

**BELGRADE CITY COUNCIL MEETING MINUTES
COUNCIL CHAMBERS**

August 12, 2013

7:00 P.M.

Mayor Russell C. Nelson called the meeting to order. Mayor and Council Members in attendance were Mayor Russell C. Nelson, Brad Cooper, Anne Koentopp, Tudor Gee and Mark Criner. Council Member John Youngberg was absent. Others in attendance were: City Attorney Rick Ramler, Acting City Manager E. J. Clark, Director of Finance Phyllis Wernikowski, Shelly Morrow, Leanne Bachmeier, Belgrade City Court Judge Michele Snowberger, Sue Caldwell, Teresa Flanagan, Public Works Director Steve Klotz, Bill Green, and Michelle Clark

Council Member Gee motioned to excuse Council Member Youngberg from tonight's meeting. Council Member Criner seconded the motion. All voted aye, motion carried unanimously

PUBLIC FORUM

Mayor Nelson called three times for any members of the public to speak during the public forum. Hearing none, the public forum closed.

REPORTS

Mayor Nelson reported that he would attend the Central Valley Fire Board Meeting on August 13, 2013 at 6:00 PM.

City Attorney had nothing to report.

Acting City Manager Clark reported that he talked with Mr. Prothman and worked on his pricing. Originally, he had requested \$18,500. He agreed to \$17,000 and reduced some of the other expenses.

DISCUSSION AGENDA

APPROVE PAY PACKAGE - Mayor Nelson stated the payroll committee that included Mayor Nelson, Council Member Cooper, and Council Member Youngberg met and spoke with Acting City Manager Clark. The committee discussed salaries and raises for the year included in the pay package. There has been an effort to rein in overtime for department heads. There is a plan that is a combination of overtime plus base to come up with a new base.

Council Member Cooper asked when someone pays the City for overtime would Acting City Manager Clark be eligible to receive overtime.

Acting City Manager Clark stated there is contract overtime not paid by the City.

Council Member Cooper asked if Acting City Manager Clark would still receive overtime in that scenario.

Acting City Manager Clark stated that he would receive overtime in that situation only if he had to fill in for another Officer, but he does normally work contract overtime.

Council Member Cooper asked how it will work if Acting City Manager Clark is on call for the Police Department.

Acting City Manager Clark stated he would not receive pay for comp time, overtime, or on-call time. This is the same for all the department heads excluding the Judge, and the Library Director. Judge Snowberger is on a four-year agreement. The Library Board negotiates the Library Director's salary.

Council Member Cooper asked how this would change the retirement benefit, leave time, and sick time.

Acting City Manager Clark stated that the department heads will still get sick leave and vacation and if an employee or department head is taking time off during the week, they should use sick pay or vacation time for that. The retirement benefit will not change.

Mayor Nelson stated health insurance went up 2.5%.

Acting City Manager Clark stated that PERS went up 1% and workers comp as well.

Finance Director Wernikowski stated that MMIA, which is a group of about 40 different municipalities for health insurance used reserves that they had built up to reduce the increase in health insurance that they were charging the City. Originally, they were talking about a 10% increase in health insurance costs for this year.

Council Member Cooper stated that Acting City Manager Clark proposed the stipend to the payroll committee. We are negotiating the pay that Acting City Manager Clark would receive for City Manager duties. I feel that the Council needs to rule on this.

Council Member Criner stated that department heads or management should never receive overtime.

Council Member Cooper stated that overtime is included into their base pay.

Council Member Criner stated that if their base salary was low for years and they were paid overtime in addition to the base for years then you could not just take that overtime away. Average the overtime plus base pay that was paid in the past and then come up with the new base then no more overtime. I think this is the fair and proper way and then nobody gets overtime from this point on.

Council Member Cooper asked if the change in salary for department heads was included in this budget.

Acting City Manager Clark stated yes.

Finance Director Wernikowski stated yes.

Judge Snowberger asked how the City is calculating what the increase in wages for department heads. You have the base pay that the department heads were paid and there is some overtime, which I am unaware of that probably varies between departments. How is the City calculating what each department head will receive and what the increase to their salary is.

Mayor Nelson stated we looked at a three-year average of overtime hours.

Acting City Manager Clark stated that he went back four years on his received pay and did not count this past year because of the skewed hours due to City Manager duties.

Mayor Nelson stated the payroll committee went back three years and looked into how many hours of overtime the department heads received and then used that average to add to the base. We went back four years for Acting City Manager Clark and did not use the most recent year because he had excess overtime with his duties as Acting City Manager.

