

August 29, 2012

TO: Mayor Sam Kooiker and Rapid City Council

FROM: Coleen J. Schmidt, former Assistant Finance Officer

RE: Ordinance 5848, 2013 Appropriation

As a 35-year employee of the City Finance Office, involved in budgeting nearly every year of that time, I urge that the City Council vote to include the CPI as a means to finance the City's 2013 appropriation.

The Mayor indicates that the reason the CPI is not necessary is due to the increased sales tax and a large growth factor, primarily from the dissolution of a number of tax increment districts. However, looking toward the future, the fact that about \$405,000 of the \$624,449 in growth is due to the dissolution of these districts means that even with the economic recovery, the City's property tax increase due to normal growth is only \$219,449. When you do not take the CPI it means that departments are not keeping up with increased cost of operations, and instead the property tax due to growth that should be paying to service that growth is paying for services that should be paid from the CPI.

You should also be cognizant of the fact that the tax increment district properties have received City services for a number of years while the property taxes from the increment were paying for development costs, with no contribution to operating costs of City departments. While financing these districts is good for economic development, it does cause departments to fall behind in areas such as personnel, equipment replacement, street repair and striping, etc. When districts are dissolved, some of the growth should be directed toward catching up in these areas.

While I understand that the Mayor's budget is balanced, it appears that some City functions may be underfunded. For example where is the \$1.5 million for the accounting software package? Is that part of the conversion mentioned under Community Resources, which has only increased a total of \$26,807 under IT? How can the staffing for Parks/Cemetery decrease from 22 to 18 FTEs when outcome targets have increased? Staffing has also decreased in Recreation, ice and all pools. This does not appear commensurate with the workloads of these departments. Parks Administration has increased substantially, so there may be a major offset here which I do not see.

Another need continually identified by the citizens is the condition of the City's streets and railroad crossings. While there was budget discussion that funding was increased in this area, I am unable to balance the amount shown on the appropriation ordinance to the public works infrastructure budget, so am unsure where the \$1,527,381 increase in this appropriation comes from. The public works infrastructure budget for CIP – Streets, Drainage & MIP in the narrative section actually shows an increase of only \$207,500 total from 2012 to 2013.

In my 35 years with the City I did experience a time when the Mayor or Council decided, against the Finance Department recommendation, to give what amounted to an almost meaningless property tax decrease/no increase to individual taxpayers, and our General Fund balance decreased to the point where we were concerned about having cash to meet payroll. We did not allow employees to be replaced and did not allow expenditures for any capital outlay including equipment, street repair, striping or construction, etc. A new mayor was elected and his first budget included the necessary increase in property tax to furnish citizens the services they expected and deserved. He was subsequently re-elected by a substantial margin.

I encourage you to weigh the 75 cents per month savings in property tax on a \$100,000 valuation against the possible inability to maintain adequate City services to your citizens. Seventy five cents per month is not property tax relief. I would bet that if each \$100,000 property owner was given the choice of saving 75 cents per month or up to \$3.75 per month on a \$500,000 value or adequately funding public safety, fixing streets, providing snow removal, funding parks and recreation and the library, etc. that a large majority would choose to pay the tax. Yes, you can bank the CPI in case such a situation as I described would arise, but then would be doubling the increase in a subsequent year. It is your decision, your responsibility. I am speaking from experience. Be a leader. Make the responsible decision, and adopt the CPI.