



PROVO MUNICIPAL COUNCIL

Budget Retreat Minutes

1:00 PM, Tuesday, May 14, 2019
Room 310, Provo City Conference Room
351 W. Center Street, Provo, UT 84601

Agenda ([0:00:00](#))

Roll Call

The following elected officials were present:

Council Chair David Harding, conducting
Council Vice-Chair Kay Van Buren, arrived 1:08 PM
Council member David Sewell
Council member Gary Winterton
Council member George Handley
Council member David Knecht
Council member George Stewart, arrived 2:11 PM
Mayor Michelle Kaufusi

Prayer

The prayer was given by Isaac Paxman, Deputy Mayor.

Business

1. A presentation of the proposed 2020 budget including an overview, supplemental requests, and other issues. (19-004) ([0:03:52](#))

John Borget, Director of Administrative Services, presented. Mr. Borget and Kelsey Zarbock, Accountant, recommended some minor changes to the budget document, which would be distributed to the Council next week. Mr. Borget gave some instructions on the adjusted budget, which reflected budget items, carryovers, encumbrances approved by the Administration and reviewed by the Council in September, and CIP (capital improvement project) balances.

Mr. Borget presented additional elements of the tentative budget for FY 2020. Mr. Borget listed the utility rate increases (wastewater 15%, water 5%, storm drain 8%, and sanitation 10%) which would be implemented, based on the recommendation of the five-year plan. The budget also includes a revenue-neutral adjustment to the energy rate, intended to more accurately reflect how Provo Power experiences expenses—the base rate will be adjusted to better reflect the base costs. Mr. Borget also discussed personnel costs to the City. Councilor George Handley asked about the 2.5% merit increase, pointing out that 2.5% is a standard cost of living increase and wondering if 2.5% was enough. Mr. Borget responded with a further explanation of merit raises. Wayne Parker, CAO, outlined details about the City's annual market rate study on personnel pay grades. The process for this is much more granular than a typical cost-of-living adjustment, but would

factor in the market changes of other cities that have implemented COLAs over time. Mr. Borget explained the City's process for a meritorious increase for employees who work above and beyond expectations. Mr. Borget mentioned that usually about 65% of the City full-time regular employees are paid out of the general fund.

Ms. Zarbock distributed a handout listing supplemental requests while Mr. Borget outlined the format and contents of the document, including recommendations for which requests should be funded. Council Chair David Harding asked for more clarification on the document. Mr. Borget explained in more detail the first request for seven new police officers. The request lists only six new full-time equivalent positions, as the seventh would be the result of combining two existing part-time positions. Councilor Handley asked if the Police request for additional officers accounted for the higher starting salary as of last year, which Mr. Borget affirmed. Mr. Handley asked if the Police budget was catching up to where it needed to be; Mr. Borget suggested it was likely that this would continue to remain a high priority for the general fund each year. The discussion remained centered on police staffing, as Mr. Borget clarified that the new Deputy Chief of Police was not included in the supplemental request, as the Council already approved adding the position. Mr. Borget proceeded to discuss line 2 about Police Radios. Councilor Harding proceeded to ask questions to clarify the funding that would fulfill the budget requests.

Mr. Borget highlighted several elements of "Other Funding," including unexpected maintenance of City buildings (part of the Facilities budget). Mr. Borget shared the All Funds Summary, which shows a snapshot of the City's activities. There was a significant increase in revenue from the previous year; Mr. Borget explained that property taxes had increased (including the portion related to the City facilities and public safety bond), tax increment, and other increases resulting from growth in the City. Grants also increased significantly, by approximately \$28 million; of the \$28 million, about 75% related to projects at the airport and 25% to the Lakeview Parkway project. The remainder of the revenue increase came from loan/bond proceeds. Mr. Borget discussed CIP funds and how these were tracked from year-to-year. Councilors David Harding and Gary Winterton asked questions about the All Funds Summary, which Mr. Borget answered.

