

CITY OF POCA TELLO, IDAHO
CITY COUNCIL MEETING -
BUDGET DEVELOPMENT
MARCH 5, 2020

AGENDA ITEM NO. 1: Mayor Brian Blad called the City Council meeting for budget development to order at 9:00 a.m. Council members present were Heidi Adamson, Roger Bray, Rick Cheatum, Linda Leeuwrik, Claudia Ortega and Chris Stevens.
ROLL CALL

AGENDA ITEM NO. 2 Ashley Welsh, Chief Financial Officer/Treasurer, and Bonny Schroeder, Deputy Chief Financial Officer/Deputy Treasurer; gave an overview of Fiscal Year 2021 Budget Strategy items.
CITY BUDGET DEVELOPMENT TRAINING

CITY BUDGET PROCESS

The City of Pocatello budget (fiscal) year begins on October 1 and ends on September 30 of each year. Budget planning generally starts six (6) months before the fiscal year begins. This includes – Salary projections, department meetings and tax solution ideas.

FINANCIAL CYCLE

Budget Cycle– Appropriate Budget, Adopt Fees

Execute Fiscal Year – Monitor budget execution and amend budget

Report on Closed Fiscal Year in coordination with City audit.

FUNDS

WHAT IS A FUND? An accounting entity with a self-balancing set of accounts. Can be thought of as its own checkbook.

WHY DO WE USE FUNDS? a) Clarify how resources are being directed at various programs; b) Maintain tight control over resources; and c) Designed to monitor resource inflows and outflows.

TYPES OF FUNDS – Governmental (Tax-supported), Proprietary (Business-type), Fiduciary (Trustee)

GENERAL FUNDS – General Operating Fund includes all government functions that are not categorized under any other fund. Special Revenue Funds, Debt Service Funds and Capital Projects Funds were also reviewed.

Proprietary Funds – Enterprise – Sanitation, Water, Water Pollution Control and Ambulance Funds. These entities are self-supporting. Internal Service - Used to track goods or services shifted between departments on a cost reimbursement basis. Funds include the following: Liability Insurance, Fleet

CITY OF POCA TELLO
 BUDGET DEVELOPMENT MEETING
 MARCH 5, 2020

Management, Information Technology, Utility Billing, Employee Wellness, Public Works, Fuel, Worker's Insurance, Education Benefits, and Retirement Payout.

CAPITAL IMPROVEMENT PLAN – Long term capital purchase/planning document; Used to plan for the purchase and/or construction of large capital infrastructure, facilities, equipment, and other capital assets.

MAJOR REVENUE SOURCES – Property Tax, Sales Tax, Building Permits, State Liquor Tax, Franchise Fees (Electric, Natural Gas and Cable), Magistrate Court Fees, Highway User Fees, County Road and Bridge, Cemetery Charges, and User Fees.

General discussion regarding revenue estimates being available once the Association of Idaho Cities is able to provide their annual information.

It was suggested staff research other cities that provide Fiber Optics/internet service to citizens as this may be an additional revenue source.

MAJOR EXPENDITURES – Personnel, supplies, services, capital, debt service, and miscellaneous.

BALANCED BUDGET – Appropriations should not exceed resources available to cover these expenditures, Government Finance Officers Association (GFOA) definition; Structurally balanced budget, which is described as a budget where recurring revenues are sufficient to cover recurring expenditures.

Available Fund Balance + Estimated Revenues = Funds Available for Appropriation

RESERVE POLICY

In Fiscal Year 2016 Council adopted a Reserve Policy

- 25% of next fiscal year's expenditures
- Excess reserves may only be used for one-time expenditures

Policy used to determine if the Fund has excess reserves that can be used.

- Use of reserves can be accomplished in next budget cycle or with a budget amendment

To determine if the budgetary plan needs to rebuild the reserves.

Review of the City's Reserve Policy followed. It was noted if the City enters into a period of limited revenue, the reserves can be used to keep the City moving forward.

CITY OF POCATELLO
 BUDGET DEVELOPMENT MEETING
 MARCH 5, 2020

In response to questions from Council, funds that are not used in a fiscal year are added to the General Fund reserve. There is a budgeting practice that funds designated in one year can be put into another year.

