

MINUTES OF THE BUDGET PLANNING WORK/STUDY MEETING OF THE SPRINGVILLE CITY COUNCIL HELD ON TUESDAY, **January 29, 2019** AT 3:00 P.M. AT THE CIVIC CENTER, 110 SOUTH MAIN STREET, SPRINGVILLE, UTAH.

Mayor Richard J. Child presided. In addition to Mayor Child, the following were present: Councilmember Christopher Creer, Councilmember Jason Miller, Councilmember Michael Snelson, City Administrator Troy Fitzgerald, Assistant City Administrator/City Attorney John Penrod, Assistant City Administrator/Finance Director Bruce Riddle and Deputy City Recorder Jennifer Grigg. Councilmember Craig Jensen arrived a few minutes before 7:00 pm.

Also present at 5:00 pm were: Public Safety Director Scott Finlayson, Police Lieutenant Foster, Power Director Leon Fredrickson, Public Works Director Brad Stapley, Building and Grounds Director Brad Neel, Community Development Director Glen Goins, Library Director Dan Mickelson, Operations Manager Rod Oldroyd, Golf Pro Craig Norman, and Museum of Art Director Rita Wright.

Excused: Councilmember Brett Nelson

CALL TO ORDER-3:04 P.M.

DISCUSSIONS

Welcome

Administrator Fitzgerald welcomed everyone to the meeting. He discusses these bullet points.

- One year budget
- Our planning is looking 15-30 years into the future
- As you contemplate the policies of today, what will their impact be in a very fuzzy future?

He introduced an interesting story about a man named David Asprey who became wealthy marketing a coffee drink and plans to live to 180 years old. Calico Labs is owned by Google with a stated mission to overcome death. Technology and life are moving at an unprecedented rate. Facebook, iPod and HDTV were brand new 15 years ago. What will life look like 15 years from now? Kai-Fu Lee, the Warren Buffet of China, predicts 40% of jobs will be replaced by artificial intelligence including driving, cooking and serving. Amazon, Kroger and Walmart are filing patents for robots and autonomous vehicles to deliver groceries. Councilmember Snelson suggested the robot put them away. Yuval Noah Harari, in 2016, a Jewish philosopher, predicts data will become god and man will become amoral. By 2050, man could buy a decade at a time; he calls man amoral and therefore another species. In the last 100 years, society has affectively overcome war, disease and famine which have driven innovation for thousands of years. What is next?

Administrator Fitzgerald recommended keeping in mind that as council and staff, we are planning 20-30 years into the future. He asked if cities should change infrastructure now for self-driving cars or add bike lanes for future autonomous vehicles. He asked council if they had any questions. Mayor Child observed that predictions are sometimes wrong because of practicality. Administrator Fitzgerald noted that Mr. Harari and Mr. Lee do not think computers will replace humans in 50 years, but autonomous cars are going to be in fleets and taxis. Councilmember Miller asked for open discussion time. Councilmember Creer said his mind is blown.

Funds Forecast Discussion

Director Riddle started his presentation on forecasting funds by saying revenue sources are broken into two areas, governmental and business. Governmental revenue collecting activities include library, museum, police, fire and administrative. Business-type activities are utilities including water, sewer and power. Almost all of the money coming into the utility department is fee based, unlike the revenue for governmental activities. Taxes make up most of the revenue source for governmental activities. Councilmember Miller asked about a breakdown of service fees on utilities, Director Riddle answered power provides \$27 million, water, \$4 million and sewer \$3.5 million.

He continued by stating that there is some diversity in the general fund, but the driver of revenue in the general fund is tax revenue. Transfers have a loose relationship with fees. Five percent of the general fund revenue is by transfers from the business fund for general government services.

Mayor Child asked what percent of sales tax the city gets. Director Riddle answered the local option is 1%. The city keeps half and sends half to the state. Then the state collects that from all municipalities then redistributes it back based on population. Councilmember Snelson asked about the turnaround. Director Riddle answered two to three months. Mayor Child asked about the rest of the sales tax. Director Riddle said the state gets 4% and UTA or general transportation gets the rest. Mayor Child stated the gas tax some comes back through C funds. Administrator Fitzgerald added a basic understanding of this concept is important.

Director Riddle continued by showing a different breakdown of the general fund revenue. Almost 20% comes from transfers, which could potentially be vulnerable depending on the state legislature. Another almost 20% comes from sales tax which is volatile. Councilmember Snelson asked if there are rumblings from the state concerning transfers. Director Riddle answered about 10 years ago, a Kaysville resident starting asking the legislature to stop business funds transfers to the general fund. So far, the legislature has required more transparency, but still allows the transfers.

