

without a property tax increase. I anticipate the City Council will discuss these potential sources over the next year.

In the Enterprise Funds, no rate increase is recommended for the Water Fund. A slight increase is recommended (about 1.5%) for the Sanitation Fund services—garbage collection, recycling and green waste pickup—to offset an inflation-related increase in the fee charged by the collection contractor as dictated by the service agreement. Monthly drainage utility rates—which have not increased since being adopted many years ago—need to increase to pay for the current cost of maintaining the City’s stormwater and subsurface drainage systems and constructing other drainage improvements. However, the results of a drainage rate study are currently being reviewed by the City Council, so I make no specific recommendation in the Proposed Budget.

General Fund Revenues

The four largest sources of tax revenue for the General Fund are sales tax, Class C Road Fund, property tax and the Energy Sales and Use Tax. As represented by the enclosed graph (page xii), the City's **sales tax** revenues decreased dramatically beginning in 2008 due to the recession. The graph shows sales taxes actually received from FY 2003 through FY 2013. The graph also shows the projection made in 2008 of what staff expected the City would receive in sales tax revenues based on the assumption of a conservative 3 percent increase per year from 2008 to 2013. The graph depicts the disparity between the projection and actual revenues during that period of time. Sales tax revenue bottomed out and began increasing again in FY 2011. However, in FY 2013, sales tax revenue was still less than the amount received in FY 2008. In my FY 2015 Proposed Budget, I am projecting sales tax revenues will increase 4.3% over FY 2014.

The **Class C Road Fund** revenue is that portion of the gasoline tax collected by the State that is distributed among Utah cities to help pay for street maintenance. The amount of Class C revenue received by Centerville City has not increased since FY 2003. In that year the City received \$476,340, compared with \$478,990 in FY 2013, yet the cost of asphalt products has more than doubled. In other words, in a ten-year period the purchasing power of the City’s share of this revenue source has been cut in half.

Property tax revenue has also not kept up with inflation. Centerville City has not raised its property tax rate through a Truth-in-Taxation process for more than 20 years. This means that in FY 2013 the City collected the same total amount of property tax dollars as it collected from the taxable property that existed 20 years ago. The only increase in property taxes the City received over that period is attributable to new development. In other words, the purchasing power of the property tax revenue received by the City

declined year-by-year. For example, staff analyzed the 9-year period from FY 2003 to FY 2012. During that time, the Western States CPI Index reveals that the cost of goods and services increased by 28 percent. If property taxes had been keeping up with inflation during those nine years, the City would have collected an additional \$215,000 in FY 2012 from the tax base that existed in FY 2003. The property tax rate levied by Centerville City decreased from 0.002582 in 1994 to 0.001141 in 2013. Centerville City's portion of the total property tax rate affecting Centerville residents was only 8.25% in 2013. On a \$250,000 home, this is about \$157 per year.

The other major tax revenue source in the General Fund—**Energy Sales and Use Tax**—has kept up with inflation, generally speaking. This tax is applied to the monthly bills for electric power and natural gas. In 2013, the City Council increased the rate from 5% to 6% (same rate as all Davis County cities except one) to provide more funding for street maintenance.

General Fund “Base Budget”

My Proposed Budget—as expressed in the line item detail for each General Fund (GF) department—contains the funding I believe is needed to continue providing services and programs within the General Fund at current levels. I refer to this as the GF “Base Budget”. In addition, I have designated **\$290,120 as additional funding available to enhance the Base Budget**. My recommendations for use of this additional funding are given below, with the understanding the City Council may choose to alter those recommendations as well as any of the other proposed uses for funding contained in the GF Base Budget.

What is in the General Fund Base Budget?

The Base Budget maintains current staffing levels in each department, the equipment to support current services, and the operating expenditures I have deemed prudent and reasonable relating to those services. I have reviewed the funding requested by department heads for every line item within their respective budgets, asking for justification as needed. The Base Budget includes funding for the increased contribution rates for the Utah State Retirement System for City employees, and includes the assumption of a 5% increase for employee health insurance cost. The Base Budget does **not** include, however, funding for employee pay raises. That is one of the recommendations I make below for use of the available additional funding.

What are the pressure points for more General Fund expenditures?

In my opinion, more funding is needed either immediately or long-term for street maintenance, police and fire services, and improvements within existing parks.

