

City Council Work Session

5:30 PM
Council Chambers
May 6, 2013

ATTENDANCE:

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

ADJOURN TIME: 8:30 p.m.

Agenda

TOPIC #1	Budget Overview
PRESENTER	Tina Volek, City Administrator
NOTES/OUTCOME	

- Tina: Presented overall budget and Bill Cochran presented Library budget. Tina provided examples of the 2 types of accounting the City uses, i.e. governmental funds and proprietary funds. Budget practices and reserve requirements were outlined. City received, for the 21st consecutive year, the Distinguished Budget Presentation Award from Government Finance Officers Association for FY12. Means budget has met all national standards for presentation information required by the Association. An extraordinary history. Revenues from all funds \$249,645,198, anticipated expenditures \$260,469,586 for FY13-14. Largest single expenditure is personal services, followed by capital, operations and maintenance, and interfund transfers. Budget does not reflect any cost-of-living increases for any of the bargaining units or the non-represented employees. Negotiations have begun with 2 of the 3 unions.

Major changes to operations and maintenance funds have been in electricity and property/liability insurance.

Major CIP projects are:

- Empire Garage
- Library
- Rehabilitate Runway 10L/28R – overlay project
- Airport Cargo and Facility Building
- Zone 5 Reservoir Upgrade

Major ERP Replacements/Additions are:

- 11 Police Cars (\$313,500)
- 1 Street Sweeper (\$161,000)
- 2 Sewer Jet Trucks (\$360,612)
- 3 Waste Collection Trucks (\$683,952)
- 1 Landfill Compactor (\$642,347)

Because the City pools funding and saves for anticipated replacements, items are paid for rather than incurring loans to purchase large items. Smart strategy - saves City a lot of money.

- Cimmino: Vehicles in addition to Council approved ERP?
- Tina: No, included.
- Cimmino: These figures are included in the FY 13 budget or the FY 14 budget?
- Tina: It is the FY 14 budget.
- Ronquillo: Expensive equipment isn't purchased every year.
- Tina: Right, many are years old and infrequently replaced. (*Continued presentation*)

Major Initiatives are:

- Priority-Based Budgeting
- Innoprise Implementation (replaces 23-year-old HTE system)
- New World Public Safety Software for Police, Fire and Dispatch
- New Library
- Empire Parking Garage and Parking Commission
- Pitman: Purchased Innoprise software, but implementing now?
- Tina: Continue to implement it throughout the departments.
- Pat Weber: Will probably be another year before all departments and all programming is completed.
- Cimmino: Used Council contingency for the New World software?
- Tina: Yes. From the revolving fund for one-time capital expenditure. (*Continued presentation*)

Proposed Fee Changes:

- Water - average residential increase \$3.22
- Wastewater – average residential increase \$1.75
- Arterial Fees – increased 2.6%, average residential increase \$1.10
- Street Maintenance – increased 2.3%, average residential increase \$2.17
- Storm Sewer Fees – increased 2.6%, average residential increase \$.96
- Astle: No fire hydrant fee this year?
- Tina: Correct. In 2013, the City had enough in reserves, did not charge fire hydrant fee. Were a part of property taxes. Now will be in the water fee in FY14, didn't charge for 2013. Switching the fee to water bill accounts for a portion of increase. Will be charged on the water basis from here forward. A shift from a property tax base to an operational tax base.
- Cimmino: Proposed rate increases are based on what?
- Tina: Based on usage. (*Continued presentation*) Arterial, Street Maintenance and Storm Sewer Fees will all be contained on tax bills.

Supplemental Budget Requests:

Departments must submit and rank all its requests for supplemental budget items. Those items are judged on a number of factors, which could include that which is mandated or has a safety factor attached to it, i.e. expired police vests must be replaced to keep officers safe. Also look at items for cost-savings. Total requests equal \$1,942,913. Total in the proposed budget is \$384,225 of which \$118,000 will represent an ongoing cost and \$216,000 one-time costs.

Internal service funds requested \$401,438 and are recommended. Funded out of charges to departments, services and funds having reserves. Other funds, which include Enterprise funds, total \$2,852,000. Proposal is for \$2,751,000. Internal funds requested

and recommend, \$401,000; other funds requested, \$2.8 million and recommend, \$2.7 million.

Proposing 3 new positions in the FY 14 budget. None are in the general or public safety fund.

