MINUTES OF LAYTON CITY COUNCIL WORK MEETING **MAY 10, 2018; 7:04 P.M.**

MAYOR AND COUNCILMEMBERS PRESENT: **MAYOR BOB STEVENSON, BRUCE DAVIS, TOM DAY, SCOTT FREITAG AND JOY PETRO**

EXCUSED: **JOYCE BROWN**

STAFF PRESENT: **ALEX JENSEN, TRACY PROBERT AND KIM READ**

The meeting was held in the Council Conference Room of the Layton City Center.

Alex Jensen, City Manager, announced Mayor Stevenson had indicated he would be late and began the meeting.

AGENDA:

MAYOR'S REPORT

Councilmember Davis requested an update regarding concerns expressed by citizens during the City Council meeting on Thursday, May 3, 2018, regarding the accessory structure.

Mr. Jensen informed the Council he, Gary Crane, City Attorney, and Planning Staff had reviewed the application on Friday morning and it was determined that Staff had appropriately issued the building permit. He reviewed specifics associated with the building lots in the subdivision and referred to illustration which supported Staffs' position in correctly issuing the building permit. He continued to explain how other residents in the subdivision believed the building permit was incorrectly issued.

Mayor Stevenson arrived at 7:05 p.m.

Mr. Jensen pointed out the definitions included in the code were necessary to understand with the application of the Code to understand the legal issuance of the building permit. Mr. Jensen reported on the discussion Staff had with Mr. Bob Cheney, resident, regarding his construction of the accessory building and Mr. Jensen indicated Mr. Cheney had some challenges because there was strict language in the CC&R's (Covenants, Conditions, and Restrictions) which appeared to restrict and/or prohibit the type of building constructed. A discussion followed.

Mr. Jensen indicated the Mayor had encouraged the neighbors to work together on resolving concerns and issues associated with the accessory building.

BUDGET DISCUSSION – FISCAL YEAR 2018-2019

Mayor Stevenson stated the proposed budget included a three percent proposed increase for employees. He also suggested discussing the appropriation of RAMP funds and asked if there were any other budget concerns. Councilmember Day stated he would like to review the water rates.

Councilmember Freitag expressed concern with Revenues and the City's use of Fund Balance. Tracy Probert mentioned although building permits had leveled off, Sales Tax and Property Tax had increased to make up that difference and pointed out it was anticipated to increase another $900,000. He also mentioned there wasn't much growth with the Franchise Tax. He explained how Staff projected revenues during the budget process which illustrated why he didn't overestimate revenues. He concluded the philosophy has been to use existing funds in the bank and wait for revenues to be recognized.

Mayor Stevenson pointed out the proposed budget reflected reserves being spent down to sixteen percent and suggested many cities would like to be in Layton City's financial position. Mr. Probert added this allowed the City to continue to operate similarly as in previous years and pointed out Staff had submitted requests and Mr. Jensen had vetted those requests and determined what to include and eliminate with the proposed budget.

Councilmember Freitag expressed concern specifically with the street light fund and that projects continue to exceed revenues. He believed the fund should be self-sustaining and suggested projects shouldn't be completed without the revenue to cover those expenses. Mr. Jensen stated the largest expenditure for that fund was directly related to covering electricity costs for lighting the entire City. He continued to explain the fund was also intended to cover costs associated with new poles and lights and informed the Council Staff was recommending those that were in high profile areas. He reported virtually every year funds had been used in conjunction with UDOT road projects to meet the City's standards. He pointed out the City had healthy fund balances and believed projects didn't need to be cut at this time and a discussion followed.

Mr. Jensen pointed out the monies in the General Fund were considered to be the scarcest as there were so many demands for their use. He stated each Enterprise Fund had its own revenue source and the goal has been to budget conservatively and indicated the $1.5 million dollar proposed use of fund balance was one of the smaller amounts appropriated in recent years.

Mayor Stevenson inquired if the lighting fund fee should have initially been set at a higher rate. Mr. Jensen agreed it was underfunded and a discussion took place regarding lighting needs throughout the City and possible options for consideration. Mr. Probert pointed out the original plan for the fee was to buy out all the lights within the Rocky Mountain Power system allowing the City to not only own the lights, but to pay for the power so all lighting costs would be covered with the fee. He continued when the power company refused to negotiate a purchase price, the City determined to build out the lighting system in key areas of the City.

Councilmember Day expressed concern about increasing fees as opposed to increasing taxes for these purposes. Councilmember Freitag suggested the fee was more transparent to residents. Mayor Stevenson reminded the Council it had decreased property tax four percent in the last three years and expressed his desire to continue to decrease it another one percent. He spoke to the City's recognized increase in Sales Tax revenue and suggested the City continue to look for ways to increase revenue.

