



**MURRAY**  
CITY COUNCIL

## **MURRAY CITY MUNICIPAL COUNCIL COUNCIL INITIATIVE WORKSHOP**

---

A Murray City Council Initiative Workshop was held on Tuesday, November 20, 2012 in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

### **Members in Attendance**

Jim Brass	Council Chairman
Jared Shaver	Council Vice Chairman
Dave Nicponski	Council Member
Darren V. Stam	Council Member
Brett Hales	Council Member

### **Members Excused**

### **Others in Attendance**

Frank Nakamura	City Attorney
Janet M. Lopez	Council Office Administrator
Jan Wells	Mayor's Chief of Staff
Justin Zollinger	Finance
Greg Bellon	Power
Jennifer Brass	Citizen
Dan Snarr	Mayor

The Council Initiative Workshop was called to order by Mr. Brass.

### **Discussion Item #1**

### **Enterprise Fund Reserve Accounts- Darren Stam**

This topic came up based on a conversation Mr. Stam had several months ago, with Gary at the golf course. Gary mentioned things that he wanted to do, and the money he needed for a new sprinkler system. Mr. Stam asked Gary how large the reserve fund for the golf course was. Gary replied that it was about \$200,000.

Mr. Stam said that the City is aware that the Enterprise funds are rather healthy and have reserves. If an event were to hit, would the reserves be enough, or would that come back and hit the general fund.

Mr. Stam thought it would be wise to look at what the amounts and percentages are, and possibly evaluate and update the fund.

The Mayor said that in the past, there was a case where the general fund had to loan money to the power fund. This was because the Enron debacle and UAMPS got into some contracts on buying additional power resources. The city was obligated to pay about a million and a half for several years. At the same time, the City had several projects going; such as the gas turbines, and significant upgrades.

Mr. Brass commented that even though that was a truly unusual event, it is one where you can burn through a lot of money. Mr. Nicponski asked about the differing rates. If the total budget for the golf course is x amount, then reserves ought to be a percentage of the budget.

Mr. Stam replied that the City may need to look at each Enterprise fund, and what the catastrophic event would be and how much money it would cost. The golf course would not need as high as a percentage as water, or storm water. When you look at the reserve situation at the golf course, it states that "a cash reserve fund shall be established within Murray Parkway Recreation Fund and maintained at the level of 17% of the annual gross revenues, or \$150,000." Mr. Stam doesn't think that amount will be enough for the golf course.

Mayor Snarr said his personal feeling would be to phase the sprinkler system, and not rebuild it all at once. Mr. Shaver said there is a difference between a CIP project and a reserve for a catastrophic event. We are looking at an emergency fund event versus a forecasted expenditure that the city may be able to partial it out, or have it become part of a Capitol Improvement Project, he said. There is a difference between those two areas. Mr. Shaver asked if we are considering that any catastrophic or emergency event that can happen to any one of the Enterprise funds.

Mr. Stam asked what a reserve fund is for. Isn't it to cover unexpected expenses with gaps between revenue coming in, he asked. Evaluating what the fund is for, gives you a better idea of where we want to go. Mr. Hales commented that it was for protection.

Mr. Stam said that maybe each of the Enterprise Funds should come in and explain where they are with their funds, and help us establish what should be in the code.

Mr. Shaver would also like to hear what is done outside of what the council does. Maybe, Mr. Zollinger should do some research on it as well, to see what other cities do. The size of the city shouldn't make a difference, if it is a percentage. Those cities that have their own power, storm water, sewer, and golf courses should be looked at to see what they do in

relationship to the reserves. This might give an outside perspective to give a little different view on how to do that.

Mr. Brass suggested looking at how much of the equipment is covered by insurance. If a generator is lost, it might be covered. If a sub-station transformer goes out, it probably isn't, and that is a major expense. That would be a typical catastrophic event. The other thing to keep in mind as a component of our reserves is if the earthquake comes, we are going to need every dime we have. Our sources of revenue will be out of business for quite a while. If the mall were to collapse, that is income to the City. Reserves would need to start covering operating expenditures until the normal revenue stream returns. When the City went through the Operation Shakeout, one scenario was that the mall collapses, and there goes the revenue stream. Mr. Brass said we need to look at the reserves for that also. That can't be funded but you need to keep it in mind.

Mr. Shaver said in reading a follow up after the storm Sandy, it didn't have anything to do with money. They couldn't get the parts there fast enough, and ran out of materials to replace wires, poles. People were trying to get material from all over. Maybe the council needs to look at not only reserve in capital but reserve in material; what supplies we have on the shelf. The failure rate is so low that people don't want to store supplies for several reasons. The Council needs to look at everything. What does the golf course have in reserve, and how will they plan for a catastrophic event.

Mr. Zollinger said this is about inventory and safety stock in particular, for some of the older things that require older parts that aren't currently available. Mr. Nicponski said the City should know what the insurance costs are also. Mr. Shaver said Mr. Nakamura has looked at that in detail, what the City pays, and what our deductibles are. Mr. Brass said, ironically, the city has had to use that this year. He said when we begin to talk about self-insuring, that is when the disaster will hit.

Mr. Brass said regarding safety stock that the city has inventory, and regarding the older equipment with hard to find parts, the city should have that also. The City can't stock enough hardware to build our system, but there are four good suppliers in the valley that stock our supplies. When a disaster like that hits, the shelves are cleaned out.

Mr. Shaver asked if the Council wants to look at just money, or possibly do a retreat and look at all of it. Mr. Brass said that requiring a statutory requirement is a double edge sword. Mr. Nicponski said we need to understand the insurance aspect of it all. Mr. Brass said that talking inventory may be a trap also. If you talk to an operations guy, they think they need everything. If you talk to a finance guy, they will say you don't need all of that. Mr. Shaver said the city needs to find a way to balance that. Mr. Nicponski asked if all of the Enterprise reserve funds will be covered. Mr. Stam said the general fund has a state allotted amount of 18% of revenue. Mr. Brass said that is a floating target, if your revenues go down, the reserves go down.

Mayor Snarr said you have stability in the water, sewer, storm drain system, but the revenue in the power department depends on the weather. When the Mayor was first elected, the golf course funded the acquisition of the lots along the parkway and most of the development. It was built back in 1982, before many other golf courses opened up within the valley. The golf course doesn't do what it used to do, and got upside down when the recession hit and the other golf courses lowered fees for people to get them there. The City also was taking \$120,000 a year out of the golf course fund to pay for the maintenance of the parkway but that stopped it so it would come out of the general fund. The reserves at the golf course need to be built up to take care of things, such as: replacing the pumps that pump the water from the lakes, and incrementally redoing the sprinkler system, over the next five or six years. Last year was a good year, the economy turned and the golf course made some money.

Mr. Nakamura mentioned that the City has bonds for this. As you look at these reserves, the City has contractual obligations to the different levels of service. The City can't change reserves where we are committed with bonds and obligations.

Mr. Brass adjourned the meeting.

Kellie Challburg  
Office Administrator II