**7:00 P.M. SPECIAL SESSION (CITY COUNCIL CHAMBERS)**

Call to Order – Mayor Rod Mann

Invocation – City Council Member Kurt Ostler

Pledge of Allegiance – Council Member Scott L. Smith

The meeting was called to order by Mayor Rod Mann as a special session at 7:03 p.m. The meeting agenda was posted on the *Utah State Public Meeting Website* at least 24 hours prior to the meeting. The prayer was offered by Kurt Ostler and those assembled were led in the Pledge of Allegiance by Council Member Scott L. Smith.

1. **FISCAL YEAR 2019-2020 BUDGET REVIEW**

The City Council will review and discuss the proposed FY 19/20 budget.

City Administrator Nathan Crane presented the following outline of the topics for the budget discussion:

- Quick Review of the General Fund
- Review of Enterprise Funds
- Detailed Review of Public Safety Requests
- New Revenue Request Direction and Discussion
- Council Direction:
  - How much of a funding increase are we proceeding with?
City Administrator Nathan Crane then presented a chart depicting the average increase since FY15. Any additional revenue received has been going toward public safety, and that had been compressing other departments. When creating the budget for the upcoming fiscal year, staff focused on the following goals:

- Service Organization: People are the Priority
- Realistic review of expenditures
- Not decrease level of service
- Not use previous years’ revenue for ongoing expenses
- Increase Trail Maintenance
- Increase Open Space Maintenance

Assistant City Administrator Erin Wells presented a pie chart depicting the General Fund revenue expenditure percentages. 63% of the General Fund revenue comes from taxes. 46% of that comes from sales tax, and 31% from property tax. The remainder of the tax revenue comes from the utility franchise tax, motor vehicle tax, phone tax, and the delinquent property tax. She then presented a chart showing how the General Fund was budgeted to each of the following departments:

- Police Department – 23%
- Transfers (debt service and capital) – 18%
- Emergency Services – 17%
- Garbage – 9%
- Streets and Road – 8%
- Parks and Recreation – 6%
- The remainder were less than 5%

In response to a question from Council Member Scott L. Smith, Finance Director Gary LeCheminant said that the Streets and Roads budget was for normal repairs such as potholes and sidewalks. The road fee monies were in a separate revenue fund. The B&C Road monies were under Transfers.

Finance Director Gary LeCheminant went over the revenue and expenditures, as follows:

- Current Fiscal Year
  - FY 2019 Forecast Rev. $8,881,282
  - FY 2019 Forecast Exp. $8,916,182
- Next Fiscal Year
  - FY 2020 Budget Rev. $8,840,026
  - FY 2020 Budget Exp. $8,841,847
- Year over Year (Forecast to Budget)
  - $41,255 decrease in revenue
  - $74,335 decrease in expenses

Major Revenue Changes included:

- Decline in Building Permit Revenue
  - $160,000
  - Impact on Bond payments
  - 55 new homes next fiscal year
- Library portion of motor vehicle tax
City Administrator Nathan Crane went over the Proposed Expenditures, as follows:

- **Increase in Tax Revenue**
  - $39,000 – Property Tax
  - $101,000 – Sales Tax
  - $200,000 – Utah County Road Tax

City Administrator Nathan Crane noted that the merit increase would be a little less than the number proposed, because they give merit increases on work anniversary rather than the beginning of the budget year. Roughly 39% of salaries come from the General Fund. The remainder come from enterprise funds.

Council Member Ed Dennis was concerned that the costs shown in the budget didn’t reflect the anticipated increase to Police and Fire. They weren’t looking at a realistic budget. City Administrator Nathan Crane explained that they would be looking at Public Safety separately so that the Council could see the impact to the General Fund without it. Staff did everything they could to free up money for public safety from these other expenditures. These numbers show that the General Fund could balance without the increase, but they would need additional revenue to fund the public safety increase.

City Administrator Nathan Crane continued by presenting the budgetary changes by department, as follows:

- **Administration**
  - IT Internal Service Fund
- **Engineering**
  - $5,000 increase – Consulting
- **Recorder**
  - $36,000 increase – Election
- **Transfers**
  - $165,000 increase in Bond Payments
- **Road Fund**
  - $100,000 Road Fund
  - Sidewalks, curb and gutter, etc.

Council Member Brain Braithwaite suggested renaming “Road Fund” to “Transportation Fund” because it covers more than just roads.

Parks Superintendent Josh Castleberry presented the details of the Parks and Open Space Budget, as follows:

- $100,000 Increase – Trail Maintenance
  - Split between general and open space trails
- $106,000 Decrease – PI Fund Paying for Watering of Parks
• Unfunded Needs
  - Play Ground Replacement
  - Park Maintenance Equipment Replacement
  - Competitive Seasonal Wages

Parks Superintendent Josh Castleberry addressed the need to replace playground equipment. The life expectancy of a playground was 10 years, because after that staff would no longer be able to buy replacement parts. The minimum cost of replacement would be $50,000. The Parks Department also wanted to set up a fund so that they could replace mowing equipment and snow plows when they needed to. They also needed to increase seasonal wages to be competitive with other jobs.

Council Member Scott L. Smith asked how many playgrounds they have in the City, and Parks Superintendent Josh Castleberry said there were 15 playgrounds, and only five of them were small. Only two of the playgrounds were not in open space subdivisions.

Council Member Ed Dennis asked if the PI fund was paying for watering the parks. Finance Director Gary LeCheminant explained that the State auditor requires the City to charge itself for using that water. The General Fund pays $100,000 annually to the PI Fund. Notices are sent to the citizens about the payments.

Council Member Brian Braithwaite said that the unfunded items should be included in the five-year plan for parks and recreation. He requested that staff figure out how much they needed to put away annually to cover the costs of playground and maintenance equipment.