Mr. Probert stated the residential water rates reflected a 35% increase in year one, a 20% increase in year two and a 10% increase in year three and indicated this would increase the monthly rate from $12.85 to $22.90 a month as the base rate. Residents using more than 7,000 gallons would pay their rate based on a tiered system and whether or not they had access to secondary water. He pointed out the 35% increase was needed for maintenance and operations costs identified in the Master Plan which reflected a higher increase and a discussion followed regarding possible options for bonding.

Mr. Probert reported he considered several scenarios to determine whether bonding was needed. Mr. Jensen pointed out the consultant explained "best practices" in funding infrastructure and reported those to the Council and indicated the City also weighed the condition of the City's system, reasonable cost to the resident and needed projects. He indicated all of these were taken into consideration in the proposed rate increases.

Councilmember Day inquired if the proposed rate increases included a cost for fiber applicable to the water system and Mr. Jensen responded those fees were included as they were part of the capital costs for the water system. He estimated the fiber costs to be approximately $520,000 per year and Mr. Probert mentioned $292,000, from the water fund and $117,000 from the sewer fund, and $117,000 from storm sewer. Mr. Jensen emphasized the fee wasn't created to pay for the fiber; these were the direct costs associated with capital infrastructure. He continued to explain how the cost value associated with fiber had been calculated and a discussion followed.

Mr. Jensen explained as the network continued to grow based on the overall take rate, revenues recognized from anything above the anticipated twenty-two percent take rate would subsidize the network. He suggested over time significant funds would come to the City to relieve the General Fund of the debt and the discussion continued.

Councilmember Day inquired if there were other plans to assess fees in other areas. Mr. Jensen responded the analysis didn't identify that need and stated Staff had no intentions to implement additional fees. He emphasized the analysis was to determine a justifiable fee. He mentioned the old debt gap would be accommodated as the network continued to grow and the discussion continued related to the buildout of the system and costs. Mayor Stevenson surmised due to the growth and increase in the take rates, the entire formula had changed and believed there was no fee to the residents.

Councilmember Day stated he desired to understand what part of the water rates was being attributed to the fiber. Mr. Jensen suggested it was an error for people to believe a fee of $2.25 had been imposed for UIA/Utopia and stated it was a cost recover approach based on sound accounting principles. He mentioned the Council had expressed concerns with any approach which included a mandatory fee and ongoing discussions had led to a much better proposal.

Councilmember Day asked if every water meter in the City would be connected to fiber for the purpose of meter reading. Mr. Jensen explained rather than having fiber at each meter, the fiber would run to a series of towers which would auto read the meter. He indicated Orem City was in the process of implementing this kind of system.

Councilmember Petro asked if there would be an additional expense to have the component at the residential meter. Mr. Jensen responded the meters currently in use would eventually need to be replaced as they aged and stated the next generation of meters were automatic read meters. A discussion took place and Mr. Jensen shared a scenario as to how meters would be read with the automatic read meters. He indicated the fiber would result in efficiencies for the City.

Mr. Probert reminded the Council of the proposed changes to the commercial water rates and reviewed that increase. He pointed out the study and analysis had identified inequity between the generated revenue and the demand on the system.

Councilmember Day stated he and Councilmember Davis had been asked to review the salary structure for positions within the City and suggested those results be discussed during a future work session as it was applicable to the budget.

Mayor Stevenson clarified the Council was satisfied with the water rates pertaining to the budget and no opposition was expressed.

Mayor Stevenson announced the need for a discussion regarding allocation of RAMP funds for projects.

Councilmember Petro indicated the RAMP Commission had submitted recommendations and Staff had proposed three additional projects during the initial budget work meeting in March. She stated she had taken that information back to the RAMP Commission and it initially expressed agreement; however, members believed they couldn't express opposition. She indicated it had been discussed on multiple occasions and subsequently the RAMP Commission believed the grant application process was circumvented when Staff recommended additional projects. She emphasized the Commission understood the Council had the final say to its recommendations and reviewed the three additional projects: the amount of funds for construction of the new plaza, two additional scoreboards and microphones. She reported two of the three items had proceeded through the process and were included on the Commission's original list for considerations. Mr. Jensen reported the microphones was the only project not included on the Commission's list.

She reported the Commission's philosophy had always been to have a healthy fund balance which could be used to fund large expenditures in the future when the opportunity was presented. A discussion took place regarding the RAMP funding and projects.

Mr. Jensen informed the Council his position in proposing the appropriation of RAMP funds for projects to Dave Price, Parks and Recreation Director, during the budget process. He reported on the discussions which had taken place and the contention taking place with the Commission. He emphasized the Commission was a planning and advisory committee to the Council and that the Council had the final say. Mr. Jensen reported he had met with Tracy Chatwin, RAMP Commission Chair, which resulted with one of the commission members requesting an informal audit of the RAMP funds with Mr. Probert. Mr. Jensen informed the Council of other actions by members of the Commission and emphasized the Commission didn't represent the people. He clarified members of the Commission represented the Council and pointed out the Councils' priorities could be different than that of the Commission. Mayor Stevenson expressed concern regarding the tone of mistrust between the Commission and the City and a discussion followed.

Councilmember Petro suggested the Council postpone the Plaza improvements for one year to allow City Staff the opportunity to draft new policies pertaining to the use of RAMP funds and for the RAMP Commission to receive further instruction by Staff and the Council. Mr. Jensen explained the entire project would span two budget years and Councilmember Petro's proposal would work since the plaza improvements were being delayed a year anyway. Councilmember Petro pointed out the grant process would begin in October and the discussion continued.

Councilmember Freitag requested clarification about the fund balance specific to RAMP. Councilmember Petro responded the Commission had been given a projected number to work with and it wanted to set aside a portion of the funds which could be appropriated for larger projects in the future. Councilmember Freitag suggested language identifying the role of the Commission should be broad enough that the Council could appropriate funds at its discretion for additional projects.

Councilmember Petro suggested providing the Commission with the projected amount of funds for projects in October then provide the updated actual amount of funds in January for fund allocation. She reviewed the Commission's timeline between October and January.

Councilmember Day believed the Commission should have the authority to determine how the funds should be appropriated; however, it should be given direction with how much could be set aside for future projects.

Mayor Stevenson announced his intention to attend the RAMP Commission meeting scheduled for Monday, May 21, 2018. Councilmember Petro suggested a councilmember attend the meeting with the Mayor.

Mayor Stevenson asked if there concerns among the Council regarding the proposed three percent increase for Staff. Councilmember Day suggested discussing that and salary ranges and caps for positions at a separate work meeting and inviting Kiley Day, Human Resource Manager, to attend. Councilmember Davis expressed his opinion it would be helpful for the Council to have a better understanding on the City's process used to determine salaries. He expressed his opinion it was a sound process and the proposed three percent increase was in line with private industry and stated he was supportive of the increase.

Councilmember Day requested a closed meeting with only Mayor and Council discuss the increase and to allow himself and Councilmember Davis to present their results from the compensation study. Councilmember Freitag indicated that discussion couldn't be a closed meeting. He reported he had spent time with several members of Staff and reported there was an overwhelming feeling of what it meant to be a Layton City employee and shared some of the positive comments he received.

Mayor Stevenson clarified Councilmember Freitag was in favor of the three percent increase and asked if he believed the compensation study needed to be combined with the increase. Councilmember Freitag indicated he was in favor of the increase but believed the Council needed to discuss the compensation study. Councilmember Petro expressed her opinion they were two separate subjects. Councilmember Freitag asked if the pay ranges included within budget document was within the position range of the compensation study or if there were employees outside of the range. Mr. Jensen emphasized the range wasn't dictated by state statute and indicated no employee was being compensated outside of the range and explained the employee would be red lined until the range was increased. He clarified the employee would be capped at the end of the range and explained how the employee would be compensated under those circumstances. Councilmember Freitag also suggested the City should consider increasing the vehicle allowance.

Mr. Jensen requested the Council provide him with questions ahead of time so that Staff would have the information available to provide an appropriate response and a discussion took place. Councilmember Davis reported the CPI (Consumer Price Index) was 2.5%. The Council concluded to move forward with the three percent increase and Mayor Stevenson indicated the salary survey would be discussed in a future work session with Ms. Day.

Mr. Jensen expressed his opinion that employee productivity and loyalty was directly related to the predictability, consistency and stability of the City's compensation plan. He said he believed the employees deemed the City's current system was fair and consistent. Mayor Stevenson set the work meeting for Thursday, May 24, 2018.

MAYOR'S REPORT

Mayor Stevenson shared an update regarding the replica of the Vietnam Memorial Wall.

A discussion took place regarding the Fourth of July Parade and the 24th of July Electric Light Parade.

The meeting adjourned at 9:35 p.m.

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Kimberly S Read, City Recorder