



May 27, 2020

TO: The Helena City Commission

FROM: The Helena Citizens' Council

RE: Helena Citizens' Council Review and Recommendations Regarding the Fiscal Year 2021 Revised Preliminary City Budget

Dear Mayor Collins, Helena City Commissioners, and Interim City Manager,

Per Article IV of the Helena City Charter, the Helena Citizens' Council (HCC) is writing to provide you our review and recommendations regarding the fiscal year 2021 revised preliminary budget for the City of Helena. The review and recommendations that follow were approved by a vote of the HCC on May 27th, 2020.

The HCC created a Budget Committee to review the City budget, participate in each of the City budget planning sessions, and draft the following recommendations for the HCC as a whole to consider. The Budget Committee was headed by Nancy Perry, HCC Treasurer, and included HCC Chairman Dylan Klapmeier, HCC Vice-Chair Sumner Sharpe, HCC District 7 Representative Denise Barber, and HCC Secretary Meg Bishop.

The HCC requests that this document be included as an appendix to the City budget as it has been in previous years. Thank you for your consideration and please don't hesitate to reach out if you have any questions.

Sincerely,

Dylan Klapmeier
HCC Chairman
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Summary of Review and Recommendations

Overall, the HCC recommends a short- and long-term future analysis of all funds (Enterprise, Special Revenue and General), especially due to the anticipated economic impacts of COVID-19. Project and operational needs should be reviewed and revenue sources identified that will be needed to retain or attain financial stability in each fund. Steps the City might propose to respond to future funding needs due to revenue shortfalls could include: cutting costs, increasing revenue, drawing down reserves (some of which have been on the decline), establishing minimum guidelines for reserves for each fund as these needs vary, etc. This analysis would provide an overview of steps the City might take in the future to manage each of these funds. Continued reliance on tax and fee increases and drawing from the General Fund will not always be possible. Fund reserves and other responses need to be looked at more closely.

The HCC encourages the City to engage in strategic planning regarding the city budget, including collaboration between the Commission, department heads, the new interim City-Manager, and the public in consultation with city finance experts. Long-term fiscal sustainability for the City is dependent on a cohesive, strategic plan with input and understanding by all of the above interested parties to support a prosperous city for residents and to provide high-quality administration of city services.

Some things to consider:

1. The HCC suspects that insufficient thought was given to the effect COVID-19 will have on the city budget. The effects will very likely last well into the future:
 - a. Tourism is down; Decreased tourism will directly impact the City's bed tax revenues.
 - b. Gas tax revenue is down, affecting funds for street maintenance, etc.
 - c. Business bankruptcies and property foreclosures could affect property values and taxes.
 - d. Revenue from recreation facility fees is declining.
 - e. Civic Center income is severely affected; recovery will take longer than this calendar year - well into 2021.
2. The Budget shows an anticipated increase in investment revenues. The HCC feels this is unrealistic.
3. The City should consider how the budget might be re-adjusted for any revenue losses due to COVID-19 including impacted funding sources: city reserves, cash on hand, federal or state assistance, reductions in operations, personnel or project priorities.
4. This budget appears to be based on a best-case scenario. If, instead, cutbacks were reflected in the budget and then additional revenues were realized, priority expenditures could always be added.

5. The City should consider providing funding or staff support for unemployed citizens needing social and health services.
6. A clear process for long-term financial planning, including addressing debt and deficits, should be initiated.
7. A clear process for continuous budget monitoring should be initiated.
8. The State has [statutes](#) for revenue shortfalls. The City should adopt similar protocols for revenue shortfalls if they are not already in place.
9. For the last two budget sessions the HCC has expressed concern about declining reserves. During this budget review two funds were noted as having a 'required reserve'. The City should determine required minimum reserve levels for each of the funds, tailoring the minimum reserve level to the specific fund.
10. The businesses in Helena's downtown are primarily small businesses and their comeback from the effects of COVID-19 are expected to be slow. The City has invested time and resources in support of making our downtown a place for businesses to thrive, while being attractive to citizens and a major source of tax revenues. Small, independent, and unique businesses in the downtown area are essential to the character and viability of a successful downtown comeback. The HCC urges the City to develop steps to help support and stimulate a comeback for downtown.
11. The HCC requests an additional 5 hours/week for the HCC/HPAC Coordinator position, bringing the total to 20 hours/week.

