

April 3, 2020

The City Council of the City of Idaho Falls met in Council Budget Workshop, Friday, April 3, 2020, in the Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 8:00 a.m.

Call to Order and Roll Call:

There were present:

Mayor Rebecca L. Noah Casper
Councilmember Michelle Ziel-Dingman (by WebEx)
Councilmember Thomas Hally (by WebEx)
Councilmember Jim Freeman (by WebEx)
Councilmember Jim Francis (by WebEx)
Councilmember Shelly Smede (by WebEx)
Councilmember John Radford (by WebEx)

Also present:

Pamela Alexander, Municipal Services Director
Mark Hagedorn, Controller
Josh Roos, Treasurer
Derek Wood, Information Technology
Bud Cranor, Public Information Officer (PIO)
Duane Nelson, Fire Chief (in person and by WebEx)
Rick Cloutier, Airport Director (by WebEx)
Ryan Tew, Human Resources Director (by WebEx)
Bryce Johnson, Police Chief (by WebEx)
Bear Prairie, Idaho Falls Power Director (by WebEx)
PJ Holm, Parks and Recreation Director (by WebEx)
Chris Fredericksen, Public Works Director (by WebEx)
Brad Cramer, Community Development Services Director (by WebEx)
Robert Wright, Library Director (by WebEx)
Carla Bruington, Mayor's Executive Assistant (by WebEx)
Randy Fife, City Attorney (by WebEx)
Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 8:01 a.m. with the following items:

Coronavirus (COVID-19) Update:

Mayor Casper stated it is anticipated the State will extend the Stay Home Order to April 30. She also stated testing for COVID-19 is still an issue. Money will be available per the Coronavirus Aid, Relief, and, Economic Security (CARES) Act although distribution will only reimburse COVID-19 expenses (retroactive to March) and will not include lost revenue. The Governor's Office has set up a hotline for questions and reporting. Mayor Casper noted local law enforcement is practicing an 'educate and disperse' model (Chief Johnson confirmed a written warning system is not in place); cities are struggling with short-term rentals (the Local Land Use Planning Act (LLUPA) can assist with this if needed); and, several services are only available online. Discussion followed regarding opening the Library on a limited basis to allow computer uses for online services. Director Wright stated terminals could be placed in the lobby by controlled access. There were be no contact with Library staff although the equipment would need to be regularly sanitized. There was consensus to explore this option. Chief Nelson applauded wanting to provide Library services to the public, however, he expressed his concern for isolation fatigue. He believes a mixed signal may be sent for opening some City offices and he agreed that other options should be explored. Chief Nelson also believes the Stay Home Order will be extended. He stated community spread (unknown source of contracting COVID-19) across the State is problematic. He recommended maintaining the isolation order. He reviewed the testing procedures and data point tracking. He indicated the Governor is setting up a task force to work on modeling. He believes this may be a long event that may extend into summer. To the response of Councilmember Radford, Chief Nelson stated Idaho Falls Fire Department (IFFD) staff is following the Decision Tree. He also stated discussions are

April 3, 2020

occurring with the IFFD Union. Director Alexander stated, per Chief Nelson's update, the financial team is working on current and future fiscal impacts.

In-service Exercise; "How to Work with Me":

To the request of Councilmember Smede, all Department Directors, all Councilmembers, Mayor Casper, Mr. Hagedorn, Mr. Roos, Mr. Fife, and, Ms. Bruington shared what 'works' and 'doesn't work' for them.

Strategy, Priorities and Vision Refresher:

Mayor Casper believes there is a nervousness when all finances are shared with Councilmembers, which is common with most cities. She also believes the City has a great foundation of trust with the directors. Mayor Casper reviewed the 2020 Budget Calendar. She noted Budget Watch scheduled for May will not occur due to COVID-19 limitations. Director Cramer believes Budget Watch was not a good way for public outreach. He stated Community Development Services will be purchasing Envision MindMixer which will allow public engagement and participation. He briefly reviewed the portal. Councilmembers Dingman and Francis believe public interaction/input is valuable. They expressed caution for this reliability. Councilmember Radford believes this may be a good option in lieu of Budget Watch. Councilmember Smede is in favor of live town-hall-type meetings. Councilmember Freeman believes specific projects may need narrowed down. Councilmember Hally is in favor of trying this option.

