

Minutes of the Truth in Taxation meeting of the Syracuse City Council held on August 13, 2019 at 6:00 p.m., in the Council Work Session Room, 1979 West 1900 South, Syracuse City, Davis County, Utah.

Present: Councilmembers: Lisa W. Bingham
Corinne N. Bolduc
Dave Maughan
Doug Peterson
Jordan Savage

Mayor Mike Gailey
City Manager Brody Bovero
City Recorder Cassie Z. Brown

City Employees Present:

Administrative Services Director Steve Marshall
City Attorney Paul Roberts
Public Works Director Robert Whiteley
Parks and Recreation Director Kresta Robinson
Fire Chief Aaron Byington
Heath Rodgers
Community and Economic Development Director Noah Steele

1. Meeting Called to Order.

Mayor Gailey called the meeting to order at 6:00 p.m. as a special meeting, with notice of time, place, and agenda provided 24 hours in advance to the newspaper and each Councilmember. Councilmember Maughan provided an invocation and Councilmember Bolduc led the audience in the Pledge of Allegiance.

COUNCILMEMBER PETERSON MOVED TO ADOPT THE AGENDA. COUNCILMEMBER BOLDUC SECONDED THE MOTION; ALL VOTED IN FAVOR.

2. Consideration of Final Budget for Fiscal Year 2019-2020. Truth in Taxation Public Hearing and consideration of Proposed Resolution R19-31 setting the certified tax rate and adopting the final budget for the Fiscal Year (FY) ending June 30, 2020.

A staff memo from the Administrative Services Director explained that as required by Utah Code Annotated 10-6-118, “before June 30 of each fiscal period, or, in the case of a property tax increase under Sections 59-2-919 through 59-2-923, before September 1 of the year for which a property tax increase is proposed, the governing body shall by resolution or ordinance adopt a budget for the ensuing fiscal period for each fund for which a budget is required under this chapter.” A copy of the final budget for each fund shall be certified by the budget officer and filed with the state auditor within 30 days after adoption.”

The memo further explained the City Council is considering a truth in taxation process to hold the certified tax rate at 0.001512. This would provide an additional \$162,000 of ongoing revenue in the budget. The Council has discussed using these funds for hiring a new full-time park maintenance worker at \$45,000 and allocating the remaining funds of \$117,000 to upgrading our emergency operation center at our police department. Since the Council is considering increasing the tax rate above the county certified tax rate, it is considered a tax increase under state law and requires a truth in taxation process. The council just completed a truth in taxation public hearing to discuss increasing the tax rate. The council will now need to decide to accept the proposed tax rate, accept a portion of the rate increase, or reject the rate increase and accept the certified tax rate from the county.

The memo summarized additional items updated in the FY2019 – 2020 budget the Council will need to consider in approving the budget.

- Reduced election expenses from \$45,000 to \$25,000.
- Increased wages of City Council based upon the City’s current compensation policy. City Administration performed a market analysis of the Council wages compared to surrounding cities. The total adjustment needed would be \$3,810 per City Council member and \$4,896 for the Mayor for a total of \$23,946. The Council has indicated their desire for this increase to be effective January 1, 2020. The total net increase for FY2020 would be approximately \$12,000.
- Proposal to convert the part-time Passport Agent/Deputy City Recorder position to full-time based upon growth of the passport program. Total cost would be approximately \$40,000. This would be covered by \$20,000 in increase revenues from the program, \$8,000 from remaining savings from election expenses, and an additional \$12,000 from savings from not hiring the Fire Marshal until September 1, 2019.
- Add to budget the emergency operation center as follows:

- EOC phase 1 = \$90,000 for generator
- EOC phase 2 = \$55,000 for physical improvements (electrical, etc.)
- EOC phase 3 - \$50,000 for IT upgrades (push to FY2021 budget)
- Total cost of phase 1 and 2 \$145,000. This was added to the capital projects budget with a transfer from the general fund of the \$117,000 (from holding the tax rate). The remainder of \$28,000 was funded from surplus money in the capital projects fund.

