

JOURNAL OF COMMISSION SPECIAL WORK SESSION
June 26, 2025 – City Commission Special Work Session
Civic Center, Gibson Room 212 -- Mayor Reeves Presiding

CALL TO ORDER: 3:00 PM

ROLL CALL/STAFF INTRODUCTIONS:

City Commission members present: Cory Reeves, Joe McKenney, Rick Tryon, Shannon Wilson, and Susan Wolff.

Also present were City Manager Greg Doyon, City Attorney David Dennis, Finance Director Melissa Kinzler and Deputy Finance Director Kirsten Wavra, Police Chief Jeff Newton, and Deputy City Clerk Darcy Dea.

PUBLIC COMMENT

Written correspondence was received from **Shyla Patera**, North Central Independent Living Services (NCILS) (via June 26, 2025 email), commented that the City has made strides improving disability accessibility; however, projects and initiatives are often delayed by funds and policy considerations. NCILS advocates that all north central communities in Montana develop Americans with Disabilities Act (ADA) transition plans which address the needs regarding physical and housing accessibility and affordability shortages in universal and sidewalk design.

WORK SESSION ITEMS

1. 2026 PROPOSED BUDGET DISCUSSION

City Manager Greg Doyon reported that the budget is the Commission's greatest policy statement. It is where politics meet policy in terms of who gets what, where, when, and how. The City budget is always under review, scrutiny and development. When there is growth in Tax Increment Financing (TIF) districts, the new tax revenue stays in those districts for public infrastructure and is not added back into the general property tax base. The legislative interference of local control is profound, has an impact and limits the ability of the commission or any elected body to govern its own budget. There is never enough money to cover the needs through the budget proposals. The community has seen the impact of not maintaining its facilities.

City departments are passionate about serving the residents in the community and it can be tough meeting the public's expectations with regard to the budget process. After two budget cycles since the Public Safety Levy failed in 2023, it remains to be seen whether residents feel that there is adequate police and fire coverage. When the City is presented with resource challenges,

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resources from another area may need to be shifted, which has an impact on how departments do their job when they are already thinly staffed. The budget is the best projection of estimated revenues and expenditures; however, it will change over the FY cycle. The legislature will also have a significant impact on the City's budget and next year's budget is going to be more difficult than this year's budget. The City needs to keep a strong undesignated fund balance because it will need to be used to balance the budget over the next couple of years. The City retained a lobbyist over this past session to have representation in Helena during the session. SB 542 and HB 231 will directly impact the property tax structure for taxpayers and create uncertainty for the City in terms of its revenues for next year.

Another external driver is tax appeals and protests. There is a current protest that is under review with a large industry in the community. It is likely that had that been resolved, the City would not have had to use the amount of fund balance that it is using. When the City projects its revenues, it does not build anticipated revenues from those protests in the budget because it does not know what it is going to get. Maintaining a solid fund balance for next year through this proposed budget potentially to use over the next two years is going to be important unless something miraculously changes. The City acknowledges the public's sentiment against property taxes, fees and assessments. The public wants less government but not less services. City leadership and elected officials constantly hear that they are not doing enough to grow Great Falls, and the Commission decided this year to increase utility rates to create more development capacity. Citizens are frustrated with the utility rate increase, code enforcement process, street maintenance and parking.

The General Fund is where all property taxes go and 80% of the proposed budget goes to public safety, 9% to administration, 8% to Park and Recreation and 3% transfers out. The City has been trying to create capacity in the General Fund for public safety and has not worked because those requests for subsidies have increased in other areas of the budget. The option would be to eliminate certain services to facilitate growth in the tax base. The taxable value in Great Falls remains relatively flat and if there is growth, it's typically in TIF districts where those tax revenues stay for public infrastructure.

City Manager Doyon reviewed and discussed General Fund Expenditures by Department and General Fund Budget History documents on pages 34 and 35 of the agenda packet.

City Manager Doyon explained that in November 2024 he emailed the Commission about the FY26 Budget inquiring about the following:

- Is the service, program or fund considered essential to the community's core needs and values, or does it simply enhance quality of life.
- Is it the City's responsibility to provide this service, or could it be effectively delivered by another entity.
- To what extent should this service generate its own funding to sustain operations with fees or services charges.
- Can the service feasibly operate without heavy reliance on General Fund appropriations.
- What criteria should the Commission use to determine the percentage of General Fund support allocated to this service.

