

CLEARFIELD CITY COUNCIL MEETING MINUTES
6:00 PM WORK SESSION
March 19, 2024

City Building
55 South State Street
Clearfield City, Utah

PRESIDING: Mayor Mark Shepherd

PRESENT: Councilmember Karece Thompson, Councilmember Nike Peterson, Councilmember Megan Ratchford, Mayor Mark Shepherd, Councilmember Dakota Wurth

ABSENT: Councilmember Tim Roper

STAFF PRESENT: City Manager JJ Allen, Assistant City Manager Summer Palmer, Community Development Director Spencer Brimley, Community Services Director Eric Howes, City Attorney Stuart Williams, Police Chief Kelly Bennett, Community Relations Director Shaundra Rushton, Senior Planner Brad McIlrath, Public Works Director Adam Favero, Finance Manager Rich Knapp, City Recorder Nancy Dean, Deputy City Recorder Chersty Titensor, Public Works Deputy Director Braden Felix, Finance Department Lee Naylor, Assistant Police Chief Devin Rogers, Human Resource Manager, Ricki Miller

VISITORS: None

DISCUSSION ON THE PROPOSED FISCAL YEAR 2025 PROPOSED BUDGET-MAJOR EXPENSE CHANGES, REVENUES, MAJOR CAPITAL

JJ Allen, City Manager, explained to the Council that the City was early in the budget process and many of the projections were preliminary and could change prior to the official adoption of the budget. He said the numbers presented were a status quo position and did not increase employee head count which would likely impact the level of service provided. He said the Council would need to discuss new staffing requests.

Rich Knapp, Finance Manager, reviewed the schedule for future budget meetings with the Council and the deadline for the final budget. He pointed out that the preliminary budget worked under the assumption of maintaining the current property tax rate. He explained the staff's historical strategy of anticipating revenues conservatively and mentioned that the advantage of estimating conservatively was that the City could be more nimble if the economy changed or needed to include an unexpected project or program. However, the advantage of being less conservative was that the City could maintain a higher level of service and get projects completed.

He pointed out the changing variables and assumptions thus far in the budget process: revenue projections, compensation, general insurance, utility revenues, grants, transfers and new budget requests.

He reviewed the new staffing requests not included in the current draft with the Council. They

included two full-time police officers and full-time and part-time park maintenance specialists to help in maintaining parks and open space at Clearfield Station. JJ Allen, City Manager, said Clearfield Station would be their primary assignment, but not necessarily their only assignment. Mr. Allen mentioned that parts of the landscaping were the City's property and other areas were private land but thought it may be more efficient and effective to have one entity maintain them all. If the City was determined to be the maintainer of the project, he brought up the possibility that the developer/property owner could pay the City for their maintenance which could potentially slightly offset the cost of the staff. He said no proposal had been agreed upon, but a discussion had been held.

Kelly Bennett, Police Chief, confirmed that the new positions would allow the department to have three officers on duty 24 hours a day 7 days a week once he could fill the remaining two open positions. Councilmember Peterson asked if there were minimum community standards for staffing for the police or was the request based on experience. Chief Bennett explained there was an assessment but the City needed to take into consideration special assignments. Summer Palmer, Assistant City Manager, said the staff had been maintaining and updating a sustainability model that had been created 3-4 years ago. The sustainability model was created by looking at the growth of the City over the previous 10 years, and considered anticipated growth from known residential building projects. Based on the information gathered, staff had projected the growth of the City to more than double the percentage of growth from the last 10 years. She explained that they had built into each of the departments a level of service model, and for the police department it required 0.95 officers for every thousand residents. She indicated that to maintain the level of service, taking into consideration the additional number of residents that had moved in, and the number of additional acres of parks, she thought the new staffing requests were justified by the model previously built. Ms. Palmer said they recognized that growth was two years ahead of projections. Councilmember Peterson stated her preference to have an impact fee for levels of service for open spaces. Mr. Allen agreed that maintenance of open spaces was the challenge. He said they anticipated growth in valuation, but for projects such as Clearfield Station – landscaping would need to be maintained without collecting taxes on the property. He recognized there would be a lag, but in time, revenue would come from the project. Mr. Knapp pointed out that Public Works had requested to add an amount to the budget to contract out the commercial meter swap out, but those numbers were not included in the budget numbers.

