

**CITY OF HELENA
CITY COMMISSION MEETING
BUDGET WORK SESSION
May 9, 2020 – 9:00 A.M.
Zoom Online Meeting <https://zoom.us/j/4129664351>**

Time & Place A regular City Commission meeting, Public Works budget work session was held on Saturday, May 9, 2020 at 9:00 a.m., via Zoom Online Meeting <https://zoom.us/j/4129664351>.

Members Present No roll call was taken.

Pledge of Allegiance Mayor Collins asked those persons present to please stand and join him in the pledge of allegiance.

Minutes There were no minutes submitted for approval.

Report of the City Manager REPORT OF THE CITY MANAGER

Interim City Manager Reed stated that she would be turning this meeting over to Budget Analyst Chris Couey who would be discussing several funds within the City's budget.

Presentation A. BUDGET PRESENTATION - ENTERPRISE FUND (EXCLUDING GOLF / PARKING)

Staff Report Budget Analyst Chris Couey welcomed those persons present to the 20/21 City of Helena Budget Draft. The Finance Department selected the Building Fund as the first for review, and 503 is the fund number. The structure of today's presentation is that Mr. Couey will walk through the summary and cash flow review and take any questions there may be about the fund and any specific line items. Mr. Couey reported revenues are down overall from what was adopted for this fund, as a direct result of providing waivers for affordable housing projects. Expenditures are up in personnel services. There is a comparison of what the difference is without the 2% COLA and personnel costs. Looking at maintenance and operating expenses, those are up because of additional fire marshal costs. Internal charges are up a little bit, which has to do with cost recovery for general fund departments. Overall total expenditures have a \$45,000 difference from the adopted budget.

Mr. Couey next reported on cash flow and explained that there was a -\$40,000 cash flow adopted, and as of now there is a -\$237,000 along with a \$45,000 increase in expenditures and \$150,000 reduction in revenues. As a general explanation on how operating reserves work for all of the funds, the operating reserve is a set limit where the operating budget is divided by 12 resulting in a monthly amount.

At this point Mr. Couey stated that he could go through the budget by line item, or he can take questions and go from there if that's a better approach.

Commissioner Logan asked about the increase in personnel services on the first page for FY2019-2020 and whether that was related to an increase in purchased services. Mr. Couey clarified that purchased services is in the maintenance and operations part of the budget, which is separate from personnel. He deferred the question specifically about that increase to Community Development Director Haugen. Ms. Haugen stated that no personnel have been added to the building division except for some more temporary services. Step increases are part of this, as well as things like insurance and the COLA.

Commissioner Dean asked if this is talking about the \$112,000 to \$168,000 and Commissioner Logan said it's about both. He then asked

for clarification about that specific increase. Mr. Couey explained that looking at that line item, a lot of that is for conferences and related software that just came in as staff had to attend training on how to use that. Things like the \$30,000 for Central Square on-site training under Required Training constitute the bulk of that increase. Ms. Haugen commented that the increase in cost can also be attributed to paying for the Fire Marshal's plan reviews and associated inspections. That used to average about \$2400/month, and the last few months it has increased to \$4200. That includes an increase in the Fire Marshal's salary, and then also the cost of Trakit software and training.

Commissioner Dean asked about Central Square and Trakit. It appears that the \$30,000 includes on-site training, and if that is correct. Mr. Couey stated on that particular item probably most of that cost can be taken out, as that cost would be if the company came out for on-site week-long training. Commissioner Dean inquired how much the City paid for that software. Mr. Couey explained that cost was spread over different areas, such as accounting.

Commissioner O'Loughlin asked about the FY 2020 Projected column and if that was in the adopted budget. Mr. Couey stated that is projected, so that is what the City's expecting the budget to end at this year. Commissioner O'Loughlin asked Ms. Haugen about the \$150,000 reduction in licenses and permits and if the Commission had approved that. Ms. Haugen said that was put into account for the building fees for Red Alder. They have the application and were told to get it in before the end of the fiscal year.

Interim City Manager Reed commented that there is an audio issue because of paper rustling, which is making it very hard to hear in chambers. She requested if while someone is speaking people could refrain from shuffling paperwork.

Mr. Couey explained that if you look at the FY2020 projection that shows the expected \$160,000 reduction in revenue, then going forward into FY2021 it shows \$150,000. Commissioner Dean asked to look at revenue over expenditures – it shows a fairly healthy ending cash balance, which actually grew in 2018 and 2019. She commented that this revenue reduction cuts into that a little bit and wondered how important it is to maintain a cash balance there and are there standards as far as to what level, from a policy perspective.

Mr. Couey stated from a policy standpoint this fund in particular has a maximum that can be kept in the cash balance, which is one year's worth of operating costs. As it builds up, some years it is desirable to spend it out a little and reduce the balance, otherwise the risk is for that to go to the state. Ms. Haugen clarified that if the City cannot produce a plan on how that cash balance will be spent, the excess will go to the state. Maintaining one year's worth of reserves in that balance is fairly standard state-wide.

Commissioner Haladay asked Ms. Haugen if there had been any further communication with the County about where things are with joint standards and working with the County on code enforcement. Ms. Haugen clarified that Commissioner Haladay was talking about development standards, not necessarily building codes. There have been some conversations about the possibility of extending building contracting with the County, but the County Commission is not enthusiastic about the potential. The City is still working on developing the standards and is finishing a park growth policy. The County is still in the process of doing their zoning, starting with rural zoning further out in the valley. When they get closer to town with their urban standards, at that point the County will want to re-engage in the discussion about joint

zoning standards and possibly infrastructure and subdivision standards. Those conversations may start happening this fall when the County is ready. They'd pulled back from zoning discussions for two reasons: first of all, the situation with COVID-19, and secondly the reaction they'd received from Helena Valley residents.

Commissioner Haladay asked as far as building permits if there'd been any movement by the County to start reviewing plans in any form. Looking at the costs for construction by the City and County, the cost of the building permit becomes a significant differential. For example, if a solar power system is being built you're looking at a 25% increase when you build in the City versus in the County. The County should be required to enforce building codes out in that area but he's guessing they are not doing that. Ms. Haugen commented there have been 2-3 conversations in the last year regarding that, and the response has been that at this time the County was not ready to become certified, which they would be required to do even if they contracted with the City.

Commissioner Haladay commented that if the City's going to limit the number of building permits within the City limits, it could possibly encourage to build in the County as opposed to in the City when the County is not enforcing building codes. Ms. Haugen stated she did not disagree, and this is often heard from contractors when they come to the City to get permits, and it causes frustration for the City's building staff.

Mr. Couey asked if there were any other final concerns or questions related to the Building Fund 503. One area of discussion that presents an opportunity for change is the line item for on-site training costs. He would recommend some funds be kept in there for distance training/learning sessions which can run from \$1200-\$2000. Ms. Haugen noted that for more in-depth sessions with more public involvement it can run closer to \$5,000-6,000. Mr. Couey asked about dropping the \$30,000 down to \$15,000 anticipating at least 2-3 of these training sessions a year. Commissioner Dean commented that it's important for people to be able to use these funds properly, so she wondered what the appropriate amount be, or is that something Mr. Couey would need to get back to the Commission about. Mr. Couey asked about department efficiency with the fund at this point. Ms. Haugen noted that the training would be for the new citizen engagement, which is just now being rolled out. For the Building Department in particular Trakit will enable contractors both to pay for permits online and to schedule appointments. Much of this work is being done electronically and the contractors appreciate that, so that is not something that will be stepped back. The civic engagement will not only affect the building division but will also allow for simple applications to be done for Community Development, so that licensing payments can be made entirely online. The \$5000 is just this department's share so perhaps a discussion can be held with the Finance Department about how to plan for the training.

Commissioner Dean said whatever the actual number is, it's something that people need to be able to use effectively, but it would be good to be aware of it if the number is not \$30,000. Mr. Couey said he would re-connect with Ms. Haugen about that topic and provide an update at the next work session with more detail on how that will be approached.

Commissioner Logan asked a procedural question given that this is his first time sitting in on a budget session as a Commissioner, if he has a question about a given line what's the best way to refer to it. Mr. Couey clarified that the Commissioners can refer to it either by the description or account number.

Commissioner Haladay asked a follow-up question of Ms. Haugen in regard to the training that's been discussed. That's in the budget; given the cash balance, couldn't that could be spent out of reserves of one-time-only money? The \$30,000 could be appropriated and then you could say it's coming out of reserves if there are concerns about that large of an expenditure. If it's not spent, that money will stay in reserves anyway. Ms. Haugen asked for clarification on whether the question is a matter of pulling that money, whether it's \$15,000 or \$30,000, out of reserves with a budget adjustment or amendment.

Commissioner Haladay stated that to the extent there is concern about a cash outlay from some sort of fund transfer, we've got a reserves fund that can deal with a hit on it – if it gets spent, then it gets spent, but if not it will just stay in reserves, so it doesn't seem like it's a huge concern of one on this. If there are concerns on any of these funds about specific capital outlay or allocating funds for the expenditure from a general fund transfer this year or something else, if there is a healthy fund balance that's what the City did last year at times with the budget in order to reduce a small overall deficit. If there are areas where a one-time expenditure can be pulled from a reserve of that fund, if that's what the concern is, then some of these problems can be addressed rather than projecting a loss.

Ms. Haugen stated that's all they're going to be able to afford, in this case with the waivers. They did check in terms of overall projections and it looks like they'll be able to hit that; the Commission should know that the Department is not looking at a huge reduction in the amount of building in the city, even during the COVID-19 crisis. The ongoing building is a good indicator for everybody, so the Department will still have healthy reserves.

Commissioner Dean asked about prioritizing items in the budget, as far the Growth Policy update, the question she has is whether that is coming back onto the agenda soon, since it was pulled off due to the COVID-19 emergency declaration. Ms. Haugen indicated that hasn't been discussed yet but she thinks that will be ready to come back in June for Commission adoption and that allows time for public comment ahead of the public hearing.

Commissioner Dean commented that the Growth Policy is a good guide for prioritizing items in the budget, since she has heard only good things about that and the process was well-received; it is a community-developed document so it's important to look at all the budget areas with that policy in mind. Ms. Haugen stated this could be done at the first or the second meeting in June, which would allow three weeks for public comments.

Mr. Couey stated that at this point the work session will move to different employee contributors; it's up to the Commission what they want to discuss first: Public Works, Transportation or Facilities. As far as the latter two departments, most Commissioners have seen most of their budgets already in the recent Joint Session, so those two should go fairly quickly, whereas other departments will require more discussion.

Mayor Collins responded that he thought they should continue the more in-depth discussion along the lines that the Building conversation took.

Mr. Couey stated that the next fund up for review the Water Fund for review, fund number 521, with Interim Public Works Director Phil Hauck and Water Superintendent Eric Urban. Mr. Couey will go over the summary and Mr. Hauck and Mr. Urban can provide background information and more details on what this fund is for, and what they do within it, then questions will be taken.

Mr. Couey reported that the majority of revenues for this fund come through the charge-for-service sewer and water usage bills. There was no alteration to the adopted budget in FY21. The FY20 number is a little lower than what was in the adopted budget, which is more pushing it off than not getting it at all, since there will be some people who aren't going to be able to pay their bills on time for the next couple of months. Looking at the debit, there was recently an extensive conversation about the debt funding of the water fund; the projection for this year is about \$5 million and to date the City is at around \$4.2 million total. Going forward into FY21, the original \$13 million adopted, based on the new plans that were put together in response to the debt funding scenario, the City won't be taking on any more debt next year, in order to get on track.

Under Expenditures, for Personnel most of that is steps and the COLA, and there was a rearrangement of the water operators for a more realistic approach rather than so many levels within the operators. For Maintenance and Operations costs there's an increase mostly in Purchased Services. Internal charges are up, which is generally consistent across all the funds.

Debt Service has been updated to reflect the new debt schedule number. Capital Outlay has dropped from \$17.2 million to \$4 million which also reflects the new debt schedule. Overall, the adopted budget had a \$800,000 negative cash flow for this fund, and as it's been revised that number becomes \$1.1 million. At the end of FY20 this fund is projected to have \$4.5 million. Looking at the reserve details for the cash balance, the Operating Reserve is \$400,000 and all the other numbers for the rest of the reserves came from the debt schedules. There's \$3.2 million left in Capital Reserves at the end of next year. Like the Building Fund, the Water Fund is relatively healthy even after having to adjust the debt schedules. Mr. Couey then referred the discussion to Mr. Hauck and Mr. Urban for comments and questions.

Mr. Hauck explained that this fund is unique in that it is made up of both water treatment and water distribution. Mr. Urban is starting things off as the treatment superintendent, and that includes the watershed, two plants, and the transmission to get water to the reservoirs. The other superintendent is also present here today for when the discussion gets to water utility maintenance which is a distribution system of over 200 miles of mains in Helena. City Engineer Ryan Leland is also present, as he manages these projects, to answer questions if needed. The Fund overall is healthy. There's always a question about how much reserves are enough. It's a good position to be in when the City is able to respond to emergencies and maintain an adequate cash balance without having to take out loans to cover emergencies and then having to repay the debt service. Of the reserves, the only ones that are required are the bond-type reserves; the rest are set aside as Commission priorities. That being said there are variances going through the budget, but those have mostly been caught.

Commissioner Dean asked for an explanation of the Ten Mile transmission main phase I and for confirmation that it's being paid for out of the \$5 million. Mr. Hauck confirmed that was correct, there were two phases of this project and the first phase began at the Ten Mile Treatment Plant, but there's another phase that's been pushed off a little bit, it's needed but not an emergency. It can be planned for and started and budgeted for in the next fiscal year. The variance in that \$5 million is because the project was expected to be a lot more than that amount; the City received good bids on the project and it's mostly complete. They are still waiting for a final draw to complete it and it's right around \$4.4-4.5

million to date. After one more draw to close the loan out, the payments begin next fiscal year, hence the increase in the expense for debt.

Commissioner Haladay asked if the adopted projected increase in charges for services was based on projected rate increases for next year. Mr. Hauck indicated that was correct, and the Commission had already approved that rate increase.

Commissioner Dean asked about capital outlays and what groundwater wells were. Mr. Hauck referred the question to Mr. Urban. Mr. Urban stated as far as groundwater wells, at some point in time the DNRC recognized municipalities in Montana were growing, and would accordingly need water for that growth. Cities state-wide were able to apply for a water reservation to legally put a hold on water for them. Helena has a large water reservation for 7000 feet, which will expire in 2025 if not pursued. As the City keeps growing it's critical to pursue that water reservation and preserve as much of it as possible to bring it into the system. This is looking at the deep aquifer, so it's generally out of reach for most residents. An area around the water treatment plant is being investigated for adding in those groundwater wells.

Commissioner Dean asked about the pieces that are deferred due to debt servicing including the Rodney Street water main Phases 1 and 11 – for FY21 are these just being put on hold? Mr. Hauck and Mr. Urban clarified this would be under water utility maintenance not water treatment so that's on the last page of the budget. That's under the water utility maintenance budget for FY21. Commissioner Dean commented that there will need to be a conversation about that, because according to her calculations based on what has been reviewed today, it looks like \$3.8 million from Public Works is for that project not including the streets. She thinks that amount of money for one project is something the Commission should discuss.

Mr. Urban replied that's certainly a conversation that can happen and water and sewer maintenance would already be on the regular main replacement schedule so that would be a necessarily incurred cost at some point. They need replacing anyway regardless of any overlaying projects.

Mr. Hauck commented that when this conversation started a few years ago, it was initially just going to be laying asphalt on top of the streets with a lower cost, but then the realization was that the streets would have to be torn up again in 5-10 years to replace the water mains so the money was re-prioritized in order to save money for everyone in the long term. They opted to use the debt capacity available in those funds to take care of that. Packaging the different projects together ultimately was a more efficient way of getting them done.

Commissioner Dean stated that at next Wednesday's administrative meeting the 90% plan is on the agenda; she asked if it would be possible within that discussion to look at each individual piece that would be coming up anyway for being done in the next few years.

Mr. Hauck responded that they could break the project down into how much is for water, how much for sewer, how much for street overlay, etc. Does the Commission want a more in-depth discussion as far as future main replacements across town or just on Rodney Street.

Commissioner Dean stated she's not talking about just main replacements but the overall project, for example are the sidewalks in a condition of almost disrepair, and look at all the different pieces as far as where they'd normally fall in the schedule if this project wasn't being done. Mr. Urban replied that's a broader conversation that can happen Mr. Hauck, Mr. Leland and other City engineers.

Mr. Hauck asked if there was any further discussion about water or would the Commission like the superintendent of utilities on the water side.

Commissioner Haladay asked if data could potentially be pulled about what the breakdown was of the graduated rates trailing over the last time rates were raised. The Commission last approved progressive rates 3-4 years ago regarding the water system so it would be good to see what the different categories are hitting as far as usages. It's about both setting progressive rates and also tweaking them from time to time, if the goal of this type of rate is actually conservation. It would be good to see what the prospective revenues are in those categories. Mr. Urban replied that is something he can work with utility billing on. Mr. Hauck explained this all comes into the system as utility charges so it's not really spelled out in the budget, so getting this data would require a separate report but that's something that is obtainable.

Going on to the Water Service Line fund, number 522, Mr. Hauck reported that when the Commission passed this program, the goal was for it to help homeowners who have a water line service break that's in the line from the street to their house. This is a big financial commitment for people and they were having trouble with that so this program was created to allow for some loans if needed. The first year this got underway didn't include 12 months but started later in the year, so revenues increased. For FY21 there's not an associated increase. For water, it's \$2.50/month and for wastewater it's about \$6.50. There are no changes to the program being proposed. One question that comes from customers is when will the City have enough money in that fund and the loan repayments to not have to charge that fee anymore. It's too soon to say at this point so that's been left as it was in the two-year budget. In the next year or two that's something that should be analyzed and maybe the rates can come down, although it's not clear if they'll get to a point where they can be eliminated.

Commissioner Haladay asked about Mr. Hauck's perspective on seeing this type of fund and revenue and reserves. When the City originally looked at this fund it was based on Mr. Hart's projections of how many critical failures there were each year. It assumed essentially a constant, with some growth over time, and also assumed every critical failure would ask for the maximum loan amount. All of which is never going to happen so there's been discussion since then about that projection, which was looking at about a 10-year necessary number in order to get to full revolving status. The numbers so far don't bear out a ten year, rather it's coming down quickly. The question then becomes if the City gets to a point where there is a substantial surplus or reserve, can rates be reduced to a much lower number, so it's there and accruing but that growth isn't being seen. It could be at some point there will be 70 critical failures but at this time there has not been that much demand in the program; if that happened, there'd be enough capital in the fund to take that hit that year and then plan for a buffer for the next year. Commissioner Haladay asked if Mr. Hauck could look into that and talk to people and report back on what those levels might be.

Mr. Hauck replied that he agreed that looking at the numbers it appears they need to be re-done or looked at again in those terms. When the project was created it wasn't clear what the assumptions were, but this approach makes sense. He stated he can look into that further either immediately or for the next budget year. There will be areas of town that will be in need of this program so there will be growth in usage. It's been made known that this program is available, which will also help as more people become aware that people have approached the City

and were able to utilize this program; word might spread about that a little more.

Commissioner Haladay commented that the Public Information Officer was trying to ensure all local plumbers and contractors knew about this program, because if they could educate people about the money they could get from the City, those contractors also tended to get paid for the project as it got done.

Mr. Hauck noted that Trent Scheuer, Utilities Maintenance Supervisor, is the main contact for this program. Mr. Scheuer didn't have many comments other than program usage so far hasn't been what had originally been projected. In 2019 the water fund actually paid out \$31,000, and sewer was \$42,000. It's been lower in 2020 with thus far \$19,000 has been paid out in water, and \$4700 in sewer. There is another project in the works right now that will total \$10,000 between both funds. Things will slow down in winter and the current health crisis has also had an impact. Community reception has been good so getting the word out there again will also help. People who have used the program have been happy with it.

Commissioner OLoughlin asked how many service lines have been worked on given those numbers. Mr. Hauck said that in 2019 water did three lines, and two water lines in 2020. For sewer, in 2019 they did five lines, and in 2020 they'd done one so far. Commissioner OLoughlin asked if these loans were for a portion of the cost. Mr. Hauck clarified that most of these projects have been entirely covered by the loans. They haven't dealt with anyone yet that has had other extended work done on their homes in the scope of the loan that was beyond the available funding. Commissioner OLoughlin if the cost of the loan was lower than what was projected, and Mr. Hauck stated it was pretty close to being accurate at \$15,000.

Commissioner OLoughlin then commented that she didn't see those expenditures reflected here and asked if those were shown elsewhere in the budget. Mr. Couey replied that goes back to Mr. Hauck's discussion about needing to do an analysis of this fund and the wastewater service line fund. The expenditures do exist in the funds, but they get reduced as another source of revenue, if you look down at the negative side under Other Cash Sources. He will need to have further discussions with people who know more details about how it works. That's why he hasn't tried to adjust anything like that as it was adopted, because the Finance Department isn't that familiar with the inner workings of this fund as it was set up – further analysis will be needed.

Commissioner O'Loughlin commented that this amount looks like the amount where the revenue comes in. Mr. Couey explained the revenue is coming in and then is offset by a revenue reduction. It's not clear how the money goes out so will need to look into it since there's nothing shown here as expenditures. With the Finance Department lacking anyone who'd used that program and did those transactions, to find out how it worked going back to the program being established and knowing how it operates and money gets spent, there is more work to do on that front. He can probably get an answer about that soon.

Mr. Hauck said it was probably set up as a loan payable so that's why the expenditure is not reflected. Upon talking with Mr. Couey the thought is this should probably be audited to make sure everything is being accounted for, since some of the numbers don't match up to what is being shown here, and that will be done before the Commission adopts the budget. This is to make sure internal processes are done correctly. Customers have the ability to defer these loans until they sell their property – only two people have done that thus far. Commissioner

O'Loughlin commented that the Commission knew that the usage levels would need to be re-evaluated along with incoming revenue. This year has been more challenging so it makes sense to allow another year, but it wouldn't hurt to have a meeting about this topic where there can be a discussion about program marketing, usage thus far, projected revenue, etc.

Commissioner Logan commented that it's clear the program is well-received and there's a need that exists but he has two concerns: one is the sun-setting idea, which has been touched on; originally there was no end in sight and the fees were collected from 8500 users within the system. When the subject was broached originally there was a lot of discussion, according to the summary of the Administrative Meeting, In May 2018, and a big part of that was the funding mechanism, which is also his second concern. That is, how is this program paid for? A big part of that initial discussion was if this was going to be by a tax or by an assessment. As an individual water user in Helena personally, Commissioner Logan missed these charges on the water and sewer, but someone did write a letter to the editor about it, and then he looked closer at his own bill to check for that. When this program was originally discussed part of it was if it was a tax or an assessment. Something that resulted from that discussion was an attorney general opinion, Joe Mazurek in 1996, that a tax is levied for general public good and creates a lien. An assessment is imposed on a specific property to defray the cost of a specific benefit to the property, with the benefit to be commensurate with the assessment. The difference between a tax and an assessment is not determined by how it is referenced but rather how it's calculated, and whether it benefits the general public or a specific property. Looking at this, Commissioner Logan sees that 8500 users are being charged for something that doesn't specifically benefit them and for something that they are not receiving. This then comes back to these fees being a tax, and if so then there are some fundamental difficulties with that. One issue is that state law constrains a local municipality's ability to tax. At that time, the City had reached the maximum mills authorized for the City of Helena so anything beyond that needs to go to the electorate for permission, which he is ok with. Another issue is the City Charter, which says no new taxes shall be levied without going to a public vote. The Charter says that pre-existing taxes from before the date of the Charter are grandfathered in. In this case his concern is with the funding mechanism.

Commissioner Haladay commented that the attorney general's first opinion was rendered about a special district the City had offered to create under a statutory scheme no longer in existence. Mr. Mazurek's opinion, to the extent it has any value today, is subject to subjective interpretations of a nexus between the amount of money charged for something and what it accrues to. For example lawsuits related to fire districts, which is what Mr. Mazurek's opinion pertained to, have been denied in California and Florida specifically recognizing that funding a fire district for the purposes of capital for whatever reason have all been seen as sufficient nexuses for purposes of establishing the property they're benefiting by that assessment. That was regarding a specific district. Here, as City Attorney Jodoin has explained, this is being handled through the water billing process, which is different than the assessment process, which is a separate type. This is a separate fee as set forth in the City's master book of fees. Then it's more a subjective matter of the individual's perspective. There are many derelict properties in the City and many people who cannot afford their property if the water line fails. A question to be looked at is whether this constitutes a public

good to the entire city with helping these properties – homeowners may or may not believe they are receiving a benefit by paying into this program. The City is increasing rates this year so that projects like the Birch Street water main can be debt serviced or paid for. It's necessary to be very careful going forward down the road of saying that because something's in the water fund it's not a public benefit because it only accrues a benefit to a certain group of people, because otherwise it would be saying that the Birch Street residents getting that water main fixed should be funding it themselves because it's really just providing a benefit to that specific block. Commissioner Haladay stated he thinks it's more of a matter of a subjective difference of opinion between individuals rather than a reason to shut down a valuable overall program for the purposes of property preservation and City-wide property benefits. A third reason the City established this program was a matter of affordable housing, because it allows people who might not have access to funds without for example having to re-finance their homes or do a reverse mortgage.

Mr. Couey asked if there were any further comments or questions before the discussion moved on to Wastewater, Fund Number 531. Revenues are overall increased. There was debt budgeted at the time that turned out to be unwarranted for 2021. There was some budgeted for FY21 but in order to get on track with the capital schedule the City increased the amount of debt that's being taken by this fund for next year. Charges for services are down a little as a reflection of what's being seen with FY20, so the numbers probably won't be as high as what was in the budget. Personnel expenditures were down \$4000. Maintenance & Operations has a big jump in purchased services. Internal charges increased. The debt service has been reduced either because payments were delayed or there will be smaller payments because less debt was taken than expected this year. Capital Outlay was reduced from what was adopted to get on track for capital schedule. Looking at cash flow for this year, this is related to debt funding which is why there's a high negative number. Ending cash balance projections as adopted is \$2.2 million and going forward increases to \$3 million. Operating Reserves come off the top of the fund balance; debt service and bond reserves and the leftover is capital reserves.

Mr. Hauck and Mr. Fitzwater explained that similar to water, wastewater has three divisions: wastewater treatment, wastewater distribution system and the pretreatment program. The BioBot sampling program is a side-project that is getting some national attention and might have a budgetary impact if that proceeds. On revenues, there was a decrease and it's not clear why; the Commission eliminated the sewer surcharge and combined it into one rate. There's now a better and more accurate projection even if the numbers are down. With capital projects that were delayed, the department had associated debt, but he's comfortable with that because of the debt that was acquired in in 2000-2001, this year is the last fiscal year that will have a major payment on that. New debt will be incurred but by the time it's 2022 the old debt will have gone away.

Commissioner Dean asked what the department considers to be a healthy balance and Mr. Couey replied that a healthy balance could be a lot more than what it actually is, similar to water, and his attempt was to balance the needs and accumulate an adequate cash balance. If there's an emergency, that could be used up fairly quickly. It could be argued a healthy balance could range from \$5-10 million because of the size of these projects. It comes down to the operating part of the budget. Having it at \$3 million with \$2 million for operations and personnel budgets. He

doesn't think this is inadequate or excessive at this point, but there's enough excess to be able to address an emergency if it arises.

Mr. Hauck commented that when capital planning used to be done and they valued the replacement cost of the whole assets of one of these divisions, at one point the water department was valued at over \$250 million and wastewater was comparable.

Commissioner Dean commented that she thinks the BioBot testing is a great way to show the City's concern for making sure the community is healthy and is in favor of continuing that, but it would have to be built into the budget and would like to know what those costs are.

Mr. Hauck explained it is \$1200 per test and at this point the tests are done once a week. Costs aren't specifically budgeted at this time. Other options to be explored would be alternate funding sources to help share the cost, and also the timing of the tests.

Interim City Manager Reed stated that there was a chance the City might do this testing in hand with the Health Department and there have been conversations about that. [Muffled audio.]

Mayor Collins asked for clarification on whether Interim Manager Reed said an initial conversation had been held with the state Health Department and Interim Manager Reed explained in more detail what she meant.

Ryan Leland stated that the department let the State Department know what was coming up with the budget but has not asked for their help yet. The City's information is posted on the website and there has been participation in press releases with IR and KTVH.

Mr. Leland explained that they have submitted pre-application requirements for FEMA funds. City Attorney Jodoin and his staff have been involved with that and correspondence has been received back from that side of things. The City will attend a series of webinars next week that will provide information about opportunities that are available out there to help support testing.

