

MINUTES
.16 Utility Fund Oversight Committee
July 18, 2007

Members Present: Alan Hanks, Malcom Chapman, Deb Hadcock, Tom Johnson, Lloyd LaCroix, Bill Okrepkie, Gary Brown, Marcia Elkins, Dirk Jablonski, Pauline Sumption

Others Present: Hani Shafai, Scott O'Meara, Michael Small, Phillip Olsen, Rich Marsh, Ted Schultz, Bob Dominicak, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 1:37 p.m.

Rushmore Crossing Water and Sewer System Improvements (07UF004)

Shafai provided a review of the Rushmore Crossing project noting the construction progress and sales tax revenue projections. Shafai reviewed the water and sewer infrastructure improvements and the service area. Shafai addressed the increased road construction costs noting that the developer is requesting that the water and sewer system improvements be funded from the .16 fund to offset those increased costs.

Discussion followed regarding the water service to the area including fire flows.

Elkins clarified that the developer is requesting \$1,806,000 in .16 funding with connection fees as the identified repayment source. Elkins presented the Tax Increment Finance Committee's recommendation to retain the water and sewer main project costs in the Tax Increment District Project Plan subject to the City of Rapid City securing funding for those project costs from the .16 Utility Fund. Elkins indicated that the Tax Increment Finance Committee recommended retaining the project costs in the Project Plan to insure full repayment of the .16 funding.

Shafai indicated that the developer is requesting that the Tax Increment Finance Committee recommendation be amended to provide for repayment of the .16 funding principal only noting that the loan interest funds could then be directed to the developer's road construction cost increases.

In response to a question from Sumption, Elkins addressed previous development projects that have utilized both connection fees and Tax Increment Financing as repayment sources.

Johnson expressed concern with the request to waive the interest on the .16 funding. Hadcock address the public perception of the request indicating that the developer should fund their project. Discussion followed regarding the benefit the water infrastructure improvements would provide to the Rushmore Crossing and surrounding properties, the City oversizing costs, the development of the high pressure water lines and the public perception of the funding request.

In response to a question from Okrepkie, Small address the Tax Increment District repayment term. Shafai indicated that the developer is requesting to repay only the actual expense for the water and sewer improvements out of the Tax Increment Finance District project costs noting that State statute prohibits charging interest on connection fees.

Chapman expressed his concerns with the interest free funding proposal noting that he would abstain due to a conflict of interest.

In response to a question from Hanks, Elkins clarified that the current structure of the Tax Increment District is insufficient to support the increased road construction costs. In response to a question from Okrepkie, Elkins address the reallocation of the approved Project Costs to provide additional funding for the road construction project.

Discussion followed regarding the request to utilize City funding interest free, the accuracy of the sales tax projections and the sales and property tax benefits to be realized from the project.

In response to a question from Okrepkie, Shafai clarified that the funding request is for off-site improvements and on-site oversizing improvements.

Okrepkie voiced his support for the project. Hadcock indicated that there is support for the project but is concerned with the request for an interest free loan.

Hanks addressed the developer's risk in a Tax Increment District noting that short falls in District revenues are the responsibility of the developer. Hanks addressed his concerns with the precedent that would be established by approving the request for an interest free loan.

Sumption recommended that should the Committee support the interest free loan request that the City be repaid first from the District revenues. Discussion followed regarding the accuracy of the sales tax projections that includes existing stores that will relocate to Rushmore Crossing.

In response to a question from Chapman, Small indicated that should the funding request not be approved the developer will need to review and adjust the project funding structure and construction timetable.

Johnson moved, LaCroix seconded and the motion carried to recommend approval, in accordance with the Tax Increment Finance Committee recommendation, of the water and sewer main project costs remaining in the Tax Increment District #56 Project Plan with the City of Rapid City securing funding from the .16 Utility Fund in the amount of \$1,806,000 for the on-site oversizing costs and off-site improvement costs to be identified by the Developer and with repayment of the.16 Fund to include a standard rate of interest. (YES: Hanks, Johnson, Okrepkie, LaCroix, Brown, Sumption, Jablonski; NO: Hadcock; ABSTAIN: Chapman)