

MINUTES OF THE BUDGET/REGULAR MEETING OF THE SPRINGVILLE CITY COUNCIL HELD ON TUESDAY, JANUARY 31, 2023, AT 5:00 P.M. AT THE CIVIC CENTER, 110 SOUTH MAIN STREET, SPRINGVILLE, UTAH.

Presiding and Conducting: Mayor Matt Packard
Elected Officials in Attendance: Liz Crandall
Craig Jensen
Jason Miller
Mike Snelson
Chris Sorensen

City Staff in Attendance: City Administrator Troy Fitzgerald, Assistant City Administrator/City Attorney John Penrod, Assistant City Administrator/Finance Director Bruce Riddle, Deputy Recorder Jennifer Grigg, Community Development Director Josh Yost, Public Works Director Brad Stapley, Golf Pro Craig Norman, Public Safety Director/Police Chief Lance Haight, Fire Chief Hank Clinton, Library Director Dan Mickelson, Power Director Shawn Black, Administration Director Patrick Monney, Parks and Recreation Director Stacey Child and Museum of Art Director Emily Larsen.
Excused: City Recorder Kim Crane

CALL TO ORDER

Mayor Packard welcomed everyone at 5:04 p.m. and invited everyone to eat dinner first.

REGULAR AGENDA

1. **Consideration of the purchase of 1,478,000 MMBtu of natural gas for the period of March 2023-March 2028 at a price not to exceed a total average price of \$5.00 per MMBtu, which amount will not exceed \$7,390,000 as approved by Shawn Black**

Director Black explained that natural gas prices are volatile and he received a quote on Friday at a great price. The goal is to decide daily whether to run the Whitehead plant or not and to run the Nebo plant 24/7 which should remove our exposure to market fluctuation each year from September 15 to June 1 for the next five years. He called an emergency meeting of the utility board Monday morning and they voted to approve this purchase. Councilmember Sorensen asked about the peak price and Director Black answered \$50 per MMBtu in mid-December. With this purchase, he said, we will use the gas or sell it back to the market for a profit. He also buys natural gas to heat the CRC. Mayor Packard confirmed this purchase fills the gaps during peak power use and is a great deal compared to where we are today. Councilmember Crandall asked about the supply chain struggles and stocking up on parts to repair the engines and replace transformers. Director Black explained staff works with the parts that can be found.

Motion: Councilmember Jensen moved to approve the purchase of gas at a price not to exceed a total average price of \$5.00 per MMBtu, which amount will not exceed \$7,390,000 as approved by Shawn Black. Councilmember Snelson seconded the motion. All voted Aye. The motion Passed unanimously 5-0.

DISCUSSION-ANNUAL BUDGET AND GOAL PLANNING

Director Riddle started his presentation by explaining inflation is a measure of purchasing power. Historically, inflation has been relatively low for about 20 years. Mayor Packard asked about inflation this year. Director Riddle answered it averaged about 7% across the country and Administrator Fitzgerald agreed and specified that inflation nationally for 2022 climbed to 8% while it stayed at 6.2% in the west. Director Riddle showed the city budget expense categories and the cost increase for each in 2022 due to inflation. Prices and supply chain challenges are hampering city-budgeted capital improvements.

He showed the State Economic Council report to the governor which declares economic uncertainty and the pandemic changed the economy fundamentally. Councilmember Snelson asked about consumer sentiment. Director Riddle answered that when leery, consumers decide to save instead of spend. Councilmember Miller asked about a sales tax breakdown. Director Riddle answered the report only shows the tax remitter not a breakdown of purchase categories. He noted some positive information including low unemployment, improvement in supply chains, and strong reserves. Councilmember Snelson asked about the supply chain. Director Black said manufacturers are struggling to get materials. Administrator Fitzgerald noted we bought a garbage truck that will not be delivered until the end of 2023. Director Riddle said labor shortages due to the pandemic still affects the city every day. Councilmember Snelson stated some people chose not to work. Councilmember Miller said there is a shift in the mix of jobs and the supply chain is intertwined with China which locked down so some supplies are changing to be resourced here in the U.S. Director Riddle showed the council three scenarios for the economy in Utah; growth, a short, mild recession, or slow growth. Mayor Packard added there is no downside to being conservative. Director Riddle agreed and said the city is beating the budget by 13% in FY2023.