Ms. Palmer discussed compensation, which was the biggest operational expense. She said last year, the City had taken a conservative approach to compensation, based off the compensation study and not knowing where the economy would go. She said Ricki Miller, Human Resources Manager, had performed a comprehensive external analysis and the City was behind in many positions. She thought the step-in-grade positions were driving the increase amounts and said it was difficult to hire part-time employees. She said utility maintenance, parks, and police officers were difficult positions to fill. She said those positions needed adjustments to be comparable with other organizations. She anticipated an average increase to full-time positions of 8.5% which was an estimated increase of \$1.1 million for full-time employees and \$300k for part-time employees. She said they were trying to right-size the enterprise funds and allocate more to streets and less from the enterprise funds.

Mr. Allen pointed out that while updating the compensation plan, staff was trying to match to the median level of market comparisons where half of cities were above and half were below the City's compensation levels. He asked the Council to consider whether they thought the City should lead the market or if they were content with it being in the middle and accepted hiring struggles as part of doing business. Ms. Palmer explained the requested amount was just trying to get the compensation level to the median level for positions.

Ms. Palmer noted that preliminary medical insurance rates had been estimated at a 4.7% increase which would increase the budgeted amount by \$120k. She said the numbers were preliminary because she had asked them to cost out an additional high deductible plan to offer more options, but because the rate was good, staff felt like it was an opportunity to modify the current cost sharing split from 85/15 to a 90/10 split and fund the HSA accounts a little more because the HSA contribution amount was driven by the premium. It was her opinion that incentivizing the High Deductible HSA plan would increase the chances of similar lower rate increases in the future. She felt that increasing the cost sharing incentivized the High Deductible option and was another lever to pull next year in the event of a higher increase. Mr. Allen said that Staff heard from prospective employees that other cities paid the full premium for their employees.

Ms. Palmer reported that the rates for contributions to the Utah Retirement System (URS) Tier 1 and 2 decreased and dropped a full point from 17.97 to 16.97. However, there was an increase for Tier 2 Public Safety and the pickup had increased from 2.59% to 4.73%. Additionally, there was a new mandatory employee contribution of 0.7% for Tier 2 (Public Employee Hybrid plan only). She said for an average employee making \$60k/year it amounted to a \$30/month contribution. Lee Naylor, Senior Accountant said the net cost to the City for the URS changes was a \$30k decrease.

Mr. Knapp explained how staff analyzed the budget to calculate the measure of sustainability for the General Fund. He reminded Council that historically, approximately 5% of Personnel expenses and 20% of Materials and Services expenses were not spent and that in the previous year Council had determined to estimate that a conservative percentage of 3% would not be spent and effectively put back in the budget. Mr. Allen explained options that could be implemented by Council. Mr. Knapp reminded the Council that the numbers shown were just for the General Fund and not the Enterprise Fund. He further reminded Council that in 2023 almost \$2M was not spent, demonstrating the conservative nature of the 3% unspent included.

Mr. Knapp reviewed the Measure of Security where he indicated that the City tried to keep approximately two months of operating expenses. At current projections he estimated the Beginning Unrestricted Balance for FY25 would be approximately \$9.8M and if all revenues and expenses came in as projected, the Ending Unrestricted Fund Balance would be \$4.29M which represented 18.6 percent of the General Fund revenue. He noted State Law required the unrestricted fund balance not exceed 35 percent of the General Fund balance. He explained that Government Finance Officers Association (GFOA) recommended that an entity maintain an unrestricted fund balance of no less than two months of General Fund operating expenditures. He pointed out that the City had 67 days of cash available. Mayor Shepherd confirmed that the budget reflected a \$4.6M use of Available Reserves that would be used for projects. Mr. Knapp confirmed that was the intended use.

Councilmember Peterson moved to adjourn for a short break at 7:08 p.m., Councilmember Wurth seconded the motion.

