

**MINUTES OF HARRISVILLE CITY
CITY COUNCIL BUDGET WORK SESSION**

Tuesday, April 30, 2013 – 6:30 p.m.
Council Chambers
363 West Independence Blvd
Harrisville, Utah 84404

Present: Mayor Richard Hendrix, Council Member Bruce Richins, Council Member Paula Knighton, Council Member Michelle Tait, Council Member Grover Wilhelmsen.
(Council Member Chad Allen is excused)

Staff: Lynn Fortie, Treasurer, Pamela Crosbie, Finance Clerk, Gene Bingham, Public Works Director, Max Jackson, Police Chief.

Visitors: None.

6:30 P.M. BUDGET WORK SESSION

1. Call to Order.

Mayor Hendrix called the meeting to order.

2. Budget Work Session

a. Discussion on FY 2013-2014 budget.

Mayor Hendrix encouraged Council to set some ground rules on making decisions that are necessary for this budget work session. He confirmed Council is in agreement to move forward with the proposed property tax increase. He hoped the ball is rolling in that direction, since Council has already decided on that. Lynn Fortie suggested Council decide by what margin they want to increase taxes, once that has been determined he can contact the County to let them know the city will be going through truth in taxation. Mayor Hendrix agreed Council needs to decide this amount timely. Mayor Hendrix said he thought the County needed to know immediately if the city would be having truth in taxation. Lynn Fortie clarified he normally contacts the county when the property tax increase amount has been decided.

Mayor Hendrix also expressed his desire to provide residents with an appropriate explanation for why there is a proposed property tax increase. His suggestion is the increase will allow the funding to maintain services and a level of competency in employees with compensation that is fair and equitable. He feels this is a simple explanation and explains the tax increase is not for one purpose. This will allow the city to repair funds that have been depleted and allow employees to be fairly compensated. Mayor Hendrix asked by what margin Council would like to increase taxes.

Lynn Fortie provided a flow chart showing how the budget is affected by a 1% increase up to 10% increase. Mayor Hendrix urged Council to determine the amount of the property tax increase and also how to reach this goal.

Council Member Knighton said the previously determined amount necessary to allow for the 10% wage adjustment was a 75% property tax increase. Council Member Richins clarified it is actually a 78% property tax increase that will allow for this. Mayor Hendrix said there is also a need to determine funds to be set aside for the future.

Council Member Knighton pointed out resident's will be upset whether the increase is 3%, 5%, 78%, or 100%, she agrees with Council Member Richins suggestion to raise property taxes by 100%. Council Member Wilhelmsen agreed. Council Member Knighton mentioned Council Member Tait's support with the 100% increase at the last budget session.

Council Member Knighton said she recognizes this is a difficult decision for Council to make; one they do not treat lightly. Mayor Hendrix agreed. Based on the discussions they have had over the course of the past several budget sessions, this has been difficult, but needs to be done. His hope is that this will not have to be done again. That increased changes in the economy might help in the future. Council Member Richins pointed out they didn't follow through with the property tax increase last year. Mayor Hendrix expressed his desire to not have to increase taxes again in the near future. Council Member Wilhelmsen reminded Council they tried the options last year to cut back the budget, and this is one of the lessons they learned last year, that is not an option again.

Mayor Hendrix stated that Council seems to all be in agreement with the 10% wage increase. He reminded Council this is an average to be distributed according to merit, based on performance. If an employee is given a lesser amount it will need to be justified by documentation, and conversely is if an employee receives more, it will need to be documented and justified. He pointed out, regardless of what Council does or says, because public employee's salaries are transparent, everyone knows what each employee will make. Documentation will provide the answers for questions that may arise.

Council Member Knighton asked how the 401K contribution is affecting the proposed numbers. Mayor Hendrix said the proposed numbers include the 3% 401K contribution but suggested eliminating the 401K contribution entirely. He suggested another option would be using this money for an employee incentive.

Mayor and Council discussed the sick leave benefit. Mayor Hendrix explained sick leave is accrued each pay period. He feels 960 hours as the accumulation total is large. He said current policy allows for retiring employees to cash out 25% of the sick leave total. He explained Pam Crosbie recently received information from other cities that have significantly less caps on their sick leave policies. Council Member Knighton inquired what the standard is for sick leave. Pam Crosbie responded, for example, Morgan City sick leave caps out at 240 hours. Mayor and Council requested more numbers be collected for comparison for sick leave accumulation totals. Max Jackson stated he thought Weber County sick leave accumulation totals are at around 1200 hours. Council Member Wilhelmsen urged Council to consider this benefit carefully as this can help supplement retiring employees with the rising cost of health care. There is a policy in place which allows employees the option of cashing out a percentage or using hours to help supplement health care costs. Mayor and Council discussed how employee incentives help with productivity; keeping employees at work, but also offer a benefit for retiring employees.

