



**MURRAY CITY MUNICIPAL COUNCIL
BUDGET AND FINANCE COMMITTEE
Fiscal Year 2018-2019**

The Murray City Municipal Council met as the Budget and Finance Committee Monday, February 11, 2019 in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

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| Diane Turner | Budget Chair - Council District 4 |
| Brett Hales | Budget Vice-Chair - Council District 5 |
| Dave Nicponski | Committee Member - Council District 1 |
| Dale Cox | Committee Member - Council District 2 |
| Jim Brass | Committee Member - Council District 3 |

Others in Attendance:

| | | | |
|-------------------|----------------------------|-----------------|---------------------------|
| Doug Hill | Mayor Pro-Tem | Jan Lopez | Council Director |
| Danyce Steck | Finance Director | Jeff Martin | Parks & Rec. |
| G.L. Critchfield | City Attorney | Jennifer Heaps | Comm. & PR Director |
| Pattie Johnson | Council Office | Kristin Reardon | Police |
| Blaine Haacke | Power – General Manager | Danny Astill | Public Works |
| Cory Wells | Water | Paul Thompson | Judge |
| Rob White | IT Director | Julia Pehrson | Library/Media |
| Trae Stokes | Public Works | Russ Kakala | Public Works |
| Melinda Greenwood | Comm. /Econ. Dev. Director | Greg Bellon | Power – Assist. Gen. Mgr. |
| Craig Burnett | Police Chief | Joe Tarver | Assistant Police Chief |
| Cody Pearson | Fleet | Kim Fong | Library - Director |
| Jon Harris | Fire Chief | Laura Lloyd | Fire - Administrator |
| Kim Sorensen | Parks and Rec. Director | Lane Page | Cemetery |
| John Pearson | Golf Course | Dave Carruth | Golf Course |

Ms. Turner called the Budget and Finance Committee Meeting to order at 12:00 pm and welcomed those in attendance and noted Mr. Nicponski would be arriving after 1:00 pm.

Budget Overview & Finance Department – Danyce Steck

Fund Summary - A brief overview of the GF (General Fund), Internal Service Funds, and Special Revenue

Funds was provided that included; FY 2018 Actuals, FY 2019 budgeted totals, YTD (year to date) totals, budget, increases, decreases, and YTD comparisons. Ms. Steck said there was no financial impact to the GF this year, nothing was off budget, although, a large budget amendment would come to the council in March related to incoming grants. The following was highlighted:

GF

- Beginning Fund Balance - Ahead by 11.6%, representing cash flow, and up \$1 million from last year's current YTD.
- Revenues - Ahead of budget at 59%, due to property tax revenue received in December.
- Expenses - Below budget at 49%.
- Transfers In - Ahead of schedule at 58%, due to an 8% transfer.
- Transfers Out - Behind schedule at 1%. A transfer of \$12 million to the CIP was expected, of which, \$5.5 million was bond proceeds, and \$7 million to the CIP Fund. Current YTD transfer reflected only \$60,000 to the Golf Fund. (Ms. Steck explained to capture interest; the complete transfer would occur at the end of the FY.)
- Ending Fund Balance - FY 2018 Actual: \$10.3 million, FY 2019 Budgeted: \$9.5 million; Current YTD - slightly ahead at \$17 million, due to property tax increases; and prior FY 2017: \$15.9 million.

Council member Mr. Nicponski arrived.

Library Fund

- Beginning Fund Balance- FY 2019 Budget: \$722,000.
- Revenues- Due to property tax increases 93% of revenue has been collected to date. (Book fines and interest revenue are the only other sources of revenue.)
- Expenses- Behind at 41%. Spending slightly ahead.
- Ending Fund Balance- FY 2018 Actual: \$722,000. Ms. Steck anticipated a higher FY 2019 Budget of \$1.2 million, due to unused budgeted building maintenance funds.

Total RDA – Ms. Steck said an extensive overview of each area would occur later.

- Revenues - As of December 31, 2018, 68% of revenue was received; considered low, due to high budget estimates, and the final distribution of tax increments anticipated in March.
- Ending Fund Balance - FY 2018 Actual: \$1.9 million. Of this, \$1.6 million was restricted, \$400,000 unrestricted. Ms. Steck said all budgeted revenues and expenditures would nearly be spent, and a related discussion was necessary at a later time.

Mr. Brass stated the original RDA was created over 20 years ago and was extended another 20 years. He was not clear on funding and agreed another RDA meeting was necessary to further address the details, debt, and determine precise budgeting.

Ms. Turner confirmed a deeper discussion was essential.

Cemetery Fund – Perpetual Care Fund.

- Money from burial fees, selling lots, and niches are allocated to the fund. The intent is that earned interest pays for ongoing maintenance, such as, the sprinkling system, and staffing, however, funding is not sufficient. Last year the ending fund balance was \$1.4 million, which was expected this year also, and for the long term. A CIP project was approved to increase the number of niches and bids came in higher than the anticipated budget at \$110,000. The cost would be recovered, once niches are sold.

Ms. Steck noted water and staffing costs come from the cemetery department within the GF, and not the Perpetual Care Fund.

Capital Projects Fund

- Beginning Fund Balance - FY 2018 Actual: \$12.7 million, due to unfinished projects last year that carried forward and re-budgeted this year. FY 2019 Budgeted Fund Balance: \$20 million.
- Revenues - Current YTD: \$218,000 includes interest income and rent and lease money from various properties. Interest is not budgeted.
- Expenses - *Project expenses* - FY 2018 Actual: \$5.5 million. Current YTD Expenditures: \$5.5 million.
- Transfers In - FY 2018 Actual: \$12.8 million. (Money from GF, Perpetual Care, and excess sales tax. FY 2019 Budget: \$5.5 million, and \$110,000 received for new niches.
- Transfers Out - To Golf Fund: \$275,000.
- Ending Fund Balance – FY 2018 Actual: \$20 million. (Includes \$5.8 million for new fire station construction bond, and other projects.)

Water Fund – Financials do not include assets, such as, waterlines and storage tanks.

