

City Council Work Session

5:30 PM
Council Chambers
May 7, 2012

ATTENDANCE:

Mayor/Council (please check) x Hanel, x Ronquillo, x Cromley, x Cimmino, x Pitman, x McFadden, x Bird, x Ulledalen, x McCall, x Astle, x Crouch.

ADJOURN TIME: 7:40 PM

Agenda

TOPIC #1	Battin Federal Building and Courthouse Discussion
PRESENTER	Tina Volek
NOTES/OUTCOME	

- Tina: restates the memo sent to Council on Saturday, May 5. Included in the memo are potential uses such as: Municipal Court; Police Department; Communications Center; Legal and housing homeless service providers. Building is too large for city only, so county or BSEDA might be co-locators or owners. Staff recommendation is that the City Council submits a notice of interest to GSA in acquiring the Battin Building if Yellowstone County and Big Sky Economic Development agree to participate. If the Council agrees, it could be added to the May 14 agenda.
- Hanel: does this proposal commit us to anything?
- Tina: no. Recommend that the city ask for one (1) year due diligence.
- Ronquillo: GSA can't leave it vacant, can it?
- Tina: yes they can. There is some history of seeing that happen.
- Cimmino: why large estimate range for asbestos removal?
- Tina: could ask for GSA documents on asbestos or we could do our own assessment.
- McCall: expect to discuss it at the EDA board meeting. Is it on the County Commission agenda?
- Tina: yes to both.
- Bird: disclose that she is court clerk for the 13th judicial district, a state agency but resides in the county courthouse. All six (6) district court judges are interested and want the city and county to explore future use of the building for courts. Want to explore the options. Will make a presentation at the Commission meeting tomorrow. Support the city's interest.
- Pitman: how much for new emergency communications center?
- Tina: we have \$2 million available for construction on the North Park site. Don't have a design, so don't know the total estimated cost.
- Astle: support interest in the building. How long will abatement take if courthouse is vacated?
- Tina: 18 months to two (2) years for abatement and remodeling.

- Hanel: would the city proceed if the county doesn't?
- Tina: can't fill it with city offices only and would probably recommend that the city not proceed if the county doesn't.
- Ulledalen: the city can't afford it. Ask the GSA to offer it to private developers. Need to be realistic about financial status.
- Steve Arveschoug, BSEDA director: haven't talked with Board of Directors yet, so can't make definite statements. Want to see if there is a public/private partnership that could provide some tax base and some public space. Will ask Board if they want to express interest. Should ask GSA if we can pursue private partner, if not, should be auctioned to the private sector.
- Astle: any interest from the State for leased or owned space?
- Steve: even if the state doesn't want the space, might be able to fund some of the investigatory work.
- Bird: need to make sure the right people are at the table to talk about future use. People need to remember that we're looking at opportunity to serve the public, do it fiscally responsibly. Good public service opportunity.
- Public comments:
- Joe White, : oppose further public use of the building. Expensive to abate the asbestos. Use the money to build a good new building. Feds should be responsible for tearing it down. New building is useless too.
- Tina: does the Council want a letter to consider on Monday? Contingent on county & BSEDA Board participation?
- Hanel: consensus to present a letter, not dependent on County.

TOPIC #2	Budget Overview
PRESENTER	Tina Volek
NOTES/OUTCOME	

- Tina: budget book has numbered pages. Handout has key to important pages in the budget book. Presents the overview. (Budget presentations attached.)
- Bird: COLAs part of ongoing compensation?
- Tina: yes, in Collective Bargaining Agreements (CBA's) and is customary for non-bargaining employees. Continues presentation.
- Bird: could we see the % cost increase over past five (5) years for electricity and fuel?
- Tina: yes. Working on energy savings proposals.
- Bird: any CNG or hybrid vehicles? Fuel costs are volatile; do we have a reserve for that? How far out does that contract go?
- Tina: the new library bus that will have a hybrid drive. Buy fuel at rack price with guaranteed markup, three –five year contract. Continues with presentation.
- Bird: on the proposed fee changes what is an arterial fee?
- Tina: the arterial fee is charged against every property owner in the city of Billings via property assessment for managing roads.
- Bird: if all the proposed fee changes are passed what would be an average cost to a property owner?
- Tina: about 2.5 percent increase or approximately \$30 for the year.

- Pitman: when Mumford presents fee increases for streets, want an update on what has been done with the money assessed last year.
- Tina: continues on with presentation.
- Bird: what are percentages change from year to year budgets? Not just dollars. What is \$132,740 one time money in FY 12.
- Mayor: would you please explain the 380,000 in FY 11.
- Tina: In 2011 we had a \$162,000 supplemental budget request for Parks and Recreation to upgrade a one ton truck and two new mowers. PRPL took over the weed control that year that was previously done in the private sector, which we had difficulty getting private vendors to do for us because of our insurance requirements.
- Tina: General Fund reserve discussion. Hard work moved the deficit year to 2016 from 2015. Will eventually have to ask for tax increases to maintain services.
- Ulledalen: gazebo project status? Last year asked where are the deficits in the budget. Never got a complete answer. I did research and almost all of the deficits occur in the police and fire departments. 0% O&M increases are not necessarily good management. Just deferring spending to future Councils.
- Tina: gazebo is in design by licensed engineer, meeting with South Park task force to come up with the design. Worked with volunteer groups for projects but we're out of those projects.
- Cromley: how are teams formed for cross checking in Priority Based Budgeting (PBB)?
- Bird: why so long to build a gazebo? Hope we don't go so slow on park district projects. Concerned about any increases in the FY 13 budget. Shouldn't be adding anything to the budget now when it looks like we'll cut budget in a few years.
- Tina: moved longevity back in collective bargaining, Council hasn't concluded whether park improvements will proceed this year or next.
- Pitman: in the same predicament as the school district with millions of deferred maintenance on our buildings? Would like a list of where we are citywide with deferred maintenance.
- Tina: will take awhile to put together but can do it.
- Bird: can't make decisions on piecemeal information. Need to think about three (3) years out and how we're going to have a sustainable budget. Need the big picture.
- Tina: had a group look at revenues, worked many of them and they didn't work out. Local option sales tax failed repeatedly at the Legislature.
- Bird: PBB is wonderful theory if used as intended. Staff has to be honest about scoring the services they provide. Staff has to realize serious budget concerns. You said tax increases may be necessary.
- Tina: PBB will give you the long term view about services and finances.
- Ulledalen: other non discussed issue is fixing PERS. Any idea how much that will cost us?
- Tina: have estimated costs and will be working on it.
- Public comments:
- None

TOPIC #3	Municipal Court
PRESENTER	Sheila Kolar/ Shannon Johnson
NOTES/OUTCOME	

- Judge Sheila Kolar and Shannon Johnson. Made significant changes, cut expenses and increased revenues.
- Astle: court security?
- Sheila: city police officer and three (3) bailiffs.
- Bird: commendation for running an efficient court. At what point do you have to recognize that you have inadequate staff for your caseload? Five (5) year strategic plan would be helpful.
- Sheila: staffing is okay for now. Next year will probably ask for more personnel and may have to replace recording equipment.
- Pitman: any statistics on results of taking phone and computer payments?
- Shannon: will get them for you for the past year.
- Sheila: cut the overtime.
- Hanel: good work.
- McCall: good work. Nice presentation, good information on your staffing.
- Bird: comments on your office space.
- Sheila: cramped quarters. If I ask for more personnel, don't know where I would put them. Making good use of the back corridor on the floor. Seeing some DUIs from residents of North Dakota/Bakken oil production.
- Cimmino: compliments. Rejuvenated the department.
- Ulledalen: at least your department has cash flow to pay for more personnel and move to the Battin building.
- McFadden: if moved to Battin building, very little remodeling?
- Sheila: 5th floor is perfect. More courtrooms would have to be built if the building is shared with the District courts.
- Public comments:
- None.

TOPIC #4	SID Revolving Fund
PRESENTER	Pat Weber
NOTES/OUTCOME	

- Pat Weber: presentation follows the attached opinion from city's bond counsel Erin McCrady. Revolving fund is too large according to IRS guidelines but want to maintain as much as possible because it helps keep SID bond rates low, helping Billings's citizens.
- Ronquillo: any delinquencies?
- Pat: none, but some concern about Miller Crossing because ownership changed. Corrected the number in slide 8, to \$733,400 to update the portables and mobile radios. Recommend using the balance to retire debt on the 800 MHz backbone. Have collected \$115,000 from landfill gas. Consensus is to move the \$733,400 to General Fund to convert the mobiles and portables and have further discussion about \$965,000 remainder.
- Mayor: what about legal expenses?

- Tina: the balance could be put in a fund for legal expenses. The methane gas funds could be put back into the General Fund.
- Ronquillo: is that going to be a one-time thing?
- Pat: the \$733,000? Yes.
- Public comments:
- None
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<p>Additional Information:</p>

Other public comments:

- Bruce Smith, 1122 Mary Street: speak against the meter reduction trial extension. Harming some businesses. Parking Advisory Board (PAB) recommendations are decreasing the Parking Fund revenue. Over \$70,000 spent on parking needs study, recommendation was to not remove meters and to increase rates. PAB ignored both recommendations. Two thirds (2/3) of tickets I wrote last month were courtesy tickets.
- McFadden: people don't mind paying meters if they can find a space. \$70,000 parking study money was wasted?
- McFadden: considering taking solid waste fees off tax statements and bill through the water bill. Tenants are often responsible for the water bill but not usually the trash. Landlords will be concerned about this. Can the solid waste bill be separate from the water bill?
- Tina: a lot will depend on who is being charged for the water. Dumpsters are used at complexes, so owner will pay, but will have to look at rental single family house. Will bring a report back to Council.
- Cromley: will solid waste fee be the same each month?
- Tina: for SFR, should be the same each month.

City of Billings

FY 13 Budget Overview

May 7th, 2012

- Total Budget – Page 2
- General Fund – Page 1
- Public Safety – Page 5
- SBRs – Pages 172 & 173
- Financial Projections – 174 - 177

Budgetary Basis of Accounting

- **Governmental Fund Types**

- Modified accrual basis which is also used for external financial accounting

- **Proprietary Fund Types**

- Modified accrual basis is used for the budget and full accrual accounting is used for external financial reporting

Budget Practices

- Capitalization procedure
- Investment policy
- Capital replacement policies
 - Capital Improvement Plan (CIP)
 - Equipment Replacement Plan (ERP)
 - Technology Replacement Plan (TRP)
- Growth policy
- Balanced budget
- 0% O & M – 11th year
- Supplemental Budget Requests (SBRs)

Budget Practices (cont.)

- Recommended Reserves
- Five Year Projections
 - General Fund and Public Safety Fund
 - Other funds
- Vacancy Savings
- City Council's Strategic Goals

Reserve Requirements

- **Legal Requirements**

- Bond reserves
- State required reserves
- State Cap on Reserves
 - Building - 1 year of budget
 - Internal Service Funds – 2 years of budget

- **Cash flow needs**

- **Reserve Recommendations**

- Policy adopted by Council 02/22/10



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Billings
Montana**

For the Fiscal Year Beginning

July 1, 2011

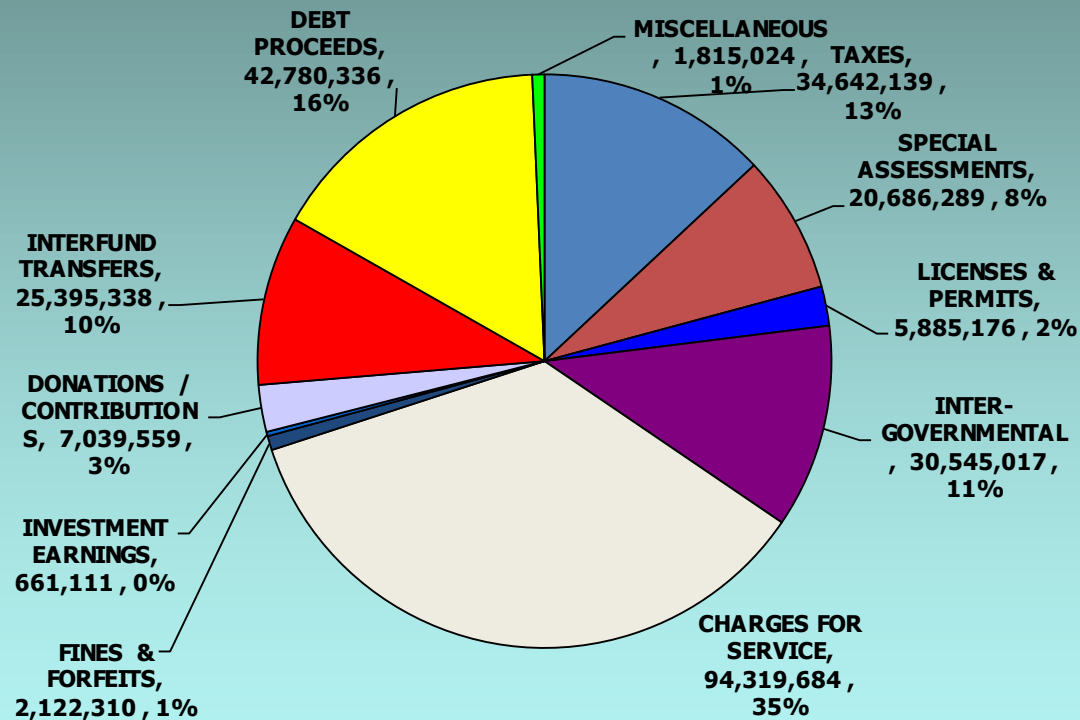
Linda C. Danison Jeffrey R. Egan

President

Executive Director

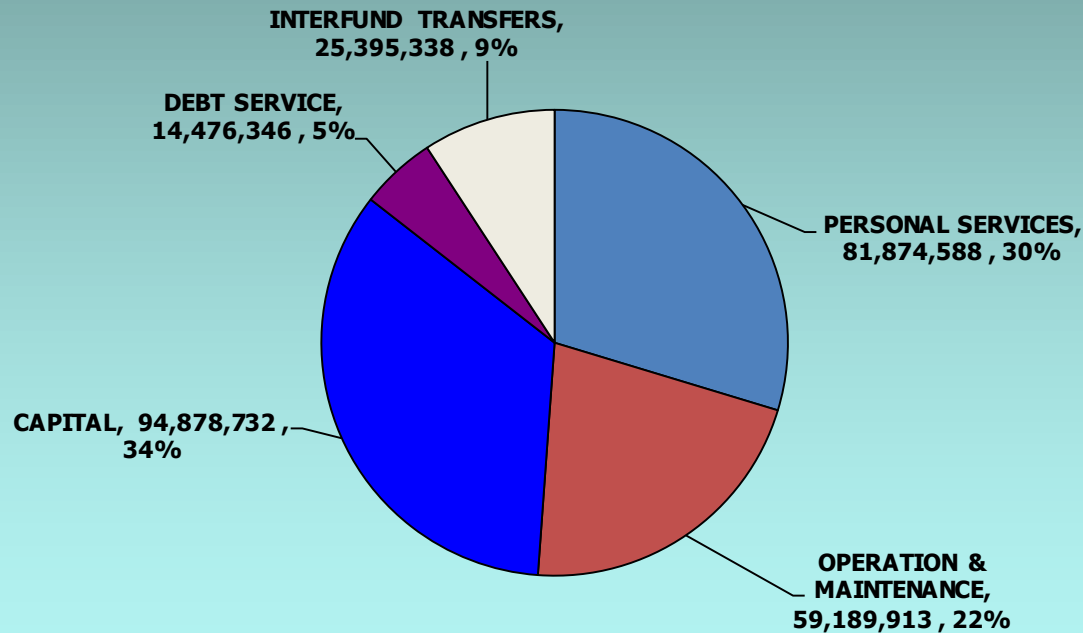
Revenues – All Funds

\$265,891,983



Expenditures – All Funds

\$275,814,917



Personal Services – All Funds

- Fire COLA is not in the requested budget
 - Approximately \$214,000
- Police Teamsters and Non-Bargaining salaries/wages contain a 2.5% COLA

O & M – All Funds

Major changes 11 to 12	
Electricity	\$233,000
Fuel	\$270,000

Interfund Transfers – All Funds

Total Transfers	\$25,395,338
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Transfers are not “REAL” expenditures.

Major CIP Projects

- New Downtown Library Facility
- Rehabilitate Runway 10L/28R-overlay project
- Zone 3 Reservoir/Chapple
- Zone 3 Fox River Storage Expansion
- Landfill Phase 5

Major ERP Replacements/Additions

- 17 Police Cars
- 3 Dump Trucks
- 1 Sweeper
- 4 Waste Collection Trucks
- 1 Scraper

Major Initiatives

- Priority Based Budgeting
- Continued Innoprise Implementation
- Continued Radio System Implementation

Proposed Fee Changes

- Wastewater
- Arterial Fees
- Street Maintenance Fee
- Storm Sewer Fee
- Individual PMD rate changes
- Individual SLMD rate changes
- Planning Fees
- Traffic Plan Review Fees
- Right-of-Way Permit Fees

Supplemental Budget Requests

- General and Public Safety Funds

Supplemental Budget Requests

- All Other Funds

FY 13 Staffing Positions Proposed

Number of Positions	Fund / Department	Position
1	Park District 1	Volunteer Program Coordinator
1	Park District 1	Equipment Operator
1	Park District 1	Arborist
.5	911 Dispatch	Emergency Services Worker

General and Public Safety Funds

	REQUESTED FY 13	PERCENT TO TOTAL
EXPENDITURES:		
MAYOR AND CITY COUNCIL	\$ 274,481	0.6%
CITY ADMINISTRATOR/CLERK	633,684	1.4%
HUMAN RESOURCES	618,617	1.3%
CITY ATTORNEY	1,349,773	2.9%
MUNICIPAL COURT	1,226,743	2.7%
FINANCE	1,320,746	2.9%
CODE ENFORCEMENT	251,332	0.5%
PARKS, RECREATION AND PUBLIC LANDS	4,131,332	9.0%
¹ NON-DEPARTMENTAL	822,809	1.8%
COUNCIL CONTINGENCY	65,000	0.1%
POLICE	19,858,778	43.3%
FIRE	<u>15,321,538</u>	<u>33.5%</u>
TOTAL EXPENDITURES	\$ 45,874,833	100.0%

¹ GF transfer to PS of \$19,810,000 and transfer of \$837,136 to Library removed

Activities Past 8 Years to Control Budgets

- Identified additional revenue sources
- Kept controllable O & M at 0%
- SBRs
- Limited staffing additions

Additional Revenue Sources

- Transferred \$2.3 million from SID Supplemental Revolving Fund
 - FY 06 – FY 08
- Made a one time accounting change reducing PS Fund Balance by \$1.6 million
 - FY 09

Kept Controllable O & M at 0%

- O & M Budget has increased in the FY 13
Proposed Budget \$715,200 from the FY 04
Approved Budget.

Approved SBR History

	Adopted FY 05	Adopted FY 06	Adopted FY 07	Adopted FY 08	Adopted FY 09	Adopted FY 10	Adopted FY 11	Adopted FY 12	Proposed FY 13
On-Going	127,844	111,844	121,693	98,540	86,398	104,601	83,698	155,260	31,518
One Time	<u>301,288</u>	<u>143,459</u>	<u>43,592</u>	<u>63,130</u>	<u>73,000</u>	<u>120,021</u>	<u>380,000</u>	<u>132,740</u>	<u>243,900</u>
	429,132	255,303	165,285	161,670	159,398	224,622	463,698	288,000	275,418

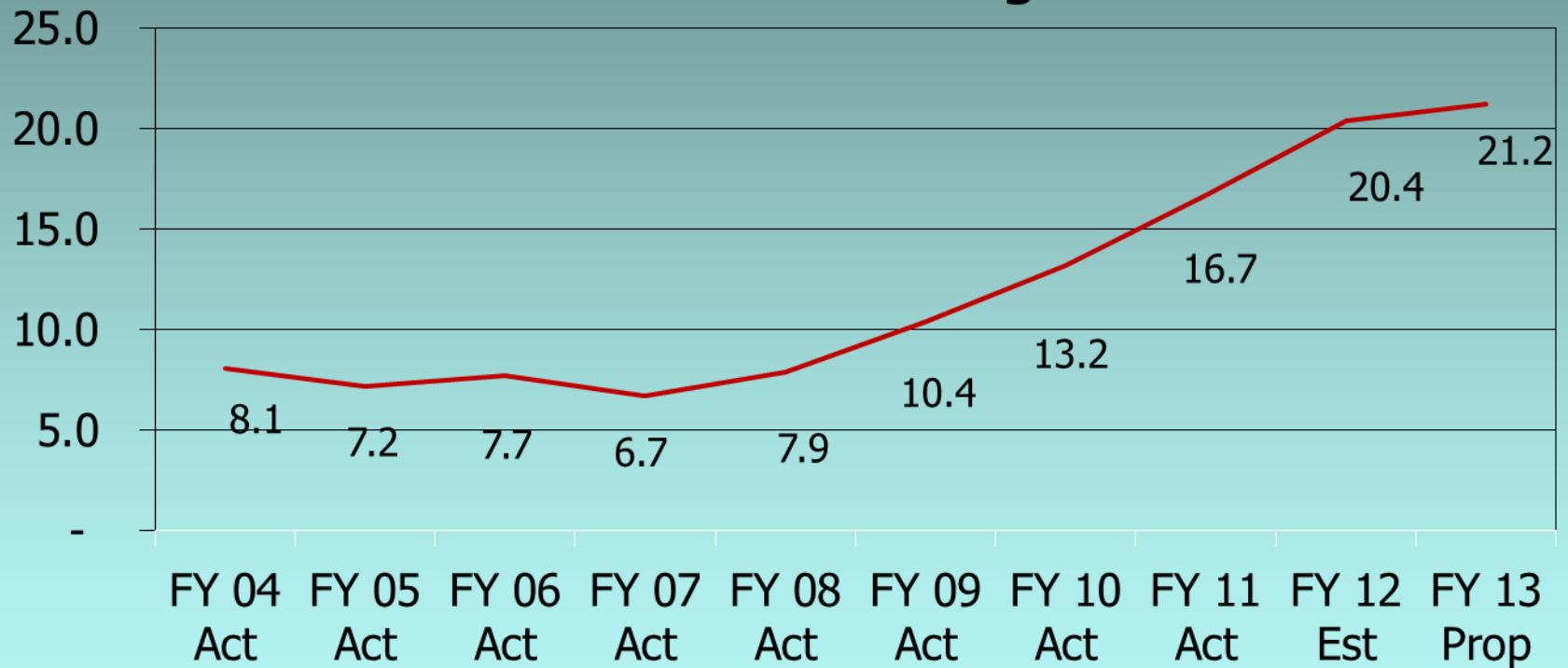
GF & PSF Staffing Additions over 10 Years

	FY 04	Proposed FY 13	Difference
	FTE	FTE	FTE
Mayor and City Council	5.5	5.5	-
City Administrator	5.0	5.0	-
Human Resources	4.5	5.0	0.5
City Attorney	8.0	10.0	2.0
Municipal Court	11.5	17.0	5.5
Finance	11.0	11.0	-
Code Enforcement	3.3	3.3	-
Parks, Recreation and Public Land	24.0	24.0	-
Cemetery	4.0	4.0	-
Police	153.0	167.0	14.0
Animal Shelter	7.0	7.0	-
Fire	139.0	146.0	7.0
			-
TOTAL GENERAL and PUBLIC SAFETY FUNDS	<u>375.8</u>	<u>404.8</u>	<u>29.0</u>

Fund Balance History

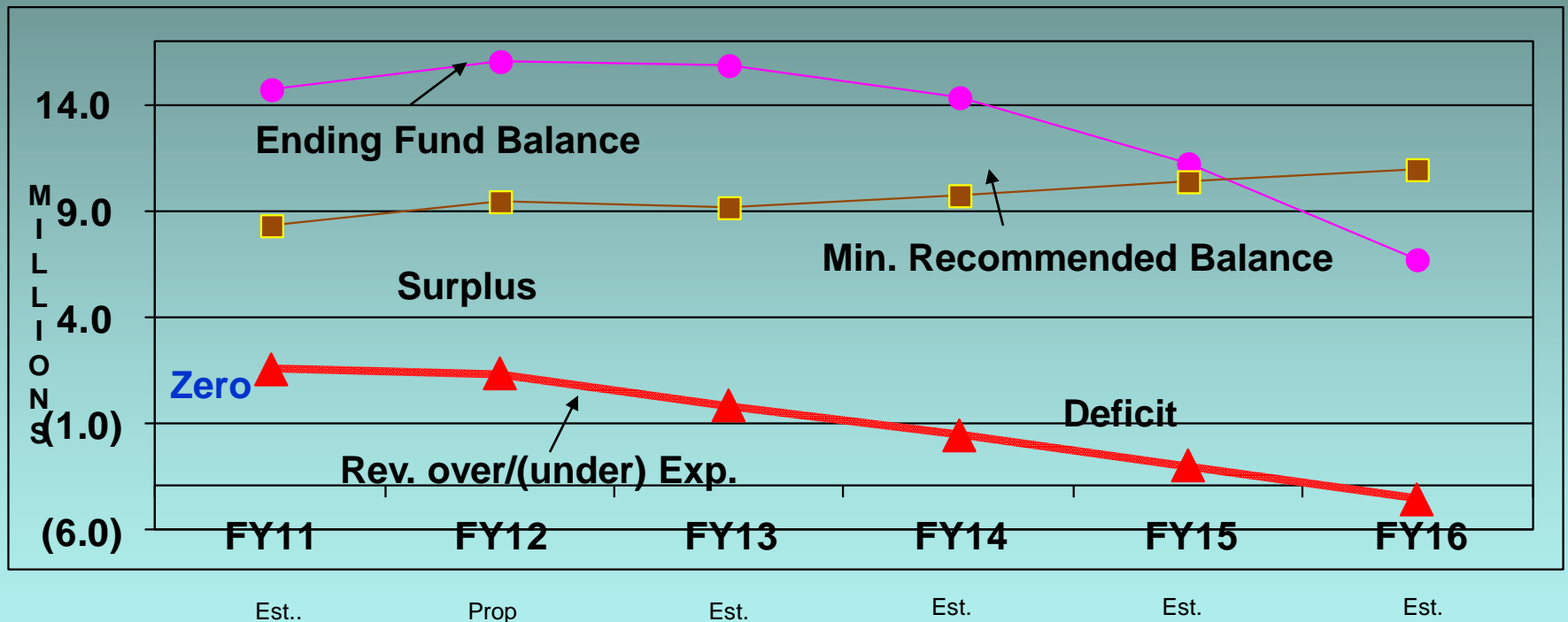
(Millions)

Fund Balance Ending



Financial Projections - GF

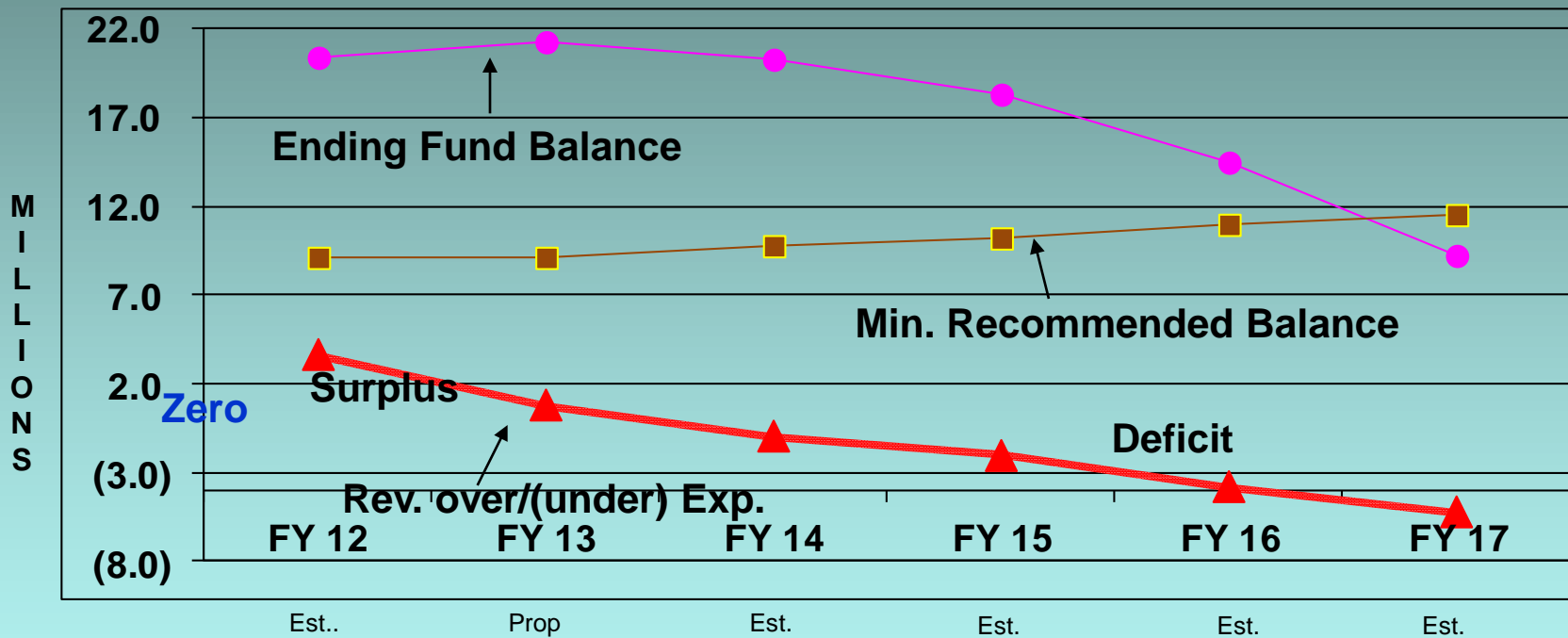
May 2, 2011



- 1.0% increase for taxes
- no increase in FY 12 & FY 13, 2.0% increase in FY 14 thru FY 16 for HB 124

Financial Projections - GF

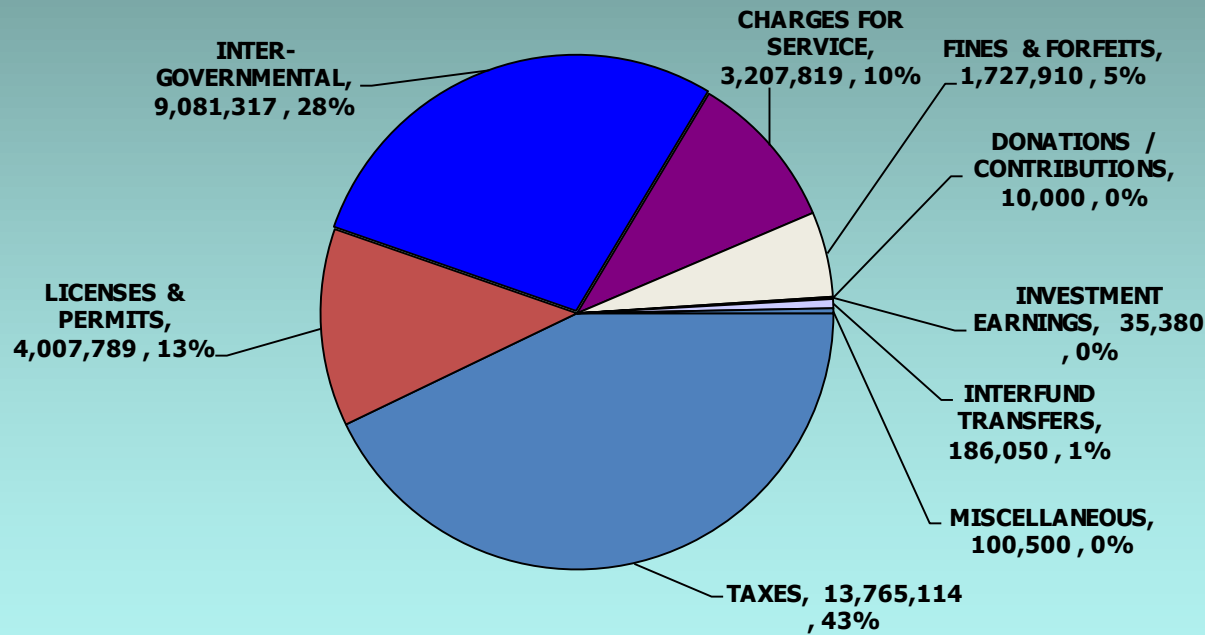
May 7, 2012



- 1.0% increase for taxes
- no increase FY 13, 2.0% increase in FY 14 thru FY 17 for HB 124

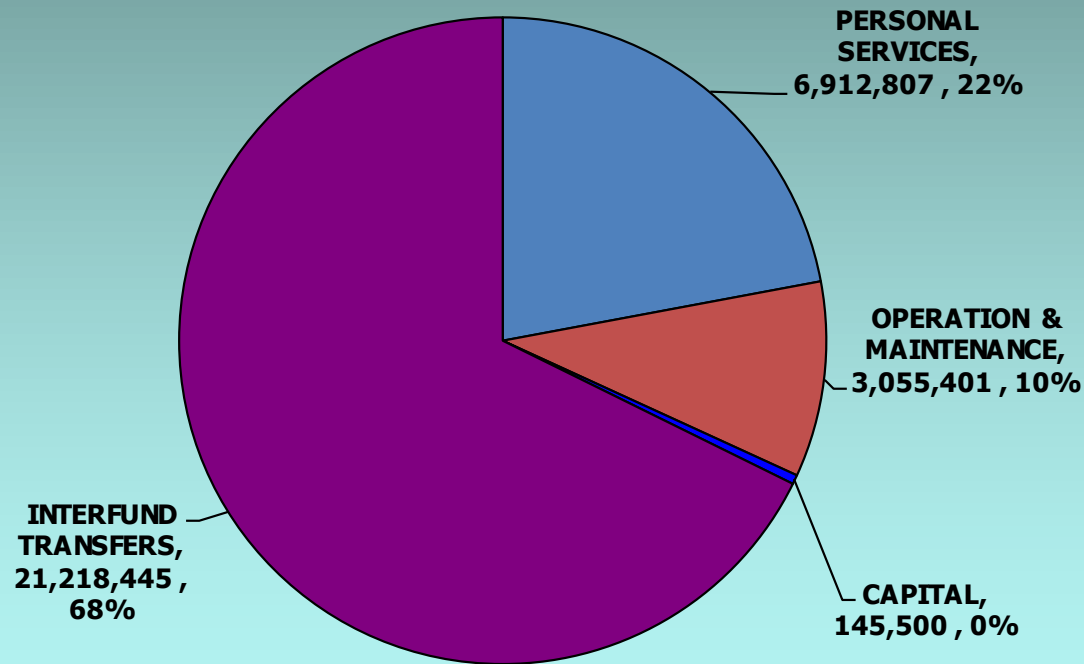
Revenues – General Fund

\$32,121,879

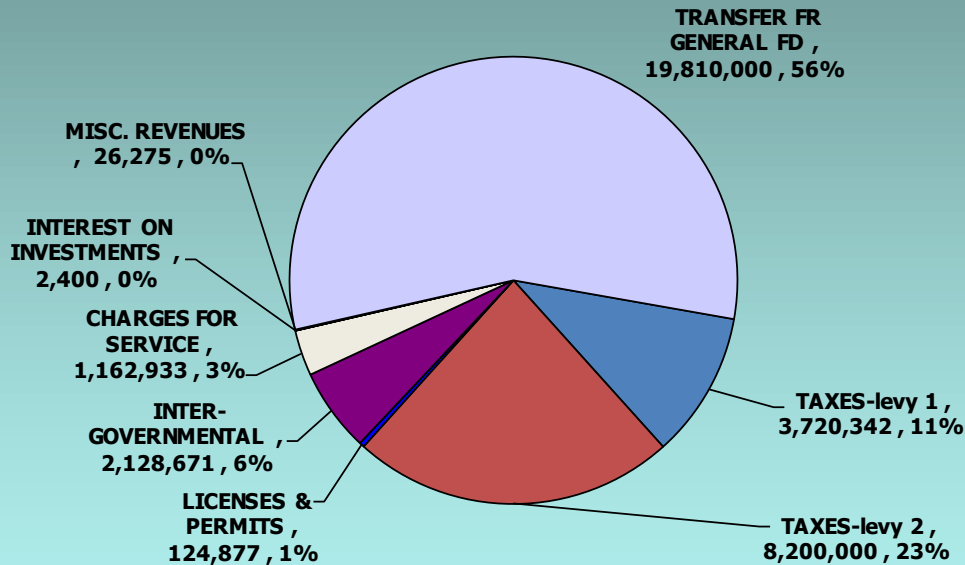


Expenditures – General Fund

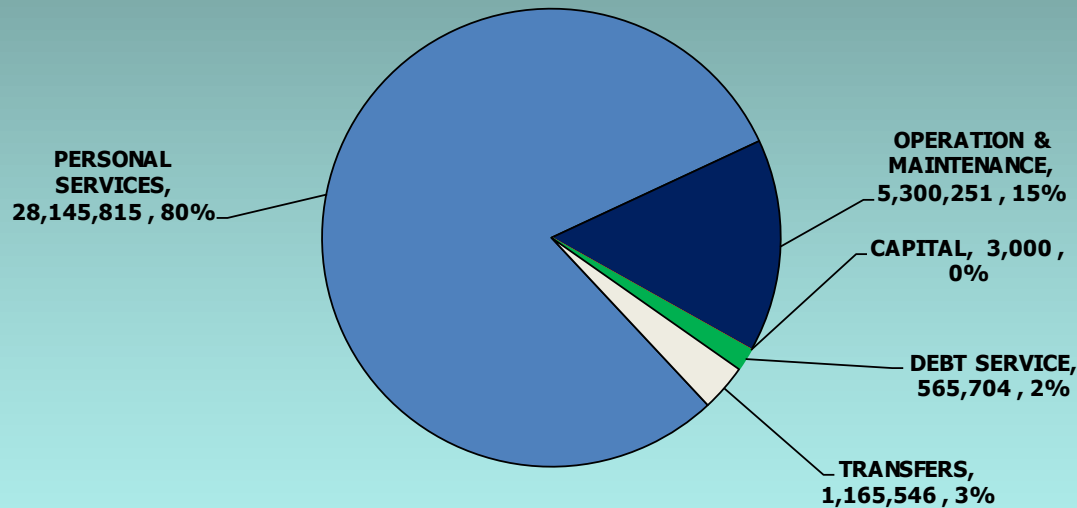
\$31,341,653



Revenues – Public Safety Fund \$35,175,498



Expenditures – Public Safety Fund \$35,180,316



Operating Funds Using Reserves For Capital Projects

- Street/Traffic – \$500,643
- Water – \$5,285,533
- Solid Waste – \$1,642,424
- Information Technology – \$41,364
- Fleet Services – \$67,500
- Gas Tax – \$650,596
- Arterial – \$960,286
- Storm – \$1,323,893

Operating Funds Using Reserves to Balance Budgets

- Planning – \$172,081
- Public Works Administration – \$71,680
- Library – \$382,543
- Transit – \$400,683
- Property/Liability – \$266,888

- Fire Hydrant – \$2,291,837
 - Transfer to Water Fund

Council Decision Points

- Proposed Fee Increases
- Human Resources/Legal Study
- Priority Based Budgeting

Questions?

FY 2013 Budget

Billings Municipal Court
Sheila R. Kolar

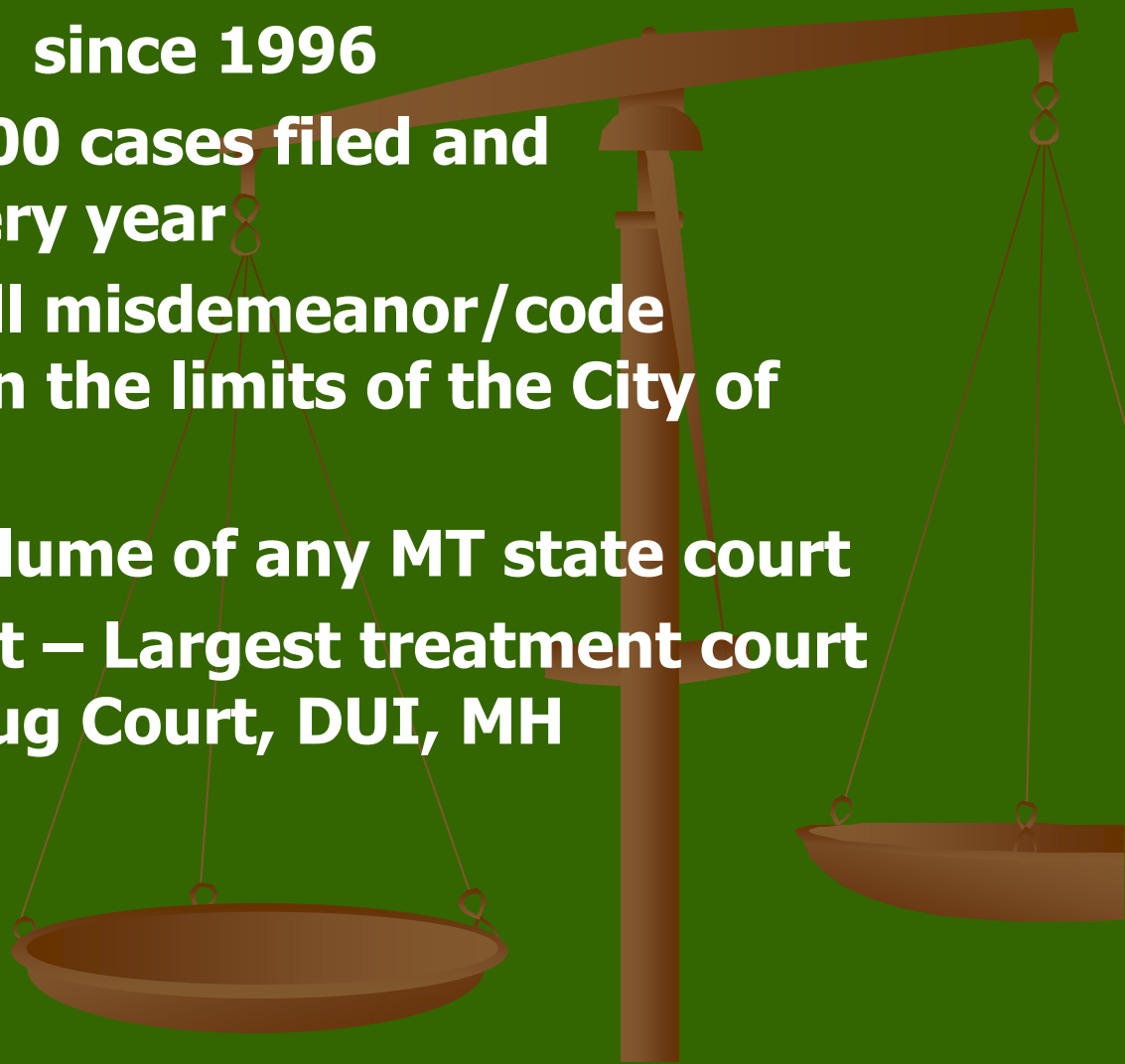




City of Billings Municipal Court



- **Court of Record since 1996**
- **More than 30,000 cases filed and adjudicated every year**
- **Jurisdiction – All misdemeanor/code violations within the limits of the City of Billings (COLJ)**
- **Highest case volume of any MT state court**
- **Treatment Court – Largest treatment court in the state (Drug Court, DUI, MH combined)**

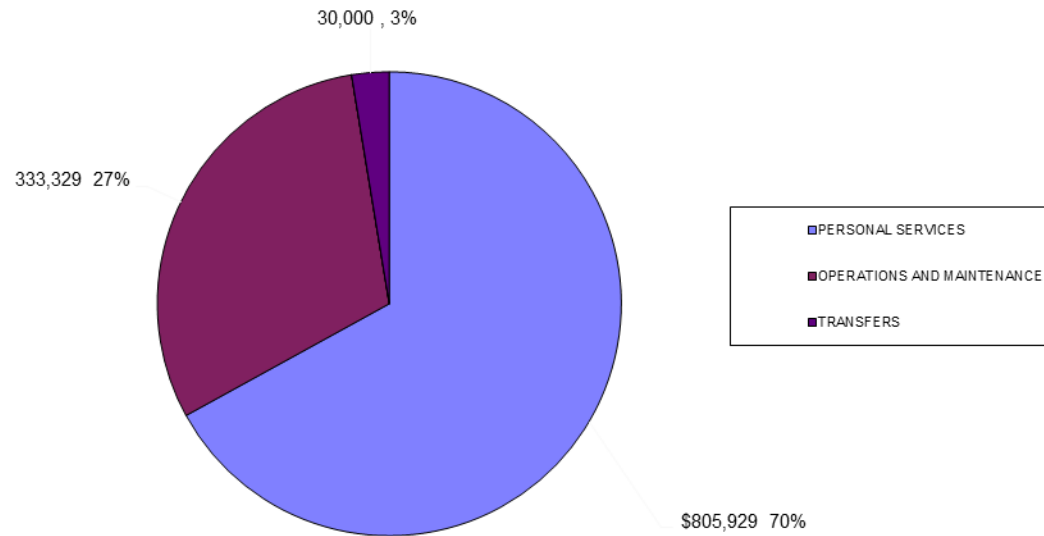




City of Billings Municipal Court



Municipal Court Operating Budget

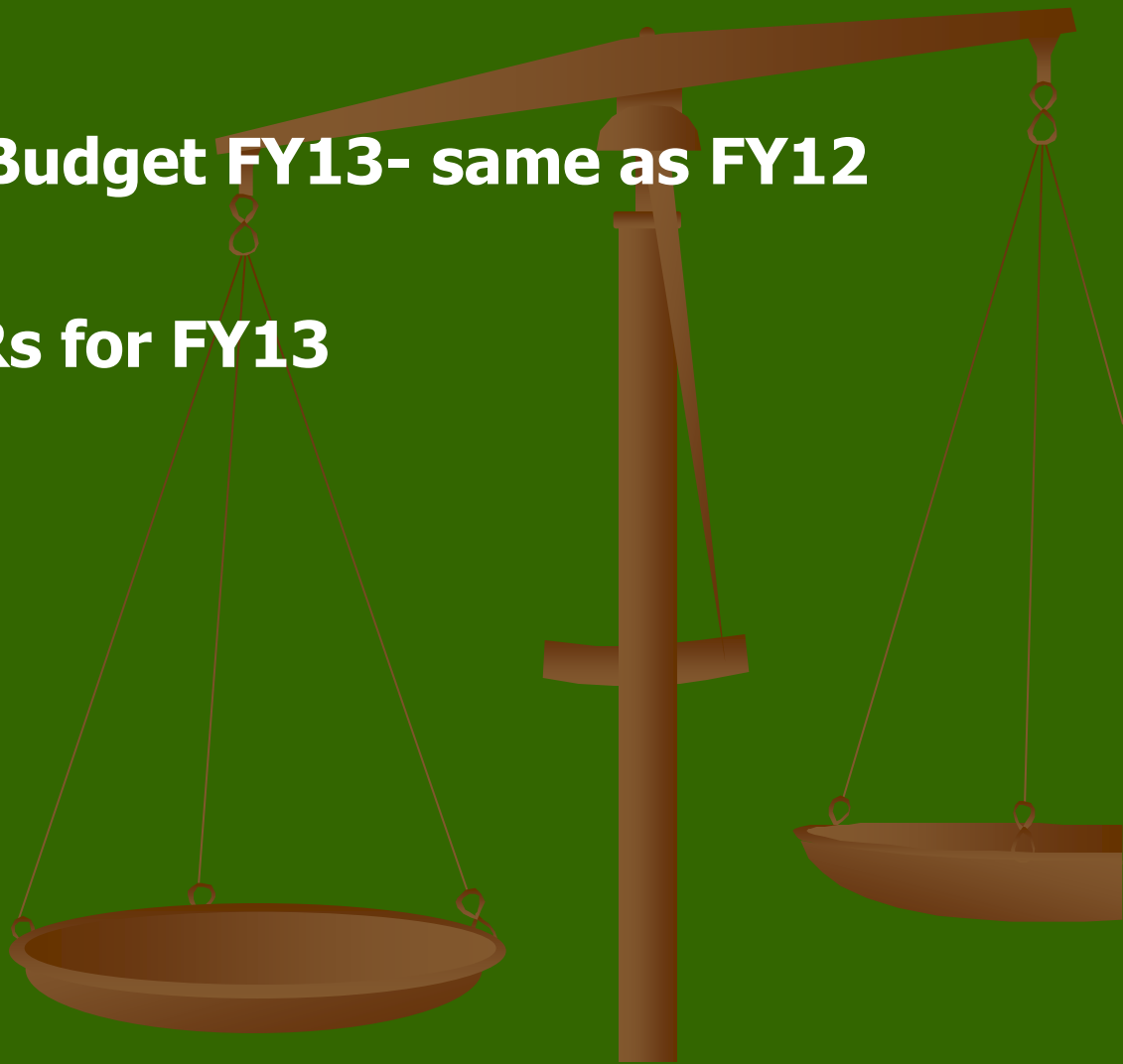




City of Billings Municipal Court



- **Municipal Court Budget FY13- same as FY12**
- **No proposed SBRs for FY13**

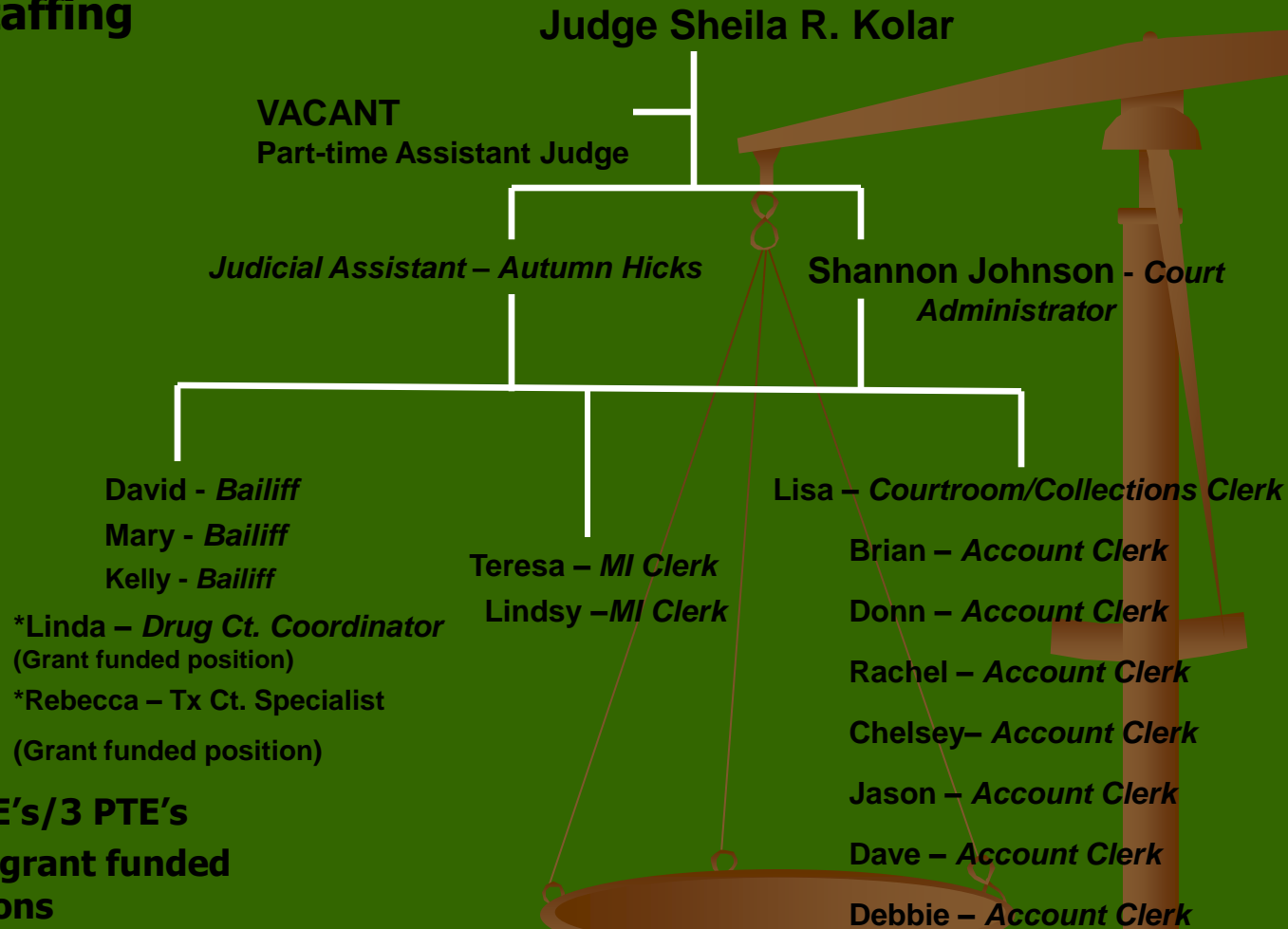




City of Billings Municipal Court



Staffing



13 FTE's/3 PTE's
2 FTE grant funded
positions



City of Billings Municipal Court



FACILITIES

- **Office** – half the staff of any other MT court with similar case volume
- **Back Courtroom** – currently shared with BPD; needed to handle the case volume which increases yearly
- **Records Retention** – gained additional space in 2010, however it is mostly filled as of May 2012 with closed cases
- **Treatment Court Office** – rent space offsite for coordinators



City of Billings Municipal Court



REVENUES

Total Revenue YTD FY12 - \$1,422,875*/Budgeted Revenue \$1,570,580

*As of 5/7/2012



City of Billings Municipal Court



GRANTS

- State Drug Court grant – renewed for biennium
 - SAMHSA grant - ongoing
-



City of Billings Municipal Court



ACHIEVEMENTS

- Refund check project – outstanding checks from 2005-current; \$7,666.98 claimed and reissued as of 5/7/12
- New AGG DUI law – within budget
- Recovered outstanding bond monies (\$10,000+)
- Overtime - \$22,582 for FY11 down to \$8,067 for FY13



Billings Adult Misdemeanor Treatment Court



DOWNTOWN BILLINGS - 2012





City of Billings Municipal Court



Q & A



Special Improvement District (SID) Revolving Fund

May 7, 2012

MCA 7-12-4227

Utilization of excess money in revolving fund.

- Whenever there is an amount in the revolving fund in excess of the amount deposited in the revolving fund under 7-12-4169(2) and in excess of **10% of the outstanding special improvement district bonds and warrants secured by the revolving fund** and the council considers any part of the excess to be greater than the amount necessary for payment or redemption of maturing bonds or warrants secured by the revolving fund or interest on the revolving fund, ***the council may order*** that any part of the amount of the ***excess*** that is greater than the amount necessary for the payment or redemption of maturing bonds or warrants secured by the revolving fund or interest on the revolving fund to be:

MCA 7-12-4227 (Cont.)

Utilization of excess money in revolving fund.

- ***(1) transferred to the general fund of the city or town;***
 - (2) used for the purchase of property at sales for delinquent taxes, assessments, or both; or
 - (3) used for the purchase of property that may have been struck off or sold to the county for delinquent taxes, assessments, or both and against which there is an unpaid assessment for special improvements and there are outstanding special improvement district bonds or warrants of the city or town.

IRS Guidelines

- Reserve Fund (such as the City's Revolving Fund) ***may not exceed*** an amount equal to the lesser of ***10% of the stated principal amount of the issue***, the maximum annual principal and interest requirements on the issue, or 125% of the average annual debt service requirements on the issue. If an issue has more than a *de minimis* amount of original issue discount or premium, the issue price for the issue (net of pre-issuance accrued interest) is used to measure the 10% limitation in lieu of the stated principal amount.

IRS Guidelines (Cont.)

- Under Section 1.148-6(e)(6) of the IRS Regulations, investments in such a fund must be allocated (after adjustment under the universal cap, Section 1.148-6(b)(2)) among the various issues the fund serves at least every three years and on each date that a new issue covered by the commingled fund is issued (or the date an issue is retired in certain cases the case of (iii) below) in accordance with one of three specified allocation methodologies: (i) the outstanding relative values of the issues as of the date of allocation;⁴⁶ (ii) the relative amount of the issues' remaining maximum annual debt service requirements; or ***(iii) the aggregate relative original principal amounts.*** The City of Billings uses option (iii) for its allocation methodology.

SID Revolving Fund History

Fiscal Year	Principle Amount	Outstanding bonds	Revolving fund	10 %	Revolving Fund Less 10 %
				Principle Amount	Principle Amount
2012	33,198,000	16,659,736	5,157,896	3,319,800	1,838,096
2011	36,986,000	16,318,440	4,817,174	3,698,600	1,118,574
2009	31,202,000	18,274,000	4,673,638	3,120,200	1,553,438
2003	45,649,600	25,058,851	3,934,115	4,564,960	(630,845)

Why Now?

1. Refunded SID 1360 (Gabel Road) bonds reducing Principle Amount
2. Bond Council and Financial Advisor have recommended reducing the SID Revolving Fund

Moving Forward

- IRS rules supersede MCA
- The City will need to reduce the amount in the revolving fund
- Transfer \$1,838,096 to General Fund by resolution

What to do with Money?

- City must upgrade current 844 radios for compatibility with new 800 MHz software
 - \$873,400
- Remaining \$964,696
 - Use for outstanding \$1.1 million radio system debt

Questions?

MEMORANDUM

TO: Patrick M. Weber, City Finance Director

FROM: Erin McCrady

DATE: May 1, 2012

RE: Revolving Fund – Special Improvement District Bonds and Sidewalk, Curb and Alley Approach Bonds

History of the Revolving Fund

Pursuant to Ordinance No. 1096 adopted on June 3, 1930, the City created and maintains a revolving fund (the "Revolving Fund") securing payment of its special improvement district bonds and its sidewalk, curb and alley approach bonds (collectively, the "SID and SCA Bonds"). If the City does not collect sufficient funds from the levy of special assessments, the City has promised in its bond resolutions that it will borrow money from the Revolving Fund in order to pay principal and interest on its SID and SCA Bonds. If the Revolving Fund does not have sufficient money available, the City has promised in its bond resolutions that a general tax levy will be imposed on all taxable property in the City in order to pay principal and interest on its SID and SCA Bonds. The City's Revolving Fund Ordinance and bond covenants are consistent with State statutes and similar to those adopted by cities and town throughout the State.

For each new series of SID or SCA Bonds that is secured by the Revolving Fund, the City is required by State statute to make a deposit to the Revolving Fund in an amount equal to at least 5% and not more than 10% of the principal amount of the SID or SCA Bonds. This deposit is required to be paid out of bond proceeds. See MCA 7-12-4222. Historically, the City has required a Revolving Fund deposit of 5% of the principal amount of each new series of SID or SCA Bonds.

In recent years, the Revolving Fund has grown in size relative to the outstanding aggregate principal amount of SID and SCA Bonds. Much of the growth is attributable to (a) healthy returns on the investment of money in the Revolving Fund, (b) fewer delinquencies by property owners in the payment of special assessments resulting in a decrease in the amount of money the City borrows from the Revolving Fund in order to pay principal and interest on its SID and SCA Bonds, and (c) retention of the 5% deposit in the Revolving Fund after the maturity and final payment of a series of SID or SCA Bonds. Historically, the City has retained the 5% deposit in the Revolving Fund after the maturity and final payment of a series of SID or SCA Bonds because the amount on deposit in the Revolving Fund was low compared to the amount permitted to be maintained in the Revolving Fund. Exhibit A hereto shows the growth of the Revolving Fund over the last 10 years relative to the aggregate principal amount of SID and SCA Bonds.

Federal Tax Code and IRS Regulations Applicable to the Revolving Fund

While a large Revolving Fund is beneficial to the City and to its taxpayers because it allows the City to sell SID and SCA Bonds at low interest rates, the Federal Tax Code and IRS Regulations place limits on the size of the Revolving Fund. The Federal Tax Code and IRS Regulations provide that a reserve fund such as the Revolving Fund should not exceed the lesser of (i) 10% of the stated principal amount of each outstanding series of SID and SCA Bonds, (ii) the maximum annual principal and interest requirements on each outstanding series of SID and SCA Bonds, or (iii) 125% of the average annual debt service requirements on each outstanding series of SID and SCA Bonds. Exhibit A hereto shows that the permissible deposit amount for the Revolving Fund as of May 1, 2012 is approximately \$3,319,800 (the "Reserve Limitation"). The amount actually on deposit in the Revolving Fund as of May 1, 2012 is \$5,157,896, which is in excess of the Reserve Limitation.

The Revolving Fund has been overfunded for the last few years (at roughly 13% to 14% of the stated principal amount of each outstanding series of SID and SCA Bonds). It is presently overfunded at roughly 15.5% of the stated principal amount of each outstanding series of SID and SCA Bonds. It is important to note that approximately \$6.1 million in original aggregate principal amount of SID and SCA Bonds matured or were redeemed within the last six months. A Revolving Fund deposit of approximately \$610,000 is associated with such Bonds, and this amount represents nearly all of the increase in the excess funds in the Revolving Fund since 2011. Recall that part of the IRS calculation for the Reserve Limitation ties back to the original aggregate principal amount of each series of SID and SCA Bonds. When SID and SCA Bonds mature and are finally paid, the amount of money on deposit in the Revolving Fund becomes disproportionately large relative to the remaining SID and SCA Bonds. The Revolving Fund further grows upon the issuance of each new series of SID or SCA Bonds because a new 5% deposit is required to be made to the Revolving Fund. The investment of the Revolving Fund also results in the increase in the amount of money on deposit.

Recommendations

Dorsey & Whitney LLP, as bond counsel, reviews the Revolving Fund in connection with each new issuance of SID and SCA Bonds. Given that the Revolving Fund is overfunded at roughly 15.5% of the stated principal amount of each outstanding series of SID and SCA Bonds, we recommend that the City take action to reduce its size so that the amount on deposit equals the Reserve Limitation. In addition, we recommend that the City periodically transfer money out of the Revolving Fund if the amount on deposit again exceeds the Reserve Limitation.

Under MCA 7-12-4227, the City Council may order the excess in the Revolving Fund be transferred to the City's general fund or used to purchase property at a tax sale.

Dorsey & Whitney is happy to assist the City in implementing any policies or procedures with respect to the Revolving Fund or otherwise answer any additional questions.

EXHIBIT A**SID and SCA Bonds
Revolving Fund History**

Fiscal Year	Bond Par Amount	Outstanding bonds	Revolving fund	10 % Par Amount	Revolving Fund Less 10 % Par Amount
2012	33,198,000	16,659,736	5,157,896	3,319,800	1,838,096
2011	36,986,000	16,318,440	4,817,174	3,698,600	1,118,574
2009	31,202,000	18,274,000	4,673,638	3,120,200	1,553,438
2003	45,649,600	25,058,851	3,934,115	4,564,960	(630,845)

FY 2013 Budget

Billings Municipal Court
Sheila R. Kolar

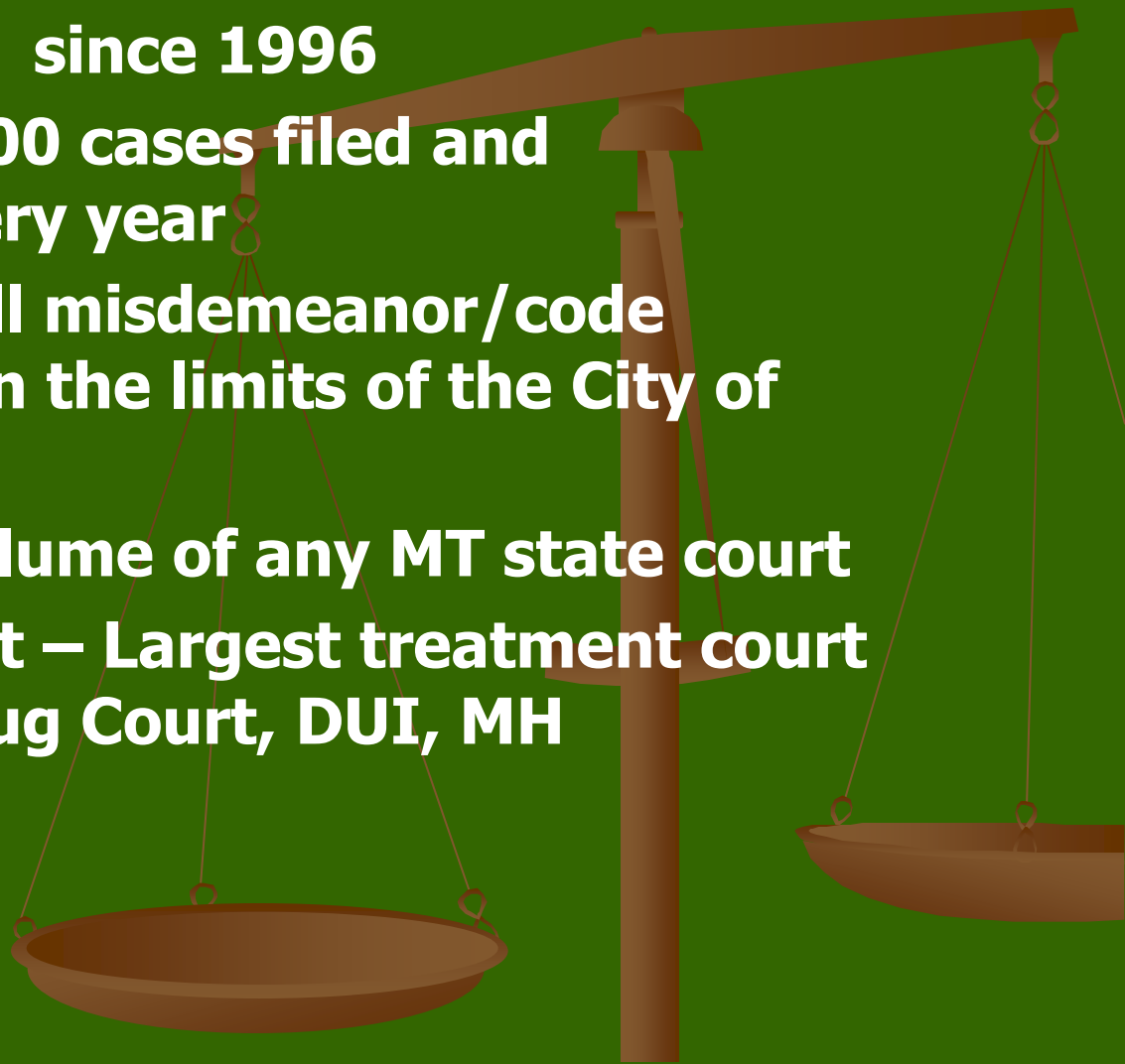




City of Billings Municipal Court



- **Court of Record since 1996**
- **More than 30,000 cases filed and adjudicated every year**
- **Jurisdiction – All misdemeanor/code violations within the limits of the City of Billings (COLJ)**
- **Highest case volume of any MT state court**
- **Treatment Court – Largest treatment court in the state (Drug Court, DUI, MH combined)**

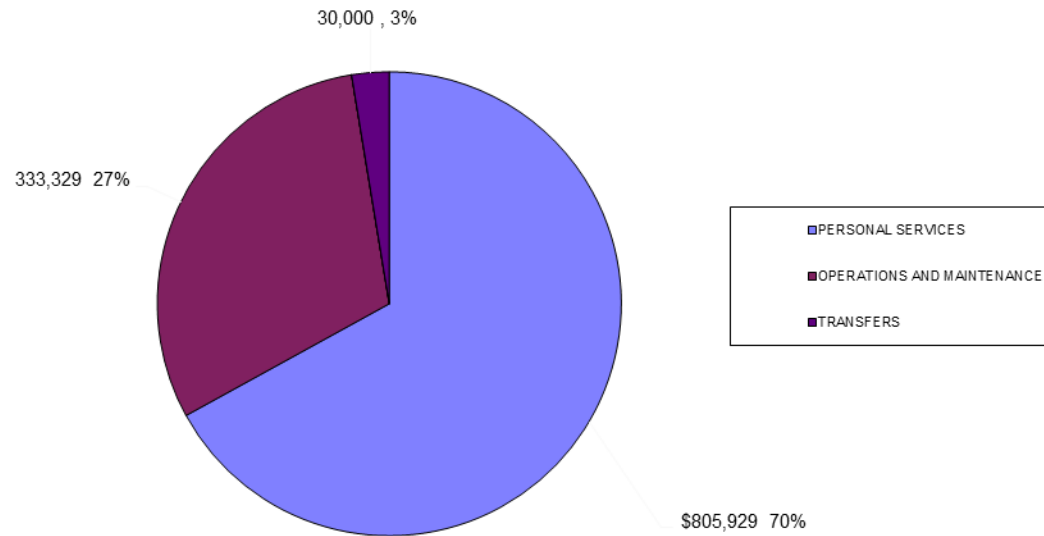




City of Billings Municipal Court



Municipal Court Operating Budget





City of Billings Municipal Court



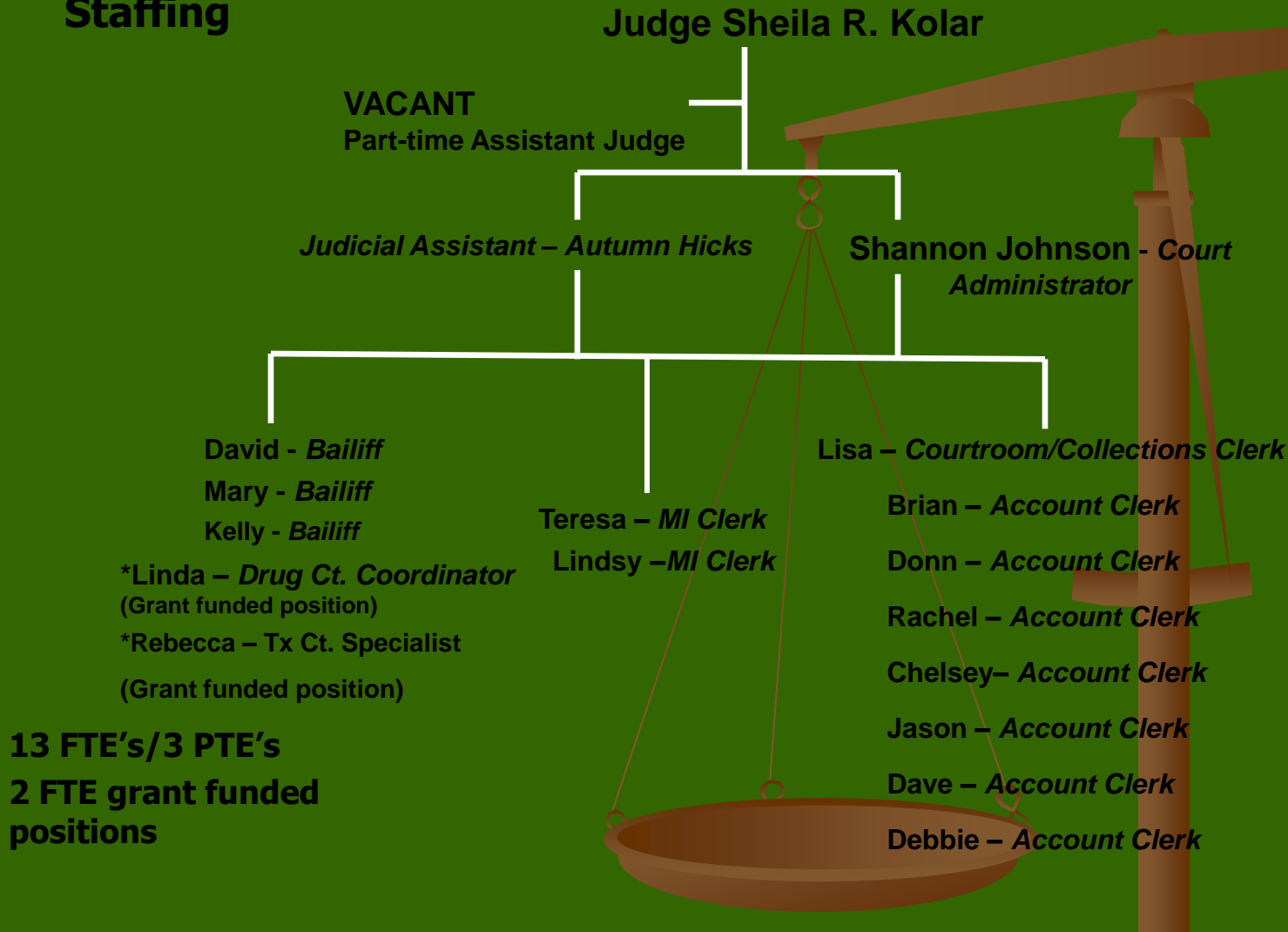
- **Municipal Court Budget FY13- same as FY12**
- **No proposed SBRs for FY13**



