



MURRAY
CITY COUNCIL

**MURRAY CITY MUNICIPAL COUNCIL
BUDGET AND FINANCE COMMITTEE
Fiscal Year 2011-2012**

The Murray City Municipal Council met as the Budget and Finance Committee on Thursday, July 28, 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
Jim Brass	Committee Member

Member Participating via Telephonic Communication:

Darren V. Stam	Committee Member
----------------	------------------

Others in Attendance:

Daniel C. Snarr	Mayor
Pat Wilson	Finance Director
Jan Wells	Mayor's Chief of Staff
Janet M. Lopez	Council Office Administrator
Gabe Johns	Finance Office
Brent Davidson	Deputy City Recorder
Kevin Potter	Fire
Zachery Fountain	Mayor's Office
Gilbert Gonzales	Building Department
Anne vonWeller	Public Services Deputy Director
G. L. Critchfield	Deputy City Attorney
Dave Carpenter	MIS
Greg Bellon	Power Department
Doug Hill	Public Services Director
Pamela Manson	Salt Lake Tribune

Minutes

Mr. Shaver asked for comments, corrections or a motion on the minutes from the Budget and Finance meeting held on June 12, 2011. Mr. Brass moved approval. Mr. Dredge seconded the motion, which carried 4-0.

Business Item

Budget Reorganization Discussion

Ms. Wells said that she is happy to have this opportunity to answer some questions about the reorganization, timing and retirements. They have been a challenge for everyone and her intention was to provide an understanding and respond to questions. There was no attempt

to keep any information from the Council, she expressed. Ms. Wilson and Mr. Johns put together a power point presentation that walks through the funding and employee moves.

Ms. Wilson explained that in general budgeting is an art, not a science. It is a best guess at what is expected. She commented that she is conservative in her estimates of revenue and not overly generous in expenses. At the end of the year she would rather come to the Council to say that additional money was added to the reserves rather than ask for an extra \$50,000 to balance the budget. She tries to be realistic not idealistic.

The discussion came from the Fiscal Year (FY) Budget for 2011-2012 that was adopted on June 12, 2011. The budget could be better as new information is gained. The assumptions on retirements were made after April 15, when there was firm information on who would retire. After July 15 assumptions concluded because the information would keep changing and a point in time had to be selected on which to base the numbers. Seventeen of the retirees have been paid out; therefore, good numbers can be used on some. The information to the Council has focused on changes from the original budget.

When the benefits' committee first began the retirement discussion, they did not fully realize all the aspects involved. The payouts have taken a larger percentage of the individual line items than was actually expected. They have varied between 50% and 140% of the employee line items. At first it was thought there would be a \$300,000 to \$400,000 savings from the retirements, however, that is not accurate. Because the retirees are not all leaving July 1, some salary will be paid in this FY prior to the retirement payout. Some do not retire until the end of August. Murray may have two people working in the same position at one time for training purposes. For example, the Treasurer will not retire until August 19, although, the new Treasurer will begin to train with him prior to that. Ms. Wilson explained that when the numbers are crunched sometimes the savings is lost.

One of the most recent inclusions was to address the expected situation of leaving an open position at the bottom of a department when someone is promoted from within. It has been discovered that people from other departments are applying for those positions and it is not necessarily possible to leave an open position in a different department, Ms. Wilson detailed. Some numbers have reflected that.

There is a difference between showing all the actual changes and showing how they will be funded. Some changes will be covered by moving money from one department to another and others will require additional funds from reserve. Part of the reason there is not a clean path to follow on the numbers is because several different things are being done at once. Retirees have been paid out, there is the reorganization, we have tried to reduce costs (such as vehicles that will be unused) and all of this has been incorporated into the revisions.

Ms. Wilson asked the Council to remember the big picture. The General Fund is a budget of \$39 million and the last cost estimate is \$420,000, which is about 1% of the budget.

The power point presentation began with a new department being created called the Administrative and Development Services Department (ADS). The following departments are becoming divisions and the total budget from each of those will be moved into the ADS department: MIS; Recorder; Business License, from Recorder; Customer Service, from Finance; Treasurer; Building Inspection, from Public Services; and Community and Economic Development. Also moved into the new department were line items from Police and Fire. This is an attempt to put the computer specialists into one division together.

Another area within the ADS has been established called the Administration Division. This will require salary and benefits for the ADS Administrator and clerical help, car allowance,

office supplies, telephone and cell phone, Ms. Wilson pointed out.

