

JOURNAL OF COMMISSION WORK SESSION
February 16, 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, Acting City Attorney, Directors of Fiscal Services, Planning and Community Development, Public Works, the Interim Library Director, Executive Director of the Housing Authority, Police Chief, Fire Chief and the Office Specialist.

1. APPROPRIATIONS REQUESTS

City Manager Greg Doyon thanked Mayor Winters for allowing him to present a draft targeted appropriation list prior to the revenues presentation. Prior to making a trip next month to meet with the congressional delegation in Washington D.C. to seek federal funding for certain projects, he asked staff to identify needs for Commission consideration. Mr. Doyon requested the Commission review and prioritize those items most relevant for the City and to add anything that may have been excluded.

Certain community issues on the list that will be addressed include the Flood Levy District situation. He noted that the County is hosting a conference call at noon, February 17, 2010, and the City will have a representative to talk with FEMA. Malmstrom Air Force Base and the Montana Air National Guard mission, retention and expansion will be discussed. Support will be given to the Great Falls Development Authority and the Chamber of Commerce on community issues that impact how the City operates. He explained that he will take Commission recommendations to the congressional delegation.

Commissioner Jolley questioned why the Police Department's new/renovated building needs were not included on the list. Mr. Doyon responded that since the City is a regional dispatch facility, that may be an appropriate item to include.

Mayor Winters mentioned an e-mail from Jeff Mangan, Regional Airport Authority Board member, questioning if the Commission wanted a briefing from the Board. Commissioner Bronson noted that it is not appropriate for the Commission to be involved in personnel-related issues. The Commission directed the City Manager to invite a representative from the Board to address the Commission, without delving into personnel issues.

2. REVENUE FORECAST AND FINANCIAL INDICATORS

Fiscal Services Director Coleen Balzarini provided a PowerPoint presentation of annual financial indicators and revenue trend projections.

She explained that the financial indicators section is a historical look back on revenues, expenses, fund balances, personnel, etc. to show if there is cause for concern. Most of the information is from the 2005-2009 Comprehensive Annual Financial Reports (CAFR), and the information will be posted on the City website, February 17, 2010.

Ms. Balzarini noted the revenue indicators (page 18) for governmental funds (general, special revenue, debt service, and capital project funds) increased 3.80%. Taxes went up 7.62% mostly due to newly taxable property. A 2.46 mil levy increase for permissive medical mills was taken, as state statute entitles the City to levy mills (permissive medical mills) for general fund employees to help pay health insurance costs. Intergovernmental State Entitlement increased 4%. Charges for services increased primarily due to deferred prosecutions and charges to ambulance services. The majority of the increased revenues in special assessments came from a street maintenance assessment increase that was authorized in 2009.

She reviewed major changes in revenue comparisons (page 19) including increased taxes in governmental funds from about 33% in 2005 to about 38% in 2009, again mostly due to the permissive medical mills that were levied. Intergovernmental revenue decreased from 35% to 28%, as some State entitlement payments were eliminated.

Ms. Balzarini reviewed a bar graph of revenues per capita (page 21) and explained that newly taxable property and permissive medical mills were the primary changes in 2007 and 2008, and the general obligation for swimming pool bonds, permissive medical and some protested taxes received were included in 2009.

She explained warning trends of becoming too dependent on intergovernmental revenues (page 22) and not having much input on what happens to revenue streams. She noted that general fund intergovernmental funds decreased from 31% in 2005 to 28% in 2009. She cautioned that it is important to monitor these trends, but doesn't think the current risk is big.

She explained that changes in special revenue funds (page 25) in 2006, 2007 and 2008 are primarily CTEP and block grants, due to decreased federal funding.

Ms. Balzarini reported that property tax revenues in the general fund (page 28) are flagged as a 'key indicator' because they represent about 50% of the revenues in the general fund. She noted the 22% increase from 2005 to 2009. Salaries and benefits are 22% of the increase in the general fund.

She explained that property tax revenues as a percentage of general fund revenues (page 29) from 2005 to 2009 show that, of the \$23 million dollars in general fund revenues, \$11.5 million were from property taxes (about 50%).

Ms. Balzarini explained that the local option vehicle tax (page 32) is intergovernmental revenue. It is a tax that is levied by the county; however, it is at their option whether it continues. Historically, as a percentage of the general fund revenue, it has run about 5%. Commissioner Jones noted that this tax was originally used to fund the district courts, with an intended sunset, but it has continued. Commissioner Jolley added that she has received complaints that this tax

was supposed to sunset. Commissioner Bronson noted that the legislature passed the tax. Ms. Balzarini agreed that the legislature could discontinue the tax, but currently the county has the option to levy the tax.

Ms. Balzarini reported that both the local option vehicle tax and the Cable TV franchise fees are considered to be elastic revenue streams, meaning that economic conditions or other conditions beyond control can make a significant change. She noted that Cable TV franchise fees (page 33) continue to climb. They are about 3% of the general fund revenues. Commissioner Burow questioned if these revenues are expected to pay for the public access channel. Ms. Balzarini explained that the franchise fee is a payment from the cable company for the right to use city right-of-way, and doesn't have anything to do with Cable 7. She noted that part of the payment was in the form of a public access channel, and if viewing increases, there is another channel that could be made available for public viewing. However, there are no requirements within that right-of-way agreement to fund or promote public access. Commissioner Jolley asked how often the agreements are renegotiated and when the last one was signed. Ms. Balzarini reported that the agreement was well over ten years, and currently near the beginning or the middle of the term.

Ms. Balzarini reported that the trend in uncollected property taxes (page 36) is down. Between 2008 and 2009 there was a major settlement between Qwest and the taxing jurisdiction. She explained that tax protests have not increased significantly in Cascade County, and even those currently being protested should be resolved prior to the May 31st due date.