City of Billings Municipal Court



Staffing





City of Billings Municipal Court



FACILITIES

- **Office** – half the staff of any other MT court with similar case volume
- **Back Courtroom** – currently shared with BPD; needed to handle the case volume which increases yearly
- **Records Retention** – gained additional space in 2010, however it is mostly filled as of May 2012 with closed cases
- **Treatment Court Office** – rent space offsite for coordinators



City of Billings Municipal Court



REVENUES

Total Revenue YTD FY12 - \$1,422,875*/Budgeted Revenue \$1,570,580

*As of 5/7/2012



City of Billings Municipal Court



GRANTS

- State Drug Court grant – renewed for biennium
 - SAMHSA grant - ongoing
-



City of Billings Municipal Court



ACHIEVEMENTS

- Refund check project – outstanding checks from 2005-current; \$7,666.98 claimed and reissued as of 5/7/12
- New AGG DUI law – within budget
- Recovered outstanding bond monies (\$10,000+)
- Overtime - \$22,582 for FY11 down to \$8,067 for FY13



Billings Adult Misdemeanor Treatment Court



DOWNTOWN BILLINGS - 2012





City of Billings Municipal Court



Q & A



Special Improvement District (SID) Revolving Fund

May 7, 2012

MCA 7-12-4227

Utilization of excess money in revolving fund.

- Whenever there is an amount in the revolving fund in excess of the amount deposited in the revolving fund under 7-12-4169(2) and in excess of **10% of the outstanding special improvement district bonds and warrants secured by the revolving fund** and the council considers any part of the excess to be greater than the amount necessary for payment or redemption of maturing bonds or warrants secured by the revolving fund or interest on the revolving fund, ***the council may order*** that any part of the amount of the ***excess*** that is greater than the amount necessary for the payment or redemption of maturing bonds or warrants secured by the revolving fund or interest on the revolving fund to be:

MCA 7-12-4227 (Cont.)

Utilization of excess money in revolving fund.

- ***(1) transferred to the general fund of the city or town;***
 - (2) used for the purchase of property at sales for delinquent taxes, assessments, or both; or
 - (3) used for the purchase of property that may have been struck off or sold to the county for delinquent taxes, assessments, or both and against which there is an unpaid assessment for special improvements and there are outstanding special improvement district bonds or warrants of the city or town.

IRS Guidelines

- Reserve Fund (such as the City's Revolving Fund) ***may not exceed*** an amount equal to the lesser of ***10% of the stated principal amount of the issue***, the maximum annual principal and interest requirements on the issue, or 125% of the average annual debt service requirements on the issue. If an issue has more than a *de minimis* amount of original issue discount or premium, the issue price for the issue (net of pre-issuance accrued interest) is used to measure the 10% limitation in lieu of the stated principal amount.

IRS Guidelines (Cont.)

- Under Section 1.148-6(e)(6) of the IRS Regulations, investments in such a fund must be allocated (after adjustment under the universal cap, Section 1.148-6(b)(2)) among the various issues the fund serves at least every three years and on each date that a new issue covered by the commingled fund is issued (or the date an issue is retired in certain cases the case of (iii) below) in accordance with one of three specified allocation methodologies: (i) the outstanding relative values of the issues as of the date of allocation;⁴⁶ (ii) the relative amount of the issues' remaining maximum annual debt service requirements; or ***(iii) the aggregate relative original principal amounts.*** The City of Billings uses option (iii) for its allocation methodology.

SID Revolving Fund History

Fiscal Year	Principle Amount	Outstanding bonds	Revolving fund	10 %	Revolving Fund Less 10 %
				Principle Amount	Principle Amount
2012	33,198,000	16,659,736	5,157,896	3,319,800	1,838,096
2011	36,986,000	16,318,440	4,817,174	3,698,600	1,118,574
2009	31,202,000	18,274,000	4,673,638	3,120,200	1,553,438
2003	45,649,600	25,058,851	3,934,115	4,564,960	(630,845)

Why Now?

1. Refunded SID 1360 (Gabel Road) bonds reducing Principle Amount
2. Bond Council and Financial Advisor have recommended reducing the SID Revolving Fund

Moving Forward

- IRS rules supersede MCA
- The City will need to reduce the amount in the revolving fund
- Transfer \$1,838,096 to General Fund by resolution

What to do with Money?

- City must upgrade current 844 radios for compatibility with new 800 MHz software
 - \$873,400
- Remaining \$964,696
 - Use for outstanding \$1.1 million radio system debt

Questions?

MEMORANDUM

TO: Patrick M. Weber, City Finance Director

FROM: Erin McCrady

DATE: May 1, 2012

RE: Revolving Fund – Special Improvement District Bonds and Sidewalk, Curb and Alley Approach Bonds

History of the Revolving Fund

Pursuant to Ordinance No. 1096 adopted on June 3, 1930, the City created and maintains a revolving fund (the “Revolving Fund”) securing payment of its special improvement district bonds and its sidewalk, curb and alley approach bonds (collectively, the “SID and SCA Bonds”). If the City does not collect sufficient funds from the levy of special assessments, the City has promised in its bond resolutions that it will borrow money from the Revolving Fund in order to pay principal and interest on its SID and SCA Bonds. If the Revolving Fund does not have sufficient money available, the City has promised in its bond resolutions that a general tax levy will be imposed on all taxable property in the City in order to pay principal and interest on its SID and SCA Bonds. The City’s Revolving Fund Ordinance and bond covenants are consistent with State statutes and similar to those adopted by cities and town throughout the State.

For each new series of SID or SCA Bonds that is secured by the Revolving Fund, the City is required by State statute to make a deposit to the Revolving Fund in an amount equal to at least 5% and not more than 10% of the principal amount of the SID or SCA Bonds. This deposit is required to be paid out of bond proceeds. See MCA 7-12-4222. Historically, the City has required a Revolving Fund deposit of 5% of the principal amount of each new series of SID or SCA Bonds.

In recent years, the Revolving Fund has grown in size relative to the outstanding aggregate principal amount of SID and SCA Bonds. Much of the growth is attributable to (a) healthy returns on the investment of money in the Revolving Fund, (b) fewer delinquencies by property owners in the payment of special assessments resulting in a decrease in the amount of money the City borrows from the Revolving Fund in order to pay principal and interest on its SID and SCA Bonds, and (c) retention of the 5% deposit in the Revolving Fund after the maturity and final payment of a series of SID or SCA Bonds. Historically, the City has retained the 5% deposit in the Revolving Fund after the maturity and final payment of a series of SID or SCA Bonds because the amount on deposit in the Revolving Fund was low compared to the amount permitted to be maintained in the Revolving Fund. Exhibit A hereto shows the growth of the Revolving Fund over the last 10 years relative to the aggregate principal amount of SID and SCA Bonds.

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The Revolving Fund has been overfunded for the last few years (at roughly 13% to 14% of the stated principal amount of each outstanding series of SID and SCA Bonds). It is presently overfunded at roughly 15.5% of the stated principal amount of each outstanding series of SID and SCA Bonds. It is important to note that approximately \$6.1 million in original aggregate principal amount of SID and SCA Bonds matured or were redeemed within the last six months. A Revolving Fund deposit of approximately \$610,000 is associated with such Bonds, and this amount represents nearly all of the increase in the excess funds in the Revolving Fund since 2011. Recall that part of the IRS calculation for the Reserve Limitation ties back to the original aggregate principal amount of each series of SID and SCA Bonds. When SID and SCA Bonds mature and are finally paid, the amount of money on deposit in the Revolving Fund becomes disproportionately large relative to the remaining SID and SCA Bonds. The Revolving Fund further grows upon the issuance of each new series of SID or SCA Bonds because a new 5% deposit is required to be made to the Revolving Fund. The investment of the Revolving Fund also results in the increase in the amount of money on deposit.

Recommendations

Dorsey & Whitney LLP, as bond counsel, reviews the Revolving Fund in connection with each new issuance of SID and SCA Bonds. Given that the Revolving Fund is overfunded at roughly 15.5% of the stated principal amount of each outstanding series of SID and SCA Bonds, we recommend that the City take action to reduce its size so that the amount on deposit equals the Reserve Limitation. In addition, we recommend that the City periodically transfer money out of the Revolving Fund if the amount on deposit again exceeds the Reserve Limitation.

Under MCA 7-12-4227, the City Council may order the excess in the Revolving Fund be transferred to the City's general fund or used to purchase property at a tax sale.

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SID and SCA Bonds Revolving Fund History

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