

BUDGET REVIEW SESSION
Rapid City, South Dakota
August 14, 2006

Pursuant to due call and notice thereof, a Budget Review Session 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 14, 2006 at 7:00 P.M.

The following members were present: Mayor Jim Shaw, Council President Tom Johnson and the following Alderpersons: Deb Hadcock, Karen Gundersen Olson, Ron Kroeger, Sam Kooiker, Bob Hurlbut, Mike Schumacher, Lloyd LaCroix, and Malcom Chapman. The following Alderperson arrived during the course of the meeting: None; and the following were absent: Bill Okrepkie.

Staff members present included Finance Officer Jim Preston, Assistant Finance Officer Coleen Schmidt, City Attorney Jason Green, Public Works Director Dirk Jablonski, Parks & Recreation Director Jerry Cole, Growth Management Director Marcia Elkins, Fire Chief Gary Shepherd, Police Chief Craig Tieszen, Library Director Greta Chapman, Recreation Division Manager Doug Lowe, Accountant Robin Bommersbach and Executive Assistant Kay Rippentrop.

Mayor Shaw opened the work session noting that there would be no formal action taken tonight and reviewed the timeline for the Council to adopt the 2007 budget and have it to the County by October 1st.

The first item of discussion concerned the General Fund and the method of funding and use of undesignated cash. Assistant Finance Officer Schmidt presented a spread sheet to show the cash on hand as of January 1 of 2005-2006 and the Revenue by category for the first six months noting that the 2005 included \$620,180 sales tax that should have been receipted in 12/04 and that the 2006 figure includes the additional biweekly payroll of \$456,057 plus benefits. Schmidt noted that she had done a quick survey of the first class municipalities in South Dakota and found that they all do the budgeting process in the same fashion as Rapid City regarding the use of reserve funds in order to present a balanced budget. The history of use of the undesignated fund balance used to fund the tax supported appropriations was presented going back ten years to 1996. The total budget for the tax supported appropriations in 1996 was \$21,811,394 compared to the estimate in 2007 of \$43, 021,549. The percentage of the undesignated fund balance appropriated in 2006 was \$3,795,547 and for 2007 is \$4,371,105 which amounts to 10.16%.

The Finance Office presented the 2005 unspent budget analysis by department for the general fund only. The 2005 budget amount was \$43,733,323 with the returned amount of \$1,977,280 which equals 5.0%. In discussing the unspent dollars, question was raised if a department could use the unspent employee dollars on other line items in their budget. Schmidt noted that Rapid City has a "bottom line" budget which Finance feels is a good option to keep, some cities do it differently and break it out into three main areas, employee/benefits; current expenses and capital outlay. Kookier asked Finance to bring this option to the next Legal Finance meeting for discussion. The new initiative requests were briefly reviewed, with Finance Office Preston pointing out the top personnel request was for a full-time Human Resources Director. The entire list has been prioritized by the Department Heads after careful consideration of all the requests by the departments. The supplies and services as well as one time purchases have been prioritized and Preston asked that they be considered when looking at all the additional funding

requests. Kooiker asked Finance to provide a month to month analysis of the sales tax revenue for 2006 and wondered if they were comfortable with the 5.5% figure. Schmidt noted that she had originally predicted a 5.3% but has now received the final figure for June and it is closer to 4.3%. Schmidt will e-mail Council members with the full information requested for analysis. She noted that they have estimated a little low

for the gasoline costs but was hopeful that the Departments would be able to live within the budget requests generally speaking; there will be a few departments that will suffer a bigger impact. The rate increased that has been requested by Black Hills Power could have a significant impact of the Street Lighting budget however they did give some consideration to this and there may be a need to discuss conservation measures at some point. The LED lights will help with the energy use but will still take a few years to see a gain. Finance does not see a problem with the utility costs budgeted.

The next agenda item was to discuss the Mayor/Council travel budget #4270 line item. Schumacher said he felt it was time to take a look at how this is handled and that there may be a need to make changes and warranted further discussion. Olson and Hurlbut agreed that discussion was needed. Council President Johnson noted that there was some Council travel that neither he or the Council Vice President was aware of and suggested that a policy should be established that the Mayor and Council leadership would have to sign off on Council travel and the larger ones such as the NLC would still have to come to the full Council for approval. Mayor Shaw noted that the request for 2007 had been considerably higher based on the usage for 2006 however in keeping the 3% request, that amount was reduced and left for the Council to determine. Chapman said there was great value in travel to educate the Council on various issues and agreed that the Council should have more discussion with funding to come from Council Contingency. Johnson indicated that a policy was needed and suggested that discussion close at this time and can be brought up at a later date.

