

**JOURNAL OF COMMISSION WORK SESSION**  
**June 21, 2022**

City Commission Work Session  
Civic Center, Gibson Room 212

Mayor Kelly presiding

**CALL TO ORDER: 5:30 PM**

**CITY COMMISSION MEMBERS PRESENT:** Bob Kelly, Eric Hinebauch, Joe McKenney, Rick Tryon and Susan Wolff.

**STAFF PRESENT:** City Manager Greg Doyon and Deputy City Manager Chuck Anderson; Finance Director Melissa Kinzler and Deputy Finance Director Kirsten Myre; and, City Clerk Lisa Kunz.

**PUBLIC COMMENT**

**Ben Forsyth**, 3301 9<sup>th</sup> Street NE, commented that he has been studying the harms of marijuana for 10 years. He referred to Mont. Code. Ann. § 16-12-101 and expressed concern that the City may not understand some of the laws that apply to marijuana. Based on that statute, he believes the City can do better for the health, safety and welfare of the community. His goal is that the Commission adopt Cannabis Ruderalis in its original form as the best way to meet the dictates of I-190 and the laws of the State of Montana that are covering health, safety and welfare.

**1. 2023 BUDGET WORK SESSION**

City Manager Greg Doyon reported that this is a formal process by which the Official Charter of the City of Great Falls requires him along with staff to develop an annual budget for the City that is balanced. After tonight's presentation, the budget officially becomes the Commission's budget. This is not the final budget presentation, but rather the formal start of adopting the budget which will occur in July. There are State timeframes that need to be met.

The Commission is going to be hearing a lot of information tonight. Even though he has tried to condense it, there is a lot of information to digest. He encouraged the Commission to take it all in and to ask questions tonight. Additional work sessions are scheduled to resume the conversation once he gets through his proposed budget.

The budget will only be adopted after the City Commission holds a budget hearing which will be scheduled and the public can comment on the proposed budget.

Key documents that piece together the budget and which recommendations are based on are the Fiscal Year 2023 Proposed Budget, General Fund Revenue Worksheet, Taxable Valuation History, General Fund Support for Operations, Fund Detail Worksheet, Department Above & Beyond Requests, Tax Abatement Summary, Administrative Draft of a Capital Improvement Plan, and Internal Service Charges.

**JOURNAL OF COMMISSION WORK SESSION**  
**June 21, 2022**

Manager Doyon emphasized that the budget is the Commission’s greatest policy statement. This is where the Commission is able to take the limited resources that it gets through its revenue streams and is able to match that with its priorities to get done in the upcoming year.

The other reality with budgeting is that the annual budget is often dictated by things like prior commitments or external factors beyond your control. The theme of tonight's budget is that there is a lot going on externally that is impacting the City internally. It often comes down to a selection of priorities and process of elimination. But, we have to be real and be able to separate the wants from the needs. Typical increases in the budgets include collective bargaining agreements, health insurance, identified Capital Improvement Projects (CIP) and internal service charges.

All of the documents will be available on-line for everybody to look at. There is also a software program called “Balancing Act” on the Finance Department’s webpage that is a good tool to see the cause and effect of making changes to the budget.

The following PowerPoint slides were reviewed and discussed:

  <h2 style="margin: 0;">City Manager’s Proposed Budget</h2> <p style="margin: 0;"><b>Fiscal Year 2023</b></p> <hr/> <p style="margin: 0; font-size: small;">Presented on June 21, 2022</p> <hr/>   <h3 style="margin: 0;">City Commission Priorities <small>(February 2022)</small></h3> <hr/> <ol style="list-style-type: none"><li>1. Promote, educate and take action on the viability, sustainability and efficacy of the Police and Fire Departments</li><li>2. Explore the option of a Public Safety Levy</li><li>3. Approve and implement appropriate Crime Task Force recommendations</li><li>4. Commit to an intentional approach to the housing issue with community partners</li><li>5. Continue to work with community partners and the City’s development review process to ensure Great Falls is a growing, business friendly community</li><li>6. Focus on City facilities and resources</li></ol>	  <h3 style="margin: 0;">Budget Background and Development</h3> <hr/> <ul style="list-style-type: none"><li>• Policy Statement</li><li>• Budget Methodology</li><li>• Budget is often dictated by prior commitments <u>and</u> external factors beyond Commission’s control.</li><li>• Proposed budget attempts to meet Commission priorities <u>and</u> balance operational needs <u>and</u> maintain expected taxpayer service levels.</li></ul>   <h3 style="margin: 0;">Current Budget Environment</h3> <hr/> <ul style="list-style-type: none"><li>• Lingering COVID Impacts</li><li>• National Economic Conditions<ul style="list-style-type: none"><li>○ Work Force!</li><li>○ Supply chain disruption</li><li>○ Inflation</li></ul></li><li>• CARES/ARPA</li></ul> <p style="margin: 0; font-size: small;">As with other private and public entities, the City of Great Falls is not immune from impacts of these environmental factors.</p>
---	---

# JOURNAL OF COMMISSION WORK SESSION

## June 21, 2022



### Impacts of Inflation

Product	2020/2021 Cost	2022 Cost	% Increase
Oil Filter	\$ 8.13	\$ 9.76	20%
Air Filter	\$ 34.03	\$ 40.61	19%
Engine Oil	\$ 1.60	\$ 3.38	111%
Tire	\$ 235.00	\$ 265.00	13%
Fire Hydrant	\$ 2,150.00	\$ 2,685.00	25%
Gate Valve	\$ 585.00	\$ 805.00	38%
Chlorine	\$ 710.00	\$ 2,178.00	207%
Liquid Asphalt	\$ 428.00	\$ 899.00	110%
96 Gallon Refuse Containers	\$ 43.00	\$ 56.12	31%
8 Yard Commercial Refuse Container	\$ 1,550.00	\$ 2,189.00	41%



### Impacts of Inflation (Cont'd)

Product	2020/2021 Cost	2022 Cost	% Increase
Fertilizer	\$ 392.72	\$ 954.10	143%
Athletic Field Turf Mix	\$ 1.80	\$ 4.50	150%
Wood Chips for Playgrounds	\$ 17.00	\$ 20.00	18%
Freight for Wood Chips	\$ 550.00	\$ 750.00	36%
Landfill Annual CPI Adjustment	\$ 27.98	\$ 29.89	6.85%
6" & 8" Water Main per foot	\$ 56.00	\$ 149.80	168%
12" Water Main per foot	\$ 87.00	\$ 171.40	97%
Gasoline	\$ 1.91	\$ 4.78	150%
Diesel Fuel	\$ 1.44	\$ 5.10	254%



### Specific Impacts FY23

- Challenging Combination:
  - COVID "Recovery"
  - No Tax Increase or User Fees
  - Inflation
- Other Key Elements
  - Training
  - Fire Department Turnover
  - Police Department Retirements/Turnover/Promotions
- External Labor costs
- Capital Projects

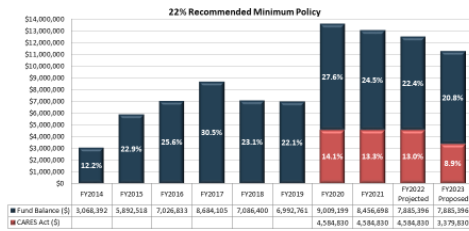


### Specific Impacts FY23

- Undesignated Fund Balance Management
  - FY21 - \$552,501 used
  - FY22 - \$571,301 used
  - FY23 Projected: \$7,885,396 or 20.83%



### General Fund 10 Year Fund Balance



### FY24 Look Ahead

- Undesignated Fund Balance Management
- No new anticipated debt
- Unknown Economic Condition – Recession?
- Operations
  - Probationary Firefighters
  - Police Department COPS Grant
  - Crime Task Force Recommendations
  - Newly negotiated CBAs
  - Recreation Center operations
  - Second Municipal Judge
- Legislative Session
  - Assessments
  - CI-121
- Tax Appeals



### FY 23 Approach

To meet Commission Priorities and basic service expectations, utilize the following:

- Inflationary Factor
- Permissive Medical Levy
- Fund Balance
- CARES
  - \$1,205,000 for General Fund
  - \$472,000 for other funds
- ARPA
  - \$163,410 - Department budget requests for one-time purchases



### Options

1. No Inflationary Factor or Permissive Medical Levy	(\$2,094,996)	a) Reduce GF by \$2,094,996 b) Use Fund Balance, \$5,790,400 15.29%
2. Use Inflationary Factor and Permissive Medical Levy	(\$1,205,000)	a) Reduce GF by \$1,205,000 b) Use Fund Balance, \$6,680,396 17.64%
3. Use Inflationary Factor, Permissive Medical Levy and Fund Balance	\$0	Use Fund Balance \$1,205,000 17.64%
4. Use Inflationary Factor, Permissive Medical Levy and Fund Balance and CARES	\$0	CARES Balance \$3,379,830 Fund Balance \$7,885,396 20.83%

# JOURNAL OF COMMISSION WORK SESSION

## June 21, 2022



### General Fund Tax & Entitlement Revenue

General Fund Revenue Segment	FY2021 Actual	FY2022 Actual	FY2023 Proposed	Impact to Households
Newly Taxable Property	\$ 119,488	\$ 366,758	\$ 400,000 <small>Amount not known until August</small>	N/A
Inflationary Factor	\$ 0	\$ 0	\$ 641,691	\$100,000: \$8.36 \$200,000: \$16.72
Permissive Medical Levy	\$ 0	\$ 0	\$ 248,305	\$100,000: \$3.23 \$200,000: \$6.47
Entitlement Share	\$ 284,198	\$ 130,271	\$ 294,004	N/A
<b>Total Revenue Increase</b>	<b>\$ 403,686</b>	<b>\$ 497,029</b>	<b>\$ 1,584,000</b>	



### American Rescue Plan Use

ARPA Use	FY2023 Budget	Source
Community Grants	\$3,000,000	
IT Network Security	\$140,270	Tier 1 Project
Civic Center AV Upgrades	\$171,331	Tier 1 Project
Fire Station Doors	\$425,000	Tier 1 Project
Fire Truck Refurbishment	\$1,299,337	Tier 1 Project
HR Office Renodel	\$500,000	Tier 1 Project
Parking Garage Security Improvements	\$52,786	Tier 1 Project
Miscellaneous Fire Department Equipment	\$88,410	FY2023 Above & Beyond Request
Park & Rec Admin Building ADA Restroom	\$75,000	FY2023 Above & Beyond Request
<b>Total ARPA Usage in FY2023</b>	<b>\$5,752,134</b>	
<b>Remaining ARPA Balance</b>	<b>\$13,720,603</b>	



### CARES Act Use

CARES Act Use	Amount
FY22 Replenish Funds Impacted by COVID	\$1,141,151
Balance General Fund Budget in FY2023	\$1,205,000
Replenish Planning Fund in FY2023	\$297,500
Replenish Recreation Fund in FY2023	\$140,000
Replenish Multi-Sports Fund in FY2023	\$34,500
<b>Total CARES Act Usage</b>	<b>\$2,818,151</b>
<b>Remaining CARES Act Balance</b>	<b>\$7,341,012</b>



### General Fund Revenue

Reference: Budget Book Pages 20-22

	FY 2021 Actual	FY 2022 Amended	FY 2023 Proposed	Increase (Decrease)	% Change
Taxes	\$ 20,960,760	\$ 21,539,142	\$ 22,978,679	\$ 1,439,537	6.68%
Licenses and Permits	\$ 991,160	\$ 1,070,600	\$ 1,011,200	\$ (99,400)	-5.55%
Intergovernmental	\$ 9,014,619	\$ 9,012,215	\$ 9,464,998	\$ 452,783	5.02%
Charges for Services	\$ 1,194,149	\$ 1,189,958	\$ 1,200,461	\$ 10,503	0.88%
Fines and Forfeitures	\$ 753,720	\$ 770,000	\$ 770,000	\$ -	0.00%
Internal Service	\$ 961,965	\$ 1,004,150	\$ 1,060,044	\$ 58,894	5.57%
Investment Income	\$ 30,810	\$ 15,000	\$ 15,000	\$ -	0.00%
Other	\$ 106,531	\$ 144,322	\$ 156,364	\$ 12,042	8.34%
<b>Total Revenue</b>	<b>\$ 33,973,714</b>	<b>\$ 34,745,387</b>	<b>\$ 36,656,746</b>	<b>\$ 1,911,359</b>	<b>5.50%</b>



