

**City of Rigby
City Council Meeting
February 17, 2009
7:00 p.m.**

Mayor Brown welcomed everyone to the meeting and turned the time over to Avery Clark who invited everyone to join him in the pledge of allegiance. Mayor Brown then turned the time over to Tyler Clark to give the prayer.

Jeanne Kerbs, City Clerk/Treasurer, performed roll call. Those present were: Mayor Brown, Councilman Simonson, Councilman Maloney, Councilman Smith, Councilman Marriott, Councilman Blackburn and Councilman Day.

Public Awareness Survey-

Mayor Brown stated the next item on the agenda was the Public Awareness Survey and turned the time over to Julie Sidwell for her presentation.

Julie Sidwell stated she was there because the State was doing a web-based information section on all the counties so they can compile early awareness on all child related issues. Mrs. Sidwell stated she had been asked to distribute a survey regarding the overall community. Mrs. Sidwell distributed these surveys, asked questions and obtained verbal responses from the council.

Financial Update-

Mayor Brown informed the council there was a change in the agenda and stated the next item was a financial update which would lead into the auditor's report. Mayor Brown stated this was not a comprehensive update but more for information purposes. Mayor Brown reminded the council that back on February 9 he had sent out a memo to all the department heads. Mayor Brown read that memo into the record as follows:

With the recent State Budget Cut and the lost revenue for the City that these budget cuts represent, I am placing a freeze on all major purchases and travel whether budgeted or not. Any expenditures other than "regular and necessary items" have to be approved by me and/or the Council.

In light of our recent audit it appears that we have over spent our budgets in a few areas last year. This is a major No-No. Please review your budget expenditure reports regularly.

Mayor Brown stated the city needed to prepare as we are going through some tough economic times. Mayor Brown stated this is affecting all areas around the state and indicated his office at work had received a letter from Governor Butch Otter dated February 13, 2009. Mayor Brown stated this letter was written to his cabinet and agency administrators. Mayor Brown read excerpts from this letter into record as follows:

As you are all too aware, unemployment and other economic pressures are growing throughout Idaho. That continues to hurt the State's tax receipts, which now are well below our original estimates and even our updated, more modest expectations.

I have been cautioning all state leaders since last June that prudence and vigilance are necessary to see us through these tough economic times. Your hard work has enabled us to maintain essential services of state government while fulfilling the constitutional requirement for a balanced budget. Each of you, and the hard-working state employees for whom you are responsible, are to be commended for that.

Unfortunately, the short-term economic outlook remains bleak. After reviewing tax receipts for December 2008 and January 2009 with legislative leaders, I am convinced that further cost-cutting measures are required to keep state expenditures in line with revenues for the current fiscal year. Outlined below are a number of actions that are to be implemented on March 1, 2009 and shall remain in place until July 1, 2009. This short delay in implementation is intended to provide agency administrators greater flexibility, time to establish protocols and to accommodate travel and personnel plans already in motion.

Mayor Brown stated that he agreed with the Governor on being careful and planning for the future in the obvious economic trials. Mayor Brown stated the letter contained items the Governor has intended and read those into the record as follows:

- A. Hiring Freeze-All positions vacant on the date of this letter shall be left unfilled. This restriction also shall apply to all temporary, seasonal and contract employees.*
- B. Overtime-Agency administrators shall ensure that no employee is authorized overtime without prior approval.*
- C. Employee Compensation-No employee will be granted an increase in compensation without prior authorization. This includes bonuses, merit increases, short-term pay adjustments, re-classifications and other salary actions.*
- D. Travel-No employee, commissioner or other state official shall travel outside of the state without prior authorization. In addition, all agency administrators are strongly encouraged to limit in-state travel to essential functions while utilizing teleconferencing or videoconferencing wherever available.*
- E. Object and Program Transfers-Departments shall limit all budget object and program transfers to the minimum amount possible. Agencies will not be allowed to transfer appropriations between object class and programs without identifying specific, time-sensitive needs.*
- F. Encumbrances-Departments shall limit all end-of-year encumbrances to the minimum amount possible. Agencies are specifically instructed not to engage in contracting activities aimed exclusively at obligating appropriated funding.*
- G. Purchasing-All agencies shall ensure that procedures are put in place to limit all purchasing to essential, time-sensitive needs. For example, it has been customary in prior fiscal years for agencies to use excess funds at the end of the year to "stock up" on supplies, pre-purchase travel and/or make significant capital outlay purchased at the end of the fiscal year. This practice is to end.*