The fifth item on the agenda concerns the Mayor/Council wages and a suggestion to roll back to the 2005 level. Kooiker commented that he felt this was appropriate in light of the tightness of the budget and be serious about looking at ways to cut costs. He noted that the wages have increased 30% since 2003 and feels they are way out of line with other communities. Mayor Shaw noted that excluding his salary, it is important to pay a good wage to the department heads if you want to employee good qualified people and have them stay. He said that holds true for Council members, that they put in a considerable amount of time and certainly a \$1,000 was not out of line. He added that he felt to cut wages would send the wrong message to the community and noted the situation that happened when another governmental agency tried to do the same thing. Kooiker commented that he was quite concerned that the Mayor and department head salaries increased from \$906,209 in 2005 to \$1,106,530 in 2007 for a difference of \$200,320. He added that he was not referring to the "front line" employees but the concern was related to sustainability of the budget and that 22% increase was a lot. Several Council members spoke to the wage study, pointing out that this had been discussed at length in the past and that to talk about reduction in salaries would send the wrong message. Mayor Shaw commented that the City wanted to keep good qualified employees for a long time and he cautioned the Council to not "balance the budget on the backs of the employees". He further pointed out that his salary and that of the Council increased at the rate of 3%. Hadcock said there was a big disparity in the amount of time each Council member spent during the month, some have many meetings and spend a lot of time on city issues and others don't so perhaps some might be willing to turn in part of their salary or donate it. Hurlbut commented that be

believes that cutting salaries back to the 2005 sends the wrong message and this becomes a political issue and noted the recent uncontested elections. Kooiker said that he felt it was only being fiscally responsible to role the salaries back for the department heads, council and Mayor. He noted that there are those that feel these salaries have increased greatly in comparison to what the "front line" employees make. Johnson asked for additional comment and upon hearing none, ruled that

this would be off the active agenda for now. Finance will e-mail out the information of the effect this would have if this were to be implemented.

Charges for gasoline for the Mayor's vehicle were briefly discussed, Finance Office pointed out that the vehicle is assigned a number and at any time, information can be pulled to show exact amount of gasoline used by this vehicle. It was noted that this is a police vehicle, paid for from the police budget and rotates back into the police fleet. It is equipped the same as any police vehicle. Schumacher commented that really this is a housekeeping issue and should be charged to the proper department. Preston raised the question if the Finance Office should look at charging the Mayor/Council budget for such items as the publishing of Council minutes since it is a direct result of the Council meetings. Finance Office noted that this change could be implemented very easily and moved to the 101 department budget. Johnson asked if there was interest in not moving the line item, and not, then he would ask the Finance Office to make this change and this item be dropped from the active agenda. (Note: this amounts to approximately \$1500 for the year)

Alderman Hurlbut brought up the topic of technology use by the City Council, asking for consideration for the Council to offer a "Blackberry/PDA device for their use. The City is currently changing the cell phone carrier and one of the options is the offering of a service for PDA. Mayor Shaw suggested that the Council consider this option as this would allow them to check e-mail as well as contacts on city business. Under the new contact the cost would run approximately \$100 per person or \$12,000 per year. In discussion of the proposal, some members stated that they would not personally want the phone if it were offered. Johnson asked for direction from the Council and upon receiving no additional comments ruled that this item is off the active agenda at this time.

New requests presented for consideration include Lifeways, the 211 system and the Safe Streets Marketing Plan. Chapman noted that Safe Streets was charged with coming up with plan which they have done and will be bringing that forward for consideration. The approximate cost is \$40,000 and should be added to the un-funded items. The CVB request for \$148,000 is still open as well as the \$50,000 for Lifeways and \$10,000 for the 211 system. Council President Johnson spoke about the Worker's Compensation fund and the amount that the actuaries are saying must be funded in amount of \$636,626 of which 67% is General Fund. Johnson suggested reducing this somewhat to cover the costs of the Lifeways and CVB programs and to use the rest to build up the requested workers comp fund. This item is to be left on the active agenda for discussion.

Hadcock reported on the match dollars raised for the trolleys as well as the three year operational match and requested that this be kept on the list along with the others.

The cost of water to city departments such as golf, pools is charged to the department and yet some of the non-profits are not paying for water such as the Star of the West complex.

Jablonski noted that the cost that is not being charged is in the neighborhood of \$196,000 in 2006. Public Works was request to provide a specific breakout for 2005 what the costs were to the various department and how much revenue was lost to those facilities not being charged and how it could affect the rates.

The next budget work sessions will be August 28th at 7 p.m. and September 11th at 7 p.m. Kooiker asked that at those sessions the Council be Special Council meetings so that they are able to make motions/amendments for consideration. Finance noted that the first reading of the ordinance would be on the August 30th Legal Finance Committee Agenda.

Recap: Active Agenda Items: new initiatives unfounded list, Lifeways, CVB's \$148,000 original funding request, \$40,000 for Safe Streets Marketing campaign, \$10,000 for the 211 system, Worker's Comp fund reduction, trolley program and the parks restroom/shelter cleaning program.

Closed Agenda Items – no longer active: General Fund use of undesignated cash, utility costs, Mayor/Council travel (may be taken from Contingency at later date) Mayor/Council Wages (Finance will e-mail impact if implemented), Gasoline charges for Mayor's vehicle to be moved from Police Dept budget to Mayor/Council.

Meeting adjourned at 8:50 p.m.