

**July 15, 2019 Budget Session**

The City Council of the City of Idaho Falls met Council Budget Session, Monday, July 15, 2019, at the City Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 1:00 p.m.

There were present:

- Mayor Rebecca L. Noah Casper
- Councilmember Thomas Hally
- Councilmember Jim Francis
- Councilmember Michelle Ziel-Dingman
- Councilmember Shelly Smede
- Councilmember Jim Freeman
- Councilmember John Radford (arrived at 1:58 p.m.)

Also present:

- Pamela Alexander, Municipal Services Director
- Bruce Young, Accountant
- Megan Ricks, Accountant
- David Smith, Accountant
- Rick Cloutier, Airport Director
- Chris Fredericksen, Public Works Director
- Bear Prairie, Idaho Falls Power Director
- Stephen Boorman, Idaho Falls Power Assistant Director
- Mike Kirkham, Assistant City Attorney
- Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 1:02 p.m. with the following:

Opening Remarks, Announcements:

Mayor Casper distributed Zion’s Bank July Idaho Economic Snapshot. She indicated this data may be helpful with the budget process as there is a balancing act with businesses and residents. Mayor Casper stated there is a ribbon-cutting celebration for the downtown/Broadway area as well as a press conference regarding the Idaho Falls Auditorium District on July 16. She briefly reviewed upcoming Council budget sessions on July 16 and July 18.

Department Budget Review – Airport:

Director Cloutier stated a press release will be forthcoming as the Airport saw a 15% increase (approximately 20,000 passengers) over the previous year.

Director Cloutier reviewed the following with general discussion throughout:

Budget Overview:

Funding Sources	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$4,264,480	\$15,944,110	\$11,679,630

Charges for services increase due to an increase in passengers as well as charging the airlines for their dedicated space and a share of common space. This charge will bring the airlines more in-line per the lease agreements. Grants increase includes funding for Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants. Grants are projected in the 5-year Capital Improvement Plan (CIP) however, as projects fall out money becomes available for other regions. The Idaho Falls Region was in-line for approximately \$5M more than projected for this Fiscal Year. A \$12M grant is projected for next year (versus a 2-year timeframe) for the next phase of terminal improvements.

Budget Overview:

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
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Total	\$4,383,159	\$15,669,839	\$11,286,680
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Wages and benefits increase due to City averages. Several employees have retired therefore benefits for the new employees will be less. Operational expenses increase due to snow removal, de-icing, and, fuel prices. Capital outlay related to previously discussed grants projects, also includes non-FAA projects (maintenance costs). No change to the Municipal Equipment Replacement Fund (MERF) as most airport equipment is not purchased through the MERF. Director Cloutier stated approximately \$450,000 was collected in parking tickets in the previous year, this is a contracted parking service. The airport receives 50% of receipts from this contracted service minus cost. It was noted there are no airport parking fees in Pocatello, however the Pocatello airport is subsidized by their General Fund. Director Cloutier briefly reviewed airport user fees.

Request by priority:

- 1 – Added building maintenance personnel = \$50,700, 100% cost share
- 2 – Terminal renovations Phase 2 = \$12,000,000, FAA-93.75% and local-6.25% (\$700,000) cost share
- 3 – Replace airfield maintenance vehicle = \$51,400, 100% cost share

Councilmember Francis questioned the firefighting expense and increased costs each year. Director Cloutier stated the airport only pays for one (1) person per shift for the Aircraft Rescue and Fire Fighting (ARFF). Brief comments followed regarding car rental fees. Car rental increase is anticipated for December. Councilmember Dingman stated there is no General Fund contribution as the airport is an Enterprise Fund. She commended Director Cloutier. She also stated there is a disadvantage of not receiving General Fund contribution. This consideration may need to occur in the future.

Department Budget Review – Public Works:

Director Fredericksen stated the Public Works Department consists of one (1) General Fund division and three (3) Enterprise Funds divisions. He reviewed the following with general discussion throughout:

Budget Overview:

Funding Sources	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$34,842,900	\$36,986,500	\$2,143,600

Budget Overview: General Fund (includes Public Works Administration, Geographic Information System (GIS), Engineering, and, snow removal)

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$1,828,900	\$2,863,100	\$1,034,200

Director Fredericksen requested budget/spending authority for \$1M in the snow removal fund. He briefly reviewed divisional overhead costs and revenues for the previous years as well as anticipated costs and revenues, amounting to ~6% increase overall. He stated \$525,000 has been budgeted for snow removal on an annual basis. Per Resolution 2018-22, a direct account would be established for snow removal funding for \$1M. This would decrease an annual expenditure of ~\$25,000 and would give the budget authority for snow removal.

Proposed budget:

- 1 – Public Works increase for wages and benefits and, computer replacements.
- 2 – GIS Division increase for updating aerial flights and software licenses.
- 3 – Street Administration proposed change establishes \$1.5M spending authority for a heavy snow year.
- 4 – Engineering Division increase for benefits and, drone equipment and training.
- 5 – Street Division proposed budget increase includes site improvements shared with Sanitation Division, equipment, and, administrative transfers.
- 6 – Sanitation Division proposed budget increase exceeds anticipated revenues. However, this allows for anticipated MERF replacement needs, site improvements, and, equipment.
- 7 – Water Division increase exceeds anticipated revenues. However, this allows for MERF replacement, water mitigation, professional services, and, water line replacements. 5% rate increase and 20% connection increase anticipated.

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8 – Wastewater Division decrease in overall budget by \$1M. Focus will be on design of dewatering project and potential power generation from methane gas. +/- 3% rate increase and 1% connection fee increase anticipated.

9 – Municipal Capital Improvement, participation with major street reconstruction projects = \$1.2M

10 – Street Capital Improvement, federal aid project payments for arterial or collector road improvements.

Director Fredericksen reviewed expenditure versus revenue, anticipated expenditure is at just under \$46M and anticipated revenue at \$36M. He stated the Fund Balance has been established to allow for over-spending of revenue.

Anticipated utility rates:

1 – Sanitation rates, no proposed fee increases.

2 – Wastewater rates, proposed 1% connection fee and 3% front foot fee increases.

3 – Water rates, proposed 20% connection fee, 5% monthly fee, and, 3% front foot fee increases.

Director Fredericksen briefly reviewed the Water Facility Plan with proposed fee increases; water connection fees scenarios (currently in the third year); fee comparison by communities; and, rate implementation plan from the wastewater fee analysis.

Street Division Budget Overview:

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$7,028,100	\$7,441,400	\$413,200

Special Fund Budget Overview:

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$5,565,000	\$6,020,000	\$455,000

Several of these funds are not anticipated to be spent, this is spending authority only. Will stay in particular fund if unspent.

Sanitation Division Budget Overview:

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$4,706,700	\$5,587,400	\$880,700

Wages and benefits decrease due to newer employees’ benefits and a decrease in workmans compensation.

Water Division Budget Overview:

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$10,682,300	\$11,393,500	\$711,200

Wastewater Division Budget Overview:

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$12,916,000	\$11,896,900	(\$1,019,200)

Request by priority:

1 – Snow removal spending authority

2 – Site improvements to Street/Sanitation = \$300,000 shared equally

3 – Sanitation add to fleet = \$230,000

To the response of Councilmember Francis, Director Fredericksen clarified a bank account would be established with a savings of \$1M for snow removal, which would accommodate most snow years. Public Works would budget \$1.5M with \$500,000 from the General Fund. At year end, the bank account would still have \$1M and any excess would return to the General Fund. It was noted the spending authority is still needed to spend \$1.5M. General discussion

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followed regarding recycling. Councilmember Freeman commended Director Fredericksen and the Public Works staff.

**Department Budget Review – Idaho Falls Power:**

Director Prairie reviewed the following with general discussion throughout:

**Budget Overview:**

Funding Sources	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$59,080,926	\$64,443,716	\$5,362,790

Charges for services decrease due to retail revenue from electric sales from the current year to next year. Contributed capital increase due to construction of the Sugarmill to Paine line with Rocky Mountain Power (RMP), the potential event center, the fiber pilot project through Payment in Lieu of Taxes (PILOT), and, line extension fees. Miscellaneous increase due to interest earnings from the previous year to the current year.

**Budget Overview:**

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$77,162,103	\$88,140,865	\$10,978,762

Wages and benefits increase due to natural wage inflation per market-based compensation adjustments, additional staff for the fiber pilot project, apprentice linemen, and, temporary labor positions. Operational expenses decrease due to Operations and Maintenance (O&M) costs. Capital outlay increase due to Sugarmill to Paine line project. MERF decrease adjusted for fleet. Inter-fund transfers (PILOT) decrease includes pilot fiber to home project.

