

**From:** [Krista Artis](#)  
**To:** ["duffje@msn.com"](mailto:duffje@msn.com)  
**Cc:** [Greg Doyon](#)  
**Subject:** FW: City Budget  
**Date:** Tuesday, July 18, 2023 12:21:26 PM

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Mr. Duffy:

Mayor Kelly is on vacation and asked me to respond to your question.

Before I do, please allow me to offer some additional background. First, as city manager, I work (with staff) to develop a proposed budget to transmit to the City Commission. After transmittal, the Commission reviews the budget, makes changes, then after a public hearing, adopts it.

Budget priorities change from commission to commission, meaning: when the City has an election, sometimes there is a majority shift on the Commission which results in different priorities.

In general, my strategy (subject to commission approval) would most likely include:

- limit/cap/reduction of proposed expenditures
- limit General Fund support to departments/outside organizations
- adjust revenues (if possible) for services in General Fund departments
- meet General Fund Undesignated policy amount
- defer infrastructure or large scale projects

If all that fails:

- hiring freeze
- budget reduction
- inflationary factor, permissive medical levy would be fully utilized

There are more severe measures of course, including workforce reduction (layoffs), service reduction, and program termination. Of course, all this is subject to City Commission approval after public comment.

I'll comment on each of your points below:

1. Continue to draw down the fund balance, or

One city manager budget goal is to maintain a proper General Fund undesignated fund balance for cash flow and emergencies. The current policy is 23% of General Fund operations. I would hesitate to use more than policy.

2. Freeze spending (or increase spending at less than half of inflation rate) until tax revenue increases to erase the deficit, or

"Spending freezes" are a bit of a misnomer because the City's cost for utilities, insurance, supplies and labor costs (union contracts) do not go down annually. So what typically happens instead is that the department's budgets are reduced to offset other increases, essentially keeping the prior year's bottom line or to maintain a somewhat static budget.

3. Delay non-critical infrastructure projects for a few years and shift that money to cover other general fund expenditures, or

The City regularly delays infrastructure projects to maintain operations. The outcomes (like the Natatorium, Civic Center façade, Fire Station #4,) are clear examples of deferred maintenance turned critical. These projects are all General Fund departments, unlike the utility funds for water, sewer, storm water, streets which are not funded by tax dollars, but by assessments and user fees.

4. Ask for a millage increase to cover non-public safety budget needs, or  
Public Safety expenses are in the City's General Fund budget and are supported by property taxes. The amount the City can raise annually is limited by a statewide property tax cap (1/2 annual three year average rate of inflation).
5. If the public safety levy gets approved, shift some general fund money from public safety to other needs, or a combination.

That scenario is highly unlikely in my opinion, because the Commission's request to the voter is to add resources to police, fire, court, and legal that cannot be funded with current property taxes. By way of information, without the state of Montana Entitlement Share funds, the City would not raise enough in property taxes to pay for existing fire and police operations.

Please let me know if you have further questions.

-Gtd

Gregory T. Doyon  
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Office (406)455-8450  
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**From:** Jim Duffy <[duffje@msn.com](mailto:duffje@msn.com)>  
**Sent:** Friday, July 14, 2023 3:19 PM  
**To:** Bob Kelly <[bkelly@greatfallsmt.net](mailto:bkelly@greatfallsmt.net)>; Lisa C. Kunz <[lkunz@greatfallsmt.net](mailto:lkunz@greatfallsmt.net)>  
**Cc:** Greg Doyon <[gdoyon@greatfallsmt.net](mailto:gdoyon@greatfallsmt.net)>; Charles Anderson <[canderson@greatfallsmt.net](mailto:canderson@greatfallsmt.net)>; Krista Artis <[kartis@greatfallsmt.net](mailto:kartis@greatfallsmt.net)>; Melissa Kinzler <[mkinzler@greatfallsmt.net](mailto:mkinzler@greatfallsmt.net)>; Eric Hinebauch <[ehinebauch@greatfallsmt.net](mailto:ehinebauch@greatfallsmt.net)>; Joe McKenney <[jmckenney@greatfallsmt.net](mailto:jmckenney@greatfallsmt.net)>; Rick Tryon <[rtryon@greatfallsmt.net](mailto:rtryon@greatfallsmt.net)>; Susan Wolff <[swolff@greatfallsmt.net](mailto:swolff@greatfallsmt.net)>  
**Subject:** Re: City Budget

Thank you, Mayor Kelly. I am certainly happy that you are using most of the federal money for infrastructure projects. Great Falls certainly needed that money and more to just catch up with some of the decaying infrastructure. The heart of my question though is how do you intend to address the \$1 million budget shortfall when the one-

time money from the federal government is used up?

Are you going to:

1. Continue to draw down the fund balance, or
  2. Freeze spending (or increase spending at less than half of inflation rate) until tax revenue increases to erase the deficit, or
  3. Delay non-critical infrastructure projects for a few years and shift that money to cover other general fund expenditures, or
  4. Ask for a millage increase to cover non-public safety budget needs, or
  5. If the public safety levy gets approved, shift some general fund money from public safety to other needs, or
  6. Some combination of the above?

I am really hoping is that your intent is not to freeze or further reduce the already anemic city spending on Park and Rec, arts, and infrastructure.

