

June 6, 2022 Council Work Session

The City Council of the City of Idaho Falls met in Council Work Session, Monday, June 6, 2022, in the Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls at 3:00 p.m.

Call to Order and Roll Call

There were present:

Mayor Rebecca L. Noah Casper
Council President Michelle Ziel-Dingman
Councilor John Radford (via Microsoft Teams)
Councilor Jim Francis
Councilor Lisa Burtenshaw

Absent:

Councilor Thomas Hally
Councilor Jim Freeman

Also present:

Pamela Alexander, Municipal Services Director
Jodi Daugherty, Audit Partner (via Microsoft Teams)
Kailey Holt, Audit Manager (via Microsoft Teams)
Ryan Tew, Human Resources Director
Bryce Johnson, Police Chief
Joel Tisdale, Police Captain

Mayor Casper called the meeting to order at 3:09 p.m. with the following items:

Calendars, Announcements, Reports, and Updates:

June 6, BMPO (Bonneville Metropolitan Planning Organization) Community Bike Ride
June 8, Idaho Falls Power (IFP) Board Meeting
June 9, Idaho Transportation Department (ITD) – Public Transportation Advisory Council (PTAC) Meeting (WebEx);
and City Council Meeting
June 16, Idaho Falls Regional Airport (IDA) Announcement/Celebration
June 20, Juneteenth Holiday, city offices closed
June 21, IDA Board Meeting
June 22, Funland Picnic (tentative)
June 22-24, AIC (Association of Idaho Cities) Annual Conference

Mayor Casper stated the Executive Session listed on the agenda at the conclusion of the Work Session will not be held, this meeting will be rescheduled if needed. She also stated a public meeting recently occurred regarding the Old Butte Soccer Complex, stating this land was purchased by the FAA (Federal Aviation Administration) and must be used for airport purposes. This property may need to be put back into airport usage, noting the Parks and Recreation (P&R) Department has a master plan to move these fields. Mayor Casper recommended any questions be referred to P&R Director PJ Holm. Mayor Casper stated there was a very successful launch at the recent splash pad ribbon cutting.

Liaison Reports and Councilmember Concerns:

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Council President Dingman requested council's preference to participate in the Pride Festival and Parade. She stated the GIFT (Greater Idaho Falls Transit) service launched on June 3, noting this service was very busy over the previous weekend.

Councilor Francis stated there are two Ukraine fundraisers occurring on June 10.

Councilor Burtenshaw stated per Community Development Services, the impact fees only affected those permits applied in May, which have all been issued; per Public Works, public meetings have been held and the Conditional Use Permit (CUP) has been issued for the water tower, noting bids are expected late fall with anticipated spring construction; and per the Idaho Falls Police Complex (IFPC), some of the worries with the supply chain did not materialize, therefore, the project is on tract.

Councilor Radford stated the Aquatic Center will re-open on June 6, with the ribbon cutting occurring on June 10.

Municipal Services/Draft Review: 2020-2021 External Audit:

Mayor Casper stated this is the first year with new auditors, reiterating this is a draft version. She expressed her gratitude for the work on the audit, noting work also occurred remotely.

Ms. Daugherty indicated Controller Mark Hagedorn is working on changes (administrative proof and check) in the draft, which is the final stage of the financial statement process. She reviewed the Auditor's Report which contains an unmodified opinion on the financial statements; no opinion or assurance on the required supplementary information; and opinion in relation to the financial statements. She stated there will be another report on an audit performed in accordance with *Government Auditing Standards* which looks at internal controls surrounding financial reporting. Ms. Daugherty indicated the auditors will report two control deficiencies, one deficiency is for the lack of timeliness for year-end closing procedures resulting in delays of the audit (Ms. Daugherty indicated the first-time use of Gravity delayed the process), and the second deficiency relates to capital assets, especially as related to the electric fund and the fiber fund, which is an ongoing deficiency. She believes this whole process needs to be refined. Ms. Daugherty stated this report also contains compliance and other matters, noting there were no instances of noncompliance. Ms. Daugherty stated a letter will also be issued as it relates to the audit of federal programs and compliance with those federal programs. She indicated three programs (CDBG (Community Development Block Grant), the airport, and CARES (Coronavirus Aid, Relief, and Economic Security Act)) were audited due to the Coronavirus (COVID) money, noting there were no deficiencies identified. Ms. Daugherty provided a snapshot of the Schedule of Expenditures of Federal Awards, stating the total amount from federal assistance/programs amounted to almost \$24M.

