Please note: these minutes have been prepared with a timestamp linking the agenda items to the video discussion. Electronic version of minutes will allow citizens to view discussion held during council meeting.

PROVO MUNICIPAL COUNCIL
Work Meeting Minutes

3:00 PM, Tuesday, May 25, 2021
Hybrid meeting: youtube.com/provocitycouncil or 351 W Center Street, Provo, UT 84601

Agenda (0:00:00)

Roll Call

The following elected officials participated:

Council Chair David Sewell, conducting
Council Vice-chair David Shipley
Councilor George Handley
Councilor Bill Fillmore, arrived at 3:16 PM
Councilor Shannon Ellsworth
Councilor David Harding
Councilor Travis Hoban
Mayor Michelle Kaufusi, arrived at 3:25 PM

Prayer

The prayer was offered by John Borget, Administrative Services Director.

Approval of Minutes

October 20, 2020
November 10, 2020
May 18, 2021 Work Meeting
Approved by unanimous consent.

Business

1. A discussion regarding Fiscal Year 2022 Proposed Budget Revenues. (21-015) (0:11:39)

John Borget, Administrative Services Director, and David Mortensen, Budget Officer, presented. Mr. Borget reviewed the revenue categories for the city, noting that general and enterprise funds are the two largest revenue sources. The enterprise funds are comprised of the various city utilities, the largest components of which are the Energy Department, Wastewater, and Water funds. The bulk of General Fund revenues come from sales tax. In the recent increase in budgeted revenues, the majority of that increase came from enterprise funds, followed by the general fund. Mr. Borget reviewed the enterprise fund revenues in more detail. Mr. Borget noted

that the variability to these funds was on account of different grants that the City had received; the large increases and decreases were all related to funding of specific capital assets.

Councilor David Harding asked about revenues from wastewater but noted that Mr. Borget's overview of grant-funded projects addressed some of his questions. Mr. Harding wondered whether it might be more accurate or beneficial to compare years with and without grants factored in. Mr. Borget explained the nuances of these revenue sources and how to look at revenues holistically in order to make the best analyses of city budgets. Almost 70% of the increased revenue in the General Fund was due to sales taxes. Mr. Borget reviewed a chart showing how sales tax had been trending (budgeted and actual) since 2018. In each of these years, actual revenue has exceeded budgeted revenue, as well as increasing overall. Mr. Borget also shared metrics illustrating sales tax percentage increases in past years. Councilor David Shipley asked about the budgeted sales tax figures for FY2021. Mr. Borget confirmed that the City estimates the FY2021 actual figure for sales tax will be just over a 10% increase. Councilor George Handley asked if Mr. Borget had a way to assess the sales tax health of Provo compared to neighboring cities or cities with a similar makeup to Provo. Mr. Borget shared more context on the sales tax distribution calculation used in Utah. Mr. Handley and Mr. Harding both commented on the importance of online collection of sales tax as it positively impacted revenues.

Mr. Mortensen shared details on other tax types relating to the general fund. The Recreation Arts and Parks Tax revenue followed similar trends as sales tax. Property tax revenues had a slight upward trend; the modest year-to-year increases were typically a result of new population or commercial growth. Franchise fees also experienced modest upward growth. B&C Roads revenue is received from the state and has remained fairly level over time. Fees revenue, which includes parks and recreation fees, development application fees, and other similar services, experienced decreases in the current and last fiscal years as a result of the pandemic. FY2021 figures show a turnaround, so while the projected numbers may not reach the budgeted amount, it will be by a much narrower margin. Mr. Harding observed that initial worries about sales tax proved to be misplaced as sales tax remained strong, while fees suffered during the pandemic. Other revenue includes grant revenues; similar to grants in other revenue funds, it can be challenging to predict, so actual amounts tend to exceed the budgeted projections. Mr. Mortensen noted that typically when grant funds are received, they are handled as specific appropriations.

Mr. Mortensen highlighted details regarding the American Rescue Plan Act funds the City anticipated receiving. Mr. Mortensen noted several areas in the City which were impacted during the pandemic and how ARPA funds could be programmed to compensate for lost revenues and cuts to positions. Finance advised against funding ongoing positions with ARPA revenues. Cliff Strachan, Council Executive Director, noted that the Council could examine the supplemental requests to identify whether any could appropriately be funded with ARPA or other funds.