Best regards,  
Jim Duffy

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**From:** Bob Kelly <[bkelly@greatfallsmt.net](mailto:bkelly@greatfallsmt.net)>  
**Sent:** Friday, July 14, 2023 10:08 AM  
**To:** Lisa C. Kunz <[lkunz@greatfallsmt.net](mailto:lkunz@greatfallsmt.net)>; [duffje@msn.com](mailto:duffje@msn.com) <[duffje@msn.com](mailto:duffje@msn.com)>  
**Cc:** Greg Doyon <[gdoyon@greatfallsmt.net](mailto:gdoyon@greatfallsmt.net)>; Charles Anderson <[canderson@greatfallsmt.net](mailto:canderson@greatfallsmt.net)>; Krista Artis <[kartis@greatfallsmt.net](mailto:kartis@greatfallsmt.net)>; Melissa Kinzler <[mkinzler@greatfallsmt.net](mailto:mkinzler@greatfallsmt.net)>; Eric Hinebauch <[ehinebauch@greatfallsmt.net](mailto:ehinebauch@greatfallsmt.net)>; Joe McKenney <[jmckenney@greatfallsmt.net](mailto:jmckenney@greatfallsmt.net)>; Rick Tryon <[rtryon@greatfallsmt.net](mailto:rtryon@greatfallsmt.net)>; Susan Wolff <[swolff@greatfallsmt.net](mailto:swolff@greatfallsmt.net)>  
**Subject:** Re: City Budget

Mr. Duffy,

Thank you for your note below. I certainly appreciate your understanding of our current budget issues but wanted to direct you to our website at [greatfallsmt.net](http://greatfallsmt.net) to see the infrastructure projects we have undertaken with a mix of ARPA and CARES Act money. We are not viewing the balance of CARES funds as a slush fund, but rather as a necessary temporary source of recovery dollars. We have spread most of the \$29MM in funds over variety of needed projects as well as assisting our community partners in dealing with the residual effects of the pandemic.

I would encourage you to come to our July 18th meeting and hear more about those expenditures. Most of the infrastructure projects ( HVAC, Fire Station Repair ,matching funds for Public Works projects etc ) will eventually save the taxpayers dollars because the work was inevitable and would have caused further stress down the line .

Finally, I hope you stay in touch with us throughout the year long budgeting process

we have in the City. We are in the final stages and would always appreciate more citizen input before we get to this point.

Best,  
Bob Kelly

On Jul 13, 2023, at 1:08 PM, Lisa C. Kunz <[lkunz@greatfallsmt.net](mailto:lkunz@greatfallsmt.net)> wrote:

See Mr. Duffy's comments for consideration of agenda item 21.

*Lisa Kunz*

City Clerk/Records Manager

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**From:** Lisa C. Kunz  
**Sent:** Thursday, July 13, 2023 1:08 PM  
**To:** 'Jim Duffy' <[duffje@msn.com](mailto:duffje@msn.com)>  
**Subject:** RE: City Budget

Good Afternoon Mr. Duffy – thank you for your comments. Your comments will be shared with the commission and appropriate staff for consideration during the public hearing on the budget resolution, agenda item 21.

Best regards,

*Lisa Kunz*

City Clerk/Records Manager  
Civic Center Room 204  
406.455.8451

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**From:** Jim Duffy <[duffje@msn.com](mailto:duffje@msn.com)>  
**Sent:** Thursday, July 13, 2023 11:57 AM  
**To:** commission <[commission@greatfallsmt.net](mailto:commission@greatfallsmt.net)>  
**Subject:** City Budget

Dear City Commissioners,

It appears as if you have you have backed yourself into a corner with the budget. Here is my understanding of the current status of the city budget. Please correct me if I am wrong.

- In the years 2021 and 2022, you decided not to take the allowable property tax increase for inflation. During these years you covered the budget deficit using city fund balance (rainy day fund)

- In 2022, you approved a tax abatement for the Calumet biorefinery, even after the refinery successfully protested its property value assessment. Moreover, Calumet has apparently applied to the Montana DOR for a permanent tax abatement.
- In part because you did not take allowable property tax increase in 2021 and 2022, the budget deficit in 2023 was over \$1 million, which was covered using CARES Act funding from the federal government.
- For the upcoming fiscal year, the budget is also short by an estimated \$1 million, and you are covering that deficit using CARES Act funding.

So from this information, I conclude that you have starved the city budget for revenue by not taking allowable property tax increases and approving a very large tax abatement. This has created a systemic budget deficit, which you have so far covered by dipping into the rainy-day fund and one time CARES act funding from the federal government. Instead of using CARES act money on infrastructure investments, you have used it as a band aid to cover a deficit of your own intentional creation.

So here are my questions: What do you plan to do when the CARES Act slush fund is no longer available? Are we going to see draconian cuts to Park and Rec, water and sewer infrastructure maintenance, etc.? Or are you relying on the Public Safety mill levy passing and then some internal budget shuffling to ensure the non-police/fire city services are maintained at current levels plus inflation?

I certainly hope that the city's barebones funding for Park and Rec and infrastructure maintenance doesn't end up suffering because of your decision to starve the city's property tax revenue. Please convince me that you have a plan.

Best regards,  
Jim Duffy  
City Resident

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