MINUTES
BUDGET COMMITTEE MEETING
Wednesday, November 29, 2023, 4:00 PM
Alta Community Center, 10351 E. Highway 210, Alta, Utah

BUDGET COMMITTEE:	Mayor Roger Bourke Councilmember John Byrne
STAFF PRESENT:	Chris Cawley, Interim Town Manager Mike Morey, Town Marshal Jen Clancy, Town Clerk
ALSO PRESENT:	Legal Counsel, Cameron Platt Treasurer, Craig Heimark
NOT PRESENT:	Councilmember Elise Morgan

1. **CALL THE BUDGET COMMITTEE MEETING TO ORDER**

00:00:00

Mayor Bourke called the Budget Committee meeting to order.

The initial discussion revolved around the presence of a quorum for the committee. Cameron Platt clarified that as long as there was a potential majority of committee members present, they could proceed with approving the minutes.

Jen Clancy requested a recap of the conversation regarding the quorum since it wasn't part of the recording. She emphasized the importance of establishing the committee's structure in writing to provide clarity for both members and staff. Mayor Bourke agreed, suggesting the inclusion of the committee's structure on the agenda for future meetings.

During the discussion, John Byrne expressed the need for a more organized and structured approach to committee operations. He proposed establishing a benchmark for operation and then filling in the details to bring a higher level of organization to all meetings, considering the holistic picture of the committees.

Craig Heimark sought clarification on whether the discussion about committee structure should take place at the town council or within a subgroup. John Byrne suggested addressing the immediate business during the meeting and then exploring different ideas. He proposed developing a penciled-in strategy to later present to the Town Council for consideration.

2. **APPROVAL OF THE MINUTES FROM JUNE 7, 2023 BUDGET COMMITTEE MEETING**

00:03:30

Mayor Bourke raised a question about a term in the minutes, specifically, "tax member summaries." Jen Clancy, who wrote the minutes, couldn't provide an immediate answer and expressed the need to review the recording for clarification. Mayor Bourke said he wasn't familiar with the term, but mentioned that it wasn't a vital point. Jen Clancy expressed a willingness to address the issue and edit the text once she had more information. Mayor Bourke then opened the floor for any additional questions, concerns, or comments on the June 7, 2023 minutes.

> **MOTION**: Mayor Bourke motioned to approve the minutes from June 7, 2023 including a text edit as noted in the discussion, and John Byrne seconded.
>
> **VOTE**: All in favor. The meeting minutes from June 7, 2023 were unanimously approved.

3. **FY 2024 DECEMBER BUDGET AMENDMENT REVIEW**

00:05:40

Jen Clancy presented a six-month budget adjustment amendment. She highlighted an increase of about $130,000 in revenue for the general fund, with expenses rising by about $85,000 and an additional $44,000 being transferred into the capital improvement fund to balancing the budget to zero. Jen noted that there are radios being procured for Snowbird and Alta Ski Lifts by the Marshal's office that each entity would purchase at cost from the Town resulting in no net gain or loss to the Town's budget. Jen also mentioned an extension to John Guldner's contract and emphasized that apart from these specific items, other changes in the general fund amendments were relatively small. Jen invited questions from the committee but opted not to go through the budget line by line unless there were specific inquiries.

Mayor Bourke acknowledged an underestimation of investment revenue, expressing the need to increase estimates made six months ago. Jen Clancy provided details, mentioning increases to the investment revenue, particularly in PTIF funds, highlighting the management strategy of keeping minimal amounts in Key Bank and maximizing PTIF returns. Mayor Bourke and John Byrne praised this approach, emphasizing the financial benefits.

Jen Clancy discussed changes in the capital projects fund, clarifying that the increase in contributions from the general fund was due to calculations and transfers within funds, not external contributions. The committee delved into specific fund allocations, recalculations, and studies related to the water and sewer funds, with a focus on the need for updates and contingency planning for capital projects.

Mayor Bourke raised concerns about underestimating capital project costs, suggesting a larger reserve to accommodate potential overruns. The discussion included examples such as the Grizzly Gulch project, which came in significantly over budget, prompting consideration for future projects. The council also touched upon ongoing project updates.

