

## SPECIAL MEETING OF THE BOARD OF CITY COMMISSIONERS

August 22, 2011

The Board of City Commissioners met in special session on August 22, 2011 at the hour of 7:30 a.m. in the Tom Baker Meeting Room, City/County Office Building, 221 North Fifth Street, Bismarck, North Dakota. The following were present: Commissioners Seminary, Smith, Grossman and President Warford. Commissioner Askvig participated by telephone.

The Board of City Commissioners considered the 2012 budget request.

The Board of City Commissioners considered the employee salary adjustments.

Commissioner Grossman stated that the salary plan and survey for City employees was updated for the 2012 budget. The study recommendations include a 2.47% market adjustment and Chuck Klein, Human Resource Director recommends an additional .98% for the market lag increase from 2011. The Budget Committee recommended a 3.5% salary adjustment for 2012. Commissioner Askvig asked if any employees would be "topped out" and not be eligible for an increase in 2012. Staff responded there were five such employees.

Commissioner Askvig made a motion to approve the Budget Committee's recommendation for a 3.5% salary adjustment for 2012. Commissioner Seminary seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Naves: None, the motion carried.

The Board of City Commissioners considered base budget adjustments.

Commissioner Grossman stated that the 2012 base budgets for the General Fund departments were adjusted for the workers compensation premium. The base premium includes a salary base increase from \$24,700 to \$25,500 and rate changes in all categories. The projected premium assumes a 16.6% experience surcharge and a 50% dividend credit for an overall increase of 4.98%. The projected 2012 total City premium for workers compensation is \$356,870. The overall increase for the General Fund is \$8,347 with \$7,805 attributed to Fire and Police.

Commissioner Grossman stated that Blue Cross/Blue Shield recommends a .3% increase in health insurance premiums for 2012. Based on the current level of expenditures and cash balance, Chuck Klein recommends no health insurance premium increase for 2012 and also stated that the City may have one of the lowest premiums in the state. The Budget Committee recommends the current monthly rates of \$990.76 for dependents and \$401.62 for single coverage be continued for 2012.

Commissioner Seminary recommended that a review of the local private sector be conducted prior to work on the 2013 budget for comparison of health insurance and pension benefits.

President Warford noted city employees are healthy as indicated by the low utilization of health insurance.

Commissioner Grossman attributed the success of the program to city employees.

The General Fund base budgets total \$25,985,857 which includes \$20,849,169 for salaries and benefits and \$5,136,688 for operations.

Commissioner Seminary made a motion to approve the Budget Committee's recommendation for base budget adjustments for workers compensation for the General Fund Departments. Commissioner Askvig seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

The Board of City Commissioners considered the priority initiative requests.

Commissioner Grossman stated that departments submitted priority initiatives funding requests for staffing and other special requests that are outside their general operating budget. He noted that the Budget Committee reviewed all the requests with the Departments Heads and developed the recommended list of requests and funding. A number of the requests were for positions in the office assistant series. A review of the office assistant and account technician series is recommended before reclassification requests are considered. Commissioner Grossman then reviewed the staffing, operations & maintenance and one-time requests and recommendations, including the note that all recommendations for Combined Communications are contingent upon County approval of joint funding of 35%. A list of all City department priority initiatives and recommendations are available in the Office of City Administration for review.

Commissioner Askvig noted the Police Department request for polygraph lap-tops was not recommended. Commissioner Grossman indicated that the proposed budget committee recommendation was reviewed by Bill Wocken with Keith Witt, Chief of Police without concern.

Commissioner Askvig 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. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

Commissioner Grossman made a motion to approve the Budget Committee's recommendation to continue to restrict expenditures to the purpose of the base funding increases. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

Commissioner Grossman made a motion to approve the Budget Committee's recommendation that 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 Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

The Board of City Commissioners considered the FEMA Flood Event.

Commissioner Grossman stated that the Budget Committee discussed the costs associated with the Missouri River flood. Expenses to date for emergency response and protective measures exceed \$9.9 million. Staff overtime, City equipment rental and National Guard costs also need to be finalized. With the projected cost of the recovery at \$15.3 million, the total cost of the event is estimated to be \$25.2 million. The cost of the flood emergency response and recovery is eligible for FEMA reimbursement. The Federal government recently announced that the reimbursement rate will be 90%. The State will reimburse 7% of the cost so the City's share will be 3%. The cost of the City's share of the estimated eligible costs would be \$756,000.

