

CITY OF POLSON

CITY COMMISSION PRELIMINARY BUDGET PUBLIC HEARING

Commission Chambers

August 26, 2015

6:30 p.m.

ATTENDANCE: Mayor Heather Knutson, Commissioners Campbell, Donovan, Erickson, Siler, and Southerland City Manager Mark Shrives, City Clerk Cora Pritt

ABSENT: Commissioner Turner

OTHERS PRESENT (who voluntarily signed in): Elsa Duford, Bonnie Manicke, Lee Manicke, and Tony Porrazzo

CALL TO ORDER: (00:03) Mayor Knutson called the meeting to order. The Pledge of Allegiance was recited. Roll call was taken.

APPROVAL OF PROPOSED AGENDA (00:49) - Commissioner Southerland motion to approve the proposed agenda. Commissioner Siler second. City Commission discussion: none Public comment: Elsa Duford commented on the handicap to the Public when there are not copies of agenda items provided to the Public at the meeting. This prohibits the Public from being informed and being able to participate. Mayor Knutson explained that the agenda is available on the City website or someone can bring in a flash drive and the City Clerk will copy the information onto the flash drive for you. **VOTE: Unanimous Motion carried**

PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC **NOT ON THE AGENDA (5:40)-none**

FISCAL YEAR 2016 PRELIMINARY BUDGET PUBLIC HEARING (6:07) -City Manager Mark Shrives

read the following letter prior to the Public Hearing being opened:

August 26, 2015

Dear Commission and Citizens of Polson:

Attached is the budget packet for FY16. As in past years the general fund always represents a challenge for budgeting. You may recall that earlier this year the finance chapter of the recodification was passed. Part of that ordinance requires that the General Fund have an ending fund balance reserve of at least 16.67%. As the budget currently stands, the fund balance cash reserve is at 16.17%. The updated budget reports include a COLA of 30 cents for permanent employees who are not receiving a wage increase (see the attached updated salary report). You will notice on the salary report that police officers have a set of two numbers by their position. The Police Department has started a salary schedule that has three lanes and 20 steps. The starting pay for the schedule is \$19/hour. Each step (for years of service longevity) increase 1% and each lane (patrol, corporal, sergeant) increase 5%. This will make it much easier for the police department to set a fair wage for beginning police officers, as well as those hired with experience. The increase in officer wages this year is shown as salary parity in fund 2020. In FY2016, hopefully we can build other salary schedules that compensate employees on a fair scale and recognize longevity.

The certified values from the DOR were briefly discussed at the last commission meeting. As you can see, from the Certified Value sheet the taxable value is at \$8,770,665, which makes the value of 1 mill \$8,771. By law, the City can raise the same amount of taxes that it milled the prior year. In order to raise the same amount of taxes for the General Fund this year compared to last year, the mills are set at 139.51 (see the mill calculation sheet). The taxable value of newly taxable property is still a concern. We have notified DOR that we feel it is too low and they are working through the issues we raised. Our biggest concern was that the Kalispell Regional Medical Center Building had not been included in our newly taxable values along with the Knife River property that was annexed into the City. The DOR is actually doing an appraisal on the Kalispell Regional property in the next two weeks and we were told we would be provided new certified values about a week after that appraisal had been completed. They are also researching the Knife River property. The value of newly taxable property and the inflation factors are the only items that can allow the city to receive additional tax revenue, so it is very important to have these properties included.

The Permissive Levy is also based on the City's taxable value. In order to generate approximately the same amount of revenue, the mills need to be raised from 9.5 to 10.5. The Commission will need to approve this as part of the budget resolution. Healthcare costs continue to be one of the City's largest budget items. This year, to offset the increase that the City would have faced, the insurance deductibles were raised. This lowered the City's premiums below last year's costs. Part of the savings was given back to the employees in an increase in the HSA contribution from \$50 to \$100 per month. The employees are also contributing a total of \$20 per month to the cost of insurance, compared to \$15 per month last year, for those on the high deductible plan. Those on the 80/20 plan (which has low deductibles) are also paying more toward their plan.

