

AUGUST 22, 2002

The City Council of the City of Idaho Falls met in Regular Council Meeting, Thursday, August 22, 2002, in the Council Chambers at 140 South Capital Avenue in Idaho Falls, Idaho.

There were present:

Mayor Linda Milam
Councilmember Ida Hardcastle
Councilmember Bill Shurtleff
Councilmember Brad Eldredge
Councilmember Mike Lehto
Councilmember Joe Groberg
Councilmember Bruce Rose

Also present:

Dale Storer, City Attorney
Rosemarie Anderson, City Clerk
All available Division Directors

Mayor Milam requested Boy Scout Kevin Albaugh to come forward and lead those present in the Pledge of Allegiance.

The City Clerk read a summary of the minutes for the August 8, 2002 Regular Council Meeting. It was moved by Councilmember Eldredge, seconded by Councilmember Groberg, to approve the minutes as printed. Roll call as follows:

Aye: Councilmember Lehto
Councilmember Eldredge
Councilmember Hardcastle
Councilmember Groberg
Councilmember Rose
Councilmember Shurtleff

Nay: None

Motion Carried.

CONSENT AGENDA ITEMS

The City Clerk presented several license applications, including a BEER LICENSE to La Union Market; BARTENDER PERMITS to Stephanie A. Gardner, Shere Hill, Jeffrey K. Keller, Michelle M. Krager, Kim Lempke, Vicki S. McKinney, Larry Mitchell, Meghan K. Nobles, Jana Renford, Michael Sato, Cathy S. Schwab, Amy Jo Singleton, James Thomas, and Wendy S. Torres, all carrying the required approvals, and requested authorization to issue these licenses.

The City Clerk requested Council ratification for the publication of legal notices calling for public hearings on August 22, 2002.

It was moved by Councilmember Eldredge, seconded by Councilmember Groberg, to approve the Consent Agenda in accordance with the recommendations presented. Roll call as follows:

Aye: Councilmember Eldredge
Councilmember Lehto

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Councilmember Rose
Councilmember Groberg
Councilmember Shurtleff
Councilmember Hardcastle

Nay: None

Motion Carried.

REGULAR AGENDA ITEMS

The Idaho Falls Power Director submitted the following memo:

City of Idaho Falls
August 7, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Mark Gendron, Idaho Falls Power Director
SUBJECT: ELECTRIC RATE INCREASE

Attached for your consideration is an Ordinance amending electrical rates for retail customers and providing for effective date.

s/ Mark Gendron

Councilmember Lehto submitted the following letters for the record:

1550 12th Street
Idaho Falls, Idaho 83404
August 12, 2002

City Councilman Bill Shurtleff

City Councilman Mike Lehto

Gentlemen:

I am sending a copy of this letter to each of you at your home address.

Compliments go to each of you for delaying the voting by the City Council to increase the electrical rates to 22,000 "captive" customers.

A few weeks ago I sent a letter to THE MAILBOX of the Post Register which expressed my concern that Idaho Falls Power has a one hundred thousand dollar advertising budget. Why a company that has 22,000 "captive" customers has to have allocated any money at all to an advertising budget is beyond good business practices.

This, then, casts a shadow on the possibilities of other frivolous expenditures being made to other areas of operations of Idaho Falls Power.

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Perhaps the need for a rate increase to the customers of Idaho Falls Power is to pay for the unnecessary expenses incurred by Idaho Falls Power. Business management is a wisdom skill.

Perhaps before a vote is taken about an electrical monetary rate increase a freelance business management firm should be hired to evaluate the business management practices of Idaho Falls Power.

At 82 years of age, I find it difficult to be mobile after 7:00 p.m. Therefore, please excuse me for not being able to attend your Council Meeting.

Cordially,

s/ Chips Conner
W. K. "Chips" Conner

August 20, 2002

Idaho Falls City Council
Mr. Bill Shurtleff, et al
308 Constitution
Idaho Falls, Idaho 83402

Dear Mr. Shurtleff and Fellow Councilmembers:

I am writing this letter to express my concern with the proposed electrical rate hike.

Currently, I live in a 26 year old, electric mobile home with a wood-burning stove. I have had Eastern Idaho Special Services Agency weatherize my home and received a yearly benefit of approximately \$275.00 in energy assistance. I burn wood and try to offset my heating costs in the winter, keep the thermostat on 68 degrees, and never run my swamp cooler. I truly appreciate the help I have received yet, in itself, it does not even come close to covering my yearly energy expenses of \$1,109.00.

With sewer, water and garbage tacked on, I pay an average of \$100.00 per month. That does not even include the variable residential surcharge (which no one seems able to explain where that idea came from and ranges from \$2.50 - \$25.00/month). Check my math, but with the 28% proposed rate hike, I'm now looking at paying another \$23.00 per month. We have now hit the amount I pay for my mobile home rental space. Ouch!

I can't afford it. I am in a counseling program and have been looking for work for the past 3-1/2 months.

What I'd like to suggest is that maybe you could look at the waste of energy lost by mobile homes. I suspect that my windows are where the main trouble lies. Yet, the weatherization program does not cover replacing them. Also, I am told that the city energy audit program will audit mobile homes but cannot offer the financing and other benefits that traditional housing receives.

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I don't know if this suggestion helps but I wanted to express my anxiety regarding this situation. I'm truly afraid I may not be able to pay the bill and will end up cold this winter.

Thanks for your time and consideration.

Sincerely,

s/ Maryanne Bithell
Maryanne Bithell
1837 Hollipark
Idaho Falls, Idaho 83401
(208) 552-0465

To those of you that are running the electricity business, you may be making enough money to raise the electricity, but I am on Social Security and am not rolling in money.

I'm on about the lowest income. It only took 10 years to get there.

Are we not supposed to have any money left over for our bills or just maybe we'd need some shoes or clothes?

Thank God I don't have a car or I'd have to sell it.

Seniors can not do this –

s/ Myrna Devaney

Edna Holt, age 91 years

I live in Teton View Senior Low Income Apartment. I am on a fixed income of less than \$500.00 a month.

My rent and cable is \$62.00 a month.

My Blue Cross Insurance is \$119.30 a month.

My telephone is \$11.92 a month.

Medicine about \$32.00 a month that I pay for.

Groceries \$70.00 to \$80.00 a month.

Power bill \$40.00 to \$16.00 a month.

Plus other expenses.

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So if power company raises prices high as planned, will make it very hard on me.

s/ Edna Holt

August 21, 2002

City Council of Idaho Falls, Idaho:

As an 82 year old Senior Citizen, who is on a very limited-fixed income, and a fairly new resident of Idaho Falls, I want to give my input on the "proposed power rate hike"!

One of the main objects of my moving back to Idaho was to avoid the high cost of living – the high cost of power was one of them!

Today, I receive a letter stating that the State of Idaho has sanctioned an increase in my supplemental health insurance – and with winter approaching, an increase in the cost of heating our homes looks pretty dismal! Where does it stop?

Please, reconsider this power rate hike!

Sincerely,

s/ Wilma Moore
Wilma Moore

To the Commissioners:

I am an eighty year old (80) concerned widowed Senior Citizen of Idaho Falls. I live in a low fixed income (Social Security).

If the large increase in electricity rates as proposed is put into effect, I will have to lower my heat (in winter) and be without oxygen part of the time (I am on oxygen 24 hours a day). Both of these are my major uses of electricity.

s/ Kathryn Clifton
Kathryn Clifton
1550 Teton View Lane
No. E27
Idaho Falls, Idaho 83402

21 August 2002

Honorable Mayor and City Council:

Idaho Falls Senior Citizens deserve a break! After all they have been living here for years, paying their bills, their taxes, helping to make Idaho Falls a great City to be a part of and live in!

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But these people, including me a native, are on fixed retirement incomes. The cost of living keeps going up, including your ridiculous electrical use rate hike, making it even more difficult for them to make ends meet. They actually deserve a 10 percent discount on their electrical bills! This is the time for the City to show its concern for its senior citizens!

Thank you for considering this letter and for making an adjustment in the electrical rates to help them keep above water in these unusual times.

Yours sincerely,

s/ Joe Marker
s/ Lynn Erb
s/ Texas Brown
s/ Ernest W. Jones
s/ Wanda Christensen
s/ Ethel Breeton
s/ Ruth Beckstead

My name is Richard Whiteside...I am 76 years old...I have lived at the Riverside Senior Housing for the past 10 years...This statement is in regard to the proposed increase in the electric bill...I am on a fixed income...Social Security and service connected disability total income is \$970.00 a month...And...yes, I do have health problems...I know that ANY increase would be detrimental to my way of living...Even now my budget is pretty tight...This will be the first year I will not have worked for a wage...I worked at Surgard Storage for five years as Assistant Manager until they changed management...I have worked for the past six years as a crossing guard at Longfellow Elementary School...plus during this period of time was also working as security screening at the airport...40 hours in three days...15/15 and 10...Have volunteered for the Jerry Cramer Project Warmth...graduate of the Citizens Police Academy...Past President of the Eagle's Lodge 576...Parade Marshal for the 2002 July 4th Parade...Trying to give back to a community that has been good to me...But I feel now is MY time to relax when I can...However...the increase in my electric bill will curtail and create a hardship for me to enjoy my few pleasures...I am sure I am only one of many with this problem of limited income...and would deeply appreciate your consideration for some type of deterrent for an increase in our behalf.
Thank you...

s/ Richard Whiteside
Richard Whiteside
450 J Street
Idaho Falls, Idaho 83402

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City Council of Idaho Falls
140 South Capital Avenue
Idaho Falls, Idaho 83402

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Dear Councilmembers:

I am writing in the capacity of Service Coordinator for Eastern Idaho Special Services at two of the senior housing here in Idaho Falls, Teton View and Riverside where there resides 78 residents. These residents have total electric apartments and cannot absorb this kind of electrical increase into their fixed incomes. The loss of these monies will further de-compensate these individuals causing an increase in their survival needs and dependency.

Please take our seniors into consideration when voting on any electrical increase here in the greater Idaho Falls area.

Thank you,

s/ Rosie Norman
Rosie Norman, LSW
Licensed Social Worker
EISSA

To: mayor@ci.idaho-falls.id.us
From: Nila Van Buren (ybnila@hotmail.com)
Subject: Upcoming IF Power Rate Increase
Date: August 18, 2002 – 5:25 p.m.

Mayor Milam, I have no idea how I'm going to come up with the money to pay my utility bill if the power rate increases. I am a single parent who presently only has a part-time job at the Idaho Falls Public Library who is trying to get on full-time with the City but openings are few and far between. I am currently paying out of my own pocket for my medical insurance but am seriously considering dropping that but hate to not knowing what the future might bring if I am suddenly injured. I have lived in Idaho Falls for over 27 years, am buying a home, have two teens one of which is going to college this fall, and only pull in roughly \$9,000.00+ a year. How do I do it? By budgeting to the max...but this power increase is going to eat me right up. I am not a senior citizen but am certainly on a fixed income and I pray this increase does not occur. I am barely making it as it is. I have no family support or other assistance at all. Please do your best to help me out with this. Thank you.

