

JOURNAL OF COMMISSION WORK SESSION
June 15, 2010

City Commission Work Session

Mayor Winters presiding

CALL TO ORDER: 5:45 p.m.

ROLL CALL: City Commissioners present: Michael J. Winters, Robert Jones, Bill Bronson, Mary Jolley and Fred Burow. Also present were the City Manager, Directors of Park and Recreation, Public Works, Library, and Planning and Community Development, the Executive Director of the Housing Authority, Police Chief, Fire Chief and the Administrative Secretary.

1. MANAGER'S BUDGET PRESENTATION

City Manager Greg Doyon provided a PowerPoint presentation on the manager's recommended budget for Commission consideration. He thanked Melissa Kinzler and Krista Artis, Fiscal Services, for their assistance and the Department Head Team for their diligence and responsiveness.

Mr. Doyon explained the City Manager's budget objectives are the same as last year, with the exception that a better job must be done maintaining facilities and looking ahead for long term maintenance needs, as also echoed by the Commissioners. The community must be committed to assessing the best way to finance facilities when it becomes evident they cannot be "limped" along. He noted the Natatorium is being limped along for another year; something will have to be done in the course of the next year to keep that facility open.

Mr. Doyon reported several budget workshops were held with the Commissioners that provided upfront input and allowed the Commissioners to hear wants and needs from departments. He explained that times are tight and efforts were made to maintain the budget. The last discussion included two key aspects of the budget--the permissive medical levy and the inflationary factor. The Commission message was to try to keep the Natatorium open for another year. He reminded the Commission that it is critical that support be given those two budget considerations.

Mr. Doyon listed Commission concerns/priorities included holding the line; freezing employee wages; a desire to perform an annual rate analysis, primarily to address deficiencies in Park and Recreation, but also addressing over-feeing people; staffing concerns for Fire and Police; capital needs; and, stimulus funding directed towards capital improvements.

Mr. Doyon reported that over \$4.8 million was budgeted in Stimulus funds; approximately \$2.6 million was expended. He noted there will be a bill for those funds at the end of the day, as reflected in the national debt. The current benefit is the City isn't financing those funds.

Mr. Doyon noted recent Stimulus funds provided roof replacement for the Civic Center; HVAC work was done for the Park and Recreation Administration building, as well as proposed work for the Public Works/Engineering office expansion and HVAC work for the Mansfield Center

and Convention Center; water and sewer main replacements; miscellaneous sidewalk and ramp projects; and the Police Department will also get a portion for roof replacement.

Mr. Doyon noted the theme for FY11 budget highlights was to try to develop a maintenance budget, minimize tax and fee increases to balance funds to current level of services. Tentative agreements (1.5%) are pending for ratification by the MPEA and Crafts unions. If ratified, they will be presented for Commission consideration. Fire discussions are currently in mediation. Collective bargaining units represent 76% of City employees. The budget also includes a 1.5% increase for non-unionized employees (approximately \$96,000).

Mr. Doyon explained that he did not recommend freezing wages because there are contractual obligations with employees that require reopening negotiations with collective bargaining groups. He added he did not see any desire to freeze wages during budget conversations.

Mr. Doyon reported the full time employee count in FY 2010 was 479.56; FY 2011 includes an adjustment to 483.21, due primarily to the COPS grant that adds four additional staff to the Police Department. When the grant expires in three years, the City will have to pay their way. He stated he is recommending one additional staff person for the Animal Shelter, though one short of the recommendation by animal shelter consultant, Kim Stanton, for adequate staffing at the facility. Combining the Planning and Community Development Departments resulted in 1½ reduction in staff.

Mr. Doyon reported senior staff positions that have been filled include the City Attorney and the consolidated Community Development/Planning Director, both outside hires. The Library Director and Housing Authority Director were internal promotions. The Deputy Assistant City Manager position has yet to be filled. Mr. Doyon noted another long term senior staff, Bill Walters, will be leaving this year.

Commissioner Jolley asked why the Assistant City Manager position was changed to Deputy Assistant City Manager. Mr. Doyon responded a Deputy “Assistant” City Manager more accurately reflects the requirements of the position. He added he also hoped to generate interest amongst a more experienced applicant pool.

