

**CITY OF KUNA**  
**SPECIAL CITY COUNCIL MEETING**  
**MINUTES**  
**JUNE 28, 2010**  
**KUNA CITY HALL COUNCIL CHAMBER, 763 W. AVALON**

**1. CALL TO ORDER AND ROLL CALL:**

Mayor Dowdy called the meeting to order at 5:48 p.m

PRESENT: Mayor Dowdy, Council President Bachman and Council Member Cardoza, Council Member Hoiland and Council Member Lang.

ALSO PRESENT: City Engineer Gordon Law, P&Z Director Steven Hasson, City Attorney Richard Roats, City Clerk Lynda Burgess and City Treasurer John Marsh.

**2. BUDGET WORKSHOP**

**A. GENERAL FUND REVENUE FORECASTS**

FYE 2011 Revenue Budgeting Workshop booklet distributed by CT/Marsh.

Property Tax Levy - state statute allows raising the property tax levy of 3% for the highest 3 years that were assessed. The highest was last year at \$1.37 million. New construction and annexations during 2009 can be levied at last year's rates. This is one of the biggest decision points for Council and it will be at the end of the budget process. The amount last year doesn't have to be assessed this year, the amount can be chosen by the Council in a lower or higher amount. A 3% increase in the levy would result in \$1,460,935 which is \$86,605 more than last year. The amount is not significant to the City but is a 3% increase to the taxpayers. That line item has been left open for further discussion.

Property Tax Interest - a function of delinquent property taxes from prior years. Currently, higher interest and penalties are coming through because of the economic climate. People are unable to pay their property taxes so delinquencies are higher. He did not anticipate the trend changing in the near future until the cycle of foreclosures rebound. With the current trend it will be approximately \$7,000 in revenue.

State Sales Tax Revenue Sharing - 2 formulas based on State code. One part is distributed to the municipality directly by the State and the other is distributed through the counties to the municipalities. Last year, he projected an 8% to 10% decrease to be conservative. It turned out to be worse than that. The current forecast from the state is up. They are projecting a 2.5% increase but CT/Marsh

projected that it would remain the same as last year. The State portion is \$425,000 and the county portion is \$66,000.

In response to C/Hoiland, CT/Marsh confirmed that the county uses the 1999 population.

C/Hoiland stated that cities like Kuna that have had rapid growth in the last 11 years are being penalized.

CT/Marsh agreed and said the statute is confusing and hard to decipher; however the State formula which is the largest portion uses the current population.

C/Bachman asked if the county distribution formula for the prior budget was \$85,000 and the proposed is \$66,000.

CT/Marsh confirmed it was. Even with being conservative, the county side wasn't conservative enough last year.

C/Bachman inquired if he was proposing on the county side to estimate \$20,000 less but on the State side proposing to stay the same.

CT/Marsh indicated that last year the county formula was much less than what actually came through this year. We projected at a 10% decrease which was double their projections but it has turned out to be more of a decrease. It's based on historical figures.

State Liquor Distribution - flat but stable over the last year. He estimated \$103,000 which is the same as last year.

Ada County Fine Distribution Revenue - to date has been \$63,000. Current revenues are ahead. Based on current trend he doesn't see it dropping and has set it at \$80,000.

Franchise Fees - Intermountain Gas has been consistent so the projection is the same at \$109,000. CableOne is also 3% and is smaller and consistent and is set at \$25,900. The sanitation franchise is pursuant to an agreement with J & M Sanitation. Fees are billed monthly and based on the modified accrual method of accounting, they are billed as revenue whether we receive them as cash or not. When those fees are received, it stimulates a process of reimbursement for the sanitation contractor for their portion of the fees less 9.88% franchise fee which allocates back to the general fund. That amount based on trend is \$96,000 and is expected to remain flat.

C/Cardoza inquired that the Idaho Power franchise fee was discussed; he thought there was an old franchise fee of 1%.

CT/Marsh replied we have an agreement but we don't have a fee set.

P & Z D/Hasson added that the franchise agreement has been in place since 1965. He confirmed that the agreement does not include a franchise fee.

C/Cardoza asked if CT/Marsh thought the fee agreement would come into existence this year.

P & Z D/Hasson responded that the fee agreement with Idaho Power would probably not be finalized this year. The City would need to get involved in negotiations concerning the 500,000 volt high voltage transmission lines.

CT/Marsh reminded Council that an Idaho Power franchise fee was budgeted for last year but it was removed in a budget amendment because the fee agreement fell through.

Regarding a franchise fee for CableOne, CC/Burgess indicated that the agreement is due to expire this summer and a higher fee could be negotiated in the new franchise agreement.

Administration Fees - the primary item is NSF fees. It is a passthrough account and most of those fees are passed back to the bank for their fees to us for NSF checks. Last year's budget was at \$7,200. That was higher than received and it has been lowered to \$3,000 for the upcoming year. Notary services at \$2 a piece and copies for the general public are also included.

