

Murray City Municipal Council Chambers Murray City, Utah

The Municipal Council of Murray City, Utah, met on Tuesday, the 3^d day of June, 2008 at 6:30 p.m., for a meeting held in the Murray City Council Chambers, 5025 South State Street, Murray, Utah.

Roll Call consisted of the following:

Krista Dunn,	Council Chair
Pat Griffiths,	Council Member
Robbie Robertson,	Council Member
Jim Brass,	Council Member
Jeff Dredge,	Council Member - Conducted

Others who attended:

Daniel Snarr,	Mayor
Jan Wells,	Chief of Staff
Frank Nakamura,	City Attorney
Michael Wagstaff,	Executive Director, Council
Craig Burnett,	Assistant Police Chief
Doug Hill,	Public Services Director
Carol Heales,	City Recorder
Gil Rodriguez,	Fire Chief
Patricia Wilson,	Finance Director
Blaine Haacke,	General Manager, Power Department
Dan Stireman,	Energy Services Manager
Janie Richardson,	GIS Coordinator
Tim Tingey,	Community Development Director
Erin McShay,	Valley Journals
Citizens	

A. OPENING CEREMONIES

1. Pledge of Allegiance: Jack Steed, Young Mens Group
2. Approval of Minutes, two sets: April 28 and May 05, 2008

Ms. Dunn made a motion to approve the minutes of April 28th, 2008
Ms. Griffiths 2nd the motion.

Voice vote taken; All Ayes

Ms. Griffiths made a motion to approve the minutes of May 05, 2008
Mr. Robertson 2nd the motion.

Voice vote taken; All Ayes

3. Mr. Dredge invited the attending Boy Scouts to stand and introduce themselves, their leaders, and state what merit badges they are working on.

B. CITIZEN COMMENTS (Comments are limited to 3 minutes unless otherwise approved by the Council.)

Ray Kromar, 5978 Lupine Way, Murray Ut

Mr. Kromar stated that Lupine Way is one of the streets that border Highland Lake. He noted that he is a member of the Highland Lake Homeowners Association. Highland Lake is a small lake that was originally spring-fed, and is now fed by the Tanner Ditch; water comes from Little Cottonwood river, behind the Home Depot on 7200 South and 1300 East. It flows all the way across the valley and into this lake, which is approximately 1200 East and 5900 South. As a lake owners association, there are 26 homes on the lake; they maintain weirs into and out of the lake, they pay dues, and maintain the ditch between Home Depot and there. Everyplace that it goes under the street there are grates which they also maintain.

As such, he would petition the Council to consider the members of Highland Lake Association, exempt from the flood waters tax (Storm Water tax), because they provide the service for the City.

C. CONSENT AGENDA

None Scheduled

D. Public Hearing(s)

Staff and sponsor presentations, public comment and discussion prior to Council action on the following matter:

1. Consider an Ordinance adopting the final 2008-2009 Fiscal Year Budgets for Murray City including the Library Fund Budget.

Mr. Dredge, as the Budget Chairman, said: as we go forward with our intent of our budget this year, our main and overriding intent would be to use prudent fiscal responsibility with the trust they have been given by the people of Murray to judiciously use their funds. It is always a difficult process to go through, and identify where best to use those funds. He would say that the Mayor and his staff have done a great job in going through and conservatively estimating this next years revenue, as they have been facing a somewhat of a down turn in the economy. Not quite so drastic here, but we do not know what we will see in the future, but they felt that even with some of the development, some of the good things going on, that a conservative approach would be appropriate.

Mr. Dredge continued: if he were to sum up what they have intended to do, as a hasty generalization, it would be to make some of their employees whole. Over the last few years, Murray's policy towards raises and such has caused the employees to fall a bit behind, what other cities are paying, and our employees are the greatest asset to

the City and they want to make sure that they are not enticed to go other places. They also want to be fair to the employees; they work hard, do a good job, and they need to be compensated fairly. This year, there is some money in there to catch them up towards a more reasonable measuring toward their peers in the industry.

