

MAY 10, 2021

T HE CITY COUNCIL OF THE CITY OF LEWISTON, IDAHO, met in a Budget Work Session on Monday, May 10, 2021, at 3:00 p.m. at the Lewiston City Library, 411 D Street.

Councilors Present: Collins; Schroeder; Blakey; Kelly; Pernsteiner.

Councilors Excused: Bradbury; Miller.

Staff Members/Others Present: Jeff Trudeau, Jenny Hogaboom, Alan Nygaard, Dan Marsh, Wendy Lavoie, Tim Barker, Roben Braun, Stephanie Drury, Neal Drury, Dustin Johnson, Dustin Spooner, Travis Myklebust, Budd Hurd, Lynn Johnson, Jana Gómez; Brian Ellison.

I. CALL TO ORDER

Mayor Collins called the meeting to order at 3:00 p.m.

II. PLEDGE OF ALLEGIANCE

Mayor Collins led the Pledge of Allegiance.

III. CITIZEN COMMENTS

There were no citizen comments.

IV. BUDGET ITEMS

A. BUDGET INTRODUCTION AND TIME LINES

City Manager Nygaard said the plan for this year's budget process is to have all the information to Council by the end of June in order to allow time for feedback. He stated that one item that will be discussed during budget sessions is the arterial street program, noting 21st Street and Thain Grade as just a couple of examples that need work. Mr. Nygaard said it will be one of his top priorities to try to find a solution with regards to funding these expensive projects, noting that the new intersection at Highway 12 and Thain Grade cost \$9.4 million.

Administrative Services Director Marsh said today is kickoff for the budget cycle with 6 or 7 budget sessions and a lot of work in between. Continuing Mr. Marsh explained the goal is to achieve a balanced budget and they shouldn't be alarmed if they need to use reserves to balance the budget. The process is year round and the City has done really well in the past.

B. INTERNAL SERVICE FUNDS

1. Worker's Compensation Fund

Risk Manager Harrington reviewed the Worker's Compensation Fund, explaining what it is comprised of as well as how it is utilized. He noted that the Revenues are reimbursements such as interest and dividend earnings within the trust itself, and expenses incurred cover operating supplies, insurance and self-insurance.

Mr. Harrington provided a breakdown on the cost of claims from 2016 to 2020. Though the number of claims remains static, the severity index has gone down substantially. So far, for 2021, the City staff have done exceptionally well with only 6 injuries city-wide and only one serious injury that required surgery.

Councilor Pernsteiner asked if there is any benchmarking data available in terms of costs of claims. Mr. Harrington replied that he has internal data, but noted that a comparison of like sized cities could be useful.

Continuing, Risk Manager Harrington reported that the current worker's compensation balance is approximately \$2.5 million. With a \$500,000 commitment into the fund each year, the goal is not only to reduce the number of injuries, but also the severity of those injuries in an effort to grow the cash balance.

Councilor Blakey questioned who manages the Worker's Compensation Trust. Administrative Services Director Marsh replied that these funds are currently handled by himself and Finance staff and are located in either the State Treasurer's Pool or in local C.D.'s. He noted that each department is billed annually which is used to pay for expenses. Councilor Blakey stated that \$2.5 million is a lot of money to have managed by 1 or 2 people and suggested the Council, in the future, review potential procedures or an investor policy statement for these large sums of money. Mr. Marsh replied that this can certainly be reviewed with Jeff Trudeau of U.S. Bank, but said that staff currently manages anywhere from 35 to 48 million, as do most local entities.

Councilor Kelly asked if there is a goal to reach with regard to the cash balance so that \$500,000 does not have to be deposited annually. Mr. Harrington noted that this would be something the actuarial report would provide guidance on and is anticipated to be done potentially next year. At this point, it is extremely difficult to determine what the future holds.

2. Fleet/Service Center Fund

Administrative Services Director Marsh noted that the Fleet/Service Center Fund is another Internal Service Fund with a centralized concept. Departments are charged a cost to replace their vehicles when necessary. Though not a perfect science and based on estimates, it greatly helps to take the “sting” off when a vehicle needs to be replaced.

Continuing, Mr. Marsh noted that the City currently has 311 pieces of equipment and vehicles, which doesn't include mowers and UTV's. There are only 4 mechanics who do a phenomenal job of keeping these vehicles maintained and running properly. Work such as radiators, transmissions and body work, to name a few, are contracted out to local dealers at a line item amount of \$200,000 per year, while another \$150,000-line item is budgeted for parts. Though staff keeps an inventory on hand, it is pretty low as most parts are easily accessible locally. He reiterated that the only goal of the Service Center is to keep equipment running and moving and to cover the cost of the shop. It is not to generate a surplus, but a small amount in reserves is important to cover emergencies.

