CITY OF OREM
CITY COUNCIL MEETING
56 North State Street Orem, Utah
June 9, 2026

6:00 P.M. REGULAR SESSION - COUNCIL CHAMBERS

CONDUCTING	Mayor Karen McCandless
ELECTED OFFICIALS	Karen McCandless, Crystal Muhlestein, Jeff Lambson, LaNae Millett, Chris Killpack, Quinn Mecham, Jenn Gale
APPOINTED STAFF	Brenn Bybee, City Manager; Ryan Clark, Assistant City Manager; Keri Rugg, Deputy City Manager; Steve Earl, City Attorney; Chris Tschirki, Public Works Executive Director; Bryce Merrell, Community Services Executive Director; Brandon Nelson, Chief Financial Officer; Marc Sanderson, Fire Chief; BJ Robinson, Police Chief; Gary McGinn, Community Development Executive Director; Peter Wolfley, Civic Engagement Executive Director, PIO; Teresa McKitrick, City Recorder

CALL TO ORDER

INVOCATION / INSPIRATIONAL THOUGHT –Brandon Shumway
PLEDGE OF ALLEGIANCE / FLAG CEREMONY – Ashley Shumway

SCHEDULED ITEMS

RESOLUTION - Utah Retirement Systems (URS) Public Safety and Firefighter Tier 2 Hybrid Employees Contribution Rate Pick-Up - *Presenter: Jennica Jones, Strategy & Innovation Director*

Ms. Jones presented a resolution proposing that the city fully cover an upcoming increase in retirement contribution rates for employees enrolled in the Utah Retirement Systems' Tier Two Public Safety and Tier Two Firefighters hybrid programs. Effective July 1, 2026, the required employee contribution rate for both categories is scheduled to rise from 4.73% to 5.98%. While the Utah State Legislature mandates the increase, it grants participating municipalities the option to "pick up" this cost on behalf of their staff. Ms. Jones emphasized that Orem has historically absorbed these contributions and argued that continuing to do so is vital for remaining competitive, as the vast majority of Utah cities cover the full amount to attract and retain high-quality emergency personnel. Councilmember Millett voiced support for the measure, stating that providing these additional benefits is an excellent move by the council to ensure Orem continues to attract "the best of the best" for its public safety teams.

Mr. Killpack moved to approve the URS public safety and firefighter tier 2 hybrid employees contribution rate pick-up, **seconded** by Mr. Mecham Those voting yes: Karen McCandless, Chris Killpack, Crystal Muhlestein, Jeff Lambson, Jenn Gale, LaNae Millett and Quinn Mecham. The motion **passed.**

PUBLIC HEARING - Enterprise Fund Transfers- *Presenter: Brandon C. Nelson, CPA, Chief Financial Officer*

Mr. Nelson presented a legally required report detailing budget transfers from the city's enterprise (utility) funds back into the general fund. State law mandates a separate agenda item for these transfers because they do not qualify as standard, cost-related expenses. Mr. Nelson explained that the State Auditor's Office requires the city to formally record its own internal use of municipal utilities—such as water, sewer, street lighting, and stormwater services—which are charged to the general fund at market rates. To prevent the general fund from bearing this financial burden, the city charges these dollars to the respective utility funds and immediately transfers them back to the general fund. Ultimately, this accounting maneuver has zero net financial impact on any of the funds and is done solely to comply with state transparency regulations.

To help the council understand the magnitude of these transactions, Mr. Nelson provided a detailed breakdown of the utility revenues, total expenditures, and internal and external contracted services, such as the 311 center and Central Utah Water. Councilmember Mecham clarified the data by summarizing the process, confirming that the city is simply using these transfers to ensure utility fees continue to pay for city-owned property utilities under the state's mandated reporting structure. Councilmember Mecham also highlighted that the presented data indicates city property accounts for approximately 3.7% of water fund expenses—largely due to watering city parks—and a much smaller 0.08% of sewer fund expenses. Mr. Nelson confirmed Mr. Mecham's interpretation as entirely correct, noting that these relative percentages will continue to decrease as overall fund expenditures rise.

