



**BUDGET AND FINANCE COMMITTEE
MURRAY CITY MUNICIPAL COUNCIL
MID-YEAR REVIEW FISCAL YEAR 2016-2017**

The Murray City Municipal Council met as the Budget and Finance Committee on Wednesday, February 8, 2017, at the Hilton Home 2 Suites, 4927 South State Street, Murray, Utah.

Members in Attendance:

Jim Brass	Budget Chairman – Council District 3
Brett Hales	Budget Vice-Chairman – Council District 5
Dave Nicponski	Council District 1
Blair Camp	Council District 2
Diane Turner	Council District 4

Others in Attendance:

Ted Eyre	Mayor	Jan Lopez	Council Administrator
Janet Towers	Chief Admin. Officer	Frank Nakamura	City Attorney
Pattie Johnson	Council Office	Beatriz Mayorga	Attorney’s Office
Mike Terry	Human Resource, Director	Joe Canepari	City Accountant III
Blaine Haacke	Power - General Manager	Bruce Turner	Power - Operations Manager
Tim Tingey	ADS Director	Greg Bellon	Power - Asst. Gen. Manager
Craig Burnett	Police Chief	Joe Tarver	Assistant Police Chief
Justin Zollinger	Finance Director	Doug Hill	Public Services Director
Gil Rodriguez	Fire Chief	Laura Lloyd	Fire Department
Kim Fong	Library, Director	Jon Harris	Fire Department

Mr. Brass called the Mid-Year Budget and Finance Committee Meeting to order at 12:45 p.m.

Department Reviews were as follows:

Attorney’s Office – Frank Nakamura

Instead of hiring additional personnel, utilizing outside legal counsel was discussed. Mr. Nakamura said by comparison, a city the size of Salt Lake City, which has a large staff of 20 civil attorneys and 20 prosecutors, can take on litigation cases. Most smaller cities the size of Murray hire outside assistance. Murray has a total of three very good civil attorneys, however, tremendous work and time

is involved in handling litigations. Therefore, by hiring someone with specific expertise, backed by a law firm, as well as, having resources to take on these cases, is of great benefit. Hiring from outside has become the philosophy of the city, especially when there is much at stake. Because of various opinions about hiring outside council, it was important for Mr. Nakamura to address reasons for hiring outside litigators.

To avoid potential damages, a litigator was hired during 2016-2017 for two settlement cases involving police. One was a civil rights case, the other, a vehicle incident.

Given the importance and risk related to current downtown development discussions, Jody Burnett, with premier expertise in land use was hired. Having helped in the past with negotiating downtown development agreements, he worked with developers on RDA projects and assisted in the eminent domain process.

Jones Waldo was utilized for litigation. This year, hiring outside expertise was necessary for unique situations related to water and power issues, which was the case in attaining an air permit for gas turbines and for maintaining water rights.

Mr. Zollinger agreed, rather than adding staff to the department, better value is gained for the money spent when hiring a specialist for specific types of land use litigations. It's a variable cost and litigators are usually paid hourly. Mr. Hales felt it was good protection for the city.

Retained Risk

On page 65, line item *Professional Services*, which handles claims for police, fire, power, storm and waste water, reflected attorney fees of \$68,875 and liability claims of \$57,272, primarily for the two police cases. Mr. Zollinger noted the account was under budget. Mr. Nakamura said all other claims were down. It was noted that Libby Lowther had been a great help in assisting Jordan Knight with the Risk Program, adjusting liability claims.

City Attorney/Prosecution

Ms. Mayorga reported an overall flat budget for the city attorney and prosecutors' office on page 11. She noted an increase for excessive Liability Insurance, under *Retained Risks*.

Ms. Turner asked if there were any other litigation issues. Mr. Nakamura said there were none of great concern. Mr. Brass inquired about an issue on east Vine Street regarding Adam Nash and a fire at Three Fountains. Mr. Nakamura stated he was fine with the case and it would be defended.

Mr. Nicponski asked what the total combined budget was for city attorney's office. Mr. Zollinger stated it was \$925,000, which included both prosecution and civil sides.

Library – Kim Fong

The library board decided to decrease fines on overdue DVDs. Now aligned with other city libraries, patrons will be charged \$.50 per day. Mr. Zollinger referred to the *Library Fund* revenue, on page 29 where 85% of the budget was already accounted for. The majority of the library revenue comes when

property taxes are received during November and December. *Fines* are a miniscule part of the library budget, along with motor vehicle fees, however, the library functions essentially on property taxes.

Ms. Fong showed concern about the future and covering costs for any slight extra expenditure at the rate property taxes are applied. If a major problem should occur, the expenditure most likely would not be met because the library is barely making ends meet at the moment.

Mr. Zollinger added with this year's health insurance renewals increasing by only 3%, it was a win, when compared to prior renewals which had been as high as 8%.

Mr. Brass affirmed the majority of library revenue was essentially provided by property tax and the only way to get more revenue, was to increase the tax rates; he asked if this had been considered. Ms. Fong stated discussions occurred, however, the decision was made to defer while the possibility of constructing a new library was underway. However, in order to put money aside for the new building, the possibility of a property tax increase this year was an idea. Currently, the Murray library has a significantly lower tax rate, at .00042% compared with two other library systems in the valley who receive twice as much, which is a .0008% tax rate.

Mr. Brass stated once costs were determined, forming a campaign would be important to help residents who enjoy the library understand the desperate financial needs. Coming up with a plan would be similar to the situation in 2006 when an increase occurred. Which meant it had been 10 years since the last property tax increase.

Mr. Zollinger explained Ms. Fong had done a great deal to free up the budget, for instance, paying off a loan and rearranging personnel. However, the library is fully funded by property taxes and the city is almost built out with limited new growth. At some point, something must be done rather than choosing to buy fewer books.

