

Minutes of the
BOUNTIFUL CITY COUNCIL

August 9, 2021 – 5:00 p.m.

Present:	Mayor	Randy Lewis
	Councilmembers	Millie Segura Bahr, Kate Bradshaw, Kendalyn Harris, Richard Higginson, Chris R. Simonsen
	City Manager	Gary Hill
	Asst. City Manager	Galen Rasmussen
	City Attorney	Clinton Drake
	Finance Director	Tyson Beck
	Police Chief	Ed Biehler
	Recording Secretary	Maranda Hilton

Official notice of the City Council Meeting was given by posting an Agenda at City Hall and on the Bountiful City Website and the Utah Public Notice Website and by providing copies to the following newspapers of general circulation: Davis County Journal and Standard Examiner.

Regular Meeting – 5:00 p.m.
City Council Chambers

Mayor Lewis called the meeting to order at 5:00 p.m. and welcomed those in attendance. Mayor Lewis led the Pledge of Allegiance.

BOUNTIFUL CITY FUND RESERVE POLICY DISCUSSION – MR. TYSON BECK

Mr. Beck thanked the Council for their earnest efforts and time spent trying to understand this policy from all sides. He explained that they would dive a little deeper into their discussion of fund reserves tonight and cover how the fund target balances were created and then compare pay-as-you-go to debt financing policies. He would then like to get feedback from the Council and direction on the current policy before looking at the Capital Projects Fund Balance Projection Spreadsheet at the end.

Mr. Beck explained that the current reserve policy was drafted using some best practice guidelines from the Government Finance Officers Association (GFOA), state law requirements and accounting standards, the City Council priority document and finally by looking at comparable cities’ policies. The current policy states that the Capital Projects Fund should have \$12M in emergency reserves plus an amount equal to two years’ worth of average capital expenditures. A rolling average from the past 10 years was used to find the average amount of expenditures, then doubled that amount to get the two years’ worth figure. For FY2020 that amount was \$10.1M, making the total target reserve amount \$22.1M. The \$12M emergency portion of the fund balance will remain untouched except in the event an emergency arises, while the remainder should be used for large and infrequent capital projects.

Councilmembers and staff discussed how to make this idea less confusing for residents. Mr. Hill and several Councilmembers feel that people do not understand that the Capital Projects Fund is

1 both a reserve fund and an active spending account all in one. Many people see it as a savings
2 account that will never be touched. Councilwoman Bradshaw asked if there was a way to create two
3 separate funds or accounts to help with the confusion. Mr. Beck answered that they are separate
4 general ledger accounts, but at the high level of reporting they are combined and shown as simply
5 “Operating and Capital Reserves”. He said that they can, however, add a line in the report and
6 separate the two balances for better transparency. The Council agreed that would be beneficial. Mr.
7 Hill also approved the idea, as long as it is done in a way that will not affect the City’s status with
8 bonding agencies.

9 Mr. Beck next explained how they determined the target reserve levels, saying that they tried
10 to be as data driven as possible. They studied the historical equity positions of Bountiful City,
11 consulted bond agency rating standards, looked at the GFOA fund balance guidelines and looked at
12 the reserves of comparable local governments in Utah.

13 Mr. Beck then discussed the pros and cons of using a pay-as-you-go policy versus a debt
14 financing policy. He explained that although there are advantages to using debt financing in certain
15 circumstances, Bountiful prefers to be a pay-as-you-go entity. Staff believes that the pay-as-you-go
16 policy does the best job of charging current residents for current services provided. It also saves the
17 costs associated with issuing debt and earns interest on held reserves. He also explained that the tax
18 breaks generally associated with debt financing are not applicable to municipalities, who do not pay
19 income taxes, making debt financing less desirable for the City than for private entities.

20 Councilwoman Harris asked about the concept of having more checks in place with debt
21 financing than with pay-as-you-go financing since residents would have to vote for any bond that is
22 issued. Mr. Beck said that it’s not entirely true, because the City only needs voter approval on general
23 obligation bonds. Bonding against sales tax revenue or other revenue streams does not require voter
24 approval. Councilwoman Bahr also countered that the City Council is the check point for all large
25 purchases, whether financed with reserves or with debt.

26 Councilwoman Harris asked about the reserve policy for the enterprise funds. Mr. Beck
27 explained that the enterprise funds policy is to have six months of operating expenses in reserve plus
28 one year of capital projects expenses for each enterprise fund. The capital projects expenses are
29 determined by averaging the previous 10 years of capital expenses. Mr. Hill added that the enterprise
30 funds and capital projects fund have different reserve policies, and that is simply because they looked
31 at what reserves have historically been in Bountiful and used that data to determine what is necessary.
32 They feel that using history to determine these levels is a very important part of this process.

33 Councilwoman Bradshaw thanked the staff for the extra time they took to educate the Council
34 about this policy. She feels it was a good exercise to scrutinize the policy and that the Council should
35 continue to do so in the future. She said she feels comfortable with the reserve policy as it is currently
36 drafted and appreciates that because of the City’s robust reserve policy, there will be flexibility to
37 use debt if and when it is needed.

38 Councilman Simonsen said he was always taught by his parents to save for the things he
39 needed, and he is happy that the City operates that way also. He said no one can know exactly what
40 will happen in the future but looking to the past can help predict what will be needed. He thanked Mr.
41 Beck for his help understanding the policy.

42 Councilwoman Harris said she thinks it is a really good policy and thanked Mr. Beck for his
43 months of work on it. She said her only concern is that recent years have seen a large increase in the
44 amount of infrequent capital expenditures, which affects the prediction of future years’ expenses and
45 increases the City’s target reserves. She wondered if there was a better way to calculate future needs
46 more precisely.

1 Councilwoman Bahr said she still supports the policy, just as when they first voted on it. She
2 feels the policy has served Bountiful well for many years, and although it may not be a popular
3 decision to make at this time, she feels it is a wise one. She paraphrased part of the written policy that
4 says, “if we ever get off trajectory, we will bring the reserve fund back into balance within five
5 years”, explaining that the proposed tax increase will do just that. She expressed how happy she is to
6 have a policy that puts the City in a good position economically and saves residents’ money in the
7 long run.

8 Councilman Higginson said he is proud of the projects that they have accomplished and that
9 each one was in response to residents’ requests and survey data. He refuted the claim that City money
10 has been “burning a hole in the Council’s pocket.” He stated that none of them want to hold any more
11 money than is prudent and they do not want to tax people more than is needed. He feels that
12 abandoning the reserve policy will cost residents significantly more down the road and he takes the
13 responsibility seriously to help keep the City in good financial health.

14 Mayor Lewis said he believes Bountiful is very fortunate to have such a mature Council who
15 ask questions and help everyone think more deeply about these issues. He thanked staff for their
16 efforts in this process and that he supports the work they are doing here.

17 Mr. Beck thanked them for the support.

18 Mr. Beck then explained that the original Capital Projects Fund balance projection
19 spreadsheet given to the City Council did not include the \$8M Washington Park and Trails Bond
20 proceeds. When the original projections were being created the timing of the bond issuance was
21 unknown. He wanted to show what the reserve balance did if they added the \$8M in, to help them be
22 better prepared for the Truth in Taxation meeting on Wednesday evening. He explained that a one-
23 time influx of \$8M estimated for fiscal year 2023 would bring the reserve level above the target, but
24 it immediately goes back down below the target level without any coinciding tax increase. If the
25 Council approves the \$950,000 proposed tax increase, it will be enough to get reserves back above
26 the target, into a space that is comfortable, and to stay above the minimum reserve for a few years.

27 Councilwoman Harris said that the projection gives her hope that the City does not need a tax
28 increase until FY2023. Councilwoman Bahr countered that they need to be willing to support the
29 reserve policy now and not push it off onto another Council.

30 Councilwoman Bradshaw asked Mr. Beck to plug in other numbers to the spreadsheet to see
31 if a smaller tax increase would more closely follow the minimum reserve line. They looked at
32 \$800,000 and \$750,000. Mr. Beck added that the minimum target is a minimum, without inflation
33 factored in, and is not necessarily a comfortable reserve level for the City. The Council discussed the
34 diminishing accuracy of the projections as they move further into the future.

35 Councilman Higginson said he hopes there are not unplanned emergencies, but that the City
36 needs to be prepared for whatever may come. Mr. Hill added that this policy is very conservative and
37 does not even come close to achieving some of the fund balance “peaks” that the City has seen in the
38 past, rather it is simply a minimum to help the City stay out of trouble. The City does not want to
39 over-collect or under-collect.

40 Councilwoman Harris excused herself at 6:35 p.m.

41 Councilwoman Bradshaw asked for more time exploring tax increases on the spreadsheet and
42 Mr. Beck obliged.

43 Councilman Higginson stated that he gave his word to City staff, after asking them to plan,
44 build and maintain some amazing projects, that he would not leave them hanging. He promised he
45 would explain to residents why a tax increase was necessary in order to keep their excellent quality of
46 life, and which would save them money in the long run. He said he felt like that was a group

1 commitment and he does not understand how any of the Council could say they do not see a need for
2 a tax increase now that it is time.

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6 **ADJOURN**

7 Councilman Simonsen made a motion to adjourn the meeting and Councilman Higginson
8 seconded the motion. The motion passed with Councilmembers Bahr, Bradshaw, Higginson and
9 Simonsen voting “aye”.

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11 The regular session was adjourned at 6:42 p.m.
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Mayor Pro Tem Chris R. Simonsen



City Recorder