- Beginning Fund Balance - FY 2018 Actual \$2.9 million.
- Revenues - Slightly ahead at 65%. FY 2018 Actual: \$5.8 million, FY 2019 Budgeted: \$6.4 million. An increase would be expected, due to high water use in the coming summer, however, with the recent billing error of \$800,000, \$6.4 million is not anticipated. Current YTD revenue reflected \$4.1 million; and the fund would have been approximately \$1 million more with the recent adopted tier rate, and water fee increases to support well projects, and other waterline replacement projects.
- Expenses - Includes construction for YTD projects. FY 2018 Actual: \$5.8 million, FY 2019 Budgeted \$9.4 million.
- Transfers Out - \$429, 000, which is an 8% subsidy transfer to the GF, ILOT (in lieu of taxes).
- Ending Fund Balance - FY 2018 Actual: \$3 million.

Mr. Cox noted adopted water rate increases were implemented, due to state regulations. Ms. Steck confirmed and explained required projects had not started yet, so the awarded \$8.6 million was not transferred into the Water Fund yet. Once drilling begins for new wells, the transfer would occur.

Waste Water Fund – Due to the CVWRF (Central Valley Water Reclamation Facility) rebuild project, fluctuations were noted. A new rate was adopted to support the project.

- Beginning Fund Balance - FY 2018 Actual: \$8 million, 2019 Budget: \$6 million.
- Revenues - Slightly low at 45%, due to water billing error affecting sewer rate calculation.
- Expenses - Somewhat behind schedule at 34%, however, as construction at CVWRF moves forward an increase is anticipated in spring of 2019.
- Transfers In - A payment of \$21,000 for RDA infrastructure, which would be recurring long-term.
- Transfers Out - The 8% subsidy transfer of revenues to the GF, ILOT (in lieu of taxes) totaling \$349,946.
- Ending Fund Balance - FY 2018 Actual: \$6 million. 2019 Budgeted: \$3.5 million, for CVWRF construction.

Power Fund

- Beginning Fund Balance - FY 2018 Actual: \$14 million. 2019 Budget: \$19 million
- Revenues - On target at 55%.
- Expenses - YTD slightly below at 40%. The fund is generously budgeted for unforeseen projects.
- Transfers In - Payback of \$21,000 for an RDA infrastructure project - recurring for the long-term.
- Transfers Out - The 8% subsidy transfer of revenues to the GF, ILOT (in lieu of taxes) totaling \$2.8

million.

- Ending Fund Balance - FY 2018 Actual: \$19 million, 2019 Budget: \$14 million

Ms. Turner asked what the \$32,862 adjustment was for. Ms. Steck said it was used to true-up the fund balance to the financial statement, at year-end, or, it was due to selling or disposing of an asset. She said it was not cash related.

A lengthy discussion occurred about proposed legislation regarding the transferring of money from utility funds to a GF, as well as, a proposed legislative change in sales tax distributions. If legislation passed – it would impact the city negatively.

Golf Fund

- Beginning Fund Balance - FY 2018 Actual: -\$143,000. FY 2019 Budget: \$102,000.
- Revenues - On target at 57%.
- Transfers In - \$309,000 to maintain a positive balance.
- Ending Fund Balance - FY 2018 Actual: \$102,000. FY 2019 Budgeted: \$78,000. (Due to the transfer in - minus expenses.)

A discussion occurred about the possibility of incorporating the Golf Fund with the GF, as a standalone department, due to ongoing subsidization. Mr. Brass said the Golf Fund did well in the past, when reserves were utilized to construct the Jordan Parkway trail, costing \$3 million. Therefore, to repay the Golf Fund, the subsidized fund made sense by implementing a consistent transfer of \$143,000 from the GF. He explained citizens were accepting of the golf course subsidy when surveyed, and the transfer was less than other parks and recreation subsidies that occurred. He thought it would benefit the council to discuss with Mr. Pearson his insight about whether the golf course should remain an enterprise fund.

Mr. Nicponski agreed and asked Ms. Lopez to schedule the discussion for a future Committee of the Whole meeting, where the council could evaluate the decision further.

Solid Waste Fund

- Revenues - Right on budget at 50%.
- Expenses - Slightly below at 42%.
- Ending Fund Balance - FY 2018 Actual: \$284,000. FY 2019 Budget: \$40,000; considered low, and very tight, although, a slight increase to \$60,000 was expected, due to a credit from ACE Disposal.

Ms. Steck explained a billing error discovered with ACE Disposal during the recent audit. The overpayment occurred for over seven years, due to inaccurate can counts provided by the city - to Ace. Cans that were removed over time, were not deducted from the ACE billing system. The issue was corrected, however, since it was the city's responsibility to provide an accurate count, ACE offered only a four-month credit. As a result, a rate change would be necessary to resolve the loss.

In addition, the fund is struggling, due to increased recycling costs, therefore, after a completed fee study, a rate adjustment would be necessary in the future to meet required costs for recycling, as well as, for landfill cost increases. The council would consider those increases at a later date.

Mr. Brass noted the cost for having recycling cans dumped every week and wondered if cans could be tagged with identification numbers to track the number of times cans are emptied; he thought lessening the

service would help reduce costs. Ms. Steck confirmed scheduling and tagging could be negotiated with ACE.

Storm Water Fund – An updated Water Master Plan is complete, and many projects are underway. Ms. Steck anticipates a rate adjustment in the future.

- Beginning Fund Balance - FY 2019: \$2.1 million.
- Revenues - Right on target at 51%.
- Expenses - Slightly low at 19% - Scheduled projects are planned for spring.
- Transfers Out - The 8% subsidy transfer to the GF, ILOT (in lieu of taxes) did not occur this year from the Storm Water Fund.
- Ending Fund Balance - FY 2018 Actual: \$2.1 million.

Central Garage – The Internal Service Fund operates by collecting fee contributions from various city departments for servicing all city vehicles. Money collected provides for staffing and maintenance costs. The fund balance is typically kept between \$100,000 and \$200,000.

- Revenues – On target at 51%.
- Expenses – Acceptable at 43%.
- Ending Fund Balance – FY 2018 Actual: \$159,000.

