

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

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, December 23, 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
Robert D. Robertson	Council Member
Jim Brass	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	Finance Director
Ed Erickson	Auditor
Blaine Haacke	General Manager, Power
Jennifer Brass	Citizen
Greg Bellon	Power
Gabe Johns	Finance
Linda Hogan	Finance
Anne vonWeller	Public Services
Doug Hill	Public Services Director
Tim Tingey	Economic Development Director
Tom Steffey	Finance

Chairman Dunn called the meeting to order at 5:00 p.m. and welcomed those in attendance.

**Approval of Minutes**

Ms. Dunn called for a motion on the minutes from the Committee of the Whole meeting held on November 25, 2008. One correction was noted and with that change Mr. Robertson moved approval. Mr. Brass seconded the motion which carried 5-0.

Ms. Dunn asked for a motion on the minutes from the Committee of the Whole meeting held on December 9, 2008. Mr. Brass moved approval with one correction necessary. Mr.

Robertson seconded the motion. The motion carried 5-0.

**Business Item #1      Comprehensive Annual Finance Report Review Year  
Ended June 30, 2008 - Pat Wilson, Finance Director,  
and Ed Erickson, Auditor.**

Ms. Wilson introduced Mr. Erickson in order for him to report on his audit findings.

Mr. Erickson referred to the Comprehensive Annual Finance Report (CAFR) to give an overview of the report and focus on some of the key findings and numbers. Mr. Erickson complimented the City and finance department for their help and assistance in completion of this report. He commented that he found very high standards and ethics in working with the personnel. He mentioned the complexity of the City with many projects going on. The opinion of the auditors is in the introductory section with a transmittal letter contained on pages nine and 10. He stated, in summary, that this is a clean opinion on the financial statements of the City, which are presented in conformity with generally accepted accounting principles. The City follows all the appropriate accounting practices and methodology required for cities.

Mr. Erickson pointed out that the following few pages are the Management's Discussion and Analysis (MD&A) prepared by the finance department. He stated that on page 14 there is a comparison of 2008 with 2007 of the *Governmental* and *Business-type Activities*. This is an income statement with *revenues* and *expenses*. You can see that the City's total *charges for services* actually declined in 2008 for governmental activities. In the business type activities the number increased slightly, so overall the charges were almost even. The largest change in revenues occurred in *capital grants and contributions* which was a Utah Department of Transportation grant of \$14 million in 2007. Total revenues were down by about that amount. *Governmental expenses* were about the same of \$35.7 million this year versus \$35.8 in 2007 which was an unusual slight decline. This shows that the City is being frugal and managing the City affairs in a conservative way. *Business-type activities* declined also, so that *total expenses* were \$81 million in 2008, down from \$81.7 million in 2007. Mr. Erickson explained that there were some transfers between the governmental and business type activities. Overall the *increase in net assets* was \$16.5 million last year and \$3.7 million this year. It would be very similar except for the large capital contribution last year. So the City's *net assets at the end of year* were \$143.4 million last year and \$147.139 million this year. He called this the City's equity in its assets. This is a good high level view of the City financial position.

Mr. Erickson remarked that the balance sheet of the City is on page 19. It comes back to the same \$147 million of *total net assets* that are \$75 in *governmental activities* and \$71 million in *business type activities*. *Total assets* are \$212 million and *total liabilities* are \$65 million. In his opinion, overall the financial position of the City is still strong, even with the softening of the economy. Any government must be cautious and conservative going forward in the budgeting process and decide what resources can be spent.

The Statement of Activities is a little different format of the same numbers as on the table referred to on page 14. The fund statements start on page 21. There are the two major funds, *General Fund* and the *Capital Projects Fund*, and all other funds are summarized into one column. One item often emphasized in the *General Fund* is the *Total fund balance* which is approximately \$9 million. The *unreserved* portion of that is approximately \$5.9 million. This represents 17.5% of total revenues. Last year the City was slightly over the allowed 18% and with transfers to capital projects, the City is currently in compliance with Utah law.

Mr. Erickson continued the discussion on page 23 with the *Governmental Funds Income Statement*. The *General Fund* shows a net loss of more than \$2 million, due to the transfer of nearly \$6 million to the *Capital Projects Fund*, which was mostly spent during the year. The net change in fund balance declined \$1.8 million.

Page 25 contains the *Budget to Actual for the General Fund*. This shows the *original budget, final budget, actual amounts*, and the *variance with the final budget*. There were no departments over budget, which is good.

Ms. Wilson added some explanation to the variances shown. On the *special police services and paramedic* line item, notice \$385,000 for the start-up of ambulance service, which did not occur in 2008. In *finer and forfeitures* there is nearly \$400,000 under budget due to a change of philosophy in the courts. On page 26 the *principal on debt* was over the budgeted amount and that was because the previous administration had credited half of the sales tax debt to enterprise funds, however, because it is sales tax it would be more properly accounted for in the general fund, so the full expenditure was recognized in that category and not split. There will be a similar occurrence if more sales tax bonding is done. It will show in the general fund, however, the enterprise funds will reimburse the general fund.

Mr. Erickson noted that the next statements are for the enterprise funds, water, waste water, power, storm water, non major funds and internal service funds. There are the net assets, income statements, and cash flow statements for each of the funds. The footnotes that describe the various assets and liabilities of the City, and other items, such as retirement plans, are contained on pages 33 through 57. Combining statements and individual funds budget to actual statements are on pages 59 through 73. Every fund in the City is found somewhere in this document on a stand-alone level. Budget sheets are contained here for all the governmental funds. Enterprise funds are not required to report budgets.

Beginning on page 74, the Statistical Section goes back seven to eight years on some schedules, due to the implementation of the Government Accounting Standards Board (GASB) 34 reporting model. Other schedules show a 10-year history. He has heard that this helps with the City bond ratings.

Mr. Erickson reviewed that his firm issues a report on compliance of *internal control*

*over financial reporting* beginning on page 95. There are two matters detailed there as weaknesses in internal control. There are two matters related to compliance with various laws, regulations, and contracts. There is a report on state legal requirements on page 97-98.

The schedule of audit findings is on page 99:

- ◆ Internal control items:
  - Capital asset accounting and reconciliations are not properly maintained and generally not recorded until year end. This has gone on as far back as the 1980s. He recommends that this be brought current on a quarterly basis.
  - There are three people who record journal entries, they are proper, however, his findings are that these should be reviewed by another person. The City will adopt a policy to do so.
  
- ◆ Compliance findings are related to deficit fund balances:
  - Central Garage - This internal service fund deficit is a repeating issue, with the deficit actually growing this year.
  - The Library Fund - The major expansion was paid for by a loan from the General Fund, which gives cash in the bank and an offsetting loan. This actually reduces the fund balance leaving a deficit, probably for two to three years until the net income wipes out the deficit.

These deficits resulted in a noncompliance matter with State of Utah fund balance requirements.

Mayor Snarr asked how it works because the City General Fund lent money to the Library for the remodeling.

Mr. Erickson pointed out that the fund balance is not affected, as the loan put money in the account, however, there is the corresponding debt. Spending the money on the capital improvements reduced the fund balance. The Library does owe that money to the General Fund.

Ms. Wilson explained that to overcome this problem, the General Fund could show all the debt being paid and then have the enterprise fund reimburse the General Fund.

Mr. Erickson indicated that by law his company is required to issue a letter to the City Council regarding seven or eight audit findings. There were no matters of concern or of a significant nature in the letter.

Mayor Snarr referred to the net cash assets of the power department in the amount of \$2.6 million. He pointed out that because the Idaho contract was lost during the year, there was a \$1.6 million fiscal year deficit between the cost of services to the City and the cost of providing

service.

Mr. Erickson directed the attention to page 27, which shows unrestricted *cash and cash equivalents* of \$238,000 and *restricted cash* of \$2.4 million in the power fund column. The \$2.4 million is in two components: (1) \$1.4 million is in customer deposits that are being held for them, not technically available for operations, and (2) \$1 million is in unspent bond proceeds from the last debt financing.

The Mayor commented that in water, sewer, storm drain and power the cost of providing services versus the income brought in was fine for each fund except power. That is in the MD&A on page 15 and he wanted to stress what had happened to have that situation occur.

Mr. Erickson agreed and it shows up again on page 20, however, due to the depreciation loss of about \$3.4 million, the overall \$1.6 million loss is on paper only. He continued to express that his company has had the opportunity to complete the audit for several years and he has always felt that the City is well managed from a fiscal standpoint. The weaknesses are very minor.

Ms. Wilson directed the group to look to page 88 for the Legal Debt Margin Information. This schedule shows the debt of the City currently and how much the debt limit is. The bonded debt of the City is limited by statute to 8% of the reasonable fair cash value of property. The 8% debt limit amounts to \$418 million. The current debt is \$42.8 million. The additional amount is \$375 million. As a reminder, Ms. Wilson noted that the City does use its sales tax to fund Murray operations. The City is using 10% of debt capacity now.

Going back to the General Fund on page 21, Ms. Wilson stated that this Balance Sheet shows the cash that the City has to work with. It does not contain capital assets or long term debt, but it is the yearly activity. The first column is the *cash*, \$6.8 million, then there are *receivable* amounts, and the *note receivable* is the Sports Mall sale of almost \$2 million. The *due from other funds* of \$863,000 is the library loan of \$750,000, the central garage of \$100,000, and community development of \$13,500. The central garage had a deficit again this year, however, another payable has not been set up.

