

August 21, 2020 Budget Session

The City Council of the City of Idaho Falls met in Council Budget Session, Friday, August 21, 2020, at the City Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 8:30 a.m.

There were present:

Mayor Rebecca L. Noah Casper
Councilmember Michelle Ziel-Dingman
Councilmember John Radford (via WebEx)
Councilmember Thomas Hally (arrived at 8:46 a.m.)
Councilmember Jim Freeman (via WebEx)
Councilmember Jim Francis
Councilmember Shelly Smede (via WebEx at 9:17 a.m.)

Also present:

Pam Alexander, Municipal Services Director
Mark Hagedorn, Controller
Julie Combe, Human Resources Manager
Randy Fife, City Attorney
Kathy Hampton, City Clerk
Bear Prairie, Idaho Falls Power (IFP) General Manager
Linda Lundquist, IFP Executive Assistant

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

Opening Remarks, Announcements:

Mayor Casper stated discussion with the Sister Cities organization will be occurring on August 21; Police Chief Bryce Johnson will be submitting an Op Ed to the Post Register regarding the recent Police Reform article; and Northwest Public Power Association (NWPPA) meeting will be held September 10.

Coronavirus (COVID-19) Update:

There was no update.

Follow-up Discussion Regarding 2020-21 Budget:

Mayor Casper requested additional comments regarding the budget following the August 20 public hearing. Per Councilor Francis, Mr. Hagedorn stated the line item on the Treasurer's Report regarding the Law Enforcement Complex (LEC) are costs that have been paid. Councilor Freeman clarified, regarding Mr. Brian Stutzman's comment from the public hearing, the forgone is only being reserved, this does not mean the forgone is being taken. Per Councilor Freeman, Mr. Hagedorn stated the forgone amount is currently \$5.4M, the proposed amount is \$1.1M. Mayor Casper noted the forgone does not earn interest. Councilor Hally indicated there has been some feedback regarding no employee Cost of Living Adjustment (COLA) increase with regard to the dehumidification (dehyde) system at the Aquatic Center. He believes Parks and Recreation (P&R) has made many sacrifices. Councilor Francis believes the dehyde has been pushed aside for many years, this runs the risk of losing a building that serves the public. He also noted the step and grade is continuing for employees. Mayor Casper stated, per discussion with the finance team, the path of employee compensation for a COLA is not sustainable. Per Councilor Francis, Mr. Hagedorn stated a 1% COLA would amount to \$536,000. He is unsure of the annual step and grade amount. Director Alexander reminded the Council that approximately \$545,000 from the General Fund is being allocated to the Airport (IDA), this is a first-time occurrence. She noted if IDA receives reimbursement from Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, this money could be re-allocated. Councilor Radford questioned if a COLA could be given if the CARES money is received. Mayor Casper noted one-time money cannot be used for ongoing expenses. Mr. Hagedorn reiterated the funding for wages is unsustainable. Alternate plans and employee/position counts are being reviewed. Councilor Hally stated as the City grows, more employees will be needed. Per Councilor Francis, Mr. Hagedorn noted the contingency fund allows anticipated money and the budget would not need to be re-opened if CARES money is received. Brief discussion followed regarding the contingency fund. Mayor Casper believes

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being disciplined and prioritizing is wise. Mr. Hagedorn noted all forecasted revenue was decreased, there is an option for a revenue increase although he cautioned extra spending. Councilor Freeman reiterated COLA are ongoing costs. He is not sure if future money will be available. Council President Dingman noted if CARES money is received, IDA Director Rick Cloutier will likely request this money be set aside for IDA needs/grants. Mayor Casper concurred. Per Councilor Radford, Ms. Combe stated the compensation committee has been discontinued at this time due to COVID. Councilor Hally stated the land preparation for the LEC was beyond what he imagined. He believed this amount would be closer to \$1M. Mayor Casper noted the LEC discussion will occur at the August 24 Council Work Session. Per Councilor Hally, Mr. Hagedorn stated there will be no major changes to annexation and new construction amounts from the County.

s/ Kathy Hampton
Kathy Hampton, City Clerk

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

Discussion of Carbon Free Power Project (CFPP):

