FINANCE COMMITTEE MEETING MINUTES
JANUARY 22, 2002

Members Present: Furness, Cosgriff, Zavoral, Bittner, Costin & Sprague

Members Absents: None

Guests: None

Approved minutes from December 17th meeting

North Dakota State Tax Commissioner Sales Tax Report – Third Quarter 2001

Committee reviewed the third quarter sales tax report. Statewide collections up 3.3% for the quarter. Fargo and Cass County collections showed slight decline of .38% for this quarter.

4th Quarter Financial Status Report

The 4th quarter financial report was reviewed. Revenues exceeded budget projections by 2.1% while expenditures were less than budget by 4.6%. Further discussion of supplemental capital programming for a portion of the 2001 General Fund budget surplus. Committee approved revisiting capital items that were not funded in the 2002 budget development process. Other items discussed include storage area for Police vehicles and funds for the move into the City Hall expansion and upgrading existing space in the Old City Hall. **Committee approved the report and the concept of a supplemental appropriation for capital assets.**

Consider Cinema Grill Loan Status

Costin requested permission to write off the balance of the Cinema Grill Community Development loan in the amount of $ 54,691. This note has been forwarded to the City Attorney for review of our security position. Cosgriff reported that US Bank is in first position, SBA in second. The City is not likely to recover this loan. **Committee approved write off of the loan balance for financial reporting purposes.**

Consider Change in Special Assessment Policy

Committee discussed the option of changing our existing special assessments policy to extend the maximum amortization period from 18 to 25 years. Cosgriff suggested that Dan Wiles our Financial Advisor and Costin request a bond rating guidance review by Moody's and Standard & Poors. Preliminary indications from Dan Wiles suggests that this policy change should not adversely effect our existing bond rating. This idea was discussed with a group of developers last week and they felt it would help bring down the overall cost of housing. Small total dollar amount assessments may be amortized more rapidly as our existing system amortizes smaller assessments on a sliding scale based upon the size of the assessment.

Committee approved policy change to a 25 year amortization period and changing from the existing fixed principal calculation method to a normal payment method of amortization.

42nd Street Tax Increment Cash Flow Projection

A cash flow projection was reviewed that shows the timing of cash flows related to the 42nd Street tax increment project. This was modeled out to match the current developers agreement being written by the City Attorney. A development schedule of $20million in new construction by 2007 will amortize the special assessments levied against this tract of land by 2021 including interim interest associated with the timing differences of the property taxes collected in the TIF and payment of the special assessments. Development at a faster rate will accelerate the property taxes collected in the TIF and the amount of time needed to pay off the debt related to this project. **Committee approved projection report as presented.**

Dale Property (Goldmark Addition) Tax Increment Permanent Financing

Costin reported that the development approved on the Goldmark Addition has been completed in accordance with the developers agreement and that projects associated with this project will be special assessed this fall. The City provided $1,380,000 in infrastructure improvements to be paid with traditional tax increment financing. He requested that the City fund this project internally with the interest rate tied to the most recent bond sale, which is the same rate used for special assessments. Funding this internally would allow the City to keep generate additional interest income on the TIF financing, in lieu of long term bonding of this project. **Committee approved internal financing of this district.**

NDSU / FargoDome Site Lease

Cosgriff reported on the status of the site lease discussions with NDSU. Discussions were held with Richard Rayl and Gary Wavers of NDSU about the status of the accrued rent payments due NDSU. Costin provided worksheets of various interpretations of the calculated accrued amounts. Further discussion on the history of this contract and how it relates to their loss of land use when the Dome was constructed. **The Finance Committee desires for the lease clause to be removed in upcoming negotiations and suggested that the amount payable be negotiated out with NDSU into the future rent payments.**

Flood Diking Land Purchase Project Closeout

Costin requested that a funding source be identified to close out the project where the City purchased land on 64th Ave. South during the 2001 flood event. The $300,000 purchase was not included as eligible costs at the time of the initial FEMA submissions. Zavoral suggested that this might be eligible and that we should make a request to the Division of Emergency Management for potential funding. **Committee approved forwarding a request to DEM for $300,000.**

Impound Services Contract Extension Request

The contract for Border City Services for towing and impounding expired in December and is subject to renewal. Committee discussed the excellent service levels provided by our current provide and the lack of complaints received in this area since we changed providers. **Committee approved extension of contract for another three year period.**

Health Plan Third Party Administrative Services Agreement

Costin reported that the contract for TPA services of the Health Plan expired in December and he would like to renew with our present provider BPA of Fargo. This contract was competitively procured in 1998 for the 1999, 2000, and 2001 plan year. **Committee expressed their desire to renew the administrative service agreement for a three year period.**

Banking Services Agreement with Wells Fargo Bank

Sprague requested that the banking service agreement with Wells Fargo bank be extended. The City has routinely bid these services every five years, however, because

of the change over of personnel in the Auditors Office and the increasing complexity of computer linkages there is not a good business reason to consider bidding this service. Costin reported that the City has implemented several internet banking and fraud detection initiatives suggested by Wells Fargo and has been please with their services. **Committee approved extension of the service contract for another three year period.**

FINANCE COMMITTEE MEETING
FEBRUARY 26, 2002

Members Present: Furness, Cosgriff, Zavoral, Costin & Sprague

Members Absent: Bittner

Guests Present: Rick Engebretson & Lance Zebarth of R.L. Engebretson, Architects

1. Approved Minutes from January Meeting

Cosgriff reported that the City is in third position on the Cinema Grill property and the property is currently being marketed for sale for $1.2 million. Kevin Swann is the current owner.

Costin reported that bonds had been sold on the Goldmark Addition tax increment financing plan in the last sale of 2001 and that the internal financing structure that was approved at the January meeting would not be implemented. Zavoral suggested that this internal financing structure could be used for other tax increment districts that are smaller in scale.

2. Sole Source Procurement Request for FargoDome Architectural Services

A letter from the FargoDome Authority was presented that requested a sole source procurement to R.L. Engebretson for work related to designing eight suites at the Dome. This project is related to the video project and FargoDome officials have requested to start the design of the project. The estimated cost of the A & E services is approx. $65,000, and is contingent upon the FargoDome successfully marketing their video advertising contracts by June 1, 2002. The estimated cost of the suites is $750,000. Rick Engebretson was concerned about the tight timeline if a decision was to be delayed until June 1. He was of the opinion that the suite project could not be completed by the September 1 target date. He also expressed concern that the City needs to make sure that project coordination efforts be added to the contract, as there is a series of coordination issues relating to the various phases of the project.