Mayor Mann said that they should also put together a trail maintenance plan.

Staff presented an overview of the Streets and Trails Budget, as follows:

• Completed Projects
  – 2018 Road Rehab and Preservation Projects
    • 6000 West, 11350 North, Andrews Drive, etc.
• Planned Projects Next Fiscal Year
  – 2019 Road Rehab and Preservation Projects
    • 6000 West, 6400 West, 9600 North, chip seal and fog coat and several seal coats throughout the city
  – Trail Inventory
  – Trail Maintenance Plan
• Unfunded Needs
  – Snow Plow Replacement
  – Street Equipment Replacement
    • Front end loader, Skid steer (Bobcat)

Council Member Brian Braithwaite said that he had heard nothing but positive comments from the public regarding the roads that had been done. Staff was pleased with the work that had been done. They confirmed that they were working on a five-year plan for trails. Council Member Scott L. Smith commented that they needed to know how the trails were being prioritized, because they had residents frequently asking when their trail would be done. Staff confirmed that they would be analyzing the trails the same way they analyzed roads. City Engineer Todd Trane said that staff had started working on that plan. There was some continued discussion regarding the five-year trail plan and when staff anticipated completing that plan.
Staff reviewed the unfunded needs of Streets and Trails, and explained the difference between leasing and buying the needed equipment. City Engineer Todd Trane noted that the current loader was more than 15 years old.

City Administrator Nathan Crane continued the presentation by going over the results of the General Fund study. He noted that when they made these projections, the goal was to keep the General Fund Reserve Balance at 20%. The study showed that the City would be in the negative by FY2022 without adding any operations and maintenance expenses or capital expenditures. These are issues that the City will need to address if they want to maintain the same level of service going forward. Items that were not contemplated in the study were:

- General Plan Update
- Increase in Park and Open Space Maintenance
  - Overall
  - Mountain Ridge Park
  - Excluding trail maintenance
- General Fund Vehicle Replacement
  - Parks, Cemetery, Building
- Building Maintenance
  - Heating and Cooling System (systems are reaching the end of their life)
- 6800 West Matching
- Playground Equipment Replacement
- Maintenance Equipment Replacement
- Cemetery Fence
- General Fund Study FY2020-2023
  - $809,00 in Operations and Maintenance
  - $621,227 Capital
- Council should discuss addressing the General Fund deficit as part of any funding increase.

There was a brief discussion regarding the matching funds for the 6800 West project, and it was noted that they would be matching money from MAG. The matching funds would be split between Highland, Lehi, and Utah County. The estimated budget for the project was $2 million, and Highland would need to provide 6% of that amount.

Council Member Scott L. Smith commented that there would be a few large projects coming into Highland, and he asked when those were being factored into the study. City Administrator Nathan Crane said that some of it was factored into the next fiscal year. They talked about the timeline of those projects and how many homes they could expect from each. He noted that they were seeing a drop off in production home builders. Most of the homes being built were single homes or small subdivisions.

Council Member Brian Braithwaite commented that with smaller developments they get fewer impact fees and fewer building permit fees.

City Administrator Nathan Crane said that they needed to get to a point where the City was supported by property tax and sales tax revenue. He then presented a chart outlining the proposed increase to property tax rates to fund the items in the General Fund Study. There were five different options.

Library Director Donna Cardon provided an overview of the library budget, as follows:

- Projected Revenue: 343,048
• Carryover from previous year: 12,000
• Total 355,048
• Projected Expenses: 355,197

Major changes include:

• Indirect Overhead: 12,343 (includes IT and Insurance)
• Part Time Staff: 131,013 (up 11,798 from current year budget)

Library Director Donna Cardon said that she recently increased staff pay, but they were still under market compared to other libraries in the area.

City Administrator Nathan Crane presented the following conclusions for the General Fund:
• General Fund
  – Cut to accommodate reduced revenues and bond payment increase
  – Fiscal inability to react to changing conditions
  – Additional revenue is needed to maintain level of service
  – Additional revenue is needed to meet current and future needs
  – General fund cannot afford any significant increases without a substantial decrease in level of service in other departments

City Administrator Nathan Crane said that one of the areas in which they were seeing a lot of pressure was parks and open space. The General Fund could not afford a decrease without there being a decrease in the level of service.

City Administrator Nathan Crane then reviewed the enterprise funds, as follows:

• Cash Funding of Infrastructure Projects
• Zion’s Review of Funds
  – Reviewed Revenue and Expenditures
  – Reviewed Validity of Planned Projects
  – Included Unfunded Projects to serve Ridgeview Development
• Findings
  – Sewer – Increase of $0.33 per month
  – Storm – Second Increase of $0.70 in 2023 not needed
  – PI – Additional Revenue for Meters
  – Culinary – No change

Staff reviewed the Culinary Water fund, as follows:

• Completed Projects
  – Well #3 Rehabilitation (10400 North and 6400 West)
  – View Point Booster Station Generator
• Planned Projects Next Fiscal Year
  – USDC Offsite Water Main
  – Well House #2 Replacement
• Unfunded Needs
  – Failing Infrastructure Replacement
  – Meter Reading Truck
There was a discussion regarding the meter reading truck.