The meeting reconvened at 7:18 p.m.

The Council decided to move to Agenda Item #3 to discuss the Amendment on the Master Development Plan of the Clearfield Station Master Development Agreement.

DISCUSSION ON AN AMENDMENT TO THE MASTER DEVELOPMENT PLAN OF THE CLEARFIELD STATION MASTER DEVELOPMENT AGREEMENT

Brad McIlrath, Senior Planner, reviewed the proposed amendments to the Master Development Plan (MDP). He explained that Staff and the development partners had identified necessary amendments to provide more clarity and flexibility to the first project for mixed-use residential buildings C & D. Mr. McIlrath explained that the developer had building identification signage on the tops of the buildings in the plan, but the Code specified wall signs were to be no higher than 2nd floor window sill, so it was proposed to add ground level wall signs. Additionally, language was added for Icon Signage. Councilmember Peterson thought the language should specify that any icon signage needed to be proportional to the building and one per facade. Councilmember Peterson thought if the developer was saying the reason for the Icon Signage was following an industrial character, then she would expect language from them that it was industrial in nature, follows historical typing, and was proportionate to the building massing. She was concerned that it would be in line with what had been carefully crafted visually. Mayor Shepherd asked about whether the developer had mentioned a sign theme to create consistency throughout the projects, for both office and residential projects. Mr. McIlrath said there was not a theme called out in the intent of the general guidelines and the developer had not shown any theme. Mayor Shepherd wanted to know the developer's vision for the identity of the project. Councilmember Peterson thought it was a good time to insist on cohesiveness of an overall theme.

There was discussion of the proposed site plan and how it varied from the conceptual site plan in the MDP. Councilmember Peterson was concerned that the significant changes made to the conceptual site plan should have been presented to Council. Mr. Allen called attention to language in the MDA where it was agreed that the developer was allowed to build the first residential complex before anything else was built but not the second complex until there was a contract with an anchor office/commercial tenant at the front of the property. Councilmember Peterson thought the change to the shape of the building should have been presented to Council because the developers were not authorized to make those changes. Councilmember Peterson argued that the development was approved based on the parking counts the developer presented on their site plans, so they needed to stick with it, and if there were going to be changes it needed to run through the process through Council. Mayor Shepherd offered an explanation behind the sequencing of the project. There was a discussion on the phasing sequencing and the amenities. Mr. Allen explained that changes to a concept plan were inevitable. Councilmember Peterson thought there should be a discussion with Council when large changes were being made to projects. Mr. Allen said he would take the blame and explained that when staff first

became aware of the change to the “C” building, staff had an onsite meeting. Mayor Shepherd explained that the developers were reducing units and increasing visibility. Councilmember Peterson reiterated that Council should not have been bypassed – and that it was not an administrative decision. Mayor Shepherd said the Council needed to consider that the developers were moving forward at a time when no one else was because of the current economy. He indicated that the developers were taking massive risks. Mayor Shepherd thought it was administrative because the unit count and overall design of the project was not changing. Councilmember Peterson wanted better communication with the Council in the future to better manage expectations. Mayor Shepherd said there would be further changes to the size of the office space on the south end. Mayor affirmed the developers were truly invested. Councilmember Ratchford thought those changes would be administrative decisions. Mr. McIlrath said staff would bring any changes to plans to Council. Councilmember Peterson said if there were changes to projects the Council needed to be apprised of the changes so they could communicate with residents.

Mr. McIlrath reviewed additional proposed changes to the Temporary Signage section, specifically, Pre-construction signage and Project Pylon & Monument Signage. He said the Project Pylon & Monument would follow the guidelines of the Clearfield City Code Title 11 chapter 15 regarding sign regulations. Staff was proposing to add language that said, “any signage not described in this section is prohibited unless otherwise addressed in Clearfield City Code Title 11 Chapter 15.”

Mr. McIlrath described the proposed changes to the “Building Placement & Height” section to clarify where the setback would be measured. Mr. McIlrath said it was scheduled for a public hearing in the March 26, 2024 policy session and asked whether it should be rescheduled to discuss more or was the Council comfortable moving forward. Councilmember Peterson thought it could be addressed on March 26, 2024 but recommended some changes to the language. Mr. McIlrath would communicate with the developers about Council’s concerns.