There is immediate need to spend more for street maintenance. The latest update of the multi-year Streets Maintenance Plan estimates a need to spend about \$1.5 million per year on contract work (particularly for overlays and street reconstruction) over a five-year period to maintain the current generally good condition of our streets. I am hopeful that with careful planning and timely use of appropriate treatments, we can keep the streets in reasonably good condition with about \$1 million per year, but that is still well above historical and current spending levels for this purpose.

The ability of the Police Department to sustain their service level has been strained by the expansion of commercial retail services within the City and west-side development. The Department has not increased its workforce since FY 2005, nearly ten years ago.

I anticipate continued pressure on South Davis cities to increase their assessments to support the South Davis Metro Fire Agency. I expect the Fire Chief to continue asking for staffing increases to accommodate population growth. Assessments will also increase at some point to fund that portion of the Agency's current debt service which will not be paid from fire impact fees and to pay for future expansion of the Centerville fire station.

Park improvements related to growth are expected to be funded with park impact fees, which the City Council increased in 2013 in connection with an update of the parks capital improvements plan. However, impact fees cannot be used to replace existing park facilities, such as playgrounds and restrooms, or make other improvements not eligible for the use of impact fees. Funding for these purposes has been essentially non-existent since FY 2008.

What are the potential sources of more funding for General Fund expenditures?

There are several potential sources of additional funding for the purposes described above, several of which are limited to specific uses. Beyond the sources that have to be used for specific purposes, the City's property tax levy could be adjusted to generate more funding for any legitimate local government expenditure. My Proposed Budget, however, assumes no property tax increase this year.

The State Legislature appears to recognize a need for more transportation funding and has considered a number of ways to increase funding that would benefit cities. One of these is an increase in the gasoline tax, which is currently shared with counties and cities. Another option is the current authority in State law for Davis County to levy an additional ¼ cent sales tax that could be used for transportation funding, including the maintenance of city streets. However, the County Commissioners have not yet chosen to impose that additional tax.

Conversion of the South Davis Metro Fire Agency to a special taxing district would enable it to levy its own property tax for both operational and capital needs. This possibility has been discussed for several years with no consensus among the member cities. Currently the Fire Agency relies primarily on assessments to each member city, paramedic funding from the County and ambulance service fees. The Fire Agency Board has recently reviewed an analysis that supports a reallocation of paramedic funding. If County Commissioners agreed to reallocate these funds, this would provide more revenue for operational costs.

Improvements in existing City parks could be funded potentially with RAP tax revenue, if voters approved such use. The current RAP tax authorization—which expires in April 2016—is used primarily to pay debt service for the Davis Center for the Performing Arts (home of CenterPoint Legacy Theatre). I recommend the City Council put the RAP tax renewal on the November 2015 ballot with the intent to use much of those revenues for park improvements.

Another potential source of funding for critical/core services would be the elimination or reduction of other current services or programs, as may be determined by the City Council.

Finally, the elimination or reduction of UTOPIA's impact on the City Budget would also free up funding for other purposes. The Proposed Budget includes \$444,976 for Centerville's annual UTOPIA obligation. The elected officials of UTOPIA's 11 member cities are currently evaluating a private-public partnership with Macquarie Capital that potentially could reduce or eliminate the cities' financial obligations over the long term.

Recommendations for Additional General Fund Spending

I recommend the following uses of the **\$290,120** available for expenditures above the General Fund Base Budget:

- **New police officer position -- \$68,000.** This amount consists of \$60,000 for wages and benefits plus \$8000 for related operating costs. This officer would drive an existing used police department vehicle.
- **Street maintenance -- \$80,000.** This additional sum would bring the total funding for 2015 street maintenance projects to \$730,000, compared to \$650,000 being spent in 2014. In addition, the Water Fund would contribute \$20,000 for repaving a portion of the Public Works yard/parking lot.
- **Employee pay raises -- \$86,000.** This is the equivalent of 2.5% of the current wages for all full-time and part-time (i.e. year-round) General Fund employees. In my opinion, continuing to compensate employees fairly is important to the

continued delivery of quality services. The Proposed Budget also includes 2.5% for pay raises in the Water Fund and Drainage Fund, for employees providing those utility services. Centerville City's compensation plan does not include "cost-of-living adjustments", or COLAs. There are also no step increases within the pay ranges. Pay raises would vary, depending on an employee's performance and position within the pay range. The City Council needs to approve guidelines for this year's pay raises, which will be one of the subjects in a work session prior to adoption of the Final Budget.