A new indirect cost study has been prepared (see the attached memo and spreadsheets). The last time indirect costs were updated was the FY09 year. Since the amount does present some "sticker shock," it was decided to only change half for the FY16 year. The Building Fund still has a negative fund balance, so it will not participate for FY16. The Golf Fund has a bond resolution stipulation that limits the indirect cost to \$30,000.

The City had a cash savings in the General Fund last year of approximately \$160,000 (which in essence is money that was budgeted but not spent) Approximately \$150,000 of that savings is being appropriated for the FY16 year. Again, just because it is budgeted does not mean it will be spent.

Here are specific fund highlights:

Special Revenue Funds

- The interpretive sign project will be completed soon and a kiosk will be constructed at Salish Point to assist visitors to the walking path. The Tax Increment District is also looking at completing the parking lot paving at Salish Point.
- The City is again receiving a HIDTA grant to help pay the salary of the Drug Task Force officer.
- The EDC is exploring the possibility of a resort tax to fund street reconstruction and preservation. They are holding a series of public meetings to explain the tax and how it would be used.

Debt Service Funds

- This is the sixth year of assessment for SID #42 (Streetscape) with 10 years remaining.

Capital Projects

- The warranty work on the Streetscape project is completed. The remaining funds of \$4,295 will be transferred to the Tree Fund to replace trees on Main Street.
- The bond resolution does not allow maintenance for bond proceeds, but there were other contributions made to that fund. We are considering the remainder to be from other sources.

Golf Fund

- The Golf Fund completed the purchase of 60 Club Car golf carts, and construction on the golf cart storage building is ongoing.
- The irrigation project has been put on hold until later in FY16 or early in FY17. A funding package will be secured that includes refinancing the existing revenue bonds.

Water Fund

- The downtown looping project was completed in FY15, and the well construction will be completed in FY16.
- Planning will begin for several more water projects to be completed in FY17 and FY18.

Sewer Fund

- The mechanical treatment plant is moving along. As bids are accepted for equipment design, the Sewer Fund will make down payments on those design costs. Engineering costs will continue to be incurred. Based on engineer Kevin Johnson’s time line, the City will incur about \$1.8 million in costs for the project this year. As was discussed in the budget workshop, we will use local funds to the maximum extent possible before we start using loan funds.

This is a preliminary budget and can be changed. The City probably will not pass a final budget until issues with the DOR can be resolved.

Sincerely,

Mark Shrives, City Manager
Cindy Dooley, Finance Officer

City Finance Officer Cindy Dooley presented the following changes to the Preliminary Budget:

City of Polson

General Fund Cash Transactions

FY15

08/26/2015

Prepared by: Cindy M Dooley, Finance Officer

Cash Available from FY15 Revenues compared with Expenditures	\$ 386,373.49
Fund transfers for account coding corrections after print date of 09/15/2014	<u>(16,630.37)</u>
Adjusted Cash Available at 07/01/2014	\$ 369,743.12
FY14 audit correction	(2,000.00)
Receipt of Accounts Receivable/Payment of Accounts Payable	33,266.06

Receipt of Accounts Receivable/Payment of Accounts Payable recorded after 09/15/14	4,580.21		
Actual Revenues for FY15	2,397,371.56	Budget was	Variance =
		\$2,334,400.00	\$62,971.56
Actual Expenditures for FY15	(2,207,889.89)	Budget was	Variance =
		\$2,454,747.00	\$246,857.11
Accounts Receivable/Accounts Payable at end of FY15 (cash adjustments)	<u>(48,535.70)</u>		
Cash Available on 07/01/15	<u>\$ 546,535.36</u>		

Proof:

Projected Cash Remaining from FY15 Revenues Compared with Expenditures	\$ 299,292.55
Revenue Variance	62,971.56
Expenditure Variance	246,857.11
Fund transfers/corrections not included in original projection	(16,630.37)
Accounts Receivable/Accounts Payable not included in original projection	4,580.21
FY14 audit correction	(2,000.00)
FY15 Accounts Receivable/Accounts Payable ending balance (cash adjustments)	<u>(48,535.70)</u>
	<u>\$ 546,535.36</u>

The FY16 budget reflects appropriation of part of the actual cash savings of \$176,792.24 (546,535.36 - 369,743.12)

