



**MURRAY CITY MUNICIPAL COUNCIL
BUDGET AND FINANCE COMMITTEE
Fiscal Year 2012-2013 Mid-Year Review**

The Murray City Municipal Council met as the Budget and Finance Committee on Thursday, January 24, 2013, in the Diamond Meeting Room at the Crystal Inn, 818 Winchester Street, Murray, Utah.

Members in Attendance:

Jared A. Shaver	Committee Member
Brett A. Hales	Committee Member
Dave Nicponski	Budget Vice-Chair
Darren V. Stam	Committee Member

Others in Attendance:

Doug Hill	Public Service Director	Blaine Haacke	Power General Manager
Greg Bellon	Power Assistant GM	Janet M. Lopez	Council Administrator
Gil Rodriguez	Fire Chief	Dan Snarr	Mayor
Michael Williams	Court Administrator	Jan Wells	Mayor's Chief of Staff
Tim Tingey	Adm/Dev Services Director	Mike Terry	Human Resource Director
Frank Nakamura	City Attorney	Kim Fong	Library Director
Gamal Herbon	Library Board President	Pete Fondaco	Police Chief
Kevin Potter	Fire Deputy Chief	Charles Crutcher	Power
Bruce Turner	Power Operations Manager	Laura Lloyd	Fire Admin Supervisor
Jackie Sadler	MCEA President		

Mr. Nicponski called the Budget and Finance Committee Meeting to order at 8:35 a.m. and noted that Jim Brass was excused.

Financial Overview – Justin Zollinger

Mr. Zollinger discussed the numbers on the current financial statements, showed ways to read them to gain an understanding of what is there.

On page 25 of the Comprehensive Annual Financial Report (CAFR) shows the different funds that would be discussed.

In the General Fund, the City is slightly up on the reserves. This is partly due to the fact that an insurance premium had not been paid. It was found and quickly corrected in January, but that is why there is an extra \$400,000 in cash reserves. Another reason is because the Sports Mall paid the City \$1.2 million. If those two numbers are taken out of the cash/cash equivalents, which have a balance of \$11 million, but currently show \$12.6 million, then that

explains the overage of \$1.6 million. The cash/cash equivalents have stayed even, with the exception of those two mentioned items.

Mr. Shaver clarified that the amount was lower last year, but if those two items are taken out, it is almost dead even. Mr. Zollinger said that was correct.

Mr. Zollinger asked the Council to look at the next page with the prior year to date (YTD), current YTD, original budget, and final budget, and the variance column. The City has revenue greater than expenses by about \$664,000. That is a quick way to measure whether the City is going down or up. Mr. Nicponski asked if that was surplus. Mr. Zollinger said that is revenue expense surplus.

The City is going to move \$1.2 million to the Capital Improvement Projects (CIP) fund from the General Fund for future CIP needs. Mr. Stam asked if more than the \$1.2 would be moved. Mr. Zollinger said that more will be moved. The \$1.2 has been authorized, the UTOPIA bond has been moved already, and the sales tax revenue has changed from 45 days to 60 days for accrual.

Mr. Stam asked if the 18% reserves allowed by law is a monthly or an annual responsibility. Mr. Zollinger said the goal would be at the end of the year to be at 18%, and then the money can be moved, or not if there isn't an overage. It is important to have that overage for CIP money. Mr. Stam said it seems like different amounts are being moved at different times. Mr. Zollinger said that is all due to specific amounts that have changed.

Mr. Nicponski asked what number that is contained in, under Capital Projects. Mr. Zollinger said \$3.1 million has been committed to be used this year for Capital Projects. Mr. Shaver clarified that the money that is being moved is for 2013-2014.

Mr. Zollinger said a balance sheet is the financial position of the City. If the City shows a good amount of savings in the cash/cash equivalents, without a lot of liabilities that shows what the City's financial position is. The income statement of revenues is the City's performance.

Another reason why the City has a little bit more cash is that the County is giving the City property taxes quicker, due to electronic transfers. As you look at the Library, it may seem high at \$1.2 million, but that is because the City is receiving the money more quickly. The electronic transfer process has been a great change.

Accounts receivable is monies owed to the City. Mr. Shaver asked if that was money owed to the Library because of taxes, not a budgeted number. Mr. Zollinger said that was correct. Rules require a levy or book a receivable for property taxes at year end. That figure just stays there and can be increased or decreased at year end.

All the big changes that were made last year are nice to see in comparison to the prior year. If you look at the statement of revenues, you want to look at the variances, whether they are positive or negative.

For example, sales tax is one of the biggest revenue sources. This number can be very volatile; it can go up or down as much as 10% in a year. This number is watched very carefully. In 2012, sales tax was just under \$5 million. This year the amount is \$5.4 million. That is great to have a \$400,000 positive variance in sales tax. The City will take that and be careful with that.

Mr. Zollinger brought up an article that he had read that discussed the proper time to do a property tax increase. If the City continually had a negative bottom number, which is the net change in fund balance, then revenues are being pushed too much. If expenses are already cut back, like the City has done, then the question is whether the level of service has to be cut. Mr. Zollinger is not a big advocate for property tax increases but there may be a time when it is needed. The Library is a great example; their main revenue source is property tax which does not increase, unless you have new growth. Murray City is 95% built out; there will not be much new growth. As the Library experiences increases in insurance, retirement system, etc. that puts a lot of pressure on them to have the budget balanced.

Mr. Shaver commented on how sales tax can vary so quickly, whereas property tax is pretty fixed. He commented on how Mr. Brass has always talked about looking at solid revenue sources rather than volatile ones. Knowing that property tax will remain constant, how does the City adjust for the variances in sales tax, Mr. Shaver asked. The majority of the income comes from sales tax. Does the City make an adjustment yearly, he asked. Mr. Zollinger said that year end is really the best time to make an adjustment, because then the amount is a known number.

Mr. Shaver said the Department heads have cut and cut. The City decided to possibly make adjustments in 2012-13 and possibly go up a little bit. Things such as training and travel have been cut back. He was speaking to Susan Gregory and there were two possible trainings, but the budget would only allow for one. Can the Council give Department heads a possible allowance for an increase in an individual budget for a specific line item, he asked. Mr. Nicponksi asked if it was to be treated as a one-time expenditure until the Council sees a trend.

Mr. Zollinger said with sales tax, you need to be careful because there will be more revenue during the good times. The City is greatly dependent on car and retail sales. When the economy deteriorates, people are not buying cars. Mr. Zollinger prefers to plan a budget around 95% of the amount sales tax generally is. Then if it is a 10% decrease, expenses can be pulled back a little bit, so a negative fund balance is not created.

Mr. Zollinger said if the City is comfortable speculating on a little higher number, then there can be increases. Keep in mind that this increase may need to be cut back if a recession occurs.

Ms. Wells commented that it is important to understand that the property tax is static. It is a number that does not adjust for inflation, it is just static. If looked at in the big picture, the City loses value every year on the property taxes, unless an increase is done. Murray does not do that, so the City does lose because the increase in value is not captured. Mr. Zollinger said Murray has a competitive advantage over other cities because the rate is lower. How low can the City keep the rate, and still keep the City functioning, he asked.

Mr. Shaver said the Capital Improvement Plan (CIP) was created with the idea of grouping together large purchase items, instead of separate line items in a department. That allows the department some freedom and gives the large fluctuations to the CIP. This allows for the CIP to cover items, without relying on the property tax and that average sales tax number.

Mr. Zollinger said that if sales tax come in high, the excess would be moved to the CIP fund; one-time savings for one-time expenses. It is important that the things that recur again and again have to be in the operational budget. Fire trucks, for example, can be saved up for and

purchased as a one-time expense with one-time money.

Mr. Tingey said in the strategic plan, it talks about moving away from the reliance on sales tax because it is so volatile. Knowing and evaluating where the City stands on sales tax, a tentative plan would be nice. Then the issue of property taxes being increased could be addressed. It would be nice to be proactive and not reactive. Possibly letting the citizens know in a three-year increment that there may be an increase as a percentage. Mr. Shaver said even if it is a discussion every three years so the citizens know if there will be an increase or not. The City may be able to say that there will not be an increase if the economy is good, and then maybe the next three years there may have to be an increase.

Mayor Snarr said South Jordan was proactive and did an inflation adjustment every year. It was stopped because the citizens were not happy. Mr. Shaver said that would help cover the differences and make an adjustment.

Mr. Nicponski asked what was going to be done with the surplus money. Does it go into reserves or one-time expenditures, or maybe a little of both, he asked. Mr. Zollinger said the City puts it towards both. Mr. Zollinger evaluated the general fund reserves, and the City freed up \$3 million in order to draw it down. An additional \$2 million of reserves will be freed up this year also to go to the CIP fund.

Mr. Shaver said a property tax increase was done six years ago, and recommends looking at property taxes in the budget review this year. Mr. Stam said it would be nice to know what the City has lost due to inflation over the last six years.

Mr. Zollinger said Utah Retirement Systems (URS) is doing a 7.8% increase, more than likely the City may have an increase in health insurance costs. Staff knows that revenue will be dropping a little bit, due to the Sports Mall. Those are the worst combinations that there are. Mr. Zollinger said he is not alarmed when he looks at these numbers; the City is in a good position. The Waste Fund was the only fund that was showing a negative trend, so that is why a rate increase was done.

Enterprise Fund Reserves – Justin Zollinger

The last two pages of the financial section have to do with reserves. Council had asked Mr. Zollinger to put together an analysis of how Murray City compared with other Cities, as far as the levels of reserves, and the policies.

The analysis is broken down by major funds; comparing Murray's General Fund to other Cities. The analysis compared several Cities that had a Power Fund; including Provo, St. George, Layton, Lehi, Bountiful and Logan. This would make for apples to apples comparison.

Murray has the most money in the General Fund as a percentage in comparison with the other Cities. That tells us that the City should move some money over to the CIP Fund. What the money will be used for is all up for debate. One idea is to pay off the current bonds so a New City Hall could be built. The money will be moved there to cover one-time expenses.

As you look at the comparison, you can see some trends. Lehi, for example is low on their cash/cash equivalent reserves. They have a zero balance in their Water and Waste Water funds. They are spending almost every dollar that they have. Murray has had a bad year this

year with water line breaks, and budgeted approximately 20% of reserves. If you are in a position with no reserves, and have these things happen, the General Fund would have to contribute or possibly have a bond.

Mr. Shaver asked if they could look at the Power Fund in comparison. Bountiful and Logan have a much higher percentage than Murray City. Mr. Zollinger said the City is working on that one. Mr. Zollinger believes those two Cities are trying to protect themselves from experiencing again what happened in 2003. The Power crisis caused Logan to spend \$13 million in 6 months. The Mayor said that it was due to Enron, and UAMPS, and the Power contracts that they had entered into. Mr. Shaver said that they have a large reserve due to their philosophy or idea that they do not want to experience that again. Mr. Zollinger agreed that they have a large amount to protect from uncertainties. Strong reserves protect from having to have a knee jerk reaction.

