

JOURNAL OF COMMISSION WORK SESSION
June 4, 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, Joe McKenney, Rick Tryon, Shannon Wilson and Susan Wolff.

STAFF PRESENT: City Manager Greg Doyon and Deputy City Manager Chuck Anderson; City Attorney David Dennis and Deputy City Attorney Rachel Taylor; Finance Director Melissa Kinzler; Public Works Director Chris Gaub, City Engineer Jesse Patton and Civil Engineer Project Manager James Hewitt; Park and Recreation Director Steve Herrig; and, City Clerk Lisa Kunz.

PUBLIC COMMENT

Ben Forsyth, City resident, commented that he has been challenging the City Commission about what he perceives as the City breaking laws by allowing recreational marijuana in the City of Great Falls. He provided a 12/2022 Montana DPHHS handout on Cannabis (Marijuana) Use in Montana, and discussed the statistics referenced therein. He suggested the Commission reduce the types of marijuana sold currently in Great Falls to a level of potency that is not harmful.

Jolene Schalper, Great Falls Development Alliance (GFDA), commented that Great Falls has very limited tools and resources to use for infrastructure, unlike some of the other similar sized communities. A lot of communities can use sales tax for infrastructure. The three buckets that can be used for infrastructure to meet the growing demands of the community are city funds and taxes, tax increment financing, and special improvement districts. Without tax increment financing, Great Falls would not have the West Bank Landing that now includes hotels, restaurants, office buildings and a bank. Great Falls would not have the Agri-Tech Park without tax increment financing. The tax increment financing at the Agri-Tech Park is still critical because they are developing the infrastructure as the lots are sold. She urged the Commission to work together with GFDA to find solutions.


1. **FISCAL YEAR 2025 BUDGET INTRODUCTION – CONINTINUED FROM 5/21/24 WORK SESSION**


Finance Director Melissa Kinzler reviewed and discussed the following PowerPoint slides:

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**FISCAL YEAR 2025
 BUDGET INTRODUCTION**

June 4, 2024 Work Session
 (Continuation from May 21st Work Session)






Update on Tax Increment Districts

District	Lifespan of District	Base Taxable Value	Current Taxable Value	Annual Increment	Debt Issued
Central MT Agri-Tech Park / International Malting Plant	2005 - 2040	\$347,618	\$1,270,871	\$600,000	\$1,500,000 bonds issued
West Bank Urban Renewal	2007 - 2040	\$292,536	\$1,818,850	\$975,000	\$4,055,000 bonds issued
Great Falls International Airport	2008 - 2038	\$107,149	\$403,776	\$190,000	\$645,000 bonds issued
East Industrial Park	2013 - 2028	\$232	\$615,631	\$420,000	No bonds issued
Great Falls Downtown Urban Renewal	2012 - 2040	\$3,643,698	\$5,850,723	\$2,000,000	\$5,995,000 bonds issued

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Upcoming Budget Process



- **Week of June 3rd**
 - Departments present requested budgets to City Manager
- **Week of June 18th**
 - City Manager transmits Proposed Budget to Commission at Work Session
- **End of Week of June 26th, Additional Budget Work Sessions?**
- **July 2nd – Commission Action**
 - Commission sets public hearing for July 16th
- **July 16th – Commission Action**
 - Public Hearing and Adopt or Continue Budget
- **August 20th – Commission Action**
 - Adopt Annual Tax Levy

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Finance Director Melissa Kinzer explained that the Central MT Agri-Tech Park Tax Increment Financing (TIF) District was created in 2005, and a 20-year debt was issued that extended the District to 2040. This TIF District’s cash balance is \$2.4 million dollars. The debt outstanding on this TIF District is \$1.2 million dollars. The City has the ability to pay off the debt and dissolve the District. If this TIF District were dissolved, the City on average would get \$168,000 beginning in FY 26, which is approximately 28% of annual increment to the City. After the payoff of the District, there would be an additional \$241,000 that could be released to the City and the other taxing jurisdictions.

Director Kinzler reported this is a unique circumstance in that the DNRC loan could be paid off early. The next debt service payment is due June 30, 2024. She requested direction on whether or not to proceed with dissolving the District and paying off the debt early.

