

FINAL
10/23/09

BUSINESS PLAN

PUBLIC WORKS DEPARTMENT



CITY OF BILLINGS, MONTANA
OCTOBER 2009

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	4
II.	DEPARTMENT OVERVIEW:	7
III.	FACILITIES	8
IV.	ORGANIZATIONAL STRUCTURE:	9
V.	REVENUE SOURCES	12
VI.	CODE REFERENCES	13
	A. STREET MAINTENANCE FEES.....	13
	B. STORM SEWER, WATER, AND SANITARY SEWER.....	13
	C. GAS TAX.....	14
	D. ARTERIAL FEES.....	15
	E. SOLID WASTE.....	15
VII.	FINANCIAL PLAN	18
	A. BACKGROUND	18
	B. FINANCIAL OVERVIEW	19
	C. FINANCIAL FOCUS	21
	D. INFLATION	22
	E. PUBLIC WORKS ADMINISTRATION FUND.....	23
	F. ENGINEERING FUND	23
	G. STREET IMPROVEMENT LIGHT MAINTENANCE DISTRICT FUND.....	26
	H. ARTERIAL FUND	27
	I. GAS TAX FUND	30
	J. STORM SEWER FUND.....	33
	K. STREET-TRAFFIC FUND	39
	L. STREET MAINTENANCE DISTRICT FUND	42
	M. SOLID WASTE FUND	47
	N. WATER FUND.....	50
	O. WASTEWATER FUND.....	55
VIII.	CHALLENGES	59
	A. INFRASTRUCTURE / 5-YEAR PLAN	59
	1. <i>Utilities Replacement Program</i>	59
	2. <i>Utility Design Modifications</i>	61
	3. <i>Street Pavement Management Program</i>	62
	4. <i>Street Design Modifications</i>	63
	5. <i>General Street-Traffic Maintenance</i>	64
	6. <i>Water Treatment</i>	66
	7. <i>Land Purchases</i>	67
	B. REGULATORY:.....	67
	1. <i>Wastewater</i>	67
	2. <i>Stormwater</i>	68
	C. DEVELOPMENT GROWTH	70
	D. RECYCLING:.....	71
	1. <i>Hazardous Waste Disposal</i>	71
	2. <i>Yard Waste Recycling</i>	71
	3. <i>Electronic Recycling</i>	71
	4. <i>Pharmaceutical Disposal</i>	72
	5. <i>City-wide Recycling Program</i>	72
	E. PERSONNEL:.....	72
	KEY INITIATIVES	73

IX. PERFORMANCE BENCHMARKS.....	75
A. UTILITIES	75
B. STREET MAINTENANCE.....	75
C. STORM DRAIN MAINTENANCE	75
D. ENGINEERING	75
E. SOLID WASTE.....	76
F. CUSTOMER SERVICE.....	76
X. APPENDICES	77
A. WATER RIGHTS.....	77
B. ALTERNATIVE SEWER	81
C. CITY COUNCIL SURVEY RESULTS – MAY 2009	83
D. HOME BUILDERS & REALTORS SURVEY RESULTS.....	86
E. LISTING OF REGULATORY, BUSINESS CRITICAL & CONTRACTUAL OBLIGATIONS	89

I. Executive Summary

All organizations must recognize where they have been and have a vision for where they want to be before they can provide quality customer services and meet future challenges. Over the last six years, the former Public Utilities and Public Works Departments merged and consolidated into the existing Public Works Department (PWD). This shift encouraged and promoted a business culture and eliminated the department's dependence on the General Fund as a revenue source. The next logical step is the creation of this business plan to successfully guide the department into the foreseeable future.

This business plan is a vital tool that will allow us to meet future challenges while providing strategies to achieve our business goals. It was developed based on 5- and 10-year plans. The real value of this business plan is not a "product," but the fully integrated process of listening to our customers, the City Council, department staff, and citizen stakeholders to continually improve department operations. This process required us to thoroughly consider each and every service we provide as well as our challenges. We interviewed City Council members, Billings Homebuilders Association members, Billings Realtors Association members and we took to heart all comments offered. The recent Citizen Survey results were also reviewed. We sincerely thank those involved for their effort and forthrightness.

The results of the Water & Wastewater Master Plan, Storm Water Master Plan, and our review of solid waste, engineering and street maintenance services were also incorporated into the business plan. As a result, we recognize the department faces difficult challenges associated with past and future growth, State and Federal regulations, funding constraints, and changes in community service expectations, etc. For instance, we urgently need to address the lack of an adequately-sized, effective and efficient storm drain system, improve street maintenance citywide, complete infrastructure that provides services to newly annexed areas in all directions, and the expansion of our water and wastewater infrastructure to meet existing and future needs.

This business plan also addresses current and future revenue needs, policies, organizational structure changes, staffing requirements, regulations, changes or additions to the Billings Municipal City Code, proposed changes in design and construction standards, funding sources, and services. It does not provide specific answers for each of these topics; it instead provides a strategy for achieving business goals in each of these areas. It also provides performance benchmarks for each service or function to enable us to meet service expectations and/or identify areas needing improvement.

Among the major challenges facing the department are limited resources to maintain a strong infrastructure. Efforts to improve efficiencies can be effective; however, sustained investment is needed to maintain infrastructure over the long term. The City of Billings has invested significant resources in the development of

roads, water, wastewater, and storm water infrastructure. The current replacement cost of City-owned utilities and roads would exceed \$2.8 billion. Our challenge is maintaining existing infrastructure, while expanding to accommodate community needs.

Current funding is insufficient for the department to continue our existing maintenance programs. The department currently invests \$8 million annually in utility pipe replacement and \$1.5 million annually in roadway restoration. Current funding levels only provide the following replacement programs:

Utilities – 0.5% pipe replacement annually

Roads – overlay only every 66 years and chip seal only every 31 years

To maintain the useful life of asphalt pavement, the City would need to provide funding to overlay roads every 20 years and chip seal every 15 years. To reduce utility main breaks, and improve customer satisfaction, the utility replacement program would need to be increased to 1.0% annually.

The department does not currently have a storm water replacement program. This business plan stresses proposals to improve current maintenance programs.

The department also focused our efforts on the existing and proposed Environmental Protection Agency (EPA) and the Montana Department of Environmental Quality (MDEQ) regulations pertaining to wastewater discharge regulations. The proposed changes to the wastewater regulations are the most significant new water quality legislation since the 1972 Federal Clean Water Act. Preliminary estimates of infrastructure improvements to meet the new regulations will require the City of Billings to expend \$60 to \$80 million in the next five years and over \$200 million within ten years. Currently proposed EPA and MDEQ regulations specify wastewater rates would have to exceed 2% of the community's median average income before rates are considered excessive. This would require Billings' wastewater rates to increase from a monthly average of \$16 to \$71 before the rates would be considered excessive!

And finally, the Public Works Department must continue to review and improve our customer service. Strong customer service, project management, and financial responsibility are essential for short and long-term planning.

Other challenges that also affect the future of the department include:

- Design modifications to streets, storm water, wastewater, and water to improve and reduce the cost of construction and maintenance
- Improved general street maintenance
- Rights-of-way landscaping maintenance
- Land acquisition strategy for future community growth
- Storm water regulations (MS⁴)
- Balancing efficiencies of services – looking for alternative service delivery options or eliminating services

- Recycling programs
- Our workforce's ability to adapt to changes
- Attracting and retaining a qualified and diverse work force

This business plan focuses on four business lines. These lines encompass numerous services that are provided to Billings's residents and customers on a daily basis.

- Infrastructure Maintenance
- Wastewater & Water
- Solid Waste & Recycling
- Transportation

We thank Public Works staff, City Council members, the City Administrator, the Homebuilders Association of Billings, the Billings Association of Realtors, the Public Utilities Board, and individual citizens for their input in helping us develop this business plan. Their participation provided trends and challenges, and helped us develop outcomes, performance measures, service activities, and key initiatives.

Lastly, it is important to note that we consider this business plan a guideline to be evaluated each year, with the City Administrator's and City Council's assistance. We will present evaluation results during our annual budget presentation. This will ensure a dynamic business plan that continues to be a useful tool into the future.

II. Department Overview:

Vision Statement (what we want to become): Dedicated employees providing quality public works services that support a thriving and inviting community while promoting stewardship of the environment.

Mission Statement (our purpose): We support the growth and development of a thriving and inviting community through pride and commitment.

Values/Guiding Principles (core beliefs):

- Honest
- Ethical
- Pride
- Dedication
- Hardworking
- Team work

III. Facilities

The PWD owns, operates and maintains 30 facilities throughout the community. These include office buildings, maintenance facilities, landfill and associated structures, lift stations, water and wastewater plants, reservoirs, etc.

Administration & Engineering Offices	2224 Montana Avenue (Depot)
Utility Offices	2251 Belknap Avenue
Solid Waste & Street-Traffic Offices/Shops	4848 Midland Road
Billings Regional Landfill	5240 Jellison Road
Ironwood Lift Station	62nd Street West
WTP Lift Station	2251 Belknap Avenue
Lake Hills Lift Station	St. Andrews Drive
Descro Central Lift Station	Central Ave & 26th Street W
Sahara Sands Lift Station	Sahara Drive and Tabriz Street
Five Mile Lift Station	Bitterroot Drive
Rehberg Lift Station / Treatment Complex	Rehberg Ranch Subdivision
Wastewater Plant Complex	725 Hwy 87 East
Briarwood Treatment Plant	3625 Briarwood Blvd
Water Treatment Complex	2251 Belknap Avenue
Briarwood Reservoir	Hilltop 0.1 mile east of Briarwood Golf Course
Cedar Park Reservoir	Top of ridge 0.3 mile NE of Bowman Dr.
Chapple Pump Station and Reservoirs	3300 Rimpoint Drive (North of the LDS Temple)
Christensen Pump Station	NW of State Hwy 3 & Southview Dr intersection
Fox Pump Station and Reservoir	¼ mile Southwest of Skyview High School
Leavens Pump Station and Reservoir	401 Rimrock Road (North of MSU-B)
Logan Reservoir	NW of State Hwy 3 & Southview Dr intersection
Staples Pump Station and Reservoirs	3116 - 17th Street W
Thomas Pump Station	2085 Santiago Blvd
Vintage Estates Lift Station	Vintage Estates Subdivision
Voelker Pump Station	401 S 29th Street West
Waldo Pump Station	Mile 4.3 State Highway 3 (South of Hwy)
Walter Pump Station	216 Black Otter Trail
Willett Pump Station and Reservoir	903 Ave C
PWD – Heights	Airport Road
King Avenue Lift Station	King Avenue

IV. Organizational Structure:

The Public Works Department currently employs 238.5 FTE's and 34 seasonal employees. The department is made up of the following nine (9) divisions:

Administration Division: Responsibilities and work tasks include personnel administration, public relations, training coordination, complaint management, planning and organization, contract payment and administration, special assessments, rate and fee determination, all financial management, and budget preparation and control.

Engineering Division: Responsibilities and work tasks include accessibility study review, Capital Improvement Projects (CIP), contract administration, design, inspection and review of right-of-way construction projects, preventive street maintenance, project management, site plan review, storm water management, street light design, subdivision review, surveying, traffic control, and traffic engineering.

Environmental Affairs Division: Responsibilities and work tasks include Storm Water Phase II compliance, other environmental compliance issues, and safety & training.

Commercial & Meter Division: Responsibilities and work tasks include accounts receivable/payable, customer service, facility management, fleet maintenance, meter reading, testing and maintenance, and utility accounting and billing.

Distribution & Collection Division: Responsibilities and work tasks include emergency planning, management support, and water distribution and collection.

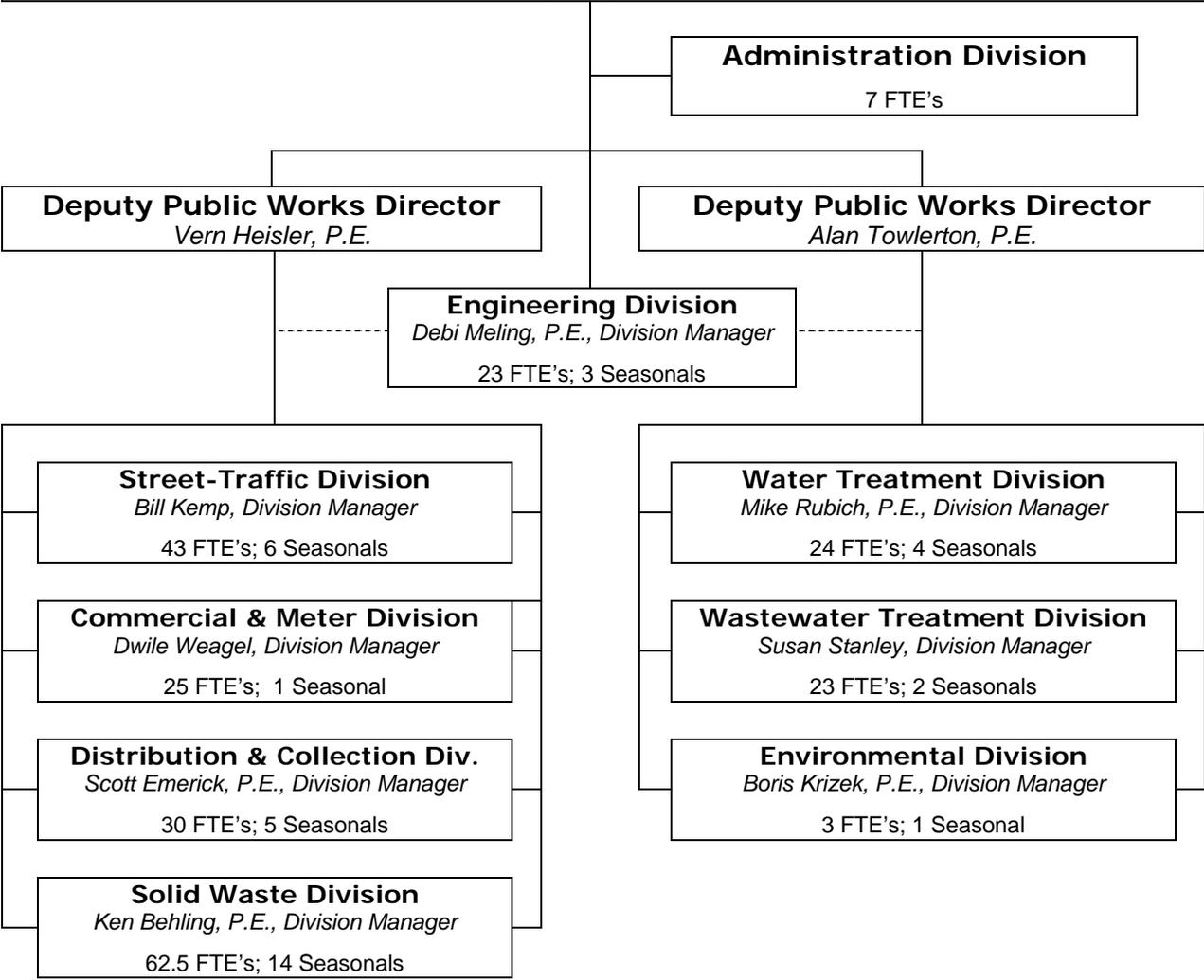
Solid Waste Division: Responsibilities and work tasks include commercial and residential collection, environmental compliance, and landfill operation and maintenance.

Street-Traffic Division: Responsibilities and work tasks include highway system contract maintenance, signal maintenance, signing and striping, snow and ice control, storm drain maintenance, street maintenance, street sweeping, and vegetation control.

Wastewater Treatment Division: Responsibilities and work tasks include emergency planning, facility maintenance, facility management, laboratory services, regulatory compliance, and wastewater treatment.

Water Treatment Division: Responsibilities and work tasks include emergency planning, facility maintenance, facility management, laboratory services, quality management, regulatory compliance, and water production and supply.

Public Works Department
David D. Mumford, P.E., Public Works Director



PUBLIC WORKS DEPARTMENT

Division	FTE's	Seasonals
Administration	7	0
Commercial & Meters	25	1
Distribution & Collection	30	5
Engineering	23	3
Environmental	3	1
Solid Waste	62.5	14
Street Traffic	43	6
Wastewater Treatment	23	2
Water Treatment	24	4
Total	240.5	36

V. Revenue Sources

Administration Division

- PW Department Cost Allocations

Solid Waste Division

- Landfill Fees
- Collection Fees

Street-Traffic Division

- Assessments (street maintenance, storm drain, and street lights)
- General Fund for Forestry Unit
- State Reimbursements

Water & Wastewater

- Water & Wastewater Fees
- Water & Wastewater Utility Service
- System Development Fees

Engineering Division

- Permit Fees
- Subdivision Review Fees
- Private Contracts
- Charges for Services

Capital Project Funds

- Gas Tax
- Special Assessments (arterial, storm drain, street maintenance)
- Tax Increment Financing
- CTEP Grants
- Sidewalk and SID Assessments

VI. Code References

A. Street Maintenance Fees

Montana Code Annotated (MCA) Part 44, Special Provisions for Street Maintenance Districts

Section 7-12-4401. Street Maintenance District authorized – definition.

- (1) Whenever the council of a city or town desires to create a district for the maintenance of all or a part of the streets or avenues of its city or town as provided in this part, it shall provide by ordinance a method of doing the maintenance and of paying for the maintenance under the restrictions and regulations provided in this part.
- (2) “Maintenance” as used in this part includes but is not limited to sprinkling, graveling, oiling, chip sealing, seal coating, overlaying, treating, general cleaning, sweeping, flushing, snow removal, leaf and debris removal, the operation, maintenance, and repair of traffic signal systems, the repair of traffic signs, the placement and maintenance of traffic pavement markings, curb and gutter repair, and minor sidewalk repair that includes cracking, chipping, sinking, and replacement of not more than 6 feet of sidewalk in any 100 foot portion of sidewalk.

B. Storm Sewer, Water, and Sanitary Sewer

MCA Part 43 Municipal Sewage and/or Water Systems

Section 7-13-4301. Establishment of sewage and water systems.

Any city or town may:

- (1) establish, build, construct, reconstruct, or extend:
 - (a) a storm or sanitary sewerage system;
 - (b) a plant or plants for treatment or disposal of sewage from the city or town;
 - (c) a water supply or distribution system; or
 - (d) any combination of systems; and
- (2) operate and maintain the facilities for public use.

MCA Section 7-13-434-4. Authority to charge for services.

- (1) The governing body of a municipality operating a municipal water or sewer system shall fix and establish, by ordinance or resolution, and collect and collect rates, rentals, and charges for services, facilities, and benefits directly or indirectly afforded by the system, taking into account services provided and benefits received.

(2) Sewer charges may take into consideration the quantity of sewage produced and its concentration and water pollution qualities in general and the cost of disposal of sewage and storm water. The charges may be fixed on the basis of water consumption or any other equitable basis the governing body considers appropriate. The rates for charges may be fixed in advance or otherwise and shall be uniform for like services in all parts of the municipality. If the governing body determines that the sewage treatment or storm water disposal prevents pollution of sources water supply, the sewage charges may be established as a surcharge on the water bills of water consumers or any other equitable basis of measuring the use and benefits of the facilities and services.

C. Gas Tax

MCA 15-70-101 covers the distribution of gas tax funds to cities & counties. Subsection (4) provides the funds "...must be used for the construction, reconstruction, maintenance, and repair of rural roads or city or town streets and alleys... " or as matching funds for federal aid highway/street projects.

MCA 15-70-101 subsection (8) prohibits the use of gas tax funds for purchase of capital equipment (except by towns or third class cities, which can spend up to 25% for equipment & materials)

The Annotations note an Attorney General's (AG) opinion that allows the spending of gas tax funds for construction of storm drains "in and under" City streets. Although not specifically referenced by section number, this AG opinion appears to tie back to the definition of "highway" in 60-1-103(18) that includes "drainage structures."

MCA 60-1-103 definitions that may be pertinent to what gas tax funds can be used for include (emphasis added):

Subsection (5) "Construction" means supervising, inspecting, actual building, and all expenses incidental to the construction or reconstruction of a highway, including locating, surveying, mapping, and costs of right-of-way or other interests in land and elimination of hazards at railway grade crossings.

Subsection (18) "Highway" includes rights-of-way or other interests in land, embankments, retaining walls, culverts, sluices, drainage structures, bridges, railroad-highway crossings, tunnels, signs, guardrails, and protective structures.

Subsection (19) "Highway," "road," and "street," whether the terms appear together or separately or are preceded by the adjective "public" are general terms denoting a public way for purposes of vehicular travel and **include the entire area within the right-of-way.**

Subsection (21) "Maintenance" means the **preservation of the entire highway**, including surface, **shoulders, roadsides**, structures, and traffic control devices that are necessary for the safe and efficient use of the highway.

Subsection (22) "Public highways" means all streets, roads, highways, bridges, **and related structures...**

D. Arterial Fees

Billings Montana City Code (BMCC) Sec. 22-1003 Rates for Arterial Fees

(a) For the purpose of paying the cost of construction and/or reconstruction of arterial roadways and depreciation and replacement of arterial roadways to provide safe facilities on which citizens and visitors may travel, including principal and interest on all revenue bonds to be issued for that purpose.

E. Solid Waste

MCA Part 2 Section 7-13-231-237

7-13-231. Authorization for charges for services. (1) To defray the cost of maintenance and operation of a solid waste management district, the board shall establish a fee for service, with approval of the county commissioners, provided that a public hearing has been held if written protest has been made as provided in 7-13-211. An increase in fees may not be approved and implemented unless notice of the increase is given as provided in 7-13-208(1) and (2) and an opportunity for protest is allowed as provided in 7-13-209 and 7-13-211.

(2) This fee must be assessed to all units in the district that are receiving a service, for the purpose of maintenance and operation of the district.

(3) An opportunity for protest or hearing is not required to increase fees for the purpose of paying fees collected by the department of environmental quality under 75-10-115. Notice must be provided to all units of the rate or portion of any rate that is directly attributable to the fee imposed.

(4) In order to aid in the determination of rates for service charges under 7-13-232, the department of revenue shall assist the board by providing the board with information pertaining to new construction, demolition, remodeling that changes the use of a building, and the location of mobile homes within the district boundaries.

7-13-232. Determination of service charge. (1) The board may establish, by resolution, rates for service charges, which may not be less than the actual cost of providing services. For solid waste management districts other than joint districts, the rates are subject to the approval of the county commissioners.

(2) Service charges may take into account:

(a) the character, kind, and quality of service; and

(b) the cost of providing the service, including but not limited to depreciation and the payment of principal and interest on money borrowed by the district for the acquisition and improvement of facilities and equipment.

(3) (a) Service charges may be assessed per family residential unit or based on:

(i) the volume or weight of the waste;

(ii) the cost, incentives, or penalties applicable to waste management practices; or

(iii) any combination of these factors.