Judge Snowberger asked, what is the percentage of increase for each department head?

Council Member Cooper stated that there was not an increase because they had made the overtime in previous years.

Judge Snowberger stated there is an increase in the department manager's base pay. What is the percentage of that increase? I understand that there needs to be some fairness about how the City is computing the salaries, I am just asking the question as to what that increase is. You must know what the numbers are.

Mayor Nelson stated I do know what the numbers are. I just do not know what the percentage is.

Judge Snowberger stated that the amount would be fine too. I am just trying to have some sense of what that is.

Mayor Nelson stated that the salaries are in the realm of what they were making previously with overtime taken away. For instance, someone was making \$70,000 per year the base was \$40,000 plus \$30,000 of overtime. The average of that \$30,000 was an average of three years. We used that figure to come up with a new base. Whatever percentage that is, varies from department head to department head because they all make different amounts.

Judge Snowberger stated I am asking what the actual increase is per individual for their salary.

Mayor Nelson stated that he did not have each actual increase amount.

Acting City Manager Clark stated he and Public Works Director Klotz are making less money, Finance Director Wernikowski is making a little more, and City Planner Karp was never a department head. In talking with the committee, they wanted City Planner Karp to be a department head therefore his salary went up.

Belgrade News Editor Michael Tucker asked if you do not know what the numbers are how are you going to approve the budget. How are you able to approve the budget if the salary changes happened in a special meeting and there are no minutes from this meeting?

Mayor Nelson stated that they are in a report from the salary committee. We do not have those reports, but they are available.

Council Member Criner stated that the Council does not approve employees pay packages. The Council approves the City Manager salary.

Council Member Cooper stated that the Council only adopts the budget. The City Manager decides each department heads salary. The department head approves each employees pay package.

Belgrade News Editor Michael Tucker asked why discuss pay package in the Council Meeting if they do not approve them.

Council Member Cooper stated we approve the budget, and the salaries are in the budget.

Teresa Flanagan stated she is a clerk at the Belgrade City Court. The pay package is on the agenda. My question is other than department heads, every employee including department heads are getting a 1% increase in their salary wage, is that correct.

Acting City Manager Clark stated that the Judge and Library Director are included, but the other four are not.

Teresa Flanagan asked about the employees that have a matrix, are they getting their step increase.

Acting City Manager Clark stated yes, the employees with a matrix would receive a step increase, if scheduled to have one.

Teresa Flanagan stated so for those of us who do not have a matrix all we get is a 1% increase, which just covers the PERS and we are in the hole with the insurance, is that correct.

Mayor Nelson stated that is correct.

Teresa Flanagan stated she wanted quoted in the minutes.

Teresa Flanagan stated that she started in January of 2008 and there was not a pay matrix for the clerks at that time.

Judge Snowberger stated she would tell the Council about the history of the matrix. According to Judge Snowberger, when she started at the City, the matrix was presented to her as how the clerks in the City and Court would receive raises.

Judge Snowberger stated that she started working for the City in 2002. At no time did the City inform her there was no longer a matrix. What happened was when Shelly Morrow reached

the proper length of employment for a step increase, the City Manager informed us that the matrix was no longer in effect and we would not be using a matrix. Even though at the time of her hire they said, she would receive the step increase. When the time came for her to receive the increase, the matrix was no longer in place. The matrix has not been in place since about 2006.

Shelly Morrow asked if the police ever came off the matrix.

Acting City Manager Clark stated that the police have their own matrix and public works does as well.

Public Works Director Klotz stated that public works had been off a matrix for several years but went back on a matrix approximately two years ago.

Mayor Nelson stated that the information used to decide the salaries for the department heads came from what the salaries are for like positions in surrounding cities, Livingston, Three Forks, Manhattan, and Bozeman certainly has an array of jobs but matched the duties with ours. That along with the averages is how reasonable pay for that job in that department was determined.

Teresa Flanagan stated I just want to say again that is very commendable that you are giving the department heads an increase, however I do want it known that I started in January 2008 at a certain salary. Another clerk hired for the City in February 2008 began at higher salary. Every year I have asked my supervisor, Judge Snowberger for salary equalization and that has never happened. I just want you to know that there is some unfairness going on with your salary discussions.

Mayor Nelson stated I do not know if that is unfair, there are different departments and different duties, different jobs, different responsibilities.

