

CITY OF SHELLEY
SPECIAL MEETING
MINUTES

SEPTEMBER 07, 2011

PRESENT: Mayor Eric Christensen
Council Members: John Lent, Earl Beattie, Charlotte Fredrickson, and Kurt Russell
Police Chief: Alan Dial
Public Wks Dir: Chuck Lloyd
City Clerk: Sandy Gaydusek
Parks and Rec. Dir: Dawn Lloyd

Pledge of Allegiance: Alan Dial
Prayer: Charlotte Fredrickson

Mayor Christensen opened the Budget Hearing for the fiscal year 2011-2012 at 7:30 p.m. He turned the time over to Sandy.

Sandy presented a narrative report and discussed each fund. (A copy of the narrative is attached). The total of the proposed budget for fiscal year 11-12 is \$9,944,572. Sandy said the only contingency that has decreased this year is in the Street Light Fund. She said she has moved some additional property tax monies from the General Fund to the Street Light Fund to help the contingency. Sandy said the council has proposed a 3% increase to the property taxes, an increase of \$.30 per month for a flat residential sanitation rate, and a \$400 increase to sewer connection fees.

Mayor Christensen asked if there is anyone in attendance who wished to give public testimony.

Larry Bateman said his main concern is the 3% increase to the property taxes. He asked what the city is paying for employee medical insurance. He said his insurance went up by 100% this year, and he is now paying \$6000 per year for his insurance. Mr. Bateman said his property taxes went up last year because his property value went up. He said his wages have decreased by 50%. Mr. Bateman asked if the city is obligated to pay 100% of the employee's insurance premiums. Sandy said no, it is a policy decision by the council, however there has to be a certain percentage of participation. Mr. Bateman said he understands about the employee's raises; he hasn't had a raise for four years. He said he knows the 3% increase to the property taxes really isn't that much, but he feels the bottom of the bucket is empty. He said there are petitions that have been circulating asking the city to find the \$32,000 increase in property taxes elsewhere. Sandy said part of the \$32,000 increase is due to new construction. She said the 3% increase equaled approximately \$24,000 to \$25,000. Mr. Bateman did not submit any of the petitions.

Alva Harris said the Mayor and Council are considered part time employees. He said there was an article in the Shelley Pioneer regarding Mayor and Council member salaries. Mr. Harris said the Shelley Mayor makes \$10,800 annually and the council members receive \$5400 annually. He said each of the council members and the Mayor receives full health benefits. Mr. Harris

compared the Shelley Officials to the City's of Rigby and Ammon. He said neither of those cities provides health benefits to their officials. Mr. Harris said he has talked to some of the Senior Citizens in the Cedar Apartments who would like to see the budget lowered. He said one proposal is to cut the councils wages in half and eliminate their health insurance. Mr. Harris discussed the business licenses that were implemented a few years ago along with a \$25 fee. He asked the council to stop increasing fees and to lower the budget. He said when he first came to town there was one Police Chief and one Officer that worked for the city with only one car. Mr. Harris said now we have several, but the population during that time has only gone up by 1300 or 1400 people. Mr. Harris said the Shelley Police Chief makes more than the Bingham County Sheriff. He asked why Shelley pays more for their autos, insurance, personnel, etc. He said now the city is saddling the patrons with a with a maintenance fee to operate the wastewater treatment plant. He said he owns a lot of real estate in the city and has never seen a decrease in fees. Mr. Harris said he has several apartments in the city with one or two people living in each unit and they pay as high of rates as larger families do. Mr. Harris feels the budget should be lowered to help the people.

Jay Morgan asked several questions pertaining to the budget. He quoted the council from the Pioneer as stating "We have no option but to raise the taxes". Mr. Morgan said there are other options. He said if he was running a business and there is a revenue problem that comes up the option is to cut expenses. Mr. Morgan said the 3% property tax increase could be re-cooped from reductions.