Mayor Snarr asked how much longer the Sports Mall has on its loan. Mr. Erickson said that page 44 shows there are nine years left on that. He said that it was a 20-year loan. Ms. Wilson added that the interest rate is 9%.

Ms. Wilson continued explaining the Balance Sheet, pointing out the *due from other governments* of \$3 million is made up of sales tax, \$2.7 million, and Class C roads of \$350,000. The accounting has changed when receivables are accounted for, and it will more closely fit the year. The *restricted cash* is the \$1.2 million for the UTOPIA pledge. This gives *total assets* of \$19.9 million. *Liabilities* include bills that should be paid within the next month. *Accrued*

*liabilities* are payroll and payroll taxes. *Deferred revenue* is property and sales tax.

Ms. Wilson pointed out the line items in the General Fund balance, including the *unreserved* in the amount of \$5.962 million. *Reserved for capital projects* is \$1.8 million and again the UTOPIA number shows up here. The UTOPIA number will increase to \$1.4 million and from there it will increase 2% each year. It is unknown how soon the money will actually be given to UTOPIA.

In reference to the state allowance of 18% of unreserved funds, the computation is done by the unreserved funds divided by the next year's budgeted revenue. That computation gives 15%. Usually, you would compute by comparing to expenditures. That gives the 18% figure.

Ms. Wilson asked the group to turn to page 23 to look at the income statement and the column for the General Fund. *Total revenues* are almost \$34 million. Expenditures totaled approximately \$33 million. Under *other financing sources, transfers in* were \$2.8 million, and this comprises the enterprise funds paying the General Fund for administrative duties in lieu of tax amount. The *transfers out* were \$5.9 million for capital expenses, to lower the reserve balance. The *sale of capital assets* comes to \$184,000, which includes the Sports Mall payment to the City, which is roughly \$138,000 yearly. Overall, the Fund balance was reduced by \$2.2 million.

Ms Wilson briefly mentioned the General Fund budget on page 25 which was covered by Mr. Erickson. He touched on why revenue was down and how principal was high due to accounting entry methods.

Looking at the internal service funds, pages 68 and 69, Ms. Wilson reminded everyone that the purpose is for revenues to cover expenses. The Central Garage does have an issue which needs to be evaluated at budget time. It has not broken even for some time. She suggested that the fees be increased to cover expenses or consider eliminating it as an internal service fund. In the fiscal year there was a loss of more than \$52,000. This is a "findings" issue that will be reported to the state, due to the deficit balance.

The retained risk reserve is the self insured amount of up to \$250,000, set aside for liability claims filed against the City. The City has cash of \$855,000 in that reserve fund. On page 68 there are accrued liabilities of \$200,000. This is only an estimate of possible claims. She explained that she discussed the self funding issues with Mr. Nakamura. Some small claims are paid out of the non-departmental fund until that budget is exhausted. Notice on page 69 only \$6,658 was taken from the Retained Risk Fund. This is another area where some changes may be necessary at budget time.

Mr. Dredge commented that in order to see the true magnitude of risk matters the expenses should be paid in this fund.

Mr. Nakamura said that they are looking at showing all expenses in this area.

Going back to page 28 is the Statement of Net Assets of Proprietary Funds. Ms. Wilson brought the financial statement from the previous fiscal year in order to compare the *unrestricted* amount to the current year figures, listed under *net assets*.

<u>Fund</u>	<u>FY 2008</u>	<u>FY2007</u>
Water Fund	\$6.7 million	\$5.1 million
Waste Water	\$5.2 million	\$2.1 million
Power Fund	\$5.5 million	\$8.5 million
Storm Water	\$400,000	\$243,000
Non Major	\$548,000	\$381,000

The power fund did experience the loss of the Idaho power contract which created higher expenses and the cash reserve was used to offset the deficit. With fee increases those assets are being restored to the City now. The net change of the deficit was \$2.5 million which is almost the same as the net asset change in power. The non major category consists of the solid waste and the golf fund. Page 71 contains a current year break down of the golf fund unrestricted, \$116,000, and the solid waste of \$433,000.

Ms. Wilson reviewed the MD&A found on page 11. This is where you can locate some of the highlights of the financial information. The government wide results show that City assets exceeded liabilities at the close of the year by \$147 million. Of that amount \$40 million is unrestricted and may be used to meet Murray's obligations. That is about 1/3 of the assets. On page 75, in the statistical section, there is history showing the overall fund balance since 2002. The net assets, for the total of Murray's governmental and enterprise funds, in 2002 were \$98 million and there was steady annual growth through the current year to \$147 million. Above it is broken down by governmental and enterprise, or business type, funds. There was one year of decrease in the governmental fund from 2006 to 2007. There was a decrease in business type funds between 2003 and 2004 and then again from 2007 to 2008. This gives an overall picture of how the City of Murray is doing financially.

