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PROVO MUNICIPAL COUNCIL

Budget Work Meeting Minutes

3:30 PM, Tuesday, May 10, 2022

Hybrid meeting: [youtube.com/provocitycouncil](https://www.youtube.com/provocitycouncil) or 351 W. Center Street, Provo, UT 84601

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

Roll Call

The following elected officials participated:

Council Chair Travis Hoban, conducting
Council Vice-chair George Handley
Councilor Katrice MacKay
Councilor Bill Fillmore
Mayor Michelle Kaufusi, arrived 3:38 PM
Councilor Rachel Whipple, arrived 3:43 PM
Councilor David Shipley, arrived 4:24 PM
Councilor Shannon Ellsworth, arrived 5:20 PM

Prayer

The prayer was given by John Borget.

Approval of Minutes ([0:10:49](#))

May 3, 2022 Work Meeting
Approved by unanimous consent.

Business

1. A presentation on supplemental budget requests. (22-016) ([0:11:23](#))

Melia Dayley, Policy Analyst, presented. There was a total of 73 supplemental requests, which were further divided into categories of critical, necessary, and aspirational. The requested funding for all categories totaled \$3.9 million. During the last fiscal year, about \$83,384 was funded toward supplemental requests. In the coming fiscal year, the tentative budget would fund over \$980,000 of supplemental requests. Ms. Dayley reviewed the details of the funded requests and displayed a list showing the funding sources and type of cost (recurring or one-time). Of the 34 critical requests, eight have been funded. Two are one-time costs with the others as recurring funding needs. The Fire Department submitted 16 requests of the 34, none of which were funded. All three of the critical Police requests were funded. Of the 28 necessary requests, five were funded, the majority of which were funded outside of the general fund. Ms. Dayley highlighted

the impacts to Full-Time Equivalent staffing in the funded requests. There were 11 aspirational requests, none of which were funded. Two may potentially be funded through carryover allocations. Most of these requests represented recurring costs. Ms. Dayley highlighted the memo and detailed spreadsheets available in the meeting materials packet. *Presentation only.*

2. A presentation of all funds revenue forecast. (22-016) (0:18:45)

John Magness, Interim Council Executive Director, presented. For the last several budget cycles, staff have done an analysis of all the funds coming into the city to assist with broader revenue projections. Mr. Magness reviewed the categories included in the analysis: sales tax, utility revenue, property tax, fees, chargebacks, RAP (recreation, arts, and parks) tax, franchise fees, grants, telecom charges, B&C road funds, fines, miscellaneous, other, licensing fees, P&I (principal and interest), land sales, bonds, and transfers (such as utility transfers).

He noted that the economic impacts of the pandemic created a few anomalies during fiscal year 2020, but the remaining data still allows for helpful projections. Staff received the actual figures from the current fiscal year (which includes 8 months of data) earlier in the day. Mr. Magness displayed these figures and explained how this fit into the modeling staff have done. Staff will be doing a more detailed analysis on fees and will present that to the Council in the future.

Councilor George Handley asked for clarification on what constitutes chargebacks. Mr. Magness explained chargebacks worked as an internal service fund, to compensate certain city departments for services performed for other city departments. Continuing with a review of the different revenue sources, Mr. Magness noted that some years had been slightly lower for actuals but overall the city revenue and budgets evened out. Regarding grants, Mr. Magness noted these included a number of different grant-related funding sources. If a planned grant is not received, then the corresponding project is either delayed or does not get completed; the grants do not have a bearing on city services. Councilor Rachel Whipple asked what B&C roads stood for; Mr. Magness explained it was not an acronym but two different classes of roads for which the city receives funding. Mr. Magness displayed the total with and without bonds (since the bonds are essentially debt on specific projects). The total without bonds was about \$349,929.

