

City Council Work Session

July 7, 2008
5:30 PM
Community Center

ATTENDANCE:

Mayor/Council (please check) x Tussing, x Ronquillo, x Gaghen, Stevens, x Pitman, x Veis, x Ruegamer, x Ulledalen, x McCall, x Astle, x Clark.

ADJOURN TIME: 9:00 p.m.

Agenda

TOPIC #1	<i>Public Comment</i>
PRESENTER	
NOTES/OUTCOME	

There were no speakers.

TOPIC #2	<i>EMERGENCY MANAGEMENT REVIEW</i>
PRESENTER	
NOTES/OUTCOME	

Director of Emergency Services Jim Kraft advised he would provide a brief overview of the County's emergency operations. He said flooding, wildfire and chemical emergencies were the biggest threats and over the years, most of the disasters were in the County, not the City. He noted that the City Council or County Commissioners had the authority to declare an emergency or disaster according to Montana Code, or a joint declaration could be made. He said an emergency was declared if a situation exceeded the City's or County's resources. He explained that once an emergency was declared, financial and resource assistance could be sought from the Governor's office, and if the Governor wasn't able to provide the needed assistance, a request would go to the federal level. He said two federal/presidential declarations were made during the last 33 years; one in 1978 and one in 1997.

Mr. Kraft advised there was a City/County Operations center located at the dispatch center. He said local disasters usually had four agencies represented; the City, County, Sheriff and City/County dispatch, and others were included as necessary. He said the County had an emergency planning committee composed of City and County agencies that met monthly to plan and conduct periodic disaster drills.

Mr. Kraft explained the role of the City Council in emergency situations was the same policy, decision-making and financial management role as in non-emergency situations.

Councilmember Veis asked if Councilmembers could call the Emergency Operations Center during an emergency to find out what was going on. Mr. Kraft said that was fine and

depending on the magnitude of the emergency, a number would be published for the community. Councilmember Gaghen asked if the administration would already have been informed during an emergency and if the information would be passed on to Councilmembers. Mr. Kraft responded that City Administration would make those contacts. Councilmember Clark said Councilmembers usually received emails regarding emergency situations but didn't in the case of the recent fire near Rehberg Ranch subdivision. City Administrator Volek explained she didn't have her blackberry accessible during that time and the message was sent to it, so by the time she got the message, it had already been on the news.

Councilmember Veis asked about a procedure if a short-notice meeting was required during an emergency situation. City Administrator Volek said notice to the media would be needed, the same procedure that was followed for a special meeting and preferably a day ahead of the meeting. She said that during a real emergency, phone contact was made with the media prior to an emergency meeting. Mayor Tussing asked if Council had to pass a resolution before a request for assistance was sent to the Governor. Ms. Volek said that would be necessary, which meant a meeting would be necessary.

Councilmember Veis stated his concern that if there was an emergency situation, it was best that Council was informed as soon as possible because members received phone calls quite often from people who wanted to know what was going on. Mr. Kraft noted that the Board of County Commissioners had the same concerns. He said the first goal was to mitigate the emergency by getting the appropriate personnel to the site and the secondary concern was notification of the administrative personnel.

Councilmember Pitman asked if there was a protocol for threats to the City. Ms. Volek said she would typically be notified only in the event of an incident and that would be passed along. Mr. Kraft said there weren't defined levels of threats but common sense dictated that a threat would be treated in the same manner as other emergencies in that the protocol was to contact the City Administrator first and it was at her discretion to notify Council. Councilmember Veis asked if there were methods to notify people in the event of a major power outage. Mr. Kraft said it was very difficult to provide communication without power, but the dispatch center would always be operational because it had a back-up power system.

Police Chief St. John explained that there were two levels of emergency situations; one being a large scale situation that required the activation of the Emergency Operations Center under the direction of Mr. Kraft, and that had a built-in information system of regular communication. He explained the second level situation was similar to the recent mail plane crash which didn't activate the EOC, had a unified command at the point of the incident and the information was disseminated from that point. He said notifications were made with department personnel to the City Administrator and the public information officer made sure the Council was copied on those communications as well. Ms. Volek said she would survey the Councilmembers to determine how they wanted to be contacted during emergency situations.

TOPIC #3	<i>MUSEUM OF THE YELLOWSTONE</i>
PRESENTER	
NOTES/OUTCOME	

City Administrator Volek said a document related to the museum was included in the Thursday packet. She introduced Maurice Deverill, Chair of the Museum of the Yellowstone Board of Directors. He said the Deverills were a third generation of territorial pioneers of Montana and had a good stake in knowing what they wanted to do with the museum. He introduced his brother, Duane Deverill and said he would explain their plans. Mr. Deverill said they were before the Council about a year ago and had taken a few steps since then. He said funds were raised for a preliminary study. He said they talked with Gary Levine who put together a PowerPoint presentation which detailed the ideas for the museum. He said the proposal was for a three-story building of about 101,000 square feet on the rims near Swords Park. Mr. Deverill said he worked three years to get to that point and before it went further, Council support was needed. He noted it was important to have a site in order to market the museum for donations.

Mr. Deverill introduced Architect Gary Levine who introduced Chas Weldon, the Yellowstone County Museum Director. Mr. Weldon provided a brief history of the museum located in the log cabin at the edge of the Airport entrance and encouraged Councilmembers to visit the museum. He said the museum contained about 18,000 artifacts.

Mr. Levine said the hope was to develop a facility to house the regional artifacts that would be a research center, a museum and educational center. He began the PowerPoint presentation by reviewing the site plan and the elevation of the area. He noted that the outdoor spaces would be important as well as the building. Mr. Levine explained that the multi-level facility would house a gallery on the main level; administration and storage on the lower level; and a restaurant on the upper level. He added that the facility would also contain a store to allow shopping without entrance to the actual museum. He noted that the new facility would provide much-needed space because the current space was inadequate. He said the proposed facility would attract artifacts and collections that would potentially leave the region because there wasn't room for them locally.

Councilmember McCall commented that she was supportive of the concept and it deserved serious consideration. She said the first presentation included the potential of a lodge or other type of development and she asked if that was still considered. Mr. Deverill said that was still the hope and the letter written to the Council outlined the details and procedure that would be used if there was the opportunity to proceed. He said the objective was to generate funds that supported the ongoing operation of the museum.

Councilmember Ulledalen asked if there might be affiliation with other larger museums, how they would interact with the Western Heritage Center, and whether there was enough financial support in the area to sustain the museum and the other local non-profit organizations. Mr. Deverill said they hoped to create a shell of a museum and specific programming would be a future decision. He said they would be open to working with other museums in the area. Mr. Weldon added that if a revenue stream was developed the fundraising wouldn't be a constant necessity.

Councilmember Ruegamer asked what they wanted from the City. Mr. Deverill responded that the museum needed a home and wanted a 99-year lease on the 10 acres in Swords Park. He said the objective would be to take a piece of land and bring life to the area.

Councilmember Ruegamer said he understood that the museum wanted the land, but wanted to know if it was also asking for money. Mr. Deverill said they weren't asking for money, just the land. He said they would like to purchase the 55+ adjacent acres known as Kurth property. He said the museum wanted to master plan the area with mixed use development to create a revenue stream for the maintenance and support of the building. He referenced the letter he sent to Council that indicated there was no request for financial support but the process would include discussion about rezoning the land, the taxes, and things that could be put on hold until a developer was identified for the 55+ acres. He said they wanted flexibility to make deals to create wealth to support the museum.

Councilmember Veis asked if there was any sort of lease agreement in place. City Administrator Volek responded that there wasn't one she was aware of. She said the Thursday packet included a letter that indicated there was a site on the park master plan for a museum. She noted that to her knowledge, there was no agreement. She asked Mr. Deverill if the 10 acres was for the museum and he answered that it was. He said the remaining acreage was for additional functions and if there was excess land, it would be deeded back to the City. Ms. Volek said she had conversations with Charlie Yegen and one issue was that the Airport Road project would begin in the fall and the Kurth property was acquired because it was cheaper to purchase it than to build water and sewer under what would be the new Airport Road site. She said she understood that MDT wanted the City to extend those services while the road was built. Public Works Director Dave Mumford added that it was necessary to know where the site was because there were ways to get to the site without crossing the road but the location needed to be determined and regardless of how the services got there, getting through the rock would be tough. Ms. Volek said the urgency of settling that issue before the Airport Road project began had gone away. She added that another concern was the airport and if there were height restrictions. Aviation and Transit Director Tom Binford responded that there were restrictions, but he didn't see a problem with what he saw on the presentation. Ms. Volek asked if there were other planned uses for the Kurth property. Mr. Mumford said a primary reason it was purchased was for a public works staging area, but if that land wasn't available, another parcel would be located for that purpose.

Mayor Tussing asked if the museum was a for-profit or non-profit venture. Mr. Deverill said it was a 501 c3 non-profit corporation, although the corporation hadn't been formed yet and was still in the speculation stage. He said thousands of dollars of work had been done so far but it couldn't go any further until the site was secured. He said an LLC would probably be created for the Kurth land development. He noted there were no plans to make money from this.

Councilmember Veis stated he wanted to see the terms of the lease before an agreement was entered. Mayor Tussing asked if what was wanted that evening was direction about whether or not it would become a Council agenda item to decide if the land would be leased. Ms. Volek said background work was needed to determine the exact property location and the process for sale/disposal of City-owned property first. She explained that Mr. Deverill's proposal had assumed the property was in the park and the City wouldn't sell it but would only lease it, but if it was in public works land, it would be an alternative use and an outright sale was possible. Councilmember Ronquillo stated he wanted to know the cost of connecting sewer to that site. Ms. Volek said if Council was interested in staff working further with the museum, a meeting would be convened and additional information would be presented to Council. Councilmember Veis said he wasn't terribly wild about the idea of a conditional purchase agreement to go with the Museum of the Yellowstone. He said if that happened, every 501 c3 corporation in town

would come forward with an offer to buy 10 acres and want another 40 acres given to them to be a self-sufficient 501 c3. He said an entertainment complex was separate and he didn't see how the two were tied together. He said he didn't feel it was the City's responsibility to make it self-sufficient. Mr. Deverill said all that was brought forward was hard work and an idea for a brand for Billings. He referenced Cody, Wyoming, and that the museum there was what people thought of when Cody was mentioned.

Councilmember Ruegamer said he wasn't sure what Councilmember Veis was talking about. Councilmember Veis said 10 acres would be leased or sold to the museum and the group wanted a conditional agreement for the adjacent 55+ acres to build an entertainment complex with the profits intended to support the museum. He said he felt the museum was a good idea but he didn't think it was a great idea to set a precedent that the City would sell land so 501 c3 corporations became self-sufficient. Councilmember Ruegamer said he didn't see why the City would care as long as the land was sold for market value and if another 501 c3 corporation wanted to negotiate the same type of sale, the City could do that. Councilmember Veis said he believed it was two separate issues and the sale of the museum shouldn't tie the City into selling the other part of the parcel. Mr. Deverill said the group was handing the community a \$50 million building and it wouldn't cost the City anything. He said the land in question was not desirable property that anyone else wanted. He said he felt the property was a sow's ear and the proposal could turn it into a silk purse. He noted that the next step after approval by the Council would be to hire Hartsook Companies for about \$30,000 to determine the potential for raising the needed \$50 million, which was a big risk.

Councilmember Pitman asked if Council needed to direct staff or a Council committee to work with staff and museum representatives. City Administrator Volek answered that staff could conduct the basic research, have a preliminary discussion with the museum representatives regarding terms and price, and then meet with Council for a subsequent session.

Councilmember Ulledalen asked if there was an estimate of the annual operating costs. Mr. Deverill said they didn't have that because they weren't even sure what it would cost to build it, but were using the \$50 million figure. He said engineers couldn't be hired yet to determine the costs associated with grading, wire, etc.

Councilmember Gaghen said she knew the Council was always concerned about setting precedent and didn't think there was excess land in desirable locations that would be sought after by other non-profit corporations that would want the same type of deal.

Councilmember Astle said he understood that the 501 c3 would build a nice museum on 10 acres of City-owned property; the 501 c3 would also buy 55+ adjacent acres and lease the surface rights to build tax-paying entertainment entities; and the 501 c3 wouldn't be taxed for the land but for everything built upon it. Mr. Deverill said that was accurate but it wasn't determined yet if the land would be leased or purchased. He said the purchase wouldn't be a 501 c3 initially, but an LLC.

Councilmember Pitman said the progress would only be made if staff was directed to work on the issue. Mayor Tussing stated he wasn't sure he agreed with that. He said he felt the museum was a great idea but the statement was made that it was a scenic area and once 55+ acres were developed for commercial use, the scenic value of the area was lost. He said that was a high price to pay to get that development on the tax roles. Mr. Deverill said they were talking about different elevations. He explained that the museum would be located at a key spot and the commercial development was down below at the level of Highway 3, so he didn't consider that to be a valuable piece of land in terms of the way it was treated in the past. He said when the

cleanup was complete and the land was considered commercial development, those funds would primarily be used for the maintenance. He noted that modern museums had to be built with operating funds in mind.

Councilmember McCall said they could continue to discuss the issue, but more information was needed before any decisions could be made.

Councilmember Pitman stated that the property wasn't purchased from the private property owner to preserve it as a beautiful area, but it was less expensive than developing it. He said the property owner could have done the same thing at any time.

City Administrator Volek asked if staff had Council's direction to proceed and the consensus was it did.

TOPIC #4	<i>COR ENTERPRISES</i>
PRESENTER	
NOTES/OUTCOME	

Planning Director Candi Beaudry distributed documentation related to the property located at South 25th and 3rd Avenue South, currently owned by COR Enterprises. She said the property was deeded to that organization for \$1 in 1984, with the condition that if the property was no longer used for the services provided for developmentally disabled individuals, COR would have to repay an obligation of \$39,000. She said that was a deed restriction and embodied in a resolution passed by City Council. Ms. Beaudry said COR wanted to move its enterprise to the West End and would like to transfer those terms from the current property to the new property. She said the intent was to allow the sale of that property to finance the move and relocation, and negotiations were in process with ConocoPhillips to achieve that if Council was willing to transfer the terms. She said that because the conditions were part of a deed restriction and resolution, Council could repeal the resolution and transfer the terms to the new property. Ms. Beaudry introduced Tony Cline from COR Enterprises to address the issue in more detail.

Mr. Cline distributed a handout which provided an overview and history of COR Enterprises. He said the current property on S. 24th Street was purchased in 1981 and in 1984, the adjacent land on S. 25th Street was obtained from the City for \$1. He said property had been purchased on Lampman on the West End and COR hoped to start building in Spring 2009. He said the proposed facility would be a more professional atmosphere and would consolidate it with an office rented on Rosebud and it would be across the street from its major funding sources. He said there was a verbal offer from ConocoPhillips Refinery to purchase the warehouse, which was located on the land granted by the City, and the whole property would be sold as the new building was completed. Mr. Cline noted that ConocoPhillips indicated it would allow COR to use the warehouse until the operation was ready to move. He said his request was to rescind the obligation to pay \$39,000 back to the City or transfer that obligation to the new building with the same condition that the payment would be required if the use of the building changed.

Councilmember Astle asked Mr. Cline the amount of the verbal offer. Mr. Cline said it was \$125,000 for the warehouse and the land it was on. He said the 15,000 square foot facility would be sold later. He said the projected cost of the new building was \$2.5 million and even though the organization had saved and was a good steward of the public funds, it would have to finance a portion of that. Councilmember McCall said she was the one who brought the topic up at the last Council meeting and it was agreed to take it to a work session. She said she supported

granting the request to COR. She said the organization served a great number of individuals and had operated in Billings for a significant length of time. She said Ms. Beaudry may be able to speak about whether there were similar circumstances with other non-profit groups, if the question came up. Councilmember Veis said it was done for the Rescue Mission, the food bank and the Northern Plains Resource Council. Mayor Tussing asked if any of those groups wanted to sell the land later like COR did. Ms. Beaudry said that condition wasn't on the land for those other groups so they could have sold the land.

Councilmember Pitman said the condition stated that the reimbursement would be \$39,000 or the appraised value of the land. Mr. Cline explained that \$39,000 was what it cost the City to acquire the property at that time because there was a house on it that had to be demolished. He said the current appraised value of the land was about \$29,000.

Councilmember Ruegamer asked about the new location on Lampman. Mr. Cline responded it was in the Woodland Park Subdivision, between JR's Repair and Homestead Self Storage. Councilmember Ruegamer asked if the City bus went to that area. He said he rode the South Side bus one day and there seemed to be quite a few handicapped people on the bus so he wondered if moving to the West End interfered with the bus service. Mr. Cline said the bus made a special stop at COR. He said the location was near the corner of Rosebud and Lampman and their clients didn't come from one particular part of the community. Councilmember Ruegamer asked why they were moving. Mr. Cline responded that the building wasn't serving their purposes.

Councilmember Ronquillo asked if the \$39,000 could be put back into the system to help another group or project on the South Side if it was repaid. Ms. Beaudry said City Administrator Volek would have to answer that, but she believed the funds would have to go into the General Fund. Councilmember Ulledalen asked where the funds originally came from. Councilmember Gaghen said she knew it was CDBG money because she was chair of that committee in 1984. She said COR did worthwhile things and was productive at the current site and she understood the desire for ConocoPhillips to obtain that site, but felt that if funds were returned, they should go back into the community development fund to generate incentives that CDBG could provide that no other funding source could. Mayor Tussing asked if Councilmember Gaghen was concerned that the new area COR moved to wouldn't be eligible for CDBG funding. Councilmember Gaghen said that area wouldn't be eligible. Ms. Beaudry said she didn't know it was CDBG money and in that case, the money would go back into that program to be reallocated.

Councilmember Astle said it looked like the City felt it was a good idea in 1984 and COR did as well and with the purchase offer, it looked like they would net about \$80,000. Mr. Cline explained that the \$125,000 included the 3600 square foot building which was valued at about \$80,000 and with COR's investment to build it, the net wouldn't be \$80,000. He said COR's fundraising would be behind \$39,000 if it had to repay those funds to the City. Councilmember Astle asked what loan amount COR anticipated for the new building. Mr. Cline said the target was to get within \$1 million of the completion price and with all the assets, they were about \$200,000 short of that. He said they hoped to have the funds raised by Spring 2009 to start construction. Mr. Cline said the other option that had to be considered if the \$39,000 was paid back, was whether it was more cost effective to keep the warehouse to store products even with the move to the West End. He said that was unlikely, but would have to be taken to the Board of Directors.

Councilmember McCall asked if there were requirements of the CDBG funds that would not allow the transfer to occur. Ms. Beaudry said she would have to look into that since the transaction was old and previously there were some restrictions on funds.

Mr. Cline said he thought the original intent of the 1984 Council was to benefit people with disabilities and didn't want to provide the gift to a non-profit, then have them turn around and sell it. He said the intent was to benefit people who would take those proceeds and have a better facility for people with disabilities.

Councilmember Clark said it was necessary to find out if the restrictions could be transferred to that area of town. Ms. Beaudry said it served the disabled population so it was probably fine. Councilmember Gaghen said that at the time of the original transaction, 27th Street was a blighted area and the main focuses of the CDBG funds were to stimulate economic vitality along that corridor.

Councilmember Ruegamer asked if money was just put into that Conoco triangle. Public Works Director Dave Mumford said new water and sewer was installed and the streets were paved. Mr. Mumford said it was done for business development.

JD Adkins of ConocoPhillips advised that ConocoPhillips had a couple more purchases to make and that was a property they wanted to use for exchange for another tract more agreeable to their location. He said a previous Conoco administrator had a plan for an entrance to the refinery and one was to use 23rd and 4th Streets as entrances to the refinery and to upgrade those areas as much as possible. He said that helped the company to continue the improvement of the area. He noted that it would put the property back on the tax roles. Mr. Cline added that ConocoPhillips wasn't interested in purchasing the main facility, just the warehouse location.

Mayor Tussing asked if Councilmembers wanted consideration of rescinding the resolution on a future Council agenda. Councilmember Ronquillo suggested information from City Attorney Brent Brooks. Mr. Brooks stated that it was odd to transfer deed restrictions to land that the City had no interest in. He said a lien was created by doing that so it was necessary to review the 1984 CDBG fund's use to determine the alternatives available to make sure Council had the leverage that was intended in 1984. He said he was skeptical that simply transferring restrictions that ran with the land to new property would accomplish what they were looking for. He said he could deal with COR's attorney in that matter as well.

Mayor Tussing advised that Councilmember Stevens sent everyone an email regarding COR's financial situation. He asked if it was true that COR had about \$1.9 million. Mr. Cline said COR had about \$1.1 million between cash and investments and if the land it owned was taken into account, it might be close to that amount. He said the annual budget was about \$2.5 million and three months of cash reserves had to be kept on hand in the event of a catastrophic situation. He said \$600,000 was always kept in reserves due to the payroll and expenditures.

Mayor Tussing asked for direction from the Council whether the item should be on the agenda for future discussion. City Administrator Volek stated staff time would be required to complete the necessary research to put the item on the agenda.

Mayor Tussing asked for indication of which Councilmembers favored giving staff direction to move the item to the agenda, and two Councilmembers indicated they were in favor. Mayor Tussing said the consensus was to keep the agreement in place and not modify the restriction.

TOPIC #5	LANDFILL GAS SALES AGREEMENT
PRESENTER	
NOTES/OUTCOME	

Public Works Director Dave Mumford advised that this would be a Consent Agenda item at the July 28 Council meeting. He explained it concerned a contract with MDU for extraction and sale of methane gas from the landfill. He stated that Rick Reid from MDU was present to help answer questions. He noted that Councilmember Veis submitted several questions and most of them had been answered by him, MDU, the City’s legal staff. He explained that the consideration was for a 10-year contract with three 10 year renewable options. He said the idea was that if MDU hadn’t recovered its initial investment by the end of the 10 years, the provision was in place for MDU to continue to front the project. He said that Councilmember Stevens met with Deputy City Attorney Kelly Addy and Mr. Mumford about the project. He said the City contracted with Crowley law firm, which specifically dealt with oil and gas leases. He said the City believed it had the gas and mineral rights for the landfill from the deeds it held, but verification of those rights was very specialized and that’s what the Crowley firm would confirm. He said the depth of the mineral rights was also an issue that was being addressed. He added that the oil and gas commission also had to be consulted to determine if it needed to be involved in the well sites and how they affected the surrounding property.

Mr. Mumford said another issue was related to taxability from the owner/operator standpoint. He said the legal firm would check to make sure the City was tax exempt and would provide the necessary language to include in the contract to declare the tax-exempt status and the operations MDU would do. He said the law firm expected to complete the tasks quickly. He noted that it was a rare situation and hadn’t been done before in Montana. He said there were only a few in the nation and since he started the process, he had been contacted by other communities to find out how Billings had done it.

Mr. Mumford said there were questions about whether an RFP process was necessary. He said MDU funded a joint venture study without recognizing it would get anything from it in the end. He explained that the study looked at three ways the gas could be used: 1) converted to energy, such as electricity, and sold to a provider; 2) transferred directly to a user, such as an oil company or refinery; and 3) cleaned, processed and sold to a carrier that sold gas, such as MDU. He said it was determined that option #3 was the best option to pursue. He said it wasn’t required under City or State Code to follow a bid process for the project because it was sale of an asset. He explained that a third party, other than MDU, would have to sell the gas to MDU because it was the only carrier in the region and that would impact costs. He said MDU guaranteed purchase of 100% of the methane produced and if a third party did it, MDU only had to purchase what they had capacity for, so there would be no guarantee during the next 40-50 years that the City could always sell the methane from the landfill. He said he felt the guarantee was a very important point. He advised that a point brought up during discussion was that the gas would be less expensive to purchase from the City than from other providers and that savings would be passed on to its customers by keeping rates at a lower level.

Mr. Mumford explained that the Solid Waste Department carried a significant reserve amount as required by the Federal and State environmental groups and a portion of them were for removal of the methane gas because EPA and DEQ considered it hazardous material. Councilmember Clark asked why the City had to be worried about the rights of who owned the gas when those agencies require the City to take it out. Mr. Mumford said there were two

government agencies involved; one that said it was hazardous material that had to be removed and funds had to be carried to flare it and remove it and another group, the Oil and Gas Commission, considered the methane gas a valuable commodity whether it was in the landfill in five years or under ground in 100 years. He said the two state agencies were opposite each other. Mr. Mumford said the proposed project would turn a liability into an asset.

Councilmember Veis asked if the reserves could be used elsewhere once the contract was in place. Mr. Mumford said some of the reserves could be freed up but had to be used within Solid Waste. He said the department was starting to go into debt and the project should help offset that by freeing up the reserves. Councilmember Ruegamer asked if Mr. Mumford said the money made from the methane gas had to remain in the Solid Waste Department. Mr. Mumford responded that it didn't, but what he said was that the landfill reserves that were freed up had to remain within that department. He said the reserves to dispose of the gas totaled about \$400,000.

Mr. Mumford advised that he and City Administrator Volek have had several conversations about the revenue from the methane gas project. He said the project was outside the normal operation and the revenue could go to the General Fund and Council could determine how the funds were spent. Ms. Volek said annual revenue was estimated at approximately \$500,000 which would help offset losses or could fund other programs. Councilmember Veis commented that since that figure could fluctuate, he would recommend against using it to fund personnel. Councilmembers agreed. Mr. Mumford said it could be used for equipment, one-time expenses, etc. He said the monthly revenue would be a percentage of the current rate so it would fluctuate.

Councilmember Veis said he knew Councilmember Stevens talked about an oil and gas lease type of contract and wondered if the contract was fashioned after that or if the original agreement was used and enhanced. Mr. Mumford replied that the agreement would be a blend of the original agreement and parts of the oil and gas lease type. Councilmember McCall said Councilmember Stevens had suggested two contracts and she wondered if that was a possibility. Mr. Mumford explained that the legal firm was in the process of reviewing all the components and would likely recommend one contract used to cover both functions. Mayor Tussing commented that he never thought it sounded like a bad idea, but wanted to make sure the City was protected and the appropriate process was followed. Mr. Mumford said he felt it was in the City's best interest to spend the money with the law firm to make sure the contracts were clean and provided the necessary protection for all parties. Mr. Reid said the revenue estimates were very conservative and based on engineering estimates of how much gas was actually there. He said the test wells would provide more information regarding the amount of gas.

Councilmember Clark asked how long the methane gas field was expected to last. Mr. Reid said it was estimated there would be enough gas to heat 2000 houses each year for forty years. Mr. Mumford added that figure was based on the current amount of gas estimated to be at the landfill at this point and that it would continually increase. Councilmember Veis asked if there were three 10-year renewable options in addition to the initial 10-year contract and if a new contract would be negotiated after 40 years. Mr. Mumford said that was correct and it could be re-negotiated after 20 years. Mr. Mumford added that if MDU's test wells revealed that it wasn't a worthwhile project, the City wasn't out any money and MDU would restore the area and remove any equipment.

TOPIC #6	<i>COUNCIL STRATEGIC PLANNING</i>
PRESENTER	
NOTES/OUTCOME	

Councilmember Ulledalen advised that a strategic planning discussion began in January, but was set aside during the budget process. He said it had been a couple of years since the last Council goal setting process. He provided an outline intended to start a discussion because the group never really discussed what it tried to accomplish and goals it had, but reacted to issues as they came about. He referenced the January 2007 Strategic Plan Document and said he compiled some key points of it and that the intention of it was to make the process work better.

Councilmember Veis said he hoped the legislative priorities could be identified quickly to allow discussion at a work session with incumbent and legislative candidates. Councilmember Ulledalen advised that the Chamber was also interested in participating in the legislative meetings to include a broader base of organizations. City Administrator Volek announced that Ed Bartlett was selected as the City’s lobbyist who would also do some back-up work with the Chamber, so there would be some natural flow. She said staff met with Mr. Bartlett the previous week and staff was directed to have paperwork in by the end of July with a target date of the August 20 work session for potential legislative topics. She said items she knew would be on that list were street maintenance fees and the local opportunity tax. Councilmember Veis expressed concern that there weren’t many work sessions after August 20 to invite legislators. Councilmember Ulledalen suggested one session with all legislators invited to attend. Councilmember McCall stated she liked Councilmember Ulledalen’s idea for a collaborative effort with other organizations to pull the delegation together. Councilmember Veis said he felt they got more out of the legislators when they were there one at a time because rather than listen to other people talk, they had to give Council their individual views. Councilmember Ulledalen said he saw merit in both ways and that it was important to get with the legislators before the election.

Councilmember Clark said he felt the Council needed to set priorities even before anything came from staff because they might be entirely different from what staff identified. Councilmember Ulledalen suggested setting legislative priorities during the next work session so staff had an idea what Council thought. Councilmembers agreed and felt it was the most immediate priority. Councilmember Veis said he wouldn’t be present at the next meeting but would communicate via email. Ms. Volek noted that Mr. Bartlett could attend the meeting to observe and possibly provide feedback. Councilmember McCall suggested taking the responsibility of talking to candidates and expressing views of the Council once that decision was made. Councilmember Clark said he felt that priorities needed to be discussed as a group. Councilmember Veis stated he’d like to get a concrete feel from legislators so Council could keep them accountable when they got to the legislative session.

Councilmember Ulledalen suggested the next session addressed legislative issues and transportation issues because transportation may be part of legislation priorities. He suggested that the following session focused on strategic planning, the citizen survey, cost of services study and budget.

Councilmember Pitman asked about the cost of services study and if there was a timeline for completion. City Administrator Volek said there was a contract with Maximus, but the person conducting the study had been away from the job due to a family emergency. Ms. Volek

said it was critical to have the first phase completed by the fall. Councilmember Veis asked Assistant City Administrator Bruce McCandless if he felt the document completed by fall could be used to set budget priorities. Mr. McCandless said it depended on how much community input was wanted on that. He said a primary purpose of the study was to have something in hand to show the community what the services cost and to determine citizen priorities if those services couldn't all be funded. He said if that step was skipped, he didn't think there was any question that it could be done in the fall. Councilmember Ulledalen said he felt that a problem with the cost of services study was that no matter what results were provided, it wouldn't be perfect. He said the first part of the study might provide enough information to determine it was unnecessary to go further. He said Council needed to discuss how to use the study as it came to them in phases. City Administrator Volek said it was necessary to know what it cost to provide some services even though some were mandated and the City had to provide them. She said with some services, the question could arise whether the fee needed to be raised so that the individual who benefitted from it paid more for it than the General Fund did. She said another question was whether the service was critical to the public. Councilmember Veis said his worry was if the study results came in the fall and there wasn't a framework to have discussions and make the decisions by March, the traditional budget process would be followed. Councilmember Ulledalen said there could be enough in that front study to start shaping policy.

Councilmember Veis asked Ms. Beaudry if there was any plan for the Policy Coordinating Committee to attend a work session. Ms. Beaudry said nothing certain was scheduled. Councilmember Veis said PCC representation was discussed but no conclusion was reached. He added that the set-up of MPO needed discussion as well. Mayor Tussing said there was a meeting later in the week if someone wanted to attend and the by-laws permitted him to appoint a voting representative. Councilmember McCall said she was interested in those meetings and planned to start attending. Mayor Tussing said he was a little concerned with the participation by County Commissioners and if the Mayor should represent the City as opposed to City Councilmembers. Councilmember Veis said the discussion regarding representation suggested three councilmembers on the committee which would provide three people in tune and in touch with transportation priorities. Mayor Tussing said he wasn't comfortable with a discussion on priorities with the PCC when the discussion hadn't been held with Council. Councilmember Ulledalen said that was the point, and transportation priorities had to be discussed rather than reacting to documents. City Administrator Volek said Council adopted a transportation plan, and then it went to the PCC as well as the County Commissioners. Ms. Beaudry advised that an administrative update would be completed during the year and a full administrative update would be done in 2011. She said that was the blueprint the group worked from. Ms. Volek said the other issue was that more transitory issues were discussed at PCC in regard to funding and it was a forum for discussion on transportation funding issues. Ms. Volek said costs had risen which impacted what was predictable years ago and costs of long range projects were known. She noted that the Shiloh Road project was an example.

Councilmember Veis asked Mr. Mumford if the City was working toward becoming a certified government entity that could work under the MPO and forego the Department of Transportation. Mr. Mumford said the Department of Transportation indicated there was no way to take them out of the loop. Councilmember Veis said that could be a potential legislative item.

Councilmember Ulledalen said some transportation items could be suggested by staff for legislative priorities. Councilmember McCall said some timelines were needed for the citizen's survey if something was going to be done by fall. Mayor Tussing said she agreed with the

citizen's survey because it would help with budget priorities. Ms. Volek asked if the cost of services study could be used as well. Councilmembers agreed that would be a good idea if the study was complete in time.

Additional Information:

Councilmember Ruegamer reported he attended the League of Cities and Towns meeting the previous week. He said it was a joint meeting with MMIA and the main topic of conversation was MMIA salaries. He asked Assistant City Administrator McCandless for a list of salaries for the top five or six administrators at MMIA.

Councilmember Ruegamer said the MLCT would meet in Missoula in September and he encouraged everyone to attend. He said Alec Hanson asked for agenda items and he suggested the Department of Transportation. He said the option tax was discussed also. He said legislators had said the smaller communities wouldn't support it yet the representatives he met from those small communities didn't speak in opposition to it. He said he thought the legislators were against it, not necessarily the small community residents. He said people from the other areas would be at the MCLT meetings and that's when the legislation could be talked about and those communities could encourage their legislators to support it.

Councilmember Ruegamer said Alec Hanson supported the option tax. He said Mr. Hanson's idea regarding revenue sharing was to put it in the Treasure State Endowment Program. He said there was a suggestion to expand the capabilities of that fund so it could fund gutter to gutter improvements. He said the key to the whole thing was the revenue sharing. City Administrator Volek said while capital needs certainly existed, she was concerned with the fact that the City had a general fund that experienced decreased revenue and the Revenue and Transportation Committee of the State was talking about constraining any windfall to the cities from new taxes as a result of reappraisal. She said she was concerned about focusing those funds in area when there were needs in so many other areas. Councilmember Ruegamer and Councilmember Veis stated they were talking about the revenue sharing portion only. Councilmember Veis advised that the City didn't qualify for the endowment funds and he wanted to add that as a legislative priority.

City Administrator Volek stated she asked Finance Department staff to work on a formula regarding a fair revenue sharing number. Councilmember Veis said the good idea with the endowment fund was that it didn't matter what went on locally because all of the sharing money was pooled into the fund. Councilmember Ulledalen said another item to discuss was whether the tax was just on hotels that served meals and alcohol or a broader local option tax because the sharing impact was different. Councilmember McCall said she felt Alec Hanson would support the idea of having a clearly-defined tax. Councilmembers agreed the resort tax language should be used.

Councilmember Veis announced he would be gone July 17-30 to travel to South Africa.

Councilmember Pitman advised that he tried the King Avenue Roundabout.

City Administrator Volek reported she was approached about the 2009 and 2010 federal legislative programs. She said Bruce Putnam would retire in the fall but would participate in some behind-the-scenes work of the federal advocacy program. She said he accompanied her on some visits to the delegation and the case was made in at least one senatorial office that given the placement of the senators from Montana and relative uncertainty of the issue of earmarks, that it

was a good idea to wait until the national election before any firm decisions were made with future lobbying. She explained a plan was usually started in the fall and ready to go to the delegation by the end of December and then City representatives traveled to Washington DC in March. She added that the delegation indicated there wouldn't be any activity until after the Presidential election.

City Administrator Volek said outside requests were usually considered as part of the legislative package and two requests for support from Council had been received. She reported that one was the Rails to Trails Conservancy which hoped to double 2010 federal funding for biking and walking trails so car trips became bike trips. She reported a second set of requests from the Yellowstone Boys and Girls Ranch for matching dollars to renovate the Garfield Community Center, another to add a 12,000 square foot addition to the existing facility; a third to help for program funding for the ranch; and the last to provide family-focused treatment by telecommunications. Ms. Volek said she wanted direction from the Council how to proceed with those requests and she expected there would be others.

Mayor Tussing said he received those types of requests quite often and most times there's no conflict with the City. He suggested support of the Rails to Trails program because there would be a push for the funds whether Billings participated or not. Councilmember Ulledalen asked if the group wanted money or just support at this point. Ms. Volek said they wanted support only. She explained the group hoped to cultivate the program to 40 communities that would each seek \$50 million over six years to support active transportation. Councilmember Ulledalen asked what it involved in terms of matching funds. Ms. Volek responded that long-range planning would impact that but the City could put in for the program now and back off later.

Ms. Volek advised that the Yellowstone Boys and Girls Ranch wanted letters of support only as well. She noted that the programming and treatment funding requests would be from Health and Human Services appropriations, not transportation funds. Councilmember McCall confirmed that a letter from the Council was requested and that she would recuse herself from the issue because she worked for the Yellowstone Boys and Girls Ranch. Councilmember Ronquillo said he personally wouldn't provide a letter of support because he felt the ranch had ceased communication on Southside projects even though it was promised. Consensus was to provide letters of support for those two entities.

City Administrator Volek announced an executive session would be added to the end of the July 14 Council agenda.