A general discussion took place about the CFPP. Mayor Casper announced that the project deadline had been extended from Sept. 14 to Sept. 30, 2020. General Manager (GM) Prairie said that Doug Hunter with Utah Associated Municipal Power Systems (UAMPS) expressed that the Department of Energy (DOE) will likely have not signed the \$1.4 billion award by the previous deadline and timeline as expected by Sept. 14, 2020, thereby necessitating a need for an extension. There was a discussion about future deadline extensions until the award passes through necessary approvals and process in Washington. Mayor Casper announced the leadership change taking place at Idaho National Laboratory (INL). Board Member Radford said he would like to reiterate what GM Prairie and Mayor Casper have stated and emphasized the importance of getting the DOE award signed. Mayor Casper added that she has requested statements of CFPP support from our federal legislators. She reviewed some points made at the UAMPS annual meeting earlier in the week about nuclear power. Board Member Freeman said that it's worth the short-term pain for the long-term gain. GM Prairie said he agreed with Board Member Hally that the globe is moving toward carbon free emissions. He said that utilities across the country are looking for low-cost economic solutions that can deliver carbon free energy systems. He added that the Small Modular Reactor (SMR) project would potentially have a large economic impact on the region and emphasized that the city's risk reward is different than other participants in the project because of the jobs that will be created, etc. as a result, but cautioned that the Idaho Falls' peak load is 140MWh and we cannot build ourselves an SMR at 720MW. He reminded the board that Idaho Falls is not replacing coal plants like other utilities are in the region, and pointed out that they are often seeking lower cost and less risk options than new nuclear. GM Prairie reviewed the costs that Idaho Falls would be exposed to with and without the support of the DOE. Board Member Freeman asked how much money is in the rate stabilization fund and GM Prairie answered that there is about \$1.4 million extra, but reminded the Board that the dollars go back to the rate payers according the financial reserves policy that governs the fund. He reminded the Board that the current fee resolution already accounted for this credit in rates going back to customers for FY2020-21 and if the Board wanted to do something different they would need to think about policy implications and amend the rates for next year. He continued to say that the options are; to either raise rates or use money tagged for other things like the rate stabilization fund, but cautioned that credit agencies frown when entities redirect funds such as this and not follow standing policies and practices previously put in place. Board Member Freeman stated that with the support of the DOE, he felt encouraged by a 1.43 percent (1.43%) increase and GM Prairie added, that spread over three years it would be less than a half percent (<1/2%) in rates to recover the projected expenditure of entering the next phase of CFPP funding development.

GM Prairie announced that the energy supply and demand had been very tight over the past week and noted that while the region had a good water year, he said that the grid was tight on energy supply over peak periods during this heat wave and this results in extreme pricing like we saw. He added that utilities are still seeking solutions to get over these peak periods. He stated that while California has Community Choice Aggregation (CCA), they are likely rethinking retiring gas plants in light of extreme weather episodes that sky-rocket prices and led to the recent rolling blackouts.

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There was a discussion on the proposed CFPP Resolution draft. GM Prairie stated that he had previously provided a copy to Doug Hunter and Mason Baker of UAMPS to review for accuracy, as well as Idaho Falls' City Attorney. The Board reviewed and made a few grammatical revisions to the draft, but also resolved to reduce the city's subscription from 10MWh to 5HWh to better align with actual resource needs, set a not-to-exceed limit in both dollars and MW capacity in the project. GM Prairie stated that Logan had exited the project at 7MWh and added that there could be more scaling down or exiting the project by other current participants during this off-ramp/next phase budget period. There was a discussion on the Logan commitment and subsequent exit. GM Prairie said that it comes down to price and risk for most utilities and added that the biggest risk for the project is the lack of subscription in his view and this is why it is important to include that statement in the resolution. He continued to say that UAMPS needs \$19.9 million in commitments from project participants to move into the next phase. GM Prairie stated that he can understand a \$700,000 Development Cost Share for Idaho Falls up to 5MWs, but that he wouldn't advocate for picking up a larger percentage of this development cost due to our limited need for additional baseload resources in our energy portfolio. Board Member Radford stated that he was pleased with the resolution outcome and noted that the Board did a good job of finding a responsible scenario. Board Member Francis suggesting extending until the DOE award comes in. There was a head nod given from all of the Board members to GM Prairie to move forward with the draft resolution and signal to UAMPS the city's intention with the resolution, noting that it won't take a vote until the Sept. 24 Council Meeting. Mayor Casper reiterated that the Board rightsized the city's share to fit its resource needs, and also show that the city's commitment is still there for this project that means so much for the community and being able to find reliable carbon free generation resources.

Mayor Casper made some final announcements of upcoming meetings.

There being no further business, the meeting adjourned at 11:36 a.m.

s/ Linda Lundquist
Linda Lundquist, Executive Assistant

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