

CITY OF POCA TELLO, IDAHO
CITY COUNCIL MEETING -
BUDGET DEVELOPMENT
APRIL 6, 2018

1. ROLL CALL: Council President Jim Johnston called the City Council meeting for budget development to order at 9:02 a.m. Council members present were Heidi Adamson, Roger Bray, Rick Cheatum, Linda Leeuwrik and Beena Mannan. Mayor Brian Blad arrived at 9:14 a.m.
2. FISCAL YEAR 2019 BUDGET DEVELOPMENT OVERVIEW: Joyce Stroschein, Chief Financial Officer/Treasurer gave an overview of Fiscal Year 2019 Budget items to be presented.
3. REVIEW OF DECISIONS FROM PREVIOUS CITY COUNCIL MEETINGS: Summary of prior Council Decisions – 1) One step move on Hybrid Pay Plan Step Table which is 1 to 36 steps. (Reminder Step 5 is at market); 2) Fire and Ambulance 1% increase; 3) Increase 1.5% to part-time grade table; 4) Blue Cross Insurance (11.97% increase from Fiscal Year 2018); 5) Dental insurance – no change; 6) Workers Compensation class code rates updated; 7) PERSI rate increase delayed from July Fiscal Year 2018 until July Fiscal Year 2019; and 8) fuel rates diesel \$2.70 per gallon and unleaded \$2.80 per gallon. Other funds affecting taxes are: Transit Urban, Video Services, Liability Insurance, Information Technology and Public Works. Tax fund limitations for the following areas were also reviewed: General, Street, Recreation, Cemetery, Airport and Library.

Mayor Blad joined the meeting at this time.

Summary of Salary Projection – Total cost of compensation and benefits \$48,572,408.00. Total increase is \$857,655.00. This will result in an overall budgetary increase of 1.80% to the total cost.

Ambulance funds – Dave Gates, Fire Chief, gave an overview of the availability of Bannock County funds to provide ambulance services. Mr. Gates feels the funding source will continue.

General discussion regarding the historical record of Bannock County and Ambulance funds followed. Council agreed that the funding will most likely continue.

Summary of Fire Department and Ambulance Services - Medical and VEBA benefit breakdown.

Fiscal Year 2018

Fire staff received a medical benefit in the amount of \$863,707.00 and zero VEBA. Ambulance staff received a medical benefit in the amount of \$273,566.00 and zero VEBA.

Fiscal Year 2019

Fire staff is scheduled to receive a medical benefit in the amount of \$950,170.00 and a \$66,000.00 VEBA; Ambulance staff is scheduled to receive a medical benefit in the amount of \$293,741.00 and \$21,000.00 VEBA.

Questions regarding Fuel Rate increase. Tom Kirkman, Street Superintendent, explained how the projected costs are calculated. Mr. Kirkman feels comfortable with the fuel costs as presented.

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Ms. Stroschein agreed that the process used has been accurate in the past. However, staff will continue to monitor fuel rates. Ms. Stroschein announced she distributed the City's Service Level Report manual to each Council member and outlined information within the manual.

4. REVIEW OF LEVY RATE: An update regarding the City's Levy Rate was reviewed. Ms. Stroschein explained the City has tried to depend less upon the levy rate and more to modifying fees and controlling spending to maintain the budget. She reviewed the history and issues with the PILOT program and the impact it had on taxes.

General discussion regarding taxing issues in 2013 followed. It was noted that during 2013 a large amount of anticipated property taxes was not received because an error was found by the Bannock County Assessor. Steps taken to recover from the loss of funding were outlined.

5. HUMAN RESOURCES: BENEFIT LIFE AND VEBA DIRECTION: Heather Buchanan, Human Resources Director, and Laura Judkins, Human Resources Benefits Compliance Coordinator, explained they would review the following topics for Fiscal Year 2019: 1) Life Insurance; 2) Health Insurance Review; and 3) Voluntary Employees' Beneficiary Association (VEBA) benefits.

-Life Insurance Request for Professional Services (RFP) results. Carrier information and proposed benefits were reviewed. Recommendation by staff was for Symetra which has a \$15,000.00 benefit for employees and reduces the annual cost to the City.

-Health Insurance Review. Carrier: Blue Cross. Plan Design: Deductibles moved to \$2,500/\$5,000, \$250 Emergency Room, 6 tier prescription plan with maximum out of pocket.

-Retiree Health Benefits. Retirees stay in active employee pool, retirees continue paying costs, and retirees would cover reporting costs. It was noted that Council direction is needed on the review period for reporting costs determination by Finance Department. How often finance must reassess the reporting costs were discussed. It was noted that as retirees move off of the program or are added to the program the premium amount changes because it is based upon how many people are on the plan. Finance staff would be tasked with tracking the changes.

General discussion to determine the best process that will effectively work for both retirees and staff time followed. Since the costs are based upon the number of participants, this will need to be monitored over the quarter. Administration cost is \$12,000.00 per year and is applicable to retirees on the City's health plan only. It was noted that most people "age out" at 65 years and are dropped from the plan. It was mentioned that several staff members are retiring this year and some are below 65 years of age. Council felt more information is needed regarding the costs before making a determination. A final decision will be given at a later date once the actual charges are known.

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-VEBA UPDATE - At the March 8, 2018 City Council meeting, Council supporting the following:

1) \$700.00 Wellness Exam (up from \$500.00);

2) All benefit eligible employees would receive the VEBA with proof of qualified group health insurance (VEBA lump sum payout method TBD) a – Full-time employees \$1,300.00 + \$700.00 wellness exam, b – Half-time employees \$650.00 + \$700.00 wellness exam.

Lump sum payment options for VEBA benefits in Fiscal Year 2019: 1. Continue lump sum with 1st pay of fiscal year; 2. Move lump sum to 1st pay in January (2019); or 3. Per pay check contribution.

Estimated costs for lump sum VEBA payments given to employees who leave the City's employment at the end of the calendar year were reviewed. It was noted that many employees retire in October, November or December which is immediately after the lump sum payment is distributed.

-Which method would Council like to proceed?

Per paycheck was supported by Cheatum, Adamson, and Mannan (Johnston later changed his vote to support this option)

Lump sum at beginning of fiscal year was supported by Blad, Leeuwrik, Bray and Johnston.

Mayor Blad called a recess at 10:36 a.m.

Mayor Blad reconvened the meeting at 10:49 a.m.

Mr. Johnston announced that he would like to change his vote to support VEBA benefits being paid per paycheck. He felt this would save on administrative costs.

A majority of the Council supported Option 3 – Per paycheck contribution for staff to receive VEBA benefits.

6. EMPLOYEE EDUCATION BENEFITS REVIEW: Laura Judkins, Human Resources Benefits and Compliance Coordinator, gave an overview of the current utilization of the City's education benefits. She noted that 25 employees participated in the program in Fiscal Year 2017 and 27 employees are currently participating in the program thus far in Fiscal Year 2018. Proposed changes to the education program were discussed. Ms. Judkins noted that staff feels the proposed changes could benefit the City in the following ways: a) Financially; b) Administratively; and c) comply with Internal Revenue Code (IRC) 127.

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General discussion regarding the type of education vs. training benefits that fall under the IRS codes. (Code 127 education and Code 132 training)

Anne Butler, Safety and Wellness Coordinator, shared there are a lot of employees that have families and working full-time while going to school. She feels staff should receive a full reimbursement if they pass the course.

Ms. Buchanan referred to a sheet that had comparisons of other cities' educational programs. She noted that decisions made regarding education benefits will not be effective until 2020. Ms. Buchanan suggested an open enrollment if an employee wants to access the education benefits. This would allow for adequate budgeting authority for the program.

General discussion regarding costs for education and semester amounts was held. Jeff Mansfield, Public Works Director, explained he is taking an on-line class and the cost is \$5,000.00 for two semesters. Mr. Mansfield added that he receives a discount because of his military service so another person's costs may be higher.

Mr. Bray would like an employee to be retained at the City for a period of time after they graduate.

Mayor Blad recommended a \$25,000.00 cap for new employees and staff continue to re-evaluate the process.

Debate regarding making the education program more complex continued. It was mentioned if the program becomes too restrictive employees may not take advantage of the program.

Andy Moldenhauer, Fire Union representative, feels it appears the City is taking away a benefit that is not used extensively. He does not understand why there should be a cap on the benefit when it appears to have little impact on the budget.

Ms. Buchanan clarified Human Resource staff would like to make the education program equitable for all departments. She noted that Fire and Police Department budgets include education as part of their regular expenses.

Jim Peterson, Deputy Chief, explained the Police Department values education. However, they do not require a degree as a condition of employment. He noted that there are education related requirements for officers to qualify for a promotion. Mr. Peterson clarified that police staff are not getting a degree and leaving employment. He feels the education benefit is a good recruiting and retaining tool.

