

FINANCE AND IMPROVEMENTS COMMITTEE

Tuesday, February 31, 2017 – 4:15 p.m.

City Council Chambers

A g e n d a

1. [Final Payments](#)
2. [Amending the 2017 Annual Budget – Interactive TV Network Stations 2 & 3 \(FD0061\)](#)
3. [City of Minot Equipment Rental Rates 2017-2018](#)
4. [Automated Trash Collection Technology RFP – Award of Bid \(4249.1\)](#)
5. [Storm Sewer District 122 Revised Engineers Report \(4197\)](#)
6. [Amending the 2017 Annual Budget – Replacement Patrol Car #7 \(ACDT17\)](#)
7. [Amending the 2017 Annual Budget – Fire Extinguishing Training Simulator \(FD0062\)](#)
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MEMO TO: Finance and Improvements Committee
FROM: City Clerk's Office
RE: Agenda for Tuesday, January 31, 2017 - 4:15 p.m.

1. Final Payments

It is recommended the Committee and Council approve the following requests for final payment:

- a. [Wagner Construction Inc. dba Wagner Place](#) in the amount of \$247,407.07 for the 37th Avenue SW Reconstruction (4070)
- b. [Tom's Backhoe Service](#) in the amount of \$327,812.96 for the 30th Ave / 55th Street NE Gravity Sewer (3490.2)

2. Amending the 2017 Annual Budget – Interactive TV Network Stations 2 & 3 (FD0061)

It is recommended the Committee and Council pass an ordinance to amend the 2017 annual budget to increase Fire Control Operation Supplies expenditures and revenues and decrease the Fire Equipment capital purchase expenditures and revenues for the [Interactive TV Network Stations 2 & 3](#) since the purchase does not meet the capitalization policy.

3. City of Minot Equipment Rental Rates 2017-2018

Attached is a list of [equipment rental rates](#) adopted by the Council each year. There were no changes to this year's rental in comparison to the previous year.

These rates are used when the department does work for cleanup associated with spills in the City and other items created by citizens and the City is directed to do the work. These rates are also used when the department has to send equipment to help contractors or other cities with specialized equipment only the City of Minot owns.

The cellular tower rental rates are negotiated by separate contract with each provider. Copies of these agreements are on file with the City Clerk and at the Public Works Office.

It is recommended the Committee and Council approve the equipment rates and tower rental rates for 2017-2018.

4. Automated Trash Collection Technology RFP – Award of Bid (4249.1)

The City of Minot recently requested proposals for qualified vendors to provide the City with a technology solution to assist with [automated trash-collection](#). The project will consist of outfitting each of the trucks with a user interface, actuators, cameras and RFID readers. This equipment along with a back office software package allows the Sanitation Department to operate the automated trash collection program more efficiently. This system enables asset management to track repairs or cart swaps, date stamped pick up times and verification of each cart dumped and a convenient way for drivers to log tree piles or bulk items for later pick up.

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Fleetmind Solutions was the only company that submitted a proposal for this project. The RFP was written with very detailed requirements for service, equipment and training for a waste industry specific system. Fleetmind meets or exceeds all requirements. The department feels they are qualified to perform the required services for this project at a competitive cost and recommend they be selected to supply the City with this system.

Fiscal Impact: The cost to purchase and install the entire system and train all staff involved is \$155,918.42. This was originally budgeted to be leased in the 2017 Sanitation Department under equipment rental. After reviewing the proposal, it makes more sense to purchase this equipment outright. There is \$125,000 remaining in equipment rental. It is recommended that the additional \$30,918.42 be taken from cash reserves.

It is recommended the Committee and Council approve the purchase of the automated trash collection technology system from Fleetmind Solutions in the amount of \$155,918.42 and also pass an ordinance amending the 2017 annual budget.

5. Storm Sewer District 122 Revised Engineers Report (4197)

Attached is the [revised Engineer's Report for Storm Sewer District 122](#). The purpose of this district is to reduce the street and property flooding that occurs on 18th Ave SW during minor rain storms. This district was prioritized by the council's storm sewer ad hoc committee and programmed into the city's capital improvements plan.

Two alternatives have been developed for this project based on citizen input. Alternative 1 installs storm sewer on 18th Ave SW from Broadway to 9th St and north on 6th St and 4th St to 17th Ave. Alternative 2 installs storm sewer on 18th Ave SW from Broadway to 6th St only. Both alternatives reduce the street flooding for smaller more frequent storm events. However, Alternative 2 does not provide much benefit for larger less frequent storm events. Alternative 2 is approximately half the cost of alternative 1 and it is also the preferred alternative from the property owners in attendance at the second public meeting for this project. The Finance Director has asked that this project be bonded over 10 years.