Mayor Brown then stated he would go to the conclusion of the letter and read it into record as follows:

In conclusion, let me state my appreciation and empathy for each of you and your staffs. I understand that implementing these instructions may be difficult, but I assure you they are necessary. As the furnace hardens and tempers steel, so these tough times will make us more flexible, more durable, and stronger. I deeply appreciate your leadership and commitment. Please pass along my best wishes to each member of your staff.

Mayor Brown stated he felt this letter was quite timely and expressed the need for the city to do the same and prepare and hope that next year would be better. Mayor Brown made strong recommendations for the council to look at the Recreation Center and Library and take into heart how much money is being transferred to those two facilities and make decisions on their operation. Mayor Brown asked for council support to go ahead and give the authority to tighten the budgets up and be prepared next meeting to review and cut budgets in all departments. There was a brief discussion regarding the implementation of this request and how that would affect the departments and some long range planning. The council agreed to authorize the Mayor to implement this change and budget freeze. There was a brief discussion regarding allowing overtime in emergency situations only.

Auditor Report-FY 08/09-

Mayor Brown stated the next item on the agenda was the auditor report for the fiscal year 08/09 and turned the time over to Sheri Poulsen for her presentation.

Sheri Poulsen, City Auditor, stated she had delivered a copy of the audit to each member of the council and talked about the meeting held with Mayor Brown and Councilman Day. Mrs. Poulsen stated the summary was rather bleak but felt there were things the council needed to be aware of regarding the financial status of the city. Mrs. Poulsen stated she was concerned but not alarmed but wanted to have the council aware of some important decisions that need to be made. Mrs. Poulsen stated the General Fund is starting to dwindle down and explained the income is decreasing while the demand on the fund has continued to increase. Mrs. Poulsen stated the revenues were approximately \$1,250,000 with \$250,000 of that coming from state sources which are known to be cut 5% and Mrs. Poulsen stated if that decrease wasn't in the budget numbers yet it needed to be added soon. Mrs. Poulsen explained the expenditures in the General Fund were \$1,224,000 so the net income was \$29,000 which is the lowest it has been in five (5) years. Mrs. Poulsen stated there were some funds that didn't perform very well and those were the Road Fund, Library Fund and Recreation Center Fund which all had deficits. Mrs. Poulsen stated the General Fund made transfers to these other funds for a total amount in excess of \$400,000. Mrs. Poulsen stated that by doing so there was a decrease in the fund balance of the General Fund of \$385,000. Mrs. Poulsen explained that even though this money was transferred there was still a negative cash balance of \$144,000 between the road and recreation funds. Mrs. Poulsen stated this was why the cash investment balance in the General Fund dropped from over \$1 million to \$ 581,000.

Mrs. Poulsen stated the revenues in the Road Fund totaled \$235,000 and explained the majority of this revenue came from the highway users but stated this future money was being cut from \$122,000 to \$115,000. Mrs. Poulsen stated the expenditures in the Road Fund totaled \$473,000 which includes \$155,000 spent towards 5th West which meant a net loss of \$238,000.

Mrs. Poulsen stated the revenues in the Library Fund totaled \$125,000 and the expenditures totaled \$198,000 which left a net loss of \$73,000. Mrs. Poulsen stated there was a cash transfer from the General Fund to bring this to zero but wanted to point out this item was budgeted at \$121,000.

