

KAYSVILLE CITY COUNCIL
WORK SESSION
April 12, 2024

Minutes of a special Kaysville City Council work session held on Friday, April 12, 2024 beginning at 8:00 a.m. in Kaysville City Hall at 23 East Center Street, Kaysville, UT.

Council Members present: Mayor Tamara Tran, Council Member John Swan Adams, Council Member Mike Blackham, Council Member Abbigayle Hunt, Council Member Nate Jackson, Council Member Perry Oaks

Staff Present: City Manager Jaysen Christensen, Finance Director Dean Storey, Assistant Finance Director Levi Ball, City Recorder Annemarie Plaizier

OPENING

Mayor Tran opened the work session and welcomed everyone present.

REVIEW AND DISCUSSION OF THE TENTATIVE FY 2025 BUDGET

Finance Director Dean Storey reviewed the upcoming budget schedule for Fiscal Year 2025 and noted that the next budget work session was planned for April 24th. He mentioned that the plan is for the city council to adopt the tentative FY 2025 budget at the May 16, 2024 city council meeting, but also highlighted that the council can continue refining the budgets even after adoption. It is important to meet the set deadlines for the final budget and conducting Truth in Taxation hearings. Mr. Storey said that the agenda for this meeting included a focus on several key areas, including: providing a high-level perspective on budgetary matters, reviewing capital and operations summaries, addressing personnel and human resources issues, and discussing “Tier 2” State Retirement rate changes as mandated by the state legislature. He identified major budget gaps across various funds, including the general fund, road fund, water fund, power fund, and stormwater fund. Strategies to close these gaps were discussed, including expense reduction, revisiting the consideration of the level of service standards for the city, utilizing fund balances and reserves, and exploring revenue increases, particularly through taxes.

Mayor Tran asked about whether incremental tax increases in previous years could have mitigated the current budget gaps.

Dean Storey acknowledged the potential effectiveness of such measures.

Levi Ball emphasized the importance of keeping the budgetary figures in mind throughout the discussion to effectively address specific capital projects and operational needs.

Dean Storey presented the capital summary and gave an overview of all projected capital expenditures, focusing on various asset categories and projects planned for the upcoming fiscal years. He highlighted major asset categories including land, buildings, equipment, improvements, infrastructure, and vehicles, providing details on current budgets and projected needs for FY 2026

and FY 2027. Mr. Storey mentioned that certain projects, such as the replacement of the underground oil tank, had been deferred due to reassessment of priorities and cost-saving opportunities. He also discussed equipment needs, including the body camera system for the police department, which is mostly funded through outside revenue sources. He further outlined infrastructure projects, including road improvement projects, stormwater management, and ARPA-funded initiatives, emphasizing the importance of maintaining and enhancing the city's infrastructure. Highlighted projects included the 200 North waterline improvements and street upgrades, as well as repaving efforts on Main Street.

Council Member Oaks inquired about the LUCAS devices.

Dean Storey clarified that a LUCAS device is defibrillator equipment used by the fire department, and indicated the need for upgrades due to aging equipment. Mr. Storey continued and added that the two main projects in the road fund would be the widening and repaving of 200 North and the repaving and installation of two traffic signals on Mutton Hollow. UDOT has plans to repave Main Street; therefore, we are utilizing the opportunity to work with them and will be restriping the parking along Main Street at that time. Under the stormwater fund, there is a project listed for wetland projects for Low Impact Developments (LID), but that project will only occur if we receive funding for it.

Council Member Jackson raised concerns about the widening and repaving of 200 North, particularly regarding areas where driveways intersect with the road and the potential impact of widening on these areas.

Dean Storey deferred the question to Public Works Director Josh Belnap for clarification, indicating that last checked the plan was for 200 North to remain as two lanes with curb work and extension of existing asphalt rather than widening the traffic lanes.

Council Member Oaks inquired about the budget allocation in FY 2025 for widening Crestwood Road.

Levi Ball clarified that the allocated funds shown in the budget were for engineering studies rather than actual road widening.

Dean Storey elaborated on the purpose of the funds mentioned, explaining that the engineering work that was conducted was aimed at determining the best solution for Crestwood Road.

Council Members discussed the priorities of various road projects and the necessity of replacing the waterline on Crestwood Road.

