

**COMMITTEE OF THE WHOLE**

August 28, 2018

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Members Present:

Sipma (Mayor), Jantzer, Olson, Pitner, Podrygula, Wolsky

Members Absent:

Straight

To the Honorable Mayor and All Aldermen:

Following are the recommendations of the **Committee of the Whole** meeting called to order at 4:15 p.m. on Tuesday, August 28, 2018:

- 1. The City Council approve the ice contract in the amount of \$15,000 with the All Seasons Arena for the 2018-2019 season.**

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The above motion by Alderman Wolsky, seconded by Mayor Sipma.

Alderman Wolsky said, he noticed in the contract that no alcohol is allowed in the All Seasons Arena and said it might be an issue for the men’s hockey league. He requested more information.

The Finance Director then clarified, the addendum to the contract states the rental rate is \$36,324 but the City Council approved \$15,000 in the budget so that is the amount that will be paid.

Whereupon a vote was taken on the above motion by Alderman Wolsky, seconded by Mayor Sipma, and carried by the following roll call vote: ayes: Jantzer, Olson, Pitner, Podrygula, Sipma, Wolsky. nays: none.

- 2. The City Council approve the assessment roll for weed cutting 2018, with the exception of the property at 808 9<sup>th</sup> Ave NE, owned by Laura Marie Ericson.**

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Mayor Sipma moved to approve the assessment roll for weed cutting 2018. Motion seconded by Alderman Pitner.

Mayor Sipma commented, there are blighted properties that are overgrown with grass and weeds and as residents of Minot, it is the property owner’s responsibility to take care of it. The assessments add up to nearly \$50,000 due to people not taking care of their property.

Laura Ericson, of 808 9<sup>th</sup> Ave NE came forward to protest her property’s assessment. She asked what the appropriate recourse would be to contest the charge. She said, she was not notified of the issue until after the work was done but she was already in the process of removing the weeds. She explained, the work was done in June but she wasn’t notified until she received a bill for \$250 in August.

The City Treasurer explained, the process requires a formal protest letter be sent to the City Manager and the matter would be investigated. At this point, the Council can remove the address from the list of assessments until it is sorted out.

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Ms. Ericson said, \$250 is an excessive charge for the work that was done and she had hired someone to mow the weeds but they ran out of gas. She was unable to find adequate information about the process online and said citizens should be notified in these situations.

Mayor Sipma said, he understands unique situations take place but there are hundreds of properties that have been taken care of by City staff. The cost assessed to the property is a penalty that represents the staff effort taken away from other duties and wear and tear of equipment.

The Public Works Director explained the nuisance abatement process by saying, when Public Works receives a complaint, it is documented then a foreman investigates the property. A letter is sent to the property owner using the address on file in the GIS mapping system, letting them know they must abate the nuisance. He mentioned, they are not required by ordinance to notify the owner but it is a courtesy they provide. The resident has five days to take care of the property themselves and if it is not done, the City mows it and assesses the fee. He also said, there are advertisements in the paper throughout the summer reminding residents to keep their lawns below 8 inches.

The City Manager recommended the Committee pull Ms. Ericson's assessment so that further research could be done and the rest of the list could be approved.

Alderman Wolsky moved to amend the motion to approve the assessment roll for weed cutting 2018, with the exception of the property at 808 9th Ave NE, owned by Laura Marie Ericson. Motion seconded by Alderman Olson and carried by the following roll call vote: ayes: Jantzer, Olson, Pitner, Podrygula, Sipma, Wolsky. nays: none.

Whereupon a vote was taken on the above motion by Mayor Sipma, seconded by Alderman Pitner, as amended, and carried by the following roll call vote: ayes: Jantzer, Olson, Pitner, Podrygula, Sipma, Wolsky. nays: none.

### **3. The City Manager presented information regarding the proposed 2019 budget.**

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Mr. Barry said, the FY2019 budget is about \$180 million which is up \$37 million from FY2018. At first glance this might alarm many members in the community so he explained, most of the costs attributed with those increases are associated with funds that have been saved up and are now spending on the Northwest Area Water Supply Project. An additional \$4.9 million will be added to Flood Control, \$10.5 million added to Flood Control Property Acquisitions, and a General Fund increase of \$4.6 million for SWIF Levy Work and a much needed System Software Solution.