City Manager Greg Doyon added that TIF Districts could be used effectively and have been used effectively in the City of Great Falls. You have to take a long view when considering tax increment financing. Unfortunately, in a slow growth area, you have to look way out in terms of budgeting for when the City will recoup the increment back into the general fund. This topic was brought up because the Commission was clear during its retreat that staff needed to look for alternatives to address public safety needs. The reason this TIF District was brought up to return the increment back to the general fund is that the City has the ability to retire the debt. For consideration is the amount of activity that is occurring in that District, what growth has occurred in it, and what interest is being generated in it in order to continue to utilize it as a Tax Increment Financing District.

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In his effort to look at all options, this is one of them. If approved, the City would notify the 18 property owners within that TIF District that the City intends on retiring the TIF District to return the taxes that are available back to the general fund to support other functions. Tonight's presentation was to gauge the Commission's level of interest in pursuing dissolution of the TIF District.

Director Kinzler noted it was brought forward now because the debt service payment is due June 30, 2024. A debt service payment is due every six months, so this topic can be considered again later.

Mayor Reeves received clarification that if a TIF District is dissolved it can be recreated, but would lose the base year and it starts from scratch with the increment.

Commissioner Wolff received clarification that consideration of dissolution only pertains to the Central Montana Agri-Tech Park TIF District. She noted that Sustainable Oils is a newer business in this TIF District and has expanded.

Manager Doyon added that the water and sewer infrastructure needed to accommodate industry is already there.

Commissioner Tryon requested an analysis of current and projected activity, list of improvements and a staff recommendation for the Commission to consider the pros and cons before the next debt service payment due January 1, 2025.

He hears a lot "we are TIF'd out" in Great Falls. He asked Director Kinzler to explain what that means.

Director Kinzler responded that the City has five TIF Districts. A lot of the building activity people see is in a TIF District and they assume that activity is going to bring taxable value. If the activity is going on in a TIF District, or if it is by a non-profit, it does not create taxable value.

Manager Doyon commented that when the City does get new growth in those districts, while it is beneficial to the district, it certainly has not helped the general fund. If the City did not have any TIF Districts and were able to capture the taxable value, the City's financial picture would look different. It is the long game when a TIF District is created and, when it is in a slow growing community, it is impactful. People will enjoy the benefits in terms of the new businesses, but will not enjoy the benefits of a broader tax base because that tax value is being retained within the those districts. There are not a lot of economic tools and this is the one that gets used the most in Montana to attract businesses to make it more affordable for them to locate in the community.

Commissioner McKenney inquired why the presentation was not about dissolving the East Industrial Park TIF District that does not have any bonds issued and expires in four years.

Director Kinzler explained that there is a Development Agreement with Agri-Tech Park. The approximately \$2 million dollar debt is being paid down on the infrastructure that was installed.

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City Manager Doyon added that it has been discussed internally with staff and with Great Falls Development Alliance (GFDA). He anticipates that GFDA will be back with some type of request in the future. Staff will have to look at the Development Agreement to see where GFDA has and has not met the requirements in that agreement.

Commissioner McKenney commented that he is not prepared to make a decision on the Central Montana Agri-Tech Park TIF District. The businesses in that TIF District have business plans. Before any major decision is made about retiring a TIF District, he suggested first having a discussion with those business owners.

Commissioner Wilson also suggested looking at it a little longer and more in depth to what the future holds for that area and what it can bring in.

Commissioner Wolff inquired if business owners' taxes go up when a TIF District is retired.

Director Kinzler clarified that businesses pay the same amount of taxes when they are in a TIF District, but their increment share goes in the TIF District and the remainder goes to the other taxing jurisdictions. Retiring the District would only effect those businesses if they wanted to apply for TIF funds for public infrastructure improvements allowed within state statute.

Mayor Reeves noted that he understands the City's position in wanting to retire the TIF District and get the debt paid off, but he also does not want to strip GFDA of any possible tools to let the community know Great Falls is open for business and we want businesses to move here. He would like more insight from GFDA on what is in the works so that he can make a more informed decision.

To put things in perspective, Manager Doyon concluded that the budget is being prepared and staff was just floating an idea. The pressing issue is public safety. The Commission asked him to explore all options as what was done with this TIF District. He will provide the Commission with more research.

Director Kinzler explained the budget adoption process. The Commission can determine if extra meetings need to be scheduled after the proposed budget is transmitted to them.