Assistant City Administrator Erin Wells briefly went over the overall expenses and cash balance for culinary water, as follows:

- **Culinary Fund Budget FY 2020**
  - Revenue $921,464
  - Expense $1,229,413
  - Current Cash Balance
    - $2,938,000

Trevor Aston presented the sanitary sewer budget, as follows:

- **Completed Projects**
  - Pheasant Hollow Pipe Lining
  - Victor Lift Station Generator Replacement
  - Victor/Greens at the Highlands Sewer By-pass Stations
- **Planned Projects Next Fiscal Year**
  - USDC Offsite Sewer Main (Not Planned for in Rate Study)
  - Pheasant Hollow/ Hidden Oaks Pipe Rehab
- **Sewer Fund Budget FY 2020**
  - Revenue $2,234,690
  - Expense $2,367,488
  - Current Cash Balance
    - $3,871,000

Council Member Scott L. Smith asked if the residents of Pheasant Hollow would be notified when the pipe lining project would begin, and City Engineer Todd Trane said that they would be given 48-hour notice. The residents should only be out of water for four hours. They discussed the purpose of the project.

Council Member Brian Braithwaite recommended reaching out to TSSD and American Fork to discuss long-term options for the Victor Lift Station Generator Replacement. A gravity-fed solution would be better than a large lift station.

Jeff Murdoch presented information regarding the pressurized irrigation fund, as follows:

- **Future Planned Projects (Next 2-5 years)**
  - Pressure Irrigation Main for USDC Property (Not planned for in the Utility Rate Study)
  - Upper and Lower Pond Expansions
  - CUP/Murdock Canal Connections
  - Zone Modifications (PRVs)
- **Total Estimated Costs - $6 Million**
- **Unfunded Needs**
  - PI Meters
- **Press. Irrigation Fund Budget FY 2020**
  - Revenue $2,396,187
  - Expense $2,308,291
  - Current Cash Balance
    - $2,618,000
There was a discussion regarding the capacity of the PI system, and how the Developmental Center would connect into the system.

NOTE: Donna Cardon left the meeting at 8:32 p.m.

Council Member Brian Braithwaite asked why they weren’t utilizing more canal water so they wouldn’t have to pump so much, and City Engineer Todd Trane responded that they were using all of their resources to avoid pumping. There were several wells they preferred not to use because they were worried about ground water levels with culinary water. He noted that they were working with Utah Valley Central Water and Provo City to fully utilize the shares they have in Deer Creek.

Council Member Kurt Ostler commented that there were concerns from residents about the quality of the irrigation water near the end of the season last year. He asked if there were certain filters that staff recommended the residents use. Jeff Murdoch explained that there were different screen sizes and finer screening to reduce minerals, but they needed to be cleaned or replaced more frequently. Staff believed that this would be a better water year.

There was a discussion regarding the future need for meters on the PI system. The State had been discussing metering requirements, but nothing was passed this year. Council Member Scott L. Smith reminded the Council that they had recently adopted a conservation ordinance, so they would now be eligible for Smart Water Grant money.

Staff reviewed the storm sewer budget, as follows:

- Completed Projects
  - Sump Replacements
- Planned Projects Next Fiscal Year
  - Sump Replacements
  - Unfunded Needs
    - Mercer Hollow Drainage Realignment and Lining
    - Country French Detention Reconstruction

There was a brief discussion regarding the unfunded needs, and City Engineer Todd Trane said that these would be emergency needs in the future.

City Administrator Nathan Crane provided an overview of the proposed public safety increase, as follows:

- Increase in:
  - Administration – $5,651
  - Police – $142,062
  - Fire – $537,013
- Total – $684,726

It was noted that this was less than what was presented earlier because of a decrease in medical expenses. Council Member Tim Irwin thanked them for sharpening their pencils and finding ways to keep the increase down.

City Administrator Nathan Crane said that the primary reason for the increase in the police budget was for employee retention. He presented the following information:
• Employee Retention
  – $1.50 an hour market adjustment for all officers
  – 3% Merit Increase
  – Retirement
    • 4.9% – Tier 1 vs Tier 2
    • 401K – 5% Matching Contribution

The Council discussed legislation passed regarding the Tier 1 and Tier 2 retirement, and what amount of that the District would be providing.

City Administrator Nathan Crane explained that a lot of the fire department increase comes from staffing. The following is a list of staffing needed:

• Existing Staffing – 9
  – Alpine – 3
  – Cedar Hills – 3
  – Highland – 3
• Proposed Staffing – 8
  – Alpine – 3
  – Highland – 3
  – Dedicated Ambulance – 2
• Full Time Staffing
  – Chief, Assistant Chief, Administrative Assistant
  – 6 Captains
  – 9 Fire Fighters/Paramedics
    • 9 Part Time Shifts (3 firefighter/paramedic positions)

City Administrator Nathan Crane explained that a fire truck and ambulance go to every medical call. If a second call were to come in while the vehicles were out, there should be vehicles at another station that could answer the call. Having adequate personnel and apparatuses would allow the department to keep the stations open while they are out on calls.

Council Member Brian Braithwaite said that they currently didn’t have a second ambulance, but they did have a fire truck with ambulance capacity. Fire Chief Reed Thompson added that the second unit out of Alpine is what they call a transport engine.

Council Member Scott L. Smith asked where the ambulance would transport a patient to, and Fire Chief Reed Thompson said that they would be taken to either American Fork or Mountain Point. Occasionally, they would have to transport someone to a facility with special units, which does take more time and they would be left with only one unit to respond to a second call. There were also scenarios where they were using multiple units to respond to something like a large traffic accident. In these cases, they drained all of their resources.

Council Member Kurt Ostler asked about mutual aid, and Fire Chief Reed Thompson said that the nearest mutual aid was between 12 and 15 minutes away, as long as they were at their stations.

