



FROM THE DESK OF ANDY ZOELLER

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MEMORANDUM

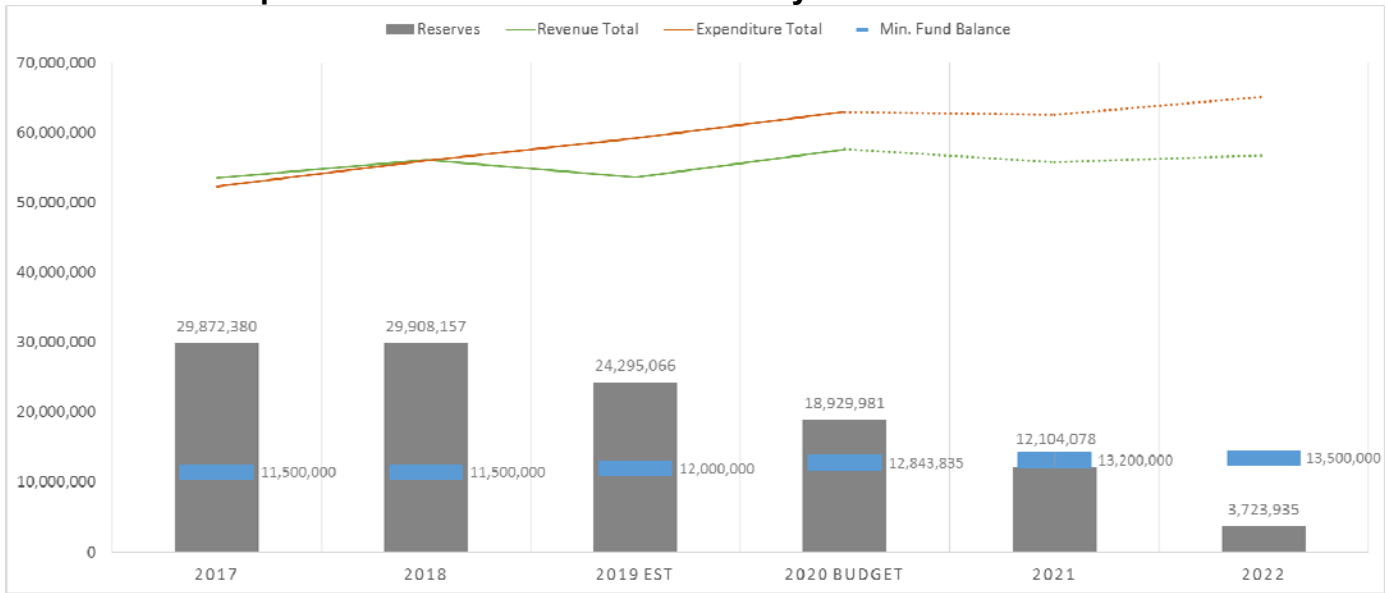
To: Honorable Mayor and City Council
CC: Chris Kukulski, City Administrator
Date: June 24, 2019
Subject: FY20 Budget Adoption

Based upon the budget discussions that occurred at the City Council Work Sessions on June 10th and June 17th, 2019, City staff has compiled a list of potential budget modifications for City Council. In an effort to aid Council in the FY20 budget adoption process I have numbered each item that was discussed so that a motion to amend the budget can be more easily made. The items listed as potential modifications will impact the General, Public Safety, Parks Programs, and Park District 1 funds.

Budget Modification Number	Description
1	This incorporates all items that previously referred to as 'Minimal' impact cuts, except for items related to Park District 1. The only additional item reflected here, which hasn't been seen before, is a modification of the General Fund transfer to the Public Safety Fund. Because many of the 'Minimal' cuts were reductions in Public Safety Fund budgets, the General Fund transfer amount can be reduced by an equivalent amount. This will have no impact on the use of reserves, but is necessary to ensure the accounting is done correctly.
2	This incorporates all items previously referred to as 'Moderate' impact cuts. The only additional item reflected here, which hasn't been seen before, is a modification of the General Fund transfer to the Public Safety Fund. Because many of the 'Moderate' cuts were reductions in Public Safety Fund budgets, the General Fund transfer amount can be reduced by an equivalent amount. This will have no impact on the use of reserves, but is necessary to ensure the accounting is done correctly.
3	This would eliminate the \$35,000 remaining in Council Contingency, if budget modification number 1 was approved.
Items 4-6	These would increase the budget for the specific costs associated with the National Citizen Survey, initial

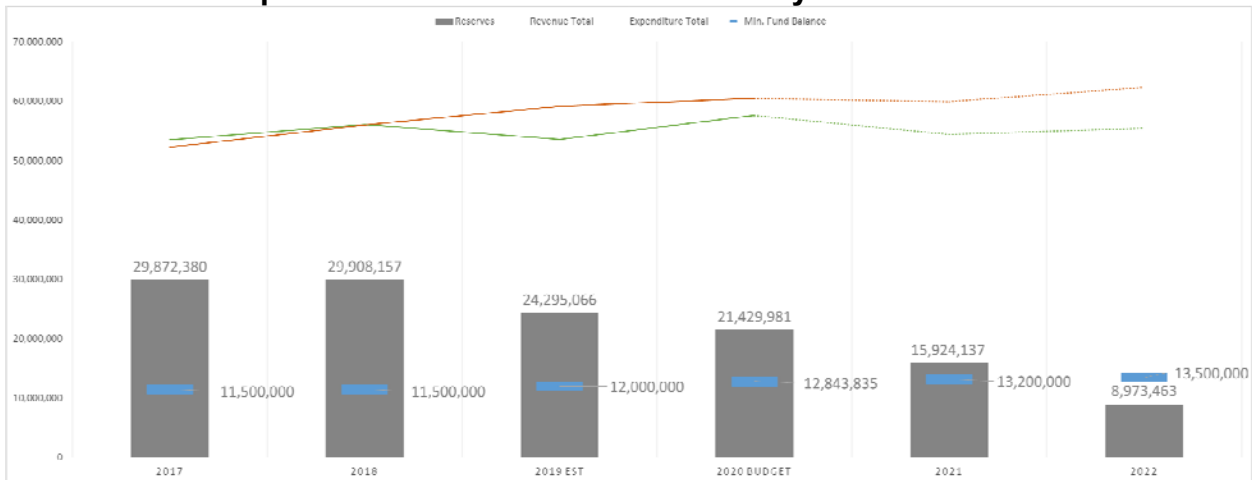
	assessment costs for Lean Six Sigma, and an additional amount for Community Safety/Addiction needs
Items 7-8	These amounts would increase the Parks Programs and Park District 1 funds to authorize the budget amounts needed to complete the FY20 Parks CIP.
9	This would move \$2.5 million of the Parks & Rec budget into PD1. This amount is equivalent to the revenue loss associated with the Franchise Fee that occurred in FY19. It would be recommended to Council to move the remaining Parks & Rec budget to PD1 in future years.
10	This would move the entire Parks & Rec budget into PD1 this year. For FY20 the expenses amount to \$5.6 million with an associated budgeted revenue of \$1.2 million. This would require a PD1 assessment to be set at a rate that would generate an additional \$4.4 million over the prior year.

Chart 1: Proposed FY20 General & Public Safety Fund with Amendments 1-8



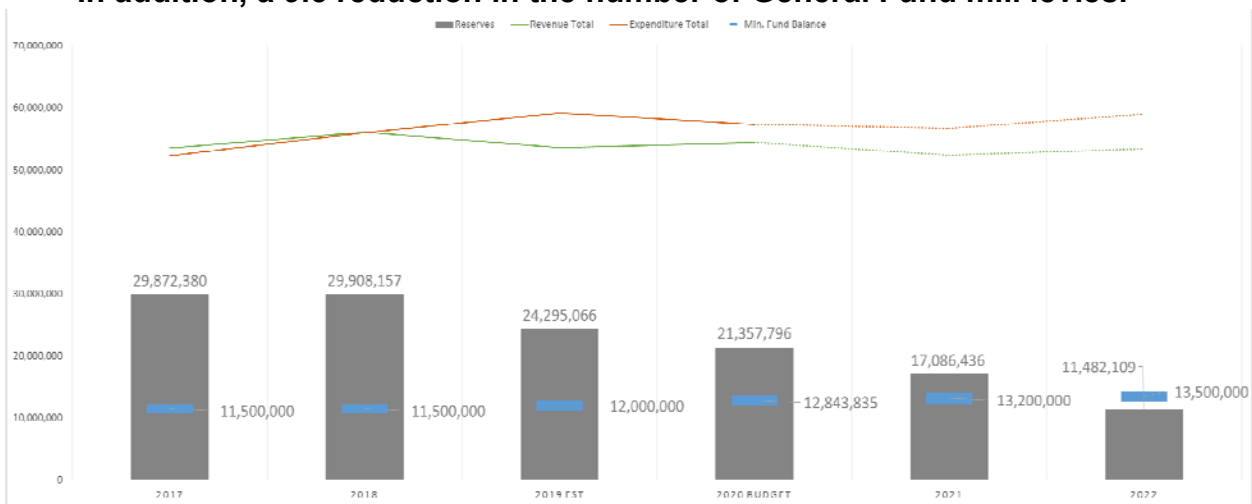
This graphic depicts what the General & Public Safety Funds will look like if the proposed amendments number 1-8 were approved by City Council. Selecting these options would require use of General Fund reserves in the amount of \$5.3M for FY20. Under this scenario, the City would be below minimum reserves in FY21.

Chart 2: Proposed FY20 General & Public Safety Fund with Amendments 1-9



This graphic depicts what the General & Public Safety Funds will look like if the proposed amendments number 1-9 were approved by City Council. Selecting these options would require use of General Fund reserves in the amount of \$2.8M for FY20. Under this scenario, the City would be below minimum reserves in FY22. In a slight change from prior graphs, this only depicts moving \$2.5M to PD1 in FY20, and does not anticipate moving other portions in the future.

Chart 3: Proposed FY20 General & Public Safety Fund with Amendment 1-8 & 10. In addition, a 9.5 reduction in the number of General Fund mill levies.