Planning: Planner 1 and Administrative Assistant (due to move to new space)

Solid Waste: Supervisor (due to additional workload caused by the green barrels, the recycling program and other efforts)

Activities of past 9 years:

- Limited staff additions
- Kept controllable O&M at 0% .
- Supplemental Budget Requests
- Identified additional revenue sources

- Cimmino: FTE 5.5 for Council, but there are 11 members. Can budget say 11 FTEs?
- Tina: Councilmembers are considered part-time and reflected as 5.5 full time employees (FTE).
- Pitman: Questioned accuracy of staffing numbers if Councilmembers are considered one-half a person. Are there others?
- Tina: No. Deputy City Clerk is a part-time position in the Administrator's office. It was, at one time, a full-time position. Human Resources had a half-time position and now a full-time position. City Attorney's Office and Municipal Court, and additional staffing was based on their workload. Police and Fire are full-time employment.
- Astle: FTE stands for "full-time equivalent"?
- Tina: Yes. Based on number of hours, and financial renumeration, health insurance, etc. *(Continued presentation)*

General Fund – Revenues. \$32,992,139

Major source of revenue from taxes and then intergovernmental and various charges for services, etc. This total is about 2.8% less than the General Fund for last year.

- Hanel: Why \$2 million lower GF revenue?
- Tina: Expect fewer charges for service. Expecting a \$2 million decrease in interfund transfers. Moved approximately \$2 million from SID revolving fund in FY 13, primarily for one-time capital projects, won't be repeated.
- Bird: May be helpful to have that 2.8% reduction footnoted in the material
- Tina: Will provide. *(Continued presentation)*

General Fund – Expenditures. \$33,380,832

Largest expenditure is the transfer to the Public Safety Fund, followed by personal services, operations and maintenance, and a small capital amount for New World software system. A decrease of .5% over current budget year.

Public Safety – Revenues.

Largest figure is from the General Fund to the Public Safety Fund, followed by the 2 levies approved by the voters; and charges for services, etc. A 2.9% increase over the current budget year.

- Cimmino: Will either levy sunset or will taxpayers be paying forever?
- Tina: Neither end, but passed on different bases. *(Continued presentation)*

Public Safety Fund – Expenditures.

Police Department - \$20,765,781

Fire Department - \$15,795,354

Total Expenditures: \$36,561,135 increased approximately 3.11% over current year

Questions raised about why there is a \$10 million unbudgeted reserve in the General Fund. City has been aware over a period time of increasing expenditure demands and potential future revenue shortfalls. If Public Safety levy had not passed in 2004, approximately 40 police officers/firefighters would have been laid off. With the help of the levy, was determined the City's requirements could be met for 10 years. That 10-year period is coming to a close and concerned about future funding. Prior Councils instructed the City not to use reserves to balance operating funds. A plan was made to sustain the City during the lean years while maintaining core services. By having this reserve, it has had a favorable effect on the bond rating, which saves the public money. No longer any "hidden" funds. Have become more transparent, and are accessible for review to all.

- Ulledalen: Recommending using reserves to balance GF and PSF, in opposition prior Councils' directions?
- Tina: Yes, will make more recommendations. (*Turned presentation over to Pat Weber to talk about "burn rate."*)
- Pat Weber: Provided comparisons of numbers between FY13 and FY14. FY15 will be a reappraisal year, difficult to project at this time. Personal services in the General Fund increase about 1.5% due to health insurance, step increases, etc. In the Public Safety Fund the increase is about 2%. Adjusting figures by 5%, the budget is in the red. When adjusted by 1%, able to stay above water. Adjusting by 3%, the budget looks good FY16, but starts to taper off in FY17 and in FY18, down quite a bit.
- Cimmino: Union is asking for a 5% increase, City has offered 1%. Still work to do.
- Pat: Yes. This information provided to the Union today. The 2004 levy saved the last 10 years.
- Cimmino: Is this based on the Consumer Price Index?
- Pat: No, that went away quite some time ago. If firefighters' lawsuit is paid off ahead of schedule, it does not affect graph much, but saves about \$150,000 in interest. This was a level-payment debt, just like a house payment. Meaning the interest was mostly paid off at the beginning.
- Astle: All of the figures used in this graph do not include adding a single firefighter or police officer.
- Pat: Correct.
- Tina: This is a system Pat devised and is an excellent tool, absolutely brilliant.
- Cimmino: Was the early pay-off offered to the firefighters?
- Tina: Wasn't an offer, however, showed them the same scenario as shown to the Council and the minimal impact.
- Bird: Isn't \$150,000 worthy of consideration?
- Tina: Trying to convey the savings are not significant enough to fund extra positions.
- Bird: In lieu of any positions, it does take some pressure off the budget.
- Tina: Some, yes.
- Cimmino: Potentially \$150,000/yr. savings for next 5 years, would be \$750,000. That is significant.
- Pat: No, that's over 4 years.
- Cimmino: Okay, that's \$600,000 savings. That's significant.
- Pat: No, \$150,000 is the total over 4 years, or \$40,000/yr.

