

Mayor Engen Talks About Taxes

As mayor of the City of Missoula, I've presented seven budgets to the City Council, and each year I get similar, reasonable questions from concerned citizens any time there's a proposed tax increase. I appreciate the concern folks have over higher taxes, and I don't suggest increases without careful consideration. Our budget is the product of balancing the interests of nearly 70,000 citizens, and I take the challenge of balancing those interests and paying for that balancing act very seriously. (I'm also a citizen of the City of Missoula and share in the consequences of the taxing decisions I make in cooperation with the City Council.)

While there are a variety of questions and concerns that citizens bring me during our budget process, a couple of themes emerge again and again, which I will attempt to address here.

First, why doesn't the City just "tighten its belt," the way citizens do when resources are scarce?

The question assumes that the idea of conserving resources, saving money and holding the line on taxes happens only once a year, during the budget cycle. In fact, City staff members and elected officials are engaged every day in finding ways to be more effective and efficient. By changing the way we buy and operate computers, for example, the City has saved hundreds of thousands of dollars over the last five years in hardware, labor and power costs. We manage our finances through strict policies that have ensured a strong credit rating, saving millions of dollars every year. We've purchased more fuel-efficient vehicles when we've needed to replace our cars and trucks, and, in some cases, we've ignored our replacement schedule and kept older vehicles in operation, providing they didn't pose a safety hazard or cost more to maintain than a newer vehicle. We've retrofitted many of the systems in our buildings, which will conserve energy and save millions of dollars.

And we have tightened the belt. In 2010 and 2011, we cut our operating budget by about 6 percent, or roughly \$2.5 million. And we didn't raise taxes. In 2011, all employees, including those with contractually guaranteed wage increases, accepted a pay freeze. In 2010, all department directors' wages were frozen. We laid a few folks off and didn't replace a variety of vacant positions. And we took those steps while revenues from the state and federal government declined and investment income dwindled to almost nothing.

All this while, the demand for services continues to increase. We patched hundreds of potholes and paved miles of streets in the wake of the winter of 2011. We added new parks to our system as a product of subdivision and hear constantly from citizens who want more mowing, more irrigation, better fields, more attractive medians. We want more law enforcement, less speeding, safer streets, more sidewalks and bike lanes, better trails. We're trying to meet those needs while continuing to provide the basic services and infrastructure that make a city livable.

And I've rejected millions of dollars of requests for additional funds from inside and outside the organization to arrive at this budget.

Second, why should City employees get raises and have health insurance when taxpayers in the private sector aren't making more money or participating in a decent health plan?

The City of Missoula engages in collective bargaining with eight different unions; those negotiations often boil down to matters of compensation, and compensation is about the cost of living, internal wage equity and competitiveness in the marketplace. In the case of salary negotiations for police, for example, the latest contract calls for 3-percent increases in compensation, some of which is in direct wages and the rest in insurance and retirement contributions (some of which are mandated by the state). We invest more than \$80,000 in training an individual police officer before he or she is allowed to work alone in the community. As mayor, I have a responsibility to protect that investment and to attract and retain the best police officers to serve our community. Our police officers were among the lowest paid in the state in 2006; they are now on par with other communities, which means we're hiring from a competitive pool and training officers who will be with us for the long haul, as opposed to training folks to work in another jurisdiction. Well-trained, fairly compensated police officers ensure a safe community and temper liability risk, which saves millions of dollars in the long run. Similar comparisons can be made with employees throughout our organization. As the chief executive of this municipal corporation, I believe we have the means and the responsibility to pay fairly and to attract and retain the best public servants we can.

Similarly, by providing health insurance to our employees, we temper community costs that are a product of the uninsured, maintain a healthier workforce through the preventive nature of our program (also saving money in the long term), remain competitive and fulfill what I believe is a moral obligation to provide a basic safety net for families of City employees.

I've owned and operated two small businesses and provided health insurance for employees for the reasons I've mentioned here and because I believed it was the right thing to do. I think the majority of Missoula's citizens, as shareholders in our municipal corporation, want us to lead by example and be the best employer we can be, without taking advantage of our citizens' magnanimity. And as a citizen and a taxpayer, I believe it's the right thing to do.

Most of the property taxes we collect pay the salaries of the women and men who do the daily work of the City of Missoula. About 40 percent of those tax dollars go to police and fire salaries and operations.

The City of Missoula gets about 30 percent of the taxes on your annual tax bill, sometimes a little more if you are part of a Special Improvement District (sewer, sidewalks). About 50 percent goes to education, local and statewide schools and the university system. The remainder, about 20 percent, goes to the county, state and the urban transportation district.

Your 30 percent of the total bill provides 24-hour police and fire protection, snow plowing and street paving, animal control and shelter, parks and open space improvements and maintenance, recreation programs for all ages, a health department that keeps restaurants safe and protects air and water quality, a municipal court that metes out justice for crime victims and perpetrators, attorneys who prosecute DUIs and domestic-violence crimes, safety checks of buildings and

permitting for new land uses, maintenance of a city cemetery and much more. And our costs for providing those services increase every year.

There are pieces of what we do every day that I guarantee at least a few citizens don't like, including me. But I'm balancing interests here; we're all balancing interests. This year's tax increase pays for some raises, as well as police and firefighter positions that were funded with federal grants that expired. We're making some changes in parks, doing some minor remodeling to improve citizen service and our neighborhood program, and more.

A good, well-run city ensures that businesses can start, grow and prosper; that kids can be safe and get an education; that people can get around in their lives and tend to their daily business; that families can enjoy a clean, safe, interesting community; that folks have decent places to live, clean water to drink and clear air to breathe. We do the work that allows life to go on in our place every day. It costs some of us more than others, and that's just the way it is. It is not always fair, for sure. And sometimes, when we can't control the price of a gallon of gas or the interest rate on our mortgages or whether our jobs are secure, government becomes a source of frustration because it's messy and complex and has to meet all sorts of interests, some of which we don't come close to sharing.

But all of the good stuff we do has a price that seems modest to me still, given the value. I'll pay about \$1,300 in city taxes this year, outside of Special Improvement District assessments. That's about \$3.50 a day for all of my city services. Next year, if this budget is approved at about where it is, I'll pay about \$1,340, or about \$3.67 per day.

And while some folks think it's clichéd, I think it's important to think about what else you pay that much for every day and compare the value.

In the end, we may have a difference of opinion as to how we ought to invest collectively in our community through taxes, and our system is built to accommodate that difference. If we do indeed disagree on this topic, I want you to know that I respect differing opinions, use them to inform my decisions and appreciate that folks take the time to express them in a thoughtful, collaborative way.

We'll continue to work every day to cut costs and find new sources of revenue. In the meantime, if we collectively pay a modest amount more each year to run the city, we'll maintain a great place.

Finally, if you qualify based on income, some or all of your property tax may be abated. If you're interested in that program, please contact Marty Rehbein at mrehbein@ci.missoula.mt.us.

Thanks again for your interest.

John Engen
Mayor

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