Director Riddle continued by stating that the Utah Economic Council reported 2018 had better than anticipated economic growth. 2019 will be good, but not as good. Global growth and tax breaks added to that. Utah had the highest job growth and the most diverse economy in the United States; 10 years of continued growth, but will slow in 2019. He said 25% of our general fund revenue is tied to sales tax. The Economic Report of the Governor predicts a 6% increase in retail sales because of internet sales tax coming back to the state. Director Riddle stated that Community Development says it is as busy as it has been due to strong local demand and development. He reported that the governor proposed a \$200 million sales tax cut in order to broadening the base, lowering the rate, which Director Riddle agrees is sound tax policy. The changes in how the state collects sales tax will affect how the city collects sales tax. Governor Herbert is suggesting taxing services previously not taxed, which seems conservative. That is based on comparing sales tax to personal income since 1980. Economists forecast that sales tax will shrink and basing government services on sales tax is not sustainable. Administrator Fitzgerald said the cause is the shift from consumers buying products to consumers buying services. A substantially larger portion of our income is being spent on services that are not being taxed. Subscribing to a music or photo storage company has replaced buying CDs and prints.

Director Riddle stated the governor suggesting taxing services in addition to products. Recently, with the opening of the 2019 Utah State Legislative Session, Speaker Wilson suggested a \$225 million sales tax cut and reducing the sales tax rate from 4.7% to 2% while extending sales tax to services, not just products. We need to be engaged as this new policy goes forward. Mike Schultz, a state legislator, is suggesting changes to the 50/50 formula. He suggests using the sales tax distribution formula to change the way municipality's zone; basing the formula on population instead of commercial development. Administrator Fitzgerald stated the League of Cities and Towns (LCT) are very involved. Cities like Mapleton could do well. Cities with massive car dealerships, could suffer. Springville falls in the middle, with some new sales tax generators, like Smith's and increasing population.

Director Riddle stated the city could shift funding and hold taxpayers harmless. He considers tying sales tax to land use troubling. He concluded his forecasting funds for revenue presentation by addressing the .25% increase for transportation tax recently passed by the county. It will be effective April 1st and the county keeps the revenue. The county keeps the revenue for the first 3 months. Sales tax in Springville will be 7% on April 1, 2019. On July 1, 2019, the increase will be divided with .1% going to the city, .1% going to UTA and .05% staying in the county. In FY19/20 Springville will receive an estimated \$480K in transportation revenue. Mayor Child asked if the tax is restricted to certain uses. Director Riddle answered it is limited to transportation infrastructure. Administrator Fitzgerald said our recommendation would be to increase our spending on road related issues, which could offset general funds used for transportation. Director Riddle stated it would be used like C road funds.

Councilmember Miller referred to a 10-year expansion and complimented director Riddle for looking ahead. He wondered about risk planning for the inevitable downturn. He asked how it impacts our city. He sees the roll of city council to smooth the economic shocks by planning ahead and anticipating. Director Riddle stated the fees discussion would diversify our revenue streams. It is hard to diversify enough when 25% of our revenue



depends on sales tax. A 10% decrease in sales tax is a problem. Administrator Fitzgerald noted the April budget retreat will cover growth and risk and adjust for the legislative changes to collecting taxes.

Mayor Child noted that he joined the council near the end of the last downturn. He prefers having the reserve fund at the maximum allowed level. Administrator Fitzgerald stated the fee discussion will concern the reserve fund as well. Staff will ask for guidance on fees and the reserve, softening the blow. The city has a rainy day fund/reserve in place, but if we never touch them, what is the purpose of the reserves. He suggested instead of cutting services when we see big swings in revenue, use the reserves to cover hiccups in revenue. Councilmember Miller added the Power Department could be a second reserve. Councilmember Miller asked if the departments could present contingency plans. The directors are handling huge budgets, and they need a contingency plan or succession plan in each major department. Directors need to be proactively educating individuals, and council can incentivize improvements. Secondly, he suggested hiring an intern this summer to collect data in the departments and run through the metrics and show the director's ways to improve.

SCAD Discussion

Administrator Fitzgerald suggested a concept of an Assistant to the City Administrator to perform a dual role. One would be collect data. Councilmember Miller agreed and stated that would be the first priority, not public relations or a successor city administrator. Administrator Fitzgerald agreed and stated he has two successors, pointing at Assistant City Administrator/City Attorney John Penrod, Assistant City Administrator/Finance Director Bruce Riddle. He suggested an assistant to the city administrator could start to learn Operations Manager Rod Oldroyd's job if he decides to retire in two to three years. Administrator Fitzgerald expressed that he feels the Administration department is prepared when concerned with succession. He does not feel many other departments are prepared for succession. Councilmember Snelson asked about succession planning. Administrator Fitzgerald asked if supervisors are training to eventually replace directors in each department. He listed the departments with no succession planning. Mayor Child explained an example of a director that left.

Administrator Fitzgerald stated that succession planning is a high priority for us. We need to alter our training priorities. This is a function of growth. The departments have grown rapidly. He stated there has been the equivalent of 25 FTE (full time employees) added to the Recreation Department. Every department provided readiness ratings for supervisors. There are a surprising number of leaders not interested in becoming a director. There are a handful of people actively preparing. Supervisors signed up for training in a 7-week class covering personnel, promotional and orientation training. Administration staff is planning on once or twice a year with a class room full of people. When there are 4-6 new supervisors, we will take on a class again.

Councilmember Snelson asked if higher education is required for directors. Administrator Fitzgerald answered most job descriptions require a degree or equivalent job experience. Generally, staff has found more success with hiring those with an educational background. Most of our department heads feel strongly about hiring those with an educational background. Our police chief has bachelor's and master's degrees. Mayor Child asked about employees that have moved up through the ranks. Administrator Fitzgerald stated we provide an educational benefit and we strongly promote it. One of our directors just started a master's program a couple of weeks ago. It is part of our budget. Some departments use it more than others.

