

## **Finance Committee Meeting January 29, 2013**

The **Finance Committee** met January 29, 2013, at 6:00 p.m. in the City Hall Conference Room. Present were Committee members Mark Ahner, John Uden, Bill Melnik and Roxanna Brush. Also present were Councilpersons Sue Galbraith and Dwayne Andrews, Mayor Chris Grenz, Deputy City Clerk Connie Watts, Public Utilities Director Al Kelm, Floodplain Administrator Sam Malenovsky, Human Resource/Payroll Officer Billie Burkhalter, Finance Clerk Linda Wildman and Recorder City Clerk Becky Stanton.

### **Selection of Committee Chairperson**

- \*\* Chairperson Melnik moved to nominate Committee Member Mark Ahner as Chairperson to the Finance Committee, seconded by Committee Member Brush.*
- \*\* Committee Member Uden moved to close nominations, seconded by Committee Member Melnik. The motion carried unanimously, 4-0.*
- \*\* The original motion carried 3-0, with Committee Member Ahner abstaining. Committee Member Ahner is elected to be Chairperson of the Finance Committee.*

### **Water and Sewer Debts to Collection**

- \*\* Committee Member Uden moved to recommend to Council approval of sending the water and sewer debts to collection. The motion was seconded by Committee Member Melnik; the motion carried unanimously, 4-0.*

### **Request to Solicit Bids for Sewer Camera System**

Public Utility Director Kelm explained that the new camera would help the crews find problem areas in the sewer collection lines which cause sewer backups. When the problem is located, the crews can repair the area instead of the entire line. The old camera is not reliable anymore and needs repairs, often at a cost of about \$2,000 each time. The new camera would be a tractor type camera that would fit into a 4" pipe and moves forwards and backwards with a tilt head on it. It can also look up service lines, find grease buildups and much more.

- \*\* Committee Member Brush moved to recommend that the City Council approve the request to solicit bids for the sewer camera system. The motion was seconded by Committee Member Uden; the motion carried unanimously, 4-0.*

## **Bid Review of Strevell/Merriam/Jordan/Custer Waterline Project**

Public Utilities Director Kelm explained that each bidder had to purchase plans for \$50 from Dowl HKM. JEM Construction and Nelcon did not purchase plans from Dowl HKM but downloaded them from the Internet. This requirement was stated in the project manual and the pre-bid meeting. Public Utilities Director Kelm explained that another requirement was that the contractor could not have more than 50% of the work subcontracted out. Jackson Construction Group had 72% of their work subcontracted out. This requirement was also stated in the project manual. These violations eliminate JEM Construction, Nelcon, and Jackson Construction Group. The two bidders remaining are COP Construction and Western Municipal. Dowl HKM Engineer Andy Marum explained that after the low bidder is selected, he will verify their work experience and get references from the owners and the engineers for the projects on which they worked.

\* \* *Committee Member Uden moved to remove JEM Construction and Jackson Construction Group from consideration. After discussion, the motion was withdrawn by Committee Member Uden.*

\* \* *Committee Member Uden moved that any contractor who does not meet the bid requirements set forth in the information they received from the City be excluded from consideration for this project. The motion was seconded by Committee Member Melnik; the motion passed unanimously, 4-0.*

Public Utilities Director Kelm explained that Western Municipal did not submit their work experience and subcontractor information. According to Assistant City Attorney Erica Griffith, the project specifications and the Invitation to Bid had conflicting directions that could lead to confusion about what information is required. Those conflicting directions make it appropriate for the bidder to be allowed 48 hours to submit the information. Dowl HKM Engineer Marum explained that Western Municipal believed they had submitted a complete bid because they could provide a subcontractor list and work experience within 48 hours of the request for them. When Dowl HKM Engineer Marum submitted a request, he received the information from them within the hour via email with a hardcopy in the mail.

The work for the bids is as follows:

- A = Mobilization, contract bond and insurance, traffic control, force acct.
- B = S. Strevell Avenue rebuild – Stower to Wilson
- C = S. Strevell Avenue water line improvements – Stower to Wilson
- D = S. Merriam Avenue storm water improvements – Stower to Wilson
- E = S. Merriam Avenue water main improvements – Stower to Wilson
- F = S. Jordan Avenue water main improvements
- G = S. Custer Avenue water main improvements

The bids are as follows:

1. Nelcon – A-C \$1,595,788.50 A-G \$2,954,036.50 A-E \$2,224,301.50
2. JEM Contracting - A-C \$1,139,823. A-G \$1,789,166 A-E \$2,528,841
3. Jacksons Contractors Group - A-C \$1,298,839.50 A-G \$2,436,039.50 A-E \$1,842,079.50
4. COP Construction - A-C \$1,182,913 A-G \$2,698,422 A-E \$1,927,322
5. Western Municipal – A-C \$1,308,191 A-G \$2,405,465 A-E \$1,835,056

Public Utilities Director Kelm explained that this area is a high maintenance area requiring repairs several times a year.

Chairperson Ahner explained that if the entire project is not completed, then there would be mobilization costs each time the contractors have to return to complete a section. It may cover two different fiscal years and the budget shortfall may be able to be budgeted in the next fiscal year.

Committee Member Uden noted that the sewer and water systems are old and unreliable and they are costing the City money due to repairs. He is in favor of awarding A-G and then budget additional funds in the next fiscal year to cover some of the expenditures.

Mayor Grenz is in favor of awarding A-G, also due to the mobilization costs alone.

Public Director Kelm explained that the City tries to budget a certain number of blocks of waterline replacement every year in order to replace the old lines. If the City does this as one project and carries it over for two years, there is savings in the mobilization costs. The expense to repair the water lines is significant. It usually occurs when it is cold, and after hours at time and a half.

Councilperson Galbraith asked where the money will come from. Chairperson Ahner explained that \$1,600,000 has been budgeted in the current year. The remaining \$800,000 would be budgeted in next year's budget. Director Kelm explained that there is a certain amount budgeted each year for water line repairs.

*\*\* Committee Member Brush moved to recommend that the Council award the bid to Western Municipal for projects A-G in the amount of \$2,405,465. The motion was seconded by Committee Member Uden; the motion passed unanimously, 4-0.*

Director Kelm clarified that there are new water lines from the intersection of N. Montana and Lincoln to north of the Milwaukee tracks and east of N. Montana.

## **Review of Ordinance 1249 – Restricting the Budgeting and Expenditure of General Fund Reserves**

Mayor Grenz explained that the City in the current fiscal year has spent over \$200,000 more than it brought in with revenue. He said that rate is unsustainable over a period of years. There will be an assessment study for the dike which will cost \$184,000. Those costs, plus another \$200,000 adds up to almost \$600,000, which will use up the \$1,000,000 reserve quickly. He feels this Ordinance will bring the issue to the forefront every budget session.

Committee Member Uden appreciates this issue being brought to the Council's attention. Even though Council tries to keep a balanced budget throughout the fiscal year, if an emergency situation comes up, the department can have the additional funds with a two-thirds vote of the Council. This gives the Council full control of the spending. He feels this is a financially sound Ordinance that works for the best of the City.

Chairperson Ahner had some concerns about this Ordinance when first approached by the Mayor. Property taxes have grown, due to increased growth in Miles City. He agrees with the Mayor in that he would be reluctant to keep spending as the City is currently doing on an annual basis exceeding the increase that the City is benefiting from property taxes. There has not been any unbudgeted item that Council has not approved this year by at least two-thirds vote. That would include the \$10,000 assessment for the County Jail, \$15,000 for the prisoner transport, and \$38,000 for additional costs to the Riverside Park Restroom. Currently, the Council would need 5 votes to pass the above items with a majority of the Council vote; with the new Ordinance the Council would need to pass them with 6 votes or two-thirds vote of the Council. Within the current budget for the General Fund of approximately \$4,200,000, there is still latitude within that budget to apply those expenditures. He explained that the Mayor is referring to the FY 2012-2013 difference between revenues and expenditures budgets. He agrees with the Mayor and believes this is a structural Ordinance that would help discipline the City in regards to budgeting and the expenditure of taxpayer's funds.

City Clerk Stanton clarified that there is a projected shortfall between revenues and expenditures every year during the budget process. There is often times a cash carryover every year to more than cover the budget difference. A Councilperson had requested a recap of the budgeted difference between revenue and expenditures and the cash carryover amount. She went back eight years to Fiscal Year 2005 and determined that six of the eight years had a cash carryover to apply to the cash reserves. There are various reasons for the savings like deferral of capital purchases and vacancy savings. What is projected as a shortfall during a budget may not actually occur since a budget is a prediction. While reviewing the December financial statement for the current fiscal year, it was noted that the City currently has spent less than budgeted.

\* \* *Committee member Uden moved to recommend that the Council approve the Ordinance. The motion was seconded by Committee Member Melnik;*

Committee Member Brush explained that she would probably vote no on this motion since it had come from Council with less than a two-thirds vote. She believes that it is not beneficial to the Mayor because if he had something that he wanted passed, there is a good chance that it would fail because of the two-thirds majority requirement.

Finance Clerk Wildman explained that she has worked with the Budget Committee a number of years and feels this Ordinance restricts the powers of the Council. She explained that, through the budget process, it is possible to balance the General Fund revenues and expenditures. She explained the process to the Committee.

Chairperson Ahner stated that this Ordinance forces the Budget Committee and the Council to have a balanced budget for the General Fund.

*The motion passed unanimously, 4-0.*

**Review of Position Salaries for the following: Floodplain Administrator, City Attorney, Deputy City Clerk, Accounts Payable Clerk**

Chairperson Ahner asked to review the Floodplain Administrator position first.

Floodplain Administrator Malenovsky explained she was first hired as an Auto-Cad Tech. When John Marks terminated his employment with the City of Miles, she was appointed by Mayor Whalen to Floodplain Administrator. Mayor Whalen stated that when she got certified, he would ask for a raise for her. With the change in Mayors, that never occurred. On April 18, 2012, the Human Resources Committee heard her case and voted to "recommend the City provide an appropriate raise, with the amount to be determined by the Finance Committee".

Chairperson Ahner referred to the Human Resources minutes dated April 18, 2012, and noted that Human Resources Chairperson Uden recommended a \$1 - \$2 per hour increase. He referred to Resolution No. 3550 which is the resolution establishing wages and salaries for city employees for FY 2012-2013, and asked Floodplain Administrator Malenovsky if she made the wage listed in the Resolution. She said yes. Chairperson Ahner stated he is very impressed with everything Floodplain Administrator Malenovsky has accomplished in the short time she has been the Administrator. She became a certified Floodplain Manager on July 22, 2011. She is being recognized by

Department of Natural Resources and Conservation (DNRC) as the first ever recipient of the Lewis & Clark Floodplain Manager Award, 2013. This award recognized outstanding individual effort and contributions to floodplain management at the local level. She has also been nominated for the Association of State Floodplain Managers National Larry R. Johnston Local Floodplain Manager Award for 2014.

Chairperson Ahner asked if she would compromise with a \$1.50 raise. She said yes.

*\*\* Committee Member Uden moved to recommend that the Council approve Floodplain Administrator Malenovsky receive a \$1.50 per hour raise effective January 1, 2013. The motion was seconded by Committee Member Brush.*

Mayor Grenz felt that the raise should be effective April 18, 2012, when the Human Resources Committee recommended the raise.

*\*\* Committee Member Brush moved to amend the motion to have the increase in wages be retroactive back to July 1, 2012, when the current Fiscal Year's budget went into effect. The motion was seconded by Committee Member Melnik; the amended motion passed, 3-1, with Chairperson Ahner voting nay.*

*\*\* The original motion passed unanimously, 4-0.*

Chairperson Ahner asked to review the City Attorney position next because he is looking for guidance for compensation for the City Attorney position. The position was changed from a contracted attorney to a City employee due to a state statute.

Committee Member Uden explained that he feels paying the new attorney \$150 per hour is appropriate.

Chairperson Ahner argued against that because a new attorney will not be as fast and efficient as City Attorney Huss was because of his vast experience in working with the City. Attorney Dan Rice, who was the only applicant for that position, told Chairperson Ahner that he was willing to, on his own time, come up to speed in order to not burden the City with a steep learning curve.

