

# City Council Work Session

5:30 PM  
Council Chambers  
December 3, 2012

## ATTENDANCE:

Mayor/Council (please check) x Hanel, x Ronquillo, x Cromley, x Cimmino, x Pitman, x McFadden, x Bird, x Ulledalen, x McCall, x Astle, x Crouch.

ADJOURN TIME: Recess at 7:00, reconvene at 7:10. Adjourn at 7:52

## Agenda

<b>TOPIC #1</b>	<b>Annual Customer Facility Charge Update</b>
<b>PRESENTER</b>	<b>Tom Binford, Director of Aviation &amp; Transit</b>
<b>NOTES/OUTCOME</b>	

- Tom Binford: Ordinance was approved by the Mayor and Council June 2010 to establish a Customer Facility Charge (CFC). The purpose for the charge was to allow the Airport to assess the new charge to sell bonds to construct a new rental car facility. The ordinance requires an annual update be provided. Binford goes through operational statistics, financial report, and financial forecast. If reserves at the end of FY 13 are as predicted, may expand the car rental parking area. There are times when there isn't enough space. The ordinance allows for options such as lowering the CFC rate but would like to get more earnings history before doing anything with the rate. Can also carry over reserves for future maintenance costs at the facility.
- Pitman: When do you make those decisions; \$1 million in reserves?
- Tom: That would be a good time. But are already talking with the rental companies about parking expansion and need to keep some money for replacement reserve. \$1 million or a little over is probably the maximum. The facility is being heavily used and want to keep some money for future maintenance to keep it fully operational.
- Hanel: What are your predictions for air travel?
- Tom: Airlines are doing well and nothing indicates a decline in service. All the numbers are showing that even with Frontier pulling out of Billings, there is an increase across the board in air travel. Seeing significant growth. Car rentals are mirroring the airlines.
- Tina: Are we seeing enough monies that we could start paying off bonds early.
- Tom: We could.
- Ulledalen: Are the car rental companies considering any off-location sites or what else do they need.
- Tom: They may not be satisfied with the amount of parking near the terminal building. But they are not interested in transporting people to an off-location rental facility. We would like to find them more parking space near the terminal building. Have some ideas for on-grade level parking east of the terminal.
- Astle: These are great numbers.

- Public comments: none

<b>TOPIC #2</b>	<b>Airport Runway Overlay Project</b>
<b>PRESENTER</b>	<b>Kevin Ploehn, Assistant Director of Aviation &amp; Transit</b>
<b>NOTES/OUTCOME</b>	

- Kevin Ploehn: Runway was last resurfaced in 1997. Large project and will begin advertising in mid-January. Regulations during the last resurfacing were not as intense. In 2011, began doing some of the work on the taxiway. The surface on the runway is currently working well, but does not allow water to evaporate out of the asphalt. After long periods of time the water under the asphalt has caused the base to strip and crumble. The Airport staff began core sampling of the runway and determined what runway areas are most in need of repair. Will close 6 weekends over the summer, probably can do it in 5, but all plans allow for 6 due to possible weather issues. Saturday early morning flights will be allowed to take off. Runway will be closed at 9:00 a.m. Will reopen again on Sunday at 6:00 p.m. to allow for returning evening flights. Will reclose to allow for work to continue through the night. Weekend closures work best due to lower air traffic and less cargo carriers' activity. Want to do the work in the summer because asphalt adheres better when hot outside and it is less likely to rain. Described additional project work. Estimated \$9 million cost (depending on oil prices), 90% paid by FAA grant, 10% by City funded local match by PFC. Federal budget and timing may delay project or City may borrow temporarily. Will go to bid in February. Contractor will have 2-3 months work to get ready for the project. Will require a temporary asphalt plant be onsite by the contractor.
- Hanel: If funding does not become available during the expected time, how long can present runway be used in the condition it is in?
- Kevin: Should be okay for another 2 years. However, the longer we wait, the more possibility of stripping of the sub-base.
- Astle: Are contractors specialized or will there be local contractors able to handle this project?
- Kevin: Mostly local, but may attract out-of-state contractors because of its size.
- Pitman: Any plans to expand this runway to the west?
- Kevin: No. Considered extending runway 1125, a much shorter runway.
- Public comments: none

<b>TOPIC #3</b>	<b>Community Development Office Space</b>
<b>PRESENTER</b>	<b>Brenda Beckett, Community Development Manager</b>
<b>NOTES/OUTCOME</b>	

- Brenda Beckett: Presented options before asking Council for a decision. Grant funding limits admin. costs to 15% of grants. Includes: staffing, office space, leased vehicles, training and travel. Comm. Dev. has been paying under \$14k/year for the past decade for office space. New deadline to vacate library is September 2013. Need 3,500-4,500 sq. ft. for optimal space. More detailed info. was provided in the Friday packet. Expected to add more VISTA members. Outnumber staff. Can pay about \$70k. Space would cost

