

**Policy Making and Administration Officials**

City of Great Falls, Montana

**Mayor**



**Dona Stebbins**

**City Manager**



**John Lawton**

**City Commission**



**Sandy Hinz**



**Diane Jovick-Kuntz**



**John Rosenbaum**



**Bill Beecher**

## Policy Making and Administration Officials

City of Great Falls, Montana

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<b>Name</b>	<b>Elected Positions</b>	<b>Phone Number</b>
Dona Stebbins	Mayor	761-4108
Bill Beecher	Commissioner	453-8741
Sandy Hinz	Commissioner	761-0864
Diane Jovick-Kuntz	Commissioner	727-8929
John Rosenbaum	Commissioner	452-7467
Nancy Luth	Municipal Judge	771-1380

### Appointed Positions

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John Lawton	City Manager	455-8450
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### Department Positions

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Cheryl Patton	Assistant City Manager	455-8417
Kevin Hager	Housing Authority/ Deputy Director	453-4311
Lisa Kunz	City Clerk	455-8451
Linda Williams	Human Resource Manager	455-8448
Mike Rattray	Community Development Director	455-8415
Jeff Jenkins	Building Official	455-8530
Kim Johnson	Parking & Zoning/Supervisor	455-8405
Patty Cadwell	Neighborhood Councils Coordinator	455-8496
Coleen Balzarini	City Controller/Fiscal Services Director	455-8423
Melissa Kinzler	Asst. Fiscal Director/Budget Officer	455-8476
Jon Legan	Information Technology Manager	455-8483
Martha Cappis	Fiscal Services Operations Supervisor	455-8484
Randy McCamley	Fire Chief	727-8070
Joe LeLievre	Fire Marshall	727-8070
David Gliko	City Attorney	455-8441
Chad Parker	Asst. City Attorney	455-8442
Jim Sullivan	Park & Recreation Director	771-1265
Patty Rearden	Deputy Park & Recreation Director	771-1265
Giles Salyer	Parks Supervisor	771-1265
Jon Thompson	City Forester	771-1265
Dona Hughes	Civic Center Events Coordinator	455-8495
Ben Rangel	Planning Director	455-8431
Corky Grove	Chief of Police	455-8410
Jim Heckel	Great Falls Public Library	453-9706
Jim Rearden	Public Works Director	727-8390
David Dobbs	Public Works/City Engineer	771-1258
Martin Basta	Public Works/Operations Branch Chief	771-1401
Mike Judge	Public Works/Utility Systems Supervisor	727-8390
Mike Jacobson	Public Works/Water Plant Supervisor	727-1325

All phone numbers listed above are preceded by the area code 406.

### *Leadership Philosophy*

We hold the common good of an enriched community as our highest goal. We lead by serving those around us, by maintaining honesty and integrity, and by fostering mutual trust, respect, and support. We reach our potential in a climate that encourages individual and community growth by listening, valuing our differences, and by engaging in the free flowing exchange of ideas.

### *Vision Statement*

Our vision is that of a responsive local government strategically prepared for change and challenge. We will build partnerships throughout the community. We will be recognized for our efficient, effective and caring delivery of service and products. Nurtured and inspired by this vision, we will create a passion for excellence. Our core values of honesty, respect, and openness will constantly guide our actions.

### *Mission Statement*

As a responsive and innovative local government, we strive to enrich our community by fostering partnerships and collaboration, by delivering superior service and products, and by acting as a catalyst for a dynamic future. We do this by valuing honesty and integrity, by empowering our employees to be the best they can be, and by listening to diverse opinions and ideas.

### *City Commission Goals*

1. Develop a visually appealing and culturally rich community.
2. Manage growth to preserve our resources, environment, and sense of community.
3. Provide excellent public services desired by the community within its financial means.
4. Strengthen and diversify our economy to provide job opportunities.
5. Anticipate future service needs, costs, and resources and plan ahead to address them.
6. Form partnerships with other governments and organizations to make better use of public resources in providing services.
7. Ensure open and accessible government.
8. Build a stronger team of staff, elected officials, and citizens by transforming our organization to meet the changing needs of the community.
9. Remain financially strong.
10. Provide leisure and recreational opportunities, which add to our quality of life.

