

**MURRAY CITY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE**

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, November 25, 2008, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Krista Dunn	Council Chairman
Jeff Dredge	Council Member
Jim Brass	Council Member

Members Excused:

Robert D. Robertson	Council Member
Patricia W. Griffiths	Council Member

Others in Attendance:

Daniel Snarr	Mayor
Frank Nakamura	City Attorney
Michael D. Wagstaff	Council Executive Director
Janet M. Lopez	Council Administrative Secretary
Jan Wells	Mayor's Chief of Staff
Pat Wilson	Director of Finance
Gabe Johns	Finance Office
Tom Steffey III	Finance Office
Linda Hogan	Finance Office
Greg Bellon	Power
Robert Wood	Auditor
Ed Erickson	Auditor
Erin McShay	Valley Journals
Pete Fondaco	Police Chief

Chairman Dunn called the meeting to order at 5:18 p.m. and welcomed those in attendance. She mentioned that both Mr. Robertson and Ms. Griffiths were excused due to illness.

Approval of Minutes

Ms. Dunn called for a motion on the minutes from the Committee of the Whole meeting held on October 28, 2008. Mr. Brass moved that the minutes be approved as written and Mr. Dredge seconded the motion. Motion carried, 3-0.

Ms. Dunn announced that, in order to have a quorum at the December Council meetings, those meetings will be rescheduled to December 9, 2008, and December 23, 2008. The RDA

meeting will be rescheduled to December 23, 2008, as well.

Municipal Audit Discussion: **Pat Wilson, Finance Director**

Ms. Wilson introduced Ed Erickson, Partner, and Robert Wood, representatives from the City's outside auditing firm of Hansen, Bradshaw, Malmrose and Erickson. Ms. Wilson's goal was to set the stage for the Financial Report for the fiscal year ending June 30, 2008.

Ms. Wilson explained the acronyms used in the financial world:

- CAFR - Comprehensive Annual Financial Report, produced annually.
- GAAP - Generally Accepted Accounting Practices, rules to follow.
- GASB - Government Accounting Standards Board, those who make the rules for governmental accounting.
- GASB #34 - Changes in the GASB reporting made about five years ago.
- GFOA - Government Finance Officers Association, professional association that gives recognition to entities that put together a good CAFR. Murray has been awarded about 26 of these Certificates of Excellence plaques. This is helpful for bond ratings.

Government entities differ from business in that fund accounting is used. Fund accounting is similar to operating a number of small businesses. Those reading the financial statements often want to know about a small piece of the operation and that is possible with the fund accounting.

Ms. Wilson indicated that there are different types of funds used by the City, governmental and proprietary, or enterprise funds. The difference is in how and when transactions are recorded. Governmental funds come from the general usage of cash for expenditures. This is due to budgeting and what the needs of the entity will be in order to meet the obligations of the coming year. GASB #34 dictates that entities look at more than just cash, by recording full accrual type of accounting which looks at more long term expenditures. The kind of fund determines how it is recorded.

Murray has eight governmental funds, including the capital projects fund. The largest is the general fund, with a number of departments within that fund. There is also the library, which is a special revenue fund, RDA, block grants, municipal building authority, and the cemetery, to name a few. The GAAP is considering tightening restrictions on the capital projects fund. Using this as a reserve for projects may have to be reconsidered. Governmental funds must disclose budgeting in the financial statement. The enterprise funds have budgets, as well, however, it is not necessary to disclose the budgets in the financial statement. When recording is done on these governmental funds, it is a modified accrual basis which means that everything is not recorded, except what is taken to government wide, once a year.

Proprietary, or enterprise, funds consist of power, parkway, waste water, storm water, and

solid waste. There are two other funds, internal service funds, that are also classified as enterprise funds. These are the central garage and retained risk reserve. When they are put in the book, these are combined with the governmental, because they actually service the governmental, explained Ms. Wilson.