Brian Anderson, 714 S. Milton said he is a concerned citizen of the city regarding the increase to the taxes and fees. He feels this has not been taken serious enough. Mr. Anderson said he has talked to people whose salaries have been decreasing. He said he is not getting any increase in his salary this year. He said he realizes there is a lot of work that goes into the budget and a lot of work to running a city. Mr. Anderson discussed the proposed property tax increase and the health insurance for the Mayor and Council. He said the city needs to look at every potential candidate for possible cuts. He said when it comes to personal finances it is taken more seriously, but when it comes to other peoples money it is easier to look at purchasing new police cars sanitation trucks, etc. Mr. Anderson said discussed the proposed 2.5% cost of living raise for the employees, and would suggest if the council has the opinion that the citizens are getting 2.5% increases then it might be okay. He feels the city should look at reducing some of the contingencies since they are not needed at this time. Mr. Anderson questioned the lease purchases the city has made, and recommended to save up for capital expenses before purchase a new piece of equipment. Mr. Anderson said before he was annexed into the city he had a private contractor that picked up his trash. Once he was annexed the city charged him more that the private contractor to collect his trash. He wondered why the city is more than a private contractor for sanitation services. Mr. Anderson suggested using the contingency in the Sanitation Fund rather than increasing the rate by \$.30. He said it would worth comparing the city's fees with other private contractors. Mr. Anderson said according to the report published in the paper the city's budget has increased quite a bit over the past few years. Sandy explained how the budget report shows actual compared to budgeted expenses. She said the budget shows

all contingencies that may not be spent while the actual shows only what was actually spent so there will be a large variance sometimes. Mr. Anderson recommended that the budget be no more than last year's budget.

Stacy Pascoe, 1135 October Cove asked if the city was paying interest for the lease purchase on the new sanitation truck. Sandy said yes, she believed it was 3.75%.

Alva Harris asked if the money the city has is being invested. Sandy said yes, the majority of the funds are with US Trust Investments, which are invested as allowed by State Statute.

Sandy updated those in attendance regarding the wastewater treatment plant project. She said the main reason the project was proposed approximately ten years ago was because the city could no longer meet the requirements of their NPDES permit. EPA said the city was violating their permit and was going to be fined if this was not resolved. The only option was to build a treatment plant since a lagoon system could no longer meet the permit requirements. Sandy said if the city would have built a treatment plant on its own instead of becoming regionalized with three other entities it would have cost much more. She said the City of Burley is paying approximately \$117 per month and over \$70 was going to pay their bond payment. Sandy said by building the plant regionally the city residents are presently paying \$39.85 per month.

Mayor Christensen asked if there would be any other public testimony. There was none, so the public hearing was closed for council deliberation. Mayor Christensen noted that the budget figures could be decreased, but not raised.

Earl thanked everyone in attendance. He said the city must have a reliable garbage truck, and mentioned how the City of Ammon's just had both of their trucks go down at the same time. Earl said the city has been reviewing their investments, and expenses all throughout the year. He said it is not the same as it was forty years ago. Earl said the police department as well as the entire city has more liability issues, training issues, etc. He said every police officer does have their own car. Earl said citizens of the city like having the security of seeing police vehicles in their neighborhoods. He said more emergencies are happening and the police respond quicker. Earl said our city has not cut services, while other cities have. He said our city provides extra service to its citizens, such as snow removal. He said our employees go out of their way to make sure the citizen's driveways have the snow removed. Earl said no, everyone does not get raises. He said the city has tried to raise the lower paid employees and not quite as much of a raise for the higher paid employees. Earl said our health insurance is the best we can provide for the time being to our employees, but only one employee can barely afford to cover his spouse. He said the council's participation in the insurance somewhat helps keep the rates down.

Charlotte said the city is growing and will continue to grow. She said the School District has built a new school and has purchased property for another new school in the future. Charlotte said the city has tried hard to keep the citizen's rates down.

John said we can reduce some of the expenses such as recreation, street, wages, etc., however then we have to reduce the quality of services. John said he serves on the council to be able to obtain medical insurance. He said he and his wife volunteer their time of at least twenty hours per week to help the city. John said the employees are trying to make a difference with the community. He said the Department Heads have made cut backs the past several years.

Kurt said he appreciates everyone coming to the meeting and voicing their concerns. He said this has been an eye opening experience serving on the council the past year. Kurt said he appreciates John and Charlottes help.

The council determined that they would not raise the property tax by 3% this year. This amount will go into a forgone category with the county that could be used in the future if necessary. Brian Anderson suggested cutting back the expenses equal to the 3% property tax reduction in the budget.

John moved, Earl seconded to adopt the Budget for the fiscal year 2011-2012 as presented excluding the 3% property tax increase. The Mayor asked for a roll call vote. Kurt – aye, Charlotte – aye, John – aye, and Earl – aye. Approved unanimously.

Sandy said she would have to present the Annual Appropriation Ordinance at the council meeting on September 13, 2011, giving her time to change the property tax revenue.

