

CITY OF POLSON COUNCIL WORKSHOP AGENDA

Council Chambers

June 11, 2014

6:00 p.m.

ATTENDANCE: Mayor Heather Knutson, City Commissioners: John Campbell, Todd Erickson, Dan Morrison, Ken Siler, Jill Southerland, Stephen Turner, City Manager Mark Shrives and City Clerk Cora Pritt.

Others present (that voluntarily signed in): Elsa Duford, City of Polson Human Resource Ardrene Sarracino, City of Polson Streets Superintendent Terry Gembala

CALL TO ORDER

Mayor Knutson called the meeting to order. The pledge of allegiance was recited.

APPROVAL OF PROPOSED AGENDA-Commissioner Turner motioned to approve the proposed agenda. Commissioner Siler second. Commissioner Discussion: none Public Comment:none

VOTE: Unanimous Motion carried

FISCAL YEAR 2014-1015 PRELIMINARY BUDGET WORKSHOP-City Manager Mark Shrives explained that this evenings workshop would be presentations from City of Polson Finance Officer Cindy Dooley, Human Resource Ardrene Sarracino, and Robert Turner, Payne West Insurance Agent. There will be no actual budget numbers. This workshop will be an educational process for the Commission as to the preparation of the City Budget since there are some new members to the Council.

Finance Officer Cindy Dooley prepared the following power point presentation:

The image shows four slides from a PowerPoint presentation. The top-left slide is titled 'Municipal Budget & Finance 101' and includes the text 'City of Polson Budget Workshop - June 11, 2014' and a small photo of a city building. The top-right slide is titled 'City of Polson at a Glance' and lists several bullet points: 'Third Class City', '2010 Census Population of 4,488', 'FY14 Expenditure Budget of \$8.7 million', '38 regular FTE with ~20 seasonals', 'Commission-Manager form of government', 'Three Wards with 2 Commissioners each', 'City Manager for day-to-day administration', and 'Local Government Review'. The bottom-left slide is titled 'What is Fund Accounting?' and lists bullet points: 'It is an accounting system emphasizing accountability rather than profitability', 'Used by governments and non-profits', 'Has a fund or funds each of which have a set of self-balancing accounts', and 'Funds are segregated for specific purposes in accordance with laws and regulations'. The bottom-right slide is titled 'Governmental Accounting Standards Board (GASB)' and lists bullet points: 'Sets generally accepted accounting principles (GAAP) for State and Local governments in the U.S.', 'Board has issued 71 Pronouncements', 'Notable Pronouncements: GASB 34 - Changed the basic financial statements and added MD&A, GASB 45 - Other Post-employment benefits, GASB 54 - Created hierarchy for fund balance, and GASB 68 - Accounting for Pensions (effective for FY2015)'. Each slide has a small number in the bottom right corner: 1, 2, 3, and 4 respectively.

Types of Funds

Classification	Fund Types
GOVERNMENTAL FUNDS	<ul style="list-style-type: none"> • General Fund • Special Revenue Funds • Debt Service Funds • Capital Project Funds • Permanent Funds
PROPRIETARY FUNDS	<ul style="list-style-type: none"> • Enterprise Funds • Internal Service Funds
FIDUCIARY FUNDS	<ul style="list-style-type: none"> • Trust Funds (pensions and other employee benefit, investment, private purpose) • Agency Funds

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Basis of Accounting

- Fund accounting uses a budgetary basis of accounting. The accounting lies between a true cash basis system and a full accrual system called *modified accrual*.
- In a modified accrual system revenue is recognized when it is both available and measurable, rather than when it is earned. Expenditures are recognized when the related liability is incurred.
- For example, property taxes are not revenue until the cash is received, but a payment to a vendor is an expenditure when the services are rendered – regardless of when it is paid.

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What is a Budget?

- A budget is a financial plan containing estimates of revenues and expenditures for a single fiscal period or year. Montana governments operate on a fiscal year beginning on July 1st and ending on June 30th of each year.
- Budgeting allows a local government to evaluate its needs in light of the revenue sources available to meet those needs. A complete budget justifies the imposition of ad valorem (according to value) property taxes.

The Budget Calendar

Local Budget Act: Title 7, Chapter 6, Part 40 MCA



Understanding the Budget

- *Budgets serve a different purpose in government than they do in business.*
 - In a business, they are a target or goal to meet that may or may not be achieved.
 - In a government, the expenditure side of the budget is called "appropriations". An appropriation is authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. The budget appropriation is not a forecast; it is the maximum amount that management is allowed to spend.



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Understanding the Budget

- The preliminary appropriations budget is presented on a line item basis with major categories of personnel, supplies, purchased services, fixed costs, debt service, miscellaneous costs, and capital outlay for each fund.
- The final budget is approved at the fund level – which means that expenditures can exceed the budget for a line item, but they cannot exceed the amount for the fund.
- The Finance Officer and City Manager are given discretion to move budget amounts from one line item to another within the same fund during the fiscal year.



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Understanding the Budget

- If expenditures exceed the budget in a fund, a budget amendment resolution is required to be approved by the Commission.
- Reasons to exceed the budget may be due to unforeseen revenue that is then spent or unforeseen expenditures that require the use of reserves or loan funds.
- A budget is considered to be balanced if the projected ending fund balance is positive.
- In any one year it may be appropriate for expenditures to exceed revenue if fund balance is going to be used to make up the difference.

What is Fund Balance?

Finance 101 says that we have:

- Assets (things we own); and
- Liabilities (amounts we owe others);
 - The difference between assets and liabilities is equity. In the governmental funds, this equity was formerly called fund balance (it is now called net position).
- Governmental Funds do not include long-term assets or long-term liabilities so the resulting net position represents amounts available to be spent in the short-term (fund reserves).

How can Net Position be Spent?

- GASB (Governmental Accounting Standards Board) Statement No. 54 established a hierarchy of Net Position:
 - Nonspendable (not in spendable form)
 - Restricted (external legal restrictions)
 - Committed (internally – by formal action)
 - Assigned (internally; less formally)
 - Unassigned

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How much Net Position should a local government have?

- **Zero is not an option.** The City needs some level of net position for cash flow purposes, and some level for responses to emergencies.
- There is an appropriate range of net position, because it is possible to have too little, but it is also possible to have too much. Montana cities and towns can only have a net position of 50% of the upcoming year's appropriations for each levied fund.

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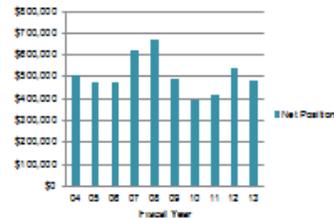
Net Position Factors

- Risk Tolerance
 - If you can tolerate some risk that you will not have enough, then you can live with less.
- Known Upcoming Expenditures
 - Trying to save for capital purchases
- Timing issues
 - Property taxes are paid in two halves with the first half being received 6 months after the fiscal year begins; cash is needed to "make it" to that tax collection.

Net Position Factors

- Most governments should maintain a net position of 10 – 20% of appropriations.
- Smaller governments such as ours with more limited resources should probably have a 25 – 30% target.
- A large government with many revenue sources might have a 5 – 10% target.

City of Polson General Fund Net Position



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Overview

GOVERNMENTAL FUNDS

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Governmental Funds

Fund Type	Description
General Fund	Records majority of the City's governmental activities
Special Revenue Funds	<ul style="list-style-type: none"> • Impact Fees • Police Special Levy • Fire Instrument Financing District • Permissive Medical Mills • State Gas Tax • Building Code Enforcement • Numerous Donation Funds • Maintenance Districts
Debt Service Funds	• Streetscape Assessment Fund
Capital Project Funds	<ul style="list-style-type: none"> • Capital Improvement Plan Fund • IFO City Dock & Walkpath Project

Revenue Sources

- Revenues should be reflected by category, separating taxes, charges for services, fees, fines, licenses and permits, transfers, interest earnings and other revenue sources.
- Revenue should reflect an accurate estimate of what is anticipated during the coming fiscal year.
- Revenues are not appropriated (i.e. they are not part of the budget approval process) – only expenditures are appropriated.

Revenue Categories

- Local Taxes
- Licenses and Permits
- Intergovernmental Revenues
- Charges for Services
- Fines and Forfeitures
- Miscellaneous Revenues
- Interest and Investment Earnings
- Other Financing Sources

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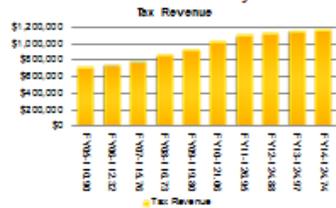
Local Property Taxes

- | | |
|--|--|
| <p><u>Category</u></p> <ul style="list-style-type: none"> • Real Estate • Mobile Homes • Personal Property • Voted Levies: <ul style="list-style-type: none"> - Permissive Medical - Police Municipal Services - Local Government Review | <p><u>History</u></p> <ul style="list-style-type: none"> • Starting in 1998-1999 taxes calculated under the provisions of Section 15-10-420, MCA • Sets limitation on amount of property tax to be levied except for voted or permissive levies which are based on a set mill amount |
|--|--|



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Mill Levies and Taxes Generated 10 Year History



Other Taxes

- Motor Vehicle Tax (Heavy Equipment)
- Local Option Vehicle Tax
 - 50% to County
 - 50% to City/Town based on population
- Resort Tax?
 - Resort Community of 5,500 or less
 - Voted on by electors of the resort community
 - Tax imposed within community boundary of the City
- 2 cent Gas Tax? 

Licenses and Permits

- Alcohol Beverage License
- Dog and Cat License
- Business License?
 - Would be annual license to start or continue a business in the City limits
- Parks Alcohol Permit
- Fireworks Permit
- Sign & Fence Permits
- Building Permit
- Street Cut Permit



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Intergovernmental Revenues

Category	Examples
Federal and State Grants	-Community Oriented Policing Services (COPS) -Community Development Block Grants (CDBG) -Harrisburg Area Computer Institute (HACI) -Bulletproof Vets -Department of Environmental Quality Grants -Transportation Alternatives (Tombay) (CTAP)
State Shared Revenues	-Gasoline Tax Apportionment -Insurance Premium Apportionment -State Settlement Share (12-1-12), MCA
Local Revenues	-Payments in Lieu of Tax: -Hot Springs Resort -S & H Housing -Rural Fire Intergovernmental Agreement

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Charges for Services

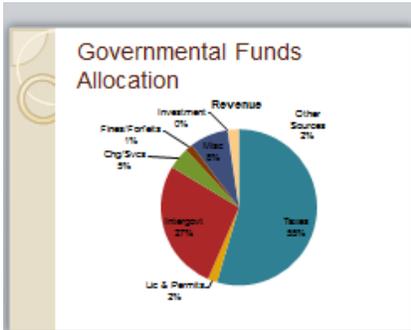
- Impact Fees
- Police Restitution
- Copy services (reports, public requests)
- Court Costs
- Administrative & Fixed Cost Services:
 - Indirect Cost Study – Golf, Water & Sewer
- Subdivision and Plan Review
- Park Shelter Reservations



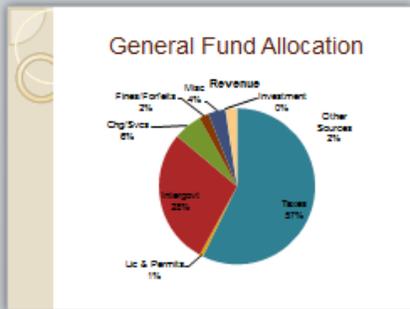
Other Revenues

- Fines & Forfeitures
- Miscellaneous revenues:
 - Maintenance Assessments
 - Debt Service Assessments
 - Franchise Fees
 - Donations
 - Restricted
 - Unrestricted
 - Sale of Vehicles and Equipment
- Investment Earnings
- Other Financing Sources:
 - Loan Proceeds
 - Transfers in from other Funds





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- ### Expenditures
- In order to lawfully spend money, expenditures must be prepared according to certain rules established in the Local Budget Act (Title 7, Chapter 6, Part 40 MCA)
 - Classifications of Expenditures:
 - Personal Services
 - Materials & Services
 - Fixed Costs
 - Debt Service
 - Donations & Miscellaneous
 - Transfers out to other Funds
 - Capital Outlay
 - Operating Contingencies
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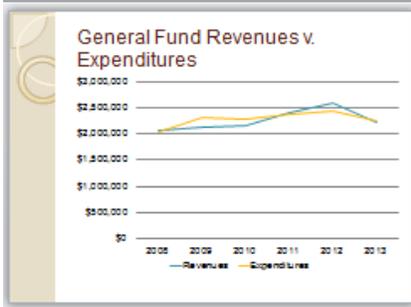
- ### Montana's Budget System
- Budgetary Accounting and Reporting System (BARS)
 - Hierarchy of the System:
 - Fund
 - Account
 - Object (used with expenditure)
-

- ### Expenditure Breakdown
- Account Classifications
 - 410000 – General Government
 - 420000 – Public Safety
 - 430000 – Public Works
 - 440000 – Public Health
 - 450000 – Social & Economic Services
 - 460000 – Culture & Recreation
 - 470000 – Housing and Community Development
 - 480000 – Conservation of Natural Resources
 - 490000 – Debt Service
 - 500000 – Internal Services
 - 510000 – Miscellaneous
 - 520000 – Other Financing Uses

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- ### Expenditure Breakdown
- Object Classifications
 - 1XX – Personal Services
 - 2XX – Supplies
 - 3XX – Purchased Services
 - 4XX – Building Materials
 - 5XX – Fixed Charges
 - 6XX – Debt Service
 - 7XX – Grants/Contributions to Others
 - 8XX – Miscellaneous
 - 9XX – Capital Outlay

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Overview

ENTERPRISE FUNDS

What is an Enterprise Fund?

- An operation of the City that is run like a business enterprise
- Budgeted on a modified accrual basis for internal reporting
 - Example – capital outlay recorded as expense
- Amounts converted to full accrual for external reporting
 - Example – capital outlay replaced with depreciation over life of asset
- Supported by User Fees – Pay to Play
 - City Enterprise Funds:
 - Golf
 - Water
 - Sewer
 - Stormwater



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Revenue Sources

- Charges for Services:
 - Golf Season Pass & Green Fees
 - Golf Driving Range Fees
 - Golf Restaurant Sales
 - Water, Sewer & Storm User Fees
 - Water & Sewer Impact Fees
 - Water & Sewer Hookup Fees
- Water & Sewer Grants:
 - TSEP & DNRC
- Loans:
 - Local Banks, Intercap, SRF Revenue Bonds, RRGL
- Investment Earnings



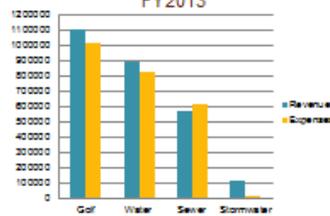
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Expenditures

- Budget organized in same way as governmental funds – Account and Object
- Importance of Reserves for future replacement and depreciation
- Reserves for bond indebtedness



Enterprise Funds Revenues v. Expense FY2013



Capital Improvement Plan (CIP)

- Long-term capital planning document
- Used to plan, budget, and finance the purchase and/or construction of large capital infrastructure, facilities, equipment and other capital assets
- Developed on a 5-year "rolling" basis
- Approved by the Commission



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Capital Improvement Plan (CIP)

- Three Tiers:
 - Projects Programmed (budgeted)
 - Projects for Further Review
 - Projects Identified but Unfunded
- Funding Structures:
 - "Pay-as-you-go"
 - Mill levy, resort tax, gas tax, user fees or other revenue sources

