

## July 28, 2020 Budget Session

The City Council of the City of Idaho Falls met in Council Budget Session, Tuesday, July 28, 2020, at the City Council Chambers in the City Annex Building located at 680 Park Avenue in Idaho Falls, Idaho at 8:30 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 (departed at 12:05 p.m.)

Also present:

Bryce Johnson, Police Chief  
Jeremy Galbreath, Police Captain  
Rodney McManus, Architects Design Group, Vice President of Operations  
Jessica Clements, Police Public Information Officer  
Chris Fredericksen, Public Works Director  
Chris Canfield, Assistant Public Works Director  
Pamela Alexander, Municipal Services Director  
Mark Hagedorn, Controller  
Josh Roos, Treasurer  
Christian Anderson, Zion's Bank  
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 8:30 a.m. with the following:

### Opening Remarks, Announcements:

There were no opening remarks.

### Coronavirus (COVID-19) Update:

Mayor Casper stated Bonneville County has been above the ten (10) active cases per 10,000 population for the majority of days since the Moderate Risk level went into effect. She noted the Chamber of Commerce has now committed to a mask-wearing requirement in their facility. She indicated there is a correlation between mask wearing and a decrease of COVID.

### Law Enforcement Complex (LEC) Design and Cost Projections Report:

Mayor Casper stated information for the preliminary design was received on July 27. She noted different methodologies are used for construction projects (including a Construction Manager General Contractor (CMGC)), however, the decision was made to take advantage of the talent within the City. Therefore, an internal team of the Idaho Falls Police Department (IFPD), Public Works, and Municipal Services was created to assist with this project.

Chief Johnson reviewed the renderings of the IFPD LEC on Northgate Mile. Public entrance, the training area, detective space, and administration offices will be located on the second floor. The public will not be treated with the current security measures. There will be a secure entrance to the first floor from the back side with a security gate. Patrol, the evidence room, forensics, a staff support area, and a break room are located on the first floor. Chief Johnson stated this was always conceived as a two (2) building project, although due to the site, it was made into three (3) buildings. A separate facility would house all vehicles and trailers. The third building would house an in-door range and a training room. The IFPD believed the design would enhance the area and would meet the needs of the IFPD. However, Chief Johnson stated the project amounted to \$41M, which was higher than anticipated. Therefore,

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following discussion, the third building, estimated at \$4M, would be eliminated. The training room could be relocated to the upper level of the LEC. Chief Johnson stated the architects, Public Works, and the building official are reviewing other cost savings, including a shared community room with the training room. Chief Johnson reviewed the topographic map which shows buildable and non-buildable spaces. He also reviewed upper and lower level dedicated spaces. Mr. McManus stated this design is the best way to segregate the public space from the needed police spaces. The public could be allowed access to certain areas and the IFPD is wanting this facility to be welcoming to the community although the lines of security need to be strong and invisible. The secured areas at the back of the facility assists with this. Mr. McManus believes the uses of the facility will be very efficient. Chief Johnson stated nothing extravagant was designed with this facility. Mr. McManus concurred, this was based on needs not wants. Chief Johnson reviewed cost estimates for the building and equipment. Total cost for the site was \$7M. Mr. McManus stated although the site is well suited for this project, the site is separated by a utility easement which must be worked around. The roadways and parking areas must also be built up. Chief Johnson believes estimates could be reviewed, he is hoping to get the final cost below \$30M. To the response of Councilor Freeman, Director Fredericksen also believes costs could be reviewed for value engineering. He believes this building can serve the IFPD and the community well into the future. He noted this area is 7.5 acres and it costs approximately \$1M per acre to develop this location. He also noted for every dollar that is cut, there is a multiplier for the contingencies. Mr. McManus stated construction of the building is dependent on the region and site including tilt-up or masonry construction and, using internal sustainable and durable materials. He believes it's very important to construct the building properly as the building will be used 24/7/365. Councilor Hally believes the annual escalation (two (2) years) of 4% could decrease pending a recession. Mr. McManus agreed, although there is no guarantee for any decrease. To the response of Mayor Casper, Mr. McManus stated it would take 10-12 months for design and 12-14 months for construction of the facility. He is looking to bid out in the next year. Also to the response of Mayor Casper, Director Fredericksen is hoping to continue with the design parallel to the \$1M funding allocated by the Council. Mr. McManus reviewed General Conditions (charged by any contractor). He stated the 15% design contingency was increased to allow coverage, however, he does not believe this amount may be needed and could drop to 3-5% with construction. To the response of Mayor Casper, Mr. McManus agreed the better the design and estimates, the less to use the contingency. Director Fredericksen also believes the 15% contingency will decrease. Brief discussion and comments followed regarding the contingency. Councilor Radford questioned costs for other law enforcement facilities and the security standards throughout the Country. Mr. McManus stated costs are reviewed on a regional basis, they do not skip on security standards, and he also believes the cost of this project could be reduced. Councilor Francis questioned the possibility of a future third building (the indoor range facility) or a scaled-back version. Chief Johnson believes the lion's share of the cost would be the indoor range. Mr. McManus concurred. Chief Johnson stated training could be completed as is and the IFPD could continue to use the shared outdoor range, although there are several issues with this range. Other options could be reviewed. Chief Johnson does not envision other construction at the LEC in the near future. Councilor Radford questioned the yearly savings of moving all IFPD staff to one (1) facility versus their current eight (8) locations. Director Alexander was unknown of this cost estimate. Mayor Casper believes a LEC should meet the needs for 30-50 years with the possibility of minor modifications. Councilor Freeman concurred, although he realizes this may be difficult. Councilor Radford believes the cost should be closer to \$20M. He cannot commit the City to 30 years of payments without going to bond. Mayor Casper noted \$20-25M range was discussed a year ago. Chief Johnson noted the site added cost including community and economic development. He is willing to do what Council requests. Mayor Casper questioned the value of this site for the LEC. Councilor Hally believed this site was chosen as a corridor for the area. Councilor Francis also believes the centralized location was a factor. Councilor Freeman believes there will be cost at any location, he believes this site should be used for the LEC. Councilors Dingman and Smede agreed. Mr. McManus believes grants may be available, he could provide this information. Captain Galbreath confirmed the Brownfields grant through the Community Development Services Department was used.