Ms. Turner and Ms. Fong agreed a property tax increase was imperative in order to keep the library up and running. Looking at the big picture, the current percentage the library receives is very small. Estimates for an increase from .0004% up to .0006%, were noted, which was approximately \$20 per year on a \$250,000 home.

Ms. Fong said the age of the building itself should be addressed as a big concern also. Although it is well maintained, definite improvements should be made and the current budget does not allow for them. For example, restrooms are unpleasant, roof leaks have been repaired, old air conditioning units and heat systems are concerning. The hope of becoming part of the new Murray City Center District (MCCD), having the city bond for a new building, raising property taxes and allowing the library to pay the city back would be an ideal solution. It was also noted the lot the library is sitting on is not owned by the city.

Mr. Brass felt moving away from 5300 South and the Hillcrest Junior High School would be very beneficial. Traffic issues have become a concern for patrons, children and families coming and going near a dangerously busy road and intersection area.

Ms. Turner ask the cost of a new library. Ms. Fong believed the cost was close to \$10 million for a significantly larger facility. She believed with current limited space and the number of patrons visiting,

a larger library was vital. Because community needs and library programs are competing for space, having areas for both is important.

Mr. Zollinger stated there are plans to add more meeting space to the city hall and noted the Armory was a possible future location for community events as well.

Fire Department – Chief Gil Rodriguez

See page 15 and note the overall budget is balanced, however the biggest frustration in the department is *overtime*. A flat budget is typically estimated if overtime is not extreme. Therefore, the budget was slightly over due to two employees who had been absent. One has been out since late October of 2016 and it was unforeseeable as to when the officer would return. The other was out with an injury for yet another month.

Mr. Zollinger noted the general budget for *payroll* was approximately 58% and anything above that would create an overage.

The *travel and training* budget would need an increase due to a greater need for training. Conferences for Fire Rescue International (FRI) in San Antonio, Texas and other medical seminars in St. George are needed. Another medical conference was attended with grant funds, however, an increase would be beneficial for these types of conferences.

Funding for the Salt Lake Valley Emergency Communications Center (VECC) was paid for up front for the year.

Chief Rodriguez said the department is busier than ever before with call volume up over 10% from last year. In addition, last month overall calls increased another 15%.

Fires are typically outside of Murray and the majority of calls are predominantly medical related, which effects Station #81 the most. It is hard to estimate whether this increase will continue with each year. The possibility of adding an additional ambulance to meet the demand is realistic and should be considered. When looking to the future and the construction of a new fire station accommodating an additional ambulance would help with current demand.

It was noted that Station #84 is in a good location and would remain the Battalion Chief Station, which could house an additional ambulance, however, station #81 remains the busiest fire station where the need is greater.

Mr. Zollinger added, with greater medical calls, comes additional compensation providing an increase to ambulance revenue. Chief Rodriguez agreed additional costs, such as manpower, were covered due to the increased calls and the department had sustained itself very well.

The *maintenance budget* was tight this year due to an increase in repairs for things such as furnace and water heater maintenance, at all four stations. Mr. Camp added the fire department personnel conducted a lot of helpful maintenance, which helped the city's budget in a positive way.

Chief Rodriguez said looking back during the construction of Station #84, it was not long before the

need for a bigger station was realized. He would hate to see this happen again when the goal was to provide a new, efficient, main fire station that would last well into the future.

Mr. Camp confirmed Station #84 was found to be too small even before it was completed. Considerations for the new fire station are ongoing related to cost per square foot and actual projections, and an additional \$500,000 for LEED (Leadership in Energy and Environmental Design) Construction. Architectural plans are still in the preliminary stages.

Mr. Nicponski asked if a bond would be needed to build the new fire station. Mr. Zollinger reported \$4 million had been set aside for its construction, however, Chief Rodriguez was informed the projected amount might be low and bonding for additional funds could be necessary.

Mayor Eyre asked since the billing change to Gold Cross Services what the increase was in ambulance billing. Mr. Rodriguez explained there was a catch up period and new totals would be available July 1, 2017. The Chief felt Gold Cross did a very good job, had better communication and was very aggressive in getting bills out quickly.

Mr. Zollinger pointed out the year to date revenue and public safety totals in the General Fund. Compared to the prior year, which was \$643,270 revenue, versus \$999,172, in the current year. It was clear that a huge increase was seen, not only because of increased medical call volume of 15%, but also due to the new effective billing Gold Cross provided.

Police Department – Chief Craig Burnett

Chief Burnett addressed the last 12 months and the loss of 8 police officers in the near future. Five would retire, two officers moved to Seattle and one decided to leave law enforcement altogether. One retiring officer would leave in March, another in April and the rest later in the year. The department has seen a high turnover rate in the last few years, along with growth and change. There are 26 officers with less than five years of service and 39 officers with less than 10 years' experience.

The *uniform allowance* fund was concerning due to high turnover rates. The tendency has been to exceed the allowance and currently 70% of the budget has been spent. Officers are given a purchasing card with a limit of \$1,000. Problems have been discovered in getting receipts to the financing department for timely processing. An alternative option for providing uniforms is being considered for the future.

Chief Burnett felt *overtime* totals reflected in the General Fund were not accurate totals for a 6 month period in his department. With high turnover rates, which required constant hiring and training, sick pay coverage and two officers on extended light duty, due to surgery, he felt it needed reevaluating. Mr. Zollinger agreed and noted an erroneous code and would look into recalculations.

Part-time employee pay was over on budget due to a part time employee who became full-time. The part-time account was specifically designed for positions of 10 hours per week. The change in hours would be noted for future calculations.

The *vehicle maintenance* budget was high for this time of year due to an unfortunate number of accidents, where 75% of the budget had been spent. Both hit and run accidents and city fault

accidents have occurred resulting in unexpected repair costs.

