

MINUTES OF A CONTINUED MEETING OF THE
COEUR D'ALENE, IDAHO,
CITY COUNCIL HELD IN THE LIBRARY COMMUNITY ROOM
August 21, 2023, AT 12:00 P.M.

The City Council of the City of Coeur d'Alene met in continued session of said Council in the Library Community Room held at 12:00 p.m. on August 21, 2023, there being present upon roll call a quorum.

James Hammond, Mayor

Dan Gookin)	Members of Council Present
Dan English)	
Woody McEvers)	
Christie Wood)	
Kiki Miller)	
Amy Evans)	

DEPARTMENT HEADS PRESENT: Troy Tymesen, City Administrator; Randy Adams, City Attorney; Renata McLeod, Municipal Services Director/City Clerk; Vonnie Jensen, Comptroller; Ted Lantzy, Building Official; Thomas Greif, Fire Chief; Melissa Tosi, Human Resource Director; Michael Priest, Library Director; Lee White, Police Chief; Todd Feusier, Streets & Engineering Superintendent; Mike Anderson, Wastewater Superintendent; Terry Pickel, Water Superintendent.

CALL TO ORDER: Mayor Hammond called the meeting to order.

Mayor Hammond said the purpose of the workshop was to provide Council another opportunity to discuss the General Fund budget and receive an update on the Police and Streets Departments' Building Expansion and/or Remodeling projects.

OVERVIEW: City Administrator Troy Tymesen said 85% of the City's General Fund was in personnel costs as the City was a service business. He noted the increased use of Fund Balance was concerning as much of the City's expenses were ongoing and not one-time expenses.

STAFF PRESENTATIONS:

POLICE DEPARTMENT BUILDING EXPANSION: Police Chief Lee White said Council had approved \$4.5 million of American Rescue Plan Act (ARPA) funds in order to expand and remodel the Police Department Headquarters building which did not contain adequate locker room or work space for their 112 employees. He said a Construction Manager/General Contractor (CM/GC) had been hired to prepare plans and bid documents for the building which the Department had outgrown. He noted that adjacent property had also been purchased to accommodate future expansion. He explained 1000 square foot of the existing building would be remodeled, the existing locker rooms would be remodeled into work space, and an additional 3848 square foot would be added. He said Captain Hagar had been working with the architect and design firms for the last 18-months and they had value engineered the plans in order to reduce project costs by \$900,000 which involved removing

the new parking area, emergency exit, all landscaping, and some of the lockers. He mentioned the project remained \$1.5 million over budget due to current construction costs. He said the good news was they currently had \$460,000 in impact fees which they would seek Council approval to use, and with the proposed FY 22-23 budget amendment, \$1.2 million would be returned to the Department's budget due to vacancies in 12 positions. He advised they were at a point in the project where they could halt it, or a funding source would need to be identified. He said Phase II of the expansion would use future impact fees, and the 2025 G.O. Bond may help with financing Phase II of the project.

DISCUSSION: Councilmember Evans asked how many offices would be configured using the 1000 square feet of the old locker room area, with Chief White responding 10-12 would be configured yet they would still be short roughly 12 workstations. Councilmember Evans asked if the locker room portion of the plan could be phased out in order to delay project costs, with Chief White responding they had considered it, yet it would remove needed locker rooms for existing staff. He said removing the locker room portion would save \$350,000 in project costs. Councilmember Gookin asked what the total cost to complete the project was, with Chief White responding the expansion/remodeling was estimated at just under \$6 million, with \$4.5 million coming from ARPA funds. He said in the future, they would be seeking Council approval to use \$460,000 in Impact Fees. Councilmember Gookin noted inflation would increase project costs further. He asked how much the project was short and if Council would commit to using Fund Balance to complete the project, with Chief White responding \$1.5 million was needed as of now. Councilmember English said public safety projects were the number one priority, and if there was a way to keep the projects moving forward, Council should continue to find ways to complete them. He mentioned the Police Department Headquarters Expansion/Remodel project had a good footprint with the recent land purchase. Mayor Hammond noted the Police Headquarters building was 23 years old and staffing had almost doubled during that time. Councilmember Wood said now was not the time to pause the project and they should plan for the costs in upcoming budgets. Mr. Tymesen said they had looked at ways to reduce project costs such as the City doing the landscaping and paving and working with contractors to explore less expensive building products. He said one possible recommendation could be using impact fees and/or Fund Balance to complete the project. Councilmember Miller asked if ARPA funds had an expiration date, with Ms. Jensen responding funds must be committed by a year from December 2023, and the City would have two (2) years from the time they were committed to spend the funds.