Looking at the CAFR you will notice several main categories:

- Introductory section.
- Financial statements.
- Notes to financial statements.
- Statistical section, which contains several years of data.
- Compliance section, or auditors report. Mr. Erickson explained that there are reports on internal control in the City, compliance with laws and regulations, and a report on the state legal requirements. There is a schedule of the auditor's findings and also an impact fee schedule on how they are collected and how they are spent. Impact fees must be spent within six years of being collected.
- Disclosure section, to explain debt and the bond covenant compliance. This is information for the public who might invest in City bonds.

The introductory section contains the Letter of Transmittal and the Management Discussion and Analysis (MD&A), which is a common language discussion of the financial highlights and interprets the information, for non-financial people to have an understanding of the book. This is not a creative format. It talks about the government wide financial position, gives some graphs and pie charts and shows a prior year comparison. The MD&A also projects into future budgets.

Mr. Erickson commented that the audit report is the opinion of the auditors, in which they state that everything is presented fairly and that in all material respects, the financial position of the City is in conformity with generally accepted accounting principles. The MD&A is not audited and it states that there are some combining schedules behind the footnotes that are not audited. It is reviewed, as a matter of courtesy only.

In summary, Ms. Wilson added that the audited financial statements are in the book before the notes.

Statement of Net Assets - Page 19

This is the balance sheet of the government wide fund. It has taken all the information and combined it into full accrual, no more of the cash only basis. It is called the Statement of Net Assets. There are two major categories:

- Governmental activities - the governmental type funds.
- Business-type activities - the proprietary or enterprise type funds.

Following the report down the page there are *assets*, *liabilities* and *net assets*. Assets minus liabilities equal net assets. Across the page there are the *governmental* and *business activities* and a total of the two. There are items included here that will not show up in the fund statements, for example, in the governmental, capital assets, *land* through *accumulated depreciation*, are only on this statement. In liabilities, this statement shows *bonds due in more than one year*. It is more of a full picture of what is owned and what is owed by the City. Under the net assets, there are *invested in capital assets*, *net of debt*, which is something that is not spendable. It is equipment that is owned, but cannot be used to pay debt. The *restricted for perpetual care* is the cemetery, and the *unrestricted* may be spent.

The GASB may be moving to change how these owners' equity items are classified. It will be called spendable and non spendable, rather than reserved or restricted.

Statement of Activities - Page 20

Ms. Wilson advised that the Statement of Activities is a financial statement that is read horizontally. It begins with *expenses*, and the next three columns show *revenues* that are specific to that particular fund. This schedule shows how the government is able to fund activities before asking for tax dollars. The revenues include these items: *charges for services* (fees), *operating grant contributions*, and *capital grant contributions*. Taking expenses and subtracting the revenues leaves mostly negative numbers, which is the balance that must be paid by tax payers to balance the budget. Government usually provides services to the public that no one else wants to do because there is no profit in it.

Going across the page, you reach the column titled *net governmental activities*, with all the negative numbers. Following down the page there are the entries for *property taxes*, *franchise taxes* and other income that is not specific to a particular program. Then you will see the *change in net assets*, showing either a loss or a gain.

The center of this statement shows the *business-type activities*, enterprise funds. These funds should be able to balance the budget from the fee collections. If fees run short, *interest income*, or *gain on sale* combine to cover the expenses.

In summary, on this statement you read horizontally then vertically, add the *beginning net asset* to get to the *ending net asset*.

Governmental Funds Balance Sheet - Page 21

On this report the CAFR goes into the individual funds. This statement shows major funds only. The general fund is the only major fund that Murray has and other items are combined together. The combined items consist of the library, RDA, capital projects, community development, economic development, municipal building authority, and cemetery. In the new CAFR that will come out in the next couple of weeks, there will be another major fund. The

capital projects will be treated as a major fund. So there will be three columns and the total.

Ms. Wilson explained how to determine if something should be treated as a major fund. If it is 10% or 5% of the qualifying number then it may meet the criteria that must be considered a major fund, or the City may choose to treat something as a major fund. If there is enough interest to want to see separate numbers on a category, it may be shown as such. The general fund is always a major fund.

