



**MURRAY CITY MUNICIPAL COUNCIL
BUDGET AND FINANCE COMMITTEE
Fiscal Year 2012-2013**

The Murray City Municipal Council met as the Budget and Finance Committee on Tuesday, May 22, 2012, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

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| Jared A. Shaver | Budget Chair |
| Brett A. Hales | Budget Vice-Chair |
| Jim Brass | Committee Member |

Members Participating Electronically:

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| Dave Nicponski | Committee Member |
| Darren V. Stam | Committee Member |

Others in Attendance:

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| Justin Zollinger | Finance Director | Pete Fondaco | Police Chief |
| Janet M. Lopez | Council Office | Craig Burnett | Asst. Police Chief |
| Dan Snarr | Mayor | Jan Wells | Mayor's Chief of Staff |
| Frank Nakamura | City Attorney | | |

Mr. Shaver called the Budget and Finance Committee Meeting to order at 5:00 p.m.

Participation with Murray School District in Hillcrest Junior High Auditorium – Mr. Shaver asked for clarification on the City's proposed \$200,000 contribution and whether the expansion of the auditorium would include additional storage space for the Murray symphony.

Mr. Brass related that he had met with Richard Trantor and Mildred Horton to discuss the expansion. He indicated that per that meeting the District is planning to add the black box theater, which is needed by the school and community. Storage for the musical instruments would be added along with more depth to the stage. It is figured that the junior high would not be as heavily used as Murray High School. Ms. Kirk is happy with this idea and says that the fly is not necessary. She feels this expansion would take the pressure off of community groups for years. Mr. Brass feels this is an excellent investment. He also let them know that some sort of agreement needed to be in place to assure that the community groups and City would have reasonable use.

Mr. Hales feels good about this investment and would agree with or without a use agreement. He appreciates Mr. Stam's comment that this is a major help to the City.

Mayor Snarr said that Ms. Kirk understands the challenges with funding a performing arts center. She indicated that this arrangement with the School District would go a long way toward relieving for several years the performing space issues for arts groups until the City gets to the point of building a center. Members of the School District understand the City's issues;

but stressed the advantages for the City of participating with the District on this auditorium and theater space.

Mr. Hales said he was unaware of the District's \$2 million financial support of the City on the Park Center swimming pool. Mayor Snarr stressed his desire for the pool to be under one roof rather than having residents swim laps at the school pool.

Mr. Stam liked the idea that more entities were becoming involved and pledging support with additional funding. He agrees with the \$200,000 and likes the fact that they are willing to make an agreement on use. He is in favor.

Mr. Nicponski related his agreement with this plan.

Mr. Brass said the construction would not begin until late in the year; therefore, the money would not be needed until late in this fiscal year and could go into the following fiscal year giving the City time to be ready for it.

Mr. Shaver mentioned that the City participation encourages other groups to also have an incentive to participate. It becomes a combined effort working together to resolve the issues for performing groups. This sends a signal to the community that the City is committed even though it is not able to do everything they would like.

Mr. Shaver asked for information on how this \$200,000 would be put into the budget. Mr. Brass felt that the non-departmental fund would be the place to allocate the funds and it could be put into the Capital Improvement Program (CIP) if it were necessary to carry the money over into the next fiscal year.

Mr. Zollinger liked the idea of putting this into the next fiscal year budget (2013-2014) and paying it in July of 2013.

Mr. Shaver said that this could go into a letter of intent, verifying that the timing works with the District, Mr. Brass suggested. Mayor Snarr stated that the District is not planning to take down the homes until next spring with grading and site preparation to take place at that time.

Mr. Brass added that the grant paperwork has to be submitted June 1st so if the Council is comfortable with the plan the District needs to know.

Mr. Nakamura suggested putting together an agreement with the School District rather than a letter of intent. The ability for use should be included with an effective date of payment after July 1, 2013. Mr. Stam said he feels it should go into the CIP where a line item already exists.