The fleet had not always been in good shape over years past, but currently is new enough and in good shape, overall. Chief Burnett said it had been four years since 24 new vehicles were purchased and beginning next year, cars would be ready for rotation. He appreciated the 12 vehicles per year allowance, which was beneficial in rotation, however, this particular group of 24 cars would exhaust that allowance quickly. Therefore, he was concerned about the *vehicle maintenance* account being depleted quickly this far into the year because cars would need repair more often, as well as, over the next several years, since purchasing 24 replacement vehicles all at once was not possible.

Mr. Camp asked if the *equipment maintenance* account was utilized for office administration equipment only, such as, cameras, recording and computers. Chief Burnett said yes and explained the hope was to better document spending from the correct account. Since the new system started, accounts have been renamed and many transactions had been incorrectly recorded. They are currently working to reorganize the accounts to create more accurate totals.

The *professional and medical services* account was also depleted due the high turnover rate. The account is used for new hires needing physicals and psychological testing.

Mr. Hales asked if \$1,000 was sufficient for *uniform allowance*. Chief Burnett, said the amount should be adequate for general uniform needs. If spending was done quickly it was because purchases were made for wants, not needs. The \$1,000 was enough to purchase two or three brand new uniforms every year, including boots and frequent cleanings. He felt the allowance was generous but not excessive.

Mrs. Turner inquired about *VECC* totals. Mr. Zollinger explained an encumbrance was created in order to reserve funds for that particular expense. The bill was paid up front, liquidating the encumbrance, therefore, the account reflects 150% spending. The revised budget was correct reflecting another item that would be adjusted during reorganizing of accounts.

Mrs. Turner inquired about *alcohol money*. The funds have been utilized exclusively for years to purchase body and vehicle dashboard cameras and comes from taxes on beer purchases. This is considered grant money.

Mr. Camp inquired about the *training center supplies* account used for ammunition, targets and supplies. Chief Burnett noted it was depleted. Mr. Camp inquired about the *maintenance account* for the training center and issues regarding the age of the facility. Chief Burnett said the facility is not in bad shape considering the great number of agencies paying to use it. Funds generated go back into the General Fund. He noted replacement of the carpet might be needed due to high foot traffic.

Ms. Turner asked about Taser guns and whether there were enough of them. Chief Burnett stated there was a sufficient number and added the hope was to increase the firearm maintenance budget next year, in an effort to avoid the high cost of replacing Tasers all at once. By purchasing a few at a time, older guns are replaced on a yearly cycle. The *Taser replacement* account also included rifle and hand gun replacement.

Patrol long-rifles are 10 years old and a Capital Improvement Plan (CIP) would be considered for

replacing them. The estimated cost is \$77,000 to replace all rifles, however, trade-in values could reduce the estimated cost by one third. Ten to twelve years is not considered outdated, although, officers qualify with rifles resulting in excessive rounds. Guns are also more frequently used by SWAT team members and are rotated faster.

Mr. Hales extended his great appreciation for the Murray Police Department and noted a very positive appeal over the years, since the change of command with Chief Burnett and Joe Tarver. He said constituents have also conveyed great approval. The council agreed, the Chief was doing a great job with public relations and community policing has changed with Mr. Burnett as Chief.

Mayor Eyre asked if the *K-9 program* was up and running. The Chief said the program was doing well and the officer working with the dog was fantastic. The program was taken to the Citizens Academy and the Chamber of Commerce last Friday. Plans are proceeding for the purchase of a much needed \$900 bullet proof dog vest. State certification was currently underway at station #83, where K-9 officers from all over the state were conducting drug certification. The Chief believed the program was well worth having and attaining a second dog to join the program would be ideal and best for the new K-9 who just joined the department. He would enjoy bringing the whole team in to meet the city council because he was so grateful to have the program.

Power Department – Blaine Haacke

On page 47 the *Power Fund* revenue reflected 62%-63% used, which was slightly ahead of the anticipated 58% projected. Mr. Haacke stated the explanation for being ahead was kilowatt hour (kWh) sales are seasonal. Most usage occurs in July, August and September, and less in April, May and June. Therefore, this time of the year, the budget is frequently over 58%.

Work orders, page 49 miscellaneous, was up with 190% of the budget used. This is due to more work from contractors, such as, the new IMC Transition Center and Fashion Place Mall. The mall project would be completed on March 17, 2017.

Mr. Nicponski asked the difference between small and large commercial projects. Mr. Haacke stated if a customer is utilizing over 35kW in one month, the project is noted as a large commercial project, requiring a different rate. Costco Warehouse is an example large a commercial project, and Joe's Barber Shop is classified as a small commercial project. Residential projects do not have the demands of either. Large commercial customers are only 4% of the meter, but utilizing 50% of the total energy. That is 50 customers using 50% of the energy in the city. So, we cater to the large commercial customers because they use a great deal of energy. The top three large commercial customers in the city are, the school district, Murray City and the Intermountain Medical Center.

Mr. Bellon said Munis Software is now the inventory package for the power department and the process of reorganizing accounts is still underway. It was mentioned that some of the budget totals for revenue and spending were off and adjustments would be made accordingly.

Mr. Haacke said the power department is debt free. Some yearly expenses had already been expended in full, such as, SCADA (page 50) which was \$22,000 for substation supervisory consulting needs, Public Power Week held in September of 2016, and the Salt Lake County Street Light Program.

The *travel and training* budget is flat, however, arborist training was further pursued and several employees were sent to an arborist school. Mr. Turner is supervising, tree trimmers who are excited about getting better training, in pesticide application, shaping and customer relations. During the last big storm when many trees were broken, city arborists went beyond the call of duty in the cleanup.

