

**JOURNAL OF COMMISSION WORK SESSION**  
**February 20, 2024**

City Commission Work Session  
Civic Center, Gibson Room 212

Mayor Reeves presiding

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

**CITY COMMISSION MEMBERS PRESENT:** Cory Reeves, Susan Wolff, Joe McKenney, Rick Tryon and Shannon Wilson.

**STAFF PRESENT:** City Manager Greg Doyon and Deputy City Manager Chuck Anderson; City Attorney David Dennis; Public Works Director Chris Gaub, City Engineer Jesse Patton and Roadway Engineer Russ Brewer; Finance Director Melissa Kinzler, ARPA Project Manager Sylvia Tarman and Grant Administrator Tom Hazen; Planning and Community Development Director Brock Cherry; Park and Recreation Director Steve Herrig; Information Technology Director Todd Feist; Municipal Court Judge Steve Bolstad, Court Judge Mark Dunn and Court Supervisor Morgan Medvec; Library Director Susie McIntyre; Fire Chief Jeremy Jones; Police Chief Jeff Newton; and, Deputy City Clerk Darcy Dea.

**PUBLIC COMMENT**

**Max Davis**, Attorney, explained that he represents James Talcott Construction and is protesting the bid award to Wadsworth Builders for the Great Falls Police Department Evidence Building Expansion. Bids must be responsive and from a responsible bidder. The competing bid from Wadsworth Builders was not responsive because it did not comply in all material respects. Wadsworth Builders failed to include a 2.5 percent contingency item in its bid and City staff added it in for Wadsworth Builders, which made the Wadsworth bid approximately \$24,000 below the Talcott bid. The Wadsworth bid should not be considered because the Talcott bid complied in all material respects with what City staff asked. If the Commission accepts the erroneous Wadsworth bid, legal action may be taken against the City.

**Brad Talcott**, James Talcott Construction President, commented that he never wanted to be in this position and hopes this does not affect his relationship with the City. Communication seems to be a lost art because tonight was his first opportunity to speak with anyone from the City since the bid opening over four weeks ago for the Great Falls Police Department Evidence Building Expansion. If he was given the opportunity to talk this through with City staff, he believes the project could have been awarded two weeks ago.

**Ben Forsyth**, City resident, expressed concern about what marijuana is doing to the society. Mr. Forsyth discussed the zoning regulations, laws and harmful effects related to marijuana.

**1. UPDATE ON MONTANA STATE-LOCAL INFRASTRUCTURE PARTNERSHIP ACT (SLIPA)**

Finance Grant Administrator Tom Hazen reviewed and discussed the following PowerPoint:

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<h3>Montana State-Local Infrastructure Partnership Act ("SLIPA")</h3> <hr/> <p>FEBRUARY 20, 2024</p>	<h3>Background</h3> <ul style="list-style-type: none"><li>• SLIPA was enacted when the Montana Legislature passed House Bill 355 which appropriated \$20 million from the State General Fund to the Montana Department of Commerce to be distributed to cities and towns across the state.</li><li>• The funds are to be used by local governments to "fund the maintenance/repair of local government facilities on a partnership basis with local governments supplying a cash match."</li><li>• Funds were allocated to cities and towns based upon formulas which took the municipality's street/alley mileage and population into account.</li><li>• The City of Great Falls was allocated <b>\$755,461.00</b>.</li></ul>
<h3>Eligibility and Program Requirements</h3> <ul style="list-style-type: none"><li>• Only incorporated cities and towns are eligible to receive funding.</li><li>• Eligible Entities may use SLIPA funds to <b>maintain or repair existing infrastructure</b>, including:<ul style="list-style-type: none"><li>• Drinking Water and Wastewater Treatment Systems;</li><li>• Fire Suppression Systems (if independent of the drinking water system);</li><li>• Streets, Roads, and Street Lights;</li><li>• Airports; and</li><li>• Public Grounds and Buildings.</li></ul></li><li>• Priority is given to Drinking, Wastewater Treatment, and Fire Suppression systems. HOWEVER, a city may select other projects and provide rationale.</li><li>• Eligible Entities are required to contribute a cash match equal to 25% of the total project cost.<ul style="list-style-type: none"><li>• Local Cash Match is defined as revenue generated by the local government, including via its tax system. Cannot include in-kind services. CANNOT use other grant funds as match.</li></ul></li></ul>	<h3>Project Identification Process</h3> <ul style="list-style-type: none"><li>• <b>Applications shall be solicited and accepted by December 31st, 2023.</b></li><li>• City Department Heads were sent a memo on November 27<sup>th</sup>, 2023 summarizing the Act and requesting project proposals and supporting information be submitted by December 15<sup>th</sup>, 2023.</li><li>• 23 projects totaling approximately \$8.4 million were submitted from seven departments.</li><li>• <b>A public hearing on the applications shall be held;</b></li><li>• Pending this evening's discussion, a public hearing will be held on the March 5<sup>th</sup>, 2024 Regular Meeting.</li><li>• <b>A recommendation for funding must be prepared and "reasonable efforts" be made to transmit that list to the Montana Department of Commerce by March 30<sup>th</sup>, 2024.</b></li></ul>
<h3>Recommendation Criteria</h3> <p>Projects were reviewed with three primary factors in mind:</p> <ul style="list-style-type: none"><li>• <b>Was the project previously selected for funding?</b></li><li>• <b>What other funding opportunities are available for the project?</b></li><li>• <b>What is the proposed source of matching funds?</b></li></ul>	<h3>Recommended Proposals</h3> <p>Proposed List of Projects in Priority Order</p> <ol style="list-style-type: none"><li>1. <b>Great Falls Police Department Front Counter Remodel</b> - \$85,000 Total Project Cost, \$21,250.00 Required Match from the Police Special Revenue Fund;</li><li>2. <b>Civic Center Elevator</b> - \$120,000.00 Total Project Cost, \$40,000.00 Total Match Required from the City General Fund;</li><li>3. <b>Mansfield Theater Seating Replacement</b> - \$650,000.00 Total Project Cost, \$162,500.00 Match Required from City General Fund;</li><li>4. <b>Animal Shelter Canine Housing Improvements</b> - \$96,650.00 Total Project Cost, \$24,162.00 from H.U.G. (Help Us Grow Capital Campaign);</li></ol>
<h3>Recommended Proposals (Cont.)</h3> <ol style="list-style-type: none"><li>5. <b>Animal Shelter Main Exterior Door Repairs</b> - \$11,000.00 Total Project Cost, \$2,750.00 Match Required from H.U.G. (Help Us Grow Capital Campaign);</li><li>6. <b>Animal Shelter Kitchen Repairs</b> - \$7,000.00 Total Project Cost, \$1,750.00 Match Required from H.U.G. (Help Us Grow Capital Campaign);</li><li>7. <b>Parks and Recreation Visitor Center Parking Lot</b> - \$40,000.00 Total Project Cost, \$10,000.00 Match Required from Park Special Revenue Fund (Total SLIPA remaining to allocate to project - \$28,223.50 the balance will be taken from the Park Special Revenue Fund).</li></ol>	<h3>Next Steps</h3> <ul style="list-style-type: none"><li>• Pending Commission Approval – Place Public Hearing on March 5<sup>th</sup>, 2024 Commission Regular Meeting Agenda and Post Notice;</li><li>• Pending Public Hearing – Submit required paperwork to the Montana Department of Commerce by March 30<sup>th</sup>, 2024.</li></ul>

Commissioner Wolff received clarification that lead service line replacement would not qualify for SLIPA because SLIPA funds need to be used for public infrastructure, not private property. The Civic Center

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elevator would be upgraded, not replaced. The City received \$250,000 for the Mansfield Theater ceiling renovation and Staff is pursuing different avenues for a match. The full renovation of the seating and theater area would be mostly paid for with State funds.

Referring to the “Recommended Proposals” slide, Commissioner Tryon received clarification that the numbers are the total project cost and match, and the amount to be applied to it from SLIPA would be the total project cost minus the match.

Referring to a February 8, 2024 Internal Memo, Commissioner McKenney received clarification that the Montana Department of Commerce considers a City’s match comprised of local cash to be funds that a City would not have to draw down.


Referring to the “Recommended Proposals (Cont.)” slide, Mayor Reeves received clarification that the Parks and Recreation Visitor Center Parking Lot is located on Flag Hill.

Commissioner Wilson received clarification that alternative projects would be projects that have already been submitted.

**2. GREAT FALLS STORM DRAIN UTILITY – RATE STUDY REVIEW – FCS GROUP**

Public Works Roadway Engineer Russ Brewer introduced Great West Engineering Civil Engineer Josh Sommer and FCS Group President John Ghilarducci.