(b) The service charge assessed to a family residential unit in which a home-based business is operated may not exceed the service charge assessed to a family residential unit without a home-based business unless there is a finding by the solid waste management district or joint district that the family residential unit with a home-based business is generating at least 20% more waste than the average for family residential units in the district that do not contain home-based businesses.

(4) The initial rate for any solid waste management district or joint district may not exceed the rate provided in the resolution creating the district.

(5) Fees for mobile home park accounts must be paid by the registered owner of each mobile home in the mobile home park.

(6) A notice of intention to enact a resolution to increase rates must be published as provided in 7-1-4127, and the district shall hold a public hearing prior to the meeting at which the resolution is considered.

7-13-233. Procedure to collect service charge. (1) The service charge may be imposed for:

(a) any fiscal year for which the district establishes a budget or incurs costs related to planning or constructing a solid waste management facility; or

(b) services to begin within 12 months.

(2) The board shall certify to the county commissioners of the county served by the solid waste management district the service charge needed for the current fiscal year, the due but unpaid service charges, and a description of the property against which the service charges are to be levied.

(3) The department of revenue shall ensure that the amount of the service charge is placed on property tax notices and that the service charge is collected with property taxes.

(4) The board may establish a system for collecting service charges other than by tax notices to property owners issued by the department of revenue. The board may collect the service charge more often than property taxes are collected.

(5) If not paid, the service charge becomes delinquent and becomes a lien on the property, subject to the same penalties and the same rate of interest as property taxes.

7-13-234. Disposition and administration of proceeds. (1) All fees and other money received by the district shall be placed in a separate fund with the county treasurer of such county and shall be used solely for the purpose for which said solid waste management district was created.

(2) Warrants upon such funds shall be drawn by the board of county commissioners upon presentation of claims approved by the board.

7-13-235. Installment payments for capital improvements. To defray the initial cost of purchasing land and equipment, payments may be spread over a term of not to exceed 10 years.

7-13-236. Revenue bonds and obligations. (1) The commissioners may issue revenue bonds, including refunding bonds, or borrow money for the acquisition of property, construction of improvements, or purchase of equipment or to pay costs related to planning, designing, and financing a solid waste management system.

(2) Revenue bonds may be issued in a form and upon terms as provided in 7-7-2501.

(3) Bonds or loans may be payable from any revenue of the solid waste management district, including revenue from:

(a) service charges authorized in 7-13-233;

(b) grants or contributions from the state or federal government; or

(c) other sources.

7-13-237. Solid waste management district bonds authorized. (1) With the approval of the board of county commissioners, a solid waste management district may borrow money by the issuance of its bonds to:

(a) provide funds for payment of part or all of the cost of acquisition of property, construction of improvements, and purchase of equipment;

(b) provide an adequate working capital; and

(c) pay costs related to the planning, designing, and financing of a solid waste management system.

(2) The amount of bonds issued for the purposes provided in subsection (1) and outstanding at any time may not exceed 1.4% of the total assessed value of taxable property, determined as provided in 15-8-111, within the district, as ascertained by the last assessment for state and county taxes prior to the issuance of the bonds.

(3) Each year at the time of levying county taxes, the board of county commissioners shall fix and levy a tax upon all property within the district that is sufficient to raise the amount necessary for the payment of bonded indebtedness.

(4) The bonds must be authorized, sold, and issued and provisions must be made for their payment in the manner and subject to the conditions and limitations prescribed for bonds of school districts in Title 20, chapter 9, part 4.

VII. Financial Plan

A. Background

This financial plan is intended to serve as a tool, providing Council and the public with the insight required to address issues impacting Public Work's financial condition. The financial plan is organized into two sections. The first section provides an overview of the finances of the Public Works Department, defines the financial focus that Public Works is drawing on in developing this business plan, and includes a general discussion regarding inflation as this is a topic that affects all funds throughout the organization.

The second section of the financial plan reports on the financial condition of each fund. Within this section, an overview of the fund is provided, followed by a 5-year financial forecast, an analysis of reserve balances, a debt analysis (if applicable), a funding gap analysis, gap closing strategies, and concludes with a summary. Gap closing strategies summarize the recommendations in the Challenges section of the Business Plan that affect the fund financially, as well as offer recommendations and options to close the funding and cash flow gaps of the fund. Gap closing strategies are intended to help meet the future infrastructure needs of the community, while ensuring that future resources can sustain on-going operation and maintenance costs. Thus, some gap closing strategies will close gaps in services, thereby increasing funding gaps, while other strategies are intended to close funding gaps caused by existing deficits as well as those from increasing service levels.

The 5-year financial forecasts within each fund are "base" forecasts, developed using the existing level of services provided by Public Works. These "base" projections do not include any of the recommendations or options available to enhance the financial condition of the fund. The estimated financial impact of implementing any changes, as well as the effects of rate changes for the citizens of Billings is provided in the summary at the end of each fund's section.

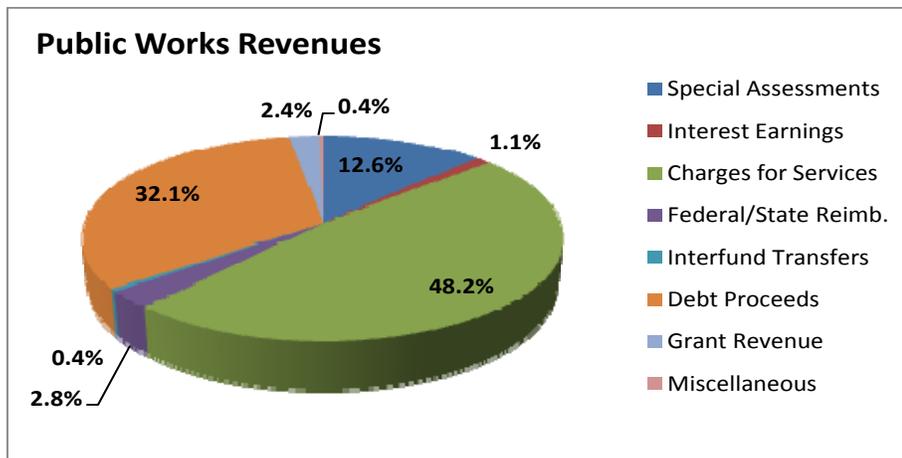
The financial forecasts allow Public Works to determine how current spending plans will impact future budgets, but the forecasts presented are not the budget that will be presented to City Council for FY 2011. Projects prioritized by the Council, along with recommendation for changes or enhancements to the current service levels will determine the funding requests that will be brought forth in the FY 2011 budget. The overriding goal of the financial plan is to provide information needed to determine a solid course of action as we attempt to balance the needs of the public with realistic fiscal projections. We believe that this business-like approach to fiscal management will continue to serve the City well as we plan for the future.

B. Financial Overview

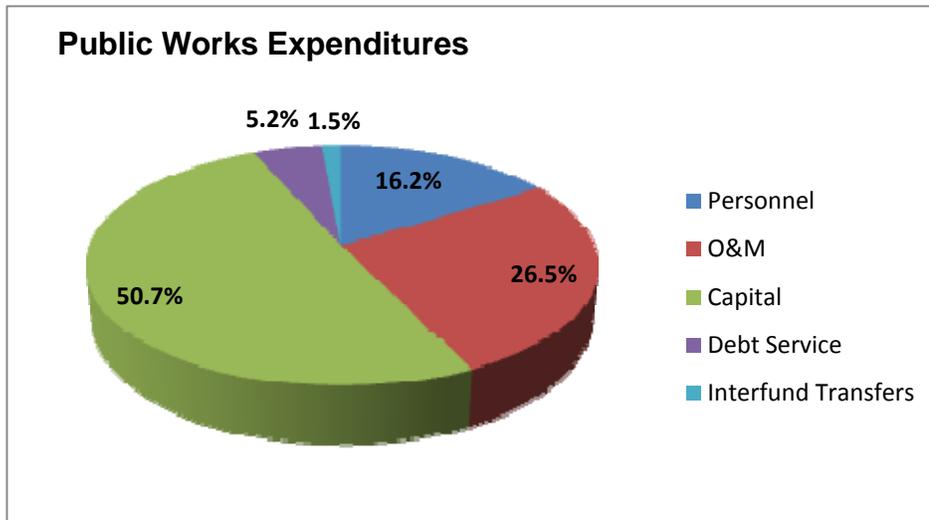
The overall budget for Public Works is approximately \$100 million annually. Public Works operates out of 15 primary funds and each fund has several major funding sources as shown in the table below:

Fund:	Funding Source:	Charge for Services	General Fund	Assessments	State Fuel Tax	State Reimb.	Debt Proceeds	Grants	Interest Earnings
Public Works Administration (PWA)		X							X
Engineering		X	X	X					X
Solid Waste		X							X
Street Traffic		X	X	X		X			X
Water		X					X		X
Wastewater		X					X		X
Arterial				X					X
Gas Tax		X		X	X				X
Street Improvement Light Maintenance Districts (SILMDs)				X					X
Sidewalk and Curb Districts (SIDs)							X		X
Storm Sewer (SMDs)				X					X
Tax Increment Financing Districts (TIFD)							X		X
Community Transportation Enhancement Program (CTEP)								X	

In the FY 2010 budget, the largest revenue sources are charges for services (\$48 million), debt proceeds (\$32 million), and special assessments (\$12.6 million). Debt proceeds include the sale of bonds for sidewalk and curb districts and Street Improvement District (SIDs), as well as loans for the water and wastewater capital programs. Special assessments include arterial, Street Maintenance District (SMD), storm, encroachments, and Street Improvement Light Maintenance Districts (SILMDs) assessments. The following chart shows Public Work's percentage of budgeted revenues by category for FY 2010:



Capital is clearly the largest expenditure for Public Works with a \$50 million capital program budgeted in FY 2010. Operating and maintenance costs and personnel are \$26 million and \$16 million, respectively. The following chart provides the current breakdown of expenditures for the Department:



Public Works is comprised of a large, diverse group of funds with multiple funding sources, many of which are legally restricted. There is also significant interaction among funds as most funds are utilized by more than one Public Works division. This creates a complex financial structure as a financial change in one division can affect a multitude of funds. The following table summarizes the funds that each operating division utilizes:

Division:	FUND													
	Eng	Solid Waste	Street Traffic	Water	Waste water	Arterial	Gas Tax	SILMDs	Side walks*	SIDs*	Storm	SMDs	TIFD*	CTEP*
PWA	X	X	X	X	X	X	X	X			X	X		
Engineering	X	X		X	X	X	X	X	X	X	X	X	X	X
Solid Waste				X	X									
Street Traffic		X						X			X	X		
Environmental Affairs		X	X	X	X						X			
Distribution and Collection				X	X									
Commercial and Meters				X	X									
Water Treatment Plant				X										
Wastewater Treatment Plant					X									

* These revenues in these funds are always equal to expenditures by nature and thus, will not be discussed in the individual fund section. However, the budget amounts in these funds are included in the overall Department's budget.

This fund sharing creates an environment in which there is a competition for resources, making it important to prioritize services at the Department level. Yet, because of the legally restricted nature of many of our funding sources, it is imperative to evaluate the financial condition of the Public Works Department on a fund by fund basis.

C. *Financial Focus*

The focus of the financial plan is clearly on addressing projected deficits in the Department’s operating position and maintaining healthy fund balances. Public Works is committed to examining its current and projected financial condition and establishing a clear fiscal course of action beginning this year and over the next five years. The overall objective is to stabilize the Department’s finances while maintaining appropriate service levels. To achieve the desired results of financial stability, Public Works plans on addressing the following five focus areas over the next few years:

Focus:	Actions:
1. Maintain revenues at sufficient levels to support services.	<ul style="list-style-type: none"> a. Assertively seek new or alternative revenue sources. b. Review all cost allocations and revenues to determine if they are at an appropriate level to cover costs.
2. Institute financial planning that ensures services are provided at the best value and that the services are in alignment with the needs and wants of the public.	<ul style="list-style-type: none"> a. Look for cost saving measures including departmental reorganizations, efficiencies, and potential service level reductions. b. Carefully weigh the cost and benefits of development opportunities.
3. Maintain fund balances/ reserves at adequate levels.	<ul style="list-style-type: none"> a. Ensure reserves are adequate for the needs of each fund and maintain compliance with City fiscal policies and other legal requirements. b. Meet program needs without unnecessarily obligating scarce dollar resources. c. Have adequate resources available for emergencies.
4. Strive for rate stability. Rates that are predictable and gradual without large spikes lessen the impact of rate increases and allow the public to more effectively budget for services.	<ul style="list-style-type: none"> a. Raise rates annually to keep pace with inflation rather than increasing rates in larger chunks every few years. b. Ensure that current revenues are sufficient to support current operating expenditures and only use reserves/fund balance for one-time expenditures rather than to defer a needed rate increase.
5. Be prudent with the use of debt financing. Using debt for large capital improvements to spread costs over time aids in achieving rate stability and also provides rate equity by spreading costs over the period of time that the capital improvement benefits the public.	<ul style="list-style-type: none"> a. Evaluate interfund loans more closely and only recommend if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund’s current operations. b. Limit debt financing to capital improvements that cannot be funded from current revenues and not for paying for on-going operational, maintenance, or replacement costs. c. Develop a debt policy that includes guidelines for a minimum debt coverage ratio. The legal limit is 1.25, but the financially prudent minimum ratio is usually 1.5 or 1.75, depending on an organization’s risk capacity.

D. Inflation

Inflation has impacted the financial position of every fund in the Public Works Department. Thus, an inflation overview is provided in this section, rather than repeating the same information within each fund.

Generally, through the end of 2003, most construction materials had modest increases in price, similar to the Consumer Price Index (CPI), which rose 2.4% in 2002 and 1.9% in 2003. However, from early 2004 until mid-2008, the construction industry was impacted by a succession of steep price increases. Many construction materials had years with double-digit increases, while the CPI continued to rise at an annual rate of 0.1-4.1%. After peaking in August 2008, prices for many materials including diesel fuel, asphalt, steel, and copper decreased through early 2009, but many prices have increased again recently.

In 2005, the average inflation rate for road projects was 8% and peaked at 12% in 2006. Construction inflation averaged 7% in 2007 and 2008 but recently, the construction industry received relief during the first half of 2009. A factor that compounds this problem is that many of Public Works revenues increase at a rate of only 1% from growth. Thus, keeping up with inflation would have required significant rate increases. Yet rate increases for most revenue sources have been sporadic at best.

The consequence of the high construction inflation is a significant loss of purchasing power. For example, a construction project that cost \$3 million in 2004 would cost approximately \$4.2 million in 2010, a 43% increase. Rate increases in Public works construction funds have averaged 11% during the same time frame and also increased by 1% annually from growth. Assuming that Public Works had \$3 million of revenue in 2004 for this \$3 million project, these revenues would be approximately \$3.5 million in 2010 for this project. Consequently, Public Works would now have revenues of \$3.5 for a \$4.2 million project. This represents a loss of purchasing power of \$700,000, or 20%. This is a very general analysis of the impacts of construction inflation, but on the whole it can be concluded that in Public Work's construction funds, current revenues only fund 80% of the capital program that it had 6 years ago.

Some of Public Works funds are exclusively for construction while others have both operating and capital costs. Because of this variance in expenditure composition and also because rate increases for each fund are varied, the effect that inflation has had on each fund will also be varied. Thus, the specific impacts to each fund will be provided within the individual fund's section.

Future construction inflation is impossible to predict. Public Works surveyed other communities to determine what rate they are using to forecast construction expenditures and the results ranged from 3% to 7%. The average rate was 4% and for purposes of forecasting for this business plan, a 4% construction cost index was used.

E. Public Works Administration Fund

The Public Works Administration (PWA) Fund is an internal service fund that charges other Public Works funds for services they provide to fully recover the costs of providing these services. Charges for services and interest earnings are the only two funding sources for this fund. On average, 74% of the fund's expenditures are for personnel. A summary of the 5 year financial forecast for the PWA Fund is provided below:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	96,655	233,507	215,983	201,934	184,657	166,340
Revenues	982,164	833,024	865,000	900,000	939,000	999,460
Expenditures						
Personnel	597,880	614,608	645,338	677,605	711,485	747,059
Operating Supplies/Services	71,995	41,242	41,448	41,655	41,863	42,072
Utilities	17,200	26,099	26,882	27,688	28,519	29,375
Cost Allocation Charges	106,726	94,899	98,695	102,643	106,749	111,019
Rent	51,511	65,700	66,686	67,686	68,701	69,732
Capital	-	8,000				
Total Expenditures	845,312	850,548	879,049	917,277	957,317	999,257
Ending Unobligated Balance	233,507	215,983	201,934	184,657	166,340	166,543
Recommended Reserve	140,885	141,758	146,508	152,880	159,553	166,543
Excess/(under funded) reserve	92,622	74,225	55,426	31,777	6,787	-

Reserve Analysis

A reserve balance of two months operating costs is adequate to meet needs for this fund. The current fund balance is sufficient.

Funding Gap Analysis

There are no funding gaps identified for the Public Works Administration Fund.

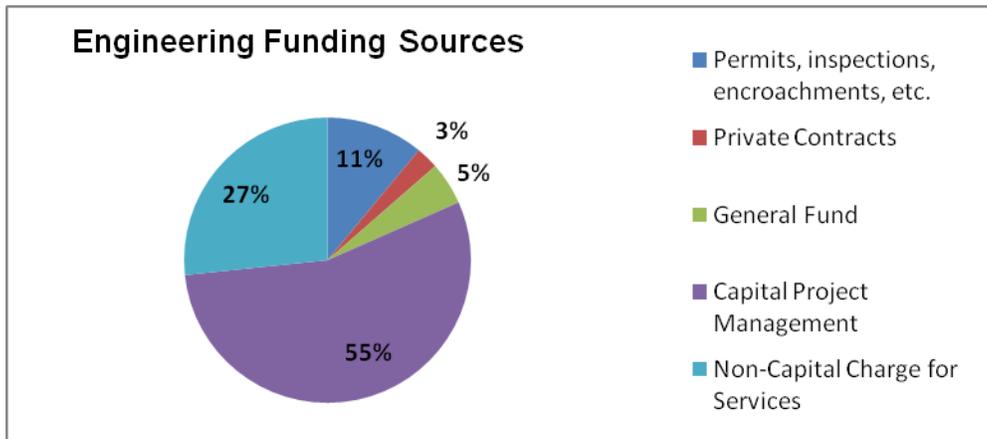
Summary

While there are no projected funding gaps, PWA derives all of its revenues from the other Public Works funds and thus it is important to keep expenditures down in order to pass on minimal PWA charge increases going forward.

F. Engineering Fund

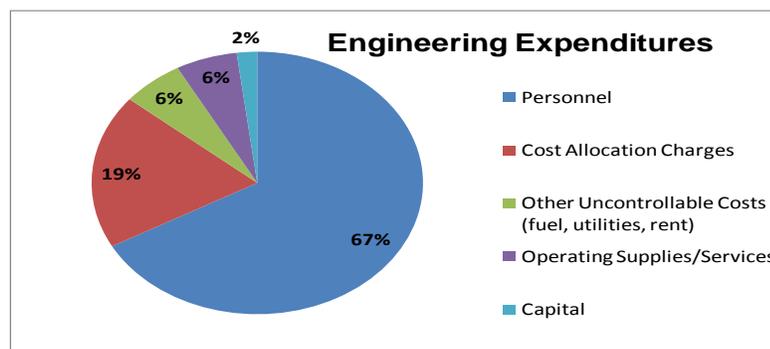
The Engineering Fund was moved from the general fund to an internal service fund with the FY 2010 budget to better reflect the function of the division. Funding sources for Engineering include permits, inspections, encroachment fees, and private contract

charges, but the majority of the revenue is from charges for services for administering the Capital Improvement Program for Public Works as well as other City Departments and for traffic engineering, light district administration, storm water management services and for various other functions performed by Engineering personnel. A small portion of the revenues come from the General Fund for review of annexations and plats, surveying, and errors and omissions. The following chart provides a breakdown of the funding sources for the Engineering fund:



The funds charged for capital project management and non-capital charge for services include arterial, storm, gas tax, water, wastewater, solid waste, sidewalks, Street Improvement Districts (SIDs), Community Transportation Enhancement Program (CTEP), Tax Increment Financing Districts, Street Light Improvement Maintenance Districts (SILMDs), and Street Maintenance Districts (SMDs).

As shown in the chart below, 67% of the FY 2010 budget is personnel, 19% is cost allocation charges, and 6% is other uncontrollable costs such as fuel, utilities, and rent:



The 5-year forecast for the Engineering fund is below:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	-	-	163,764	333,088	423,733	442,360
Revenues	1,949,540	2,556,527	2,620,000	2,641,043	2,748,634	2,818,937
Expenditures						
Personnel	1,404,803	1,606,745	1,687,082	1,771,436	1,860,008	1,953,008
O&M	511,839	727,018	748,594	770,962	794,153	818,200
Capital	32,898	59,000	15,000	8,000	75,846	28,221
Total Expenditures	1,949,540	2,392,763	2,450,676	2,550,398	2,730,007	2,799,429
Ending Unobligated Balance	-	163,764	333,088	423,733	442,360	461,868
Recommended Reserve	-	388,961	405,946	423,733	442,360	461,868
Excess/(under funded) reserve	-	(225,197)	(72,858)	-	-	-

Reserve Analysis

A reserve balance of 2 months operating expenses is adequate for the Engineering Fund. At the beginning of FY 2010, the Fund did not have any reserves because it was previously in the General Fund. Reserves will be built up to sufficient levels in fiscal years FY 2010 through FY 2012.

Funding Gap Analysis

There are no funding gaps identified in the Engineering Fund.

Gap Closing Strategies

General Changes in Policy and Practices (\$ impact currently unknown)

- 1.) Review all revenues and cost allocations to determine that they are at the appropriate level to cover costs and ensure that Engineering is not overcharging in some areas while undercharging in others.
- 2.) Implement a system to better track engineers and inspectors time spent on SID, Sidewalk and Curb Districts, TIFD, and CTEP projects to ensure that Engineering is allocating all of its time to these projects.
- 3.) Evaluate alternative revenue sources such as a street closure fee and lane rental fee to lessen charges for services to other funds.
- 4.) Include fees for review of site plans in permit fees to recover costs of plan review.

