

SPECIAL MEETING OF THE BOARD OF CITY COMMISSIONERS

AUGUST 15, 2016

The Board of City Commissioners met in special session on August 15, 2016 at the hour of 5:15 p.m. in the Tom Baker Meeting Room, City/County Office Building, and 221 North Fifth Street, Bismarck, North Dakota. The following were present: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary.

The Board of City Commissioners considered the request for the reallocation of 2016 one-time building maintenance funds.

Sheila Hillman, Finance Director, requested the approval of the allocation of \$5,000 from 2016 one-time funds for building maintenance project at the south fire station. There are one-time funds of \$5,000 for a plumbing vent repair at the Tyler Parkway Fire Station. That project turned out to be a maintenance issue rather than a piping repair so those funds are available for reallocation. Staff is requesting to approve the reallocation of \$5,000 of one-time funds from the plumbing vent repair project at the Tyler Parkway fire station to the Expressway fire station for completion of the floor drain project.

Commissioner Marquardt made a motion to approve the request. Commissioner Guy seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Nays: None, the motion carried.

The Board of City Commissioners considered the 2017 budget request.

The Board of City Commissioners considered the employee salary policy.

Commissioner Marquardt stated the Budget Committee met with the Human Resources Director to discuss the employee salary increases for 2017. The Director provided proposed salary increases for comparable cities which included 3.05% for Minot, 3.44% for Grand Forks and 2% for Fargo. He recommended a 3% increase. He also stated the employment cost index (ECI) was 1.7 for the second quarter of 2016, as compared to 1.8 in 2015. Since the ECI declined slightly this year and given the fact that the city increased all salary ranges in 2016, his recommendation would be not to increase the salary ranges. Our competitive position in the market should not be impacted. The Director also presented a request for an equity increase for Public Safety employees to help address salary compression.

The Budget Committee is recommending a 3% salary adjustment for 2017 based on performance and that the salary ranges be maintained at the 2016 levels.

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|------------------------|-----------|
| General Funds | \$743,427 |
| MPO | 4,692 |
| Special Funds | 96,918 |
| Internal Services Fund | 18,630 |
| Enterprise Funds | 246,669 |

Commissioner Marquardt made a motion to approve the Budget Committee’s recommendation for a 3% employee salary increase based upon performance and maintain the 2016 salary ranges for the 2017 budget. Commissioner Askvig seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Nays: None, the motion carried.

The Board of City Commissioners considered base budget adjustments.

Commissioner Marquardt stated for 2017 the base budgets for the General Fund departments were adjusted for the workers compensation premium. The premium includes a base salary increase from \$35,600 to \$37,200 and rate adjustments in all categories. This included decreases as well as increases. The projected 2017 total city premium for workers compensation is \$385,820, a decrease of \$19,018 from 2016. The projected premium assumes a 30% dividend credit, a 25% safety discount and a 10% experience surcharge for an overall decrease of 4.7%. The premium changes vary by category by department. The overall net decrease for the General Fund is \$22,311 with \$20,739 attributed to Fire and Police.

The base budgets have also been adjusted to reflect the City pension contributions based on the 2016 actuarial valuations for City, Police and Fire pensions. The contribution rates of 10.4% for City and 14.53% for Police and Fire have not changed. The total adjustment for 2017 is \$323,477.

Commissioner Marquardt said Blue Cross Blue Shield (BCBS) has estimated 8.5% increase in the suggested funding level for the 2017 health insurance family premiums. Based on the current level of expenditures and cash balance, the Budget Committee recommends no premium increase for 2017. The Budget Committee is recommending the current monthly rates of \$990.76 for dependents and \$401.62 for single coverage be continued for 2017.

The Employee Insurance Fund also pays the fees associated with the Affordable Health Care Act (ACA). The estimated 2017 per member fees for the transition reinsurance program is \$27 and for the Patient-Centered Outcomes Research Institute (PCORI) is \$2.17. Both fees will continue to be paid from the fund.

Since the cash reserve in the fund is more than sufficient to the cost of the insurance and ACA assessments, the Budget Committee is recommending that we continue to pay the disability insurance costs from the cash reserve. When this insurance was approved in 2002, it was paid from this fund. When the cash balance started declining in 2006, those

costs were then billed to the Departments. The 2017 annual costs are an estimated to be \$128,000. The reserve is reviewed each year during the budget process, so any payment changes are authorized annually by the Commission.

