



**MINUTES OF THE BUDGET RETREAT
OF THE CITY COUNCIL
OF THE CITY OF SPRINGVILLE, UTAH
TUESDAY, APRIL 28, 2015 – 1:00 P.M.**

The following are the minutes of the Budget Retreat of the Springville City Council. The meeting was held on **Tuesday, April 28, 2015 at 01:00 P.M.** in the Springville City Civic Center Multipurpose Room, 110 South Main Street, Springville, Utah. Adequate notice of this meeting, as required by law, was posted in the Civic Center and on the City's website, and delivered to members of the Council, media, and interested citizens.

Mayor Wilford W. Clyde presided. In addition to Mayor Clyde, the following were present: Councilmember Rick Child, Councilmember Craig Conover, Councilmember Christopher Creer, Councilmember Dean Olsen, Councilmember Chris Sorensen, City Administrator Troy Fitzgerald, Assistant City Administrator/City Attorney John Penrod, Assistant City Administrator/Finance Director Bruce Riddle, and City Recorder Kim Rayburn.

Also present were: Public Safety Director Scott Finlayson, Administrative Services Manager Rod Oldroyd, Buildings and Grounds Director Alex Roylance, Museum of Art Associate Director Natalie Petersen, Public Works Director Brad Stapley, Library Director Pam Vaughn, Power Director Leon Fredrickson, Power Distribution Superintendent Brandon Graham, Whitehead Plant Operations Manager/Resource Specialist Coordinator Shawn Black and Golf Pro Craig Norman.

1:05 P.M. OVERVIEW OF BUDGET PROCESS – Troy Fitzgerald, City Administrator

Administrator Fitzgerald opened the meeting. He reported the budget has been approached with new ideas and challenges this year and the Organization is continuing to grow. He noted some funds are inter-related in how they function and effect other departments.

Councilmember Sorensen arrived at 1:15 p.m.

1:10 P.M. REVENUE DISCUSSION – Bruce Riddle, Assistant City Administrator/Finance Director

Director Riddle reviewed the General Fund revenue. He explained the biggest driver of the General Fund budget is sales tax revenue. He noted this year it is anticipated there will be a 20% reduction in Wal-Mart sales and no tax increase is proposed. Director Riddle stated Enterprise Fund transfers are at 5% not including Golf and a minor fee change is recommended for Cemetery, Parks and Recreation and should have a minimal impact. He explained approximately \$432,000 in Capital Projects will be funded by reserves accumulated in the General Fund.

Director Riddle reviewed the individual pieces of General Fund Revenues. Historic annual sales tax is showing a strong rebound from 2008 going into 2015. He noted transfers take a number of forms in the General Fund; such as administration fees, dollars coming from Enterprise Funds, payment for services for example, utility transfers, actual water and power. Also, operating transfers are fairly stagnate from last year's numbers.

Director Riddle explained the top five General Fund revenue sources; C Road Funds, Electric Operating transfer and State projected sales tax. Economic considerations include development of 225 Equivalent Residential Units (ERU).

Councilmember Olsen asked if the Development ERU includes impact fees. Director Riddle replied, the ERU does play a part in impact fees but no impact fee revenues are in the General Fund.

Director Riddle gave an overview of the Enterprise Fund Revenues. He stated a rate increase is proposed in Water and Sewer and a new secondary water utility is scheduled to begin April 2016. He noted minor growth is expected although weather is always hard to predict.

Director Riddle informed the Council a proposed rate increase for Water as \$1.00 residential base rate increase with a 3% commercial and industrial rate increase. A proposed 20% increase on irrigation rates is proposed in order to catch up with the actual cost level. Councilmember Conover asked what if the Council did not want to raise rates. Administrator Fitzgerald responded the Council would need to look at changing projects.

Director Riddle reviewed the Sewer Fund explaining a \$2.00 residential base rate increase and a 4% industrial rate increase has been proposed. He noted there is very modest growth compared to the Fiscal Year 2015 budget and impact fees are flat. He stated the Electric Fund does not have a rate increase proposed. It has seen very modest growth from Fiscal Year 2015 and impact fee revenue is down slightly. The Storm Water Fund does not have a rate increase proposed, sales revenue is modestly up from Fiscal Year 2015 and impact fees are down significantly. Director Riddle reported the Golf Fund Revenues have no rate increase proposed and the sales revenues are flat. He noted there are new revenues from the Pro Shop lease, restaurant lease and advertising and no impact fees. He reported an anomaly is the Golf Course opened in February 2015 the earliest opening to date and it has helped revenues.

1:45 P.M. WAGES AND BENEFITS – Troy Fitzgerald, City Administrator

Administrator Fitzgerald reported since 1999 the belief was to ensure that wages and benefits are competitive. He explained Springville City wages are average compared to other comparable cities. He asked the Council where they would like to be and gave comparisons from 2000 – 2015. Administrator Fitzgerald explained between 2012 and 2015 increases were given to employees' comparable to other cities, however, health care costs went up dramatically over the last few years and noted this year, rates have flattened some which is good news for the City. Administrator Fitzgerald stated the future is showing; low unemployment, competition over good employees and raising wages. He asked the Council if this was something they wanted to look at in the near future and asked for feedback. Councilmember Child commented we will see

a shortage in manpower. Mayor Clyde said, the City raised wages last year and in talking with other City Mayor's Springville raised wages more than others. Administrator Fitzgerald explained local governments raised wages 2.4% and Springville raised 2.5%. He went on to explain some issues the Police Department is seeing with hiring and retention in part because of wages.

Administrator Fitzgerald explained benefits had modest increases of 2.3% for Health Insurance, 3.5% for Dental Insurance and 0% for Pension. He noted in the budget 5% was funded for merit increases and zero for benefit increases. Administrator Fitzgerald set forth a proposal adjusting grades upward by 3%. The increase would not be automatic and the only wage increases would be by merit.

Administrator Fitzgerald explained over the past five years the City has been competitive within the State for wages and benefits and stated there is a need to be aggressive this year in wages and benefits. He summarized the total cost of mid-year raises, proposed raises and benefit costs would be approximately \$1,000,000.

Councilmember Olsen asked, if the percentage the City pays for benefits is competitive. Administrator Fitzgerald replied they are comparative and some are even better.

2:00 P.M. Budget Review – General Funds/Council Review, Questions and Direction –
Troy Fitzgerald, City Administrator

Administrator Fitzgerald reported if we were to take out raises and the General Fund operational expenses, the budget is down \$11,624. He commended Department Directors for keeping their budgets and operations in line with what inflation is doing and they have been extremely conservative. Administrator Fitzgerald noted you may see different Departments with upwards of a 5% increase that is due to wage and benefits however we are still focused on sustainability.

Administrator Fitzgerald explained the new Facilities Internal Service program. Staff recently reviewed various ongoing maintenance requirements for City buildings, such as painting, roof repairs, parking lots and so forth. A proposal for the Facilities Internal Service program has been put together to facilitate the upkeep of existing buildings. The proposed Facilities Internal Service line item would be a 20 year General Fund plan totaling \$6,740,200 for major City facilities encompassing 219,300 square feet at \$1.54 per square foot per year in today's dollars. Administrator Fitzgerald reported \$552,000 was budgeted in Fiscal Year 2015 for operational costs of maintenance and custodial work. These funds, not new dollars would be moved to the Internal Service Fund and would include the Enterprise Funds.

Administrator Fitzgerald reviewed the existing facilities and the calculations used by taking the square footage, occupied, unfinished or unoccupied and assigned them a charge based on what is currently in the market place, resulting in a capital reserve and a maintenance fee to those funds. This would allow for the equivalent of one full time employee (FTE) to take care of the enterprise facilities and spend capital dollars where it is needed the most, starting with the Golf Course Clubhouse that is in need of repairs.

Mayor Clyde commented this will be a good way to keep all of the City buildings in good working order.

Finance Director Riddle commented there needs to be a commitment to the program over the long term and keep funds going into the maintenance fund.

Administrator Fitzgerald reviewed with the Council the individual divisions of the budget. In reviewing the Legislative budget he explained \$3500 was added to the training budget and \$1000 to the Youth City Council budget. Mayor Clyde advised that any Councilmembers going out of state should talk about it before and decide as a council who will be going and which one will attend. Councilmember Sorensen responded there should be a schedule of what conferences are available in the next few years. Administrator Fitzgerald replied staff can put information together to be discussed in an upcoming work session.

Administrator Fitzgerald reviewed the Administrative and Legal budget explaining funds have been budgeted for the City Survey and the upcoming Municipal Election. The Justice Court has budgeted for Court transportation to the Spanish Fork Justice Court and the Court Security Contract will cause an increase in the budget.

Administrator Fitzgerald stated Engineering has savings from the completion of the Master Plans and have added a part-time intern to help with GIS and Asset Management.

Administrator Fitzgerald expressed Public Safety is down on their fuel budget, as well as all other departments. He explained they have reduced personnel by one full time police officer and added a part time officer.

Administrator Fitzgerald advised the Streets crack seal contract was moved from the Capital Fund to the Operations Fund.

In addition Administrator Fitzgerald reported on the Parks budget. He explained Bartholomew Park has increased staffing by 3650 hours, there is added revenue for pavilion rentals and some equipment and operational dollars have been added. He stated they are anticipating use of the Park and staffing for seven days a week. Also, \$10,000 was added to keep the holiday decorations at a current level. Administrator Fitzgerald stated Canyon Parks removed winter recreation dollars from their budget. Mayor Clyde inquired about the program. Administrator Fitzgerald replied heavy equipment to maintain trails is coming up for replacement and there is no guarantee of snow. Director Roylance responded it may be possible to keep the tubing hill open.

Administrator Fitzgerald advised the Art City Days budget has been reduced, however it is higher than in Fiscal Year 2014. Recreation will see some programing increases along with revenue increases and are considering decreased hours at the pool due to low turnout for open swim hours.

Administrator Fitzgerald stated the Library Program Budget was increased 25% to handle crowds. They are also trying to spread out the impacts on computers, but are replacing as scheduled.

In conclusion, Administrator Fitzgerald described the operating budget as very flat overall and reviewed various fund transfers. He reviewed the Capital Improvements Fund, C

Road Maintenance and remarked intersection improvements are receiving a grant match. The Street Impact Fee project at 1200 west is in need of an increase of \$1 million.

A review of the Vehicle and Equipment Replacement Schedule was discussed. Councilmember Sorensen asked for clarification of the Vehicle Replacement Policy. Administrator Fitzgerald explained a review of the vehicle is done at the time for replacement according to the schedule. If it is possible to keep the vehicle running it will not be replaced. Mayor Clyde asked if they are replaced due to mileage and age and stated it may be possible to increase the mileage before replacement. Administrator Fitzgerald replied he would talk with staff.

3:00 P.M. BREAK – The meeting adjourned for a short break.

3:15 P.M. Budget Review – Enterprise Funds/Council Review, Questions and Direction

POWER – Power Director Fredrickson stated he appreciates the Council's support in being able to provide good reliability and customer service. He reviewed the rate revenue and stated they have forecasted less than 1% growth, noting weather is a key driver in energy consumption and sales. Director Fredrickson explained homes are becoming more efficient and are using more LED lighting that has an effect on revenues. He explained the Operations and Maintenance Budgets for Generation and Distribution are flat. Capital Projects include the main street lighting where they received a grant for \$75,000 from UDOT to expand lighting from Center Street to 400 North. Director Fredrickson asked for the Council's feedback on design of the light poles along Main Street. By consensus the Council would like to keep with the same look as the other newer poles and stated the logo is not needed.

Director Fredrickson reported on the Industrial Park reliability, explaining a complete new cable installation was done and they will continue to replace ageing and failing equipment.

Director Fredrickson explained the current Automated Meter Reading system was installed in 2004 and is operating, technology is changing and there is limited support and they have a place holding in the budget for this project.

Director Fredrickson reported on the Whitehead Power Plant (WHPP) installation of two intermediate engines and reviewed the resource diversification and planning. Councilmember Sorensen asked if there is room for the new engines. Director Fredrickson replied yes, it would not require a new building and they have the needed infrastructure. He stated the estimated cost of the engines would be \$4.8 million.

PUBLIC WORKS – Public Works Director Stapley reviewed the Solid Waste revenues and expenditures. Director Stapley explained they run about 8600 cans per week averaging 1000 cans per day that are picked up by the solid waste trucks and over 1385 cans are out for recycling, almost double from when they started. He stated a concern is they are getting close to a threshold to where they need to add personnel unless a change is made in the course they

currently running and possibly add another solid waste truck. They are looking at how to economically run the trucks.

Solid Waste – Director Stapley reported the South Utah Valley Solid Waste District (SUVSWD) has proposed a budget that includes an increase in tipping fees and going from no charge to \$25 a ton recycling tipping fee. He noted the City’s current budget is not prepared for this type of increase. He also pointed out in the SUVSWD proposed budget a Host Fee of \$0.50 ton that will equal \$63,500 revenue per year going to Springville City, however Springville City requested a \$2.00 a ton Host Fee. Director Stapley asked for the Council’s feedback and if they would like staff to respond. Mayor Clyde asked if they are willing to pay a Host Fee now. Director Stapley replied it is in their budget, and if the SUVSWD Board approves, it will start July 1, 2015. Administrator Fitzgerald conveyed Staff recommends it start today, the City is facing those losses immediately. Director Riddle replied it is not popular among other cities that would have to pay the fees.

Wastewater Utility – Director Stapley reported on the Wastewater Utility and explained the sewer collection system has 127 miles of pipeline, 2500 manholes and 12 sewage pumping stations. He detailed the Wastewater revenues and provided information regarding a proposed rate increase in the Wastewater Utility Industrial to 4% and a \$2.00 per month base rate, in turn residential customers would pay \$2.00 more each month. Administrator Fitzgerald explained the City has only one industrial customer Stouffers and noted all residents and businesses would see the \$2.00 monthly increase. Director Stapley stated consequently they have had to pull from reserve funds to balance the budget. He also explained compared to other Utah County cities wastewater fees for Springville are in the middle.

Director Stapley reported with the bond for the expansion of the treatment plan a few years ago it has been difficult because the growth was not as much as expected. Also, Stouffers did not move forward with their project to increase capacity. Director Stapley explained there are no capital improvement projects for the collection system included in the budget until after year 2020. Mayor Clyde responded he would like to see a higher priority on the odor control at wastewater plant.

Councilmember Sorensen asked about the condition of the City lift stations. Administrator Fitzgerald replied there are a few west of the freeway needing improvement.

Storm Water Utility – Director Stapley reported on the design of the Storm Water System and explained there is no debt service for the Storm Water Utility.

Water Utility; culinary and secondary – Director Stapley advised there is a plan to add over 1000 new users by the summer of 2016, with Pressurized Irrigation (PI). He explained secondary water will be metered and staff is reviewing mandatory connection if available in the area with a rate less than the culinary rate. Councilmember Conover and Administrator Fitzgerald agreed hook up for secondary water on existing homes is anticipated at no fee. However, new homes will have a fee. Director Stapley reviewed a proposed secondary fee increase for Plat A, Seasonal Irrigation and the Highline Ditch. Director Stapley explained the

Water Utility Capital expenditures stating Burt Springs and the new 400 South Well is in need of added source capacity.

4:54 P.M. BREAK – The meeting adjourned for a short break.

5:08 p.m. Golf – Bruce Riddle, Assistant City Administrator/Finance Director

Director Riddle reported there are big changes at the Hobble Creek Golf Course. Recently Craig Norman was named the new Golf Pro and they have had some organizational changes that have saved \$25,000. Director Riddle stated operations are flat and industry challenges still persist. An agreement with the prior Golf Pro Sonny Braun for golf cart purchases has an obligation for the next four years. Director Riddle explained the Clubhouse remodel will be done with the newly created facilities fund. Also, the 40% operating reserve target has not been met and doesn't allow for much "wiggle" room, therefore, adjustments may need to be made if the year continues downward. He reported the new restaurant vendor is moving in and should be ready to open soon.

5:15 P.M. C Road Funds Discussion – Brad Stapley, Public Works Director

Director Stapley reviewed current road projects within the City. He explained the 1200 west roadway Phase I and future Phases. Director Stapley explained the 900 South Project has portions of the road that are failing and the asphalt is very thin due to the large trucks traveling on the road. The cost to repair the road is outside of the budget for the 900 South Project and it is expected a portion of C Road Funds will be needed to repair the road.

