

MAYOR'S BUDGET ADDRESS - APRIL 2, 2019

Good evening city council, city staff, and public. Tonight, I present to the city council for your consideration, a balanced budget for Murray City for FY 2019-2020.

I want to recognize the many hours invested in the preparation of this budget document by our finance department, department directors, division heads, and the mayor's office staff. In particular I recognize and thank Brenda Moore and Nate Plaizier for the extra load they carried in preparing this document in light of the loss of our Director of Finance and Administration in the middle of the budget preparation process.

At the conclusion of the meeting this evening, you each will be given a well-organized budget binder that will provide you with the detail that you will need as you consider the budgetary requirements of the city for the next fiscal year. My staff and department directors will be available to provide you with any additional information you may need. We will also provide you this document in electronic format. This tentative budget will also be available to the public on our website, murray.utah.gov, beginning tomorrow morning. We hope that individuals will find the budget document to be user-friendly and informative.

BUDGET APPROACH

This tentative budget uses a Target Base Budgeting approach, a method that identifies overall expenditures based on the estimated revenue available to Murray City. When budgeting for revenue, the Mayor's tentative budget uses conservative and attainable budget projections.

Where possible, departments were asked to keep operational budgets at or below last year's level. Line item adjustments came from within a department and by re-allocation of budget resources. Based on specific needs, some budget increases were necessary.

PERSONNEL

As a service provider, our employees are our greatest resource. Personnel costs are 72% of the General Fund budget, and 50% of the city-wide budget. There are 404 full-time employees in the FY 2020 budget. We recognize the increasingly competitive environment for trained and seasoned personnel in local government; and also recognize the investment we have made in our current workforce. During FY 2018, the city conducted a compensation study to ensure that employees were being fairly compensated, both as to value to the city and the current market. In FY 2019 the city implemented an employee step plan. As a result of the compensation study and step plan, the city has seen a decrease in turnover among employees in public safety.

COST OF LIVING ADJUSTMENT (COLA)

In the determination of a cost of living adjustment (COLA) for our employees, we found that the Zions Bank Wasatch Front Consumer Price Index for December 2018 shows a CPI growth of over 5% from December 2017 to December 2018. This index is specific to the Wasatch Front. The

U.S. Department of Labor Western Region Consumer Price Index for January 2019 show CPI growth of 2.7%. This index includes all western region states.

Based on this, and other information, a 2.7% COLA for all employees is included in this tentative budget. The city-wide financial impact is \$713,946, or \$264,424 per each 1%. The impact to the General Fund only is \$508,665, or \$188,395 per 1%.

STEP INCREASES

Of our 404 employees, 388 are considered eligible for participation in the step plan. The council members, Council Executive Director, Mayor, Chief Administrative Office, Justice Court Judge, and all new or vacant positions were excluded. However, at the request of the City Council Chair, this tentative budget includes a 3% salary increase for the Council Executive Director. Also, per city council direction, the judge's salary was increased by \$10,000.

Of the 388 eligible employees, 98 employees (25%) are eligible for a 5% step increase and 150 employees (39%) are eligible for a 2.5% increase. Additionally, 140 employees (36%) are not eligible for a step increase because they have reached the top of their pay range. All employees are eligible for the COLA.

The city-wide cost of the step increases this year is \$330,406. The cost to the General Fund is \$254,543.

OVERTIME

The city-wide budget for overtime is \$1,030,130. The cost to the General Fund is \$691,500. Of that amount, \$538,000 (78%) is allocated to Police and Fire.

In addition, specialty pay is provided to both Police and Fire personnel to compensate for in-lieu-of-holidays pay, training, and shift differential. This pay is in addition to their normal wages and amounts to 7.5% for sworn officers and 2.5% for firefighters.

The cost to the General Fund for specialty pay is \$524,449. It is important to note this pay has not been budgeted for in previous years. The cost has typically been absorbed in vacancies. There are currently no vacancies in our Police Department.

EMPLOYEE BENEFITS

Benefits include social security, Medicare, medical and dental insurance, flexible spending, life insurance, disability, retirement, and workers compensation. The city-wide cost of benefits is \$15,146,797, or 32% of the total personnel cost.

For the coming fiscal year, the cost of medical insurance premiums will increase by 6.0% with no changes to the plan. The City currently contributes 85% of the premium with the employee contributing 15%. A study of other municipalities and special districts indicates that Murray

City's employer contribution rate is in the mid to lower half of other agency contribution rates. All other benefits had no change in cost.

NEW POSITION REQUESTS

The following four new positions have been included in the Mayor's tentative budget:

Wastewater Superintendent – The Public Works Director requested a full-time superintendent position to support the wastewater utility. These responsibilities are currently being performed by the Water Superintendent. The cost of this position is \$128,404 and will be funded through the wastewater account.

Metering Technician – The Power Director requested a full-time Metering Technician to assist in the increased service demands due to growth and the retirement of a long-term employee in that division. The cost of this position is \$130,187 and will be funded through the power enterprise fund.

Office Administrator I (Part-time) – The Council Executive Director requested office support of 15 hours per week. The cost of this position is \$10,110.

