

MINUTES

**McCall City Council
Regular Meeting
Legion Hall (McCall City Hall - Lower Level)
April 23, 2015**

Agenda

Call to Order and Roll Call
Approve the Agenda
Work Session
Pledge of Allegiance
Public Hearing
Public Comment
Business Agenda
Consent Agenda
Adjournment

CALL TO ORDER AND ROLL CALL

Mayor Aymon called the regular meeting of the McCall City Council to order at 5:30 p.m. Mayor Aymon, Councilor Swanson, and Councilor Witte all answered roll call. Councilor Giles and Councilor Scott were absent.

City staff present was Gene Drabinski, City Manager; Bill Nichols, City Attorney; Linda Stokes, Treasurer; Meg Lojek, Library Director; Peter Borner, Public Works Director; Michelle Groenevelt, Community Development Director; Nathan Coyle, Airport Manager; Traci Malvich, Human Resources Manager; and BessieJo Wagner, City Clerk.

APPROVE THE AGENDA

Councilor Swanson moved to approve the amended agenda to add AB 15-69, *A Discussion concerning the request for an opinion from the City Attorney regarding a loan on a McCall Avenue Home*. This amendment is necessary and cannot wait until the next meeting as there is a time sensitive loan in progress. Councilor Witte seconded the motion. In a voice vote all members voted aye and the motion carried.

WORK SESSION

AB 15-65 FY14 Surplus Fund Balances Discussion

Linda Stokes, City Treasurer, presented beginning fund balances for FY15. Mrs. Stokes provided copies of Resolution 11-19 and the adopted Fund Balance Policy. This is an annual procedure to evaluate the current fund balances and determine if they are adequate.

Mrs. Stokes stated that there are two forms of fund balance reserves; one is for budget stabilization and the other for cash flow. Budget stabilization is determined by an average of 15% in the General Fund and 10% in Governmental Funds of the last three years' operating budgets. For cash flow purposes, it is the current year's operating budget, 25% in the General Fund and 20% in Governmental Funds.

Governmental Funds

Mrs. Stokes explained that there are five classifications of fund balances, the first of which is nonspendable. This year nonspendable amounts are located in the Streets Fund and the General Fund. Workers' Compensation Insurance is prepaid, Public Works has inventory, a long-term note is payable, one to Sewer, and one to Golf, which is a total of \$235,000. Here is also an unrealized gain on investment, so if the City were to sell its investments at the point in time that this was calculated, that is the gain that would have been realized, although it is not real money because the investments are still held. The next category is restricted funds. Included in that are local option tax revenue that was received towards the end of the year and not expended at year end, highway user fees, and also franchise fees, which is restricted for underground utilities.

The next category is assigned dollars. A restriction has been imposed on some fund balances, and this is where the calculated fund balance reserves are seen for Streets, Library, Recreation, and Airport. Some dollars are committed. Included in the committed category are any carry-forwards from the previous fiscal year, which has been programmed into FY15 and has already been identified that it will be spent this year. Also there is the Tobias request from the Library. The Library Board has continued to set aside those dollars for library expansion at some point in the future.

Mrs. Stokes continued, stating that all of these categories are then taken from the total, starting with the beginning balance, subtracting all of the individual balances for nonspendable, restricted, assigned, and committed funds, and the result is the excess fund balance in every fund. Those are balances that are cash and available to spend. The Finance staff is currently working on the FY15-16 budget and will be coming to Council with some recommendations on potential uses for these dollars. Also, there are other additional committed funds in Streets, Library, Recreation, and Airport for appropriated fund balances. During the budget process last year the fund balances were already appropriated, so some of those balances have already been reduced.

Councilor Swanson asked if the minimums appear to be sufficient for the time being. Mrs. Stokes answered that she felt they were sufficient. During the budgeting process the GFOA as well as GASB Statement No. 54 recommendations for minimums were reviewed for the General Fund. A further step was taken to analyze minimum balances for all City funds, which makes good fiscal sense. Nothing new has come out of GASB or the GFOA as far as recommendations for increased minimums. Mrs. Stokes added that she has not seen any notable deviations in these fund balances over time.