Murray has some roads that are in serious need of repair; even if we had ten times the money that they have available, they still couldn't fix all of the roads, but they have taken a concerted effort to fix some roads - going as far as to take some money out of the reserves to fix roads. It was felt that with the price of oil, the price of road material going up, it was better to invest some money today and do what we can.

In honor of the Fire Department, some money has been spent on them. We will have a nice new fire engine in a couple of years. In summary, we have sought here, to do those things that we felt would best serve our citizens.

With that being said, if no one has anything to add, Mr. Dredge turned the time over to the staff for any presentation that they may have.

Mr. Dredge added that the Council will hear public comment tonight, but will not make a vote on this until next week.

Ms. Wilson, Finance Director added that she believes the budget, as presented, is done conservatively and fiscally done, as best they know at this point, with the estimates that they make. She said that she appreciates the help of the Council in setting the priorities in good ways.

Mr. Dredge clarified, for the audience, that the Council has been through several hours and days of review of the budget to this point, and even with that, they do welcome any input on the budget as it has been presented to date.

Ms. Dunn mentioned that along with the budget, one of things that they have done is to look at the not-for-profit agencies that they assist each year through either waiving fees, or helping in some way. That is part of the budget process, to look at them as well, and they have created a list of programs that the City assists by waiving fees.

Public Hearing opened for public comment

No public comment given.

Public Hearing closed

Council consideration of the above matter will be June 10, 2008.

2. Staff and sponsor presentation, public comment and discussion prior to Council action on the following matter:

Consider an Ordinance amending Chapter 15.20 of the Murray City Municipal Code relating to Electrical Regulations.

Staff Presentation: Blaine Haacke, General Manager, Power Department

Mr. Haacke indicated that the City has a \$50 million budget, of which \$38 million is for the Power Department. We are an enterprise fund of the City, which means they have revenue and expenses; the major part of the expense for the Power Department is the resource cost, or where they buy or generate their power. During this past year, they have seen significant increases in their resource costs, and that is why they have come to the Council via the Mayor's proposed budget for a rate modification in the residential, commercial, and all electrical rates of the City.

When they tried to balance their budget, with last years numbers versus this years, they came up with this deficit, or shortfall, of \$2.4 million. This means their resource costs and their needs to buy power on the market had increased almost \$2.5 million from last year. In previous Committee of the Whole meetings and correspondence with the Council, they have tried to detail where those increases were. For the record, he would like to detail some of those tonight:

One of the reasons their resource costs went up from \$20 million last year, to \$22.5 almost \$23 million this year was because of a loss of a contract from the Idaho company. This was a contract that the City had for upwards of ten years, that allowed the City to buy power from Idaho at a fairly good rate. By losing this contract, and they did try to renegotiate with Idaho but they weren't willing to give them the deal that they had ten years ago, they lost 8% of their energy mix. The City had to come up with 8% of their kilowatt hours from somewhere else; as they went through the market to find out where to buy that, they were able to buy some energy from elsewhere, or proposed to buy energy form elsewhere, but at a much higher rate. The good thing about the Idaho contract was that it was patternable, meaning they could buy it on the hour whenever they wanted it, to what amount the wanted, between three and ten megawatts. Between the low load hours, they bought it very little, and during the high load hours we bought quite a bit; at a rate of around \$45 per megawatt hour. Ten years ago, that was expensive, but nowadays that is pretty cheap energy.

As they looked into where they would come up with 8% of their energy mix, they knew some of the options they had; they had a call back of some coal fired resource down by Delta, Utah that they had some equity ownership in, (the IPP plant) they also had their gas turbines in their back lot that they could run, or, they could go to UAMPS and buy that. They determined that replacing the Idaho resource would cost them \$950,000 for the same amount of energy but at a higher cost. That is one of the reasons they can't absorb that in their budget, and they couldn't with their last years numbers.

