

**BUDGET COMMITTEE OF THE WHOLE
CITY COUNCIL CHAMBERS
140 WEST PINE STREET
MISSOULA MONTANA
September 16, 2009 2:05pm**

Members present: Ed Childers, President; Renee Mitchell; Marilyn Marler, Pam Walzer; Jason Wiener; Dick Haines; Lyn Hellegaard; John Hendrickson; Dave Strohmaier; Jon Wilkins; Bob Jaffe.

Members absent: Stacy Rye.

Others present: Brentt Ramharter, Bruce Bender, Dee Krevey.

I. Administrative Business

A. Approve committee minutes dated: [August 19th, 2009](#)-approved as submitted.

B. Public Comment on items not listed on the agenda-None

II. Consent Agenda

A. Resolution to set city tax levies for the FY 2010 budget ([memo](#)).—Regular Agenda (Brentt Ramharter) (Referred to committee: 08/24/09) **REMOVE FROM AGENDA**

Motion: The committee recommends the City Council adopt a resolution to set the tax levies for the Fiscal Year 2010 budget.

Brentt Ramharter, Finance Director, reviewed the most recent taxable values from the State of Montana Department of Revenue (DOR). He said it appears we have ended up with an additional \$1,500 per mill, which is approximately \$300,000 a year more that is generated due to growth, over and above last years value. He said the actual growth we received, when translated into tax dollars is about \$1.1 million. The reason the values worked out that way is that we lost value within our base. According to DOR staff, it was in the centrally assessed utilities like Northwestern Energy and Qwest. Their valuation went down considerably and that affected our core value in the amount of \$800,000. All we are able to take advantage this year without raising taxes is approximately \$300,000.

He explained the massive decline in interest rates has decreased our interest earnings by 50%. As our securities have matured we have had to re-invest them at lower levels. Another item of concern is our contract with the police and the school district for the school resource officer. It will be half of what it was last year, and we have seen some weakening in Business Licensing revenue; it is down by \$30-40,000.

Administration's recommendation is to set the levies, collect the \$300,000 without raising taxes and offset it against any weakening revenues.

The health plan ended the year with an increase of about \$260,000. The health plan fund balance went from \$1.9 to \$2.2 million so it remains strong and in good shape. He said it is expected it to fall some this year due to the reduced funding of \$100 per month per employee.

Ed Childers summarized if we tax the same as last year, we will get \$300,000 more to fund what we have agreed to and we could tax \$800,000 more.

Mr. Ramharter replied that was correct with one caveat; we are expecting our revenues to be decrease by that amount.

Dave Strohmaier asked about the unused mills and if they are cumulative.

Mr. Ramharter said yes they carry forward.

Mr. Childers pointed out that the mills carry forward, but the revenue that would have been generated is lost.

Mr. Strohmaier asked as far as the health plan goes, are negotiations still under way with the Fire Fighters Union and could there be any surprises mid budget cycle.

Bruce Bender, Chief Administrative Officer replied that we are not in negotiations with them in regards to the \$100 decrease of contribution.

Jason Wiener inquired in regards to general fund property tax revenue, which mill amount raises the 18.25 million. He also asked about the composition of the total revenue from property taxes from the different classes of property, and if residential and commercial values played into the mix of those categories.

Mr. Ramharter replied that we don't have that recap at this time. It usually comes later. He said he ran the comparison and calculated the 177 mills will generate 18.5 million.

Mr. Wiener said when they deliver the assessed value it's not broken up- its just one number.

Mr. Ramharter said that was correct.

John Hendrickson pointed out that many unemployed people are running out of unemployment and asked if they have difficulty paying their property taxes in November what the provisions are if property tax revenues fall as a result of delinquency. He also wanted to know if beyond the \$300,000 mentioned there were any other shortfalls expected.

Mr. Ramharter replied that we have made no provisions for unpaid property tax revenue, in the past when SID assessments weren't paid, we have contacted the mortgage holders and it got paid instantly. As far as shortfalls, my projections are that we will be about \$250-300,000 short, but they are soft numbers right now, and we are working on an analysis that will be provided for Council's review.

Pam Walzer wanted confirmation that the City's health plan contribution reduction was for a one time only and will be revisited next budget cycle.

Mr. Bender confirmed that.

Ms. Walzer asked in regards to assessed property values, if we assume that homes and properties are valued the same will the amount of tax paid to the City remain the same.

Mr. Ramharter replied yes, it will remain .29¢ on the dollar. They gave us a new valuation for fair market value and used a reduced multiplier. For the state as a whole their goal was to keep it the same, but added that different homes in different areas increased more in value in proportion to others and some less in value to the average. If you had an average home there was no change. The DOR website shows what percentage of properties increased and decreased but shows for the state as a whole, it remained the same.

Mr. Childers commented that the resolution does not show the mill values there, and requested that it include that number.

Mr. Ramharter said he would revise the resolution to include the mill value.

Mr. Childers inquired about the beginning cash balance for FY10 and pointed out that is half of FY09.

Mr. Ramharter replied that we disclosed that last year and we instituted a hold back on expenditures, we are expecting to end this year right around \$1.3 million.

Mr. Childers expressed concern that we are going to have reduced revenues from other sources and we will have had an opportunity to increase our tax levy in a way to anticipate those shortfalls. He suggested considering levying a few hundred thousand of the \$800,000 in property tax available.

Bob Jaffe suggested that we could pull a few hundred thousand from our fund balance if needed. He asked what the fund balance is and if in the middle of the year we do experience additional reduced revenues are we going to cut programs or take from savings.

Mr. Ramharter said from his perspective our fund balance is too low, rather than cutting programs what we may do is ask offices to hold back because we don't want to dip into our balance.

Mr. Jaffe asked for clarification on the hold back.

Mr. Ramharter replied like we did last year with a 3% cut, only it would be perhaps 1%.

Mr. Jaffe asked if that is not enough, what our choices be at that point.

Mr. Ramharter said we can do fee adjustments, but he feels we will get through the year without doing that.

Ms. Walzer pointed out that she hears from citizens that small fee increases more regularly are not such an impact on them as a huge increase all at once. She suggested supporting Mr. Childer's idea of levying a portion of the property tax revenue available.

Mr. Childers asked what The Administration's plan is for next year's budget.

Mr. Ramharter replied that we haven't gotten to that point of discussion yet.

Jon Wilkins expressed concerns about raising fees and suggested looking into departmental expenditure cuts before moving to increase fees.

Marilyn Marler moved to adopt the resolution to set the City tax levies for FY10 budget.

Mr. Childers asked if Ms. Marler would like to include the mill levy value inserted in the resolution.

Ms. Marler replied yes.

Ms. Walzer said she wanted to make sure they discussed short falls. She said one of the solutions to pay for services is to raise fees and she suggested raising taxes a few dollars a month by slightly increasing the amount of mills we are assessing, instead of raising fees. She moved to amend the resolution to increase the tax levies by 2 mills.

Mr. Wiener, Ms. Marler and Mr. Jaffe stated they would not support the amended motion.

Upon a voice vote to amend the resolution to increase tax levies by 2 mills, the motion failed with Hendrickson, Wilkins, Jaffe, Wiener, Marler, Hellegaard, Mitchell, Strohmaier and Haines voting nay.

Upon a voice vote to adopt the resolution to include the mill value and set the tax levies for FY10, the motion passed unanimously.

III. Adjournment

The meeting adjourned at 3:05 pm

Respectfully submitted,

Dee Krevey

Administrative Secretary