City of Fargo
Finance Committee Minutes
January 31, 2011

The Finance Committee met for its regular meeting on January 31, 2011 at 1:30 p.m. in the Mayor's Office.

All members attended. Guests: Erik Johnson

Approve Prior Minutes
The Committee approved the minutes from the last meeting.

Dakota Underground Land Purchase
Erik Johnson reviewed the status of the land sale with Dakota Underground. The agreement on the 18th was complicated due to the removal of existing crushed materials on the existing site. Go ahead to get two quotes for site clearance and then offer it to Master to get it done to close on time. The goal would be to close the deal in February.

Flood Purchases
Zavoral and Bittner reported on the strategy for emergency flood protection supplies.

Sole Source Purchase of a Used Snow Blower
Ben Dow presented a written request to purchase a snow blower under a sole source emergency purchase. A very old snow blower (circa 1966) broke down and the cost of a new unit was $195k. The used unit is about 25% of the price of the new unit so he recommended purchasing this unit as soon as possible in light of the historically high snow levels. Bittner moved, seconded by Zavoral to purchase the used blower. All voted in favor.

Contracting for Flood Cost Recovery Assistance
Costin discussed the potential need for contracting some cost recovery work since two staff members will be on maternity leave starting in July and August. Zavoral suggested this should be delayed until we know the magnitude of the flood event.

Preliminary Year End General Fund Financial Results
Costin reviewed preliminary year -end General Fund results with the Committee. Revenues exceeded final budget amounts by 3%, while expenditures were lower than budgeted by 2%. There was an overall increase in the General Fund balance of $800k. Better than expected overall results were reported with the largest positive revenue variances in capital project administration fees and related financing of capital projects. The unreserved fund balance level is 26%, just over the 25% management goal.

Flood Sales Tax Financial Summary Report
Costin reviewed the flood sales tax status report for January. He reported that there are $5.6 million in contracts encumbered which will consume the balance of the anticipated sales tax collections for all of

2011. There was more discussion on the need to continue with construction of permanent levees in key areas and to raise the protection levels of some existing levees. Zavoral stated Cass County will be reimbursing the City for flood diversion costs and this should provide more resources to use on key flood protection initiatives.

PFM Asset Management Group Status Report

Sprague and Costin reviewed the status of the investment management project with PFM. A debt service portfolio has been construction and funded at $37 million. They reported future plans include moving a good share of the remaining reserves to PFM in lieu of holding in our short term bank accounts. The overall yield of the debt service portfolio is 80 bps with the PFM portfolio, while our short- term cash accounts are yielding about 20 bps. They said that it is difficult to predict the timing of capital project payments and that a sizeable amount of cash liquidity is necessary to cover ongoing operating costs and the anticipated draw of funds from the flood event. Piepkorn suggested that we take a slow and steady approach with the remaining balances to assure that we have funds when needed.

Bond Sale Calendar for Special Assessment Bonds

Costin reported on the preliminary bond sale calendar. The sale date will be in April with bonds closing in early May. The Engineering Division is reviewing projects and closing those that are complete. Costin stated that there is a need to bond some of the projects, which are not yet completed because of the large amount of construction work in process, which is causing pressure on other reserves. Sprague will review existing project completion levels and recommend projects that are at least 95% complete be included in this year's bond sale. Assessments will be levied on the completed projects in 2011, while the estimated projects will be assessed either late 2011, or early 2012 depending upon the final closeout date. Zavoral suggested that we look at a policy of bonding those projects nearing completion so that we don't have to carry such high levels of construction in process. The Committee concurred with this recommendation.

Travel Policy

Costin presented a new travel policy adopting the GSA travel reimbursement rates. The policy incorporates the GSA rates for out of state travel events, defines eligible and ineligible reimbursable costs, and sets up documentation and approval processes. Current reimbursement rates will be incorporated into the travel policy at the recommendation of the Committee so that employees will know how much they will be reimbursed. Walaker moved, seconded by Piepkorn to approve the travel policy, as amended. All voted in favor.

Shotwell Floral Tax Increment Financing Request by TL Stroh

Zavoral reported that Terry Stroh is developing a site plan on the Shotwell Nursery location on 13th Ave for residential condominiums. He will be applying for tax increment financing assistance for this project.

City of Fargo
Finance Committee Meeting Minutes
March 22, 2011

The Finance Committee held its monthly meeting on March 22, 2011 in the Mayor's Office at 10:00 a.m.

Members Present: Walaker, Piepkorn, Zavoral, Bittner, Sprague, Costin
Guests Present: Robert Stein, Nicole Crutchfield, Steve Iverson

The Committee approved the minutes from the last meeting.

Stroh Tax Increment Financing District

Jim Gilmour reviewed the proposed tax increment financing district for the Stroh housing project in the Shotwell parcel along 13th Ave South. The financial analysis prepared by Springsted reported that tax increment financing assistance was required to make the project feasible. Without the assistance there was a negative return, and with assistance a 7% return. Mayor Walaker suggested that this was a great project that would improve this area. Nicole Crutchfield stated that area neighbors wanted more historical designs incorporated into the project. Bittner moved to approve the tax increment assistance in the amount of $397,800. Commissioner Piepkorn seconded the motion and all voted in favor.

Broadway Streetscape Repair

Bob Stein reported on the status of a damaged structure on Broadway along 4th Ave. The structure needs to be repaired. The Engineering Department recommended that Eichholtz Masonry to the repair work because they built the original structure. A hit and run vehicle accident caused the damage and the owner could not be located. Sprague moved to approve this project with Eichholtz Masonry as the contractor using a sole source procurement method with street sales tax as the funding source. Costin seconded the motion and all voted in favor.

Flood Financial Status Report

The Committee reviewed the flood financial status and flood sales tax reports. Total expenditures reported through March 16th were $5.4 million for emergency flood purchases, and $6.9 of flood sales tax resources. There was an additional $6.9 in outstanding contracts for levee construction in anticipation of the spring flood event. The flood sales tax fund is overextended but should recover as the State remits sales tax collections in the future. Zavoral reported that the Legislature is considering allowing us to use some of the State funding for future flood projects retroactive to 7/1/2009. Committee discussed the need to do more permanent work in the Copperfield Court and Oak Creek areas and that there may be about 3 – 4 more neighborhoods left to construct after the flood. Commission Piepkorn stated it is critical to continue to construct permanent protection, especially in the Belmont area.

Brandt Crossing Special Assessments Deferral Agreement

Bittner reviewed a request by Brandt Holdings relating to special assessments for the Brandt Crossing Subdivision. Steve Iverson was present to review the request with the Committee. The request was for underground utilities and streets in two sections of the subdivision. The streets would be extended west on 33rd Ave South and the paving and utilities on 51st street south. This area would be impacted by re-mapping of the flood plain in the future. Committee discussed the idea of providing a flood plain subsidy to developers to provide needed expansions in the future, or a flat per acre subsidy to deal with raising the height of the subdivisions to an adequate level. All single family structures will need to comply with future flood plain map elevations. Sprague suggested a two year deferral until permits are pulled for this area. Bittner felt that a three year with interest accruing deferral would allow more time to develop. Bittner moved to approve a special assessment deferral for three years with interest accruing. Walaker seconded this motion and all voted in favor.

Roer's 19th Ave North Tax Increment Project

Gilmour and Costin reviewed a reported from Giddings and Associates regarding costs validated for the 19th Ave tax increment project that is now ready to close out. The report concluded that there were some duplicated costs and some difficulty experienced with the validation process, however, there were adequate dollar amount of costs to support the tax increment project budget and reimbursables. The Committee discussed the issues relating to the audit and the need to have more clearly defined documentation standards written into future agreements to require electronic submission of source documents. Commissioner Piepkorn moved to approve the verification report and proceed with the issuance of the tax increment note. Sprague seconded the motion and all voted in favor.

City of Fargo
Finance Committee Meeting Minutes
May 10, 2011

The monthly Finance Committee meeting was held on May 10, 2011 in the Mayor's Office at 10:00 a.m.

Members Present: Walaker, Piepkorn, Zavoral, Bittner, Costin
Members Absent: Sprague
Guests Present: Andy Noah, Justin Pearson, Scott Handy

The Committee approved the minutes from the last meeting as presented.

Repurposing PACE Loan Program at FCCEDC

Justin Pearson, Scott Handy and Andy Noah were present to discuss a request to repurpose the funds remaining from the PACE program. This program has not been used much lately and a significant amount of funds ($6.6 million) have accumulated. The request of the FCCEDC is to use these funds to leverage more investment in air travel, smart technologies, and vaccine development. They will still make PACE loans available. There is potential to obtain matching funds if the repurposing plan is approved. Commissioner Piepkorn inquired about West Fargo's contribution and level of commitment to the FCCEDC. Justin Pearson stated that Cass County has already approved this request. Zavoral expressed concern about using funds for air travel related activities as this is controlled by the airlines. Piepkorn stated he wants to focus on vaccine development and the Tech Park. Zavoral moved to approve a repurposing plan as restricted by the Cass County Growth Plan. Piepkorn seconded the motion and all voted in favor. Zavoral requested that the FCCEDC consider adding more Fargo members to the Board since we are a significant contributor.

Master Lease Financing Plan

Costin reviewed existing leasing practices used by City departments. He stated there would be a good cost savings by establishing a master lease facility that provides lease financing for all Departments on a centralized basis. Springsted will assist with the RFP process and help identify a solid lease provider. This would work well on larger lease transactions and could help departments with procurements on smaller items as well. Zavoral moved to approve moving this issue forward using Springsted to assist in the RFP process. Bittner seconded the motion and all voted in favor.

Concept of City Purchasing Its Own Bonds

Costin updated the committee on research being done on the City purchasing its own bonds as long-term investments. ND laws currently allow for utilities and other political subdivision to purchase City bonds held as investments. A recent example was cited where the City issued long -term bonds with a three- year call provision that yielded 4.24%. He stated that the FargoDome or other utility funds would benefit from the high investment yield as compared to current investment yields in the marketplace.

The Dome's investment portfolio is currently managed by the State Investment Board and fixed income investments are currently held at returns less than if bonds were purchased from the City. Piepkorn felt this was a good strategy for the Dome and that it could be considered in the future. Costin stated bonds be issued again in December. The legal research will continue on this item.

Bond Counsel Contract Renewal

Erik Johnson requested permission to update and renew the bond counsel contract. This contract was procured in 2004 and has not been updated since that time. The City has been happy with the bond counsel services as currently implemented with Paul Tietz as primary and Erik Johnson as co-bond counsel. Costin moved to update the contract after a proposal is received from bond counsel. Zavoral seconded the motion and all voted in favor.

Vendor Debarrment Ordinance

Erik Johnson inquired about establishing a vendor debarrment ordinance. Currently Federal laws are in place dealing with debarrment in dealing with federal contracts. He stated there are times when a debarrment action would be appropriate in light of past examples. Bittner wondered if this would be legal. Zavoral suggested that we should look at the Federal and State policies on this issue and that the Finance Committee would be the go to committee on making decisions about debarrment actions. He thought the process should be initial action by Finance Committee, vendor appeal to the Finance Committee, appeal to the City Commission, and ultimately to courts. Having this process in effect would help resolve issues that arise in the future. The threat of a debarrment action should help resolve troublesome vendor performance. Zavoral moved to continue the research with the goal of bringing back a vendor debarrment draft ordinance in the future. Bittner seconded the motion and all voted in favor.

Convention & Visitor's Bureau Building & Land Ownership

There was a general discussion regarding the ownership of the CVB building and land. The City of Fargo issued bonds for the acquisition and construction of this property in 1993. In 2009 the City of Fargo paid off the bonds and released the debt service reserve cash to be managed by the CVB. There was more discussion on whether the City should continue to own this property or to have a more formalized ground lease arrangement in place. The Committee wanted to inquire about their financial status and whether or not they are holding funds in reserve for future capital improvements. Costin will request financial statements from the CVB and bring this issue back for consideration.

Flood Protection Bonding Capacity

A summary of bonding scenarios was reviewed with the Committee as prepared by Springsted. The scenarios were developed to show the impact that a second bond issue would have on our sales tax resources . Zavoral suggested that option C1 using a general obligation pledge may provide the highest amount of bond proceeds at the lowest financing costs. Erik Johnson stated that the general obligation coverage may require an election approval by voters since the City would be pledging its full faith taxing authority for the bonds. He stated that a modest bond issue along with matching funds appropriated by the State of North Dakota for flood protection would provide needed capital to complete our local interim flood improvements. The State has appropriated $75 million during the last two legislative sessions.

Pension Obligations and Funding

Commissioner Piepkorn wanted to know how the City is planning on dealing with the unfunded pension obligations since the State has agreed to continue the NDPERS plan under an increased funding plan approved this session. He said that it is a large liability and that we should determine if this type of pension plan is appropriate into the future. Zavoral stated there are differences between public and private compensation and benefit levels. Costin inquired about who should lead this discussion in the future. The Committee felt that the budget development process was appropriate channel to deal with this ongoing issue.

Flood Sales Tax and General Infrastructure Financial Status Reports

The flood sales tax and infrastructure reports were reviewed with the Committee. Costin stated that the bond just issued will help replenish the infrastructure fund 401. The flood sales tax fund will start to recover this year as sales tax collections continue.

City of Fargo
Finance Committee Meeting Minutes
August 17, 2011

The regular meeting of the Finance Committee was held on August 17, 2011 in the Mayor's Office at 9:30 a.m.

Members Attending: Walaker, Piepkorn, Zavoral, Bittner, Sprague, Costin
Guests Attending: Erik Johnson, Dave Johnson, Fred Schlanger

The minutes from the last Finance Committee were approved as presented. Motion by Piepkorn, second by Bittner, all voted in favor.

Potential Sale of Delinquent Tax Lot

Jeff Johnson of Dakota Underground expressed interest in purchasing one more lot just east of the existing lots. There are two lots available and he would like one. Piepkorn suggested that we might hang on to these lots Zavoral and Bittner expressed concern about the underground utilities. Motion by Piepkorn that we do not offer these lots for sale, seconded by Sprague, all voted in favor.

Financial Abuse Report for Transit Division Marketing & Promotional Purchases

Costin reported on some questionable marketing and promotional expenditures in the Transit Division that were noticed during a weekly review of cash disbursements. The amount in question was $11,578 paid to two different vendors for various trinkets and other promotional materials. He reported that discussions have been ongoing with Jim Gilmour and that he is aware of the purchases and that he reviewed the costs and reported back that $19,640 has been expended this year. The City's financial abuse policy requires reporting directly to the Finance Committee when questionable items arise. Costin summarized his concerns. The two concerns cited were that the items purchased may not be considered necessary or reasonable and that it had the ability to invoke an audit finding and potentially impact our "low risk" auditee status. The current internal control process was also circumvented for these purchases since a purchase requisition was not entered or approved prior to purchasing the items. Walaker suggested that this type of expense is not defensible, Piepkorn stated that taxpayer funds are being expended and that we have a high standard to public to make sure that all expenditures are justified. Zavoral suggested these costs are not abusive since they help promote the transit system ridership and that Transit has been expending funds of this nature historically. Sprague inquired if these expenses would be charged to the Federal operating grant. Bittner asked if there was budget authority for these costs.

The Committee recommended that Jim Gilmour provide a written plan of correction to address the deficiencies noted.

Status of FEMA Cost Recovery

Costin reported that the FEMA cost recovery is about 80% complete and that FEMA officials feel they will be done by the end of August. Walaker inquired about the National Guard billing and that should be offset by our volunteer labor credits. The estimated final cost recovery amount is currently estimated at $6 million. Piepkorn noted that this was a very fast timeline for processing reimbursement data.

Status of City Administered Pension Plans

Commissioner Piepkorn requested that a process be initiated to review current pension plans offered by the City of Fargo and that he feels that offering a 457 alternative to existing plans might be a good way to proceed since it will reduce the financial risks in the event of future market losses. A study of what other plans are doing nationally was briefly discussed to point out what the most common changes are that employers are making to the pension plans over the past two years and looking forward for the next two years.

Budget Update

The Finance Committee discussed the 2012 budget development status and what key issues were being addressed in the Mayor's preliminary budget. The most significant items noted were additional state revenues, grant funded public safety employees, and the impact of supplemental pension contributions.

Flood Sales Tax Fund Financial Status Report

The flood sales tax financial status report was reviewed with the Finance Committee.

PCI Compliance Audit for Credit Card Payments

Sprague recommended that we consider a proposal from a company from Minneapolis that reviews our credit card processing controls and related procedures for making sure we are PCI compliant with existing credit card regulations. The cost of the engagement is $10,000. Motion by Piepkorn, seconded by Costin to proceed with this internal control review process. All voted in favor.

Sole Source Procurement Request for Trimble GPS Equipment

Bittner requested sole sources procurement authority to purchase additional GPS equipment from Trimble Navigation in the amount of $26,157 after a $4,000 trade in of old equipment. The reason is for compatibility of existing equipment. Motion by Bittner, seconded by Costin to approve a sole source procurement purchase of GPS equipment. All voted in favor.

Fargo Park District Mikkelson Field Relocation Plans

Zavoral updated the Committee on plans being formulated by the Fargo Park District to relocated Mikkelson baseball fields to a location near the sewage lagoons. They may be interested in purchasing or leasing land currently owned by the City of Fargo just west of the sewage lagoons. This location is favored by the District. The City may be able to provide irrigation water from either the lagoons or the re-use facility depending upon overall water quality. He wanted to keep the Finance Committee informed of current planning efforts on this project to date.

Master Construction Contract Award Delays

Dave Johnson reviewed the status of contracts approved with Master Construction. They are behind on their work in all but three contracts. Two contracts are in a liquidated damages status and others pending may be at risk for not being completed this construction season. The City is notifying Master Constructions bonding company about the status of these projects. Erik Johnson reported that work must commence to stop action against the bonding company. Bittner suggested we should pressure Master to have a better plan for subcontractors since they have been awarded so much City work. Walaker stated that both Master and Dakota Underground to very good quality work and Piepkorn stated that we cannot afford to lose them as a qualified bidder. The action plan will be to place this issue on the City Commission agenda for next Monday and wait for the five-day cure period. If this issue is not cleared by then the City will re-bid the projects that have not been initiated.

Fred Schlanger explained his position on these issues and responded to questions from the Finance Committee. He admitted that he was having difficulty getting the work done because it was hard to get additional help as all of the contractors are busy and that the weather impacted project plans this spring.

City of Fargo
Finance Committee Minutes 11/04/2011

A Finance Committee meeting was held on November 4, 2011 at 9:30 a.m. in the Mayor's Office.

Members Present: Walaker, Piepkorn, Zavoral, Bittner, Sprague, Costin
Guests Present: Erik Johnson, Howard Gensler

The Finance Committee approved the minutes from the last meeting. All members voted in favor.

Litigation Related to Lodging Taxes

Erik Johnson reviewed a proposed litigation plan against on line hotel booking businesses. There is a disconnect in fees charged and the amount of lodging and local sales taxes being paid on these transactions. Johnson reviewed the status of lawsuits across the country and provided an early estimate of $440,000 of a potential gross settlement. Mike Miller from the Solberg firm would be the litigator on this case and would get a percentage of the total award, if successful. He wanted to know if the Finance Committee supported this action. Zavoral suggested that the net amount is quite small for just Fargo and that if we moved forward that an evaluation of including some other larger ND cities or the State of ND made sense. Committee approved researching this option before proceeding with the Fargo case. Costin moved to proceed with researching broader coverage, seconded by Sprague. All voted in favor.

City Attorney Contract

Erik Johnson led a discussion about seeking to extend his legal services contract with the City of Fargo. The current contract ends on December 31, 2012 and he thought it was important to being discussions of renewing for a five-year term. He proposed that the existing termination clause be extended from three months to six and he wanted a chance to review the current compensation structure and overall market rates for legal services. His intention is to still offer a standard discount but wanted a chance to evaluate what the current market rates of pay. Costin moved to accept the changes in the structure of the contract as proposed, seconded by Bittner. Al voted in favor. Johnson will bring this issue back to the Finance Committee with compensation proposal.

City Commission Pension Education Meetings

A proposed agenda for upcoming educational meetings was presented to the Committee. A first meeting date of November 21st was set at 4:00 p.m. The Committee suggested scheduling three educational sessions about one month apart with additional meetings if necessary. Costin suggested that the Committee approve utilizing Mark Meyer, our current actuary to assist in developing data and helping to lead the pension discussions. Piepkorn asked if we would be getting independent information from the actuary. Costin reported that they help develop recommended funding levels for pension systems and their data is fact based. Costin moved to retain Meyer and funding the costs from non-pension assets. Piepkorn seconded the motion and all voted in favor.

Flood Protection Incentive Program Budget Amendment

Bittner reported that the existing budgetary resources have been expended or obligated and wanted to consider supplemental funding for this program to pay for projects that are pending. The request was to add funding in the 2011 budget for $65,000 to the existing budget. Costin suggested that this program be transferred to the Flood Sales Tax Fund since the Storm Sewer resources would not support an additional allocation of funds. Zavoral moved to add funding for this program and charge it to the Flood Sales Tax Fund. Bittner seconded the motion. All voted in favor.

Refunding Improvement Bonds Sale Recommendations

A bond sale recommendations report for a November 14, 2011 bond sale was reviewed with the Committee. A recommendation is being made to issue refunding improvement bonds of $ 30,555,000 to provide resources for the City's capital project fund for current construction work in progress. Another issue of $10,085,000 is recommended to refinance the 2003 Refunding Improvement Bonds previously issued with a net present value savings of $700k. Costin reported that there was a long listing of projects and that none of them have been closed out at the present time and therefore they are being bonded now for cash flow purposes and that the special assessments will be levied next year after the projects are closed out and certified. He noted that this is a departure from past bonding practice and cited pressure on overall City cash reserves from flood protection advance funding and the overall level of projects near completion that are not yet finalized. There was further discussion about monitoring the placed in service dates for IRS tax exempt bonding compliance in light of a step up in IRS bond audits. Piepkorn moved to approve the bond sale structure. Sprague seconded the motion and all voted in favor.

Fiscal Services Agreement for FM Diversion Authority

The Committee reviewed a draft agreement that designates the City of Fargo as the fiscal agent for bill paying and partner billing purposes. The FM Diversion Authority will consider this agreement in November. There is a provision included that requires local partners to fund our

cash requirements very quickly so that Fargo doesn't have to carry partner billings for such a long time period. Zavoral moved to approve the agreement as presented. Piepkorn seconded the motion and all voted in favor.

PFM Purchasing Card Administrative Services

Costin reported that our existing asset manager, PFM offers a very competitive purchasing card program that will allow the City to earn rebates under the PFM program that have not been achieved with our existing card s with Wells Fargo. He estimated that the City would have the potential to earn $15 – 20k per year and this should increase over time with expanded card volumes. Bittner moved to change purchasing card administration to PFM. Sprague seconded the motion and all voted in favor.

Third Quarter Financial Status Report

Committee members reviewed the third quarter financial status reports. Revenues to date were $900k ahead of projection for all operating funds while expenditures were $529k over budget, or .5% variance. Overall financial status is in line with our mid- year budget projections.

Flood Sales Tax Financial Status Report

Costin reviewed the October flood sales tax financial status report. The report shows a $15.3 million deficit including $8.5 million in contract awards approved that should be near completion by year- end. He reported that a $7.5 million request for reimbursement is pending with the State Water Commission and the request is being delayed due to the local approval process pending with Cass County. He inquired about whether or not the Committee wanted to post a summary report of flood sales tax revenues and expenditures on the City web site.

Flood Recovery 2011 FEMA Status Report

The Committee reviewed a detailed FEMA cost recovery report that shows all of the project worksheet packets submitted and approved by FEMA. Costin reported that most of the items submitted were eligible for reimbursement and approximately $3.8 million was received. The City will be fully reimbursed for all costs incurred in the spring flood by the time that this event is closed out due to the 90% Federal and 6% State reimbursement

Transit Marketing Purchases / Internal Control Follow-up

Jim Gilmour provided a summary review of the items that were questioned last meeting for Transit promotional expenditures. FTA has indicated that they are eligible expenses that can be charged to the federal grant. He will be monitoring the level of purchases more closely in the future and has instructed the Transit staff to follow the prescribed purchasing procedures in the future. Bittner moved to accept Gilmour's incident report and to close out the review Finance Committee review process. Zavoral seconded the motion and all voted in favor.

Employee Request to Consider Hearing Aid Reimbursement Program

The Mayor's Cabinet forwarded a request to consider funding employee hearing aids. They The City's health insurance plan or NDPERS health plan do not cover hearing aids. Some employees are struggling with this issue. Zavoral moved, seconded by Costin to deny this request. All voted in favor.

Phone System Consultant Change Order Request

Ron Gronneberg requested approval to process a contract change order of $60k with Elert & Associates to expand the scope of work to include more time to analyze the core connectivity infrastructure of our existing phone system. The phone connection configurations need to be evaluated at a more detailed level and changes will be needed before the phone system replacement can occur. Zavoral moved to approve the request, seconded by Bittner. All voted in favor.

Special Assessment Deferral Request with Clarence Samual

Bittner presented a request for a special assessment deferral with Clarence Samual under the large tract single family that has been previously approved along 25th St. and 64th Ave S. This is similar to what was approved by the City Commission for seven larger than normal lots in this area. The request was for a ten-year interest free deferral. Zavoral moved to approve a three year with interest accruing deferral. This was seconded by Sprague and all voted in favor.

Special Assessment Deferral Request with Howard Gensler

Howard Gensler attended the meeting and requested clarification of an existing special assessment deferral contract, which has been executed, for his property south of 52nd Ave and west of 63rd street south. He stated that was the previous agreement that the deferral contract should be an interest free deferral. The agreement was drafted and approved as an interest bearing deferral. Mr. Gensler did not catch this provision which is inconsistent with he negotiated agreement at the time that he was annexed. He also cited issues with and existing ditch and its current state of disrepair. Zavoral moved to approve an interest free deferral

agreement consistent with original negotiations. This was seconded by Mark Bittner and all voted in favor.

Infrastructure Capital Improvement Plan Development

Bittner requested approval to contract with AE2S for development of a more formal 20 year capital improvement plan. This will help to balance out resources available with the prioritization of infrastructure projects in the future and will help identify any funding gaps future years. Zavoral moved to approve, seconded by Costin. All voted in favor.

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PFM Purchasing Card Administrative Services

Costin reported that our existing asset manager, PFM offers a very competitive purchasing card program that will allow the City to earn rebates under the PFM program that have not been achieved with our existing card s with Wells Fargo. He estimated that the City would have the potential to earn $15 – 20k per year and this should increase over time with expanded card volumes. Bittner moved to change purchasing card administration to PFM. Sprague seconded the motion and all voted in favor.

Third Quarter Financial Status Report

Committee members reviewed the third quarter financial status reports. Revenues to date were $900k ahead of projection for all operating funds while expenditures were $529k over budget, or .5% variance. Overall financial status is in line with our mid- year budget projections.

Flood Sales Tax Financial Status Report

Costin reviewed the October flood sales tax financial status report. The report shows a $15.3 million deficit including $8.5 million in contract awards approved that should be near completion by year- end. He reported that a $7.5 million request for reimbursement is pending with the State Water Commission and the request is being delayed due to the local approval process pending with Cass County. He inquired about whether or not the Committee wanted to post a summary report of flood sales tax revenues and expenditures on the City web site.

Flood Recovery 2011 FEMA Status Report

The Committee reviewed a detailed FEMA cost recovery report that shows all of the project worksheet packets submitted and approved by FEMA. Costin reported that most of the items submitted were eligible for reimbursement and approximately $3.8 million was received. The City will be fully reimbursed for all costs incurred in the spring flood by the time that this event is closed out due to the 90% Federal and 6% State reimbursement

Transit Marketing Purchases / Internal Control Follow-up

Jim Gilmour provided a summary review of the items that were questioned last meeting for Transit promotional expenditures. FTA has indicated that they are eligible expenses that can be charged to the federal grant. He will be monitoring the level of purchases more closely in the future and has instructed the Transit staff to follow the prescribed purchasing procedures in the future. Bittner moved to accept Gilmour's incident report and to close out the review Finance Committee review process. Zavoral seconded the motion and all voted in favor.

Employee Request to Consider Hearing Aid Reimbursement Program

The Mayor's Cabinet forwarded a request to consider funding employee hearing aids. They The City's health insurance plan or NDPERS health plan do not cover hearing aids. Some employees are struggling with this issue. Zavoral moved, seconded by Costin to deny this request. All voted in favor.

Phone System Consultant Change Order Request

Ron Gronneberg requested approval to process a contract change order of $60k with Elert & Associates to expand the scope of work to include more time to analyze the core connectivity infrastructure of our existing phone system. The phone connection configurations need to be evaluated at a more detailed level and changes will be needed before the phone system replacement can occur. Zavoral moved to approve the request, seconded by Bittner. All voted in favor.

Special Assessment Deferral Request with Clarence Samual

Bittner presented a request for a special assessment deferral with Clarence Samual under the large tract single family that has been previously approved along 25th St. and 64th Ave S. This is similar to what was approved by the City Commission for seven larger than normal lots in this area. The request was for a ten-year interest free deferral. Zavoral moved to approve a three year with interest accruing deferral. This was seconded by Sprague and all voted in favor.

Special Assessment Deferral Request with Howard Gensler

Howard Gensler attended the meeting and requested clarification of an existing special assessment deferral contract, which has been executed, for his property south of 52nd Ave and west of 63rd street south. He stated that was the previous agreement that the deferral contract should be an interest free deferral. The agreement was drafted and approved as an interest bearing deferral. Mr. Gensler did not catch this provision which is inconsistent with he negotiated agreement at the time that he was annexed. He also cited issues with and existing ditch and its current state of disrepair. Zavoral moved to approve an interest free deferral

agreement consistent with original negotiations. This was seconded by Mark Bittner and all voted in favor.

Infrastructure Capital Improvement Plan Development

Bittner requested approval to contract with AE2S for development of a more formal 20 year capital improvement plan. This will help to balance out resources available with the prioritization of infrastructure projects in the future and will help identify any funding gaps future years. Zavoral moved to approve, seconded by Costin. All voted in favor.

City of Fargo
Finance Committee Meeting Minutes
12/15/2011

The December Finance Committee meeting was held on December 15, 2011 in the Mayor's Office at 9:00 p.m.

All members where in attendance. Guests included Erik Johnson, James Gilmour, Julie Bommelman.

1. **Committee Meeting Minutes Approved**
   The minutes from the last meeting were approved as presented.

2. **Lodging Tax Revenue Litigation**
   Erik Johnson reviewed the status of the potential lodging tax lawsuit as a follow up last month's meeting. He reported that contact was made with the Office of the State Tax Commissioner and the Attorney General's Office to see if there was an interest in joining forces on this project. Based upon the feedback the he received it appears that the State is either not interested, or has a different process in place that they are required to follow for litigation. The current litigation proposal is a contingency fee of 30% of the ultimate settlement with a $45k legal cost exposure. Sprague inquired about whether or not this litigation will cure future tax remittances. Another partner might be the City of Bismarck. No further action taken on this item.

3. **Transit Contract Health Insurance Benefits**
   James Gilmour reported on a transit contract issue, which is surfaced because of labor negotiations with our transit provider. The City included funds in the transit budget to provide better health insurance coverage with the goal of attracting better drivers. First Transit's labor negotiations lingered on for longer than expected and therefore the funds budgeted were not used to pay for the intended health benefits in 2011. The estimate of cost is $160,000. Costin moved to request a refund, seconded by Piepkorn. All voted in favor. The benefit will go into place in the 2012 contract.

4. **Transit Advertising Contract Bus Wrap Liability**
   Jim Gilmour and Julie Bommelman wanted some direction on how to proceed with the advertising bus wrap contract. They went out for bids to renew the contract and received only two bids but then later withdrew their bids. One of the reasons for this was that the advertiser is currently paying for damage to the bus wraps. Gilmour wanted to know if the City is willing to assume the risk of loss on the bus wrap. The City currently receives about $90,000 per year and he estimated an exposure for wrap replacements of about $ 2-3k per year. The Committee recommended that more work be done on this process.

5. **Transit Janitorial Services Bids**

Gilmour and Bommelman reviewed the bids for the transit janitorial services contract. The Committee recommended that the low bid was the only option in light of how the services were procured. ISS was the lowest responsible bidder.

6. **Infrastructure Financial Status Report**

Costin reviewed the status of the infrastructure financial status report and reported that $30 million of bond proceeds will be received in December. The general infrastructure fund has been replenished to levels not seen in past years due to the size of the bond issue and the number of project included in the bond sale. Bittner reported that the Engineering Division will be segregating future infrastructure projects into separate districts for the underground and above ground portions of the projects to help keep project costs to smaller more manageable parts and to avoid having projects open for the entire life span for the all phases of the infrastructure.

7. **Operations Financial Status Report**

The November operating financial status reports were reviewed with the Committee. Costin reported that all operating funds are performing as budgeted with the exception of the Solid Waste Fund and the Storm Sewer Fund. The Solid Waste Division will be selling surplus farmland in the near future which will help eliminate the fund deficit and the Auditor's Office has been working with the Engineering Office in reviewing current year projects charged to the Storm Sewer Utility that exceed the annual budget levels for storm sewer projects.

8. **FM Diversion Authority Financial Status Report**

The Committee reviewed the FM Diversion Authority financial status report for November. This is the first month where the accounting duties have shifted to the City of Fargo under a fiscal services agreement. The report included a status of financial obligations data sheet listing all currently open contracts. The total was $15,608,780.

9. **Measure # 2 Discussion**

Commissioner Piepkorn led a discussion about the impacts of Measure # 2 and felt that the City should prepare a fact sheet to share with people who inquire about this issue. Zavoral reported that the City and the Fargo Board of Education have meeting in a joint meeting and this topic was discussed. He said the City would have to figure out alternative ways to collect revenues and that the State obligation would be to fund 2600 political subdivisions. The Mayor stated that there has been some discussion about holding back half of the funds for various social service agencies until this measure has been voted on as a way of preserving cash in the event that the measure were to pass. The Finance staff will prepare a fact sheet with items related to this topic.

10. **Flood Projects Report**

Commissioner Piepkorn inquired about a flood project report. The Committee reviewed the format of the report used for State Water Commission reimbursement requests. This lists the

projects by project number and includes a brief explanation of each project. A report of all flood buyouts was also included in the Finance agenda packet totaling $ 24.7 million. Buyouts are eligible as local match for State Water Commission funds requests.