

# City Council Work Session

May 12, 2009

5:30 PM

Community Center

## ATTENDANCE:

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

**ADJOURN TIME:** 7:45 p.m.

## Agenda

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

- **Kevin Nelson, 5235 Bruce Avenue**, said that at the previous week's budget overview, Ms. Volek made several references to the public safety mill levy. He said he hoped the budget process did not include the public safety mill levy as a revenue source.

Councilmember Brewster advised that the funds could not be considered unless approved by the voters. Mr. Nelson said he knew that, but Ms. Volek made several overtures about it being the 10<sup>th</sup> year of the levy and he hoped she was not pushing Councilmembers to believe there was money there that voters may not approve, and if the budget relied on that, it could put Council in a tough spot. Councilmember Brewster said Council was aware of the tough spot. Mayor Tussing clarified that there had been two levies for a total of 10 years, but they were separated by a number of years. He noted there were no current plans to seek another one.

<b>TOPIC #2</b>	<b><i>Administration/Legal/Public Works Budget Review</i></b>
<b>PRESENTER</b>	
<b>NOTES/OUTCOME</b>	

Ms. Volek advised that the Legal Department would make the first presentation.

## ***Legal Budget Review***

City Attorney Brent Brooks advised that like other departments, the City Attorney's budget was primarily comprised of personnel costs. He stated that there were 13 staff members in the Legal division. He reviewed 2008 statistics and trends for the past few years of traffic and non-traffic cases opened, cases reviewed and warrants issued, and cases reviewed for revocation of probation sentence. He also reviewed a comparison of the number of jury trials since 2005. He noted that jury trials were costly.

Mr. Brooks reviewed the funding sources for the City Attorney's office: the General Fund, a domestic violence grant from the Board of Crime Control, and statutory surcharges required by State Statute.

Mr. Brooks reviewed a comparison of FY2009 and FY2010 personnel services and the domestic violence grant. He said the increases were primarily due to step increases and cost of living adjustments. He said the General Fund matched the grant funds.

Mr. Brooks reviewed a comparison of operating and maintenance for FY2009 and FY2010. He advised that staff was trying to reduce costs, especially in hardcopy library costs. He said the \$9,900 increase in General Fund O&M was mostly due to a facilities management increase. He explained that the grant fund increase was based on internal postage charges for that department.

Mr. Brooks reviewed the Domestic Violence Grant from the Board of Crime Control and the match requirements. He said the statutory surcharges went toward the City's match. He noted that the previous year's surcharges were about \$60,000. He said the grant request from the Board of Crime Control was again \$90,000, and that the Board had been very fair in the past and understood that Billings had a heavy caseload. He explained that each year the grant was reduced, the City's match increased.

Mr. Brooks reviewed goals accomplished in 2008 and current year goals in progress. He highlighted goals of significant importance as follows:

- assigning civil attorneys to most MMIA-defended cases for assistance/more thorough status updates to council
- assigning a civil attorney (Asst. City Attorney Bonnie Sutherland) for FY2010 and future collective bargaining teams

Mr. Brooks reviewed long-term goals based upon the Council's strategic plan. He noted that of significance was the assistance with the local option tax efforts, land use planning with Shiloh Corridor, and researching funding strategies for such items as impact fees, street maintenance and park maintenance districts.

Mr. Books reviewed future challenges which included a steady increase in cases, staffing the special purpose/treatment courts, legislation related to use-of-force cases, Shiloh Corridor, land use laws, collective bargaining, changes to the MMIA coverage liability, and an increasing litigious society.

Councilmember Ronquillo asked how much it cost to keep an individual incarcerated. Mr. Brooks advised he did not have that figure, but knew it was getting increasingly more costly. He said that was a primary reason for the treatment courts as an alternative. Councilmember Ronquillo asked if individuals were incarcerated while awaiting jury trial and if there was a work program. Mr. Brooks explained that the Municipal Court Judges had programs to allow time pay for fines and community service could be completed to pay off fines. Mr. Brooks advised that people were not jailed while waiting for trial, but were allowed to post a bond.