Administrator Fitzgerald continued by describing a new idea, instituted about four months ago, called SCAD (Strategy, Collaboration and Development) meetings. The development part is very important. The idea came from New York City with a metrics-based program for the police department. The results in NYC were 2/3rds of the supervisors being demoted or leaving the police department. Councilmember Miller asked Administrator Fitzgerald to explain in more detail. Administrator Fitzgerald said the police department created a metrics based program. Midlevel management and upper level management reported on goals and targets and were promoted or demoted based on performance. The police department reported decreased crime rates and improvements in safety. Since then, 90% of the police departments in the country have adopted this program, including Salt Lake City, to give employees accountability.

He continued by describing the goals of SCAD meetings.

- Timely discussion of operational and strategic issues as they arise.
- Increase accountability throughout the organization.
- Develop and improve supervisory management skills.



- Provide adaptable framework for open communication on a regular basis.

Councilmember Miller asked if administration had time to do this. Administrator Fitzgerald answered no, but it is a priority. The city implemented metrics program years ago, but it isn't getting results. After SCAD started, some star employees showed progress in the first month or two, but many showed problems. The adaptable framework was immediately put into place. Those that needed help are being hand held through the process. It is still a work in progress. He asked council for their input. He reported that he asked supervisors to bring a simple set of numbers that show what is being done and rate their own success. Many supervisors were very frustrated. They asked, "If Troy would just tell us what he wants..." Administrator Fitzgerald simplified the task by asking the supervisors, "Are you doing a good job? "How do you know that?"

Administrator Fitzgerald said long story short, the February director's reports will look totally different. Each SCAD meeting will be the Thursday or Friday before director's meeting and they will provide the same report in the SCAD meeting as they do to the council. Council will very quickly see where our supervisors are. Directors and supervisors are under stress and nervous. They know this conversation is happening at the council level. The next council meeting is dedicated to asking questions about the new reports. Councilmember Snelson asked what they are nervous about. Administrator Fitzgerald answered if the data shows supervisors are not doing their job, they should be nervous about losing their job. The purpose of SCAD meetings is to develop them as supervisors. In general from an operations level as a city, we are doing a great job. Now we need to move to the next level because our community continues to grow. Supervisors need to be conversant in this language; improving efficiencies and risk management as demand for services continue. It is surprising how apparent which supervisors are ready or not ready; willing to learn or not. Councilmember Snelson asked which supervisors are willing to progress. He said the ones that are not willing could lose their job. Administrator Fitzgerald agreed. Councilmember Miller agreed, but stated putting fear into people paralyzes them and it is not a "got you" exercise. He continued by saying the supervisors are doing a very good job and we have a common interest. This exercise is to make sure we are doing the best we can and planning for the future. Councilmember Snelson said this will help employees get to a better level.

Attorney Penrod asked the council moving forward how we can do it better. He said many supervisors have grown up through the ranks and no one taught them how to analyze data and look for ways to improve things. Mayor Child said it is easy to say, but harder to do and he wonders what they are really doing. Councilmember Miller said it is our job as a council to hold employees accountable. Administrator Fitzgerald said he agrees with council that staff is doing a good job. Administration is asking supervisors to put it on a piece of paper and show council what a great job they are doing. He wondered why this is a scary thing. Attorney Penrod said this is like running a \$4 million company and the current reports make no sense. He said he learned a ton going through this process. Administrator Fitzgerald agreed and said a whole vista opens up when you keep track of a few things. Councilmember Creer asked if there is training to walk through the process for some who do not understand what to do. Administrator Fitzgerald said training has been going on for years. Administration is asking supervisors to go get these numbers and fill in these blanks, then come back and report. Councilmember Creer said it could be extremely intimidating to ask someone who mows lawns and now supervises to provide a detailed analysis.

Councilmember Miller suggested getting a data guy; someone who is more mature to help each department. Attorney Penrod thought that would be threatening as well. Administrator Fitzgerald said Administration will help them with the SCAD process. We know they are scared, now we need to get through this wall that has been erected for years to finally get them to provide the information. It is a chicken and the egg thing. Councilmember Snelson said if they see others progressing and decide they want to keep their job, then an outside guy could help them see what they need to do to improve, and they might take off, as long as there are not mass firings for not providing the data. Councilmember Creer noted that in the past, the directors were doing the actual physical work in the departments and councilmembers were the directors. This is just another step as long as it is not scary. He said employees are not comfortable because now they are a manager, not a worker. Councilmember Miller added it is a different mindset.

Attorney Penrod said Administration has been there to help them too, not just scare them. In the past they did not take the data request seriously. Administrator Fitzgerald added there will also be a year-end report for



each department before the mayor in the council chambers. It is an opportunity to practice presenting a report and using the technology. The reporting is also beneficial for the mayor. Councilmember Miller suggested a group hug. He continued by stating when running a business with \$27 million in revenue and infrastructure worth millions of dollars, foresight and planning are necessary because of the growth, liability and risk. He suggested reframing and budgeting \$50,000 to incentivize improvements by giving bonuses. Administrator Fitzgerald said that is difficult in the public sector.

