

**CITY OF HELENA**  
**REGULAR CITY COMMISSION MEETING**  
**BUDGET WORK SESSION**  
**May 28, 2020 – 3:00 P.M.**  
Zoom Online Meeting <https://zoom.us/j/4129664351>

***Time & Place***

A regular City Commission meeting, Special Revenue budget work session was held on Thursday, May 28, 2020 at 3:00 p.m., via Zoom Online Meeting <https://zoom.us/j/4129664351>.

***Members Present***

Mayor Wilmot Collins, Commissioner Haladay, Commissioner Logan, Commissioner Dean, Budget Analyst Chris Couey, Interim City Clerk Dannai Clayborn, Interim City Manager Melinda Reed were present, and Commissioner O'Loughlin was present via Zoom.

***Report of the City Manager***

REPORT OF THE CITY MANAGER

Mayor Collins turned the meeting over to Interim City Manager Reed, who introduced four items on the agenda to be reviewed today: Civic Center; Golf Fund; Law & Justice Center; and the 440 fund, and then turned the meeting over to Budget Analyst Chris Couey.

***Presentation***

A. BUDGET PRESENTATION – Other & Follow-Up

***Staff Report***

Mr. Couey presented the first fund for discussion at today's work session, the Civic Center, number 211, starting where the conversation left off at the last session – the only thing that wasn't discussed was if there's an ability to contribute more to the Civic Center from the general fund than is already budgeted especially given the loss of revenue this fiscal year due to the COVID shutdown, and possibly going forward into the next fiscal year. Mr. Couey outlined the historically budget amounts going back a few years and how the preliminary adopted budget for FY21 reflects the challenges facing the Civic Center. He provided an overview of cash flow, operating reserves, equipment, & personnel expenses.

Mayor Collins noted his opinion to leave the budgeted amount as-is, but asked for feedback from the Commission. Commissioner Dean asked if it's anticipated maintenance & operating expenditures will decrease since the building isn't being operated. Mr. Couey confirmed that was correct. Commissioner Dean asked about the Municipal Court possibly using that space, if that would increase expenses, and if the Court would pay for that. Interim City Manager Reed commented significant costs aren't currently expected but if any came up it would be treated as a fee waiver rather than charged expense.

Discussion ensued as to staff attendance at today's meeting and Mr. Couey indicated Director Kristi Ponozzo had been around earlier; Interim Manager Reed noted they were trying to get in touch with her.

Commissioner Logan asked about the staff impact of not adding anything from the general fund to the Civic Center budget and Mr. Couey provided more details and information about that. Parks & Recreation Director Ponozzo joined the meeting and Commissioner Logan directed the question to her. Director Ponozzo commented that Mr. Couey explained how that would affect them over time.

Commissioner Haladay asked Mr. Couey or Controller Liz Hirst, attending via Zoom, about this fund being transferred from special revenue to enterprise fund or another designation, and how that would impact the use of the reserves. Mr. Couey commented on what would happen if it was converted to an enterprise fund but noted that might need to be a discussion for another time before the Civic Center fund is converted to anything else. Commissioner Haladay commented that

long-term discussion needs to happen regarding this particular fund as it's anomalous.

Mayor Collins asked for Commission feedback on whether to leave the preliminary adopted budget as-is or to contribute more from the general fund. Commissioner Haladay indicated he was comfortable with the current budgeted number. Interim City Clerk Clayborn noted Commissioner O'Loughlin would join the work session shortly. Controller Hirst commented further about the fund classification and how that's impacted by general fund contributions.

Mr. Couey moved the discussion to the next fund, Golf Course, number 563, to be revisited; the main topic to be covered is the fact that it's budgeted to end up with a negative fund balance, and how to plan going forward to get them back to a positive balance. COVID hurt the Golf Course this spring and also impacted the restaurant. A question to be discussed is a possible general fund contribution to get the Golf Course out of the negative fund balance, have the general fund cover it at year end.

Director Ponozzo provided further commentary and background information about the Golf Course budget pre- and post-COVID and how revenues were impacted as well as historical information on previous years' transfers from the general fund. She noted for the last 1.5 years the challenge has been debt service taken on for the new restaurant, identified unique characteristics of this golf course compared to others, and stated in order to meet the challenge of revenue recovery for FY21 this fund may need to make significant cuts, i.e. reduced services and eliminating positions.

Mayor Collins asked about employee position cuts and how that would impact operations. Director Ponozzo provided further comments and explanation of that option.