City Finance Officer Dooley explained that the City is waiting on Recertification Values from the Department of Revenue. Also, the changes to the Preliminary budget included the COLA pay raise of \$.30 to permanent full time employees who were not receiving a separate pay raise. There was also a pay raises to the Building Official, and the Water/Sewer Superintendent. The Executive Service Travel saw a decrease of \$500.00, the \$9,000.00 for the new public address system for the Council Chambers was removed, and the Education/Travel/Dues for the City Manager were reduced by \$1,000.00. MMIA will be paying for a portion of his travels. The General Fund saw a net reduction of \$2,313.00. Building Fund saw an increase of \$4,377.00 due to the pay increase. Golf Fund saw an increase of \$2, 192.00 due to COLA. Water/Sewer Funds saw an increase of \$10,583.00 due to COLA and pay raise for the Superintendent.

Mayor Knutson then opened the Public Hearing (55:55)

Karen Sargeant, “Ward 2. Just to reiterate, I’ve been here for 11 years. I have not asked for a raise for myself in those 11 years. Mark asked us last year, and I can’t speak on behalf of the other department heads, but we all rose to the call. When he told us to stop spending we did. He’s monitoring the budget for us. We’re monitoring our own budgets. Every single year I’ve been here I’ve given money back to the General Fund. Every single year. Okay. Part of it’s due to my anal retentiveness, part of it is due to my frugality, okay. I’m a very, very frugal person. If I don’t have to spend it, I won’t. Okay. Part of that is due to the fact that our Capital Improvement Plan. We have been told that the money that we save rolls into the Capital Improvement Plan. All of us are looking at that and going okay. Good. It’s not disappearing into a vacuum like it has for the last 9 years. I remember one year I gave \$14,000.00 back to the General Fund. It disappeared. So I have been contributing, my department has been contributing to

the Reserves and the General Fund for the last 11 years. So what we're looking at here is we're looking at wage increases that are necessary because my season temps cannot, they do not have a livable wage for the City of Polson. They don't even come close to a livable wage. My lead worker is close. My assistant lead worker is not. He's not close either. You cannot live on \$11.00 per hour in Polson. It's not possible to do that without struggling. Okay. So that's where that's coming from. And a .30 cent COLA increase is nothing. Nothing. You have very, very high qualified people in the City as your department heads. Very qualified people. I can speak on behalf of myself. I have a Master's Degree. I have 30 plus years in Parks and Recreation. Okay. And I am constantly irritating my husband because I don't ask for a raise for myself. Okay. It's worth every penny that goes into these salaries. It's worth every penny that goes into these wages because we give you guys 110% all the time. I think we need to be rewarded for that. I think we need to be appreciated for that. Okay. The cost of living in Polson is very high. The cost of living in Montana, except for some small towns back east because their hitting the big boom, okay is very high. I can compare it to cities in western Washington. You gotta kinda weigh all these things. You can't just look at that single factor there. You gotta look at all these factors. We all know the price of groceries is going up. The price of gas is going up, fluctuating now. We all have person fixed costs. We all have department fixed costs. Those fixed costs are going up. Through no fault of our own, you know, we don't have a choice in that. Our utilities are going up. Our electrical is going to go up soon as the dam gets functioning with the Tribe. That's coming. Okay. We know that. We're looking for every nook and cranny that we can cut or we can save in all of our departments. Mark tasked us with that and we did it. We did a salary survey to find out what was, what's wrong, you know. So, okay I've got a person dealing in sewage and needles and condoms and used condoms and trash and garbage and they're getting paid \$8.50 an hour and I can go flip burgers at McDonalds and make \$10.00 an hour. Does anybody else see something wrong with that picture? Cause I sure do. Commissioner Campbell, "Not me. I'm a sewer guy." Karen Sargeant, "Well, there you go. If you look at the sewer salaries they're really up there. I can't keep seasonals. I can't keep seasonals. And I don't blame them. Yeah, you want to go work at McDonalds for \$10.00 an hour rather than deal with human waste and all this other crap that you have to deal with for \$8.50? Hmmm, okay. Alright, I don't blame them. So just keep that in mind as you're looking at these salary increases. Thank you." **Tony Porrazzo**, "Water/Sewer Superintendent. As we look at Water & Sewer I understand, you know, that the rates are going up. That makes a hard issue for your people. For you to make decisions. But, when did you retire John? 14 years ago?" Commissioner Campbell, "13 years ago." Ton Porrazzo, "I've been doing this job for 13 years. I have given my raise away 3 times because the Council's wouldn't give my people money. This is ridiculous. I've been trying to get, John made 50 cents an hour more than the Chief of Police. As this budget sits, I will make \$15,000.00 a year less. Job didn't change. I mean it's, you know, and then to sit and listen to "well the budget, we've got to", fair is fair. I mean, I've been getting kicked down for quite a few years here. I was always told oh we will work you up gradually. Well gradually is never coming. It's just, I get kicked back every year. Well you know we can't do it all at once. When? It's not my fault that year after year you kicked the can. Well, next year. Same thing, you know, that has happened. I mean, it's gotta change. We gotta get caught up to what's really going on here. Just like Karen said, you have a team, qualified people and we do give 110% all the time and we get this. I've got an attitude as you can tell, but its 13 years' worth. Well actually 20 some. I mean, we gotta look at that too. I understand, you know, it's hard to explain to the Public the whole thing but reality is reality. Things need to be caught up to speed. And so, I would just like for you to look at that and realize that we're so far behind is the reason these big jumps happen. Because it keeps getting kicked off to the next year. Mark's trying to, you know, make things square and level so that we can function at a proper level and it's (inaudible). I understand what he's done. We are working on our pay scale as Water & Sewer department with operators and all of that stuff. We're trying to take it up incrementally. We're pretty close but we don't have that down yet completely. We will by next year for the pay scale. But for me I was told the same thing last year. I put in for a better raise last year, "well we'll give you a little this year and then we'll work on it next year." Was told the same thing the year before. The same thing the year before. It just keeps getting further, and further away. Please look at that." Mayor Knutson, "Do we

