

PROCEEDINGS OF THE CITY COUNCIL  
Rapid City, South Dakota

August 31, 2009

Pursuant to due call and notice thereof, a special meeting of the City Council of the City of Rapid City was held at the City/School Administration Center in Rapid City, South Dakota on Monday, August 31, 2009 at 5:30 P.M.

The following members were present: Mayor Alan Hanks and the following Alderpersons: Patti Martinson, Sam Kooiker, Aaron Costello, Lloyd LaCroix, Karen Gundersen Olson, Ron Weifenbach, Ron Kroeger and Deb Hadcock; and the following Alderpersons arrived during the course of the meeting: None; and the following were absent: Bill Waugh and Malcom Chapman.

Staff members present included Finance Officer Jim Preston, City Attorney Jason Green, Assistant Finance Officer Pauline Sumption, Chief Accountant Tracy Davis and Administrative Coordinator Amber Sitts.

Preston said the appropriation ordinance is scheduled to have its first reading before the Council on September 8th and second reading September 21st. The budget must be approved by October 1st in order to get property tax certified to the County Auditor. Preston reviewed documents distributed to Council members based on requests from a previous budget meeting. Regarding the recreation program subsidy per participant, Kooiker requested for the subsidies by pool, and Parks and Recreation Director Jerry Cole stated that he could provide this information. In reference to the 2009 subsidy funds, Mayor Hanks explained that the budgeted funds are allocated by the subsidy committee. Olson reminded the Council that Allied Arts funds a number of other organizations that are not a part of Allied Arts, and the recommendation from that organization does not represent the funding activity of the arts. Responding to Kooiker, Elkins addressed TID 70 and said there is no proposed project plan at this time. It was indicated that the TID can be disbanded after five years, but Council could direct staff to start the proceedings to disband sooner. Kooiker asked how the City TID impacts the County taxpayers and budget. Mayor Hanks said there really is not any loss of revenue, but the potential revenue that they are not generating during the active period of the TIF could be measured. He also confirmed that state statute says if it is classified as a commercial TIF then there is no penalty to the schools. It was indicated that the counties are put on hold from getting additional revenue until the TIF is paid off. Preston explained that the County receives approximately 28% of property tax, schools get 54%, and the City gets about 18% based on owner occupied status. Weifenbach pointed out that the city is still providing services for these areas, and Olson stated that we already provide fire services outside the City through agreements. Kooiker stated that the TIFs are allowed to charge up to 9% per the developer's agreements and today the prime rate is 3.25%. He said it would be nice if the rates could be renegotiated.

In response to a question about Growth Management personnel and the budget reduction, Elkins explained the inspection positions but stated that the level of inspections has dropped off. They are currently having a position evaluated so that it can be brought forward to Council to convert the position. She said they felt they need to address the storm water issues. Hadcock said that the money should be left in the budget and the storm water position should be funded with the storm water fees. Elkins pointed out that they planned to eliminate the inspection positions when they found that they were not needed and they have managed to do that. Hadcock expressed concern that they might not need an inspector but might need another Growth Management employee. Responding to LaCroix, Elkins indicated that the first item on

her unfunded list is an imaging system, but she supports the current priority list brought forward by department heads. It was indicated that the imaging system would allow electronic access to the files and possibly allow public access as well. Mayor Hanks clarified that Growth Management is looking at an overall reduction of two FTEs and conversion of a third FTE, so the majority of the budget reduction is salaries. Kooiker expressed interest in taking \$65,000 of that reduction for the imaging system which would remove that item from the list funded by CPI as he is not in favor of increasing property taxes for it.

In response to a question from Weifenbach, Preston clarified that the reserve from the drainage revenue is set aside from the cash balance. He said if the Council wants to fund a position from the drainage fund then they would need to take a set amount of funds set aside in the general fund to pay for that position. Sumption further clarified that revenues have not been transferred to their own fund yet because they need to identify which expenditures would be transferred as part of a supplemental appropriation.

LaCroix stated his interest in adding the Dispatch shortfall of \$42,247 and Detox shortfall of \$27,257 to the unfunded list. Hadcock expressed interest in funding the Erosion Control Specialist position with drainage fees rather than the Growth Management budget. She also requested to add LNI to the unfunded list for \$1,500. It was recommended that each Council person indicate where the funding will come from if they suggest an item to fund. Hadcock suggested a priority list. Responding to Kroeger, Preston confirmed that we have always taken the CPI. Kroeger stated that he does not like that the CPI is not included in the budget because the unfunded items will be tied to the CPI.