Commissioner Haladay asked if that would cover whether this funding would be reimbursable under the CARES money since this is an unbudgeted expense. Mr. Couey explained that the CARES Act is less of an opportunity for an entity like the City of Helena. On the loss of revenue side, there's nothing that can be done; there might be an opportunity for reimbursement on the expenses side but mostly this will be from FEMA not from the CARES Act.

Commissioner Haladay commented that over the last six years there's been discussion on whether, from the federally regulated and the state side, the impact on wastewater treatment, if that's ultimately going to fall on the City at some point. There have been projections of \$20-100 million in what the City would have to expend should the most draconian regulations be imposed. That wouldn't be bad from an environmental perspective but is a potential financial consequence the City will have to deal with. Commissioner Haladay asked Mr. Hauck first of all where are we on that, and if that's being looked at with regard to having a healthy fund balance or is it just too much of a variable to speculate about how to reach a healthy fund balance.

Mr. Hauck replied that he would defer to Mark Fitzwater for an update as to the permitting and where that discussion is. From his end it's still too murky to know the exact cost because it's so far out there – it's hard to plan for exact numbers.

Mr. Fitzwater commented that currently the permit is being worked on, which will dictate necessary upgrades. For things like nutrient limits and metals there's a court fight with some environmental groups

and it's unclear how that will play out, so everything is very unclear as far as far as where things will end up. It's a matter of wait and see.

Mr. Couey said that Eric Urban was working with the League on that issue since that's his area of expertise having come from the Department of Environmental Quality and being aware of the inside view of those discussions. Meetings are ongoing currently, but it won't affect this year's budget; it will be something to monitor on an ongoing basis.

Commissioner Haladay stated he had wondered if it was even something that could be built into a rate at this point given the uncertainty of the situation. In talking about what constitutes a healthy balance, whether it's a \$20 million liability or a \$100 million liability in the next ten years, it's hard to prepare for that today, while at the same time avoiding leaving the City unprepared in a decade.

Mr. Couey agreed that this is the challenge facing the City. He's unsure if that's something that can be done to a community for the environmental benefits versus that cost. It would help to have technology available that's capable of doing what the City might be asked to do.

Commissioner Haladay commented he read some literature about longer-term bonds, such as 100-year bonds, the idea being if you're going to be overhauling the system at a very large cost relative to the municipality's budget, that the cost be spread to all residents over multiple generations – he's curious if that's been seen anywhere else or if anyone knows anything about them.

Mr. Couey said that as far as spreading the cost so people would see benefit from the improvements, it makes sense to do a loan over 100 years. He hasn't seen that personally and he doesn't know if any of the existing programs at the State for funding would allow that.

Mr. Fitzwater added that another consideration is the shelf-life of the technology that's going to be used, most of which has a 20-year span at most; the equipment would need to be upgraded before reaching the end of the 100-year loan.

The next area for discussion is the Wastewater Service Line, Fund number 532; Pete Anderson will be discussing Solid Waste. Mr. Couey provided a brief overview of the functionality which is the same as the other service lines that have been discussed, with the revenue as it comes in being sent out under Other Uses.

For Solid Waste – Residential, Fund number 541, revenues haven't really changed from this year to next year for what was adopted and the expectations. This is collected as a residential assessment on tax bills. Expenditures have a jump in the FY21 adopted number which is due to steps and the COLA. Maintenance and Operations show a little bit of a jump mostly in purchased services. Internal Charges is the same story as the other funds; Transfers Out from residential is into the recycling fund. Recycling is funded by transferring through the City and the County. Looking at Debt Service and Capital Outlay this year is at about \$2 million and then going forward there wasn't anything originally scheduled for Capital for Solid Waste Residential. The decrease is attributable to the capital project, the increase in transfer and decrease in personnel. The Fund balance will be about \$1.2 million at the end of next year. As far as reserves, this is a fund that has a five-month requirement which is why there's a higher percentage of the fund balance. That goes back to the idea of the revenue comes in twice a year so this is to offset that. Mr. Hauck and Pete Anderson will provide more background about how this works.

Mr. Hauck introduced Mr. Anderson who is the Solid Waste Superintendent and who's been with the City for 20+ years. In residential two new employees were added between FY2019-FY2020 to handle the

City's growth so that is the growth in Personnel. The biggest part of this budget and how Solid Waste works is the tipping fees. A big part of the budget is estimating how much garbage is going to be picked up by all the residents for the year, plus the cost of the first ton tipping fee at the transfer station. Residential is how the transfer station is paid. There's no rate increase of tipping fees there so it will cost per ton the same every year. Annually they try to estimate how much garbage there will be, how many new houses will be built, so things like that are the variables. The estimate for tonnage does fluctuate depending on the economy, people's habits, viruses, etc. Tipping is the critical thing for this fund. As far as capital, the only capital in all of the funds is the additional cost for the entrance at the transfer station, which is split between residential, commercial, transfer station and recycling. The whole project is about \$400,000. Whenever a project is done at the transfer station they look at the benefits and who should pay for it.

Commissioner Haladay indicated he had a question about the curbside recycling contract, line 3071. It's projecting a \$200,000 purchased service there, and then on the Revenues charges for services under recycling there's a \$96,000 projection. The question is if that \$96,000 is collected from people who are subscribing to curbside recycling and pay it on their utility bill, and then the City transfers \$200,000 – meaning for budgeting purposes that the City's share of the recycling purchases is \$104,000 and \$96,000 comes from city residents? Mr. Anderson confirmed that was correct. Commissioner Haladay further commented that his understanding was that historically this had been set up so that instead of having residents buy recycling as a one-to-one either privately or through the City, the City opted to be about a 50/50 participant where the City pays a certain amount per account. Mr. Anderson confirmed that was correct and the City's share is \$5.20/month of the current rate of \$12.20. Commissioner Haladay commented about the history and background of this hybrid program model when it was set up years ago for recycling. A question that has been presented to the Commission over the years is whether the City is interested in increasing its contribution by \$1.00. and he would be interested in discussion on that.

Mayor Collins asked about the recycling accounts and whether they've been increasing or decreasing. Mr. Anderson replied that the process was started in 2014 with 334 curbside clients, and right now there are 1,069 participants. As part of the contract with Helena Recycling, for every 1000 sign-ups, they lower the rate by \$1, so just recently the monthly rate was reduced from \$13.20/month to \$12.20/month. Currently the City owns and buys all the bins for customers at \$16.81 each and is paying a percentage of that cost.

Mayor Collins asked what the City has been doing to publicize this program and inform the community about the service. Mr. Anderson answered that information is on the website and they work cooperatively with Helena Recycling on their advertising. Recently PIO Rebecca Connors has gotten involved with some outreach. There was also a round of utility inserts and people who call the transfer station with questions are referred to Helena Recycling.

Commissioner Dean asked what increase in recycling has been seen at the transfer station. Mr. Anderson stated that recently with COVID-19 there has been a very large increase. The transfer station is the hub for all recycling including glass, plastic, e-waste, etc. During the week the average is 600-700 vehicles per day; on weekends they take in 1100-1200 vehicles per day, and 90% of that traffic goes through the recycling area.

