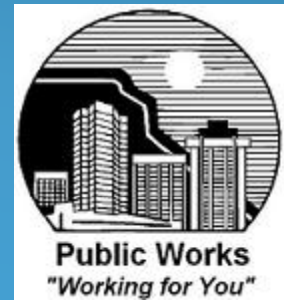


Business Plan

Public Works Department



David D. Mumford, P.E.
November 2, 2009

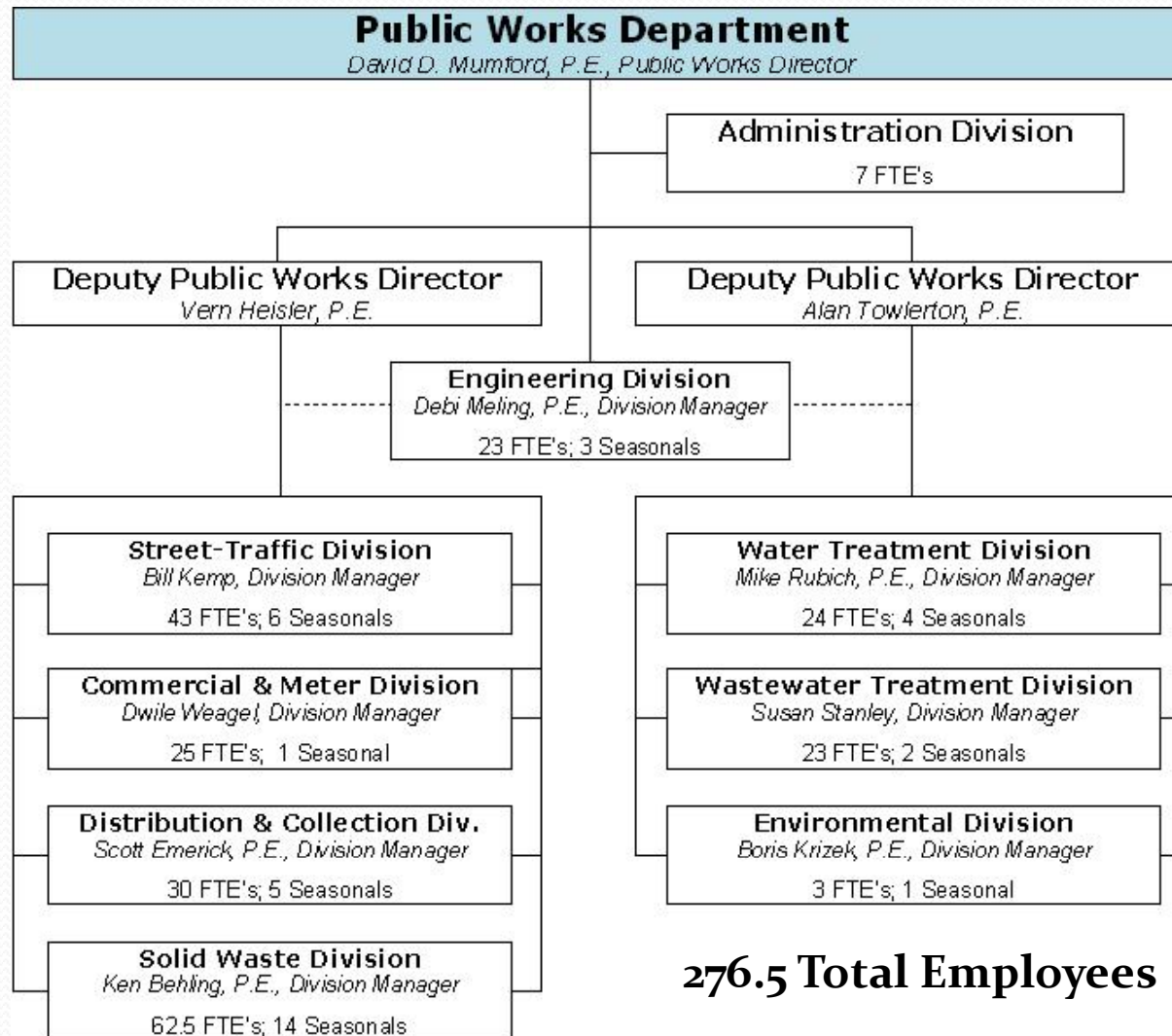




Business Plan Development

- Began to develop the business plan in the Spring of 2008
- Plan Premise: If our services were provided by another company, our customers would still choose us because of our customer services and products
- Worked with Big Sky Economic Development Authority (BSEDA)
- Impact and development through:
 - Staff
 - Community Survey
 - Realtors & Homebuilders Association Surveys
 - City Council Survey

PWD Organizational Chart





PWD Infrastructure & Facilities

- 522 roadway miles (23% increase in the last 10 years)
- 123 alley miles
- 435 water main miles
- 435 sanitary sewer main miles
- The PWD owns, operates and maintains 30 facilities throughout the community. These include office buildings, maintenance facilities, the landfill and associated structures, lift stations, water and wastewater plants, reservoirs, etc.
- **Approximate replacement cost of infrastructure & facilities is \$2.8 billion**

Public Works Facilities

Administration & Engineering Offices
Utility Offices
Solid Waste & Street-Traffic Offices/Shops
Billings Regional Landfill
Ironwood Lift Station
WTP Lift Station
Lake Hills Lift Station
Descro Central Lift Station
Sahara Sands Lift Station
Five Mile Lift Station
Rehberg Lift Station
Wastewater Plant Complex
Briarwood Treatment Plant
Water Treatment Complex
Briarwood Reservoir
Cedar Park Reservoir
Chapple Pump Station and Reservoirs
Christensen Pump Station
Fox Pump Station and Reservoir
Leavens Pump Station and Reservoir
Logan Reservoir
Staples Pump Station and Reservoirs
Thomas Pump Station
Vintage Estates Lift Station
Voelker Pump Station
Waldo Pump Station
Walter Pump Station
Willett Pump Station and Reservoir
PWD – Heights
King Avenue Lift Station

2224 Montana Avenue (Depot)
2251 Belknap Avenue
4848 Midland Road
5240 Jellison Road
62nd Street West
2251 Belknap Avenue
St. Andrews Drive
Central Ave & 26th Street W
Sahara Drive and Tabriz Street
Bitterroot Drive
Rehberg Ranch Subdivision
725 Hwy 87 East
3625 Briarwood Blvd
2251 Belknap Avenue
Hilltop 0.1 mile east of Briarwood Golf Course
Top of ridge 0.3 mile NE of Bowman Dr.
3300 Rimpoint Drive (North of the LDS Temple)
NW of State Hwy 3 & Southview Dr intersection
¼ mile Southwest of Skyview High School
401 Rimrock Road (North of MSU-B)
NW of State Hwy 3 & Southview Dr intersection
3116 - 17th Street W
2085 Santiago Blvd
Vintage Estates Subdivision
401 S 29th Street West
Mile 4.3 State Highway 3 (South of Hwy)
216 Black Otter Trail
903 Ave C
Airport Road
King Avenue



PWD Revenue Sources

Administration Division

- Cost Allocations

Solid Waste Division

- Landfill Fees
- Collection Fees

Street-Traffic Division

- Assessments
- GF for Forestry Unit
- State Reimbursements

Water & Wastewater

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

Engineering Division

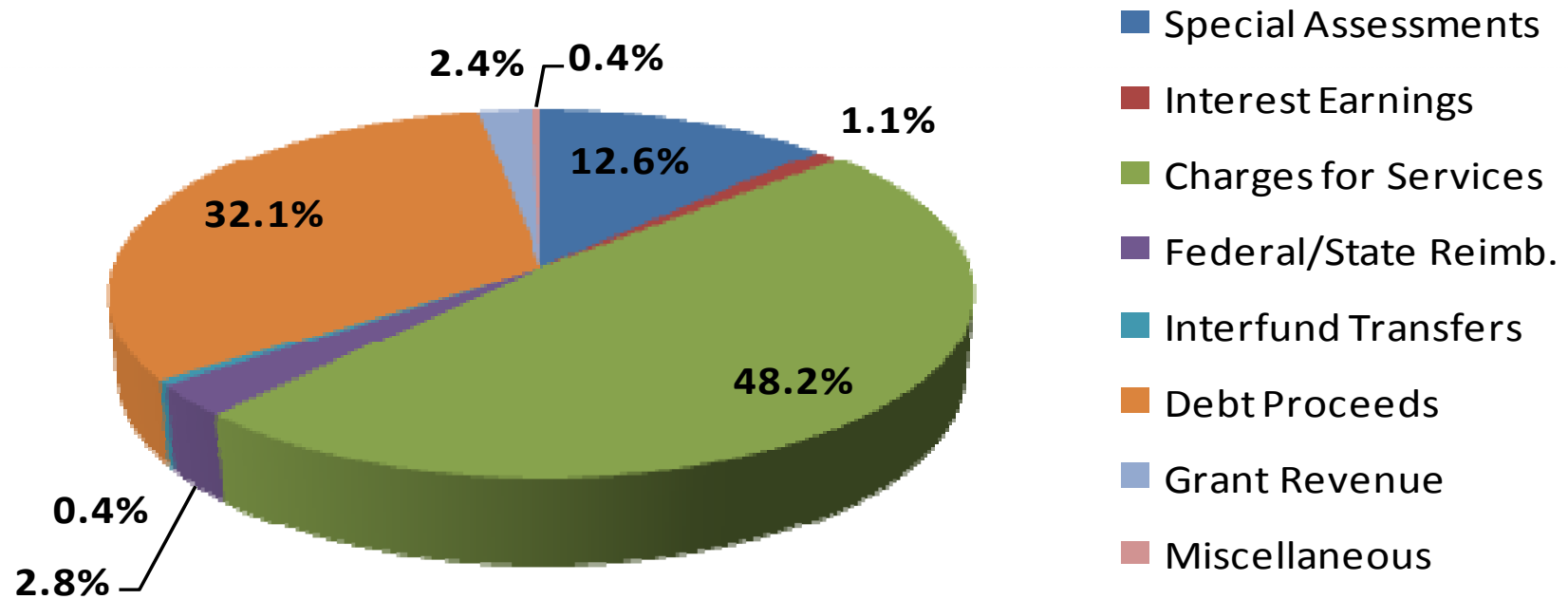
- Permit Fees
- Subdivision Review Fees
- Private Contracts
- Charges for Services

Capital Project Funds

- Gas Tax
- Special Assessments
- Tax Increment Financing
- CTEP Grants
- Sidewalk and SID Assessments

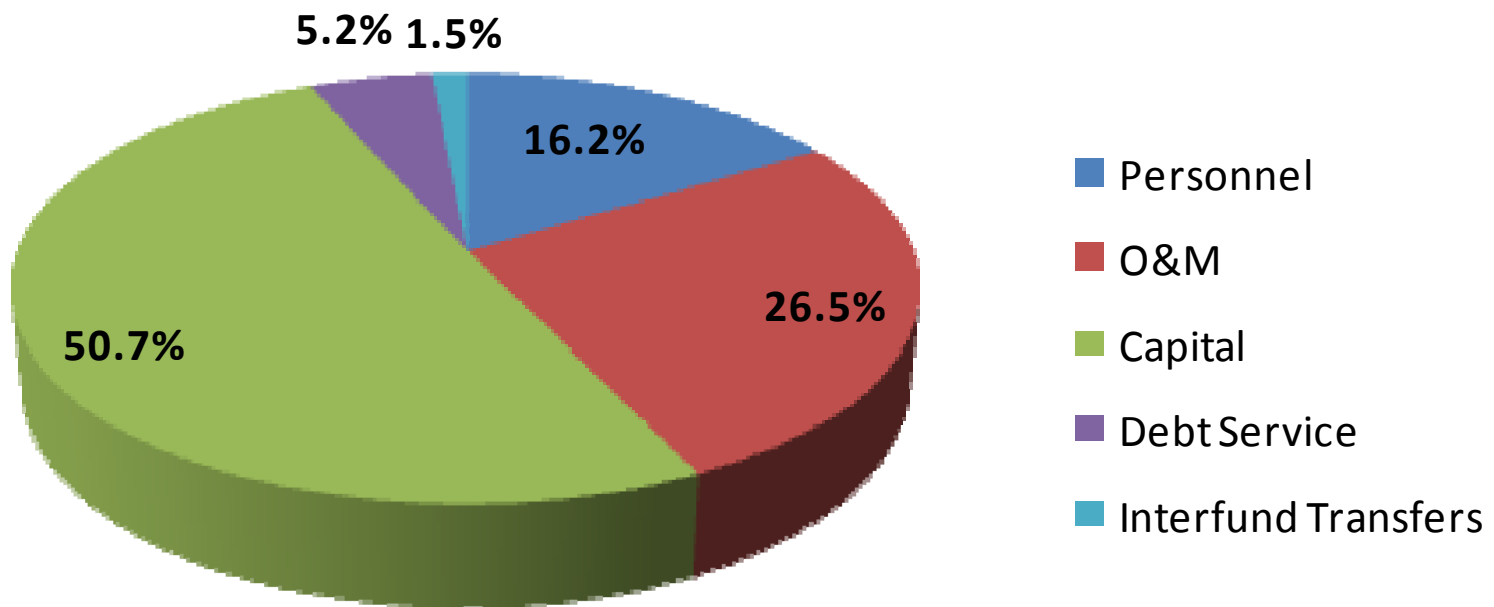
PWD Financial Plan

Public Works Revenues



PWD Financial Plan

Public Works Expenditures



Financial Focus

FOCUS	ACTIONS
1. Maintain revenues at sufficient levels to support services	<ol style="list-style-type: none">Assertively seek new or alternative revenue sourcesReview 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	<ol style="list-style-type: none">Look for cost saving measures including departmental reorganizations, efficiencies, and potential service level reductionsCarefully weight the cost and benefits of development opportunities

Financial Focus

FOCUS	ACTIONS
<p>3. Maintain fund balances/reserves at adequate levels</p>	<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
<p>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.</p>	<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

Financial Focus

FOCUS	ACTIONS
<p>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.</p>	<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.



Major Challenges

Inflation

- O&M held at 0% increase for six years
 - Reduction of 1 permanent and 6 seasonal positions in street maintenance
 - Pavement rehabilitation – current program 66 years; it should be 20 years
 - Arterial construction fee
 - Reduction in maintenance services
- 44% of fee revenue increases in last 10 years from growth

Water

- Water consumption increased 25% in the last 10 years and population 13%
- Need for new treatment plant (est. cost \$31 million)
- New reservoirs, infrastructure
- Rehabilitation program 0.5%/year or 200 year replacement



Major Challenges

Wastewater

- Rehabilitation program 0.5%/year or 200 year replacement
- New TMDL and nutrient requirements (DEQ/EPA)
 - 2 years to begin implementation
 - Estimated cost up to \$250 million

Stormwater

- MS4 Water Quality Regulations
 - \$160 million to fix existing quantity problems
 - Storm drain maintenance program for pipe replacement
 - Quality requirements



Additional Challenges

- Street maintenance – snow removal, sweeping, painting, etc.
- Traffic congestion and capacity
- Recycling
- Street standards in existing neighborhoods
- Pharmaceutical disposal
- Personnel



Strategies

Short Term (0-5 years)

- Integrated Water Plan
- Develop strategies to meet wastewater regulations
- Begin implementing wastewater regulation improvements
- Expand existing pipe bursting program to improve utility rehabilitation program
- Street-Traffic Division to begin chip seal program
- Revise street maintenance and stormwater assessment programs
- Develop new design standards to meet MS4 Permit Requirements



Strategies

Short Term (0-5 years)

- Address inflation through annual assessment increases
- Expand electronic recycling program
- Implement performance benchmarks for all divisions

Long Term

- Bring pavement rehabilitation program to 35 year program
- Utility rehabilitation program to 1% annually
- Implement MS4 Program
- Meeting wastewater TMDL and nutrient requirements
- Citywide recycling program



Conclusion

The implementation of the PWD business plan will require:

- Reallocation of staff/equipment to cover priority tasks
- Implementation of cost saving programs
- Changes in policies and procedures to improve efficiencies and meet public needs
- Changes in fees

Due to funding restrictions, if the Public Works Department is not able to implement the proposed strategies, reductions in staff and maintenance programs will be required.

This business plan is a living document and the PWD will provide the City Administrator and City Council yearly updates and performance benchmarks during annual budget presentations.



Thank You!

Q & A