Mr. Borget felt that they have been pretty aggressive with the budgeted revenues; it was not likely that actuals would exceed these amounts. Even budgeted sales tax was a reasonable goal, but he felt they would not exceed it by much. The Finance division has reviewed other revenue categories to make sure the City can achieve the Council and Administration's priorities. He felt that a more aggressive approach would put the City in a difficult position.

Mr. Harding asked for clarification on the wastewater revenues exceeding those of culinary water; it seemed like an atypical ratio. Mr. Mortensen shared more details on the changes to revenues in recent years. Wayne Parker, CAO, noted that historically it has not been this way; water is generally the higher category, but in Provo the lines crossed operationally about 2-3 years ago. Mr. Parker noted that this was becoming more common across the country, particularly as EPA standards for wastewater effluent have changed. To meet the new standards, many cities found themselves in this situation with those revenues swapping places. Council Chair David Sewell thanked Finance staff for their presentation. ***Presentation only.***

2. A discussion regarding a FY2022 Budget Supplemental Request for additional Parking Enforcement Personnel. (21-015) (0:53:17)

David Mortensen, Budget Officer, presented. Mr. Mortensen shared background information on this request for more analysis regarding parking enforcement personnel. Mr. Mortensen shared how these figures were calculated and noted that adding another officer did not necessarily double the output of tickets issued; quantifying the impact was a little more challenging than it may seem at face value. Finance added a revenue factor to their calculation to try to compensate for the unknown quantities. They have also changed the budgeted positions to budget for the highest level; if a more experienced candidate is selected, it is a more accurate reflection of that staffing level in the budget. Finance also budgeted some equipment costs and adjusted the office specialist as a part-time position to better ensure the positive net impact.

Councilor David Shipley indicated his support for hiring one full-time parking enforcement officer and a part-time office staff as a way forward. He also acknowledged the challenges and the political unpopularity of increased parking compliance. He thought moving forward with this format, then analyzing the results of hiring those two positions and the resulting revenue would allow the Council to make any needed adjustments down the road. Councilor David Harding shared comments on some of the underlying assumptions with the calculations. Mr. Harding noted that for the goal of compliance, a slow and incremental approach might be best. Mr. Harding also commented that an enterprise fund could be a solution. Mr. Mortensen shared the financial principles the City uses, registering Finance's concern that there was not a strong impetus for having an enterprise fund that was tied to government-imposed, non-exchange functions of government. He noted that many cities with enterprise funds for parking typically had parking garages or meters as the tangible services associated with those revenues.

Councilor David Sewell asked for clarification on the current parking enforcement staff. Gary McGinn, Community and Neighborhood Services Director, said they had one full-time staff and 4 current part-time staff, but have had up to 6 part-time employees in the past. He hoped that parking enforcement could make a positive difference for quality of life and felt the department had more flexibility with fulltime employees. Mr. Sewell supported moving to fulltime staff; he felt that making this change would add additional stability and expertise, as well as increased effectiveness instead of constantly cycling through parttime staff members. Several Councilors briefly discussed the notion of making a revenue-neutral change to staffing and how that might work, noting that a fulltime employee would also require the benefits as a cost factor. Mr. Harding was interested in tracking the parking enforcement revenue separately, even if it was not a separate enterprise fund. In response to a question from Councilor Shannon Ellsworth, Mr.

McGinn highlighted the metrics they could evaluate with regards to enforcement. Mr. McGinn also indicated that they were currently beyond their ability to enforce on all the parking requests they receive; he felt they would have more bandwidth to do so with two full-time parking enforcement officers. He felt there was a demand for enforcement sufficient to merit the staffing, without it becoming a revenue-raising activity for the City.

Motion: David Shipley moved to fund one additional parking enforcement officer and one part-time support staff, evaluate revenue and qualitative data in 6 months, and hire a second full-time staff if things worked as expected. Seconded by David Harding.

Vote: Approved 7:0.

3. A presentation regarding a plan to phase-in sworn police officer to reach the desired number of FTE's need for public safety ratios of 1.22 police officers per 1000 residents. (21-015) (1:22:42)

Wayne Parker, CAO, presented. Mr. Parker shared staffing statistics from 2014-2021, which reflected the years in which changes could be implemented as recommended in the 2012 Police Executive Research Forum report. Mr. Parker highlighted different paradigms with which to consider police staffing including population base and growth, workload, citizen satisfaction, crime rates, minimum staffing (or officer safety), and response times. Mr. Parker reviewed the strengths and weaknesses of each of these measures for analysis. Mr. Parker also outlined how investments in other certain City staffing or services would also contribute to the effectiveness of the police force. Mr. Parker summed up the considerations, noting some factors in other municipalities. He suggested the City develop key indicators, using elements of the proposed factors, which would help to direct the staffing calculations of Provo's Police Department, after which the City could update the staffing study incorporating these new standards or methods.