### *Budget Objectives*

1. Continue to provide quality services at present levels.
2. Avoid unnecessary tax or rate increases.
3. Live within our means.
4. Use partnerships and grants to achieve more for the money.
5. Protect the City's investment in personnel.
6. Protect the City's capital investment.
7. Maintain necessary fund reserves.

Honorable Mayor and City Commission,

I am pleased to present the 2007/2008 Annual Budget for the City of Great Falls. This budget represents a creative approach to a financial plan that was developed after considering many options, wishes and community interests, then balancing those interests within the resources available to the City. This budget emphasizes the final priorities established by the City Commission. These priorities are as follows:

1. ***Encourage City Growth.*** Great Falls is entering a period of growth after being stagnant or in a very slow growth period since 1980. New building construction is projected to hit \$100 million in 2007. This new growth adds to the tax base and is partially responsible for the limited revenue increase seen in this plan.

The City is continuing a program to annex properties that are either wholly surrounded by city property, or who are receiving city utility services in order to accurately reflect our service area and as a "fairness" issue. A large annexation has just been completed with phase 1 of Upper Lower River Road Water and Sewer District. The area is a long established suburban neighborhood that was desperately in need of safe water and sewer services. The district constructed extensions to tie into the city's municipal utilities and the district annexed following construction.

This budget reflects plans to continue with annexation of other areas and continue the priority of opening new areas to development and growth.

2. ***Support Economic Development.*** The City Commission will continue to support Great Falls Development Authority financially. The Commission and staff will work closely with GFDA to bring new business to our community and to assist in expanding existing business. The City will work with other groups such as GFDA, BID, DTGFA, Chamber of Commerce and NeighborWorks to continue efforts to revitalize our downtown. A community visioning session is already planned called "Imagine Downtown Great Falls". The City has also committed to looking at traffic patterns in the downtown area to see if changes should occur by converting some of the one-way couplets back to two-way traffic and attempting to make a more pedestrian friendly environment.

The City has also created the West Bank Tax Increment District and will be working diligently to revitalize the old industrial area east of Third Street NW. A Walgreen's Drug Store is the first private improvement and a new Federal Courthouse is under way expecting to be occupied in 2009.

This budget also anticipates finding a long term lessee or purchaser for the city- owned Automated Flight Service Building at the airport. This facility has been leased to the FAA for the past 19 years at \$1 per year. Now that the building no longer houses the AFSS, the City intends to recapitalize its Economic Revolving Fund through market lease or a sale. This action will allow the City resources to assist other economic development opportunities.

3. ***Stabilize Energy Future.*** For the past five years the City has been pursuing opportunities to control its energy future. We have constructed a co-generation facility at the Wastewater Treatment Facility to use methane to heat and power our facility. We have created an electric utility, Electric City Power, Inc and are selling power to large customers. We have joined as a partner with a group of rural electric cooperatives known as Southern Montana Electric Generation and Transmission Cooperative to build a coal fired power plant eight miles east of Great Falls known as Highwood Generating Station. And, the City participated with four other municipalities to try to purchase NorthWestern Energy which owns the electric and gas transmission and distribution system that serves some 300,000 customers in Montana. This year the City will concentrate on securing electric customers before the October 1 deadline imposed by H.B. 25. and on securing financing for its 15% share of HGS.
4. ***Keep Neighborhoods Safe.*** This Commission priority is addressed by continuing to work closely and support our 9 neighborhood councils. We are also adding 2.5 personnel to our uniformed police force and an additional dog to the canine unit. The City Commission is committed to providing resources to recruit and retain police officers to allow a high quality police department to serve this community . The police department will complete its work to receive CALEA accreditation this year. And the City will hire a new position of Emergency Planner to work on emergency and disaster plans for all departments in the organization.
5. ***Improve City Parks.*** This year will see significant improvement in the city's parks and recreational facilities. Two new spray parks will be completed along with renovation of the two neighborhood swimming pools. The Mitchell Pool at the Electric City Water Park will receive major rehab including new heating, chlorination, electrical and gutter systems. The swimming facility improvements were made possible by a \$2.2 million voter authorized G.O. Bond. Several parks will also receive new play structures or resurfaced tennis courts.
6. ***Maintain Facilities.*** Due to the City owning several aged facilities, it is always a balancing exercise to find resources to make necessary improvements. This year remodeling will occur at the convention center, a roof will be repaired at fire station #2, the police station will receive new windows and improvements will be made to the police station parking lot. Eagle Falls Golf Clubhouse will receive a new roof and the City will again take over maintenance and operation of the Multi-sports Softball Complex.

The skatepark continues to be a magnet for vandalism and graffiti. The community discussion about possible solutions will continue during this budget year.

### **Budget Impacts on Citizens and Taxpayers**

The FY 2007/2008 annual Budget proposes a modest property tax increase of 4.63%. This increase includes a statutorily authorized 1.53% increase for inflation and a 3.1% increase to help

with the increased costs of health insurance. This 4.63% increase will add approximately \$15 per year to the tax bill for a home with a taxable value of \$100,000.

Utility rates are proposed to increase marginally. Water and sewer rates propose to increase 5%. The street maintenance assessment is proposed to increase 10% but the boulevard district assessment will remain the same as the previous year. In June of last fiscal year, sanitation rates were raised 4.5% due to increases in operating expenses including vehicles and gasoline.

### **How We Get Things Done**

For a community of our size, with very limited financial resources, we often rely on creating community partnerships to accomplish the quality of life amenities that make Great Falls the wonderful community it is.

Not so long ago there was a tendency for communities to look to government to fulfill basic needs such as recreational facilities, economic development programs, and cultural centers. Tax revenues have become much tighter in the past two or three decades as property tax revenues have grown more slowly than inflationary cost increases. We have had to change the way we get things done to meet basic needs and to become a great community.

The Great Falls' City Commissions have participated in and encouraged many such partnerships. Sometimes the City plays a leading role in a collaborative venture, but more often it plays a supporting role. Here are some of the partnerships that have achieved some remarkable results over the years.

Since the early 1990's the River's Edge Trail has grown from nothing to an award winning, world class trail system that would be hard to match anywhere. The City provided the original land through a purchase from BNSF and it provided seed money for trail construction. Since then the State and Federal governments have added substantial sums for further trail development, all of which has been overseen by a community based trail committee. Governments, citizens, businesses and corporations have worked together to create a fabulous public recreational facility that has helped put Great Falls on the map.

Another example is Veterans Memorial Park including Centene Stadium, home of the Great Falls White Sox, and the new Veteran's memorial. The baseball club raised money to renovate the city-owned ballpark and veterans groups raised money and built the memorial. The City provided the land, paved and landscaped the parking area and access road, which also served the Eagle Falls Golf Course and Centene Stadium, and provided part of the money to renovate the stadium. Great Falls now has a facility that looks, feels, and functions far better than it did before and serves to honor the sacrifices our veterans have made to serve our country.

Here are some of the other partnerships the City is and has been involved with: Great Falls Development Authority, Neighborhood Housing Services, the Seibel Soccer Park, which opened for play this season, Lewis and Clark Interpretive Center, the Russell Museum, park developments with Neighborhood Councils and the Lions Club, the Ulm Pishkun Park where

Cascade County and the City built the access road, Riverfest, downtown improvements with the BID, and most recently, the construction of a new ice skating facility.

One of the most creative and unique partnerships that the City has been involved in is its participation in Southern Montana Electric G&T. An urban municipality, has joined with a group of rural electric cooperatives to find a solution to serve the energy needs of both rural and urban members, in a manner that brings cost based public power to Montana. The partnership is preparing to build a 250 MW coal-fired power plant east of Great Falls. Great Falls will be a 15% owner of the plant.

We look forward to forging new partnerships within the West Bank Tax Increment District and with the Downtown. Returning visitors to Great Falls invariably comment on the improved appearance of the community and all the good things that are going on. We will continue to work to bring new jobs to the area so that the dream of former residents to return to Great Falls can be realized. Cooperative community partnerships are what make it possible and they help make us a great community.

### **Problem Areas**

Every community and city organization faces challenges each year. There are never enough resources to address everyone's wishes or every facility's needs. That is why the City Commission carefully balances its budget priorities to consider all the needs, prioritize them and attempts to find resources to address those of the highest priority. It all depends on choices. Over the past couple of years we have addressed some of the most pressing problems. Problem areas that have been resolved or are in the process of being resolved include several recreation amenities.