have any additional comments this evening?” **Terry Gembala**, “Streets Supervisor. I guess looking through this it’s quite amazing. As a department head, other than Karen, Karen and I are the two lowest paid department heads in the City.” Mayor Knutson, “Additional public comment?” **Speaker did not identify herself**, “I would certainly like to thank the Commission for the challenges and the economic condition that we have. Not only in Polson but world-wide. Not only in the United States, but also world-wide. So to start off with, I’m going to start off with an acknowledgement for Chief Nash. I am going to acknowledge the research that he did in streamlining the operations in the Police Department. I think it was something that was hanging out there for a long time and he took the boat in the oar if you want to say that and made it happen. So this is the first compliment. As we move down the line I assume that there may be an added cost that I may challenge at that time but for right now it’s an acknowledgement for his research and to streamline the department. The Administration charges is a real sensitive issue for me. The Golf Enterprise is considered a recreation and luxury. Not a required for essential services. The Water & Sewer department is an essential public health service. The Administration charges that were put forth for this budget were \$130,000.00. I would certainly like and encourage the Commission in the future to lift the Bond Resolution stipulation for the \$30,000.00. The Golf department has had that stipulation ever since 1999 when there was a 1.6 million issue that was put there. It evolved from the Bond Attorney at that time taking a hard look at what the Golf department had for revenue at that time and decided to put the cap on there for \$30,000.00. I was the City Treasurer at that time. I did not want the golf course to move away from the additional improvements and the additional holes. So I went along with it. But you know, I think that it’s time for the Golf department to step up to the plate and pay their elected services. I was also part of the re-financing on the last bond issue four years ago. There was \$400,000.00 that was re-issued in a bond at a reduced rate of interest. At that point, Cindy and I worked on it very diligently. We decided that we would leave the cap up there. The cap was only going to be there for four years. Come on. Give the Water & Sewer department and the essential services a break and increase the administration fee from the golf course. They have had a good run. They have the ability to increase their annual memberships. To increase their fees all the way across the board. It is a non-essential service. You’ve got Water & Sewer that’s public service. We’re low income on a specific reservation and the golf course really needs to start paying their way. So I thank you for that part of it and the other part that I noticed there was a G.I.S. position that was created in the Water & Sewer department. If somebody could respond to me with the position. I’m looking for, you know, what is that person going to do and it seems like to me that it is an added position. Is it a full-time position? Part-time position? City Manager Shrives, “It’s a full-time position. We’ve gotten some grants and funding to buy G.I.S. equipment. One of the things that we need to do is start mapping. G.I.S. mapping all of our sewer, water, streets. It has the ability for parks, tree inventory. The list goes on and on with what you can do with G.I.S. That’s the idea behind that position is to start digitizing the City and being able to do future planning and also identify what we have currently in infrastructure.” Speaker, “Okay. I notice that there was two line items, one for Water department, one for Sewer department and I didn’t get all of the way thru what else is provided for that.” City Manager Shrives, “Here’s how it’s going to work. Water & Sewer are funding the department but when any other department in the City, which I think all of them will use it, they are going to then be billed back for the services that are provided. So there will be a payback into the Water & Sewer for services provided to the other City departments.” Speaker, “Okay. Thank you for the opportunity.” Mayor Knutson, “Thank you. Do I have additional public comment?” **Lee Manicke**, “Ward 2. In regard to the Certified Values. If the D.O.R. missed the clinic up there, they had to be completely blind. You picking this up and other things, you’re doing their job for them. That’s been going on for a long, long time. The County Treasurer gave them a big list of things that weren’t included several years ago and they just told her to go to hell essentially. If there’s things like the Red Lion and Walgreens they’re supposed to value that as of January 1 of 2015. My recollection is there was some construction going on in both of those as of January 1 and there should be some building values on those properties. Whether or not there are I don’t know. I haven’t looked at them but there should be and any other property that was being developed. There’s a house near us that was fairly well complete. Whether it’s included or not I don’t know. They’re not doing their job. My