Councilor George Handley suggested that citizen satisfaction was important information for the City to have regardless; it was an important tool for the development of personnel to better develop their staff and department. In addition to a survey, Mr. Handley wondered whether the City had contemplated a regular feedback mechanism. Mr. Parker explained that the Police Department had some feedback mechanisms, but they could definitely use more depth. They currently track complaints about officers, utilize a Citizens Advisory Board, and citizen surveys. Mr. Handley felt this type of feedback could result in vital data for the City. Mr. Parker indicated they were amenable to further cooperation to work through these issues with the Council.

Cliff Strachan, Council Executive Director, noted that Police Chief Rich Ferguson had suggested a new PERF report once the department had moved into the new city facility; conducting a new report in the new facility would provide a more accurate look at the health of the department.

Mr. Parker explained that the Police Department has routinely had salary savings (arising from staff retirements, downtime between new hires, etc.). For many years, the City would identify these payroll savings at the end of the fiscal year and authorize the Police Department to make some equipment purchases with the surplus funds. Based on past data on salary savings, they have restructured how these savings are applied; rather than evaluating at the end of the fiscal year, they have structured this buffer into the original budget. The budget essentially accounts for

funding 138 employees in the budget, but authorizes up to 140 employees, knowing that the typical salary savings amounted to about 2 FTEs each fiscal year. The funds freed up by this process are then budgeted to operational needs, where the department has felt constrained in the past, without having a detrimental effect on staffing. ***Presentation only.***

4. A presentation from the Carryover Committee regarding budget carryovers. (21-015) (1:49:25)

Councilors David Shipley and David Harding presented. Mr. Shipley explained that the committee hoped to share their work with the Council and get the Council's feedback on the policy direction to take things in the future. Mr. Shipley noted a significant improvement this year—they received a color-coded report from Finance which showed an accounting for prior year carryovers and the purpose for each. Color-coding helped them to understand why funds may have stayed in the department and this process will continue moving forward. Mr. Shipley reviewed several relevant terms and how they pertained to the Council's duties, clarifying the differences between carryover, encumbrances, and surplus. Encumbrances typically relate to an open contract or purchase and does not require detailed Council review. Surplus dollars would go back to the general fund, but the Council can weigh in on policies that could dictate how these are used. Carryovers were unused funds during a financial year which are transferred to a budget for the following year. Mr. Shipley noted that Executive Director Cliff Strachan's committee notes have given a good overview and shared updates throughout the process.

Mr. Shipley invited Mr. Harding to share comments on carryovers. Mr. Harding explained that this process began several years ago as the Council had a presentation on carryovers but were told they had no part in reviewing or approving them. Mr. Harding noted that state law said that surplus money should return to the General Fund at the conclusion of the year, but that the City's process had been happening differently. Mr. Harding outlined the concerns which had motivated this larger conversation and he shared a graphic showing the interplay between budget cycles.

Mr. Shipley reiterated the committee's conclusions, underscoring the Council's influence in the early stages of the budget process. In the future, the intent is that the Council clearly articulate the intended outcomes of the approved budget, so that they can hold a department accountable to said outcomes. Mr. Shipley explained that the Council could pre-authorize the Mayor's use of outstanding funds; the intent is to incentivize departments to use funds purposefully. If the Council has a suggestion on this or something they wanted to see from carryover excess, this would be a good time to discuss and highlight any such items. Mr. Strachan noted that the intent was to allow Council members to think about these ideas leading up to the meetings on June 1, 2021. Mr. Strachan shared other ways in which the Council might best express their legislative intent while maintaining a necessary degree of flexibility in the process.