Attorney Penrod added this SCAD project will change perspective. He asked council to tell them what they would want to know if they were running their own company. Councilmember Snelson asked if a councilmember should be in the meeting with the mayor. Administrator Fitzgerald answered yes and Mayor Child has generously offered 4 hours per day. Councilmember Miller suggested the director could request a specific councilmember. Director Riddle said Provo had a budget performance model that was not very effective. Mayor Child agreed incentives work, but then it becomes expected. Administrator Fitzgerald noted there are already bonuses on projects.

Wages Discussion

Administrator Fitzgerald started the wage discussion by referencing a study by the Milken Institute ranking the best performing cities and the Provo-Orem MSA (Metropolitan Statistical Area) holds the top spot in 2018. The MSA includes the area from Lehi to Nephi and is 142 places ahead of New York City. The study referenced exceptional job growth and investment from Adobe and Wavetronix. Actual wage growth is predicted to soften, but still grow by 2.5% in 2019.

Recommendations

- Hold the course - continue to give raises and grade adjustments that are justified by the data and supportable within the budget.
- Raises 3 - 3.75%
- Grade Adjustments 2 - 2.5%

Administrator Fitzgerald said feedback from employees indicates new employees are getting almost as much as a three-year employee. Mayor Child noted availability of applicants is part of the equation. Administrator Fitzgerald agreed and said our wages are inching toward average, sometimes 1-2% above average in comparison to other towns in our area, therefore competitive in the market place. Our total compensation is pretty good. Mayor Child and the council agreed stating we need to stay ahead of the market. Councilmember Snelson said public safety needs either a raise in wages or something else. Administrator Fitzgerald is meeting with the police department to discuss turnover in the police department. Department leadership has ideas and they are implementing some of those already. Legislature might roll back some pension changes in regard to public safety. Councilmember Snelson asked about double dipping. Administrator Fitzgerald said double dipping was common, legal and appropriate in the past. Our police chief is retired and getting retirement. Councilmember Snelson asked how we can keep our officers from retiring. Administrator Fitzgerald explained other cities give rent assistance or paying mortgages. He said there are an extraordinary number of people leaving the police industry.

He moved on and said an average employee making \$22 an hour costs \$40 an hour with total compensation. A family level insurance package for one employee costs \$22,000. In comparison, Springville is paying more for health insurance. Averaging health insurance costs throughout the state, other cities are paying \$16,000 while Springville is paying \$22,000. Attorney Penrod asked if that was for the same insurance package. Administrator Fitzgerald answered it is hard to find out if we have a better benefits package or pay more for the same package. In some ways our coverage is better, but not \$5000 better. Our experience rating for insurance coverage is bad now. His recommendation is to continue to approach average slowly. He spoke with our benefits provider which only represents 20 cities. The Vanguard change lowered benefits and increased pay for those employees. Councilmember Miller asked how many employees are participating in the HSA (Health Savings Account) Administrator Fitzgerald answered 70% with a \$6000 family deductible. He asked if we have recognized the savings predicted with the change over to the HSA. Administrator Fitzgerald answered yes. Councilmember Miller asked if we could switch everyone to the HSA and subsidize it more. He said it would be an easier



mechanism. Administrator Fitzgerald said our HSA payments are tied to our traditional benefits payment so it would take a change in formula.

Administrator Fitzgerald moved on to a discussion of turnover.

- Appears to be within norms for full-time employees across the city and within the Police Department.
- Finding reliable data on police specific turnover numbers has been difficult.
- We appear to be on new norms after coming out the recession (remember that government recession trails business.)

He said there was low turnover through the recession because everybody hunkered down in the years 2008-2011. He would like to see turnover in the 12-13% range. Young workers leave for higher wages and are not concerned with benefits. The average turnover in police in 7 years is 11.9%, which is within the stated goal. He concluded by saying we have some turn over, but nothing that is concerning.

RAP Tax Discussion

Director Riddle described the nuts and bolts of a RAP tax. It is a city option (Sales and Use Tax) Funding for Botanical, Cultural, Recreational, and Zoological Organizations or Facilities. Councilmember Snelson asked if the tax is remitted directly to the city. Director Riddle answered yes, after a small administration fee to the state. It does not go through the 50/50 split of the other sales tax. It is known by various names - Recreation, Arts, Parks (RAP); Parks, Arts and Recreation (PAR); Zoos, Arts, Parks (ZAP); Cultural Arts and Recreation Enrichment (CARE); etc. It is a tax of 0.1% on retail sales with some exemptions (e.g. grocery food). Tax rate would increase from 7.00% to 7.10%. It equals 1 penny in revenue to the city for every \$10 spent. Anyone shopping in Springville would pay the tax. Walmart purchases apply to recreation in our city, which means surrounding cities contribute to nice parks in Springville.

He continued by explaining that the revenues can be used to fund:

- cultural, recreational, and zoological facilities
- botanical, cultural and zoological organizations
- ongoing operating expenses of these facilities or organizations.