Nilva Carlson-Van Buren
285 East 20 Street
Idaho Falls, Idaho 83404

165 Harvest Circle
Idaho Falls, Idaho 83404
20 August 2002

The Honorable Linda Milam
308 Constitution Way
Idaho Falls, Idaho 83402

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Dear Mayor Milam:

The proposed 28 percent increase in electric rates is, well, shocking! When last year's rate increase was implemented, my family took several steps to reduce electricity use. These included installing daylight sensors on outdoor lights, replacing incandescent with fluorescent lighting, reducing the use of the clothes dryer, and installing a more efficient water heater. This reduces our summer electrical usage substantially. However, come winter, those of us with Cadet heaters and similar heating systems are just plain out of luck: we really can't turn down our thermostats much further!

So I must ask: How will young families and people with fixed or limited incomes cope with this additional surcharge? How much further can they reduce their power usage to save energy costs without sacrificing health and safety? And will more affluent residents continue to donate to the various utility assistance programs as their own power bills climb? I think the City needs to reconsider the proposed rate hike in light of these concerns.

Sincerely,

s/ Kimmon C. Richards
(Ms.) Kimmon C. Richards

cc: Mark Gendron, Director
Idaho Falls Power

Councilmember Lehto stated that at the previous meeting, the Idaho Falls Power Director appeared to give an explanation for the necessity of an electric rate increase. As that is in the record, he would not have the Idaho Falls Power Director appear again. The Mayor and City Council have met for Committee Meetings on many occasions regarding this increase over the last three months. The Idaho Falls Power budget has been scrutinized and reduced by many millions of dollars. Even with the reductions, Idaho Falls Power is faced with a sizeable rate increase. In order to balance the books for the utility, the City Council has little choice but to act on the recommendation to approve the rate increase.

Councilmember Shurtleff stated that many of the items that were trimmed from the budget, are not cutting at the bone. These are items that should have been cut some time ago. The budget that is presented for Idaho Falls Power has been trimmed considerably and is trimmed close to the bone.

Flora Jorgensen, 594 Falls Drive, appeared to state that she had no choice when she became disabled at 43 years of age and she had no choice when she became a widow at 55 years of age. She moved back to Idaho Falls from Bonneville County to get out from under Utah Power and Light and their high rates. She is on a very fixed income under Social Security. She does not have the money for supplemental insurance. She has several health issues, and if it were not for her doctor supplying several medications, she would not be able to pay for those. After she pays her house payment, her level pay electricity, level pay gas payments, and the obligations that she has to pay, she does not have the money to pay for the newspaper. Her children supply that for her. She has discontinued her long distance service. She has \$170.00 left over each month to live on. Out of the \$170.00, she has to pay for gas, car insurance, and her own needs. A \$21.00 increase in power rates is astronomical to her. She asked whether she should give up driving, or cut down on groceries, or give up her dog. She understood that Idaho Falls Power needs to increase power rates, but requested to know what could be done for the people on fixed incomes that do not have the money to pay the increase.

Jean McKay, 335 Westmoreland Drive, appeared to state that she understood that this is a discussion about raising electricity rates so that the reserve that has been set up to protect ratepayers from rising rates, would be more than the \$6 Million that does exist. If this understanding is correct, the obvious answer is "No". Rates should not be raised. The reserve is there to be used for this purpose. However, mixed messages have been reported in the newspaper, including speculation about Idaho Falls Power investing in a coal-fired power plant in Utah, a coal-fired power plant in Nevada, and one that could be reestablished at INEEL. She requested to know what the investment in other facilities has to do with rates in Idaho Falls. There is no shortage of electricity. In fact, there is a possibility of a lot more than can be used throughout the United States. What is the fundamental question for an increase in rates. Is it to make up debts incurred by Idaho Falls Power management during a venture in an abnormal and manipulated market a few months ago?

Stanton Anderson, 1910 Malibu Drive, appeared to state that he and his wife are long-time residents of Idaho Falls. He requested the City Council to go easy on the power rate increases. He stated that he was touched with by the testimony of Flora Jorgensen. These rate increases hurt those that are less affluent. He questioned the City Council as to whether property taxes could be raised to accommodate those that are less fortunate. There will be a big increase to those who heat their homes with electricity. It would be nice to be able to use the power from the Idaho Falls facilities for our own use.

Gary Higley, 3941 Stonebrook, appeared to question why the power plant was built on the river, why the additional turbines were put in down the river, and why the turbines were remodeled a few years ago. He assumed that all of this was done to produce more power. He also assumed that the power plants and turbines were owned by the City of Idaho Falls for the people of Idaho Falls. As time went on, the City discovered that power could be sold and repurchased, thereby making money. The City eventually could not repurchase the power to make money. If the power plants could not produce enough power to service the people of Idaho Falls, then he could see a reason to purchase additional power. Mr. Higley explained how School District No. 93 managed its budget when there was a shortfall. Priorities needed to be established. Mr. Higley stated that he understood that the City of Idaho Falls has a "rainy day account", and it is time to dig down into that rainy day account to cover the power increase. There is no reason to have a rainy day account, if it cannot be used when difficult times are upon us. If power rates change for the better, rates should be decreased accordingly. He did not believe that this would happen. Once the money comes in, no reductions will be made. Mr. Higley challenged the City Council to re-evaluate the need for an increase. The financial burden should not be placed upon the people of this City, when a rainy day account is available.

Mayor Milam responded to several issues already presented. The rainy day account was \$21 Million. It is now at \$6 Million and will be gone if the rates are not increased. The rainy day account was the reason that the City was able to avoid an increase until last year, when all over the Northwest, municipal power utilities were raising rates. That account could be used up, absent any action by the City Council. The increase is not intended to rebuild that reserve account. At some point in the future, it is hoped that power rates will come down to a reasonable level that we have all been used to. Then it would be prudent to rebuild that rainy day account for the very reason that it has been used in the last couple of years. Mayor Milam explained that the coal-fired plant in Nevada, which was a joint proposal with a number of other utilities, would have given the City an additional power source besides the hydro power which is depended upon so much today. The steam plant at the INEEL is not available. The Department of Energy has not determined whether to make this available for a power source. There are four hydro plants on the river that provide approximately 40% of the power required by the City. Sixty percent of the power needs to be purchased outside of the City of Idaho Falls. Idaho Falls is a net importer of electrical energy. There is not enough produced in this state to provide for its electrical needs. That is in large part because the state is essentially dependent in Idaho on hydro power. Low water

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years and significant manipulation of the market has caught a lot of folks unaware. Until last year, when the rates were raised, the power rates in this City were essentially the same as they were in the early 1900's. Mayor Milam also stated that the City of Idaho Falls has decreased rates. There was an increase in the early 1990's, with a significant decrease in power rates in 1996 or 1997. This decrease dropped the rates to the 1905 level. The increase last fall mirrored the increase we received from Bonneville Power Administration. When they decreased their rate very slightly in the spring, the City of Idaho Falls decreased rates to mirror that decrease.

The Idaho Falls Power Director appeared to state that the rate increase that has been proposed would only balance the budget. This increase does not provide for additional revenues that would increase the reserves. He explained, further, that the City of Idaho Falls has Bond Covenants relative to outstanding debt on hydro facilities that require maintenance of reserves at certain levels. Those covenants also require that revenues are adequate to make the debt service payment.

Councilmember Lehto requested the Idaho Falls Power Director to relate the history that led to this request for a power rate increase. The Idaho Falls Power Director stated that the fundamental need for this increase is only the cost of wholesale power. There has been a significant reduction in expenditures. Without that, Idaho Falls Power would be requesting additional monies. The City of Idaho Falls generating facilities provide only a fraction of the City's needs. The output of most of the generating plants is sold at wholesale to entities like Bonneville Power Administration. Those transactions have historically been very favorable to the City and favorable to our consumers. The City has always been in the wholesale market. Until 1996, the primary supplier of our wholesale needs other than what the City generates, has come from the Bonneville Power Administration. In 1996, the City took a modest amount of the City's needs and removed that from Bonneville Power Administration and went to alternative suppliers for that energy. At that time, the market was below Bonneville Power Administration. Acquisitions of energy were made at far less than Bonneville Power Administration and things were good. In May of 2000, the electric industry turned upside down. Wholesale energy prices went through the ceiling. Even the small exposure that the City had to the energy market, could lead to a financial crisis. What the consumer is paying for today is the cost of energy that was purchased during that time. Most of that energy has been paid for, which called for a draw on the reserves. This burden will not last forever. There are no long-standing commitments for very high priced energy.

Kelly Palmer, 475 River Parkway, appeared as the General Manager for the WestCoast Hotel and President of the Lodging Association. She stated that she appreciated the Council's position. The tragedy of September 11, 2001 drastically affected the hotel industry. Many hotels are filing bankruptcy. Rates have been lowered to keep occupancy up. She stated that she would not be able to increase rates 28%. If the power rates need to be increased, there are things that can be done to assist their industry. WestCoast Hotel has experienced a \$12,000.00 year-to-date increase, compared to last year. They have used approximately the same kilowatts. With the rate increase, next year they will experience a \$60,000.00 increase. In Idaho Falls, the government is a large market. The government decides what rate will be paid for rooms. That rate is very low. Letters from the Mayor and Councilmembers would be beneficial in increasing that rate. That would help the hotel/motel industry to make up for the deficits that will be experienced due to the increase in power. Ms. Palmer stated that other municipalities have offered rebate programs as an incentive to save energy. She also requested the City Council to wait until January 1 to implement the power increase. Budgets are already set for her industry and it would be beneficial to wait until the first part of the year to implement the increase.

Mayor Milam requested Ms. Palmer to contact her office with information regarding the letter to the GSA. She stated she would be happy to write the letter. A number of programs are established for energy savings and conservation. The Idaho Falls Power

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Director stated that the rebate program would be no different than the coupon program for fluorescent lights that all consumers received last fall. That is only one example of a variety of programs that are offered through the utility. He stated that Idaho Falls Power would be happy to assist WestCoast with those energy-saving programs.

Tim Jensen, 2976 Sonora Drive, appeared to state that he is the General Manager of the Anheuser-Busch Malting Plant. He shared the following statement with the Mayor and City Council:

Testimony of:

Tim Jensen
Plant Manager
Idaho Falls Malt Plant

August 22, 2002
Idaho Falls City Council Meeting
Idaho Falls, Idaho

Good evening, Mayor Milam. I would like to thank you and the rest of the City Council for the opportunity to address you this evening. My name is Tim Jensen, and I'm the Plant Manager of the Anheuser-Busch Malt Plant in Idaho Falls.

