

City Council Work Session

5:30 PM
Council Chambers
February 22, 2011

ATTENDANCE:

Mayor/Council (please check) Hanel, Ronquillo, Gaghen, Cimmino, Pitman, McFadden, Ruegamer, Ulledalen, McCall, Astle, Clark.

ADJOURN TIME: 9:53 p.m.

Agenda

TOPIC #1	NEA “Our Town” Grant
PRESENTER	
NOTES/OUTCOME	

- Withdrawn by the sponsor.
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TOPIC #2	Park IV Sale Proposal & Park V Land Purchase
PRESENTER	Bruce McCandless/Greg Krueger
NOTES/OUTCOME	

- Bruce McCandless: Two years ago the city council started an initiative for the sale of Park IV structure. Staff is looking for your comments and would like to have this go to the March 14th City Council Meeting. Parking structure is located on N. 31st Street between 5th and 6th Avenue North. It was constructed in 1986, \$4.4 million construction costs. There are 760 spaces, most of which are monthly leased parking spaces; average net income is \$150,000 per year. Strategy 5 determined the parking structure could be marketed for \$4.6 million. United Industries met all the requirements of the RFP except price. There is a stakeholders committee which consist of three council members, a representative of the Parking Advisory Board, and a representative from the Downtown Billings Partnership. The garage is outside the core of downtown, it is the only city parking structure that is. It basically serves the TransWestern Complex and the First Interstate Bank. If it passes into private hands it becomes taxable property. City is used to buying high and selling low but the offer is less than 60% of original construction cost.
- Clark: any idea of what the tax income would be if it was put on the tax rolls? Bruce: Approximately \$120,000 for all jurisdictions, the City receiving 25% of that.
- Ruegamer: what is the expense connected to it? Bruce: The revenue minus the expenses is \$150,000.

- Ulledalen: Does the cash flow include the capital maintenance things we have done historically such as paint and ADA upgrades? Bruce: yes but built 25 years ago and major maintenance is probably coming relatively soon.
- Astle: Is the garage staff or is it just monthly with a keycard? Bruce: The garage is manned but the attendant arrives earlier and leaves earlier because there is very low usage on an hourly basis, there is 90+ percent of monthly parkers.
- The stakeholders committee made no recommendations. The Parking Advisory Board also looked at the proposal and they are making the recommendation to the City Council that we do not accept the offer from United Industries but that we go back to them with a counterproposal to attempt to negotiate higher price. Staff recommendation is to not sell the garage, eliminate transient parking and remove the booth staff personnel.
- Ulledalen: what were they thinking when they built this garage in the first place? Building the garage enable the tower to be built, what did the tower and maybe TransWestern 3 and TransWestern 4 add to the taxpayers? Bruce: Tax value when the structures were first built or what they are today? Ulledalen: Today shows the impact on revenue structure. Bruce: The roll was to provide parking for the employees, not designed for customer parking.
- Hanel: it is difficult to make a decision. It doesn't seem wise to give up that kind of value; it is turning towards a fully automated situation. It would be difficult explaining to the citizen's about leaving \$2 million dollars on the table.
- Gaghen: I was on the committee with Councilmember Ulledalen and Councilmember Ronquillo, the value of the land, the construction of a new library, and the Billings Clinic building, makes the value greater and all goes to the private sector but the trade offs are challenging.
- McFadden: with the sale of the garage and that money going into the parking fund would we actually need that money to get started on any other project. Bruce: it is not necessary but it certainly would be helpful. The Parking Fund has about 1 million dollars of available cash plus the sale of the garage would reduce the amount a debt the city would have to take on to build a new facility.
- Pitman: I think it is important to look at the actual dollar amounts of eliminating the staff and transient parking and open the garage for monthly rent. Bruce: the information will be in the staff report when it is brought to the March 14th meeting.
- Astle: if private we will get \$30 - \$35 thousand, if we leave it alone and turn it into an automated card only we will make \$150 thousand a year? Bruce: We presently average about \$150 thousand per year. We would add \$15 - \$20 thousand a year if we made the garage fully automated. The city built four parking structure using tax increment dollars, the garage is debt free at this point, and they only pay operating costs. Private ownership would support tax supported funds while current supports parking.
- Ruegamer: concerned about the appraised value, it is a huge range. The appraisal was very poorly done. Troubled as the replacement value does not mean a lot, can't expect to get what we paid for it. We will have to accept what someone will pay for it. Bruce: qualifications of firm that conducted the appraisal are excellent. Most appraisal firm would agree the \$4.7 million is high.
- Ruegamer: is the value of the land less than the cost of tearing the garage down?

- Ulledalen: Do the assets have any effect on bonding for the Park II expansion? Bruce: The parking structures did not carry any debt until we expanded Park II, incurred \$5-5.5 million financially. All pledges were put to repaying that loan. Since Park IV generates income to support Park II, we needed to get a release from the financing company.
- Mayor: worth exploring counter offer. Can staff calculate the income over the garage life to add to value? Bruce: Could go back until late 1990s and look that up.
- Pitman: What is the gross income? Bruce: We will have to get that information.
- McCall: what is pricing line for each of those spaces and is it on par with similar cities, is it something we can increase? Bruce: Last time parking was increased was in 2006, at that time standard monthly and premium parking, \$50/month for covered and \$25/month for roof top. We are now at \$100.00/month for assigned spaces. McCall: that is really cheap. Bruce: In comparison to other cities yes.
- Ulledalen: Anticipated maintenance costs? Bruce: Last condition audit was done 4-5 years ago. Staff will research and get that information available to you.
- Astle: what are meter rates? Bruce: Standard meter rates are \$.35/hour increased five years ago from \$.25/hour.
- Public Comment:
- Joseph White: in favor of selling the parking garage (the rest of Mr. White's testimony was inaudible.)
- Greg Krueger: Presentation is on what is being called the Empire Parking Garage. History of parking and development in downtown. Step 2 is to build the garage, concept drawings presented. Step 3 is demo and construction; discussion on the bonding and costs. Potential sale value for office and parking condos. Bonding costs... Points out that all taxes from Park 4 sale would be increment, so city will receive 100% of the taxes to use in the TID. Astle: a parking bond or a TIF bond? Greg: the market for a TIF bond is not very good right now; the interest rates ratio would be about 1.7. Astle: if it is a parking bond it is not in the TIF? Greg: it is in the TIF. Astle: so taxes are restricted. Greg: That is right; the garage would be in the TIF. Reviews the "deal" being offered to present landowners. Proceed with agreements in March or don't proceed? Ruegamer: who will own the project? Greg: city will own the land but can sell or lease the parking spaces and commercial space. Empire garage may be a good design.
- McFadden: like it that you know where the Empire sign is. How important to the Northern Hotel? Greg: important. Present garage is aged but usable.
- Hanel: feedback from Crowne Plaza about conference center? Greg: still discussing but no commitments.
- Pitman: value of Northern garage? Greg: \$800,000 to \$1,200,000.
- Astle: can we do the new one without selling Park 4? Greg: yes but I'll be nervous.
- Gaghen: how does new garage construction impact reopening the Northern Hotel? Greg: don't know for sure and it's a tough issue. Will have to offer some kind of replacement parking. Challenging.
- McCall: think we should proceed. Heard from people that it's good but are we doing too much downtown at one time? Greg: think the activity enhances the Library project. Thinks there will also be redevelopment south of the tracks.

- Hanel: draft agreements in March? Greg: draft development agreements that cover redevelopment but final ones for purchasing the property should be pretty close to final.
- Pitman: support, but want to see numbers without selling Park 4. Greg: will do.
- Astle: talk about closing and selling the old post office. Greg: GSA says that it could be a long time in the future. If ever for sale, parking lot could be useful, building should remain.
- Public comments:
- Matt Robertson 80 Mountain View, chairman of DBP, commercial property broker. Park 4 sale should proceed; highest and best use is for a garage because demolishing the structure is expensive. Too much other developable property for this to compete. 5.27% ROI if the garage sells at \$2.6 million. Need to consider the new Empire garage revenue as replacement for the lost net income if city sells Park 4.
- Jeff Kanning, 1943 Mariposa: architects on Crowne Plaza remodel and Park 2 expansion. Garage could unify 2 hotels as conference center support. Conference study report says that city can support new one and it should be downtown. Crowne won't do the conference center until there's a parking structure. New Market Tax Credits may be able to be used for the conference center. Gaghen: are you saying the convention center would be funded by the Crowne Plaza in total? Jeff: yes it is private. Astle: sky bridge to the Northern? Jeff: yes. Should be able to walk between the hotels under cover. City should sell Park 4 because it helps new garage construction and supports the conference center. \$1,000/ person spent by people who attend the conferences, so almost \$100 million in first year economic impact. Pitman: would attendees be new or just displace them from other venues? Jeff: no, this is a higher quality center that can't offer the square footage that others can. Gaghen: Crowne owned by family, not corporation? Jeff: independent operators under franchise. Hotel Group. Ulledalen: what can Crowne host now and in future? Jeff: Crowne can seat 500, new facility to seat 1200. Others are in the study. Park 4 generated at least \$2.5million net income over past 25 years, so City regained its investment and will move past that number if it sells for \$2.6 million.
- Kevin Nelson, 4235 Bruce Avenue: want city to do a financial analysis: don't sell Park 4, if City can't extend TIF district beyond 15 years and TIF income reduction of 30%.
- Lisa Harmon: DBA and BID. Love to see a new structure on MT Avenue. Will help to redevelop other properties in the area. New businesses opened in downtown, several at Babcock that wouldn't have happened without City TIF investment. McCall: important to frame the message that all redevelopment is good for the city. Lisa: TBID can't recruit large conferences because we don't have the space. Need more conference space.
- Hanel: success of progress goes to not only the council but the DBA.
- Astle: not against selling park 4 but not for the appraisal price. Rumors about development in that neighborhood, we'll see.
- Hanel: any instructions for staff? Response is to keep working on both deals. Continue to work on negotiating. Pitman: city needs to keep in touch with Legislature and effects of TIF bills. Could negatively impact us. Kevin Nelson's reference.
- Hanel : staff should proceed and bring back contracts for review.
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TOPIC #3	Park Board on Park District
PRESENTER	Mike Whitaker, Parks, Recreation, Cemetery and Public Lands Board
NOTES/OUTCOME	

- Mike Whitaker: Park board here to present how it wants to proceed with improving parks.
- Kathy Grott: Parks department on a bad trajectory and we have ideas how to change that. Lots of facilities, lots of (survey) support from the public. Three ways to fund parks: GF, fees and PMDs for neighborhood parks. GF can't fund parks right now. \$9 million deferred maintenance and no mechanism to fund the improvements. Shows poor facility condition. Staff and user groups came up with 14 priority projects, worth about \$5 million. Board developed priority ranking criteria. Asked user groups to rank the projects. Board used criteria to ID projects and priorities. Hanel: what fall protection materials would be used at playgrounds? Kathy: probably combination of wood chip and rubber material. Continued on with priority ranking criteria.
- Margy Bonner: legal aspects of creating a park district. No more dollars from GF are available. Use 2009 special district law, Missoula the first to use it. Process to form a district, starts with a resolution of intent. Like the flexibility of the district concept for funding parks. Preliminary costs are about \$20 - \$30 per house for \$2 million per year district total. Pitman: use limits? Margie: capital and maintenance of parks, not recreation. Astle: assessment methods impact? Weber: some other assessments are limited on size of property, etc. These are preliminary assessments, will have more details if we proceed. Ruegamer: what happens to present PMDs? Margie: near future would be to continue PMDs and hope to reduce them in the future. Clark: Council could eliminate the PMDs. Tina: about 5100 parcels have PMD assessments.
- Rick DeVore: board and staff worked hard last few months on this and will develop more answers soon. History of community park support. Want to keep GF of \$2.4 million and add \$2 million. Provides flexibility at what can be done, funding to projects that need immediate attention. McFadden: Is there a cap on what people would have to pay in any given year? Whitaker: bond against the assessments. McCall: What is the improvement capital side of this? What are we doing in the parks? Mike W.: we can bond through our assessments. Tina: would like the park board to tell the council how they talked to people about the improvements wanted. Whitaker: Five (5) public meetings were held to talk about how to fund park improvements and what should be done.
- Tom Iverson: committed 2-3 meetings to talking about this only. Park Board working hard on this. Recognize that we need to work more on existing PMDs, don't know how that will come out.
- Ulledalen: got the numbers that we need, think this is something that if we implement the plan and people see positive results, they'll support it.

- Gaghen: timing? Iverson: Council can do this on their own. Gaghen: other things going on the ballot and concerns about competing issues. Whitaker: didn't schedule it but if staff gets a go ahead, will work with City Administrator to schedule plan implementation.
- Hanel: good work.
- Clark: glad that staff and board came up with the numbers. Been asking for this since 2009.
- Pitman: 5-6 years ago, board came up with small, visible improvements and that may help gain public support. Advise the current board to look at the list.
- McFadden: only time I've seen Council being able to create new taxes without public vote. Whitaker: Missoula using it. Ulledalen: using it for land acquisition? Whitaker: no, using it to balance operating fund.
- DeVore: staff and board concern was if we don't do something, things will continue closing, need to stop that and start improving.
- Public comments:
- Kevin Nelson, 4235 Bruce Avenue: same as arterial fund discussion. I don't use park any different than my neighbor, so should assess a set amount per parcel or per home, not based on lot size or value. Legislature protecting you by nullifying overreaching public bureaucrats such as removing ADA standards. McFadden: aware of other taxes being increased without public vote? Kevin: no.
- Weber: new provision is nothing new. Street maintenance districts, storm sewer maintenance districts, fire hydrants, etc. Legislature has given cities power to do this on many issues.
- Ulledalen: Council would need to make sure that money is used for visible public improvements, not for salaries, additional staffing, etc.
- Gaghen: Nelson comment on flat fee has merit.
- Astle: Agree with Peggy, let us at least look at the flat fee.
- Ruegamer: 5100 parcels on PMD – what would the numbers be if we took them off.
- Pitman: need to hear from staff about fees for seats at the ballpark that can be used for parks.
- Tina: can't do it if we want to keep tax exempt bonds.
- Pitman: want to know the effects of losing tax exempt status of bonds and if we charge for all facilities.
- Ulledalen: can't void the tax exemption, but could we charge fee for other park facilities and use them for park improvements without doing that?
- McFadden: don't want to see the wish list from park dept., but what would cause least impact on taxpayers. Least amount that park dept needs annually rather than what staff wants.
- Ulledalen: Take this forward to the public, how do we treat the current PMDs.
- Consensus: move forward with the proposal but want to know how much is being assessed in PMDs and what will we do with them in future if we establish citywide district and fixed dollars per lot and that all money goes directly to projects.
- Clark: PMDs may want to keep their PMD in order to get higher maintenance for their parks.
- Tina: asks for flexibility to develop various scenarios. OK.
- Cimmino: Yellowstone Family Park 15 years and \$15/month for SID. We are talking citywide.

- Ulledalen: PMDs are neighborhood parks, community wide park resources not for neighborhood repairs.
- McCall: come back with various scenarios we have discussed tonight.
- Clark: \$16/month SID on Yellowstone Family Park was to build the park; they pay additional for maintenance.
- Pitman: legislative restrictions on what we can do under this law? Margy: lots of types of improvements under MCA 7-11-1001.
- Gaghen: is this the model Missoula used? Margy: they used flat rate per lot.
- Astle: if Council votes to assess as presented, it can be overturned by 51% protest. How long is the protest period?
- Brooks: protest the creation of this district vs. the right to protest the assessment on your tax roll. Which are you talking about? Astle: protesting the district. Brooks: process similar to how you create a special improvement district; to protest is section MCA7-11-1008. Astle: how long do they have to protest once the city sets the assessment? Brooks: you can take protests up to the hearing date. Weber: like an SID; 30 days have the right to protest and if less than 50% protest, council can pass.

TOPIC #4	Pool Passes & Fees
PRESENTER	Joe Fedin/Lee Stadtmiller
NOTES/OUTCOME	

- Joe Fedin: reviews history of recreation and pool fees and the low income fee reduction program available to city residences and children under 17. Scholarship program description, max of about \$4000/yr available.
- Ulledalen: very low income doesn't file tax returns? Joe: yes, we consult with them individually and grant it if warranted. Case by case basis.
- Joe: current fees review. Not proposing changes. Change proposals: decrease the age for free pass from 6 to 4 yrs.; \$5 free pass issuance fee; projected revenue increase would be approx. \$11,470.
- Clark: report what other cities charge when you return this for approval.
- Pitman: Parks had not had an increase in fees for 10 years; the small increases are easier for people to accept.
- Lee Stadtmiller: fees for cemetery services and lots. Resolution that will come to you next month. Fee increases are approx 2% over present.
- Cimmino: compared fees to other cities? Lee: no, increase addresses inflation cost and doesn't change comparison to private cemeteries. Some of our fees are higher and some are lower on various charges.
- Pitman: cemetery self sustaining? Lee: no, about \$350,000/yr subsidy. Pitman: requests for chairs at gravesites, even if charged for them. Lee: could do that but liability concerns and services are relatively short.
- Hanel: can chairs be available if requested? Lee: upon your recommendation
- Pitman: higher liability? Brent: fact driven but low risk.
- McFadden: other support chairs, MMIA should cover. Brent: Doesn't matter whether or not it is covered, it is whether the city is negligent in providing or not providing chairs.

- Clark: How many chairs are we talking? Pitman: Four to six chairs. Huge benefit to families.
- Public comments: none
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TOPIC #5	Council Budget Priorities
PRESENTER	Tina Volek
NOTES/OUTCOME	

- Tina: already started budgeting, will come to Council in May and want to adopt before July 1. Projections for GF and PSF. Revenues over expenses past two years equal \$1.4 million and \$2.8 million. Recommended minimum fund balances, PSF transfers. Budget guidelines include 0% O&M, SBRs for expanded services or personnel, 4% uncontrolled costs such as utilities and fuel. Park GO bond funds expended this year. Maintain existing services before adding new ones. Legislature impacts; reduction to entitlement, business equipment tax, PERS contributions and health plan loan.
- Ulledalen: FY 14, 15 and 16 will require layoffs, want staff to produce numbers soon rather than later so they don't hit suddenly. Want to see pending staff cuts rather than numbers.
- McCall: State GF decision packages, model ours from that.
- Pitman: frustrated by 1% tax revenue increase for 6 year projection period. Where are revenues over expenses shown for 2009 and 2010? Tina: can't see past years but Pat can better explain. Are we underestimating? Weber; no, these were predicted and conveyed to Council. Revenues are pretty stable, expenses less so.
- Ulledalen: PSF levy included fire station, what happens when the station is paid for? Save the money for other new stations?
- Tina: pays wages in future years. Can save it for other stations, but that will reduce what is available for personnel.
- Pitman: should be looking at building maintenance and improvements. Tina: doing it.
- Clark: knew the fire station would be paid for during the term of the levy and any additional money would be used for future payroll. Tina: yes, and paying for interest too.
- Ulledalen: radio system replacement. Options? Tina: use the MDU money and spreading the costs to other Funds that will use the system.
- Ulledalen: what are we going to do with building and planning if development stays stagnant? Tina: discussions with Candi.
- Tina: any changes in projections?
- Ulledalen: 0% O&M pushing the deferred maintenance into the future and onto future Councils. Have to deal with that at some time. Tina: other issues including building locations and costs accompanying.
- Clark: money that came back to GF reserve: majority from more revenue or less spending or combination? Tina: reappraisal was less harmful than planned. Weber: \$700,000 savings in PSF and higher revenue. Clark: how do you save \$700,000? Mostly personnel vacancy savings.
- Public comments:

- Kevin Nelson, 4235 Bruce Avenue: Wall Street Journal online highlighted Montana and public employee unions and benefits. FY 12 -16 continues expansion of salaries and benefits. What is happening in Wisconsin, etc. may happen here. Legislature restricts how the retirement funds are used – for personnel pensions. TIDs short the pension funds and you'll be lucky if you don't have to pay them back. Can't raise taxes and fees and give pay and benefit increases.
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TOPIC #6	Public Comment on Items not on the Agenda
PRESENTER	
NOTES/OUTCOME	

- Kevin Nelson, 4235 Bruce Avenue: make these business meetings. Winking and nodding at the staff and making decisions here isn't proper.

Additional Information: