

CITY OF OREM
CITY COUNCIL MEETING
56 North State Street Orem, Utah
April 14, 2026

2:00 P.M. WORK SESSION - CITY COUNCIL CONFERENCE ROOM

CONDUCTING	Mayor Karen McCandless
ELECTED OFFICIALS	Karen McCandless, Crystal Muhlestein, Jeff Lambson, Jenn Gale, LaNae Millett, Quinn Mecham ABSENT Chris Killpack
APPOINTED STAFF	Brenn Bybee, City Manager; Ryan Clark, Assistant City Manager; Keri Rugg, Deputy City Manager; Steve Earl, City Attorney; Chris Tschirki, Public Works Director; Brandon Nelson, Finance Director; BJ Robinson, Police Chief; Gary McGinn, Community Development Director; Peter Wolfley, Communications Manager, PIO; Teresa McKitrick, City Recorder

NOTE: The referenced report and presentation documents for each discussion may be viewed at orem.gov/meetings under “City Council Presentations”

General Fund Sustainability Plan Presentation *Presenter: Laura Lewis and Fred Philpot, LRB Finance*

Ms. Lewis spoke regarding property tax trends and recent legislative changes affecting the City of Orem. Lewis emphasizes her long-standing relationship with the city and addresses the often-unpopular topic of property taxes. She highlights the fundamental structure of Utah’s property tax system, which is designed to keep a city’s total tax revenue stable from year to year. Consequently, as property values rise, the tax rate automatically adjusts downward. Ms. Lewis warned that this system ignores inflation, effectively reducing the city's purchasing power over time. She likens the situation to receiving the same nominal allowance in the 1970s as today, noting that Orem’s tax rate has consistently fallen since 2016.

Ms. Lewis expressed frustration with the Utah State Legislature for imposing new, more stringent requirements on local governments seeking to maintain or raise their tax rates. Under the new rules, cities must adhere to strict deadlines, hold specific public hearings after 6:00 PM without other general business, and provide a detailed departmental breakdown of how the tax revenue will be used. Furthermore, cities must articulate the operational impact of not approving the increase. Ms. Lewis argues that while state revenue sources like income and sales tax naturally grow with inflation, property taxes remain stagnant, forcing cities to either seek a "Truth in Taxation" increase or cut services. She noted that since 65% to 75% of Orem’s budget

consists of salaries and benefits, significant budget cuts would inevitably result in reduced services such as police and fire protection.

The presentation also covers Orem's revenue mix, showing that property tax has dwindled from roughly 21% to 17% of the total budget, while sales tax accounts for nearly half. Ms. Lewis points out that such high reliance on sales tax is a concern for rating agencies because it makes the city vulnerable during economic recessions. She also notes that Orem is already at its maximum allowable rates for sales tax and franchise fees, leaving property tax as the only remaining lever for financial stability. She highlights that from March 2025 to March 2026, the Consumer Price Index (CPI) rose by 3.3%, with gasoline prices specifically increasing by over 21%, which significantly impacts the city's fleet and operational costs.

Ms. Lewis discussed with the Mayor, and Council members the definition of "new growth." Council Member Millett asks if home remodeling counts toward the city's tax base. Mr. Nelson clarified that, generally, only remodels that increase a structure's square footage are counted as new growth; interior renovations that simply increase value do not benefit the city's revenue due to the rate adjustment. Ms. Millett suggests that Orem, as a "legacy community" that is largely built out, should lobby state legislators to change these rules so that revitalization efforts are rewarded rather than ignored by the tax structure. Ms. Lewis agrees that the current system puts built-out cities at a disadvantage compared to high-growth areas.