Ms. Balzarini reviewed general fund revenues (page 38), budget to actual comparisons. She noted the bump related to an uncollected grant in 2008; however, the expense also didn't occur. Commissioner Jolley questioned the uncollected grant. Melissa Kinzler, Assistant Director of Fiscal Services, explained it was a budgeted underage drinking grant that the City didn't receive.

Ms. Balzarini reviewed expenditures per capita (page 43).

She explained that taxes are about 50% of the revenue stream into the general fund; however, property taxes do not pay for all the costs incurred, just police and fire. Public safety (page 53) expenditures, by function, are the largest; general government, which includes court, city manager and transfers out of fiscal services, is smaller; public works shows general fund support of the engineering fund; housing and community development is small; and, culture and recreation (parks and recreation) runs about 10%. Swimming pools are not included because they are an enterprise fund.

Ms. Balzarini explained the employees per capita chart (page 55) and noted the variance in 2005 was because of the way full-time employees were counted. She noted that the employees per capita (page 56) in Billings, Missoula, Great Falls, Bozeman and Helena stay fairly consistent year-to-year.

She cautioned that Great Falls has a number of internal service funds that are not reflected on the chart for general fund appropriations per capita (page 57).

Ms. Balzarini reported that the enterprise operating position for the golf courses (page 64) shows the golf course is not covering all of its expenses, though not all of those expenses are actual cash outlay. She explained that the chart on page 65 indicates that the golf course fund is doing okay, if facility replacement, tracking depreciation and/or building a fund balance for any part of the golf course isn't important. The transfers-in help pay for debt service on prior improvements.

She also reported that the parking fund revenues (page 67) also don't keep up with expenditures when considering depreciation.

Mr. Doyon explained that this high-end overview will make more sense when reviewing each departmental budget. Ms. Balzarini added that budgets are approved on a cash basis; depreciation is not considered.

Commissioner Jolley commented that annual depreciation funding should be considered in budgets. Ms. Balzarini agreed that aging facilities result when that funding hasn't been planned. She noted that the CAFR was changed to make it more apparent what is happening to the investment in the infrastructure.

Ms. Balzarini reported that the swim pools (page 69) would not make it without transfers. The sanitation fund (page 71) also shows losses. She noted that trucks are a big investment; however, there is also work that needs to be done on the Public Works facilities. Mr. Doyon added that Jim Rearden will be reporting Friday on the RFP the Commission directed be done.

Ms. Balzarini reported the electric utility asset impairment (page 73) occurred in 2009 as has been discussed.

She reported that there were no transfers from the general fund in 2009 into the health and benefits fund (page 73). Its bottom-line savings account is less than \$2 million. Each year over \$5 million is paid out in expenses. She explained that, because of the risk in a self-funded health insurance plan, the City should have a savings account of at least one-half year's expenses. She added that the health insurance committee is drafting an RFP for Montana Municipal Insurance Authority (MMIA) and Blue Cross and Blue Shield as third-party administrator. Mr. Doyon reported hearing complaints about the cost of co-pays when negotiating union contracts, but not with the plan itself.

Ms. Balzarini noted the goal for the general fund unreserved fund balance is 17% (page 77). The Central Garage equipment reserves (page 78) decreased in 2004 when the fire trucks were purchased, but is up to \$2 million in 2009.

She explained that the overlapping debt (page 86) is a measurement that looks at the amount of general obligation debt required of citizens and their ability to pay.

She reported a warning trend of a three or more year decline in capital outlay from operating funds as a percent of net operating expenditures shows a lack of investment in equipment (page 92).

Ms. Balzarini noted little change in market value for residential development (page 102) from 2007-2009.

Ms. Kinzler provided a PowerPoint presentation of preliminary revenue projections and expense outlook. She explained property tax revenue is about 50% of the general fund, and the estimated increase is \$430,000 and includes \$129,564 inflation adjustment and \$300,000 in new taxable property. She reported the "Big Bill" State Entitlement projected increase for FY 2011 is \$311,000. No increase is projected in the CATV franchise fee, and no decrease is projected in the Local Option Vehicle Tax. She also noted there is no projected increase in fines and forfeitures revenue. Commissioner Jolley asked what kinds of fines and forfeitures are included. Acting City Attorney, Chad Parker explained that only cash fines are represented in this fund.

Ms. Kinzler reported the projected increase in general fund revenue is approximately \$740,000, though this projection includes only seven months of revenue figures. She added the State Entitlement payment is set, unless changed by a State special session. However, she explained if some entitlement payments are lost, the mil levy statute allows the City to make up some of the difference.

Ms. Kinzler explained that, over the next couple weeks, the Commission will be hearing additional revenue projections for street assessments, water and sewer, storm drain and capital projects.

She reviewed FY 2011 expected operating increases, including 10% electricity, 5% water, 7.5% wastewater, 10% general liability insurance and 14% property insurance. Salary increases have not been set, however, Worker's Compensation projected increase is 10% and health insurance is 5%. She also noted the health insurance fund balance of \$1.4 million is less than the preferred \$2.5 million.

She explained the expense outlook for salaries, at 1.5%, would be about \$296,000. Also, the Fire, MPEA and Crafts contracts expire June 30, 2010, and a 5% health insurance premium increase would be approximately \$218,000. Commissioner Burow questioned the 5% increase. Ms. Kinzler explained the increase is needed to handle the current year claims.

Ms. Kinzler also reported capital needs expense outlook includes enterprise funds (water, sewer, swim pools, capital equipment, snorkel, etc.). She noted that a facilities revolving schedule has been started and will be part of this year's budget process.

ADJOURN

There being no further discussion, Mayor Winters adjourned the work session of February 16, 2010, at 6:50 p.m.