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- Is the Commission open to revising, restructuring or discontinuing the service if necessary.
- Which stakeholders, if any, should be engaged in the evaluation and decision-making regarding the service.

City staff created and presented a non-performing fund Action Plan to the Commission that included Golf, Recreation, Multi-Sports, Civic Center Events, Parking, Planning and Community Development, Health Insurance, Aquatics, and Natural Resources.

The Commission extended a contract with CourseCo and a debt retirement plan was adopted. The golf courses owed a lot of money to the General Fund and that debt service should be retired within two or three years. The General Fund will be reimbursed for what it gave to the golf operations.

An appraisal is underway for the old recreation center and the proceeds from when it can be sold will be used to help offset a deficit in the Recreation fund. Park and Recreation developed a Request for Proposals (RFP) to evaluate department structure and a cost recovery model particularly looking at the Scheels Aim High Big Sky (SAHBS) programming, as well as potentially privatization to determine whether the City can continue to operate that facility.

External users of the Multi Sports are going to need to pay more or find an alternate location. There could be a potential reduction of fields, some of which another entity might want to lease on their own so there is one space to maintain. There is discussion about potentially selling parkland that is undeveloped and won't be utilized over time.

The Civic Center events is a business model that is not sustainable and competing with newer venues. It does not have the ability to produce its own shows and is going to require a business model shift of how to coordinate the use of the facility. There is an RFP out to evaluate what that may look like.

There is no real immediate solution to the challenge with parking, although there have been several attempts to evaluate the City's options. There has been additional signage, summer garage incentive and the use of TIF is likely for some of the repair work to help sustain that program.

Changing to an 80/20 split for health insurance prevents an increase in the Permissive Medical Levy that was utilized to help offset the General Fund costs. It is likely that in the future the City will need to look at other things associated with health insurance. Employees are looking for higher wage jobs than the benefits.

With regard to the non-performing funds, the City will not be able to provide the services in a manner that it would like; however, it is not prepared to eliminate services at this point and will do the best that it can with what it has.

City leadership, staff and the Commission have acknowledged the interconnectivity between City services and the impact that eliminating services would have on the community, recruiting

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employees to businesses in the community, as well as law enforcement. The City can cut, defer and modify the budget, but each decision carries visible consequences to the community.

City Manager Doyon explained that Commissioner Tryon had asked staff to develop an illustration of what would happen if the City did not use its Permissive Medical Levy at all and there was no inflationary increase. Three scenarios included the following:

- The budget would be short, about \$4.8 million and to achieve \$4.8 million, Park and Recreation and Civic Center Events would be eliminated, and it would deplete Planning and Community Development.
- The budget would be short, about \$443,000. It would eliminate a substantial portion of the Parks Department, some trail work, likely close neighborhood pools and limits operations in other areas of Park and Recreation, and programming.
- There are currently five vacancies at the Great Falls Police Department for patrol and money could be recovered into the General Fund to make the budget balance to get the \$457,000 amount that is short.

Manager Doyon reiterated that these are just scenarios and not recommended as part of his budget.

Commissioner Tryon commented that he requested scenarios for the Commission and public to see that there is a price to pay if there is no inflationary increase on property taxes.

Commissioner Wilson mentioned that the inflationary increase is one half the rate of inflation for the last three years and is not keeping up anyway.

Commissioner McKenney commented that he looks at the inflationary increases as running it like a business.

City Manager Doyon further explained that to get to this proposed budget, departments, manager and commission priorities were considered, and departments were asked again to re-evaluate their budgets. Reductions were made on the above and beyond requests, traveling, training, supplies and equipment. Departments were directed to use fund balances to reduce internal service for next year that could be purchased this year that were needed and necessary. Legal, Fire, Police and Court did not fill position vacancies and service provisions were reduced. Park and Recreation significantly reduced their request for additional subsidies regarding aquatics and SAHBS.

Instead of eliminating an entire service or division in the proposed budget, Manager Doyon explained the following for this year's budget:

- There are concerns that next year's budget will be more challenging and the budget process will be started earlier.
- Reduction in public safety was avoided because it seemed counterintuitive with the recent violent crime activity and police demand to reduce services now only to request filling

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those services back in the event the commission and community decides to consider a levy request in the future.