This graphic depicts what the General & Public Safety Funds will look like if the proposed amendments number 1-8 & 10 were approved by City Council. Selecting these options would require use of General Fund reserves in the amount of \$2.9M for FY20. Under this scenario, the City would be below minimum reserves during FY22. This scenario also depicts a 9.5 mill reduction in General Fund mill levy occurring in FY20, with no increase in future years.

Conclusion

Staff is providing the attached list of potential modifications for City Council to utilize when making amendments to the FY20 Proposed Budget. This will help aid the staff, citizens, and Council to clearly understand what is being voted upon. With that in mind, Staff recommends the following language for City Council when making a motion for budget adoption: *I make a motion to adopt the proposed FY20 budget resolution with the following amendments, number(s).....*

Suggested Language: "I make a motion to adopt the proposed FY20 budget resolution with the following amendments, number(s)....."

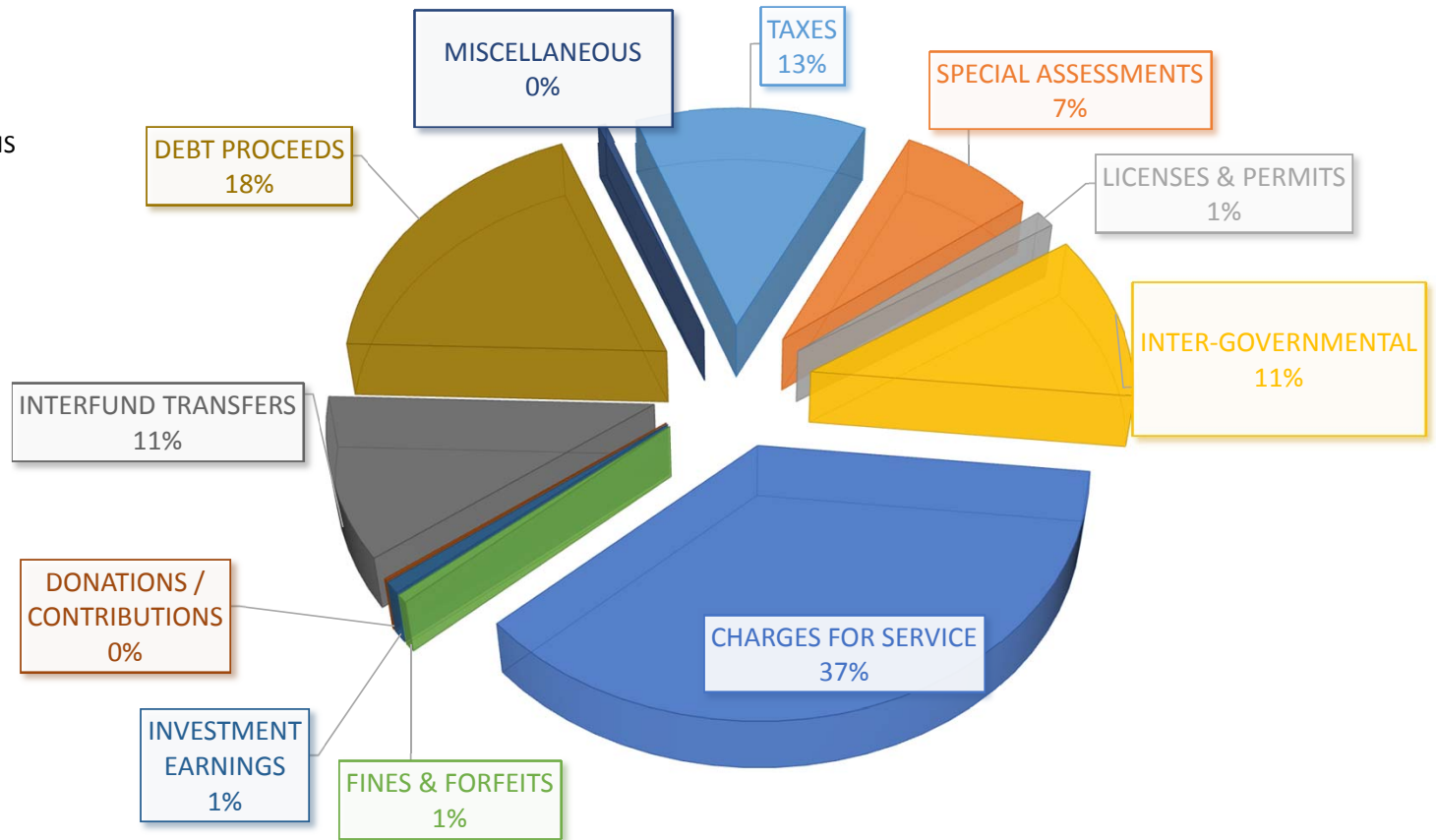
Number	Fund/Dept	Increase/(Reduction)	Description
1	Public Safety and General Funds - Minimal Impact w/o PD1	(808,000.00)	'Minimal' Impact Cuts, without PD1. These are mostly payroll costs that were budgeted using old rates, and can be modified now that we know what our FY20 rates will be. Additionally, this will not add the Fire Protection Engineer, reduce council contingency by \$30K, and remove the Fire Squads from future replacement schedules.
	Non-departmental - General Fund	(718,000.00)	This reduction in the General Fund will reduce the Transfer amount that goes to the Public Safety Fund. This reduction will be needed if item 1 'Minimal Cuts' is approved.
2	Public Safety and General Funds - Moderate Impact	(1,345,000.00)	'Moderate' Impact Cuts. These include a reduction in the Code Enforcement Budget, Reduction in Police, Fire, and 911 Overtime amounts, reduction in other Fire Personal Services costs and defers some fire equipment replacement.
	Non-departmental - General Fund	(1,325,000.00)	This reduction in the General Fund will reduce the Transfer amount that goes to the Public Safety Fund. This reduction will be needed if item 2 'Moderate Cuts' is approved.
3	Council Contingency - General Fund	(35,000.00)	This would eliminate the entire budget for Council Contingency
4	Administration - General Fund	35,000.00	This would increase the Administration budget by \$35,000 to fund the cost of the National Citizen Survey
5	Administration - General Fund	55,000.00	This would increase the Administration budget by \$55,000 to fund the initial assessment needed for Lean Six Sigma.
6	Administration - General Fund	50,000.00	This would increase the Administration budget by \$50,000 to help address Community Safety/Addiction needs. This will be in addition to the \$25,000 that is already in the budget to be a total of \$75,000 of funding to go towards this effort.
7	Parks Programs	75,000.00	This would provide the funding for the Castle Rock Master Plan. This project is identified in the Parks CIP, funded by Cash-in-lieu funds.
8	Park District 1	1,225,000.00	This would reinstitute the funding necessary for the capital projects in the Parks PD1 CIP.
9	Parks - General Fund	(2,500,000.00)	Reduce General Fund Parks by \$2.5 Million and move the expenses to Park District 1 (PD1). This will require an increase the PD1 budget and an increase of the PD1 assessment. The increase in assessment will cost the typical homeowner an additional \$41 per year. This would replace the FY19 revenue loss associated with the removal of the Franchise Fee, which reduced the cost to your typical home owner \$36.50.
	Park District 1	2,500,000.00	
10	Parks - General Fund	(5,627,815.00)	Remove entire Parks, Rec, and Public Lands Department from the General Fund and move it to PD1. Selecting this option would move all Parks and Rec revenue to PD1 as well. This would mean the PD1 assessment would need to increase to cover approximately \$4.4 million. The increase in assessment would cost the typical homeowner an additional \$71 per year. The General Fund mill levy could be reduced to offset any portion of this increase, which is equivalent to 22 mills.
	Park District 1	5,627,815.00	