Review and Recommendations by Fund Number

Fund #211 - Civic Center – This iconic Helena building must be maintained. The City should continue to subsidize the facility and its operations, while encouraging Center management to make the Center more self-sustaining. Center management should encourage more innovative programming to attract diverse audiences.

The former manager was doing a good job of recruiting entertainment that helped increase its income. The Civic Center manager needs to be capable of both running a business and marketing it.

Use of the facility should be expanded. Leaving it vacant in the summer months because of lack of air conditioning limits the Center's potential. A cost-benefit analysis should be considered regarding adding air conditioning to increase summer programming. TIF funds could be included in this analysis. The City should also explore adding solar panels, thereby aiding the City's efforts to serve as a model for other buildings in our community and around the state.

Recommendation: The HCC, at this time, does not support the suggestion that the Civic Center Fund become an Enterprise Fund.

Fund #563 - Bill Roberts Golf Course and Muni's Restaurant—A strategic planning effort is needed to consider options for short and long-term financial stability. The City might consider charging membership fees for use of the course and 'use it or lose it' fees in the restaurant. The City could consider running the restaurant as a bid concession rather than having the City manage it with city employees, or consider selling or leasing the restaurant. Another option to consider is to define the restaurant as a Special Revenue Fund instead of an Enterprise Fund.

Recommendation: The HCC recommends the City consider alternatives for restaurant operations that reduce City liability.

Fund #440 (4104) - Recreation: Swimming Pool Fund— Due to the COVID-19 impact, revenues and expenses may not be in balance. The HCC supports the City's efforts to balance them via reduced training costs and possible fee increases.

The HCC supports efforts to provide a covered year-round swimming pool with swimming for all ages and for training and competitive uses. A previous feasibility study identified the need in Helena for a major sports complex which included a pool – something that other a few Montana cities have built and Helena lacks. Concerns have been expressed about missed opportunities to host state and regional sporting events because of the lack of appropriate facilities. Attracting these events could boost the local economy.

Recommendation: The HCC recommends that the City provide support along with private investments for these efforts.

Fund #551 - Parking – The HCC understands that the City has reinstated parking permits. On street, lot and garage parking will be reinstated on June 1. Due to the COVID-19 impacts on business recoveries, revenues are highly unlikely to cover expenses for the rest of the calendar year.

An opportunity to create a more vital downtown business district is to ensure that the Cruse Avenue Re-design Study considers effective connectivity for vehicle, bicycle and foot traffic in and around the downtown business area. Cruse Avenue provides an excellent opportunity to consider a mixed-use design that could include bike and pedestrian pathways creating and connecting a broader business district.

The current flow of one-way traffic on Last Chance Gulch should be reconsidered, perhaps by instituting, on a trial basis, a 2-way traffic proposal.

In order to maintain a vital downtown business district, the City should encourage/require ground level building spaces be reserved for retail shops.

Recommendation: The HCC recommends that on-street parking remain free through December in order to attract visitors and customers. Permit parking should be maintained.

Fund #580 - Capital Transit - Increased ridership is critical and the HCC supports efforts to change the fixed routes and/or initiate an on-demand service approach to increase ridership. A robust publicity effort is needed and should accompany any route changes and/or new services.

The HCC supports efforts to respond to the need for a parking and shuttle plan to deal with the next legislative session.

Recommendation: The HCC recommends a strategic plan to address Capital Transit needs.

Fund #522,532 - Water/Sewer Service Line – The HCC supports the continuation of these homeowner loan programs and supports an enhanced publicity effort to inform homeowners of their existence. Included in this publicity effort should be information about a relatively inexpensive addition to some homeowner insurance policies.

Recommendation: The HCC supports the City water/sewer service line loan programs and recommends increased efforts to make the public aware of them.

Fund # 542,543,546 - Solid Waste– Due to COVID-19, the Transfer Station is currently closed on Sundays. The HCC recommends extending weekday hours. If this does not meet needs/expectations, reconsider reopening on Sundays to meet public demand.