The Utah State Tax Commission estimates Springville's annual revenue will be approximately \$400k. Director Riddle explained that the tax can be enacted only with a majority positive vote on a question placed on the ballot of a regular general election or a municipal election. The RAP tax will be effective for 10 years then subject to reauthorization through another ballot in a general or municipal election.

He listed the calendar requirements to get a RAP tax on the ballot in November.

- Submit notice of intent to place question on the ballot to the county (no later than June 24, 2019)
- Receive a written resolution from the county stating that the county is not seeking to impose the tax on a county wide basis. County has 60 days to respond. No city has a rap tax in Salt Lake County.
- Receive written notice of county's intent to place a question on the ballot, which would pre-empt the city's process
- Council resolution submitting the ballot question to the voters 75 days before the election date (Aug 22, 2019)
- General Municipal Election (Nov 5, 2019)

He continued by saying the council would pass a resolution to enact the tax if the vote is positive. After the resolution to enact, the city provides the Utah Tax Commission notice of intent to enact. The tax becomes effective on the first day of a calendar quarter after a 90-day period beginning after the commission receives notice to enact. If approved by voters in November, the tax would become effective April 1, 2020. Revenue for one calendar quarter could be realized in FY 2020 budget.

Councilmembers expressed concern that the council will get blamed for it. Administrator Fitzgerald noted the past council was neutral which caused a decent number of no votes. Councilmember Snelson asked how it was marketed last time. Director Riddle answered arm in arm with a recreation center ballot question that did not



pass. The difference is this tax would appeal to the arts and cultural voters as well as the recreation voters. He continued by noting several examples of other cities using RAP tax for recreation as well as art and cultural services. Orem splits their CARE tax 50/50 with Scera Theater and Hales Theater receiving grants. Orem subsidizes those businesses instead of running theater businesses themselves. Director Riddle said council would create the internal policy to distribute the revenue. Administrator Fitzgerald said it is a strategy decision. Educating the public needs to start before August so staff needs a go-no-go discussion. Council agreed by consensus. Administrator Fitzgerald said staff will package suggestions on costs and marketing. Director Riddle stated Spanish Fork successfully passed their RAP tax with collateral and open houses.

Streets and Sidewalks Discussion

Director Stapley started his discussion on budgeting for streets and sidewalks by pointing out that Springville has 140 miles of roadway, 4 city jurisdiction traffic signals, 3,131 traffic signs and 177 miles of sidewalk. Current expenditures for streets and sidewalks from the general fund include: payroll, \$406K; benefits, \$246K; operations, \$317K for a total of \$969K. Expenditures from the C Road fund, which is restricted to roads include: street maintenance, \$1,244M; traffic signals \$5K; signal upgrades \$18K; bridge maintenance \$10K; sidewalk repair, \$51K; paint markings, \$47K for a total of \$1,375M which is tied to the gas tax. Councilmember Snelson clarified that the designation C road is a categorizing system used by the state. Basically C roads are roads the city is responsible for.

Director Stapley divided the possible allocation of funds into maintenance, projects and reserves. The new $\frac{1}{4}$ cent tax increase by the county is estimated to bring Springville approximately \$458,000; starting in July. Some cities have enacted a street utility fee. He said maintenance is heavily dependent on oil prices and the number of freeze/thaw cycles per year. Some of the processes for road maintenance include, micro-surfacing, chip seals and mill & overlays. Currently staff is scheduling minimal sidewalk repairs/replacement at approximately 4.8% per year of the 1,068 trip hazards in the city at a cost of \$51K per year. So far this year 36 trip hazards have been repaired. Maintenance also includes roadway paint striping & markings.

He continued by listing some possible projects needed in the city including: intersection improvements, expanded roadways, expanded sidewalk repairs or replacement, new curb & gutter in missing areas, and city gateway improvements. Finally, the city has about \$673,463 in unassigned reserves. Administrator Fitzgerald stated council asked to keep \$1 million in reserves in the past. Recently the reserve got close to zero. One of the questions before council will be is there a minimum amount council wants to keep in reserve. He referred to revenue to cover these projects as current c-road funding, $\frac{1}{4}$ cent tax increase (estimated) and the possibility of a streets utility fee (\$1.00/month) which would add approximately \$132,000. Mayor Child asked if the utility fee is why Pleasant Grove is being sued. Attorney Penrod suggested waiting until the Pleasant Grove lawsuit is settled. Director Stapley noted that the price of world oil is low now. A roundabout at 800/900 South will cost about \$600,000-\$700,000. The railroad crossing at 950 south cost \$180,000 because streets staff did the labor. Councilmember Snelson asked what it takes to get the reserve up to the same amount as C-road funding. Director Stapley answered we could use the county money or cut back on maintenance. Mayor Child asked if the county tax is an annual estimate. Director Stapley answered yes. Mayor Child said we could bring the reserve up in two or three years. Councilmember Snelson said if increasing the reserve is the target, it could be met in a year. Administrator Fitzgerald said staff could come back with a solid recommendation.

