SUMMARY OF ADMINISTRATIVE MEETING
February 21, 2018– 4:00 p.m.
Room 326
City-County Building
316 N. Park Avenue, Helena

1. Call to order, introductions, opening comments – Mayor Collins called the meeting to order. Commissioners Haladay, Noonan and O'Loughlin were present. Commissioner Farris-Olsen was excused. Staff present was: City Manager Ron Alles; City Attorney Thomas Jodoin; Deputy City Attorney Iryna O'Connor; Police Chief Troy McGee; Fire Chief Mark Emert; Community Development Director Sharon Haugen; Parks and Recreation Director Amy Teegarden; Public Works Director Randall Camp; Assistant Public Works Director Phil Hauck; City Engineer Ryan Leland; Capital Transit Supervisor Steve Larson; Capital Transit Supervisor Elroy Goleman; Utility Maintenance Superintendent Kevin Hart; Engineer Matt Culpo; Community Facilities Superintendent Troy Sampson; Parking Director Dave Hewitt; Human Resources Director James Fehr; Administrative Services Director Glenn Jorgenson and City Clerk Debbie Havens.

Others in attendance included: HCC Representative Sumner Sharpe; TAC members Theresa Ortega and Susan, Jay Reardon, IR Reporter Thomas Plank; KLJ representative Brian Vanderloos.

Mayor Collins thanked the Public Works staff for the work they have been doing on the snow plowing and the Parks Department staff for the meeting on the Beattie Street trailhead.

2. February 14, 2018 Summary – The February 14, 2018 administrative meeting summary was approved as submitted.

3. Commission comments, questions –

Upcoming Appointment – There are no appointments on the February 26th city commission meeting agenda.

4. City Manager's Report – Manager Alles had no items to report on.

5. Department discussions:

<u>Public Works</u>

Capital Transit 5311 Grant Package – Manager Alles introduced Elroy Goleman as the new Transit Supervisor; who will be taking over for Steve Larson.

Manager Alles referred the commission to a draft letter he is proposing to send identified businesses asking them to partner with the city to provide better transit service.

Commissioner Haladay stated he visited with Jessica Pederson and noted many of the businesses who were interested, tagged their support on the city expanding the service area. Manager Alles noted staff will also review the information from Jessica Pederson and individualize requests to the businesses. Commissioner O'Loughlin stated she supports sending a letter and asked if Manager Alles would follow-up with a phone call and schedule a meeting with himself and the mayor/commissioner. Manager Alles concurred.

Manager Alles introduced the agenda item and asked Transit Supervisor Larson to give the staff report.

Supervisor Larson referred the commission to the following information outlined in his memo: The current assumptions staff has used for revenues, personnel, operating, and capital budgets in the Capital Transit, East Valley and Head Start budgets. The draft budgets are attached. The grant budgets are due to the Montana Department of Transportation (MDT) on March 1, 2018. The City Commission will hold a public hearing February 26, 2018. The budget approved by the City Commission on February 26th will be for grant submittal purposes only and serves to notify MDT that it is our intention to continue to provide a transit service. The Commission will be able to adjust this budget as needed throughout the normal City budget process.

FUND 580- HATS CASH FLOW:

- The FY19 projected budget shows that expenditures will exceed revenues by $3,075 and capital reserves will end the fiscal year at $221,967. Operationally, the budget is near balanced if all revenue sources are realized.
- 100% of the 5311 operating grant and the TransAde grant award are projected to be spent.

FUND 580 - HATS REVENUES:

- We have been informed that Federal 5311 operating grant will be $778,462 for FY 2019. The 5311 grant last year was $674,594. This is an increase of $103,868.
- The 5311 grant is assumed to be split between HATS (90%) and East Valley (10%) similar to last year's allocation split.
- The FY19 TransAde grant is $63,779. This is an increase of $12,599 over the last fiscal year.
- The FY19 General Fund contribution is shown at the FY18 level of $337,500.
- The FY19 County contribution is shown to continue at $37,500. FY16 was the first year the county contributed to help meet the goals of the Transit Development Plan and the implementation of the new fixed routes.
- Transit fares are assumed to be $50,000 for FY19 and advertising revenues are projected to remain fairly constant. At this time, it was assumed the fares would remain unchanged.
- $50,000 is shown as a reimbursement transfer in from the Special Charters Fund. The hourly charge for the Legislative shuttle, trail riders, and other special charters includes the costs of administrative overhead (insurance, shop charges, etc..). This money has accumulated in the special charters fund and should be transferred back to Capital Transit. This is the second year of this transfer but may not be able to continue at this level in future years.
- No cash donations or in-kind contributions are anticipated.