Mr. Shaver asked if this was new money. Ms. Wilson stated that some was new funding and some was not. Ms. Wells confirmed that and said that the worksheets show these expenses.

The next slide showed how the ADS department was reorganized with seven divisions and where the money has come from for their operations. The Administration expenses have come from the Business License department. The IT division funding came from MIS, Police and Fire. GIS money has been taken from MIS, Engineering and Water. Recorder funds have been combined with the Government Building department. The Recorder previously had three divisions under the department, however, now the Recorder and Government Building are together. The Treasurer now includes Customer Service. Building Inspection has taken a portion of Engineering line items. Community and Economic Development now includes partial funding from Business License. Eight departments have become seven divisions under the ADS department.

The GIS division contains funding from MIS for the GIS Specialist employee salary and benefits. Water gave a GIS Specialist salary and benefits for one employee. Engineering gave salary and benefits for one employee and several line items that are associated with that one person in the budget.

As part of the reorganization it was decided to put the Risk Management into one department, from the three areas it was in previously. The Attorney's Office will be over the Safety Manager who was formerly under the Human Resource department and will handle the Risk Management responsibilities. His salary, benefits and other line items have been moved from HR to Attorney.

From this point on the slides showed the personnel changes throughout the City. In the spreadsheets previously given to the Council the new department was not organized and staff changes remained in their former departments. The next slide will show what happened with personnel.

In ADS the Treasurer Division starts with a Meter Reader. This has a column for the *Original Budget* (passed in June). The retirement date is August 19, Ms. Wilson noted. The next column is the *Payout*, which includes the salary until retirement, sick benefits, payout incentive and anything else that is required to pay him out.

Mr. Dredge asked if that includes the payroll taxes. Ms. Wilson stated that taxes are included.

Mayor Snarr pointed out that for this particular employee, Mark Williams, there was an additional retirement amount recognized later. Ms. Wilson said that there was an additional \$14,000 that was just recently discovered and it is accounted for on another spread sheet.

Mr. Shaver mentioned the additional day of holiday pay. Ms. Wilson confirmed that the extra floating holiday was given for time off only. No additional pay would be given for that holiday. Originally, when the Mayor proposed this to the Council, additional funding was needed because police and fire usually just get paid out for those holidays. However, the departments figured a way to actually let the people take it off instead of using dollars for payments. There would be no net increased expense just another day off, Mr. Dredge clarified.

Continuing across the slide the next column shows a *Replacement*, if necessary, although, in this case the Meter Reader is not intended to be replaced, Ms. Wilson explained.

The next column shows how the reorganization will impact that position. Finally, the last column shows the total *increase* or *decrease* in funding. The decrease will have parentheses and a positive number means more funding is needed, a negative means there is a savings.

Going through the rest of the Treasurer department you have the other Meter Reader, what was budgeted and the payout. You will notice that these are some of the positions that will cost about 140%. The incentive gave these people a reason to go and there is not enough money to cover it. The Treasurer will retire August 19 and the new hire was projected to start August 1, however, that is not going to happen. The estimate shows the replacement at a reduced rate and the final column shows the budget necessary to get through this year. The line item itself is not enough to cover it. The Treasury Clerk will change from a part time helper to a full time position with a one grade promotion in the reorganization costing more than the line item contained. The total change is the sum of the increase or decrease for staff in this division.

Mr. Dredge asked if the old Treasurer was able to do his job with a part time clerk what has the reorganization done to now necessitate a full time person. Ms. Wells said that the Treasury will now be responsible for all of Customer Service. Part of what that person will need to do is work at the counter and this person will supplement the one person that was at the window before. This will give two people to cover the window at all times. She said that this was the way that would be the most cost effective to bring the extra help because they will be taking the utilities and animal licensing. She added that this is a customer service effort to give residents a one stop place to pay for anything in the City. That is the logic.

Ms. Wilson addressed the Administration division at the top of the page showing the original budget. She pointed out that the activity on that line item is due to the reorganization with a promotion effective July 10 and funding moved from the Community and Economic Development department. Mayor Snarr commented that the following year there would be an \$116,000 savings. These slides do not show any projected savings for the next year, Ms. Wilson added. The Office Administrator II is a promotion effective July 10. There is no existing budget because where that person is coming from will be used by someone else.

