



MURRAY
CITY COUNCIL

**MURRAY CITY MUNICIPAL COUNCIL
BUDGET AND FINANCE COMMITTEE**

The Murray City Municipal Council met as the Budget and Finance Committee on February 1, 2011, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Jared A. Shaver	Budget Chair
Krista K. Dunn	Budget Vice-Chair
Jeff Dredge	Committee Member
Darren V. Stam	Committee Member
Jim Brass	Committee Member

Others in Attendance:

Daniel C. Snarr	Mayor
Pat Wilson	Finance Director
Michael D. Wagstaff	Council Executive Director
Jan Wells	Mayor's Chief of Staff
Janet M. Lopez	Council Office Administrator
Gabe Johns	Finance office
George E. Hamer, Jr.	Fleet
Dan Terry	Police
Zach Fountain	Mayor's Office
Gil Rodriguez	Fire Chief
Pete Fondaco	Police Chief
Craig Burnett	Police
Steve Sanderson	Police
M. Faircloth	Police
Cameron Jarvis	Police
Tim Tingey	Community & Econ Dev Director
Joan Handy	Police
Debra Helwich	Police
Troy McCombe	Police
Doug Hill	Public Services Director
Carol Heales	City Recorder

Mr. Shaver called the Murray City Budget and Finance Committee meeting to order at 4:00 p.m. and welcomed those in attendance. Due to the large number of people in attendance, Mr. Shaver asked for a motion to move the meeting into the

Council Chambers. Ms. Dunn so moved. Mr. Dredge seconded the motion, and the motion carried 5-0. Attendees proceeded into the Council Chambers in the adjacent room.

2011 Budget Philosophy: Reactive or Proactive

Mr. Shaver announced the first business item regarding the Council's budget philosophy of being proactive versus reactive. He opened the discussion with a statement concerning the difference in these two and the intent of the Council. In a proactive stance the Council would help the administration as they work to create a good budget, as opposed to being reactive, waiting for the budget and making decisions from there.

Mr. Dredge agreed that it makes sense to not do things in a vacuum. The Council and administration have different responsibilities, and the sooner both sides (not opposite sides) can be headed down the same path, the more effective they can be.

Ms. Dunn added that, as a Council, it is much more difficult to be handed a budget without hearing from those people who have put it together and work it every day. Knowing the priorities, and most important things for the departments and department heads is key. Because there must be a balanced budget, and knowing cuts must occur to make the budget balance, then, hearing, as the Council did the previous week, makes the process so much better. The Council has the benefit of knowing future plans and priorities from each department. She stated how helpful it has been.

Mr. Stam related that one department confirmed the need to learn how to do more with less. The intent may have been in reference to people, however, there is much innovation that could come into play to become more efficient, and do more with less. Everything is moving in that direction, and, maybe, by having more people involved then new ideas may come forth to help us do that.

Mr. Shaver commented that one idea was rather than purchasing new computers, for a very limited amount of cost, the computers we have can be updated making them faster and more compatible to our needs. This conversation occurred just because two different groups were in the room at the same time. Regarding that philosophy, Mr. Shaver thanked the Mayor's office for including the Council in the discussion at a much earlier stage. He reiterated that due to the state constitution, the City must have a balanced budget, and because of revenue shortfalls, there may be some recommendations the Council can make related to meeting the issues.

Mr. Brass indicated that the budget packet the Council receives is several inches thick with many line items, and is difficult to make sense out of. Then we go back to look at history. He stated that since Ms. Wilson came to the City, some of the reporting

has been changed, and it has been helpful to meet and see how budgets have changed and shifted in reporting. Some items have increased, while others have dropped dramatically, many times this is due to different reporting methods. Three years ago, the Council did not have to worry about this when cars were selling and revenue was high. The Council must figure out how to balance expenditures until the economy is back where it once was.

2010 Financial Report Questions

Mr. Shaver asked Ms. Wilson to address this topic. She said that her understanding was that there were questions following the Financial Statement conference. Government financial statements are different from for-profit statements. Governments are used to looking at fund statements, which are basically cash. How much should be funded for the next year? It is also pulled together in government-wide financial statements called GASB 34, which looks at things more like businesses, considering expenditures on the horizon and due in more than just that one year. For example, when the City pays debt, interest payable is recognized only when it is due, but in the government-wide statement, those expenses are picked up, interest, long term debt, and bonds. The post retirement benefits must be picked up. All the capital assets and all liability are shown. Those numbers are inflated in that they do not have to be funded in the next budget year. Be careful as you read these statements as they can be confusing. In the statistical section, you will be looking at government-wide expenditures, that may go out twenty years.

Mr. Shaver pointed out the comparison of spending habits over or under, and he noticed that the City continually underspends the budget.

