



**MURRAY CITY MUNICIPAL COUNCIL
COUNCIL INITIATIVE WORKSHOP**

A Murray City Council Initiative Workshop was held on Tuesday, September 18, 2012, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Jim Brass	Council Chairman
Jared Shaver	Council Vice Chairman
Dave Nicponski	Council Member
Darren V. Stam	Council Member
Brett A. Hales	Council Member

Others in Attendance:

Dan Snarr	Mayor	Jan Wells	Mayor's Chief of Staff
Jennifer Brass	Citizen	Sally Hoffelmeyer-Katz	Citizen
Justin Zollinger	Finance Director	Doug Hill	Public Service Director
Frank Nakamura	City Attorney	Tim Tingey	ADS Director
Jennifer Kennedy	City Recorder	Juliette Dorsett	Police
Pete Fondaco	Police Chief	Paul Christiansen	Police
Rebekah Cox	Police	Troy McCombe	Police
Mike Walker	Police	Brad Astin	Police
Kenny Bass	Police	Luis Argueta	Police
Ross Huff	Police	Nate Pentico	Police
Alissa Black	Police	Chris Brekenfeld	Police
Tyler Evans	Police	Marvin Barlow	Police
Julie Johansen	Police		

Mr. Brass called the Council Initiative Workshop to order at 5:05 p.m. and welcomed those in attendance. He reminded the group that the CIW meeting was just a forum for a proposal to get the process started.

Discussion Item #1

Vehicle Leasing Program for the Murray City Police Department - Dave Nicponski

Mr. Nicponski thanked Chief Fondaco for making himself available for this discussion and expressed his appreciation to Mayor Snarr and Jan Wells for making their people available to him and noted that there were no territorial issues and he was able to work with City staff and hoped something might work out.

An overall analysis of police vehicles was compiled by Mr. Nicponski and he distributed that schedule to the Council Members. It showed maintenance detail for 32 vehicles dated years 1997 to 2006. The next column indicates shop visits and lastly the cost of repairs was listed. The cars are costing the City money as they age and the replacement for these vehicles is what he would like the Council to consider.

Mr. Nicponski had a quote on a lease arrangement that he provided to the Council Members and administration. He said the question is whether the City should purchase or lease vehicles. He said the decision was to spend \$250,000 to buy five to six vehicles; although the City could spend that same amount of money and lease more than 35 vehicles. That money would be spent each year for a succession of years. The lease could be over two or three years and the police would take in as many as 35 or more cars. He thinks the Council needs to decide the best way to outfit and service the departments starting with the Police Department. He started with them because no vehicle gets as much hammering as a cop car. It is fast acceleration, short stops and overall aggressive use. The patrol units also have much exposure from the general public on a daily basis and he feels this is the best place to have Murray shine on the front line. When citizens see good capable equipment then they see professionalism. This is something important to maintain, in addition to liability, safety, morale and putting the City's best foot forward as a community, Mr. Nicponski related.

Mr. Stam commented that the \$266,000 allocated this year for vehicle purchase came from the Capital Improvement Program (CIP). This is one time money; therefore, he asked where they would anticipate the money coming from in future years for this expense.

Mr. Nicponski said that he feels it will be transferred again next year and he is not worried about that.

Mr. Stam insisted that this increases the budget for the Police Department by \$266,000. If after the election people get scared and an economic downturn occurs then the City may not have that \$266,000 in the next year. It is a gamble he noted.

Mr. Nicponski feels the City has and will have that money for the lease payment.

Mr. Shaver confirmed that the initial payment of \$266,000 is a CIP generated allocation. After that he understood that it would not be from the CIP and would come from the Police Department budget.

Mr. Stam said that blocks the CIP process by locking the money in someplace. Do we force the CIP allocation or should it come from the General Fund? If a lease is signed, it must come from somewhere. He asked where it would come from to guarantee the money is available? Also, how would the other 50 to 60 cars be replaced? These cars would continue aging but the lease cars are constantly exchanged under the lease program. Otherwise the City would lose those cars and be down the number of lease vehicles.

