



2018 Mayor's Budget Presentation

City of Rapid City
Mayor Steve Allender

Overall Economic Condition

- South Dakota's GDP growth from 2015-2016 was 1.7%
 - Ranked 18th of 50 states
- South Dakota total GDP \$40.7 billion in 2015
- Gross sales in SD on the rise, but fairly flat for the Black Hills Region
- Rapid City's gross sales rose by \$907 million in 2016 to \$6.04 billion
 - No explanation yet as to low sales tax receipts

Source: U.S. Dept of Economic Analysis, Regional Economic Accounts

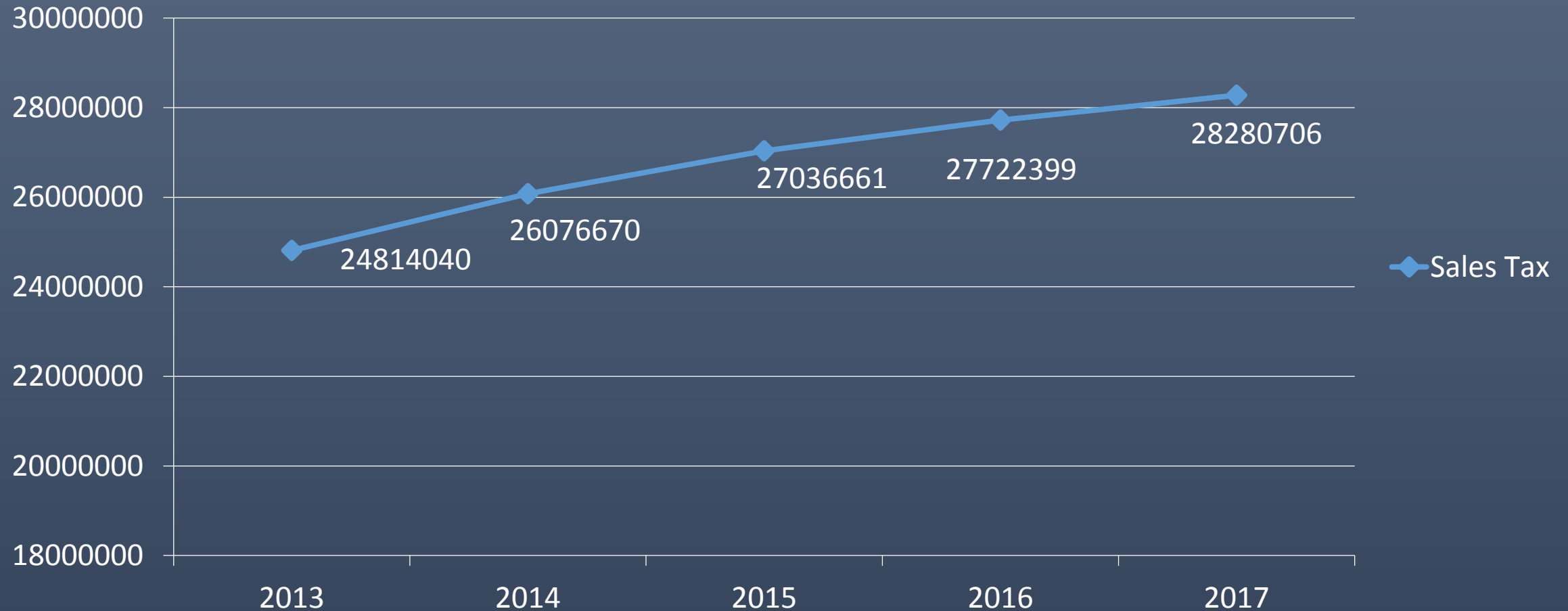
SD Dept. of Revenue, returns filed for calendar year 2016

Tourism Tax Collections

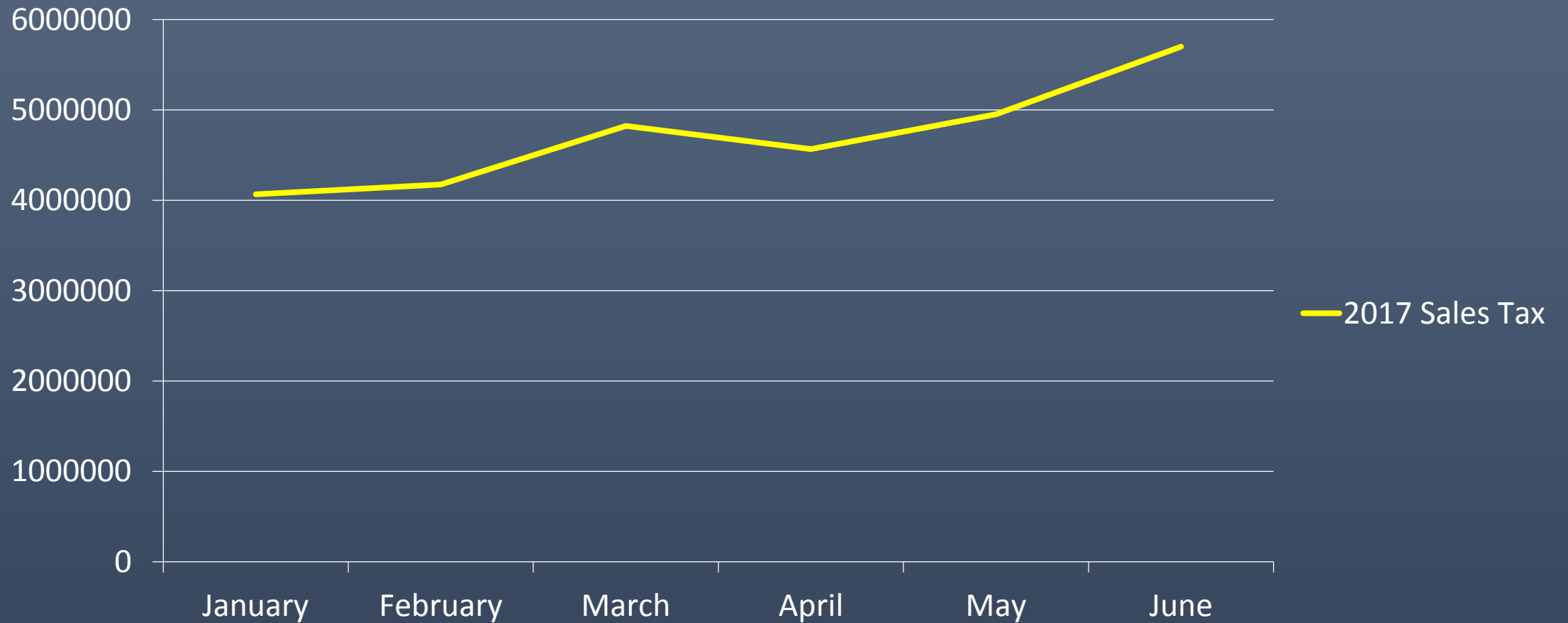
- \$831 million statewide in 2016
- Pennington County collected 27.4% of SD's tourism tax
- Minnehaha collected 14.1%

Source – SD Dept of Revenue

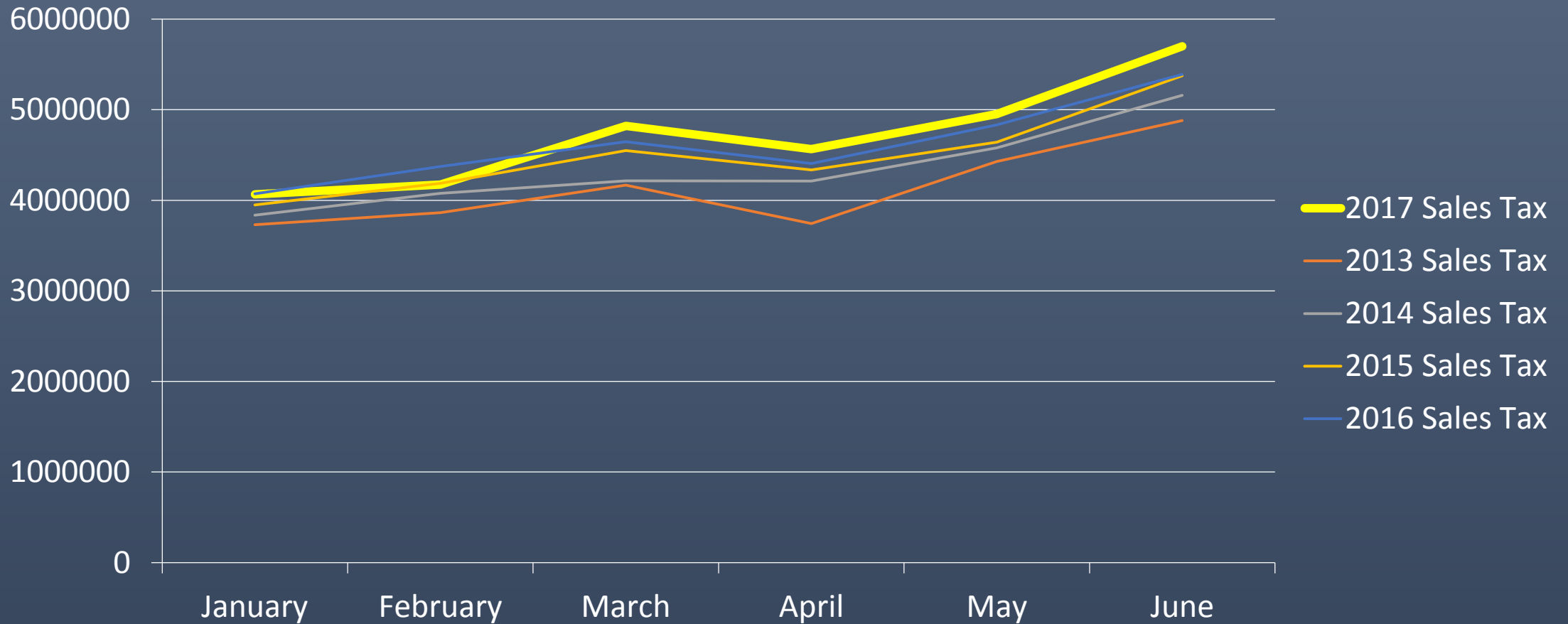
Rapid City Sales Tax Collections (First 6 months)



2017 Monthly Sales Tax Collections

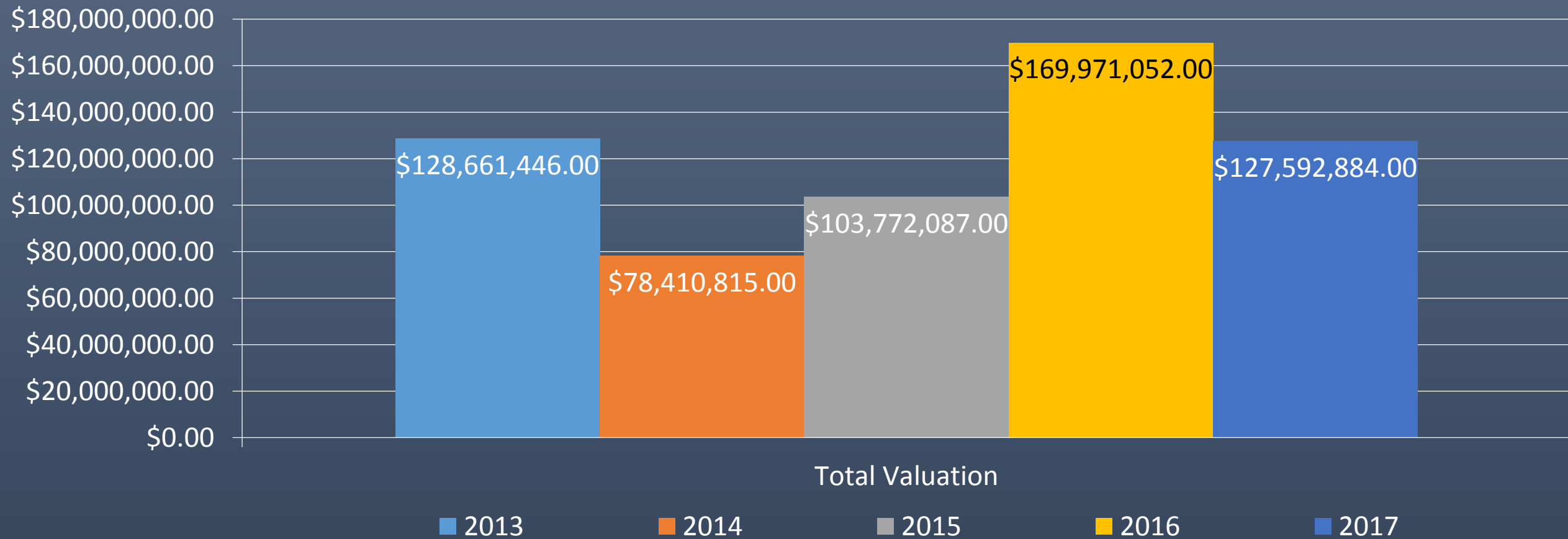


2013-2017 Monthly YTD Sales Tax Collections

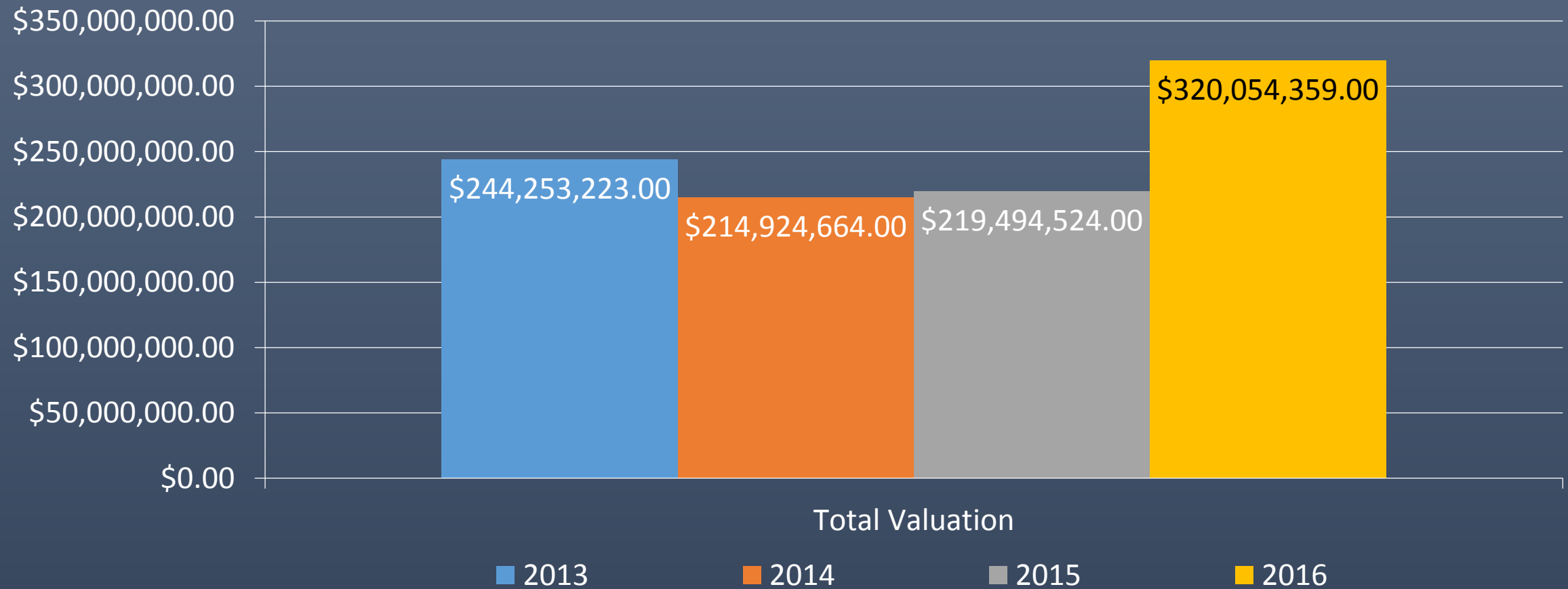


Building Permit Totals

2013-2017 January-June each year



Building Permit Totals 2013-2016



2018 Budget Preparation

Major Challenges and Opportunities

- Growing Demand
- Population Increase
- New Development
- Increased Valuation
- Increased Tourism
- Over-reliance on sales tax growth
- Outdated rates and fees for services
- Reassessment of General Fund Reserve Policy
- Program creation and reassessment – PBB (first year)

Major Challenges and Opportunities (cont'd)

- Interdepartmental charge reassessment (currently based on old formulas)
 - Phase 1: Equitable and benefit-based Central Service charges and PILT (in this budget)
 - Phase 2: Traditional interdepartmental charge structure for 2019
- Sales tax redistribution – General Fund, Streets and Public Infrastructure
- Transfer of Golf Courses/Cemetery enterprise funds to General Fund
- Community Resources reorganization
- HR strengthening
- Budget Document

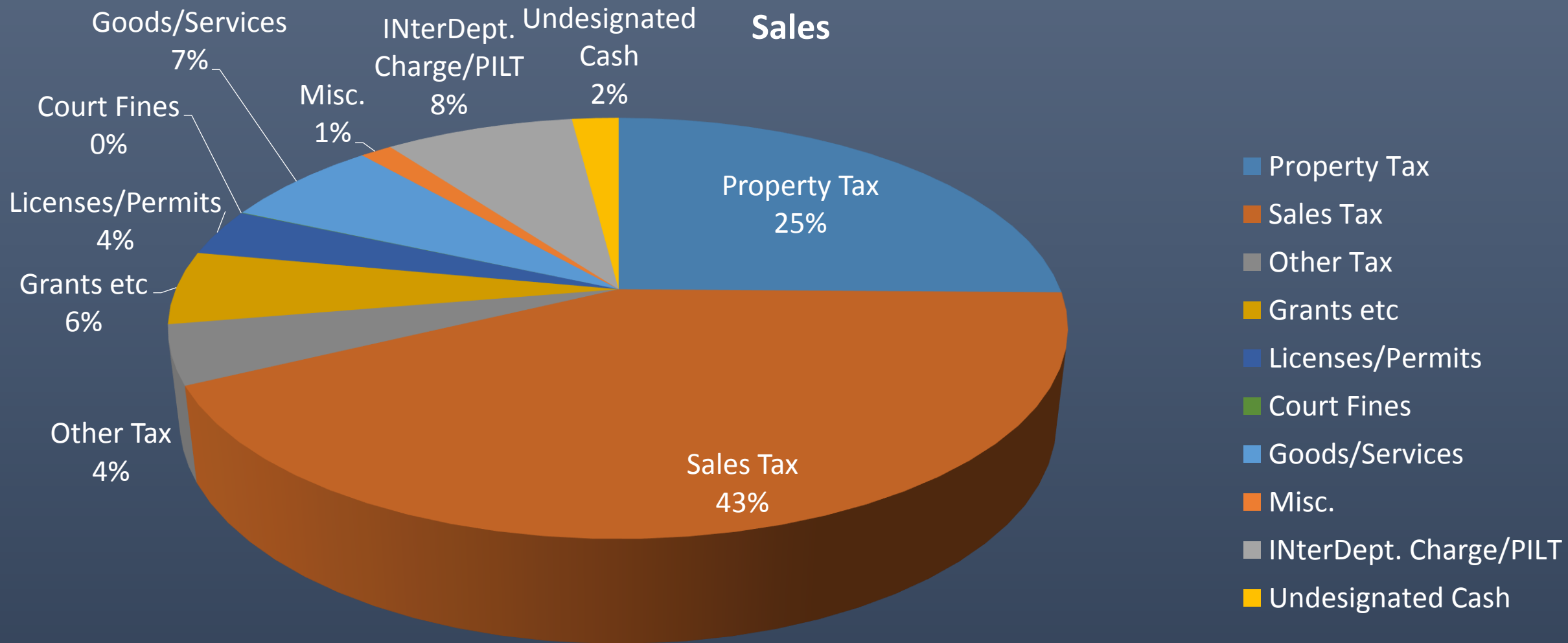
General Fund – Demand and Cost Increase for Public Services

- 2006-2016 RC population growth – 9.4%
- 2008-2016 assessed value increase – 26%
- 2006-2016 City Area increased by 5.76 sq. miles or 11.3%
- 2005-2015 number of:
 - single-family residential properties increased by 3,894 units
 - multi-family residential properties increased by 1,616 units
 - more than 2.2 million additional retail establishment sq. footage
 - more than 676K additional sq. footage office space
 - more than 1.72 million sq. feet of industrial property
- 2006-2017 road lane miles increased by 128.5 miles or 13%
- 2006-2016 CPI Increase – 17.1%

Revenue – General Fund only

| | |
|---------------------------|--------------|
| • Sales tax | \$28,444,909 |
| • Property tax | \$16,863,201 |
| • Other Taxes | \$3,020,000 |
| • Grants/Intergov revenue | \$3,762,012 |
| • Licenses/Permits | \$2,435,000 |
| • Court fines | \$25,000 |
| • Sale of goods/services | \$4,594,732 |
| • Miscellaneous | \$915,868 |
| • Interdept. charges/PILT | \$5,418,799 |
| • Transfers out | (\$25,000) |
| • Undesignated cash | \$1,337,512 |
| • Total | \$66,792,033 |

2018 Revenue



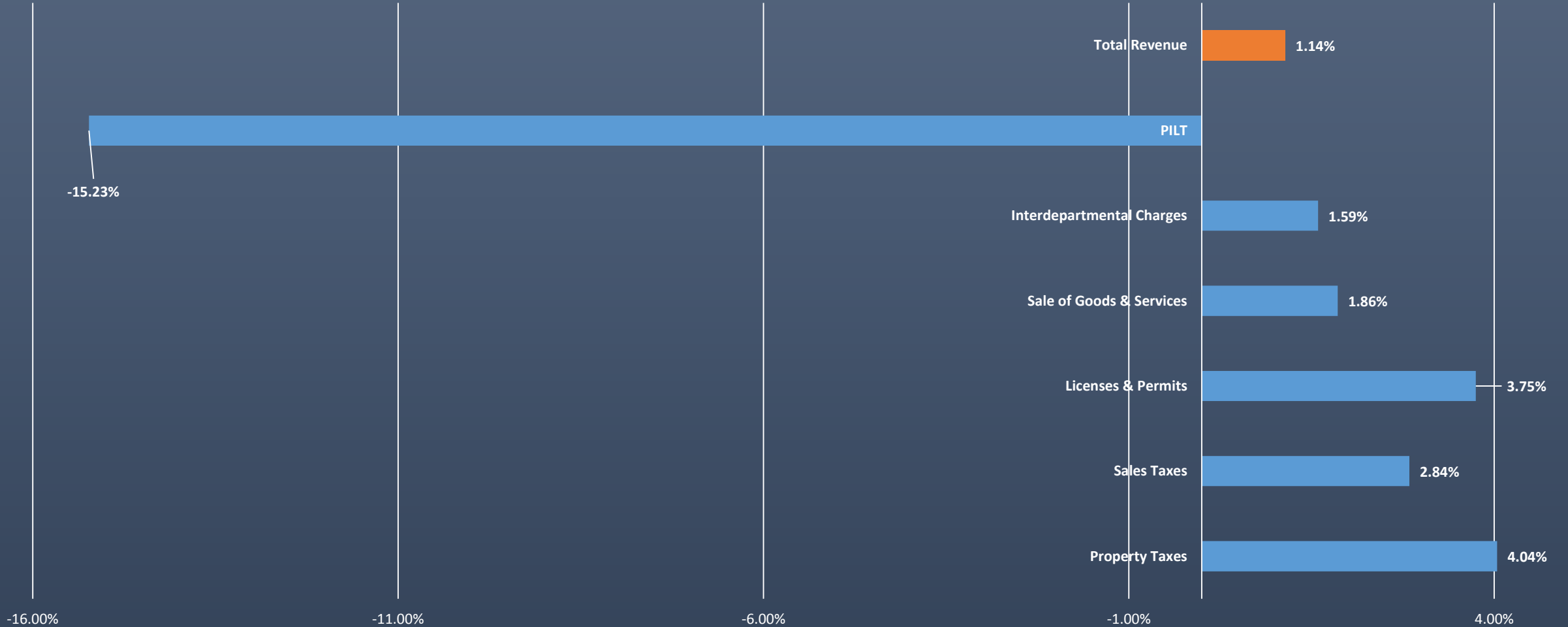
Sales Tax Revenue Overview (Including BBB)

YEAR-TO-YEAR GROWTH RATES



Revenue Overview - General Fund Only

2008-2016 AVERAGE ANNUAL CHANGE IN ACTUAL REVENUES



Revenue Overview

- Sales tax reliance (prone to fluctuations) and decline in the last 2 years
- Potential of other own-source revenues has been neglected
- Property tax revenue philosophy should be evaluated
- Use of undesignated cash increasingly necessary
- Fees for permits, licenses, service charges need to be evaluated if this is to be a source for replenishing expended funds

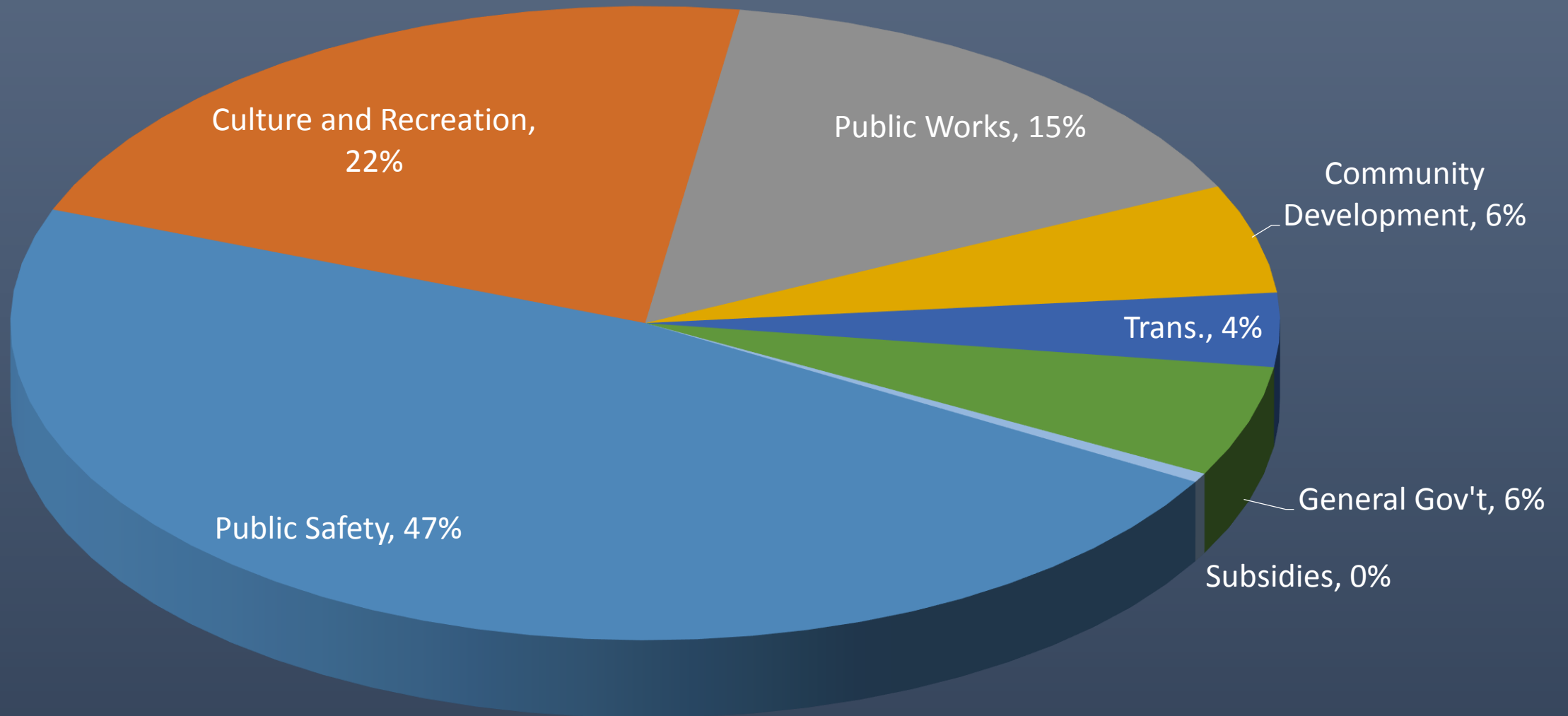
General Fund Budget

- Major drivers:
 - Increase in personnel costs - mainly wage increases
 - Up to 5 new FTEs. 1-Streets, 3-4 HR
 - Decrease in Capital Outlays
 - Additional costs and revenues for Parks & Rec due to addition of golf courses
 - Increasing costs for Cemetery since being added to Gen Fund in 2017
 - Increased Central Services Charges and PILT

2018 General Fund Budget Request

| | |
|------------------------------|--------------|
| • Mayor/Council | \$673,469 |
| • Attorney's Office | \$766,831 |
| • Community Resources* | \$2,902,664 |
| • Finance | \$1,250,189 |
| • Community Planning | \$2,401,774 |
| • Public Works | \$15,172,546 |
| • Police | \$15,529,339 |
| • Fire | \$11,040,378 |
| • Library | \$3,394,085 |
| • Community Invest/Subsidies | \$4,473,597 |
| • Parks and Recreation | \$9,187,161 |
| • TOTAL | \$66,792,033 |

General Fund Proposed Spending



Reallocation of Sales Tax

- Current Allocation:

- .92 General Fund
- .16 Utility Support
- .46 CIP (Capital Improvement Plan)
- .46 Vision Fund

- Proposed 2018 Allocation

- 1.00 General Fund (increase of \$2,255,593)
- 0.58 CIP (increase of \$3,383,389)
- 0.42 Vision (decrease of \$1,127,796)

Draft CIP Policy provided to
City Council

- Advantages of Reallocation

- Increase in infrastructure funding
- Increase in General Fund revenue

- Disadvantage of Reallocation

- Slight reduction in Vision Funding
- Does not cure all of the allocation issues

Reallocation of Sales Tax

- Streets, drainage, MIP
 - +\$874,840 (first year)
 - +\$300,000 (second year)
 - +\$362,304 (third year)
 - +\$1,537,144 total increase, not including growth
- Slight increases to Parks (\$28,332) and Gov't facilities (\$25,941) and interdepartmental charges (+\$11,742)
- Reduction in IT (-\$70,214) as part of long term plan
- Reduction in Fire Vehicles (-\$36,253) as part of long term plan
- Elimination of Capital matching grant (-\$225,000)
- Elimination of contingency (-\$300,000)

General Fund: Central Services Cost Allocation

Goals:

- Identify the actual cost of services being provided to citizens
- Equitably share the costs of central services
- Ensure accuracy of cost-based user fees for enterprise funds

Central Services:

- Human Resources
- Information Technology
- Legal Services
- Finance
- Equipment Maintenance

General Fund: Central Services Cost Allocation

| | Human Resources | Information Technology | Equipment Maintenance | Finance | Attorney's Office |
|-----------------|----------------------------|-----------------------------------|----------------------------------|----------------|------------------------------|
| Current | \$ 145,788 | \$ 339,821 | \$ 375,300 | \$ 479,390 | \$ 497,192 |
| Proposed | \$ 202,347 | \$ 479,257 | \$ 426,093 | \$ 710,221 | \$ 256,989 |

General Fund – Reserve Policy

- *Rapid City Code 2.40.140: “reserve balance shall be calculated as follows: Fifteen percent (15%) of the budgeted general fund expenditures less those expenditures for capital outlay”*
- National Advisory Council on State and Local Budgeting (NACSLB) recommendation: “Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures... The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used.”

General Fund – Reserve Policy

- **Proposed Policy**

- Create and maintain Emergency Reserve and Stability Reserve based on available General Fund Reserves.
- Emergency Reserve permitted uses are natural disasters and other unforeseen catastrophic events. 2/3 majority required.
- Stability Reserve is for mitigation of financial and service delivery risks due to unexpected revenue shortfalls and unanticipated critical expenditures.
- Stability Reserve may not be used for new programs.
- Mayor recommends. Council approves. Simple majority required.
- Assessment of use is tied to indicators of economic activity such as Sales Tax.
- Must be followed by a replenishment plan.

Summary and the Road Ahead

- Our economy is ok, but the budgeting process must be changed
 - Streamlining
 - Revenue philosophy
- Phase 2 Assessment of Interdepartmental Charges in 2019
- GFOA-compliant Budget Document (one-stop document to increase transparency, accountability, and citizen involvement in the budget process)
- More PBB-based program optimization to include closer review of Q3&Q4 programs and Q1&2 programs with low reliance, low/declining demand.

Notable Budget Cuts for 2018

| | |
|--|-------------------|
| • Elimination of RSVP | (\$40,000) |
| • IT Live Streaming of meetings | (\$18,000) |
| • Crossing Guard program | (\$17,000) |
| • Journey Museum | (\$30,000) |
| • Human Services Community Investments | (\$52,000) |
| • Allied Arts Fund Community investments | (\$27,000) |
| • Total | <hr/> (\$184,000) |
| • Minneluzahan Sr. Citizens (was 21,500) | \$17,750 |
| • Canyon Lake Sr. Citizens (was 14,000) | \$17,750 |

Conclusion

- Budget packets available
- Direct questions to the Mayor's Office for written answers
- Coordinate invitations to budget hearings through the Mayor's Office