

MINUTES OF THE CITY COUNCIL OF LAUREL

October 13, 2009

A special meeting of the City Council of the City of Laurel, Montana, was held in the Council Chambers and called to order by Mayor Ken Olson at 6:00 p.m. on October 13, 2009.

COUNCIL MEMBERS PRESENT: Emelie Eaton Doug Poehls
 Kate Hart Mark Mace
 Chuck Rodgers

COUNCIL MEMBERS ABSENT: Alex Wilkins Chuck Dickerson
 Norm Stamper

OTHER STAFF PRESENT: Mary Embleton Bill Sheridan
 Sam Painter Derek Yeager
 Kurt Markegard

PUBLIC INPUT: None.

PUBLIC HEARINGS:

Mayor Olson asked staff to introduce the item to the council.

Clerk/Treasurer Mary Embleton distributed copies of the changes to the budget. Mary stated that public hearings are required prior to the adoption of a final budget so that citizens may have input into the budget process. She stated that people want to know the impact on their taxes with the budget. The city is only one portion of the overall tax bill, as there is the school district, the county, and the state as well. Mary prepared some calculations today based on the new reappraisal values for a \$100,000 home and a \$200,000 home. With this reappraisal cycle, a \$100,000 home would have been valued last year at \$79,000. This area experienced about a 25 percent increase in overall values and residential is a big part of that. In 2008, a \$79,000 home in Laurel would have generated \$292 in city property taxes. With the proposed mills, this year a \$100,000 home would generate a tax bill of about \$300 in city taxes, which is an \$8 increase. In 2008, under the old reappraisal cycle with the base year of 2002, a \$200,000 home would have been worth about \$158,000 and would have generated \$584 in city tax revenues. For the new reappraisal cycle, a \$200,000 home will generate a tax bill of about \$599, which is a \$15 increase. The reappraisal formula is quite complicated and will be phased in over six years. Mary confirmed the methodology and the numbers with the Department of Revenue today. With the city's authority to levy the maximum mills, which increased by a little over 10 mills, it is not a huge increase in the overall taxes to the taxpayers. The County chose not to levy the maximum mills for City-County Planning.

Mary stated that the Department of Revenue informed her that some citizens requested informal review of their properties. That resulted in an increase in the city's taxable value. However, it did not rise to the level of a mill or more to trigger the recertification process of the taxable value. That meant that the initial values were good values, and even though some tweaking and corrections had to be made in the review process, it was to the city's favor. The city will see those results next year when the taxable values are received.

Mary stated that the public hearing on additional the mills affects the General Fund, PERS, Comp Insurance Fund, Health Insurance Fund, and the Airport Authority. Those funds drive the city's mills, and the city is levying the maximum allowed by law. These have not changed from the Preliminary Budget presented on September 29th. A new organizational chart has been prepared. Mary gave credit to Nancy Schmidt, the Library Director, who completely rebuilt the chart. The chart will be on the website soon.

Mary reviewed the updated information for the Water Fund, which was required by the State. As the city submitted figures for the loan for the ongoing waterline replacement project, the State looks at both the actuals from the prior year and what is planned to spend in the next budget. The city's actuals looked really good. When Mary submitted the preliminary budget to them, the city would not make coverage so that meant rates would have to be raised in order to make coverage or the budget would have to be slashed. Mary and the public works director came up with some substantial cuts. She was uncomfortable with the initial schedule for the Water Fund on page 23 of the budget book, as there was only a 6.96 percent reserve left at the end of this budget year. That was of great concern so they slashed roughly \$200,000 from the budget and got the reserves at 12.25 percent, which allowed the city to make

coverage. Mary also pointed out another steady revenue stream. The State only looks at water revenue or the water meter sales. They do not look at system development fees or any other fees in the Water Fund. Mary informed them of a guaranteed source of income with the loan the TIF District is paying back to the Water Fund and generates about \$93,000. With the combination of slashing the budget and pointing out that revenue stream, the city made coverage. Mary received official word today, so the loans and bonds should be coming soon.

During review of the Water Fund, it was realized that a building is needed at the shop for storage for the water and sewer systems equipment and parts. The building had been budgeted in the past but never was built. The plan was to budget \$40,000 in each of the Water and Sewer Funds for the building, but it was inadvertently left out of the Sewer Fund. After review, it was decided to budget the building in the Solid Waste Fund, where there was a 68 percent reserve, and then move the garbage trucks there and free up space. This is not set in stone, but is proposed and could be changed with a budget amendment. That served two purposes. It funded a building and it got the Solid Waste Fund reserves down to under 50 percent, which is required by law. Mary explained that the distributed pages show what will be replaced in the budget book. The Water Fund cover sheet has changed, as the appropriations were lowered and the cash balance for the reserve at the end of the year increased. The changes are detailed in the budget changes column of the printout so they are easily trackable. A couple changes were made in the notes columns under some of the line items.

Mary pointed out that two public hearings were listed on the agenda. One public hearing is for all the funds and the second is for the additional mills. The public hearing for the permissive medical is specifically required by law because it is additional mills that the city can levy without voter approval for the single purpose of helping pay for the increases in health insurance costs. This year the city is proposing almost 35 mills and used the State of Montana's newly-developed worksheet to come up with those figures. Mary gave some history and background. The law was enacted in the 2001 legislature to address the needs of local governments trying to cope with double digit inflation for health insurance premiums for the employees and families. The base year was 2000 and additional mills could be levied for any increase after that. The City of Laurel's interpretation was that it only applied to General Fund employees. It did not apply to solid waste people, water people, or street people, as those funds carry the cost of insurance for the employees in those funds. The legislation was designed to help with the General Fund. That was not clear in the law at the time, but it was clarified in the last legislative session. A universal worksheet to determine the correct amount to levy was also developed. In the year 2000, the average monthly employer contribution per employee for the City of Laurel was just over \$500. For the year 2010, this fiscal year, the average monthly employer contribution per employee is \$1,016. Mary stated that the law has come in very handy for the City of Laurel, as far as being able to continue the level of insurance benefits for the employees. Without the ability to levy the additional mills without voter approval, it would be a different story.

- **2009-2010 Preliminary Budget for all City funds**

Mayor Olson opened the public hearing and read the rules governing the public hearing.

Mayor Olson asked four times if there were any proponents. There were none.

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Mayor Olson closed the public hearing.

- **Additional Mills Levied for Permissive Medical Levy Fund Budget for Fiscal Year 2009-2010**

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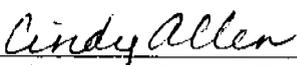
Mayor Olson closed the public hearing.

ADJOURNMENT:

Motion by Council Member Poehls to adjourn the council meeting, seconded by Council Member Mace. There was no public comment or council discussion. A vote was taken on the motion. All five council members present voted aye. Motion carried 5-0.



There being no further business to come before the council at this time, the meeting was adjourned at 6:21 p.m.



Cindy Allen, Council Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 20th day of October, 2009.



Kenneth E. Olson, Jr., Mayor

Attest:



Mary K. Embleton, Clerk-Treasurer