Teresa Flanagan responded that they are all designated as Clerks.

Finance Director Wernikowski stated that she would get information on all the clerk type jobs from different cities for the November meeting.

Council Member Criner stated we negotiate with the City Manager we do not negotiate with each employee individually. That is not how this government body is set up. Employees can go to the City Manager and argue their pay.

Judge Snowberger stated I would just make a statement that the Council actually approves my position.

Council Member Cooper stated that the appointment of the Judge relies upon City Managers recommendation.

Judge Snowberger stated that the City Council does set policy. The City Council does set the human resource policies of the City and how those items should be reviewed and how they should be decided going forward. The City Council does have a role in establishing what the policies are for the City regarding the employees. There is an opportunity for the City to look at

their human resource policy and determine if those policies are meeting the needs of the City itself and also the Council and its employees. It is really important not only for an individual employee feeling that they have a say in what is happening in their lives but also to have the City be moving forward in a positive manner.

Acting City Manager Clark stated in the last meeting it was indicated that there have been some minor adjustments, like Ms. Flanagan brought up in reference to equality. There have been adjustments made in the budget to address some of those issues.

Council Member Koentopp asked if the employees were aware of this.

Acting City Manager Clark stated that information was not available to the employees because they were waiting for budget approval.

Council Member motioned to table the pay package discussion. Council Member Retterath seconded the motion.

Council Member Criner stated this is a City Manager responsibility or for now Acting City Manager Clarks responsibility.

City Attorney Ramler stated that the Charter deals with who has responsibility and authority the City Manager or the City Council on employment issues which would include pay. The Council should vote on the Acting City Manager compensation.

Council Member Cooper motioned to withdraw the motion to table the discussion. Council Member Retterath seconded the motion to withdraw.

Council Member Cooper motioned to approve a stipend of \$950 per month at the beginning of the fiscal year in addition to regular pay for Acting City Manager Clark until a new City Manager is hired. Council Member Gee seconded the motion. All voted aye, motion carried unanimously

Council Member Gee stated that he appreciated all the time the City has put in to keep business running smoothly. Council Member Gee stated his appreciation for all the time Finance Director Wernikowski had put into creating the budget. With losing City Manager Menicucci, all of the department heads and employees have done a wonderful job and, I just wanted to say thank you.

PRELIMINARY BUDGET FOR FY 2013-2014 AND SET DATE FOR PUBLIC HEARING. - Finance Director Wernikowski presented the preliminary budget to the Council. She explained how the increase in the mill levy affects the final budget.

Mayor Nelson asked how the 1.795 mill levy relates to the booklets from the last meeting.

Finance Director Wernikowski replied that the preliminary budget is \$1,385,000 as opposed to last year, which was \$1,340,000. It is about \$45,000 higher in cash into the general fund.

Council Member Koentopp stated that she has been on the Park Board for about ten years and noticed that in the first preliminary budget that the Park Board went from \$105,000 down to about \$70,000. Then \$11,000 of the cash in lieu for new parks is designated for upgrades to the Splash Park, which I question that as being able to be used as cash in lieu when the Park Board has not even discussed that.

Acting City Manager Clark stated that the preliminary figure was discussed with Public Works Director Klotz and he actually withdrew it from the budget.

Council Member Retterath asked if mill levy increase gives the City an extra \$56,000 would that be divided into different departments, or will it go into the general fund.

Finance Director Wernikowski stated that the \$56,000 goes into Rural Planning.

Council Member Criner asked if the City would get an actuary from the Volunteer Relief Association.

Finance Director Wernikowski stated that an actuarial survey is included in the budget for Fiscal Year 2013-2014.

Mayor Nelson asked if the cash reserve worksheet that includes revenues compared to expenditures was the same report as before.

Finance Director Wernikowski stated that it is similar. The general fund is a little on the low side for what Municipal Finance Managers like to see.

Mayor Nelson stated that there are several cash accounts in the general fund. The one we can use for operating, \$388,000, not all of that is operating. Do we have cash balances of other general fund accounts that we could use for operating?

Finance Director Wernikowski responded yes, there is operating cash, and reserves.

Mayor Nelson stated it is important for the Council to see is what cash is available for operating. If expenditures are greater than revenues, we cut expenditures. There needs to be enough cash for operating and still leave the reserves.

Finance Director Wernikowski stated that she would provide the Council with reports separating out operating cash.