General discussion regarding how funding works from year to year was held.

AGENDA ITEM NO. 3: Ashley Welsh, Chief Financial Officer/Treasurer, and Bonny
 CITY OF POCATELLO Schroeder, Deputy Chief Financial Officer/Deputy Treasurer gave an
 BUDGET PROCESS overview of the City of Pocatello Budget Process.
 TRAINING

BUDGET PROCESS – 4 STAGES

1) Pre-Budget -

Process starts with salary projection
 Interfund information updated
 Discuss budget objectives with staff
 Review and update Financial Policies

2) Budget Estimates -

Departments analyze budget information – make changes as needed
 Union Negotiations begin
 Revenue estimates are created
 Department presentations are given

General discussion regarding the budget process followed.

3) Department Presentations -

Department Mission Statement
 Service Level Information – Measures of how the department is doing, Gives both quantitative and qualitative measures
 Issues and Concerns are discussed
 Budget information is given
 Department requests are analyzed

Mayor Blad called for a recess at 9:54 a.m.

Mayor Blad reconvened the meeting at 10:12 a.m.

CITY OF POCATELLO
 BUDGET DEVELOPMENT MEETING
 MARCH 5, 2020

All Council members were in attendance with the exception of Council member Ortega. Mrs. Ortega re-joined the meeting at 10:51 a.m.

It was suggested to have Departments set goals as a whole. This would be similar to the City's Planning and Zoning Commission. They work together toward one goal. Also, similar to the City's Comprehensive Plan. Idaho State University has a strategic plan that is one page and perhaps this would be a good guideline.

In response to questions from Council, Ms. Welsh clarified a Mission and Value statement for the City has been set by the City Council. However, she will bring examples of other cities' goals for Council's review. Ms. Welsh reminded Council there is a cost to identify and create the plans Council has referred to.

4) Department Budget Build -

Departments are required to build a flat operating budget

ALL requests for additional budget authority must be approved by Council

- Items requested can be added during the department presentation or during the Tax Solution

Preliminary Budget guidelines –

Revenue estimates are solidified

Council decides which department requests will make it to the final budget

The budget is balanced according to property tax estimates

The budget is published for review

Public Hearing is held

Ms. Welsh shared staff may hold a Town Hall meeting or distribute a quick survey seeking public input into the budget process prior to the mandatory public hearing. She noted the meeting/survey will include education materials about the budget process and ask for citizen input.

FINAL BUDGET

Budget is adopted by Ordinance

Required property tax information is sent to the Counties (Usually due the first week of September).

Budget year begins October 1

Council discussion regarding estimated dates when revenue amounts for property taxes will be known followed. Debate regarding amount averages or trends for taxable evaluation to determine an amount was held.

CITY OF POCA TELLO
 BUDGET DEVELOPMENT MEETING
 MARCH 5, 2020

PROPERTY TAXES

- Levy Rate Calculation, Levy Rate = Amount to be Levied/Assessed Taxable Valuations
 City controls AMOUNT to be levied

County determines the VALUE of the assessed taxable property

Legislators determine tax exemption values and create impacting property tax laws.

To maintain consistent services entities should focus on amount to be levied instead of the levy rate.

PROPERTY TAX REVIEW

3% Rule

- Allows for an increase in property taxes of 3%
- This amount for Fiscal Year 2021 would be \$939,327.00

Foregone Amount

- Current foregone balance is \$2,276,232.00

New Construction

- Amount for Tax Year 2019 was \$87,356,027.00
- Equates to about \$869,000.00

LEVY LIMITATIONS

- General Fund: .009 – available amount \$ 6,526,223.00
- Liability Insurance Fund: no limit
- Street Fund: no limit
- Recreation Fund: .0006 – available amount \$ 415,575.00
- Cemetery Fund: .0004 – available amount \$ 1,088,053.00
- Airport Fund: .0006 – available amount \$ 899,911.00
- Library Fund: .001 – available amount \$ 1,304,891.00
- Animal Shelter Bond: no limit
- Capital Improvement: .0004 \$ 282,198.00

Council asked Finance staff to have departments include information of how they are funded during the Fiscal Year 2021 Budget presentations.