Mr. Hales mentioned that Mr. Zollinger had prepared information and presented to the CIP committee the opportunity to purchase about 22 vehicles. He is trying to get it up to 25, which would depend on the sale of the used vehicles that would be replaced.

Mr. Nicponski pointed out that if the Council decides it would like to lease, then they would figure out what to do with the surplus cars and how to budget for it. He does not feel those issues are insurmountable.

Mr. Shaver asked if a total of 91 are replaced then they would be replaced over a period of every two years. Mr. Nicponski responded that the initial lease would start with 35 vehicles and the City would see what the budget allowed from there. If they just imagine for a moment that 91 would be replaced, 35 the first year and so on.

Mr. Zollinger clarified that if the City uses the \$267,000 each year it is an operating lease. The cars are turned back after the second year and 35 new ones are acquired. That \$267,000 is spent each year; however, if the City decides to buy its way out the cost of the 35 cars would be substantial.

Mr. Brass detailed the program for everyone's understanding. There is one K-9 truck, 35 vehicles for front line patrol and two unmarked cars. The City will not compound lease payment upon lease payment. The big problem as he sees it, Mr. Brass stated, is that with the tough economy the City dug a hole on vehicles, roads and a lot of equipment. How to solve the problem on cars is under discussion and the lease is one idea. Six cars at a time does not get very far and after the first 35 cars are purchased the initial six cars are already six years old.

Mr. Zollinger informed the group that radio expense is one thing that has slowed the purchase of vehicles. There is \$250,000 in 2013 and on the CIP schedule for 2014 is another \$250,000. Maybe the police could find \$50,000 in the budget to do a lease purchase over five years and free up an additional \$250,000 for the next year, which is where he is coming up with the approximate \$500,000 funding for the cars mentioned. The Police did a great job saving in their budget \$350,000 and if we add another \$150,000 then there is the \$500,000 to put toward cars this year. By advancing that into 2013 then \$710,000 can be used to purchase the police cars. This is an alternative proposal to actually purchase police patrol cars. The lease would get 35 cars and this option would be to purchase 20 cars outright. He feels maybe one to two more could be purchased with the trade in value from the cars being replaced.

Mr. Brass said that these are two options, and the risk with the lease is that if the City cannot keep leasing then the cars must be purchased. That would be 38 vehicles only two years old. The buyout for the leased vehicles at the end of the lease period would be \$700,000.

Mr. Nicponski said that he wants the Council to understand the smart money play: is it buying or leasing?

Mr. Brass expressed his concern about the leasing and the commitment and impact of the dollars on the budget if a downturn occurs. He is also concerned about the effect on the shop and does not want to impact the employees there. If the City decides to purchase 22 new vehicles, it will still have a positive bearing on the department. Because the lease number is so low and so intriguing, Mr. Brass suggested that the City's financial advisor, George K. Baum,

independently analyze both options.

Mr. Shaver agreed that he would like the financial people to look at both proposals and determine what would be the best option long term. This is also a morale issue with all the new cars on the street.

Major Snarr related an incident to the group stating that when he had his company he bought cars from the auction. He said that he does not expect that for the Police, he wants new cars for them; however, he did mention that he had gotten swindled by someone for about \$500,000 and still recovered. He had paid off all his debt. He kept his company in the black by being conservative and purchasing cars from the federal government auction. He sold his company a second time and the new owners immediately leased eight new vehicles. The economy turned downward and two and a half years later these people were bankrupt and out of business. They could not meet the lease payment. He talked with them to help them succeed. He suggested to purchase the auction vehicles and put a plow on it, get good accounts, take care of them and make more money moving snow than cutting lawns. Landscaping is good money too. At the end of the day, the company is obligated to the lease when they could have bought all eight vehicles with 35,000 miles on them and paid cash for the same amount as the lease payment.