The State Restriction of 18% is only on the General Fund. The other funds can have more than the 18%. Mr. Zollinger has worked with Blaine and the balance was 13.7% in December, and the decision was made to pay down some of the debt. The City had this flexibility because of the reserves to take advantage of good financial policy. Mr. Shaver asked if there was a goal percentage, including the Enterprise funds, of the preferred amount of reserves. Mr. Nicponski asked for a clarification on the Power Fund percentage and what schedule it was found on. Mr. Stam commented about a discussion that began in a CIP meeting to evaluate the different reserve funds and how that was still ongoing.

Mayor Snarr asked for a comparison on the reserves per capita. Mr. Zollinger did this study and ranked the Cities per capita. Bountiful was at the top, Murray ranked 3rd out of the 7 Cities studied. This shows that the City is in a good position. Mr. Nicponski asked if all funds were included. Mr. Zollinger said yes that it is every dollar. Mr. Zollinger said that Logan used to only have \$7 million in reserves, and the General Fund was negative. After 8 years, Logan now has \$81 million in reserves. This is from being careful with the Budget. Conservative Revenue controls expenses and allows for surplus, which can then be used for CIP projects. Is there ever too much in reserves, asked Mr. Nicponski. Mr. Zollinger said that is a tough question because of uncertainty. He would like to have a bottom line set, and reserves can occasionally drop down to that minimum line. Mr. Snarr said if you look at Logan's Power Department and compare it to Murray's Power Department, they would have to spend a lot of money to get to where the City is at. Mr. Shaver commented that both the Power and Water Funds can be eaten up very quickly. Some of those Enterprise Funds need to be looked at individually and assessed, and that benchmarks are set. Mr. Nicponski agreed that the reserves should be evaluated every year also. Mr. Stam said that was the point of the Council Initiative Workshop (CIW) to evaluate those funds.

Finch gave Murray City a rating of AA+. Part of the reason that Murray received that good rating was because the City had reserves. Every bond that the City does will cost the City more money because it will lead to higher interest rates. Mr. Hill and Mr. Zollinger met with S & P and because of the strong reserves in the Storm Water Fund Murray received an AA- for that small fund. That will save money on the interest rates.

Risk Insurance – Frank Nakamura

Mr. Nakamura said that throughout the year he has given differing recommendations on

the Risk Fund. He apologized for that; it has been something that needed to be monitored, and has been influenced by existing litigation. He has spoken with Mr. Zollinger at length about the risk retention fund.

The decision on the Liability insurance coverage was delayed until April so there could be further discussion. He wanted to see some numbers. The City went to market and looked at the various insurances that were available. Currently the City is on a self-insurance program that has a \$250,000 limit, beyond that is catastrophic insurance. The City looked to possibly lower the \$250,000 minimum. If the City drops below the \$250,000, it is no longer considered a self-insurance program. Then it becomes a regular insurance policy. The insurance company would take care of all the litigation, take it completely out of the City's hands and the City just pays a deductible. There are a few Cities that have done that. The problem with that is if control is lost over the litigation, the insurance company may not get the best litigators for the case. They would try to keep the costs low and the City would not have any control over how the litigation is handled. Litigation always brings a lot of scrutiny and media coverage to the City. If the City feels strongly about their position, they should advocate it as best as they can. He is reluctant to go to that program. In a previous case, if the City had not uncovered the facts, it would not have prevailed.

Mr. Nakamura is pulling back a little from previous conversations about being self-insured. The City has another case that involves a drowning in the Jordan River; that case has a lot of costs and depositions. The City has \$1.6 million in the Risk Fund, which should be sufficient. It would be nice to get to \$2 million, but there are other budgeting needs. Mr. Zollinger has worked hard on this Risk Fund, and has talked to experts in other Cities to develop this. The City was headed in one direction, but after seeing the litigation climate, he would like to find a middle ground between self-insured and other options. This is the reason that the decision has been delayed until April. Mr. Nakamura would like to have a representative from Moreton come to a meeting in the future.

The City sent out a letter last year and tried to reduce the amount of property that the City has coverage on. There are some properties within the City that it may not be worth it to carry insurance on. If those properties are taken off the list, it still needs to be determined how much money will be saved.

Mr. Nakamura has received quotes on the liability insurance side, and recommends not choosing the lowest deductible, and then it becomes an insurance program. As far as self-insured, it is not known if that is the best choice either.

Mr. Zollinger said the City is comfortable with the current deductible of \$250,000. Mr. Nakamura said it is a self-insured program where he works with the firms and has input on the litigation. If the cases are smaller, such as automobile cases, they could be handled internally. Currently, the City uses States insurance, and he isn't totally comfortable leaving the system that the City has used in the past.

The quote for insurance premiums is about \$7,000 higher than last year; although, this is the first year that the City has ever had to rely on them.

Finance Department – Justin Zollinger

Mr. Zollinger has no concerns with any line items in the Budget. Mr. Zollinger expects the audit fee to go down by about \$4,000 because of the fact that the City drafted its own financial statements.

Some of the achievements include: monthly financial statements and projections, and a sales tax report.

The Budget process had been put into the software.

Mr. Nicponski asked about employee initiatives. Mr. Zollinger said that it is non-departmental, and includes the whole City. Mr. Nicponski asked about the miscellaneous services. Mr. Zollinger said that \$200,000 of that total is the amount that the City was to pay back the School District; the remaining amount gives the City some flexibility.

Mr. Shaver commented on whether or not some line items, such as the employee initiatives should be broken down by departments. Mr. Zollinger said he would like to have that conversation and would like some things broken down. An example of that also is the Christmas gift program that is being paid out of the General Fund. He would like the different funds from the departments pay for that, instead of having the General Fund pay for it. Even though the dollar amount is not that big, it seems like the right thing to do.

Library - Kim Fong

Ms. Fong acknowledged the Library Board President, Gamal Herbon, was present also.

The Library has many activities going on. As it shows on the charts, activity is up. Public internet is the use of the computers at the Library for the public. Patron actions are when people get on to the website to do such things as renew books, place holds on books, etc. The wireless access is increasing. The website visits are a little bit down. This tells us that fewer people have gone to the website, but they are doing more business. Mr. Shaver clarified that there is more usage on the site, but fewer people. He also asked about the wireless. Ms. Fong said this number is mainly people using their own equipment, using the free access provided by the Library.

The usage of E-books is up by 28%, and that will continue to grow. The room use is up by 6%. In the last 6 months, over 2000 groups used the rooms at the Library.

The circulation is up by about 5% over the last year. This includes books, audio books, DVDs, etc.

Mr. Shaver asked if there was a breakdown available of the rooms being used at the Library. Ms. Fong said that the two small study rooms are the rooms that are used the most. Room 3 which is the conference sized room would be next. The auditorium is the room that is used the least amount of time. There were about 450 uses of the auditorium last year. The study rooms are very popular.

Mr. Nicponski asked if this was the only type of measurement used for performance. Ms. Fong replied other measurements are used also, but this one is a good demonstration of Library use.

The good news is that the use at the Library is increasing. In the last 6 months, there have been 183 programs, with over 6,000 participants. Programs include: story times, book clubs, teen gaming events, crafts, Lego events, concerts, and others. There are photos included of patrons enjoying the events at the Library.

Summer Reading Club is an annual event where kids come and sign up and read and are awarded small prizes for their reading. For the kids 12 and under, there were a total of 16,762 hours read, and 309 teams participate.

The chart shows the revenue collected for the first half of the year. There is still an unrealized balance, but as Mr. Zollinger pointed out, the Library is in a good position. The Library did receive some helpful grants this year. They received \$17,000 for teen computers, and they are up and running and are very popular. They are in the teen section of the Library, and away from the adult section of the Library. She believes that the public internet usage will increase dramatically with the addition of these new computers. These computers are more geared to the needs of teenagers that include: larger monitors, multiple seats, gaming systems, and multiple headphone jacks.

There is an E-book grant in process. This is a new type of E-book that is much more visual, and has more titles for kids. The product is from Blio and has picture books that are interactive and colorful.

There was another grant received for the teen library that enabled the teen librarian to go to a seminar about new young adult literature and also gave the Library \$500. The Library is proud of their efforts to get these grants and the teen computers especially are making a huge difference in the service provided to the patrons.

Expenses are at about 46% spent for the first half of the year. There were a couple of unexpected expenses that include: 5 HVAC units will need to be replaced due to the vandalism and theft of the copper wire. That contract has been issued and the low bid came in at about \$28,000. Those new units will be installed on the roof, so the timing is tricky with the weather at this time of year.

There was also a broken window in the process of putting in the art glass for the Centennial Legacy project. Unfortunately, they are very big and curved and the cost to replace that will be \$4500. The timing is unsure as it has to be ordered out of state. There were several different estimates done to replace that window.

Next week will be an Open House that demonstrates how to load an E-book on your electronic device. Ms. Wells asked for the information to be sent to the office and she will put it on the website.

Ms. Fong finished with a quote from Andrew Carnegie, "There is not such a cradle of democracy on earth, as the free public library. This republic of letters where neither rank, office, nor wealth receives the slightest consideration."

Mr. Nicponski asked how many patrons are serviced at the Library. Ms. Fong said the gate count for the last 6 months is about 260,000.

Mr. Nicponski asked about the maintenance of the building and ground. Ms. Fong said

that money has been moved into that account to cover the replacement costs of the 5 HVAC units, as well as the repavement of the parking lots.

Ms. Fong said she looked into the property taxes and noticed that Murray is significantly lower than other Cities for their tax levy for the Library. Murray is at .00044, the County is .00072, and Salt Lake City is .00081, Logan is .00082. The problem with the circulation going up is that the price of books is increasing also. Mr. Shaver has asked if there had been a previous discussion, and Ms. Fong replied that it had been discussed.

Mr. Terry asked about the licensing of the E-books. The license works just as it does on a physical book, only one person can have it checked out at a time. Some of the publishing houses will not sell to libraries, and some books have a limited number of uses on them. A patron can choose 7, 14, or 21 days for the amount of time checked out; after that time, it would automatically come off.

Ms. Wells commented on property taxes, and since the amount stays the same, the Library is basically losing money every year. Ms. Fong said the Library does not benefit from sales tax as other entities might.

Mr. Shaver asked about the fine rates. Ms. Fong said that the fine rate is actually dropping, partly due to the fact that the Library does send out pre-overdue notices by email and text. The Library is anticipating that the fines will continue to decrease, because the Library is trying to help patrons return their items on time.