- Astle: One-time payment would take the reserves down almost \$2 million. Would jerk the reserves off at FY14, down \$2 million to start with.
- Pat: Would have nearly one-half million gained in FY15, 16, 17 and \$240,000 in FY18.
- Ulledalen: Tina, any discussions about consistently increasing money going to police and fire? What is the negative impact on other departments -- what is needed to maintain staffing?
- Tina: No doubt that keeping our funding at a reasonable level, have not drastically increased the non-public safety departments. Parks and Recreation has been addressed somewhat through the new park levy. Municipal Court is one area that could probably use additional staff. Code Enforcement could use more people. Have measured increases and tried to address the most urgent needs. Pleased there have been very few layoffs, considering what other jurisdictions, nationally, have been forced to do. Departments have been able to do what they can with the money and staff they have. An additional public safety levy may be needed. Need to look at how much pressure it would relieve from the General Fund. With no public safety levy increases, the General Fund would be fine for a number of years.
- Ulledalen: Continuing to sustain staffing for police and fire, somewhat at the expense of the other General Fund departments?
- Tina: Have not increased General Fund departments as much as Public Safety, but a Public Safety Levy to fund those positions; 14 in PD and 7 in Fire were the focus of an express levy that didn't talk about the General Fund.
- Ulledalen: Didn't talk about the ongoing pressure of increased transfers from the General Fund to sustain those staffing levels once they were in place. That's the secret no one talks about. We are stretching people in other departments. At what point is it costing us by not staffing in Finance, HR, or Legal as needed, to protect the overall organization?
- Tina: That's true. Never asked those departments in a best case scenario, how many more people would you like. Could do, but again, a public vote indicates that public safety is a prime concern. It is a core function of local government. There are approximately 80 positions in the General Fund.
- Bird: Staffing needs to be part of strategic planning. Can't continue doing more with less. Are we reaching critical mass?
- Tina: With more staffing, we will need more buildings. Will be recommending a space and site master plan for the coming year to put all these pieces together.
- Pitman: Is a discussion we are having with priority-based budgeting. Citizens' surveys and community conversations make it clear that public safety is most important, but can't sustain or expand without affecting other operations/services. Addressing the ripple effect through Priority-Based Budgeting.
- Ronquillo: Staff is working smarter with less. Will have to go to the public safety levies in order to get support for fire and police. (*Gave accolades to staff.*)
- Tina: If a new public safety levy passed, cannot guarantee that 5 or 10 years from now, the subsequent Administrator and Council will not be looking at same issue again. Only two ways – raise revenue or cut expenditures. Need a balance. Departments are using reserves for projects and operation.
- Mayor: Would you let the Council know of the conversations concerning the 9-1-1 Operations Center?

- Tina: City staff met last week with County staff and two commissioners to discuss the reserve funds that are available for the 9-1-1 Center. Each phone call in the State is charged a small fee for 9-1-1 services. Those funds are forwarded to the City as the Public Safety Answering Point (PSAP). City operates combined center for City and County. Have outgrown facility. New building is proposed in next year's budget. Can't use North Park Reserve Center property because Federal parks funds have been used to improve North Park. Feds not willing to enter into an agreement in which the Center could be used for that purpose. There are discussions about Wilson Park, located adjacent to the Field of Dreams. Need permission to sell that land. Monies would be used for improvements to other parks. Not allowing us to do that. The architectural planning for the site of a new 9-1-1 Center is \$450,000.
- Mayor: Elaborate on the funds that go toward the Operations Center and the restrictions on those funds?
- Tina: Currently, 9-1-1 funds are held for the use of the 9-1-1 system. Funds can be used for capital improvements and operations. Have set aside 25% of those funds for new building. Approximately \$2.5 million saved, but estimating new building at around \$5 million. City has never taken other capital funds from that money, is specifically for the new building. Is a request from the County to use it on occasion. Committee recommended. According to 9-1-1 fund protocol, City Administrator has authority to deny or accept recommendations. Committee recommended and City Administrator approved a modest application for the County's MDT. City has chosen to fund its capital projects via other methods. County has again approached the City about another capital project. Concerned about where that money would be going. Pat provided them with 5 years of expenditures from that fund. Explained the City had not used the funds. County pays the City for one full-time Sheriff's Department dispatcher. Takes 5 to 7 people to fill a 24/7 operation. Sheriff's allocation pays for 6 people to do work for the Sheriff's Department. Additionally, there is a person assigned for County fire and EMS calls. That position is paid for by the City. All call operators are paid by the City. This was explained to the County and showed where the expenditures lie. They are examining. About a year and a half ago the County considered removing their funds. Decision was made not to withdraw from the system, nor run their own. County came into the PSAP several years ago after a severe fire in the Bull Mountains. Their single person was incredibly overwhelmed, hence they decided to come into the PSAP with the City. There are other PSAPs in the area. Laurel is one. Revenue the City receives is about 25% from the County and 75% from the citizens of Billings. County could take away the 25% and go with another PSAP. The City would still have sufficient reserves and funding to build a new center. Would reduce staffing needs.
- McFadden: Required to build the new 9-1-1 center from scratch or could we buy the Crane Building and put it in there?
- Tina: Could go with an established building, would have to assess the building for its applicability and space needs for the center. A study was conducted. A meeting after budget can be scheduled with the Fire Chief to go over the study discoveries. Several sites were reviewed. Decided the best option was to buy and build-to-suit the needs.
- Bird: Is it possible to build a 9-1-1 center that could house other City departments?
- Tina: Yes, can consider it. Would require contributions from the General Fund or whatever source for those departments. There was some talk about putting the detectives,

for instance, in with the 9-1-1 Center and freeing up the third floor of City Hall for the Municipal Court. There are lots of options.

