

UTAH LEAGUE OF CITIES & TOWNS
BOARD OF DIRECTORS MEETING
ULCT OFFICES, 50 SOUTH 600 EAST, SUITE 150, SALT LAKE CITY, UT 84102
MONDAY, MAY 15, 2017 @ 12:00 PM
(TIMES ARE APPROXIMATE)

- 1. Welcome, Introductions, and Lunch – Mayor Steve Hiatt, ULCT President** **12:00 PM**
- 2. Review & Approval of Minutes – Mayor Steve Hiatt, ULCT President** **12:05 PM**
ACTION: Review & Approval of Minutes
HANDOUT: [April 5, 2017 Draft Minutes](#)
- 3. Conflict of Interest Disclosure – Mayor Steve Hiatt, ULCT President** **12:05 PM**
ACTION: Disclosure of any potential conflict of interest with agenda items
HANDOUT: None
- 4. ULCT Board & Commission Reports – Mayor Steve Hiatt, ULCT President** **12:10 PM**
ACTION: Receive reports from ULCT representatives to Boards & Commissions
HANDOUT: None
- 5. ULCT Board & Commission Appointments – Roger Tew, Interim Executive Director** **12:20 PM**
ACTION: Adopt a motion ratifying appointments
HANDOUT: [ULCT Board & Commission Appointment information](#)
- 6. Personnel Update – Roger Tew, Interim Executive Director** **12:30 PM**
ACTION: For Information Only
HANDOUT: None
- 7. ULCT Conferences (Midyear, Road School, Annual) – Roger Tew, Susan Wood, Nick Jarvis** **12:35 PM**
ACTION: For Information Only
HANDOUT: None
- 8. FY 2017 Q3 Financial Report – Mayor Carmen Freeman, Interim Treasurer & Kerri Nakamura** **12:50 PM**
ACTION: Review & Approval of FY 2017 Q3 Financial Report and Motion of Acceptance
HANDOUT: [FY 2017 Q3 Financial Report](#)
- 9. 2017-2018 Tentative Budget – Roger Tew, Kerri Nakamura, Nick Jarvis** **1:05 PM**
ACTION: Adopt Tentative Budget
HANDOUT: [2017-2018 Tentative Budget](#)
- 10. Report on Executive Director Hiring Process – Mayor Steve Hiatt** **2:05 PM**
ACTION: For Information Only
HANDOUT: None
- 11. Legislative Policy & Direction – Mayor Steve Hiatt, Cameron Diehl** **2:20 PM**
ACTION: For Discussion Only
HANDOUT: None
- 12. Closed Session (if needed) As per Utah Code 52-4-205** **2:50 PM**
ACTION: Vote required to enter closed session (as per Utah Code 52-4-204)
HANDOUT: None
- 13. Other Business**
ACTION: For Information Only
HANDOUT: None
- 14. Adjourn**

**MINUTES OF THE UTAH LEAGUE OF CITIES & TOWNS
BOARD OF DIRECTORS MEETING**

HILTON GARDEN INN, INDIGO ROOM
1731 S CONVENTION CENTER DR. ST. GEORGE, UT 84790

WEDNESDAY, APRIL 5, 2017

12:00 PM

CONDUCTING: ULCT Board of Directors President, Mayor Steve Hiatt, Kaysville

EXECUTIVE BOARD

Mayor Steve Hiatt, President, Kaysville
Council Member Beth Holbrook, 1st Vice President, Bountiful
Mayor Jon Pike, 2nd Vice President, St. George - EXCUSED
Council Member Lynn Pace, Past President, City of Holladay

BOARD OF DIRECTORS

Mayor Karen Cronin, Perry
Mayor Dean Baker, Naples
Council Member Andy Beerman, Park City
Mayor Mike Caldwell, Ogden City
Mayor Ted Eyre, Murray City - EXCUSED
Mayor Carmen Freeman, Herriman
Council Member Mike Mendenhall, Spanish Fork
Mayor Dave Sakrison, Moab
Council Member Kelleen Potter, Heber
Council Member Bob Stevenson, Layton
Council Member Curtis Ludvigson, Sterling
Mayor Brent Taylor, North Ogden

ULCT STAFF

Roger Tew, Interim Executive Director
Kerri Nakamura, Chief Financial Officer
Cameron Diehl, Director of Legislative Affairs
Nick Jarvis, Director of Research and Technology
Susan Wood, Director of Communications and Training
Brandon Smith, Legislative Research Analyst
Meg Ryan, Planning Consultant
Jodi Hoffman, Land Use Attorney
Abby Bolic, Operations Coordinator
Peter Lara, Editor/Videographer

OTHERS PRESENT

Michael Michelsen, Eide Bailly LLP
Wayne Pile, West Valley City Mgr.
Kade Loader, Midvale City Mgr.
Mark Christensen, Saratoga Springs

EX-OFFICIO MEMBERS

David Church, Legal Counsel
Leigh Ann Warnock, UMCA President

WELCOME AND INTRODUCTIONS

ULCT President, Mayor Steve Hiatt, called the meeting to order at 12:00 p.m. Mayor Pike welcomed all to St. George. President Hiatt asked for introductions of the Board.

REVIEW & APPROVAL OF MINUTES

Mayor Steve Hiatt called for a motion to approve the minutes of the February 13, 2017 ULCT Board Meeting.

Board Member Bob Stevenson moved to approve the minutes of the February 13, 2017 ULCT Board Meeting as presented. The motion was seconded by ULCT 1st Vice President, Beth Holbrook. The vote was unanimous. The motion carried.

CONFLICT OF INTEREST DISCLOSURE

Mayor Steve Hiatt asked for disclosure of any potential conflict of interest with agenda items. None noted.

ULCT BOARD & COMMISSION REPORTS

Reports from ULCT representatives to Boards & Commissions. A handout was provided listing the Board Members/Staff presently representing the ULCT.

Representatives from ULCT represent the League around the state with certain assignments.

Board Member Pike, Cameron Diehl, and the Joint Highway Committee met in September regarding funding for transportation projects in rural Utah. The next meeting will be held in two weeks. There are a total of 60 representatives. The Association of Counties is also a member representing their members. With a vacancy on the committee, there is need for someone from Southern Utah to fill that position. Beaver is interested and has not previously been on the Board.

Board Member Pike moved to appoint Jason Brown, Beaver City Manager, to the Joint Highway Committee. The motion was seconded by Board Member Mike Caldwell. The vote was unanimous. The motion carried.

Board Member Beth Holbrook reported the Wasatch Front Regional Council talked about how to view transportation and the connections created. They are trying to determine, based on feedback, how they want to proceed with transportation as a whole (walking/biking roads, highway). The idea of a connection model was discussed along with ways to engage the Councils and City Managers. There is an opportunity to take information back to mayors and councils with an update of what is going on in all communities rather than just their own.

FY 2016 EXTERNAL FINANCIAL AUDIT & FINANCIAL STATEMENTS

Michael Michelsen, of Eide Bailly LLP, reviewed the FY 2016 External Financial Audit & Financial Statements. Financial statements were distributed previously to the Board.

See the attached audit report.

Eide Bailly waited for the State Auditor's Report before conducting their audit. They are expressing an adverse opinion because no records were available to audit the Co-op. The State Auditor's office agreed to accept this report with the adverse opinion. An unmodified report was issued for the League by itself, excluding the Co-op.

Board Member Lynn Pace commented it had no connection to the League. As of this date, there is nothing available to audit. Kerri Nakamura commented the State requested financial statements and documentation needed for the audit. They also asked for information in the League office, and Staff pulled everything out of long-term storage. Those records are now in the custody of the State Auditor. Board Member Pace commented they are anticipating a 2017 audit. David Church interjected that all documents will be returned within the next few weeks.

Mr. Michelsen explained that the state of the documentation was poor and nearly un-auditable. "It will need a lot of accounting and clean-up before we get there." David Church affirmed they would be put it in good shape in time for next year's audit. President Hiatt remarked the timeline was way past where it should be, but the auditors were in an awkward position because they had to wait for the State Auditor. He thanked them for their cooperation.

Kerri Nakamura added that the external financial auditor learned about the Co-op through the press, as did many of the Staff and Board. That's when work on the Co-op began. When the engagement letter with the auditing firm was signed, the League was not aware this was a "thing". Board Member Pike asked if the subject was ever brought up in past audits. Ms. Nakamura said that in 2013, they can see nothing as to why it disappeared as a related party at that time.

President Hiatt asked Kerri Nakamura to touch on four things:

- **Quarterly financials** - when Kerri joined the league in October, no basic accounting had been done in order for bills to be paid. She has been doing catch-up. That 2017 finding was because we were late in providing that information. Everything is completely caught up at this time. Because the accounting was not caught up, there was no way monthly monitoring was happening. Since January, Kerri has met with the Treasurer to conduct that monitoring.
- **Open and Public Meetings Requirements** - many of the Board Meetings were not noticed through the Utah Public Notice Website. A process is now in place designating Staff to make sure that happens.
- **Budget Process and Public Notice** - ULCT was not holding public hearings, so there were no meetings to notice. Now we have a guide so we will be in compliance for 2017.
- **Treasurer's Bond** – we are working with the Trust to get the Treasurer's Bond needed to be compliant for 2017.