Public Hearing open at 6:14 PM

No Public Comment

Public Hearing closed at 6:14 PM

PUBLIC HEARING - ORDINANCE - Municipal Officers Compensation - *Presenter: Brandon C. Nelson, CPA, Chief Financial Officer*

Mr. Nelson presented a legally mandated report detailing the proposed salary increases for executive municipal officers for the upcoming fiscal year. In compliance with Utah Code Section 10-3-818—a transparency law enacted three years prior—cities must disclose the budgeted wage adjustments for executive management through a separate agenda item, given their inherent control over organizational wages. Mr. Nelson clarified that the list is not all-inclusive of city staff; rather, it exclusively covers individuals deemed municipal officers. For the upcoming year, all listed officers are budgeted for a 3% merit increase and a 0% market increase, which aligns consistently with Orem's standard budgeting procedures. Mr. Nelson noted that non-officer employees on step programs are budgeted similarly, typically at a 3% increase based on their respective steps.

Councilmember Mecham questioned the distinction between merit and market increases and asked how cost-of-living adjustments (COLAs) factored into the equation. Mr. Nelson explained that the city does not utilize standard COLAs. Instead, the 3% merit increase represents the maximum potential salary increase an officer can receive based on their performance and contributions. In contrast, market increases are determined by comparing specific roles—such as accountants or engineers—to outside organizations to ensure competitive pay. Because the market increase is currently set at zero, Mr. Mecham confirmed that the 3% merit increase constitutes the total potential wage adjustment for these officers. Mr. Nelson added a caveat that the city also sets aside a mid-year 1% fund to evaluate and adjust specific employee positions that may have fallen behind the outside market, emphasizing that this is a targeted evaluation rather than an across-the-board raise.

Public Hearing open at 6:20 PM

No Public Comment

Public Hearing closed at 6:20 PM

Ms. Gale moved that the City Council of the City of Orem enact the compensation increases for specific city officers as contained in Exhibit A and adopt these compensation adjustments as part of the adopted FY 2026-2027 Tentative (Interim) Budget, **seconded** by Mr. Mecham. Those voting yes: Karen McCandless, Chris Killpack, Crystal Muhlestein, Jeff Lambson, Jenn Gale, LaNae Millett and Quinn Mecham. The motion **passed.**

Proposed Property Tax Increase Statement - *Presenter: Brandon C. Nelson, CPA, Chief Financial Officer*

In compliance with a new state law, Mr. Nelson formally announced to the council and the public that the upcoming discussion regarding the fiscal year 2026–2027 budget includes a property tax increase component. Mr. Nelson noted that this direct notification is a strict statutory requirement whenever a budget item with a property tax increase is up for consideration.

Proposed Property Tax Increase Impact Schedule - *Presenter: Brandon C. Nelson, CPA, Chief Financial Officer*

Following the statutory notification of the proposed budget tax increase, Mr. Nelson presented Orem's required property tax impact schedule. Because the state and county do not finalize the official 2026 certified tax rates until June 22, the city used the 2025 certified rate of 0.000603 as a baseline to approximate the impact of the requested $450,000 revenue increase. To generate this funding, the city's estimated property tax rate would rise to 0.000645, bringing total budgeted property tax revenue from $6.4 million to approximately $6.864 million—an estimated 7.02% increase above the certified rate.

Mayor McCandless and Councilmember Millett emphasized for the audience that this increase applies strictly to Orem's portion of the property tax bill. Mr. Nelson noted that the city only accounts for roughly 13% to 14% of a resident's total tax bill, with the remaining majority going to other entities like the school district, county, and water districts. Utilizing county data for an average primary residence valued at $513,000, Mr. Nelson calculated that the rate change would result in an annual increase of $11.85 (a 6.97% increase) for a homeowner. For a commercial business of the same value, the annual impact would be $27.57 (an 8.91% increase due to businesses not receiving the primary residential exemption). Councilmember Mecham put this into perspective, noting that for the average homeowner, the financial impact amounts to slightly less than one dollar a month, or less than the cost of a single movie ticket per year.

Finally, Mr. Nelson explained that the $450,000 in new revenue is specifically earmarked to fund two new police officers, including their fully outfitted vehicles and equipment. Mayor McCandless asked for legal clarification on whether the council could later redirect these funds to a different project. Mr. Nelson and Mr. Bybee confirmed that the city is legally bound to the stated intent of the tax increase; if Orem were to use the revenue for any other purpose, state authorities would deem the city out of compliance and could potentially pull back the funding.