Mayor Nelson asked when we have expenditures over revenues in a category like the general fund, what cash do we have that can supplement. Until we have more information, I would not be interested in approving a preliminary budget tonight.

Attorney Ramler stated he agreed.

Council Member Retterath asked do we all agree on the 1% raise for all employees, and taking more because PERS and health insurance went up.

Mayor Nelson stated that in private business when insurance went up the employees bore the cost of that. It is tough times and budgets are tough, it hurts, but we have to make those decisions. The Council serves as stewards to the City; it is our responsibility to make sure we do what is right.

Shelly Morrow stated we took one year at zero pay increase and the next year at 1% increase. We do understand tough times and I appreciate you recognizing that. This is not the first time the employees are going to have a 1% increase. I do agree that during tough times we have to tighten down. We lost an employee and we have tightened and tightened and tightened. I totally agree with you versus private versus government however, we are government.

Council Member Cooper asked about the CDBG fund.

Finance Director Wernikowski explained accounts receivable and cash accounting.

Council Member Cooper asked why the street maintenance district shows a decrease of \$138,000.

Finance Director Wernikowski stated that is actually the accounts receivable amount. The \$138,000 is an amount due from the school for the work the City did on Jackrabbit. We recently received payment from the school, but it did not make it onto the report.

Mayor Nelson stated the Council and City need to discuss the accounts where expenditures exceed revenues. We can discuss cuts in expenditures to get closer to actual revenue.

Mayor Nelson stated we are going to spend \$1,700,000 and we are proposing \$1,200,000 coming in. We are \$500,000 short. The water fund is \$600,000 short.

Finance Director Wernikowski explained that currently we charge \$35.76 a month for 5,000 gallons of water and sewer. If we increase the base rate by 12%, and increase the water from \$1.19 per 1,000 gallons to \$1.26, and sewer from \$1.58 per 1,000 gallons to \$1.83, then reduce the base usage allowance to 4,000 gallons, the new rate is \$44.14 per month. The estimated return is about \$108,000 in water, and \$121,000 into sewer. We have to do this to meet our debt covenants. We have been running deficits for a couple years and this is what it has ended up.

Council Member Cooper asked if we are using any of the impact fees in the budget for water.

Finance Director Wernikowski stated that we have not spent our impact fees, and water has its own impact fee.

Council Member Cooper asked could they use any of the \$144,000 in water impact fees for the budget.

Mayor Nelson stated that some or all of the impact fees are for capital improvement.

Finance Director Wernikowski stated the City has not updated the impact fees for seven years and this should be a consideration for the future.

Council Member Cooper asked if we could still spend it because this happened before the City had impact fees.

City Attorney Ramler stated that it depends on if the project was identified as a capital improvement project. The project needs to be in the study as a capital improvement project. The impact fees need updating.

Mayor Nelson stated the water-operating fund has \$1,753,000 projected in expenditures and \$1,145,000 in revenue. That is a difference of \$608,000. The proposed water and sewer rate change would decrease that to about \$500,000 short for the operating water fund this year.

Mayor Nelson asked if the operating cash has other funds included.

Finance Director Wernikowski stated that there is impact fees, reserves for employee leave, replacement and depreciation included.

Mayor Nelson stated the need to know the actual operating cash. My point is that we are still \$500,000 short.

Council Member Cooper stated I see it as \$250,000 short.

Mayor Nelson stated look at 5210 water operating fund \$1,753,000 minus \$1,145,000 is \$608,000 you take \$108,000 off that for estimated water increases and we are still \$500,000 in the red.

Mayor Nelson stated the need to know how much operating cash is available. For example, there is \$1,000,000 in operating cash, we are \$500,000 short this year and if we cannot make any other adjustments, or raise rates higher, we are going to take the \$500,000 we are short out of \$1,000,000 of operating cash. Now we are down to \$500,000 cash and if we have the same problem next year, maybe we do another increase but we are not going to do it all at once. This is why it is important to understand what operating cash we have.

Finance Director Wernikowski stated that the operating cash is approximately \$1,400,000.

Mayor Nelson stated we are going to use \$500,000 of that and we are going to have \$900,000 cash left. We are eating that cash up pretty quick because there is such an imbalance in some of these funds and that is one of them.

Finance Director Wernikowski asked if Mayor Nelson would like to see higher proposed water and sewer rates.

Mayor Nelson stated he would like to see proposed higher rates even if the Council and Public rejected them. A shortage of \$608,000 in the water budget is a big deal. You have a little

less than that in the sewer. I do not think we have managed that correctly over the past years because we should have been inching rates up to cover those expenditures.

