

# City Council Work Session

January 17, 2006

5:30 PM

Community Center

## ATTENDANCE:

**Mayor/Council** (please check)    Tussing,    Ronquillo,    Gaghen,    Stevens (excused),  
 Brewster,    Veis,    Ruegamer,    Boyer,    Ulledalen,    Jones,    Clark.

**CONVENE TIME:** 5:30 P.M.

**ADJOURN TIME:** 10:24 P.M.

## Agenda

TOPIC	PUBLIC COMMENT
PRESENTER	

## NOTES/OUTCOME

- ED STEVENSON, 1721 VIEWCREST DRIVE, RUSS BRIDGES, 1701 VIEWCREST DRIVE, AND AARON FRISBEE, 1687 VIEWCREST DRIVE all said they oppose the Rimrock Foundation's plan to establish a rehabilitation/treatment facility in their neighborhood. Mr. Stevenson said he testified at the Zoning Commission meeting with no apparent affect. He said he spoke with Candi Beaudry in the Planning Department about this issue. He said the current zoning is Residential 6,000 which only allows single-family homes or a duplex. The proposed plan is for 4 four-plexes with up to 16 drug addicted people in each of the four-plexes. An existing duplex is currently housing other drug addicted people. He is concerned that there may be approximately a total of 80 people in these facilities. Mr. Stevenson said he, Mr. Bridges and Mr. Frisbee are opposed to this proposal in their neighborhood. Mr. Stevenson expressed concern that Rimrock would be treating the residents in a "hospital plan" style with group meals which does not fit the zoning code definition of three or more persons living independently. Councilmember Boyer asked if Rimrock Foundation initiated a meeting with the surrounding neighbors. Mr. Stevenson said that occurred today where a representative from the neighborhood went to the meeting at Rimrock Foundation and reported back to the neighborhood. It was also stated (speaker unknown) that neither Rimrock Foundation nor City Planning notified the neighbors within 300 feet of the proposed plan. There is a petition with over 200 signatures from the neighborhood that are opposed to this plan. Mr. Bridges said the City Planning Staff member said this will be a "care-giving" business and he questioned how it can be placed in a residential area if it is a business. Councilmember Brewster noted that state law allows group homes to build in residential areas without a review or public notice. Mr. Bridges also noted that the current zoning does not allow the facility to be a 24-hour facility. He also noted that Rimrock has stated that three of the four units will house people in early rehab that will not be receiving treatment.

He said that is a great concern to the neighborhood. Mr. Bridges stated he was frustrated with the lack of notice to the neighborhood.

- MARION DOZIER, 3923 3<sup>RD</sup> AVENUE SOUTH, spoke regarding the Federal Affairs report. She spoke in support of placing the railroad relocation of the Over/Under and Around Committee on the Federal Affairs Priority list this year.
- JOE WHITE, 926 N. 30<sup>TH</sup> STREET, said the flights over the City are dangerous. He suggested keeping the flight path over the industrial area and not the downtown. He said the City could buy the land and vacate it so it is safer. He said his proposal should be sent to the Airport Commission.
- TOM ZURBUCHEN, 1747 WICKS LANE, spoke on Item #7. He said the current power struggle is ridiculous. It is clear in the Charter that the Mayor is not a member of the Council. He said the Charter also states that the Council hires and reviews the position of City Administrator. This gives the Mayor no administrative duties, so he does not understand why there is a power struggle. Mr. Zurbuchen said the Charter is clear “so let’s just follow the Charter and knock off this power struggle immediately.”
- MARY WESTWOOD, 2808 MONTANA AVENUE, said she supports the sister-city/assistance relationship with Long Beach, Mississippi. She said contact with other communities and their problems helps Billings understand its own problems. This would also encourage young people to take an interest in civic duties. She said similar experiences during her youth helped her to learn that it is very important to be involved in one’s community.

<b>TOPIC</b>	<b>Long Beach, Mississippi Assistance</b>
<b>PRESENTER</b>	<b>Andrew Weber, 179 Molt Road</b>
<b>NOTES/OUTCOME</b>	
	<ul style="list-style-type: none"><li>• Andrew Weber said he recently visited Long Beach, Mississippi where 65% of its tax base has been lost due to Hurricane Katrina. The Parks and Recreation Department (including lighting, ball fields, and courts) and the Senior Citizen programs (meals on wheels) were severely damaged. He said these are not major priorities of the city and will not receive funding anytime soon, so it will be a long time before these programs are restored. He said it would give the residents a “glimmer of hope” if Billings could help restore these programs. He is asking the City of Billings to help restore these services. (A video was shown to the Council). Long Beach has a population of 18,000 and is a bedroom community. Donations in the form of building materials, field lighting and fencing are needed.</li><li>• Jenae Weber said Montana Cares Outreach would facilitate between organizations in Billings wanting to help directly to parallel organizations in Long Beach. One of the benefits of Billings adopting Long Beach as a sister city is the communication that can be established between those parallel organizations. Ms. Volek said the Mayor and Council received in their Friday packet a list of the materials that are needed in Long Beach. Employees have indicated their desire to help a community on a one-to-one basis. This request would allow employees the opportunity to participate in this process. She said a proclamation for this process would be on the January 23<sup>rd</sup> Council meeting. Ms. Weber said she and son Andrew are committed to helping the community for a year. She said the biggest fear of the people of Long Beach is that they will be forgotten.</li></ul>

- Councilmember Gaghen asked if the donations should be products or money. Ms. Weber said either form is fine, but products may be better because there are limited places to buy them. She said she would not be handling money and does not want to deal with that issue. Ms. Volek said the next step after the proclamation would be to notify the employees of this opportunity to participate. Councilmember Jones asked if there is a plan for employee to go there and help. Ms. Volek said this plan will focus on donating materials and money. She said Ms. Weber will be the contact person for facilitating delivery of products. A direct account for Long Beach will be considered for cash donations so they can be classified as tax deductible.

<b>TOPIC</b>	<b>Public Works/Utilities Financial Reporting</b>
<b>PRESENTER</b>	<b>Dave Mumford/Pat Weber</b>
<b>NOTES/OUTCOME</b>	
	<ul style="list-style-type: none"> <li>• Public Works Director Dave Mumford said the Public Works Water and Wastewater audit is being brought to the Council because during the rate study for the rate increases, questions were asked about cash flow and financing of utilities and how resources are handled internally. EideBailly was hired to review cash flows and internal finance control for a ten-year period (1994-2004). Public Utilities is a \$15 Million per year business, providing water and wastewater.</li> <li>• Financial Services Manager Pat Weber introduced Sarah Collins from EideBailly who explained the internal controls over financial reporting (Presentation A1) and the report on applying agreed upon procedures (Presentation A2) for the Water and Wastewater Divisions. She said EideBailly interviewed personnel in the Water and Wastewater Divisions to determine how tasks and procedures were handled, specifically collecting cash and the payment process of checks, billing and receivables. She said it was noted that all staff can take cash at the front counter including the supervisor who has access to both the general ledger and cash and a clerk that has access to writing off accounts receivable and to cash. Both of these issues cause concern and procedures can be improved upon. The lack of separation of these duties could result in cash receipts not being deposited into the bank account without detection. There was nothing else in internal procedures that needed improvement. She said the second report (applying agreed upon procedures) included reviewing capital projects from 1994 to 2004 in the City's CAFR. All the specifics of each line item were reviewed for proper documentation and correct accounting methods. The only exceptions found were in 1995 where the differences in capital purchases were .4% of cash flow in water and 1.3% of cash flow in wastewater. She said personnel from other cities in the region (Bismarck, Great Falls and Casper) were contacted regarding recommendations of cash reserves in these funds.</li> <li>• Pat Weber gave Presentation A3. He said the remedy to the concern about the clerk that was responsible for accounts receivable write offs who also was a backup to opening mail and collecting cash was to assign a different clerk to perform the backup duties to accomplish a separation of duties. That has been done.</li> <li>• He said Great Falls' recommended cash reserves is \$350,000 for contingency purposes, 60-days of most current operating budget expenditures which equals \$1.9 Million for FY06. It was decided that this would be the model for the water fund for the City of Billings. The wastewater fund would remain unchanged at \$.8 Million. He said the FY2006 budget and water rates will incorporate these recommendations.</li> <li>• He presented a water and wastewater expenditure spreadsheet (Presentation A4) and noted that the "other" category would include large expenditures such as reservoir repair, equipment purchases</li> </ul>

in technology and rolling stock. Contributed capital occurs when developers contribute funds to fund a project that they are developing.

- Councilmember Ulledalen asked about the number of people paying in cash. Utility Commercial and Meter Superintendent Dwile Weagel said a small percentage of approximately 30 payments per day are cash.
- Councilmember Ulledalen asked why there is a difference in reserves between the Water and Wastewater funds. Mr. Weber said the Wastewater Division has a much smaller operating budget. Mr. Mumford said Wastewater operations are pretty consistent from year to year whereas the Water Division has huge fluctuations according to the seasons. Therefore Wastewater funds can be held at a lower, more conservation reserve level.
- Councilmember Boyer asked if the cities that were used for comparison have the same size budget. Mr. Mumford said their budgets were smaller, but the reserves are proportional according to percentages.
- Councilmember Ruegamer asked how bad debts are dealt with.
- Mr. Weagel said those accounts are written off and account for less than  $\frac{1}{2}$  of 1%.

