

CITY OF POCA TELLO, IDAHO
CITY COUNCIL MEETING -
BUDGET DEVELOPMENT
MARCH 7, 2019

Mayor Brian Blad called the City Council meeting for budget development to order at 1:04 p.m. Council members present were Heidi Adamson, Roger Bray, Rick Cheatum, Jim Johnston, Linda Leeuwrik and Beena Mannan.

Joyce Stroschein, Chief Financial Officer/Treasurer, gave an overview of Fiscal Year 2020 Budget Strategy items.

RESERVE REVIEW -

Summary of Tax Funds – Excess Reserves available for use on one-time capital needs were reviewed. General Fund (\$1,790,949.00), Street (\$1,571,353.00), Cemetery (\$162,441.00), Airport (\$283,367.00) Library (\$180,297.00), Video Services (\$252,403.00). Funds from Fund 012 (Video Services) must be moved to another fund.

100% FEE SUPPORTED FUNDS (UTILITY RATE STUDY) –

Raftelis Financial Consultants, Inc. will be present at future meetings to discuss the upcoming five-year budget plan for the Utility Funds.

UTILITY RATE STUDY –

Utility fee increases for Fiscal Year 2020 will be based upon the 5-year budget plan created by Raftelis Financial Consultants, Inc. Fee rates will be determined for the three utility funds to meet system and operational needs for Sanitation, Water and Water Pollution Control.

PROPERTY TAX REVIEW –

Highest non-exempt property tax \$29,811,413.00; Property Tax replacement dollars \$353,411.00; Amount qualified for 3% increase \$29,811,413.00.

Additional property tax allowed based on the 3% rule is \$894,342.00 in Fiscal Year 2020.

FORGONE TAX FOR FISCAL YEAR 2020 DEVELOPMENT –

Ms. Stroschein explained there is a limitation on the percentage of certain funds the City can levy and those funds were reviewed. She cautioned Council about “capping out” on the funds. Ms. Stroschein reported that the forgone amount available is \$1,871,157.00.

LEVY LIMITATION REMINDER—

Ms. Stroschein reminded the Council of the dollar amount limitations within the various funds.

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NEW CONSTRUCTION TAX –

New Construction Value (Fiscal Year 2019) - \$24,257,364.00. Ms. Stroschein noted that New Construction value is calculated based on the previous year's levy rate. New Construction additional tax dollars available - \$273,670.00. Ms. Stroschein added that the North Yellowstone TIF District has the potential to close in 2019.

ONE-TIME CAPITAL CONTINGENCY FUNDS -

This budget is \$1,366,524.00. These funds include: General Fund Non-Department \$604,060.00; and Capital Acquisition Fund \$762,464.00. She noted that the second major property tax payment will be received in July 2019, so that amount is not reported.

NEW PERSONNEL REQUESTS –

Ms. Stroschein gave an overview of new personnel requests that would reflect an increase in the General Fund and other funds. She reminded the Council those requests would be addressed during future Budget meetings.

EMPLOYEE BENEFITS AND PAY—

Heather Buchanan, Human Resources Director, gave an overview of Employee Health Care benefit items to be presented.

Employee Benefits—

- Blue Cross Medical Costs: Ms. Buchanan reported that Blue Cross medical rates for Fiscal Year 2020 would reflect an increase of 6.9% from the previous year.
- Blue Cross Wellness Program : Ms. Buchanan stated that the Blue Cross Wellness Program was included during Fiscal Year 2019. Continuation of the program would cost \$24,678.00 and is not recommended by Human Resources.
- Blue Cross Health Coaching: Ms. Buchanan reported that Health Coaching is voluntary and not associated with Voluntary Employees Beneficiary Association (VEBA) payments, like Case Management. Participation would cost \$2,796.84 for Fiscal Year 2020 for employees only and \$4,134.84 for employee and spouse.

A motion was made by Mr. Bray, seconded by Mr. Cheatum, to direct Human Resources staff to include the following in the Fiscal Year 2020 Budget building items: 1) Continue Blue Cross Health Coaching for employees and spouses for Fiscal Year 2020; 2) Discontinue Blue Cross Wellness Program for Fiscal Year 2020. Upon roll call, those voting in favor were Bray, Cheatum, Adamson, Johnston, Leeuwrik and Mannan.

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- Items to be considered by Council at March 7, 2019 Regular Council Meeting:
 - 1) Move retirees to a plan on their own experience effective Fiscal Year 2020
 - 2) Make Case/Disease Management mandatory effective Fiscal Year 2020
 - 3) Cap Vacation payout at 400 hours effective 9/1/19
 - 4) Pay out retirees sick leave to HRA VEBA effective 9/1/19

Ms. Buchanan and AJ Argyle, Leavitt Group representative, clarified for Council members items to be considered at the March 7, 2019 Regular Council meeting.

1) Retirees under age 65 who are not eligible for Medicare would be moved to a separate healthcare plan, and will not be included on the Blue Cross insurance plan for full-time employees. Mr. Leavitt added that 25 individuals remain in the retiree pool at this time, and their rates would increase as they move from a large group plan to a small group plan. Those individuals also have the option to look for better rates on the open market.