Council Member Koentopp stated there a limit of how much you can raise rates without going to the public for a vote it is not much over 12%.

Council Member Cooper stated we do have \$500,000 that is not operating loss, lawyer costs, are not operating cost. What fund is budgeted for the attorney fees?

Finance Director Wernikowski stated that is the \$224,000 in proposed expenditures in water special projects.

Mayor Nelson asked for an explanation of negative cash of \$588,000.

Finance Director Wernikowski stated that the water operating and the water special projects are one group.

Mayor Nelson stated if we do that, then whatever cash is we are going to combine those two, which makes some sense. We are still \$500,000 short for this year, and we are absorbing \$588,000 that does not leave much cash left in water.

Finance Director Wernikowski stated that is one of the reasons we acquired advice on our water rates.

Council Member Cooper stated we have to adopt a preliminary budget before we can do a final budget.

Mayor Nelson stated that he did not have enough information to adopt.

Council Member Cooper stated we need to see the cash reserves.

Mayor Nelson stated that when we do approve the preliminary budget we have to start addressing how to supplement the deficit and how to fix it.

Finance Director Wernikowski stated she could sit down with Acting City Manager Clark and anyone who wants to can go through line by line some of the major budgets. I can put together the operating cash report for you, but I think Acting City Manager Clark and I have redlined a lot of it.

Council Member Cooper stated that once we have the reserves figured out then the Council has to help you make cuts. It has to come before the Council. Right now, I think to adopt a preliminary we need the cash reserves as accurate as possible.

Finance Director Wernikowski stated she would provide that for the meeting next Monday.

Mayor Nelson asked Finance Director Wernikowski to provide the actual operating cash for all of the funds that have it.

Council Member Criner stated the general fund cannot be changed we cannot increase revenue you can only make cuts.

Council Member Retterath stated that he wanted to see the true numbers on the water and sewer and see what we should increase.

Finance Director Wernikowski stated the City has been running in a deficit for three years. I do not think that you can make it up all in one year.

Council Member Retterath stated he understood, but would like to see that for the future.

Finance Director Wernikowski stated one thing that will improve our revenues in water special projects is signing off on the water main project. Once we do that \$500,000 becomes revenue. DNRC will write that off to us, but we have not gotten the punch list done for that project.

Acting City Manager Clark stated that the punch list near completion.

Finance Director Wernikowski stated that the \$500,000 shows in revenue.

Council Member Cooper stated that the punch list has to be completed.

Acting City Manager Clark stated that there is a disagreement currently.

Public Works Director Klotz stated that it is a short punch list and we did the one-year warranty at the same time so there is 20 feet of sidewalk that needs repaired. We should complete it in three or four days.

Acting City Manager Clark stated we could not do anything until that is complete. We have to go back through the surety to get them to order the people to do it.

Mayor Nelson stated this budget is a new experience for Acting City Manager Clark and Finance Director Wernikowski. I think it is our responsibility to know the numbers to make a decision and I think that we should seek a little help. I propose to call former Finance Director Marilyn Foltz and see if she would review the budget after we make the changes. I have talked to her once and she said that she would do that. I ask the Council to consider us engaging former Finance Director Marilyn Foltz to review our budget and give her remote access so she can pull whatever reports she needs to form an opinion of where we are. I think that we need her opinion on the fund deficits we have. I would like to have Council approval to do that.

Council Member Koentopp stated she is opposed to that.

Council Member Retterath stated that he is opposed to that because we offered her an opportunity and she did not accept.

Mayor Nelson stated concerning negotiations, we felt that she was asking for a lot and that is why we did not have her come out here for two months and help with this. She said she

would take time and review it. If there is a cost, it is a nominal amount. I think that we need other eyes looking at this because I do not think we have the eyes we need in this Council. She has the most institutional knowledge of anybody other than former City Manager Joe Menicucci, and he is no longer with us.

Council Member Cooper stated that he felt former Finance Director Marilyn Foltz would be of benefit.

Council Member Criner stated I am torn, but I understand your point these employees have a lot of history.

Council Member Retterath asked Finance Director Wernikowski if she would welcome Marilyn Foltz's input.

Finance Director Wernikowski stated that it is never bad to have another professional opinion.