Mr. Marsh then provided an overview of the Operating expenses versus Revenue, as well as budgeted capital expenses versus revenue for FY'19 through FY'23. He noted that with regard to the operating side, revenues coming in do not equal expenses. Staff is intentionally spending down a bit of the reserves to make it economical for departments, which have had a 0 to 3 percent increase in operation costs over the past 3 or 4 years. Councilor Bradbury questioned the process for charging departments. Mr. Marsh explained that staff reviews each department's past history and current expenses and comes up with an appropriate rate. These monies then serve as revenue to Fleet.

With regard to Capital, Mr. Marsh said the revenue remains fairly constant. Currently in the \$900,000 range, the goal is to work towards \$1 million over the next few years. Regarding Capital, there have been a few upticks, but the revenue remains fairly constant. He noted that one efficiency will be to skip the purchase of a new ambulance in 2023, then get back on track after that. This will provide an extra year's use from each.

Fleet Maintenance Manager Braun explained that staff evaluates vehicles that come in and the special equipment that is needed to do a job. For repetitive work, special tools are purchased and kept on hand. If a repair will take a great deal of time, then it is usually sublet out to a local business.

Regarding infrastructure, Equipment Services Specialist Drury noted that this year staff is working on some infrastructure projects, spending down reserves on the operating side, and doing a much needed shop floor refinish. Next year a

feasibility study will be performed to add onto the existing storage shed to protect tires that currently sit out in the sun. Finally, a five-year improvement plan will be created for the creation of an underground storage tank.

Mayor Collins questioned the savings associated with putting off the purchase of a new ambulance for one year and Mr. Marsh indicated it will be approximately \$115,000. Mr. Braun explained that staff closely monitors the serviceability of each of the ambulances and reviews the repairs that are needed. These vehicles are doing very well and maintenance is remaining steady.

Councilor Blakey said he appreciates the relationship and frankness between Fleet staff and the Director. He said he believes this is responsible and a good message for the taxpayers.

Mr. Marsh said the FY'22 Capital budget includes an ambulance at \$215,000, a used paver at \$175,000, three Parks & Facilities pickups at \$105,000, and a patrol vehicle at \$43,000. Fleet staff has meetings scheduled with all departments to discuss the details of all upcoming purchases.

With regard to the paver, Mr. Braun noted that this is a very expensive piece of equipment. Purchased used in early 2000, it currently needs a minimum of \$25,000 in repairs; however, due to its age, parts are not available. The only reason it is currently running is that a part was purchased off another machine at Sutton Salvage, but added it could break down at any given time.

3. Information Technology Fund

Mr. Marsh noted that the Information Technology Fund is the third and final internal service fund. Operating expenses include software, personnel costs, agreements with software companies, etc. The Capital account contains the replacement program for pc's, laptops and servers at \$100,000.

Information Systems Manager Spooner reported that on the operating side, it has grown, but reserves as been utilized a bit to keep the department costs at a maximum of 3 percent. The total operating budget for FY'22 is \$1,057,100 and FY'23 is \$1,085,000. Many services were moved to a hosted cloud environment to increase efficiency of staff and to provide mobility. At the same time, the City is a bit at the mercy of a company if it decides to raise rates, such as what was experienced with Google, who doubled their rates. Mr. Spooner noted that salary and benefits are a large chunk of this Fund, as well as software purchases to improve staff efficiency. He said the hope is to get back on track in 2022 and just see small increases for a while. On the capital side, things are a little different. Staff is comfortable staying where it is currently, but the future is unknown.

Regarding Capital, Information Systems Manager Spooner noted there has been a downward trend in the past years due to a reduction of on-site hardware for services now hosted in the cloud. An increase in FY'22 is expected to meet expense estimates, but capital expenses are expected to level out moving forward with little to no increases in the foreseeable future. Total capital expenses include pcs/laptops at \$50,000, network upgrades/maintenance at \$20,000 and disaster recovery at \$20,000.

Councilor Bradbury noted moving towards cloud require more hands on sometimes and questioned if there were no additional asks at this point in terms of personnel. Mr. Spooner replied not at this point as they are trying to be efficient with what we have.