Director Alexander briefly reviewed the eight (8) Community-Oriented Results icons within Priority Based Budgeting (PBB). External Results include Safe and secure community; Access to a variety of life-long learning opportunities; Livable community; Environmental sustainability; Economic growth and vibrancy; Well-planned growth and development; and, Reliable public infrastructure and transportation. Internal Results include Good governance. There are a total of 1,452 programs within External Quartiles and a total of 152 programs within Internal Quartiles. Director Alexander stated Mr. Roos has been attending General Finance Officer Association (GFOA) conferences that could assist with PBB. Mr. Roos stated there should be adequate funds for reserves and, Capital Improvement Projects (CIP) should not be stopped. Councilmember Radford believes government is a base piece of the economy and projects that put people to work should continue. However, he also believes the tax projection will be important for projects. Mayor Casper noted the City cannot deficit-spend. Councilmember Freeman believes essential items need to be the focus and, this could be a good time for projects as costs may be reduced. Councilmember Hally stated this could create an expensive 'can down the road'. To the response of Councilmember Francis, Director Alexander stated each department has been encouraged to review the programs annually although this has not been a robust conversation. Councilmember Francis believes some of these priorities need to be changed. Mayor Casper believes the concept of PBB may be used although the expense of the platform may need to be re-directed. Director Alexander concurred. Councilmember Smede believes, per the One City One Team concept, there should be a common goal of City leaders moving forward.

2020-21 Fiscal Outlook:

Mayor Casper reviewed the 2020 Legislative Select Summary House Bills (HB) and Senate Bills (SB) and the fiscal impacts with general comments including:

- HB408, Sales Tax Revenue Sharing – less sales tax revenue over time
- HB409, Property Tax Freeze (amended) – defeated in Senate
- HB489, Annexation Bill – held by Senate Chair
- HB490, City Broadband – died in Committee
- HB587, Urban Renewal (excluding Highway Districts) – died in Committee
- HB614, Driving with Electronic Devices – signed but no impact
- SB1277, Homeowners' Exemption (amended by the House) – Senate did not concur
- SB1416, Homeowners' Exemption – sent back to Committee
- SB1417, Circuit Breaker – died in House

Mayor Casper believes sensitivity needs to be shown with political awareness by using data. Mr. Roos stated the COVID-19 will affect revenues and projects for the upcoming year. He also stated the pandemic hurts the economy in three (3) basic ways:

April 3, 2020

- Investing – the stock market is not the economy - it is not *causing* the trouble although it's *reflecting* the trouble. Federal Fund Rate Expectations – rates have been dropped to 0-25 basis points, this is expected to last at least one (1) year.
- Unemployment – 6.6M Americans filed for unemployment in the previous week.
- America's Gross Domestic Product (GDP) – consumption typically makes up 70%; Investments typically makes up 20%; Arts, entertainment, recreation, and, restaurants typically makes up 4%; and, manufacturing typically makes up 11%. This will affect the impact on departments.

To the response of Councilmember Francis, Mr. Roos stated the lag time from the Federal Government to the banking industry is pretty immediate. He also stated an event-ridden recession typically does not last long. Mr. Hagedorn stated there are typically not short-term consequences. Councilmember Hally believes the real impact will be the consumer. Mr. Roos believes the consumer impact may occur in 3-4 months.

Mr. Roos reviewed 2020 City Revenues Forecast. He believes Sales Tax may be reduced by 12% or a \$360,000 loss in revenue. Donation revenues, Recreation revenues, Airport revenues, and, Investment revenues may also be reduced. Total budget = \$190,945,083, the adjusted forecast = \$187,554,942 (-\$3,390,141). This reduction may not affect Enterprise Funds. The forecast is difficult to project due to the unknown crisis.

Mr. Roos reviewed the difference between the anticipated revenue and forecasted amounts for the General Fund and Special Revenue Funds: General Fund = -\$1,550,263; Streets = -\$1,201,265; Recreation = -\$432,128; Library = -\$112,600, and, Golf = -\$93,885. To the response of Councilmember Freeman, Mayor Casper stated online sales tax has been allocated into a relief fund which has been used for COVID-19.