Board Member Lynn Pace asked what the auditors review and what they do not review regarding internal controls. "You didn't do our report last year, so given what we now know, how should those problems have been detected, and should they have been detected by our auditors then? Should we expect our auditors to catch that, or do we need to incorporate internal controls to review those items?" Mr. Michelsen responded that the ULCT should maintain some internal controls. The auditor prepares the financial statements. Board Member Pace asked, "If they are not expected to be caught by the auditor, who is expected to catch them and where?" Mr. Michelsen responded that he is independent and could not say what the prior auditor should have

caught. The Board should probably have looked at the credit card statements sooner than they did. Auditors are not looking for fraud, they are not required to, so an audit is just to say whether financial statements meet the gap. “Michelle Reilly’s expenses were beneath the threshold so auditors did not catch that. We try to detect anything above that threshold.” Board Member Pace responded that the Board must be much more vigilant. President Hiatt commented, “We are looking for a governing board, not a ceremonial board. We are getting policies in place which current Staff is implementing with checks and balances. The Board will be meeting far more often and will know what is taking place.”

As several City Managers were in the audience, it was asked of them what they felt Board Members can do better. Saratoga Springs City Manager Mark Christensen, West Valley City Manager Wayne Pile, and Midvale City Manager Kane Loader were present and collectively commented saying that as a standard, any time there are audit findings, that is a red flag for you. An audit finding is a hard look at what is going on. There could be an Ex-Officio City Manager on the Board who could ask those hard questions and look to those people to give that professional advice. If someone is going to commit fraud, they are going to find a loophole. Internal controls are critical; checks and balances are critical. Fraud is not about bad people. It is about good people who have multiple opportunities and make mistakes.

Board Member Andy Beerman asked if it would make sense for the Board to subject themselves to a State audit every five years. David Church responded that the State Auditor’s office is not a super-auditor over the audit. Nobody checked to see if anyone followed the new policies. It was not the auditor’s fault for not randomly picking a charge that was incorrect, but that of the Board for not following through. New policies and procedures have been put into place and the problem will be taken care of. Kerri Nakamura reiterated what Mr. Church said and suggested a re-cap of all that has been accomplished thus far.

ULCT 1st Vice President Beth Holbrook said that in an ideal format they would like to have an auditing perspective for what an organization of this size can put into place. Mr. Michelsen said they would be happy to do that kind of consulting, but not as part of an audit.

Board Member Pace moved to accept the FY 2016 External Financial Audit & Financial Statements as presented. The motion was seconded by Board Member Jon Pike. The vote was unanimous. The motion carried.

ULCT INTERIM TREASURER’S REPORT

ULCT Interim Treasurer, Carmen Freeman, presented the Treasurer’s Report. He has been reviewing checks thoroughly twice a month, making sure approvals are taking place. He and Interim Director Roger Tew review them independently. The balance sheets are reviewed once a month.

He asked the group to look at contracted labor being paid under 1099, as there are varying rules and regulations, to make sure the League is compliant.

Board Member Freeman commented on the need for a discussion as to who the new Treasurer will be and whether they should they be a part of the Board or separate.

Board Member Stevenson moved to accept the ULCT Interim Treasurer's Report as presented. The motion was seconded by Board Member Caldwell. The vote was unanimous. The motion carried.

FY 2017 Q2 FINANCIAL REPORT

Interim Treasurer Freeman and Kerri Nakamura, ULCT CFO, presented the FY 2017 Q2 Financial Report, stating the Q3 report would be ready by the end of April. The team has done a great job bringing in revenue and that will show in the Q3 report.

On the expense side, 46% has been expended. The League will likely not be in a deficit position at the end of 2017. Moving through Q3, The Board will see savings in the personal services line item and over-expenditure in contracted labor.

Board Member Dean Baker would like to see a once-a-year workshop on the budget to know what the League is allocating. Staff would prepare the report for Board review. Kerri Nakamura felt that was a great recommendation and indicated the League's process would mimic a city process.

Board Member Freeman moved to approve the FY 2017 Q2 Financial Report as presented. The motion was seconded by Board Member Cronin. The vote was unanimous. The motion carried.

ULCT BOARD & COMMISSION APPOINTMENTS

ULCT Interim Executive Director, Roger Tew, called for a motion ratifying the following appointments to ULCT Boards and Commissions:

Roger has gone through and identified vacancies on various boards, and at the next meeting will have recommendations in place. The intention was to have all of those to you by the next meeting to take action on.

Brandon Smith presented a list of board vacancies, which is not necessarily complete. He asked for all to review and communicate other known vacancies to Staff. The Governor has imposed his own requirements, even though recommendations come from the League, there have been times he has not accepted those recommendations.

Board Member Freeman asked who will be making the recommendations. Roger Tew commented he would be making them to the Board. Board Member Freeman felt the Transportation Task Force was very important and recommended Mayor Brent Taylor of North Ogden in behalf of the League.

Board Member Lynn Pace moved to ratify the appointments of individuals currently serving as listed in the attachment to ULCT Boards and Commissions. The motion was seconded by Board Member Jon Pike. The vote was unanimous. The motion carried.

ULCT SPONSORSHIP PROGRAM

1st Vice President, Beth Holbrook recused herself from this discussion.

Roger Tew and Kerri Nakamura reviewed the proposed Sponsorship Program as outlined in the handout provided to Board Members. They have been busy meeting with people who want to be sponsors of the League or who have been sponsors in the past, and asked their view regarding the value of the sponsorship. It was mentioned they would like access to elected officials, but also wanted more tangible benefits. A draft has been written outlining some of the things vendors have brought up. Three new sponsors have been brought on and two others jumped from one level to another. Their ideas are being well received. Basic levels have been put in place designating exhibit spots at conferences and other benefits. Sponsors may also sponsor individual aspects of a conference with signage indicating the element sponsored.

Mayor Hiatt commented sponsors want to know what they are getting and that it is fair. Every sponsor at a certain level received an attendee list by e-mail. The signature sponsor will not sponsor the essay contest any longer. A new sponsor, Maverik, will sponsor the “Why I like my Community Contest”. They are checking it out this year and may sign on to continue.

The League has also been in conversations with the Trust. They are sponsoring a BBQ this afternoon. Steve Hansen indicated that they want to be a sponsor of the League. They would like to commit to three consecutive years at the \$60,000 rate which is where they were when they left. They will sign a three-year commitment and write the first check next week to get in this current budget year. We are calling that a partnership at that level. They will also be paying next year’s money this year because they know it helps the League to be able to recognize that money this year. Board Member Pace said Ken Bullock’s frustration in the past was that the \$60,000 figure had been generated years ago. Ken’s sense was the relationship had grown substantially and the value given them was substantially more than \$60,000. They were in the process of negotiating and when the relationship ended. Board Member Pace said this is not a Board function. He felt it makes sense to re-engage in that partnership, but cannot speak to what level that ought to happen.

The Trust will pick up some of the expenses the League is now paying. Kerri Nakamura commented it will be another \$10-15,000 a year that the League currently pays that they will pick up.

Roger Tew commented there is some scar tissue remaining. This is a way to repair that and get things going again, and that is how we ended with a multi-year agreement. The Trust is looking for a certain sign of good faith on our side. All agree the amount of the agreement will increase in the future.

Board Member Jon Pike moved to adopt the proposed Sponsorship Program with the Trust as presented. The motion was seconded by Board Member Cronin. The vote was unanimous. The motion carried.

Councilmember Holbrook abstained.

ADOPTION OF 2016-2017 MEETING SCHEDULE

Mayor Steve Hiatt and Kerri Nakamura presented the proposed 2016-2017 Meeting Schedule. Governing Bodies must have a posted meeting schedule by Utah State law. If a meeting were to be canceled, it would have to be done formally on the Utah State Website. They felt it would make sense to meet on the same dates as LPC, the third Monday of the month, with the exceptions of special meetings. Two other exceptions will coincide with conferences. Cameron Diehl reminded the Board the LPC meetings were held at the Trust building, but moved to Zions when they left the partnership. He suggested taking the meetings back to the Trust building in North Salt Lake. They are looking into internet capabilities there before things can be finalized. Traditionally, LPC meetings are not held in May or July, so the Board would still have meetings at noon in those months that would not conflict with LPC.

It was pointed out it would be nice to not have to go from one location to another for the two meetings. Kerri Nakamura commented holding the meetings at the Trust Building would alleviate ADA issues at the League's building. The Trust would host the meetings, including paying for lunch. The proposed standing time would be 9:00 a.m. Meetings not coinciding with LPC would be held at noon. The next Board meeting is scheduled for May 15th at Noon. May and September meetings would also be held at noon, with the rest at 9:00 a.m.