The General Fund base budgets total \$38,933,911, which includes \$31,702,418 for salaries and benefits and \$7,231,493 for operations. The department allocations for the 2017 budget are attached for your information.

The Budget Committee recommends the following:

- Approve the 2017 base budget adjustment for General Fund Departments for workers compensation, city pension contributions and maintain the current monthly rates of \$990.76 for dependents and \$401.62 for single health insurance coverage.
- Continue to fund disability insurance for employees from the Employee Insurance Fund.

Commissioner Marquardt made a motion to approve the Budget Committee's recommendation for base adjustments for General Fund Departments for Worker's Compensation, City Pension contributions, maintain currently health insurance coverage and the disability insurance continuing to be funded by Employee Insurance Fund. Commissioner Askvig seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Nays: None, the motion carried.

The Board of City Commissioners considered the priority initiative requests.

Commissioner Marquardt said that consistent with the process utilized in the past, the Departments have submitted priority initiatives requests for additional funding in the 2017 budget. For the General Fund Departments, these requests are in addition to the 2017 base budget allocations. For all other departments, requests are considered for staffing and other special requests that are outside their general operating budget. The department requests are included in a separate packet labeled "Priority Initiative Requests" for your review.

A summary of all the department requests categorized by staffing, operations and one-time expenditures is below. The total request is \$2,247,506 for New Employees/Labor, \$387,575 for Operations and Maintenance and \$4,485,384 for One-time Expenditures. Please note the new employees include 23 new positions, to retain 3 positions with continued funding and 4 for a new classification.

The Budget Committee met with all of the Departments to discuss their budgets and priority initiative requests. The Committee then prepared the preliminary funding recommendations. A brief summary was also provided to Mayor Seminary. The recommendations and funding source are reflected on the attachments and presented to the Commission for their consideration.

The total funding recommendations are identified as follows:

| | |
|----------------------------|---|
| New Employees/Labor | 505,969 General Fund Base |
| | 26,191 Department Reallocation |
| | 24,244 MPO Grant 20% |
| | 46,032 Public Hlth. Emergency Preparedness Grant |
| | 59,104 Event Center |
| | 9,690 PWS Utilities 50% Water/ 50% Sanitary Sewer |
| | 63,456 PWS Utilities Storm Water |
| | 48,475 Airport |
| | <u>590,068</u> General Fund Cash Balance |
| Total | <u>1,373,229</u> |

13 New FTE

| | |
|-------------------------------------|---|
| Operations & Maintenance | 105,125 General Fund Base |
| | 40,500 Department Reallocation |
| | 55,250 General Fund Cash Balance |
| | <u>11,000</u> City General Fund contingent on Mandan/Burleigh |
| Total | <u>211,875</u> |

| | |
|------------------------------|-------------------------------------|
| One-time Expenditures | 2,198,627 General Fund Cash Balance |
| | 5,000 Dept. Equipment Reserve |
| | 270,900 Fire Grant |
| | 70,000 MPO Grant |
| | 150,000 Special Deficiency |
| | 3,000 Motel Liquor, Restaurant Tax |
| | 34,100 Library Cash Reserve |
| | 121,325 Event Center Operations |
| | <u>25,000</u> Utility Ops - Water |
| Total | <u>2,877,952</u> |

In meetings with the Departments, The Budget Committee started to see some of the moderate growth impacts on our General Fund revenue with declines in special assessments and building fees and State Aid revenue. The decline was also noted in the decrease in motor fuel tax revenue for Roads & Streets. It also became apparent to the Committee that City employees, public safety and limiting increases in property taxes continue to be high priorities. The Committee has continued to leverage the use of one-time funds to help address the changing needs of the City. All of these were factors in the considering the following budget recommendations.

Please note the City of Lincoln discontinued the contract for Inspections in 2016 and one time funds were authorized in 2016 to fund an Inspector position. The Committee is recommending one-time funds be continued in 2017 and when there is turnover in an Inspector position, that the workload and level of growth be reviewed prior to filling the position.