- Some of the Park and Recreation items can be picked up by utilizing Park Maintenance District 1 funding.
- There are two RFP's for evaluating operations and fees for the Civic Center Events and Park and Recreation.
- Staff are hoping that some of the pending tax appeals will be resolved over the coming year.
- Contemplate using approximately \$647,000 in the designated fund balance.
- Collective Bargaining Agreements ratifications are pending and will have an impact on the budget for FY 2026 as well as next year's budget.
- Not recommending increasing the Permissive Medical Levy over last year's amount.

City Manager Doyon explained that the City is experiencing a slight development shift and public safety needs have not changed. Next year's budget is projected to be more difficult with the legislative changes, labor costs and tax protests and will necessitate managing them differently or eliminating services that cannot be supported any longer. A proposal about a Strategic Development Officer and coordinating a TIF Advisory Committee will be forthcoming.

Manager Doyon reviewed and discussed PowerPoint slides (available in the City Clerk's Office) regarding the Fiscal year 2026 Great Falls Budget. Highlights included:

- Commission Goals and Priorities.
- City Manager Goals and Priorities.
- FY2026 Budget Arena.

Finance Director Melissa Kinzler and Deputy Director Kirsten Wavra reviewed and discussed PowerPoint slides (available in the City Clerk's Office) regarding the Fiscal year 2026 Great Falls Budget. Highlights included:

- Legislative Impacts FY 2026 and Beyond.
- FY2026 General Fund Drivers.
- Other General Fund Highlights.
- General Fund Fund Balance.
- General Fund Revenue Increases.
- FY 2026 Detail General Fund Revenue.
- FY 2026 Detail General Fund Expenses.
- Public Safety Shortfall without Entitlement Share Revenue.
- Upcoming Budget Process.

With regard to the "Legislative Impacts FY2026 and Beyond" slide, Commissioner Tryon inquired about comparing the 4%, 75% and 40% formulas with last year and what that amount would look like compared to what the City was able to assess.

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Finance Director Kinzler responded that there is not a specific number for newly taxable property because of the industrial tax abatements and protests and growth in a TIF district or non-profit does not increase the City's tax value.

Manager Doyon added that comparing formulas with last year would be misleading because the taxation codes will be changing.

With regard to the "Legislative Impacts FY2026 and Beyond" slide, Commissioner McKenney received clarification that legislative impacts have a lot to do with why next year's budget will be difficult. He further received clarification that there are two options according to the Legislative Service Division about considering a one-time reset of voted library levies.

Commissioner Wolff explained that every municipality in Montana is experiencing the same thing that the City is.

Commissioner Wilson inquired if tax abatements are being used to entice new businesses and industries to come into the city.

Manager Doyon responded that it would not be responsible for him to speculate at this point.

With regard to the "FY2026 General Fund Drivers" slide, Commissioner McKenney inquired about the health insurance rate increase and if employees are getting a raise and paying more for health insurance.

Finance Director Kinzler responded that the City considers the market rate and there is a shift in the way the City pays and compensates its employees.

Manager Doyon added that City staff are hearing that employees would rather have the cash in hand rather than the benefits.

Commissioner McKenney inquired if the City is kicking the financial can down the road by not increasing the Permissive Medical Levy now because it will increase again in the future. With regard to the "FY 2026 Detail General Fund Expenses" slide, Commissioner McKenney further inquired if the 5.14% for personal services was from previous union agreements.

Finance Director Kinzler responded that the City is not kicking the financial can down the road or the Permissive Medical Levy if it takes the amount that was taken last year. Page 39 of the agenda packet shows all the history since 2022. Personal services is 5.14% because there was a slight decrease in health insurance costs and staff is projecting certain increases for the budgets that have not been settled yet.

Commissioner Tryon received clarification that there was an FTE reduction in the General Fund because the Fire Department consolidated two of its Deputy Chief positions into one Assistant Chief.

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With regard to the “Public Safety Shortfall without Entitlement Share Revenue” slide, Commissioner Tryon inquired if it is standard for most municipalities of this size to not be able to cover the police and fire department budgets with taxes alone.

Finance Director Kinzler responded that she was not sure but would find out and report back to the Commission.

It was the consensus of the Commission to adhere to the upcoming budget process as presented.

Finance Director Kinzler added that there could be additional budget work sessions if the Commission decides it needs more information about the budget.

ADJOURN

There being no further discussion, Mayor Reeves adjourned the informal special work session of June 26, 2025 at 4:51 p.m.