

CITY OF SHELLEY
SPECIAL MEETING
MINUTES

AUGUST 11, 2011

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

Pledge of Allegiance: Kurt Russell
Invocation: Earl Beattie

This meeting was opened at 6:30 p.m. to discuss the budget for the 2011-2012 fiscal year. The Council reviewed the minutes of August 3, 2011. Kurt moved, Earl seconded to approve the minutes as presented. Approved unanimously.

Sandy presented a narrative document and discussed each fund. She said the payroll has proposed to increase by 2.5 % across the board, with six employees eligible for a merit pay increase. Sandy said the health insurance has increased by 13%. Sandy discussed the proposed revenue and expense for each fund. She said the contingencies have risen in every fund except the Street Light fund which has a slight decrease. Sandy said there are two rate increases proposed; the sewer connection fee will rise from \$2600 to \$3000, and the sanitation rate for a flat rate residential will rise by \$.30 per month. (A copy of the narrative will be attached to these minutes) Sandy asked if there were any questions.

Charlotte said she would like to discuss the payroll and proposed increases. She has some concerns regarding the people who are proposed to receive merit wages and those that are not going to be eligible to receive a merit raise that are due one. Charlotte said the minutes stated there are a lot of young families who are just starting out, and wondered how many there are. Sandy said five or six possibly. Charlotte asked if when employees are hired if the salary and the salary advancement scale is explained to them. Sandy said yes, either by the department head hiring or herself. Charlotte felt everyone needs to work up the pay scale as those older employees have done. Charlotte said the minute's state the city needs to give an incentive to the older employees to retire. Earl said that is not what he said at the prior meeting. He said we do not want to give them the incentive to retire. Sandy said if the minutes were not correct we should go back and amend them so they are accurate. Charlotte said there is an employee who was due for a merit raise and did not get one. She said this employee will see a large increase to his dependant health insurance. Charlotte said she is struggling with this. Earl said we all are; it is not easy for anybody. Mayor Christensen said he wants to make sure the city is not getting in a jam by giving some employees raises and not others based on how long they have been here. Earl said he spoke with the city attorney and this has nothing to do with age. Earl said what we are trying to do is to get the base wage up on the bottom for the people making lower salaries,

because the gap between the bottom and the top is way big. Mayor Christensen asked if those employees on the bottom of the scale could be raised up on the merit scale instead of changing the entire payroll scale. Earl said the scale was not changed. Sandy said in the past employees sometimes have been raised up one or two levels as approved by the council for doing a good job. She said since there are time constraints on finishing the budget we did not have time to change the payroll scale, and those employees who are newer have been proposed to move up the payroll scale. John said the city has approximately \$32,000 to work with on the new budget and we are trying to stay within that budget. Earl said he and John would like to review the pay scale over the next year. Alan discussed how the pay scale had been implemented. He said it was established to try and keep employees with the city after they were trained. The council discussed the employee (Dwayne Swearingen) whose medical insurance is raising so high to determine how the city could help him. The council determined that Dwayne Swearingen would also be considered for a merit raise as well as the employees with six years or less with the city as previously determined. To recap, all employees will be given a 2.5% cost of living increase, and seven employees will be eligible for merit raises. The department heads will give evaluations for those being considered for merit raises. These proposed will be finalized based on public testimony at the budget hearing on September 7, 2011.

Sandy asked if the council would like to amend the minutes that was previously approved. Earl said he did not state that there needed to be incentives for employees to retire that are of retirement age. He said he stated not to give incentives to people who could retire, so the people could move up in positions. In other words top positions need a top cut off.

Charlotte moved, John seconded to amend the minutes as discussed. Approved unanimously.

Mayor Christensen discussed the history of how the current wage scale was implemented. He said when he was elected to serve on the council, the presiding Mayor gave him the task of creating a payroll scale and a employee policy manual which he completed. Mayor Christensen said later Councilman Chad Landon revised the pay scale to provide employees with merit increases to work towards instead of having a cap.

Sandy presented the Urban Renewal Budget for fiscal year 2011-2012. She said the only large project proposed is the extension of the sewer line running north on the east side of the railroad tracks. Earl moved, Kurt seconded to adopt the tentative budget in the amount of \$1,018,000 for the Shelley Urban Renewal District for fiscal year 2011-2012. Approved unanimously. The budget hearing to consider adoption of the final budget will be held on September 7, 2011, at 7:30 p.m.

Earl moved, Charlotte seconded to adopt the tentative budget for the City of Shelley in the amount of \$9,944,572 for the 2011-2012 fiscal year. Approved unanimously. The budget hearing to consider adoption of the final budget will be held on September 7, 2011, at 7:30 p.m.

Adjourned: 8:02 p.m.

ATTEST: Sandy Hajduk APPROVE: Em R. Carter

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.