The Budget Committee considered the request from Police to transition 4 current patrol officers to sergeant positions to be on the street to mentor and supervise the officers. The request also includes 8 new patrol officers to increase the number of officers on patrol and provide for a new power shift from 3:00 pm to 3:00 am to cover the peak time for calls. The Committee placed a high priority addressing the public safety concerns in the City and is recommending funding for those positions and the purchase of 4 new vehicles and associated equipment for the officers. The Police requested funding, as required by the grant, to continue the 2 School Resources Officers for one year beyond the grant funding. The Committee recommended one-time funding with the understanding that the grant funding terminates during 2017 so additional funds may be required in 2018.

The Budget Committee is recommending the implementation of the Master Firefighter position for 2017. Police implemented the comparable master position this spring. This is a salary range change only so there is no funding impact.

The Event Center requested 2 new positions to support the increase in the number of events. The Committee is recommending the Marketing Specialist position be funded contingent on a new contract the Event Center plans to present to the Commission. All other recommended funding for new employees will be provided by revenue from those departments.

Please note that base and one-time recommendations for Combined Communications are contingent upon the County and Mandan approval of shared funding. The recommendations include over-time, network services, and conference registration. The Police request to increase funding for SWAT service contract is also dependent on increases provided from other participating jurisdictions.

The Committee recommended an increase in training for Police with the restriction it only be used for training and directed Fire to set up a uniform training system. The Committee recommended increased funding in the pool for vehicle repairs to address the requests from Police and Fire for increases in maintenance and repair of vehicles.

The Committee recommended the various requests for sidewalk repairs be limited to addressing tripping hazards. The associated expenses for sidewalk repairs for General Fund facilities may be funded by Special Deficiency. Please note the option to purchase the Public Health Building was a major consideration in recommending the funding of those building maintenance requests.

The Committee also recommended funding some of the department requests with either the internal reallocation of department funds or utilizing their equipment reserves. The reallocation are noted in the funding/comments column of the attached recommendations.

In reviewing the budgets with the Departments this year, the Budget Committee has concluded that funding for any base adjustments will continue to be restricted to the purpose of the increase. This includes base increases for salary and benefit adjustments and operations expenses from prior years.

The Committee also recommends that all one-time funding recommendations are specific to the project authorized and Commission approval is required for any change in use of that funding.

Please note that all vehicle purchases recommended for approval will be purchased through Fleet Services. In addition, all maintenance projects authorized for the General Fund Departments will be coordinated by Building Maintenance.

The Budget Committee recommends approval of the following:

- Funding levels for Priority Initiatives for new employees/labor, operation & maintenance and one-time expenditures
- Restrict expenditures to the purpose of the base funding increases
- All one-time funding recommendations are specific to the request authorized and Commission approval is required for any change in use of that funding

Commissioner Marquardt made a motion to approve the Budget Committee's recommendation for funding levels for Priority Initiatives for employees/labor and operations and maintenance and one-time expenditures; restrict expenditures to the purpose of the base funding increases, and all one-time funding recommendations are specific to the request authorized and Commission approval is required for any change in use of that funding. Commissioner Guy seconded the motion. During roll call, Commissioner Oban asked a question. The Board agreed to stop roll call and listen to Commissioner Oban's question.

Commissioner Oban appreciates all of the work that was done and the public safety piece. He brought up the half-time position that Bismarck-Burleigh Public Health had requested be added to the budget for a current half-time nurse for it to become a full-time position. There has been no increase in staffing since 2006 and this position would be responsible for vulnerable adults, disabled, mental health issue which ties into the public safety piece. He asked if it would be possible to consider an additional part-time person so no one would be going to a full-time status and ask for it as a one-time instead of it being a base. Commissioner Marquardt said the Committee looks at the total picture and then prioritizes all; of the requests. Keith Hunke, City Administrator, said the need for the mental health services/referrals was not discussed. Renae Moch, Bismarck-Burleigh Public Health Director, appeared before the Board and spoke about the Health Maintenance Program which revolves around case management for vulnerable adults, the elderly, those with mental illnesses, those with disabilities, etc. Commissioner Guy asked if there were other resources for them and Ms. Moch said no.

Commissioner Oban made a motion to amend the motion to add onetime line for the part-time position at Bismarck-Burleigh Public Health. Commissioner Guy seconded the motion. President Seminary asked how much and where this money would come from. Sheila Hillman said the cost would be \$28,748 and the funds would come from the General Fund cash balance.

Commissioner Oban made a motion to amend the motion to add onetime line for the part-time position at Bismarck-Burleigh Public Health for \$28,748 to come from the General Fund cash balance. Commissioner Guy seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Naves: None, the motion carried.

