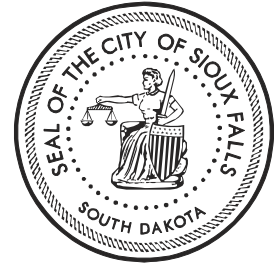


# MINUTES

Monday, July 7, 2008



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## Fiscal Committee

4:50 p.m.  
Carnegie Town Hall  
235 W. 10<sup>th</sup> Street

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Members Present: Committee Chair – J. Pat Costello, Gerald Beninga, Vernon Brown  
Staff Present: Debra Owen, City Clerk; Tamara M. Jorgensen, Assistant City Clerk  
Guests: Eugene Rowenhorst, Director of Finance; Council Member Kermit Staggers; and Council Member Greg Jamison.

### 1. Call To Order

Committee Chair Costello called the meeting to order at 4:50 p.m.

### 2. Approval of Minutes

A motion was made by Beninga and seconded by Brown to approve the meeting minutes of June 2, 2008 as written. Costello called for a voice vote on the motion. All members voted yes. Motion carried.

### 3. Reports and Updates

#### A. Discussion regarding Resolution 15-07 (Balanced Budget)

Discussion occurred regarding Balanced Budget Resolution and the following points were made:

- Members of the Fiscal Committee clarified (based on discussions held at previous meetings) that there was an understanding among all participants that the intent of this resolution is to serve as a tool to indicate that reserve funds could be used, but that the City Council would need to know in advance what the reserves would be used for.
  - The Committee is open to recommendations for modifications to the language, but only if the modifications do not diminish the resolution's intent.
  - The City Council wants to set a limit on where we are on unreserved fund balances because this has been going down each year. By the time the City Council sees the Budget information, it is too late.
  - Before the resolution was drafted, recommendations were solicited and received from the Finance Department and the External Auditors on what the reserve balances should be and this is what was recommended: 25%. This number is a starting point, a benchmark, on where to start.
  - Rowenhorst stated there were no disputes concerning the percent. Because of the spikes and valleys of property tax, the issue is the language that expenses cannot exceed revenue. Costello recommended that the administration could come up with language (or something similar in intent) that would mean 'expenses could exceed revenues to the extent that there is unreserved, unencumbered cash available beyond the 25% threshold on December 31, the year prior'. Owen suggested that if the issue
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## Minutes – Fiscal Committee Meeting

**Monday, July 7, 2008**

**Page 2**

were solely focused on the cash accumulating at year end and exception clause could be inserted where it reads “for the balance between the projected revenue and expected expenditures without the use of general fund reserve balances” and then put in your clause “which would allow that the cash available at year end over the 25% could be applied to the ensuing years budget under “cash applied.”

- Rowenhorst stated there were no disputes concerning the percent. Because of the spikes and valleys of property tax, the issue is the language that expenses cannot exceed revenue. Costello recommended that the administration could come up with language. There is a great deal of time, energy, and consideration invested in this Resolution and the committee does not want to ‘throw it away’.
- The committee agreed the bottom line is that the City Council wants a balanced budget and maintain certain cash levels.
- The suggestion was made for Owen to work with Rowenhorst and Amundson and work on language that where the intention is very clear. Owen clarified Council intent by asking if their intent was to allow “that excessive funds at year end could be applied to an ensuing year’s budget or appropriated with supplements in the current year.” There was agreement.

### 4. Open Discussion

#### A. PDA (Personal Digital Assistant)

The IT Department is not ready to discuss the PDA’s but will be ready for the meeting on August 4, 2008.

#### B. Tax Increment Financing

Costello requested the opinions of the rest of the committee regarding the existing process for handling TIFs. Costello stated there may be a TIF coming forward in August for downtown parking and he requested that this item be brought before the Fiscal Committee before it is brought before the City Council. The Fiscal Committee would like to review the numbers. Committee agreed to have all TIF’s come first to the Fiscal Committee. Either Rowenhorst or Owen will take this request to the Administration.