Mr. Philpot opened the discussion by addressing the policy perspectives of the Utah State Legislature regarding the Certified Tax Rate. He noted that while the state views the current system as "tax protective," it places the burden of action on local legislative bodies to maintain revenue levels against inflation. Mr. Philpot defined financial sustainability through three primary metrics: efficiency, cost reduction, and revenue generation. He explained that while city staff focuses on internal efficiencies and identifying potential cost savings, his model specifically evaluates the revenue generation required to mitigate future shortfalls. The modeling process is iterative, involving historical data analysis from 2019–2024, meetings with department heads regarding unfunded mandates, and continuous recalibration based on legislative feedback.

The analysis utilizes a five-year planning horizon for policy decisions, though projections extend through 2041 to identify long-term "cliff" events, such as major capital reinvestments. Philpot noted that the model is intentionally conservative, using budgeted figures rather than optimistic actuals. Key baseline assumptions include: A starting unrestricted fund balance of \$25 million, intended as a "Rainy Day" fund for economic stabilization or emergency capital needs. A target fund balance of 25% of total revenues to ensure favorable credit ratings and operational liquidity. An assumed 7% annual growth in rebates from Utopia. City Manager Bybee clarified that while the city currently pays approximately \$2.5 million more in debt than it receives, the gap is narrowing and is projected to break even by 2040, or potentially as early as seven years from now. The model accounts for potential revenue from a Transportation Utility Fund (TUF), following recent legislative clarifications on how such fees can be structured.

Mr. Philpot expressed concern regarding the city's heavy reliance on sales tax, which has shown a "plateauing" effect. While historical growth was near 7%, actuals from the last three

years show 0% growth. The model assumes a 3% future growth rate, though Philpot warned this might be aggressive if consumer spending continues to cool. On the expenditure side, the model applies a 5% inflationary factor to personnel and benefits, which typically outpace the standard CPI. Public safety and legal services were also isolated for higher growth rates due to market pressures for recruitment and retention. Mr. Philpot highlighted that "unfunded mandates", departmental requests for new positions or services, could cumulatively impact the budget by \$6 million annually by 2032 if fully funded.

The "Baseline Scenario" presented a stark financial outlook: if the city takes no action on property tax and continues with current spending trends and inflationary pressures, the \$25 million fund balance will be entirely depleted, leading to a significant negative cash position by 2030. Philpot presented two specific trend lines: 1) Total Impact Line includes all requested new services and one-time capital projects (e.g., fire station renovations and parking construction). 2) Inflation-Only Line shows that even if the city denies all new service requests and only funds existing operations, a deficit still occurs due to the "buying power" gap caused by stagnant property tax revenues. Mr. Philpot noted that Orem's portion of the total property tax levy has dropped from 17% in 2005 to just 9% in 2025, indicating that other taxing entities (schools, county) are adjusting their rates while Orem's rate has effectively eroded.

In summary, Mr. Philpot identified the Property Tax Rate as the most direct "lever" available to the Council to ensure sustainability, alongside strategic revenue evaluations and the potential use of bonding for one-time costs. He concluded that Orem has historically been highly efficient, with a low cost-per-capita compared to peer cities like Logan, but cautioned that cost containment alone cannot bridge the projected multi-million dollar gap.

Mayor McCandless and the Council expressed the need for more time to review the detailed departmental requests before committing to a specific path. City Manager Bybee indicated that while the model looks at the long term, the immediate budget for the upcoming fiscal year would begin to incorporate these sustainability strategies.

Budget: Revenues and Compensation Presentation *Presenter: Brandon C. Nelson, CPA, Finance Director. Keri Rugg, Deputy City Manager, Jennica Jones, Strategies and Innovations Manager, and Chris Tschirki, Public Works Director*

Mr. Nelson outlined the preliminary revenue expectations for the Fiscal Year 2026–2027 budget. A significant structural change for this budget cycle is the separation of public safety functions from the General Fund. The city is creating a Public Safety Special Revenue Fund, designed to house all revenues directly associated with police and fire services, including fire contracts with Lindon and Vineyard, ambulance billing, and liquor control allotments. Most notably, the city intends to dedicate 100% of its operational property tax revenue to this new fund. Mr. Nelson explained that this change is intended to increase transparency, ensuring residents can see exactly how property tax dollars are allocated. Implementation involves a resolution in May to the county auditor to rename the tax line item on resident bills to "City of Orem Public Safety."