CT/Marsh stated the NSF fees are based on the way the utility billing system is set up.

Interest Revenue - savings rates are very low. The rates have averaged at .02% for the current year. Last year, it was budgeted at \$5,250 and this year is trending at \$2,800. The projection is for the current trend of \$2,800. The General Fund owns approximately 10% of the available cash balance that the City has. It is reallocated based on proportional share that is in the pool funds.

Rental Income - broken out in several areas. This rental income is from the Admin side and applies to Grigg's Auto Sales on the corner. The revenue is \$1,200 a year.

C/Bachman asked how long the rental agreement is for.

C/Lang explained that the reason the rent is so low because the owner of Grigg's Auto Sales came in and negotiated because of the size of their business.

CC/Burgess thought the agreement was open ended.

C/Lang said it hadn't been in place very long.

CC/Burgess indicated that there are two parcels and one belongs to ACHD and one belongs to the City. She didn't know what they are paying ACHD.

Rental Income Senior Building - \$300 monthly paid by the Senior Citizen Association. Also, \$120 a month is received from the Idaho Elks Association for rental of the kitchen. Third party users pay \$50 for the first hour and \$10 for each hour there after for various meetings/social events. The prior year it was budgeted at \$8,470, it is trending a little higher so it was left at \$9,000 for the proposed budget.

C/Cardoza thought one of the consistent users for the past few years was the church and now they are leaving. He asked if CT/Marsh had taken that into consideration.

CC/Burgess explained that the church that uses the senior center regularly is Desert Streams Fellowship. That is not the same organization that is moving to a location near Best Bath.

Business Licenses - based on the current trend, the proposed amount is \$137. Wine License trends have improved, so he proposed budgeting at \$1,800.

CC/Burgess announced that Walgreens will be getting a Wine License for the upcoming year.

Liquor Licenses - based on trend he projected \$6,750 for the upcoming budget. Beer Licenses revenue is budgeted at \$3,500.

C/Bachman had a question about Beer, Wine and Liquor Licenses and asked if the fees that Kuna charges are in line with what other cities charge.

CC/Burgess answered that several years ago the previous City attorney changed the code; he increased the fees to the same as the county charges. We haven't compared with other cities. She believed the fees were codified. It can be reviewed and the licenses are not renewed until next April.

C/Bachman thought it was time to review the fees.

Dog Licenses - based on current trend and the increase in the rate structure he proposed \$6,500 for the year.

Catering permits - proposed at \$100.

Vendor permits - expected to stay flat, he proposed \$4,000.

Street Light Fee - \$.75 per EDU and generates \$46,800 a year.

Planning and Zoning Fees - include zoning fees, building permit applications, building permit modifications, development applications, ACHD contract fees and other miscellaneous fees such as photocopy and notary services are proposed for the same as last year at \$37,700 for the next budget year.

Planning and Zoning Development Support for the City Engineer - with the economy, the budget was left at \$8,500.

Planning and Zoning Building Permits - left at \$247,000. The trend is good so far.

Planning & Zoning IRES Permit Fees - left at \$5,000.

Planning and Zoning Mechanical Permits - proposed to stay the same as last year at \$8,000.

Park Rental Revenue - trending as expected and proposed to stay at \$1,400.

Park Rental Revenue - items left out were the RV Dump revenue and miscellaneous income as those are hard to predict.

CT/Marsh pointed out that a decision will need to be made is the property tax levy rate. There is \$87,000 that could go either way.

## **B. GENERAL FUND LABOR AND BENEFITS**

CT/Marsh reported on the costs of salaries and various full time employee expenses. The total projected for FY 2011 year is approximately \$69,000 lower than last year because there was a City attorney on staff at that time--now have contracted services. Gross salaries and wages are left identical to the prior year except for the City Attorney. OASDI is 6.2% of gross wages and Medicare is 1.45% of gross wages. Group Health Insurance has a requested 14% increase in premiums again this year with a renewal date of August 1st. That amounts to \$27,000 City-wide. He provided Council with a packet of the options and reviewed them with Council.

C/Hoiland shared that his employer raised the deductible which seems to be the corporate trend.

C/Lang added that the school district raised theirs to \$1,000.

C/Hoiland knows that companies have done that to save costs and he didn't know what the savings would be.

CT/Marsh said there is an option for that and last year the deductible was raised from \$250 to \$500. That wiped out the increase to the City and allowed the City to save funds over the prior year. There could be several factors for the increase. The City has 31 employees which is a small group, the larger the group, the more

leverage you have. If there is a small group that has a few members with significant health issues that can cause a problem to the overall plan. He doesn't know if that is the City's case or not. Another factor is the Health Reform Act that was approved by the federal government which takes effect 2011. There is a lot of information coming through and there are still a lot of grey areas that companies are waiting for. Part of the legislation is that insurance companies will have a cap on how much they can charge. It is likely that it will be passed on somehow. The current plan has a \$500 deductible, \$20 co-pay for an office visit, with 80% co-insurance and an out of pocket max of \$2,000. Prescriptions are \$5 for generic and \$25 for formulary and \$3,000 max out of pocket for prescriptions. The first option is a reduction of \$435 per month to the City. That would be a \$2,000 deductible, limit of 6 visits to a primary care physician and after those visits the employee pays the entire office visit instead of the \$20 co-pay.