The original motion with amendment added is as follows:

Commissioner Marquardt made a motion to approve the Budget Committee's recommendation for funding levels for Priority Initiatives for employees/labor and operations and maintenance and one-time expenditures, adding the part-time position for \$28,748 with Bismarck-Burleigh Public Health with funds coming from the General Fund cash balance; restrict expenditures to the purpose of the base funding increases, and all one-time funding recommendations are specific to the request authorized and Commission approval is required for any change in use of that funding. Commissioner Guy seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Naves: None, the motion carried.

The Board of City Commissioners considered the 2017 Fees and Charges.

Commissioner Marquardt said that departments submit rate adjustments for fees and charges to the Budget Committee for consideration during the budget process. The changes include new fees, deleting fees, rate increases and also the basis of the fee. The proposed changes for the 2017 fees and charges were included in the agenda packet. Please note Public Health is requesting a change in the basis for Environmental Health fees and charges to align with similar entities across North Dakota. Please refer to the memo from Renae Moch (in agenda packet) for further justification of the changes.

Also included in the agenda packet is a memo from Michelle Klose that explains the utility rate increases, outlines the proposed uses, and provides a cost comparison of 2016 to 2017 for users. Please note that the rate increases help provide a sufficient funding of bond payments and reserve requirements and for future construction projects required by a 2003 Administrative Consent Agreement for sanitary sewer.

The Budget Committee recommends approval of the adjustments for the fees and charges for the 2017 budget as requested by the Departments. Please note the revenues associated with the adjustments are included in the 2017 revenue projections.

In response to Mayor Seminary's question on the sanitary fee increase, Michelle Klose said about half of the increase is related to compliance with the Clean Water Act. Commissioner Askvig voiced his concern with the storm water increase and Michelle clarified that the commercial fee is based on square footage in contrast to the residential which is a monthly fee.

Commissioner Marquardt made a motion to approve the adjustments for the 2017 fees and charges as requested by the departments. Commissioner Guy seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Nays: None, the motion carried

The Board of City Commissioners considered the level of the mill levy.

Commissioner Marquardt said that the estimated value of a mill for the 2017 budget is \$351,555 as compared to the actual value of \$324,137 in 2016. This represents an increase of \$27,418 or 8.46 % from the prior year with 4.51% of the average increase attributed to growth. The Budget Committee developed the tentative 2017 budget request with a mill levy of 59.62 with a reduction of 2.15 mills. This includes funding for salary policy, the recommended priority initiatives and General Fund capital improvement projects. A brief summary of the level of the mill was shared with Mayor Seminary prior to completing the recommendations for the budget.

The recommended mill levy of 56.92 provides a 4.51% increase in revenue. The goal was to try to limit the recommended funding increase to the average increase in the 2016 mill that was attributed to growth from new tax base and also consider the impact to property tax. The 2.15 mil reduction equates to \$1.86 increase on a home valued at \$200,000 that was adjusted for a 4.14% increase in value. The 4.14% is the average increase in market value for residential property. This mill reduction represents only the City's portion of the property taxes which is 24.25% of the total for 2016. The levy for the 2017 budget also assumes that 25 mills will continue to be funded from Sales Tax. This represents an 8.56% increase in tax relief which is attributed to the increase in the value of the mill.

The 2016 mill levy that reflects the recommended levies for the 2017 General and Special Funds was included in the agenda packet for this meeting.

The General Fund mill changes include an increase of 4.86 mills and a decrease of 5.67 mills for Building Construction, for a total decline of .81 mills. The Building Construction mill was 9.99 in 2016 but it was reduced to help fund the General Fund priority initiative requests and salary policy. The mill levy of 4.32 will provide funding for the capital improvement projects in 2017 and provide some funding for the future building plants for the City/County Building, Public Health, Police and Combined Communications. The estimated costs for future building renovations and new construction range from \$22 million to \$48 million over the next five years. The Budget Committee noted that these are also priorities that will need to be addressed in future budgets.

