



Item: Set a Public Hearing on Resolution 10022 – Budget Amendment Resolution

From: Gregory T. Doyon, City Manager

Initiated By: Statutory Budget Requirements

Presented By: Melissa Kinzler, Fiscal Services Director

Action Requested: Set a public hearing on Resolution 10022, a budget hearing to amend the Fiscal Year 2013 Budget

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission set a public hearing on Resolution 10022 - an amendment to the Fiscal Year 2013 Budget for October 1, 2013.”

2. Mayor calls for a second, discussion, public comment, and calls the vote.

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

The settlement agreement included 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 will be paid in two payments. The first payment of \$2.5 million was paid June 14, 2013. The second payment of \$750,000 is due on or before December 31, 2013.

On June 14, 2013 Resolution No 10019 approved a Fiscal Year 2013 budget amendment for the first payment of the settlement. At that time it was noted that subsequent actions would be considered in the coming months. Resolution 10022 is to amend the Fiscal Year 2013 Budget to authorize two of these actions.

Action A: Authorize reclassification of advances to ECP from various City funds to operating transfers. The money from the advances was used for the \$1,400,000 security agreement. The various funds will never receive the money that was advanced to the Electric Fund. The

\$1,400,000 security deposit was drawn by PPL and released by First Interstate Bank. The loss was expensed in Fiscal Year 2012.

On July 17, 2007, the City Commission approved a security agreement in the amount of \$1,400,000 on behalf of Electric City Power for Southern Montana Electric G & T (Southern) purchases. Subsequently on August 6, 2007, the City assigned the \$1,400,000 cash to Southern to be used for PPL collateral requirements. On October 27, 2011 the City was notified of a draw against the \$1,400,000 security agreement with Southern for the full amount. On January 20, 2012 the City was notified that the full amount was applied to Southern's note obligation. The loss of the \$1,400,000 was reported in the Fiscal Year 2012 City of Great Falls Comprehensive Annual Financial Report (CAFR). According to the July 17, 2007 agenda report, "The funds for the security will be derived from the pooled cash of the various City operations receiving electricity from ECP." The actual transfer of money to cover the security deposit was performed September 4, 2007, and reported in the Fiscal Year 2007 Comprehensive Annual Financial Report.

On September 4, 2007, the funds listed below deposited a total of \$1,400,000.00 to ECP:

	<u>Deposited Amount</u>	<u>Unaudited Unreserved FY 2013 Fund Balance (after reclassification)</u>
General Fund	\$ 59,695.53	\$ 1,520,000.40
Street Fund	16,506.78	2,192,953.46
Library Fund	19,382.13	474,760.63
Natural Resources Fund	155.05	235,830.28
Lighting Districts Fund	577,514.15	1,455,784.34
Water Fund	300,477.18	5,028,291.26
Sewer Fund	278,801.54	4,817,858.63
Sanitation Fund	3,219.36	525,585.83
Golf Fund	39,915.03	(1,180,072.17)
911 Dispatch Fund	3,482.93	190,201.99
Parking Fund	20,580.84	402,228.94
Swim Pools Fund	21,054.12	341,397.98
Recreation Fund	10,770.16	246,257.67
Public Works Admin Fund	17,645.07	176,278.48
Civic Center Facility Services Fund	<u>30,800.13</u>	187,550.05
Total	<u>\$1,400,000.00</u>	

Currently these balances are classified as advances to other funds- ECP. Repayment will not occur. The advance balances need to be reduced and reclassified as operating transfers from the fifteen funds to ECP. Operating transfers will be an expense to the fifteen funds and revenue to ECP. With this reclassification, the cash will not change. The fund balances in each fund will be affected with the transaction but not the cash. The Fiscal Year 2013 Budget will need to be amended for the operating transfer expense and revenue.

Action B: Authorize the transfer of cash from the General Fund to ECP to reduce the cash deficit in ECP. As of June 30, 2013, ECP has a cash deficit of \$5,553,054.48. Since there will not be

any operating revenue to repay the deficit, the General Fund will need to make an operating transfer to ECP to cover the deficit.

