

July 8, 2019 Budget Session

The City Council of the City of Idaho Falls met Council Budget Session, Monday, July 8, 2019, at the City Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 3:00 p.m.

There were present:

- Mayor Rebecca L. Noah Casper
- Councilmember Thomas Hally
- Councilmember Michelle Ziel-Dingman
- Councilmember Jim Freeman
- Councilmember Jim Francis
- Councilmember John Radford

Absent:

- Councilmember Shelly Smede

Also present:

- Pamela Alexander, Municipal Services Director
- Mark Hagedorn, Controller
- Josh Roos, Treasurer
- Bruce Young, Accountant
- Eilene Horne, Human Resources Analyst/Manager
- Michael Kirkham, Assistant City Attorney
- PJ Holm, Parks and Recreation Interim Director
- Ronnie Campbell, Parks Superintendent
- David Pennock, Zoo Superintendent
- Chris Horsley, Recreation Superintendent
- Tim Reinke, Golf Operations Manager
- Mark Spraktes, Golf Superintendent
- Randy Fife, City Attorney
- Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 3:03 p.m. with the following:

Opening Remarks, Announcements:

Mayor Casper stated travel information for the upcoming Idaho Consumer Owned Utilities Association (ICUA) Conference will be forthcoming. She introduced Carla Bruington, new Executive Assistant in the Mayor’s Office. Mayor Casper briefly reviewed the upcoming budget session schedule.

Budget Overview; Trends; Forecasting; Assumptions Accounting Practices, etc:

Mr. Hagedorn stated a budget is a work in progress as priorities and calculations change. He indicated departments were requested to keep their budget requests to less than 4% increase. Tentative budget expenditure = \$234M, an increase of ~\$28M from the previous year. The majority of this increase is the Airport and Fiber projects. This year’s expenditure to revenue on the General Fund has ~\$900K more revenue than expenditures. This is a result of changes to department budgets. Total proposed revenue = \$191M. Mr. Hagedorn stated numbers from the County will not be received until August following the hearing cases. He also stated Property Tax and, Salaries and Wages will be the most critical budget discussions. He reviewed the following with general discussion throughout:

Budget Overview (Funding Sources):

Funding Sources	2018/19 Approved Budget	2019/20 Department Requested Budget	Increase or Decrease
Charges for services	\$ 94,664,027	\$ 94,512,892	(\$151,135)
Property and Franchise Taxes	\$ 35,263,156	\$ 37,161,183	\$1,898,027
Inter-governmental	\$ 26,023,938	\$ 32,015,269	\$5,991,331

July 8, 2019 Budget Session

Payment In-Lieu of Taxes (PILOT)	\$ 6,148,000	\$ 5,123,819	(\$ 1,024,181)
Miscellaneous	\$ 8,102,110	\$ 9,900,983	\$1,798,873
Fund Balance	\$36,486,439	\$ 56,051,107	\$19,564,668
Total	\$206,396,646	\$234,765,253	\$28,368,607

Property and franchise taxes increase based on estimated new growth, annexation, and the 3% statutory allowable increase. Inter-governmental increase based on Federal Aviation Administration (FAA) grant. PILOT decrease due to a calculation error in the previous year. Miscellaneous (not fee or grant based) slight increase due to revenue stream, anticipated donations. Fund balance denotes cash balance needed to balance the budget and will change with incoming revenues. A portion of the increase is due to the fiber roll-out. Mr. Hagedorn stated cash flow is related to funds and each fund has a different cash flow. The General Fund has a very low cash flow and a low cash balance while Enterprise Funds have a very high cash balance as funds are being saved for future long-term costs. The new Fiber program is funded out of cash balance, which is anticipated to spend more in cash than in revenue. Mr. Hagedorn stated the average amount to balance the budget is ~\$40M but this is generally not spent due to projects being put off, delayed, or, changed. Director Alexander stated this amount is a placeholder for capacity. Mr. Hagedorn stated fiber is in the process of being broken out into its own fund away from the Electrical Fund. Mayor Casper requested General Fund and Enterprise Fund be split out. She also noted the fiber project is a place holder only, there has not been an approval to proceed forward. Mr. Hagedorn stated General Fund is designed to spend what it brings in; Special Revenue Funds are designed to have a break-even approach; and, Capital Improvement Funds (CIF) are designed to spend as sequence with their revenue (such as developer fees).

