

**MURRAY CITY MUNICIPAL COUNCIL
BUDGET AND FINANCE COMMITTEE
Fiscal Year 2008-2009
March 10, 2009**

The Murray City Municipal Council met as the Budget and Finance Committee on Tuesday, March 10, 2009, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Krista K. Dunn	Budget Chair
Jeff Dredge	Budget Vice-Chair
Robert D. Robertson	Committee Member
Jim Brass	Committee Member
Patricia W. Griffiths	Committee Member

Others in Attendance:

Daniel C. Snarr	Mayor
Pat Wilson	Director of Finance & Administration
Michael D. Wagstaff	Council Executive Director
Jan Wells	Mayor's Chief of Staff
Janet M. Lopez	Council Office Administrator
Gabe Johns	Finance
Rob White	MIS
Janie Richardson	MIS
Scott Baker	Murray Chamber of Commerce
Doug Hill	Public Services Director
Dan Barr	Library Director
Pete Fondaco	Chief of Police
Craig Burnett	Assistant Chief of Police
Jackie Sadler	MCEA
David Frandsen	MCEA
Blaine Haacke	Power General Manager
Greg Bellon	Power
Ken White	Power
Anne vonWeller	Public Services Deputy Director
Ron Koller	City Treasurer
Frank Nakamura	City Attorney
Jen Francis	Attorney's Office
Mike Terry	Human Resource Director

David Larsen
Carol Heales
Brent Davidson
Tim Tingey
Mike Williams
Gil Rodriguez
Laura Lloyd

MIS Director
City Recorder
Recorder's Office
Community & Econ. Dev. Director
Court Administrator
Fire Chief
Fire

Chairman Dunn called the meeting of the Budget and Finance Committee to order at 3:02 p.m.

Ms. Dunn stated that a few months' prior the Council was updated on the current budget year and this meeting would provide further information from the department heads according to the schedule prepared. She asked Ms. Wilson to take a few minutes to share the newest information on revenue.

Pat Wilson - Finance Director

Ms. Wilson apologized that the revenue information given in the budget binders was from the previous year, in error. All the expenditure sheets were correct.

Starting with the sales tax figures, Ms. Wilson confirmed that the income from the Christmas selling season was down 18% from the previous year. Overall, for the year the City income from sales tax is down 9.4%. Using information from the Utah League of Cities and Towns (ULCT), decreases of 7% next month and 3% for the remaining months of the fiscal year, Ms. Wilson has projected that overall there will be a 10% reduction in revenue for the entire year. The City has a budget of \$14 million, and 10% of that is \$1.4 million, making the total revenue near \$12.6 million. This is her best guess on revenue from sales tax for the fiscal year.

Ms. Wilson has been tracking data on the top tax payers in the City and distributed a breakdown for the Council Members' information. On the far right is a ranking of the businesses by volume. Ms. Wilson shared some good news, stating that one of the auto dealers had no figures recorded for five months in the prior fiscal year. By contacting the state tax commission and following up, the amended return showed that an additional \$90,000 was due the City from LaPoint Ford. That amount does show up in the January numbers.

Addressing the chart and visual on the General Fund, Ms. Wilson commented that total revenue is down 6.5% to 7% overall for the year to date. This does factor in the sales tax decrease. Analyzing where the decrease comes from, one area is sales tax, which has been discussed, and another area is the interest income. It is down about 55%. The average interest rate for fiscal year 2008 was 4.36% and for fiscal year 2009 the average rate is 2.5% year to date.

Most of the City's money is kept in the state pool, which is paying 1.37% versus 4.77% last year. Citywide, \$1.4 million was budgeted for interest revenue, and \$450,000 was budgeted in the General Fund. The decrease will amount to approximately \$250,000 in interest income.

Ms. Wilson mentioned the \$1 million in state transportation money that may not come to the City. She has built that loss into the decrease in the total General Fund. Also, projected revenues in the General Fund came from ambulance revenue for a partial year in the amount of \$600,000. So far, nothing has been collected from ambulance service. She has figured a two-month lag time to begin collections. Details are being completed on the Medicare application to make sure payments will be received from that source. All these numbers are projected into the total General Fund.