Dean Storey assured that despite unexpected expenditures on waterline projects this last year, such as the one from Main Street to 400 West, the timeline for the 200 North waterline project remained unaffected, as ARPA funds were utilized for the former project.

Council Member Blackham expressed concerns about the potential disruption caused by multiple road construction projects happening simultaneously on major roads within the city.

Dean Storey acknowledged the validity of these concerns, noting that the project on the 200 North

waterline from 400 West to Main Street would likely to start in the near future. The city has already committed to this project in conjunction with a road project UDOT will undertaking. This project would be managed by UDOT as part of their broader project, with the city funding its portion. The city had wanted to capitalize on this opportunity to collaborate with UDOT for this particular project, as it would save the city money in the long run.

Dean Storey provided an overview of power infrastructure projects, noting significant projects planned for the year, with some highlighted in blue indicating they were funded through impact fees and therefore not helpful in filling budget gaps.

Council Member Hunt sought clarification on the funding sources, particularly regarding projects funded through development contributions.

Dean Storey explained that new development contributions fund projects such as new line construction.

Council Member Oaks asked for clarification on the history and significance of the \$500,000 allocation for new line construction.

Dean Storey attributed the number as determined by historical trends and development contributions. Mr. Storey mentioned an additional \$500,000 allocated for power infrastructure maintenance, distinguishing between capital and non-capital expenses.

Council Member Blackham raised questions about the disparity in costs for long-range studies of streets like Burton Lane or Country Mill compared to Crestwood Road.

Levi Ball clarified that the figures mentioned were not for studies but for actual project costs as recommended by the long-range power plan study.

Dean Storey further explained that some projects outlined in the long-range power plan study had been reevaluated and pushed back based on changes in the power system.

Council Member Jackson proposed visualizing infrastructure-related capital projects on maps to aid in understanding and communication.

Jaysen Christensen said that city staff was already working to create such a map that would be interactive on the city's website so the public can access information about different projects occurring within the city. Mr. Christensen addressed questions about the widening of 200 North, explaining that additional lanes were not recommended due to the high number of residential driveways and curb cuts. He suggested that the road might not even need to be as wide, indicating that the focus was more on improving existing infrastructure rather than adding lanes.

Dean Storey presented the list of capital projects planned for FY 2025, outlining their significance and funding sources. These projects included the construction of a cremation garden at the cemetery, improvements to the Angel Street Soccer Complex playgrounds, routine playground replacements, resurfacing of the Rail Trail, resurfacing of the pickleball and tennis courts, gate replacements at the police station, Wilderness Park trail improvements, completion of City Hall

landscaping, enhancements to the West Davis Corridor trail, fulfillment of the Pioneer Park debt service obligation, and funding for cemetery perpetual care. Mr. Storey clarified that the perpetual care fund would cover the expenses for cemetery care, ensuring that it would not impact the general fund. Additionally, he mentioned projects funded through the RAMP fund, such as the Rail Trail restroom and parking, as well as a digital sign at Barnes Park, emphasizing that the funding for these projects was restricted to RAMP projects.

Council Member Oaks said that it is anticipated that the Rail Trailhead and restroom project will be phased over two years.

Council Member Adams raised questions about the significant increase in expenses for FY 2026, particularly due to the Trappers Field design development, which has been deemed by the Council to be more of a want than a need at this time. Council Member Adams proposed exploring the possibility of shifting certain projects from FY 2025 to FY 2026 to balance the budgets for both years.

Council Member Jackson inquired about the urgency of the Rail Trail resurfacing, suggesting it could potentially be deferred for another year.

Dean Storey said it is best to avoid not deferring maintenance projects to prevent increased costs in the end. He encouraged considering one-time expenses funded through reserves for critical projects to maintain fiscal responsibility.

Council Member Adams echoed this sentiment, acknowledging the importance of strategic allocation of funds for both immediate needs and long-term financial stability.

Dean Storey reviewed the capital assets for vehicles section within the budget, explaining that most vehicle purchases, except for police and enterprise-funded vehicles, have been funded using general fund balance. He noted the significant increase in vehicle costs from FY 2024 to FY 2025. For Public Works, they adjusted their purchases to include more passenger vehicles to save on costs. Mr. Storey discussed the city's practice of leasing fire-related vehicles to spread out expenses, and the importance of maintaining a constant rotation schedule for vehicles, especially police vehicles.

