



## MURRAY CITY MUNICIPAL COUNCIL COMMITTEE OF THE WHOLE

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The Murray City Municipal Council met as a Committee of the Whole on Tuesday, December 4, 2018 in the Murray City Center, Conference Room #107, 5025 South State Street, Murray Utah.

### Council Members in Attendance:

Diane Turner, Chair	District #4
Dave Nicponski, Vice-Chair	District #1
Dale Cox	District #2
Jim Brass	District #3
Brett Hales	District #5

### Others in Attendance:

Blair Camp	Mayor	Jan Lopez	Council Director
Doug Hill	Chief Admin Officer	Jennifer Kennedy	City Recorder
Jennifer Heaps	Comm. & Public Relations Director	Pattie Johnson	Council Office
Steven Rowley	K & C Auditors	Danyce Steck	Finance Director
Brenda Moore	Finance	Danny Astill	Public Works Director
Danny Hansen	IT IS Technician	Rob White	IT Director
Mike Fernandez	Police Department	Melanie Sessions	Resident
Jan Cox	Resident	Chase Sessions	Resident
Jennifer Brass	Resident	Kathleen Stanford	Resident

Ms. Turner called the Committee of the Whole meeting to order at 5:00 p.m.

**Approval of Minutes** - Ms. Turner asked for comments or a motion on the minutes from:

- Committee of the Whole – November 6, 2018

Mr. Brass moved approval. Mr. Nicponski seconded the motion. (Approved 5-0)

### **Discussion Items**

**Comprehensive Annual Financial Report (CAFR)** – Danyce Steck and Steven M. Rowley

Mr. Rowley from Keddington & Christensen, LLC joined Ms. Steck to share a power point and inform the council of the audited financial status of the city as June 30, 2018. Ms. Steck was familiar with Mr. Rowley's style, appreciated his thoroughness and attention to detail because she and Mr. Rowley worked together previously on audits at Draper City, and UTA. She led the council through an outline of the CAFR and reviewed the following sections:

### Timeline

- June 30 Fiscal year end.
- Aug. 31 Close of the year with 60 days allowed to receive invoices and sales tax.
- Oct. 1 Prepare report, internal controls testing, first draft given to auditor.
- Nov. 15 Audit period. Work completed in 45 days on 11/15/18.
- Nov. 27 Held 12 days for interlocal agencies, UTOPIA and UIA. Completed 11/27/18.

### Introductory

Ms. Steck reviewed her transmittal letter, a new organizational chart, a list of elected officials, administration, and divisions; a certificate of achievement was received for last year's report, and she noted the city map was updated July 2018.

Ms. Turner noted the new organizational chart, and thought since the city attorney and Finance Director, Danyce Steck report to both the city council and the Mayor's office, a line should also be drawn connecting those departments to the city council not only connected to the Mayor's office on the chart. Therefore, she asked Ms. Steck to add the appropriate line to the organization chart. Ms. Steck said she would be happy to make that correction.

Ms. Turner said it was also important to include the appointed position of the council director to the Elected Officials, Administration and List of Divisions list, which was missing. Ms. Steck would include the position on the list.

Upon request, Ms. Steck said she would also add the city council to the organizational list as a department.

### Financial Section

#### Audit Opinion

Ms. Steck asked Mr. Rowley to begin by reviewing page nine and ten of the CAFR report to provide the final audit opinions. He reported the following:

Page nine – Mr. Rowley said his responsibility is to report managements' responsibility, in terms of, preparing financial statements and ensuring all transactions were recorded properly in accordance with the CAFR. Performing the audit includes obtaining evidence through sampling or required test work, and tracing items to documentation. Therefore, he obtained sufficient audit

evidence to form the unmodified opinion, which was read as follows: "In our opinion the financial statements referred to above, present fairly in all material and respects, the respected financial position of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information to the city of Murray, as of June 30, 2018; and the respective changes and financial position and where applicable cash flows, thereof, for the year that ended in conformity with accounting principles generally accepted in the United States of America."