On a more positive note, there are some compensating factors. Other revenues are up, except those related to construction. Permits and licensing income are not down as much as expected. The departments are helping by delaying or eliminating some expenditures.

Ms. Dunn asked about business licenses, referring to a comment made earlier about that income being down. She wondered how far down that is and if it is mostly small business.

Ms. Wilson responded that building permits were budgeted at \$350,000 for the year and the City has actually collected \$130,000. Business license fees are at \$384,000 against a projected budget of \$600,000.

Ms. Wells added that last year 3,600 businesses were licensed in Murray, and in the current year there are only about 2,990. That is about 600 fewer businesses.

Ms. Griffiths asked Scott Baker if he had any information about that from the Murray Chamber of Commerce data.

Mr. Baker remarked that the number is about what he has knowledge of, and the decrease is mostly home based business.

Ms. Wilson reminded the Council that Murray started the year with healthy reserves, at approximately \$5.9 million. If the City needs to utilize some of the reserves that is a possibility. As budgeting is completed for the coming fiscal year, the City will certainly want to get the revenue more in line with actual figures. She plans to look at attempting to set the sales tax revenue more realistically. She wondered if it should go to \$12.6 million. There is the floor of \$12.3 million. Right now the projection is \$12.4, so the City may not have to go to the floor.

Mayor Snarr pointed out that the floor was set when the redistribution of the sales tax was completed.

Ms. Wilson will watch these numbers closely until the new budget must be finalized. She is also analyzing some expenditures for next year, such as, reallocation between funds. One example is tuition reimbursement that has been paid totally from the General Fund in the past, however, some of it could be paid by enterprise funds if employees work in those areas.

Ms. Dunn added that it is a matter of how the City sets the policy.

Ms. Wilson has also run some scenarios to get actual numbers on methods of expense savings other entities have used. For example, she is researching the savings of a one day furlough, and a 1% decrease in 401K. These are ideas to consider if policy decisions need to be made to balance the next budget year.

Ms. Wilson distributed some information regarding the City's debt service. Her intent is to keep this updated to be able to see what payments are outstanding this fiscal year and payments for future years.

In closing, Ms. Wilson noted that originally only part of the new fire truck was to be financed, however, as a savings this year, the entire amount could be financed. She is in the process of gathering bids to see who offers the best terms on financing the entire \$933,000. Ms. Wilson stated that the City was planning to pay about \$400,000 to \$450,000, so that money would be free for use if necessary.

Shortly, the Council will see a request to open the current budget for several items: one is the fire station that has gone over budget by about \$150,000; the Library has asked for use of the interest from an endowment in the amount of \$11,000 to purchase books; and, items associated with the bonds.

Ms. Dunn made a note that Mr. Robertson was excused for personal matters and he would try to join the meeting later.

Ron Koller - City Treasurer

Mr. Koller reviewed the savings in his department, as detailed on a memo in the budget binder. The overtime of nearly \$1,500 will be a savings to the City, as he will not need to utilize the remainder. In the equipment maintenance line item, there will be a savings of \$600 for equipment that has already been serviced. The training for the HTE Users Group (HUG) Conference in the amount of \$1,500 will not be used. The Murray Police department takes the deposit to the bank, therefore, the armored car service of \$2,500 has been eliminated. The line item for credit card discounts is taken out at the end of the budget year, as a whole, so that shows a zero right now, and the HTE software is taken out at the beginning of the fiscal year, therefore, that line item is completely spent.

Frank Nakamura - City Attorney

Mr. Nakamura stated that there were few changes from the memo he prepared. However, the small equipment category is a little higher than the 60% now. There have been lap top computers purchased for the prosecutors and they have been taken to the court.

Mike Terry - Human Resources Director

Mr. Terry advised that \$2,400 in travel will not be spent. No out of state seminars will be attended, however, inexpensive local conferences will be continued. Ms. Dunn commented that the overages in Human Resources are very small and will be covered by unexpended funds.

Mr. Dredge asked Ms. Wilson about putting the purchase of fixed assets in the professional services account. Ms. Wilson and Mr. Terry both added that since the schedule was printed that accounting problem has been corrected.

Ms. Dunn asked if Mr. Terry has any concerns regarding the coming fiscal year budget.

