



Item: Public Hearing on Resolution 10019 – Budget Amendment Resolution

From: Gregory T. Doyon, City Manager

Initiated By: Statutory Budget Requirements

Presented By: Melissa Kinzler, Fiscal Services Director

Action Requested: Conduct the public hearing on Resolution 10019, a budget hearing to amend the Fiscal Year 2013 Budget

Public Hearing:

1. Mayor conducts public hearing, calling three times each for opponents and proponents.
2. Mayor closes public hearing and asks the will of the Commission.

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (adopt / deny) Resolution 10019.”

2. Mayor calls for a second, discussion, and calls for the vote.
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Staff Recommendation: Staff recommends the City Commission conduct the public hearing on Resolution 10019, consider any budget changes, and adopt Resolution 10019.

Background: The City of Great Falls, Electric City Power and Southern Montana G & T, through its attorneys have reached a tentative Settlement Agreement and Release that will totally, completely and permanently sever the City’s relationship with Southern Montana G&T.

The proposed settlement agreement includes a water credit owed in the amount of \$1,186,061.83 plus a mediated settlement amount of \$2,063,938.17 totaling \$3.25 million. The City Commission approved the Settlement Agreement and Release at a Special Meeting on May 1, 2013.

The settlement is due only after it is approved by the Federal Bankruptcy Court. The settlement will be paid in two payments. If an Order is entered on May 27th, then the first payment would

be due with 17 days or between June 11 and 13. The second payment is due on or before December 31, 2013.

The City Commission directed staff to review the funds and find possible funding sources for the Settlement Agreement and Release within the existing budget. The Commission did not want to pursue obligating the taxpayers to further debt through the issuance of bonds to pay the settlement.

The City Manager reviewed the current budget with the Fiscal Services Director to assess funds available for the first payment. The City has 54 separate funds. Many of those funds are obligated and cannot be used for settlement purposes. Eight (8) governmental funds have been identified on the attached spreadsheet. Recommended funds were selected considering the immediate and long term consequences of using the cash, the need for that cash, and the long term effects on each fund.

The City's auditors have reviewed the budget transfers with the Fiscal Services Director. The auditor recommended transferring the \$2.5 million settlement payment to the Electric (ECP) Fund from the identified funds as an appropriate accounting procedure. The transfer is shown on the attached resolution and is not in addition to the payment of the settlement.

This process will be the first of many steps required by the Commission to resolve the settlement payment, policy issues, and future financial challenges. Please find attached a copy of subsequent actions to be considered by the Commission in the coming months.

Concurrences: The Board of Directors of Electric City Power, Inc. approved the settlement at a special meeting on May 1, 2013.

Fiscal Impact: See attached sheet.

- Attachments/Exhibits:**
1. RESOLUTION NO. 10019 – BUDGET AMENDMENT RESOLUTION
 2. NOTICE OF BUDGET AMENDMENT HEARING
 3. Proposed Settlement Payment #1 to Southern
 4. Settlement Related Actions

RESOLUTION NO. 10019

BUDGET AMENDMENT RESOLUTION

A RESOLUTION RELATING TO BUDGET AMENDMENTS FOR THE FISCAL YEAR BEGINNING JULY 1, 2012 AND ENDING JUNE 30, 2013.

- A. Montana Code Annotated, 7-6-4031, requires that unless otherwise provided in state law, a public hearing is required for an overall increase in appropriation authority.
- B. the notice of hearing on budget amendment was published in accordance with MCA, 7-1-4127, as required by MCA, 7-6-4021; and,
- C. the hearing on budget amendments was held in accordance with MCA, 7-1-4131.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA:

Section 1. – Budget Amendments for Transfers

The budget amendments for the transfers in the Fiscal Year 2013 Annual Budget, totaling \$2,500,000, are adopted as follows:

- 1) \$905,000 Transfer from Central Garage Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.
- 2) \$200,000 Transfer from Information Tech Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.
- 3) \$325,000 Transfer from Fiscal Services Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.
- 4) \$250,000 Transfer from Engineering Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.
- 5) \$100,000 Transfer from Public Works Admin Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.
- 6) \$200,000 Transfer from Insurance & Safety Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.

- 7) \$100,000 Transfer from Hazard Removal Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.
- 8) \$420,000 Transfer from Economic Revolving Fund to Electric Fund for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.

Section 2. Budget Amendment for Payment

- 9) \$2,500,000 Payment from Electric Fund (ECP) for Settlement Agreement with Southern Montana Generation and Transmission Cooperative, Inc.

Section 3. – Funding Source

Funding Source:

- The funding for items 1 – 8 will be from previously unbudgeted revenues and reserves. The funding for item 9 will be from the transfers in from other funds.