**Requests by priority:**

- 1 – Power generation O&M; Capital with MERF; and, power purchases = \$34,524,071, revenue generated = \$54,383,304.
- 2 – Transmission O&M, Capital with MERF = \$18,300,531, cost share = \$6,000,000
- 3 – Distribution O&M, Capital with MERF = \$9,815,527, cost share = \$1,265,000
- 4 – Administration customer service engineering warehouse O&M, Capital with MERF = \$16,948,600, revenue generated = \$912,500
- 5 – Fiber O&M, Capital with MERF = \$9,815,527, cost share (contributed capital from PILOT) = \$1,230,000; revenue generated = \$652,912
- 6 – Traffic O&M = \$105,650
- Total – O&M = \$55,181,565, revenue generated = \$55,948,716  
     Capital with MERF = \$32,959,300, cost share = \$8,495,000

**Budgeted use of funds:**

Funding Sources	2019/20 Proposed Budget	Capital Improvement Fund	Rate Stabilization Fund	MERF Fund
Beginning Cash Balance	\$10,000,000	\$14,000,000	\$21,487,980	\$2,000,000
Plus Funding Sources				
Charges for Services	\$54,596,116			
Contributed Capital	\$8,495,000			
Miscellaneous Revenue	\$1,352,600			
Capital Improvement Funds (CIF)	\$11,984,169	(\$11,984,169)		
Rate Stabilization Fund	\$1,487,980		(\$1,487,980)	
MERF Fund	\$225,000			(\$225,000)
Total Sources	\$88,140,865			
Less Expenditures	\$88,140,865			\$170,100
Ending Cash Balances	\$0	\$2,015,831	\$20,000,000	\$1,945,100

CIF will be used for Sugarmill to Paine line project. The CIF has historically been managed to ensure spending authority is available. This is different than non-Enterprise Funds. Rate Stabilization Fund reflects the proposed

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Power Cost Adjustment (PCA) distribution to customers. General discussion followed regarding market rates as well as the fiber pilot project. Director Prairie stated no rate increases are anticipated at this time.

**Department Budget Review – Municipal Services:**

Director Alexander stated Municipal Services is a support department. She reviewed the following with general discussion throughout:

**Budget Overview:**

Funding Sources	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$192,600	\$451,653	\$259,053

Charges for services increase includes license and rental fees. She noted there is a recommendation from the Civic Center for the Performing Arts Committee to revise the commercial rate. Grants includes anticipated cost share grant for architect and design of Phases II and III for the Civic Center for the Performing Arts. Director Alexander noted, in collaboration with Public Works and Idaho Falls Power, a \$1 credit will be applied to those residents who chose to receive their utility bill electronically.

**Budget Overview:**

Expenditures	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$4,504,850	\$4,680,958	\$176,108

Wages and benefits increase due to request for additional fleet mechanic. Operational expenses increase due to fleet maintenance inventory, data center maintenance transition (from Idaho Falls Power and Public Works) to Information Technology (IT), placeholder for runoff election, license reprint fee, \$100,000 for Americans with Disabilities Act (ADA) facility improvements (improvements to City Hall are anticipated in fall 2019, an architectural design for an elevator in City Hall will be presented to the Council in the future), computer replacements, degree reimbursement, and, equipment costs and repairs to City-owned buildings. Capital outlay increase due to match grant for the Civic Center for the Performing Arts. Other grants may be available to assist with this project. It was noted the Civic Center donor would only match the City amount. MERF increase due to replacement of several aged vehicles. Inter-fund transfers savings due to credit card fees.

**Requests:**

Director Alexander stated the top two (2) priorities have been listed on Capital and Operating requests. Additional request includes towable aerial lift for building maintenance = \$28,000. She noted this was requested in the previous year.

Councilmember Radford believes the various committees and teams have come up with good efficiencies. Brief discussion followed regarding the opportunity for match funds. Mayor Casper believes the Council does not want to turn down match funds however, all projects need to be considered which may take longer than anticipated. Director Alexander stated the requested amount for the Civic Center for the Performing Arts would assist with the foundation’s capital campaign. She briefly reviewed recent renovations to the Civic Center. Brief discussion also followed regarding the contingency fund. Director Alexander stated this fund allows a carryover of projects and grants.

**Follow-up Discussion:**

Councilmember Radford requested a complete year of budget be included on the budget worksheets. He specifically requested wages and benefits amounts. Councilmember Francis questioned the impact on the levy rate if small amounts of foregone were taken. Councilmember Radford believes the Council has the right to do supplemental levies, similar to school districts.

There being no further business, the meeting adjourned at 3:53 p.m.

s/ Kathy Hampton \_\_\_\_\_  
CITY CLERK

s/ Rebecca L. Noah Casper \_\_\_\_\_  
MAYOR