As you know, we employ 47 people at our malt plant in Idaho Falls. In addition, Anheuser-Busch operations in Idaho combined pay approximately \$2 Million in state and local taxes annually. We have had malting operations in Idaho Falls for 11 years, and we're in the midst of a major expansion of our facility. When completed in 2004, we will have invested more than \$100 Million in our facility in Idaho Falls.

I'm here this evening on behalf of Anheuser Busch to make these points.

First, as the single largest customer of the electric utility, we expect better communication about rate changes. Frankly, this latest increase caught us by surprise. Like all businesses, we try to avoid surprises whenever we can because they disrupt the efficiency of our operations.

To help avoid such surprises in the future, we ask that you increase the flow and quality of communications with us about the utility's operations so we have plenty of time to make adjustments.

In this instance, we were able to make changes in our budgets, but had we had the information sooner, it could have been a much easier process.

Secondly, I also want to ask that you look closely at your utility's operations to ensure it is being run as cost-efficiently as possible.

Since we're a national company with multiple plant locations, we regularly compare prices for all services we purchase, including the cost of utilities. As a result of this latest increase in electric rates, the Idaho Falls malt plant will now have the most expensive power of any of our three malt plants. This is even

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more disturbing, when you consider one of the factors that led to the decision to build in Idaho Falls was the favorable electric rates.

While we're currently able to cope with this higher utility price due to increased efficiencies, there is no guarantee this will be the case in the future. As a result, we ask that you look carefully at ways to keep costs down in your utility as we do at our malt plant.

Thirdly, as your largest customer, I also ask that you involve us more closely in your budgeting process. Just as we strive to talk openly and often with you about our plans, we want the same level of communications in return. While having better communications processes wouldn't have done anything to change the region's economic conditions that caused this increase in electricity rates, we at least could have had a greater warning.

The reason it's important for us to have a longer period of time to react to changes is that it gives us options.

For example, knowing that we're facing a 33.6% increase in electric utility rates may cause us to change processes or equipment to reduce costs. And for an operation of our size that spends hundreds of thousands of dollars each year on electric utility bills, we look carefully at all aspects of our operation to save money where it's possible.

Which leads me to my final point: The cost impact of this latest increase in electric rates. In a little more than one year, our electric rates will have increased by 67 percent, when compounded.

In dollar terms, this means our annual electric expenditures are now estimated to reach \$1.3 Million per year. In 2004, when our expansion is complete, our electric bills will reach \$2.5 Million per year, without further increases in electric rates.

We're also still dealing with a recent doubling of our sewer rates. The bottom line is we have been tightening our belt with each increase. But we can't continue to find ways to pay higher bills, cut costs and justify increasing our investment in Idaho Falls, including the current multi-million dollar expansion of our facility.

Instead, what we're asking you to do is to find ways to continue to make Idaho Falls friendly to the business community by keeping the costs of our services competitive. We're pleased and proud to be located here, and most would agree we're a good neighbor, good employer and good partner.

There is no question that we are committed to this community. We hope that you're just as committed to our continuing success by providing the high-quality, reliable services that we expect, delivered as cost effectively as possible.

Councilmembers and Mayor, I thank you for your time to share our views on the proposed rate increase.

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Marvin Rieb, 425 Marjacq, appeared to state with the last electric rate increase a surcharge fee was added. He stated that he did not understand the purpose of that surcharge. If the City had to draw money from the reserve fund, the City should have been thinking about raising rates at that time. The City is not running the business very well if things are let go too long before they are fixed. Better management of the utility is needed. Mr. Rieb pointed at Councilmembers Lehto and Shurtleff and stated that they were responsible as overseers of the utility. If the rate had been raised two years ago, they would not have been so high now.

Mayor Milam stated that "surcharge" was a wrong name. The 25% increase was divided to reflect the volatility of the market. With this proposed Ordinance, the surcharge will be eliminated. Approximately two years ago, the cost of power was so low, that the City Council was looking at the strong possibility of decreasing rates. The problem began in California and ended up affecting everyone because of the exchange of power at different seasons of the year between the warm parts of the country and the cold parts of the country.

Mr. Rieb requested to know when monies began to be drawn from the reserve fund. Mayor Milam stated that monies were withdrawn from the reserve fund when the costs for the power purchases started to increase, approximately 1-1/2 years ago. Mr. Rieb stated that was the time to increase rates. Mayor Milam stated that there are court documents to support the fact that there was manipulation of the market.

Councilmember Lehto explained that there are two funds that are being discussed. One is the Electric Light Fund, which is the operating fund for the utility. The other fund is the Rate Stabilization Fund, which is the firm reserve.

The Idaho Falls Power Director appeared to state that the Electric Light Fund is for the day-to-day operations of the utility. The Rate Stabilization Fund was established in 1997. The Rate Stabilization Fund was established at a time when the industry was in transition. There was a concern about risk that the utility and the customers faced. An independent engineer was employed to provide recommendations to establish the Rate Stabilization Fund and to establish target levels for that fund. The target level for the Rate Stabilization Fund was originally established to remain between \$20 Million to \$25 Million. That is in addition to monies that needed to be maintained in the Electric Light Fund, which at that time was approximately \$5 Million. The engineer was employed to review the target levels two years ago. The Engineer's recommendation was changed to \$15 Million to \$20 Million. In May of 2000, the reserves were at the highest level of \$21 Million. Within the last two months, the reserves reached the lowest level of \$5 Million. Because of the some of the positive netting effects of power transactions, the reserves have climbed \$1.5 Million in the last couple of months. The reserve is now at approximately \$6 Million at this time.

Councilmember Lehto stated that the Mayor and City Council were pleasantly surprised last October when a \$12 Million sale of our power was netted. Reserves were built back up and the storm was thought to have been weathered. Councilmember Lehto and Councilmember Shurtleff have looked at the balances from month to month. They were aware of the balance in the Rate Stabilization Fund. It was just a question of when a rate increase would be requested. The new budget reflects significant cuts in the utility.

L. F. Morrow, 786 Jeri Avenue, stated that he did not question the fact that the City had to sign long-term contracts for the utility. Since the courts have proved that there was fraudulent inflation, Mr. Morrow requested to know whether the contracts that were signed were valid contracts.

The Idaho Falls Power Director explained that there was one particular contract that was with Enron that may be in question. The potential for further litigation does exist. There are many utilities that are before the Federal Energy Regulatory Commission and other venues attempting to correct the problem. The City of Idaho Falls has to honor contracts that have been executed. If the contracts were not honored, the City would not be able to do business with power suppliers.

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Mayor Milam explained that there is a lot that is in the discovery process at this time. It will take time for court decisions to be made.

The City Attorney stated that one of the difficulties is that the City is experiencing a market phenomenon, in part caused by some of the manipulating practices discussed. Some of the practices occurred and spread to some of our suppliers who were innocent. Some of those utilities are now in bankruptcy, which also makes resolving the issue difficult.

Frank Dobbe, 1093 Atlantic, appeared to state that he has lived in the City of Idaho Falls for 42 years in the same house. Mr. Dobbe reviewed his budget on a fixed income and made the following suggestions to alleviate the problems of those on fixed incomes: 1) Give a conservation discount of 1% for each 1% saved using an average consumption for the same ten year period as a base; 2) Give senior citizens a discount; 3) Renegotiate high contracts for blocks of power or stretch them out over as long a period of time as is possible; and, as a last resort, 4) Sell Idaho Falls Power to BPA, Scottish Power, Idaho Power, or any other utility (in other words, get out of the business).

John Szulczewski, 260 South Bellin Road, appeared to state that some time in 2000 someone made a mistake and wrote a lot of contracts that the City is stuck with. He suggested that the Idaho Falls Power Director or the City Council draw up a plan to reduce rates when all of the contracts are paid. Idaho Falls Power needs to give the consumers a date when the cost of power will be decreased.

Robert Pack, 2676 Coronado Circle, appeared to express his concern over other businesses that want to locate in the Idaho Falls area. Deregulation has not worked in many other cases, and that has placed the City of Idaho Falls in this situation. He requested to know what percentage of power is coming from Bonneville Power Administration, what percentage is coming from the Utah-based coalition, and what percentage the City is paying for this increase to the Utah-based coalition over Bonneville Power Administration. He wanted to understand why Idaho Falls Power would want to leave Bonneville Power Administration, who had the lowest power rates. At one time Idaho Falls Power had the third lowest electrical rates in the United States.

The Idaho Falls Power Director appeared to state that in 1996, Bonneville Power Administration's costs and rates were significantly higher than alternatives. At that time, there was a lot of discussion regarding how the City wanted to continue the relationship with Bonneville Power Administration. The City never considered severing that relationship. BPA has been a proven supplier over time. The decision was made to diversify a modest amount of what the City had depended on BPA for to other sources. Ironically, during the first two years, quite a bit of energy was purchased in the spot market from BPA. The decision to diversify was made upon sound information. It was a decision made by many consumer-owned systems in the Pacific Northwest. When the decision was made to diversify, it required that the City manage the wholesale power portfolio differently than when we were taking all of our power from the BPA. That was, coincidentally, when the City entered into the relationship with UAMPS. Other providers were considered for scheduling, marketing, and transmission service. UAMPS was the best alternative for the City of Idaho Falls for a variety of reasons. The increase one year ago, was all BPA. The proposed increase before the City Council now is partly BPA, but mostly other wholesale costs. The relationship is now being modified with UAMPS to keep the costs down. Some of the costs will continue for a period of two to five years. In 2001, the City again changed the relationship with BPA. The City now purchases a different product called "Slice of the System". This product mimics the output of the federal hydro system. On an annual basis, this supplies the needs of our community. It requires careful attention and management. During certain months and seasons, there is excess federal power. During other months and seasons, there is a shortage, so there is a need to store or exchange that energy. That particular resource comes with surplus energy. We have lived through the second worst water year in the Pacific Northwest, followed by one that is still below average, so the City has not received energy

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from the federal hydro system that is expected. In the long term, most of the power supply will come from the Bonneville Power Administration. The Idaho Falls Power Director explained, further, that annually 100% of the net requirements come from the Slice product. In an average water year, the City will see approximately 20% additional energy that the City will have the rights to, that can be marketed, and the revenues used to offset costs. His estimation was that in the winter months, the City is short approximately 10 to 20 megawatts. There is total peak in the winter months of 160 megawatts required. In the summer, there is excess energy by a similar amount. Idaho Falls Power looks to the market to fill the gaps. This is done through a variety of ways, through exchanges with entities like UAMPS or purchasing energy.