Board Member Caldwell moved to adopt the 2016-2017 Meeting Schedule as presented. The motion was seconded by Board Member Stevenson. The vote was unanimous. The motion carried.

ADOPTION OF 2017-2018 BUDGET CALENDAR

Mayor Steve Hiatt and Kerri Nakamura presented the proposed 2017-2018 Budget Calendar. Kerri will advertise a budget public hearing and asked the Board if they would like it on the same date they adopt the budget. If significant public response is received, the Board could table action to the subsequent meeting. It was suggested the public hearing take place the same day as the LPC meeting. Mayor Pike said their city holds two public hearings. David Church commented it is not required to adopt a tentative budget.

President Hiatt would like to adopt the budget calendar as presented and then take the next month or so to ponder and add a public hearing in May.

Board Member Freeman moved to adopt the 2017-2018 Budget Calendar as presented. The motion was seconded by Board Member Pace. The vote was unanimous. The motion carried.

2017-2018 PROPOSED DUES

Roger Tew and Kerri Nakamura reviewed the 2017-2018 dues levels. The calculation has been adopted for some time. The formula takes into account property valuation, population and sales tax receipts. There is a factor put against each of those components and cities can see what rate each part is multiplied by. These proposed rates are the same as last year, allowing for natural growth. Roger recommended the Board consider keeping rates as they are, allowing a natural

3.4% growth, which is usual, with the understanding that is how the League pays for ongoing costs for the organization.

Lynn Pace recommended stating there will be no artificially increasing of dues. Amounts will change based on the formula.

Board Member Pace moved to approve the 2017-2018 dues listing as presented. The motion was seconded by Board Member Stevenson.

1st Vice President Beth Holbrook asked how it had been formulated as to incorporating townships. David Church said townships are stuck in the municipal code. They are a strange kind of entity and would like to join the League, but the dues they have been quoted seem extremely high. Kerri commented the rate seems high to them because their budgets are based on 100% of income taxes that go to the County and Service districts. David Church said it is not worth it for townships to pay dues; perhaps they could just attend conferences and pay the increased registration.

The vote was unanimous. The motion carried.

2017-2018 BUDGET PREVIEW

Roger Tew and Kerri Nakamura reviewed the 2017-2018 Budget Preview with the Board. They will bring back the tentative budget based on dues just adopted. The report shows how ongoing revenues pay for expenses.

EXECUTIVE DIRECTOR HIRING PROCESS

Mayor Steve Hiatt reviewed the proposed hiring process. Each Board Member received a letter in the packet. Roger Tew has been filling in for the previous Executive Director. Two options were presented for the hiring process. Internal and external processes were discussed. As outlined in the letter, the Mercer Group would be hired in the event the external option was selected. Board Member Carmen Freeman asked Roger for his perspective, as he felt he has done a wonderful job in a very difficult situation.

Roger commented that he would not be a candidate for this position due to his age and years of service. He told the prior Director two years ago that FY 2018 would be his last year. He wrestled with whether to reconsider, but felt the new Director should be somebody who will be able to remain in the position long term. As to an internal/external process, he recommended caution. He stated there are two issues to consider, process and timing. There are questions to be asked. Has the turnover of the Board cut into the ability to monitor the roles? Does the composition of the Board cover constituents all over the State? If the functions of the Board are changed, it must be done at the annual meeting on a ballot. The membership will have some views about it.

Board Member Stevenson asked if the Executive Director position would be stronger with a different model. Roger responded that changing the Board to include longer terms for officers would not affect the lobbying issue. President Hiatt felt the new Director should be in on the decision-making as to what changes are made to the Board. Roger Tew has committed to stay as

long as he is needed; however, members are anxious to know what the League is doing regarding the new Director. They need to know the League has a direction and a plan. It would be nice to be able to say at the September conference that the Board has adopted a process to start an in-depth search.

Board Member Freeman commented the new Director should be given time to be ready for the next legislative session. If external measures are taken, they should help look at how other states function, and with their assistance, be better prepared ourselves. The Board must determine which process would create credibility so when completed, the member cities feel the Board used the best process.

President Hiatt commented that in order to lead this effort, he has bandwidth and capability, but is not advocating for it. The Mercer Group has a more thorough outline. The League would be paying for their follow-up, coordination and expertise. 24 hours ago he would have voted for option 1, but after discussion, would vote for the 2nd.

Board Member Sakrison said their city hired a firm to vet and go over applicants after they internally advertised and received many applicants. He felt the funds paid to the outside firm was money well spent. Going with an outside firm lends credibility to the process. It builds the confidence of the members. Mercer recommends 120 - 130 days to complete process. They would ensure they take the time necessary to do a good job.

Board Member Cronin reiterated the importance of regaining the trust of members after what has occurred and feels an external vetting process would help gain back that trust. As many people as possible need to be a part of that process.

Board Member Potter asked if there was some Utah cultural element that might be tapped into. President Hiatt commented the focus group would be local and Mercer would be the organizer.

Board Member Taylor commented consultants have their place but that final decisions must be made by this Board. If Mercer is hired, strict guidelines must be in place that Mayor Hiatt is running the process and they are there to consult and advise. President Hiatt agreed the Board should have the final decision-making authority. The Board should see all applicants and be aware of everything as it is happening.

Board Member Pike commented he agreed, and stated he also had a previous strong preference to Option 1, but has been turned a bit by others' comments. He is supportive of Option 2, with the same considerations expressed by Mayor Taylor. He also stated a timeline would be important and should be ready to present in September.

Board Member Freeman asked for a breakdown in cost to perhaps mesh both options together and reduce the cost. Board Member Potter reiterated her desire to find someone local to help organize.

President Hiatt commented he spoke with a representative from the National League who asked if the Board was looking for someone well connected at the capitol, someone who knows everyone, or someone who understands how state leagues are supposed to operate. Board Member Beerman asked if the Board should be looking for an administrator or someone familiar with legislatures and Utah's uniqueness. That would determine whether to conduct a national or local search.

President Hiatt said he would work closely with Mercer and conduct separate discussions with the Interim Director and staff members to define work relationships, desires, experience, etc. Once the work has been detailed, a brochure would be produced for prospective candidates. Mercer would do that, but they would have a focus group discussion to decide.

Board Member Beerman asked Roger if he would be willing to take on a mentor role for the new Director through the next legislative session, assuming it's needed. Roger responded that he would stay as long as the end of the 2018 legislative session.

1st Vice President Beth Holbrook foresees high application numbers coming. If the Board goes with the option one format, five hour meetings would continue. The ability to step away, but retain the power of input and final decision, would be the ultimate goal.

Board Member Freeman agreed the best solution would be a combination of both. He feels there would be many good candidates from Utah. Perhaps costs could be cut by sharing tasks as opposed to having Mercer do everything. Kerri Nakamura commented it wouldn't be wise to make it about the money. While the costs for Mercer would be more, they recognize constraints a smaller league might have. Trying to cut the price could detract from the quality of their services. She recommends sending them the entire packet. (See attached) This is what was sent to the Board. Have a long discussion letting them know of the aspects the Board would like to integrate into their process. Reiterate the Board would like to be much more involved than initially talked about. Ask for a new draft to get a hybrid.

Board Member Caldwell moved to approve Option 2 with some of the layers from Option 1 added in to make a hybrid plan, giving the Executive Board the opportunity to make things clear and blast out an amended process. The motion was seconded by Board Member Pike.

President Hiatt feels a good hybrid plan can be drafted between Mercer and the League.

Board Member Pace expressed his concern that the greatest risk is a loss of confidence among the members. They need to believe they are in good hands with the League. While he recognizes interest in getting input from all cities, he feels it is the largest members who are concerned they only get one voice even though they are contributing much more in dues. He feels the larger cities need a larger voice.

President Hiatt commented there is a need for a First Class City on the Board. They are trying to provide opportunities for communities to have a voice. A change could be made to add a mandatory Board position from every class, with perhaps two people from First Class Cities on the Search Committee. The Executive Board could make those appointments, sending out an e-mail soliciting interest, ensuring representation across the state geographically as well as city size.

Concern was expressed about any required to put this out to Bid. David Church stated the policy allows for hire of groups without going out to bid.

Board Member Caldwell commented on the need to publically thank Roger Tew for all that he has done.

A motion has been made to move forward with the agreement with Mercer, to include an agreement ensuring their understanding they are acting as facilitator, not as driver. The League creates a search committee and communicates concerns of the Board.

A vote was called. The vote was unanimous. The motion carried.

Board Member Taylor moved to grant the Executive Board power to compose the Selection Committee as proposed, with modifications for additional representation from larger cities. The motion was seconded by Board Member Sakrison. The vote was unanimous. The motion carried. Taylor/Sakrison

The motion was amended to include the Interim Treasurer on the Search Committee. The vote was unanimous. The motion carried.