FY20 Budget

June 24th, 2019

<u>FY 20</u>
\$ 42,343,380
24,895,176
3,724,213
36,224,368
122,826,547
1,765,765
2,574,485
447,300
35,263,952
61,712,300
<u>1,396,932</u>
<u>\$ 333,174,418</u>

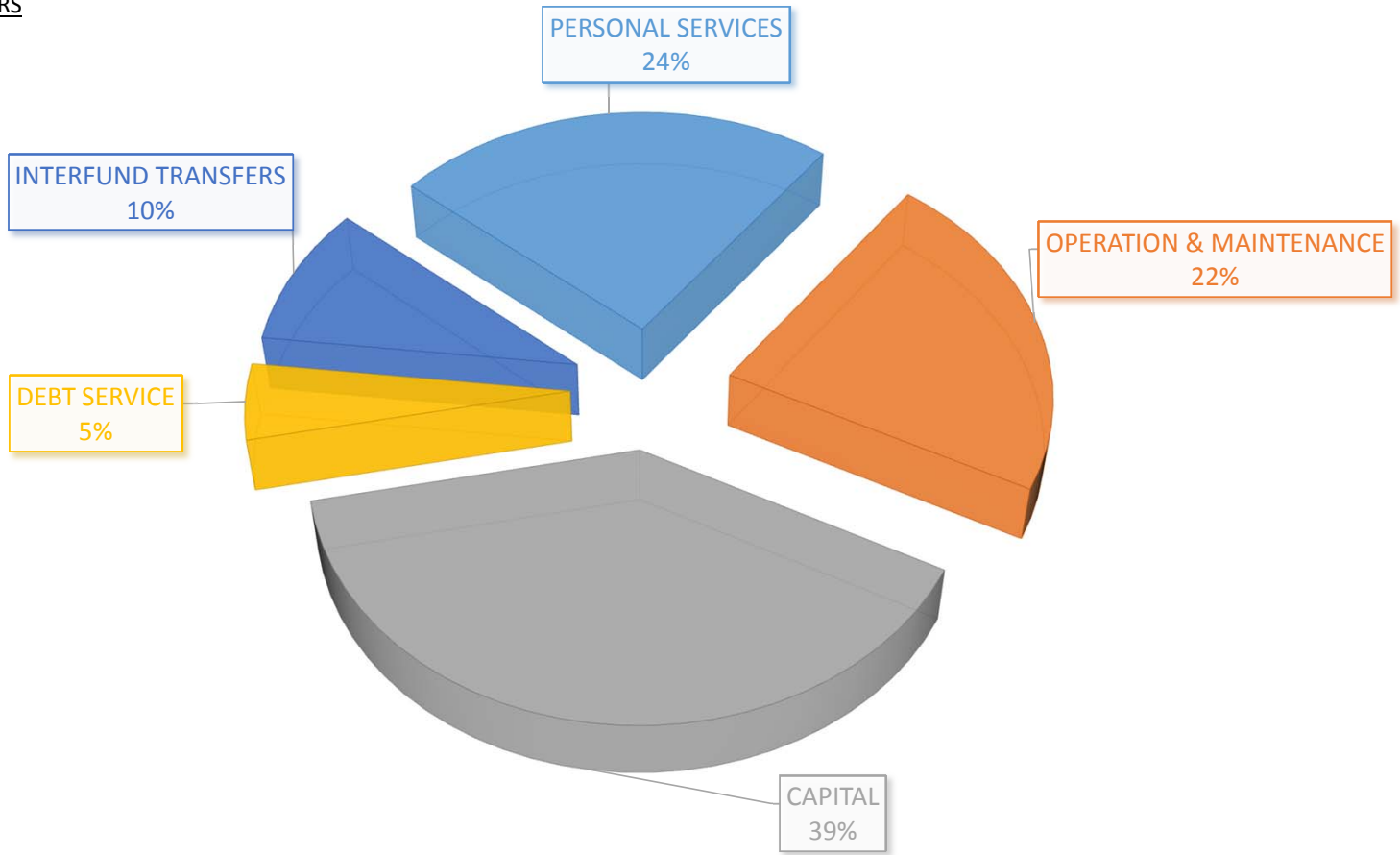
<u>REVENUES</u>
TAXES
SPECIAL ASSESSMENTS
LICENSES & PERMITS
INTER-GOVERNMENTAL
CHARGES FOR SERVICE
FINES & FORFEITS
INVESTMENT EARNINGS
DONATIONS / CONTRIBUTIONS
INTERFUND TRANSFERS
DEBT PROCEEDS
<u>MISCELLANEOUS</u>
TOTAL