Back on page 11, the total bonded debt decreased by \$2.8 million, or 6% during the current fiscal year. There was no new debt taken on.

Another highlight pointed out by Ms. Wilson was the fact that the net assets increased by about \$4 million during the year, this was due to administrative charges paid to the City by the enterprise funds, and because ambulance service was not begun this year the expenditures were less than revenues.

Ms. Wilson gave an overview of where the City money was spent: 15% were general

fund expenditures; public safety was 45%; highways 15%; parks and recreation 18%; library 4%; community and economic development 2%; and interest on long-term debt was 1%.

Page 15 has a pie chart showing where City money comes from: sales and energy tax 39%; property tax 23%; fees and charges amount to 14%; franchise taxes 9%, and smaller amounts from there. These numbers refer to the governmental funds only.

Business type activities are detailed at the bottom of page 15 with a decrease in net assets by \$136,000.

This concluded the annual report presentation, however, Ms. Wilson has spent some time analyzing sales tax income, and the top principal tax payers, for the first six months of the fiscal year 2009. There has been some shifting in the top ten but Costco remains the number one payer and is about three times as large as the number two company. Ms. Wilson distributed a breakdown and will post this monthly throughout the year. She thanked everyone for their attention.

## **Business Item #2      Garbage Rate Discussion - Mayor Snarr**

Mayor Snarr recently noticed that diesel fuel expenses are at the same price as four years ago. The contract with Waste Management was initiated five years ago from the end of June 2009. In the past, fee adjustments were based on the Wells Fargo consumer price index, however, he explained that the cost to pick up garbage was extraordinary in relationship to the cost of fuel. This year diesel increased to \$5.25 per gallon.

His purpose in addressing the Council was to give them an idea of where things stand currently. Murray is using some reserve funds to cover the increased expense, however, the reserves are very healthy. The Council may not want to look at a fee adjustment now.

The Mayor has talked with garbage contractors that provide service for various cities. The direction for the future is to set a base rate according to the overall costs of doing business, with a fluctuating fuel cost. He would like to rebid the garbage contract rather than extend the current contract with Waste Management. It is fairly certain that a fuel surcharge will be attached to every bid that comes back, so that the provider is not caught with fees which do not keep up with fuel expenses. The tipping fees are unknown, although, currently the costs are \$11.

Ms. vonWeller added that Trans-Jordan does not anticipate a fee increase.

He reiterated that the bid will be sent out next spring, so that garbage rates can be negotiated for the next five years. At that time, it will be necessary to make fee adjustments relative to what the service provider charges Murray. Murray has, by far, the lowest cost for water, sewer and garbage pick up of any city in Salt Lake County. We are extraordinarily low in the garbage and recycling program.



He mentioned that Ms. Dunn has made a point that some people have requested weekly recycling pick up. Mayor Snarr suggested that people get an additional recycling can to take care of that need.

Ms. Dunn said that many cities, outside Utah, have gone to biweekly garbage pick up.

The Mayor will suggest that the neighborhood clean up program be done twice a year and will include that in the bidding process. He mentioned an article which shows that Salt Lake County is offering residents the opportunity to get a second recycling can.

According to Mayor Snarr Waste Management had to be losing money on Murray garbage collection, however, with a binding contract, it had to be honored. The cost is still at \$85 dollars for a roll-off waste container, and the City charges the resident \$115. The green waste trailers are \$40 but that is subsidized by the City.

Ms. von Weller said that the trailers are in poor condition and need maintenance.

Mr. Hill added that the City General Fund does not subsidize the program. The rate payers' overall fees cover the expense, however, the actual fee from the people renting the trailer does not cover the cost.

The Mayor insisted that the green waste costs are greater than the expense of delivering and pick up of the trailers and grinding the chips. The residents need to have this explained to them.

Ms. vonWeller clarified that the specific program does not pay for itself, however, it is covered in the solid waste fund.

In conclusion, the Mayor said that the documents would be prepared to go out to bid and he feels sure that the contracts coming back will be substantially different with the possibility of a fuel surcharge added on. He does not want to constantly adjust the City rates to residents, due to this factor. A realistic price should be set based on where fuel costs may go in the future.

Ms. Dunn announced that Officer Dukatz passed away the previous Friday. The viewing would be held on the coming Friday night with the funeral Saturday, December 27, 2008, at Murray High School at 11:00 a.m. Ms. Dunn suggested a gift to the family from the Public Relations account of the Council rather than flowers.

There being no further business Chairman Dunn adjourned the meeting at 6:15 p.m.

Janet M. Lopez  
Administrative Secretary