*\*\* Committee Member Uden moved that the consideration for salary for the City Attorney be tabled until a future meeting and after interviews are conducted. The motion was seconded by Committee Member Melnik. The motion passed, 3-1, with Chairperson Ahner voting nay.*

Chairperson Ahner asked to review the Deputy City Clerk's position next. Chairperson Ahner placed this on the agenda to be transparent in reference to salary. The Council has set salaries twice; first with the adoption of the budget and second with the adoption of the Salary Resolution No. 3550. The salary used was the MSU study

average wage for Deputy City Clerk, which was \$34,216 or \$16.45 per hour. City Clerk Stanton explained that the position was advertised at \$16.78 per hour, which is the \$16.45 plus a 2% cost of living raise that everyone who was eligible received on July 1, 2012. Human Resource/Payroll Clerk Burkhalter explained that anyone who was at the average wage or below was eligible for a 2% increase July 1<sup>st</sup> per the MSU study. City Clerk Stanton stated that the \$16.45 was what was budgeted but the position was budgeted for the entire year. The difference for the year at the \$.33 increase is \$343.20 for salary alone plus \$102.96 for rollups, for a total of \$446.16. Chairperson Ahner asked City Clerk Stanton if she was still within her budget. She stated that currently she is under budget.

*\*\* Chairperson Ahner moved to recommend to the Council approval of the wages as set by the MSU study of \$34,216 for the Deputy City Clerk for the FY 2012-2013 with the projected 2% increase effective January 1, 2013. The motion was seconded by Committee Member Uden. The motion passed, unanimously, 4-0.*

Chairperson Ahner asked to review the Finance Clerk's position next. The salary, according to Resolution No. 3550, was \$15.97 per hour. He asked the status of this position. City Clerk Stanton explained that the position was awarded to Linda Wildman who applied internally. Because it was a lateral move for her, her salary stayed the same, which is \$25 per hour. Because she is a working retiree, she does not have some of the rollup costs that another employee would have. Her total costs for half of a year with rollups to the Finance Department are \$9,150.12. Another employee at the \$15.97 plus rollups would cost the Finance Department \$10,022.32. That is a savings of \$872.20.

Mayor Grenz requested clarification as to why Linda Wildman negotiated her wage of \$25 per hour after retiring. Was it to train a new City Clerk?

Finance Clerk Wildman responded that after she retired and was asked to come back to work for the City, she requested \$25 per hour. Former City Clerk Kori Pray wanted her to come back and Ms. Wildman thought it best for her and Ms. Pray. In addition to the training the City Clerk, she was still performing the duties of Deputy City Clerk. She made note that the \$15.97 per hour was for an entry level employee and not one with 38 years' experience. She requires no training for her position and she will be doing more than Account Receivables and Payables; she will be training the new Deputy City Clerk. Currently Ms. Watts is still doing Ambulance billing for December and clean-up nearly full time, so Ms. Wildman is still doing Deputy City Clerk duties as well as Finance Clerk duties.

Chairperson Ahner explained his concern was that the Council had no idea that the transfer was being done at Ms. Wildman's current rate of pay. The Council had passed a budget with \$15.97 per hour for the Finance Clerk's position and that was what they thought the position would pay regardless of who filled the position. The Finance Department has a budget and as long as they stay within that budget, that is

his main concern. He just does not want department heads arbitrarily moving people around without regard to the budget set by the City Council.

City Clerk Stanton explained that other departments have transferred employees who internally bid a different position and allowed them to not take a cut in pay.

\*\* *Chairperson Ahner moved to recommend to the Council approval of the amount of \$25 per hour for Finance Clerk for the remainder of the FY 2012-2013. The motion was seconded by Committee Member Uden. The motion passed unanimously, 4-0.*

**Request of Citizens**

-None

There being no further business, Committee Member Brush moved to adjourn the meeting, seconded by Committee Member Uden. The meeting was adjourned at 8:10 p.m.

Respectfully Submitted:

  
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Chairperson Mark Ahner

  
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City Clerk Becky Stanton