Mr. Doyon reviewed General Fund adjustments. He noted that many subsidies received level or decreased funding. Pools, recreation events, mapping and natural resources all saw an amount similar to last year. The golf course subsidy was reduced from \$240,000 to \$100,000. He reported the consolidation of Planning and Community Development forced reallocation of time percentages for staff within those departments, resulting in a loss of federal transportation funding (approximately \$41,000) because of the director’s new job description. Therefore, an additional subsidy was required from the General Fund. No subsidy was allocated to Multi-Sports. He added a group has stepped up to work to keep that complex going without additional City support.

Mr. Doyon explained that employees will be asked to increase their contribution for health insurance by 5%, and a request has been made to utilize a permissive medical levy to keep the current levels of service. The inflationary factor this year is a little over 1% (about \$128,000).

Mr. Doyon noted some capital outlay requests were reduced, and needed recommendations were made including the snorkel truck, which is on the Commission meeting agenda this evening. He noted a financing mechanism is in place that will provide funding over the next ten years, which is about \$120,000 annually.

Mr. Doyon reported \$50,000 have been allocated for Animal Shelter improvements. He added that he will provide a comprehensive list to the Commission in the Weekly Review this week. He also reported that \$34,000 is recommended for the Equipment Revolving Schedule to keep pace with equipment replacement.

Mr. Doyon reported the email archiving software has been purchased and recently installed. In addition, the Fire Rescue boat will also be purchased out of the current budget.

Mr. Doyon reviewed City programs subsidized by the General Fund. He commented that he has never seen a Park and Recreation program that could fully support itself, yet there is a quality of life component involved that is hard to quantify. He reported the swimming pool subsidy is \$414,389, rather than the requested \$512,135. However, the recommended 6% fee increase is proposed.

Mr. Doyon explained the pool bond passed by voters a couple years ago was to cover the other three pools, not the Natatorium. He recommended a fee adjustment for the Natatorium and probably seeking voter support for a bond. The replacement value is over \$2.5 million, and the land value is projected to be about \$380,000. Repairs are estimated to be just short of \$1 million. He questioned if an engineering assessment should be done to determine the life estimate of the facility.

Mr. Doyon reported the requested golf course subsidy of \$240,000 was reduced to \$100,000. He noted the fund is slowly turning around, but the weather greatly affects budget revenues. He added the Recreation subsidy of \$153,729 is primarily the Community Recreation Center. After the Natatorium, he noted that is probably the next facility to be considered for subsidy reduction. He believes the Community Recreation Center serves more people than the Natatorium.

Mr. Doyon noted the Civic Center Events subsidy that has been requested the last several years will have to be watched. The Made In Montana event is "on notice" to be self-supporting. Park and Recreation Deputy Director Patty Rearden explained the event is at the top of their fees for market. A good portion of their subsidy is paid back into internal service charges to take care of common areas. Their events have increased substantially the last seven or eight years and are generating a lot more revenue.

Mr. Doyon explained Mapping is a contribution between County and City for 911; Natural Resources is primarily tree trimming. Commissioner Jolley asked for explanation on the Library subsidy. Budget Officer Melissa Kinzler reported that tax revenue is shared proportionately with the Library. The revenue was greater than estimated for FY 2010, thereby an increased subsidy for FY 2011. Commissioner Burow asked if the Library loses funding that is not used each year. Ms. Kinzler explained that a transfer is made each year to the Library fund and it stays in that

fund. Mr. Doyon added that the Library also receives assistance from the Foundation.

Mr. Doyon concluded with the Engineering subsidy of \$126,287. He stated that total City programs subsidized by the General Fund amount to a little over \$2.3 million.

Commissioner Jolley asked how Engineering cut \$40,000 from FY 2010. Ms. Kinzler responded that prior year services are compared to what General Fund services were provided and then they are billed. In FY 2010 there were fewer services than were provided to the General Fund. Ms. Kinzler agreed with Commissioner Jolley that reflects a slowdown in projects. Public Works Director Jim Rearden explained the subsidy is based on actual hours spent. He added a lot of planning and engineering work is done for developments that don't happen and that time must be charged out.

