

Special Meeting

Joint Grand County Council - Budget Advisory Board

Wednesday, October 17, 2018

8:30 a.m. – 12:00 p.m.

County Council Chambers

125 E. Center St., Moab, UT 84532

Call to Order

A. Action Items:

1. Approving minutes of October 9, 2018 joint meeting
2. Presentation and possible revision of 2019 proposed operating budget(s):
 - a. Emergency Management, postponed from September 26, 2018
 - b. 911 Emergency Funds, postponed from September 26, 2018
 - c. Misc. Grants, postponed from September 26, 2018
 - d. Family Support Center, postponed from September 26, 2018
 - e. Sand Flats Contribution to Other Agencies
 - f. Contribution to Moab Valley Fire Protection District
 - g. Line item for clean up of refuse, debris, junk and/or inoperable, wrecked, unregistered vehicles and the like
 - h. Strategies to balance General Fund and Library Fund, depending on County Council action of October 16, 2018 regarding a possible 2019 property tax increase:
 - 1) Fund Balance Draw
 - 2) Cost Cutting
 - 3) Legislative Amendments
 - 4) Non-Property Tax Revenue Growth
 - 5) Allow for New Growth in Property Values
 - 6) Engage Other Entities for Cost-Sharing
 - 7) Other
 - 8) Mixture of the above

B. Discussion Items

1. Review of Fund Balance of Designated Funds

Future Considerations

Closed Session(s) if necessary

Adjourn

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**Joint Grand County Council - Budget Advisory Board
SPECIAL MEETING**

**Grand County Council Chambers
125 East Center Street, Moab, Utah**

October 9, 2018

The Grand County Council and the Budget Advisory Board ("board members") met jointly in Special Session on the above date in the County Council Chambers. The meeting was called to order by Budget Advisory Board Chairperson Chris Baird at 8:40 a.m. with a quorum of both boards present. In attendance at the call to order were Budget Advisory Board Members: Chris Baird (Budget Officer), Evan Clapper (Council Member), Jaylyn Hawks (Council Member), and Chris Kauffman (Treasurer). Absent from the Budget Advisory Board were Diana Carroll (Clerk/Auditor), Elaine Gizler (Moab Area Travel Council Executive Director), and Zach Wojcieszek (Citizen). County Council Members present at the call to order were, in addition to Budget Advisory Board Members/Council Members Clapper and Hawks: Council Chair Mary McGann, Council Member Greg Halliday, and Council Member Terry Morse. Absent from the County Council was Council Member Curtis Wells. Also in attendance was Ruth Dillon (County Council Administrator) to take minutes.

A. Budget Advisory Board Action Items

A1. Approving minutes of October 4, 2018 meeting-

MOTION: Motion by Evan to approve the minutes of October 4, 2018 seconded by Jaylyn with corrections to remove the incorrect time reference of "yesterday's" County Council workshop on mineral lease and TRT mitigation allocations and to replace "putting pressure on Moab City to pay more of the Sheriff-related costs" with "asking Moab City to contribute more toward collaborative projects where it makes sense to do so." Motion carried 4-0.

Budget Advisory Board or County Council Action Items

A2. Presentation and possible revision of 2019 proposed operating budget(s) (in order of presentation)-

A2a. Debt Service Overview-

Budget Advisory Board Chairperson Baird provided the Debt Schedule on-screen and reviewed aloud the status of each debt purpose, funding source, and impacts to the 2019 budget. Evan inquired about the effects of early pay off of the General Obligation (GO) debts of the courthouse and library; Chairperson Baird agreed to research this with the State Tax Commission. Council Member Morse inquired about budget impacts if there were to be a decrease in Transient Room Tax (TRT) revenues; Chairperson Baird explained that the General Fund would be adversely affected if there were not enough TRT mitigation revenues to cover the allowed expenses, such as law enforcement. Chris Kauffman inquired about the amount of the decrease in TRT during the Great Recession, if any; Chairperson Baird agreed to investigate.

A2b. Fund Balance Overview-

Chairperson Baird provided the Fund Balance on-screen and reviewed the summary of the 2018 Opening Balances for each of the funds. He explained that some funds, such as 911 Emergency Funds, are obligated for 2019. Council Member Halliday inquired about the Fund Balance for Health Insurance; discussion ensued regarding the county's partial self-insurance status, and Chairperson Baird agreed to investigate further to determine what portion may be obligated for 2019. Chairperson Baird reported that Storm Water Mitigation Fund Balance is obligated for 2019 for the Jackson Street Detention Basin construction project.

Chairperson Baird reported that the Fund Balance of Restaurant and Car Tax (TRCC) of approximately \$283,000 could be utilized to help balance the 2019 budget; he reminded Board members that this fund is built up over time and would take time to build back up. Ruth stated that the TRCC should increase each year due to the Council's

2017 approval of maximizing the allowable car rental tax rate; Chairperson Baird reported that the increase should nearly double each year over prior year revenues from car rental tax revenues.

Chairperson Baird reported a Fund Balance of approximately \$215,000 of TRT-County Portion that could be utilized to help balance the 2019 budget; he reminded Board members that this fund is also built up over time.

Chairperson Baird suggested having a future agenda item to review the Fund Balance for Designated Funds, and he stated that this mainly includes trail maintenance funds and the USU set-aside amount of \$525,000.

Council Member McGann stepped out at 9:20 and returned at 9:24 a.m.

Chairperson Baird reminded Board members that the county is obligated for approximately \$24,000 per year to repay 50% of the CIB infrastructure loan (along with Moab City) as part of the new USU-Moab campus, in addition to the \$525,000 set-aside amount. He stated that Moab City has not yet closed on the CIB loan. Board members discussed the 2017 Memorandum of Understanding (MOU) which expires December 31, 2018 between Utah State University, Grand County, and the City of Moab regarding the proposed new USU-Moab campus. Chairperson Baird stated that the concept has changed since the county made a commitment within the MOU, and that the MOU is no longer being honored by USU. Chairperson Baird provided the MOU dated November 2017 on-screen.

Board members discussed Fund Balance for Impact Fees. Chairperson Baird stated that eligible projects for collecting impact fees include law enforcement, roads, and drainage projects. He reported that the collected revenues for a given project must be spent within six years, placing considerable limitations on how much of an impact fee the county can assess. Ruth brought up the fact that parks is a fourth category for impact fees, and mentioned that the county is in the early stages of entertaining a Sand Flats-BLM type of arrangement with State Lands for improving the Willow Springs / Dalton Wells campgrounds. Board members discussed whether the Spanish Valley multi-use pathway project could be a project to assess impact fees, given that the project will take more than six years to complete.

Council Member McGann stepped out at 9:45 a.m. and returned at 10:03 a.m.

Chairperson Baird reported that the Fund Balance for Debt Service Building Authority would need research to more clearly understand the balance.

Council Member Paxman arrived at 9:58 a.m.

Board members reviewed the Capital Projects General Fund: Chairperson Baird reported that 2019 capital projects include some new roofs, Weed Department carport, and several projects for the Old Spanish Trail Arena Recreation Complex.

For purposes of budgeting, Ruth read from a text received from Judd Hill, Airport Director, regarding the catastrophic condition ("failure") in one spot of the taxiway from the rainfall of October 7, 2018. This damage is in addition to the rut damage previously reported that were formed in approximately late August 2018 making the taxiway unusable for large aircraft. The text indicated that Judd will have an opportunity to again meet with the engineers and hardstand contractor for the hardstand construction project which starts on October 15, 2018; at that time, he will ascertain if they can repair the damage temporarily and, if so, at what cost. Further, the text indicated that Judd will be applying later this month for a \$5 million FAA grant to replace the taxiway, which will require a \$250,000 (5%) or \$500,000 (10%) in grant match and that the match amount will depend on whether the county is classified as an "economically distressed area."

Board members discussed strategies to fund the FAA grant match, such as drawing off of TRCC Fund Balance.

Chairperson Baird explained that \$325,000 from TRCC goes into airport operations annually which includes the two new landside operations positions.

Board members discussed the Fund Balance for Road Capital Projects Fund, a fund set up since mineral lease revenues have dropped in recent years.

Chairperson Baird stated that the Fund Balance for Health Care Sales Tax is appropriated for 2019.

Chairperson Baird stated that Emergency Medical Services Fund Balance will transfer to the new EMS district.

Chris Kauffman suggested a reorganization by Fund Balance uses for different purposes; Chairperson Baird agreed to summarize.

Chairperson Baird reported that Canyonlands Airport Fund Balance is obligated for 2018 projects. Ruth read from a second text from Judd to explain that aircraft larger than SkyWest 50-seater jets cannot utilize the damaged runway; the text otherwise indicated that instead of seven access points to the runway, there is now only one due to the damage which "hurts efficiency by about 50%, depending on the wind direction."

Ruth clarified that TRCC is TRCCAF which stands for Tourism, Recreation, Cultural, Convention and Airport Facilities Act and asked Board members to therefore remember to consider the airport for TRCC tax revenue uses.

Chairperson Baird explained that the Sandflats fund is an Enterprise Fund which is self-sustaining.

Chairperson Baird explained the Fund Balance of the Library Operation Fund, stating that without increasing the property tax, this would be the account drawn from to cover the budget.

Board members discussed the option of using any combination, in total or in part, of various Fund Balances to balance the 2019 budget with salary adjustments included: General Fund, Capital Projects General Fund, TRCC Fund Balance, and/or TRT-County Portion. Chairperson Baird reminded Board members that ongoing costs could not be covered with the Fund Balances from these funds since they do not represent ongoing revenues; rather this could be a one-time strategy for one year that will need an associated long-time strategy.

Chairperson Baird stated that the Capital Projects Fund Balance was set aside for specific purposes.

Chris Kauffman suggested a possible strategy to take it to the voters for a property tax increase and to ask whether the electorate prefer to increase the rural health care sales tax (to increase it from 0.5% to "up to 1%") or to pay the property tax.

Ruth clarified that the "rainy day fund" or "savings account" colloquialisms often used are actually the General Fund "Fund Balance" or "General Fund Balance" of approximately \$4,193,000 as of the 2018 opening balance.

A2c. Proposed Positions for 2019-

Chairperson Baird provided the Proposed Positions 2019 spreadsheet on-screen and reviewed each position. He reported that the Local Option Sales Tax for Transportation revenues could pay for operations associated with Trail Mix, represented by a transfer into a new fund for Trail Mix in addition to drawing off \$35,000 of Trail Mix Fund Balance. Board members discussed the recommended grades and steps of Trail Mix employees based on limited market data, and Chairperson Baird stated that it is close to what they are currently earning.

Chairperson Baird stated that some of the proposed Jail positions already have budgeting for 2018, and will need Council approval of the job descriptions: Proposed Part-time Registered Nurse position as a requirement to receive

State inmates and proposed Jail Administrative Assistant position in place of a Jail Maintenance Technician position that had been previously funded and will not have much impact to the budget. He stated that two proposed Dispatch positions are required in order to maintain certification. Further, he reported that Dispatch adjustments represent a big increase as they have been severely underpaid according to the market data.

Jaylyn stepped out at 10:32 a.m. for a couple of minutes.

Chairperson Baird stated that the proposed OSTA Assistant Manager position would be a reclassification from Lead Technician, and that the proposed salary is reflective of that change in classification for the 2019 budget. Ruth clarified that this is part of succession planning for the department.

Chairperson Baird stated that the proposed part-time Social Media position for the Travel Council would be paid through the Travel Council's TRT promotion budget and thus without affect to the General Fund. It was clarified that the Travel Council would have to reduce the advertising line item in order to account for it, and Ruth reported that the Travel Council Executive Director is aware of this.

Chairperson Baird stated that the Thompson Welcome Center has been run by a non-profit (Canyonlands U.S.A., Inc., aka Canyonlands Travel Region) that receives all revenues from public money, thereby making it a "governmental non-profit." He explained that there is a Fiscal Procedures Act in state law for "governmental non-profits" with nearly the same requirements, such as public hearings, public meetings, etc., as for counties. He stated that these requirements have not been met by the non-profit. He remarked that the easiest way to comply with state law is to bring the positions, funded through an existing state contract with the county, under the county umbrella. Board members discussed placing the Thompson Welcome Center employees under the Travel Council Executive Director, who, per Bylaws serves on the board of the non-profit (along with the counterpart of San Juan County). Chairperson Baird explained that some expenditures, such as accounting and insurance, would go away when brought under the county.

Board members discussed the proposed position of IT Assistant; Ruth stated that the position is actually IT & GIS Support Technician. Chris Kauffman suggested that the Treasurer's office suite has room for at least one more person and potentially for more if one or both of the vaults were removed. Board members discussed the approaching needs analysis that will likely answer space concerns. Some Board members provided support for the position and agreed that the position is needed. Chairperson Baird stated that the position would need to be paid via the General Fund.

Chairperson Baird stated that the Human Resources Director has asked to have the proposed HR Assistant position removed from consideration.

MOTION: Motion by Evan to use the proposed positions for 2019, with the HR Assistant position removed, as a planning document for budgetary purposes, seconded by Jaylyn carried 4-0.

MOTION: Motion by Chris Kauffman to move discussion Item B1 for current discussion, seconded by Evan carried 4-0.

B. Discussion Items:

B1. Discussion on requirements by the State Auditor regarding their assessment on risk of undetected fraud and abuse, postponed from October 4, 2018-

Chris Kauffman reported that the State Auditor's Office is taking a closer look at counties as to internal controls. He stated that they produced a report to indicate risk of undetected fraud and abuse in counties. He said that third-party audits do not focus on internal controls, which is the system to ensure that there is no fraud or embezzlement.

Chairperson Baird provided the "Fraud Risk Reducing Measures" document from the Office of the State Auditor on-screen. Chris Kauffman explained points available for the fraud risk reducing measures as provided by the State Auditor, with the highest three points of "Internal Audit Function" at 50; "Fraud Hotline" at 35; and "Audit Committee" at 20 points. He stated that the Budget Advisory Board has an audit function, yet the board has members who are part of management (the legislative body) indicating that this will not count toward the "audit committee." The document showed 16 measures for a possible total of 175 points with ranges from "Very Low" risk at greater than or equal to 145 points to "Very High" risk at less than 65 points.

Council Member Paxman left the meeting at 11:05 a.m.

Chris Kauffman explained that less than a quorum of Council Members would be the Audit Committee and must have requisite financial experience or hire it out or locate financial expertise from another governmental agency. He explained that the Audit Committee would set up the work program with the highest risk areas for the county and hire "government" CPAs to do the internal audit function (with "government" CPAs differentiated from CPAs since government/fund accounting is different from private sector accounting).

Chris Kauffman requested a budget for the Audit Committee of \$5,000 to \$10,000. He reported that the State Auditor is publishing a list of government CPAs that would fulfill the requirements. He explained that the fraud hotline would be advertised to county employees to call the number or to email to the address so that the suspected fraud can be dealt with; the communication would then be delivered to the outside firm who would bring the information to the Audit Committee. He explained that having the hotline is a deterrent and thus the reason for the points.

Chris Kauffman reported that the State Auditor requested to have more information by the end of the month and is planning to have site visits this year. He explained that it would be helpful to have draft policies for points in place in time for the site visits, including policies on Reporting Fraud or Abuse; Conflict of Interest Disclosure; Ethical Behavior; Entity-Related Travel; Credit Cards; Cash Receipting and Deposit; Purchasing; Personal Use of Entity Assets; and IT and Computer Use.

Chris Kauffman reported that he has started drafting a resolution to form an Audit Committee based on the State's template provided, targeting for presentation at the Wednesday, November 7, 2018 County Council meeting. He stated that it is possible to have a hotline with procedures in place, which procedures have been laid out by the State Auditor's Office.

Chris Kauffman suggested eventually having the Budget Advisory Board Ordinance modified to remove the audit function and instead have the Audit Committee perform the functions. Board members discussed whether removing the audit function from the Budget Advisory Board was necessary.

Chris Kauffman reviewed areas for deriving additional points: Qualified Staff – CPA or Degree in Accounting; Qualified Staff – 40 hours of Formal Financial Training Each Year, Annual Ethics Pledge by Employees and Elected Officials, and Board Members Completed Office of State Auditor Training.

Chris Kauffman suggested that a way to cover the costs of the Audit Committee could be from Sand Flats by increasing the cost of administration services provided by the county since this has not been done in many years and since the Sand Flats Director is amenable to it. Chairperson Baird placed a note in the Contribution to Other Agencies in the amount of \$10,000 in the Council's budget and requested an action item for the next agenda.

A2d. Truth in Taxation-

Chris Kauffman requested, and Chairperson Baird provided on-screen, a new calculation to arrive at the figure or figures needed for the Truth in Taxation process. Chris Kauffman expressed his opinion for reasons to not support a property tax increase this year, stating that now in place are the Budget Advisory Board and the needs assessment

contract; that more time is needed to work on capital needs; that there are potentially some other funding sources from local governmental entities to help with subsidies for solid waste and emergency medical services; and that there is a potential for increased sales tax revenues for the long-term care center. He suggested the possibility of having a 2019 ballot item to increase the rural health care sales tax in order to know the voter's wishes before having to decide on Truth in Taxation for a property tax increase. He reported that Grand County's tax rate is 8th lowest in Utah, which translates, due to high property values, towards the higher end of what property owners are actually paying. He reported that the county is collecting more than \$2 million over the prior year, part of which is new growth, but most of which is tax increases. He stated that balancing against a 10 to 20% draw off of the General Fund Balance for one year, as discussed thus far, does not mean it is financially irresponsible to buy more time for the right figure for the property tax increase if an increase must happen.

Chris Kauffman left the meeting at 11:40 a.m. for a scheduled appointment.

Board members utilized the "what if" function of the spreadsheet to derive a figure or figures to balance the budget and for County Council to potentially request in additional property tax. Chairperson Baird agreed to provide an agenda summary for next week's County Council meeting with the following figures plugged into a formula that will tell the County Council and the public what the increase to the taxpayer of an average home would be, utilizing \$250,000 for the average home value:

\$1,513,389 Includes proposed position in Information Technologies (IT) plus runway grant match at 5% of total project
\$1,013,389 The above figure reduced by \$500,000 for contingency and new growth
\$ 565,912 Bottomline figure needed if the county used -- for countywide salary adjustments -- all the TRT-county Fund Balance and the TRCC Fund Balance

Chairperson Baird reminded Board members that there is \$400,000 in contingency that most likely will not get spent.

He stated that the figures include \$100,000 for storm water mitigation, rather than the requested \$300,000 additional amount needed for CIB match for a 2019 project.

Chairperson Baird recommended against taking money out of the General Fund Capital Projects line item.

Board members discussed a possible strategy: Minimize the 2019 draw of the General Fund, understand the results of the needs analyses, go to the 2019 ballot with a request for an additional "up to ½ of 1%" of rural health care sales tax (to be effective April 1, 2020 if it passes the electorate), allow for new growth, and engage other entities for cost-sharing.

Board members discussed the possibility of selling the surplussed real estate located in northern San Juan County for operational space needs. Board members briefly discussed space needs for Sand Flats operations if the Emergency Medical Services Special Service District is allowed to remodel the old senior center.

Board members briefly discussed the future of the recycling center and what can and cannot be built on the property.

Ruth suggested annually setting aside money for airport capital projects which now require an increased match amount of either 5% or 10% on FAA projects, depending on whether the county is classified by the federal government as an "economically distressed area" or not. She stated that there is an aviation industry expectation of the current 50-seater SkyWest jets to be phased out in time, which means the airport will need to be prepared to go through another round of expansion in the coming years in terms of runway, terminal, and parking.

Council Member McGann left the meeting at 11:58 a.m. and returned shortly thereafter.

Council Member Morse inquired as to the effect to the property tax owner of the average home; Chairperson Baird indicated that there is any easy way to get this but it was not at his disposal during the meeting.

Chairperson Baird provided the Certified Tax Rates document on-screen. He explained that the school district imposes tiny tax increases each year, keeping the rate the same. He explained that the county would have brought in approximately \$750,000 more at the tax rate last year because of the commercial re-assessments had the county kept the same tax rate, but instead tax revenues went down 15.5%.

Chairperson Baird explained that keeping the Certified Tax Rate the same brings in more tax revenues from the exact same people because the value of their property increases. He stated that for most property owners, the gain in equity when sold is a lot more than the tax burden, but he recognized that not all property owners have intentions to sell their property.

Council Members discussed where they stood with respect to a property tax increase; several discussed waiting until next year as a possibility.

Chairperson Baird explained that, without a property tax increase, the County Council would have to know the results of all the needs assessments for next year and all the proposed capital projects so that mid-year 2019 they could discuss what could be done to anticipate how to approach a property tax increase for 2020.

Chairperson Baird suggested having the County Council review the 2011 Storm Drain Master Plan to re-assess the priorities with potential grant matches.

Future Considerations

Board members discussed issues to potentially be addressed during the Moab City's Pre-Council Workshop at 6:00 p.m. tonight regarding the future of the USU-Moab campus.

The next joint meeting is scheduled for Wednesday, October 17, 2018, at 8:30 a.m. in the County Council Chambers.

Adjourn

The joint meeting was adjourned on a motion by Jaylyn, seconded by Evan at 12:29 p.m. and approved unanimously by both boards.

Chris Baird
Chairperson

Christopher Kauffman
Secretary