Mr. Dredge asked about the government pay grades, noting that Mr. Koller worked for the City for 30 years and he questioned that the new Treasurer would start at the salary and benefits number on the slide. Ms. Wells said that the administration is in the process of hiring and the salary/benefits number listed is the high end of the range. It will be a grade 28 (one grade lower) requiring a certain entry level pay, however, listed is the high end of the range. The goal is not to pay that much.

Mr. Dredge asked if the reason for the drop in grade is because the Treasurer is no longer a department head. Ms. Wells said that is part of it, although, before the Treasurer supervised a half time person and now will supervise all of Customer Service.

Ms. Wilson commented that this information was on all the spreadsheets but has been combined in a little different format here. She proceeded through the other slides.

Under the new ADS the Recorder is detailed showing the original budget of \$127,900, a retirement date of July 15, a payout of \$80,280, replacement on July 19 and an increased cost of \$38,579 for this year.

Mr. Brass reiterated that Ms. Wilson is conservative and so he asked if these numbers are worst case scenario figures. He wondered how the replacement date affects the numbers. Ms. Wilson sees that some of the salaries go retroactive. Mr. Shaver mentioned that it was changed specifically for the Recorder to July 19 based on Mr. Nakamura's recommendation.

Mayor Snarr asked about the ADS Director, which is projected to be raised as of July 10. Mr. Shaver said that we know there will be some adjustments either retroaction or as of another date. That may be done on Tuesday.

Mr. Brass pointed out that we will never hit budgeted figures exactly, whether it is revenue or expenses. It cannot be predicted, all we can do is the best possible estimate. The good thing is that with Mr. Shaver's suggested budget meetings on a regular basis we will keep an eye on the budget, therefore, we will have the mechanism in place to make changes as necessary.

ADS IT shows the original budget, the payout amount, replacement, reorganization and a savings on the bottom line. The Senior Programmer receives a promotion based on the reorganization, the Computer Systems Specialist moves from the Police department and the money is being moved with that position. A Data Analyst is coming from Fire with a one grade promotion on July 1.

ADS GIS is a new division. A Supervisor is promoted for reorganization duties from the MIS department. A GIS is moving from the Engineering department as part of the reorganization. Another GIS is moved from Water.

ADS Comm Ed Division has the new manager with a promotion showing an increase in that position. There will be a replacement Planner/Business License position that is actually a new position. Ms. Wells said that by moving the Business License department over it gives only a part time person to cover business licensing so this gives help to cover planning and business licensing as the former planner became the manager. Ms. Wilson said that the budget for business licensing was moved into this position because the other licensing specialist was promoted to Recorder.

Mr. Brass stated that it really makes sense to have the business license person in with the planners. Ms. Wells said that this was a move to enhance customer service.

The final position there is the Office Administrator where the budgeting is a little more realistic here, as the previous year was not budgeted to the hours working. It is only about \$500 difference.

The next slide shows the personnel changes in the Attorney's office. There were questions on these changes before and they are presented more clearly here. A savings of \$1,600 will be realized between Attorney and Prosecution.

Police have the administration, patrol, narcotics and communications all on one slide. Administration is a savings after the payout. Master police officer is a payout and replacement with a date. Ms. Wells reminded the Council that three police officers were removed from the original budget; therefore, overall police will be down five officers.

Mr. Brass commented that if patrol officers are being reduced then the vehicles and fuel also are not being used. Ms. Wells said that reduction in fuel will be shown and the vehicles will be shuffled around to get rid of the worst ones. Mayor Snarr said the vehicles will eventually be sold at auction. Mr. Brass added that it also saves maintenance costs.

Mr. Dredge commented that for the master officer replacement, it is his assumption that someone will be moved up and someone who is cheaper will be hired at the bottom. Ms. Wells said that the Master Police Officer designation is something the officers' work toward and earn. Once they earn that status, then they automatically qualify for it. Mr. Terry clarified that this does not create an opening for a Master Police Officer. This is a person with ten years of experience

who has completed other requirements.

Ms. Wilson continued discussing the Fire reorganization with a slide showing the Deputy Chief reorganization with a promotion to someone of that listed amount. This was a battalion chief with increased salary.

Streets show the Deputy Director of Public Services original budget and payout amount with a savings due to no replacement. The Field Supervisor and Highway Traffic Controller positions have opened internally, Ms. Wells pointed out. She mentioned that these are the ones that may come from other departments in the City causing a chain reaction on hiring. Originally, six replacements were planned, but these two may also need replacing.

