

CITY OF SHELLEY
SPECIAL MEETING
MINUTES

AUGUST 15, 2017

PRESENT: Mayor Stacy Pascoe

Council Members: Earl Beattie, Jeff Kelley, Kim Westergard, and Adam French

Police Chief: Rod Mohler

Public Wks Dir.: Justin Johnson

Recreation Dir.: Mikel Anderson

City Clerk/Treasurer: Sandy Gaydusek

Mayor Pascoe opened the meeting at 6:05 p.m.

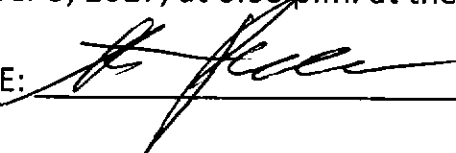
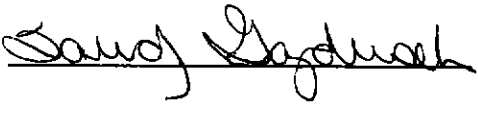
This meeting was called to consider adoption of the tentative budgets for fiscal year 2017 – 2018.

Sandy discussed each of the funds for the proposed budget. She presented a narrative for each fund. A copy of the narrative and what items she presented are attached to these minutes. The Mayor and Council had some questions regarding the new equipment presented in the budget. After further discussion it was determined that this equipment would be left in the budget to discuss at the budget hearing. Sandy discussed the proposed rate increase to the sewer fund, and there was further discussion on the amount charged for asphalt repair. Sandy said currently the city charges \$3 per square foot. The Mayor and Council felt this may need to be higher to cover the city expenses. Sandy and Justin will look into this matter, and if the rate needs to go up over 5%, a hearing will be advertised to be held the same night at the budget hearing. Kim moved, Adam seconded to adopt the tentative budget for 2017-2018 as presented and attached to this document, and to publish for a fee increase to asphalt replacement if necessary. Approved unanimously.

Sandy presented the Shelley Urban Renewal Area budget for fiscal year 2017-2018. She said this will be the last year that any funds will remain in this agency since the URA was retired several years ago, and the remaining funds will be used for the water tank project. Jeff moved, Earl seconded to adopt the tentative budget for the Shelley Urban Renewal Area as presented for 2017-2018 fiscal year. Approved unanimously.

Sandy presented the Country Club Road Urban Renewal Area budget for fiscal year 2017-2018. She said this budget reflects the proposed revenue that will be received from taxes from Golden Valley Natural, and a portion of that will be sent back to Golden Valley in repayment of the TIF. Adam moved, Earl seconded to adopt the tentative budget for the Country Club Road Urban Renewal Area as presented for fiscal year 2017-2018. Approved unanimously.

All three budgets will be considered for adoption at the Budget Hearing on September 5, 2017, at 6:00 p.m. at the Shelley City Hall.

APPROVE:  ATTEST: 

FISCAL YEAR 2017-2018 BUDGET

The city's valuation raised approximately \$678,198 this year up to \$147,790,480. A total of \$973,164 will be levied for in property taxes which include a proposed 3% increase totaling \$28,487 and new construction of \$9,226. The levy rate last year was 0.006357759. The projected levy rate this year is 0.006584754. Property owners with a value of \$100,000 after the home owner's exemption will see an increase of \$22.70 annually, or \$1.89 monthly from their city taxes. It is proposed to not use any of the forgone amounts this year. There are new requirements when forgone is used; we must publish our intent to use it and hold a public hearing in conjunction with the budget hearing. We now can opt to disclaim any forgone which after a resolution is created it is taken off of the books through the County. I have put \$37,000 of the additional monies into the street fund which is a portion of the 3% increase from property taxes. An example of property taxes is property valued at \$100,000 **after the homeowner's exemption** will pay \$658.47, last year they paid \$635.77. Legislature passed a bill a few years ago that exempts businesses from paying personal property taxes on the first \$100,000 of personal property (equipment). This has lowered a portion of the city's valuation. However, the State will be sending funds to replace the revenue that will be reduced to the city each February (approximately \$14,000). This has not been included in the property tax projected revenue; however the revenue is appropriated to the General Fund. The proposed fee increases planned for this year will raise the sewer rate by \$2.00 per ERU. EIRWWA will receive \$.32 per ERU for O&M since they have proposed this increase in their budget. The remaining \$1.68 will be appropriated to the city collection system bringing our portion to \$7.16 per ERU. A public hearing is required for the about fee increases since they are over or close to being over 5%. The employee's medical insurance will increase by about 3.42% in September which will be an annual increase of about \$4500. We will still use our "buy down" program in regards to the deductible. Our liability per employee using their full deductible is \$1200. However, with the turnover we have had I have conservatively budget 40% liability. The plan change will cause a difference in the RX plan to the employees. There will be six tiers for drugs. Tier 1 and 2 will have no deductible or a \$10 deductible. Tier 3-6 will have a \$1000 deductible before the copay to the employee. There are four of us that have a RX in one of those tiers. However, I talked to our insurance agent and most name brand drug companies are offering a manufacturers discount which will pay for the deductible hopefully. Dental Coverage has a slight increase of \$.84 per month per employee, which is \$202 per year. The city is proposing a 2% cost of living raise based on the Department of Labor index from May of 2016 to May of 2017; however the police department will receive a 3% raise to try and get their hourly wages higher to attract potential employees and retain those who have been here for a number of years... Merit raises will be considered per the wage scale. The increase for payroll raises totals approximately \$54,614. (The COL portion is \$27,488).

