

PROCEEDINGS OF THE CITY COUNCIL
Rapid City, South Dakota

August 15, 2017

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 15, 2017 at 5:30 P.M.

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

Staff members present included: Finance Officer Pauline Sumption, Deputy Finance Officer Tracy Davis, City Attorney Joel Landeen, Budget Analyst Sean Kurbanov and Interim Administrative Coordinator Sharlene Mitchell

Lewis stated that the meeting will be conducted as a working session to allow council the opportunity to fully study, discuss and understand the budget proposal noting that public comment would not be taken at this time. Lewis presented the list of discussion items and recommended that the discussion follow the schedule to insure that the identified items are fully reviewed.

2018 Revenue – In response to a question from Scott, Mayor Allender advised that the 2018 increases to Interdepartmental Charges were determined on the needs of the individual departments. In response to a question from Scott, Mayor Allender indicated that an expiring tax increment district is reflected in the property tax revenues. In response to a question from Scott, Sumption clarified the formula for projecting the 2018 sales tax revenues with the additional revenue increase resulting from the Mayor's proposed reallocation of the sales tax revenues. In response to a question from Nordstrom, Mayor Allender stated that 2018 is the initial year for implementation of the Performance Based Budgeting (PBB) program. Mayor Allender advised that changes to the process are possible noting that with the continued use of the PBB process change may be implemented to the various department programs. In response to a question from Laurenti, Mayor Allender advised that the property tax revenues were calculated on the overall property valuations. Mayor Allender advised that the 2018 budget does include the 2017 CPI. Mayor Allender reminded the council that should the City elect to not take the 2015 CPI those funds would no longer be available to the City. Sumption clarified the formula for calculating the 2017 CPI. In response to a question from Scott, Sumption addressed the general fund impact resulting from the reallocation of the Golf Course and Cemetery enterprise programs and the Airport Fire Services. In response to a question from Scott, Sumption clarified the formula utilized for the 2018 sales tax revenue projection noting that the proposed budget does include the CPI, property tax growth, an expiring tax increment district and the proposed reallocation of the sales tax revenues. In response to a question from Laurenti, Sumption advised that Tax Increment District 71 (south side Wal-Mart) has been included in the property tax calculations noting that the President's Plaza district has expired but provides no revenue increase as the property is city owned.

General Fund Reserve Policy – Scott outlined her understanding of the proposal to restructure the Reserve fund noting that it will be one line item with specific percentages directed to Stability and Crisis Management funds with specific criteria addressing the expenditure and replenishment of the separate funds. In response to a question from Laurenti, Sumption addressed the current policy regarding replenishment of the reserve fund. Sumption stated that approval of the new reserve fund policy will require council approval. Laurenti expressed his

concerns with the structure of the fund repayment criteria and requested that staff provide additional information on how the reserve policy will function. Discussion followed regarding the limited use of the fund, the need to match revenues and expenditures and the need for more detailed information on the fund structure and criteria to insure that the city does not rely on the fund to balance the budget. In response to a question from Modrick, Kurbanov addressed the use restrictions that would be placed on the reserve fund by ordinance noting that the current ordinance could be also be amended to place use restrictions on the reserve fund. Mayor Allender advised that the proposed reserve fund restructure would assist the council in addressing issues such as the 2008 recession noting that any council can elect to revise the ordinance. Mayor Allender indicated that the stability fund would address staffing and services during a recession. In response to a question from Modrick, Mayor Allender indicated that the reserve fund ordinance can specify the criteria under which the reserve funds are expended and replenished. Mayor Allender clarified that the total reserve fund will maintain the 15% criteria noting that creating the two separate polices within the fund is a best practice. In response to a question from Modrick, Kurbanov advised that the shared reserve fund proposal has been implement by other communities noting that the proposal policy has been structured on existing policies. Discussion continued on the proposed changes to the reserve policy. In response to a question from Scott, Mayor Allender indicated that the reserve fund restructure is a timely discussion noting that approval of the 2018 budget is not contingent on approving the reserve fund proposal. Scott expressed her concern with the different voting requirements for expenditure of the stability and crisis funds and encouraged council to support a two-thirds vote for both funds.

General Fund Spending – Noting the impact to the Park & Recreation expenses resulting from the transfer of Golf and Cemetery to the general fund, Scott requested clarification of how the City will track revenues to insure they are sufficient to cover the expenditures of the two programs. Mayor Allender advised that the City does track revenues and can determine if the two programs are generating sufficient revenues to support the programs. In response to a question from Scott, Mayor Allender indicated that all fees and rates should be evaluated on a set schedule to insure they are covering the associated costs. In response to a question from Laurenti, Mayor Allender stated that the two programs were moved to the general fund noting that the general fund designation will allow the programs, such as the cemetery, to establish much needed equipment replacement plans. In response to a question for Laurenti, Mayor Allender advised that fee and rate increases are not included in the 2018 budget noting his intention to address these items at year end. In response to a question from Laurenti, Mayor Allender advised that he would forward the question regarding golf course expenditures and revenues to Biegler for response. Discussion followed regarding the golf and cemetery fees study and the possible consideration that the two programs should be privatized. Laurenti expressed his concern that the tax payers will be relied upon to subsidize the city golf courses. Drew stated that the city subsidizes numerous recreational facilities. Drew addressed the sacrifice made by property owners impacted by the 1972 flood and encouraged the City to retain ownership of the golf course properties. Drew addressed the changing attitudes in end of life options and encouraged the City to take these attitudes into consideration when studying future cemetery needs. In response to a question from Nordstrom, Mayor Allender addressed the review of the administration and services provided by the Human Resources department. Mayor Allender advised that staffing increases required to address payroll issues prompted the request for the additional staff in the 2018 budget. In response to a question from Nordstrom, Mayor Allender advised that the new HR position will provide backup and assistance with processing of payroll. Nordstrom encouraged the use of the Condry Study to identify issues associated with high turnover rates in specific positions. In response to a question from Scott, Mayor Allender addressed the staffing needs addressed in 2017 and proposed for 2018 noting the interdepartmental staff transfers affected to date. Mayor Allender advised that no further requests for staffing increases have been presented by the departments. Mayor Allender

addressed the ability to utilize PPB to evaluate projects and implement staffing adjustments where necessary. In response to Scott, Mayor Allender addressed the unknown impact of multi-year union contracts on unknown future revenues and the benefit of the restructured wage scales by two of the unions. Mayor Allender advised that new aerials for GIS are also reflected in the 2018 budget. Sumption addressed the factors impacting the wages line item in the 2018 budget noting the addition of the Airport Fire Services in the general fund. In response to a question from Laurenti, Landeen confirmed that the council is required to approve a resolution taking the CPI prior to second reading of the Appropriation Ordinance. Laurenti encouraged the council to review the growth in the revenue streams noting that taking the CPI will add an additional \$160,000 cost, in perpetuity, to the tax payers. Laurenti encouraged the council to identify corresponding reductions in the 2018 budget in order to eliminate the need for the CPI. In response to a question from Drew, Sumption advised that the City did not take the CPI for the 2017 budget year. Drew suggested taking the CPI to fund the proposed cuts in the 2018 budget. Scott addressed the use of undesignated cash to balance the 2017 and 2018 budgets and encouraged the council to instead reduce the budget expenditures, in addition to the reductions currently proposed for the 2018 budget, to equal revenues. Lewis indicated that staff has advised that no funds were supplemented to the golf courses for the 2016 budget year.

Personnel Costs & FTE Additions-Center Services Cost Allocation – In response to a question from Scott, Kurbanov addressed the formula utilized to allocate the interdepartmental charges noting that only the central service cost allocations have been reviewed at this time. Scott encouraged staff to continue the review of interdepartmental charges to insure that the costs to the enterprise funds are justified for the 2019 budget. Discussion followed regarding the impact of multi-year union contracts on unknown future revenues. Landeen addressed the advantages and disadvantages of the multi-year contracts noting that recruitment and retention issues were driving forces in the current police contract. In response to a question from Laurenti, Kurbanov addressed the formula utilized to calculate the interdepartmental charges. In response to a question from Laurenti, Landeen addressed the impact to the City Attorney’s Office should there be a reduction in the interdepartmental charges. Landeen advised that the current software program does support a time tracking module noting that the module was not included in the initial purchase. Landeen addressed the issues associated with projecting time for the individual departments as their needs fluctuate annually. Laurenti expressed frustration with time tracking in the government sector noting that this is an accountability issue. In response to a question from Nordstrom, Sumption addressed the impact on efficiency should staff be required to complete a time entry for each transaction as it is processed. In response to a question from Scott, Kurbanov addressed the process utilized to develop the central service cost allocations. Scott encouraged staff to continue working on the interdepartmental charges issue to ensure that the charges to the enterprise funds are addressed in the 2019 budget.

Motion was made by Scott, second by Laurenti and carried (6-2) to continue the remainder of the agenda to the Thursday, August 17, 2017 Special Council meeting and to adjourn the meeting at 7:26 p.m.

ATTEST:

Finance Officer

(SEAL)

CITY OF RAPID CITY

Mayor