

City Council Work Session

May 5, 2008

5:30 PM

Community Center

ATTENDANCE:

Mayor/Council (please check) Tussing, Ronquillo, Gaghen, Stevens, Pitman, Veis, Ruegamer, Ulledalen, McCall, Astle, Clark.

ADJOURN TIME: 7:20

Agenda

TOPIC #1	Public Comment
PRESENTER	
NOTES/OUTCOME	

There were no speakers

Mayor Tussing presented a thank you note from Ms. Matsdorf's second grade class that addressed the Council at the April 28, 2008, meeting regarding pet waste on school grounds.

TOPIC #2	Budget Overview
PRESENTER	
NOTES/OUTCOME	

City Administrator Volek distributed a schedule of the budget review meetings. She stated the budget was the single most important document that the City Council considered in a given year; was the policy statement regarding programs and activities funded; and was a critical guiding document to the rest of the organization. She introduced Glen French from the Chamber of Commerce Committee. She said members from that committee would sit through the budget work sessions and would return with a recommendation. She said the presentation represented hundreds of hours of staff time.

City Administrator Volek explained the modified accrual accounting system used for the City's budget. She said another aspect of it was the Consolidated Annual Financial Report (CAFR) which was basically a snapshot of a one-day picture of finances and used a different type of accounting system, so it would never match the budget and the two weren't meant to match. She said that was not intentional, but followed the Governmental Accounting Standards Board which established local government accounting systems.

City Administrator Volek explained the budget policies and practices: Capital Improvement Program (CIP); Equipment Replacement Plan (ERP); and Technology Replacement Plan. She noted the CIP applied to any purchase in excess of \$25,000 and had a life of one year or more. She said the ERP charged most departments for equipment in

advance over a period of time, which created a pool to acquire large pieces of equipment and ensured that the City didn't have to come up with funds in a hurry to cover a large expenditure. She added that the ERP also included close vehicle replacement monitoring and included a committee of peers that reviewed the equipment replacement plan and made a recommendation whether a piece of equipment needed replacement. She noted there were cases of postponing replacement of items that would have been routinely replaced. She explained the TRP which identified expenditures needed in the technology field. She said she hoped the TRP would work similar to the ERP so there would be funding for large projects.

City Administrator Volek advised that State law required a balanced budget, and for the eighth consecutive year, departments were allowed \$0 in O&M automatic increases. She explained departments were provided a list of expenditures they could include which included negotiated salaries, utilities, fuel and internal services costs, and all other costs had to come from their own resources or the department had to submit a supplemental budget request.

City Administrator Volek said in addition to budget policies there were budget reserves. She noted there were State-required reserves for certain areas, such as the landfill. She noted there was also a State cap on reserves; no more than one year of budget for operations for the building department may be kept beyond the current budget year and internal service funds were allowed no more than two years of funds. She noted that cash flow needs were paid with reserves.

City Administrator Volek advised the City was recognized by the Government Finance Officers Association and received the GFOA Distinguished Budget Presentation Award for the 16th year in a row and also received similar awards for our CAFR.

City Administrator Volek advised proposed revenues for 2009 were \$220,789,000, with the single biggest funding source from charges for services; the second largest from debt proceeds, which was money received through the sale of bonds to pay for capital projects; and lastly from inter-governmental sources which were grants and shared revenue from HB 124. She noted interfund-transfers were not expenditure, but under GASB, had to be shown as both revenue and expenditure because they were transferred from one fund to another to be spent.

City Administrator Volek said projected expenditures for 2009 were \$232,289,000. She noted the number one expenditure would be capital; number two would be personal services and the third would be operations and maintenance. She noted the difference between the revenue and expenditures reflected that in many cases, reserves would be used for operating funds. She said the budget also reflected that capital money came in that had to be spent.

Councilmember Veis asked for an explanation of the capital budget increase of \$34 million from 2007 and if the funds budgeted for 2008 were spent. City Administrator Volek answered she would have to check into that and get back to Councilmember Veis later.

City Administrator Volek listed personal services cost increases and major changes from 2008 to 2009 as follows:

- ✓ Teamster wages: salaries and benefits increased \$1.4 million (non-bargaining \$781,000 and police \$605,000). Fire wages were in the beginning stages of negotiation and the \$42,000 listed for that item was the benefit increase.
- ✓ Health benefits increased \$315,000

- ✓ Retirement increased \$175,000
- ✓ FICA and Medicare increased \$155,000

City Administrator Volek identified increases in Operating and Maintenance as follows:

- ✓ Fuel increased \$415,000. Information would be provided regarding the biodiesel fuel experiment that was in progress.
- ✓ Utilities increased \$1,127,000

Councilmember Astle asked if there was any assumption in the figure of going away from biodiesel fuel. City Administrator Volek said the budget was developed with the assumption that biodiesel fuels weren't utilized.

City Administrator Volek said relief for the O&M budget was seen in the March sunset of the downtown TIF district, which would have accounted for operations and maintenance of \$2,493,000. Councilmember Veis asked for an explanation of that. Assistant City Administrator McCandless said the funds were used for projects and for the DBP operations. He added that the development agreement adopted in January included the FY 09 operational costs for DBP and all funds were encumbered in FY 08 so they wouldn't be reflected in the FY 09 budget.

City Administrator Volek advised the budget included an inter-fund transfer of \$18.5 million from the general fund to the public safety fund. She said there were smaller transfers but that was the most significant.

City Administrator Volek reviewed major capital improvement projects as follows:

- ✓ Water reservoir system \$9.5 million. The reservoir and pump station would provide storage to Zone 4
- ✓ Wastewater and water main replacements \$8 million total
- ✓ Miller's Crossing project in South Billings Boulevard TIF District, \$4.5 million
- ✓ Downtown street and traffic lights, \$4.3 million
- ✓ Transit Center, \$3.8 million, 80% of it would be federally funded
- ✓ Taxiways at airport, relocation paving and enhancement of center line markings \$4.1 million, 95% federally funded
- ✓ Water storage expansion for Zone 3 and West Billings, \$3.15 million

City Administrator Volek reviewed major equipment replacements as follows:

- ✓ 10 replacement police cars, \$238,000, which didn't include cars to be purchased using levy funds
- ✓ Fire trucks, \$881,000
- ✓ Rescue truck, \$140,000
- ✓ Waste collection trucks, \$651,000
- ✓ Loader, \$186,000
- ✓ Scraper, \$377,000
- ✓ Sweeper, \$149,000

City Administrator Volek said the general fund reserves were in a sad state. She said a cost of services study was authorized previously and results were expected within the next two weeks. She said the second phase of the study would lead to more public discussions regarding the services provided and the funding required. Ms. Volek said sectors of the public agreed to provide input into the process.

City Administrator Volek advised the Planning Department had used a great share of its reserves and even with department-wide reductions, still couldn't balance a budget without layoffs of at least 1.5 positions. She said staff recommended a transfer of \$75,000 from the General Fund on a one-year only basis to get that department through the cost of services study and public discussion. She said the alternative to offset some of that cost was additional fee increases for that department.

City Administrator Volek reported the compensation and classification study had been underway since 2002 and it was finally determined that the compensation part of that study couldn't be implemented without a significant investment which didn't exist in any departments. She said her recommendation was to discontinue the study. She added that the study resulted in a set of job descriptions that were valuable to classify positions. She said the Human Resources Department would work with other departments to address reclassification issues. Mayor Tussing asked how far it was from being done. City Administrator Volek said it was complete but the City couldn't afford to fund it. She explained that it called for freezing some salaries and raising others. Councilmember Pitman asked for the cost of the study. Ms. Volek responded it was \$175,000 over a six-year period. Councilmember Clark explained it was that much because one firm started it and couldn't complete it so the study had to start again with a new firm. Councilmember Gaghen asked about the number of job descriptions and what was recommended by the consultants. Ms. Volek said the first group pared the categories too far. Assistant City Administrator McCandless indicated he would have to check the research and get back to Council. City Administrator Volek said the classification was more efficient and allowed the City to use its previous ranking system to effectively evaluate jobs and enabled comparisons.

City Administrator Volek indicated that proposed water and wastewater fee increases were approved previously. She said the arterial fee increase translated to a total fee of \$39 for the average property owner. She added that park maintenance and street lighting districts were amended as maintenance was completed.

City Administrator Volek advised the Finance Department had a proposed set of increases for its fees which hadn't been adjusted since 2003. She recommended Council consider them as they would offset a portion of the General Fund transfer. She noted that was an area where the City and department heads discussed whether to initiate small incremental increases or wait several years and implement a significant increase. She said increases would be necessary due to rising costs.

City Administrator Volek referenced a tab in the budget book regarding supplemental budget requests and encouraged Council to review it. She noted the general fund and public safety fund had total requests of \$977,000 of which staff recommended \$589,717, and of that \$312,000 would be from the public safety levy increase for two police officers plus equipment, and an animal control officer and vehicle.

City Administrator Volek outlined the recommendation for \$277,000 from the general fund which included the following:

- ✓ drug court funding, \$92,950

- ✓ weed abatement expenses for code enforcement, \$67,000
- ✓ Parks Department for ADA compliance and a lifeguard incentive, \$46,000

Mayor Tussing said he noted the recommendation against the July 4 special enforcement. City Administrator Volek said the Council could recommend that, but her goal was to keep the transfers as low as possible. She said if Council felt it should be added, it could be added as an additional transfer or other adjustments could be made. Mayor Tussing said when it was added from Council contingency funds the previous year, there was discussion that it should be a budgeted item. Councilmember Ronquillo said he thought enough money was made on fines last year to pay for the enforcement. Ms. Volek noted that the fines went to the Court, not the Police Department.

City Administrator Volek advised the internal service funds requested \$265,000 worth of supplemental budget requests. She noted that staff's recommendation for Council's consideration was for \$166,000, which included \$115,000 to facilities management department and \$69,000 to IT. She noted the facilities management allocation included some ADA work and allowed hiring two maintenance employees rather than using contractual work to keep the positions filled and to keep the costs down. She said IT was interested in a message archiver and a wireless managed controller.

City Administrator Volek advised that other supplemental budget requests totaled \$3,154,000, and \$3,097,000 was recommended because the funds were from fees for service or other sources and didn't have an impact on property taxes. Those requests were:

- ✓ Solid Waste Department - \$1.3 million for three trucks, staff and containers for the yard waste program which was being expanded across the City
- ✓ Airport - \$708,000 for a runway sweeper and articulating boom
- ✓ Wastewater - \$355,000 to add an aeration basin and continuation of a TMDL study;
- ✓ Water - \$290,000
- ✓ Streets - \$127,000

City Administrator Volek reported there were 10 proposed staff increases requested; three of which were anticipated and budgeted for in the levy, including two police officers and an animal control officer. She noted three solid waste equipment operators were requested which reflected growth needs and the expansion of the recycling program. She said one parking attendant/building services worker was proposed which was similar to the maintenance workers mentioned earlier to maintain the parking facilities for less with a single employee; and a final staff request was for a senior permit technician in the building division which was a recommendation of the ICC and would be funded by building fees.

Mayor Tussing noted the senior permit technician was not in the SBR approvals because it would be filled in the current year.

City Administrator Volek reviewed the difference between recommended minimum balance and actual balances in the general and public safety funds. She referred to the spreadsheet distributed to Council earlier. She noted that in 2009, the recommended transfer from reserves to the General Fund was \$76,281, which was significantly lower than past years. Councilmember Veis inquired how the minimum recommended balance was determined. Financial Services Manager Pat Weber said a 10-year history was reviewed to

determine the right amount of reserve which was 22% of the General Fund budget. He explained that as the budget increased, the recommended reserve increased as well.

Councilmember Veis asked about the difference between inter-fund transfers shown in italics and the inter-fund transfers shown in regular type. Mr. Weber explained the italics figure represented funds transferred from the General Fund in the 1990s for Billings Heights SIDS to a revolving fund for a period of three years from funds and it was separated to make it clear.

Councilmember Veis asked why there was \$305,000 shown as donations and contributions in FY 2009. Mr. Weber said \$300,000 was a grant from Exxon to replace emission equipment. Councilmember Veis asked about items listed under debt service. Mr. Weber answered that was the debt service for the scoreboard for the Pepsi donation that would be received over ten years.

Councilmember Veis asked about capital outside the General Fund. Mr. Weber said there wasn't anything to pay for it. He said there wasn't much spent on capital in previous years and a few things were shown for FY 2009. Councilmember Veis asked if it was City Administrator Volek's stance that the City wouldn't fund any capital outlay from the general fund after next budget year. Ms. Volek responded it wasn't her stance, but was what was needed now to keep the reserves. She explained they would be reviewed and funded only if money is available. She noted there were other settlements that had to be made and if there were unanticipated expenditures, adjustments would have to be made. Councilmember Veis indicated he thought something should be budgeted for that. Mr. Weber said that depended on whether Council wanted to spend reserves. Assistant City Administrator McCandless pointed out that they were projections, not budget requests. He said the projections contained certain assumptions and the assumption was that from FY 2010 forward, there wouldn't be capital. He noted that as the capital budget was reviewed, it could change. City Administrator Volek added that allocations were reduced to various departments during the last years due to limited revenue and until finances were in line, it was wise to make the most conservative estimates possible to know what the best reserves were and to plan accordingly. Councilmember Veis said he thought a consistent number would be in there. Ms. Volek said the problem with that was that the number was usually tied to a particular project and then that number was carried forward to a future budget year and those priorities could change. Mr. Weber said that was mainly a tool for budget use. He said he could put \$100,000 in the projections, which was about the total spent for capital each year in the last five years.

Councilmember Veis asked if it was known when the reappraisal would impact the City's budget. City Administrator Volek said it would be 2010. Assistant City Administrator McCandless stated the legislature would decide how to implement reappraisal in Spring 2009. He said FY 2010 would be the first year those decisions would impact the City's budget.

City Administrator Volek reported General Fund revenues for the coming year were estimated at \$30 million. She said the largest single source was property taxes at 40%; the second largest was HB 124, inter-governmental transfers; and third was licenses and permits. She noted that property tax revenue showed a slight increase over the past four years while other revenues remained steady. Ms. Volek noted that property tax increase was largely due to the growth of the City and it was uncertain if that could be counted on in the future.

City Administrator Volek advised General Fund expenditures were \$30,774,000, with the highest item the transfer which was \$19 million and of that, \$18.5 million was from the

General Fund to the Public Safety Fund. She said the second highest was personal services, operations and maintenance, and a very small amount for capital.

Councilmember Veis asked how much of the TID money went to personal services and how much went to operations and maintenance. Mr. Weber referred to the General Fund budget materials which reflected how the General Fund increases were distributed among the categories and noted the money was not put into any particular part of the operation. Assistant City Administrator McCandless added that the General Fund was a big pool of money that received funds from all sources of funding. City Administrator Volek said it was anticipated that those funds would be put into the General Fund and prior years reflected that planning.

City Administrator Volek advised that public safety revenues were projected at \$32,120,000 with the main source of funds from the General Fund transfer; the next source from the combined tax levies.

Councilmember McCall asked if charges for service were for contracted services for fire protection. City Administrator Volek responded it was for BUFSA, fire services that were provided to rural areas and some expansion may be possible if it could be done without stretching our resources. Councilmember Veis asked if the narrative for police and fire departments could include what was intended as improvements through the public safety levy. Ms. Volek said that could be done.

City Administrator Volek reviewed public safety expenditures and noted the largest item, which represented 79% of the expenditures, was personal services, followed by operations and maintenance. She noted the total police budget rose from \$16,474,000 to \$17,414,000 in the FY 2009 budget which was an increase of \$939,909. She said the fire department rose from \$13,907,000 to \$14,050,000. Ms. Volek noted that over the four-year history, the police department received eight police officers, five cars, and an animal control officer. She added the minor alcohol prevention coordinator and the volunteer coordinator positions had both been partially granted funded and were taken into the budget as the grants expired. She noted a sergeant and a lieutenant were added as well. She explained the mobile data terminals in the police cars required additional maintenance so a technology support technician was added also, which was a service that had been contracted previously, but issues with response times prompted the change. City Administrator Volek reported that Fire Station #7 was built with levy funds, a truck and equipment were purchased and eight firefighters were added to staff it.

City Administrator Volek explained that many funds used balances and others were reducing expenses to meet the lack of operations and maintenance increases. She noted that four funds were tax-supported. She said the Planning Department planned on a \$75,000 transfer from the General Fund; the Library would use an additional \$52,000 in its reserves; a transfer from reserves to the General Fund of \$76,000 was recommended, and MET planned to transfer \$235,000 from reserves to balance its budget. Councilmember Clark asked why the MET deficiency was so large. Ms. Volek answered that federal support was declining and costs increased.

City Administrator Volek advised the Administration budget review would not be presented at that evening but on May 19.

TOPIC #3	<i>Aviation Budget Review</i>
PRESENTER	
NOTES/OUTCOME	

Director of Aviation and Transit Tom Binford stated he would present a brief review of the last year and a summary of goals for the coming year, and then Kevin Ploehn and Ron Wenger would present details on airport and MET budget requests.

Mr. Binford reported Billings Logan International Airport realized higher enplanements than past years; more revenue from hangar leases and 10 additional hangers were in the planning or construction phases. He advised Rocky Mountain College moved its aviation program to the Airport and a new fixed-based operator, Corporate Jet LLC would begin operations there soon. He said a disappointment in 2008 was the closure of Big Sky Airlines, but Great Lakes Aviation would fill some of void soon. He said the remainder of the calendar year would be devoted to the master planning effort. He said they would carefully monitor changes occurring in the airline industry.

Mr. Binford said he was excited about the construction of the MET transfer center project. He said they wrestled with the budget for the transfer center construction and even though there were still sufficient funds for the project, the project may not include as many 'green' improvements as anticipated, but he hoped the facility was still LEAD certified. Mr. Binford advised MET still struggled with ridership and revenue. He said the issues would be reviewed and addressed and proposed changes would likely be presented to Council in July. He said rising costs could cause higher rates or the need to seek other revenue resources for support. Mr. Binford said it was a good year overall, with challenges in MET and the department would continue to move forward and continued to provide the community with a high level of transportation services.

Councilmember Gaghen asked if it was usual to have spring ridership decline. Transit Manager Ron Wenger responded that part of reason was spring break and there wasn't one the previous year, so a whole week of ridership was lost.

Assistant Director of Aviation Kevin Ploehn presented the Airport operations and budget proposals. Mr. Ploehn reviewed the six functional divisions of Administration, Engineering and Planning, Building Maintenance, Airfield Operations, Aircraft Rescue and Firefighting, and Airport Police. He said a majority of the divisions were required by the federal government to meet the operating needs.

Mr. Ploehn explained that Administration, Engineering and Planning provided planning, guidance and direction of the Airport. He said it was the business center of the operation and included the following duties: financial forecasting, budgeting, tenant relations, property management, capital grant management, construction traffic, monitor air service development issues. He said the budget for that division was \$1,722.926.00. He noted that the higher airport use caused more facilities expenses.

Councilmember Veis said that proposed budget was substantially higher compared to what has historically been used. Mr. Ploehn said the budget carried a \$310,000 contingency fund to offset the o&m maintenance reserves. He said it was basically for anything that could shut down the Airport so if anything happened, the necessary repairs could be made and budget authority was in place. City Administrator Volek said it was found in the budget book under the *Enterprise Funds* tab. Councilmember Veis asked why it was part of the administration fund and not a separate fund. Mr. Ploehn responded it was under a separate

account number. He said it did distort actual but the funds had to be kept on hand so the budget wasn't exceeded.

Mr. Ploehn reported the Building Maintenance Division budget was \$1,739,901. He advised the record number of enplanements and the anticipated record increase for the current year, impacted the building maintenance division more and more. He said the 17 full-time employees were kept busy 24/7 with their varied list of duties, and the custodial/maintenance staff was trained to be customer servants. He said an interesting thing about the building maintenance budget was that almost one-third of it was utility costs; the utilities for the terminal building were \$550,000. Councilmember Veis asked if that accounted for the increase in the building and maintenance budget. Mr. Ploehn said other increases were attributed to continued growth and it was necessary to increase the budget in certain areas. He noted one area was day-to-day maintenance. City Administrator Volek said two staff were added last year and some of that was because there was a very limited window of time to achieve the building cleaning and the addition of staff accomplished that. Mr. Ploehn said to balance projects between the airfield and the terminal building, money was shifted back and forth between the two funds depending on the project, so the number was flexible within the divisions.

Mr. Ploehn reported the Airfield Operations Division budget was \$2,367,879. He said that was a combination of airfield maintenance and the aircraft rescue firefighting functions and were combined because the same 22 people were utilized to perform those jobs. He said that allowed the most efficient use with staff, especially when labor-intensive situations occurred, like snow removal. He said the airfield maintenance employees maintained 2,300 acres of the airport, the buildings, all pavement, signage, lighting, vehicles and the federally-mandated aircraft compliance program, etc. He noted that maintenance personnel oversaw summer contractors as well.

Mr. Ploehn said the aircraft rescue firefighting function was also a 24/7 function that responded to an average of 130 calls each year and managed the federally-mandated emergency plan.

Mr. Ploehn advised the Airport Police Division was a federally-mandated function, with a budget of \$712,488. He said the officers were available 20 hours per day every day of the year and the officers played an important role in the Transportation Security Administration to be available to any issues in the TSA screening area. He noted it was so important to TSA to have the assistance of the Airport Police that it paid the City \$163,000 each year for that service. He said the staff of 10 officers oversaw the interactive training program, provided all airport law enforcement issues and managed the federally-mandated aviation security program for the Airport.

Mr. Ploehn reviewed the Airport Construction Division budget of \$7,627,099. He noted a few of the FY 2009 projects were: continue terminal roof replacement, restoration of concourse restrooms, reconstruction of the west end access, taxiway enhancements, and new back-up generator.

Mr. Ploehn stated the total budget was \$15,255,785, with operating revenues from four main sources: concessions, land/building leases, airlines, and reimbursable/interest/other. He noted capital revenues included federal grants (AIP Program) and passenger facility charges.

Councilmember Veis asked how Big Sky/Great Lakes impacted revenues. Mr. Ploehn said they assumed Great Lakes would be operational by July 1. He noted that with the revenue and expenses, the airport would use reserves of \$1,510,108 to fund operations and capital. He said using reserves usually raised a red flag but for Airport staff, it indicated that

things were going quite well. He said the operating agreement with the airlines was set up so that revenues went back to the airlines or to the capital programs and in that case, the revenues went to the capital programs.

Councilmember McCall asked what percentage of Montana passengers enplaned in Billings. Mr. Ploehn responded it was about 85%. He said the majority of passengers were from Wyoming or Montana. Mr. Binford added that about 80% of the cars in the parking lot were from outside Yellowstone County. Councilmember McCall asked how much of the business with Big Sky/Great Lakes was Montana business flying to other Montana communities. Mr. Ploehn said it was a small number.

Councilmember Veis asked for a brief update on the Airport master plan. Mr. Ploehn said the report should be done by November.