Council Member Brian Braithwaite said that the stations needed to have so many people on staff to take care of the needs of the community. Fire Chief Reed Thompson agreed and stated that if they took the dedicated ambulance out of the equation, they would not be able to provide any aid to neighboring communities because it would leave their entire community uncovered.
Council Member Kurt Ostler asked why it was important to have full-time employees as opposed to part-time. Fire Chief Reed Thompson explained that there wasn’t a market for part-time EMTs. They had an open recruitment for the last month and a half, and they had no paramedics apply. They were an advanced EMT/Paramedic organization, so they could not even consider EMT basics that apply. There was also the issue of bringing part-time employees back in to respond to a major incident. It was easier to mandate the full-time staff to do that. Overall, full-time employees proved to be more reliable.

Council Member Scott L. Smith asked if the Lone Peak Public Safety District was responsible for covering American Fork Canyon, and Fire Chief Reed Thompson answered affirmatively. There was some discussion regarding the Cedar Hills station and the costs associated with responding to calls in the canyon. It was noted that last year, they responded to 54 calls in the canyon, and most of those occurred between Memorial Day and Labor Day.

Council Member Brian Braithwaite said that the real question is whether the Council wanted to maintain the current level of service or not. Functionally, the district may not be able to respond effectively if they go down to only one truck. There was also the concern of where they would put that one truck. Fire Chief Reed Thompson said that he did not know of an entity that did not have an ambulance at their station.

There was a discussion regarding response times with and without the second ambulance.

City Administrator Nathan Crane said that there were a number of options to address this increase, as follows:

- Alpine should be involved in the conversation
- Alternative Level of Service
  - No Dedicated Ambulance
  - Operational Concerns and Consequences
  - Eliminate two Part Time Positions
  - Loss In Revenue
    - $176,900 (projected)
  - Estimated Savings
    - District: $280,000
    - Highland: $173,000
- Modified Staffing
  - Conversion of Full Time to Part Time
  - Operational Concerns and Consequences
  - Estimated Savings per Position Conversion
    - District: $100,000
    - Highland: $62,000

Fire Chief Reed Thompson suggested that the City consider contracting with someone else to provide ambulance services, if they were considering decreasing staff and having only one ambulance.

City Administrator Nathan Crane said that with the modified staffing, they would only be saving $62,000. He presented a chart showing the five-year estimate of public safety expenses. They currently did not have funds available to cover the increase for this fiscal year. They were down in revenue and they did not have the ability to cut in other departments. Growth will help cover some of the future costs, but not all of it.
Council Member Scott L. Smith asked why they needed a new fire marshal, and Fire Chief Reed Thompson said that he was currently covering his duties plus the duties of a fire marshal. He noted that most of the increase in the future comes from employee costs and inflation. The operational expenses remained flat. The five-year estimate did not include any fleet replacement.

City Administrator Nathan Crane reviewed the timeline for the Lone Peak Public Safety District budget approval, as follows:

- May 9 – Tentative Budget
- June 13 – Final Budget
- June 18 – City’s Final Budget

Regarding the Lone Peak interlocal entity, City Administrator Nathan Crane explained:

- Alpine is also pursuing a tax increase
- City is contractually obligated to pay the assessment based on final budget
- If the Board approves full request and new funding is not secured the City will still be obligated to meet what was approved
- Executive Team met today to begin looking at options
  - Board Budget Approval
    - July 1 – September 1
    - September 1 – October 31
    - October 31 – November 2020

City Administrator Nathan Crane said that Highland and Alpine both pursue a tax increase, they would still need to find a way to fund public increase between July 1st and September 1st. If there is a referendum, that would push them back to October 31st. If the referendum received enough signatures, it would be voted on this year, and there would be no funding received until November 2020.

Assistant City Administrator Erin Wells said that they had three options to fund public safety. The first was to use the fund balance; however, it was not good practice to use reserves for ongoing expenses. Even with general growth, the City would go into the deficit by FY2021. The second option was to cut the existing the budget, which would drastically impact the level of service. Staff calculated that each budget would have to be cut by 13%. Realistically, there were some budgets that they couldn’t cut because they were dedicated funds. The third option was to find new revenue through a property tax increase or the creation of a fee. She said that there would need to be a 40% increase to the City’s property tax rate, which was only 13% of the overall tax rate. House Bill 235 was recently passed, which allowed cities to dedicate a portion of their property tax to anything. The increase would be tax deductible in some cases. If they were to do a tax increase, that increase would be based on the home values assessed by the County. The average home in Highland would see an increase of $13.52 per month or 162.22 per year. She noted that this was the traditional way to fund public safety.

Assistant City Administrator Erin Wells said that they would have to follow the timeline below if they chose to pursue a tax increase.

- June 18: Adoption of Tentative Budget and Truth in Taxation Meeting Set
- August 6: Truth in Taxation Hearing
- If Referred – 2019 General Election Ballot
  - If it didn’t qualify for ballot (1,184 signatures)
    - Tax would go into effect in 2019
• Early October
  – If it qualifies for the ballot
    • Upheld – tax rate in effect 2020
    • Rejected – previous certified tax rate in effect

Council Member Ed Dennis asked how they would fund public safety before the tax increase goes into effect. City Administrator Nathan Crane said that staff had just started having those discussions today, and they didn’t have a good answer yet.

Assistant City Administrator Erin Wells said that they wouldn’t know if there was a referendum until mid-August. However, the City needed to pass the budget in June.

Council Member Scott L. Smith asked when the residents would start a referendum. Assistant City Administrator Erin Wells said that when they adopt the budget in June, they would schedule the Truth in Taxation hearing. They would adopt the actual property tax increase until August because of noticing requirements. The residents have a certain timeframe to file a referendum once the Council actually votes on the tax. If the tax is referred, there was a possibility that the City didn’t receive funding for a year and a half.

Assistant City Administrator Erin Wells said that if they implemented a fee, it would be $12.68 per home per month. The State Auditor has advised cities that fees should be tied to use. At a recent City Managers Conference, staff spoke with Salt Lake County that had instituted a public safety fee in 2011. The legislature did not like that, so they implemented a law in 2012 saying that districts cannot impose generally assessed fees for law enforcement, fire protection, paramedics, or emergency services. That law was specifically tied to special service districts, and Highland was not a special service district. However, it seemed that the State was sending a message that these types of services should not be paid through fees. Pleasant Grove City was currently being sued for the road fee that they implemented.

City Attorney Tim Merrill said that the tax increase was a more legally defendable position. A fee would be more vulnerable to attack.

City Administrator Erin Wells noted that two of the legislators involved in passing the bill in 2021 were still in the Senate.

Assistant City Administrator Erin Wells presented a list of outreach efforts to educate the public, as follows:

• Stakeholder Meetings
• Open Houses
• Newsletter
• Website
• Social Media
• Constricted timeline
• May 2 – Budget Open House
• May 15 and 16 – Stakeholder Meetings
• May 21 – Adoption of Tentative Budget
• May 22 and 30 – Potential Open Houses
• June 18 – Budget Passed
  • Potential Truth in Taxation Date Set
Council Member Scott L. Smith understood the arguments against a fee, but there were definitely problems with the property tax increase. When the City proposed a tax increase in 2012, the citizens focused on the 50% increase. It’s hard for residents to grasp that this is only 50% of a portion of their property tax. It’s also difficult to defend a tax increase when the City has so much money in reserves. If they decided to pursue a tax increase, they really needed to focus on education. Council Member Brian Braithwaite agreed.

Council Member Scott L. Smith said that the public safety increase should be covered by the general fund reserve until the tax money came in.

Council Member Brian Braithwaite said that residents seemed to be more willing to pay for police and fire than they were for things like roads and parks. They may not experience as much push back as expected.

Mayor Mann presented a spreadsheet the certified tax rate revenues for 2014-2018, and his calculations projecting the value of taxable land for this year. They would receive actual number on May 20th, but he wanted the Council to see what they may have this year. Mayor Mann was concerned that there were other needs in the general fund besides public safety.

Council Member Brian Braithwaite said that one of the reasons they received pushback last time was because it was clear where the money would be going. With the new house bill, they could dedicate that entire increase to public safety. He was in favor of keeping things as simple as possible for the residents. Education was key.

Council Member Scott L. Smith suggested that they seriously pursue getting a separate zip code for Highland City so that they could collect online sales tax.

Council Member Ed Dennis recommended implementing a City-wide park fee of $10. That would generate roughly $550,000. That amount should fund all park maintenance, and it would eliminate the need to transfer from the General Fund. Council Member Brian Braithwaite argued that the net gain would be $225,000, because the residents in open space neighborhoods were currently paying $20 per month. Council Member Ed Dennis said that the overall revenue would replace the costs and the transfer, which would put $160,000 back into the general fund.

Council Member Kurt Ostler said that they needed to be careful with parks and open space fees. There was already a lot of angst when it came to trails. Council Member Scott L. Smith thought that a City-wide fee would resolve a lot of the conflict. There was continued discussion regarding parks and open space.

Mayor Mann suggested looking into the Recreation Arts and Parks (RAP) tax, which several surrounding entities had implemented recently.

Council Member Scott L. Smith suggested doing a small tax increase now and doing another increase in the future. Council Member Brian Braithwaite said that they should go for the full amount with property tax, and use the reserves in the interim. He wanted to keep this as simple as possible.

Council Member Ed Dennis asked why they were using a percentage increase for the property tax, and Assistant City Administrator Erin Wills said that the law requires it. This is why education was so important. Mayor Mann requested that the City Council Members reach out to the influencers in the community and go over this information with them. Council Member Brian Braithwaite said that the Council needed a clear path before they spoke with the citizens. It was important for them to all give the same message.
Assistant City Administrator Erin Wells shared some written comments from Council Member Tim Irwin. He would rather fund public safety with a fee or a small tax increase. He feared that it would be difficult to pass a large tax increase.

Council Member Ed Dennis was in favor of a tax, given the legislature’s position against fees for public safety. A fee is more practical, but it was also more legally problematic.

City Administrator Nathan Crane said that staff wanted direction from the Council today so that they could tell the community whether it was going to be a tax or a fee.

Council Member Brian Braithwaite suggested pursuing the tax, but making sure the public understood the reasons. It would be devastating to public safety if this wasn’t passed.

There was a discussion regarding the timeline for noticing the tax. The notices for the Truth in Taxation meeting would be mailed out by July 22nd. The Council and staff wanted to get the message out to the public before they received the official notice.

The Council continued to debate a tax increase versus a fee, and whether the fire budget could be decreased. They agreed that a fee would be an easier sell but they worried about the legal concerns. They also discussed the potential park fee, and Mayor Mann asked whether there would be the same concerns about tying the fee to use. City Attorney Tim Merrill noted that the County would likely require those two increases be done separately. The Council again emphasized educating the public.

2. ACTION: AUTHORIZATION TO PROCEED WITH FUNDING INCREASE
The City Council will review and discuss funding increase options. The Council will take appropriate action.

City Attorney Tim Merrill noted that this motion would direct staff to move forward with the next step, which is to schedule a Truth in Taxation meeting. This motion would not adopt the tax.

Council Member Ed Dennis felt that the Fire Chief should try to “sharpen his pencil” and find other ways to cut the budget.

Council Member Brian Braithwaite MOVED to direct staff to put together materials relative to the City approving a tax increase of $690,000 property tax to cover the increased cost for the Public Safety District. Council Member Scott L. Smith SECONDED the motion.

The vote was recorded as follows:
Council Member Brian Braithwaite Yes
Council Member Ed Dennis Yes
Council Member Kurt Ostler Yes
Council Member Scott L. Smith Yes

The motion passed.

3. CLOSED SESSION
The Highland City Council may temporarily recess the City Council meeting to convene in a closed session to discuss the purchase, exchange, or lease of real property, as provided by Utah Code Annotated §52-4-205.

At 10:53 PM Council Member Kurt Ostler MOVED that the City Council recess to convene in a closed session to discuss the purchase, exchange, or lease of real property as provided by Utah Code Annotated § 52-4-205. Council Member Brian Braithwaite Smith SECONDED the motion.

The vote was recorded as follows:
Council Member Brian Braithwaite    Yes
Council Member Ed Dennis        Yes
Council Member Kurt Ostler       Yes
Council Member Scott L. Smith    Yes

The motion passed.

ADJOURNMENT

Council Member Scott L. Smith MOVED to adjourn the CLOSED SESSION and Council Member Ed Dennis SECONDED the motion. All voted in favor and the motion passed unanimously.

The CLOSED SESSION adjourned at 11:31 PM.

Council Member Brian Braithwaite MOVED to adjourn the REGULAR MEETING and Council Member Kurt Ostler SECONDED the motion. All voted in favor and the motion passed unanimously.

The meeting adjourned at 11:32 PM.

I, Cindy Quick, City Recorder of Highland City, hereby certify that the foregoing minutes represent a true, accurate and complete record of the meeting held on April 25, 2019. This document constitutes the official minutes for the Highland City Council Meeting.

Cindy Quick, MMC
City Recorder
City Council Special Meeting
FY19/20 Budget
April 25, 2019

Approach
- Quick Review of the General Fund
- Review of Enterprise Funds
- Detailed Review of Public Safety Requests
- New Revenue Request Direction and Discussion
- Council Direction:
  - How much of a funding increase are we proceeding with?
  - Fee vs Tax?

Average Increases Since FY2015

<table>
<thead>
<tr>
<th>Area</th>
<th>% Increase Since FY2015</th>
<th>% Decrease Since FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>0.3%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>7.3%</td>
<td>-</td>
</tr>
</tbody>
</table>

Budget Goals - FY19/20

- Service Organization: People are the Priority
  - We are only as good as the people that work here
- Realistic review of expenditures
- Not decrease level of service
- Not use previous years revenue for ongoing expenses
- Increase Trail Maintenance
- Increase Open Space Maintenance

FY 2020 Budget - General Fund Revenue Percentages

- Service Organization: 14.2%
- Parks & Recreation: 10.7%
- Public Works: 12.6%
- Police Department: 11.1%
- Fire: 3.1%
- Total Revenue: 100%

FY 2020 Budget - Amount of Tax Revenue by Tax Type

- Property Tax: 32.1%
- Sales Tax: 25.1%
- General Sales Tax: 0.1%
- Internal Revenue: 1.3%
- Total Tax Revenue: 68.6%
Revenue/Expenditure Overview

- Current Fiscal Year
  - FY 2019 Forecast Rev. $8,881,282
  - FY 2019 Forecast Exp. $8,916,182

- Next Fiscal Year
  - FY 2020 Budget Rev. $8,840,026
  - FY 2020 Budget Exp. $8,841,847

- Year over Year (Forecast to Budget)
  - $41,255 decrease in revenue
  - $74,335 decrease in expenses

Major Revenue Changes

- Decline in Building Permit Revenue
  - $160,000
  - Impact on Bond payments
  - 55 new homes next fiscal year

- Library portion of motor vehicle tax
  - $25,000

- Increase in Tax Revenue
  - $39,000 – Property Tax
  - $101,000 – Sales Tax
  - $200,000 – Utah County Road Tax

Proposed Expenditures

- Overall Decrease – ($74,335)

- Medical 4.9% and Dental 0% Increase
  - $14,630 (all funds)
    - $7,188 for General Fund

- 3% Merit Increase**
  - $44,049 Overall
    - $21,584 for General Fund

These increases were absorbed and still decreased the budget

Department Overview

- Administration
  - IT Internal Service Fund

- Engineering
  - $5,000 increase – Consulting

- Recorder
  - $36,000 increase – Election

Department Overview cont.

- Transfers
  - $165,000 increase in Bond Payments

- Road Fund
  - $100,000 Road Fund
    - Sidewalks, curb and gutter, etc.
Parks and Open Space

- $100,000 Increase – Trail Maintenance
  - Split between general and open space trails
- $106,000 Decrease – PI Fund Paying for Watering of Parks
- Unfunded Needs
  - Playground Replacement
  - Park Maintenance Equipment Replacement
  - Competitive Seasonal Wages

Streets and Trails

- Completed Projects
  - 2018 Road Rehab and Preservation Projects
    - 6000 West, 11350 North, Andrews Drive, etc.
- Planned Projects Next Fiscal Year
  - 2019 Road Rehab and Preservation Projects
    - 6000 West, 6400 West, 9600 North, etc.
  - Trail Inventory
  - Trail Maintenance Plan
- Unfunded Needs
  - Snow Plow Replacement
  - Street Equipment Replacement
    - Front end loader, Skid steer (Bobcat)

General Fund Study

- General Plan Update
- Increase in Park and Open Space Maintenance
  - Overall
  - Mountain Ridge Park
    - Excluding trail maintenance
- General Fund Vehicle Replacement
  - Parks, Cemetery, Building
- Building Maintenance
  - Heating and Cooling System
- 6800 West Matching
- Playground Equipment Replacement
- Maintenance Equipment Replacement
- Cemetery Fence

Unfunded Expenditures

- General Fund Study FY2020-2023
  - $809,00 in Operations and Maintenance
  - $621,227 Capital
- Council should discuss addressing the General Fund deficit as part of any funding increase.