The second reason that their wholesale power costs have gone up is because of an increase in their federal hydro energy from the Colorado River Storage Project. These are the dams

on the Colorado River; the Flaming Gorge Dam, Lake Powell, and some other, smaller dams in Colorado. This is federal energy demand that they had entered into contracts with back in the mid 60's. This energy came in around \$25 per megawatt hour; the federal government is proposing a 16% rate increase for that, and that hits the City to the tune of about \$400,000 more than we were paying for energy last year for the same amount of energy. So, we have \$950,000 from Idaho, \$400,000 from the CRISP resource increase; they are having to come up with around \$1.4 million more. There are other cities in the state that are also going through this process at this time, a rate modification; even Pacificorp/Rocky Mountain Power is in front of the PSC with two different rate hearings going on simultaneously, so Murray is not the only one out there looking at rate increases.

Their system growth has been 2 ½% outside of the hospital complex. This means that the citizens of Murray are using more energy, more electricity. He used the analogy before about the plasma TV: it is a fairly energy using appliance, something we didn't have a few years ago. All of us have appliances that we are using more often, or more, or bigger or better. These are kilo watt hours that we didn't have to buy last year, but are having to buy this year. We are having to buy them at the IPP cost, which is around \$55.00 per megawatt hour. More energy, more expensive energy.

Lastly: the hospital complex itself is a 50,000 megawatt hour load that we did not have last year. Since October of last year, they are continuing to add to their load; the high rise complex will soon be built and will add to the load as well. Right now, they are seeing about a 7,000 kwh load, which was not seen last year and a 50,000 megawatt hour, the energy and demand component of their power bill. To serve the hospital complex, they are having to recall IPP resource at about \$50 - \$55.00 per megawatt hour.

All total, with those four reasons that their resources went up in price, they have had to come up with \$2.4 - \$2.5 million more to make their budget match, or neutralize. For every 1% that they raise rates, they receive about \$275,000 from the customers; they propose a 9% across the board rate increase to all of the rates. The residential, all electric residential, small commercial, large commercial, ultra large commercial, government rate, outdoor security lighting rate and one other rate. They are proposing a 9% average for the year, starting July 1st through June 30th of next year. As they talked to the Mayor and the Council about how best to implement this rate increase, they thought it best to do it in two phases, so that right in the middle of the air conditioning load, meaning July, August and September, they didn't hit their citizens with a 10% rate increase right off the bat.

The proposal came to them, and they recommend, that they do a 5% rate increase starting July 1st, and then 5% additional rate increase on October 1st. This would give a three month period for the air conditioning load to drop off, and hopefully not be such an impact on the citizens power bill. This would be for customer charge, energy and demand charges. The result at the end of the year, would be a 10% rate increase, but what they needed from the Power Department's perspective was a 9% for the year. But, because they have done this in a 5% tier, they feel comfortable that the 9% revenue that they needed will be received. They are a little bit short, according to their calculations, but the 9% is close enough for them.

In addition to the two 5% rate increases, their proposal also would institute an additional 3% rate increases starting October 1st, 2009, 3% on October 1st, 2010, and 2011. The intention of this is to give them the resource needs for upcoming years; the projections they have are going up and up, and anytime you see natural gas prices go up in the news, it hits Murray City right in the belt because of the natural gas turbines, and it costs the City more. Perhaps it isn't kosher to blame everything on the fuel crisis, but it is affecting Murray in a big way; not only with our gas turbines, but on the spot market. The electrical rates seem to follow the spot market hand in hand.

During the time frame of 2011-2012, you might say, why do we stop the 3% proposal for the annual rate increase; it is because in 2011-2012, our Hunter Power Plant debt drops off. This is about \$200,000 per month that we are paying for this coal fired plant. When that drops off, theoretically, we will have that money to put towards other resource costs. That is a lot of water to go under that bridge; he is not saying that is going to be the case, but that is their projection, and it will help them out quite a bit.

Part of their proposal would be that starting July 1st, 2008, they raise rates the 5%, but they also put the SCA (Supply Cost Adjustment) on sabbatical, or suspend it for three months. Being that if they raise rates, they don't see the need to also hit the citizens with an SCA; that is an emergency clause, that through a line item on the citizens bill, recapture some of the costs for extraordinary resource costs that they may incur; such as a plant going down and the City having to run out and grab some energy on the spot market. During the September-October time frame of this year, they intend to come back to the Council to talk about the SCA once again, and the timing of the re-implementation of that. They are going to have to come up with a different number. On the SCA, the threshold is \$40.00 per megawatt hour; if our average cost per month on the resource costs go over \$40.00, then the SCA is initiated. No longer is \$40.00, in the utility market, big enough; we would be coming back to the Council every month if that were the case, so they will be back in September or October, and talk about a new number to put back into the Ordinance. This would be Schedule 30; they do not anticipate it to be above \$40.00, but he does not know what that number will be.

Their thinking is, that during the next couple of months of summer, they are going to be able to feel where the market is going. They are seeing natural gas prices projected to be \$12 - \$13 a decatherm; they saw it in the \$1 -\$2 range last year. If that is the case, he is not going to sleep well at night. That is why they need the extra time to come back to the Council with that.

Finally, in the Ordinance, under Schedule 15, there are a few housekeeping items that they are going to propose. There is a clause that they are going to throw out, they don't know why it was put in there as it seems unnecessary, as they have no customers that are even close to that clause.

This is a new experience to them; the last rate increase that the Power Department had was in 2004, which was a 2% increase. Before that, they had a fairly sizable one in the 2001-2002 area. He hopes they can make it with the proposal they have with the 5% and the 5%, and the additional 3% the next few years; he hopes not to come back for a while.

Mr. Haacke thanked the Power Department, and particularly Dan Stireman for coming through in a clutch, and helping with the Ordinance; also Frank Nakamura and Briant Farnsworth for their help in getting them to this point.

Public Hearing opened for public comment

None given.

Public Hearing closed

Mr. Brass made a motion to adopt the Ordinance.
Ms. Dunn 2nd the motion.

Call vote recorded by Ms. Heales:

 A Mr. Robertson
 A Mr. Brass
 A Ms. Griffiths
 A Ms. Dunn
 A Mr. Dredge

Motion passed 5-0

Mr. Dredge thanked Mr. Haacke and his staff for their hard work on this. The Council appreciates their efforts, knowing that this is something that they did not want to have to do.

Ms. Dunn mentioned that she had read in the paper that both Questar and Rocky Mountain Power are going to the Commission to ask for rate increases. Questar is asking for 17% and Rocky Mountain Power is asking 18%. We are not any different than anyone else, other than being less.

Mr. Robertson said we were wise in doing this in small increments.

Mr. Brass stated that a lot of our electricity comes from coal fired plants, and coal is relatively inexpensive, although the price of coal is also going up, and it has become not a popular generation source; there won't be many new coal fired plants being built. There will be a generation or resource shortage and as desirable as green power is, it is very expensive. They are now building a lot of wind powers - right now Rocky Mountain Power is the largest builder of wind resource. For every 100 megawatts that they put up, they figure they will get 33 megawatts out of it because of the actual availability of wind at any given time; that is why it tends to be more expensive than coal. So we will see those pressures continue and costs of power will go up. The beauty of a Municipal power system is the money that the citizens pay into it, goes back to the utility and quite a bit of money goes into the General Fund. It helped the City to avoid having a rather large property tax increase two years ago, because the Power Department was able to contribute more money to the General Funds. He stated that he is a big fan of public power.

3. Staff and sponsor presentation, public comment and discussion prior to Council action on the following matter:

Consider an Ordinance amending the Fiscal Year 2007 -2008 Budget, increasing the General Fund by \$158,000 and transferring \$20,000 from the Recorder's Office budget to the Public Services Department budget within the General Fund.

Staff Presentation: Patricia Wilson, Finance Director

Ms. Wilson stated that they find a need to make some changes to the existing Fiscal Year 2008 Budget; as mentioned, it totals \$178,000 all together. Basically, \$158,00.00 of that is to be funded by General Fund Reserves; these are issues that were not expected in this Fiscal Year. The one for the Ken Price Field was to do a little more than expected, saving some money doing that. If they could use \$20,000 on the Ken Price Park from the General Fund, it would help. The \$88,000 is an unexpected amount that came from some federal tax obligations that they didn't realize were there; there is the potential that they may not need the full \$88,000. They haven't really heard on about ½ of that and are hoping that they may not need to meet all of that, but they may. The \$50,000 is due to some of the long term employees that have decided to retire and enjoy life a little more, and they will need a little more to pay them out for their hard work and efforts while they were long term employees of the City. The other \$20,000 is basically already in the budget, but in a different fund than what they need; they need that for a weed person this year, to get down some of the weeds in the City.

Those are the items that she would like the Council to consider amending the Fiscal Year 2008 Budget.

Public Hearing opened for public comment.

None Given

Public Hearing closed.

Council consideration of the above matter to follow Public Hearing.

Mr. Robertson made a motion to adopt the Ordinance.

Ms. Griffiths 2nd the motion.

Call vote recorded by Ms. Heales:

 A Mr. Robertson

 A Mr. Brass

 A Ms. Griffiths

 A Ms. Dunn

 A Mr. Dredge

Motion passed 5-0

E Unfinished Business

None Scheduled

F. New Business

None Scheduled

Mayor Report

Mayor Snarr stated that they have finished the landscaping at the intersection of 5300 South and State Street; there had been some concerns, which he addressed today with some of the businesses to ensure that they water the lawns. He feels that they have done a great job on this, and Costco is very happy; both with the changes to the landscape and with the improvements to the intersection; it has alleviated confusion with the lanes. He gave kudos to UDOT for the great work.

Mayor Snarr noted that he had a great opportunity with Tim Tingey, the new Economic Development Director, to go over several projects and developments.

Mayor Snarr expressed his appreciation to the Council for the diligence in reviewing the budget; he is also appreciative of the Department heads as well; everyone works hard to find where the monies can be best allocated and what needs to be done in the City. He knows that it is in good hands.

The Mayor said that he appreciates their decision and willingness to take money from the reserves since the costs are not going down. He is thrilled that the City recognizes that when they see a problem, they do not ignore it. They step up and take care of it, and in the end, because we have on several major projects over the past 5 years, it has literally saved us tens of millions of dollars. We are wise to do it, not to put it off for political or other reasons, we just identify it and take care of it.

Next year we will have a decision on garbage rates due to the cost of fuel, and it has been a difficult thing to do. He has looked at the lunch programs and such, and the school districts are really having to struggle in trying to meet the needs of the children, in feeding them and also providing the curriculum, and getting them to and from school. It is tough right now, and he appreciates what the Council has done.

Questions of the Mayor

Ms. Griffiths noted one item of interest: Ms. Griffiths asked if everyone remembered Charlie Jenkins, who performed at the Boards and Commissions banquet; he is going to be on Nashville Stars next week., Monday, June 09, 2008. She encouraged everyone's support of him.

Ms. Dunn stated that the way this budget works, for the benefit of the scouts in attendance, is if you include all of the enterprise funds and the regular budget, it is up around \$50 million. You hear that amount and feel that it is an awful lot of money, but you actually budget just like you do with your budget at home, like your parents do. You spend your money on the things that are the

top priority first and work your way down the list. Even with \$50 million, the City does not have enough money to cover everything we need to do; it is something that they study for a long period of time. The Mayor and the department heads get together to discuss it, then gives it to the Council who goes through it line by line, asking department heads a lot of questions like why they need this or that, or why they can't do that....in the end, they come up with a budget like tonight's, and let the people from the City comment on it if they want to. After they get all of the comments on it, they take a week longer to make sure that they are good with it, and then vote on it. That is the process for the budget.

Adjournment