Mr. Terry stated that overall there are no concerns. Good discussions have started in some areas and solutions will be reached. Feed back from employees is that they are grateful for their jobs and whatever it takes to keep those jobs, there is a willingness to sacrifice. He feels the attitude is proper. Ms. Dunn stated that it is the desire of the Council to keep staff working.

Ms. Wilson brought up some good news that Mr. Terry received. The workman's compensation rates have gone down for the upcoming year based on the City's good safety record and fewer injuries. It will go from \$220,000 down to \$170,000.

Jan Wells - Mayor's Office

Ms. Wells stated that by way of policy changes, she has eliminated the line item for temporary employees this year. In the past, she has used this for special projects or an intern in the office. That will be a savings of \$10,000.

The Mayor has given up travel to a national conference this year.

Valley Television is being reevaluated. The survey did not give it very high results. The new issues with UTOPIA, Prime Time and other things, have led UTOPIA to offer the City a station with them and she feels close to eliminating the Valley Television. It is still something she is struggling with and will talk more about it during the next fiscal year budget meetings.

Mike Wagstaff - Council Office

Mr. Wagstaff commented that there will be savings in the Council budget in every category possible. There will be no travel with the exception of the Utah League of Cities and Towns conference in St. George.

David Larsen - MIS

Mr. Larsen distributed an addendum to go with his budget figures. He said that his budget is on target to be balanced at the end of the year.

The overtime was not budgeted at the actual amount necessary, however, use of overtime has now been eliminated and will be for the coming fiscal year. He has an open position that will cover any overtime needs in the future.

Department number 33-11 is GIS training, which will not be utilized in total this year. Training was completed for work orders and not budgeted in the non-departmental training category. These two items will offset each other. The rental and lease payments are at 100% because they have been paid for the year.

Mr. Larsen pointed out some cost savings that have been implemented this year throughout the City. A local communications broker, Carrier Sales, was hired to audit the phone bills. Results of this audit will save the City \$72,000 annually. He is working with the Finance department to reflect that in the upcoming budget.

There was an aerial data project that was budgeted at \$30,000. The county and state came together to do this project and by partnering with them the cost is about \$2,000 for a \$28,000 savings.

There is a new state contract for hardware, therefore, the City changed from Dell products to Hewlett Packard (HP), resulting in an average savings of \$350 per machine. This change translates into a savings of about \$5,000 this fiscal year, and about \$10,000 to \$20,000 for next year.

MIS has renegotiated the contract with Printelligent, for servicing, and a savings of about 25% will be realized. This savings is about \$5,000 per year.

In the news, current experts advise to keep your machines as long as possible. Murray has always done that, and a significant number of computers last more than five years. This has been the City's policy for the last 12 years and that translates to a savings of several hundred thousand dollars. This policy will continue.

Carol Heales - City Recorder

Ms. Heales advised the Council that the overage of an estimated \$34,000 in maintenance of buildings was due to unanticipated repairs during the first six months of the fiscal year. Funds in excess of \$33,000 will be transferred from minor repairs to cover most of the overage in maintenance.

Ms. Wilson explained that her thinking was to allow the Recorder's budget to cover these extra repairs from other line items.

Ms. Heales stated that in discussing the building issues with Mr. Baker, they decided that this will cover the building's needs, and even for the next fiscal year, she will leave that number the same at \$70,000.

Tim Tingey - Community & Economic Development

Mr. Tingey stated that on the General Fund his department has expended the full amount for uniform allowance, which is what has been paid out for the zoning enforcement officer. There will be no additional expenses in this category. The Utah Economic Development Corporation has requested its funding, which is about 96% of the budget, and no more will be spent in that line item. The HTE software expense has been expended and this is typical from the MIS department. Additionally, there have been a number of vehicle maintenance expenses, however, the department should be okay for the remainder of the year.

In the RDA, several line items have gone over the budget, due to the payroll tracking involving a portion of the director's salary that should come from the General Fund. He has addressed that issue with finance to make the necessary modifications. Materials and supplies, telephones, were to be handled in the same manner. Office supplies include the expense of reconfiguring the office to bring Jennifer Heaps position downstairs to the front counter, however, he does not expect to exceed the budgeted amount.