Adopted by the Commission of the City of Great Falls, Montana, on this 4th day of June, 2013.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

Dave Nielsen, Interim City Attorney

NOTICE OF BUDGET AMENDMENT HEARING

NOTICE is hereby given that the City Commission of the City of Great Falls:

- intends to amend its annual budget;
- has placed the proposed budget amendment on file and the budget amendment is open to public inspection at the City Clerk's Office, Room 204, Civic Center Building; and,
- has set the public hearing for the amendment of the City of Great Falls 2013 Annual Operating Budget for 7 PM, Tuesday, June 4, 2013, at the City Commission Chambers, Civic Center Building.

All residents or city taxpayers desiring to be heard are invited to appear and provide written or oral comments concerning the budget amendment. For further information, please contact: City Clerk's Office, Room 204, Civic Center, 455-8451.

Lisa Kunz
City Clerk

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FOR OFFICE USE ONLY

Publication Dates: May 26, 2013
June 2, 2013

LEGAL AD

Proposed Settlement Payment #1 to Southern

Fund	Cash Fund Amounts as of 5/13/2013	Proposed Amount to be Used	Balance	Immediate Impact	Long Term Impact	Recovery Process
Central Garage	\$2,944,511	\$905,000	\$2,039,511	1) Defer equipment purchases for 1-2 years; permit only critical replacements (fire/police/public works). None	1) Equipment purchases delayed. 2) Increased equipment maintenance and operating costs. 1) Deferred equipment purchases/replacements. 2) Funds may not be available for emergencies. 3) Potentially higher ISC (Internal Service Charges) for emergencies.	1) Determine whether this is a loan or gift. 2) Adjust future Equipment Revolving Schedule allocations. 1) Long term it would increase ISC (Internal Service Charges).
Information Tech	\$471,404	\$200,000	\$271,404	None	1) Funds may not be available for emergencies. 2) Potentially higher ISC for emergencies.	1) Long term it would increase ISC (Internal Service Charges).
Fiscal Services	\$423,439	\$325,000	\$98,439	None	1) Funds may not be available for emergencies. 2) Potentially higher ISC for emergencies.	1) Long term it would increase ISC (Internal Service Charges).
Engineering	\$559,527	\$250,000	\$309,527	1) Unable to decrease ISC 2) unable to pay off loan amount for building.	1) Increase ISC.	1) Long term it would increase ISC (Internal Service Charges).
Public Work Admin	\$355,634	\$100,000	\$255,634	1) No offset for ISC.	1) Unable to use fund for capital projects.	1) Long term it would increase ISC (Internal Service Charges).
Insurance & Safety	\$356,947	\$200,000	\$156,947	None	1) If higher deductibles, may need to increase ISC to cover fund balance needs.	1) Long term it would increase ISC (Internal Service Charges).
Hazard Removal	\$101,200	\$100,000	\$1,200	1) In event of a condemned building/sidewalk there may be insufficient funds.	1) Insufficient funds to cover condemned building/sidewalk, which may be required to come from GF.	1) Funds need to come from GF to replenish.
Economic Revolving	\$421,393	\$420,000	\$1,393	1) No cash for maintenance of Flight Service Center and support of economic development activities.	1) No cash for maintenance of Flight Service Center and support of economic development activities.	1) PD Dispatch may be moved to FSC. 2) Fund terminated.
		\$2,500,000				

Settlement Related Actions

1. First installment of settlement (\$2.5 million)

- If an Order is entered on May 27th, then the payment would be due within 17 days or between June 11 and 13.
- Payment to come from existing funds contingent on Commission approval
- Payment includes Water credit owed to Southern of \$1.2 million

2. Second installment of settlement (\$750, 000)

- Due by December 30, 2013
- Payment to come from FY14 budget savings, increased revenues contingent on Commission approval

3. General Fund/ECP Debt Recovery

- Recommended action during audit review and to be approved by the Commission includes:
 - Advance to other Funds (First Interstate CD) loss write-off \$1,400,000
 - Southern Cash Deposit loss write-off \$866,567
 - Southern asset (patronage capital) loss write-off \$1,186,617
 - Water credit liability write-off \$1,186,062

4. General Fund Balance Stabilization

- Transfer cash payment from General Fund to ECP \$5.4 million
 - Lowers fund balance to less than one month's operating expenses projected at \$1,132,913 (5%)
 - Requires ongoing GF rebuilding to policy of 17% or approximately \$4,384,876
 - Eliminates classifying GF transfer as debt to be repaid over time

5. Debt Service related to initial Southern Feasibility (\$1.4 million)

- Ongoing non-voted general obligation debt to be budgeted annually.
- Annual installment \$145,671 with retirement in January 1, 2026.

6. Legal Matters

- Review of balances owed to ECP and possibly from other customers
- Review of ECP Ordinances and Resolutions and ready for repeal.