

(Approved at Budget Retreat on November 17, 2010)

**PROCEEDINGS OF THE MUNICIPAL COUNCIL BUDGET RETREAT  
October 26, 2010**

**THE MUNICIPAL COUNCIL MET AS A COUNCIL OF THE WHOLE ON OCTOBER 26, 2010 AT 8:16 A.M. AT 351 WEST CENTER STREET, CITY CONFERENCE ROOM, PROVO, UTAH.**

UPON ROLL CALL, THE FOLLOWING MEMBERS OF THE COUNCIL AND ADMINISTRATION WERE PRESENT:

Chair Midge Johnson  
Council Member Rick Healey  
Council Member Steve Turley  
Council Member Sterling Beck  
Council Member Cynthia Dayton  
Council Member Sherrie Hall Everett  
Council Member Laura Cabanilla-excused  
(on military duty)

Mayor John Curtis  
Wayne Parker, CAO  
Corey Norman, Deputy Mayor  
Ryan Wood, Council Attorney  
John Borget, Director Administrative Services  
Dan Follett, Division Director of Finance  
Denise Roy, Budget Officer/Controller  
Matthew Taylor, Council Executive Director  
ReAnnun Newton, Justice Court Administrator  
GaryMcGinn, Director of Com Dev  
Scott Pepler, Deputy Public Works Director  
Steve Gleason, Airport Manager  
Dave Graves, City Engineer  
Blair Camp, Fire Chief  
Craig Geslison, Chief of Police  
Gene Nelson, Director of Library  
Roger Thomas, Director of Parks & Recreation  
Paul Duerden, Arts Center Manager  
Julie Stevens, Legislative Assistant

WELCOME AND CALL TO ORDER: - Chair Midge Johnson

AN UPDATE ON THE 10 YEAR PROJECTION BASED ON IMPLEMENTING REVENUE GENERATING CONCEPTS DISCUSSED IN THE SEPTEMBER, 23, 2010 BUDGET RETREAT:

John Borget, Director of Administrative Services and Denise Roy, Budget Officer/Controller, presented. There are assumptions that have been made that need to be decided upon by the Council. The handout (Charts showing General Fund Projections) shows the kind of impact certain decisions will have on the 10 year model.

With regard to property taxes, there are two factors that change every year. One is that as the city becomes larger (new residents and new homes) there is increased property tax revenue. Number two is that the size of government needs to change accordingly. There are two components of growth. One is through a percent of increase in the population and one is in the consumer price index (CPI). It will always cost more to provide what was there before. In a normal year the amount needed increases about 3% on average. The City's buying power is diminished over time.

Property tax from 1980 to the present shows that the revenue increase was 119%. The Consumer Price Index increased 165% and growth based on population increased 69% for a total of 234%. The shortfall during that time period was 115% (234% minus 119%). From 1997 to the present the revenue increase from

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property taxes was 40%. During that time, CPI increased 36% and growth increased 26% making the shortfall during that time period 22% (62% minus 40%).

When property values go up, the rate goes down meaning that there is a shortfall in buying power. In the last 17 years the City has lost 22% of its buying power and since 1980, even more has been lost.

It would make good sense to do a one time rate increase to get the City back on track and as the City plans for the future, estimating the population growth and the CPI, the City needs to be able to adjust the rate and calculate the CPI factor. These two things would allow the City to "catch-up" and help with the constant increase changes over time.

Council Member Healey asked how the City has gotten so behind in this area to which Mr. Borget said that for 15 years increasing property taxes was taboo. Current legislation allows for the rate to go down as growth goes up. The decline is about 2% per year and it might be well to bring that to the attention of State legislators.

Mr. Borget suggested a possible 22% property tax increase in 2012 and then a 4% (1.9% plus 2% on CPI) increase each year thereafter. That would blend in the population and the growth. Council Member Turley said that he believes it would be irresponsible for the Council to not do this. Mr. Borget said that if property taxes were increased 25% it would increase taxes to a \$195K home by about \$25 per year over the current rate. The percent of increase for a household for the total city tax would be about \$10 and would mean about \$900K to the City's General Fund.

Council Member Beck asked what action the Council would have to take in order to have this happen. Ms. Roy said that the process is to educate the public and have the Council make the decision. Such action would not require the vote of the people. Mr. Beck suggested that it might be well if the School District didn't request a property tax increase at this time. Having other taxing entities decide to implement property tax increases at the same time might make it difficult for Provo citizens. The School District has increased taxes in the past without the City doing so at the same time. Again, Mr. Beck said that he believes it is important that the School District not raise taxes at the same time as the City raises taxes.

Mr. Borget discussed a RAP tax which was brought up at the last Budget Retreat. It might be possible to have the Covey Center become non-profit so that it becomes self-sustaining. The Arts Council has been receiving about \$450K with a 2% increase each year. With a RAP tax that amount could be saved. If that transfer were not needed and the Recreation Center Bond passes on November 2, which could save about \$700K per year, then there is a possible net savings to the General Fund of about \$1.1M. These are big "ifs" but they are possible.

Usually, there is about a 6% payroll increase but in the last two years no payroll increase has been given at all. In 2012 it may be possible to give a 6% payroll increase and 3% each year thereafter to help get back on track. With the above mentioned changes (recouping \$1.1M), as far as payroll increases, 2012-2016 look pretty encouraging and in 2017 it begins to go negative.

All of these kinds of things will begin to make a dent. Of course, this is all impacted by the economy. Doing truth-in-taxation every year will have to be done to make changes to the property tax as proposed. Mr. Borget asked Council members if there are any other assumptions that should be made or not made.

Mr. Parker added that Council members need to understand that the proposed changes mean that the City's organization will look like it does today - no new employees. Employment will remain constant (COLA and benefits have been estimated) but there will be no additional dollars for roads or for police, or for parks, etc. Mr. Borget noted that \$250K was added to the General Fund for roads.

#### JUSTICE COURT FEES:

ReAnnun Newton, Justice Court Administrator, presented. The Justice Court fees include Court Fines, Plea in Abeyance Fees, Traffic School Fees, and Parking Citation Fees. Fines for criminal and traffic offenses are set by the State. The Court has set the Traffic School Fees, Plea in Abeyance Fees, and Parking Citation Fees.

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A Plea in Abeyance allows a citizen to go to traffic school and not have the citation noted on their record. A lot of this fee goes to the State. Provo is charging about \$20 less for this fee than other justice courts. Most are setting their fee at the current bail schedule amount. Wayne Parker said that it is possible for the judge to set the fee, making it a court fee which could then be taken out of the fee schedule. Mr. Borget added that it would be a little quicker and cleaner and out of the public process to do so. Mr. Parker said the only thing the judge has be careful of is not to exceed the range.

All the traffic school fees go to the City. It may to possible to raise this fee. Council Member Hall Everett would like to see Provo use the online traffic school option. If the City were to go to an online option, most of the money would go to the person who runs the online service. It was suggested that the City write their own traffic school software program. Dan Follett said it may be possible to charge someone more for taking traffic school online. That would offset the cost and still allow the City to keep most of the money. Council Member Beck, looking at what Beaver City does, asked about the possibility of Provo doing a three month probation period and no traffic school. Ms. Newton said that the judge can make that kind of decision if certain conditions are set.

Council Member Turley asked, if it meets legal requirements, whether the City can make the Plea in Abeyance charge to match the bail schedule and raise the Traffic School Fee to \$65. Mr. Parker will look into this option.

As far as the Parking Citation Fee, Provo is charging about what other cities are charging. Council Member Beck would like to see this amount increased. Mr. Borget said that during the budget process, a recommendation will be given because traffic school and parking fees come back to the City and could be helpful to the budget.

#### COMMUNITY DEVELOPMENT FEES:

Gary McGinn, Director of Community Development, presented. When it comes to fees for planning and zoning it is not so much a matter of being self-sustaining as it is a matter of whether rezoning and text amendments, etc should be encouraged or discouraged. It is possible to raise the fees overall and that would help raise some revenue.

It is difficult to compare Provo's fees with other cities because there is no consistency that makes the comparison worth it. There is a city in California that has done away with their planning department as part of their budget cuts. An engineering firm does the bare minimum of what must to be done to help people comply with code. No one in the city is doing any planning. It is the philosophy here in Provo that planning is good for the health, safety, and welfare of the City.

Council Member Turley said that as a developer he has paid a number of these fees and believes that Provo offers a good deal. People are generally willing to pay more to develop in Provo because it is so desirable. Mr. Turley would like to know how much it costs the City for the different applications: rezones, text amendments, general plan amendments, etc. Right now the City collects a little over \$1M in fees.

Mr. McGinn said that State code for building permits prohibits charging more than the actual costs to the city. Even doubling the fees would not get Community Development anywhere close to closing the budget gap, but it would be closer.

Wayne Parker added that it is a question of equity. Should some services be fully self-sustaining? On the flip side there is a benefit to the general tax payer because building inspections protect citizens from unsafe buildings etc. Some fees are based on consumption but others, like fire hydrants (kind of an insurance against a house burning down), are not. It might be a good idea to have a flat fee and then have the rest based on consumption. Is there value to the service that should not be cost recovered? The value is beyond what is being charged.

There is a nominal fee to buy a building permit to finish a basement. Many people don't get the permit but the City would rather have the basements inspected and done right and so charging a small fee makes an inspection easier for people to accept. This can be an insurance program as well for fire fighters. There is an

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intangible cost that can't be quantified.

Council Member Turley asked about making Community Development an enterprise operation with the possibility of doing chargebacks to departments who use their services. This may have to be a paradigm shift. In terms of raising fees, Mr. McGinn asked the Council how close he should come to charging for actual cost. Mr. Turley said that full cost recovery on each line item would be ideal. Mr. McGinn said the cost recovery basis is based on how many times people are coming in to make changes. Mr. Turley would like Mr. McGinn to look at other cities to get a ball park idea of cost recovery and what should be encouraged or discouraged.

Mr. McGinn said that Provo is a good development bargain. It is the mom/pop operations that cost the most and that is not a sustainable model. The time frame for a recommendation from Mr. McGinn would be within the next couple of months as the Council continues to meet in Budget Retreats.

#### AIRPORT FEES:

Scott Pepler, Deputy Public Works Director, and Steve Gleason, Airport Manager, presented. Mr. Gleason spoke about the current fees being charged at the Airport. There are Tie Down and City Hangar Leases, Fuel Flowage Fees, Rental Properties, and Ground Leases. The biggest revenue comes from hangar and ground leases. General Fund transfers cover the rest of the costs at the Airport. It is significant that in 2000 the percent of transfers was 45.1% and by 2009 the percentage was at 14.6%.

The biggest revenue comes from hangar and ground leases. As Mr. Gleason compares Provo with the Salt Lake II and Ogden airport, it would be difficult to get too aggressive with higher fees because of the competition. The ground leases (40 years) are made to those who build their own hangar. At the end of the lease, the Airport takes possession of the hangar on the property and this gives the Airport another asset. No leases are coming up.

There are new requirements with the 139 Inspection, even without commercial air service. It takes a lot of time to control weeds and animals to meet these requirements. More employees are needed.

When commercial air service comes to the Provo Airport, Mr. Gleason said there would be opportunity for new revenue sources such as:

- Parking at \$5 a day (estimated \$45K per year)
- Landing fees (\$30K per year)
- Passenger Facilities Charge PFC (each full flight would be \$450 - \$164,250 per year)
- Concessionaire fees (percentage of rental cars, taxis, busses, etc.)
- Ramp vehicle access fees.