Enterprise Funds

Mrs. Stokes explained that GFOA does not have minimum cash requirements for Enterprise funds; however, it was prudent at the time, and with the help of the auditors, minimum cash

balances for Enterprise funds were also set. There is only one fund, Budget Stabilization, which has a constant stream of revenue every month, about the same amount. Again, it is an average of the last three years' operating expense budget, and it is 30% of those expenditures.

Mrs. Stokes noted that Golf is currently in a negative cash position. This is being monitored so the City does not get in a position where there is a huge amount to correct. Some budget changes have been made so the negative cash has slowed down significantly. It remains to be seen what happens this year with the rate increases and some of the adjustments made for FY15.

With Enterprise Funds, the fund balance is called available cash. This is calculated by the current assets plus current liabilities equals the beginning cash balance. Inventory comes off the top, and then the budget stabilization amounts as outlined. The Sewer Fund has some committed funds that have been set aside for sewer improvements at the Airport, and those have been taken off the Sewer Fund. The Sewer Fund has \$1.5 million in cash; the Water Fund has \$1.4 million, and Golf is negative cash of \$112,000 but then we factor in reserves and that gives a negative position of \$318,000.

Mrs. Stokes stated that Finance is asking to pull out of cash reserves, through the budget amendment, \$1.2 million from the Sewer Fund. It is demonstrated that there is sufficient cash available, and the majority of that is for Lift Station #7, so during budgeting last year a budget amendment was discussed as the bids had not been received yet, so it had not been budgeted at that time. If the budget amendment is passed as presented tonight, the remaining cash in the Sewer Fund will be \$309,000 which is above the reserve requirement, and the Water Fund will be almost \$1.3 million.

Mayor Aymon led the audience in the Pledge of Allegiance at 5:51 p.m.

As the Public Hearing was ahead of its schedule timed, the Council proceeded to discuss items from the Business Agenda.

BUSINESS AGENDA

AB 15-63 Request Approval of 2015 Cooperative Chip Seal Agreement with Valley County, Idaho

Peter Borner, Public Works Director, presented for approval the Chip Seal Agreement with Valley County stating that the program was started several years ago. This allows for shared chip sealing equipment and resources between the County and the City of McCall. The County owns the chip sealing equipment and provides accompanying labor. The material used on City streets is purchased by the City. In turn, the City provides some equipment and personnel to help the County for about two weeks out of every year. Mr. Borner noted that this year the City's contribution is \$6,800 and the County's contribution is \$14,000. Mr. Borner added that this is a great deal and the City has been able to accomplish a lot with this program.

Councilor Swanson moved to approve the 2015 Co-Operative Chip Seal Agreement with Valley County, Idaho and authorize the Mayor the sign all necessary documents Councilor Witte seconded the motion. In a roll call vote Councilor Swanson, Councilor Witte, and Mayor Aymon all voted aye and the motion carried.

AB 15-64 Request for Approval of Addendum to the Existing Contract with Fisher's Document Systems for Copier Maintenance

This was presented by Linda Stokes, City Treasurer, on behalf of Dennis Coyle, Parks and Recreation Director. A few months ago a new copier was leased for the Annex. The City had purchased the previous copier outright in 2008, which was a Canon. The Canon was still functional but was becoming more difficult to maintain and continue operating. A new copier was leased through Fisher's, and through that process Fisher's agreed to take on the maintenance of the old copier and it was transferred to the Parks and Recreation Department That decision was made after the original Fisher's contract, so this is an addendum to the additional contract, which adds maintenance for the Canon.

Councilor Witte moved to approve the contract addendum and authorize the mayor to sign the related documents. Councilor Swanson seconded the motion. In a roll call vote Councilor Witte, Councilor Swanson, and Mayor Aymon all voted aye and the motion carried.

PUBLIC HEARING

AB 15-57 Request to Adopt Ordinance to Amend FY15 Budget

Mayor Aymon opened the Public Hearing to Amend the FY15 Budget at 6:00 p.m.