### General Fund Expenses

Reference: Budget Book Pages 23-33

	FY 2021 Actual	FY 2022 Amended	FY 2023 Proposed	Increase (Decrease)	% Change
Personal Services	\$24,799,481	\$25,776,600	\$27,433,367	\$ 1,656,767	6.43%
Supplies	\$983,724	\$1,062,116	\$1,223,712	\$ 161,596	15.21%
Purchased Services	\$1,682,768	\$1,422,388	\$1,567,366	\$ 144,978	10.19%
Debt Services	\$309,773	\$309,182	\$308,616	\$ (566)	-0.18%
Contributions & Other	\$250,000	\$250,000	\$250,000	\$ -	0.00%
Other	\$39,174	\$21,160	\$20,000	\$ (1,160)	-5.48%
Internal Service	\$4,770,463	\$5,044,222	\$5,439,353	\$ 395,131	7.83%
Capital Outlay	\$31,655	\$0	\$0	\$ -	0.00%
Transfer Out	\$1,659,178	\$1,659,178	\$1,619,332	\$ (39,846)	-2.40%
<b>Total Expense</b>	<b>\$ 34,526,216</b>	<b>\$ 35,544,845</b>	<b>\$ 37,861,746</b>	<b>\$ 2,316,901</b>	<b>6.52%</b>



### City-Wide Revenue

Reference: Budget Book Page 18

	FY 2021 Actual	FY 2022 Amended	FY 2023 Proposed	Increase (Decrease)	% Change
Taxes	\$ 25,474,917	\$ 26,001,617	\$ 27,280,154	\$ 1,278,537	4.92%
Licenses and Permits	\$ 2,116,652	\$ 2,185,276	\$ 2,451,128	\$ 265,852	12.19%
Intergovernmental	\$ 28,158,870	\$ 24,896,097	\$ 15,573,147	\$ (9,320,950)	-37.44%
Charges for Services	\$ 50,309,799	\$ 49,379,237	\$ 52,176,709	\$ 2,797,472	5.67%
Fines and Forfeitures	\$ 857,643	\$ 817,500	\$ 831,500	\$ 14,000	1.71%
Internal Service	\$ 14,328,381	\$ 15,324,240	\$ 16,359,901	\$ 1,035,661	6.76%
Special Assessments	\$ 8,622,693	\$ 8,472,176	\$ 8,584,811	\$ 112,635	1.33%
Investment Income	\$ 115,826	\$ 20,650	\$ 20,650	\$ -	0.00%
Other	\$ 1,932,478	\$ 800,376	\$ 605,535	\$ (195,041)	-24.36%
Transfer In	\$ 2,892,679	\$ 5,589,121	\$ 2,498,405	\$ (3,090,716)	-55.30%
Issuance of Debt	\$ 6,423,758	\$ 9,940,000	\$ -	\$ (9,940,000)	-100.00%
Sale of Assets	\$ (41,528)	\$ -	\$ -	\$ -	0.00%
<b>Total Revenue</b>	<b>\$ 141,192,169</b>	<b>\$ 143,426,490</b>	<b>\$ 126,383,940</b>	<b>\$ (17,042,550)</b>	<b>-11.88%</b>