The Budget Committee discussed the funding of the City's local match. The City will receive credit for the hours that volunteers donated in the emergency response. The value per hour is \$10 for approximately 14,400 documented hours. The City will also receive an estimated \$125,000 for .5% administrative fee that can be used to help fund our match. In addition, approximately \$50,000 in compensatory time associated with non-exempt employees during the emergency response may be used for funding. The Budget Committee recommends that an additional \$500,000 be designated in the General Fund to help fund the projected local match.

Commissioner Seminary asked what the source of the \$500,000 would be. Commissioner Grossman indicated that it would be the General Fund which would include the one mill that is being proposed to be reserved to help fund the costs associated with the historical flood event.

Commissioner Seminary made a motion to approve the Budget Committee's recommendation to approve the use of the volunteer hours, FEMA administrative allowance, any compensatory time for non-exempt employees and \$500,000 for funding the FEMA flood event. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

The Board of City Commissioners considered the 2012 Fees and Charges.

Commissioner Grossman stated that departments submitted rate adjustments for fees and charges to the Budget Committee for consideration during the budget process. The changes include new fees for the mechanical licensing program and rate adjustments for the water utility. All proposed Fees and Charges are on file in the City Administration Office.

Commissioner Seminary expressed concern about the 16% to 30% increase in the Community Development department fees. Commissioner Grossman indicated that the fee is based on staff time. Carl Hokenstad, Director of Community Development stated that the proposed increases are based on the review of time staff spent on the various activities. Adjustments to the fees have not been made for several years. He said future reviews of staff activity and requests for fee adjustments will be considered on an annual basis.

Commissioner Seminary questioned the intent of the Belle Mehus charge for commercial events. Charlie Jeske, Civic Center Manager, stated that the proposed fee is capped at \$2,500 versus the current fee which is 12% of the event proceeds with no cap.

Commissioner Seminary made a motion to approve the Budget Committee's recommendation to approve the adjustments for the 2012 Fees and Charges as requested by the departments. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

The Board of City Commissioner considered the level of the 2012 mill levy.

Commissioner Grossman stated the estimated value of the mill for the 2012 budget is \$207,251 as compared to the actual value of \$199,968 in 2011. This represents an increase of \$7,283 or 3.6% from the current level with 1.83% of the increase attributed to growth. The Budget Committee discussed the impact of the valuation of the properties in the flood damage areas. Based on preliminary projections, there may be minimal reductions due to flood damage for 2012. Any potential decreases may be offset by increases associated with two legislative changes. Church properties in excess of two acres and Community Homes become taxable in 2012. The Budget Committee initially developed the tentative 2012 budget request with a mill levy of 78.38 with a reduction of 2.3 mills. This included funding for salary policy, workers compensation increase and recommended priority initiatives. After considerable discussion concerning the funding for the flood event, the Committee determined that it would be more prudent to recommend one mill be reserved to help fund the costs associated with the historical flood event. The level of the mill was then discussed with President Warford prior to completing the recommendations for the budget. The recommended mill levy of 79.27

mills in 2012 represents a 1.41 mill reduction from the level in 2011 and a 1.83% funding increase. The recommended funding increase is limited to the increase in the 2012 mill that was attributed to growth from new tax base. The 1.41 mill reduction equates to \$.05 decrease on a home valued at \$175,000 that was adjusted for a 1.77% increase in value. The 1.77% is the average increase in value for residential property. The reduction represents only the City's portion of the property tax which is 25.36% of the total for 2011. The 2012 levy also assumes that 25 mills will continue to be funded from Sales Tax. This represents a 2.54% increase in tax relief which is attributed to the increase in the value of the mill.

Commissioner Seminary noted that \$500,000 reserved for flood expenses represents approximately two and one half mills.

Commissioner Seminary made a motion to approve the Budget Committee's recommendation for the level of the 2012 mill levy. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

The Board of City Commissioners considered the 2012 Capital Improvement Projects.

Commissioner Grossman reviewed the list of Capital Improvement requests for 2012. The requests that were not recommended by the Budget Committee were shaded and proposed funding was asterisked. All proposed Capital Improvement Projects are on file in the City Administration Office.

