City of Fargo
Finance Committee Meeting Minutes
February 1, 2012

The monthly Finance Committee meeting was held on February 1, 2012 in the Mayor's office at 10:00 a.m.

All members were present.

Minutes Approved

The minutes from the last meeting were approved as presented. Motion by Piepkorn, second by Sprague, all voted in favor.

GASB # 45 Report on Health Care Subsidy

Costin forwarded a report prepared by VanIwaarden, our actuarial firm regarding the GASB # 45 health care subsidy. As a result of our recent transfer to the NDPERS Health Plan the City's liability has been removed. The prior liability under our self- insured status was estimated at $25 million.

Measure #2 Fact Sheet

A draft copy of facts relating to measure #2 was discussed by the Committee. Piepkorn stated that the City should not oppose or influence but all facts relating should be contained in the measure # 2 fact sheet. Walaker suggested that the State of MN was a classic example over reliance on State Funding and also that the 80's oil development was from boom to bust. Zavoral recommended adding more content to the fact sheet. Finance staff will update the fact sheet and bring it back for final approval.

Consider Asset Allocation Strategy to Corporate Bonds

The Committee reviewed a recommendation from PFM Group regarding adding some asset allocation exposure to corporate fixed income for general operating cash reserves. They stated that interest income is at an all time low historically and cited the ability to add yield with limited risk. Corporate bonds provide a higher yield than existing investment choices. Piepkorn suggested that we should not be chasing yield. Bittner asked if there was potential to lose money in bonds. Zavoral was not comfortable with adding risk to our investment portfolios. Costin felt that risk would be mitigated by having PFM monitor and select the investments. Piepkorn moved to deny the recommendation to add corporate bonds as an investment class. Zavoral seconded the motion and all voted in favor.

Preliminary Year End Financial Results

Costin reviewed the preliminary year-end financial result with the Committee. Overall revenues for all operations exceeded budget by 2% while overall expenditures were over budget by .8%. The variance in overall expenditures is related to abnormal claims history in the Health Self Insurance Fund which exceeded budget estimates by $2.2 million.

The General Fund revenues were discussed in more detail. Costin reported that surplus revenues were achieved in capital project administration and related construction financing and he was concerned that these levels of project programming were not sustainable since spending on projects is expected to slow in the future. Historical charts were presented showing long -term trends in city administrative revenue and construction financing since 2000. An aggressive flood protection program was causing the increase in this since voters approved a dedicated flood sales tax in 2010. He also reported that strong increases were noted in state aid derived from statewide sales tax collections and that mid- year estimates of state aid revenues were exceeded significantly due to the surge in economic activity in western ND.

Concerns were expressed about the status of the storm sewer utility fund and excessive programming of project in 2011. The budget was exceeded by $ 873,000 due to project activity during the year. Bittner reviewed project status with the Committee and determinate that some of the projects were incorrectly charged to the Storm Sewer Utility. Zavoral moved, seconded by Piepkorn to adjust the project coding into the appropriate funding category. All voted in favor. More discussion on future funding of storm sewer projects. Piepkorn suggested that policy development should be evaluated to provide more funding from special assessment districts. Zavoral suggested that sales tax resources might be considered to help pay for more regional retention in development areas. Bittner stated that they are working on an area based fee structure that is directly related to surface drainage area.

The Street Lighting utility was also discussed since electricity costs continue rising as well as excess spending on lighting supplies.

Budget Strategy for Federally Funded Public Safety Positions

A report was presented showing there are currently 19 full time public safety positions that will come off of federal assistance in 2013 and the General Fund budget impact is about $1.1 million that will have to be worked through future budget development. Costin suggested that we should consider reallocating costs currently borne by the City Share of Special Assessments fund of approximately $900k to infrastructure sales tax and then moving the 2.83 tax mills to the General fund to cover the FTE's coming off of grant funding. Bittner suggested that some of the costs charged to CCSI were not eligible for sales tax funding under our present funding policies. No action taken on this issue. Future budget strategies will have to be developed to make sure the General Fund stays in balance on a long-term basis.

December Infrastructure Financial Status Report

The monthly infrastructure status report was discussed briefly. Costin reported that bonds were sold and closed in December so that the general infrastructure fund was in a more favorable condition. He also stated that there will be a loss of construction financing interest revenue in 2012 since the City was almost caught up on past projects and the annual deficit in this fund was lower than it has been for the past several years. Bittner commented on the status of the street sales tax fund and that approximately $5 million will be recovered in February from the State of North Dakota for a capital project completed under an advanced funding agreement. This will help zero out the existing deficit in the street sales tax fund.

General Fund 2011 Preliminary Year End Income Allocation

The Committee discussed the better than expected financial performance in the General Fund and what actions the Committee might suggest for future budget direction. Costin expressed some concerns about spending the surplus on reoccurring expenditure since the surplus was derived from revenues that may not be sustainable. One time expenditures were deemed to be a more appropriate use of the surplus.

Zavoral suggested that funds could be used to pay back resources taken from the Revenue Stabilization Fund over the past couple of years, supplemental capital funding, and an allowance for a mid year cola as discussed during the 2012 budget adoption in October.

A recommendation was made to allocate fund balance as follows:

Replenish the Revenue Stabilization Fund	$1,500,000
Mid- year COLA	350,000 (general fund portion)
Vehicle Replacement Fund	500,000
City Hall fund	1,650,000
Divisional capital needs	1,000,000

Zavoral moved to approve the recommended allocation, seconded by Walaker. All voted in favor. This recommendation will be brought forward with the mid-year budget recommendations developed as part of the 2013 budget.

Street Light Fund Financial Status

Costin reported on the status of the street light fund and wanted some direction on the recording of the initial inventory of street lighting fixtures currently on hand. There is significant inventory on hand largely as a result of stocking items for future maintenance in development areas. The Finance staff will work with Engineering staff to record the inventory and evaluate current internal controls over inventory levels.

Change Order on HR Scanning Project

Ron Gronneberg presented a request to continue with Modern Information Systems for scanning the HR records. The volume of records to be completed is more than originally anticipated when the procurement decisions approved. He is requesting approval to proceed with completing this project with continuation of the existing vendor. Committee approved this request.

City of Fargo
Finance Committee Meeting Minutes
March 6, 2012

The Finance Committee met on March 6, 2012 in the Mayor's Office at 10:00 a.m.