2. LAND SWAP PROPOSAL

Charlie Mesler, City resident, commented that he first met with Public Works on September 27, 2023 about his land swap proposal. The Refinery wants to obtain more property for development and growth. He has a lot of land in the community. He provided a packet that contains the [Public Works and Park and Recreation] parcels proposed in the swap and his summary of why the swap benefits both parties.

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Commissioner Wilson noted that she did not see assessed values of the parcels.

Mr. Mesler responded that the first step is approval by the Commission before moving forward with appraisals.

Commissioner McKenney commented it would be expensive for the City to move equipment and employees. He inquired if there were funds involved for that in the land swap or if Mr. Mesler was just proposing a straight across land swap.

Mr. Mesler responded there would be no funds for the City. He would pay for the appraisals. Options are open for discussion.

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Commissioner Wilson commented that Mr. Mesler mentioned Calumet wants to expand, but they are not here as part of the conversation.

Commissioner Tryon asked if it was Mr. Mesler's intention to sell the property to Calumet if a swap was approved and was responded to in the affirmative. Commissioner Tryon reported that Mr. Mesler would be getting a lot more value than the City according to Cadastral values. To him, that is not a fair trade. The Directors of Public Works and Park and Recreation have both said they are not in favor of the proposed swap for various reasons.

It was the consensus of the Commission not to move forward with Mr. Mesler's proposed land swap.

3. LEAD SERVICE LINE INVENTORY AND UPDATE

Public Works Civil Engineer Project Manager James Hewitt reviewed and discussed the following PowerPoint slides:



CITY OF GREAT FALLS UPDATE ON LEAD SERVICE LINE INVENTORY


June 4, 2024

Presented by:
James Hewitt
Public Works Project Manager

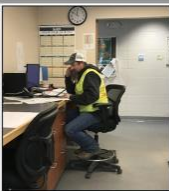
AVAILABLE TECHNICAL ASSISTANCE

Montana Department of Commerce

- 100 hours of engineering services
 - FREE, no cost, no match
 - AE2S assigned to City
- Inventory preparation for DEQ
- Public inventory for lead, and galvanized requiring replacement service lines
- Strategy to Identify Unknowns
- Start developing LSL replacement plan



CITY PROGRESS UPDATE

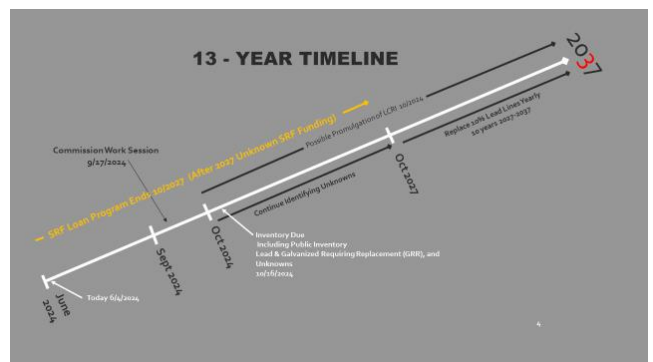


Current Status

- Inspectors completed calling non-responders
- Preparing for MT DEQ Oct 16, 2024 deadline

Approximate Totals as of April 2024		
• Non-Lead	15689	(71.6%)
• Lead	149	(0.7%)
• Galvanized	591	(2.7%)
• Unknown	5486	(25.0%)
• Total	21,915	

Cost to Date: \$387,159.00



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DECISION TIME

Current estimate of lead /GRR lines = 926 Total

- Identified Lead = 149
- Identified GRR = 740-591
- 0.7% of remaining unknowns possibly lead = 38
- 2.7% of remaining unknowns possibly GRR = 148

Funding Source for Replacement?


- **SRF Funding with forgiveness**
 - Forgiveness amount changes each year (2024= 60%)
 - Remaining loan amount paid by all ratepayers
 - Approximately 3 years left for program
 - Unsure of future funding availability/level
- **Rate increase next year***
 - 10% replacement a year = 92 @ \$10,000 = \$920,000
 - \$920,000 / 22,000 customers = \$41.82 a year / \$3.48 per month
 - Total = \$9.2 mil for 10 years

* Estimate only

Lead Service Line Inventory

Quick Recap

- The City must create and maintain an inventory of all service lines
- Service lines must be classified as lead, galvanized requiring replacement, non-lead (or the actual material), or lead status unknown (or unknown)
- Submitted to MT DEQ by October 15th, 2024



NEXT WORK SESSION (September 17, 2024)

- Request Commission support on process to identify remaining unknowns and complete inventory
- Update on inventory
- Update on replacement plan

The 5486 unknowns have to be identified because the EPA considers those lead. Lead and copper rule improvements are expected to be issued the end of this year. There will be a three-year period to enact those new rules. In 2027, EPA will require the replacement of all lead lines in the water system in a 10-year period.