Council Member Cooper stated that without former City Manager Joe Menicucci and without former Finance Director Marilyn Foltz and for Finance Director Wernikowski to step in and under one year create this budget is a lot to ask of Finance Director Wernikowski. I have been on the Council for 26 years and I still have a tough time figuring the budget out. Former Finance Director Foltz knew how to write the budget and Finance Director Wernikowski could learn from her.

Council Member Koentopp stated that you just made the comment that we were not doing the budget right for the last two or three years, why are we looking at the former Finance Director to get us out of it.

Council Member Cooper stated that the former Finance Director did not place the City at a deficit; the Council did due to projects with water and sewer. We did not raise the rates when we should have and you cannot put that on one director.

Council Member Criner asked if we are going to allow Acting City Manager Clark to negotiate a contract asking Marilyn Foltz to help.

Mayor Nelson stated that Marilyn Foltz would review the budget.

Council Member Criner stated that we are cutting corners now I do not want to spend any money on it.

Council Member Koentopp asked if we took advantage of the person from Livingston that offered his services for nothing.

Finance Director Wernikowski stated that she had sent information to him. He has made some suggestions including looking at fund balances.

Council Member Criner asked if there is a contract, can the Mayor authorize that, or does the City Manager need to.

Mayor Nelson stated that if there is any kind of contract it will come before the Council. City Attorney Ramler stated that it is a budgeting issue. Contracting someone for budget advice is a function of the City Council.

Council Member Cooper made a motion for former Finance Director Marilyn Foltz to evaluate the budget and give her remote access. Council Member Criner seconded the motion.

Council Member Retterath stated that he felt if Finance Director Wernikowski were interested in having Marilyn Foltz evaluate the budget, he would approve that.

Mayor Nelson called for a roll call vote.

Council Member Cooper voted aye
Council Member Koentopp voted no
Council Member Retterath voted aye
Council Member Gee voted aye
Council Member Criner voted aye

Mayor Nelson stated that the motion passes four to one. Mayor Nelson stated he would contact Marilyn Foltz.

Council Member Criner stated he had one more question on the preliminary budget. For the department heads, and the city employees present are there any other concerns on the budget with the ability to do your jobs. Is there any equipment cut out of the budget that hinders you in your job?

Shelley Morrow stated that the space for the court clerk's office is too small and is becoming prohibitive to perform her job.

Council Member Criner asked if this is a consideration for the future, or was it cut from the budget.

Shelley Morrow stated it is not a cut; we have working in a closet. Judge Snowberger stated that the design of the clerk's office was originally for one person working part-time. We currently have one-and-a-half staff in that room. When I show up in there you have to watch where you are going or you will run into somebody. The clerk's office is out of storage space, workspace, there is not a large enough window to accommodate the people coming to the court. I have had that discussion with former City Manager Joe Menicucci for many years and certainly have been exploring options with both Acting City Manager Clark and Finance Director Wernikowski to see if we can address this. The City needs to plan for some work in that area. It is hard to work in that office. The clerks do an amazing job and they work under trying circumstances.

Mayor Nelson stated that the new city manager could address that issue.

Judge Snowberger stated that she encourages the City and Council to continue to have those conversations.

Shelley Morrow asked Council Member Criner if that was not the question that he wanted.

Council Member Criner stated what he wanted to know is if we need new desks, computers, or a backhoe, equipment that has been cut. What cuts out of the budget concerns the employees in the ability to perform their duties?

Judge Snowberger stated that the Court operates on a very lean budget and we have had some items cut, but not significantly. I am unprepared to discuss budgetary issues with the City Council tonight. I have discussed these issues about long term and strategy with Acting City Manager Clark. I certainly would be able to come to the City Council and have that discussion, but tonight I am not prepared. From the City Court's perspective, I have not seen the final numbers that they are presenting, but we did have a meeting about that and we did not argue over proposed budget and what we discussed.

Finance Director Wernikowski stated that nothing had been changed since their discussion.

Judge Snowberger stated that the one item that we are in constant conversation about is our space. That situation needs to be resolved. It is untenable and we have to fix it. We are the only place in the City where people are working in a closet. It is not an office.

Council Member Criner stated that in other cities each department head has to come up and explain their reasoning for why they need the money.

Council Member Cooper stated that the Council does not do that.

Council Member Criner stated that in regards to pay the Council does not talk to the employees.

Council Member Cooper stated that the Council is not supposed to be communicating with the employees other than through the manager when it comes to anything that has to do with the City.