Zavoral suggested that this should be bid through the normal process. Furness suggested that the Finance Committee wait to make a decision until after the meeting with NDSU. **No further action taken.**

3. City Investment Pool Report

Costin presented a report of the investment portfolio of the City operating cash pool. The report was broken down into various investment categories and provided the yield information. He stated that the strategy that was approved by the Finance Committee about a year ago to consider purchasing some longer term U.S. Govt and Agency investments provided some cushion from the falling CD rates over the past year. He said that Sprague has been diligent in following the revised strategy in managing the investment portfolio. Rates have fallen from approx. 7% to about 2.5% during the 2001 year. The portfolio yield as of February 20, 2002 was 3.97%. The investment revenues were projected to decline in the 2002 and 2003 budget year because of the falling interest rate environment.

4. Consider Investment Policy Revision for Long Term Assets

Costin presented a request to consider creating a Home Rule Charter ordinance that addresses how the City should invest long term funds that are dedicated as permanent funds. The City is following State Law currently that restricts us to insured CD's, U.S. Govt. Securities or Federal Agency paper. The suggestion was to manage permanent funds more like pension investments as a way to generate about 1 – 2% of additional investment return over time. Furness stated he thinks that this is logical. Cosgriff stated that the Dakota Medical Foundation utilizes professional money managers and that they were considering a "manager of managers" approach to investment services. Sprague favored soliciting a request for management of long term capital after the City Commission has approved the ordinance. **The Finance Committee approved this concept and suggested that City Attorney Gary Stewart be contacted about drafting an ordinance that allows for this.**

5. FargoDome Roof and Canopy Contract Retainages with KBW, Inc.

Zavoral reported that there was a significant amount of contract retainage being withheld from KBW, Inc. for the roof replacement and canopy construction contracts. Wiss Janney was hired to represent the City of Fargo on construction management issues during these contracts and that they are suggesting various retainages pending the completion of several issues by KBW. He wanted to update the Committee on the status of these contracts as KBW has insisted that the amounts withheld were excessive. Furness stated that the City hired Wiss Janney to represent our interests on these projects and that we needed to follow their recommendations in releasing payments to assure that all items are properly addressed. **Committee concurred with this assessment.**

6. Tax Increment Districts Update

Delayed until time when James Gilmour could attend.

7. Special Assessment Notices – Preliminary Design Issues

Sprague and Costin reported that staffs are working on updating the special assessment notices. They wanted some input into how the assessment information should be presented. Currently, for property splits a table that creates a more rapid amortization term is used. They suggested that this table should be abandoned as it essentially amortizes specials on a shorter term and they felt that this is contrary to the policy adopted by the City Commission on February 19th allowing for a longer term amortization period to be used. **Committee recommended that the information provided to the public be easy to understand and simplified as much as possible and that the split table not be used on future special assessments.**

8. Interest Rate Subsidy Program Funding / Carryover of Unused Appropriations

Costin provided a summary of the funding related to this program. $150,000 was appropriated in 2001 for this program. He wanted some direction on whether or not the unused program funds should be carried over and if this should be funded by interest revenues in 2002 because of the rapidly declining short term interest rates. Zavoral reported that this program has not been as widely used as the NRI Loan program. Cosgriff suggested that we should carryover over the $96,096 of unused and monitor its utilization in 2002. There was some discussion on whether or not the 2002 appropriation should be reclassified into the NRI Loan program. **The Committee approved carryover of the unused 2001 funds, with the recommendation that this be in lieu of the funds appropriated in the 2002 adopted budget.**

9. Supplemental General Fund Capital Requests

A recap of supplemental capital budget requests was reviewed and discussed. The Committee also reviewed the year end numbers that show a 2.2 million surplus. Revenues exceeded budget by $894k while expenditures were under budget by 1.3million. Costin reported that the total requested was less than expected and that a couple of Divisions did not request any additional funding for capital items. Supplemental requests totaled $ 240k for the general fund. Furness thought that the 2001 carryovers were significant and wondered why some of the funds had not been spent in 2001. He also stated that he is in favor of adding the Building repair fund as funding was reduced in the 2002 budget process to fund the branch Library project. Zavoral stated that there are a couple of large ticket items that should be evaluated before a decision is made on the supplemental appropriations of the year end surplus. Costin stated that he wants to apply some of the excess to the financing package on the Civic Center / City Hall remodeling project in the form of a down payment so that the entire cost would not have to be financed. Zavoral asked that this decision be delayed until

more information could be gathered on some operational / facility issues. **Committee concurred.**

10. February FargoDome Sales Tax Collections Report

The February sales tax collection report shows a 19% decline in collection for the first two months of 2002. **Committee discussed that there is volatility in the month to month amounts, however, the suggested that Costin check with the State Tax Commissioner to see why there is such a large decline.**

11. City Message Center on Utility Billing – Acceptable Use Policy

Discussion on the acceptable use of the City message center box of the utility bills. Furness suggested that any intergovernmental use should be appropriate and that it not be used to solidify political views or attempt to influence the public about issues. It was viewed as an enhanced way of communicating with Fargo citizens about City services **Auditor's Office staff will monitor the appropriate use of the message center.**

Finance Committee Minutes

March 26, 2002

The regular meeting of the Finance Committee was held at 7:30a.m in the Mayor's Office.

Members Present: Furness, Cosgriff, Zavoral, Bittner, Costin, Sprague

Guests Present: Ken Pawluk, Dan Wiles, James Gilmour, Jessica Thomasson

1. Horsepark Tax Increment Financing

Ken Pawluk of the ND Horsepark Foundation presented an overview of where they are at with their project. The City is in the process of finalizing developer agreements with the Foundation, NDSU, and Jeff Schlossman. Bids were opened on the project and Pawluk reported that they are approx. $500k short of the engineering estimates and have added approx $500K in to project enhancements. There was further discussion on how the administrative fees would be assessed on the $1 million pledge of the City for infrastructure. The Foundation requested that the amount provided by the City of Fargo netted to the $1 million originally requested. Bittner reported on how the fee was normally assessed and Zavoral reported that it appears that the commercial development with Schlossman could be raised from $4 million to $5 million to provide additional tax resources going through the tax increment district. Furness suggested that the City had pledged $1 million and he felt that this should be provided as approved. **Committee approved assessing a 10% administrative fee on to the $1 million pledge for a total allowance of $1.1 million to be repaid by the tax increment fund.**

2. Approved February Meeting Minutes

Minutes were approved as presented. Bittner requested clarification on the supplemental capital awards process for the General Fund. Costin reported that this has been tabulated and that it was being held up until more discussion was completed on other major projects in the works where funds may be needed. Zavoral suggested that supplemental programming would likely be completed by the end of this quarter.

