MURRAY CITY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, November 19, 2013, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray Utah.

Members in Attendance:

Brett Hales	Council Chair
Dave Nicponski	Council Member
Jim Brass	Council Member
Jared A. Shaver	Council Member
Darren Stam	Excused

Others in Attendance:

Dan Snarr	Mayor	Justin Zollinger	Finance
Janet M. Lopez	Council Office	Jan Wells	Mayor's COS
Frank Nakamura	City Attorney	Doug Hill	Public Service Director
Pete Fondaco	Police Chief	Craig Burnett	Police
Ted Eyre	Resident	Diane Turner	Resident
Phyl Warnock	Auditor	Brenda Moore	Finance
Peri Kinder	Valley Journal	Kellie Challburg	Council Office
Jennifer Brass	Resident	JoAnn Miller	Finance
Tim Tingey	ADS	Gil Rodriguez	Fire Chief
Joe Campos	Finance	Blair Camp	Resident
Janet Towers	Resident		

Chairman Hales called the Committee of the Whole meeting to order and welcomed those in attendance.

Minutes

Mr. Hales asked for corrections or action on the minutes from the Committee of the Whole meeting held on October 1, 2013, and from Council Initiative Workshop meeting held on October 1, 2013. Mr. Brass moved for approval. Mr. Shaver seconded the motion. All were in favor.

Business Item 2.1   **Valley Emergency Communications Center
                                  (VECC) Agreement- Jan Wells presenting**

Ms. Wells commented that the discussion was a continuation of a previous conversation. The discussion was whether or not it was prudent to move ahead with the VECC interlocal agreement. That agreement would bring the Unified Police Department (UPD) into the VECC due to a Legislative mandate that the number of Public Safety Answering Point (PSAPS) be reduced. The logical result would be for UPD to join the VECC operation.

Council of Governments (COG) has put together an agreement that has circulated around the County. Many cities have already signed the agreement. Those cities that have not yet signed the agreement include Murray and West Valley City. Ms. Wells had a conversation with the leaders in West Valley City to hear their issues and concerns.

Ms. Wells had also met with Chief Fondaco and Chief Rodriguez several times. Some of the concerns with the agreement include the lack of a provision for expenditures. The biggest issue with the agreement currently seems to be the CAD (Computer Aided Design) system. Murray has been on the Spillman system for a long time. Sandy City has recently left VECC and joined Salt Lake City for their emergency dispatch needs. Sandy has agreed to use the operating system Versaterm, which both Salt Lake City and Salt Lake County use. Mayor McAdams suggested that all entities switch to the Versaterm operating system. The move to Versaterm would require some expense and changes for many of the other cities.

Ms. Wells questioned whether the interlocal agreement of bringing UPD into VECC could be separated from the CAD system change. This would leave the other piece of the agreement to work and develop the CAD system afterwards. West Valley City had a concern and asked for a provision to prohibit any large expenditures without two-thirds Board majority approval. The idea was that a large expenditure would be for a CAD system. The language in the agreement was changed, and West Valley City is uncomfortable with that perspective. West Valley City feels like they are unprotected from having the discussion of a separate CAD.

Chief Fondaco and Chief Rodriguez have different concerns. Chief Fondaco's concerns relate to the general operation of VECC. When VECC was first organized, the Operations Board managed the day to day operations, and were the overseers. The Board of Trustees was an ancillary board that helped with some of the political pieces. That has transitioned over time, so the Board of Trustees now has more input than the Operations Board, and that is a concern for the Police Chief.

Originally, the discussion was to review both CAD systems and have them working side by side. After a decision had been made as to what system was best, an RFP (Request for Proposal) would be issued. That plan has changed, due to Mayor McAdams offer to contribute the $1.4 million to help cover the cost of moving entities to Versaterm. There are many people that believe this is the right thing to do and the timing is right to get everyone on the same operating system. It makes sense to get everyone on the same system, but they want to make sure that due diligence has been done, noted Ms. Wells. Murray hasn't had a lot of experience with Versaterm and has heard the pros and cons. It isn't as simple of an agreement as Murray would prefer. This agreement is on the December 3, 2013 agenda for further action.

Mr. Shaver said he has heard some of the concerns that both Chief Fondaco and Chief Rodgriguez have, but would like to hear more from them.

Chief Rodriguez stated that he has concerns with the Operations Board losing some of its status, and making it almost a non-functioning entity. The Operations Board really understood the different operations of both Police and Fire. Chief Rodriguez said both Versaterm and Spillman would work for the Fire Departments. He believes there are frustrations with both systems.

Mr. Nicponski asked the Chief if he thought all the agencies should be on the same system. Chief Rodriguez answered that Fire and Police are different. If a Fire Department is out, then another would fill in. There is not a fire within Salt Lake County that just one agency would respond to. All the agencies need to work together without delays. He believes it would be best for everyone to be on the same system.

Mr. Shaver clarified that was what the PSAP was about. Chief Rodriguez agreed that it makes it more seamless. Salt Lake City has had their own PSAP, but has worked with West Valley City, and South Salt Lake City. Mr. Shaver asked about the border for responding to the calls, and is the delay caused by transferring calls to the appropriate agency. He noted that one PSAP would seem to be more efficient, instead of secondary calls causing the delay. Mr. Shaver stated that Chief Rodriguez isn't the only Fire Chief that mentioned that neither of the two systems meet all the Fire needs. The Fire Departments are already very connected with each other, unlike the Police Departments commented Mr. Shaver. Chief Rodriguez said that VECC is a complicated organization with both Police and Fire dispatch. Chief Rodriguez said he has no experience with Versaterm, and there are constant issues with Spillman. He has concerns about whether the Board of Trustees would dictate the actions of the Board of Operations.

Mr. Hales asked if the preference of the Chief would be to go a different direction. Chief Rodriquez replied that it is unknown what the best option is. The best option could be Spillman; Spillman is a local entity. Versaterm is a business out of Canada. He said the issue is getting very political, which is the frustrating part. There is money, politics, and egos involved so it is a tough situation noted the Chief. Mr. Hales clarified with Ms. Wells that there were only two cities that had not signed the interlocal agreement, and that was Murray and West Valley City. Ms. Wells said she believes that is correct. Mr. Nicponski added that West Jordan approved it the previous night.

Chief Rodriguez noted that the interlocal agreement didn't have anything to do with the CAD. Mr. Shaver noted that was a distinction he would like to be made. He stated that Mayor McAdams has agreed to pay for the training and cost of the system. Mr. Shaver asked Chief Fondaco if his main concern was the history that was on Spillman. Chief Fondaco said that is a concern of his.

Chief Fondaco clarified that Salt Lake City was a PSAP. VECC is also a PSAP. Salt Lake City does not see Murray City's calls. It doesn't make sense to him that everyone needs to be on the same system, when Salt Lake City doesn't see calls from other cities. It is a separate dispatch center that has nothing to do with VECC. Mr. Nicponski noted that Murray shares borders with West Jordan, Taylorsville, East Millcreek, South Salt Lake and Cottonwood Heights. He believes it would be nice to be on the same system as the surrounding areas. Chief Fondaco noted that of those cities mentioned, the only one currently not on Spillman, is UPD.

Chief Fondaco noted that South Salt Lake, South Jordan, West Valley, West Jordan, Cottonwood Heights are all on Spillman. Mr. Nicponski added that those cities have all agreed to the interlocal and would be moving to Versaterm. Chief Fondaco restated that the agreement isn't part of the CAD decision. The agreement should be a decision by the cities to get together to form VECC.

Mr. Shaver noted that there are three issues in his mind: first, the interlocal agreement between the cities, secondly, the CAD, and finally the decision of whom will manage the system. Chief Fondaco said that was correct and that there are several issues in the agreement. The Trustees setting the Operations Board is an issue. This is similar to the issues that West Valley City has discussed regarding the need for a super majority vote for a major budget increase or for purchases. That issue should have been in the agreement, but is not there. Those were taken out of the original agreement and the requirement for a five year commitment was added. There isn't a reason anymore for a five year commitment.

Chief Fondaco said that in 1998 when this agreement was signed, all of the cities, with the exception of Salt Lake City and the Sheriff's Office, came together to form a consolidated dispatch center. At that time, each city had their own dispatch center, and the Police Chief submitted the budget which included the salaries of those employees that worked there. The Police Chiefs came together and stated that they did not want to give up control, so agreed on a strong Operations Board. The Fire and Police Chiefs would run the day to day operations of this new consolidated dispatch center. Now the proposal is for the Trustees to run the daily operations of the dispatch center, and that is a concern.

Mr. Hales asked how that will affect Murray with the trustees running the operations. Chief Fondaco said the Trustees want to set the Operations Board through the bylaws of the Trustees. That would give the Trustees power to do away with the Operations Board with the bylaws. Mr. Shaver asked for an example of a trustee. Chief Fondaco said all of the cities are Trustees, and the Council would choose a representative for the Board of Trustees.

Chief Fondaco said his issue is not whether or not to allow UPD to join. The question raised is the organization being stripped in order to make it work, he asked.

Mr. Shaver said that the interlocal agreement does not cover the CAD system, or dictate what would happen between the Operations Board and the Board of Trustees. Chief Rodriguez said that it is set up by the manner of the voting. The Operations Board does not vote, only the Board of Trustees. UFA has a trustee from every city, whereas the Operations Board votes as a Fire Department. This is a concern to both Chief Rodriquez and Chief Fondaco.

Mr. Shaver asked if Murray has input on how things will be set up. Mr. Nakamura said it is only affected indirectly because Murray would be outvoted. If UPD decides to vote in a block, then Murray is outvoted. Since that is the manner of voting, the Board of Trustees will determine the CAD system, and the nature of the Operations Board. The agreement addresses that issue with how the voting is set up. Mr. Nicponski noted that West Valley City was the big controller in VECC.

Mr. Brass noted that in his experience in dealing with operations based businesses, it is a problem when it isn't run by the operations people. He also has concerns with the Trustees versus the Operations. It should be people that understand the day to day business dealings that are running the business.

Chief Rodriquez stated that most of the voting was for recommendations to the Trustees, especially in financial matters. For example, when adopting the budget, recommendations were always made to the Trustees.

Mayor Snarr asked what happens if Murray doesn't sign the deal. He stated that the legislature has mandated cooperation and he doesn't know what system is the best. He said it was going to happen in the past, but it didn't go very far. Mayor Snarr believes it would be in the City's best interest to try and make this work. If you don't do the deal, then what would you do, questioned the Mayor. Mr. Shaver said that if Murray doesn't join in the deal, it would have to create its own system. Mayor Snarr said the whole issue was to eliminate some of the PSAP's, so it doesn't make sense to add more. Mayor Snarr asked Ms. Wells when the legislation occurred. He believes it was in 2011.

Chief Fondaco clarified that this agreement doesn't remove a PSAP from Salt Lake County. There are three PSAP's now and there will still be three. There is one at the University of Utah, one with Salt Lake City and one with VECC. UPD is not a PSAP. Mr. Nicponski asked if the County was a PSAP. Chief Fondaco said they were not. In order to be a PSAP, you must dispatch Police and Fire simultaneously; the County dispatches Police only. This agreement doesn't really consolidate and eliminate a PSAP. Chief Rodriguez noted that the County is a secondary PSAP but doesn't have the 911 calls that would make it a PSAP. Mayor Snarr said that Salt Lake County was the only County that doesn't have this figured out. He noted that Davis County consolidated into one dispatch.

Business Item 2.2 **Financial Statement Review- Justin Zollinger**

Mr. Zollinger introduced Phil Warnock, the partner in charge of the Murray City audit.

Mr. Zollinger thanked the Council and the Mayor for providing the leadership. The financial results shown are because of the good decisions made. Some decisions made were hard ones, but they were made and not avoided. He also thanked the Department Heads for being careful with their budgets, and also his department for all the work put into this document. The document created was 108 pages and required a substantial amount of work. Mr. Shaver noted that it was 23 pages smaller than last year. Mr. Zollinger said wherever things can be simplified, that was done.

Mr. Zollinger said he hopes to see trends and compare it to last year to see if things are improving or worsening. He noted that the statement is similar to the monthly statements also.

Murray City received the GFOA (Government Financial Officers Association Award) for the 32nd year in a row. That award costs $500,000 to get, but is another set of professional eyes to look at the financial statements. Mr. Nicponski asked if the Power Company was included in the audit. Mr. Zollinger said that any fund in the City is included in this audit.

Mr. Warnock thanked the City for the opportunity to do the audit, and also complimented Justin Zollinger and Brenda Moore for their top notch work. Recently he worked with another City that is struggling because they let a top notch employee leave. He holds Mr. Zollinger in high esteem.

Mr. Warnock stated that he considers the Council to be the parties responsible for the governance of the financial direction of the City. As a result, the Council is responsible for overseeing the financial process, and the financial statements. Most people consider that Mr. Zollinger has been hired to fill the responsibility for the Council, which makes sense. The fact that an audit is done does not take away any responsibility for those financial statements. The auditors are responsible for performing the audit in accordance with the accepted auditing standards. The audit was designed to obtain reasonable, rather than absolute assurance that it is free of material mistakes. The audit of financial statements includes consideration of the internal control for the purpose of designing audit procedures only, it is not an audit of the internal controls. That is a separate audit. Comments would be made to the findings of that effect.

Mr. Warnock noted that the auditing firm did not encounter any significant difficulties during the audit. There were no disagreements with management and are not aware of management consulting with other auditors regarding the audit.

Mr. Warnock noted that the opinion of the audit is given on page 9 of the Financial Statement. The last paragraph states that the information, presented fairly in all material respects, is the financial position of Murray City. That is called a clean run modified opinion, which is the only acceptable method for the State Auditor.

He noted that on page 92, the report on internal control over financial reporting is given. The second paragraph states that the auditors considered the City's internal control over financial reporting, but accordingly, no opinion is expressed regarding the internal controls.

 On page 94, the opinion is stated regarding Federal money. It states the City complied in all material respects with the types of compliance requirements referred to. On page 102, the final opinion is regarding a State legal compliance. It was also found that Murray City complied in all material respects with the general compliance requirements.

On page 104 the findings are given regarding the General Fund balance. Mr. Warnock read that Utah State Code states that the maximum unrestricted fund balance in the General Fund may not exceed 25% of the total estimated revenue of the General Fund. For cities, the total estimated revenue of the General Fund is the current year's total General Fund revenue minus any beginning fund balance appropriated. During the audit, it was noted that the City had a non-compliance issue with this section of the Utah Code. The City's unrestricted General Fund balance exceeded the 25% as of June 30, 2013. The recommendation was to not exceed the limit in the future. Mr. Zollinger said the percentage of the General Fund balance was 25.38%. Mr. Nicponski asked what the amount was that equaled 25%. Mr. Zollinger replied that it was $9,582,000.

Mr. Zollinger noted that there was a budget transfer in October, where $660,000 was moved from the General Fund to the Capital Projects Fund. This has been addressed, but the auditor has suggested that some language be inserted that the Council has directed the Finance Director to bring the City to compliance at year end. That gives Mr. Zollinger the flexibility to move it at year end if there is a surplus. There is a contingency transfer currently, but there has been more money saved than that listed amount. The departments have saved $2.4 million. Mr. Shaver clarified that Mr. Zollinger just needs the authority to move the money to get to the proposed amount, and that is part of the language needed for next year's budget. Mr. Zollinger explained that it would be a resolution so that this wouldn't happen again. It is his

recommendation as a possible solution. Mr. Shaver noted that it would be easier to do it at the end of year when the numbers are better known.

Mr. Zollinger expressed appreciation to the auditors and their help in making the document stronger. Mr. Hales asked how long the auditors have been at Murray City helping. Mr. Zollinger replied about three weeks. He excused Mr. Warnock.

Mayor Snarr noted that the City is 12.3 square miles, instead of 11 miles as the document states. Mr. Zollinger said he would make that correction.

Mr. Zollinger noted some of the financial highlights for this year. They include an increase of $11 million in the net position, this is due to conservative revenue estimates that controlled expenses. The usual formula is that revenues come in a little higher than budgeted and expenses come in lower and that money is taken for capital improvements the following year.

Mr. Zollinger told of a city with the inverse situation. They overestimated revenue budgets and underestimated expenses. That is how a city gets in a bankruptcy situation.

Mr. Nicponski asked about the CIP (Capital Improvement Projects) budget. Mr. Shaver stated that $165,000 would go to the CIP budget, but the $11 million would go to reserves or other places. Mr. Zollinger said it could be placed in reserves for needed projects. Mr. Zollinger said $2.2 million has been transferred this year to the CIP fund.

Mr. Zollinger talked about a combined fund balance of $22.7 million. Of that amount, $3.4 million was an increase over last year. Part of that was due to the accrual policy change from 45 days to 60 days. The fund balance in the General Fund is $9.5 million that is up $400,000 from last year. Murray City paid off debt service of $3.1 million in bonds, and that includes the issuance of $3 million new bonds. Mr. Shaver asked if there was still a benefit from paying off existing bonds. Mr. Zollinger agreed and replied that there were still some 5% bonds out there that are callable this year. That discussion should take place with Doug Hill and Blaine Haacke. It would probably save the Power Fund an additional $800,000 in interest.

Mr. Hales confirmed that the Sports Mall loan was paid off. Mr. Zollinger replied that it was and that the City received $1.273 million. Mr. Zollinger showed the impact of the Sports Mall loan being paid off on page 23. The amount of interest was approximately $23,000 per month in interest. The amount of budgeted investment income was reduced this year from $150,000 to $75,000. The receipt of one time money was a positive thing, but the City will not have the interest income from now on. The Sports Mall was a 9% interest loan, and there isn't anything that high out there.

The Management Discussion Analysis explains the reason why things have occurred in the City. The schedule shows prior year and current year. Assets have increased, which is positive. Long-term liabilities decreased from $12.2 million to $9.3 million. That was due to the payoff of bonds and the discontinuance of the OPEB (Other Post-Employment Benefits) program. Mayor Snarr commented that it was a painful but necessary adjustment. It was hard to keep paying an employee for 15 years after they leave.

Mr. Zollinger replied to Mr. Shaver's question about inflows of resources. He stated that deferred inflows is a new category for FY 2013. It is property tax receivables. The City adopts a

rate in June, and because the City has a legal claim to that money, it needs to be on the books. The Enterprise funds don't have that category because they don't have any property tax receivables.

Some major capital projects this year include: 24 new Police cars, Fashion Boulevard, and Winchester storm drain. The Water Fund alone put over $2 million of assets into the ground.

Murray City decreased the outstanding debt from $36 million to $32.9 million. There are great incentives to pay off loans. The principal amount paid off was $2.6 million.

Mr. Hales asked about the $4 million difference in the outstanding debt the previous year. Mr. Zollinger said in a usual year, a City might pay off $3 million. This year was interesting because $3 million was paid off, even though an additional $3 million were issued.

The statement of net position is the highest level of view in the financial document. It combines everything in the City to the two different categories of governmental and business. Cash and cash equivalents is the equivalent of the City's checking or savings account. That amount is $44 million in reserves, an increase from $39 million. That page, along with page 22 is the City's financial summary.

Mr. Shaver asked about the RDA fund. Mr. Zollinger said the RDA fund became a major fund this year. That means it has at least 5% or 10% of the total assets. That is one reason why it is being reported on the schedule this year. Mr. Shaver commented that it was a healthier position to be in. Mr. Zollinger agreed and said it gives the City the ability to build, and makes investment propositions more appealing.

Mr. Nicponski asked about the revenue increase in the general fund. Mr. Zollinger said that the City exceeded the budget by over $1 million.

Mr. Zollinger explained the general expenses in the City on page 22. He also added that if you look at the statistical section, it shows ten years of data, and the trends are visible. For example, the trend in Public Safety shows the hard times when expenses were fewer in the recession.

In 2004, there was $12.9 million in sales tax revenue, in 2013 there is $12.9 million in sales tax revenue. In 2006, 2007, 2008 there was around $15 million in sales tax revenue. The decrease was a result of the 50% drop in point of sale (POS) purchases.

Page 27 shows the General Fund budget to actual income statement. There was a positive variance in sales tax of $528,000. The budget for this year is $12.7 million, so the ending variance may not be as large. These positive variances allow the City to give raises to the employees.

Looking at the different departments, the Council saved over $70,000. Pretty much every department had budget savings, as a result of the new policy. Mr. Nicponski asked if the conclusion could be made that the Justice Court pays for itself. Mr. Zollinger clarified that the Justice Court saved $42,000 over the budget. That surplus will be transferred to CIP for next year's capital.

Mr. Shaver asked about the loss in Garages and Shops, and if that was a result of the shift in the budget. The difference was from allowing zero markup in the products, but still incentivizing employees to use the City garages.

Mr. Nicponski asked about the Non-Departmental variance. Mr. Zollinger explained that $200,000 was budgeted for the new Hillcrest Junior High School, and was not paid out at year end.

Mr. Zollinger noted that the Enterprise Fund income statement on page 29 that tells the fund performance had a new line added for wages and benefits. He also explained on page 30 the cash flow process and how that explains why the cash changed, whether it be operations, capital or debt service.

Page 80 of the statement shows the top sales tax payers in the City. One of those top tax payers is Costco with 12.4% of the total Sales tax revenue. The new hotels should appear in the top tax payers in the following year.

Page 84 shows the legal debt limit for the City. That doesn't necessarily mean the City should have that much debt. The City could bond for $446 million in debt. Mr. Shaver added that the future Council should look at how to continue to make that even healthier if a bond is needed.

Mayor Snarr added that the Power Department should be debt free by 2017.

Mr. Zollinger noted the top employers in Murray City. Mr. Brass added that four of the top five employers do not pay property tax. This is a good way of getting some revenue from those non tax paying entities, in lieu of tax transfers. Murray City has a huge amount of nontaxable properties. These ILOT (In lieu of tax) properties purchase water, power, and storm water. That ILOT transfer allows the recovery of some revenue.

Mayor Snarr commented that he wished there was an impact fee installed for the Public Safety Department before IMC (Intermountain Medical Center) was developed. There were purchases required, such as a new fire truck with the ability to go to higher heights.

Mr. Zollinger supports either system, property taxes or ILOT transfers. He likes the way it is currently set up with ILOT transfers. Property taxes would go up by an estimated 100%, if ILOT transfers were stopped. Murray City's rates are less than the market rate. Currently it is a good balance.

Mr. Zollinger noted that there were 72 sworn officers in 2004, 79 in 2011, and down to 74 presently.

All of the changes that they wanted to make to the financial statement are done, and Mr. Zollinger is pleased with the final product.

Business Item 2.3   **Governmental Accounting Standards Board (GASB) 54 Fund Balance- Justin Zollinger**

Mr. Zollinger explained that in February 2009, the government changed the way the fund

balances are reported. The government wants this new reporting formula adopted by ordinance. The different categories are: non-spendable, restricted, assigned and unassigned.

- Non-spendables include things like inventory and pre-paid items.
- Restricted is usually by an external party or a State law. Things in the restricted category could include Class C money, or beer tax money, or the library endowment. These are all items that must be used for a specific purpose. The library must be restricted, per State law.
- Committed funds are funds that could be set aside by the Council to have money set aside for a rainy day. Mr. Shaver said it gives the Council a choice whether or not to use those funds. It could only be used for a general fund. It doesn't apply to the 25% General Fund requirement.

Mr. Shaver asked them to consider another Enron occurrence, and what would happen if everything blows up. Is it possible to have a reserve fund in the Power Department, as well as an emergency fund, he asked. Mr. Zollinger said that it should be included in the power fund, and a portion of the revenue be designated for emergency funds. Mr. Zollinger noted the year of the Enron collapse, the reserve balance in the Power Fund went from $16 million to $800,000 in one year.

- Assigned funds are any other governmental funds, other than the general fund.
- Unassigned funds are the general fund, the remaining fund balance that isn't in other areas.

The Municipal Building Authority (MBA) fund could be restricted, committed or assigned. RDA is also required to be restricted by State law. CDBG should never have a fund balance if it is operating correctly, expenses should meet the revenue. Cemetery/Perpetual care is a committed fund. That fund should generate interest to help with the care of the cemetery. Capital Improvement Projects (CIP) is assigned.

Mr. Zollinger compared other Cities and it is all over the board for reporting. He believes Murray is right on with the ordinance written correctly. He thanked the Council for their time.

Announcements

Ms. Lopez noted there are written announcements for the Council Members, but announced that money was due for the MCEA Christmas Party and also the Ladies Luncheon. She also announced that there would be birthday cake after the meeting for everyone.

Mr. Hales adjourned the meeting.

Kellie Challburg
Council Office Administrator II