Commissioner Logan commented on recent discussion at another Golf Course presentation and possible future revenue increases, COVID notwithstanding, and things were looking better. Director Ponozzo commented regarding that other presentation which was on the schedule for just before the shutdown; there's still too much uncertainty about FY21 to estimate revenue for the next year. Commissioner Logan asked if without a general fund contribution this fund will take significant cuts, and Director Ponozzo explained without a contribution this fund will be in the red \$450,000-500,000. Mr. Couey clarified the difference between the negative cash flow and the negative fund balance.

Commissioner Haladay asked what would happen if for the next three years the Golf Course continuously projects an increasing negative cash balance and if a general fund transfer would be necessary, and how that would work for audit purposes. Ms. Hirst explained auditors would recommend the City take steps to get the fund out of the red and how the general fund would have to cover the debt payment if the fund defaulted on the debt service, which would impact other departments. Commissioner Haladay asked about how soon the general fund subsidy would be needed if the Golf Course keeps going with negative projected balances for the next two fiscal years. Ms. Hirst commented about that question relative to financial stances and any audit questions and Commissioner Haladay asked further follow-up questions about making up the difference in revenues for accounting purposes.

Commissioner Dean asked about any feedback that's been received from the Golf Course Board. Director Ponozzo said the Board hasn't met for three months so they haven't had a full conversation about the budget yet.

Mayor Collins noted his opinion that this fund should be helped to get out of the red this fiscal year. Commissioner Dean asked for input from Commissioner O'Loughlin on any support from the federal government; Mayor Collins said the City shouldn't rely on possibly getting federal funding but take steps now to get the fund into a better position.

Commissioner Logan asked Mr. Couey for his thoughts on what a reasonable contribution would be. Mr. Couey explained what would need to be done to solve the problem for this year and next year before getting to FY22, keeping the fund above the zero line.

Commissioner Haladay indicated reluctant agreement with Mayor Collins' thoughts on helping the Golf Course fund with a general fund subsidy but was disappointed from a values standpoint since the general fund is meant to be used to support community needs and the Golf Course is low priority.

Commissioner Dean added her thoughts about this fund being something the community wants and that once there's a COVID vaccine and things can be more normal, people will still be there wanting to use the Golf Course. From a perspective of tourism and the state-wide reputation this Golf Course has, this budget assist is not unreasonable, since they're not trying to get people in to use it.

Commissioner Logan added his thoughts on the advisory board for the Golf Course that's very engaged and the bright future for this fund and indicated his support of a transfer of \$280,000.

Commissioner O'Loughlin expressed agreement with the Commission's reluctance to keep this fund at a negative cash balance two fiscal years in a row and that a transfer from the general fund is warranted, stating another area that could be looked at is golf fees and tiered rates that consider Helena residency. She commented her hope that this transfer from the general fund would be a one-time thing rather than a re-occurring transfer and that the Commission monitor the Golf Course fund closely in the next year.

Mayor Collins agreed that this fund should be put on the Commission's agenda for further discussion but in the meantime, they have provided their directive to Mr. Couey. Mr. Couey stated this should be viewed as a loan rather than a bailout and will need to be paid back in the future when things have stabilized. Commissioner Haladay expressed agreement with that approach.

Interim City Manager introduced a special guest from the BID/TPID who will make a brief presentation of their budget. Mr. Couey noted they had originally been scheduled for this meeting. The TPID will be presenting to their board in June. BID Executive Director Micky Zurcher briefly spoke about the BID's FY21 objectives, budget and project plans. Commissioner Haladay asked if the work plan could be emailed to the Commission and Ms. Zurcher said it had been sent but she can forward it again. Commissioner Dean asked a follow-up question regarding requested TIF funding and if any downtown businesses are eligible to apply for that; Ms. Zurcher said businesses have to be in the BID to be eligible, outlined the physical limit of the downtown BID area, and commented on the number of businesses that are part of Downtown Helena and the BID. Mayor Collins inquired about member businesses of the BID. Commissioner Haladay asked about the difference between Downtown Helena, Inc. and the BID and Ms. Zurcher stated his understanding was correct.

Andrea from the Helena Tourism Business Improvement District commented to clarify the difference between their assessment and the lodging tax, as well as different branches and brands of their

organization and spoke to their mission; she presented highlights from their the work plan to the Commission especially in light of the COVID-19 pandemic. Commissioner Dean asked if their organization works with Glacier Conservancy or with Yellowstone to coordinate having people visit Helena in conjunction with park visits; Andrea indicated there'd be an interest in connecting with those groups about that. Mr. Couey asked for the total budget numbers for the year and those were provided.