Unfunded Expenditures

- General Plan Update
- Increase in Park and Open Space Maintenance
  - Overall
  - Mountain Ridge Park
    - Excluding trail maintenance
- General Fund Vehicle Replacement
  - Parks, Cemetery, Building
- Building Maintenance
  - Heating and Cooling System
- 6800 West Matching
- Playground Equipment Replacement
- Maintenance Equipment Replacement
- Cemetery Fence

Library Overview

- Projected Revenue: 343,048
- Carryover from previous year: 12,000
- Total 355,048
- Projected Expenses: 355,197

Major Changes

- Indirect Overhead: 12,343 (includes IT and Insurance)
- Part Time Staff: 131,013 (up 11,798 from current year budget)
Staff wages compared to other Utah County libraries

<table>
<thead>
<tr>
<th>Role</th>
<th>Our Library</th>
<th>Min</th>
<th>Mid</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Librarian</td>
<td>DNA</td>
<td>$20.43</td>
<td>$25.53</td>
<td>$30.64</td>
</tr>
<tr>
<td>Librarian</td>
<td>$17.25</td>
<td>$17.44</td>
<td>$21.80</td>
<td>$26.16</td>
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<tr>
<td>Assistant/Associate Librarian</td>
<td>$11.50</td>
<td>$14.23</td>
<td>$17.79</td>
<td>$21.34</td>
</tr>
<tr>
<td>Library Clerk</td>
<td>DNA</td>
<td>$10.15</td>
<td>$12.69</td>
<td>$15.23</td>
</tr>
<tr>
<td>Library Page</td>
<td>$8.00</td>
<td>$8.98</td>
<td>$11.22</td>
<td>$13.46</td>
</tr>
</tbody>
</table>

Conclusions

- General Fund
  - Cut to accommodate reduced revenues and bond payment increase
  - Fiscal inability to react to changing conditions
  - Additional revenue is needed to maintain level of service
  - Additional revenue is needed to meet current and future needs
  - General fund cannot afford any significant increases without a substantial decrease in level of service in other departments

Enterprise Fund Overview

- Cash Funding of Infrastructure Projects
- Zion’s Review of Funds
  - Reviewed Revenue and Expenditures
  - Reviewed Validity of Planned Projects
  - Included Unfunded Projects to serve Ridgeview Development
- Findings
  - Sewer - Increase of $0.33 per month
  - Storm - Second Increase of $0.70 in 2023 not needed
  - PI - Additional Revenue for Meters
  - Culinary - No change

Culinary Water

- Completed Projects
  - Well #3 Rehabilitation (10400 North and 6400 West)
  - View Point Booster Station Generator
- Planned Projects Next Fiscal Year
  - USDC Offsite Water Main
  - Well House #2 Replacement
- Unfunded Needs
  - Failing Infrastructure Replacement
  - Meter Reading Truck

Culinary Water

- Culinary Fund Budget FY 2020
- Revenue $921,464
- Expense $1,229,413
- Current Cash Balance
  - $2,938,000
### Sanitary Sewer

- **Completed Projects**
  - Pheasant Hollow Pipe Lining
  - Victor Lift Station Generator Replacement
  - Victor/Greens at the Highlands Sewer Bypass Stations
- **Planned Projects Next Fiscal Year**
  - USDC Offsite Sewer Main (Not Planned for in Rate Study)
  - Pheasant Hollow/ Hidden Oaks Pipe Rehab
  - Victor/Greens at the Highlands Sewer Bypass Stations

### Sewer Fund Budget FY 2020
- **Revenue** $2,234,690
- **Expense** $2,367,488
- **Current Cash Balance** $3,871,000

### Pressurized Irrigation

- **Future Planned Projects (Next 2-5 years)**
  - Pressure Irrigation Main for USDC Property (Not planned for in Utility Rate Study)
  - Upper and Lower Pond Expansions
  - CUP/Murdock Canal Connections
  - Zone Modifications (PRVs)
- **Total Estimated Costs** $6 Million
- **Unfunded Needs**
  - PI Meters

### Press. Irrigation Fund Budget FY 2020
- **Revenue** $2,396,187
- **Expense** $2,308,291
- **Current Cash Balance** $2,618,000

### Storm Sewer

- **Completed Projects**
  - Sump Replacements
- **Planned Projects Next Fiscal Year**
  - Sump Replacements
- **Unfunded Needs**
  - Mercer Hollow Drainage Realignment and Lining
  - Country French Detention Reconstruction

### Storm Sewer Fund Budget FY 2020
- **Revenue** $529,822
- **Expense** $536,946
- **Current Cash Balance** $1,364,000
PUBLIC SAFETY

Public Safety - Overview
• Increase in:
  – Administration – $5,651
  – Police – $142,062
  – Fire – $537,013
• Total – $684,726

Police Department
• Employee Retention
  – $1.50 an hour market adjustment for all officers
  – 3% Merit Increase
  – Retirement
    • 4.9% - Tier 1 vs Tier 2
    • 401K - 5% Matching Contribution

Fire Department
• Existing Staffing – 9
  – Alpine – 3
  – Cedar Hills – 3
  – Highland – 3
• Proposed Staffing – 8
  – Alpine – 3
  – Highland – 3
  – Dedicated Ambulance – 2
• Full Time Staffing
  – Chief, Assistant Chief, Administrative Assistant
  – 6 Captains
  – 9 Fire Fighters/Paramedics
  • 9 Part Time Shifts (3 firefighter/paramedic positions)

