

## July 19, 2021 Budget Session

The City Council of the City of Idaho Falls met in Council Budget Session, Monday, July 19, 2021, at the City Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 3:00 p.m.

There were present:

Mayor Rebecca L. Noah Casper  
Council President Michelle Ziel-Dingman  
Councilor John Radford  
Councilor Thomas Hally  
Councilor Jim Freeman  
Councilor Jim Francis  
Councilor Lisa Burtenshaw

Also present:

Pamela Alexander, Municipal Services Director  
Mark Hagedorn, Controller  
Josh Roos, Treasurer  
Ryan Tew, Human Resources Director  
Randy Fife, City Attorney  
Kathy Hampton, City Clerk

### Opening Remarks, Announcements:

Mayor Casper stated the 40<sup>th</sup> Anniversary Celebration for Sister Cities was held on July 16. She expressed her appreciation to all those involved. She also stated the Metropolitan Statistical Area at the federal level has announced this may not be considered until 2030 as there was concern for national overall growth. Councilor Hally believes the growth spurt will double the number of cities that exceed the 50,000 population. Mayor Casper distributed Community Suicide Prevention Annual Conference information, and she stated a regional Opioid Summit will be held August 3-5. Councilor Radford stated per the American Public Power Association (APPA), a number of infrastructure bills include broadband roll-outs for municipal utilities/non-public power utilities which would override any state law, and the clean energy bills for the 2035 and 2050 targets have rescored hydro to a net zero carbon for all dams. He noted this will not apply to any new dams. Mayor Casper believes this may allow the state to consider setting carbon emission standards for the state as an aspirational document. Councilor Freeman stated burn ban restrictions in Bonneville County were put in place in the previous week.

### Introductory Remarks as Needed:

There were no remarks.

### Employee Compensation Update:

Director Tew stated there will be no increase to medical costs in the upcoming year, therefore this will have no impact to the budget. Mayor Casper noted this is not an insignificant statement. Director Tew also stated Juneteenth (June 19) has been recognized as a federal holiday. He indicated future discussion will occur regarding this holiday, including 'which' day off would apply. He also indicated it would cost approximately \$20,000-\$40,000 to add this holiday as an additional cost, and swapping this holiday for another holiday would have no additional cost. Mr. Hagedorn stated there would be no cost to the employee, the cost would be for any overtime or backpay. He also stated the estimated cost is based on other operational services that would continue to be provided on a particular holiday, such as the golf courses, the Aquatic Center, etc. Mayor Casper stated the spending authority would need to be included in requests. Mr. Fife stated there needs to be enough time to allow employee comments regarding the holiday prior to Council approval. Councilor Freeman believes this is a minimal cost, he would be in

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favor of adding an additional holiday versus a swap. Councilor Francis believes it may be difficult to swap another holiday. Per Mayor Casper, Director Tew believes another holiday would be favorable for the employees. He also stated the carrier for the life insurance and the critical illness and accident insurance is being changed. There will be no administrative cost for this change.

Mr. Hagedorn reviewed the following with general discussion throughout:

New Compensation Plan Summary (as presented at the March 22, 2021 City Council Work Session):

- Grade and step model – steps 1-4 development of skills and competencies, mid-point at year five (5), performance range year six (6) top out
- Update base pay structure to provide for consistent annual percentage increases
- Move longevity pay within the grade and step hourly rate
- Market study every two (2) years
- Structure does not preclude wage increases for positions that are currently below market

Discussion followed regarding current wages, the domino effect of raising a group of jobs, companies offering higher wages, and commodity cost increases. Mayor Casper indicated, per the federal government, the national increase in inflation and wages is not systemic and may be due to Coronavirus (COVID-19) reaction. She believes wages need to be watched cautiously and questioned if a differential amount should be approved for the time being. Mr. Hagedorn noted a low-growth community does not have a supply issue as a high-growth community. Councilor Hally believes wages may decrease although not on the same course as commodities and capital spending. He predicted gasoline prices will be decreased by \$1 per gallon in February. Per Councilor Francis, Mr. Hagedorn stated grades 2-4, that were removed from the new compensation plan summary, have been replaced; the market study will begin for the next budget season and will occur every two (2) years after that time; and a consistent increase will be yearly unless an employee is not performing.

Compensation Plan – Financial Change:

- Employer impact – estimated translation cost=\$313,043 (this is not a step and grade cost, employees will be placed in the closest step, which may be slightly higher)
- Employee impact – varied increases (0-.5%-151 employees, .5-1%-112 employees, 1-2%-112 employees, over 3%-89 employees).

Mr. Hagedorn stated there is not a way to translate employees at the exact increase. Director Alexander stated yearly steps on this plan will be more predictable for salaries and wage versus the multi-year increases. She also stated employees will remain whole. Councilor Burtenshaw also noted no wages will be decreased as there is no increase to medical costs. Per Councilor Radford, Director Alexander stated all employees were notified of these proposed changes. Mr. Hagedorn stated the change in longevity will allow employees to receive increases sooner and they will move up the scale faster. Mayor Casper stated the change of longevity will allow the city to be in full compliance of auditing and Internal Revenue Service (IRS) requirements. Director Tew stated approximately 26 employees are at the maximum range so any future increase would be market-based changes.

Compensation Plan – Theoretical Increases (assumes no table adjustments and no change in employees or positions):

- FY2023 – \$502,777
- FY2024 – \$459,867
- FY2025 – \$392,974
- FY2026 – \$344,926

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Per Councilor Hally, Mr. Hagedorn stated the standard turnover rate is 7-10%. Per Councilor Freeman, Mr. Hagedorn stated this is a three-legged table which includes the Compensation Table, Cost of Living Adjustment (COLA) (this will be based on market study), and the employee/position count. Per Councilor Radford, Mr. Hagedorn stated this plan is a higher cost in the first two (2) years due to the translation although over 19 years this will be an approximate \$22,000 decrease per position (for new employees). General comments followed. Director Tew stated the Council will need to determine where the city should be with respect to the market – lead, lag, or meet the market. Mr. Hagedorn noted this compensation structure has been included in the budget presentations. Discussion followed regarding benefits increases paid by employees and wage increases. Per Councilor Radford, Director Tew believes the no increase to the medical costs is COVID-related as several typical medical procedures did not occur. Council President Dingman expressed her appreciation to Human Resources and Municipal Services for providing personal compensation information to employees as requested.

Mr. Hagedorn reviewed Position Control (regular benefitted employees) by department for 2019/2020, 2020/2021 Additions, Current Changes, and 2021/2022 Beginning Count. Total count for 2019/2020 was 708, total beginning count for 2021/2022 is 711 (this does not include scheduled vacancies), although Mr. Hagedorn noted payroll is off by one (1) position which is being researched. Mr. Hagedorn briefly reviewed the position swaps in Community Development Services/Police and Municipal Services/Idaho Falls Power (IFP). He stated salaries are not re-budgeted, this money is allocated to the reserve account. He also stated total count in the next year will be focused on supervisors. Mayor Casper stated impact fees are for growth and infrastructure, however, she is hopeful a study for extra services will identify the need for a new employee(s). Councilor Freeman questioned if the number of IFP employees include Idaho Falls Fiber (IFF). Mayor Casper indicated this question could be discussed at the next IFP Board Meeting. Mr. Hagedorn stated the total count is a complicated issue as there is a difference between what a department is allowed to have versus what a department actually has. Director Alexander noted the ratepayer accounts have more flexibility to make employee requests, however, an employee request should be determined by data.

### 2020/2021 Scheduled Vacancies:

Mr. Hagedorn noted Parks and Recreation (P&R) vacancies are under review. Per Councilor Radford, Mr. Hagedorn stated a scheduled vacancy is an authorized position(s) at the beginning of the year but no budget to cover the position(s). He also stated the director(s) has chosen to spend this money on other priorities (during the COVID year), and directors are aware they cannot re-budget their salary savings. He indicated this is the first year the city has had scheduled vacancies. He also indicated these amounts are included in the budget.