John Byrne inquired about the updating of project costs throughout the year, and Jen Clancy clarified that while the council approves the budget initially, she provides regular year-to-date updates within the project documents.

Craig Heimark shared three approaches to address concerns raised by Mayor Bourke regarding budgeting. First, he suggested setting targets for fund balances at the individual fund level, with immediate consideration for the general fund and a delay for other funds pending updated water and sewer studies. Second, Craig proposed improving project planning by either categorizing high-risk projects with automatic buffers or adopting an iterative refinement process for large projects, updating budgets periodically. Mayor Bourke and John Byrne discussed the benefits of phasing in larger projects, emphasizing the need for periodic reviews and recalculations at the end of each phase. The committee agreed that this approach, especially for multi-year projects, would enhance budget accuracy.

Mayor Bourke asked for opinions on whether the Town would be over or under budget by the following June. Jen Clancy expressed confidence in being "pretty darn close," citing real-time information from staff. Chris Cawley added that predictable variances, such as Assistant Manager hiring, were incorporated into the budget, and uncertainties mostly revolved around factors like snow removal and part-time staffing needs in Mike Morey's department. The was some acknowledgment of the lessons learned from the previous winter.

John Byrne commended the work and expressed readiness to support the budget amendment as drafted at the council meeting.

Craig Heimark praised the budget's accuracy, attributing most variances to interest rate changes. He suggested potential improvements, including establishing target balances for each fund and considering monthly budgets for better timing visibility. He also raised three additional points: revisiting the salary study, exploring monthly budgets, and discussing target balances for funds.

Craig Heimark asked about revisiting the salary study and suggested working on it now so the results could be rolled into the FY 2025 budget. Mayor Bourke acknowledged inflation trends and raised caution against updating salary figures to quickly. Chris Cawley mentioned considering the Mike Swallow study as a living document, continuously updatable. The discussion touched on the importance of internal evaluations of employees' performance and contributions beyond the mathematical aspects of the salary study. John Byrne suggested establishing a formal compensation committee. Chris Cawley offered that, except for the Town Manager, discussions about staff performance and wages should be done internally with supervisors and not at the council level. The conversation concluded with agreement on the need for supervisors to be involved in salary decisions and the value of annual employee reviews.

4. **PROJECT UPDATE**

00:39:35

Chris Cawley provided an overview of various town projects, highlighting the completion of significant water system projects and the success of the generator project. He mentioned ongoing work on the shuttle, security camera project, and the installation of Grizzly Gulch meters. Chris also discussed the Drinking Water Source Protection Plan, which Aqua Engineering is expected to complete by December 31st. The conversation touched upon future master planning projects for water and sewer systems.

John Byrne inquired about the timeline for completing certain projects, expressing a desire to execute more during their term. Craig Heimark sought clarification on the generator project's status, emphasizing that the majority of the work was done. The discussion concluded with commendations for the successful project management and achievements by Chris Cawley. Mayor Bourke acknowledged the impressive performance of the town's projects and expressing satisfaction with the report.

5. **<u>AUDIT COMMITTEE REVIEW</u>**

00:51:40

Craig Heimark presented information on the audit committee review. He explained that the discussion arose due to the expiration of the contract with the current auditor (*correction: after this meeting it was determined that the contract with the current auditor was not up until after the FY24 audit*), and the general practice of rotating auditors every three to four years for a fresh perspective. Craig proposed that the decision to establish an audit committee or not be made now, as the town was changing auditors. He outlined the pros and cons of having an audit committee, highlighting the potential impact on fraud risk assessment scores and insurance rates.

Mayor Bourke raised questions about the handling of whistleblower events. Cameron Platt from the town staff clarified the existing statutory fallback process for whistleblowers under state law. The discussion delved into the potential benefits of an audit committee, particularly in improving fraud risk protection and risk scores, as well as affecting the Town's insurance policy rate. John Byrne shared his support for enhancing fraud risk protection efforts and mentioned the discovery of a draft audit committee resolution that was not adopted. Jen Clancy provided insights into why the previous fraud risk resolution wasn't adopted, citing reasons such as the council deeming it potentially unnecessary or overkill.