Page ten - Required supplementary information was reviewed, as well as, Utah retirement schedules, pension schedules, budget to actual reporting, and other information, which was reconciled to the audited numbers, and as also covered by the final unmodified opinion. The following was noted:

Behind the blue page auditor's reports continue on:

Internal Controls - Financial reporting: Government auditing standards and accepted auditing standards require that the auditor obtain an understanding of the internal controls of the city. This determines how money coming in is tracked, and how money going out is tracked, and whether money is going to the right people and being recorded properly. Mr. Rowley said there were no inefficiencies identified. A clean opinion was given.

Compliance and Other Matters – Government auditing standards requires that auditors look at certain laws and requirements, which could have a material effect on the financials if not in compliance. Required tests were conducted on various governmental provisions, laws, and requirements and no instances of non-compliance were found. A clean opinion was given.

Mr. Rowley explained the report required by the state auditor's office as follows:

Every governmental entity in the State of Utah is required to undergo additional testing, which Mr. Rowley noted as: budgetary compliance, justice court, restricted taxes, and others. He explained within that audit guide, certain areas were tested, in terms of the internal control over compliance, which was similar to the last report. No weaknesses or deficiencies were found.

The opinion on compliance based on required testing, was noted as follows: The city of Murray complied and all material respects with these state compliance requirements referred to above or the ending June 30, 2018. A clean opinion was received on compliance.

Findings are found on page 4 at the back of the book. Mr. Rowley explained the city received one finding in non-compliance, which did not have an impact on the financial statements.

He noted the finding was issued because the final budget amendment contained no wording to allow money to be transferred out of the General Fund to insure the city maintained the maximum 25% fund balance limitation. He said generally this type of finding was issued for either being over the required 25% fund balance, or, for transferring more money than what was

budgeted.

Mr. Cox asked if the language was not included in the amendment authorizing Ms. Steck to transfer the money, was there something else that should have happened other than just transferring the money.

Mr. Rowley said Ms. Steck could have elected to leave the money, however, the General Fund would have received the finding for being over the 25% fund balance limitation.

Mr. Cox clarified, he wondered if another step could have been taken for authorization. Mr. Rowley replied often cities put language into a final budget amendment stating that since there is a delay for year-end sales, property taxes and other taxes to come in; and because it is difficult to calculate what the fund balance might be at the end of the year, a blanket clause is added to the budget amendment allowing the transfer after the year end to meet the 25% fund balance.

Ms. Steck said she should have put a clause in the final budget amendment giving herself, the authority to transfer as many funds as needed to bring the fund balance to 25%.

Ms. Turner said usually when there was movement of those kinds of funds, a budget opening occurred.

Ms. Steck said a budget opening was not possible because there was no way of knowing how much money was needed at year end. The total would not be realized until after June 22, when the years financials had been closed. She said money would still be coming in between June 30, and August 31, 2018, which would be applied back to June's income.

Mr. Hales affirmed a budget opening could not have happened. Ms. Steck confirmed.

Mr. Rowley agreed a budget opening could not be done for a year that was closed out.

Ms. Steck said she forgot to add the clause, but thought it was actually a good problem to have because it had been a while since the city hit the 25% ceiling.

Ms. Turner asked Mr. Rowley what the term 'required testing' entailed.

Mr. Rowley explained compliance testing was detailed from the state auditors guide. For example, the Open and Public Meetings Act, is a test that results in findings, as well as, findings for things like failure to post agendas to the Utah Public Notice Website at least 24 hours in advance - in addition to posting specific minutes. He said in terms of testing correct dollar amounts, financial statements were reviewed with supporting documentation to verify cash validity, by comparing bank reconciliations, investments, cash balances and debt totals, and confirming with banks externally, so that nothing was taken at face value.

Ms. Steck confirmed thousands of documents are uploaded and sent to auditors every audit period. She favored Keddington & Christensen because they test offsite, have a vaulted site, and

do a thorough job in a weeks' time.

Financial Section continued...

