0.0013270
 - ▣ **Sales Tax** – 4.0% Growth (Historic at 6.6%)
 - ▣ **Utility Franchise Tax** – 3% Growth (Historic at 4.2%)
 - ▣ OTHERS:

Other Revenues	Proposed	Historic (2011-2017)
Licenses & Permits	3%	11.8%
Intergovernmental	2%	4.4%
Fees & Services	3%	25.3%
Court Fines	0%	-1.3%
Other	3%	12.4%
Miscellaneous	3%	8.8%
Garbage & Other	3%	3.6%

MODEL ASSUMPTIONS

□ ASSUMPTIONS REGARDING INFLATIONARY GROWTH:

- ▣ **Salaries** – 3.0% Year 1-5
- ▣ **Benefits** – 7.0% Growth Year 1-5
- ▣ **Public Safety Expenditures** – 3.0% Growth Year 1-5
- ▣ **General Expenditures** – 3.0% Growth Year 1-5
- ▣ This affects the baseline growth, we then add new expenses to our budget

EXPENDITURES

- ▣ **Divided into 3 Categories:**

- ▣ General O&M
- ▣ Debt Service (Currently Included as Transfers in O&M)
- ▣ Capital Improvements

- ▣ **Meet with Each Department to Determine New Expenditures**

INCREASE IN EXPENDITURES

FY 2019 Expenses

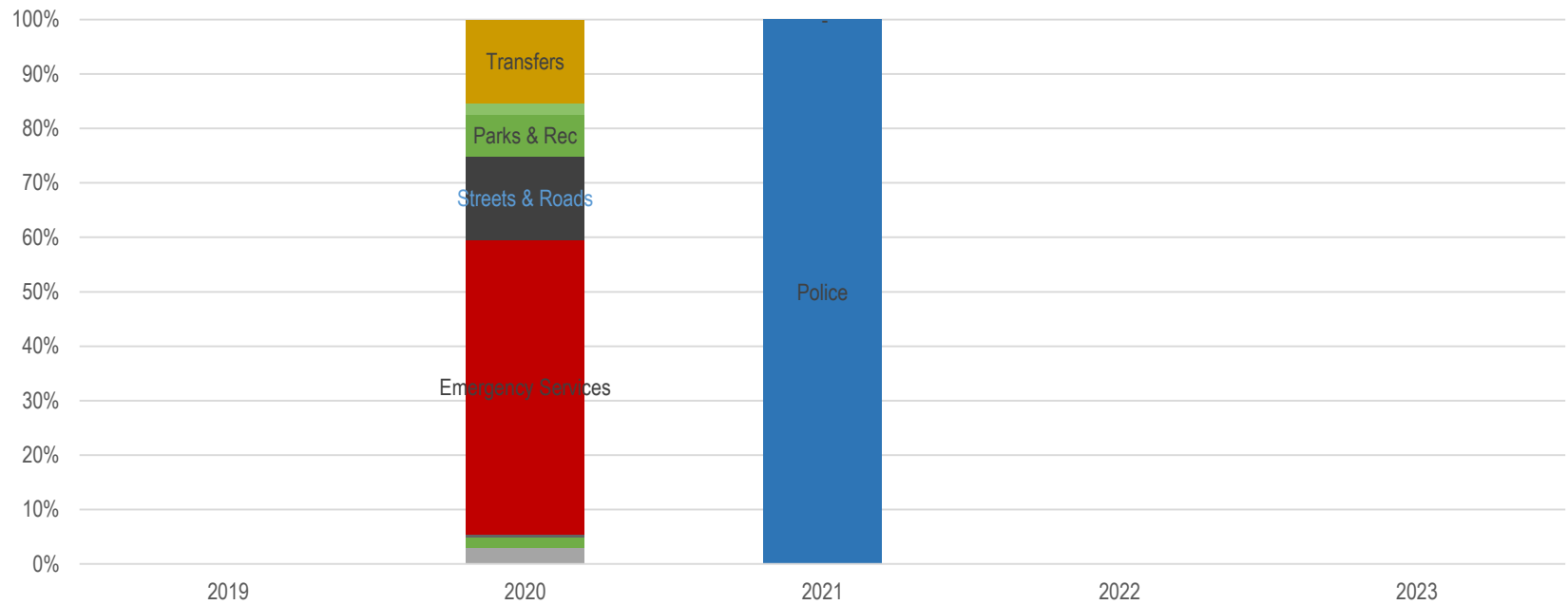
- ▣ No New Operating or Capital Expense in 2019