Commissioner Dean asked about the status of the warm storage building and the trucks that are included with that. Mr. Anderson said the two additional side load collection trucks were scheduled to be delivered at the end of May. That has been impacted because of COVID-19 so there is currently no scheduled delivery date. Regarding the warm storage building, the architectural design is complete; the bid for the middle building goes out May 17. The construction on the project is scheduled to be completed in May 2021. Commissioner Dean inquired where the trucks are currently stored, and Mr. Anderson replied that currently it's at 3001 East Lyndale where the Street Division has a small shop for warm storage. Six trucks can be parked there and this location will continue to be used for the commercial fleet, while the new building will handle the residential fleet. Some other small equipment is kept out at the transfer station.

Commissioner Dean commented her understanding was the reason for the new building was to extend the vehicles' lives and inquired as to the cost benefit of a \$1.3 million building for that reason. Mr. Anderson answered the department has been working on extending the life of the fleet for the past 15 years. Currently the projection is for the life of the side-load fleet to be 8-10 years, where previously it had always been a five-year rotation. Over time, each truck becomes more expensive, and the two that are being brought in now are \$300,000 each, so the fleet will consist of six of those side-load type trucks. All of these trucks drive 5-6 miles across town, unload at the transfer station, and deadhead back across town. The costs resulting from that include personnel time, fuel and there's wear and tear on the trucks. Over years that amounts to a significant cost although he's not able to provide an exact number. The cost of the new building is a small investment into the extension of the life of the fleet.

Commissioner Dean asked if that number could be provided before the end of the budget work sessions and Mr. Anderson said they could put that number together, which would include personnel, fuel and equipment.

Interim City Manager noted that this work session is now one hour out from its ending time and discussion ensued about the time needed for discussion of Commercial Waste and all the funds of Public Works and Transportation that the Commission hasn't seen yet. Mr. Couey stated other areas like Transit and Facilities have been looked at in a Joint Session so those can be revisited to see if there are any further questions.

Commissioner Haladay asked for clarification on the warm storage building and if it was already budgeted for last year. He asked if there was interest in that being adjusted to reflect additional contribution from the City up a dollar for recycling.

Commissioner Dean commented that she believes the City should do that, especially given how much [muffled audio] ability; it's a top priority in the Growth Policy; and for the last 20 years Commissions have said that the ability to [muffled audio]. The City should beef up as much as possible the waste diversion program. This should also be rolled into what a zero-waste policy would look like for the next year. She would like to see what strategies the City could pursue to reduce waste. She's also wondering about the cost of the new landfill, and if that's really necessary – would it be a better investment to work on waste reduction, and what could be pursued more aggressively.

Commissioner O'Loughlin asked about how the two funds work together. The City transfers \$200,000 from solid waste into the recycling fund, but the actual cost of recycling under purchased services is

\$233,000 projected? She asked for clarification on how all the different numbers play together: there is what the consumers are charged for recycling, so where does that money go? Then what's being transferred out of solid waste?

Mr. Anderson replied that the funds do work together but it's a little complicated. The recycling costs for the transfer station and outlying recycling stations at places like grocery stores are shown here and are different from the curbside recycling. Curbside is not listed in recycling because it only applies to city residents, and general recycling is open to county residents. So, it's important to keep in mind that curbside's revenues and costs are shown only in the residential fund. The transfer out that goes to recycling goes specifically to recycling at the transfer station.

Commissioner O'Loughlin commented on what Commissioner Haladay is suggesting as far as adjusting how much the City is covering for curbside recycling and asked where that action would take place. Mr. Couey explained that would happen in fund 3071 in residential solid waste. The suggestion by Commissioner Haladay is that the City's contribution to the \$12.20 monthly cost be increased to demonstrate the City being in favor of the recycling program.

Commissioner Dean asked if any data shows how much the curbside program has increased every time each year, so the Commission could see what the trends are when the program is more heavily subsidized. Mr. Anderson said that's something he could look into. Curbside recycling started in 2014 when the City discontinued its Blue Bag Program contract with Helena Recycling. The City has added up to an additional 700 customers in the last six years, so that's the basic growth pattern. The monthly cost had stayed at \$13.20 up until the last couple of months.

Commissioner Haladay commented the question has been asked each year but there's not really been any data to look at it because of things like the price change, program changes, etc. It was hard to tell who was signing up because of the mishmash of things where people had to go to the transfer station for certain items that curbside wouldn't accept. The Commission's idea originally was to set up a curbside recycling program for the whole City, but that ultimately was not feasible either by contract with Helena Recycling or when the City projected the actual cost of building out to set up the program. The current situation was the compromise.

Commissioner Dean wondered what would make the biggest impact on reducing waste.

Mayor Collins stated the City needs to start informing the public, because so far that's been laid back. If the City starts telling the public then there will be more people using the program which would then drop the monthly fee again when another thousand people are added.

Commissioner Dean asked how many residences there are that receive only regular garbage pickup. Mr. Anderson indicated they have 11,800 assessments for city residents.

Commissioner Haladay asked what the numbers would be if there was a one dollar increase to the City's contribution – how would that affect the transfer out, going from the \$104,00? Mr. Couey explained that that comes back to how the money goes, but it wouldn't be part of the transfer out. If the City were to contribute an extra dollar it would reduce the revenue received per assessment, which would come out to be \$12,000. The City would bring in \$12,000 less in revenue to contribute to the 3071 account, so if right now it costs the City \$200,000 to do the program, paying \$5.70 on ever \$12.20 that goes toward the

program, picking up another dollar of the cost would reduce what the City would receive from City residents for the program. It wouldn't increase any expenditures or affect the budget overall except for the revenue side which would be reduced.

Mr. Anderson said he would have to take a look at it to see if it would impact the overall residential assessments. Commissioner Haladay clarified what he was asking. Mr. Anderson said this would be based on customers and would turn out to be about a \$13,000 annual increase; it depends on the level of service, so as customers increase so would that amount.

Commissioner Dean asked who benefits from the one-dollar fee increase for the curbside recycling. Mr. Anderson said it would be the city subscribers if the City is subsidizing the rate, which lowers the cost for subscribers. Commissioner Dean asked what about when the threshold is reached – the City's not altering how much is being charged for people participating in the program? Mr. Anderson answered no it did not, when the rate went from \$13.20 to \$12.20. Commissioner Dean commented that what the Commission did agree to last time was increasing the City's portion to \$6.20.

Commissioner Haladay commented that from what he remembers, they did this last time in part because the recycling provider increased his rates to take glass, and the City's number offset that glass increase so that basically glass was included in the program without current subscribers seeing any changes.

Mayor Collins stated that the City should put deliberate effort into informing the public about the program, because that hasn't been done well so far.

Commissioner Dean said that having Pat Judge involved with this will help the City develop a holistic picture of what the City's sustainability entails, especially with regards to waste reduction. She agrees this is an area where some good can be done.

Mr. Couey moved the discussion on to Solid Waste – Commercial, fund 542. The difference between residential and commercial is that with residential, the City is essentially the sole provider, but with commercial there is competition with another entity for providing that service. Going through revenues for commercial, not really any change in what was predicted; on expenditures there was some increase for personnel and a decrease on maintenance and operating costs overall. Looking at capital, nothing was originally budgeted in the adopted budget for FY21, so the turn lane project has been added to that capital outlay. Looking forward to next year, due to savings in the maintenance and operations budget, there's going to be an increase in the positive cash flow. The overall cash balance ends up being a little over \$1 million for this fund. Mr. Couey then reviewed the reserves details for this fund.

Mr. Couey moved the discussion on to the Landfill Monitoring District, fund 543. It comes in as a revenue assessment and there aren't any changes there from what was adopted, and then it goes back out. This fund has no associated personnel expenditures and no changes in the adopted budget for expenditures. The cash flow is balanced overall and the ending cash balance is at \$250,000.

Commissioner Haladay asked Mr. Hauck for confirmation if landfill monitoring was raised by a small amount one year to run over the course of several years to deal with a methane release. Mr. Hauck confirmed that was correct; it was \$150,000 project, and where the budget shows an annual transfer out of \$30,000 that's the repayment to the residential fund for that. This year will be the final \$30,000 payment.

Commissioner Haladay commented that he asked because the City was wanting to sunset that rate but was informed they can't do that preemptively because that is set each year. He wants to keep an eye on that so it can be readjusted as needed. Mr. Hauck stated the Commission can entertain that next year and then have a discussion about what reserve is needed.

Mr. Couey moved the discussion to the Transfer Station, fund 546. Looking at revenues, there wasn't much of a change in Intergovernmental or Charges for Services. Going to Expenditures, personnel costs reflect the steps and COLA. There was a little increase in Purchased Services but most of the categories stayed the same. The capital schedule had nothing in the adopted original budget and it's just including the costs for the entrance to the terminals. There's a positive cash flow and an overall ending cash balance of just over \$900,000. Mr. Couey briefly reviewed the Reserves details.

Commissioner Dean asked about operations and how long the Sunday closures will continue to last, and if they do keep going, is it worthwhile to swap a Sunday with a weekday considering how busy it's been. Mr. Hauck answered that's a good question and is a discussion that will need to happen going forward. It depends on what is anticipated to hit the City later this year and whether it's a real or perceived threat that bins are full on Sundays because the landfill's closed; if it's windy garbage will get blown onto customers. The department took this precaution in light of COVID-19. Since the transfer station has gone to operating six days a week, hours have been extended so that has to be monitored to see how it's working. There's not a firm date in mind and this is something he'll follow the Commission's lead on. There would be some benefit for someone to be there six days; during the week the problem is because of the truck routes and agreements with commercial providers and contractors that work normal business hours – there's no benefit for them. Sundays are problematic for customers and it's always been an issue deciding on operating hours and because of the virus the department has been separating crews in case of infection so the whole station wouldn't have to shut down. There's a lot of temp employees used and there are lots of people in lots of places. The goal is to avoid everybody being infected at once and Mr. Hauck is unsure of the comfort level with going back to normal.

Interim City Manager Reed commented that the current plan is to maintain current procedures in while in Phase 1, and when the City reaches Phase II to see how it goes; in the meantime the transfer station will stay closed on Sundays and when in Phase II will be monitored to see if that's still effective to stay closed on Sundays, regardless of COVID, and if that's the preferred option.

Commissioner Dean stated that maybe it's just a matter of maintaining extended hours during the week so people can stop by and drop off after work.

Mayor Collins asked how busy the transfer station is on Sundays. Mr. Anderson said Sundays were pretty consistently busy with Saturday, ranging from 700-800 vehicles per day to up to 1000 in the busy season. Daily traffic patterns are being tracked; right now daily inbound tonnage is at 200 tons/day. Traffic flow for last week was 5000 visitors and the week before that was 3900. This week has been slower, with some days only have 400 visitors on weekdays. This has to do with weather – the transfer station will be busier when the weather is nice. Solid waste is also seasonal and volume fluctuates. Traffic lines that people are seeing at the transfer station are created by cash/credit

card/check customers – that results in backed up traffic. The average is 60-100 cash transactions daily.

Commissioner Haladay commented that there had been a discussion in 2014 after the solid waste study that the City commissioned; there was a lot of data showing a divergence between the volume of cars versus the volume of waste being deposited. A lot of the logistical questions raised by Mr. Hauck were part of that discussion. Ultimately the conversation was about weekday versus weekend, with no resolution and the transfer station just stayed open 7 days a week. As a result, COVID forced the City's hand in just deciding to close it on Sundays. Any further discussion should be at an administrative meeting and the Commission needs to see that study again; the data is outdated but will likely still show the correlation.

Commissioner Logan asked Commissioner Haladay what he remembered about the weekend data shown in that study. Commissioner Haladay said he thought it showed high volume on the weekends, but not necessarily a high volume of waste. During the week there could be a lower volume of traffic but more waste being dropped off. Mr. Hauck confirmed that was correct. Commissioner Logan commented he was in the audience at that time and remembers the discussion going in the direction of limiting the weekend. Mr. Hauck said the 2014 study did recommend that the landfill and transfer station reduce days of service. Both the City and the County had been operating seven days a week; at that time the County opted to close the landfill on weekends but the City chose to keep the transfer station open all week. The study was based on regional operations and there's very few other operations that run seven days a week.

Commissioner Haladay said that from what he remembers of that weekday discussion, from the perspective of policy rather than logistics, it had to do with the lower volume of cars and keeping it open for customers on the weekends, and then using the weekdays with the lowest volume of users, and closing it for that day, from a service standpoint. It created issues on the functioning side of things. But there was never an actual decision made so things just stayed the same.

Commissioner Dean commented it's also a question of how many people drive up to the yard base and going through recycling too, because on the weekends it's mostly people dropping off lawn and yardwork-related waste.

Mayor Collins commented that if it's a matter of looking at volume being much less on the weekend, the way things are being done now should be continued. From the 2014 study it showed during weekdays volume at the transfer station was higher. It makes sense for things to continue.

Interim City Manager Reed proposed that this topic should be added to the agenda for an admin meeting for full discussion since at this point the Work Session is about 30 minutes from its end time. Mayor Collins concurred with that suggestion.

Interim City Manager Reed asked how many more public works funds still needed to be reviewed and Mr. Couey stated that recycling was left. Interim Manager Reed suggested that recycling be gone over fairly quickly, and with Transportation if 15 minutes could be allotted and then the discussion would pause for 15 minutes of public comment.

Commissioner Dean asked for the City-County building and the Law & Justice Center, does the Commission want to move that discussion to another work session? Manager Reed responded that should be moved to a reserve date.

Mr. Couey provided a brief overview of Recycling, fund number 547. Revenues have increased on the Intergovernmental side and decreased on Charges for Services. There's about a \$10,000 increase for the year. For Transfers In, that's the \$50,000 change for the transfer from Solid Waste. For Expenses, personnel has a small increase and a large increase in purchased services, internal charges are down, and the adopted cash flow is even. With the changes in, there's about a -\$24,000 cash flow for the year which ends up bringing the fund to \$236,000. Brief review of reserve details.

Commissioner Dean asked about the County contribution; it looks like for FY19 it was \$375,000, then it dropped to \$175,000 and now they're projecting to come in at \$225,000; is that equitable as far as how much County residents bring? Mr. Couey answered that the contribution is split 50/50 every year. The reason it was up in 2019 was there was nothing in 2018, so apparently there was no transfer within the fund that fiscal year so they just made up for it the following year. It has stayed pretty steady otherwise.

Mr. Couey reported that was the last of the Public Works funds. Mayor Collins asked for any further questions before moving on to Transportation; none were received.