Management Discussion and Analysis (MDA) Pages 15-89 - Included high level information about year to year comparisons, discussions of each fund, changes to the General Fund budget, capital assets and long-term debt, economic factors, and next year's budget; government-wide statements, governmental, proprietary fund statements, and notes to the financial statements. (Page numbers will be different on the electronic version.)

MDA (page 15) - Mrs. Steck explained the first two columns on the balance sheet compare this year to last year. Governmental assets include: The General Fund, CIP, cemetery, library and RDA Funds. Remaining columns would summarize all funds. A significant change was noted in net pension liability. Last year the fund was \$15.2 million and decreased to \$10 million this year. URS investments had a decent year and liabilities decreased as a result.

Income Statement (page 17) - Revenues and expenditures for governmental, business type activities, and overall.

- Revenues decreased from 2017 to 2018 by \$1.9 million, due to the 2017 receipt of \$1.5 million for the amphitheater from Salt Lake County.
- Expenses were less than half a percent different. She noted when county funds of \$1.5 million were deducted, revenues were \$400,000 less than the prior year, total expenses were up \$400,000 and transfers were down \$40,000 to point out movement.

Mr. Nicponski noted sales tax revenue growth was 4.5% and ask the dollar equivalency. Ms. Steck said it was equal to almost \$1 million or \$900,000.

Fund Analysis (pages 19-21) - Details specific to each fund were noted related to how each fund performed and functioned overall.

Changes in the General Fund (pages 22-23) - This section reflected an overall detailed list of budget amendments the council approved last year.

Capital Assets and Long-Term Debt (pages 23-24) - Year to year comparisons.

Mr. Nicponski asked the city's overall bond obligation. Mrs. Steck said bond obligations totaled \$22.9 million.

Mr. Nicponski confirmed \$5.6 million allocated for the new fire station and asked if remaining obligations were related to Water Fund bonds. Ms. Steck noted bonding was used for property acquisition for the downtown development, which occurred in 2009, 2014, 2016. She added governmentally the city owes approximately \$13.2 million and utilities owe about \$9.7 million.

Mr. Nicponski ask the maximum level allowed for bonding, based on the city's budget. Ms. Steck

was only aware of two entities that had hit their bonding capacity, which was UDOT and UTA. She stated the city was not even close to accumulating its legal debt limit, which was approximately \$516 million.

Economic Factors (page 24)

- Unemployment rate - 3% versus 3.3% last year.
- CPI - Increased 2.7 nationally, and 3.6% in our region. The 2% COLA adjustment was implemented.
- State-wide Sales tax revenue increased 6%, which reflected strong consumer confidence in Utah.

Next Year's Budget (page 25) - Ms. Steck noted increases next year would occur for property taxes and sales tax rates, which partially comes through the transportation tax.

Statements of Net Position (pages 27-28) - Overall governmental funds included the General Fund, CIP, Cemetery Funds, and RDA. Business Funds are in a separate column.

Mrs. Steck said total revenues and what Council is responsible for, is listed under the government-wide statements, which is almost 50 million dollars.

Governmental Fund Statements (pages 30-36) - Each government fund noted separately.

Proprietary Fund Statements (pages 38-43) - Ms. Steck said the General Fund hit the maximum 25% fund balance allowed at the year end, which totaled \$10.33 million.

Notes to Financial Statement (page 45) - Ms. Steck highlighted the following Notes:

- #1 and #2 Summary - Including accounting policies, history, and form of government.
- #4 Cash Position - Cash and investments totaled \$64.8 million.
- #5 Receivables - Property tax revenue, and sales tax was noted.
- #6 Interfund Transfers - Described as transfers between funds.
- #7 Interfund Loans - Outline of loans between funds. The Power Fund made a loan to the golf course for a new irrigation system and the purchase of new golf carts.
- #9 and #10 Joint Ventures and Agreements - UTOPIA, UIA, UAMPS, Central Valley Water Reclamation Facility and Trans-Jordan Landfill.
- #12 Debt Information.
- #18 Fund Balances - A reference chart was included.
- #19 Prior Period Adjustments - For example, absorption of DEA employees, as well as, Central Valley Water new ownership calculations giving the city \$1.3 million in additional ownership.
- #20 Subsequent Events - Transactions of influence to investors that needed to be outlined, which occurred after the year-end, such as:

- Low interest Water Fund loan

- Investment in UAMPS for the Carbon Free Power Project
- The purchase of the school district property
- The utility billing error
- Intention to issue debt in the next fiscal year for the new city hall

Mr. Nicponski asked Ms. Steck if she thought a recession would occur in the near future. Because revenues increased would those funds be considered a one-time resource. Also, he was concerned the city burgeoning its budget with more staff.