- Bird: Would be worthy of some analysis.
- Tina: Recommending a space and site master plan in the upcoming budget year.
- Pitman: \$10 million gap between revenues and expenses are mainly for these large projects.
- Tina: Yes, are reserves that are laid aside for this and are now being expended.
- Pitman: Is important that everyone understands. Otherwise it looks like the City is running with a deficit and didn't plan for it. Are set aside reserves the City intended to spend for this purpose and that's why the difference appears this way.
- Tina: *(continued presentation)* Solid Waste budget – that's the source of their ERP. IT is for New World hardware. Gas Tax will go to the paver program. The arterial fee will work on the Inner Belt Loop and the Zimmerman Trail. And the Library Building. There are two departments planning to use operating reserve funds in the coming year. Depending on COLAs with the bargaining units, there is approximately a \$400,000 differential between reserves and expenditures in our current General Fund/Public Safety budget. If costs go above \$400,000 in settling those contracts, then would also have to ask for money from reserves to balance General Fund for the first time in the past 10 years.
- Ulledalen: There has been a significant uptake in building activities so revenues should be up in Planning Department. Structurally, why is Planning operating with deficit? Why hasn't there been discussions about adjusting fees to compensate for that rather than going into a deficit spending situation?
- Tina: Will adjust fees if necessary to offset. Planning Department laid off staff. Run the difficulty of having to meet needs and staff appropriately before seeing the revenue to do so. With this funding, will put new people back onboard. Planning is hiring a planner, and has hired a new building inspector. This will allow us to make those changes. There may be fee increases in future years. Candi has built her reserves. Some of those reserves will be used for the new office space, but in order to ensure service can be provided now, funds will need to be derived from the General Fund.
- Ulledalen: Will have more trouble competing for Federal transit money, so when are we considering a service reduction?
- Tina: Their business plan anticipated this. The transportation plan has been influx with the Federal government. Moving forward with operations as anticipated and using reserves. Will need future discussions about service level.
- Tom Binford: Will make a presentation next Tuesday in more detail. City's budget cycle and Federal budget cycle do not coincide. Actually span 2 Federal budget cycles. When preparing budget, don't know the amount of money from the Federal side. For many years have added to reserves from Federal monies. Will recommend to go a couple more years and ride on the reserves (\$2.6 million) hoping Federal funding smooths out. Hard to plan with the chaos on the Federal side. In 2-3 years need a bigger community discussion about what public wants from their transit system. Feds are paying a bit more to support our local transit system
- Bird: Assume public transportation is frequently and heavily subsidized. What cities do we model in our transit system? It seems we need more transit than less as City grows.

- Tom: About 10%-11% come from fares. Balance is publically supported. US as a whole, about 35% is paid by fare boxes. In larger cities, like Washington D.C., where there is a very good rail and bus system, get about 60%-61% paid from the fare boxes. Even the largest systems rely on public support. Billings is doing well by comparison. What makes public transportation difficult is our population density. Billings has short driving distances, accessible parking, etc. Current cost per service on a fixed route system is about \$6/passenger. Charges are about \$1.25 for a full cash fare. Big difference. Charge more for transit? Consider corps passengers, many can't afford the fares now. There's an elasticity thing that kicks in to cover our fully allocated costs. Anticipate budget will flatline and may dip some.
- Tina: Currently a 10 mill levy to support transit. Federal government is committed to light rail in large community cities across the country. Costs of those systems is in the billions. How far can the Feds stretch their revenue and is it their priority? If so, Billings may not fare well as a result.
- Bird: What is the cost differential to operating with small buses, rather than large buses?
- Tom: Will start transitioning to that – it is a money-saver. Next purchases, will purchase 3 smaller buses for the fixed route for the price of 1 large coach. Need a mix of larger coaches and smaller buses. Some routes can use a smaller bus. Fuel savings is not significant nor will there be a savings for personnel. Will see a cost savings in capital costs.
- Ulledalen: People don't see the routes serving the junior high schools. Begin on Rimrock and by the time bus reaches Will James Junior High, it is standing room only capacity. After it makes that stop, the bus may bring only 5 passengers into downtown area.
- Tom: Have a tripper that follows the bus on those school routes. If the bus fills up, the tripper collects the excess passengers. There are routes that can utilize smaller buses and it would be a cost savings. Should use them. A better long-term plan.
- Tina: Staff is in contact with the School District concerning transportation needs when additional middle schools are built. *(Continued presentation)*
Staff recommendations: Approve FY14 budget as proposed. Do not anticipate contract negotiations will be completed prior to the adoption of the budget. If necessary, amend the budget and use reserves to balance General Fund and Public Safety Fund. Initiate a new strategic plan in early 2014. The money for this is in the budget as a recommended supplemental budget request. Adjust PBB to new strategic goals. Discuss and determine future cuts or levy increases. Adopt a FY15 budget based on those discussions.
- Ulledalen: When will we start really using PBB for budget?
- Tina: In this budget, actually used PBB to identify and consequently reduce 4th quartile programs in the Police Department. Have done some, but not as much as we could. May be due to outdated strategic goals. May not reflect today's priorities. That is critical to the process.
- Cimmino: Outdated strategic plan, knew when we started PBB. Expenses and revenues for all funds show \$10.8 million of reserve usage, what are reserves after these expenditures?
- Pat Weber: \$51 million for enterprise and internal service funds; \$31 for tax supported and governmental funds, total of \$82 million total.
- Cimmino: Don't see the \$82 million. Would like that highlighted.

- Pat: *Guides Council through presentation where figures were found to support the sum of \$82 million.*
- McCall: Agreed a new strategic plan will aid with future PBB.
- Tina: Consultants quickly recognized deficits in the current strategic plan and suggested refinement. Many cities using PBB had low hanging fruit. We already picked it.
- Bird: When and how does Charter mill cap enter into discussion?
- Tina: Cap has had an effect. Billings is one of only two communities in the State that has a cap on its property tax levy. Been a benefit to the community in that any increase must be voted upon. In recent years, a community survey was conducted and support was not strong for removing the cap. Have to consider it, but not much immediate relief.
- Ulledalen: Have to talk about growth and annexation policies. Our growth doesn't pay for the costs required to support growth. What can we afford?
- Tina: Have to balance. High fees can drive away development.
- Bird: Are there any General Fund departments that could become Enterprise Funds? Tina: Has not occurred during this administration. The obvious Enterprise Funds have already been created. Don't know the legal impediments for creating Enterprise Funds from remaining departments.
- Pat: Accounting standards would not allow.
- Bird: Could fee review be part of strategic planning?
- Tina: Review fees regularly now, particularly those departments that are fee-based.
- McCall: Gave perspective, 63% of those surveyed, were opposed to removing the cap of our mills.
- Cimmino: Billings is one of two communities with a cap on the property tax mill levies, what is the other one?
- Tina: Sunburst.
- Public comments: None.

TOPIC #2	Health Insurance Overview
PRESENTER	Bruce McCandless
NOTES/OUTCOME	Started at 5:30, ended at 6:01

- Bruce McCandless: Addressed the topic of alternatives City should be considering for its health insurance program.

Plan Basics: City's is a self-insured plan. Insure for large losses, but everything under that amount is self-funded plan that all employees and the City pays into. Been in place since 1984. Cost share (50-50) of self-insured came about in the last decade. Means every year as the predicted costs are added up, whatever amount is increased over the previous year is split 50-50 between the City and the employees. Employees have some responsibility every time the health insurance plan is renewed. There is an employee health committee that is sensitive to benefits and the costs. Third party administrator is used. Insurance for large losses, \$250,000+. Costs of any plan are claims. City's overhead, all administration, including third party administrator, financial advisor and staff time, is all under 13%. Trying to control costs, some of these administrative costs can be reduced, but it is really the claims where all the costs are. At the end of last year, reserves were approximately \$1.5 million.

Plan Benefits: Mandatory participation, 940 employees. Includes all full-time and permanent part-time employees working 20 hrs./wk. or more. Number of participants is about the same as 10 years ago. During the last year and a half, went to a sole in-network provider, the Rocky Mountain Health Network and St. Vincent's Hospital.

Two plan options, have different deductibles and premiums, etc.

City manages a flexible spending account (FSA) for health care and dependent care cost. Use pre-tax dollars to pay benefits. City sponsors a health savings account (HSA) which is only applicable to the high deductible health care plan.

Plan Costs: City contributes \$800/mo. per employee. Don't have an employee contribution amount available because it depends on what tier they selected, i.e., single, family, employee + spouse; and whether they are on the standard plan or high deductible health plan. Total plan costs, employees pay about 27% in the form of premiums, deductibles, co-pays, etc.

Cost Control Measures: Claims are cost drivers. Are 4 elements that equal about 2/3 of total claims costs. High cost cases, over \$100,000/yr., have an impact on the plan. City's premium average has increased approx. 6.8% per year, slightly lower than the State average. Committee watches the 12-month rolling average claims. (*Refers to chart*) This gages each month the average claim, per employee, in that month and the red line represents the 12-month rolling average. Take the previous 12 months. When the 13th month arrives, the oldest month drops off and then current 12-month cycle is reviewed. (*Refers to chart*) Claims are slightly below \$600/mo. as a rolling average per employee in 2005-2007. In 2010, were slightly above \$600/mo. as a rolling average per employee. By the time the last quarter of 2011 arrived, costs were closer to \$900/mo. per employee. Over the last year to 15 months, there has been a pleasant trend. Spikes in claim costs during November 2011, December 2011 and January 2012 is when the switch over began to sole in-network provider. People who were using the Billings Clinic network, got a lot of procedures done, made their last visits with their physician, etc. during the final two months of the year and in early 2012. Seeing benefits of sole in-network provider system. For large cases there is stop-loss insurance. What affects plan overall is number of high dollar claims, just under \$250,000. Is all the health plan's expense, no other insurance coverage for that. St. Vincent's and Rocky Mountain Health Network helped a lot with discounts, especially on large cost claims.

In 2001, began premium cost-sharing so employees are now paying 50% of their premiums. In 2006, eliminated the richest plan, Plan A; developed High Deductible Health Plan with Health Savings Account option. In 2009 and 2010, began the financial incentive for biometrics screenings and health risk assessments. In 2011, the EBMS MiRx generic option was introduced and online enrollment. In 2012, went with mandatory MiRx for maintenance medications; eliminated Plan B and made St. V's / RMHN the sole in-network provider.

Reserves: In 2008, fund reserves began to decrease and reached their lowest in 2011. Historically, health care plans costs tend to run in 3 to 7-year cycles and then expenses exceed revenues.

Next Steps:

- Reviewing possibility of an on-site health clinic/pharmacy (solo or shared).

- Third Party Administrator selection in 2014. Done to ensure getting the best possible deal.
- Financial advisor selection in 2013.
- Multiple employer consortiums. Some states have done on a large scale, i.e., California. Allows for joint purchasing, shared risk arrangements/pools.
- Health Management – incentives, surcharges, disease management.
- Consumerism

- McCall: When EBMS changed their pharmaceutical business was incredible for their employees. Was a huge factor in the costs and really significant.
- Bruce: Yes it was. In the Big 4, pharmacy is one of the big costs. Anything that can be done to control or help reduce those costs, help the entire plan.
- McFadden: Why are employee, plus family premiums higher than employee-only premiums? Seems like a penalty.
- Bruce: Higher expenses. No penalty, higher expenses. More people you have, increases costs. Typically the elderly and very young, increase your costs.
- Cimmino: Concerning the Committee's choosing of St. V's vs. Billings Clinic as the sole in-network provider, was that the Committee's recommendation? Why wasn't the final recommendation forwarded to Council?
- Bruce: Under our health plan, there has to be an individual who is considered to be the plan administrator. In our case, for over 30 years, the City Administrator is considered the plan administrator. Believe decision was communicated to Council, but City Administrator actually makes decision on where we get services, etc.
- Cimmino: Were both hospitals notified of decision?
- Bruce: Yes.
- Cimmino: Before it was publicized?
- Bruce: Yes. Were several discussions with both hospitals, before decision was made; during the decision-making process; and subsequently to the decision being made.
- Mayor: Was involved in those meetings with Ms. Volek and Human Resources Director, it was painful. Not an easy nor pleasant conversation.
- Bruce: Have been associated with the Health Plan Committee while associated with the health plan in the early 90's. With this Committee since 2004. Was the most difficult decision Committee has ever had to make. Basically, advised half of the employees they will no longer be able to go to the doctor or facility they have been utilizing and expect to receive the same level of reimbursement as in the past, was very difficult. Were told they had to change all of that in order to receive the same level of reimbursement. It was difficult to steer their co-workers in that way.
- Mayor: What would it involve to begin our own in-house clinic? Location/staff/costs?
- Bruce: EBMS brought to the City the idea of an on-site clinic 3 or 4 years ago, perhaps longer ago. Difficulties is that work force is very scattered throughout the community. There are 7 fire stations; police department is located in 2 different locations; BOC has the largest concentration of employees; then there is City Hall; the library, etc. So, trying to establish 1 or even 2 clinic sites did not appear to be cost effective. Is a cost to setting

up and administer on an ongoing basis. The primary reason City has not jumped into it. If the City partnered with someone, that changes the whole game. Committee will be considering over the next year whether to join another business with an on-site clinic. One also has to contract with health care providers.

- Ronquillo: Dealings with EBMS has been great! Very good repertoire and treats City well.
- Bruce: Good to hear. City was one of the first large clients EBMS acquired in 1984. Have been very good to us with services and fees. Staff would not necessarily promote changing insurance carriers, however, must make certain City is getting the best deal.
- Astle: Concerning in-house services, wouldn't there be a myriad of health laws, i.e., HIPPA and recordkeeping, that would cause City to have at least 1 lawyer on staff for this? Would this open City up for legal issues?
- Bruce: It is absolutely complex. Don't believe City would do without assistance from EBMS or State of Montana, who currently operate onsite clinics.
- Cimmino: Invited to take a tour of the EBMS-sponsored onsite clinic at the Lincoln Center. Seems it would be a win-win situation because generic appointments can be handled there and not take a lot of company time. Cost-effective, as well.
- Bruce: Believed most Committee members viewed it that way. Several new Committee members didn't go through the process of reviewing this option 3 or 4 years ago. Will be further instruction on what onsite clinics are; what they can do; and how they can save money. Only 15 months into contract with RMHN and St. V's. What kind of effect would an onsite clinic have on that agreement and relationship. Not certain, but looking into.
- Bird: With overhead costs and contracts, where would cost savings come from to recreate something already available in the community?
- Bruce: In reference to an onsite clinic, EBMS has consistently given us cost estimates of 2 principal ways an onsite clinic can help the City save money. 1) Actual per visit costs are lower than a physician's office, not a large savings, but some; 2) Significant savings would be in the amount of time an employee is away from the job and worksite, which would help diminish the loss of productivity due to appointment wait times.
- McCall: May be a higher degree of wellness and a whole philosophy of prevention and early intervention with immediate access. Early intervention helps save money later. In some cases, outside pharmacies may charge \$72 for a prescription, but in-house the same prescription is less than \$3.
- Public comments: None

TOPIC #3	Library
PRESENTER	Bill Cochran
NOTES/OUTCOME	

- Bill Cochran: Doing more with less. A third fewer employees than 30 years ago. Experienced more than 100% increase in the number of documents checked. Is a national shift to digital media. Had a 70% increase in digital downloads of e-resources, i.e., e-books, music, etc. from databases we are licensing and the public is using. Every month during the last year 100 new customers are signing up to use the downloadable services. Universal Class, is available from the website if a person has a library card. Has had

almost 4,500 individuals register for classes on a variety of subjects in FY12. Had a successful community-wide, iLibrary conference in September 2012 with two national figures who talked about best practices and trends. Surveys show local demands for: training and video conferencing, resources, editing digital material, access wi-fi and wireless printing services. New building will have strong wi-fi signals all over the building.

- Bird: Will there be a video teleconference site in new library?
- Bill: Have the capability to bring into the Community Room, seats 150, first floor. There are also conference rooms on the second floor. Too early to explore licensing agreements for specific conference services, but have every configuration of fiber-optics at the west end of the building. Should have plenty of options and rooms for people. Budget would balance, except the County has notified that as much as \$100,000 shortfall in protested County property taxes. Additionally, anticipated loss of approximately \$70,000 in 4th floor revenue. Expect an increase of 3% over last year due to growth. Revenues are healthy and stable. Anticipate a 30% decrease in operating costs for utilities due to LEEP Gold designation. No significant changes to operating expenditures. Are 2 supplemental budget requests. Will provide information about combination materials handling equipment, which includes a conveyor belt and 11-bin sorter. Will reduce impact on staff. Is almost \$200,000. Switching to a managed desktop or virtual desktop environment instead of PCs that have to be updated and fixed at every location. Is almost \$150,000; \$70,000 for a robust wi-fi access points throughout the building; telephone for approx. \$13,000; professional services creating infrastructure for all of this technology for approx. \$40,000; digital signage; ipad reservations stations to reserve computers; scanners; coin-operation for printers approx. \$35,000. About ½ million is furnishings we are contributing to the new building and moving costs of \$75,000. There is a \$60,000 decrease in the abatement of hazardous materials due to there being no asbestos in the roof. Will remove temporary utilities in the street crossing on Broadway for \$26,000.
- McCall: This is a lot of money. Was this not anticipated?
- Bill: Are all out of unobligated cash reserves above and beyond our operating reserve and reserve for sick and accrued vacation. Anticipated contributing in some fashion toward the project. Were able to not contribute to the land aggregation (that was a swap); utility relocation was lower than estimated. These are funds that have allowed better technology to be installed than might have been. Will still have a sizable reserve after all these expenses toward future technologies and step increases, etc. for staff.
- Tina: Would be fair to say expenditure funding was anticipated, but as the project developed, and discoveries were made, didn't know exactly where those expenditures would be and now we are refining?
- McCall: Please provide the pie charts, etc. from tonight's presentation. Easy to read and understand.
- Bill: Yes, will make sure you have all of the slides.
- Cimmino: Was a decrease in staff, but increase in efficiency based on automation, technology, upgrades and features. But asking for \$2 million as a supplemental budget request which is beyond the Library bond initiative the voters approved?
- Bill: Yes, it is. Have been reporting that quarterly for 3 or 4 quarters. It began prior to the construction, were responsible for the moving of utilities and demolition of the Underriner building, which total around \$700,000 of unobligated reserves to make the

