

April 8, 2022 Budget Workshop

The City Council of the City of Idaho Falls met in Special Meeting – 2022/23 Budget Workshop, Friday, April 8, 2022, at College of Eastern Idaho, located at 600 S. 25th E. in Idaho Falls at 8:30 a.m.

Call to Order and Roll Call

There were present:

Mayor Rebecca L. Noah Casper
Council President Michelle Ziel-Dingman
Councilor John Radford
Councilor Thomas Hally
Councilor Jim Freeman
Councilor Jim Francis
Councilor Lisa Burtenshaw

Also present:

All Department Directors
Mark Hagedorn, Controller
Josh Roos, Treasurer
Bud Cranor, Mayor's Office Chief of Staff
Carla Bruington, Mayor's Office Executive Assistant
Julie Hart, Association of Idaho Cities (AIC) Lobbyist (via WebEx)
Eric Day, Idaho Falls Fire Department (IFFD) Division Chief
Mallory Johnson, Eastern Idaho Public Health (EIPH)/Health Education Specialist
Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 8:35 a.m.

Mayor Casper announced the legislators have appropriated funds for Idaho State University (ISU) for a pedestrian bridge across the railroad. This will be coordinated with Public Works. She also announced Idaho Falls Power (IFP) Board Meeting as well as Bonneville Metropolitan Planning Organization (BMPO) on April 13.

Mayor Casper believes this year has less money and more pressure to spend internally, noting money could be received from other sources (the American Rescue Plan Act (ARPA), Infrastructure Investment and Jobs Act. (IIJA), grants, etc.). Mayor Casper briefly explained the Special Training item, stating she had a personal family experience with an opioid overdose. She also stated Opioid settlement money will be available in the near future. Councilor Radford provided brief comments regarding opioids as well.

Budget Outlook: External Conditions - State Legislative Update:

Mr. Cranor stated Ms. Hart was representing the city on several legislative bills. Ms. Hart believes it's important for larger cities to have their own lobbyist. She indicated the city used this support for several bills. She believes the longer a lobbyist is dedicated, the more that lobbyist understands specific issues and innerworkings in that particular city as all cities have different needs. She explained House Bill (HB) 436 (income tax bill) stating the funding could have been distributed by other methods. She indicated 15 bills were introduced regarding public records which can create a legal conflict. Ms. Hart provided an overview of the recent legislative session: HB469 (Peace Officer Standards and Training (POST) funding, the State will take on funding this academy); HB499 (Public Employees Retirement System of Idaho (PERSI) Rule of 80); and HB735 (funding public defense, amended from HB785). Per Mayor Casper, Ms. Hart stated HB66 (the library bill) will come back, the firearms bill may come back,

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the ILETS bill will come back, the monument bill (not the first time this bill has been introduced) will come back, HB635 (annexation/Area of Impact (AOI)) will definitely come back, and HB741 will only come back pending the return of Jim Rice. Also per Mayor Casper regarding bills specific to the city, Ms. Hart provided a recap of HB618 (media recording bill, was printed). Mayor Casper believes the issues related to this bill have been well vetted. Per Councilor Hally, Ms. Hart provided a recap of the tax funding, and she is unsure of the status of the bill regarding switching parties in the primary election. Mayor Casper also noted a campaign election phone number is now required in the State database. Per Councilor Freeman, Ms. Hart stated city elections being partisan is only supported by a small minority group. She is unsure of the status at this time. Mr. Cranor requested other future bills/items be submitted to Mayor Casper and Ms. Hart.

