

# Agenda Items



## MEMORANDUM

**To:** Mayor & City Council  
**Date:** Friday, May 26, 2017  
**Subject:** Future Major Issues

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The City Council is scheduled to discuss five short-term, significant building/infrastructure-related issues facing the City as an agenda item at its May 30, 2017, Work Session. Shown below, in their order on the agenda, are the five issues, with a brief background, including possible timing, on each. These projects, many long-delayed, are able to be considered now because of State Legislative actions, such as the passage of a fuel tax and a new reappraisal cycle that captures City assessed property value more timely. Conservative actions of the City Council and staff also have resulted in significant reserves that could be spent on one-time, capital items.

Staff seeks Council direction on which of the issues the Council wishes to pursue, and in what order.

### **Inner Belt Loop**

Council, by initiative, directed staff to place extension of the Inner Belt Loop in the Heights from Skyline past Rehberg Ranch to Highway 3. The project has been listed in the Capital Improvement Plan (CIP) for \$14 million in Fiscal Year (FY) 2018, but is listed as unfunded. Use of the City's existing Arterial Fund would have taken all of that resource for seven to eight years. However, passage of House Bill (HB) 473 in the 2017 session of the Montana Legislature now provides an additional source of funding that could be dedicated to this project.

HB 473 was signed by Governor Bullock on May 3, and becomes effective July 1, 2017. Billings currently receives \$1.76 million per year in fuel tax, which must be dedicated to road improvements. As shown in Amendment A, City and Town Allocation of Fuel Tax, the amount dedicated to Billings should rise by \$1.54 million for FY 2018, and by increasing amounts in future years, to an estimated \$4.2 million in 2023.

### **Funding Alternatives:**

- (1) Use first-year HB473 revenues to acquire land for the project, and save future revenues to construct segments of the road in 2-year intervals. Work could either start at the south end of the project, or start at both ends and meet in the middle. Water and sewer improvements would be the responsibility of property owners as land along the route is developed. Significant impacts would occur on Police and Fire Services (see Public Safety section of this report).

- (2) Issue revenue bonds for the project, using HB473 funds as the source of payment. Because the Legislature could amend or eliminate the fuel tax, the City would have to hold an election to pledge general obligation bonds as a back-up. The election could occur with State and County races in 2018 or independently in another year. Funding of a campaign would be an issue.
- (3) Identify another source of funding.

Staff Recommendation: Amend the CIP to show construction over seven to eight years, starting in FY 2018, and accrue revenue for construction from HB473 without a levy. The 2018 CIP would need to be amended to show the funding source.

### **Transit**

Transit, which is an Enterprise Fund, provides fixed-route and paratransit van transportation for primarily young, elderly, low-income or disabled residents. The City must operate a fixed-route system in order to be eligible for paratransit funding. This division is funded primarily by a current, 10-mill levy and state and federal grants, with fares providing only 12 percent of total costs. Federal and State funding grants to small communities such as Billings are not expected to change in the foreseeable future. Staff is recommending that the 10-mill levy be taken to its maximum in FY 2018 to offset costs.

The major challenge to Transit is the aging fleet of buses, with 15 that are 12 or more years old and reaching the point where use and parts shortages make it necessary to replace them. Buses are custom-built at a cost of approximately \$450,000 each, with a 20-month lead time from the order date to receive them and put them into service. An additional challenge for Transit also has been the inability to afford to expand the use of various technologies that the public is starting to expect, such as e-ticketing and bus tracking.

#### Funding Alternatives:

- (1) Seek an 8-mill levy increase that would replace two buses a year in perpetuity, replacing the entire fleet of buses in approximately every 12 years. The cost would be \$21.60 per year on a property assessed at \$200,000.
- (2) Seek a 10-mill levy that would replace three buses a year in perpetuity, replacing the entire fleet of buses approximately every eight years. That also would provide additional funding to replace paratransit vans, and to start adding new technologies to enhance customer convenience. The cost would be \$27.00 per year on a property assessed at \$200,000.
- (3) Seek another source of funding, such as Federal grants, which will be unreliable in maintaining the system.

Staff recommendation: Hold an election in FY 2018 to approve an 8-mill levy. Attachment B shows the costs for the 2- and 3-bus per year replacements.

### **Parks**

The Parks, Recreation and Cemetery Board is considering asking the City Council to add \$500,000 a year to the current Park District #1 assessment of \$2 million. The new money would

pay for revenue bonds that would complete Centennial, Castle Rock and Optimist Parks. Optimist Park is being included in part because the South Billings Urban Renewal District (SBURA) is willing to commit \$400-500,000 of its money to the project to pave the parking lot.

The proposed projects would add \$8 per year to the \$32 already collected for PD#1 on a house with an assessed value of \$200,000. The funding would cover construction, but not maintenance costs, for the expanded parks. It would not cover future improvements of Cottonwood, Riverfront or other facilities.

PD#1 originally was approved through a Special District process, in which every owner in the PD (all property owners within the City limits) was mailed a letter and had to return a protest to the City Clerk in order for the protest to be counted against the district creation. In the time since, the State Legislature has amended the statute to require that a protest form be sent to every property owner that allows the owner to select either support for or opposition against the district creation. The form must contain a warning that failure to return the form will be construed as being in support. If an owner returns the form unmarked, it must be counted as a protest.

#### Funding Alternatives:

- (1) Because the funds are being discussed as revenue bonds to pay off about \$6 million of expenditures in the three parks, staff is waiting for an opinion by bond counsel on whether a new SID election would be necessary. If it is not, Council could vote to increase the PMD rate as part of setting annual fees, and the increase would go on the tax bills for December following that action.
- (2) Raise the PMD #1 rate by \$6 million or more on a 1-time basis to cover improvements.
- (3) Hold a general obligation bond issue to fund the three parks named and perhaps other improvements. The Park Board has asked for information from Finance on costs associated with borrowing varying amounts over a varying number of years.

Staff Recommendation: The Park Department and Board still are collecting information on their options. The Facilities Assessment Plan is being completed, and may impact future needs. Given the closeness of the timetable for adopting the FY 2018 budget and assessments, this is an item that should be considered again by the Council for its FY 2019 budget deliberations.

#### **Public Safety**

Both Police and Fire have several needs in the next few years.

#### Fire:

Land for a 9-1-1 Communications Center at 9<sup>th</sup> Avenue North and North 24<sup>th</sup> Street has been purchased and cleared, and the new center is designed and bidding is underway. Those costs and estimated construction costs for the facility of \$6 million are set aside in an account funded by a State fee on all phones. Construction is expected to begin in FY 2018, and the project should be moved from the FY 2017 to the FY 2018 CIP list.

A new fire station in the Heights that might also include offices for the Police Department may be needed if the Inner Belt Loop is constructed. A contract for a Fire Station & Staffing Study is

being negotiated, and the review should be complete in early FY 2018; it would update a 2003 study that called for a second station in the Heights. Cost of construction of a station would likely be less than \$2 million, but additional 8-12 fire fighters would be needed to staff it, at a cost of \$900,000 to \$1.2 million per year, depending on the station model used. In addition, it is anticipated that two stations –Station 2 at 501 S. 28<sup>th</sup> Street and Station 3 at 1918 17<sup>th</sup> Street West—will soon need replacement or relocation that likely will be outlined in the study.

**Police:**

An existing Evidence Facility at the Billings Operation Center has been found to be undersized and structurally inadequate for the Police Department’s needs. Additional land next to the current facility was purchased and a preliminary planning study has proposed a facility to be built for approximately \$3.9 million. That study is being reviewed for changes that would reduce the proposed construction cost. At least one private property owner has offered the sale/lease of an existing warehouse, and inquiries are being made about the availability of other sites. One of two requested additional evidence technicians is recommended in the FY2018 Supplemental Budget requests at a cost of \$51,838.

**Funding Alternatives:**

- (1) The 9-1-1 Communications Center appears to be fully funded and should require no additional revenues to be constructed in FY 2018.
- (2) An additional Fire Station, probably in the Heights, and the associated staffing, along with renovations of two other stations, likely will need to be considered in FY 2020 or later. The new station and significant renovations would need to be funded through a general obligation bond and operating levy, primarily because of the ongoing costs of additional personnel.
- (3) The Police Department Evidence Building could be funded whole or part through unbudgeted General Fund reserves, which currently are at \$16 million. The building also could be paid for in part by a State InterCap loan at 2.5 to 3 percent, or by tax increment funding district allocations. Costs of the purchase or lease of a private building would depend on the property chosen.

**Staff Recommendation:** Authorize construction of the 9-1-1 Communications Center in FY 2018. Determine the most cost-effective method of building/acquiring an Evidence Center and construct or acquire it for occupancy in FY 2019. Hold a general obligation bond and operating levy election to build/staff an eighth fire station and possibly renovate two other stations in FY 2020 or later.

**Facilities Master Plan**

A Facilities Master Plan to address mid-range space needs of about 67,000 square feet for City offices through an additional City Hall or Municipal Court/Public Safety Center was approved by the City Council on May 8. The current CIP calls for design/planning of a structure for \$3 million in FY 2020, and construction for \$23.9 million in FY 2022.

Funding Alternatives:

- (1) The City could investigate the possibility of a lease-to-purchase project that would involve construction by a private developer and purchase by the City through lease payments over an extended period of time. At least two national firms with experience with other local governments have expressed interest in talking to the City about such a project, and there are likely other local and national firms that would be interested.
- (2) Fund a building design through the unobligated General Fund reserve in FY2020 and hold a general obligation bond issue election in FY 2021 to pay for a new structure.
- (3) Investigate privately owned facilities that would include City offices and determine the funding source. An example of such a project would be the former Battin Building, which will be divided into condominiums at about \$7 million per 35,000-square-foot finished floor. This option would likely require the City to share rather than completely occupy a building, and would probably require quicker decision-making than other options, depending on the timetable for the facilities considered.

Staff Recommendation: Begin a discussion in FY 2019 about which of the available options the City wishes to investigate and fund the beginning phases of the project in FY 2020.

**Summary**

The projects outlined above were discussed in light of a significant, unbudgeted General Fund reserve that would be best spent on one-time, capital projects and long-delayed needs of the City organization. Changes in operations, especially in the General Fund, could render this discussion moot.

This discussion also does not take into account other staffing and non-structural projects desired or needed by City departments in the General or Public Safety Funds. For the most part, it also does not consider those projects that reasonably can expect to be funded by sources such as Enterprise Fund revenues, grants or the like.

It is recommended that the Council authorize staff to investigate the significant projects listed above in the following order, by year:

FY 2018:

- (1) Begin land acquisition and construction of the Inner Belt Loop, using HB473 funds.
- (2) Build a 9-1-1 Communications Center using already accrued State phone fees.
- (3) Hold an 8-mill levy election to secure on-going acquisition of two Transit buses a year.

FY 2019:

- (1) Fund completion of Centennial, Castle Rock and Optimist parks through an increase in PMD#1 rates or approval of general obligation bonds.
- (2) Acquire or build a Police Department Evidence Building.

FY 2020:

- (1) Hold a general obligation bond and operating levy election to build/staff an eighth fire station and possibly renovate two other stations.

(2) Initiate design/acquisition of space for consolidated City Hall/Municipal Court/Public Safety space.

As always, staff is ready to answer questions on the material above.

HB 473 - As Amended 4-11-17  
 City and Town Allocation of Fuel Tax

	Existing	2018 Partial	2019	2023	2023
	1983 Allocation	Year Increase	Increase	Increase	Total
ALBERTON	9,850	8,613	10,211	13,576	23,426
ANACONDA	102,774	89,873	106,539	141,657	244,431
BAINVILLE	12,561	10,985	13,022	17,314	29,875
BAKER	49,160	42,989	50,961	67,759	116,919
BEARCREEK	3,688	3,225	3,823	5,083	8,770
BELGRADE	134,452	117,575	139,378	185,320	319,771
BELT	13,193	11,537	13,677	18,185	31,378
BIG SANDY	21,047	18,405	21,818	29,010	50,057
BIG TIMBER	41,821	36,571	43,353	57,643	99,464
BILLINGS	1,766,830	1,545,055	1,831,568	2,435,292	4,202,121
BOULDER	31,265	27,341	32,411	43,094	74,360
BOZEMAN	693,945	606,840	719,372	956,492	1,650,437
BRIDGER	19,033	16,644	19,731	26,234	45,268
BROADUS	15,266	13,350	15,825	21,041	36,307
BROADVIEW	6,315	5,522	6,546	8,704	15,018
BROCKTON	5,873	5,136	6,088	8,095	13,969
BROWNING	20,187	17,653	20,926	27,824	48,010
BUTTE	585,463	511,975	606,914	806,966	1,392,429
CASCADE	18,875	16,506	19,567	26,017	44,892
CHESTER	25,337	22,157	26,265	34,923	60,260
CHINOOK	32,284	28,231	33,467	44,498	76,782
CHOTEAU	50,759	44,388	52,619	69,963	120,723
CIRCLE	20,705	18,106	21,464	28,539	49,244
CLYDE PARK	10,498	9,180	10,882	14,470	24,967
COLSTRIP	45,947	40,179	47,630	63,330	109,276
COLUMBIA FALLS	91,285	79,827	94,630	125,822	217,107
COLUMBUS	47,726	41,736	49,475	65,783	113,509
CONRAD	58,240	50,929	60,374	80,274	138,514
CULBERTSON	22,417	19,603	23,238	30,898	53,314
CUT BANK	60,854	53,215	63,083	83,877	144,730
DARBY	15,657	13,691	16,230	21,580	37,237
DEER LODGE	68,915	60,264	71,440	94,988	163,902
DENTON	10,768	9,417	11,163	14,842	25,610
DILLON	81,366	71,152	84,347	112,149	193,515
DODSON	5,922	5,179	6,139	8,163	14,085
DRUMMOND	7,984	6,982	8,277	11,005	18,989
DUTTON	11,712	10,242	12,141	16,143	27,855
EAST HELENA	47,703	41,715	49,451	65,751	113,454
EKALAKA	14,544	12,719	15,077	20,047	34,592
ENNIS	23,381	20,447	24,238	32,228	55,609
EUREKA	30,025	26,256	31,125	41,385	71,410
FAIRFIELD	18,000	15,741	18,660	24,811	42,811
FAIRVIEW	26,742	23,385	27,722	36,860	63,601
FLAXVILLE	4,273	3,737	4,430	5,890	10,164
FORSYTH	48,976	42,828	50,770	67,505	116,481
FORT BENTON	46,839	40,959	48,555	64,559	111,398
FORT PECK	13,528	11,830	14,024	18,647	32,175
FROID	9,841	8,606	10,202	13,565	23,406
FROMBERG	10,778	9,425	11,173	14,856	25,634
GERALDINE	11,884	10,393	12,320	16,381	28,265
GLASGOW	68,208	59,647	70,707	94,014	162,222
GLENDIVE	103,847	90,812	107,652	143,136	246,983
GRASS RANGE	5,016	4,386	5,200	6,914	11,930
GREAT FALLS	976,319	853,770	1,012,092	1,345,699	2,322,018
HAMILTON	86,703	75,820	89,880	119,506	206,208
HARDIN	73,582	64,346	76,278	101,421	175,003
HARLEM	19,760	17,280	20,485	27,237	46,997
HARLOWTON	27,238	23,819	28,236	37,544	64,782
HAVRE	167,259	146,265	173,388	230,540	397,800
HELENA	556,353	486,519	576,738	766,843	1,323,196
HINGHAM	6,782	5,931	7,031	9,348	16,130
HOBSON	9,515	8,321	9,864	13,115	22,630
HOT SPRINGS	17,945	15,692	18,602	24,734	42,679

**Assumptions:**

**15-70-101(2)** statutorily allocates **\$16,766,000** to counties, incorporated cities and towns, and consolidated city-county governments for construction, reconstruction, maintenance, and repair of rural roads and city or town streets and alleys.

**15-70-101(2)(c)** allocates **\$10,360,000** among incorporated cities and towns based on the following formula:

50 % of the ratio based on population within the corporate limits compared to population in corporate limits of all other cities and towns in Montana

50 % of the ratio based on mileage of city/town streets and alleys within corporate limits compared to that same mileage within all other cities and towns in Montana

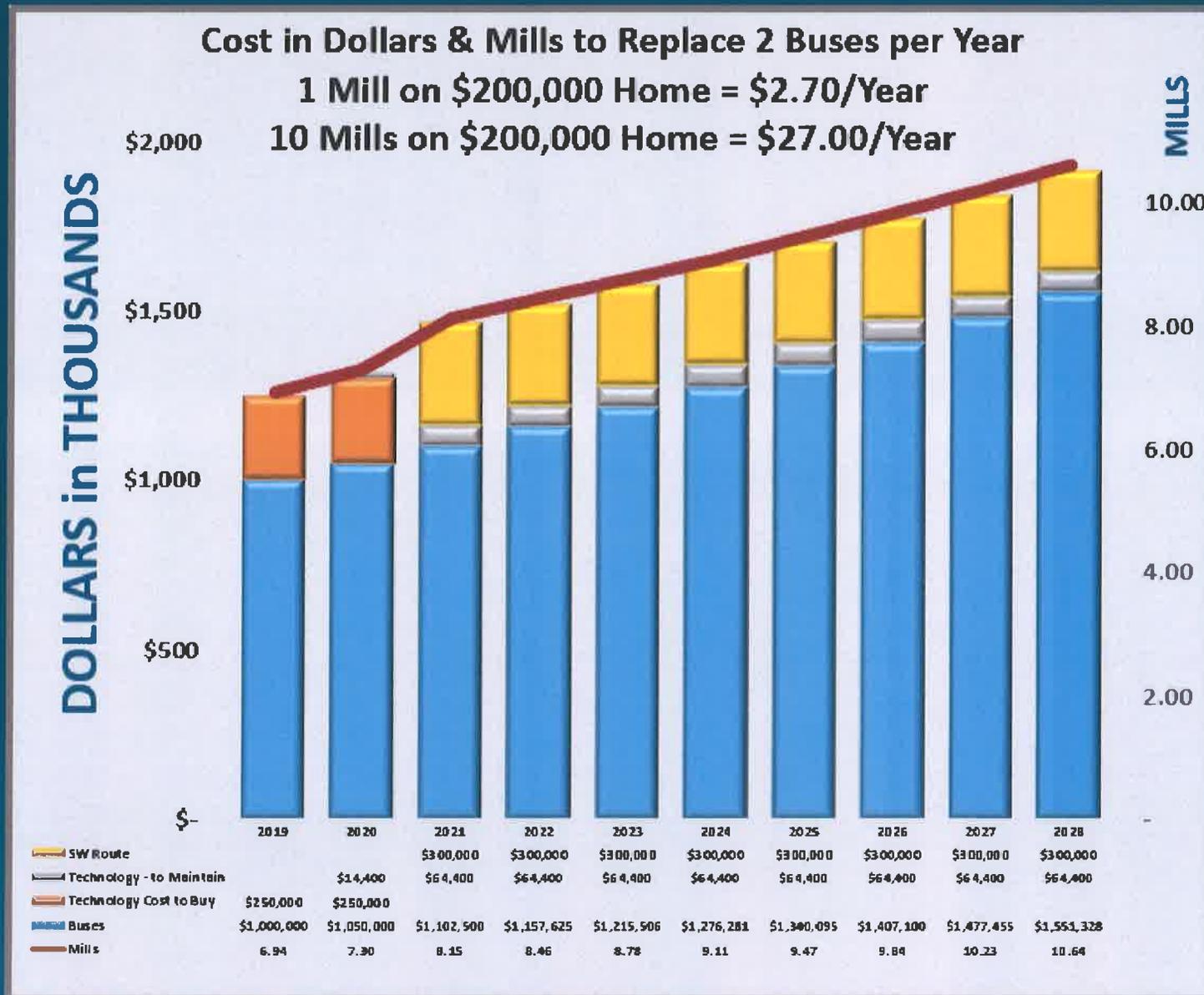
Amendments placed on the bill by Senate Finance and Claims would incrementally increase the tax on gasoline from \$0.045 in 2017 to \$0.06 in 2023; and incrementally increase the tax on diesel from \$0.015 in 2017 to \$0.02 in 2023. This new revenue would be allocated as follows:

- \$21.3 million per year to MDT
- and the remainder to cities and counties as follows:
  - \$15.7 million in the first partial year of 2018
  - \$18.5 million in 2019
  - \$20.4 million in 2020
  - \$20.4 million in 2021
  - \$22.4 million in 2022
  - \$24.4 million in 2023

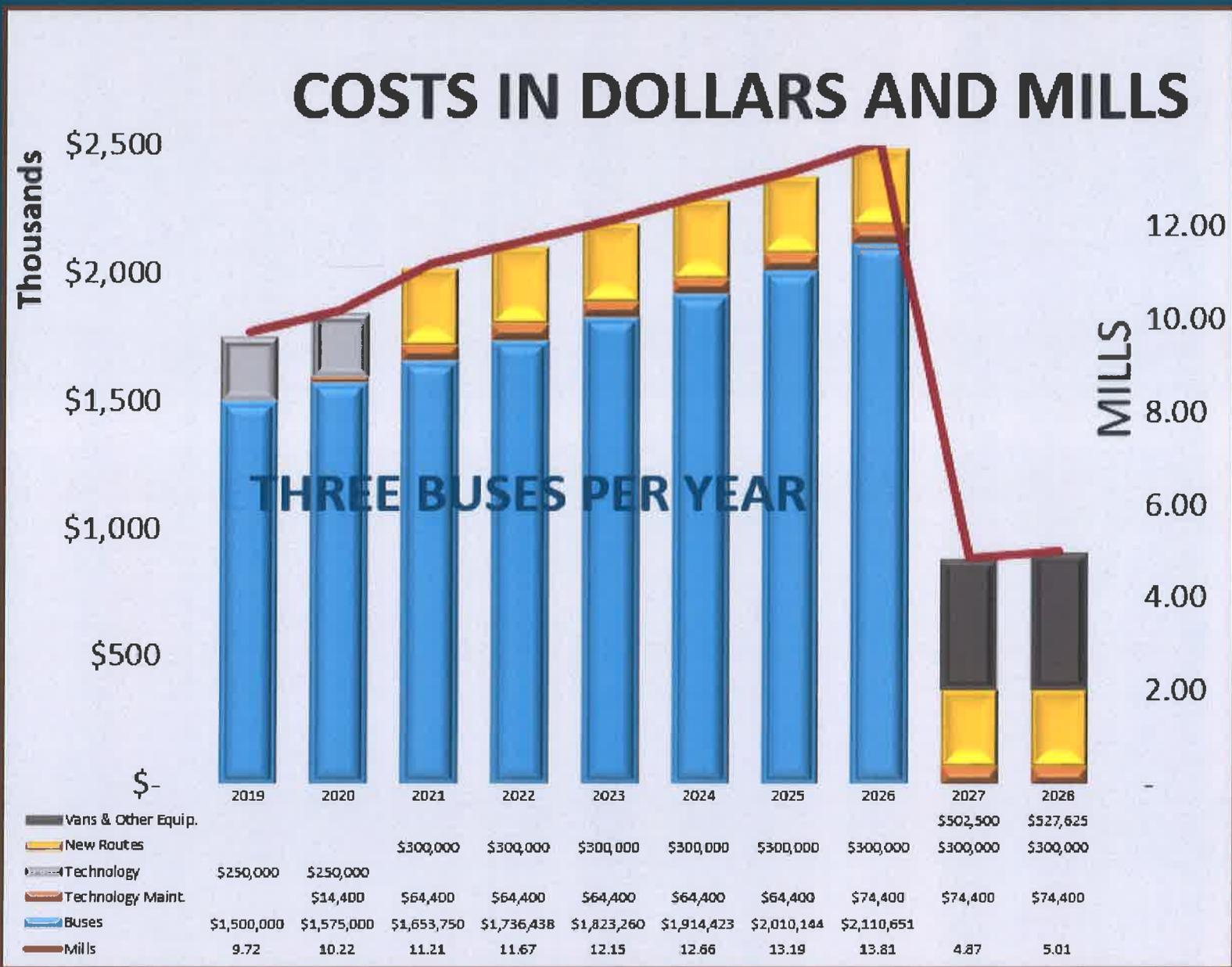
The anticipated annual revenue would be divided 60 % to cities and 40 % to counties, based on the approximate ratio established in the 1983 allocation in 15-70-101. This table provides an estimated distribution to cities and towns in three representative years.

	Existing	2018 Partial	2019	2023	2023
	1983 Allocation	Year Increase	Increase	Increase	Total
HYSHAM	10,904	9,535	11,304	15,030	25,934
ISMAY	3,799	3,322	3,938	5,236	9,036
JOLIET	12,287	10,745	12,738	16,936	29,223
JORDAN	14,203	12,421	14,724	19,577	33,780
JUDITH GAP	6,804	5,950	7,054	9,379	16,183
KALISPELL	371,303	324,697	384,908	511,782	883,085
KEVIN	9,386	8,208	9,730	12,937	22,323
LAUREL	126,993	111,053	131,646	175,039	302,032
LAVINA	7,265	6,353	7,531	10,014	17,279
LEWISTOWN	130,292	113,938	135,066	179,587	309,880
LIBBY	64,043	56,004	66,389	88,273	152,315
LIMA	10,324	9,028	10,703	14,230	24,555
LIVINGSTON	147,149	128,679	152,541	202,822	349,971
LODGE GRASS	11,386	9,957	11,803	15,694	27,079
MALTA	47,197	41,273	48,926	65,053	112,250
MANHATTAN	40,931	35,793	42,430	56,416	97,347
MEDICINE LAKE	11,179	9,776	11,589	15,409	26,588
MELSTONE	6,253	5,468	6,482	8,619	14,872
MILES CITY	179,125	156,641	185,689	246,896	426,021
MISSOULA	1,081,510	945,757	1,121,137	1,490,688	2,572,197
MOORE	9,563	8,363	9,914	13,182	22,745
NASHUA	12,875	11,259	13,346	17,746	30,620
NEIHART	4,080	3,568	4,229	5,624	9,703
OPHEIM	7,008	6,128	7,265	9,660	16,668
OUTLOOK	4,894	4,280	5,073	6,745	11,639
PHILIPSBURG	27,095	23,694	28,087	37,345	64,440
PINESDALE	20,168	17,636	20,906	27,798	47,965
PLAINS	23,487	20,539	24,348	32,374	55,861
PLENTYWOOD	42,770	37,401	44,337	58,951	101,721
PLEVNA	7,262	6,351	7,528	10,010	17,272
POLSON	99,719	87,202	103,373	137,447	237,166
POPLAR	18,512	16,189	19,190	25,516	44,028
RED LODGE	59,382	51,929	61,558	81,849	141,232
REXFORD	2,984	2,609	3,093	4,113	7,097
RICHEY	8,619	7,537	8,935	11,880	20,499
RONAN	41,379	36,185	42,895	57,034	98,412
ROUNDUP	50,738	44,369	52,597	69,934	120,672
RYEGATE	9,752	8,528	10,109	13,441	23,193
SACO	9,739	8,516	10,095	13,423	23,162
SAINT IGNATIUS	17,869	15,626	18,523	24,629	42,498
SCOBEY	31,316	27,385	32,464	43,165	74,481
SHELBY	91,345	79,879	94,692	125,904	217,249
SHERIDAN	15,804	13,821	16,384	21,784	37,588
SIDNEY	129,237	113,015	133,972	178,132	307,368
STANFORD	14,600	12,767	15,135	20,123	34,723
STEVENSVILLE	34,148	29,862	35,399	47,067	81,215
SUNBURST	18,746	16,393	19,432	25,838	44,583
SUPERIOR	23,396	20,460	24,254	32,248	55,645
TERRY	29,400	25,710	30,477	40,523	69,924
THOMPSON FALLS	35,518	31,060	36,820	48,956	84,474
THREE FORKS	48,046	42,015	49,806	66,224	114,269
TOWNSEND	39,668	34,688	41,121	54,675	94,343
TROY	20,483	17,912	21,234	28,233	48,716
TWIN BRIDGES	10,763	9,412	11,157	14,835	25,597
VALIER	25,797	22,559	26,742	35,557	61,355
VIRGINIA CITY	13,909	12,163	14,419	19,172	33,081
WALKERVILLE	25,464	22,268	26,397	35,098	60,561
WEST YELLOWSTONE	29,531	25,825	30,614	40,704	70,236
WESTBY	6,540	5,719	6,780	9,015	15,555
WHITE SULPHUR SPGS	32,921	28,789	34,127	45,377	78,298
WHITEFISH	149,412	130,658	154,887	205,941	355,354
WHITEHALL	24,576	21,492	25,477	33,875	58,451
WIBAUX	19,831	17,342	20,558	27,334	47,166
WINIFRED	8,046	7,036	8,340	11,089	19,135
WINNETT	10,637	9,302	11,027	14,661	25,298
WOLF POINT	55,623	48,641	57,661	76,667	132,290
<b>TOTAL</b>	<b>10,360,000</b>	<b>9,059,600</b>	<b>10,739,600</b>	<b>14,279,600</b>	<b>24,639,600</b>
<b>% Increase over existing</b>		<b>87%</b>	<b>104%</b>	<b>138%</b>	

# Replace Two Buses Per Year



# Replace Three Buses Per Year



# Other Items



KAIROS PROPERTIES, LLC

49 N 15<sup>th</sup> St, Ste 2

Billings, MT 59101

Phone: 406-252-4745

Fax: 406-252-6424

May 12, 2017

City Administrator  
Tina Volek  
P.O. Box 1178  
Billings, MT 59103

VIA: Email & US Mail

Re: City of Billings Evidence Expansion

Dear Tina:

I have an economical financial solution to the expansion of the Billings Evidence Facility.

The proposal is to build a 4.2-million-dollar expansion. If the bonding costs and interest rate are 5%, the interest to the tax payer will be \$210,000.00 per year. Then there is the principal payment that still has to be paid.

Kairos Center is a tax payer and has facilities that are far better and more affordable than anything the City can build. We can give you 12 to 18" thick concrete walls, floors and ceilings. We have installed an ADA passenger elevator and are in the process of installing a fire pump and fire suppression system. We are located closer to law enforcement and the courts than the present location. We are served by all the phone companies and have fiber optic service.

For less than your interest payment on the bond, we can lease and remodel the space that will more than fit your needs. We have up to 39,000 square feet of the perfect space. We also have 15,000 square feet of underground secure drive-in storage for vehicles and sizeable items.

Our restrooms are ADA accessible for both men and women.

Why should the City burden the taxpayers with more costs than necessary, when there is a facility that will more than meet the City's need?

We are in the process of converting the entire facility into condominiums and if the City desires, it can purchase the space for considerable less money and a more adequate space made for storage.

In-fill is in the City's Growth Plan and this will be infill and use of existing space.

Thank you for consideration on the matter. If you have questions please call me.

Sincerely,



Martin R. Connell  
Managing Member

Cc: City Manager - Tina Volek  
Chief of Police – Rich St John  
Mayor – Tom Hanel  
Assistant City Manager – Bruce McCandless  
All City Council Members