

**BILLINGS CITY COUNCIL
Budget Committee
Meeting Minutes
June 14, 2023**

CM Present: Mike, Ed, Jennifer

Staff Present: Andy, Chris, Brandon Schmidt

Call to Order (0:00:00)

Approval of May 24 Meeting Minutes (0:00:01)

Minutes not ready; will be approved at next meeting

Public Comment (0:00:14)

None

FY24 Budget (0:00:25)

a) Process Review/Next Steps

Committee members recap the process and discuss presentations. Committee briefly discusses rate setting process. Unclear if Council has enough policy parameters for rate setting.

Remaining action items for budget include rate setting on June 26 (street maintenance, solid waste) and stormwater in July. Water/wastewater rates already finished.

Council will set mills in August or September. Reappraisal notices are going out from Montana Department of Revenue next month. Property owners have 30 days to protest valuation, then City will receive certified value in August.

Public meetings are being scheduled around the state being scheduled to explain the valuation process. There will be a meeting in Billings this summer.

Committee agrees to maintain the same schedule for budget review that was used this year.

b) Cemetery Rates (0:22:49)

The current cemetery rate-setting schedule is unclear as are the criteria/components of rate setting. Committee recommends having some kind of rationale for the timing of rate setting.

The current rates are based on the superintendent looking at national inflation rates (BLS) and using the 16% rate. He then gathered cemetery data for other facilities in the area and estimated where increase would put City vs private entities. The General Fund subsidized approximately \$300K - \$350K per year. Total expenses are around \$450K to \$500K, revenues around \$130K.

Current rates are stairstepped, rather than gradual increase. Many city rates used to be that way, but the preference now is to shift towards more gradual increases annually.

City also has a Perpetual Trust – a portion of each grave sale is set aside (35%) for the future when there are no new graves to sell and facility needs to be maintained; interest is used for other projects at the site.

Committee asked about the typical customer/demand for city cemetery. City has the oldest cemetery, and there are a lot of family burials. Facility has been operational since 1882 and people like the certainty of operation. This is the most mature cemetery and is a beautiful setting. Veterans also buried there. Rates are not set to serve low-income population. Some customers do struggle to pay bills. City provides burial only.

Calvary/Holy Cross are not good comparisons, as they are supported by a church. Current approach is to aim to be equal to or lower than Smiths. City has 3500 graves available; 27,000 full. Future growth would require closing of Par 3, or other modernization. Could create more columbaria or create a spreading garden with a plaque.

Committee discusses potential guidelines for rate setting:

- Cemeteries have value for living and dead
- Not essential that operations break even, but should come closer.
- Don't get above regional averages, but not necessary to be far below
- Gradual annual increases.

Next steps: in July, revisit the issue and make recommendations to Council for rate setting.

Policy on General Fund reserve levels (0:55:07)

Current recommended minimum reserve is 29% of General Fund (GF) expenditures. There is an Administrative Order from the 1990s that sets minimum reserve balances for GF and major operating funds. The Policy also states that Council will strive to refill minimum balances if they dip below.

The rationale for the current policy is based on cash flow needs, legally required minimums (driven by debt), and reserves for emergencies or risk. No longer term capital projects are maintained in GF reserve funds; they generally held in separate accounts.

Committee generally concurs that an approach to minimum fund balance driven by cash flow makes sense.

Water and wastewater minimums are substantially higher than minimums because they hold capital project funds. Building division reserves are statutorily held in entirely separate fund; library is also a separate fund.

There is currently no minimum reserve on the Public Safety fund. Finance Department tries to maintain \$1.5M at year end for mostly cash flow.

FY23 reserves will be slightly above 29% - minimum balance should be around \$12M.

Committee discussion that 29% may not be the right number any more. Minimum reserves will go up with elimination of PD1, as more Parks dollars in the GF will change calculations. GF cash flow also impacted by substantial increase of PS mill levies, reducing reliance on GF for public safety. So dollar funds in GF reserves came down, but cash flow needs continue. May need a PS fund minimum.

Could increase GF minimums higher or could do a minimum reserve into PS fund. Likely to be approximately 10%-15%. 10% would represent cash flow, but need also some amount for emergencies. Need to analyze historic trends.

Annual Moody's rating will inquire about Council's establishment of reserves or desire to increase reserves. May be beneficial to have Council action to update or at least review policy to show auditors/credit rating that this is a current policy.

Revisit on August agenda. Also look at investment policy.

FY23 Budget Amendments (1:22:54)

The Insurance Fund needs an amendment – rate increases happened in FY23. Does not have to happen before fiscal year end, fund likely needs \$300,000-\$400,000. There are dollars in the fund, but need to give staff authority to spend. This will deplete those balances. If rates continue to rise, we either need to transfer from GF or increase internal charges. Need to understand better what is driving increases.

Amendment needs to go to Council, so include on July committee agenda. Kevin will provide a draft in advance.

Also need to adjust FY23 budget to reflect award of bids for new city hall. Previously approved ERP transfer to New City Hall will also need an amendment to execute.

Animal Shelter funds will be changed due to a donation for maintenance. Likely does not need to go to Council.

FY23 Q3 Report (1:34:00)

Spending and revenues generally on track. No major surprises.

Committee Discussion (1:44:03)

None

Discussion of Future Agenda Items & Meeting Schedule (1:45:27)

July: stormwater, cemetery, insurance, FY23 amendments

August: reserve policies, investment policies, certified appraisal value, mill levy amounts

Committee needs to begin work on policy goals for rate setting and CIP planning in fall. Cost of services study will influence – study will begin in the coming weeks.

Adjournment (1:48:56)

Next meeting: July 12, 2023 @ 9 a.m.