



HIGHLAND CITY

HIGHLAND CITY COUNCIL WORK SESSION MINUTES


Tuesday, March 30, 2023

Approved May 16, 2023

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

VIRTUAL PARTICIPATION

 YouTube Live: <http://bit.ly/HC-youtube>

 Email comments prior to meeting: council@highlandcity.org

7:00 PM WORK SESSION

Call to Order – Mayor Kurt Ostler

The meeting was called to order by Mayor Kurt Ostler as a work session at 7:08 pm. The meeting agenda was posted on the *Utah State Public Meeting Website* at least 24 hours prior to the meeting.

PRESIDING: Mayor Kurt Ostler

COUNCIL MEMBERS

PRESENT: Brittney P. Bills, Timothy A. Ball, Kim Rodela, Sarah D. Petersen, Scott L. Smith

CITY STAFF PRESENT: City Administrator Erin Wells, City Recorder Stephannie Cottle, City Engineer/Public Works Director Andy Spencer

OTHERS PRESENT: Jon Hart, Roger Timmerman, Athina Riddell, Jon Hagen

1. FISCAL YEAR 2024 BUDGET

The City Council will discuss the budget for fiscal year 2024. No formal action will be taken.

City Administrator Wells provided an introduction for the budget discussion; the purpose of tonight's meeting is to provide a high-level introduction to the Mayor's tentative budget and answer initial questions in preparation for detailed one-on-one meetings in April at each Councilmember's discretion, followed by full Council discussion during the April 24 work session meeting.

Financial Director Bahr provided an overview of revenue projections, beginning with sales tax revenue. In fiscal year (FY) 2022, the City received \$3.6 million in sales tax revenue and budgeted \$3.6 million in FY 2023. FY 2023 revenues are tracking at 9.3 percent higher than the same time frame in FY 2022. This information, along with the understanding of the average annual growth of 7.5 percent per year for the last 20 years, has been used to arrive at a revenue projection for the FY 2024 budget of \$4.3 million. However, the Mayor and City Administration has chosen to be conservative with its projection and have included a \$4 million estimate in the budget document. Mr. Bahr then discussed property tax revenue; he is anticipating \$100,000 more in FY2024

based upon building permits that have been pulled through calendar year (CY) 2022. Relative to impact fees, FY 2023 revenue is significantly lower than anticipated for most impact fees and, therefore, the impact fee revenue estimate included in the FY24 budget is 50 percent less than that of the 12-month period ending December 2022.

Council Member Smith inquired as to the average impact fee revenue each year. Mr. Bahr stated the City averages 100 to 150 building permits issued per year, but impact fee revenues are typically estimated on the high end and while there is not a dramatic decrease in the number of permits pulled, the types of permits being issued have impacted revenues.

Mr. Bahr then discussed the pressurized irrigation (PI) bond payment transfer; the FY 2021 and 2022 budgets included transfers from the General Fund for the PI bond payments totaling \$841,000. Audits performed for the City resulted in the redirection of the payments to come from the PI fund, but the General Fund transfers were not 'unwound'; the auditor has confirmed that there is \$841,447 available for transfer back to the General Fund for one-time use.

Ms. Wells then reviewed the expenses in the tentative budget; Administration has assembled a spreadsheet illustrating Council budget priorities as determined by a ranking exercise performed by the City Council in January. She briefly discussed each item on the list and discussed the scope of various projects, concluding the total cost of all priorities is \$1,680,554. There was brief discussion among the Council regarding the timing of a few of the projects listed on the document, including the creation of a building development fund. Ms. Wells then discussed the expenses included in the budget document associated with staff wage increases; Administration has considered several different metrics upon which to base the proposed wage increase, including inflation of the following:

- Social security: 8.70 percent;
- Western Consumer Price Index (CPI): 8.01 percent;
- Utah Retirement Systems (URS) Cost of Living Adjustment (COLA): 8 percent;
- Highland Median Income: 6.81 percent;
- Utah County Median Income: 7.57 percent;
- Utah Personal Income: 4.70 percent;
- Mountain Plains Employment Cost Index: 5.20 percent.

Administration also reviewed wage increases from local municipalities, and determined the average COLA being offered is 5.1 percent and the average merit increase being offered is 2.9 percent. Based upon this information, the Mayor has suggested a three percent merit increase for Highland employees and funding a market study at the cost of \$6,000. Nothing has been budgeted for market adjustments in the FY 2024 budget. Mayor Ostler emphasized that he values all City employees and the service they provide to the community; he has included a conservative wage increase in the budget because he is concerned that taxpayers are already feeling the pain of inflation and a higher wage increase for City employees could result in a tax increase. He added that taxpayers are also not experiencing significant wage increases based upon data from the Bureau of Labor Statistics. He noted that there may be a few positions that warrant more than a three percent increase, but those can be considered on a case-by-case basis.