<b>TOPIC</b>	<b>Annual Audit Report</b>
<b>PRESENTER</b>	<b>Pat Weber-Financial Services Manager</b>

#### **NOTES/OUTCOME**

- Mr. Weber introduced Barb Aasen from EideBailly who gave Presentation B1. Ms. Aasen said the Report to the Mayor and Council from EideBailly is a form of communicating to the Mayor and Council the responsibilities of both management and the auditors. The auditor's responsibility is to plan the audit and give a reasonable assurance that the financial statements are presented in the form of generally accepted accounting principals. Management's responsibility is to prepare the financial statements. Part of the audit did review internal controls to have an understanding of it and plan procedures accordingly. Accounting policies and accounting estimates for the City were reviewed for consistency. She said there were no significant audit adjustments, no disagreements with management during the audit and no other recommendations. Basically the City has a "clean bill of health".
- Ms. Aasen said the auditor's opinion (page 1) of the Comprehensive Annual Financial Report (CAFR) is an unqualified opinion which means these statements are presented in generally acceptable accounting practices and covers pages 1 through 8. The remainder of the CAFR is there because it completes a comprehensive annual financial report. Bonding agencies use the statistical information in the back of the report for trend analysis. Another reason the CAFR is completed is to obtain the GFOA Certificate of Achievement which include the extra requirements that the auditor is not concerned with. This is another level of assurance that the City's financial statements contain more than the basic requirements. The CAFR is as of June 30, 2005 showing the actual revenues and expenditures that the City had for that fiscal year. This is different from the budget document because encumbering the City's finances is different than actual expenditures.
- She said the last item that the auditor's reported on was the Government Auditing Standards. This reviews the internal controls over financial reporting and compliance with laws, regulations,

contracts and grants. There were no findings or comments in this area.

- Ms. Aasen said the first special audit area concerns federal dollars. For the year ending 6/30/05, the City expended \$8.4 Million in federal grants. Some of the items that were tested for compliance were global activities, allowable costs, cash management, eligibility, equipment purchased, matching funds, procurement, program income, reporting and special tests for some of the programs. The three major programs what were reviewed were: Homeland Security, Public Safety Partnership and Community Policing and Highway Planning and Construction. There were no findings on the federal dollars in those programs for 2005. The last special audit areas included Montana State Legal Compliance where various statutes are tested to assure the City's compliance. There were no findings in that area. A Passenger Facilities Charge Audit was performed at the Airport and no errors were found in that audit. There is an agreed upon procedure for the Building Inspection Fund and there were no comments on that review.
- Mr. Weber spoke in more detail about the CAFR. He noted the Council's concern that the CAFR does not mirror the budget and that quarterly reports were devised to assist the Council in a better understanding of the CAFR. He said the Staff has taken the funds that the Council feels are most important and items that the Council as a policy body should know and gave Presentation B2. He introduced three City accountants and presenters tonight – Alene Malloy, Jim Hauck and Vicky Harrison. He noted that actual numbers come from the CAFR and budgeted numbers come from the financial software and are not found anywhere in the CAFR. If the Council has any questions on amounts in the CAFR, he said the Staff would be happy to go over those questions with councilmembers. He encouraged the Council to read the introduction, notes to the financial statement and the management discussion in the analysis section.
- Alene Malloy presented the General Fund and Public Safety Fund presentations. She said the revenue for the General Fund was 99.6% and the expenditures were 96.7% of budgeted amounts. Ms. Volek noted that if a budget comes within 4% of estimates it is considered excellent. These budget figures are within 1%. Mr. Weber said revenues are very predictable presently and that is why the budget comes in as close as it does. Ms. Malloy said intergovernmental revenues, motor vehicle taxes and property taxes were more than budget while fines and forfeitures, contributions and interest income were less than budgeted. These figures can be reconciled to the auditor's financial statement. She spoke about the budget to actual expenditures for the General Fund by department noting that funds not expended were encumbered for the next year.
- She said the Public Safety Fund revenues were within 99.3% and the expenditures were within 96.6% of the budget amounts. These totals can be reconciled through the auditor's financial statement. She spoke about the budget to actual expenditures for the Public Safety Fund noting that the Police department's positive variance was due to savings in payroll while the Fire department's positive variance was due to savings in payroll, operations and maintenance and capital for the land purchased for the new fire station. The funds for the new fire station were budgeted for 2005 but was rolled into 2006, she noted.
- Jim Hauck presented the Enterprise Fund presentations. He said there are seven Enterprise Funds – four major funds (Solid Waste, Airport, Water and Wastewater) and three non-major funds (Parking, Transit and the Par-3 Golf Course). He said the revenue totals of the Enterprise Funds can be reconciled to the CAFR by adding operating revenue, non-operating revenue and capital contributions. He said Solid Waste revenues were greater than budget by 11% due in part to larger revenues expected due to sales of equipment. Airport revenues were lower than budgeted mainly

due to decreased capital contributions that are related to Airport construction projects. Bruce Putnam, Airport Director noted that in large enterprise funds such as the Airport, these variances are common based on the length of the construction season.

- Mr. Hauck said the Water Fund revenues were less than budgeted by \$22 Million because revenue was budgeted for the issuance of debt for the Water Filter project which did not occur. That revenue will be received in 2006. Councilmember Jones asked how much the Water and Wastewater actual revenues were down. Mr. Mumford said they were each down about \$600,000 due to weather. Mr. Hauck said Wastewater revenues were down \$7.5 Million because of issuance of debt for the Headworks project that will also be received in 2006. Mr. Weber noted that the City decided to obtain loans from the DNRC rather than sell bonds for these two fund projects. That was a longer process, by four months, but afforded savings to the City. He agreed with Mr. Putnam that variances are due to construction projects that don't start when anticipated. The DNRC loans pushed the construction out farther than bonds would have. Mr. Mumford noted that the capital and operating expenses in the enterprise funds are merged more where in other funds those items are separated. Deputy City Administrator Bruce McCandless noted that 80-85% of the costs of the General and Public Safety Funds are for personnel which are very predictable. Capital costs in Enterprise Funds are not as predictable.
- Councilmember Jones said he would like to see the revenue and expenditure variances with the capital costs, (personnel and operations and maintenance only) included. Mr. Mumford noted that with the rate increases it is expected that the Water Fund will "hold its own" whereas the Wastewater Fund will fall behind in operating expenses. Mr. Weber said information will be included in the Friday packet to meet Councilmember Jones' request.
- Councilmember Ruegamer said he would like to see these funds without the debt issuance revenue included because he would like to see what the funds actually generate. Mr. Weber said that is essentially the request of Councilmember Jones.
- Mr. Hauck said the expenses can be reconciled by adding all the operating expenses, capital outlay, interest expense and transfers out and reducing it by the depreciation expense. He said 2005 expenses were \$1 Million greater than FY2004.
- Vicky Harrison gave the presentation on Notes to Financial Statements. She said the City earns an average of 2.318% on investments. Investments in the State Treasurers' Investment Pool earn an average of 2.074%. She noted that investments have been moved from the State Fund to other vehicles that earn a higher rate of return. The City refunded Special Improvement Bond (SID) issue where five issues were eligible to refund out of approximately 60 Sidewalk and SID bond issues. The benefit to property owners is \$94,000 in today's dollars. She explained that refunding actually means refinancing.
- She said Subsequent Events in the Financial Statements are significant events that occur after the fiscal year ends. They are recorded in the financial statement to advise what impacts that may be upon the financial circumstances. Three reported items are the Fannie Mae loan, Special Improvement District bonds and the Department of Natural Resources and Conservation (DNRC) loans. She noted the Fannie Mae loan (loaned to a qualified developer where the loan was not due to be paid off until December 2007 and was in fact paid off in August 2005) was paid off early. This allowed the City to pay off its loan to Fannie Mae. A Special Improvement District bond issue for five districts pooled into one issue allowed the saving of \$200,000 in bond issue costs.

The loans from the DNRC saved the City over \$2 Million in interest and bond issuance costs for the Filter Building and the Headworks Building projects.

- She said the legal debt limit is 1.51% of total assessed market value. The City's debt limit is calculated to be \$65 Million and the legal debt margin (unused debt) is \$50 Million. This means the City has not incurred as much debt as it is allowed.
- She said in Claims and Judgments the City recorded a liability of approximately \$4 Million in the government-wide financial statements for a judgment (preliminary) in favor of the Billings Fire Department firefighters which includes estimated payroll taxes. Because the liability is not anticipated to be paid in 2006, the financial statements don't record the liability and is reported only in the government-wide statement and the Governmental Accounting Standards Board (GASB) requirement. In Prior Period Adjustment notes, and to comply with the GASB standards, the fund statement liabilities were reduced and designated fund balances were increased by \$722,750. This adjustment did not affect cash because in prior years the City reported a liability for portions of sick leave, vacations and comp time accumulations and because GASB required different reporting on benefit pay-offs.
- Councilmember Ulledalen asked when GASB will require the City to report future retirement and health liabilities. Mr. Weber said the City has two years before that is required.
- Councilmember Gaghen asked what the estimated percentage of interest rate for next year may be. Mr. Weber said it would be 3-3.5%.

<b>TOPIC</b>	<b>Federal Affairs Report</b>
<b>PRESENTER</b>	<b>Bruce Putnam – Airport Director</b>

#### **NOTES/OUTCOME**

- Airport Director and Federal Affairs Coordinator Bruce Putnam (Presentation D) said last year the City received the single largest grant of federal funding (\$35 Million). At the next meeting the Council will be asked to "bless" projects on the Federal Affairs Funding Request list or add/change them. The projects are not prioritized, which gives flexibility to the Representatives and Senators so they can match projects with what they think they can accomplish. Experience has taught that this is the best approach.
- He said the projects are: **Rimrock Road - \$9 Million** which includes 17<sup>th</sup> Street to Shiloh Road in two segments with Rehberg Road as the break point. He said this will complete the upgrade of the last 2.5 miles of Rimrock Road. Mr. Mumford said if funding is received in this cycle, this project will be built in 2010. **Water Treatment Plant Backup Power - \$750,000** –a series of generators to provide emergency power to critical water facilities. Mr. Mumford said after 9/11 the City was required to do a vulnerability study and this would meet the required City's minimum water levels for safety needs (fire protection). He said this is the in Capital Improvement Plan and is a project that must go forward within the next two years. Mr. Putnam said this will be the case in a number of other projects that are on the federal funding request list where federal funding will replace other funding and allow some CIP projects to go forward. **East End Storm Water Improvements - \$4,400,000** to correct the numerous overflow problems in the east end industrial area (2,812 acres between 4<sup>th</sup> and 6<sup>th</sup> Avenues). Mr. Mumford noted that everything drains from

10<sup>th</sup> Avenue east flowing into a 72 inch pipe that runs down 4<sup>th</sup> Avenue. A redundant system to alleviate the overflow problems is needed in that same area. **Swords Park/Black Otter Trail Development Completion - \$1,000,000**. Planning Director Ramona Mattix said this addresses the trails, repairs damage and preserves historic sites. **Mobile Command Post - \$250,000** was carried forward from the previous year that purchases and equips a self contained vehicle for use during major public safety incidents. Interim City Police Chief Rich St. John said the Police Department currently operates this program out of patrol car or van. **Crime Scene Investigation Vehicle - \$250,000** replaces a worn out 1981 mobile lab that is undersized. **Digital Video Cameras - \$465,000** will purchase digital in-car video equipment for 70 patrol cars. Interim Police Chief Rich St. John said this replaces present VHS equipment where evidence storage is an issue (8 hour tapes versus 10 hour shifts). This would allow the camera information to be stored on a CR Rom. This enhances both officer safety and accountability. **Water Treatment Facility Disinfection Upgrade - \$6,500,000** replacing ongoing chlorine processing and storage facilities. **Airport Taxiway Pavement Rehabilitation and Storm Drainage Improvements - \$2,200,000** involves the replacement of the last section of pavement in the critical aircraft movement area on the airfield and the necessary upgrade of the storm water surface drainage area. **Transit Bus Wash Facility Rehabilitation - \$250,000** replaces 1983 equipment that has outlived its useful life. **Transit Mobile Data Terminals and GPS/AVL Equipment - \$250,000** purchases mobile data terminals for Paratransit and fixed route coaches. Mr. Putnam said the projects don't require prioritization because they all come from distinct pots of money and do not compete with each other for funding. He said any changes or additions of other projects should be directed to him or Tina Volek.

- Councilmember Boyer asked how this list impacts the request of the Over/Under and Around committee for the railroad relocation. Mr. Putnam said last year's Federal Affairs submittal was amended 2/28/05 for a \$300,000 long-range planning project to relocate the railroad mainline out of downtown Billings. That was not funded by Congress. Councilmember Gaghen said the project should be a repeated/ongoing effort until it is funded by Congress. Councilmember Jones asked if this study would compete with any projects on the current funding request list. Mr. Putnam said he did not know, but noted that there is a point where all of the projects compete for funding because the Montana delegation can only get so much money for a few projects. Mayor Tussing asked if there was much support from the delegation for this study. Mr. Putnam said he did not hear much about it from the delegation. Councilmember Boyer said this must stay on the Congressional radar. Mr. Putnam noted that all communities have downtown railroad tracks and Congress doesn't want to make a special case in Billings on such an expensive venture. Councilmember Gaghen said Cy Jamison, a consultant in the transportation field, says that Billings should continue pressing for this. Ms. Volek said this item would be added to the list.
- Councilmember Ulledalen suggested that discussions with Burlington Northern Railroad may find that they are interested in seeking some operating efficiencies that could be beneficial to the City. Ms. Dozier said that was not the task of their committee. What Over/Under and Around is trying to accomplish is to let Congress decide on the study findings. Councilmember Jones said he does not like letting the Congressional staff and delegation decide the City's priorities. Mr. Putnam said the Congressional delegation and staff are the only ones who know what they can accomplish.
- Councilmember Brewster asked if the 800MHz system is scheduled to be upgraded. Interim Police Chief Rich St. John said there is an 800mHz committee that is meeting and discussing replacement or upgrades. He said a "patch" is in place so the system can "talk" to VHS that was

funded through the LEPC (Homeland Security). This allows the City interoperability with other agencies without the patching through process. He said Police and Fire departments are currently setting aside “pre-funding” to replace the radios in 2007.

- Councilmember Veis asked when the Council should ask for funding for the Inner Belt Loop project. Mr. Mumford said any time because it will take a long time to get it funded and built (10-15 years). It would be a state and county project. Councilmember Brewster said the County is not interested in this project, so the City needs to promote it. He noted that it was on last year’s list.
- Councilmember Jones asked to see last year’s list and what was actually funded.
- Mr. Putnam said there will be a Senate Commerce Committee Hearing on the video franchising issue on January 31<sup>st</sup>. There may be some jeopardy of the City’s use of publicly owned rights-of-way. The revenue that is generated in the cable TV franchise could be at risk. Mr. Putnam said the City does not want this hearing to go by without the City’s opinion being voiced. He suggested that a letter be sent to Senator Burns expressing the City’s concern. The essence of the letter was to bring attention to any attempt by the Federal government to make it more difficult for local governments to control their own rights-of-way and generate critical operating revenue. The letter asks the Senator to support the City’s viewpoint on this issue. He said this letter needs to arrive at Senator Burns’ office no later than January 23<sup>rd</sup>. Councilmember Ulledalen said it would be good to send the letter but does not think this issue will go away because of the increasing competition from satellite and fiber-optic delivery over cable.

<b>TOPIC</b>	<b>Purchasing Policy</b>
<b>PRESENTER</b>	<b>Pat Weber</b>
<b>NOTES/OUTCOME</b>	
<ul style="list-style-type: none"> <li>• Mr. Weber said the new Purchasing Policy procedure manual (Presentation C) was distributed to the Council in the Friday packets. He noted the committee members that assisted in preparing the new policy. The current purchasing policy for the City was adopted in 1994. The policy: 1) establishes efficient procedures and guidelines, 2) applies to all City departments and divisions, 3) ensures maximum value for the least dollar expended, 4) creates accountability, and 5) administration that ensures compliance with the Purchasing Policy.</li> <li>• He said the policy will be adopted by the Council and the procedure will be adopted by Administrative Order. He said the policy will standardize forms (such as RFPs). Other updates will be determined by City Code/ordinance changes and MCA law changes. A new purchasing card policy will be updated and adopted by Administrative Order as well as contract templates. This will assist the legal staff when reviewing these documents because they will be standardized.</li> <li>• He noted a new law that changed sealed bids. He said purchases for automobiles, trucks, other vehicles, machinery, etc. in excess of \$50,000 requires sealed bids. Anything under \$50,000 does not require a sealed bid but still requires quotes from three vendors. Benefits of increased sealed bid amounts are: 1) provides more flexibility in the timing of the work, 2) reduces overall cost to projects under \$50,000, 3) a larger pool of available contractors as a result of not having to secure a bond, 4) less staff time to prepare bid, and 5) matching the state law. He said another MCA law change is in Request for Proposals. He said all agencies securing architectural, engineering, land surveying and other professional services for projects exceeding \$20,000 would still require a Request for Proposal. Anything under \$20,000 would not and would only require three quotes.</li> </ul>	

Staff is also requesting that a resolution be approved authorizing increased signing limits for the City Administrator from \$20,000 to \$50,000 for sealed bid contracts per updated state law and an increase to \$50,000 for Requests for Proposals (RFP) for consistency. A new ordinance is requested, adding Section 13-505 to the City Code, for debarment of non-performing vendors, which gives the City the authority to bar non-performing vendors from participating in City projects. He said this has been researched through the Purchasing Agent and the Legal Department. Ms. Volek said a list will be compiled so that vendors will know “up front” prior to the bid opening date whether they are eligible to bid.

- Mr. Weber said the purchasing card program (through Visa) has been updated to a card that has no annual fees. Each department is being encouraged to use these cards in its procurement process. He noted there are 15,000 purchase orders a year that are \$2,500 or less. The set transaction limit of the card is \$2,500 and the monthly card limit will be \$10,000. He said the reasons to update the program are to reduce the purchase order volume, use available on-line tracking and rebate rewards at some future point. He also noted that a process where the Purchasing Agent will randomly audit departments on a monthly basis will be implemented.
- Councilmember Jones asked if a smaller bank, rather than US Bank could be used for this card service. Mr. Weber said it was possible, but noted that smaller banks may not have the reporting and on-line capabilities that the City is requesting. Councilmember Ulledalen noted that smaller banks may use a third party vendor, whereas larger banks will provide the services in-house. Ms. Volek noted there are certain categories (i.e. clothing, restaurants) that can be excluded with the card purchasing program to ensure financial integrity. She noted that the Council will be involved in future policy adoption. She added there are currently 98 Administrative Orders that may contain policy that will be revised and brought to Council in a systematic manner.
- Councilmember Brewster asked if there was a discussion with the auditors about the procurement card use and its checks and balances. He noted that in his company, different division managers check purchases for other departments. Ms. Volek said the procedures can be modified to include that suggestion. Mr. Weber noted that a procurement card is a little different from a credit card and certain restrictions, controls and requirements are applied to them.

<b>TOPIC</b>	<b>Report from Ad Hoc Committee on Mayor/Council/Admin Relations</b>
<b>PRESENTER</b>	<b>Councilmember Nancy Boyer</b>
<b>NOTES/OUTCOME</b>	
<ul style="list-style-type: none"> <li>• Councilmember Boyer said she and Councilmembers Ruegamer and Clark met in an informal public hearing to gather their thoughts on how to reduce the City’s exposure to future litigation relating to the working environment of Interim City Administrator Tina Volek and Mayor Tussing. Two meetings were held – January 5<sup>th</sup> and January 12<sup>th</sup>. Two recommendations were made: 1) Mayor Tussing was not to participate in the performance review for Interim City Administrator Tina Volek, and 2) Mayor Tussing was not to participate in the selection of the City Administrator, if Ms. Volek applied for the job. There was no agreement from the Mayor, so there is no resolution to the recommendations. Councilmember Brewster said the vulnerability will remain and each person or entity will have to deal with what comes forward. Councilmember</li> </ul>	

Boyer said each councilmember can formulate their thoughts and propose their ideas. Councilmember Ulledalen said the council can employ the council initiative portion of the meetings to address issues that come up.

- Councilmember Veis noted a similar situation happened in Butte-Silver Bow and the City was found liable due to unlawful discharge.
- Mayor Tussing said he has been made aware of information on page nine of the Singer report, but states that he is reluctant to violate the Charter regarding the two recommendations. He said he would like to see the Charter reviewed because several members of the 1996 review commission have noted that there are places where discrepancies pertaining to the Council should be changed to legislative body (which includes the Mayor). He assured the Council that he understands his legal limits and obligations under the agreement he signed and does not intent to violate it or incur any personal liability.
- City Attorney Brent Brooks advised the Council to articulate all of the issues the Council has concerning the Charter and where state statute has a conflict with the Charter and the Legal Department will review those discrepancies. The City Code does require that the Mayor vote on all issues, he noted. He cautioned the Council that he cannot be involved in any issues that concern differences between the Council and the Mayor.
- Mayor Tussing said he would email the Council a list of the charter issues and the Council can respond. The next step would be to take those issues to the City Attorney for his review. Councilmember Jones said emails constitute a meeting and cautioned taking that avenue. Councilmember Brewster said the current issue for Mr. Brooks to answer is whether the Mayor can vote on hiring the City Administrator.