### LEC Financing Options:

Mayor Casper stated \$1M has been allocated in the upcoming budget for this project. Director Alexander noted there is no funding available from the Government Finance Officers Association (GFOA) for this project. She also stated per conversation with Zion's Bank, financing scenarios have been updated per the current interest rates. Mr. Roos stated interest rates started to increase during COVID, however, the rates are now decreasing. Current rates for

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General Obligation (GO) Bond for 30 years is 3.01% and Certificate of Participation (COP) for 30 years is 3.17%. Mr. Roos believes this would be a good time to bond. To the response of Councilor Radford, Mr. Roos confirmed bonding would not occur for another year. To the response of Mayor Casper, Mr. Roos believes an annual payment would be \$1.3-2M, for possibly 25-30 years. Councilor Francis questioned bonding when the amount is unknown. Councilor Radford believes the money should come out of forgone as this is money brought in by perpetuity. He believes the yearly growth and construction goes to other items. Councilor Francis questioned the timeframe and saving money by utilizing the COP. Mr. Hagedorn is unsure when the funds are needed and when payments are due. He noted \$1M is due at time of construction. He assumes payments would not begin until certificate of completion. He noted GO or COP are just different types of bonds. There would be four (4) options available for funding – a GO Bond, a COP, forgone, or the General Fund. Mayor Casper believes additional discussion may need to occur with Zion's Bank regarding a GO Bond or COP. Councilor Hally believes \$25M should be the maximum amount with a 30-year timeframe. To the response of Council President Dingman questioning the cost of the Fire Station, realizing as a cost estimate there will only be one (1) LEC versus the multiple fire stations, Director Fredericksen believes the fire station amounted to approximately \$6M. Discussion followed regarding the interest rate, the number of years for a payment, a lower overall payment, bonding, and forgone. Mr. Hagedorn stated a bond would bring in money for the construction although the payment is a segregated payment, a bond is not new money. He does not believe, per annual tax training, a bond affects the levy rate. Mayor Casper believes an election for a bond simply says the voters are agreeing to incur the debt. The debt must be paid through the budget capacity. This does not automatically increase taxes. Mr. Fife stated per the Constitution, there is a provision that allows a process to incur debt which must be approved by 2/3 of the population, or the needs as ordinary or necessary could go to a judge to incur the debt, or a multi-year contract could occur through a COP. Brief discussion followed the Idaho Falls Power (IFP) bond.