Members Present:	Walaker, Zavoral, Bittner, Sprague, Costin
Members Absent:	Piepkorn
Guests:	Steve Dawson, Dan Mahli, Nancy Morris, Jennifer Lyons, and Steve Dirksen, James Gilmour

Minutes Approved
The Committee approved the minutes from the last meeting.

Alternative Judge Pay Rate
Judge Dawson presented a proposal to increase the rate of pay for the alternative judge. The rate of pay has been $75 per hour for the many years. Incumbent has been working about five hours per week during Judge Davies medical absence, however, in the future the hours will likely go back to about ten hours per month. Recent market surveys and comparison to other communities support an increase to $100. Zavoral moved to approve the pay rate increase effective January 1, 2012. Costin seconded the motion and all voted in favor. Judge Dawson reported that Judge Davies will not be seeking reelection in June.

Fire Department FLSA Pay Relating to Training
Chief Dirksen reported on an issues has surfaced about firefighter training compensation and related standard procedures. The net result of this is that employees were not paid for attending training time worked relating to EMT classes. The City Attorney's office and Human Resources have reviewed this issue and determined that the current practice is not in accordance with the FLSA rules. They provided four options of how to remedy this issue. The Finance Committee members concurred that this should be compensable work. The amount of payment would be $4,700 under scenario # 2. Zavoral moved to approve option # 2 that involves going back two years and pay those involved in training. Sprague seconded the motion and all voted in favor.

Refinancing Special Assessment Bonds, Series 2012A
Costin reviewed the analysis prepared by Springsted for the upcoming special assessment bond refinancing. The analysis shows more savings than previously reported due to the ability to pay down some of the debt with existing cash in the debt service funds. Four bond issues will be refunding with estimated NPV savings of $6.5 million. This NPV rate of savings is 13.2% of debt payments. This was highlighted with the Committee since the savings were larger than previously reported. The bond sale date is scheduled for April 2.

FargoDome Turf and Parking Lot Expansion Financing

The FargoDome is scheduled to replace their turf and expand a parking lot in their 2012 capital budget. The estimated cost is $3 million for the turf and $1.8 million for the parking lot expansion. The FargoDome is planning on borrowing funds since the borrowing rates are so favorable vs. paying cash with their capital surplus fund. The Committee discussed the concept of investing in these projects with City cash reserves in lieu of investments in our current investment portfolio. This strategy would allow the Dome to continue to invest their capital surplus and would allow the City to earn a higher yield on its project financing. The Committee felt that under current market conditions that a 3% rate could be offered on the financing with a three year guarantee, and then renegotiated annually. Zavoral moved to offer this financing strategy for the Dome projects. Bittner seconded the motion and all voted in favor.

Fuel Purchase Contract for 2012

Costin provided a report on the results of fuel purchase contracting for all of 2012. The Public Works staff locked contract prices on our estimated usage for all of this fiscal year. The average costs for #2 diesel is $3.23 and $2.84 for gasoline. This prices contracted include delivery charges. This will result in a significant budget savings if fuel prices escalate as predicted. Dale Petroleum was the low bidder.

Budget Management Strategy on Staff Turnover

Costin reviewed the existing budget management process for staff turnover. Presently, the City does not look forward to who might be retiring and uses a budget projection procedure that takes the incumbent employee and projects their pay going forward. He felt that the Committee should consider changing this procedure to free up some funds for staffing in 2013 for grant funded public safety employees. If an employee retires and a new person is hired the budget savings resulting from the turnover are left in the departmental budget. Zavoral stated that he thought that some of the savings should be left in the departmental budgets. He recommended that ½ of the savings be left to the discretion of the department heads to help fund needed items. No final action taken. Costin stated that these new budget concepts are being considered in an attempt to reduce the anticipated budget impact of losing $1.1 million in federal grant funds for public safety employees.

Neighborhood Revitalization Initiative Loan

Jim Gilmour and Dan Mahli reported on the progress of the NRI program including historical project an overview of the funding for this program. In the infancy of this program when short-term interest rates were 6% – 7%, the City of Fargo Water Utility invested cash reserves in this program with a 3% interest rate. Since that time, interest have fallen to historically low levels and they are projecting that program resources will not be adequate to amortize their obligation under the present terms. Several alternatives were discussed including a retroactive financing rate at zero %. This would allow the program to pay their obligations are originally scheduled. Sprague moved to reset the interest rate at zero. Zavoral seconded the motion and all voted in favor.

FM Diversion Project Management Extension with CH2M Hill

Zavoral reported that the FM Diversion Authority will be renegotiating a contract extension with CH2M Hill through 9/30/2012. He anticipates that it might approach $500k per month.

City of Fargo
Finance Committee Meeting Minutes
March 30, 2012

The monthly Finance Committee meeting was held on March 30, 2012 in the Mayor's Office. All members were present.

The Committee approved the minutes of the last meeting.

Refunding Bond Sale

Costin reported that the municipal bond markets have moved up slightly since our pending bond refinance was contemplated. The predicted interest rates are about .4 % higher than anticipated, however, significant savings remain at about $5 million or approximately 10% NPV. Bonds will be marketed on April 2.

ND Horse Park Special Assessments

Zavoral reported that the assessment deferral agreements with the ND Horse Park and ND Horserace have expired and the special assessments previously deferred will be levied in 2012, payable in 2013. He reported that NDSU may not continue its operation as well in that area. The development anticipated in the Horse Park TIF has not matured as anticipated and therefore, ND Horse Park and Horse Race ND will have to start paying the annual installment of special assessments in 2013. He wanted the Committee to be aware of this since this issue will surface as we move closer to billing them for the assessments.

2013 Budget Planning /Staff Position Turnover History

Costin reviewed a report compiled by the HR office of staff turnover since 2009 and the current number of open FTE's and explained the current budgeting process for FTE's. Zavoral suggested that we begin tracking the cost savings associated with staff turnover so we are aware of the budget impact. There was some preliminary discussion on what early budget target guidance should be given to departments.

City of Fargo
Finance Committee Meeting Minutes
April 25, 2012

The regular monthly Finance Committee meeting was held on April 25, 2012 in the Mayor's Office at 9:00 a.m.

Members Present: Walaker, Piepkorn, Zavoral, Bittner, Costin
Members Absent: Sprague

The minutes from the March meeting were approved as presented.