Transit Manager Ron Wenger reviewed the MET goal to provide safe and friendly transportation. He reviewed the ridership and noted that elderly, disabled and students accounted for 70% of the overall number. Councilmember Ruegamer asked what defined elderly. Mr. Wenger responded it was 60 years old. Mr. Wenger advised the cost per fixed-route passenger \$4.87 and 86% of it was paid for by the tax levy and federal support. He said there were three basic budget categories: Administration, Operations, and Paratransit. He said the Administration Division budget was \$666,192 and provided the management of the transit department.

Mr. Wenger reported the Operations budget was \$2,798,752. He said that division included public information, building maintenance, employee training, special events, bus shelter, equipment management, etc.

Mr. Wenger advised the Paratransit Division provided the federally-mandated ADA service to the community with a budget of \$1,097,852. He said it processed hundreds of ADA certifications each year for MET Special Transit, made trip reservations, scheduled vehicles, dispatched drivers, provided public information, employee training and development and coordinated with human services organizations for special transit city wide.

Mr. Wenger said capital projects for the coming year included the downtown transfer center, renovation of the 1983 bus wash, some bus equipment, two paratransit vans and replacement of a one-ton service vehicle for approximately \$4,488,561.

Mr. Wenger reviewed projected revenue for the coming year at \$4,737,477. He said the transit tax levy and federal and state assistance comprised about 85% of the total revenues. He noted the FTA capital grant was \$3,448,398 and the majority of it was for the downtown transfer center.

Mr. Wenger reviewed total revenues and expenses which indicated a use of reserves in the amount of \$1,309,880, and a little more than \$1 million was the local match for the FTA grant. He said that meant about \$259,000 of reserves used for operational support mostly due to fuel and personnel costs.

Councilmember Clark asked if the capital cost was the entire cost of the transfer center. Mr. Wenger responded that the majority was for the downtown transfer center and it also included some vehicle replacement.

Councilmember Ruegamer asked for further explanation of the elderly rider process. Mr. Wenger said the elderly rate was 60 years and older and the honor system was in place. He said passengers ask for an elderly pass. He said the driver tried to keep track of the numbers of types of riders. Councilmember Ruegamer asked if a marketing consultant was under contract. Mr. Wenger said a major consulting firm was under contract that was reviewing the route schedule. He said once the determination was made of the needed changes, there were components for marketing that would kick in the same time as the opening of the downtown

transfer center. He said they hoped it would boost ridership when tied in with the new transfer center marketing.

Councilmember Veis asked to return to the cost per passenger slide of the presentation and asked how the expense less capital figure was arrived at. Mr. Binford explained that the calculation included the fixed cost, the revenue miles, plus total operating cost and was divided by the total ridership. He said that was calculated for each route to determine what each route cost to operate so the number would vary greatly depending on the route. Councilmember Veis asked if the department planned to use the study to help identify the routes that may not need to be continued. Mr. Binford responded that was correct.

Councilmember Gaghen asked if the budget and operating limits were common for cities of comparable size. Mr. Binford answered that he felt it was probably not unusual and there wasn't a transit system equal to the size of Billings that didn't need a subsidy because that was the nature of a transit operation. Mr. Binford said fare recommendations would be part of that same study.

Mayor Tussing asked how far the average passenger traveled. Mr. Binford said he didn't have that information but could ask that. Mayor Tussing said he thought that information could impact the cost and allow a comparison to the cost of driving a single vehicle. City Administrator Volek said there were many people who would always rely on the public transportation for a variety of reasons.

Councilmember Ulledalen stated that route changes caused a lot of west end Ward 4 residents to stop using the bus. Councilmember Gaghen said she saw evidence of that at the League of Women's voters meetings.

TOPIC #4	<i>Administration Budget Review</i>
PRESENTER	
NOTES/OUTCOME	

City Administrator Volek noted that the Administration budget was not ready for review at that time, but would be presented at the May 19th meeting.

Additional Information:

City Administrator Volek announced there were a couple of legal strategy meeting needs and wondered if Councilmembers could meet 5:30 p.m. Monday, May 12, prior to the regular Council meeting. The consensus was that that the meeting time was agreeable.

Councilmember Pitman stated that he would present a Council initiative at the Council meeting to solve the Veterans insurance issue.