Councilmember McCall referred to the recent budget adjustment of about \$46,000 to fund a mental health commitment and asked if more of the same was anticipated with the implementation of the mental health court, and where the legal staffing would come from. Mr. Brooks explained that the staffing would probably come from both the civil and criminal side of the department. He explained that the statute on sexual assault required assessment, and there

would be more high-cost cases if defendants could not assist with their own defense. He stated that the state mental hospital was one of the few resources to make that determination.

Ms. Volek advised that the City paid the County jail \$60 per day per inmate, in addition to any medical attention an inmate needed. She noted that she understood the County Commissioners were considering an increase in that daily fee. Ms. Volek explained that the rescue mission's new policy of limiting a person's stay to 30 days and a 30 day absence before returning would likely mean more transients on the downtown streets and enforcement of the transient law could result in more jail time billed to the City. She said the Council had the option to consider an increase in the jail budget to provide increased enforcement throughout the City. She said she knew there was an issue brought up at the previous meeting about why funds were not routinely budgeted for the mental health coverage. She explained it was a one-time expense and the alternative was to return the person to the street to await trial and there was no certainty that the person would ever be fit to stand trial without treatment. Ms. Volek advised that staff preferred not to add that as a regular budget item but to request funds whenever necessary. Mr. Brooks added that the treatment courts were grant funded and with the new mental health court there would likely be growing pains.

Councilmember Pitman asked Mr. Brooks if he had actual data regarding the increase in domestic violence cases, and if the increase correlated to the population size. Mr. Brooks advised that he was not sure about that. He stated that there tended to be seasonal increases and stalking offenses and repeat offenders were increasing as well.

Councilmember Brewster asked where the match came from for the domestic violence grant. Mr. Brooks said about \$60,000 came from the statutory surcharges and the remainder came from the General Fund.

Councilmember McCall asked about the amount of the MMIA premium and if there was input and discussion with MMIA about their coverage. Mr. Brooks said the premium was \$1 million and coverage changes were discussed with MMIA prior to implementation. Ms. Volek added that there was a continuing conversation about coverage issues.

### ***Administration and Internal Services Budgets***

Assistant City Administrator Bruce McCandless defined internal services as Finance, Human Resources, Facilities, Fleet, Information and Technology, and Parking. He reviewed the operating cost comparisons for FY2009 and FY2010. Mr. McCandless pointed out that Human Resources would be charged \$125,000 for a lawsuit settlement that was determined to be that department's responsibility. He explained that the significant increase in Parking was due to a large capital expense he would explain later in his presentation. He noted that all internal services were under the same limitation as every other department regarding O&M costs. He said increases in operating could only be done through a supplemental budget request, except for expenses such as fuel, utilities, etc.

Mr. McCandless noted that internal services comprised about 5% of the city's total operating budget. He reviewed the services provided by the 11 FTEs in the Finance Division. He advised that there were no major changes in expenses. He noted that personnel costs increased slightly due to cost of living adjustments and step increases, but operating and maintenance costs were down slightly.

Mr. McCandless reviewed the services provided by the Human Resources staff of five. He noted that the four employees in that division each provided service to about 200 employees,

which was a high ratio for cities the size of Billings. He pointed out that the budget included the repayment of a lawsuit to the property/liability fund. He advised there were normal increases in personnel services and operating costs.

Mr. McCandless explained that the property and liability program was one of the responsibilities of Human Resources. He pointed out that the liability premium was a little more than \$1 million for FY2010. He reviewed the property premium and what was insured. Mr. McCandless reviewed the health insurance program that was also managed through Human Resources. He said claims made up about three-fourths of the cost of the program. He pointed out that employees paid over 20% of the premium which was above industry standard.