He continued to explain mechanisms to adjust for inflation including transfers from enterprise funds, fee adjustments, property tax increases, and changes in salaries and wages. Councilmember Snelson asked about the vehicle fund. Director Riddle said all of these are policies the council can vote to change. Councilmember Sorensen asked about selling property as a source of revenue and indicated that the city council does not have much say on salaries and wages because staff makes those decisions. Mayor Packard clarified the council decides based on staff recommendations. Director Riddle said staff recommends based on high-level good practice but at the end of the day the council could change anything. Councilmember Jensen said he agreed the council decides.

Director Riddle said adding firefighting staff is a service-level change that must be funded. Mayor Packard said the employees should know they are important and protected because that is who provides the services to the citizens. Director Riddle agreed and said in years past, the councils disagreed with wage increases because the private sector was not raising wages. Councilmember Snelson said the recent cost-of-living wage increases have been easy because inflation has been low for the last 10 years. Councilmember Sorensen added that the cost of benefits has calmed down.

Administrator Fitzgerald moved on to a discussion on utilities and taxes by showing fuel for power purchases for FY2023. The plan is to not impact our monthly users by absorbing loss and keeping profit within a predetermined price window. The fuel factor kicks in above the window. The city sends a fuel factor charge to the users for about six months to cover increased power costs above the predetermined price window. He showed that Logan, Lehi, and Rocky Mountain change their charges to the power users to cover the increased cost of fuel. Councilmember Sorensen clarified the difference between rate increases and a temporary fuel factor charge. Administrator Fitzgerald answered a temporary fuel factor charge will roll back off the bill in six months.

He showed options; leave things as is; change the fuel factor window; or change the current budget by adding to the fuel budget for FY23. We can use unrestricted reserves some of which were gathered by acquiring power below budget. Councilmember Miller clarified that the reserves are not for projects. Director Riddle said not the projects funded for FY2023. Mayor Packard said he likes telling citizens the city has reserves for more than half with some fuel cost factor which also protects the next

budget; this is a prudent action. Councilmember Jensen agreed these are reserve dollars, not project dollars. Councilmember Crandall said it is great to have our own power department and give this to our citizens. Councilmember Snelson suggested making sure citizens understand we are taking money out of reserves. Councilmember Sorensen said there are other increases needed later in this meeting. Administrator Fitzgerald said cost increases stack and eventually breaks the citizen's back. Mayor Packard said to deliver this message to citizens that we are doing what we can to protect ourselves and use reserves wisely. Councilmember Crandall agreed because this is why we have reserves. Administrator Fitzgerald said it is a very complicated budget adjustment with revenues also coming in. A proposed inflationary rate change can be postponed until the fuel factor rolls back off. Councilmember Sorensen said industrial users will kick back at the increase. Administrator Fitzgerald said they pay a lower rate, but the increase is larger because it is a larger percentage.

He moved on to debt and showed a comparison of the neighboring communities where Springville was right in the middle in 2013, but nearly the lowest in 2023. Council agreed to continue with our *pay-as-you-go* policy instead of accruing debt which means saving up money to pay cash as opposed to using debt as a vehicle. Our bond rating is good because we are debt adverse which is positive when we go out in the market for debt. Councilmember Sorensen said as a growing city we will use debt someday.