Mayor Snarr realizes that the City is in a hole on vehicles; nevertheless, he feels there is another way to get out of it. He expressed his understanding of Mr. Nicponski's idea to boost morale and he agreed with the idea to have George K. Baum look at the options. The economy could take a downturn, and public safety is one of the most important things the City needs to provide for the citizens; however, the City also has to take care of roads and the parks. He gets calls on everything. If the economy does slow then where would the money come from to fulfill the lease that the City is obligated to? Should it come from streets or should the City lay off officers to pay for the vehicles. The CIP fund was developed to look five years into the future to see the needs of the City and prepare to take care of them: structural and equipment needs. In purchasing there has been an increase from 6 to 22 vehicles as numbers became available. As additional revenue comes in it will be divided between the departments on CIP critical needs. It is good to know that we own what we have and do not owe anyone. Ms. Wells shared with Mayor Snarr that Murray City is the number one city for lowest debt to income ratio per citizen. This is because we have worked hard to manage our resources. Mistakes have been made; however Mayor Snarr expressed his convictions to purchase, own, pay cash and remain in the black. He did acknowledge that Mr. Nicponski's idea was to bring the police department up to where they should be.

If the City leases 35 vehicles of the 91 police department vehicles there are still many left to replace. Chief Fondaco corrected that there are 16 vehicles in detective and the 35 vehicles in patrol. The detective vehicles need replacement soon.

Mayor Snarr stated his appreciation for Mr. Zollinger laboring over this issue. He added that he takes lots of criticism from citizens over economic development because people do not want their neighborhoods imposed on. Mr. Nicponski said that is the reason for the current surplus that is occurring. Mayor Snarr related his motto to live within your means and you will have the means to live. He thinks the original six vehicles up to 22 vehicles is a quantum leap to get the police back to a regular replacement cycle. If sales tax continues to improve, the following year the City could be in a position to acquire more vehicles for police, parks, streets

and other areas. There is a way to do this and live within our means. He would hate to lose the ranking of number one in lowest debt ratio. He has worked hard to say that Murray can do things better and different than others.

Mr. Shaver asked about the vehicle maintenance log that Mr. Nicponski compiled. It was clarified that the maintenance listed was over the life of the vehicle. He asked what a shop task would typically be.

Mr. Zollinger said that he did not know where the City ended up 2012 until the previous week when budgets were finalized and expenses were accrued back. All posting was completed then and this is why these numbers have just become available to him. He encouraged the CIP to meet in September after he had these figures available.

Mayor Snarr mentioned wanting further information on maintenance, which Mr. Nicponski would research.

Mr. Stam commented that the City spent \$100,000 on the strategic plan and part of that was to establish a vehicle replacement program that was viable for all departments. The CIP came up with \$3 million to combat a lot of needs in the City. Looking at a five year plan only \$116,000 was put forward for future needs. If we do not save 20% of what is available the City will not actually accomplish anything in the end. We are digging out of a hole, but if the process is bypassed it will not work for the future. By each department getting 75% of the unused budget they give back, then it becomes lots of dollars for the next year. Chief Fondaco anticipated a large unused portion that can buy a lot of cars. It has come to \$268,000 to go for Police Department projects. By doing a good job taking care of the budget and saving it will help the City dig out of the hole. He was ecstatic to hear what happened in Information Technology: by purchasing computers in bulk one server was purchased at no cost due to this purchasing power. It saved \$30,000 for the coming year. In Parks, when the bathrooms were bid, it was possible to replace the pavilion roof and take out a chimney for the budgeted dollars. Better prices were obtained on other vehicles and equipment and that savings is what the plan is all about.

Mayor Snarr asked if the light bars and all equipment goes back with the lease vehicles, which they do. If the vehicles are purchased, when they are rotated out the equipment can be reused for about \$7,000. This can only be done when purchasing the same vehicles. The new police vehicles will probably be available from Ford for a long time, Chief Fondaco remarked.