Linda Stokes, City Treasurer, presented an ordinance to amend the FY15 Appropriations Ordinance (Ordinance No. 925) by appropriating additional monies in the sum of \$1,677,423. The majority of that fund balance is almost \$1.3 million in sewer fund available cash but also, at the end of the year, the Streets Department received \$50,000 from Local Option Taxes, so the request is to appropriate that into the current year budget so that sidewalk improvements can be done. Additionally, local option taxes of \$3,195 were given to the Public Art program, and the City was successful in receiving two DEQ grants, one in water and one in sewer. Those grants have a 50% matching requirement, which is not currently in the budget, so another request is to appropriate that match (\$87K in the water fund and \$77K in the wastewater fund) from the fund balance. Also, Peter Borner, Public Works Director, was successful in getting an additional \$50,000 in a Cash for Towns grant. Outside of the amount to finish Lift Station #7, there are also some smaller projects in both water and sewer included in this request, and Mrs. Stokes listed many of those projects as provided by Public Works. Peter Borner then explained the details of the Wastewater Planning Grant and the steps to take upon receipt of the grant.

Hearing no additional comments, Mayor Aymon closed the Public Hearing.

City Attorney Nichols pointed out that there are not enough Council members present to enact the ordinance as it requires one-half plus one of the Council to approve a suspension of the rules.

Mr. Nichols recommended doing the first reading. The ordinance can be read by title only but it cannot be approved at this meeting. The agenda item would be continued on the next meeting for a second reading, and at that meeting if there are sufficient Council members present the rules can be suspended and the ordinance can be adopted.

Ordinance No. 934 was read by title only by BessieJo Wagner, City Clerk:

An ordinance amending Ordinance No. 925, The Annual FY15 Budget, to provide for additional monies received by the City Of McCall; to appropriate fund balances of the City of McCall; providing for a title; providing for findings; providing for the adoption of a budget and the appropriation of expenditures of sums of money to defray the necessary expenses and liabilities of the City of McCall, in accordance with the object and purposes and in the certain amounts herein specified for the fiscal year beginning October 1, 2014 and ending on September 30, 2015; providing for the levy of a sufficient tax; and providing for an effective date and the filing of a certified copy of this ordinance with the Secretary Of State.

PUBLIC COMMENT

Mayor Aymon called for public comment at 6:16 p.m.

Hearing no comments, Mayor Aymon closed the public comment period.

BUSINESS AGENDA

AB 15-62 Library Trustees' Annual Report to Council

The Library Trustees' annual report was presented by Board President Jacki Rubin, who gave highlights from the past year. Anne Kantola retired from the Library Director position and Meg Lojek was hired as her replacement. The Library Board attended training from the Idaho Commission of Libraries, which brought to light that some procedures were not being followed correctly and likewise responsibilities have changed as a result of this. The policy manual has been reviewed and revised. The Library Board is also currently reviewing the Strategic Plan and looking forward to building and expanding the Library in the future.

AB 15-60 Request Approval of Submission of TIGER FY 2015 Grant Pre-application for Infrastructure Improvements in Downtown McCall

Michelle Groenevelt, Community Development Director, presented this request to approve submission of a pre-application for the TIGER Grant to the US Department of Transportation. The City of McCall submitted an application in 2014 for design and engineering of the downtown infrastructure but was not awarded funding. Staff met to review this year's TIGER Grant criteria and decided to pursue a bigger project to include design, engineering, and construction of water and sewer utilities and street, curb, gutter, and sidewalk improvements in the downtown core. Staff will meet with reviewers about last year's application who will provide feedback and suggestions to strengthen the application. Cost estimates will be updated and presented at the May 28, 2015 meeting with an updated timeline and engineering cost estimates.

Mayor Aymon asked about match requirements. Ms. Groenevelt stated that the City intends to have some matching funds because it will make the application more competitive, so they will be looking to identify funding sources. Councilor Witte asked if the Community Development Department could put in a Local Option Tax application for matching funds. Michelle Groenevelt stated that they could.

Ms. Groenevelt explained that this is a request to fill out a grant application, which is the first step. Last year there was no pre-application process, but this is a new step to limit the number of applications received.

Councilor Witte moved to approve submission of the TIGER FY 2015 Grant pre-application for infrastructure improvements in downtown McCall. Councilor Swanson seconded the motion. In a roll call vote Councilor Witte, Councilor Swanson, and Mayor Aymon all voted aye and the motion carried.

