

AMERICAN FORK CITY
WORK SESSION MINUTES
MAY 22, 2014

WORK SESSION

The purpose of City Work Sessions is to prepare the City Council for upcoming agenda items on future City Council Meetings. The Work Session is not an action item meeting. No one attending the meeting should rely on any discussion or any perceived consensus as action or authorization. These come only from the City Council meeting.

The American Fork City Council met in a work session on Thursday, May 22, 2014, at the American Fork Administration Office, 51 E. Main, commencing at 3:30 p.m. Those present included Mayor James H. Hadfield, Councilman Brad Frost, Councilman Robert Shelton, Councilman Jeff Shorter, Councilman Clark Taylor and Councilman Carlton Bowen*.

Staff present: City Administrator Craig Whitehead
 City Attorney (Civil) Kasey Wright
 Deputy Recorder Terilyn Lurker
 Finance Officer Cathy Jensen
 Fire Chief Kriss Garcia
 Fire Marshall Doug Bateman
 Information Technology Director George Schade
 Library Director Sheena Parker
 Management Intern Brittany Bailey
 Parks & Recreation Director Derric Rykert
 Police Chief Lance Call
 Public Works Director Dale Goodman
 Senior Planner Adam Olsen

Also present: Max Meyers and two additional citizens.

Mayor Hadfield welcomed everyone.

OPERATING/CAPITAL BUDGET WRAP-UP AND FINAL BUDGET CHANGES – Craig Whitehead

Mr. Whitehead explained this was a wrap-up discussion on the budget, with approval of the budget in June. There were four areas he wanted to touch on: TSSD rate increase, Fund Balance, Additions or Subtractions to the budget, and other possible changes.

TSSD Rate Change

The first area Mr. Whitehead talked about was the TSSD Rate change. The Council had been made aware of the increase a couple of weeks ago, but he wanted to show them the impact of that change so the Council could decide whether they wanted to increase sewer rates or not. The projected impact was a total increase of 15.3%, or \$356,000, over last year; this was assuming that they would have no further decrease in the flow. Unless the rates charged to the residents were increased, this impact would have to be taken out of the sewer fund and then funds available for maintenance on the system would decrease significantly. The last time the TSSD increased their rates, the City did not pass that on to the residents.

Mr. Whitehead explained that the utility bill would now have the sewer fees broken down, so that the residents would see what amount went to TSSD and what the city kept for operations and maintenance.

Councilman Shorter felt that if it was a fee that was increased to the City, they should pass that increase along to the residents.

Councilman Taylor wanted to make sure the City was clear that the TSSD Impact Fee was only being collected by the City and not additional funds that the City sees.

Councilman Frost thought they needed to at least start a dialog on passing on the fee increase. He explained that any increase to the residents came out of a household budget, so they needed to discuss it before automatically passing it on.

Mayor Hadfield noted that the City has been very aggressive in eliminating infiltration, and it shows success with having no insurance claims for several years. However, it has come at an expense and they do need to have resources to keep ahead of the curve. He would caution them against using too much of the maintenance/capital improvement program funds as a way to pay for the TSSD rate increase.

Councilman Taylor commented that even with making the repairs, the savings we were seeing now would not be the same later on. He was reluctant to absorb any of the increase.

*Councilman Bowen arrived at 3:42 p.m.

Mr. Whitehead stated they have two options: adopt a rate increase effective July or keep the rates the same. He pointed out that the original Bowens and Collins recommendation was for no sewer rate increase this first year but an increase in the second year. With the TSSD rate increase this year, they still suggested no increase this year but having a 5% rate increase next year.

Councilman Shorter did not think it was good business for the city to absorb the rate increase. They did not want to raise taxes, but the residents needed to know what they were paying for and to whom.

Councilman Bowen stated that he was not willing to pass the rate increase through to the residents. He understood it was a TSSD fee increase and he understood TSSD had fees as well. However, he wished the City's representative on the TSSD Board had not voted in favor of that increase.

Councilman Shorter commented that the federal government was going to become more restrictive as to what goes in the water. The city needed to pass on the costs and then help the residents learn to cut down the flow.

Mr. Whitehead explained that new regulations and the high cost of treating water was part of TSSD's rationale behind the rate increases.

Councilman Taylor stated that he was not for absorbing the cost, but if this body opted to absorb the costs then the citizens need to be educated on the increase and what the city was doing to absorb that cost. As long as the city acted as the collection mechanism for TSSD, the City was the one taking the blame.

Councilman Shelton stated that they were finally getting a handle on the sewer lines and they would be cutting the funding if they opted to absorb the increase. That did not make any sense. The lines would be getting older and older and need to be replaced. He did not think they could absorb the cost.