STREETS AND ENGINEERING DEPARTMENT BUILDING REMODEL: Superintendent Todd Feusier said the Streets Building Remodel project had its final design and was currently advertised for bids. The engineer's estimate was \$1.8 million which was above the project's \$1 million budget. He said they had looked at ways of reducing the overall costs and that concrete and paving would be done in-house, and they would work with the IT Division on cabling the fiber. He said the timing may be a challenge due to the Street Department's fall/winter work. He explained building upgrades would include an ADA compliant entry, HVAC, plumbing, and electrical upgrades, combining staff work areas, and a new configuration of the conference and training area. He said with the in-house work, the project could be value engineered down to \$1.4 million.

DISCUSSION: Councilmember Gookin asked why Engineering staff were being moved to the Streets Building and what would be done with the old Water Department building they currently used, with Mr. Feusier responding he would like to have all his staff under one roof and wanted to move the trucks out of public view. He said he wasn't sure what would be done with the old building.

Councilmember Gookin mentioned anytime Streets staff were pulled away from their regular City projects it actually cost more as it required the City to double up to get the work done. Councilmember McEvers asked if there were enough garage bays for future growth, with Mr. Feusier responding they had adequate space for the next 5-10 years yet may require more in the future. Mr. Feusier mentioned they rotated their equipment by season. Councilmember Wood asked if they would like to pause the project for a year, with Mr. Feusier responding if in-house work was done, it would be a challenge in winter, yet his fear was if the project was paused building costs would continue to increase. Councilmember Wood suggested the project be added as a priority to the Strategic Plan, and then planned for over the next couple of years. Councilmember Miller asked if there were any plans to upgrade the small building into a conference room, with Mr. Feusier responding they currently utilized it for the engineering staff. He said his long-term plan would be to move or sell the building and replace it with a pole barn to store equipment out of the elements.

OVERVIEW OF THE 2023-2024 GENERAL FUND BUDGET:

Mr. Tymesen said the goal was to show the importance of having cash reserves. He said Impact Fees were being updated yet it would take time before the City would start to see them come in. He said the goal was to look at projects and recognize items which could be paid for as one-time purchases. He said the City required ongoing cash flow to pay for wages and benefits. He noted many cities relied on a tax anticipation note when they had insufficient reserves to pay for operating expenses (wages and benefits), and property tax payments were received twice a year. He noted that in the past 30 years, the City had not had to rely on a tax anticipation note as it had sufficient reserves in the Fund Balance. He mentioned the majority of the City's expenses were in employee wages and benefits. He noted the Government and Finance Review recommends 2-months of cash on-hand based on an organization's expenses, yet he advised 30%+ was needed in order to gain a higher AAA bond rating. He said Council had done a great job of growing the City responsibly, yet a perfect storm had developed wherein the City grew in unanticipated ways during what could have been a depression. He mentioned with the Urban Renewal District-Lake District (Lake District) closure, property taxes had been returned to the constituents.

Comptroller Vonnie Jensen spoke of levy rates and noted in 2014, the non-exempt levy rate was \$6.34 for every \$1,000 of valuation, and the current non-exempt levy rate was \$2.14 which was a 66% decrease. She said valuations saw a 312% increase in assessed value in 9 years and a 75% increase from 2021-2023. She said the large increases in assessed value were producing the large decreases in levy rates. She mentioned the valuation increase caused a 39% decrease in the levy rates between 2022-2023, and resulted in the large decrease in funding the City was to receive from the closing of the Lake District and new growth. She said due to the reduced levy rate and changes made at the State Legislature, the City would receive \$1.1 million less than anticipated. She said that over the past 10 years, the City was allowed to take 30% in property taxes, yet only took a total of 8.5%, and \$4.4 million of tax revenue went back to the taxpayer. She went over examples of properties and explained that since 2017, the tax burden had shifted to residential properties while assessments rose, yet recently commercial property's assessed values and levy rates were increasing. She went over multiple scenarios of what a 3% tax increase may look like for various property valuations. She said the employee cost of living adjustments (COLAs) had cost the City \$2.4 million. She said that three-quarters of the State revenue had come in, and it was coming in lower than expected. She said the revenues were now coming in less than AIC projections, and this may amount to \$1million less in