Mr. Nelson addressed the common confusion between tax rates and revenue, demonstrating that while the city's Certified Tax Rate has historically seen negative percentage changes, the actual revenue collected remains stable or slightly increases due to new growth. For the 2027 projection, Mr. Nelson modeled a baseline revenue increase of approximately \$32,000 (0.5%) assuming no tax increase. However, he also presented an example of a 7% property tax increase, which would generate an additional \$450,000. This increase would result in a positive adjustment to the certified tax rate for the first time in years. Under new state legislation, any such increase requires a detailed "Property Tax Impact Statement" outlining specific expenditures, such as the proposed addition of two new police officers

The meeting detailed two potential budget timelines based on whether the Council pursues a tax increase: No Tax Increase: The tentative budget is passed on May 12, with final adoption on June 9. With Tax Increase: The city must comply with rigorous new state guidelines. This includes specific "out loud" announcements of the increase during public meetings and the creation of an "Interim Budget" in June. The final "Truth in Taxation" hearing would occur in August, during which the city must provide digital participation options (audio/video) for residents to comment remotely—a new mandate that staff is currently working to implement.

With public safety removed from the General Fund, the remaining primary revenue drivers are sales and franchise taxes. While state economists project growth between 3.5% and 4.1%, Nelson opted for a more conservative 3% growth projection for 2027, noting that local growth has been volatile, including a recent year of 1% negative growth.

Mr. Nelson also presented a comparative analysis of Orem's utility rates against neighboring cities. The proposed fiscal 2027 rates show Orem remains competitive, though the inclusion of the proposed property tax increase would place Orem's total tax and utility burden slightly above the current average of peer cities. Mr. Nelson and City Manager Bybee estimated that the \$450,000 property tax increase would cost the average Orem household approximately \$1.25 per month, or roughly \$15 per year.

Mr. Nelson highlighted a positive trend in Utopia fiber rebates, noting that fiscal 2023 marked a turning point where rebates began significantly exceeding the standard 2% growth in city payments. Other minor revenue adjustments discussed included annual updates to cemetery fees to keep pace with operational costs. There was a brief discussion on how interest earnings have declined recently due to significant capital expenditures on municipal buildings, reducing the cash available for investment.

Mr. Nelson continued the budget presentation by detailing proposed rate adjustments for the city's enterprise funds for Fiscal Year 2027. He noted that Orem's average home value, as assessed by the county, remains significantly lower than actual market values, which influences rate-setting. Key highlights include: Water Fund: A proposed 5.5% base rate increase and tiered volume adjustments, resulting in a 5.8% total revenue increase. This includes recovery fees for Jordanelle/Deer Creek and a new state-mandated regulatory fee. Water Reclamation (Sewer): Rates are increasing to fund a \$65 million bond anticipated for late 2026 to upgrade the wastewater treatment facility, as outlined in the 2023 Master Plan. Storm Water: Significant

increases are proposed to address the abandonment of existing canals and fund critical infrastructure repairs. Solid Waste & Street Lighting: Rates will rise to cover newly negotiated contracts with Waste Management and increased maintenance costs for the lighting system. Recreation: After three years of stagnant fees, the city proposes increases for most services, though annual admission passes will remain at current rates to encourage long-term memberships.

Mr. Nelson clarified that while enterprise funds are moving toward self-sufficiency, these adjustments do not resolve the General Fund's structural deficit; they merely "extend the pink line" (stave off depletion) rather than solving the long-term gap.

Mr. Tschirki presented the framework for a new Transportation Utility Fee (TUF). Historically, road maintenance was funded by gas and sales taxes, leaving a \$4 million annual funding gap. Tschirki explained that the Utah Supreme Court recently deemed these fees legal (*Pleasant Grove vs. Libertas*), and the 2026 Legislature passed House Bill 425, which formalizes how cities must implement them.

