

CITY OF BERTHO
COUNCIL MEETING
MINUTES

AUGUST 09, 2012

PRESENT: Mayor Eric Christensen
Council Members: Earl Beattie, Kurt Russell, Stacy Pascoe, and Jeff Kelley
City Clerk/Treasurer: Sandy Gaydusek
Public Works Director: Chuck Lloyd
Police Chief: Rod Mohler
Recreation Dir: Dawn Lloyd

This meeting was held to discuss the new budget for fiscal year 2012-2013. Sandy presented copies of the tentative budget which will be used for publication, budget narratives, health insurance options, and budget information for the police department.

Sandy discussed the narratives with the Mayor and Council. (A copy of the narrative is attached). She said the city's valuation has increased 2.3 million to \$126,685,256. She said the levy rate will go from .006410886 to .006357969 which will be a reduction in citizens property taxes. Sandy said the total amount being levied for is \$805,461. She said the budget has been established with no increase to property taxes, city utility fees, etc. The only fee increase proposed is for an orange tag which would go to \$25 from \$10, a turn off fee which would go to \$50 from \$25, and the asphalt replacement fee which would go from \$2 a square foot to \$3 a square foot. Sandy said she has tentatively figured a 2% cost of living increase and to unfreeze the merit raises. She said the best case scenario so far in health insurance is a 3.5 % decrease; however our insurance agent is obtaining new quotes with the health statements that everyone completed. Sandy presented several options if the city changed the deductible on the employee's insurance. Currently the city buys down to \$500 from the \$3000 deductible. Sandy said the city saves approximately \$40,000 by buying down. She ran averages on how much liability the city has paid out on deductibles for the past fifteen years, and the average is approximately \$10,500 which still have saved the city almost \$30,000 annually. Sandy discussed the possibility of reducing the city's liability by raising the amount we buy down to. Sandy discussed each fund and said there are two funds the contingencies have decreased in; the street fund and the recreation fund.

Sandy discussed new equipment and infrastructure that is proposed to be purchased in the new fiscal year; a new pool cover, handicap lift for the pool, a new pool cleaner, new police vehicle, sewer saw, radio updates, police cameras, police tasers, two computers, GIS mapping program, VFD for Well #1, Part Time Groundskeeper, Well #5 etc.

Sandy checked into the labor laws allowing the city to hire new employees for ninety consecutive days at \$4.25 per hour. She said to be eligible the employee must be 20 years old or younger and never worked for the city before. Sandy said the Labor Department said this law was not intended to save the employer money, but to get work force experience for those new to

it. Sandy said she also checked into the age requirement to work with lawn mowing equipment. She said it is a federal law that the employee must be 18 years or older.

Sandy said she contacted Steve Johnson regarding a discount for fuel the city uses. Steve said there is no profit in gas, but he could give a \$.03 discount for diesel fuel which should begin next month.

Dawn said she was contact by a gentleman looking to construct a gazebo, bench or other structure in memory of Mike Bradley. Some ideas were benches by the walk path, a gazebo at Pillsbury Park, etc. Dawn said she would contact him with the ideas.

Adjourned 7:10 p.m.

ATTEST: Sandy Baydual APPROVE: Eric R. Altman

FISCAL YEAR 2012-2013 BUDGET

The city's valuation raised approximately \$2,309,167 this year up to \$126,685,256. (this is an estimate only until the public utilities value is received). \$1,258,508 was from new construction and the remainder of the increase was from re-assessing the commercial businesses in the city that the county completed. The council determined there will be no property tax increase this year. The levy rate last year was .006410886, and this year is proposed to be .006357969. The city's ad valorem taxes will increase by \$8060 for new construction only. The total amount of property taxes we will levy for is \$805461. An example of property taxes is property valued at \$75,000 **after the homeowners exemption** will pay \$476.85 (A decrease of \$4 from last year). The proposed fee increases planned for this year will raise an orange tag fee to \$25 from \$10, and a turn off fee to \$50 from \$25. There is also a proposed increase to the asphalt replacement fee with is currently \$2 per square foot and is being considered to be raised to \$3 per square foot to cover city expenses. We will also be following up on an ordinance that was adopted a year ago regarding the debt service for those homes that are not occupied due to being gone for the winter, to be sold, abandoned or foreclosed. Since the DEQ loan must be repaid as well as the O&M for the treatment plant there was an ordinance established to charge a minimum charge to cover the debt. Until now there was not an exact figure to be charged since the project was not completed and the repayment of the loan had not begun. The figure to be charged based on the ERU's and the bond payment is \$23.78 for debt service, \$2.38 for debt reserve, and \$9.00 for plant O&M which total \$35.16. I will have a resolution for each of these fees to present at the budget hearing. We began paying DEQ back for the sewer bond in March and will make another payment in September. The upfront fees were paid when the bond was closed, and there will be two payments per year totaling \$487,350, and \$48,735 will go into the reserve account. There are no proposed fee increases for the pool or recreation programs. The employee's medical insurance will be decreasing at least 3.5% which I have used for budgeting purposes; however other companies are in the processing of rating us. The city has elected to "buy down" from a \$3000 deductible, which was implemented two years ago. I have provided documents showing what our premiums would be if we had a \$500 deductible compared to a \$3000 deductible. We have chosen to waive maternity coverage that saves us approximately \$12,000 annually; however we would have to self fund maternity if the need arises. We are proposing a 2.0% cost of living raise across the board for all of the employees, and to unfreeze merit raises that would allow everyone to progress towards their levels for increases. This year there are seven employees that will be eligible for raises based on their performance. Persi will be increasing their rate beginning in July. Class 1 will go from 10.39% to 11.32 %, and class 2 (police) will go from 10.73% to 11.32%. The increase for payroll raises totals approximately \$24,600. Carry over's and contingency increased with the exception of the street and recreation funds.