The recommended projects were as follows:

Civic Center Exhibit Hall Boilers	450,000	Motel/Liquor/Restaurant
Civic Center Parking Lot E Repair/Resurface	62,000	Motel/Liquor/Restaurant
Civic Center Arena Scoreboard	750,000	Motel/Liquor/Restaurant
Civic Center Exhibit Hall Caulk & Polish Floor	154,000	Motel/Liquor/Restaurant
Police Boiler & Water Heater Replacement	200,000	Building Construction
Replacement of Mercury Vapor Light	80,000	General Fund Cash Balance
Street & Highway Projects	3,979,554	Sales Tax
Commission Special Roads Projects	150,000	Sales Tax
Special Assessments - Hard Surfaced Street Replacement Project	1,500,000	Sales Tax
Special Assessments – Annual Chip Seal Project	1,350,000	Sales Tax
Special Assessments– Street Reconstruction & Sub base Drainage System Project	1,500,000	Sales Tax
Solid Waste Truck Scale #2 Upgrade	200,00	Tipping Fee Surcharge
Solid Waste Cold Storage Building	473,480	Contingent on completion of master plan

The funding recommendations include final approval by the Commission for the scoreboard and floor projects during 2012. The recommended projects also included the purchase of land for the location of future fire stations. The funding will be from land sale/ or trade. This will be presented to the Commission for future consideration.

The 2012 projects for Airport, Roads & Streets, Solid Waste, Water, Sanitary Sewer and Storm Water are funded with reserves, special assessments, private donations and federal grants and are recommended for approval as requested.

Airport	9,854,000	Reserves and Federal Grants
Solid Waste	2,123,480	Reserves
StreetLights&Signals	204,050	Reserves
Sanitary Sewer	5,017,000	Reserves
Storm Sewer	4,560,000	Special Assessments
Water	14,467,000	Reserves & State Revolving Loan

Commissioner Seminary expressed his concern about private market competition for advertising and the proposed Airport car wash. He indicated we need to find ways to embrace constructive relationships with the private sector to generate more opportunities for revenue. Commissioner Grossman expressed his concern for the City’s potential to lose advertising revenue that is used for operations versus it becoming private sector revenue. President Warford stated the Civic Center scoreboard is first generation and it is difficult to see the video replays and the proposed new scoreboard will have improved video technology and also the placards on the scoreboard are rented as advertising to pay for the scoreboard. Commissioner Seminary stated that the new owner of the Wizard’s basketball team and the City should collaborate and participate in the advertising opportunity and revenue. Charlie Jeske indicated that Civic Center staff is currently reviewing other venues approaches to advertising and possibilities may exist with the new owners of the Wizards. All options and revenue opportunities are being looked at.

Commissioner Seminary made a motion to approve the Budget Committee’s 2012 recommended funding plan for Capital Improvements Projects. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Naves: None, the motion carried.

Commissioner Seminary made a motion to approve the Budget Committee’s recommendation that all Capital Improvement 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 Seminary, Smith, Askvig, Grossman and President Warford. Naves: None, the motion carried.

The Board of City Commissioners considered other budget issues.

Commissioner Grossman stated that the Budget Committee had also discussed the following issues during the development of the 2012 budget.

\* Over the last several years the Budget Committee presented their funding concern for Sales Tax. The Committee wanted to provide the City Commission with an update on this concern and the background and status of funding. The Sales Tax ordinance requires that a minimum of 25 mills be allocated to property tax relief. The ordinance also has provisions for debt retirement, utility capital improvements, utility rate reductions, economic development, snow removal, roads and streets improvements and existing facility rehabilitation and repair expenses to be paid from Sales Tax.

The amount of Sales Tax dedicated to property tax relief continues to grow each year. The amount budgeted for the 25 mills is based on the value of the mill. As the value of the mill increases so does the amount of Sales Tax needed to accomplish the 25 mills. Starting in 1987, \$1.3 million, an equivalent of 20 mills, was dedicated to property tax relief. The Sales Tax amount dedicated for this purpose in 2012 is \$6.1 million (25 mills). In 2012, this represents about 49% of the revenue generated by the Sales Tax.

