

South Davis Metro Fire Service Area

Meeting of the Administrative Committee

255 South 100 West, Bountiful, Utah

March 18, 2021

3:00 p.m. ²⁵

COMMITTEE ATTENDANCE:

NAME	POSITION / CITY REPRESENTED
Ken Leetham	Chair / North Salt Lake
Gary Hill	Bountiful
Brandt Hanson	Centerville
Curtis Koch	Absent
Gary Uresk	Woods Cross
Duane Huffman	West Bountiful
Heidi Voordeckers	Davis County

STAFF PRESENT:

Dane Stone, Fire Chief

Dave Powers, Deputy Chief

Nikki Dandurand, Executive Secretary

Greg Stewart, Deputy Chief

Jessica Hardy, Accountant

APPROVAL OF MARCH 4, 2021 MINUTES:

The March 4, 2021 minutes were reviewed, and no corrections were made. Mr. Hill made a motion to approve the March 4, 2021 minutes, seconded by Mr. Uresk. All voted AYE to approve.

FISCAL YEAR 2021-2022 BUDGET DISCUSSION:

Mr. Leetham stated he and Mr. Hill met with Ms. Hardy and Chief Stone in between the last admin committee meeting and asked them to put together a change to the budget spreadsheet which shows if we did not change the property tax rate, what kind of revenue would be generated. The budget included in the packet for today's meeting is keeping the tax rate the same as it currently is today. The City Managers were asked prior to this meeting to look at their estimated growth rate in revenues for this upcoming fiscal year 2022.

Chief Stone apologized for not sending the detailed priority list as previously requested and for him not following up on what he said he would do in regards to the priority list. Chief Stone stated it was very helpful to sit down with Mr. Leetham and Mr. Hill to clear a lot of things up as well as expressed his appreciation for this meeting. Chief Stone stated he enjoys the candid conversations with each City Manager in discussing budgets and getting their insight on where South Davis Metro Fire is and what we need to do in regards to the current and future budgets. Stone mentioned he and Deputy Chief Powers were not as involved in previous budget years, but he is learning. Chief Stone stated he struggled putting the priority list together. He did not want to start with 1, 2, 3, 4, 5 and start cutting. He wants to have the ability to look at things in each item and cut from there. There are a lot of things on the priority list that are important.

Mr. Leetham stated we need to get back to basics since every city manager approaches budgeting in a different way. Preparing this budget has been a rocky start, so the decision was made to ask Ms. Hardy to prepare the budget with no property tax change. Mr. Leetham stated there is a formula out there that will work for this coming year, and what we are discussing is what this formula is going to look like. The formula is complex because it includes city assessments, a property tax increase, and it should include a recognition that we will receive the full paramedic levy in 2024.

Mr. Leetham stated as he looked at North Salt Lake's projected revenues for property taxes, sales taxes, energy use taxes, they are projecting growth of 4.8% in the upcoming fiscal year. North Salt Lake has added a considerable amount of taxable value in the last 12 months. The idea is if we can take the total revenue in assessments, which is slightly over 6 million dollars, what is a reasonable growth rate for the assessment. This is what we were trying to establish. 5% is approximately \$300,000, but this is up for discussion as well as how much growth we want to have in each agency's assessments.

Mr. Hill stated one of the things we are trying to establish is consistent budgeting principles for South Davis, so they do not have to change how they budget every time there is a different manager based on how each city manager likes to see their own budgets. Mr. Hill stated based on an idea from Mr. Hanson, moving forward with having a meeting earlier in the year where we estimate what collectively the city economic revenue growth will be, and this percent of increase is given to South Davis. The idea is start with revenues and then fill in the expenditures. This budget is a little different in that we start with what our needs are and then whatever is left over we either increase city assessments or increase property tax. Mr. Hill asked first if we start with assessments based on a percentage increase and then how Dane, Ms. Hardy and staff prioritize is up to them instead of the admin committee establishing the priority for them. Secondly, what is presented in the budget is not necessarily the budget presented by Dane and Ms. Hardy, or us and them, but where it should end up. Mr. Hill stated if property taxes stayed the same, and all the things being requested were added in, where would it be? Line 37 of the budget, 69 of the spread sheet, \$398,000 was added for the Davis County Paramedic Fee which is the amount that would be transferred to Davis County. Mr. Hill stated we did not show the corresponding revenue with the property tax increase. Ms. Hardy stated we have accounted for the full paramedic levy on line 1 of the budget in the \$1,159,000. This shows the in and out of revenues in the budget.

Mr. Hill asked how everyone felt on the idea of the process moving forward of giving South Davis what the city's assessments should be and then let South Davis build their budget around that? Mr. Hanson stated if we need to go above and beyond what the assessment is then maybe there is a need to increase property taxes. If there is a one-time purchase, maybe the Cities could give consideration of funding outside of their assessments then a discussion can occur. Mr. Hill stated to finish the thought the way he would see the process moving forward in the future, we would have an early calendar revenue meeting where we would project what all the revenues would be, and we would estimate the growth from the cities. This would then be allocated back to the cities based on the specific formula. Then South Davis would develop their budget, and then when they come back with their budget, that would be the time to say we need some growth either through the assessments or through property tax. It would give them some early parameters in the year to start building their budget.

Mr. Hanson stated it would give them a better sense year after year, when he and Mr. Hill were speaking, so there is not a shock of a 44% increase and suddenly he is having to consider a 25% increase in his City's property tax to make up the assessment. It would be challenging to come up with the assessment so quick. Again, he stated to the Chief, he knows this is a wish list and giving them an idea of things the district is going to need this year and future years is helpful as we move forward.

Mr. Leetham asked if anyone had any additional comments on this concept. Mr. Huffman responded stating he liked this concept, and it is helpful for everybody. It at least gives everyone the idea of what we have to work with. He likes the idea of doing it early and it gives everyone plenty of time to make adjustments and move forward. Mr. Uresk stated he thinks it is a good approach.

Mr. Leetham does not know how to best go about picking the number for this year's growth in revenue in the city assessments as certain percentage or what that would be.

Mr. Huffman asked if using Biden money could speed up the process so we do not have to pay the \$350,000 back to the county this year? Ms. Voordeckers responded stating the commissioners are looking at various options and formulating a plan that they can agree with and then send it out to the City Managers. Such as what kind of flexibility do we have, how do we still maintain that transition and keep the County's budget in tack.

Ms. Voordeckers asked Mr. Huffman how much money his city would be receiving. Mr. Huffman stated just over \$600,000. Mr. Hill asked where the numbers are coming from. Mr. Leetham stated there is a link on the Leagues of Cities and Towns update which goes to a national website that lists every city, county, and state in the union. Mr. Huffman stated South Davis gets the short end of the stick, because funds are not allocated strictly based on population, but there is a tiered system. If you are over 50,000 in population, you get proportionately more or if you are a CDBG city. Because each of our cities are under 50,000 in population, we will get significantly less money.

Ms. Voordeckers asked Ms. Hardy if the district put in for any CDBG funds for equipment this year. Ms. Hardy stated no. Ms. Voordeckers stated this is always a possibility we should look in to. CDBG funds can only grant \$200,000 per request per entity. CDBG got a bunch of covid money so we should be able to cover some of the service needs using this funding. Ms. Hardy stated we received \$100,000 a couple

years ago for Station 84. Ms. Voordeckers encouraged the district to keep applying. Using CDBG funds could be one way to bridge the one-time costs. Mr. Hanson stated he would be happy to help apply and letters could be written from the cities in support. Ms. Voordeckers stated applying for CDBG funds and then using ARP money for any matching funds. Mr. Leetham stated in the rescue act, even though the rules are not published yet, they thought any of these funds could be spent for activities that would normally be allowed in the CDBG program. Even cities, if they have a project that would qualify for CDBG they could use rescue funds.

Mr. Leetham stated we have not come to a conclusion on what we are going to do regarding the assessments for this year. Mr. Hanson stated he is only anticipating his cities growth at 5%, but he knows there is a great need in the fire department with the increase in wages. He is proposing a 10% increase in the assessments. Mr. Huffman is confused on the priority list on the 2.3 million in wages, how much is it for new increases for next year. Ms. Hardy stated the 2.3 million is only for the 24 new employees and the three new positions. Chief Stone stated priority one is strictly for wages and benefits and to keep funding them. Chief Stone stated we funded the market increase using fund balance. He asked if this increase is through assessments or through property taxes. Mr. Huffman asked if we have raised everyone's salary to where it needs to be or are we still in the process? Ms. Hardy stated everyone has been moved where they need to be. Mr. Huffman clarified that we have everyone where they need to be in steps, and next year it will just be moving everyone up another step. Ms. Hardy replied yes, and the salaries have a 1.5% COLA included. The \$2.3 million includes the 24 employees, moving them to the correct step, a 1.5% COLA, and the three new positions using property tax.

Mr. Huffman stated we got off track of speaking expenditures, rather than revenues. He wanted to go back to Mr. Hanson's proposal on the 10% city assessment increase. His city is projecting a 4% to 5% increase in revenues, but he is only projecting a 3% increase in growth. He is comfortable raising assessments by 10%. Gary Uresk stated his city is at 7%, but he can go to a 10% increase. Ms. Voordeckers responded the county growth is at about 3.6%, but they are different. Mr. Leetham stated North Salt Lake could cover a 10% increase. Mr. Leetham stated if 10% is a good number, we could use this going forward, and it cements one of the questions. Mr. Hill stated he did some quick math with a 10% increase and it decreases the revenue by \$1,100,000. Mr. Leetham stated 10% is approximately \$600,000, and we would still run it through the assessment formula. This would increase the total amount being assessed to the cities to approximately \$6,600,000. Ms. Hardy will work on the formula and assessments based on a 10% overall increase to the city assessments.

Mr. Hill made a recommendation we convert the 24 employees into a percentage of personnel from now on so we are not always trying to determine what employees it applies to. Mr. Hill stated that Ms. Hardy had calculated the percentage of the 24 employees as well as the 3 new positions and it would be 21.6% of total personnel costs. Mr. Leetham and Mr. Huffman agreed. Mr. Leetham asked if the three new positions and any new positions would be included in the proposed property tax? Ms. Hardy stated yes, this is what is being proposed.

Mr. Leetham asked the committee what their thoughts were on the Chief's priority list. Mr. Huffman stated in each fund, Ms. Hardy shows what cost over expenditures is and what the fund balance

decrease, but he is having a hard time determining what the balance is for beginning and ending. Ms. Hardy stated the report does not show the actual cash balance, and the report only accounts for the budget portion. Ms. Hardy asked if Mr. Huffman is requesting a cash balance report. Mr. Huffman stated yes it would be helpful to see how much cash is allocated to the fund as we try to decide how much of this fund we want to use versus property tax and assessments. Ms. Hardy stated we currently have \$1.4 million in cash in the capital projects fund, but all of it has been assigned or committed to equipment, radios, buildings. Ms. Hardy stated it has been 100% committed other than \$11,000 in interest earnings. Mr. Huffman stated he knows in prior years, whatever has been left over in the operating fund has been swept into the capital projects fund and asked if this has stopped. Ms. Hardy stated it has never happened since she has been here, and she is not sure what Keddington did prior to her. Mr. Huffman asked if there is a surplus, does it stay in the operating fund. Ms. Hardy stated yes, it stays in operating cash. Mr. Huffman asked what the projected ending balance is for the operating fund. Ms. Hardy stated she does not have a confirmed number but is estimating it to be around \$900,000. Mr. Huffman stated we spent a lot of time focusing on our fund balance policy, so he feels it is important to get our fund balance policy out and hold ourselves accountable to that policy. Ms. Hardy stated she would provide the cash fund balances to the committee.

Mr. Huffman stated he is not opposed to allocating a proportionate share similar to what we did with the CARES money. He stated it makes sense for one-time funding, for example, the station alert system. Mr. Leetham agreed that it was a great idea.

Mr. Leetham stated in the background of all this discussion there is approximately \$400,000 that for in the next two collection years we are going to send back to the County. As we think about a property tax increase above the paramedic tax levy, it is difficult to figure out. Mr. Leetham stated Mr. Huffman had touched on using cash, assessments, property tax increases so in 2024 we have not over-taxed the public. The question is how much property tax do we raise this year? Mr. Uresk stated this becomes important when we message our tax increase, and there needs to be somewhere in our message the transfer of the \$400,000 to the county, and in fiscal year 2024 this will come back to us. Mr. Huffman stated one of the eligible expenses of the recovery money is essential workers, it can all be cleaned up for a very small percentage of the recovery money if the county would agree to it. We could speed this process up tremendously. Mr. Leetham stated this would be one approach. Every city could look at its share and together they could fund a portion of it for the next two years as well. Ms. Voordeckers said it is an interesting concept because in her mind for this service district we are talking unincorporated. Unincorporated is not getting any Uncle Joe money, the county is getting it, but it is the unincorporated areas that are being represented by this district. Whatever county money being contributed would need to be equitable to North Davis Fire District, etc. Mr. Huffman stated we are hoping to keep our money earlier so we do not have to bridge the process. Mr. Leetham stated it is the one piece that makes sense in fairness and equity because it is only because the property taxpayers in our district represented by the mayors and the administrative board are agreeing to send that money north when we know it is not exactly equitable compared to other districts. Mr. Huffman stated if the county were to fund it, they would not be funding South Davis, they would be funding North Davis because that is what we are using the money to do. Ms. Voordeckers stated there has been discussions on how that could or how it would

work, and what would be the best way to make it work. Mr. Leetham stated it is an idea that is worth exploring.

Mr. Uresk referred to Mr. Huffman's comment about using our money like we did the last round of CARES act money, and he is supportive of taking a portion of the CARES money to fund one-time purchases. Mr. Leetham stated it makes sense to use one-time money to fund one-time expenses and use property tax to fund on-going.

Mr. Leetham inquired as to when we take the tentative budget to the Board. Chief Stone stated we must present the tentative budget to the Board of Trustees in the meeting in May. Chief Stone stated we still need to hold a truth in taxation hearing, and open houses. Mr. Leetham stated we have plenty of time for open houses, and we would hold our public hearing in August.

Mr. Hill asked Ms. Hardy what the total dollar amount between revenues and expenditures we need to identify either through city assessment increases, expenditure reductions, or a property tax increase? Ms. Hardy replied if she applied a flat 10% in city assessments, revenues would be \$13,773,000, total expenditures \$15,600,000, so the total amount would be \$1,849,000 we need to find. Mr. Hill suggested one way is to look at recommended expenditures and the prioritized expenditures and see which ones we can use the one-time CARES Act money, which ones can be eliminated from this budget, which ones would go to property tax, then whatever is left over would have to go into the assessments or be cut out.

Mr. Hill suggested we look at the three new positions and how necessary they are this year. Chief Stone stated these positions are needed based on growth. Mr. Hill asked which of the three positions is the top priority, the logistics or the training and if they are coming in at the same level. Chief Stone stated the training is mostly where the positions are needed to keep up with certifications, training, and everything Matt Shupe does for all our personnel is overwhelming. Mr. Leetham stated he is not a fan of putting them all off, but rather than phasing them in two years. He suggests authorizing hiring one right now and hire another midway through the fiscal year for the two training positions. He stated putting them off is a degradation to the organization. Chief Stone replied it is a necessity. Mr. Leetham suggested putting off purchasing equipment to fund these positions. Chief Stone stated we have done this in the past, but he is not willing to continue to do so. Mr. Leetham asked if we are purchasing our equipment using cash or if we are financing or leasing? Ms. Hardy stated these are purchases. Mr. Leetham stated they have leased their vehicles through Zions Bank. Mr. Huffman stated in the past the Board of Trustees was hesitant to go into debt and there is always debt associated with leases. However, he believes the residents of today should not be paying for equipment the residents in the future will be benefiting from. Mr. Huffman stated he is in support of the idea of equipment leases especially if they have a life value over five years. Mr. Leetham stated we are really talking about cash flow and trying to meet the department needs. He believes paying full price currently is not in the best for this current position. Chief Stone stated he would look into it leasing.

Mr. Huffman stated the three positions are political, is it something we feel comfortable going to the residents and asking for property taxes. If they are critical needs, and it comes out of property taxes, we

need to explain it to the public. Chief Stone stated we would hire these three positions from within the agency, so these three positions would be hiring firefighters. Mr. Huffman stated we need to present to the public that the agency is hiring three firefighter positions. Mr. Hill suggested we are going to have approximately \$400,000 in paramedic fees, so he wondered if there is a possibility we hold off and fund these three positions until then. Or we could fund these three positions using fund balance until the \$400,000 becomes available. Mr. Leetham stated if everyone agrees it is a need, it is hard to put it off. Mr. Hill stated we just do not have the money, and we cannot just go ask the taxpayers when we need to do things. Mr. Leetham stated property taxes is not the only way to fund the positions, but he is equally concerned about the \$400,000 coming to the district in two years. But trying to figure out how to fund these positions sooner than later is the right way to do this. Mr. Huffman stated again, if we can get the county to speed up the process of getting the \$400,000 now instead of two years, it would solve this problem.

Chief Stone stated if we must do more with less then we can. However, he does not want an ambulance to break down with a patient in the back or an engine to break down on the way to or during a fire call. So if necessary, we can continue as we are until the \$400,000 funding becomes available in two fiscal years.

Mr. Huffman stated on a cash flow basis, if we can find ways to leverage the cash that we have, depending on how leases work, we might be able to fund these positions this year. Mr. Huffman stated it is unclear to him how much we have in cash. Mr. Hill stated with no property tax increase, and a 10% increase in assessments, and fund everything that has been requested, there is \$1,895,000 that needs to be found. Mr. Uresk asked what magnitude percentage wise is equated to the taxpayers with a \$1,000,000 increase. Mr. Huffman inquired what we did with assessments for fiscal year 2020-2021. Ms. Hardy stated it was only a 3% increase. Mr. Huffman stated we tried to take a year off because we did not know what was going to happen with COVID, and when we balanced the budget we used fund balance. This is one of the reasons why we are having a hard time making things work. Increasing next year's assessment 10% does not make up for using the wages increases we did this year plus next year's growth.

Mr. Leetham asked how much of the \$1,895,000 is one-time versus on-going. Ms. Voordeckers replied according to the budget priorities, \$770,000 are one-time funding. Ms. Voordeckers was thinking using CDBG, ARP money, and then to Gary Uresk's point, what does a \$1,000,000 tax increase look like for the residents. Ms. Hardy stated it would increase our current rate to a little over 4, but she was unsure of the amount of increase to a resident.

Mr. Leetham stated there are some solutions, but none of which we know the outcome of. But even a fallback solution if the County is unable to assist with CDBG, we still have money coming to each of the six agencies from the rescue plan that we can put towards the one-time costs of \$770,000. The \$770,000 gets smaller if we go to a leasing program for vehicles. And if we can come up with a way to fund the on-going, you take the \$1,000,000 of on-going and figure out how to fund it for two years, then the tax increase is only \$600,000. Mr. Leetham stated it would be nice to know if we are going to end up with cash, and he knows we would be raiding the fund balance policy we just adopted.

Ms. Hardy stated she would contact Steve Lyon regarding CDBG funds and determine which projects would qualify. Ms. Voordeckers stated the limit on CDBG is either \$200,000 per project or entity but she was unsure. She specifically asked Steve Lyon about the ambulance and it would qualify for CDBG funds. She believes the allocations have been set for 2021, but we could include it in the 2022 budget and apply in the Spring. Ms. Hardy stated she will provide the projected cash fund balances, and the dollar amount of increase to taxpayers if we were to assess an overall \$1,000,000 property tax increase.

Chief Stone stated he would look at leasing vehicles, \$1,000,000 for taxpayers, and \$1,895,000 what amounts are on-going versus one-time, CDBG funds, and cash fund balance. Mr. Hill asked how hard it would be to determine the cost to add each new position. Ms. Hardy stated each position is \$112,257.63 in cost which includes benefits. Ms. Voordeckers mentioned she has an action item as well to put some pressure on the Commissioners to speed up their discussions on potential relief of the \$400,000. Mr. Leetham stated each City Manager should be reaching out to the Commissioners. Mr. Hill stated if we can use ARP money then it would keep us from having to assess a tax increase.

Mr. Leetham asked when we get all this stuff, instead of meeting, does everyone want to take some time to review the information before we meet again? Mr. Uresk stated we need to meet soon because time is running out. Next meeting was scheduled for April 8th at 2:00 pm. Mr. Stone will have Nikki send out a zoom link for April 8th at 2:00 pm.

Mr. Leetham thanked everyone for working on this stuff. Mr. Stone thanked Mr. Leetham and Mr. Hill for their time for the prior meeting. Mr. Stone stated having revenues earlier in the year will definitely help during the budget process.

FIRE CHIEF REPORT:

Mr. Stone had nothing to report.

ADMIN CHAIR REPORT:

Mr. Leetham had nothing to report.

ADJOURNMENT:

With no further business before the committee, meeting adjourned at 4:35 p.m.



Mr. Leetham Leetham, Chair

N. Dandurand - clerk