



MURRAY MUNICIPAL COUNCIL COMMITTEE OF THE WHOLE

Meeting Minutes

Tuesday, December 7, 2021
Murray City Center

5025 South State Street, Conference Room #107, Murray, Utah 84107

Attendance: Council Members and others:

Diane Turner – Chair	District #4
Brett Hales – Vice Chair	District #5
Kat Martinez	District #1
Dale Cox	District #2
Rosalba Dominguez	District #3

Blair Camp	Mayor	Jennifer Kennedy	City Council Executive Director
Doug Hill	Chief Administrative Officer	Pattie Johnson	Council Administration
Jennifer Heaps	Chief Communications Officer	Brenda Moore	Finance Director
G.L. Critchfield	City Attorney	Robert Wood	Auditor – HBME, LLC
JoAnn Miller	Finance	Brooke Smith	City Recorder
Emily Barton	Finance	Zack Smallwood	CED
Danny Astill	Public Works Director	Danny Hansen	IT
Robert White	IT	Scott Barrell	GIS
Residents		Richard Reese	Murray City School District

Conducting: Ms. Turner called the meeting to order at 4:30 p.m.

Approval of Minutes: MCCD Design Guidelines Walking Tour – October 29, 2021. Mr. Cox motioned to approve. Ms. Dominguez seconded the motion. The minutes were approved - All in favor 5-0.

Discussion Items:

- **Completion and receipt of the ACFR (Annual Comprehensive Financial Report) for Fiscal Year 2020-2021.** – Mr. Wood reviewed the FY 2020-2021 ACFR, said the audit was thorough and discussed the following highlights:
 - Independent Auditor's Report: Required by the State it is the final opinion that verifies whether Murray's financials reveal any material misstatements. Mr. Wood said all material was carefully analyzed to reach the *Unmodified Opinion*. He reported that all information for governmental activities, business activities, major funds, and proprietary funds was found to be correct and properly stated. Regarding internal controls and compliance to laws and regulations, he said no issues were found with the way major processes were handled for cash disbursements, cash receipts and payroll. Credit card transactions were also evaluated to ensure that all dealings had proper business support and approvals - no problems were found.
 - Management's Discussion and Analysis: Mr. Wood compared side-by-side financials of FY 2021 and FY 2020 and pointed out:

- The balance sheet reflected Murray government as a whole, regarding all governmental fund's activities and business activities for all enterprise funds. Due to bonds issued in the amount of \$36 million, significant growth in governmental assets and governmental liabilities occurred. Funding was allocated to the Municipal Building Authority for construction of the new city hall. Because city hall is not finished yet, significant cash remains, so bond payments reflected a significant liability.
- The income statement is another perspective that replicated the increase in net position: Governmental activities grew by \$17.2 million this year and business-type activities grew by just over \$3 million.
- The location of Murray's governmental funds that the City has incorporated into its operations, including correlating fund statements. Mr. Wood said:
 - The GF (General fund) contained an unassigned balance of \$12.5. He said the State requirement was a higher percentage than previous years where revenue may not be more than 35% of total GF balance and should not be lower than 24%. The current balance was confirmed to be just over 24% which is a good place for the City to be.
 - Each governmental fund reflected a respective positive balance increase and is in a healthy stance. This means the City is in a good position and not close to any deficits.
 - Proprietary Funds: The same was true with business related funds - all are doing well reflecting a positive fund balance.
- Financial footnotes to provide specific clarifications about where the City stands with investments:
 - Note #4. PTIF (Public Treasurers' Investment Fund) with the Utah State Treasurers Office: \$61.8 million invested.
 - Morton Assets Management: Regarding *Interest Income* - Mr. Wood said interest rates tanked this year and the City earned only 20% of what was earned in the previous year.
- Retirement Systems - Note #17. The paper entry reflected that by using a discounted rate factor of 6.95% an estimation was determined to evaluate the asset. He said the current Net Pension liability amount would be \$185,000 if funding for the plan suddenly stopped, or if the market were to shut down. He assured the Council that the amount was not a liability that Murray would have to pay because required payments are being made to the Utah Retirement System. He said comparatively the State of Utah is doing very well with funding over 90% of all pensions while other states are as low as 20-40%.
- GF Budget - The main operating fund of the City. Mr. Wood reported:
 - Revenues came in \$6.2 million higher than anticipated in the final adopted budget.
 - Overall, Utah State sales tax revenue is doing very well. In 2020 during covid a 10-15% reduction in revenue was expected, however that reduction never occurred. Instead a 10% increase occurred over FY 2020 projections, and in FY 2021 sales tax revenue rose even higher than FY 2020. The economy in Utah is not hurting like it is in other parts of the nation.
 - Expenditures reflected \$6 million in savings. This was because Murray City departments were fiscally responsible.
 - Each fund is in compliance and spending was less than what was appropriated.
 - Final Summary: FY 2020-2021 will be the 41st year that Murray City would receive a certificate for excellence in financial reporting. He said Murray has done a great job in reporting all financials and no material weaknesses, or significant deficiencies were identified.