Councilmember Lehto stated that in 2001, when the City entered into the Slice product, the City was at an end of a contract with Bonneville Power Administration. That Contract as it was written was no longer available. The City's position in 2001 was to re-evaluate for the utility. The Idaho Falls Power Director stated that in 2001, Bonneville Power Administration went through an exhaustive process known as "subscription", which led to contract offerings, which included offering to public entities like Idaho Falls Power, a variety of wholesale power products. An independent engineer was employed to assist in evaluating the products that were offered by BPA along with other alternatives.

Councilmember Eldredge stated that the reason that the Rate Stabilization Fund grew to \$21 Million is because the City was in the market as a result of the decisions made in 1996. In 1994, the City was not sure whether they would be able to meet the bond requirements, as far as reserves, for the utility. In a short period of time, the reserves grew through market purchases made. If a long-term view is taken, that was a good decision. The reason that rates were not raised 60% last fall was due to the Rate Stabilization Fund. The City felt comfortable in raising rates to cover the BPA increase and not be concerned with what was happening in the market place. In hindsight, perhaps rates should have been raised more than 25%. The whole philosophy of the utility is to pay the cost of providing service and doing that in a financially prudent manner. The City has been able to accomplish that without large increases because of large reserves. The reserves have taken a large hit, but without the reserves, the increase would have been much higher. The City of Seattle, for example, had a 50% increase last year and is looking at another 50% increase this year. He stated that he is hoping that rates will stabilize and the reserves can be rebuilt.

Joe Plum, 2415 Caspian Avenue, appeared to share the following budget calculations:

1. $(52.05) (1.25) = 65.06 (1.28) = 83.28$ reported in P. R.
(Point 1) $\frac{83.28 - 52.05}{52.05} \times 100 = 60\%$ (compounded) $\neq 53\%$ (i.e., $25 + 28 = 53\%$)

2. Last three months of I. F. Electric Consumption Report 2001 and 2000.

$$\frac{0.0602679 - 0.0471718}{0.0471718} \times 100 = 27.76\% @ 1.25 \text{ factor or } 25\% \text{ first increase. The } 2.76\% \text{ was approximately increase in general budget.}$$

3. \$31,293,480 obtained from Controller of Idaho Falls
 $\$31,293,480 \div 1.28 = 24,448,031$ budget without increase of 28%
- 24,448,031
(a) \$6,845,449 for estimated power increase of 28% for 2002-2003 budget
 $\$24,448,031 + 6,845,449 = \$31,293,480$

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Answers were as follows:

Brett,

Attached is the reply to your request for information dated August 14, 2002.

Mark

Response to request from Brett Manwaring dated August 14, 2002.

- 1) BPA Rate Schedules:
 - Attachment A: 2002 rate schedule corresponds with Slice contract signed 10/25/2000.
 - Attachment B: LB CRAC1 rate schedule effective 10/1/2001 – 3/31/2002
 - Attachment C: LB CRAC2 rate schedule effective 4/1/2002 – 9/30/2002.

- 2) Sales (\$/MWh):

10/26/2000	10.81
06/20/2001	320.00
10/20/2001	180.00
04/20/2002	120.00
08/13/2002	260.00

- 3) Purchases (\$/MWh):

10/28/2000	71.77
02/27/2000	27.19
10/28/2001	103.17
02/27/2002	83.25

ATTACHMENT "A"

1. Monthly Demand Rate for FY 2002 through FY 2006

- 1.2 Rate Table

<i>Applicable Months</i>	<i>Rate</i>
January	\$2.16/kW-mo
February	\$2.03/kW-mo
March	\$1.82/kW-mo
April	\$1.45/kW-mo
May	\$1.43/kW-mo
June	\$1.79/kW-mo
July	\$2.31/kW-mo
August	\$2.31/kW-mo
September	\$2.31/kW-mo
October	\$1.76/kW-mo
November	\$2.31/kW-mo
December	\$2.31/kW-mo

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3. Monthly Energy Rates for FY 2002 through FY 2006

3.2. Rate Table

<i>Applicable Months</i>	<i>HLH Rate</i>	<i>LLH Rate</i>
January	20.12 mills/kWh	14.14 mills/kWh
February	18.58 mills/kWh	13.14 mills/kWh
March	16.83 mills/kWh	11.42 mills/kWh
April	13.18 mills/kWh	8.82 mills/kWh
May	13.13 mills/kWh	7.25 mills/kWh
June	16.45 mills/kWh	8.80 mills/kWh
July	21.63 mills/kWh	14.69 mills/kWh
August	32.03 mills/kWh	17.93 mills/kWh
September	22.94 mills/kWh	18.79 mills/kWh
October	16.27 mills/kWh	11.76 mills/kWh
November	22.00 mills/kWh	17.71 mills/kWh
December	22.65 mills/kWh	17.37 mills/kWh

D. SLICE RATE

2. Rate

The monthly rate for the Slice Product is \$1,419,430 per 1 percent of the Slice System.

ATTACHMENT "B"

Corrected Final Power Rates with LB CRAC Applied for 10/1/2001 –
3/31/2002

Base Rate Multiplier 1.46

		Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02
Slice	(\$/%Slice per month)	\$2,077,598	\$2,077,598	\$2,077,598	\$2,077,598	\$2,077,598	\$2,077,598
5-yr PF-02 and RL-02 rates							
HLH	(\$/MWh)	23.79	32.17	33.12	29.42	27.17	24.61
LLH	(\$/MWh)	17.20	25.90	25.40	20.68	19.21	16.70
Demand	(\$/kW-mo)	2.57	3.38	3.38	3.16	2.97	2.66
Load Variance	(\$/MWh)	1.17	1.17	1.17	1.17	1.17	1.17
Stepped PF-02 Rates							
HLH	(\$/MWh)	22.91	31.29	32.24	28.54	26.29	23.73
LLH	(\$/MWh)	16.32	25.02	24.52	19.80	18.34	15.82
Demand	(\$/kW-mo)	2.57	3.38	3.38	3.16	2.97	2.66
Load Variance	(\$/MWh)	1.17	1.27	1.17	1.17	1.17	1.17
IP-02 Rates with IPTAC(A)							
HLH	(\$/MWh)	29.29	37.67	38.62	34.92	32.65	30.11
LLH	(\$/MWh)	22.69	31.39	30.90	26.17	24.71	22.20
Demand	(\$/kW-mo)	2.57	3.38	3.38	3.16	2.97	2.66
IP-02 Rates w IPTAC (B)							
HLH	(\$/MWh)	31.48	39.86	40.81	37.11	34.85	32.30
LLH	(\$/MWh)	24.89	33.60	33.09	28.37	26.91	24.39
Demand	(\$/kW-mo)	2.57	3.38	3.38	3.16	2.97	2.66

ATTACHMENT "C"

Table 2 LB CRAC2FY02

April 2002 – September 2002

Increased Revenue Required (LB CRAC%)	40.77%
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Change to Slice Rate	40.03%
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Change to non-Slice Rate	39.06%
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Revised Rates							
	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	
Slice (\$/%Slice per month)	\$1,987,628	\$1,987,628	\$1,987,628	\$1,987,628	\$1,987,628	\$1,987,628	\$1,987,628
5-yr PF-02 and RL-02 rates							
HLH (\$/MWh)	18.33	18.26	22.88	30.08	44.53	31.90	
LLH (\$/MWh)	12.27	10.08	12.24	20.43	24.94	26.13	
Demand (\$/kW-mo)	2.02	1.99	2.49	3.21	3.21	3.21	
Load Variance (\$/MWh)	1.11	1.11	1.11	1.11	1.11	1.11	
Stepped PF-02 Rates							
HLH (\$/MWh)	17.50	17.43	22.04	29.25	43.70	31.07	
LLH (\$/MWh)	11.43	9.25	11.40	19.60	24.10	25.30	
Demand (\$/kW-mo)	2.02	1.99	2.49	3.21	3.21	3.21	
Load Variance (\$/MWh)	1.11	1.11	1.11	1.11	1.11	1.11	
IP-02 Rates with IPTAC(A)							
HLH (\$/MWh)	23.56	23.48	28.09	35.30	49.76	30.11	
LLH (R/MWh)	17.48	15.30	17.45	25.66	30.15	22.20	
Demand (\$/kW-mo)	2.02	1.99	2.49	3.21	3.21	2.66	
IP-02 Rates w IPTAC (B)							
HLH (\$/MWh)	25.65	25.56	30.16	37.38	51.85	39.22	
LLH (\$/MWh)	19.57	17.39	19.54	27.75	32.24	33.45	
Demand (\$/kW-mo)	2.02	1.99	2.49	3.21	3.21	3.21	

Mr. Manwaring requested to know how many megawatts were purchased and at what cost. Mayor Milam explained that he did not request that information. The information provided was what he requested. Mr. Manwaring stated that the Idaho Falls Power Division is the biggest stonewall in City government. Getting any information from them is difficult, confrontational, and not forthcoming. Even some Councilmembers have difficulty getting information. Mr. Manwaring submitted the following statement:

To: City of Idaho Falls City Council

I would propose a "Citizen's Commission" of 6-8 people be sanctioned by the 2 Councilmen of the Electric Committee which would do the following prior to any rate increase:

- 1) Review all records, reports, contracts and financial information of Idaho Falls Power since the 2000 fiscal year began.
- 2) They would have free and complete access to all employees, records, and offices in Idaho Falls Power.
- 3) Determine reasons for losses requiring rate hikes, and how to resolve them if possible, along with any other cost-cutting suggestions.
- 4) Make formal recommendations to the Electric Committee and the City Council.

These people should be knowledgeable in electricity matters, accounting, and personnel matters. They should not be City employees or anyone under contract or beholden to the City.

I think this is the only way the citizens of the City could regain confidence in the management of Idaho Falls Power.

Sincerely yours,
Brett Manwaring

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The Idaho Falls Power Director responded to No. 2 Question, "The rate or cost per electric unit (however described) of sales by Idaho Falls Power on these dates - 10/26/2000, 6/20/2001, 10/20/2001, 4/20/2002 and 8/13/2002." He replied directly to the question that Mr. Manwaring asked above. Specific quantities were not requested that applied to those rates. Had he been asked that question, he would have replied to that question. Councilmember Shurtleff reviewed, for those present, the complete answer to Mr. Manwaring's question, showing the fluctuation of the market at that time.

Councilmember Eldredge stated that the sale of electricity is dependent upon the market. What the City received for selling electricity varied between \$10.81 and \$320.00 per megawatt hour. The average cost after June, 2001, was approximately \$150.00-\$200.00 per megawatt hour. Before that date, it was approximately \$10.00-\$15.00 per megawatt hour. The City cannot set the price for buying or selling electricity. The purchases are also varying from \$27.00-\$103.00. All Councilmembers receive a report from Idaho Falls Power monthly, listing all of the sales, purchases, and average costs per megawatt hour, including the transmission and other power services. When the City was in a better position, the average power cost was between \$15.00-\$25.00 per megawatt hour, including all transmission and other services that had to be purchased. Power cannot just be purchased; transmission needs to be purchased for the City to receive the power. This last year, the cost of power including the same services, has been averaging between \$40.00-\$70.00 per megawatt hour on a monthly basis. That includes all purchases from and to UAMPS, from and to BPA, and from and to other entities. It is a comprehensive view of the financial picture of the utility. There has been a dramatic increase in the cost of power. The dramatic increase in the cost of power has not necessarily been matched by the dramatic increase in the price of selling power. That is done on a spot market. There are not firm resources, and the value is less than it would be if it were a coal-fired plant where a determined amount of power was known. The City Councilmembers are being apprised of the financial situation of Idaho Falls Power on a monthly basis. The City Council is not being kept in the dark about anything with regard to this utility. In large part, the situation Idaho Falls Power finds itself in is out of the City's control. It would not be prudent to build a power plant to supply the City's winter load and then have it sit idle in the summer months.

Brett Manwaring re-appeared to state that he agreed with some of what Mr. Eldredge had said. He did not know why having a coal-fired plant would be a detriment, where the State of Idaho is already 350 megawatts short of power. The power would be easy to sell. He requested to know why the Slice contract was such a good thing at the time that the markets were going crazy.

Councilmember Eldredge stated that the City entered into the Slice contract in advance of the craziness that crept into the market in the middle of 2001. The negotiations for the Slice contract went on for several years. Beginning in 1997, the subscription process went under way. An independent engineer was hired to evaluate the options that were available to Idaho Falls Power. The reason that the Slice product is advantageous to Idaho Falls Power is because the City will have the right to take whatever power the system produces to its own load. Whatever is left, Idaho Falls Power can sell or store. Power can be stored by entering into contracts with other entities that have high demand in the summer with low demand in the winter. The reason that this is so good is that electricity is the only commodity that cannot be stored. It has to be generated in balance with the amount that is needed at any given time. The only way to "store" power is to contract with people whose loads balance with the City's loads in terms of time. It smoothes out some of the hills and valleys of the power demand.

Mr. Manwaring commented that if this is so smooth, why is there a 28% electric rate increase being considered.

Councilmember Eldredge stated that the 28% increase reflects the change in market conditions throughout the Pacific Northwest. Part of this is because of market manipulation, part of it is because of the water situation, and part of it is because of cost

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increasing in general. There are a lot of different pieces to this puzzle. He stated that he believed in the value of the federal system to provide low-cost power over the long term. Right now, there is an abnormal situation. Idaho Falls Power has been in the business for over 100 years. Low-cost power has been provided for over 100 years. As time goes forward, the wisdom of choosing the Slice product will be manifest and the wisdom of diversifying Idaho Falls Power contracts will be manifest. Gas prices and electricity prices are strongly linked. Having a coal-fired utility would help insulate some of the shocks that could occur in a bad water year. A mix of supply and suppliers need to be developed to get the best economic return. Councilmember Eldredge stated, further, that he believed in two to four years, many of the contracts will expire. At that point, Idaho Falls Power will be in a much better financial situation.

Mayor Milam explained that three proposals are involved in the coal-fired steam plant at the site. The Department of Energy will look at which deal is the best for them. The City of Idaho Falls will do the same thing. It will be expensive to convert this coal-fired plant into a power plant. It will only be useable for the City for a portion of the time, because the Department of Energy wants to use it for some of the time for research and development. The City will have to locate and contract for a firm coal supply. Then, the power will have to be retrieved from the Department of Energy facility to the market. That must travel over Idaho Power lines. That is another legal issue, due to the fact that the Department of Energy has a contract with Idaho Power stating that the Department of Energy will not produce power at the INEEL. The Department of Energy has not determined whether they want to move forward with this proposal. This would be for only 15 megawatts. It would have to be bonded, in which the citizens of this community would have to vote to commit those funds. The power would then have to be priced – which includes production, transmission and to cover cost of bonds and operations.

Councilmember Rose stated that the Mayor and City Council has a specific issue to address at this time, and that is the rate increase. He appreciated getting back to the issue at hand.

Mr. Manwaring, again, stated that there should be a task force set up to review the financial situation of Idaho Falls Power and make public the results of that review. He took issue with the Idaho Falls Power Director's avoidance in answering the question about whether pre-subscription with Bonneville Power Administration could have been renewed in its same form. This same contract could have been pre-subscribed and there would not have been a 26% increase last fall and there would not be a 28% increase now.

Councilmember Lehto stated that the citizens' commission is a good idea. Most of these ideas, if not all, have been considered by the Electric Council Committee and the City Council in many work sessions. The development of a Risk Management Committee has been discussed to keep apprised of the issues facing the utility. As recently as Monday, the Electric Committee took up the issue about those on fixed incomes and programs that are available to assist those residents.

At the conclusion of the public comment, Councilmember Lehto stated that he appreciated all comments that were made. There have been two weeks of public input. This rate increase is necessary to move forward into the next fiscal year and to be able to purchase wholesale power. The City Council has been responsible for looking at ways to mitigate the rate increase. The City Council will continue to do that.

Councilmember Groberg questioned what the cost would be per kilowatt-hour if Idaho Falls Power took its generation into its own system. The Idaho Falls Power Director stated that the Bulb Turbine Plants generates power at a cost of approximately \$.035, the Gem State Project would be approximately \$.04. These costs are slightly higher than the average federal resource. Councilmember Groberg stated that he has heard two conflicting responses regarding what is driving the rate increase. He has heard that it is entirely driven by 25% of the City's energy purchases outside of the Bonneville System. He also heard that

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this was compounded and made more difficult due to low water years back to back. The Idaho Falls Power Director stated that the increase is not entirely due to costs associated with purchasing power when the City was 25% dependent on other supplies. The City transitioned from being 25% dependent in October 2001. The costs that are leading to this increase, are both costs incurred and restructured before October 2001 during the period when the City was 25% dependent and costs incurred subsequent to that beginning in October 1, 2001. It is a combination of the two periods in time. Councilmember Groberg requested to know what the impact is on the low water years. The Idaho Falls Power Director explained that there is an impact on low water years because energy that was purchased at high prices was purchased because the supply from the hydro system was not there.

Councilmember Hardcastle stated that Mr. Manwaring's suggestion for a citizens committee is represented on the City Council. When the Councilmembers were elected to serve on the City Council, they were also elected to be the Electrical Board. All four items that are outlined in Mr. Manwaring's statement are items that all Councilmembers have access to. She stated that in the nine years that she has served on the City Council, she has spent more time in the Electric Department than all other departments combined. Almost all members of the Council have had the opportunity to rotate through the Electric Council Committee, as well as sit in Work Sessions.

Councilmember Rose requested the Municipal Services Director to come forward to answer some questions. Councilmember Rose stated that there is approximately \$6 Million in the Rate Stabilization Fund. The Municipal Services Director stated that this was correct. Councilmember Rose requested to know how long it would take for the Rate Stabilization Fund to be depleted if the rate increase is not adopted. The Municipal Services Director stated that this fund would be depleted in less than 6 months. Councilmember Rose requested to know what would happen to the bond coverage should the Rate Stabilization Fund be depleted. The Municipal Services Director stated that a rate coverage of 1.5% is required to keep bond coverage. If that coverage is not met and sufficient rates are not kept, this will move to the property tax base. The City Attorney stated that, more importantly, the City would lose control of the utility system. The bondholders would be entitled to exercise remedies that are set forth in the Bond Ordinance, which simply means that the City will be forced to raise rates. The Municipal Services Director stated that what would happen prior to the bondholders taking control of the system, the Trustee would require property taxes to be raised. Councilmember Rose requested to know what would happen if the City Council adopted a rate increase of half of what is requested. The Municipal Services Director stated that the rate increase requested is what is needed.

Councilmember Lehto stated that the budget for Idaho Falls Power has been cut greatly to allow for this rate increase to be as low as possible. The Municipal Services Director stated that Idaho Falls Power has slashed costs dramatically.

Councilmember Groberg complimented the citizenry who have been very perceptive. This rate increase is most disturbing. The Council wants this utility to have great value to the citizens of Idaho Falls. It becomes less valuable when the City Council has to raise rates. The City has had a long history of low rates. Whether this has evolved through poor decisions and hindsight or an environment that has allowed for these high rates to be somewhat thrust upon the City, this should not be the final judgment for the utility. There has been a long 100-year history of being a low rate provider of power. He expressed his concern for those heating with electricity and have become dependent on the low rates for electricity. The City should take steps to not encourage heating with electricity. It goes without saying, that only to the extent that the utility can provide people with a true value better than they can receive anywhere else, or the City would not be in the business. Finally, with respect to the Electric Utility Commission, he has had that idea for a long time and it has been discussed. He is not sure whether that would be a good move or not. He is still debating that issue. This business is very complex. Councilmember Groberg

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stated that the City Council is acting in the best interests of the citizens to approve the rate increase.

Councilmember Rose stated that Idaho Falls Power is one component of the City. It is an Enterprise Fund. If rates are not raised, a negative impact would result in other operations within the City. As members of the City Council, all operations have to be monitored.

Councilmember Shurtleff stated that he agreed with a previous comment, in that the City Council did not react soon enough. Had the City Council reacted sooner, some of the pain could have been resolved.

At the request of Councilmember Lehto, the City Attorney read the following Ordinance by title only:

ORDINANCE NO. 2455

AN ORDINANCE AMENDING SECTION 8-5-30 OF THE CITY CODE OF THE CITY OF IDAHO FALLS, IDAHO; AMENDING ELECTRICAL RATES FOR CUSTOMERS OF THE ELECTRIC LIGHT DIVISION; PROVIDING FOR EFFECTIVE DATE OF ORDINANCE.

The foregoing Ordinance was presented by title only. Councilmember Lehto moved, and Councilmember Shurtleff seconded, that the provisions of Idaho Code Section 50-902 requiring all Ordinances to be read by title, and once in full, on three separate dates be dispensed with, the Ordinance be passed on the second and third readings, and, further, give authorization for the Mayor and City Clerk to sign the necessary documents. Roll call as follows:

Aye: Councilmember Hardcastle
Councilmember Shurtleff
Councilmember Eldredge
Councilmember Lehto
Councilmember Groberg
Councilmember Rose

Nay: None

Motion Carried.

Mayor Milam requested Councilmember Eldredge to conduct a public hearing, as legally advertised, to consider the imposition of new fees and fee increases greater than 105% for Fiscal Year 2002-2003. The City Clerk read the following memo from the Municipal Services Director:

City of Idaho Falls
August 19, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: 2002-2003 PROPOSED FEE INCREASES

AUGUST 22, 2002

Municipal Services respectfully requests the Mayor and Council to approve the 2002-2003 proposed fee increases. The proposed increases were advertised August 11, 2002 and August 18, 2002 as required by Idaho Code.

The Public Hearing is scheduled for 7:30 p.m., Thursday, August 22, 2002, in the Council Chambers in the Electrical Building at 140 South Capital Avenue in Idaho Falls, Idaho.

s/ S. Craig Lords

PUBLIC NOTICE

NOTICE IS HEREBY GIVEN that the City of Idaho Falls proposes to impose the following new fees and to increase existing fees by an amount that exceeds one hundred five percent (105%) of such fees collected in Fiscal Year 2001-2002. The additional fees and increases are necessary to cover increased costs associated with these programs.

<u>SOURCE OF FEES</u>	<u>CURRENT FEES</u>	<u>PROPOSED NEW FEES</u>
Ice Skating Fees		
Ice fees for tournaments and events	\$60.00	\$85.00
Recreation Activity Center		
Room rental - small meetings	-0-	15.00
Room rental - large meetings	-0-	25.00
Large reception room	-0-	175.00
Kitchen	-0-	86.00
Gun range - public use	-0-	8.00/hr.
Planning Department		
Variance	50.00	150.00
Rezoning	175.00	300.00
Comprehensive plan amendment	-0-	125.00
Conditional use permit (PC only)	50.00	125.00
Conditional use permit (Council)	100.00	200.00
Zoo - Non-resident - individuals		
Child (4 years - 12 years)	1.75	2.00
Adult (13 years - 61 years)	3.50	4.00
Seniors (62 years and over)	2.25	3.00
Zoo - Non-resident - groups		
Child	1.25	1.50
Adult	2.50	3.00
Seniors	2.00	2.25
Civic Auditorium - Commercial		
Touring performers (admission)		Whichever is greater
Main Performance	Greater of 10% or \$350.00 Minimum	10% or \$500.00
Each matinee	\$500.00 with matinee	10% or \$200.00
Touring performers (no admission)		
Main performance	175.00	200.00
Each matinee	105.00	125.00
Area performers (admission)		
Main performance	-0-	>10% or \$350.00
Each matinee	-0-	>10% or \$125.00
Area performers (no admission)		
Main performance	175.00	200.00
Each matinee	175.00	125.00

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SOURCE OF FEES	CURRENT FEES	PROPOSED NEW FEES
Civic Auditorium – Commercial, continued:		
Meetings		
Main session	175.00	500.00
Each additional session	175.00	200.00
Civic Auditorium – Non-Profit		
Touring performers (admission)		
Main performance	175.00	10% or \$350.00
Each matinee	-0-	10% or \$125.00
Members as performers (admission)		
Main performance	175.00	200.00
Each matinee	-0-	125.00
Members as performers (no admission)		
Main performance	-0-	125.00
Each matinee	-0-	75.00
Meetings		
Main session	-0-	200.00
Each additional session	-0-	100.00
Civic Auditorium – Bookings/Reservations		
Area performers		
1 day	-0-	75.00
2 days	-0-	100.00
3 days or more	-0-	125.00
Non-Area Performers		
1 day	-0-	100.00
2 days	-0-	200.00
3 days or more	-0-	250.00
Civic Auditorium – Additional Fees		
Additional rehearsal time and setting stage		
First three hours	50.00	60.00
Each additional hour	8.50	10.00
Head technicians	-0-	16.00
Assistant technicians	-0-	8.00
Stage hands and others	-0-	8.00
Sandy Downs – Booking/Reservations		
All performers		
1 day	-0-	75.00
2 days	-0-	100.00
3 days or more	-0-	125.00
Library – Non-Resident		
Non-Resident Library Card	62.00	82.00
Non-Resident Senior Citizen Library Card	20.75	62.00

Any person who desires to provide comments regarding such fee increase may appear at 7:30 p.m. on Thursday, August 22, 2002, at the City of Idaho Falls Council Chamber, Second Floor at the Idaho Falls Power Building, 140 South Capital Avenue, Idaho Falls, Idaho.

s/ Rosemarie Anderson
Rosemarie Anderson
City Clerk

Publish: August 11th and August 18th, 2002

Ruby Sharp, 2289 Henryanna, appeared to question why citizens are paying taxes for ambulance. When her husband had to be transported to the hospital, she had to pay \$425.00 for the ambulance. She stated that she lives only two and one-half blocks from

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the hospital. She began in investigation as to why it cost so much for an ambulance transport, and the answer that she received was that the City of Idaho Falls has the highest rate for ambulance fees. She also expressed her concern for the bridge located in Rose Hill Cemetery being unsafe. She also would like to see the roads paved at the cemetery.

Mayor Milam explained that a number of years ago, the City had some sidewalks on City properties that were badly deteriorating. A line item was placed in the budget to start repairing those sidewalks. There were also complaints about the cemetery roadways. Mayor Milam stated that the line item would be used for sidewalks one year and cemetery roads the next year, alternating years. The sidewalks are complete and the City is now alternating years for sections of roadways in Rose Hill Cemetery and Fielding Memorial Cemetery. Mayor Milam explained, further, that the roadways in the cemeteries are not public roads. Public roadway funds cannot be used for those roadways.

The Fire Chief appeared to discuss the rate structure for ambulance service. Each citizen of Bonneville County does pay a certain amount of tax for ambulance service. This in no way covers the cost of running an ambulance service. The only other alternative is to have a fee schedule or rate structure to charge for ambulance services. That way the taxes are not high for everyone and the service is paid for. There is a basic rate for the amount of service received, whether it is basic life support or advanced life support. Those fees are set and have not been raised since 1998. The Fire Chief has compared ambulance rates with other communities of the same size as Idaho Falls. He has found that the fees for Idaho Falls Ambulance Service are equal to or less than all of those that he has compared to. The communities that the City of Idaho Falls are higher than, which are few in number, also charge a disposable item fee. This year, Medicare has made it mandatory that the Ambulance Service accepts assignment. The City of Idaho Falls only gets paid a certain amount for any one on Medicare. In so doing, the City cannot charge a secondary insurance, except a set amount, which is about 20%. Out of that fee, approximately one-half is collected from Medicare patients. The only other alternative is to raise the rate structure or raise the taxes that everyone pays on the Ambulance Service. The City is considering raising the fees on non-residents to recoup some of that cost or to do what other entities are doing by implementing a disposable item fee for items used.

There being no further discussion either in favor of or in opposition to the proposed fee increases, Mayor Milam closed the public hearing.

It was moved by Councilmember Eldredge, seconded by Councilmember Groberg, to approve the imposition of new fees and fee increases greater than 105% for Fiscal Year 2002-2003 as proposed. Roll call as follows:

Aye: Councilmember Rose
 Councilmember Eldredge
 Councilmember Lehto
 Councilmember Shurtleff
 Councilmember Hardcastle
 Councilmember Groberg

Nay: None

Motion Carried.

Mayor Milam requested Councilmember Eldredge to conduct a public hearing, as legally advertised, to consider the adoption of the 2002-2003 Fiscal Year Budget. The City Clerk read the following memo from the Municipal Services Director:

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City of Idaho Falls
August 16, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: ADOPTION OF 2002-2003 FISCAL YEAR BUDGET

Attached for your consideration is a copy of the proposed annual 2002-2003 Fiscal Year Budget that was tentatively approved on August 8, 2002 by the Mayor and City Council and has been advertised as required by Idaho Code.

Municipal Services respectfully requests the adoption of the 2002-2003 Fiscal year Budget in the amount of \$125,860,694.00 and the attached Appropriation Ordinance, appropriating the monies to and among the various funds.

s/ S. Craig Lords

**NOTICE OF PUBLIC HEARING
PROPOSED BUDGET FOR FISCAL YEAR 2002-2003
CITY OF IDAHO FALLS, IDAHO**

A public hearing pursuant to Idaho Code 50-1002, will be held for consideration of the proposed budget for the fiscal year from October 1, 2002 to September 30, 2003. The hearing will be held at the City of Idaho Falls Council Chambers located on the second floor of the Idaho Falls Power Building, 140 South Capital Avenue, Idaho Falls, Idaho at 7:30 p.m. on Thursday, August 22, 2002. All interested persons are invited to appear and provide comments regarding the proposed budget. Copies of the proposed budget are available at the Idaho Falls City Controller's Office during regular office hours (8:00 a.m. to 5:00 p.m., weekdays). City Hall is accessible to persons with disabilities. Anyone desiring accommodations for disabilities related to the budget documents or the hearing, please contact the City Controller's Office at 529-1230 at least 48 hours prior to the public hearing. The proposed FY 2003 budget is shown below as FY 2003 proposed expenditures and revenues.

<u>PROPOSED EXPENDITURES</u>			
Fund Name	FY 2001 Actual Expenditures	FY 2002 Budget Expenditures	FY 2003 Proposed Expenditures
General Fund			
Mayor and Council	\$ 132,166	\$ 145,166	\$ 150,770
Legal	135,249	182,919	193,133
Municipal Services	2,569,408	4,262,153	7,387,144
Planning and Building	1,093,308	1,177,894	1,215,826
Police	7,513,476	7,809,944	8,208,980
Fire	6,379,906	6,373,601	6,747,174
Parks	5,317,542	6,262,634	6,544,507
Public Works	877,447	1,348,143	1,203,541
General Fund Total	\$ 24,018,502	\$ 27,562,454	\$ 31,651,075
Special Revenue Funds			
Street Fund	\$ 3,185,197	\$ 3,527,279	\$ 3,245,136
Recreation Fund	905,204	1,106,912	997,533
Library Fund	1,645,183	1,800,763	1,836,456
Passenger Facility Fund	373,761	470,000	450,952
Municipal Equipment Replacement Fund	803,752	1,142,800	1,054,000