### City-Wide Expenses

Reference: Budget Book Page 18

	FY 2021 Actual	FY 2022 Amended	FY 2023 Proposed	Increase (Decrease)	% Change
Personal Services	\$46,026,184	\$49,595,721	\$52,150,775	\$ 2,555,054	5.15%
Supplies	\$5,341,426	\$6,537,444	\$6,963,791	\$ 426,347	6.52%
Purchased Services	\$27,012,264	\$30,286,621	\$28,808,733	\$ (1,477,888)	-4.88%
Debt Services	\$6,851,385	\$7,321,282	\$6,564,098	\$ (757,184)	-10.34%
Contributions & Other	\$1,406,733	\$2,296,872	\$2,243,463	\$ (53,409)	-2.33%
Other	\$333,998	\$31,610	\$20,450	\$ (11,160)	-35.31%
Internal Service	\$13,063,616	\$13,902,078	\$15,338,263	\$ 1,436,185	10.33%
Capital Outlay	\$15,114,623	\$39,030,310	\$4,181,948	\$ (4,848,362)	-12.42%
Transfer Out	\$2,905,963	\$3,197,003	\$2,498,405	\$ (698,598)	-21.85%
<b>Total Expense</b>	<b>\$ 118,056,792</b>	<b>\$ 152,198,949</b>	<b>\$ 148,769,926</b>	<b>\$ (3,429,024)</b>	<b>-2.25%</b>



### Fund Review

Reference: Fund Detail Worksheet

- 58 Budgeted Funds
- Fund balance % requirement for each fund
  - Meets requirements
  - Does not meet requirements

# JOURNAL OF COMMISSION WORK SESSION

## June 21, 2022



### Proposed Rate, Assessment and Fee Adjustments

Department	Division	FY2023 Adjustment	Prior 2 Years Adjustments
Utility	Public Works	Water	5% 0%
Utility	Public Works	Sewer	5% 0%
Utility	Public Works	Storm Drain	5% 0%
Utility	Public Works	Sanitation - Commercial	10% (May '22) 0%
Utility	Public Works	Sanitation - Residential	10% (May '22) 0%
Assessment	Park & Rec	Natural Resources – Boulevard	12% 0%
Assessment	Park & Rec	Portage Meadows	5% 0%
Assessment	Park & Rec	Park Maintenance District	0% 0%
Assessment	Public Works	Street Maintenance	0% 0%
Assessment	Special Districts	Street Lighting Districts	4.5% - 1.0%



### Capital Outlay Major Projects

Reference: Budget Book Pages 131-135

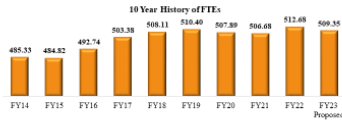
Major Project	Project Budget
Street/BarSAA East Fiesta & Giant Springs Rd	\$1,268,369
Water Plant Filter Replacements Phases 2 & 3	\$6,000,000
Water Main Replacements	\$2,900,000
Sewer Lift Station #1	\$5,000,000
Sewer Plant Clarifier Repair	\$2,000,000
Central Ave & 3 <sup>rd</sup> St Storm Drain	\$1,200,000
Year 5 Park District Projects	\$494,220
6 Patrol Cars	\$239,760
Street Equipment (Sweeper, roller, dump truck)	\$666,160
Sanitation Sideloader	\$362,310
Various ARPA Projects	\$5,663,724
<b>Total Capital Outlay Budget in FY2023</b>	<b>\$34,181,948</b>



### FTE Counts

Reference: Budget Book Pages 125-130

General Fund – Police	COPS Grant – Added 3 positions	3.00
Planning & CD	Removed 1 Development Engineer	(1.00)
Library	Part-time clerk/custodian to full-time	0.38
Park & Recreation	Recreation Pool hours moved to temporary/seasonal	(5.84)
Civic Center Facilities	Reorganization from PCD to Administration	(0.10)
Engineering	Re-instated Summer interns position	0.25
<b>Total Increase (Decrease) in FY2023</b>		<b>(3.31)</b>



### Making Progress

- Civic Center façade
- Park Maintenance District
- Recreation & Aquatics Center
- ARPA/CARES Projects
- **Crime Task Force**
  - COPS Grant added 3 new officers
  - Patrol Sergeants
  - Addressing some needs for both Fire/Police
- ECP Debt Paid!