The new law requires a "nexus" between the fee and road usage. To satisfy religious and tax-exempt concerns, the law allows cities to exclude the lowest traffic day of the week (Sunday) from the calculation. Mr. Tschirki emphasized that the TUF is a "preventative maintenance lever" intended to avoid the five-to-seven-fold cost of total road reconstruction.

Orem has hired Parametrics, the firm that designed Provo's model, to conduct a scientific study based on Average Daily Trips (ADT). The findings show 35% of city road trips are residential, while 65% are non-residential. Large commercial entities (hospitals, big-box retail) generate the most damage, with one semi-truck having the equivalent road impact of 500 cars. To bridge the \$4 million gap, Orem is considering a fee of approximately \$4.32 per month for single-family homes. Commercial rates would range from \$2 to \$142 per month based on trip intensity.

The Council reviewed Orem's standing relative to neighboring cities. If the \$4 million TUF is adopted, Orem's fee (\$4.32) would still be among the lowest in the region—significantly lower than Highland (\$18.50) and Pleasant Grove's proposed \$13.86. Mr. Tschirki noted that Orem's roads are currently at a "tipping point," with 75% of local streets being 20–25 years old. Implementing the TUF now is intended to prevent "mass failures" and the subsequent need for expensive road bonding.

Unlike property tax increases, the TUF is adopted via ordinance following a public hearing and does not require the "Truth in Taxation" process. If the ordinance is not ready by July 1, the city will pursue a budget amendment later in the year. The Council requested updated "State of the Streets" data to visualize road ages and grades. City Manager Bybee concluded by emphasizing that the TUF treats roads like a utility, ensuring that those who put the most "wear and tear" on the infrastructure contribute proportionally to its preservation.

Ms. Rugg opened the discussion by reinforcing that personnel costs represent approximately 65% of the city's budget. She emphasized that the city's number one priority is maintaining a fair wage for existing employees to ensure the delivery of high-quality community

services. Ms. Rugg noted that while salary growth in public safety has begun to "temper" slightly from the skyrocketing levels seen in 2020–2021, it still outpaces other employee groups. Additionally, the city has faced double-digit increases in medical insurance premiums over the last several years.

Ms. Jones detailed the city's shift from traditional "across-the-board" Cost of Living Adjustments (COLA) to a targeted market-based approach. The city now conducts comprehensive market surveys twice a year for every position, comparing Orem to the 10 largest cities in Utah, the state government, and local counties. The city utilizes the *TechNet* database to verify salary ranges, job descriptions, and benefit packages against actual budget documents from peer cities. Rather than giving every employee the same percentage increase, budget dollars are allocated to positions that are "lagging" behind the market. For instance, in the past fiscal year, non-sworn employees received a 1% average adjustment, while sworn police officers received a 10% increase (inclusive of merit) to remain competitive. All employees remain eligible for an annual 3% merit or step increase on top of any targeted market adjustments.

Council Member Millett questioned whether Orem is inadvertently chasing other cities' COLA increases. Ms. Rugg and Ms. Jones clarified that Orem looks at the resulting salary *ranges* rather than the specific label (COLA or Market) other cities use. Despite Orem's improved Police department culture, recruiting remains a challenge due to a shrinking pool of applicants nationwide. Ms. Rugg highlighted Orem's "Hybrid Step Program" as a competitive advantage. It allows public safety personnel to receive significant "super bumps" in pay every three years in exchange for obtaining higher certifications, resulting in a more highly skilled and better-compensated workforce.

For the upcoming fiscal year, the city plans to conduct another full market study in the fall to align compensation with health insurance premium changes. Ms. Jones emphasized that the city's strategy is not just about "take-home pay" but the overall employee experience, including: HR visits departments to show employees the exact data and peer city comparisons used to determine their pay. Funding for tuition reimbursement, certifications, and the "BABO Scholarships." A new dedicated health center for employees and their families is set to launch in the coming months, which is expected to significantly improve employee well-being and offset the "blow" of rising insurance costs.