3. Housing Revenue Bonds

James Gilmour and Jessica Thomasson reported on the status of the NRI program and the need to continue the funding for housing initiatives. They are sitting on a backlog of funding requests

for the loan program and would like additional resources to be pledged for this purpose. Costin reported that he has reviewed the NDCC relating to the investment of surplus funds and that the City water utility could purchase any bonds issued by the City of Fargo and hold them as investment of reserves. This was confirmed by Gary Stewart and Brian Neugebauer as an allowable use of water reserves. Further discussion on other funding alternatives including general fund appropriations, the Federal Home Loan Bank, other State programs, or local banks. Further discussion on how the interest rate on the housing bonds should be established to assure a return to the Water fund, along with providing a low interest loan opportunity for the NRI program. Thomasson has identified a third party, Lewis and Clark Service Works that is in the business of purchasing and remarketing this type of loan. Gilmour requested that the Committee consider a bond rate of 1%, so that the NRI program could offer below market loans. Costin suggested that he was sensitive purchasing bonds in the Water utility below a market rate of return, as short term investment rates are averaging about 2.5% currently. Furness agreed that the water fund should not be hurt financially by buying the bonds and that he felt that we should stay close to current short term rates.

Dan Wiles suggested that if the loans could be processed and resold to another party a loan pool would be created and could be used on an ongoing basis to fund new loans.

Committee approved proceeding with the sale of housing revenue bonds with the Water Utility purchasing the bonds and that the proceeds would be used to fund the NRI loan program. The NRI program would be obligated to the annual debt service on the bonds over a 15 year amortization.

4. City Hall Lease Revenue Bonds

Dan Wiles of FWW Financial reviewed the legal structure for the issuance of lease revenue bonds and what pledge the City is making by issuing this type of debt. Costin requested that we proceed with the issuance of lease revenue bonds as he was concerned that the interest rates that are currently very low might begin to rise if we wait until the end of the construction period for this project. Further discussion on appropriating a portion of last years surplus as a down payment on this project to lower the annual debt service requirements. **Committee approved authorization of the issuance of lease revenue bonds in the amount of $ 5.8 million for the Civic Center and City Hall remodeling project, applying $1 million of General fund reserves as a down payment on the project. The Building Authority will be created before the April 1st City Commission meeting and the bond sale will be scheduled for April 15th.**

5. NDSU Site Lease for the FargoDome

Cosgriff explained the negotiated amendment of the original site lease between the City and NDSU for the FargoDome property. This negotiation removes the supplemental revenue clause

payable to NDSU and clarifies the terms relating to the video advertising project currently being proposed. **Committee approved the recommended amendments.**

6. Sales Tax Collection Report

The Fargodome sales tax collection report was reviewed. It shows a rebound in collections for the month of March with the year to date amounts declining by 4.87% from the previous years totals.

7. Special Assessments Payoff Policy

Sprague requested that the Committee consider a revision to an existing operating policy on special assessment payoffs. Under the present procedure the payment amount must match exactly or be only a day or two from the payoff date. If payments are received after that date they are declared late and the check is returned to the property owner as being late. He suggested that we adopt a flat dollar amount policy to be applied as whether or not their payments are considered late by the Collections office. A $25 amount was recommended as the tolerance for late payoffs. **Committee approved this operating policy change to provide a more customer friendly atmosphere.**

8. Financing Options for FargoDome Video Project

Discussed financing options for the FargoDome Video project. Committee considered sales tax revenue bonds, bank lease financing as well as vendor financing from Daktronics. The sales tax revenue bonds provide for the lowest interest cost over the life of the loan. Some discussion on the potential to consider bidding it to the local banks to see if they could be competitive with the rates with sales tax bonds. **Committee did not feel that local bank financing could be competitive, and therefore, approved proceeding with sales tax bonds once a decision is made on whether or not the project would proceed.**

9. Zoo Special Assessments

Furness reported on a meeting that was held with Park officials and Zoo officials regarding their upcoming special assessments and how to pay for them. There have not been any new ideas presented to resolve this problem. Furness suggested that the tax increment financing plan may be part of the solution if the City were to become involved. **No action taken by the Committee.**

10. Water Meter Reading Contract

Costin updated the Committee on the status of the meter reading contract with Xcel Energy. Dennis Walaker, Steve Sprague, Tom Schott and he met with Xcel representatives last week and they were concerned as they are loosing money on this contract. There are two more years from a three year contract with the City to read meters. Further discussion on the automated meter reading pilot project and how this might be implemented. Zavoral suggested that a policy needs to be created to at least include new subdivisions in the automated reading process. A citywide conversion to automated reading would take at least $2 million in capital funds. **No action taken.**

11. Sewer Rehabilitation Project Funding

Bittner reviewed a letter that the Engineering Department had sent to property owners relating to project 5293. He said that sewer reconstruction from the main to the curb needs to be completed at the same time and with the same contractor that is doing the underground work on the project. His concern is that in previous years the City reconstructed the water mains and the streets, but did not require that the sewer service be replaced at the time of construction. He felt that it made sense to require that the clay lined sewer connections be replaced during the construction phase. This would reduce the number of street cuts on top of the new construction, and would save the homeowners money as the cost of individual sewer repairs was very high. Sprague suggested that this might be considered a pilot project to see how this methodology goes with the property owners. It is different than what was done last year. **Committee approved proceeding as presented.**

Meeting adjourned.

