
INTEROFFICE MEMORANDUM

TO: CITY COUNCIL

FROM: MIKE APPEGARTH AND DUSTIN FRATTO

SUBJECT: MAY 12, 2020 COUNCIL BUDGET DISCUSSION

DATE: MAY 8, 2020

CC:

As you know, the Chair has scheduled a Council discussion of the FY 2020-21 Tentative Budget for your May 12 meeting. Council staff was tasked with communicating with each Member to find out where the biggest questions are about the budget. Council staff has also been tasked with keeping the Council's discussion focused. The goal of this memo is to report broadly on the general themes which seemed to emerge during those conversations. We hope that the questions and observations posed here provide structure to the Council's discussion but remain broad enough to allow the free exchange of ideas between Council Members. We also hope that the Administration will note the concerns and questions discussed by the Council and allow that to inform future departmental budget presentations. The Council should not expect Administration to be prepared with answers Tuesday night.

Observation 1:

In various ways Council Members generally reported a high degree of uncertainty about current financial projections due to the economic impact of the pandemic. Some view the current decline in sales tax as more or less a one-time sharp dip followed by a reasonably sharp recovery. The majority seems to feel that the current economic decline marks the beginning of a recession of a year or more. A similar view expressed that we as a City should plan for a "second dip" if COVID-19 resurfaces and the economy is restricted again.

Policy Question: Is the FY 2020-21 Tentative Budget sufficiently conservative?

Observation 2:

Council Members have different views on the process of making mid-year changes to the budget if required. Essentially two different strategies were expressed.

- Most suggestions were to reduce revenue and expenditure estimates now to more conservative levels then reopen the budget to increase spending only when revenue data supports such a move. One Member summarized this approach as "start smaller then tier up as needed."
- Another approach would be to adopt the Budget's recommended revenue and expenditure projections and rely on Administration to refrain from spending if revenue projections fall short.

Policy Question: How much oversight does the Council wish to exert over the final budget once it is adopted

Observation 3:

Consensus is that more data is required. While there is recognition that data will remain imprecise, Members share a desire to explore more current actual sales tax data, more closely examine the assumptions supporting Administrations sales tax projections and other relevant financial modeling. A sensitivity analysis which provides a range of sales tax projections may aid deliberation. Along these lines, Members share an interest in better understanding the impact of the economic decline not just on Sandy City as a government, but Sandy City as a community. A member eloquently summarized this point by expressing the need for data on the “shape of our community” as a result of the pandemic. Finally, up-to-the minute information must be shared on the status of any federal reimbursement funds.

Policy Question: What additional economic data will the Council examine as part of its decision-making process?

Observation 4:

As a consequence of uncertainty, most Council Members shared some concern that the compensation plan proposal in the Tentative Budget is too aggressive. Views on compensation ranged:

- Hold off on any compensation plan increase until revenue materializes as projected, then reopen budget to adjust compensation.
- Only fund compensation adjustments for under market bands 2-4/5. (Knowing which positions and job functions these bands include is desired.)
- Only fund step-in-grade adjustments for Police and Fire.
- Reduce salaries of supervisors and managers.

There was a desire to understand the dollar value of the compensation plan if only pieces of it are adopted.

Policy Question: Is now the right time to increase employee compensation and if so, is an across-the-board or targeted approach preferred?

Observation 5:

Identifying a source of funding to maintain Sandy’s commitment to the Central Wasatch Commission was a common, though not completely consistent theme. Perhaps a reduction from the historical annual contribution should be considered as an alternative to a complete withdrawal of funding.

Policy Question: Does the City Council want to explore options for funding the Central Wasatch Commission?

Observation 6:

Members spoke in various ways about reducing other “nice to have but not necessary expenditures” especially if compensation is delayed. Interpretations of “nice” and “necessary” varied but included such items as travel, transportation (fleet), vehicle allowances, 1% spot award ability, training, etc. Alternatively, the same strategy of pairing down all line items where was also suggested as a way to support core services or provide direct financial assistance to businesses.

Policy Question: In addition to “big ticket” items such as compensation or capital expenditures, does the Council desire to see other discretionary spending reduced, even if it doesn’t result in a large amount of savings?

Observation 7:

Over the past few months the Council has discussed various options for the future of Alta Canyon Sports Center. None of those scenarios have envisioned a significant drop in revenue.

Policy Question: Considering the current economic situation, what should the City do with Alta Canyon Sports Center?