The Council and City Manager Bybee praised the HR team for their transparency and success in improving employee morale through clear communication of these complex financial structures.

CARE Taxes - Award Discussion and Deliberation Discussion *Presenter: Brandon C. Nelson, CPA, Finance Director*

Mr. Nelson and Mr. Richmon, CARE commission member, presented the proposed grant awards for the Cultural, Arts, and Recreation Enrichment (CARE) program. This year, the Commission implemented a new decision-making matrix (developed by Trevor Bell) to streamline the evaluation of applicants. Each commissioner maintained an individual spreadsheet

to score applicants during live presentations. These scores were aggregated into an master spreadsheet to calculate averages and identify variances, which then served as the basis for commission discussions and final funding recommendations. The city received \$333,000 in requests but had approximately \$143,000 available for "Mini" and "Mid-Major" grants. Mr. Nelson explained that the \$143,000 award total was higher than in previous years because the city utilized an accumulation of "unawarded" funds—money granted in prior years that was never actually submitted for reimbursement by organizations.

The presentation highlighted several key awards within the Arts portion of the CARE tax: The "Better Together" Grant was awarded a \$1,000 included as an exception to the Commission's original submission. The organization was unable to present in person due to a business reopening conflict, but Council liaisons advocated for their inclusion based on supplemental information provided. The proposed award for SCERA is \$1,071,000, an increase of approximately \$120,000 over the prior year. Mr. Robertson, President of SCERA, explained that this figure reflects 35% of qualifying operational expenses from the previous year. He noted that as SCERA's programming, attendance, and quality continue to "take off," their qualifying expenses naturally grow. Mr. Robertson emphasized that while SCERA is technically independent, its mission is to make Orem better through high-quality cultural programming and facility improvements. The Utah Metropolitan Ballet received a \$25,000 major grant.

While the Arts and Recreation portions of the CARE tax are technically split 50/50, Mr. Nelson noted a slight temporary imbalance this year to "right the ship" regarding how surplus funds were distributed. Proposed Recreation investments include a \$50,000 allocated for capital improvements for youth sports, such as "robot turf painters" to maintain field quality. Funding is targeted for a new playground at Lakeside Park, a proposed pump track, an "RC crawler course" at Spring Water Park, and sports court improvements at Bonneville Park. Funding is also allocated for improvements to Rainbow Bridge and softball dugouts at Orem Elementary.

The presenters acknowledged the challenging economic climate. Mr. Robertson noted that "costs are going up dramatically," particularly for independent contractor fees for concerts and events, making the CARE tax support more critical than ever.

Council Member Millett inquired about making grant awardees more visible to the public via the city's transparency portal to help residents discover local events. Staff agreed to look into ways to better promote these organizations via social media and the Arts Council.

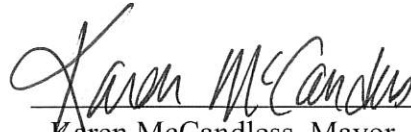
The CARE funding proposal will be formally presented at the April 28 Council Meeting. If approved, the Council will pass an ordinance adopting the exhibit of grant awards as part of the official city budget.

ADJOURN

Mr. Mecham moved to adjourn, **seconded** by Ms. Gale. Those voting yes: Karen McCandless, Crystal Muhlestein, Jeff Lambson, Jenn Gale, LaNae Millett and Quinn Mecham. Chris Killpack absent. The motion **passed**. Chris Killpack absent.

(These minutes were created with the help of AI)

PASSED and APPROVED on this 28th day of April 2026.


Karen McCandless, Mayor



ATTEST:


Teresa McKittrick, City Recorder

<u>COUNCIL MEMBER</u>	<u>AYE</u>	<u>NAY</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Mayor Karen McCandless	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Killpack	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crystal Muhlestein	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jeff Lambson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jenn Gale	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LaNae Millett	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quinn Mecham	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>