



MURRAY CITY MUNICIPAL COUNCIL COMMITTEE OF THE WHOLE

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, July 10, 2012, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray Utah.

Members in Attendance:

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| Jim Brass | Council Chair |
| Dave Nicponski | Council Member |
| Jared A. Shaver | Council Vice Chair |
| Brett A. Hales | Council Member |

Electronic Participation:

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| Darren V. Stam | Council Member |
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Others in Attendance:

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| Shaun Pigott | Shaun Pigott Associates | Danny Astill | PS/Water & Storm Water |
| Janet M. Lopez | Council Office | Jan Wells | Mayor's Chief of Staff |
| Frank Nakamura | City Attorney | Doug Hill | Public Service Director |
| Tim Tingey | ADS Director | Gilbert Gonzales | ADS/Building Division |
| Trae Stokes | ADS/City Engineer | Russ Kakala | Public Services/Streets |
| Justin Zollinger | Finance Director | Jennifer Kennedy | City Recorder |
| Peri Kinder | Valley Journals | | |

Chairman Brass called the Committee of the Whole meeting to order at 5:30 p.m. and welcomed those in attendance.

Minutes

Mr. Brass asked for corrections or action on the minutes from the Committee of the Whole meeting held on June 5, 2012. Mr. Shaver moved approval as written. Mr. Hales seconded and the motion was approved 5-0.

Mr. Brass asked for changes or action on the minutes from the neighborhood Meeting held on June 12, 2012. Mr. Shaver mover approval, Mr. Hales seconded. The motion carried 5-0.

Business Item #1: **Water Fund and Storm Water Fund Rate and Impact Fee Study- Doug Hill and Shaun Pigott**

Mr. Hill explained that over the past 10 to 15 years the City has been in the practice of looking at enterprise fund rates about every five years. A rate schedule is usually adopted that is good for about five years for water and waste water funds. A rate study has never been done on the Storm Water Fund since it was initiated six years before. He felt it was time to look at all three of these enterprise funds to see where the rates are and where the funds stand financially. Mr. Pigott was hired to complete these studies for Water, Waste Water and Storm Water. He is from Oregon, has done a lot of work in Utah and the northwest and is quite renowned in this field. He had conducted studies for Murray in the past.

Mr. Pigott mentioned that he would go through each of the studies individually beginning with the Water utility. Presenting the revenue requirements Mr. Pigott's intention was to cover bond attainments. He complimented the City for refunding bonding and saving quite a bit of money. He is not recommending any increase in water rates or impact fees. This is a testament to how well Murray's Water Fund is run.

Effective June 30, 2012, the estimated fund balance ending is just over \$4.4 million. That gives a financial rate maker a lot of flexibility. The impact fee receipts estimated are very conservative, budgeting only \$100,000 with historical budgets at about \$250,000. In fiscal year (FY) 2011 actual meter water sales revenue was \$5.2 million. That was tracked over the last three years with the last rate increase in November 2009. The sales history and revenue profile are really good.

The bond refunding done earlier in the year will save the Water Fund and Sewer utility a significant amount of money. Because of the short term (three year) savings and the debt service payments some flexibility is being built in on how future costs can be addressed.

The capital costs budgeted in 2012 was just under \$2.3 million to finish some of the capital projects, which are completed now. The forecast now is focused on rehabilitation of the system, about \$1.3 million expense every other year for pipe replacement.

Mr. Shaver asked if these maintenance costs are replacing what is already in the ground. Mr. Hill responded that the department requests them as capital projects on the CIP (capital improvements program) even if it is upsizing or replacing a line. Mr. Nicponski asked if the department routinely goes through to do that or if occurrences prompt the replacement. Mr. Astill said that he looks at how the system is operating to see if there are failures in one particular area more than another. He can adjust the schedule to go after those problem areas first. Some are set on a schedule as needing upgrades. Mr. Brass added that if a major road rebuild is taking place, then the infrastructure under will be done, as well. Mr. Astill can meet with the street department to determine if funding is available to do that, such as 4800 South and Fairbourne.

Mr. Nicponski confirmed that the water maintenance capital expenditures are considered with the other CIP projects. It may be addressed differently because it is an enterprise fund rather than General Fund expenses, Mr. Shaver expressed.

Mr. Pigott stated that the other component of the capital program is a \$40,000 annual expense for water conservation efforts.

The total by division and the totals by cost for the Water Fund show the total outlay of \$1.3 million reflecting the pipe replacement program. Overall, looking at the bottom line of the cost outlays on page four, the reduction of \$1.1 million from 2012 to 2013 is because of the reduced requirement of capital improvements and the benefit of the increased revenue from the bond refunding.