Mr. Gleason believes it is critical that our first airline service is a success, therefore, the Airport should not begin assessing additional fees until service is well established. The Airport will continue to need to be subsidized until everything is in place. The following recommendations were made:

1. Leave all fees as they are.
2. Reduce rent for the north facing hangars by \$50 per month
3. Hire a maintenance laborer level 15 in 2010
4. Elevate the maintenance specialist to level 22
5. Phase in new fees as commercial air service grows
6. Build a parking lot as soon as possible
7. In two years begin charging land fees
8. In three years begin PFC
9. Start to look to building a terminal (22 flights per day)

Duncan Aviation is excited about being at the Airport and they are doing well; however, it will be another year or so before the operation will begin to show returns. When that happens it will trigger the possibility of Provo asking for \$2M to get the first phase for the ramp that is needed.

Right now the Airport needs about \$100K to hire additional staff to prepare for the commercial air

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service that is coming. Mr. Gleason doesn't want to use grant money for the parking lot as the money is there to develop the Airport.

#### ENGINEERING FEES:

Dave Graves, City Engineer, presented and outlined all the services currently provided related to permits. Services that should be self-sustaining are: review, tracking of qualified contractors, inspections, and processing of bonds. In 2007 some adjustment was made to the fees after comparing Provo with other cities. Provo is still on the low end because philosophically there is less criticism from builders and others who need permits. The permits are issued to contractors that the City works with on a regular basis and has developed good relationships with. Mr. Graves believes that the fees should reflect the real costs. There has to be justification for going too high or staying too low.

Council Member Turley pointed out the need for the work that contractors do to be done well. If the inspection isn't done correctly, in the end it costs the city a lot of time and money to repair projects that were not done right. Every time something has to be repaired it costs the City again and again. Cutting corners on inspections is costly. Right now, the hourly inspection is only a one-time fee rather than a charge for every time an inspection needs to be made. Mr. Turley would like to see that the right investment is made up front. Council Member Dayton agreed, saying that she believes the permit fees are significantly under what they should be.

Mr. Graves said that the implications of raising fees are complaints from contractors and those who are required to obtain permits. The costs associated with providing a service should cover the expenses being incurred. It was noted that about 30% of the work the Division performs is in-house.

Mr. Graves proposed raising most of the Engineering permit fees (per his handout). Currently the permit fee is \$35 and the proposal is to raise it to \$150 because on average it takes about two hours of staff time, one hour of engineer staff time, and one hour of inspection to perform the work. This equals about \$140 and Mr. Graves is recommending raising that to \$150 per permit. Charging this amount would generate about \$25K during a slow year.

Hourly inspections should be raised from \$20 to \$40 to cover costs. The suggested additions of lane closures, local street closures, arterial street closures, and sidewalk closures, are fairly conservative. These are fees that would be charged per week for any closures that extend beyond the first 48 hours.

Mr. Graves asked that permit fee increases not be rolled out all at once.

Council Member Dayton asked Mr. Graves for his ideas on incremental increases. There is a risk of bringing significant increase to the public again and again. Mr. Graves said it would be difficult to determine future costs because what is being presented today are actual costs. Ms. Dayton suggested that increases could follow building trends. Mr. Turley asked if it would be legal to indicate a 3% annual increase in these fees. Ms. Dayton believes that would get the City closer to the actual costs and make up for past problems.

Other additional fees are:

1. Qualified contractor fee \$50/year
2. Traffic control plan review fee \$75/plan
3. Hourly inspection fee for permits requiring multiple inspections \$40/hour

Council Member Healey asked if the fee for working without a permit is reasonable, maybe it should be higher. Mr. Graves responded that this fee is somewhat punitive but it is designed so that the permit process isn't too onerous - it is a pretty easy process and one can be in and out of the office within about 15 minutes.

A recommendation was made that the permit fees be re-evaluated every 3-5 years and adjusted such that the cost of providing services is self-sustaining.

It was suggested that there be a 3% annual increase and that this increase "sunset" in five years at which time the rate amount remains stable unless action is taken to either raise or lower the fees. Ms. Dayton suggested that the increase "sunset" at three years because this is experimental.

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In response to Mr. Turley, Mr. Graves said that the work Engineering does for other departments is not charged back; however, there are trade offs with updated equipment, etc.

It was suggested that the fee for working without a permit be raised to 3 times the permit fee instead of 2 times the permit fee.

FIRE FEES:

Blair Camp, Fire Chief, presented. In July the Fire Department updated the fee schedule and shortly thereafter the Bureau of Emergency Management Services (EMS) raised their rates as well.

Ambulance transport fees are regulated by Utah State Department of Health and periodic adjustments are made annually. This is not an enterprise fund as the revenues subsidize fire operations. About \$1M is collected annually. Citizens are charged an ambulance fee only if they are transported. If it is a situation where they driver responds but does not transport, then a fee is charged only if they bill the citizen for any supplied used. This is somewhat like a house call where assistance is provided but then they drive away and there is no bill for the service.

Wayne Parker said that this is a question of equity and is a taxpayer supported service. It is difficult to know where to draw the line. Right now the line is drawn when someone is transported. Chief Camp said that very few calls take advantage of the ambulance services as their doctor service. This may be a policy decision that if the economy were to get worse, then there would need to be compensation for the treat and release program. Chief Camp would need a clear line of distinction for his people to know when charges should be billed. This is about those who abuse the 911 system and case workers help determine the needs. Council Member Beck noted that in Chicago only non-residents pay a fee for 911 services. Another problem with charging is that the call could have been made by someone other than the person being helped i.e., maybe a passerby called. Council Member Healey would have a hard time charging citizens for services other than transport fees. Chief Camp said he wouldn't want to discourage someone from calling if they were going to be charged.

This service is not an enterprise and will probably always have to be subsidized. \$1M is not enough to pay for the services that are rendered. Chief Camp will do some research and come back to the Council with some specific recommendations. Mr. Healey said that if Provo is charging less than other cities then adjustments may need to be made. Mr. Healey said that if the City is going to do something then maybe it would be well to change the maximum allowed by EMS and then make some recommendations on the treat and release program.

As far as fire inspection fees, Chief Camp did a quick survey of Park City, Layton, and Utah County. Provo is lower than Utah County and Layton and about the same as Park City. More in-depth analysis will be done. The Department hopes to recover time spent on an inspection. The estimated amount collected is \$25K annually. The cost recovery is determined by the time an inspector spends.

There are three other fees that the department could consider. One of them is a hazardous materials permit. Chief Camp found a resolution passed in 1994 that set fees for hazardous materials but the Department has not been collecting those fees. Inspections for other departments in the city are done free of charge.

It might be possible to charge for automobile accident spill response. Currently, when there is some kind of accident that the fire department has to respond to, Mr. Parker said that a claim is filed against who caused it and that claim goes through central billing. This billing is done outside the normal fee structure.

It was noted that there are about 100 structural fires a year and the passing of Ordinance 1994-71 allows for citizens to collect up to \$500 from their insurance company.

There need to be fees in place to help support Fire Airport operations (training, equipment/apparatus, facility, staffing). Fire protection is being provided to the Airport. There is a high cost to train fire fighters (\$2,000) to service the Airport. When the Airport has commercial service is in place, then firefighters will be required to be on-site at all times. Right now, the Airport trained fire fighters are at Station 4 because they

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are close enough to the Airport to provide the service needed.

POLICE FEES:

Craig Geglison, Police Chief, presented. The fees currently being charged for such things as fingerprints, traffic accident reports, police clearances, etc. are in line with what other cities are charging. Fees bring between \$36K-40K per year. Fees are determined based on our cost and what others are charging. The only fee that the Chief feels should be increased is the fee for GRAMA requests because it can take so much time and paper to research and copy.

There is a huge amount of time spent on planning and participating in special events. This needs to be looked at in light of cost to the City. It was suggested that a study be done to determine costs to the Police Department and possible cost recovery from fees. An RFP needs to be considered as a possibility.

LIBRARY FEES:

Gene Nelson, Director of the Library, presented. Over 75% of the Library budget comes from property taxes. The fees charged by the Library are mostly replacement fees. Non-resident Library cards are \$100/year except for the City of Orem because there is an agreement to equally share materials. Fees bring in about 4% of the total budget. There has been some talk of a County-wide library system, but there are no funds for this.

Rental of meeting rooms brings in about 3% of the total budget. The biggest portion comes from the rental of the ballroom. Every 2-4 years the Library does a cost comparison to make sure the charge for meeting rooms is about mid-way in the range of the market. Staying at about this level brings in a lot of business.

Wayne Parker noted that raising or lowering Library fees does not impact the General Fund.

CEMETERY FEES:

Roger Thomas, Director of Parks & Recreation, presented. In July of 2010, Parks & Recreation fees were adjusted and no changes are being recommended at this time.

There are less than 1,500 cemetery plots to sell at this time. It is critical that the cemetery be expanded 6-8- acres to the west. It will be based on the road alignment at 600 East. The expanded portion will require a larger up-front cost because of how cemeteries are being designed now (vaults have to be pre-installed in order to get more burial space). It will allow for all different kinds of burials (full body, mausoleum, cremation, etc.). It is possible that the new area could be under construction by next summer and plots could begin to be sold there; however, the funding is not there yet. Until this happens, Mr. Thomas is not in favor of adjusting fees.

Once all plots are sold, the cemetery becomes a cost to the city. Provo is at the upper end compared with other cities and there aren't a lot of plots left to sell unless the cemetery expands. There is a perpetual maintenance fund but it doesn't cover the cost.

The next step is to get a new Parks and Recreation Master Plan which has already been budgeted for. There will also need to be a policy change because currently the code does not allow for double burials.

COVEY CENTER FEES:

Paul Duerden, Arts Center Manager, presented. When the Covey Center was completed, the proposal was to hold events 130 days of the year. The Center currently holds events about 245 days. There is no other place like the Covey Center in the state and it has been difficult to have a comparison fee structure. Those that do privatize, like the Hale Theater, specialize in a particular discipline, typically theater. Mr. Duerden has established two fee structures. One is at the rate of a non-profit organization and one was created for a commercial venue. There are no arts centers that are self-sustaining.

The Covey Center fills a particular niche that in the past has been filled by schools; however, schools

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want to reserve their facilities for academic purposes. The rates are set in such a way that a flat fee means that the performers can use the equipment for that period of time. There are separate charges for cleaning, piano tuning, merchandising, etc. The attempt is to get full use of the building. The reason the Covey Center is filling up is because it meets a need. Between now and the end of June there are only 20 days that are not scheduled because staff needs to be able to take time off. The demand on employees is 7 days a week. With budget cuts, there was a big cut-back on staffing.

The impact of raising fees to make the Covey Center self-sustaining means that small community groups wouldn't have a place to go. If rates are raised, then renters and patrons would be lost. The goal has been to maximize the facility and the number of people who come through the facility.

The subsidy to the Covey Center has gone down from \$720K to \$488K. Wayne Parker said that the initial plan was an \$800K subsidy but that was in the era when sales taxes were growing. This is the most efficient center around. Places across the nation are asking how the Covey Center is doing it because they are able to attract big talent like the Beach Boys. For the size and the money, it doesn't seem possible. This is done in large part because of corporate sponsorship.

Mr. Duerden is proposing some rate increases for the next budget year (Friday and Saturday's at \$1,600 for Rate A and \$1,100 for Rate B). This would bring in revenues of between \$25-40K. Studio rentals would also be raised \$5 (\$40 per studio or \$70 per combined studios).

In order to lower the subsidy from the General Fund, Mr. Duerden is proposing that a RAP tax be pursued. Dan Follett said that if Provo had a RAP tax, the money could only be used for capital improvements. For on-going operations the organization has to be non-profit. A RAP tax pays for operating costs only if it is under the 5013C umbrella as opposed to the Provo Foundation. It was noted that none of the current budget allows for any capital improvements. The only insurance is on the art work in the building.

When asked about Mr. Duerden's vision for the future of the Covey Center he said that he would like to see a downtown arts district and to have the Covey Center built out to the west with another theater and a scenery and costume shop. This building is the right size to accommodate the community and run at full capacity. If it were any bigger it would probably only be about 60% full.

#### PARKS & RECREATION FEES:

Roger Thomas, Director of Parks & Recreation, presented. There are a tremendous number of people who are served by this Department. These are not profit making ventures. For FY 2011 when the budget was adopted, new fees were approved for park pavilions but these new fees will not take affect until January 1, 2011. It might be possible to charge more in the future for the pavilions because these pavilions served a large number of people. Council Member Turley asked if it would be possible to have park reservations handled online. Mr. Thomas said that it is difficult to write software that allows for so many rentals (55 pavilions can be used two times per day). Mr. Parker added that it is a top priority to get this kind of programming working and online.

The special park use fees were also approved in the FY 2011 budget. These fees are for events that utilize the trails and major use of park areas that exclude public access while the event is going on. The amount charged is similar to what is being assessed by Utah County Parks and by Orem City.

The Sports Division raised the majority of youth and adult sports fees for the FY 2011 budget. The current fee schedule brings the Provo sports fees to market average. More fee increases would not be recommended at this time.

Right now the Consolidated Fee Schedule is cumbersome for the Parks & Recreation Department to manage. It was suggested that it might be a good thing to leave many of the fees out of the Schedule and allow the Director the discretion to implement fees based on new programming and other needs. That way, the Council would not have to see every line item as the fees would be set by the Director and programmed into the computer.

Council Member Healey would like to have the Council set a policy that would outline how fees are

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determined. Mr. Thomas said that for youth sports it would be best to come up with the recovery cost of 125% of running a program. Of course, this would not cover the cost of full-time office staff. It would not be possible to get the full 125% for some sports, like baseball. With things like pavilions it is possible to make the price match the use. Mr. Turley said that a good policy might be an average of 125% cost recovery of the program (some up and some down). Mr. Thomas said that such a policy would make the work of the Department easier and would give the Director the needed discretion.

It was noted that the Consolidated Fee Schedule was implemented so that staff and citizens would know what fees were being charged. It is helpful to keep the fees updated and all in one place. Mr. Parker suggested that only the fees set by ordinance would be part of the code book.

Mr. Thomas outlined the four self-sustaining services as the gun range, the pool, adult and youth sports, and education classes - day camps - special events. Subsidized services are the Department administration, parks - arboriculture and park project management, trails, and some special events. Services that are currently subsidized with an ultimate goal of becoming self-sustaining over time are: golf course, recreation center, teen center, senior center, ice arena, and the Covey Center.

Council Member Hall Everett asked how much it would cost to cover a full master plan. Mr. Thomas said that for about \$75K a plan could be done. Such a study would need to be done before a RAP (Recreation and Arts Program) tax could be implemented. Mr. Thomas said that once the Department knows whether the bond election for a new recreation center passes, then the direction can be set for future visioning. Mr. Parker said it is hoped that the Mayor's visioning process that relates to leisure services would be the basis to get a master plan for implementation. The vision should reflect the community's vision at large. Mr. Healey believes that with the study there would be a basis for the community to then make some decisions. Mr. Turley said it would be good to encourage such dialogue between the public and results of the study at the same time.

As far as timing, Mr. Thomas said that when and if the bond issue passes, then the project will require a lot of oversight. In order to dedicate the new facility on time and to ensure that it is top-notch will require about two years. Once it is complete and the community has had a chance to see what they have invested in, then it would be all right to have another ballot measure to take to the citizens. It might be well to let the public experience the recreation center for about a year and then ask for a RAP tax. Before asking for a RAP tax, a new and very thorough master plan needs to be in place.

It was mentioned that this is a good time to "true-up" and get a more comprehensive relationship with the school district with regard to the recreation center and the part they play with the operation of the new center.

The appropriation (\$75K) for the Parks & Recreation master plan study could go to the December 7 Study/Council meetings.

#### BUSINESS LICENCES:

Dan Follett, Division Director of Finance, presented. In 1996, the legislature amended the Utah municipal code so that cities may only charge a business a license fee equal to the amount of expenses incurred in regulating the business. The fee cannot generate revenue in excess of expenses. The fees charged should reflect the amount necessary to reasonably regulate business activity including the costs of disproportionate or enhanced levels of city services.

Costs that can be recovered by cities include those associated with the basic licensing process i.e., processing new applications, preparing renewal notices, receiving and processing payments, etc. A disproportionate service is one a city must provide due to the nature of the business i.e., disproportionate calls or requirements for services from police, fire, storm water runoff, traffic control, parking, etc. Enhanced services are those a city chooses to provide to a business class if it is determined that the public good will be served i.e., regulatory costs associated with salvage, auto dealers, alcohol-related businesses, pawnshops, etc. Businesses must be treated as classes and licensing fees must be consistently applied across each class of

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business.

Cities are required to maintain supporting data and analysis that justifies the business license fee structure. West Valley City recently hired a consultant to refresh their business license fee study and realized that their business license revenue would increase annually by 95%. It might be well for Provo to engage a consultant to conduct fee studies that support the City's business license ordinances. Such a study could support increased revenue for Provo.

Council Member Healey asked if the study would provide data to make it more fair in the amount charged per person for a business license. For instance, some businesses may be charged \$150 per person whereas other businesses would only be charged \$10 per person. Mr. Follett said that right now it is getting to be more the norm to charge a business per person.

The business license study along with the disproportionate fee study would cost about \$20K. Mr. Follett recommends that the City hire a consultant and have a fee study done. The cost will be recaptured through increased business license fees.

Council Member Turley asked if there is any way to figure out the impact of non-profits on the community? Mr. Parker said that the utility transfer is a way to reach and have non-profits pay and regardless of tax status, that money goes straight into the General Fund. It is the one thing that is the most equitable and there is a substantial contribution. It was noted that some of the large non-profits (BYU and IHC) have their own police and security forces that do not draw upon city resources and that some of their entities provide top sales tax.

Mr. Borget said that one of the keys is that once the disproportionate fee study is done then the City may realize that some businesses will be impacted significantly. It will be important to be able to defend the decisions to raise business license fees. It will be important to allow business that will be impacted to respond before the final draft is implemented.

#### RENTAL DWELLING LICENSES:

Dan Follett, Division Director of Finance, presented. Cities may require owners of rental dwellings to obtain a business license. Cities may not require the owner of multiple units to obtain more than one regulatory business license; however, it is possible to charge disproportionate fees on each rental unit. State code requires that before a disproportionate rental fee is imposed a study must be conducted.

A study done at West Valley City indicated that in addition to the base licensing a disproportionate fee of up to \$94 could be charge for police and fire services. There is a uniform license fee with respect to the class upon which the fees are imposed. It is possible to differentiate student vs non-student housing.

The Good Landlord Program provides a reduction in the disproportionate rental fee for a landlord who completes the program, implements measures to reduce crime in rental housing, and operates and manages rental housing in accordance with applicable municipal ordinances. Mr. Follett showed cities in Utah that currently have the Good Landlord Program and the fees associated with each. It is recommended that Provo consider completing a study that would review the basic costs of rental dwelling licenses and establish the disproportionate service costs of rental dwelling licenses. It is also recommended that Provo consider establishing a Good Landlord Program that could offset the impact of some of the disproportionate service costs for participating landlords.

Again, if the disproportionate fee study were done in conjunction with the business license fee study they would total about \$18K to \$20K for both studies.

Chair Johnson polled Council members in attendance to determine if any were against moving in this direction and no one objected. This would require an appropriation. Doing these studies along with the Parks & Recreation master plan study would total about \$100K. This money would come from the excess in the General Fund. This item should go on the November 16 Study agenda and the December 7 Council agenda

Matthew Taylor, Executive Director, will put together intent statements from this Budget Retreat.

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Meeting adjourned at 2:59 p.m.