

Finance Committee Meeting

August 17, 2017

The Finance Committee met Thursday, August 17, 2017 at 6:00 p.m. in the City Hall Conference room. Present were Committee Chairperson Susanne Galbraith and Committee Members Rick Huber, Kathy Wilcox and Dwayne Andrews.

Also present were: Public Utilities Director Allen Kelm, Historic Preservation/TIFD/Grant Writer Connie Muggli and City Clerk/Recorder Lorrie Pearce.

Committee Chairperson Galbraith called the meeting to order.

1. Request of Citizens-

Tax Increment Financial District Board Officer Kelly Klem asked the City of Miles City's General Fund to provide the TIF District \$24,840 to help with expenses of wages for a full time employee. The District felt that a full time employee was needed to follow through on active and future projects. By giving the District the request, it would show commitment by the City and comply with advisory rule. If twenty three hours for an employee was not increased, projects could be delayed or cancelled.

Committee Member Andrews asked Officer Muggli to explain projects that were in the works to help justify a full time employee:

- CDBG Revolving Loan- There is an agreement on file for a complex revolving loan with a business person. When the interest is paid, it will go directly into the TIF District's fund
- Depot- There are three business customers interested in the project. If the project was revitalized it would increase property value. There are grant applications in for the project and if accepted the match for the City would be approximately \$5,300
- Mainstreet- The grant could be used for bike lanes, parks, etcetera
- Façade Grant- Improves the appearance of the building, which could cover another mural for a downtown business
- Work with other City Departments to identify and implement infrastructure improvements- State statutes read that the increment revenue is to be used for infrastructure projects, which include public building improvements which could possibly be used for improvements on City Hall, flood levy project, depot project and several other projects are being discussed
- Business recruitment and retention, i.e. working with business investors to develop projects within the district that will create and retain jobs
- Identifying additional capital and funding sources to assist in funding District operations and business investment- This item and the next item are projects which could help with low income housing improvements
- Identifying and implementing complementary programs that add value to the district
- Sherwin Williams Building- There are two business's interested in revitalizing the building

- Working with three other potential business's interested in moving to Miles City and or Montana
- R11 program would make money available to help with several projects within the City

Officer Muggli explained that her concern on staffing the TIF District with a half time employee is that the City will not be able to recruit someone when she retires, with a business background and capable of understanding the complexity of the District and its standards. The District and City has a joint fiduciary responsibility to manage the increment revenues responsibly. Without the staff, it will be hard to do.

Kevin Raasch, 1903 Sudlow, thought a full time employee was needed to assist any business person wanting to invest in Miles City. It takes a certain amount of time to gather information and get back to that person. A person that understands the complexity, grants and law of the District can help with that. It also shows the interested party that the City and District are serious about the project.



Miles City Downtown Urban Renewal Agency
CITY OF MILES CITY

Todd Gilson

Brent Leitchner, Chair
Harold "Kelly" Klena
Constance L. Svingde, District Coordinator

Randy Patch

August 17, 2017

Finance Committee

Madam Chair and Finance Committee Members,

The Miles City Downtown Urban Renewal Agency Board of Commissioners comes before you today to make a formal recommendation to the City Council, through this Committee, to retain the current full-time Tax Increment Finance Director position; and present a budget amended accordingly to provide for the effective operation of the Agency for FY 2017-2018. The Board makes this recommendation in keeping with the Bylaws of the Agency, adopted in Resolution No. 3843: Article VII, Powers and Duties of Agency Members, Section 1(a) Agency members shall:

- i. Abide by applicable ordinances of the City of Miles City.
- ii. Act in the best interest of the City of Miles City and the Miles City Downtown Tax Increment Finance District at all times.
- iii. Effectively budget and manage Tax Increment District Revenue in accordance with MCA 7-15-4288 and 7-15-4237
- iv. Encourage in every way possible the development and advancement of Tax Increment Finance District.
- v. Act in an advisory capacity to the City Council, the Mayor and Department Heads in management of the TIF District.

The City is empowered to assist with funding the position as follows:

- a. 7-15-4238. Employment of necessary staff. The urban renewal agency or department or officers exercising urban renewal project powers shall be supplied with the necessary technical experts and such other agents and employees, permanent and temporary, as are required.
- b. 7-15-4281. Financial authority in connection with urban renewal. (1) A municipality shall have power to:
 - (b) (i) appropriate funds and make expenditures as may be necessary to carry out the purposes of this part; and
 - (d) adopt, in accordance with state law, annual budgets for the operation of an urban renewal agency, department, or office vested with urban renewal project powers under 7-15-4231;

Likewise, increment revenue can be used to assist with salary expense:

- 7-15-4288 "Costs that may be paid by tax increment financing". (7) administrative costs associated with the management of the urban renewal area or targeted economic development district;

On July 7, 2017, the Urban Renewal Board of Commissioners, in keeping with the above duties, submitted a budget for the Urban Renewal Agency. That budget, which included a request for an allocation from the City for a portion of the Urban Renewal Agency/Tax Increment Finance Director's salary, was refused on the basis that the "grant writer's" position was being eliminated due to lack of funds. It is important to note that the position description was updated on 12/16/2015 to include the director's duties in managing the District, along with those of the Historic Preservation Officer and grant writing for other general fund departments.