<b>TOPIC</b>	<b>City Administrator Selection</b>
<b>PRESENTER</b>	<b>Councilmember Larry Brewster</b>
<b>NOTES/OUTCOME</b>	
<ul style="list-style-type: none"> <li>• Councilmember Brewster distributed his email to councilmembers. He noted the recommended committee composition and the process that were included in the email. He said several councilmembers think this is too large of a committee. He said the committee is proposed to consist of 1 Councilperson (acting as Chair), 4 Administrators/Department Heads, 3 Labor representatives, 1 Chamber of Commerce representative, 1 County Commissioner, 1 Downtown group representative, 1 Realtor, 1 member from Big Sky Economic Development Authority, 4 Media persons (2 TV, 1 Gazette and 1 other media), 11 community members appointed by the Mayor and Council, and a possible Consultant and Personnel specialist as a resource person. Councilmember Gaghen said a 28-member committee makes it difficult to reach a consensus. Councilmember Brewster said the committee is only going to narrow the finalists. The point is to allow a broad group of the community to have some consensus and buy-in to this process.</li> <li>• Councilmember Ulledalen asked if the Council is still going to enlist input from a group such as this as to the profile of the ideal candidate. Councilmember Brewster said the Council needs to have input on that also. Councilmember Boyer said this group would need some facilitation to focus their efforts. Councilmember Brewster said there are at least 8 people on the proposed</li> </ul>	

committee that know what a City Administrator does and the abilities that are desired. Councilmember Gaghen said there are two groups of thoughts from the community, one is that they would like more input and another that they have elected the councilmembers to make those types of selections/decisions. Councilmember Brewster said the Council should want that diversity to get varied viewpoints. He said he is trying to frame this committee to give ownership to the process.

- Councilmember Jones suggested cutting 1 administrator and 1 member from each Ward. Mr. Putnam reminded the Council that the Department Heads have a close relationship with the City Administrator and need to be involved in the process.
- Councilmember Veis asked how this big committee will be successful. Councilmember Brewster said a good facilitator can accomplish that. Councilmember Boyer suggested using the larger committee to get the varied input and a smaller committee later on to review the applications and trim the list. Councilmember Gaghen said the Council should review all of the applications. Councilmember Brewster said the three union representatives are important because of their relationship with the City Administrator during union negotiations. Councilmember Boyer said the Council needs to be involved in the first cut. Councilmember Jones agreed that if it is going to be a public process it must be a broad and thorough public process. Councilmember Gaghen suggested public forums. Councilmember Brewster said they are usually meaningless because the same people show up each time. Councilmember Jones suggested reversing the process and have the Council make the first cut and the committee review the short list and offer their input, then the Council would make the final decision.
- Councilmember Ruegamer said he does not want to spend a lot of money on this process. He suggested using several committees and Mercer and to develop a short list from several groups. Councilmember Brewster said there is another way. He suggested the Council committee make the first cut, the community participate in the interviews with the Council making the final selection.
- Councilmember Veis asked how this would be advertised. Councilmember Brewster said through a consultant. Councilmember Boyer said the job description also needs to be reviewed.
- Councilmember Ulledalen suggested eliminating the administrators and the media and appoint 6 members from the Mayor and Council. Councilmember Jones suggested adding 1 administrator and limit to 1 labor and media representative each. Councilmember Ruegamer suggested having the group set the profile and the competencies. Councilmember Boyer said the February 6<sup>th</sup> work session should include the City Administrator selection with suggestions sent out to Council on the previous Friday (2/3/06). The final decision would be on the 2/13/06 agenda.

## **Additional Information:**

Public Works Director Dave Mumford said negotiations on the section of Zimmerman Trail that goes through the Peter Yegen Golf Course (Grand to Broadwater Avenues) have reached a tentative conclusion with agreement on the Yegen and golf course properties. Judge Baugh gave the City right of entry and the City now has possession of the right-of-way and easements required to start the bidding process. At the first meeting in February (2/13/06) the Public Works Department will present an agreement with the Yegen's for \$575,000 for all rights-of-way and construction easements required to construct that section

of roadway through the golf course. This amount is \$100,000 more than the original negotiated figure. The Yegen's will in turn settle with the golf course so the City does not have to have separate agreements with each entity.

Councilmember Jones said this is a good deal. "Let's get this thing done and more forward", he added. He said the City did not offer the high appraisal and this complicated the negotiations. Ms. Volek noted that calculations showed going through condemnation proceedings (best case scenario) would cost the City within \$25,000 of the negotiated price.

**PUBLIC COMMENT:** TOM ZURBUCHEN, 1747 WICKS LANE, said the Council is setting a bad precedent by paying more money than the appraisal to the Yegens.

Mr. Mumford said the staff is getting comparative market analysis on the properties involved in the Grand Avenue widening project and will make offers of full market value based on those analyses. If within 90 days an agreement cannot be reached, he said he would come back to the Council for authorization to move forward with eminent domain.

Mr. Mumford announced that Burlington Northern Railroad would be closing 27<sup>th</sup> Street tomorrow from 8 A.M. to 5 P.M. to repair the track.

Councilmember Brewster said the Mayor needs to appoint the members of the sign committee. Mayor Tussing asked the Council to give him proposed names. The Council can amend his decision at the meeting.