FY 2020 Expenses

- ▣ Inflationary Growth
- ▣ New Operations & Maintenance = \$827,400
- ▣ New Capital = \$628,727

INCREASE IN O&M EXPENDITURES

New Expenditures



- Council
- Court
- Administration
- Auditor
- Finance
- Recorder
- Treasurer
- Attorney
- Library
- Appeal Authority
- Planning
- Police
- Emergency Services
- Building Inspection
- Streets & Roads
- Engineer
- Parks & Rec
- Cemetery
- Community Events
- Garbage
- Other
- Transfers

INCREASE IN O&M EXPENDITURES

	New Expense				
Account	2019	2020	2021	2022	2023
Administration	-	25,000	-	-	-
Recorder	-	15,000	-	-	-
Library	-	5,400	-	-	-
Police	-	-	78,000	-	-
Emergency Services	-	447,000	-	-	-
Streets & Roads	-	127,500	-	-	-
Parks & Rec	-	62,740	-	-	-
Cemetery	-	17,500	-	-	-
Transfers	-	127,260	-	-	-
Total	-	\$827,400	\$78,000	-	-

INCREASE IN CIP EXPENDITURES

Urgency Level	Category	Description	Year	Description	2019	2020	2021	2022	2023
Medium	Planning and Zoning	General Plan Update	2020	Top priority from Council/Staff Goal Setting Session	-	65,000	-	-	-
Medium	Streets and Roads	4 Snow Plow Trucks	2020	Replaced two current fiscal year. High initial cost due to condition of the fleet. Need long term replacement plan.	-	163,500	-	163,500	-
High	Streets and Roads	Murdock Connector - Matching	2020	Original agreement required a 4% match. May be a higher number now.	-	67,500	-	-	-
Medium	Parks	Additional Cost to Park Maintenance Building	2020	Dependent on if Park Building will be built - Preparing maintenance RFP for 2019 season.	-	50,000	-	-	-
High	Varies	Building Maintenance - Catch Up	2020	Fix doors, lighting, Security Cameras, HVAC, etc. This would address the major issues at once. Also increase is overall building maintenance listed overhead	-	22,000	-	-	-
Medium	Varies	General Fund Vehicle Replacement	2020	3 new trucks per year. 20 Trucks that are between 2000-2008. 6 are older than 2000. Need a long term replacement plan. High initial costs due to the condition of the fleet.	-	100,000	100,000	100,000	100,000
High	Library	Security Cameras in Children's Library	2020	Not included in proposed budget	-	2,500	-	-	-
Medium	Library	New light for book drop	2020	Additional lighting for the book drop. Not included in proposed budget.	-	500	-	-	-
TBD	Fire	Building Capital Expenditures	2020	Driveway repair, Vehicle Exhaust, Building Repairs (Counter tops, Fire Sprinklers, etc.), Security System	-	107,727	-	-	-
TBD	Fire	Other Capital Expenditures	2020	This is based on the original request for next fiscal year. Chief has also expressed concerns with the age of the fleet so additional costs for fleet can be expected. This represents our portion of the costs.	-	50,000	-	-	-
Low	Parks	Beacon Hills Park	TBD	First Phase of park completed	-	-	-	-	-
Low	Parks	Mountain Ridge Park	TBD	Planned for a baseball sports complex	-	-	-	-	-
Low	Parks	Spring Creek Park	TBD	Planned for a neighborhood park	-	-	-	-	-
Low	Parks	Trail Capital Improvements	TBD	New trails and major repairs	-	-	-	-	-
	Total				-	\$628,727	\$100,000	\$263,500	\$100,000

SCENARIO ANALYSIS

Scenario 1: Benchmark - No Increase

Annual Revenue Growth Assumptions		FY2019	FY2020	FY2021	FY2022	FY2023
New Property Tax Revenues (Revenue Increase)		0.00%	0.00%	0.00%	0.00%	0.00%
New Library Property Tax Revenues (Revenue Increase)		0.00%	0.00%	0.00%	0.00%	0.00%
General Sales and Use Tax		4.00%	4.00%	4.00%	4.00%	3.00%
Utility Franchise Tax		3.00%	3.00%	3.00%	3.00%	3.00%