revenue this year. She mentioned gas franchise fees and interest would most likely make up the difference this year, but that wouldn't be the case in the following year. She noted in an emergency situation, it took FEMA roughly 18-months to provide emergency funding and therefore a healthy reserve was essential. She went over budget projections for FY 24-25 if Fund Balance was used to balance the budget. She noted \$2.5 million of Fund Balance would be required to balance the future FY 24-25 budget. She said that vacancies in the Police Department and the associated salary savings had helped balance the prior year's budget yet the Police Department was now fully staffed. She noted sales and liquor taxes were coming in lower than projected. She said the following services were provided to constituents by the City: Fire and EMS, police protection, library, parks, trails, accessible waterfront, streets were plowed/swept/overlayed/lined/chip-sealed and leaves picked up, affordable recreational programs, safe buildings, and planned development. She said all of these services were provided for approximately \$94.00 a month for a home valued at \$500,000.

DISCUSSION: Councilmember Wood mentioned the Fund Balance had grown by the use of salary savings in a non-fully staffed Police Department. She said crime had been reduced by 62% and felt in order to continue reducing crime, emergency services needed to be fully staffed. She asked if there would be any new tax dollars coming forward, and referenced the new Coeur Terre development, and asked about another Urban Renewal District closing, with Mr. Tymesen noting there had been no houses built, the project had a 20-year build out, and the next annexation fee was due upon the completion of 200 homes. He said in regard to the Urban Renewal District-River (River District), most work had been completed yet there was remaining debt to pay, and it was still a few years out from closure. Councilmember Gookin asked if the River District could be de-annexed, and noted the annual report was overdue to the Council (and required by State Statute). Councilmember English said the focus should be kept on the upcoming fiscal year's budget, yet be mindful of future budget needs. Mayor Hammond asked if the desire was to close the entire River District or a portion of it? Councilmember Gookin said he would like to see something done now, yet he was unsure of their obligations, yet it would help the City's revenue stream as it was new growth in the City. Mayor Hammond asked if the River District was de-annexed, how long would it take before the City would start receiving revenue, with Mr. Tymesen responding it would be the year following closure. Councilmember Evans noted the River District is set to expire in 2027. Councilmember Wood said she had spoken with a County Commissioner, and he had explained they were taking the 3% because of low levy rates and what the State Legislature was doing. She noted she would like to look at other avenues for funding, yet it seemed as though this was the year to take the taxes. Councilmember McEvers asked if the River District de-annexation would make the City whole. He noted in the past, the City had borrowed money from the Enterprise Funds. Mayor Hammond said the concern was if funds were borrowed how would they be repaid. Ms. Jensen noted funds previously borrowed from Enterprise Funds had not yet been repaid. Councilmember English noted if prior Council's had taken the 3%, the City wouldn't be in the current position, and that not taking the taxes had long-term impacts to the City's fiscal status. Ms. Jensen noted that even with the 3% tax increase, Fund Balance was still being used to balance the FY 23-24 budget. Councilmember Miller noted there were some problematic issues with de-annexation. She said staff in public safety had increased three-fold, she was in support of the current staffing levels, and the City may need to freeze vacancies until the City was in a better financial position. She noted it may be the year to take the 3%. Councilmember Gookin said it was Council's duty to review and look for ways to reduce the budget, and he had tried hard to represent the tax payer. He noted there would be inconsistencies across the board with the proposed 3% increase in property taxes. He said the City was well positioned and doing well and he would like to give the