Budget Management Tools:

Mr. Hagedorn stated GFOA best practice standards are to use Performance Measures. These Performance Measures include analytics (embrace data); key indicators (gives operation changes over a 10-year period); and, benchmark or "target" measures ("benchmarking data provides tangible proof of the need to change"). Councilmember Francis believes there needs to be caution with the indicators. Mr. Hagedorn noted the data is to help make informed decisions.

Hot Topics: Inter-fund Transfers –

Mr. Hagedorn stated the City has used the Clearing House granting model (OMB A-87) for inter-fund transfers to allow allocation to the responsible parties. He briefly reviewed the Cost Pool (a group of costs that are undefined who should be responsible), Cost Driver, and, description. He stated these costs are difficult to allocate.

Hot Topics: Personnel Costs –

Mr. Hagedorn stated over the course of ten (10) years salaries and wages have increased 41.5%, benefits have increased 20.5%, and, regular employees have increased 12.3%. He also stated the payroll cost is outpacing the revenue cost. One of key indicators is that the increase of employees is comparable to inflation. The highest turnover rate of employees is year 1-5. Director Tew stated this is a very common trend. Mr. Hagedorn reviewed employees per age, employees per grade, and, employees per step. He stated the hiring of employees should match the revenue stream, the step and grade should be more predictable, and, the position count should be reviewed annually. The Full-time Employee (FTE) control will enhance budgetary reporting. Mayor Casper stated recommendations will be forthcoming. Director Tew stated the Compensation Committee has been meeting on a regular basis. He believes any recommendations may have to be delayed due to COVID-19. He also stated the Pay for Performance model did not fit the structure of the City. A hybrid of the current step and grade model is being considered, including a Market Study with other municipalities, and budgetary target benchmarks. Mayor Casper clarified this is only a proposal. Conversations will occur with the employees. General discussion and comments followed.

Hot Topics: Cyber/Information Technology (IT) Expenses –

Mr. Wood stated the IT Division is always trying to optimize/maximize hardware and equipment. He reviewed several Cyber expenses, operation costs, and, product developments. Mr. Hagedorn stated, per a GFOA conference class, Cyber attacks are very costly and, the government sectors have been a target. He believes IT is protecting the City's infrastructure from risk. Mayor Casper believes IT is a valuable cost for doing business.

April 3, 2020

2020-21 City-wide Spending Priorities:

Mr. Hagedorn stated, per legislative requirement, the City must have a balanced budget. He also stated each fund is being reviewed, not just as a City but as a whole. He indicated the upcoming proposed budget will include annexation and new construction, it will not include the 3% statutory allowance. He also noted the Yellowstone Pancheri Urban Renewal District will close-out this year and, employee data will be used to drive budget decisions.

Mayor Casper stated the decision to not always take the 3% statutory allowance has deferred projects although these decisions helped the public cope with the recession(s) at that time. She noted during the Great Recession maintenance was deferred, trainings were cancelled, and, the Municipal Equipment Replacement Fund (MERF) was minimized. She believes the City has spent the previous six (6) years repairing, fixing, and, “buying time” for worn out facilities; investing in the workforce (still low turnover despite retirements); securing MERF; and, implementing best budget practices. She is hopeful to always take new construction; conduct maintenance; continue to train and invest in employees; fund MERF at appropriate levels needs; right-size fees; continue to plan for capital investment and long-term goals; forecast and plan outward (more than a year at a time); manage reserves; invest responsibly; and, manage FTE's, wages, and, benefits carefully and thoughtfully. Councilmember Freeman believes the 3% statutory allowance should still be considered. Councilmember Francis concurred due to the reduced levy rates. Mayor Casper clarified the proposed budget from staff will not include the 3% statutory allowance, the Council could decide to include this allowance for their priority projects. Additional budget discussions will be occurring in July.

Mr. Roos stated reserves are critical and there is preference for a 3-month reserve. Reserves can be used for events, such as the current COVID-19 crisis. Reserves can also be saved and used for larger projects. Mr. Roos indicated \$2-3M is spent from the General Fund on a monthly basis. He believes a consistent 25% should be allocated to reserves. Mr. Hagedorn believes this savings should not be delayed. Mayor Casper stated the proposed budget will have a ‘reserves’ item. Mr. Roos noted several cities have these specific funds which can only be used per a policy/criteria. Following brief discussion, there was consensus of the Council for this reserve fund. To the response of Councilmember Radford, Mr. Hagedorn does not recommend borrowing from designated special revenue funds as this could cause legal implications. Mr. Fife concurred.