suggestion, can't be a high priority now that the City of Polson through the League of Cities and Towns and the Legislature, Legislature in all of the towns, see what the D.O.R. is doing. See if you can't get some changes made in that because they're not doing their job. It's on individual appraisals also. This idea that they give you a Certified Value at August 2nd and you have to have your budget in by September is absolutely ridiculous. Particularly when you gotta go back and do their job for them. I think that's the Legislature statute that August 2nd. So get the Legislature to move that up to May or June or something earlier than that. I think, they're not going to listen to me. They might listen to League of Cities and Towns and the Legislature. So it probably needs to come through you rather than from me. I have a question, if I can ask Cindy a question. The mils are at 139.51. Does that include the Permissive Levy?" Mayor Knutson, "I don't think so." Cindy Dooley, "No the 139.51 is just the General Fund." Lee Manicke, "So the Police Levy and the Mil Levy, or the Certified Levy are in addition to that. So then the mils will be going up from what they were last year? The total mils will go up? I'd like to ask Cindy how she calculated the income for the Tax Increment District." Cindy Dooley, "At this point I just kind of made an estimate based on the decrease of the taxable value from last year to this year." Lee Manicke, "The projected income is very close to the incremental value. If they were the same the mil levy would be 1,000. I did the arithmetic on it and it's at 900 and some total mils. If I applied that to the new tax assessment I have on the house, the value, the taxes would go up about 30% or somewhere in that area. So I think that figure Cindy has for a total income is projected way high. I understand that she doesn't have the numbers right now to do that. But you need to look at that again and see because they're not going to get anywhere near that amount of money. Where it is on there I don't remember now. Cindy Dooley, "But the County is going, their mils are going to, I'd say their mils may be more." Lee Manicke, "The School District has to be in there. The School District has to be in there too with the County. I understand those aren't there yet to do the calculations. But it's the projection on it. It's not going to be 1,000 mils to do that. I just have one comment on that Indirect Cost. You use the gross income to calculate that and I understand that's simplified you could get that done. I'm sure it's a very accurate way to get it done. I looked at my Sewer & Water bill this last month and the Sewer bill was \$36.00. The Sewer Fund was \$4.00. So that says then to run those through the bookkeeping system it costs 9 times more to run the Sewer through the bookkeeping system than it does to do the Storm Sewer system. I don't think that's the case. So I think you need to look at some other parameters in how you arrive at that number. Because just doing it based on the gross cost is probably not accurate. Mark would say well there's other costs in there. There's other things in there. Fine. Let's find out what they are and build those into the system rather than do it on a gross income. Thank you." Mayor Knutson, "Thank you. Do I have some additional public comment this evening?" **Elsa Duford**, "I just wanted as a reminder last January I did comment in the paper about the Water/Sewer rates increasing and comparing to the senior citizens, there's some people on social security, 1.7 wage increase. Everything goes up and nothing comes down. So, just keep in mind that there's a lot of people who are retired, living on social security and if you drive around town you will see that a lot of people just stopped watering their lawns. Because of the cost of trying to water with City water. You need to keep the whole peoples of the town in mind and I can understand the wanting higher wages for the employees. But consider the people who you are getting the increases from while you are proposing higher wages too. I'm not against higher wages but your community has to be able to support increases. Thank you." Mayor Knutson, "Thank you. Any additional public comment this evening? Okay. I appreciate the perspectives being shared. Thank you all. Thanks for the presentation and the updates this evening. Just to clarify what the next steps are then." City Manager Shrives, "You can close the Public Hearing." Mayor Knutson, "You want me to close that first before we tackle that? Okay. We'll officially then close the Public, no we won't. Yes." Finance Officer Cindy Dooley, "I think that you should continue the Preliminary Budget hearing until we have the resolve from the Department of Revenue." Mayor Knutson, "Okay. So do we need a motion to continue? Is that what you're saying?" Cindy Dooley, "Yes." Mayor Knutson, "Okay." Cindy Dooley, "I think you should do that and it can even be just something that's simply right before, you know, it's held right before the meeting where we pass the final budget Resolution." Mayor Knutson, "Can we leave it open that long?" Cindy Dooley, "I think so." Mayor Knutson, "Can we also have the other meeting where