Ms. Steck said she thought a recession would be coming, and more staff was burdensome. Resources to pay employees would come from the property tax increase, which was why the increase was implemented. She said the majority of excess sales tax revenue would be transferred to the CIP. She said it was itemized for vehicle maintenance, which is what created the initial backlog of maintenance projects. She noted all revenues are for taking care of the city by providing services, however, excess monies like the .2% local option sales tax, would be dedicated to one-time projects in the CIP.

Ms. Turner noted a time constraint for Ms. Steck to complete the CAFR presentation and suggested she return again to finish during another Committee of the Whole meeting. Ms. Steck agreed to return.

### **Reports from Representatives to Interlocal Entities**

#### **ULCT - Legislative Policy Committee** – Dale Cox

Mr. Cox reported the following and discussed major focus items:

#### **Housing Affordability**

The issue is affecting the city. The Commission of Housing Affordability, which consists of 21 committee members, and two ULCT representatives will draft a bill for the next legislative session. The committee will issue direction and completed a survey to help form advocacy. He said the legislature does not realize what the cities are already doing.

The ULCT supports city initiated accessory dwelling units (ADU), and Murray already adopted code to review zoning regulations and processes to facilitate housing where infrastructure and transportation supports development. They also support House Bill 259 – The moderate-income housing plan that supports inclusionary zoning where appropriate, as well as, State and federal policies that ease labor and material costs and approve wages.

The ULCT opposes legislative efforts to preempt local authority over land use, a one-size-fits-all approach and reduction in existing local revenues.

Mr. Cox read the 2019 draft Legislation from the Commission on Housing Affordability: “The draft bill of the commission adds to the foundation of HB 259 and SB 136 in two main ways: (1) adding

elements to reinforce transportation-efficient land use into cities' general plans; and (2) providing specific strategies (menu items) cities must consider adopting in the Moderate Income Housing plan."

He said after Operation Rio Grande took place, part of the homeless problem was not just the focus on affordable housing because opioid addiction and high unemployment among that population needed great attention as well. He said it would be interesting to see how it all turns out.

#### Firefighter Retirement and Tier 2

A working group was formed to look at the issue. There was a shortfall in the fund for firefighters' pensions funded partially by a tax on homeowner's fire insurance. He said a clerical mix-up occurred in the tax commission, where money was not allocated properly in the last three to four years, therefore, pensions are underfunded.

#### Water Update

A proposed constitutional amendment is in the works that includes a drinking water proposal for cities to maintain water systems in master meter complexes. Extra territorial jurisdiction can protect 15 miles upstream, and 300 feet on either side and there are rules for retail customers outside a city's boundary. For example, if more than 10% of connections are outside, they must have an advisory board reporting to the city council.

#### Other interim issues included:

- Billboards – HB 361 consensus on process.
- Fine Amendments – HB 336
- Food Trucks – Best practices and taxes.
- Alcohol – 2017 HB 442 Implementation; including DABC licensing, and reduction in proximity of restaurant licensee to a community location.

#### Auditor Alert

Recommendations were noted from the Government Finance Officers Association concerning fees for the cost of providing services. He said the issue would affect the city greatly.

#### **VECC (Valley Emergency Communications Committee)** – Dale Cox

The Unified Police Department relocated to the VECC complex. The move will provide better service when citizens call 911 because dispatchers are located in the same facility. Response time is expected to be much faster.