Power resources, listed on page 51, was described as the bread and butter of the power department. Resources are purchased, then scheduled through the Utah Associated Municipal Power Systems (UAMPS) organization.

Mr. Bellon explained, to Murray's benefit, the city receives 30% of its energy from the Colorado River Storage Project (CRSP), which is federal power from the Glen Canyon Dam. Recently, the Murray Power Department opted out of the CRSP project through UAMPS to avoid fees. Purchases are made from Western Regional Power (WRP) because Murray can organize its own scheduling. Although prices vary, this month prices were \$26 on peak and \$22 off peak. The new resource would now provide more flexibility in scheduling and saved approximately \$364,000 last year. Normally the city would have purchased the power either from UAMPS or from other resources. Pulling WRP into the Murray resource pool has been a great decision with dispatch availability 24 hours a day, seven days a week. Loads are carefully monitored and the current result was power purchased for \$27 versus \$50 to \$60 on the market.

The *Trans Jordan Landfill* account was slightly higher at 59% but the generation has increased. Engines are burning at maximum providing more gas. Production expectations were 4.2 megawatts (MW) and the results have been 4.5MW. Any energy produced, the city buys for \$62 per MW, which is more expensive, and however, 70% is resold to Truckee/Donner. It is considered a valuable resource. A \$70 green resource would be replaced with a \$25 purchase from WRP and was also considered a green resource.

Natural gas turbines account had a budget of \$600,000, however, only \$80,000 worth of gas was generated. The resource is not used as much in July, August or September due to lower market prices. The city can generate power for \$45MWh or purchase it for \$25MWh.

On page 52 note, the *Debt Service Bond*, reflected a balance of zero. One year ago, the balance was \$8.3 million. Reserves remain at \$12.5 million and the *General Fund* transfer was noted at \$1.379 million half way through the year.

Mayor Eyre stated when bearing in mind, CRSP, the Salt Lake landfill, the Trans Jordan landfill, and natural gas turbines all together, wouldn't green power be above or close to 60%. Mr. Haacke agreed it was very close to 55%-60% green power, although the government does not consider the large hydro a renewable green resource.

Mayor Eyre asked about pole attachment fees and wondered if contracts were billed monthly or yearly for connection fees. Mr. Haacke said contracts were billed twice per year. Comcast, Qwest, and First Digital are a few who attach to city poles. Recently a request was made for an antenna to be placed at the top of a pole, above transmission lines, in order to achieve the highest point of transmission. With help from the attorneys' office, the city would like to deny the request, because the preference is not to allow connections above Murray's own lines.

Public Services – Doug Hill

All of the operating budgets within Public Services are fine with no concerns. Mr. Zollinger added with the heavy winter storms, *snow removal* affected *overtime* and the budget was increased in order to accommodate later hours into the night. Mr. Hill said the overtime allowance was almost depleted in the *streets account* and he will monitor it over the next two months. The council commended the great job city wide in snow removal.

An update was provided for *Public Works* capital projects in each division:

Streets - An overlay will take place in the spring on 6100 South, north of Fashion Place Mall. Funds remain for roads in the Wesley area, however, Lori Way would be delayed. An overlay is still scheduled for Murray Parkway Avenue. Class C road projects in the spring include: McHenry Street and Sanford Street, south of 5900 South.

Mr. Camp noted 5900 South sidewalks and ask if they would be finished in the spring. Mr. Hill said temporary asphalt would be replaced in the spring, as well as, restriping the road.

Engineering – All projects are completed. The Fireclay traffic signal installation, which was completed with RDA funds, is up and successful. Two radar speed signs have been put in place, one at Green Oaks and the other on 5290 South. Bridge deck repairs, according to a state inspections list, are complete.

Facilities – The property on 500 West would need roof repairs in the spring and funding is available. Last week the original 20 year old generator, owned by the previous tenant Dick Simon Trucking, stopped working. The concern was urgent because the generator is needed during an emergency. The supervisory control and data acquisition (SCADA) system, with generator backup is utilized for keeping waste and storm water moving. Maintaining uninterrupted services is imperative and authorization has been given for Mr. Hill to purchase a replacement generator to be installed as soon as possible. Mr. Zollinger would provide a budget opening in March and said reserves were available for the purchase. The council was in favor.

Class C Projects – The project on 1300 East which began two years ago, has remaining funds of \$500,000 and will be utilized for signal improvements including a signal for the new canal trail. There is an agreement with Salt Lake City, in principal, and designs need to be sent. Plans to walk the trail with Salt Lake City officials and the Murray design consultant are underway, where preliminary details of the trail design will be reviewed. Once attached to the agreement, the concept will be presented to the city council for approval of an Interlocal Agreement. A public meeting will be held after designs are completed, tentatively in early March, due to a number of residents along the canal opposing the project. Some have shown hostility towards the trail construction. Concerns will be addressed and a public relations firm has been hired to assist. A major consideration about changing the fencing is a great possibility. The hope is to have positive comments and communication and resolve valid concerns for those living along the trail.

Mr. Brass reminded the group about the great resistance residents had concerning the nature center along the Jordan Parkway Trail. Fear of the unknown was apparent, however, now the center is valued as a very nice amenity by nearby residents. Determining fears of concerned residents would be

helpful and mitigation could alleviate valid concerns. Ms. Turner felt it would be a great improvement due to the fact that people are walking the trail all the time as it is. Mayor Eyre stated after walking the trail, a hybrid or paved trail was discussed, allowing Salt Lake City to have good access for conducting maintenance. He wondered if the final design was the hybrid type trail. Mr. Hill confirmed plans for a 12 foot wide trail, however, he would learn more during the scheduled walk through and a hybrid trail consisting of crushed gravel could be an option. Assuming Salt Lake City would not need to dredge the canal every two or three years, which could destroy the trail, a paved trail should be sufficient which would be a better solution for all trail users, as well as, for easy maintenance.