Council Member Smith asked who will be performing the market study if it is funded. Ms. Wells stated that the City has utilized Mike Swallow in the past and she would recommend using him again. Council Member Smith asked if the result of the proposal is to adjust the FY 2024 budget based upon the results of the market study. Ms. Wells stated she does not believe the study could be completed in time to inform the FY 2024 budget, but she would recommend the Council include some money in the budget to allow for reaction to the market study. This led to high level discussion and debate among the Council, Mayor, and staff regarding the proper philosophy for the City to embrace relating to employee wages; this included review of the total compensation value for City employees, which includes retirement contributions and the City's coverage of benefit costs. Ms. Wells stated

that the City is definitely competitive in terms of total compensation value, but many employees are more focused on hourly or salary wages rather than total compensation. The Council ultimately concluded to proceed with a quick market study and to include some funding in the budget to allow the City to react to the market study.

Ms. Wells then continued her review of the Council priorities handout, with a brief focus on the dog park project and increased funding for trail maintenance and expansion. She then moved to page two of the handout, which included information on significant items included in the FY 2024 budget, broken down into categories of ongoing projects, line item increases of more than \$10,000 when compared to the previous budget year, and discretionary requests. There was also a category containing budget items for consideration that have not been included in the tentative budget. Ms. Wells invited staff members to provide input about certain budget items included in their respective Department budgets and there was a brief focus on various items, such as funding for seasonal positions; the City's portion of safe routes to school grant; replacement snow plow blades; the library carpet replacement, snowplow and auxiliary equipment purchase; additional community garden boxes; American Fork Chamber membership; Heritage Park Christmas lights; and renewal of the Legislative Consultant contract. Ms. Wells asked that the Council consider the items included on this list in preparation for providing Administration with direction in the next budget work session.

Ms. Wells then discussed pages three and four of the budget handout; page three addressed FY 2024 summarized net revenue and expenses and page four provided a fund analysis for the City. She suggested that the two pages be considered in conjunction with one another in preparation for the next budget work session. She highlighted \$1.29 million in large one-time projects in the General Fund:

- \$1.29 million in large one-time projects
 - \$950,000 – Parks Maintenance Building
 - \$100,000 – Safe Routes to School Grant
 - \$240,000 – Snowplow Purchase

There is also \$227,000 in projected net revenue in the General Fund. Relative to the Capital Improvement Building Fund, the FY23 estimated ending balance does not include \$825,000 less in expected expenses for the Parks Maintenance Building and construction delays; the FY 2023 estimated balance has been updated to \$1.6 million. In the Culinary Water Fund, the FY 2023 estimated ending balance does not include \$1 million in grant revenue and \$500,000 in grant projected expenses. The FY 2023 estimated ending balance has been updated to \$1.8 million. The PI fund balance does not include \$2 million in grant revenue and \$2 million less in expected expenses due to construction delays. The FY 2023 estimated ending balance for the PI fund has been updated to \$4.26 million. She concluded by discussing the Building and Development Fund, providing the following information:

- Created in FY2024 as per direction from State Auditor to better track the collection & use of building-related revenues.
- FY2022 ended with \$543,000 in net building-related revenue after all applicable expenses.
- FY2023 – TBD
 - Revenue thru Feb = \$532,000 of \$729,000 budgeted
- FY2024 estimated to use \$308K of fund balance.

Mayor Ostler advised the Council to carefully review the tentative budget document prior to the next work session meeting; it is important to identify budget priorities, but also keep in mind the potential impact that funding all priorities will have on the taxpayers. The Council thanked Ms. Wells for the documents Administration has prepared for this meeting. Council Member Smith also thanked Mayor Ostler for his efforts to develop the tentative budget for Council consideration. Mayor Ostler stated he has worked closely with Mr. Bahr and Ms. Wells; the development of the budget is a collective effort.

Council Member Smith noted that the salaries for the Mayor and City Council were decreased several years ago and have not been adjusted since; he believes it would be valuable to review the salaries in an effort to entice

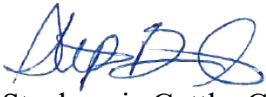
people to run for office. The Council briefly discussed the concept and suggested that elected official positions be included in the market study that will be performed for other positions in the City.

ADJOURNMENT

Council Member Scott L. Smith MOVED to adjourn the work session and Council Member Tim Ball SECONDED the motion. All voted in favor and the motion passed unanimously.

The meeting adjourned at 9:10 pm.

I, Stephannie Cottle, City Recorder of Highland City, hereby certify that the foregoing minutes represent a true, accurate and complete record of the meeting held on March 30, 2023. This document constitutes the official minutes for the Highland City Council Meeting.

A handwritten signature in blue ink, appearing to read 'Stephannie Cottle', is written over the printed name.

Stephannie Cottle, CMC
City Recorder