

City Council Work Session

November 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: 9:50 p.m.

Agenda

TOPIC #1	Public Comment
PRESENTER	
NOTES/OUTCOME	

- **Dr Janice Linn**, Highway 3, spoke about the Billings bypass and the three phases of construction. She referred to a June, 2009, Billings Gazette article that indicated that 600 homes would be destroyed and thousands would be displaced. She said the bypass would be 500' wide, a four-lane highway with two frontage roads, and would be a federally-funded NAFTA superhighway, a road specifically built for truckers traveling from Canada to New Mexico that used smart passes to enter the United States without stopping at the border. She said that would cause Montana to lose control of the border with Canada. She referred to the project website at www.Billingsbypass.com.

Councilmember Ruegamer commented that the highway would be wider than it would be long if it was really 500' long. He asked Dr. Linn where she got that information. Dr. Linn said it came from the project website.

Councilmember Clark asked if public input would be allowed after the Library presentation. Mayor Tussing advised that the Council could decide if it wanted to allow that. He said the guidelines in place could be changed as necessary during the course of the meeting, but a vote was needed. Ms. Volek stated that she thought it would be a good idea to decide right then if the public comment would be allowed after the Library presentation. Mayor Tussing announced that it was possible public comment would be allowed after the Library presentation and it would probably be a good idea to allow it after each presentation.

TOPIC #2	Bicycle & Pedestrian Advisory Committee Annual Report
PRESENTER	
NOTES/OUTCOME	

Jim Collins, Vice Chair for the committee reviewed the membership and provided a written report. He referred to the six goals as shown on the report and said the committee would continue program and plan review.

Councilmember Ulledalen commented that more City and County cooperation was mentioned at a recent joint meeting between the City and County.

Councilmember Ruegamer asked when the committee met. Mr. Collins stated the committee usually met every third Tuesday at 11:30 a.m. in the small conference room on the fourth floor of the Library and the next meeting was December 1.

Councilmember Ronquillo asked about Goal 5 and said he hoped there would be cooperation with the County for funding the trails.

Mayor Tussing suggested finding out how much revenue was generated from donation boxes as some communities used. Mr. Collins said that could be researched.

Councilmember McCall advised that there was significant support shown in the citizen survey for protecting parks and trails. Mr. Collins referred to the editorial on healthy lifestyle and transportation policy in the past Saturday issue of the Billings Gazette.

The public comment period for the item was opened.

- **Jerry Prouse, Shepherd**, stated that charging a fee to use a publicly-funded path would not encourage people to change to a healthier lifestyle.

Mayor Tussing explained that he was not suggesting the use of donation boxes, but was suggesting research of how much revenue was generated from them. He suggested Mr. Prouse attend meetings of the Bicycle Pedestrian Committee if he wanted to discuss that issue with the committee.

TOPIC #3	<i>Library Election</i>
PRESENTER	
NOTES/OUTCOME	

Library Director Bill Cochran announced that presentations would be made by Keith Rupert and Mike Tuss from CTA; Bruce McCandless, from the City; and Tony Hines, chair of the Library Board. He said the issue was whether the library could be moved into the Gainan's building in about two years when that business planned to move a majority of its operation to the west end. Mr. Cochran explained that staff and the Board discovered that the project was eligible for recovery zone bond funds to keep the cost down, so to maintain that timetable; Council was being asked to consider the project sooner than anticipated.

Keith Rupert, of CTA Architects advised that CTA had worked with the Library Board to develop a building program. He reviewed key features of the plan and how spaces would be increased or reprioritized. He said the total space would increase about 7%. He said the Library at its present location had always struggled with the public space on the first floor that was easily accessible, and the proposed plan would have about 22,000 square feet of public space, an increase of about 12,000 square feet on that floor.

Mike Tuss, of CTA Architects displayed a model of the proposed project and reviewed interior and exterior plans. He said the proposal was to add a second story to the existing building and another two-story section to the north of it. He pointed out that curbside parking would be maintained, along with additional parking on the north and south sides of the building.

Mr. Rupert reviewed cost estimates for the project. He explained that the project had three components: 1) an addition of 27,000 square feet to the existing building; 2) infrastructure upgrades; 3) completion of the structure. He said the total cost was estimated at \$10.2 million. He reviewed the project schedule and pointed out that to qualify for the recovery zone bond funding, the project had to be bid by the end of 2010. He noted that the schedule included a bond election in early 2010. Mr. Rupert advised that there would be no activity for most of 2011

to allow Gaines to construct and relocate to a new building, so the construction would start in 2012 with occupancy anticipated in early 2013.

Mayor Tussing asked Ms. Volek what was planned for other offices that occupied space in the current Library building if the project proceeded. Ms. Volek explained that an alternative for the Planning and Building Departments would be to move them to the second and third floors of the current Police facility. She explained that the Planning Department could not afford to maintain the Library building if the library functions were moved. Planning and Community Services Manager Candi Beaudry advised that the department's needs would be determined and an RFP would be put out to find an acceptable location if necessary.

Mr. McCandless stressed that the cost estimates were based on a number of different assumptions and those figures were expected to change if the proposal was approved. He explained that the existing Gainan's building was valued at approximately \$4.5 million, and improvements were about \$10.2 million. He noted that the Library had \$1 million in reserves that could be used, leaving a net cost of \$9.2 million. He said the cost for the bonds and issuance costs, along with the lease-purchase for the existing building, were about \$22.1 million over that 20 year time span. Mr. McCandless advised that the current location of the Library had been the subject of potential development and the question the City could never answer in regard to that was what would happen to the Library.

Mr. McCandless advised that the plan was to use the recovery zone bonds at an interest rate of about 3.7%. He said that interest rate was based on reimbursement of about 45% of the interest from the Federal Government as provided by the recovery zone bonds. He added that the cost of the lease/purchase was 7.25%. He pointed out that the bonds had to be issued by the end of 2010, but another option could be used if it was determined to be a least costly plan. Mr. McCandless said the annual payment on a \$200,000 home was estimated to be less than \$20 per year.

Mr. McCandless addressed the option to remodel the existing building, which was estimated at \$15 million. He noted that the Library's \$1 million in reserves would have to be used for relocation costs during the renovation. He said the total cost of the project would be about \$22.9 million and would cost less than \$20 per year for a \$200,000 home.

Mr. McCandless said there was no other space available downtown, so the costs used to determine new construction assumed the same site would be used. He noted that again, the Library's \$1 million in reserves would be used for temporary relocation. He said that project was estimated at \$26.2 million, with an annual cost of more than \$20 per year on a \$200,000 home. Councilmember Ruegamer questioned the cost and pointed out that First Interstate Bank built its new building for \$11 million.

Library Board Chair Tony Hines stated that the Board's recommendation was to pursue the Gainan's option. He advised that the current Library was not an adequate facility and something had to be done. He said the Library was used heavily with about 340,000 visits per year. He said the use was not declining and many of the users utilized the Library's computers. He said the Board voted unanimously to support the Gainan's project and recommended putting the issue to a public vote. He said that moving to the Gainan's location opened the current space for redevelopment but kept the library downtown. He pointed out that at the end of the 20 years, the City would have an asset with the land and the building. Mr. Hines stated that there was community support for the Library.

Mr. Cochran explained that the reason the decision was in front of the Council now was due to maintaining eligibility for the recovery zone bonds, but it would have been presented soon anyway to meet Gainan's schedule. He said staff was asking for Council guidance regarding moving forward on Gainan's project or another option. He said an early March election would allow the recovery zone bond timetable to be met. Mr. Cochran stated that in the past, redevelopment proposals failed about how to work with the Library and moving would make it available for redevelopment. He said the Gainan's option was the least expensive and allowed the City to sell the building and surrounding properties to redevelop a key downtown site. Mr. Cochran explained that remodeling made little sense because of the higher cost and that of the 100,000 square feet of the facility, the Library could realistically use only 60,000 square feet and the other space would have to be leased to other government agencies or non profits. He noted that only about half of the first floor was available for public use. He said the third option was to build a new facility, the most expensive option. He added that there was not a suitable site available in the downtown area and it was not desirable to locate it outside the downtown core.

Mr. Cochran stated that although the current site was something a developer could incorporate into a development, it was not an efficient building for the Library and doing nothing was not really an option.

Mr. Cochran advised that he learned from Legal staff that a bond issue would not amend the charter, which he understood was a concern of some community members.

Councilmember Veis asked if a design/build project had been considered due to the tight timeframe. Mr. McCandless advised it had not been considered at that point. Mr. Rupert added that design/build was not a big time saver for a Library because the design was very specific. He said that was still an option that could be considered even if a bond issue went forward, however he did not think a contractor would provide a guaranteed maximum price without knowing what he had to build. Mr. McCandless said it would be risky to issue bonds without having a construction bid in hand.

Councilmember Ruegamer stated that he was reminded of when the transit center was being considered and the City manager, at that time, selected the location without options and he saw the same thing with the Library. He said he would like to see an option of moving the Library outside the downtown core.

Councilmember Veis said he felt that was the question that had been asked for the last ten years. He said he did not think they could wait any longer.

Mayor Tussing stated that the decision now was whether to put it on the ballot, not what was built or where.

Councilmember McCall stated she did not want to wait either, but wanted to know what other governments or the school district were planning that could also be ballot issues.

Ms. Volek said she did not know but suspected that the school district would have something. She pointed out the requirement to have language to the Election Commissioner 75 days in advance to put it on the ballot. Mr. Cochran stated that Gainan's had been informed that the City would have an answer soon.

Mayor Tussing advised that Council could temporarily alter meeting procedures and asked for any objections to allowing public comment for up to three minutes per person on that topic. There were no objections.

The public comment period was opened.

- **Shari Nault, 732 Burlington** stated that the Library was listed as important amenity in the community conversations and the preference was that it remained downtown. She said the Gainan's building was attractive, people liked it and she felt it was worth considering.

There were no other speakers.

Councilmember Ulledalen asked if the future of the Library would be limited in terms of the number of books if the Gainan's building was the option selected. Mr. Rupert explained that the existing building was slab on grade and the expansion would be designed to accommodate 150 pounds per square foot as required for a library. He said there would be flexibility on about two-thirds of the building and he did not anticipate any future limitations.

Councilmember McCall asked about natural light in the new area. She said the Library was the topic of numerous discussions during the community conversations. Mr. Rupert reviewed the plan that had been developed and what was expected when the design was completed.

Councilmember Gaghen stated that the original building was designed to complement the Lincoln Center and asked if that would still be part of the plan. Mr. Rupert explained that the contextual architects could design a facility that fit the surroundings.

Councilmember Ulledalen asked how the land sale proceeds for the existing building would be used to offset construction costs if bonds were already issued for construction of a new facility. Mr. McCandless explained that during 2010, the property would probably have to be marketed. He said it might be possible to make a portion of the bonds callable and proceeds from a land sale could be used to call the bonds.

Mayor Tussing said he felt it was never a mistake to ask taxpayers if they wanted their money spent, but he suggested having a specific plan when it was on the agenda. He said he thought that proposal should be put on the agenda and did not think there was time to look for something else.

Councilmember McCall stated that she thought answers to questions such as parking should be available for the November 23 meeting. Councilmember Veis suggested staff prepare three resolutions for the options discussed.

It was agreed to have the item on the November 23 agenda.

Ms. Volek advised that she had an additional item to discuss. She said an item on the November 9 agenda was downtown lighting district. She explained that it was a legacy project under the last funding available from the old downtown Tax Increment District. She said funding for that was set to expire December 31, which created a time crunch for creation of that district. She advised that Public Works Director Dave Mumford would review a design-build option, and Mr. McCandless would review the option to extend the TIF District deadline. She said the problem with the design-build option was that the specs would have to be on the street that week. Mr. Mumford explained the design-build process and stated that the lighting district would be street lights and traffic signals. He said \$800,000 was available, but had to be obligated by December 31, 2009, which would be difficult. He said one option was design-build, but bids would have to be let and approved by December 23. He said there was a desire by downtown property owners to change the downtown lights between the blocks in addition to

the intersection lights. He stated that the issue was to get the money obligated. He noted that a one-year extension would be preferred.

Mr. McCandless explained the State Statute regarding remaining funds in a district when a tax increment district expired. He said bond counsel was agreeable to extend the timeframe to complete construction by the end of calendar year 2010. Councilmember Ulledalen commented that an extension was the most reasonable thing to do.

It was Council consensus to proceed with an extension.

A recess was taken 7:05-7:20 p.m.

TOPIC #4	Department Business Plans
PRESENTER	
NOTES/OUTCOME	

Ms. Volek advised that department heads decided to address budget concerns by developing business plans. She said staff had already taken steps to reduce costs. She provided an overview of reductions that occurred in the past few years. She noted that assumptions were used in the business plan that there would be 5% increases in personnel costs and scenarios using 3% and 0% increases in operating and maintenance costs. She said those figures could be adjusted and brought back if Council preferred. Ms. Volek said the business plans were going to be presented to the Council because needs were identified by the public during the recent community conversations and staff had identified many needs regarding equipment, materials, etc.

Councilmember Veis asked about a dispatch center. Ms. Volek responded that it would be worked in in 2012-2015. Councilmember Ulledalen asked about the police lawsuit. Ms. Volek advised that was not in the projections, but could be added. She pointed out that 800 MHZ replacement was on it and would be reviewed further at the next work session. She added other items considered were the pool at Rose Park, South Park, the inner belt loop, a planning levy, storm water issues, Library, police staffing, downtown parking garage, fire training center, water treatment plant, and another fire station in the Heights area. She said fees would be analyzed as well. Ms. Volek said the request to Council was to consider preservation of what the City had, or construction of new, and to consider in conjunction with community conversation discussions, holding a joint work session November 30 to begin discussion of the community conversation outcome and some of those lists. She said Mr. Whittenberg would be asked to attend that joint meeting if one was held.

Councilmember Veis asked if the business plan took into account that ignoring the O&M needs would eventually result in higher capital expenditures. Ms. Volek said it was considered for a five-year time period and projections were made using a 3% increase and 0% increase.

Aviation and Transit Business Plan

Aviation and Transit Director Tom Binford explained that the business plan summarized activities of the department and provided financial forecasts. He began with a review of MET and said the goal of the financial analysis was to determine if it could operate for five years with the existing resources. He pointed out that the federal funding was outpacing local revenues, and that was something to be concerned with because federal funds could not be counted on long term. He reviewed the fixed route analysis and pointed out that fixed costs exceeded fixed

revenues, but excess revenues from paratransit offset that. Councilmember Veis asked if the analysis was done on a route by route basis to determine which routes were the most expensive. Mr. Binford advised there was a ranking on every route. He noted that costs of services changed. Mr. Binford reviewed the assumptions used in the five-year plan. He noted that fuel cost increases were anticipated to increase at the highest rate.

Mr. Binford explained that three scenarios were provided, but he suggested focus on the bottom lines of revenue, expenses and reserve fund balances. He stated that if the summary was accurate for expenses and revenues, capital could be replaced and the department would have good reserve levels. He noted that it needed to be updated annually because it was a living document and facts changed.

Councilmember Veis asked Mr. Binford if the plan included any recommendations for reduced services in order to balance the negative financial outcomes. Mr. Binford responded that it was not done directly, but the plan included an explanation of additional services and their costs and cost reduction scenarios were identified, such as eliminating Saturday service. He noted that not all of it was in the book, but staff had the information.

Councilmember McCall expressed her concern about using a 5% increase in wages and benefits, not just in Aviation and Transit, but across the board. She said that was something that Council might not be able to support. She stated she wanted to see the cost differences using a 3% increase. Ms. Volek advised that 5% was the average increase of wages and benefits.

Mr. Binford advised that a similar format was used for the Airport plan. He said the analysis was based on how the operation and cost structure changed depending on the economy. He reviewed the impacts the economy had on the airline industry during the past 18 months. He stated that the facilities had to be maintained, leases and agreements had to be honored, and the airport's self-supporting model had to be sustained. He explained that the downturn of the economy was weathered due to two good growth years and staff that understood how the business model operates and is able to make adjustments for the changing conditions.

Mr. Binford advised it was difficult to predict the future of the airline industry and it was dependent on the economic recovery. He explained the trends used for forecasts, and the projections made were conservative – using two scenarios of 1.5-2% annual increases and 0-2% increases. He advised that the Airport could operate with the lower level increases for a while, but it was too hard to recover if O&M was at zero for too long. He reviewed the two scenarios and pointed out that although the Airport would be okay for the five-year timeframe, there would be greater needs with the lower growth projections. Mr. Binford reviewed the strengths of the Billings market.

Councilmember Pitman asked what Aviation and Transit needed in terms of Council support. Mr. Binford advised that it was important that the Airport continued to ensure the service options were available. He said Council did not need to do more than what was being done. He reported that support of fees would be requested so that users paid for the services and facilities. Councilmember McCall commented on Allegiant Air's niche market and asked if there were others like it. Mr. Binford said there were not. Councilmember Clark asked if Great Lakes was flying past Billings. Mr. Binford explained that schedule and indicated it had a small impact on the Billings airport.

Mr. Mumford reported that Public Works started looking at its business three years ago. He said the plan was not based on divisions, but was based on tasks and funding sources. He advised that about one-third of the City's employees were in the Public Works Department.

Mr. Mumford advised that Public Works was responsible for 522 miles of road, 435 miles of sewer, and had 30 facilities. He noted that to replace the current infrastructure would cost about \$2.8 billion, so keeping it secure and not making it a capital investment was important to the community. He explained that the revenue sources were restricted by law and regulations.

Mr. Mumford reviewed the revenue sources and pointed out that fees and assessments were the primary funding sources. He reviewed expenditure categories and pointed out that personnel expenses were 16% of total expenditures.

Mr. Mumford reviewed the focus points used to develop the business plan. Councilmember Veis asked about saving reserves for capital expenses. Mr. Mumford explained that the only place that could be done was with arterial fees. He explained how that process had changed in the past few years. Councilmember Clark commented that the arterial fees would change some because they could be bonded against.

Mr. Mumford explained that every challenge was reviewed and options were developed for each. He provided a brief overview of the major challenges as: 0% increase in O&M; water; wastewater; and storm water. He listed additional challenges as: street maintenance, traffic congestion and capacity, recycling, street standards in existing neighborhoods, pharmaceutical disposal, and personnel. Councilmember Veis asked if the slowed replacement program was causing more emergency infrastructure repairs. Mr. Mumford explained that replacements were focused where breaks occurred, but new construction, such as Shiloh Road, demanded some of the same money. He added that TMDL regulations would be costly. Councilmember Ulledalen asked if there were areas in addition to the Heights that needed storm water systems. Mr. Mumford said the Heights, Briarwood, and new areas on the west end needed storm water systems.

Mr. Mumford reviewed the strategies proposed for the next five years to attempt to address the challenges identified. He added that performance benchmarks for the tasks would be implemented for all divisions. He said a dollar amount would be assigned to the services and the results would be seen in the budget. Councilmember Veis asked if those benchmarks would provide more specific costs for situations like new subdivision developments. Planning and Community Services Director Candi Beaudry stated that fiscal impacts would be included in the annexation policy. Mr. Mumford reviewed the long-term strategies.

Mr. Mumford advised that implementation of the plan required reallocation of staff and/or equipment to cover priority tasks; implementation of cost saving programs; changes in policies and procedures to improve efficiencies and meet public needs; and changes in fees. He noted that staff and maintenance would be reduced if the proposed strategies could not be implemented. He said the first performance benchmarks would be seen in 2011.

Mr. Mumford provided an explanation of how the tasks were categorized so if funding changed, there was a method to determine which tasks were adjusted or eliminated.

Councilmember Pitman stated it was important to reiterate that the business plans were living documents and staff took ownership of them. Ms. Volek stated that she had asked Mr. McCandless to check into a program that recognized cost-savings plans suggested by employees.

Library Director Bill Cochran referred to the Executive Summary of the Library Business Plan as a good overview of the plan. He stated that the Library experienced a downsizing prior to the current economic downturn. He said the staff was reduced while workload increased. He stated that the scenarios were optimistic in terms of operating. He explained that a regional group was used as a comparison rather than a national group. He pointed out that the Billings Library was below average in staffing levels, facility size, and holdings. Councilmember Ulledalen stated that although the staff was very productive, there were programs and services not provided due to the current staffing level. Mr. Cochran advised that holdings had been reduced to accommodate physical space for the computer stations that provided internet access. He explained the additional space the proposed Gainan's location would provide.

Mr. Cochran reviewed the funding scenarios. He said the Library anticipated a healthy future with an unobligated cash reserve that could grow over the five-year period because the library was small enough to be sustainable. He said he did not have a recommendation of reductions, although he faced a situation in 1993 when there were no cash reserves and the Council approved a one-time \$100,000 allocation to pay salaries and some subscriptions for the year and the following year the library was able to restore services. He commented that the visitors to the library had to drive to the downtown area and pay for parking, but once inside, usually checked out more than average numbers of materials due to the quality of the collections.

Mr. Cochran explained that if staff had to be reduced, the library would risk losing its accreditation, so services would have to be cut instead, and that was not recommended.

Mr. Cochran reviewed the benchmarks identified. He said a more comprehensive strategic plan would be presented to Council sometime in January, 2010.

Planning and Community Services Business Plan

Ms. Beaudry advised that the Building and Planning Divisions faced significant shortfalls beginning in Fall 2008 due to the decline in permit activity and shortfalls were addressed. She explained that Community Development was constrained by funding received from federal grants. She stated that Code Enforcement seemed to be underfunded and was handling a 26% population growth and 31% increase in area coverage since 1990 with no increase in code enforcement officers and only one commercial officer added in 2005. She said complaints had increased 584% since 1990.

Ms. Beaudry stated that she put a lot of emphasis on employees throughout the plan because that was a very important aspect of the department. She reviewed department goals and said they paralleled the Council's Strategic Plan. She advised that fiscal sustainability, core or mandated programs, and community benefit were considered when new projects or tasks were contemplated.

Ms. Beaudry reviewed budget information for the departments. She noted that the Building division had been impacted by the decline in building activity and that 71% of its budget was personnel costs.

Ms. Beaudry advised that Code Enforcement expenditures continued to rise, mainly personnel costs, while all other line items were frozen or reduced. She said it was hoped that revenues would increase if the municipal infractions ordinance was approved.

Ms. Beaudry reported that Community Development spent 87% of its revenue on program costs, which was pass-through funds, and only 13% of the budget went to personnel.

She added that all state and federal funding was allocated each year and the division did not maintain reserves beyond the designated fund for sick and vacation leave pay.

Ms. Beaudry advised that Planning revenue continued to decline. She said four positions were eliminated in 2009, but the division was able to increase its reserve account. She noted that 58% of that budget was for personnel costs.

Ms. Beaudry reviewed strategies to allow the department to live within its means. She said some strategies had already been put in place.

Councilmember Ulledalen asked about the proposed municipal infractions ordinance. Ms. Beaudry explained that it was estimated that based on the code enforcement violations issued, fines collected through the municipal infraction ordinance would be enough to fund a new position.

Ms. Beaudry reviewed the two budget scenarios. She reviewed items for consideration regarding the need for a 1 mill planning levy increase. She noted that additional funding would enable the department to receive additional transportation funds. She explained that the County could have implemented that 1 mill for the current year, but didn't, even though it could decide to do it next year. Ms. Beaudry advised that Planning Manager Wyeth Friday suggested approaching the County with a request to increase the planning levy for the urban area only.

Councilmember Pitman asked if the mill levy would be used to build reserves so the department was not in the same place it was currently. Ms. Beaudry said the reserves would be built up and some strategies could be accomplished. Councilmember Pitman asked how the department was planning ahead for the Inner Belt Loop. Ms. Beaudry explained how the process would normally occur. Ms. Volek advised that staff has had discussions about options to reduce expenses.

Additional Information:
