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 Wednesday, August 22, 2018 at 5:30 P.M.

The following members were present: Council President Amanda Scott and the following Alderpersons: Lisa Modrick, Becky Drury, Ritchie Nordstrom, Steve Laurenti, Darla Drew and Laura Armstrong; and the following Alderpersons arrived during the course of the meeting: None; and the following were absent: Chad Lewis

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

Regarding Review and Discussion of Mayor’s 2019 Budget Presentation, Amanda Scott opened the discussion. Nordstrom stated he was interested in how the revenue side is figured, using IT as an example. Sumption said IT doesn’t generate revenue, other than through (IDC) interdepartmental charges through the central services from other funds. Nordstrom said he got a briefing on interdepartmental charges. Sumption stated how the formula is calculated is a question for Sean Kurbanov. Scott said the council had been given calculations for IDC’s but she wants a value of each one of those at a future meeting. Nordstrom stated the IDC numbers are all over the board. Scott asked that the council be given the calculations for the interdepartmental charges and PELT charges at the next meeting.

Salamun voiced his gratitude to the mayor and for his work on the budget. He said the budget is conservative which is good. He stated some people had reached out to him regarding the community development organizations and the 2.5% cuts. He said each of these organizations needed to share the burden of less revenue. He does care about each organization and wants them to succeed.

Drew said arts used to be the big target for cuts, she feels it’s more fair since other departments are being cut as well. Nobody wants cuts but will live with them. She would like to know about the 23% increase in detox funds. She asked why the amount is so much higher than originally talked about. Drew would like someone from detox at the next meeting to explain what’s going on with the new facility and why it has increased in cost. She thinks the community should hear more about this item as well. Sumption said the city was already partners with the detox facility in North Rapid but this facility is much bigger. She believes the city shares 50/50 with the county according to the current agreement. Drew asked about grants. Sumption explained detox does get state and federal funding. Drew wants to know what the larger amounts will be specifically. In response to a question from Scott, Sumption said the sheriff has talked about looking at the agreement again to possibly revise it. She thinks it’s year to year but needs to double check. Scott asked that the contract be included at the next meeting. Drew asked if a county commission would be able to attend. Scott said they would be invited.

Laurenti asked Sumption the percentage of the CPI that the city is taking. Sumption said she believed it is 1.7%. Scott reminded council that in 2011-2012 there was a resolution passed that the mayor prepares his budget and if it includes the CPI then the city council has to take a separate vote to approve the CPI on or before the second reading of the budget. Sumption said the 1.7% equals $285,379 CPI increase. Laurenti said the CPI (consumer price index) is a nice word the government adds to increase property taxes. He stated the three major parts of the city’s revenue are fees, sales tax and property tax. In his opinion, if there are fees that haven’t
been adjusted for many years, then they need to be looked at. He asked if it was legal to turn back fee revenue to the general fund. Laurenti requested information on property tax and sales tax for the last ten years at last year’s budget hearing. He said those areas are important to the revenue. He stated that sales tax has an average of over 4% in revenue from year to year. Laurenti disagreed with the Mayor’s presentation that the city needs to diversify its revenue. He stated the problem is not with revenues because our revenues have been very good. He stated that spending is the problem. Last year, only two councilmembers wanted a balanced budget. He said this year’s budget is not balanced either. This year it’s only balanced because fees are being passed onto residents. He has voted against previous budgets because they are never balanced. He stated that this CPI is for this year and every year going forward. In response to a question from Scott, Landeen said there was talk of the building inspection fee going into the general fund. He said that’s because building inspection is paid for out of the general fund. Generally a fee is meant to recoup cost and a tax is meant to raise revenue. It makes nothing illegal. If you truly want a fee then you should charge what it costs for that service. Landeen heard one of the commenters say that Brad Solon’s department gave money back at the end of the year. He’s not paying interdepartmental charges for IT, Finance, Legal even though someone from the attorney’s office is dealing with building inspection issues on a weekly basis. Building Inspection is not paying overhead, or their share of the CSAC upkeep, or IT support. There is not a true reflection of what the expenses are. When research is done, we need to see if we have legal authority to raise fees. Laurenti said the question he had was when we charge a fee, for example building permits, and it’s 20-30% more than it takes to deliver, including legal costs, are we at firm footing in doing that. Landeen thinks we are on legal footing. Just because it generates revenue, doesn’t make it illegal. Roberts asked Sumption what revenue was verses the costs it took to run the department. She said they are working on those numbers. He said he only wanted to know revenue verses expenses and Sumption said those two figures would not give him an accurate picture. Roberts said it was fine. Scott asked if Roberts wanted to see the revenue and expenses for the past five years. He said the last three years would be fine.

Scott stated that the mayor and department directors were intricately involved in balancing the budget. She said in 2017 the mayor balanced the budget by dipping into undesignated cash by $3.5 million dollars and the 2018 budget was balanced by $1.3 million dollars in undesignated cash. She said we are still dipping into the reserves now and still anticipating a property tax payment in November for the October collections. Scott said unless there is a huge change in the spending, she believes they will still be into the reserves at the end of this year. She thinks the department directors worked really hard on the budget. She said if the CPI is not taken then Finance would have to do a supplemental appropriation. She stated the mayor presented the budget and it wasn’t line items, it was just revenues against expenses. Scott wants to ensure the city did not raise water and wastewater rates to create revenue but rather to build up reserves. Scott asked what happens if city council doesn’t approve the CPI or increase in fees. Sumption said her request would be that it goes back to Finance to allow the directors to go over their budgets because they know their budgets the best. Scott said there is a two reading deadline and the budget passed by October 1. Sumption stated the mayor directed her to what he wanted the department bottom line to be and she made cuts where needed. She advised council to be specific with the department and amount they want cut if it comes to that. And let the director of that department figure out what they need to cut. Laurenti said this is why we voted for priority based budgeting. As a council they are elected to speak for the people, he needs to speak for them. Salamun said he doesn’t want to go in and tell departments how to spend their money. He agrees with giving general direction but directors have the final say. He said they have cut quite a bit from where it started.

Mayor Allender asked to speak on the topic of cutting services, balancing the budget, and getting the expenditures down. He believes he’s given a rounded view of what the issue with the revenue and the expenditures. Priority based budgeting was not designed for cutting services or slashing budgets. It is for reprioritizing where we spend money. It’s about taking funds from the
lower priority programs and pushing the funds into the higher priority programs. Status Quo states we need more police, fire, streets, high priority things. Status Quo says that we want to create more revenue to get those things. Priority based budgeting suggests that we find the money that’s already in the budget and shift it upward from lower to higher priority. The policy decisions will override the influence of priority based budgeting. There has been a lot of suggestions about trimming expenses. He doesn’t remember any councils saying “I think we need less (blank) department services” and name the services you feel like we should do without. He has invited members to talk to him about what they feel needs trimmed and welcomes suggestions. He doesn’t want the council to be micromanagers toward the end of the year. He feels there was an opportunity missed on coming together beforehand to discuss these types of things. On the building permit revenue issue, he encourages the council to pass the budget on its own timetable and deal with building services separate from the budget. Allender stated if those revenues have to be adjusted later, then those changes will be made. He didn’t draw attention to that revenue to try and hold council hostage to make you vote yes. The city will adjust the budget if council decides not to adopt the building permit revenue increase.

Salamun said if Council doesn’t take CPI (for example) the council could divide taking money from each department equally or take more money from community investments. Laurenti said the budget has increased by more than 10.5% in two years. Budget spending is exceeding good growth in revenue. Luxury items should be cut first. Nordstrom asked that numbers quoted by Laurenti be validated. Scott asked Sumption to have those numbers available at the next meeting. Scott clarified that the figures should include the general fund and the full budget as presented the last five years. Scott stated that the budget is a projection. There is nothing that says the projected revenues will come in as shown. There is only so much a city can do if we don’t have revenues. Nordstrom said it’s concerning the council wants to make more cuts. Laurenti wanted to clarify that there are no cuts, the overall budget is growing. Departments may have cut what they wanted to spend but the budget is growing. The city has to spend what they make and they are not doing that. Nordstrom said the argument right now is that we are cutting the growth and that’s why he’d like the numbers to under it. He stated community investments are being cut. Scott said she hopes community investments budgets aren’t being totally funded by the city. Therefore, the city can’t verify how much each community investment program is being cut because we don’t know their entire budget. Salamun said the community can step up to help community investment groups. He stated the city collects taxes to pay for services for the community. Community investments are important, such as detox. Drew wanted to clarify about foundations and helpful groups. They form groups by establishing a 501(c)3, to raise money for governmental entities such as the parks foundation for the parks department and the library foundation for the library department.

Scott went over discussion items and information needed for the next meeting. She asked for calculations for all interdepartmental charges. She asked that Sheriff Thom, Chief Jegeris and Lloyd LaCroix be invited to the next meeting to discuss the new detox facility. Scott also asked that the current detox agreement be attached to the next agenda. Scott said there would be discussion on whether the CPI should be taken. She asked for the last three years of building department revenue and fees; last five years budgets with percentages of increase and decrease; and historical data for property tax revenue and sales tax revenue. She stated any other suggestions for cuts could be discussed at the next meeting as well. Modrick asked that all department directors be invited to the next meeting. She also asked that Sean Kurbanov attend. Scott said the next meeting was set for August 28, 2018 at 5:30 p.m. She advised that a tentative agenda be put together for a possible meeting on August 29, 2018. She said that meeting would be decided on at the end of the meeting on August 28, 2018.
ADJOURN
There being no further business to come before the Council at this time, motion was made by Nordstrom, second by Drury and carried to adjourn the meeting at 7:01 p.m.

ATTEST:

CITY OF RAPID CITY

Mayor

Finance Officer

(SEAL)