It is also important to note that the Urban Renewal Agency is a City Department, created by Resolution 3843, to manage the implementation of the Urban Renewal Plan within a complex structure of statutes and regulations. Unlike other City departments however, the URA can provide funding to other City departments on infrastructure projects, improvements for public buildings and projects for the public good within the District. This might include funding for planning, parks, flood control, etc.

Now that the City has received Certified Values with an increase in revenue of 2.38% over last year, and a value of \$55,451 increment for the District, the Urban Renewal Agency Board of Commissioners again respectfully requests the Finance Committee recommend the City Council consider providing partial funding of approximately \$24,184 to support a full-time URA/TIF Director Position. This would represent a 47.57% split with the HPO and TIFD.

As the total increment revenue budget will not be finalized until the County mill is set, the Board conservatively estimates revenues of approximately \$36,000 for the FY2017-18 operating budget. While the Board is able to fund a part time position with the available increment funds for the current year, because we must reserve a portion of that increment for reinvestment in the District, a full time position is beyond our funding capacity, and so proposes the following equitable distribution of salary expense:

S18 277 Wage Split	S18 277 Wage		Health Insurance			Total Budget	% Split
	Wages	Taxes	Health Insurance	PERS	Total Budget		
HP1000	\$16,910.64	\$1,557.95	\$4,288.89	\$1,432.32	\$24,183.80	47.57%	
TFC	\$16,910.64	\$1,526.84	\$4,288.66	\$1,432.32	\$24,158.26	47.52%	
HP2935	\$2,126.75	\$182.17	\$0.00	\$180.17	\$2,489.09	4.92%	
	\$35,948.04	\$3,270.72	\$8,577.55	\$3,044.78	\$50,840.83		

In FY 2016-2017, the City provided funding of \$50,835 for salary in FY 2016-17, which along with the SHPO Grant brought the position to the rate of \$16,277/hour. This budget proposal for FY 2017-18 represents a 52% reduction in general funding for just salary from last year, and is in keeping with the Board's goal as stated to the Finance Committee last year, to absorb a higher percentage of the salary costs each year as increment revenue is realized.

In our role as an advisory board to the City with the duty to encourage in every way possible the development and advancement of Tax Increment Finance District, the Board feels strongly that with projects in process and the potential for more activity within the district this year, a full time position is warranted in order to maximize the potential of the district and meet our joint fiduciary responsibility to implement the Urban Renewal Plan and enhance the value of the District.

This recommendation is based on the current business case load, grant applications underway, and projects under development, which if not fully staffed, would delay implementation significantly, or necessitate cancellation of important projects for the foreseeable future. The position has over the past three years, provided leadership in establishing the district, funding the creation of the District, developing the administrative structure, meeting all legal requirements, administering related grants, and engaging the public in the process. In our opinion, limiting the staffing level to 23 hours per week will not provide sufficient time or provide the level of skill and customer service the public expects from the City. In fact, reducing the availability of staff to execute the current and future projects may create delays and project cancellations. Further, to do so may result in public relations issues for the department and the City, in trying to explain why the "Revitalize Downtown" has become less of a priority and project delays and

cancellations are necessary. We also do not believe that this pay level will attract a qualified candidate to assume the position upon the retirement of the current TIFD Director.

Current projects underway include, but are not limited to:

- Implement the Urban Renewal Plan in keeping with statutes and codes
- Finalization and administration of the CDBG-ED Revolving Loan Fund Grant, which will provide "program income" that can be reinvested in the District and provide grants and loans to the City for planning projects.
 - Marketing the program
 - Coordinating the program with local lenders
 - Working with business investors to assist in developing complex, multi-partner financial strategies
- NP Depot Restoration Project
- Main Street Streetscape Improvements
- Working with other City departments to identify and implement infrastructure improvements
- Business Recruitment and Retention, i.e. working with business investors to develop projects within the district that will create and retain jobs.
 - Facilitation of confidential Business Assistance Projects
- Identifying additional capital and funding sources to assist in funding District operations and business investment
- Identifying and implementing complementary programs that add value to the district
- Developing the marketing strategy and business recruitment and retention plans

In summary, the Urban Renewal Agency is a board of volunteer financial professionals that have served this City in good faith since 2013 to create and implement the Urban Renewal Plan that is central to "Revitalizing Downtown Miles City". The Public has also contributed many hours of volunteer time as well, in developing the Plan, working to integrate it into the Growth Policy, Zoning Code updates and Transportation Plan.