FUND 580 - HATS PERSONNEL:

- No Cost of Living (COLA) was included in the preliminary budget (Budget Office preliminary estimate).
- PERS retirement percentage was increased .1% based on State Law (Budget Office preliminary estimate).
- Health Insurance was increased 8% (Budget Office preliminary estimate).
- Vision insurance was increase 3% (Budget Office preliminary estimate).
- Dental insurance was increased 5% (Budget Office preliminary estimate).
- Worker's compensation, liability insurance and fidelity insurance rates were based on budget office estimates.
- Salaries were budgeted to continue the second fixed route. The salaries will fund two fixed route buses that operate on a 60 minute schedule from 7:00 a.m. - 6:00 p.m. (an additional hour ½ per day is budgeted to allow for maintenance of buses.) and three to four Curb-to-Curb buses from 6:30 a.m. - 5:30 p.m. (an additional hour ½ per day is budgeted to allow for maintenance of buses.).

FUND 580 - HATS OPERATIONS:

- Supplies and Materials are projected to increase $150 based on projected usage.
- Purchased Services are projected to decrease by $1,183 from the FY18 budget. The major decrease is from contracted services based on actual and projected usage.
- Intra-City Charges are projected to increase 7,585 from the FY18 budget mostly due to projected vehicle repairs. Intra-city charges include fuel, repairs, tires, & outside repairs.
- Fixed Charges are projected to increase $460 to pay tax bill special assessments.
- Internal Charges are projected to increase $11,839 based on preliminary numbers.

FUND 580 - HATS CAPITAL:

- The Building line item includes a bus shelter ($15,000). This is the full cost and if approved by the state, the City would be reimbursed for 80% of the actual cost of just the shelter but not the cost of the pad improvements.
- The Vehicle line item includes an ADA para-transit bus (19,800). This amount reflects up to a 20% match and not the full cost of a bus.

FUND 581 - EAST VALLEY CASH FLOW:

- The FY19 projected budget shows that revenues will exceed expenditures by $5,744 and reserves will end the fiscal year at $26,923. Operationally, the budget is near balanced if all revenue sources are realized.
- The optimum operating reserve for this type of fund is approximately 1/12 of the total operating expenditures or $11,443 ($137,327/12).
- The East Valley fund is projected to use $77,846 (10%) of the 5311 grant funds available to the City.
- 100% of the 5311 grant award is projected to be spent.

FUND 581 - EAST VALLEY REVENUES:

- The Lewis & Clark County contribution to the East Valley bus is shown at $53,940. This is the same as the FY18 amount.
- The City of East Helena contribution is shown at $4,060. This is the same as the FY18 amount.
- Transit fare revenue is projected at $5,500 and advertising revenue is projected to be $1,500. At this time, it was assumed the fares would remain unchanged.

FUND 581 - EAST VALLEY PERSONNEL:

- Cost of Living (COLA) was estimated at .0 % (Budget Office preliminary estimate).
- PERS retirement percentage was increased .1% based on State Law (Budget Office preliminary estimate).
- Health Insurance was increased 8% (Budget Office preliminary estimate).
- Vision insurance was increased 3% (Budget Office preliminary estimate).
- Dental insurance was increased 5% (Budget Office preliminary estimate).
- Worker's compensation, liability insurance and fidelity insurance rates were based on budget office estimates.
- Salaries were budgeted to allow for one East Valley bus serving East Helena and the unincorporated East Valley area, operating on an hourly route for eight hours each day our operation is open (an additional hour ½ per day is budgeted to allow for maintenance of buses).
- No changes to the existing service such as a commuter route were contemplated in these budget numbers. This option could be discussed and the expenditure impacts evaluated if desired.

FUND 581 - EAST VALLEY OPERATIONS:

- Supplies and Materials are projected to remain unchanged.
- Purchased Services are projected to decrease $1,493.
- Intra-City Charges are projected to decrease $285.
- Internal Charges are projected to increase $2,710 based on preliminary numbers.

FUND 582 - HEAD START:

- The Rocky Mountain Development Council (RMDC) board has voted to discontinue the transportation portion of the Head Start program. The City will not need to budget anything for FY19. RMDC has always reimbursed 100% of the costs of providing this service and the only revenue that could be realized in FY19 would be to zero out this fund, although this could occur prior to the end of FY18.

Also included in the packet were the budgets for the identified funds. Items on the February 26th city commission agenda include: Submission of the 1) Capital Transit Service FY19 Montana Department of Transportation 5311 Operating Grant; 2) Capital Transit Coordination Plan for FY19; 3) Capital Transit FY19 request for TransAde funding; 4) submission of the Capital Transit FY19 request for 5311 grant for capital equipment; and 5) submission of the Capital Transit FY19 grant request package.

Supervisor Larson stated the Capital Transit Advisory Committee (TAC) has ranked and is recommending the following capital equipment purchases: 1) bus shelter; 2) para-transit bus; 3) ADA van. The commission cannot change the ranking; however, they can submit a letter with a recommendation for a different ranking. Supervisor Larson stated he is concerned with the bus stop being ranked higher than the para-transit bus; however, the MDT representative has indicated both items will be funded.

Manager Alles asked if the commission should submit a letter indicating the purchase of the para transit bus is the city's first priority. Supervisor Larson concurred and then spoke on the cost of the bus shelter and other funding available to build it.

Commissioner O'Loughlin asked where the bus shelter would be located. Supervisor Larson stated either on Rodney Street or Wal-Mart.

Supervisor Larson also spoke on the Capital Transit Advisory Committee's ranking and recommendation for TransAde funding and the Capital Transit FY2019 Coordination Plan.

Commissioner Noonan stated he would support sending the letter to MDT regarding the ranking of the capital purchases. There was commission consensus to submit a letter to MDT noting the para transit bus is the city's number one choice.

Director Camp reported the new diesel bus has arrived and hopefully will be operational by the first week of April.

Supervisor Larson also referred to staff's memo on alternative services, included holidays, week-ends and extended hours. Commissioner Noonan thanked staff for the information and noted the holiday service may be the place to begin. Manager Alles noted the commission could discuss these options during the budget process.

TAC Chair Theresa Ortega commented if the city wants the bus and bus stop but doesn't agree with the ranking, why request both items. Ms. Ortega noted TAC's ranking of the items was a surprise to her also. She asked if all three items could be requested to be funded.

Supervisor Larson explained the process where TAC's recommendation will be submitted and the city would submit a letter asking for the following ranking: para-transit bus; ADA van and bus shelter. A copy of the city's letter will be provided to TAC. Again, the city cannot change the ranking; however, a letter asking that the ranking be modified.

Commissioner Haladay asked what the effectiveness of making the request is. Manager Alles noted the city is the lead agency which plays a big part of the decision. Discussion was held on how MDT evaluates all the budgets and requests. Supervisor Larson explained how the priorities are funded; MDT will not know the amount of money they have until July; once they know the amount, they will rank the requests and allocate the funds.

Theresa Ortega asked if it is the lead agency's right to change TAC's ranking. Supervisor Larson stated the city cannot change the ranking; however can submit a letter asking the ranking be modified. Attorney Jodoin noted TAC is a required committee and its recommendation is submitted unchanged; however, the city can submit a letter outlining our priorities.

Commissioner Noonan asked if we provided bus service on Election Day. Supervisor Larson stated there was bus service offered on one Election Day and four individuals used the service.

Front Street Update – Engineer Leland reported the Front Street design is 90% complete; the decision before the commission is how to develop the lighting district; either go with NorthWestern Energy or have the city own and develop the lighting district.

KLJ Engineer Brian Vanderloos gave a PowerPoint presentation on the design of Front Street which covered the following topics:

Project History; Project Design Phase; Proposed Improvements; Screen Shot of Overall Project Layout; 14th Street Intersection Improvements; Estimated Lighting District Costs and the total project costs of 4.9 million dollars.

Discussion was held on the lighting district including the options of amending the current lighting district and adding the four new lights; creating and the city owning a new lighting district using LED lights; the costs comparisons for both options; the process of notifying the property owners when amending a lighting district; the burn hours for the high pressure sodium lights versus LED lights; how the City of Billings has created and maintains their lighting districts; the availability of replacement LED bulbs and the goal of using LED bulbs and the city owning and maintaining the lighting districts.

At the conclusion of the discussion, it was the consensus of the commission to move forward with amending the current lighting district and look at the city owning a new lighting district using LED lights when a new development is proposed.

Commissioner Haladay asked what the estimated timeline for construction to begin is. Engineer Leland stated the project will be awarded in May with construction beginning in June/July. The contractor will work close with the property owners to assure they have pedestrian access at all times. Commissioner Haladay asked that dust mitigation also be included in the contract.

Service Line Reimbursement Program – Manager Alles introduced the agenda item and asked Superintendent Hart to give the staff report.

Superintendent Hart referred the commission to the city's current ordinances for water and sewer service lines; Title 6, Chapter 2, Section 3 Water Rules and Title 6, Chapter 3, Section 6 Wastewater Rules; and showed a diagram of a city owned water main, curb box, water service line and sewer service line.

The city commission has expressed interest in a program to assist homeowners with the replacement or repairs of water and sewer service lines. Service lines are that portion of plumbing which connects the individual residence to the city owned water and sewer mains. Under ordinance, in water and sewer use rules, the property owner owns and is responsible for maintenance and repair of the service line, in compliance with adopted water rules and plumbing and engineering codes (see Figure 1). Due to the often unexpected nature of service line failures and the likelihood that several thousand dollars will be spent on repairs, (even larger when the cost of replacement of asphalt, sidewalk, curb and gutter within the city owned right-of-way occurs) the event is typically unanticipated and owners are unprepared. While most homeowner's insurance either do not cover repairs, or will cover only portions of replacement with the purchase of a rider, most will exclude any work that occurs off private property.

Other association-sponsored programs such as one through the National League of Cities and Towns provide for an insurance program that is dependent on voluntary citizen participation and/or utility participation at various levels in order to work. However, such programs typically cap the amount paid.

The Commission asked staff to consider a loan type program similar to others the city currently offers, such as the renewable energy loan and sidewalk replacement programs, to assist with this problem. The following framework presents a recommended loan program.

PURPOSE

The program will not change the "ownership," or shift responsibility for service line and components from the property owner to the city. It would provide a capitalized revolving loan fund, initially sourced with a one-time funding contribution by water and sewer utilities, and then revenue from a monthly charge on bills to eligible single dwelling unit residence accounts and loan repayments. A resolution would be needed to establish the program, and another annual fee resolution passed that establishes a monthly targeted charge on each eligible utility account. The charge would be reviewed and adjusted annually to ensure that the ongoing rate assessment or loan repayments were sufficient to cover ongoing and new loan obligations.

DESCRIPTION OF PROGRAM:

Table 1 shows the number of residential water and sewer service line repairs and replacements from 2012 to 2017, and the trends in the numbers seen, derived from an analysis of permit and inspection databases. While the trend is upward, the *average* number of water and wastewater service repairs and replacements is shown and used in this analysis.

Table 2 presents the number of single dwelling unit and multi-dwelling unit accounts tracked by the utility billing system by size of installed meter.

For the recommended program operation, only single dwelling unit accounts having both water and sewer services are eligible and therefore used to generate the funds for the loan program. Highlighted in table 2 are the single dwelling unit accounts having both water and sewer using meters up to 1.5 inches, totaling 8,341 accounts. This number has been rounded up to 8,400 in subsequent tables to illustrate the assessment necessary to fund the proposed loan programs.

Staff recommends that the focus remain on single dwelling unit residential accounts only due to the nature of how the city currently tracks multi-dwelling units, and because we cannot currently differentiate among multi-dwelling unit sizes. This category includes anything from duplexes through large apartment complexes, all of which have been classed as residential for the purpose of calculating sewer rates. With our current data collection it would be difficult to make further distinctions within the multi-dwelling unit category. For that reason, and because the commission has not expressed interest in multi-dwelling unit eligibility, it is recommended to make only single family unit properties eligible for the program.

Table 3 uses 8,400 accounts to calculate the water assessment needed to cover varying numbers of loans, based on numbers of repairs or replacements at a current average cost for water and sewer replacements of $15,000, a number provided by the city building division, and verified through city engineering. The highlighted portion of the table shows the average number of leaks (17) at this cost. To generate both a capitalized initial program amount within the water fund ($255,000), the rate per account of $2.53 is necessary to support this program on an ongoing basis, assuming no changes in cost of repairs or number of leaks, and an equal repayment amount back to the water fund over a 10 year period.

Also shown is the expected loan repayment revenue in the first year, loan capitalization, and loan repayment offset (over the first 10 years of the program). After 10 years, the capitalization repayment revenue amount would allow reductions in the assessment charge assuming all other things being equal. Also included is a column indicating the percent increase such a charge would equal for eligible water services.

Table 4 projects the same information but calculates the program effect on the wastewater fund. As there are more wastewater replacements (44 on average) the capitalization amount ($$660,000), wastewater assessment ($6.55), repayment to the wastewater fund ($66,000), and the repayment revenue ($66,000) expected is also higher. The highlighted portion of table 4 shows these amounts. Also included is a column indicating the percent increase such a charge would equal for eligible wastewater services.

Table 5 shows current charges for an average residential water and sewer customer. The figures use an average loan value of $15,000 each for water and sewer, and assume a maximum loan amount of $30,000, considering one loan that included both water service and sewer service replacement. As a loan program, some loans are likely to be higher and some lower, and the program would accept higher or lower loan proposals; this program sets a maximum 10 year repayment term. This would be done to reduce the burden on property owners needing to secure two sources of loan funds to fund repairs and could be incentive to property owners to make replacements all the way to the main connection rather than stopping on their own property. The purpose of the program is to provide assistance with these needed repairs, but to limit the staff involvement to lowest levels possible. It is envisioned that the loan amounts would be verified and determined based on receipts provided by the property owner following completion of repairs. At the current time, this program assumes that it would be limited to service line repairs or replacements completed following program adoption. The program would require annual review to determine succeeding year requirements.

The following sections provide additional discussion on program operation.

OPERATION

As service line problems manifest, eligible customers would be made aware of the program and would participate by completing an application for the program, and agreeing to loan terms and conditions or participation agreement. The agreement for this program would be similar to that now in place for renewable energy loan program. The loan would be offered at a zero percent interest rate, which is believed to be the best option for a city run program. A concept for an additional “low income” component is discussed in more detail in a later section. The draft resolution authorizing the program is attached.

Loan Amount, Loan Term and Security: A City administered loan program would be to cover costs borne by the customer in making repairs or replacements based on a total amount for each service: This is assumed to be based on actual estimated cost, up to a maximum loan of $15,000 individually for water and sewer, or a combined loan not to exceed $30,000 if both water and sewer are replaced. However, it is recommended that the loan cover actual repair or replacement costs as determined by invoice. It is not recommended that this program be limited to work within the public right-of-way as it would be easier to implement based on costs to consumers for job completion, rather than necessitating a second loan or other financing for the balance of costs not provided for in the city program, or to make judgements about costs of service occurring only within the right-of-way. All loans would have a repayment schedule of either up to up to a 10 year loan period, or a minimum monthly repayment amount of $125 if less than $15,000. The repayment amount would go up based on the total amount of loan taken. For example: If a combined water and sewer loan was taken at a principal amount of $30,000, minimum monthly repayment amount would be $250. All loans could be repaid in full at any time.

Interest Rate: A zero-interest loan is proposed for this program, and cost of program implementation will be paid through existing staff salaries and budget as a means to keep program costs low for eligible customers. Loan repayment would be tracked and included on the customer monthly utility bill, with delinquency handled as we would a delinquent water bill. It is recommended that a zero interest loan is the best way to address low income families and provide an equal basis among participates of the program. Grants were not considered as a means to provide low income relief or as means to assist property owners with costs.

Non Payment and Delinquencies: Under ordinance, the Director of Public Works has authority to withhold service for non-payment of established charges. This can be exercised to reinforce the current process where a large outstanding amount is owed prior to the property changing hands and continued service authorized. Currently, water charges are indirectly attached to the property; in the event of sale, the city utility customer service division seeks payment of any outstanding charges at closing with area title companies prior to resuming water service. The proposed program relies on existing authorities and improvements in processes or practices to operate the program, and ensure repayment once the program is established by resolution.