Mr. Anderson stated following a GO Bond election, the market can be accessed in approximately ten (10) weeks however, due to the timing of the election (in November) the levy would not be certified until September 2021 so no payment would be due until spring 2022. He indicated most investors will walk away if a payment is beyond a year timeframe. He stated this could be addressed by capitalized interest (proceeds are set aside to pay an interest payment within that year), however, this is not a qualifying expense for a bond issued. Another option would be to delay the issuance until March 2021. Mr. Anderson clarified a GO Bond election is not just an issuance of debit, this also authorizes the City to levy additional taxes to meet the payment on this debt. This does not have to impact the main budget. There is also no impact on the normal levy, the new construction or annexation, forgone, or the 3%. Mr. Hagedorn believed a bond requires a pledge of ongoing tax revenue. He questioned if that levy amount counts against the other formularies for determining property tax. Mr. Anderson stated it does not, it would function similar to school district bond levies and will show as a separate line item on the property tax bill. It is not subject to the 3% and forgone cannot be taken from the levy. It is additional authority to levy up to the amount of the annual payment as long as the bond is outstanding. Mayor Casper stated steps can be taken to minimize the obligation to the taxpayer. Director Fredericksen questioned construction and/or design cost being included in the GO Bond. Mr. Anderson stated the GO Bond would include whatever is financed. The full balance would come to City in one (1) lump sum and the City would spend the money as needed per the timing of the project. Mr. Hagedorn noted a bond payment would be due 2022. Mr. Anderson stated the City would need to engage bond counsel to assist with the ordinance and bonding for a ballot item.

Mr. Anderson stated a COP does not constitute debt, per the State Constitution, as it is a series of one-year obligations that Council must vote to reaffirm. There is no automatic renewal. If the Council chooses to renew the lease the City would retain access to the facility, if the Council chooses not to renew, the facility would need to be vacated. The bond holders, as the certificate holders, take on the risk. Generally, the risk would be low as there would be a facility and, the City would show the financial resources to meet the annual obligations. Mr. Anderson stated a vote is not needed and this would not come with the added levy as a GO Bond. This would be part of the general budget deliberations. This process can begin at any time and funds could be available by year end although a final amount would need to be determined and it would need to be determined when the City would begin making payments. Mr. Anderson believes the best case scenario would be to hold off on the sale of certificates until there is a guaranteed maximum price contract. This overall process takes 3-4 months. Mayor Casper noted any ballot decision must be made by the end of August. Director Fredericksen believes a cost estimate could be completed by this timeframe.

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Councilor Hally would like to keep the LEC cost around \$27-27.5M. He prefers to make payment based upon growth and the ability to take 3%. He is reluctant to have a bond levy. Councilors Francis and Smede believe the Council should consider \$30M. Councilor Freeman is favorable for below \$30M. Mr. Hagedorn questioned the timeframe of a COP payment. Mr. Anderson believes \$1M could be made for the interest payment in September 2021 or design costs with reimbursement from the COP. To the response of Mr. Hagedorn, Mr. Anderson stated any cost directly related to the construction or financing of the project can be rolled into the COP as well as issuance cost of the COP itself. These are typically semi-annual interest payments with an annual principle payment which could be structured so the Fiscal Year total is the same each year. Mr. Anderson stated the issuance fee costs would be included in the estimated payments. He also stated issuance fees and the interest rate would be slightly lower on a GO Bond versus a COP. To the response of Mayor Casper, Mr. Anderson stated it is common to have funding options prior to known numbers of the project. Director Fredericksen believes \$30M could be achieved. He also believes construction contracts in October 2021 would be ideal. He noted payments would begin as soon as design contracts begin. Mr. Hagedorn confirmed this line item is not effective until October 1. Councilmember Radford believes there would need to be accountability with the costs and any overage. He also believes annual maintenance costs need to be included with this project, similar to the Municipal Equipment Replacement Fund (MERF). Mayor Casper believes accountability comes with decision making. To the response of Mayor Casper, Mr. Anderson stated any upkeep/maintenance cannot be financed. Chief Johnson noted maintenance costs are included in the IFPD budget. Also to the response of Mayor Casper, Mr. Anderson believes bond counsel would exceed \$25,000, this is typically wrapped into the financing options. Mayor Casper stated additional funding options will tentatively occur at the August 10 Council Work Session. Mr. Anderson recommended a resolution be adopted for this project. Following brief comments, there was consensus of the Council not to adopt a resolution. Mr. Anderson also recommended the City engage with bond counsel as soon as possible. He noted bond counsel will be required for a GO Bond or a COP.

**Finalize Not-to-Exceed budget:**

Director Alexander stated this item will be included on the July 30 Council Meeting agenda.

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