Councilman Bowen commented that if other cities were absorbing the costs, then the representatives on the Board need to put pressure on TSSD to control costs. Councilman Shelton thought that some cities were passing the increase on to the residents. Councilman Frost thought that we should focus on American Fork and not on other cities; we needed to educate the residents on how to be responsible and to cut waste and water usage which has a direct reflection on their sewer rates.

Councilman Bowen asked how the sewer fees were calculated. It was explained that the City was charged based on a TSSD meter at the end of the City line and the residents were charged according to their winter water use as that was typically what went down the drain.

Councilman Taylor stated that the residents need to be aware of how much work the city has done to decrease the fees being paid to TSSD. If the citizens started to show up at the TSSD Board meetings, those on the board would have to deal with citizen reactions and comments.

Mr. Whitehead stated that they would come back in the second meeting in June to discuss the rate increase. He was asked by Councilman Bowen to come prepared with proposals on what would happen if no fee increase was passed on to the residents. It was noted that the services and repairs would go down if there were no increase.

Fund Balance

Mr. Whitehead explained that they were projecting ending the year with a fund balance of \$4.89 million, which is a 25% fund balance and was the maximum allowed by law. However, with the FY 2015 budget they were using \$1.7 million to balance the budget and that would immediately drop the fund balance down to the 17% mark.

Mr. Whitehead explained that the \$50 million budget includes the following funds: Perpetual Care, RDA, Fitness Center, Broadband, Utilities, Celebration, Capital Improvements, Debt Service, and the General Fund. The only fund they could take additional money from for roads would be the General Fund. Within the General Fund, personnel costs take up 68% of the total budget.

Councilman Bowen asked where the money was being allocated between the 25% and the 17% Fund Balance. Mr. Whitehead explained that the funds were being used to balance the budget. If sales tax or other revenue comes in higher and we do not use all of that allocation, it would go back into the fund balance (or unrestricted reserve).

Councilman Bowen asked where the funding came from for items approved by the Council that were not in the budget, such as purchasing the street lights. Mr. Whitehead explained it came from the fund balance; the fund balance was also known as the “rainy day fund” or unrestricted reserve and could not be over 25% of the total budget but had to be a minimum of 5%. Mr. Whitehead stated their goal was to be around 18%.

Mayor Hadfield stated that the fund balance was less than 9% when he took office six years ago. They have worked very hard to build that fund balance to where it was today, with many requests by staff being cut to build that fund balance.

Additions or subtractions to the budget

Mr. Whitehead explained there were a few changes from the last time the Council had this budget before them and he wanted to briefly go over those. One change was an increase for the fire station dorm remodel, which would be paid for out of impact fees or donations. They need to remodel the dorm rooms to make them more compliant so the employees do not have to sleep in the same room with others. With the last remodel of the Fire/Rescue Station all the funds were donated; they may be able to get these funds donated as well. Mr. Whitehead explained that this does not affect the general fund or operating budget.

Mr. Whitehead stated that another change was an increase of \$5,000 for the next four years for a Public Works small SUV lease, which would come out of the General Fund. Mr. Goodman explained that this vehicle would be for him to use, with his 2007 Ford Explorer going back to the Engineering Department for their use. Public Works would then surplus an older vehicle when this vehicle was obtained.

Other changes

Mr. Whitehead asked if they had any other changes they wanted to consider.

Councilman Frost stated that when it comes to the budget they get very little input from the public. However, they do hear from people who are advocating for large projects such as 540 West. He asked if the 540 West project was something that they needed to look at.

Councilman Taylor noted that they could not do anything about the 540 West crossing because of Union Pacific; this had been something brought up the first time he was on the Council. He would love to open that crossing, but they had no power to do that. Mayor Hadfield commented that the time for that alignment is when the railroad came to the City for a Trax line in that area; the City would then have some negotiating power. There was a street right-of-way ownership issue that would need to be addressed. Mayor Hadfield also noted that the cost for opening that road up and adding a signal light would be about \$2 million and would impact the traffic in that area, which would need to be addressed as well. Mayor Hadfield stated the railroad was working with Lehi and thought there may be an announcement in the next 6-8 months.

Councilman Shorter commented that if they wanted to push for additional road funds, it appeared that the only way they could do that was by a cut in personnel, either in wages or jobs or cutting services. Mayor Hadfield stated that they had already cut several positions last year.

Councilman Shelton commented that the City had climbed out of a hole and they have been aggressive to get that fund balance up to 18%; he did not want that percentage to drop any lower. He stated that he would be happy to allocate any additional revenue over that 18% fund balance to roads. He did not think it would be prudent to lock in a specified amount, as something could happen where those funds were needed elsewhere.