Mr. Borget showed charts of the proposed budget and expenditures. Mr. Borget noted that there had been a sizable increase in the budget since the previous year; a large portion of the increase relates to the Airport and infrastructure projects. Mr. Borget also noted that when the City does a bond, the funds must still be appropriated to the project and are likewise reflecting in the total budget. Mr. Borget addressed several questions from Councilors as needed. The General Fund revenue summary included utility transfer fees, franchise fees, and sales tax. Councilor George Handley asked whether past projections tracked with the actual revenues; Mr. Borget was not sure whether the chart showed past actuals projections, but indicated that he could follow-up and obtain more details on that point. Mr. Borget highlighted the Fund Balance, which was at 23.96%. State law limits a city's Fund Balance to 25% or less, at which point the Council and Administration would need to determine the direction for the City's use of those funds. Mr. Borget highlighted several possibilities for how extra Fund Balance could be dedicated.

Mr. Borget moved on to report on the City's general obligation bonds. He explained the determination of the legal debt margin; right now, Provo is at 25% of the legal debt limit. The City's proposed budget was created in an effort to be responsible and sustainable. Councilor Gary

Winterton asked about the Consumer Price Index and whether Provo was keeping pace with inflation in benefits and pay for employees. Mr. Borget invited several comments from Daniel Softley, HR Division Director, who explained more details of the City's market study and the medical costs index the City uses as a basis when assessing benefits.

Councilor David Sewell asked several clarifying questions on supplemental requests. Mr. Borget needed to verify some details related to the Office 365 upgrades and System Analyst II, but he indicated that an updated spreadsheet would be distributed to the Council. **Presentation only.**

2. A presentation from the Police Department on staffing and other issues. (19-004) (1:19:13)

Chief Rich Ferguson presented. Chief Ferguson outlined the approved supplemental requests and how these fulfilled requests would benefit the department and its operations. Several requests were not funded, including: carrier vests, portable radios, K9 replacement (for which funds were found in the beer tax grant), and SWAT. Council Chair David Harding asked for Chief Ferguson to expound on the beer tax grant. Chief Ferguson explained the funding received for preventing under-aged alcohol sales. Councilor Gary Winterton asked about the Urban Deer Program; Mr. Harding reminded him the program would be funded by an appropriation in the next fiscal year.

Chief Ferguson expressed gratitude for receiving funding for seven new officers. The new officers will help to relieve overtime expenses and to slow the necessity of the rotation list. Mr. Harding whether the City could expect those overtime expenses to decrease over time. Chief Ferguson explained that the seven new officers would be placed in the patrol division, which would contribute toward a more sustainable police force.

Chief Ferguson moved on to Tier II retirement. Under Tier II retirement, the defined benefit option would increase from 37% to 50% for 25 years of service; the defined contribution option would increase by 4%. Chief Ferguson explained that this would make Provo a more attractive option for new candidates. Speaking on recruitment, Chief Ferguson explained that recruitment was down nationwide for police officers. He explained the lateral transfer program, noting that it was a challenging hiring environment for all police agencies. He spoke on Provo City's robust recruitment program, including Channel 17 videos and an employee bonus for referrals. Mr. Winterton asked for clarification on how lateral recruitment is done; Chief Ferguson expressed discomfort in recruiting new officers directly from other cities' police departments.

Chief Ferguson spoke to the department's retention efforts. The Police Department offers opportunities for professional growth, a master officer program, competitive pay, better working conditions, and engaged leadership. Councilor David Knecht asked about community support, which Chief Ferguson felt was high and very helpful for retention. Chief Ferguson addressed challenges to retention, including lower wages and higher call volumes than other Utah cities. Speaking to staffing, Chief Ferguson explained that there are 16 officers in various positions of training who were not yet able to take calls. Councilor George Stewart asked about school resource officers; Chief Ferguson said they had obligations during the summer break, but they did assist with calls for the Police Department during those months. Councilors expressed appreciation for the work and dedication of Provo's police officers. **Presentation only.**

3. A presentation on the reorganization of Community Development and other departments into Community and Neighborhood Services and Development Services Departments and consideration of budget impacts. (19-004) ([2:07:40](#))