Councilor Blakey questioned if enough money is being spent to make the City safe and prevent it from disaster. Mr. Spooner responded the IT Department is constantly talking about preventions measures and there are multiple backups in multiple sites. Councilor Blakey questioned if utilities are protected the same way. Mr. Spooner replied they don't manage the SCADA network but they talk about it and wonder if they should oversee the company managing that system.

Councilor Blakey asked if it is feasible for enterprise funds to operate separately by having their own IT departments and not comingle services. Mr. Spooner responded he can't see it anywhere in the City where it would be a better deal to hire their own IT personnel, as well as security is a big risk trying to integrate together.

Administrative Services Director Marsh said specifically regarding cost allocation, it is more efficient and they have tried to simplify the process over the years.

C. FIDUCIARY FUNDS

1. Police Retirement Fund

Administrative Services Director Marsh said that without a doubt, this is the most action packed and most important year for this fund. The gains and losses on investments are market driven with 2.5 million in gains and investments projected for the year. Mr. Marsh continued that general property tax is a little over \$1 million and is composed of two pieces 1) used about half to pay the final payment on bond last October and 2) the other \$500,000 was used to annually fund or contribute to the Fund to meet the objectives to pay for retired officers and/or their widows.

Continuing, Mr. Marsh said interest and dividends are nice and strong at 236,000 with expenses including contracted services, police retirement benefits, and

widow retirement benefits. There are 32 members, 3 are on disability, 9 are widows and 20 active officers and it is a closed plan so nobody else can join. They are 109 percent funded so Mr. Marsh recommended no money be set aside for the Police Retirement Fund.

Councilor Blakey asked if the City borrowed money from the fund at some point in time. Mr. Marsh responded an internal transfer to the golf course was done early in the process to help construct the golf course. The money was mostly for excavation, putting in the ponds, etc., at about \$400,000 and it was all paid back in the early 70's.

2. Cemetery Perpetual Care

Parks and Recreation Director Barker said it was a strong year. The fund transfer is an annual transfer to assist with the Cemetery which is purpose of Cemetery Perpetual Care to assist with operations. The balance is about \$1.1 million.

Jeff Trudeau represents US Bank and manages the Police Retirement Fund and Perpetual Care for the Cemetery. Mr. Trudeau explained the goal is to make sure money is there for pensioners and cash needs. The cash outflow is about 5 percent for Perpetual Care Fund and about 8 percent for Police Pension and they have to maintain those performance numbers to get those types of returns. For 2020, the market was up about 18 percent and another 8 percent to date and the market is anticipating a pretty strong recovery coming out of COVID.

Continuing, Mr. Trudeau summarized there are some employment issues and the biggest concern now is to know if numbers coming out are temporary or just trend. The whole goal is to make sure money is there for benefit of pensioners and benefit of the cemetery.

Parks and Recreation Director Barker then moved into Cemetery Budget discussion. He spoke to changes and things that have been happening this past year as far as proposed budget which consisted of approved revenues of \$257,000 and expenses of \$246,000. Anticipated sales for plot sales at the cemetery are at 80 percent and they are finding that inventory is diminishing and finding multiple grave locations next to each other are few and far between. As far as expenses, at \$79,000 or 32 percent where we should be at 58 percent.

Mr. Barker continued that they created a buy-back program by pulling \$20,000 out of Perpetual Care Fund and they have purchased back 4 or 5 plots at this time. The Cemetery has been criticized for maintenance so he will be requesting about \$32,400 to use a 6-man inmate labor crew this year 4 days per week starting in May. For 2023, a full market analysis needs to be completed related

to development of the undeveloped 6 acres on the south end of cemetery and what should be done with the property.

Concluding, Mr. Barker said he received a lot of great compliments from the neighborhood and those that visit the cemetery and the biggest need at this point is burial options for cremation.

Councilor Blakey said he is glad to hear that the inmate labor is back and questioned if the City is limited to the number of inmates that can work on projects. Mr. Barker responded it is available for others as well and the only restrictions were for federally funded projects.

V. UNFINISHED AND NEW BUSINESS

A. CITY COUNCILOR COMMENTS

Mayor Collins said he appreciates these budget sessions. Council participation helps to simplify things down the road with regard to decision making for the budget.

B. CITY MANAGER COMMENTS

City Manager Nygaard had no additional comments.

VI. ADJOURNMENT

There being no further business to come before the Lewiston City Council, Mayor Pro Tem Schroeder and Councilor Pernsteiner moved and seconded adjournment of the May 10, 2021, Budget Work Session at 4:35 p.m.

Kari Ravencroft, Recording Secretary

Date approved by City Council