

**BUDGET COMMITTEE OF THE WHOLE  
CITY COUNCIL CHAMBERS  
140 WEST PINE STREET  
MISSOULA MONTANA  
August 25, 2010, 2:05pm**

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

**Members absent:** Stacy Rye.

**Others present:** Mayor John Engen, Brentt Ramharter, Bruce Bender, John Hendrickson, Dee Andersen,

**I. Administrative Business**

**A.** Approve committee minutes dated: [August 18, 2010](#)-approved as submitted

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

**II. Regular Agenda**

**A.** Consider adopting the FY 2011 preliminary budget ([memo](#)) ([proposed budget](#)).—Regular Agenda (Brentt Ramharter) (Referred to committee: 05/24/10) **HELD IN COMMITTEE**

Mayor Engen began the discussion by stating the City's taxable value has increased from \$104,408/mill to \$106,229/mill which will generate \$410,745 more in tax revenue than was projected in the FY11 Preliminary Budget. As he had suggested earlier in the year, he said any new growth the City experienced would be use to help build the fund balance in the general fund, which was depleted over the past three years, mainly due to declining revenues.

He next addressed Ms. Hellegaard's budget proposal. He reviewed the [spreadsheet](#) provided on salary savings over the last five years. He explained that if someone leaves after 30 years of service they may accumulate tens of thousands of dollars in sick and vacation time which has to be paid out.

Ed Childers said if we put the \$400,000 in the fund balance we would be \$100,000 short of where we are in 2007. He pointed out that a healthy fund balance is essential for our bond rating.

Dave Strohmaier said he would like to hear from Ms. Hellegaard on the analysis from the Administration.

Ms. Hellegaard said the numbers are different from the ones she got from Ms. Verlanic in Human resources.

Mr. Engen said he wanted to make it clear that the Ms. Hellegaard's theory is solid, but as of today it would be risky to budget that way. He said we budget for the actual employees we have. A cash balance is a raining day fund. Not only does the City of Missoula carry a cash balance, but so does any successful business. He added that we are leveraged well within the policy that Council has established. We can disagree with policies, but have brought you refinancing that has saved hundreds of thousands of dollars.

Ms Hellegaard said she will now use the phrase rainy day fund and said the attrition may or may not work. She asked why we aren't tapping into the \$800,000 from the Consumer Price Index. She wanted to know where the savings have gone from the refinancing.

Mr. Engen asked if she meant the rate of inflation and the ability to levy those funds. He said those funds are still available.

Ms. Hellegaard asked why you don't use that instead of the taxing districts.

Mr. Engen said the special districts are protest-able.

Ms. Hellegaard said yes, they are protest-able, however you can impose the districts and go back and capture that \$800,000 which is not protest-able. Unless you offset the \$300,000 for roads and the \$200,000 for parks and reducing the general fund taxing you're not giving her constituents any value.

Mr. Engen replied that next year the mills available to levy will be \$1,061,000 not \$800,000. For next year we plan to reduce general fund expenditures by the amount that lives in those levies.

Mr. Bender reviewed the salary savings over the past few years and how they were attained.

Ms. Marler asked if the departments don't spend the funds they have set aside, do they lose it.

Mr. Bender said this is not an enterprise fund like wastewater. If you had money left over, you assess less the next year.

Mr. Childers asked if all of the revenues for special districts be placed into its own special fund

Mr. Ramharter said yes.

Mr. Jaffe asked if there were vacancy savings in a department, and that department spent less than they budgeted for, are they allowed moving the surplus of funds to another budget category.

Mr. Ramharter said no, we don't allow a dept to move salaries to another part of the budget. We count on having those savings.

Mr. Jaffe explained that money goes into our end of year balance. He asked what the percentage of the City's debt is.

Mr. Ramharter replied that it's at 2% which Standard and Poor's report is exceedingly low. They expressed no concern at all in regards to our current indebtedness.

Mr. Childers said it would be helpful to agree on the disposition of the additional \$400,000 tax revenue.

Mr. Strohmaier said the concerns he is hearing is that we are going to institute the special districts this year and hold our general fund levy authority and place it on people's backs in some future year. Some folks would like to see additional work done with the special districts. He would like to propose 3 new ideas and would like feedback from the Mayor and Council members. Since we will receive \$400,000 more than anticipated in tax revenue, what if we took half of it and put it in our fund balance, and the half toward the \$500,000 amount that the districts were going to provide. That would bring down the amount needed to \$300,000. If we levied 1 or 2 mills from our general fund levy authority and levied 1 or 2 mills for special districts, this would potentially allow us to cover our costs, and to do a few new projects that may not be accomplished in the current scenario.

Mr. Childers said his response is that there is no shortfall in the budget. He doesn't recommend not feeding the cash balance. If your intention is to raise additional revenue to fund additional projects that would be interesting and he needs more information.

Mr. Engen said he recommends a utilitarian budget for another year. He expressed concern with the fund balance piece. In fiscal year 2012 he said we have holes to fill based on our contracts and will be asking folks for more money, he said he doesn't want to raise general fund levies.

Ms. Mitchell said if we are going to receive \$400,000 then we are only short by \$100,000.

Mr. Engen stated that the proposed budget is balanced right now if you are proposing to eliminate the special districts then we are only 100k short.

Ms. Mitchell said she is seeing a lot of maintenance districts in other Montana communities rather than special districts, she asked why we leaped into special districts?

Mr. Engen said because he would prefer we have the flexibility in the special districts that are not available in the maintenance districts.

Ms. Mitchell responded that she would be interested in hearing more about the flexibility that he is talking about; we don't know what it is you have in mind for spending this money

Mr. Childers suggested using the extra money for the cash balance.

Ms. Walzer she said she was happy to see we have \$410,000 more than anticipated. She feels that it's important to rebuild the fund balance. She asked if there was a recommended cushion.

Mr. Ramharter said we have 6% in our financial plan, Standard and Poors would like us to be at 7% which equates to \$2.7 million.

Mr. Engen said the target we would like to reach is 2.7% million.

Ms. Walzer said she would prefer special districts to maintenance districts because you can new projects and not just maintenance.

**Public Comment:**

John Hendrickson, MBIA, asked if it is the City's intention to go forth with a public safety tax levy. How much will that be? Will there be a purchase a GO bond for fire engines and heavy equipment.

Mr. Wilkins said Mr. Strohmaier your idea is great but it's too late.

Mr. Wiener suggested extending the protest period.

Roy Houseman asked what the next bond rating level is if our rating were to drop down how much more would that cost us in financing.

Mr. Ramharter said we are at AA-, if we drop below an A or BBB area you can fall as much as 1-2 %. It's significant. We are right where we need to be and we want to stay there.

Mr. Bender explained if you have a 10 million debt it would cost you \$200,000 at 2%.

Ms. Walzer asked if the pooled sidewalk bonding is that affected by our credit rating.

Mr. Ramharter said everything is affected by our core credit.

Ms. Walzer said he citizens would be directly affected by a drop in our credit rating.

Mr. Ramharter said very much affected.

Mr. Childers commented that he knows nothing of a conspiracy between the City and the University, he does know of a discussion that went back and forth before the DOR said there would be no valuation determined.

**III. Adjournment**

The meeting was adjourned at 3:05pm

Respectfully submitted,

*Dee Andersen*  
Administrative Secretary