MIDYEAR CONFERENCE PREVIEW & CONFERENCE APP

Susan Wood and Nick Jarvis presented Conference-at-a-Glance, the App Download Handout, and the 2017 Midyear Update. Surveys have been completed and this year's conference has been made family friendly. There will be a Family Fun Fair with face painting and balloon sculpting. There will also be dinner and entertainment Thursday night. Attendance is up this year. 444 people have registered in comparison with 432 last year. This is not taking into account the on-site registrants. There are 70 exhibitors.

Many on the Board have been asked to welcome and introduce presenters. Three presenters still need conveners. Staff has written hand thank you notes to be given to presenters along with a box of chocolates. Nick commented this is the second conference using the Crowd Compass App. Live polling on presentations will be available. The app includes Bios of all speakers, vendor locations, full explanations.

2017 LEGISLATIVE SESSION UPDATE

Cameron Diehl, Roger Tew, and Brandon Smith updated the Board on the 2017 Legislative Session. Cameron reported it was a tough, but successful, session with a record number of bills opened. 815 bills were considered with 283 affecting local government. Cameron has written a memo with both a summary of the major issues and a "where do we go from here" section. In the General Session, Cameron will explain the key bills and will also talk about them in some of the workshops. A cheat sheet will be available on the League website identifying each bill passed. Last year the final write-up was over 300 pages long. It takes us awhile to complete, but is very useful. The cheat sheet will be available on the website to share with city staff regarding issues that require action of local government.

CLOSED SESSION

A closed session was called as per Utah Code 52-4-205.

Board Member Freeman moved to go into a closed session for the purpose of discussing the character, professional competence, or physical or mental health of an individual as per Utah Code 52-4-205(a), and pending or reasonably imminent litigation, as per Utah Code 52-4-205(c). The motion was seconded by Board Member Freeman. A roll call vote was taken. Voting Aye: Board Members Hiatt, Holbrook, Pike, Pace, Cronin, Baker, Beerman, Caldwell, Freeman, Mendenhall, Sakrison, Potter, Stevenson, Ludvigson, and Taylor. The motion carried.

Board Member Stevenson moved to adjourn the closed session and re-open the Board of Directors Meeting. The motion was seconded by Board Member Cronin. The vote was unanimous. The motion carried.

STATUS OF UTAH MUNICIPAL FINANCE COOPERATIVE II TRUST AND CONSIDERATION OF RECEIPT AND RELEASE AGREEMENT

David Church, ULCT legal counsel, reviewed the status of the Utah Municipal Finance Cooperative II Trust and Consideration of Receipt and Release Agreement.

The agreement was presented with two modifications. One to fill in the dollar amount in paragraph 4-b with an additional insertion that claims made against the Trust in excess of \$75,000 or beyond a six month window remain the obligation of the Trust or Trustees and not be the obligation of the League.

Board Member Pace moved to approve the Receipt and Release Agreement with the amendment as shown in the attachment. The motion was seconded by Board Member Caldwell. The vote was unanimous. The motion carried.

OTHER BUSINESS

No other business was discussed.

ADJOURN

There being no further discussion, Board Member Cronin moved the meeting adjourn. The motion was seconded by Board Member Holbrook. The vote was unanimous. The motion carried.

MINUTES APPROVED:

Chairman

Date

Secretary

Date

DRAFT





TO: ULCT Board of Directors

FROM: Roger Tew, Interim Executive Director

DATE: May 8, 2017

SUBJECT: ULCT Board and Commission Appointments

The Board of Directors' policy on boards and commissions indicate that the Executive Director is to make recommendations for membership on various boards and commissions that require appointments from the Utah League of Cities and Towns. The Executive Director's actions are then subject to ratification by the Board of Directors.

Pursuant to that policy, I am making the following appointments for approval by the Board of Directors at the May 15th Board Meeting. Please note that there is often significant variation in the statutory framework associated with these appointments. In some instances, the ULCT appointment is complete on the action of the Board of Directors. In other cases, the ULCT recommendation is a recommendation to the Utah Governor. The governor then makes the appointment often subject to advice and consent by the Utah State Senate.

Transportation Governance and Funding Task Force

This Task Force, established during the 2017 General Session, authorized the Utah League of Cities and Towns to make a single appointment to this body. The scope of study is very broad and includes not only roads and highways, but mass transit and notably airports. For the record, the ULCT sought to amend the legislation to allow for more than one appointment from Utah cities. We were not successful in that endeavor. However, it is fortunate that we do have other city officials have been asked to participate by appointment from other organizations.

The Mayor of Salt Lake City, the Honorable Jackie Biskupski, has actively expressed interest in participating on this Task Force. Salt Lake City incorporates virtually all the study elements outlined in the legislation. As such, my recommendation is the Board approve Mayor Biskupski's appointment to this task force.

I should note that it is somewhat unusual to have the mayor of Utah's largest city agree to personally participate on such a study effort. In fact, to my knowledge the ULCT has not appointed the Salt Lake City Mayor personally to any such boards, commissions, or task forces for many years. Mayor Biskupski has assured me that she appreciates that this appointment will require her personal involvement and has committed to do so.

Utah State Retirement Board's Membership Council

The Utah State Retirement Board's Membership council makes recommendations to the governing board of the Retirement System and to the Utah State Legislature regarding benefits and policies for various state retirement systems. For the past 16 years Tom Hardy, the former City Manager of Bountiful, has served in this capacity. Mr. Hardy's term ends on June 30th of this year. In addition, Mr. Hardy has long since retired from his position with municipal government. We owe him a debt of gratitude for his years of service.

I have discussed with Mr. Hardy and the retirement office the background for a new appointment. Some knowledge of retirement policies and public finance were credentials that were emphasized. One name regularly mentioned was that of Scott Bond, currently serving as the Chief Administrative Officer for Sandy City. Scott has a wealth of experience with municipal finance issues and an understanding of retirement policy issues. Tom Hardy also strongly recommended Scott. As such I propose Scott Bond be appointed to the Retirement Board Membership Council. Scott is willing to serve in this capacity and has the support of Mayor Dolan.

Quality Growth Commission

The ULCT has three appointments to the Quality Growth Commission. It should be noted that in this case the ULCT is recommending names to the Governor who the actual appointing authority. The appointments are for four year terms subject to a two-term limit. The current appointees are as follows:

Steve Pruden – Tooele City Council Member – first term has expired

Jack Thomas – Mayor of Park City – first term expired September of 2016

Erin Mendenhall – Salt Lake City Council Member– first term expired April 2017

All three appointees have only served one official term and would like to continue to participate for an additional term. We are in the process of cleaning up the dates. Since they are eligible for an additional term, my recommendation is to support their reappointment for a final term.

Utah Communications Authority

This body was established during the recently completed 2017 legislative session. Its purpose is to be an advisory body on emergency communication policies established by the legislation. The legislation also establishes various criteria that the nominees must possess. Any nominees must have a background in at least one of these areas: law enforcement/public safety, fire service, telecommunications, management and government. In addition, any telecommunication vendors or users of the current Utah Communications Systems may not serve.

The ULCT is authorized to recommend two names to the Governor for appointment by the Governor. Governor Herbert has asked that the ULCT submit four (4) names from which he may pick two (2) names.

After discussing the appointments with the city advocates of the legislation, I am recommending that the following names be submitted to the governor: Paul Morris – former West Valley City Attorney and noted telecommunications expert, Terry Keefe, former Layton City Policy Chief, John Park, current City Manager of Cottonwood Heights and Gary Whatcott, City Manager of South Jordan.

Please note that the Governor will make the actual selection (subject to Senate confirmation) and his office has asked us not to run interference with the four candidates.

Governor's Rural Development Partnership Board

This Board provides input on rural development issues to the Governor and the Utah Legislature. The governing statute requires the Utah League of Cities and Towns appoint one of its Board members who is “a rural member” to this body. There is no guidance given about what constitutes a “rural member”. (This last appointment was “Gil Miller from Bear River City – but this was some time ago.) Given that this appointment must be from the ULCT Board itself, I believe that my involvement is not particularly appropriate. As such, I leave this decision to ULCT Board of Directors and its leadership.





TO: ULCT Board of Directors

**FROM: Mayor Carmen Freeman, Interim ULCT Treasurer
Kerri Nakamura, Chief Financial Officer**

DATE: May 11, 2017

SUBJECT: FY 16-17 Q3 Budget Report (July – March)

Attached please find a ULCT Q3 unaudited 2016-17 actual income and expenses compared to budget report. This report covers the period July 1, 2016 – March 31, 2017.

Where appropriate, this report details information from April 2017 that is important for the Board to understand as they look toward the last quarter of the 2016-17 fiscal year.

