A Legal and Finance Committee meeting was held at the City Administration Center in Rapid City, South Dakota, on Wednesday, May 11, 2022, at 12:31 p.m.

A quorum was determined with the following members answering the roll call: Darla Drew, Lance Lehmann, Jason Salamun, Ritchie Nordstrom and Ron Weifenbach Absent: None

(NOTE: For sake of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents are on file with the Master Agenda.)

ADOPTION OF AGENDA
Motion was made by Salamun second by Lehmann and carried to adopt the agenda.

GENERAL PUBLIC COMMENT
1) Airport Presentation – Key Future Airport Infrastructure Needs; Presenters: Tom Schauer, Mead & Hunt Senior Aviation Advisor and Patrick Dame, Airport Executive Director
Rapid City Airport Executive Director Patrick Dame introduced Tom Schauer from Mead & Hunt, Senior Aviation Advisor who, along with Dame, provided an overview of the airport terminal expansion project and where it is headed. Schauer covered highlights of the terminal project along with some of the challenges. Today’s presentation is informational only, looking at it from a planning and development process. The airport has embarked on a planning exercise over the last several years and came up with an airport plan for developing and expanding the airport terminal. The plan is divided into four sections: 1) ticketing and baggage makeup area, 2) passenger concourse, 3) security checkpoint, and 4) rental car area and baggage return. Schauer shared photos/slides of the current and proposed views of these four areas along with potential costs. He said most people do not see the backside of most airport terminals and explained what you would normally see is baggage carousals that move the luggage to the back, then loaded on another carousel to make it easy for the air carriers to slide the luggage off into the back of a tug which then takes it out to the aircraft. Rapid City Regional Airport has a very outdated baggage system which has luggage being loaded onto tug carts that are hand pushed/pulled out of the building and hooked onto tugs. No other airports this size are doing this kind of work and haven’t for many, many years. Schauer shared TSA’s recommendation, which is quite developed and costly. They will work with TSA to come up with a hybrid version that meets all of the requirements of security as well as be fully functional in handling not only today’s capacity but also expanded capacity needs. He pointed out the ticket counters being straight lined as opposed to the saw tooth layout and the importance of pushing the counters back giving more space for queuing (waiting in line) and having a straight line of the concourse making it easier to find your way through and making it easier for carriers to share or shift and expand their spaces as they need throughout the day. This allows flexibility and better utilization of the ticket counters to accommodate more air carrier operations and more carriers in the terminal as needed. They are not trying to overbuild the area but just expanding it to allow better utilization. The estimated costs for the baggage area/ticket counter area is roughly $25 to $35 million dollars. Pricing is quite variable looking at today’s supply chain issues, the variation of trying to streamline this process and getting rid of some of the conveyor systems that exist today. Another phase of the project is the rental car area and baggage return which is located on the other side of the main terminal. The ticketing queuing area for rental cars is quite constrained becoming quite congested when large flights come in and people are coming in and out. Expanding with another baggage carousel in this area would help streamline the process of getting bags in and out of the building as well as the handling and processing of the rental car area. The estimated cost for this phase projects to be $9 to $13 million dollars. One of the things being looked at is the security checkpoint. One of the checkpoints is on a sloped area and TSA’s new equipment cannot be installed on a sloped environment. Initial planning phases done by Alliance of Architects had put it there. This is being revisited to find another location and trying to figure that out, so there will be a major change in that development. The airport currently has two
checkpoint lanes, but should realistically have a minimum of three checkpoint lanes with peak hours. Looking at it from the planning level, there should ultimately be five checkpoint lanes to handle growth in the next five years, which TSA also agrees. Two possible builds were looked at when the planning study was done a few years ago that include a partial build and a full build, with the biggest difference being the amount of space. The partial build goes up to ten gates/eleven parking spots and the full build gets twelve gates/thirteen parking spaces. Schauer said the Airport Board along with the planning team thought they could make the partial build work and accommodate the future but some of the things have been in flux, so as they have gone over that decision, they are now looking more towards a full build with safety being one of the reasons for that determination. The full build is roughly $45 to $50 million dollars so you are looking at basically a $15 million dollar swing for the increased size. In addition to that, there is additional concrete for the aprons, which brings that add on to roughly $20 to $25 million dollars. Schauer went over the factors considered in determining the right size terminal for future needs, which included the Ellsworth Airforce Base expansion, the increase of entertainment venues coming into the area, and the recent studies showing Rapid City to be one of the major growth areas in the country. He reviewed some Airline trends that are factored in as well such as airport leadership trying to grow and expand airline service. He detailed some terminal challenges also, such as how the airlines are combating the huge pilot shortage by moving to larger aircraft (76 passenger vs 128+ passenger) called “up gauging”. He gave an example of a family of six having dinner and then all of a sudden having to put ten or twelve people at the same table. The differential of going from fifty passengers to possibly a hundred and 150 is a huge item to have to overcome. Schauer shared a graph of passenger enplanements (process of boarding aircraft) from the Rapid City Regional Airport showing trends over the last several years. He explained that this airport is extremely seasonal with the tourist season in the summer doubling the amount of passengers coming in to the area and said that terminals are not built on total passengers but on peak hours. From a financial standpoint, no one wants to build a terminal based on a peak day (Ex: a church on Christmas Eve or Christmas Day) but this airport has four months of these peak days, so that has to be looked at. Schauer displayed another graph detailing peak hours at the airport. Projecting the future and looking at some of the air carriers coming into the market right now and from information provided from the air service consultant, it is not unrealistic to think peak hours could go up into the 700’s by 2030. Looking at many factors, the longer terminal needs to be considered due to gate demand in handling the bulk passengers. Other factors that are considered are the areas for aircraft to park, as well as destinations the airport has today, and destinations projected in the future. The right target is to have between ten and eleven gates which allows for jet bridges that may breakdown or aircraft that may break down, accommodating that flexibility and also positioning the airport for growth. Schauer shared an image from the airport during the 2021 Sturgis Rally to give everyone an idea of the tightness and congestion when aircraft taxi. They believe they could lose one or more of the gates when the larger aircraft come in but are currently evaluating that in the design phase of the project. Some of the challenges they look at in a project of this magnitude or the four sub projects of it, is just the operational phasing (how to keep the airport operational during the projects). Minimizing construction to off peak season, how it fits with the air traffic control tower site lines, how aircraft are parked, how it fits with the air space in relation to runway operations and the price tag of approximately $150 million dollars at a planning level are all challenges. Right now the airport has just embarked on the design phase. Design specialists came in and looked at the electrical grid, all of the utilities and structural elements that go into it. They will be refining that and will then come in and provide a presentation showing design level estimates and details. Schauer went over types of funding and available federal funding. He explained that the FAA does fund quite a bit of it but there are areas that are ineligible. Some routine federally funded projects are split at a 90/10. He said it is important for the City and the airport to work together along with the state entities and congressional delegates to make sure everyone is pulling in the same way and owns a piece of the puzzle. RC Regional airport reaches a huge part of South Dakota, parts of Wyoming and Nebraska so it is very reasonable to work with and have the state come in and contribute to the project as well. Airports currently receive funding from the FAA under a program called the Airport Improvement Program (AIP) which is the primary funding mechanism. One of the FAA funds called “Discretionary Funding” has a $20 million dollar cap for terminals at airports the size of Rapid City. Other federal funding such as the bipartisan infrastructure legislation has added $500 million dollars over the next five years for airports Rapid City’s size for terminal buildings specifically and
applications have been submitted to compete for roughly six to seven million dollars. The airport receives on a regular basis, every year passenger entitlements that total roughly $2.5 million. The bill funding also provides $2.78 million dollars on a yearly basis for the next five years (varying a little depending on the passenger counts). There has also been over the last several years some supplemental funding that congress has allocated in different funds which has a little left in that funding cycle, so there could be some funding there that could come into play. They are working with the congressional delegates for South Dakota, the State Governor and the Department of Transportation. The biggest decision that will need to be made by the airport board in the short term is the decision to go to the full build versus the partial build. Additional data is being provided to the board to help make that decision. The planning has all been done over the last several years and are now in the design phase which Schauer provided a timeline with year 1 and 2 being design and environmental clearance (based on a partial build) and the rest of the years 3, 4, 5, and 6 are construction, which will vary based on funding availability. Schauer ended with future projected costs for the Near Term which includes the concourse, the baggage makeup, baggage return, ticket counter/arrival lobby, and associated aprons for a cost of roughly $150 million dollars over the next five to six years. In the Long Term planning phases they have been evaluating the primary runway that is getting to the end of its useful life and will be looking at moving into the environmental phase of that so that runway can be reconstructed. The reason Schauer added this component to the presentation is to make sure no one is surprised that after the major project of the terminal is completed there is another major project that has to be taken serious as that runway will have to be addressed within the next ten years otherwise there would be no air carrier service at all. Nordstrom asked if the airport is currently fully staffed. Dame said staffing is very close to full staff. Salamun asked when the planning process initially began. Dame said the planning process began 5 to 6 years ago in the conceptual state and after review of the continuously changing data, planning is being revised. The airport board was wanting to be conservative and respectful of the dollars associated with the project looking at the smaller build and thought at one point they could make that one work. Dame said recent changes such as the growth factor, the ebb and flow of the pilot shortage, and some of the 50-seater regional jets going away, these are things that are changing the nature of the industry as a whole. Salamun asked if the Airport Authority and surrounding communities will be brought in and be part of the project. Dame said this has been talked about for a number of years and they are starting to look at that process understanding that a study would need to be done and it is something that will be talked about at the board level in the upcoming months. Dame explained federal funding eligibility. Depending on the project, completely eligible projects can be funded at 90/10. Terminals are not something that is completely eligible. He added that revenue generating space such as airline ticket offices that are rented out are not eligible for federal funding. There has been a lot of work done in areas that passengers see (areas that are eligible for funding) but there has not been a lot of work done to the areas that people work in and some of those back end areas are not always eligible for federal funding. Schauer interjected and said by law the baggage equipment in the back is eligible but not any of the other space so if the back of the terminal was 50% of the space, 50% would not be eligible. He added that another thing that needs to be considered when doing a project of this magnitude is to look at the availability of federal funding because there is no way the government can fund a project of this size at a 90/10 split with airports all over the country also having requests in for funding. Weifenbach asked what the priority is. Dame said to the FAA the runway has become the highest priority and the farther you move away from the runway the lower the priority goes. Dame said when looking at some of the terminal related projects, the runway is a ways in front in years but they are trying to make sure that some things are taken care of ahead of getting into the runway project, but the projects are going to be very close in proximity. Dame said as they move through the design process and have more design level numbers, they will need to look at bonding, the airport’s available funds, and also any additional City moneys that may be contributed.

2) LF051122-07 – Parking Enforcement Division Presentation by Parking Operations Manager Anna Gilligan

Parking Operations Manager Anna Gilligan provided a short presentation beginning with the parking enforcement division being made up of three parking enforcement officers and herself. Gilligan oversees the parking enforcement officers, the citation and appeal process, the budget, the maintenance of the
hardware and software, and the maintenance of the parking lots and parking structure. The parking division looks to the Parking Advisory Board that is made up of downtown citizens and property owners for parking policy recommendations. The Board also has the final say in appeals that go to the hearing stage. Parking enforcement monitors roughly 2600 parking spaces downtown of which there are 1200 two-hour parking spaces and 628 single metered spaces. There are roughly 100 spaces in the parking structure that are monitored with three multi-space meters. There are 730 off street leased parking spaces which are located in the upper two levels of the parking garage and in the city-owned lots around downtown. 13 loading zones are also monitored in the downtown area. In the last half of 2017 Walker Consultants evaluated the parking system and put together a strategic plan for the City to use as a guide while revamping the system. As a result of the study, smart meters were installed in the downtown core and there are now no time limits on the meters. A two hour time limit was enacted in the peripheral areas and on-street permits were created as a way to encourage long-term parkers to park in these areas. Revenues generated by the parking program now fund future costs of the parking program. All recommendations from the 2017 study have been met and revenue numbers proved the success of the parking program. Revenues were: $623,000.00 in 2018 (before the implementation of the parking plan) roughly 1 million in 2019, 1.3 million in 2020, and 1.6 million in 2021. Gilligan said 2023 planning includes expanding to 4 parking enforcement officers and looking to commission a new parking study to update the 2017 study and to determine next steps that will include a location for a new parking structure. Nordstrom asked what is being done with block 5 parking since that project is starting soon. Community Development Director Vicki Fisher said by the end of this week everyone that has parking in block 5 will have received a written formal letter putting them on notice that they need to start using their new parking spot on July 1, 2022. Fisher added that there is a group of downtown business owners that meet on a regular basis who see parking on a daily and consistent manner and are very pleased with the IPS meters. She said this valuable feedback shows that the anticipated results on the new parking system are confirmed. Fisher also understands that the downtown area is growing and changing very quickly, which is why it was determined that funding for another parking study will be asked for in next year’s budget in anticipation of what those new parking needs might be. Weifenbach asked if the revenues pay for maintaining the parking. Gilligan said that all of the expenses of upkeep and maintenance for any of the lots and parking structure come out of the parking fund.

CONSENT ITEMS
Motion was made by Nordstrom second by Lehman and carried to approve items 5 – 16 as they appear on the consent items.

CONSENT ITEMS
Items 3 – 16

Public Comment opened – Items 3 – 16
Public Comment closed

Remove Items from the “Consent Items” and Vote on Remaining Consent Items


HUMAN RESOURCES
4) LF051122-13 – Human Resources Director Nick Stroot asked that this item be continued to the next Legal and Finance Committee meeting as they are waiting on more information from the consultant. Lehmann moved to continue Authorize Staff to Negotiate with Gallagher Consulting to Enter into an Agreement for a Non-Union Compensation Study, to be Completed in 2022 to the June 1, 2022 Legal and Finance Committee meeting. Second by Nordstrom. Motion carried unanimously.

INFORMATION TECHNOLOGY
LEGAL AND FINANCE COMMITTEE  
May 11, 2022

5) LF051122-12 – Authorize Mayor and Finance Director to Sign Contract and Statement of Work for Professional Services Between SDN Communications and the City of Rapid City for Network Services for Several City Locations

FINANCE DEPARTMENT

6) Acknowledge the Following Volunteers for Worker’s Compensation Purposes: Dale Donat (RSVP+), Janene Donat (RSVP+), Fong Hao (RSVP+), Lyle Heinrich (RSVP+), Sally Monroe (RSVP+), Fanquin Zeng (RSVP+)

7) LF051122-02 – Approve Resolution No. 2022-044 a Resolution Updating Petty Cash Funds and Change Funds
8) LF051122-05 – Acknowledge March 2022 General Fund Cash Balance Report

9) LF051122-09 – Acknowledge March 2022 Sales Tax Report

10) LF051122-10 – Approve Resolution No. 2022-037 a Resolution Levying Assessment for Abatement of Nuisances

11) LF051122-11 – Authorize the Mayor and Finance Director to Sign Loan Documentation with Black Hills Community Bank for Solid Waste to Purchase a Grinder in the Amount of $895,000.00

PARKS & RECREATION

12) LF051122-03 – Approve Resolution No. 2022-042 a Resolution of Intent to Enter into a Concessionaire Agreement with Canyon Lake Resort

13) LF051122-04 – Authorize Staff to Apply for and Accept if Awarded the South Dakota Department of Health West Nile Virus Grant in the Amount of $500.00 to $20,000.00

COMMUNITY DEVELOPMENT

14) No. 22TP012- Authorize the Mayor and Finance Director to Sign the Agreement between the City of Rapid City and the City of Box Elder, and the City of Rapid City and Pennington County for Accomplishing the Rapid City Area Transportation Planning Process

CITY ATTORNEY’S OFFICE

15) LF051122-01 – Approve Resolution No. 2022-038 a Resolution Establishing the City of Rapid City 2022 Archery Antlerless Deer Access Permit Program

16) LF051122-06 – Approve Resolution No. 2022-045 a Resolution Regarding Certain Leases

END OF CONSENT CALENDAR

NON-CONSENT ITEMS – Items 17 – 18

Public Comment opened – Items 17 – 18
Kyle Treloar from KTM Designs shared a short video presentation on the overview of the Black Hills Industrial Park TIF project (item 17) and gave a brief update. Treloar said the project is moving forward, has incredible value with the rail access and large industrial sites, and this one particular project is drawing interest from all over the country. They are excited to jump into construction this summer.

Public Comment closed

COMMUNITY DEVELOPMENT

17) No. 22TI002 – Planning Projects Program Manager Sarah Hanzel shared a condensed review of this three phase project to introduce the project and some of the elements. Hanzel started by saying
the council will be making a decision on a resolution to create the boundary for the tax increment district and to adopt the project plan. She went on to say the key element of the project plan are the costs included in the project plan and what level of costs are being funded by tax increment financing. The proposed district is over 900 acres of which approximately 600 acres are for rail served, high-tech and value added agricultural products for the proposed development. The phase one anchor business is the Aesir Battery Plant but there are also other manufacturing entities that are anticipated which include food processing and medical equipment and plastics manufacturing. The industrial center is expected to have over one billion dollars in manufacturing facilities. The application has identified at least 2000 new jobs that are anticipated to be created with a majority of those expected to bring in an annual income of roughly $45,000.00. This development is proposed in three phases with 78 million dollars in proposed costs. She pointed out that when the TIF committee reviewed this project in March of this year, the application was for roughly $46 million dollars in project costs. After that meeting, the applicant received some additional comments from staff with recommendations on some additional infrastructure pricing and some revised cost estimates totaling approximately $5 million dollars. The applicant made some changes to their application and some changes to account for inflation that is being seen in the market. As a result of that change, the revised application submitted and reviewed by the Planning Commission on April 21, 2022, is a $78 million dollar project. Hanzel provided a list of project cost revisions with both versions showing $500 million dollars in development costs and included roughly 2000 full-time jobs. The financing constituted a major component of the vast 70% increase between the two projects. She shared a slide with the master plan that showed the types of projects that are included in the proposal with quite a lot of site grading, drainage, improvements to roadways with turning lanes, rail switches, rail lines, off-site water and sanitary sewer, traffic signals, utility relocations, and a booster station. The applicant is requesting $36.7 million dollars in infrastructure specifically and identified about $4.5 million for non TIF infrastructure. Hanzel pointed out that of the $78 million dollar project, roughly $11 million could potentially be considered a City cost at some point in the future if the district were not to be created. She highlighted a couple of relevant tax increment financing policies from the local level which have to do with costs that can be included at the discretion of the governing body that are found to be necessary or convenient to the creation of the district. Hanzel stated that the rail lines and rail switches are privately owned infrastructure to be owned by the developer and used exclusively for this development in the many entities in this area. Typically with many TIF’s you will see oversizing as an eligible expense, but this proposal is not positioned around oversizing and appears to include all of the typical developer costs and the exceptional cost and oversized cost are not separated out so staff was not able to analyze the cost at that level. There are certain costs in the TIF policy that are only allowed upon authorization of the City Council, which for this project is street grading and over lot grading for specific development sites. Hanzel went over some of the projections for the project with the base valuation being determined by the State Department of Revenue but are anticipating that it will be just over a million dollars for the 900 acres. Using the 2021 tax levies and the proposed project costs they are estimating up to and including the entire 20 years, an anticipated end valuation of half of a billion dollars (depending on how fast things build out and what the valuations look like). One component in the project plan to keep in mind is the impact on the taxing entities. There is an analysis that looks at how these project costs affect the taxing agencies throughout the life of the TID. In looking at that, the decision makers are acknowledging that if the project is not going to go forward “but for the TIF”, then those costs and the deviation of that tax revenue during the life of the TIF is justified. Salamun asked Hanzel to provide a brief overview of the stipulations. Hanzel clarified that the stipulations in the project had to do with how the developer’s agreement would handle certain maintenance items particularly with regard to the privately owned rail lines and how they intersect with public streets. The staff looked at some of the pricing estimates and felt they were too low, identifying about $5 million for different components like piping etc. that should potentially be increased. The applicant at the same time increased some of their estimates as well. Hanzel said 70% is a substantial increase and a lot of that comes from amortizing out the financing over 20 years so paying interest on those extra costs does add up. Weifenbach asked for the interest costs.
over 20 years. Hanzel shared amounts based on the three phases with phase 1 being $7.4 million, phase 2 is $11 million, and phase 3 is $16 million, for a total of $34.4 million. Lehmann moved to Approve Resolution No. 2022-34 – a Resolution Creating a Tax Increment District and Approve Resolution No. 2022-035 a Resolution to Adopt Project Plan for the Black Hills Industrial Center - A Request by Dream Design International, Inc. for Black Hills Industrial Center, LLC for Property Generally Described as being located at SD Highway 79 and Old Folsom Road. Second by Salamun. Motion carried unanimously.

CITY ATTORNEY’S OFFICE

ADDENDUM NO. 1

COMMUNITY DEVELOPMENT (CONSENT)
19) LF051122-14 – Weifenbach moved to Authorize Mayor and Finance Director to Sign the FY21 Mid-Year CommonBond’s Contract and Covenants. Second by Lehmann. Motion carried 4-1 (Drew voting no)

ADJOURN
There being no further business to come before the Committee at this time, motion was made by Salamun second by Lehmann and carried to adjourn the meeting at 1:59 p.m.