Ms. Steck explained departments understand contributions to the central garage are required, whether the service is used or not, therefore, vehicles are serviced regularly. She said cities that do not have garages contract with businesses like Jiffy Lube, and often vehicle maintenance is delayed.

Risk Management – Revenue is provided by yearly assessed fees, based on analysis regarding the number of claims each department had over the last three years. The expense is accounted for in all enterprise and GF budgets used for processing claims, and usually never exceed 50%. Claims to-date are below what was anticipated.

- Revenues – At 52%.
- Expenses – On target at 42%.

Overall Narrative of the GF – Ms. Steck shared a chart to explain the overall GF history from 2016 through 2019. She removed all extraordinary items, such as, transactions that do not occur every year, to better reflect normal activity in the GF. For example, in 2017 when a bond of \$2.8 million was paid off. (See Attachment #1) She noted total revenue, and expenses are holding steady, which was driven by the compensation study; consistent ILOT transfers-in of 8%; and, transfers-out, related to money utilized for capital improvement projects.

Mr. Nicponski asked the total amount for outstanding bonds. Ms. Steck thought it was close to \$30 million, however, she would research and get back to him later.

GF Summary – A three-year history of the GF was reviewed to explain changes from year to year.

Fund Balance:

Actuals were noted for Fiscal Years', 2015-2016, 2016-2017, and 2017-2018, which were compared to the current FY 2018-2019. Ending fund balances were noted at 24.7% in '16, 22.6% in '17, and 29.1% in 2018.

Mr. Brass reported a finding was issued in 2018, because a transfer was not made in a timely manner when the balance was high. Ms. Steck confirmed the late transfer brought the balance to 22%.

Revenue:

Total *Revenues* are slightly ahead at 58.9%. The following was highlighted as year-to-year revenue changes from last FY to the current FY:

- Sales tax revenue - Higher by 1.1% - more than anticipated.
- Local option tax – Increased 1.3%.
- Property tax revenue - Increased 44%, due to the recent rate increase.
- Transient room taxes - Decreased 10.8%.
- Motor vehicle taxes – Slight increase of 6.2%.
- Interest in Penalties - Decreased 52.8%.
- Class C Road Funds - Increase of just 7.6%, due to funding that would be distributed later in the year, so an increase was anticipated.

Ms. Hill explained next year the city would receive a distribution for Class C Roads greater than what was provided previously. Ms. Steck confirmed and pointed out a new line item called *Transportation Sales Tax* that she created which currently reflected zero - anticipating a transfer. Once money was received next year, the transfer would occur.

Ms. Turner asked about the balance of \$289,000 in *Miscellaneous*. Ms. Steck said *Miscellaneous* tends to be revenue from rents and leases, donations made to park and recreation, or, animal shelter funds; or, little things that somehow, the city received money for. She would provide a detailed list at another time. Ms. Turner appreciated that.

Expenses:

Ms. Steck categorized *Expenditures* as a city-wide expense. The following was reviewed:

- Personnel – An increase of 13.4% from last year, which is 46% of the city's budget.
- Operations – Spending was steady for the last three years between \$8 million and \$9 million dollars, however, \$10.7 million was budgeted for this year. The expense is slightly ahead at 57.6%.
- Capital – The CIP Fund would cover all capital expenses now instead of the GF; therefore, a 57% decrease was noted from last FY. Year-to-Date, the expense is currently 30% of budget.
- Debt Service (City) – Increase of 50%, due to the fire station bond. So far, 63% of the current year bond payment has been made, including principle and interest.
- Debt Service (UTOPIA) – Each year the expense increases 2%. Year-to-Date: 50% has been paid.

A discussion occurred about the current UTOPIA status, and the organization holding cities to the 2016 debt service. Ms. Steck explained UTOPIA would provide a dividend to participating cities to keep debt payments down; in essence, it is a payback of the operations expense. Although, Murray's dividends would not be seen for two to three years until even on their books. She said it was nice at some point the debt service would begin to decrease maybe within 3 years. All agreed the discussion should continue at a later time.

Transfers:

Transfers In – Overall ILOT transfers, on target at 58%.

Transfers Out – Money transferred to the CIP Fund, and Golf Fund, noted as 1.1% YTD.

Ms. Steck informed the council she replaced the GF Summary page in the council's budget binders, just prior to the meeting, therefore, the one they studied for two weeks, was not correct. She apologized and explained for presentation reasons, she changed formulas within the document. As a result, bottom line

balances did not previously transmit accurately.

Contribution (Use) of Fund Balance:

Ms. Steck stated it was normal practice for the fund balance to fluctuate from year to year, by either pulling money out, or putting money in. In addition, money is transferred out, when the balance exceeds the required amount, so a decrease is not always due to expenses. The line item provided a comparison of how the fund balance ended over the last three years as follows:

- 2016 – End balance: \$526,000. Revenue exceeded expenses.
- 2017 – End balance: (negative) -\$300,000. Revenue of \$300,000 was utilized.
- 2018 – End Balance: \$1 million. The fund balance was replenished.
- 2019 – End balance: (negative) -\$800,000.

GF Revenue and Transfers In - The summary sheet reflected overall *revenue* from each department, as well as, overall *transfers-in* from all enterprise funds. A brief review occurred as follows:

Overall Revenue:

Ms. Steck discussed *Charges for Services*, where overall revenue was at 59%. She reviewed the status of each department, as to whether revenue was ahead or behind compared to last year's budget. Each department was right where it should be for *YTD to Budget*, with the exception of the fire department, which was slightly behind at 40%, because deployment reimbursements had not been received yet, but an influx was anticipated. Department directors would provide more details about their budgets later in the meeting.

Transfers In:

Ms. Steck discussed transfers and noted 8% from all enterprise funds.

Ms. Turner asked how the city received Class C Road money - quarterly, or all at once. Ms. Steck said distributed funds go straight to the city through a PTIF Fund (Public Treasurers' Investment Fund), which are reflected on bank statements with a description of *Class C*. She said allocation amounts were known ahead of time, however, actual deposits were broken up illogically.