RESOLUTION - Creation of Public Safety Special Revenue Fund and Statement of Intent to dedicate the General Operations Portion of Property Tax to Public Safety - *Presenter: Brandon C. Nelson, CPA, Chief Financial Officer*

Mr. Nelson explained that the proposal consists of two distinct components. The first is the structural creation of the special revenue fund itself, which will house all revenues and expenditures associated with the city's police and fire departments. The second component is a statement of intent regarding the future dedication of the property tax levy to this new fund. Mr. Nelson and Mayor McCandless clarified that the actual allocation of property tax cannot take place until after the formal Truth in Taxation (TNT) public hearing scheduled for August 27, 2026, where the council will vote on the budget and the proposed tax increase.

Mr. Nelson outlined that separating these accounts mirrors the city's approach with development and building permit fees, offering enhanced transparency by isolating the true costs and revenues of emergency services. He addressed public misconceptions by noting that while the total fire and police budget for fiscal year 2026 sits just over $38.1 million, the city's property tax revenue only accounts for an estimated $8.1 million. The purpose of the fund is not to dramatically hike taxes to bridge this gap, but rather to establish baseline stability for core emergency services by leveraging property tax, which provides a consistent revenue stream regardless of economic downturns. Mr. Nelson added that while staff would prefer to establish the structural fund immediately, the council could legally choose to delay both the fund's creation and the tax dedication until the August meeting.

Councilmember Millett emphasized that creating this fund does not legally bind the hands of future city councils, correcting rumors comparing it to the rigid state constitutional mandates for education funding. Mr. Nelson confirmed that the allocation is a flexible budgetary choice that must be reviewed, re-evaluated, and reauthorized by ordinance every single year. Ms. Millett and Mayor McCandless further highlighted that the fund will capture all revenue generated directly by public safety—such as mutual aid wildfire funding and contracts with neighboring cities—ensuring these dollars stay directly within emergency services rather than subsidizing other areas of the general budget. Councilmember Lambson voiced support for the measure, calling it a foundational step toward securing long-term continuity for the city's essential public safety responsibilities. Councilmember Millett moved to approve the resolution with a slight phrasing adjustment to clarify that the council is "considering" the dedication of the tax levy rather than definitively enacting it before August.

Ms. Millett moved to approve, by resolution, the creation of a new "Public Safety Special Revenue Fund" to be included in the Fiscal Year 2026-2027 Tentative Budget and state that the Orem City Council is considering dedicating all of the City of Orem's regular general operations property tax levy to this new fund, **seconded** by Mr. Mecham. Those voting yes: Karen McCandless, Chris Killpack, Crystal Muhlestein, Jeff Lambson, Jenn Gale, LaNae Millett and Quinn Mecham. The motion **passed.**

PUBLIC HEARING - ORDINANCE - Adopt FY 2026-2027 Tentative (Interim) Budget -
Presenter: Brandon C. Nelson, CPA, Chief Financial Officer

Mr. Nelson presented the high-level details of the $211 million tentative budget, which reflects a $35 million increase from the prior fiscal year. He clarified that $25 million of this apparent increase is a non-transactional accounting maneuver under Generally Accepted Accounting Principles (GAAP) required to execute the internal transfer of funds from the general fund into the newly established Public Safety Special Revenue Fund, as property taxes and localized public safety revenues do not cover the full $38.1 million cost of police and fire services. Councilmember Mecham highlighted this distinction for the public, noting that once these internal fund-to-fund transfers and debt service maneuvers are stripped away, the true operational city budget sits closer to $160 million. Mr. Mecham further emphasized that the $8.5 million generated by property taxes represents a tiny sliver—roughly 5% to 6%—of the city's overall revenue. Mayor McCandless countered that while it is a small percentage, property tax is uniquely stable, whereas Orem's heavy reliance on highly volatile sales tax leaves the city's budget at the mercy of broader economic fluctuations. Mr. Nelson agreed, adding that sales tax revenues appear to be plateauing at a 3% growth rate, making property tax a necessary mechanism to pace inflation and findings from the city's recent general fund sustainability study.

The budget overview detailed several key general fund adjustments, including the hiring of an attorney and an urban technician, increased funding for the youth council, and shifting the municipal software *Podium* from expiring federal ARPA funds to the general operational budget. Mr. Nelson also provided timelines for fleet replacements and a breakdown of public safety revenues, pointing out that 90% of its independent $6.2 million service revenue is drawn from ambulance services, with another $470,000 generated via fire inspection fees. In response to questions from Councilmember Millett, Mr. Nelson explained specific line-item acronyms, noting that the budget accounts for a shrinking federal Emergency Management Performance Grant (EMPG), rising animal control contractual obligations with the North Utah Valley Animal Shelter (NUVAS), and a proactive, centralized fund for fire station furniture, fixtures, and equipment (FF&E) to secure bulk discounts rather than replacing items piece-by-piece. He also detailed internal service funds tracking cyber security upgrades and mandatory transitions to specialized government software licensing, alongside an analysis of the city's debt service fund, which currently handles two outstanding bonds—the 2019 general obligation bonds for the fitness center and library hall, and the 2024 sales tax revenue bonds for the police department remodel and fire training facility—as well as ongoing UTOPIA debt and an energy-improvement streetlight lease.

