

City Council Workshop  
MINUTES

September 19, 2023, at 5:00 PM

**CALL TO ORDER**

Mayor Pro Tem Casey Olson called the meeting to order at 5:00 p.m.

Present: Carol Langley City Council Place #1  
Casey Olson City Council Place #2  
Sara Countryman City Council Place #3  
Cheryl Fox City Council Place #4  
Stan Donaldson City Council Place #5

Absent: Byron Sanford Mayor

Also Present: Gary Palmer City Administrator  
Dave McCorquodale Assistant City Administrator  
Planning & Development Director  
Mike Muckleroy Public Works Director  
Maryann Carl Finance Director  
Anthony Solomon Chief of Police  
Kimberly Duckett Court Administrator  
Diana Cooley Deputy City Secretary  
Alan Petrov City Attorney  
Katherine Vu City Engineer  
Chris Roznovsky City Engineer  
James Gilley Financial Advisor

Mr. Palmer said he will cover CIP but first wants to review some of the highlights to put things into context of what they are dealing with and what has already been done.

Mr. Palmer added the proposed general fund FY 2024 budget expenses reflect a \$6,284.00 increase from FY 2023, and the revenues reflect a \$63,946.00 increase from FY 2023.

Mr. Palmer stated that the general fund balance right now is \$2.5 million, 34 percent of their projected expenditures, and the goal is 45 percent by policy. He noted that is not a hardline policy, but it clearly states the goal should be 45 percent. Mr. Palmer said he believes it says anything less than 30 percent is cause for concern. Mr. Palmer said they are at 34 percent and thinks looking at next year they can rebuild those reserves but does not know how that will play out.

Mr. Palmer recommended that they go back in the operating budget and if there is anything they want to pull out from there they really should look at funding back before they put anything in other programs because it is their rainy-day fund. Mr. Palmer said if anything should go wrong in the city, then this is the fund they would use.

Mr. Palmer said in this current budget they have added a zero to five percent merit increase or approximately \$105,000.00 for employee increases and said for personnel right now there are vacant

positions: for a permit technician, a vacant police officer position, a finance technician position and a public works coordinator position with the last two positions being new positions and the other two are sitting vacant, just not funded.

Mr. Palmer said in the second workshop they went through the operating budget and those are the items which were pulled out, reducing the administration budget by \$25,500.00, the police budget by \$93,500.00 and the public works budget by \$73,500.00.

Mr. Palmer said in regard to CIP they currently have \$3 million in water and sewer projects they need to complete before the fiscal year 2024.

He continued by stating that the current fund balance is \$719,091.00 and half of that is ARPA funds with half restricted and the other half unrestricted. It is his recommendation that they spend down the ARPA funds on whatever project they find to be feasible and eligible and leave the reserves alone so they can continue banking the reserves over time. Mr. Palmer added they need to build up those funds in case a well should cease working without having to borrow any money.

He then said that he wanted to go over each of the capital projects and Ms. Katherine Vu would highlight each capital projects' maintenance items which need to be done next year.

Ms. Katherine Vu, City Engineer, said this is the same list they went through last week, and said the maintenance items need to be done even if no more building permits are issued as this is just to maintain the system.

She listed the big-ticket items that they are looking at for next year; are Water Plant 2 Improvements which includes regionally Well #2 as well as placing the ground storage tank and some recoatings.

Ms. Vu said the \$600,000.00 amount is the rest of the sanitary sewer and manhole rehab they are expecting for next fiscal year for the contract with Cruise Tech which has already started.

Ms. Vu said looking forward into the other years, the large items for Water Plant #3 improvement items are to rework Well #3 and #4. Ms. Vu said if they are not needed to be reworked they will not do it but they want to budget and plan for it and put the funds toward a later year if the wells are still performing really well.

Councilmember Sara Countryman said she understands from Well #2 situation that they cannot anticipate if there are going to be issues or when a well will break but asked how do they know where they are at with Well #3 and #4 and what is the lifespan.