GF Expense Summary - The summary sheet by department was provided to reflect historical expenses, as well as, last year and current expense comparisons. Current *YTD Budgets* were \$21 million, and 49.2%. The following was noted:

- *ADS* – The department is no longer active.
- *Non-departmental* – Below budget; all funds have not been utilized.
- *Out-door pool* - Below budget, due to seasonal use.
- *Facilities* – Significant increase at 109%.
- *Mayor's Office* - Significant increase of 110%, year to year, due to additional personnel.

Ms. Turner asked why the *GIS* department was (negative) -34%. Ms. Steck explained it might be due to a purchase, an annual software maintenance agreement, a charge of some kind, or a payment ahead of budget. She thought GIS, Director, Mr. White would discuss it later in the meeting.

CIP Fund – An overview depicted a three-year history where the city either invested, or, is under contract for new construction. Of the \$16.9 million budget in new infrastructure:

- \$5.8 million - Financed with a bond for the new fire station.
- \$1.5 million - Financed by a grant, for the rebuild of Murray Park Amphitheater.

- \$9.6 million - Cash.

A year by year breakdown of actual funding for infrastructure, including maintenance for existing roads, sidewalks, and playground equipment and park pavilions was reviewed. (See Attachment #2).

Ms. Steck explained any cash allocated for the new city hall was invested in other infrastructure. Therefore, a lengthy discussion occurred regarding future plans for city development, including construction for the new city hall, and that bonding would occur next winter, as planned in January of 2020.

DEPARTMENT REVIEWS

Municipal Court & Judge's Salary Discussion - Judge Thompson/Diane Turner

Ms. Gallegos, the new court clerk, has been employed at the court for 19 years.

Ms. Turner reviewed a memo that contained information the council requested regarding details about Judge Thompson's compensation increase; she read its entirety at length.

Ms. Turner noted Judge Thompson worked 4-days per week and wondered what the schedule was for Fridays. Ms. Gallegos replied jury court is held five-days per-week very often, and small claims court also occurs twice a month on Fridays, so jury court is still held, unless a jury is not needed. Judge Thompson does not sit in on small claims, because attorneys utilize the time to gain more experience, and are allowed to be Pro Tem judges for their hearings. In addition, evening court is more difficult to arrange with the need for clerks and bailiffs after hours.

Ms. Turner asked about line item – *judge coverage* – for \$8, 825, which increased to \$13, 000 in 2019. She wondered if it was to cover small claims court. Ms. Gallegos confirmed it also provided coverage for Judge Thompson's leave of absence, due to deaths in his family. Judge Thomson confirmed, in addition to conflict of interest, when he was not able to serve as judge, as well as, for 24- hour on-call duties to review probable cause report. For example, he reviewed several on Christmas day.

Mr. Cox asked Judge Thompson if he was required to issue warrants. Mr. Thompson confirmed, although, a district judge handled search warrants for other matters, but was also on-call. Mr. Thompson thanked the council and appreciated their consideration to increase his salary.

Mr. Nicponski led a lengthy discussion regarding the study and salary comparison information. Judge Thompson reviewed state statues, details related to the compensation of other judges, and inquired about the policy for vehicle allowance of \$350 per month.

Ms. Turner said the issue of vehicle allowance would be discussed later in the meeting, as the council was not clear on that policy yet. Mayor Camp confirmed all department directors receive a \$350 car allowance per month. Mrs. Tuner wondered if employees had to justify mileage to attain the allowance or was it just an automatic deposit. Mayor Camp confirmed they did not.

Mr. Nicponski thought the judge's salary should be closer to \$130,000 per year.

Ms. Turner thought Judge Thompson's duties would change, according to the delegation of duties to Ms. Gallegos. Ms. Gallegos explained Mr. Williams created the supervisor position before he retired, which

meant she was already responsible for many supervisory tasks. In addition, there was no longer a court administrator position, and those specific duties would be her responsibility. Judge Thompson would handle finance and budget issues, but she would also take on many of Mr. Williams' other duties.

Mr. Nicponski asked Judge Thompson what the desired salary range was. Judge Thompson provided salary examples of other city's judges in the valley, and thought something comparable would be acceptable, including car allowance. A discussion occurred as calculations were analyzed, including the car allowance and a final decision of \$134,000 was made. Mr. Nicponski said the increase was well deserved.

Mr. Cox asked about an increase for the clerk, as well, since both Ms. Gallegos and Judge Thompson would be taking on the duties of Mr. Williams. Mayor Camp explained the council had the responsibility for approving the Judge's salary, but the administration would set the pay range for Ms. Gallegos.

Ms. Turner called for a motion to approve the salary for Judge Thompson at \$134,000. Mr. Nicponski moved approval of the salary, including a car allowance adjustment from \$75 to \$350 per month. Mr. Brass seconded the motion. All were in favor. The increase would be effective as of July 1, 2019. Judge Thompson thanked the council and invited them to visit the court.

Attorney's Office, Prosecution, & Risk - G.L. Critchfield

Attorney's Office: The budget is behind slightly at 46%, due to changes in job positions, a senior employee retirement, and employee backfill, which created salary adjustments. Other changes include the following:

- *Operations:* On target overall at 51%.
- *Administrative Fees from Other Funds:* Due to the amount work provided, the line item was split. An adjustment was made reducing expenses from 63% in the prior year, to 40% in current year.

City Prosecution: The budget is right where it should be.

- *Wages:* Lower than last year, at 42%, due to a senior employee retirement.
- *Operations:* Low at 19%
- *Total YTD Budget:* 41%

Risk: Due to the \$250,000 deductible, an amount equal to the deductible of five claims, is kept in the fund at all times. The following was highlighted:

- *Revenue:* Right where it should be at 52%.
- *Personnel Expenses:* Low at 39%, due to the delay of hiring a risk analyst until October.
- *Operations:* 45% - Includes liability insurance.
- *Claims:* Within budget at 40%, although higher than last year, due to a philosophy change and not because of increased claims. Ms. Steck said claims are better managed this way, because in prior years the expense was captured by departments in the GF, which allowed more claim activity. A list of claim activity by department was noted to provide transparency.