Mrs. Poulsen stated the revenues for the Recreation Center Fund totaled \$63,000 and the expenditures totaled \$150,000. Mrs. Poulsen explained that \$86,000 of the expenditures went towards salaries and benefits. Mrs. Poulsen stated the net loss in that fund was \$87,000 and the General Fund transferred just under \$85,000 in cash to that fund which was the budgeted amount. Mrs. Poulsen stated there was still a negative cash balance in that fund of \$134,000.

Mrs. Poulsen stated the road, library and recreation center funds really drew down on the General Fund resources last fiscal year. Mrs. Poulsen stated she wanted to caution the council by saying that infrastructure is very important and repairs and maintenance would cost less than replacement in the future. Mrs. Poulsen stated that while the library and recreation center offered important resources to the community, the General Fund can not sustain transfers of \$150,000 per year to help out these funds. Mrs. Poulsen stated she has been asked before about whether the city has in excess of \$3 million and Mrs. Poulsen explained this is true in cash balances of \$3.6 million but they are proprietary funds and that means they are earmarked for the funds in which they sit. Mrs. Poulsen explained that this meant the money in the water fund could not be used for any other fund and that only the General Fund could be used that way and 40% of that has already been used up this last fiscal year. Mrs. Poulsen stated she is very concerned over the General Fund and wanted the city to be aware of the need to watch this very closely.

Mrs. Poulsen stated the revenues in the Water Fund totaled \$601,000 and the expenditures were \$340,000 leaving the fund with a strong net income. Mrs. Poulsen explained there was an unrestricted cash balance in this fund of \$912,000 and the City owes \$800,000 on the water bond obligation.

Mrs. Poulsen stated the revenues for the Sanitation Fund totaled \$206,000 and the expenditures totaled \$150,000 but explained this amount did not include the cash payment for the new garbage truck which was in excess of \$200,000. Mrs. Poulsen explained this purchase was why the cash balance is down to \$140,000 in this fund.

Mrs. Poulsen stated the revenues for the Sewer Fund totaled \$750,000 and the expenditures were \$320,000. Mrs. Poulsen stated the cash balance in this fund as of September 30, 2008 was approximately \$1.2 million. Mrs. Poulsen stated that over the course of the year the various forms of funding for the wastewater treatment plant totaled \$5.1 million with the total costs reported were \$5.2 million. Mrs. Poulsen explained that up until the date of this letter, the plant funding had come from other sources but now the city will be forced to cover the next construction draw request with the money in the Sewer Fund.

Mrs. Poulsen distributed a spreadsheet to the council and explained this was the audit status of the city over the past five audits. Mrs. Poulsen explained the different columns and what they meant for the city.

Mrs. Poulsen stated the city is now faced with several financial challenges as the drain on the cash reserves is now becoming apparent. Mrs. Poulsen stated the General Fund has transferred in excess of 40% of the reserves to help the Road, Library and Recreation Center meet their budgets and explained that with the cutbacks in state funding, the General Fund's ability to do this in the future is severely limited. Mrs. Poulsen stated the Sewer Fund will be using nearly all of its cash reserves to meet part of the city's portion of the wastewater treatment plant construction costs. Mrs. Poulsen stated her recommendation would be to have the Mayor and Council seriously concentrate on spending control and cash management as the next 12 to 18 months could be very difficult financially for our state and the city. Mrs. Poulsen stated there were investments with Edward Jones and MacDonald, Fannie Mae and EddyMac and talked about the collateralization agreement in effect and the letter of credit and explained some options she felt the city should look at doing. Mrs. Poulsen stated there had been a meeting with the Department Heads and explained it had been over what she would like to see on financial protocol, what needed to be in writing and how purchases should be managed.