Mr. Magness reviewed projections regarding the general fund and he reviewed each of the funding sources or categories (which were the same categories as in the all funds revenue forecast listed above). Councilor Katrice MacKay asked if these fees were increased already; Mr. Magness indicated those fees had not yet gone into effect but were included in the tentative budget. For property tax, if property values increase, the mill rate falls; consequently the only property tax increase the city receives is for new development. Ms. MacKay asked if the A, B, & C road tax comes from gas; Mr. Magness indicated that it did. There has been a slight decrease on licensing fees in recent years as licensing fees have not changed in some time. Some of the fines in the general fund have been impacted in recent years by the pandemic and they hope these will continue to recover. Transfers in (such as from other utility funds) will see a small increase. Some departments' transfers are decreasing over time. The general fund has experienced approximately 5% growth year-over-year. Mr. Magness invited the Council to submit any further questions they had for analysis. Ms. Whipple and Ms. MacKay indicated they

were still reading through the budget and absorbing a lot of information; they anticipated having more questions in the future. *Presentation only.*

3. A presentation regarding Full-Time Equivalent (FTE) gains and losses. (22-016) (0:42:09)

Karen Tapahe, Community Relations Coordinator, presented. In the general fund, there was an additional 4.9 FTEs in the tentative FY2023 budget. Ms. Tapahe reviewed the changes to individual departments and what resulted in these changes. Notable changes included:

- Increase of 2 FTE for Police related to airport security
- Community Development has an overall reduction of 1.75 FTE
- Airport has an increase of 7.5 FTE
- (need to add other bullet points)

Councilor Katrice MacKay asked if with dedicated airport staff, would other police staff be released from duties at the airport. Ms. Tapahe indicated that was the case. The airport security staff from Police would have dedicated office space at the Provo Airport. Regarding Community and Neighborhood Services, Ms. MacKay expressed concern about the decreasing employees in code enforcement. Ms. Tapahe clarified that some of the reduced positions were reassigned to Development Services so there was no overall reduction. Ms. MacKay asked if the increased IS staffing would allow them to be up-to-date on security patches. John Borget, Administrative Services Director, clarified that the cybersecurity position was part of Administrative Services and reports directly to the director. In response to Ms. MacKay's questions, Mr. Borget explained this would not change the level of staffing, it was another type of reassignment between divisions in the department. Many of the changes resulted from realignment of positions within different city departments. *Presentation only.*

4. A presentation regarding property tax. (22-016) (0:56:29)

John Magness, Interim Council Executive Director, presented. As property values increase in Provo, the mill rate decreases. The City will still receive increased revenue from new construction in Provo. Provo has three property tax streams, which include general operations, bond obligations, and library operations (which is a dedicated revenue source for the library). Since 2011, the mill rate for general operations has decreased 34%. In response to a question from Councilor George Handley, Mr. Magness indicated that the increased bond revenue in 2018 was related to the Provo City Center construction bond. Mr. Magness showed the changes to the property values in Provo from Fiscal Year 2011 to 2021.

Councilor Katrice MacKay asked about the County's role in the process of setting the certified tax rate versus the Council's role. Wayne Parker, CAO, responded and shared some details to answer Ms. MacKay's question. The County is required to calculate the certified tax rate, which they deliver to the city. The County's rate is not discretionary—rather, the County is required by state law to calculate the certified tax rate so that it brings in the same dollar amount, excluding new growth. The effect is that as property values increase, the mill rate is driven down; any increase to property tax revenue for the City is a result of new construction/growth. In the budget ordinance the Council will set the certified tax rate for the next year. They can either set it as the

County's certified tax rate, or set it as something else and go through the truth in taxation process. The certified tax rate is a percentage of total value. Councilor Bill Fillmore asked if Mr. Parker felt there was a need for CPI adjustment to the tax rate. Mr. Parker indicated that the budget was balanced without a change, but for structural sustainability over time it would probably make sense to index the rate. He noted that most cities usually pursue either a small inflationary adjustment every couple of years, or a large property tax increase once a decade. Councilors discussed the possible impacts and necessity of a property tax change. Mr. Magness displayed a projection which illustrated how the property tax revenue would be impacted by no change, by a moderate change, or by indexing to the CPI. Mr. Handley was interested to know what the School Board's deliberations have been regarding property tax increases. Mr. Magness indicated the School Board has explored an increase to help fund Timpview High School rebuild.

Councilor David Shipley supported making an inflationary adjustment to the property tax rate. One of the important considerations is the fact that when the Council began with the wastewater and water rate changes, those were going to be more aggressive in the last few years—there were significant makeup adjustments on those fees. If they can get past the bulk of those fee changes, it makes more sense now to look at property tax as an annual slight adjustment. Mr. Handley asked Mr. Shipley if he recommended waiting one year until the fees would drop down. Mr. Shipley did not think the fees dropped down, but the increases dropped down and were not as severe. John Borget, Administrative Services Director, indicated that under the five-year plan for wastewater, the coming fiscal year is the last year of those changes. The water fees have some additional increases still to come.