Library - Kim Fong

New Assistant Library Director, Ms. Pehrson was introduced. Ms. Fong said the budget is reviewed monthly by the library board, due to their fiscal responsibilities. Ms. Fong discussed the following:

- *Regular Employees:* Down at 46%, due to a retirement.
- *Adult periodicals:* The budget of \$2,500 was up 496%, which provided \$12,388. Ms. Fong explained the significant increase was due to providing digital magazines, which resulted in unexpected

popularity. The subscription is \$10,000 per year that includes 25 titles with unlimited use for patrons. Magazines, such as, Time, Vanity Fair, Good Housekeeping, various nature magazines, and others can be checked out online.

Ms. Fong pointed out increased property tax revenue, due to the recent property tax rate increase, which was trickling in slowly. So far \$550,000 of property tax revenue was allocated to a *building reserve* account, which would be recurring, and used for the construction of a new library in the next three to five years.

MCEA (Murray City Employees Association) - Julia Pehrson

Ms. Pehrson thanked the council for continued support and reported the following: A recent cancer research luncheon provided \$250 in donations for continued research. The employee Christmas party was a success, and a Christmas tree honoring the late Mayor Eyre was decorated, donated, and purchased by someone for \$3,500 at the Festival of Trees that supports Primary Children's Hospital. All accounts are in good standing, various future projects were noted, for example, funding the upcoming scholarship, a golf tournament, and an employee summer party. Plans to reorganize are being considered to change the organization to a 501(c)4 entity.

IT (Information Technology) – Rob White reviewed the following:

- *Software Maintenance*: Almost maxed at 91%, due to software renewals, as well as, an increase of \$10,000 for Tyler Munis software support.
- *Small Equipment*: 92% - The account is used to purchase all computers, and computer replacements. Purchases are made in July and August.
- *Travel and Training*: At 68%. The increase was due to frequent training related to the Tyler Munis System. The conference would be held in April for IT support.

GIS – Rob White

- *Software maintenance*: The 93% increase was due to a \$28,000 upgrade to the City Works program.
- *Expenses*: A decrease was noted, due to an adjustment to *Administrative Fees from Other Funds*. Ms. Steck explained the fee was adjusted up from 56% last year, to 70% in the current year, due to substantial focused work for utilities, particularly the power department.
- *Capital Projects – IT and GIS*: Details for both departments were discussed that included projects completed, projects in progress, and carry-forward projects.
 - *CIP Totals* – IT: \$456,000; and GIS: \$20,000.

Mr. White said as preparations begin for construction of the new city hall facility, he wanted to ensure all technology needs were financially accounted for- prior to construction. For instance, UPS's, generators, audio and visual systems, and other computer systems that need to be replaced with up-to-date equipment. He encouraged the need for having professional technology companies bid these items.

Police Department - Chief Burnett

- *Personnel – Overtime*: 70%, noted as problematic. The department was down five patrol officers at the beginning of the budget year, with only one new hire placed on school zone patrol, they were still short; this caused excess overtime, in addition to pay increases.
- *Operations – VECC*: Overspent at 102% because annual fees were paid in full.
- *Operations - Software Maintenance*: Spent at 84%. Money paid for Spillman; a computer program used for public safety reporting.
- *Patrol – Firearms Maintenance*: Overspent at 139%, due to the five and ten-year rotation program

for guns and rifles. New purchases were made, old firearms were traded in, and a credit is expected to bring the budget in line.

- *Animal Control – Contract Services*: Over budget at 102% - annual fees paid in full to West Jordan.
- *Capital Projects - Police* - Projects are on schedule. Completed projects total \$286,000, other projects would be funded later in the year. The following was reviewed:
 - *Vehicles* – 12 purchased - as part of rotation.
 - *Maintenance* – Flooring purchased for classroom at the training center.
 - *Small equipment* – Audio and video equipment updated in training center.
 - *Equipment* – Projects would be completed later in the year.

Mr. Nicponski lead a lengthy discussion about the impact of proposed legislation that would affect tier-one and tier-two employees, as well as, state funding for retirement.

Ms. Turner asked if police staffing was stabilizing. Chief Burnett said the department was doing well; he did not anticipate losing staff, because compensation increases occurred.

Mr. Hill explained Hexagon was hired by VECC to update their communication and record management systems and received \$6 million from the state legislature to provide the update. During a recent VECC board meeting, trustees voted to put the contract with Hexagon into default, which sent the contract to an arbitration process. If a resolution through arbitration occurs, the board would vote to start the process over again. As a result, \$3 million of the \$6 million has been spent over the last two years, and a budgetary issue moving forward could result. He explained if VECC must start over again with a new RFP, and if arbitration does not work out, additional funding resources are unknown. In addition, there is no funding for litigation, which would occur. Overall, city's budgets could be impacted going forward as VECC makes decisions.

Power Department – Blaine Haacke

Mr. Haacke reported no budget concerns and most line items were at 50% or less. Of the \$37 million budget, Power purchases are the highest at \$21 million. The other \$16 million is broken into capital, the GF transfer, and the city hall administration transfers. The following general comments were reviewed:

- *Total Revenue* – Right at 55%, due to seasonal use. Increased metered revenue is expected in July August and September, when air conditioning use in full force. Mr. Haacke expects revenue to level off close to the end of the year, with total revenue of \$36.9 million.
- *Revenue sources*:
 - *Residential, governmental facilities, small and large commercial*– All between 54% and 61%.
 - *Trans-Jordan Landfill Sales* – Up at 61% for the purchase of generation - to sell.
 - *Pole Attachment Fees* – Seven firms attach to Murray poles, like Century Link and Comcast. Billing occurs twice a year, the budget at 45%, and \$78,000 was received as first installment.

Mr. Haacke led a brief discussion about the history of pole attachments, costs related to the past, and various contracts with firms that had contracts up to four-year segments. A rate increase was implemented in 2018-2019 for all contracts for all firms. With the recent rate increase, revenue of \$30,000 would be provided, in addition to the already \$78,000 collected. All firms were aware of the increase, and after the second installment, revenue could reach \$200,000.

Mr. Hales did not think the rate increase would cover wear and tear of Murray poles. Mr. Haacke agreed.