Ms. Vu said industry standards have set times that you should start preparing and budgeting for wells to be reworked and that standard is every 12 years, stating twice a year the wells are evaluated by a third-party testing company called GM Services. WGA and the City receive the testing reports from the operator and review them and since it is done every six months, they can monitor any trends they are seeing or efficiency issues or any kind of indication that the well is having problems and needs to be reworked. She said what happened with Well #2 is they were not seeing any decrease or any signs of concern. Ms. Vu said they knew it was old but nothing that may have caused a red flag.

Ms. Vu said that is the most they can do for Well #3 and #4 without saying just go ahead and do a rework for good measure.

Councilmember Sara Countryman asked what year they were in for each well.

Ms. Vu said Well #4 was drilled in 2014 and Well #3 was drilled in 2008 and they have not had any performance issues with them at all.

Councilmember Sara Countryman asked is it safe to assume those wells have been through the 12-year standard testing.

Ms. Vu responded they have been tested every six months.

Councilmember Stan Donaldson asked who takes care of the testing.

Ms. Vu said it goes through the operator who orders it through GM Services. The operator receives the report and then sends it to them to review.

Councilmember Stan Donaldson said they just spent \$500,000.00 fixing Well #3 and it should be in good shape.

Ms. Vu said that project was to add on another cooling tower and to replace one of the ground storage tanks and that project did not have any work on the well related to it.

Mr. Palmer asked if there were any questions about projects for maintenance next year.

Councilmember Casey Olson said he did not see that called out anywhere and that is why he is having trouble with the Water Plant #2 improvements line 1 and number 3 improvements.

Ms. Vu said that is listed 2025 and 2026 and each of those large ticket items are the well reworks and those are broken down in the larger spreadsheet she passed out for the sake of a summary.

Mr. Palmer said \$2.6 million in maintenance projects must be done next year with the understanding that what they do this year impacts future years.

Mr. Palmer said if you look at the capital projects list you see in 2025 there are a lot of big-ticket items and so they need to continue having these discussions on how they are going to fund these capital projects.

Mr. Palmer said for this year they need to work on what they are going to do for these projects. He advised the council that they do not need to approve the capital project funding or strategy tonight or the operating budget.

Councilmember Casey Olson had a question about Water Plant #4.

Ms. Vu said Water Plant #4 and the wastewater treatment plant extension at Town Creek are both needing to be done because of growth, well maintenance has to be done if no more permits were issued, but permits are being issued and that is the reality and they do have to do Water Plant #4.

Mr. Roznovsky said the main driver of Water Plant #4 is the elevated storage tank.

Councilmember Casey Olson asked if they have 900 or 1,000 connections right now.

Mr. McCorquodale said 1,100 connections.

Councilmember Casey Olson asked if there were three years left with the phases for Redbird.

Mr. Roznovsky said more like five to seven years as there are a lot of homes and especially since the larger lots will be a bit slower to sell.

Councilmember Casey Olson asked what amount is in the first phase.

Mr. Roznovsky said 170.

Mr. McCorquodale said Montgomery Bend has a total of 309 homes.

Councilmember Casey Olson asked if realistically next year they are looking at around 350 homes.

Mr. Roznovsky said somewhere in that range with Montgomery Bend their first home ideal delivery is early next summer, Redbird right now does not have any crews and they still have months to go before they start breaking ground and thinks at the earliest would be middle to end of next summer.

Councilmember Casey Olson said based on what they know they are looking at 200 homes.

Mr. Roznovsky said the other one to remember is the Nantucket apartment complex by Pizza Shack. Ms. Vu said each unit is counted as one connection.

Councilmember Casey Olson asked how many will be going in there.

Mr. Roznovsky said 300, a senior and a regular apartment complex. 2025 is goal opening.

Councilmember Casey Olson said they still will not hit 2,500 homes by 2025, so they could then push the timeline out.

Mr. Roznovsky said it is more of getting the process started.