- **Contingency -- \$35,000.** This would be under the City Council's direct control, to use for unanticipated expenses during FY 2015.
- **Other priorities -- \$21,120.** This is the amount remaining of the \$290,120 if the City Council agrees with the recommendations above. This is available for other Council priorities. Mayor Cutler would like to see funding designated for some pedestrian crossing improvements and a "Lunch with the Mayor" program for school children. Another use could be the City's Centennial Celebration (in addition to the \$10,000 included in the Base Budget for the Centennial Book)—such as enhancing the July 4th Celebration or funding other Centennial-related activities sponsored by the City's existing entities (Trails Committee, Landmarks Commission, Whitaker Museum, etc.).

The City Council will have opportunity to discuss and modify these recommendations, if they wish, before adoption of the Final Budget in June.

Capital Projects and Equipment

Beginning on page xiii, I have identified department head requests for equipment and projects (exceeding \$1000) and which of these requests are included in my Proposed Budget. The total of all capital expenditures in the Proposed Budget is about \$3 million, excluding the Redevelopment Agency.

Long-Term Financial Obligations

The City has the following long-term financial obligations: 1) repayment of water revenue bonds; 2) an annual pledge for UTOPIA; and 3) repayment of bonds issued for construction of the Davis Center for the Performing Arts. The Proposed Budget includes the payments due in FY 2015 for each of these obligations.

Water Revenue Bonds – The City issued water revenue bonds in 2012 for water system improvements. This bond issue included \$2.1 million in new borrowing and refunded the existing debt of \$2.1 million. The debt service requirements will be paid entirely from Water Fund revenue and Drainage Utility fees.

UTOPIA – The City began paying its sales tax pledge for UTOPIA in January 2010. The following funding sources are being used to pay most of the annual pledge:

- **Reimbursement from the RDA to the General Fund for Freedom Hills Park construction.** This park was eligible for funding from the RDA's additional tax increment (i.e., "haircut"), which currently generates about \$170,000 per year. Other City funds, however, were used to complete the park sooner; therefore, the RDA's additional increment is now flowing to the City as repayment and is being used for the UTOPIA obligation.
- **Freed up debt service capacity in the General Fund.** The General Fund had an annual debt service obligation of about \$160,000 for the City Hall building until 2012, when that debt was retired. Therefore, this sum is now being applied towards the UTOPIA obligation.

The FY 2015 pledge amount is \$444,976. After taking into account the sources mentioned above, an additional amount of about \$115,000 is designated from General Fund revenues in FY 2015 for this purpose. These sums are all shown in the Capital Projects Fund (page 53).

Davis Center for the Performing Arts – Construction of this \$14.3 million regional performing arts facility was completed in 2011 on a parcel owned by the Redevelopment Agency of Centerville. Debt service for this facility is being paid from four sources: 1) a RAP tax approved by the voters in Centerville and Bountiful; 2) RDA tax increment (i.e., property taxes from the businesses in the Redevelopment Area); 3) Davis County tourism taxes; and 4) private donations. The payment of this debt is shown in the Debt Service Funds section of the Proposed Budget on page 49 under the category of "Sales Tax Revenue Bonds – 2009." Although sales taxes were pledged as the security for these bonds, the debt will be paid fully from the sources identified above.

REDEVELOPMENT AGENCY

The Centerville Redevelopment Agency (RDA) is a separate legal entity created under State law for the purpose of assisting in the redevelopment of under-developed areas in the City. The City Council serves as the RDA Board of Directors. The RDA's Budget is included in the total Budget document, but is subject to its own public hearing and adoption process.

The source of revenue for the RDA Fund is the property tax "increment" (or increase) created by increasing the taxable property valuations in each "Project Area" through redevelopment activities. The RDA is entitled to use a portion of the new property tax revenues for legitimate purposes identified in State law – such as public infrastructure (roads, utilities, etc) in the Project Area, public amenities, or financial assistance to

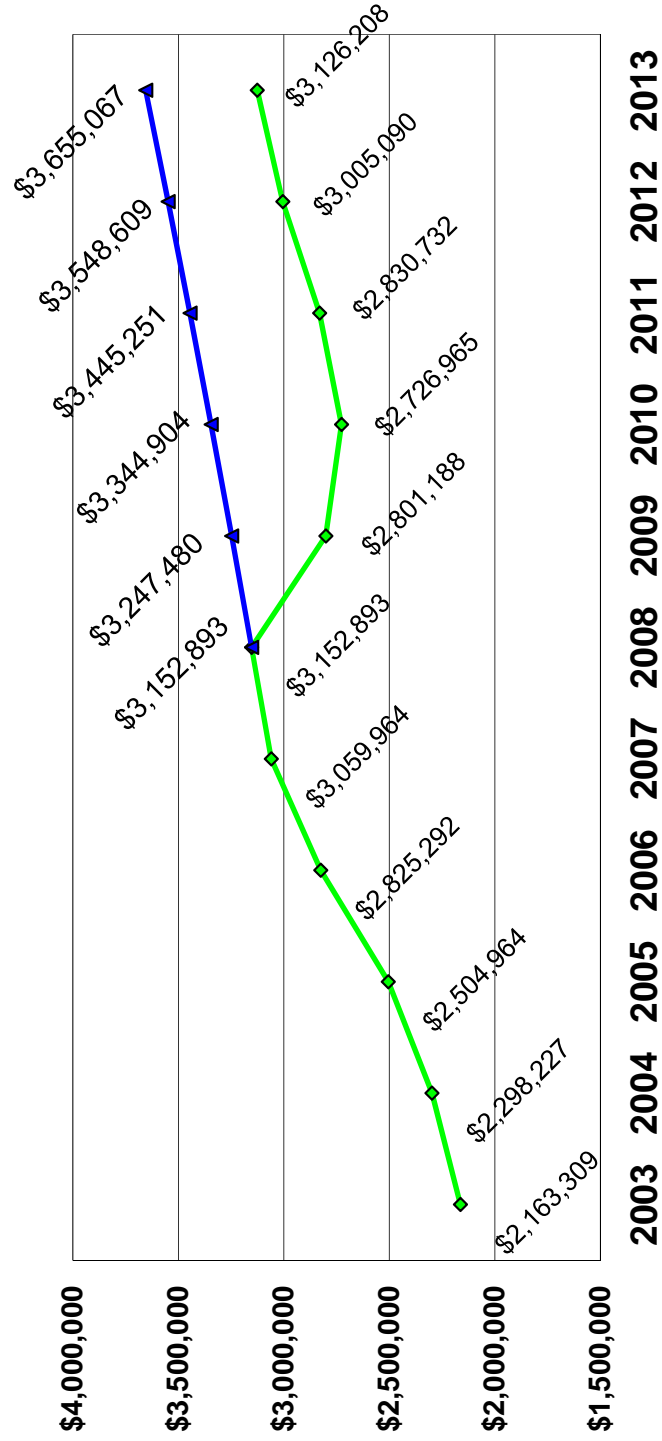
developers. Up to 20% can be used for construction or preservation of affordable housing.

The Centerville RDA Proposed Budget begins on page 66. The RDA currently has three Project Areas: the Parrish Lane Gateway Project Area (a traditional Redevelopment Area); the Legacy Crossing at Parrish Lane Project Area (a Community Development Area, or CDA); and the Barnard Creek Project Area (also a CDA). The biggest current commitment related to the Parrish Lane Gateway Project Area is for debt service for the Davis Center for the Performing Arts, explained earlier in this Budget Message. In the Legacy Crossing and Barnard Creek CDAs, tax increment will flow to developers in the project areas to reimburse them for public infrastructure (roads, water mains, storm drains, etc.) and some private on-site improvements.

SUMMARY OF REVENUES AND EXPENDITURES

A summary for all funds in the Proposed Budget is shown on page xvi. Summaries of revenues and expenditures for the General Fund are shown on pages xvii and xviii.

Centerville Sales Tax Revenue History
& What if 3%



**Capitol Equipment & Projects
FY 2014-2015
(over \$1,000)**

	Department Request	Proposed	Notes	Page #
<u>City Council</u>				
Mitigation fund (re-appropriated)	\$5,000	\$5,000		5
<u>Administrative</u>				
<u>Attorney</u>				
<u>Court</u>				
Computer replacements	\$3,500	\$3,500		6
<u>Finance</u>				
Misc. Replacements -IT	\$3,000	\$3,000		9
Network	\$5,000	\$5,000		9
Paperless work order system (1/4)	\$2,400	\$2,400		9
<u>Emergency Management</u>				
Equipment	\$2,500	\$2,500		11
<u>Police</u>				
3 Replacement vehicles	\$90,000	\$90,000		16
Equipment for vehicles	\$30,000	\$30,000		16
5 Laptops w/printers	\$12,000	\$12,000		16
4 Portable Radios	\$10,400	\$10,400		16
12Tasers	\$14,510	\$14,510		16
<u>Liquor Law funds</u>				
Emergency equipment	\$2,500	\$2,500		17
3 Radars (replacements)	\$9,500	\$9,500		17
<u>PW Admin</u>				
Upgrade shop lift	20,000	0		25
Alldata light duty program	1,500	1,500		25
Upgrade to new vehicle scanner software	3,000	3,000		25
<u>Streets</u>				
Backhoe change out	\$5,600	\$5,600		27
Separating screen (shared with water)	\$7,250	\$0		27
Salt racks	\$48,000	\$0		27
Bobtail dump truck with plow	\$160,000	\$0		27
550 4x4 with plow equipment	\$54,000	\$0		27
Barricades cones etc. (includes \$2,000 in 480)	\$4,000	\$0		27
Lease payment (10 wheel truck w/plow)	\$45,345	\$45,345		27
Tree removal	\$15,000	\$5,000		27
Street projects	\$1,446,065	\$670,000	includes \$20,000 from water for parking	27
New recommended funding	-	\$80,000		
<u>GIS</u>				
GIS cloud scanner	\$2,500	\$0		28
Plotter/scanner combo	\$10,000	\$10,000		28
<u>Parks</u>				
Backhoe trade-out	\$16,000	\$16,000		31
3/4 ton truck	\$28,000	\$28,000		31
Replace various small equipment	\$5,000	\$5,000		31
Lawn sweeper replacement	\$31,000	\$0		31
Sports storage shed	\$4,000	\$4,000		31
Replace infield soil at Community Park	\$10,000	\$0		31
Citizen service projects	\$5,000	\$5,000		
<u>Community Events</u>				
Centennial book	\$10,000	\$10,000		33

<u>City Hall Building</u>			
Roof replacement with vents	\$50,000	\$50,000	35
Council room thermostats	\$7,000	\$7,000	35
Lobby furniture	\$2,000	\$0	35
Carpet, paint, floor polish (\$2,000 in 482)	\$5,000	\$0	35
Remodel administrative work area	\$25,000	\$0	35
<u>Public Works Facility</u>			
Ceiling fan for main shop	\$3,800	\$0	36
Grates for wash bay & pit area	\$2,000	\$0	36
Man doors in wash bay & pit, replacement	\$3,000	\$3,000	36
<u>Parks building</u>			
Shop heater	\$2,000	\$2,000	38
<u>Community Development</u>			
Misc. Equipment (contingency)	\$1,500	\$1,500	40
Subtotal General Fund			
	<u>\$2,222,870</u>	<u>\$1,142,255</u>	
Street projects	\$1,446,065	\$750,000	
Equipment	<u>\$776,805</u>	<u>\$392,255</u>	

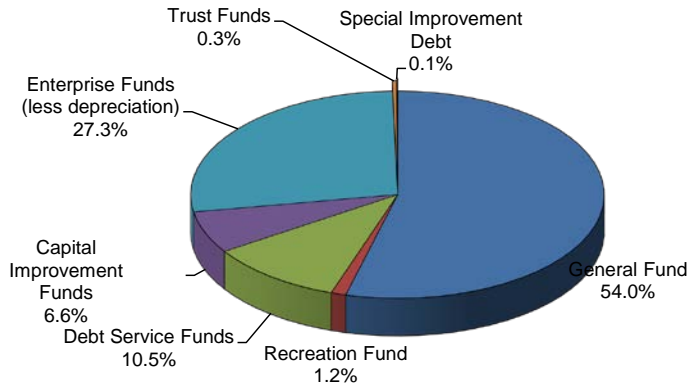
<u>Storm Drain Capital Improvement</u>				
Lund Lane storm drain under RR	\$175,000	\$175,000	\$150,000 from developer	51
Misc. projects	\$51,358	\$51,358		51
<u>Parks Capital Improvement Fund</u>				
Community Park expansion site	\$338,861	\$338,861		52
<u>Capital Projects Fund</u>				
Telecommunications - UTOPIA pledge	\$444,976	\$444,976		53
<u>Water Fund</u>				
Telemetry upgrades	\$15,000	\$15,000		57
Backhoe change out	\$5,600	\$5,600		57
Air compressor	\$16,900	\$0		57
Truck (replacement)	\$40,000	\$40,000		57
Separating screen	\$7,250	\$0		57
Valve box vacuum	\$17,000	\$0		57
Line Locator	\$3,330	\$3,330		57
Chlorine Scale Upgrade	\$2,800	\$2,800		57
Paperless work order software (1/4, GF, water, drainage sani	\$2,400	\$2,400		57
Battery Changeout, telemetry	\$3,000	\$3,000		57
<u>Projects</u>				
New development	\$150,000	\$150,000	funded by developers	57
PRV repair	\$10,000	\$10,000		57
Chlorine pumps	\$5,000	\$5,000		57
Move inside meters to curb	\$15,000	\$15,000		57
PW parking paving	\$20,000	\$20,000	contribution to GF	57
<u>Bond projects</u>				
Chase Lane well pump building	\$100,000	\$100,000		57
Oakridge Drive waterline	\$118,000	\$118,000		57
I-15 bore waterline	\$250,000	\$250,000		57
<hr/>				
<u>Sanitation Fund</u>				
Can Purchase	\$6,500	\$6,500		58
Spring cleanup	\$30,000	\$30,000		58
<u>Drainage Utility</u>				
Tablet/software	\$1,200	\$1,200		60
Paperless work order software (1/4, GF, water, drainage sani	\$2,400	\$2,400		60
Raise manholes	\$4,000	\$4,000		60
<u>Whitaker Home</u>				
Building and grounds	\$13,200	\$13,200	\$1,500 city, FB, grant.	63
Fund raising	\$14,854	\$14,854		63
Subtotal Other Funds	<u>\$1,863,629</u>	<u>\$1,822,479</u>		
Total (excluding RDA)	<u>\$4,086,499</u>	<u>\$2,964,734</u>		

**Fiscal Year 2014-2015
Budget Summary
All Funds
(excluding RDA)**

Fund Type	Department Request	Tentative	Adopted
Revenues			
General Fund	\$8,614,375	\$8,614,375	\$0
Recreation Fund	\$180,635	\$180,635	\$0
Debt Service Funds	\$1,623,888	\$1,623,888	\$0
Capital Improvement Funds	\$1,010,195	\$1,010,195	\$0
Enterprise Funds	\$4,491,993	\$4,491,993	\$0
Trust Funds	\$58,139	\$58,139	\$0
Special Improvement Debt	\$10,078	\$10,078	\$0
Total Sources	\$15,989,303	\$15,989,303	\$0

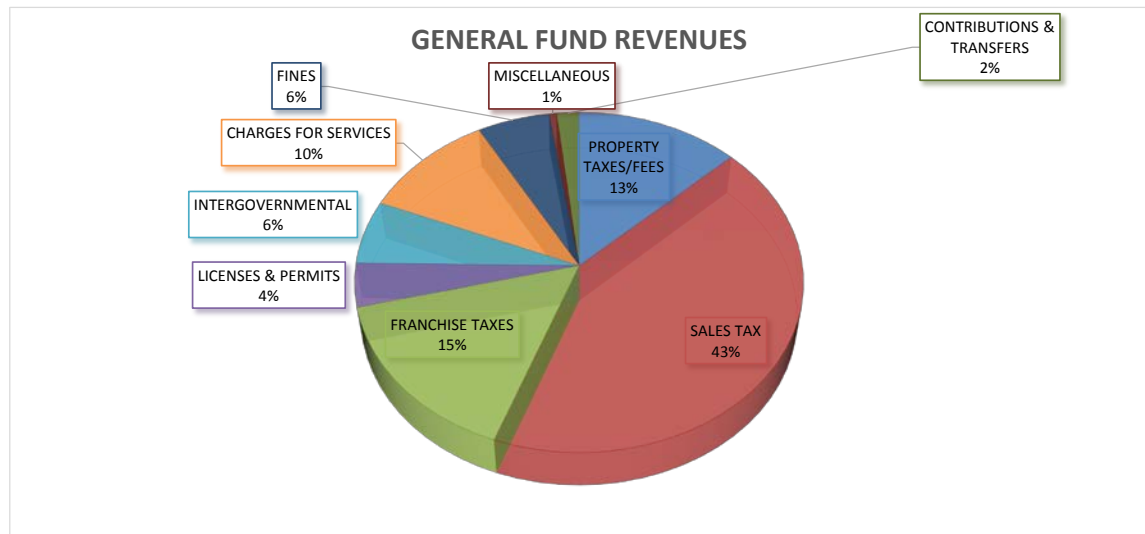
Expenditures			
General Fund	\$9,666,670	\$8,324,255	\$0
Recreation Fund	\$179,380	\$179,380	\$0
Debt Service Funds	\$1,623,888	\$1,623,888	\$0
Capital Improvement Funds	\$1,010,195	\$1,010,195	\$0
Enterprise Funds (less depreciation)	\$4,246,009	\$4,203,709	\$0
Trust Funds	\$52,214	\$52,214	\$0
Special Improvement Debt	\$10,078	\$10,078	\$0
Total Expenditures	\$16,788,434	\$15,403,719	\$0
Revenue over/under expenditures	-\$799,131	\$585,584	\$0