Mr. Shaver said Ms. Kirk had a number of days per arts group for suggested use of the performing arts center; maybe the total number of days could be included in the agreement. Mr. Nakamura said that would be part of the financial commitment.

CIP/IT Money – Mr. Shaver was concerned about how these funds affect everyone else's budgets. The CIP that was initiated through the Strategic Plan has the technology items for computers and money has been set aside for that purpose. He had a discussion with Mr. Zollinger about whether a computer is thought of as a singular item for, say \$1,000, or whether a group of multiple computers is a singular item. It changes how things are considered in the CIP, which says that technology capital items have an estimated cost over \$25,000. We also talk about desks and chairs at \$1,000 and then we are talking about office furniture as part of the CIP, Mr. Shaver noted.

Using Police as an example, the computers are listed as a single item in his budget. This is about how the Council addresses the CIP. Another instance concerns vehicles, which may be under \$25,000 and may be looked at as a single item or it could be a group of vehicles raising it above that level.

Mr. Zollinger explained that the issue concerns accounting rules that he tries to follow. When the rules are different than the CIP, the rules fight against each other and he wants to be consistent in how he applies the rules. He looks at computers as single items and has kept the computers in the operation budgets.

Mr. Shaver mentioned that it is about how to move forward and what the Council is trying to accomplish, which is what brought about the Strategic Plan and CIP. He sees the cars as individual items but grouped as a vehicle purchase.

Mr. Stam said that his thought was that each individual car or computer could be less than the CIP dollar amount; however, looking at the long-term benefit to the City each individual department would own the car or computer. The IT department would own the computers and have the ability to move them to whichever department works best. IT would have responsibility for maintenance and would, so to speak, lease the item to the department. In this case each department would not budget for computers, but IT would budget for computers and replace those that need replacement. In this way it would be one large item for replacement in the CIP and each department would reimburse them for the cost.

Mr. Zollinger said that describes an internal service fund, which the City is not yet positioned to handle for this budget year. What he tried to do this year was to have a computer replacement plan, put together as a City. He may be ready to set up the internal service fund for the next budget year.

An internal service fund would be a new fund created with money transferred to it in order to purchase computers. (This would be like the power or water fund.) The computers would then be purchased by that fund, owned by that fund and managed by that fund. They are assigned to different departments, Mr. Zollinger explained. He said it works great because a fund balance can be built up to buy large pieces of software. It becomes a great resource.

Mr. Hales asked how that is applied to the Police Department for their budgeting. Mr. Stam says they would not budget for computers in Police. Mr. Zollinger insisted that there is still a line item with the money. Mr. Stam explained that the Police Department would just request a computer from the IT department, which is responsible for all computers and would allocate it out. Mr. Shaver asked that Mr. Stam and Mr. Zollinger come to an understanding on how this would work because Mr. Stam's understanding is that there is no internal service fund, but IT buys the computers and then allocates it to the departments. Mr. Zollinger said that this year's budget already achieves that scenario. It is in place. If that fund or division would own the computers, then it would have to be an internal service fund.

It was decided that the internal service fund would be a goal for the future. Also, mentioned was that vehicles would work somewhat the same way.

Drug Buy Money – By budgeting \$10,000 each year for drug buy money it keeps the line item funded. When money is received back it goes into revenue. It actually does not cost \$10,000 each year because of the off-setting revenue.

Mr. Nicponski asked if that works for the Police. The Chief said that he does not want to give up the \$10,000 and the way it works is that the money may be requested by detectives or

narcotics officers. It is used to pay a reward for information and this is the account it is drawn from. When a narcotic officer buys drugs and makes an arrest the money goes into evidence. Once the case is adjudicated the money in evidence goes back into the General Fund. That does not mean that every year the \$10,000 is replaced with \$10,000. There might be years where much of it is sitting in evidence. A reward given for information is never returned. Sometimes the money is used to buy the drugs and as part of the investigation the money never comes back. There must be at least three buys before the police can get a warrant. The serial numbers are kept and if the search warrant locates the cash then it becomes evidence. The police cannot replenish the \$10,000 every year.