Fiscal Impact: The project will also replace watermain in the project limits using watermain replacement funds estimated at \$230,560. 18th Ave SW will also receive an asphalt overlay which will be paid for with street improvement funds estimated at \$229,570. Under Alternative 1, the estimated assessment district cost is \$2,944,220.48 with half being paid by storm sewer development funding and the other half special assessed. Under Alternative 2, the estimated assessment district cost is \$1,589,679.42 with half being paid by storm sewer development funding and the other half special assessed.

The total project cost of all improvements is \$3,404,350.48 in Alternative 1 and \$2,049,809.42 for Alternative 2.

If the council wishes to proceed with this district, it is recommended the following resolutions be created:

1. Create Storm Sewer District 122

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2. Direct Preparation of the Engineer's Report.
3. Approve the Engineer's Report with the selection of Alternative 2 for storm sewer.
4. Waive the resolution of necessity for Storm Sewer District 122 since the improvements constitute an improvement covered in NDCC 40-22-01.1.
5. Direct the preparation of plans and specifications.
6. Approve Plans and Specifications
7. Authorize a Call for Bids
8. Set the bond term for 10 years per the finance director's recommendation.

6. Amending the 2017 Annual Budget – Replacement Patrol Car #7 (ACDT17)

It is recommended the Committee and Council pass an ordinance to amend the 2017 annual budget to increase the Equipment Capital expenditures and the Miscellaneous Damage Claims Revenue and decrease the General Fund Cash Reserves for the balance to purchase a [replacement vehicle](#).

7. Amending the 2017 Annual Budget – Fire Extinguishing Training Simulator (FD0062)

It is recommended the Committee and Council pass an ordinance to amend the 2017 annual budget to increase Fire Equipment Capital expenditures and revenues for the purchase of a [fire extinguishing training simulator](#) that will be funded by donations from Hess and the Community Foundation.

8. Amending the 2016 Annual Budget – Over Budget Line Items #2

It is recommended the Committee and Council pass an ordinance to [amend the 2016 annual budget](#) to increase the department expenditures for funds approved by city council for the mouse river enhanced flood protection plan using cash reserves. The 2016 annual budget for the following department expenditure numbers are increased by \$8,574 for funds expended.

9. Water and Sewer Rate Study

The last [water and sewer rate study](#) for the City of Minot was conducted in 2007. It is recommended having a study done every 5-7 years, sooner if extraordinary changes in conditions exist.

Attached is a professional services agreement with AE2S Nexus to conduct a water and sewer rate study in 2017 with a not to exceed cost of \$36,786. The study will include a cost of service analysis and a revenue adequacy analysis. A study such as this will give the City valuable information in budgeting the water and sewer rates for the next 7 years. AE2S conducted the previous study and the City has worked closely with them since. Staff feels the most thorough and cost-effective study can be conducted by AE2S.

Fiscal impact: \$40,000 is included in the 2017 budget.

It is recommended the Committee and Council approve the Agreement between the City of Minot and

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AE2S Nexus for the Water and Sewer Rate Study in the amount not to exceed \$36,786 and further authorize the Mayor to sign the necessary documentation.

10. Authorization to advertise for bids

The Minot Public Library is requesting authorization from the Finance Committee and City Council to advertise for bids for project LIB024. This project is related to the repair of the Library's retaining wall and the addition of a guardrail. The Library anticipates having a bid opening at the end of March in order to begin work late this spring.

11. Engineering Consultant, 6 Roof Top HVAC units

The Minot Auditorium received three RFQ's for Engineering services to remove and replace 6 Roof top Condensing units. The three firms were EAPC, Prairie Engineering and West Plains Engineering. All three firms were graded by the City Public Works Director, City Engineer, City Recreation/Auditorium Director, and a City Alderman.

Fiscal Impact: This project is estimated at \$700,000 and the funds are budgeted from the City Sales Tax Capital Improvements fund.

The Minot Recreation/Auditorium Director is requesting the Committee and Council award engineering services, for the removal and replacement of 6 Roof top Condensing units at the Minot Auditorium, to EAPC Architects and Engineering.

12. Grant Agreements between the City of Minot and Sub-recipients

The Finance Department is requesting additional [Grant Agreements](#) be signed between the City of Minot and the Sub-recipients of pass-through grants. This is needed to add additional information to be in compliance with Federal grant requirements for sub-recipients.