Sidewalks - Funds of \$100,000 are available for sidewalks repairs. The list is extensive and repairs would begin this spring.

Parks and Recreation – Doug Hill

The operating budget was fine overall and Mr. Hill provided the following information:

Park Center – Besides Silver Sneakers, the Park Center is now a Silver & Fit facility, which took a couple of months to complete and provides a Medicare insurance option. The insurance companies pay the Park Center directly for memberships and is very popular among the senior population.

Fee changes at the Park Center and outdoor swimming pool would be coming to the council for approval in March. After discussions with the mayor, the park board and Mr. Zollinger a final ordinance would be planned, with a goal to simplify and unify pricing.

Willow Pond Park - The pond is stocked several times a year by the state with funding from Murray City. Mr. Nicponski asked if there had been any disruption in stocking the pond. Mr. Hill reported funding issues occurred two years ago at the state level, which may have disrupted the schedule lowering the number of fish placed in the pond. After complaints about not catching fish, additional funding was provided and the program is back on track. Warm water fish, such as blue gill are typically stocked with catfish in the summer time and trout during fall and winter months.

Mr. Hill provided updates for *Parks and Recreation* capital projects:

Murray Park Amphitheater – The contractor has worked through winter months and theater construction is on schedule to reopen in June allowing for summer events. Other parks and recreation projects were postponed in order to fund the outdoor theater renovation. The city has received \$175,000 in grants for the project. If each grant request is approved the total grant funding could be \$400,000. Without change orders on the amphitheater, other capital projects would be reinstated, including a UV Filter for the outdoor swimming pool, a niche at the cemetery and an outdoor exercise area in Murray Park, as well as, funding for the canal trail.

Mr. Camp asked if the request for \$150,000 was likely from the state. Mr. Hill is hopeful considering the number of representatives pushing for the request.

Mr. Hill said the pickle ball project, which was scheduled to open last fall, had become a struggle due to the contractor experiencing financial problems. The hope is to open in early spring, although, work continues at a very slow rate and the exact completion date is not known.

Fee Increases –Doug Hill

Rate studies would be conducted again on water, waste water and storm water to determine the increase amount since it had been five years since the last study. The results of all three utilities would be analyzed in the early spring and summer months and suggested fee increases would come to the council for approval.

The city is aware of waste water challenges since discussions related to the Central Valley Water Reclamation (CVWR) renovation project has occurred. A waste water rate increase is certain due to renovation costs. Mr. Zollinger added, in order to avoid bonding, many members of CVWR had already increased fees by \$5 per month in preparation for the state mandated renovation projects.

Water Fund – Doug Hill

It has been 10 years since the last water rate increase and overall, the *Water Fund* is in great shape.

Mr. Hill mentioned page 41 in the Budget Review Book and noted several large projects which required more information. For instance, replacing a major transmission water line on 4500 South was the biggest of all. Unfortunately the cost will be much more than anticipated. The original estimate was \$750,000 and engineers are working through details. It was discovered, due to an abundance of utility lines under the street, installing parallel pipes would need to be completed before installing the new pipes, increasing the associated costs. The area is located under I-15, from 500 west to Commerce Drive. Ms. Turner asked if the state would split the cost. Mr. Hill explained the cost would be Murray City's responsibility since it was the city's water line and was approximately 75 years old.

Mr. Camp asked what the *Water Rebate Program* entailed. Mr. Hill said Murray citizens, within Murray water service areas only, could be reimbursed up to \$100 for the cost of installing water wise toilets, faucets and shower fixtures.

Storm Water – Doug Hill

Storm Water - The same is anticipated for storm water as the analysis is reviewed. A bond for \$2.5 million was attained for storm water improvements. Three improvements were mentioned:

- Brahma-Hillside, in District 4, where flooding has occurred at the bottom of 5600 South. Two or three homes have experienced flooding. Design processing is underway.
- Clover Meadow, in District 1, where a fence post was driven through a storm drain.
- Utahna Drive, in District 4, an issue near Trax will be improved upon.

Both Clover Meadow and Utahna projects are scheduled, however, it would be two or three years before they start.

Mayor Eyre wondered since the bond funds were available, were payments going to be made for the next two or three years on projects waiting to begin. Mr. Zollinger said it would be more expensive to bond three separate times at \$1 million each, than to pay fees for bonding one time.

Golf Course – Doug Hill

The irrigation project is under construction. After time off during winter, the project should be finished by end of April. Projections were carefully made, as to how much impact the project would have on golfing fees, however, time will tell as to how accurate projections are.

The golf course had already seen a reduction in revenue prior to the irrigation project, due to a nationwide trend where golfing is at an all-time low. The Murray golf course does well because it is not subsidized, however, removing the administration transfer and other things have occurred in order to make it productive. Council members wondered why this was the case. Mr. Hill stated the National Golf Foundation reported the primary reason for the decrease was due to overbuilding golf courses in the late 1990's and early 2000's, including in Salt Lake City. A decrease in the number of people actually golfing, combined with high costs, along with the sport being difficult to learn, golf is not as popular as it once was.

Mayor Eyre inquired the total cost of the irrigation project. Mr. Hill stated it was \$2.225 million to complete and the course will be state of the art.

Mr. Nicponski asked the total budget of the golf course. Mr. Hill said the operating budget was normally \$1.5 million to \$1.6 million, but this year was just under \$4 million. Ms. Turner wondered if the golf course usually broke even. Mr. Hill said the golf course used to generate approximately \$100,000 to \$200,000 annually. Mr. Zollinger confirmed the last couple years, the golf course broke even.