Mr. Magness showed the revenue history for the general fund including property tax and sales tax revenues. Data generally shows that property tax is a more stable funding source through a recession, compared to sales tax which tends to drop off under those economic circumstances. Fees are also typically pretty stable during a recession. Councilor Travis Hoban asked how the city's reserves are. Mr. Borget said that they increased the general fund balance last year to 28% (by law they can go up to 35% in general fund balance). Mr. Borget anticipated they would see another increase to the general fund balance in the coming fiscal year. If the city gets to that limit, they are as fiscally conservative as the state allows them to be.

Mr. Magness indicated that if the Council wanted to move forward with indexing the property tax rate to the CPI, he did not recommend using this year's CPI as it is very inflated—he would recommend some calculation such as an average of the CPI over the last 10 years. Mr. Handley commented about the Council's ability to plan over the next several years; any council at any point can decide they did not want to continue doing small increases every year. Mr. Handley thought this was one problematic approach to doing smaller incremental approaches, when there may not be the political will in the future to do continual smaller increases. Ms. MacKay asked for clarification about the truth in taxation process. Brian Jones, City Attorney, responded and clarified that one of the limitations is that to begin the process, the Council must publish a notice that includes the highest rate they are considering; after doing so, the Council can pass anything from 0 up to that stated maximum rate.

Mr. Shipley shared additional comments. He observed that on an ongoing basis, property tax increases become a public safety consideration—since public safety is the largest expense in the

general fund budget, if there were a recession (and a resulting downturn in sales tax), property tax truly becomes a public safety issue. He hopes the public would understand the rationale for this kind of adjustment in order to continue to provide a sustainable approach to public safety in Provo. He supported developing a format or framework for evaluating a nominal increase each year. Ms. MacKay thanked Mr. Shipley for his comments; she noted that many departments' supplemental requests were not funded—when there are so many requests that are not fulfilled that becomes a concern. Councilor Rachel Whipple noted that the Police Department will need several more officers than they requested. She agreed with Councilors' earlier comments about a five-year plan for public safety staffing to determine if, and how much, an increase in property tax would need to be. Mr. Handley was interested in seeing what a 3% change would bring in increased revenue. He was open to pursuing an increase this year and was interested to hear what other Councilors thought on the matter. Mr. Magness indicated that the CPI from 2011-2021 was an average of 2.36% per year in the western United States. **Presentation only.**

5. A presentation regarding non-General Fund expenditures (22-016) ([1:46:17](#))

Melia Dayley, Policy Analyst, presented. Non-General Fund expenditures include all other city funds: enterprise, special revenue, capital improvement project (CIP), internal service, and debt service. Ms. Dayley referred to information in the published materials which provided additional context. She highlighted the summary of major changes to each fund from the last fiscal year to the next year's tentative budget. Enterprise Funds include the Provo Airport, Provo Power, Peaks Ice Arena, sanitation, water, wastewater, utility transportation fund, and Timpanogos Golf Course. Ms. Dayley offered a clarification about the materials in response to a question from Councilor Rachel Whipple. Most categories in the Special Revenue Fund included increases for the cost-of-living and market rate adjustments. The CIP Funds has large changes—this reflects the large projects happening in the current and coming fiscal years. Internal Service Funds include employee benefits and insurance as well as other internal inter-departmental services. Ms. Dayley noted she is awaiting more information about computer replacement and would follow up with the Council when she had received it. Council staff are also working on a report on fleet services. Ms. Dayley reviewed the Debt Service Fund. She noted staff would be preparing a separate analysis on the Airport budget, in light of recent announcements about expanded services at the Provo Airport. Councilor Katrice MacKay was interested in seeing more details on the wages for airport employees required by the FAA. Staff received several other requests from Councilors and responded to these questions. The May 24 budget meeting will be cancelled, with budget presentations to come on May 17 and in June. **Presentation only.**

Closed Meeting

The Municipal Council or the Governing Board of the Redevelopment Agency will consider a motion to close the meeting for the purposes of holding a strategy session to discuss pending or reasonably imminent litigation, and/or to discuss the purchase, sale, exchange, or lease of real property, and/or the character, professional competence, or physical or mental health of an individual in conformance with 52-4-204 and 52-4-205 et. seq., Utah Code. **None requested.**

Adjournment

Adjourned by unanimous consent.