Finance Committee Meeting Minutes

Regular Meeting April 29, 2002

7:30 A.M. Mayor's Office

Members Present: Furness, Cosgriff, Zavoral, Bittner, Costin, Sprague

Members Absent: None

Guests Present: Jim Gilmour

1. **Approved minutes from the March 26th regular meeting**

2. **FargoDome Capital Escrow Investment Advisor**

Costin reported that he was in the process of developing a RFP for investment advisors for the FargoDome capital escrow. One strategy for selecting an investment advisor would be to go through the process and then review proposals and ultimately select an advisor. Another approach would be to utilize the services of the State Investment Board (SIB), as political subdivisions are eligible to invest funds with the SIB. The advantage of this approach would be to shorten the selection process, and it would be less expensive. Cosgriff reported that the Dakota Medical Foundation recently was placing approx. $50 million and the fee structure was 65 basis points. A fee estimate of using the SIB was 35bps. The provide all of the services we need for management of the FargoDome Capital Escrow Fund. Costin said that the returns generated over their five year history are comparable to the returns realized by our pension funds.

Cosgriff declared a conflict of interest in voting on this issue as the SIB currently has some holdings in a venture capital fund that he represents. Motion by Bittner, second by Zavoral to proceed with using the SIB. All voting in favor.

3. **Loan Servicing Options with Lewis & Clark**

Jim Gilmour reported that Jessica Thomasson has been working with the Lewis and Clark organization in understanding what criteria they use for eligibility to purchase loans that can be sold in the secondary market. He said that their program is limited as it has income restrictions as well as they are set up to do only 200 – 300K per year, much less than the amount that the City of Fargo would like to package annually. Zavoral suggested that State Bank might be interested in purchasing loans as they have been an active party in the NRI loan programs. They might require a loan guarantee by the City. Costin thought that there might be legal issues that would prevent the City from lending its credit or guarantee to a loan. Cosgriff suggested that the City might be able to sell the loans with recourse. No action taken as further discussions will be held with State Bank or other organizations that might purchase the loans. Gilmour also reviewed the proposed changes for the NRI programs. These will be forwarded to the City Commission for final approval.

4. Refunding Improvement Bond Sale

Costin reported that a refunding improvement bond sale is scheduled for May 15th. This will be the first bond sale using the 25 year amortization. The size of the issue is $11,190,000 and approx 5.8 million of this issue relate to costs of the 42nd street project in the SW section expansion area.

5. Horsepark TIF District Update

Zavoral discussed draft copies of the developer agreements related to the Horsepark project. Agreements have been drafted with Jeff Schlossman and the Horsepark Foundation. He highlighted that there will be a deferral of special assessments until 2007 and a development requirement of $ 5 million for Schlossman by 2007. He also reported that the special assessment deficiency amount of $228k represents the cost of bringing the infrastructure to the Schlossman property and in the event that the project is not successful he will be assessed for his share of the infrastructure. Costin suggested that the reference to future cost per foot of specials of $300 should be changed to prevailing pricing to avoid any inference that the specials are capped at $300 per foot.

Zavoral also reported that similar arrangements have been discussed with NDSU in an amount of approx. $70k for their share of water and sewer to the site.

He said that work continues on the developers agreements and that when complete they will be presented to the City Commission for adoption.

6. <u>Right of Way Issues in Section 21 Development Area</u>

Jim Gilmour reported that he would be meeting with Lyngstad's this afternoon and wanted some feedback on how the issue of right of way dedication should be handled. He wanted to know if the Committee was comfortable with a suggestion that the City pick up the cost of additional right of way, in lieu of the developer dedicating the property as part of the normal plat process. Furness said that he thought that the developer to the west of this property had dedicated property without additional compensation which is our normal method of bringing in properties. Bittner suggested that the developer has already received major financial assistance with the utilization of the TIF process to pay the special assessments. He also reported that the standard width of a street right of way is 80' with 36' streets. It was the conclusion of the group that a proposal for development using our standard right of ways and plat dedication be suggest to the developer at the meeting.

In a related TIF matter Furness inquired about the possibility of using TIF proceeds from the park land that was recently sold to private developers. It was estimated that the value of the land will increase to approx. $2 million and that about $50,000 per year would be generated in TIF proceeds that could possibly be directed to assist in paying the Zoo special assessments. He thought that there needs to be additional discussion with the other govt agencies, especially West Fargo before any recommendation is brought forward. No action taken.

The meeting adjourned at approx 8:30 a.m.

FINANCE COMMITTEE MEETING

MAY 28, 2002

The regular monthly meeting of the Finance Committee was held in the Mayor's Office on Tuesday, May 28, 2002.

Members Present: Furness, Cosgriff, Zavoral, Bittner, Sprague & Costin

Members Absent: None

Guests Present: Dennis Walaker

1. <u>Approved Minutes for the April 29th meeting.</u>

Bittner commented that he has been working with some alternative ideas for a standard street right of way to include a 20' tree planting easement with the provision that the City would plant the boulevard trees. Estimated cost of $125,000 per mile. The City is presently including the trees as part of the cost of the assessment district. There is presently approx. 3 – 4 miles of this type of property in this area. No action taken.

2. **<u>Property Insurance Deductible Levels with State Fire and Tornado Fund</u>**

Costin presented a letter from the State Fire and Tornado Fund, our present property and casualty carrier to consider raising the deductible levels due to estimated premium cost increases. He stated that the analysis was forwarded to AON Risk Consulting for an opinion on higher deductible limits. Cosgriff inquired if designated reserves are in place to cover the increased risk retained. Costin stated that the General Fund and the Liability Self Insurance funds have sufficient balances to cover the increased costs. **Motion by Zavoral seconded by Sprague to increase the deductible limits to a higher level based upon AON's recommendation.**

3. <u>Xcel Energy Meter Reading Contract Proposal</u>

Dennis Walaker reported that Xcel Energy had forwarded a proposal for an increase in the meter reading rates from 40 cents per read to 80 cents per read. The current contract was renewed and extended two years ago and goes through 2004. Furness suggested that we have an existing contract with Xcel and they agreed to the contractual pricing at that time. Bittner expressed concerns that Xcel has not been very responsive to City requests on other infrastructure projects and that they do not respond in a timely manner on project requests. Costin suggested that it seems apparent that Xcel does not want to honor our contract any longer due to significant increase requested. Furness said he could contact the Xcel rep about their responsiveness. **Motion by Bittner seconded by Zavoral to have Costin write a response requesting no change in the existing contract provisions. All voted in favor.**