Transit Bus Wrap Advertising Trade with FM Baseball

Jim Gilmour reviewed the proposed transit bus wrap trade agreement with FM Baseball. He said that there are currently nine vacant wrap spots in the bus inventory and that this trade agreement seemed to be mutually beneficial to Transit and FM Baseball.

Costin reported that the existing revenue policy does not allow for capturing revenues back to the Division operations without Finance approval.

Piepkorn moved, seconded by Zavoral to approve the trade agreement as presented. All voted in favor.

Financial Status Reports Reviewed

Costin reviewed the first quarter financial status report. He mentioned that all revenues were in line with budgeted expectations with the exception of a proposal land sale in the Solid Waste utility. The Utility Committee decided to keep the existing land that is within the Diversion alignment north of Fargo.

The infrastructure report was also reviewed. The street sales tax fund and the general infrastructure fund is in a more favorable financial position after selling bonds and receiving reimbursement from the State of ND. The flood sales tax reported a deficit of about $12 million. Zavoral stated that we need to bring forward a financial plan for 2012 to cover the existing deficit plus the obligations of the FM Diversion Authority for project management and local design costs.

Costin suggested that we need to be aware of the time limitation for potential bonding of flood related costs and if necessary that we should consider bonding to catch up on project costs. Bittner reported that plans are being designed to deal with the remaining flood control projects over a longer term time horizon. Walaker stated that people want to know what the period will be for dealing with the remaining neighborhood flood projects. Bittner reviewed current and post diversion flood maps that give a good picture of land mass consumed by various flood levels in Fargo.

Highway Funds HB 1012 One Time Appropriations

Costin reported that we have received the second installment of the appropriations from HB 1012 for highway funds. There has been growth in the expected revenues from what the State disclosed last

year. We received $900k more than expected. He suggested that this money be appropriated to the existing street rehabilitation budget since it is designated for that purpose.

Zavoral reviewed the various funding sources used for street construction and reconstruction. The concept of discontinuing the City Share tax levy for use on street funding since there are more funds available in the Highway funds. This could be shifted to the General Fund to cover the obligation of public safety officer's full grant funding in 2013 and other important budget issues.

Costin moved to propose a budget amendment preserving HB 1012 funds for street rehab. Bittner seconded the motion and all voted in favor.

Special Assessment Deferral Requests

Bittner reviewed assessment deferral requests for Brandt Crossings located on 45th St and Veterans Boulevard. In the past, we have granted deferrals only on arterials. The requested deferrals were for local improvements. Zavoral said that he was not in favor of granted a deferral since this was a booming development area . He moved for denial, seconded by Piepkorn.

The Committee requested a summary of the value of deferrals over time and the current outstanding balance of specials deferred under existing deferral agreements.

TIF Financing Request for a Retention Pond

Bittner reviewed the details for project 6118 for a storm sewer retention pond at the intersection of 30th Ave South and 43 St. South. The estimated cost of this project is $ 187k. He inquired about using tax increment financing since this project was located in the Matrix Tax Increment Financing District. Piepkorn moved to approve tax increment financing for this project. Zavoral seconded the motion and all voted in favor.

Bond Counsel Agreement

Erik Johnson reviewed a proposed agreement terms for bond council services with Briggs and Morgan and Erik Johnson. They have been bond counsel since 2003 and have been working under the same pricing agreement for the past ten years. The revised agreement increased the bond sale fees by an average of about 5 % per year. Paul Tietz will also donate 15 hours per year for other work as needed. Costin and Zavoral reported they have been pleased with the quality of bond counsel's work over the past several years. Zavoral moved to approve the revised terms of the bond counsel professional service agreement. Costin seconded the motion and all voted in favor.

City Attorney Services Contract

Erik Johnson presented a proposal for extension of his existing City Attorney contract. The existing five year contract expires on December 31, 2012. The proposal extends the contract for another five year period ending in 2017 and increases the rates by about 3.5-4% per year. Part of the increase is to make a market adjustment in hourly pricing. It also includes some compensation for the oversight of

prosecution services. No increase was requested for 2012. Zavoral moved, seconded by Piepkorn to approve the contract extension as requested.

Flood Map Data

Bittner reviewed various flood maps with the Committee showing the impact of various flood elevations and the impact of the FM Diversion project on peak flood periods.

Budget Development Calendar

The 2013 budget development calendar was approved as presented and will be distributed to Department Heads, Division Heads and City Commissioners.

City of Fargo
Finance Committee Meeting Minutes
May 24, 2012

The regular monthly meeting of the Finance Committee was held on May 24, 2012. All members were present. Guest present included Jim Gilmour, Erik Johnson, Clay Dietrich, and Barry Schmidt.

April Minutes Approved

The minutes from the last meeting with approved as presented. Piepkorn moved for approval, seconded by Bitter. All voted in favor.

Payment In Lieu of Taxes Springsted Report on Dakota Drive Project Reviewed, Project Recommended

The Committee received an overview of the tax exemption due diligence report as prepared by Springsted, Inc., our financial advisors. Their conclusion was that this project could be eligible for tax exemption based upon the financial analysis the completed. Zavoral asked why this was being considered as a PILOT and not a TIFF. Gilmour explained that TIF requires blighted conditions and this was lacking for this project. Zavoral noted that the construction has already begun and wondered about the level of assistance proposed by the development group. Barry Schmidt stated that they have been working on the assistance application process for a while and they thought the whole process would move along more rapidly than it has been. They stated that the project will improve the drainage near 12th Ave North. Rental rates are planned for $900-$1,000 and it is popular to have three units so that student can each have their own space. Barry also noted that the special assessments in this area are quite high, citing $250k. Piepkorn asked about the impact of Measure # 2 on this exemption. Zavoral expressed concern about the price paid for the land in this project and the logic of such a large land write down. Walaker suggested that a reduced amount should be granted since it is a good project. Zavoral moved to recommend a $250,000 pilot assistance plan with a five year assistance cap. Walaker seconded the motion and all voted in favor.

NDSU Bus Wrap Contract Costs and Pricing Approved

Jim Gilmour reviewed some concerns that NDSU has about a proposed bus advertising wrap contract. They were concerned about who pays for damages wraps since there is a risk of loss with a vehicle traveling frequently. Gilmour stated they have taken over the advertising marketing in-house with the Transit staff and it has been going as planned. Costin reported that we have a high deductible on all of our transit vehicles and that we are fine with that level of risk and the cost of fixing the wrap should not be such a big item. Costin moved to offer a one year contract for bus advertising with NDSU at a rate of $450/ month with the City paying for any damages to the wrap once placed in service. Sprague seconded the motion and all voted in favor.

Status of Special Assessment Deferrals Report Reviewed

The Committee reviewed a special assessments deferral tracking report that show currently outstanding deferrals at $37.9 million. There has been a significant increase in the deferrals granted in the last three years with larger projects in our growth areas. There were $10.5 million in granted deferrals in 2008 and $8.9 million in 2009. This report was prepared at the request of the Finance Committee.

City Share of Special Assessment Fund Budget Transfer Approved

Costin reviewed the revenue and expenditure budget reports with the Committee. Currently, the City levies 2.83 tax mills, or approximately $900k per year for this fund. He stated there have been ongoing staff discussions and dialogue with the PWEPEC members about shifting funds out of the City Share Fund and into the General Fund to pay for grant funded public safety officers. Grants will be expiring in 2013 and there will be about a $1.1 million budget hit to absorb locally next year. He recommended shifting all of these funds to cover this obligation. After more discussion with the Committee it was agreed to leave enough money in this fund to pay for the City of Fargo special assessments and that the remaining funds that have previously been used for project funding now seek funding directly out of the infrastructure sales tax fund. The project funds approximate $600k per year. Zavoral moved to transfer $600k to the General Fund for this purpose to shore up the General Fund budget. Sprague seconded the motion. All voted in favor.

Baseball Stadium Financial Data Reviewed

Costin reviewed the long term financial tracking analysis for the baseball stadium. He recommended that we clear up the funds that were advanced out of the Solid Waste Fund now since we have experienced a strong General Fund performance and that this would be recommended in the 2013 budget. The stadium cost recovery is currently at 91% of project cost since inception.

Status Report Presented on City Pension Plans Amendments

The Committee discussed the status of work ongoing for review of the City's defined benefit pension plans. The actuary has completed the actuarial studies and will be coming back to Fargo on June 5th to review various changes with the Police Pension Board. The City Employee Pension Board has already recommended changes to increase retirement age from 62 to 65 and to raise contributions. The Fire Department has also voted to increase their contribution 1% per year for the next two years. The City Commission will hear final recommendations on June 25th.

On-Line Hotel Reservations Lodging Tax Litigation Approved

Our litigation team has modified their proposal to proceed with a lawsuit that challenges on-line booking and related lodging tax revenues. They have offered to take this on a 1/3 contingency fee without any fixed commitment from the City of Fargo. Costin moved to approve the revised terms. This was seconded by Piepkorn. All voted in favor.

Capital Lease Financing Bid Approved for FargoDome Capital Projects

The bids received for long term lease purchase financing were reviewed with the Committee. Midwest Leasing provided the lowest ten year term bid of 3.738%. This financing is for the turf replacement and parking lot expansion projects planned this summer. Zavoral moved to award this financing to Midwest Leasing. Piepkorn seconded the motion and all voted in favor.

Interim Legislative Tax Committee Agenda Reviewed

Zavoral forwarded a listing of agenda items being evaluated by the interim tax committee. He said that Jon Olson, our lobbyist is keeping a watchful eye on these issues and that there did not seem to be any difficult or problematic issues surfacing this month.

Refunding Improvement Bonds Series 2003C Bond Call Approved

Costin reported that RIB Series 2004B is callable as of June 1, 2012. The financial review of this issues shows that enough resources are available to call this series and he recommended this be completed by July 1st. The early call will defease the 2013, 2014 and 2015 outstanding maturities for this issue. Sprague moved to approve the bond redemption call on this date. Bittner seconded the motion and all voted in favor.

Special Assessment Deferral Request for Urban Plains Approved

A special assessment deferral request was discussed and approved for the Urban Plains Subdivision. There are several projects in this area and City staff desire to have more connectivity of the streets in this area. As a result they have proposed more work than what was requested by the developers. The Committee supported the Engineers position that more traffic connections would improve the overall public safety access into this area. Zavoral moved to approve a two year assessment deferral on certain segments of infrastructure proposed by City staff. Piepkorn seconded the motion and all voted in favor.

City of Fargo
Finance Committee Minutes
June 27, 2012

The regular monthly Finance Committee meeting was held on June 27, 2012 in the Mayor's Office.

Members Present: Walaker, Zavoral, Bittner, Sprague, Costin
Members Absent: Piepkorn
Guests Present: Bob Stein, Ron Gronneberg

The minutes from the last meeting were approved as presented. Bittner moved to accept, seconded by Sprague. All voted in favor.

Phone System Replacement Award

Ron Gronneberg reviewed the proposed phone system replacement plans with High Point and Idea One. He said that a competitive RFP process was used on this system and that user meetings were held to demonstrate the system functionality. The hardware for the system will be stored in City Hall and the Public Safety Building. Gronneberg was seeking approval of the High Point and Idea One recommendation as the most viable option. Costs are estimated at $682k for which $40k of this will be billed back to the Family Health Care Center. Zavoral moved to approve the recommendation. Sprague seconded the motion and all voted in favor.

Parking Ramp Structural Review Assessment

Bob Stein presented a proposal to hire Heyer Engineering to conduction a structural assessment of the Island Park Ramp. The ramp is now ten years old and an assessment of condition should be completed. There is about three years remaining on the bond issued to construct the ramp. He stated that Heyer has been the structural engineer since the facility was built and he is recommending a sole source procurement estimated at $9,500. Bittner moved to approve this recommendation. The motion was seconded by Zavoral and all voted in favor.

SRF Debt Defeasance Proposal

Costin presented a proposal initiated by the Finance Department to pay off several phases of older SRF debt using sales tax funds currently dedicated to Wastewater. The goal for this proposal was to avoid utility rate increases which are planned this year. A letter from our investment advisor, PFM Group was discussed which lends support to the timing of this proposal in light of very low investment rates. PFM is predicting that short term investment rates will remain at these very low levels for the next couple of years and are expected to rise slowly thereafter. This strategy is a risk free way to generate a much higher rate of return than sitting on cash until the debt is paid off. We would be paying 3-3.5% debt with funds currently earning about .50%.

Costin reported that Bruce Grubb is evaluating the impact of using these funds on the long term financial modeling for wastewater. Zavoral moved to pay off as much SRF debt as we can with dedicated sales tax funds. Costin seconded the motion and all voted in favor.

