

Non Performing Fund Action Plan

<u>Fund</u>	<u>Target Fund Balance</u>	<u>2024 Projected Balance</u>	<u>Performance Issues</u>	<u>Plan Outline</u>	<u>Target Performance Date</u>
Golf Courses	There aren't any fund requirements set for this fund.		Previous management of the golf courses caused a significant debt that has been passed on to the new management company.	Under management of CourseCo the significant cash deficit in the golf courses fund has decreased dramatically. It is projected in the near future that the golf course fund will have a positive cash balance.	It is anticipated that the debt could be paid off in FY25. That target date may need to move with the need for funding of some capital projects at the courses.
<p>Finance Director Comments: A target fund balance should be set for this fund after the debt is paid off as well as a target for capital improvements. The City retained all liability of the courses when the management company took over. The last cash reimbursement from Course Co to the City was in September 2022. The ability and timing of Course Co to make these future reimbursements as well as any need for capital purchases will determine when the large deficit is paid off.</p>					
<p>City Manager Comments: CourseCo has done a tremendous job operating the golf courses. At some point, the debt to the General Fund will be repaid and the City will need to commit to investing in the equipment and facilities at the courses. In the case of the golf carts, the City may need to consider using a portion of profits to address replacement sooner than later.</p>					
Recreation	17%	0.12%	Recreation center is old, outdated and does not facilitate revenue generating programs/activities.	Facility will close when the Aim High Big Sky Recreation Center is opened. P&R will assign a dedicated program coordinator to maximize cost recovery.	Two years after opening the new recreation/aquatics facility.
<p>Finance Director Comments: The operating deficit in the Recreation Fund has had an average deficit of (\$140,000) since FY 2018. The current cash balance of this fund is a negative \$101,367. An additional deficit of \$366,153 would exist without CARES funding of \$366,153 transferred into this Fund in FY 2022 and FY 2023. Without further General Fund subsidy, appropriate fees will need charged for cost recovery.</p>					
<p>City Manager Comments: Facility is dated in need of significant repair. There is one lease who seeks to expand its daycare facility when the building is vacated. The lease amount is unlikely to meet long term capital needs of the building and was intended to provide base support for new rec/pool facility. Selling the building is an option.</p>					
Multi-Sports	17%	5.12%	Decrease in participation numbers.	Review all fees & develop a fee policy. Expand programming staff.	By FY25, will seek to have proper staff on board and expanded programs in place to generate sufficient operating revenue.
<p>Finance Director Comments: The Multi-Sports has been operating at a deficit for many years. It currently has a cash deficit of \$13,917.17. An additional deficit of \$99,500 would exist without CARES money transferred to this fund in FY 2022 and FY 2023. Without requiring further subsidy, appropriate fees will need charged for cost recovery.</p>					
<p>City Manager Comments: P&R has sought GF subsidy regularly to support operations. At one point, the complex was operated by an outside group, which failed to make budget goals and returned management to the City. The City needs to recover its costs by charging more to various users, or try to find another group to operate it, or close it down.</p>					