The two municipal-owned golf courses seem to be moving in the right direction following several years of reduced revenue and increased costs. A golf consultant was hired and many of his recommendations have been implemented. Staff efficiencies have been initiated, operating policies reviewed and adjusted, maintenance improved and customer satisfaction emphasized. We are confident that an improved bottom line will be the result of the 2007 season which will reduce and eventually eliminate the subsidy necessary from the City's General Fund.

The voter approved \$2.2 million dollar bond issue will result in improved swimming pools serving the community for many years to come. The improvements will lessen the maintenance and repair costs that have burdened the general fund for several years. The citizens have confirmed that, swimming facilities are important to the community and the City will offer the best aquatic program that can be afforded.

Two years ago the City took over operation of the Visitor's Center. The facility is now newly painted and repaired. There is new signage, the gift shop offers interesting souvenir options, and volunteers have been trained to serve the visitors to our area. In June the City Commission decided to not renew the contract for operation of the animal shelter and animal enforcement

with the Humane Society of Cascade County. We are confident that staff of the Police Department will rebuild the operation to something that meets the needs of the community and improves the welfare of the animals. It is envisioned that a new partnership can be created to remove the City from day-to-day operations once the shelter and its operations have stabilized.

A new growth policy and a unified land development code have been adopted following extensive community involvement. These ordinances and approved policies should place Great Falls in a good position as new growth occurs.

The community's emergency medical response system has been reviewed by an outside consultant to ensure the community has a safe, reliable, unified EMS system to serve its needs. Currently a new ordinance and a contract for ambulance service are being developed. The final results will improve an EMS system which had the potential for deficient service. Already, remarkable strides have been made within the system.

### **Challenges**

Each year the City strives to balance the needs of the community with the revenues available. Citizens continue to request increased service levels and our service area has increased with growth and the annexation of Upper/Lower River Road District 1. Some departments are requesting additional staff. The Police Department has asked to phase in 11 new officers over the next five years and the City Commission has indicated that public safety will be a high priority.

We continue to strive to offer fair salaries to our employees and try to be competitive within the state. This has been difficult for several years with salary increases often being below the cost of living. This year was planned as a catch up year with employees receiving 4% increases, slightly above the CPI for last year. This has still left a gap in what some other Montana cities are paying for police and fire salaries.

We have found a way to continue a very good health insurance program while increasing both the employee's contribution and the City's share as well as instituting a prescription deductible in 2006. It will continue to be an on going challenge to pay competitive salaries, especially for our public safety workers, and to meet the employees' expectations of a comprehensive health insurance program.

Great Falls is entering a period of growth which follows a relatively stagnant economy since 1980. We are the most affordable city in Montana. We have wonderful community amenities and strong cultural offerings. Our quality of life is excellent and we are strongly positioned for a great future. This budget will help continue the many partnerships within the community that have made Great Falls' turnaround possible.

John W. Lawton  
City Manager

The City Commission has final authority and responsibility for budget development in the City. The City Charter requires the City Manager to "prepare and present the budget to the City Commission". The Budget was prepared by the Budget Officer under the direction of the Assistant City Manager. Although the Budget Officer coordinates budget development and creates the budget document, it represents a major effort by all City departments.

**1. The Budget Cycle****January - March**

- ◆ Commission work sessions - 5 public sessions
  - Financial trends analysis
  - Revenue forecasts
  - Department presentations
- ◆ City Commission provides its direction for budget development
- ◆ Distribution of budget instructions and forms
- ◆ Finalize fixed and internal service charges to departments
- ◆ Development of department requested budgets

**April**

- ◆ Departmental meetings/reviews with the Assistant City Manager and Budget Officer

**May**

- ◆ Manager's review - development of manager proposed budgets

**June**

- ◆ Manager's proposed budget document presented to the City Commission
- ◆ Public hearing advertisement
- ◆ Proposed budget available for public inspection

**June - July**

- ◆ Formal public hearing on the proposed budget
- ◆ Annual budget resolution - City Commission adoption
- ◆ July 1 - start of new fiscal year

**August**

- ◆ Annual tax levies fixed by City Commission action on or before the 2nd Monday in August or 45 days after receiving taxable valuation from the Montana Department of Revenue

**August- September**

- ◆ Preparation of the final budget document

## **I. Budget Documents**

There are two bound documents prepared by the Analysis/Budget Division.