### Next Steps

- Today
  - City Manager's Budget Transmittal
- June 28<sup>th</sup> & June 29<sup>th</sup> – (Tentative)
  - Special Commission Budget Work Sessions
- July 5<sup>th</sup>
  - Work Session & Set Public Hearing
- July 19<sup>th</sup>
  - Public Hearing & Adopt or Continue Budget
- August 16<sup>th</sup>
  - Adopt Mill Levy

The State of Montana adopted a statewide property tax cap that is one-half of a three-year rate of inflation that was applied as part of the budget process.

Manager Doyon mentioned that there is a Citizens Initiative 121 that is being proposed. Essentially, it is a version of California's Proposition 13. The Montana Taxpayers Association is opposed to CI-121. There is a concern about the inequity that it may cause on the ability of local government to deliver on services under the current formula and that it does not really address the reliance on property taxes in Montana to begin with. He encouraged everybody to get schooled on that initiative to get a better understanding of what the impact is going to be on municipalities.

The proposed budget really attempts to meet the Commission's priorities, balance operational needs, and maintain expected taxpayer service levels, which sometimes is hard to gauge. He and staff rely on the feedback from the Commission in terms of its priorities. At the retreat in February, the Commission identified six priorities:

## JOURNAL OF COMMISSION WORK SESSION

June 21, 2022

Priorities 1-3 pertain to public safety: The budget reflects an emphasis on public safety.

Priority 4 is a commitment to housing: Housing has been talked about a lot in this community. The City has CDBG and ARPA resources availability through a public application process. He noted that sometimes people's expectations about what the City can and cannot do in terms of housing development is not necessarily understood. We want to make sure the City has the infrastructure to support it, but we also want to make sure that we have fire and police to serve it. Also, the City is not a developer. The City can help with development by virtue of its capital improvement planning and funding.

Priority 5 is continuing to work with partners on the development review process. This is a work in progress. With the Public Works Director leaving and not having a City Engineer in place, he is going to leave the development review process with the Planning and Community Development Department until those positions are full. Then, he wants to make sure that the processes that are set in place have been looked at with fresh eyes and go from there.

Priority 6 is a combined focus on City facilities and resources. In the Tier 1 ARPA administration, the Commission discussed utilizing those funds for the Civic Center, Fire, Police, Animal Shelter, Court, Commission Chambers, and parking structures.

He considers City employees to be a primary resource. In this budget, he reduced the increase of the health insurance from 5.7% to 3% to help offset the impact of inflation on employees.

He had contemplated doing a citywide cost of living adjustment (cola) but could not make that happen. A professional consultant performed a wage and classification study of 109 non-union City positions. Eighty of those positions were benchmarked. The study concluded that, in order to get the schedule where it needed to be, it would cost \$1 million dollars. The City spent \$485,000 to get employees within competitive ranges that were not in a collective bargaining agreement. The City has not conducted a study like that for 20 years. The Commission previously authorized about \$600,000 in adjustments for the collective bargaining agreements. As an organization, the City is not immune from the impacts of what is happening with inflation and wages. The adjustments were needed for recruitment and retention purposes, for morale to make sure that the City's pay equity was sufficient, and it is more critical now than ever and the right thing to do for the employees.

The City is still lingering over Covid impacts in the current environment. Many of the impacts are related to supply chain disruption, and obtaining materials from sources and countries that we rely on for the production of those. He is looking at national economic conditions, and this "great resignation." He cannot stress the importance of recruitment and retention right now. The City's adage of, well, we have got good benefits just is not cutting it anymore in this market. It is just not enough.

The City is also dealing with the inflation element that has touched across all of the budgets this year, including fuel, parts, equipment, and labor. He provided specific examples of the impact of inflation on the day-to-day operations within the City. There is a real concern about just being able to maintain the basic services that people come to expect in this current economic environment.

## JOURNAL OF COMMISSION WORK SESSION

June 21, 2022

For Fiscal Year 2023, he asked the Commission and community to keep in mind the ongoing Covid recovery and the impacts of it around the world. In the last couple of years, the City has not adjusted fees and has not raised taxes using the inflationary factor, but instead tapped into the undesignated fund balance, which is used for the City's cash flow and for emergency type situations.

Certain employees need to maintain their certifications. Training is starting to be reintroduced in person rather than virtual.