Plans Examiner (Part-time) – The Community and Economic Development Director requested a Plans Examiner to assist with building plan review. Total cost of this position is \$36,874.

The following two positions were requested but not funded in this budget:

Program Coordinator – The Parks & Recreation Director has requested a full-time program coordinator for the Parks Center.

Assistant Golf Professional II – The Parks & Recreation Director has requested the City restore the full-time Assistant Golf Professional II position.

Two (2) positions were eliminated from the budget through attrition – the Court Administrator and Traffic Clerk.

NOTEWORTHY

The Mayor's tentative budget in the General Fund increased 4% over last year's budget. Personnel costs increased 7%; however, the overall cost of operations in the General Fund decreased by 3%. The General Fund reserve level remains the same at approximately 22%.

This budget assumes no property tax increase, therefore revenue projections from property tax are unchanged from FY 2019. Sales tax revenue is estimated to increase by less than 1% over FY 2019.

Salt Lake County imposed a quarter-cent sales tax that will fund transportation projects starting in FY 2020. The estimate provided by the Wasatch Front Regional Council for the City's share of

this tax is \$1,466,000 for FY 2020. This amount will be transferred directly to the CIP fund for street projects.

Because the local option sales tax (0.2%) imposed in FY 2017 sunsets in June 2030, funds collected from this tax are transferred to the CIP fund and used to fund one-time expenditures only. Previously, some employees were funded from this tax. Best practice states that on-going operations should not be dependent on sunseting revenue sources, therefore these positions were transferred to the General Fund. The bond payments for the new fire station under construction on Box Elder Street are scheduled to be retired in 2030 to coincide with the sunseting local option tax.

Revenue from business license fees and building permits was increased by 24% to reflect actual collection.

At the request of the city council, the budget for the auditor was moved from the Finance and Administration Department to the City Council budget. The budget for the auditor is \$32,000.

The budget for the annual computer replacement plan was moved from the CIP Fund to the General Fund.

The Water Fund charges for service was increased 6% to reflect the new water rate per the City's 5-year adopted rate ordinance and new tiered water rate structure as required by state law.

The Wastewater Fund charges for service was increased 5% to reflect the new wastewater rate per the City's 5-year adopted rate ordinance.

The Solid Waste Fund assumes a rate increase on July 1, 2019. This increase is required to sustain the fund's financial position and only reflects the necessary revenue to compensate for the increased cost of recycling collection due to changes in the world's recycling market. The cost to handle recycling materials increased from \$15 per ton to \$60 per ton in FY 2019. The budget was adjusted for this increase.

The budget for Class C roads was decreased from \$2.2 million to \$1.95 million. This is funding received directly from the State of Utah and represents the City's share of the gas tax based on number of lane miles.

The transfer from the enterprise funds to the General Fund in this budget remains unchanged at 8% of revenue.

CAPITAL IMPROVEMENT PROJECTS

The Mayor's tentative budget includes a capital improvement program (CIP) for the General Fund that prioritizes projects based on the following annual funding level strategy. The amounts are guidelines based on department 5-year plans and will be adjusted in the future as needed.

- \$2,365,000 per year for vehicle and equipment replacement – this includes police cars, fire trucks, snow plows, dump trucks, etc.
- \$700,000 per year for facilities maintenance – this includes all City-owned facilities (Parks Center, Senior Recreation Center, City Hall, Public Services building, Murray Mansion, Murray Theater, etc.)
- \$1,500,000 per year for roads maintenance and infrastructure
- \$1,000,000 per year for parks maintenance and infrastructure
- \$200,000 per year for golf course equipment replacement
- \$120,000 for professional services for studies and other projects

The CIP Committee recommended an additional \$700,000 be added to the Parks & Recreation budget along with postponement of a \$300,000 parking lot project to fund the replacement of all pavilions in Murray Park in the next fiscal year. This will provide some savings and practicality by having all the work done at once rather than a year apart. The conditions of the pavilions are deteriorating each year.

There is also included in the CIP budget \$1 million towards the renovation and rebuild of the Murray Theater. This will allow access to matching grant funds from Salt Lake County. We will still need approximately \$2.5 million to finish the project in the next two years. Our staff is looking at further grant opportunities for this project.

A list of the recommended projects for FY 2020 can be found in the Capital Improvement Projects Fund section of the budget binder.

The Library Board continues to recommend reserving \$580,000 per year to dedicate towards the construction of a new library in 3-5 years. FY 2020 will be the 2nd year for this program.

The Water Fund has scheduled \$4.14 million in capital projects. Of that amount, \$2.72 million will be funded by the State-issued bond and \$1.42 million will be funded by water revenue.

CONCLUSION

These are the highlights of this very comprehensive budget. After many hours of work on this document, tonight we place it in the hands of the council. Please review it carefully over the next weeks. As I mentioned earlier, my staff and department directors are ready to be a resource throughout the remainder of the budget process.

Jacob Lew is quoted as saying “The budget is not just a collection of numbers, but an expression of our values and aspirations.” This budget will allow us to continue to invest in our greatest resource, the men and women who provide the city services that we want and need, and that keep Murray City the safe and vibrant community that we love.

Thank you.