

July 18, 2019 Budget Session

The City Council of the City of Idaho Falls met in Council Budget Session, Thursday, July 18, 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 Jim Freeman
- Councilmember Shelly Smede
- Councilmember Jim Francis
- Councilmember John Radford
- Councilmember Michelle Ziel-Dingman (arrived at 3:07 p.m.)

Also present:

- Pamela Alexander, Municipal Services Director
- Mark Hagedorn, Controller
- Derick Sorensen, Accountant
- PJ Holm, Parks and Recreation Interim Director
- Michael Kirkham, Assistant City Attorney
- Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 3:01 p.m. with the following:

Opening Remarks, Announcements:

Mayor Casper stated this particular meeting will give an overview of requests.

Follow-up Discussion Regarding 2019/2020 Budget:

Director Alexander stated the proposed 2019/20 total balanced budget of \$234,318,801 includes a 3% property tax levy; proposed department budgets, including recommended Capital and Operating Budget priority requests; and, the medical benefit Option #2 as previously discussed at the May 20 Work Session. The proposed budget does not include a wage inflation of 1.5% or Capital and Operating Budget requests not already approved. Additional items requested include Recreation Levy, Library Levy, Foregone, and, designated cash account. Director Alexander reviewed the budget and fees timeline including the tentative approval of the 2019/20 budget and authorization for publications.

Mr. Hagedorn reviewed the following with general discussion throughout:

Budget Overview:

Funding Sources	2018/19 Adopted Budget	2019/20 Proposed Budget	Increase or Decrease
Total	\$171,974,231	\$190,298,460	\$18,324,229

Mr. Hagedorn stated cash balance has been removed, this amount only includes City-wide revenues. The difference between the revenues and the expenditures is available cash needed to balance the budget. There is no proposal to use the General Fund cash. Brief discussion followed regarding a minimum balance in the General Fund. Director Alexander stated the Finance Committee recommended the General Fund remain at \$8M, realizing this cannot always be controlled and would require expenditure control throughout the year. To the response of Councilmember Freeman, Mr. Hagedorn stated if the General Fund goes into negative cash, this would require borrowing from other funds. He indicated this is not good practice. Mayor Casper stated this requires discipline. Mr. Hagedorn noted the expenditure budget is based on revenues. General comments followed. Councilmember Hally stated generally speaking, growth determines the size of the budget. He believes some spending should be delayed. Mr. Hagedorn noted Inter-governmental increase is due to additional funds for the Airport. Other Financing Sources increase is due to Idaho Falls Power anticipated capital contributions for the construction of the Sugarmill to Paine project.

Mr. Hagedorn reviewed the preliminary 3% property tax levy based on current percentages. Mr. Hagedorn noted the information presented on July 8 has not changed as actual numbers are not received from the County until the first

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part of August. The value received in August could change due to County review of assessments. The estimated value of new construction = \$130M (\$50M in new construction and \$80M from the urban renewal district). Mr. Hagedorn stated the City certifies a whole dollar amount, not a levy rate. Mayor Casper stated discussion has been occurring regarding the elimination of personal property taxes. She believes a replacement of personal property taxes would be important to cities. Mr. Hagedorn stated there has also been discussion regarding changes to the homeowners' exemption. Mr. Hagedorn stated the allowable 3% is based on the previous year levy. He stated any Foregone would need to be allocated into the appropriate fund. Future discussion will occur regarding property tax values. There is an estimated \$2.3M to be allocated as directed by Council. As property values increase the levy decreases. Mr. Hagedorn reminded the Council that the Library and the Recreation Department have requested an increase in their levy rate. Councilmember Hally is not in favor of increasing the levy rate for the Library Fund. Mayor Casper recommended if the Recreation Fund is increased, the Parks and Recreation (P&R) budget should be reduced. Mr. Sorensen stated, per P&R, the original \$500,000 requested increase be reduced to \$150,000 for Professional Services to assist with maintenance of the wastewater retention ponds. Mayor Casper stated additional discussion needs to occur regarding green space, onboarding of new properties, and, impact fees. At the request of Mayor Casper, Mr. Hagedorn will clarify the Levy Rates for each Fund including those affected by the General Fund. He stated the preliminary budget is based on expenditures not revenues, this is a capacity number only. Councilmember Radford believes the budget should be capacity spending, although the amount is not anticipated to be spent. Councilmember Freeman questioned the levy rate for the Recreation Fund. Interim Director Holm believes it is crucial for the Recreation Fund to receive additional money although he understands this is not doable from the General Fund. He noted a request of \$300,000 into the Recreation Levy would put money aside for facility issues, such as the Aquatic Center. He also noted he has managed the Recreation Division budget for the previous six (6) years which has been presented each year as a flat budget. However, there have been several cuts on expenses with the hope that revenues would increase with additional activities. The Recreation Fund has taken hits over the years which puts this fund further into the red. An increase to the Recreation Fund would allow the Recreation Division to run in the black. Interim Director Holm stated the Aquatic Center has not been a priority in the P&R budget for several years. The Parks Division has been the high priority, as is the case again this year. He indicated he is trying to bring the aquatics higher into the priorities. General discussion followed regarding the Aquatic Center and the high cost of equipment. To Mayor Casper's response, Mr. Hagedorn stated when a cash balance goes into the red, other overall cash balance funds support the negative fund. Councilmember Francis believes by increasing the Recreation Fund this may be a more disciplined approach. Mr. Hagedorn believes a revenue stream needs to be set up to address the Capital needs for P&R. Councilmember Radford stated generating a revenue stream for citizens' wants is difficult, especially since the City is limited by the allowable 3% levy increase. Councilmember Freeman is in favor of increasing the Recreation Levy. Councilmember Radford concurred, even if the increase were to be a multi-year process. Interim Director Holm indicated the \$58,000 Administrative Fund transfer has already reduced the budget. He is hopeful for any small increases.

Budget Overview – General Fund:

Expenditures	2018/19 Approved Budget	2019/20 Department Requested Budget	Increase or Decrease
Total	\$46,255,970	\$48,929,831	\$2,673,860

Mr. Hagedorn reiterated the wages and benefits increase does not include the 1.5% Cost of Living Adjustment (COLA). He stated a full-time employee (FTE) count will be used in future budgets. Operational expenses has a slight increase. Capital outlay (one-time costs) has a decrease. To Councilmember Smede's response, Mr. Hagedorn stated some revenues are increasing outside of property taxes. Director Alexander stated projects that include match or grant money were considered higher priority. Depreciation (which includes Municipal Equipment Replacement Fund (MERF)) has a slight increase. Inter-fund Transfers is changing from level of service to cost of service for all departments. Mr. Hagedorn stated governmental funds (streets, recreation, Library, and, golf) are new transfers. He reviewed examples of Information Technology (IT) and Finance costs transfers. General discussion followed including water, sewer, sanitation, power costs, and, Enterprise Fund charges/fees. Director Fredericksen stated water meters have been installed at Pinecrest Golf Course and the Zoo to assist with water usage for P&R.

Budget Overview – Government Funds (does not include Enterprise Funds):

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Expenditures	2018/19 Approved Budget	2019/20 Department Requested Budget	Increase or Decrease
Total	\$44,918,142	\$45,285,616	\$367,474

No drastic changes as these funds are for a specific purpose/expense. Discussion followed regarding MERF. Mr. Hagedorn stated Directors' priorities change as the MERF changes. Mayor Casper questioned the fleet software. Director Alexander stated the software was delayed due to staffing issues. Mayor Casper stated proposed leasing could change the MERF as well.

Budget Overview – Enterprise Funds:

Expenditures	2018/19 Approved Budget	2019/20 Department Requested Budget	Increase or Decrease
Total	\$115,416,446	\$141,008,494	\$25,592,048

Mr. Hagedorn stated Enterprise Funds currently do a good job.

Budget Overview – City Total:

Expenditures	2018/19 Approved Budget	2019/20 Department Requested Budget	Increase or Decrease
Total	\$206,590,558	\$235,223,940	\$28,633,382

Mr. Hagedorn stated the goal is to set a capacity number. This amount can be decreased but not increased and is not considered the final budget. Councilmember Freeman questioned the additional amount for a 1.5% COLA. Director Alexander briefly reviewed the COLA amounts. She indicated the budget could not afford the COLA per the base services/budgets. Mr. Hagedorn stated other items would need to be cut due to increased costs or another revenue source would be required. Mayor Casper stated the COLA has been included in the previous three (3) budgets. She believes the City may now be ultra competitive for wages and may be above the median market study. She noted the COLA is a multiplier which impacts benefits and PERSI (Public Employee Retirement System of Idaho) costs and cannot be sustained every year as the COLA would outpace the 3% capacity. Mr. Hagedorn concurred, noting the increase in health costs. He indicated the cost is more difficult for a COLA and the benefits increase. Mayor Casper noted the step and grade increases would not change. Mr. Hagedorn stated wages and benefits increases are largely affected by the number of employees. General comments and discussion followed regarding the number of employees and the various amounts of a COLA. Councilmember Radford believes the proposed budget amount should be increased to allow capacity for additional grants or capital expenditures. Councilmember Dingman stated the City typically does not have capacity issues although she expressed concern with increasing the proposed budget amount as an inflated sense of reality. Councilmember Radford believes the increase would tell a story that the City has saved for numerous years and there is investment in the community. Councilmember Francis also believes the capacity needs to be increased as this amount does not include several requests for projects, employees, or, a COLA. It was noted a complete list of priorities needs to be identified. Councilmember Radford questioned using Foregone in a similar manner as the previous year for public safety. Mayor Casper does not recommend using Foregone in the upcoming year. She indicated a new police station is being studying/analyzed with the possibility of utilizing Foregone money. Councilmember Francis believes more public safety is needed which may put additional services at risk. He would be in favor of using Foregone for public safety in the amount of \$550,000. Councilmember Radford stated Foregone is an unfunded liability. He believes segments of Foregone could be utilized. Mr. Hagedorn stated the Foregone amount is ~\$5.3M. Mayor Casper noted the capacity is not broken out by individual departments, there are ceiling amounts within various funds.

Mayor Casper stated additional Council Budget Sessions are tentatively scheduled for July 23 and July 24. Municipal Services staff will provide updated information per Council request.

There being no further business, the meeting adjourned at 6:13 p.m.

s/ Kathy Hampton
CITY CLERK

s/ Rebecca L. Noah Casper
MAYOR