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Fund Name	FY 2001 Actual Expenditures	FY 2002 Budget Expenditures	FY 2003 Proposed Expenditures
Special Revenue Funds, continued:			
Electric Light Public Purpose Fund	656,594	775,000	775,000
Business Improvement District Fund	47,130	555,500	560,000
Special Revenue Funds Total	\$ 7,616,821	\$ 9,378,254	\$ 8,919,077
Capital Projects Funds			
Sanitary Sewer Capital Improvement Fund	\$ -0-	\$ 1,100,000	\$ 1,200,000
Municipal Capital Improvement Fund	164,566	900,000	1,000,000
Street Capital Improvement Fund	487,100	4,500,000	6,000,000
Bridge and Arterial Street Fund	131,537	500,000	500,000
Water Capital Improvement Fund	225,087	2,000,000	1,400,000
Surface Drainage Fund	432	120,000	100,000
Capital Projects Funds Total	\$ 1,008,722	\$ 9,120,000	\$ 10,200,000
Enterprise Funds			
Airport Fund	\$ 7,906,118	\$ 5,192,264	\$ 3,574,966
Water and Sewer Fund	12,194,034	9,679,179	10,795,489
Sanitation Fund	2,589,779	2,798,038	2,874,844
Ambulance Fund	1,941,972	2,088,389	2,118,630
Electric Fund	48,216,828	60,946,386	55,726,613
Enterprise Funds Total	\$ 72,848,731	\$ 80,704,256	\$ 75,090,542
Total All Funds	\$105,492,776	\$126,764,964	\$125,860,694
PROJECTED REVENUES			
Fund Name	FY 2001 Actual Revenues	FY 2002 Budget Revenues	FY 2003 Projected Revenues
Property Tax Levy			
General Fund	\$ 13,362,492	\$ 14,018,524	\$ 14,929,523
Recreation Fund	294,843	310,144	331,186
Library Fund	1,057,514	1,112,048	1,187,496
Municipal Capital Improvement Fund	417,313	445,630	475,864
Fire Retirement	670,000	685,000	710,000
Liability Insurance	204,460	250,000	323,000
Property Tax Levy Total	\$ 16,006,622	\$ 16,821,346	\$ 17,957,069
Revenue Sources Other Than Property Tax			
General Fund	\$ 12,372,508	\$ 12,619,964	\$ 12,659,749
Street Fund	2,817,170	2,758,000	2,573,000
Recreation Fund	608,027	750,160	676,250
Library Fund	653,059	688,715	648,960
Passenger Facility Fund	373,761	470,000	450,952
Municipal Equipment Replacement Fund	339,947	225,000	200,000
Electric Light Public Purpose Fund	919,540	775,000	725,000
Business Improvement District Fund	53,898	560,000	560,000
Electric Rate Stabilization Fund	595,981	350,000	75,000
Sanitary Sewer Capital Improvement Fund	232,944	133,750	153,750
Municipal Capital Improvement Fund	29,124	7,000	7,000
Street Capital Improvement Fund	682,011	586,400	527,000
Bridge and Arterial Street Fund	219,064	156,000	156,000
Water Capital Improvement Fund	265,433	243,750	233,750
Surface Drainage Fund	63,524	37,500	36,500
Airport Fund	3,717,367	3,102,435	3,175,670
Water and Sewer Fund	9,455,844	8,140,800	9,087,800
Sanitation Fund	2,321,700	2,282,500	2,347,500
Ambulance Fund	1,763,763	1,998,283	2,056,694
Electric Fund	41,757,479	50,062,446	54,429,950
Fund Transfers	1,479,052	1,552,800	1,592,454
Fund Balance Carryover	5,547,996	22,443,215	15,530,646
Other Revenue Sources Total	\$ 86,269,192	\$109,943,618	\$107,903,625
Total Revenues - All Funds	\$102,275,814	\$126,764,964	\$125,860,694

I, Rosemarie Anderson, City Clerk of the City of Idaho Falls, Idaho certify that the above is a true and correct statement of the proposed expenditures by fund and the entire estimated revenues and other sources of the City of Idaho Falls, Idaho for the Fiscal Year 2002-2003; all of which have

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been tentatively approved by the City Council on August 8, 2002 and entered at length in the Journal of Proceedings.

Dated this 9th day of August, 2002.

s/ Rosemarie Anderson
Rosemarie Anderson
City Clerk

Publish: August 11 and August 18, 2002

Councilmember Eldredge explained the process in adopting a budget for the City of Idaho Falls. There are numerous budget meetings, beginning with the Division Directors preparing their budgets, then the Council Committees review those proposals and, finally the City Council reviews the budget as a whole. Any Councilmember could raise issues or concerns, work out solutions, and come to a consensus on the budget.

Councilmember Eldredge, further, stated that Mrs. Sharp's comments from the previous public hearing were addressed at this time with the proposed 2002-2003 Fiscal Year Budget.

Brett Manwaring, 2160 Aegean Avenue, appeared to state that he appreciated that there is no levy increase in the taxes this year. He questioned why the Municipal Services Budget had increased so greatly. He also questioned where the \$2 Million to \$3 Million was budgeted for the proposed Recreation Center.

The Municipal Services Director stated that the only money that was put into the budget for the proposed Recreation Center was for an election for a bond levy in the amount of \$20,000.00. If the election passes, City Council could choose to re-open the budget. He also explained that the Municipal Services budget shows prior year encumbrances due to financial program changes. In addition, in Municipal Services, there is an additional \$250,000.00 as an operating loan for TRPTA should they require it. There is \$650,000.00 for transfers to other Divisions. When the City Council puts the budget together, employees have not been settled with for the remainder of the Fiscal Year. Councilmember Eldredge explained that Capital Projects that have no other home are budgeted for in the Municipal Services Division. The Municipal Services Director stated that within Municipal Services budget is the cost of power for the municipality. When power increases for others, it also increases for the municipality.

Councilmember Shurtleff shared the following comment:

As many of you might have known, I have decided to vote against this budget. I would like to give my reasons for doing so. For some time now, I have been concerned that the City was pricing themselves out of the market. With the passage of the electric rate, this has become of even greater concern. Today's editorial in the Post Register makes a case for that belief. This budget does nothing to even start on a path to try and correct the problem. The theme of this budget is simply "How much can you legally get? Let's take it." The lowering of the levy rate is simply a matter of complying with the State law and not a true effort to try to lower the amount of money that we take from the taxpayer. Some specific items that I object to are: We lower the tax levy by a larger fraction, leaving some \$44,000 in foregone money; we then raise the bill payment by the Electrical Department by some \$71,000, so we shift the burden from the property taxpayers to the ratepayers. But in the end it still means that it would cost more to live in our City. Other specific items are in the Recreation Department. There has been a practice that has been going on for a number of

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years that troubles me. By taking the July's report for Golf income and projecting the month of August and September, then comparing that number with the projected income for next year, we see the following: Pinecrest revenue will have to increase by 22%; Sage Lakes 31%; Season Passes 28%. Does anyone think this will happen. A budget is a projected road map of where you are going to be used to mark your way as you go through the year. If you start with a totally unrealistic map, what purpose does it serve. Let me end exactly where I started. I believe the City has a major problem of pricing itself out of the market. I want to change that and I would look forward to working with this Council in starting in that direction, the sooner the better.

Councilmember Groberg stated that this sounds a lot like the speeches he has been giving every year. The way to do that is to start in the budget process – eliminating things.

Councilmember Shurtleff stated that the place to start is toward the goal where we want to end up. Then you map the road to get there.

Councilmember Groberg stated that the Council came to a consensus to reduce the levy by a certain percentage. His experience has been that the practical way to accomplish this is through the Council Committees. Those Committees go to work on figuring out how to save money in those areas. As each member of the Council has the opportunity to review the Division's budgets, you save what you can.

Councilmember Shurtleff agreed with Councilmember Groberg and stated that he wanted to work on this as soon as possible because people are going to do their voting with their feet.

Councilmember Groberg stated that the City Council has worked through this budget, and he is in favor of it. He stated that he had the opportunity to make all of the cuts that he could.

Councilmember Eldredge commented specifically to the Recreation Department revenue projections for the Fiscal Year ended 2000-2001. The revenue projection versus the actual revenue collected was different by approximately \$2,000.00. In a \$5 Million budget, that is pretty tight budgeting. There are specific departments in Recreation that don't get nearly as close on the revenue projections, but when they are aggregated together, a good job was done matching. A payment in lieu of tax is a cost to the utility that would be borne as if it was a private entity. The payment in lieu of tax is approximately 7% of sales. That is below the national average of approximately 7.5% of sales. That is reasonable for our utility to pay that. If it was a private utility, it would be paying a franchise fee and property taxes as well. That would be more than the amount that is being paid now. The payment in lieu of taxes is reasonable and appropriate. As far as being out of the market, several things need to be considered. First of all, the tax levy has two factors. One is the tax levy and the other is the assessed value. Idaho Falls is basically a bedroom community for the site and for the government facilities that are located in town that do not pay property taxes. In Boise City, Micron Technology has a greater assessed valuation than the entire City of Idaho Falls. Councilmember Eldredge stated that the City needs to be as diligent and efficient as it can be. Tax monies need to be spent wisely. There is a level of service that the City provides that the citizens want. That level of service is going to cost a certain amount of money. There are two parts to the equation. Either expenses can be cut or revenues can be raised. Usually raising revenues means that the base needs to be built in order to increase the levy. In the next few years, approximately \$90 Million worth of valuation will be coming on the tax rolls. Councilmember Eldredge proposed that in the years going forward, the City Council should make a diligent effort to not use that increase to increase the taxes coming in, but to reduce the levy. The reason that the citizens have the quality of life in Idaho Falls is due to the services that the City provides. Those services cost money.

Councilmember Groberg stated that the City tried to reduce the levy when the Anheuser Busch Malting Plant was first built. He stated, further, that he has been told for years that Idaho Falls has a low valuation for its population. This does not bear out when the assessed valuation per capita is reviewed. The City of Idaho Falls is in the middle.

Councilmember Hardcastle requested Councilmember Eldredge to comment as to whether there were any other public utilities that do not make payment in lieu of taxes. Councilmember Eldredge stated that he did not know of any. The national average is approximately 7.5%. The City of Idaho Falls is 7%.

Councilmember Groberg stated that the payment in lieu of taxes is properly called a franchise fee and the City is entitled to it. The disturbing thing is that with that, the City has a high mill levy.

Councilmember Eldredge stated that in years past, the payment in lieu of taxes has been 5%. This year, the Council made a conscious decision to keep it lower than that. The payment in lieu of taxes on sales to consumers is approximately 4%. The payment in lieu of taxes on sales to the entities outside of the City is still 5%.

Councilmember Shurtleff stated that if the payment in lieu of taxes were going to reduce the levy, he would not have a complaint. In reality, the City of Idaho Falls paid approximately \$1.5 Million two years ago, with approximately \$2.5 Million being paid now. Councilmember Eldredge stated that he did not believe that to be true. Councilmember Lehto stated that the payment in lieu of taxes discussion was a good discussion for the City Council. It might have come a little late in the process, but he appreciated the process. Councilmember Lehto also stated that he looked forward to further discussion about changes in the next budget year. The Controller appeared to state that the actual amount paid last year was \$2,311,000.00. This year, the amount will be a little more than that, with approximately \$2,595,000.00 being budgeted.

Mayor Milam stated that she appreciated the work of the City Council on this budget. Years ago, there was relatively little involvement by the full Council in the setting of the budget. In the last few years, with public open houses and weekly Work Sessions, a change has been made that she has been grateful for. The City Council needs to be involved in the budgeting process.

There being no further comment either in favor of or in opposition to the 2002-2003 Fiscal Year Budget, Mayor Milam closed the public hearing.