Cash is kept on hand by Officer Burnett and the money is audited by the Finance Department to make sure it is accurate, but some years only \$5,000 may be taken out of the fund.

Mayor Snarr asked if some additional money comes from the DEA when major drug busts are conducted. The federal government gives 80% back to the department on seizures. It goes to the state and Murray would get a percentage of the state amount.

Other business – Mr. Zollinger said that he and the Chief went through some utility accounts and accumulated some other money for the vehicle maintenance account. Mr. Shaver explained that some money was taken from other Police accounts to put into the vehicle maintenance. Services should not be cut back. It amounted to about \$10,000, however the Chief still feels that line item is short what is necessary.

Mr. Shaver explained that he is hopeful that the department heads understand that if they are in trouble they can come to the Council to dip into reserves and that is the reason for the reserve account. He knows that Chief Fondaco, his officers and staff plan the best that they know how but the reserve is there when needed.

Mr. Hales asked how that situation is handled. Do they allow that item to just go over, or do they try to work it into the budget to begin with? He feels it makes more sense to plan on it in the beginning rather than to go to reserves later. The reserves are for emergency issues.

Mr. Brass said that the Council and departments do the best they can to anticipate. This year there have been homicides that cost a lot of money. That money has to be funded regardless of what happened the previous year. Next year we are hopeful it will not happen.

Mr. Shaver commented that he had tried to move money within the Police Department to cover more maintenance. It may be necessary to find money from other departments to pull together for the police. He noticed utility line item budgets had increased and it could be that utility line items from other departments could be trimmed to get more for maintenance.

Mr. Nicponski was concerned that the Police Department is not going to be okay with the budget. He asked the Chief to comment.

Chief Fondaco said that his conversation with Mr. Zollinger related to looking at historical actual expenditures and to budget to that. He wonders why they are only looking at historical numbers where he is under budget and not those that are over budget. This year \$80,000 was put into the police vehicle maintenance in a budget opening and consequently the current budget was then cut back to \$150,000 knowing that expenditures were at \$280,000. He feels it is also necessary to bump up the accounts that are historically low. When he had to ask the Council for a vehicle, he was reprimanded. He insisted that he would not go to the Council to ask for something and be yelled at again.

Mr. Shaver stated that budgets had been cut for four years and now the City cannot get back to historical all at one time. It is a dilemma. If there are areas that are hurting they will try to look seriously at the numbers to find a way to make it work. That is the job of the Council.

Mr. Hales asked how much the Council had talked about taking from reserves to put into the CIP. Others responded that it had been one million dollars. Mr. Hales wondered if some of that could be given to Police to help Chief Fondaco with what he feels he needs.

Mr. Zollinger suggested that maintenance could be significantly less with newer cars in the department. The goal is to replace some cars every year so that maintenance could decrease.

Mr. Nicponski responded that is the argument for leasing, which can renew the fleet every three to five years. The maintenance costs would be insignificant. All 22 vehicles could be acquired by leasing, instead of six vehicles a year while others are 10 to 12 years old. Mr. Zollinger did not feel any were that old; they may be eight to nine years old.

Mr. Stam said that looking at historical shows five years under and one year over. An accurate accounting can be obtained. It does not mean it will be short every year. Historical shows a trend that can be adjusted to accordingly.

Mr. Brass recommended that this item should go on a contingency list and be discussed by the entire Council when everyone is in town. Others agreed. A tentative budget will be adopted and changes can be worked through prior to the final budget adoption.

Mr. Shaver agreed that the Council should think through these issues and make wise decisions. It requires that everyone look through the budget and be familiar with it. Questions can be discussed individually. Another budget meeting would be set and communicated to the Council Members.

Mr. Shaver adjourned the Budget and Finance Meeting at 5:35. p.m.

Janet M. Lopez
Council Office Coordinator