Minutes of the Centerville City Council special meeting held Tuesday, August 8, 2017 at 7:00 p.m. at Centerville City Hall, 250 North Main Street, Centerville, Utah.

MEMBERS PRESENT

Mayor Paul A. Cutler
Council Members Tamilyn Fillmore
William Ince
Stephanie Ivie
George McEwan
Robyn Mecham

STAFF PRESENT

Steve Thacker, City Manager
Lisa Romney, City Attorney
Jacob Smith, Assistant to the City Manager
Katie Rust, Recording Secretary
Marcus Arbuckle, Kedington & Christensen

PLEDGE OF ALLEGIANCE

PRAYER OR THOUGHT Councilman Ince

STAFF PRESENTATION ON PROPOSED PROPERTY TAX INCREASE

City Manager Thacker explained that the proposed 40% increase in the Centerville property tax rate would generate an estimated $395,592 in additional revenue for the General Fund. The City Council would use the additional revenue for street maintenance and sidewalk repair, retaining a quality police force, and increasing the City’s financial reserves. Mr. Thacker presented amendments to the FY 2018 Tentative Budget not previously presented to the Council. He explained that cities participating in the South Davis Metro Fire District will continue to pay assessments similar to past assessments to maintain traditional staffing levels. Mr. Thacker presented data regarding the number of full-time employees working for Centerville City (attached). Councilman Ince presented a table of General Fund revenues over a 15 year period, adjusted for inflation, on a per capita basis by number of residents and number of homes. He said the data shows that costs, adjusted for inflation, have gone down over the 15 year period, and total revenues are still below what they were prior to the economic decline of 2007 and 2008. He said this data helped him come to the conclusion that the proposed property tax increase is necessary and appropriate.

TRUTH-IN-TAXATION AND FY 2018 BUDGET HEARING

At 7:29 p.m., Mayor Cutler opened a public hearing on the proposed property tax increase and the FY 2018 Tentative Budget.

Dorothy Call – Ms. Call said she has lived in Centerville for 57 years and she has seen a lot of changes. She said she does not think the Council needs to raise property taxes that much. She pointed out that the residents did not want UTOPIA, but are having to pay for it. She said she thinks things need to be thought through a little more. Ms. Call expressed the opinion that putting a cemetery or a bunch of houses at the former site of Dick’s Market is the dumbest thing she’s ever heard. She said Centerville is not a big city and will never be a big city. She said she has a limited income, and would like the City to come up with some other way to cover expenses and not raise taxes so much.
Garth Heer — Mr. Heer said he has lived in Centerville for 30 years. He agreed with Ms. Call’s statements. He said he knows staff has tried to come up with a responsible budget, but he knows there is always more that can be reduced. Mr. Heer commented there are two ways to get out of a financial bind — increase revenue or reduce costs. He said the Council needs to think about not spending so much on things that are not needed. He expressed confidence that if he were handed the budget he could rework it so that a property tax increase is not necessary. He said he feels the City should live within its means. He expressed the opinion that those within the community that have rich tastes should be willing to fund the extras themselves. Mr. Heer said he does not feel the competition between police agencies is really a problem since Centerville is a beautiful place to work and live. He said citizens should be willing to volunteer to make extra services possible. Mr. Heer said he is not in favor of the proposed property tax increase. He said he suspects if more residents were in attendance they would also be against a property tax increase. He expressed the opinion that putting bike lanes on the Frontage Road is foolishness. Mr. Heer asked the City Council to reconsider and study the issue more.

Lynn Erickson — Mr. Erickson asked if commercial properties would pay an increased tax rate and how they figure into the revenue projections. Mr. Thacker responded that the projected amount includes businesses as well as residences. For businesses, the tax rate is applied to 100 percent of the County-determined market value, but homes are assessed based on only 55 percent of their value.

Bill Bryant — Mr. Bryant said he understands the need for more money, but he would like a better understanding. He said he knows the value of his business and his home have gone up, he knows the City is collecting more sales tax and more property tax, and he is confused as to why the rate needs to be raised.

Mr. Thacker explained that property tax revenue has been fairly level in recent years. The only increase has been from new growth. He explained the certified property tax rate as set by the State, and the fact that the purchasing power of property tax revenue has reduced over the years. Mr. Bryant responded that his property taxes have gone up every year. Mr. Thacker explained that many taxing entities affect property tax, and added that it is possible for a homeowner’s tax bill to increase without any rate increases. The total property tax revenue collected by the City has to remain the same from year to year (except for new growth) unless the Council goes through the truth-in-taxation process. The last action by a Council that resulted in a property tax rate increase was in 1992. Regarding sales tax, Mr. Thacker stated that the impact of online sales has been significant, and although the State has been attempting to do something about the problem, the process is slow. Sales tax collected in Centerville goes to the State. Fifty percent of the 1% local option sales tax is returned to the City, and the other 50% goes into a statewide pool distributed by population. Mr. Bryant commented that the Centerville property tax increase is only a portion of what will affect residents — other entities are also raising property tax rates.

Sheldon Wood — Mr. Wood said it is his impression that what happens in Centerville is positive. He said he thinks it is easy to misunderstand the certified tax rate. He asked if it has been a specific strategy of the City to not raise the property tax rate in so long. He said it feels like the City has painted itself into a corner, and it might have been better to have smaller increases over time rather than all at once. Mr. Wood said he is an avid cyclist, and he is excited about having bike lanes on 800 West.

Mayor Cutler responded that some cities go through the truth-in-taxation process for smaller increases every year. Centerville has chosen to rely on sales tax growth and specific fee increases. The City is now at a point when a property tax increase is necessary. Most City Councils have not wanted to consider a property tax increase because it is not a politically
popular thing to do. The Mayor said he respects the suggestion to have smaller increases every year. Mr. Thacker added that since the recession the City has been drawing upon reserves to balance the budget, and it is time to face the reality that a property tax increase is necessary.

Kevin Rawlings – Mr. Rawlings said he thinks 40% is way too much at one time. He said he thought the City had elected a conservative City Council, but it is not looking that way. Mr. Rawlings asked the amount of the annual payment to UTOPIA, and asked how the City can get out of UTOPIA. He expressed the opinion that the UTOPIA member cities need to quit paying. Mr. Rawlings repeated that he feels 40% is too much.

Leon Tanner – Mr. Tanner asked how much sales tax has increased since 1992. The Mayor responded that the increase has been significant. Mr. Tanner said he does not feel it is correct to say the City has not had a tax increase since 1992.

Dale McIntyre – Mr. McIntyre said that no one likes tax increases, including Council members, but things happen. People spend money unwisely; cities spend money on things that do not benefit all citizens (e.g. CenterPoint and UTOPIA). He questioned whether the City should spend money on things that are beautiful, but more expensive, versus things that are utilitarian. Mr. McIntyre said he likes the phrase "use it up, wear it out, make it do, or do without."

Bill Duncan – Mr. Duncan stated he is opposed to the proposed property tax increase. He said he thinks it is basically unfair to tax the general population when UTOPIA subscribers are not paying their fair share. He said he feels the people that benefit from UTOPIA should pay for it. He suggested charging UTOPIA users another $25 every month, which would cover the need and make a property tax increase unnecessary. Mr. Duncan agreed the City has needs, but he thinks there are other revenue sources.

Lee Skabelund – Mr. Skabelund said he feels this Council has been burdened with a heavy load that is not of their making. He mentioned the increase in his utility bill since he moved to Centerville in 1989. He said he believes the City should be charging drainage fees based on contributing hard surfaces, not on samples taken with aerial photos. He said he does not feel businesses are paying enough for drainage. Mr. Skabelund said he feels the City is not addressing little matters of equity and efficiency. He stated there has been extremely low inflation. He said he feels the City Council or the City Manager should have addressed the needs before the recession. Mr. Skabelund said the City needs to be willing to live within its means, and suggested the Council creatively reevaluate how the money is used.

Kent Holbrook – Mr. Holbrook proposed that the City put together a campaign to remind citizens to “buy Centerville”. If sales tax is a way to increase revenue for the City, he said the City should promote shopping in Centerville. Mr. Holbrook said he is not happy about a 40% property tax increase. He suggested giving the citizens a reminder that where they shop makes a difference.

Dan Loewen – Mr. Loewen expressed appreciation to each member of the Council for devoting so much time to civic affairs. He said he agrees with most of what has been said. He expressed concern for Council members who may be running for reelection. He said he would hope the Council would listen to the comments made and look at the budget again to see what could be done. Mr. Loewen said he supports the suggestion to move the UTOPIA burden to those who use UTOPIA. He expressed the opinion that 40% is a little heavy.

Steve Allen – Mr. Allen said he really appreciates the effort the Council has put into looking for places to cut back in the FY 2018 Budget. He said the difficult issue is all of the rate
increases hitting at the same time. He suggested the Council reconsider needs versus desires, and take another look to find places to trim. Mr. Allen said he feels it is unfortunate that this Council has to deal with decisions made in the past. He suggested scaling back the percentage, and cutting rather than just trimming the budget. He said he is under the impression the City is anticipating coming back relatively soon with another tax increase. He suggested that reducing the requested increase would force the City to be a little more diligent in making the cuts to the budget.

Tracy James – Mr. James said he feels the Council has a big burden on their shoulders. The property tax increase could have occurred in small bites in the past, but it didn’t. He said he feels if the Council does not make the proposed decision now, it will really hurt the City. He expressed confidence that inflation is coming, and suggested that the reason the room is not full is that the citizens as a whole are saying they are willing to pay.

Mayor Cutler closed the public hearing at 8:25 p.m. Councilman McEwan stated he appreciates all of the comments. He emphasized that the proposed property tax increase is not a UTOPIA tax. Councilman McEwan stated that UTOPIA is a sunk cost and has been for a long time. He said that his first experience in the Council chambers was arguing against UTOPIA in 2004. Now, as a member of the UTOPIA Board, he has seen that UTOPIA and UIA are very legally protected. He expressed the opinion that the UTOPIA distribution is not fair and equal, but the City ultimately needs to accept the reality that it is a sunk cost. The reality is that the City has basic services it is supposed to be providing - police, General Fund reserves, and critical maintenance services. Councilman Ince agreed that it is unfortunate, but no one on the Council has the ability to affect any change with UTOPIA. He commented that it is fortunate that Centerville was selected to be built out; most UTOPIA cities in a similar situation are less than 50% built out.

Councilwoman Ivie said she knows that a 40% property tax increase does not seem conservative, but at the same time, the City has not bonded. She said she feels strongly in pay-as-you-go rather than building up debt for those down the road. Councilwoman Fillmore said she agrees with the principles of reduction and being fiscally conservative. She said she faces this question with a clear conscience and a great deal of pride in the current City Council. They have done the most fiscally conservative thing since the Council in 1992, in being willing to address the problem now rather than continue to kick the can down the road. For many years Centerville citizens have not paid for all the services provided, and the Council is now asking the citizens to live by the principle of paying for what you get. She added that the 40% increase will not fully cover the cost of services. Councilwoman Fillmore said she has been proud to work with the Council in this process. Councilman McEwan pointed out there is a cost of deferred infrastructure and deferred maintenance, and he does not feel Centerville wants to become a city that cannot keep up with necessary projects. He emphasized that the Council is committed to looking at every dollar spent. Councilman McEwan said he knew this concept was a reality that needed to be faced when he was campaigning. He stated that a 40% property tax increase will not cover all City obligations. He clarified it is not the Council’s intention to implement another increase next year, but stated that a future City Council will need to deal with the reality. He stated that in the interest of being fiscally conservative, this is a good time to do projects involving gas and oil with prices as low as they are.

Councilman Ince stated that the desire to retain quality officers in the Police Department is a valid concern. The City has already lost several officers to other agencies. The Centerville Community Foundation raised funds targeted toward showing appreciation to the Police Department during Law Enforcement Week in May. All of those efforts were paid for with donations. Councilman Ince said he learned after Law Enforcement Week that one officer told the Police Chief that he had been on the verge of accepting a different position, but the campaign convinced him to stay with Centerville. He said he would gladly establish a
committee of citizens willing to look into drainage fees. Mr. Thacker clarified how drainage fees are calculated for businesses and residences. The Mayor commented that he gets more complaints from businesses regarding drainage fees than residents. Mr. Thacker said he feels it is wise for the City to be replacing subdrains to prevent further flooding in basements. He explained that homeowners in a subdrain district pay three times more than homeowners not in a subdrain district.

Councilwoman Mecham stated the proposed property tax increase has been a hard thing for her to go along with. She said she has searched to find where the City could cut things back, and feels she probably pushed harder than she should have. She said when she asked why previous Councils have not done this, the response was that previous Council members wanted to be reelected. Councilwoman Mecham said she believes the property tax increase is necessary in order to maintain quality of life. She said she works closely with the police officers, and most of them do not live in Centerville because they cannot afford to live here. She stated Centerville has excellent police officers, and she really wants the City to be able to keep them.

At 8:50 p.m., Mayor Cutler reopened the public hearing.

Garth Heer – Mr. Heer requested the Council go back and sharpen their pencils and cut the Budget back more to drop the increase to 25% or 30% to give evidence that an effort has been made.

Kevin Rawlings – Mr. Rawlings asked for clarification regarding the number of Police Officers in the Centerville Department. Mr. Thacker answered his question.

The Mayor closed the public hearing at 8:53 p.m. Councilman McEwan commented that this Council has done a lot of restructuring and cutting. He stated that, especially considering the low unemployment rate, the City cannot treat people as a commodity because there are other opportunities out there. He explained that budget cutting goes on throughout the year. Councilman McEwan said the hardest part of the process was trying to distill down a complicated issue into a budget newsletter. This Council has tried to be transparent, and a lot of time and effort has been put into it. Councilwoman Fillmore added that the tightening process has been going on for many years. Management has suggested that a property tax increase is needed to maintain quality of service for many years, and the answer from previous City Councils has been “no.” Councilman Ince commented that much of the community expects the City to continue with the programs that are in place.

Councilman McEwan emphasized that he has never made a decision as a Council member based on a desire to be reelected, because he feels that mindset interferes with the process. From his perspective, he has to do what logically makes sense. Councilman McEwan made a motion to adopt Resolution No. 2017-15 setting the real and personal property tax levy for municipal purposes. Councilman Ince seconded the motion, stating that he would be willing to have one more meeting to try to respond to comments that have been made if the Council desires. Councilwoman Fillmore said she feels the fact that the Council is unanimous in this is a powerful statement. She suggested the Council make a list of everything they can identify that has been reduced or cut from the Budget in the last two decades. Councilman McEwan said that, as a citizen commenting during a public hearing, it is very hard to express an opinion to the Council and then watch them make a decision the same night. He said that, in this case, the additional pencil sharpening could maybe yield something, but it would not change the overall picture significantly. He agreed with Councilwoman Fillmore’s suggestion, but said it would be difficult to distill all the information. Councilwoman Ivie said she likes the idea of sharpening the pencil one more time, but said she is not sure anything could be cut that would make even a 1% difference to the proposed increase. She agreed with sending out information of where
reductions have been made. The motion to adopt Resolution No. 2017-15 passed by unanimous vote (5-0).

**FY 2018 BUDGET**

Mr. Thacker commented that an interfund loan would be set up between the RAP Tax Fund and the Parks Capital Improvement Fund so the RAP Tax Fund can be paid back for funds spent on the Community Park Expansion when possible.

Mr. Thacker asked the Council if they want any of the revenues budgeted to go into the Cemetery Perpetual Care Fund to be used for cemetery maintenance in the General Fund in either FY 2017 or FY 2018. Councilman McEwan said he feels some should be used for maintenance. Councilman Ince proposed moving 80% to the General Fund to cover maintenance, and 20% to the Perpetual Care Fund in both FY 2017 and FY 2018. Councilwoman Ivie expressed support. Councilman Ince made a motion to use 80% of revenue from fees that otherwise based on the City Fee Schedule and Ordinances would go into the Perpetual Care Fund, be used for FY 2017 and FY 2018 cemetery maintenance. Councilman McEwan seconded the motion, which passed by unanimous vote (5-0).

Mr. Thacker stated staff recommends the Council reverse $20,000 of the transfer from the General Fund to the Recreation Fund in FY 2017. Marcus Arbuckle with Keddington & Christensen expressed confidence that the Recreation Fund will maintain a positive balance. Councilman Ince made a motion to reverse $20,000 of the transfer to the Recreation Fund from the General Fund in FY 2017, in view of the positive fund balance in the Recreation Fund. Councilwoman Ivie seconded the motion, which passed by unanimous vote (5-0).

Councilman McEwan made a motion to adopt Resolution No. 2017-16 adopting the FY 2018 Final Budget, with changes detailed by staff, including a breakout on the capital projects in the Transportation Fund as suggested. Councilman Ince seconded the motion, which passed by unanimous vote (5-0).

Mr. Thacker thanked the Council for investing so much effort and time in the FY 2018 Budget. He also thanked Jake Smith and Marcus Arbuckle for their significant help. The Council thanked Councilman Ince for his help on the Budget, and Mr. Thacker for the extra time he has spent on the Budget this year.

**MISCELLANEOUS**

Mayor Cutler reported that an agreement with the County regarding the County-owned property on 100 South will be presented to the Council at the next Council meeting.

**ADJOURNMENT**

Councilman McEwan made a motion to adjourn the meeting at 9:22 p.m. Councilwoman Ivie seconded the motion, which passed by unanimous vote (5-0).