Sandy presented the resolution to increase the sanitation rates effective October 1, 2011. Charlotte moved, Kurt seconded to adopt Resolution 11-01 regarding the increase in sanitation service rates for the Fiscal Year 11-12 effective October 1, 2011. Approved unanimously.

Sandy presented the resolution to increase the sewer connection fees for the new fiscal year. Earl moved, Kurt seconded to adopt Resolution 11-02 increasing the sewer connection fees to \$3000 per ERU. Approved unanimously.

Sandy presented the budget for the Urban Renewal Agency for the Fiscal Year 2011-2012 in the amount of \$1,018,000. John moved, Earl seconded to adopt the Shelley Urban Renewal Agency budget for fiscal year 2011-2012 as presented. Approved unanimously.

Mayor Christensen said he and the council feel the city is in good shape financially. He said the former Mayors and Councils have left a good legacy to the city. He said he appreciates everyone's input tonight, and encourages all to be part of their local government.

Larry Bateman thanked everyone for listening and working on the budget. He appreciates it.

Adjourned: 9:35 p.m.

ATTEST:  APPROVE: 

FISCAL YEAR 2011-2012 BUDGET

This year the city's levy rate is proposed to increase slightly. The city's valuation did not rise much this year being \$124,376,089 (this is an estimate only until the public utilities value is received). The council decided to take the 3% property tax increase as allowed by law. The valuation from last year is \$124,010,999, which rose this year by \$365,090. The levy rate last year was .006339092, and this year is proposed to be .006602064. The city's ad valorem taxes will increase by \$31,669 (\$8,191 from new construction). The total amount of property taxes we will levy for is \$821139. An example of property taxes is property valued at \$75,000 after the homeowners exemption will pay \$495.15 (An increase of \$19 from last year). The fee increases planned for this year is \$.30 (\$14.95) for sanitation and \$400 (\$3000) for sewer connection (tap) fees. There are no fee implementations planned for this year. We will begin paying DEQ back for the sewer bond six months after the wwtp project is closed out, which is expected in September or October 2011. At that time there will be up front fees of \$309,000 for accrued interest and admin. fees that exceed the 8 million dollar bond cap. There will be two payments per year totaling \$585,000 which includes the 10% debt service and 10% capital improvement fee. There are no proposed fee increases for the pool or recreation programs. The employee's medical insurance will be increasing 13%, and the city has elected to "buy down" from a \$3000 deductible, which was implemented last year. We choose to waive maternity coverage that saved us approximately \$12,000 annually; however we would have to self fund maternity if the need arises. We are proposing a 2.5% cost of living raise across the board for all of the employees, and merit raises for anyone who has worked for the city less than six years or on a probationary status when the wages were frozen. The increase for payroll totals approximately \$31,500 Carry over's and contingency increased with the exception of the street light fund. The proposed Spray Park was included in the budget this year in both revenue and expenditures since \$350,000 will be donated for this expense.

GENERAL FUND – This fund totals \$2,129,659 which includes the carryover in the amount of \$660,536 from last year. This is up from last year by about \$154803. This year the general fund will receive \$748,923 from the property taxes. A contingency of \$368,449 is expected to be left for capital improvements at the end of the new fiscal year which is up by about \$79,419. This year the capital expenditures from this fund include 2 mobile cameras (\$10,000), 2 tasers (\$2000), and 1 computer system (\$1500). The city hasn't seen much improvement in building permit fees this year. I was able 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 cool rainy seasons at the opening of the pool so it has been hard to tell if the admission revenue has increased. I moved 20% of Dawn's wages from Parks to Recreation, since Recreation was building up a surplus of funds. At this time property taxes supplement 70% of Dawn's wages and benefits, and the other 30% is split between basketball, baseball, and football. 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 \$1,053,161 which includes the carryover of \$765,445 which is up \$ 54,097 from last year. This year the street fund will receive \$65,216 from property taxes. A contingency of \$567,871 is expected to be left for capital improvements for future years. It is up \$66,930 this year. This year the lease on the backhoe will be paid off in November. The city received a \$16,500 grant from L-Tach to replace our street signs with the required new high density signs. There are no other capital improvement expenses appropriated for this year. \$15,000 was appropriated for the Sidewalk Replacement Program to be re-implemented. We have accumulated \$320,000 for street replacement at \$20,000 per year. 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 \$148,423 which includes the carryover of \$128,423 (down \$2875). This year the street lighting fund will be allotted \$7000 from property taxes. A contingency of \$118,423 is expected to be left for capital improvements for future years (down \$875). This fund receives its monies from property tax and sales tax. This year the contingency is down slightly