Fleet – Doug Hill

There was not much to report about *Fleet*, other than ongoing meetings regarding new technologies for natural gas fueled vehicles. The city does not have any natural gas vehicles, besides a newly purchased garbage truck. Very few manufactures have natural gas as a fuel source and usually comes as an aftermarket offer, when the vehicle warranty is discontinued. Costs for alternative fuel vehicles are very expensive. Learning more about the natural gas technology would continue as the industry itself is changing. Mr. Hill met with the Governor's Office of Energy recently where he learned that in two years, every manufacturer will offer an electric vehicle that would travel 200 miles. He felt technology was changing and more choices would be offered for alternative fuels. Currently purchasing hybrids are the best option for alternative fuel. A grant was currently underway for Salt Lake City and the hope was for Murray to benefit from it.

Administrative & Development Services (ADS) – Tim Tingey

Beginning on page 24 of the Budget Review Book, Mr. Tingey outlined page by page various spending areas for ADS and noted line item issues related to the budget.

The *economic development and incentive* account reflected \$30,000 which had not been spent. Due

to codes and strict state requirements on use of these funds, Mr. Tingey planned to reevaluate the budget to reconsider the line item.

Treasures Office

The *equipment maintenance* account was higher this year due to data caps for meter reading, the mail machine, Xerox copier and postage needs. The item would be adjusted by a budget transfer and it was not concerning, however, the amount may need to be reconsidered for next year.

Credit card fees account was higher due to a large volume of credit card transactions because ADS takes more credit card payments than any other department.

Rent and lease payments, were slightly above, which related to a monthly cost for a mail inserter machine.

Recorder

Building and grounds maintenance, related to expenses at the current city hall. The roof and the boiler are concerns this year. Handling the challenge of keeping it working and finding solutions would result in extra spending.

Equipment maintenance, is based on number of copies and color copies. With another department utilizing the copier for an enormous amount of color copies, the account was over budget. The account may need to be reevaluated for next year.

Mr. Tingey highlighted the *elections* account noting a budget of \$40,000. A quote for the upcoming election cycle was recently received. The quote was \$110,000, however, the city would not typically spend this amount. The next election year is a significant expense due to the mayor's race, therefore, once the cost is determined, the council would receive the information for final approval.

Professional services was noted as 121% over budget. The percent reflected the codification of all ordinances, in order to provide updated code.

Information Technology (IT)

On page 26, the *small equipment* account appeared to be expended for the purchase of new city computers. Buying in bulk provides a lower cost and the purchases were made at the first of the year. The remaining funds would be utilized for needed lap tops and other things. Mr. Nicponski asked if purchases were for his department or the city as whole. Mr. Tingey and Mr. Zollinger confirmed purchases were for the entire city.

Government Information Services (GIS)

The *GIS, equipment maintenance*, reflected an overage, due to maintenance contract for a plotter, which was not accurately estimated at the time of purchase.

Mr. Camp asked what vehicle was being maintained, listed under *vehicle maintenance*, for \$300. Mr.

Tingey explained there was a vehicle in the GIS department, which required very little maintenance because it was new.

Building Inspection

Under *Building Inspections* on page 27, *professional services* was noted as a concern at times, due to the amount of projects in the city. For instance, the Transformation Center, the parking structure for the Transformation Center and complicated projects like Security National, would incur expenses in that account, which is used for structural engineers, in order to conduct reviews for private and city projects. The account was flat at the time, however, with numerous projects the account had gone over budget in the past. Mr. Tingey monitors the line item.

Mr. Camp wondered if plan fees collected would offset the budget. Mr. Tingey confirmed fees would help, however, it depended on the project. Mr. Zollinger agreed fees would provide revenue to offset the budget.

Mr. Zollinger wondered if the Transformation Center had pulled a permit yet. Mr. Tingey said not at this time but he expected it very soon.

Mr. Tingey explained further, due to the overall size of the Intermountain Medical Center (IMC) project, including their parking structure for the Transformation Center and the Women's Center the *professional services* account was always fluctuating. He mentioned the smelter reviews were being conducted as well, therefore, it was a difficult line item to predict this year.

Community Development

Under *Community Development*, on page 28, the *Chamber of Commerce* account was noted as being fine. Payments are made quarterly and there was one payment left to make.

The same was noted for contributions to the *Economic Development Corporation of Utah (EDCU)*, where payments were made at the first of the year and the account is expended.

Mr. Tingey added, as the year comes to a close and he looks forward to next year's budget, a big picture issue in the city was capacity within the building division. A development services manager was hired and will begin working the end of February 2017. This position will help to address capacity issues and he believes the outcome would be positive, unless, the city is overcome with additional large projects and he feels the possibility of that challenge would be wonderful. He evaluates capacity issues and addresses the situation on a weekly basis. Staff is working to get caught up with building permits and plan reviews.

Another item mentioned was with the Salt Lake Valley Emergency Communication Center (VECC) and the region changing to the Hexagon software system. While maintaining the public safety software, Spillman, as backup information, the transition is underway. Long range disc space has always been an issue with the city, which is monitored closely. Therefore, Mr. Tingey felt there were no line items in *ADS* that would need to be addressed by the council. He felt confident the department could handle expenses within their own budget.

Mr. Zollinger asked if his budgets were affected by the need for snow removal and enormous overtime. Mr. Tingey said for now everything was fine. Mr. Zollinger explained how the streets department, water department and GIS all have employees in snow removal, therefore, funding for overtime affects their budgets.

Mr. Camp noted emails alerts he received stating he had too many emails. All council members confirmed they had experienced receiving the same message and wondered how to resolve it. Ms. Lopez pointed out archiving and deleting could only be done on a personal computer and not a phone or iPad. Mr. Tingey confirmed the issue could be resolved by archiving emails on a computer at city hall and once IT staff had it all resolved those emails would no longer occur.

Redevelopment Agency (RDA)

On page 32, Mr. Tingey reviewed the *Redevelopment Agency (RDA)* budget and said Mr. Zollinger would provide further information related to the budget when he presented the finance overview later in the meeting. Mr. Tingey said the bottom line was that the RDA was in a very tight position financially, due to property purchases and development plans.

Mr. Zollinger noted there was \$2.3 million in RDA cash reserves, which seems very positive. He explained not all funds could not be used just for property purchases, some funding had specific requirements. Payments would be occurring to the school district, Central Business District, Fireclay and Smelter sites. Additionally, there are bond payments, low income housing requirements and property purchases.

Mr. Zollinger confirmed, the budget was tight and keeping a careful watch would be necessary to avoid unrestricted spending and a negative fund balance.

Mr. Tingey pointed out on page 33, the city pays a significant amount to the school district for education mitigations. They receive \$400,000 for the Fireclay area until the year 2023. In addition, on page 35, he noted \$106,000 paid to the school district for the Smelter site area until 2023. These transactions were important to show the council what the school district was receiving every year. Mr. Tingey noted the last City School Coordinating Council meeting, where there had been some grumbling from the school board members about RDA areas and when would they be finished. To his knowledge, Murray was one of the only jurisdictions that provided education mitigation amounts, therefore, he felt it was a positive agreement, which helped schools and it was his hope that the board would understand the benefits.

Mr. Tingey reported two senate bills which he felt were negatively related to RDA projects. One bill would limit what school districts have to contribute to tax increment financing. It was also retroactive to the year 2008 so the city would have been obligated for \$6 million from past years. The bill died, however, it is still under discussion. Had the bill passed, it would have ended all the city was planning for redevelopment.

This was the first year the Central Business District contributed to the new low income housing requirement of 20%. This is a program providing an avenue for the housing programs by NeighborWorks. The first major subdivision in the community will be a development off of Tripp Lane, which is where these monies are going. There are also projects within the downtown and other areas, where the funds

could be used as long as the low income provision is documented.

Human Resource overview – Mike Terry

There were no concerns in the current budget, however, one line item was over, due to an expense that was categorized incorrectly. As a result, he did not anticipate any problems once it was corrected.

With regards to Human Resources in general, Mr. Terry said the city did great work with employee compensations last year, in large part due to Mayor Eyre, the council and the department heads. In addition, several adjustments were resolved last summer and this year he did not anticipate any at all. He felt it would be a very simple compensation package this year looking at a COLA and merit combination. It would not be as generous as last year, however, he felt employees were very grateful for what had been given in the past.

Health insurance renewals would increase by 3%, where last summer renewals increased 3.5% due to the addition of an autism benefit. The autism benefit is now built into the plan, therefore, the increase would be identical to the previous year.

Overall, in general PEHP Insurance reports renewals are coming between 2% and 6%.

Mr. Nicponski noted drug and alcohol testing was city wide and wondered the cost per test. Mr. Terry said tests are done at TOSH, where alcohol tests are \$20; a drug test, where urine was sent out to a lab was an additional \$20. All new hires are tested and random testing occurs in different pools depending on the type of work employees do. The Department of Transportation (UDOT) mandates that a certain random number of employees with commercial driver's licenses are tested every year.

Mr. Terry will be including in next year's budget a request for funding to conduct an in-depth compensation survey, involving a third party consultant and bids could range from \$20,000 to \$40,000. Finding one that was all inclusive to Murray City's versatile job descriptions, location and pay levels was important. A reconstruction of the entire city's compensation package may be suggested, based on job descriptions. The results of the findings would not go into effect until the following physical year, if changes were established. Ms. Lopez wondered how long it had been since Mr. Terry had used a private consultant. Mr. Terry stated he utilizes the Wasatch Compensation Survey program himself and the last consultant report was conducted in 2008, meaning all city jobs have had the same 'grades' for the last eight years. It could be that some jobs are in the wrong range and the survey would convey those details. A survey would also tell the city how the current plan could be improved. There are many compensation methods, for example, a step plan instead of a range plan. Finding the right method for the city could be determined.

Mr. Terry reported a survey was conducted for part time employees, because the parks and recreation department has had a challenge in finding part time employees, due to retail jobs paying \$8 to \$10 per hour. The library had a starting wage of \$8 and \$8.50 and the parks and recreation was starting at \$7.50. Therefore, after surveying other cities, adjustments have been made for a higher hourly wage, however, good quality help is still hard to find.

Finance Department– Justin Zollinger

December 30, 2016 Financial Statement

Looking at page 1 of the Balance Sheet, Mr. Zollinger noted there was \$4.5 in cash and cash equivalents and \$2.9 million in investments in the General Fund. The total of approximately \$7.4 million, remained after the city paid off \$2.8 million of bonds. Mr. Zollinger anticipated ending the year with a balance of \$6.4 million, however, the funds were higher, due to collecting a full years' worth of the .2% sales tax. Typically the city has enjoyed a 4% growth year over year with sales tax, this year sales tax was only up 2.76%. This concerns him as he builds the budget for next year.

Ambulance billing as been doing well, by recouping costs more effectively.

Court fines continue to decline, and reflected a decrease by an additional \$100,000 over the prior year. In the past, 1700 citations per year were common, however, a positive change in the police policy has resulted in about 500 this year. Mr. Zollinger admitted a decrease of \$200,000 made a difference, however, he fully agreed with the police department and its relationship with the community, which is invaluable.

Building permits reflected 80% expended and would increase again, as soon as the Transformation Center pulled its permits.