In addition to property tax relief, the City also uses Sales Tax to fund snow gate activities, provide matching funds for State transportation fund for street projects, subsidy for special assessment hard surface street and annual street maintenance projects, economic development and some facility rehab projects. As the amount for property tax relief increases, fewer Sales Tax dollars will be available to address these other funding requirements. We have reached that point in 2012

The five year projected cash flow statement shows the need to reduce funding levels and/or eliminate current projects to balance the fund. In 2012, there are no funds available for facility rehab projects or Economic Development. The Vision Fund has a projected cash balance of \$3.6 million so funding in the short term should not be an issue. It was noted that the funding issue continues in 2013. There would not be adequate revenue to fund the scheduled highway improvement projects and/or special assessment street improvement projects from Sales Tax. This is provided for illustration purposes only since each year the Commission authorizes the level of funding from Sales Tax. This information was provided as the basis for future consideration by the Commission for the 2013 budget.

Commissioner Seminary stated that the bottleneck in Sales Tax funding is an issue. President Warford added this will need to be looked at during next year.

\* The Budget Committee reviewed the level of service and funding for Roads & Streets. The budget for Roads & Streets is classified as a Special Fund with funding from the State motor vehicle fees. Since 2000, the number of street miles has increased by 50 and the revenue from motor vehicle fees has not kept pace with the increased miles so the cash balance continues to decline. The Legislature appropriated additional funds of

\$1,718,000 in 2009 and 1,277,831 in 2011. This has helped delay the need for additional City funds in the 2012 budget. This information was provided as the basis for future review and discussion of the level of service and funding policy for Roads & Streets.

The Budget Committee also provided recommendations on the following issues:

\* The Budget Committee considered the funding for NPCC. The projected 2012 budget is \$250,000 with revenue from the current leases. With the change in GASB 54 reporting requirements, the NPCC will be considered an Enterprise Fund. The balance of remaining cash in the current special fund will be transferred at year end.

\* Last year the Budget Committee recommended that a new comprehensive cost allocation basis for the administrative services provided to non-general fund departments be developed for the 2012 budget. The administrative services include salary costs for City Administration, City Attorney, Fiscal Services, Information Technology/GIS and Human Resources. The costs allocations are transferred from the non-general fund departments to the General Fund to help fund those services each year. The new basis includes employee benefits and operation costs in addition to the salaries. This allocation basis may also be used for City services provided to other government entities and grants. The Budget Committee recommended that the change be phased in over a four year period with the first year starting in 2012.

Commissioner Grossman made a motion to approve the Budget Committee's recommendation of a four-year phase in of the comprehensive cost allocation basis starting in 2012. Commissioner Seminary seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

\* The Budget Committee also reviewed the funding for the Civic Center budget as an Enterprise Fund. Based on the department's projection for revenue and expenditures, the Civic Center should have adequate operating revenue for the 2012 budget. Since 2011 was the first year as an Enterprise Fund, the Committee recommended a reserve of \$200,000 be established in the Motel, Restaurant & Lodging Tax. The additional funds could be utilized if needed for operations. This funding is in addition to the funds for the Civic Center 2012 CIP projects.

Commissioner Seminary made a motion to approve the Budget Committee's recommendation for funding for Civic Center operations from Motel, Liquor Restaurant Tax. Commissioner Askvig seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

\* In 2009 the Commission dedicated 85% of the 2% Motel/Hotel Tax to the CVB with the balance of the funds for Civic Center promotions and events. The Budget Committee recommended that the funding plan be continued in 2012 with the balance of the

revenue to be used to fund events. The estimate for 2012 is \$76,567 plus \$26,940 for CVB sponsored events.

Commissioner Seminary made a motion to approve the Budget Committee's recommendation for event funding for the Civic Center from Hotel/Motel Tax. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

\* In 2011, \$10,000 of the car rental tax was allocated to the Airport and the balance of the tax is for event funding at the Civic Center. The Airport requested a percentage of the revenue rather than a set amount. The Budget Committee recommended that 25% of the revenue be allocated to the Airport and 75% to the Civic Center for event funding. The estimated revenue for 2012 is \$50,000 with \$12,500 to the Airport and \$37,500 to the Civic Center.

Commissioner Seminary made a motion to approve the Budget Committee's recommendation for allocation of Car Rental Tax to Airport and Civic Center for event funding. Commissioner Smith seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

\* Future Issues for on-going project agenda

Commissioner Grossman made a motion to place future issues on the Commission's on-going project agenda. Commissioner Seminary seconded the motion. Upon roll call, the commissioners voted as follows: Ayes: Commissioners Seminary, Smith, Askvig, Grossman and President Warford. Nays: None, the motion carried.

Having completed the items on the agenda, President Warford asked if there was any further business for this meeting. There being none, the meeting was declared adjourned at 8:25 a.m.