Council Member Blackham expressed concern about the practice of funding vehicles as one-time purchases instead of including them in ongoing revenues, emphasizing the importance of having reliable vehicles for city operations. He suggested considering a fleet management approach, such as purchasing Ford F-150s for better resale value.

The discussion also touched upon the past consideration of purchasing electric vehicles for city use, which was ultimately abandoned due to concerns about vehicle rotation and maintenance costs.

Council Member Hunt asked about the correlation between newer vehicles and reduced maintenance costs.

Council Member Jackson asked about the types of vehicles being purchased, including sedans.

Levi Ball said that there are benefits of standardizing vehicle types to streamline repairs and maintenance.

Dean Storey transitioned to discuss city operations costs, providing an overview of operating expenditures by category in the general fund. He noted that while there has not been a large increase from FY 2024 to FY 2025, some areas of the budget show more of an increase, such as the rise in information systems costs due to increases in subscription fees, and the significant expense for potentially revising the city's land use code.

Council members expressed concerns about the rising costs, particularly for Microsoft Office subscriptions, and discussed the need for careful review of subscription services to avoid unnecessary expenses. They also debated the necessity of updating the city's land use code, considering the potential benefits of proactive revisions versus the costs involved. While recognizing the importance of maintaining a balanced budget, they acknowledged the challenges of managing expenses amid inflationary pressures. Overall, they commended the efforts of staff in controlling costs and expressed a desire to ensure that budget allocations align with the city's priorities and needs.

Dean Storey presented information regarding city personnel and the budget for the upcoming fiscal year. Mr. Storey reviewed the staffing chart by department, highlighting that the approval of positions is a routine part of the annual budget process. He noted that there were no new positions funded in the previous fiscal year, and the same approach is being suggested for the upcoming year. The discussion also touched upon the health insurance costs, which have increased due to significant claims in the last year, resulting in a rise in premiums for employees.

Council members inquired about the allocation of costs between the city and employees and explored options for managing retirement contributions, particularly for Tier 2 employees.

Dean Storey and Levi Ball explained the intricacies of the Utah Retirement System (URS) and the impact of recent legislative changes on retirement benefits. They discussed the city's role in covering certain contributions and the implications for employees. There was a detailed examination of the proposed adjustments in retirement rates and the potential financial impact on both the city and its employees. The discussion also touched upon strategies to offset any additional costs to employees as required by the new state legislature, such as through bonuses or adjustments to compensation packages. Ultimately, the council expressed a consensus to continue the city's contribution to retirement benefits and explore options to mitigate any financial burden on employees.

Dean Storey mentioned that a resolution would be presented in a future council meeting to formalize the decision regarding employee contributions.

The city council recessed for a five-minute break at 9:30 a.m.

Dean Storey presented personnel market adjustment rates and compensation plans. He highlighted the use of URS's cost-of-living adjustment as a tool for adjusting the compensation plan to remain competitive in the market. The discussion revolved around the cost-of-living adjustment and market adjustment, with emphasis placed on the latter to ensure competitiveness.

Council Member Blackham raised concerns about the misleading nature of comparing the city's adjustment to URS, noting that URS would never exceed 4% for a cost-of-living adjustment.

Further discussion ensued regarding the impact of inflation on compensation plans and adjustments based on market averages.

Levi Ball presented an economic update from a recent conference, focusing on inflation rates and their impact over the years. Attention was drawn to the recent increases in inflation and its potential implications.

Dean Storey then provided a detailed breakdown of personnel expenditure proposals, including adjustments to compensation plans, merit increases, insurance costs, and miscellaneous adjustments. The discussion shifted towards the methodology of adjustments and comparisons to other cities' practices, particularly regarding the use of CPI versus URS for compensation adjustment calculations.

Council members deliberated on various approaches to compensation adjustments, including the possibility of tiered cost-of-living increases to mitigate disparities between different salary tiers. Concerns were raised about the widening gap between lower and higher-paid employees and the need to balance fair compensation with budget constraints. Suggestions were made to standardize evaluation processes for merit-based increases and to explore options for adjusting pay ranges without significant immediate financial impacts. The meeting continued with a discussion on potential changes to merit policies and evaluation methodologies to ensure fairness and competitiveness while considering budgetary constraints.