The ULCT CFO, Interim Executive Director, Interim Treasurer, and Financial Consultant met on a phone conference to review the quarterly report on Thursday, April 27, 2017. We are happy to report that at the end of Q3, 2016-17 revenues for the ULCT outpaced expenditures by \$416,649. This is before the April transfer of the balance from the Utah Municipal Finance Co-Op. (That transfer occurred in Q4 and will be included in the year-end report.) While the revenue over expenditure total will narrow in Q4 as the ULCT pays for the remaining Midyear and Road School expenses, the ULCT staff anticipates finishing 2016-17 in a strong financial position.

Revenue

Overall, by the end of Q2, the ULCT collected 76% of all revenue budgeted for the year. Fifty percent of ULCT annual budgeted revenue derives from **Membership Dues**. Membership dues remain 99% collected by the end of Q3. The fact that dues revenue is not 100% collected is largely the result of one community opting not to participate in the ULCT and it is unlikely that the ULCT will receive the remaining ~\$11,000 in budgeted.

The ULCT's budgeted revenue for **Registration Fees** is 16% of total revenue budgeted. By the end of Q3, the ULCT received 85% of the registration fee revenue budgeted. Staff projects that the year-end total for registration fee revenue will be \$480,000 – or 98% of budgeted revenue. In fiscal year 2015-16, the ULCT received \$475,000 in registration fees and Newly Elected Official training was included in that year. It is unclear why the budgeted revenue for 2016-17 was \$490,000. The staff will take historical trends into account when budgeting registration fee revenue for 2017-18.

Donation and Advertising revenue accounts for 9% of annual budgeted revenue. Again, the budgeted amount (\$275,000) appears unreasonably high based on an analysis of prior year receipts and, while it seemed unlikely the ULCT would collect the entirety of this budgeted revenue by year end, the ULCT received \$60,000 in unbudgeted revenue from the Utah Local Governments Trust in April, so the ULCT will exceed budgeted revenue for the year. The Board should also note that the \$219,600 donation revenue received by the end of Q3 is \$122,000 more than was received in total in 2015-16.

Exhibit Space revenue at the end of Q3 is 92% of budget. The Q3 report includes the majority of both Midyear and Road School exhibit revenue. Exhibit booth revenue for Midyear 2017 exceeds Midyear 2016 revenue by ~\$10,000. Staff expects to meet or exceed budgeted exhibit space revenue by year end.

Grants and Special Projects revenue accounts for 21% of budgeted ULCT revenue. While most revenue has not yet been received, ULCT staff is not overly concerned because expenditures against most special projects have not been made. The exceptions are the Deseret News project, and the “Why I Like My Community” Essay Contest. The Board is aware that the funder of the Deseret News project was intended to be the Co-Op. The \$120,000 in revenue pledged to fund the contract with the Deseret News has not been received by the ULCT by the end of Q3. It is projected that this revenue will be received by year end. Absent the budgeted revenue, the expenditures for this project will be funded by savings in other programs and/or increased revenue from other sources. Additionally, the ULCT’s title sponsor of the “Why I Like My Community” essay contest (\$10,000) chose not to renew for 2016-17. However, at the beginning of Q4 staff sold the sponsorship to Maverik. Regarding LUAU, the ULCT received \$53,000 from the State of Utah for the LUAU project in Q3 and received the remaining \$50,000 in budgeted revenue at the beginning of Q4. Finally, the IHC wellness grant program is running about one year behind. The revenue budgeted for 2016-17 has not been invoiced as ULCT staff is completing compliance requirements of the grant prior to submitting the invoice. The expenditures against this grant in 2016-17 are funded by grant monies received in 2015-16. The ULCT has now spent down all 2015-16 grant funds and is ready to receive the 2016-17 and plan for related expenditures.

Expenditures

Overall, actual ULCT FY2017 expenditures at the end of Q3 are 63% of budget for the year. Included in total expenditures to date is \$16,840 of depreciation expense (a noncash expense). Please note that this was inadvertently reported as \$11,600 in the Q2 report.

Personnel Services

Expenditures for Personnel Services account for 30% of overall ULCT spending. Q3 expenditures in this category are 67% of budget. The ULCT is beginning to see the budgetary impact of the vacant Executive Director position. However, the personnel savings will be somewhat offset by an increase in contract labor as the ULCT Board retained the services of Roger Tew (current contractor) to serve as an Interim Executive Director. Additionally, the Q3 budget report reflects a shift of \$35,250 from salary and benefits for two staff members to account for the work they have performed on the LUAU grant-funded project.

Charges for Services

Charges for Services is 132% expended by the end of Q3. Spending in this category will exceed budgeted levels largely due to unplanned expenditures for accounting fees and spending on contract labor for the interim executive director. Offsetting savings are recognized in the personnel services category. Additionally, the CFO and Financial Consultant opted to account for contracted expenses in this contract labor category rather than in special project categories within the budget. For example, contractual expenses associated with the Municipal Funding Project, which are actually contracted lobbyist expenses, will now be captured in contract labor rather than in the Municipal Funding project.

As the Board has been notified previously, staff is watching FY 2017 expenditures very closely so that savings can be found within the budget to offset unplanned expenditures for accounting expenses.

Operating & Program Expenses

Actual expenditures for Q3 in this category are 63% of budget for the year. In particular, Convention Entertainment is 103% expended. This expenditure line item will increase in Q4 as the entertainment invoices for Midyear and Road School are applied. Over expenditure in the convention entertainment line item should be more than offset by under expenditure in the Speakers Fees/Honorariums line item. The facility rent/set up budget exceeded budget at the end of Q3 and the over expenditure will be more pronounced at the end of the fiscal year as expenses from Midyear and Road School come due in Q4. The realization that the Annual conference set up completely depleted the annual budget for facility rent/setup led the staff to the more strategic approach for conference planning. Staff will continue to refine this approach in the years to come, and in particular for the 2017-18 budget preparation.

Grants and Special Projects

As outlined in the Grants and Special Projects revenue section, expenditures in this category are quite low, presently only 36% of budget. In general, ULCT staff will not spend on special projects without commitments that the revenue to support the project has been received. The notable exception is the Deseret News Project where expenditures have been made and resolution of revenue occurred in April when the Co-Op funds were transferred to the ULCT. Finally, the essay contest process begins in October and culminates in September at the Annual Conference. The ULCT staff secured a 2016-17 sponsor for the essay contest. In future years, staff will better align the invoice for this project with the project's initiation for the year and will include full-program expenses in the expenditure budget.

Materials and Supplies

The ULCT budget includes \$12,000 for office supplies. At the end of Q3, the ULCT has expended 36% of allocated budget for office supplies. Staff will continue to monitor this budget with a special eye to managing expenses and looking for savings to offset expenditures in other areas of the budget.

Miscellaneous

The ULCT's Miscellaneous line item is budgeted at \$1,500. As reported in Q2, this category is overspent as a result of:

- \$11,658 in bad debt for invoices not collected and not closed out in previous years
- \$8,742.74 in unbudgeted bank and credit card fees (includes transaction processing fees)

Capital Outlay

None of the \$5,000 budgeted for capital outlay and capital improvements was expended in Q3. However, the staff has identified a need for a new laptop computer to take to conferences, so this will likely be expended by year end.

Conclusion

While the ULCT budget remains sound and stable, ULCT staff needs to remain vigilant in managing expenses so that we can more easily absorb the unanticipated expenditures. Staff is also working to ensure that all revenue due to the ULCT for 2016-17 for conferences is invoiced and collected prior to year-end. As of the date of this report, a quick breakdown of attendee and exhibitor revenue billed and due follows:

Event	Total Revenue	Amount outstanding
Local Officials' Day	\$49,610	\$2,900
Midyear Attendees	\$133,855	\$1,825
Midyear Exhibitor	\$37,400	\$1,010
Land Use Academy	\$520	\$0
Road School Attendee	\$74,870	\$12,540
Road School Exhibitor	\$64,640	\$175
	<u>\$360,895</u>	<u>\$18,450</u>

The staff also continues to be proactive regarding collection of general and program-specific donations and sponsorships. At the end of Q3, the ULCT has \$44,500 in pledged 2016-17 sponsorship revenue that has not been received. All invoices have been sent and staff will work diligently to encourage payment prior to year-end.

Finally, staff will continue to monitor expenditures so that savings can be identified.