Ms. Turner wondered how attachment costs were determined. Mr. Haacke explained a complex formula

based on several components like height, available usage, depreciation, age, and type of pole - whether wood, fiberglass or steel structured. The formula determines the cost for a specific number of poles; for example, Century Link might attach to over 2,000 poles. A basic pole attachment is \$12, and comparable pricing was provided by FERC, a nationwide resource, used to regionalize Murray's pole attachment pricing.

A similar discussion continued regarding small cell wireless attachments, which would need to be addressed at some time, due to federal and state legislative mandates.

Mr. Nicponski wondered about a decrease of \$1 million in 2019 Budgeted *revenues*. Mr. Bellon explained the department projection was more conservative this year.

The budget review continued as follows:

- *Operations – Tuition reimbursement* for two staff members – total: \$4,177.
- *Expenses – Overall Travel & Training*: Related to administration and operations training for various conferences around the country. The line item at 46%, totaled \$16,145.
- *Expenses – Risk Assessment*: Budgeted at \$433,000. The account is 50% spent, which means half the insurance premium was paid, and is adjusted every year.
- *Expenses – Inventory Loss*: Significant reduction at (negative) -162%, related to obsolete inventory written off. Mr. Bellon said of \$2 million dollars in inventory, \$16,000 in loss - was not alarming.
- *Administrative Fees* – Total transfers back to the city are 52%, which is \$2.3 million to the GF (also reflected in *Transfers-Out*.) The annual transfer total would be approximately \$4.9 million.
- *Expenses – Buildings and Grounds*: Above budget at 74%. Spending related to remodeling, painting, and general building upkeep, and purchase of AC unit located at the warehouse. Cost was \$40,000.
- *Personnel – Overtime*: 52%, due to after hours and 24-hour dispatch; hours are well controlled.
- *Operations – Materials* include: *Transmission, Overhead, Underground, Streetlights, and (Precision Architectural Lighting) PAL-Lights*. All line items are below budget at 10%. Mr. Turner said a grand total of \$795,000 would be accounted for and deducted from the *Overhead* budget at the end of the year.
- *Operations – Travel & Training*: Below budget at 37%, the account was budgeted high at \$12,000. Both staff members would be attending required training.

A discussion occurred about valuable new hires, the cost of power poles, the Salt Lake County signal light, and new transformer training that has not occurred in years and has brought new excitement to the department.

- *Resources – Power Purchases* – Total expended 47%. The total cost per year for purchasing power is approximately \$21 million, or about \$1.7 million per month. All resources were at 50% or less, and the following was noted:
 - *Salt Lake Landfill*: The city's most expensive resource.
 - *Trans Jordan Landfill*: There was a net profit of \$300,000; 70% of energy purchased - is sold.
 - *Natural Gas Turbines*: Significantly over budget at 453%, due to a spike in market MWH (Megawatts per hour) pricing. Mr. Bellon confirmed five times more natural gas was generated than in the previous year to provide savings. The seasonal resource is typically utilized June through September when energy needs are higher. Turbines may be used again this summer.
 - *Power Exchange*: Only \$670,000 of the \$2 million-dollar budget was spent. This reflected the spike in high market pricing as Mr. Bellon mentioned.

Mr. Brass said CRSP (the Colorado River Storage Project) was the city's second biggest resource; he led a

discussion about alarming concerns related to the water shortage and low water levels close to intake areas. In the long-term, even with heavy winters, he thought the resource might only have a few years left.

Mr. Haacke confirmed 30% of the city's energy comes from CRSP, and explained for short-term, the federal government would provide 4-5 years' worth of power, by utilizing basin funds, (money set aside for purchasing power on the market) if water levels become extremely low. However, after the five years, it was unclear how the resource would be replaced. Overall, including the city's other utilized resources, the loss would be costly, even by including the use of SNR (small nuclear reactors).

Ms. Turner wondered why the *UAMPS Member Service* budget doubled. Mr. Haacke confirmed an increase in dues for schooling, and testing fees for the IPSA (Intermountain Power Superintendent Association) program, which is now paid to UAMPS. The increase also provided a pay increase for one staff member.

- *Capital Projects* - Total: \$4.405 million for *Buildings, Infrastructure, and Equipment* combined.
- *Equipment* – Total Budget: \$1.16 Million. Actual Spending: Under \$1 million for:
 - One bucket truck for tree trimming – purchased.
 - Two crew trucks currently being built.
 - One tree trimmer chipper – needs purchasing.
 - One additional bucket truck – still needed.
- *Infrastructure* - Total Budget: \$3.195 Million
 - Accounted for sinking sub-station on 4800 South. Mr. Bellon said the idea to build an entirely new sub-station would still be considered, although, geo-technical holes were drilled for determining engineering challenges that are currently under evaluation. Therefore, spending has ceased for the year, to be carried-over into next year's budget. When results are thoroughly reviewed, options would be discussed, including retrofitting.
- *Building* - Total Budget: \$50,000

Mr. Haack confirmed a high-compression, underground gas line coming from State Street – is sinking – where natural gas enters the gas pressure building; a joint leak of some kind is suspect. The 30-year-old transformer could be replaced for approximately \$800,000 to \$1 million dollars, which was budgeted above.

Public Works – Mr. Astill reviewed budgets for several divisions as follows:

- *Streets* – Overall budget on target at 45%.
- *Engineering* – Overall budget: 46%.
 - *Operations – Small Equipment*: Overspent at 100%.
- *Class C Roads* – More salt would be needed; brining operations are working well.
- *Class C Road Projects* – A completed project list was reviewed, including maintenance and infrastructure. A matching funds grant was noted for Vine Street – 900 East to 1300 East, which has not been completed. Additional projects accomplished, included \$400,000 for sidewalks, street overlays and rebuilds; curb and gutters, traffic signals, bike lanes, and many others. Other projects on the docket, are a bridge replacement, and crosswalk with LED flashing beacons. Some projects have slowed, due to continued snow fall.

Enterprise Funds: A brief overview of each fund was discussed as follows:

Water Fund – Overall, the budget looks good at 40%, and well replacement projects are proceeding. In addition, UDOT (Utah Department of Transportation) would like to resurface State Street, however, water

line replacements on State Street, which are some of the oldest in the city, must occur first in spring.