Councilman Bowen stated that it was amazing how the small dollar amounts add up when multiplied several times. He was willing to put every spare penny into the road accrual fund and he was confident it would add up.

Mr. Whitehead explained that there was another option for roads, and that was a transportation utility fee. If they look at the roads long term, they need a sustained revenue source. Even if they had \$3 million a year, they would not catch up in 10 years but they could get the worst streets repaired. The options for obtaining the funding needed were a property tax increase or transportation utility.

Mr. Goodman stated that Provo opted for a transportation utility fee because 50% of the property in Provo was owned by non-profit organizations such as churches, schools, county, temples, colleges, etc. A property tax increase would place the burden on the residents and some businesses while the non-profits paid nothing. The utility fee would be assessed on the monthly utility bill and paid by all.

Mr. Whitehead stated that Provo worked with the larger land owners before implementing the utility transportation fee to avoid problems.

Mayor Hadfield stated that this was something they should look into. It was noted that the B & C Road funds were allocated to municipalities based on how many miles of road the city had. Mayor Hadfield also noted that there was a possible gas tax increase; however, those with electric cars or fuel efficient cars are using the roads as well but not paying as much in gas tax.

Mayor Hadfield stated that they were now asphaltting 700 East from State Street to the High School parking lot. They have completed the underground utilities and now will complete the asphalt. The next project is 300 West street.

Councilman Taylor asked if they had the no-cut ordinance in place, and he was told it was in place.

Mayor Hadfield stated that staff would prepare the final budget for adoption in June.

DISCUSSION OF ADDITIONAL FUNDING FOR ARTS, RECREATION AND PARKS –
Mayor Hadfield

Mayor Hadfield explained that this funding would be a percentage of a sales tax that goes against any purchases made in American Fork, known as the RAP or CARE tax. He understood that Provo City was dividing up \$20 million because of their sales tax. Orem City successfully renewed their CARE tax at the last election. He indicated that last year 400 homes in the community were surveyed to see who supported this and they found it was a possibility that the residents would approve this type of tax. They need to advertise for this soon if they wanted to go forward by letting the County Commission know of the City's intent and then continuing on with the process. Mayor Hadfield commented that if they want to continue to improvement the parks and recreation program, this should be one of the tools they consider.

Councilman Taylor noted that there were two taxes similar to this that passed in the last election and they were the only bonds that passed. The beauty of this was that everyone who shops in American Fork puts money into that fund, not just American Fork residents. Councilman Taylor was in favor of this and thought the residents would be as well.

Mayor Hadfield stated they have to sell the importance of voting for this tax and pointed out that it has been estimated that 70% of the sales tax revenue comes from non-residents. The big sellers in American Fork are the 5 auto dealerships. He had information on the RAP tax and what was allowed, as well as copies of the State Code pertaining to this.

Councilman Taylor asked if there was still a threat that the state was going to do away with a RAP tax option for municipalities. Mayor Hadfield stated that bill died.

Councilman Shelton asked how this would affect the budget. Mr. Whitehead indicated it would not affect the budget because the funds would be allocated to certain areas; however, there would be funds available for the large projects that need to be done.

Councilman Taylor stated he has had numerous people ask him if the City would be doing this.

Councilman Shelton asked if this tax had to be renewed by election every ten years, and he was told that was correct.

Councilman Bowen asked what information would need to be sent out and if that had been budgeted for. Mayor Hadfield stated that had not been budgeted. Councilman Frost stated that it would be a risk of about \$35,000 to educate the public and to get the question on the ballot. Mr. Whitehead stated that in the survey, 55% of the respondents were in favor of this type of tax; however, the City would still need to make sure the residents got all the information needed.

Councilman Frost stated he would be supportive of this, but would probably not be the strongest cheerleader. He indicated he could support allowing the people to make that choice.

Councilman Taylor was in favor of letting the residents decide.

Councilman Frost asked Councilman Bowen what the Parks and Recreation Committee's opinion of this would be. Councilman Bowen explained that they have not been meeting as the

committee is understaffed and were still trying to get the committee up and running. He could not tell them what the committee's opinion would be.

Mayor Hadfield asked Derric Rykert if he thought they would be supportive. Mr. Rykert commented that the committee was waiting for a cause or a goal to accomplish; if the City gave them a cause, the committee would be up and running with it. They were done talking about projects; they wanted to work on one.

Mayor Hadfield stated he had information if anyone was interested.

ADJOURNMENT

The meeting adjourned at 4:36 p.m.



Terilyn Lurker
Deputy Recorder