

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 1

DATE 1-23-07

BILL NO. SB 245

Alec Hansen

From: Roullier, Amy [roullier.amy@dorsey.com]
Sent: Tuesday, January 23, 2007 12:30 PM
To: Hansen, Alec (E-mail); Blattie, Harold (E-mail); Embleton, Mary (E-mail)
Cc: Ellingson, Mae Nan; Roullier, Amy
Subject: Senate Bill 245 - Revise Local Government Debt Limits
Importance: High

MAE NAN ELLINGSON
 ellingson.mae.nan@dorsey.com

MEMORANDUM

TO: Senator Dan McGee
via e-mail and fax

CC: Alec Hansen
 Harold Blattie
 Mary Embleton

FROM: Mae Nan Ellingson
DATE: January 23, 2007
RE: Senate Bill 245 - Revise Local Government Debt Limits

In my experience as serving as bond counsel to a great number of Montana local governments, an increase in the statutory debt limits for Montana cities, towns and in particular, the smaller and mid-size cities is needed.

However, I don't know whether the 2.5% is the right percentage. Attached is a list showing the debt capacities of Montana cities and towns as they currently exist and as they would be with the increase proposed by SB 245. What I know is that many local governments cannot issue general obligation bonds in a sufficient amount to address their legitimate government purposes.

A couple of examples should illustrate the need for an increase in the debt limits.

Three years ago, the Townsend Town Council responding to complaints about the state of its streets and roads, proposed to finance a portion of the costs of paving the Towns unpaved streets and improving the existing paved streets by chip sealing and adding a two inch base of asphalt. The total construction cost alone was \$2,697,000. A general obligation bond put to the vote of the taxpayers would have been the most logical or cost effective method of financing available to a local government for improvement of the town's streets. At the time, the Town's debt limit was \$645,000. Under the proposed increase, their statutory debt limit would still not allow the issuance by the Town of general obligation debt, even if the voters approved it.

1/23/2007

The fact the Town couldn't issue general obligation bonds did not make the problem go away and did not lessen the public support for the project. The Town's only choice was to create multiple, special improvement districts and issue special improvement district bonds to pay the costs of the improvements.

The process for creating the special improvement district is more cumbersome, the financing is more expensive because revolving funds have to be financed, and the interest rate on special improvement district bonds is often a full percentage higher than a general obligation bond from the same community. Moreover, the impact to the individual property owners of a special assessment as opposed to a tax is certainly less favorable, in that the principal amount of special assessment becomes a lien against the property.

The Town of Ennis has a similar problem. Its current debt capacity is \$587,240. It too suffers from a lack of paved streets and no storm water drainage system. The engineers provided an estimate of \$5,454,000 to rebuild, regrade, pave and add curbs and gutters to all roads. A more affordable option consisting of repairing the existing paved roads and to pave the gravel roads would cost \$1,826,000. So even with the proposed increase in the statutory debt limit, which would bring their debt limit to \$972,251, it would not allow the Town to submit to the voters the question of issuing general obligation bonds for this project.

Fort Benton has similar needs but not enough debt capacity. Given that, the town will have no option other than using special improvement districts to install the needed improvements.

At least with road improvements that abut every street in town, the municipalities do have the option of special improvements districts if they can't issue general obligation bonds.

Over the last few years we have had several smaller cities needing to purchase fire engines, or other fire fighting equipment, but they lacked the debt capacity to issue a general obligation bond to purchase such items.

I don't think there is any question that an increase of 2.5% will be helpful for many of the municipalities, but for some it will not enable them to provide some of the basic services they need to purchase.

I understand that everyone is reluctant to increase property taxes which increasing the debt limit may do, but please keep in mind, the general obligation debt cannot be authorized without a vote of the people.

I would be happy to work further on this issue. Perhaps a graduated percentage limitation should be considered.

mne/alr
Attachment

<<City and Town Debt Limit Calculations.pdf>> <<Proposed County Debt Limit Calculations.pdf>> <<Current County Deb Limitation Amounts.pdf>>

Amy L. Roullier
Legal Assistant

1/23/2007

**Tax Year 2006 (for Fiscal Year 2007 Use)
Market Value and Debt Limit of Cities & Towns**

City/Town	Taxable Value	Market Value	Current Debt Limitation	Proposed Debt Limitation	Increase of Limitation
Alberton	\$393,457	\$10,377,827	\$156,705	\$259,446	\$102,740
Anaconda	\$4,223,888	\$115,455,549	\$1,743,379	\$2,886,389	\$1,143,010
Bainville	\$96,384	\$2,659,357	\$40,156	\$66,484	\$26,328
Baker	\$1,210,800	\$30,625,197	\$462,440	\$765,630	\$303,189
Bearcreek	\$105,066	\$2,911,131	\$43,958	\$72,778	\$28,820
Belgrade	\$8,179,911	\$226,983,257	\$3,427,447	\$5,674,581	\$2,247,134
Belt	\$399,443	\$12,087,113	\$182,515	\$302,178	\$119,662
Big Sandy	\$490,760	\$14,579,893	\$220,156	\$364,497	\$144,341
Big Timber	\$2,982,239	\$99,683,016	\$1,505,214	\$2,492,075	\$986,862
Billings	\$142,193,133	\$4,038,157,759	\$60,976,182	\$100,953,944	\$39,977,762
Boulder	\$793,488	\$21,494,741	\$324,571	\$537,369	\$212,798
Bozeman	\$64,102,907	\$1,753,724,579	\$26,481,241	\$43,843,114	\$17,361,873
Bridger	\$682,175	\$17,803,109	\$268,827	\$445,078	\$176,251
Broadus	\$310,290	\$9,820,864	\$148,295	\$245,522	\$97,227
Broadview	\$240,524	\$4,818,231	\$72,755	\$120,456	\$47,700
Brockton	\$66,513	\$1,795,138	\$27,107	\$44,878	\$17,772
Browning	\$404,112	\$11,269,769	\$170,174	\$281,744	\$111,571
Cascade	\$640,105	\$18,317,003	\$276,587	\$457,925	\$181,338
Chester	\$695,055	\$20,321,053	\$306,848	\$508,026	\$201,178
Chinook	\$1,019,036	\$29,107,869	\$439,529	\$727,697	\$288,168
Choteau	\$1,430,241	\$41,821,234	\$631,501	\$1,045,531	\$414,030
Circle	\$550,614	\$17,768,944	\$268,311	\$444,224	\$175,913
Clyde Park	\$328,866	\$9,708,300	\$146,595	\$242,708	\$96,112
Colstrip	\$72,406,623	\$1,259,319,003	\$19,015,717	\$31,482,975	\$12,467,258
Columbia Falls	\$5,188,265	\$144,668,937	\$2,184,501	\$3,616,723	\$1,432,222
Columbus	\$6,198,306	\$182,036,051	\$2,748,744	\$4,550,901	\$1,802,157
Conrad	\$2,090,044	\$60,611,693	\$915,237	\$1,454,681	\$539,444
Culbertson	\$443,447	\$12,898,592	\$194,769	\$322,465	\$127,696
Cut Bank	\$2,230,175	\$69,611,035	\$1,051,127	\$1,740,276	\$689,149
Darby	\$817,730	\$22,893,856	\$345,697	\$572,346	\$226,649
Deer Lodge	\$2,446,460	\$68,206,701	\$1,029,921	\$1,705,168	\$675,246
Denton	\$236,090	\$6,328,794	\$95,565	\$158,220	\$62,655
Dillon	\$4,133,023	\$120,846,900	\$1,824,788	\$3,021,172	\$1,196,384
Dodson	\$58,779	\$1,415,122	\$21,368	\$35,378	\$14,010
Drummond	\$348,681	\$8,560,892	\$129,269	\$214,022	\$84,753
Dutton	\$246,090	\$7,098,802	\$107,192	\$177,470	\$70,278
East Helena	\$2,401,801	\$72,853,657	\$1,100,090	\$1,821,341	\$721,251
Ekalaka	\$176,805	\$5,526,441	\$83,449	\$138,161	\$54,712
Ennis	\$1,651,518	\$38,890,052	\$587,240	\$972,251	\$385,012
Eureka	\$948,997	\$28,914,594	\$436,610	\$722,865	\$286,254
Fairfield	\$961,930	\$26,388,396	\$398,465	\$659,710	\$261,245
Fairview	\$350,138	\$10,158,042	\$153,386	\$253,951	\$100,565
Flaxville	\$40,106	\$1,162,983	\$17,561	\$29,075	\$11,514
Forsyth	\$1,332,546	\$38,449,806	\$580,592	\$961,245	\$380,653
Fort Benton	\$1,463,932	\$40,705,973	\$614,660	\$1,017,649	\$402,989

City/Town	Taxable Value	Market Value	Current	Proposed	Increase
Fort Peck	\$215,030	\$6,374,647	\$96,257	\$159,366	\$63,109
Froid	\$105,630	\$3,109,312	\$46,951	\$77,733	\$30,782
Fromberg	\$271,853	\$7,705,118	\$116,347	\$192,628	\$76,281
Geraldine	\$192,753	\$5,312,047	\$80,212	\$132,801	\$52,589
Glasgow	\$2,540,551	\$71,480,964	\$1,079,363	\$1,787,024	\$707,662
Glendive	\$4,352,813	\$104,034,971	\$1,570,928	\$2,600,874	\$1,029,946
Grass Range	\$76,784	\$2,449,139	\$36,982	\$61,228	\$24,246
Great Falls	\$70,925,052	\$2,034,598,635	\$30,722,439	\$50,864,966	\$20,142,526
Hamilton	\$7,299,084	\$191,807,275	\$2,896,290	\$4,795,182	\$1,898,892
Hardin	\$2,568,824	\$73,183,132	\$1,105,065	\$1,829,578	\$724,513
Harlem	\$514,115	\$14,347,927	\$216,654	\$358,698	\$142,044
Harlowtown	\$831,493	\$21,016,476	\$317,349	\$525,412	\$208,063
Havre	\$7,787,223	\$219,191,468	\$3,309,791	\$5,479,787	\$2,169,996
Helena	\$47,281,109	\$1,310,988,546	\$19,795,927	\$32,774,714	\$12,978,787
Hingham	\$160,750	\$4,272,185	\$64,510	\$106,805	\$42,295
Hobson	\$197,450	\$4,787,830	\$72,296	\$119,696	\$47,400
Hot Springs	\$387,355	\$12,515,721	\$188,987	\$312,893	\$123,906
Hysham	\$172,499	\$5,542,025	\$83,685	\$138,551	\$54,866
Ismay	\$33,600	\$988,757	\$14,930	\$24,719	\$9,789
Joliet	\$476,008	\$13,414,830	\$202,564	\$335,371	\$132,807
Jordan	\$225,800	\$6,933,075	\$104,689	\$173,327	\$68,637
Judith Gap	\$109,477	\$2,475,584	\$37,381	\$61,890	\$24,508
Kalispell	\$32,359,598	\$890,040,296	\$13,439,608	\$22,251,007	\$8,811,399
Kevin	\$129,014	\$2,498,792	\$37,732	\$62,470	\$24,738
Laurel	\$5,996,441	\$164,170,510	\$2,478,975	\$4,104,263	\$1,625,288
Lavina	\$158,022	\$3,499,266	\$52,839	\$87,482	\$34,643
Lewistown	\$5,559,307	\$155,022,614	\$2,340,841	\$3,875,565	\$1,534,724
Libby	\$2,473,303	\$74,747,596	\$1,128,689	\$1,868,690	\$740,001
Lima	\$196,285	\$6,078,543	\$91,786	\$151,964	\$60,178
Livingston	\$9,510,143	\$259,258,773	\$3,914,807	\$6,481,469	\$2,566,662
Lodge Grass	\$96,911	\$3,105,522	\$46,893	\$77,638	\$30,745
Malta	\$1,650,218	\$44,089,858	\$665,757	\$1,102,246	\$436,490
Manhattan	\$2,091,315	\$56,424,933	\$852,016	\$1,410,623	\$558,607
Medicine Lake	\$111,659	\$3,436,601	\$51,893	\$85,915	\$34,022
Melstone	\$103,740	\$2,621,123	\$39,579	\$65,528	\$25,949
Miles City	\$6,627,138	\$191,873,648	\$2,897,292	\$4,796,841	\$1,899,549
Missoula	\$99,343,579	\$2,867,370,829	\$43,297,300	\$71,684,271	\$28,386,971
Moore	\$213,955	\$5,678,380	\$85,744	\$141,960	\$56,216
Nashua	\$194,851	\$5,484,706	\$82,819	\$137,118	\$54,299
Neihart	\$253,227	\$7,233,345	\$109,224	\$180,834	\$71,610
Opheim	\$77,188	\$2,397,319	\$36,200	\$59,933	\$23,733
Outlook	\$44,489	\$1,262,780	\$19,068	\$31,570	\$12,502
Phillipsburg	\$913,489	\$25,392,635	\$383,429	\$634,816	\$251,387
Pinesdale	\$240,389	\$7,616,561	\$115,010	\$190,414	\$75,404
Plains	\$1,077,146	\$31,966,905	\$482,700	\$799,173	\$316,472
Plentywood	\$1,292,553	\$39,526,932	\$596,857	\$988,173	\$391,317
Plevna	\$69,488	\$1,970,444	\$29,754	\$49,261	\$19,507
Polson	\$6,794,554	\$207,542,005	\$3,133,884	\$5,188,550	\$2,054,666
Poplar	\$348,372	\$9,219,095	\$139,208	\$230,477	\$91,269
Red Lodge	\$4,981,529	\$141,601,393	\$2,138,181	\$3,540,035	\$1,401,854
Richey	\$128,322	\$3,906,468	\$58,988	\$97,662	\$38,674
Ronan	\$1,642,715	\$52,263,159	\$789,174	\$1,306,579	\$517,405

City/Town	Taxable Value	Market Value	Current	Proposed	Increase
Roundup	\$1,450,315	\$41,114,039	\$620,822	\$1,027,851	\$407,029
Ryegate	\$175,099	\$4,529,587	\$68,397	\$113,240	\$44,843
Saco	\$229,442	\$4,039,000	\$60,989	\$100,975	\$39,986
Scobey	\$715,564	\$21,381,208	\$322,856	\$534,530	\$211,674
Shelby	\$2,882,128	\$89,638,946	\$1,353,548	\$2,240,974	\$887,426
Shendan	\$784,032	\$22,553,590	\$340,559	\$563,840	\$223,281
Sidney	\$3,708,767	\$109,114,220	\$1,647,625	\$2,727,856	\$1,080,231
St. Ignatius	\$514,776	\$18,044,578	\$272,473	\$451,114	\$178,641
Stanford	\$328,653	\$9,483,139	\$143,195	\$237,078	\$93,883
Stevensville	\$2,117,188	\$59,136,613	\$892,963	\$1,478,415	\$585,452
Sunburst	\$295,992	\$8,965,709	\$135,382	\$224,143	\$88,761
Superior	\$924,625	\$26,365,150	\$398,114	\$659,129	\$261,015
Terry	\$372,923	\$10,277,707	\$155,193	\$256,943	\$101,749
Thompson Falls	\$1,226,078	\$35,931,098	\$542,560	\$898,277	\$355,718
Three Forks	\$1,988,139	\$55,462,315	\$837,481	\$1,386,558	\$549,077
Townsend	\$1,533,050	\$42,727,891	\$645,191	\$1,068,197	\$423,006
Troy	\$723,159	\$21,554,636	\$325,475	\$538,866	\$213,391
Twin Bridges	\$419,991	\$12,917,514	\$195,054	\$322,938	\$127,883
Valier	\$522,136	\$15,117,949	\$228,281	\$377,949	\$149,668
Virginia City	\$311,460	\$9,304,633	\$140,500	\$232,616	\$92,116
Walkerville	\$356,179	\$9,466,043	\$142,937	\$236,651	\$93,714
West Yellowstone	\$4,553,803	\$138,505,556	\$2,091,434	\$3,462,639	\$1,371,205
Westby	\$86,178	\$2,604,907	\$39,334	\$65,123	\$25,789
White Sulphur Springs	\$923,782	\$25,923,297	\$391,442	\$648,082	\$256,641
Whitefish	\$20,810,835	\$577,027,575	\$8,713,116	\$14,425,689	\$5,712,573
Whitehall	\$980,590	\$26,385,574	\$398,422	\$659,639	\$261,217
Wibaux	\$319,462	\$8,907,993	\$134,511	\$222,700	\$88,189
Winifred	\$121,216	\$3,840,709	\$57,995	\$96,018	\$38,023
Winnett	\$83,919	\$2,711,547	\$40,944	\$67,789	\$26,844
Wolf Point	\$1,328,252	\$37,275,946	\$562,867	\$931,899	\$369,032
Total	\$719,902,399	\$19,572,976,619	\$295,551,947	\$375,425,801	\$193,711,857

**Tax Year 2006 (for Fiscal Year 2007 Use)
Market Value and Debt Limit of Counties**

County	Taxable Value	Market Value	Debt Limitation (with proposed 2.5% increase)
Beaverhead	\$16,315,301	\$490,596,382	\$12,264,910
Big Horn	\$20,284,043	\$695,463,089	\$17,386,577
Blaine	\$12,145,187	\$316,186,711	\$7,904,668
Broadwater	\$10,246,303	\$260,091,192	\$6,502,280
Carbon	\$28,709,760	\$698,596,330	\$17,464,908
Carter	\$5,869,968	\$136,381,395	\$3,409,535
Cascade	\$112,851,609	\$3,315,675,178	\$82,891,879
Chouteau	\$19,967,109	\$529,534,540	\$13,238,364
Custer	\$14,287,435	\$415,455,339	\$10,386,383
Daniels	\$4,691,111	\$144,434,519	\$3,610,863
Dawson	\$14,841,406	\$387,247,103	\$9,681,178
Deer Lodge	\$10,345,020	\$296,051,379	\$7,401,284
Fallon	\$17,658,969	\$298,555,203	\$7,463,880
Fergus	\$22,890,088	\$632,220,936	\$15,805,523
Flathead	\$179,564,103	\$6,056,947,702	\$151,423,693
Gallatin	\$181,081,364	\$5,518,104,168	\$137,952,604
Garfield	\$4,738,325	\$150,642,323	\$3,766,058
Glacier	\$19,404,333	\$396,686,403	\$9,917,160
Golden Valley	\$4,840,523	\$98,816,333	\$2,470,408
Granite	\$9,324,913	\$296,155,592	\$7,403,890
Hill	\$27,988,794	\$755,441,728	\$18,886,043
Jefferson	\$20,940,973	\$589,657,710	\$14,741,443
Judith Basin	\$10,015,215	\$226,755,824	\$5,668,896
Lake	\$53,772,968	\$1,764,930,753	\$44,123,269
Lewis And Clark	\$95,718,869	\$2,763,699,935	\$69,092,498
Liberty	\$7,114,566	\$203,576,627	\$5,089,416
Lincoln	\$26,988,890	\$1,128,712,323	\$28,217,808
Madison	\$44,782,040	\$1,293,349,978	\$32,333,749
McCone	\$5,906,318	\$183,746,492	\$4,593,662
Meagher	\$7,463,065	\$210,585,442	\$5,264,636
Mineral	\$8,324,414	\$250,513,412	\$6,262,835
Missoula	\$178,546,389	\$5,779,793,837	\$144,494,846
Musselshell	\$7,031,986	\$217,751,166	\$5,443,779
Park	\$32,990,679	\$1,004,675,667	\$25,116,892
Petroleum	\$1,570,674	\$49,611,498	\$1,240,287
Phillips	\$14,294,394	\$312,029,229	\$7,800,731
Pondera	\$12,173,729	\$340,474,060	\$8,511,852
Powder River	\$4,084,434	\$126,598,050	\$3,164,951
Powell	\$11,732,149	\$382,586,994	\$9,564,675
Prairie	\$3,267,067	\$92,555,806	\$2,313,895
Ravalli	\$64,468,316	\$2,008,322,565	\$50,208,064
Richland	\$17,926,571	\$530,984,678	\$13,274,617
Roosevelt	\$23,620,540	\$428,216,465	\$10,705,412
Rosebud	\$91,541,991	\$1,803,496,920	\$45,087,423

Sanders	\$29,187,171	\$877,739,736	\$21,943,493
Sheridan	\$7,981,017	\$239,129,121	\$5,978,228
County	Taxable Value	Market Value	Debt Limitation
Silver Bow	46,613,831	\$1,796,326,331	\$44,908,158
Stillwater	\$30,462,511	\$842,641,915	\$21,066,048
Sweet Grass	\$15,806,506	\$487,805,677	\$12,195,142
Teton	\$14,200,163	\$403,096,844	\$10,077,421
Toole	\$14,237,726	\$380,255,160	\$9,506,379
Treasure	\$3,673,569	\$83,955,336	\$2,098,883
Valley	\$23,781,162	\$484,912,603	\$12,122,815
Wheatland	\$11,837,312	\$331,620,801	\$8,290,520
Wibaux	\$3,168,700	\$81,940,503	\$2,048,513
Yellowstone	\$230,137,925	\$6,941,428,966	\$173,535,724
Total	\$1,913,409,494	\$56,532,761,968	\$1,413,319,049