	2018 Budget	FY2019	FY2020	FY2021	FY2022	FY2023
Total General Fund Revenues	\$9,002,808	\$8,990,843	\$9,012,573	\$9,287,519	\$9,570,063	\$9,837,535
General O&M Expenditures	9,100,475	8,998,452	10,098,143	10,482,851	10,802,626	11,133,629
Debt Service Expense	-	-	-	-	-	-
Capital Improvement Expense	-	-	628,727	100,000	263,500	100,000
Total Expenditures	9,100,475	8,998,452	10,726,870	10,582,851	11,066,126	11,133,629
O&M Surplus/(Deficit)	(97,667)	(7,609)	(1,714,296)	(1,295,331)	(1,496,064)	(1,296,094)
Prior Year	2,250,000	2,152,333	2,144,724	430,428	(864,904)	(2,360,968)
Cumulative Fund Balance	\$2,152,333	\$2,144,724	\$430,428	(\$864,904)	(\$2,360,968)	(\$3,657,062)
Percent Fund Balance	24%	24%	5%	-9%	-25%	-37%
Target	20%	20%	20%	20%	20%	20%

SCENARIO ANALYSIS

Scenario 2: Increase to Fund Inflation

Annual Revenue Growth Assumptions		FY2019	FY2020	FY2021	FY2022	FY2023
New Property Tax Revenues (Revenue Increase)		0.00%	0.00%	16.10%	0.00%	3.00%
New Library Property Tax Revenues (Revenue Increase)		0.00%	0.00%	0.00%	0.00%	0.00%
General Sales and Use Tax		4.00%	4.00%	4.00%	4.00%	3.00%
Utility Franchise Tax		3.00%	3.00%	3.00%	3.00%	3.00%

	2018 Budget	FY2019	FY2020	FY2021	FY2022	FY2023
Total General Fund Revenues	\$9,002,808	\$8,990,843	\$9,012,573	\$9,579,837	\$9,872,984	\$10,218,557
General O&M Expenditures	9,100,475	8,998,452	9,270,743	9,552,629	9,844,498	10,146,757
Debt Service Expense	-	-	-	-	-	-
Capital Improvement Expense	-	-	-	-	-	-
Total Expenditures	9,100,475	8,998,452	9,270,743	9,552,629	9,844,498	10,146,757
O&M Surplus/(Deficit)	(97,667)	(7,609)	(258,169)	27,208	28,487	71,800
Prior Year	2,250,000	2,152,333	2,144,724	1,886,555	1,913,763	1,942,250
Cumulative Fund Balance	\$2,152,333	\$2,144,724	\$1,886,555	\$1,913,763	\$1,942,250	\$2,014,050
Percent Fund Balance	24%	24%	21%	20%	20%	20%
Target	20%	20%	20%	20%	20%	20%

SCENARIO ANALYSIS

Scenario 2: Increase to Fund Inflation

“Taxing entities are expected to raise rates and capture inflation every five to eight years.”

Howard Stephenson, The Salt Lake Tribune, March 1, 2017, “Senate Panel Okes Property Tax Freeze to Fund Schools,” Benjamin Wood

SCENARIO ANALYSIS

Scenario 3: Increase to Fund 100% of Cost

Annual Revenue Growth Assumptions		FY2019	FY2020	FY2021	FY2022	FY2023
New Property Tax Revenues (Revenue Increase)		0.00%	113.00%	0.00%	0.00%	0.00%
New Library Property Tax Revenues (Revenue Increase)		0.00%	0.00%	0.00%	0.00%	0.00%
General Sales and Use Tax		4.00%	4.00%	4.00%	4.00%	3.00%
Utility Franchise Tax		3.00%	3.00%	3.00%	3.00%	3.00%