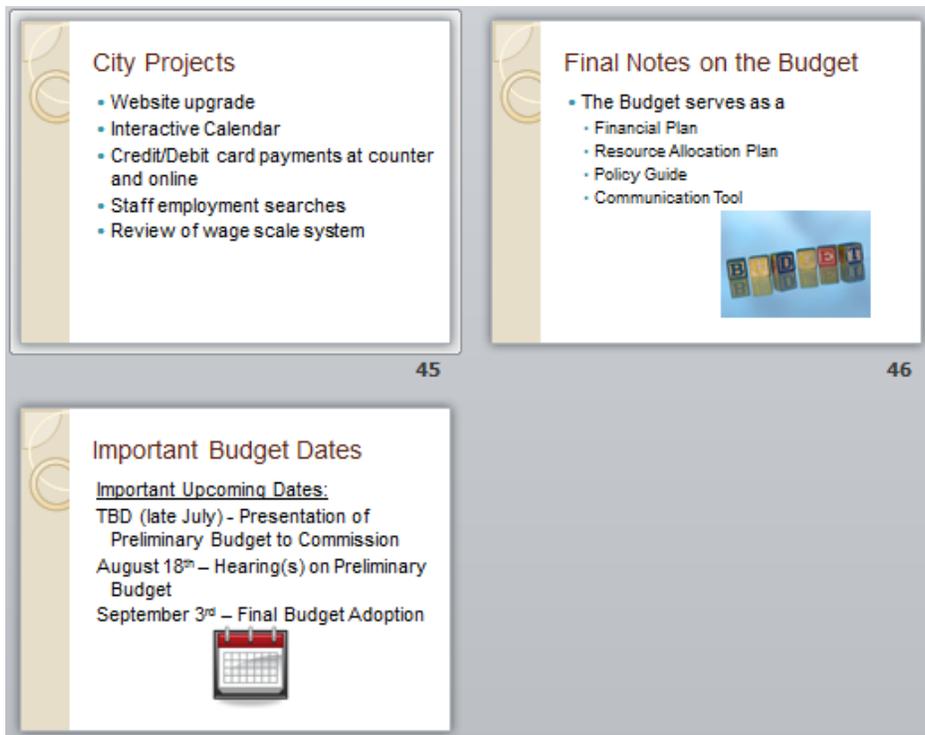
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CIP Identified Projects

- City Dock and Walk Path – almost complete ~\$900,000
- Golf Fund – Design phase of Olde Nine Irrigation System replacement ~\$22,000
- Water Fund – Downtown Looping Project & Well construction ~\$1,542,000
- Sewer Fund – Mechanical Wastewater Treatment Plant ~\$19,000,000

Municipal Debt at June 30, 2014

- Special Assessment Bonds
 - GB - Streetscape Project - \$584,701
- Loans/Contracted Debt
 - Intercap-Wheel Loader - \$8,062
 - FCB – Golf Carts - \$0 (paid off in FY14)
- Golf Revenue Bonds
 - GB – Refinancing Debt - \$303,109
- Water Revenue Bonds
 - SRF – Reservoir Rehab - \$283,000



Human Resource Manager Ardrene Sarracino gave the following power point presentation update on the City of Polson Health Insurance:



HISTORY

- ▶ Employee Coverage
 - ▶ Pre-2010 (29)
 - ▶ 29 Employee Only Covered
 - ▶ Additional costs
 - ▶ Post-2010 (39)
 - ▶ 16 Employee Only
 - ▶ 23 Employee Child, Spouse or Family
 - ▶ 3 Medical-Payback
- ▶ Why was this change made?
 - ▶ Rates, Stability & More Coverage

70 Lives covered

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Current Employees Covered

- ▶ 41 Full Time Employees
 - ▶ 39 Employees Covered (95%)
 - ▶ 34 HDHP
 - ▶ 5 80/20
 - ▶ 2 Medical Payback

Request for Quotes

- ▶ Quote requests
 - ▶ MMIA
 - ▶ Over current
 - ▶ Southwestern Montana Financial Center, Inc.
 - ▶ Over Current
 - ▶ PayneWest Insurance
 - ▶ Savings

Payne West Insurance Agent Rob Turner gave the following presentation. Payne West is the current insurance company that the City of Polson has Health/Dental/Vision insurance with.