Please note that with the consolidation of the mills in 2016, the mill levy for Forestry and Weed/Leafy Spurge was combined with the General Fund mill. This is equivalent to 2.14 mills which will be transferred to Roads & Streets – Forestry for those expenses in 2017. In 2016 the Budget Committee recommended that the cost of social security and pension for the Special Funds be paid by those departments. This change made the funding the same as the Enterprise and Internal Service Funds that fund all of those employee benefit costs. With the projected decrease in motor fuel tax revenue tax for Roads & Streets in 2017, the

Committee is recommending that the social security and pension costs for Roads & Streets be funded again by the mill. This change amounts to \$282,035 and is reflected in the General Fund mill. The revenue will be transferred to Roads & Streets to fund those employee benefit costs.

The General Fund mill includes the City pension contribution of 10.4% for the City plan of the General Fund Departments and 14.53% for Police and Fire based on actual annual pay of the covered pension salaries. The General Fund also includes the funding for the recommended priority initiatives and salary and benefit adjustments. The overall decrease of .81 mills is attributed in part to the increase in the value of the mill, Sales Tax for 25 mills and the decrease in the mills for Building Construction.

In Special Funds, 2 mills are recommended for Special Deficiency to help fund the City's share of Special Assessment projects which totals an estimated \$945,000 in 2017. The mill levy did not change for E/H Transit and the revenue increase represents the increase in the value for the authorized mills. The .34 mill decrease in Library reflects the increase in the value of the mill and a funding increase for a 3% salary increase for all employees.

Commissioner Marquardt made a motion to approve the mill levy of 56.92 for 2017 budget. Commissioner Guy seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Nays: None, the motion carried.

The Board of City Commissioners considered the 2016 Capital Improvement Projects.

Commissioner Marquardt said the Budget Committee reviewed all the projects with the Departments. The Committee also considered the funding source for a number of requests and the funding for those projects are recommended as follows:

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|---|----------|-------------------------------|
| Arena AC/Ice Making Compressor Replacement | \$50,000 | Event Center Revenue |
| Arena HVAC Replacement in E. Dressing Room | 50,000 | Motel, Liquor, Restaurant Tax |
| Arena Food Court Renovation | 100,000 | Motel, Liquor, Restaurant Tax |
| Library Roof & Clerestory Windows (add'l funds) | 300,000 | Building Construction |
| Police Evidence Storage Heating & Cooling (add'l funds) | 80,000 | Building Construction |
| Police Parking Lot Security Fence | 87,000 | Building Construction |

The Budget Committee also discussed the construction of a new EOC. The design phase has been completed but recommendations were delayed until after the consolidation with Mandan. The plan is to have the recommendations for the design and funding presented to the Commissions this fall for further consideration. The Committee reviewed the Event Center projects and is recommending funding from the Hotel, Liquor Restaurant Tax for the Arena HVAC replacement and food court renovation projects and the department funding for the Arena AC replacement.

The Committee considered the Fire station projects and delayed any funding recommendations with the focus to complete the current projects for the Burn Building and

new Fire station. The search for land for future fire stations was authorized with funding to be determined.

The Committee is recommending additional Building Construction funds for the 2016 Roof & Window project but did not recommend funding HVAC Upgrade Project at the Library.

The Budget Committee considered the request of the Police Department for the Building Expansion and Renovation and the replacement of the masonry wall panels but did not recommend funding. The Committee is recommending additional funding from Building Construction to complete the 2016 Evidence Storage Building and the Parking Lot Security Fence project.

Due to the decrease in motor fuel tax revenue from Roads and Streets, the Budget Committee is not recommending approval of the request for the purchase of land for a future north satellite station. The land purchase, however, may be considered in the future.

The Budget Committee recommends funding from Solid Waste for MSW Subtitle D Cell Closure, the Inert Waste Pit Closure, and the purchase of the County Shop.

The six projects identified for replacement of traffic signals, video cameras, whiteway conductors and feed points, and the street light LED relamping are recommended as requested by Public Works Service Operations for Street Lights & Signals.