Director Stapley continued by asking what the top priorities for projects are. There are many intersection improvements to consider all over town. Taking growth into consideration, expanded roadways are not all paid for by developers. A city can pay for 6%-18% of a road by collecting impact fees. In the past, the city has used some C-road funds which puts a strain on maintenance. Even though the road is due to development, because of growth and increased traffic, the impact fees collected from developers are not cover the cost to build that road. Another project could be increasing funding to repair 1068 sidewalk trip hazards. He said the cost averages out to about \$1000 per trip hazard. Councilmember Miller asked how much litigation goes toward settlement for trip hazards. Attorney Penrod answered it is a low frequency situation, but a nuisance for the homeowner.

Director Stapley continued by stating we have 79 miles of missing sidewalk curb and gutter which includes three miles of frontage road. This is interesting because some streets are mission parts of sidewalk and others parts of curb and gutter. He brought up the gateway improvements because most visitors come into the city



on a road. Councilmember Snelson says he hates roundabouts and everybody he talks to hates the roundabout on 4th South. Mayor Child said he hears that everyone who lives near that roundabout love it. Councilmember Snelson said he would prioritize intersection improvement, but a roundabout is not an intersection improvement. Director Stapley stated Brookside intersection is an intersection improvement and MAG dollars paid for that. It is hard to use C road funds for projects because they are budgeted for maintenance. Councilmember Snelson wants gateway improvements, but don't give priority to trip hazards. Director Stapley asked about missing curb and gutter. Councilmember Snelson said that is down the road. Councilmember Creer said it is cost prohibitive right now. Director Riddle asked if council wants to start to fund it. Currently a developer is responsible for those improvements. Now council is talking about taking city funds to pay for improvements. Councilmember Snelson said partnering with residents would be a good idea, especially in the center of town. He suggested focusing on the gateways. Councilmember Miller asked for targeting areas like 950 West for curb, gutter and sidewalk. Director Riddle said a safety issue drove the process in Provo, and finally used an SID (Special Improvement District). Director Stapley did a study in Plat A and each side of the block had a different estimate. The estimates are still fairly close today. He prefers city and customer splitting the cost.

Councilmember Miller said to focus on the gateway. He is not worried about setting aside more money for reserves; just saving to save. He said cover all the maintenance and continue the maintenance level. Planning for future intersections is hard and we need to be more targeted. The priorities are the same as they have always been. He referred to grants. Director Stapley said staff is pursuing MAG dollars. Mayor Child, referring to sidewalks, curb and gutter, said some parts of town do not want curb and gutter. Director Stapley said in the 2008 study, half of the residents said leave it the way it is. Director Riddle said Provo had strong sentiment in the community to improve sidewalks close to a new elementary school. Mayor Child said there was a donation for sidewalks by Westside Elementary. He thought the property owners were getting a gift and agreed to pay some of it back. Councilmember Miller suggested speed bumps in his neighborhood. Director Stapley said there will be a speed limit study reported on February 19th. Every neighborhood wants a speed bump.

Regular Agenda

1. Approval of a Custodial Services Contract with Absolute Janitorial Services.

COUNCILMEMBER MILLER MOVED TO APPROVE A CUSTODIAL SERVICES CONTRACT WITH ABSOLUTE JANITORIAL SERVICES. COUNCILMEMBER SNELSON SECONDED THE MOTION, AND ALL VOTED AYE.

Fees Discussion

Director Riddle started his presentation on local government fees and new guidance from the Utah State Auditor. He brought up the question on a 5% transfer to the general fund embedded in the electric fee. The administrative fee meets the test in this new guidance. It raises the bar on due diligence. Director Fredrickson stated it is an industry standard that transfers are in lieu of taxes; for instance, if our utility was a private entity that business would be paying the city taxes. Director Riddle said the argument could be it is a public entity. Administrator Fitzgerald said staff is contemplating a profit center category/fee in lieu. There is not language prohibiting profitable utilities. Councilmember Miller doubted the auditor language applies to utilities. Director Riddle stated the announcement is targeting schools, but they are casting a broad net. Administrator Fitzgerald agreed and said Nebo School District reported to him that this policy change will affect \$1.5 million worth of school fees.

Administrator Fitzgerald stated the current general policy is increase fees as needed by incremental (inflationary) amounts to prevent the need for large fee adjustments. He asked council if this is still a fair approach. Council agreed by consensus. He presented the history of fee changes. Waste water rates have had more than incremental inflationary increases because of unfunded mandates from the state. In general, utility fee increases have matched or been lower than inflation. Recycling rates were higher than inflation because of a market shift. Other fees like recreation, business licenses, park rentals, planning commission, cemetery and library cards have not increased in 3 to 15 years. The inflation rate for last 5 years is 9.5%. Fees are falling about 10% behind. He asked council for their input. Councilmember Snelson prefers an incremental adjustment over time. Administrator Fitzgerald asked if council agreed to slightly more than inflationary adjustments over time. Council agreed by consensus. Mayor Child expressed concern about the electric fee being increased. Administrator Fitzgerald



agreed power acquisition prices can remain the same, but there have been wage increases that are impacting those fees. Councilmember Miller stated it is the same as waste water. We need to plan for infrastructure in power as well. Administrator Fitzgerald asked if other city fees play a factor. Councilmember Snelson said we need to look at our fees based on our costs. We can see if we are in line with the other cities, but we are not competing with the other cities.

