

July 17, 2018 Budget Session

The City Council of the City of Idaho Falls met in Special Council Meeting (Council Budget Session), Tuesday, July 17, 2018, at the City Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 12:30 p.m.

There were present:

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

Also present:

Pamela Alexander, Municipal Services Director
Mark Hagedorn, Controller
Bruce Young, Accountant
David Pennock, Zoo Superintendent
PJ Holm, Parks and Recreation Superintendent of Recreation
Ronnie Campbell, Parks and Recreation Assistant Superintendent for Parks and Cemeteries
Chris Fredericksen, Public Works Director
Dave Hanneman, Fire Chief
Duane Nelson, Deputy Fire Chief
Kerry Hammon, Public Information Officer
Brad Cramer, Community Development Services Director
Bryce Johnson, Police Chief
Ryan Tew, Human Resources Director
Michael Kirkham, Assistant City Attorney
Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 12:30 p.m. with the following:

Opening Remarks:

Mayor Casper commended Director Alexander, Mr. Young, and Mr. Hagedorn.

Budget Basics (Including Property Valuation, Levy Rates, Foregone Review, etc):

Mr. Hagedorn presented the following with general discussion throughout:

Property Tax Overview:

- Title 63 of Idaho State Statutes outlines taxation – information on property taxes and, major source of funding for the General Fund (roughly 54% of Idaho Falls General Fund revenue budget)

Mr. Hagedorn stated property tax is stable and predictable versus sales tax.

Levy Types:

- Temporary Override Levy – can increase beyond the 3% statutory amount for two (2) years
- Permanent Override Levy – would take a 2/3 vote to go above the 3% statutory amount
- Foregone Levy – would require special requirements, including a public hearing

Mr. Hagedorn stated to his knowledge, these are the only levies allowed.

Mr. Hagedorn reviewed the multiple taxing units. He stated the City uses Capital Improvement Funds, Streets, Recreation, and Library taxing units. Streets levy can exceed the statutory 3% amount. Mr. Hagedorn stated the Council decides which taxing units to levy, levy rates differ within the individual cities due to the services offered.

July 17, 2018 Budget Session

Property Tax Certification:

- The City certifies dollars (in 2017 the City certified \$31,481,473)
- The County sets levy rates based on the valuation determined by the Assessor's Office (in 2017 the City's levy rate was .00951318)

Property Tax Calculation Factors:

- Previous years budget – highest of three (3) years
- Annexation – added as a growth factor
- New Construction – new buildings or additions
- Property Tax Replacement (Personal Property) – property tax exemption and sales tax
- Statutory allowable increase – 3%
- Additional levies (overrides or foregone)

Mr. Hagedorn reviewed a property tax calculation example based on the previous years budget. The foregone balance increases if the maximum 3% levy is not taken on an annual basis. Brief discussion followed regarding the preference to utilize the maximum 3% levy on an annual basis, which helps with infrastructure. Mr. Hagedorn briefly reviewed the history of levy rates for the previous 30 years. He noted in 2010 through 2014, there was no levy increase. Mayor Casper stated when growth and annexation is not taken there is no property tax revenue for City services to new properties. Mr. Hagedorn stated operating expenses can be delayed when the levy rate is not taken. This can result in additional consequences.

Property Tax Application:

- Conversion of certified dollars to rate based on valuation
- Determination of valuation is based on:
 - Increased value of existing properties
 - New properties added in the previous year
 - Personal property exemption
 - Urban renewal districts (falls into new construction, not part of the 3%)

Mr. Hagedorn reviewed property tax valuation history for the previous five (5) years, which increases with the economy. This reflects an increase to valuation to existing properties and addition to new properties.

Valuation Types include residential, commercial, personal property, other, utilities, and, agriculture which equals the estimated total valuation.

Mr. Hagedorn reviewed property tax levy rates for the previous four (4) years. He stated as values increase, levy rates decrease.

Property Tax Levy Rates Applied:

- 2018 estimated value \$3,551,216,468
- Potential property tax certification
 - No increase in levy – amount = \$31,481,473, rate = .008864983
 - Annexation and new construction – amount = \$32,004,586, rate = .009012288
 - 3% allowable increase – amount = \$32,949,030, rate = .009278238
 - Foregone – amount = \$39,260,600, rate = .011055536

The current 2017 levy rate is .009513842

Mr. Hagedorn reviewed property tax scenarios based on an average residential home for the potential property tax certification. He believes there is an advantage in taking foregone amount although not all foregone could be allocated to the General Fund. It was noted foregone is significantly less expensive than bonding and would save taxpayer money.

Mr. Hagedorn reviewed property tax scenarios based on \$1m commercial property for the potential property tax certification. He stated most commercial businesses do not have the personal property exemption. Mayor Casper believes the elected officials need to be mindful of both businesses and residents. General comments followed. Mr.

July 17, 2018 Budget Session

Hagedorn stated new construction adds a broader tax base. He indicated revenues are not market based. It can take five (5) years to collect property taxes.

Fees and Charges Overview:

Mayor Casper stated the Council questioned the Maeck Education Center (MEC) rental fees as discussed at the July 13 Budget Session. Mr. Pennock stated the use of the MEC is unknown at this time, therefore, staff reviewed all possible fees that could be applied for the use of the entire MEC, the number of classrooms, and the timeframe of use. It was noted the proposed fees, \$500/day per classroom, \$1500/day all three classrooms, would be the maximum fees assessed although the fees could be lowered at any time. General comments and discussion followed including cost of services. Mr. Pennock stated the fees will be reviewed after one (1) year of use. Mr. Holm stated a fee waiver request could be submitted through the appropriate committee. Brief discussion followed regarding Guest Speaker Series fees. It was determined a maximum fee for guest speakers would be established at \$50.

Director Fredericksen stated Public Works is in the process of evaluating fees. The largest change will be the Wastewater Connection Fee which will be based on the size of the service connection. He believes these fees are comparable to other communities. An Idaho Department of Environmental Quality (DEQ) fee is also proposed at \$0.15/month.

Brief discussion followed regarding additional proposed fees from other departments. It was noted that fees should be user based as much as possible. There were no additional concerns.

Administration's Budget Overview:

Director Alexander stated the administration budget was based on consensus of proposed capital projects; programs; personnel funding prioritized to include projects that are 100% grant and/or donation funded followed by those that have a portion of grant and/or donated funds; spending that is required for safety or accreditation; and, repair and/or replacement of existing equipment and buildings (versus new projects and obligations).

Director Alexander reviewed the proposed 2018/2019 budget which is based on department presentations: total revenue = \$169,100,932, total budget = \$203,183,666. This amount is based upon annexation, new construction, and the 3% levy increase.

The proposed budget includes a list of recommendations as noted by departments. Enterprise Fund departments do not impact the General Fund. General discussion and comments followed regarding grants, Parks and Recreation (P&R) items, and, Idaho Falls Police Department (IFPD) equipment.

Unfounded Capital and Operating Request Review:

Mayor Casper stated department requests were categorized by priority from 1-4. She believes priorities need to be linked to City vision. Councilmember Radford requested Councilmembers priorities followed by director input.

Councilmember Hally believes additional officers need to be included for multiple reasons; foregone should be used for revenue; and, Human Resources (HR) should include training.

Councilmember Dingman requested discussion regarding a splash park. Mayor Casper stated she has preferred a splash park for a number of years. She indicated discussion had occurred in 2013 and 2014 although it was determined a process needed to occur. A splash park was not considered a priority at that time. Mayor Casper indicated Reinhart Park was initially identified as a location for a splash park although it was determined there were issues with parking and power infrastructure. She stated any splash park plans should proceed in a proper manner with all considerations. Councilmember Dingman prefers to include an encumbered amount as a consulting planning and design fee for a splash pad at Reinhart Park as a commitment to the community. She believes there would be a cost savings by locating a splash pad at Reinhart Park, although all factors need to be considered for other locations. Following brief discussion and comments regarding a splash park/splash pad, it was determined a maximum amount of \$50,000 should be encumbered with additional \$100,000 encumbered as a grant. Although she is in favor of funding a splash pad, Councilmember Dingman believes a new police station is a higher priority. Councilmember Dingman also requested discussion regarding Funland following a review of the Tautphaus Park Master Plan. She indicated the current lease agreement with Funland will expire at year end. She believes it's in the best interest of the City to own and maintain

July 17, 2018 Budget Session

Funland. She believes \$100,000 should be encumbered for the equipment in the event the agreement is not renewed. She also believes Funland could be operated in conjunction with the zoo. Mr. Holm stated he is in favor of the continuation of Funland. Mayor Casper noted that Funland was not considered a priority for the P&R Department. Councilmember Dingman questioned the IFPD expenditures that were not included in the Public Safety Package. She prefers to move the crime scene trailer to the Public Safety Package.

Councilmember Radford is in favor of a splash pad at Reinhart Park in the current year and a splash pad at Tautphaus Park in the following year. He is also in favor of moving the crime scene trailer, as well as hiring additional firefighters, to the Public Safety Package. Councilmember Radford believes a restroom needs to be located near the Farmer's Market, this will be a future request. He concurs with Councilmember Dingman regarding the priority need for a police station.

Councilmember Freeman expressed concern for Funland, the road system as part of the Tautphaus Park Master Plan, the sprinkler system at Pinecrest Golf Course, another sheet of ice at the Ice Arena, and, the Aquatic Center. He believes all these items could be partially funded by foregone money. He is in favor of utilizing the empty bays at City Hall for a Fire Station museum.

Councilmember Francis believes the HR training is considered the second step in the Performance Awareness Conversation (PAC) training. He believes the Idaho Falls Fire Department (IFFD) request for turn-outs should be included in the Public Safety Package and utilize the designated turn-out funds for HR training. Brief discussion followed regarding a training consultant versus an in-house employee, and the training program. \$75,000 was requested for a 10-month training program for HR. Councilmember Francis believes the Tautphaus Park Master Plan needs to be continued, specifically the road system. He also believes the P&R plans needs to be addressed step by step. Brief comments followed.

Councilmember Smede believes there should be a healthy strong community that allows individuals to get better. She also believes in a safe community and is in support of a new police station for the effectiveness of the officers. Councilmember Smede expressed her concern for another sheet of ice at the Ice Arena as well as the Aquatic Center. She believes all items need to be addressed each year. She stated although there is an increase in Community Development Services (CDS) revenue, staff time has increased as well. Brief comments followed regarding the CDS requested new employee at \$39,000.

Director Alexander clarified if any grant is not received, the grant-specific project does not get completed.

Councilmember Radford stated the \$194,000 in requested items could be funded from the excess revenue from permits received in CDS. Mr. Hagedorn stated the permits revenue may not be actual dollar amounts due to unbudgeted amounts which may occur throughout the year, such as vacation/sick payouts to retirees. He indicated expenditures currently exceed revenues. Mayor Casper reminded the Council that the General Fund balance should be maintained per Association of Idaho Cities (AIC) recommendations. To Councilmember Radford's response, Mr. Hagedorn stated the savings from the Health Insurance costs for the self-insurance fund could be utilized for the \$194,000 in requested items. He indicated savings for the self-insurance fund has been occurring for several years. Brief comments followed.

Chief Hanneman questioned the Firefighters Retirement Fund (FRF). Mr. Hagedorn indicated there was a communication breakdown between the State and the City and the FRF was absorbed by Public Employee Retirement System of Idaho (PERSI) approximately five (5) years ago. General discussion followed.

There being no further business, the meeting adjourned at 5:17 p.m.

s/ Kathy Hampton
CITY CLERK

s/ Rebecca L. Noah Casper
MAYOR