In closing, Mr. Wood stated that Murray City complied in all respects with State compliance requirements, he could not give Murray City any better report, financials are all positive, all fund balances are strong, and the City is doing well to manage all financials. A final report would be sent to

Ms. Kennedy for the Council's knowledge confirming that there were no disagreements with management during the audit and would include journal entries that occurred during the audit.

- **Quarterly Power Department Update** – Mr. Haacke reported that the department is fully staffed and there is currently one opening. He said the safety record of the power department is good and a review occurred about where Murray purchases power. He highlighted issues regarding the following:

- **CRSP (Colorado River Storage Project)** – The situation worsens at Glen Canyon Dam, as Lake Powell continues to shrink, and loss of water will affect Murray's power generation. On December 1, 2021 because of federal government regulations, Murray Power received 40% less in kilowatt hours from CRSP than what is contracted to the City. The reason is to save water for the coming summer and to save up drinking water. With loss of energy to the City's portfolio it will be necessary to purchase more power from the market, buy more natural gas, and use the City's gas turbines more than usual. He said it was not a dire issue, but the City would need to find more energy elsewhere. In addition, since the federal government oversees the plant, the cost was raised 14%.

Budgetarily the increase is approximately \$654,000 more, which he said was workable and a rate increase would not be necessary. Mr. Haacke explained to make up the difference of 50 million kilowatt hours that usually comes from CRSP, the City's gas turbines would be utilized 3-4 times more this summer than last summer; 9-million-kilowatt hours came from gas turbines last summer. Gas turbines are one of the City's cheaper resources, so 300,000 dekatherms of natural gas at a cost of \$1.2 million was ordered ahead of time. This will only be a partial way to make up for the shortage of energy lacking from CRSP.

- **Market Pricing** - Mr. Haacke said with coal plants shutting down around the country, market prices last summer for energy were extraordinarily high, due to supply and demand. Prices last July and August were premium at \$300 per megawatt hour; previous costs were only as much as \$40 per megawatt hour.
- **IPA (Intermountain Power Agency)** - Another way to fill the void is to call back energy from IPP (Intermountain Power Project) that is a coal fired plant located in Delta, Utah. The current price is uncertain at this time due to current complicated constraints, but the option is there to be utilized. Mr. Haacke reviewed that the IPP plant is overseen by IPA, which is a group of 23 Utah cities, other southern Utah co-op cities and partners with several southern California cities who all have entitlement to the energy. Currently the plant is struggling with coal supply, not because of mining issues but due to transporting issues with Union Pacific Railroad where trains are not running as contracted with IPP. Only 10 out of 25 trains per month are moving coal to Delta dwindling the plants coal pile and interrupting full load plant production by 50%. Because California has artificially reduced plant production due to their legislative constraints, Murray will be affected by what amount of energy can be utilized or called back. Mr. Haacke will monitor the situation to determine whether using the resource is a good option for needed energy. He noted that in 33 there years there has never been an issue with Union Pacific and the thought is that much of the coal is being moved overseas to China by way of Oakland California, instead of transporting it to Delta, Utah. Coal is sold to China for 3-4 times more than what is charged to Delta for coal. IPP is still underway to be changed by 2025 from a coal plant to a mixed resource of natural gas (70%) and hydrogen (30%). As an IPA board member/chairperson, he reported a

new general manager was recently hired, and they would be bonding for \$500 million this spring for the rebuild.

The primary focus of IPA is to deal with Senate Bill 2002, surprise legislation passed during the 2021 Special Session, signed into law by Governor Cox. Currently issues are being handled in the courts regarding tax discrepancies of \$500 million and a battle over whether utilized coal came from out of state in the past. The bill also removed some of IPA's rights given to them 30 years ago related to eminent domain and the construction of gas pipelines and utilities needed for the rebuild. The concern is that IPA will be subject to a legislative auditor, unlike a state auditor who will create more challenges where California regulations are being imposed on Utah.

New printed material called *Issues and Answers* was provided to Council Members for study. The flashcards give detailed information to help address mounting questions with factual answers related to the challenges facing IPP. For example, the tax issue, incorporating hydrogen, and the low coal supply. The intent is to provide better communication that will help support the future of IPP. Mr. Haacke stressed that the unexpected bill only allowed IPA 3 minutes to rebut the new legislation during the special session. Moving forward facts will equip elected officials with information that confirms IPA is of great value to every Utah city because the plant is there when energy is needed for Utah cities. Mr. Haack felt the item should have been addressed during the regular legislative session rather than hurriedly pushed through the special session without any notice.

He said the plant is owned by Utah and not Los Angeles County; it was built in the late 80's and intended for Utah growth and Utah cities. However, the plant was too large for Utah to take on, so California partners began paying the mortgage and expected Utah to be more of a partnership than it has been. California has been operating the plant as they wished when Utah cities dropped from the costly resource overtime. This is why Utah must work with California in rebuilding the plant as another clean energy option like hydrogen rather than coal. Although the existing coal plant used to provide 1800 megawatts of energy and the new plant would generate 840 megawatts, the greatest value to Delta, Utah is becoming an energy hub in the area because transmission systems are already in place. With the inclusion of wind, solar and geothermal energy, power from Delta would be transported throughout the Western grid well over what the plant alone can produce.

- Hydro Plant – The annual process to get the penstock (a two and half mile 48-inch pipe) inspected is underway because both the water season and the commitment to give water to Salt Lake Metro have ended. The investigation of any cracks in the 30-year-old hydro resource will occur. A report from engineers is anticipated next week regarding any repairs needed.
- Red Mesa - Construction of the solar plant has begun. The completion date is expected in Fall of 2022, and Murray will be utilizing the resource with a future entitlement of 5-megawatts.
- San Juan– Due to California ownership, production at the coal plant will end in Spring of 2022. However, the large plant will be potentially purchased by the firm Enchant, who would like to see Murray City continue on as a partner. The plant would continue with the process of coal, but carbon will be captured, sequestering all pollutants into the ground. The current cost of the resource is in the range of \$30 per megawatt hour, so the City would participate through UAMPS with a 3-megawatt interest. Mr. Haacke was hopeful and will know by the end of January 2022 if Enchant will

succeed in their endeavor to clean up a coal plant.

- Salt Lake County Landfill - The ownership that sells energy to the Murray Power department has changed. In addition, it was determined that enough gas is produced to install another generator that will provide enough power for 20 more years. Currently, the City is invested in 3-megawatts and has the right of first refusal with the new owners. This landfill is the most expensive resource in Murray's portfolio, with costs up to \$75-per megawatt hour, and Salt Lake County would expect a 20-year commitment. Mr. Haacke noted comparatively, IPP will also be in the \$70 range.
- Council and School Board 2021-2022 Boundary Adjustments – Ms. Smith explained it was a matter of housekeeping that boundaries would be adjusted for both the City Council districts and for the Murray School Board. A background about redistricting was given to confirm that both district lines are redrawn every ten years so that Murray is divided accordingly following Census data released in September of 2021.

Regarding the City Council, she said the goal was to attain equal population in all districts. A review of the Utah required timeline occurred and growth rates in Utah and for Murray were discussed by comparing totals from 2010 to 2020. City Code and related population factors were reviewed to show what was used to implement new boundaries. Three maps were displayed separately for each district reflecting the current boundary, the overlapping change to the existing boundary, and a final map version. Ms. Smith reviewed each of the five districts in detail and provided target population numbers and percentages.

Ms. Martinez approved of the new district changes. Mr. Cox agreed the map was cleaner and made sense. Ms. Turner and Mr. Hales concurred. Ms. Dominguez expressed concern with losing part of her district, which was the downtown area, north of 4800 South and requested another variance. Ms. Smith said further adjustments could be made, but changes would affect all districts; her team would reanalyze the numbers. Ms. Dominguez appreciated knowing there might be another option. Ms. Smith would return on January 4, 2022 to the Council with another version so that Council Members could vote by the deadline with a choice between two options.

Ms. Smith presented the Murray Board of Education Precinct 2021-2022 redistricting proposal. She confirmed that discussions occurred with Murray School District, Superintendent, Ms. Covington, and with Murray School Business Administrator, Mr. Reese who reviewed the proposal. She said the goal was to have school precincts mimic council districts as closely as possible. Maps were displayed depicting each precinct in the same manner to compare old boundaries with final suggested mapping. She discussed population totals and noted growth was the guiding factor to form ideal solutions. The overall new boundary map was compared with the current boundary map. There were no concerns about the proposal. The Council would consider both proposals during the January 4, 2021 council meeting.

Announcements: None.

Adjournment: 5:55 p.m.

Pattie Johnson
Council Office Administrator III