FISCAL YEAR 2020

<u>FY 20</u>
\$ 91,855,322
84,189,484
148,941,052
18,921,217
<u>35,263,952</u>
<u>\$ 379,171,027</u>

<u>EXPENSES</u>
PERSONAL SERVICES
OPERATION & MAINTENANCE
CAPITAL
DEBT SERVICE
<u>INTERFUND TRANSFERS</u>
TOTAL



FISCAL YEAR 2020

2020 Proposed Budget Investment in Capital

- Capital Projects
 - BIL Airport expansion
 - Addressing deferred facility maintenance at multiple Fire Stations
 - Aquatics and rec center
 - Police evidence expansion
 - Lead pipe water service replacement

2020 Proposed Budget Investments in Technology

- Operation & Maintenance
 - Parks maintenance tracking software
 - Replace expiring Police equipment
 - City website redesign
 - GIS Improvements

Typical Billings Home Monthly Charges

	FY19 Adopted	FY20 Proposed	\$ Change	Shift \$2.5 Million from General Fund to PD1	Shift \$5.6 Million from General Fund to PD1, reduce General Fund mills by 9.5
City Property Taxes	43.86	43.18	(0.68)	43.18	40.63
Park District	2.69	2.66	(0.03)	6.08	8.57
Arterial Streets	4.15	4.28	0.13	4.28	4.28
Storm Sewer	3.68	3.79	0.11	3.79	3.79
Street Maintenance Districts	10.03	10.33	0.30	10.33	10.33
Water	40.77	43.57	2.80	43.57	43.57
Solid Waste	10.98	11.25	0.27	11.25	11.25
Wastewater	<u>27.02</u>	<u>27.80</u>	<u>0.78</u>	<u>27.80</u>	<u>27.80</u>
Total Monthly Charge	143.18	146.86	3.68	150.28	150.22

Minimal impact on operations

Fund/Department	Program/Staff Reduction	Amount	Impact
Fire	Presumptive Care Correction	491,000	This was calculated during the Legislative Session. After the bill was signed, and further analysis was able to be done, we have determined that the impact will not be as severe on the City this first year of implementation
Fire	Remove SBR Fire Protection Engineer	137,000	Further impact would continue to disallow fire personnel (FPE) from turning reviews around quicker, having actual "boots on the ground" to physically look at sites when questions arise thus continuing to not service our customers as efficiently.
Fire	Removal of Squads	10,000	Funding for the replacement of the squads would stop. This would mean they are not replaced in future years.
Council Contingency	Eliminate Council Contingency	30,000	Elimination of this item would not impact any direct programs, as the account is used for a variety of items depending upon Council's desires
Municipal Court	General Fund transfer to Muni Court Grants	30,000	This is not frequently used to provide local match for grant expenditures, and could be eliminated without significant impact to the grant.
NonDepartmental	Special Assessments	10,000	This, likely, cannot be eliminated but could be moved to other funds where appropriate
General Fund	WC Mod Factor Adjustment	12,000	The budget was created using a mod factor of .8 for WC. We have been informed that our mod factor for FY20 will be .73.
General & Public Safety	Unemployment Modification	88,000	The budget was created using prior year Unemployment rates. We have been informed that our rate will be reduced for next fiscal year.
		808,000	