The City is not currently participating in the SRF loan program. This year, that program provides for a 60% forgiveness of that loan. Forty percent of that liability would have to be paid back by all of the ratepayers. Those funds would be used to replace lead service lines. It is a good way to offer some funding to residents that cannot necessarily take care of it on their own.

The EPA is requiring the removal of lead from the water system within a certain time limit. In Great Falls, water service lines are owned by the property owners from the water main to the meter inside the home. That being said, the requirement is not upon the homeowners. It is upon the City to have those lines removed. City staff is looking at different strategies, including homeowner replacement, CDBG funds to offset costs for LMI, and apply for the SRF loan. The SRF loan forgiveness amount changes every year. It also depends on how many people participate and much money is left in the fund. The caveat would be that the remainder would pass on to all ratepayers. There is only three years left in the program. Nothing has been said about future funding of that program.

Mayor Reeves inquired if there were any drawbacks of accepting the SRF funding.

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Project Manager Hewitt responded that a drawback is passing that remainder on to the ratepayers. If that were something the Commission is interested in, staff would have to move quickly to be able to take advantage of that program.

Commissioner McKenney inquired if all homes in Great Falls were surveyed, or only homes built during a certain time period.

Project Manager Hewitt responded pre-1970 was surveyed and pre-1980 for repairs.

Commissioner McKenney asked what problem is DEQ trying to solve in Great Falls. Is there a lead poisoning issue?

Project Manager Hewitt responded Great Falls does not have a lead poisoning issue. It is safe. The Flint, Michigan water crisis started this movement. It is not just Great Falls. It is nationwide.

Commissioner Wolff inquired if the Commission needed to make a decision tonight about moving forward with the SRF loan.

City Engineer Jesse Patton responded that staff wants to know what the Commission needs from staff to make a decision whether or not to utilize the SRF loan and ratepayer funds, and how to get control of identifying the 5486 unknowns.

Commissioner Wilson received clarification that the 100 hours of free engineering services from the Department of Commerce will help prepare the City's inventory that will get turned into DEQ, will help prepare the City for its outward facing electronic inventory showing which properties have lead, and will help with a replacement plan by the October deadline.

Commissioner Tryon inquired what the solution is to get people to respond to the survey to reduce the number of unknowns. The more this is looked into, the more of a nightmare it is because of an unfunded mandate from the DEQ.

Project Manager Hewitt responded that staff is in the process of looking at different ways to engage with those households, such as door hangers with a time limit to respond, and then elevate from that position.

Commissioner Wolff inquired if the City got involved with the SRF loan program, would it entice more people to respond if they knew they would have a discounted replacement cost.

City Engineer Patton clarified that it would be free to the homeowner. The SRF loan has to be paid back with ratepayer dollars.

City Manager Doyon added that he wished the EPA had made it a mandatory disclosure during a house sale that the house contains a lead line that potentially could cause a health risk that could be negotiated between the two parties during the sale. Instead, all ratepayers are going to have to pay for it. It

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involves utilizing the water fund to offset costs of participating in a program, and we do not know the full scope of the issue because of the compliance piece.

He concluded that staff would provide the options again to mull over. The longer that we wait for the new rules to be promulgated, which is anticipated to be December but no guarantees, we are missing out on the only opportunity to lessen the financial impact to the ratepayer.

4. UPDADE ON SCHEELS AIM HIGH BIG SKY FACILITY

Park and Recreation Director Steve Herrig reviewed and discussed the following PowerPoint:



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Park and Recreation Director Steve Herrig reported that the City started this process in 2020 with groundbreaking for this facility in March 2022. A ribbon cutting ceremony is tentatively scheduled for June 28, 2024, with a grand opening to the public set for June 29.

DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS

City Manager Greg Doyon reported that a growth policy update and 2025 proposed budget discussion would be topics for the June 18, 2024 work session.

ADJOURN

There being no further discussion, Mayor Reeves adjourned the informal work session of June 4, 2024 at 6:54 p.m.