Ms. Wilson referred back to the Police page showing that the expected replacement dates on two positions are unknown. She does not have any information available on which to base a projection for the replacement. These were two of the positions that will be replaced when the payout is done.

Engineering retirement reflects the payout for the City Engineer. The replacement date and promotion will be effective when he leaves.

The Parks Office Administrator replacement will not be hired until the retirement payout has been completed, prior to that we will have someone "acting in place" and they will be paid a certain percentage for doing that.

Ms. Wells explained that Mr. Hill and Ms. Gregory talked with Salt Lake County about some help for the salary of the Office Administrator at the Heritage Center. It makes sense because we serve so many people from the County who are not Murray residents. The County made a commitment to grant half the salary for someone in that position. It is a crucial position; therefore, the plan is to hire someone now using County funds first and then Murray funding once we have made up for the retirement payout.

Mr. Shaver asked if Murray will have to reapply for the grant every year. Mr. Hill said that the intent is to fund it ongoing but it may have to be requested every year. Mr. Brass said that because the Heritage Center is used heavily throughout the County, he can see them continuing support, as they have done with life guards.

The following slide showed the golf retirement with no replacement or reorganization attached, and the Power retirements and replacements giving a total reduction in costs of over \$256,000. It is in the enterprise fund; however, Mr. Brass pointed out that 8.5% will come back to the General Fund in ILOT from revenue.

Lastly, the Water Fund shows a slight savings after replacements.

The final slide shows the health insurance increases for new retirees. It will amount to \$63,000 in the General Fund and the others come from enterprise funds. These numbers have been in the printouts before.

Mayor Snarr asked if that number goes down whenever someone hits age 65. Mr. Johns stated that seven people will drop off in fiscal year 2013. There are some fairly young people who could be on for a long time. Ms. Wilson said that in the future the City will allow retirees to stay on the plan; however, they will have to pay their own costs. These last 34 retirees are the final ones to receive any health insurance benefit from the City, Ms. Wells confirmed.

Ms. Wells explained that the handouts have the original budget and reorganized budget

for personnel from the worksheets previously given to the Council. Then included are the other line items in the department. She tried to consolidate these on one page where possible. In other department the first page is the original and then the reorganized is behind. The ADS department is shown with all the divisions.

The very last page shows the cost of \$420,000. It was a surprise to all of us, Ms. Wells explained. What this shows is exactly what the reorganization has done. From her perspective, Ms. Wells can show where these things will be paid or may or may not happen. From Ms. Wilson's view point these are the numbers that she has come up with. While she did not want to dispute the figures, she could talk about how these things would be funded or taken care of.

Mr. Shaver said that his concern is that everyone knew there would be changes and numbers to be massaged. He commented that the FY Budget was passed on June 21 as an absolute real budget with the understanding that it was the projected budget for the year. If the budget has to be opened, the Council has discussed it and it will be amended; however, the Council does not want to open it every two weeks. That looks like we did not really have a budget. What the Council would like to do is address the issues that are known and can be adjusted. If it is \$420,000 then that amount needs to be addressed when the budget is opened. He pointed out that 17 of the retirements had been paid out, so good numbers are known. He asked how many good numbers could be obtained before the budget is actually opened and amended.

Ms. Wells noted that a budget is a snapshot in time and perfect numbers will never be available from today to tomorrow. The question is where we want that snapshot in time to be taken from, she said. That is the challenge she has. She cannot move ahead to make some of these things happen until we can figure out how to make the dollars follow. The line items in these documents can be adopted if the Council is comfortable with that. The one thing she is really struggling with is getting the ADS department operating. There must be a budget amendment to get it started. Then whatever other adjustments need to be made can be done. We need to have some detail that everyone is comfortable with to do a budget opening. The strategic plan also must be discussed. Only half the funding for that is budgeted.

Mayor Snarr clarified that it is still unknown what will happen on the street positions. The GIS position is funded half by water, one quarter by storm water and one quarter by waste water. The remodel needs funding too.

Mr. Brass asked for explanation, noting that budget openings are done for grants and other such items through the year when necessary. He commented that the \$420,000 will not hit the City right away or probably in September either; it is spread out through the year. That is the moving target. If sales tax picks up, the City is in better shape, and it does not have to be accounted for all at once.

