

July 22, 2020 Budget Session

The City Council of the City of Idaho Falls met in Council Budget Session, Wednesday, July 22, 2020, at the City Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 10:00 a.m.

There were present:

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

Also present:

- Pamela Alexander, Municipal Services Director
- Mark Hagedorn, Controller
- Josh Roos, Treasurer
- PJ Holm, Parks and Recreation Director
- Ed Morgan, Civic Center for the Performing Arts Manager
- Randy Fife, City Attorney
- Kathy Hampton, City Clerk

Mayor Casper called the meeting to order at 10:12 a.m. with the following:

Opening Remarks, Announcements:

Mayor Casper reminded the Council that the preliminary budget adopted on July 30 is the not-to-exceed amount. This would allow additional discussion prior to the formal adoption of the budget. She reviewed the upcoming budget session calendar.

Introductory Remarks as Needed:

Director Alexander commended the finance team.

Preliminary Review and Discussion of Council Unfunded Priorities; Presentation and Discussion of Funding Options; Presentation and Discussion of Various Levy Proposals, including an Airport Levy and the Recreation Levy:

Mr. Hagedorn reviewed the unfunded requests:

- Recreation Fund –
 - Recreation (Rec) Levy \$400,000*
 - Aquatics Dehumidification (dehyde) System \$750,000 (discussion followed including placing this item within the Municipal Equipment Replacement Fund (MERF). Mayor Casper stated the previous Parks and Recreation (P&R) Director believed the priority was a new Recreation Center, which would have included a pool. Therefore, the Aquatic Center was not considered a priority.)
 - General Fund
 - Idaho Falls Redevelopment Agency (IFRdA) \$300,000
 - Police Crisis Intervention Team (CIT) Officer \$100,000*
 - Police station payment (estimate) \$1.5M*
 - Funland renovation \$100,000
 - Splashpad \$100,000
 - Aerator \$35,000 (this item was listed in the P&R budget although not specifically addressed during the presentation)
- Total \$3,285,000

Ongoing costs *

July 22, 2020 Budget Session

Mr. Hagedorn stated there was some miscommunication with County staff regarding the annexation numbers. The annexation was previously noted as approximately \$16M, which has been corrected to approximately \$43M. This changed the City amount from \$148,000 to \$378,000.

Mr. Hagedorn reviewed funding options:

- IFRdA District close-out \$600,000
- New construction \$977,906
- Annexations \$378,302
- Subtotal \$1,956,208

- Statutory increases
 - 1% = \$374,488
 - 2% = \$748,975
 - 3% = \$1,123,463

Mr. Hagedorn reviewed levy allocation scenarios for \$150,000, \$200,000, \$250,000, \$300,000, and, \$350,000 residential and \$500,000, \$2M, and, \$10M commercial.

Mr. Hagedorn stated valuations are not set until November, these numbers could slightly change. He reminded the Council that the statutory amounts would not apply if the City opted in to the Property Tax Relief Program. Councilor Francis believes some of the 3% would need to be taken as most funding would go toward the Law Enforcement Complex (LEC). Mr. Hagedorn is unsure of the actual LEC amount, the bond information, or when a first payment would be required. Additional information would be required. To the response of Councilor Radford, Mr. Hagedorn stated a bond is considered ongoing revenue, a Certificate of Participation (COP) is not. He believes there must be a means to budget for a COP. Councilor Radford believes forgone, as a pot of money, would be the only solution for Certificates of Deposit.