Budget Overview (Expenditures):

Funding Sources	2018/19 Approved Budget	2019/20 Department Requested Budget	Increase or Decrease
Wages and Benefits	\$70,219,524	\$73,558,369	\$3,338,845
Operational Expenses	\$91,953,428	\$96,706,529	\$4,753,101
Capital Outlay	\$53,298,245	\$73,178,305	\$19,880,060
Depreciation	\$3,056,400	\$3,397,700	\$341,300
Debt Service	\$1,100,000	\$1,100,000	-
Inter-Fund Transfer	\$(13,230,952)	\$(13,175,650)	\$55,302
Total	\$206,396,646	\$234,765,253	\$28,368,607

Wages and Benefits does not include Cost of Living Adjustment (COLA), although it does include the request for four (4) positions funded by grants/internal service charges. Capital Outlay includes two (2) major projects as a placeholder for the next year. Depreciation includes Municipal Equipment Replacement Fund (MERF) charges/savings for future equipment. Inter-Fund Transfer has a slight decrease, trying to change from level of service to cost of service – this will be a work in progress. The methodology has been reviewed since 2016/2017 to demonstrate equity.

Mr. Hagedorn reviewed Property Tax (Assessed Value and Actual Value of Property Tax) for the previous five (5) years. Assessed value is not calculated by the City, this is given by the County. It is not factored into the calculation of property taxes although it is factored how property taxes are applied to citizens as a levy rate. The levy rate is determined by what the City certifies to the County divided by its property value. The City only certifies whole dollars. As property values increase, levy rates decrease. Councilmember Hally believes money was lost in previous years due to not taking the new construction and the allowable 3% each year.

Mr. Hagedorn reviewed New Annexations and Growth (Taxable Value) History for five (5) years. New construction has been consistent overall. New annexations began approximately three (3) years ago.

Mr. Hagedorn reviewed FY 2019-2020 Preliminary Property Tax Calculation. Total 2018-2019 Property Tax Revenue = \$34,408,656, estimated 2018 New Annexations = \$4,500,000, and, estimated 2018 New Construction = \$130,000,000 (these amounts are subject to change and are estimated on the low side). Director Alexander reiterated the County is scheduled to provide accurate numbers the first part of August. Councilmember Radford noted the previous years' proposed number was within \$90,000. The allowable 3% is calculated on the total of last years'

July 8, 2019 Budget Session

personal property and certified property taxes. Prior years foregone amount = \$5,386,757. Proposed allocation increases include Street Fund, General Fund, Recreation Fund, Municipal Capital Improvement Fund, Library Fund, and, General Fund Liability Insurance. The Council decides which fund(s) the property taxes are applied to. Mr. Hagedorn stated Municipal Services staff strongly recommends new annexation and growth be taken every year. It was noted the annexation, new construction, and, statutory 3% were not taken for several previous years due to the recession. Councilmember Radford believes the cost of living and inflation equals almost the 3% allowable. Mr. Hagedorn stated annexation and new construction is adding to the base whereas valuation increases affect a single home in its price. He also stated annexation and new growth is an economic indicator for cities.

Mr. Hagedorn reviewed Tax Revenues Levy and Collections for previous five (5) years. Property taxes are not all collected in one (1) year, this is enforceable but not guaranteed. Mr. Hagedorn believes a down economy is the biggest threat to collecting property taxes.

Mr. Hagedorn reviewed 10-year view of Salaries and Wages, this does not include benefits. He noted this is the number one concern for this years' budget. 2010: 618 employee count = \$35,092,662; 2020: 683 employee count = \$49,915,233. The employee count has driven this increase although the revenue stream cannot sustain the increase. To the response of Councilmember Hally, Mr. Hagedorn stated the current reporting system cannot generate reports to identify Enterprise Fund and General Fund employees. Director Alexander stated one-time costs and on-going costs need to be considered for projects as these costs may have an impact on salaries and wages. The first six (6) years are the fastest growing increase for employees, this increase makes it difficult to maintain the revenue stream. The majority of the new positions are within the Police, Fire, and, Parks and Recreation (P&R) departments.

Mr. Hagedorn reviewed 10-year wages to total expenditures:

2010: City Total Wages = \$35,092,662, City Expenditures = \$130,642,078, Percentage = 26.86%
 2020: City Total Wages = \$49,915,233, City Expenditures = \$180,119,371, Percentage = 27.71%
 2010: General Fund Wages = \$20,961,408, General Fund Expenditures = \$34,404,788, Percentage = 60.93%
 2020: General Fund Wages = \$28,755,476, General Fund Expenditures = \$47,834,688, Percentage = 60.11%.

Factors of salaries and wages changes:

- Step and grade (and COLA) – nominal
- Restructuring/reclassification of departments, adding new positions, and, personnel policy – largest increases
- Market Analysis – Idaho Falls Power, change of philosophy
- Inflation Adjustments – nominal

Recommendations to manage salaries and wages (for General Fund):

- Unfounded position hiring freeze
- Full-time employee (FTE) equivalent monitoring
 - Human Resources (HR) and Finance FTE Study

Mr. Hagedorn stated it could take 6-12 months to get an allowable FTE count for each department. He also stated a wage projection project will take up to five (5) years.

- HR new employee offer process – HR should be submitting an employment letter for consistency, not the director. Director Alexander believes the personnel policy needs updated to address the accountability.
- Financial review before personnel changes – wants to review overall changes for five (5) years. Reclassification does not add a big increase, restructuring does.

Department Budget Review – Human Resources:

Budget Overview (Funding Sources)

HR is an internal-services fund, there are no revenue funding sources.

Budget Overview (Expenditures):

Funding Sources	2018/19 Approved Budget	2019/20 Department Requested Budget	Increase or Decrease
Total	\$456,867	\$447,033	(\$9,834)

July 8, 2019 Budget Session

Wages and Benefits increase due to restructuring process, this was a minimal cost. Mayor Casper believes this restructuring allowed the HR professionals to take on broader service roles. She also believes HR can use additional personnel. Operational Expenses slight increase for employee picnic and on-going equipment replacement program. Inter-Fund Transfers is allocating to all funds, each department will participate per employee count. Councilmember Radford prefers to see HR software as well as an individual HR person in the P&R and Police Departments.

Department Budget Review – Legal Department:

Mr. Fife stated products or personnel have not increased. The requested budget increase would include travel for meetings and trainings, and, E-filing software requirements (tentative based on State prosecutor). Mr. Fife reviewed comparison of ten (10) other Idaho cities including in-house counsel, number of attorneys, number of staff positions, whether or not prosecution was included, and, additional departments including Airport, power, and, zoo. He noted \$270,000 of the budget includes the court costs. Mr. Fife believes the Legal staff gives good value for the number of staff. He commended the Legal staff.

Department Budget Review – Parks and Recreation:

Interim Director Holm stated the P&R Department includes four (4) divisions: Golf, Recreation, Parks, and, Zoo.

Budget Overview (Funding Sources):

Funding Sources	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Charges for services	TOTAL: \$5,601,961	TOTAL: \$5,414,336	(\$187,625)
Property and Franchise Taxes	\$663,831	\$997,500 – Proposing 50% Increase	\$333,669
Grants	\$261,700 – Parks & Zoo	\$1,025,000 – Parks & Zoo	\$763,300
Miscellaneous	\$220,000 – Parks & Zoo	\$40,000 – Parks & Zoo	(\$180,000)
Total	\$6,747,492	\$7,476,836	\$729,344

Charges for services overall decrease. Interim Director Holm believes the decrease in Parks and Zoos is due to lack of donations. Mayor Casper stated donations should not be included in Charges for Services. Interim Director Holm stated he will clarify this amount. Property and franchise taxes – proposing 50% increase to the Recreation Levy. Mr. Horsley stated there is not enough revenue to cover the services delivered by the Recreation Division. He does not believe there are any ways to cut. Mayor Casper noted the Recreation Levy currently expands as the General Fund base levy expands. The proposed increase would come from the General Fund. Mr. Horsley stated the outside of City rate has been adjusted. Interim Director Holm stated program fees are currently based at cost recovery only. Grants includes a \$25,000 grant through CHC for the Parks Division and \$1M for advance construction funds for the canal trails. The canal trails grant may need to be removed per coordination with Public Works. It was noted more trails was requested in the recent RECreateIF survey. Miscellaneous includes decrease in donations.