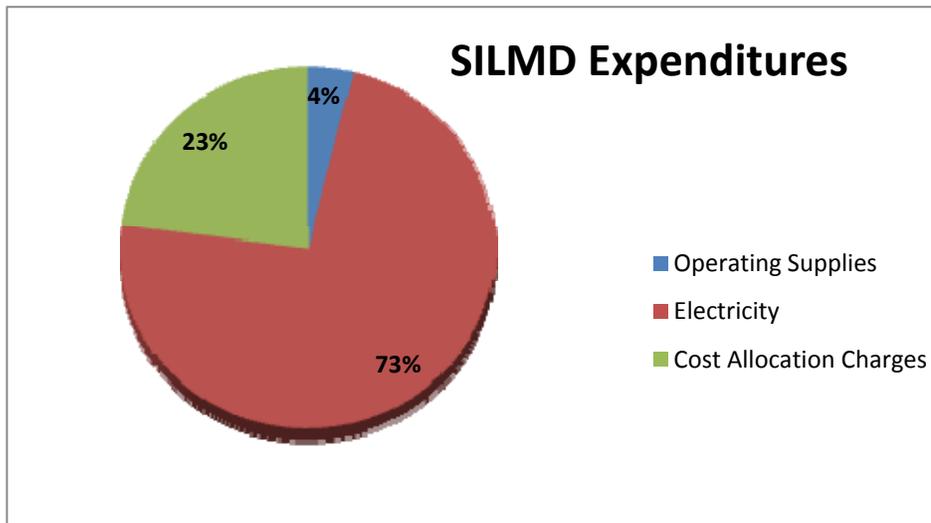
Summary

Because this is an internal service fund that fully recovers all of its costs by charging for services, there are not any forecasted funding gaps in the Engineering Fund. However, many of the funds that are charged by Engineering for services do have funding gaps and most also have legally restricted uses of funds. Engineering must be cognizant of this and ensure that they are properly charging for services. All of the gap closing strategies are intended to support this effort.

G. *Street Improvement Light Maintenance District Fund*

The Street Improvement Light Maintenance District (SILMD) Fund accounts for the maintenance of street lighting systems. It is used to pay electricity bills, administration, and maintenance on City-owned and Northwestern Energy owned street light districts. Per Montana Code Annotated, Title 7, Part 12, Section 4334, revenues from SILMD assessments “shall be used to defray the expense of maintaining and furnishing electrical current for the lights in said district and for no other purpose.”

Funding is provided from assessments on 181 separate SILMDs. There are currently 118 NorthWestern Energy Districts, 52 City districts, and 11 districts that have a combination of NWE and City owned lights. Each light district’s budget reflects projected expenses and revenues derived from historical and projected data. As shown in the chart below, 73% of expenditures are to pay for electricity bills:



The following is the 5-year forecast for the SILMD Fund:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	867,793	989,295	1,003,513	991,012	947,240	938,264
Revenues:						
Special Assessments	2,054,835	2,121,700	2,153,526	2,196,597	2,308,401	2,427,697
Interest	12,300	17,581	29,918	29,074	28,283	28,622
Total Revenues	2,067,135	2,139,281	2,183,444	2,225,671	2,336,684	2,456,319
Operating Expenditures	1,945,633	2,125,063	2,195,945	2,269,443	2,345,660	2,424,702
Ending Unobligated Balance	989,295	1,003,513	991,012	947,240	938,264	969,881
Recommended Reserve	778,253	850,025	878,378	907,777	938,264	969,881
Excess/(under funded) reserve	211,042	153,488	112,634	39,463	-	-

Reserve Analysis

SILMD assessment revenues are received only twice a year, in December and June and require a 40% reserve to be able to pay costs until revenues come in. The reserve is currently slightly over the recommended level due to electricity and maintenance savings in previous years. The reserve will be used up by FY 2013.

Funding Gap Analysis

There are no funding gaps identified in the SILMD.

Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Review all cost allocations to determine that they SILMDs are being appropriately allocated costs.

Summary

Assessments for each street light improvement maintenance district assessments are adjusted annually based on actual historical costs, cash/reserve balances, and projected costs for the upcoming year. These annual adjustments are statutorily required to fully pay for all costs associate with operating and maintenance of the light districts.

H. Arterial Fund

The arterial fee was implemented in FY 2005 and is assessed citywide regardless of proximity to arterial roads. Fees are based on square footage and zoning to categorize properties with respect to their current or potential ability to contribute traffic to the arterial road system. Per Billings Montana City Code Sec. 22-1003, arterial construction fees are restricted “for the purpose of paying the cost of construction and/or reconstruction of arterial roadways and depreciation and replacement of arterial roadways to provide safe facilities on which citizens and visitors may travel...”

Arterial assessments currently generate approximately \$2.9 million in revenue. The only other on-going funding source for this fund is interest earnings. In FY 2010, Public Works also received stimulus funding for Alkali Creek Road construction from the America Recovery and Reinvestment Act in the amount of \$1,650,000. Expenditures in the arterial fund are almost entirely for capital projects, except for a small amount that is spent on cost allocation expenses. The following is the 5-year forecast for the arterial fund:

	FY 2009 Projected	FY 2010 Budget	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	3,109,675	1,468,583	242,663	1,530,191	2,022,241	1,813,883
Revenues:						
Special Assessments	2,884,900	2,913,749	2,942,886	2,972,315	3,002,038	3,032,058
ARRA Grant	-	1,650,000	-	-	-	-
Miscellaneous	-	239,000	-	-	-	-
Bond Proceeds			13,588,000	-	-	-
Interest	32,000	17,581	7,280	15,906	30,667	24,416
Total Revenues	2,916,900	4,820,330	16,538,166	2,988,221	3,032,705	3,056,474
Expenditures:						
O&M	118,149	94,526	98,307	102,239	106,329	110,582
SW Loan Principal/Interest	70,531	615,732	597,331	678,932	1,601,734	-
SID 1385 Payment	-	228,000	200,000	-	-	-
Bond Payment			305,000	865,000	1,083,000	1,083,000
Capital	4,369,312	5,107,992	14,050,000	850,000	450,000	2,600,000
Total Expenditures	4,557,992	6,046,250	15,250,638	2,496,171	3,241,063	3,793,582
Ending Unobligated Balance	1,468,583	242,663	1,530,191	2,022,241	1,813,883	1,076,775
Recommended O&M Reserve	47,260	37,810	39,323	40,896	42,532	44,233
Required Debt Service Reserve	-	-	1,083,000	1,083,000	1,083,000	1,083,000
Excess/(under funded Reserve)	1,421,323	204,853	407,868	898,345	688,351	(50,458)

Reserve Analysis

The arterial fund receives its revenues only twice a year in December and June and thus needs to keep 40% of its annual O&M expense as a reserve. In FY 2011, bonds will be issued (as discussed below) and a legally required debt service reserve will be required equal to the amount of largest debt service payment in any one year. This reserve amount will be funded with the bond issue.

The arterial fund currently does not have any reserve specified for capital and consequently, the fund has cash flow problems at the beginning of each fiscal year. It is recommended to keep a capital reserve amount of \$300,000 to have cash on hand at the beginning of the fiscal year to permit Engineering to get projects underway.

Debt Analysis

In FY 2008, at City Council's direction, Public Works fast tracked the King Avenue West project (originally scheduled for construction in FY 2013) and borrowed \$3.1 million from Solid Waste to fund the project. This interfund loan is being paid back at an interest rate equal to the City's annual rate of return as of June 30th of each year plus .5%. Principal payments of \$500,000 each are scheduled in FY 2010 and FY 2011, \$600,000 in FY 2012 and a lump sum payment of \$1,544,882 in FY 2013.

In April 2009, SB 294 was passed which provides for municipal revenue bonds to be issued for road projects. This legislation was instrumental in allowing the City to complete the Inner Beltloop project at an estimated cost of \$12.2 million. Public Works intends to issue revenue bonds, secured with arterial assessments in FY 2011. These bonds will be repaid with arterial fees from FY 2012 through FY 2032. The debt

coverage ratio after issuing the inner beltloop bonds will be approximately 2.5 which is adequate. No other debt is planned or recommended as the remaining funds will be used for arterial road reconstruction on existing arterials.

Funding Gap Analysis

Since its inception in FY 2005, the arterial fund received one rate increase of 10% in FY 2009 and averages 1% increases annually from growth. This represents a total increase in revenues during the last 5 years of 15.5% and during that same time frame, construction costs increased by 30.7%. Consequently, the arterial fund has almost \$400,000 less in purchasing power than it had in FY 2005. While the 5-year forecast shown above indicates a balanced budget, the reality is that capital projects have been cut or deferred to balance the budget.

Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Develop strategies to address concerns regarding congestion and traffic signal timing. Implementation would require cost increases.
- 2.) Develop policies to improve quality of private development and reduce financial impact to Public Works.

Strategies addressing funding shortages

- 3.) Implement an annual 3% arterial fee rate increase beginning in FY 2011 to reduce the need for large increases every few years.
- 4.) The Arterial Fund has almost \$400,000 in escrow that it expects to get back when the Reger Grand Avenue property deal is settled. The timing of the settlement is dependent on outside parties; however the City will continue to work vigilantly to finalize this settlement.
- 5.) Build a \$300,000 capital reserve over the next 2 years, beginning with \$200,000 in FY 2010 and increasing it by \$100,000 in FY 2011.

Summary

A 3% annual arterial fee increase is recommended for this fund. The following is a summary of rate options:

- 1.) No rate increases
 - a. The arterial fund would continue to lose purchasing power and the amount of arterial construction that could be done would continue to decrease each year.
 - b. \$50,000 would need to be cut or deferred from the current CIP.
 - c.
- 2.) 3% annual rate increase beginning in FY 2011
 - a. At the end of the 5-year horizon, revenues would be approximately \$375,000 more than they would be without any increase.

- b. The cumulative effect of the rate increases would improve the arterial fund's operating position by \$850,000 by the end of FY 2014, allowing for the elimination of the \$50,000 forecasted deficit, the accumulation of the \$300,000 recommended capital reserve, and the ability to add back \$.5 million of previously deferred capital.
- c. Annual impact to average residential homeowner:
 - i. FY 2011 - \$1.20 increase
 - ii. FY 2012 - \$1.24 increase
 - iii. FY 2013 - \$1.27 increase
 - iv. FY 2014 - \$1.31 increase

I. Gas Tax Fund

The Gas Tax Fund accounts for revenues received from the State of Montana for fuel tax and expenditures for maintaining and improving streets. Per MCA 15-70-101, fuel tax funds "...must be used for the construction, reconstruction, maintenance, and repair of rural roads or city or town streets and alleys..." or as matching funds for federal aid street projects. It also allows for the spending of gas tax funds for construction of storm drains in and under City streets. Gas tax funds cannot be used for capital equipment.

The primary funding source for the Gas Tax Fund is state fuel tax proceeds. Other funding sources include a reimbursement from City/County Planning for the Traffic Technician whom is paid out of the Gas Tax fund, interest earnings, Street Maintenance District Fees for the PAVER program, developer contributions, money from vacations and sale of right-of-way, and federal and state reimbursements and grants.

The following is the 5-year forecast for the Gas Tax Fund:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	2,900,112	1,377,666	120,227	(550,012)	(664,711)	(683,171)
Revenues:						
Gas Tax Apportionment	1,730,921	1,728,502	1,737,145	1,745,831	1,754,560	1,763,333
Transfer from SMDs for PAVER	150,000	150,000	-	-	-	-
Traffic Tech reimb from planning	71,356	74,416	77,393	80,489	83,709	87,057
Fed/State reimb/grants	215,688	530,000	-	-	-	-
Miscellaneous	141,468	20,000	-	-	-	-
Interest	58,000	23,537	(6,447)	(18,221)	(20,218)	(21,309)
Total Revenues	2,367,433	2,526,455	1,808,091	1,808,099	1,818,051	1,829,081
Expenditures						
Personnel	60,729	63,604	66,784	70,123	73,629	77,310
O&M	315,137	265,924	275,361	285,175	295,382	305,997
Capital	3,514,013	3,454,366	2,136,185	1,567,500	1,467,500	1,500,000
Total Expenditures	3,889,879	3,783,894	2,478,330	1,922,798	1,836,511	1,883,307
Ending Unobligated Balance	1,377,666	120,227	(550,012)	(664,711)	(683,171)	(737,397)
Recommended Reserve	62,644	54,921	57,024	59,216	61,502	63,885
Excess/(under funded)	1,315,022	65,306	(607,036)	(723,927)	(744,673)	(801,282)

Reserve Analysis

State gas tax revenues are received regularly at the end of every month and accordingly, 2 months operating reserves is the recommended reserve level. If the Gas Tax Fund continues to fund the PAVER program (discussion below), it is recommended to implement a \$300,000 capital reserve to give Engineering the ability to begin PAVER projects at the beginning of the fiscal year.

Funding Gap Analysis

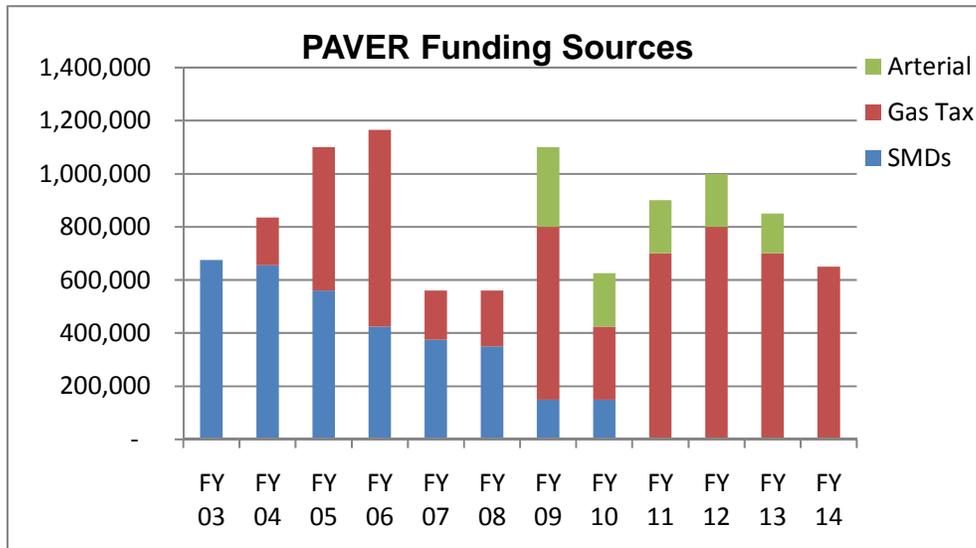
Beginning in FY 2011, the 5-year forecast shows a negative fund balance. This is primarily due to the addition of the Bench Connector Project and provisions have been made to defer the Poly Drive and Zimmerman Signal Project (\$300,000) and reduce the amount for the Rimrock Road reconstruction from Shiloh to Stanford by \$226,185. This reduces the deficit in the 5-year forecast to \$275,000.

The State Fuel Tax allocation for FY 2010 is \$1,728,502, a decrease of .14% from the previous year. Since FY 2005, gas tax revenues have increase by a total of .59% and during this same time frame inflation has risen by approximately 31%. About 85%, or \$1,465,000 of gas tax revenues are available for capital. The remainder pays for cost allocation expenses. This equates to an annual loss of purchasing power for capital of about \$225,000 for FY 2010. As a result, 15% less construction can be done today with state fuel tax dollars than could be done 5 years ago.

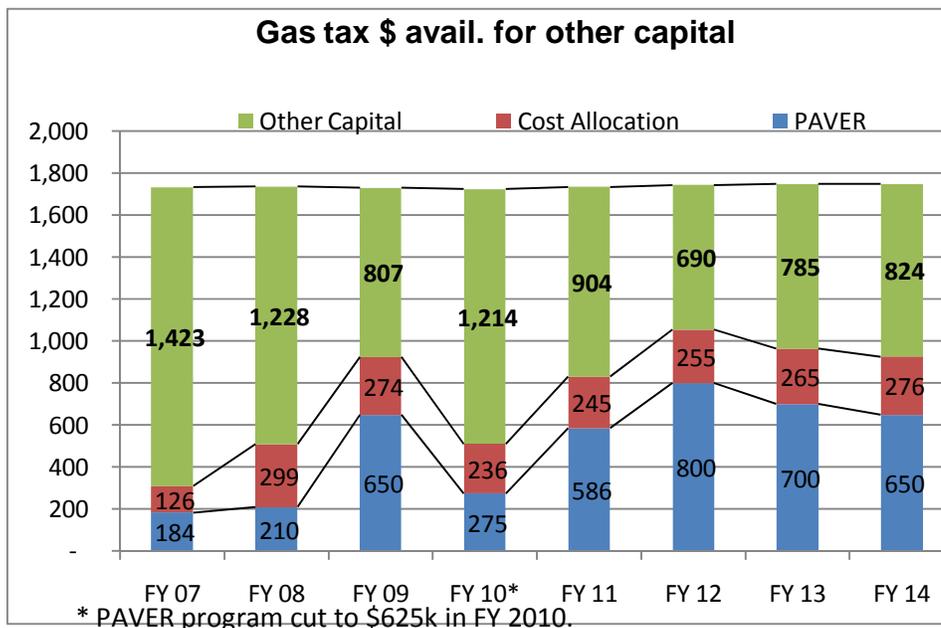
Compounding this issue is that the funding of the PAVER program with SMDs has steadily declined for the past 7 years. In FY 2003 \$675,000 of PAVER funding came from SMDs. By FY 2008, only \$350,000 was able to be funded with SMDs and in FY 2009 and FY 2010, the amount decreased to \$150,000. At current SMD rates, there will

be no money in future years to fund PAVER with SMDs, requiring all PAVER funding to come from gas tax and arterial funds.

The following chart illustrates the change in PAVER funding over the years:



The obvious pitfall to this is that less money is available for other road projects.



Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Develop strategies to address concerns regarding congestion and traffic signal timing. Implementation would require cost increases.

- 2.) Develop policies to improve quality of private development and reduce financial impact to Public Works.
- 3.) Review cost allocations to ensure that Gas Tax Funds are being utilized appropriately.

Strategies to increase service levels to adequate level

- 4.) Recommendations regarding changes to the PAVER program will be discussed in the SMD Fund.

Strategies addressing funding shortages

- 5.) Increase SMD rates to pay for PAVER out of SMDs and leave gas tax \$ available for construction. A further analysis of SMD rate increases is shown in the SMD section.
- 6.) If the Gas Tax Fund continues to fund the PAVER program, implement a \$300,000 capital reserve by funding \$100,000 of the reserve annually over the next 3 years.

Summary

Gas tax is the only funding source available to pay for the construction of non-arterial City streets. It is recommended that beginning in FY 2011, street maintenance is funded by street maintenance district fees rather than gas tax funds. The cumulative effect of this would be an improvement of \$2.7 million by the end of FY 2014 which would eliminate the \$275,000 deficit and allow for \$2.4 million of previously cut capital projects to be added back to the program.

The other option is to continue funding the PAVER program with SMDs. An average of only \$800,000 annually will be available for road construction over the next few years and that amount will continue to decline. An additional \$275,000 of gas tax funded projects would need to be cut from the existing CIP.

J. Storm Sewer Fund

The Storm Sewer fund accounts for the planning, engineering, and construction of storm drainage improvement projects. In addition to funding capital projects managed by the Engineering Division, storm sewer assessments are used for system maintenance performed by the Street-Traffic Division and stormwater Phase II compliance performed by the Environmental Affairs Division.

Per Billings Municipal City Code, Sec. 22-804, storm assessments are to be used “For the purpose of paying the cost of construction, operation, maintenance, depreciation and replacement of sewers to dispose of stormwater and divert it from the sewage disposal plant and prevent pollution of sources of water supply...”

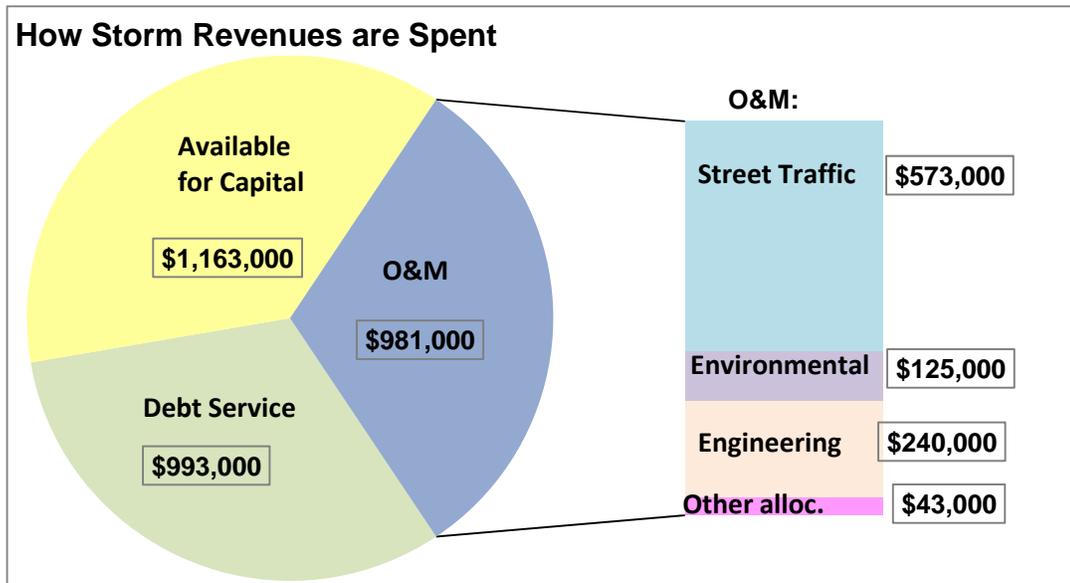
Storm assessments are based on square footage, zoning, and whether a parcel is developed or undeveloped. Assessments generate about \$3.1 million annually. As

shown in the table below, the City of Billings storm assessments for an average 10,000 square foot residential lot are significantly lower than other comparable communities:

Billings, MT	\$ 36.72
Great Falls	\$ 58.08
Eugene, Or	\$ 112.80
Springfield, Or	\$ 103.56
Boulder, CO	\$ 83.52
Colorado Springs, CO	\$ 72.00

Only about 37% of storm revenues are currently available for capital projects. The remaining revenues are distributed 32% to pay for debt service on outstanding bonds and 31% for operating and maintenance/cost allocations for services performed by Street Traffic, Engineering, Environmental, and other indirect cost allocations.

The following chart illustrates the distribution of storm revenues:



The following is the 5-Year financial forecast for the storm fund:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	2,409,093	1,875,741	274,222	258,511	214,853	94,110
Revenues:						
Special Assessments	3,031,800	3,100,000	3,131,000	3,162,310	3,193,933	3,225,872
Miscellaneous	50,402	51,452	1,452	1,452	1,452	1,452
Reduction of Bond Reserve				796,000	-	-
Interest	53,000	35,205	7,991	7,100	4,634	(2,383)
Total Revenues	3,135,202	3,186,657	3,140,443	3,966,862	3,200,019	3,224,941
Expenditures:						
Personnel	-	-	-	-	-	-
O&M	954,430	980,551	1,026,154	1,074,020	1,124,262	1,176,999
Debt Service	846,000	993,000	995,000	201,500	201,500	200,000
Capital	1,868,124	2,814,625	1,135,000	2,735,000	1,995,000	2,195,000
Total Expenditures	3,668,554	4,788,176	3,156,154	4,010,520	3,320,762	3,571,999
Ending Unobligated Balance	1,875,741	274,222	258,511	214,853	94,110	(252,948)
Recommended O&M Reserve	381,772	392,220	410,462	429,608	449,705	470,800
Excess/(under funded)	1,493,969	(117,998)	(151,951)	(214,755)	(355,595)	(723,748)

Reserve Analysis

Storm assessments are received twice a year, in December and June requiring a reserve equal to 40% of operating expenses. The storm fund does not presently have cash flow problems as it has been building up cash to pay for projects identifies in the stormwater master plan. As this cash is spent down, the fund will experience cash flow problems and a \$300,000 capital cash reserve is recommended.

Debt Analysis

Public Works had two bond issues from 1993 and 1994 that were refunded in 2003 (presently Series 2003 Bonds) and payable from storm revenues. Debt service is currently \$995,000 per year, but in FY 2012, the debt service payment will be reduced to \$200,000 and this payment amount will be continued until the final payment in FY 2015. When the debt service amount is reduced in FY 2012, this also will free up the amount held in debt service reserves by almost \$800,000. This will be a one-time cash infusion into the storm fund. Public Works can redeem these bonds any time after FY 2013 and can refund the bond issue at any time. However, this is not recommended as the new interest rate would most likely be higher than the current rate. The debt service coverage ratio is adequate at 2.14 at this time.

As presented in the Challenges section of the business plan, the City of Billings has a large amount of storm problems. One option to fix the stormwater problem is to fund the projects by issuing revenue bonds.

It is not financially feasible to issue bonds before FY 2012 because of the large debt service payment from the outstanding bond issue. Because the debt service payment is substantially lower in FY 2012, bonds could be issued at that time. If issuing bonds was

deferred until FY 2016 when the current debt was paid off, a larger amount of debt could be incurred. The table below shows the amount of capital projects that could be funded through bond issues at current storm assessment rates:

	Debt Coverage Ratios		
	Legal minimum 1.25	Min. Target 1.5	Recommended 1.75
FY 2012-FY 2015			
Bond size allowed at current revenues	\$17.6 million	\$14.7 million	\$12.6 million
Less issuance costs and reserves	\$1.8 million	\$1.5 million	\$1.3 million
Amount available for Capital Projects	\$15.8 million	\$13.2 million	\$11.3 million
FY 2016 and after			
Bond size allowed at current revenues	\$21 million	\$17.5 million	\$15 million
Less issuance costs and reserves	\$2.2 million	\$1.8 million	\$1.5 million
Amount available for Capital Projects	\$18.8 million	\$15.7 million	\$13.5 million

To obtain a debt coverage ratio of 1.75, only \$11.3 million of capital could be constructed at current storm rates or \$13.5 million after FY 2015. This obviously does not come close to the \$160 million identified to fix all of the City's stormwater problems using traditional construction methods. Storm assessment increases would be required to debt for more than the above amounts. The following table identifies the storm revenue increases needed, along with the impact to the average residential home at various capital funding levels:

	Capital Funding Level				
	\$30 million	\$50 million	\$80 million	\$120 mill.	\$160 mill.
FY 2012-FY 2015					
Additional Storm Revenues Needed	\$2.2 million	\$4.8 million	\$8.7 million	\$14 million	\$19.2 million
% Increase in Assessments	68%	150%	272%	435%	601%
Average Annual Residential Increase	\$23	\$52	\$95	\$118	\$211
FY 2016 and after					
Additional Storm Revenues Needed	\$1.8 million	\$4.5 million	\$8.4 million	\$13.6 million	\$18.8 million
% Increase in Assessments	55%	135%	252%	410%	568%
Average Annual Residential Increase	\$20	\$50	\$91	\$112	\$203

State Revolving Fund (SRF) loans, as opposed to revenue bonds may be another possibility of debt financing. SRF loans require the same debt coverage ratios and debt reserves as revenue bonds, but do not have any issuance costs and have a lower interest rate than traditional revenue bonds. For every \$1 million of debt, SRF loans would save approximately \$11,000 annually or \$223,000 over the life of the debt. However, SRF loans are more restrictive as to the projects they will cover and would not fund all storm projects.

Funding Gap Analysis

Besides the stormwater problem discussed above and in the Challenges section of the Business Plan, the 5-year financial forecast predicts that the storm fund will not have enough money to fund needed operating reserves in FY 2010 and beyond. This would require borrowing money to meet operating expenses. The amount of the deficit is projected to be \$700,000 by the end of FY 2014.

Storm assessments were last increased in FY 2008 by 7%. The previous increase was 10% in FY 2005. Storm revenues have also increased by about 1% per year from growth. Since FY 2004, storm assessments have increased by a total of 25% while construction costs increased by 41% and operating costs increased by a total of 30%. Because the debt service payment is at a fixed amount, the percentage of storm revenues that are needed for debt service have decreased from 40% in FY 2004 to 32% in FY 2010. This has help offset inflation costs and the net effect is an estimated annual \$100,000 loss of capital purchasing power in FY 2010.

Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Develop design polices to help mitigate current and future stormwater problems in Billings.
- 2.) Review cost allocations to ensure that Storm Funds are being utilized appropriately.
- 3.) Develop policies to improve quality of private development and reduce financial impact to Public Works

Strategies to increase service levels to adequate level

- 4.) Meet new Federal and State regulations by placing more emphasis on mitigating stormwater issues.
 - a. Cost saving alternatives to typical design and construction techniques will be utilized when possible.
 - b. A combination of policy changes, design alternatives, and traditional construction techniques will need to be used to meet regulations.
 - c. The level at which stormwater issues will be addressed will be at the Council's discretion. Current stormwater rates only allow for an annual capital program of \$1.1 million.
 - i. The financial impact of issuing debt to fund capital was discussed in the debt analysis section above.
 - ii. Another option is to raise assessment rates to fund additional capital annually. This would save bond issuance costs and eliminate the need to tie up money in debt reserves. The obvious downside is the limited amount that could be fixed each year. The following identifies the rate increases that would be required to generate additional revenue for capital projects:

Revenue Generated	\$1 million	\$2 million	\$3 million
% Increase	32%	65%	97%
Average annual residential increase	\$ 11.74	\$ 23.86	\$ 35.60

- 5.) Add an Inspector position to enforce stormwater regulations. The annual on-going cost would be \$44,000.
- 6.) Increase maintenance of storm system through a combination of cross-utilization of Distribution & Collection personnel and the hiring of additional Street-Traffic personnel. 4 new Street-Traffic employees are recommended with an estimated 5 months spent on storm maintenance and 7 months on paving services. The on-going cost of adding personnel to be allocated to storm is \$73,000. Payment to D&C for services will also be funded using storm assessments, thereby increasing storm fund costs and lowering wastewater expenses.

Strategies addressing funding shortages

- 5.) If funding is not secured or other provisions made, reduce capital program by \$700,000 to eliminate deficit in the fund.
- 6.) Build a \$300,000 capital reserve over 3 years, beginning in FY 2010 and increasing it by \$100,000 in each of the next 2 years.
- 7.) Implement an annual 3% storm assessment rate increase to help keep up with inflation and reduce the need for large rate increases every few years.

Summary

Whether the storm capital program is increased and to what degree is at the discretion of City Council. A variety of funding options, along with rate impacts, was provided above for informational purposes and will not be repeated here. An annual 3% storm assessment rate increase is recommended. Additionally, a one-time rate increase of 5% is proposed to fund the additional maintenance required by new storm regulations and eliminate the projected deficit. The following is a summary of rate options:

- 1.) No rate increases
 - a. The storm fund would continue to produce revenue increases well below the rate of inflation, requiring service level reductions.
 - b. Maintenance of the storm system could not be increased.
 - c. \$700,000 would need to be cut or deferred from the current CIP.
- 2.) 3% annual rate increase beginning in FY 2011
 - a. At the end of the 5-year horizon, revenues would be approximately \$575,000 more than they would be without any increase.
 - b. The cumulative effect of the rate increases would improve the storm fund's operating position by \$1,000,000 by the end of FY 2014, allowing for the elimination of the \$700,000 forecasted deficit and the accumulation of the \$300,000 capital reserve.

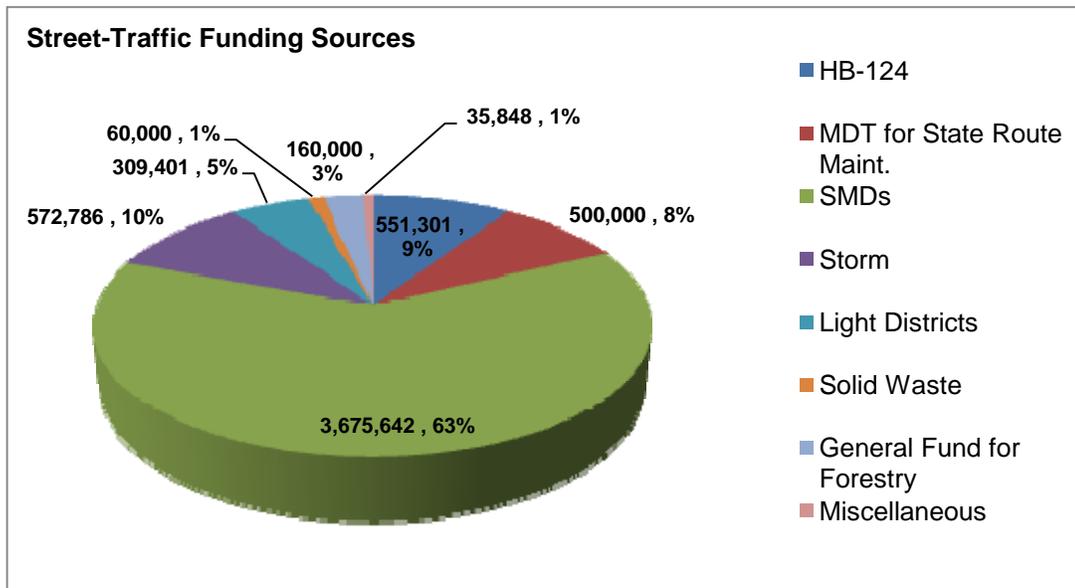
- c. This would not allow for any additional capital projects to be added to the CIP and to increase maintenance to the recommended service level, \$375,000 of existing CIP capital projects would need to be cut or deferred.
 - d. Annual impact to average residential homeowner:
 - i. FY 2011 - \$1.10 increase
 - ii. FY 2012 - \$1.13 increase
 - iii. FY 2013 - \$1.17 increase
 - iv. FY 2014 - \$1.20 increase
- 3.) 5% one-time rate increase in FY 2011 in addition to 3% annual rate increases
- a. At the end of the 5-year horizon, revenues would be approximately \$400,000 more than they would be without any increase.
 - b. The cumulative effect of the rate increases would improve the arterial fund's operating position by \$1,700,000 by the end of FY 2014, allowing for the elimination of the \$700,000 forecasted deficit, the accumulation of the \$300,000 capital reserve, and the increase in maintenance costs to bring services back up to recommended levels.
 - c. This would still not allow for any additional capital projects to be added to the existing CIP.
 - d. Annual impact to average residential homeowner:
 - i. FY 2011 - \$2.94 increase
 - ii. FY 2012 - \$1.19 increase
 - iii. FY 2013 - \$1.22 increase
 - iv. FY 2014 - \$1.26 increase

K. Street-Traffic Fund

The Street-Traffic Fund accounts for the operation and maintenance of the City's roads, storm drains, street lights, and traffic signals. Street Traffic was in the general fund until FY 99 when it was moved to a special revenue fund and SMD assessments were increased to pay for the amount that the general fund was no longer picking up. In FY 2007, the Forestry Division was moved out of Parks and under the Street Traffic Division. This added about \$240,000 of expenditures to Public Works, of which the general fund pays \$160,000 for forestry services that cannot legally be paid for with SMD assessments.

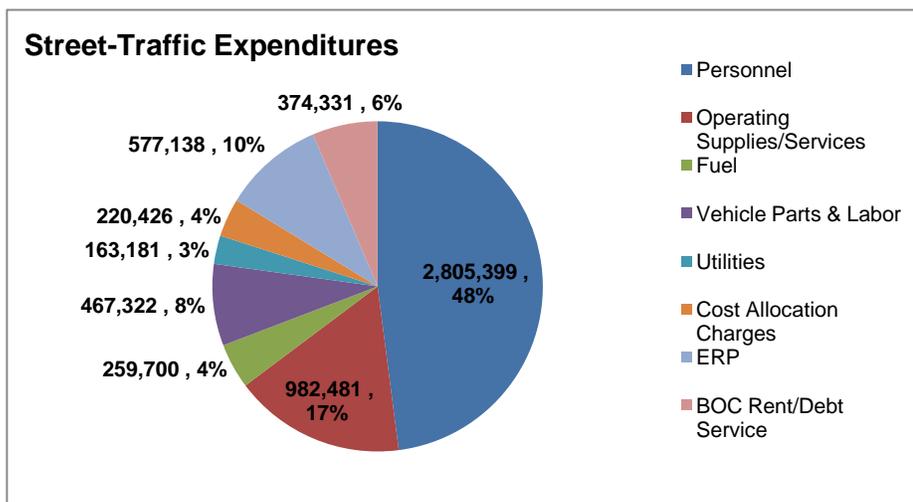
Approximately 85% of Street-Traffic's funding comes from charging other funds for services and accordingly, the financial position of this fund needs to be evaluated in conjunction with other funds, primarily the SMD Fund as it comprises 65% of Street-Traffic's revenues.

The following chart shows the current breakdown of the funding sources for the Street-Traffic fund:



It is probable that the State of Montana will take over most of the State Route maintenance beginning in FY 2011 and the result of losing that contract will be increased reliance on SMDs. Additionally, expenditures in the Street-Traffic fund increase at about 4.5% per year and this will also require increased use of SMDs for Street-Traffic.

Almost half of the Street-Traffic Budget is personnel costs, with the next largest percentage going to operating supplies and services. The following chart shows the projected breakdown of expenditures for FY 2010:



The following is the 5-year forecast for the Street-Traffic Fund:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	1,622,576	1,019,433	1,034,433	1,007,885	1,054,520	1,103,497
Revenues:						
HB-124	519,974	551,301	554,058	556,828	559,612	562,410
MDT for State Route Maint.	500,000	500,000	200,000	202,000	204,020	206,060
SMDs	3,194,692	3,675,642	4,064,088	4,371,733	4,618,497	4,878,158
Storm Charge for Service	471,720	572,786	601,425	631,496	663,071	696,225
Light District Charge for Service	255,112	309,401	319,611	330,158	341,053	352,308
Solid Waste Charge for Service	-	60,000	60,600	61,206	61,818	62,436
General Fund	160,000	160,000	160,000	160,000	160,000	160,000
Miscellaneous	76,013	29,800	29,949	30,099	30,249	30,400
Interest	15,000	6,048	31,033	30,237	31,636	33,105
Total Revenues	5,192,511	5,864,978	6,020,764	6,373,757	6,669,956	6,981,102
Expenditures:						
Personnel	2,723,077	2,805,399	2,973,723	3,152,146	3,341,275	3,541,752
O&M	3,026,672	3,044,579	3,073,589	3,174,976	3,279,704	3,387,904
Capital	45,905	-	-	-	-	-
Total Expenditures	5,795,654	5,849,978	6,047,312	6,327,122	6,620,979	6,929,656
Ending Unobligated Balance	1,019,433	1,034,433	1,007,885	1,054,520	1,103,497	1,154,943
Recommended Reserve	958,292	974,996	1,007,885	1,054,520	1,103,497	1,154,943
Excess/(under funded) reserve	61,141	59,437	-	-	-	-

Reserve Analysis

Reserves are recommended in the amount equal to 2 months operating expenses. Equipment is purchased out of the City's Equipment Replacement Program (ERP) and each year an amount is transferred from Street-Traffic to the ERP to fund future equipment replacements. The reserve balance that Street-Traffic currently has in the ERP is in excess of \$3 million. This is far more than is needed or recommended and an equipment reserve of \$700,000 would be adequate.

Debt Analysis

The Street-Traffic Fund has no debt obligations of its own. However, it transfers approximately \$200,000 annually to pay for its share of debt service for the Billings Operation Center. This debt obligation will not end until FY 2023.

Funding Gap Analysis

When budgeting for Street-Traffic, the expenditure needs are first evaluated and then other revenues are allocated, including storm and SILMD revenues to cover their respective expenses. The remainder is funded from SMD assessments. Thus for the purposes of the financial forecasts in this report, the Street-Traffic Fund is shown to be fully funded and the shortages in funding will be shown within the SMD Fund.

Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Review revenues, cost allocations, and material and time tracking methods to ensure that storm revenues are funding storm expenditures, SILMD revenues are funding SILMD expenses, and MDT state route revenues are fully funding all state route expenditures to ensure that SMDs are not being used unnecessarily.
- 2.) Evaluate alternative revenue sources.
- 3.) Review overtime and standby policies and call-out procedures.
- 4.) Research GPS vehicle tracking devices/costing software to improve efficiencies.

Strategies to increase service levels to adequate level

- 5.) 4 additional Street-Traffic personnel are recommended to perform storm and street maintenance services. This recommendation, along with financial and rate impacts is, discussed within the storm and SMD funds.
- 6.) Evaluate the fall leaf pickup program to determine if the service should be continued or if the 2,400 hours (plus equipment costs) it takes to perform this service could be better utilized in another area.
- 7.) Evaluate services performed for other City Departments (about 2,000 hours) to determine if these services should be eliminated, reduced, or charged out.

Strategies addressing funding shortages

- 8.) The City's Equipment Replacement Fund was created in FY 2002 and since that time all governmental funds in the City contribute annual amounts to fund future equipment replacement. To date, Street-Traffic has contributed more than \$3.5 million than has been spent on equipment. This excess has come about in large part because Street-Traffic rarely spends the budgeted amount on equipment. Historically 86% of the equipment budget is spent each year. Another issue with Street-Traffic participating in a pooled ERP fund is that Street-Traffic's revenues are mostly derived from legally restricted resources and should not be intermingled with other funds. Fund accounting is required by the GASB and pooling these restricted funds with other funds negates the primary objective of fund accounting. If the current reserve balance of \$3.5 million is transferred to Street-Traffic to maintain an equipment replacement reserve within Street-Traffic, the savings to Street-Traffic is approximately \$1.8 million over the next 10 years.
- 9.) The remaining options are to increase rates for storm and SMD assessments and these options are discussed within these respective sections.

Summary

A mixture of service level changes, additional employees, and adjustments to policies and practices are recommended for Street-Traffic. 80% of Street-Traffic revenues are derived from other Public Works funds and for this reason, the financial position of Street-Traffic must be assessed in conjunction with these other funds.

L. Street Maintenance District Fund

The Street Maintenance District (SMD) fund accounts for the collection of street maintenance assessments. The City has two street maintenance districts. SMD 1

includes the downtown area and SMD 2 is the remainder of Billings. The rates are assessed on a lot size basis and SMDs currently generate about \$4.3 million in revenue. The rate in SMD 1 is approximately 6 times the SMD 2 rate because of the large amount of time spent in SMD per square foot. The following are current average SMD rates for comparable Cities:

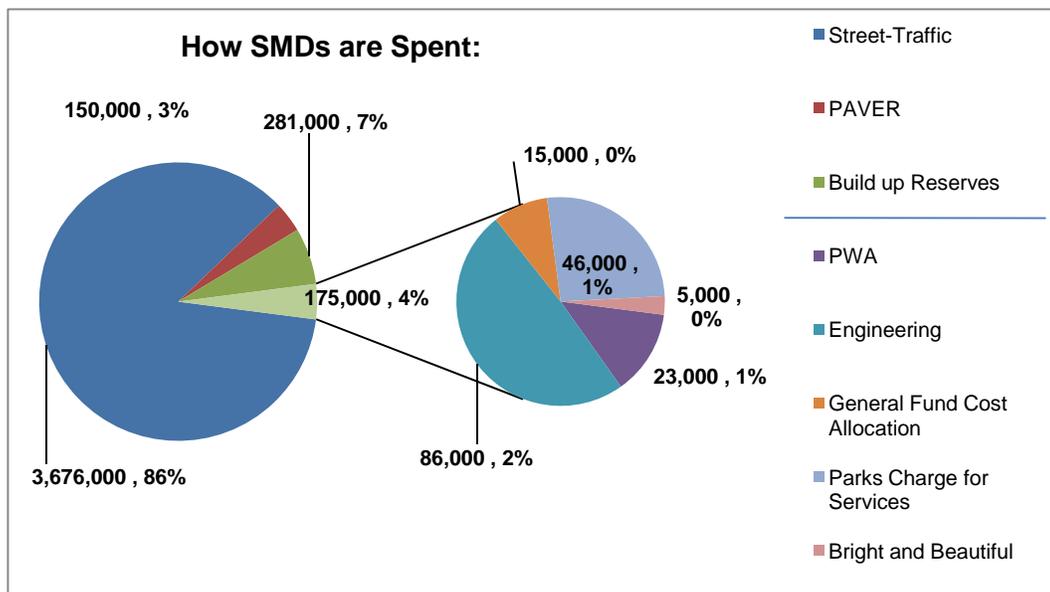
Billings, MT	\$ 63.94
Bozeman, MT	\$ 110.40
Great Falls	\$ 108.24
Helena	\$ 110.00
Boulder, CO ¹	none
Fort Collins, CO ²	none

¹ Use sales tax revenues for street maintenance

² Use highway user fees, gas tax, and motor vehicle taxes for street maint.

Per MCA 7-12-4401, street maintenance district fees can be used for “sprinkling, graveling, oiling, chip sealing, seal coating, overlaying, treating, general cleaning, sweeping, flushing, snow removal, leaf and debris removal, the operation, maintenance, and repair of traffic signal systems, the repair of traffic signs, the placement and maintenance of traffic pavement markings, curb and gutter repair, and minor sidewalk repair that includes cracking, chipping, sinking, and replacement of not more than 6 feet of sidewalk in any 100 foot portion of sidewalk.”

Street maintenance expenditures are spent out of the Street-Traffic fund and gas tax fund (for PAVER). The SMD fund merely transfers revenues collected to Street-Traffic and gas tax, and pays for SMD cost allocation expenses. The following is a breakdown of how Street Maintenance District Fees will be spent in FY 2010:



The following is the 5-year forecast for the Street Maintenance District fund:

	FY 2009 Projected	FY 2010 Budget	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	899,585	1,618,653	1,899,399	2,036,058	1,905,691	1,562,372
Revenues:						
Special Assessments	4,235,000	4,277,350	4,320,124	4,363,325	4,406,958	4,451,028
Interest	13,370	4,810	59,032	59,126	52,021	38,239
Total Revenues	4,248,370	4,282,160	4,379,156	4,422,451	4,458,979	4,489,267
Expenditures:						
Street Traffic Charge for Services	3,194,692	3,675,642	4,064,088	4,371,733	4,618,497	4,878,158
Other Charge for Services	184,610	175,772	178,409	181,085	183,801	186,558
PAVER	150,000	150,000	-	-	-	-
Total Expenditures	3,529,302	4,001,414	4,242,497	4,552,818	4,802,298	5,064,716
Ending Unobligated Balance	1,618,653	1,899,399	2,036,058	1,905,691	1,562,372	986,923
Recommended Reserve	1,411,721	1,600,566	1,696,999	1,821,127	1,920,919	2,025,886
Excess/(under funded)	206,932	298,833	339,059	84,564	(358,547)	(1,038,963)

Reserve Analysis

Revenues are only received twice a year, in December and June. The recommended reserve is 40% of expenditures as this provides an adequate amount to be able to pay expenses between revenue influxes.

Funding Gap Analysis

Rate increases for SMDs have been sporadic. The last increase was 7% in FY 2008 and prior to that there was a 9.5% increase in SMD 2 in FY 2003. In the last 10 years, Street-Traffic costs have increased by \$2.5 million while SMD fees have increased by only \$1.4 million. To fill this \$1.1 million gap, street maintenance supplies, services, and SMD funding of the PAVER program have all been reduced. Until FY 2004, SMDs were used to fund the PAVER program in its entirety. As available SMD revenues declined, the PAVER program was supplemented with gas tax revenues and by FY 2008, only \$350,000 of SMDs was available to fund PAVER. In FY 09 and FY 10, that amount dropped to \$150,000 and going forward, there will be no money to fund the PAVER program through SMDs.

Even without using SMDs for PAVER, at current service levels for street maintenance, a \$1 million deficit is forecasted by the end of FY 2014. There will be almost \$600,000 more in expenditures than received in revenues in FY 2014 and this gap will continue to grow as SMD fees increase by approx. 1% a year from growth while street maintenance expenditures increase by an average of 4.5% per year.

Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Review revenues, cost allocations, and material and time tracking methods to ensure that SMDs are being used effectively.
- 2.) Develop policies for street designs to reduce future street maintenance costs.

- 3.) Establish construction and inspection guidelines addressing life and quality of new construction to decrease future maintenance costs.

Strategies to increase service levels to adequate level

- 4.) Address Council and citizen service level concerns regarding street sweeping, painting, grading of gravel roads, and snow removal by:
 - a. Reviewing snow removal procedures and practices regarding personnel, planning, and equipment to maximize efficiencies.
 - b. Establishing program schedules and plans and prioritizing work according to plans.
 - c. Becoming less reactive (responding to immediate complaints/requests) and more proactive (adding those requests to an established program).
- 5.) 4 new Street-Traffic employees are recommended with an estimated 7 months spent on storm maintenance and 7 months on paving services. The paving services will eliminate the external chip seal and utility breaks pavement restoration contracts and instead perform these services with Street-Traffic personnel. Equipment in the amount of \$960,000 would need to be purchased and excess reserves in the ERP fund will be used. The following is the breakdown of the financial impact of these 2 programs:
 - a. Chip-Seal Program – There would be on-going costs for additional personnel (\$63,000), equipment replacement (\$41,000), and materials (\$300,000) for a total increase of \$404,000. The chip seal contract would be eliminated in the amount of \$400,000, resulting in an increase in the amount of chip-sealing that will be done by about 35% with no added cost.
 - b. Utility Break Pavement Restoration – There would be on-going costs for additional personnel (\$42,000), equipment replacement (\$27,000), and materials (\$200,000) for a total increase of \$269,000. Water would eliminate its external contracts in the amount of \$350,000 for these services and pay Street/Traffic \$300,000 (\$269,000 in actual costs plus administrative overhead), thereby saving water \$50,000 and adding \$31,000 to Street-Traffic’s revenues for a net cost savings of \$81,000.
- 6.) Increase PAVER funding by \$250,000 annually.

Strategies addressing funding shortages

- 7.) Modify the engineering allocation for charges for services for PAVER to reduce SMD costs by \$75,000 annually.
- 8.) Implement an annual 3% SMD increase to help keep up with inflation and reduce the need for large rate increases every few years.
- 9.) Increase SMDs to fund PAVER with SMDs rather than gas tax. .

Summary

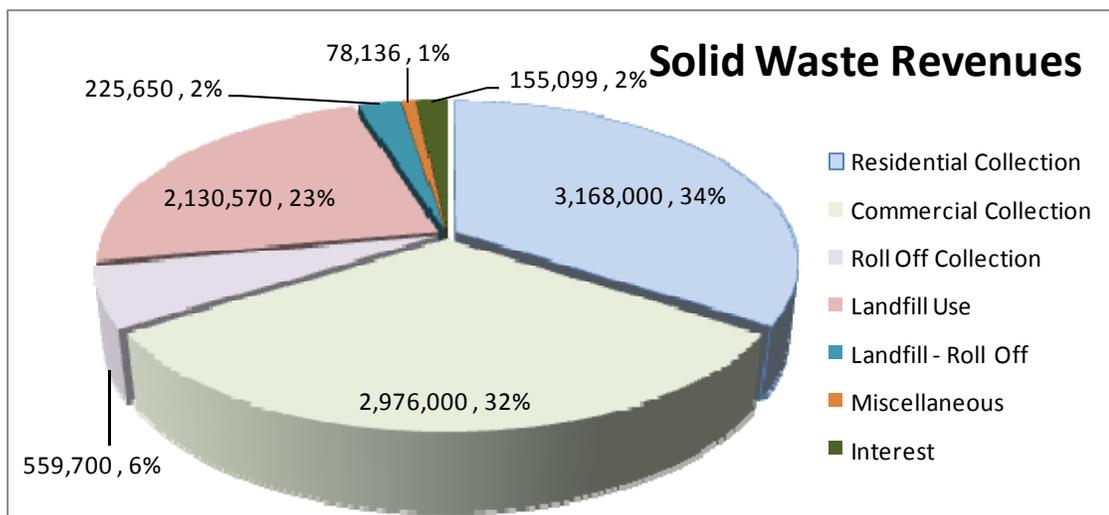
Public Works is proposing a number of program changes to increase service levels without increasing costs. However, rate increases are still needed or street maintenance will experience severe shortages, requiring reductions in existing service levels. While the shortages are large, they are not insurmountable. In fact, even if the most costly option was implemented, the SMD rates in 4 years would still be less than what Helena, Great Falls, and Bozeman charge now. The following is a summary of rate options:

- 1.) No rate increases
 - a. The SMD fund would continue to generate revenue increases well below the rate of inflation, requiring service level reductions.
 - b. The program changes to the chip-seal and utility break paving programs could be implemented as they do not increase costs.
 - c. By FY 2014, street maintenance costs would need to be reduced by \$600,000 annually.
 - d. PAVER would not be able to be increased.
- 2.) 3% annual rate increase beginning in FY 2011
 - a. At the end of the 5-year horizon, revenues would be approximately \$550,000 more than they would be without any increase.
 - b. The cumulative effect of the rate increases would improve the fund's operating position by \$1,400,000 by the end of FY 2014, allowing for the elimination of a \$600,000, and the ability to add \$185,000 annually for PAVER.
 - c. The PAVER program would still have shortfalls of \$65,000 per year.
 - d. Annual impact to average residential homeowner:
 - i. FY 2011 - \$1.92 increase
 - ii. FY 2012 - \$1.98 increase
 - iii. FY 2013 - \$2.03 increase
 - iv. FY 2014 - \$2.10 increase
- 3.) 2% one-time rate increase in FY 2011 in addition to 3% annual rate increases
 - a. This is the rate increase needed to eliminate all deficits and add \$250,000 per year to the PAVER program.
 - b. Annual impact to average residential homeowner:
 - i. FY 2011 - \$3.20 increase
 - ii. FY 2012 - \$2.01 increase
 - iii. FY 2013 - \$2.07 increase
 - iv. FY 2014 - \$2.14 increase
- 4.) A 3-year annual increase of 7% in FY 2011-2013, followed by annual 3% rate increases beginning in FY 2014
 - a. This is the rate increase required to eliminate all deficits, add \$250,000 per year to the PAVER program and fund PAVER program out of SMDs rather than gas tax funds.
 - b. SMDs would still need to fund \$175,000 of PAVER in FY 2011 – FY 2013. By FY 2014, revenues would finally catch up with expenditures and PAVER could be fully funded with SMDs.
 - c. Annual impact to average residential homeowner:
 - i. FY 2011 - \$4.48 increase
 - ii. FY 2012 - \$4.79 increase

- iii. FY 2013 - \$5.12 increase
- iv. FY 2014 - \$2.35 increase

M. Solid Waste Fund

The Solid Waste Fund accounts for the operations of garbage collection and landfill activities. Solid Waste is funded through fees charged for services provided. About 72% of on-going revenues come from collections, 25% are from landfill activities and the remaining 3% are other miscellaneous and interest revenues. However, part of the collection revenues are for the landfill as the cost of landfill disposal is included in the collection fees. The following is a breakdown of the current revenue sources:



The above chart only includes on-going revenues and does not include principal and interest on loans to Fire and the Arterial Fund. However the loan receipts are included in the 5-year forecast. Both loans are being paid back with interest at a rate equal to the City's current investment earnings plus .5%. The loan to the Fire Department will be paid back in FY 2011 and the loan to the Arterial Fund will be paid back in FY 2013.

Council recently passed a 3-year solid rate increase with the first year being implemented with the FY 2010 budget. The total rate increase over the 3 years will be about 30% and was critically needed as solid waste revenues lagged behind expenses by approximately \$3 million per year. Solid Waste had been making up the gap with reserves for several years as the previous rate increase was in FY 99. Implemented with the recent rate increase was a surcharge to users whom are not City of Billings residents. Yellowstone County residents incur a 10% surcharge and all other counties are assessed a 20% surcharge. Even with the rate increase, Billings still has the lowest rates in the region:

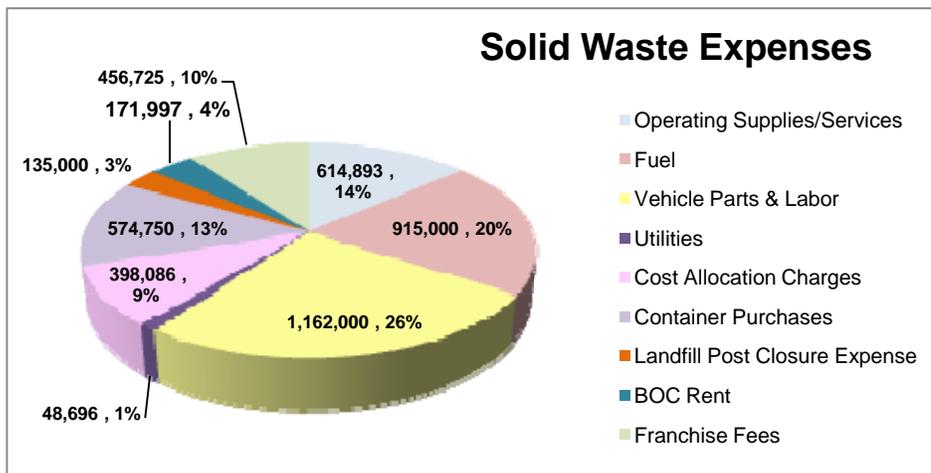
	Standard Residential	Commercial 4 yd, 1/wk	Landfill Fees
Billings FY 2010	\$86	\$648	\$12.50/13.75/15
Bozeman	\$132 - 257	\$1,176	\$37
Casper	\$170	\$972	\$43
Great Falls	\$97-116	\$806	\$28.75
Helena	\$164	\$1,157	\$56.50
Missoula	\$241	\$1,389	\$23
Allied Waste	\$180	--	\$22

The fees for the third year of the rate increase are:

Standard residential \$103
Commercial = 4 yd, 1/wk \$787
Landfill fees \$16 (\$17.60, \$19.20 with 10% and 20% surcharges)

Thus even at the end of the 3 year approved rate increase, the City of Billings will still have lower rates than the rest of the region does now.

36% of current year expenses are for Personnel and 23% is capital, primarily equipment replacement. The remaining 41% is other operating and maintenance expenditures and the breakdown of these expenses follows:



46% of O&M expenses are to keep the equipment running, which includes fuel (20%) and vehicle parts and labor (26%). Franchise fees are a 5% charge on all revenues that is paid to the General Fund.

The following is the 5-year forecast for the Solid Waste Fund:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	8,229,485	5,296,919	5,162,829	5,076,100	4,640,774	6,487,664
Revenues:						
Residential Collection	2,875,947	3,168,000	3,502,759	3,872,161	3,933,390	4,002,762
Commercial Collection	2,726,440	2,976,000	3,288,748	3,653,038	3,709,963	3,765,825
Roll Off Collection	481,000	559,700	619,548	678,205	687,390	691,003
Landfill Use	1,668,047	2,130,570	2,366,684	2,718,975	2,768,428	2,820,594
Landfill - Roll Off	210,000	225,650	254,836	293,548	296,483	299,448
Miscellaneous	74,012	78,136	81,548	81,368	82,180	83,157
Principal and interest on loans	797,298	1,325,190	1,229,027	678,932	1,601,734	-
Interest	204,000	155,099	153,584	145,753	166,927	200,194
Total Revenues	9,036,744	10,618,345	11,496,734	12,121,980	13,246,495	11,862,983
Expenses:						
Personnel	3,509,617	3,853,364	4,084,566	4,329,640	4,589,418	4,864,783
O&M	4,158,169	4,477,147	4,720,712	4,943,597	5,406,353	5,376,901
Capital	4,301,524	2,421,924	2,778,185	3,284,069	1,403,834	1,250,348
Total Expenses	11,969,310	10,752,435	11,583,463	12,557,306	11,399,605	11,492,032
Ending Unobligated Balance	5,296,919	5,162,829	5,076,100	4,640,774	6,487,664	6,858,615
Recommended Reserve	3,373,826	3,665,425	3,874,322	4,080,224	4,398,139	4,506,341
Excess/(under funded) reserve	1,923,093	1,497,404	1,201,778	560,550	2,089,525	2,352,274

Reserve Analysis

70% of solid waste revenues are billed on taxes annually, requiring Solid Waste to wait until December each year to receive the bulk of its revenues. A 40% reserve is needed to pay payroll expenses and meet other commitments until revenues are received. 4% of O&M expenses are also reserved for emergencies and unanticipated expenses. The total reserve is recommended at 44% of operating and maintenance expenditures.

Solid Waste has a large equipment replacement program and the replacement schedule for the next ten years ranges from a low of \$1.2 million to a high of \$3.9 million. Because of these fluctuations in fleet replacement, solid waste also has to keep enough reserves on hand to fund the equipment without large spikes in fee increases.

Solid Waste also has a reserve for a state-mandated landfill closure and post-closure maintenance and monitoring fund. A trust fund is invested with a financial agency and an amount is calculated each year to go into this reserve account for the closure/post closure trust fund and to fund the actual closure as per the Landfill Master Plan. Currently there is about \$2.2 million in this trust fund.

Funding Gap Analysis

With the 3-year rate increase recently approved by Council, there are no anticipated funding gaps in the 5-year outlook for the Solid Waste Fund.

Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Evaluate alternative revenue sources.
- 2.) Review overtime and standby policies and call-out procedures.

Strategies to increase service levels to adequate level

- 3.) Expand hazardous waste disposal program for a one-time cost of \$75,000 and additional personnel costs of \$46,000 annually.
- 4.) Implement composting program for yard waste. One-time cost of equipment and structure is \$25,000.
- 5.) Expand electronic equipment recycling program for an annual cost of \$35,000.
- 6.) Implement pharmaceutical disposal education program. Annual cost is \$2,000.
- 7.) If Council chose to implement a City-wide recycling program, annual costs of \$780,000 in addition to one-time costs of \$1.7 million would be required.

Strategies addressing funding shortages

- 8.) Solid Waste expenses increase by an average of 5% a year, while revenues from growth increase by an average of 1.5% annually. At the end of the 3-year rate increase, an annual rate increase of approximately 2.5% would help keep up with inflation and prevent the need for large rate increases in the future.

Summary

The solid waste fund is expected to generate revenues to keep current service levels, as well be able to support all of the recycling service increases, except the city-wide recycling program. If the Council chooses to implement a city-wide recycling program, it is estimated that the cost to support on-going operations would be \$18 per year for residential customers, an 18% increase over current fees. There would also need to be additional rate increases for implementation costs.

N. Water Fund

The water fund accounts for all activities necessary to provide clean water to more than 100,000 residents. All operating revenues come from charges for services. Estimated operating revenues for FY 2010 are \$20 million. A 3-year rate increase was approved by Council for fiscal years 2009-2011. With this rate change, the rates were modified from a flat rate structure to a block rate structure, encouraging consumers to reduce water consumption. Water conservation is not only good for the environment, but if consumption was reduced enough, it could also allow for the deferral of some capital projects. The rate structure consists of 3 consumption blocks, with escalating rates. Block 1 is 0-4 Ccfs, block 2 is 5-16 Ccfs, and block 3 is 17 Ccfs and up.

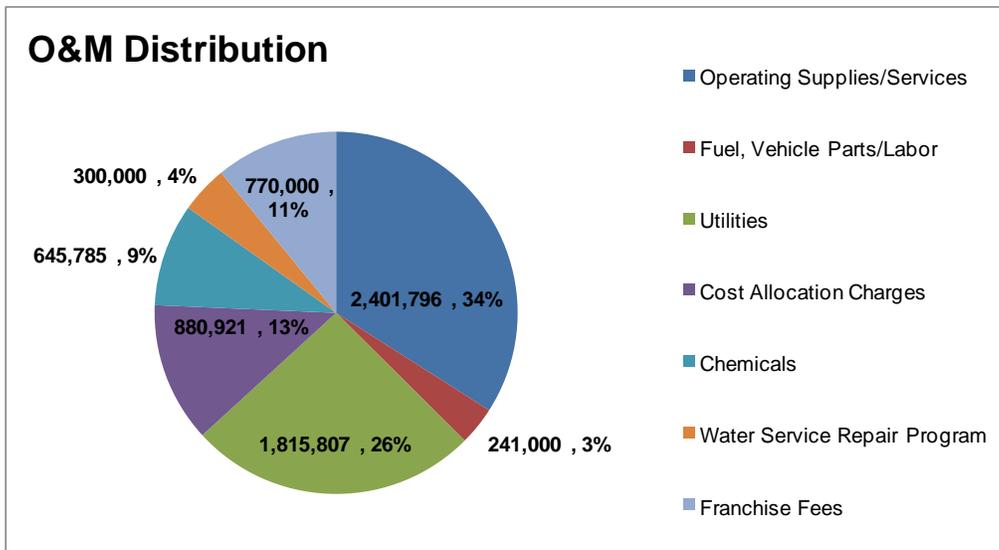
Residential consumption averages 30 Ccfs during summer months and 7 in the winter. At lower consumption levels, Billings averages 13% lower rates than other comparable cities and at higher consumption, averages 4% lower rates as shown in the following table:

**Residential Water 3/4" meter
Comparisons by City and Volume**

	5 Ccf	15 Ccf	25 Ccf	50 Ccf	100 Ccf
Billings	15.92	33.12	57.97	122.22	250.72
Boulder ¹	15.84	36.99	85.51	231.37	523.09
Bozeman ²	22.85	44.40	70.40	135.40	265.40
Casper	13.67	36.41	59.15	116.00	229.70
Fort Collins	20.09	36.05	54.89	103.51	200.75
Great Falls	10.23	25.13	40.03	77.28	151.78
Helena	14.48	39.08	63.68	125.18	248.18
Missoula	31.08	48.48	65.88	109.38	196.38

*Rates "budget based," based on 10,000 gallon budget.
Based on meter size of 5/8"*

On average the expenses are comprised of 13% personnel, 20% O&M, 14% debt service, and 53% capital. The following chart shows the breakdown of the Water fund's O&M expenses for FY 2010:



The following is the 5-year forecast for the Water Fund:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	15,258,304	8,714,817	7,764,260	7,595,462	6,998,744	5,402,492
Revenues:						
Water Sales	15,759,736	16,700,000	17,767,130	18,033,637	18,304,142	18,578,704
Fire Hydrant Charges	1,592,473	1,590,000	1,685,400	1,693,827	1,702,296	1,710,808
Water Service Line Insurance	391,000	325,000	344,500	347,945	351,424	354,939
System Development Fees	680,491	535,000	567,100	584,113	613,319	643,985
Misc. Charges for Services	368,370	323,543	342,956	348,100	353,321	358,621
Franchise Fee Revenue	734,000	770,000	816,200	824,362	832,606	840,932
Grant Proceeds	200,000	378,000	-	-	-	-
SRF Loan Proceeds	-	24,590,000	1,600,000	18,800,000	21,500,000	-
Interest	411,675	201,832	230,396	218,913	186,019	91,953
Total Revenues	20,137,745	45,413,375	23,353,682	40,850,897	43,843,127	22,579,940
Expenses:						
Personnel	3,994,585	3,846,026	4,038,327	4,240,243	4,452,255	4,674,868
O&M	7,308,003	7,055,309	7,280,153	7,476,971	7,680,124	7,889,837
Debt Service	1,237,000	2,217,000	3,022,000	3,677,000	5,122,000	5,960,000
Capital	14,141,644	33,245,597	9,182,000	26,053,400	28,185,000	8,730,000
Total Expenses	26,681,232	46,363,932	23,522,480	41,447,614	45,439,379	27,254,705
Ending Unobligated Balance	8,714,817	7,764,260	7,595,462	6,998,744	5,402,492	727,728
Recommended O&M Reserve	2,439,931	2,536,389	2,740,080	2,915,702	3,225,730	3,437,451
Legally Required Loan Reserve	1,237,994	3,005,000	3,090,000	4,100,000	5,960,000	5,960,000
Excess/(under funded)	5,036,892	2,222,871	1,765,382	(16,958)	(3,783,238)	(8,669,723)

Reserve Analysis

Because water revenues can be somewhat volatile, operating reserves are kept at an amount equal to 2 months of non-capital expenses plus a \$350,000 contingency. A legally required debt service reserve is also maintained for SRF loans. As the amount of debt service increases, not only will the debt service reserve increase, but the O&M reserve will increase also since debt service is part of the O&M reserve calculation. Because an adequate reserve is already kept for debt service, it is recommended to revise the operating reserves to 2 months of personnel & O&M expenses plus a \$600,000 contingency, resulting in lessening the reserve by \$750,000 in FY 2014.

Debt Analysis

The water fund is in a heavy investment cycle and a large amount of the capital expenses are being funded with debt. Low interest State Revolving Fund (SRF) loans are able to be obtained for water projects intended to support existing systems. Water projects that are primarily for growth are not eligible for SRF loans and instead revenue bonds, with higher interest rates and issuance costs, would need to be issued. The water fund currently has 3 SRF loans, \$17.3 million for the Filter Building Project, \$3.5 million for the 2008-2009 water replacement project, and \$7.3 million for the Zone 4 project. Two additional SRF loans are planned for FY 2010 totaling \$8.4 million and in the next 3 years, an additional \$41.9 million of capital projects is programmed to be financed with debt. The total amount of debt-funded capital projects will be \$84 million by the end of FY 2013. The estimated debt coverage ratio will be 2 by FY 2014. This exceeds the minimum target coverage of 1.75 so this is an acceptable amount of debt.

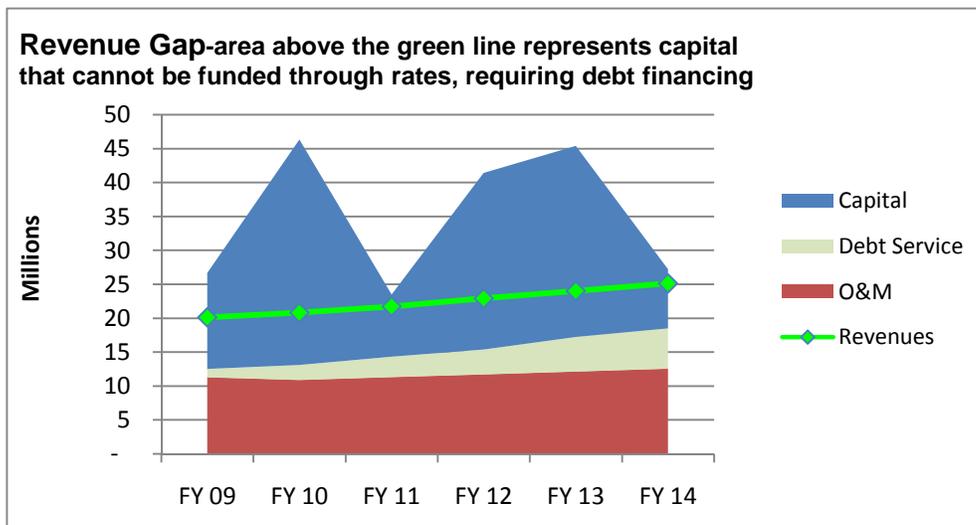
Assuming annual rate increases of 5% after the current 3-year approved rate increase ends, financing this large amount of capital now, would only permit an additional \$28 million of debt to maintain a debt coverage ratio of 1.75.

Funding Gap Analysis

The 3-year annual rate increase that was approved by Council was effective for fiscal years 2009-2011 and was an average annual increase of 6.39%. If no additional rate increases were approved, the 5-year outlook predicts a shortfall in the water fund of \$8.7 million.

Although water has received more regular rate increases than other funds, the rates have produced revenue increases below the rate of construction inflation, requiring cuts and deferrals in the capital program.

A closer review of debt practices should be conducted. In the next 3 years 66% of capital is programmed to be debt funded. Not only will this leave the fund with a large amount of debt, 25% of revenues will be required for debt service payments, and the ability to debt finance projects in the future will be limited without substantial rate increases. With the likelihood of needing to build a second water treatment plant looming, acquiring this heavy debt load now may not be prudent. However, revenues are not at a level needed to support the current capital program and the alternative to debt is to cut capital projects. As shown in the following chart, rates can fund about \$7.2 million of capital per year out of an annual average capital program of \$20 million:



Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Review design standards for utility construction and allow modifications in materials used to lower costs.
- 2.) Develop policies to improve quality of private development and reduce financial impact to Public Works.
- 3.) Actively seek cost saving opportunities:

- a. Seek ways to improve efficiencies through reorganization, consolidation, and cross-utilization of staff.
- b. Review overtime, call-out, standby, and hi-c pay policies and practices.
- c. Review budget for operating supplies, services, and equipment cost saving ideas.

Strategies to increase service levels to adequate level

- 4.) Increase water treatment capacity through the development of a second water treatment plant or alternative solutions.
- 5.) Continue to reduce water demand through conservation techniques and acquire additional water rights.
- 6.) Increase the amount of annual water line replacements by utilizing more pipe bursting technology.
 - a. 2 new employees would need to be hired at a cost of \$92,000 annually, but pipe bursting can be accomplished at a third of the price as traditional construction. A one-time purchase of \$380,000 for equipment would be required and current replacement funding would be utilized for this purchase. The total on-going cost of the pipe bursting program, including personnel, equipment replacement, and materials, is \$900,000.
 - b. The annual water line replacements are currently budgeted at \$3.3 million plus personnel costs of \$122,000 for a total program budget of \$3.4 million. The City has 2 options:
 - i. Do not increase replacement program funding. The annual \$3.4 million would be allocated to pipe bursting for \$900,000 and traditional construction for \$2.5 million. This option would increase annual replacement to .9% of the system.
 - ii. Increase replacement program funding by \$681,000 to increase replacement to desired 1.0% level. The pipe bursting program would be the same as in the first option and this additional funding would be allocated to traditional constructional water replacements.

Strategies addressing funding shortages

- 7.) Change operating reserve policy. This will reduce the reserve required by \$750,000 by FY 2014.
- 8.) Cut/defer capital projects.
 - a. Reduce capital program by \$4 million.
 - b. Review capital program and debt policies and determine if current debt plan is prudent.
- 9.) It is anticipated that continued rate increases of approximately 5% will be required to keep up with inflation. The next utility rate study will be conducted at the beginning of FY 2011 to determine the actual requested rate increase which will likely again be implemented over 3 years.

Summary

The last year of the approved rate increase is FY 2011. If the increase in the water line replacement program and decrease in the reserve amount are implemented, as well as a \$4 million reduction in the 5-year capital program, an approximate 5% annual rate

increase beginning in FY 2012 is anticipated. The following is the approximate annual impact to an average residential customer:

- FY 2012 - \$23.15
- FY 2013 - \$24.31
- FY 2014 - \$25.53

O. Wastewater Fund

The wastewater fund accounts for all activities necessary to provide sewer service to more than 100,000 residents. All operating revenues come from charges for services. Estimated operating revenues for FY 2010 are \$11 million. A 3-year rate increase was approved by Council for fiscal years 2009-2011.

Billings uses winter quarter averaging for wastewater billing, meaning that the monthly volume sewer charge for residential and public building accounts are billed based upon the average volume of water used between the water meter readings of November and March. Residential water consumption averages 7 Ccfs in the winter months. As shown in the following table, Billing’s rates are about 17% lower than the wastewater rates of other comparable cities:

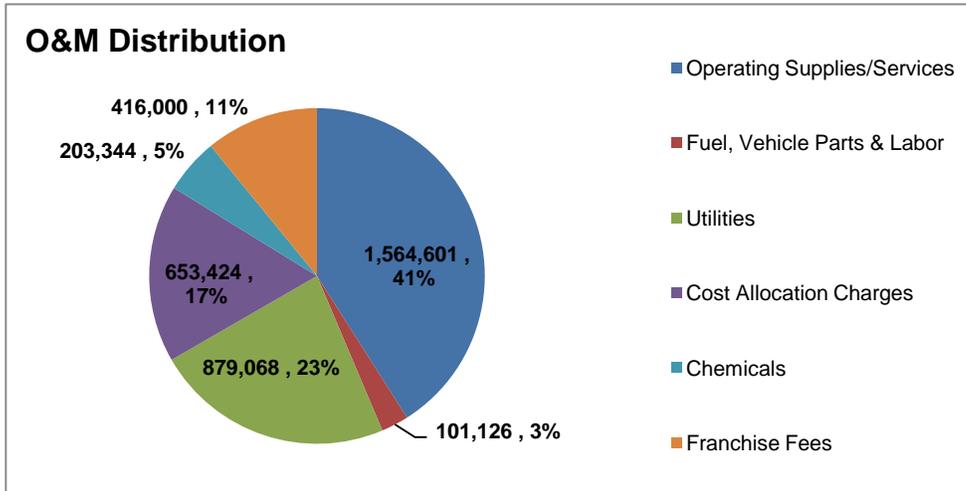
**Wastewater
Comparisons by City and Volume**

	5 CCF	10 CCF	15 CCF	20 CCF
Billings	13.45	21.15	28.88	36.55
Boulder	15.17	29.38	43.60	57.81
Bozeman	22.18	32.23	42.28	52.33
Casper	9.10	16.77	24.44	32.10
Fort Collins ¹	20.99	29.97	38.94	47.92
Great Falls	13.36	23.46	33.56	43.66
Helena	15.37	25.67	35.97	46.27
Missoula ²	N/A	N/A	N/A	N/A

¹ Requires a minimum charge of 3000 gals or 4.01 CCF plus base

² Wastewater is a flat rate billed semi-annually

Currently, the expenses in the wastewater fund are comprised of 16% personnel, 19% O&M, 9% debt service, and 56% capital. The following chart shows the breakdown of the Wastewater fund’s O&M expenses for FY 2010:



The following is the 5-year forecast for the wastewater fund:

	FY 2009 Projected	FY 2010 Projected	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Unobligated Balance Forward	4,077,014	(441,064)	4,248,239	3,940,689	4,027,007	3,577,268
Revenues:						
Wastewater Charges	8,952,557	9,750,243	10,432,760	10,589,251	10,748,090	10,909,312
System Development Fees	2,006,417	760,000	782,800	794,542	806,460	818,557
Franchise Fee Revenue	447,000	416,000	440,960	463,008	486,158	510,466
SRF Loan Proceeds	6,540,000	14,531,000	6,588,000	9,135,000	3,300,000	3,300,000
Interest	157,072	72,611	122,834	119,515	114,064	69,166
Total Revenues	18,103,046	25,529,854	18,367,354	21,101,316	15,454,773	15,607,501
Expenditures:						
Personnel	2,625,922	3,093,055	3,247,708	3,410,093	3,580,598	3,759,628
O&M	3,592,558	3,817,563	3,940,536	4,048,296	4,159,398	4,273,957
Debt Service	820,000	1,311,000	2,044,000	2,565,000	3,068,000	3,304,000
Capital	15,582,644	12,618,933	9,442,660	10,991,609	5,096,516	6,813,416
Total Expenditures	22,621,124	20,840,551	18,674,904	21,014,998	15,904,512	18,151,001
Ending Unobligated Balance	(441,064)	4,248,239	3,940,689	4,027,007	3,577,268	1,033,768
Recommended O&M Reserve	936,540	1,035,135	1,119,354	1,185,282	1,250,666	1,294,799
Legally Required Loan Reserve	790,000	1,794,000	2,265,000	2,918,000	3,154,000	3,390,000
Excess/(under funded)	(2,167,604)	1,419,104	556,335	(76,275)	(827,398)	(3,651,031)

Reserve Analysis

Wastewater revenues are very predictable so operating reserves are kept at an amount equal to only 1 month of non-capital expenses plus a \$350,000 contingency. A legally required debt service reserve is also maintained for SRF loans. As the amount of debt service increases, not only will the debt service reserve increase, but the O&M reserve will increase also since debt service is part of the O&M reserve calculation. Because an adequate reserve is already kept for debt service, it is recommended to revise the operating reserves to 1 month of personnel & O&M expenses plus a \$500,000 contingency, resulting in lessening the reserve by \$200,000 in FY 2014.

Debt Analysis

The wastewater operating revenues are currently at a sufficient level to fund O&M and debt service payments. However, revenues only generate about \$2.7 million annually for capital. The wastewater capital program averages \$9 million per year and this shortfall of \$6.3 million annually is programmed to be made up with debt in the form of low interest State Revolving Fund (SRF) loans. SRF loans are able to be obtained for projects intended to support existing systems, but projects that are primarily for growth are not eligible for SRF loans and instead revenue bonds, with higher interest rates and issuance costs, would need to be issued. The wastewater fund currently has 3 SRF loans, Headworks Project for \$4.6 million, Briarwood for \$6.5 million, and 2008-2009 sewer replacements for \$5.2 million. Two additional SRF loans are planned for FY 2010 totaling \$9.3 million and in the next 3 years, an additional \$22.3 million of capital projects is programmed to be financed with debt. The total amount of debt-funded capital projects will be \$48 million by the end of FY 2014. The estimated debt coverage ratio will be 1.75 by FY 2014 which is the minimum recommended target coverage ratio.

Assuming annual rate increases of 5% after the current 3-year approved rate increase ends, financing this large amount of capital now, would only permit an additional \$5 million of debt to maintain a debt coverage ratio of 1.75. The most immediate concern, however, is that the wastewater fund is having to debt for replacement projects. This debt financing of maintenance is not considered "good debt."

If the replacement projects are continued to be financed through debt, the wastewater fund will run out of debt capacity by FY 2017 unless several years of double digit rate increases are implemented.

Funding Gap Analysis

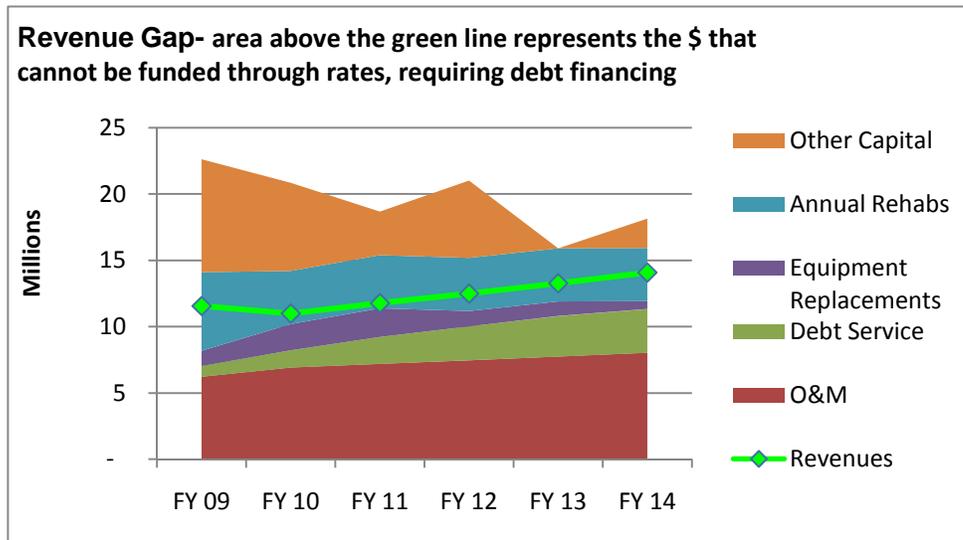
The most critical financial concern looming on horizon for all of Public Works is the possible \$35 million to \$60 million of capital that may have to be spent to meet new regulations. This would require issuing revenue bonds and wastewater rate increases of 30% to 60%.

The 3-year annual rate increase that was approved by Council was effective for fiscal years 2009-2011 and was an average annual increase of 6.7%. If no additional rate increases were approved, the 5-year outlook predicts a shortfall in the wastewater fund of \$3.6 million.

Although wastewater has received more regular rate increases than other Public Works funds, the rates have produced revenue increases below the rate of construction inflation, requiring cuts and deferrals in the capital program.

A closer review of debt practices should be conducted. In the next 4 years 69% of capital is programmed to be debt funded. Not only will this leave the fund with a large amount of debt, 25% of revenues will be required for debt service payments, and the ability to debt finance projects in the future will be limited without substantial rate increases. Acquiring this large debt load is not prudent, nor recommended. However, revenues are not at a level needed to support the current capital program. As shown in

the following chart, rates can fund barely fund operating expenses, debt service payments, and equipment replacements, while virtually all capital improvements and replacements would have to be funded with debt:



Gap Closing Strategies

General changes in policy and practices (\$ impact currently unknown)

- 1.) Develop new design standards for utility construction to lower costs.
- 2.) Develop policies to improve quality of private development and reduce financial impact to the wastewater fund.
- 3.) Actively seek cost saving opportunities:
 - a. Seek ways to improve efficiencies through reorganization, consolidation, and cross-utilization of staff.
 - b. Review overtime, call-out, standby, and hi-c pay policies and practices.
 - c. Review budget for operating supplies, services, and equipment cost saving ideas.

Strategies to increase service levels to adequate level

- 4.) Proactively evaluate strategies to deal with possible \$35 - \$65 in new regulations.
- 5.) Increase the amount of annual sewer line replacements by utilizing more pipe bursting technology which can be accomplished at a third of the price as traditional construction.
 - a. 2 new employees would need to be hired at a cost of \$92,000 annually. A one-time purchase of \$380,000 for equipment would be required. Current replacement funds would be utilized for this. The total on-going cost of the pipe bursting program, including personnel, equipment replacement, and materials, is \$900,000.
 - b. The annual sewer line replacements are currently budgeted at \$3.3 million plus personnel costs of \$122,000 for a total program budget of \$3.4 million. The City has 2 options:
 - i. Do not increase replacement program funding. The annual \$3.4 million would be allocated to pipe bursting for \$900,000 and

traditional construction for \$2.5 million. This option would increase annual replacement to .9% of the system.

- ii. Increase replacement program funding by \$681,000 to increase replacement to desired 1.0% level. The pipe bursting program would be the same as in the first option and this additional funding would be allocated to traditional constructional sewer replacements.

Strategies addressing funding shortages

- 6.) Change operating reserve policy. This will reduce the reserve required by \$200,000 by FY 2014.
- 7.) Cut/defer capital projects and stop the practice of funding replacement projects with debt. Unless significant cuts are made, wastewater rates would require a 20% increase to do this.
- 8.) It is anticipated that continued rate increases of approximately 5% will be required to merely keep up with inflation. The next utility rate study will be conducted at the beginning of FY 2011 to determine the actual requested rate increase which will likely again be implemented over 3 years.

Summary

The wastewater fund is insufficiently funded to meet current needs and this problem is compounded with the possible requirement to spend \$35-\$60 million to meet new wastewater regulations. A rate increase of anywhere from 30% to 60% may be in the future, which is an annual increase of \$60 to \$119 for an average residential customer.

VIII. Challenges

Similar to any other public or private organization, the Public Works Department (PWD) faces numerous current and future challenges. Our challenges cannot be solved strictly through funding increases; we must address them through changes in practices as well. Within this Business Plan, we focus on challenges relating to infrastructure, regulatory requirements, community growth, recycling, and personnel. Many of these areas overlap and will require looking holistically at our organization for solutions. We identified and elaborated on the following areas, which were validated through the Citizen Survey, City Council and developer interviews, and internal staff discussions.

A. Infrastructure / 5-Year Plan

1. Utilities Replacement Program

The City of Billings owns and maintains 435 miles of water and 435 miles of sanitary sewer lines. The PWD currently replaces approximately 24,000 lineal feet of water and sanitary sewer mains annually. This is equivalent to 0.5% of the system annually, which means our pipe infrastructure must last 200 years. Due to extensive new growth in Billings, the average age of our pipe infrastructure is 30 years old. We propose improving the replacement program to 1.0% within 5 years. Recognizing the quality of

material used in the construction of utility pipes, and good a maintenance program, we believe a 1.0% annual replacement program is prudent and sustainable.

To accomplish the increase to 1.0% replacement annually, the PWD must utilize different rehabilitation construction techniques. In FY 2007, the PWD began phasing in an internal replacement program utilizing new technology called pipe bursting. This technology allows for the replacement and/or increasing pipe sizes without extensive trenching and pavement restoration. Pipe bursting is not the answer to all replacement projects, but it does have significant application. The PWD purchased the equipment and personnel over a two-year period and currently operates the program. Utilizing in-house personnel and equipment, we are able to install water and sewer pipe for a third of the cost of conventional contractor construction.

a) Recommendation

We recommend increasing the current allocation of \$6.8 million annually to \$8.2 million annually for the water and wastewater replacement program. The funding allocation would be changed to the following allocation:

- \$1.8 million annually in-house for pipe bursting program
- \$6.4 million annually to contractor bid construction

This would allow PWD to install approximately 20,000 lineal feet of pipe annually through pipe bursting program. To accomplish the program, we recommend in FY2011 and FY2012, \$200,000 of the replacement program funding be allocated to the purchase of additional pipe bursting equipment and personnel. This would allow the Department to establish the 1.0% replacement program by FY2013. The program changes will increase the amount of replacements by 100% while only increasing costs by 20%. There is a \$3.7 million savings with this pipe bursting program than if constructed through contractor bidding.

To accomplish the increased in-house pipe bursting, the PWD will be ask for the following changes to Distribution and Collection Division budget. The in house pipe bursting program has proven to be able to do pipe replacement for 30% of traditional construction cost.

The implementation of these program changes will have the following financial impacts:

- On-going Costs – annual labor costs \$184,000 (4-man crew), additional materials, and replacement costs \$1.2 million
- One-Time Cost – equipment purchase \$760,000

2. Utility Design Modifications

Current design standards for utility construction have provided for a safe system, but have led to higher construction costs and more difficult repairs. The following recommendations will reduce the initial costs of construction for both the City of Billings and private development, improve repair time, and increase customer service.

a) Recommendations

(1) Water

The City of Billings will allow the substitution of copper water services with poly ethylene water services. This service material is easier to install and costs 12% of traditional copper services. This will reduce both replacement and new construction costs. This should be implemented in FY2010.

The Engineering Division will work with maintenance personnel to review new materials and construction techniques to further lower costs.

(2) Wastewater

Past practice for wastewater utility construction is to construct sanitary sewer as a gravity flow system. The use of force mains and low pressure systems has been discouraged. This policy has led to sanitary sewer mains installed at depths of 25 to 30 feet. These depths are difficult and expensive to construct and repair. PWD does not currently have construction equipment capable of reaching these depths. This requires the City to lease or contract repairs. In FY 10 Engineering Division will develop new design standards to determine what type of system should be utilized as well as construction and maintenance procedures.

There will no additional cost to implement.

3. Street Pavement Management Program

The recent Citizen Survey and City Council members' interviews indicate maintenance of the city's existing roadways is a concern. Council members further expressed their desire that we maintain existing roadway infrastructure over building new infrastructure. We believe our recommendations will accomplish both.

The PWD currently maintains 1,103 roadway lane miles. The nationally recommended asphalt maintenance program is to ensure the pavement life is 20 years for overlays and 15 years for chip sealing. The PWD is currently working with a 66-year overlay and 31-year chip seal schedule. If our maintenance program is not improved, roadway asphalt quality will deteriorate to the point of requiring complete roadway reconstruction. Our goal is to establish the following pavement management program within the next three years:

- Chip Seal 20 years
- Overlays 35 years

a) Recommendations

- Perform the chip seal program in-house utilizing Street-Traffic Division personnel.
- Purchase pavement construction equipment with existing Equipment Replacement Plan (ERP) Funds.
- Add four (4) new Equipment Operators with the Street-Traffic Division.
- Increase PAVER Program funding \$250,000/annually.

(1) Pavement Restoration/Patching:

Currently, pavement restoration/patching for utility breaks are contracted at an annual cost of \$350,000. This program can instead be accomplished with in-house staff and equipment for an estimated cost of \$275,000.

The implementation of these programs changes will have the following financial impacts:

- On-going Costs: increase labor, materials, ERP and PAVER Program - \$173,000/annually
- One-time Cost: Equipment purchase \$960,000

The recommended changes to the program will allow the PWD to significantly improve the pavement management

program and pavement restoration performing 35% more chip seal work with no increase in cost. Performing the services in-house saves \$464,000 annually compared to our current cost of contracting all the work. The savings includes labor, material, and equipment replacement costs.