Concurrences: The City's auditors reviewed the proposed classifications. Junkermier, Clark, Campanella, Stevens, PC (JCCS) will audit these transactions in depth during the Fiscal Year 2013 audit and a special emphasis audit on the transactions will occur.

Fiscal Impact: The fund balances of all the funds making an operating transfer to ECP will be affected. For Action A, no cash will be transferred. Action B will leave the General Fund with a cash balance of approximately \$765,073.13 as of June 30, 2013. This balance is after the cash deficit loan to the Golf Course Fund of \$1,101,665. The General Fund fund balance when excluding onetime non-operating transfers will be down to 5.9% of operating expenses, which is less than the City policy of 17%. Efforts were made during the FY 2014 budget process to increase the fund balance in the General Fund. The General Fund fund balance is projected to be at 9.5% of total operating expenditures at the end of Fiscal Year 2014. The effort to increase the fund balance will be an on-going process in future years.

Attachments/Exhibits:

1. NOTICE OF BUDGET AMENDMENT HEARING
2. RESOLUTION NO. 10022 – BUDGET AMENDMENT RESOLUTION
3. Settlement Related Actions Updated

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, October 1, 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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Publication Dates: September 22, 2013
 September 29, 2013

LEGAL AD

RESOLUTION NO. 10022

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 transferring the \$1,400,000 security deposit

The budget amendments for the transfers in the Fiscal Year 2013 Annual Budget, totaling \$1,400,000, are adopted as follow:

1. Transfer from:

General Fund	\$	59,695.53
Street Fund		16,506.78
Library Fund		19,382.13
Natural Resources Fund		155.05
Lighting Districts Fund		577,514.15
Water Fund		300,477.18
Sewer Fund		278,801.54
Sanitation Fund		3,219.36
Golf Fund		39,915.03
911 Dispatch Fund		3,482.93
Parking Fund		20,580.84
Swim Pools Fund		21,054.12
Recreation Fund		10,770.16
Public Works Admin Fund		17,645.07
Civic Center Facility Services Fund		<u>30,800.13</u>
Total	\$	1,400,000.00

Transfer to:

Electric Fund	\$	1,400,000.00
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Section 2. Budget Amendment for transferring Electric Fund cash deficit

2. Transfer from:		
	General Fund	\$5,553,054.48
Transfer to:		
	Electric Fund	\$5,553,054.48

Section 3. – Funding Source

Funding Source:

- The funding for item 1 will be from unbudgeted revenues and reserves.
- The funding for item 2 will be from the General Fund unreserved balance.

Adopted by the Commission of the City of Great Falls, Montana, on this 1st day of October, 2013.

Michael J. Winters, Mayor

ATTEST:

Lisa Kunz, City Clerk

(SEAL OF CITY)

APPROVED FOR LEGAL CONTENT:

Sara R. Sexe, City Attorney

Settlement Related Actions Updated

1. First installment of settlement (\$2.5 million) – **Paid June 14, 2013**
2. Second installment of settlement (\$750, 000)-**Pending**
 - 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- **Pending City Commission Approval October 1, 2013**
 - Southern Cash Deposit loss write-off \$866,567- **Pending City Commission Approval September 17,2013**
 - Southern asset (patronage capital) loss write-off \$1,186,617- **Pending City Commission Approval September 17,2013**
 - Water credit liability write-off \$1,186,062- **Approved May 1, 2013**
4. General Fund Balance Stabilization
 - Transfer cash payment from General Fund to ECP \$5.4 million: **Updated Total: \$5.5 million (additional legal expenses not covered by revenues increased deficit)-Pending City Commission approval October 1, 2013**
 - Lowers fund balance to less than one month's operating expenses projected at \$1,132,913 (5%): **Updated Fund Balance for FY 2013: \$1,520,000 (5.9%)**
 - Requires ongoing GF rebuilding to policy of 17% or approximately \$4,384,876: **Updated 17% of FY 2014 is \$4,356,157**

5. Debt Service related to initial Southern Feasibility (\$1.4 million)-**Reviewing options of refinancing debt**

- 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.-**Ongoing**
- Review of ECP Ordinances and Resolutions and ready for repeal.-**Ongoing**