The loan agreement would be recorded so that title companies will be aware of the outstanding debt prior to sale of the property. It is recommended that any outstanding loan be paid in full before the property is transferred. That is current practice with renewable energy loan and sidewalk replacement programs. Another concern might be the ability to withhold one or more services on properties once served, if loans become delinquent or owners change. For instance, we have approximately 140 sewer-only accounts. We would have to disconnect a line in order to withhold service, if loans are made to such accounts. This is another reason why staff recommends the program apply to single dwelling units that have both city water and city sewer accounts.

Revolving Fund: Each year the established revolving fund would be assessed to determine the coming year residential assessment or charge necessary to keep the program operational for new applications, up to anticipated levels, accounting for loan repayment proceeds received, and new account growth in the period or other necessary program adjustments. The program will need to be funded initially at some amount to allow for collection of assessment in sufficient amount to accumulate and grow to being self-sufficient. Staff recommends the revolving fund be initially capitalized over one year, to cover expected loans, and that water or sewer funds used for this purpose are repaid in full for the initial capitalization, at no interest, over a 10 year period.

Customer Roles: Customers would control the selection of contractors and determine the cost of repairs through individual negotiation with a contractor or contractors. Loan proceeds would be provided to the customer based on invoices received. The owner has the obligation for payment to the contractor and repayment to the city would be the loan recipient's obligation to the city or low income program provider. There are a number of ways this program could work, but staff recommends the program be kept simple in order to retain the responsibility for service lines with the property owner, allow owner-selected contractors to perform work, limit long-term liability under professional quality of service standards, and minimize city staff oversight and review beyond the existing levels. City involvement in program administration would focus on loan establishment, compliance of work with city standards, permit inspections, and loan repayment actions.

Additional Low or Moderate Income Treatment: A city-sponsored loan program requires repayment at a minimum of principal to help keep assessments at low rates. Charging zero interest appears to be the best option for providing breaks for low income or moderate income households needing assistance. Another component to help is a federal housing and urban development loan program which does not require repayment until the sale of a home. This would entail the city (through the community development department) submitting the application and securing the source of grant funds with special provisions available to qualified low to moderate income households meeting "low income" designations established by Housing and Urban Development. Consideration of provisions to accommodate low income households unable to meet the terms of the zero interest loan would depend on the development and securing of a grant through Community Development in conjunction with Rocky Mountain Development Council. This would essentially move participants from the city program into a different program, which would allow the costs of such repairs to be delayed without interest or principal payment until the sale of a home or loan prepayment occurred. This program can be discussed in more detail if the commission is interested I pursuing it, which would be separate from the city loan program.

Superintendent Hart also referred the commission to the draft resolution establishing a residential service line replacement loan program.

Manager Alles noted to generate both a capitalized initial program amount within the water fund ($255,000), the rate per account of $2.53 is necessary to support this program on an ongoing basis, assuming no changes in cost of repairs or number of leaks, and an equal repayment amount back to the water fund over a 10-year period. With all things being equal, the program could be capitalized over a ten-year period and be fully funding. Superintendent Hart concurred and commented on setting limits on the amount a property owner would qualify for.

Commissioner O'Loughlin asked what is the estimated rate increase Superintendent Hart referred the commission to Table 5 that shows the current rates and noted the estimated increase would be a 23.33% increase to fund this program.

Commissioner O'Loughlin asked based on the estimates, staff is predicting that those home owners who are eligible would take advantage of the loan program. Superintendent Hart stated there is some speculation; however, if property owners have the choice between borrowing money from a bank, using their savings or taking out a zero interest loan, he would anticipate they would use the zero interest loans.