The Hexagon system is still a work in progress to provide a valley-wide system for dispatch and



record keeping. Delays continue, due to breach of contract and negotiations to resolve the matter of meshing systems correctly. He noted the CAD system would be ready to go on-line in April 2019.

**Association of Municipal Councils** – Brett Hales

Mr. Hales reviewed what the group of city council members discussed the last few months.

June – Mayor McAdams came to discuss transportation taxes, homelessness, and Global Cities. Global Cities would allow local decision making on zoning, while still allowing municipalities to contract with the county for services.

July – Preston Cochrane presented “Shelter the Homeless”, which involves resource centers with internal courtyards, where clients would have a bed for a certain duration of time. Each facility would house a nurse manager and offer mental health services, have kitchens, and only residents receive services and meals. Money was awarded from the legislature to support these services, and private funding is also accepted.

August – ADU presentation. Mr. Hales noted pluses and negatives about this type of housing. Challenges were parking, code compliance, renters in owner occupied areas, residents not in favor, and city administration. Benefits include renter affordability, age in place, new housing stock, urban renewal, social assistance at neighborhood level, better use of existing infrastructure, and property rights.

September – Blake Thomas, the Salt Lake County Municipal Economic Development Director, discussed RDA Tools. The presentation was about various RDA projects in the Salt Lake City area.

October – Utah League of Cities and Towns presentation. Mr. Hales was unable to attend due to surgery.

**CVWR (Central Valley Water Reclamation)** – Jim Brass

Mr. Brass said things are going well at CVWR and the organization is staying within their bond parameters. Most meetings entailed discussions related to the plant rebuild, which is a long-term process. Another project noted, and well overdue, was the rehabilitation on influent channels.

Mr. Brass suggested touring the plant to gain understanding of the rebuild, which was taking place around the entire existing plant that continues to operate daily during reconstruction.

He explained rehabilitation on influent channels was a process to remove hydrogen sulfide, which eats away at the concrete lining of pipes. He described in detail the challenges to reline existing pipes with new pipes, to prevent future breakdowns, and give pipes a considerably longer life. He noted the procedure took place while solid waste was flowing through existing pipes.

The Granger Hunter plant is extending the power generation tunnel. Tunnels running beneath the entire facility would switch over to methane gas, created by the plant process, to power the plant and become a net zero facility. Because two complex generators must be installed, a new building and the new extension are required for all piping and plumbing that exit below. Mr. Brass noted the end result would mean lower power bills.

Two new secondary clarifiers are almost finished, and only two sections remain unfinished, which would connect to the new channel.

The overall nutrient removal project is 60% complete on design, which is how the plant will move forward to remove nitrogen and phosphorus. Task orders were recently approved, which would bring the project to 90% completion, and a contract was approved for the cogeneration, to install the generators.

#### **Chamber of Commerce** – Jim Brass

The annual Gala event was cancelled this year, regrettably for lack of interest. As a result, a board member created a new fund raiser called *10-40 Responding*. Funds raised are allocated to an account specific for first responders who find themselves in need of counseling. For example, funds could be used by firefighters who handled a recent fire on 700 West that claimed two lives, as well as, for those who handle fatal car accidents. The sold-out event was held at Salt Lake City's Hotel RL. Well attended, Murray's Deputy Chief Officer, Joe Tarver and Battalion Fire Chief, Jon Harris were recognized. Representative Chris Stewart was present and spoke at the event.

The Partridge Group was noted as an organization that specializes in counseling first responders, and funds are currently available for Murray police and fire fighters. Funding for other jurisdictions in the future.

#### **WFWRD – (Wasatch Front Waste and Recycling District)** – Jim Brass

A large problem for trash collection is recycling. China's recent restrictions limit contaminants allowed inside recycling cans - to nothing. As a result, it is critical that recycling items be carefully prepared and monitored before they are placed in cans. Mr. Brass stressed pizza boxes are not allowed due to grease absorption, which absolutely ruins the paper recycling process. If one oily pizza box is placed in a recycling can, the truckload becomes contaminated and the entire load ends up at the dump – not the recycling facility. Plastic bags are not recyclable and are even more detrimental to recycling because they damage equipment.