Medial Call – Ambulance and Fire Truck

Alpine Station
• Fire Truck – 3

Highland Station
• Fire Truck – 3
• Ambulance – 2

*Also allows transports patients without closing station

Mutual Aid
• AF, PC and/or Lehi

Alpine Station
• Fire Truck – 3

Highland Station
• Fire Truck – 3
• Ambulance – 2

First Call

Second Concurrent Call
Fire Options
- Alpine
- Alternative Level of Service
  - No Dedicated Ambulance
  - Operational Concerns and Consequences
  - Eliminate two Part Time Positions
  - Loss In Revenue
    • $176,900 (projected)
  - Estimated Savings
    • District: $280,000
    • Highland: $173,000
- Modified Staffing
  - Conversion of Full Time to Part Time
  - Operational Concerns and Consequences
  - Estimated Savings per Position Conversion
    • District: $100,000
    • Highland: $62,000

Fire Department
- Increased Allocation
  - 45% to 62%
- Decrease in Revenue
  - Ambulance Transports
  - Cedar Hills

Five Year Estimated Public Safety Expenses

Conclusion
- The funds are not available to cover the cost of the proposed increases for this fiscal year
- The funds are not available to cover the costs of the proposed five year plans

Lone Peak Budget Timeline - Tentative
- May 9 – Tentative Budget
- June 13 – Final Budget
- June 18 – City’s Final Budget

Lone Peak Interlocal Entity
- Alpine is also pursuing a tax increase
- City is contractually obligated to pay the assessment based on final budget
- If the Board approves full request and new funding is not secured the City will still be obligated to meet what was approved
- Executive Team met today to begin looking at options
  - Board Budget Approval
    - July 1 – September 1
    - September 1 – October 31
    - October 31 – November 2020
Funding Options

1. Use Fund Balance

2. Cut existing budget
   - Significant impact on level of service
   - Every budget department would have to be cut by an additional 13% for the General Fund to absorb the increase
   - Some cannot realistically be cut – garbage, bond payments, auditor
   - Not enough money in operational cuts alone to cover cuts

3. New revenue
   - Property Tax Increase
   - Fee Creation
   - Both options only address current Public Safety proposal
     - General Fund relief
     - Future Public Safety requests

Property Tax Increase Overview

- 40% increase in the City’s property tax rate
- HB 235 – allows Cities to dedicate a portion of their property tax to anything
- Tax deductible in some cases
- Based on home value
- Traditional way of funding Public Safety

Property Tax Increase

<table>
<thead>
<tr>
<th>Market Home Value</th>
<th>Monthly Property Tax Increase</th>
<th>Yearly Property Tax Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000</td>
<td>$7.23</td>
<td>$86.71</td>
</tr>
<tr>
<td>$400,000</td>
<td>$9.63</td>
<td>$115.61</td>
</tr>
<tr>
<td>$500,000</td>
<td>$12.04</td>
<td>$144.51</td>
</tr>
<tr>
<td>$561,290</td>
<td>$13.52</td>
<td>$162.22</td>
</tr>
<tr>
<td>Average Highland Home Value</td>
<td>$14.45</td>
<td>$173.41</td>
</tr>
<tr>
<td>$700,000</td>
<td>$16.86</td>
<td>$202.32</td>
</tr>
<tr>
<td>$800,000</td>
<td>$19.27</td>
<td>$231.22</td>
</tr>
<tr>
<td>$900,000</td>
<td>$21.68</td>
<td>$260.12</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>$24.09</td>
<td>$289.02</td>
</tr>
</tbody>
</table>
Property Tax Increase Timeline

- June 18: Adoption of Tentative Budget and Truth in Taxation Meeting Set
- August 6: Truth in Taxation Hearing
- If Referred – 2019 General Election Ballot
  - If it didn’t qualify for ballot (1,184 signatures)
    - Tax would go into effect in 2019
    - Early October
  - If it qualifies for the ballot
    - Upheld - tax rate in effect 2020
    - Rejected - previous certified tax rate in effect

Fee Creation Overview

- $12.68 per month per home
  - $152.16 per year
- Uniform in application
- Tax exempt properties included
- Not tax deductible
- State Auditor has stated all fees should be tied directly to use

Legal Concerns – Public Safety Fees

- Regulatory Fees
  - Relationship to the cost of implementing the regulation
  - Building Permits/Inspections, Impact Fees, Business Licenses, etc.
- Fees for Services
  - Water, Sewer, PI, GRAMA, Copies, Rentals, etc.
  - Test
    - What’s the consequence for not paying the fee?

Legal Concerns - Public Safety Fees cont.

- Controversial
  - If it looks like a duck and walks like a duck it’s a duck
  - Applied individually not as a group
  - Current Cases
    - Salt Lake County
    - Herriman
- State Law 17B-2A-902
  - Districts can’t impose generally assessed fees for services for: law enforcement, fire protection, paramedic, or emergency.

Fee Creation Timeline

- June 18: Adoption of Final Budget and Public Safety Fee
- If Referred – 2020 General Election Ballot
  - If it didn’t qualify for ballot (1,184 signatures)
    - Fee would go into effect in October 2019
  - If it qualifies for the ballot
    - Upheld - fee in effect December 2020
    - Rejected - no new fee

Revenue Increase – Outreach Efforts

- Stakeholder Meetings
- Open Houses
- Newsletter
- Website
- Social Media
- Constricted timeline
Planned Meetings
- May 2 – Budget Open House
- May 15 and 16 – Stakeholder Meetings
- May 21 – Adoption of Tentative Budget
- May 22 and 30 – Potential Open Houses
- June 18 – Budget Passed
  – Potential Truth in Taxation Date Set

Direction
- Amount of Revenue Increase?
  – Public Safety
  – General Fund
- Tax vs Fee?