Motion was made by Kooiker to amend the unfunded list to include items added by Council members tonight and ask Administration if they are willing to prioritize the unfunded items. Mayor Hanks clarified that the unfunded list is a wish list, and the department heads have already set priorities for the FTEs on the list. Motion was withdrawn by Kooiker. Responding to Olson, Hanks clarified that he added Storybook Island and the Cemetery to the unfunded list. Responding to Kroeger, Preston said to balance the budget we are using \$2,273,909 of unencumbered cash.

Motion was made by Kroeger, second by Olson, to take the CPI and place those funds into the reserves. Responding to Hadcock, Hanks said past Mayors have included CPI in their budget proposal but the action of the Council is what actually takes the CPI. Hadcock agreed with Kroeger's motion and said it should be about the budget and what we need. Weifenbach said taxpayers have seen lower wages and fewer jobs but have had increases in taxes, water, utilities and other fees. He asked the Council to consider what the average citizen faces everyday. Kroeger reiterated his motion and said they could remove the funds set aside for CPI and fund items with the reserves instead if the Council chooses. He said this way anything added to the budget will not be tied to CPI. Kooiker said he has a problem with taking the CPI as it still raises property taxes and he is opposed to that. He said before we take the CPI we should look for other ways to shore up the reserves if that is the goal. Weifenbach said he is opposed to taking the CPI but would not be opposed to funding items from the unfunded list out of unencumbered cash. Kroeger pointed out that property taxes are a smaller part of the budget. Hadcock said if we do not want to grow government then we need to stop adding burdens on the departments such as purchasing land. Mayor Hanks spoke about how property taxes work and referred to the tax example on a \$100,000 home. He explained that as the base goes up the mill levy goes down. Weifenbach said there are a lot of things that do not need to be funded by taxpayers within the current budget, and he does not want to raise taxes to pay for unnecessary things. Responding to Weifenbach, Preston stated that the estimated property tax

revenue for 2010 is \$12,307,468 and \$248,887 for growth. He also reported that sales tax revenue is \$20,328,881. Kooiker again asked the Council not to take the CPI and said if the Council is interested in shoring up reserves they should reduce the growth rate of the budget instead. Responding to Weifenbach, Mayor Hanks briefly explained school funding, and Weifenbach expressed concern for the effects to average citizens. Kroeger pointed out that if we do not take the CPI we lose it forever.

Question was called by Hadcock, but Weifenbach and Costello objected. Upon vote being taken, the following voted AYE: Martinson, LaCroix, Olson, Kroeger and Hadcock; NO: Kooiker, Costello and Weifenbach. Council President LaCroix ruled the motion out of order as Hadcock was not recognized by the Chair prior to calling the question. Weifenbach clarified the Council can vote not to take CPI this year and can still take it next year. Preston further explained that if you do not take the CPI this year the City will lose approximately \$1 million after 4 years. Mayor Hanks further explained that not taking the CPI one year affects the base every year following. Weifenbach said that if you do not take the CPI one year it is not there the next year so there is no loss. Kooiker said that it is misleading to present a scenario with a compounded impact to the City but not use the same compounding factor for the impact to constituents.

Substitute motion was made by Kooiker, second by Weifenbach, to continue the CPI discussion until second reading. Green indicated it would not be appropriate to continue to the second reading since there is no ordinance in front of the Council at this time. Kooiker asked the Council not to increase property taxes without providing a fair statement of impact to both sides. Motion was withdrawn by Kooiker and Weifenbach agreed.

Upon vote being taken on the original motion, the following voted AYE: Martinson, LaCroix, Olson, Kroeger and Hadcock; NO: Kooiker, Costello and Weifenbach. Motion carried.

The Chair recessed the proceedings at 7:44 p.m. and reconvened at 8:00 p.m.

LaCroix suggested a motion to add the Mayor's recommendations to the unfunded list.

Motion was made by Hadcock, second by Weifenbach, to adjourn the meeting. Upon roll call vote, the following voted AYE: Kooiker, Olson, Weifenbach, Hadcock and Martinson; NO: Costello, LaCroix and Kroeger. Motion carried, and the meeting adjourned at 8:04 P.M.

CITY OF RAPID CITY

ATTEST:

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Mayor

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Finance Officer

(SEAL)