In the Community Development Block Grant (CDBG) program, budgeted is the \$20,000 for administrative fees for the housing study. This has been handled in a common manner by providing a reverse purchase order that will be drawn down over time. It has not occurred but as the bills come in, they are paid. The study has almost been completed.

Ms. Wilson explained that Mr. Tingey was not employed with the City when this budget was put together, therefore, he has been at a bit of a disadvantage. Next fiscal year these budgets will be a little cleaner.

Mike Williams - Court Administrator

Mr. Williams commented that the books, memberships, and subscription category was over due to an extra set of Utah Code Books that came out this year. Building maintenance is at

90% because of repair to the steps and stairway at either end of the building. Telephones are high for an unknown reason. Defense counsel is a bit high at 61%, however, the defense counsel contract terminated at the end of February. Currently, the court is paying per case in March. The new request for proposals (RFP) was due that day, and subsequently a new defense counsel would be contracted, producing a savings of about half the prior commitment during the remaining portion of the year. In March, 11 cases were assigned out at \$175 per case, so defense will not be too high. April, May and June should be under the new contract.

Mr. Williams added that the new fiscal year budget has been worked out and will be below the current year plans.

Ms. Dunn asked a general question about a citywide cell phone plan. She commented that it would save so much money to have phone service consolidated.

Mayor Snarr answered that in Mr. Hill's department Nextel is used due to the direct command that is available. He commented that he tries to use the minimum on his own phone.

Ms. Dunn added that even if each department used one provider a savings could be realized. The minutes between those in the department may not even count. She suggested that a study be done.

Mr. Dredge asked if something is precluding the City from investigating this issue. He pointed out that it is discussed every year.

Ms. Wells responded that some departments like particular carriers for specific features, such as the *push to talk* option from Nextel. She stated that there is a government rate on all the phone services. Ms. Wilson has also asked about this possibility and it just has not yet been a priority.

Mr. Brass stated that in the private sector, if the company provides a phone to employees, it selects the plan and it gets a benefit from the provider.

Ms. Dunn advised that in the Salt Lake Police Department, if any officer wants a phone from a different carrier, that person pays for the cost themselves. She added that most people would not be fussy about it, if the phone were provided to them.

Ms. Wells said that the City will look at the matter.

The Mayor suggested the possibility of someone analyzing the cell phones, similar to how Carrier analyzed the land lines for a savings to the City.

Mr. Robertson joined the budget meeting in process at 4:00 p.m.

Ms. Wilson - Finance Director

Ms. Wilson confirmed that she will have at least \$20,000 remaining in the salary and benefits line item. Customer Service has one line item overage in uniforms. She tried to correct that allowance last year and still under budgeted from what is necessary. Some items have been spent out, due to expenditures at the beginning of the year. Fuel may be under budgeted, however, Ms. Wilson is confident that will be covered by other line items under spent.

Ms. Wilson feels good about the non-departmental accounts. The City is at 58% of the year with only 32% spent, at this point. The self insurance on liability is over. Next year that fund will be in its own department and, ideally, it can be tracked a little better. That fund needs to be replenished and reserves built, up to \$1 million, if possible.

David Frandsen - Murray City Employees Association (MCEA)

Mr. Frandsen thanked the Council for its openness and willingness to listen to his requests over the last few years. He stated his appreciation for the support of MCEA activities and functions, and said that he has tried to change the culture to become more than just a party planning committee or complaint department to the City Council.

He added that the City employees understand and realize the situation this current year. MCEA representatives have talked with employees in each department so that they will not expect much additional compensation. They are putting their trust in the elected officials and hope that as things improve next year, the employees will be compensated additionally. Employees are concerned about medical costs and benefits being cut, which accounts for the majority of email he receives. He stated that all employees appreciated the day after Christmas off, which was a boost to moral. He expressed his willingness to include any information in the newsletter that might be helpful to the City.

Ms. Dunn thanked Mr. Frandsen for including sustainability information in the newsletter. He commented that he will have that in the next month also. He tries not to use too much paper by sending the newsletter in a PDF file.

Mayor Snarr commented that the necessary grade adjustments have been made and that there is no added pay associated with budgeting plans for the coming year. The employees understand.