General discussion regarding educational costs and benefits continued. It was noted that \$25,000.00 is not a large amount for educational costs and perhaps the limit could be higher. There are also different career tracks for each department.

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Proposed changes to the following: 1) tuition reimbursement for passing the course in Fiscal Year 2019; 2) no lifetime cap; and 3) one year of service required after an education benefit payout. If an employee leaves prior to the year they will reimburse the City for the previous 12 months of benefits.

Internal Service Funds – a) regulated by Human Resources; b) separate pools of money specific to departments; c) departments will budget for the expense and the monies will be transferred to fund 057 (a new fund); and d) Authority will be given in Fund 057 for the expense to be processed.

Mayor Blad called for a recess at 12:12 p.m.

Mayor Blad reconvened the meeting at 1:07 p.m.

Mayor announced that Agenda Item No. 8 had been pulled from the agenda.

7. PROPOSED FLEET MANAGEMENT SYSTEM IMPLEMENTATION PLAN: Tom Kirkman, Street Operations Superintendent; and Joyce Stroschein, Chief Financial Officer/Treasurer gave an update on the progress to implement a City Fleet Management System.

Mr. Kirkman noted that staff has identified improvement priorities such as: data collection, standardizing repairs and economies of scale purchasing, etc. He gave an overview of the following topics as part of phase one. Expenses and cost reduction of merging these needs have been considered.

Phase One – Fiscal Year 2018: a) Hire a Fleet Manager; b) purchase fleet software; c) create Fleet Advisory Board; d) staff training on proper tracking/software utilization; and e) mechanic training program; and f) Policy and Procedure Manuals.

Determine department participation – A listing of departments with vehicles/equipment and departments with mechanics on-site were identified. It was noted that some mechanics are affiliated with a union and this will make a difference in wages.

Mr. Johnston was excused from the meeting at this time. (1:24 p.m.)

In response to questions from Council, Mr. Kirkman explained the list excludes the following four departments: Airport (partial phase in?), Pocatello Transit, Water Pollution Control and Fire Department. Mr. Kirkman suggested these departments be excluded at this time because they are not located near the fleet facility and currently have their own mechanics. He feels it would not be cost effective to have these departments on the list.

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Ms. Stroschein gave an overview of known expenses for the new fleet building. She explained the building is currently funded by Street and Sanitation 50/50. Ms. Stroschein suggested if Council budgets \$150,000.00 for the new Fleet Program in the Fiscal Year 2019 Street budget, she would feel more comfortable designating that these funds go toward the building.

Phase Two – Fiscal Year 2019: a) Implement fleet within Street, Sanitation and City Hall Departments (excluding Police); b) Train all departments on fleet software; c) Analyze detailed data to produce fleet budget for Fiscal Year 2020; d) Implement Fleet Department admin charge; e) Implement central purchasing; and f) Mechanic training program.

General discussion regarding how costs for Phase Two will be funded continued. It was mentioned that new administrative costs to fund the fleet program would need to be implemented. Those costs would be based upon the amount each department needs the fleet service.

Phase Three – Fiscal Year 2020: a) Full implementation – all mechanics centralized, all repairs centralized and establish a central parts program. Fiscal Year 2020 budget development will include: Finance to determine inter-fund charges by utilizing data collected.

NEXT STEPS

1. Policies and Procedures to Legal Department for review.
2. Hire a Fleet Manager that will perform right-sizing analysis, arrange mechanic training program, and develop a Fleet Advisory Board.
3. Purchase fleet software. Estimated cost is \$100,000.00 plus \$13,000.00 annual maintenance fee.

Council and Mayor Blad thanked staff for their hard work and information presented. City departments will be added to the program as it is implemented and the cost savings will be determined.

8. **REVIEW OF VIDEO SERVICES DEPARTMENT:** As announced earlier by Mayor Blad, this presentation had been pulled from the agenda.

Ms. Stroschein announced the next Budget Development meeting would be held April 19, 2018. It will be a full day of meetings. Presentations by staff will begin. Ms. Stroschein hopes to have the revenue forecast information by June 7.

9. There being no further business, Mayor Blad adjourned the meeting at 2:00 p.m.

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APPROVED:

BRIAN C. BLAD, MAYOR

ATTEST AND PREPARED BY:

RUTH E. WHITWORTH, CMC, CITY CLERK