Police – four (4) positions, wages=\$193,564.80, benefits=\$126,243.78

Municipal Services – two (2) positions, wages=\$96,782.40, benefits=\$63,635.52

Mr. Hagedorn recommended a salary/payroll benchmark (currently at 65%) be used for services offered versus money received. He believes a matrix is needed for public safety positions, which is approximately 60% of the General Fund. Discussion followed regarding workload versus turnover, the Public Employee Retirement System of Idaho (PERSI), and an increase in previous years. Mr. Hagedorn cautioned the Council when hiring. It was noted adding these six (6) positions takes approximately \$1.1M of a 3% statutory increase, which increases each consecutive year.

### General Fund Summary Review including Balanced Budget Methodology:

Mayor Casper stated she presented a balanced budget to the Council in her first two (2) years of office, however, she believed that was being perceived as taking away Council autonomy and authority over the budget process by not allowing the Council to construct the budget. Therefore, the Council has become more involved in the process. Mayor Casper stated the current process could be changed if requested. Councilor Hally indicated the budget

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manual provided by the state indicates the mayor presents a budget based upon data with obligation by the Council to modify the budget. Director Alexander clarified all departments were requested to submit a flat budget, which did not occur. Follow-up discussion was required with these departments.

Mr. Hagedorn reviewed the following with general discussion throughout:

Current methodology:

	General Revenues
Add:	Department Specific Revenues
Subtract:	<Department Expenditures>
<hr/>	
<b>Net Proceeds (Deficit) in Operations</b>	
Add:	Growth and Annexation
<hr/>	
<b>Tentative Balanced Budget</b>	
Add:	Statutory allowable Increase
Subtract:	<Department Requests>
<hr/>	
<b>Balanced Budget</b>	

Mr. Hagedorn stated this process has occurred for the previous 3-4 years.

Future methodology:

	General Revenues
Add:	Department Specific Revenues
Subtract:	<Department Expenditures>
<hr/>	
<b>Net Proceeds (Deficit) in Operations</b>	
Add:	<i>Statutory allowable Increase</i>
<hr/>	
<b>Tentative Balanced Budget</b>	
Add:	<i>Growth and Annexation</i>
<hr/>	
Subtract:	<Department Requests>
<hr/>	
<b>Balanced Budget</b>	

Mr. Hagedorn stated growth should pay for growth, growth should not be paying for change in operations. He also stated operations should not increase more than \$1.2M each year as this is the maximum statutory allowable (3%) unless there is preference to take 1% Forgone. He indicated, per the state, this would be a 1% increase to the maximum non-exempt property tax budget.

Initial Budget as of 7-6-2021:

	General Revenues	\$ 42,514,372
Add:	Department Specific Revenues	8,798,302
Subtract:	<Department Expenditures>	(53,826,172)
<hr/>		
<b>Net Proceeds (Deficit) in Operations</b>		\$ (2,513,498)
Add:	Growth and Annexation	1,500,000
<hr/>		
<b>Tentative Budget</b>		\$ (1,013,498)
Add:	Statutory allowable Increase	1,140,000
Subtract:	<Department Requests>	(3,148,132)
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<b>Projected Budget Difference</b>		\$ (3,021,630)

Mr. Hagedorn stated the budget is \$2.5M short to meet the operational needs. He is predicting growth and annexation to be \$1.9M, which is 5%. He indicated data won't be received from the county until the first week in August. Mr. Hagedorn stated the finance team is trying to redefine the process based on data received from the Community Development Services Department versus the county data, which is currently within \$30M. Mayor

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Casper stated a balanced budget is a theoretical balanced budget. She also stated the city has waited for county numbers, however, most cities of similar size have stopped relying on the county numbers and have developed their own predictive formula. She indicated the city will begin making its own projection. Councilor Freeman expressed his appreciation to Mr. Hagedorn for the conservative numbers. Mr. Hagedorn stated if the city were to hit the full maximum 8% growth and annexation would be approximately \$500,000. Brief discussion followed regarding forgone. Mayor Casper noted the total forgone amount is \$6.5M. Mr. Hagedorn stated the goal was to have the tentative budget zero, or close to zero so the Council could elect the statutory allowable to fund requests.

Reductions:

Police	\$350,000
Fire	225,000
Parks	200,000
Municipal Services	100,000
Community Development Services	65,000
Changes in benefits estimate	150,000 (no changes)
<b>Total</b>	<b>\$1,090,000</b>

Mr. Hagedorn stated some reductions were still being reviewed. He noted the reduction in benefits was the elimination of a 3% medical insurance increase in the General Fund.

Initial Budget as of 7-19-2021:

General Revenues	\$ 42,514,372
Add: Department Specific Revenues	8,798,302
Subtract: <Department Expenditures>	(52,757,484)
<b>Net Proceeds (Deficit) in Operations</b>	<b>\$ (1,444,810)</b>
Add: Growth and Annexation	1,500,000
<b>Tentative Budget</b>	<b>\$ 55,190</b>
Add: Statutory allowable Increase	1,140,000
Add: Forgone	-
Subtract: <Department Requests>	(3,148,132)
<b>Projected Budget Difference</b>	<b>\$ (1,952,942)</b>

Mr. Hagedorn stated discussion will need to occur for 1% forgone (which would be added to the base) or 3% capital forgone (which would be lost against the base). He also stated the biggest impact to growth and annexation and the 3% statutory allowable is the overall city valuation, which is unknown until the county numbers are received in August. He indicated, in theory, a 1% over time has a larger impact than 3% one time.

General Fund Summary – Revenue

	FY19	FY20	FY21	FY22
Total General Fund Budget	\$46,790,933	\$48,972,711	\$49,287,797	\$51,312,674

Mr. Hagedorn stated the Taxes and Franchise Fees amount has been used from FY21 as FY22 hasn't been levied yet, Intergovernmental Revenue, which includes in lieu of, has increased due to liquor sales and state sales tax revenue sharing, Other Financing Sources includes the contribution to the airport for the Minimum Revenue Guarantee which must be held for two (2) years, and Miscellaneous Revenue includes a payment from urban renewal which has drastically decreased due to the closeout of two (2) districts.

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General Fund Summary – Expenditure

	FY19	FY20	FY21	FY22
Total General Fund Budget	\$46,380,570	\$49,972,711	\$50,322,082	\$52,757,484

Mr. Hagedorn stated Operating Expense has decreased, the Capital Outlay increase is for approved items, Debt Service is the payment for the Law Enforcement Complex, and Salaries and Wages has the largest increase which is just under \$2M (22-25% of wages are variable based on salaries). Mayor Casper noted the increase for salaries and wages barely covers the property tax. She also noted the formula for sales tax has changed, and she believes the Council needs to be aware of redefining the formulas. Mr. Hagedorn stated the largest increase in Interfund Allocation is due to a change of work orders. He noted expenditures exceed revenue by approximately \$1.5M.

The Bottom Line:

- Top expenses are wages and benefits
  - Added 20 General Fund employees over the previous five (5) years, which is a 5% increase to the General Fund

Mr. Hagedorn believes the Council must be careful when adding employees and recommended not adding a lot of employees at one time as this has a compounding effect.

- Budgeted overtime has increased from \$825,573 in 2008 to \$1,722,999 in 2022

Mayor Casper believes a deep dive may need to occur within each department to determine if the city can afford the level of service that is being offered. Mr. Hagedorn stated this was attempted through Priority Based Budget. He also stated in today's economy cities cannot offer the same level of services in all areas. Discussion followed regarding Idaho Falls Police Department staff and the level of their leadership. Mr. Hagedorn stated funding should be based on priorities.

Follow-up Discussion:

Mr. Hagedorn stated the July 20 budget presentation includes property tax methodology and department requests review, specifically the General Fund departments. General comments and discussion followed.

There being no further business, the meeting adjourned at 5:28 p.m.

s/ Kathy Hampton  
Kathy Hampton, City Clerk

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