

**BUDGET COMMITTEE OF THE WHOLE
CITY COUNCIL CHAMBERS
140 WEST PINE STREET
MISSOULA MONTANA
May 25, 2011 2:05 pm**

Members present: Ed Childers, President; Stacy Rye, Marilyn Marler; Renee Mitchell; Pam Walzer; Dick Haines; Lyn Hellegaard; Cynthia Wolken; Dave Strohmaier; Jon Wilkins; Bob Jaffe.

Members absent: Jason Wiener.

Others present: John Hendrickson, Steve Pippo, Bruce Bender, Brentt Ramharter, Scott Paasch, Dee Andersen.

I. Administrative Business

A. Approve committee minutes dated: May 18, 2011-will be submitted at a later date.

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

II. Regular Agenda

A. Approve a resolution on the preliminary budget for FY 2012 inclusive of the FY 2012 capital improvement program. ([memo](#))—Regular Agenda (Brentt Ramharter) (Referred to committee: 04/25/11) **HOLD FOR 6/1/11 DISCUSSION**

B. An ordinance on the proposed city fee increases in the engineering, business licensing, fire inspections and planning divisions of the city. ([memo](#))—Regular Agenda (Brentt Ramharter) (Referred to committee: 04/25/11) **HOLD FOR 6/1/11 DISCUSSION**

Bruce Bender, Chief Administrative Officer, explained the background on user fees. It's basically public pricing for services. What you want to do is to link the cost of the services to a fee. We have an obligation to determine what the proper pricing should be. So you hire a consultant to do an audit and according to standards, determine the cost of providing that service. In the Engineering Department, they are partially funded by the general fund and partially funded by these fees.

Ed Childers asked to discuss excavating permits.

Lyn Hellegaard said she had a conversation with an excavator who said in the past, they use to get one permit for a basement, sidewalk and drive way now they have to get three. Did the Wohlford study look at stream lining this permit system?

Brentt Ramharter said no, they looked at the way permitting is done today and the time spent issuing each permit. Some fees went up and some went down.

Renee Mitchell asked what the cost of study was.

Mr. Ramharter said it was the lowest priced at \$48,375.

Mr. Haines said he understands the cost to the City to issue the permits. Can we look at delaying the increases?

Mr. Ramharter said we have been in a tight budget situation and to increase wages we will either have to raise taxes or increase our fees.

Mr. Haines asked if they considered that it could put people out of business.

Mr. Wilkins said with Accela automation, and buying permits online would we still have to raise fees?

Mr. Ramharter said the City is quite large and to do a wage increase it will cost the City \$1 million.

Mr. Bender said the Accela automation will benefit building permits; this is engineering permits we are discussing. The actual issuance of the excavation permit is minimal, it's the inspection and follow-up that is time consuming.

Bob Jaffe asked if the Accela upgrade is factored into the budget.

Mr. Ramharter said yes, in 2 ways; in the current year budget is the maintenance costs which are exactly the same, then the financing cost will be in FY13 budget.

Mr. Jaffe asked what is the dollar amount captured with the fee increases.

Mr. Ramharter said in the \$400,000 range.

Mr. Jaffe stated if we don't want to increase fees, we could raise taxes to come up with \$400,000

Mr. Ramharter said it would be about \$12.00 per household tax increase.

Mr. Wilkins expressed concerns in raising permit fees when the contractors have already bid their jobs and will have to eat the increase.

Public Comment: Steve Pippos, Finish Grade Excavation, said he has some comments and questions. He said he understands the cost of this study was \$48,375 and the City is trying to recover \$44,000. He said we are stepping over dimes to pick up dollars.

Mr. Ramharter said we would be recovering \$400,000 next year alone, more in future years.

Mr. Bender said almost \$2 million of revenue would be captured in the future years.

Mr. Pippos asked if anyone has ever done a study on what positions could be eliminated. He said he sees how a lot of money is being spent to recover money, but he doesn't think there is money being spent to save money. He asked again if someone has considered a study on reducing or eliminating services.

Mr. Bender said in the Building Division we have reduced inspectors, clerks and staff as the work load has declined.

Ms. Rye commented that for several years the City did zero-based budgeting for one or two departments every year, where they had to justify every penny they spent. After 2 years of that there is nothing left to save.

Mr. Jaffe said what appeals to him is raising the fees that are not related to construction to subsidize our construction industry for now.

Mr. Wilkins asked if we can delay these increases until October 1, to give the contractors time to work the increases into their bids.

Mr. Ramharter said yes, on the fee resolution we would just change the implementation date from July 1 to Oct 1, 2011.

Mr. Childers would like to implement engineering fees Oct 1, 2011.

Ms. Walzer agreed she would also like to implement all fee increases in October.

Mr. Bender said historically that is what you have done. This is the first year we have asked for a July 1 date.

Mr. Jaffe said he supports the Oct 1, date.

Mr. Pippos mentioned the Alberton School District taking pay cuts to keep their jobs; he inferred that would be a solution for the City of Missoula.

Mr. Childers said there has been no pay increases for 2 years.