4. Public Works Operations Sole Source Requests to Purchase Used Tractor / Mower

Walaker reported that Bill Rohrich has identified a used tractor mower / snow blower unit available for sale. The City would use this unit for mowing flood properties, storm sewer basins as well as being available in the winter for snow removal. The unit has a new value of $55,000, plus the added cost of attachments. This unit has approx. 100 hours on it and is essentially new and it would come with a host of attachments. Rohrich felt that he has identified funds in the equipment replacement fund due to savings in other line items and that the existing budget should be able to cover this purchase. He made a conditional offer to purchase the unit for $30,000 including all attachments. **Motion by Zavoral seconded by Sprague to approve the purchase of this used unit. All voted in favor.**

5. Water Billing Ordinance / Procedural Changes Requested

Steve Sprague presented an overview of the current water billing procedures as it relates to the current ordinance 16-0304. He was concerned about two specific issues. One issue is the ordinance requirement to hold or offer an administrative hearing relating to water turn offs, and the other was related to the fees associated with turn off and turn on requests. He reported that staff has been working on comparison of operating policies as related to the existing ordinance. A suggestion of turning off delinquent customers without further notice was discussed. The Committee felt that it was good service to notify customers of a pending turnoff and that an opportunity for an administrative review should be offered in the spirit of the ordinance.

Sprague will check with Gary Stewart on the need for the ordinance and the Committee approved coming back with an ordinance revision along with an operating policies for review and approval before presenting to the City Commission for approval.

6. Emergency Operations Center Bids

Zavoral reviewed the bid tab with the Committee for the items related to the Police Department locker project and the Emergency Operations Center. This is on the Commission agenda for today's meeting and he wanted to inform everyone on the scope of the project. **FYI item no action needed.**

7. Supplemental Capital Requests from 2001 Surplus

Costin presented a listing of capital outlay items that was developed in February relating to supplemental capital outlay items that were not approved during the 2002 budget development cycle. Priority #1 requests totaled $ 222,000 and all priorities totaled $ 250,480. He said that the City ended the past year with a $1.2 million surplus, of which the revenue excess of $894,000 and the balance in the expenditure line items. Discussion followed on how much should be funded in relation to our present fund balance position. Costin stated that year to date revenues are very close to budget through April. **Motion by Furness, seconded by Bittner to fund all priorities listed. All voted in favor.**

8. Sales Tax Revenue Bond for FargoDome Project

Cosgriff discussed the structure of the upcoming bond financing for the FargoDome Video project update and that this issue would be a taxable bond sale because of the benefit to outside businesses. He felt that this type of sale might be somewhat peculiar and that Dain Rauscher who has previously marketed negotiated sales might be the best avenue to underwrite this deal. Costin reported that we have previously done negotiated sales with Dain Rauscher and they understand the financial model and issues related to the FargoDome. **Motion by Zavoral seconded by Costin to have Dain Rauscher, Minneapolis, MN underwrite the upcoming sales tax revenue bonds. All voted in favor.**

9. Financial Advisor Search Strategy

Cosgriff reported that Dan Wiles of FWW Financial, our financial advisor for the past several years is leaving the company and will be moving to California to join a larger firm. FWW will remain a very small company and essentially the relationship forged over the past several years have been with Dan Wiles. Discussion followed on an approach to identify a new financial advisory firm and the timing related to when this should be completed. Cosgriff suggested that the City might invite NDSU and the Park and School District in on a joint procurement of the advisor contract for a large annual volume of issues. **Committee approved proceeding with a**

request for financial advisor proposals as soon as possible so that the new advisor would be in place for the next refunding improvement bond issue. Staff will bring back the advisor RFP prior to issuance.

10. 2003 Budget Development Goals

Committee discussed the need to set a benchmark guideline for Division to follow when preparing the budget for 2003.

11. Interim Legislation Report

Zavoral reported on three draft bills relating to special assessments. Discussion followed on the interpretation on the one where it requires a detailed estimate of assessment in the resolution of necessity. Committee determined that it would be very expensive to have to publish a detailed listing of all parcels and the related assessment at that stage. **No further action taken.**

12. Special Assessment of Fence

Bittner asked for clarification of term for the proposed fence assessment in the Mist wood area. Committee felt comfortable with a ten year amortization, as it does not fit in any of the other assessment project types. He will use this in the communications with property owners.

Finance Committee Minutes

June 25, 2002

The regular monthly Finance Committee meeting was held on May 28, 2002 in the Mayor's Office.

Members Present: Furness, Cosgriff, Zavoral, Bittner, Sprague, Costin

Members Absent: none

Guests Present: James Gilmour, Jessica Thomasson

- **Approved minutes from the May 28, 2002 committee meeting**

- **Asset Allocation for FargoDome Permanent Fund**

Costin distributed sample asset allocations models provided by the State Investment Board. Cosgriff suggested that 99% of the returns related to long term investments relate to asset allocations. He said that Dakota Medical Foundation uses a 50/50 blend of stocks and other fixed income. **Motion by Zavoral, second by Sprague to approve use of a 50% stock and 50% fixed income approach for the FargoDome Permanent Fund. Motion passed.**

- **Review of Tax Increment Districts**

Zavoral reviewed several tax increment financing districts under both the traditional TIF method or the TIF tax exemption method. Some of the housing projects have used TIF financing. The spreadsheets prepared by the City Assessor show each district and project funded by TIF with the potential of future tax generation. No action taken.

- **Fannie Mae Revolving Line of Credit**

Jessica Thommasson and Jim Gilmour presented an overview of the Fannie Mae GO line of credit program that is currently being recommended for use by the City of Fargo. It is a revolving line that can be drawn at any time as projects come up. The terms are payback in

three years and it contains a variable interest rate adjusted quarterly off of the 3 month LIBOR interest rate index. The City will be the developer in getting properties ready for resale in areas such as the 7th Ave N project. The Committee discussed how much line of credit might be needed. Further discussion on the total funding effect of the housing initiatives already funded by the City with the NRI, and the other loan programs funded at $1 million initially, followed by $1.3 million from Water reserves, along with a 2.7 million line of credit with Fannie Mae would produce a $5 million housing pool. **Furness moved seconded by Costin to proceed with recommending the Fannie Mae line of credit to the Commission.**

- **Cellular Phone Cost Report**

Costin handed out a cost report that recapped the cell phone cost by Division. FYI, no action taken.