Director Stapley provided a list of roadway improvement projects and asked the Council for their priority and direction, because, there is not enough funding to do them all.

Councilmember Conover asked about the Railroad Crossing at 950 west. Director Stapley replied UPRR (Union Pacific Railroad) does not have the crossing on their to do list. Councilmember Conover asked how Spanish Fork was able to put in a crossing recently.

Director Stapley provided the Council with a list of Roadway Improvement Projects numbered from one to six and after discussion of each project asked the Council to give their input on priority. Director Stapley outlined the following projects and assigned them a number. Number one as the 950 west Railroad Crossing for an approximate \$550,000. Number two as the 1600 South Railroad Crossing for an approximate \$100,000. Number three as the 700 North 250 East Connector Road at \$150,000. Number four as the Red Devil Drive Roundabout at \$350,000. Number five as the 900 South and 800 East Roundabout at \$580,000 and number six as the 1200 West Roadway, Phase I at \$1,029,000.

Mayor Clyde suggested a cheaper crossing be installed at 1600 South first and commit funds to Riverbottom Road and 900 south for repairs. After discussion the Council came to a consensus that number one on the list, should be the 950 West Railroad Crossing, with reduced funding. The Council agreed number two, should be the 1600 South Railroad Crossing and

number three the 700 North 250 East Connector, stating costs for repairs of the 900 South Project should be reviewed and then look into other projects.

Director Stapley gave an update on the 400 south and Brookside intersection project. He reported they have had discussions with the home owner on the corner of the intersection and they have agreed to move the project up to allow for completion two weeks before school starts. Councilmember Sorensen stressed not to close the intersection during Art City Days.

5:40 P.M. – Airport – Bruce Riddle, Assistant City Administrator/Finance Director

Finance Director Riddle reported on the Airport stating operations have been generally flat and there continues to be discussion of a full time maintenance position.

Director Riddle reported Phase III of the final runway expansion is being funded with FAA and State grants. He explained they have funding to match State funding for one more Airport apron rehabilitation and then the reserves will be spent down for the Airport.

Director Riddle expressed Airport Management is proposing an ongoing asphalt management program. He explained there is a good portion of asphalt that does not fall under FAA or State grant funding. He noted, the Airport staff has done a good assessment and they have found it would take \$50,000 from each city to fund the program for at least 10 years. Director Riddle cautioned the Airport budget cannot sustain the program.

Councilmember Sorensen asked, if other funding would be available. Director Riddle replied it is not just \$50,000 it would be ongoing needs and costs.

Mayor Clyde expressed if we are a part of the Airport we need to maintain it at a certain level and need to annex in a portion of the land next to the Airport. He stated we need to take care of the Airport or look into divesting it.

Councilmember Olsen remarked there is a liability with pot holes and damage to airplanes. He expressed the City would regret getting out of the Airport and funds should go to maintain Airport. Administrator Fitzgerald asked for feedback from the Airport Board.

Councilmember Olsen and Director Riddle will bring information from the Airport Board meeting to the next Council Work Session.

5:55 P.M. – Wrap-Up/Questions and Concerns

Councilmember Sorensen asked for a report from Library Director Vaughn on the Teen Librarian.

Mayor Clyde stated future revenues should be discussed at a later meeting. Administrator Fitzgerald replied he would look at the tax side. Director Riddle concurred it would be an important discussion to have, to diversify the budget.

Councilmember Olsen thanked the Directors and employees for their work on the budget this year.

Mayor Clyde asked Library Director Vaughn about needing a FTE (full time employee) for the library. Director Vaughn replied they need a teen librarian, and explained they have added a sorter and one FTE since opening the new library. Administrator Fitzgerald expressed

other departments have not received the funding the Library has and they are also in need of personnel.

Mayor Clyde asked about the food concessions for Bartholomew Park. Director Roylance replied the contract went out to bid and he will bring information to the Council at a regular meeting. Mayor Clyde asked why not one vendor for all concessions in the City. Administrator Fitzgerald replied staff has looked into this, however, they have not found a vendor that has wanted to do them all.

ADJOURN

The meeting adjourned at 6:13 pm