Waste Water – Overall, the budget looks good at 34%.

- *Operations – Miscellaneous* – Over budget at 100% due to a purchase allocation error.
- *CVWRF (Central Valley Water Reclamation Facility)* – On budget at 40% as the city participates in the bonding process for the rebuild of the treatment plant.

Solid Waste Fund – The budget is fine at 46%.

- *Operations – Refuse Containers* – Overbudget at 75%, due to several new subdivisions coming on line for garbage collection. The budget is expected to reach over 100% before long, therefore, a fee adjustment was anticipated. A brief conversation occurred to confirm the miscount of cans during the audit, the overcharge to the city, worn out cans, proper inventory, impact fees, and renegotiating the contract with ACE. Mr. Astill confirmed ACE does not count cans; they rely on the city for that. As a result, an impact study was suggested to improve the billing process in the future.

Storm Water Fund – The budget is doing well at 54%. A few line items are over 100%, due to error.

- *Operations – Dues and Memberships* – Over budget at 108% because the Tanner Ditch Project should have been allocated to *maintenance*. The correction would be made.
- *Operations – Professional Services* – Over budget at 190%; funding for the Storm Water Master Plan was not carried over from last year, which would be corrected. Mr. Astill said the council would consider approving the plan at the next council meeting. In addition, results of a fee study would be presented, regarding two anticipated rate increases; for garbage, and for storm water.

Central Garage – The budget is in good shape at 43%, however, a budget for *overtime-pay* would need to be included for the new year, which was overlooked last year.

Building Maintenance, Parks & Recreation – Mr. Sorensen provided a brief overview of each division.

Parks – The budget is going well at 50%.

- *Utilities* - Over budget at 85%, due to new tier-rate billing for water, and the frequency of watering grass at city parks. A budget request is anticipated in the future related to an adjustment.
- *Willow Pond Fish Program* – Spent at 100% - DWR (Division of Wildlife Resources) was paid to supplement fish.

Park Center – Doing well at 43%. Nothing pressing to address.

Recreation – Doing fine at 44%. No concerns.

Arts and History – Below budget at 40%. Nothing concerning.

Ms. Turner asked about royalty, and license fees. Mr. Sorenson explained fees and royalty payments are required when the city presents various movies in the park, as well as, well-known plays performed at the amphitheater. The city could be fined for showing feature films and plays if fees are not paid.

Outdoor Pool - Below budget at 39%. No concerns.

Senior Recreation Center – Below budget at 44%.

Cemetery – The budget is on target at 55%.

- *Utilities* - Over budget at 729%, due to new tier-rate billing for water, and frequent watering. A budget request is anticipated in the future related to the new rates.

Facilities – Below budget at 39%. The new division was a consolidation of facilities maintenance from the

Recorder, Park Center, Senior Recreation Center, and Public Works and is working well to maintain aging city buildings.

- *Operations – Small Equipment* – Spent out at 100%, due to the purchase of three I-Pads.

Capital Projects

- 2019 Budgeted CIP projects totaled \$2,344,500, which are either in progress, completed, scheduled, or carried over. A lengthy list was reviewed in detail, and a discussion occurred about Ken Price, related to past and present conditions, and future construction plans.

Golf Fund – On target at 52%.

- *Operations – Building and Grounds Maintenance* – The expenses are high at 91%, due to several supply purchases during the fall.

Mr. Sorensen appreciated the CIP program that made a big difference in operations this year.

Community & Economic Development and (ADS) – Melinda Greenwood

Ms. Greenwood confirmed the ADS (Administrative Development Department) had changed therefore, a brief review occurred including personnel changes. Ms. Steck said after the council's consideration to approve ordinance changes, related to the reorganization, a budget amendment would be presented to reallocate accounts accordingly. The following was discussed:

Building Division – Doing well at 50%.

- *Personnel* - A significant increase was noted, due to hiring building inspectors. In the past, positions were outsourced, and the cost allocated to *Professional Services*. The department is fully staffed with four building inspectors and plans examiners.
- *Operations – Supplies* - A significant reduction from \$9,000 to \$3,000 for unknown reasons.
- *Capital Projects – Maintenance*, \$100,000 focused for environmental, demolition, and clean up in the downtown area. The RDA area is considered tax exempt property.

Mayor's Office/RDA - Mayor Camp/Doug Hill

Mayor Camp agreed the RDA budget is do not understand, therefore, a detailed review explanation was greatly needed. He confirmed a separate meeting was needed as an RDA work session. Mr. Brass and Mr. Nicponski agreed.

Ms. Heaps presented a brief review and said the budget was in good shape at 49%.

Ms. Turner reiterated her concern about *car allowance* and noted the increase from \$8,500 per year, to \$16,200, which doubled. She wondered how this was accounted for. Ms. Heaps stated each staff member in the administration receives car allowance equivalent to other city department directors, however, Mayor Camp's allowance was slightly higher at \$400 per month. Mayor Camp confirmed and noted both Mr. Hill and Ms. Heaps have car allowances, as well; but in prior years, only two employees received it. He was not clear why it doubled. Ms. Heaps confirmed the significant increase.

Mr. Hales affirmed the increase provided \$350 per month, per person.

Mr. Hill confirmed all department directors, including he and Ms. Heaps, receive \$350 per month, and, Mayor Camp \$400 per month. He explained prior to this fiscal year, car allowance for the previous chief of

staff was the same amount, and Ms. Heaps position paid a lower amount. Therefore, with the combination of raising car allowances overall, and additional administration staff, the increase resulted.

Ms. Lopez confirmed *Professional Services* was payment to lobbyists. Ms. Heaps confirmed their legislative intern was also paid thorough that account. Mr. Hill said Mr. Stewart was paid \$40,000; Mr. Holdaway, \$30,000, and the intern, \$5,000 per year.

A lengthy discussion occurred about the value of having lobbyists work on behalf of the city, especially with proposed legislative concerns related to sales tax, transfers, the tier-two retirement bill, and other anticipated items that would have impact.

Capital Projects

- *City Wide:*
 - *Professional Services* – Payment to JR Miller: \$963,000, and the anticipated cost for the Parks Master Plan was noted.
 - *Land* – Purchase of school district property was \$2.7 million.
 - *City Hall* – Design services budgeted at \$5.5 million. Bonding anticipated in January 2020.