Budget Overview (Expenditures):

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Wages and Benefits	TOTAL: \$7,385,507	TOTAL: \$8,451,928	\$1,066,421
Operational Expenses	TOTAL: \$4,581,389	TOTAL: \$4,736,001	\$154,612
Capital Outlay	TOTAL: \$682,000	TOTAL: \$258,100	(\$423,900)
MERF Contribution	TOTAL: \$425,900	TOTAL: \$415,600	(\$10,300)
Total	\$13,074,796	\$13,861,629	\$786,833

Wages and benefits large increase due to several Zoo and Parks employees not included on the previous years' worksheet (~\$300,000). Cost for seasonal employees is also increasing. Will be requesting five (5) FTE. Operational expenses has overall slight increase in Golf. Mr. Reinke stated golf simulators would be requested to allow winter leagues although revenue would also be generated. Capital Outlay requests will be included once approved.

Requests by priority:

July 8, 2019 Budget Session

1 – Additional staff and equipment to maintain canals = \$500,000 (\$250,000 for additional staff per the Park Maintenance Management Plan, \$250,000 for new equipment). A long-term discussion needs to occur regarding storm pond and retention pond maintenance.

2 – Splash pad in Reinhart Park = \$300,000 capital request, multi-departmental project. Needs to be a ceiling amount. Interim Director Holm noted there would be no on-site staff needed other than maintenance.

3 – Purchase of County Extension Building for the Zoo = \$450,000 with \$50,000 potential cost share with the Tautphaus Park Zoological Society (TPZS). Interim Director Holm stated the timing issue is crucial for this building. He indicated the County is not interested in renting but would be interested in a lease to own/buy. The lease could occur over the course of three (3) years. Mr. Fife stated a lease may be difficult. Mr. Pennock stated this building could assist with a winter zoo. It was noted there could be additional on-going costs with a winter zoo. Mr. Pennock stated the bulk of zoo costs do not decrease over the winter months, only the current revenue decreases.

Interim Director Holm stated there is an irrigation issue at Pinecrest Golf Course. Mr. Reinke briefly reviewed the draft of the Five-year Business Plan (2019-2023). He stated the number one (1) goal is the irrigation system at Pinecrest Golf Course as this system is on the brink of complete failure. He indicated the City Council has never mandated that funds be set aside for irrigation system replacement. However, the Council has mandated CIF which has been very successful and has paid for several golfer-fee generated items. Due to a land donation adjacent to Pinecrest Golf Course by a local citizen, this land could be used to build a lake for a new irrigation system. The Golf Advisory Board has recommended a proposal to increase golf fees in the amount of \$2.00 to assist with the irrigation system. Mr. Reinke believes the golfers and the citizens would be in favor of this increase. He indicated the irrigation system would cost approximately \$2.5-3M. The proposed \$2 fee increase would be applied to the CIF. These fees/fund would pay the City back approximately \$150K over the next few years. Mr. Reinke briefly reviewed additional proposed fee increases. Mr. Spraktes stated golf could continue during the construction phase of an irrigation system. Pinecrest would be priority followed by Sand Creek and Sage Lakes Golf Courses. Interim Director Holm indicated there are water conservation programs that could assist with this project.

Mayor Casper briefly reviewed departmental requests, listed by priorities, noting there are more requests than available funds.

Mayor Casper reminded the Council of the Special Council Meeting on July 9, 2019.

There being no further business, the meeting adjourned at 6:21 p.m.

s/ Kathy Hampton

CITY CLERK

s/ Rebecca L. Noah Casper

MAYOR