- **Salvation Army Building Repair Proposal**

Jim Gilmour requested $20,000 to be used to fund part of a major repair for the cost of the Salvation Army Building. Zavoral reported that he will be using part of this building for record storage. **Motion by Zavoral seconded by Furness to approve a $20K appropriation from the Building Repair Fund for this project. All voted in favor.**

- **Newman Stadium Access Road Project**

Committee discussed the need to improve the access road and staging area at the Stadium with blacktop and some concrete near the stadium loading ramp. Furness provided a cost estimate provided by NDSU for $55K in materials. They suggested that ½ of the project could be completed this year and the other ½ next year. Committee suggested that the Stadium revenue stream could cover this project cost, however, it would slow down the recovery of funds from the suite leases. **Committee approved proceeding subject to working out the procurement issues and billing arrangements with NDSU. All voted in favor.**

- **Newman Stadium Joint Caulking Project**

Zavoral reported that the architects have been evaluating caulking solutions for the stadium to eliminate moisture and mold problems below the stadium. A Baseball Committee meeting will be scheduled next month to further discuss what is needed. FYI only, no action taken.

- **Rail Spur Assessments**

Cosgriff reported that Larry Lightner has some concerns about the rail spur special assessments and the fact that they were not deferred. A meeting will be scheduled to discuss further with the other property owners. No action taken.

Being no further business, the meeting was adjourned.

FINANCE COMMITTEE MEETING

JULY 29, 2002

The regular monthly meeting was held on July 29th at 7:30 a.m. in the Mayor's Office

Members Attending: Furness, Cosgriff, Zavoral, Bittner, Sprague, Costin

Members Absent: None

Guests Present: Jim Gilmour, Robert Stein

1. **Approved minutes from the June meeting**

2. **Island Park Parking Ramp Assessments**

Gilmour presented the current financial projections for 2002 for the Island Park Ramp. There is estimated to be a $67k shortfall for the year in revenues. Some of the shortfall is related to only being open for 11 months. He said that the banks have been notified that they would be assessed for the shortfall. ***Motion by Zavoral seconded by Furness to appropriate an additional $25k to help mitigate the potential assessments because of the late opening to be funded from the TIF fund or the repair fund. All voted in favor.***

3. **Special Assessment Deferral Discussion**

General discussion on how deferrals are normally handled. There may be a need for some deferrals supporting the annexation. Bittner reported that they have always been dealt with on a case by case basis as improvement districts are created. The City does not make any deferrals on the annexation level.

No action taken

4. **Vehicle / Equipment Acquisition Strategy / Policy**

Committee discussed the need to consider policy relating to major equipment acquisitions to assure consistency of fleet purchases and other operational related issues. Concerns were expressed about changing purchasing patterns or making operational decisions that ultimately affect capital programming in subsequent

year's budgets. Furness reported that a vendor had contracted him about ethanol usage in the City fleet. ***No action taken*** .

5. <u>E911 Cell Phone Location Project</u>

Zavoral reported on a proposal by the North Dakota Association of Counties relating to cell phone locating by dispatch. There is a statewide plan that is currently being marketed to Cities and Counties and they would like the City of Fargo to agree to the proposal. The Committee felt that there may be some opportunities to do this on our own that could have us money without sending the cell phone fee to the statewide project. ***Cosgriff moved to evaluate further, seconded by Furness, all voted in favor.***

Finance Committee Meeting

August 27, 2002

The regular monthly Finance Committee meeting was held on August 27, 2002 at 7:30 a.m. in the Mayor's Office.

Members Present: Furness, Cosgriff, Zavoral, Bittner, Sprague, Costin

Members Absent: None

Guests Present: Erik Johnson, Jim Gilmour

1. **Minutes of July meeting approved as revised for corrections.**

2. **Consider Abatement of Excess Water Billing**

Committee received a request from Halverson Apartments to abate a high consumption water billing related to a leaking toilet. ***Motion by Cosgriff, second by Furness to deny based upon the numerous requests that we receive for this type of adjustment. All voted in favor.***

3. **Special Assessment Deferral Request, Project 5093**

Alan Melby made a request for deferral of assessments in the amount of $28,852 at the first round of special assessment hearings. A map of the assessment district was reviewed by the Committee. There are existing deferral agreements on three sides of the his property. The parcel owned by Mr. Melby is completely surrounded by ag land on the north, east, and south side of his property. ***Bittner moved to draft a deferral agreement with Mr. Melby, seconded by Sprague. All voted in favor.***

4. **Legislative Council Request for Special Assessment Information**

Costin routed a letter and copies of proposed legislation relating to special assessments that is drafted by the Legislative Council Tax Committee. Several issues were discussed relating to city wide assessments, ability to tax a private for profit entity residing on state owned land, and detailed publishing of special assessments by parcel when and improvement district is created, as well as cost associated with special assessment districts. Cosgriff suggested that this is really

a local issue that should be handled locally, not a State issue that required further legislation. Furness suggested that we should break out our costs in detail to show what they were for, in lieu of consolidating them as the Legislative Council previously requested. ***Committee felt that we should resist any legislation that increases project costs, or limits our local control over these issues.***

Furness reported that the League of Cities is working on this issue on behalf of Cities, and Bittner said that a fax was distributed by the League regarding a conference call on this issue. Cosgriff suggested that Costin and Bittner could represent the City on this issue at the Legislative Council meeting September 25th, if necessary.

5. Cell Phone E911 Project

Zavoral reported that Ron Gronneberg has made initial contract with Quest representatives relating to the E911 cell phone location plan. If the City chooses to do this project independently from the Statewide plan through the ND Association of Counties, then individual contracts will have to be negotiated with the area cell phone providers for the service. Phase II of this project will include GPS referencing of phone locations. This phase of the project would not become active for a few years until the existing inventory of cell phones can be replaced with those with GPS functionality. Furness confirmed that he feels that we should continue to evaluate the merits of doing this on our own.