UTAH LEAGUE OF CITIES AND TOWNS

FY 2016-17 Q3 Report

REVENUES	<i>2016-2017 ADOPTED BUDGET</i>	<i>Q3 July - March YTD Actual</i>	<i>Difference 2017 Budget TO Actual</i>	<i>% Collected</i>
General Revenue				
Membership Dues	\$1,572,324	\$1,561,120	(\$11,204)	99%
Registration Fees	\$490,000	\$414,385	(\$75,615)	85%
Donations & Advertising	\$275,000	\$219,600	(\$55,400)	80%
Exhibit Space	\$115,000	\$105,640	(\$9,360)	92%
Interest	\$3,500	\$0	(\$3,500)	0%
Publications	\$15,000	\$6,519	(\$8,481)	43%
Miscellaneous Income	\$250	\$3,270	\$3,020	1308%
Rental Income	\$18,000	\$13,500	(\$4,500)	75%
General Revenue	\$2,489,074	\$2,324,034	\$165,040	93%
Grants & Special Projects				
Essay Contest Donations	\$10,000	\$0	(\$10,000)	0%
Grant for Deseret News Project	\$120,000	\$0	(\$120,000)	0%
Grant for Research Assistant	\$24,000	\$0	(\$24,000)	0%
Transfer-Making Life Better	\$50,000	\$0	(\$50,000)	0%
Transfer for Budget Amendments	\$0	\$0	\$0	0%
Grants-IHC Wellness	\$300,000	\$0	(\$300,000)	0%
Grants-LUAU	\$100,000	\$53,000	(\$47,000)	53%
Grant-UTOPIA	\$24,000	\$0	(\$24,000)	0%
Benchmarking	\$20,000	\$0	(\$20,000)	0%
Grants & Special Projects	\$648,000	\$53,000	(\$595,000)	-92%
TOTAL REVENUE	\$3,137,074	\$2,377,034	\$760,040	76%

EXPENDITURES	2016-2017 PROPOSED BUDGET	Q3 July - March YTD Actual	Difference 2017 Budget TO Actual	Difference %
Personnel Services				
Employee Benefits	\$291,471	\$185,066	\$106,405	63%
Staff Salaries	\$636,614	\$437,762	\$198,852	69%
Personnel Services Subtotal	\$928,085	\$ 622,828	\$305,257	67%
Charges for Services				
Database Maintenance	\$24,000	\$0	\$24,000	0%
Accounting Expenses	\$18,000	\$42,781	(\$24,781)	238%
Contract Labor	\$90,000	\$161,031	(\$71,031)	179%
Building Utilities	\$4,000	\$2,897	\$1,103	72%
Computer Services	\$24,000	\$29,726	(\$5,726)	124%
Legal Expense	\$34,000	\$18,878	\$15,123	56%
Charges for Services Subtotal	\$194,000	\$255,312	\$9,397	132%
Operating & Program Expenses				
Car Expense	\$12,776	\$4,839	\$7,937	38%
Building Repairs	\$19,000	\$18,130	\$870	95%
Dues and Subscriptions	\$22,000	\$9,431	\$12,569	43%
Convention Entertainment	\$94,000	\$96,548	(\$2,548)	103%
Food & Beverage	\$546,687	\$298,987	\$247,700	55%
Facility Rent/Setup	\$68,526	\$99,885	(\$31,359)	146%
League Relations	\$24,000	\$15,880	\$8,120	66%
Library	\$1,500	\$0	\$1,500	0%
Insurance	\$8,500	\$6,281	\$2,219	74%
Speakers Fee/Honorariums	\$170,000	\$115,509	\$54,491	68%
Printing Expense	\$96,000	\$36,363	\$59,637	38%
Postage and Freight	\$6,500	\$2,030	\$4,470	31%
Equipment Purchases	\$1,000	\$959	\$41	96%
Staff Training & Tuition Aid	\$2,500	\$722	\$1,778	29%
Equipment Repairs and Maint.	\$10,000	\$6,963	\$3,037	70%
Spec. Equip. Rental	\$65,000	\$21,403	\$43,597	33%
Telephone Expense	\$15,000	\$11,206	\$3,794	75%
Travel and Lodging	\$55,000	\$30,296	\$24,704	55%
Board Expenses	\$11,000	\$3,878	\$7,123	35%
Operating & Program Exp. Subtotal	\$1,228,989	\$779,309	\$449,680	63%
Grants & Special Projects				
Special Project-UTOPIA	\$24,000	\$0	\$24,000	0%
Salary Survey	\$12,000	\$0	\$12,000	0%
Special Project-ULCTv	\$35,000	\$429	\$34,571	1%
Special Project-LUAU	\$100,000	\$68,081	\$31,919	68%

Special Project-Making Life Better	\$50,000	\$0	\$50,000	0%
Special Projects-IHC Wellness	\$300,000	\$160,000	\$140,000	53%
Deseret News Project	\$120,000	\$39,325	\$80,675	33%
Tax Education Program	\$26,500	\$0	\$26,500	0%
Municipal Funding Project	\$55,000	\$0	\$55,000	0%
University of Utah Policy Institute	\$10,000	\$10,000	\$0	100%
Essay Contest Expenses	\$10,000	\$0	\$10,000	0%
Benchmarking	\$20,000	\$49	\$19,951	0%
Grants & Special Projects Subtotal	\$762,500	\$277,885	\$382,126	36%
Materials and Supplies				
Office Supplies	\$12,000	\$4,288	\$7,712	36%
Materials & Supplies Subtotal	\$12,000	\$4,288	\$7,712	
Miscellaneous				
Miscellaneous	\$1,500	\$362	\$1,138	24%
Bad Debt	\$0	\$11,658	(\$11,658)	
Bank and Credit Card Charges	\$0	\$8,743	(\$8,743)	
Contingency Reserve	\$5,000	\$0	\$5,000	0%
Miscellaneous Subtotal	\$6,500	\$20,763	(\$14,263)	319%
Capital				
Capital Outlay	\$5,000	\$0	\$5,000	0%
Capital Improvements	\$0	\$0	\$0	0%
Capital Subtotal	\$5,000	\$0	\$5,000	0%
TOTAL EXPENSES	\$3,137,074	\$ 1,960,385	\$1,176,689	62%
TOTAL ALL REVENUES	\$3,137,074	\$2,377,034	\$760,040	76%
REVENUES (Under) Over EXPENSES	\$0	\$416,649		





TO: ULCT Board of Directors

**FROM: Roger Tew, Interim Executive Director
Nick Jarvis, Chief Operating Officer**

DATE: May 10, 2017

SUBJECT: 2017-18 Tentative Budget

Background

As the Board has noted during FY 2016-17 Quarterly Financial reports, the ULCT remains fiscally sound. While 2016-17 was a year of great change for the ULCT, the budget of the organization is now sound and provides a solid framework for the planned 2017-18 budget.

Since 2015, the ULCT has received an audit finding that the ULCT budget development process does not include the public notification requirements of State Law. For the 2017-18 budget, the ULCT will fully comply with the public notification and hearing processes.

Also, the State Audit conducted during FY 2016-17 outlined numerous policy and compliance issues that required immediate and swift attention. The Board has adopted the requisite financial policies and now the ULCT is completely caught up on state mandated financial filings and transparency reports.

With the exception of a major capital project, new programs and/or services are not proposed for FY 2017-18. Rather, as the ULCT Board searches for a new Executive Director during the remainder of FY 2016-17 and into FY 2017-18, staff proposes a largely status quo budget. Proposed increases focus on maintaining market position for staff compensation, resolving 1099 issues as appropriate, and better projecting revenue and expenditures to meet the ULCT's ongoing and one-time programming needs.

As a high-level preview, the Board should be aware that staff has spent the past several months gaining an understanding the ULCT's revenue and expenditure patterns and proposes a tentative budget that emphasizes budgetary shifts and savings. The Board should also note that staff is confident that the 2016-17 budget year will conclude in a cash-positive situation.

Finally, staff has detailed some near-term policy and budget decisions that the Board will need to contemplate, each of which will have different budgetary impacts.

Overview

The overriding staff goal for the 2017-18 budget is for the Board to have a deep understanding of the budget and the ULCT's approach to its programs.

Important for this understanding is a commitment from the Board for "ongoing" revenue sources to fully cover the cost of ongoing ULCT expenditures. At the ULCT, this discussion is more nuanced than it is in a city because dues revenue (rather than tax revenue) is the ULCT's ongoing revenue source. Every year each municipality decides whether to pay or not pay dues.

Historically, the ULCT has been at or near 100% participation. The Board's direction regarding 2017-18 dues will be the cornerstone of the 2017-18 budget proposal. At its meeting on April 5, 2017, the Board directed staff to hold the dues formula rates flat, thereby using the same rates as 2016-17. The formula is designed to annual produce between 3-4% new revenue to allow the ULCT to fund compensation adjustments and respond to inflationary demands. For 2017-18, the Board noted that new revenue, derived from Utah's newest municipalities (Millcreek, Interlaken and Dutch John) will result in approximately \$37,000 in additional revenue.