AB 15-61 Request for Approval for Funding from Idaho Office of Energy Resources (OER) for Energy Efficiency Upgrades for Library and Senior Center

Michelle Groenevelt, Community Development Director, presented this item. The Idaho Office of Energy Resources (OER) offers an energy efficiency audit program for public buildings. The University of Idaho conducts these audits and offers recommendations for efficiency measures. The City of McCall applied for participation in the program and energy audits were performed on the Public Library and Senior Center. Funding is also available from the OER through an application process. The City has requested heat pump units for both the Library and Senior Center. If funding is awarded, a funding agreement will be required to accept the award.

Mayor Aymon confirmed with Ms. Groenevelt that the application had already been submitted and some level of funding was verbally awarded, yet the details are not worked out. The documents will need to be signed by Mayor Aymon in the future when a final agreement is reached.

Councilor Witte moved to authorize the Mayor to sign all necessary documents if funding for energy efficiency upgrades is awarded for energy improvements to the McCall Public Library and/or McCall Senior Center. Councilor Swanson seconded the motion. In a roll call vote Councilor Witte, Councilor Swanson, and Mayor Aymon all voted aye and the motion carried.

AB 15-66 Request to Authorize Refunding of Wastewater Bonds

Christian Anderson and Cameron Arial from Zions Bank presented refunding opportunities for the City's bond debt.

Mr. Anderson discussed the Bond Buyer Index and showed its historical trends. The Index has dropped to a low point in recent years. Therefore, it is an excellent time to look at outstanding debt and to potentially refinance at historically low interest rates.

Mr. Anderson next discussed the City of McCall's historical financials. There has been a fairly stable revenue stream in the past few years with a positive trend. Figuring in the expenses less

depreciation and subtracting out the current debt gives a "coverage ratio" of 1.7. This means that after paying all expenses, there is enough left over to pay bond payments 1.74 times, which is a very healthy measurement. The general standard is 1.25, so the City is well above that. Mr. Anderson commended City management for doing a good job of managing itself financially.

Mr. Anderson continued the discussion of the City's current bond debt. Sewer revenue bonds were issued through the Idaho Bond Bank in 2004. These bonds are currently callable and the City has been paying down principal on these debts over a lengthy period of time; hence they are excellent candidates for refinancing. Mr. Anderson recommended offering a Request for Bids to go out to a narrower market of banks and smaller investors due to the smaller principal amount and short term left on the loan. The interest rate would be slightly higher than a wider bond market but the upfront costs would be lower.

Mr. Anderson noted that the bonds issued in 2008 are not callable yet. He discussed a process called advance refunding where money is borrowed to pay those off now and the low interest rates are locked in, that money gets set aside in escrow and is held there until the bonds are callable, and then the investors are paid off.

In summary, Zions Bank estimated that the City can save approximately 4.7% or roughly \$62K by refinancing the 2004A bonds. The process would take about a month. To do the work, Zions would prepare the bid, after receiving bids they would come back to the City with a recommendation of the winning bidder, and then in about a month they would lock in rates and close. The loan could either be shortened or just reduce the payments.

The 2008B Bonds are not callable until September 15, 2018. Zions offered to establish an escrow now, refund, lock interest rates, and put all of the proceeds of the refunding into an escrow that is then used to pay bondholders. Mr. Anderson noted that there are many analysts who think the predicted rise in interest rates would offset the savings; hence, this is the reason they recommend locking rates in now where they are the lowest ever.

Councilor Witte asked if there would be any negative effect on the City, like increasing debt. Mr. Anderson said there would not be. Once that money is placed in escrow there is enough there to earn interest and be invested, so when those payments come due they are paid out of escrow until the call date. Because the money is in escrow, those bonds are legally defeased, which means they completely come off the City's books.

Mr. Anderson illustrated that by refinancing the 2008B bonds there would be an 8.3% savings or a net savings of \$454K. This would be even more conservative than the 2004A bonds, as the timeline is longer. Zions Bank provided a prepared Bond Bank Application for the 2008B bonds, if the Council chooses to proceed. The action required would be to authorize the Mayor to sign that application and authorize Linda Stokes, Treasurer to issue a \$500 check for the application. If it is successful and bonds are sold through the Bond Bank, the \$500 fee would be refunded. If the City decides to withdraw its application it loses the amount, but no other costs would be paid until the refinancing closes.

Mr. Anderson added that there are other opportunities for cost savings with bonds. Zions Bank is monitoring the 2003 Water Revenue Bonds that mature in 2018. They are currently callable, but cannot be refunded for savings at this time. Zions Bank is also currently monitoring McCall Urban Renewal bonds as well.

Council Discussion

Council could not find a downside to proceeding with the refunding process.

Councilor Witte moved to direct Staff to proceed with refunding of the 2004A and 2008B Sewer Revenue Bonds through the Idaho Bond Bank and direct purchase, and authorize the Mayor to sign all necessary documents as approved by Staff. Councilor Swanson seconded the motion. In a roll call vote Councilor Witte, Councilor Swanson, and Mayor Aymon all voted aye and the motion carried.

AB 15-67 Presentation Regarding Public Hearings and Quasi-Judicial Procedure

Council consensus was to move this item to the May 14 meeting as some Council members were not present.

AB 15-69 A Discussion concerning the request for an opinion from the City Attorney regarding a loan on a McCall Avenue Home

Bill Nichols, City Attorney, began by giving a brief history of how the City came to be the landowner for several homes on McCall Avenue. The lots were given to the City by Greystone Village, on which houses were constructed and sold. Qualified homeowners could own the home but lease the lot for \$1 a year from the City. Home buyers who were not qualified (for example, buying it as a second home) could lease the lot at a percentage of the market value of the lot. Occasionally these homes are sold and the buyer has to get a loan to buy it, and over the years the City Clerk has received a number of requests from lenders for an attorney opinion letter. Mr. Nichols has been able to refine this process to satisfy a number of detailed questions that often arise from the loan underwriter. However, this particular lender is not accepting the opinion letter submitted by Mr. Nichols. In addition to a discrepancy regarding security fixtures, the lender has sent Mr. Nichols loan documents to review (which is unusual) and asked him to personally guarantee that all warranties are met -- a process Mr. Nichols is not comfortable with as a contracted party to the City.

Mr. Nichols informed the Council that feels he has exhausted all options to satisfy this letter of opinion for the lender and at this time there is nothing else he can do.

Council agreed that this issue has cost an unreasonable amount of time on behalf of the City Attorney. Mayor Aymon requested a letter be drafted to recommend the buyer look at other lenders, perhaps recommending previous lenders who have been able to accept the Attorney's letter of opinion.

Upcoming Meetings Schedule Discussion

Mayor Aymon asked about scheduling an emergency response meeting soon to include the County, Fire District, Hospital, and many interested parties. City Manager Drabinski said he

would speak to the Fire Chief tomorrow and bring it up. Mayor Aymon stressed the need to do this soon and noted that there are several agencies that have expressed interest in the discussion.

Michelle Groenevelt is attempting to schedule on May 20 a workshop with the County and neighboring cities about impact areas as an educational discussion. Mayor Aymon will not be able to attend on this date, nor will Councilor Witte. Ms. Groenevelt will try to work out another date.

Councilor Witte will not be able to attend the May 28 regular meeting.

CONSENT AGENDA

Staff recommended approval of the following items:

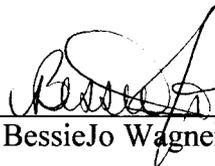
1. City Council Regular Minutes -- November 6, 2014
2. Alcohol and Catering Licenses Activity Report
3. Payroll Report for Period ending April 10, 2015
4. Warrant Registers

Councilor Swanson moved to approve the Consent Agenda with the minutes as amended. Councilor Witte seconded the motion. In a voice vote all members voted aye and the motion carried.

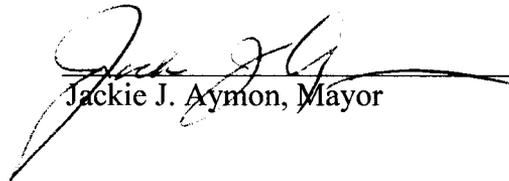
ADJOURNMENT

Without further business, the Mayor adjourned the meeting at 7:47 p.m.

ATTEST:


BessieJo Wagner, City Clerk




Jackie J. Aymon, Mayor