Mr. McCandless reviewed the functions of Facilities Management, staffed by six FTEs. He reviewed the expenditures of the two primary facilities – City Hall and the Billings Operations Center, and the charges by department for the spaces occupied in those two facilities.

Mr. McCandless reviewed the functions and services of Fleet Services. He pointed out that the division serviced 86 different classes of vehicles and had 16 employees. He reviewed a chart that illustrated the type of maintenance performed and the number of hours for each. He reviewed expenditures and revenues of the department. He noted that most of the revenue was from the labor costs for the equipment maintained. Mr. McCandless reviewed a comparison of labor rates to other local businesses that provided the same repair/maintenance services. Councilmember Pitman asked if the labor rate was a billable hour or if it included personnel costs. Mr. McCandless explained that it included some of the personnel costs, and some overhead costs. Councilmember Ronquillo asked if there was a cost breakdown from the biodiesel study. Mr. McCandless advised that he would provide that information.

Councilmember Clark asked about reserves. Mr. McCandless explained that many of the internal service departments used reserves for planned expenditures. He said that differed from the use in the General Fund where reserves were used for ongoing operations and the dollar amount varied. He went on to explain that reserves could be built up in particular departments and then a portion was used in a single year for a planned expenditure. He clarified that the internal services were not supported by tax dollars – 100% of the support came from the charges made to the customer departments. Ms. Volek pointed out that the current year's challenge was to not use reserves to balance the budget. She said internal service fund charges to the General Fund departments were kept as low as possible. Mr. McCandless referenced the Fleet Services budget section of the budget notebook that displayed working capital which differed from reserves.

Mr. McCandless reviewed the services provided by Information Technology, with a staff of 19, which included one position funded in the Central Telephone budget. He reviewed total revenues and expenditures, and the breakdown of each by function.

Mr. McCandless reported on the process of the Enterprise Software system review. He advised that the request for qualifications process resulted in a recommendation to change the Enterprise Software to Innoprise Software. He said Council action would be requested at the May 26, 2009, meeting. He said the General Fund would pay for the one-time expenditure to replace the software. He emphasized that the current software was more than 20 years old and the new software would provide numerous improvements in access to information.

*Councilmember Ulledalen left the meeting at 6:30 p.m.*

Mr. McCandless reviewed the function and budget summary of the Central Telephone, staffed by one person within the IT Department. He noted that a planned use of reserves was included for one-time telecommunication projects.

Mr. McCandless reviewed the IT Department revenues and expenses by departments. He pointed out there was a reduction in personnel costs and operating and maintenance.

Mr. McCandless reviewed the services provided by the Parking Division. He said there was a staff of 15 which included a request for a .5 FTE for a building services worker to maintain the facilities, particularly the customer areas such as the elevator, stairwells, and attendant booth. He said that service was provided by a private contractor until recently, when a full-time building services worker was hired. He said it was working well but needed to be supplemented with a half-time position. Mr. McCandless reviewed the revenues which did not reflect a significant increase. He reviewed the expenses and said a major expenditure was proposed to rebuild the Park I elevator. He advised that the Parking Advisory Board requested an incremental reduction in the transfer from the Parking Division to the General Fund. He explained that it was not part of the recommended budget, but Council would make the final decision.

