

## REGULAR MEETING OF THE BILLINGS CITY COUNCIL

**March 11, 2013**

The Billings City Council met in regular session in the Council Chambers located on the second floor of the Police Facility, 220 North 27<sup>th</sup> Street, Billings, Montana. Mayor Thomas W. Hanel called the meeting to order at 6:30 p.m. and served as the meeting's presiding officer. Councilmember Crouch gave the invocation.

**ROLL CALL:** Councilmembers present on roll call were: Cromley, Ronquillo, Cimmino, McFadden, Bird, McCall, Ulledalen, Astle, and Crouch. Councilmember Pitman was excused.

**MINUTES:** February 25, 2013 – Councilmember Cimmino referenced Page 11. She had given the filing date for the next municipal election as April 27, which was incorrect. April 29 was the correct date and asked that the date of April 27 listed twice in the minutes be corrected to April 29. Councilmember Astle moved for approval of the minutes, as corrected; seconded by Councilmember Ronquillo. On a voice vote, the motion was unanimously approved.

**COURTESIES:** Councilmember Astle congratulated Councilmember Ronquillo and his wife for recently celebrating their 50<sup>th</sup> wedding anniversary.

### **PROCLAMATIONS:**

- AmeriCorps Week - March 9-17, 2013
- National Service Recognition Day - April 9, 2013

Mayor Hanel recognized Community Development Manager, Brenda Beckett; Planning Director, Candi Beaudry; and City Administrator, Tina Volek, for their support of the VISTA Program. Ms. Beckett noted they had 16 current VISTA volunteers. Each volunteer introduced himself/herself, provided hometown location, and project information, as follows:

Name	Hometown/State	Current Project
Maggie Sack	Chicago, Illinois	Mental Health Center based out of The Hub "Offering Hope" (fund development)
Kelly Fessler	Las Vegas, Nevada	Continuum of Care (Homelessness)
Lisa Zulawski	Rochester, New York	Family Services, Inc: Family Advocacy Program
Trenetia Young-Hammond	St.Louis, Missouri	Family Services, Inc: "New Year of Hope" (strategic planning)
Amy Dixon	Billings, Montana	Venture Theatre: "A Heart Without"
Jessie Obee	Wyoming	Venture Theatre: "A Heart Without"
Joshua Downes	Sarasota, Florida	Tumbleweed: Youth Count!
Chelsia Davis	California	Tumbleweed: Youth Count!
Jessica Engle	Kansas City	Head Start: Children's Garden and Education Enhancement

Lauren Bloomfield	New York	Head Start: Children's Garden and Service Enhancement
Lee Domeika	Connecticut	Housing Authority of Billings: Community Gardens
Neil Heckman	California	Housing Authority of Billings: Community Gardens
Emily Lastinger	California	Friendship House: Children's Garden and Education Service Enhancement
Kelsey Dwyer	Kansas City	Venture Theatre: Venture into Schools
Chris Cioffi	Raleigh, N. Carolina	Venture Theatre: Venture into Schools
Aundi Hunter	Greenville, S. Carolina	VISTA Leader!

## ADMINISTRATOR REPORTS - TINA VOLEK

City Administrator Volek commented on the following items:

- **Item B – Approval of lease with the Miller Building at 2825 3<sup>rd</sup> Avenue North for Planning, Building, Code Enforcement and Community Services relocation.**
  - ✓ E-mails from Charlie Yegen, Doug Jensen, Kay Montano, Elizabeth Miller, Steve Bruggeman, Mike Shaer, Dan & Patti Vierthaler, and Linda Parker forwarded to Mayor & Councilmembers in favor of relocating city offices to the Miller Building.
  - ✓ Copy of updated PowerPoint presentation by Liz Kampa-Weatherwax sent in 3/8/13 Friday packet.
  - ✓ Cost Comparison Chart distributed to Council that evening.
- **Item C2 – Approval authorizing City Administrator to sign Empire Parking Garage parking unit purchase agreements and subsequent documents necessary to transfer units.**
  - ✓ Copy of Sale and Purchase Agreement between the City and Alley Cat Investments, LLC for purchase of parking unit in the amount of \$108,288.75 sent in 3/8/13 Friday Packet.
- **Item F – Resolution fixing the form and terms of DNRC Series 2013 bonds for construction of Heights sanitary sewer lift station.**
  - ✓ Copy of Revised Resolution from Dorsey & Whitney sent in 3/8/13 Friday Packet.
- **Item 2 – FY14 General Fund and Public Safety Budget Discussion staff memo.**
  - ✓ Copy of staff memo and attachments sent via e-mail to Mayor and Council 3/10/13.

She noted all items listed were filed in the ex-parte notebook in the back of the room for public review.

**PUBLIC COMMENT on “NON-PUBLIC HEARING” Agenda Items: #1 & #2 ONLY. Speaker sign-in required.** (Comments offered here are limited to one (1) minute. Please sign in at the cart located at the back of the council chambers or at the podium. Comment on items listed as public hearing items will be heard ONLY during the designated public hearing time for each respective item. For Items not on this agenda,

public comment will be taken at the end of the agenda.)

The public comment period was opened.

- **Steve Wahrlich, 2511 1<sup>st</sup> Avenue North**, referenced Item B and said he was in favor of relocating the city offices to the Miller Building. He said security from a women's perspective when walking out of the Crane Building at night was a concern. The Miller Building had a lot to offer; flexibility, production, and perceived safety.

Councilmember Cimmino asked Mr. Wahrlich if he had a police report on which he based his opinion. Mr. Wahrlich said he did not, and it was a person's perception. He said from his female staff and staff of the Wells Fargo Building at times when looking at the area on First Avenue South at dark there was a perception it was not safe. He was not saying it was not safe; it was just a perception.

- **Jerry Ray, 2646 Grand Avenue, Suite 1**, said Council knew who he was and why he was there. Mr. Ray asked if he could put up a PowerPoint. Mayor Hanel advised one minute was allowed during the public comment period. Mr. Ray asked if the item would come up later. Mayor Hanel said it may come up, but it was up to the Council to separate the item for discussion or pass it through the Consent Agenda. Mayor Hanel invited Mr. Ray to use the time allowed. Mr. Ray said there would be up to \$100,000 of savings over the first five years. He had an accounting firm figure it out; and he had the facts and figures. If he was beat financially in a bid, he had no problem; but if he was lower by anywhere from \$30,000 to \$100,000 it was not right. He said that was his comment at that time.

Councilmember Ronquillo asked Mr. Ray how long he had owned the Crane Building. Mr. Ray replied five to six years. Councilmember Ronquillo asked if the building had been broken into during that time. Mr. Ray said it was a very safe place; and the least safe place was the current library location because every bum and street person hung out on 6<sup>th</sup> Avenue; not 1<sup>st</sup> Avenue South. Councilmember Ronquillo said he walked South Park every night around 10:00; and he had never been accosted; so he wanted Mr. Wahrlich to understand the south side was safe and there were bike patrols in the area. He said he wanted to rest assure the citizens of Billings that one side was not considered more unsafe than the other side. Mr. Ray commented the Crane Building had over 80 parking spots in a well-lit lot.

- **Drew Smith, 1748 Front Street**, said he was working with Norman Miller of the Miller Building on the process and supported the move to the Miller Building. The Miller Building proposal defined specific costs involved with the lease, included utilities, there was little or no need for improvement to the space, and Mr. Miller would pay for remodeling the bathrooms. Mr. Smith said in his opinion Mr. Ray's build-out price of \$4.55 per square foot would not get him very far; and he urged Council to confirm the amount. The city would be paying utilities at the Crane Building, and the open ceiling and brick walls would create heat loss. He also did not think there would be a parking issue at the Miller Building. There was employee parking across the street, at the Lincoln Center, and 12 spaces on-site for patrons.

Councilmember Cimmino asked Mr. Smith if he was a member of the Parking Advisory Board. It was her understanding he had resigned because he did not have time to attend the meetings. Mr. Smith said that was correct.

Councilmember Cimmino said so he would know parking was obviously an issue downtown. Mr. Smith said he did not think parking would be an issue for Planning. They had budgeted for it, and they had it available to them. Councilmember Cimmino said in his role as an advisory board member Mr. Smith studied the issue that parking was an important component downtown. Mr. Smith said he thought it was, and the city was doing the right thing to address it. The new garage was a great step forward.

- **Norman Miller, 4507 Palisades Park Drive**, said his family owned the Miller Building. He asked for Council's support to move the city departments into his family's building. It made financial sense because the costs of the Miller Building were upfront and well known, and there was a question if the costs were upfront and well known in his competitor's bid. The Miller Building was located in the Central Business District and offered city employees and city patrons many restaurants, retail stores, banks, the library, parking, and bus service. They would help support the businesses and keep downtown healthy and alive.
- **Dave Hawkins, 2617 Westfield Drive**, asked Council to consider the numbers before making a decision. As a taxpayer he had concerns over what he had just heard. He owned a building at 2912 Minnesota, and the area was safe. They tried to get other refurbished projects done in the area, and he would like to see the city continue forward with south side projects. Moving the city offices to that area would be setting an example. Access would be easy by coming down 1<sup>st</sup> Avenue South, and there would be a lot of parking available.
- **Rayla Romain, 4313 Wells Place**, said the Miller Building was walk-in ready, and it had bus service in front of the building. She felt the women would be more comfortable at that location, and access to restaurants and shopping would help the downtown area. She was concerned about the possible increase in train traffic through town that would create a problem getting from the south side to the downtown area.

Councilmember Ronquillo thanked Ms. Romain for mentioning the trains, because the city had a hard time believing there would be a train problem. The city will have a train problem and being able to communicate north and south, regardless of where the Planning Department goes.

There were no other speakers, and the public comment period was closed.

## 1. **CONSENT AGENDA**

### A. **Bid Awards:**

1. **W.O. 10-19 Shiloh Conservation Area Wetland Plant Procurement.** (Opened 2/26/2013) **Schedule I:** Recommend The Confederated Salish & Kootenai Tribal Forestry; \$98,300. **Schedule II:** Recommend Westscape Wholesale Nursery; \$6,350.
2. **W.O. 12-44 WTP High Service Pump Station H2-3 Pump Replacement.** (Opened 2/26/13) Recommend Star Service; \$757,021.
3. **Correction of Award for Two (2) - 2013 37,000 GVW Axle Trucks with Dump/Sander Spreaders.** (Opened 1/29/2013). Recommend I-State, \$291,110 (includes two (2) \$2,585 5-year warranties).

**B. Approval** of the lease for real property for the Miller Building located at 2825 3rd Avenue North, for the Planning, Building, Code Enforcement and Community Services Departments and **Commitment** to an annual City general fund transfer for the Community Development Division.

**C. Empire Parking Garage**

1. **Empire Garage Materials Testing Services Agreement** with Tetra Tech, Inc.; estimated maximum price, \$75,700.

2. **Approval** authorizing the City Administrator to sign the Empire Parking Garage parking unit purchase agreements and all subsequent documents necessary to transfer the units.

**D. Acknowledging Receipt of Petition to Annex #13-02:** one parcel totaling approximately 64 acres, generally located on the west side of Mallowney Lane just south of the Southern Empire Emporium Restaurant and addressed as 1228 and 1236 Mallowney Lane; Elizabeth Zeiler, owner and petitioner, and setting a public hearing date for 3/25/13.

**E. Resolution of Intent #13-19249** to construct W.O. 13-02, Miscellaneous and Developer Related Improvements, (curb, gutter, and sidewalks) at various locations in the City, and setting a public hearing date for 4/8/13.

**F. Resolution #13-19250** fixing the form and terms of the Department of Natural Resources and Conservation (DNRC) Series 2013 bond for the construction of a sanitary sewer lift station in Billings Heights.

**G. Second/Final Reading Ordinance #13-5594** amending text to Section 2-207, of the Billings, Montana, City Code providing that the Office of Mayor or Councilmember shall be forfeited under certain circumstances.

**H. Second/Final Reading Ordinance #13-5595** establishing new boundaries for the City of Billings five election wards.

**I. Bills and Payroll:**

1. February 4, 2013
2. February 11, 2013
3. February 19, 2013

Councilmember Ronquillo separated Item B. Councilmember Cimmino separated Items A2, I1, I2, and I3. Councilmember Cromley separated Item C1.

Councilmember Astle moved for approval of the Consent Agenda with the exception of Items A2, B, C1, I1, I2, and I3, seconded by Councilmember Ronquillo. On a voice vote, the motion was unanimously approved.

Councilmember Cromley referenced Consent Agenda Item C1 and said they were not provided the amount of the bids, so he did not feel there was enough information available to take action. He asked if they were approving the low bid. Assistant City Administrator, Bruce McCandless, explained it was a contract with a

professional consulting firm and the solicitation was in the form of a Request for Proposals (RFP) and not a bid; so the selection was based upon the criteria listed in the RFP. Prices were usually not considered or were a minor consideration in the selection of a consultant. Councilmember Cromley moved for approval of Consent Agenda Item C1, seconded by Councilmember Ronquillo. On a voice vote, the motion was unanimously approved.

Councilmember Cimmino referenced Consent Agenda Item A2 and said she would abstain due to her employment. Councilmember Ulledalen said he would also abstain due to a conflict.

Councilmember Astle moved for approval of Consent Agenda Item A2, seconded by Councilmember Ronquillo. On a voice vote, the motion was approved 8 to 0.

Councilmember Cimmino referenced Consent Agenda Item I1, Invoice #762925; Item I2, Invoice #763123; and Item I3, Invoice #763347, and said she would abstain due to her employment. Councilmember Cromley said he would need to abstain from Item I1.

Councilmember Astle moved for approval of Consent Agenda Items I1, I2, and I3, seconded by Councilmember Ronquillo. On a voice vote, the motion was approved 8 to 0.

Councilmember Ronquillo referenced Consent Agenda Item B, and said he would like to have the Item moved to the Regular Agenda with the new information being presented that evening. Mayor Hanel advised the item could be moved to the Regular Agenda, or it could be discussed as a separation from the Consent Agenda. Councilmember Ronquillo said he would leave it as a separation from the Consent Agenda and asked Purchasing Agent, Liz Kampa-Weatherwax, to proceed with her presentation.

Finance Director, Pat Weber, asked to comment on the process before Liz began her presentation. Mayor Hanel said many of the public was unaware Mr. Weber had recently been through a medical procedure and asked him if he was comfortable or needed a chair. Mr. Weber noted the doctors realized he did have a heart, and they performed a triple bypass on him three weeks ago. He said he was on the path to recovery, was doing fine, and had quit smoking. Mr. Weber said Liz felt bad about previously presenting incorrect numbers, but it happened to all of us. Since then Liz had sat down with one of the accountants and reviewed all of the numbers and what she would be presenting was taken verbatim from the proposals. Mr. Weber said the numbers being presented that evening were accurate.

Ms. Kampa-Weatherwax apologized for the incorrect information presented previously and said she was in no way, shape, or form attempting to be misleading. She said contributing to some of the confusion last Monday was that on the Crane Building proposal slide she did not clearly state there was a break room, a large open space for cubicles, and two offices on both the first and second floors; and the \$4.45 per square foot remodeling was proposed and was to be paid at the proposer's cost. She said she did not believe there had been any questions on the Miller Building proposal slide.

Councilmember Ronquillo asked Ms. Kampa-Weatherwax if the conference rooms on the 4<sup>th</sup> and 6<sup>th</sup> floors of the Miller Building had to be leased on a first come, first serve basis. Ms. Kampa-Weatherwax said that was true for the conference room on first floor only. It was not part of the proposal, but an additional amenity available to all offices in the building. She said there were conference rooms on both floors that were being proposed at the Miller Building as part of the costs; one of which was a very large audio visual room.



Councilmember Ulledalen clarified there was an additional conference room on the first floor that was available if Planning needed to have public meetings. It was a separate site in the building isolated from all of the other offices. Other tenants in the building could also use the conference room on a first come, first serve basis.

Councilmember Cimmino asked what the cost would be for the large audio visual room. Ms. Kampa-Weatherwax said it was included in the lease, and the only conference room not included in the lease was the conference room on first floor.

Ms. Kampa-Weatherwax showed the slide of pros and cons for both proposed locations. She said city staff had looked at bus access to the Crane Building, and there was not a bus stop in close proximity.

Councilmember Cimmino said she had asked about the bus route for both buildings, and that day at 5:12 p.m. she received an e-mail from Ron Wenger, Transit Manager, indicating Routes 9, 10 and 19 would come within three blocks of the 3000 block of First Avenue South on the outbound from downtown and within two blocks on the inbound to downtown, and numerous routes passed in front of the 2800 block of Third Avenue North. Ms. Kampa-Weatherwax said concerns were expressed if some of the clients could make it three blocks. Mayor Hanel confirmed that what she meant to say was that a bus did not go directly by or stop at the Crane Building. Ms. Kampa-Weatherwax said that was correct.

Ms. Kampa-Weatherwax said she re-ran the 5-year estimates because they were looking at a 5-year lease, with five, one-year options to renew. The selection committee's preferred option was an installed, city-owned fiber line. It made more sense to look at it over 10 years with the repayment of a \$50,000 one-time installation cost. She referenced the chart and spreadsheet that Council received that had been run with every scenario that could be run and said it showed a comparison between the proposed Crane Building's costs with estimated utilities at 3% per year, and the proposed Miller Building's costs to include \$3,000 per year for additional parking needs that would be out-of-pocket expense for the Planning and Community Services Department. Ms. Kampa-Weatherwax said the chart did not show the repayment of the estimated \$50,000 because she did not know if it would be a loan, where the loan would come from, and at what interest rate. The IT Department estimated the cost of fiber installation anywhere between \$38,000 and \$50,000. She noted the far right column on the handout showed estimated costs if the fiber installation loan was \$50,000.

Councilmember Ronquillo said even with the \$50,000 one-time installation cost, they would still have to pay for renting the service line. Ms. Kampa-Weatherwax said there would be no rent because the City would own the service line. IT Director, Dave Watterson, said because of the close proximity of the Miller Building, the city would bore in its own conduit and put the city-owned connection from City Hall right into the building. He said the current services the Planning Department received at the Library building would be the same services it would receive with boring and conduit. The upfront cost would cover the boring and equipment to land and install the fiber but once it was done, it would be a city-owned asset that could be used for as long as the Miller Building was used. He said it would also lay infrastructure half-way to the Crime Prevention Center that was currently in a city-owned facility that could be used in the future. Mr. Watterson said the offer in the Crane Building was a great solution. Optimum would provide a very good connection; and because they would be going through a tel-com, there would be an ongoing fee. He said the city currently had the services at city hall and could deliver them to the Miller Building by paying the one-time construction cost.

Councilmember Cimmino asked what the Planning Department currently paid for the services to the Library. Mr. Watterson said they did not pay for services through the fiber. Their costs were based on the number of PCs, the systems, and the number of users. He said the Library and the fourth floor offices received services from the city-owned fiber installed in the early 90's. Councilmember Cimmino said in terms of cost comparison, if the Planning Department was currently four blocks from city hall and the Miller Building would only be two blocks away from city hall, it appeared to her it would be less expensive. Mr. Watterson said once fiber was in place whether it was a block or 100 miles, it was the same cost to run it.

Ms. Kampa-Weatherwax said Councilmember Cimmino had asked for a clearer visual of the parking spaces. She said the Request for Proposals (RFP) asked for 45 to 50 parking spaces. Mr. Ray proposed 74 spaces included in his price for the Crane Building. The Miller Building proposal included 12 on-site customer spaces; plus, there were 23 city-owned spaces at the Lincoln Center lot currently used by Planning and Community Services and 10 spaces in Park I that would be leased for \$3,000 per year for lease vehicles; for a total of 45 spaces. Councilmember Cimmino asked where the \$3,000 would come from if the city owned the garage. Ms. Kampa-Weatherwax said Planning and Community Services would pay the Parking Division for the spaces. Councilmember Cimmino said the \$3,000 would be paid from the city not the Miller Building. Ms. Kampa-Weatherwax said that was correct. Councilmember Cimmino asked who would collect the \$3,000. Ms. Kampa-Weatherwax said the Parking Division would collect it from Planning and Community Services. Councilmember Cimmino asked if the 12 on-site spaces were through Diamond Parking. Ms. Kampa-Weatherwax said the 12 on-site spaces were located directly behind the Miller Building in a private parking lot and would be provided free of charge.

Ms. Kampa-Weatherwax said regardless of either proposal, a subsidy would still be required from the General Fund of up to \$60,000 annually to support the Community Development Division. She said the selection committee had again unanimously confirmed in writing to her within the last couple of days they were standing by their decision being presented that evening. She said they were ready to bring forward a lease for the Mayor's signature.

Councilmember Cimmino asked Ms. Kampa-Weatherwax to clarify the \$60,000 because it was her understanding last week she had said \$50,000 for Community Development. Ms. Kampa-Weatherwax said she did not believe she had ever quoted \$50,000, and she had been saying \$50,000 a lot about the fiber line installation. She said, per the Planning Director, the actual rent on a Supplemental Budget Request, was \$40,399, which included applying the \$13,000 Community Development currently paid and could afford. Councilmember Cimmino said for the record she did take minutes, she took it seriously, she did her research, and she remembers \$50,000 was quoted last week; unless she was hearing things.

(Note: Councilmember McCall left the room at 7:30 p.m. and returned at 7:45 p.m. Councilmember Astle left the room at 7:40 p.m. and returned at 7:45 p.m.)

Councilmember Astle moved for approval of Item B, seconded by Councilmember McFadden.

Councilmember Ronquillo said he felt it would be fair to allow Mr. Ray to say a few words since there was an error in the numbers on the city's side the first time. Mayor Hanel said he could appreciate it and respected the request, but the item was not up for additional public comment and those wishing to testify were allowed to speak previously during the public comment period of the Consent Agenda. The only way



someone could come forward again would be if Council had a specific question that needed an answer.

Councilmember Ulledalen said it was a Request for Proposal, and they were not going to necessarily take the lowest bid. They were going to take what they thought was the best proposal. If approved, the staff would go forward and negotiate the details with the Miller Building. He said he did not think it was about the numbers; he thought it was about trying to decide the different aspects of the two proposals. Mr. Watterson provided a memo on his side of the equation regarding cabling and connection between city hall and the building, Attorney Bonnie Sutherland made interesting comments about the RFP and how it was answered by both parties, and Ms. Kampa-Weatherwax did a good job on the numbers. Financially it was very close. He said his concern was not so much the numbers but the timeframe and who the customers were. He said the Miller Building already had offices installed, and the building was state of the art in terms of internal cabling due to a former tenant. His concern with the Crane Building was that it had two, wide-open floors with a couple of offices in the corners. A scale drawing had been presented with what the offices would look like but if there was not a complete set of construction drawings, they would have to be drawn and submitted for Building Division review and approval and then the bid and construction process would have to begin. He was concerned with the time it would take to get the Crane Building done versus the Miller Building that was move-in ready. Councilmember Ulledalen said he would vote for the Miller Building.

Councilmember McFadden said both locations were very close. Both had a lot of positive merits. He hoped if the city ever needed more space, the Crane Building would be taken into consideration. He resented the notion that the south side of the tracks would be considered a second-rate neighborhood, and he did not consider it to be so.

Councilmember Bird asked Mr. Watterson how long it would take the city to complete the fiber installation project. Mr. Watterson said the biggest piece would be the boring, and they would get a bid going in order to contract the work. He believed it could be done this summer and if necessary, they could always work with Century Link, Optimum, or Integra to provide a temporary connection if construction could not be done in time. Councilmember Bird asked what the timeframe would be to get the Crane Building ready. Mr. Watterson said according to the RFP, Optimum would be providing the service. Optimum did not have a presence in city hall, which meant they would have to bring their fiber services into city hall. He said he had every bit of faith Optimum would be able to bring fiber into the Crane Building well in time prior to the construction being done.

Councilmember Cimmino said she wanted to respond publicly and on the record about a lot of the ex-parte e-mails they received. A lot of the individuals who sent Council e-mails in support of one building or another were responding to a letter writing campaign endorsed by Greg Krueger and Lisa Harmon from Downtown Billings Association (DBA) even though both owners were members of the DBA. She said she took a walk downtown and wanted to say that she was female and was not afraid to go anywhere; not afraid of anyone or anything because of how she was raised. She said just for the record, to walk to the Athenian Greek Restaurant and the Guadalajara Mexican Restaurant from the Crane Building took four minutes and 56 seconds, and from the Miller Building it took three minutes and 50 seconds. She said the walk from the Miller Building to city hall took four minutes, and from city hall to the Crane Building took eight minutes and 35 seconds. The Crane Building was across the Galles Filter Service and a block away from the historic Maverick Fire Station and Randy Hafer's apartments; RiverStone Health was three blocks east; the Minnesota Avenue Business

District was only one block to the southeast; and the new Cafe DeCamp would be opening at 2905 Montana Avenue by late spring 2013. Councilmember Cimmino said she knew at times the increasing train traffic could have an effect on foot traffic from Minnesota Avenue to Montana Avenue and visa versa, and Council approved a \$1 million investment on the pedestrian bridge that would go to Minnesota Avenue, so obviously there would be activity there. She quoted from the Neighborhood Planning Report, "The south side has a great potential to become a destination place for Billings residents, business owners, and visitors who will purposely go to conduct business, have goods and services manufactured, and enjoy recreation and leisure activities." She continued, "It is their hope that this area of Billings will be a wonderful place to live, work, and play far into the future." Councilmember Cimmino said she went to the Miller Building and the Crane Building on her own. She was an advocate for historic preservation, she believed in restoring buildings, and she believed both facilities were conducive to the move. She said she wanted to set the record straight to a lot of people who e-mailed them that whether or not the Planning Department was going to move to one building or another was not the end of times. There were restaurants available for everybody including the people moving to the Federal Courthouse.

Councilmember Crouch called for the question.

On a roll call vote, the motion to approve Item B as presented was approved 8 to 2. Councilmembers Crouch, Astle, Ulledalen, McCall, Bird, McFadden, Cromley, and Mayor Hanel voted in favor. Councilmembers Cimmino and Ronquillo voted in opposition.

Mayor Hanel said they had stressed again and again and worked very hard as a city and council to display the fact that all areas of Billings were safe; crime occurred in all areas of Billings unpredictably, both serious and minor crimes; and he did not want anyone to think the location of the Crane Building had any relation to the crime rate in Billings. Crime would happen and continue to happen. It was unpredictable and had nothing to do with where anyone lived or where businesses were located. Both buildings presented a very professional atmosphere and appearance. Both were owned and managed by professional business people trying to make a living like everyone else. Both put forth a well-prepared proposal, attended every meeting, and testified. Both deserved a pat on the back for their efforts. Mayor Hanel said the matter was settled and asked staff to proceed with the proposal with the Millers. Mayor Hanel noted for the record that Councilmember Bird had inquired about the location of Code Enforcement and said Code Enforcement would be located with Planning per staff recommendation.

Mayor Hanel called for a brief recess at 8:03 p.m. Mayor Hanel called the meeting back to order at 8:13 p.m.

## **REGULAR AGENDA:**

### **2. FY 2014 GENERAL FUND AND PUBLIC SAFETY BUDGET DISCUSSION.**

**Staff recommends City Council answer the six questions listed in the Problem/Issue Statement and allow staff to proceed to the annual budget presentation on May 6 while using Priority Based Budgeting as Council directs. (Action: approval or disapproval of staff recommendation.)**

City Administrator, Tina Volek, said at last week's work session staff brought Council six questions based on what had been discussed in January. Ms. Volek said she would start with the FY14 to FY13 discussion to go over the results, talk very briefly about the suggestion of freezing hiring for next year and its impacts, and then move to the six questions.

Councilmember Cimmino asked if the material was part of the Friday Packet. Ms. Volek said it was not; staff worked a minimum of 75 hours on the materials and the last information was delivered to her shortly after 5:00 p.m. on Friday. She spent a good deal of the weekend putting the information together into a single packet and sent it to Council at approximately 6:30 p.m. Sunday. She called all the councilmembers to let them know it had been sent; it was also posted on the website first thing Monday morning; and was available in the ex-parte notebook in the back of the room.

Ms. Volek showed a table prepared by the Finance Department representing the effect of maintaining the General Fund and Public Safety Fund for FY14 at the same level as FY13. She said there would be a savings of approximately \$114,226 for the General Fund Departments, reduced by \$26,000 because city departments were charged cost allocation services for the work of departments such as Legal, Human Resources, Finance Department, etc., for a total cost savings of \$87,946. Ms. Volek said the Police Department would see a savings of \$948,123; and the Fire Department would see a savings of \$120,149. Ms. Volek reviewed the staff recommendations for cuts in the General Fund that would take the budget back to the FY13 level. Following are the recommendations:

#### Mayor & City Council

- Staff makes no recommendations for reductions, since the budget is \$835 less in FY14 than in FY13.

Councilmember Cimmino asked if the reason for no recommendation for reduction was because the governing body had not received a raise for the last 16 years. Ms. Volek said that was very probable.

#### City Administrator

- There are insufficient cuts available in the O&M lines to make up the deduction, so reductions would have to come from personnel.
- The City Administrator's recent pay increase and Assistant City Administrator's step increase would be cut.
- Support staff members would not be allowed overtime except for rare occasions when they could take compensatory time only for the hours used, which could lead to slower production of minutes, reports and correspondence.
- Citywide software tracking program for public records requests in FY 2013 that would have become a maintenance item in FY 2014 and future years would not be purchased.

#### Human Resources

- Postpone hiring of the Human Resources Associate position until January 2014. This would result in vacancy savings of \$33,814.00. Delaying this position would also result in deferring the HR Policy Manual review and revisions, in-house investigations, Affirmative Action Plan revisions and increased in-house supervisor and employee training to a later date. Without the additional staffing, Human Resource functions would remain in a reactive mode instead of progressing to a proactive mode.

Councilmember Bird asked if it would be possible to be provided dollar amounts on the bulleted sections. She said some sections had dollar amounts and some did not, and it would be helpful to know what the savings would be. Ms. Volek said the numbers would be provided.

Councilmember Astle said when he was working in the private sector for a large company he had been told that comp time was illegal in Montana. Attorney Brooks said there was occasion when comp time was allowed, specifically in collective bargaining agreements. Attorney Brooks said he would do some research and let Council know.

#### City Attorney

- FY 14 is anticipated to be \$6,578 less than FY13. No reductions are planned.

#### Municipal Court

- The \$2,434 reduction will be absorbed in controllable operations & maintenance lines, primarily office supplies.

Councilmember Astle asked where the funds received from municipal court surcharges went and how they were split. Ms. Volek advised it was the fee attached to services provided, and they went into the General Fund. She said municipal court collected the funds but the work was done across several departments including Code Enforcement, Police Department, and the Legal Department. Attorney Brooks advised there was a statute under Title 46 that allowed it, and he would e-mail the statute to the Council.

#### Finance

- Finance will reduce Office Supplies by \$1,000 and Training by \$1,000 for a total of \$2,000.

#### Code Enforcement

- Lay off the Code Enforcement Clerk.
- Eliminate the Nuisance Weed Program. PRPL and the CE Division would experience a loss of revenue. The CE Division's revenue reduction would be estimated to be \$5,000 - \$15,000 for FY14.
- Eliminate Public Nuisance Property Clean-ups . Only voluntary nuisance abatement will be affordable. This includes locations already in the enforcement process:
  - 2617 13 Street West
  - 23 Rhea Lane
  - 3 Jefferson Street
  - 2244 Dallas Drive
  - 3310 1 Avenue South
  - 423 Miles Avenue
  - 1220 Colton Boulevard
  - 218 North 22<sup>nd</sup> Street
  - 916 South 27<sup>th</sup> Street
  - 401 South 26<sup>th</sup> Street
  - 40 Jackson Street
  - 107 Custer Avenue
- No computer replacement, no training manuals, no professional memberships, reduced training budget, no budget for office machine repair or weed cutting refunds.

Councilmember Cimmino asked if the 100+ Crime Prevention volunteers through the Police Department helped out with code enforcement. Ms. Volek said the program was to start but the impact on the proposed flat-lined budget on Police would not make it possible.

Councilmember Astle commented his complaint about the city budget process for years was that it jumped around from Page to Section and back and forth. He told Ms. Volek she comes up with something in her mind, but does not put it on paper; and if it did not exist in writing, it did not exist. He said Council had never received dollar for dollar information, and they needed to know that. He said the report indicated fuel costs would not go up, but fuel costs "had gone nuts" nationwide. Even though the city had a contract, the cost of fuel was still going to go up. Councilmember Astle asked for numbers per divisions. Ms. Volek said she would provide the information.

Councilmember Ulledalen said he thought they were getting stuck on slightly different views of the same problem. He referenced Councilmember McCall's proposal a couple years ago to freeze the budget and let the deficit take care of itself. He said talking now about freezing budgets, in an ideal sense, they could freeze compensation at present levels so no one received a raise for two years. He said when freezing the budget nothing changed, all costs kept going up, and the only way to balance the equation would be to lay off people, which would affect different aspects in different departments. He said they needed to get to that at some point. Ms. Volek commented two years ago none of the employees received a raise; the city had in excess of \$10 million accrued by the hard work of the Council and its predecessors and the staff. There had been no O & M increases over a decade and very limited amounts allowed to occur in Supplemental Budget Requests. She said staff had proven it was willing to do what it could to make things better. She said if Council wanted to direct staff to go to contract negotiations with no increases for two years, staff would do it. She could almost guarantee with the current reserve balance they would go to arbitration almost immediately, and the city would end up paying more than what they might have negotiated.

Councilmember Cimmino pointed out that her recollection was there were no COLA increases the first year, but a 2.5% increase was given the second year and both years employees were able to keep their longevity, in addition to close to \$1,000 per employee per year in retirement. Ms. Volek advised the longevity was a bargained benefit across the three bargaining units and applied to the non-represented employees, as well. The start of longevity was moved back for the Fire Department and Police Department to the level of the Teamsters. She said the Fire Department had the health insurance to retirement benefit, and it was added to the Police Department. The Teamsters chose not to take the benefit and bargained for a contribution to ICMA or Nationwide.

Councilmember Bird commented they could not afford to lose any FTEs anywhere in the city and as a councilmember she was willing to go to negotiations with the three unions to say if they wanted to keep staff, they needed to maintain funding, so they needed to work it out. She said they needed to spend the excess in reserve funds and get things done that had been put off for years. She could not believe they did not have reasonable employees who knew full well in a couple of years the city could be in serious financial trouble and would lose FTEs. She commented she had worked for the State of Montana for almost 20 years, and she had not had an increase for five years. When push came to shove, she would rather have people on board than put the City at risk because all of a sudden they had to eliminate 20, 30 or 40 police or firefighters.

## Parks & Recreation

Services that would be affected in FY14 would include the following:

### Recreation

- Wading pools – Daily hours of operation at the wading pools would be reduced from 12-6 PM to 12-4 PM

### Cemetery

- Cemetery appearance – Elimination of the fertilization and weed control program at the cemetery

### General Fund Parks (North, South, Pioneer, etc.)

- Restrooms – Closure of up to 4 park restrooms for the season or a portion of the season
- Park signage - Reduction in park signage upgrades
- Multi-Use Trails - Reduction in mowing along trails

### Urban Forestry

- Reduction in tree pruning in the general fund parks

## Public Safety Recommendations for Reductions

Ms. Volek advised the Fire Department expected to have an increase of \$120,149. If kept at FY13 level, it would make cuts by making reductions to existing lines; mostly to keep them in line with actual costs this year. She went on to review the following.

### Fire

Given that approximately 84% of the Fire Departments budget is directly related to wages and benefits, the ability to reduce the budget is limited without impacting essential emergency services. The following options impact programs such as training, equipment replacement, and projects cost savings associated with past projections.

- Fire Department & 911 Center Overtime: Minimize the use of overtime to meet only essential and time sensitive responsibilities, which would reduce the projected overtime budget by \$17,656.
- HI-C Out-of-Position to higher classification costs: By contractual agreement, the Fire Department is obligated to fill vacated positions in the organization chart and compensate impacted employees accordingly. Using FY13 actual projections, a potential saving of \$31,819 could be made.
- Holiday Pay Benefit: Reduce line item for holiday compensation based on FY13 projections by \$11,000 .
- Electricity: Based on actual costs and anticipated future utility cost, the line item for electrical service would reduce by \$12,000.
- Computer Equipment Replacement: Postponing the expected replacement of a number of computer systems including mobile data terminals would support a budget reduction of \$33,170. The concern regarding this option is that the systems will still have to be replaced or maintained at a higher cost.
- Educational Equipment, Building Maintenance, Small Item Replacement, and Operating Supplies: An \$11,128 reduction would include optional items for the 911 Communications Center and the Fire Department Training Division.



- Management/Professional Development: A \$3,376 budget reduction would prioritize the essential training and management development associated with the maintenance of required certifications

### Police

Ms. Volek advised the Police Department would see the largest reduction if asked to hold its budget flat from FY13 to FY14. Following was the overall scenario that would do the most to keep police on the street.

#### Proposed FY14 Budget Reductions

Defer Car Purchase	\$383,761.00
Chaplains Program	\$ 1,500.00
Travel and Training	\$ 19,249.20
Overtime	\$ 91,920.20
Furlough	<u>\$460,358.43</u>
	<u>\$956,788.83</u>
	\$948,123.00 (\$8,665.83)

#### 20% Reduction in Travel and Training

Food for Meetings	\$ 1,500.00
Admin Training	\$ 8,000.00
SWAT Training	\$ 3,000.00
Bomb Training	\$ 2,000.00
Investigations Training	\$ 1,500.00
Training Aids	\$ 2,000.00
Training	\$67,296.00
Support Services Training	\$ 4,000.00
Animal Shelter Management	\$ 1,250.00
Animal Shelter Management/Development	<u>\$ 5,700.00</u>
	<u>\$96,246.00</u>
20% reduction	\$19,249.20

#### Furlough Projections

Ms. Volek advised the following would be a more serious scenario reducing staff in order to reduce costs.

Close city Hall 2 Days a Week	104 days/year=1040 hours	10 hr shifts
	104 days/year=832 hours	8 hr shifts
Police Support Specialist	13 x \$14.13/hour x 1040	\$191,037.60
Quartermaster	21.19/hour x 832	\$ 17,630.08
Administrative Support II	17.38/hour x 832	\$ 14,460.16
Volunteer Coordinator	100%	\$ 76,479.87
Records Supervisor	28.47/hour x 832	\$ 23,687.04
Administrative Coordinator	19.99/hour x 832	\$ 16,631.68
Animal Control Supervisor	30.53/hour x 832	\$ 25,400.96

Sr. Office Assistant	16.36/hour x 832	\$ 13,611.52
ACO Officers	16.31/hour x 832	<u>\$ 81,419.52</u>
		<u>\$460,358.43</u>

Ms. Volek noted elimination of the Crime Prevention Center Volunteer Coordinator could result in potential revenue losses of approximately \$80,000 to the city, \$9,000 to the Crime Prevention Center for fingerprint services, and reduction in animal control revenue due to reduction in service.

Ms. Volek said Council asked staff to look at the impact of a hiring freeze for 2014. She said it was more difficult because there was no capacity to predict how many employees the city would lose due to retirement, new jobs elsewhere, etc. Ms. Volek reviewed the following information.

#### City Administrator

- The City Clerk is required by State statute and the City Administrator is required by City Charter; if either of those positions became vacant, they would have to be filled, although that could be done by promotion of subordinates in the office. The reduction of other administrative and support staff would lead to slower decision-making and slower production of documents and materials as the result of additional duties being assigned to the remaining members. For example, if the Assistant City Administrator left, the Administrator would need to take over the agenda item review, management of four divisions and the lobbying program, items relating to the sale and purchase of land, and other duties. If the Deputy City Clerk left, the Clerk would have to reassume those duties, with some assistance from the Executive Secretary. If the Executive Secretary left, the Clerk and Deputy Clerk would have to assume support for the City Council and City Administration office.

#### Human Resources

- If the Human Resources Director or two Human Resources Associates left, the already small department would have to share work among the remaining employees. The Payroll Analyst position requires training and experience with the City's Innoprise system that would be difficult to duplicate, even in the private sector. If the Administrative Assistant left, the tasks of handling applicants would fall to the remaining staff, further increasing their burdens.

#### Municipal Court

- As a service to the public which is a main function of the court and with increasing number in caseload, it would hinder the department considerably to cut any full-time positions. Currently Municipal Court sees between 25,000-30,000 cases per year which creates a large amount of paperwork for only seven clerks to maintain. In addition, with the number of calls that are received, eliminating any employees would create an even bigger concern that the calls are not able to be answered due to caseload and court sessions. There are two part-time positions that would have to be cut to absorb the increases in performance appraisals if this plan is adopted.
- Court security (bailiffs) is one area that would cause the most disturbances to the court. Municipal Court operates out of two courtrooms and the need to have at least one bailiff in each courtroom as well as the third bailiff out to operate the scanning equipment. A log has been kept of all of the weapons that are collected (and not returned) during each court session. The amount of weapons that are collected should stand as evidence that court security should not be eliminated or decreased, but increased when and if possible.

- All grants are funds that stand on their own and awarded from the Federal Government, so there should not be any need to cut or change where the grants are concerned. They are for a limited time in award periods and do not affect the general fund or the departmental funding in any way.

#### Finance

- If an accountant left, it would be detrimental to production of the budget, the annual statement and audit. If support staff left, their specialties such as debt management, investments, taxes, business licenses, purchasing and similar function could be absorbed by others, but it would increase the load and reduce the effectiveness of an already small department.

#### Code Enforcement

- Unpredictable impact to division operations. Senior employee may retire soon but has not indicated this will happen in FY14.
- High turnover in the Code Enforcement Clerk (.5 FTE) position. If the clerk position becomes vacant in FY14, and a hiring freeze is in place, the division will not be able to handle walk-in customer service, and may need to significantly reduce or eliminate the nuisance weed program (May 1 to Oct 1). Eliminating the nuisance weed program will nullify any revenue to PRPL. PRPL acquires revenue through mowing property sent to them by the Code Enforcement Division. The mowing charges are paid by the property owner either through direct payments or tax assessments. Reductions in Code Enforcement Division revenue for inspection, penalty and administrative charges are expected.
- Estimated revenue loss for FY14 resulting from a hiring freeze or Level Funded Budget: Nuisance weed program \$5,000 - \$15,000
- The Code Enforcement Division has 3 officers and a hiring freeze could have a significant impact on division programs and operations. For example, if the senior employee retires and a 2<sup>nd</sup> officer leaves for a new job, the division would have 1 officer to cover all complaints. The number of complaints varies but averages about 206 complaints per month. One officer could not effectively handle this number of complaints. Response times to complaints would increase significantly and it is likely some complaints would not be able to be addressed at all. Neighborhood quality of life would be reduced and compliance rates would drop.

#### Parks & Recreation

- The Recreation Superintendent is planning to retire in FY14. She noted Joe Fedin had been with the city for 27 years. Over the years the job responsibilities of the position have become quite diverse. There are numerous things which aren't even directly related to Recreation that will need to be covered, such as the Park Use permitting, technology functions such as computer backups, server maintenance, etc. This position also oversees the summer recreation program, senior/community center, South Park and Rose Park Pools and the wading pools at Pioneer and Hawthorne Parks.
- A Recreation Supervisor would be named acting to cover many of the Recreation Superintendent's duties and paid HI-C pay. Seasonal personnel would also be hired to assist in the implementation and supervision of ongoing programs until a new Superintendent is hired. The Superintendent is expected to retire at the end of October. This transitional plan would take the department through FY14 and will cost approximately \$37,000.

#### Fire

- 3-6 position vacancies per year as a result of retirements and resignations. Given that the majority of positions in the Suppression ranks (Firefighters) are held to a

minimum manning or staffing level on each shift, any reduction in full time employees (FTE's) results in a potential and significant increase in overtime.

- Allowing vacancies on any of the three (3) shifts has a direct impact on the staffing of emergency apparatus, response capabilities, scene safety, and community service expectations.
- A further reduction or "freeze" regarding the ability to fill vacated positions will create additional financial burdens in the areas of overtime and out-of-position compensation. A reduction in on duty personnel will have a direct impact on the provision of essential public service.

#### Police

- Approximately 4 retirements a year.
- Consolidate services and pull people from specialized assignments to staff patrol.
- Transfer people.
- As the number of officers decline, pay more overtime. This will further tax that budget and burn out officers.
- Hiring freeze saving @ four (4) officers a year: 4 officers @ \$85,472/year = \$341,890.

Ms. Volek reviewed the following General Fund Unassigned Fund Balance as follows.

#### General Fund Unassigned Fund Balance

• Ending FY 12 Fund Balance	\$20,010,980
– Less	
• FY 12 Recommended Reserve	<u>\$9,726,000</u>
• Based on FY 13 budget	
• FY 12 Unassigned Fund Balance	\$10,284,980
– Plus	
• SID Revolving Loan Transfer	<u>\$1,238,096</u>
• Beginning FY 13 Unassigned	
 Fund Balance	 \$11,523,076

Ms. Volek noted the increased costs in FY14 as follows. She said the \$0 cost for fuel was perplexing. She said they may not have been able to predict it at the time, and she would find out.

#### Increased Costs in FY14

• Health Insurance	\$560,000
• Natural Gas	\$17,000
• Electricity	\$210,000
• Tires	\$50,000
• Liability Insurance	\$132,000
• Property Insurance	\$28,000
• Fuel	\$0
• Total	\$997,000

Ms. Volek discussed the anticipated issues for 2014 in the General Fund and Public Safety Fund only as follows.

Required

- Union Negotiations

Possible

- Space & Site Master Plan
- Strategic Planning
- Charter Cap Removal?

Long-Term

- Public Safety/Other Additional Staffing

Ms. Volek noted the list of General Fund and Public Safety budget items in the Fourth Quartile.

Ms. Volek noted the Finance Department would start compiling all of the budget material presented by the departments that week followed by review of supplemental budget requests. She noted the following six questions for Council direction.

1. Increase revenues or cut services, or both?
2. Use reserves to fund 1-time capital projects, for operations, or to postpone cuts?
3. Undertake new strategic planning & program re-evaluation before cuts or revenue requests made?

Ms. Volek noted the results of the Fourth Quartile listings were puzzling in some cases, and they believed it was because the strategic plan was used up and they had gotten all the good out of it they could. She said they probably should be talking about new strategic goals if Council wanted to undertake strategic planning and do the program re-evaluation before they made cuts or made revenue requests.

4. Are there any areas that should not be addressed?

Ms. Volek said there was previous discussion that Code Enforcement was very important.

5. Are there additional, long-term areas not mentioned that should be addressed?
6. What other items does Council wish to discuss?

Ms. Volek said in both the Police and Fire Departments there were Teamster employees who bargained with the rest of the Teamster Unit. She had spoken with Mr. Larson of Teamsters Local 190, and he said he would not separate the Teamster employees for the purpose of bargaining, which left a quandary if they were to go into Police or Fire and bargain for a zero increase. She said they would need to go zero across the board. Ms. Volek said staff recommended moving forward with Priority Based Budgeting and that Council not freeze or hold Public Safety and the General Fund to the 2013 levels.

Councilmember Astle asked if they knew if the tax revenues would increase or decrease for the next fiscal year. Ms. Volek advised they predicted a 1% increase. Councilmember Astle asked if it included the rapid increase in building permits. Ms.

Volek said state-wide reappraisal had made an impact, and the new administration was unpredictable. There was a legislative bill that would change the reappraisal cycle to every two years. She said there had been an extraordinary number of appeals on reappraisal. She said they had experienced approximately 65% to 70% property tax growth but it was not to where it was in 2005, and they were being very cautious.

Councilmember Cimmino asked if the statements had been submitted by each Department Head. Ms. Volek advised the chart was prepared by the Finance Department so the numbers corresponded to what Finance predicted and then the departments provided how they would achieve the reductions. Councilmember Cimmino asked for the cost savings if everything was implemented. Ms. Volek said it would be \$1,156,218.

Councilmember Bird said she was going to bat for Parks and Recreation. She said in her opinion they were off the table. She said they just passed the Park Maintenance District and committed to investing in the city's backyard. She said Parks and Recreation had been hit for decades, which is why they had \$9 million of deferred maintenance. Councilmember Bird referenced the 2014 anticipated long-term issues and said the water sewer line replacement and landfill charges seemed like Public Works issues. Ms. Volek agreed and said they would be removed. Councilmember Bird said there should be dollar amounts attached to the other items.

Councilmember Cimmino referenced the 2014 anticipated issues and the charter election. Ms. Volek advised it would be in calendar year 14 but in budget year 15, so it did not need to be on the list. Councilmember Cimmino asked if it was where they had to pass the ordinance to make the Parking Advisory Board an actual commission. Ms. Volek said she understood Council's direction was to include it with the next Primary Election. Assistant City Administrator, Bruce McCandless, said it would be included in the General Municipal Election November 2013 because they were not certain there would be a Primary Municipal Election.

Councilmember Astle asked when the wage lawsuit with the Fire Department paid out. Ms. Volek said she believed in 2017. It was on a level payment plan meaning the interest was paid up front, so they were now paying the principle. Councilmember Astle asked if it was approximately \$450,000. Ms. Volek said that was correct. Councilmember Astle asked if the Teamster positions imbedded in the Police and Fire Departments were 8 to 5 support staff jobs. Police Chief St. John confirmed the Police Department had three 8-hour shifts for 24/7 coverage. Fire Chief Dextras confirmed the dispatchers worked a number of different shifts because of overlaps. He said support staff was primarily 40 hours a week.

Councilmember Ronquillo complimented Ms. Volek and staff on a good job preparing the report. He said the departments did a good job saving the \$10 million in reserves, and he hated to see it spent on a one-time capital project. He said if they rapidly spent the reserves, the checkbook would soon be empty.

Councilmember McFadden asked if the city would be able to meet the increase in health care and other payroll items so employees would not have to take home a smaller check than last year. Ms. Volek said the anticipated health care increase per employee per month would be from \$800 to \$826.

Councilmember Bird referenced the 2014 anticipated issues list and asked if anything that could possibly come up be added with a projection of what it might cost. Councilmember Bird said it would be very helpful to know what the costs being paid from the General Fund and Public Safety Fund were, per department, for conference fees, professional memberships, travel expenses, lodging, and meals. Ms. Volek asked if she wanted a comparison to previous years. Councilmember Bird said a 3-year trend



would be helpful. Councilmember Bird said she would like to see what the Motor Pool expenses were versus when employees used personal cars. Ms. Volek advised employees were expected to travel in a city vehicle when there was one available. If an employee wished to take a personal side trip they took their own vehicle, and the city paid mileage only one way.

Councilmember McCall said they were in a "Catch 22" with the reserves. The city was expected to have an approximate \$10 million recommended reserve and through efficiency the city had saved more. She asked Attorney Brooks if there had been any case studies on other municipalities that had gone through it because it was like they were expected to add to the reserves and yet, when they got there, they were expected to not have them and to spend them. She said she would like to know how other communities have dealt with it because it puts the city in a very, very poor position when used as a negotiation tool. At the same time, if there were critical issues and severe changes in the economy later on, the money would not be there. Councilmember McCall said in looking at the questions, the whole thing on the strategic planning and the idea of working through it made a whole lot of sense to her. She said she thought they had talked about trying to do a strategic plan this winter in order to be prepared, and they had not done it. Ms. Volek advised they were going to do it in the new budget year, which would have been in the spring. Ms. Volek responded there was a policy that set what reserves should be for various funds. The city had been building the unassigned fund balance with an eye towards the change they knew was coming and the potential shortfalls in the future. Council could keep a piece aside for an emergency, such as a tornado, or for long-term items. She would never advocate spending down the full \$10.28 million. One of the reasons they accumulated the money was to buy time against long-term concerns and to get the city to a balance. Priority Based Budgeting would give them a tool to compare existing and new programs to determine if they were valid compared to revenue and spending. The organization needed to come to a point where it was sustainable and in balance for the future, which may mean looking very hard at some of the programs being provided. Councilmember McCall said the city had its recommended reserve which was about \$10 million and the approximate \$10.3 million. She said if the city froze the wages as a tool to stabilize, it had been mentioned the unions would say the city had the additional reserves. Ms. Volek commented she felt they would then go to arbitration. Councilmember McCall asked if Ms. Volek was saying the additional reserve could go to paying for additional wages. Ms. Volek said she believed an arbitrator would look at the number and say giving 0% would not be appropriate, and they would set a figure.