Pension Funding Policy

Costin reviewed the current status of the changes in pension plans approved by the Pension Boards. He also reviewed the proposed funding policy drafted by the actuary that provides the needed funding and future budget flexibility to manage this obligation. The policy requires that at least 75% of the actuarial funding requirements be appropriated each year and if full funding is not appropriated that up to 25% of the annual net income would be pledged to achieve 100% funding for the defined benefit pension plans. Zavoral suggested that all new hires should be transferred into NDPERS public safety plans. Costin reported that this option was not one of the options considered during the educational meetings or by the Pension Boards and may need further study if this idea was advanced. The Committee liked the idea of using 75% funding level initially and then gradually increasing over a five year period in the budget. The 75% funding level requires $2.5 million to be appropriated in the annual budget process. Sprague moved to approve the pension funding policy and to forward the Commission for final discussion and approval. Costin seconded the motion and all voted in favor.

Capital Improvement Plans

Zavoral reported that staff is working on development of several long term capital improvement plans for streets and flood control projects now that the sales tax has been extended for infrastructure. They are planning on presenting this in the last meeting of July.

Parking Ticket Credit Card Fee Waiver

Sprague presented a proposal to waive the current fees charged on parking ticket payments since this seems to be a deterrent to getting more on-line payments. Walaker thought that this made a lot of sense for our customers. Zavoral moved to waive the parking ticket processing fees so that they will no longer by paid by the people getting the tickets. The motion was seconded by Sprague and all voted in favor.

City Hall Capital Planning

Committee discussed the timing of City Hall remodeling / replacement considering the other City capital projects and the upcoming legislative session. No action taken.

City of Fargo
Finance Committee Meeting Minutes
August 14, 2012

A Finance Committee meeting was held at 1:30 p.m. in the Mayor's Office.
Members Attending: Walaker, Wimmer, Zavoral, Sprague, Costin
Members Absent: Bittner
Guests Attending: Bob Getz, Roger Mohagen, Kim Anderson, Don Berg

Minutes Approved From Last Meeting
The minutes from the last meeting were approved as revised. Motion by Sprague, seconded by Wimmer to approve and all voted in favor.

Emergency Valve Replacement Sole Source Procurement
Bob Getz discussed the emergent need to replace the HVAC valve controls in the Police Department building. An assessment has been completed and he would like to proceed with installing replacement control valves. He estimated a ten year life of the replaced valves. The estimated cost of the project was $28k. Mayor Walaker asked that a more formal assessment and condition of buildings report be prepared so that we can budget for ongoing system replacements on a more proactive basis. Zavoral moved, seconded by Wimmer to approve a sole source emergency repair with Home Heating. All voted in favor.

Maple Valley Development Letter of Credit Amendment Request
Sprague reviewed a developer request from the Maple Valley development requesting consolidation and reduction in the letter of credit requirements on this subdivision. The existing letter of credit was originally approved before City policy changes were enacted that increased the LOC amounts. Roger Mohagen explained the recent changes in ownership and what the new business partners were doing to catch up on the delinquent taxes and special assessments. They also need to have paving done in a cul de sac this year. They requested that a consolidation and lowering be approved. The Committee discussed their concerns and that current special assessment policy requires a higher amount than what was requested. Wimmer moved to consolidate the letters of credit using the $975k coverage level and requiring a separate letter of credit on the new project paving project. This was seconded by Sprague and all voted in favor.

Refunding Improvement Bond Sale Planning & Special Assessment Processing Timeline
Costin reviewed the proposed timeline for the final run of special assessment levies for 2012, payable in 2013. This process has already begun and will be completed by October 31st. He reported that the City may not be issuing bonds until March, 2013 if the bond sizing is small. The number of project completed at this point is lower than normal. No action required on this informational item.

Refunding Improvement Refunding Bond Proposal

Costin reviewed a bond refinancing opportunity as presented by Springsted. The 2005A issue, if refinanced would lower the interest rates from about 4.53% to about 2.46% with a net present value savings anticipated at 7.6%. He requested permission to proceed with this deal since it was above our refinancing savings threshold of 3%. Sprague moved to refinance the 2005A RIB. This was seconded by Wimmer and all voted in favor.

Investment Policy Revision Proposal

A proposal to add highly rated corporate bonds to our investment portfolio was reviewed with the Committee. An analysis was completed by PFM, our current investment managers that show how adding corporate bonds to our authorized investments and using this strategy could increase our overall investment returns on City cash reserves. This item was reviewed with the Finance Committee in February, 2012 and was not supported at that time. In light of presently low returns and the expertise offered by PFM the Committee agreed to revisit this issue and directed Costin to arrange a conference call with PFM to review this strategy again. This will be on the agenda for the next regular meeting.

Long Term Bonding for Flood Projects

Zavoral and Costin reviewed an analysis that shows bond financing is necessary if the City is to complete the remaining flood control projects in the next four to five years. Zavoral discussed the present project need and that the Engineering Department would be bringing forward project level recommendations in August to begin this process. FEMA maps have been received and they will begin to charge higher flood insurance premiums in 2016 if permanent certifiable protection is not in place. He discussed the needs for levees and the expected requirements for the FM Diversion project. No action taken as specific project level approvals have not been made by the City Commission. This was to inform the Finance Committee that the City has the financial capacity to issue and amortize long term bonds for this purpose.

PFM Financial Advisor Proposal

Zavoral and Costin reviewed a proposal from PFM to become the City of Fargo's financial advisor. In light of having the FM Diversion PFM under contract is was logical to consider their proposal since much of the work is interrelated and will be in the future until all of our flood control projects are completed. They would support the City in the capacity has Springsted has done in the past. Wimmer asked how many years Springsted has been our financial advisor. Costin reviewed a cost analysis which shows that PFM's proposal is significantly higher than what we have been paying since their initial proposal recommended a $40k per year retainer fee in addition to the fee schedule for bond transactions. He felt that the retainer was too high and suggested that this should be negotiated to a much lower level before considering a final approval by the Finance Committee. Committee requested that PFM be contacted about a renegotiated rate and this be revised at the next meeting.

Small Business Credit Initiative

Representatives from the EDC discussed the current management of the Small Business Credit Initiative. There was a federal program to enhance credit to communities that was not applied for by the State Commerce Department. Grand Forks, Carrington, Mandan and Fargo have now applied and Mandan

officials are operating this program. The scope of partnerships has now grown to thirty eight communities in ND. The program does not look that useable as the federal lending rates are 4%, however in 2016 there is a defederalization process that allows the program to change to a locally administered program without any further Federal compliance requirements. Fargo would like to use this program to assist in funding venture capital and the EDC supports this position. The current program requires local matching funds. The EDC wanted guidance on how they should approach this issue since other communities would like to use this as a revolving loan fund. EDC officials stated that the present partners are not likely to support dissolving in 2016 and having the money go back to the communities on a per capita basis. Wimmer moved to recommend that we sign the agreement on the premise that we can dissolve and receive our share of funds in 2017. Zavoral seconded the motion and all voted in favor.

Fargo Cass Public Health Building Needs

Zavoral reviewed current and future building needs of the Health Center since the Family Health Care Center will be moving out of their City leased facility at the end of August. There may be a need to purchase or renovate the existing facility. Richard Moorhead is working with Ruth Bachmaier to plan for their space needs in the future. He said that we will not have the resources to do pay as we go financing as we have done for some projects in past years. Some level of bonding may be necessary. No action on this informational item.

Stan Ryland Special Assessment Deferral Contract Language

Costin reported that proposed language in a special assessment deferral agreement was not in line with our past practices and common contract language. He indicated that there were several terms and conditions added that allowed for more flexible extension of the deferral agreement up to as much as fifteen more years beyond the standard ten year deferral presently offered on arterial infrastructure projects. Zavoral asked that this be moved to the next meeting since Mark Bittner was not available to speak to the negotiation with Mr. Ryland.

City of Fargo
Finance Committee Meeting Minutes
August 29, 2012

The regular monthly meeting of the Finance Committee was held on August 29, 2012 in the Mayor's Office at 8:30 a.m.

Members Present: Walaker, Wimmer, Zavoral, Bittner, Sprague, Costin
Guests Present: Erik Johnson, Nancy Morris, April Walker, Jeremy Gordon, Scott Liudahl

Minutes Approved

The minutes from the last meeting were approved as presented. Motion by Wimmer, seconded by Sprague to approve. All voted in favor.

Stan Ryland Special Assessment Deferral Contract Language Discussed

Erik Johnson and Nancy Morris reviewed the current status of the special assessment deferral agreement contract language with Stan Ryland for land near the Davies school area. Costin confirmed that this item had not been voted on by the Finance Committee in a 2010 meeting and that a meeting was held with Stan Ryland to discuss his concern about future special assessments. Erik confirmed that the existing ordinance allows deferrals to run up to ten years. The Committee discussed the history of deferral agreements and background practice on how they have been used in the past. Sprague noted that the assessments have been levied by the Specials Department since no deferral agreement is in place. Nancy Morris suggested that a new deferral agreement contract after ten years might be a way to continue to honor the current provisions of the existing deferral ordinance. Costin expressed concern that this would be precedent setting due to the number of conditions contained in the draft agreement that have not been used in other agreements. Bittner asked if the right of way acquisitions have been completed yet. April Walker noted that this issue is still open and not yet resolved. Committee referred this back to the legal team with guidance that a ten year term is preferable with an extension at the end of the term that would require a Commission approval at that time. No further action taken.

E911 Revenue Decline from AT&T Reviewed

Costin wanted the Finance Committee to know that there has been a significant revenue decline in the E911 receipts from AT&T after their corporate takeover from Alltel. The estimate revenue loss is about half of what Alltel was paying and the annual loss is estimated at $130k. Nancy Morris reviewed the legal research and current NDCC that confirms that AT&T's remittance methodology is correct in that they are using the place of service vs. the point of sale to track E911 fees. A letter from Eide Bailly was reviewed which shows that Sioux Falls, SD experienced the same issue and chose not to explore this issue any further after their initial investigation. Committee recommended no further follow-up effort.

Salary Savings Redirected to Pension Appropriations Approved

Costin requested consideration of changing the way that we are currently managing Departmental budget savings associated with salaries. Currently, any staff turnover savings remain in the Departmental budgets and are available for spending. Due to the recent and significant increase in defined benefit pension appropriations a different method of handling these savings has been discussed in the past. Costin stated that the 2013 budget has an allowance for this budget procedure and he wanted to formalize the concept so that it can be presented to Department Heads. Based upon these discussions a recommendation to redirect 50% of the salary savings annually to help offset the increased pension contributions was suggested. Bittner commented that as a Department Head that current budget practices have provide adequate funding and that all of the mid- year requests were approved. Zavoral moved, seconded by Sprague to approve this budget strategy

PFM Financial Advisory Services Agreement Approved

The scope of services agreement with PFM was reviewed as a follow up to last month's meeting. Costin clarified the retainer fee amount and what was covered within this fee. He reported that additional services were added to the scope to be covered by the retainer for IRS arbitrage tracking and calculations and that it would be helpful to have PFM establish and monitor an arbitrage tracking system. The Committee recommended a five year contract term. Wimmer moved to approve the revised agreement as presented for a five year term. Sprague seconded the motion and all voted in favor.

Development Letter of Credit Concerns Discussed

Zavoral reported that City staffs have met with Christianson and Bullis regarding our existing letter of credit requirements. The purpose of the meeting was to hear about banking regulation changes and how it is getting more difficult to obtain and renew them. He wanted the Committee to know that this will be looked at in the future and there may be some opportunity to release letter of credit coverage more systematically than is presently done. No further action taken.

FM Diversion Joint Powers First Amendment Agreement Approved

Erik Johnson reviewed the first amendment of the FM Diversion Joint Powers agreement. This amendment addresses budget issues for 2012 and 2013 and has been reviewed and approved by member agencies of the FM Diversion Authority. Costin moved to approve the agreement. Bittner seconded the motion and all voted in favor.

Single Bid on Street Bike Lane Striping Delayed

Jeremy Gordon updated the committee on the street striping for bike lanes approved for University Avenue from 4th to 12th Avenue North. He solicited three quotes and only one vendor responded. The vendor quote was for $132,000. Zavoral suggested that this is a bad time to solicit bids since the contractors are busy with summer and early fall projects. He recommended rejecting bids and waiting

until early next spring to bid as a separate project. Sprague moved to reject and delay this project until the spring of 2013. Wimmer seconded the motion and all voted in favor.