Ms. Turner asked about plans for the school district property. Ms. Steck said land would be traded between the RDA for the same value as the new city hall property, since the RDA purchased that land. Mr. Hill explained the idea was that when existing city hall land was sold, the school district property would be combined with it, as one sale. He confirmed the council would need to consider approving the property exchange between the RDA and the city in the future. The RDA owns properties the city should own, and the city owns property the RDA should own. Ms. Turner said the situation occurred before in the past. A lengthy conversation occurred about the land exchange process.

Fire Department - Chief Harris

The department is on target overall, at 48%. The Chief said spending was documented carefully for accuracy, however, the following concerns were highlighted:

- *Personnel – Overtime* – Overspent at 88%. Shorthanded staffing concerns were noted, due to absences for fire fighters attending school, various training, and FMLA. A reimbursement was anticipated from California deployments.
- *Capital Projects* - Total Budget: \$7.7 million.
 - *Equipment - Vehicle Replacement* – One staff vehicle purchased, one ambulance refurbished, and a new fire engine was ordered. Cash payment for the new engine was \$670,000, which would carry over into next year’s budget, to receive a discount of about \$30,000 for prepaying.
 - *Buildings - Fire Station* – Construction is in progress, however, construction costs increased, and there is no longer a contingency. Normal contingency costs are 5% to 10%, which is about \$300,000, and is anticipated because there is no other option. The rise in cost was also due to the choice of using a thicker gage of steel that increased in price and created change orders of \$13,000. Keeping costs down is priority, however, issues arise to inflate the overall cost. Completion is expected by Thanksgiving.

Finance and Administration – The department oversees several divisions. Ms. Steck shared the following:

Finance Department - The budget is at 47% and nothing was over budget. The following was reviewed:

- *Personnel* – Fully staffed as of December 31, 2018 with a total of four employees.
- *Administrative Fees* – Adjusted down to 45% from 60%.

Human Resources – The budget is fine at 44%.

- *Personnel* – On budget at 46%. Staffed with two full-time employees and one department manager.
- *Operations* – Overall, below budget at 22%. However, *Professional Services* was noted at 100%, due to the compensation study.
- *Administrative Fees* – Slightly adjusted down to 40%.

Treasurer – The division was reorganized, and the budget is doing well at 44%.

- *Personnel* – Below budget at 44%
- *Operations* – Below budget at 37%
- *Administrative Fees* – Mostly affected by the reorganization, where most of the activity relates to collecting and processing utility funds. Therefore, a change occurred to allocate 95% of the revenue out to the Water, Storm Water, and Power funds instead of 58% of the revenue.

Recorder – Right on budget at 50%.

- *Personnel* – Below budget at 46%, due to the retirement of a long-term employee.
- *Operations* – On budget at 52%. Next year the budget would increase due to election services.
- *Administrative Fees* – Adjusted from 52% to 40%.

Mr. Hill lead another discussion to further clarify car allowance. He said assuming the council would approve Mayor Camp's reorganization plans, there would be a total of 10 departments, with 10 directors - all of whom would receive \$350 per month for car allowance. He explained the decision was based upon results from the compensation study conducted by Human Resources, where part of the study considered what other cities provided for car allowance. Therefore, as part of Mayor Camp's budget last year, a recommendation was made for car allowance, which was considered mid-range comparatively. Mr. Hill noted the court was not considered a standalone department; but the provision was made. However, the library is a department, and the library board should approve that benefit, so the library director would not receive car allowance. As a result, only nine directors total would receive car allowance.

Ms. Turner thought it strange because after working for the state of Utah many years, state employees did not receive car allowance; and had to justify every mile to receive any reimbursement. She thought the provision was a nice benefit, but mileage should be accounted for. Mr. Hill explained other cities comparatively, commonly give as much as, \$600 per month. Ms. Steck confirmed some cities provide, as much as, \$1,000 per month for car allowances.

Debt Services – The budget at 54% reflected a slight increase, due to the Series 2018 issuance of a bond for the fire station. Ms. Steck highlighted only the following:

- *Transfers Out* – The GF subsidized \$60,000 to the Golf Fund, allocated for *operations*, not capital replacement at the golf course. In addition, a transfer of \$5.5 million to the CIP Fund, to fund the CIP plan was anticipated.

Non-Departmental – Noted at 33% - well within budget.

- *Unemployment* – The budget is spent at 1869%, due to two claims in the current year; one claim from the fire department, and the other from the mayor's office.

- *Employee Assistance Program* – Since the program has not been used the budget sits at 1%.
- *Tuition Reimbursement* – Two employees use the program; anticipated spending budgeted \$50,000.
- *Supplies* – Spent at 100% - Used for copy paper.
- *Postage* – FY 2019 Budget = \$32,500. The city will begin outsourcing printing and mailing for utility billing, so the account is expected to see a great reduction. The cost for leasing the current machine for folding and placing bills in envelopes is \$60,000 per year. In addition, two full-time employees are currently working 4-7 hours per week to process the bills. Outsourcing would provide great savings.
- *Miscellaneous* – Up 138%. Money allocated for savings, utilized for various items. A significant portion of spending was to Civic Plus - for website redesign and support.
- *Contract Services* – Ms. Steck was unsure what the \$50,000 budget was for.
- *Boys & Girls Club* – Spent at 100%, due to contributions of \$125,000.

Ms. Steck said the *Non-Departmental* account fluctuated up and down because it was used for miscellaneous items. She referred to the *City Recorder's* budget, which she thought also fluctuated. Therefore, to make the recorder's budget more consistent, she suggested from now on, election funds be allocated to non-departmental - based on need. Ms. Steck inquired the council for direction.

Mr. Nicponski said election funding should remain with the city recorder budget. Ms. Steck said she would not change it.

Ms. Lopez wondered where the ULCT (Utah League of Cities and Towns) budget was located. Ms. Steck could not recall but would research and get back with Ms. Lopez.

Adjournment: 5:20 p.m.

Pattie Johnson
Council Office Administrator II