Ms. Dunn wants to assure the employees that the Council is committed to the City staff, and will do the best possible for everyone. The last thing anyone wants to see are layoffs or salary cuts. However, steps will be taken as necessary and any pain would be spread among all employees so as not to lose anyone. The hope is to get through these hard times and back to good years.

Mr. Dredge added that employees can help themselves by looking for opportunities to save money when they see it. He asked that everyone help the City be efficient.

Mr. Frandsen stated his willingness to contribute in positive ways, and he added that he thinks of MCEA as a way to bridge the gap between the employees and elected officials.

Ms. Dunn noted her appreciation to the MCEA and all the employees above anything.

Dan Barr - Murray Library

Mr. Barr distributed updates to his report. Ms. Dunn commented that she appreciates the Library updates that he provides from time to time. It has proved useful when questioned by County Council members.

Mr. Barr informed the Council that he stays in close contact with Ms. Wilson to keep an eye on revenue and where the Library stands financially. The information shows the current revenue received as of the end of February, and he has shown how much is left to collect compared to the same period last year. It is very close. One surprising increase in revenue is fines collected as a result of increased overall use of the Library.

In expenditures, 67% of the year is completed and 63% of the total budget has been expended.

Mr. Barr has targeted some areas where he is holding off on spending and could save these amounts if necessary. In the last month or two of the year, he will spend this, but is currently holding off to make sure he will have a balanced budget. These amounts total approximately \$119,000.

Ms. Griffiths mentioned that Ms. Wilson attended the last Library Board meeting and it was helpful for the Board to become more aware of the budgeting process.

Mr. Barr commented that he has a couple of new Board members and he was pleased to have Ms. Wilson explain and answer questions, particularly regarding the fund balances.

Ms. Dunn pointed out that the remodel looks great, the people seem very happy, and that there is rarely an open computer, they are in constant use. She sees all ages from young kids to elderly adults utilizing the computers. When economic times are tough, the libraries are used more and more.

Mr. Barr advised that the Library is registering 60 new people a day.

Gil Rodriguez - Fire Department

Ms. Dunn commented that she is waiting for an answer on recovery money availability to help with the overage on construction.

Chief Rodriguez addressed the overage on construction of the new fire station. He explained that this is a project, including, not only the fire station, but also the emergency operations center (EOC) and the sub division expenses. There was \$92,000 for moving dirt and fences, and related expenses. This was unexpected and beyond the City's control. The contingency fund was only \$68,000 and should have been a lot more.

Mayor Snarr commented on the expense of moving the dirt. It was an elevation problem between the road and the level of houses. The dirt was taken from digging the basement and stock piled at the sub division for the elevation necessary. Then there was way too much dirt and it had to be hauled off. There was a Masonite fence that had to be installed and the elevation was still a problem.

The Mayor explained the use of the rocks instead of an interlocking wall or a retaining wall. The rocks are huge, extending back three to four feet. They allow for drainage, which is the best way to do it.

Ms. Dunn commented that most EOCs have no windows.

The Chief added that the boulders are footed, placed and will not move. The windows will have a screen of some kind so that the glass does not shatter.

Ms. Griffiths asked if the rocks will move when the earth shifts.

The Chief and Mayor confirmed that they will not move and actually allow for shifting while a concrete wall does not. The Chief confirmed that the basement is built to seismic standards, which is an expensive construction.

Ms. Griffiths asked about an alternate route to the east if there is a long freight train blocking passage on 5900 South Street.

Chief Rodriguez responded that this station was built on the west, because there are already stations serving the east side of town. The coverage area of station #83 is to the west. The new bridge on Cottonwood gives excellent access all around. For Fashion Place Mall there is the ambulance station and the Vine Street station for service. Midvale is mutual aid and it is not far. It is not an issue to cross the train tracks.

Besides the building costs, the biggest matter in the fire department budget is the administrative overtime item. The Battalion Chiefs are taking compensatory time instead of overtime. The cause of this is that stations are busier, and the calls are more frequent.

At 58% of the year the paramedic and suppression overtime are at 78%. Much of that is from vacation time, however, it should even out as the end of the fiscal year nears. The Chief added that he has cut back on training exercises. He also has a minimum staffing requirement and can only allow a certain number of employees off at the same time. Current policy is that three people can go on vacation, however, the third must be covered with overtime personnel.