Mr. Brass asked for assurance that the City will not be short changing some maintenance because the fund is ahead of the expenses. Mr. Pigott emphasized that this is the culmination of four to five visits with the staff involving Mr. Hill, Mr. Astill, Mr. Stokes, Mr. Kakala and Mr. Zollinger with the obligation to look at the revenue requirements for the utility. The maintenance is a key component in the five year and the future 20 year forecast.

The overall revenue picture is very stable. Water sales are the primary income producer with decreasing reliance on impact and connection fees from developers. The forecasts are very conservative regarding any rate increases.

The coverage requirement takes the total revenue less the operating expense giving the monies available to pay debt service, which is divided by how much the City is actually committed to pay in terms of principle and interest. That number should be above 1.25%. Where you may have read about defaults in other parts of the county, they have fallen below the coverage requirement. Murray City is above that number. The revenue requirements and operating expenses were taken out into the future to make sure the coverage requirement will continue to be maintained. Murray is very comfortably above that number.

Mr. Shaver asked about the reason for the jump between the years 2015 and 2016. Mr. Pigott explained that Murray will be taking advantage of the refunding up front in the first three years. Later the City will go back up to a higher level of debt service.

Mr. Pigott has projected that the Water Fund has sufficient cash for both operation and maintenance expenses, as well as, the recurring pipe replacement program and the water conservation program to manage its revenue requirements within its existing rates. There is no basis for a rate increase at this time. Monitoring the fund balance showed that by the end of FY 2017 the cash would be drawn down to about \$4.31 million. That is effectively where it is right now.

Mr. Shaver stated that the pipes were analyzed with a specific plan for upgrading and replacing. He asked if he was correct in thinking that was a five year plan for the system to be upgraded without the need for a major overhaul during that time. Mr. Hill confirmed that the five year master plan was considered by Mr. Pigott who took the projected schedule of costs and incorporated them into this calculation to make sure that the revenue collections will cover those expenses. There are no major costs. There are mostly upsizing of pipes in the program.

Mr. Astill said that everything will not be updated over the next five years; it will be an ongoing project.

Mr. Nicponski asked how many miles of pipe are in the City. Mr. Astill responded that it is about 190 miles and the previous year about 2.5 miles were replaced.

Mr. Pigott also looked at the impact fees in the Water Fund. He studied the existing ordinances and resolutions in relation to the Utah Impact Fees Act.

The current water impact fee structure was detailed by Mr. Pigott. A single family residence costs \$2,677 for a one inch connection. A multi family development will pay \$1,472 for each apartment. Fees were charted for hotels, rest homes and hospitals. Looking at water rates, there is a base charge and use charge. The base charge goes up as a function of meter size proportionately based on gallons per meter. This is the standard approach for determining rates and impact fees. His suggestion was to simplify the impact fee structure. The City does comply with the Utah fee regulations but this would make the fees more predictable, straight forward and defensible in terms of the American Water Works and standards they use. That is reflected on page 10. The chart shows the meter size, flow factor equivalence and the number of meters and equivalent residential units in the City, which are 9,775. The key is that the flow factor goes up proportionately depending on how much water is used. Rates try to charge for the services used. The impact fee tries to charge based on the capacity to serve. Meter size is the best indicator of that.

One of the suggestions is to look at altering the existing methodology to better reflect the way water rates are dealt with now and the way meter equivalency is handled under meter sizing. Looking at the next 20 years equivalency, the growth is conservatively planned at about .2%. Then he went through the fixed asset schedule to determine the City's investment in the infrastructure. The total utility plant assets come to more than \$25.3 million and depreciate it down to about \$13.6 million. Outstanding debt is \$3.8 million. Effectively the value of the system to a new connection is \$9.779 million. The question is how to allocate that cost and the proportional approach is taken. Taking the total number of connections through build out, 11,738, and applying that to the book value of \$9.7 million gives an equivalent residential connection (ERC) charge of \$833 to buy into the system that is already there. Another component is the improvement fee calculation based on the master plan or facility plan documents. Each of the master plan projects was evaluated to determine its costs and a decision was made as to how much was going to cure existing problems in the system versus how much was adding capacity. That math took the estimated cost of improvements and determined that \$838,695 was the total impact fee eligible for future system improvements. The increments of new capacity were pretty small due to the build out of the system. The new growth is estimated at 455 residential units over the next 20 years with the .2% growth rate. That improvement element comes to \$1,844. Adding that to the reimbursement element of \$833 gives an impact fee of \$2,677, which is the same as current charges for a single family residence. The methodology is more consistent and sound.

Mr. Shaver confirmed that this gives a metering capability that we do not have now based on size.

Mr. Nicponski asked about the 8 inch pipes. Mr. Astill said there are only two of those one at the Intermountain Medical Center and the other may be at Cottonwood Hospital. That size is a huge impact on the system, therefore, they are asked to pay for it, Mr. Pigott stated.

Mr. Hill said that the department is not proposing a rate change at this time; however, they will work with the attorney's office and come to the Council with a proposed impact fee ordinance amendment. This will be a change to the methodology for calculation of impact fees.

Mr. Shaver asked how that is affected based on the American Water Works Association. Mr. Hill feels that this change strengthens the City's position should Murray ever be challenged based on impact fee laws. Mr. Hill said that Murray is very reasonable in comparison to surrounding communities and have generally lowered impact fees.

Mr. Pigott said that it is his recommendation, as well as staff's, that there was no basis for a rate increase over the five year planning period; however, as Mr. Hill explained the impact fee calculation may be something to address. The impact fee expense will not change much but it will line up with generally accepted standards for using the meter equivalency and meter size.

Mr. Hill expected that the ordinance amendment would probably come to the Council in the next month or so.

Mr. Pigott moved to the Storm Drainage utility rate study. The utility was formed in 2006 and the rate is based on impervious surface coverage with a uniform rate applied to all residences and for everyone else a measure of impervious surface is used. Historically, the City has been looking at maintaining the system and meeting regulatory requirements. Now the 2011 adopted Capital Improvement Program is being dealt with through the analysis. The utility is totally dependent on charges for service. About \$1.4 million is being collected in fees. Minimal impact fees have been collected with no significant revenue anticipated from that in 2012. Budgeted expenses are about \$985,000 per year; therefore, the utility is living well within its means. Some innovative things are being done on maintenance with regulatory compliance.

The financial status shows that the beginning fund balance is at \$1.1 million. The City funded the money for the Winchester Street drain improvement and Midvale will now be paying Murray back \$600,000 over the next three years with that going into revenue.

Mr. Pigott commented that in 2006 twelve maintenance activities were identified at an estimated cost of \$336,800. A more detailed analysis has shown that in 2012 fourteen maintenance activities have been identified at an estimated cost of \$558,000. The City is legitimately doing more activities and there is more infrastructure to maintain. Another schedule shows the category of activities that the field staff is working on. A cost was determined for each one adding up to \$558,000. With a supervisory allocation and administration cost of \$106,000 the total comes to about \$664,000. Mr. Shaver said that this chart can show people exactly what is done with the Storm Water Fund collections, not just that the operational transfers help pay for police and fire.

Mr. Nicponski asked if existing staff can take care of that. Mr. Pigott said that an additional staff person would be added in 2014.

The real question is the CIP. In terms of high priority projects in the Master Plan the cost is \$7.7 million in years zero to seven. The escalated costs are about \$8.9 million reflecting when the City expects to build those. The expense can be paid in one of two ways, pay as you go cash finance or revenue bonds. In the pay as you go option the City would use the fund balance as best it can, maintaining a balance, and raise rates from 2013 and up. The ultimate rates would be at \$8 in 2022.

The revenue bonding approach would issue debt in three cycles with a stair step increase in rates that is predictable and affordable. A schedule showed the capital cost, debt service expense and the cumulative debt expense. The City is borrowing money and paying interest; however it is a good time to borrow and the department can offset rate spikes and manage the fund balance. The rate increases can be smoothed during this period amounting to 50 cents monthly per equivalent dwelling unit (ERU) in 2016, and 85 cents monthly per ERU in 2019 and a final increase in 2021. Murray's current rate is one of the lowest in Utah and the northwest. The rate has not been touched since 2006 when implemented. The utility has done an amazing job.

No increase was being proposed on the Storm Water impact fee; however, like the Water Fund a methodological change was suggested. The current calculation runs contrary to what the rate is based on. Using the impervious surface approach a single family residence is assumed to have 3,400 square feet. Using that same factor a method of determining impact fee that is more reflective of a property's contribution to run off is more consistent. Because the system is at or near capacity, no reimbursement or buy-in is appropriate. The majority of capital projects in the Master Plan are to cure existing problems. About \$183 per ERU is applicable to growth. There are 5.45 ERUs per typical residential lot. Now the charge is \$1,000 per acre and the new approach would bring the cost to \$997 per acre. The objective is to be revenue neutral using the new methodology.

Mr. Hill summarized what the department would be presenting to the Council for consideration on Storm Water: a proposed five year rate schedule to include increases after 2014 and 2016; an ordinance to change the impact fee methodology; and a bonding proposal to begin working on some of the Storm Water improvements in all districts.

Mr. Brass said he learned through Central Valley that in looking at the Jordan River and the oxygenating problems, it looks more like the treatment will be pushed off on cities and storm water because there is not enough coming out of the treatment plant to create the problem. Now they will begin to look at all the materials that runoff from yards. It all ultimately flushes into the river and without control over that it will cost tens of millions to treat. It is something that our citizens need to be educated about. Treatment is a federal requirement.

Mr. Nicponski said that he liked the explanation and would like it simplified and restated so that it can be presented to constituents. It is different than a tax hike; it has a utility tied to it.

Business Item #2

Building Division Report – Tim Tingey

Mr. Tingey expressed his desire to convey to the Council some innovative things implemented in his department and to educate the Council about the Building Division. He stated that Mr. Gilbert Gonzales does a great job as Chief Building Official. They deal with issues as large as the Intermountain Medical Center building code requirements down to a 300 square foot accessory structure. Mr. Nicponski stated that he has gotten positive feedback on the way Mr. Gonzales treats people, as well.

The requirements are regulatory in nature and deal with difficult issues. Currently they are working with an individual who built a home without any permits. They added on to an accessory structure.

Mr. Gonzales explained that his background in the construction industry before coming to Murray City had helped him make informed decisions dealing with design professionals and contractors. He has been with Murray more than 20 years and his staff is competent and fully certified; all are licensed by the state of Utah.

The purposes of building codes are to give reasonable assurance that a structure is safe from structural failure, fire hazards and general safety concerns. The permit provides a permanent record of work performed. They are able to provide copies of permits to real estate agents. Building codes are not new. One of the first was the Hammurabi Code around 1750 B.C. This code stated that if a builder built a home for someone, did not construct it properly, the home fell in and killed the owner, and then the builder would be put to death.

The 2009 Code is currently adopted and in use. The codes are typically adopted every three years. The Uniform Building Code Commission and its advisory committees are currently reviewing the 2012 codes for adoption. They will make a recommendation to the Business and Labor Interim Committee in October. Then it is up to the Legislature to adopt the codes. At one time the Building Code Commission had that authority; however it was taken away about two years ago. Mr. Shaver asked if Murray could take a higher standard. Mr. Gonzales responded that it would still have to go through the Uniform Building Commission process.

Plan reviews can be as minor as a basement finish to a fifteen story high-rise. Construction inspections provide thorough and consistent inspections to insure that buildings have been constructed to the approved plans and meet minimum code. As of June 30 the department had completed more than 3,000 inspections for the year. Today the average inspection is about 500 per month and two years prior the average was about 800.

Mr. Gonzales mentioned that the inspections have gone paperless. Smart phones are used in the field. They talk into the phone and send. It is compiled on a website that the contractors can go to. When the permits are taken out, the contractors are given a card with the application number. A history of all the inspections and the status of each one can be reviewed on the website. The corrections can be seen there and given to the contractors. It is very convenient. If a homeowner does not want to deal with the electronic version, it can still be provided on paper.

Mr. Gonzales reviewed the mission statement for his department. "The Murray City Building Inspection Division strives to provide courteous and consistent plan review and inspections of adopted building codes in a timely manner and to be solution oriented." The statement was developed during the Strategic Plan. Part of the mission is to streamline the process and be a great resource. The division strives to be a resource for the community and one way of accomplishing that is to go out during Building Safety Month, May, to provide hand outs and information. The City has inspectors, plan reviewers and office staff available to answer questions with the Murray Journal advertising and providing promotion. They have gone to Lowe's and Fashion Place Mall for these events.

The division held four evening meetings with Murray home owners in their communities talking about URM (unreinforced masonry structures) and had a great turn out in each location. These events were an effort to inform the citizens what can be done in their homes to make them seismically safer. It will not withstand an earthquake completely; however, on a reroof the anchoring of the roof to the walls and walls to floor can be a great improvement to complete at the same time. More information will be coming from the Seismic Safety Council. The website has a mini code on common requirements for a single family dwelling. This details all the requirements for building, electrical and mechanical codes.

Mr. Brass mentioned his disappointment that time was short and suggested that he continue his report at another meeting. He confirmed that what Mr. Gonzales is doing is extremely important to the City. Other Council Members noted questions they would like to ask at the next opportunity.

Business Item #3

Boy and Girls Club Golf Tournament

Mr. Brass commented that this was something that could be covered in the Council Handbook discussion to note events that may warrant Council participation and what can be

paid for. The issue that was not mentioned is that the golf tournament is not a budgeted item. As the Boys and Girls Club is a nonprofit organization and this is a fundraiser, state law requires that if the City gives money to a nonprofit then a public hearing must be held. Because it was not in the Council budget the City would have been in violation and that is the reason for putting a stop to this particular event. Philosophically, a discussion can take place on that whole idea when the handbook is addressed on July 17, 2012.

With no further questions, the meeting was adjourned at 6:30 p.m.

Janet M. Lopez
Council Office Administrator