At the request of Councilmember Eldredge, the City Attorney read the following Ordinance by title only:

ORDINANCE NO. 2456

THE ANNUAL APPROPRIATION ORDINANCE OF THE CITY OF IDAHO FALLS, IDAHO, FOR THE PERIOD COMMENCING OCTOBER 1, 2002 AND ENDING SEPTEMBER 30, 2003, APPROPRIATING AND APPORTIONING THE MONIES OF SAID CITY TO AND AMONG THE SEVERAL FUNDS OF SAID CITY AND DESIGNATING THE PURPOSE FOR WHICH SAID MONIES MAY BE EXPENDED; SPECIFYING THE AMOUNT OF MONEY PAID BY PROPERTY TAX TO BE APPROPRIATED TO SAID FUNDS; PROVIDING WHEN THE ORDINANCE SHALL BECOME EFFECTIVE.

The foregoing Ordinance was presented by title only. Councilmember Eldredge moved, and Councilmember Groberg seconded, to approve the 2002-2003 Fiscal Year Budget as presented, and that the provisions of Idaho Code Section 50-902 requiring all Ordinances to

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be read by title, and once in full, on three separate dates be dispensed with, the Ordinance be passed on all three readings, and, further, give authorization for the Mayor and City Clerk to sign the necessary documents. Roll call as follows:

Aye: Councilmember Rose
Councilmember Eldredge
Councilmember Lehto
Councilmember Hardcastle
Councilmember Groberg

Nay: Councilmember Shurtleff

Motion Carried.

The Idaho Falls Power Director submitted the following memo:

City of Idaho Falls
August 20, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Mark Gendron, Idaho Falls Power Director
SUBJECT: TABULATION AND AWARD OF BID FOR FIBER OPTIC
INSTALLATION

Attached is the tabulation for the Fiber Optic Installation Contract.

Idaho Falls Power respectfully recommends award of this Contract to DEA Construction Company in the amount of \$123,982.10.

s/ Mark Gendron

Councilmember Lehto requested the Idaho Falls Power Director to come forward to address where the monies are coming from for this installation contract. The Idaho Falls Power Director appeared to state the monies are coming from the General Fund. Money has been spent on the existing fiber plant, primarily for intergovernmental purposes. Money has also been spent on developing a business plan for fiber optic development. Mayor Milam stated that the money has been spent over a period of years, to connect all various downtown governmental facilities. There are also some private sector uses of this fiber optic development, of which a lease rate is paid to the City. Councilmember Rose stated that the fiber optic development is not just a project of Idaho Falls Power, but is a Citywide project. Councilmember Lehto explained that the City has a customer for the fiber optic installation project. The City Council has agreed to fund this out of the General Fund up to \$1.4 Million, which was the recommendation of CH²M Hill.

It was moved by Councilmember Lehto, seconded by Councilmember Shurtleff, to accept the bid from DEA Construction Company to complete the Fiber Optic Installation Project and, further, give authorization for the Mayor and City Clerk to sign the necessary documents. Roll call as follows:

Aye: Councilmember Hardcastle
Councilmember Shurtleff

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Councilmember Eldredge
Councilmember Lehto
Councilmember Groberg
Councilmember Rose

Nay: None

Motion Carried.

The Municipal Services Director submitted the following memos:

City of Idaho Falls
August 16, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: BID IF-02-27, ONE (1) 2002 OR NEWER CAB AND CHASSIS
MOUNTED WITH A NEW CONTRACTOR TYPE DUMP BODY

Attached for your consideration is the tabulation for Bid IF-02-27, One (1) 2002 or Newer Cab and Chassis Mounted with a New Contractor Type Dump Body.

It is the recommendation of Municipal Services to accept the low bid meeting specifications of Hirning Truck Center to furnish a 2004 GMC Cab Over Cab and Chassis mounted with a Crysteel 12' Contractor Tipper Dump Body for an amount of \$64,243.00 with trade-in Unit No. 80.

s/ S. Craig Lords

It was moved by Councilmember Eldredge, seconded by Councilmember Groberg, to accept the low bid meeting specifications of Hirning Truck Center to furnish One (1) 2002 or Newer Cab and Chassis Mounted with a New Contractor Type Dump Body. Roll call as follows:

Aye: Councilmember Hardcastle
Councilmember Shurtleff
Councilmember Eldredge
Councilmember Lehto
Councilmember Groberg
Councilmember Rose

Nay: None

Motion Carried.

City of Idaho Falls
August 16, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: S. Craig Lords, Municipal Services Director
SUBJECT: IDAHO FALLS PARKS AND RECREATION DEPARTMENT
ACTIVITY CENTER

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Attached for your consideration is the tabulation of bids for reroofing a section of the Parks and Recreation Department Activity Center.

Municipal Services recommends awarding the bid to Smith Roofing in the amount of \$30,910.00.

It is respectfully requested that City Council approve and authorize the Mayor to execute the contract.

s/ S. Craig Lords

It was moved by Councilmember Eldredge, seconded by Councilmember Groberg, to accept the bid from Smith Roofing to complete the reroofing of a section of the Parks and Recreation Department Activity Center and, further, give authorization for the Mayor and City Clerk to sign the necessary documents. Roll call as follows:

Aye: Councilmember Groberg
Councilmember Rose
Councilmember Shurtleff
Councilmember Hardcastle
Councilmember Eldredge
Councilmember Lehto

Nay: None

Motion Carried.

The Planning and Building Director submitted the following memos:

City of Idaho Falls
August 19, 2002

MEMORANDUM

TO: Mayor and City Council
FROM: Renée R. Magee, Planning and Building Director
SUBJECT: ASSIGNMENT, ASSUMPTION, AND CONSENT – BANK OF IDAHO AGREEMENT

Attached is the Assignment, Assumption, and Consent in which the City of Idaho Falls and the Bank of Idaho consent to the Idaho Falls Downtown Development Corporation assuming the indebtedness of the Idaho Falls Off-Street Parking Association on the parking lot at Yellowstone and A Street. This document has been reviewed by the City Attorney. This Division respectfully requests approval of this document.

s/ Renée R. Magee

It was moved by Councilmember Rose, seconded by Councilmember Hardcastle, to approve the Assignment, Assumption, and Consent Agreement with the Bank of Idaho consenting to the Idaho Falls Downtown Development Corporation assuming the indebtedness of the Idaho Falls Off-Street Parking Association on the parking lot at Yellowstone Avenue and A Street

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and, further, give authorization for the Mayor to execute the necessary documents. Roll call as follows:

Aye: Councilmember Shurtleff
Councilmember Hardcastle
Councilmember Rose
Councilmember Eldredge
Councilmember Lehto
Councilmember Groberg

Nay: None

Motion Carried.

City of Idaho Falls
August 19, 2002

MEMORANDUM

TO: Mayor and City Council
FROM: Renée R. Magee, Planning and Building Director
SUBJECT: REPEAL OF ORDINANCE REQUIRING CITY LICENSE FOR ELECTRICAL WORK

Attached is an Ordinance repealing Chapter 8, Title 4, City Code, which requires a City License to conduct an electrical business. These provisions have been pre-empted by State Statute. This Division respectfully requests adoption of the attached Ordinance.

s/ Renée R. Magee

At the request of Councilmember Rose, the City Attorney read the following Ordinance by title only:

ORDINANCE NO. 2457

AN ORDINANCE REPEALING SECTIONS 4-8-1 THROUGH 4-8-10 OF THE CITY CODE OF IDAHO FALLS, IDAHO, BECAUSE THESE SECTIONS HAVE BEEN EXPRESSLY PRE-EMPTED BY STATE STATUTE; PROVIDING FOR THE SEVERABILITY OF THE SECTIONS AND SUBSECTIONS OF THE ORDINANCE; PROVIDING FOR THE EFFECTIVE DATE OF THE ORDINANCE.

The foregoing Ordinance was presented by title only. Councilmember Rose moved, and Councilmember Eldredge seconded, that the provisions of Idaho Code Section 50-902 requiring all Ordinances to be read by title, and once in full, on three separate dates be dispensed with, the Ordinance be passed on all three readings, and, further, give authorization for the Mayor and City Clerk to sign the necessary documents. Roll call as follows:

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Aye: Councilmember Rose
Councilmember Eldredge
Councilmember Lehto
Councilmember Shurtleff
Councilmember Hardcastle
Councilmember Groberg

Nay: None

Motion Carried.

The Public Works Director submitted the following memos:

City of Idaho Falls
August 19, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Chad Stanger, Public Works Director
SUBJECT: BID AWARD – WELL NO. 1 ELECTRICAL AND MECHANICAL
UPGRADE

On August 13, 2002, bids were received and opened for the Well No. 1 Electrical and Mechanical Upgrade Project. A tabulation of the bid results is attached.

Public Works recommends award of this contract to the low bidder, Snake River Electrical, Inc., in the amount of \$79,472.00; and, authorization for the Mayor and City Clerk to sign the contract documents.

s/ Chad Stanger

It was moved by Councilmember Shurtleff, seconded by Councilmember Rose, to accept the low bid from Snake River Electrical, Inc. to complete the Well No. 1 Electrical and Mechanical Upgrade Project and, further, give authorization for the Mayor and City Clerk to execute the necessary documents. Roll call as follows:

Aye: Councilmember Lehto
Councilmember Eldredge
Councilmember Hardcastle
Councilmember Groberg
Councilmember Rose
Councilmember Shurtleff

Nay: None

Motion Carried.

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City of Idaho Falls
August 19, 2002

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Chad Stanger, Public Works Director
SUBJECT: CHANGE ORDER NO. 1 – DOWNTOWN PARKING DEVELOPMENT
AND RENOVATION

Attached is Change Order No. 1 for the Downtown Parking Development and Renovation Project. The Change Order provides compensation for installing rigid steel conduit rather than PVC. The contractor originally bid the project to use PVC conduit; however, existing underground utilities conflicted with the grade at which the PVC conduit was to be installed. To avoid existing utilities, the conduit grade was raised and the shallow elevation required the use of rigid steel conduit.

Public Works recommends approval of this Change Order at an increase to the project cost of \$11,475.00.

s/ Chad Stanger

It was moved by Councilmember Shurtleff, seconded by Councilmember Rose, to approve Change Order No. 1 to BECO Construction Company, Inc. for the Downtown Parking Development and Renovation Project and, further, give authorization for the Mayor to execute the necessary documents. Roll call as follows:

Aye: Councilmember Eldredge
Councilmember Lehto
Councilmember Rose
Councilmember Groberg
Councilmember Shurtleff
Councilmember Hardcastle

Nay: None

Motion Carried.

There being no further business, it was moved by Councilmember Eldredge, seconded by Councilmember Lehto, that the meeting adjourn at 10:50 p.m.

CITY CLERK

MAYOR