The City of Polson

Benefits by Payne West Insurance
Polson, Montana



Health Care Reform 101

- Health Care reform signed into law March 23, 2010. We know it as ACA (affordable care act) or OBAMACARE
- HCR fundamentally changed the rules for both individual and employer group health plans
 - I.e. no more pre-existing exclusions, guaranteed renewability, preventative benefits, ect.
 - Individual Mandate \$95 penalty for no medical insurance in 2014, increasing penalty yearly to \$695 in 2016
- Group Rules:
 - Large employer 50 or more employees
 - Small employer 50 or less employees
 - Small group underwriting plan designs Gold, Silver, and Bronze
 - Rated by Age / Region / Tobacco usage

City of Polson is currently with the EAM (Employers Association of Montana)
The EAM is disbanding due to ACA rules and regulations

New Quote Requesting Process

- Process typically starts 4 months before renewal
- Involves: Group Applications, Employee Census, Individual Applications
- Agent works with Medical underwriters on plan/benefit design including deductibles co insurance out of pocket maximums, Prescription benefits and networks
- City Manager/Human Resource Director work with Agent gathering all information needed for the Quoting process
- Requested proposals from: Blue Cross Blue Shield of Montana, Pacific Source, Allegiance, Montana Health Co op, MMIA, United Heritage, Delta Dental
- After all proposals are gathered from companies Agent and Group Leader review for best pricing and benefit options

BCBS Medical Insurance

- Blue Cross Blue Shield of Montana
 - Gold) \$1,000 Individual / \$2,000 Family Deductible
 - 20% Coinsurance
 - \$3,000 Individual / \$6,000 Family Maximum Liability
 - \$30 Office Visit Copay
 - Prescription Drug Card
 - Bronze) \$5,000 Individual / \$10,000 Family Deductible
 - 20% Coinsurance
 - \$6,250 Individual / \$12,500 Family Maximum Liability
 - Prescriptions Apply to Deductible

Delta Dental

- Base Plan paid by Employer \$26.76
 - Diagnostic and Preventative (exams, cleanings, x-rays)
- Buy up
 - Deductible \$50 per person / \$150 per family
 - Annual Max \$1,000 Per person
 - Basic Services paid at 80%
 - Major Services paid at 50%
 - Orthodontics paid at \$1,000 (lifetime)

	Monthly
Employee	\$12.95
Employee + Spouse	\$42.37
Employee + Child(ren)	\$55.20
Family	\$93.15

Vision – United Heritage

- Exam only \$2.41 Paid by Employer
 - Exam with \$10 co pay every 12 months
- VSP Employee Buy up
 - EE only \$5.85
 - EE/Spouse \$12.41
 - EE/Child(ren) \$13.44
 - Family \$22.94

Prescription Glasses \$25 materials copay

- Lenses.....every 12 months
 - Single vision, lined bifocal, and lined trifocal lenses.
- Frame.....every 24 months
 - Frame of your choice covered up to \$130.
- Contact Lens Care in lieu of lenses and frames.....every 12 months \$130 allowance

Life Insurance – United Heritage

- \$25,000 Life and Accidental Death & Dismemberment – Employer Paid
- Life Insurance Buy up:
 - Employee: Up to \$300,000, in \$10,000 increments, not to exceed 3 X Basic Annual Earnings, whichever is less
 - Spouse: Up to \$100,000, in \$5,000 increments, not to exceed 50% of the Employee's Supplemental Life Benefit Election

Age	Employee & Spouse Supplemental Life Rate per \$1000
Under 30	\$.090
30 – 34	\$.108
35 – 39	\$.158
40 – 44	\$.252
45 – 49	\$.415
50 – 54	\$.722
55 – 59	\$1.170
60 – 64	\$1.560
65 & Over	\$2.471
Child(ren) Unit Per \$1000	\$.20

PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC NOT ON THE AGENDA
(address items to the Chair. Commission takes no action on items discussed) Mayor Knutson informed the Commissioners that she had been approached about having a Mayor/Commission float in the 4th of July parade. Mayor Knutson asked the Commissioners to think about whether or not any of them would be interested in riding on a float. This would be discussed at the workshop on June 23rd.

Mayor Knutson asked for a motion to adjourn. Commissioner Turner motioned to adjourn. Commissioner Siler second. Vote: Unanimous Motion carried

ADJOURN 7:30 p.m.

Mayor Knutson

Mayor Knutson

ATTEST:

Cora E. Pritt, City Clerk