Councilman Day asked Mrs. Poulsen if the changes she felt necessary were made could this financial situation be turned around in 12 to 18 months and Mrs. Poulsen indicated that it could indeed. Mrs. Poulsen explained the need to reign in the transfers from the General Fund because dropping the cash balance down to under \$500,000 is a lot and this needs to be looked at. Mrs. Poulsen explained the need to realize the consequences of making transfers of the magnitude that has been done over the past 5 years. Mrs. Poulsen stated she wasn't saying to stop making transfers but was merely pointing out the need to understand the amount going out is extreme. Councilman Day asked if the money currently held in Zion's Bank should be moved to the state and Mrs. Poulsen explained the state would not offer the FDIC. There was a brief discussion regarding shifting some of the funds to other banks. Mayor Brown stated there had been other bank representatives coming in and felt the city had been diligent in watching the money. Councilman Day asked Mrs. Poulsen if she could put together a proposal to move the city money around by the next meeting. Jeanne Kerbs, City Clerk/Treasurer, interjected stating that some of this money is held in investments and would have to wait until it matured in order to do anything with it. Mrs. Poulsen stated this was correct and explained there was approximately \$1.8 million in investments. There was a brief discussion regarding different options on the banking, the money available and the possibility of penalties. Mrs. Poulsen stated her main concern was having all the city's money in one bank and suggested moving some of the finances to other institutes. Rick Lamoreaux, Street/Park/Sanitation Supervisor, asked Mrs. Poulsen for clarification on the cost of the new garbage truck and Mrs. Poulsen explained there was enough cash in the Sanitation Fund but explained the proprietary funds and recapture of consumer funds and depreciation of equipment.

Other Council Business-

Mayor Brown stated the next item on the agenda was other council business and turned the time over to the council for any item they needed to disclose or discuss.

Councilman Smith stated that at a previous meeting there had been the question of testing on the wells out at the airport and so he had talked to Terry Kofoed and there was no results of any testing. Councilman Smith explained he had talked to Mrs. Kerbs and they were going to arrange through James Andersen, Water/Sewer Supervisor, to have some testing done on those wells.

Councilman Day stated that last year there had been a lot of expenditures for water and sewer line repairs that had been contracted out to Lott Construction. Councilman Day explained that some of these jobs were large enough that the current city staff could not handle them but felt most were some that could be done by the city. Councilman Day suggested having more of this work done internally in order to save the city some money. Mayor Brown stated he felt this was a good idea. Mr. Lamoreaux interjected stating the asphalt work would still need to be contracted out as the city did not have the equipment or knowledge to perform that work.

Approval of Bills-

Mayor Brown stated the next item on the agenda was the approval of bills and asked if there were any questions or concerns on the bills.

Councilman Simonson moved to approve payment of the bills. Councilman Blackburn seconded. All were in favor.

Approval of Minutes-

Mayor Brown stated the next item on the agenda was the approval of the minutes and asked if there were any corrections or changes needed.

Councilman Smith moved to approve the minutes as presented. Councilman Day seconded. Councilman Maloney abstained. Councilman Marriott stated there was a portion of the minutes on the purchase of the software that had been tabled and asked if that needed to be addressed. Mrs. Kerbs stated that since there was a freeze on purchasing she took that to mean this software was not to be purchased. That was the agreement of the council. There was a brief discussion regarding purchases already in place and how this differed from future purchasing. All others were in favor.

Public Comment-


Mayor Brown stated the next item on the agenda was public comment and turned the time over to the audience.

Barbara Brown came forward and stated she wanted to commend the council and city employees for the way the city looked and all the work going into keeping the city streets plowed and maintained.

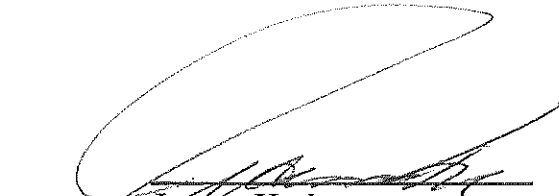
Mayor Brown asked if there were any other public comments. No further comments were given.

Councilman Marriott stated that Dorie Robertson had held a Valentine's Day dance over at the Recreation Center and brought some cash in for that and felt she should be commended for the work she put into this event. Mayor Brown stated that Mrs. Robertson needed a hand for all the work she has done over at the Recreation Center.

Councilman Blackburn moved to adjourn the meeting. Councilman Smith seconded. All were in favor. The meeting was adjourned at 8:10 p.m.



Ryan H. Brown
Mayor



Jeanne Kerbs
City Clerk