Mr. Ghilarducci reviewed and discussed the following PowerPoint:

 <p>The slide features a photograph of a large, multi-tiered waterfall cascading over dark, layered rock formations. The water is white and frothy as it falls. In the upper left corner, the text "Great Falls Storm Drain Utility" is in a large, bold, sans-serif font, with "Rate Study Overview" below it in a smaller font. To the right of the text is a large, stylized graphic of three overlapping arrows pointing to the right, in shades of blue and orange. At the bottom left is the FCS GROUP logo with the tagline "Solutions-Oriented Consulting". At the bottom right, the date "February 2024" is displayed.</p>	<p> <b>Agenda</b></p> <ul style="list-style-type: none"><li>• Background</li><li>• Rate Study Purpose and Process</li><li>• Storm Drain Master Plan and Rate Study</li><li>• Rate Restructure Evaluation</li><li>• Next Steps</li></ul> <p><small>FCS GROUP</small> <span style="float: right;"><small>Slide 2</small></span></p>
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### Background: Storm Drain Utility

- The City's Stormwater Management Program is responsible for managing storm water runoff, snow melt runoff, and surface runoff and drainage.
- Utility services and programs include:
  - » Operation and maintenance of stormwater catch basins, grates, inlets, and pipes
  - » Construction site stormwater management
  - » Illicit discharge inspection and reporting
  - » Community education and engagement
  - » Pollution prevention
- Storm drain utility is an enterprise fund similar to other City utilities
  - » Not funded by taxes
  - » Services supported by rates assessed to residential and non-residential customers

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Slide 3

### Background: Storm Drain Rates

- First rate study for City's storm drain utility; rate study performed for water and sewer utilities in 2018.
- Storm Drain customer bill includes two components: fixed monthly rate and variable rate based on parcel size and land use category.
  - » FY 2023 Average Single-Family Residential Monthly Bill: \$7.26
- City historically adjusts storm drain rates on an annual basis.
  - » Rates held steady FY2020 through FY2022 in response to COVID-19.
  - » Five-year rate adjustment history:

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
5%	0%	0%	0%	10%

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Slide 4

### Rate Study Objectives

- 1. Maintain the long-term health and integrity of utility system
- 2. Quantify policies, priorities, and initiatives
- 3. Tell the "true" cost of providing service
- 4. Track cost information
- 5. Evaluate cost equity based on customer class demand
- 6. Communicate financial decisions and their impact
- 7. Management tool

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Slide 5

### Rate Study Methodology

Industry standard for utility rate setting includes three key steps:

- 1 Revenue Requirement:** Total amount of money the City must collect to pay expenditures to provide services while also meeting its financial requirements (e.g., debt service, financial reserves)
- 2 Cost of Service:** The equitable allocation of the revenue requirement to the City's customer classes (e.g., single-family residential, commercial) in proportion to the demands they place on the system.
- 3 Rate Design:** A rate structure (fixed and variable charges) assessed to customers that will generate sufficient revenue, be reasonably commensurate with the cost to provide service, and support non-financial objectives.

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Slide 6

### Revenue Requirement Analysis

- Determine the amount of annual revenue necessary to fund all utility financial obligations on a standalone basis
  - » Operating expenses
  - » Debt service (principal & interest)
  - » Capital costs and funding approach
- Meet financial parameters and targets
  - » Target debt service coverage ratios
  - » Maintain target reserve balances
- Evaluate revenue sufficiency over a multi-year period
- Develop rate plan to balance financial needs and minimize customer impacts

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Slide 7

### Financial Policies for Consideration

	Purpose	Target
Operating Fund Balance	Accommodate difference in revenue and expense cycles	30 to 60 days of O&M expenses FY 2024 Target: \$100,000 to \$200,000
Capital Fund Balance	To provide funding for emergency repairs, unanticipated capital, and project cost overruns.	As a practice, City budgets for \$100,000 to \$200,000 per year in unscheduled development projects in capital program
System Reinvestment Funding	Promote ongoing system integrity through reinvestment in the system.	To be discussed

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### System Reinvestment Funding (SRF)

- Utilities must build, maintain, and replace infrastructure
- Long lived assets require long-term management
  - Operational management: condition assessments & maintenance
  - Financial management: saving money for repair and replacement