Additionally, for 2017-18, the staff would also like to propose conference registration rates that minimize the gap between the total costs of the conferences and the expenses associated with each – yet remaining cognizant that registration fees for certain events, like Local Officials' Day, will never fully cover the costs of the program. Annual establishment of conference rates during the budget process will allow the public and ULCT members to comment on the proposed rates, and will assist the ULCT staff in implementing an annual budget for each conference/event. The staff proposes to hold flat the basic registration fees for 2017-18 Conferences, thereby setting ULCT member registration rates as follows:

Annual Conference (September 2017)	\$410
Local Officials' Day (January 2018)	\$60.00 youth \$80.00 adult
Midyear Conference (April 2018)	\$280.00
Road School Conference (April 2018)	\$230.00

Exhibit booth fees are proposed to increase by \$50.00 per booth space. Free booth space will be offered to ULCT sponsors as outlined in the ULCT Sponsorship Program guidelines. Non-member, Partner and additional meal fees will also be held at the 2016-17 levels. The Board should note that starting with the Midyear 2017 conference, the ULCT has eliminated the Auxiliary Program. Rather, registered partners will be invited to attend any of the workshops offered at ULCT conferences. ULCT staff will ensure that a general interest workshop (i.e. leadership, community involvement, etc.) will be offered in each tract at all conferences. There will be a final Auxiliary breakfast at Annual 2018 and ULCT staff will continue to work with the current Auxiliary President to wind down the formal Auxiliary activities.

Revenue

Overall, total revenue for 2017-18 is proposed to increase 1% from the 2016-17 level. However, general revenue is projected to increase 8%, while grant and special project revenue is projected to decrease 25%. This is largely the result of the ULCT staff proposal to eliminate revenue and related expense lines for special projects that have not been active for years.

General Revenue

For 2017-18, the ULCT tentative budget includes \$1.65 million in dues revenue. This is based on the dues schedule adopted by the Board at its April 5, 2017 Board meeting.

Through 2016-17 quarterly budget reports, staff has informed the Board that the \$275,000 budgeted for Donations & Advertising revenue was unrealistically high based on historical trends. Staff was prepared to lower the estimate by \$15,000. However, the Utah Local Governments Trust has re-committed to a \$60,000 per year cash donation to the ULCT in FY 2017-18. Therefore, the tentative budget includes \$320,000 in Donation & Advertising revenue – a \$45,000 increase from the 2016-17 level.

The 2017-18 tentative budget also includes a proposed appropriation of \$88,000 from the ULCT's fund balance. The proposed \$88,000 appropriation from the ULCT's fund balance will help fund an office remodel project that will be described below during the discussion of expenditures.

The proposed appropriation from fund balance is possible as the ULCT staff is optimistic that the 2016-17 budget will end with ~\$150,000 in revenue over expenses. This projection does not include the excess revenue in 2016-17 associated with the transfer of Co-Op funds to the ULCT. (It is important to note that ~\$320,000 was transferred to the ULCT in April 2017. Of that total, ~\$90,000 was budgeted as 2016-17 revenue to support the Deseret News Brandview project. The remaining ~\$230,000 will be appropriated to the ULCT's fund balance through a 2016-17 budget amendment. The ULCT staff anticipates that the additional ~\$150,000 in 2016-17 revenue over expense will be available at 2016-17 year end. The revenue over expenses is available because staff has held down 2016-17 expenditures and aggressively invoiced and collected pledged Sponsorship revenue. ULCT staff also attracted three new sponsors to the ULCT in 2016-17, had two sponsors increase their sponsorship levels, and renewed the Utah Local Government Trust sponsorship.)

Finally, the proposed general revenue budget also includes a decrease of \$18,000 in rental income. The ULCT staff proposes eliminating the lease arrangement with the upstairs tenant so the ULCT can remodel the offices as part of a facility-wide remodel and take over the upstairs office space. Again, this will be further detailed in the expenditure section of this report.

Grant and Special Project Revenue

The tentative budget includes special project revenue to continue the Why I Like My Community Essay Contest. However, after reviewing the number of essays submitted in 2017, the staff may want to examine the viability of this project moving forward. The revenue and expenses are included in the tentative 2017-18 budget, and staff plans to engage in outreach for the project that has been lacking in years past.

The tentative budget includes \$48,000 for the Deseret News Brandview Project. Staff recommends that this project end on September 30, which is the end of the existing contract with Deseret Digital Media. The proposed revenue for this project should come from transferred Co-Op funds as the original \$120,000 contract was anticipated to be funded by the Co-Op.

The budget includes \$130,286 in revenue for LUAU. This includes ~\$33,000 in revenue budgeted forward from 2016-17 because it was not spent before year end.

Finally, the budget includes \$300,000 in revenue for the Intermountain Healthcare Active & Healthy Communities grant. This grant program is running approximately one year behind schedule. The expenditures in 2016-17 were against 2015-16 revenue. The Intermountain revenue was not invoiced nor received in 2016-17. The 2017-18 revenue should be expended in 2017-18.

Expenses

Similar to most governmental organizations, the ULCT's largest single areas of ongoing expenditures are the personnel services and contract labor categories. Also, like most governmental organizations, these two budgets require a certain level of annual increase to keep pace with benefit inflation and salary adjustments.

Personnel Services: The ULCT tentative budget anticipates a 3% decrease in personnel services. The 2017-18 budget personnel services budget includes an approximate 2.5% salary increase for employees. Some positions will receive larger increases to reflect expanded job descriptions and market considerations. To streamline services, effective June 1, 2017, the ULCT rolled its 401k program that was managed by John Hancock Pensions to the Utah State Retirement system. While the ULCT continues to match 3.35% to the employees' 1.65% 401k contribution (for a total of 5% contribution) the ULCT was able to eliminate approximately \$1,500 per year in plan administration fees by rolling the program to the URS.

Additionally, the Board should be aware that the tentative budget transfers funding for the Chief Financial Officer position to the contract line item. First, the ULCT has contracted with David Sanderson to be the CFO. In addition to monthly reconciliation of the bank accounts and payroll, Mr. Sanderson will assume responsibility for all transparency-related filings with the State of Utah and he will prepare the ULCT's financial statements for external financial audit, thereby addressing the years-long audit note that the ULCT does not prepare its own financial statements. Administrative functions and the direction of day-to-day financial operations will be transferred to Nick Jarvis as Chief Operating Officer. While Mr. Sanderson will not direct the day-to-day financial operations of the ULCT, he will be available to staff as a resource and will help staff to comply with the ULCT's financial policies and procedures. Kerri Nakamura will also remain as an hourly-paid resource to assist with training of staff and transition for the first few months of 2017-18.

Finally, the remainder of the funds previously dedicated to the CFO position will be used to contract with a professional event management firm to oversee logistics at the ULCT's four annual events. The event management firm will be responsible for booking hotel rooms, securing AV services at the conference center/hotel, and planning for meals, speakers, and entertainment. The firm will work closely with ULCT staff and ULCT staff will maintain full responsibility for content.

Charges for Services: The Charges for Services budget is proposed to increase significantly, largely as a result of the ULCT's staff's attempt to better align expenditures in the contract expense line item. Previously, certain contract expenditures were captured in special projects, but the expenses were actually contract labor. For example, expenses related to special projects ULCTv, Making Life Better, Tax Education, and Municipal Funding project have all be transferred to the Contracts line item. Expenses related to Database Maintenance have been eliminated for 2017-2018, as nothing was expended in 2016-2017 and staff does not project any expenditures in this category for 2017-2018. However, the line item will remain as staff predicts that a database overhaul will be necessary in the coming years. Additionally, the funds to support the contract for the Interim Executive Director for the first six months of 2017-18 are included in the contract line item. Finally, the contract line item includes limited video and graphic support services beyond the LUAU and Brandview projects and also includes funding for the Executive Director search contract and limited coordination of the Why I Like My Community Essay Contest. As the ULCT prepares contracts for all contracted labor, the new contract signing limits policy will be followed and each contract exceeding \$50,000 will be brought to the Board for ratification prior to execution by the President.

Operating & Program Expenses: This budget is proposed to remain essentially status quo with a few notable exceptions. The budget for building repairs and maintenance was eliminated and a budget for office space lease was created. This shift is to facilitate a proposed office remodel project that will be further described in the Capital Expenditures category. However, the thinking is that the ULCT will not need to perform office maintenance in a year that it is leasing space and a remodel project is underway. Additionally, the auto expense budget was decreased as this was related to expenses for the Executive Director auto allowance. Budgets for conference speaker fees and conference printing expenses were decreased to better align with historic expenditure trends. A line has been added for Credit Card Processing & Bank Charges. While these costs have been incurred in years past, they have often been rolled up into other budget items. ULCT staff thinks it best to separate these charges out so that the Board can better track these expenditures. Finally, funds were added to the ULCT travel budget so that the ULCT Executive Committee can attend NLC conferences to represent the ULCT and Utah.