Wayne Parker, Chief Administrative Officer, led the discussion. Mr. Parker handed out a summary of the new Development Services department, which was designed to bring all functions pertaining to development review into one department. Mr. Parker highlighted the areas which would fall under each department and explained the reasoning for placing them there. The Administration thought it made more sense to move CDBG to Community and Neighborhood Services (CNS) rather than Development Services; having synchrony between long-range neighborhood planning and the administration of grant funding which directly impacts neighborhoods provides great continuity. Several Councilors asked questions about new positions and funding in the new departments, which Mr. Parker clarified. The Redevelopment Agency will remain a separate entity, with the CDBG funding moving to CNS. Councilor Handley asked about sustainability efforts; Mr. Parker explained the incentives that have been used and can be promoted in Economic Development. Parking Enforcement would stay with Customer Service for the time being. Mr. Parker also explained how zoning would be coupled with more robust business licensing enforcement.

Mr. Parker shared a diagram showing the structure of the City departments following the creation of the new departments. Mr. Parker reported that the proposed budget for these departments for FY 2020 was approximately \$50,000 lower than the FY 2019 budget for the city services as currently constituted. CNS will be responsible for CDBG, HOME, and special projects, with 21 full-time employees, while Development Services will be responsible for tax-increment funding and new development, with 18 full-time employees. Mr. Winterton asked about any potential complications with being tied to federal funding; Mr. Parker explained that grants were received by the City, not the RDA. *Presentation only.*

4. A presentation on Provo 360. (19-004) ([2:26:40](#))

Wayne Parker, CAO, recounted the purpose and background of Provo 360, the ERP (enterprise resource planning) project that is replacing and consolidating the City's software programs to one central program or suite. The project will result in better data collection for all parts of City government, better communication between departments, and better-informed decision-making. Mr. Parker shared the development, RFP selection, and consulting involved. Provo is currently in transition regarding the HR solution, but the previous phases of Provo 360 have been successful.

Mr. Borget continued the presentation on Provo 360 and indicated that funds set aside for the old software package would be directed to the new one. Mr. Borget said CityView has been live for a year, with the online portal up and working for developers to submit plans online. Karen Larsen, Phase 2 Project Director, said they anticipated the online portal to become available soon for residents using CityView. Daniel Softley, HR Division Director, discussed the evaluations the City was conducting to determine the most effective way to implement the new HR solution; they hoped to receive bids as part of the RFP process in early June.

Ms. Larsen shared an update on Phase 2 of Provo 360. The project is currently in the configuration phase for the Work Management System (WMS) and in the functional testing for the Customer

Information System (CIS; used for utility billing). Ms. Larsen expressed confidence that Provo 360 will go live in April 2020. Councilor George Stewart asked whether other cities in Utah were using CityView or Cayenta; no other cities in Utah were using the same software, as Provo continues to lead out among Utah cities in city management. **Presentation only.**

5. A presentation from Customer Services on staffing and parking enforcement. (19-004) ([2:54:55](#))

Laramie Gonzales, Customer Service Business Analyst, summarized the presentation he gave at a work meeting several weeks previously. The State legislature passed a bill which stipulated that late fees for parking enforcement may not exceed 25% of the original fee. Customer Service analyzed the existing rate structure and has proposed changes to better align Provo's fees with the current parking enforcement operation, as well as State law. Mr. Gonzales shared the proposed change, which would raise the fee to \$55, with an early payment discount. In response to a question regarding payment processing, Mr. Parker indicated that Karen Larsen, Customer Service Director, could present on that topic in depth at a future work meeting. **Presentation only.**

6. A presentation from Administrative Services on operations including internal audit and Information Systems. (19-004) ([3:01:43](#))

Josh Ihrig, Information Systems Division Director, and John Borget, Administrative Services Director, presented. Mr. Borget shared background details on the supplemental request for an internal audit function. Mr. Ihrig presented the highlights of the annual IS report. IS prioritizes citizen engagement, cyber security, and IS staffing and support for the City organization. The IS Department runs on a very lean budget, compared to many other cities, which is a testament to their frugal and efficient operations. Councilor George Stewart asked about IS staff within the Energy department, which Mr. Ihrig explained was common practice in many city-owned utilities.