2) Blue Cross would refer individuals to case management. Between 5 and 15 percent of employees could be referred into the program. If the employee refuses cases management, that individual would not be eligible to receive VEBA funds in the year of their referral and the employee would remain ineligible for VEBA for as long as they decline case management. Most case management cases would last between three and four months at no cost to the employee. Case management would not delay medical treatment for employees and information regarding which employees are in case management would be private. Human Resources would only be alerted when an employee declines the program. Ms. Stroschein added that budget authority for the VEBA dollars which had been budgeted for those individuals would remain unchanged.

3) Ms. Buchanan stated that vacation hours are considered a benefit and employee vacation hours are capped at 400 hours. Vacation time is given to employees by the City of Pocatello for the purpose of rest, relations and attending to personal affairs. She added that if an employee is planning to retire during the year and already has 400 hours in their vacation bank, that individual has the potential of earning an additional 208 hours during the year. Rather than paying out those additional vacation hours, the payout at retirement would cap at 400 hours. Each department manages the vacation time of employees. Ms. Buchanan stated that there will be an impact regarding the change, regardless of the implementation period. Ms. Stroschein stated that implementation of the change would not take away vacation time from employees, but would rather encourage employees to take their vacation time appropriately.

4) Ms. Buchanan gave an overview of the current policy of giving an employee a payout of their accumulated sick leave upon retirement. It is recommended that those funds be distributed to the employee's VEBA account instead of being paid out directly to the employee. Ms. Stroschein clarified that by depositing funds directly into a VEBA account, the City would not have to pay social security tax on those funds. Ms. Buchanan added that employees have expressed that they would like to have the flexibility to spend the money where they see fit, rather than have it directed

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to their VEBA account only. She added that 31 employees have submitted a letter of intent to retire in Fiscal Year 2019.

Ms. Buchanan reminded the Council that those items would be considered at the March 7, 2019 Regular Council meeting. After the Council's decision at that time, Human Resources would inform employees of the changes.

COMPENSATION—

Ms. Buchanan gave an overview of the Hybrid Pay Grade table built by BDPA in 2014. She offered the costs related to a one-step increase (a cost of \$625,376.44) or a two-step increase (a cost of \$1,145,467.96). She presented three options related to Hybrid Pay Grade Table Market Adjustment proposals. Ms. Buchanan clarified that at the beginning of Fiscal Year 2019, 353 employees were on the Hybrid plan, with 63 positions at step 6 or above and 290 positions which are under market. She gave an overview of the options: Option 1—2.5% salary increase and 1 step (total increase \$1,168,286.60); Option 2—4.5% salary increase and 1 step (total increase \$1,602,372.98); and Option 3—6.1% salary increase and 1 step (total increase (\$1,949,695.23). Ms. Buchanan clarified that Option 3 would bring all employees to current market value.

Lynette Sampson, Compensation Specialist, clarified that a one-step increase would move positions closer toward market value. A one-step increase is being recommended to avoid compression within the pay grade steps. The amounts presented reflected full-time employees only and does not include part-time employees or sworn police and fire employees.

Council and staff discussion ensued regarding the following: cost of living increases; potential costs associated with police and fire negotiations; recruiting and retention priorities; new positions to be considered; contingency funds available; and the impacts associated with all three options presented.

A motion was made by Mr. Cheatum, seconded by Ms. Mannan, to direct staff to build budget figures to include a 4.5% salary increase and one-step advancement to the employee pay plan.

Council discussed the proposal.

A substitute motion was made by Ms. Adamson, seconded by Mr. Johnston, to direct staff to build budget figures to include a 2.5% salary increase and one-step advancement to the full-time employee pay plan.

Council discussion followed.

Ms. Adamson's motion was voted upon at this time. Upon roll call, those voting in favor were Adamson, Johnston, Bray and Leeuwrik. Cheatum and Mannan voted in opposition to the motion. The motion passed.

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Council discussion followed.

A motion was made by Mr. Bray, seconded by Mr. Johnston, to direct staff to build budget figures to include a 2.5% salary increase and one-step advancement to the part-time employee pay plan.

Ms. Adamson stated she would be more comfortable adding in the part-time salary increases and step advancements later in the budget process.

Mr. Johnston stated he felt it was appropriate to have staff add it into the budget figures at this time in order to build a workable foundation for the budget.

Mr. Bray's motion was voted upon at this time. Upon roll call, those voting in favor were Bray, Johnston, Cheatum, Leeuwrik and Mannan. Adamson voted in opposition to the motion. The motion passed.

Ms. Buchanan announced the next Budget Development meeting will be held March 14, 2019 immediately following the Work Session.

There being no further business, Mayor Blad adjourned the meeting at 3:18 p.m.

APPROVED:

BRIAN C. BLAD, MAYOR

ATTEST AND PREPARED BY:

KONNI R. KENDELL, DEPUTY CITY CLERK