GENERAL FUND – This fund totals \$1,806,941 which includes the carryover in the amount of \$684,396 from last year. This is up from last year by about \$23,860. This year the general fund will receive \$733,245 from the property taxes. A contingency of \$356,551 is expected to be left for capital improvements at the end of the new fiscal year

which is up by about \$11,780. This year the capital expenditures from this fund include 2 mobile cameras (\$12,000), spray rig (\$2000) and 2 tasers (\$1700), and it is also proposed to hire a part time groundskeeper this year (\$8800). \$3000 is added to the park construction in the general fund each year making a total of \$46,000 this year, and the police department has proposed to implement a vest program which would cost \$1050 each year for five years until new vests can be obtained since the expiration date of a vest is five years. This year \$5250 has been budgeted for seven new vests, however if new vests are purchased in the old fiscal year, it would reduce the expense from \$5250 to \$1050. The city will retain ownership of these vests. I also moved approximately \$5000 more of Dawn's wage back to the general fund. At this time property taxes supplement Dawn's wages by 74%, and the remaining 26% is paid by recreation user fees. I was able to continue to put \$65,216 of the property taxes into the Street Fund to help alleviate the past decrease in State funding, and to cover some of the work shifted from sewer to water and street. The pool has experienced some equipment problems this year which may put us a little more in the red. In 2010 the pool was in the red by \$26680, 2011 by 34,876, currently for 2012 we are in the red by \$11,000, and we have one more month of operation to go. This year I will have Belva retiring in April. I would like to bring in her replacement at least six weeks prior to her leaving since there is a lot of training to be done in that department. I believe the difference in wages should cover the extra payroll incurred during the training process. This fund receives its monies from property taxes, sales tax, pool admission, dmv fees, building permits, city licenses, etc.

STREET FUND- This fund totals \$910,139 which includes the carryover of \$633,923 which is down \$ 131,522 from last year. This is due to the street improvements that were done in the 11-12 fiscal year (\$210,000) This year the street fund will receive \$65,216 from property taxes. A contingency of \$419,399 is expected to be left for capital improvements for future years. It is down this year by \$148,472. The city received a \$16,500 grant from L-Tach to replace our street signs with the required new high density signs, only about \$5000 of that was spent in the prior fiscal year. The remaining \$11,500 has been budgeted to be spent this year. We also need to update our radio system which will be split among streets, water, sewer, and garbage which will cost \$8500 total with \$4675 being taken out of this fund. \$15,000 was appropriated for the Sidewalk Replacement Program to continue. There are no other major expenditures this year unless we decide to improve some of the streets again. We have appropriated \$129,000 for street replacement at \$20,000 per year which has been included in the contingency. This fund receives its monies from property taxes, state highway user tax, sales tax, franchise fees, etc. The city's revenue from the county road and bridge is expected to remain the same as last year.

STREET LIGHT FUND – This fund totals \$148,874 which includes the carryover of \$127,574 (down \$589). This year the street lighting fund will be allotted \$7000 from property taxes. A contingency of \$119,874 is expected to be left for capital improvements for future years (up \$1451). This fund receives its monies from property tax and sales tax..

WATER FUND – This fund totals \$917,348 which includes the carryover of \$589,848 (up \$63,778). A contingency of \$336,848 is expected to be left for capital improvements for future years and unexpected expenses which is an increase from last year (approx. \$55,293). This year the only contingency that will be used is to drill a new well (\$200,000-the remaining will be expended from revenue sharing and water reserve funds). A new well was budgeted to be drilled for several years now; however the contract has been awarded and drilling should begin before the end of the 11-12 fiscal year. There will be no rate increase this year in the water fund. I have started budgeting \$25,000 per year to build a new 1.5 million gallon water tank in the future. There is now \$75,000 in this line item. We may want to look at budgeting for a generator for the new well when it has been drilled. The portion of the radio updates for the water fund is \$2295, and \$10,000 is being budgeted to replace fire hydrants each year. The only source of revenue to support this fund is from water users.