Ms. Dunn pointed out that overtime is always a problem and she appreciates that Chief Rodriguez is trying to keep it under control.

Pete Fondaco - Police Department

Chief Fondaco addressed the memo for midyear budget and the only change he noted was on the cars purchased. He said the new vehicle equipment line item was substantially over, due to the new Chargers. None of the existing equipment fit into the Chargers, so all new equipment had to be purchased, and then for every Charger vehicle the department had to pay for that sergeant car to become a patrol car. That necessitated the light bar and other items, which made it like purchasing two vehicles. The overage in vehicle equipment was about \$23,000.

Police overtime has the same problem as in Fire. Currently, that overtime usage is frozen, and it causes a problem because the department is down by three officers. The Chief is utilizing a lot of flex scheduling. Regarding hiring, he will test the end of March. Last testing period there were 43 applicants, and now there are in excess of 150 applications.

In narcotics and vice, the overtime has been used, because the budget was based on two officers and there are four drawing from that. For surveillance and some of the requirements of that job, it is hard to flex the staffing hours. He will try to be on top of that expenditure and makeup for it in other accounts.

Ms. Wilson did some research on the officers down, due to pay outs that were necessary. She found that March 15, 2009 was the break even point. Chief Fondaco stated that he will not be ready to hire until June, and that frees up three officers salary for about three months, which will help to balance the budget.

Mr. Robertson asked if that equates when he starts to cover the hours and staffing.

Chief Fondaco stated that there are two separate accounts, therefore, there will be excess money in the payroll account and an overage in the overtime account.

The Chief commented that Ms. Wilson has been great to work with. He was planning \$50,000 for a radio system in the next fiscal year budget, however, he was able to use seizure money from the Drug Enforcement Administration (DEA) to purchase equipment and Ms. Wilson was able to locate funds for installation. That project will be completed before July. He

has the license agreement with the hospital, signed and ready, and is waiting for the equipment. The department is moving off of Rushton Peak right to VECC. It will go from Animal Control, to VECC, to the hospital, to Animal Control. If any section goes down, the system still has the three legs and is fully operational. Also, it was an advantage not to budget the \$50,000 in the next fiscal year.

Ms. Dunn asked if the Chief had looked at the stimulus grants for hiring.

The Chief has had Craig Burnett look into that, however, it is for non-budgeted personnel.

Ms. Dunn responded that it is for staff, which is scheduled to be laid off, have been laid off, or departments looking to increase officers.

Chief Fondaco said that Murray does not fit that criteria.

Ms. Dunn said that there are also two competitive discretionary grants that can be used for anything in the department. She will send them to him.

Blaine Haacke - Power Department

Mr. Haacke has updated his numbers since the material was printed and he stated that he is at about the same percent. The key numbers to look at in revenue are the metered sales amounts. He has been tracking this throughout the year and feels that conservation is taking place in the residential sector. It could be that the growth was over projected for the year. The revenue is behind about 3% budgeted in the residential area. In commercial, the revenue is about 1% greater than projected and that almost outweighs the residential numbers. Overall, power revenue is about 1% less than projected.

On the purchase side, when less is sold, then less is purchased. He has good prices on natural gas, which is at about \$2.60 per decatherm (Dth). This is good news for the summer ahead. If Murray generates power at about \$3 per Dth, then that will keep the City off the spot market. He expects the spot market to be at \$75 to \$100 per MWH during the summer and if the City can generate at \$40 to \$50 per MWH that will be very helpful.

Murray is a little over in power supply. Part of that is due to the San Juan coal fired plant outages that were longer than expected. Additionally, the Hunter coal fired plant had a couple of unexpected outages.

Other expense line items are below budget. There are some projects that have been delayed this year, such as vehicle purchases. Two vehicles were purchased just after the fiscal year budget was approved, because it takes some larger line vehicles a year to get here. He gave

Mr. White the approval last July 2 for these trucks. One was budgeted at \$165,000 and another at \$110,000. He noted a savings of \$21,000 on one vehicle and \$16,000 savings on the second. These commitments were made early on and there was no possibility to withdraw the orders.