Early Bidding of Forestry Trees Approved

Scott Liudahl, City Forester requested permission to approve 2013 contracts before the budget was approved due to anticipated tree shortages from area suppliers. Walaker moved, seconded by Wimmer to approve an early contract award.

FEMA Flood Insurance Rate Letter Received

Zavoral reviewed a letter from FEMA stating that they will be delaying the rate changes from preferred risk flood insurance to regular rates in 2016. It appears that property owners will be able to pay the lower rates vs. what has been previously communicated by FEMA. No action taken on this issue.

City of Fargo
Finance Committee Meeting Minutes
September 27, 2012

The regular monthly meeting of the Finance Committee was held on September 27, 2012 in the Mayor's Office at 9:00 a.m.

Members Present:	Walaker, Wimmer, Zavoral, Sprague, Costin
Members Absent:	Bittner
Guests Present:	Nancy Morris, April Walker, Ben Dow, Steve Dirksen

Minutes Approved
The minutes from the last meeting were approved as presented. Zavoral moved to accept, seconded by Wimmer. All voted in favor.

Sole Source Procurement Was Approved For Fire Department Access Control System
Steve Dirksen requested approval to proceed with procurement of a building access control system with Simplex, Inc. They are the present vendor on all other access control systems within the City. His request was based upon the desire to maintain a standard type of system throughout the City. Wimmer moved to approve the request. Costin seconded the motion and all voted in favor.

Sale of Public Works Sweeper to the Municipal Airport Authority (MAA)
Ben Dow presented a proposal to sell a used sweeper to the MAA for their future use. The market value was determined by taking proposals and several bids were received. It was offered to the MAA at $125k, the highest bid within the timeframe allowed on bids. Zavoral moved to approve the sale of this unit to the MAA at the price of $125k. Wimmer seconded the motion and all voted in favor.

Stan Ryland Special Assessments Deferral Contract Proposal
Nancy Morris reviewed the process and summary of the meeting with Stan Ryland. The result was language similar to what the Finance Committee reviewed at the last meeting. Costin stated that he has difficulty supporting such open ended language in the agreement such as economic conditions. Zavoral suggested that we move the language in the section currently located and refer to them as a potential reason that the City Commission might consider a new deferral contract after the first ten year period has elapsed. The language sets up the potential to renew but does not guarantee that a request for an extension will be or has been approved in the future. Wimmer moved to approve the option to ask for a new deferral contract after ten years has elapsed. Sprague seconded the motion and all voted in favor.

Purchase Option Approved on Potential Alternative Health Department Location
Zavoral requested permission to proceed with making an offer on a building for the Health Department to relocate to in the future. The desired building is currently vacant and the asking price is $3.9 million.

The site has been evaluated by Richard Moorhead, our retained architect and the facility looks like a good fit for the Fargo Cass Public Health. Walaker, Wimmer, Sprague and Costin agreed that this was a good location and size for future growth. Wimmer moved to approve making an offer on this facility. The motion was seconded by Sprague and all voted in favor.

Consider Corporate Bonds as Allowable Investments for City Cash Reserves

The Committee conducted a conference call with PFM Group, our current investment advisors about using highly rated corporate bonds was allowable investments. During the call it was determined that many other States currently allow bond investments to help diversify their overall investment portfolios and that the existing supply of governmental agency securities is starting to dry up since Fannie Mae and other agency are not issuing as many new securities. PFM's process would be to have their own internal investment committee screen quality corporate bonds with ratings of A and above so that the risk of loss would be mitigated by buying and actively monitoring bond holdings over time. They would only recommend investing in strong and stable companies and there would be no investment if bond quality less than an A bond rating. Zavoral inquired about social impacts and how holding certain company investments might be questioned by certain groups of people based upon how they operate their companies. Costin stated that currently the City follows the State law on allowable investments and moving to corporate bonds as an eligible investment class will require updating the City ordinances. Zavoral inquired about the timing of this recommendation in light of the upcoming legislative session. Wimmer moved to proceed with the research and finalizing a recommendation to proceed with using corporate bonds as allowable investments for City cash reserves. Zavoral seconded the motion and all voted in favor.

Finance Committee Educational Topics Agenda for 2013

Costin presented a listing of educational topics for the Finance Committee to consider in the upcoming 2013 Committee meetings. The purpose would be to continue to educate Committee members about how various financial matters and operating systems are administered. This would be helpful for new members as well as staff. One educational topic per meeting would be covered as time allows during our regular monthly meetings.

Newman Advertising Sign Agreements Reviewed

April Walker asked the Committee for some direction on existing contracts with Newman Sign that are scheduled to expire in 2013. If we do not cancel them or modify them they automatically renew for another fifteen years. The Engineering staff support cancellation and renewal of contract that have been prepared by the City vs. the existing contract forms prepared by Newman. Zavoral moved to cancel upcoming contracts and begin the renewal process early. Wimmer seconded the motion and all voted in favor.

Flood Hardship Acquisition Program Considered

April Walker discussed an early acquisition program. There is a pending medical request for a buyout. She wondered if the FM Diversion hardship policy should be used for City buyouts for medical hardships. The Committee felt that the City Attorney's office should draft a policy using 110% of assessed value and that medical hardships would only be considered for properties on the City buyout listing. The property

in question is located in Phase I of the local flood levy area. At the present time only medical hardships would be considered.

Flood Project 5727-24 and 5727-25 Final Balancing Change Orders

April Walker reviewed the status of the final close out quantities for flood project 5727-24. This project was used to demolish flood buyouts and restore sites to the final design. More homes were added to this project which significantly increased the total cost by $425k. Additional costs not anticipated or processed through the change order process included water, sewer, utilities and final site restoration. The added work approved and completed had not been approved or encumbered and she wanted to review this data before presenting to the Commission for final approval. Another project 5727-25 had similar change orders pending. Bittner moved to approve the change orders as presented. Wimmer seconded the motion and all voted in favor.

City of Fargo
Finance Committee Meeting Minutes
October 31, 2012

The regular monthly Finance Committee meeting was held on October 31, 2012 in the River Room at 9:00. a.m.