### **A. Manager's Proposed Budget**

The Manager's proposed budget is presented to the Commission and made available to the public in June. This document is the basis for the public hearing on the budget.

### **B. Final Budget**

This document is the Commission adopted budget document, made available in September.

## **II. Budget Finalization**

The formal conclusion of the budget development process occurs on or before the second Monday in August. For this FY 2007/2008 budget:

- ◆ The annual budget resolution was adopted July 3, 2007.
- ◆ Subsequent tax valuation information may require mid-year budget revisions.
- ◆ The resolution to fix annual tax levy was adopted August 21, 2007.

State statutes, 7-6-4024 and 7-6-4036, MCA require the City Commission to adopt the final budget, and then fix the tax levy on or before the second Monday in August or within 45 calendar days after receiving certified taxable values from the Montana Department of Revenue. This is one month after the beginning of the year being budgeted. The reason for this late legal finalization of the budget/tax levy is the timing of tax valuation information. Tax valuation is typically unavailable until the middle of August of the year being budgeted. Budget revenue estimates and tax levies are dependent upon tax valuation information. Accordingly, the budget is subject to revision, and not considered legally finalized, until the tax levy is fixed by City Commission resolution.

## **III. Budget Amendment Procedure**

The budget may be amended as authorized by the annual budget resolution. The City Manager has budget amendment authority for the expenditure of funds for any or all of the following:

- ◆ Appropriation carry-overs
- ◆ Appropriated reserves
- ◆ Contingency allocations
- ◆ Special assessments, grants, donations, trusts, agencies

**Management Plans**

Full detail documentation underlying the budget are considered management plans. The plans are the basis of management control in the accounting records. Although only summary detail is presented in this budget document, full detail is available to the public through the Budget Office.

**Budget Conforms to Accounting Structure**

The line item presentation in the budget document is actually a summary of the line items used in the City's accounting systems; thus, the budget document provides an overview of the City financial plan without the volume of full depth detail.

**Basis of Budgeting****• Modified Accrual for Governmental Funds**

Governmental funds are the general fund, special revenue funds, debt service funds, and capital project funds. Revenues are recognized in the period they become susceptible to accrual by being measurable and available to finance expenditures. Expenditures rather than expenses are recorded to show the decreases in net financial resources of the current period. Debt service requirements are accounted for as expenditures in the year of payment. Depreciation allocations and compensated absence accruals are not included in the City's governmental fund budgets.

**• Accrual Basis for Proprietary Funds with Exceptions**

Proprietary Funds are the enterprise funds and internal service funds. Under accrual basis of accounting, most transactions are recorded when they occur, regardless of when cash is received or disbursed. This is essentially the same as in commercial accounting; however, there are budget basis exceptions as follows:

- Capital expenditures and debt principal are budgeted as appropriations,
- Debt issuance proceeds are budgeted as financing sources,
- Depreciation allocations and compensated absence accruals are not budgeted.

**GAAP Presentation**

State and federal regulations require the City to follow Generally Accepted Accounting Principles (GAAP) for Governmental Entities. The Governmental Accounting Standards Board (GASB) is recognized as the authority for GAAP rules. The Codification of Governmental Accounting and Financial Reporting Standards (GASB Cod.) is the authoritative reference for governmental accounting published by GASB.

**Fund Accounting**

The City's fund structure is summarized in:

- Appendix A. Balances and Changes by Fund
- Types and Descriptions of Funds

**Double Counting**

Fund accounting clearly enhances the accountability of the City; however, when summaries are presented which combine total revenues and expenditures for the City as a whole, some costs are duplicated. These duplicated costs fall into the following two major categories:

**Internal Service Transactions**

Internal Service Charges represent proper revenue and expenditure transactions between City funds and operations. The transactions must be recorded for proper cost accounting in the individual operations, but the City as a whole has not disbursed or received any additional cash.

Internal service operations include centralized accounting, budget, human resources, information technology, computer, and central garage operations. It would be less efficient and more costly if each operation had to separately provide for these services. Internal service charges represent proper allocation of centrally provided service costs.

**Interfund Transfers**

Interfund transfers are exchanges of assets between funds. The transfers do not represent interfund payment for services received, but are still transactions which must be recorded for proper accountability among funds. Again, the City as a whole has not dispersed or received any additional cash.

Interfund transfers generally occur:

- From the General Fund to provide property tax or other general purpose revenue support to operations accounted for within other funds, such as:
  - Library
  - Recreation
  - Natural Resources
  - Civic Center Events
- To properly return or distribute surplus funding which may accumulate in a support service.

## **Policy for Reserves, Designations, and Balanced Budget City of Great Falls, Montana**

### **Section 1. Mandatory Reserves**

Reserves mandated by requirements of bond covenants, federal, state or local laws, regulations, or contractual commitments.

#### **Bond Covenant Reserves**

Debt Service, Capital Project, Operating, and other reserves required by ordinances or resolutions establishing bond covenants shall be established and maintained in accordance with covenant intent and GAAP terminology and classification.

#### **SID Revolving**

All SID bonded projects shall include 5% of the debt issuance principal as a cost of improvement to be deposited in the SID Revolving Reserve. The SID Revolving Reserve minimum balance shall be 5% of the total outstanding SID debt. The SID Revolving Reserve accumulated balance shall be retained in excess of 5% whenever possible to protect the taxpayers of the City against the possibility of an additional tax levy in the event of SID payment delinquencies which threaten bond default.

#### **Other Mandatory Reserves**

Reserves shall be established and maintained according to statutory, regulatory, ordinance, or contractual requirements.

#### **Maintenance of Mandatory Reserves**

Maintenance of mandatory reserve balances shall be a priority consideration for City staff in budget proposals and management of operations. Interfund loans may be established to adequately fund mandatory reserves deficiencies.

### **Section 2. Designated Balances**

Reserved balances established at the discretion of the City Commission to assure continuity in City operations or provide for a specific future need. Designated Balances provide financial resources necessary to achieve Commission plans.

#### **Designated for Cash Flow**

As permitted by Section 7-6-4034, MCA, a balance Designated for Cash Flow shall be considered adequate in tax levy supported funds (General, Library, and Planning) at 17% of annual appropriations. A balance Designated for Cash Flow for other operating funds of the City shall be considered adequate at 17% (2mo./12mo.) of annual appropriations for seasonal operations; and, 17% (2mo./12mo.) of annual appropriations for all other operating funds.

Such balances designated for cash flow shall be used to meet extended revenue cycles, meet short term economic difficulties, respond to unique opportunities, provide for one-time expenditures, and respond to emergency and disaster situations. The balances shall not be available to meet recurring operating expenses.

## **Policy for Reserves, Designations, and Balanced Budget City of Great Falls, Montana**

### **Designated for Equipment (Revolving)**

Central internal service operations shall be established and maintained to coordinate major equipment for City operations. Ownership for all major equipment shall be recorded in the appropriate internal service operation. Operating departments shall make annual lease and maintenance payments to the internal service operation for their major equipment. The internal service operations shall maintain balances designated for equipment according to comprehensive Equipment Revolving Schedules (ERS). The ERS shall equate to funded depreciation schedules established on a replacement cost basis.

### **Section 3. Unreserved Balance**

The part of the working capital balances available to finance the cash flow needs of the various operations or the current operating appropriations.

### **Section 4. Balanced Budget**

A balanced budget is a budget in which expenditures for a given period are matched by expected revenues for the same period.

The City will live within its means. All agencies supported by the resources of this City must function within the limits of the financial resources identified or available specifically to them.

A balance must be struck between revenues and expenditures, so that the public can realize the benefits of a strong and stable government. It is important to understand that this policy is applied to budget entities over periods of time which extend beyond current appropriations. By law, budgets cannot exceed available resources, defined as revenues generated in the current period added to balances carried forward from prior years. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends. The City cannot develop a legacy of shortages or a legacy of mixing onetime resources and expect the continued delivery of services, the very reason for which it exists.

**SHORT-TERM OPERATING DEBT POLICY**

The expenses associated with day to day operations of the City will be covered by current revenues. However, because the City receives the majority of its property tax revenues at two (2) times during the year, the City may experience temporary cash shortfalls. In order to finance these temporary cash shortfalls, the City may incur short-term operating debt (typically, tax and revenues anticipation notes ([TRANS])). The amount of the short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and state regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible.

**LONG-TERM CAPITAL DEBT POLICY**

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. A separate policy issued for special improvement districts (SIDS) financing was adopted by the City Commission on November 20, 1990. The City will consider the issuance of long-term obligations under the following conditions:

1. The City will use debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
  - a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's general plan.
  - b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program or it is a project mandated immediately by state or federal requirements.
  - c. When the project's useful life, or the projected service life of the equipment will be equal to or exceed the term of the financing.
  - d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost sharing revenues.
  - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The project priority process used in developing the City's various capital improvement programs, including criteria used in evaluating projects and project viability, will be reviewed by the City Commission annually as part of the budget process.
3. The following criteria will be used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:
  - a. Factors which favor pay-as-you-go:
    1. Current revenues and adequate fund balances are available.
    2. Project phasing is feasible.
    3. Debt levels would adversely affect the City's credit rating.
    4. Market conditions are unstable or present difficulties in marketing.

- b. Factors which favor long-term financing:
  - 1. Revenues available for debt service are considered sufficient and reliable so that long term financing may be marketed with an appropriate credit rating.
  - 2. The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.
  - 3. Market conditions present favorable interest rates and demand for municipal financings.
  - 4. A project is mandated by state or federal requirements, and current revenues and fund balances are insufficient to pay project costs.
  - 5. A project is immediately required to meet or relieve capacity needs.
  - 6. The life of the project or asset financed is five years or longer.
- 4. The following will be considered in evaluating appropriate debt levels:
  - a. General Fund supported debt service will not exceed 10% of total budgeted expenditures and transfers out.
  - b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue, but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:
    - 1. Volatility and collectability of the revenue source identified for repayment of the debt.
    - 2. The likelihood the General Fund would be reimbursed within one year for any payments it might potentially need to make in its role as back-up guarantor.

If the City Commission determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 10% of General Fund budgeted expenditures and transfers out.

- 5. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.
- 6. The City will select a financial advisor on a competitive basis; the advisor will be retained for at least four years to provide continuity and adequate time to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.

7. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration. Interfund borrowing may not be used when the lending of funds would violate restrictions imposed through bond covenants, Commission action or state and federal laws.
8. The term of the long-term debt instrument will not exceed the legal life of the asset or thirty years, whichever is less.
9. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.
10. In choosing the appropriate long-term debt instrument: cost, economic equity, political acceptability, and flexibility will be considered. Refundings will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered as appropriate.
11. There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:
  - a. General obligation debt
  - b. Revenue bonds
  - c. Tax increment bonds
  - d. Special improvement district
  - e. Park district bonds
  - f. Master lease agreements
  - g. Vendor-financed leases
  - h. Bond anticipation notes.

Master plans are the formal studies of current and projected community needs. The plan generally addresses a single operational area or system and is typically created by contracting with independent consultants specializing in that operation or system. Master plan recommendations fall into two categories: administrative and capital improvement programs.

Master plan development is an expensive, time consuming effort. Master plan components, especially the capital improvement programs, are typically updated annually. Updated master plans are used as the basis for capital expenditure recommendations in annual budget development.

Eventually, simply updating master plans is not enough. The dynamic nature of the community, technology, and emerging demands requires a comprehensive reassessment. New master plans are usually developed from scratch every five to ten years, depending on circumstances.

The City of Great Falls has a number of Master Plans, including:

- Comprehensive Master Plan (statutorily prescribed)
- Water System Master Plan
- Sewer System Master Plan
- Storm Drain Master Plan
- Street System Master Plan
- Parks Master Plan

Facility revolving schedules are currently under development and projected to be in place for the Fiscal Year 2007 budget development process. The schedules will include:

- A capital improvement program for facilities and facility equipment replacement,
- Comprehensive listings of each existing facility and equipment item subject to replacement,
- Replacement schedules for a period from current to over 20 years, and
- Provisions for replacement reserves to be consistently funded through annual budgets.

A preliminary listing of all facilities and their major integral components has been completed. This listing was compiled from insurance and fixed asset records. Initial replacement costs for the records are the insurance replacement costs and estimates based upon the City's most recent cost experience for similar facilities and facility equipment.

The primary difficulty will be establishing reserves from scratch for these FRS capital improvement schedules. They will include a number of facilities with immediate capital financing needs. Annual reserve financing for most facilities will involve two annual budget components:

- a) Straight-line funded depreciation on a replacement cost basis, and,
- b) Straight-line amortization of reserves which should have been contributed in prior years.

All City operations fund their Equipment Revolving Schedules out of annual operating budgets. Although the ERS amortize future replacement costs, they may be thought of as funded depreciation programs. This provides pay-as-you-go financing at consistent levels from year to year. Equipment Revolving Schedules in the General Fund were changed in Fiscal Year 2005 to even out lease charges from the General Fund by looking at the ERS funding for the whole General Fund instead of by individual pieces of equipment.

The Central Garage and Information Technology Division serve as records keepers, advisors, and purchasing agents. Each department is responsible for their own analysis of serviceability, projected needs, replacement costs, and replacement timing for the General Fund.

- Initial ERS records are established at time of original or replacement purchase.
- Every year, as a preliminary phase of annual budget development, the ERS for all equipment are analyzed and adjusted.
- Equipment scheduled for replacement in the upcoming budget year is reconsidered before it is included for budget appropriation.
- Before each replacement purchase, the serviceability and need for equipment is reconsidered.
- No equipment is automatically purchased just because it is on a schedule or budgeted for replacement.

There are two Equipment Revolving Schedule (ERS) Programs:

### **1. Vehicles & Equipment (V&E) ERS**

V&E ERS reserves are held in the Central Garage Fund for all governmental fund operations and in the individual fund for each proprietary fund. The Central Garage prepares specifications and administers the purchase process for all capital outlay financed from V&E ERS reserves. In governmental funds the annual internal service charge, paid to the Central Garage Fund for the ERS reserve, is recorded as an expenditure each year. In proprietary funds, the annual addition to the ERS reserve is kept within the fund, and is not charged as an expense.

### **2. Computer ERS**

Computer ERS reserves are held in the Information Technology (IT) Fund. The Information Technology Division prepares specifications and administers the purchase process for all purchases financed from the Computer ERS reserves. The annual internal service charge paid to the IT Fund for the ERS reserve is recorded as an expenditure each year. Central processing computer equipment is owned and purchased in the IT Fund. Computer equipment purchased for operations outside the IT Fund does not reach the \$5,000 capitalization limit per item; therefore does not require capital outlay and fixed asset records within the individual proprietary fund.

The detailed Equipment Revolving Schedules are not shown in this document, but are available from the Analysis/Budget Division. For each capital operating item, the detailed listings identify:

- Item description
- Years of estimated life
- Estimated year of replacement
- Reserve goal
- Annual reserve increment
- Reserve balance at the beginning of the year
- Scheduled replacements for the current year
- Projected reserve balances for future year ends
- Additional information

Capital improvement programs are the long-term plans for scheduling capital outlays and capital projects as needed for on-going operations and efficiency. They typically identify:

- Each item or project's description and justification
- Expected beginning and ending date for each item or project
- The expenditure amount for each year during projects
- The anticipated method of paying for those capital expenditures

For capital projects, the scope, cost, timetables and available funding can be readily analyzed for the next one or two years. After that, it becomes increasingly difficult to estimate costs, timetables, and funding sources.

There are many capital projects which take more than two years to complete. Capital improvement programs plan the multi-year, long-range, projects so they can be realistically financed. It is necessary to have capital improvement programs which address projects and financing at least three to five years in the future. The City has used the following criteria to evaluate the relative merit of each capital project:

- Encourage projects which will enhance the sense of community and make Great Falls a better place to live and visit.
- Revise and renew the long-range comprehensive plan.
- Provide quality water, wastewater, sanitation and other services to meet or exceed federal and state standards.
- Provide and annually update long-range capital improvement programs for all City functions.
- Capital investments will foster the City's goals of economic vitality, neighborhood vitality, and preserving the infrastructure and heritage.
- Priority will be given to projects which: can be funded through alternative revenue sources; implement a component of an approved plan, are specifically included in an approved replacement schedule, directly support development efforts in low and moderate income household areas, reduce the cost of operations or energy consumption, and/or, are identified by a board or another department as priorities.
- Projects which duplicate other public and/or private services will not be considered.
- Create a capital improvement program document (separate document).
- Finalize the CIP by matching the project needs to the financing sources.