Administrator Fitzgerald presented thoughts on fee recovery policy. He stated other cities do this; basing the fee on policy that establishes fees within a range to recover costs. The appropriate range for fee cost recovery is based upon several factors like a balancing test. This policy would assist in meeting legislative and auditor concerns about fees. He said a range also gives a target for departments to work within. It will be easy for council to review fees and change recovery classification based upon established factors. Changes can be done efficiently, ensuring fees fall within the range. Some factors affecting the fee range include the difference between a fee and a tax; how easy it is to collect the fee; supply and demand; policy; target groups and transparency. A service that is community wide leans more toward low or no fee recovery like a tax. The more individual the benefit, the higher the cost recovery. Supply and demand affects public policy which can use fees to drive outcomes; encouraging or discouraging services. He went through an exercise asking council to apply a balance test to categorizing some examples of services into a range of recovery of the cost of each service:

- Full Recovery 85-100%
- High Cost Recovery 70-90%
- Mid-level Recovery 30-70%
- Low Cost Recovery 1-30%
- No Cost Recovery 0%

He continued by asking council if they are okay working towards a policy that sets these parameters or do they want to set each fee recovery range or review a chart based upon staff recommendation. After the exercise, Administrator Fitzgerald concluded staff will write up the policy. This is a longer term project, to determine the cost recovery for each service.

Managing an Irrigation Company Discussion

Attorney Penrod stated Marlon and Albert made clear that someday the city will be running the irrigation company. Mayor Child works with them on the irrigation board. Marlon Boyer and Albert Harmer are the president and vice president of the drainage district, the irrigation district and the Springville Irrigation Company.

Attorney Penrod continued his presentation by stating, in the 1930s, Springville did something different and set up an irrigation district and Mapleton followed suit. Because of the Springville Irrigation District, the rights to the water are attached to the ground in most places. In the irrigation district, most rights are attached to the whole city which means the city has shares. In the 1930s it was established that one acre foot of the four acre feet of water in the Springville Irrigation Company can go anywhere in the city. The irrigation district receives a good amount of water from the Strawberry Water Users Association to this city. Calvin Crandall is the president of the irrigation district, with Marlon and Albert on the board. Calvin Crandall is on the board of the Strawberry Water Users Association. In addition, the Springville Drainage District, originally called the Utah County Drainage District, takes water out to the lake. The land to the west is taxed for the drainage district. There are pipes underground taking the water out to the lake. Calvin, Albert or Marlon are president of this entity.

Attorney Penrod continued by explaining some of the details of the irrigation company. The irrigation company has 3,720 shares, which equals 14,800 acre feet of water or 4.8B gallons of water delivered per year. Springville City delivers approximately 3B gallons of water per year. Springville City owns 1,930 shares, or 51.88% of the Irrigation Company, making Springville City the majority owner of the Springville Irrigation Company. There are questions about the canyon water shares. The adjudication should settle those questions after many years. The irrigation company delivery methods include 350 garden tickets and field turns, which includes all of farm land in west fields. Springville City fulfills 140 garden tickets in plat A and 68 in the Highline Canal. The irrigation company has many more garden tickets than the city. Mayor Child added that out of the 4 acre feet of water, one acre foot belongs to surface water which is Strawberry water. Attorney Penrod said the city



utilizes that in the secondary system. In the past, when property owners wanted water up left hand fork, they would turn in the shares to the city, but still claim rights.

He continued by stating Marlon Boyer and Albert Harmer manage the irrigation company without compensation. There are seven board members including Mayor Child. The employees include a full-time water master, seasonal workers (including seasonal workers from Strawberry Water Users) and part-time secretary. They keep the Frandsen Engineering on retainer. They also have equipment, trucks and supplies. He explained the concept of G-7 which is the seven irrigation companies in or near Springville (Springville Irrigation, Mill Pond, Wood Springs, Big Hollow, Matson Springs, Coffman Springs, Wash Creek). Mr. Boyer and Mr. Harmer also manage these seven companies. He said current and future development will concern irrigation. When Mr. Boyer and Mr. Harmer step away, Springville City will step in.

Irrigation District and Drainage District

Costs

Employees

- (1) Water Master, \$60,000
- (2) Engineering/Admin, \$120,000 (recoup %)
- (3) Inspector, \$20,000 (PT-recoup %)
- (4) Seasonal Workers, \$10,000
- (5) Part-time Secretary, \$20,000

Equipment/Water (Trucks, sprayers, pumps, etc.), \$60,000 (\$5k annual)

CIP Projects, \$100,000

Irrigation District for Water

Added Liability, \$50,000

Insurance Premiums

Lawsuits

Water Adjudication \$10,000 per month recently

Revenues

City's Assessment - \$70,000

Other Assessments - \$65,000

City's SD \$100,000 -\$100,000

Dev. Eng. Fees/Grants -\$100,000

Total - (\$105,000)

Director Stapley said this does not take into account the benefits to the city including an additional in house engineer. He added there will be increased liability. Councilmember Miller asked if we can simplify the structure. Attorney Penrod answered the districts cannot go away because we lose some protections from the 1930s. With water adjudication up the left-hand fork of Hobble Creek Canyon, Mr. Boyer and Mr. Harmer are under lots of stress. Director Stapley says Administrator Fitzgerald assigned him to design a plan to run the irrigation company with Tyson Bartlett and Shawn Barker. Attorney Penrod concluded by stating when this happens, it will be much more work for the Public Works Department. Director Stapley added the farms are being developed, so the land serviced by the irrigation company is getting smaller. Councilmember Snelson asked about build out. Attorney Penrod answered the city has submitted change applications to put our water rights into wells and the pi system. The garden tickets will still be around, in the city and the irrigation company.