Mr. McCandless advised that Council requested information regarding the cost of automation of the parking garages. He provided an inventory of the garages and the number and types of spaces in each garage. He reviewed the expense of automation, estimated at approximately \$87,000 per lane, which did not include any signage costs. He said the signage would be important for customer information. He noted that the garage equipment had been replaced in all four garages since 2005, so if automation was done, fairly new equipment would be replaced. Mr. McCandless reviewed a ten-year cost/revenue analysis which showed a savings in Park I, Park II and Park III, while Park IV showed a reduction in revenue. He said the increase would be due to the ability to collect revenue on a 24/7 basis. He explained that Park IV had very few hourly spaces and was not open outside of normal operating hours of 5:30 a.m. to 9:30 p.m. Monday through Friday. He said both major customers of that garage indicated they preferred that operating schedule to assure security for the vehicles and customers. Councilmember Ronquillo asked if the automation information could be provided to the two major businesses that occupied Park IV to encourage a different operations schedule. Mr. McCandless explained that there were no amenities in that area that would generate a parking need outside of that schedule. He pointed out that Park IV only had 27 hourly spaces which would not generate significant revenue. Councilmember Brewster commented that it was a good deal for the two businesses. Mr. McCandless said the parking study would be presented at the June 15 work session.

Councilmember Brewster asked if the Parking Advisory Board's request was to eliminate the transfer to the General Fund within three years. Mr. McCandless said that was correct. He said he believed the intention was to keep more money in the parking fund for parking improvements. He said there was discussion about replacing Park IV with another parking garage, but there was not sufficient reserve or revenue in the fund to do that. Councilmember Brewster commented that the reduction would have to be made up by other departments. Councilmember Clark asked if the increased expense for the Parking division was a one-time expense. Mr. McCandless stated that the increase was due to the Park I elevator replacement.

Mr. McCandless reviewed positive and negative impacts on services related to parking garage automation.

Councilmember McCall asked what increase in health insurance costs was predicted for the upcoming fiscal year. Mr. McCandless said the typical increase was 9-12%. He said options were being considered with the consultant to help reduce those costs. Councilmember McCall mentioned that state government had a 12-14% increase in premium costs so she felt that was in line. Councilmember Brewster asked how much of the self-insured property budget was used each year. Mr. McCandless advised it was all used to cover vehicle losses and any facility losses.

Mr. McCandless provided a brief explanation of miscellaneous budgets and noted that they did not contain major changes. He advised that the \$400,000 settlement to Rimrock Foundation would be charged to the Mayor/Council budget over two years.

Mr. McCandless reviewed challenges and opportunities related to internal service budget matters. Councilmember Brewster said it seemed that budget amendments were used more than Council Contingency and he wondered if that was still necessary. Ms. Volek said she believed it was a philosophical practice to keep the expenses assigned to the department budgets rather than having them in the Council Contingency. Councilmember Brewster stated that the fund should be reviewed to determine if it was necessary. Ms. Volek suggested consideration of reducing it, but not total elimination. Councilmember Clark asked for a history of the past few years.

Councilmember Clark asked if the public safety software was still effective since it was also about 20 years old. Ms. Volek advised that the software had been upgraded through grants.

Councilmember Ronquillo asked if the credit card payment system was working. Financial Services Manager Pat Weber said Utilities had seen quite a bit of usage; the Finance Department had seen a little usage.

*Mayor Tussing left the meeting at 7 p.m. A brief recess was taken.*

### **Public Works**

Public Works Director Dave Mumford advised that Public Works was comprised of eight divisions and had 30 facilities.

Mr. Mumford reviewed the major revenue sources. He said 99% of the revenue came from fees and a small portion came from the General Fund. He reviewed the budgeted revenue and advised that significant changes were in the special assessments for the arterial fee increase approved by Council; charges for services which included a proposed solid waste increase and the approved increase in water and wastewater; and grant revenues for CTEP Projects managed by Public Works.

Mr. Mumford reviewed the FY2010 expenditures. He said the significant change in capital was due to funds for the Zone 4 Reservoir that would be transferred to the FY2010 budget because the project would not be completed in FY2009. He added that the FY2009 budget also included \$1 million for downtown streetlights that would move forward since the project did not proceed. Councilmember Ronquillo asked if the LED lighting on King Avenue was in the FY2010 budget. Mr. Mumford responded it would be done in FY2009 and would stay in that budget.

Mr. Mumford reviewed revenues and expenditures by division. He noted that the \$4 million difference in Water was to begin setting funds aside for future major projects.