Mr. Haacke outlined some delayed projects, such as the decorative street lighting plan. Transit oriented development near Deseret Industries was a major financial commitment that has slowed down and will not be a large expense, however, there will be some work in the area. Several back yard rebuilds were inventoried, but will be delayed until the coming fiscal year.

The good signs are the natural gas prices, which will be firmed up for the summer, and, also, for next winter the prices may be in the \$4 per Dth range. In June, Murray Power will be making commitments for the winter callback of Intermountain Power Project (IPP). Any callback that the City is able to decrease is advantageous because it costs Murray 24 hours a day, seven days a week. The following day, Mr. Haacke would be making a winter commitment for natural gas near \$500,000 and at \$4 per Dth, the call back will be lower. The turbine will be used to fill in the gaps. The reason that was not done for the current year winter was the cost projected at about the \$7 to \$8 per Dth range. At that price it is not reasonable to utilize the gas turbine versus IPP.

Mr. Haacke expressed the fact that the Power Department is showing a positive gross margin, including depreciation figures. His concerns over the next five months include, increases in natural gas prices, and over the coming year, the carbon tax from the federal government. The carbon tax could come about on any coal fired production and will make a major impact on the cost of resources. He has heard talk of rates doubling due to this tax. It will probably not happen before June first.

Mayor Snarr and others agreed that the federal government probably will not head that direction on power until after the economy has turned around. Mayor Snarr stated that it would be wise to create some incentives for going green before adding the carbon tax.

Ms. Dunn asked for input regarding the turn around in gas prices. She wondered what effect that has had on the departments, and the budgets for fuel expense.

Mr. Hill responded that Public Services purchases fuel through a state contract. The prices are hedged through that resource. It buys in bulk and then passes the costs on to the City. In the fall, as prices started coming down, the City was still paying higher prices, and was reflected in most of the budgets. By midyear the fuel budgets were mostly exhausted, however, now the prices are coming down. Mr. Hill feels that the City overall will exceed fuel budgets.

Mr. Robertson asked if that will work adversely, as well, if prices go back up, then the City will pay lower prices for a few months afterward.

Mr. Hill added that, overall, the state contract does save Murray money.

Mr. Haacke commented that his fuel costs are about 65% spent for this point in the year.

Mr. Robertson asked how the lower prices will affect the road repair costs.

Mr. Hill responded that he is hoping to see a decrease in construction costs both on the oil side and labor side. The City is pre-qualifying contractors for a storm water project in District 2, and there were 27 contractors who wanted to be pre-qualified. Typically, there might have been three to five in the past. He has not had any projects bid since last fall, so he does not know what to expect. The asphalt costs have not decreased a large amount.

Doug Hill - Public Services

Mr. Hill reviewed that he has reduced the budget by about \$1 million in his department by postponing road construction projects or parks and recreation projects. In addition, he has cut the costs of some smaller items like travel. He is watching overtime and there are a couple of employees that he has not replaced due to the hiring freeze. As far as the bottom line goes, he feels his departments will come in under budget as a whole.

Regarding revenue, it has remained fairly steady throughout the year, although, he has noticed some decrease in building permit fees. There have been about the same number of permits and inspections, however, they are all smaller projects. The big projects pay the big fees and they have slowed. He expects to be down around \$200,000 in building permits.

Enterprise funds: water, sewer, storm water, and golf course funds are fee based and doing well. Conservation has been in use, but not a lot. Mr. Hill is confident in the revenue in both enterprise funds and the General Fund.

There are a few areas of minor concern, as detailed in his memo from the Mayor's office. One item is fuel, as it will cost more than what has been budgeted. Road salt is already over budget, however, it must be used. In the next fiscal year, he will request more funding in that line item.

Mechanical problems in the buildings have caused continual problems. The HVAC system at the Public Services office building, and the Park Center has had difficulties with the boilers. The budget was adjusted last fall to compensate for two boilers, however, the other two have gone out over the winter. Extra costs have been associated with those issues.

The swimming pool budget is about 85% spent, reflecting payroll for the temporary employees, life guards, who are hired to work outdoors during the summer, and some have stayed over indoors during the winter at the Park Center. He has worked with finance to make a

journal entry and adjust those costs accordingly.