DISCUSSION ON BUSINESS LICENSE FEES

Spencer Brimley, Community and Economic Development Director, said there had been questions and concerns about the disproportionate fees that were scheduled to be increased on July 1, 2024. He asked whether Council would like to make any changes to that roll-out schedule for the remaining increase. Mr. Brimley said most cities had not addressed their fees for a number of years. He said there were two specific business types that had concerns with the increases – Convenience Stores and Hotels.

The other item for consideration was the relationship the City had with MIDA and the licensing process. He said he had spoken with Mike Wagstaff about how the licensing process should be handled. He pointed out that the City had an agreement with MIDA that was out of date based on the costs of doing business and some of the fees included. He said the agreement could be amended in February 2025. He explained that one of the complexities of the business license fees for businesses located in a MIDA jurisdiction was that MIDA was considered its own municipality that contracted services with Clearfield City.

Mr. Allen mentioned that more work needed to be completed to determine what the Interlocal Agreement with MIDA allowed the City to charge, if anything, for business licenses or disproportionate fees. He thought the process would be to either invoice MIDA for police services provided in their jurisdiction or charge them a business license fee that included disproportionate fees, but not both. Mayor Shepherd disagreed because of the context of the agreement with MIDA. He explained that the City did not collect property taxes from MIDA. The City did not have the income coming in from any MIDA property that would cover a police call. It should go above and beyond just a police call fee. Councilmember Ratchford stated that MIDA did not think there was an expectation of the City providing services, other than what was included in the Interlocal Agreement, so they should not pay property taxes. Mr. Allen attempted to redirect the discussion to revising the disproportionate fee for hotels because it was going beyond the business licensing question on the agenda. The items being discussed would be addressed in the Interlocal Agreement with MIDA.

Councilmember Ratchford wanted to address the hotels in Clearfield City because she thought the fee was too high. Councilmember Peterson asked if Councilmember Ratchford was supportive of disproportionate fees for hotels outside of MIDA jurisdiction. Councilmember Ratchford answered affirmatively, as long as the fee was reasonable. She thought the disproportionate fee needed to be reduced by the amount of the property taxes paid by the hotel. Mr. Brimley explained that the fee study focused its findings on recovering the costs for services and did not take into consideration all other factors of business in the City. Mr. Allen recalled debates about considering credits to fees for sales-tax-generating businesses, or for businesses that provided some public good to the community, but the costs incurred by the City for providing service remained as identified by the study. Mr. Brimley acknowledged that whether it was paid through a disproportionate fee or through some other revenue source the cost of services would need to be paid. He recollected an additional conversation about the importance of the businesses recognizing the costs that were part of their operation. He pointed out that the study did not take community contribution or taxes, etc. into consideration because the study focused on the impact of costs to the City. Councilmember Peterson was open to consider the concept of crediting fees based on sales taxes but thought there needed to be a metric established. Mr. Allen made the point that if the costs for city services were not paid by the business through a disproportionate fee, then de facto it would be charged to the whole population of residents and taxpayers.

There was a conversation about MIDA and the fact that they had not made any distributions to the City for services. Mayor Shepherd explained their revenues had not currently attained the needed threshold for distributions and did not anticipate doing so for an additional two years. He pointed out that the wear and tear to Clearfield City's road from the amount of traffic had not been taken into account.

Mr. Brimley pointed out that staff needed to get notice of the increase out to the businesses by May 2024 and wanted the Council's input on whether they wanted to make changes to the disproportionate fee. Councilmember Wurth stated that the most feedback on any topic he had received had been on the disproportionate fee. He acknowledged that surrounding cities had not looked at their business licensing fees for 15-20 years and the cost of doing business from a licensing perspective was less expensive in surrounding cities. He recommended delaying the

roll-out of the remaining increase. Councilmember Peterson pointed out that in some states on the eastern side of the country, business owners had private security at convenience stores. She thought it was interesting that there was an acknowledgment of the need for police services and that it was privately funded. She wondered if businesses needed to be made aware that the City was subsidizing a function of private businesses which reduced the availability of police to residents and other businesses.

