

Other Items

City of Billings
Legislative Report to City Council
Third Week of the Montana Legislature
January 23, 2015

All Joint Appropriation Sub-Committees continued hearings this week on HB 2 (the general budget bill). The Joint Appropriations Sub-Committee for Long-Range Planning hearings this week on “The Build Montana Act”, HB 5, sponsored by Rep. Jeff Welborn, were orderly and without controversy. This bill would authorize spending cash and issuing bonds in the total amount of almost \$400 million for programs, facilities and buildings across Montana. The issue will be whether the projects should be funded by cash or bonds and at what levels.

As of today, 514 bills have been introduced, of the 2413 filed bill draft requests. For this Report, in addition to HB 5, the following topics and bill draft requests are highlighted (LC’s don’t have substantive information beyond the bill draft request until a few days prior to bill introduction):

- The local impact option authority bill (LC 0599) is in the final drafting stage and the expected sponsors are completing discussions with the League of Cities & Towns.
- The Governor’s “Healthy Montana Plan”, which includes Medicaid expansion, has been introduced by Rep. Pat Noonan as HB 249. A Republican Legislative proposal to increase access to health care in a limited manner has not yet been introduced.
- Marijuana will once again be a topic of the Legislature. Governing the gamut from legalizing marijuana to banning medical marijuana, there are almost a dozen bill draft requests under consideration. The only bill filed to date is HB 173, by Rep. Doc Moore, which would prohibit state agencies from making rules concerning the sale of marijuana (the matter would be the responsibility of the Legislature).
- HB 224, requested by Rep. Zac Perry, would revise building code programs to increase the enforcement reserve authority from 12 to 24 months. The City of Billings supported this Bill at hearing on January 22nd.
- LC 0710, by Rep. Daniel Zolnikov, would prohibit the use of license plate scanners, except in certain circumstances, and would limit access to information obtained from scanners. (Rep. Zolnikov and Bruce McCandless have talked about at least one amendment to this bill draft.)
- LC 1129 & LC 1164, requested by Rep. Kelly McCarthy, would revise civil asset forfeiture laws.
- LC 1355, requested by Sen. Doug Kary, would prohibit public intoxication.
- LC 1475, requested by Sen. Elsie Arntzen, would “clarify use of tax increment finance laws”.
- LC 1476, LC 1477 & LC 1478, requested by Sen. Elsie Arntzen, would revise laws regarding county islands within city boundaries.

- LC 1966, requested by Sen. Cary Smith, would revise laws on the PSC regulation of municipal utilities (this request is in response to the latest tiered water costs based upon consumption adopted by the City of Billings in 2014).
- LC 2098, requested by Rep. Kelly McCarthy, would establish a crime lab in Eastern Montana (likely at MSU-B in Billings, however, other locations are also being considered).

I look forward to discussing these and other legislative matters with City Administrator Volek and City Council. Please contact me if you have any questions or would like information on any particular topic or bill.

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FROM THE DESK OF . . .PATRICK M. WEBER

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MEMORANDUM

To: Honorable Mayor and City Council

CC: Tina Volek

Date: 01/23/15

Subject: History of General Fund Recommended Reserves

The City started using a recommended General Fund reserve in Fiscal Year 2002. The reserve percentages in Fiscal Years 2002 and 2010 were calculated by using 10 years' worth of cash flows. The cash flows determined what the needs were for two time periods due to collecting taxes in December and June. General Fund reserves were required to pay payroll and other bills for the General and Public Safety Funds until taxes were collected. Following is Exhibit C which was never formally adopted by Council action or Administrative Order. There has been a recommended reserve since Fiscal Year 2002.

Exhibit C

FUND	RECOMMENDED % of Budget (less capital)	RECOMMENDED MINIMUM RESERVE	ACTUAL RESERVE @6/30/01
General Operating	22% \$	5,487,037 \$	8,783,952

The City had to comply with Governmental Accounting Standards Board pronouncement 54 starting with fiscal year 2010. This required a change on how fund balance was reported in the Comprehensive Annual Financial Report. The pronouncement also required the Council adopt a policy on reserves. Ten years' worth of cash flows was once again used to come up with the recommended reserve percent. Following is the policy that was adopted and an excerpt of the Administrative Order 115 that was approved (Exhibit D).

RESOLUTION NO. 10-18914

A RESOLUTION OF THE CITY OF BILLINGS, MONTANA, CITY COUNCIL
ADOPTING MINIMUM RECOMMEND FUND BALANCES AND WORKING
CAPITAL BALANCES AND A GENERAL FUND BALANCE POLICY.

WHEREAS, the City of Billings does not currently have a written policy for Fund Balances and Working Capital Balances; and

WHEREAS, the City of Billings needs to adopt a Fund Balance ("Assigned") and Working Capital Balance ("Assigned") Policy (Exhibit A) to provide the City with minimum recommended balances for certain funds. The policy is necessary to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

WHEREAS, the City of Billings is required to adopt a General Fund balance policy (Exhibit B) per Governmental Accounting Standards Board (GASB) 54.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BILLINGS, MONTANA, AS FOLLOWS:

That the Fund Balance and Working Capital Balance Policy (Exhibit A) and the General Fund Balance Policy (Attachment B) are hereby adopted.

APPROVED AND PASSED by the City Council of the City of Billings, this 22nd day of February, 2010.



THE CITY OF BILLINGS:

BY: Thomas W. Hanel
Thomas W. Hanel, MAYOR

ATTEST:

BY: Carli Martin
Carli Martin, CITY CLERK

Recommended Fund and Working Capital Balances Policy

Recommended Fund and Working Capital Balances policy statement:

The City shall use recommended Fund and Working Balances for certain funds as a best practice. Fund Balance ("Assigned") and Working Capital Balance ("Assigned") will be the designations for accounting purposes.

Recommended balances purpose:

The policy is necessary to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

Recommended balances implementation authority:

Upon adoption of this Statement of Policy, the City of Billings Council authorizes the City Administrator to establish recommended balance procedures which may be necessary to support the policy statement and adopt such documents by Administrative Order. The City Administrator will review the procedures with the City Council at a work session every five years or as deemed necessary prior to the five years.

City of Billings
Fund Balance Policy for the General Fund
February 2010

A fund balance policy helps ensure that the City can:

- Avoid the need for short-term borrowing to cover delays in revenue receipt. The City only receives two major tax payments, which are in December and June. The City must be able to cover five months worth of payroll and operations and maintenance before each December and June tax collection.
- Provide the ability to pre-fund reimbursable grants such as in Community Development.

This policy establishes the amounts the City of Billings will strive to maintain in its fund balance, how the fund balance will be funded, and the conditions under which the fund balance may be spent.

Amounts Held in Fund Balance

The City of Billings (the "City") will strive to hold a determined percentage of total budget less capital in assigned General Fund balance.

If management's analysis and forecasting determines that the goal is not being met, or is not likely to be met at some point within a five-year time horizon, then management will develop a plan to meet the goal.

Funding Fund Balance Targets

Funding of General Fund balance targets will typically come from one-time revenues, excess fund balances (e.g., unused or excessive assignments or commitments), and revenues in excess of expenditures.

Use of Fund Balance

It is the intent of the City to limit the use of General Fund balances to address unanticipated, non-recurring needs or known and planned future obligations. Fund balances shall not normally be applied to recurring annual operating expenditures. Fund balances may, however, be used for operations to allow time for the City to restructure its operations in a deliberate manner, but such use will only take place in the context of an adopted long-term plan.

Authority to Use Fund Balance

The City Administrator may propose the use of fund balances to the City Council for purposes deemed necessary for operations of the General and Public Safety Funds.

Replenishment of Fund Balance

In the event the fund balance is used and falls below the recommend level, the City Administrator shall propose a plan for the replenishment of the fund balance to the City Council.

Excess Fund Balance

Prior to the start of each fiscal year budget, Finance will report on the previous fiscal year end audited financial results. Any yearend balance in excess of the recommended fund balance level may:

1. Be used for one-time expenditures in the upcoming fiscal year end budget.
2. Remain in the General Fund as excess above the recommended balance.

Exhibit D

FUND DESCRIPTION	RECOMMENDED % of FY10 Budget (less capital)	RECOMMENDED MINIMUM FUND BALANCE	ACTUAL FUND BALANCE @ 6/30/09
FUND BALANCE			
Billed on Taxes			
General Operating	29%	\$ 8,244,511	\$ 10,369,184