Ms. Holt reviewed the required auditor's communication in accordance with *Government Auditing Standards*, stating this also includes the final deliverable, which will be provided upon issuance or finalization of the audit. She explained the significant estimates (PERSI (Public Employee Retirement System of Idaho), and uncollectable accounts related to EMS (Emergency Medical Services) and utility billing), difficulties encountered in performing the audit (as previously described by Ms. Daugherty), corrected and uncorrected misstatements (detailed in the letter), disagreements with management (none), management consultations with other independent accountants (none noted), and other significant matters (none).

Ms. Daugherty explained and reviewed the financial highlights including Governmental, Business-Type, and General Fund, noting the change in net position/fund balance for Governmental = \$31.1M, Business-Type = \$34.5M, and General Fund = \$32.2M. She stated new standards may have an impact on the city's financial statements in the next year. She provided a snapshot of the upcoming standards. Per Councilor Francis, Ms. Daugherty stated the majority of the \$32M increase in the General Fund is due to the Certificates of Participation (COP) for the IFPC. Per Councilor Burtenshaw's comments regarding the corrected/posted and uncorrected/unposted misstatements, Ms. Daugherty

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stated \$1.3M in work order errors in the electric fund and the fiber fund were corrected, noting the team has several new members; the recognition of the ARPA (American Rescue Plan Act) funds should be deferred until the eligible expenses happen (Ms. Daugherty stated this has been adjusted); and an equipment purchase was not received until October. Mayor Casper stated the goal is to ensure the understanding and support moving forward with staff. Per Council President Dingman, Ms. Daugherty reiterated the new team members for the electric and fiber funds. She believes the number of work orders was a hefty task. She also believes this is a work-in-progress. Brief comments followed.

Director Alexander reviewed the timeline for audit activities stating all activities occur October 1, 2020 – September 30, 2021. She noted the name change from the Audit Annual Report to the Annual Comprehensive Financial Report. She reviewed the timeline of staffing resources; the solutions and priorities over the past year, stating the capital asset processes have multi-departmental responsibilities (Director Alexander briefly described these responsibilities); and solutions over the next year. Mayor Casper believes a deep-dive meeting may need to be held regarding work orders and tracking of assets. General discussion followed including this audit being performed remotely, the Gravity system, future rule changes, eliminating the majority of Excel spreadsheets, and new staff members.

Human Resources/Discussion and Determination of 2022 Inflation Impact and Adjustment for Employee Compensation:

Director Tew stated previous discussions have occurred regarding market philosophies including lead (easier to recruit and retain, more expensive), match (structure remains competitive but easier to manage costs), and lag (no advantages except lower wage expense, this is difficult to retain, attract, lower morale, higher turnover). He believes there's merit in considering a combination approach based on budgetary constraints. Mr. Tew briefly reviewed the market data stating the market has caught up over the previous two years since the city structure has not moved upward, noting the city is slightly below on entry level and slightly above on maximum. He stated the average base wages have increased due to the longevity being included in the new compensation structure for longer-term employees. He also reviewed the market of comparable cities in Idaho (Twin Falls, Pocatello, Coeur d'Alene, Nampa, Caldwell, Meridian) and Logan, Utah, noting the projected Cost of Living Adjustment (COLA) ranges from 3% to 5%. He indicated several cities have a merit amount (pay for performance component in the structure) to be included in the projection. He stated the City of Idaho Falls has a step and grade structure, and the average structure movement (same result as a COLA) ranges from 3.7% to 4% if all requests are approved by the council. He believes this is lower than anticipated. Mr. Tew reviewed other relevant data including CPI (8.3% nationally as of April 2022), other municipalities in Idaho (range from 2% to 9%), and State of Idaho (3% COLA, 4% merit). He also reviewed the recommended structure adjustment – lead: >4%, match: 3.7 - 4.0%, lag: <3.7%. Mr. Tew reviewed approximate city-wide totals for a 1% increase (\$379,500), 3% increase (\$1,138,394), 4% increase (\$1,520,053), 5% increase (\$1,897,291), and 6% increase (\$2,276,234). He stated the key considerations include inflation, fuel, supply chain, minimum service levels, staffing needs, infrastructure, turnover, and economy. Mayor Casper believes, per previous discussion, the council is preferring to take care of the employees, however, she wants to ensure the budgetary needs for the city are being met, realizing most of the needs are employees. Per Councilor Burtenshaw, Director Alexander stated the preliminary revenue estimate is \$2M-\$3M with the full 8%, not including forgone; and the preliminary revenue estimate is \$2.4M-\$3M, including forgone. She also stated there are legislation changes which are retro-ed back. It was noted this amount is approximately \$500,000 less than the preliminary number received in April 2022, and the previous year did not reach the 8% due to growth issues. Brief general discussion followed regarding the county estimates and the timeframe for these estimates, the COLA increases covered by taxes and fees, and the COLA increases covered by rate. Per Councilor Francis, Director Alexander stated the estimated General Fund impact for 4% would be just over \$1M, 5% would be \$1.3M, and 6% would be just under \$1.6M, which would be in addition to the step increases. Per Councilor Burtenshaw, Director Alexander does not anticipate any other cuts, and she believes \$2M is safe. Director Alexander stated she is going low on the growth