we're going to pass the Special District?" Cindy Dooley, "Yes. That's fine." Mayor Knutson, "Assessments. Yeah if this is still open?" City Manager Shrives, "You can still do that." Cindy Dooley, "Yes." Mayor Knutson, "Okay. Then can I get a motion to continue the Public Hearing?"

Commissioner Southerland, "I'll make a motion to continue the Public Hearing." Commissioner Donovan, "I'll second." Mayor Knutson, "We have a motion from Commissioner Southerland and a second from Commissioner Donovan. Do I have any Commission discussion? Do I have any public comment on the continuance of the Public Hearing? Okay. We'll vote then." **VOTE: Unanimous Motion carried.**

Mayor Knutson then followed up on the next steps. The next meeting will be on Tuesday, September 1, 2015 at 6:30 p.m. This meeting will be to approve the Special Assessment Districts Resolution.

Commissioner Southerland, "I just wanted to make a comment. I agree that we are all here in the interest of the citizens that we're serving. I also feel we're kind of liaisons with the City employees. We have a responsibility to support and protect them as well. So, it makes it difficult to try and balance the two but I just wanted to make that comment in support of those that work for us."

Mayor Knutson, "I agree. I think we've got a great team. I don't know that that necessarily came across before. I agree we have a really great team. But that is a fine line to balance and we're trying to do that as well as we understand all of you are. So thank you."

Commissioner Siler, "Do we have a COLA fee of what these increases would cost?" City Manager Shrives, "Well I think .." Cindy Dooley, "The General Fund it was about \$8,000.00." City Manger Shrives, "It was 7 and then we increased..." Cindy Dooley, "I can get you the ones for the Enterprise Fund." Commissioner Siler, "So that's taking the sound system out will pay for the COLA right?" Cindy Dooley, "It did. It just about did." Mayor Knutson, "So we have to talk loud. Don't forget that."

Adjourn. (01:22:16) Commissioner Campbell motion to adjourn. Commissioner Siler second.
Commission discussion: none Public Comment: none **VOTE: Unanimous Motion carried.**

ADJOURN: 7:53 p.m.

ATTEST: _____

Heather Knutson, Mayor

Cora E. Pritt, City Clerk