

SOUTH JORDAN CITY
CITY COUNCIL SPECIAL BUDGET MEETING
POLICE TRAINING ROOM

March 29, 2016

Present: Mayor David Alvord, Council Member Patrick Harris, Council Member Brad Marlor, Council Member Chris Rogers, Council Member Tamara Zander, Council Member Don Shelton, CM Gary Whatcott, Fire Chief Andy Butler, Administrative Services Director Dustin Lewis, Police Chief Jeff Carr, City Attorney Ryan Loose, Strategic Services Director Don Tingey, Development Services Director Brad Klavano, COS Paul Cunningham, Finance Director Sunil Naidu, IS Director Jon Day, Public Works Director Jason Rasmussen, Deputy Recorder Cindy Valdez

Others: Nick Geer, Chuck Newton, Julie Holbrook, Teresa Cook

**BUDGET STUDY SESSION
POLICE TRAINING ROOM – 4:00 PM**

Mayor Alvord welcomed everyone present.

A. Invocation: By Council Member Brad Marlor

Council Member Brad Marlor offered the invocation.

B. FY Budget 2016-2017 (Mayor)

Mayor Alvord said it is so good to see so many of our Department Heads and our staff here tonight, and I would like to start by thanking everyone for what I consider an excellent budget session.

Mayor Alvord said I have spoken to every Council Member by phone about this item and for me this is an opportunity to put a tax platform to bed. I would like to have a resolution on what I campaigned on, and what I think a majority of the residents voted for 3 years ago. I have asked Sunil to show the graphs of what I am presenting to you, and he has put it in a presentation on the screen in front of you. I had mentioned to a few of you on the phone that we were originally projecting that this would be a net revenue gain of \$55,000, and that number is now updated and the new numbers are the net revenue gain will be \$41,000. As the years go by you can see that the franchise tax is projected to increase at a rate that is quicker, or bigger than the property tax increase.

C. FY Budget 2016-2017 General Budget Review (Staff)

Sunil Naidu reviewed slide presentation (Attachment A.).

Mayor Alvord said I just want to give you a little background on what this proposal represents. This is part of a campaign promise and something that I thought the quorum would accept, and I want you to understand that from my perspective this is a compromise proposal. If I would have had three votes by myself I would probably not have the offset I would just have the property tax outright, but understanding that we have a mixed body and quorum of some bright people that have differing opinions, so I have offered an offset that actually brings a little revenue into the City. I would like to know what the thoughts are from the Council Members on this proposal.

Council Member Harris said so when you made your promise did you reference property or franchise taxes? I am just wondering if this a positive offset how this is helping you fulfil your promise to the people.

Mayor Alvord said repeatedly through my literature I referenced property tax rates. It was very specifically laid out that if the economy was strong I would seek a 5 percent property tax reduction. Previously we reduced their taxes by 2 percent, and this proposal is for the other percent.

Council Member Zander said if I had made a campaign promise to my constituents that I would absolutely make sure there is a dog park in the City of South Jordan, I would come to the Council if I felt passionately about it and say as a quorum “how do you feel about this” which I feel like you are doing and I appreciate that, but as I have thought about this for many days, when I ran for City Council I ran on what was best for the City. I am just one person, but I am more beholding to the City than I am to help you fulfil your campaign promise. If I agree that your campaign promise is in the best interest of the City then I am behind you 100 percent.

Council Member Marlor said I am actually interested in Sunil’s presentation, I think we are putting the cart before the horse, so I would like to see all of the budget information before making a decision.

Council Member Shelton said I am with Council Member Marlor I would also like to see the presentation before making any decisions. One of the fundamental issues I have always had with your tax cut approach is that it has always been let’s just cut taxes and let the chips fall where they may and we will figure it out after that, and for me that is opposite of how I would approach it. I would like to see the entire presentation before I would feel comfortable making a decision.

Mayor Alvord said the entire presentation is millions of dollars and this is just a small amount of \$40,000 dollars, and it would be \$40,000 dollars to the better if we followed this proposal. I guess I am wondering what you are going to hear from Sunil that is going to affect this proposal.

Council Member Marlor said one of the things I asked Sunil is are we covering the issues in this budget that we need to take care of from a project standpoint, and he said “it covers what we can

get done in the confines of this budget.” I asked him “are you telling me that there are other projects that have been previously presented to us that are essentially unfunded but really need to be done, and because it is not being done it is costing us more money to put them off in the future.” I asked Sunil to give me an amount of the projects that have not been done but need to be done and he said it was about 2 million dollars. That is important to know because as Council for the City that is our responsibility. These are issues that we need to make sure we are on top of and taken care of.

Director Brad Klavano said every year there is a committee that meets on the improvement projects and the different departments chime in and let us know what projects need to be done this year, or next year. This coming fiscal year 2016-2017 there were about 2 million dollars of projects that were pushed off to the 2017-2018 fiscal year, so we will have about 8 million dollars of program projects and we know we never have that much money, so next year more of those projects will get pushed off. That is what happens every year to us because we never have enough money. I think the next fiscal year is going to be tough because we will have the 11400 Bangerter Highway interchange project; we just met last week with UDOT and we may very well have 3 million dollars in betterment improvements if we get what we want, so that is going to make it very difficult to do other projects because of those costs. They will require payment of one third upfront, one third in the middle, and one third at the end, and this will be an 18 month project starting in about a year.

Council Member Zander said what happens if the City does not have that kind of funds?

Director Klavano said we just won't get the betterment upgrades, and there are a lot of needs for projects out there.

Council Member Marlors said I asked Sunil to give an amount on projects for the next 5 years and he told me it would be an estimated amount of \$25 million.

Director Klavano said that is above and beyond what we are already doing that is what we had projected in sales tax that needed to be done.

CM Whatcott said on every UDOT project that we have done we have had at least 4 million dollars of betterment costs.

Council Member Marlors said so if I asked you Sunil individually, or we asked you as a Council, where do you personally stand on a tax decrease, what would you advise?

Sunil Naidu said my preference would be to not touch any of the tax revenues.

Mayor Alvord said I just want everyone in this room to remember that when we talk about the City we are also talking about the residents and the money that they earn. The money didn't come from the sky it came from the residents. If you cut taxes it is money that goes to the

residents, and when you don't it is money taken from them. I believe the City as a whole is not just the corporation of the City it is the residents, churches, schools, and the people. It is everything. We did a very accurate survey in the year 2013 and people voted for lower South Jordan taxes, it wasn't just a survey it was an election and every registered voter could vote, and they did vote, so we need to be respectful.

Council Member Marlor said taxes are just one piece of the puzzle the entire puzzle is that you have costs associated with running the City. If you are not addressing the needs of the City you will have problems. In our City we have a lot of sales tax, but years ago when I started in politics with the City we didn't have any sales tax. We are now growing as a City, but we need to keep that 3 legged stool balanced in case one day the economy shifts we don't want to tumble, so I think we need to keep the entire picture in perspective.

Mayor Alvord said I guess I am confused as to why we are arguing about this, I am just talking about changing one piece of the pie for the other by 3 percent, are you proposing that we restore the Franchise tax to 6 percent, is that why my proposal isn't any good?

Council Member Marlor said you can do any proposal you want, but I would like to hear Sunil's presentation that is my suggestion.

Council Member Shelton said the question in my mind is do we need to raise taxes. If we have projects that are going unfunded and they are costing us more in the future because we are not dealing with them now, but we are cutting taxes, is that the smart thing to do, I don't know that we have an answer for that in this room today.

Mayor Alvord said what I have observed is that these projects do cost us more money, take a look at the ice skating rink, if they would have said "we are on a fixed budget and we cannot afford the ice skating rink" we would be in a lot better financial position today because now we have a leaky rink that we have to repair. Had we never bought Mulligans we wouldn't have had to pay off Mulligans, it would be something private today. These arguments that we need money to save money for these projects, they don't always pan out. Sometimes these projects end up costing us more money because there are repairs and upkeep, and frankly, some of these residents have not asked for these projects, they have been decided by Council and staff. I think we really need to think about what the residents want. I haven't seen anyone run for office on "I am going do projects and increase taxes."

Council Member Shelton said I honestly Mayor I think you are making a serious stretch to say the people are clamoring for a tax cut. I don't think your election was a mandate for a tax cut, I think there were other issues that were more important than that. I understand that it is a belief that you have and I am respectful of that and I don't want to insult and question you at all.

Mayor Alvord said we spent a lot of money to have consultants give us a priority based budget that says "these are all the things we can do with the money and we will put them in priority"

but, the residents could say “we are going to give you this many millions of our dollars and it is up to you Council Members and Mayor to prioritize it” I just don’t understand why we are talking tax increases it just boggles my mind. I have pushed hard for tax cuts and I have felt good about some of the small ones that we have achieved, I am just asking for a small reversal. We could test this theory out on an election, I could run for re-election and raise a big stink, there are 2 Council Members up for election, so I could say send me 2 Council Members that are for pro-tax cuts and we could make it another referendum election. When I see the survey that says 80 percent of the residents are happy with the way the City runs, to me that says don’t do a big tax increase, and don’t do a big tax decrease stay close. The problem is that I ran my election and said I would cut taxes 5 percent if the economy was good. I have proposed to you a \$46,000 increased revenue, to me that is very reasonable, it would put this to bed and I could keep my promise, I would not run another election on cutting taxes again and it would be over; but if you guys offend me and say my platform was idiotic, that hurts my ego and I will want to prove you wrong.

Council Member Marlor said out of the hundreds of doors that I knocked on and talked with residents about their concerns, none of them talked to me about taxes.

Council Member Harris said the concerns that I heard when I went out to talk to the residents was high density housing, Mulligans, and not enough parks, trails, and safety, but very few concerns about taxes.

Council Member Zander said I only recall one or two concerns about taxes, other than that it was high density housing, and Daybreak. I know you and I talked before I ran for Council and I know you ran on taxes, but if my memory serves me right, when I ran for office you said “Tamara be very careful what you state as your campaign promises,” because you said “I went in really strong on cutting taxes and I probably missed the mark because it wasn’t that important to the City.” I thought about that when I was running for Council and when I went out knocking on doors I expected to hear more about taxes because you had run such a big campaign on that, but I was very surprised that I never heard that; most of the concerns were about growth, housing, traffic and services.

Mayor Alvord said I think that was because when I ran my campaign on taxes and was elected 2 years later we had a 2 percent tax reduction, so the public is thinking we already have someone in the City that ran his campaign on taxes and has already given us a tax reduction.

Council Member Marlor said we are an hour into this and you asked for a half hour Mayor, I would respectfully ask that we have the presentation by Sunil at this point.

Council Member Rogers said I would like to know the objective tonight, and do we need to decide this tax issue tonight?

CM Whatcott said it is whatever you want to accomplish. We were prepared to give you a balanced budget tonight so that we could put the tentative budget on the April 17, 2016 budget calendar, and then after that we could schedule the 30 day notice for the public and have it approved in May. We haven't scheduled anymore budget meetings because we have worked out pretty much everything. This issue that the Mayor brought forward tonight will not impact the budget the way it is presented, it is just a matter of swapping the numbers around.

Council Member Rogers said I would suggest that we continue with Sunil's presentation and reschedule the Mayors tax cut discussion for another special meeting, it sounds like we have some time and a decision does not need to be made tonight.

Council Member Marlor said I am willing to make comments after Sunil's presentation.

Mr. Naidu said my purpose here isn't to go into details unless there are specific things that you want me to address, but I will continue with the presentation.

Mayor Alvord said I just want to highlight that we did raise taxes on our residents through gas tax increase, and we are seeing more revenues as a city from the legislative season last year.

Council Member Marlor said I asked Sunil a very pointed question: "if we decrease taxes in this next fiscal year budget, how is that going to impact us, and what does it mean for future taxation," and he said: "if we lower taxes this year we are probably going to have to do a truth in taxation hearing in the next 2 to 3 years" I really don't want to go through that when I think we can be a lot more conservative with our taxation, and the only way we are going to do that is if we have enough money to pay for all of the expenses.

CM Whatcott said I would hope that as we start to define our priority based budgeting process and we get better at doing it at a department level, we then will start to find ways to save money. Is that a reduction in taxes then, or is it a reduction in putting that money in unwanted or unneeded programs and services to fund programs that are at a higher priority like public safety, people could argue that they want more amenities, those are some of the phone calls I get.

Mayor Alvord said whatever our revenue is we would be able to prioritize the spending and we would make those decisions. It almost doesn't matter what the cap is, it's almost like a personal budget; I can't always influence how much money I make each year. I can only influence how much I spend.

Mayor Alvord said I would like to hear from Council Member Harris and Council Member Shelton because I had a pretty good commitment from both of you on the phone, and I am tired of this fight, but I am passionate about this and I think I am on the side of the resident's, but I

would like to hear from them, are you ready to put this tax reduction to bed, or do you want to do the swap? I have a very clear conscience of what I ran on and it benefits the budget by \$42,000.

Council Member Shelton said I am assuming that you are going to run for re-election, would you run on reducing taxes again?

Mayor Alvord said I think an incumbent says: "this is what we have done, let's keep the ball rolling," I don't think that I would.

Council Member Shelton said the question that just nags at me is from a philosophical point of view is, this is such an important issue to you, I respect and get that, but I am having a hard time believing it.

Chuck Newton said I just have to speak up and say that last year when I was on the City Council you said last year would be the last tax cut we would have.

Council Member Harris said when I look at things there are some things that are important to me and some things that I think are important to my constituents. I think that the residents are concerned about maintaining their property values, but if we don't invest in the appearance and the beauty of our City, then potentially the property values can go down. It is also important that we have recreational places such as: parks, splash pads, pools and those types of things or people with move to other communities that offer them and that will make our property values go down. It is the same thing with safety and services. When people are buying in a community they can type in the zip code and find out the crime stats in the area, and that is based on how well our police force is being funded. I am only speaking for myself, but if my property taxes go down twenty or thirty dollars and my roads are not being maintained well and they don't want to put parks in, that will impact how I feel about living in a City. We need to be aware that other Cities are stepping it up in a big way and we are going to be in competition with these Cities to make sure we are providing a beautiful City with adequate recreation and safety. I am all about not wasting money, and not doing things that are not needed, but for me these things are very important and when I hear that we do not have enough money to do the projects that we need to have done, how are we going to fund those things and cut taxes. I think that cutting taxes will directly affect the property values in the future, and I just want to make sure we have adequate funding. I was speaking with Chuck Newton and he was saying that there had already been more than a 5 percent tax cut, and he is here tonight so I would like to hear from him.

Chuck Newton said the first year we cut the recommended 2 percent, and last year after we cut the franchise tax the Mayor and I had a conversation about this, and after the budget was put in place we discovered that the property taxes had dropped 6 percent without us doing anything, so property taxes have already dropped 8 percent. If you don't make any changes today I was doing the numbers and Mayor over your term we will have cut the rates 8 percent and you have saved the tax payers 3 million dollars. The only thing that you might have to consider is because there

was a rate cut that was unexpected and the Council did not pursue it, and it happened anyway, is that going to happen again this year. I think you might need to start saying that you need to bring the franchise sales tax back up from 5.5 to 6 percent, and not cut the property taxes.

Council Member Rogers said I have to excuse myself early tonight. My feeling on this is the tax cut/swap is that it will increase revenue by about \$40,000, I do understand Council Member Harris's concern that this may have a detrimental impact on the City, where a resident may only have a \$5.00 or \$10.00 dollar impact, but the City may lose out big. I feel like what CM Whatcott and by making this change it is not going to do anything to the budget. I really don't for-see this being a huge change, but we are talking about doing a lot of other things, like maxing out franchise tax, and increasing taxes, I think those things are philosophical things in my mind that are not on the table today. I thought we were just talking about the Mayor's specific proposal tonight. I am fine with the swap I don't find it significant for the tax payer, or for the City, and it is going to add \$40,000 of revenue for the City to use. The only argument that I have heard against this is that it will make it difficult in the future to raise property taxes. I personally think this will make the chart a little more balanced. I don't have an objection to the Mayor's proposal, but the other things that have been brought up tonight I think we need to have more discussion on.

Council Member Harris said I think that with everything that has been discussed tonight that we need to have discussion to make sure that there will not be any future ramifications to doing this.

Council Member Shelton said if I could feel confident with making this swap and not having to raise taxes in the next few years, I would be ok with that.

Council Member Marlor said my feeling is that I have made this decision on some very pragmatic things. This is a numbers driven decision in my mind and if you add up the salaries of the employees in just this room it is about 2 million dollars a year, I feel like I am going to lean on the guy that put together all of the data from all of the department heads and I am going to say to him: "tell me what you advise us to do" and when he tells me that he would not advise us to do this, I don't think that we should do it. This is very important data, and we are responsible for the budget and every dollar that is spent in the City, and I take that very seriously. I feel like we need to reinstate the franchise tax and put it back where it was and leave it at 6%. I don't want to raise property taxes I feel like the property tax is where it needs to be for right now, but we are still going to have underfunded projects because there is not enough money to go around to take care of all the projects we have now, let alone the ones on the list that we cannot do. I just think it is not responsible for us to be lowering taxes when we have a lot of projects that cannot be done because we do not have enough funds.

Council Member Zander said I am not ready to say yes or no right now. I think the swap is a convenience. I think you are wanting this tax cut so badly that you have come up with a way to have some positive revenue so that we will all feel good about it. I could say to my constituents

that this was just a little swap, just a little fudge, but I don't want to irresponsibly swap something if it really is not in the best interest of the City. I think the biggest thing that bugs me here to be really candid is when you said "it will offend me if this isn't passed, and it hurts my ego, and I will run again" to me that is so inappropriate for your ego to be why we are having this discussion. If the tax cut is right I am all for it, if it is not right I don't want to vote for it, but my ego and your ego should not be why we are having this conversation. I am not ready to say yes to the swap, it may make sense financially because it probably isn't even going to be noticed by our residents, but I don't feel good about making a vote for your ego to feel good. I can't do that, and I can't feel good about myself doing it. I am just not happy with your approach. I would also like to say that Jordan School District came to us about a month ago and they talked about a bond coming up, and I would really like to see how that comes into play because I would really like to support the School District. My other concern is that we give it due diligence, and not just switch it, because I don't know what the long term ramifications will be with franchise tax, or property tax, and I don't want the City Council 10 or 15 years from now to wonder why we did what we did. I just want to make sure we are doing this for the right reason and not for your ego and your promises.

Mayor Alvord said I take my promises serious, but I do apologize for using the word "ego." I guess I was getting on the emotional side of things. There is a righteous indignation and in my mind my election mattered.

Council Member Zander said when I voted for you it wasn't because of your tax stand. I voted for you because I saw that you had new ideas, new perspective, and I voted for you because I trusted you, so I think you could be misreading why the public voted for you.

Mayor Alvord said this how I see democracy, people say what they are going to do, they say what is going to happen, and then they do it. If we don't do what we say we are going to do, then elections should just become a beauty contest.

Council Member Marlor said you still have to keep in mind that there are 6 of us on the Council and there are 5 people that vote, so I think I have heard enough about your campaign promises, I am done with that. I am not stomping around here letting everyone know what promises I made, but you are, and I am done with it. I think you need to have some respect for the other 5 people on the Council that are voting because we all represent the people in this City, so let's move on now.

Council Member Zander said when I hear people talk about tax increases it really curls my toenails. It would have to be a really rainy day for me to vote for an increase, but as a resident you really only know a little bit about City Government, but when you are on the Council you know a whole lot more. I think that a perspective that you are not considering is that a lot of residents if they have a survey will say they want a more money in their pocket, but they would also say they want their property values to stay up, nice lighting, fences, and etc., they want it all

and that is why we were elected to make intelligent informed decisions. We have all had different experiences and so we make the best decisions that we can for the City. I am a resident in this City, and I am on the Council, so when I have to make decisions I take them very seriously. I say let move on for the greater good of the City, and stop beating each other up, stop bullying and move forward together and determine what is in the best interest of the City.

Mayor Alvord said does anyone have anything more to say, or would CM Whatcott like to give his thoughts.

CM Whatcott said thanks for giving me the opportunity to speak. I am the guy that has to make it all work. I answer a lot of the calls and I think I have a pretty good idea of what people say. I am not an Elected Official, so from a policy standpoint you have to just take what I am saying as a professional. I have not been in your position, but I am the one that has to make those tough policy calls. I can tell you from a tax perspective that if we do not have a truth and taxation hearing somewhere in the near future, we will not pick up any new revenue. The trend lines that I am seeing right now is that our tax evaluations are going down, and it's probably because we are not building as many big homes, and the other thing is we are not building these big apartment complexes. The assessed property values are on the downward trend, we have had 5 years of flat housing increases, so for 5 years our permits have been pretty astatic. We are not seeing big jumps in permits, and not a lot of new growth, it's more than what we see in other communities, but it is fairly flat. I think what is happening is that the economy is so robust, people are building a lot of new homes and they have a lot of choices. We can only absorb so much of the market, so when your expenses are continuing to rise, your revenues are staying flat, and your property taxes are a neutral based revenue, somewhere there is an intersecting course that we need to deviate from, we either cut expenses, quit building things, or cut staff. As a service organization what we do requires a lot of people, because it is people service generated type of business and that is a lot of our cost, but our expenses are going up and our revenues are staying flat, so if we decide to cut people, we will be cutting services, so that is what we have to decide from a policy perspective. If you look at our survey I think our people are fairly happy with the level of services that we are providing today. I wouldn't say everyone's happy, but you're never going to have everybody happy, but for the most we are hitting center mass. I think what we have tried to do is balance that growth in service level, like adding people fairly slowly. We are getting to a point where we have so many people moving in that we are on a deeper curve on the demand side. I was just talking to Don Tingey about the change in the use of our parks in the last few years. We don't have any resting fields so they are constantly being tore up, we don't even top dress them anymore, we are doing ourselves a disservice by not re-investing back. What we are trying to do is give you the facts that come from a host of sources, so what you will want is the most stable scenario that you can play on. My opinion is that we should not cut property taxes. We have not had a truth and taxation hearing since 2007, and when we did it we only did was a partial adjustment, we didn't ask for the full amount of our new growth money we only asked for a portion of it. I have seen a couple things in my trend lines that are a bit disturbing, our assessed

evaluation is going down, and our permits for building are flat, and that has not been the case, in the past evaluations and building permits have always trended up, commercial and residential permits are both trending down, and we are not seeing a lot of big commercial project being built in our City right now. The houses that are selling in Daybreak are less in value than what we saw about 3 or 4 years ago. I am concerned that we are seeing a little bit of a downward movement and we are talking about taking our most stable tax and adjusting it. That is my opinion I am not on one side or the other, this is just my professional opinion.

Mayor Alvord said I am going to withdraw the swap, it is done. It was a revenue neutral swap, it was kind of like a house keeping thing for me, but I am going to withdraw it. I will fight tooth and nail to restore the utility tax cut because that is something that we accomplished as a council. I will also fight tooth and nail for a property tax increase, but I will walk away from the swap.

CM Whatcott said I would not recommend either one of those, we can live with the half of a percent that we decreased on the energy use tax, the budget is balanced where it sits right now, and I feel good about the budget and where it is headed. I would highly recommend that we approve the budget right where it is.

Council Member Harris said we just have to be really careful on what we do. In the private sector Forbes will go out and rank the most trustworthy companies based on integrity, transparency, accounting, and governance. If we go in and start moving money around so it appears different, and then we say it is a "tax cut" that in my opinion is not integrity. I just think it smells wrong. I do agree with not raising the franchise tax and approving the budget the way that it is.

Sunil said tomorrow the entire budget will be posted and you will get a copy of it. Once you adopt the energy budget next week, then it will become available for the public.

Council Member Marlor made a motion to adjourn. Council Member Shelton seconded the motion. The vote was unanimous in favor.

ADJOURNMENT

The March 29, 2016 City Council meeting adjourned at 6:20 p.m.

Meeting minutes prepared by Deputy Recorder Cindy Valdez

This is a true and correct copy of the March 29, 2016 Council Meeting minutes, which were approved on April 19, 2016.

Anna M. West

South Jordan City Recorder