Dean Storey discussed the revenues and expenditures within the general fund. He noted fluctuations in tax revenues, highlighting increases in energy use tax but decreases in sales tax and building permits. This led to a discussion about a projected deficit of approximately \$2.1 million in the general fund.

Council Member Adams asked for clarification on how much of the budget is for personnel salaries.

Levi Ball clarified that \$1.1 million of the general fund is attributed to personnel expenditures.

Dean Storey reviewed the previous fiscal year's general fund balance and stated that it is anticipated that the general fund budget will be flat for the current fiscal year budget.

Levi Ball added that the city has benefited from higher-than-expected sales tax revenues in recent years but predicts this trend will not continue.

The discussion transitioned to other city funds, including the Redevelopment Agency (RDA) and the American Rescue Plan Act (ARPA) budget. Dean Storey highlighted the need to allocate remaining ARPA funds before the year's end. Council members expressed support for obligating funds to one-time expenses and discussed concerns about compressing the 200 North road projects within the Road Fund. There was also deliberation over the allocation of funds in the RAMP (Recreation, Arts, Museums, and Parks) fund.

Council Member Oaks mentioned requests to the RAMP Committee that totaled \$550,000, as well as potential adjustments to the budget. There was a brief discussion about carrying over RAMP funds to future years to fund a collaborated project with the Davis School District for a gymnasium.

Dean Storey presented an overview of the enterprise funds, focusing primarily on the Water Fund, Power Fund, and Stormwater Fund. In the Water Fund, he highlighted personnel costs, operating costs, and capital costs, noting a reliance on retained earnings in order to balance the budget. He mentioned a forthcoming \$10 per month increase in sewer rate fees by the Central Davis Sewer District, which is a pass-through expense. Moving to the Power Fund, Mr. Storey noted a programmed 5% increase, but acknowledged a need for an additional 5% increase, or more, due to continued reliance on retained earnings.

Levi Ball elaborated on the revenue increase related to the Power Fund, which would offset projected power costs.

Mayor Tran clarified that this increase would not contribute revenue back into the power fund budget.

Dean Storey concluded by addressing the Stormwater Fund, mentioning significant capital expenditures and a potential \$2 million wetlands project contingent on funding.

Council Member Blackham brought up the legislature's role in addressing the Local Improvement District (LID) issue.

Dean Storey encouraged council members to contemplate the next steps they would like to take with the budget and prepare for the upcoming meeting.

Jaysen Christensen echoed the sentiment, urging the council to share their thoughts with city staff in the coming week before reconvening on April 24th.

Council Member Blackham articulated his perspective, emphasizing his commitment to maintaining a balanced budget without resorting to tax or fee increases. He acknowledged the complexity of the city's financial landscape but underscored his belief in adhering to state laws mandating that the city have a balanced budget. Council Member Blackham referenced input from auditors about the city's budget, affirming the city's strong fiscal standing. He directed his remarks to the city staff, urging them to get together to prioritize expenditures based on revenue and return to the council with recommendations aligned to a balanced budget.

Council Member Jackson echoed Blackham's sentiments, stating the need for more insight before considering holding a Truth in Taxation due to the complexity of the budget.

Jaysen Christensen highlighted the necessity of using various tools like expenses, reserves, or tax adjustments to bridge the budget gap.

Council Member Adams emphasized utilizing fund balance for one-time expenses while considering transitioning some positions from full-time to part-time to alleviate financial strain. The discussion then turned to the challenge of maintaining a lean budget while addressing departmental needs and preventing employee burnout.

Some council members emphasized the importance of avoiding constant budget postponements, recognizing the impact they have on employee retention.

Dean Storey acknowledged the city's strong financial position but stressed the need for prudent budgeting to sustain it, including potential incremental tax increases and transparent communication through Truth in Taxation.

The meeting concluded with discussions on utilizing fund balance for specific projects and staggered planning for infrastructure improvements. The cremation garden project was discussed in relation to cemetery capacity and potential future demand shifts.

Mayor Tran expressed gratitude for the budget discussion, and adjourned the meeting without a formal vote at 10:52 a.m.