site ready. Didn't have cash cost for the land, but prepared it. Technologies – some of which that the conveyor belt and automated sorter is materials handling will allow us not to have to add staff even though we continue to have increases and it is expected to increase more. Significant amount is for technology wouldn't have been able to anticipate. Public input during the community workshops, people expect high bandwidth capacity, wi-fi, at public libraries and devices. Would not have wanted to put in technologies of two years ago because it would be out of date now.

- Cimmino: \$7,200? Is that an incentive for the library's salaries?
- Bill: Was asked for 2 years ago. Was not authorized. Is an increase that would pay librarians lead worker pay. Is the best practice for security and safety. Should the director not be onsite or a supervisor during an incident or emergency, it would be compensation for librarians to take the lead. Will receive additional training, etc. Staff need someone to turn to or information and coordination in the event the library director or supervisors / managers are absent due to illness or meetings.
- Cimmino: Are librarians part of the non-bargaining classification?
- Bill: No, only 4 employees are non-bargaining. The librarians – the classification normally requires a bachelor's degree in library science or equivalent – in many organizations they are non-bargaining.
- Cimmino: \$7,200 is not a part of the negotiations?
- Bill: No. Is within the contract as lead worker.
- Tina: Comes under the category Councilmember Bird referred to. Can only go so much, so far and have come to that point.
- Bill: No significant changes in expenditures. Personal services is most of the budget. Have a respectable figure for library materials at approx. 10%. Leased parking is an interim figure until moved into new facility and will be removed after that.

Public comments: None.

TOPIC #4	Public Comment on Items not on the Agenda
PRESENTER	
NOTES/OUTCOME	

- Tina: Future budget presentations over next 4 weeks. On 2nd and 4th weeks when there are regular council meetings, there will be a budget work session meeting the following evening. Very heavy load ahead. Guidance for other presentations? Is Bill Cochran's presentation more what you want?
- Concensus: Yes. Use PowerPoint to supplement what is important to say.
- Tina: The budget retreat scheduled for 4:00 p.m. on June 3. Received questions from only 3 Councilmembers. Discussion was needed more active participation at this meeting. Need others, acknowledging may have additional questions to add to the discussion. Do you want to still do the session and do we schedule 4 hours?
- Bird: With 3 questions posed, maybe this isn't a good use of our time.
- Cimmino: Thought the session was to talk about PBB and how to apply it to the FY14 budget.
- Consensus: Keep June 3 date, start at 5:30 here so can televise.

- Tina: Received from the cable provider, funding (approximately \$64,000) to purchase additional equipment to go high definition and to do additional work with the TV station. Should be installed shortly.
- Ulledalen: Will meetings be streamed from the website and will the meetings be indexed and played on PC?
- Tina: New equipment will allow it, but City may have to buy software to stream meetings. Will provide more information on that at our June 3rd meeting.
- McCall: LAWS system at state allows this. Every committee meeting or hearing is archived, are loaded into the system and can be downloaded at any time.
- Tina: It was critical the HD equipment purchased have this capacity.

Other public comments:

Fred Laverne Prill: Past and first PRPL director for the City. Developed about 25 parks during career. Haven't seen any general parks being developed. Don't think City is managing its Parks Dept. Slipped a long way from past performance.

Hanel: Thanked Mr. Prill for his many years of dedication. Asked Tina to arrange for a meeting with Mike Whitaker and park board member.

Prill: Swords Park was given to the City. A beautiful park, but the roads are in poor condition. Can't get in. Castlerock Park drive and parking lot in poor condition. Our parks used to have wading pools – Veterans, Gorham, South Park, etc. Operated clean and perfectly. Were scrubbed every day by seasonal employees. One pool in South Park, no road through North Park and no wading pool. Why aren't there picnic tables in Pioneer Park? Is Pioneer Park only good for disc throwing? Look at the bark on the trees where the discs are hitting the trees? Killing the trees. Not interested in meeting with board member....

Tina: Due to new State and Federal regulations, many of the parks' pools deemed unsafe. Now a more sophisticated filtration system required so people do not get caught by the suction and drown. Wading pools now have to be accessible for wheelchairs and pools create liability issues. *(Tina's name and phone number was given to Mr. Prill for future contact.)*

Hanel: Ms. Volek is attempting to address your concerns and provide you an opportunity for further discussions with park board members and staff. Please provide us your contact information.

Prill: Not interested in additional meetings. I'm in the phone book. The parks system is ailing.