

**TREMONTON CITY CORPORATION  
CITY COUNCIL SPECIAL MEETING & BUDGET WORKSHOP  
March 23, 2010**

Members Present:

David Deakin

Diana Doutre

Lyle Holmgren

Jeff Reese

Byron Wood

Roger Fridal, Mayor

Shawn Warnke, City Manager/Deputy Recorder

**CITY COUNCIL SPECIAL MEETING & BUDGET WORKSHOP**

1. Opening Ceremony.

Mayor Fridal called the March 23, 2010 City Council Meeting to order at 5:34 p.m. The meeting was held at the Tremonton City Public Works Meeting Room at 300 East 1200 South, Tremonton, Utah. Those in attendance were Mayor Fridal, Councilmembers Deakin, Doutre, Holmgren, Reese, and Wood, City Manager Shawn Warnke, Public Works Director Paul Fulgham, Fire Chief Steve Batis, Police Sergeant Kevin Allred, two (2) representatives from the Utah Local Governments Trust, Ryan Hutch and Josh McKell, and Nancy Fuller, Ogden Standard Examiner.

Mayor Fridal informed the audience that he had received no written or oral request to participate in the Opening Ceremony. He asked anyone who may be offended by listening to a prayer to step out into the lobby for this portion of the meeting. The prayer was given by Councilmember Reese and the Pledge of Allegiance was led by Councilmember Doutre.

2. Approval of agenda.

Mayor Fridal asked if there were any changes to the agenda. There were no comments.

**Motion by Councilmember Deakin to approve the March 23, 2010 agenda.** Motion seconded by Councilmember Wood. Vote: Councilmember Deakin - aye, Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, and Councilmember Wood - aye. Motion approved.

3. Unfinished Business:

a. Discussion and consideration of selecting General Liability, Workers

## Compensation, Auto and related Insurance Services for Tremonton City.

Manager Warnke told the Council that the City is at the point in the bid process where a decision can be made. The Council does have some flexibility, but it was Manager Warnke's recommendation that the City go with the bid presented by the Utah Local Governments Trust (the Trust). Manager Warnke wanted the Council to understand that the Leavitt Group's workers compensation bid of \$25,500 is eligible for consideration. The Trust bid for workers compensation was \$28,860, but there is an offer of a Safety Grant in the amount of five (5) percent of the liability premium if the City goes with their entire bid package. This would amount to \$2,166 or \$2,707 depending upon which general liability option the City selected. The Leavitt Group also offers dividends, but the amount is unknown.

Josh McKell, with the Trust, reminded the Council that the Trust treats everyone the same, no matter the size. They also offer multiple training programs. Some of the recent training classes that Tremonton City participated in included Confined Spaces and Defensive Driving. The Trust also does an annual risk management survey. Manager Warnke commented that Gary Huber of the Leavitt Group says that they offer similar training. Manager Warnke said he had called on the references Mr. Huber provided and they were all good, though there were no references for workers compensation.

Councilmember Deakin asked the Trust representatives if they would match the Leavitt Group's workers compensation bid. He was told that the Trust didn't want to lose Tremonton so they would go the extra mile.

Councilmember Holmgren asked why the Leavitt Group didn't have enough time to prepare a complete bid. Manager Warnke explained that it wasn't intentional. He was running the bid for health related insurance at the same time so used the same closing date.

Councilmember Doutré suggested that the City go out to bid for insurance every three (3) or four (4) years.

Ryan Hutch, with the Trust, stated that the Trust is not a broker, but consider themselves to be partners. They have had a twelve (12) percent decrease in rates this year due to the healthy state of the company and good ratios. As a result, they are decreasing rates across the board to their members.

Mayor Fridal offered the opinion that, even though the difference is only a small amount, it would be healthy to support a local business. Councilmember Reese said he disagreed. His son spent 30 days on a bid but was unable to meet the time line. He didn't say anything because there were rules set up and he couldn't meet

the rules. There were rules set up, whether they were right or wrong, the City set the guidelines. If the Council wants to open it up, they need to open it up to everyone with a longer time frame. The Council needs to go by the rules, and the paper work is horrendous. Why subject the staff to dealing with two different brokers? The Council needs to come to a decision. There are more important things that need to be worked on. If the Council had lived by the rules last week, they wouldn't be talking about this tonight.

Councilmember Deakin stated that, since the Trust had said they would give the City the same price, what is the dividend?

Manager Warnke stated that the process allows for the City to negotiate terms, but expressed concern about negotiating the price after the bid amounts have been disclosed.

Mayor Fridal stated that he would entertain a motion. Councilmember Reese declared a conflict of interest and stated he would abstain.

**Motion by Councilmember Holmgren to award the General Liability, Workers Compensation, Auto and related Insurance Services to the Utah Local Governments Trust.** The motion was seconded by Councilmember Doutre. Vote: Councilmember Deakin - aye, Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - abstain, and Councilmember Wood - aye. Motion approved.

4. Discussion of the 2010-2011 Budget:

Manager Warnke asked Director Fulgham to let the Council know where we stand with the Salsnes Filter Project.

Director Fulgham told the Council that the only reason they were discussing the Salsnes Filter Project is because Garland City opposed doing the project. As he explained to Garland City, Tremonton's capacity is at the point they were in 2003 prior to Malt-O-Meal's coming. When Malt-O-Meal came, they did a plant upgrade which was to give the City 20 years worth of growth. The City has used up the projected 20 years of growth in seven (7) to eight (8) years of time. The majority of the usage is due to West Liberty Foods. Quite a few homes have been added, but the majority is due to West Liberty Foods coming on board. At the beginning, the project estimate was \$1.3 million. It was discussed at that time that the City had enough money, but would probably have to borrow about \$500,000 so the City would have plenty of cash on hand to address unexpected expenses.

Director Fulgham continued that now has come the time that the Council needs to make a decision. The filter has been purchased and the project has been approved by the State. We need to move on. Something has to happen, and now is a good time to move on. Now, the final cost of the project is about \$950,000, about \$350,000 less than what the estimate was originally. The \$950,000 figure includes total costs for the project. The

estimated remaining project cost is \$602,998. Instead of needing an additional \$500,000, we are looking \$200,00 to \$300,000, which could make the difference between whether we need to borrow more money or whether we could cash flow it.

The project stalled out when Garland said to pull the plug on it. Also, Manager Warnke suggested that they not move too fast until the issue with Garland could be addressed and Tremonton is able to get some harder numbers. The Interlocal Agreement between both cities states that they will agree on projects. There was discussion regarding Garland's view that they are not maxed out regarding treatment capacity in the original Interlocal Agreement no longer apply. Garland didn't start collecting impact fees until 2005. The Council, at that time, forgave Garland a portion of their debt. Now Fund 47's balance sheet shows that Garland is in arrears to Tremonton. As Garland's impact fees come in, Tremonton puts them into the impact fee reserve fund which is then used to finance various projects. Part of Manager Warnke's concern is that Garland could end up owing Tremonton, say \$200,000, and if that were the case, we may never be able to collect it. Garland says that Tremonton is using up the capacity because Tremonton is growing.

Director Fulgham says he looks at the Treatment Plant as the City's Treatment Plant even though the Interlocal Agreement says they have twenty (20) percent. They haven't grown like Tremonton has even if the industrial growth is taken out. Still, the point is, we have to do something. Councilmember Reese said that Garland shouldn't carry fifty (50) percent of the vote, either, as Tremonton is bigger. Director Fulgham stated that at the quarterly meetings, they have never voted against a project. The former mayor and council agreed that the Salsnes Project was good and needed to be done. It is the new mayor and council that are against it. Manager Warnke stated that it may not be that they are against it. They have been concerned about how the financial responsibilities are divided between the two cities. Mayor Fridal said that we don't have time to wait for Garland.

Director Fulgham told the Council that Tremonton is not following the agreement on both sides. The agreement says Garland should be billed by flow, but we are billing them based on ERU's (Equal Residential Units). Director Fulgham put together a scenario for them based on flow. There are times of the year when their bill based on flow would be much higher than the ERU's. This is when they have infiltration problems.

Councilmembers Reese and Deakin both expressed the opinion that the City can't stop a project half way through. It was discussed that, if Garland wants to use Tremonton's Treatment Plant, they need to help pay for it. This is something they need to be alerted to.

Mayor Fridal asked if there was anything that could be done about this tonight. Manager Warnke said that this was just for information. Tremonton needs to get with Garland. Director Fulgham stated that he would like to move ahead with the project because when spring comes, the prices are going to go up. Right now, the City has an opportunity to save \$300,000. Councilmember Reese agreed that the City needed to move forward. Director Fulgham stated that the project was approved in last year's budget. Now the City needs to come up with the funding.

There was further discussion on how to deal with Garland and the feeling was that the City should bill them on flow in the future, as the Interlocal Agreement states.

It was agreed that the City should go out to bid after talking with Curtis Roberts, Finance Director, about cash flow. The bid date could be set a month out. Garland will be notified as a courtesy. Mayor Fridal said he spoke with Lyle Vance and he suggested that, if the City needs funds without collateral, he felt it would be an advantage to the City to have him go to Zions on our behalf. He felt it would help to have one more person on our team to push for what the City needs.

The City Council moved on to other Budget discussions. Manager Warnke stated that he had met with all the Department Heads and the City is within \$160,000 to \$175,000 of a balanced budget. Everything was estimated upon historical amounts. He said that cutting more would be cutting services. There is some travel and training in the budget, but Manager Warnke felt it is appropriate. The next round of cuts will be difficult.

Councilmember Deakin asked about the figure of \$150,000 to UTOPIA. Manager Warnke stated, as he understands the debt services, we have a year to pay.

Manager Warnke referred the Council to page 2 of the hand-out which compares last fiscal year's expenditure appropriation to 2010-2011. Some of the salaries were taken from Non-Departmental and put in the Recorder's and Treasurer's Budgets. Recreation is not going to renew their part-time parks person. Decreases in the budget come from over estimating salaries and discretionary spending.

Councilmember Deakin asked how much had been budgeted for road maintenance. Director Fulgham said he was asking for \$350,000 but he is estimating about \$80,000. This is money the Council can decide what they want to do with it, whether they want to put it into roads or, if you need to put it some place else.

Manager Warnke referred the Council to the Structural Personnel Changes portion of the handout. Decreases in the budget are coming from replacing one full-time person with two part-time people in the Police Department and the Recorder's Office, and replacing one full-time person with two part-time people in the Treasurer's Office and the Recorder's Office. As a result of eliminating the related insurance and retirement obligations it cut \$25,000 from the budget.

Manager Warnke stated that he is still somewhat concerned about the personnel. He used a 5% margin of safety to over estimate salaries, however, as he looked at last year's actuals, some of the accounts were under-budgeted. The budget excludes merit increases and new capital projects. Also, it does not include a transfer to the Fire Department Fund. Chief Batis stated that, if things continue at the same rate, they are projecting an increase in revenue. The Budget also excludes new vehicles for any department. This is a dangerous trend. The City cannot continue in this pattern.

Manager Warnke said that he was trying to be conservative based upon the trends. There are only two broad options in balancing the budget: (1). increase revenue or (2). decrease expenses, or a combination of both. He stated that he would like to speak with the

Finance Director, Curtis Roberts, about the revenue projections. Some that could be considered are: TRT Tax (\$8,000), RDA Reimbursement Agreement (\$75,000) for UTOPIA, Telecomm Franchise (\$15,000), and Electrical Franchise (\$25,000) for a possible total of \$123,000.

Decreases in expenditures are coming from overtime for the Recorder and Treasurer (\$4,000), City Council Discretionary Funds (\$25,000), and Flex spending (\$1,200) for a total of \$30,200.

Another item Manager Warnke talked to Director Roberts about is setting up a Capital Asset Replacement Fund where funds can be tracked to start saving for replacement of capital assets.

Manager Warnke said there are possibly some capital projects that the Council may wish to spend fund balance on. The first tier in the General Fund is items that will decrease operating expenses. One is a new computer server. The approximate cost is \$12,000. The current server is getting old and out of warranty. Replacing the four (4) servers we have with one server should pay for itself in approximately sixteen (16) months due to decreases in IT service fees. Also energy upgrades such as lighting and cooling controls that will pay for themselves in eighteen (18) months.

Manager Warnke stated that he recommends reduction of the amount donated by the percentage reduction in revenue: reducing YCU and Boys & Girls Club and the elimination of the Seed Tremonton/USU/Brigham expenditure.

Manager Warnke would like to give the budget to the Department Heads and to Director Roberts for review and to fine tune the budgets. As safeguards, Manager Warnke suggests splitting the road budget by spending half this summer and waiting until next spring to spend the rest. Other things that could be considered are tightening up Library hours, eliminating travel, and enacting a furlough plan in the event that it is needed later.

Manager Warnke stated that this year is tough but he expects next fiscal year to be even tougher, however, in 2012-2013 there should be a little breathing room. As he understands the RDA agreement, the Malt-O-Meal value comes out of the RDA (\$500,000) at that time, also, the promissory note on land for housing (\$120,000) may come due in fiscal year 2012-2013, though they do have the provision to extend.

Manager Warnke passed out a Financial First Aid handout provided by the Government Financial Officers Association (GFOA). Secondary Treatments are to be used with caution.

The Council was reminded of the Personal Preparedness training next Tuesday at 6:00 p.m.

Councilmember Deakin asked if Manager Warnke wanted direction on the budget. Manager Warnke said yes, that he was providing a proposal for the Council's consideration.

The possibility of working four (4) ten (10) hour days was discussed. It was Manager Warnke's opinion that this would not result in much of a savings. Some of the State agency's that were doing that are now going back to five eight (8) hour days. The State does show a savings but it was mostly due to shutting down buildings.

5. Adjournment.

**Motion by Councilmember Deakin to adjourn the meeting.** Motion seconded by Councilmember Wood of the Council. Vote: Councilmember Deakin - aye, Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - abstain, and Councilmember Wood - aye. Motion approved.

The meeting adjourned at 6:53 p.m.

The undersigned duly acting and appointed Recorder for Tremonton City Corporation hereby certifies that the foregoing is a true and correct copy of the minutes for the City Council Meeting held on the above referenced date. Minutes were taken by Norene Rawlings.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

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Darlene S. Hess, Recorder