WATER FUND – This fund totals \$875,570 which includes the carryover of \$526,070 (up \$114,516). A contingency of \$281,555 is expected to be left for capital improvements for future years and unexpected expenses which is an increase from last year (approx. \$65,586). 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 project has been approved by DEQ and the design will be going out to bid. 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 \$50,000 in this line item. We received an EECBG grant to retro-fit the wells at the city shop. Approximately half of the project will be spent in the old fiscal year, and \$27,000 is anticipated to be spent in this new fiscal year. We may want to look at a generator for the new well when it has been drilled. The only source of revenue to support this fund is from water users.

SEWER FUND – This fund totals \$3,591,906 which includes the carryover of \$2,728,406. A contingency of \$1,712,516 is expected to be left for capital improvements and updates, and unexpected costs of the wwtp. It is anticipated that \$500,000 will be needed to complete the construction of the wwtp and interceptor lines which were not funded by private users or grants as once thought. \$309,000 will be expended to pay for upfront accrued interest and administration fees through the DEQ loan once the project is closed. \$111,000 remains left out of the 8 million dollar bond that will be used for the final construction. There are no rate increases planned for this fund at this time. The City is waiting for EPA to decide if the city will be able to have a 30 year term for the loan repayment instead of a 20 year term. The City of Ammon has been approved for 30 years, and the City of Shelley has also requested this. EPA originally denied the extension, but DEQ is working with them to reconsider. If the city is able to go 30 years, the rates are right on target, however if the term remains 20 years the city may need to review its rate structure further. It is proposed that the city will pay

the Regional Authority \$9.50 per ERU monthly for the operation and maintenance of the regional plant. This totals \$193,800 annually. The bonds payments will begin this year also where \$584,820 has been appropriated. This includes the 10% for debt service reserve and capital improvement reserve. The city's have not yet determined if EIRWWA will collect the bond payment from the city's monthly and make the payment or if the city's will handle their own. There are advantages to both. We need to review this further once it is determined how long the repayment term will be. 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; however we will need to know the exact debt service before creating the resolution with the amount that will be charged. The only source of revenue to support this fund is from sewer users.

SANITATION FUND – This fund totals \$462,387 which includes the carryover of \$190,612 (down \$40,673 due to purchase of a new sanitation truck). A contingency of \$93,177 is expected to be left at the end of the year (up by \$25,152). . \$25,000 per year will be budgeted for the next new truck in five years, and a lease payment of \$25,000 is due annually for the next five years for the new truck. Tipping fees increased by about \$2500 annually through Jefferson County, as well as a \$2000 increase in hauling fees we experience last year. There is a \$.30 proposed rate increase to cover the additional raise in tipping and hauling fees. The only source of revenue to support this fund is from the sanitation users.

WATER & SEWER RESERVE FUNDS – These funds total \$645,011 which includes a carryover of \$632,111. A contingency of \$454,411 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 \$200,000 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.

RECREATION FUND – This fund totals \$69,606 which includes a carry over of \$36,306. A contingency of \$1591 is expected at the end of the year. 20% more of Dawn's wage was moved to the recreation fund from the parks fund. Now 30% 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. 70% of Dawns wage is supplemented by property taxes. This fund includes all of Dawns 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 due to the economy

STATE REVENUE SHARING – This fund totals \$958,649 which includes a carryover of \$858,649. A contingency is expected to be left over at the end of this fiscal year \$791,149. A portion of the contingency this year is being used for to drill a new well (\$100,000), leased police vehicles (\$10,000), contribution to Sr. Citizens (\$2000) and PUT (\$1,100), Tapping Machine (\$3,000), Angle Broom (\$6,000), Backhoe (\$11400),

Well #5 (\$100,000) and door lock system (\$10,000) We need to decide whether to purchase another police vehicle this year (\$25,000) or wait until the lease is paid off. We are using approximately 68% of the projected income this year including another police car, but not including the well. The remaining will go into contingency. State revenue is down about \$10,000 from two years ago. 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 \$9,944,572 which up approximately \$1,195,917 due to the donation for a spray park, the accumulation of bond funds to be expended this year when the project is closed, two grants received, etc. One of our contingencies has decreased slightly this year, but the street light fund has been allocated more property taxes to cover this. 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 well construction, and the most important; by having a healthy contingency is 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.