Finance Committee Meeting Minutes

February 1, 2005

The regular meeting of the Finance Committee was held on February 1, 2005 in the Mayor's Office at 4:00 p.m.

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

Members Absent: None

Guests Present: Harold Thompson, Ron Gronneberg

Minutes from Last Meeting

The minutes from the November meeting were approved as presented. Zavoral asked about the status of the stop loss renewal for the Health Plan. Costin reported that coverage was placed after consultation with AON to help assess the pricing. AON felt that we could do better if we went to bid though a different distribution channel. **Committee suggested that we start early next year and bid using with AON assistance.**

Architects Report on Public Safety Building Pricing for Alternate Pricing

Harold Thompson gave an update on the status of pricing for the remaining alternatives bid on the public safety building. Construction completed to date was $2.7million. The contract was bid a year ago with an estimated CPI allowance knowing that the City would approve as funds become available. The cost of the remaining alternatives is $934,539, or an overall 4% increase. The CPI escalator estimate was $ 898,450. The general contractor met the CPI bid estimate and was willing to honor that pricing, however, the electrical and mechanical submitted prices higher than the CPI allowance due to construction cost index increases related to steel costs. Overall pricing was acceptable to the Architect and he recommended approval of the remaining alternates. Cosgriff was concerned about how these alternates were being proposed because of the prices in excess of the bid allowance and the overall nature of how the contract was structured. The language of the contract and acceptance of pricing from a year ago was tied to the date of substantial completion which was 1/13/05. Zavoral suggested that the reasons cited by the contractors for their pricing proposal seem to justify their proposal.

The rest of the work could be completed by the end of this year.

More discussion on how to pay for the remaining alternates. Costin said that he was in favor of borrowing long term to avoid consecutive year draws of the General fund balance, however, additional borrowing and related debt service costs will apply additional pressure on the budget going forward.

Furness moved, seconded by Zavoral to proceed with the completion of the remaining alternatives, subject to legal review of the bid process by the City Attorney. All voted in favor.

Fiber Optic Placement Plans

Zavoral requested that Gronneberg update the Committee on the status of existing and planned placement of fiber optic lines for use in system backup and redundancy plans.

He reviewed a map of existing fiber lines that have been place and future plans where fiber could be placed to service City buildings. He said that he was planning on setting up a redundant system in the new public safety building that would be connected to City Hall by fiber so that if City Hall was unavailable that operations could be moved to the public safety building. Cosgriff asked about the potential to take advantage of any private sector abandonment of fiber from companies like McLeod USA. Cost estimates of placing the fiber and interdict were estimated at $150k per mile, or $1.50 per foot.

Furness reported that there is some talk of rail abandonment near the 12th Ave. North viaduct which might affect future fiber placements. Bittner reported that IT was working with Engineering to place fiber where there were sites needed for traffic signals.

2004 Year End Financial Status Report

Costin presented an updated year end financial report for the major operating funds. Total revenues exceeded budget by 1.5%, while expenses were under budget by 1.5%. The General Fund budget performance overall was better than anticipated by $955,255, however, in 2004 there was a draw on the General Fund of $1,458,310 due to additional capital programming. He expressed concerns about the long term ability to fund aggressive capital programming without abandoning existing fund balance goals and what impact adding new debt to the general fund would have on the budget going forward. More discussion on the need to identify new funding sources for ongoing capital needs.

Clapp Special Assessment Deferral Request for Project 4545

Committee approved a deferral for project 4545 that overlaps onto the existing large tract deferral for Clapp in the amount of $ 4,639.46 as presented by Bittner.

Property Tax Abatement for Januschetis Subdivision

A letter received from City Attorney Stewart was reviewed relating to a small piece of property that was actually used for public right of way in the Januschetis subdivision. The property was actually being taxed as a buildable lot when it was really right of way. **Committee approved payment of the taxes of $ 941.83 on this parcel due to the error in assessment.**

Credit Card Program Policy Change

Costin reported that he has been asked to modify the existing credit card policy to allow for higher staff limits on the purchasing card. Presently, the policy is that an individual card holder can purchase an item of up to $1,000 per purchase with a two week maximum of $10,000. Some departments have staff that are assigned to purchasing and the Department Heads would like to allow the staff member to use their individual cards, in lieu of using the Department Head's account. **Committee approved allowing Departments to assign up to Department Head limits to staff.**

Furness raised the issue of personal use on the AMEX card because of some recent activity. He thought that after AMEX instituted an annual card fee of $55 per year that most employees had dropped their cards. Costin said that he thought that there were about a dozen cardholders currently active. There was more discussion on whether or not to continue the AMEX program. Furness requested a card holder listing. No action taken on the AMEX program.

Broadway Mall Maintenance District

A letter was received and reviewed from the Special Assessments Commission relating to the Broadway Mall district that was tabled during the certification process. They feel that the reconstruction of Broadway changed the composition of the Mall that was previously in place and could no longer be assessed as a pedestrian mall. Their recommendation was to

discontinue the assessment district after the 2005 season, essentially levying the specials for one more year to cover 2005 expenses.

Committee concurred with this recommendation and suggested that the Dave Anderson of the DBA be contacted about this issue.

Microsoft Public Sector Software

Furness reported that he has been contacted by Microsoft regarding their interest in having the City of Fargo use their public sector software. Costin said that it has been almost ten years since our AS/400 software has been installed. More discussion on the success, or lack thereof, in getting a comprehensive city wide buy in on software vendors who serve municipal needs. While this had been a previous goal, it has not materialized to date. **The consensus was that we should meet with them to see what they offer before continuing.**

Finance Committee Minutes

March 2, 2004

The regular monthly Finance Committee meeting was held on March 2, 2004 in the Mayors Office at 10:00 a.m.

Members Present: All

Guests Present: None

Approved Minutes From the Previous Meeting

The minutes were reviewed and approved as presented. Furness brought up the old business about the AMEX card program and moved for discontinuance of the card program effective January 1, 2006 because of the overall lack of participation. Only twelve cardholders remain in the program. **Committee approved.**

Public Works Funding of Sales Tax Projects

Bittner presented an overview of the proposed 45th Street reconstruction project as approved by the PWEPC including an infrastructure life expectancy with a repair vs. total reconstruction strategy. The incremental cost of the total reconstruction was estimated at $300k. This project was advanced from the CIP from 2010 to 2006 because of the rapid growth and large increase in traffic. Additional traffic is expected on this corridor because of the continued business development. He reported that the DOT is also evaluating expansion of the I94 overpass to six lanes to match up with the City project.

Project financing was discussed. Advancing this project into 2006 and the high cost of this project ($14.6 million) will require bonding the sales tax. Bittner reported in the memo the current status of the sales tax fund. Committee discussed bonding the 45th Street project and including the Broadway reconstruction project that was advanced in the CIP over the 2002-2004 construction seasons. Costin asked for guidance on the interest carrying cost of the Broadway project deficit. Committee concurred that interest should be charged on the project in the

same manner as any other capital project. **Furness moved to proceed with a sales tax bond issue for these two projects with a preliminary sale date of 6/1/05. Committee approved.**

Financial Status Report of Debt Service Funds

Costin reviewed a preliminary financial statement for the debt service funds group. He explained that approximately $7 million of special assessment prepayments were received and that this was much higher than normal. He suggested that Springsted be consulted and that the City needs to evaluate debt defeasance options so that additional debt can be paid early because of the prepayment accumulation in the debt escrow funds. He reported that the City has done advanced refunding and regular call defeasance transactions in the past, however, prepayments have been increasing over the past two years and there is a need to do this again. **Committee approved proceeding with a defeasance analysis, with a recommendation to come back to the Finance Committee for final approval.**

Paid Bills List Distribution

Costin reported that the Finance Office has automated the paid bills listing and suggested that the Finance Committee members be on the distribution listing. Members should review the listing for questionable expenses because the City does not presently have an internal audit department and that expanding the role of the Finance Committee could help with oversight responsibility. Zavoral suggested that the Finance Office should continue to work directly with Department Heads when items arise that need further evaluation and that the Finance Committee serve as a support function, if needed.

Island Park Parking Ramp Financial Performance

A summary report was handed out for the ramp for 2004. This showed that the banks adjacent to the ramp will be assessed $10k each for the revenue deficiency in accordance with our development agreements with the banks.

FargoDome Capital Escrow and Investment Asset Allocation

A financial report was given for the FargoDome capital escrow fund that shows that $ 7.3 million has been accumulated from surplus sales tax collections and that the overall investment return

for the fund was 9.4%. The Committee was pleased with the fund returns and Furness commented that the FargoDome Authority members were also happy with how it was being handled. Costin asked for a decision on asset allocation for the fund because the State Investment Board will be eliminating the convertible security asset class in April and that the City needs to decide how to reallocate the 10% share of the portfolio currently held in that asset class. There was more discussion on long term asset allocation strategies. **Committee approved moving from 40% equity, 60% fixed income split to a 50% equity and 50% fixed income asset allocation.**

City of Fargo

Finance Committee Meeting Minutes

March 21, 2005

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

Guests Present: Erik Johnson, Ben Hushka, Mike Domitrovitch

A special meeting of the Finance Committee was held on March 21, 2005 at 2:00 pm. in the River Room.

The Committee met to reconsider a request that had been previously considered last year at the August 31, 2004 meeting. A proposal was made at that time to consider setting up a tax increment financing district for underdeveloped property just north of the landfill in the Industrial Park. The Committee denied the tax increment request at that time as the developer did not have an actual project to consider.

The committee discussed the details of the development proposal to consider redevelopment by Goldmark Properties of 27 lots in the Industrial Park. They have a party that is interested in constructing a commercial site in part of this area. The entire property has existing special assessments of approximately $340k. The developer desires that the City install the required infrastructure (access roads & underground) in two phases, the first phase of approximately $1.9 million and the second phase at $1.6 million.

There was further discussion on the advantages and disadvantages of a traditional tax increment or a regular tax exemption. Hushka reported that many of the commercial businesses currently in the Industrial Park were granted traditional tax exemptions over as much as fifteen years. The Committee was not in favor of including special assessments that have already been levied into the tax increment plan for consistency with other developer plans. There was more discussion that additional special assessments would be assessed in the future relating to work on 12th Ave. North.

Committee was in favor of granting a tax exemption to assist in the redevelopment of this area so that the first project could begin this spring. Terms were discussed to include an agreement with Federal Express for a tax exemption and a special assessment deferral of the 2005 specials

(estimated at $35k) and future specials relating to 12th Ave. North. The deferral term recommended was for three years, with interest accruing. Another agreement would be entered into with Goldmark as the developer of the remaining property included in the tax increment district with a tax increment assistance cap or development time frame.

Cosgriff stated that West Fargo officials have been contacted and they did not express any discontent with this idea.

Zavoral suggested that the City Commission approve creation of the tax increment financing district for this area and that Erik and staff will draft agreements related to development and special assessments.

City of Fargo

Finance Committee Meeting

March 31, 2005

The regular monthly Finance Committee met at 8:30 a.m. in the Mayor's Office.

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

Guests Present: Jeff Williams, Fargo Police Department, Dan Eberhardt

1. Sole Source Procurement Approved for Communications Equipment

Williams presented a request for sole source procurement for equipment needed for the interoperable communications grant. He presented a letter from the DOJ approving a purchase off of the State Contract and produced documentation from the State that a contract exists that extends to local governments. **Furness moved, seconded by Costin to approve a sole source procurement. All voted in favor.**

2. Sole Source Procurement Approved for Video Arraignment Equipment

Ron Gronneberg forwarded an email request for a sole source purchase off of the State contract for video equipment for Municipal Court. He said that both Qwest and AVI could honor the State contract and that his recommendation was to select AVI. A quote was received from AVI for $ 27,180. Zavoral stated that AVI was the vendor for the equipment place in the City Commission Chambers last year. **Furness moved, seconded by Sprague to approve sole source procurement with AVI. All voted in favor**.

3. Abatement of Penalty & Interest Request from Burr Line Transport

A letter was received from Burr Line Transportation requesting a refund of penalty and interest on delinquent tax payments. The letter was accompanied by a spreadsheet detailing that tax years 2001 through 2003 recently remitted. Dan Eberhardt reported that he has previously

visited directly with Mr. Burr last year and went through all of the special assessment projects and that Burr did not protest the special assessment district for the rail spur project that we referred to in his letter. Sprague suggested that the City of Fargo could consider abatement of penalties and interest if the City is at fault, or if an error has been made in assessment billings. Based upon the letter and attached documentation is appears that he was concerned about the increase in the tax burden and simply chose to pay his taxes late which triggered the penalty and interest amount of $ 14,547. **Costin moved, seconded by Zavoral to deny the request for refund. All voted in favor.**

4. Special Assessment Deferral Request from Jeff Luckow

A request for a two year special assessment deferral was received from Jeff Luckow for lots 1 through 9, Block 8 of the E G Clapp1st replat. His request was being made to allow time to develop the property. Committee discussed that this was an existing property that was already platted and that the specials requested for deferral were for projects that have already been completed and levied. The City does not grant deferrals in this situation. Zavoral suggested that they have a built in deferral in their right to not pay the taxes and specials for up to five years. **Zavoral moved, seconded by Sprague to deny the deferral request. All voted in favor.**

5. Paid Bills Listing Review

Committee discussed the bills review process and considered a potential need to develop an acceptable spending policy that helps minimize risk and consistency of spending between City Departments. Costin suggested that federal guidelines are focused around a reasonable and necessary spending test and offered to bring this back for discussion. Other comments relating to this topic included isolation of specific transactions and dealing with them as they come up, to more formally drafting policy. Cosgriff suggested that the City does not have an internal audit function. Zavoral suggested that we should be worker friendly and that we should not stifle creativity and risk taking of Departments Zavoral wondered if this should be on the Cabinet agenda. Costin reported that corporate policies to employees should be fair and equitable and that fraud detection guidelines by the AICPA support that position. No action taken, the federal guidance will be evaluated in the future.

City of Fargo

Finance Committee Meeting Minutes

April 26, 2005

The monthly Finance Committee was held on April 26, 2005 in the Mayor's Office.

All members present. Guest present: Dana Sue Bush, Willard Yellowbird

Approved minutes from the March meeting.

Approved Ordering a Fire Truck for 2006 Budget Year

Fire Chief Bruce Hoover requested permission to order a fire truck for delivery in the 2006 budget year. Due to manufacturing lead times, it is necessary to allow about one year before it will be delivered. Bid cost is $359,910 from American LaFrance. Zavoral moved to approve, seconded by Sprague. All voted in favor.

Approved Purchase of a Used Brush Chipper from Fargo Park District

Dennis Walaker requested permission to purchase a used brush chipper from the Fargo Park District. Costin said that this was budgeted for 2005, however, the FPD was willing to sell their unit for a good price. Sprague moved, seconded by Bittner to approve this purchase. All voted in favor.

Approved Aerial Spraying Retainer Contract

Dennis Walaker recommended securing a retainer contract with our current mosquito spraying vendor in the amount of $ 10,800. This will give the City priority service in the upcoming summer season. Moved by Zavoral, seconded by Sprague to approve the retainer arrangement. All voted in favor.

Discussed Telecommunications Audit Proposal

Costin presented a proposal from Telemanagement, Inc. for a telecommunications vendor bill audit. Committee suggested that we check some references before further consideration.

Discussed Legal Service Bills / Utilization

Cosgriff reported on the status of year end bills received from Solberg Stewart for legal services and how the were settled. Their legal services contract call for a base amount of general legal work, plus a 40 hour margin where items will not be billed. Once the 40 hour threshold is met, the entire amount is billed. Some large bills were received for annexation and other politically sensitive issues. Furness inquired about how Erik Johnson's work is interfacing with Solberg. It was felt that Department Heads should not be discouraged from using legal services where necessary. Zavoral suggested that there is two more years to go on their existing contract.

Consider Adoption of Federal Allowable Cost Policy

As a follow up to the recently expanded Committee role of reviewing the paid bills listing, there was further discussion on adopting policy on allowable costs for certain items such as food, luncheons, and other meeting costs. Costin presented the current language from OMB A-87 that covers the basic guidelines for allowable costs, and other sections that are relevant to food and luncheons. Incidental food costs are allowable under the federal guidelines if the primary purpose of the meeting is dissemination of technical information. Entertainment costs including amusement, diversion, and social activities and any costs related with such costs are not allowable.

Zavoral felt that this area was not really a problem however, this should be discussed with the Mayor's Cabinet. Cosgriff suggested that new systems in place that allow for a rapid review make it easier to scrutinize these types of expenditures. Bittner stated that their Department does not provide food for staff meetings. Sprague suggested that there are different spending levels by Divisions. Cosgriff suggested that there are no controls in place for approving conference travel, such as preapproval.

Committee approved bringing this forward to the Mayor's Cabinet for discussion.

Budget Development Calendar and Budget Goals

Costin reported on the proposed budget development timeline that is upcoming in June and July. The Mayor's preliminary budget will be presented at the August 15th City Commission meeting. Cosgriff asked how much money is produced by one mill in taxable valuation. Costin stated that it was approximately $ 250k per mill and that valuations were expected to be up about 7 – 8% in 2006.

Assessor's Division Annual Report

Costin handed out a copy of the Assessor's Division annual report with current valuation and trend information.

Discuss Nuisance Claims Processing Against City of Fargo

Zavoral reviewed our current nuisance claims processing method in the City and the involvement of the Safety Coordinator in HR. He said that several methods are currently being used, including utilization of Broadspire, our risk manager, local adjusters, and HR to receive and route claims information. A listing of small dollar claims has been reviewed and while the dollar amount of the claims is small the frequency is beginning to increase over time and is taking more time out of the Safety Coordinator's schedule. There was further discussion on outsourcing this vs. spending the staff time in house. Bittner suggested that from a Departmental standpoint it was helpful to have a go to person in house. Committee agreed that a central point of contact was a good strategy. Costin reported that over the years several different companies have handled out account under different corporate names. Committee suggested developing and RFP for Risk Management Services.

Stoner Development by Swanston Health Products

Bittner requested direction on an issue relating to access to a new development being proposed for 40th Ave. The issue is how traffic will access the new development and the idea of matching up traffic flow access points now with the adjacent property owned by Swanston Health Products. The problem is that Swanston does not have any immediate plans to reroute their existing traffic. He asked if the Committee would consider a special assessments deferral agreement to allow the City to match up the traffic connections now and let Swanston Health Products have some time to redirect in the future. Committee approved a five year interest free deferral.

Newman Outdoor Field Paving Project

An access road project is being recommended by NDSU north of the Stadium to finish off access road work around the complex. Some funds were set aside in the 2004 budget for the stadium for this project; however, the National Guard has been unable to do the work because of conflicts with their military assignments. Cosgriff suggested that this is not a public access project as patrons of the stadium are not impacted by the existing condition of the access road. Zavoral suggested that the Baseball Stadium Committee has meet and that the Redhawks might prefer that the money be spent on an equipment building. Committee did not recommend proceeding with the projects because of other more urgent needs.

Paving of Cemetery Access Road North of the Airport

Furness received a request to consider having the City provide assistance in paving the access road to four cemeteries north of the Airport. Bittner stated that there will be work done on replacement of a bridge and culvert on 32nd Ave. The airport has no responsibility for this property. Committee did not approve funding for this request.

City of Fargo

Finance Committee Minutes

June 7, 2005

The regular monthly Finance Committee meeting has held June 7, 2005 in the Mayor's Office.

All members attended

Guests attending: James Gilmour, Robert Stein, Dan Eberhardt, Dana Sue Busch

Prior Minutes approved For April Meeting

NDSU Transit Services Agreement Proposal

Gilmour presented contract proposal recommendations for the NDSU transit service. Motion by Furness, second by Bittner to increase the contract by $5,000 to $115,000 per year and leaving the student fee at $5.00. **All voted in favor.**

Gander Mountain Tax Increment Financing Developers Agreement

Gilmour reported that despite multiple contacts to Mike Domitrovitch, the Gander Mountain developer's agreement has not been signed. Zavoral suggested that time was of the essence and that there will be no deferral on this project if an agreement is not signed. **Committee suggested that a letter be written to Anderson Park Joint Ventures informing them of the need to do this before the special assessments are processed.**

Medicare Part D drug coverage and GASB # 43 Financial Reporting

Dana Sue Busch presented an overview of the upcoming federal drug coverage under Medicare part D. The City health plan may be eligible to participate in the program and receive federal

subsidies for retiree prescriptions. She recommended that AON Risk Services be retained to perform the preliminary calculations for eligibility at cost of $3,000 to $5,000. **Motion by Zavoral, seconded by Bittner to approve engaging AON to do this work.**

Costin briefed the Committee on upcoming changes relating to post employment benefits and how to account for them under the newly issued GASB #43. This new reporting requirement will carve out the liability inherent in our health plan relating to retirees and how those benefits are funded. **He recommended retaining our risk consultants, AON, at an estimated cost of $15-20k for a comprehensive actuarial study. Motion by Sprague, seconded by Furness to approve AON for this study.** This was deemed to be a financial reporting issue and therefore, funded outside of the Health Plan.

Broadway Reconstruction Project Special Assessment Spreading

Dan Eberhardt reviewed a proposed special assessment spreading plan which deals with the downtown housing. Under this method a portion of the costs would be assigned to the airspace above the lower commercial space. He said that the special assessment commission was looking at the double footage concept and that the commercial frontage is only ten feet deep. Zavoral wondered if square footage should be considered, as the assessments should be against the land, not the building. Cosgriff felt that is would work best with using a front footage method. Bittner stated that West Fargo has a multiplier for new developments. Further discussion revealed that South Fargo developments have been assessed based upon zoning with a $75 cap on commercial with the rest based upon square footage. Bittner stated that he favors the idea of tiering of specials**. Zavoral moved to use the commercial rate and footage to prorate costs of this project, assessing the land only, seconded by Cosgriff.** This will make downtown assessments consistent with other Fargo developments.

NDSU Tech Park Special Assessment Amortization Method

The NDSU Tech Park has requested a non standard amortization method for upcoming specials. Sprague reported that they would like us to use the 10 term with a level principal and interest amortization method. **Motion by Costin, seconded by Bittner to approve their proposal. All voted in favor.**

FM Association of Realtors Request About Property Values

The Committee received a letter about rising property values and how this might impact homeowners. They requested that the City should notify homeowners in their utility bills about potential escrow shortfalls associated with changing property values. **Committee denied this requests on the basis that this is a responsibility of the lending institution to properly notify their customers of escrow funding changes.**

Credit Card Payment Limit Increased to $500

Sprague requested an increase in the maximum amount that can be paid to the City on a credit card. He cited increasing usage and desire by customers to have increased flexibility. **Committee approved an increase from the present $300 limit per payment to $500, effective immediately.**

Quiet Zone Funding and Status Report

Bittner presented an overview of the Quiet Zone project and the previous financial plan. He reported that now $750,000 of federal grants is available and that the total estimated cost was $2.2 million. Costin reported that the City has received surplus estate taxes this year and that this could be applied to fund the general fund component. Zavoral and Furness suggested that some special assessments be applied as this project was actually requested by the property owners.

Committee approved funding that included $500,000 in special assessments and $500,000 of General Funds, with the other financing sources staying the same as the original financing plan. Committee also approved a $500,000 transfer to the public safety building capital project, to lower the anticipated debt service on this project.

Cell Phone Contract Extension with Cellular One

Costin reported that negotiations with Cellular One have continued and they will be offering State bid pricing after reviewing legislative changes that allow political subdivision to attach to State contracts. **Committee approved a three year contract extension as recommended.**

Fuel Pricing and Budget Effect

Costin reviewed a spreadsheet that highlights the current budget and expected consumption of energy for gas and diesel. He suggested that the fuel costs should be budgeted centrally from the Finance Office for consistency and adequacy based upon historical consumption statistics generated by the Central Garage. Bittner thought that this would be a benefit to the Department Heads as they would normally not have the consumption stats or fuel pricing available. **Committee approved the concept of centralized budgeting for fuel costs for 2006** and decided to wait and see what Departments were requesting for 2005 adjustments during the budget meetings forthcoming.

Sales Tax Bond Issue Sizing and Debt Service Requirement

The preliminary sizing and debt service requirements for the upcoming sales tax bond sale were reviewed with the Committee. $20,260,000 sales tax revenue bonds will be sold in July to fund the Broadway project and this year's 45th Street reconstruction. The net proceeds are anticipated to be $19,800,000, which will bring the sales tax fund back into the black this year. The annual debt service on this bond issue will be $ 3,787,000, which leaves approximately $ 2,700,000 in funds for pay as we go projects to the end of the sales tax authorization in 2012, not including the annual growth in sales tax collections. The anticipated interest rate is 3.61%.

Stop Loss Renewal Proposal from AON Risk Services

Costin reviewed a proposal for stop loss renewal utilizing AON as the consultant to competitively place the insurance for 2006. They estimate a savings of 15% on the current $240,000 per year spent on this insurance. Their estimated fee is $10,000 to draft the RFP, get it to market, evaluate the bids, and make a final recommendation report. **Committee approved their proposal.**

FargoDome Permanent Escrow Revised Asset Allocation Plan

A letter which was received by the State Investment Board was reviewed that detailed a recommended asset allocation plan for the FargoDome Capital Escrow Fund. Their recommendation was to move to a more traditional asset allocation plan that more heavily weights large cap stocks vs. small cap stocks. **Committee approved the recommended asset allocation plan for broader diversification and less exposure to small cap stocks.**

Land Swap on Old Broadway Parking Area

Jim Gilmour presented a proposal which has been approved by the Parking Authority to do a land swap on the existing NP parking lot which essentially divides the land on an east / west basis, in lieu of the existing north south basis. Bittner recommended removal of the 8th street access as it will no longer be needed. The number of spaces under the revised configuration would be reduced slightly from 161 to 153. Costin suggested that there are bond covenants in place that should be reviewed to assure that this proposal is in compliance with the existing covenants. Committee felt that this should be referred to Erik Johnson, our bond counsel, to review the bond covenants as they relate to this proposal. **All voted in favor.**

Additional FEMA funds received for the 17th & 18th Ave Storm sewer project

Bittner reported that additional funds were received on the 17th & 18th Ave. Storm sewer project. He recommended that the additional funds be returned to the sales tax fund and that the assessments for this project be normalized to 5 cents per square foot, which is the same assessment rate as other storm sewer projects. The credits on the assessments will be posted as a decrease to the existing uncertified balance. **All voted in favor.**

City of Fargo

Finance Committee Meeting

August 11, 2005

The Finance Committee met on August 11, 2005 at 10:00 a.m. in the Mayor's Office.

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

Members Absent: Bittner

Guest Present: Jessica Thomasson, Planning

Minutes from Previous Meeting Approved

Trillium Corporation Request for Release of Letter of Credit Deposit

A request from Trillium Corp. was reviewed. Sprague reported that this letter of credit had been set up years ago with the industrial park development. A couple of years ago Trillium would not renew their letter of credit, so the City made a cash draw against their letter of credit in the amount of $250,000. Much of the land covered by the original agreement has been sold and developed, however, a small portion still remains undeveloped. The value of the land now exceeds the exposure on the special assessments. **Zavoral moved, seconded by Sprague to release the funds back to Trillium Corporation as requested. All voted in favor.**

Fannie Mae Line of Credit Renewal and Expansion

Jessica Thomasson presented a request to increase and renew the current Fannie Mae line of credit. The amount would go from $2.7 million to $7 million. She reported on the previous utilization of this line by project and discussed the proposed usage of this credit going forward. It has been used for bridge financing to carry projects until they are completed and tax credit equity is received and to lower project financing costs and overall interest rate relief. Cosgriff asked why we were suggesting such a large increase in the credit line and what rates would be paid if the developer utilized conventional construction financing. His concern was that this is a

general obligation pledge and that in times of economic decline a large portfolio of real estate loans might put the City into unnecessary financial risk. The idea of an interest rate buy down program was discussed as a way of eliminating the general obligation risk. Jessica reported that the City Attorney is always putting the City of Fargo into first position in the loans so that the property could revert to the City. She reported that conventional construction financing would run in the 7% - 8% level and that the Fannie Mae line would offer the 3 month LIBOR rate of about 3.8%. Zavoral suggested that the City needs some liquidity to assist certain projects and that the State of North Dakota does not have programs in place like they do in Minnesota. Furness suggested that if the purpose of the projects is for affordable housing that maybe the City needs to take some additional risk to provide it. Zavoral suggested that maybe a lower renewal amount between $3 - $5 million would be adequate. There was more discussion on our current underwriting efforts and credit review procedures, and the need to establish a loan loss reserve. Cosgriff suggested that we are currently operating a banking function without the normal due diligence associated with this type of lending. There was discussion on creating a loan review or underwriting committee to enhance our review process. Furness moved to renew the Fannie Mae line of credit at $ 4 million, seconded by Zavoral. **All voted in favor.**

Telecommunications Audit Proposal

Costin reported that a reference check on a company that does telecom bill audit indicated that they are doing work in North Dakota, in Bismarck. He said that they have found some over billing issues there with Qwest. **Sprague moved, seconded by Furness to contract with TCI for this service. All voted in favor.**

Finance Abuse Policy

Costin presented a draft policy dealing with financial abuse. This was recommended in the independent audit as something the City should consider. There was considerable discussion on this topic because of the potential overlap with other policies and will require very subjective decisions to monitor. Another concern raised was who should be first informed about potential financial abuse. Department Heads, City Administrator, Finance Director, Finance Committee Chair were all discussed as the potential first contact. Committee decided to have it be reported first to the City Administrator who in turn would report incidents to the Finance Committee when items arise. **Furness moved, seconded by Sprague to approve the draft policy as amended to have the City Administrator as the first contact.**

FargoDome Bond Call Option

Costin reported that the 1995 sales tax bond issue for the FargoDome became callable on 7/1/05. This means that the City could simply pay off existing debt with surplus sales tax at any time in the future. Other options would be to leave it in the fund, or transfer additional funds to the FargoDome capital escrow beyond the existing $1million per year currently deposited. There was more discussion on the various options. **No action taken.**

North Dakota Association of Counties Contract Amendment and Wireless Tax Rate Change Effective 7/1/05

Costin presented a letter from the NDAC regarding cell phone tax. They have decided to rebate surplus dollars back to the political subdivisions that collected the taxes as Phase I of their project has been completed. After July 1, 2005 the rate has been lowered to from 50% of the taxes collected to 40% for the contract payment to NDAC. Also included was draft language that allows the City of Fargo to opt out of the NDAC contract with 90 days notice.

Skyway Special Assessment Increase for 2006

Costin recommended increasing the special assessments for the Skyway system by $25k per year to cover ongoing capital repairs. The current level of $75k is not sufficient to cover the anticipated repair costs and the additional cost of the wallpaper replacement project. **Zavoral moved, seconded by Furness to approve the increase to a budget level of $100k per year for the Skyway Maintenance Fund. All voted in favor.**

City of Fargo

Finance Committee Meeting Minutes

September 27, 2005

A regular monthly Finance Committee meeting was held on September 27, 2005 in the River Room.

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

Guests Present: Jessica Thommason, Jim Gilmour, Bruce Grubb, and FORUM reporter.

Minutes from Previous Meeting

The minutes were approved as presented. Cosgriff revisited the financial abuse policy previously addressed and suggested that the initial point of contract on these types of issues should be the Finance Committee. Written policy is to be updated and brought back for final review.

Sales Tax Extension for Infrastructure

There was a general discussion on presenting a proposal for a 1 cent sales tax dedicated for infrastructure in the June 2006 election. Grubb reported that the 25 year master plan CIP has been completed that requires approximately 400 million in project, with a 200 million funding gap. The Red River Valley water supply project is also being contemplated which would likely be paid out of water rates. The Committee felt that because of the large needs for infrastructure funding that the tax period from 2009-2012, after the expiration of the FargoDome tax should be used for infrastructure. Bittner reported that rapid service expansion needs has caused street funding with sales tax to be programmed out for several and that the Broadway reconstruction was funded with sales tax even though it was not programmed.

Furness suggested that we need to get started in planning for an early 2006 presentation. Zavoral stated that water and wastewater rate modeling will be the next step to support the extension planning. Costin suggested that it would provide maximum flexibility for project funding if a twenty year extension was proposed due to tentative bonding needs that may

require a longer amortization period, especially with plant expansions and other projects that exceed the annual amount of sales tax collections.

No further action recommended.

Land Sale for Ethanol Plant

Zavoral present a letter from Gold Energy, LLC for an option to purchase 200 acres of City owned land in North Fargo for constructing an ethanol plant. This land is near the lagoons. Committee suggested that the City should be compensated for at least our cost in the land and that we could sell it with restrictive covenants. This land is currently zone for this type of use. Motion by Furness, second by Zavoral to offer an option to purchase this land. The cost of the option would be $10,000 refundable from the final purchase price, if the deal is completed. Furness, Zavoral, Cosgriff, Sprague and Costin voted yes, Bittner no.

FargoDome Cash Management

Costin requested guidance on what to do with a projected sales tax surplus in the FargoDome bond funds after discussions at the last City Commission meeting. Furness moved to refer this to the FargoDome Authority asking them for a plan by the end of first quarter, 2006 after we know the exact amount of sales tax collections for 2005. Zavoral seconded, all voted in favor.

Streamlined Sales Tax Legislation and Implementation

Costin reported that some of the streamlined sales tax legislation will go into affect on October 1st relating to collection of gross taxes and local sales tax caps. Materials from the State Tax Commission's Office have been referred and discussed with Gary Stewart and Patti Roscoe and they feel that our ordinances do not have to be updated for this new legislation.

Local Sales Tax Collection Reporting

Costin reviewed a letter received from the State Tax Commissioner's Office about the lagging collections when comparing State wide sales tax collections to local receipts. Several reasons were reported. The most significant issue related to the cutoff of receipts around the time

when the rates were increased from 1% to 1.5%. The State went back and looked for returns filed after the rate increase that were for time periods when the rate was 1%. The net effect of this difference was $386,932. A correction will be made to transfer funds from out of the Library capital fund back into the FargoDome and the Infrastructure funds in the amount of $193,466 each. The FargoDome collection statistics will now reflect a 2% growth rate, instead of the decline previously reported. Furness requested that we invite Cory Fong, the State Tax Commissioner to come and discuss the issues identified in detail.

Idea One Easement Request

Bittner reviewed a request that had been referred by the Utility Committee about an easement near the landfill. IdeaOne is paying a franchise fee of 2%, and therefore, no additional fee will be requested by the City for this easement. Motion by Furness, seconded by Bittner to not charge a per foot fee for the easement. All voted in favor.

Special Election Costs

Sprague reported on the cost of the special election for the open City Commission seat. The cost of $26k was slightly less than anticipated due to staffing issues. Cosgriff wondered if consideration should be given to changing the current procedure to avoid unnecessary election costs. No action taken.

Health Plan Medical Stop Loss Renewal Quotes for 2006

Costin reviewed the stop loss quotes as prepared by AON, our health care consultants. They are recommending staying at the current specific and aggregate levels of coverage and changing carriers to ING, who provided the most competitive renewal quote. This was a 15% savings from the incumbent carrier's renewal quote. Costin moved, seconded by Sprague to select ING as our stop loss carrier for 2006.

Medicare Part D Subsidy Election

Costin discussed the status of the Medicare Part D assessment. Dana Sue Busch has been working with AON through the actuarial equivalence test. The City is eligible for a 28% subsidy from Medicare. Various scenarios were evaluated by AON and the one selected was to continue the plan design for drug coverage to retirees and apply for the Medicare Part D subsidy. The subsidy is an annual election made by the employer. Costin moved, seconded by Zavoral to approve the subsidy option.

First Bank Ramp Repair Financing Plan

Zavoral and Gilmour presented a financing plan for maintenance of the First Bank Ramp. The rehab plan calls for 1.6 million in rehabilitation costs, 1.1 million now and then additional maintenance costs over the next 15 years. There is an urgency to make a decision on this and to move forward with reconstruction. The other option would be to spend 2 million to knock it down and convert to surface parking. The financing plan proposed is to use special assessment bonding for this project and direct the assessments to be paid back using Parking Authority resources. Gilmour felt comfortable with this plan as presently there is $200k of projected net income from the Parking Authority as a whole. The annual debt service payment is estimated at $100k per year. Up front contributions would be made by CDBG for the elevator $ 80k, and the C-2 Tax Increment fund of $80k. The C-2 fund is scheduled to expire in 2007 and the Mayor is not in favor of extending this district.

Cosgriff wondered why tax increment funding was not being considered for this project and expressed concern about leveraging the Parking Authority resources. Furness moved, seconded by Bittner to recommend proceeding with the proposed financing plan. Furness, Zavoral, Bittner, Sprague & Costin voted yes, Cosgriff no.

Bristol On Broadway Project

Due to time constraints an overview of this project was presented and the detailed discussion would be at a special meeting next week. Cosgriff wanted to know how the State would respond to this proposal by giving all of the income tax exemption, but only half of the local property tax exemption. He also wanted more sensitivity analysis of the interest rate assumptions used in the financial model to help us assess our overall risk in a changing interest rate environment. He also questioned the developer return and lack of policy on how development proposals should be viewed by the City.

City of Fargo

Finance Committee Minutes

10/4/05

A special Finance Committee meeting was held on October 4, 2005 to consider the financial plan for the Bristol on Broadway project.

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

Guests Present: Jessica Thomasson, Dave MacGillivray

The Committee members reviewed the financial analysis as prepared by Springsted, Inc. Two sets of analysis were presented with a variety of financing scenarios. One set of scenarios were produced using a final property valuation of 11.8 million and another with additional development of $2.5 million or $14.3 final valuation.

Cosgriff wanted to know what analysis was done to validate the developers requested return of 12%, Dave MacGillivray said that they did some analysis of potential sales prices and that they would forward that information, if desired.

Zavoral reported that the analysis used the most conservative number for the completed project. He also reported that the Moose/ Dixon project was valued at $500k for the tax increment fund; however, their insurer told them that it should be valued at $1.5 million. He also stated that there is some potential for housing above the Fargo Theatre. Cosgriff asked if there were any proposals outstanding on the Fargo Theatre. Zavoral reported that presently there are none outstanding.

Bittner expressed some concern wondering if this model currently used would be offered to similar deals with other developers.

Dave stated that there would be no bonds issued on this project until the project was actually built which would mitigate the risk of the development actually happening.

Cosgriff asked about credit enhancements for this proposal. He said that the City has normally used some form of guarantee or letter of credit, or a backup special assessment feature to protect the City's financial interest. Dave reported that this proposal did not contain any credit enhancements as there was a desire to keep the bond issue as a non taxable transaction. If the City desired to have some credit enhancements it would cause the bonds to be considered taxable, thereby pushing up the interest costs on long term financing.

Cosgriff asked about what appraisal analysis was done to validate the values used in the financial plan. The developer sent plans and a spreadsheet of finishes to Jim Gilmour and Mitch Marcuson of the City Assessor's Office.

Cosgriff asked about what resale analysis was completed? His concern what that there is no previous market experience on upscale downtown housing and that the effect the sunset of the Renaissance Zone tax incentives may actually drive prices lower.

Cosgriff stated that this model is a case where the State Legislature may not allow full state income tax credits when the local government is only giving partial property tax credits.

Costin asked Dave about the impact to our general obligation bond rating. Dave stated that increasing g.o. debt is a negative indicator, however, that the socio economic benefit may offset it. He cited a case example in Kansas City where they have doubled the g.o. backed debt in the past few years for downtown development projects and this has had no impact on their rating.

Dave spent some time going through the various tables in the financial analysis. He explained that short term bonds would be issued in the interim and that long term financing would be put in place in 2012 after the renaissance zone tax incentives expire and that there is interest rate risk in this model. He said that we have been in a very low interest rate environment for the past few years and that rates would likely be higher in the future, although there is a chance that they could remain much the same as now. The financial models contained sensitivity analysis with interest rates rising by 75 bps, 150 bps, and 250 bps.

Bittner wondered if we should consider having a policy on development which limits the amortization terms to specific periods such as 15 years, as this plan contain a 20 maximum for g.o. bond financing as limited by the State Legislature.

Cosgriff asked about the housing component and where it fit into the income levels. Jessica reported that it is not actually low income but moderate income which is considered 150% of median income levels.

Bittner asked what other cities are doing for downtown developments. Dave said that Rochester, MN is doing many downtown housing projects and that they create retail traffic and convenience for people who work downtown. He said that the downtown residential housing projects are more difficult for the City to pay for. He said that a g.o. bond lowers the cost of capita and that Kansas City did not have any funds in place to back up their recent issues. Another option would be to secure a dedicated funding source for economic development.

Zavoral reported that two development tax increment districts from the 80's have worked out and that the C-2 tax increment district would expire in 2007. He reiterated that the model is using conservative values to get to $11.8 million in developed values.

Cosgriff stated that he felt that the City was offering to much financial assistance in this plan and that the term and overall risk would be reduced if less was offered. He said that the three million offer provides no financial return to the City, just the risks and that this proposal was developer driven.

Costin commented that the financial projections using increased values would be more likely if there was a development plan for the Fargo Theatre property.

Furness stated that this is a development package as presented and that we need to decide if this should be forwarded.

Zavoral suggested that as a way to mitigate risk that the City should sell bonds in 2007 using a $12 million valuation for bonding.

Cosgriff reiterated that none of the scenarios, except for those that assume additional development provide enough resources to make the bond payments and that it would not be prudent to sell bonds knowing that we would not have the resources to pay the annual debt service. He said that some Cities participate in the upside profit on downtown developments.

Costin suggested that the Finance Committee's role is to evaluate the technical merits of financing proposals and that this one should be denied because the numbers don't amortize over a 20 year term unless additional development is assumed.

Bittner suggested that it might be possible to consider using special assessments on the public infrastructure portion of the project. The utilities and public parking were discussed. This would lower the g.o bond financing for the development and would assess the property owners like other assessment districts. Cosgriff suggested that it would be better to levy now to property owners rather than several years from now.

Furness moved to reject all financing assumptions using the lower development threshold of $11.8 million as being to interest rate sensitive and recommend forwarding this proposal using the higher valuation assumption to the City Commission. Furness and Zavoral voted yes. Cosgriff, Bittner, Sprague and Costin voted no.

Jessica will check on the potential to use special assessment financing to lower the cost of this development proposal.

Meeting adjourned.

City of Fargo

Finance Committee Minutes

October 27, 2005

The regular meeting of the Finance Committee was held on October 27, 2005 in the Valley Room at 7:30 a.m.

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

Guests Present: James Gilmour, Bob Stein, Joel Davy, Tom Dawson, Dan Eberhardt

Broadway Square Funding Request

Joel Davy, Tom Dawson and Robert Stein presented a request for financial assistance relating to the Broadway Square project. The requested assistance for three specific areas as follows: fundraising feasibility $ 5,000, site costs $ 68,700, and construction financing during the pledge period estimated in the $600,000 range. They need to proceed with fundraising attempts but first need to know if the fundraiser thinks this project will work.

Furness stated that when the design contest funds were authorized in was clear that the funds would be recovered and that there would be no additional City involvement in this project, but rather it would be a Downtown Community Partnership responsibility or other fundraising efforts after the initial design.

Bittner state that $1.2 million was spent on the Broadway amenities package and that all fund have been expended on the streetscape project. He was surprised that any maintenance costs were being requested in the funding request as it was clear the time of the Broadway reconstruction that this would be part of an assessment district.

Zavoral stated that another group is looking at the use of that location.

Bob Stein said that he thinks this project might be considered public art.

Bittner moved to include funding in project 5209 to be paid back if fundraising moves forward for the $5,000 feasibility with no further participation in any other phases of the project, seconded by Furness. All voted in favor of the motion.

Minutes of Previous Meetings

Minutes from the September 27 and October 4 meetings were approved. Committee approved language changes in the financial abuse policy and recommended that this be presented to the Cabinet and the City Commission. The line of reporting should be directly to the Finance Committee in lieu of staff. Costin commented that staff met with Cory Fong the State Tax Commissioner and his staff about sales tax reporting issues with ideas to synchronize our reporting methodology. He also stated that he has made the correction identified by the State to distribute sales tax receipts back to the FargoDome and the infrastructure fund from the Library due to tax collection from before the rate increase for the Library. These amounts were identified by the State Tax Commissioners Office.

Committee approved updated language related to the financial abuse policy. Language was amended to prescribe incident reporting directly to the Finance Committee instead of the City Administrator. Motion by Furness, seconded by Sprague to approve the revised language. The policy will be forwarded to the Cabinet and the City Commission for final approval.

Gaming Audit Services Contract

Costin presented a contract proposal to raise the Gaming auditing services contract from $22 per hour to $30. This vendor contract was last price adjusted in 1998 and the increased rate is modeled after an equivalent employee at a C-43 decision band. Motion by Furness, seconded by Sprague to approve the updated contract. All voted in favor.

Natural Gas Price Increase Analysis

Costin presented an analysis prepared by Jason Galonski that shows what the budget levels are for natural gas and the overall financial impact of a spike in natural gas prices as predicted by the Department of Energy. The City also will be the beneficiary of additional tax collected on the franchise fee in the General fund of 2% of gas gross receipts. The General fund will actually

experience a positive budget impact of approximately $228k, while the utility and special revenue funds will have about a $100k shortfall. Information only item, not action taken.

Water Meter Contract Extension

Dennis Walaker presented a request to extend the existing procurement contract with Northern Water Works through June 30, 2007 with a 5% price adjustment. Motion by Sprague, seconded by Bittner to approve this recommendation. All voted in favor.

Legal Cost Update

A spreadsheet that recaps hours spent on certain legal projects was discussed. This was requested from the Solberg Stewart Law Firm last year after many year end billings were received for projects that exceeded 40 hours as stipulated in their existing contract. Committee requested that Costin review the contract details with the Cabinet so that they understand how this is being handled and how it will be charged in the budgets.

Budget Stabilization Funds Management Policy

Costin requested guidance on how the budget stabilization fund should be managed. He said that this fund was set up a few years ago to follow best business practices are recommended by the bond rating agencies. A chart of State Legislative use of this type of reserve was reviewed which included how monies flow into the reserve, and what trigger mechanisms or economic factors must exist to expend monies in this fund. Committee suggested that the Finance Department bring a specific recommendation forward for consideration based upon specific guidance similar to the many examples discussed.

Snowbird Policy Waiver Request from Prairie View Condo Association

A letter was reviewed from Charlie Bekkerus, President of the Prairie View Condo Association. He requested a waiver of the water shut off requirement as several of the condo owners are

using a common water meter, which cannot be shut off if only some of them leave for the winter. Zavoral moved, seconded by Costin to confirm the desire to maintain consistent treatment of all customers and denied this request. All voted in favor. Sprague will contact Mr. Bekkerus about the Committee decision.

Asleson Request for Special Assessment Deferrals

Costin presented a letter received from Ohnstad Twitchell Law firm representing Maynard Asleson for a special assessment deferral request. He was requesting a ten year deferral without interest for improvement projects 5477 and 5540 plus any other new assessments posted in the 2005. Bittner and Eberhardt reviewed a map of this area and explained that development of plats is occurring in this area. Motion by Zavoral, seconded by Bittner to deny this deferral request. All voted in favor.

Fayland Development Assessment Deferral Request

A request was made by Goldmark Development to consider deferral of existing special assessments resulting from a rail spur project that was spread about four years ago when a rail spur was added in the Industrial Park. They acquired the land after the assessments were levied and felt that lots 1, 2, 3, (assessed $112k) did not receive any direct benefit of the rail spur project. Eberhardt said that the value of the land has been increased because of the future access to a rail spur and that this project was not protested when completed. Zavoral reported that there is some discussion of relocation of Mid America Steel into the Industrial Park. He said that Goldmark has not signed their tax increment agreement yet and would need to do so now in order to have a deferral processed. Zavoral moved, seconded by Bittner to offer an assessment deferral till sold, with interest accruing. All voted in favor.

Telecommunication Ordinances Updating

Costin reported on the status of the City's existing telephone tax ordinance. This has not been updated in many years and Adrian Herbst has looked over what we have on the books and is

recommending that they be updated for recent changes in telecommunication law. Committee felt that he should move forward in updating the ordinances, however if Adrian Herbst is assisting that we should get a fee estimate before proceeding on this project.

School Board Issue

Furness reported that the Fargo Board of Education brought up an issue related to funding of school nurses, and cops in schools. They felt that the City should pay for these positions because the City has a broader tax base than the school. Committee referred this to Costin for further evaluation.

Building Permit Fees

James Gilmour reviewed the status of local and regional market pricing for residential building permits. He said that Fargo typically leads the community when rates are being increased and that West Fargo and Moorhead typically follow. Residential rates have not been increased since 2002. He wanted some input from the Finance Committee on whether a 5% increase or a 10% increase should be proposed. A 10% increase is estimated to bring in about $30,000 of additional revenue. Costin stated that the 2006 budget was developed assuming rate increases would be enacted. Costin moved to increase the residential building permit fees by 10%, seconded by Sprague. All voted in favor.

City of Fargo, North Dakota

Finance Committee Minutes

December 5, 2005

A regular monthly Finance Committee was held on December 5, 2005 in the River Room at 11:00 a.m.

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

Guests Present: James Gilmour, Jessica Thomasson, Paul Laney, Dana Sue Busch

The meeting minutes from the last regular monthly meeting were approved as presented.

Flex Plan Provider Change

Dana Sue Busch reported that BPA, our current flex plan provider has contracted with Discovery Benefits for flex administration services for the 2006 plan year. Under this agreement the City will continue to pay BPA as the vendor, however, services will be provided by Discovery Benefits. They offer enhanced services such as debit card usage, and online access to participant accounts. She wanted to report this change because the City was not aware of this action until recently. Costin moved to approve this request, seconded by Zavoral. Cosgriff, Zavoral, Bittner, Sprague and Costin voted yes, Furness abstained as he has a conflict with Discovery Benefits who is affiliated with State Bank.

Sole Source Procurement For School Radio Grant

Paul Laney presented a request from the Police Department to obtain a sole source procurement request for the radio in schools grant. Laney said that the COPS grant program does not require a special approval for purchases under $100,000; however, the City's practice is to obtain approval from the Finance Committee. Furness moved, seconded by Costin to approve the sole source procurement request for these grant costs.

Bristol on Broadway Development Proposal

Jessica Thomasson reviewed a development proposal for the Bristol on Broadway project. The HRA project is no longer included in development plan and that the Universal building will not be housing, but rather commercial office use. The Fargoan will not be rental housing, but rather owner occupied housing priced in the range of $120k - $180k per unit. The will be one bedroom units with underground parking. The new plan calls for $795,000 in tax increment incentives to promote improvement in this area. Approximately half of this amount is for land cost write down. Various financing plan assumptions were reviewed. Cosgriff asked that a cash flow spreadsheet be developed and provided to the Committee. He inquired about the Ford building and the potential for this project to compete with the Bristol project because of the tax increment incentives being offered to the Bristol project. He wondered if the Ford development was offered the same incentive. Some discussion on whether or not a tax exemption method might work instead of traditional tax increment financing. He also inquired if any subsidies have already been given to in land sales related to this project. The City's acquisition of property was split between the NRI program and the Fannie Mae line of credit. Stewart worked on sale of the property with the HRA. Cosgriff asked if any appraisals had been completed on these properties. Gilmour said that the City has prepared and published a development RFP early on and that nobody responded to the request.

Furness suggested that this plan looks like it will work because it has been scaled back in size and the payback potential is a shorter term. Cosgriff said that he is concerned about the price paid for the Fargoan and the amount of the land write down in the proposal. He asked staff to provide additional details as to who actually is the owner of record on the properties in the development plan.

Due to time constraints Furness moved, seconded by Bittner to table this item until next week.

Utility Rate Consultant Proposal

Zavoral reported on the status of the proposals received for utility rate consulting. Three consultants proposed. A subcommittee of Grubb, Costin and Zavoral reviewed the proposals and recommended EES Consulting from Kirkland Washington. Zavoral moved select EES Consulting, seconded by Costin. All voted in favor.

Tax Forfeited Lots on Parkview South Addition

Sprague reported that the County has acquired certain parcels of property by tax forfeiture action. He wanted to know how we should handle the delinquent special assessments that are currently $23,600. The parcels forfeited were previously planned for a bike path that was never built. Bittner suggested that the City should draw against the developer letter of credit with Howard Kramer. More discussion on what to do with the property after the City acquires it. Sprague and Bittner will arrange for a neighborhood meeting to come up with some suggested options. Zavoral moved, seconded by Bittner to acquire the lots and come up with a plan for disposition. All voted in favor.

Central Garage (Bus Maintenance) Architect Contract Extension

Zavoral requested approval to proceed with extension of the existing contract with EAPC Architects to assist in development of a plan to use the vacated bus facility that will become available after the new bus maintenance facility is completed. The goal will be to have the Police and Fire public safety all maintained in one facility. He estimated the cost to be $20k. This will be funded out of the Public Works budget. Zavoral moved, seconded by Bittner approve this request.

Health Plan Stop Loss Renewal

Costin reported on the status of the stop loss insurance renewal process. AON is in the process of getting final bids from ING. The process is being delayed slightly because ING has been requesting additional information in order to provide final quote. He said that the final evaluation should be done by next week. No action taken.

Accounts Receivable Collection Services

Costin reported that the A/R collection services was being solicited using an RFP process. The Finance staff has evaluated the RFP responses and has interviewed two firms, Diversified Services of Coon Rapids MN, and United Accounts of Fargo. Costin moved to approve United Accounts as the City's collection agent, seconded by Sprague. All voted in favor.

Refunding Improvement Bonds Sale and Refinancing

Costin gave an overview of the upcoming bond sale and the recommendation report as prepared by Springsted, Inc., our financial advisors. The City will issue $21.3 in refunding improvement bonds in December and also a refinancing of three previously issued bonds. The refinancing deal is expected to provide a 3.8% present value savings, which exceeds the Finance Committee's target for a refinancing decision. Zavoral suggested that in future deals that the recommendations report should be presented by the Financial Advisor. Sprague moved, seconded by Bittner to approve the recommendations report and proceed with the bond sale. All voted in favor.

West Fargo Transit Contract

James Gilmour discussed the pricing of the existing West Fargo transit services contract. He said that the City is presently charging $40 per hour for fixed route services, and $12 per hour for paratransit services. The City last raised the price for fixed route about 2 years ago, and last year raised the paratransit cost from $10 to $12 per hour. Committee suggested that the rates in place are adequate for 2006, however, he should tell them to expect and increase in 2007.

One Way Pair Study

James Gilmour presented a request for a Downtown planning project related to the one way pair transportation concept. MCOG will provide grant funding to coordinate this with Moorhead; however, there is a local share requirement for the grant of $10,000. Bittner said that this was more transportation related in the past and now the scope involves more than just transportation issues. Gilmour agreed that it was different than previous requests. Zavoral moved, seconded by Costin to approve this project and to work it into existing budgets. All voted in favor.

Bluemont Lakes Agreement

Bittner reviewed an updated agreement with the Bluemont Lakes Association regarding cost participation in their shoreline project. It had actually been approved by the City Commission already, however, he wanted to make sure that the Finance Committee also approved. Bittner moved, seconded by Zavoral to approve the contract. All voted in favor.

Utility Account On / Off Fee Structure

Sprague updated the Committee on the existing rate structure for shutting water services on and off. The existing fee is $15. Staff is recommending and increase in this fee to $30 to be closer to other local utility operations. Zavoral expressed concerns about increasing a fee that could negatively impact those who could not afford to pay the increased fee. Bittner moved to increase the on / off fee to $25 and the overtime rate to $50, seconded by Sprague. All voted in favor.

City of Fargo

Finance Committee Meeting Minutes

December 13, 2005

A special meeting of the Finance Committee was held on Tuesday, December 13 in the Mayor's Office at p.m.

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

Guests Present: Jessica Thomasson, Terri Stroh

The purpose of the meeting was to further discuss the Bristol on Broadway downtown development project. This meeting was a continuation meeting from the last Finance Committee Meeting.

Jessica reviewed the project summary and the financial analysis with the Committee. The structure includes issuing permanent financing after the development is complete and that each project parcel would have individual development thresholds. The overall plan calls for $800,000 in tax increment incentives. The Dixon building has been removed from this development plan. Cosgriff asked if there was any agreement in place to not request assistance for the Dixon property. Zavoral stated that if they want to be included later that it could be considered, however, the development plan for that property would have to stand on its own.

The projects would be completed by the end of 2006, with the first tax collections coming in for the 2007, payable 2008 property tax collections. Cosgriff reported that under the current Renaissance Zone rules that a developer could hold property tax exempt for up to five years, then another five years by the owner. Terri Stroh said that he is confident that these units will sell quickly and that parking will be purchased with the units. Cosgriff asked if a tax exemption tif would work in this proposal. Terri Stroh said that it would be difficult to work it this way.

Cosgriff stated that he has concerns about setting a precedent in reducing the RZ incentives lower than the State income tax percentage and that doing this may jeopardize the RZ program in future legislative sessions.

There was discussion on the type of long term financing that would be used for this project. Costin stated that it may be less costly to simply negotiate a tax exempt financing with Wells Fargo, rather than the cost and lengthy process of issuing bonds for such a principal amount. He felt that the current long term rates for financing this deal would be lower than the 6% used in the financial plan assumptions.

Furness suggested that this development is a better financial deal than was previously proposed and moved to approve the plan, subject to review of amortization calculations. Zavoral seconded the motion. All voted in favor.

Furness suggested that a policy be developed in the future regarding using RZ incentives in conjunction with tax increment assistance.

Cosgriff stated that he feels that it will be difficult to offer this type of incentive plan to other development projects.

City of Fargo

Finance Committee Meeting Minutes

December 20, 2005

A special meeting of the Finance Committee was held in the River Room at 9:30 a.m. on December 20, 2005. The purpose of the meeting was to discuss the Bristol on Broadway financing proposal.

Members Attending: Bruce Furness, John Cosgriff, Pat Zavoral, Mark Bittner, Steve Sprague, Kent Costin

Guests Attending: Linda Coates, Mike Williams, Erik Johnson, Randy Thorson, Dave Anderson, Lynn Fundingsland, Mike Nowatski, Ben Hushka, Jessica Thomasson

The Bristol on Broadway project is scheduled for public hearing on January 16, 2006 at which time public hearings and public comment on the tax increment financing district will be heard.

Erik Johnson stated that the City needs to approve the tax increment district by resolution and then the developer's agreement relating to the development proposal.

John Cosgriff stated that there has not been an approval by the Renaissance Zone Authority confirming the sliding scale RZ benefits when used with TIF. He thinks that they should approve this concept formally as they have not done so to this point.

Terry Stroh discussed the developer agreement.

Erik Johnson reviewed the developer agreement concept that each project will stand alone, generating its own increment allocated the individual developer agreements.

Bruce Furness stated that the City has been working on this for a long time and that the developer is on a tight timeline and that the developer's agreements and TIF district need to be completed. He stated that he felt the purpose of the meeting was to make sure that the Finance Committee and the City Commission received the correct data, and if this project was worth the risk.

John Cosgriff felt that that artificial deadlines are being set and that he wants time to look at and understand the detail and that there is no compelling reason to have a final decision by tomorrow and that the Finance Committee's role in this is in the financial evaluation.

Jessica Thomasson reported stated that there was an error in the data submitted to the Finance Committee on December 13th. The value of the Universal Building was lowered from the 2.7 million previously reported to 2.2 million because one floor of the building was included twice in the spreadsheets.

Randy Thorson stated that the information presented is not accurate and that it is different and time should be allowed to review the data.

Jessica Thomasson reviewed the projects. She stated that the commercial property is 50% tax exempt and that the residential component is based upon a sliding value scale.

John Cosgriff reiterated that the slide value scale has not been approved by the Renaissance Zone Authority at the policy level. This is a change in the RZ program and a policy has not been approved.

A review of the spreadsheet details continued. Cosgriff asked about the timeline for the build out of the Moose project and also stated that there is no security or credit enhancements proposed in the project, unlike others that have been done with special assessment backup or a line of credit.

Costin reported that he checked with Wells Fargo Municipal Finance and they said that we could structure the debt service amortization however we desired to fit the project. They were not concerned about the negative amortization in the early years of the cash flow.

Cosgriff asked Erik Johnson about tax exemption limits to 15 years and how this would be applied to a traditional tax increment district. Johnson stated that he has no problems with State law and the ability of the City to grant traditional tax exempt financing for this project, even if it extends beyond the 15 year limit relating to tax exemption.

Linda Coates asked about the success of other tax increment districts that the City has done. Zavoral suggested that most are planned around a 15 year amortization, however, some have amortized more quickly than that because of additional development value.

Randy Thorson stated that he wants accurate information and want to know that this is the final financial information because he is confused by the detail. He also questioned why the Moose property is being used to retire the TIF debt on the rest of the project.

Bruce Furness stated that all property in the tax increment district is eligible from benefits of the TIF.

Terry Stroh reviewed the ownership of the properties. The Universal Building is owned by Stroh, the Fargoan by Broadway Street LLC (Ace & Terry Brandt) and the Moose/ Dixon is owned by Ace Brandt and will be developed by AB Properties.

Stroh reported that he has sold the Universal Building to Zerbrick Architects group and that he doesn't own anymore. The sale is contingent upon this agreement.

Mike Williams stated that the City should not apply selective due diligence in the financial review of this project.

John Cosgriff expressed concern about the tight project schedule and also about the utilization of tax increment with RZ benefits.

Randy Thorson questioned why this project needs TIF assistance and why this one is different that other RZ projects where no TIF assistance was granted. He felt that a developer that gets both the RZ and the TIF assistance would have a competitive advantage in the market. He also expressed concern about the high prices paid for property in this transaction.

Ben Hushka reported that the Universal Building and the Fargoan will be reassessed in 2006 with likely values of $ 630K and $ 578k.

Thorson continued to ask why this project needs tax assistance toward the $845k cost of the Fargoan. He said that the City should not bail out poor business decisions.

Linda Coates asked about the proposed Renaissance Center that was proposed.

Mike Williams stated that this proposal hits targeted areas of low / moderate income housing.

Bruce Furness was surprised about the news of the Universal building being sold and that it would be difficult to get this decision made on the current time frame.

Erik Johnson stated the TIF plan approval and creation of the TIF district will freeze the values as prescribed by law.

Mike Williams stated that he feels that the Finance Committee is being selectively diligent this project.

Linda Coates said that the City should be able to provide incentives to certain properties that the City would consider a high priority for redevelopment and if a developer brings a project forward for TIF assistance that they should do so. Randy Thorson stated that he did that a couple of years ago and was turned down by the City for use of RZ and TIF tax incentives.

Mark Bittner expressed his concern about the TIF and RZ zone benefits being offered together.

John Cosgriff wanted time to look at the detailed numbers and the amortization of the debt.

Zavoral moved, seconded by Costin to send the plan numbers to Springsted for further analysis. All voted in favor.