The fiscal 2019 budget has been driven on a revenue standpoint by two factors: depressed sales tax revenues and property tax valuation reduction. This created a situation where costs have remained the same but revenues have continued to decline. In the past, as sales tax revenues increased, property tax collections were decreased. He explained that last year, we had to shift property tax revenue back to property tax activities. On the expense side, there are two very large projects on the horizon: the Northwest Area Water Supply Project, now that it is out of litigation, requires us to rededicate revenues to that project, and Flood Control which will require additional revenue as well.

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He explained, in 2011 a citizen initiated measure was brought forward to reallocate the second penny of sales tax, which was the NAWS penny. Because NAWS encountered legal issues, citizens decided through a special election that continuing to collect money for NAWS was not the best use of that revenue and it could be allocated to three other categories: Infrastructure, Tax Relief, and Community Facilities. The Finance Director was given the authority to reallocate to NAWS if it became necessary, which is the case now. Reallocating to NAWS proportionately reduces the amount of funding to those areas.

Staff's recommendation to reallocate 40% of the second penny to NAWS will displace \$1.2 million from tax relief, \$1.2 million from Flood Control (Community Facilities), and \$1.6 million from infrastructure which is a total of \$4 million or 19.43 mills. The 2019 proposed budget includes a 22.8 mill increase. There are 19.43 mills needed for NAWS and 3.37 mills to compensate for lower property valuations. Overall, it results in a 6% increase in the consolidated tax bill, which is about \$161.91 per year or \$13.49 per month on the median valued home.

He then gave details on the NAWS project and what it will accomplish. He said, it is a regional water project to improve water quality and increase supply to rural communities and urban centers. It has been in progress since the 1970's but in 2002 a lawsuit was filed which has delayed the project until recently.

The City Manager recognized the efficiencies that have taken place to offset the budget. He listed cost avoidance strategies and efficiencies including, procuring grant funds, retiring high interest debt, deferring projects, being lean as a staff, and salvaging parts and equipment. In the last four years, the department heads and staff have saved a total of \$78 million through these methods. He said, staff also cut an additional \$700,000 from the operations budget this year and over \$570,000 from grants and donations the City uses to finance other organizations.

He summarized future considerations for the Council to keep in mind. The NAWS tax adjustment should be sufficient, Flood Control projects will continue to strain the budget, the Northwest Fire Station #5 and new City Hall are not included in this budget, the street maintenance backlog continues to be an issue. He said, looking ahead, the economy is starting to improve as well as oil and agriculture prices and property valuations appear to have stabilized. The projection modeling suggests this will be the last major adjustment to property taxes assuming alternative financing for Flood Control. The HUB City formula changes could bring in \$2.5 million per year in funding, consolidation of services for the Libraries and for Parks & Recreation could save the entities money, online sales tax collections could bring significant revenue, Federal Government's interest in Phase 4 of Flood Protection will be significant and the State Legislature is working on lower interest infrastructure loans.

The full budget presentation can be found at the following link:

[https://www.youtube.com/watch?v=TqzJE8EH\\_To](https://www.youtube.com/watch?v=TqzJE8EH_To)

### **Budget Q & A**

Mayor Sipma began by requesting more information from staff about NAWS for the benefit of the public. He said, there are preconceived notions that NAWS was already funded and he wanted clarification.

Mr. Barry stated, the NAWS project has grown in scope, size and cost since its original conception. The dollars identified for the project in 2011 were believed to be enough but that is no longer the case. The

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Finance Director added, the ongoing project is estimated to be short by \$26 million which is why they recommend a portion of the penny sales tax be allocated to NAWS while mitigating the effect on other allocations funded by that source. The projection is to cut back on NAWS collections in 2025, assuming their project estimates are accurate.

The Public Works Director said, the project has about \$210 million-\$256 million left to complete. It includes an inlet to Sakakawea, the Biota Plant divided into phases, multiple pipelines, pump stations, reservoirs, and booster stations, as well as a Water Plant expansion in Minot. He mentioned, the project was originally estimated to cost \$180 million but since it has been tied up in court, the estimated cost has increased to over \$400 million.

Upon questioning by Alderman Wolsky, the Finance Director stated, the 2019 proposed budget does not include funding for the Biota Plant. If the City has to pay the local share, that would be in addition to what is already proposed.

Mayor Sipma moved onto healthcare costs and inquired about the overall increase for 2019. The Finance Director said, the increase is a combination of an overall rate increase by the healthcare provider as well as an increase to the City contribution, which is an effort to reduce turnover and retain employees. He also said, there are multiple open positions and when the budget is calculated, they assume the position will be filled and the employee will choose the most expensive plan.

