

City Council Work Session

February 2, 2009

5:30 PM

Community Center

ATTENDANCE:

Mayor/Council (please check) Tussing, Ronquillo, Gaghen, Brewster, Pitman, Veis, Ruegamer, Ulledalen, McCall, Astle, Clark.

ADJOURN TIME: 7:30 p.m.

Agenda

TOPIC #1	<i>Public Comment</i>
PRESENTER	
NOTES/OUTCOME	

- **Mike Penfold, 3552 Crestlake Road**, said he was present to answer questions. He explained that Senator Gary Branae was carrying a bill to get a pilot scenic byway program in the state. He said there were a handful of proposed pilot projects and he wanted the Council to consider Black Otter Trail. He said it was ideal and there was a city plan for it. He noted there were two others on the Crow Reservation that would be good for tourism.

City Administrator Volek advised there was documentation on that in the Friday packet. She said it could be discussed with Lobbyist Ed Bartlett.

Ms. Volek said the Friday packet also included emails from Community Development Manager Brenda Beckett regarding a request from the State to support their position that CDBG funding be given priority over the stimulus package. Ms. Volek said Mayor Tussing noted that further direction was needed from the Council. Mayor Tussing stated that he did not think Congress members should be contacted until the Council reached a consensus.

TOPIC #2	<i>Legislative Report</i>
PRESENTER	
NOTES/OUTCOME	

Lobbyist Ed Bartlett was called at 5:35 p.m.. Councilmembers were provided a written report from Mr. Bartlett. Ms. Volek asked Mr. Bartlett for additional comments.

Mr. Bartlett reported that HB 240 was heard earlier that day in House Tax that would reduce business equipment tax 1% and would reimburse local governments for any losses from the tax reduction. He said it was a quiet hearing; there was not a lot of support or opposition.

Mr. Bartlett reported that there would be a hearing on Wednesday on SB 294, which was Senator Gillan's bill to add roads and streets to "undertakings" and to allow revenue bonds.

Mr. Bartlett advised that from his review and conversation with others, Representative Stoker's bill would also be in House Judiciary on February 4. He explained that was the bill that established responsibility for medical costs to counties; cities were not included in the bill at that time.

Mayor Tussing stated that just because cities were not included in Stoker's bill, that did not necessarily preclude counties from passing the cost along to cities through jail charges.

Ms. Volek commented that counties would probably pass the costs along for any City prisoner. She said she doubted the County was insured for coverage of their prisoners and that was normally the obligation of the jurisdiction. Mr. Bartlett said the Mayor was correct; there was nothing in the bill that spoke to that one way or the other and that was something that should be expected from it. He noted that he heard from at least six counties that planned to oppose it at the hearing. Councilmember McCall said she believed that counties thought that cities were liable, even though the bill indicated that counties were payers of last resort.

Councilmember Gaghen spoke regarding HB 240. She said she heard that proponents of \$100,000 as the threshold for the business equipment tax were concerned because the Governor had a different view. She asked if the bill was a version of that because \$20,000 used to be the top for the tax. She asked where that measure emanated from. Mr. Bartlett responded it was from Representative Lake, but there were at least a half dozen other bills on the same topic. He said the measure Councilmember Gaghen referenced was in one of the others.

Councilmember Ruegamer stated he thought Elsie Arntzen chaired the Local Government Committee that had a tax increment bill the City should watch. He asked for a copy of the draft as soon as it came out.

Councilmember Ruegamer referenced LC 0001, the tourist tax. He said a draft would be provided as soon as it came out. Mr. Bartlett agreed and said he hoped one would be available soon. He said he would pay attention to the local government one.

Councilmember Brewster asked Mr. Bartlett if he thought there was any opposition to Senator Gillan's bill. Mr. Bartlett advised there was some among the Legislators, but he had not heard of any entities that opposed it. He said there was a sentiment among a few Legislators that they did not like the idea of bonding for roads. Councilmember Ulledalen asked about that opposition. Mr. Bartlett explained the opposition did not like bonding or the idea that roads were not self supporting with fees. Councilmember Clark stated there were ways to pay for the bonds with the arterial fees already being collected and it would help get projects done.

Mr. Bartlett noted that Missoula was also interested in the bill, as well as other cities. Councilmember Brewster asked for names of specific legislators that could be contacted. Mr. Bartlett said he would email some names.

Councilmember Clark asked about the reappraisal schedule. Mr. Bartlett advised he heard it was painfully slow with a lot of repeating what was heard during interim committee work. He said there was a lot of remedial education going on and he hoped for a bill before transmittal. Councilmember Clark commented that it was very important because of the City's Charter.

Ms. Volek referenced the scenic byways legislation and asked for any guidance from Council regarding listing Black Otter Trail as a scenic byway. Mr. Bartlett advised he did not think the bill had been introduced yet. Mayor Tussing stated he was in favor of the concept, but wanted to see the bill in its final version. Councilmember Gaghen agreed with Mayor Tussing. Ms. Volek asked Mr. Bartlett to add that bill to his watch list when a copy was available. She said Council could review it at that time.

Ms. Volek explained that the Montana Department of Commerce CDBG Program Manager was asking cities to write a letter in support of using CDBG funds in place of NSP and HOME program funding because it was a broader type of funding and not related totally to rehabilitation/replacement of existing or dilapidated housing. Mr. Bartlett said that something that was in the forefront and every appropriation subcommittee talked about delaying decisions or encouraged expedited decisions in order to take advantage of the stimulus funds. Ms. Volek asked if the Council had any direction. She asked if Council wished to follow CDBG with a letter or to allow them to make the argument and let it lie.

Planning Director Candi Beaudry advised that one approach was to supplement NSP funds with CDBG funds, and another was to provide an allocation through the stimulus package and eliminate the CDBG. She noted that it looked like HOME funds were still in place. She said the Community Development division favored supporting both allocations because it provided more money to assist low-income people. She explained that CDBG was directed at low to moderate income and the stimulus was broader in its application. She said that if it was based on the NSP, it would only address abandoned and foreclosed properties, and there were not many of them in Montana. She said it was better to have both programs.

There was consensus to allow staff to support the initiative.

Ms. Beaudry thanked Mr. Bartlett for his previous testimony on HB 279, regarding ICAP to local government.

Mayor Tussing reported that late last week he was invited to participate in a conference call held earlier that day with MDT and federal highway personnel about the stimulus package. He reported that MDT stated there would be as much or more reporting, and a requirement that half of the package had to be spent within the first 90 days. He said the House version required that bids had to have been awarded for a project to qualify; in the Senate version, a bid had to be approved for award. He said if the funds had been authorized, they could not be used for the stimulus package because that was considered supplanting. He said it was determined that the other phases of Shiloh that were ready for bid but and would not be bid until next month met that 90-day requirement. He said other CTEP projects were also discussed and what made projects eligible. He said the House version had a high percentage for transportation enhancement projects and there was no match in the stimulus. Ms. Volek asked if the state indicated it would waive their match. Mayor Tussing said it did not. Ms. Volek reported she talked with a staff member from Congressman Rehberg's office who indicated there could be two tracks, one that was standard and was a state pass-through, and the second could be a direct appropriation from federal departments to the cities. She noted that staff was working on a project list and Public Works Director Dave Mumford had been assigned the principle role in that. She said some were included in the amended TIP scheduled for Council action on February 9. She said she hoped a list of projects would be ready by the February 23 meeting.

Mayor Tussing advised that completion of Rimrock Road would probably qualify. He said MDT's and the Federal Highway Administration representative estimated that the House Bill had about \$250 million for Montana and the Senate bill had about \$166 million. Councilmember McCall asked if Alec Hansen from Montana League of Cities and Towns came up with an allocation formula. Ms. Volek said he had not and she sent an email about that to him again earlier in the day.

Councilmember Clark stated he thought the part of Rimrock that was being considered was 17th to Shiloh. Mayor Tussing said he thought they meant finishing what was started all the way to 54th Street West.

Ms. Volek referenced the federal project request list and noted that she and Mr. Bruce Putman discussed the fact that Rimrock and Shiloh were not on our list because they were State projects, but the list could be amended if Council directed it.

TOPIC #3	<i>CIP Presentation, Equipment Replacement Plan, Technology Replacement Plan</i>
PRESENTER	
NOTES/OUTCOME	

Assistant Director of Aviation Kevin Ploehn reviewed the CIP document. He explained that this year's course of action included the full-blown public input process and next year would be an internal review and adjustment. Mr. Ploehn reported that the final step in the process was Council approval as part of the budget adoption. He stated there were 187 projects in the CIP that totaled \$306 million. He referenced the breakdown by division and department, and that not all projects were funded.

Mr. Ploehn advised that three public meetings were held through the process. He said they experienced the highest turnout of any of the CIP meetings, likely due to the Alkali Creek Road fix. He reported that the three most discussed items were: Alkali Creek Road repairs, bicycle/pedestrian tunnel under Main Street, and crosswalk improvements at 24th and Lewis, which was an unexpected request.

Mr. Ploehn stated that process provided an opportunity for Council and the public to review a plan for the future projects. He noted that prior to the CIP method, Council was unaware of planned projects until the budget was presented. He said it also gave Council insight into future funding demands. He noted that the intention of the CIP was to identify what staff saw as needs for the next five years even though funding for the projects was uncertain. He said the stimulus package could accelerate some projects.

Mr. Ploehn reviewed the timeline: a public hearing was scheduled for February 23, 2009, at a Council meeting; departmental budget reviews would occur in May-June; and annual budget approval was in June or July.

Ms. Volek explained that Mr. Ploehn was the chair of the committee and that the chairmanship rotated and Mike Whitaker would chair it next year. She said the Alkali Creek project would be favored as a stimulus project. Ms. Volek thanked Mr. Ploehn and his committee for their work.

Councilmember Veis advised that he tried to inform people about the CIP process and that they needed to give input if they wanted improvements.

Councilmember Clark stated he wanted to keep the 24th and Lewis crosswalk project in the plan and funded because it was needed as a safety measure.

Ms. Volek explained that enterprise funds had a good idea what they had funds for but the General Fund projects were less likely to be funded due to lack of available funds.

Deputy Public Works Director Vern Heisler commented that the 24th and Lewis crosswalk project may not be a big enough project to qualify as a CIP project. Councilmember Veis advised that the public input requested realignment of the streets and it would qualify for that reason.

Airport Operations Supervisor Shane Ketterling advised that he was the current chair of the Equipment Replacement Plan Committee that was in its 10th year. He reviewed the membership and noted he received a lot of help from Larry Deschene, Motor Pool Maintenance Manager. Mr. Ketterling said he had been told it was a unique program, and many cities did not have anything like that. He reviewed the plan outline and guidelines. Mr. Ketterling said that 134 pieces of equipment were due for replacement when the current plan began and the committee deferred all but 47 items for a total of \$3.2 million. He explained that transfers of equipment were utilized to maximize usefulness. He reviewed the items proposed and pointed out that the highest values were in Solid Waste and Airport, mainly due to the size and cost of the equipment. Mr. Ketterling reviewed a graph that estimated the five-year replacement plan. He said the increases in future years were due to deferral of the equipment replacement.

Mr. Ketterling reported that when the group started meeting last fall, it was tasked with considering alternative fuel vehicles. He said Street/Traffic Superintendent Bill Kemp conducted research and was present to provide his findings. Mr. Kemp explained they looked at electric, compressed natural gas and hybrid vehicles and reviewed each type of vehicle. Councilmember Veis asked if the alternate fuel vehicles were considered for buses. Mr. Kemp responded that he did not use buses in his comparisons during his research. He said as a result of his research, the ERP Committee recommended that the City purchase hybrids for the FY2010 budget. He noted that the Police Department volunteered for that car, probably for a command vehicle.

Councilmember Ruegamer commented that the plan had saved the City a lot of money and it received no publicity. Ms. Volek agreed and pointed out that a bonus of the program was that departments contributed based on their anticipated replacement over a 20 year plan. She said that created a pool of money to purchase equipment because departments knew that theirs came into the cycle when it was necessary. She said that meant funds did not have to be borrowed to purchase major equipment.

Councilmember Ulledalen asked if there was any discussion about what was mission critical within the replacement guidelines. Mr. Ketterling explained that each department determined its own priorities. Ms. Volek said the committee scrutinized the process and if it believed a vehicle could be sustained another year, it was not replaced at that time.

Information Technology Manager Dave Watterson presented the Technology Replacement Plan. He said the TRP was modeled after the ERP and was brought about a couple of years after the ERP to encourage departments to get on a routine replacement cycle with technology in order to keep current. He said they considered three or more years for a useful life and considered technology valued at \$5,000 or greater. Mr. Watterson distributed a copy of his presentation. He noted that keeping equipment current reduced the overall cost of operation.

Mr. Watterson reviewed the committee membership and its recommendation. His presentation included breakdowns by department and by equipment class. He noted that most of the projects had funds set aside for that purpose.

Councilmember Veis noted that Public Works wanted a wide format copier and a scanner, and wondered if they could be combined. Mr. Watterson said he thought it was for large plats that had to be scanned. Mr. Heisler explained that some of the older plans were kept in-house as much as possible to protect them and employees who had down time during the winter months used their time to scan them.

Councilmember Gaghen said the reports and process were very comprehensive and extremely well done.

TOPIC #4	<i>FY2010 Council Budget Priorities</i>
PRESENTER	
NOTES/OUTCOME	

Ms. Volek reported that staff had begun to work on the FY 2010 budget. She said the schedule was the same as previous years and adoption was anticipated for June 8. She said the review meetings could be televised from Council Chambers, with the exception of May 18 when there was a conflict. Ms. Volek said the budget review process would be much the same as previous years and individual presentations would be made by departments. She asked if Council wanted staff to do outreach on the budget.

Ms. Volek reviewed the list of priorities adopted by Council late last year. She recommended combining three of them -- cost of services study, service level preferences and funding strategies. She said staff recommended internal creation of business plans for each department. She noted that Public Works had worked with BSEDA to create a model that could be applied to other departments. Councilmember Veis asked what the expected outcomes were from the business plan process. Ms. Volek said she anticipated that for each department there would be a list of mandatory services, optional services and costs for each so that they could be prioritized and selected for continuation or reduction. She said in some cases, additional fees could be considered.

Councilmember McCall asked if the Public Works model would be reviewed before using it in all departments. Ms. Volek responded that it would and that the process would start small and expand as possible.

Ms. Volek referenced her handout and pointed out that projections indicated that revenues would exceed expenditures in FY 2010, but started going into negative numbers again in FY 2011. She noted that a Council directive to her and from her to staff was to balance the budget without using reserves.

Councilmember Veis stated they always seemed to make it each year and the crisis was pushed to later years. He asked if structural changes were needed in the budget to make sure we did not reach the prediction of needing \$2 million in reserves by 2015. Ms. Volek advised that personnel costs were one of the major issues. She pointed out that they went from a \$33,000 deficit projection to a positive balance. She asked Financial Services Manager Pat Weber to explain how that happened. Mr. Weber explained that an SID was sold for the Cabelas and Miller Crossing area and different accounting in the way Police and

Fire benefits were paid resulted in that change. He said that Engineering was also moving to an internal service fund and would pay their charges for services to the General Fund, which was about \$200,000. He said that happened within the past few weeks. Ms. Volek noted that showed that staff was constantly looking at options to garner money wherever possible. Councilmember Veis asked if they wanted to look at the fundamental structure of the budget or if they wanted to keep squeaking by year after year. Ms. Volek explained that staff would look at structural issues and stabilizing revenues and expenses.

Ms. Volek explained that some departments would not have the business plan completed in time for the FY 2010 budget adoption. She said the Planning Department had to address serious budget issues this year and had to plan for future. She added that other departments would be ready by the end of the calendar year and the plan would be used as a basis for the FY2011 budget.

Councilmember Pitman asked how revenue growth was projected. Ms. Volek explained it was based on reappraisal.

Councilmember Astle asked for an explanation of licenses and permits. Mr. Weber responded it was general fund revenue from business licenses and engineering permits. Ms. Volek referenced the Public Safety Fund and the increase shown for FY 2010. She explained that was due to higher wages and increased transfers from the general fund and FY 10 was the last year of the public safety levy increase. She said staff would provide a list of mill levies that needed to be addressed and prioritized for placement on a future ballot.

Councilmember Pitman asked if investment earnings always remained at \$100,000. Mr. Weber said that figure was dependent on the market and that conservative number was used for budget purposes.

Councilmember Pitman asked if donations and contributions were estimated. Mr. Weber said that was very sporadic and with the completion of Dehler Park and the change in the animal shelter operations, there may not be the same number of donations.

Councilmember Ronquillo asked if the Public Safety Fund levy increased with an increase in population. Ms. Volek explained that the first one was a fixed dollar amount.

Councilmember Veis suggested a General Fund levy included on the list of levy change opportunities.

Ms. Volek reviewed some warning signals: statewide reappraisal; economic downturn affecting enterprise funds; deferred fee increases such as in solid waste; and internal service funds charges may be limited due to customer operations limits.

Councilmember Brewster asked if a projection could be provided with mill levy recommendations that showed what the floating mills would have raised if we were under state limits rather than Charter. Councilmember Veis said to understand that the county chose to raise mills every year and the assumption would have to be made that the City did the same, which was not an absolute. Councilmember Brewster stated he would rather compare that with the idea of putting out a public safety mill. He said it was more difficult to ask for huge tax increases on a one-time basis than requesting the opportunity to float the mills while the City lived within its means. Ms. Volek explained that even the communities allowed to raise their mills were suffering this year. She said that even though the number of new residential subdivisions declined, commercial growth had continued, but they were still cautious.

Councilmember Veis stated he would be interested in knowing the effect of the O&M freezes. He asked if that was what would break the bank. Ms. Volek advised that the City

traditionally avoided replacing things until they broke, but stopped following that philosophy. She noted that the O&M was not allowed to increase, but some items were exempt: cost of living increases in union contracts, utilities, fuel, and charges for services. Councilmember Veis asked when we would reach the breaking point and whether there were studies regarding whether it did any good to not increase the O&M.

Councilmember Astle stated that at some point, it would be necessary to increase means. He asked if raising fees for licenses and permits would make a difference. He said he believed there were people who operated without a business license and asked if there was a penalty for not having one. Councilmember Astle asked how much was made from business licenses per year. Ms. Volek responded it was about \$700,000. Councilmember Astle asked about enforcement, citing businesses that did not have a license, and citations for a business that held illegal closing business sales. Ms. Volek reported that a code court was being investigated that could address those types of issues. She explained it would be a specialized division of municipal court and would relieve them of the code enforcement cases. She said Ms. Beaudry was reviewing what other cities did. She noted that was another source of revenue.

Councilmember McCall stated that a lot of money was paid for lawsuits. She asked how those payouts were anticipated and where are they were paid from. Ms. Volek explained that up until now, payments were made from the property and liability fund and departments would make payments over a period of years to replenish that fund.

Mayor Tussing asked about the \$500,000 shown in the Police Department. Ms. Volek explained that was related to the Feuerstein settlement. She said a position in the Police Department remained vacant for at least three years which paid for the female officers' suit.

Councilmember Ronquillo commented that it would help to find out more on the cost of services. He indicated he was willing to pay more for solid waste services.

Councilmember Veis asked how often landfill rates were negotiated with the outside. Ms. Volek said there had been discussion about increasing charges for outside groups who used the landfill.

Councilmember Ulledalen asked if there was any way to change the structure of contracts so the City was not locked into the automatic cost-of-living increases. He said that put us at a disadvantage when the mills were capped, that our hands were tied with labor contracts. Ms. Volek advised that one of the issues was the length of the contracts that were not negotiated on an annual basis.

Additional Information:

Councilmember Veis asked how they wanted to structure the quarterly evaluation for the City Administrator. Councilmember McCall advised she emailed to the evaluation committee and intended to forward it to the rest of the group. She explained that they talked about quarterly meetings with Ms. Volek, with four Councilmembers at those meetings. She said it was agreed to maintain two at any given time to maintain continuity regarding discussions. Councilmember McCall developed a schedule for rotation on that committee to allow everyone to have an opportunity. Councilmember Veis noted that traditionally, the whole Council got together to evaluate the City Administrator and he wondered if that meeting would be swapped for one of the quarterly meetings. He said he thought five Councilmembers at each meeting would work. It was agreed to have five small group

meetings through the year with the final one in early December with all Council and the City Administrator.

Councilmember Ruegamer reported that he checked into getting chicken from Tiny's Tavern for the work sessions. Councilmember Gaghen said she felt it was awkward to eat in front of others while conducting business. It was agreed to not have food at the meetings, with the possible exception when meetings were held early.