6. Wireless North Status Report

Costin reported that Wireless North has been purchased by another party and will stay in business. Zavoral reported that that Lynn Fundingsland of the HRA is concerned about Wireless North being 8 month behind on the cell phone tower rental payments. ***Committee requested that Costin send Wireless North a letter requesting payment on behalf of the HRA as they are Wireless North customers as well.***

7. Dale Properties Tax Increment District

A project summary was reviewed relating to the Dale Property tax increment district. The estimated taxes to be collected in 2003 are projected at $357,000, much higher than anticipated at the time this TIF was created. It should cash flow by 2006. Zavoral reported that he has been contacted about selling the land that was included for a future fire station. Furness said

that this TIF was reviewed with the Fargo Board of Education recently as an example of a TIF that was working as intended.

8. C-1 and C-2 Tax Increment District Review

Zavoral reviewed a cash flow projection relating to the existing cash balances in the C- 1 and C-2 Tax increment Financing Districts. There was follow-up discussion the revenue shortage and the potential special assessment of the banks for the Island Park Ramp. The contract with the banks provides tiff contribution of $225k, plus an amount that would guarantee occupancy up to 95% of the ramp capacity. Gilmour passed out a cost recap of the GTC surface parking lot improvements that had been initially paid out of the Parking Authority Reserves. Zavoral recapped three options for utilization of the TIF surplus that currently exists: 1) apply the surplus to pay off the bonds early, 2) use a portion to fund the GTC surface parking lot improvement project, 3) land acquisition for properties already in the C-1 tax increment district.

Costin reported that the C-1 TIF is projected to be closed out in 2006 after the City has been reimbursed for the PD remodeling project. The schedule also showed how much property tax revenue would be available to the Fargo Board of Education to pay the City back for the loan made in 1993 for Discovery School. He and Zavoral discussed the concept of restructuring the repayment stream with the School a year ago to model the amount generated by the TIF once dissolved. Cosgriff wondered why Wells Fargo was not renting any spots in the new ramp and if he and Furness should visit with Wells Fargo about committing to some space to reduce the TIF subsidy.

Furness prefers to use the C-1 funds for downtown redevelopment projects. ***Motion by Zavoral, seconded by BF to use surplus C-1 Tax increment funds to fund the GTC surface parking lot improvements, reserving funds for debt service, and acquisition of real estate in the TIF for redevelopment. All voted in favor.***

9. FEMA Guidance on Statutory Administrative Allowance

A memo from the ND Division of Emergency Management to subgrantees and project managers for Hazard Mitigation and Public Assistance projects was discussed. It provides detailed guidance on how administrative allowances are provided, what they are used for, and the need to document our administrative expenditures for audit purposes. Costin suggested that the City may need to review our existing procedures to assure they comply with the requirements. Bittner suggested that the allowance have historically always been spent on the mitigation project costs and are not used for other purposes. Costin wondered if DEM would assist in interpretation of the memo. ***He suggested that staff review the regulations in detail and bring***

back a recommendation on how the administrative expenditures should be documented. Committee approved.

10. <u>Contract Change Order Request for Civic Center/ City Hall Project</u>

Committee reviewed communications from Bob Getz regarding a change order request for additional excavation needed on the project in the amount of $ 53,279. ***Zavoral moved to approve the change order, seconded by Bittner, all voted in favor.***

Finance Committee Meeting

September 11, 2002

Members Present: Furness, Cosgriff, Zavoral, Bittner, Sprague, Costin

Guests Present: Andy Noel, Dan Ebberhardt, James Gilmour

A special meeting was called to discuss pending special assessment issues that need to be resolved before the end of September.

Project 5065 Special Assessment Deferral Request

The Presentation Sisters protested the assessment relating to this project to the City Commission at the September 3rd meeting. The assessments initially were $19k and had been reduced to $6,667 because the property was in the flood plain. Andy Noel of the Nilles Law firm felt that the assessments were too high in relation to the value of the property of approx. $7,000 and also that and that it has limited use. Bittner stated that the property is currently being used and they could build if they wanted. Dan Eberhardt stated that the value of the land is not considered when assessments are levied, only that a benefit exists and their have been many instances where the assessment amounts are more than the value of the land to which it is assessed. Cosgriff suggested that if they are allowing use of the property for athletic events that maybe they should consider charging a fee to the organizations that use the property.

Bittner expressed his concern that granting a deferral in this situation would be a bad precedent to set. **Motion by Bittner, second by Sprague to deny the deferral request. All voted in favor, motion carried.**

Project 5131 Special Assessment Deferral Request

This was a request referred by the City Commission to the Finance Committee relating to project 5131. The property owner was Craig Johnson who owns an empty lot at 6209 25th St. that he contends cannot be built upon or developed as it is under a power line.

The assessment was for fire protection (water hydrants) as approved by the Special Assessments Commission. Eberhardt and Bittner spoke with Mr. Johnson after the City Commission meeting

to clarify the assessement. Bittner stated the Mr. Johnson had previously been granted a deferral offer, however, he declined because he did not want to give an easement on the frontage road. **Bittner motioned to reoffer a deferral agreement if he would grant us an easement on the frontage road, seconded by Sprague. All voted in favor, motion carried.**

Project 5232 Rail Spur Project Deferral Request

Cosgriff explained the history on how the developer in the Industrial Park had failed to install a rail spur that was needed for the area businesses. Several business owners requested that the City install and then assess the cost of the spur to the property owners. Several businesses have a direct benefit, while others have an more indirect benefit. One of the property owner, Specialty Commodities does not have a direct connection to the spur and desires consideration of a special assessment deferral agreement with the agreement that when it is hooked up in the future that the assessments would be levied at that time. There was further discussion on equity to other property owners that a deferral should be offered to them as well. Those who will be assessed now include Berg, Stone Container, McNealeus and Union Storage. All other property owners will be offered a deferral agreement. **Motion by Zavoral, seconded by Bittner to offer a three year deferral agreement with interest accruing on the assessment balance. All voted in favor, motion carried.**

Island Park Ramp

Furness requested information related to the Island Park Ramp. Gilmour reviewed the present amount of renters and the contents of the development agreement relating to the City's right to assess the adjacent properties for a revenue shortfall. Furness is planning on discussing this with Wells Fargo.

Cellular Phone RFP

Zavoral reported on the status of the City cellular phone RFP being prepared by Vision Communications. He said that it will be ready shortly and that notice had been served by Wireless North about their decision to shut down their existing wireless service on October 15, 2002.