Recommendation: The HCC recommends having the Transit Station remain open on Sundays to serve residential customers.

Fund #547 - Recycling - The HCC recommends efforts to raise community awareness of recycling and to provide more focus on 'reduce and reuse' efforts as part of solid waste options.

Recommendation: Encourage Helena to continue to reduce its waste-stream through education. Also, the City should conduct a cost benefit analysis of recycling vs. outright disposal.

Special Revenue Funds

Fund #213 - Visitors Center - Located in the same building with other organizations such as the Chamber of Commerce and SCORE, the structure was built by the City and is leased to others. The City's Parking Department was located there until it moved to the new building housing City and County police and sheriff's activities. Parking at the building is regulated and enforced by the City.

Recommendation: The City of Helena should consider selling the Visitors Center Building.

Fund #226 - Community Development - Annual Federal Community Development Block Grants (CDBG) are used for capital projects such as structures, infrastructure, facilities and low-income housing and must meet specific criteria for using these funds. CDBG funds can be allocated by the City to public and non-profit agency service providers. Proposed uses of CDBG funds mentioned during discussions were for a women's shelter and for mental health facilities.

Recommendation: The HCC supports use of CDBG funds for these purposes.

Fund #233 - Public Arts Project - In addition to City funding, these projects rely on private donations and grants. Discussion focused on the RFP (Request for Proposals) process in general and specific to the process used by the HPAC. There is a prescribed City process followed by the HPAC but does not appear to always be followed consistently by all departments. The HCC supports consistent use of the current procedures for public understanding and knowledge of the projects being considered, as well as assuring the City Commission is informed in advance as they approve all contracts.

Recommendation: The HCC supports the Helena Public Art Committee and its projects. Current procedural process should be followed.

Fund #237 - Urban Forestry Fund - Funded in part by grants, the Urban Forestry Fund is used to support equipment and or services in anticipation of the damage that will be caused by the Emerald Ash Borer arrival in Helena. The City's effort has begun with removal of selected green ash trees and replanting with a new variety of trees different than the dominant existing green ash street trees.

Recommendation: The HCC supports this effort and recommends setting a longer-term goal for replacements (i.e. the number of removals and replacements) to achieve the needed variety of street trees to help withstand the beetles' arrival, a timeline, a cost estimate of equipment and staffing, and a communications strategy to inform adjacent property owners.

Fund #238 - Loan Repayment Fund - As part of the city's sustainability efforts, the preliminary budget proposes allocating an additional \$50,000 to the Residential Energy Efficiency and Renewable Energy loan repayment fund for support of solar projects initiated by property owners at 0% interest and repayable over 10 years. The goal is to become self-sustaining as funds are paid back; they can be loaned out again. The HCC supports this effort. The proposed FY21 budget also has an additional \$90,000 budgeted for a Sustainability Project that would fund at least one 50 kW solar electric system on city-owned property, as part of the City's sustainability program. In addition to being a great demonstration project, such a system would save taxpayer dollars over time.

Recommendation: The HCC also supports this line item in the budget.

Fund #260 - Fire Safety Levy Fund - Approved by voters, a levy was passed to provide funds for needed equipment and personnel with a limit, and at this time, the approved funding limit has not been reached. In addition, Fort Harrison is contracting with the City for fire services and these funds go into the General Fund.

Recommendation: The HCC supports a closer look at transferring some of the Fort Harrison funds to the Fire Department and increasing the level of funding from the approved levy to the extent these would reduce the fire departments' draw on the City's General Fund.

General Fund

Fund #100-011 – General Government - HCC/HPAC Coordinator Position: The HCC recommends an additional five hours per week for the HCC/HPAC Coordinator. Currently, 15 hours per week are budgeted for the HCC/HPAC Coordinator. Ten hours/week are for the HCC and five hours are for HPAC. Both HCC and HPAC are becoming more active, affecting the amount of time needed to support the two organizations. Over the last five or six years, the HCC has requested additional time for staff support but these requests have been denied. The city Charter requires the HCC to represent City neighborhoods but limited staff time is dedicated to administrative duties such as scheduling meetings, taking minutes, communicating with members (now a full 28). More staff time is needed to support HCC members' efforts to reach out to the neighborhoods, engage the neighbors, and be a more responsive voice for them. The additional five hours will also help ensure high-quality individuals fill the position.