Fire Department – Gil Rodriguez

Chief Rodriguez announced that he also has Deputy Chief Potter present with him who does a lot of the work for the department.

Chief Rodriguez showed a photo of the Fire Department in 1906.

The CIP part of the budget has included many recurring items, such as turnout gear. Historically, the Department has had to ask for money to cover these costs every 5 or 6 years. The turnout gear costs about \$1500 a set for the pants and coat. With boots, and everything included the entire outfit would cost about \$3,000. The pants and coat are the items that deteriorate the fastest. There are about 54 firefighters. With the CIP budget, the City can replace about 12 sets a year. That way the Department can take the top 12 guys that need their gear replaced and switch them out. Throughout the year, there may be some repair needed, and they have to be cleaned a certain way now. The amount of time that they last really depends on how hard they get used; it is usually about a five year rotation.

The Department had to send a truck back to get refurbished. This project is completed but it did go over budget by about \$25,000. That included some maintenance that staff knew needed to be done, such as new tires. It looks like a brand new truck. It is markedly better than it was. The front-end suspension had a tack 4 installed, which alone was \$35,000. The truck was repainted, had all new lighting, etc. The budget was \$175,000, and it may end up being around \$200,000, but that did include around \$10,000 of basic maintenance that needed to be done. The cost for a new truck would have been about \$650,000.

The Reserve ambulance came from Sandy City. Sandy City said they had a couple of

ambulances that they were going to give away. Murray City has three front-line ambulances. When one of them goes down or needs maintenance, it becomes a revenue problem. In the past, the City has had to borrow an ambulance from West Jordan. The ambulance was free, it cost about \$7,500 to repaint and do some basic maintenance. It does have over 100,000 miles on it, but this will keep the department from having to borrow an ambulance.

The Fires program has been upgraded and they are currently working on the Zoll upgrade.

The City was awarded \$9,443 in a matching grant for tablets. The City received eight tablets. They were able to get them at a discounted price, so they made some adjustments and acted on it. The City needs the tablets in the front-line engines and ambulances, and they do get worn out.

Mr. Nicponski asked about the manpower needed for three ambulances. Chief Rodriguez replied that there are two in every ambulance.

Mr. Nicponski asked how they compare to Gold Cross. Chief Rodriguez answered that there is a quicker response time, because the ambulances are in the stations. Murray has paramedic ambulances, and the Department is part of the community and they know that. Also, the guys are premier guys that are here for the long haul. Murray has a great relationship with Gold Cross. The costs are regulated by the State so there is no difference.

Battalion 81 received a grant for \$29,677 to purchase a Battalion Chief vehicle. A new Ford F350 was purchased, but the amount was short about \$15,000 to do the graphics, the command center, and the lighting. A command center is a center that pulls out that includes a laptop, printer, command boards, and everything else that is needed to run fire. It is a small Emergency Operations Center (EOC). They would like to get that money from the CIP fund. Mr. Stam asked if the person stands behind the truck and pulls out the command center. Chief Rodriguez said yes, and if weather is inclement, they have a canopy or try and park underneath. Command and Control of an incident is very important, and the worst thing that you can do is lose focus, and get away from this vehicle.

Mr. Shaver commented on the \$50,000 CIP budget. Chief Rodriguez said that was exactly correct and that moves it up the priority list.

Some of the lines of concern include the overtime budget. Overtime always peaks during the summer and vacation months. It goes down in the winter, and picks up in the spring. There has been one employee out with knee surgery. Another employee has been battling cancer and has a long road. The staffing is very important and to be short two employees is tough and unforeseen. Mr. Rodriguez said there is a minimum staffing that needs to be there, and vacation, sick leave, and unforeseen absences need to be taken into consideration.

Mayor Snarr asked about hiring retired personnel in the summer. Chief Rodriguez said that had been considered and is cheaper than paying overtime to an employee. Sometimes, there are issues with the retired guy. It was tried once and it didn't really work out.

Vehicle maintenance has historically been a very tight line. Similar to the Library, when unforeseen things happen, they need to be fixed immediately. The \$15,000 allotted for maintenance for the paramedic ambulance line is gone because it was used for the reserve

ambulance. Also, the ambulances are all just out of warranty with about 50,000 miles on them.

On the horizon, a concern is the ambulance rotation. The City has 3 front-line ambulances that all have about 50,000 miles on them, and the reserve one has 100,000 miles on it. It is important to get a new one soon to rotate, because we don't want to be in a situation where the City has 3 ambulances with 100,000 miles on them.

The Grass/Wildland vehicle is the one that is taken on the parkway and to other Cities. This last year was a bad year for grass fires because of the fireworks, and the high temperatures. This vehicle got beaten up. It is a 1989 Chevy and is long overdue for replacement. This is one of the items the Department will be asking for.

Second to labor, the fleet is the biggest cost to the Department. The CIP is terrific and he hopes that it is sustained. Most of the vehicles are in some kind of replacement cycle. They look to the future and this vehicle is a 10-15 year vehicle, engines last about 4-5 years, trucks last about 10 year. Mr. Shaver asked about replacement parts or if this vehicle would require a total replacement. Mr. Rodriguez said that this one would be a total replacement. A grass truck is a flatbed with a tank and a pump on it. The pump is aged and needs to be replaced. The tank is not that big of a deal. There are compartments on the side for shovels and equipment needed for a grass fire. The grass truck goes to other Cities, such as, Herriman, and Lone Peak. The City also was busy with the Parkway. This grass truck would also be nice to have as a reserve; it has a plow in front that can be used for emergencies.

Mr. Nicponski asked what happens when the CIP fund cannot handle a purchase such as this. Mr. Shaver commented that the different parts of the truck may have different life times. The pump may have a different life than the actual truck.

Mr. Rodriguez said the grass truck doesn't get used every day, unlike the battalion chief car. This is a specialty vehicle, but it is vital to the fleet. The staff cars are also getting older.

Mr. Rodriguez said that Fire operates out of three stations. The fourth station is where the battalion chief is, a reserve ambulance, medical supplies, and SWAT vehicles. These stations are strategically located for the best response times to the citizens. The stations in Murray are better centrally located for response than any department in the County or the State. Station 84 is where the battalion chief resides, and that has been determined to be the center of the City. Every station has an ambulance that runs with the truck from that station.

Mr. Rodriguez showed an operational chart with the different positions in the Department. There is the Chief, the Fire Marshall, the Deputy Chief that is over operations, and an Office Manager. Each station runs a front line apparatus and a paramedic ambulance. Station 81 has a four man company and two man paramedic. Stations 82 and 83 are where the truck company and the tower are located.

The Battalion Chief runs the shifts daily, organizationally as well as operationally, and has administration obligations. They also train officers, the Emergency Manager, and the EMS Director.

The maximum staffing is 18 per shift, plus the Battalion Chief. The minimum staffing is 14. If staffing is at a minimum, they will drop to two ambulances and three men per engine. All members work a 48/96 work schedule. That is 48 hours on duty, and 96 off. This is the same

shift that the County uses. Sandy and South Jordan also just changed to this schedule. The Murray City officers train with other Cities. Every Tuesday they have a "live fire" Tuesday and they train with surrounding departments. Mr. Stam asked how the personnel liked the change in scheduling. Mr. Rodriguez said that most of the staff likes it, and there have not been any problems.

The average response time for service is usually under three minutes, depending on where it is located. After the call is received, the firefighters try to leave the station within 60 seconds. The staff is very well acquainted with the City. In 2012, they responded to 5387 calls for service, which is the most in department history. He believes that the call volume will increase with Obama care. If everybody has insurance, they tend to call for ambulance service more often. They are trying to look at alternative ways to respond to those calls as a valley. Mr. Shaver asked what the percentage of calls was health related. Mr. Rodriguez said that those calls account for about 80% of the total.

Following a short break the meeting resumed.

Public Services – Doug Hill

Mr. Hill said his intention was for a question and answer session.

Public Services are basically divided into two areas:

1. The Public Works side which includes: streets, engineering, water, fleet, solid waste, waste water and storm water. Many of those funds in Public Works are enterprise funds, utility funds, and others such as inter-departmental funds.
2. The rest would all follow under the General Fund, including Parks & Recreation, with the exception of the Golf Course.

Cemetery- This budget is currently about 53% overspent, because they had a tractor that needed an engine repair that costing \$5,000. The hopes are that it will be absorbed throughout the rest of the year. There is not a lot of revenue that comes in, because the lots are all sold out.

There was some money given to the Cemetery through the CIP process to build a new niche. The niche will include places for people to put urns.

Mr. Nicponski asked about a possibility of expansion. Mr. Hill replied that two years ago when the sites were sold out, there was a discussion whether or not there was any interest in purchasing surrounding properties near the Cemetery. At that time, it was decided it was not the time to purchase more property. The exception would be that some roads could be removed and put grass in and get around 1125 more lots. This is part of the CIP which has been partially funded. As money becomes available, that project may be done. Mr. Hill said that history has proven that cemeteries are not a profit center. The City has sold the lots at such a low price, and the City has chosen not to increase the prices and compete with private cemeteries.

Mr. Hill said that if a person calls in now to buy a lot at the Cemetery, the answer would be that there are no spots available. Mr. Shaver said that the cemetery has a limited ground space, and when that ground space is depleted, so is the revenue. It will be a perpetual cost to the City.

Mr. Hill said that when the City charged for lots, they did charge a perpetual care fee to offset the ongoing maintenance of the cemetery in the future. There is a fund called the Perpetual Care Fund that has \$1.2 million in it, and that money is available to help offset the maintenance costs of the Cemetery over time.

Mr. Zollinger said that if there is enough money, the interest made off of that money can be taken to pay for the care of the Cemetery. That was not being done prior, and the principal was being used and was running out of money. The City will always be subsidizing the maintenance of the Cemetery.

Cultural Arts and History- They have currently spent 40% of the Budget. There is a source of revenue for the Arts from ticket sales, grants and things like that. They are on track for their revenue projection for the year. Mr. Shaver asked about the costs for Fun Days, and if they are paid for before or after the event. Mr. Hill said both. Some costs are before such as the fireworks or the float. The costs to actually sponsor the event come after. Mr. Hill said History is also a part of this with the Museum budget.

Engineering- Engineering is currently 58% of the budget spent. He does not anticipate any problems staying within the budget. There was a transfer between Murray City and Taylorsville City for the repairing of the canal. There is really no revenue associated with Engineering.

Some of the capital projects have been completed such as putting up radar speed signs. There is a Public Open House next week for the design on 5900 South. That is an environmental document that is being worked on.

Mr. Nicponski asked about Public Works/Road Ways Budget. Mr. Hill answered that the Road Ways budget is primarily the street employees, those are outside employees that take care of the streets, such as snowplowing. Page 29 is Engineering accounts for the City Engineer, and inspectors that go out and manage the public right of ways.