Grants and Special Projects: This budget is projected to decrease, largely as a result of shifts to the contract line item in Charges for Services and as described above. The LUAU expenditures represent the contractual portions of the LUAU project. Portions of staff salaries charged to LUAU are funded in the Personnel Services category. In addition to Meg Ryan, a portion of Susan Wood's salary is charged to LUAU in 2017-18. The Intermountain Healthcare Active and Healthy Communities Grant direct expenditure is budgeted at \$278,000 as the ULCT staff negotiated to withhold part of the revenue to fund the administrative tasks associated with the grant program. As previously discussed, funding for the Deseret News Brandview project is included for July – September. Staff recommends eliminating the program following the September 30, 2017 end date of the original contract. The final year funding of the three year commitment to the University of Utah Kem C Gardner Policy Institute is included (\$10,000) as is funding for the Why I Like My Community Essay Contest. Finally, the Benchmarking project is expected to continue in 2017-18.

The **Materials and Supplies** and **Miscellaneous** budgets are proposed to remain status quo.

The **Capital** budget is proposed to increase significantly. The staff proposes two major initiatives. First, in Capital Outlay, the staff proposes to include funding for an equipment replacement schedule that will be implemented for the office. Development of the equipment replacement schedule is intended to ensure that the ULCT has access to modern tools and that equipment is replaced before maintenance costs are overwhelming. Additionally, funds in this line item will be used to assist the ULCT in modernizing equipment for conferences, specifically addressing audio visual needs.

The largest proposal of the budget is \$160,000 for a capital project to remodel and modernize the ULCT's offices. In addition to modernizing space, the HVAC system needs to be made more efficient and the ULCT would like to create a Board room/conference space that is ADA compliant. Finally, staff proposes to cancel the lease for the upstairs area, add an interior stairway to connect the offices, and expand the ULCT office to the upstairs area, thereby eliminating the need for staff to double up in small office spaces and/or share office spaces with copy machines, shared printers etc. With the changes, the ULCT can likely utilize more of the basement space for storage and, thereby, eliminate a \$2,400 annual fee paid to an offsite storage facility. To accomplish this capital project, the ULCT anticipates leasing space in the south side of the building for approximately 9-12 months. Once the project is complete, the ULCT will no longer be required to pay \$3,700 per year in property taxes because we will not be leasing space to for-profit entities.

Next Steps

The ULCT Board should adopt this tentative budget and schedule a public hearing for Monday, June 19, 2017 at 9:00 a.m.

The Board should also schedule a public hearing for a 2016-17 budget amendment for Monday, June 19, 2017 at 9:15 a.m.

Thank you.

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UTAH LEAGUE OF CITIES AND TOWNS

FY 2017-18 Budget Preview

REVENUES	2017-18 <i>Tentative BUDGET</i>	2016-17 <i>Adopted BUDGET</i>	Difference 2017 Budget TO 2018 Budget	% Change
General Revenue				
Membership Dues	\$1,650,000	\$1,572,324	\$77,676	5%
Registration Fees	\$490,000	\$490,000	\$0	0%
Donations & Advertising	\$320,000	\$275,000	\$45,000	16%
Exhibit Space	\$118,000	\$115,000	\$3,000	3%
Interest	\$3,500	\$3,500	\$0	0%
Publications	\$15,000	\$15,000	\$0	0%
Miscellaneous Income	\$250	\$250	\$0	0%
Transfer from Reserves (2016-17 Savings)	\$88,000	\$0	\$88,000	
Rental Income	\$0	\$18,000	(\$18,000)	-100%
General Revenue	\$2,684,750	\$2,489,074	\$195,676	8%
Grants & Special Projects				
Essay Contest Donations	\$10,000	\$10,000	\$0	0%
Co-Op Funds for Deseret News Project	\$48,000	\$120,000	(\$72,000)	-60%
Grant for Research Assistant	\$0	\$24,000	(\$24,000)	-100%
Transfer-Making Life Better	\$0	\$50,000	(\$50,000)	-100%
Grants-Active & Healthy Communities	\$300,000	\$300,000	\$0	0%
Grants-LUAU	\$130,286	\$100,000	\$30,286	30%
Grant-UTOPIA	\$0	\$24,000	(\$24,000)	-100%
Benchmarking	\$0	\$20,000	(\$20,000)	-100%
Grants & Special Projects	\$488,286	\$648,000	(\$159,714)	-25%
TOTAL REVENUE	\$3,173,036	\$3,137,074	\$35,962	1%

EXPENDITURES	2017-18	2016-17	Difference	
	Tentative BUDGET	Adopted BUDGET	2017 Budget TO 2018 Budget	% Change
Personnel Services				
Employee Benefits	\$273,000	\$291,471	(\$18,471)	-6%
Staff Salaries	\$625,000	\$636,614	(\$11,614)	-2%
Personnel Services Subtotal	\$898,000	\$928,085	(\$30,085)	-3%
Charges for Services				
Database Maintenance	\$0	\$24,000	(\$24,000)	
Accounting Expenses	\$30,000	\$18,000	\$12,000	67%
Contract Labor	\$332,500	\$90,000	\$242,500	269%
Building Utilities	\$4,000	\$4,000	\$0	0%
Computer Services	\$24,000	\$24,000	\$0	0%
Legal Expense	\$24,000	\$34,000	(\$10,000)	-29%
Charges for Services Subtotal	\$414,500	\$194,000	\$220,500	114%
Operating & Program Expenses				
Car Expense	\$3,000	\$12,776	(\$9,776)	-77%
Building Repairs	\$0	\$19,000	(\$19,000)	-100%
Dues and Subscriptions	\$22,000	\$22,000	\$0	0%
Convention Entertainment	\$94,000	\$94,000	\$0	0%
Food & Beverage	\$545,000	\$546,687	(\$1,687)	0%
Facility Rent/Setup	\$68,526	\$68,526	\$0	0%
League Relations	\$24,000	\$24,000	\$0	0%
Library	\$1,500	\$1,500	\$0	0%
Insurance	\$8,500	\$8,500	\$0	0%
Speakers Fee/Honorariums	\$150,000	\$170,000	(\$20,000)	-12%
Printing Expense	\$75,000	\$96,000	(\$21,000)	-22%
Postage and Freight	\$6,500	\$6,500	\$0	0%
Equipment Purchases	\$1,000	\$1,000	\$0	0%
Staff Training & Tuition Aid	\$2,500	\$2,500	\$0	0%
Equipment Repairs and Maint.	\$10,000	\$10,000	\$0	0%
Spec. Equip. Rental	\$65,000	\$65,000	\$0	0%
Telephone Expense	\$15,000	\$15,000	\$0	0%
Travel and Lodging	\$70,000	\$55,000	\$15,000	27%
League Office Lease Payment	\$36,000	\$0	\$36,000	
Credit Card Processing & Bank Charges	\$10,000	\$0	\$10,000	
Board Expenses	\$11,000	\$11,000	\$0	0%
Operating & Program Exp. Subtotal	\$1,218,526	\$1,228,989	(\$10,463)	-1%
Grants & Special Projects				
Special Project-UTOPIA	\$0	\$24,000	(\$24,000)	-100%
Salary Survey	\$12,000	\$12,000	\$0	0%
Special Project-ULCTv	\$0	\$35,000	(\$35,000)	-100%

EXPENDITURES	2017-18	2016-17	Difference	
	Tentative BUDGET	Adopted BUDGET	2017 Budget TO 2018 Budget	% Change
Grants & Special Projects (Cont.)				
Special Project-LUAAU	\$76,000	\$100,000	(\$24,000)	-24%
Special Project-Making Life Better	\$0	\$50,000	(\$50,000)	-100%
Special Projects-Active & Healthy Communities	\$278,000	\$300,000	(\$22,000)	-7%
Deseret News Project	\$48,000	\$120,000	(\$72,000)	-60%
Tax Education Program	\$0	\$26,500	(\$26,500)	-100%
Municipal Funding Project	\$0	\$55,000	(\$55,000)	-100%
University of Utah Policy Institute	\$10,000	\$10,000	\$0	0%
Essay Contest Expenses	\$10,000	\$10,000	\$0	0%
Benchmarking	\$20,000	\$20,000	\$0	0%
Grants & Special Projects Subtotal	\$454,000	\$762,500	(\$308,500)	-40%
Materials and Supplies				
Office Supplies	\$12,000	\$12,000	\$0	0%
Materials & Supplies Subtotal	\$12,000	\$12,000	\$0	
Miscellaneous				
Miscellaneous	\$1,500	\$1,500	\$0	0%
Transfer To Fund Balance	\$0	\$0		
Contingency Reserve	\$5,000	\$5,000	\$0	0%
Miscellaneous Subtotal	\$6,500	\$6,500	\$0	0%
Capital				
Capital Outlay	\$9,510	\$5,000	\$4,510	90%
Capital Improvements - Office Remodel	\$160,000	\$0	\$160,000	
Capital Subtotal	\$169,510	\$5,000	\$164,510	3290%
TOTAL EXPENSES	\$3,173,036	\$3,137,074	\$35,962	1%
TOTAL ALL REVENUES	\$3,173,036	\$3,137,074	\$35,962	1%
REVENUES (Under) Over EXPENSES	\$0	\$0		