Recommendation: Increase the Coordinator's hours from 15 to 20 hours per week.

Fund #100-011 – General Government - Public Information Officer Position: The PIO position is important to the City not only in helping the City to communicate effectively with the citizenry, businesses and others, but also in helping the development of two-way communication efforts such as the aforementioned HCC efforts and all city departments. The PIO takes the lead in developing an overall consistent City strategy and protocols for involving and engaging citizens. Duties should include training staff as well as serving as a communications and public involvement consultant.

Recommendation: The HCC urges the City to include these as criteria in the recruitment and selection process and the HCC requests having an HCC representative take part in the PIO selection process.

Fund #100-014 - Community Development - Historic Preservation Officer: This position is under supervision of the County. It is a shared position with budget costs split 50-50. It appears that the majority of the HPO's time is in support of City activities. The Commission discussed whether or not to pursue moving the position under the city's supervision. It does not appear this would accrue added benefits to the City.

Recommendation: The HCC has no opinion in support of moving the position to the City.

100: Other Items:

Funding for the Housing Strategy and Transit Studies: These two studies were funded in last year's budget at \$20,000 each but were not started. The preliminary 2020-2021 budget carries these two studies over at the same cost per study. These two items address priorities set by the City. The Commission discussed and agreed to remove them from the budget allocation under the 100 Fund and move the allocated funds to reserves, with the provision that if a decision is made to proceed with these two studies, the funds would be returned to the 100 allocations. They are established priorities and there are expectations about their getting underway. If the funds go back into reserves, there is no certainty that the funding will be restored.

Recommendation: The HCC does not support these changes and supports leaving these two items as they are in the preliminary budget.

Montana Business Assistance Connection (MBAC): MBAC provides limited economic development services to the City which does not appear to be available internally and provides a public-private connection.

Recommendation: The HCC supports the decision to support the MBAC in the 2020-2021 budget.

Fund #406 - Tax Increment Financing (TIF) Railroad District and Fund #407 – TIF Downtown District - It appears that TIF grants have been made in response to requests, such as sidewalk improvements (406) and portable hand sanitizers (407). It is unclear whether projects have been identified that address immediate needs as well as projects that support private development and redevelopment, resulting in enhanced TIF revenues.

Recommendation: The expenditure of estimated TIF revenues should be based on identified community needs, and public or public-private projects that support development and/or redevelopment decisions in the district. Community education about TIF funding should also be expanded.

There has been discussion of adding City staff or establishing a new City (re)development agency with staff who have TIF district experience. The HCC supports this idea and urges the City Commission to continue to pursue this need.

Fund #440 - Capital Improvement Fund – While 2021 debt service and capital outlay appear to be declining compared to previous years, the proposed funding for supplies and materials has quadrupled compared to 2020 and internal charges show an increase from \$8,000 to \$100,000. This needs an explanation. In addition, the proposed ending cash balance continues its decline from 2017 to 2021. This is a matter about which the HCC has previously expressed concern.

Recommendation: This is a matter that the HCC has previously expressed concern, and continues to do so.

Fund #450 - Sidewalk Improvements Fund - This fund provides 0% loans to homeowners for sidewalk improvements and is payable over ten years. Assuming these loans are being repaid, revenue should be shown from these repayments in order to keep the Sidewalk Improvement Fund active without adding General Fund money to maintain the fund and reduce the negative cash balance.

Recommendation: The HCC supports this fund.

Fund #650 - Health & Safety Program - The projected ending cash balance/reserves in 2020 was \$589,289; the proposed 2121 ending cash balance/reserves is \$1,658,824. The reason for this dramatic need for almost a tripling of reserves is unclear. Except for a few other funds with required minimums, there does not appear to be a minimum or maximum required balance.

Recommendation: There needs to be a clear required minimum or maximum cash reserves balance.