Commissioner Haladay asked if the $2.53 (water) and the $6.55 (sewer) are new base amounts that would be charged each month; therefore, you are looking at $109.00 per year increase for the new charges for both water and sewer. Superintendent Hart concurred and the factor that influences those numbers is the number of leaks. If the leaks increase, those charges would not totally fund the program. He then gave the scenario where the actual amount of leaks were to double of what is being estimated; for that 2nd half of people, there would be no funding available, the city is not going to keep giving loans without money being budgeted. Manager Alles stated that would be one way to approach it; another way is to use cash from the respective funds and then recoup the funds during the next fiscal year rate increase. Manager Alles noted the recommendation is to set up a separate fund for this program and the funds would be generated through rate increases. Commissioner Haladay stated what he is trying to figure out is if we are doing this as a base rate assessment, we are arguing that every property is somehow benefited, that is how we can assess everyone. He asked would we run into trouble when a property owner pays the assessment and when they ask for a loan, there are no funds available. Attorney Jodion stated he is concerned about that prospect of property owners paying the assessment and there not being funds available to everyone.

Commissioner O'Loughlin stated for that reason, the city cannot structure the program that way. The point of all this research is to get to a place where the commission feels comfortable with the estimates. Staff has given us a range of how many replacements we can expect; the commission would need to review the program every year during budget discussions. Commissioner Haladay concurred and noted his concern is are we willing to put $108.00 on every bill citywide. His personal preference would be to assess a specific amount annually and have the fund build up over time, even if it means there would not be funds available to all individuals who pay the assessment. It may take ten years to get to a healthy cycling of the fund.

Commissioner O'Loughlin asked if there is a way to do a means testing and reduce the estimated services that will need to be replaced. She asked what type of program the city of Great Falls has. Attorney Jodoin stated Great Falls contracts with a financial institution, charge a 3% interest rate, have a cap on the amount and does means testing. Attorney Jodoin stated his concern is excluding people who pay into the program and not have funding available to them; it could put the program into legal jeopardy. Commissioner O'Loughlin asked if a higher interest could be charged for some loans and a zero rate for the qualified low income.

Manager Alles noted the commission could put a cap on the amount available; however, there is a concern that the property owner would have to take out two loans. There is interest in creating a grant program; if that is implemented, rates will have to be higher and/or stay higher longer.

Commissioner Noonan referenced the following comments submitted by Commissioner Farris-Olsen:

With respect to the sewer/water line replacement program - When I initially proposed this to staff and the commission last year, I proposed it as a program whereby the City would provide grant-type funding to homeowners whose water and/or sewer line had been broken. The initial concept was we add $1 to each homeowner's water bill, and that money goes into a separate account. The money is then distributed to individuals whose water and/or sewer line break. I see from the charts the $1 may not be sufficient to cover all line breaks in the City, however, I'm still in favor of providing the funds without the requirement of a "loan". We also discussed last year that we could tie the funding to the income level of the homeowner, so for example, if some is at 100% of the poverty level, the City pays 100% of the cost, with this amount decreasing the more the homeowner makes. It's my understanding that we already do some of this means testing for other assessments or property taxes, or at a minimum, we could require an application or do an overlay with the census data. I'm concerned with the loan program in that it doesn't do enough to ensure that our poorest residents can fix their broken lines. So, as we discussed last year, I still believe the system needs to provide funding without the loan program. That being said, I'm fine with the loan program for individuals who are at say 300% of the poverty level.

Commissioner Haladay referenced the "new charges" of $2.53 per month for water and $6.55 per month for sewer, which would add up to 109.00 per year. Commissioner Haladay asked what happens when we have a bad year for replacement and we see double the amount of breaks. At some point the fund would not have anything left; we would not continue to fund. Manager Alles noted there are a couple of options; you could fund it by cash and then make it up by raising rates the following year. An entire separate fund will be set up for this loan program. Commissioner Haladay commented if every property is eligible for this, what happens when a property owner has paid into the fund and then there is no funding available.

Manager Alles noted staff would also apply for a grant program through the CDBG program; the city could qualify as an entity and tap into funding for low income property owners that can be structured a number of ways.

Director Haugen stated city staff has been talking with representatives from Habitat for Humanity, Neighborhood Housing Services and the staff for the CDBG program. There is a program where the city could qualify as an entity and tap into funding and make available for a loans to homeowners. This grant program would be available to low and moderate incomes and would cover other home repairs in addition to the water and sewer. Director Haugen stated the program could be structured where the loan would not have to be paid back until the house is sold. The program would have to meet HUD standards for income eligibility.