GENERAL FUND – This fund totals \$2,070,657 which includes the carryover in the amount of \$888,802 from last year. This is down from last year by about \$1,513. This year the general fund will receive \$727,210 from the property taxes and \$14101 from personal property tax replacement. Once the TIF for Golden Valley is retired the city

should expect to see an increase in tax revenue of \$80,000 to \$90,000 based on the valuation at that time. We have received \$10,000 per year for an admin. fee which will continue annually until 2020. A contingency of \$436,877 is expected to be left for capital improvements at the end of the new fiscal year which is down by about \$34,446. This is due to more property taxes being put in the streets fund for improvements. The investments from Corp. Bonds have decreased in revenue, but we are still receiving interest that balances it out and adds revenue to the individual funds (\$25,000). I budgeted \$40,000 to be on the conservative side. The Retirement Health Program is going great. Dawn has rolled off, and Dave and Chuck are due to roll off in November. Beth will remain on it until May so this additional expense is included. I have increased the revenue for DMV transactions since we are receiving so many customers from Idaho Falls. Last month we actually covered the overhead from wages and benefits. I will continue to analyze this towards the end of the year. I have budgeted \$2500 for possible temporary help when Jasmine is gone for 12 weeks on maternity leave. We may need that help during year end procedures. I have budgeted for a new computer and software through the State Revenue Fund; however the annual support will come from the General, Water, Sewer and Sanitation funds of about \$5700 per year. This year the capital expenditures from this fund include Recodification of City Ordinances (\$6200), Recreation District Election (\$18,000), and Tasers (\$3000). I have budgeted for a Part Time Police Office Staff, and a Part Time Patrol Officer (\$31,000) this may help with overtime costs, and pool covers, heaters, pipe replacement, and doors at the pool (\$25,000) Diamond Dust for the Fields (\$2500). I have budgeted \$300 per year for new Welcome Signs as instructed during the last budget. That way we will have enough to replace the signs again in 2023. We are still supplementing a portion of the pools operation. In 2010 the pool was in the red by \$26680, 2011 by 34,876, 2012 by \$25,429, 2013 by \$27,256, 2014 by \$27,474, 2015 by \$18,777, and 2016 by 22,089. Each year \$3000 is added to the park construction in the general fund each year making a total of \$34,200 this year. The General Fund is in good financial condition. The General Fund budget grew by \$19,824, which is partially due to slight increases in contingencies, health, dental, wages, retirement, etc. This fund receives it's monies from property taxes, sales tax, pool admission, dmv fees, building permits, city licenses, etc.

STREET FUND- This fund totals \$732,797 which includes the carryover of \$213,843 which is down \$183,811 from last year. In the past five years the carryover and contingency have dropped every year due to the street improvements. However, we have come a long ways from spending just \$39,000 on seal coating to improving our streets each year spending about \$200,000. We have increased the property tax portion to the street fund, but we still need to generate more revenue to continue on with our improvement plans each year totaling about \$200,000 plus \$80,000 for seal coating. The increase to property tax and the new HB312 revenue from the State helped maintain this fund better (\$40,000). About \$200,000 was spent repairing and overlaying streets last fiscal year and \$80,000 for seal coating/micro-surfacing. This year the street fund will receive \$242,954 from property taxes, which is about \$37,000 more than last year. A contingency of \$50,000 is expected to be left if no emergencies occur. In the next year or so we need to look at our incoming revenue from taxes. It is hard to project exactly where the crew will be working; streets, water, sewer, etc. Therefore, payroll is projected

a little higher. We went over budget in snow removal last year by \$11,000. Franchise fees will remain the same, and \$8,000 was appropriated for the Sidewalk Replacement Program instead of \$15,000. This amount should still be enough to help those who need to replace their sidewalks. There are no other major expenditures this year other than improving some of the streets. This fund receives its monies from property taxes, state highway user tax (\$188,000), sales tax (\$10,000), franchise fees (\$56,000), and road and bridge (\$22,000).