The recommended 2017 funding for the Street & Highway Projects is \$22,751,000 with \$10,148,500 from Sales Tax, \$50,000 from HUD, and \$12,552,500 from special assessments and deficiency. The Sales Tax funding includes \$900,000 for the street projects design and ROW at 43rd Avenue North from State Street to Montreal. It also includes \$50,000 for funding special road projects authorized by the Commission, \$64,000 for the design of highway safety improvements projects and \$200,000 for the first phase to create fiber optics network through-out the city for traffic signals and other communications needs. This will be done in conjunction with the feasibility study authorized for the network in 2016. The recommended funding for Special Assessments is \$8,934,500 from Sales Tax. The Budget Committee recommends that Sales Tax continue to be considered as a funding pool for the annual projects. This would allow the funds to be allocated within the project categories to address changes in bid estimates and quantities. Projects include \$192,500 for the maintenance and repair of concrete streets, \$2,843,500 for the cost to replace the hard surfaced streets with permanent full depth asphalt pavement, \$1,771,000 for street reconstruction and subbase drainage system, \$2,667,500 for the annual chip seal project and \$1,460,000 for the Rural Upgrade projects. This is used to fund the cost of rural upgrades that are held in abeyance until the property is annexed. The Sales Tax will provide funding consistent with the subsidies authorized by the Commission for the annual Special Assessments.

The Committee considered the funding requirements presented by the Airport for the major Runway Project. The total estimated cost of the project is \$66,784,000 for 2017-2019. The

requirements were discussed with the Finance Director and the following funding plan was developed for Committee consideration:

| | 2017 | 2018 | 2019 | Total |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Federal Funds | 12,000,000 | 13,179,300 | 10,820,700 | 36,000,000 |
| State Funds | 1,500,000 | 1,573,500 | 601,150 | 3,674,650 |
| Airport Cash Reserves | 6,248,000 | - | - | 6,248,000 |
| Revenue Bond | 3,543,000 | 6,457,000 | - | 10,000,000 |
| Funds to be identified | - | 10,260,200 | 601,150 | 10,861,650 |
| Total | 23,291,000 | 31,470,000 | 12,023,000 | 66,784,000 |

The Federal Funds include the authorized additional FAA funds of \$10,000,000 for three years for the project which is in addition to the annual entitlement funds of \$2,000,000 for the three years. The State funds are from the State FAA projected funding for this project. The Airport plans to dedicated their construction reserves to the project but also maintain \$1 million of the reserve for operating cash flow. This process was used when the terminal was built and is a good policy to continue. The revenue bond will be funded from the annual Passenger Facility Charge (PFC). The Budget Committee is recommending the following funds to provide the additional funds:

| | 2018 | 2019 |
|-------------------------------|-----------|---------|
| NPCC cash balance | 5,800,000 | |
| Motel, Liquor, Restaurant Tax | 2,460,000 | 601,150 |
| HUB Funds | 2,000,000 | |

There would still be a cash balance of funds in both the NPCC and Motel, Liquor, Restaurant Tax funds but the total allocation HUB funds would be utilized. The bids will be received in September and associated funding reviewed. Any additional funds received from the Federal or State FAA will be used to decrease the amount of the additional funds and used to preserve the Airport operating cash reserve. Please note that with the proposed funding plan, the Airport will have to delay numerous other projects and only do those that are essential to continue operations.

The Street Lights & Signals, Solid Waste, Water, Sanitary Sewer, and Storm Water projects are funded with reserves, special assessments, and revenue bond reserves and are recommended for approval as requested:

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|-------------------------|------------|------------------------------|
| Solid Waste | 286,850 | Reserves |
| Street Lights & Signals | 619,773 | Reserves |
| Sanitary Sewer | 13,610,000 | Reserves/Bond Reserve |
| Storm Water | 5,775,000 | Reserves/Special Assessments |
| Water | 1,386,000 | Reserves |

The Budget Committee continues the clarification that all funding recommendations are specific to the projects authorized and Commission approval is required for any change in use of that funding.

The Budget Committee recommends approval of the following:

- 2017 Recommended funding for Capital Improvement Projects
- Sales Tax Funding Pool for the annual Special Assessments street projects
- All funding recommendations are specific to the projects authorized and Commission approval is required for any change in use of that funding.

Commissioner Marquardt made a motion to approve the Budget Committee's 2016 Recommended Funding for Capital Improvement Projects, Sales Tax Funding Pool for the annual Special Assessments street projects and approve all funding recommendations are specific to the projects authorized and Commission approval is required for any change in use of that funding. Commissioner Askvig seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Nays: President Seminary, the motion carried.

The Board of City Commissioners considered other budget issues.

Commissioner Marquardt stated that the Budget Committee had also discussed the following issues during the development of the 2017 budget.