Shelley Morrow stated that if you look at the Charter it says submit recommended changes to the Administrative Code and the Personnel System to the Council right? What I am saying is that the Council approves those administrative changes, correct? When the matrix was added or subtracted the Council approved that. That is considered a personnel issue.

Council Member Cooper stated that she would need to take that up with the City Manager.

Shelley Morrow stated that the Charter says the Council is to approve it.

Council Member Cooper stated that the Council does approve it, by the manager.

Council Member Criner stated he has never seen employees go up in front of a commission individually and talk to a commission about their pay. I have employees talk about their individual budget, not pay. Equipment needed by the department. They submit it to the City Manager and then the Council reviews it and then the Council asks do you really need that backhoe. It is not his pitch to sell it to us, as much as it is to guard what it is he has asked for. The new City Manager may ask or not ask.

Council Member Cooper stated that the City Manager might want to bring employees in to explain what they want, but it is up to the new City Manager.

Council Member Gee motioned to table discussion of the preliminary budget to the meeting of August 19, 2013. Council Member Cooper seconded the motion. All voted aye, motion carried unanimously.

REVIEW COMPARABLE WATER RATES OF OTHER COMMUNITIES –

Council Member Criner stated that the Council needs to see the true number needed to amend the deficit in water and sewer.

Mayor Nelson asked the Council how they feel about what has been proposed by the staff related to the proposed increases.

Council Member Cooper asked what it does for the irrigation when the water usage goes up in the summer. Will the amount increase more than what we are seeing.

Finance Director Wernikowski stated that we could present an average of winter months compared to the summer months. That will give you the irrigation numbers so you can see how much more people will pay in the summer.

Council Member Cooper stated that it would be good to see how much it will cost most people. Do you want brown lawns or green lawns it can make a difference. What do you want your city to look like?

Council Member Criner stated that a fair amount of money goes into the parks how much more money would it cost and is it legal to do a well that just for parks and not going through our whole system. Bozeman was looking at each individual park. We do not chlorinate so the cost is different.

Public Works Director Klotz stated that generally with our bigger pumps we already have the lines in place. It is cheaper to pump the same amount of water with a bigger pump than put an individual pump in. If it were treated water then it would be a different story.

Council Member Criner stated that people want tennis courts, softball fields, baseball fields and many things have been donated, but it costs money for the City to maintain those over the years. If citizens want that then they are going to have to pay the water to maintain them. The people who donated money for the fields are going to be unhappy the City is not maintaining these fields. We have either to say no to the donations or figure out a way that the community pays for the expense of maintenance.

Bill Green stated I understand you postponed your preliminary budget. I have a couple of questions on the water rate. If I understand Finance Director Wernikowski correctly, a couple years ago the City had a reserve fund in the water budget. I never heard tonight why we are loosing so much on the water budget. After listening to the discussion on the approved pay package, I do not think it is because the City has hired more employees. How can you run a budget \$600,000 in the hole over the last couple of years and no one has come up with the reason. You can ask former Finance Director Foltz to look at it, but it is still going to be \$600,000 according to Mayor Nelson. Where is the City losing money?

Mayor Nelson stated he is hopeful that former Finance Director Foltz can tell us why that is. No one present can answer that question Mr. Green.

Bill Green stated that before you raise the sewer and water rates maybe it would nice if you would let the general public know why the City is losing so much money.

Council Member Criner had brought up the new soccer fields and so on and free water. You are asking the citizens of the city, about 7,000 people to pick up the cost of all that water. The people that actually use the soccer fields are made up of about 15,000 people. You are giving everyone that lives outside the City a free tax, but you are going to tax the residents twice. I understand that the City bought the land with the school district. Why is the school district not picking up the expense? The school district has the 15,000 taxpayers. Why is the school not picking up some of the water problem?

Council Member Criner stated that the school pays for the development. The water is our half of what they accomplished in that park.

Bill Green stated in talking with some of the city employees the watering of soccer fields costs about \$8,000.

Finance Director Wernikowski stated that watering the soccer fields costs the city about \$8,000 to \$9,000 dollars.

Bill Green stated that is a long way from \$600,000. Somewhere we are losing money. There has to be a reason that all of a sudden in the last three years the water budget has jumped so much that you are losing about \$500,000 a year on water and sewer.

Finance Director Wernikowski stated one of the things that you have to think about is the City has done all of this major infrastructure changes and improvements. Now you are paying back those loans. There is significant debt service that the City did not have three years ago coming due.

Mayor Nelson stated the City had to do some of those projects.

Bill Green asked is that where the debt is coming from, the new water line?