Ms. Wilson referred to two spreadsheets in the Council packet for the meeting. One is a two-page document reporting history back to 2007, the last big year, which had sales tax revenue of \$14 million. In fiscal year (FY) 2010, without the base amount for sales tax, the actual was at \$11 million. The base brought the tax up to \$12.5 million. This report shows by department in the General Fund how much of the budget was left unspent. She commented that the total unspent in FY 2010 was \$1.8 million, and one column shows where the variances occurred.

Mr. Shaver referenced the total unspent for each year ranging between 1% and 9% and averaging 4.5%. Ms. Wilson mentioned that in 2009, the departments were asked to hold back at least 5%, and the other 4% were deferred road projects. Fire accounted for another \$400,000, because the ambulance service did not commence in that year. It was not spent, however, there was also no revenue to offset it.

Ms. Dunn commented that any unspent dollars go into the fund balance and becomes reserve for the City. During the year, there are times when we must dip into reserve, therefore, that money is replacing reserve money.

Ms. Wilson added that the City can only accumulate 18% in reserve fund balance, and it is impossible to know that amount until the year is about over, because it is based on the next year's revenue budget. If the balance is greater than that, the City would receive a letter from the state. In 2007, it was a luxury that was nice, but it was too much reserve. In 2010, there was a bit more than 18%, however, it rounded to 18%, therefore the City did not get a "finding" from the auditor. As a percentage of the next year's budget that 18% amount is decreasing, because we do not have the revenue that the City had in 2007.

Ms. Wilson explained that sometimes money needs to be carried over to the next year to complete a road project. A way to do that is to set up a capital project fund, and move the money into that fund. Then it is budgeted again the following year, from the capital project's fund.

Ms. Wilson stated that she has run the same scenario on revenues, and sometime that information can be studied. It is possible to bring in more revenues than budgeted, however, in sales tax, it has been less. With the sales tax revenue guarantee, it is easier to budget at \$12.2 million. Ms. Wilson said that guarantee will continue through 2013.

Mr. Shaver said the concern is that if revenue does not increase, yet our budget continues to increase, at some point we will be in a shortfall, without the guarantee. He said that if we create a budget looking only at 2012, not considering FY 2013, 2014, and 2015, with the removal of the cap, we may be only staving off today's issues, but by 2015, there will be a huge problem. He does not want to be short sighted, meeting today's needs, but not looking into the future. As a Council, we must use discretion and wisdom meeting future budgets, he said. Murray is a wonderful place to live, and the City has the water and power today, because someone saw the future and planned for the future. The Council is given the trust of the citizens to make the best decisions possible. He does not like having to raise taxes, but if that is necessary he wants to have the necessary information for explanation. He insisted his desire to do everything in his power, with everyone working in the City, to make this happen. No one person has the key. Looking through the past budgets, at what appears to be underspending, and asking department heads to cut another 5% will help to meet the 2012 budget numbers. Following that, we will have to see how the 2013 budget can be addressed.

Ms. Wilson responded that 4% left over from the 2010 budget, and cutting another 5% ought to be the percentage needed, however, one fallacy is that the FY 2012 budget did not start with a 2011 base budget. The base budget had all the one-time expenses removed. The second printout has a column showing the 2012 base budget as \$39.6 million versus the 2011 budget of \$40.8 million. When the budget was sent to the departments asking them to cut 5%, the one time expenditures had already been removed.

Ms. Wilson continued, stating that there are some accounting changes that have affected the budget line items. One change that impacts the numbers is being more exact in coding expenditures. In the past, expenditures were made to make budgeting easier by not having to open the budget numerous times. For example, if the postage allowance was used, but there was some additional postage necessary, and money was left in travel, then it would just be coded as travel. This makes future budgeting difficult.

An example in the police department is the reimbursement for DEA. In the past, expenditures were charged to a line item and when the check from DEA came in, it was backed against the expenses, instead of shown as revenue. Therefore, the full expenditures did not show up.

Another matter is that customer service is in existence because of water, sewer, and power billing. In the past, the budgeted line items were shown for billing, postage, etc., and at the very bottom was a reimbursement. This makes it look like there was no cost for customer service. Now the expenditures, and offsetting revenue are shown separately.

Mr. Shaver asked about the line items. He understands Mr. Johns explanation that there cannot be a line item for every thing that is spent, however, at some point there are non departmental funds that have a miscellaneous feel to it. He has no idea if it is something that is done every year or if it is non departmental. Ms. Wilson said this has been cleaned up some, trying to categorize expenses more clearly elsewhere. She said it will be cleaned up more this year. Also, miscellaneous line items should not be very large, it says that it is something that should be identified. Mr. Shaver stated that there are some things that benefit the City as a whole, and could be non departmental. Ms. Wilson said that most expenses are in the individual departments so that they can be tracked by the program. In her opinion, the non departmental fund should be used for things that are unknown at budget time, emergency items. It has been used for some benefit expenses, such as tuition, or a retirement payout that was large and unexpected. There is still a question as to what we want in non departmental rather than individual budgets.