Administrator Fitzgerald showed a comparison of property tax in neighboring towns. Springville is the closest to the median. He noted that an inflationary rate increase has been discussed for years and showed the communities that already use inflationary rate increases. He showed other communities that claim no property tax rate increase. The county assessor adjusts the taxable value of the property to collect the same dollar amount no matter the property tax rate decided by the city or the market value of the property. Adopting the policy of annually raising property tax by inflation only sends a clear message and the citizens come to expect that. Mayor Packard said we have no control over the appraised value of homes. Administrator Fitzgerald said the county assessor determines the taxable value and changes the rate to guarantee equal collection. Councilmember Sorensen said this messaging is not foolproof. Councilmember Jensen stated he is on record against property tax and it is not worth the political backlash. He prefers to increase utility rates. Councilmember Miller stated a utility rate increase means larger transfers which the legislature could take away. Councilmember Sorensen said councils have discussed this for 30 years so he agrees with an inflationary increase every year so it is not a shock to the system. Mayor Packard said an increased utility bill every month is harder for residents than the 15% of the property tax the city gets which is a \$200,000 annuity. Administrator Fitzgerald said these increases are stacking and the council will need to approve a budget in the spring. Councilmember Sorensen said the goal is to not raise taxes more than the cost of living.

Administrator Fitzgerald moved on to data on utility rates from 2014 to FY2024 and explained that with proposed budget needs, increases might be needed to get ahead of inflation. He showed the difference between large commercial power accounts and residential accounts for Spanish Fork, Springville, Rocky Mountain Power, and Provo. He said that with all the increases the residents will get pounded but we will be billing correctly. He queried if a power rate study by a consultant might suggest a decrease in large commercial and an increase in residential and asked the council if they approve a rate analysis. Councilmember Crandall asked staff to study it in-house. Councilmember Jensen said he is in favor of a rate analysis. Mayor Packard said that now is not a good time. Councilmember Snelson suggested doing the study but do not implement the findings right away. Councilmember Miller asked about the cost. Administrator Fitzgerald said the analysis will unbundle the rates to see who is paying what and when. The analysis could show small commercial and large commercial are underpaying for power. Councilmember Crandall said the council does what it wants no matter what the study suggests because no council wants the citizens to have a high rate. Councilmember Sorensen is not worried about being compared to Spanish Fork and Provo for commercial rates. Administrator Fitzgerald said in

Springville Stouffers pays the lowest rate of any of their plants and the quality of their workforce is the highest.

He moved on to water. Springville residents pay 67% of what our neighbors pay for an average of 30,000 gallons of summer water. 90,000 gallons water users in Springville pay 87% of what our neighbors pay so he asked if the council agreed to close that gap. Councilmember Jensen agreed to close the gap but to raise the base rate, not the volume. Mayor Packard said he likes Springville being average.

Administrator Fitzgerald moved on to show the current Springville sewer rate is 60% of the average compared to Mapleton, Provo, and Spanish Fork where new treatment plants are planned. He asked if the council wanted to save for a new wastewater treatment plant because our plant is the second oldest plant in the state. The county increased the effluent quality requirements and staff is studying a strategy to send effluent to Provo to meet 2030 requirements. Administrator Fitzgerald said the neighbor plants will meet environmental standards through 2050. Councilmember Crandall said Springville will need to build a plant that meets those requirements eventually. Director Stapley said the current improvements are keeping up. Councilmember Sorensen clarified that the infrastructure near 1600 South will pump wastewater to the plant. Councilmember Snelson wants to see how these cost increases are stacking up. Councilmember Jensen said we should not charge an increase until we build the plant to justify it. Administrator Fitzgerald asked about continuing different rates for industrial sewer and commercial sewer. Councilmember Sorensen said there is room for discussion and the council agreed and the Provo wastewater plant is processing nothing compared to Stouffers.

After a short break, Administrator Fitzgerald moved on to funding new fire staff by handing out a worksheet for the councilmembers. Administrator Fitzgerald led the council through the exercise of combining six possible funding sources:

- a) Across the Board Cuts in Every General Fund Department
- b) Reduction in Community Services
- c) Increase Operating Transfers
- d) Increase Fee Recovery Rate
- e) Reallocate Taxes
- f) Increase Property Taxes

Councilmember Jensen suggested going with the biggest bang for our buck. Councilmember Crandall suggested increasing certain fee recovery rates. Councilmember Sorensen asked about selling property, using the rainy-day reserves, and keeping city vehicles an extra year before replacement. Councilmember Crandall asked about Republic Services' private garbage collection fees. Councilmember Snelson suggested getting out of the garbage collecting business is a possibility. Councilmember Sorensen added that commercial garbage pick-up was outsourced years ago. Administrator Fitzgerald suggested outsourcing dispatch. Councilmember Snelson suggested donations and sponsorships. Mayor Packard agreed stating the golf course, library, and museum could do more with donations. Administrator Fitzgerald said any donations go into the general fund and it is worth having the discussion.