Budget Priorities Discussion

Staff asked council to rank projects on a score card and Attorney Penrod presented the results and explained the scoring. He noted that council gave 23 out of 33 projects a priority above three out of five, 1 being the highest priority. Council highest priorities were:

- Add Fulltime Dispatcher (1.5)



- Maintain Police Pay and Benefits (1.5)
- General Plan Update/Intern (1.83)
- Tied for 4th City Entry Signs (2.17)
- Tied for 4th Purchase Commercial Property (2.17)
- Tied for 4th 400 S. Corridor Retail Analysis (2.17)
- Tied for 4th Curb, Gutter and Sidewalk SID (2.17)

The director's top priority was to maintain pay and benefits. Administration gave higher priority to adding another fulltime maintenance employee to the CRC and a fulltime central shop office assistant. State mandate and possible loss of grants made a fulltime dispatcher the top priority overall. Attorney Penrod detailed some of the priorities and asked council what they visualized as a good entry sign for the city. He concluded by asking if council wanted any projects removed from the priority list. Councilmember Snelson stated that the Allen family's property is the property referred to when prioritizing purchasing commercial property. Administrator Fitzgerald clarified that the Allen family is not communicating with anyone concerning selling the property. The city started looking at this property in 1999. He asked if council was interested in using the condemnation authority. The feelings were mixed, leaning toward the negative. Councilmember Jensen asked about purchasing the property where the transfer station is. Administrator Fitzgerald answered Love's as well as a truck wash business are interested in purchasing that property. He stated staff will redouble their efforts to communicate with the Allen family. Councilmember Miller stated any freeway frontage property would be good to purchase to speed up development. Attorney Penrod stated there are tools to incentivize development. Director Goins stated the Allen family is not communicating with Provo either. Mayor Child said Kneaders bought the Lindon Allen's property. Councilmember Jensen suggested bringing back the Hi-Spot Drive-Inn. Councilmember Miller said to purchase property if it would help development move faster. Attorney Penrod continued by addressing the other priorities. Councilmember Miller stated Community Park should be cleaned up and the parking lot finished because half of the park looks terrible with garbage and weeds. Attorney Penrod agreed and stated Director Neel has plans for Community Park. By averaging the priority rankings from directors, council and administration, the list changed.

- Commercial Property (2.69)
- Community Park (2.73)
- Fire Station (2.70)
- CRC Expansion (2.74)
- Mountain Bike Park (3.34)

Councilmember Snelson asked about the mountain bike park. Attorney Penrod referenced a park in Draper. He suggested Cherrington Park could be used and the trail could continue up Spring Creek Canyon. Director Riddle stated many communities have created bike parks. Councilmember Miller asked about the CRC Expansion. The feeling from the other councilmembers was the CRC was just built. Councilmember Miller added if we do not expand it now, it will be harder later. He questioned if expansion would increase participation.

Attorney Penrod asked about curb and gutter. Councilmember Jensen suggested creating a fund for residents willing to pay for part of it, giving them priority. Director Riddle stated there will be political heat where certain residents paid for their curb and gutter themselves. The development community is paying curb and gutter in full right now. Councilmember Jensen suggested Plat A would be the main opportunity. He said the city could work with developers. Director Stapley stated he would love to put some money toward curb and gutter when residents call and ask him what can be done. Councilmember Jensen compared this idea to the tree program, making the city look better. Director Riddle said Provo has given out tree coupons. He concluded by asking council if there were other priorities not included on the score card. Councilmember Jensen said the new AV connection at the library would be affordable.

Wrap Up and Questions

Administrator Fitzgerald asked if there was any more discussion. There was none. Director Goins and Director Neel noted that Gary DeHeer was voted Arborist of the Year for the State of Utah, out of 3300 arborists.



CLOSED SESSION, IF NEEDED - TO BE ANNOUNCED IN MOTION

The Springville City Council may temporarily recess the regular meeting and convene in a closed session to discuss the character, professional competence, or physical or mental health of an individual, pending or reasonably imminent litigation, and the purchase, exchange, or lease of real property, as provided by UCA 52-4-205.

There was none.

ADJOURNMENT

Adjourned by consensus at 8:37 pm.

*This document constitutes the official minutes for the Springville City Council Work/Study meeting held on Tuesday, **January 29, 2019**.*

*I, Jennifer Grigg, do hereby certify that I am the duly appointed, qualified, and acting City Recorder for Springville City, of Utah County, State of Utah. I do hereby certify that the foregoing minutes represent a true and accurate, and complete record of this meeting held on Tuesday, **January 29, 2019**.*

Jennifer Grigg
Deputy City Recorder