	2018 Budget	FY2019	FY2020	FY2021	FY2022	FY2023
Total General Fund Revenues	\$9,002,808	\$8,990,843	\$10,998,635	\$11,343,909	\$11,696,613	\$12,038,716
General O&M Expenditures	9,100,475	8,998,452	10,098,143	10,482,851	10,802,626	11,133,629
Debt Service Expense	-	-	-	-	-	-
Capital Improvement Expense	-	-	628,727	100,000	263,500	100,000
Total Expenditures	9,100,475	8,998,452	10,726,870	10,582,851	11,066,126	11,133,629
O&M Surplus/(Deficit)	(97,667)	(7,609)	271,765	761,059	630,487	905,087
Prior Year	2,250,000	2,152,333	2,144,724	2,416,489	3,177,548	3,808,035
Cumulative Fund Balance	\$2,152,333	\$2,144,724	\$2,416,489	\$3,177,548	\$3,808,035	\$4,713,121
Percent Fund Balance	24%	24%	22%	28%	33%	39%
Target	20%	20%	20%	20%	20%	20%

SCENARIO ANALYSIS

Scenario 4: Increase to Fund Cost – Less Public Safety

Annual Revenue Growth Assumptions		FY2019	FY2020	FY2021	FY2022	FY2023
New Property Tax Revenues (Revenue Increase)		0.00%	65.81%	0.00%	0.00%	0.00%
New Library Property Tax Revenues (Revenue Increase)		0.00%	0.00%	0.00%	0.00%	0.00%
General Sales and Use Tax		4.00%	4.00%	4.00%	4.00%	3.00%
Utility Franchise Tax		3.00%	3.00%	3.00%	3.00%	3.00%

	2018 Budget	FY2019	FY2020	FY2021	FY2022	FY2023
Total General Fund Revenues	\$9,002,808	\$8,990,843	\$10,169,203	\$10,485,370	\$10,808,782	\$11,119,727
General O&M Expenditures	9,100,475	8,998,452	9,651,143	10,022,441	10,328,404	10,645,180
Debt Service Expense	-	-	-	-	-	-
Capital Improvement Expense	-	-	628,727	100,000	263,500	100,000
Total Expenditures	9,100,475	8,998,452	10,279,870	10,122,441	10,591,904	10,645,180
O&M Surplus/(Deficit)	(97,667)	(7,609)	(110,667)	362,930	216,878	474,547
Prior Year	2,250,000	2,152,333	2,144,724	2,034,057	2,396,987	2,613,865
Cumulative Fund Balance	\$2,152,333	\$2,144,724	\$2,034,057	\$2,396,987	\$2,613,865	\$3,088,412
Percent Fund Balance	24%	24%	20%	23%	24%	28%
Target	20%	20%	20%	20%	20%	20%

NEXT STEPS

- ▣ **Present Alternative Scenarios**

- ▣ **Finalize Council Priorities**

- ▣ **Prepare Final Analysis & Report**
 - ▣ **Detail of Model Assumptions**
 - ▣ **Summary of Scenario Analysis and Findings**

ERU DIRECT IMPACTS

- Analysis uses 2017 Fiscal Analysis assumptions of fixed vs. variable expenses.
- Updated with 2017 revenue and expenses, road funds and sales tax allocation.
- Analysis assumes single-family home value of \$472,500.
- Updated public safety assumptions (5% growth in expenditures).
- Updated sales tax growth (3% Growth).

25 Year Comparison per ERU	Single Family ERU	Retail ERU
Revenues	\$36,428	\$574,549
Expenses	\$43,922	\$40,185
Net Revenues	(\$7,494)	\$534,364

ERU DIRECT IMPACTS

Revenue	SF ERU	Retail ERU
Tax Revenues	\$30,828	\$558,331
Licenses and Permits	\$0	\$3,460
Intergovernmental Revenue	\$4,614	\$7,757
Fees and Services	\$0	\$0
Court Fines	\$983	\$4,987
Other Revenue	\$0	\$0
Cemetery Revenue	\$0	\$0
Miscellaneous Revenue	\$3	\$15
Revenue Garbage and Other	\$0	\$0
Total	\$36,428	\$574,549