Mr. Nicponski commented that he appreciates and respects the CIP process; however, he said that it does not trump the Council and he encouraged anyone with an issue to bring it before the Council.

Chief Fondaco thanked the Mayor for the opportunity to speak on the lease, as Mayor Snarr does not support the idea and it puts the Chief in a bad position with his boss. As it was requested by the Council he was prepared to present what the Police Department had put together.

The lease proposal is for 38 vehicles from Ken Garff who currently holds the State bid on police vehicles. Purchase or lease would come from Ken Garff. There is \$210,000 in this years budget to purchase 6 patrol vehicles. This money along with the anticipated savings in

vehicle maintenance would pay the first year lease amount of \$267,841. He anticipates \$60,000 to \$65,000 out of vehicle maintenance because these 37 vehicles would only require oil changes, tires or brake pads. Heavy maintenance would be covered under warranty.

The Chief detailed a replacement plan of vehicles that would allow the reassignment of eight newer lower mileage vehicles to go to four motor officers and four school resource officers. These officers drive their vehicles less so this would extend the time before these vehicles would be scheduled for replacement. Those vehicles are parked most of the day and another six to eight years could be put onto those cars.

The two unmarked vehicles in the lease would be assigned to the Chief and Assistant Chief and these could be reassigned to detectives. Instead of putting the radios on a lease the \$38,000 police receives from the DEA would be used to purchase two detective cars every year. In July of 2013 the detectives would receive four detective cars at no increase to the City. That takes care of four cars that are pushing 100,000 miles. Every July after that detectives would received another two vehicles so that rotates the detective division without going to the CIP or involving additional funding.

Mr. Shaver asked for confirmation of that. The Chief noted that these vehicles do not have the police package and they can use whatever vehicle is on the State bid; two cars can be purchased with \$38,000. This takes care of the detective, school and motor vehicles and removes them out of the equation.

This proposal does not take care of all the police vehicles and, in fact, in the next years capital budget the Chief would be asking for a new code enforcement vehicle along with four new motorcycles. The motorcycles are normally rotated every two years because Harley buys them back and it usually costs an additional \$17,000 to replace four. These are now older, due to the economy, and it will cost \$39,000 to replace all four. These are new fully equipped police package motorcycles.

The Chief remarked that this concluded the police proposal on leasing. The Chief added that to be perfectly honest, 22 cars changes the outlook and he said that if that was in the budget then he probably would not have had this meeting. He was trying to get the point across that six cars a year would not outfit the Police Department. In February, 23 patrol cars will have over 100,000 miles on them. Until the lease was brought up, the return of 75% of department savings and the proposal by Finance that the City got up to 22 vehicles for purchase was not specified. If you lease these new cars and if sales tax is up after two years, then they can be purchased for only \$700,000, are fully equipped and only two years old. He never intended to continue leasing new cars every two years ; he felt at some point the City would buy them.

The Chief reminded the Council that he lost five police officers to the retirement package and he just received another resignation from an officer. He is down four officers bringing the total to nine and this is the level of officers before the annexed areas were acquired. He never suggested trading bodies for cars and would never do it and does not think that is a good plan.

Council Members agreed and Mr. Brass confirmed that through the tough economy the City officials worked hard not to lay off employees. He stressed that on the lease that financial commitment comes off the top of the budget. Everything else must be cut out and at some point

people do go on the table as negotiating tools. He values people more than the vehicles and yet, he knows the vehicles are necessary too. He concluded that he would like to determine which is the most sound decision financially. The discussion was - is it something that the City should consider. This is not just for police, there are cars in the entire City with the same problem. It may be a solution or it may not be. He would propose taking the proposal to George K. Baum and see what they say about it.

Meeting adjourned at 5:45 p.m.

Janet M. Lopez
Council Office Administrator