Mr. Couey moved the discussion to the next fund, the Law & Justice Center; the main topic to be covered is to clarify what's being done, what is being paid for and who is paying for it. Mr. Couey elaborated on the original plan and costs for the L&JC/court remodel and commented on landlord and tenant costs to be covered by the City and the County. He further provided background information on the Intercap loan and the project plans, which are not terribly detailed at this point in the project. He addressed the different costs, adjustment to the Intercap loan amount, adjustment to rental rates for the building from where they're currently set. He presented the question to the Commission if that is the direction, they want to go rather than making any additional contribution from the City right away.

Commissioner O'Loughlin asked if the current Intercap loan of \$500,000 is reflected in increased rental rates and Mr. Couey explained that amount is reflected in the 1625. Commissioner O'Loughlin asked if the increases of 75 cents or a dollar in rent/square foot accurately reflects the \$500,000 loan and Mr. Couey said they did. Commissioner O'Loughlin asked if the loan reflects the building costs that were also in the previously discussed assessment; Mr. Couey explained the loan was a result of that assessment to cover that sort of renovation costs. Commissioner O'Loughlin asked for clarification on the remodel costs and what percentage of those are landlord versus tenant costs. Mr. Couey provided clarification about the court remodel costs being tenant costs for the City.

Commissioner Haladay asked if the general fund items that have already been discussed and sent to the Commission in the workbook reflect the increase in rental cost per square foot if the increased Intercap loan is taken. Mr. Couey provided comments and more background information about that looking at specific files and numbers in the new plan compared to the preliminary numbers and original plan. This has not yet been updated for the police fund, but their preliminary numbers shouldn't change due to the remodel costs for FY21.

Commissioner Dean asked about increased costs for FY22 and Mr. Couey said in the long run it's all general fund money for the court and the police. Commissioner Dean expressed appreciation to the approach of doing things right the first time and commented on the need to determine how to best work cooperatively with the County.

Commissioner Haladay asked Mr. Burke about capital schedules for the next few years on things that will be needed but aren't reflected in any contingency funds and asked if there's any idea now what those might be and their possible costs. Mr. Burke explained how his department is working in-house to keep those costs down using the rest of the Intercap loan since it would be more expensive to go off the assessment. He commented he hasn't heard anything yet about future needs/costs for the building; costs could be kept down if the type of occupancy stays the same.

Commissioner O'Loughlin asked about the spreadsheet showing the court remodel with atrium versus court remodel pillar only costs and how that's different from the original estimates of mechanical costs, and if a summary could be provided of landlord-associated mechanical costs

with the atrium remodel that aren't shown in the pillar-only estimate. Mr. Burke referred to the MEP assessment and provided further about those costs especially regarding HVAC work in the atrium. Commissioner O'Loughlin commented about landlord costs apparently being lower but the tenant costs being significantly more than what was previously discussed and this needs to be recognized in light of potentially large future capital expenditures.

Mr. Couey moved the discussion to the General Fund, number 100 to be revisited; the main topic to be covered is whether or not to contribute to the 440 fund He provided an update on specific numbers for FY21 and where things have been updated as far as revenues and cash flow and reserves, which is where any contribution to the 440 would come from.

Commissioner Dean asked about the increase in personnel expenditures and Mr. Couey clarified how part of that is savings and what's the actual budget number.

Commissioner Haladay noted his support of contributing \$450,000-\$500,000 to the 440 fund. Commissioner O'Loughlin expressed support for a contribution at that level. Commissioner Dean asked if there'd be any significant impact doing \$450,000 versus \$500,00 and what would Mr. Couey's preference be. Mr. Couey said there's not much of a significant difference but \$500,000 would probably be better. Mayor Collins confirmed there was a consensus to do the contribution of \$500,000.

Commissioner O'Loughlin asked a follow-up question about personnel expenses from steps and the cost of living adjustments and Mr. Couey provided more clarification on the numbers.

Mayor Collins asked if there was going to be a discussion on golf/park fees and the tiered rates for City versus non-City residence and the consensus was that was already done, but Commissioner O'Loughlin's suggestion of a more detailed discussion was an action item to take in the future.

Commissioner Haladay asked about the general fund, personnel services and commented about the historic change between the adopted and the projected budgets – those numbers always end up high since they're projected based on all positions being filled.

Mayor Collins opened the floor for public comment. Interim City Clerk Clayborn noted no comments had been received.

***Adjournment***

There being no further business to come before the City Commission, the meeting adjourned at 4:57 p.m.

**/S/ WILMOT COLLINS**  
MAYOR

ATTEST:

**/S/ DANNAI CLAYBORN**  
CLERK OF THE CITY COMMISSION

