

THE Mansfield

Center for the Performing Arts
ADVISORY BOARD

Friday, May 31, 2013
Ryan Room at the Great Falls Civic Center
Call to Order: 12:08 p.m.

ROLL CALL

Advisory Board Members Present: Larry Gomoll, Keern Haslem, Mary Sheehy Moe, Sue Ferrin
Advisory Board Members Absent: Carl Donovan, Joe Fontana, Kim Thiel Schaaf
City Staff Present: Greg Doyon, City Manager, and Dona Hughes, Events Supervisor

INTRODUCTIONS

Board welcomed guest speaker, Greg Doyon, City Manager

OLD BUSINESS:

Minutes

Larry Gomoll moved to approve the April minutes as submitted. Sue Ferrin seconded the motion and Board members present unanimously approved the April 2013 minutes as written.

NEW BUSINESS:

Electric City Power settlement and the effect on the City budget – Guest Speaker, Greg Doyon, City Manager

City Manager, Greg Doyon, began the discussion with stating that it is going to be a very tight fiscal year due to the settlement and the writing off of the debt incurred by Electric City Power (ECP).

Greg then shared the history of ECP and Southern Montana Electric (SME) to provide background on how we got to where we are today. At the time, Montana Power Company was dissolved and a new power supplier, Northwestern Energy, broke their contracts with Montana cities. The City joined SME in an effort to secure a long term, reliable, and cost effective source of electricity.

City/ECP created a customer block and set rates with them. However, Tim Gregoire, SME General Manager, contracted to purchase too much power from PPL. This created enormous bills for SME and power rates spiking way above the market rate. As a result, ECP was put in the position of selling power at a loss. City funds were used to offset the difference between rates guaranteed and cost of power. Adding to ECP's demise, the State legislature eliminated the City's ability to expand their customer base. The new Federal administration was no longer supportive of coal-fired power plants. Favorable financing options were eliminated and new environmental requirements were added to the cost of building the power plant.

While the City could question SME's past actions, the City found it best to negotiate and settle out of court. Cost of attorney fees alone were mounting and at one point the SME was asking for over \$60 million. The settlement of \$3.25 million is the light at the end of the tunnel. It would have easily cost that in further attorney fees. Mary Sheehy Moe expressed her support for the settlement.

Not only is the City to pay the \$3.25 million, it is also in the position of repaying \$6 million+ to the General Fund over an extended period of time – 8 to 10 years. Total estimated loss over the years is \$12 million. Sources for the money have been discussed and identified. The Commission was asked to look at a levy to offset the cost, but the Commission felt that it would not be supported by the public. While essentially tax

dollars are being put into the settlement, they are coming from existing funds. Funds identified for the first payment of \$2.5 million are:

- Economic Development Fund (a little over \$400,000) – funds were originally derived from sales of City owned property
- Equipment Revolving (ERS) Funds - IT fund used for new computers, servers, printers and other equipment purchases
- Fiscal Service Fund
- Public Works Administration Fund
- Engineering Fund (\$4.5 million)

The second payment of \$750,000 will be pulled from the 2014 budget. Budgets that are subsidized by the General Fund are being scrutinized and will receive cuts in the tax support.

The \$6+ million debt will be written off in the books. It will be necessary to replace those funds in order to maintain a healthy fund with enough cash on hand to operate while waiting for tax revenue to be collected. This will be accomplished through an austere budget. Employees will not be given pay raises. Additional revenues will be derived through fees as well as the addition of new properties to the tax roll. Mr. Doyon noted that the raising of taxes is limited by the State as to the total amount that a City may tax. There is also the legal matter of ECP's customer base breaking contract and purchasing energy from other sources. The customers have breached their contract as well as enjoyed subsidized power.

Departments will be asked to level their funds. Park and Rec Department has a huge portion of the tax subsidies. Fire and Police together require more funding than the City collects in taxes. The City is also weak in facility improvements and has accumulated a huge debt in deferred maintenance.

What the settlement means to Park and Rec Department is a reduction, if not, an elimination of General Fund support. For example, the Golf fund has huge deficit of over \$1 million in revenue bonds. In the past, the payments have been paid by the General Fund. For the future, Golf needs to look at a reasonable amount for fees charged that will contribute to paying off the revenue bonds.

What it means to The Mansfield is a cut or elimination of \$214,727 in tax support received annually. Currently, those dollars are used to pay internal services such as building costs, fiscal services, human resource services, insurance, mail costs, and telephone service as well as a portion of overhead salaries. (Post meeting note: of the \$214,727 in general fund support that The Mansfield receives, \$191,344 addresses the internal service charges. The remaining \$23,383 supports a portion of overhead salaries. It represents 11% of the overhead personnel costs - personnel costs not directly reimbursed by renter as an additional charge.)

Mr. Doyon recognized that The Mansfield is challenged with a fluctuating business from year to year and is dependant upon routing of national shows, etc. The Mansfield is also challenged with not enough labor for events. The Mansfield is also a stakeholder in the deferred maintenance issues such as: the decay of the outside of the Civic Center; the failing air-handling system in the Convention Center; the fatigued wall coverings in the Convention Center; and the mechanically fatigued theater seats; and more. Mr. Doyon would particularly like to see the Convention Center's kitchen and concessions updated as well as its air-handling system.

While it can't reasonably be expected for The Mansfield to be self supportive, it will be necessary for staff and Board to:

- Balance safety with enhancement when prioritizing spending
- Review fees for possible rate hikes
- Look at the future of the facility and equipment surcharge

- Look at doing business differently, i.e. would it be more effective for The Mansfield to be a private non-profit
- Look at the assets – central location
- Look at our weakest area and what is most costly – what may be cut
 - Convention Center?
- Do a cost analysis on each room
- Tap into the reserve balance for next fiscal year

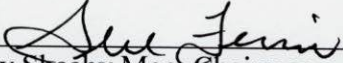
There was discussion to set next meeting for June 21 at noon rather than next September.

PETITIONS AND COMMUNICATIONS (Public Comment)

No petitions or communication were presented.

ADJOURNMENT

There being no further business before the Board and no quorum, meeting was informally adjourned at 1:15 pm.


Mary Sheehy Moe, Chairman (Sue Ferrin, Vice Chairman)

Action Items Pending

1. Dona to do a cost analysis on each room
2. Dona to contact City Engineer re: selection of architectural firm
3. Dona to set up a meeting with Clint Jackson to walk Mansfield Theater and Clint to shoot dimensions for floor plan