Fiscal Impact: None

Below is a list of Sub-recipients and Grants requested:

- Domestic Violence Crisis Center Inc. 2016 grant used to supplement the salary for a Victim Advocate PD0094.
- Domestic Violence Crisis Center Inc. 2017 grant used to supplement the salary for a Victim Advocate PDO 128.
- Souris Basin Planning Council Inc. grant used to purchase land for the 35-unit Sunset Ridge Apartments and administration fees G&A0 12.
- Northern Plains Children's Advocacy Center grant used to supplement the salary and fringe benefits for a Forensic Interviewer G&A0 13.
- Souris Basin Planning Council Inc. grant used on construction for storm sewer improvements and for administration fees for Park South Development -4135.
- Accessible Space, Inc. - Grant used to replace windows in 8-units of the Accessible

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Space Apartments G&A0 15.

It is recommended the Committee and Council approve the Grant Agreements and further authorize the Mayor to sign the Grant Agreements.

13. Amending the 2017 Annual Budget – Street Dept. Skid Steer trade in – Capital

The Public Works department is requesting a budget amendment to the street department 2017 budget for the capital purchase of [two \(2\) skid steer loaders](#).

The purchase price of the skid steer loaders is \$14,999 each with a trade in for the existing skid steers of \$13,999 each. The net cost for the City to trade for two new skid steer models is \$2,000 for both of them. This provides Public Works with new machines, with full warranty.

The Public Works department has done this with the other two skid steers in previous years; however, it was missed adding the capital item into the budget.

Fiscal Impact: The \$2,000 net trade in cost is budgeted in the street department equipment rental line item 001.4000.431.04-42

It is recommended the Committee and Council pass an ordinance amending the 2017 annual budget to increase the street equipment capital revenue and expenditures and decrease the street equipment rental expenditures for the two skid steer loaders.

14. NDR Funds Approval for Park South Project (NDR007)

The Federal Compliance Officer is requesting approval to commit \$1.85M of NDR funds as the city share of an [affordable housing project](#) that will deliver 40 multifamily units to the community, with 75% dedicated to Low-to-Moderate income residents for a minimum 30-year affordability period.

Essential Living, Inc. (non-profit North Dakota corporation) seeks partnership with the City to rehabilitate 234 14th Ave SE and commit five additional acres to future development using the same minimum 75/25% ratio of affordability.

Fiscal Impact: The project has funds committed from state CDBG, ND Housing Finance Agency, and private investment, however needs city support via NDR in order to execute. The NDR funds would be approximately 24% of the total project cost and represent less than 9% of the NDR award received from HUD for affordable housing (\$21M). This project poses no impact to the regular city budget.

Through this renovation, the housing units will be converted from very modest to high quality (but affordable), ensure affordability for 30 years by tying rent to HUD income standards, add five additional units, utilize the latest environmental standards and resilient design features, provide secondary benefits of storm water drainage to adjacent city residents and parks, protect residents from loss of home due to real estate market volatility, show sensitivity to the existing rental market surplus, and offer future growth if needed.

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This approval is subject to a development agreement being prepared that affords suitable protections of each parties interests and is agreeable to all parties.

It is recommended the Committee and City Council approve the request to commit \$1.85M of NDR funds as the City Share of an affordable housing project and further authorize the Mayor to sign the development agreement.

15. Fairfield Motel Abatement Application

Ryan LLC, the tax representative for the [Fairfield Motel](#) has filed a tax abatement request for 2016. The 2016 True and Full Value was \$2,365,000 and their request was for an assessment of \$1,044,790. They indicate in the application form that in their opinion the assessment is in excess of market value and that it is in excess of other similarly situated properties. After email consultation with the applicant they indicate the portion about the motel being assessed in excess of other similar properties was just a normal phrase they use in their application and not necessarily reflective of this abatement instance. They also agree they are assessed lower than other major motel brands in the city.

There was a reduction in the building assessments for all motels for 2016's assessment and that includes the Fairfield which dropped from \$2,724,000 in 2015 to \$2,365,000 for 2016. This was based on visitations with several owners, published news accounts locally and statewide of increased vacancies and discussion about net income for 2013, 2014 and 2015. It was our office's consideration that from about late 2014 thru 2015 the motel industry in Minot suffered decreased business and we reflected that in the 2016 assessments giving consideration to not just that time period but a 3-year prior time period which did include 2013 which was a very good year for the industry in Minot.