AGENDA ITEM NO. 4: Council discussed the City's budget process for Fiscal Year 2021.
 CITY COUNCIL BUDGET
 POLICY DISCUSSION

CITY OF POCATELLO
BUDGET DEVELOPMENT MEETING
MARCH 5, 2020

Mayor asked Council if they had ideas regarding the City's budget policy for Fiscal Year 2021.

Mr. Bray feels it has been 20 years since the Council has taken a thorough look at the City's budget line-by-line. He has reviewed past budgets and found there is large growth in some departments. Mr. Bray feels there should be a deeper dive into departments to determine a reason for the additional growth.

Mayor Blad mentioned Council may also want to note the way the City has evolved over 20 years. A Building Department was created during this time so the way of doing business has changed.

It was suggested City Budgets from calendar year 2011/2012 and calendar year 2019/2020 be compared.

Mayor Blad explained the Budget Policy Discussion was placed on an agenda as requested by Ms. Stevens and Mrs. Ortega.

Ms. Stevens asked for clarification regarding the establishment of a concrete process to consider the City's budget. Council discussion about how the budget decision process is currently done was held.

Council suggestions/discussion regarding the development of optional Fiscal Year 2021 Budget policies -

Ms. Stevens - What would it look like for every department to reduce their budget by 10% and what potential impact on the City will this be? In what ways (other than adding money back in the budget) might this be accomplished. This is a suggested amount for discussion only.

Mrs. Ortega returned the meeting at this time. (10:51 a.m.)

Ms. Leeuwrik – does not feel 10% is plausible. If going through the exercise to decrease budgets it would be more doable with 3%.

Mayor Blad – departments are coming forward at a “flat budget” and he is concerned about the impact if a department was cut by 10%.

Ms. Adamson – give options a, b, and c if asked to cut their budget. This would help staff to put together information Council is looking for.

Mayor Blad – the City is still recovering from budget cuts of 2% after the PILOT fee lawsuit. Morale of City employees went down because of fears their service was going to be eliminated.

Ms. Stevens – believes it is equitable to ask the City to “tighten our” belt to cut costs. If asking individuals for more tax revenues, the City should look at budget cuts also.

Mrs. Ortega – doing this is a good opportunity for departments to identify if they are doing their jobs efficiently. Encouraged each department to go through the process.

CITY OF POCATELLO
BUDGET DEVELOPMENT MEETING
MARCH 5, 2020

Ms. Adamson – glad having conversation. Ask about the reduction now and encourage staff to look at their department so the public can see their processes and how they are budgeting. Going through the process will help educate the public about the City's budget process.

Ms. Leeuwrik – Departments are always looking at ways to save money when going through the annual budget process.

Mr. Bray – when the Council asks departments to look at reductions it gives permission for departments to eliminate inefficiencies or antiquated practices. Reallocate resources as needed. Suggested a 5% reduction.

Ms. Stevens – supports a 5% reduction. The most important question is what the impact to the public will be. Our City serves the public and this impact should be considered. Seek ways that can reduce the negative impact and come up with something creative to cut the budget.

Ms. Leeuwrik – agrees reducing the negative impact is something to consider. Department heads are consistently looking at ways to save money. Coming in flat is actually coming in lower because costs have risen. They are coming up with creative ways to do more with less. This is a standard practice.

Mrs. Ortega – agrees looking at cutting costs should be a normal process. A municipality should not be exempt from this process. If your department is personnel heavy, you should be looking at that. Doesn't want to cut jobs, but it might be needful.

Ms. Leeuwrik – Council looks at department processes each year. Governmental budgets are bound by rules and mandates. As a result, government cannot implement cuts like the private sector.

Mrs. Ortega – no one that works for government should feel they are protected from cuts. They should be treated like private entities.

Mr. Bray – do not presume the cuts will be personnel. The department might not be using the right tools for today's age. Feels it is time to dig deeper into the budget than in past years.

Mayor Blad - come with a flat budget and provide additional information with a 5% reduction. Come with operation information and innovations already in place to save costs. Feels Pocatello is doing more things with less and is more budget wise than other cities. Instead of cutting, focus on what we are actually saving with the innovations that are already in place.