Civic Center Events	17%	10.20%	1) Hosted Events have not returned to pre-COVID levels. 2)Emergence/competition of smaller event hosting facilities.	1) Update and develop new business models for external entities that use the facilities. 2) Research the ability to co-promote entertainment venues 3) The loss of the Missouri Room will have a definite negative impact on operations and fund balance	FY2027. This will provide for a full assessment from the loss of the Missouri Room, (direct room rental revenue loss) and corollary loss for (multiple room bookings and reduced rates). This year is also selected as new contracts with external partners will need 2 years to run to see the financial impact of the changes.
<p>Finance Director Comments: The General Fund subsidy of \$265,913 to this fund was cut in FY 2023. In FY 2025, without this subsidy it is projected the Fund will have a negative cash balance.</p>					
<p>City Manager Comments: Staff was directed to create an entirely new business model for the FY25 budget. Loss of rental space in the Missouri Room will impact revenues, but will also cause Events to rethink its strategy. If events is unable to develop a workable operating plan, I will seek a Public/Private partnership or pursue an outside company to manage theater and convention center space.</p>					
Parking	17%	1.92%	1) Low fees and low collection rates for fines.2) No afterhours enforcement for parking garages 3) Need for a fix to the license recognition software to increase collections.	1) Add Signage to direct patrons to garages. 2) Install automated gate control in both garages to create after-hours parking. 3) Use TIF funds to infuse the revenue stream, or 4) City could negotiate cheaper service contracts with SP+ and Passport.	At this time, staff can only identify transfers from Planning or Building Funds to address significant shortages. PCD is currently evaluating the City's current parking practices and intends to consult the City Commission for further direction.
<p>Finance Director Comments: The major concern in the Parking Fund is deferred maintenance. Transfers from the Building Permits Fund would not be allowed under state statute. Transfers from the Planning Fund would not be feasible as this fund is not self supporting at this time. An option would be a transfer from the General Fund.</p>					
<p>City Manager Comments: The Commission seeks to review parking (which likely means enforcement and fees). Creating a Parking District, privatizing (if even possible) will not address capital needs in the parking garages. It fees like potential Natatorium or Civic Center facade trajectory. Several downtown businesses have advised General Fund transfer. Consider use of TIF funding for capital maintenance.</p>					

<p>Planning and Community Development</p>	<p>17%</p>	<p>-4.54%</p>	<p>Low fees in 1) Land Development, 2) Signs, and 3) Licenses.</p>	<p>Sign permit and license fees adjustments for better cost recovery. Fees were adjusted by the City Commission on 9/5/23. A vacant position in the Planning Division was modified for partial federal reimbursement.</p>	<p>By end of FY 2024, new fees will drop deficit budget deficit from \$376,932 to approximately \$156,000. There is no identified means to be completely self-sustaining without GF assistance.</p>
<p>Finance Director Comments: The rate increases implemented by Planning and Community Development will help with the performance of the fund. The General Fund subsidy into this fund was increased by \$105,000 starting in Fiscal Year 2023. This fund has received \$297,500 of CARES funds.</p>					
<p>City Manager Comments: Traditionally, P&CD Departments are not self funding without assistance from the General Fund. Increase in GF subsidies are a result of fund allocations, personnel changes, and failure to collect proper fees from the first development review engineer. If department operations were solely fee based, I believe elected officials would find it too costly for the average citizen to obtain a permit at a reasonable rate; even large development may be cost prohibitive.</p>					
<p>Health & Benefits</p>	<p>\$5,607,976 (6 months of premiums)</p>	<p>\$2,591,160</p>	<p>Changed from a self-funded plan in FY2022.</p>	<p>1) Third year of self-funded insurance and is still building the fund reserve requirement. 2) Increased employee premiums by 8%.</p>	<p>FY25. It will take all of FY24 to fully know how the funds are performing at the end of the year.</p>
<p>Finance Director Comments: This fund current cash balance of this fund is close to the 6 months of premiums, \$4,690,628. The reason the fund balance is negative is an implied rate subsidy that the City is required to book (that will never need to be paid.)</p>					
<p>City Manager Comments: Medical claim experience will vary from year to year, impacting rates, reinsurance, and fund balance. Human Resources uses an outside third party manager to help administer the program; specifically, to set rates, monitor trends, and oversee relationship with Blue Cross Blue Shield of Montana. The City previously used MMIA - Allegiance. Under MMIA the City was continually penalized for being outside the actuary's "corridor". The City opted to fund it's own program.</p>					
<p>Human Resources</p>	<p>8%</p>	<p>3.47%</p>	<p>Low balance associated with the HR remodel and costs.</p>	<p>Any additional funding required will be done by charging extra through internal service charges.</p>	<p>It will take all of FY24 to fully know how the funds are performing at the end of the year.</p>
<p>Finance Director Comments: The decrease in the fund balance was due to the HR Remodel costs that Human Resources covered. The current cash balance in this fund is \$180,374.</p>					
<p>City Manager Comments: Internal service charges will rebuild the fund to desired balance; which impacts department rates (and General Fund)</p>					