STREET LIGHT FUND – This fund totals \$123,180 which includes the carryover of \$107,180 (down \$5450). This year the street lighting fund will be allotted \$3000 from property taxes. A contingency of \$85,180 is expected to be left for capital improvements for future years. I have increased the electricity for the street lights whereas we have a couple new subdivisions coming on that we will be paying for their street lights. This fund receives its monies from property tax and sales tax.

WATER FUND – This fund totals \$1,954,415 which includes the carryover of \$537,415 (down \$31,921). A contingency of \$70,000 is expected to be left for capital improvements for future years and unexpected expenses which is a decrease from last year (approx. \$378,391) (includes emergency projections). This is because we have purchased water rights in conjunction with the land purchase, and the water tank project (\$500,000). We increased the fees 17.15% in April and about \$60,000 each year will go to build up capital improvement funds. We will be receiving a grant from the Idaho Department of Commerce (\$400,000) and URA monies (\$600,000) to go towards the 1.5 million dollar project. \$100,000 will be expended from the Water Reserve Fund. A small portion of the project (\$40,000) was paid this fiscal year. \$10,000 is set aside for hydrant replacement each year. There will be no rate increase this year in the water fund. We are still trying to acquire a generator since the new well is functioning. The proposed purchases are four new meters as mandated by IDWR (\$50,000) has been carried over to this year, and must be completed by January 2018. I will need to review contingencies, carry over, and capital improvement monies next year to see if another rate increase will be needed. The only source of revenue to support this fund is from water users.

SEWER FUND – This fund totals \$2,014,281 which includes a carryover of \$1,608,281 which is down about \$196,222 from last year partially due to the purchase of a much needed sewer vac truck. There is an expected contingency of \$1,563,000 which is up \$157,212 from last year. There is an increase of \$.32 per ERU proposed for EIRWWA since they have proposed to raise their O&M fees by that much. The city is proposing a \$2 increase which includes EIRWWA's increase. This will help fund our collection system and raise our portion to \$7.16 per ERU. This is a 4.7% increase. We have not raised our portion for several years. We will be paying EIRWWA just over \$252,000 for O&M at the plant based on 1898 ERUs. The ERU count has decreased slightly with GVN changing their wastewater disposal method. Currently we collect an extra \$4.50 from residents in West River Estates for the lift station. There is no increase proposed for the lift station patrons. I have set aside \$1,500,000 for capital improvements for the treatment plant which I have been trying to add \$200,000 per year to so we are prepared for any future upgrades. We will need to replace the membranes and provide phosphorus

treatment sometime in the future. This will leave just \$63,000 for emergencies and capital improvements. Approximately \$140,000 is accrued each year in the Sewer Bond Fund after the bond is paid and \$53,000 is accrued in the Sewer Guarantee Fund based on the anticipated ERU count. These funds can also be used for capital improvement at the treatment plant. We currently collect \$5.48 (proposed 7.16) per ERU for our collection system, \$23.78 for the Bond, \$2.37 for the guarantee, and it is proposed to collect \$11.04 for EIRWWA. The next phase of the treatment plant will be to add another train which is estimated at 12 million dollars. This will be necessary when the capacity runs low. Hopefully by this point we should have enough built up in our contingency to fund our portion of this project and well as the membranes, etc. There is also \$5000 set aside to replace manholes. The only source of revenue to support this fund is from sewer users.

SEWER BOND FUND - This fund totals \$1,122,487 which includes a carryover of \$582,487 which is up \$59,450 from last year. The Bond payment is \$487,350 annually. We have an expected contingency of \$635,137 this year. Originally the bond payment was based on about 1600 ERU's. Since we have 1898 ERU's there is contingency being created which can call the bonds in for early pay off, or be used for capital improvement to the system. Our bond term is twenty years and this will be our seventh year making payments.