Councilmember Stan Donaldson asked if that was the \$8,000,000.00 plant.

Mr. Roznovsky responded that is correct.

Mr. Roznovsky said right now, where everything sits for both water capacity and sewer capacity, they are in the right spot. Mr. Roznovsky said they are at 50 percent on the sewer plant and that varies.

Mr. Palmer said regarding transportation projects for 2024 there is nothing that is an emergency however, he thinks they are comfortable not doing any transportation projects next year as they need to find the money to do the capital projects in order to keep them from going back into the operating mode.

Mr. Roznovsky said on the capital review projects the Downtown McCown waterline placement is solely driven by the downtown improvements. Without funding for the rest of the downtown improvements that project will continue to push out because that is the driving item.

Mr. Palmer said they also discussed having a transportation and impact fee study stating it will not help them this year but maybe it will help some next year.

Councilmember Cheryl Fox asked what is the one shared street across from the park to Caroline Street.

Ms. Vu said in 2014 Mr. Chris Cheatham rendered a variance from the Westside Park Development, part of that variance was that when the last commercial reserve is developed that Shepperd Street is widened to 28 feet and be paid for by the developer. Ms. Vu said the reason they have it listed is because it was 2014 and more time is continuing to pass and they want to make sure it is not forgotten.

Councilmember Casey Olson asked if there is any timeline on the development.

Mr. Roznovsky said it is in the minutes but there is no written development agreement. Ms. Vu said the corner lot is platted commercial.

Councilmember Sara Countryman asked if you could ask the court to change it.

Councilmember Carol Langley said no you can rezone it.

Mr. Palmer said they have a pretty good number for the fund balance and said the unrestricted amount is \$367,940.00. He recommended that they do not use that but leave it in reserves and start banking it.

Mr. Palmer said the other unrestricted funds are the building funds for 213 Prairie Street, he believes these were additional funds that were borrowed for the floor plan update and building renovations, once they sell the property and pay the loans back that will give them more debt capacity.

Mr. Palmer said they have a balanced budget, and their recommendation is to look at next year's CIP and consider doing certificates of obligation to fund those, adding that the conversation should continue as come next year they are going to be right back in the same situation.

Mr. Palmer said he has asked Mr. Alan Petrov to be here to answer any bond questions as he is a bond counsel and Mr. James Gilley with US Capital Advisors is here, stating at the bottom of the packet on the last couple pages is Mr. Gilley's analysis.

Mr. James Gilley said he believes the analysis was updated and believes he was asked to provide a couple of different scenarios, noted that the cover page should read September 11<sup>th</sup>.

Mr. Gilley went on to say that the prior analysis was a little more complicated because it included some projects that might be paid for with taxes. However, he was asked at the last meeting a couple of weeks ago to look at the utility projects for \$2.5 million funding and \$3.5 million funding.

Mr. Gilley stated based on last year's utility end price system, (showing his presentation) up at the top left there are the gross revenues, gross expenditures and they are adding back in based on the audit a paper loss appreciation. He continued that basically from their perspective and the market's perspective after all bills are paid there is \$772,000.00 in funds available to pay debt service.

Mr. Gilley said down below there is column A which are net revenues assuming no changes over the next 20 years and are showing in columns B, C, and D the total debt service and are taking out the tax, the debt you pay with your INS tax and have the outstanding self-supported debt service, the debt service you pay from utility revenues.

Mr. Gilley said in columns E, F, and G that is an estimate of \$2.5 million and column H is the total for all of that.

Mr. Gilley said there is the existing debt being paid from the utility funds plus another proposed issuance that would be paid from the utility. He stated that in FY2025 it is around a \$630,000.00 payment.

Mr. Gilley said in column I the surplus shortfall is showing you are covering that total debt, existing and proposed by 1.3 times with an additional \$140,000.00 left over.

Mr. Gilley said last time they talked about that margin, after paying all the expenses, the debt service is being covered by 125 percent and said that is a very strong margin.

Mr. Gilley continued with his presentation by stating the following page is the same idea with a \$3.5 million borrowing amount. Mr. Gilley said column J shows there is a little less of a margin, around 10 percent. He added that it looks like you can afford it without a utility rate increase assuming no changes with the utility budget for next year.

Mr. Gilley said at the risk of making any decisions, he always encourages their clients to adopt incremental small utility rate increases to keep up with their costs, reminding the council that it could afford either of these projects within the revenues generated through the utility system of last year.

Mr. Palmer said regardless of what they do, they need to do an immediate rate study after they adopt this budget so they can look at all the projects they need to do in the future and start building up those funds.

Councilmember Sara Countryman asked when you say revenue, is it tax revenue or dollars for the water.

Mr. Palmer said water sewer fees.

Mr. Gilley said that is a great idea, especially with the growth as it is going to get more complicated and said it is definitely good to have a rate consultant come in.

Councilmember Casey Olson asked if realistically based off their predictions what are they looking at for next year's growth if that will be 200 or 300.

Mr. Roznovsky said that is a close estimate, with Home Depot going at the tail end of next year, right now there have not been as many new commercial inquiries as in the past. He added that he thinks the major growth will be from Redbird and Pulte, the 200 or 300 will include finalizing buildouts of Town Creek Crossing and some others.

Councilmember Casey Olson said with these 300 they are looking at an increase of around \$200,000 based on 2022 numbers, not 2023.

Councilmember Sara Countryman said she does not think they can say no, they have to do it.

Councilmember Casey Olson said he agrees and the reason he wanted to look at what their revenue increase might be if they pick up the 300 homes is because the revenue increase pick up the new debt service.

Mr. Palmer said he thinks they need to spend some time factoring all the variables in and get those numbers in as to what are they projecting and what do they think the impact fees are going to cover, how do they back into these projects with a rate change and what does that look like.

Ms. Maryann Carl said there are some highlighted items in the budget packet which are changes that occurred since workshop #2. Ms. Carl said in workshop #2 there was the addition of the merit pay in addition to the general consulting fees.

Councilmember Casey Olson said they pulled the merit pay at the last workshop.

Ms. Carl asked you pulled the merit pay?

Mr. Palmer said he does not remember that, but they will have to make that adjustment.

Ms. Carl said any of the items highlighted in green are increases and items listed in yellow are the decreases. She said the decreases were based on the workshop where they were asked to reduce line items, there are reductions in the legal fees, printing and office supplies, and staff development.

Ms. Carl said the liability and property insurance were not necessarily the result of a request Council had made but these were the adjustments based on the TML information they received for their rates for this next year.

Ms. Carl went through the adjustments made under police and said in the binders there is also a three-page document that says "changes" where you can see the actual reduction and increases in these line items.

Ms. Carl reviewed the public works reductions including equipment repairs, street repairs minor, and streets and drainage.

Ms. Carl said the cuts made were in workshop #2.

Mr. Palmer said if they pull employee increases of \$105,000.00 they can put that in the fund balance and that will at least bring them up from 34 percent to maybe 40 percent.

Councilmember Casey Olson said there were discussions regarding the new positions, the vacant positions are already budgeted from previous years which include the vacant permit tech, and the police officer, but they need to discuss any more new positions.

Councilmember Casey Olson said it was at the last workshop they discussed this briefly and asked Council what their opinion was.

Councilmember Carol Langley asked if there is money in the budget for a permit tech position and one police officer.

Councilmember Casey Olson said yes.

Councilmember Carol Langley said she is very comfortable with those two positions.

Councilmember Sara Countryman said the finance tech is not new and the public works foreman is not new.

Mr. Palmer said these two positions are new.

Councilmember Casey Olson asked what the rate was for the finance tech.

Councilmember Sara Countryman said \$70,000.00.

Councilmember Casey Olson asked if the amount was \$70,000.00 per year.

Mr. Palmer said with benefits it would be closer to \$100,000.00.

Ms. Carl said the finance tech with all benefits is at \$81,130.00.

Councilmember Casey Olson asked what the amount would be for the public works coordinator.

Ms. Carl said the public works coordinator is at \$80,643.00.

Mr. Palmer asked Mr. Mike Muckleroy to give an overview of what that position would entail.

Mr. Muckleroy said it is a new position they are proposing that splits the foreman's duties as he has become overloaded with the growth and speed of their department. He added that this position would function as a third crew leader but be in charge of the crew leaders so the foreman can concentrate more on coordinating with contractors and operators.

Councilmember Carol Langley said if they look at their budget in six months and it looks good then those two positions could probably be discussed at that time.

Mr. Palmer said they can add them any time.

Councilmember Carol Langley said right now she personally does not see they are able to fund those two positions.

Mr. McCorquodale spoke regarding the permit tech position, stating they have historically built around 85 to 100 homes a year and as long as they are at that level they do not need a separate job function, however, when Redbird and Montgomery Bend are both submitting and in full steam and they are at 200 homes a year, there is no way for the utility clerk to manage both of those positions so it will be at least six months before they look to expand.

Councilmember Sara Countryman asked who the permit tech is.

Mr. McCorquodale said Ms. Kristen McCain who is also the utility billing clerk and said back four or five years ago the utility billing clerk was also the permit tech and did both duties and by mid-2018 they were utilizing a part-time temporary service that could do some of the lower-level duties on the utility billing side such as answering phones and taking payments.

Councilmember Casey Olson asked if a temporary service would be used.

Mr. McCorquodale said yes.

Councilmember Sara Countryman said she thought Ms. Patricia Campuzano was doing permits.

Mr. Palmer said she was pulled from that.

Mr. McCorquodale said until they hired Ms. McCain and had her trained on the utility side, they did not want to add two brand new positions to learn at one time for Ms. Campuzano and then tell her do not let either one fall because they are both super critical.

Councilmember Cheryl Fox asked how many permits Ms. McCain does a month.

Mr. McCorquodale said in terms of homes somewhere in the range of eight to ten homes a month, however the trade permits have three permits that go with every single one of those, the mechanical, electrical, and plumbing.

Mr. McCorquodale said there are those permits to rewire a portion of a home or install a generator or install a swimming pool and said by the time you ensure the contractors licenses are up to date and dealing with inspection requests on every one of those which has at least two inspections and if it is one of the trades there are four to five inspections if it is on a building permit. He continued by stating a lot of it is ensuring things are processed at the right time, for instance if someone requests an inspection, they have an obligation to make sure it is on the schedule the next day.

Councilmember Carol Langley asked if they are still dealing with Mr. Rick Hanna and his group on the permits.

Mr. McCorquodale said that is correct and said in the context of the budget he knows they need to review these services at some point. He went on to say he believes the job Mr. Hanna is doing is a good and adequate one for them.

Mr. McCorquodale said they take the most revenue using Mr. Hanna over one of the larger companies and said he felt that a change is not worth the cost at the moment.

Councilmember Carol Langley asked if they have to buy his program.

Mr. McCorquodale said it comes included in his services but yes ultimately, they pay for that, we have a permit software we use for code enforcement which is likely not as good and as comprehensive as the one Mr. Hanna uses so there is an advantage to using the one, he does.



Mr. Palmer said if you recall in the strategic planning session they discussed competing all of their contracts. He stated that they are going to start doing that as a matter of practice.

Councilmember Casey Olson said it is a consensus to wait on the finance technician and public works coordinator positions.

Mr. Palmer said his recommendation is whatever they pull out they should put in the fund balance to replenish it.

Councilmember Casey Olson said if they wait on the public works coordinator they could wait on the vehicle as well.

Councilmember Cheryl Fox said she does not think they should take it off the table but see how the funds are.

Mr. Palmer said they will come back at another time and bring more data to show the need.

Councilmember Carol Langley said when they start receiving their monthly reports again they will be able to see where they actually are and usually six months from the time they start their budget they can definitely tell whether those positions can be funded or not.