Through the early retirement process, the Engineering department shrunk in size. The City did not replace an Engineering position a year and a half ago, believing that the workload could be managed with a smaller staff, in part because the economy had shrunk and development was not coming into the City. As the economy has improved and more developers are coming into the City, Engineering is being impacted. The staffers are almost beyond their ability to keep up on things. It is slowing down Community and Economic Development because staff cannot get to the plan reviews quick enough. That can be analyzed at budget time. Mr. Shaver asked about the overtime budget. Mr. Hill said that the overtime budgets have almost been completely eliminated. Engineering has one of the larger overtime budgets in the department, but that is because inspectors have to go out on evenings and weekends when roads are torn up to complete inspections. That overtime budget would decrease if there were additional employees.

Mr. Nicponski asked about how much money there was to spend on road projects. Mr. Hill said that currently the budget in the Class C Road fund is about \$4.2 million, but about \$2.4 million of that was a one-time in and out payment to Utah Department of Transportation (UDOT) for the intersection work that was done. It is actually a little under \$2 million, plus what has been allocated through the CIP fund, which was about \$600,000 so the total is about \$2.5 million.

Fleet- Fleet is running under budget, and there is not a concern on their expenses. Fleet is an inter-departmental service fund because of the various vehicles that are maintained. The total includes about 450 vehicles in the City that are maintained. The amount of work that the Fleet Department has been required to do has gone down, and the employees could take on more work. Mr. Nicponski asked about the legislative session and if Mr. Hill was expecting anything. The Fleet Department charges a fixed cost, as well as a labor and parts cost to the other Departments, and that is allocated to every budget in the City. Mr. Hill has spoken with Mr. Zollinger and the philosophy may change by which Fleet maintenance is funded. The direction that they would like to go would be to change the parts and maintenance cost to a fixed cost and then anybody could bring their vehicles into the Fleet Department and they would not have to pay for the mark-up on parts. There will be some new budget numbers presented this year with a new funding mechanism for Fleet.

Heritage Center- The Heritage Center budget is about 47% spent. There is some revenue received from the programs that they offer, and meals that they serve. Mr. Hill said that the center is really good about tracking the hours of the volunteers, and they pride themselves on their volunteerism. The Heritage Center is one of the biggest sources for volunteerism and also the youth sports program has a lot of volunteers.

Golf Course- The Golf Course is running under budget, at about 42% spent. Revenue is above 50% collected this year. They are under-spending expenses and over-collecting revenues right now, which is a great thing. It is a seasonal thing and will be affected by the weather. The Golf Course has always been a profit center, and Mr. Hill believes that there are very few municipal golf courses in the state that break even.

There is about \$400,000 in the Golf Course reserve fund. They are trying to build up this fund for some upcoming repairs needed. Mr. Zollinger pointed out the sprinkler system repair. It is a slow process, because if the golf course earns \$100,000 profit in a great year. The last two years, the City has lost about \$200,000. It is a tricky business and hard to run as an Enterprise Fund.

There are three full-time employees that work in the Pro Shop. The one full-time employee that worked in the Café, just left for a position in Customer Service. They are looking at contracting out the Café position instead of hiring a new employee. That would bring some additional revenue. There are also five full-time employees on maintenance.

Park Center- The Park Center currently has 49% of the budget spent, and a little over 50% of revenue collected. The Park Center operates on about a 60% self-sufficiency percentage. That is typical for a recreation center. The 60% sufficiency rate does not include the debt service payment of about \$775,000 per year for another 10 years. In 10 years that bond should be paid off, and the City will realize that additional money.

Mr. Shaver asked about employee incentives so that Murray employees will take advantage of the Center. Mr. Hill said there has not been an increase in memberships from the employees. The discount is similar to what has been previously offered, but is allowed as a payroll deduction now. The number of employee memberships is around 50-60. This budget seems to be the one that typically overspends, so staff works hard to keep them on track. Mr. Nicponski commented that this is a really good program that interfaces with the community. Mr. Hill agreed that it is recognized as a community gathering place. There are those people that

don't have children that may ask why the Park Center is being subsidized, but overall people like it. Mr. Hill remarked on the comment about the ice rink and said that it is actually County operated.

Mr. Shaver asked about the equipment needed. It is a constant issue for the Park Center, most of the equipment is intended to last 3-5 years, and some of the equipment being used is the original from when the facility opened. That is a compliment to the staff that maintains it well.

The Utility costs have increased. The Park Center is a heavy user of gas and electricity, due to the pool. The Department is looking into a new provider of natural gas that would save the City some money. Mr. Nicponski asked for an explanation on credit card fees. Mr. Hill said anytime a person pays for services using a credit card, there is a 2% fee to the credit card company. That fee does increase every year, and combined with utilities are the main challenges to the budget. Mr. Zollinger made a comment about Intermountain Medical Center and the use of credit cards. The fee was costing the City about \$8,000 and so the City asked them not to use the credit card.

The waterslide stair replacement had been completed through the CIP Project funds. It looks really nice and the money was been appreciated. Mr. Nicponski asked about the Arts budget line. Mr. Hill said that Mary Ann Kirk has advertising on the radio stations for Arts in the Park series, and also for the Fourth of July events.

Mr. Stam asked if there was a drop in revenue with the shutdown of the pool. Mr. Hill said there was a decrease in the month of December and memberships were extended an additional month to compensate.

Parks- Parks are currently tracking about 50% of the budget right now. The Southwood Park restroom project is under way and should be completed by March. This also included a roof on the pavilion next to the restroom. There were two playgrounds funded, which include Hidden Village and Southwood Park. There have not been a lot of problems with the restrooms. The biggest expense that the Department is facing will be the replacing the Pavilions in Murray Park because the wood is rotting out. Many of the playgrounds were installed 15-20 years ago, so those may come up for replacement soon. Also, a lot of the vehicles are getting pretty old, but the City has made some progress in getting some of those replaced.

Overtime has been much higher in Parks Department than others. The overtime budget is almost nothing now. It is almost impossible to operate Parks without an overtime budget. There are many evening and weekend calls with problems with pool, pavilion rentals, etc. There isn't any ability now to let the employees get overtime now, so that may be a request to increase the overtime budget.

Mr. Shaver asked if any other equipment was leased, other than the golf carts. Mr. Hill said that some street sweepers are leased out of the Storm Water Fund. Those have about a 5-6 year turnover. There have been other vehicles purchased on lease-purchase programs, but he believed that the City has paid those off. Mr. Hill said that typically lawn mowers have been purchased. The main reason that the golf carts are leased is there has not been enough money in reserves to purchase them. The golf carts are taken care of by the staff, there is little maintenance required, and typically they are under warranty for the first 4 years.

Recreation- They are running about 53% of budget right now. The Jr. Jazz program requires some money up front, but the expenses will come back in line by the end of the year. Revenue is a little down, compared to last year. Possibly some of the enrollment numbers have decreased, as the community ages. They are still above 50% of the budget of collected revenue. Mr. Hales said it is a great program that benefits the kids from Murray. Mr. Stam commented on the number of kids enrolling in programs, and compared it to the baseball league that is also experiencing a 25% decrease in enrollment numbers. He attributed it to fewer kids. Mr. Hill also said that there has been a society change to super leagues and club programs, and less interest as the kids get older in the City recreational programs.

Mr. Hill had two private organizations approach him this year and ask for the City to take over the program. It was a girls' softball league, and also a karate program. The City told those groups that they would have to go through a budgeting process, and never heard back. Some of these parent-run organizations are getting tired and it is hard to keep engaged over the years.

Mr. Stam said that the City got the World Series in part because of the leadership that had been involved in baseball for years. When we received it for the second time, many of the same people were involved. Currently, this baseball season doesn't appear to have long-term individuals. Mr. Hill said in his opinion it is always better to have a volunteer-parent run organization that saves taxpayers money. He knows in some communities the City just provides the fields. Murray has a strong tradition of running these programs and doing so much for the community, there is an expectation.

Mr. Shaver asked if the number of children had gone down in the schools also. He commented that in his neighborhood there are a lot fewer kids now than there used to be. Mr. Hill said that the recreation program is following the same trend as the schools. The School District has seen a decrease in the number of kids from Murray enrolled. In order to increase the numbers, they have open enrollment and get a lot of kids coming in from outside of Murray.

Roadways- This is basically the budget for personnel costs. These are the employees that work in the Street department.

Solid Waste- This is an Enterprise fund, known as the garbage fund. The City recently did a fee increase, it is in good shape. The expenses and revenue are almost exactly on budget.

The big issue here is the neighborhoods east of 9th East. The County created a Waste District for all the garbage in the unincorporated areas and also a portion of Murray City. By creating a special district, the County has independent control of that area. Mr. Hill and Mr. Nakamura have attended their meetings recently and it seems like they are spending money excessively. They charge customers that reside east of 9th East \$12.50 per month on their property tax bill as a fee, which is \$158 per year. They are not allowed to do that anymore, and have to bill separately now that they are independent. This will be a new bill for those residents who are not used to getting a bill. Murray City charges \$10 per month for garbage. Mr. Hill would not be surprised to see a fee increase in the future for those residents. Murray may want to think about collecting garbage there in the future. Mr. Nakamura said that many residents pay their property taxes out of an escrow account and never see that payment going out. There will be some issues with the banks. Mr. Hill said he believes this will be exasperated in the future. The Mayor went to the County ten years ago and asked for the City to take it over. There were two issues: they provide a free dumpster that the City doesn't provide, and also the County

Council did not want to lay off their employees. Mr. Zollinger said that the City could handle the extra customers if that happens, but it would draw down the reserves to get set up initially. Mr. Hill said that the City uses a private sector garbage company to pick it up, and typically is less expensive than a municipality can do it.

The rate for Murray residents will increase about \$1.50 per month over the next three years. Mr. Stam asked if the proposed area was taken on, would it force a renegotiation with Ace Garbage. Mr. Hill said that there would have to be a new bid or agreement made.

Storm Water- The City is bonding, and a lot of projects are scheduled. There is about \$750,000 in reserves with revenues and expenses in good shape.

The Water Fund and the Waste Water fund are in good shape also.

Human Resources – Mike Terry

Mr. Terry said the Department is at 50% of the budget spent.

The number of new hires has gone up 72% this year.

The cost of a new hire is the recruiting process, the interview time by the Department, the Human Resource (HR) time to take on new applications and process them, and the cost of the training. Mr. Nicponski asked if a dollar amount was known. Mr. Terry said he did not know, but that it would be substantial. It also varies per department. A new hire in the Police Department would have a larger cost. The number of applications that the City received went up 53% from 860 up to 1320.

HR does not have a software program to do online applications. Every application is a piece of paper that comes in and needs to be transcribed into the database. The Department is in desperate need of an HR system, and that will be requested soon.

There are two main concerns:

- Pay and Compression
- Turnover related to resignations.

The chart shows data from the last two years. It shows the employees that have left the City, what department they worked in, length of time employed and percentage of midpoint.

The pay scale goes from 80 at the minimum and 120 at the maximum, and 100 is the midpoint. Of the employees that left, only two were at midpoint, the rest were all below.

The voluntary resignations since 2010 have increased. The reasons vary from wanting more pay, moving, and new opportunities. Mr. Terry said that money is the driving factor, especially in the Police Department. Mr. Nicponski asked if that was tied to a lack of merit raises. Mr. Terry agreed that it was, along with compression issues. Mr. Terry said Police Officers are hired at \$18.00 per hour and an officer that has been here for four years got a 3% Cost of Living Adjustment (COLA) increase. Mr. Terry said that in order to be competitive the Officers are started at \$18.00. They received the COLA but the new Officers are still hired at \$18.00. This is an effort to try and get rid of the compression. The Police Department was responsible for 10 out of the 27 employees that left the City. Mr. Shaver asked if it was relative

to the number of Officers as a percentage.

Mr. Nakamura said that four had left the Attorney's office, but that wasn't all due to salary reasons. There were better opportunities and advancements for those employees.

The employee expects that after working 5-6 years, you would be at mid-point, and after 10 years be ranked at the top of the range. Those employees that left were not near mid-point after 5-6 years.

Chief Fondaco said that they are losing the 3-6 year officers, and bringing in officers fresh out of the academy. It costs about \$1,500-\$2,000 just to get the needed equipment, and then if they are Post trained, they go into a 13 week FTO program training with another officer. That takes a great chunk out of the department. After 4 years, these officers are still making \$18.50, and the new hires are also making \$18.50. Chief Fondaco said he currently has four officers still on FTO, and is going to lose another three officers in the next month. Two officers left for the Attorney General's office, two left for Cottonwood Heights, and one left to Provo. An officer can leave Murray making \$18.50, and go to Provo for a \$4/hour raise because they are transferring as a seasoned 4 year Officer.

Mr. Shaver asked that if the salaries are increased, or a merit raise is given after the FTO program is completed, would that stop the attrition. Then could the City take the money that it takes to outfit and train a new officer and put that into merit increases. Chief Fondaco said that in the past, Murray did not lose officers to other agencies to make more money. This is important because it hurts the citizens and hurts the Police budget.

Mr. Hales asked a question about Performance Pro. Performance Pro is an evaluation program that Murray uses. Is the program used as it is designed to be used, he asked. If the supervisor has done due diligence when doing evaluations, there are comments about the employee's work quality, and there is no basis for a law suit. Or likewise, if an employee is looking for advancement, there are documented evaluations regarding their performance. Mr. Terry said that he would hope that the program is being used like that, although he fears some supervisors are going through the motions.

Mr. Hill said that the problem is bigger than the Police Department. He has supervisors that are making less money than the employees they supervise, because of this compression issue. They have been great employees and have taken on supervisory tasks, but are not able to get the merit raises so the employees end up making more than they do. There are several people in this room that have worked for the City for 15 years or more, and have not reached the mid-point in their scale. It is a pervasive problem from Department head level to entry level positions.

Mr. Nicponski said that the Council is committed to working on this problem, because the City is hemorrhaging and this problem will affect morale.

Ms. Fong commented that in the past the Library has hired part-time employees that don't receive benefits. In the past 4 months, they have lost 4 people who have found jobs where they could get benefits. The turnover rate is much higher than is indicated here, because the Library is losing all the part-time employees.

Municipal Justice Court – Mike Williams

The Court has a Hearing Officer. It is a quasi-judicial position, and not all the courts have this position. The purpose is to keep cases out of the Court, so the Court doesn't get clogged down. The Court was told they could not have that person anymore. After reviewing the Code, and talking to the Attorneys, it was decided that they just could not have the title of a Hearing Officer. The employee is still there doing the same things, but without that title.

In July, the court started doing the prisoner transport with the Sheriff's Office. That is the only part of the budget that he has concerns about. When the budget was made last July the option to transport was not there. The transport was being done by the Constable's office. This new change actually costs more, but is cheaper than a lawsuit. Chief Fondaco supported this position 100%, the Constables were dangerous, and someone was going to get hurt. The Court contracted with the Jail to do it. If this area is over budget that would be the reason, but he believes it has been made up for in other areas.

The Court also took over finger-printing from the Police Department. There are about 210 finger prints that were cut out every month. The Police Department could only do it for an hour, but the Court is able to do it anytime. The Court doesn't do finger printing for the Public, the Police Department still does that. Chief Fondaco said the Public is charged \$5 a card.

The traffic school is \$25 per class; other Cities charge a higher rate. There has always been a plea in abeyance attached to it for \$25 also. The Court has been doing it the way it should have been done. The AOC allowed in July that a fee could be added on to a plea in abeyance. The Court has been doing that since September.

The GRAMA request that has been done by the media will be in the papers shortly. Mr. Nakamura said that the Court does it right. Every City is doing different things: West Valley charges \$80 for traffic school, plus plea in abeyance fee, Salt Lake charges \$90, some send it out to a contractor and they get a kick back. It is amazing what some courts do. The City makes about \$35,000-\$40,000 in traffic fees and the class costs about \$100 per week for the City to run. The City has always done it right, by not doing one or another, and doing both.

There was some remodeling that needed to be done, and water damage from the outside sprinklers was discovered. It turned out to be a big job with mold removal and walls needing to be torn out. Mr. Shaver asked if that was at the City expense. Mr. Williams said yes because the City owns the building.

Mr. Nicponski asked about the employee base at the Court. Mr. Williams said he has nine clerks, a judge, and 2 bailiffs, whom are retired policemen.

Mr. Nicponski asked if the Court pays for itself. Mr. Williams said that it does. In 2012, they collected \$2.5 million, and retained \$1.85 for expenses. Cases are down 10%, but the revenue is only down 4%. Mr. Shaver asked if special prosecutors are hired for any reason. Mr. Williams said they have the prosecutor, but if the prosecutor has a conflict, they can borrow a judge from West Valley. There are also other judges that could be hired in. Mr. Nakamura said it is a common courtesy to share prosecutors with other cities, in cases where there is a conflict. Mr. Nakamura's office also helps with the prosecution; three of his staff is assigned to the prosecution program, so that also helps cover costs.

The Court is processing about 24,000 cases a year. Some of the cases go through the hearing officer, so that was important to keep that position. Mr. Nakamura added that if you ever get a chance to go to the Court, they hear 100 cases a day. The prosecutor is in court, and they get the pre-trial hearing that day. This way the Court avoids two and a half weeks of the citizen's and the court's time by getting an answer that day. The case flow management is at a 97% disposition rate, and the national average is about 88%. Mr. Nakamura said prosecutors have a pre-trial and handle the case in Court at the same time. There are two prosecutors and they double-team. It is a good system that is working.

In April, the state authorized problem-solving courts. Murray has already been doing this for some time.

Mr. Shaver asked if there was an incentive for them to settle. Mr. Williams said that is up to the prosecutor.

Mr. Nakamura said that every defendant must answer discovery, so there is a tremendous amount of paperwork to be done.

Mr. Williams said that on a typical Tuesday there will be reviews in the morning, and do all the pre-trial, and process about 185 cases. The Court just extended its hours from 7:30 to 5:30 to help the people that work in the day. This is the same reason that they started the night court for small claims cases. The people that are getting sued are working jobs, while the people that are suing are doing it from their offices during the day. That allows for the working people to come defend themselves at night.

The Court also went to an audio system. The Judicial Council wanted to have recordings, even though they are not a court of record.

There are things labeled "cash cows". The Legislature sets a \$1,000 fine for a Class B misdemeanor, and with all the added state costs it becomes a \$1,933 ticket. A typical speeding ticket is 1-10 miles over and costs \$90.00, and the City keeps \$43.00 and the rest goes to the state. The City keeps only 42.87%, and is not a "cash cow". The City doesn't set the bonds and doesn't have control over the fee schedule. Mr. Williams said that most Courts lose money and that is why they add their own surcharges to things. West Valley has a \$15 surcharge called a building fee so the speeding ticket there is \$105, instead of \$90.

In 2005, they started a Domestic Violence Court. People are required to come back every 30/60/90 days, instead of just telling them to see a counselor. There are several providers that report to us. They have been successful at keeping the recidivism down. These are home grown cases, unlike DUI's that are more transient. Most of the DUI's cases come from Highway Patrol. Murray enforces the same thing; a person needs to come to court, get into a program for review, they are watched for a full year, and if not, they go to jail. If you look at theft, and drug and alcohol, it is related to the economy, and bad times. There are providers that help out with the thefts also.

The Court is always disposing more than they are getting in, due to a backlog. Cases, including traffic violations have gone down, but the collections are remaining stable.

Chief Fondaco stated that the decrease in traffic violations is caused by the officers leaving. First, there was retirement that took the motor squad down to three motors. Now, the

motor squad is in patrol because he needs the patrol. They have not been writing tickets for the last 4 months. Everything is related. There are a lot of cases, because the police have touched those cases. A case does not get to court, if someone on the front end doesn't do something with it. The police are at minimum staffing; these new officers are in patrol. Mr. Williams said historically there have been 1300 citations a month and now are at about 600 a month. That is where most of the ready money comes from. The other money takes a year or two to collect because you have to accept payments on a \$2,000 fine. It takes some time also to collect the money from people that are transported because many are from out of the County but they are back billed.

Misdemeanors have remained constant for about the last 6 years.

There are two different factors: Revenue per case and Cost per case. The revenue collected is what we collect, and the revenue retained is what the Court keeps. The remainder of the money gets sent to the state. The Court does very well on the cost per case. In 2012, the cost per case was \$76.85. The Court collected about \$173.00 before the Court had to do the separation out. In 2011, the cost was \$81.47, 2010 was \$80.32, 2009 was \$90.91, and 2008 was 87.00. The Court has lowered the cost, and become more efficient. Mr. Nakamura asked if that cost included costs from the Attorney's office also. Mr. Williams said that it does not include prosecution. Mr. Williams said that most of these cases are traffic citations, that don't involve a prosecutor. In 2012, there were 10,859 traffic cases filed, the Court disposed of 12,347 cases. In 2009, there were 15,345 traffic citations filed, and the Court disposed of 16,582.

The Court gets tickets from Murray Police Department, Highway Patrol, Motor Enforcement, Animal Control, Code Enforcement, Zoning, Salt Lake County Sheriffs, Unified Police Department, Utah Police, and sometimes from poachers. A question was asked if for example a West Valley Police Officer could give a ticket in Murray. Mr. Williams said yes, but it would mean the Officer may have to come back and appear in Court in Murray, so the Officer may not want to issue the ticket. Mr. Williams said Unified Police Department (UPD) often sends citizens to the wrong courts to pay their tickets, so they redirect them. Because of these issues, the Court went to 14-21 day notice to contact the Court.

The meeting recessed for lunch and was called back to order at 1:00 p.m.

Administrative and Development Services (ADS) – Tim Tingey

The ADS is a "can do" department charged with overseeing key administrative functions and ensuring the orderly growth and development of Murray City. His focus is to provide customer service to citizens, development groups and City departments in an effective and efficient manner and to always contribute to bettering the community.

Mr. Tingey provided an overview of his department structure stating that the five divisions he administers include the Building Division, Community and Economic Development, GIS Division, Information Technology, the Recorder Division and Treasurer Division. He also directs the activities of the Redevelopment Agency and has an Office Administrator III position that reports to him.

The *Administrative Service* areas core functions are:

- Geographic Information Systems, which provide programs, data, research and

mapping products to increase efficiency for City departments and to improve service to the community;

- Information Technology support provides all aspects of computer and technology support including programming for all systems and operations for City functions;
- Recorder services, elections, purchasing and City Hall maintenance fall within the ADS functions and include maintaining City Council meeting records, public records, and ensures State standards are met for records management. This office coordinates the bid openings and oversees purchasing procedures and supervises maintenance of City Hall.

The *Development Services* areas core functions include:

- Building plan and inspection services, administering all levels of support related to building and construction code requirements, plan review, inspections, and complaint investigation;
- Planning services include providing long range planning by managing the General Plan for the City and updating ordinances. This area creates, manages and implement zoning and facilitates the site plan and development review process;
- Economic development endeavors to promote and assist in community job creation, retention, investment formation and quality of life protection and promotion;
- Redevelopment with the RDA to facilitate timely and appropriate redevelopment projects;
- Business licensing promotes a coordinated effort to ensure that land use and building and site standards are maintained;
- Management of the Community Development Block Grant program (CDBG).

Department accomplishments in the *Building Division* included significant time spent on the Fashion Place Mall, auto dealerships, medical facilities and mixed use development projects during 2012. The Building Division employs nine people and issued 1293 permits over the last year. Inspections completed were 6930, the value of construction projects amounted to more than \$48 million and the permit fees collected were \$576,647.

The *Community and Economic Development Division* processed a total of 93 applications in 2012. New business licenses were issued to 476 parties. Code Enforcement followed up on 308 zoning complaints in 2012. There were a number of notices sent, weeds cut and liens on properties. There are no budget issues in this area.

The *Geographic Information Systems (GIS)* Division completed 64 system administration projects, 151 mapping projects and 169 data creation and maintenance issues. There were 99 special projects. Our department has partnered with the county on an aerial mapping venture. Murray's GIS staff plans to participate in an event at the Capitol.

Information Technology Division consists of eight staff members and completes Network Administration duties and Programming projects. The Information Technology Governance Committee (ITGC) was implemented in accordance with IT Strategic Plan and met nine times during 2012.

The IT Help Desk was launched online and the staff resolved 1,249 issues. PC replacement purchased 70 computers, which were replaced throughout the City. The City email system was converted to Outlook and a wireless system was installed in multiple City buildings.

In Programming, an IBM audit was completed with full compliance reported. The IBM 3995 server was replaced with hard disk storage and a server was purchased to replace the IBM AS/400, which will lead to retirement of the old servers and savings on maintenance costs.

Mr. Tingey reported that the attorney's office would be using new tablets to eliminate carrying hard copies of documents.

Mr. Stam asked about the Police reports and when the Council could expect to begin receiving those again. Mr. Tingey responded that training on Spillman was taking place and getting the correct data for those reports was being undertaken.

Mr. Shaver inquired about the AS400 program and if replacement was being considered. Mr. Tingey explained that it is a \$1.5 million project that would be phased in over three years. He stated that it is a priority and funding and implementation was being considered. Mr. Zollinger added that he had payroll concerns relating to the use of only one person to help with programming and the project referred to would help in his area, as well. He related that he was getting bids to deal with this dependence on one person.

Mr. Tingey explained that the *Recorder's Division* consisted of four employees including the City Recorder and facilities coordinator. During 2012 the Division completed the *Records and Information Policies and Procedures*, which will be presented to the Council. A Records Committee was being formed to assist in implementing policies and procedures. In the next budget year, \$39,000 would be allocated for elections. Maintenance for City Hall is in this budget.

The *Treasurer Division* handles all the utility billing activity for the City. The interactive voice response (IVR) system handled 58,000 calls in 2012 and calls to representatives were in excess of 30,000. Ten staff members work in the department including the meter reader individuals who focus on the necessary shut-offs. A 60 day notice is given to later payers. A phone call is made the day of shut off and then a knock on the door. Results show that 48 hour notices decreased by approximately 3.2% and 10-day notices are down 6% due to these aggressive collection tactics. Coming on line will be 1,000 new apartment units.

UTOPIA customers on the queue number 1,567 bills.

Total active customers are more than 21,600 and paperless billing accounts number 994.

The Capital Improvement Projects in this fiscal year include NovaSource funding of \$400,000 that is in process. Selectron IVR is also in process. The IBM I-Series Server and SAN Disk are completed projects. The City Hall window replacement or sealing has been delayed due to the report that it will not be successful. Part of this funding will go toward the SAN Server. Carpet replacement is in process.

Mr. Tingey mentioned that his fiscal year 2013-2014 CIP requests will be approved by the Council in the future and one of the items being noted is a new system for Council

Chambers recording.

Mr. Tingey stated that future issues to be addressed include: technology enhancement, effective customer service, efficient turn-around on development permits and business licenses, ongoing training and customer relations in a regulatory environment.

Mr. Hales asked about the possibility of improving viewing of visual presentations in the Council Chambers. Mr. Tingey said this would be addressed.

Mr. Nicponski asked about small equipment and if it is purchased by departments or by IT. Mr. Tingey responded that it comes from individual department budgets, although, IT handles the actual ordering.

The Redevelopment Agency (RDA) works to facilitate redevelopment efforts in a designated community and to administer projects/programs to assist in economic development, community development and renewing urban areas.

The RDA of Murray City began its program in 1976 with a public infrastructure project extending Vine Street west of State Street. The RDA currently has five active project areas:

- Central Business District (established 1979)
- Cherry Street (established 1991)
- East Vine Street (established 1992)
- Smelter Site (established 1999)
- Fireclay (established 2005)

Mr. Tingey mentioned RDA accomplishments in 2012:

- Development agreements with State & Vine, LLC for the hotel project on the corner of State and Vine; and the evaluation and approval of an amendment to the Fireclay Investment Partners participation agreement related commercial space in Phase I;
- Property acquisition at 4854 S. State Street;
- Modifications to the Fireclay Redevelopment area;
- November 1st report and submittal for tax increment funds from the County Auditor;
- Contract approvals;
- Revitalization assistance program to promote projects for small businesses in the downtown area.

Mr. Shaver asked if clean-up costs can be part of the contributions made. Mr. Tingey said in selective areas with selective partners.

Mr. Nicponski wondered the status of the Fun Dome property. Mr. Tingey replied that it had been rezoned. The property itself is in poor condition and should be torn down. An RDA could be done in that area. There was some discussion regarding the off ramp, but it is too close to other intersections to have one added there.

Police Department – Chief Fondaco

Chief Fondaco stated that 14 of the new vehicles had been received. Paint will be black and white. After all new cars are received; the department will still have six vehicles with more than 100,000 miles and about 12 cars with 70,000 to 90,000 miles. The Chief complimented Justin Zollinger for all that he did in putting together the funding for the 24 new vehicles.

Outside agencies include the Metro-Drug Enforcement Agency (DEA) with one officer, two secretaries and the accounting tech. The forensic lab officer resigned and a senior records person will retire this year.

The Department has five records personnel with no funding to replace the retired person. Responding to a question from Mr. Nicponski, the Chief said he is down five patrol officers and two records people.

Community Service is handled by Officer Jeff Maglish, who also supervises the Cadets. There is one Code Enforcement Office currently and another will be hired.

Special Operations includes the motor units.

The Narcotics team currently includes three officers and the Chief said he is down one staff person. There was a shooting related to gang narcotics; the person was evicted and then out in four days. Narcotics Officers have done a great job in trying to make Murray City a drug free community. Multiple arrests, seizure of narcotics and the recovery of a stolen vehicle by officers brought an end to a "drug house" in the Belview/Afton neighborhood. During the past year officers have made 212 narcotic arrests, served 39 Search Warrants, and are currently working 22 active cases.

The DUI officers are down one. Mike Williams at the court generates income from these arrests; however, it takes 12 to 18 months to collect.

If residents want to put together neighborhood watch programs, the police will help in those efforts.

Warrants Division Officers made a total of 153 Murray City Justice Court arrests with a total of \$613,006 in bail. Seventy-Eight Murray District Court arrests were made with a bail amount of \$3,000,000. Officers made 162 warrant arrests for other agencies. This year a total of 393 warrant arrests have been made.

The Department employs five School Resource officers who work in the junior highs and both high schools and there are 40 crossing guards. DARE is taught in all the elementary schools in Murray and Granite schools.

The Murray Training Center was built in 1997. Chief Fondaco has a bid for \$22,000 to upgrade the target system. Rent is charged to other cities for training and the City has the only range where a car can be brought in.

The Patrol division consists of 27 officers split equally between day, afternoon and night shifts. The City will be losing three officers here.

Statistics show that the Police responded to over 41,000 calls for service in 2012.

Mr. Shaver asked about the training period for new officers and how long it takes until

they can operate on their own. The Chief said that they train for 12 months and then are dispatched with another officer until 18 months in the department.

There was some discussion of the recent shooting in Murray. These can now be plotted on a computer. It is very seldom that a suspect shoots on an officer, but that did occur in the recent case with the perpetrator in Charlie Chaplin garb. The officer then goes on administrative leave and has a fitness for duty psychological evaluation while the District Attorney conducts its investigation. Sim Gil is very thorough in his investigation, which could take up to two months.

Murray has 15 SWAT team members who train up to ten hours per month. This is paid training.

The crime scene investigation team is having great success with the Automated Fingerprint Identification System (AFIS) locating 29 latent prints and achieved 32 arrests from the machine use.

The Detective unit solved 2076 property crime cases in the year; 384 cases per person. Crimes against persons were solved at a rate of 135 per person. Many of these take months to solve and can get backed-up. In the Detective funding the City has two victim advocates partially paid for from grant money.

The three narcotics officers made 212 arrests, 55 of those were for meth labs, the others include heroin, marijuana and crack cocaine. Fourteen illegal immigrants were deported. The drug officers must get into the houses and make a buy before they can arrest a suspect.

The Valley Emergency Communications Center (VECC) merger was discussed. When one agency leaves then their expenses must be split between the remaining agencies. Chief Fondaco is concerned that Murray may have to pay another \$120,000 per year for the same service. He called for the Trustees to monitor personnel cuts.

Jan Wells reported that the Board of Trustees is trying to enforce that this is all the money VECC has and they must make it work on these funds.

Mr. Stam noted that when the building was constructed bond funds were used, of which there is more than two years remaining. He asked if the cities proposing to leave would still be responsible for their bond amounts as part of the exit costs. Mr. Nakamura stated that the bond agreement documents state that there would be no changes in revenue streams.

Mr. Zollinger said that he could contact Dave Sanderson, Finance Director for VECC for details.

Mr. Shaver referred to the 18 month training period for police officers and asked the cost for that training period. He wondered if the City could give raises instead of losing the officers to other agencies that are paying more salary. Mr. Terry agreed to look at that possibility. He pointed out that Murray formerly had a policy to pay its employees 5% more than the Wasatch Compensation Study average so that it did not lose valuable employees.

Power Department – Blaine Haacke

Mr. Haacke introduced his staff members present, Greg Bellon, Charles Crutcher, and Bruce Turner. He informed the Council of 100-year anniversary of Murray Power explaining that

a competition would be held for the Centennial slogan to be used throughout 2013. There are 2,500 municipal power companies in the country. Murray Power is a member of the Utah Associated Municipal Power Systems (UAMPS) and the American Public Power Association. Power contributes to the Murray General Fund in the form of in lieu of tax transfers (ILOT). The credit rating is excellent.

Mr. Haacke stated that Murray's power rates were at 8.6 cents per kilowatt hour (kWh) which is well below the national average for residential power.

The Power Budget totals \$36.2 million: \$33.7 is from metered sales; \$900,000 from impact fees; and \$1.6 million is miscellaneous revenue from such sales as green tags (RECs) and power sales to Truckee/Donner. The market swings daily up and down on green tags.

Expenses in general are 57% to purchase power (\$19 million), 30% for labor, material and salary; and 13% debt and ILOT. This last category includes: \$2.3 million for debt payments, \$1.8 million for capital improvement projects (CIP), and \$1.5 million in assessments from City Hall and other departments.

Mr. Haacke outlined the resources used by Murray Power:

- Colorado River Storage Project - \$30 and is 35% of total resources used.
- Hunter - \$40 and accounts for 40% of City resources
- San Juan - \$55 and is 3% of usage
- Landfill 1 and 2 - \$60 and is 3.2% of the budget
- Gas Turbine - \$45 to \$75 and is about 5%; however it has not been used much this year, due to cheaper energy on the open market
- Cottonwood Hydro - \$10
- Side purchases - \$10 to \$80
- UAMPS - \$10 to \$80

Mr. Haacke mentioned that the department is currently saving \$200,000 per month because the Hunter debt has been paid off.

Reliability is of the utmost importance to Power staff. In 2012, there were 96 unplanned outages. The previous year totaled 147. There are also planned outages for repair and maintenance. The average response time on unplanned outages was 19 minutes and average repair lasted 62 minutes. Murray Power is on 99.9912% of the time.

Things to watch for over the coming months are the meter change out, decorative street lights and the Century Celebration.

The year 2012 ended with the Power Department in an extremely favorable financial situation. During the year, all of the department capital and O&M needs were fully funded, projects previously put on hold were commenced and the reserve fund was bolstered. The FY2012 CAFR revealed that cash and cash equivalents were up from \$2.9 million to \$8.87 million as of June 30, 2012. Since then, the last six months of calendar year 2012 has seen those reserves increase even more to \$12.9 million.

The reasons for the tremendous financial health of the department are many fold. It has been, in a way, a 'perfect financial storm' that has occurred at the department. In short, these are the major reasons for such an improved outlook:

- Retirement of seven FTE
- Retirement of Hunter debt in spring of the year approximately \$200,000 per month of debt service savings
- Sale of landfill generation and RECs to Truckee-Donner. The sale of this and replacement with a much more inexpensive resource netted over \$1.3 million this year
- Movement of funds internally from restricted to non-restricted
- Judicious use of capital expenditures for the majority of the year
- Frugal O&M budgeting and expenditures
- Wholesale power market pricing has been low within the UAMPS group and on the trading floors
- Natural gas pricing has been in the \$3 range which results in low generation costs
- Use of HLH and LLH purchases for energy in lieu of calling back IPP at expensive long term commitments.
- Using UAMPS projects more wisely and judiciously which has saved hundreds of thousands of dollars

It is expected that this next calendar year the positive, upward trending of financial stability will remain. The Department is further excited to continue to pursue projects that had been previously on hold or deferred.

Mr. Shaver asked about theft and if any amount is budgeted to take care of that. Mr. Haacke responded that nothing is planned in advance. Mr. Turner added that the Park and Ride lot on 6200 South remains a problem. Surveillance equipment has been installed at each sub-station; however, there are no cameras outside City properties. Copper theft has gone down, of recent.

The meeting resumed following a short break.

Mayor's Office – Jan Wells

Ms. Wells mentioned that the Mayor's Office budget expenditures were in line with expected spending. She discussed some of the special projects and services offered by the Mayor's office and noted that they would attend the Utah League of Cities and Towns St. George conference utilizing that opportunity for education and training.

Mr. Shaver asked what she sees as future budget issues the City would face. She explained that UTOPIA remains a controversial matter dealing with the politics and continued need for operational funding.

Mr. Nicponski thanked Ms. Wells for her contributions to the City and her assistance in all matters.

City Attorney – Frank Nakamura

Mr. Nakamura stated that the Attorney's Office budget was affected this year by the mid-year promotion of Mark Richardson to City Prosecutor. To make the salary work within the existing budget, amounts were moved from other line items into the Prosecution Regular Employees line.

Some items: Education & Training, Dues and Memberships, and Travel have not yet

been encumbered. These amounts will be used when the attorneys must renew their Utah Bar memberships in June.

Given technological changes that are being made in the Office, in order to comply with State requirements and to streamline operations, the Attorney's Office has made some requests to the CIP committee for data servers, portable devices, scanners and computers. Long term these items will result in significant savings for the City.

Complementing his office staff, Mr. Nakamura stated that he has really good people. He outlined that Tammy Paynter, Carissa Calonge and Lauree Roberts do background work for prosecution. Ms. Paynter handles all the Workers Compensation claims. Mary Bahr works on discovery, claims, documents and contracts.

Mr. Farnsworth handles Power issues, risk, litigation and depositions. Mr. Haacke added that Mr. Farnsworth had been invaluable in working with the contracts and negotiations related to the IPP repowering concerns.

G.L. Critchfield, Deputy City Attorney, is a land use expert. He advises on activities of the Planning Commission and Board of Adjustment, spending numerous hours researching issues.

The Prosecuting team of Mark Richardson and Andrew Stoddard process 10,000 cases per year averaging about 100 cases per day.

Mr. Nicponski asked about use of outside counsel and where the funds are allocated. Those expenditures come from the Risk Fund Mr. Nakamura responded.

Murray City Employee's Association – Jaclyn Sadler

Ms. Sadler expressed her thanks on behalf of the City employees for the cost of living increase that was given in the fiscal year 2012-2013 budget. She also noted appreciation for the \$100 gift at Christmas for each employee. She said it is hoped that merit increases could be awarded in the next budget cycle.

Ms. Sadler commented that there was discouragement from many loyal Murray employees who were leaving due to pay scales. This was taking a toll on City departments; services were suffering and employees are working hard to hire and train because of the turnover.

A three point compensation idea was presented by Ms. Sadler. She suggested:

- 1) The City start fresh with merit increases this year
- 2) Compression issues to be addressed because in some special instances newer employees were making more money than older employees.
- 3) Add 1% additional per year for each year that employees had gone without a raise.

Mr. Terry commented that with across the board raises the compressed group ends up still compressed.

Mr. Nicponski asked Mr. Terry if he could do some analysis and put together some proposals to address the issues.

Mr. Shaver indicated that he would like to meet with the MCEA and was willing to talk through some of the issues.

Mr. Haacke mentioned that the City uses the Wasatch Front Compensation Study and that Mr. Terry usually recommends market adjustments.

Ms. Sadler commented that the City employees are adamantly against the "Sweet Spot" plan suggested by UTOPIA and that they request a vote of "no" on that business item listed on the Committee of the Whole agenda. She added that the plan for funding \$400,000 comes to \$1,100 per employee.

The next MCEA meeting would be held on February 19 at 2:00 p.m. and Ms. Sadler invited Council Members to attend.

City Council Office – Janet Lopez

Ms. Lopez informed the Council that the Council Office budget would experience quite a reduction in personnel costs due to the lack of a second employee for several months. Additionally, the consultant line item had not been expended and may not be used through the rest of the fiscal year. Some monies may be transferred for travel and miscellaneous due to low requests in those areas. On the whole Ms. Lopez said she expected a savings at year end.

Utah Telecommunications Infrastructure Agency (UTOPIA) Discussion

Ms. Wells thanked everyone for the discussions today. Everyone had chimed in and offered a lot of positive things. When Todd Marriott came and spoke at the Public Meeting, the presence of the employees was appreciated. Their respectfulness and willingness to listen was appreciated. She understands where they are coming from, and understands their thoughts and frustration.

Today, the Park Center was discussed, and the question was asked if it was subsidized by the City. It was mentioned that not everyone in the City uses the Center, but it benefits everyone with quality of life, and as an opportunity.

Ms. Wells said she was employed at the City when the decision was made to put fiber optics as a service to the residents. Not everyone has it yet, and not everyone can use it, but it is a benefit to 3,000 of the residents that have it in their homes and use it. Ms. Wells asked if there are infrastructure costs when putting it in, of course there are. That is reality, any service that the City provides costs money.

Other obligations were discussed, such as VECC, and Sandy exiting out of that service. Murray City made obligations with 10 other Cities to join UTOPIA that they would participate and try and make this infrastructure available to everybody. Murray City has obligations, bonds, and dollars that have been committed. Everyone knows what the obligations are and understands the weight of this and also the frustration of it. It has not come to fruition as fast as the City would have liked. There are plenty of problems and issues that can be discussed. There have

been endless meetings on this topic. Ms. Wells is not going to justify that the road ahead will solve all the problems. She said that the City has made some promises, investments, and commitments. Unless, the City is willing to unplug the 3000 residents and go back on promises and financial commitments that have been made, then walking away from UTOPIA is not the best thing for Murray City. It is not the best thing in a lot of ways.

One thing that Mr. Stam did not mention was that if UTOPIA goes black, this affects the payments to UIA also. UIA is backed by the franchise fees, and the City has not had to pay anything for those yet, but if UTOPIA goes dark, the City has to make payments on the \$29 million that has been borrowed.