Economic Conditions:

Mr. Roos stated the market changes on a daily basis. He reviewed the inflation report stating the annual February report rose from 7.5% to 7.9%, and economists are predicting 8.5%. He indicated reasons for inflation are due to Coronavirus (COVID-19) as businesses shut down which reflects supply and demand, however, the government decreased interest rates and provided stimulus money to encourage spending. He also indicated economists like to see 2-3%, this will be more than 8%. Mr. Roos stated inflation was also affected by supply chain, noting the oil prices have been affected due to the war in Ukraine; the price of goods (expecting 10% increase for goods and services), noting individuals are paying \$433 more per month than the previous year which may result in other household cuts (zoo, traveling, etc.); and inflation which could affect the hiring ability due to wages. Mr. Roos reviewed the Unemployment Rate stating this has been decreasing significantly and the rate is almost back to pre-COVID numbers, noting the unemployment rate for the State has gone from 3% to 2.8%. Mr. Roos stated inflation and unemployment affects the Federal Open Market Committee and the rates. He indicated the feds recently announced interest rates will have a 50-basis point increase, and rates are anticipated to increase throughout the year. Mr. Roos reviewed the Treasury Yield Curve, noting these rates can affect mortgage rates. He also noted the treasury hit its highest level since 2019, although realtors do not believe this will affect the local growth. He indicated the yield curve was beginning to flatten, however, the yield curve is now starting to invert which is a sign of a recession. He stated this is one (1) of three (3) main signs that could lead to a recession. Mr. Roos believes we can't live in fear, and we must move forward as a city and keep citizens happy. Mr. Roos stated the feds are trying to bring inflation down, hoping for 3% in December. Councilor Hally stated a recession can also be positive as this can reduce costs. Director Alexander believes cash should be stashed. Mr. Roos stated the city's investments are currently fantastic. He briefly explained these investments.

Grants and other Funding Sources:

Mayor Casper believes grants may help with the Enterprise Funds. She stated the ARPA Committee is continuing to meet with proposals for each of the funds. These recommendations should be presented to the council in early May. Per Mayor Casper, Mr. Cranor believes IJJA, ARPA, and other funding opportunities should be available for the next five (5) years. Mayor Casper is unsure if/what grants the city is qualified for. Director Cloutier indicated the airport has been meeting with the Ferguson Group that identified funding opportunities for five (5) years. He believes billions of dollars will be available. Director Cramer stated the grant administrators are actively working on grants, noting the Ferguson Group may only be federal funding. Brief discussion followed regarding a contract with the Ferguson Group. Director Fredericksen stated the city recently received two (2) Transportation Alternatives Program (TAP) grants. He briefly reviewed upcoming projects.

Legal Judgements:

Mr. Fife explained options for any claims against the city, including insurance, money for uncovered risk, and/or levying a special tax to collect money. He stated in the upcoming year there are three (3) claims that may have a

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dollar amount for the city – the lawsuit by Christopher Tapp, an eminent domain case against the Johnson Legacy property by the airport, and a wrongful death claim against an Idaho Falls Police Department officer. He provided an update on each of these claims. He believes the risks are low that the city would have to go outside of the budget for each of these claims.

Special Training: Proper Administration of Narcan:

Division Chief Day stated opioids are painkillers derived from the poppyseed plant which can become more potent as they are made and can become highly addictive. He indicated there is a huge increase in the number of individuals becoming addicted due to this painkiller being prescribed by hospitals based on how 'happy their patients' were, and now individuals are going to other sources to obtain opioids. He noted opioids can affect anyone. Ms. Johnson stated 2 milligrams is a lethal dose, which is 100 times more potent than Morphine. She described other illicit opioids containing fentanyl and heroin. Division Chief Day and Ms. Johnson emphasized pharmaceutical prescriptions are safe as they have federal regulations. Ms. Johnson explained the three (3) waves of rise in opioid use as well as the impact to Idaho. Division Chief Day stated the IFFD has partnered with EIPH to provide a leave-behind program of Narcan/Naloxone in the case of a suspected or known opioid-related emergency. It was noted Naloxone cannot be self-administered and it should be administered when in doubt of a suspected overdose as there is no side effect or detriment. Division Chief Day explained the contents of the overdose rescue kit. Ms. Johnson stated this kit is designed to assist with treatment and resources. Discussion followed regarding the cost of this kit as well as the cost and availability of EpiPens. It was noted the shelf life of Narcan is three (3) years. Ms. Johnson explained the organizational Naloxone leave-behind policy for providing Narcan. She further explained the contents of the overdose rescue kit and how to administer the intranasal Narcan spray. She noted these kits are provided at many locations throughout the community. Division Chief Day believes these kits should be located alongside Automated External Defibrillator (AEDs) in city buildings. Chief Nelson believes this would be coordinated with Jim Jernigan, the city's Safety and Training Coordinator. Ms. Johnson recommended these kits not be kept in vehicles. She described a locking medicine box, deactivation pouches provided by EIPH that can be discarded, and the QR code for Eastern Idaho community resources. It was noted most prescriptions should not be flushed.