Councilor Shannon Ellsworth asked about the process for updating the budget ordinance to capture these policies. Mr. Shipley noted that this was a pertinent question as to whether or not the Council wanted to update the legislative intent section of the budget document. Mr. Strachan suggested that Councilors send him any of their requests for the legislative intent section in the next several days in preparation for the Work Meeting discussion on June 1, 2021. Ms. Ellsworth also expressed a hope that departments could utilize some surplus funds to further employee and

professional development. Mr. Shipley and Wayne Parker, CAO, offered additional clarifications on the employee recognition category and the many ways in which those funds are used, noting that those funds were generally used more globally than by a specific department. Mr. Harding suggested the Council should discuss general categories and allow the City Administration to decide how to use funds generally. Council Chair David Sewell thanked the Carryover Committee for their work on this topic. ***Presentation only.***

5. A presentation regarding transfers from all the different utility funds to the General Fund for FY 2022. (21-015) (2:22:49)

David Mortensen, Budget Officer, presented. Mr. Mortensen shared background on the required disclosure from the City of fund transfers from enterprise funds to other funds. Mr. Mortensen read the text of a legal notice which was distributed to all utility customers in the City detailing the nature and amounts of the various transfers, as well as details of the upcoming public hearings on the transfers. ***Presentation only.***

6. A presentation on the FY 2022 Supplemental Budget Request submitted by various city departments. (21-015) (2:28:43)

Cliff Strachan, Council Executive Director, and David Mortensen, Budget Officer, presented. Mr. Strachan noted that Councilors previously received a document via email with a list of supplemental requests from departments. Mr. Strachan noted that many requests were unfunded this year, but unfunded needs have been prioritized according to the priority level. He has also color-coded this list to highlight items that the Council has identified as priorities. Mr. Mortensen highlighted several items of note and additions to the list. In response to a question from Councilor Shannon Ellsworth, Mr. Mortensen explained that the priority levels were identified by the department who submitted the request.

Councilor David Sewell asked for more details on the code enforcement items the Council had included in their original intent statement. Mr. Strachan reviewed this information. Councilor George Handley shared details on funding for the long-range sustainability plan. Councilor David Harding noted that if the tentative budget did not include the requisite funds, the Council may need to decide what tradeoffs they wanted to make. Mr. Strachan also shared details on how departments may have chosen to prioritize requests within their own budgets. Mr. Strachan noted that the carryovers process may be a good way to address one-time requests. Mr. Strachan also invited Councilors to contact him with any items they would like to address. Mr. Sewell noted that he would like to see the code compliance items (code compliance continuing education and equipment) in the final budget as this was part of the Council's original intent statement. Mayor Michelle Kaufusi indicated that the Administration would review the budget and report back at the Council's meetings on June 1, 2021, with their recommendation. ***Presentation only.***

7. A discussion regarding next steps in adopting the FY 2022 Provo City Budget. (21-015) (2:46:34)

Cliff Strachan, Council Executive Director, presented. Mr. Strachan noted that there was an outstanding question about additional police officers; the Administration was conducting a

separate assessment of public safety needs at the Provo Airport. Regarding the other police staffing, the Council could consider the possibility of a property tax increase; if the Council would like information, staff can prepare preliminary estimates. Mr. Strachan briefly highlighted the process and how the truth in taxation process would impact the budget timeline. He addressed a question from Councilor Shannon Ellsworth about the annual tax impact for hiring one officer. Councilor David Harding shared comments on past property tax policy discussions and the previous Council's desire to make regular inflation adjustments. He noted that some constituents may argue that due to increased utility rates, a property tax increase was unnecessary; that was a possible argument the public may raise against an increase. Mr. Strachan added insight into the earlier decisions to raise utility rates rather than property tax; he clarified that this was because only about 50% of the land mass in Provo's boundaries was eligible to pay property tax. Mr. Strachan indicated the discussion might be better deferred until staff could prepare preliminary figures for the Council to consider.

Councilor George Handley shared a comment on the transfer from the Energy fund; he wondered what it would look like to reduce that dependency, as he suspected there may be an opportunity cost to doing that, as well as impacts on sustainability initiatives in the City. He noted the inherent challenges with property tax levels becoming depressed over time. Councilor David Sewell wondered if ARP funds could be used to fund police officers. Mr. Strachan reiterated a previous concern raised by Finance regarding the structural soundness of the City's budget. John Borget, Administrative Services Director, noted that this would be challenging unless the City could demonstrate that the funded position was one that had been cut due to the pandemic. Ms. Ellsworth asked if staff could highlight each part of the budget where the items in the Council's budget intent statement were being fulfilled. Mr. Strachan indicated he had sent a memo to that effect on May 11, but that Council staff could update it with the latest figures. ***Presentation only.***

Adjournment

Adjourned by unanimous consent.