New markets are being considered for recycling plastic in general- not just plastic bags. Cardboard recycling is making a comeback and aluminum is doing well, along with other metals. Mr. Brass said "if in doubt, throw it out" when unsure about what material is recyclable. Detailed information about proper recycling is listed on the WFWRD website.

With so much contamination, Mr. Brass said people often wonder why continue to recycle. He explained the Trans-Jordan Landfill is close to capacity, which is where Murray's garbage is dumped.

Once that landfill is full, the city's garbage would have to go to the west side of Utah Lake, in south Utah County. This means farther trucking miles, increased fuel costs, and a higher cost for disposal overall. He affirmed careful continued recycling delays that situation; the more debris going to the recycling plant, the longer Trans-Jordan would last.

#### Transfer Station

The county agreed to fund the transfer station on 3300 South for one more year, and an RFP would determine who would run the facility. WFWRD declined to respond when Salt Lake City changed the rules and it was no longer financially viable for them. If the transfer station is closed, garbage fees could increase \$1 or \$2 per month because waste would be transported to the dump.

Murray City educated residents about proper ways of recycling in the Murray Journal, on social media, and with various distributed flyers. Mr. Brass thought information scribed on adhesive backing, placed on the inside of recycling lids could also provide additional insight. He noted because items that cannot be recycled are mistakenly put into cans, 52% of material ends up at the dump. He said WRWRD went from making \$500,000 per year from recycling, to paying \$300,000 per year, due to recycling costs. This was an \$800,000 shift and the only way to make up the difference was by raising fees.

#### **Proposed Rezone at 6233 South Fashion Boulevard** – Jim McNulty

A map was shared to notate the property in District #2 that has been kept by the current owner since 2011. The vacant parcel was previously a single-family lot within the R-1-8 zone. Mr. McNulty said the neighborhood was built out, and multiple inquiries had been made about the property, but without additional public frontage along Fashion Boulevard, the only potential is a subdivision.

The General Plan adopted in 2017, showed the land use map reflecting the area as low-density residential. Mr. McNulty explained under the current subdivision ordinance, a builder could buy the property and create a five-lot subdivision. However, property owners to the north, would not allow anyone to access the property by using their private lane. Therefore, the reasonable result would only allow for two lots. Photos depicted Fashion Boulevard, the private drive, the parcel of 0.88 acres, houses to the north and a dead-end road, terminating into a private drive.

Mr. McNulty explained the rezone request to an R-N-B zone would allow the construction of a new facility at the location. The Smith family/applicants owned a Murray dental business for 35 years, located to the north of the site. Their wish was to remain in Murray by relocating to the lot, and rebuilding when their existing lease expired.

The planning commission held a public hearing, and recommended approval to amend the General Plan Land Use Map amendment and the rezone; however, Murray staff recommended denial for both, because the General Plan is only one year old, and the map depicts the lot as low-density residential.

Six residents in favor of the rezone attended the planning commission meeting, and two residents

shared comments. A petition was shared depicting favorable signatures, which the Smith family circulated in the area. Mr. McNulty noted the four private lane owners did not sign it. In addition, Alan Jenkins, who is a private lane owner and lives at 6227 South, also created a petition opposing the project, which was signed by many who did not want to see their neighborhood change.

The council would hear both sides, examine both petitions, and consider the rezone and amendment to form a final decision at a public hearing during a council meeting next week.

Mr. Brass is fond of R-N-B zones; however, he did not consider any parcel along Fashion Boulevard fitting for that category. He said the road was not a major artery even though it runs along the Fashion Place Mall. He drove to the lot, considered the R-1-8 zone and homeowners directly near the parcel, totaling 10 residents. He considered signatures against the project and viewed the established, existing, old neighborhood. Therefore, he was concerned the rezone would have major impact, and shared another important purpose of the General Plan - which was to preserve neighborhoods.

**Announcements:** Ms. Lopez made several announcements related to coming events for the council members.

**Adjournment:** 6:13 p.m.

**Pattie Johnson  
Council Office Administrator II**