

January 19, 2018

The City Council of the City of Idaho Falls met in Special Meeting (Council Work Session), Friday, January 19, 2018, in the Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 3:00 p.m.

Call to Order and Roll Call:

There were present:

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

Also present:

Chris Fredericksen, Public Works Director
Rob Harris, Holden Kidwell Hahn & Crapo, PLLC
Ryan Tew, Human Resources Director
Pamela Alexander, Municipal Services Director
Kenny McOmber, Treasurer
Mark Hagedorn, Controller
Jackie Flowers, Idaho Falls Power Director
Bear Prairie, Idaho Falls Power Assistant Manager
Randy Fife, City Attorney
Kerry Hammon, Public Information Officer
Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 3:05 p.m. with the following:

Calendar, Announcements and Reports:

Mayor Casper shared an appreciation note from the Idaho Falls Humanitarian Center regarding the Community Support Grant Program. She also briefly reviewed the status of the potential Federal government shut down.

January 19, Martin Luther King Banquet
January 20, Women's March
January 22, Association of Idaho Cities (AIC) Water Summit
January 23, City Officials Day at the Capitol in Boise
January 24, American Public Power Association (APPA) webinar
January 25, Lunch and Learn sponsored by Tom Lenderink at the Emergency Operations Center (EOC); Grand Opening at Museum of Idaho (MOI); and, City Council Meeting

Mayor Casper stated several advisory boards, which fall under the direction of individual departments, will be utilized as allowed. Any board appointments or reappointments will be included on the Consent Agenda. She indicated appointments to the newly-formed Americans with Disabilities Act (ADA) Board will be forthcoming, any recommendations would be appreciated. She noted she will be requesting a small budget item to allow publication of board notices. Mayor Casper briefly reviewed City Officials Day at the Capitol topics, including legislative and tax issues.

Acceptance and/or Receipt of Minutes:

It was moved by Councilmember Hally, seconded by Councilmember Freeman, to receive the minutes from the Planning and Zoning Commission, and additional minutes included in the packet. Roll call as follows: Aye – Councilmembers Freeman, Francis, Hally, Radford, Smede, Dingman. Nay – none. Motion carried.

January 19, 2018

Water Rights Mitigation Update:

Director Fredericksen stated the need for water to enable a City to grow is very important as well as the impact to the aquifer in the Snake River Plain. He then turned the presentation to Mr. Harris. Mr. Harris noted there have been a series of mediation sessions by Speaker of the House, Scott Bedke, regarding surface water coalition.

Mr. Harris presented the following with general discussion throughout:

Overview: Eastern Snake Plain Aquifer (ESPA) municipal water rights

- Most ESPA communities rely on ground water
- Most ground water rights are junior to senior surface water (canal company and fish producer) water rights
- Idaho Department of Water Resources (IDWR) is authorized to “conjunctively manage” ground water and surface water and has done so actively since 2005

Overview: Conjunctive management means...

- Delivery calls allege the seniors aren’t getting their full decreed water right and ask for curtailment of junior ground water rights
- IDWR uses the conjunctive management rules and various administrative orders to decide: a) how much water the senior is short; and b) which ground water rights should be curtailed to avoid shortage

Mr. Harris reviewed the map locations of the Surface Water Coalition (SWC) members

- Beginning in 2005, IDWR has issued curtailment orders on a regular basis
- For the most part, the curtailment orders impacted irrigation pumpers
- In 2015, municipal water rights (including those of Pocatello and other communities) were also identified for curtailment
- Juniors can avoid curtailment in the first instance by obtaining approval of a “mitigation plan” with the State

Mr. Harris stated a mitigation plan was filed although it was objected by the coalition because there was belief an agreement could be negotiated with the cities.

- Juniors can also enter into settlement agreements with seniors that involve providing water, money, management concessions, or other things of value to the seniors in exchange for avoiding curtailment
- Settlement agreements provide certainty, but the challenge with drafting the terms of a settlement agreement is assessing the current risk under future conjunctive administration and how that translates into what is offered in a settlement agreement

Mr. Harris stated future water years are unknown therefore the risk to the City has been translated into a set of action items which will allow the City to grow for 35 years.

Shifting landscape: Idaho Ground Water Appropriators (IGWA) settlement

- IGWA negotiated a deal with the SWC that will require the following of the irrigation pumpers:
 - Annually provide 50,000 acre-feet of storage water to SWC
 - Commit \$1.1 million to existing conversions
 - Reduce ground water diversions by 240,000 acre-feet/year by 2025
 - Shorten the irrigation season (April 1-October 31)
 - Install measuring devices by 2018
 - Facilitate state sponsored recharge equal to 250,000 acre-feet/year
 - Meet agreed-to aquifer level goals (measured in 19 “sentinel wells”)

Mr. Harris stated the goals must be met or reductions could increase. He viewed the sentinel wells areas.

- In exchange, SWC agreed:
 - IGWA would have “safe harbor” from delivery calls for a period of 10 years
- Both IGWA and SWC agreed the settlement would:
 - Stabilize aquifer levels and increase spring flows (and SWC water supplies)
 - Minimize economic impact that would result from curtailment
 - Increase measurement of ground water pumping facilitating enforcement of the terms by ground water districts
- Goal: “Stabilize and ultimately reverse the trend of declining ground water levels and return ground water levels to levels equal to the average ground water levels from 1991-2001.”
- Benchmarks: (1) By 2020 ground water levels will equal ground water levels in 2015; (2) by 2023 ground water levels will be halfway between 2015 ground water levels and goal; and (3) by 2026 goal is reached and ground water levels equal or exceed 1991-2001 average

January 19, 2018

Mr. Harris reviewed the 240,000 acre-foot pumping reduction:

Declines: 216,000 AF
Contingency: 21,600 AF
Sum: 237,600 AF
Rounding: 240,000 AF

He noted flood irrigation versus pump irrigation became more efficient.

Mr. Harris reviewed the 2010-2014 Water Management Information System (WMIS) Pumping Data:

Irrigation = 1,712,424 acre-feet - 94%, Non-irrigation = 62,028 acre-feet - 3%, Municipal = 58,728 acre-feet

- Most cities have resisted this because:
 - Agreement requires permanent reduction in pumping which is not consistent with economically viable municipal growth
 - Has a term of only 10 years (all bets are off at 2025)
 - Would impose on the cities the same penalties as the pumpers, but the cities are responsible for only a fraction of the depletions affecting ESPA ground water levels and the SWC—cities could be curtailed because of irrigators’ failures with no recourse
 - Cities will be assessed monetarily based on diversion rate (cfs) rather than irrigated acres; there was no clear guidance on how cities would be responsible for their share of pumping reductions
- What was a good deal for IGWA is not a good deal for the cities

Shifting landscape: GWMA

- IGWA and SWC have suggested that the ESPA is in “crisis” and, once they executed their settlement, joined in asking IDWR to form a Ground Water Management Area (GWMA)

Mr. Harris indicated this is unknown.

Shifting landscape: IGWA settlement and GWMA

- IDWR has ordered the formation of a GWMA for the entire ESPA, which many parties—including many cities—have objected to
- Proceedings currently appear to be in a holding pattern
- This has allowed Cities to negotiate with the SWC terms of a long-term settlement agreement, the provisions of which will be proposed for inclusion in a GWMA plan

Long-term agreement term sheet:

- Main Provisions of the Term Sheet:
 - All participating cities will collectively need to provide 7,650 acre-feet per year; this amount can increase to a cap of 9,640 acre-feet per year if IGWA’s 240,000 acre-feet per year obligation increases to 340,000 acre-feet per year or more
 - Current 16 “represented” cities plus any others that wish to join in are covered
 - Term of the agreement is the earlier of (i) 35 years or (ii) until participating cities’ collective pumping exceeds 120,000 acre-feet on a five-year rolling average (current pumping for all ESPA cities is approximately 80,000 acre-feet)
 - Cities will participate in aquifer enhancement activities, primarily through ground water recharge
 - Cities will perform recharge through either a city’s own recharge project, or more likely, by renting storage water and providing it to the SWC or the Idaho Water Resource Board to perform the recharge – cities would be responsible for any associated costs

Brief discussion followed regarding control of water.

Compare cities with IGWA

- Why 7,650 acre-feet?

Mr. Harris reviewed the analysis graph indicating reduction volume and growth.

Long-term agreement term sheet:

- 7,650 acre-feet is the cities’ reduction amount at year 35 when compared with IGWA’s 290,000 acre-feet mitigation amount
- At this amount per year, cities are significantly over-mitigating
- Even if IGWA’s obligation increased to 340,000 acre-feet per year, cities are still over-mitigating at their rate of 7,650 acre-feet
- Why the increase to 9,640 acre-feet if IGWA’s obligation goes up to 340,000 acre-feet or higher?

January 19, 2018

- The analysis assumed all cities pumping to be 72,500 acre-feet; it is believed actual pumping of all cities is probably about 10,000 acre-feet higher
- 9,640 acre-feet is an estimate of the maximum amount cities would have to reduce if the cities were under the IGWA-SWC Agreement and IGWA’s obligation increased to 340,000 acre-feet per year
- Overall, cities are mitigating from day 1 at the maximum amount they would be required if they were under the IGWA-SWC Agreement
- Why?
 - 35 years of certainty and the ability to grow into existing rights by 40,000 acre-feet
 - Cities are showing that they want to recover aquifer levels and over-mitigating from day one their intentions clear
 - Importantly, cities are not tied to the IGWA-SWC ground water level goals
 - The amount of mitigation is actually less than what was offered previously by the cities (mitigation equivalent to 10% of pumping)
- Why the 120,000 acre-feet re-opener?
 - It allows another 40,000 acre-feet of growth
 - It is a better alternative to IGWA’s proposal to only let cities’ grow at a cap of only 1.4% per year
 - It should encourage city conservation
- One major remaining issue relates to IGWA requesting to hold on to the ability to assert its spring water rights and/or ground water rights against the cities in a delivery call
 - Cities believed they were buying total peace from IGWA under this agreement because of matters wanted to address in negotiating this agreement
 - As a practical and political matter, IGWA asserting a delivery call against cities is not likely—but it is still possible
 - This issue has not been resolved
- Mitigation water must be provided in the form of “aquifer enhancement activities”
 - Most likely sources are private leases with storage water holders (such as the City of Pocatello) and the Water District 01 storage water rental pool
- GWMA:
 - Cities will withdraw objections to this designation

Mr. Harris believes Idaho Falls is set up well to meet mitigation obligation due to mitigation water and local irrigation district agreements.

- Once we finalize the long-term agreement, cities can turn their attention to an agreement between the cities on how we collectively meet our obligations
 - There will likely be consideration for the priority dates of each city’s water rights, but the majority allocation of mitigation obligation will likely be based on pumping relative to total participating cities’ pumping

Mr. Harris stated the City would need to provide approximately 2,500 acre-feet per year. This amount would decrease and the mitigation obligation could be reduced if conservation measures were implemented such as water meters or converting the parks from ground water pumping to surface water irrigation.

Mr. Harris noted a similar presentation will occur at the January 22 AIC meetings.

Pay for Performance Status Report:

Director Tew indicated upon his hiring, he was tasked with changing the City’s pay system. He believed any transition would take approximately two (2) years. He stated outside Consultants have previously presented to Council with what he believes, was positive feedback. He presented the following, stating any future direction would need to be decided by the current Council:

Current system:

- 1- Annual pay adjustment – cost of living adjustment (COLA) 2.5% in previous year based on national inflation increase.
- 2- Step program – longevity based. All employee positions fall within the Grade and Step Salary Chart. Step increases vary with length of time. The general intention is to hire within market rate and then advance salaries.

January 19, 2018

3- Additional longevity bonus – this is a lump sum and does not increase with base pay.

What is Pay for Performance?

-A system in which all or part of an employee's compensation is contingent on the quality and/or quantity of the work they do.

What differences would it create for employees and the City?

- Provide more options for managers/supervisors
- Differentiate between employees
- Create risk – not a guaranteed raise
- De-emphasize longevity
- Require more oversight of the process
- Require effective management of employees
- Change in culture

Accomplishes so far -

Year One – the Performance Management Piece

- Consulting company
- Task force

Director Tew stated a task force consisting of Brad Cramer, Community Development Services Director; Chris Fredericksen, Public Works Director; Brandon Lerwill, Idaho Falls Power; Elizabeth Knowles, Airport; Russell Nash, Library; Vince Anderson, Municipal Services; Jeff Moad, Parks & Recreation; and, Mindy Moore and Eilene Horne, Human Resources, has met over the previous year and, along with Department Directors, has developed Core Expectations – a set of standards in which every employee would be measured.

-Core expectations includes: Customer Service, Dependability, Integrity and Ethics, Continuous Improvement, Safety, and Teamwork

- Specific job-related expectations – every job was reviewed for duties and measurable tasks
- Performance levels
- Structured evaluation and communication process (Performance Awareness Conversation - PAC)

Year Two - the Pay Piece

- Consultants and Human Resources work with Council and Directors
- Develop salary range structure tied to the market – this could be a combination of steps and/or ranges
- Establish budget

Director Tew does not believe this process would cost more.

- Develop merit matrix

Director Tew reviewed an example of a Merit Matrix which includes Level of Present Salary within the Range and Performance Levels. The intent would give all employees a market adjustment versus an inflation increase. This process would also replace the Step increases.

Issues to Consider -

- Is it the highest priority?
- Is it the right time?
- Is it a cultural fit?

Director Tew stated Pay for Performance does not always work in the public sector. Councilmember Freeman believes this process could cause tension between supervisors and employees.

- Are our managers/supervisors adequately trained?

Director Tew indicated managers and supervisors have only received performance evaluations in the previous two (2) years. He stated Idaho Falls Power (IFP) was anxious to move to this process due to a variety of issues. IFP is scheduled to implement Pay for Performance in the coming year. He believes IFP could be a good test for additional departments. Discussion followed regarding the reasoning behind the proposed Pay for Performance. Mayor Casper indicated the intent was to use tax dollars to obtain good performers and incentivize people to work hard. Councilmember Hally believes adequate time should be considered prior to any implementation. Councilmember Dingman believes it is difficult to recruit and attract higher performing employees if they would be paid in the same manner as someone who does a similar job at a lower quality of work. Councilmember Francis expressed concern that if competition is created among dedicated public servants, a more productive overall work force may not occur. Director Tew indicated there is evidence to support and not support this concern. Councilmember Francis believes

January 19, 2018

the leadership problem is being addressed but questioned the ‘U-turn’. General discussion followed. Mayor Casper suggested each Councilmember contact Director Tew directly with any questions/concerns/comments. She noted a follow-up discussion will be scheduled at a future Work Session.

Quarterly Finance Presentation:

Director Alexander introduced Kenny McOmber, Treasurer and Mark Hagedorn, Controller. She briefly reviewed tasks performed by the Treasurer’s Office and the Controller’s Office. She then turned the presentation to Mr. Hagedorn with general discussion throughout.

Mr. Hagedorn reviewed Budget to Actual Revenue Reporting categories:

Taxes and Franchises – property taxes and/or franchise fees

Intergovernmental Revenue – contracts with County, State, and Federal government entities

Governmental Charges for Services – general government charges (exchange transaction), only for current resources for current expenditures

Enterprise Charges for Services – services charged for running a program, for current and long-term resources and expenditures

Miscellaneous – non-categorized revenues, unique for certain situations, neither exchange or non-exchange transactions

Non-Revenue Transfer – exchange within the City between funds

Fund Balance – current revenue not budgeted

	2017/18 Budget	Year to Date	Percentage Expended	Year-End Forecast
Total Revenues	\$194,923,941	\$34,042,121	17.46%	\$173,017,875

Mr. Hagedorn clarified Enterprise Funds include Airport, Water, Sewer, Sanitation, Ambulance (although subsidized by County contracts and local government), and Electric. He noted property taxes from Bonneville County are received in January and July.

Mr. Hagedorn reviewed Budget to Actual Expenditures categories:

Wage/Benefits – all personnel costs

Operating Expenses – any expense not considered a long-term expenditure

Capital Outlay – long-term assets

MERF (Municipal Equipment Replacement Fund) Depreciation – accumulation of cash over time with expected equipment to be replaced, managed by General Services

Debt Service Payments – no current bonds, one (1) note with Department of Environmental Quality (DEQ) for Wastewater Treatment upgrades

Transfers – Council transfers within funds or business transfers with another fund

Mr. Hagedorn stated major expenditures will be addressed as they occur.

	2017/18 Budget	Year to Date	Percentage Expended	Year-End Forecast
Total Expenditures	\$194,923,941	\$35,614,582	18%	\$173,017,875

Mr. McOmber stated a Treasurer’s Report will be distributed to Council on a monthly basis indicating all funds, expenses, revenues, debits, credits, and final balance. The report is per Idaho State Statute 50-208 and will be included on the Consent Agenda. He also briefly reviewed Fund Balances for the previous ten (10) years. Mr. McOmber stated Government Finance Officers Association (GFOA) recommends, at a minimum, that two (2) months of expenses remain in the fund balance. The City expenses average \$4.5m per month general fund expenditures, or \$9m minimum. He indicated the fund balance is currently \$3m due to recent projects.

Mr. McOmber reviewed City Investments – Idaho Code 67-1210 Investment of Idle Moneys, and Idaho Code 50-1013 Deposit and Investment of Funds. He indicated most cities use the Local Government Investment Pool (LGIP), the City of Idaho Falls handles its own investments and does not use the LGIP. He stated the City has assisted AIC with changes to State investment regulations. Mr. McOmber stated the Finance and Investment Committee meets on a quarterly basis. Director Alexander noted the Finance and Investment Committee consists of herself, Mr. Hagedorn, Mr. McOmber, Councilmember Hally, and Mr. Prairie.

January 19, 2018

Director Alexander reviewed General Fund Management:

- General fund departments should manage within their approved budgets and any overages should be communicated to City Council
- Monthly meetings with departments to review expenditures and management of general fund resources
- Importance of general fund departments bringing 2017/2018 budgeted items before City Council by July 2018
- Any new project or project(s) with ongoing costs to the general fund should be communicated to City Council to incorporate into forecast models

Director Alexander reviewed additional financial-related updates including the annual audit for 2016/17 fiscal year (ending September 30, 2017), Cayenta financial system configuration and go live (anticipated for April 2018), 2018/19 budget and Priority Based Budgeting, and, risk management annual overview.

New Large Single Load Discussion and Consideration of Approval:

Director Flowers stated Mr. Prairie has coordinated with other staff to ensure IFP has the power supply capacity to serve this request. She then turned the presentation to Mr. Prairie with general comments/discussion throughout. Mr. Prairie stated per the IFP rate ordinance any load greater than 1 megawatt is required to be negotiated and approved by Council. The current request under the Memorandum of Understanding (MOU) is for a 20 Megawatt (MW) request. He indicated the current largest customer is ~5 MW per hour average, the average annual load for IFP is ~82 MW per hour average. He stated this request would increase the load growth by ~25%.

Mr. Prairie reviewed IFP's current annual position graphs relative to average water; critical water; 20 MW load + Bonneville Power Administration (BPA) purchase increase; and power supply expense versus revenue. He noted Heavy Load refers to the sixteen (16) hours in the middle of the day, Light Load refers to the eight (8) hours during the night. These loads are managed by different price points and different markets. Mr. Prairie also reviewed Wholesale Market versus BPA stating Mid-C 2018-2023 = \$20.59 (mid-market price without transmission), BPA = \$37.64 (if the load is under 10MW in a single location IFP has to purchase from BPA up to the contract amount, IFP currently has ~14 MW of contract headroom). Mr. Prairie stated if this customer is put in at the current large industrial rate, revenue would be ~\$8.1m. The MOU indicates the customer would be willing to serve up to 20 MW.

Benefits:

- Takes some of our surplus energy
- High capacity factor load = light load hour energy
- Limited time commitment contract – five (5) years
- Limited to no capital outlay for interconnection
- Can tailor contract to meet both parties needs
- Fills our BPA commitment

Risks:

- Hydro and market variability – currently have these risks and actively manage them
- Dramatic change to portfolio – performance guarantees are including in contract, wholesale prices are already low
- Single customer risk – letter of credit will be pursued, potentially tighter billing cycles

Mr. Prairie stated in the event of a power outage, this customer will be the last customer to get back on line.

Next steps:

- Execute the MOU
- Customer works to secure final sites
- Customer pays for IFP line extensions as needed
- Negotiate Power Sales Agreement for five-year term and Council approval
- Starts connecting load in April/May timeframe

It was moved by Councilmember Hally, seconded by Councilmember Radford, to enter into the intent agreement/MOU to provide up to 20 MW with time constraints and obligations of payment included, and authorize the Mayor to sign the necessary documents. Roll call as follows: Aye – Councilmembers Dingman, Radford, Francis, Smede, Hally, Freeman. Nay – none. Motion carried.

January 19, 2018

Council Meetings, Liaison Reports, etc:

Mayor Casper corrected Council Liaison Assignments as announced at the January 11, 2018 Council Meeting as follows:

- Seat 1, Michelle Ziel-Dingman – Airport, Parks and Recreation, Bonneville Metropolitan Planning Organization (BMPO) Policy Board Chair, and Community Development Services (#2)
- Seat 2, Shelly Smede – Community Development Services, Municipal Services (#2), and Library Board
- Seat 3, Tom Hally – Idaho Falls Power Co-Liaison, Police, and Idaho Falls Redevelopment Agency (IFRdA) Board
- Seat 4, Jim Francis – Fire, Human Resources, Public Works (#2), and BMPO Policy Board
- Seat 5, John Radford – Municipal Services, Idaho Falls Power Co-Liaison, and Parks and Recreation (#2)
- Seat 6, Jim Freeman – Public Works, Legal Services, Police (#2), Targhee Regional Public Transportation Authority (TRPTA) Board and BMPO Boards

She stated the Liaison duties are to receive briefings from the director(s); become the colleagues resource; and carry department business items at Council Meetings. Mayor Casper reviewed City Council Meetings Overview of protocol and process including bi-monthly Regular Sessions; Special Sessions (including bi-monthly Work Sessions, Budget Sessions, and miscellaneous); and, Executive Sessions (as needed). She also reviewed the agenda building as: City business items from Department heads (memo or request), City administrative items (routine Clerk and Treasurer items), items required by State Statute (budget, fees, Local Land Use Planning Act (LLUPA) hearings), reports from City departments and outside agencies and partners, items from the Mayor’s Office (presentations and awards, resolutions, appointments, administrative planning items), items specifically requested by the Council when in session, study items from the Council President, and, motions from the Council with majority of Council vote. Mayor Casper believes the time allotted for the Councilmembers at Council Work Sessions should be for liaison reports or to raise any concerns. She reminded the Council that their primary role is oversight, budget, and policy setting. General discussion and comments followed. Mr. Fife suggested the discussion item remain as a report. Mayor Casper reviewed the public comment process stating dialogue should not generally occur during the public comment period. She also reviewed the elements of a public hearing process. Mr. Fife stated all questions from the Councilmembers should be presented during the public hearing portion. Mayor Casper reviewed City Council Meeting protocol for regular agenda items.

There being no further business, it was moved by Councilmember Radford to adjourn the meeting at 6:49 p.m.

s/ Kathy Hampton
CITY CLERK

s/ Rebecca L. Noah Casper
MAYOR