Mr. Doyon reviewed subsidies to other organizations. The Great Falls Development Authority receives \$100,000; the City/County Health Department receives \$250,000; and the Municipal Band receives \$4,500. He noted the City/County Health Department will probably ask for an increased subsidy because most of the users of that facility are from Great Falls.

Mr. Doyon reviewed the total City financial overview. He noted the difference between revenues and expenses of about \$6 million. The majority of that overage (95%) relates to the use of reserves for capital projects. About 75% are sewer storm drains, street and water construction. Questions about what is an appropriate amount for each fund balance to retain are considered from year to year. He added that part of the overage was debt service payment for the West Bank project.

Mr. Doyon noted that revenue from Special Assessments shows an increase for street assessment for maintenance and boulevard districts. Portage Meadows will be charged the full amount that it costs the City for the ongoing services provided to that development. If calls are received from constituents, Mr. Doyon explained he can provide the documentation that shows the agreement and how the calculation was determined. He also reported the Taxes increase includes the permissive health levy of \$120,000, the inflationary factor of \$128,000, and a conservative estimate on new taxed property of \$300,000.

Mr. Doyon reported some Charges for Services are due to requested increases in water, 7½% in sewer, and a 3% increase in sanitation for residential customers. He explained that the offset to some of the funds currently receiving subsidies is a reduction in subsidy with a makeup on the fee side to keep them operating, as reflected with a 6% increase in golf and swimming pool fees.

Mr. Doyon explained that Licenses and Permits are down due to a decrease with the economy. Intergovernmental revenue decrease is primarily due to one-time revenues received for the Federal Stimulus projects and timing of the CTEP grant. The decrease in Transfers - In is due to a one-time transfer to close out the Urban Tax Increment Fund (\$365,519), the transfer for the sale of the Salvation Army land (\$468,000), a decrease in Swimming Pool fund subsidy (\$95,000), Multi-Sports (\$33,000) and Engineering (\$36,000). Miscellaneous Revenue was decreased because of sale of land and decreased investment earnings.

Commissioner Jolley asked for an explanation of Proceeds-Long-term Debt. Ms. Kinzler responded that revenue from long-term debt such as bond issues shows up in that fund.

Mr. Doyon reported that 41% of the Personnel Services increase is due to a previously agreed upon contract with Police personnel and the proposed staff increase. He added that 21% of the increase is due to the increased health insurance contribution. The operating budget decreased primarily because of a reduction in total supplies and a major one-time Stimulus grant. Debt payments budget decreased due to paying off urban tax renewal debt (payment in FY 2010 was \$1.1 million). The Capital Outlay decrease is due to carry-overs in the amended budget because of timing completion of water, sewer and storm drain projects. The fairly substantial Transfers – Out decrease is due to one-time transfer to close out the Urban Tax Increment Fund, transfer from the sale of the Salvation Army land, and the decreased subsidies previously mentioned.

Mr. Doyon reported that General Fund revenues projected for next year reflect a 0.97% increase. The Taxes increase includes \$120,000 for the permissive medical levy, \$128,779 for the inflationary factor, and annual taxable property of \$300,000. Intergovernmental revenue increased due to the COPS grant and an increase of \$311,000 (5%) for HB 124. Charges for Services increased about \$14,000 due to deferred prosecution charges, and Visitor Center charges for the Trolley increased about \$15,000. Internal Services revenue increased about \$10,000 due to general administration charges, \$9,000 for fire hydrant charges, \$31,000 for fire inspection services, and \$15,000 for green area service charges. Miscellaneous Revenue includes the sale of land by Overlook Park.

Commissioner Jolley asked which fund includes the Cable franchise fee. Ms. Kinzler responded that fee is included under Business Licenses and Permits. Ms. Jolley noted that fee is most of the revenue for Licenses and Permits.

Commissioner Jolley asked for clarification on Fines and Forfeitures. Ms. Kinzler responded that fund includes traffic fines, parking fines and animal control fines, and court surcharges. Commissioner Burow questioned if the animal control charges are deposited in the General Fund. Ms. Kinzler responded that is correct.

Mr. Doyon reported the proposed property tax levy increased from \$10.6 million to \$11 million, due to \$300,000 for new construction and \$128,779 (1.142%) for inflation.

Mr. Doyon noted a difference in revenue over expenses of \$52,335. He explained he left an appropriation amount for the Commission to utilize for something that may have been missed. Mr. Doyon recommended the Commission either use those funds to reduce the permissive medical levy amount or transfer the funds to the City Manager's contingency.

Mr. Doyon reported the fairly substantial Personal Services increase is due to contractual commitments for police. Commissioner Jolley asked if the proposed 1.5% increase for exempt employees is all that is included in the \$96,000. Mr. Doyon responded that is correct. Mr. Doyon added that \$120,000 (15%) of Personal Services expenses is due to the employer-shared increase for health insurance

Mr. Doyon reported the Commission will receive a more detailed list of the \$50,000 Capital Outlay expenditure for the Animal Shelter. He noted the Transfers – Out to Other decrease involves the sale of land and decreased subsidy for the Multi-Sports and Engineering fund. Purchased Services decreased because it is a non-election year and because funds were expended for the Burns McDonnell report. Debt Service – Interest & Fees decreased because the Montana Board of Investments Intercap Loan Rate went down from 3.25% to 1.95%. Debt Service – Principal increased due to loan repayment for Centene Stadium as lease revenue was redirected to contribute toward facility improvement.

Mr. Doyon reported a proposed minimum 5% water utility rate increase for repair/replacement of thirty blocks of water mains, replacement of the Bulk Ammonia facility, design of South River Crossing and meter purchases. He also reported on repairing/replacing twenty blocks of sewer, performing aeration system improvements, pipe lining, and sewer rehab projects. The proposed detailed list is provided on pages 191-194 in the Proposed Budget.

Mr. Doyon also reported a proposed 3% utility rate increase for sanitation, and options are still being explored for the Recycling Center. The Commission recently rejected bids from an RFP, and he believes a proposal by the Commission will be needed to fund a portion of recycling through fees. Other options include no recycling center and use landfill until the sanitation fund is sufficient or charge more to accommodate those who want to recycle.

Commissioner Jolley asked if the Recycling Center is included in the budget this year as last year. Mr. Rearden explained those numbers are currently being considered and proposed increases on the transfer side will be presented soon.

Mr. Doyon explained efforts to lower dependence on the General Fund include 6% rates for golf and swimming. He again emphasized the need to address the capital deficiencies surrounding the Natatorium.

Mr. Doyon reviewed ongoing budget challenges/opportunities that include the Animal Shelter; appropriations are budgeted to make some improvements. The need for Facilities Planning and Funding was previously discussed. Though efforts are being made to reduce the Golf Course subsidy, a cash deficit still remains. Bonds will be needed to repair the Natatorium. If general operations for pools are not controlled, however, the pool subsidy will probably have to be capped.

Mr. Doyon commented that ECP is a big concern for the community, the Commission and himself. Over the last few months, this Commission has taken over the role of the ECP Board. Staff has been trying to assist the Commission as they consider the challenges that utility faces. Staff has been asked to look at options for the community and what can be done to improve ongoing operations. Complex issues surrounding the operation of that utility include the existing contracts with Southern and customers. There are issues that have not been addressed with right to know and access concerns, and the rate structure is currently being reviewed. He added that Burns and McDonnell have made a recommendation that will be reviewed and a proposal submitted to the Commission. Mr. Doyon reported the Executive Director of ECP resigned last evening so the current structure will have to be reconsidered. The ECP Board is supposed to be

advising the Commission; is there another way to provide the same level of information to the Commission? Recommendations will be forthcoming. He added this is the most complicated public policy issue he has faced as a City Manager. Staff has taken direction from the Commission and will continue to work to resolve the issue. He explained the process is slow and deliberate to not complicate or further compromise the City's position.

The Commission will have opportunity to review the recommendations put forth and assess whether or not the proposal addresses the needs before the City. A public hearing will be set at the July 6, 2010 meeting, with possible adoption on July 20, 2010.

The Proposed Budget will be posted on the City's web site.

ADJOURN

There being no further discussion, Mayor Winters adjourned the work session of June 15, 2010, at 6:45 p.m.