Administrator Fitzgerald noted the fat was cut in the budget during the last recession and there is not a lot of fat in our budget today but staff could look into cutting 1% across the board. Councilmember Crandall asked about a donation line on the utility bill. Councilmember Sorensen asked if revenue projections might be too conservative. Councilmember Snelson asked where the cuts come from. Councilmember Sorensen asked about service cuts in community services. Administrator Fitzgerald said public service is a core governmental service and each councilmember has a community service they prefer. He suggested every department cut the fat including public safety and maybe inflation will settle down. Mayor Packard asked what motivates the directors to cut as opposed to protecting their budget and if the council agrees with the inflationary property tax increase. He said this is a good exercise for



each department. Councilmember Snelson suggested a salary cut for the council. Councilmember Sorensen suggested cutting the twice-a-month council dinner.

Time was turned over to Director Riddle who showed funds that are available for spending in the FY2024 budget. He explained some dollars in the governmental fund are not spendable and other dollars are restricted like transportation taxes and C-road funds. Some impact fees are in the special fund set aside for parks and open space. His presentation centered on the unassigned reserve dollars. The 2022 reserve level is about 30.4% and the state requires between 5%-35%. Using reserve money requires budget hearings. The reserve is unpredictable from year to year. He continued by explaining the general CIP fund (capital improvement fund), and impact fees that are unassigned or assigned like for parks in the West Fields. The RDA funds cannot be touched as well. The Special Revenue Fund is set aside for parks. Councilmember Crandall clarified that these funds are the investments discussed last week. \$10 million is invested with HFN and \$85 million is invested with the state. Director Riddle said the Permanent Fund is mostly for long-term care of the cemeteries. He continued with a discussion of Enterprise Funds. By policy, those departments are required to have 30% in reserve for a rainy-day fund. He explained the projected sale of the property at the 1600 South interchange.

Attorney Penrod closed out the budget training meeting with a presentation on the Canyon Development Holdings timeline which is the property Springville City bought in Left Fork Canyon. But first, he showed that Director Child is working on huge 2023 projects and praised her. The county has very different rules for subdividing property in the canyon. He showed possible improvements to create a revenue-producing business or event reception center. He noted the water rights for the property are secure. Councilmember Snelson said a real estate agent plans a possible recreational development on the Barker property in Left Fork Canyon. He continued by showing the Camp Jeremiah Johnson property that could be available for day camp or overnight camping. He also showed improvements in Centennial Park, at the turn into Left Fork Canyon. He showed the timeline and costs of improvements on several canyon properties. Councilmember Snelson added the donation idea could also work for that park. Councilmember Crandall asked for the rate of return projections and said it might be better to rent the property out. Attorney Penrod agreed. Councilmember Sorensen said to sell now because Springville City is overextended with the services we offer. Councilmember Miller agreed. Councilmember Snelson asked for more data, Attorney Penrod suggested perpetual leases for the houses. Councilmember Crandall said it is painful to raise the fees to get a return on our investment. Attorney Penrod said Springville City has plenty of park property. Mayor Packard said the council wants to see the return on investment or sell the property.

Administrator Fitzgerald wrapped up the meeting by reviewing council recommendations.

ADJOURNMENT

Motion: Councilmember Miller moved to adjourn the meeting at 9:04 p.m. **Councilmember Snelson seconded** the motion. **Voting Yes:** Councilmember Crandall, Councilmember Jensen, Councilmember Miller, Councilmember Snelson, and Councilmember Sorensen. The motion **Passed Unanimously; 5-0**

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.

This document constitutes the official minutes for the Springville City Council Regular Meeting held on Tuesday, January 31, 2023, Jennifer Grigg, do hereby certify that I am the duly appointed, qualified, and acting Deputy 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 31, 2023.

DATE APPROVED: February 21, 2023

Jennifer Grigg
Deputy Recorder