Ms. Adamson – suggest a quick one slide comparison with other cities when a department gives its budget presentation. It will be difficult to compare with other cities when things are done very differently.

Mrs. Ortega – the property tax issue is different from last year (2019). People saw a 40% increase in their property taxes and the City must look at bigger cuts than 2%. Feels it is the City's obligation to come in as lean as possible.

Mayor Blad – he is confident that the City is lean with what they are doing.

CITY OF POCATELLO
BUDGET DEVELOPMENT MEETING
MARCH 5, 2020

Ms. Stevens – a citizen may feel a cut to services might be worth it if the public understands that a 5% cut to a department means a service they are concerned about cannot be given.

Mr. Bray – shared the following data points: a) cut the budget by 5%; b) compare functions and salaries to other cities; c) how much money the City has available; and d) what the Council wants to do anticipating where the property tax levy might go. He would like information on the data points so Council can make a decision.

Heather Buchanan, Human Resources Director – appreciates what Council is trying to do. Staff is seeking direction from Council regarding specific services they wish to have eliminated.

Mrs. Ortega – wants departments to determine what should be reduced. No one is asking to eliminate positions at this time.

Ms. Stevens – looking for a way to look at each department through the expertise of each department. Wants the department to help make the decision where to cut.

Mayor Blad – Council has asked for certain public services to be provided by departments.

Ms. Stevens – seeking the discussion process to come to a decision. Would like to hear what departments would do if their budget was reduced by 5%.

Ms. Adamson – elimination of personnel is not the only issue. Perhaps departments could also eliminate travel, training, etc.

Mayor Blad – reminded Council when the City eliminated a route/services at Pocatello Regional Transit and the public outcry as a result.

Ms. Stevens – not making any budgetary cuts at this time. Just looking for information.

Ms. Leeuwrik – shared her concerns about wanting to see “what would happen if?” request. To say Council is only looking for data without emotion is not a true statement.

General discussion regarding past budget processes was shared.

Mrs. Ortega – completely understand employees may be worried that their position may be cut. This is reality and she recognizes people’s fears. If a department head can come in with a 5% reduction and keep all their people, that would be great.

Ms. Leeuwrik – as long as Council is aware of the negative impact a 5% request for budget reduction will have on employee morale.

Mrs. Ortega – very aware of the impact. That is a fact of life in business.

Mayor Blad – worried about a mass exodus of skilled employees because of the potential cuts.

CITY OF POCA TELLO
BUDGET DEVELOPMENT MEETING
MARCH 5, 2020

Mr. Bray – look at a larger perspective. Employees know Council gave them a pay increase and benefit plan in the past. As part of representing the tax payers, Council is now asking departments to become more lean and provide data so the Council can make a decision.

Ms. Leeuwrik – Council priorities and services/areas they would like to emphasize is being requested so staff will know Council's wishes before presenting a budget. Staff recommendations for cuts may not meet what Council priorities are.

Mr. Bray – he would like information from departments first so Council can target areas to cut.

Mayor Blad – establishing a list of priorities from the newly elected Council may be necessary.

Discussion continued regarding what the “old” Council felt were priorities and what the “new” Council feels are priorities was held.

Mr. Cheatum – Council is asking for a hard evaluation of each department and this process is already being done. Departments have been asked to come in absolutely flat. This equals a smaller budget for departments each year.

Mr. Bray – disagrees and gave his own interpretation of the budget process including increases.

Ms. Leeuwrik – shared her concerns with asking department budgets to be more lean. Feels they are already lean.

Health Insurance costs for City employees were reviewed.

Debate regarding whether Council or Departments should provide suggestions for cutbacks continued. The public could also be contacted to make suggestions for cuts. Determining areas to focus budget scrutiny could come from the Council and Departments.

Ms. Adamson – coming to a defined process that will not have such a negative effect on morale and consume so much of staff time is preferred. She has been to departments and seen that there is efficiency. Perhaps the public could be asked about the services or areas they feel are important and what are not. In addition, ask departments to come and report what they are doing and be extra thorough.

Council debate regarding the Fiscal Year 2021 budget process continued.

Richard Bigelow, Building Official; Roger Schei, Police Chief, and Jim McCoy, Police Captain; shared their concerns regarding the proposed cuts.