Mr. Shaver said that we need the remodel in order to move forward with the reorganization; therefore, his recommendation is that when we come to Tuesday's meeting the things that must be done to move forward be addressed. Ms. Wells said that they cannot do that on Tuesday. It requires more notice. Ms. Dunn added that creating a new place is a new cost center that has to be part of the budget amendment.

Ms. Wells passed out the budget amendment that would be addressed at the next Council meeting. Mr. Nakamura has added an item #2 stating "line item transfers from Department to Department in the General Fund are attached." A future budget amendment with items that Ms. Wilson identifies can be included with the three things Ms. Wells thought needed addressing. They are the ADS staff, the strategic plan and the City Hall remodel.

Mr. Brass said that discussions about the strategic plan have included spending \$100,000, with only \$50,000 currently budgeted. He truly sees this as an investment in the City's future; therefore the other funding could come from reserves.

As a budget amendment these things cannot be addressed until the public hearing has been noticed.

Mr. Brass added that the eleven items postponed to Tuesday are to adopt ordinances to do the reorganization. Then there will be budget amendment to fund, which is only necessary if we vote to start the process. One of the consequences of not starting is the savings do not start either. He asked, as Council Chair, if everyone is comfortable moving forward on the agenda items scheduled for Tuesday. Any questions need to be asked now, he said.

Ms. Wells, again, asked about everyone's feelings on the change to the budget amendment that she passed out. She needs an idea of what to do on that. Mr. Brass acknowledged that the funds have already been appropriated; they are simply being moved to a different place. Ms. Dunn stressed that if anyone has a problem it needs to be voiced now. The new department cannot be created without this. Money cannot be spent out of another department. Mr. Shaver said the purpose for the meeting that night was to clarify and bring out information to be comfortable going forward with these agenda items.

Mr. Brass says that these are really good conversations and things are getting done. If people have questions they should be asked and answered.

Mr. Dredge reviewed, not in an adversarial way, that the original numbers indicated a gain of about \$200,000, and now we have a decrease of about \$400,000, making a \$600,000 swing. He asked what made up that swing and if everyone is confident that there are no other material unknowns. Starting dates and things like that can change, which are immaterial.

Ms. Wells said that \$200,000 was for FICA payments. The other \$420,000 makes the \$600,000.

Mr. Brass asked if all these things are now included and if the administration is comfortable with the numbers given. Ms. Wilson said there are some question marks. Two employees' salaries are the \$123,000. Mr. Brass reiterated that it is 1% of the budget. Mr. Shaver said that we do know there may be some adjustments there; however, his concern is something that has not yet been considered, like the FICA.

Ms. Wells said that the administration has tried to anticipate the effects of the reorganization; however, she cannot promise that something else will not come up. In six months more will be known, and she confirmed that they will do everything possible to keep things under control.

Mr. Shaver expressed that if something comes up the Council wants to know. Ms. Wells said that she will communicate everything in Council communications. The Mayor feels that the Council/Admin meetings have been very helpful in that way. Two Council members can come if they want to. He knows that the Council members are busy and he does not always wish to burden the Council with things, but they try to get to the bottom of issues. He commented that corporations are allowed to write off expenses and profit happens over time.

Mr. Dredge said that the key is in making a significant investment this year toward saving money in the future. He would like to make sure that as positions are filled a critical look is taken because that is where growth in labor costs comes from. We are building a foundation and hoping to be more efficient in the future.

Mayor Snarr responded that people cannot be hired without the Council approval. The City is all about providing services. He detailed the County's situation of not solving the storm drain problems, which is now costing hundreds of thousands of dollars to remedy a flooding situation.

Mr. Brass said that the Council has been caught up in this difficult budget situation; although, Walden Glen is a classic example of Murray City. We do provide excellent service to our citizens and our employees will do what needs to be done in spite of us. Tuesday night power and water people and others were out all night long and they showed up the next day at 8:00 a.m. to pull their shift. We must remember that and it makes the Council's job easier. Any of us can call up with a citizen problem and it is taken care of, in spite of this. We know that is true.

Mr. Shaver stated that budget business items have been covered and asked if there were any other topics to be brought up.

Ms. Wells asked if the Council would like to go with the new line item wording on the budget amendment for Tuesday's meeting. Council members confirmed that no one had spoken against it.

Mr. Shaver adjourned the meeting at 7:18 p.m.

Janet M. Lopez
Council Office Administrator