Moving on in the discussion, the next fund to look at is Transportation, Special Charters, fund number 561. Under Cash Flow, there's an increase of revenue; nothing to note for personnel expenses; under Maintenance & Operations nothing has changed; internal transactions are down. Overall the fund went from a -\$27,000 cash flow to -\$5,000. The ending cash balance is almost solely in operating reserves. From the Joint Session, Elroy Golemon and David Knopke have already provided background information but they can provide more details on this fund or can start taking questions.

Commissioner Dean asked about the miscellaneous federal grants; it appears to be sporadic in different years. She asked if those are just random grants and how often can they be counted on. Mr. Golemon answered that those are random grants, depending on what opportunities are available. Commissioner Dean asked how many people total are using City transit. Mr. Knoepke reported that in FY2016 there were over 86,000 people using the transit system. In 2017 the number increased to 92,000 and in 2018 over 85,000. For 2019 it was approximately 9500 and currently year to date the number is being reported at over 62,000. There's typically a fluctuation in off-years which is due to the legislative shuttle – when that runs, it provides more ridership. Commissioner Dean commented that in the City Growth Policy there is emphasis on improving the transit system and opportunities for people to utilize the system. Given that prioritization, what can the City do to maximize the system's usefulness and expand it especially to help the more vulnerable population who may not have access to reliable transportation?

Mr. Knoepke answered that this discussion started under the previous City Manager. Some alternatives were brought to the Commission and there were questions about how that would work with the grant funding. Moving forward, what's been done is it will be implemented in a phased approach. The department will be asking for additional funds this year to update its scheduling system to be more effective. There will be more options including an app so people can schedule it while on the go. That constitutes Phase 1. The second step is to look at some planning money that might be available through the federal government via MDT; the department would look at the whole system to see where any gaps are. Questions to be answered include

whether the system needs to look a little different, is it too fixed route, or is it more of a demand response. There are virtual stops where the system funnels people to but it's a wider net versus the paratransit and fixed route system. Some areas may not be served currently, so that system might be an area where those people could be reached. Without taking time for analysis and get public input, that's why the department chose the phased approach.

Mr. Couey remarked that it appeared Commissioner Dean's questions were more broad in scope about transit generally. For the 561 fund, there probably aren't any specific questions. Moving to the 580 fund, that's where the grants are, so the discussion will go on to Capital Transit. Looking at revenues, there's a little increase on intergovernmental, which is a grant increase so that's the difference in overall revenues. Under Expenditures, Personnel, 1-2 drivers were added? Mr. Golemon clarified that it wasn't that they were added, but corrections and adjustments were done – last year they'd been left at $\frac{3}{4}$ staffing in the budget calculations, so there was restructuring that happened in wage classifications to reflect full time status. There was also a reallocation of funds due to the shift in the Transportation Systems department.

Mr. Couey continued, looking at Maintenance & Operating, inter-city charges, there was a little bit of an increase in that area. Capital Outlay increased from the adopted budget to meet the match for the grant. Looking at it overall, there's a negative cash flow for the year and for operating reserves there's about \$120,000 left for cash flow.

Commissioner Dean asked about the \$250,000 general fund transfer for operations, so that's \$50,000 less than FY19 – is that level still being maintained? That had been reduced last fiscal year. Mr. Knoepke explained that he will let Mr. Goleman expand on this, but the federal and state grant fluctuates each year so the batch level is different annually; \$250,000 is a rough estimate but it depends on federal and state allocations. Mr. Goleman commented that the other thing is when that number was reduced last year, that also impacted the department's overall operations. Sometimes there are overruns even in years where there's more funding from the grant. This year's operations grant was lower. Up until last year, historically it's always been about \$300,000 allocated from the general fund for transit.

Commissioner O'Loughlin commented looking at the beginning cash balance, that in the spreadsheet the Commission got there was a formula issue.

Mayor Collins asked for any public questions or comments. Interim City Clerk Clayborn reported that nothing had been submitted via the Zoom chat feature.

Mr. Couey further reported on the following funds: One is regarding fund 581, East Valley. There's not really any changes on what was adopted as far as revenues. Costs are a down a little for expenditures. Overall there's a positive cash flow for the year.

The final fund for review is 582, Head Start. This was left in here because there's a history to it that may affect some things but it's no longer the program that it had been. There is no income or expenses, a minimal cash balance that could be corrected by an internal transfer to make that come to zero and get rid of this fund altogether. That concludes the Transportation Systems funds discussion and Mr. Couey asked for any final questions.

Mayor Collins asked for public comment at this time. Interim City Clerk Clayborn reported there have been no comments submitted via chat.

Interim City Manager Reed asked Mr. Couey for a recap of what funds were not discussed today, and he replied that they did not get to Facilities, which are 570 the City-County building, and 571 City-County mail/phone service and 572 which is the Law and Justice Center.

Nancy Perry with the HCI commented via Zoom and inquired of Mayor Collins if she could ask a question. She commented that she is learning a lot from the way this work session is being done. Her question has to do with page 84, the building fund, where it says revenues decreased due to anticipation of increased affordable housing waivers. She asked for clarification on what that means. Mr. Couey replied that the reduction is for a new program that the Commission has either passed or is considering passing that would waive the cost of building permits if the project is a certain percentage of providing affordable housing overall.

Commissioner Haladay added that the projection is there because the Commission thinks they may do it; it's a discretionary fund that's done on a case-by-case basis. The Commission can reduce to a certain percentage or may do nothing at all. Out of an abundance of caution Building selected the most extreme measure for revenue projection purposes.

Mr. Couey asked if there was enough time remaining to go through any additional funds or if they should be pushed to another session. Mayor Collins asked if anything could be discussed in three minutes. Commissioner Dean commented that there's merit for further discussion about these funds without rushing or making everyone stay longer today. She asked if the Commission would be comfortable moving this discussion either to the next day or moving it to the extra day. Mr. Couey said the next session is Golf & Recreation about how they're being affected due to COVID-19 so that may be a lengthy conversation, but he can check on the schedule to see if these funds could be added in there. Fund 573 the Law & Justice Center will be the fund with the most conversation. There's not much going on with fund 570 the City-County Building; the HVAC project is ongoing. Mayor Collins suggested that 570 be addressed. Commissioner O'Loughlin asked if it would be helpful to Troy Sampson to do these all in one day. Commissioner Dean asked if there would still be further discussion about Solid Waste and the Transfer Station – clarification, that further conversation will be held at an administrative meeting. Mr. Couey stated that that would be more of a conceptual conversation rather than a budget conversation. Commissioner Dean stated her only concern is if the City is looking at an additional \$12,000 to help subsidize recycling she wants to be sure all options are considered. If there are any programs or initiatives that could be bolstered, whether it's with Patrick Judge or Phil Hauck, she wants to make sure all bases are covered while the budget is in front of the Commission.

Interim City Manager Reed said that if the Commission is ok with it she can add that discussion to this coming week's administrative meeting agenda. Commissioner Dean said she wanted to be sure it got onto an admin meeting while the budget process is ongoing and not further out.

Interim City Manager Reed commented to clarify what funds still needed to be revisited and discussed and Mr. Couey listed those funds: 570, 571, 572 and 573. She thanked the Commission for their time today and thanked the HIC for sitting in.

Adjournment

There being no further business to come before the City Commission, the meeting adjourned at 12:10 pm.

ATTEST:

MAYOR

CLERK OF THE CITY COMMISSION