Mr. Pippas said he has not had a wage increase for 7 years and has no health care. He said he charges \$1,800 to hook up to a sewer and the permit costs \$1,400. The job cost more in permits than to do the job itself. He indicated that his business is struggling to make it and the 4% increase in permits would have a heavy impact on him.

Mr. Haines said across the board reductions are usually inefficient.

Renee Mitchell said due to increased salaries we have to increase fees or raise taxes or cut the budget. What will we have to do next year to make the salary increases?

Mr. Ramharter said the salary adjustment is right around a million dollars. And we get half of that from growth and the other half will come to us from fees. A large component of our budget is fee oriented- approximately \$10 million. If we don't address the fees, the areas that are support by them will need to be pulled back.

Ms. Mitchell suggested permit specialist's be paid by commission like in the private sector.

Mr. Jaffe said when he has hired contractors in the past, the job is bid separately from the permit costs, and they are usually a separate line item. Mr. Pippas said he bids his excavation jobs including permits fees and Mr. Jaffe wonders if that is even standard in the industry and how many people this effects.

Mr. Strohmaier asked why the same principal wouldn't apply for the planning fees as for the engineering fees. In the sake of fairness why not extend the date on the planning fee increases as well.

Mr. Jaffe said in order to provide a little bit of relief to the construction industry.

Health Plan Discussion:

Gail Verlanic, Human Resources Director reviewed the monthly [health premium rates](#) for retirees and the [FY12 proposed health insurance rates](#).

Mr. Childers said as he understands it, the full amount needs to be paid into the EBC fund for each member of the plan, active or retired. For retirees the City has have been paying a 15% subsidy from the general fund. If we do the EBC recommendation the City would have to subsidize retirees at 30%.

Mr. Jaffe suggested this might be something to be phased in depending on what they make; it would make a big difference for someone on a small pension.

Mr. Ramharter said we have done some checking and we found out that we are not privileged to that information which is considered private. Some retirees take their retirement in a lump sum and some are re-employed. It's not something the Administration could accomplish.

Ms. Mitchell asked how much money was paid into the 401A from the health fund.

Ms. Verlanic said it wasn't health fund money; it was taken from the general fund.

Ms. Hellegaard said she would like to know how many of retirees are re-employed. Will this create a hardship on 5 or 50 people?

Ms. Verlanic said there are only 9 retirees over 65 on the plan. Out of those nine 3 have expressed that this would be a hardship.

Ms. Walzer said she thinks our retirees are a wide assortment of individuals. She mentioned the additional plan to build the fund balance less aggressively, to fund a higher subsidy.

Mr. Childers said the requirement would be to increase the subsidy, not to let the balance decrease.

Mr. Ramharter said it about doubles the subsidy to 30%.

Mr. Childers said if you let the fund balance drop, the money is not coming equally from all participants. The way to do it is to tax another \$60,000.

Ms. Verlanic said if you decrease the fund balance it might be difficult to cover claims in the first 3 months of the new fiscal year.

Ms. Walzer said she wants to discuss the new health premiums being deducted from payroll before the pay increases are approved. She said it may be a hardship on many employees.

Mr. Ramharter said the City would like to make their contribution one month in advance. For many years it has worked out that we couldn't get the new rates in place until July paychecks.

Mr. Childers asked about the discussion for next weeks meeting.

Mr. Bender said we will talk about the GPS units next week and you are very close to the final resolution on the budget.

Mr. Jaffe said he has been looking at what we pay in credit card fees. There are 2 ways we pay fees; one is on the tax payments we receive from the County and the other is from fines and fees for services. This year we will pay \$120,000 in credit card fees for tax collection. The credit card rules allow for recovery of tax payments. The rules regarding fees for fines and services are more complicated. These fees work out to be about \$53,000 per year. He suggested a policy to implement credit card user fees for permits and fines, but not at retail spots like Splash or Currents.

Ms. Hellegaard said she is interested in the list of reclassified positions and what the criteria is for those new positions. The list from Ms. Verlanic had several positions titles listed as pending, or the same as before. She said they are set to get a 5% increase, will they also get the 1.5 % increase as well if they are not at midpoint.

Mr. Bender said Ms. Verlanic can respond by email.

Mr. Ramharter said we are in the position now to unbundle our credit card contracts from the banking contracts that will get us better rates. He said he will do that this fall.

The Council discussed whether the credit card fees were worth investigating further and they all agreed it was.

III. **Held in committee**

- A. **[6/1/11 Discussion]** Approve a resolution on the preliminary budget for FY 2012 inclusive of the FY 2012 capital improvement program. ([memo](#))—Regular Agenda (Brentt Ramharter) (Referred to committee: 04/25/11)
- B. **[6/1/11 Discussion]** An ordinance on the proposed city fee increases in the engineering, business licensing, fire inspections and planning divisions of the city. ([memo](#))—Regular Agenda (Brentt Ramharter) (Referred to committee: 04/25/11)
- C. Mayor's presentation of the FY 2012 Budget. ([memo](#))—Regular Agenda (Brentt Ramharter) (Referred to committee: 03/21/11)

IV. **Adjournment**

The meeting was adjourned at 4:00 pm

Respectfully submitted,

Dee Andersen
Administrative Secretary