Craig Heimark expressed agreement with the adherence to state codes in both the old and new practices. However, he emphasized the importance of a robust whistleblower process based on his past experience, citing a situation that led to the resignation of a CEO due to lack of such a mechanism.

John Byrne raised concerns about fraudulent transactions from the previous year and their absence in the audit report. Jen Clancy clarified that it was an external issue, not internal, but acknowledged the associated risks. She reported she gave the auditors all the details related to the fraudulent transactions.

The discussion then shifted to the possibility of creating an audit committee and the Mayor suggested a sunset clause for review. John Byrne recommended written charters for committees and discussed the structure of the audit committee, suggesting Steve Rowley's inclusion due to his financial expertise.

Jen Clancy raised concerns about Steve Rowley's role, indicating his influence on financial entries. Craig emphasized the need for independence in the audit committee and expanded scope, including statistical testing and compliance auditing. John Byrne expressed interest in the audit committee and suggested focusing on the bigger picture of all the committees before diving into the specifics of the audit committee.

The discussion continued with considerations for committee charters, membership, and the need for a holistic approach. Jen Clancy sought feedback on an Audit Committee Charter draft, while Craig Heimark emphasized the importance of independence, whistleblower administration, and defining the audit scope. John Byrne supported the audit committee and proposed delaying committee membership decisions until December for careful consideration.

Craig Heimark provided minor suggestions for the draft and discussed the timing of decisions and staffing for the audit committee. Jen Clancy sought feedback from the council members on various points, indicating a need for further discussion.

Craig Heimark expressed concerns about the role of the town treasurer in the charter, emphasizing the need to remove the title due to the potential conflict with the separation of duties. Craig suggested that having a town treasurer involved in certain functions, like auditing, could pose risks, and proposed language changes to address these concerns. John Byrne supported the idea of an audit committee and discussed the involvement of the mayor in such a committee. Jen Clancy pointed out the challenges of having the mayor on the committee due to their role as a signatory on the town's accounts.

The discussion continued with considerations about the separation of roles, potential conflicts of interest, and the practical aspects of committee organization. John Byrne suggested combining certain functions, such as capital expenses, within the budget committee, while Mayor Bourke expressed concerns about overcomplicating the structure for the town's relatively small operation. The conversation also touched on the possibility of reevaluating the committee's structure after two years.

In terms of committee leadership, John Byrne suggested Jen Clancy as the chair of the budget committee, recognizing her expertise in handling financial documents. Mayor Bourke and John Byrne both commended Jen's skills in managing financial data and proposed her as the logical choice for the role. The meeting concluded with a consensus that the town should have an audit committee, with a plan to reevaluate its effectiveness after the initial two-year period.

Craig Heimark raised questions about the level of detail required in the audit committee's meeting minutes, particularly regarding whistleblower reports. Jen Clancy clarified the State Auditor's guidelines, emphasizing the need for transparency while protecting sensitive information. The discussion further delved into meeting frequency requirements and the possibility of closed-door sessions. Cameron Platt provided definitions related to public meetings and public bodies, highlighting the need to ensure transparency if a committee is formed. The conversation explored the possibility of closed meetings.

As the meeting progressed, the focus shifted to practical considerations, including the potential roles of specific individuals on the committee. The need for advice and consent from the council and the authority to sign for hiring auditors were highlighted by Jen Clancy.

Members expressed the importance of not rushing the process and ensuring that the details are thoroughly addressed. There was consensus that a high-level presentation to the council in December, seeking approval for the concept of forming an audit committee, would be a logical first step. The specific roles and details of the committee could be refined in subsequent discussions and resolutions.

6. **MOTION TO ADJOURN**

01:58:30

MOTION: Mayor Bourke motioned to adjourn, and John Byrne seconded.

VOTE: All in favor. The meeting was adjourned unanimously.

Passed this Xth day of January, 2024

Jen Clancy, Town Clerk