Mayor Shepherd said the business owners had been informed that the increases were coming. Councilmember Ratchford asked how many dwellings and entities had been added to the City since the study. She thought the amount should be reduced based on the growth of the City. Mr. Brimley said the study had been completed based on data from 2021. Councilmember Wurth appreciated Council's rationale for the increases but thought the two-year roll out was aggressive and thought the time for the roll out should be extended. He recommended that 25 percent be rolled out this year and then the remaining 25 percent rolled out the following year. Councilmember Thompson did not oppose delaying the roll out of the taxes.

Councilmember Ratchford thought the revenues generated by the businesses, such as sales tax, energy tax, and transient room taxes, needed to be taken into consideration in the disproportionate fee. Mr. Allen pointed out that theoretically the transient room taxes paid by hotels were to be used for the promotion of travel and tourism. He said those funds were reallocated to the City's communications and marketing efforts. Councilmember Peterson was open to considering taking taxes into consideration but wanted a methodology in place. Councilmember Peterson said if the City was identifying that the disproportionate fee was due to increased police presence, then it should be allocated to a restricted fund and not to the General Fund, so she could explain to the residents how it was being mitigated through the disproportionate fees. She thought it was important to be able to explain to residents that due to the impact of the businesses, the City had to bring on more officers faster. Mr. Allen said the City could restrict the revenues if it chose to, to dedicate the money toward the Police Department. Councilmember Peterson thought it was important to be able to show residents the money trail and be able to identify that it was used to meet the needs of staffing.

Mayor Shepherd reminded Council that the ordinance adopted by Council had specified that the fees would be rolled out this year. He said MIDA's piece would be addressed separately. He pointed out that the reallocation of disproportionate fees was an administrative action. Mr. Allen stated that unless a majority of the Council asked the staff to do otherwise, the increases would roll out in July as by ordinance. Councilmember Wurth maintained he thought it would be kind to businesses in Clearfield to roll out 25 percent this year, then the remaining 25 percent the following year. He acknowledged it would reach the full amount eventually. Mayor Shepherd was amenable with rolling out the increase fully because the business owners had been informed of the increase last year. Council agreed to have full roll out in July 2024.

The discussion on the FY25 Budget resumed at 8:56 p.m.

It was determined that Council could review Capital Projects at the next work session on March 26, 2024.

Mr. Knapp presented information on the FY25 projected revenues. He reviewed a historical summary of General Fund revenues and outlined the proposed increases for the FY25 budget. Mr. Knapp explained the preliminary budget anticipated maintaining the current certified property tax rate of 12.02%. He projected that the average homeowner would likely see an increase of \$7.34 annually under that scenario. Mr. Knapp also reviewed the historical rate of the property tax rates. There was a discussion on the impact of maintaining the tax rate and the noticing required for the Truth in Taxation process which was based on the rate of change by Davis County to maintain the taxes collected by the City.

Mr. Knapp reviewed the historical summary of Sales Tax revenues. He pointed out that the rate of growth had slowed. He reviewed the historic summary of Licenses and Permits revenues, Inter-Governmental fund, Charges for Services, Aquatic & Fitness Center, Fines and Forfeitures; indicating the impact on the FY25 budget projections.

He reviewed the Revenue Bonds and the debt per capita.

Councilmember Peterson moved to adjourn at 9:22 p.m., seconded by Councilmember Thompson.

RESULT: Passed [4 TO 0]

YES: Councilmember Thompson, Councilmember Peterson, Councilmember Ratchford, Councilmember Wurth

NO:

APPROVED AND ADOPTED
This 23rd day of April 2024

/s/ Mark R. Shepherd, Mayor

ATTEST:

/s/ Nancy R. Dean, City Recorder

I hereby certify that the forgoing represents a true, accurate, and complete record of the Clearfield City Council meeting held Tuesday, March 19, 2024.

/s/ Nancy R. Dean, City Recorder