The second schedule shows the budgets back to 2007, including the 2011 budget, and 2012 base budget. The final column indicates the change from 2007 to 2012. Another accounting change includes the debt in the general fund. Previously, those were paid out of each individual fund, however, on the government-wide accounting, the payment is made from the general fund and then reimbursed from RDA or enterprise funds, Ms. Wilson explained. On the schedule, this is shown under *Finance transfers and debt*. This is only reflecting an accounting change. Mr. Brass said that the same line item was \$4.1 million in 2008. That was when the changes were made, Ms. Wilson said. Also, in the non departmental one of the big charges is UTOPIA/UIA. In 2007, there was no expense for UTOPIA. There was a pledge of \$1.2

million, and it was not being drawn on. When the original debt was extended a deposit of \$250,000 was added to the pledge for a couple of years to provide for the 2% increase. In 2011, the original debt has to be repaid, so this budget has \$700,000 for that purpose. In 2012, the amount was doubled to \$1.4 million for a full year of pledge dollars. Now, the 2012 figure is \$2 million. The total change from 2007 to 2012 is \$2.4 million reflecting much of the UTOPIA commitment. Some items have also been removed from non departmental. Professional services are in another fund, and the Mayor's projects of \$10,000 was put into his budget. Overall, the change is \$700,000 from 2007 to 2012 indicating that the basic budget has already been decreased.

Mr. Dredge mentioned his appreciation of Ms. Wilson's efforts at standardizing the reporting so that items are more comparable going forward. Ms. Wilson said that in comparing to our last good year, 2007, one must be careful because of these changes.

Mr. Brass said that one of the reasons the City is comparing to 2007, is because that was the year that property taxes were raised by 40%. Ms. Wilson said that 2007 was also the highest sales tax year at \$14 million. She mentioned that latest sales tax figures have come in showing November at a slight increase over last year. It did not recoup all that we were down, and she expressed her disappointment that "black Friday" was not greater.

Benefits Discussion

Ms. Wells explained that the administration has been working to put together some options, and discussion points to address together. Two committees have been established. One is a fee committee to look at all the City fees, and put together a recommendation for fee increases, or cuts. They are getting close to completing their work, which will be discussed together at budget time.

The other committee is on the retirement incentive, and benefits. There are a variety of things being considered. One is personal time off (PTO). This would replace the way benefits are done now, with formulas, sick leave, and vacation, all of which are accrued differently. The benefits' group is analyzing the pros and cons, and the committee may not have a recommendation before the next budget year.

The retirement is farther along, and a list of people who might be interested in an incentive has been put together. The legal questions have been considered with Mr. Nakamura. The department heads have been asked to look at the list to determine the ability to function if these people were not replaced. In order to make ongoing cuts, the positions need to be left open. Other questions include the following: how long could a position be empty, and are there organizational changes that could be made for savings and efficiency to the City? This will be discussed more at the next department head meeting, and then numbers will be run by Ms. Wilson and Mr. Johns. The employees have not seen anything at this point because the administration is still tweaking it. As

soon as the documents are ready, in about two weeks, the administration will get the Council a copy. The big thing she related was that nothing would happen with the incentive, unless the funds are appropriated in the next budget by the Council. That will be made very clear. Until it is ratified by the Council, nothing will happen. People do need to have time for planning, if they are interested. We do raise expectations, but, this is an opportunity to help people retire, rather than having to lay people off. She added that the administration will be happy to meet on the proposal, or just answer questions.

Mr. Shaver commented that he realizes the hope is to allow these retirements, and not replace the position. However, if someone does need to be replaced, he would like to know what the differential would be between the two employees. She said that is exactly what will be considered when the numbers are run. Some positions may be open for six months, a year, or two, others, may be critical and need replacement right away. The administration will get some solid information to the Council, Ms. Wells indicated.

Staffing Document

Mr. Shaver stated that everyone had a chance to look at the staffing document and he asked for comments. Ms. Wells stated that the administration does have this information in a different format, and if it would be easier not to reinvent the schedules, then she can provide that data.

Mr. Shaver said that this is just an example for the Council to look at. It is a beginning point, not necessarily something that the Council is recommending or taking action on. He asked for questions or discussion. He would like to propose that a subcommittee of the Budget and Finance Committee be formed to review this information and get back together at a later date with a recommendation on what the Council might do. Mr. Dredge and Ms. Dunn volunteered to work on that committee. Mr. Shaver confirmed their appointment.

Mr. Shaver moved that item three on the agenda, Tax Revenue Discussions, be postponed until a later time in the budgeting process.

With no further business, Mr. Shaver adjourned the meeting at 4:57 p.m.

Janet M. Lopez
Council Office Administrator