Mayor Sipma asked if the liability insurance is conservative enough, to which the Finance Director responded by saying, it was increased as a result of taking over the parking structures as well as adding other buildings and equipment. They also increased the amount of coverage on existing assets and are working on an RFP for insurance coverage to mitigate risk.

Upon questioning about NDPERS and the long-term disability cost savings, Mr. Barry said, costs have not been reflected in the budget yet since the program has not been approved. Should staff choose to convert to NDPERS, the City could eliminate an estimated \$40,000 annually for expenses including long-term disability.

The Police Chief responded to questioning regarding vehicle bids. Chief Olson said, they have been using the state contract to bid vehicles but they could open it up locally. The last purchase done locally was about \$1,100 more than the state bid and they do not have enough budgeted based on local estimates.

The Finance Director answered questions regarding water usage and telephone costs by saying the budgeted amounts are based on historical data and projections. Since we are our own water customer, what shows up as an expense in one department is a revenue to the Water Department. He also said staff shops around to ensure we have the most efficient use of phone plans.

Alderman Jantzer brought up a recent letter to the editor of the Minot Daily News which mentioned City donations to the All Seasons Arena and State Fair. He requested clarification from staff. Mr. Lakefield said, what they are referring to is from lodging tax. The State law is specific as to what the lodging tax can be used for. Two-thirds goes to the Convention and Visitors Bureau and one-third goes to All Seasons Arena. It is a lodging tax not a property tax and the City is a pass through agency.

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Alderman Jantzer asked about Flood Control and if it is funded through property tax or if there is a pass through process. Mr. Lakefield said, due to accounting rules, the funding cannot transfer directly so the sales tax dollars must pass through the General Fund.

Upon questioning about the increase in maintenance of street levees in the Street Division, the Finance Director said, it is a result of SWIF work being done to existing levees and it is partially funded through property tax proceeds.

Alderman Wolsky asked about software agreements included in the IT budget, to which the Finance Director explained, it includes a number of major software programs such as, Sungard, a safety and dispatch program, antivirus, malware and Office programs. He further stated, the enterprise software acquisition is difficult to estimate at this point. It will require the initial purchase, implementation and ongoing licensing.

Alderman Jantzer asked what the process is for replacing vehicles. Mr. Lakefield said, an evaluation worksheet has been developed to assess vehicles based on condition, mileage, cost of repairs and if it is an emergency vehicle. They are ranked and will be replaced according to need. Once a vehicle is taken offline from the Police Department, they can often be transferred to other departments for the remainder of their useful life.

The Police Chief responded to questions about their Professional Service Contracts by saying, it includes outsourcing of transcription services and the use of evidence.com who stores body camera footage.

Alderman Wolsky clarified information with several departments. The Fire Department budgeted for a generator and new roof at Fire Station 2 under Maintenance Building and Grounds. The Airport Director explained that CFC's are user fees from rental car companies that can be used for improvements at the Airport. The Public Works Director said, water meters are being replaced with remote readers. Mr. Jonasson also discussed the brine facilities and potential cooperation between the City and the County. There was conversation around mowing issues and the need to increase the amount of mowing equipment for the large green spaces that will be developed with the Flood Control project. The Auditorium/ Recreation Director described the facilities and how different leagues utilize different fields. He was also asked about concessions and confirmed they are a main source of income.

Alderman Jantzer asked about the turnover rate and current open positions. The HR Director said, there are 21 positions open, mostly in Police and Fire. There are several positions in Engineering which have remained open for a long period of time due to few applicants. Upon further questioning from Alderman Podrygula as to why there are so many positions to fill, the HR Director said, one applicant declined because of the defined contribution plan. Hopefully NDPERS will resolve some of those issues.

The City Assessor described the trends in property valuations by saying, in the last two years, residential properties have gone down about 2-4% but seem to be stable now. Commercial properties, particularly big box retail is still expected to decline but they make up a smaller portion of the overall valuation so generally we should see a more stable market.

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Mayor Sipma summarized by saying, the Budget Workshops and the five-year projections have helped create a much stronger budget process than in the past. He said, they are all better informed and he thanked staff for their work.

There being no further business, the meeting was adjourned at 6:16 pm.

Respectfully Submitted,  
Kelly Matalka,  
City Clerk