The URA Board and Director have accomplished this without an operating budget, the expense for which has been absorbed through grants in the amount of \$36,000, and the Historic Preservation Office Budget for a total of \$19,212 to date. Please recall that The District was formed with three matching grants at no cost to the City. To limit the effectiveness of the District in meeting its goals at the point in time when it has finally begun to generate revenue to meet its purpose seems counter-intuitive. While grants provide funding for an immediate need, the TIFD increment revenue is a long-term funding source to be used to increase the tax revenue base for the City.

To summarize, the responsibilities of the TIFD Director are immense, and in today's market exceed the salary rate we propose. For this reason, this is not a position for which to limit funding without serious consideration. We would appreciate the City's cooperation in getting the most benefit possible from the Urban Renewal Plan and TIF by participating in a portion of the cost for a full time director.

Thank you for your consideration in this matter.

Respectfully,
Miles City Urban Renewal Board of Commissioners

P.O. Box 910
Miles City, MT 59701

cmaggis@miles-city-mt.org

606/ 874-3716 Office
(406) 892-8772 Cell

2. Review and Recommendation on Resolution 4087- A Resolution Approving and Adopting a Final Budget for the City of Miles City for FY 2017-2018; Authorizing Procedure For Adjustments to Appropriations For Certain Fee Based Budgets; Authorizing Procedure For Transferring Appropriations Between Items Within the Same Fund

**** After a short conversation, Committee Member Wilcox moved to recommend to Council the approval of the Resolution, seconded by Committee Member Huber. The motion passed 4-0**

3. Review and Recommendation on Resolution 4088- A Resolution Electing to Operate Under the All-Purpose Mill Levy and Fixing the Tax Levy for the General Fund, Ambulance Fund and Airport Fund to be Levied and Assessed on all the Taxable Property in the City of Miles City for Fiscal Year 2017-2018

*** After a short conversation, Committee Member Wilcox moved to recommend to Council the approval of the Resolution, seconded by Committee Member Huber. The motion **passed** 4-0*

4. Review and Recommendation on Resolution 4089- A Resolution Pursuant to 2-9-212 of The Montana Code Annotated, Authorizing A Permissive Medical Levy for FY 2017-2018 to Fund Group Health Insurance Premium Contributions by The City and Providing For Hearing Thereon

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Andrews. The motion **passed** 4-0*

5. Review and Recommendation on Resolution 4090- A Resolution Levying and Assessing A Tax Upon All Property in Special Improvement Lighting District No. 165 to Defray the Cost of Leasing, Maintenance and Electrical Current in Said Special Improvement Lighting District and Authorizing And Directing Payment Therefore, For the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Wilcox moved to recommend approval to Council on the Resolution, seconded by Committee Member Galbraith. The motion **passed** 4-0*

6. Review and Recommendation on Resolution 4091 - A Resolution Levying and Assessing A Tax Upon All Property in Special Improvement Lighting District No. 167 to Defray the Cost of Leasing, Maintenance and Electrical Current in Said Special Improvement Lighting District and Authorizing And Directing Payment Therefore, For the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Wilcox moved to recommend approval to Council on the Resolution, seconded by Committee Member Andrews. The motion **passed** 4-0*

7. Review and Recommendation on Resolution 4092 -A Resolution Levying and Assessing A Tax Upon All Property in Special Improvement Lighting District No. 171 to Defray the Cost of Leasing, Maintenance and Electrical Current in Said Special Improvement Lighting District and Authorizing And Directing Payment Therefore, For the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Andrews. The motion **passed** 4-0*

8. Review and Recommendation on Resolution 4093- A Resolution Levying and Assessing A Tax Upon All Property in Special Improvement Lighting District No. 172 to Defray the Cost of Leasing, Maintenance and Electrical Current in Said Special Improvement Lighting District and Authorizing And Directing Payment Therefore, For the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Andrews. The motion passed 4-0*

9. Review and Recommendation on Resolution 4094- A Resolution Levying and Assessing A Tax Upon All Property in Special Improvement Lighting District No. 195 to Defray the Cost of Leasing, Maintenance and Electrical Current in Said Special Improvement Lighting District and Authorizing And Directing Payment Therefore, For the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Andrews. The motion passed 4-0*

10. Review and Recommendation on Resolution 4095- A Resolution Levying and Assessing A Tax Upon All Property in Special Improvement Lighting District No. 202 to Defray the Cost of Leasing, Maintenance and Electrical Current in Said Special Improvement Lighting District and Authorizing And Directing Payment Therefore, For the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Andrews moved to recommend approval to Council on the Resolution, seconded by Committee Member Wilcox. The motion passed 4-0*