C/Hoiland asked if the deductible numbers were for individuals not family.

CT/Marsh said that information is not given.

C/Hoiland thought the deductible was high and amounts to being self insured.

CT/Marsh presented option #2 but it is an increase. Option #3 is a savings of \$104 per month with a \$1,500 deductible with the same assumptions as the previously explained option. Option #4 is a savings of \$1,783 per month for the City and moves it to a \$2,000 deductible and changes around the visits and co-pays. It is a high deductible.

C/Bachman asked about option #3, the \$1,500 deductible, what does Innova 6 visits mean?

CT/Marsh answered that that means 6 visits to a primary care physician which would be a family practitioner or general practice doctor.

In response to C/Bachman, an employee could only go 6 times. The thought is if you have to go to a primary care physician 6 times, most likely there is probably some medical concern and you have already met the deductible. If it is over 6 visits, the employee pays the entire doctor's office visit.

C/Lang asked if that goes toward maternity leave because that is 9 months.

CT/Marsh said he would ask about maternity. Option #5 moves to a Regence HSA Health Plan. It has large deductibles and large co-insurance. It is almost better to self insure. Option #6 moves from a current \$500 deductible to a \$750, changes to a \$30 co-pay from a \$20 co-pay, instead of an 80/60/60 co-insurance with a preferred provider, it is a 70% with a \$3,000 co-insurance max and it applies to maternity. That only raises the cost \$96 per month.

CE/Law asked if CT/Marsh was sure it was per employee and not per month.

CT/Marsh agreed it was per month. It is a higher deductible and puts the burden on the employee's shoulders and increases the out of pocket. It still provides a good plan.

C/Bachman is nervous with the limitations on the visits. She doesn't see it in our existing plan.

CT/Marsh said the current plan does not have a limited number of visits. CT/Marsh explained that the 6 visits are to a primary care physician and the definition is family practice, general practice, internal medicine, pediatrics and some OB/GYN. He will check if there is an additional level definition of visit.

M/Dowdy asked for a clarification. He thinks there are 6 visits that are limited to the \$30 co-pay and on this plan; you would have to meet the \$750 deductible before the 70% would be paid.

CT/Marsh said we have a good plan now but to keep it will cost. There are a few options. Option #7 is very similar to #6 and the only difference is it has a change in the prescriptions. Instead of zero deductible for branded prescriptions, this has a \$250 deductible for branded prescriptions. It encourages generic use.

C/Bachman asked CT/Marsh to explain option #7 again.

CT/Marsh explained that the City currently pays \$16,463 per month for all employees. The \$95 is a per month increase. He could ask Mercer to look at additional options if Council would like. He asked Council their thoughts on working the City's health care plan by possibly creating a Health Reimbursement Arrangement, flexible spending accounts, a cafeteria plan, or other things that move the City toward a self insurance type of set up and in control of the City's destiny. If not, there will be increases each year to mitigate. As a City, we should prepare and look at options.

C/Hoiland asked if it is just for the employee and if they want it for the family they have to pay increased rates.

CT/Marsh replied that the current policy is set up to cover the premium for the employee and if an employee has dependents, the employee pays the difference. The City covers 50% of the premiums for dependents of appointed staff and the employee pays the other 50%. Elected officials have nothing in place for premiums and can opt in but they have to pay the complete premium. The City doesn't contribute.

Regarding Workers Comp, C/Cardoza why Councilmembers coverage costs \$497.81. He felt that the coverage should be under the Administrative category which costs about \$0.28 per \$100.

CT/Marsh answered that Councilmembers are categorized by the State Insurance Fund in Council and Board members and is an elected official's category with a set rate. It is higher than an employee who works in City hall. There is also an expected 10% increase this year because of some work comp injuries in 2009. The City's Code Enforcement Officer has a higher rate because she drives around in the field taking pictures for code enforcement.

CT/Marsh resumed his question to Council about redesigning the health plan. In response to C/Cardoza, he would look into a cafeteria plan, an HRA, flexible spending account and wellness programs, but that information will take several months to develop.

C/Hoiland said we need a plan that saves the City money but doesn't gouge the benefits.

CT/Marsh agreed and said he would look into the options of self design.

- 3. ADJOURN:** There being no further business to conduct; it was moved by C/Bachman, seconded by C/Lang to adjourn the meeting at 7:06 p.m. Motion carried 4-0.

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J. SCOTT DOWDY, MAYOR

ATTEST:

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LYNDA BURGESS, CITY CLERK

DATE APPROVED: July 20, 2010