taxpayer a break. He suggested creating an employee incentive program which would help the City to save money and defunding the City's contribution to CDA2030 (now Connect Kootenai). Ms. Jensen noted that \$167,000 in services and supplies had been cut from the proposed budget and 85% of the budget was employee wages and benefits. Mayor Hammond said he had witnessed many employees utilizing cost savings for the City and would be supportive of an employee incentive program. Councilmember Wood said if the City was looking for savings, she was not in support of freezing emergency personnel positions and suggested the elimination of a capital project. Mr. Tymesen noted the City's cash flow would not be helped by eliminating capital projects as the dollars were dedicated and may not be directed elsewhere. He said eliminating capital projects didn't help the General Fund. Councilmember Wood asked if dedicated funds could be transferred for other uses, with Mr. Tymesen responding they could not be used for other purposes once dedicated. He reiterated that personnel wages and benefits were 85% of the City's General Fund. Mayor Hammond said the issue came down to an artificial 75% increase in residential property values, changes made by the State Legislature on new growth tax, and that the Lake District was intended to add to the City's tax rolls; however, the Legislature had changed the rules which lowered the amount of taxes received by the City. He suggested the City take a 3% increase in property tax, using reserves to balance the FY 23-24 budget, and begin working on the next budget cycle soon. Councilmember Miller said employees were worth the COLAs, yet the City was seeing a challenge in balancing the budget. She said the Police Department had grown exponentially. She said over 65 new public safety positions had been added over the last 10 years, with only 19 throughout the City. She said Police Department vacancies, along with all other department vacancies, should be frozen while the City worked through the budget shortfalls. Mayor Hammond noted new positions had been requested in the FY 23-24 budget yet not approved. Councilmember English said he was in support of the additional 3% property tax and using annexation fees.

MOTION: Motion by Gookin, seconded by Wood, to prepare the budget with the use of annexation fee dollars to offset the property tax increase. **Motion Withdrawn**

DISCUSSION: Councilmember Miller asked what additional property tax would be needed if the annexation fees were used, with Ms. Jensen responding 1% would still be needed to balance the budget. Ms. Jensen noted annexation fees were historically used for one-time purchases, such as a dump truck, and not for ongoing expenses. She said the City would start the next budget cycle with a \$1 Million dollar shortfall. Councilmember McEvers asked if placing the Police Department and Streets Department's Building projects on hold, would it help balance the budget, with Ms. Jensen responding capital projects were historically funded with annexation fees and the use of Fund Balance, and these projects were partially funded through ARPA funds. Mayor Hammond noted if Council delayed the projects, the City may not need to take the 3%, yet it would further delay the projects and associated costs would increase. Councilmember Evans asked if the recommendation was to not use annexation fees to pay for ongoing expenses, with Mr. Tymesen responding he would never recommend it. Ms. Jensen noted they also did not recommend using Fund Balance to pay for ongoing expenses. Councilmember Wood noted Fund Balance was being used to balance the FY23-24 budget. Ms. Jensen mentioned Fund Balance was being used to fund the COLAs as there were not enough revenues to balance the budget without it.

MOTION: Motion by Gookin, seconded by Wood, to use all the annexation fee dollars to offset the property tax increase.

ROLL CALL: Evans No; Wood Aye; English No; Gookin Aye; McEvers No; Miller No.
Motion failed.

DISCUSSION: Councilmember Wood asked what the offset to property tax would be, with Ms. Jensen responding it may be 1-2%. Ms. Jensen explained how property assessments and higher valuations had affected the taxes the City received and noted the tax burden for the past five years was not equal amongst commercial and residential properties. She noted it was now shifting back to commercial properties and therefore the burden was decreasing on residential properties. Councilmember Wood asked if small businesses would receive some of the property tax relief, with Ms. Jensen responding she was not sure as the State had not come out with how the relief would be allocated. She assumed some may go to commercial properties. Councilmember McEvers asked if the motion on the table to offset the 3% property tax would make the City whole, with Ms. Jensen responding \$1 million of Fund Balance would still be needed to balance the budget. Ms. Jensen mentioned there were not enough funds in the annexation account to cover the budget deficit. Councilmember English asked for clarification that the 3% equaled \$700,000 and the use of \$1 million of annexation funds would cover the 3%, with Ms. Jensen responding the preliminary budget already contained \$500,000 of the annexation dollars, leaving \$500,000 in that fund. Councilmember English noted 1% property taxes would still be needed to balance the budget. Councilmember Evans said it was not recommended by the City Administrator or Comptroller to use annexation fees for ongoing expenses yet some of Council continued to put it forward as an option. Councilmember Wood said her motion suggested the use of an additional \$239,000 of Fund Balance to balance the budget.

MOTION: Motion by Evans, seconded McEvers, to direct staff to prepare the budget with the use of 3% property tax.

ROLL CALL: Evans Aye; Wood Aye; English Aye; Gookin No; McEvers Aye; Miller Aye.
Motion carried.

MOTION: Motion by Gookin, seconded Miller, by that there being no other business, this meeting be adjourned. **Motion carried.**

The meeting adjourned at: 1:39 p.m.

ATTEST:


James Hammond, Mayor


Sherrie L. Badertscher
Executive Assistant