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number as she has concerns about changes in the legislation that have changed the use of the valuation that was retroactive. Mayor Casper suggested identifying a specific dollar amount now, which could be increased later. Councilor Burtenshaw stated her lowest amount would be 4%. Council President Dingman agreed as she believes that was the clear direction given by council. General comments followed. Per Councilor Burtenshaw, Mr. Kirkham stated a change in the mayor's salary would require an ordinance change before the next general city election.

Police Department/Presentation and Discussion: Proposed Revised Municipal Equipment Replacement Fund (MERF) Contributions and Expenditures:

Mayor Casper explained the MERF, noting during the recession in 2008-2013 the city did not take any budget increases, growth, or annexation dollars and now the Idaho Falls Police Department (IFPD) is trying to recover from using older vehicles that should have been replaced. She stated the MERF fund needs to perform in a way that it's intended to do. Chief Johnson recapped that \$300,000 from the ARPA funding has been designated to purchase new vehicles (three replacement, and two add-to-fleet) with an additional \$450,000 for MERF budget discussion. He stated the proposed spreadsheet is based off 15 cars per-year rotation with an eight-year replacement cycle, with the assumption of 100% leasing, noting any purchasing could be a future option. Director Alexander explained the proposed spreadsheet stating the base cash of \$1.2M does not include ARPA funds, the lease terms are five years, and revenue does not include the sale of these vehicles after the lease term. She reviewed the lease payments for 40 vehicles (\$1.6M remaining payment) as well as 20 additional vehicles (total of \$1.3M), and proposal of MERF increase to \$880,000. She indicated the MERF has been calculated to increase by at least 3% each year, with a cumulative increase beginning in 2024, and the base cost of vehicles was \$65,000 with an increase each year. She also indicated she tentatively placed \$150,000 of ARPA funds for 2023-2025, which shows a change in the cash balance. Chief Johnson believes \$880,000 is the needed amount. He stated \$441,000 is in the current budget for MERF, and the proposed MERF budget will be \$650,000 without an additional ask of the General Fund, stating the ARPA money will bridge the gap. He also stated \$127,000 will be added to the MERF budget in the following year which will take the amount to \$770,000, also without an additional ask of the General Fund, which would leave just under \$100,000 of the \$880,000. Chief Johnson stated he does not want sale of vehicles in the projection as that number could fluctuate. He also stated the \$880,000 MERF and 15 cars per year gets the IFPD to a sustainable fleet rotation schedule. Director Alexander stated the IFPD would own the vehicles after five years, and the IFPD could keep these vehicles in rotation for another three years for a total of eight years for replacement. She believes this provides an opportunity for savings and potential cost increases, noting the lease option would help with the limited buying option, although, she believes a hybrid of lease and purchase needs to occur. Chief Johnson believes this will allow flexibility in future years, realizing the IFPD may need to come up with an extra \$100,000 depending on the potential sale of vehicles. General discussion followed regarding leased vehicles and owned vehicles. Chief Johnson noted a 3% inflationary cost has been included in the purchase of vehicles. He also noted this does not include add-to-fleet vehicles. Per Mayor Casper, Captain Tisdale stated these 120 vehicles are for current authorized personnel. Mayor Casper stated this would become the basis for the IFPD budget. Councilor Francis expressed his appreciation for this MERF plan. Councilor Burtenshaw commended the IFPD for the standard upfitting of vehicles versus being specific to the officer's request. It was then moved by Councilor Burtenshaw, seconded by Council President Dingman, to allocate the \$450,000 from ARPA to the IFPD police car plan as presented. The motion carried by the following vote: Aye – Councilors Francis, Burtenshaw, Dingman. Nay – Councilor Radford. Mayor Casper recognizes this is a serious commitment to the \$880,000. Chief Johnson believes the MERF budget should stabilize as Municipal Services sets the budget. Director Alexander stated the MERF will be a hard-coded amount for all departments and will require council approval to change, noting this was a collaborative process with all departments.

There being no further business, the meeting adjourned at 5:24 p.m.

s/ Kathy Hampton
Kathy Hampton, City Clerk

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