4. Street Design Modifications

(1) Residential Streets:

Long term maintenance issues and citizen satisfaction of the street system require the City to develop a policy to improve existing gravel and non-maintainable streets. The majority of these streets are located in older areas of Billings and in the Heights. These streets currently have little or no ability to transmit stormwater and therefore require significant grading and dust suppressant annually. While the cost of improving these streets is the responsibility of the residents along the street, we recognize that reconstructing these streets to current City standards may not be either financially or physically possible. Due to the costs involved, many streets are not improved and continue to deteriorate.

a) Recommendation

- Develop policy guidelines approved by the City Administrator and City Council allowing for street designs that do not meet current City standards. This policy would allow the PWD to design streets in existing neighborhoods that recognize the neighborhood characteristics, right-of-way constraints, and cost concerns. The design policy would allow for the elimination of sidewalks, curb and gutter, and change street width to fit neighborhood characteristics. The design guidelines will meet all national design standards for safety, while still being flexible. Once the policy is established, the City Engineer would have the discretion to work with each neighborhood to develop a street design. This will improve citizen satisfaction and reduce maintenance costs.

(1) Traffic Flow:

The Citizen Survey results show our community's dissatisfaction with their ability to quickly and efficiently travel within Billings. The concerns focused on congestion and traffic signal timing.

a) Recommendations

- The Engineering Division will develop a program to identify the most congested intersections and develop a strategy to improve traffic at those locations.

- We will develop new traffic signal timing plans focusing on the time of day and how to minimize intersection delays. This will require staff training in new software technology.
- Capital Improvement Program will include Intersection Capacity Improvement funding each year.
- We will develop a strategy to interconnect traffic signals in a corridor using either interconnect cabling or wireless transmitters.

5. General Street-Traffic Maintenance

Due to a lack of funding and resources within the Street-Traffic Division, the maintenance of our streets and stormwater system need more attention. The city's roadway system has increased by 94 miles, or 23%, in the last 10 years. Operating expenses have increased by 98% in the last 10 years, while revenues have increased only 15%. In addition, zero-based budgeting, continual cost increases for fuel, materials, labor, equipment, and inter-governmental costs have required the PWD to make significant reductions in the areas of materials (paint, sand, de-icer, etc.) and overtime, make staff reductions, and eliminate programs to fund the increased costs. To balance the Street-Traffic Division's budget, significant reductions to the Street Maintenance Fee contribution to the PAVER Program have occurred (over \$400,000). The lack of funding to the Street Maintenance Program has required PWD to divert funding from State Gas Tax revenues from Collector and Local Street reconstruction/ construction to the PAVER Program. This has significantly impaired our ability to construct local and collector streets and participate in the City's contribution to Special Improvement Districts (SID's). Both the Citizen Survey and City Council Survey clearly show that snow removal and general street maintenance need improvement.

a) Recommendations:

(1) *Snow Removal*

- That staff revise the snow removal plan and present it to the City Administrator and City Council. Place the revised plan on the City's web site and print it in the newspaper each fall.
- Place emphasis on snow removal for emergency access to the hospitals and school entrances.
- That the Street-Traffic Division only purchase ¾ ton, 4-wheel drive pickups that are equipped for snow plows in the future. These vehicles will be used to clear side streets and school entrances after the main plows have cleared the streets.

- Modify the Distribution & Collection Division's tandem dump trucks' suspension to support snow plow equipment. This would provide an additional 3 to 5 trucks available for snow removal without purchasing new vehicles. Note that the cost estimate to upgrade the suspension of the tandem trucks and add snow plows would be \$19,550 per truck or \$58,500 total. The cost of one new tandem truck equipped to plow is \$165,000.
- Establish callout procedures for all Street-Traffic, Solid Waste, and Distribution & Collection Division employees during a significant snow event.

(2) Street Sweeping

- The Street Sweeping Program will establish the following schedule:
 - Residential Streets – 3 times annually
 - Arterial Streets – weekly
 - Street Maintenance District 1 (CBD) – 3 times weekly

(3) Painting

- Painting all regulatory markings will be completed annually. These will include lane lines, crosswalks, stop bars, etc.

(4) Grading Gravel Roads

- A grading program will be developed to ensure all gravel roads are graded twice yearly and dust suppressant is applied in the spring.
- Any additional grading to a gravel road will be accomplished after all roads are graded once.

(5) Growth and Development:

There will be Growth and Development recommendations in the areas of construction and inspection to improve the life and quality of new construction to lessen the burden of new development on the maintenance program.

To accomplish the above recommendations, the Street-Traffic Division will become less responsive to residents' requests for immediate services. Currently, Street-Traffic Division personnel respond to citizen complaints and reprioritize daily work plans to accommodate citizen requests. This practice is very inefficient and does not provide a consistent level of service to all customers. Providing the recommended level of services, and improving overall efficiencies with current resources, we will need to become more program oriented. To ensure

customer service levels, the Street-Traffic Division will dedicate a 3-person crew to responding to citizen and Council concerns Fridays.

We further recommend a review of the following programs to determine if they should be continued, eliminated, or modified:

(6) Fall Leaf Pickup Program

- Requires 2,400 man-hours or 10 employees over 6 weeks annually
- Equipment required: 2 loaders, 2 garbage trucks, leaf vacuum, 2 tandem trucks, 7 sweepers

(7) Internal Services Support

Examples include pumping sumps, changing lights, auction item pickup and delivery, etc.

- Street-Traffic Division personnel have spent an average of 2,000 hours per year on work requests from other City departments and /or work requests outside of our normal duties. These hours include items such as pumping sumps, sweeping parking lots, assisting with events and parades, assisting with the City auction, etc. This is the equivalent of a full-time person per year.

6. Water Treatment

The current water treatment plant has the capacity and technology to provide clean and safe average daily domestic water to the residents of Billings for many years. Concerns with Billings' water supply are our dependence on a single point source, significant seasonal demand, and power costs for transmittal of the water. The seasonal water demand varies from the winter average daily demand of 17-18 million gallons per day to summer average demands of 56-60 million gallons per day. Community growth and summer demands will exceed the treatment plant capacity in the future. Additionally, the power and infrastructure requirements to transmit the water from the treatment plant to the Heights, Briarwood and Ironwood areas are adding significant monetary budget increases.

a) Recommendations:

- Increase water treatment capacity through the development of a second water treatment plant, underground storage of treated water in the winter months to be used during peak

demand periods, or the acquisition of a portable water treatment facility.

- Reduce water demand through conservation techniques (this was option was started with the Block Rate Structure System).
- Acquire additional water rights on the Yellowstone River.
- Develop and encourage irrigation systems using ditch water supplies and treated effluent systems to reduce irrigation demand for treated water.

7. Land Purchases

We need to strategically expand our facilities for the PWD to continue providing quality customer service. As the community grows, providing cost effective services will require us to be located close to our customers and have land for expansion. The PWD will develop a land acquisition plan to identify locations for the following facilities:

- Expansion of the Billings Operations Center
- Secondary Water Treatment Plant
- Water Reservoir Sites
- Maintenance facilities for streets and utilities
- Landfill expansion
- Recycling Transfer Centers
- Stormwater detention/retention facilities
- Wastewater discharge
- Aquifer

B. Regulatory:

1. Wastewater

The most immediate and financially significant regulatory concern is the pending water quality regulation from the Montana Department of Environmental Quality (MDEQ) and Environmental Protection Agency (EPA). The pending regulations will establish stringent water quality limits relating to the Total Maximum Daily Loading. These regulations will establish discharge limits for nutrients, dissolved oxygen, and other chemicals in both our wastewater and stormwater discharges. This regulation is the most significant new water quality legislation since the 1972 Federal Clean Water Act. Our existing wastewater treatment plant was constructed in the 1970's and it was not designed to meet the new regulations. This will require the PWD to reconstruct the existing treatment plant or change how we discharge the plant's effluent. Preliminary cost estimates for meeting the new regulations is between \$35 and \$60 million dollars over the next five years and in excess of \$200 million within ten

years. Funding these improvements will require the PWD to sell a 20-year revenue bond. The debt service on this bond will require the PWD to raise the current Wastewater rate by approximately 30% to 60%. The increases in wastewater monthly charges to meet the proposed regulatory changes for an average household would be from the current charge of \$16.53/month to either \$21.49/month or \$26.45/month.

a) Recommendations:

- Complete the effluent discharge mixing zone study. The purpose of the study is determined if the City can modify our wastewater discharge to improve the distribution of our effluent discharge into the Yellowstone River.
- Begin an Integrated Water Plan to develop strategies for wastewater effluent discharge, stormwater discharge, and water use within the city of Billings.
- Develop scientific data regarding the existing quality of the Yellowstone River upstream and downstream of Billings. This data will assist the City in developing our recommendations and determine if the MDEQ regulations are correct for the Yellowstone River in the Billings area.
- Develop a strategy for addressing the new TMDL regulations within the next 2 years. These recommendations will be presented to the City Council and residents for comments prior to implementation.

2. Stormwater

In 2003, the City of Billings was required to submit a plan to the MDEQ on how we will meet the requirements of the Phase 2 Stormwater Act. The Phase 2 regulations require Billings to meet both quantity and quality standards for all water that discharges into the Yellowstone River or other State Waters. Recent evaluation by the City Engineering Division determined that to mitigate existing stormwater deficiencies using traditional construction methods would cost and estimated \$160 million. The three areas of the city requiring the most improvements are Heights, Briarwood, and West End. These are areas that were originally developed to Yellowstone County design standards and then annexed into the City of Billings. The City Stormwater Maintenance Fee has only increased 17% in the last 10 years although the annual operating expenses have increased 103%.

a) Recommendations:

The following design Policies should be developed and implemented:

- All residential development will be required to retain a 10-year storm on-site, including post construction and historical flows.
- Design standards will emphasize water quality and quantity equally.
- Engineering will focus on stormwater issues that are causing property damage first.
- Design standards will focus on mitigating storm flow peak surges rather than quantity of flow.
- Emphasis will be placed on stormwater detention methods.
- Stormwater systems will be TV'd before acceptance under the contractor warranty.
- Design standards will be established using natural methods of conveying stormwater.
- Provide developers and builders with written information regarding Best Management Practices for stormwater mitigations.
- Ongoing Cost: Personnel (Inspector) - \$43,000/annually

The area of stormwater quantity and quality has not been adequately addressed in the past. A recent Stormwater Inventory Study showed that to mitigate the existing stormwater quantity problems in Billings using typical design techniques would cost \$160 million. The Stormwater Maintenance Fees generate approximately \$3.0 million annually to be used for maintenance and construction. New Federal and State regulations and liability concerns are forcing the City of Billings to place a significant emphasis on mitigating current and future stormwater issues.

a) Recommendations:

- Acquisition of irrigation ditch rights or ditches for use as stormwater systems. The recent acquisition of the Shiloh Drain is an example of this process.
- Development of regional retention/detention basins.
- Staffing to educate and enforce EPA Phase II Stormwater Regulations.
- Maintenance:
 1. All catch basins will be cleaned annually and storm pipes cleaned bi- annually. To accomplish this, jetting resources from the utility Distribution & Collection Division will supplement the jetting crews in Street-Traffic Division. Funding from Storm Drain Maintenance Fees

will be allocated to Distribution & Collection Division to pay for jetting services. This will help reduce manpower costs currently allocated to wastewater.

2. Stormwater ditches will be maintained annually and debris cleared.
 3. On-going Cost: Personnel – (Equipment Operators) \$74,600/annually
- Conveyance System:
 1. Irrigation ditches will be acquired or permission from Irrigation Company obtained for use as stormwater conveyance system.
 2. Acquire from Yellowstone County property referred to as Sharp-tail Park for use as a detention/retention Basin for west end stormwater.
 - Personnel:
 1. Staffing to educate and enforce EPA Phase II Stormwater Regulations.

C. Development Growth

Growth of our community, both commercial and residential, is essential to the community's financial and social health. While the City supports growth, the PWD does have concerns that past practices have lead to allocating financial resources to new development at the expense of existing infrastructure. The following policy changes will improve the quality of new development and reduce the financial impacts on the PWD.

a) Recommendations:

- Private development will be required to submit weekly inspection and testing reports to ensure quality control.
- Engineering Division will provide construction surveillance of private contracts.
- City of Billings will provide required system infrastructure to promote growth within the 5-year annexation area.
- Development outside the 5-year annexation area will require the developer to extend all required infrastructure at their expense. Developers will be reimbursed through agreements with other developers that utilize the infrastructure.
- Required off-site infrastructure shall be constructed at the time of development.

D. Recycling:

The City of Billings currently provides our customers the following recycle options:

- Used oil
- Refrigerator Freon removal
- Yard waste recycling
- Hazardous waste
- Subsidized electronic recycling

The Solid Waste Division does not provide curbside or on-going electronic recycling. We have encouraged private sector expansion into these areas. We recommend the expansion of the following programs to improve our customer service and improve the quality of life in Billings.

1. Hazardous Waste Disposal

Expand the current once-a-year roundup to a permanent program. This will require the City to build a structure to store the material that meets State and Federal regulations for the storage of hazardous material. To implement the program, the Solid Waste Division would need the following resources:

- Storage Building - \$75,000 (one time cost)
- Personnel (Equipment Operator) - \$44,000/annually (ongoing)

2. Yard Waste Recycling

Complete the current citywide program within 2 years. The current program has reduced landfill disposal by 2,400 tons annually. The program is anticipated to reduce landfill disposal by 9,600 tons annually when fully implemented. The program should be improved in the future by implementing a composting program utilizing the yard waste. To fully implement a composting program, a permanent structure would need to be constructed. The estimated cost of the structure and composting equipment is \$25,000. The PWD would look to joint venture with non-profit organizations to operate the composting facility. Joint venturing with non-profits would significantly reduce City of Billings expenses and provide revenue for the non-profit organizations through the sale of the composted material.

3. Electronic Recycling

Currently the Solid Waste Division subsidizes the private sector once a year through the advertisement and cash donation to encourage electronic equipment recycling. To improve the program, and reduce electronic

equipment from being placed in the landfill, the current program of working with private sector companies to recycle electronic equipment should be expanded to three times annually. The anticipated cost of expanding the program would be \$35,000.

4. Pharmaceutical Disposal

The disposal of pharmaceutical products is an environmental concern that affects the wastewater treatment plant, landfill, and our environment. Implementation of an educational campaign on the proper disposal of pharmaceutical products is important to the community. The program would work with the hospitals, drug stores, physicians, and community groups to educate citizen about the proper method of disposal. The Solid Waste Division should program \$2,000 annually to newspaper and other education sources.

5. City-wide Recycling Program

Due to the start up cost and on-going operational costs, the PWD has provided support to private sector companies to provide this service to the community. The following costs would be required for the City of Billings to implement and operate a city-wide recycling program:

The total cost of expanding the City’s recycling program would be:

- One - time Cost: Equipment - \$1.7 million
- On- going Cost: Personnel - \$590,000
 1. ERP - \$150,000
 2. Fuel, maintenance & supplies - \$40,000

E. Personnel:

The City of Billings has and will continue to experience significant loss of knowledgeable employees through retirement. The PWD is especially vulnerable within our senior management staff, with almost all management staff eligible to retire in the next 5 to 10 years. Additionally, there are specific positions that have and will continue to be difficult to attract qualified applicants. These areas would include electricians, treatment plant operators, and engineers.

a) Recommendations:

- Establish a mentoring program to develop internal candidates for supervisory positions. This should include classes in personnel, management, and accounting.
- Work with Human Resources and other City departments to establish methods of recruiting and retaining personnel.

Key Initiatives

The following initiatives were developed to begin enumerating priority initiatives the PWD will take on in the next five years. One of the main purposes of our business plan is to develop the framework from which we will allocate resources within planned resource levels. These initiatives will be analyzed based on resource implications, customer service, and financial priorities.

Financial:

- ◆ Consolidated Department billing process: Evaluate consolidating Solid Waste charges with the monthly Utilities billing. Changing Solid Waste charges from a bi-annual fee attached to property owner tax statements to a monthly charge attached to the City utility bill would reduce the Solid Waste Division's reserve requirements. Currently, the Solid Waste Division carries 44% of the division's annual O&M cost in reserve to ensure the division can make financial obligations between the bi-annual payments. This reserve could be reduced to 10-15% by going to a monthly billing system. Consolidating department billing resources may allow the department to absorb new customers without adding accounting staff.
- ◆ Develop the following new fees:
 - Special Activity Permit: Currently the Police, Fire, Public Works, and Parks Departments review and implement the Special Activity Permit process without a fee. Personnel cost for the departments should be recouped from the permit applicant.
 - Right-of Way (ROW) Rental Fee: Private contractors working in the City ROW currently have no incentive to minimize the duration or extent they impact to the ROW. We would propose a rental fee for the use of the ROW to incent contractors to expedite projects.
- ◆ Street Maintenance Fee: The current method of assessing Street Maintenance Fees under MCA Part 44, Section 7-12-4401 is to charge per square foot regardless of property zoning. This methodology charges residential, commercial, and industrial the same rate. MCA Part 44 was changed 2 years ago to allow for zoning as criteria in establishing fee structure. We propose using a combination of square footage and zoning to assess street maintenance fees in the future.

Public Information/Customer Service:

- ◆ Install signage on all Public Works projects indicating the project scope and provide City and contractor contact information.

- ◆ Implement a single point of contact for neighborhood projects and increase property owner contacts during projects.
- ◆ Snow removal information posted on City website and provided to local media for use in regular road reports.
- ◆ Include easily accessible sweeping and gravel road grading programs on the City website.
- ◆ Clarify the Public Works development process.

IX. Performance Benchmarks

This Business Plan was developed to improve customer services. To ensure our expectations are achieved, the PWD will establish the following benchmarks and we will provide an annual report to the City Administrator and the City Council regarding our success in achieving these benchmarks.

A. Utilities

- ◆ Respond to system emergencies within 30 minutes.
- ◆ Five hours or less average repair time for water main breaks.
- ◆ Clean 100% of the City's sewer mains every 18 months.
- ◆ Root clean all sewer pipes every 2 years.
- ◆ Maintain unaccountable water loss at 10% or less.
- ◆ Drinking water will meet or exceed state and federal safe drinking water standards and requirements 100% of time.
- ◆ The need for adjustments and/or re-billing due to our errors will be less than 0.1% annually.
- ◆ BOD/TSS removal from wastewater will be 90% or greater.

B. Street Maintenance

- ◆ All arterial and collector streets will be plowed during storm events; arterial and collector streets will be cleared of snow within 4 hours of the end of the storm between the hours of 7:00 a.m. and 9:00 p.m.
- ◆ 75% of all lane markings and symbols on major streets and school crossings will be striped annually.
- ◆ 95% of potholes will be repaired within 2 working days of notification.

C. Storm Drain Maintenance

- ◆ All catch basin inlets will be cleaned annually.
- ◆ All storm drain pipes will be cleaned every 18 months.
- ◆ 85% of complaints and/or requests will be responded to within 2 days.
- ◆ Review and inspect all Stormwater Pollution Prevention Plans for compliance with the MS4 regulations.

D. Engineering

- ◆ Review plans and submit comments to Building Division within 10 days of receiving private development submittals.
- ◆ 90% of the projects shall be constructed within 10% of bid amount.
- ◆ In-house design and administration will not exceed 10% of construction cost.
- ◆ Subdivision plats shall be reviewed and written comments submitted within 10 working days.

E. Solid Waste

- ◆ 95% of all routes will be completed on schedule.
- ◆ Less than 20 collections missed per 10,000 scheduled stops.
- ◆ Customer concerns will be investigated and responded to within 1 working day.

F. Customer Service

- ◆ Phone messages returned within 3 hours.
- ◆ Respond to emails the same day as received.
- ◆ Road closure website will be updated twice weekly with City and Montana Department of Transportation construction projects and special activity events.
- ◆ Update the City website weekly to provide updated information regarding, snowplowing, gravel road grading program, landfill operations, Capital Improvement Program projects, etc.

X. Appendices

A. *Water Rights*

WATER RIGHTS STRATEGY (DRAFT)

GOAL — PROTECT EXISTING WATER RIGHTS CLAIMS

Action Items:

- Monitor status of Settlement Stipulation @ water court
- Monitor decrees and applications for water appropriations, both short-and long-term, particularly within sub-basin 43Q and others as they may impact the City, and object as warranted

GOAL — PROTECT EXISTING WATER RESERVATION

Action Items:

- Develop a plan for utilizing water reservation through off-stream storage
- Apply for extension of water reservation by 2010

GOAL — ADD TO/PROTECT WATER RIGHTS INVENTORY

Action Items:

- Require new subdivisions to either transfer water rights to the City or use those rights to develop a separate irrigation system for subdivision
- Judiciously obtain additional water rights from others in accordance with attached Water Rights Acquisition Checklist and established purchase priority

PRIORITY FOR OBTAINING WATER RIGHTS (DRAFT)

The intent of this document is to outline the relative priorities of actions to be taken by the City regarding acquisition of water rights. These priorities are predicated on the assumption that the Water Court will approve the City's water rights priority dates contained in the February 2006 Settlement Stipulation. Those priority dates are June 2, 1885 (72 cfs), August 27, 1906 (100 cfs), and April 30, 1945 (62 cfs).

While it is hoped that this process will address all conditions, circumstances may require evaluation on a case-by-case-basis. One such

circumstance is the size (volume) of the water right involved. There will generally be a similar effort involved in these purchases, including administrative, legal, and appraisal costs, etc. Accordingly, it may not be worthwhile to pursue small volume rights unless the right has an early priority date that will be of benefit.

#1 - Require new developments, as a condition of annexation, to either transfer existing water rights to the City or use those rights to establish a separate irrigation system for the subdivision

New developments may or may not have water rights associated with the land being developed. In those cases where such rights do exist, the City should require, as a condition of annexation and at no cost to the City, that those rights be transferred to the City. This will allow the City to accumulate rights over time that may be beneficial in meeting future growth demands. Depending on the circumstances of each such water right, the City should determine on a case-by-case basis what to do with these rights, i.e., change appropriation, abandon, etc. Transfers should follow the applicable steps in the attached WATER RIGHTS ACQUISITION CHECKLIST.

As an alternative to transferring the rights, the City may require that these rights be used to develop an irrigation system separate from the city system. This alternative has been identified as a way for the City to reduce the peak demand on the public water system.

#2 – Obtain rights either downstream of Billings to the Bighorn or upstream of Billings with priority dates of August 27, 1906 or earlier (the earlier the better) and either move appropriation to current or west end water plant or abandon right

The City's first two tiers of water rights, 1885 and 1906, are senior enough to provide a reasonably reliable source of water during low river flow. Therefore, rights prior to 1906 would be much more beneficial and of higher priority for obtaining than later rights.

The issue of moving rights can be problematic. While there is a process in Montana statute for changing appropriations, the process can be challenging depending on the particular circumstances. The primary challenge is the fundamental issue that a change in appropriation must not adversely impact intervening users. Montana statutes outline the items that must be addressed in changing appropriations, which items must be met by a preponderance of evidence. In addition, the DNRC issues a public notice for all changes in appropriations. Given the awareness regarding water rights in today's climate, there is a high probability that

changes in appropriations will be closely examined by other parties, which may result in objections to the change. Moving a right has the benefit of adding to the City's water rights "bank". It appears that moving senior rights from an upstream location to Billings should have no adverse impact. However, the DNRC indicates that the stretch of river from Billings to the Bighorn River is short on water with several diversions in the reach. Accordingly, moving a more senior right from downstream of Billings back upstream to the water plant(s) may be problematic, particularly if that right came from downstream of the Bighorn.