FY 2014/15 Expenditures by Fund (includes transfers)



**General Fund Revenues
Summary By Category
FY 2014-2015 Budget**

	2013-14				2014-15		
	2011/2012 ACTUAL	2012/2013 ACTUAL	6 MONTH ACTUAL	12 MONTH ESTIMATE	BUDGET	TENTATIVE ADOPTED	
PROPERTY TAXES/FEES	\$1,042,136	\$1,083,247	\$962,783	\$1,085,913	\$1,082,913	\$1,109,775	\$0
SALES TAX	\$3,005,090	\$3,129,208	\$1,659,731	\$3,475,000	\$3,455,070	\$3,662,000	\$0
FRANCHISE TAXES	\$994,689	\$1,037,792	\$529,378	\$1,239,000	\$1,296,500	\$1,330,000	\$0
LICENSES & PERMITS	\$538,488	\$349,401	\$198,761	\$385,735	\$356,350	\$356,350	\$0
INTERGOVERNMENTAL	\$541,232	\$640,672	\$249,552	\$640,970	\$602,390	\$517,825	\$0
CHARGES FOR SERVICES	\$729,599	\$907,048	\$367,165	\$857,933	\$855,475	\$908,175	\$0
FINES	\$460,565	\$463,760	\$239,265	\$489,000	\$485,000	\$492,000	\$0
MISCELLANEOUS	\$201,538	\$24,849	\$6,958	\$50,620	\$53,250	\$50,750	\$0
CONTRIBUTIONS & TRANSFER	\$139,783	\$198,840	\$49,701	\$196,255	\$206,255	\$152,500	\$0
TOTAL REVENUES	\$7,653,120	\$7,834,817	\$4,263,294	\$8,420,426	\$8,393,203	\$8,579,375	\$0
BOND PROCEEDS							
DESIGNATED FUND BALANCE							
USE OF FUND BALANCE/OTHE	\$0	\$0	\$0	\$0	\$585,075	\$35,000	\$0
TOTAL SOURCES OF REVENUE	\$7,653,120	\$7,834,817	\$4,263,294	\$8,420,426	\$8,978,278	\$8,614,375	\$0



**GENERAL FUND
EXPENDITURES
FY 2013-2014**

	2011/12 Actual	2012/13 Actual	2013/14 Budget	Department Request	2014/15 Tentative	Approved Budget
Government Services	\$1,518,797	\$1,321,301	\$1,413,915	\$1,375,801	\$1,375,501	\$0
Police	\$2,215,314	\$2,317,119	\$2,429,919	\$2,518,337	\$2,453,637	\$0
Fire	\$768,425	\$794,172	\$813,602	\$822,340	\$822,340	\$0
Public Works	\$1,462,534	\$1,454,318	\$2,390,645	\$2,933,196	\$1,831,381	\$0
Parks/Recreation	\$706,671	\$669,708	\$826,331	\$890,516	\$848,816	\$0
Public Buildings	\$209,094	\$186,247	\$204,045	\$287,396	\$239,296	\$0
Community Development	\$399,499	\$331,923	\$380,902	\$415,248	\$415,248	\$0
Transfers	\$351,751	\$340,687	\$501,990	\$423,836	\$338,036	\$0
Total General Fund Expenditures	\$7,632,085	\$7,415,475	\$8,961,349	\$9,666,670	\$8,324,255	\$0

General Fund Expenditures