With regard to public safety, both the Fire and Police Departments have seen a lot of turnover in terms of people retiring. New hires go through an academy and need to be equipped and trained. Once the current batch of probationary firefighters complete the academy this year, there will be an adjustment in their pay and additional rank promotions for others. Unique to the Police Department is the High Risk Unit (HRU), and five members will be rotated out and replaced.

Externally, the City is seeing increases from contractor bids and professional services. The increases are significant with capital improvement projects.

In 2021, about \$552,000 of the undesignated fund balance in the general fund was used, about \$571,000 in 2022, and he is projecting with this proposed budget the undesignated fund balance to be at 20.83%. The City's policy is 22%. In this proposed budget, he is recommending using about \$1.2 million of CARES funds to offset the general fund deficit.

Things to be mindful of for next year's budget in this year's budget is the unknown with the economic situation. We are currently dealing with inflation and now are starting to hear things about a potential recession. There will be an impact on the 2024 budget as the probationary firefighters are transitioned, the commitment with the COPS grant absorbed, Crime Task Force recommendations implemented, and collective bargaining agreements with the unions negotiated. Hopefully, there will be a second Municipal Court Judge. The Big Sky Aim High Recreation Center will be nearing completion, getting up and operating. There will also be a legislative session with its unknowns. If the Citizens Initiative 121 is adopted it will profoundly change the way budgeting is done. Another unknown is tax appeals. He has had a few situations with unknowns that he has had to make some decisions and absorb a loss of revenue based on tax appeals.

Manager Doyon recommended that the Commission exercise taking the inflationary factor and the permissive medical levy. He is also recommending use of fund balance to offset some of the expenses. He also incorporated into the budget the use of CARES funds for the general fund and \$472,000 for some other needs. A couple of projects in the above and beyond requests meet the tenants of ARPA that he would like to see funded because it's related to public safety.

He explained that, if the Commission does not take the inflationary factor and permissive medical levy, the proposed budget would be short over \$2 million dollars. An option is the Commission could direct him to use fund balance to offset that amount. If fund balance was used it would reduce fund balance to about 15% (the policy recommends 22%), or the Commission could go back into the budget to find \$2 million dollars from the general fund support or the above and beyond sheets. Personnel would need to be cut to meet that \$2 million dollar threshold.

## JOURNAL OF COMMISSION WORK SESSION

June 21, 2022

Even by taking the inflationary factor and permissive medical levy, the budget is still \$1.2 million dollars short. The shortage could be reduced by using the general fund. If fund balance were used, it would bring fund balance down to about 17%. Another option, that basically balances the proposed budget, is to use the inflationary factor, permissive medical levy, and fund balance. In that case, fund balance would come down to 17.64%.

Because of the situation the City is in now, and the situation he is concerned the City will be in next year, Manager Doyon recommended the Commission use the inflationary factor, permissive medical levy, fund balance, and CARES money to appropriate and meet the needs of this budget.

Finance Director Melissa Kinzler referred to page 19 of the proposed budget that reflects Manager Doyon's recommendations.

Manager Doyon added that he is planning for the next couple of years in this proposed budget in order to address the primary objectives and goals of the Commission with regard to public safety, but also to put the City in a better position for fiscal year 2024.

Newly taxable property is driven by the amount of new development that occurs in the community during the prior calendar year. The City will not know that full amount until August. The inflationary factor being recommended to be taken is about \$641,000. On a residential property valued at \$100,000 the increase will be \$8.36, and on a residential property valued at \$200,000 the increase will be \$16.72. The permissive medical levy recommended to be utilized will be \$248,000. That will increase residential property taxes \$3.23 for \$100,000 or \$6.47 for \$200,000. He is projecting that the City's entitlement share will be about \$294,000 from the State.

Finance Director Kinzler explained that the inflationary factor takes the Urban Consumer Price Index (CPI) three year average and divides that number in half. It will take a long time to get the inflationary factor to where we are at right now.

Commissioner Tryon inquired if the Commission has ever not taken the top-level amount of the inflationary factor.

Director Kinzler responded no, but the Commission did not take the inflationary increase in 2011 and 2012 because the City was going to use that additional revenue for the COPS grant.

Manager Doyon reviewed the American Rescue Plan Act (ARPA) allocations in terms of potential community grants, Tier 1 projects, and the two items included in this year's budget - Fire Department equipment and Park and Recreation bathroom renovation. The remaining ARPA balance is about \$13 million dollars.

In fiscal year 22/23 Manager Doyon recommended using CARES Act allocations to shore up the general fund (preserve the undesignated fund balance), and subsidies to the Planning and Community Development Department, Recreation and Multi-Sports for a total amount of \$1.6 million dollars. The CARES balance is about \$7.3 million dollars.



## JOURNAL OF COMMISSION WORK SESSION

June 21, 2022

Director Kinzler reviewed page 20-22 of the proposed budget – General Fund Revenue, pages 23-33 – General Fund Expenditures by Department/Division, and page 19 that shows the \$1.6 million dollar transfer out of the general fund for subsidizing the above and beyond requests.

Commissioner Hinebauch inquired about the Commission budget.

Director Kinzler explained the Commission's budget includes the Commission's stipends, salaries, elections, travel, and supplies. The election expense is the biggest part of the Commission's budget.

Deputy Finance Director Kirsten Myre reviewed slides of the citywide revenue and citywide expenses. There are 58 budgeted funds. The combined funds are set forth on page 18 in the proposed budget book.

Director Kinzler reviewed the Fund Detail Worksheet that is a snapshot the 58 funds and highlights the purpose of what the fund is being used for and the targeted fund balance. The funds that did not meet the fund balance requirements included: General Fund, Planning and Community Development, Parking, Golf Courses, Recreation, Health & Benefits, and Human Resources.

Director Kinzler also reviewed proposed fee/rate adjustments for water, sewer and storm drain – 5%, natural resources boulevard assessments – 12%, Portage Meadows – 5%, and street lighting districts – average of 4.5%. Animal Shelter fees and Planning and Community Development Department fees will be looked at.

Commissioner Tryon noted that increases were not proposed the previous two years for water, sewer and storm drain or natural resources. He inquired what the typical increase was on a yearly basis.

Director Kinzler responded that it was 5% for water and sewer, and about 2.5% for storm drain yearly, per the recommendations from the rate study. She will provide the history to the Commission.

Deputy Finance Director Myre reviewed the Proposed Capital Expenditures set forth on page 131 of the budget book. A capital project or outlay is anything greater than \$25,000 with a useful life more than one year. The proposed projects will be paid with cash on hand. There will be no debt issuances involved.

Deputy Finance Director Myre also reviewed the City's FTEs – full and part time positions on page 125-126 of the budget book. Over the past 10 years, the FTE average is 510.

Manager Doyon commented that, because a Planning Advisory Board/Zoning Commission meeting is scheduled for June 28, 2022, that the Special Budget Work Session will be set later that day, and another Special Budget Work Session is scheduled for June 29, 2022. The adoption date for the budget is July 19, 2022. He encouraged the Commission to call the finance director or him or come in to the office if needed in between meetings to be able to make a well-informed decision on the budget.

There is a lot of anxiety about the national economy and the impact on how municipal budgeting is done and how services are provided. He pointed out that the Civic Center façade, Park Maintenance District, Aquatic/Recreation Center projects are underway. There is flexibility with ARPA and CARES for some

**JOURNAL OF COMMISSION WORK SESSION**  
**June 21, 2022**

strategic projects. Some of the items the Crime Task Force recommended have been addressed. The best thing of all – there is no more Electric City Power debt.

He expressed appreciation to the Finance staff and Department Head team, and noted that Judge Bolstad will be given the opportunity to visit with the Commission at a future work session.

Mayor Kelly concluded that the Commission members could look forward to meeting with staff in person, if needed, and can utilize the Balancing Act tool on the City’s website.

**DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS**

Due to a lack of time, upcoming potential work session topics was not discussed.

**ADJOURN**

There being no further discussion, Mayor Kelly adjourned the informal work session of June 21, 2022 at 6:52 p.m.