Expense	SF ERU	Retail ERU
Council	\$0	\$0
Court	\$768	\$3,896
Administrative	\$382	\$1,938
Auditor	\$0	\$0
Finance	\$198	\$1,003
Recorder	\$147	\$746
Treasurer	\$49	\$246
Attorney	\$288	\$1,462
Library	\$0	\$0
Appeal Authority	\$8	\$41
Planning & Zoning	\$319	\$1,620
Police	\$23,634	\$0
Emergency Services	\$11,720	\$5,752
Building Inspection	\$0	\$0
Street and Roads	\$4,481	\$22,732
Engineer	\$147	\$748
Parks & Recreation	\$1,782	\$0
Cemetery	\$0	\$0
Community Events	\$0	\$0
Garbage	\$0	\$0
Total	\$43,922	\$40,185

QUESTIONS



Operations and Maintenance Ongoing Expenditures

Department	Project/Item	Total Amount	Yearly Cost	Timing	Comments	Ongoing/ One Time	Urgency Level
Administration	IT Miscellaneous Projects		\$ 15,000.00	Every Year starting FY20	Server upgrades, possible council chambers rewiring, recording of Council meetings, etc.	Ongoing for foreseeable future	High
Cemetery	Cemetery Fence Replacement	\$ 70,000.00	\$ 17,500.00	Save money for 4 years starting in FY 20. Replace in FY 23.	Fence is falling and needs to be replaced. General Fund portion would be 25%. 75% from Perpetual Care Fund (less payback to General Fund).	Ongoing for 4 years.	High
Open Space	Seasonal Employee Hourly Increase		\$ 29,760.00	FY 20 and ongoing	Current rate is \$11 per hour. Need to increase to \$13.50 (market rate). This will help with hiring and retention. Not applicable if lawns are outsourced.	Ongoing	Medium
Open Space	Maintenance Equipment Replacement	\$ 70,000.00	\$ 17,500.00	Save money for 4 years starting in FY 20. Replace in FY 23.	Replacement of big mowers in the years 2023. Not applicable if we outsource lawns. Preparing maintenance RFP for 2019 season.	Ongoing for 4 years.	Medium
Open Space	Playground Equipment Replacement		\$ 60,000.00	FY 20 and ongoing	Replaces every playground every 10 years. (14 Playgrounds, average of \$55K for each playground for total cost of \$770K for all playgrounds or \$77K per year. Parks Covers \$17K (22%), Open Space Covers \$60K (78%))	Ongoing	High
Library	Computer Replacement		\$ 5,400.00	FY 20 and ongoing	Replace 1/4 of computers per year. Not included in proposed budget.	Ongoing	Medium
Parks	Playground Equipment Replacement		\$ 17,000.00	FY 20 and ongoing	Replaces every playground every 10 years. (14 Playgrounds, average of \$55K for each playground for total cost of \$770K for all playgrounds or \$77K per year. Parks Covers \$17K (22%), Open Space Covers \$60K (78%))	Ongoing	High
Parks	Maintenance Equipment Replacement	\$ 70,000.00	\$ 17,500.00	Save money for 4 years starting in FY 20. Replace in FY 23.	Replacement of big mowers in the years 2023. Not applicable if we outsource lawns. Preparing maintenance RFP for 2019 season.	Ongoing for 4 years.	Medium
Parks	Seasonal Employee Hourly Increase		\$ 18,240.00	FY 20 and ongoing	Current rate is \$11 per hour. Need to increase to \$13.50 (market rate). This will help with hiring and retention. Not applicable if lawns are outsourced.	Ongoing	Medium
Parks	2 FTE's		\$ 102,336.00	FY 24 and ongoing	Preparing maintenance RFP for 2019 season.	Ongoing	Low
Parks	Trail Maintenance		\$ 10,000.00	FY 20 and ongoing	Dependent on future RFP and if new parks are added.	Ongoing	Low
Open Space	Open Space Improvements		\$ 20,000.00	FY 20 and ongoing	Requested by Council	Ongoing	Low
Police	2 New Employees	\$ 156,000.00	\$ 78,000.00	FY 21 and FY 24	This is in addition to the FTE approved as part of next years budget	Ongoing	TBD
Fire	Operations and Maintenance		\$ 115,000.00	FY 20 and ongoing	Based on original request for this fiscal year. Will change based on Cedar Hills decision. \$250,000 total our portion is 46%.	Ongoing	TBD
Fire	9 new employees		\$ 332,000.00	FY 20 and ongoing	Requested 4-4-4 at each station. Add one employee per station per shift equals nine new employees. TCV is approx. \$80k per employee for a total of \$720,000. Our portion is 46%.	Ongoing	TBD
Recorder	Election	\$ 29,000.00		FY 20 and every 2 years thereafter.	Municipal Elections cost approximately \$30K	Ongoing every other year	High
Streets and Roads	New FTE split between Streets and Storm		\$ 67,500.00	FY20	Additional help need with road reconstruction/maintenance plan and to clean storm drains.	Ongoing	Medium
Storm	New FTE split between Streets and Storm		\$ 67,500.00	FY20	Additional help need with road reconstruction/maintenance plan and to clean storm drains.	Ongoing	Medium
Streets and Roads	New Vehicle split between Streets and Storm		\$ 35,000.00	FY20	Additional help need with road reconstruction/maintenance plan and to clean storm drains.	Ongoing	Medium
Storm	New Vehicle split between Streets and Storm		\$ 35,000.00	FY20	Additional help need with road reconstruction/maintenance plan and to clean storm drains.	Ongoing	Medium
Streets and Roads	Speed Limit Signs		\$ 25,000.00	FY20 and ongoing	Resident requests and Council approval have increased. Total cost for new sign is \$10,000. Budget includes 2 new signs and maintenance on one existing.	Ongoing	Low
Varies	Building Maintenance		\$ 10,000.00	FY 20 and ongoing	City Hall, Police, and Fire are ten years old. Public Works and Community Center are older.	Ongoing for foreseeable future	High