\$187k – \$281k over five years. Reviewed the market lease options provided. Vary from \$8 to \$16/sq. ft. First choice is Miller Building for \$13.25/sq. ft., allows a maximum value for the money. Technology is in place and finished office area. The furniture is in place and for sale, too. Communal work space is available. Analyzed purchasing vs. leasing and provided pros and cons. Leasing gives more flexibility. Doesn't have high upfront cost. Purchasing provides more sustainability, but has high upfront costs. Remodel could be done in phases. Researched the vacant building (Kreiser Building) at 1724 8<sup>th</sup> Ave. N. The property is not located in the EBURD. Located just North of the EBURD. Very dilapidated and needs major remodeling. The building has 4,400 sq. ft. in the front of the building and a large warehouse in the back of the property (6,800 sq. ft.). Has a secured parking garage and space for a paved parking lot. The building could accommodate a lot of the departments for dry storage, etc. The building has a low list price because it's been vacant for many years. Located in the lowest income area of the City. Rehabilitating a property here would be most beneficial. The building would be a City asset and limits flexibility. Upkeep would also be the City's burden. The City would get more square footage on its investment than leasing any of the properties considered. Did a cost/benefit analysis on this property and it equals a lower 10-year cost. Comm. Dev. has 5 programs listed on Tiers 1 and 2 of PBB, which is significant. Conclusion: Comm. Dev. needs Gen. Fund money to continue operating. Comm. Dev. needs a \$350,000 commitment for a 5-year term if leasing, and a larger commitment if pursuing a redevelopment project.

- Bird: Any grants to help with the funding of something like this?
- Brenda: Comm. Dev. funds are prohibitive to owning a building; it would have to be purchased by the City and then leased to Comm. Dev.
- Cimmino: Possible to buy the property for less than the asking price, however, in addition to the purchase price, would it take an additional \$300,000+ just to start renovations? Better to find a vacant property and build new?
- Brenda: Believe rehab costs would be at least that high. Has looked at the cost of a new modular building, where it would be built some place and transferred to site. At \$130/sq. ft. for a new building, not any cheaper than existing building.
- Cimmino: How many full-time Comm. Dev. staff at this time, not counting VISTA members.
- Brenda: 4 full-time staff and 1 part-time seasonal.
- Cimmino: When firm did needs assessment for space, what was the final sq. footage needs for Comm. Dev.?
- Brenda: About 2,000, not counting the common areas. With the common areas it is about 3,100 sq. ft.
- Bird: Can 2<sup>nd</sup> floor be added to community center?
- Tina: Don't know if the building will support it.
- McCall: Concerned about purchasing property. Need a facilities plan before buying.
- Tina: Having space issues all over. Agree, need to plan first.
- Pitman: One positive about buying is might use a portion of the building as storage for other departments, generating some income. Use Council contingency money to buy and remodel, consider it a loan?
- Tina: Department recommended the \$257k from Catholic Church land sale be used to buy this property. Difficulty is there is no plan, may not be enough time to get it done.

Concerned about taking on a project like this in light of the uncertainty of Comm. Dev.'s funding.

- Hanel: Too risky to purchase with the federal funding uncertainty.
- Astle: If decision takes too long, Comm. Dev. won't have a home. Should consider buying the property and rehabbing it.
- McFadden: Can we find a construction company for an estimate to remodel the building?
- Brenda: Would need to do a RFQ/RFP to secure an architect to design and estimate the costs. Again, money needed to do that.
- Ulledalen: Council have been witnessing declining funding in Comm. Dev., what is our basis of planning and the same with VISTA?
- Brenda: VISTA is here and successful. Will continue. Bigger than other programs in the state. Monies received for this program is for admin. costs. Cannot be used for facilities costs. Worst case for CDBG and HOME is 8.4% decline. As of November 1, \$120,000 less. Lease is Comm. Dev. choice – prefer Miller building.
- Bird: Keep track of Council ideas for how to spend the Council contingency and reserves. Can prioritize those ideas -- share the list with Council so can make the best use of those dollars.
- Tina: Mr. Weber had a list of uses for funding and Council moved it into the contingency fund. Can update the list and present in January.
- Cimmino: In favor of buying. PW is paying \$13k/month, so at the end of this year it is \$156,000. 10 years later it will be over \$1.5 million and don't have a building .
- Tina: Staff met with Charlie Hamwey, a local realtor, to ask about the RFP for Planning and Comm. Dev. office space acquisition. In an effort to keep this transparent, Planning Director, Candi Beaudry, chose to do a RFP for office space. Has never been done before. In the past, City has leased or was the lessor, and asked a firm to find space, negotiate for it and bring it to Council. Mr. Hamwey approved of the RFP. May have some minor changes. On Oct 22, Council motioned to redo the RFP process and consider properties citywide. Two-month process to do a new RFP which will lead up to February or March of 2013. If renovation is required prior to moving the departments, pressed for time to complete by Sept. Options: 1) continue with RFP process; or 2) authorize staff/realtor to find space and bring contract to Council; or 3) take top 5 respondents to last RFP, including Miller and Crane buildings, use an abbreviated response schedule and require all costs be divulged in new responses and this would be the final response. No more negotiations. Give us your best offer.
- McCall: Appreciate Mr. Hamwey's opinion that RFP was a fair process. Requests a new initiative at next meeting to use the abbreviated process that staff recommends. Need to honor the method by which companies responded. If that fails, allow staff to find the best property by any means and bring Council a contract.
- Astle: If hired realtor in past efforts, why the change? This RFP process has backfired. Ask for final offers from the top 5 and stick with them.
- Hanel: Why not consider top 3 for simplification? Not opposed to buying, but uncertainty for Comm. Dev. and City indicates leasing at this time.
- Bird: Easier to figure out how to do 3.
- Cimmino: Clarifying the RFP was for the Planning, Building, Code Enforcement and Comm. Dev. Divisions. Would not be looking for space on the West End.

- Tina: In the interest of time, would not be looking further. Having City offices in disparate locations is tough from a lot of different aspects. Will await a Council initiative at the next meeting.
- Cimmino: Funding sources will be identified at the next meeting?
- Tina: Will bring it when the dollar amount is known. Won't know until we have the new responses, under any of the 3 scenarios. After that, will identify the source of funding.
- Pitman: A lot of effort if focus is on leasing. Is it the only option we'll consider? Looking at purchasing or leasing? Make that decision first.
- McCall: We have a timeline to consider. Only considered purchasing for Comm. Dev. The Planning and Building Departments will be looking at leasing in order to meet the timeline.
- Public comments: none

<b>TOPIC #4</b>	<b>Local Bid Preference</b>
<b>PRESENTER</b>	<b>Brent Brooks, City Attorney</b>
<b>NOTES/OUTCOME</b>	

- Brent Brooks: Provided a PowerPoint presentation. There was an article about hiring practices in the Council's Friday packet. Controversial issue; looked at many other governments. Councilmember McFadden made an initiative and this was the outcome. Reviewed competitive bidding rules. Reminded the bid process is not for the benefits of the contractors and competition, but for the benefit of the public. Leases are contracts. City is the landlord to many leases. Provided pros and cons of a preference and outlined State of Montana, Great Falls, Yellowstone County and Wyoming preferences. Noted that Helena repealed their ordinance for local preference. Concluded the practice of preference is complex/controversial and remains a risk for legal challenge. Provided options for Council and recommended continuing current practice of awarding to "lowest responsible bidder", per State statute.
- Cromley: Has Wyoming used their preference law?
- Brent: Sparingly, but a little difficult to get anecdotal info.
- Pitman: Good concept, good intentions but don't want to proceed with it.
- McFadden: Chamber of Commerce thinks it's a good idea, but recognizes the legal challenges. Thanks Legal Dept for research.
- Public comments: none

*RECESS 7:00 p.m.*

<b>TOPIC #5</b>	<b>Priority Based Budgeting</b>
<b>PRESENTER</b>	<b>Tina Volek, City Administrator</b>
<b>NOTES/OUTCOME</b>	

- Tina Volek: Council received copy of 3<sup>rd</sup> and 4<sup>th</sup> quartile programs from non-general and public safety funds in the Friday packet. Gives presentation. Some Aviation and Transit items appear in the 3<sup>rd</sup> and 4<sup>th</sup> quartile for importance, but may, in fact, have governmental mandates attached to them, i.e., aviation law enforcement operations, ranked as a "4". It is mandated by the Federal government. There are many others like

that. Has led to discussions with staff. Asked the department heads what the effects of a potential sequestration of funds would look like. FAA cuts are 9-10% or \$1.35 billion and FTA and TSA are facing similar reductions. Sequestration process will negatively affect the “normal” federal budget process causing additional operational and funding uncertainties. For Planning / Comm. Dev. the main burden would fall on Comm. Dev., as indicated by Brenda Beckett. If sequestration occurs, an 8.4% decrease in CDBG and HOME funds may be realized. If it does not occur, could see an increase of up to 14% in CDBG and 20% in HOME funds. Awaiting reappraisal rollback that occurs every 6 years to determine property tax-based funds for general, public safety, library, planning and transit. Projections are unpredictable at this time. Approaching the future cautiously. City has put in place many of the financial fitness items that other communities are being encouraged to do. City may need to look at the criteria by which programs are evaluated. Need to rebalance and refresh some of the results? Most of the items on the strategic plan have been completed. Need a new/revised strategic plan? What are the higher uses for the funds collected? Should a consultant from PBB be hired? Schedule a pre-budget meeting on Saturday, January 19? Staff recommends reviewing the criteria to fine tune PBB.

- Hanel: Work on the priorities should be more simple now, given the work already done. This should be done before hiring a consultant.
- Cromley: Nothing in the program to identify mandated programs?
- Tina: Yes, have a list of programs indicating a Federal mandate. If it has a Federal mandate it was given 4 points and so on.
- Ulledalen: Should focus on General Fund and Public Safety Fund. Wants to focus on most efficient use of time. Let the programs operating well alone and focus on the most pressing needs.
- McFadden: PBB is a computer program. Not all programs compatible with the PBB model and mandated programs. Don't rehash programs that are not in trouble.
- Tina: The model is only as good as the information fed into it. Are the things that were ranked low, ranked low because it wasn't a mandate or something of that nature? If you want more detail on the General Fund and Public Safety Fund, can show the Council what made up the points for some of those programs in question in the 3<sup>rd</sup> and 4<sup>th</sup> quartiles.
- Ulledalen: Different funds break down programs at different levels. PW and Airport were good but little distinction among programs. Some departments granulized the data to detailed levels. Others did not, and clumped data together. Need standardization in the details.
- Mayor: Some departments may not have staffing to respond to requests for more detail. Is additional staffing needed to do that?
- Tina: Most departments and the Finance department have individuals who have staff that could help with the breakdowns. At the next meeting with staff, departments will be looking at whether there are any items that could be cooperatively shared with other departments, i.e. police and sheriff's department. May be a lengthier process, but may be some cost savings realized. Council is saying: refocus on the GF and PSF; breakdown the costs in the larger amounts in the larger departments/programs; and show mandated programs.

- Ulledalen: When do we plan to implement the results of the PBB? Need a Council initiative?
- Tina: Use the predictive tool Pat developed. Can determine where cuts need to be made over the next 5 years, instrumentally, in order to avoid our “cliff”. Major decision is whether to go to ballot for public safety and when. Schools may seek large bonds/levies as well. Maybe go to the voters in fall 2013?
- Hanel: What is the estimated cost to bring a PBB consultant here from Colorado?
- Bird: This discussion is on target under PBB. Ongoing and fluid, nothing is fixed. Open to exploring everything related to the content and process so it works for us.
- McCall: Agrees with Councilmembers Ulledalen and Bird. Don’t wish to kick the can down the road any longer. Council needs to deal with the budget and not let things just happen. State of affairs at State and Federal levels require us to work on this. Earlier, the better.
- Ulledalen: Strategic planning was done when we were in governmental turmoil. Maybe we need to reconsider our whole philosophy and plans. Should have something in place to hand to the next Council.
- Bird: Meeting our vision means being proactive. Can’t delay discussions. Can meet Jan. 19, but that can’t be the end – we need to keep working on this and envision what we want in a year, 5 years to 20 years from now.
- Ulledalen: Pre-budget planning isn’t strategic planning – that will take many months. But would be a starting place to get an idea of general goals.
- Cimmino: Meeting with Kathleen Novak would be a separate meeting from Jan 19?
- Tina: Yes. If you want this televised, there would be additional cost but can look into it. An evening meeting would be the week of January 14<sup>th</sup> or Saturday, the 19<sup>th</sup>.
- Ulledalen: Prefer an evening and a different venue than the Council Chambers.
- Cimmino: Evening OK but needs to be early.
- Tina: Will look into the availability of other venues: Lincoln center board room, airport op center, Wednesdays are preferred. Wednesday, the 16<sup>th</sup>.
- Pitman: Sometimes get bogged down looking at the quartiles. Need to not get lost in the little stuff, but get a bigger picture and really look at it. PBB allows us to have a lot of discussion. The Council will be handed some things in the next 6 months that will be out of the Council’s control, i.e. state legislature, federal fiscal cliff, etc. May need time for reactive meetings. Sees future meetings being fluid.
- Public comments:
  - **Jerry Ray, 2646 Grand Avenue** – will his proposal for office space be reconsidered?
- Hanel: As this item was discussed at length earlier in the meeting, Ms. Volek will explain to Mr. Ray what process was agreed to be used.
- Tina: Your proposal is in the top 5.
- Other public comments: none