Mr. Palmer said all funds are balanced except for the CIP.

Councilmember Sara Countryman asked if all money is accounted for.

Mr. Palmer said as far as he knows.

Councilmember Casey Olson asked if that would put \$330,000.00 or \$340,000.00 back into the general fund.

Mr. Palmer said they will get the final calculations together.

Mr. Palmer said he would like to come back at the workshop on the 25<sup>th</sup> to discuss last minute things and do a recap. He said he will have a motion crafted and an exhibit on whatever changes because they had to post the proposed budget and will need to make the changes on the 26<sup>th</sup>.

Councilmember Casey Olson also asked if they could post the changes this week and then adopt the changes on the 26<sup>th</sup>.

Ms. Carl said they cannot post any changes at this point and the proposed budget has been sitting out there for the 30-day window which will be up at the time of the next meeting. She stated that when they go into that meeting that is when they will adopt the budget based on these changes which is different than what the proposed budget is. Ms. Carl reminded the council does not change that posting.

Councilmember Casey Olson asked if they decide on bonds what are they looking at for projects time wise.

Mr. Roznovsky said they will put them all together.

Mr. Petrov said that is a good question because it takes time to get the money.

Councilmember Casey Olson asked how long when they do a bond are they looking at time wise before they are given the money to go ahead.

Mr. Gilley said regarding the analysis they were discussing earlier, the timing of those assumes close would-be January 15, 2024, as they sell bonds in December. He went on to say if the City were to issue certificates of obligation, the general timeline would be Council adopts a resolution to publish a notice of intent and would need to wait at least 45 days which the timing would allow for a bond sell around the middle of December.

Councilmember Casey Olson asked if they need to let him know by November.

Mr. Petrov said it is going to take 90 days from the day you say let us sell whatever amount that is and then from that point it will take 90 days before Mr. Gilley can say there is money in the account now. Mr. Petrov said you need to decide how much you want to sell and when you do that you have to give notice to that which is a 45-day statutory notice period.

Mr. Petrov said then you can adopt a certificate resolution and while doing that Mr. Gilley has to do the marketing of the certificates and then you have another 30 days at the end where once you have a buyer you package everything together, send it to the Attorney General's office and they have to approve it.

Councilmember Casey Olson said based on those timelines they need to have it on the agenda for the 26<sup>th</sup> because 45 days from then is the first week of November.

Mr. Roznovsky said there are two projects: 1. There is the sewer rehab project that is ongoing and is currently funded from carryover from last year's budget 2. The water plant project will take at least five months to have it bid out.

Mr. Petrov said deciding on something like this for the second week in October sounds like it allows enough time.

Mr. Gilley said this is a reasonable timeline in order to have enough time to make a final decision and in this timeline, they probably need 90 percent confirmed the week before October 24<sup>th</sup>. He noted that in the resolution you publish in the newspaper you need to say the City intends to issue no more than a certain amount of money you decide on.

Mr. Petrov said you need to give people a reasonable understanding of what to expect, you don't need to be exact, but it needs to be reasonable.

Councilmember Casey Olson asked if they need to have another workshop to decide that.

Mr. Palmer said they can get together internally with Mr. Gilley and maybe Mr. Petrov if necessary and discuss all this and bring something back to Council on the 25<sup>th</sup>.

Mr. Petrov said you can make decisions sooner but there is not a big rush.

Councilmember Sara Countryman said she asked to receive job descriptions and wanted to know if she could get those.

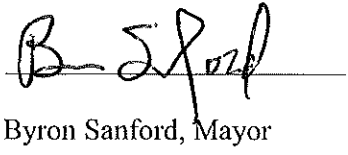
Mr. Palmer said he will get those to her.

Councilmember Casey Olson adjourned the meeting at 5:51 p.m.

Submitted by: Diana Cooley  
Deputy City Secretary

Date Approved: 11-14-23

*Edited by NBrowe.*



Byron Sanford, Mayor