SEWER BOND GUARANTEE FUND - The city is mandated by the bond covenants to hold 10% of the bond payment in a guarantee fund to make payments in the case of emergencies. This fund totals \$403,960 and will carry this contingency at the end of the year. This can be used for capital improvement to the system once the bond is paid off.

SANITATION FUND - This fund totals \$565,681 (down \$122,860) from last year) which includes the carryover of \$250,581. A contingency of \$182,916 is expected to be left at the end of the year. We purchased a new sanitation truck and will be making payments for three years. We put \$175,000 down when we purchased it. We have been using Eagle Rock Sanitation for hauling to Bannock County Landfill, however we may be switching back to Bonneville County due to an increase of the tipping fee at Bannock County. There is no fee increase proposed for this year. The only source of revenue to support this fund is from the sanitation users.

WATER & SEWER RESERVE FUNDS - These funds total \$585,523 which includes a carryover of \$557,273 (up \$30,000). A contingency of \$97,313 is expected in the water reserve and \$368,960 is expected in the sewer reserve at the end of the fiscal year. \$100,000 from the Water Reserve Fund is being appropriated to the water tank project. These funds are used for any future capital outlay in the water and sewer departments. The revenue in these funds is received from the water and sewer tap fees the city gets when a new home is tapped into our water and sewer systems. Growth seems to be picking up so the funds will continue to grow to use for future infrastructure improvements. EIRWWA gets \$3850 for every sewer connection, leaving \$500 for the city. A study is currently being done by EIRWWA to look at the connection fee to see if it is adequate to cover new growth.

RECREATION FUND – This fund totals \$68,454. A contingency of \$7,069 is expected at the end of the year. 41% of Mikel's wages are being expended out of this fund. 59% of Mikel's wage is supplemented by property taxes. Contingency has maintained but went down slightly since Scott purchases a lot of new football equipment just before he left the city's employment (Over budget by \$2000). Football pays for 9%, Baseball 12% and Basketball 20%. This fund includes all of Mikel's recreation programs; volleyball, jazz basketball, flag football and boy's and girl's baseball. There is no increase in fees proposed for recreation. The revenue is brought in by the fees charged to the participants of each program and is used to purchase new equipment and normal operation. We will begin trying to budget some to replace the tennis courts, however it will be a long time before enough funds exist for this.

STATE REVENUE SHARING – This fund totals \$712,858, which includes a carryover of \$560,858 (up \$277,874). A contingency is expected to be left over at the end of this fiscal year \$573,558. The funds for capital improvements have increased by \$203,374 since last year. Revenue from this fund comes from sales tax which is projected to be up higher this year. I have attributed this to the increase of tourists for the solar eclipse. A portion of the revenue this year is being used for police vehicle (\$40,000), contribution to Sr. Citizens (\$2000) and PUT (\$800), Gator (\$12,000) Sanding Bed (\$25,000), Public Works Truck (\$33,000) Server and Software (\$26,500). The new software will be purchased on a five year plan at \$7600 per year. The annual support will be funded through the General Fund and the Proprietary Funds. We are using approximately \$139,300 (84%) of the projected income this year which includes the re-budgeted gator. However, we were very conservative last year due to the land purchase and the contingency has risen nicely. The remaining will go into contingency to build this fund up for more improvements and infrastructure. This fund is only used for updates and capital improvements, not normal operations. It has been past policy to use one half to three quarters of the revenue expected to be received during the year and allow the remaining portion to build up the contingency for major improvements to the street, water, sewer, etc., I have capital outlay budgeted for the recreation path, street, water, sewer, and building for future projects.

The total budget this year is \$10,327,293 which is up approximately \$1,028,746 due to the 1 million in grant funds for the water tank project. However this was slightly offset by the increase of in property taxes, highway user revenue, and other contingencies for certain projects park construction, sewer upgrades, etc. Several contingencies have decreased this year due to some major purchases last year and as well as this year; garbage truck, vac truck, land purchase, new truck, sanding bed, software & server, and police vehicle, etc. It is important to have some contingency in each fund to be saved and added to for major improvements such as the street replacement program, recreation path, park construction, water line or sewer improvements, and the most important; by having a healthy contingency it allows the city to operate on a cash basis during the last three months of the year (Oct-Dec). During these last three months there is not a large projection of revenue coming in. In January is when the majority of the property tax money is received and is invested and used throughout the year. If the city did not have a healthy contingency then it may be necessary to take out a loan to fund the last quarter of

the year which then would have to be repaid with interest. During this budget year contingencies will be reviewed and the city will need to watch unbudgeted expenditures to keep our contingencies healthy.