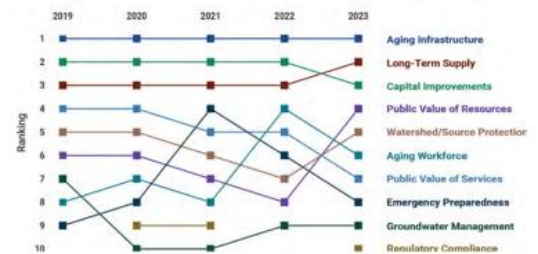
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Slide 9

### System Reinvestment Funding

- According to the American Water Works Association (AWWA), repairing and replacing aging infrastructure is and has been the top issue facing water resource utilities

Top 10 recurring issues in the past five years by ranking

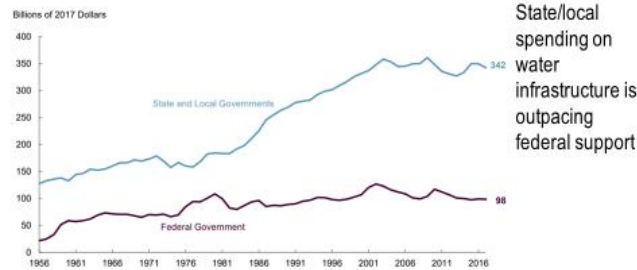


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### Local Government Infrastructure Spending

Public Spending on Transportation and Water Infrastructure, by Level of Government, 1956 to 2017



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Source: Congressional Budget Office (2022)

Slide 11

### Proactive System Reinvestment Funding Plan Needed

- Rate Funded System Reinvestment Funding – what is it?
  - An annual cash contribution from current rate revenue
  - Pays for same-year repair & replacement projects... or
  - Saved for future capital projects
- Policy Targets – how much do we need?
  - Original or replacement cost annual depreciation
  - Average annual repair & replacement projects
  - Asset management plan

Build 'System Reinvestment Funding' into annual revenue needs

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Slide 12

### Summary of Revenue Requirements

Adequacy of Existing Rate Revenue to Meet Revenue Requirements

	Storm Drain Utility
Operating and Maintenance Expenses	●
Existing Debt Service	●
Financial Reserves	●
Capital Reserves	To be determined
Capital Improvement Plan	To be determined
System Reinvestment Funding	○

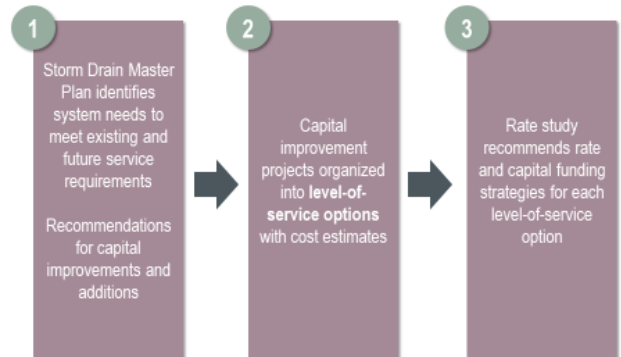
#### Legend

- = Meets current and future requirements
- = Meets current requirements; insufficient for future requirements
- = Does not meet current or future requirements

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### Storm Drain Master Plan and Rate Study