Councilmember Ulledalen said it was a political discussion, and they had come to a common agreement the budget problem was in the General Fund and Public Safety Fund and not the enterprise funds. The real issue was the costs of the Police Department and Fire Department on an ongoing basis because of their size and more General Fund dollars being transferred to sustain their budgets. Ultimately they would need to go to the public for another public safety levy, and they needed to begin making a case with the public as to why it was necessary. He said they had a "gentleman's agreement" with the school board that the city would not run a levy when they did, and they could be in the game for two or three years. As costs continued to go up, the problem would compound and get bigger and bigger. His concern was the \$10 million would not last long after the budget began to go deficit, and that was why he asked Mr. Weber to do a presentation of what the burn rate would be once it happened. It would give the Council a better picture of what a future Council would have to deal with in terms of shortfall. The city had 1,000 employees, and at some point they needed to talk

about minimum staffing levels and functions in departments that could be outsourced to private contractors. Councilmember Ulledalen said he thought adding to reserves to meet employee benefit and wage expenses but passing deferred maintenance costs to the public was not good management. He said they could take the \$10 million and buy down the Park Maintenance District levy for the next two or three years and have a lesser assignment on the people. He asked why they had \$10 million in reserve when it was doubled what the recommended numbers were. The Council needed to come to a rational discussion on if double the amount of recommended reserves was a reasonable number to be carried on the books especially if it would just be bargained away any way. Should it be used to fix some of the broken things now rather than passing the continued deferred issues into the future?

Councilmember Astle asked for the dollar amount of the total of the General Fund and Public Safety budget for FY13. Ms. Volek advised she would provide that information.

Councilmember Cimmino said it was her recollection the annual Parks budget for staff was approximately \$4.1 million per year, and the Park Maintenance District No. 1 accumulated at approximately \$1.45 million. (Parks Director, Mike Whitaker, confirmed the \$4.1 million was correct and included the temporary summer employees, and the Parks Maintenance District No. 1 amount was \$1.85 million.) Councilmember Cimmino asked if the Parks Department staff could take on the task of the seasonal weed abatement program instead of it being the responsibility of the part-time Code Enforcement Clerk. Mr. Whitaker said it was always a possibility, but he was not familiar with all the duties his staff would be expected to do. When duties were added, services would need to be reduced somewhere else.

Councilmember Bird asked if there would be any benefit to paying off the outstanding \$450,000 on the firefighters' lawsuit. Ms. Volek advised it was \$450,000 per year for the next three years. Ms. Volek said there would be no real benefit because the interest had already been paid up front, but it would free up money currently being expended in the Fire Department budget. The Fire Department would like to have additional personnel, and there were increases in salary and benefits. The mill levy adopted in 2005 was supposed to last about ten years. Councilmember Bird said paying off the lawsuit with the extra monies would take pressure off the Fire Department's budget. Ms. Volek said there had been discussions on using the money for one-time capital costs, such as the Inner Belt Loop or helping with the cost of hooking up to the water and sewer mains on the south side.

Councilmember McCall said she had some Public Safety expenditure estimates done last year for FY13 to FY17 that started at about \$35.3 million for FY13 and increased to \$42.3 million by FY17, for an average increase of \$1.6 to \$1.8 million each year. She said another way to look at the reserve fund would be to invest in terms of public safety and support some of the costs going forward. The reserve would carry Police and Fire for five years. She said Public Safety was a high priority for the city.

Councilmember Ulledalen said if they were going to start paying for people's sewer hook-ups he had neighbors who were not on city sewer and would expect the same treatment. Councilmember Ulledalen asked if the table on the first slide could be re-sent to Council because he was not sure he had received it. He said he was confused as to why there was such a different impact on the Police versus Fire when the budgets were about the same size. He said they should be comparable. Ms. Volek said there had been some discussion about it, and she wanted to discuss it further with Mr. Weber. She said some of it may be because there were some new hires in the Fire

Department at entry level steps, but the disparity was concerning to her, as well, and she would check into it.

Councilmember Cimmino asked why they did not just pay off the firefighters' lawsuit and move on. It would be a one-time fee, and they would deduct the interest and just pay the principle. Ms. Volek advised they were primarily paying principle now. Very little interest was left because it was loaded on the front end. Councilmember Cimmino said she believed if they paid off the lawsuit, they would be able to enter negotiations with a better morale. She asked how close they were to getting to fruition on the lawsuit with the Police Department. Attorney Brooks advised they were not very close. He anticipated regardless of how the court ruled, it would be appealed to the Supreme Court.

Councilmember Ulledalen commented paying off the firefighters' lawsuit would just bring the problem closer, because it would eliminate almost one year of the 5-year funding gap. Councilmember Cimmino said that was true in theory, but they could also get the "monkey off their back and move on." The morale would be boosted, and they would enter negotiations with more of a win-win proposition.

Mayor Hanel thanked Ms. Volek and the Department Heads for their work. He thanked the city employees for attending the meeting that evening. He said hearing the exchange of dialogue on an early payoff of the firefighters' lawsuit sounded good on the outside; however, the Fire Department would have to agree to accept an early buy-out. It was not as simple as it sounded. He said what he was hearing that evening was the same thing he heard 25 to 30 years ago and that was that the city was going broke. So far the city had not gone broke. He cautioned the Council against implementing a freeze. It would be challenged and they would lose, because they were not in a position where they needed to institute a freeze. The city definitely had financial challenges down the road; however, he saw increases in taxes and necessary levies. The situation was nothing new, and they would need to use the reserves wisely. Mayor Hanel said the union negotiations had improved the past couple of years; the city employees were doing a tremendous job; and the citizens were getting exactly what they paid for. He said expenses would continue to increase as time moved on, and to think they could go from FY13 to FY14 with no changes in the budget was simply ludicrous if not impossible. Mayor Hanel thanked the Council for their input and for showing a great amount of diligence, care, concern, and worry. He said they needed to get on with the budget and be careful how they approached things in the future.

Councilmember Bird said before the meeting adjourned that evening, Council needed to give Ms. Volek some sense of direction and not leave things wide open. She asked Ms. Volek what she needed from Council. Ms. Volek said she had not heard from the full Council with consensus on the two alternatives presented; the hiring freeze and the flat-lined budget.

Councilmember Ulledalen said he thought what the Mayor said was valid. The only problem was that if they did not receive a tax increase in the next five years, they would be laying off a bunch of people. It was not going to take care of itself; and the issues would be who they would cut, where they would cut, and where the minimum levels would be. They needed to get a levy on the ballot within the next two years, sell the public, and get it passed. He asked what they could start doing now to rein in costs. Councilmember Ulledalen referenced the first question and said they needed to do both – increase revenues and cut services.

Councilmember Cimmino said she agreed with Councilmember Ulledalen about doing both. She said she felt consolidated services would be cheaper for all taxpayers and asked where they could consolidate. Ms. Volek said they could assist with code