Ms. Wilson commented that this is a plug for the payroll system that is needed, because now there is no way to see that this is a problem, until it has been posted incorrectly.

Mr. Hill explained that there have been additional costs for chemicals required by the State Health Department to fight cryptosporidium. It has caused expenditures to be higher than expected. He is confident that the other budgets will offset this expense.

Ms. Griffiths asked if there was any indication on Salt Lake County's plans for cultural arts.

Mr. Hill offered that he has been to a couple of meetings with the County Mayor, staff and Council members. He has made sure that they understand how important this project is to Murray. The County Master Plan supports what is being done in Murray City. When funding becomes available to the County, Murray will request some from it. The Master Plan has not been adopted, there are no funds, and there is discussion of using some track funding in 2010 to 2011. It is still a couple of years until it is known whether there will be funding for cultural facilities, additionally, there is no guarantee those funds would be used for cultural facilities, it is a hope of the arts staff. Mr. Hill feels Murray is very well positioned to go to the County and ask for help with funding a Murray performing arts center.

Ms. Griffiths asked about the *Friends of the Murray Centre for the Performing Arts* (FMCPA), and if they are continuing their efforts.

Mr. Hill stated that the group is on hold just now, due to the possibility of moving the performing arts center from the Murray Park to another location. It is waiting for public announcements regarding that. He feels that within a month or so, the FMCPA should be in a position to continue fund-raising efforts.

Ms. Griffiths declared that more costs were encountered and some difficulty in qualifying for a tax deductible status for donors. She wondered about any details regarding that matter.

Mr. Hill was not aware of these issues, because FMCPA is a separate entity.

Ms. Dunn inquired about the road projects that have been eliminated to balance the budget. She asked for his thoughts on how far behind the City will be due to this.

Mr. Hill stated that he always feels the situation is bleak because of the huge need in that area. In discussing this with the Mayor and Ms. Wells, he expressed his concern about falling so far behind. This year a number of projects were delayed due to the budget crisis, and next year does not look much better. The biggest problems are roads east of 900 East. They are in such

poor shape many have gone to gravel. He has received numerous phone calls, because citizens know it is budget season. He has driven many of the roads.

Ms. Griffiths mentioned traveling on 1430 East recently. Her constituents say it is getting more use, which exacerbates the situation, too.

Mr. Hill commented that it is one of the worst roads in the City, mostly gravel, and large chunks are missing. Several streets in that neighborhood are in really poor shape. It is just a funding issue. Midvale is bonding to do many roads, however, actually, it is using Class C road funds to complete some intersections for development projects. This means Midvale will not have money to do neighborhood streets for some time. Bonding is not a great solution because then there is no money to do any roads for the next 10 years following that.

Mayor Snarr pointed out that before an area is annexed a thorough study should be done to analyze the condition of the roads. After two terrible winters these roads are in pieces. It is a challenge in that area.

Ms. Griffiths remarked that Murray had no choice in that, due to the annexation laws in place.

Mr. Hill mentioned roads in other districts that are also in terrible condition. Murray is a little older than other cities, such as Sandy, Bluffdale, Riverton or Herriman.

Ms. Dunn reviewed that from the survey results streets, gutters, and sidewalks were a big area of citizens' concerns. It is hard to convince people that the budget prevents everything from being done.

Ms. Dunn expressed her appreciation to all the department heads and what they have done during this time.

Mayor Snarr complimented all the department heads on completing the new fiscal year budget for 2009-2010, because they have made a large effort to get through this difficult time. He added that it might be wise to spend some of the City reserves to stay on top of the road issues.

Mr. Brass added that on critical projects, particularly if material costs have decreased, it might make sense to take care of some key roads, however, not knowing how long this will last, one does not want to spend all the reserve.

Ms. Dunn suggested that an amount be set and not exceed that.

Mayor Snarr pointed out that some projects could be put out to bid, and if it comes in 30% less than past years, then it would be wise to spend some reserves to take advantage of the

lower costs. He feels lucky to have gotten the fire stations built before this economic crisis.

There being no further business Chairman Dunn adjourned the meeting of the Budget and Finance Committee at 4:54 p.m.

Janet M. Lopez
Office Administrator
Murray City Municipal Council