Mr. Erickson stated that the recent CAFR #34 changes include individual fund schedules which break out the combined *other governmental funds* on a spreadsheet on page 53, and somewhere in this document you will be able to see every fund of the City.

Ms. Wilson confirmed that by turning to page 53 you will see the assets, liabilities and fund balances of the seven individual governmental funds that make up the combined *other governmental fund* column. On page 21 the Balance Sheet contains the *assets, liabilities, and fund balance*. Then, at the very bottom right is a reconciliation that takes one from this statement to the government wide. The four numbers include the *capital assets, long-term assets, internal service funds* (service the City), and *long term liabilities* (bonds). That gives the final *net assets of governmental activities* which is the same on page 20, and on page 19.

Statement of Revenues, Expenditures, & Changes in Fund Balance - Page 22

This statement is similar to what is commonly called an income statement. The term expenditure is always used for governmental funds. In proprietary funds it is called expenses. Ms. Wilson commented that she has been giving the Council monthly revenue information. She has used the total revenues, however, she has not included the *other financing sources*, because there are items like *sale of capital assets* or *transfers in and out*. These are usually one time items that distort the monthly comparison between this year and the prior year. She will continue to send the Council the revenue that includes everything above the bottom section. This final year report does show it. The reconciliation of these numbers is on page 23, and again the numbers are traced back from previous statements. The *change in net assets of governmental activities* comes from page 20, three numbers from the bottom.

Some of the items included are depreciation, deferred taxes, accrued interest, things that are longer than the one year window, included in the funds.

Budget Funds - Page 24 & 25

These are the governmental funds where it is required to disclose the budgets. This shows the *revenues, expenditures, net changes in fund balances, and year end balance* with both the *budgeted* and *actual* figures. One change from GASB #34 is that both the *original budget* and *final (amended)* budget must be shown. This is the income statement for the general fund.

Enterprise Fund Statements - Page 26

This document contains the enterprise funds' statements, titled the Statement of Net Assets. The numbers are exactly the same as on the government wide statements. There is no reconciliation to change numbers. The enterprise funds have three statements: (1) income statement, (2) balance sheet, and (3) cash flow.

Ms. Wilson remarked that beginning on page 29 are the Notes to the Financial Statements. The Notes contain disclosures to the financial statements, such as, detail regarding changes in capital assets, changes in the debt and other interesting information.

Looking at page 53 and 54, as referred to earlier, are the individual fund details that were combined on a previous schedule. This shows the income statement and balance sheet for each individual fund. Following that, pages 55 through 64, are individual budget sheets for each fund.

The Combining Statement of Net Assets for the Proprietary Funds begins on page 65. Most of these are major funds, with the exception of golf and solid waste. The others are broken out individually.

Ms. Wilson reviewed the Statistical Section which gives some history, if one desires. These schedules begin on page 69, where the numbers from the government wide funds go back six years; that was when the government wide funds began. It will build to show up to ten years in the future. Reported is revenue, debt, and economic (performance type) information.

Ms. Wilson asked Mr. Erickson to report on the City's beginning fund balances.

Government Funds Balance Sheet - Page 21

Mr. Erickson stated that many times the question arises as to the difference between a fund balance and cash in the bank. Using the general fund as an example, short term assets amount to about \$22 million, no property and equipment or capital assets. It is strictly cash, short term investments, property taxes, receivables, and other receivables. There are *payables* and other *accrued liabilities* of about \$1.8 million and *deferred revenue*, such as, property tax receivables that relate to next year. It is not brought into the fund balance, because it will be budgeted and used next year. That is deferred revenue. There are about \$11 million in *liabilities* and about \$11 million in *fund balance*, however, some of that is reserved: \$1.8 million for *capital projects* and \$1.2 million for the UTOPIA commitment. It is in the bank account, however, it cannot be spent. Even though there are \$22 million in assets, the general fund has only \$8 million of *fund balance*. For comparison, the top line shows about \$9 million in *cash and cash equivalents*. This is a coincidence to have those numbers so closely related.