There are a lot of things to consider. Ms. Wells said the meetings are not easy and she dislikes going to the meetings. It is not anybody's fault, yet darts are being thrown. She believes if UTOPIA goes dark, the long-term consequences could be earth shattering.

Mayor Snarr said that he is willing to take some of the blame on this one. Likewise, he supported the Park Center knowing that it would cost hundreds of thousands of dollars a year out of the general fund. It is a quality of life issue. He supported the putting of the fiber in because it has worked elsewhere; the timing just wasn't good for the City. The City had the fiber in to back the data system, the wells, and sub-stations. He wanted to get it into the schools to help them with its innovative uses, home schooling, medicine, etc.

Mayor Snarr is worried about the consequences if the plug is pulled on UTOPIA. The consequences could be more catastrophic than if the City continues to pay. He has people calling him all the time, many businesses that put the fiber in and paid for the investment. Many tenants have moved into buildings because they have the fiber. The consequences of going back will be more negative than going forward.

The City has seen one lawsuit that cost \$250,000; there could be a number of lawsuits if the City backs out of UTOPIA.

Mr. Hales commented that he has never bashed UTOPIA to any of the staff. The presentation from Mr. Marriott on UTOPIA was a horrible presentation, in his opinion. There were numbers thrown out and it did not make a lot of sense to the Council. It is hard to get numbers such as salaries that are considered private. He has had this discussion with Mr. Stam that information is being held back. It would be nice to have all the information out in the open. He believes that UTOPIA is not giving the real story.

Ms. Wells said it is a very complex issue. She believes that Mr. Marriott started from the middle, instead of the beginning. It has been a hard issue, with terrible decisions and poor leadership in UTOPIA along the way. There have been legislative problems also. She believes that the obligations and duties must be considered rationally.

Ms. Wells would have echoed Mr. Brass's statement from the meeting. The employees have always been the first priority. The City has had to pull together and struggle through the last 4 years. Today the City has a little bit more money, and a little bit of hope, but the City is still not in a position to fund everything that is wanted.

Mr. Stam said he feels similar to Ms. Wells. They are both out there trying to do their best to come up with the least expensive and best option for the City. They are feeling like they

are dumped on when nobody wants to listen. He asked how many times people have gone out to UTOPIA and heard explanations of exactly what is going on.

Mr. Nicponski clarified that the obligation to UTOPIA was for \$23 million and an obligation to UIA for \$3.5 million, based on the City's share lines. Mr. Marriott came to the City the other night wanting an additional \$480,000 that is where the sideways part comes in. If the City gives out the extra \$480,000 there is not any money left over for merit adjustments or COLA increases.

Mr. Stam asked if it was UTOPIA asking for the additional money, or if it was the legislature forcing UTOPIA to ask for more money. The laws have been changed and there needed to be some changes made. If the legislature would allow the fiber to be sold retail, then these problems would not exist. Mayor Snarr said there was one customer (AT&T) that was willing to go down this road and have exclusive rights. They had the money and marketing to make it work, but the legislature threatened them until they backed out.

Mayor Snarr asked who is going to take care of the fiber. If UTOPIA goes dark, who will manage the fiber, and take care of the schools, etc. The City does not have the expertise.

Mr. Stam said that the City would also need to buy some of the fiber back at a cost of nearly \$3 million. Mr. Snarr said that originally, the plan allowed for retail, and the other places where it has worked retail sales were allowed.

Mr. Stam said that the comparison between UTOPIA and Comcast was not accurate. UTOPIA is wholesale and Comcast is retail; UTOPIA is a local company, whereas Comcast is national. Mr. Zollinger said that Comcast was listed as a benchmark. Mr. Stam said it is comparing apples to oranges, since UTOPIA is not allowed to go retail. Mr. Zollinger said the two are in the same industry with similar challenges and competition. He stands by that comparison.

Mr. Nicponski asked Mr. Zollinger how much the City paid annually on the bond. Mr. Zollinger said it is just under \$1.6 million every year. Mr. Nicponski feels like UTOPIA runs out of money and comes back, in a way holding the city hostage, and there are so many other places that this money could be spent.

Mayor Snarr said he agrees but it is an obligation.

Mr. Hales asked if the City gives the \$480,000, and then UTOPIA comes back for more, does the City just keep on giving.

Mr. Stam said that the City is "shooting the messenger" when it comes to Mr. Marriott. When Mr. Marriott came on board, \$180 million of the \$185 million bond had already been spent. He took \$5 million over the next three years to find out what was going on, and turn things around. He came up with a plan and put UIA in place, and every bit of debt incurred by UIA has been covered by revenue. He hasn't hit the benchmarks but has hit the revenue marks and covered everything that he said he would.

Mr. Hales asked if the City could get Mr. Marriott's salary. Isn't it appropriate to look at the salaries of the UTOPIA leadership, he asked. Mr. Stam said it is on the report as a collective number. Mr. Stam said that he believes that the City has Department Heads that make more

money than Mr. Marriott.

Mr. Nakamura wanted to let Jackie Sadler know that the City appreciates the input from the employees and they know who is in the trenches, and he does not want any hesitation on the employee's part.

Mr. Stam asked if it would be okay to meet with Ms. Sadler and discuss it further. She replied that she would love to.

Ms. Wells said she does not think it is an unreasonable request to continue looking at it, while the budget is discussed. She thinks it needs to be looked at carefully and realistically. There have been a lot of challenges and she would like to do the best with what they have.

Mr. Nicponski thanked the Mayor's office for the free flow of information, and the book that Mr. Zollinger put together.

Chief Rodriguez asked Mr. Stam what the other Cities are doing. Mr. Stam said that the Cities are all going through the same discussions. He believes that the large cities are going through with the payment. Mr. Stam said it would easily cost the City \$1.5 million more to not go forward. Chief Rodriguez asked what if another City, such as West Valley City withdrew. Ms. Wells said that is the interesting thing about this. Layton, Orem and West Valley City have all said that they understand the consequences and are willing to pay for operations. Layton and West Valley don't have a lot of fiber in their Cities at all, and have been bearing the big costs of paying the interest on the bonds. Some of the smaller Cities are struggling with it also. Ms. Wells believes the majority of the Cities are planning on paying the money, and if anyone backs out, it could be a small City, such as Perry. Perry does not have any of the infrastructures set up yet. Mr. Nicponski said that Wayne Pyle from West Valley City stepped up and said they were committed.

Ms. Wells asked for a little time, and understands that the City is in crisis mode, but if the City can hold out until next fiscal year, these discussions can be part of the budget. Then the City can decide how to take care of all the obligations that the City has.

Mr. Hales asked if this payment for operations can wait. Mr. Nakamura said that it does need to be decided if there needs to be a budget opening in February. In order to have a budget opening, there needs to be a known amount by which the budget is to be amended. Ms. Wells said that she does have a number. Mr. Nakamura said that in order to have it on the agenda for February 19th, it needs to be noticed. Ms. Wells said that the managers worked on the number yesterday, and it looks like the number would be about \$34,000 per month. The number came from assets and pledges. Mr. Stam said that they were trying to make it equal between the Cities and compare the assets in the ground, the pledge that was made, and the subscribers. That was a 50/50 split between assets and pledges.

Ms. Wells said that some of the bigger Cities picked up a higher amount. Mr. Zollinger said that would be \$170,000. Ms. Wells suggested that the City do it for the rest of the fiscal year, and then look at it again. Mr. Zollinger said that the payment does have the potential to be ongoing.

Mr. Stam said that currently UTOPIA has a \$225,000 monthly shortfall, and that is what is being divided among the Cities. Every three months, that amount would be reevaluated.

Theoretically, the number could drop down every three months, and be phased out at the end of the three and a half years. The positive side of that would be that when it returns to the growth side of it, those that participate would get the benefit first, based on what has been paid.

Mr. Hales asked if that payment was guaranteed to go down. Mr. Stam said it has already gone down from UIA a little bit from the last year.

Mr. Zollinger remarked that Mr. Marriott said that in the model, revenue would increase over debt service by \$144,000; the current shortfall is \$225,000. Even with everything going according to the model, there would still be about an \$80,000 shortfall. Mr. Hales asked if that shortfall was for operations. Mr. Zollinger confirmed that it was. Mr. Stam said that UTOPIA was also making cuts to their budget, which would reduce it by another \$40,000. Mr. Zollinger said that is the reason that it could be potentially ongoing. Mr. Stam agreed that there is that potential, but there is also potential for more revenue to offset the shortfall.

Mayor Snarr commented that this has been so frustrating. He has seen Legislators literally destroy this. He has worked through this because of Murray Power. His ancestors were involved in that and it is now Murray's "golden goose." Murray City was ridiculed for 20 years for having its own power department. Utah Capital Light Company, as it was called back then had the latest and greatest technology. Their reliability rating was way better than Murray City's. Murray City stayed the course and figured out a way to do it. The Federal government has people that are paid to destroy things. There are some fat cats in government that are doing things out of self-interest. He has businesses in his neighborhood that depend on the fiber.

Mr. Stam said that one of the biggest critics of UTOPIA and UIA has been the Utah Taxpayers Association, and has cost millions of dollars in revenue. Last month, the Vice-president of Qwest was elected as treasurer for the Utah Taxpayers Association. They refuse to tell how much money that Comcast, CenturyLink, and Qwest pay them. If the bad press wasn't out there, this would be different.

Mr. Nicponski asked how many units need to be sold, to climb out of this hole. Mr. Stam said that is a tough number to come up with. Mr. Zollinger said that would be a great number to have as a target. Mr. Hales commented that his personal feelings cannot allow him at this time to say go ahead. Mayor Snarr asked how much litigation is going to cost and added that is money taken away from being able to give merit raises also. Mr. Stam added that litigation costs are on top of the \$1.5 million that would be required to pay. There is the \$1.6 million, plus the \$1.5 million and then the costs of litigation.

Mr. Stam added that Ms. Wells point was to figure this out until the end of the year. That way the City is not the bad guy shutting UTOPIA down, and would allow for more time and consideration.

Mr. Nakamura said there is the ten day noticing; with about four days lead time. Mr. Stam said that even though there is a public meeting held the vote would not need to take place at that same time. If it is discussed in the meeting on Feb. 5th, it would allow for enough time for a public meeting on Feb. 19th. Ms. Lopez said that if the information is given on Feb. 6th; it could be published on Feb. 9th, which would allow for the ten day noticing requirement. Mr. Nakamura said that now the exact number is known about \$170,000. He asked if this would be an agreement that goes past the fiscal year. Ms. Wells said any agreements made would be from

the City to them.

Mr. Hales thanked everyone for their reports and valuable information and adjourned the meeting at 4:35 p.m.

Kellie Challburg
Office Administrator