Shifting to municipal utilities, Mr. Nelson presented a historical and projected analysis assuming an average 4.9% regional rate increase. The water fund will see changes across all usage tiers and baseline meter fees alongside a new state regulatory fee, while the water reclamation (sewer) fund requires substantial base and volume increases to fund cash-start projects ahead of future treatment plant bonding. Furthermore, storm water rates will increase to fund collection infrastructure following widespread regional canal abandonments, solid waste rates will experience a direct pass-through increase resulting from a newly renegotiated contract with Waste Management, and fitness center indoor class fees will rise to offset a three-year freeze on daily and annual memberships. When asked by Councilmember Mecham about the heavily discussed Transportation Utility Fee, Mr. Nelson noted it was omitted from this presentation but would be introduced as a separate budget amendment and distinct fund once all setup requirements are finalized later in the year.

Council members Gale and Mecham expressed gratitude to Mr. Nelson and the financial team for engineering a fiscally conservative, responsible budget in an inflationary environment. However, Mr. Mecham urged the council to remain sensitive to vulnerable residents living on low, fixed incomes who will feel the cumulative pinch of the property tax adjustment alongside rising storm water, sewer, and garbage fees. He requested that the city staff and council initiate a formal dialogue to build a framework helping low-income citizens demonstrate financial need for localized assistance. Councilmember Millett suggested leveraging the city's civic engagement director to aggressively market existing county-level relief programs via social media and the senior center. Mr. Bybee confirmed that the city already earmarks funds annually for these exact educational outreach efforts and promised to align the city's upcoming communication calendar to prioritize getting tax and fee relief information out to Orem's most vulnerable populations.

Public Hearing open at 6:20 PM
No Public Comment
Public Hearing closed at 6:20 PM

Mr. Lambson moved to to approve and adopt the fiscal year 2026 2027 tentative budget, as shown in Exhibit A, which will serve as the city's interim budget, beginning July 1, 2026 and ending after the date the city council adopts a final budget, adopt all fees and charges shown in Exhibit B, adopt the compensation programs as shown in Exhibit C, adopt the franchise tax, municipal energy sales and use tax, telecommunications license tax, transient room tax, the 911 fee rate, and adopt a proposed tax rate above the certified tax rate, with a Truth in Taxation public hearing to be held on Thursday, August 27 2026 at 6pm at which time a final budget will be adopted , **seconded** by Mr. Killpack. Those voting yes: Karen McCandless, Chris Killpack, Crystal Muhlestein, Jeff Lambson, Jenn Gale, LaNae Millett and Quinn Mecham. The motion **passed.**

CITY MANAGER INFORMATION ITEMS

Mr. Bybee expressed gratitude for the City Council's leadership, trust, and shared commitment to fiscal responsibility. He voiced complete confidence in the city staff's ability to execute the supported budget, describing Orem's employees as dedicated, continuous-improvement-minded public servants who strive to provide the highest quality of service at the best possible price for residents.

ADJOURN

Ms. McCandless moved to adjourn, **seconded** by Ms. Muhlestein. Those voting yes: Karen McCandless, Chris Killpack, Crystal Muhlestein, Jeff Lambson, Jenn Gale, LaNae Millett and Quinn Mecham. The motion **passed.**

(These minutes were created with the help of AI)

PASSED and APPROVED on this 14th day of July 2026.

Karen McCandless

Karen McCandless, Mayor

ATTEST:

Teresa McKitrick, City Recorder

COUNCIL MEMBERS	AYE	NAY	ABSTAIN	ABSENT
Mayor Karen McCandless	☑	☐	☐	☐
Chris Killpack	☑	☐	☐	☐
Crystal Muhlestein	☑	☐	☐	☐
Jeff Lambson	☑	☐	☐	☐
Jenn Gale	☑	☐	☐	☐
LaNae Millett	☑	☐	☐	☐
Quinn Mecham	☑	☐	☐	☐