Because the Bighorn adds considerable flow to the Yellowstone, there appears to be limited value in purchasing rights downstream of the Bighorn and moving to Billings as this will most likely adversely affect junior users between Billings and the Bighorn. However, as long as the right is upstream of the Bighorn, at first blush it appears that such a move shouldn't adversely affect users, at least volume-wise. There is, however, the potential adverse impact to diversion capability, e.g., an existing headgate or diversion structure being rendered unusable or diminished because the water flow depth is lower than before.

As an alternative, obtaining and abandoning a right is worthy of consideration. While abandonment will not add to the City's water rights "bank" at the water plant(s), the primary benefit would be to remove the possibility of a downstream senior right making a call on the City during a water shortage. Abandonment of more junior rights would also minimize the political aspects of a more junior user claiming that they are not getting all their water in a time of shortage while the City is not cutting back on its use.

#3 - Obtain rights either downstream of Billings to the Bighorn or upstream of Billings with priority dates between August 27, 1906 and April 30, 1945 (the earlier the better) and either move appropriation to current or west end water plant or abandon right

The discussion and issues under this action are similar to priority #2 above. The advantage of this option is that it can strengthen the City's third tier water right, which is April 30, 1945.

#4 - Obtain rights either downstream of Billings to the Bighorn or upstream of Billings with priority dates after April 30, 1945 (the earlier the better) and either move appropriation to current or west end water plant or abandon right

The discussion and issues under this action are similar to priority #2 above except that the more junior priority dates are less beneficial in the

overall scheme. However, moving a more junior right has less potential for adverse impact and objections from other users and would result in adding to the City's water rights "bank".

#5 - Obtain rights downstream of the Bighorn River

This is identified as an option primarily for clarification and discussion purposes. There appears to be limited value in purchasing rights downstream of the Bighorn and moving to Billings. This action, while similar to the discussion in priority #2 above, appears to carry with it a higher likelihood of adverse impact on intervening users and objections. The higher flow in the river downstream of the Bighorn makes it likely that all users from Billings downstream are able to get all their water. If a senior right downstream of the Bighorn was moved to Billings and was more senior to someone between Billings and the Bighorn, that downstream user may not get all the water that they previously had. The idea of purchasing and abandoning a senior right located downstream of the Bighorn seems to have limited value also. Given the increase in flow below the Bighorn, the likelihood of that user ever making a call on the City appears to be low.

WATER RIGHTS ACQUISITION CHECKLIST (DRAFT)

1. Does the present land owner have title to the water rights and what is the priority date?
 - a) Have land owner provide proof of ownership and priority date
2. What is the historical use of the right?
 - a) Have land owner provide documentation of historical use, particularly within the last 10 years, including type, period and quantity of use.
3. What is the value of the right?
 - a) Have land owner provide an appraisal or city obtain same
4. Does city intend to change the appropriation of the right?
 - a) If No, proceed to next step.
 - b) If Yes:
 - i. Condition purchase offer on land owner providing all information necessary for DNRC application process as well as preparing that portion of the application supporting historical use.
 - ii. Condition purchase offer on DNRC approval of change of appropriation.

5. Submit necessary documentation to City Council for acquisition approval in accordance with the established policy.

B. Alternative Sewer

POLICY FOR USE OF ALTERNATIVE SEWER SYSTEMS (DRAFT)

PURPOSE

While conventional gravity sewer systems are the normal requirement, certain situations exist where conventional systems may not be feasible. In such situations, service by alternative means, such as low pressure systems, may be approved by the City. This policy is intended to outline the submission requirements by developers/engineers and the circumstances under which the City will consider the use of such alternative systems.

BACKGROUND

Conventional gravity sewer service to individual property has long been, and remains, the City's normal requirement. Alternatives to conventional systems, in the form of low pressure systems, have been approved in the past; however, these have been small areas with limited connections or have involved a combination of low pressure and gravity mains within a particular development.

The City recognizes that certain circumstances may make conventional gravity service difficult or infeasible. In those cases, the City will consider service provided by alternative systems in accordance with this policy.

APPLICABILITY

This policy shall apply to any property to be served either directly or indirectly by the City's public sewer system. The exception shall be for private facilities under the legal authority of a homeowner or condominium associations for which the City has no operational or maintenance responsibility.

AUTHORITY

As granted in applicable portions of Chapters 23 and 26, BMCC and the Rules and Regulations Governing Water and Wastewater Service.

POLICY

Use Discouraged

As a matter of policy and practice, the City discourages the use of alternative sewer systems for other than service to small, limited areas. Their use shall only be considered on a case-by-case basis after all alternatives, including conventional gravity service, have been thoroughly evaluated and compared to show that conventional gravity service is not feasible in accordance with this policy.

Considerations

The following issues may be considered by the City when evaluating for approval service by the use of alternative sewer systems:

1. Bedrock conditions.
2. Unstable soil conditions, including shallow water tables.
3. Temporary use until gravity service is available.
4. Distance from existing gravity service.
5. Need for and availability of easements necessary to extend gravity service to development.
6. Number of properties proposed to be served by alternative system.
7. Comparative costs, although cost will generally not be the determining factor.
8. Other considerations deemed appropriate for a particular situation.

Following due consideration of applicable factors, the City may, in its sole discretion, either approve or deny the use of an alternative system.

Submittal Requirements

In addition to normally required information, when an alternative system is proposed by a developer, sufficient information specifically related to that system must be submitted to permit a thorough evaluation. This information shall include, but not be limited to, the following:

- A detailed explanation and justification as to why a conventional system is not feasible.
- How the proposed system fulfills the developer's obligation for paying for a fair share portion of all aspects of the public sewer system.
- The ability of the alternative system to be expanded, where appropriate, to provide service to properties outside the development
- Plans showing the extent of property to be served by the alternative system.
- Details of the system proposed to be used, including catalog information and specifications.

- Detailed cost comparisons to gravity service.
- Provisions addressing the operation and maintenance aspects of the alternative system.
- The means by which the developer will notify all new and future owners of the property of the nature of the service by the alternative system and their responsibilities for operation and maintenance.
- Any other information deemed applicable by the City.

Operation and Maintenance Responsibilities

Alternative systems most often involve pumping, piping, and electrical facilities associated with each individual lot served by the system. In such systems, those facilities along with all appurtenances located upon private property shall be the responsibility of the developer to initially install and property owners to subsequently maintain. Such responsibilities may be carried out through a homeowners or condominium association should one exist and if allowed under the association. The City will assume responsibility for operation and maintenance of those facilities located within the public rights-of-way, including any shutoff valves at the property line.

C. City Council Survey Results – May 2009

1. Is it clear what services PWD provides?
 - Yes-Very apparent
2. What are the areas of Public Works department that you think are doing well?
 - Water Dept.-excellent job w/water treatment & waste
 - Sanitation
 - Garbage Collection-best deal in the city for such a great price. Implications of annexation will be very expensive. We're at saturation point.
 - Water & sewer-annexation policy-if we go much further, very expensive
 - Willingness of people responding-very forward thinking on how we deliver and costs that might occur
 - Excellent job with engineering-road development
 - Does good with solid waste, but could do more –other options for recycling
 - Water treatment best in the state price wise and service wise
 - Good job plowing-however, they do push snow onto sidewalks and driveways
 - Monthly Public Works memo very helpful!
 - Did well collecting tree debris
 - Garbage collection-going up & down streets is too much for the streets
 - Solid Waste very good
 - Street Department-not so good
 - Street Department doing well
 - Public Utilities excellent

- Stretching available money-great job of making it work
 - Great job with stockholders, H.B. and Developers.
 - Public Utilities has the least problems or complaints
 - Landfill
3. What are the areas that need improvement?
- Complaints about snow removal, street maintenance-repair is the one most questioned. Budget is an issue
 - Communication-keeping people up to speed on issues-need faster response from staff. Dave responds immediately
 - Annexation policy-really have to decide where we are going. Get it done, be careful (Inne Belt Loop)
 - Street department-repairs
 - Street maintenance-needs improvement.
 - Taking care of own stuff before laying it on the taxpayer-shoveling on properties that we own. Curbs and gutters on our property
 - Street Department-street damaged by maintenance-did not get fixed. Hold Contractors responsible for the work. Chip Sealing complaints were not from homeowners
 - Could do better promoting what they do well
 - A little more neighborhood communication when doing neighborhood projects
 - Public outreach for whole department. Better communication with Public. Dave's monthly report should go to Gazette. Very informative for me as a council member
 - Truck that patches holes-waste of time and money. Truck does not work
 - One point person for neighborhood projects
 - Public Relations perspective of street maintenance and snow plowing. Better job explaining and limitations
4. Do you think that the department is responsive and innovative in addressing public concerns?
- I personally think so. I hear complaints. Many don't look at the whole picture. They try to deal with problems and solve them. Dave is very competent
 - Overall-yes. Does very progressive things for the city. Sometimes there is a perception-he develops relationships in community-may not be in on equal access to people in community. Sometimes Dave is defensive, but he will work through it.
 - Use revenue bond to do roads. Had a meeting about the Inne Belt Loop-figured out how to pay for it and went to legislation to get them to pay for it.
 - Yes! Bend over backwards-very responsive!
 - Correspondence to the payers not so good-need to be clear about vote-if you don't send it-a yes vote
 - No. Don't follow through with contractors. Bids keep changing and the council questions. Bid and stick with it
 - Neutral
 - I have sometimes had problems getting info out of department
 - Absolutely!
 - Very much so. Good at coming up with creative solutions making things work
 - Staff morale could be an issues

- I have a hard time getting response from Dave. Submitted something several months ago and don't get quick response from PWD and Dave
 - I think they are innovative in Water Treatment (methane retrieval from landfill)
 - Proactive with storm in October retrieving tree and debris
5. Does the department adequately inform the City Council on the impacts of State and Federal regulations and budget and finances?
- They do-I'm content with what they give me.
 - They do a good job. Limited time to group all the info. Sometime you just get short presentation-we need to go get it.
 - They don't give us as much info as we need. Mainly with State-we need more info, like Airport Road-Shiloh regular reports, complaints. General overview
 - Yes-you never know everything
 - Pretty well. Factor in ability of Council to understand what they are being told
 - Yes-they keep the Council informed
 - Most put yes. Public utilities regard to street issues. Have a con-do attitude, maybe giving all the specifics would help
 - Yes I think they do (ex: New Federal regulation on pools)
6. Should Public Works review the funding allocation and place a higher emphasis on maintenance replacement projects or reconstruction/new projects?
- Keep infrastructure functioning. Balance difficult to maintain as economy downturns
 - Balance between two- limited funds. Such a demand on each side. They do a great job
 - More a maintenance replacement. We make it hard when we annex
 - More at maintenance people have already paid for
 - Watch our annexation policy-quit leap frogging
 - Good paver program should continue. 1st 2/3 of the lifetime of project need to focus on maintenance 1/3 better prepare for new construction
 - Reconstruction/new projects
 - Take care of what we have –little more emphasis on what we have. Don't go too far
 - Have to shift gears a bit. No game plan for roads like Rimrock. Think of consequence of annexation-can we accommodate? More detail on the input of annexation
 - I think they have a good balance now. New transportation bill might change allocation and direction
 - Get Inne Belt Loop done
 - The maintenance/replacement option for Inne Belt Loop
7. General comments on the department?
- Excellent-one frustration when council wants something, don't always hear back
 - Good feeling-work hard
 - Responsive
 - If they don't know the answer they will find it
 - Best department in the city! Close between Airport and PWD
 - Phenomenal job-doing right first time
 - Has come up with great financing ideas like the Inne Belt loop

- Under pressure to do road
- PWD should have \$ for council if I do I might have to cut the cost somewhere else
- Get real handle on costs
- No news is good news
- Dept. does ok
- Impressed with department heads
- Love new building. Take old building and create great office
- Dave and his crew mostly work very hard-if you ask questions-you get answers quickly
- Responsive
- Good job with complex issues
- A lot of pride in this department
- High morals-Dave overall does a really great job!
- High caliber staff
- Could be getting higher salaries-private sector
- Great expertise!
- Sense of commitment to city very strong
- I would rate 6 ½ now for improvement

D. Home Builders & Realtors Survey Results

1. Are you clear about the services the Public Works Department provides?
 - Yes
 - Maybe
 - Yes-I have served on Westend Plan and System Development Fees-great input from PWD
2. Is the development process user friendly? Explain.
 - Seems a bit cumbersome.
 - People with processes are friendly.
 - More complicated than it needs to be.
 - We are supposed to understand all the internal works. Do we need to?
 - Need a lot of guidance on the yellow brick road.
 - They are approachable. Runs like a business.
 - It is through Engineer and Public Works-(Ex.-System development fees have allowed us to keep our infrastructure up) it drops off in Planning, Parks, and Fire. Development Committee understands business principles.
 - Runs like a business. Need all the facts.
 - Share Federal mandates with us. Some things not negotiable, other cities in MT are way behind in infrastructure
 - They think out of the box and are creative. Limit to growth
 - Over the years, building community/land developers get better. Record time frame for a development (5 months). Exceptional for PWD
 - Very cooperative. Process timely and very smooth.
 - Very professional

- Department running as well as it ever has
 - Listen to private side-does not give us everything-steps back and takes all info into consideration-come up with better solutions (ex: system development fees-no other community has been able to do this)
 - Used to be us against them-not now
 - Meet every month about current issues and what's coming
 - Very helpful
3. Do you think that the department is responsive and innovative in addressing customer concerns?
- Yes I do-example: Open channels about talking about conservation open about how they get there. Water rate system worked hard to make it fair.
 - Anterior fees way ahead of the curve
 - Definitely responsive-traffic speed issue in development-had phone call from traffic engineer and engineer went through after several months-not resolved. Respond but longer in resolving. They mean well, but always does not happen.
 - Very responsive! No surprises for developers. Always communicate with you
 - Pro-growth attitude, identifying restrictions
 - Absolutely-Dave very proactive-Deb and Vern great to work with. We discuss things and if it needs to be changed, willing to partner with council –trying to make Billings a better place
4. How well does the Public Works Department do in outreach and information sharing?
- They do real well with stakeholders, Home Builders Association, Realtor Association, and Service Clubs. We need more public relations (ex.-550 miles of streets for us to maintain, sewer and water lines. Some of it dates back 70 years.
 - Pretty good with the builders. Really appreciate HB local issues meetings. Great forum for different departments is extremely beneficial.
 - Found PWD very willing to provide info for HB and Realtors. Al and Dave more than willing to research and get back to you immediately
 - I think they do excellent job communicating with us all along the way. No surprises-try to keep us informed
5. Do your organizations support recent Public/Private partnering?
- Yes-more money to promote better Billings
 - Great partnership-like Shiloh crossing, Trails West subdivision. Water/sewer –we write a check, and get paid back as money comes into capital improvement
 - Whole heartedly-with funding challenge we will have to find them partnerships-critical for younger population
 - Respected relationship-admired around the state. Management always open and willing to chat about problems
 - Absolutely!
6. What are the areas of Public Works Department that are going well?
- Seem to be financially solvent.

- Fee structure
- Arterial fees
- Explaining needs for maintenance
- Website is excellent
- Public invites to tour PWD projects
- Giving information=sharing knowledge
- Dave is very progressive-narrowing collector streets
- Improvement of Airport Road, Alkali Creek area. Dave is a pioneer-the connection with Alkali Creek, Inne Belt Loop.
- Can't stay stagnant –water projects follow city pipes and water-Ironwood, Grand Avenue
- Water wastewater in subdivisions
- Engineering Dept pretty easy to work with
- Traffic control-can be a little challenging
- Overall-good!

7. What are the areas that need improvement?

- General maintenance
- Better alternatives for transportation-adding more bike lanes, narrowing streets
- Curbside recycling-this is a service, can tax for it
- Involvement with other department heads. Create a team from department heads.
- How can we help each other? All segments have to trust and share problems and find solutions
- Go out to 48th Street West
- Tab lines out to Ironwood
- Development out West put on back burner
- More density-more urban usages and more mixed uses
- Look ahead-have the right team look at change but don't hold tightly to old ways of how things are done

8. General comments on the department?

- Not really
- I wish I understood the new building downtown. Was that the wisest use of money?
- Used to be able to borrow 75% on land development projects, now 25%.
- Very conservative-no spec money
- Its running as well as I have ever seen. WE have a good working relationship
- Open dialogue
- Lets look at what's best for Billings
- Soften approach form developers also
- Win/win

E. Listing of Regulatory, Business Critical & Contractual Obligations

PW Division or Fund	Regulatory	Business Critical	Contractual
Engineering Funds			
CTEP Projects Design Construction Administration Project Management	X		
MDT Projects (review and/or project management)	X		
Gas Tax – statistics and census preparation	X		
CIP Projects Design Construction management Project Management Inspection		X	
Traffic Engineering	X	X	
Special Improvement Districts Creation Design Construction Management Inspection	X	X	
Private contract review & inspection	X		
Site Plan Reviews		X	
Annexations and Plat Reviews		X	
Right-of-Way Vacations Management Permitting Inspection		X	
Road easements		X	
County projects – review & coordination		X	
Standard modifications City requirements & ordinances Stormwater Management Manual		X	
Property purchases, deeds, appraisals		X	
Special Events Permitting		X	
City map updates Storm drain atlas map updates		X	
Environmental			
Establish and monitor compliance with local, state and federal safety requirements	X		

PW Division or Fund	Regulatory	Business Critical	Contractual
Environmental (continued)			
Operate in compliance with the EPA Safe Drinking Water Act and subsequent amendments and the MDEQ's Montana Public Water Supply Act and subsequent amendments	X		
Operate in compliance with our Risk Management Plan (RMP) mandated by the EPA	X		
Comply with the requirements of the Public Health Security and Bioterrorism Preparedness and Response Act and subsequent EPA and Department of Homeland Security directives	X		
SILMD Funds			
3,500 street lights within the city Lamps are replaced as needed Repainting of downtown "king poles" is required every 5-7 years Underground repairs are done as needed		X	
Solid Waste Fund			
Licensed Class II landfill Accepts waste considered a Class II waste by MDEQ Compacts waste Hauls soil from borrow areas to spread 6" of cover over waste at the end of each day Hauls additional soil to place 12" of intermediate cover over areas not planned to receive additional waste for several months Installs culverts and maintains ditches to provide positive drainage from the entire landfill to the stormwater detention pond Cleans sediment out of ditches and stormwater detention pond Clean the road daily from the interstate to the landfill and pick-up dropped objects and litter Clean up windblown litter from 900 acres of property as necessary after high wind events Maintain existing fences and construct new fences to catch windblown litter Evacuate Freon from appliances and haul them to the recycle pile Control access to the landfill	X		
Answering phones and radios and dispatching service requests to drivers		X	

PW Division or Fund	Regulatory	Business Critical	Contractual
Solid Waste Fund (continued)			
Time keeping and payroll		X	
Accounts receivable / accounts payable		X	
Maintain property information		X	
Recordkeeping		X	
Financial managements		X	
New service sign-ups and changes to existing services		X	
Stormwater Fund			
Stormwater Facilities Operation Maintenance Maintain adequate inventory for efficient operation		X	X
Records management in conformance with local, state and federal requirements and City policies	X	X	X
Clean & remove debris at ditch road crossings	X		
Repair & replace culvert crossings	X		
Identify and manage illicit taps	X		
Manage projects according to accepted and adopted standards, policies and procedures		X	
Remove ice and standing water from storm facilities		X	
Collect fallen leaves		X	
Notify the EPA of potentially hazardous materials on streets and in ditches	X		
Street Maintenance Fund			
Pavement Markings Repaint all long lines twice per year (white & yellow) Repaint yellow curbs every 3 years Paint crosswalks Thermo markings – redo every 5 years Painted – every year School crosswalks – every year Bike Lanes White long lines painted twice per year Thermo symbols – redo every 10 years Arrow and only symbols Thermo markings – redo every 5 years Painted – every year	X		

PW Division or Fund	Regulatory	Business Critical	Contractual
Street Maintenance Fund (continued)			
Signals Conflict monitor unit operation tests – annually Cabinet operational tests (new & existing) – annually Controller program verification – database maintenance Firmware/software upgrades Intersection/cabinet cleaning & maintenance Relamp incandescent signals (bi-annual) Clean/paint signal heads (bi-annual) Align signal heads (ongoing) Clean/inspect video detection cameras (ongoing) Emergency vehicle pre-emption maintenance Maintain hardwired and radio interconnect systems	X		
Traffic Control & Informational Signs	X		
Tree Trimming for equipment clearance	X		
Vegetation Control	X		
Gravel Streets & Alleys Graded annually Dust suppression annually		X	
Picking up Debris – as needed		X	
Road Maintenance - digouts and failed areas (asphalt)		X	
Leaf Pick-up and Disposal Program (Annually)		X	
Street Sweeping Downtown area swept daily Remainder of the city split into five areas		X	
Snow & Ice Control Snow removal based on priority routes >2” snow requires plowing (City ordinance) Snow picked up downtown and on some arterials	X	X	
Cleaning culverts under city roads for the irrigation ditches			X

PW Division or Fund	Regulatory	Business Critical	Contractual
Street Maintenance Fund (continued)			
MDT Street Maintenance Contract – state routes within the city limits Street sweeping Street patching Storm sewer repair Snow plowing / snow removal / ice control Signal maintenance Street striping Sign replacement Vegetation control			X
Water Fund			
Water Plant Facility Operation Maintenance Water production & distribution Maintain adequate inventory for efficient operation Inform consumers about drinking water quality	X		
Comply with contract requirements for sale of water to the County Water District of Billings Heights			X
Project management in conformance with required and accepted design, construction and administrative requirements	X	X	X
Records management in conformance with local, state and federal requirements and City policies	X	X	X
Wastewater Fund			
Wastewater Plant Facility Operation Maintenance Maintain adequate inventory for efficient operation	X		
Comply with contract requirements for provision of wastewater service to the Lockwood Water & Sewer District			X
Project management in conformance with required and accepted design, construction and administrative requirements	X	X	X
Records management in conformance with local, state and federal requirements and City policies	X	X	X

PW Division or Fund	Regulatory	Business Critical	Contractual
Distribution & Collection			
Facility operation & maintenance Water mains Water valves Air relief and pressure reducing facilities Sanitary sewer lines Wastewater manholes Wastewater lift stations Wastewater collection system	X		
Fire hydrants – operation & maintenance	X		
Water Service Repair Program			X
All PW Divisions			
Personnel Supervise employees in conformance with union contract requirements and City policies Provide a safe working environment and ensure compliance with statutory safety and training requirement and City policies Maintain all required and recommended certifications Orient and train employees		X	X
Respond to public and City Council inquiries and complaints		X	