Commissioner O'Loughlin stated Cascade County set up their program through NeighborWorks. Commissioner O'Loughlin asked if there is a way to lower the costs to the city by applying for a CDBG grant to cover some lower income families. Director Haugen explained how this program is set up is you qualify as a city to do the program and then you look at house by house basis. It is similar to the 1st time homeowners program.

Manager Alles spoke on the timeline for an individual to qualify for grant funding; most the time when a leak occurs, it is an emergency situation. The city would have to look at emergency situations, pay up front and get reimbursed.

Attorney Jodoin clarified his previous comments and noted Great Falls contracts with NeighborWorks to program the loan application process, excludes households above a certain income or have assets exceeding $20,000, and there is a 3% interest rate.

Commissioner Haladay commented on the funds that have a base rate versus an assessment, we put that base rate to a variety of uses that benefit specific areas, specifically streets. He then asked where do we cross the line where everyone pays into it and when the funding is gone, no loans would be processed. Attorney Jodoin stated he would like to explore the general tax versus an assessment that has to have a basis on what is charged.

Commissioner Noonan stated he appreciates Superintendent Hart's extensive overview and believes it would be a good program if we could do it. He asked if we could address the low income needs in another way. Commissioner O'Loughlin asked staff to share the materials that Attorney Jodoin has received from Great Falls. Attorney Jodoin stated the city of Great Falls initially funded their program through a CDBG grant.

Commissioner Haladay stated assuming it is legal to do some type of a means test and even apply some differential treatment, other than the fact it wouldn't be fully capitalized; logistically if we set a certain criteria that is acceptable, the city would have to recognize the funding went out. Superintendent Hart stated he does not want to have to tell one customer you qualify and another they do not.

Commissioner O'Loughlin asked what are the household criteria to qualify for the TAP program. Attorney Jodoin stated it depends on the size of the household and gave a general overview and income limits. General discussion was held on the criteria that sets the median household income.

Public Comment: Jay Reardon stated as person who has had to tell a homeowner that they are responsible for fixing the leak outside their house; he would recommend an education/marketing component be included in the program. He also noted he believes most residents would be willing to pay an assessment if they knew a zero percent loan would be available.

Commissioner O'Loughlin stated she would like to get additional information on how the Great Falls program is structured. She asked that this be put back on a future administrative agenda and allow staff to do more research.

Manager Alles stated a meeting on housing is scheduled in March/April; he will put this back on an administrative meeting agenda in May. Attorney Jodoin stated his office does not have the ability to administer the loans and recommended the city look at a contracting it with outside counsel. Commissioner Haladay suggested talking with MBAC as a possibility to contract with.

Commissioner Haladay stated he is still comfortable with increasing the rate $9.00 per month to fund the program. Commissioner Noonan stated he would support the $9.00 per month if it is an equitable program. Commissioner O'Loughlin noted this is a real hardship for a lot of families; she appreciates the point of an educational component. She also thanked Superintendent Hart for the detailed staff memo.

City Attorney

Best Value Contracting/Alternative Project Delivery, Contract Accountability and Apprenticeship Program – This item was tabled to the March 7th administrative meeting agenda.

6. Committee discussions:

a) Audit Committee, City-County Board of Health, L&C County Mental Health Advisory Committee, Montana League of Cities & Towns – Mayor Wilmot Collins – No report given.
b) Mayor Pro-Tem, Audit Committee, Helena Chamber of Commerce Liaison, Information Technology Committee, Public Art Committee – Commissioner Andres Haladay – No report given.
c) Board of Adjustment, Civic Center Board, Non-Motorized Travel Advisory Board, Transportation Coordinating Committee – Commissioner Rob Farris-Olsen – No report given.
d) ADA Compliance Committee, Business Improvement District/Helena Parking Commission, City-County Administration Building (CCAB), Montana Business Assistance Connection – Commissioner Ed Noonan – No report given.
e) Audit Committee, City-County Parks Board, Transportation Coordinating Committee – Commissioner Heather O'Loughlin – No report given.
f) Helena Citizens Council – HCC Chair Sumner Sharpe had not items to report on.

7. Review of agenda for February 26, 2018 - No discussion held.

8. Public Comment – No public comment.

9. Commission discussion and direction to the City Manager – No discussion held.

10. Adjourn – Meeting adjourned at 6:05 p.m.