Moderate impact on operations

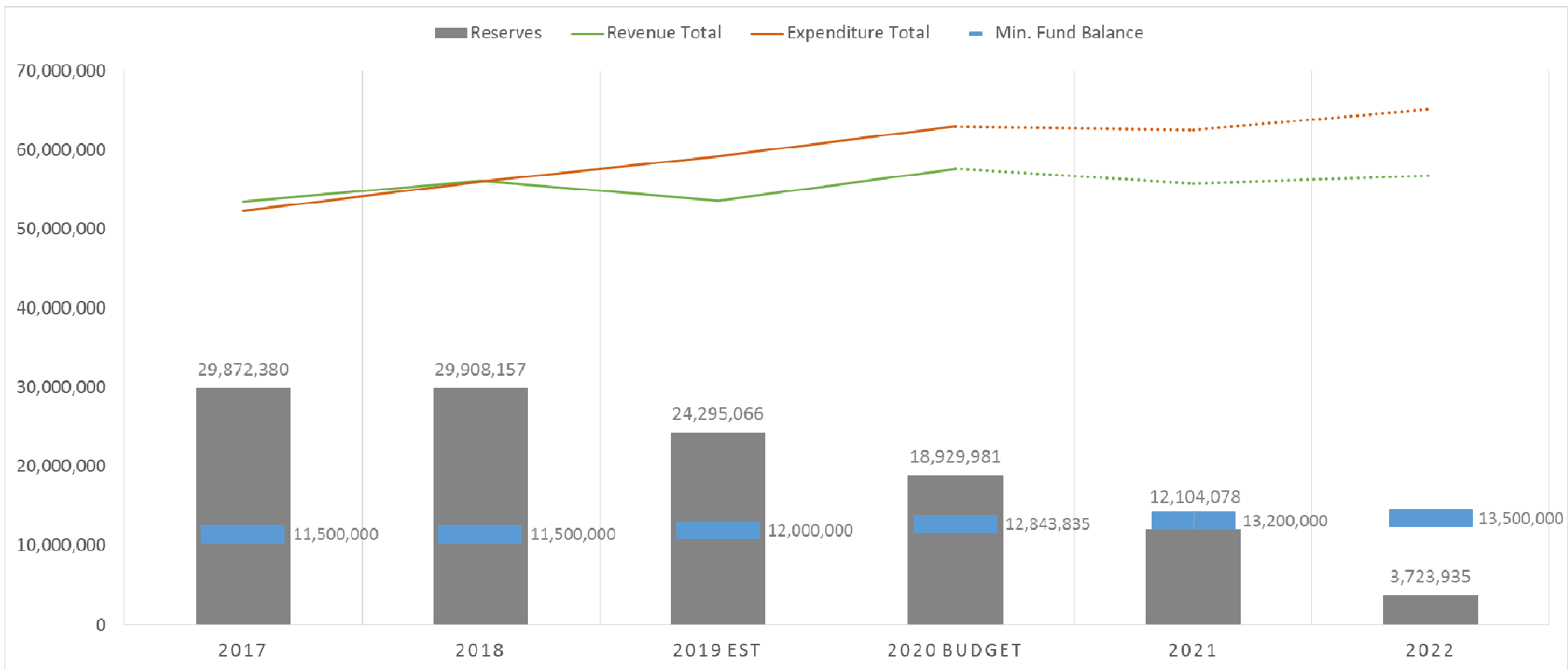
Fund/Department	Program/Staff Reduction	Amount	Impact
Code Enforcement	Cut abatement budget	20,000	Potential reduction in number of annual property abatements
Fire	Overtime	250,000	This would eliminate or reduce team training for Technical Rescue and Hazardous Materials teams. The elimination of training as teams significantly increases the risk to firefighters and public during actual operations.
Fire	Vacation/Sick Payout	100,000	Would have to cover with other budgeted areas if more people retire than those that are anticipated
Fire	Personal Services - Hi-C	95,000	
Fire	Misc. Equipment	50,000	Defer replacement of certain equipment
Fire	911 Overtime	20,000	
Police	OT reduction	300,000	Reduce specialized training and overtime associated with special assignments.
Police	Reduce travel and training at 10%	10,000	Reduce travel and training at 10%
Fire	Deferred Facility Maintenance	<u>500,000</u>	Continued deterioration of facility and related equipment, will address over multiple years
		1,345,000	

City Council Work Session Discussion Items

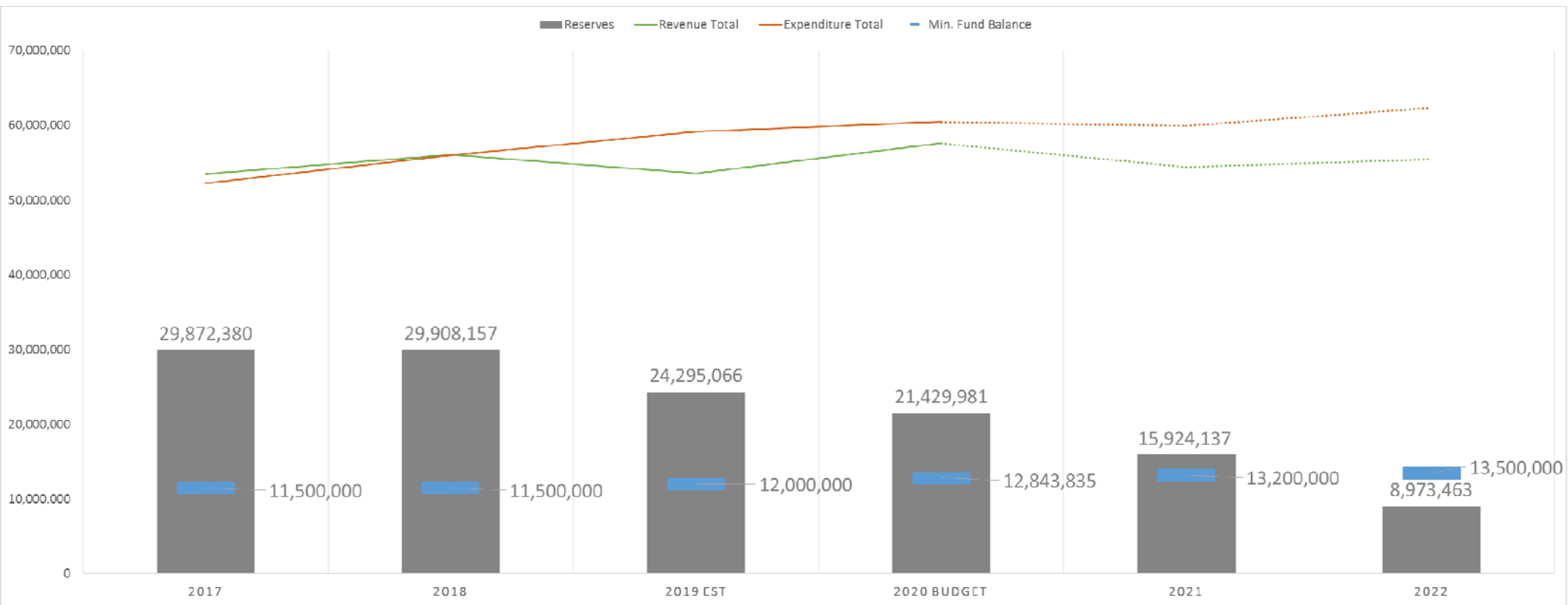
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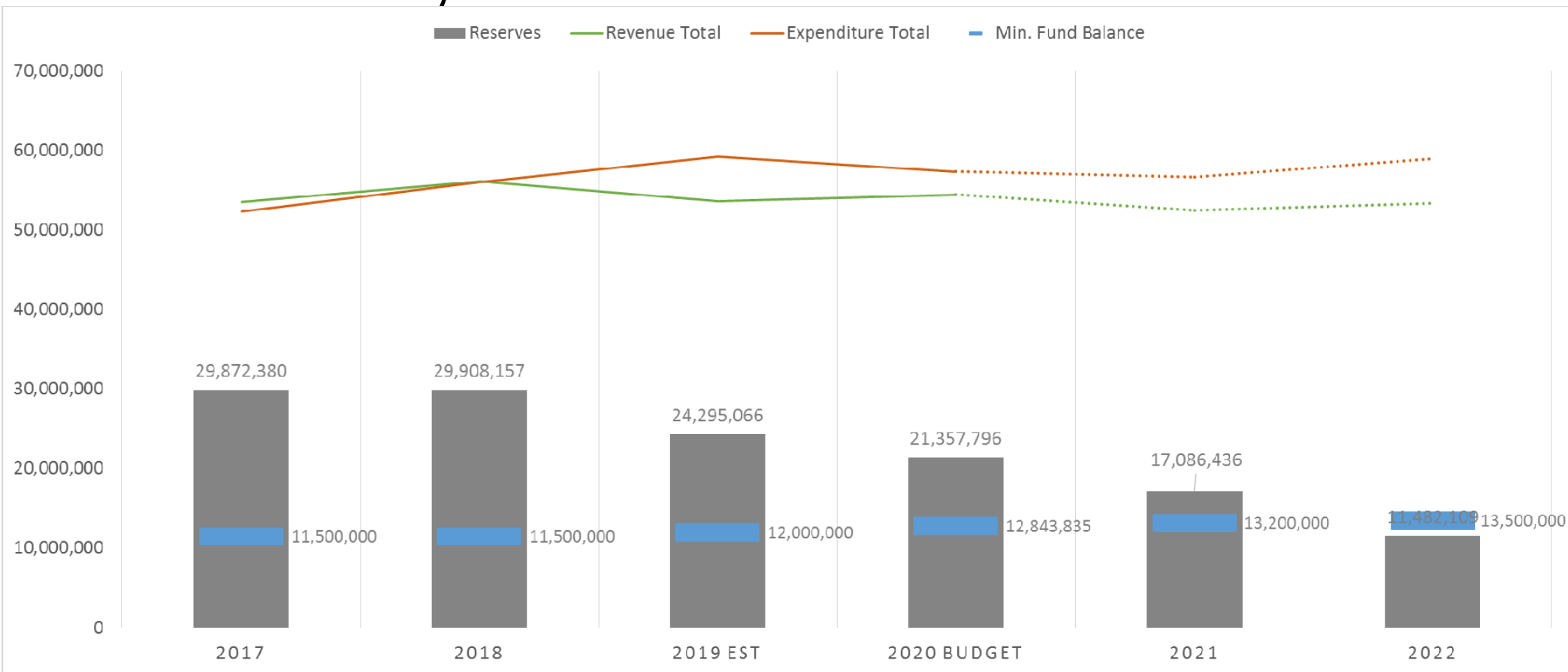
General Fund/Public Safety Proposed FY20 Budget with amendments 1-8