Mr. Ihrig discussed the trends that imply a necessity to expand the IT department, which led into the department's supplemental requests. IS has requested funds for one full-time public safety analyst, as there is currently just one analyst who manages the 24/7 system. They have also requested funding for a full-time communications analyst, who would join two other analysts in monitoring over 3000 City communications devices. Cliff Strachan, Council Executive Director, asked about employees using a personal cell phone versus a city-owned phone. Mr. Ihrig shared some policy considerations for each method, noting that ultimately it was a business decision and there were advantages to both methods. Councilor George Handley asked for clarification on the analysts' proposed salaries, which Mr. Parker and Mr. Borget answered, noting that a portion of the analyst salaries are billed out as chargebacks to the enterprise funds. Mr. Ihrig discussed the supplemental request for an Information Security Analyst, which was a critical need for the City organization and was funded. Mr. Ihrig mentioned several other unfunded requests.

Mr. Ihrig fielded a question about the Office 365 funding request; current computers will retain their current version of Microsoft Office and will be upgraded to Office 365 as computers are replaced over the next few years. Councilors expressed appreciation for the IS staff and the high level of service and value they provide. **Presentation only.**

7. A presentation from Public Works on operations and capital improvements including rate changes, wastewater, airport, and other issues. (19-004) (3:26:02)

Dave Decker, Public Works Director, presented on the airport expansion. Mr. Decker discussed several elements of the airport expansion project, noting that the project was split into three distinct portions to better manage which parts were FAA-grant-funded versus City-funded. The apron would be constructed for the new terminal building, with the ability to expand and connect future portions as growth occurred in the future. Mr. Decker also discussed the parking lot and access road; Public Works may handle the design and construction management of this loop road internally and contract out the asphalt work. The loop road and parking lot will be constructed with City funds, allowing any revenues to return to the City. Council Chair David Harding asked about potential transit connections to the airport; Mr. Decker responded that they have had several meetings with UTA and there was interest for a potential bus or train stop at the airport terminal.

Mr. Decker outlined the third portion of the airport expansion project, the design and construction of the terminal building itself. Public Works has secured state and county funds for the project, as well as a loan from Provo Power for additional project costs. There were critical CIP projects for water and sewer expansion to service the airport as well.

Mr. Decker outlined the objectives that the City has set for utility rate increases: avoid bonding for projects; fix existing deficiencies; set aside money for future projects; keep rate increases reasonable; and achieve fund balance goal of 25% of revenue. He presented the recommendations for a 5-year rate increase plan. Councilor George Handley noted the importance of making rate increases a matter of public relations to help the public understand the need for changes in fees. Regarding sanitation fees, Brian Torgersen, Public Services Division Director, acknowledged the uncertainty of recycling; there may be impacts to sanitation fees, but it was uncertain at present.

Jimmy McKnight, Public Works Finance Analyst, mentioned that the City has seen an unanticipated increase in water revenue, which Public Works is directing toward wells to begin some projects sooner than expected. Wastewater is currently the biggest challenge, with residents' bills expected to double by 2025. Councilor David Knecht expressed a desire to find different ways to use recyclable materials (e.g., as material for roads). Mr. Decker shared comments about the unique challenges of Provo with winter weather when it comes to new technologies. Mr. Torgersen noted that UDOT was very progressive with technology and methods. Mr. Handley mentioned other recycling efforts, such as turning plastics into diesel fuel. Mr. Decker also shared slides comparing utility rates for cities throughout Utah. Councilor George Stewart, Mr. Parker, and Mr. Decker had a brief discussion about the City's sanitation program and costs.

Mr. Decker briefly discussed Public Works' supplemental requests: streets/stormwater assistant manager; transitioning a water sources position from part-time to full-time; airport position changes; airport overtime; hiring a full-time fleet mechanic; reclamation positions for succession planning; and a full-time water resources engineer. ***Presentation only.***

Closed Meeting - None requested.

Adjournment - Adjourned by unanimous consent.