Mr. Bovero reviewed his staff memo and used the aid of a PowerPoint presentation to provide additional information regarding the matter before the Council this evening. He noted the City's General Fund is made up of various revenue sources, including sales tax (which is the largest), investment earnings, grants and contributions, property taxes, franchise taxes, charges for services, and other miscellaneous revenues. He provided an illustration to communicate the manner in which the property tax changes from year to year; regardless of a change in values, the tax rate is adjusted to ensure the tax income for the City remains the same. Inflation impacts the City by making it difficult to provide the same level of service from year to year; the value of a dollar in 2019 is much less than in 2009, but new growth requires the City to provide additional services. The property tax formula is not intended to offset inflation. He then provided a pie chart illustrating the manner in which a resident's total property tax paid is divided among the various taxing entities; the portion that comes to Syracuse City is 11.9 percent, or \$275.26 per year based on the average home value of \$311,000. The City Council has discussed considering an action to maintain the current tax rate; this would generate an additional \$162,000 in tax revenue. The impact for the average residence would be \$18.52 per year or \$1.52 per month. The additional revenue would be allocated to concert a part time maintenance position to full time (\$45,000) and concert the Police Station training room to the City's Emergency Operations Center (\$117,000). The total cost is actually \$195,000 for the second item, but the remaining \$78,000 will come from an existing capital fund in the City. Ongoing considerations for the tax revenue include a Parks Maintenance Facility, West Davis Corridor betterments, offsetting sales tax stagnation, Police Officers, improving Fire/EMS response times, park improvements, park development, and street repaving. He concluded his presentation by providing a chart comparing the City's tax rate with tax rates in surrounding communities; Bountiful, Kaysville, and West Point cities as well as the North Davis Fire District and the Mosquito Abatement District are holding truth in taxation hearings to consider a tax increase.

Mayor Gailey then opened the question and answer portion of the meeting.

Fred Parry asked if the property tax allocation determined by the State is set to automatically adjust from year to year based upon the number of homes in the City. For example, if the State were to give the City \$100,000 for 100 homes, would that amount increase if the number of homes increased to 150. Mr. Bovero stated that the property tax rate is independent of the number of homes located in the City; when new homes are constructed, the owners of those homes pay additional tax money. Growth in the number of homes does equate to growth in tax revenue. Mr. Parry inquired as to the growth in the number of homes in the City over the past year. Mr. Bovero stated that the growth rate in the City over the past year has been approximately one new residence each day. Mr. Parry inquired as to the manner in which that growth increased the City's tax revenue. Mr. Bovero stated that would be approximately 360 homes multiplied by the average annual property tax paid of \$275 per home. Mr. Parry stated he is questioning why the City needs additional tax revenue that would be generated by an action to maintain or increase the rate when it has already realized increased revenue as a result of growth. He then referenced Mr. Bovero's discussion of emergency preparedness and the need to relocate and upgrade the City's Emergency Operations Center (EOC); he asked if the City's current EOC is adequate to respond to an emergency in Syracuse in its current condition without the West Davis Corridor in place. Mr. Bovero stated it depends upon the level of the emergency. Mr. Parry asked if the infrastructure in place is sufficient to respond to an earthquake scenario; he noted he does not agree that the limitations in east/west traffic circulation in the City will have such a heavy impact on the City's ability to respond to an emergency situation. Mr. Bovero stated that it is not possible for any agency to be 100 percent prepared for an emergency scenario because there will always be some circumstances of an emergency that were unforeseen; however, the City does know that the Police Station is closer to the Community Center, which is designated as the City's temporary emergency shelter during an emergency. It is also closer in proximity to City Hall, which is the location from which administrative matters will be handled. Without the presence of the West Davis Corridor, City Administration feels the Police Station is a better location from a strategic planning perspective, but when the highway is constructed, the Police Station will be an even better location. Councilmember Savage added that the Community Center will also serve as the volunteer coordination organization center during an emergency and coordinating between volunteers and the EOC can be done more efficiently from the Police Station.

Brent Bourgeois asked if it is the City's desire to increase housing density to respond to the difficulty in generating additional income. Mr. Bovero stated that an increase in density would raise property taxes as more residences are constructed over time; however, it would also create a greater demand on City resources. The City has been working on updates to the General Plan, which should be acted upon by the Council soon; this document will set the stage for housing density in the City in the future. Mayor Gailey noted that discussions about housing density are not pertinent to the discussion before the Council,

which is the appropriate certified tax rate for the City and adoption of the budget. Mr. Bourgeois asked when the citizens who are concerned about housing density will have the opportunity to address the Council. Mr. Bovero stated that there will be time for public comment in the special City Council meeting immediately following this truth in taxation hearing.

Mayor Gailey opened the public hearing at 6:44 p.m.

Bonnie Bourgeois stated the most recent City newsletter included information about fee adjustments and she asked how those fees impact the budget. She inquired as to breakdown between the revenue generated by the fee increases and the potential to increase property taxes. She wondered why it is necessary to increase fees when one of the explanations that was given for the proposed tax increase was to generate additional funding for maintenance purposes. Mr. Bovero stated that the revenues generated by utility fees are deposited into dedicated funds; for example, water fees are deposited into the City's water utility account and those monies cannot be used for general City expenditures, such as purchasing new Police vehicles or equipment. Water utility fee revenues can only be used for water infrastructure. One of the reasons for the recent increase to the water fee was to provide additional funding to purchase additional culinary water from the Weber Basin Water Conservancy District. Weber Basin recently increased their rates for water and in order to cover those costs, the City was forced to pass those increases along to the consumers. The other reason for the fee increase was to hire an additional maintenance worker to maintain the culinary water lines in the City. There was also an increase in secondary water fees for the same reasons. The garbage fee increase was also a pass-through to residents; the Wasatch Front Integrated Waste Management District issued a bond to construct a recycling facility and the costs for debt service on that bond will be paid via an additional \$2 fee for each receptacle in Syracuse. He concluded the parks maintenance fee increased to provide additional revenue to maintain the new park spaces developed in the City. Ms. Bourgeois inquired as to the relationship between fees and taxes; she considers fees to be the same as taxes, but the action to increase fees was not transparent. Mr. Bovero noted that the City has followed State-law requirements to advertise the times during which fees and taxes are to be discussed. He then noted that the difference between taxes and fees is that they are accounted for independent of one another and they have dedicated purposes; tax revenues are dedicated to defined items and utility revenues can only be used for utility related activities. Ms. Bourgeois asked if the utility rate increases were disclosed to the public in advance of the Council acting upon them, to which Mr. Bovero answered yes; a public hearing was advertised and held in a public meeting.

The public hearing was closed at 6:53 p.m.

Council discussion of the certified tax rate and final budget commenced with Councilmember Bolduc. She noted she initially opposed to considering the action to maintain the tax rate to generate additional tax revenue; however, since she initially took that position, the City has opened its newest amenity – The Island splash pad – which has brought to light the need for additional staffing resources in the Parks and Recreation Department for maintenance purposes. She is supportive of maintaining the tax rate for that purpose, but she is very concerned about the action to increase wages for elected officials.

Councilmember Maughan stated he would love if the City never had to make the difficult decision to increase taxes, but the only way to do that would be for the City to operate more like a business, which is not allowed by the Utah Legislature. If the City's property tax rate were to automatically adjust for inflation, the action of increasing taxes would not be necessary. Instead, the opposite is true and when inflation occurs, the certified tax rate decreases. During his time in office he has participated in adjusting the annual budget by eliminating unnecessary expenses; however, there are not other items that can be cut without the public responding negatively. He recently visited with State Legislators about the problematic laws relating to taxation in municipalities and they acknowledged that difficulty that cities face relative to the manner in which tax rates are calculated, but they have no plans to adjust their formula. When considering the budget, the City's needs are great, and he firmly believes that the additional tax revenue is needed to fund improvements to the City's emergency preparedness programs and infrastructure. If those needs are deferred until future years, they will become more dire and costly. He does not see any other option besides holding the current tax rate as illustrated in Mr. Bovero's presentation.

Councilmember Bingham agreed with Councilmember Bolduc and Maughan; there are crucial services that the City is unable to provide for currently and moving the EOC to the center of the City is wise. She agreed that it is inappropriate to defer this action until future years and the problems the City is facing will only compound and it will be more difficult to address them in the future without a staggering tax increase. She concluded it is wise to maintain the City's current tax rate.

Councilmember Savage agreed with Councilmember Maughan that the State of Utah taxation laws are fundamentally flawed in that they do not allow for adjustments to recognize inflation. The Council is not considering an action to maintain the rate because they want to implement a dramatic increase; rather, the action is to allow the City to stop 'losing ground'. He added that the EOC expenses are necessary; while he hopes that the generator at the EOC is never needed, it is wise to be prepared. If an emergency does occur in the City, he will be extremely grateful that funding was spent to provide an adequate EOC that can meet the needs of the City. The generator will power the City's water well and water is so greatly needed in emergency situations.

Councilmember Peterson also agreed that the State’s taxation laws are flawed and there is a part of him that thinks it would be appropriate for the Council to automatically consider maintaining the rate each year to prevent the City from lagging behind when it comes to providing the needed revenue to fund the City’s essential services. But, this year specifically he feels that the tax increase is warranted in order to fund the increase in staffing for the City’s Parks and Recreation Department to provide adequate monitoring and maintenance of the City’s Island water feature. Relative to funding for EOC improvements, that is not his top priority, but it is important for the future of the City. He stated that he understands Mr. Parry’s questions about whether the existing EOC at the Fire Station is adequate and he has often wondered the same; that EOC has actually been activated in a past emergency situation in the City when the water supply was contaminated, and it operated adequately at that time. He noted, however, that he will support the use of funds for EOC improvements and he will support maintaining the rate or a mid-point between the current rate and the recommended certified rate for the purpose of increasing funding to pay for the additional Parks and Recreation employee.

Councilmember Maughan referenced questions regarding whether the current EOC may be adequate; the location of the current EOC provides a generator for the Fire Department, but the generator that currently provides backup power for the Police Station is inadequate. In a state of emergency, the City will need both generators and for one of them to power the City’s water system; if the City is without water, an emergency situation will be much worse.

Councilmember Bolduc stated she feels the entire Council can support a tax increase and she is hopeful that any vote on the action relating to the certified tax rate will be unanimous. Councilmember Peterson asked if there is an appetite among the Council to consider an action to set a certified tax rate at a level that would only provide adequate funding for the additional Parks and Recreation employee. Councilmember Maughan stated he feels the funding for the EOC improvements is needed now and he does not want to defer those improvements to a future year. Councilmember Peterson stated that the Council has the option of reallocating \$78,000 of funding from the Capital Improvement Plan (CIP) fund to facilitate the improvements to the EOC; if that allocation is augmented with \$12,000 from other areas of the budget, there will be sufficient funding for the generator at the Police Station. Councilmember Maughan stated that he would prefer to maintain the rate in whole to provide the City with traction is holding its current financial position.

COUNCILMEMBER SAVAGE MOTIONED TO CALL THE ISSUE TO QUESTION. COUNCILMEMBER BINGHAM SECONDED THE MOTION, ALL VOTED IN FAVOR.

COUNCILMEMBER SAVAGE MADE A MOTION TO ADOPT RESOLUTION R19-31 SETTING THE CERTIFIED TAX RATE OF 0.001512 AND ADOPTING THE FINAL BUDGET FOR THE FISCAL YEAR (FY) ENDING JUNE 30, 2020. COUNCILMEMBER BINGHAM SECONDED THE MOTION; ALL VOTED IN FAVOR.

At 7:06 P.M. MAYOR GAILEY DECLARED THE MEETING TO BE ADJOURNED.

Mike Gailey
Mayor

Cassie Z. Brown, MMC
City Recorder

Date approved: September 10, 2019