Mr. Mumford reviewed the major capital improvement projects planned for FY2010 for roads, water/sewer, sidewalk CTEP projects, a fourth cell at the landfill, and storm water improvements.

Mr. Mumford reviewed the list of supplemental budget requests. He said the most significant request was for new curbside waste containers. The supplemental budget requests totaled \$879,646.

Mr. Mumford reviewed major changes in the FY2010 budget as follows: Engineering Division would be moved from the funding designation in General Fund to an internal service fund; a new position was created in Environmental Affairs to address new storm water regulations; and an increase each year for the next three years was proposed for Solid Waste. Mr. Mumford said the Engineering Division change was primarily a bookkeeping procedure as a result of a previous administration's request to move Public Works out of the General Fund. He advised that Solid Waste had not had a rate increase since FY1999 and had used reserves to balance the budget the past few years. Councilmember Ronquillo commended the Solid Waste Department for its good work.

Mr. Mumford explained the proposed residential Solid Waste increase would result in rates of \$86 for FY2010; \$94 for FY2011, and \$103 beginning FY2012. He said there were numerous commercial rate structures and the rate would increase each year for three years as well. He added that landfill rates would also increase over a three-year period, and an additional surcharge would be imposed for outside Yellowstone County. Mr. Mumford provided a comparison of residential rates which indicated Billings had the lowest rate in the state even with the increase. Councilmember McCall advised she knew of residents in the Yellowstone Club Estates area that would soon have city garbage collection and were thrilled. Councilmember Ronquillo asked if it was possible to hold a toxic waste collection more than once per year. Mr. Mumford responded that was one of the challenges and opportunities that would be discussed later in his presentation.

Mr. Mumford reviewed challenges and opportunities identified for Solid Waste, Street Maintenance, Wastewater, Water, and Engineering. He explained further that consideration needed to be given to becoming a regional landfill; the pavement preservation program was operating on the assumption that pavement would last 46 years which was not realistic; and there was deficient reservoir storage. Councilmember McCall asked about the compliance timeline for new wastewater regulations. Mr. Mumford explained there was at least one more five-year cycle before full compliance would be required. He said the monthly wastewater fee would have to increase to meet those standards. He stated that the estimated cost to bring the storm water system to city standards was about \$165 million. He said innovative solutions needed to be considered. Councilmember Brewster reported that Canada required residents to capture storm water and retain it for lawn irrigation.

Mr. Mumford reviewed the funding data on the PAVER program. He said \$1.5 million of street maintenance fees was needed each year to maintain the existing roads for the expected 46 year life, and the city was below that level already. He explained that a more realistic life for the pavement was 20 years and the total needed would be about \$2 million each year.

Mr. Mumford reviewed the water and wastewater funds. He noted that growth had an effect on those funds. He said wastewater was the most significant concern outside of PAVER funds. He explained that rehabilitations were being financed and that would continue to get

worse. He noted that the projects were based on an annual 6% rate increase and if Council did not approve one, the funding situation would be worse.

Councilmember Ronquillo asked if there was stimulus money for Public Works. Mr. Mumford said a reduced interest rate would be granted on state revolving fund loans for water and wastewater; and \$1.6 million was received for roads and would be used for Alkali Creek.

Ms. Volek advised there were significant programs in other areas and a staff committee would prepare recommendations for use of stimulus funds. She said a public hearing would be held June 8 regarding the energy grant. She advised that a web page would be posted to the City's website to show what would be received and how it would be spent.

Councilmember Ronquillo asked about the floating islands. Mr. Mumford said a test one was in place behind Metra, and another would be placed on Rehberg.

Mr. Mumford stated that staff had worked hard with limited funds and had done a great job keeping things under control. He noted that the problems he spoke of had been building for the past nine years.

Councilmember McCall thanked all the presenters for the excellent budget presentations that evening.

#### Additional Information: