

PROCEEDINGS OF THE CITY COUNCIL
Rapid City, South Dakota

August 6, 2018

Pursuant to due call and notice thereof, a Special meeting of the City Council of the City of Rapid City was held at the City/School Administration Center in Rapid City, South Dakota on Monday, August 6, 2018 at 5:30 P.M.

The following members were present: Mayor Steve Allender and the following Alderpersons: Lisa Modrick, Darla Drew, Becky Drury, Ritchie Nordstrom, Jason Salamun, Chad Lewis, John B Roberts, Amanda Scott and Laura Armstrong; and the following Alderpersons arrived during the course of the meeting: Steve Laurenti; and the following were absent: NONE.

Staff members present included: Finance Officer Pauline Sumption, Deputy Finance Officer Tracy Davis and Administrative Coordinator Heidi Weaver-Norris.

2019 Mayor's Budget Presentation

Scott opened the meeting and introduced Mayor Allender. Mayor stated he would be giving a summary of the 2019 proposed budget. He wanted the public to know there would be no vote on the budget tonight. He said copies of the presentation would be provided to the council members after the meeting.

The mayor gave some facts regarding Socio-Economic Conditions. He said South Dakota's Gross Domestic Product (GDP) growth in 2017 was .3%. SD is ranked 45th out of 50 states (18th last year): Nationally, GDP rose 2.1%. Personal income grew 1.4% in 2017 in SD. He drew attention to the SD non-farm income increased by 2.6% and the SD farm income declined by 41.8% with a 6.9% decline nationally.

Regarding tourism, the tourism tax collection was \$853 million statewide in 2017. This was an increase by 2.7% from 2016. Tourism tax collection was \$244 million in Pennington County or 28.6% of SD. Rapid City Gross Municipal receipts tax (BBB) taxable sales increased by 3.35% in 2017. RC Regional Airport set record with 595,936 passengers flying to or from RCRA in 2017.

The Rapid City Building Permit Totals have gone from \$244,253,223 in 2013 to \$320,054,359 in 2016 and \$302,570,950 in 2017. The good news is that GDP, non-farm income, taxable sales, population, tourism, BBB and enplanements are all up. Farm income decreased tremendously.

Some of the 2019 budget highlights are as follows: General Fund Revenue is up .95% from \$65,513,350 in 2018 to \$66,132,849 in 2019. The Sales tax and property tax are the largest percentage for general fund revenue. Regarding the general fund expenditures, the Mayor's Office is up \$18% because they took on the salary of the communication position. The mayor felt the Council contingency fund should be at \$50,000 in case there is a need for studies or other last minute expenditures. Community Development is up 12% with the additional expense of funding the transportation study. City hall maintenance is up 28% since the city is taking over the city/school administration building. The Black Hills Council of Government is up from \$17,500 to \$47,500. The Chamber of Commerce is budgeted to receive \$37,000 instead of \$34,000 as in 2018. The Journey Museum, Cornerstone, Lifeways, Performing Arts, Early Childhood Connections, Arts Contingency and Human Services Con. Are all budgeted to receive 2.2% less this year.

The General Fund Expenses are broken down into Public Safety at 50%, Public Works at 19%, Parks and Recreation at 13%, Administration at 6%, and everything else totaling 12%. Some

major challenges have been overreliance on sales tax revenue. Sales tax is the most volatile source of the city's revenue. It's challenging to balance the 2019 budget. The revenue is not keeping up with the expenses. There is an increased need and expectation on human services delivery. He stated it's a challenge balancing vs creating a sustainable budget.

The mayor stated other challenges are multi-year union contracts are executed without regard for city's revenue. 2019 reductions made only partially on PBB and citizen survey data. This was intended for reallocation, not reduction. There is a challenge with the lack of consensus with the use of undesignated cash and reserve policy.

Major opportunities are seen as fee adjustments through building permits; CDBG grant through the BH council of local government; looking for new grant administration partner; He would like the BH council to take over the current open position in CDBG. New sales tax revenue forecast methodology: based on past performance and current trends, better for long-term financial planning. Future of online sales tax submissions is an opportunity. Arena construction and the Vision Fund process are opportunities. The Population is increasing, the building industry is booming, Mt. Rushmore Road corridor is complete and Elevate Rapid City is great as well. Laurenti joined the meeting at 5:50 p.m.

The mayor spoke on new sales tax forecasting methodology. He talked about the current method versus the new method. He spoke on the building permit fee analysis. Regarding the public service survey and the question of "If revenue does not keep pace with growth and demand for services, which of the following options would you prefer the City use to balance the budget in the following service areas" the public chose to raise user fees for land use, planning and zoning, code enforcement and building permits and inspections.

The mayor spoke of underestimated valuations, fee schedules have not been updated in 25 years. He said with inflation, more of the projects value falls in a lower fee bracket and most projects will have a fee decrease.

In summary, the general fund budget is balanced. The city services will remain mostly as they are today. Some of Rapid City's budget woes are self-imposed. Sales tax collections are susceptible to negative influence from various sources. Protecting the City's interests is the same as protecting the tax payer interest.

The mayor said to shop locally to support your community. He said his office will make this presentation and documents available. Mayor was done speaking at 6:14 p.m. Scot said she would like to hold one or two more budget hearings in the future.

Sumption said a survey will go out tomorrow regarding other meeting dates. Two readings need to be approved before October 1. Motion was made by Salamun, second by Laurenti to acknowledge. Salamun thanked the mayor and city staff on their work. He said our economy has a big impact by the agriculture community. He would like to continue to discuss the potential increase in building permits and if the revenue will outweigh the ramifications. Laurenti thanked the mayor for his presentation. He said he thinks there is plenty of time to vet this out. He said too many councils have done what is easy instead of what is right. Lewis said affordable housing is at a crisis in this country. He also said he's done never done a self-reported evaluation and does not think that is common. Roberts agreed with Lewis that no one he knows has done self-reporting yet. He said our prices are double the cost of Sioux Falls. He thinks there is another way to generate \$200k. If the council decides they don't want to increase building permit fees, where is that money going to come from. Drew said she can support a fee increase because it has been a long time. She would like to see customer service improve between the builders and the city. If the city is going to ask for more money, then we should deliver better service. Nordstrom said he is protective of unions and applauds the mayor for the

open communication. It is appreciated and important. Nordstrom thinks they need to talk further about the rainy day fund / reserve policy. He would like to see more transparency on how that is going to be coming about. He would also like more clarification on the CIP budgeting and the water rate and how that's built into the CIP process at a future time.

Discussion and Direction

Scott asked the council to think about any supporting data to bring forward at future meetings. The mayor will provide the media and city council the presentation and the background information that goes with this. Scott stated that the general fund provides some services to our enterprise funds and enterprise funds are funded by rates and fees. The general fund is generally supported by fees for things like building permits but also has the sales tax and the property tax that funds the services within the general fund. So we want to make sure that we are not basically robbing Peter to pay Paul. Scott thanked the mayor for his presentation. Motion to acknowledge carried.

ADJOURN

There being no further business to come before the Council at this time, motion was made by Drury, second by Salamun and carried to adjourn the meeting at 6:35 p.m. Scott said there would be a ten minute recess before the start of the regular City Council Meeting.

CITY OF RAPID CITY

ATTEST:

Finance Officer

(SEAL)

Mayor