Mr. Hagedorn reviewed Idaho cities that have a Rec Levy with \$100,000 or more. He stated most cities of similar size of Idaho Falls do not have Rec Levies. He noted Idaho Falls is on the lower side. To the response of Mayor Casper, Mr. Hagedorn stated every City sets the dollar amount, the County sets the levy rate. He also stated a Rec Levy is a mixture of potential operational and capital expenses. Per discussion with Director Holm, P&R needs a dedicated revenue source for repairs and maintenance of existing capital items. This could be in the MERF or a dedicated property tax, although MERF would take 7-10 years. Councilor Hally recommended taking a minor step toward the Rec Levy. Mr. Hagedorn stated Director Holm requested an increase of the levy to \$1M, which would be \$275,000. Mr. Hagedorn added an additional \$125,000 for future ongoing capital savings. This is a separate request from the dehyde replacement. Councilor Francis questioned the growing negative number in the Rec Fund. Director Holm stated he is trying to keep the program at a level that is obtainable and equitable as best as possible. He has struggled for at least six (6) years to have this balance. \$2M has been budgeted although hitting the revenue projections have been difficult. The Aquatic Center is about a 50% subsidized facility. The largest chunk of the Rec Levy goes to this facility. To the response of Councilor Francis, Mr. Hagedorn stated this amount would temporarily keep the Rec Fund out of the red. The levy or fees would need to be increased each year as the levy rate is not stagnant and must be re-done each year. Mr. Hagedorn reiterated the levy rate is set by the County and, valuation is the biggest driver. To the response of Mayor Casper, Mr. Hagedorn stated the \$1.9M (subtotal amount) is the ability to levy and, it has not been assigned to a specific fund. He also stated the Rec Levy is a revenue account. An allocation of \$750,000 to the Rec Levy would zero out the \$750,000 dehumidification system, although this would also mean an additional \$750,000 each year for the Rec Levy which is currently \$723,000. Councilor Francis believes the amount for the dehumidification system should be taken from the General Fund. Council President Dingman stated she is struggling taking any levy increase at this time due the higher amount of annexation and new construction. She noted as of May 2020, the Bonneville County unemployment rate is 6.1%, she believes an unstable economy and pandemic could stretch out, and, another shut down could permanently close businesses. She stated the Council has been presented with a flat budget and options which communicates priorities to the taxpayers. She also stated the decision was made in the previous year to support public safety. Council President Dingman supports increasing the Rec Levy by \$200,000, purchasing the dehumidification system at \$750,000, and allocating the remaining amount for a down

July 22, 2020 Budget Session

payment to the LEC. She emphasized the LEC is her top priority. Councilor Hally concurred with only taking the County allocation amount. He believes it's better to build the LEC all at once although a future date may need to be considered for the LEC. Council President Dingman indicated prices are changing daily due to the Coronavirus (COVID-19), the LEC will only cost more in the future. To the response of Councilor Smede, Director Holm stated the Rec Levy would help offset operations and maintenance. Councilor Freeman stated he is unwilling to take any levy increase, he believes the tax relief program would be a big savings to businesses. Councilor Francis believes there is an obligation to future Council and future budgets to take some levy increase as taxes are increasing due to increasing assessments. He stated he is a strong advocate of the CIT officer, he would give less to Rec Fund to fund the CIT. Director Holm noted a \$50,000 match-money pledge from the City for Funland, in the event of a capital campaign, would allow spending authority of \$100,000, he believes the \$100,00 for the splashpad would give additional amenities although these additional amenities could be accomplished in the next 2-3 years, and P&R has the ability to loan the aerator equipment from other divisions. This could reduce unfunded requests by \$135,000. Councilor Smede believes the citizens should receive the tax rebate. She is in favor of the dehyde system and the LEC. Brief discussion followed regarding the tax relief program. Mayor Casper stated the \$1.9M (subtotal amount) is partially driven by economic development. She believes allocating some money to IFRdA is putting money into new growth. She also stated, per Chief Johnson, the Idaho Falls Police Department (IFPD) could function without the CIT (Chief Johnson stated CIT principles are not being ignored, there is a very robust CIT program and, he reiterated the difficulty of filling positions. He does not believe he could fill the CIT position by October 1) and, future LEC discussion may not include an actual amount (Chief Johnson believes the cost for the LEC will be higher based on the inability for a one-story building). Mayor Casper believes the not-to-exceed amount may need to be higher. She noted the Airport (IDA) is unsure of pandemic money, if additional funds become available to IDA, the \$541,000 IDA request could possibly be used to for allocations. To the response of Councilor Radford, Director Holm stated there has been no dehumidification system from September to March and only one (1) dehyde system is currently running. The exact amount of the dehyde system is unknown at this time pending the assessment report. Director Holm believes this facility should remain in operation even with any additional community facility therefore, the dehyde system would remain at this location. Councilor Radford agrees with Councilors Freeman and Dingman not to increase the taxpayer burden or raising the levy. He believes these situations hurt governments later on and, it will not get any easier. Councilor Radford noted, per recent American Public Power Association (APPA) Policy Council, he believes additional monies will be received from the Federal government. Brief discussion followed regarding the not-to-exceed amount and the timeline. Councilor Freeman noted any of the statutory 3% could be included in forgone. Director Alexander confirmed a public hearing must be held for forgone. To the response of Councilor Radford, Mayor Casper stated the Pinecrest Golf Course grant is included in the P&R budget, the contract is being reviewed by legal. Mr. Hagedorn stated even though payments are being budgeted, the overall project must be budgeted and the contingency would need to be increased to approximately \$53M to allow the budget authority. Mayor Casper noted the delays of the P&R and the LEC information has been due to multiple reasons. Following brief comments, there was consensus to proceed with the July 23 Budget Session.

There being no further business, the meeting adjourned at 12:13 p.m.

s/ Kathy Hampton
Kathy Hampton, City Clerk

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