SEWER FUND – This fund totals \$2,659,419 which includes the carryover of \$1,896,919 (down \$831,487 due to \$923,000 project and closing costs). A contingency of \$1,746,327 is expected to be left for capital improvements and updates, and unexpected costs of the wwtp. \$500,000 will be spent before the end of the 11-12 budget year to complete the construction of the wwtp and interceptor lines which were not funded by private users or grants as once thought. \$423,000 was expended to pay for upfront accrued interest and administration fees to close the DEQ loan. There are no rate increases planned for this fund at this time. However, since the debt rate is \$23.78 per ERU and the debt reserve is \$2.38, and the plant O&M is \$9, that only leaves \$4.69 per ERU to operate our collection system. That equals \$96,576 annually, which has a shortfall of approximately \$294,000. However, this amount has emergency expenses, budgeted, and other areas that could be tightened up when we have another years trending. We could also change the way the labor and other expenses have been pro-rated. The city has begun paying their own bond payments. Originally there was a benefit to having EIRWWA collect the debt service funds and pay the semi annual bond payments, however since Ammon felt it was necessary to reduce the sewer connection fee for the developers, and the only way to replace the capital improvement money was to take the county users portion of debt service and put towards future capital improvement. Meaning the county users would not help Shelley and Ammon pay off the bonds earlier as once thought. Therefore our bonds will be paid off in twenty years and Ammon will continue paying for thirty years. Another change will be the obligation for all users to pay for the debt service and the wwtp operation. We have amended our ordinance for this; the exact debt service is \$23.78, the debt reserve is \$2.38 and the plant O&M is \$9 totaling \$35.16 monthly. The portion of the radio update to be paid for out of the sewer fund is \$765, and there is \$10,000 budgeted for a sewer saw. The only source of revenue to support this fund is from sewer users.

SANITATION FUND – This fund totals \$510,916 which includes the carryover of \$220,416 (up \$39,804). A contingency of \$135,021 is expected to be left at the end of the year (up by \$41,844). \$25,000 per year will be budgeted for the next new truck in five years, and a lease payment of \$28,000 is due annually for the next four years for the new truck just purchased. Tipping fees have not increased this year, nor has the hauling

fee yet. The portion for the radio updates is \$765 to be expended out of the sanitation fund. The only source of revenue to support this fund is from the sanitation users.

WATER & SEWER RESERVE FUNDS – These funds total \$658,541 which includes a carryover of \$647,941 (up \$15,830). A contingency of \$477,541 is expected at the end of the fiscal year. These funds are used for any future capital outlay in the water and sewer departments. This year \$175,000 is proposed to be spent on a portion of a new well. 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. Since there has been a reduction in growth, these funds have not accumulated contingency as usual, and we now have to pay EIRWWA \$3000 for every sewer connection, leaving \$1000 for the city.

RECREATION FUND – This fund totals \$58,080 which includes a carry over of \$26,080. A contingency of \$1000 is expected at the end of the year. I have changed Dawn's wage again to appropriate a portion to the recreation fund as well as the general fund. Now 26% of Dawn's wages are being expended out of this fund. I will need to watch this closely to make sure the recreation fees can keep up with this. 74% of Dawn's wage is supplemented by property taxes. This fund includes all of Dawn's recreation programs; girl's baseball, volleyball, jazz basketball, flag football and boy's baseball. 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. There is no fee increase proposed this year.

STATE REVENUE SHARING – This fund totals \$1,024,743 which includes a carryover of \$909,743 (up \$51,094). A contingency is expected to be left over at the end of this fiscal year \$862,243 (up \$71,094). A portion of the contingency this year is being used for to drill a new well (\$100,000), police vehicle (\$33,000), contribution to Sr. Citizens (\$2000) and PUT (\$800), GIS Mapping System (\$10,000), Pool Lift (\$5,000) Pool Cover (\$5,000), Pool Cleaner (\$3,500), two Computers (\$3,200). We are using approximately \$62,500 (54.3%) of the projected income this year, not including the well. The remaining will go into contingency. State revenue has started to improve with a 5% increase projected. 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, however that is not the case this year if the well is drilled.

The total budget this year is \$8,359,521 which is down approximately \$1,585,051 due to the expense that was paid for closing costs for the DEQ loan, final project costs, street repairs, and the elimination of the spray park. Two of our contingencies have decreased slightly this year, the recreation fund and the street fund. However, the street fund used some of it's contingency to complete major repairs to two streets. The recreation fund I will continue to monitor regarding Dawn's wage to see if more needs to be moved back to the General Fund. 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 (\$129,000), recreation path (\$39,000), park construction (\$175,000), water line or well construction,

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.