2022/23 Budget: Internal Challenges and Priorities-City Employee Considerations:

Mayor Casper believes, per previous director budget discussion, employees need to be a priority in the upcoming year. Director Tew stated he contacted the six (6) largest cities in the State as well as other cities in the west regarding employees. He presented information regarding Cost of Living Adjustment (COLA), prioritizing budget needs, turnovers and solutions, hiring at market rate, hiring bonuses, salary structures, and other benefits for Boise; Meridian; Nampa; Pocatello; Caldwell; Coeur d' Alene; Fort Collins, Colorado; Rapid City, South Dakota; Bozeman, Montana, and other municipalities. He also presented information about what the City of Idaho Falls is doing. Mayor Casper believes outsourcing conversations need to occur regarding the balance of savings and services. General comments followed including the need for data to direct these decisions, the total cost of outsourced services, and the potential of outsourcing fire services at the airport. Director Tew reviewed best practices regarding pending/potential retirements including age discrimination issues, trust between employees and senior management/council (this creates transparency), treating people with respect, succession planning (and passing on institutional knowledge), career plans, and cross training. He also reviewed best practices regarding retention including employees often quit their supervisor, management training, treat people like people, create opportunities for growth and advancement, career ladders and promote from within, competitive wages and benefits, job security, work life balance and flexible work schedules, counter offers and retention bonuses, and employees not staying as long. Mayor Casper believes specific job markets may need to be reviewed throughout the year. She questioned setting money aside for these specific cases. Brief comments followed regarding leveraging against the city, which may be a perception. Director Tew reviewed best practices regarding recruitment including

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competitive pay and benefits, hire closer to market rate, vacation balance at hire, career paths, work life balance and flexible work schedules, hiring bonuses, referral bonuses, housing bonuses and housing allowances, relocation assistance for managers, recruiters and headhunters, lower education requirements, start 10% higher if live in city limits, add city benefits for families, add long-term and short-term disability, recruit at high schools and colleges, Zip Recruiter and Indeed, pay for Commercial Driver's License (CDL) classwork, and modify job postings. Mayor Casper questioned the formation of a subcommittee for hiring hard-to-fill positions. Discussion followed regarding the criteria including a definition list of those positions, a consistent policy, budget line items with a cap, temporary positions, and a mechanism for a case-by-case basis. Councilor Francis believes a subcommittee makes sense. Mr. Fife believes data would need to be provided to the taxpayers. Councilor Radford believes the elected officials can request more money from directors. Mayor Casper believes these same pressures may not be around in the next several years so this may need to be temporary. She questioned if ARPA funds could be used. She requested Director Tew to proceed forward. Brief comments followed regarding recruiting/signing bonuses, current employees, word of mouth, and treating everyone equally and equitably.

Director Tew presented market data for October 2019, December 2020, and December 2021, respectively –

Average of total compensation	+6.33%, +3.75%, (will be received in the near future)
Average base wages	+5.72%, +2.29%, +4.23% (longevity was not included)
Average range minimum	+5.20%, +2.74%, -0.80%
Average range maximum	+2.58%, +1.54%, +0.21%