Staggers asked what measures are used to determine which items are reviewed with City Council Committees and which are not. At the current time, there are no clear cut definitions or standards of what information is reviewed. In the past, these determinations were left up to the discretion of Council Chairs and Vice Chairs and sometimes the Committee Chairs. The Council will become more proactive in this area in the future.

Brown stated that he had received a ‘draft’ document from the Planning Department regarding TIFs. He stated that this document was an excellent start in understanding the process and procedures for TIFs. Costello stated that he had recently met with some of the largest developers in the city and he was told that the existing policies are subjective, unfair and - dependent upon your name recognition – you can get better deals.

The existing policy needs to be firmed up so that everyone receives the same rules and the same deals. A request was made that the Fiscal Committee receive an update regarding TIFs at the next Fiscal Meeting. This request has been made in the past, but the department has not come forward. Discussion was held that proposed policy changes should not effect TIF negotiations that have already progressed. Also, TIFs need to make sense for the

# Minutes – Fiscal Committee Meeting

**Monday, July 7, 2008**

**Page 3**

citizens of Sioux Falls and the ramifications for the policies need to be a good deal for the citizens. Brown asked if the Planning Department could be asked to give an update at the next scheduled Informational Meeting instead. Owen will take care of the request.

Owen reminded the committee that the Council could bring in an independent expert on TIFS to help draft procedures between the administration and the council. She has conducted research and has found that there are quite a few cities that have policies and have had outside experts assist with the drafting of the documents.

Costello stated that he had attended a seminar recently where TIFs were part of the discussion. He relayed the following information:

- The first TIF that fails is the last one you do. Public outcry for this type of failure would be too much to risk another TIF.
- The process for obtaining a TIF should be as follows:
  1. The TIF policies need to be stated to the developer at the beginning of the process;
  2. Developer has an idea;
  3. Developer goes to the financial institution;
  4. The developer gets a commitment letter from the financial institution contingent upon the developer getting a TIF from the City;
  5. Financial Institution works out the numerical data;
  6. City response to the TIF request, either granting one or not.
- State law requires a detailed financial plan for TIFs.

Current Process

1. Developer
2. City Council
3. Financial Institution

Should Be:

1. Developer
2. Financial Institution
3. City Council

- If the city does not have the administrative support to do the economic analysis of the proposed benefits to the city, it needs to get an independent 3<sup>rd</sup> party source and the best place for that is the local economics professor at the local university. This individual needs to be hired to review the information, scrutinize the data/numbers and analyze if this proposal makes sense to the city.
- There are many agencies and resources available to assist with determining TIF policies. We may have some guidelines in place now, but the exceptions are so broad that it may make the guidelines meaningless. At this time, Costello reiterated that the TIF policy be reviewed at the next scheduled Informational Meeting. Owen will make the arrangements.
- Stagers asked if the Council could also receive an update on the Airport Overlay information at the same Informational Meeting. Owen will make the arrangements.

C. Local Economy

Discussion was held regarding fluctuations in the financial reports. The numbers will need to be watched because there is limited room in the CIP Operating budget for movement. Costello asked why we added an additional three million dollars on Southeastern Avenue if we were limited on room; Rowenhorst responded that in addition to being development driven streets, we were sitting good because the bids were out early, (saved some money on bids), and because there was three million dollars left over from other projects. Rowenhorst

## Minutes – Fiscal Committee Meeting

**Monday, July 7, 2008**

**Page 4**

stated that ‘when we run out of money, we stop building’ and that the Engineering Department is keeping track of new projects. The Finance Department needs to review any projects to ensure we are not obligating funds.

Discussion was held regarding how the economy is affecting agricultural, retail, medical, sales, restaurants, hotels, and other businesses. Rowenhorst stated he had received correspondence that indicates the Department of Revenue may soon receive upgraded software which would give sales tax information from the S.I.C. codes. This would be helpful because you can see what items are selling and what items are not. A loss in large ticket or durable good item sales could indicate that housing is down, etc.

### 5. Adjournment at 5:30 p.m.

A motion was made by Brown and seconded by Beninga to adjourn the meeting at 5:30 p.m. Costello called for a voice vote on the motion. All members voted yes. Motion carried.

Tamara M. Jorgensen  
Assistant City Clerk