Mr. Erickson expressed how loaning money between funds effects the balance, as an example, the construction financing this year for the library project. The library fund borrowed

the money from another fund. He asked if the cash inflow increased the library fund balance. It would not because there is the offsetting liability to repay that loan. It may become an issue as the library fund is discussed in the future.

Going back to the numbers on the Balance Sheet, the general fund has \$11 million in *fund balance*, \$8 million *unreserved* and this is the amount that is available for short term needs and expenditures. Mr. Erickson also pointed out the amounts in *special revenue funds*, *capital projects funds* and the *permanent fund*, which is the cemetery.

Proprietary Funds Statement of Net Assets - Page 26

Mr. Erickson commented that in the business type funds there is a separate column for each major fund. The power fund does have some *restricted cash*, however on the top line you will see the *available cash and cash equivalents*. The total is \$11 million. Compare that to *net assets* on the bottom line. In water the *net assets* are \$15 million, however, \$10 million is in buildings and \$5 million is *unrestricted*. It is very clear in the power fund, there is \$3 million in *cash* and \$8 million in *unrestricted* and much of the difference is the amount in receivables due, \$4 million. This is part of the assets, although, it is not in the bank account yet.

Mr. Erickson expressed the importance of not just looking at the bank account, because the big picture shows the short term liabilities and receivables. All of these figures must be considered before determining what the fund balance really amounts to. Coming into the year all of the enterprise funds have healthy fund balances, a total of \$72 million, however, much of it is tied up in capital assets, about \$56 million. The City has a very healthy financial condition, although, all factors must be taken into consideration.

The 2008 audit is close the completion, stated Mr. Erickson. The review is being finalized, and the City finance staff is working on the MD&A section. It should be finalized in the next couple of weeks. Mr. Erickson will plan to return to review that most recent audit when it is scheduled.

State Lobbyist Discussion

Ms. Dunn explained that when she returned from the National League of Cities conference in Washington D. C., she presented the need to become more involved with government relations and talked about the possibility of working with a lobbyist on the federal level, subsequently, that idea expanded to the state level. At the Council retreat a discussion began regarding a lobbyist at the state legislature, and the Council members wanted to discuss this further. If it is decided to move forward, the Council would like to work in concert with the administration and consider all sides of the issue. Emails have been sent by Ms. Wells and Mr. Wagstaff to offer input, pros and cons, on the matter. Ms. Dunn opened the topic for comments.

Mayor Snarr expressed his concern about lobbying and whether the money would be

spent well. At the federal level, particularly now with the financial crisis the country is experiencing, the budget is extremely tight and that has been confirmed by Senator Bennett. He asked if there is something particular that the City would be seeking that would require a lobbyist. He added that he was asked to donate money toward funding opposition to Mountain View Corridor becoming a toll road. Now that is not an issue, as it will be built in three phases. This does not have a direct impact on Murray, however, all the municipalities exist in the valley together.

Mayor Snarr continued by stating that due to the efforts of Ms. Dunn, Ms. Wells, Mr. Wagstaff and Mr. Fountain, Murray has had excellent relationships with the legislative representatives. Beyond the legislature, Murray has good relationships with other officials and he has always felt comfortable talking with them personally. In addition, he feels that if we are lobbying for something, we may be taking funds away from someone else. Mayor Snarr pointed out that, in talking to Dave Wilde he discovered that the one million dollars earmarked in the budget for Murray will be cut back. He hopes that, at some point, the funding will be re-instituted and the City will be able to use it for the Cottonwood corridor.

The Mayor asked if there was one project in particular that we would lobby for, other than Main Street. That one project is so big Murray would never be able to do it without either state or federal assistance. Just as the overpass, at \$12.3 million, would never have been something Murray could do on its own. With the budget the way it is at the state level, items are being cut, not awarded out to cities. The highway projects have been cut by \$3.9 billion. The one major bridge project that the City is doing will be shared with the county. He asked if this would be cut.

Ms. Wells said that the \$3.9 billion in projects being cut by Utah Department of Transportation (UDOT) are projects that are funded by state funds. Senator Bennett stated that he felt the transportation funds from the federal budget would continue. She commented that the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) is completed and it will be time for a new transportation bill. There are also funds from Utah Transportation Authority (UTA). Ms. Wells said that the bridge project with the county should not be pushed back, and any project paid for with federal dollars should move forward. It is only state funding that has been cut.