Mr. Zollinger considered it a huge win overall for the city to have reserves of \$7.4 million after paying off bonds. This puts the reserves at 18% to 19%, where the maximum is 25%. The budget estimate for fiscal year 2017 was 16.5% with a recommendation to incrementally increase up to 17% or 18%. That would build funds in the Capital Improvements Program (CIP).

The *Library Fund* on page 3 of the financial statements reflected a steady budget, however, lack of growth is putting pressure on the library director. Even with only a 3% rate increase to insurance premiums, balancing the budget this year was difficult.

There were no concerns in the *Capital Projects* account. He explained at the end of the year he would transfer excess reserves to the CIP account.

The *RDA* on page 5 reflected governmental funds. When bond proceeds are received they are recorded as revenue. The total bond for the year was \$7.5 million, which included all issuance costs. Of that total \$7.4 million was cleared. The *Capital Outlay* reflected an expenditure of \$1.7 million to purchase property.

Downtown Development

Mr. Zollinger reviewed properties the city has acquired for the downtown area and broke them into three categories:

- Properties for city use may be purchased with bond proceeds.
- Properties acquired through eminent domain can only be used for public projects.

- Properties for private use may be purchased with RDA funds.

Properties purchased included: the James and Kaye Williams property, the Cvitkovich, Pierson, Hurzeler and Mathews properties, for a total of \$1.7 million from bond proceeds.

Mr. Nicponski asked what the projected cost was for all the properties. Mr. Zollinger hoped no properties would be acquired by eminent domain, therefore, he estimated spending at \$7.2 million for the downtown project. The city has \$7.4 million, therefore, he was watching the account diligently, with only a \$200,000 margin. If properties are acquired by eminent domain, more funding would be needed from the Capital Projects Fund or the General Fund in order to pay for them.

Discussions continued about other properties to be purchased. Ms. Lopez asked Mr. Tingey what the rationale was for the city deducting the costs of demolishing a property. Mr. Tingey stated there were two philosophies related to appraisals. The party who is interested in selling, desires an appraisal of current property value. The appraiser who handles eminent domain indicated appraisals are not done for use and value of a building, they are based on the value of the land itself with deductions for demolition costs. The hope is to avoid eminent domain. All offers are still negotiable and a mutual consensus is desired between the city and land owners.

Scenarios for bonding for the new city hall were reviewed by Mr. Zollinger. By bonding for \$10 million one year, then \$10 million the following year, utilizing bank qualified bonds would save a quarter of a percent. On \$20 million savings would be significant. Due to increasing interest rates next year, the strategy of bonding \$10 million within six months of each other would save on interest.

Mr. Zollinger projected a \$25 million bond, for 27 years, which would require a payment of \$1,445,000. He wondered if bonding for this amount was realistic, due to calculations based on costs over a year old. The council should also consider the sale of the court house building and the fire station, which may need more funding. He was hesitant to bond for this amount only to realize insufficient cash later on in finishing the project. According to his estimate in the new budget, the bond payment would be short by \$300,000.

Another option was to split the total construction cost into two bond issues of differing amounts. For instance, \$21 million for the first bond, requiring a \$1.15 million payment and \$4 million for the second bond. That bond for a four year term would be a one million dollar payment. He noted the .2% sales tax revenue would only be received for another 15 years, therefore, a smaller bond payment would fit into budgeting plans.

The \$25 million bond does not include the site plans, parking, landscaping, curbing, or furnishings. It would only pay for the structure. Mayor Eyre set aside \$800,000 cash for furnishings, however, inflation would still be a factor. The fire station, which was 17,000 square feet, might need to be larger increasing the cost, which would again put the city short. Getting accurate estimates are needed in order to pursue an accurate bond amount. Mr. Zollinger felt that moving forward in a particular manner was imperative, in order to avoid a tax increase. Also, pushing revenue budgets to an aggressive level was not his desire; he preferred to be frank and open with the council in order to achieve the best result.

Mayor Eyre stated if a property tax increase was necessary, he felt it should be done one time when the

library was constructed. Multiple year tax increases would not be desirable. Mr. Zollinger hoped it would not come to that. Mayor Eyre suggested setting a budget at \$21 million and not exceeding it, even if it meant eliminating a fourth floor on the city hall. All the council agreed the city should live within its means. If the fourth floor was not constructed it would mean constructing a community center elsewhere at a later date, which is the intent of the fourth floor.

Mr. Zollinger was grateful for the suggestion and new direction.

Mr. Tingey agreed with Mayor Eyre, however, his only caution was when considering the city hall building and its use, it was not for today only, but for the next 80 years. At some point, expansion space would be necessary. It was his understanding that other cities had made regretful choices only to find that 15 years later they needed to expand. He agrees setting an amount, and scaling down size, would make it easier to meet budget, however, he wanted to stress a lack a space later would be regretful.

Mayor Eyre and Mr. Brass agreed that expansion space was important.

Mr. Zollinger reported adding the fourth floor was an extra \$1 million; he felt the top floor could be framed in and left for future expansion. Mr. Tingey felt it was a wise choice to include this design feature for expansion. Mr. Brass felt, to get the extra square footage the fourth floor was the least expensive choice.

Mr. Zollinger suggested a budgeting opening using \$2 million from the \$12 million in Capital Projects Fund to design the building. Hiring an architect to get the design going, would lead to a better understanding of the entire cost. Bonds would follow at a later date in the spring, putting the project on the same estimated schedule and would allow for the design reimbursement.

Ms. Turner asked if the city already had design plans in place. Mr. Brass clarified the designs were only concept and programming designs, which were not structural or construction designs, which cost significantly more.

Mr. Zollinger asked if the council was comfortable with a budget opening in the spring for \$2 million in order to attain the architectural drawings. All were in favor and the bond would occur before fiscal year end.

Adjournment

Mr. Brass adjourned the meeting at 4:27 p.m.

Pattie Johnson
Council Office Administrator II