General Fund/Public Safety Proposed FY20 Budget with amendments 1-9



General Fund/Public Safety Proposed FY20 Budget with amendments 1-8, 10, Reduction by 9.5 General Fund Mills





RESOLUTION NO. _____

**A RESOLUTION APPROVING AND ADOPTING THE BUDGET FOR
THE CITY OF BILLINGS, MONTANA FOR FISCAL YEAR 2020**

WHEREAS, the City Administrator of the City of Billings has regularly and lawfully submitted to the City Council of the City of Billings, Montana, the budget for Fiscal Year 2020; and

WHEREAS, the proper notice was published stating that said City Council has completed the PRELIMINARY MUNICIPAL BUDGET for said Fiscal Year, and that said budget has been placed on file and is open to inspection in the office of the City Clerk; and that said City Council would meet for the purpose of annually determining, approving and adopting the budget, and any taxpayer might appear and be heard.

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

Section 1: That the Expenditure Budget for Fiscal year 2020 as detailed in the budget report and as amended by the City Council and further detailed on EXHIBIT "A", be, and the same is hereby finally determined, approved, and adopted.

Section 2: That the City Administrator is authorized to amend this budget for the expenditure of additional funds from the following: Debt Service Funds, Federal, State Grants, special assessments and donations accepted and approved by the City Council.

PASSED AND APPROVED by the City Council this 24th day of June, 2019.

CITY OF BILLINGS:

BY: _____
William A. Cole, Mayor

ATTEST:

BY: _____
Denise R. Bohlman, City Clerk

Exhibit A

**Original
Proposal**

Fund/Department

General Operating Fund:

Mayor & City Council	261,067
City Administrator	802,812
Human Resources	827,300
City Attorney	1,893,727
Municipal Court	1,524,850
Finance	1,528,704
Code Enforcement	585,985
Parks, Recreation & Public Lands	5,627,815
Non-Departmental	31,171,825
Council Contingency	65,000
Total General Fund	44,289,085

Public Safety Fund:

Police	27,362,499
Fire	22,671,913
Total Public Safety Fund	50,034,412

Special Revenue Fund:

South Tax Increment	29,564,814
East Tax Increment	887,071
North 27th Street Tax Increment	3,456,222
Gas Tax	4,556,881
Building Inspection	2,094,808
Street & Traffic Operating	10,042,906
Fire Programs	87,100
EOC 9-1-1 Grant	1,101,118
City/County Planning	1,875,729
City Attorney Grants	305,374
Municipal Court Grants	647,123
Police Programs	617,088
City County Library	3,902,621
Development Services Grants	1,447,433
Park Programs	54,315
Downtown Revolving Loan Program	419,480
Cemetery Improvement	66,950
Animal Shelter Donations	6,000
Street Maintenance Districts	8,961,213
Street Light Districts	2,923,276
Storm Sewer Operating	4,670,517
Park Maintenance District	992,608
Park District 1	695,626
Arterial Street Fees Operating	5,666,767
Amend Park	182,270
Ballfield Stadium Donations	130,789
Road Maintenance Dist	164
Total Special Revenue Fund	85,356,263

Exhibit A cont.

<u>Fund/Department</u>	<u>Original Proposal</u>
Debt Service Fund:	
Special Improvement Debt	1,078,800
Series 2010 Parks Debt	121,453
Series 2004A Street Debt	349,436
Storm Sewer Debt	1,013,649
Sidewalk, Curb & Gutter Debt	421,750
Series 2015 Baseball Refunding	763,684
Series 2012 Library	1,205,280
Total Debt Service Fund	4,954,052
Capital Projects Fund:	
Urban Renewal Land Development	62,742
Sidewalk Construction	1,221,300
Special Improvement Districts	2,691,000
Capital Replacement	1,666,987
Dog Park Construction	500
Park Construction Fund	-
Storm Sewer Construction	-
Total Capital Project Fund	5,642,529
Enterprise Fund:	
Water	37,260,629
Wastewater	35,530,109
Parking	1,843,571
Solid Waste	21,637,553
Airport	53,357,281
Transit	9,085,727
Total Enterprise Fund	158,714,870
Internal Service Fund:	
Fleet Services	1,975,124
Central Services	61,689
Information Resources	2,672,921
City Health Benefits	13,959,454
Central Telephone	798,469
Radio Communications	271,915
Property Insurance	2,425,024
Facilities Management	1,870,294
Public Works Administration	2,921,442
Public Works Engineering	3,217,882
Total Internal Service Fund	30,174,214
Permanent Fund	
Cemetery Perpetual Care	5,600
Total Permanent Fund	5,600
Total All Funds	379,171,025