Director Tew stated the city is right on with the market as respect to the structure, if no change is made to the structure the city will fall behind, and average base wages can vary based on seniority. He indicated he did not anticipate the increase on the average base wages. He noted IFP and limited positions of the airport were not included. It was noted the average of total compensation number will affect any COLA. Mayor Casper stated this market data was originally going to be performed every other year. Director Tew indicated the market adjustment would be a structure adjustment and has the same effect as a COLA. Mr. Hagedorn stated market adjustments and COLAs are based on different data. He also stated the decision should be based on factors and trends, not on what everyone else is doing. Discussion followed regarding requested information from the consultant including leading the market, meeting the market, lagging the market, and any COLA adjustments. Mr. Hagedorn believes a COLA is more for retention of employees, and bonuses (as a one-time cost) are more for recruitment. Additional discussion followed regarding future compensation conversations. Mr. Hagedorn noted the health insurance is currently included in the budget, although the prescription benefits will need to be discussed.

Mayor Casper suggested the Sustainability Goals discussion be postponed for another time.

2022/23 Spending Goals and Priorities:

Mayor Casper stated there is the Connecting Us-Sustaining Progress (CUSP) plan, the Imagine IF plan, and the strategic plan which are trying to be merged per council priorities. Mr. Cranor indicated Councilor Francis has gone through the Imagine IF and CUSP to make sure the data aligns with the council's vision. He also indicated other staff and councilors have worked with this data which will be forthcoming. Mayor Casper questioned other priorities. Councilor Freeman stated his priorities were employee compensation and a grant writer. Councilor Radford believes the city cannot continue to be run like it is. Councilor Burtenshaw believes services needs a deep dive as she is not aware of all services that are being provided. Mayor Casper believes dollars will be limited for 'add ons' in order to compensate employees. General comments followed including property values, health care, a potential recession, and the growth. Council President Dingman believes compensation is the top priority although this may result in a cut to services. She also believes Parks and Recreation (P&R) may result in the most cut in services. Council President

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Dingman and Councilor Freeman prefer to use forgone. Mr. Hagedorn explained the options of taking the \$6M forgone.

Impact Fees:

Director Fredericksen stated the city has adopted the Impact Fee Study as well as an ordinance. He indicated there was preference to hear more from the community. He believes the Impact Fee Advisory Committee should bring forward a proposal regarding the amount and the effective date. He indicated the Impact Fee Advisory Committee recommended a 3-year implementation with Year 1 as 0% to P&R, 66% to Transportation, 66% to Police, and 66% to Fire/EMS with implementation after October 1, 2022; Year 2 as 50% to P&R, 75% to Transportation, 75% to Police, and 75% to Fire/EMS with implementation after October 1, 2023; and Year 3 as full implementation across the board. Director Fredericksen stated this information was shared with the departments, and staff recommends full implementation ASAP as they believe there are immediate budgetary impacts, and delaying each month is impactful to the city. He also stated this has been discussed for several months, noting arterial development could also be funded by impact fees and \$4.5M could be spent to defer costs to the Law Enforcement Complex (LEC). Director Fredericksen stated this item will be discussed at the April 11, 2022 City Council Work Session, noting fee implementation would be 30 days following the fee public hearing, to be effective June 1, 2022. Director Cramer stated Community Development Services staff reviewed the residential implications of any delay, indicating this would be a \$6-8M decision. He also stated staff is anticipating \$8.1M this year and next year. He believes due to the current development environment this is a significant amount, and he expects to see a rush of permits prior to implementation. Per Councilor Freeman, Councilor Francis stated these specific numbers were not discussed with the Impact Advisory Committee. Councilor Radford believes this money would offset the General Fund although if not taken this would be lost revenue. Per Councilor Burtenshaw, Director Fredericksen stated the Police allocation would include the LEC repayment and \$830,000 for police vehicles. He also explained the allocations for Fire as well as P&R. Chief Nelson indicated a fire apparatus could be replaced. Council President Dingman clarified the fees could be lowered. Discussion followed regarding a phased-in approach. Councilor Hally believes the impact is to the city. Council President Dingman believes anything less than 100% is being subsidized by the current citizens. Councilor Freeman believes these fees should be captured this year. Council President Dingman believes this will be the largest impact to services. Councilor Francis believes the advisory board should not be over-ridden again. Council President Dingman indicated, per outside conversation, the impact would be minimal to a mortgage. Councilor Burtenshaw indicated there is currently a plan for the LEC where the impact fees were not included. She prefers removal of the P&R fee, 100% for transportation, and 70-80% for Fire and Police with implementation ASAP. Councilor Hally prefers 100% for all categories with implementation of June 1. Discussion followed regarding the existing level of service, the quality of life, and a new recreation center, eliminating the \$4.2M for the LEC, concerns by the commercial building community, comparison of commercial and residential impact fees with other cities, submittal of building permits, and collection of impact fees within the Area of Impact. Mayor Casper believes, for the most part, this is a pass-through fee, however, she questioned a one-year phased-in approach. It was reiterated that follow-up discussion will occur at the April 11, 2022 City Council Work Session.