The abatement request was supplemented with an income model from the tax representative that shows an illustration indicating the following:

2014 assessment should or could have been \$4.8 million when it was actually assessed at \$2.5 million.
2015 assessment should or could have been \$1.8 million when it was actually assessed at \$2.7 million.
2016 assessment should or could have been \$1.04 million when it was actually assessed at \$2.36 million.

As the city assessor I would disagree with the approach used by Ryan LLC. For several reasons.

The tax rep seems to take into account only 1 year of prior year's income and a capitalization rate that stays the same for all 3 years even though the market changes and doesn't reflect that or the risk of each year's motel business environment. It would have the assessment changing from 4.8, to 1.8 to 1.04 million which are some pretty strong variations. This is generally what can happen when you only take 1-year prior year's income snapshot. Assessors and appraisers are generally advised to take a 3-year approach to arrive at a stabilized or trended estimate of net income for use of the income approach.

Looking at it another way, if we added up the 3 years of valuations as represented by Ryan's model, that would be a total assessment valuation of \$7.6 million for 3 years. Versus the City of Minot's total assessment valuation for 3 years of approximately \$7.5 million. Or to phrase it another way, if we consider Ryan's model for the assessment basis, then we should have had the property assessed at \$4.8 million in 2014 when it was assessed at \$2.5 million for 2014.

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All motels for 2016's assessment received a reduction based on the prior 3 years estimates and trends in income and vacancy and 2 motel sales that occurred 3 years and 4 days prior to 2016 and 2 years and 9 months prior to 2016. Based on 2014, 2015 and 2016 our office has verbally messaged to many motel owners and representatives the last few months that we will be suggesting additional reductions in assessments for the 2017 assessments that will probably be even larger than the 2016 reduction was.

You will also note in an illustration that the Fairfield Inn is ranked 9th in assessment per room from low to high out of 32 motels. The range in assessments per room for 2016 is from \$22,910 to \$78,262 the Fairfield is at \$38,145. If the applicant's request was granted at \$1,044,790 it would place the assessment at \$16,851 per room which is 27% below an older motel on north hill that is now the lowest assessed motel per room and lower than any other reasonably comparable motel in Minot.

In summary, the representative for the Fairfield Inn is requesting their assessment be lowered from \$2,365,000 to \$1,044,790. They report the property was purchased in in 2006 for \$2,900,000. In 2006 the property was assessed at \$1,413,800. Based on data available to the city assessor's office at the time of the assessment, February 1, 2016, consideration for estimated income and expense data 3 years prior to the 2016 assessment being made, based on 2 sales of motels prior to 2016 from Dec. 2012 to early 2013, based on vacancy rates in the industry made public in general and based on a reduction already having been made from the 2015 assessment to the 2016 assessment the City Assessor recommends the applicant's request be denied in total.

16. Ordinances on Second Reading

The following ordinances need to be considered on second reading:

- a. [Ordinance No. 5160](#) – 3rd St SE Parking Restrictions
- b. [Ordinance No. 5161](#) – Amend the 2017 Annual Budget- Tractor with Mower (STR041) & Mobile Column Lifts and Stands (SHP0707)
- c. [Ordinance No. 5162](#) – Amend the 2017 Annual Budget- Purchase of Land for Fire Station no.5
- d. [Ordinance No. 5163](#) – Amend 2017 Annual Budget- Snow Removal Equipment (SRE) Broom Phase I (AIR060)
- e. [Ordinance No. 5164](#) – Amend 2017 Annual Budget- Perimeter Road Reconstruction Phase I (AIR049)
- f. [Ordinance No. 5165](#) – Amend 2017 Annual Budget- General Aviation North Apron Reconstruction Phase I (AIR029)
- g. [Ordinance No. 5166](#) – Amend 2017 Annual Budget- Snow Removal Equipment (SRE) Dump Truck Work Order 1 (AIR034)
- h. [Ordinance No. 5167](#) – Amend 2017 Annual Budget- Reduce Airport Capital Projects
- i. [Ordinance No. 5168](#) – Amend 2017 Annual Budget- Runway End Identifier Lighting (REIL) Replacement Phase I (AIR061)
- j. [Ordinance No. 5169](#) – Amend 2017 Annual Budget- Consultant Service for Rental Car Concession Agreement and Quick Turn Facility (AIFCFC)
- k. [Ordinance No. 5170](#) – Amend 2017 Annual Budget- Public Consumption of Alcoholic Beverages Restricted.