Over the last several years, the Budget Committee has provided an update on Sales Tax revenue. The 2015 actual revenue was \$17,436,203, which was above the 2014 revenue by \$198,189 for 1.1% increase. We have seen a decline in revenue for 2016 so the projected amount of \$17,000,000 was used in the five year projections. This level of funding continues to provide the match for the scheduled highway construction and improvement projects and the city street maintenance projects as well as the 25 mills for property tax relief and snow gate activities required by city ordinance for 2017 and 2018. Starting in 2019 however, the revenue is not sufficient to fund the projected expenditures. The shortfall would be \$8.6 million in 2019 and the deficit increases thereafter. Please note the Commission would never approve a funding plan with a deficit. The lack of federal funding has a major impact on Sales Tax and the city's ability to respond to growing demands for street improvements. This is not a new issue but continues to be a policy discussion for the Commission to either consider reductions in the subsidy for special assessments, street projects or identification of additional funds. In the agenda packet is the five year projected cash flow statement for Sales Tax that is used for budget discussions. This is provided for illustration purposes only since each year the Commission authorizes the level of funding from Sales Tax each year. The Budget Committee continues to recommends that the projected future funding deficit of highway construction and improvement projects be a policy discussion for the City Commission.

The Budget Committee is providing recommendations on the following budget issues:

- In 2009 the Commission dedicated 85% of the 2% Motel/Hotel Tax to the CVB with the balance of the funds for Event Center promotions and events. The Budget Committee recommends that the funding plan be continued for 2017 with the balance of the revenue to be used to fund events. The estimate for 2017 is

\$1,000,000 with \$850,000 for CVB and \$113,450 for the Event Center which includes \$20,900 designated for CVB events. The Budget Committee is also recommending that the funding of the designated funds be discussed with CVB in 2018.

- Since 2012, 25% of the car rental tax has been allocated to the Airport and 75% of the tax allocated for event funding at the Event Center. The Budget Committee recommends continuing the allocation in 2017. Based on revenue estimates for 2017, the allocation would be \$16,250 to the Airport and \$48,750 to the Event Center.
- The Budget Committee reviewed the operating budget and budget requests for the Event Center. The recommended priority requests and CIP will be funded by projected Event Center operating revenue and the additional allocation from the tax revenue referenced above so no operating subsidy is recommended for 2017.
- The Budget Committee considered the reduced motor fuel tax revenue of \$1,264,291 for Roads & Streets in 2017. This is the key funding source for the Department so the decline has a major impact on the Department. The Budget Committee discussed the major impacts with Jeff Heintz and based on those discussion is recommending the following funding proposal for to help alleviate the impact to the level of services provided in 2017:

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|---|-----------|
| Continue to maintain three (3) vacant positions | (188,418) |
| Delay the distributor replacement | (75,000) |
| Delay replacement of two (2) sweepers | (378,000) |
| Fund social security and pension with the mill | (282,035) |
| Increase transfer from Solid Waste Disposal Fee | (200,000) |

The Committee is also recommending that the conditions, terms and cost analysis of a lease option for the sweepers be reviewed. Sweepers with rear mounted dumps will also be considered to save on some labor time. If the leasing is recommended, \$122,000 in funding is recommended from the General Fund cash balance.

The proposed funding from the mill for employee benefits is reflected in the recommended mill levy for the General Fund. Currently, Solid Waste Disposal transfers \$1 per ton of the solid waste tipping fee to assist in funding the associated maintenance of the streets. The proposal would increase the transfer to \$3 per ton. Streets will continue to monitor the level of service and update the Commission on any changes in service due to the vacant positions.

The Budget Committee recommends approval of the following:

- Commission policy discussion for Sales Tax Funding
- Approve the Event Center from Hotel/Motel Tax
- Approve the allocation of Car Rental Tax to Airport and Event Center for event funding.

- Approve the funding proposal for Roads and Streets

Commissioner Marquardt made a motion to approve the commission policy discussion for Sales Tax Funding; approve the Event Center from Hotel/Motel Tax; approve the allocation of Car Rental Tax to Airport and Event Center for event funding; approve the funding proposal for Roads and Streets. Commissioner Guy seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Askvig, Marquardt, Guy, Oban, and President Seminary. Nays: None, the motion carried.

Having completed the items on the agenda, President Seminary asked if there was any further business for this meeting. There being none, the meeting was declared adjourned at 6:38 p.m.