Director Alexander stated there may be federal stimulus money to proceed with community-wide projects, however, due to the COVID-19 issues, some capital projects may need to be delayed. The Law Enforcement Complex project would be the largest capital project. Chief Johnson believes the cost estimate for the building is approximately three (3) months out and funding discussion would occur in the July timeframe. Mayor Casper noted this would be contingent on funding. Any decision will be postponed pending data. Councilmember Hally does not believe this project could proceed without the 3% statutory allowance. Councilmember Dingman believes this project should be a capital spending priority and the City should move forward. Councilmembers Freeman, Smede, and Francis concurred. Councilmember Radford is not in favor of this project without a bond and approval of the citizens. Director Prairie noted municipal bonds have increased since the COVID-19 crisis.

2020-21 General Fund Discussion:

Mayor Casper indicated there is currently a devastating impact with the COVID-19 crisis which will take budgetary strategies. She believes the General Fund budget may include social/emotional engagement (honesty and trust is foremost), political engagement (data driven decisions), and, professional and practical engagement (extend loyalty to citizens and taxpayers, consider needs versus wants, consider cutting services).

Mr. Roos reviewed General Fund 2020 Budget of \$48,972,711 versus the Forecast of \$47,422,448 which equals a difference of \$1,550,263. He indicated cuts need to occur in Charges for Services and Miscellaneous (Interest Income, Contributions) as there is a potential 3%-5% decrease in revenues. Mr. Hagedorn reviewed a summary of proposed cuts by departments which totals \$2,295,309. He noted there were no guidelines for these cuts. Mayor Casper highly commended the One City One Team players. She also believes the Mayor's Office and Councilmembers could reduce their budget as well. Department cuts were reviewed as follows:

Human Resources (HR)/Legal – Mr. Hagedorn stated the reduction is due to personnel training. Total of \$25,000 = 1.97% of budget.

April 3, 2020

Community Development Services (CDS) – Director Cramer stated the majority of savings is due to employee positions, and, an earlier than anticipated retirement and, reduced cost in vehicles. Total of \$102,861 = 3.32% of budget.

Municipal Services (MS) – Director Alexander stated savings is due to reduction of seasonal employees, run-off elections, reassessment of supplies, and, reduction of travel/training. Total of \$183,650 = 3.65% of budget.

Public Works (PW) – Director Fredericksen stated savings is due to snow removal fund not being used and engineering-related items. Total of \$304,438 = 13% of budget.

Parks and Recreation (P&R) – Director Holm stated savings would be a reduction in force within the Parks Maintenance Division, reduction of seasonal programs, cancelation of War Bonnet Rodeo, closure of Noise Park, and, delay/eliminate the splash park. Total of \$980,000 = 10.6% of budget.

Idaho Falls Fire Department (IFFD) – Chief Nelson stated savings would be with dispatching hardware (due to COVID-19 any outside individuals are not allowed into the Stations for retrofit of hardware), generators, reduction of travel/training, and, reassessment of needed supplies. Total of \$399,360 = 3.3% of budget.

Idaho Falls Police Department (IFPD) – Chief Johnson stated savings would be due to various operational reassessments, equipment reductions, and, personnel savings. Total of \$300,000 = 1.8% of budget.

To the response of Councilmember Radford, Director Alexander stated the IFPD vehicles intended for replacement have already been paid for. Those vehicles will not be impacted by these proposed reductions. Chief Nelson stated one (1) IFFD replacement vehicle has already been paid for, the payment for the replacement of the ladder truck is not due until the following fiscal year. Councilmember Freeman noted the IFPD currently does not have enough vehicles for their department. Brief comments followed.