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Slide 14



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<h3>❖ Rate Restructure Evaluation</h3> <ul style="list-style-type: none"><li>• Rate study to evaluate potential options to improve cost equity between storm drain customers</li><li>• Rate study to estimate and allocate share of utility costs that are:</li></ul> <div style="display: flex; justify-content: space-around;"><div style="border: 1px solid black; padding: 5px; background-color: #2e7d32; color: white; text-align: center;"><b>Base</b> <small>Cost components that generally do <u>not</u> change as a function of volume/treatment requirements of run-off from customer property (e.g., outreach, education, administration)</small></div><div style="border: 1px solid black; padding: 5px; background-color: #c4a000; color: black; text-align: center;"><b>Use</b> <small>Cost components that are influenced by the volume/treatment requirements of run-off from customer property (e.g., facility maintenance, decant operations)</small></div></div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"><div style="text-align: center;">↓ <b>Potential cost basis for fixed charge</b></div><div style="text-align: center;">↓ <b>Potential cost basis for variable charge and/or on-site mitigation credits</b></div></div> <p style="font-size: small;">FCS GROUP <span style="float: right;">Slide 15</span></p>	<h3>❖ Rate Restructure Evaluation</h3> <ul style="list-style-type: none"><li>• Rate study will also explore impacts of assessing storm drain rates on the basis of impervious surface area in lieu of land use category.<ul style="list-style-type: none"><li>» Impervious surface refers to land that is covered by features that cannot absorb water (e.g., concrete, asphalt and building footprint).</li><li>» Impervious surface area is a widely accepted and appropriate measure of a property's contribution to run-off.</li></ul></li><li>• Impervious surface area data are being gathered as part of master plan</li><li>• Transition to impervious surface-based rates would take into consideration<ul style="list-style-type: none"><li>» Impacts to customer bills relative to existing rate structure</li><li>» City billing system capabilities</li><li>» City commission direction</li></ul></li></ul> <p style="font-size: small;">FCS GROUP <span style="float: right;">Slide 16</span></p>
<h3>❖ Wrap Up and Next Steps</h3> <ul style="list-style-type: none"><li>• Rate study to determine overall revenue needs to fully fund storm drain utility on a sustainable and independent basis</li><li>• Storm drain master plan to provide foundation for capital funding and rate scenarios for Commission consideration</li><li>• Rate study to evaluate potential impacts of restructuring rates</li><li>• Preliminary review of revenue requirements: Summer 2024</li></ul> <p style="font-size: small;">FCS GROUP <span style="float: right;">Slide 17</span></p>	<h2>Thank you!</h2> <h2>Questions?</h2> <p><a href="http://www.fcsgroup.com" style="color: white;">www.fcsgroup.com</a></p> <div style="text-align: right; font-size: small; margin-top: 20px;"> <b>FCS GROUP</b> Solution-Oriented Consulting</div>

Referring to the “Local Government Infrastructure Spending” slide, City Manager Greg Doyon explained that federal and state regulations have an impact on local stormwater utility services. He inquired about the impact that the regulatory environment had on FCS Group’s rate study.

Mr. Ghilarducci responded that the biggest impact was the Clean Water Act that resulted in Phase 1 National Pollutant Discharge Elimination System (NPDES) permit requirements for larger populations. Phase 2 impacted smaller populations and put the burden on a City to meet regulatory requirements.

City Manager Doyon commented that the impact is significant to developers who want to create subdivisions because they have to meet those standards.

Referring to the “Local Government Infrastructure Spending” slide, Commissioner Wolff received clarification that 2016 was the most current year; however, an updated chart would be provided to the Commission later.

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Commissioner McKenney inquired if the Great Falls Storm Drain Utility Rate Study coincides with the Growth Management Plan.

Public Works City Engineer Jesse Patton responded that they are separate items; however, they pertain to each other. The Storm Drain Masterplan would identify potential regional retention ponds, pump stations and pipe locations. The CIP requirements and conditions would be included in the Storm Drain Utility Rate Study, which coincides with the Growth Management Plan.

Commissioner Tryon received clarification that FCS Group is a sub consultant to Great West Engineering. Great West Engineering would help develop the Storm Drain Masterplan and FCS Group would perform the associated Rate Study.

Public Works City Engineer Patton added that City staff would collaborate with FCS Group and Great West Engineering to ensure that the Masterplan identifies the City's greatest needs. The City may need to determine at what level it wants to support or enable development in areas where the stormwater drains away from the City and potentially onto other property.

Commissioner Wolff commended the Public Works Department for their efforts with regard to thinking ahead and all of the work it has been doing.

Commissioner Wilson expressed appreciation to the Public Works Department for looking at impervious surface areas. She commented that the City needs to be proactive instead of reactive with regard to keeping up on its infrastructure.

**DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS**

Mayor Reeves provided and discussed a proposed Commission Vision and Mission Statement handout. He suggested that the Commission email City Manager Doyon with any edits it may have. He suggested having Fish Wildlife and Parks discuss an Urban Deer Management Plan to manage the deer population and deer-related traffic accidents within city limits.

Commissioner Wolff requested to know the number of deer-related traffic accidents if the plan was implemented.

Police Chief Jeff Newton responded that State Crash Report Forms specify the type of accident and he could provide that data if needed.

City Manager Greg Doyon reported that there would be an early start time for the March 5, 2024 work session and topics will include storm drain design manual-environmental MS-4, park and recreation fee and semi-annual litigation updates. An update from the Library Board will be a topic for the March 19, 2024 work session. He added that citizens could sign up to receive meeting and news notifications from the City's website.

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**ADJOURN**

There being no further discussion, Mayor Reeves adjourned the informal work session of February 20, 2024 at 6:37 p.m.