General discussion regarding budget process/policy continued.

Mayor Blad - suggested departments continue to develop a Service Level report showing the services provided. Council can make a determination based upon the Service Level information. He suggested slides that show what is being done to stay efficient be added to the presentation.

Mayor Blad called for a recess at 12:31 p.m.

CITY OF POCATELLO
BUDGET DEVELOPMENT MEETING
MARCH 5, 2020

Mayor Blad reconvened the meeting at 12:42 p.m.

Mayor Blad – he feels while going through the regular budgeting process department efficiencies will come forward.

Bray – how do we move this process along when this is not an action item?

Jared Johnson, City Attorney, explained discussion on the City’s budget policies is taking place at this time. An actual policy document would need to be placed on a future council meeting as an action item for a vote.

Ms. Stevens – shared her concerns that Council only has the ability to request an item be placed on an agenda and that the Mayor determines what is actually placed on the agenda.

Jared Johnson, City Attorney – agenda items that have been requested by Council are being placed on the appropriate Council meeting agenda. (Regular, Work Session, Council Liaison/Work Session Clarification)

Ms. Stevens – she would like to have some version of Roberts Rules in place so Council can run their meeting differently.

Mr. Johnson – the City Council would be required to adopt Roberts Rules as their meeting policy. At this point the City of Pocatello has not adopted any rules. However, the City follows State of Idaho Code. Council would need to pass an ordinance and make a meeting policy part of the City Code.

Ms. Stevens – seeking guidance to have Council meet in a more organized format.

Mr. Johnson – The format being used is the most effective for a City Council to meet/conduct business. Council must follow the agenda. Motions are made, seconded and a majority vote is necessary for the motion to pass. Idaho State Code also states the Mayor sets the order of the agenda. It was clarified that a motion can be made by City Council to place an item on the agenda. The item would be placed on a future agenda. State Code will not allow the item to be considered at the same meeting as the motion for placement unless there is an emergency situation.

Mr. Bray – with pending legislation that may reduce the City’s revenue, he suggested a hiring freeze until a Legislative decision is reached. Council will determine if the position is essential.

Mayor Blad – discussion for the Fiscal Year 2021 Budget policy will continue at the March 19, 2020 Council Liaison/Work Session Clarification meeting.

Ms. Stevens – shared the following list of items: a) have Human Resources look at overtime expenditures. Look at what might be done to reduce the amount of overtime expenditures; b) examine areas in which City sponsored activities may be overlapping or duplicating services provided by other entities in the community; c) create guidelines for reviewing/ranking the process to grant monies to non-departmental requests and create an actual application for individuals making

CITY OF POCATELLO
 BUDGET DEVELOPMENT MEETING
 MARCH 5, 2020

requests; d) non-departmental recipients provide a follow-up report with Council's expectations; e) any employee positions that may need to be cut use re-assignment and attrition if at all possible; f) look at combining all ordinance enforcement efforts into one department; g) create a systemized way to set aside monies for large projects; h) advancement steps for employees – look at this to modify the process.

Ms. Buchanan gave a brief history of the employee advancement step system. She noted there is a pay for performance program that will come before Council at a future date. Police Department staff have 6 steps, Fire Department staff has longevity, and regular City employees are on a separate program.

Ms. Stevens – list of items continued – i) Council must approve the purchase of items that exceed the amount of \$25,000.00. Streamline the way departments are making purchase requests. Place these items on the Council consent agenda.

Mr. Bray – budget process should include big projects the City never allows funding for. Place these projects in the bigger plan.

Ms. Stevens – list of item continued - j) wants all Council, and whomever the law covers, to complete a financial report quarterly or bi-annually. Feels this will be more transparent for the public. The report should include information such as dinners that are paid by or donated by someone other than the individual reporting; and k) set a budgetary limit on the amount the City will spend for Council members to attend events.

Ms. Welsh announced the next Budget Development meeting will be held March 12, 2020 immediately following the Work Session.

There being no further business, Mayor Blad adjourned the meeting at 1:10 p.m.

APPROVED:

BRIAN C. BLAD, MAYOR

ATTEST AND PREPARED BY:

RUTH NEWSOM, CITY CLERK