100000
70000

102,000

272000

\$ 488,000.00

Capital/One Time Expenditures

Department	Project/Item	Total Amount	Yearly Cost	Timing	Comments	Ongoing/ One Time	Urgency Level
Planning and Zoning	General Plan Update	\$ 65,000.00		FY20	Top priority from Council/Staff Goal Setting Session	One Time	Medium
Streets and Roads	4 Snow Plow Trucks	\$ 654,000.00	\$ 163,500.00	1 every other year starting FY20	Replaced two current fiscal year. High initial cost due to condition of the fleet. Need long term replacement plan.	One Time for 4 years.	Medium
Streets and Roads	6800 West Matching	\$ 100,000.00	\$ 50,000.00	FY 19 and FY 20	FY19 will come from reserves. FY20 will likely as well.	One Time	High
Streets and Roads	Murdock Connector - Matching	\$ 67,500.00		FY 20	Original agreement required a 4% match. May be a higher number now.	One Time	High
Parks	Additional Cost to Park Maintenance Building	\$ 50,000.00		FY 20	Dependent on if Park Building will be built - Preparing maintenance RFP for 2019 season.	One Time	Medium
Varies	Building Maintenance - Catch Up	\$ 22,000.00		FY 20	Fix doors, lighting, Security Cameras, HVAC, etc. This would address the major issues at once. Also increase is overall building maintenance listed overhead	One Time	High
Varies	General Fund Vehicle Replacement	\$ 700,000.00	\$ 105,000.00	FY20 and ongoing	3 new trucks per year. 20 Trucks that are between 2000-2008. 6 are older than 2000. Need a long term replacement plan. High initial costs due to the condition of the fleet.	One Time/Ongoing	Medium
Library	Security Cameras in Children's Library	\$ 2,500.00		FY 20	Not included in proposed budget	One Time	High
Library	New light for book drop	\$ 500.00		FY 20	Additional lighting for the book drop. Not included in proposed budget.	One Time	Medium
Fire	Building Capital Expenditures	\$ 107,727.00		FY 20	Driveway repair, Vehicle Exhaust, Building Repairs (Counter tops, Fire Sprinklers, etc.), Security System	One Time	TBD
Fire	Other Capital Expenditures	\$ 50,000.00		FY 20	This is based on the original request for next fiscal year. Chief has also expressed concerns with the age of the fleet so additional costs for fleet can be expected. This represents our portion of the costs.	One Time	TBD
Parks	Beacon Hills Park Completion		TBD	TBD	First Phase of park completed	One Time	Low
Parks	Mountain Ridge Park		TBD	TBD	Planned for a baseball sports complex	One Time	Low
Parks	Spring Creek Park		TBD	TBD	Planned for a neighborhood park	One Time	Low
Parks	Trail Capital Improvements		TBD	TBD	New trails and major repairs	One Time	Low