

PROCEEDINGS OF THE CITY COUNCIL
Rapid City, South Dakota

August 9, 2016

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 Tuesday, August 9, 2016 at 6:30 P.M.

The following members were present: Mayor Steve Allender and the following Alderpersons: Ritchie Nordstrom, Darla Drew, Jason Salamun, Brad Estes, Amanda Scott, Steve Laurenti, Jerry Wright, John Roberts and the following Alderpersons arrived during the course of the meeting: NONE; and the following were absent: Charity Doyle and Lisa Modrick.

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

Mayor addressed the Council. He indicated that this is his budget and that it's being handed over to Council to accept as their own. When it comes time to add or delete items, he hopes that they would do what's best collectively. He spoke about the General Fund and the numbers displayed to the public are without interdepartmental charges. The 2017 projected revenue total is \$62,344,819.00. This is also the amount for the 2017 expenses. He noted that Undesignated Cash totaling \$3,461,875.00 would be used to balance the budget.

Mayor indicated that the Mayor's Office currently falls under Mayor/Council. In 2017, it will be divided as separate cost centers; that will bring a reduction of \$215,533.00. Also, Lifeways has been moved from the Mayor's Office to subsidies for \$60,000.00 and Council related costs will be moved to their own cost center with \$217,190.00. Total Mayor's Office budget will be \$477,676.00. The City Council cost center will take care of their salaries, a technology stipend, office supplies, food, publishing, travel and training, subscriptions and other usual benefits.

The Contingency Fund has been around \$50,000.00 historically. Community Resources is comprised of the following departments: Communications, GIS, Code Enforcement, Community Development, Human Resources, and Information Technology. The total for that entire cost center is \$2,564,285.00.

City Attorney Office is down -5.9% to \$761,139.00 by taking out some professional services that weren't being used. Over budget in outside Legal Counsel and a senior employee retired which drove the budget down.

Mayor stated that Public Works is one of the most complicated departments and has the widest reach within the community. This department has the following costs: Administration, Traffic Engineering, Streets, Snow Removal, Street Lighting, Equipment Maintenance, Street Cleaning, and Public Transportation. Their budget is up 2% to \$14,635,983.00. Mayor noted that Street Cleaning is largely up 18.2% due to one piece of equipment. It was budgeted every year except for 2016 and since it wasn't budgeted then, the increase is significant in 2017. Mayor noted that Public Works is requesting two new FTE's, which would hold the positions of Engineering Techs. They would be engineering inspectors that would be used on Capital Improvement Projects in place of consultant fees. City Engineer Dale Tech is forecasting a savings of \$400,000.00 by hiring these two employees rather than outside consultants.

Police Department looks different than in the past. Mayor said there used to be one budgeting code, and those have been broken down into 25 codes now. Police Department total is \$14,807,372.00. They are requesting (3) additional FTE's; one Police Chemist and (2) Police Officers. There has been a substantial increase in drug activity and drug arrests. The Governor just did a report on drug use, and the State drug use is up 40%.

The Fire Department has also been split into additional codes. Those codes are: Administration, Station 1, 3, 4, 5, 6 and 7, and Public Education. The total is \$9,914,330.00.

Community Planning is made up of Development Services Center, Transportation Planning, Historic Preservation and Air Quality. Total cost is \$2,326,343.00. Mayor noted that the Community Planning Director position has been narrowed down to three candidates and he will be contacting council to see who wants to be on the interview panel.

Parks & Recreation total is \$7,469,335.00 and up 9.8%. Departments included are: Recreation, Ice Arena, Parks, Urban Forestry, Swim Center, Parkview Pool, Sioux Park Pool, Horace Mann Pool, and Parks & Rec Administration; Mayor indicated that the fireworks were transferred to Parks and Rec, and the new pool at Horace Mann has increased expenses. There is a need of a temporary wage increase for all pool employees, to get in line with what is actually being spent at other pools. They have been under budgeting for some time. They are requesting (2) new FTE's. One is a Parks Maintenance Worker and the other is a Parks Electrician. For many years, the Parks Department has been borrowing the Public Works Electrician. It's now time for them to have their own electrician.

The Library has been broken down into Library: \$2,922,659.00; Rural Library is \$412,000.00. This is the County payment for the City Library. The total being \$3,334,659.00.

The Finance Department is broken down into Administration: Acct Payable: Accts Receivable: and Cashier's Office: \$1,367,755.00.

Government Buildings is broken down into: Dahl Fine Arts, Journey Museum, City Hall Maintenance, and Other, which is insurance for other City buildings such as the one the City bought recently on North Street and North Eighth. The total of \$886,833.00 is the total the City is paying to maintain government buildings.

Subsidies/Community Investments are one category. Community Investments includes Black Hills Council of Local Governments, Emergency Services Dispatch, Emergency Management (and Search and Rescue), Humane Society of the Black Hills, Detox, Advertising (Chamber). Mayor indicated that he failed to negotiate a new contract with the Humane Society and that will be done at a later date between the Humane Society Board Chair and the Finance Officer and the City Attorney. Subsidies are listed as: Performing Arts Center, Allied Arts, Lifeways, Senior Citizen Center (Minneluzahan and Canyon Lake) WAVI, Cornerstone Rescue Mission, Early Childhood Connections, and Contingencies which total \$749,158.00. Mayor said he took WAVI out of the Police Department budget and put them under this category instead. He said that he added the Cornerstone Rescue Mission for \$250,000.00. He said they are in the negative because they lost some grant funding and have had to lay off staff and pull back on services. He believes this is different than contributing to another non-profit. He believes this is a service and if the City would have the interest and resources, they would be compelled to do this. He has been working with the homeless for a long time. He feels the most expensive option for the homeless, is ignoring it. He believes the largest contribution to them in the past has been \$6K-\$10K. He said the City can be a partner in the treatment and the fight against homelessness. The cost to the community is \$35K per person per year when we use police and fire resources to help with homeless situations.

Mayor stated that Rapid City has seen a lower school attendance rate and graduation rate recently. He is in favor of doing whatever the City can do to help with this problem. That's why the fees were waived for Rapid Ride transportation in order to help get kids to school. They need to start out strong when they are younger in order to sustain their interest and desire in education. He thinks an investment into Early Childhood Connections is a step in the right direction with education issues. The Contingencies Category is the amount given to community investments in the amount of \$102,000.00.

The primary Economic Development partner is the Rapid City Economic Development Partnership. The partnership has traditionally received \$275,000.00 from the City for the partnership. He recommends increasing that amount to \$400,000.00. He said the additional funds will come from not funding Black Hills Vision this year. He is also asking not to fund the Ellsworth Task Force and that money be used for the partnership. The partnership would like to hire a workforce development specialist. Someone who is going to put action behind what the City has always talked about, which is workforce development. The partnership would also like to hire an investor relations person. Their goal is to double the number of private contributions that go to the partnership right now. The partnership would like to launch the Economic Gardening Incentive. We look inward and start giving existing businesses incentive to make their business better. The City has access to a PHD economist through the Black Hills Knowledge network. They have narrowed down their search to select a candidate. We can use this person for a fee.

The International Computer Programming Competition (ICPC) will be held in Rapid City in May 2017. This is considered to be the computer programming Olympics. Last year it was held in Thailand. A few years prior, it was held in Orlando. The City is working with Dr. Gowen and a team from Hewlett Packard. They have bought out all downtown hotels. There will be competitions held over four days. This competition will generate a billion press impressions. This will result in computer companies looking at Rapid City as a new home. We will receive more attention from this one event than any other event in Rapid City. The City will have to update all cable and network infrastructure at the Civic Center. The investment into this is \$50,000.00.

Property taxes have gone from \$13,525,216 in 2012 to an estimated \$15,548,949 in 2017. The increase is related to more buildings and more taxable houses and businesses. Sales Tax Revenue has gone from \$22 million in 2012 to an estimated \$26 million in 2017. Data shows that Rapid City is still behind the rest of the state in sales tax revenue. The gross sales have a relatively flat trend. We have to look at options to stimulate sales tax in Rapid City. Local businesses compete with the internet. Local businesses might need to start promoting more internet sales because this is the trend on how people are shopping. Other taxes includes delinquent property taxes, motor vehicles licenses, bank franchise tax, cable TV and business tax, liquor tax and other miscellaneous taxes. In 2012 the taxes were around \$2.8 million and the estimated total for 2017 is \$3.2 million.

Intergovernmental or grant revenue is income from TSA, Transportation Planning, Re-entry Grant, County Payment for GIS, HAZMAT, Dive Team payment, Transit system, Historic Preservation, Air Quality, Department of Justice Policing Grants, FEMA, and Bureau of Land Management. There was an increase of \$1.5 million from 2013-2014 from FEMA for Storm Atlas. In 2015 we received a surface transportation project grant advance payment for \$6.4 million. There won't be any more advanced payments so the trend will revert back to an estimated \$3 million.

Permits & Licenses have gone up from \$1.8 million in 2012 to an estimated \$2.3 million in 2017. Sales of Goods and Services have gone from \$1.9 million in 2012 to a forecasted \$2.5 million in 2017. Interest, Rent & Property Sales has fluctuated in the past but slowly rising again.

Mayor went over definitions regarding the enterprise fund and the special revenue fund. The Enterprise Fund consists of the following: regularly charge a fee for service; rely on user fees for all (or substantial portion) of their revenue; entrepreneurial in appearance and function; and non-profit attributes. The Special Revenue Fund is a fund that stores funds for a specific purpose and documents transfers in and out of the fund.

The following entities are part of the Enterprise Fund: Rapid City Regional Airport currently has a fund balance of \$6.8 million. The projected net income is \$1.9 million in 2017. The Ambulance has a projected net income of \$47,470.00.

Mayor said that the Rapid City Fire Department has been operating as the sole ambulance service for years. They have requested 3 new FTE's to be used as ambulance employees only, which totals

\$150,000.00. This will have 0% budget impact in 2017. The three new FTE's will be the start of the new Fire/EMS split. The Mayor stated that 7 out of 10 calls to the fire department are medical calls. The new FTE's will be specialists in the medical field. They will not be going to fires. Currently on medical calls, you will see an ambulance and a tanker truck, maybe even a ladder truck going on a medical call. He stated these resources need to be protected and used more efficiently. These new positions will reduce the overnight burden of EMS calls on fire personnel.

The Cemetery Fund has projected revenue of \$231,019 and a requested budget of \$317,846, giving that entity a projected net loss of (\$86,827). In 2017, the Finance Office will work on converting this from an enterprise fund to a general fund function.

The Civic Center fund has projected revenues of \$10,759,500 and expenses of \$10,161,087 for a net income of \$598,413. The Energy Plant Fund takes approximately \$737,323 to run the energy plant. These fees are reimbursed by the Civic Center and the Rapid City Area School District.

The Meadowbrook Golf Course Fund has projected revenue of \$1,195,600 and expenses of \$1,197,778 for a projected net loss of (\$2,178). Executive Golf Course Fund: has projected revenue of \$249,700 and expenses of \$254,412 for a net loss of (\$4,712). The Mayor noted that this fund includes \$25,000 from the General Fund (for Lacroix Links subsidy) and operates at a projected loss.

The Parking Lot & Area Fund project \$726,000 in revenue and \$630,739 in expenses for a projected net income of \$95,261.00.

Solid Waste Disposal / MRF Fund have projected revenue of \$6,024,800 and expenses of \$5,433,839 with net income of \$590,961.00. The Solid Waste Collection Fund has \$4,564,082 in revenues and \$2,300,074 in expenses with a total projected net income of \$2.2 million. Solid Waste Collection is requesting a solid waste mechanic who is specifically trained in servicing these trucks for little to no down time.

The Storm Water Fund has the drainage assessment which totals \$2,243,009. Expenses total \$882,345 and budgeted capital projects total \$1,385,000. Projected income is \$1,360,664.

The Transportation Terminal Fund has projected revenues of \$36,852 (which include \$25,000 from the General Fund), expenses of \$103,693k for a net loss of (\$66,841).

The Water Reclamation Fund, which is the sewer user fees are projected to bring in \$11,767,985, expenses are \$7,348,153, leaving a net income of \$4.4 million.

The Water Department Fund will create \$15,397,297 in revenue, projected expenses are \$7,353,270 for a net income of \$8 million. The water department is asking for (3) FTE's for water maintenance employees and some equipment. Since 1972 maintenance employees have increased from 4 to 6. During that same time the water accounts have gone from 12,000 to 23,000. There has been a significant delay in performing services, so they have hired some maintenance out. They want to hire (3) new FTE's for \$120,000 in order to do the maintenance themselves.

Special Revenue Funds are funds that hold money and document transfers of money in and out. The Community Development Block Grant is a federal grant that brings in \$431,872. The projected expenses total the same, so there is \$0 net profit/loss.

The Capital Improvements Fund has projected revenue of \$16,584,811 and expenses of \$16,998,477 which leaves the fund with a loss of (\$413,666).

The Vision Fund has projected revenue of \$13,492,778 and expenses of \$581,111, net income \$12 million.

The RSVP Fund has projected revenue of \$116,000. The federal grant is \$46,000 and \$70,000 is unfunded, which means \$30,000 comes from the general fund and \$40,000 comes from donations. The expenses total \$117,030 with a net loss (\$1,030).

The Erosion Sediment Fund (part of the clean water act, which regulates erosion control) is funded by permit fees.

The Hazard Mitigation Fund (is funded through a federal grant, which reduces fire fuel around homes in Rapid City).

The Occupancy Tax Fund, consists of a \$2 per night charge for hotels that have over 50 rooms. The projected revenue is \$1,669,000 and expenses are approximately the same for \$0 net income/loss.

The Downtown BID Fund is revenue for the business improvement district. The net income/loss is \$0. 99% of this goes to Destination Rapid City, who administrates funds for downtown improvements.

Repair & Demolition Fund is when a property gets demolished then assessed back to the property owner.

In the Surplus Funds, the 2015 fund balance was \$18,319,379. These funds get distributed to CIP for the surface transportation project; Reserves per ordinance; Designated for 2016 Budget; and undesignated cash remaining.

The Mayor spoke of Priority Based Budgeting and the goals are as follows: Understand where money is and where it goes; the budget is very complicated, we need to simplify the language and the process; clarify difference between financial accounting and financial accountability; use data to help with decision making; a tool to defund low priority programs; a tool to appropriately fund high priority programs; share clear data and details with the public; efficiency and accountability to avoid threat of higher taxes. The Mayor would like the City to reconfigure as an organization. This budgeting tool shows where we have money, we just need to reprioritize how we spend it.

Future Budget Related Issues: historical use of general fund cash to balance the budget has gone from \$500,000 in 2013 to \$3.5 million projected in 2017. This is a bad trend. The increase in revenue has not kept up with the increase in spending. Some increases such as goods/services and labor are out of our control. We don't have to focus solely on spending but we need to focus on how to make more money. The Mayor would like to appoint a Government Efficiency Committee, made up of some council members, local business people, maybe some academics to evaluate the government efficiency on some specific entities. He would like the committee to evaluate RSVP. One of the questions we need to ask ourselves is does this service need to be provided by the government or can someone else provide the service. RSVP puts in thousands of volunteer hours. Perhaps transfer the program to the "2-1-1 Help-line". This doesn't have to be immediate. The current grant doesn't run out until March 2017. He wants help evaluating these programs.

The Mayor would like to evaluate Meadowbrook and Executive Golf Courses. He's not sure the City should be in the golf course business. He needs help evaluating the arrangement they have. He said his feelings should not lead to dramatic changes. He is only asking for input.

The Journey Museum is a resource that was built 20 years ago as a tourist attraction. It doesn't have the City or community support it needs to make it. He would like to have an objective business analysis on the Journey Museum.

The Humane Society needs an outside look. The Mayor will not be involved in their contract negotiations this year.

The Dahl Fine Arts needs evaluating. The Mayor said there was miscommunication last year. They weren't happy about getting less money because of how a contract was written. The Mayor said this organization needs to be assessed. He believes we are doing a disservice by operating as we have been.

If we want to continue with the Public Library we should all be on the same page. But state law mandates a Library Board to oversee everything. The Mayor doesn't think we understand each other. It is not fair to go forward with business as usual.

Additional future budget related issues are as follows: Smooth out the budgeting of major equipment and other capital expenses. Make the budgeting a 12 month process. The budget takes a lot of time, energy and resources. Mayors have a lot to do that they don't have enough time to concentrate on the budget. Implement the employee retirement incentive and examine our future labor costs. Employees are our most valued asset but also the most expensive. He is offering 92 employees to take a one-time, 90-day window of early retirement. The Mayor recommends to repeal or revise the ordinance 2.24.090; RE: Community Investment Committee. There are some restrictions that could be revised. He would like to repeal or revise ordinance 2.40.140; RE: Mandating the amount of money in the Surplus Fund. He asked why the amount is set at \$7.9 million versus another amount. He asked if the City could possibly take off some restrictions. The Mayor's Office could use a full-time Budget Analyst. We currently have no way of measuring budget performance. This should be done at least monthly if not more frequently. This will be the primary support for Council and the 11 departments. They have not done a job description or a grading system for salary.

The Mayor said there are some ways for Adding Funds for Infrastructure Needs: Keep everyone out of CIP. These are the departments/resources that currently receive CIP money and could maybe receive funding from another source: IT, Fire vehicles, Interdepartmental charges, and Parks and Recreation. The Mayor stated we have to stop the WORP mentality (giving developer an exception) because in 5-6 years the City will stick the road improvement on the tax payer. We have to figure out a different way to deal with road improvements. He would not be surprised if the City is giving away a million dollars a year, by not making the developer take on these improvements. The Mayor suggested the City draft a 5-year infrastructure ramp-up plan and commit to it.

Regarding the Budget Feedback, the Mayor was open to answering easy questions now. He asked that harder questions be submitted in writing and he will address those publicly at the next budget hearing. Motion to acknowledge was made by Wright, second by Laurenti. Motion carried 8-0.

Motion was made by Scott, second by Roberts to set the next budget hearing on Wednesday, August 24, 2016 at 6:30 p.m. Motion carried 8-0.

Scott asked that the Mayor answer questions via email and then make those answers available to the public at the next meeting.

In response to a question from Salamun, the programs have been developed late in the budget season so they do not have all the program costs. Therefore, we can't prioritize each program at this point. All of the cost allocations need to be in by November 1, 2016 but the program list will be available sooner.

There being no further business to come before the Council at this time, motion was made by Laurenti, second by Scott and carried to adjourn the meeting at 8:29 p.m.

CITY OF RAPID CITY:

ATTEST:

Mayor

Finance Officer
(Seal)