Ms. Dunn confirmed that with the economy in its present condition, there will not be a lot of money to spend, however, some cities will still get funding. The other thing that has been discussed is the million dollars that will likely not be coming to Murray and if there is a chance to maintain that funding then it may be worth looking at. She said that a decision needs to be made. She advised that the City should look at it as an investment, with hope of a return, or make a decision not to do it at this time.

Mayor Snarr asked who the Council would consider hiring, because he is concerned that there may be a conflict with other cities represented by the same lobbyist.

Ms. Dunn noted that the lobbyist's other accounts is something that would definitely be considered.

Mr. Dredge asked if the lobbying done by the Utah League of Cities and Towns (ULCT) and the City internal staff has been more reactive or proactive.

Ms. Dunn said that the lobbying by the League has been both and that their efforts on behalf of the City are absolutely fantastic. It is the best investment made on behalf of Murray.

Mr. Dredge asked about the specific projects for Murray.

Ms. Wells asked Mr. Dredge to explain what he meant by projects. She added that if he means funding for individual cities, then no, they do not do that. However, on the recent sales tax issue, ULCT came to Murray to assist with that matter so that the City would come out with the best possible results. She felt that they were proactive on that matter.

Mr. Brass commented that at the Legislative Breakfast and at the Chamber of Commerce, Meet the Candidates Night, Carol Spackman Moss stated, repeatedly, that Murray gets its representatives the information they need better than any city in the state. Mr. Brass expressed that he has mixed feelings on the lobbyist matter, due to the money necessary, because of the unknown effectiveness, and because of the conflicted loyalty regarding lobbying. Unless someone represents Murray only, there will be a conflict between parties. It is a competitive environment. The legislature will be giving out money for projects, and the question is whether this guarantees us a better position. That is what must be evaluated.

Mayor Snarr asked if there was a specific project that the Council wants to work toward.

Ms. Dunn mentioned that Mr. Hill, Public Services Director, has put together a list of projects from his area. She added that other department heads might have other needs to suggest, too. The Council did discuss the fact that it is a gamble to use the efforts of a lobbyist. In addition, she realizes that it is important to decide upon a project that is important to the City and to the legislature. A large project that benefits more than just Murray City is the type of project that the Council would choose.

Mayor Snarr noted that other elected officials have had some animosity toward Sandy because they have used lobbyists to gain money. Many feel that it is not fair to work that way. He stated his philosophy that he would like what is best for Murray, however, as a Salt Lake County

resident, he also wants projects that benefit the county overall. He would prefer to see each municipality getting an equal share of money. The federal representatives look at the overall picture and figure that if money has gone to the County then the details are unimportant. He said that there is some additional money from the \$10 fee (now down to \$3). That money may be available and if a project could be identified then that might be something to go after.

Ms. Wells offered the suggestion that the City ask for a continuation of the one million dollars the City thought it was going to obtain. It had been discussed to use these funds for the Main Street corridor to start the process of the environmental work, which will cost at least one million dollars. This will help Murray to qualify for the funding the Mayor referred to. This is the direction she would go if it was transportation that the focus was going to be on.

Ms. Dunn asked the group if it favors finding someone to help the City obtain the one million dollars to utilize in the manner Ms. Wells suggested. She added that due to the time factor the discussion must be continued another time and asked Mr. Wagstaff when this can go on another agenda.

Mr. Wagstaff explained that it can be on the next agenda, however, if a decision to hire a lobbyist cannot be made, then it may be worth putting off until the following year in order to not put unnecessary time constraints on any lobbyist. He noted that there are no guarantees as to the success of lobby efforts.

It was decided to begin the Committee of the Whole meeting at 5:00 p.m. on December 9, 2008.

There being no further business, Ms. Dunn adjourned the meeting at 6:32 p.m.

Janet M. Lopez
Administrative Secretary