Mayor Casper stated two (2) potential areas of savings within Mayor/Council budget includes adjusting/right-sizing director pay (\$25,000), professional services for training (\$20,000), dues and subscriptions (\$8,000), PIO internship (\$8,000), travel for Council (Mayor Casper noted the Association of Idaho Cities (AIC) Annual Conference has been cancelled although a webinar may be held with some costs), Regional Economic Development for Eastern Idaho (REDI), public transportation (formerly Targhee Regional Public Transit Authority (TRPTA)), Sister Cities, and, community events (fund established for Air Shows, etc., \$15,000). Councilmember Dingman stated the Idaho Transportation Department (ITD) executed a contract with Community Transportation Association of America (CTAA) for public transportation. A plan will be presented to the former TRPTA Board although she believes the City TRPTA funds could be sacrificed. Mr. Hagedorn recommended all proposed items be removed from the budget. Any item could be added back to the budget pending the crisis. Councilmember Francis preferred to keep director pay, remove professional services for training, and, remove AIC travel. Councilmember Freeman prefers to keep the War Bonnet Rodeo at this time. Councilmember Radford concurred. Mr. Holm stated P&R has set May 15 as the internal date for any rodeo decision. Chief Nelson cautioned any planning too far out. He is hopeful for late summer events. Councilmember Hally is in favor of delaying the splash pad for a year. Councilmembers Freeman and Smede concurred. Councilmember Radford is in favor of delaying the splash pad but not cutting the funding. To the request of Mayor Casper, Director Holm will review the splash pad costs.

Mr. Roos reviewed General Fund 2020 Budget versus 2021 Budget. He stated taxes, grants, and, donations cuts will be similar to the current year. Mr. Hagedorn stated the value of new construction and annexation is unknown. The building market will have an effect as well. A decrease of \$1.6M is anticipated. Mr. Hagedorn does not believe the same services will be offered in the next budget year.

Department Strategies –

Chief Nelson stated IFFD continues to battle the shortfall of revenue in the Ambulance Fund. He also stated numerous individuals have been added to the IFFD budget in the previous five (5) years. He is trying to rebuild the staffing base to 125-126 versus 130. He believes he can reorganize staff and continue to find the balance between revenue and expenditures, although this would take multiple years. This can also be completed through attrition. Chief Nelson stated operational changes reduced overtime costs as well and he is anticipating retirements. He noted the reduced personnel changes may affect the Insurance Services Office (ISO) rating. Brief comments and discussion followed regarding the ISO rating and Medicaid.

April 3, 2020

Director Alexander stated services are being consolidated with staff, other open positions are being reviewed, training is being considered versus travel, long-term agreements are being reviewed, and, internships are being eliminated in the IT and Finance Divisions. Brief discussion followed regarding internships.

Director Cramer stated future strategies are similar to current cuts including open positions and retirements.

Director Tew stated the training budget could be reduced. The 2020 City Picnic and Benefits Fair will be dependent on COVID-19. Brief discussion followed regarding the City picnic.

Mr. Fife stated travel could be reduced. Savings also include court costs.

Director Fredericksen stated the \$80,000 cut in the Engineering Budget will be difficult to maintain in the future. He believes there could be cost savings in the snow removal budget and he is hopeful to move the entire snow removal fund into expenditures, however, he does not believe snow removal services can be decreased below \$300,000. \$500,000 could also be moved to the Street Division although each dollar allocated to snow removal would decrease each dollar for street maintenance. To the response of Councilmember Francis, Mr. Hagedorn confirmed the \$1M snow removal balance is in the General Fund. This amount would also move to the Street Fund. The General Fund would then need to be used for snow removal in an epic snow year.

Chief Johnson stated cost savings would be in personnel, City-wide parking enforcement, dispatch staffing levels, previously added services would be reduced, and, reducing staffing requirements which would reduce overtime costs (this would be the last option).

Director Holm stated current cuts will be considered as permanent cuts. He indicated there will be a significant amount of lag of maintenance although P&R will continue with the maintenance plan. He also stated non-essential expenses, including travel, will also be cut. He prefers to work on maintaining current assets and he may eliminate other projects. He noted partnerships may be needed to continue with Heritage Park and, the canal trails (40 miles of canal bank) maintenance will need to be discussed. Director Holm stated he will propose a Recreation Levy in the budget and, a structural assessment will need to be performed at the Aquatic Center. He believes investment needs to occur to bring the Aquatic Center into safety standards.

Councilmember Smede believes these cuts are showing empathy with citizens going through similar personal issues.

Mayor Casper reminded the Councilmembers of the April 6 Council Work Session.

There being no further business, the meeting adjourned at 4:06 p.m.

s/ Kathy Hampton
CITY CLERK

s/ Rebecca L. Noah Casper
MAYOR