Finance Committee Minutes

October 29, 2002 – Regular Meeting

Members Present: Furness, Cosgriff, Zavoral, Bittner, Sprague, Costin

Members Absent: None

Guests: Dan Eberhardt

The regular monthly Finance Committee meeting was held on October 29, 2002 at 7:30 a.m. in the Mayor's Office.

Approved Minutes from the September meeting.

Furness moved second by Zavoral to approve the September minutes as revised for inclusion of a $75,000 approval and carryover limit on use of City Share of Special Assessments for the NRI program. A voted in favor.

Discuss Refunding Bond Issue Timing

Costin reviewed an email from Al Erickson, our financial advisor representing Springsted, Inc. about the massive volume of municipal debt being issued in December. Springsted is recommending waiting with the bond sale until the first quarter of 2003 as rates will traditionally come down after the December glut.

Motion by Bittner, second by Sprague to defer sale until 2003. All voted in favor.

Marten's Way Special Assessments

A lengthy discussion was held relating to special assessments in the Marten's Way Addition. Dan Eberhardt showed some faxes confirming $22k - $24k estimates so it appears that the low estimates were for some of the first homes built in this addition. The Committee reviewed the

monthly effect of special assessment in question calculates to $6.25 per month based upon the assessed amount.

Committee discussed how this situation might be resolved. Furness suggested that the affected property owners should receive some sort of relief in light of the situation. Cosgriff suggested that they be allowed 3 years without payment (assessments start in 2003) and that they be allowed to use the 25 year amortization method adopted in 2002. Bittner was concerned about the precedent of offering any assistance as it might have a spillover effect into other improvement districts where situations might arise.

No action taken on this issue.

Joint Power and Reciprocity Agreements

Zavoral discussed looking at the mutual aid agreements with West Fargo. Presently, they do not have any fire ladder trucks or rescue units. He suggested that the City should consider charging for this service as it currently subsidizes service to West Fargo.

Furness suggested we should consider doing this at a later date.

GSA Auction Purchase Approval

A request was made by Bill Rohrich of the Central Garage to purchase some field vehicles for the Engineering Department at an upcoming GSA Auction. His request was to advance fund up to $30k in purchases from the 2003 budget into 2002. Typically the GSA auctions are only held in the spring and in the fall so waiting for the spring event would leave the Engineering Division short on units.

Motion by Costin, seconded by Furness to approve early purchases. All voted in favor.

COBRA Rate Surcharge

There was discussion on whether or not the City should exercise its right to charge the COBRA health and dental premium at 102% of the current premium for an active employee. Committee voted not to enact the surcharge due to escalating premiums.

Special Assessments Meeting with Marten's Way

A meeting with concerned residents of the Marten's Way addition is scheduled to discuss the special assessment issues that surfaced.

Costin reviewed a recap of the issues relating to project 4816 and project 5131. Because of the special assessments certification timeline the City will have to defer the billing on project 4816 until 2003. A modified amortization method was reviewed also.

No action taken.

City of Fargo

Finance Committee Meeting Minutes

December 3, 2002

The Finance Committee met on December 3, 2002 at 7:30 am. in the Mayor's Office.

Members Present: All

Guests Present: James Gilmour, Robert Stein

1. Approved the minutes from November meeting

Minutes from the November were approved as presented.

2. Review Renaissance Zone Information

Bob Stein reviewed a summary report for the Renaissance Zone since inception. A total of 40 projects have been included in the Zone. The value of improvements is approximately $20 million. Consideration should be given to expanding the zone boundries in the Legislative process.

3. Review 2002 & 2003 Capital Improvement Plans

Bittner reviewed the status of the 2002 capital projects and the proposed 2003 CIP. He reviewed the project maps and overall levels of funding needed to support the CIP. He said that there are several major projects that have not been included in the CIP which will require major financial resources. The sales tax fund deficit created in 2002 is expected to remain into 2003. The total dollar value of the 2003 proposed CIP is $ 47.6 million. The proposed CIP was approved as presented and will be forwarded to the City Commission for final approval.

4. Discuss Sewer Capital Funding Needs

A matrix of sewer rate increases needed to fund various levels of capital project funding for the sewer fund was discussed. Costin stated that these numbers were on the premise that SRF

financing was using a 100% coverage factor. He said that the matrix needed to be updated to provide for the 120% coverage which is required.

5. Status Report on Quest Enhanced 911

Zavoral reported that Quest had been contacted about providing a separate cost proposal for the City of Fargo to initiate enhanced 911 functionality in the City. Preliminary discussions suggested that they were open to that idea, however, their cost proposal did not provide any financial advantage to this approach. Further discussion continued on the merits and potential pitfalls of the State proposal that requires ½ of the cell phone tax collections for a five year term. Committee suggested that Quest officials be invited to meet in person to gain further understanding into the costs structure and related issues associated with the system upgrade. **Zavoral will coordinate this meeting.**

6. Health Plan Stop Loss Coverage Renewal

Costin reviewed the bids for the health plan stop loss renewal. Three options were presented by Warner & Co. relating to the retained risk levels. A conference call was made to Dale Rehkamp of AON Risk Services. He evaluated the bids and was comfortable recommending increasing the individual stop loss levels from $100,000 per person to $125,000 per person, and the aggregate deductible from $ 50,000 to $65,000 based upon our claims history and rising health care costs. **Costin moved to approve the bid price with the increased levels of retained risk, seconded by Zavoral. All voted in favor, motion carried.**

7. Island Park Ramp Assessment & Final Construction Report

Robert Stein reviewed the revenue and expenditure report draft for the Island Park Ramp. Costin provided a final cost report for the cost of constructing the ramp. **A motion was made by Zavoral, seconded by Cosgriff to transfer $31,946 of tax increment funds to this construction project to close it out. All voted in favor.**

8. FargoDome Agreements

Furness presented the FargoDome lease agreements with NDSU that have been recently negotiated. The lease agreements were approved.

9. GFOA Certificate of Achievement Award

Cosgriff reported that the City was awarded the GFOA certificate of Achievement in Financial Reporting for the 2001 fiscal year.

10. FM Ambulance Service

Zavoral reported that he was contacted by the FM Ambulance Service relating to the costs associated with their insurance renewals this year. He will be meeting with them to see what their issues are.