11. Review and Recommendation on Resolution 4096- A Resolution Levying and Assessing A Tax Upon All Property in Special Improvement Lighting District No. 173 to Defray the Cost of Leasing, Maintenance and Electrical Current in Said Special Improvement Lighting District and Authorizing And Directing Payment Therefore, For the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Wilcox. The motion passed 4-0*

12. Review and Recommendation on Resolution 4097- : A Resolution Levying and Assessing A Tax Upon All of the Property Within Maintenance District No. 204 To Defray The Cost of Maintaining The Improvements in The Said Maintenance District No. 204 for the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Andrews. The motion passed 4-0*

13. Review and Recommendation on Resolution 4098- A Resolution Levying and Assessing A Tax Upon All of the Property Within Maintenance District No. 205 To Defray The Cost of Maintaining The Improvements in The Said Maintenance District No. 205 for the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Wilcox. The motion passed 4-0*

14. Review and Recommendation on Resolution 4099- A Resolution Levying and Assessing A Tax Upon All of the Property Within Maintenance District No. 207 To Defray The Cost of Maintaining The Improvements in The Said Maintenance District No. 207 for the Fiscal Year 2017-2018

*** After a short conversation, Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Andrews. The motion passed 4-0*

15. Review and Recommendation on Resolution 4101- A Resolution Pursuant to §15-10-420 of the Montana Code Annotated, Authorizing the Budgeting of an Increased Amount of Ad Valorem Tax Revenues in FY 2017-2018 in Excess of the Property Tax Revenues For the Prior Fiscal Year and Providing for Hearing Thereon

*** After a short conversation, Committee Member Andrews moved to recommend approval to Council on the Resolution, seconded by Committee Member Wilcox. The motion passed 4-0*

16. Review and Recommendation on Agreement with Custer County Water Sewer District for three lift stations

Director Kelm explained the Custer County Water Sewer District does not have the personnel to inspect its lift stations. The City has Resolution No. 3216, it covers Ayes addition. The new agreement would add two more lift stations, which are Hough Acres and East Side addition. At the present time the City is inspecting the latter two without a contract. The agreement covers the inspection of the lifts, if there are repairs to the lifts the City would bill the District for it.

Chairperson Galbraith asked if \$1,200 was enough to perform the inspection. Director Kelm thought since the City was working on the agreement that the cost could be raised to \$1,500 with yearly cost of living increase. Committee Member Andrews thought a three percent increase should be added to the contract and wondered why the agreement needed to be yearly. He thought five years would be better. Director Kelm said there is verbiage in the contract that automatically renews every year. The contract could be cancelled with a 30 day notice.

Committee Member Wilcox questioned some of the dates on the Resolution and agreement. Director Kelm will discuss the issues with Attorney Rice.

Director Kelm will take the contract back to Attorney Rice and get the changes added, then bring back to Finance for final approval.

*** Committee Member Galbraith moved to table the agreement, seconded by Committee Member Wilcox. The motion passed 4-0*

17. Review and Recommendation on Resolution 4102- A Resolution Approving an Amendment to Agreement for Professional Services Between the City of Miles City and Kadrmas, Lee & Jackson., For Services Related to Permit Application for 57 Pit at the Miles City Airport

Clerk Pearce explained that the permit holder was never transported to the Airport. She had contacted KLJ and it is revising the verbiage of the agreement on number three, to say that the City will remain the operator of 57 Pit, but Airport Manager Langkau will be the designated contact rather than Director Gray. It is in the best interest of the City and the Airport to keep it in the City's name. In all reality the City is responsible for the land. Chairperson Galbraith thought the City should get reimbursed for the cost of the reclamation. Committee Member Andrews asked why the airport receives the revenue for the gravel removed, but the City is paying the agreement charges. Clerk Pearce explained that a Federal grant was received years ago, by signing the grant the City agreed that the Airport would receive all revenue produced from the land, buildings and anything else sold at the Airport.

Chairperson Galbraith explained that the only reason the City had to go through the process is because the permit expired. Once the pit is at Department of Environment's standard, the permit could be renewed when it is due.

*** Committee Member Huber moved to recommend approval to Council on the Resolution, seconded by Committee Member Wilcox. The motion **passed** 3-1, with Committee Member Andrews voting no*

18. **Adjournment**

*** Committee Member Wilcox moved to adjourn the meeting, seconded by Committee Member Huber and **passed** unanimously, 4-0.*

The meeting was adjourned at 7:50 p.m.


Susanne Galbraith, Chairperson


Lorrie Pearce Recorder/City Clerk