Council Member Knighton inquired about the accrual of sick leave, not the cap but how quickly employees accrue sick leave. This is a set rate for each employee but varies depending on the salary of each employee. Max Jackson pointed out no employee has ever abused the sick leave policy, to his knowledge. Council Member Knighton asked about the short term disability policy. Pam Crosbie responded there is not a short term disability policy, because of the 960 sick leave hours allowed, but there is a long term policy. An employee must be out three

months before they become eligible for long term disability. Gene Bingham asked how sick leave affects the budget; inquiring if money has to be available each budget session for sick leave. This money is not included in the fiscal budget. If an employee retires, they can elect to cash out 25% of the sick leave hours for money, or use 80 hours of sick leave towards monthly premiums for cobra coverage. Mayor Hendrix suggested Council continue discussion on this item at a later meeting.

Mayor and council discussed whether to keep the 401k or to do away with this contribution. They discussed a previous option to have an employee match contribution mandated. Mayor Hendrix mentioned 3% is built into this scenario which covers the 100% match up to 2% contribution, or a 50% match up to 4% contribution. Council Member Wilhelmsen asked if this is a good incentive for employees. Max Jackson said in his opinion the 401K contribution, particularly when it was up to 6%, has been a selling point to employees in the past. He said this has eroded over time and is not much of an incentive now. Council Member Knighton asked for exact dollar amounts these contributions are costing the city. Lynn Fortie said it's about \$7,000 per each percentage point for all employees. Completely eliminating this would be around \$21,000 savings.

Council Member Richins said in his opinion he'd like to maintain a 401K contribution but he suggested requiring the match. Council Member Wilhelmsen asked how many employees are currently contributing. Pam Crosbie answered maybe 5 or 6 employees are contributing. Lynn Fortie said employees may not feel they have an incentive to contribute as it stands. Gene Bingham explained with the downturn in investments, individuals stopped contributing because they were losing money. Council Member Knighton said she would like to see the 401K maintained. Mayor Hendrix asked staff if this will be more difficult to manage with the mandatory contribution if employees opt to make changes frequently. Pam Crosbie said with the current computer program, they can only make changes once a month. Employees will not be able to begin or end contributions frequently. Mayor and Council agreed to leave the 401K with the matching contribution. The city will not contribute if the employee does not. With a wage adjustment employees should be able to make appropriate contributions.

Mayor and Council agreed to keep the 10% wage adjustment in the tentative budget, and move forward with a 100% property tax increase. Council Member Tait expressed her concern with being faced with this in the future and her desire not to have to address another increase.

Council Member Wilhelmsen asked if there are any other incentives to offer employees to stay. Mayor Hendrix mentioned the Christmas bonus. Mayor Hendrix asked staff how much bonus is included in the tentative budget. Lynn Fortie responded the bonus was set back to the original amount of \$350, and mentioned this was cut to half for last year's budget. Mayor Hendrix proposed changing the Christmas bonus to a sick leave bonus, if employees go the entire year without using any sick leave, they will receive a bonus. Mayor and Council discussed various options of offering the Christmas bonus as an incentive, such as maintaining 75 or more hours of sick leave, whether the bonus would be pro-rated with regard to how much sick leave an employee has. Council Member Knighton said she would like to check on the sick leave cap. Mayor Hendrix mentioned this has been another incentive for employees, at one time sick leave was allowed to pay for health insurance. Mayor Hendrix suggested waiting another year to address the sick leave issue. Lynn Fortie said the city budget does not include anything for sick

leave. The funds are dispersed when sick leave is actually used. Pam Crosbie said sick leave is paid out as their regular wage.

Mayor Hendrix reminded Council the money payout issue they are discussing occurs when an employee retires. Gene Bingham pointed out if an employee retires early; the budget is reduced when another employee is hired. This incentive would reduce payroll if a seasoned employee retires early because they have health insurance options. Similar to the buy-out options other employers have offered in the past.

Lynn Fortie commented if an employee notifies the city they are planning to retire, the city can budget accordingly. There will be a clear picture in place to ensure the funds are available at that time. Pam Crosbie said employees are paid out their vacation and have the option to receive 25% payout of sick leave, or submit sick leave hours towards the premium on cobra coverage when they retire. Mayor Hendrix and Pam Crosbie clarified the policy states it's either a 25% payout or the cobra coverage. Mayor Hendrix said the policy reads 80 hours of sick leave may be applied towards one month premium for health insurance and does not specify the number of months.

Mayor and Council continued discussion on the dollar amount associated with a payout and agreed this varies depending on the employee wage. Mayor Hendrix suggested continuing this discussion at a later meeting.

Mayor and Council discussed how much the property tax increase will equate to for the average homeowner. Council Member Richins said for property owner's to look at the municipal line item and double that figure. Lynn Fortie pointed out the taxable amount is not the total value of the home. Council Member Knighton asked if there is an average price of a home in Harrisville. Mayor and Council speculated it is around \$200,000. They agreed having a real number to relate for residents will help. Council Member Knighton suggested Council take the lead with figuring this number and expressed her concern if residents are left to speculate on their own, often the unknown is blown out of proportion. Council Member Richins said a lot of residents hear there is a 100% increase and assume that includes their entire tax amount. They misunderstand that in reality it is only the specific municipal line item. Council Member Knighton suggested listing the services that are included and covered by municipal taxes.

Lynn Fortie reminded Council a full page ad is required when going through truth and taxation. The residents will be fully aware of the proposed increase. Council Member Knighton expressed her concern with having to pay for these expensive ads. Mayor reminded Council of the ad that was run last year, until Council decided against the property tax increase.

Mayor Hendrix asked the department heads what their thoughts are regarding this budget discussion. Max Jackson said he felt the residents have been prepared for a property tax increase last budget season, and will be more willing to accept the proposal this year.

Gene Bingham informed Council he is close to losing another employee over money. He said the services this employee provides to this city cannot be replaced by just one employee. After a discussion, this employee opted not to leave the city. He made Council aware he has two people in his department that are not being compensated for the job duties they are responsible for. The gap between job duties and responsibilities and the employee wages is large. He knows that employee morale is being affected by this. He feels these two employees are under paid for what they do for the city. There would be no way to replace these employees without paying more for a person to do the same job. Another employee is over the fleet and building

maintenance which has grown significantly. He feels it is a start to give them an increase, but some salary adjustments need to be made. If there are no merit increases given, there is no incentive for employees to perform their assigned job duties, let alone above and beyond their duties. Some people do it because they have an internal desire to do what's right. He expressed it was stressful to think he was losing fantastic employees, but they feel they are not receiving compensation for the work they are doing. He said his nervousness during the budget discussions is due to the effect these options will have on his employees, not necessarily for personal reasons.

Max Jackson made reference to the change in employee morale with the positive discussions the Council has been having over this budget session. His employees that were considering a change are now reconsidering. He said they want to stay.

Mayor Hendrix suggested if and when this proposal goes through, the 10% wage adjustment needs to be addressed throughout each department to compensate those employees who are performing above and beyond their job responsibilities. He suggested department heads make sure that evaluations are conducted and are in place for review. Max Jackson said they are preparing their evaluations.

Mayor Hendrix asked if there are any other items for discussion. Council Member Richins said he has another item of business to discuss. He asked about the Rice Creek detention basin North Ogden City is paying back. He wanted to make sure they are paying out what they owe to our city. Pam Crosbie clarified this is being repaid when North Ogden collects through building permits. Council Member Richins said there was no time line in place for this repayment and he would like to know how much percentage wise has been paid. Pam Crosbie said she could look up the amount that has been paid. She logs each check as it is paid and has a record of the total amount owed and what amount has been paid. Gene Bingham gave a brief background on the history of this repayment. North Ogden has been paying in increments as they did not have an obligation to pay us, but has been paying through the collection of fees on building permits. He said the basins at that time were being built after the developments. At this time, basins are prepared for ahead of time. Mayor Hendrix commented it has taken some time for this money to come in.

Max Jackson informed Council North Ogden has a new police chief who has expressed a desire to work more closely with Harrisville and Pleasant View. He explained the relationship between these tri-cities and he expects this will just be improved with this new relationship.

2. ADJOURN

Mayor Hendrix motioned to adjourn at 7:45pm.

RICHARD HENDRIX
Mayor

ATTEST:

JENNIE KNIGHT

City Recorder

Approved this 14th day of May, 2013