2022/23 General Fund Budget Management/Budget Development Schedule, Process, Definitions:

Mr. Hagedorn reviewed concepts of fund (accounting term) and funds (cash) as well as budget (all departments are encouraged to stay within their budget) and cash (any surplus/balance of revenue). He also reviewed accounting structure needs analysis of funds and divisions (this will be reviewed and re-defined as needed) as well as implementing internal controls of specified amounts (such as wages and the Municipal Equipment Replacement Fund (MERF)). Mr. Hagedorn stated budget packets will be distributed to directors on April 15, will be due to the accountants on May 31, with first submission to council on July 1. He also stated these dates could change pending the direction from council. Mr. Hagedorn stated the MERF Fund 14 is being removed (as it's not meeting accounting

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standards) and will be redistributed to governmental funds, it will be expanded for allowable equipment, and it will be implementing communication and reporting process improvements. Mayor Casper believes there are suitable and non-suitable MERF items. She prefers some guidelines. Mr. Hagedorn stated this is a budgetary decision by directors as Municipal Services should not be making this decision. He noted this is a savings program for replacement. Discussion followed regarding MERF items, the calculated/estimated cost, budgeting for future costs to relieve the stress of the budget, and under-funding of MERF.

2022 Budget Process Improvements:

Mr. Hagedorn stated the budget process will move to Gravity (a cloud-based digital platform) noting this will take more than one (1) year to compile. He stated this application will be in real-time, it has the ability to itemize and include attachments, and it includes an approval process for dissemination. Councilor Radford believes this will be beneficial in many ways. Mr. Hagedorn defined the expectations for a flat budget.

Preliminary Numbers:

2021 Property Tax Levy		\$40,673,424
2022 property tax estimates –		
3% statutory allowable		\$1,220,203
Growth and annexation		
	2%	\$813,468
	3%	\$1,220,203
	4%	\$1,626,937
	5%	\$2,033,671
1% Forgone		\$430,000

Mr. Hagedorn stated the 3% statutory must be taken before any growth and annexation could be taken. He also stated staff’s recommendation is to automatically take 1% forgone each year, which is considered ongoing. Discussion followed regarding conversation with the county, the previous year’s numbers and the proposed amount that was lost in the previous year due to the calculation, and recouping last year’s amount.

Future Areas of Focus/Final Comments/Announcements:

Mayor Casper announced an Idaho Broadband Advisory Board Meeting on April 11, the Idaho National Laboratory (INL) is hosting a Net-zero Fair on April 18, and a Day of Giving is forthcoming. Director Fredericksen announced letters will be sent in the near future to proceed with the Conditional Use Permit (CUP) for the water tower. He indicated there will be four (4) forums for the public, and due to COVID the prequalification of contractors will occur in May with an August/September bid, with the budget anticipated for next year. Mr. Hagedorn stated the finance department should have benchmarks to control operations/wages costs, these will be presented in the budget.

There being no further business, the meeting adjourned at 3:43 p.m.

s/ Kathy Hampton
Kathy Hampton, City Clerk

s/ Rebecca L. Noah Casper
Rebecca L. Noah Casper, Mayor