

**MINUTES OF LAYTON CITY  
COUNCIL BUDGET WORK MEETING**

**MARCH 4, 2013; 8:07 A.M.**

**MAYOR AND COUNCILMEMBERS  
PRESENT:**

**MAYOR J. STEPHEN CURTIS, MICHAEL  
BOUWHUIS, JOYCE BROWN, BARRY FLITTON,  
JORY FRANCIS AND SCOTT FREITAG**

**STAFF PRESENT:**

**ALEX JENSEN, STEVE GARSIDE, TRACY  
PROBERT, BILL WRIGHT, TERRY COBURN,  
TERRY KEEFE, ALLEN SWANSON, KEVIN  
WARD, JIM MASON, DAVE PRICE AND THIEDA  
WELLMAN**

**The meeting was held at Fire Station 51, 530 North 2200 West, Layton, Utah.**

**BUDGET DISCUSSION**

Alex Jensen, City Manager, welcomed everyone and indicated that Councilmember Bouwhuis would be a little late. He welcomed Allen Swanson, who was sitting in for Chief Keefe for the morning session. Alex said Chief Keefe was representing the Chiefs of Police at the State Legislature. He said Chief Keefe had been selected Chief of the Year for Utah. Alex said Chief Keefe was the voice of law enforcement in the State and was well respected.

Alex recognized Steve Garside and indicated that Steve was here in place of Gary Crane who was vacationing in Hawaii with his family.

Alex expressed appreciation for Tracy Probert and all the work done by Finance Department Staff in preparing for the budget. He said Staff tried to put together a responsible budget going forward that was moderately conservative but kept the City moving forward. Alex said some cities had spent down their fund balance at the beginning of the economic slowdown and were now in trouble. He said it was wise to keep a healthy fund balance. Alex said there were sufficient revenues to move the City forward, but it was important to look broadly across the entire City. He said the leadership of the Mayor and Council set the tone for everything that happened in the City and the City had very good Department Directors that bought into the philosophy that if it was needed to spend it, but if it wasn't needed don't spend it. Alex said he was grateful for the Mayor and Council for what they did; he wouldn't trade Layton's elected officials for any in the State.

Alex said Staff would move through the information as quickly as possible, and a break for lunch was scheduled at 11:30 or 12:00 p.m.

Tracy Probert, Finance Director, reviewed the budget calendar and discussed proposed dates for additional budget meetings.

Tracy indicated that the 2012 calendar year was pretty good for the City; it didn't fall into the national trends. He indicated that national economists felt that the 2014 fund year would be a much better year with stronger growth. Tracy indicated that anticipated federal budget cuts to Hill Air Force Base would have a direct impact on the City. He mentioned the impact that would be felt with the end of the payroll tax holiday.

Tracy reviewed a summary of the general fund budget. He indicated that Staff was estimating that general fund revenues would be \$27,720,000, which was slightly more than what was budgeted last year

and a little less than what was actually received last year. Tracy indicated that \$450,000 had been budgeted for merit increases and new personnel requests included reinstating a CSI technician position that had been frozen, a part time support services secretary in the Police Department, a part time shop mechanic and a few temporary seasonal type workers. He said \$589,000 was budgeted for capital equipment and purchases. He said total expenditures were \$28,760,000, which was approximately \$1,000,000 over revenues.

Alex mentioned the impact increased costs of funding retirement for the employees had had on the budget over the last few years. He said it was anticipated that those increases would continue for the next couple of years. Alex explained funding for a salary survey and the merit increases.

There was discussion about funding for UTOPIA operations.

Tracy indicated that the unassigned fund balance as of June 30, 2012, was \$5,348,000. In the 2013 fund year budget it was budgeted to use \$924,000 of that fund balance, but as the City moved through the budget year an estimated \$700,000 in additional revenue was realized and there should be savings in expenditures of approximately \$400,000. He said instead of using the \$924,000, approximately \$180,000 would be added to the fund balance. Tracy said the 2013 fund year budget should end with approximately \$5,500,000 in fund balance; using approximately \$1,040,000 in this budget along with \$383,000 in additional projects with no other funding source, the fund balance was estimated to be \$4,100,000, or 14.79% at the end of the 2014 year. He said State law required a minimum of 5% fund balance and a maximum of 18%.

There was discussion about a bill in the legislature this year that would raise the maximum amount to 25%.

Tracy reviewed information about general fund expenditures and how the budget was divided among the various departments. He indicated that 70.5% of the general fund budget went toward employee compensation.

Tracy reviewed wage and retirement costs over the past few years. He reviewed information about the health plan reserves.

Alex explained the philosophy for having a \$1,500,000 reserve target for the health plan reserve.

Council and Staff discussed the health plan and rates paid by employees, and a possible rate increase if claims continued to go up.

Tracy reviewed information about increasing fuel costs over the past few years. He indicated that since 2010, fuel costs had exceeded the budget every year.

Council and Staff discussed pros and cons of investing in alternative fuel sources.

Tracy indicated that the salt and sand costs were much higher than what was budgeted; \$60,000 was budgeted and costs were at \$199,633. He explained the increase in the UTOPIA reserve commitment, which was 2% per year.

**The meeting suspended at 9:10 a.m.**

**The meeting reconvened at 9:26 a.m.**

Tracy reviewed source information for general fund revenues. He indicated that sales tax made up 41.4% of general fund revenues. Tracy indicated that with this much of the revenue coming from sales tax, it was important to have a conservative budget because sales tax revenues could fluctuate drastically based

on the economy, which the City had experienced over the past few years. He indicated that property tax made up 24.6% of revenue, franchise tax was 3.5%, and municipal energy tax was 12.3%.

Alex said it was interesting that the State Legislature continued to try and contract the cities' abilities to generate revenues in these areas.

There was discussion about the sales tax distribution formula.

Tracy reviewed historical data on general fund revenues. There was discussion about things that would impact general fund revenues this next year.

Tracy reviewed monthly sales tax revenue information for the current year. He indicated that sales tax revenue for November was down, but through December sales tax revenue was up 4.05% over the prior year. Tracy reviewed historical sales tax revenue data.

There was discussion about the impact commercial development in surrounding communities had on sales tax revenues.

Tracy reviewed sales tax revenue data for various categories of retailers. He reviewed information about the impact of local spending.

Tracy reviewed historical information relative to property tax revenue. He said the increase in property tax revenue was because of growth, not tax increases. Tracy discussed franchise tax revenue and telecommunication tax revenue. He indicated that telecommunication tax revenue continued to decline; the decline was attributed to a decrease in the number of home phones. Everyone was going away from land lines to cell phones.

Tracy indicated that municipal energy tax had increased over the years because of the increase in power and natural gas costs; fee-in-lieu fees were down, which had to do with car purchases; and Class C Road funds were flat, but expenses for new roads were much higher than Class C Road fund revenues.

Tracy said building permit revenues were up significantly in 2012 and 2013, but Staff felt that that was a little bit of a bubble because of all the multi-family units that were being constructed. He said Staff anticipated that the trend line for building permits would be more in line with 2010 and 2011 revenues.

Tracy reviewed information about Layton City's unassigned fund balance compared to other cities in the area. He displayed a graph of the City's fund balance history.

Council and Staff discussed fund balance levels in the various funds.

Tracy reviewed information about proposed and City Manager approved general fund capital projects.

Alex explained a proposed project to improve the stairs and railing for the front of the City Center building. He explained a back-up system proposed by the IT division. Alex said the Police Department was proposing some new Code Enforcement vehicles and improvements to some workstation areas.

Alex explained the purchase of an asphalt roller and trailer to help with maintenance of the roads. He discussed some additional equipment that was budgeted in the capital improvements fund that would help with road maintenance.

Council and Staff discussed conditions of some of the streets in the City. They discussed some of the proposed capital projects.

Tracy reviewed information about proposed capital improvement projects.

Council and Staff discussed some of the proposed projects. They discussed future realignment of the intersection of Church Street and Antelope Drive. They discussed commercial development on the west side of the City and future road construction in that area. There was discussion about traffic and parking problems near the schools on the west side of the City.

Tracy provided information about a proposed change in credit card fees. He said after completing an analysis, Staff determined that a \$75 fee paid by a credit card was costing the City \$1.19 in credit card fees; a \$50,000 fee paid with a credit card cost the City \$190. Tracy said in October there was a building permit of \$80,000 that was paid with an American Express card. At a 2.15% fee the City lost \$1,700 in credit card fees on that transaction. In October there was \$227,000 paid with American Express; the City lost just under \$5,000 in credit card fees. Tracy said in calendar year 2012 there was \$3,493,981 paid with Visa credit cards at 1.85%, which was a loss of \$55,000 in fees.

Tracy said the City collected about \$1,100,000 in North Davis Sewer District impact fees that were paid with credit cards, which cost the City about \$15,000. He said Staff was recommending that American Express credit cards no longer be accepted, and that a credit card surcharge fee of 1 ½ to 2% be charged on transactions over \$75. Tracy said Staff was recommending that the fee not be charged on City sponsored recreational activities. He said Staff was still working on internet transactions.

**The meeting suspended at 11:39 a.m.**

**The meeting reconvened at 1:08 p.m.**

Tracy said Staff was asked to look at current trends and forecast that forward. He presented information from 2004 to 2017. Tracy said revenues had been up the last couple of years, but at current trends expenditures would begin to be higher than revenues. He said Staff had a few options for the Council to consider to increase revenues going forward.

Tracy presented information about a street lighting fee. He explained current costs for street lights, and proposed future projects.

Alex explained the savings the City would experience in fees from Rocky Mountain Power if the City owned the street light poles. He discussed the cost of purchasing the poles from Rocky Mountain Power.

Tracy presented information about property tax rates and what a 5% or 10% increase would do to revenues.

Council and Staff discussed different philosophies for raising or not raising property taxes.

Tracy said North Davis Sewer District had indicated that their rates would be going up \$1.50 this coming year, and the two following years. He said those rate increases would be passed on to residents.

Tracy presented information about different scenarios for increasing revenues, including a street lighting fee and a property tax increase. He discussed the impact going forward through 2017. Tracy explained concerns with relying completely on increased sales tax revenues. He presented information about the effects of imposing a UTOPIA telecom fee.

Council and Staff discussed the advantages and disadvantages of imposing a UTOPIA fee or increasing property taxes. They discussed the impact the UTOPIA debt had on the general fund budget.

Alex said department directors had been asked to present information to the Mayor and Council about their individual departments and capital projects that were directly related to their departments.

**The meeting suspended at 2:45 p.m.**

**The meeting reconvened at 3:00 p.m.**

Information from the various departments was presented.

Alex indicated that the budget presentation would be put in the Council's Dropbox. He asked Council to get back to Staff with any questions. Alex said updated information would be provided at future budget meetings.

Discussion suggested that Council would like to take a future meeting to discuss their policy objectives.

Alex said Staff would schedule the next strategic planning meeting for that.

**The meeting adjourned at 5:20 p.m.**

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Thieda Wellman, City Recorder