Mayor Nelson stated the water project saved us about 40% in the loss of water we were having through the water lines.

Bill Green stated that about three years ago you went to the taxpayers and told us about all the money we were going to save because the City was going to repair all of the leaky pipes. Now you are telling me that the City is \$600,000 in the hole.

Council Member Cooper stated that the payments on the loans are not \$600,000 a year.

Acting City Manager Clark stated that the payments are \$300,000.

Bill Green stated that the City is going to raise the rates. Would the Council and the City tell the general public how much they are going to raise the rates?

Mayor Nelson stated the increase is 12%.

Bill Green stated I understand that you want to cut back the rate from 5000 gallons to 4000 gallons.

Mayor Nelson stated that had been discussed.

Bill Green asked if it is increased 12% and then cut back. Do you cut it back and then raise it 12%.

Mayor Nelson stated that the total effect is a 12% increase.

Finance Director Wernikowski stated that it is proposed we raise the base 12% and then reduce the usage so it is actually a little higher.

Bill Green stated that it would be an increase of 25% if done that way. If you raise the base 12% and that raises the cost from .007152 to .0080102 and then you cut it back then that raises the rate 25%. If you could cut it back to 4000 gallons as the present rate, which would raise the base from \$35.76 to \$32.00 you might find many people happy with that. I do not think that will pay off the \$600,000. I can tell you if you start raising this up around \$50.00 a month people are not going to water their grass.

Council Member Retterath stated that the drop in gallons had not been discussed.

Mayor Nelson stated that it was presented at the last meeting.

Council Member Retterath stated that he would like to see the City raise the rate 12% and leave the water at 5,000 gallons just the way it is.

Finance Director Wernikowski stated one of the things that the consults recommended is that you really want to get people to think about and encourage them to conserve their water. You do not give away the water. The consultant recommended that 3,000 to 4,000 be included in the base rates. If you look at what other cities are doing, Livingston is only giving 1,000 gallons in their base rate. Three Forks includes only 750 gallons in their base rate, Four Corners is at 4,000 gallons, River Rock is at 6,000 but they actually put on an additional fee to cover the cost of their bond issue. Elk Grove gives zero gallons in their base rate. You want to have people

who are using the water pay for the water. That is one of the reasons we suggested reducing it from 5,000 to 4,000 gallons.

Acting City Manager Clark stated that Elk Grove is different because they purchase their water from Four Corners.

Council Member Koentopp stated if we do drop the number of gallons and raise the rate 12% does that come to 25%. Twelve percent is the maximum increase without a public vote.

Council Member Gee asked what percentages of households are under the 4,000 gallons a month.

Finance Director Wernikowski stated that about a quarter of the City households use less than 4,000 gallons. About 700 households use less than 5,000 gallons. There are 635 households under the 4,000 gallons a month, 517 use less than 3,000 gallons a month. Twenty-five percent of the City households do not use more than 3,000 gallons a month.

Mayor Nelson stated then the increase would not affect as many people.

Finance Director Wernikowski stated that there is a whole group of people that would not be affected. Many elderly people who do not use even 1,000 gallons a month. That is one of the reasons for the decrease in gallons. The people that are using more water are paying for it as opposed to the seniors who are not using as much water or people living by themselves.

Mayor Nelson asked what amount of increase would need to be voted on by the public. We need to know if the decrease of gallons in the base rate counts as a rate increase.

City Attorney Ramler stated that he would bring that information back to the Council.

Finance Director Wernikowski stated in case you are interested, next year our principle and interest payments on sewer fund are \$318,165.00. Our water principle and interest payments are \$225,251.00.

Mayor Nelson stated those payments are included in the expenditure number and is making it higher.

Mayor Nelson we will look at this increase at the next meeting to approve that along with the budget.

Finance Director Wernikowski stated if you decide you want the increase the next step would be to put a proposal out for intent to increase water rates. The increase information would be published in the paper, notices would be sent out to all water uses and have a public hearing. That is all part of the intent.

FOR YOUR INFORMATION

Council Member Criner had no new information

Council Member Gee had no new information

Council Member Retterath had no new information

Council Member Koentopp had no new information

Council Member Cooper had no new information

Council Member Youngberg had no new information

Mayor Nelson had no new information

ADJOURN

Council Member Gee moved to adjourn the meeting. Meeting adjourned at 9:00 PM.


Christina Crow,
Administrative Secretary


Russell C. Nelson, Mayor