Members Present:	Walaker, Wimmer, Zavoral, Bittner, Costin
Members Absent:	Sprague
Guests Present:	Brad Schlossman, Ken Pawluk, Erik Johnson, Nancy Morris, Jim Gilmour, April Walker

Special Assessment Deferral for ND Horse Park and Horse Race ND

Ken Pawluk and Brad Schlossman reviewed the current status of development within the Horsepark Tax Increment Financing District. They requested a two year extension of the existing special assessments deferral agreement. There is a twelve acre development platted in this area now, however, the overall district has not developed to generate the increment revenues as predicted in the original development plan. There is currently a $1.5 million construction project that will be proceeding. Gilmour and Costin suggested that the present structure of the TIF may not cash flow due to the fact that the legislature has lowered property tax rates and also that interest has been accruing on the deferred specials during the deferral term. Pawluk provided financial data regarding the economic activity associated with horse racing. Costin asked if the Racing Commission has been contacted regarding the ability to appropriate funds to pay for specials once they come off of the deferral status. Pawluk reported that they are aware of the special assessment obligations outstanding. Mayor Walaker stated that he did not want to extend this beyond the present proposal. Zavoral moved to grant a two year extension. Wimmer seconded the motion and all voted in favor. The City Attorney will prepare the appropriate deferral agreements**.**

Newman Sign Leases

April Walker reported on the status of the existing sign lease agreements with Newman Sign. There are presently six locations where fifteen year leases will be expiring in 2013. They automatically renew if they are not cancelled by the City of Fargo. They are also discussing the possibility of eleven new sign locations within the City. The Committee considered if an RFP should be considered for the renewal process. Zavoral suggested that the existing lease agreements be renegotiated to change or modify to accommodate City needs and that the term should be five years with the option to renew for an additional five years. Zavoral moved to renegotiate the existing lease agreements under these terms. Bittner seconded the motion and all voted in favor.

Parking Authority Debt Refinancing

Costin reviewed a debt refinancing proposal with good present value savings. The debt proposal includes using General Fund cash to defease the callable debt and having the Parking Authority make remaining payments to maturity at a 4% rate. This is a decrease is long term financing rate from 5 – 6.2% which creates a savings to the Parking Authority of $113,264. Bittner asked about using General Fund resources vs .on other projects. Costin stated that this will be held as a General Fund investment bearing a 4% return vs. our existing reinvestment rate of 40 basis points. Wimmer moved to approve the refinancing proposal and the 4% intrafund rate. This was seconded by Zavoral and all voted in favor.

E911 Communications Contract with NDAC

A renewal contract with the North Dakota Association of Counties (NDAC) was reviewed with the Committee. This is a renewal of the cell phone Phase I statewide plan for cell location technologies. The new contract will still be maintained with NDAC and the rate of tax collection will be reduced from 20% to 15%. Costin stated that Cass County and the City of West Fargo have already approved this contract. Zavoral moved to approve the contract terms and conditions. This was seconded by Wimmer and all voted in favor.

Eide Bailly Auditing Services Contract

Costin presented a three year renewal contract with Eide Bailly for auditing services for 2012, 2013 and 2014. He stated that their fee proposal was reasonable and that the City of Fargo has been pleased with the level of services provided including audit quality and timely completion of the audit. Bittner moved to approve the auditing services proposal. This was seconded by Wimmer and all voted in favor.

City PCard Program Goals

Costin reported that the new PCard program offered by PFM has been configured and is now live and in use. He reviewed the history of the program and suggested that the City could earn as much as $200,000 in program rebates if we approach card payment methods more aggressively than in the past. No rebates have been received from the past card provider Wells Fargo in the past ten year. He suggested certain long standing processes may need to be changed and wanted to seek the support of the Finance Committee to endorse the goal of attaining a large rebate by the end of next year. Changes may also be needed in spending limits and cardholder purchase limits. Wimmer moved to support the new card program goal of $200,000. Bittner seconded the motion and all voted in favor of the purchasing card program goal for 2013.

Waiver of Finance Charges on Jenson Brothers A/ R Account

The Committee reviewed a letter from Terry Ludlum regarding accrued finance charges on a City project. There was some delay in payments by the vendor due to a State of ND project which caused about $2,472 of finance charges to accrue. Bittner stated that there are often times long delays in the State process. The landfill also benefitted from this with essentially $100k of free fill to be used at the

landfill. Wimmer moved to waive the finance charges. This was seconded by Bittner and all voted in favor.

Property Appraisal RFP Process

April Walker led a discussion on the process suggested for selecting property appraisers. The goal would be to identify a pool of qualified appraisers that can be called upon to conduct flood property acquisitions, right of way property acquisitions as well as other Engineering non-flood related work. Wimmer confirmed that there is a need to have more than one appraisal contract due to the volume of work to be done and the demands over the next few years as flood project work is completed. Wimmer moved to approve a RFP selection process for appraisers as recommended by the Engineering Department. Costin seconded the motion and all voted in favor.

Downtown One Way Pairs Street Project

April Walker reviewed the concepts, timeline and funding for this project. She wanted some feedback from the Finance Committee on the structure of a potential special assessment district for switching the signalization change over from one way to two way street directions. The signal portion of the project will be completed in 2013. She wondered if we should establish a separate district for the signal phase of the project instead of lumping all of the costs together since this is expected to be a multi-year project. There will also be some work done on brick replacement in the intersections. The Committee requested that more detailed financial data be brought back for discussion.

Flood Buyout Hardship Policy

April Walker reviewed a draft of a proposed hardship policy with the Committee. This was formulated by the City Attorney's Office after a similar policy in place with the FM Diversion Authority. The Finance Committee would be the first approval committee in place prior to the requests being placed on the City Commission agenda. Wimmer moved to approve the draft policy. This was seconded by Walaker and all voted in favor.

Planning Department Staffing Budget for 2013

Jim Gilmour reviewed the current status of the approved 2013 budget which was approved with a reduction of two full time staff equivalents due to a decline in federal funding. He suggested that one full time Assistant Planner would be advantageous if GO 2030 and other planning programs are advanced in the future. Bittner stated that development activity takes a lot of time for meetings and review. There seems to be some Commission support for adding back one full time planner due to the work load and desire to maintain adequate staffing levels. Mayor Walaker suggested that we should

wait for a while on this decision to see how we end our year financially. No further action taken on this issue.

Financial Reports Reviewed

The Committee reviewed and discussed the quarterly financial status report for all operational funds and the flood sales tax accountability report. No issues were noted on any of the fund variances.

State Aid Revenues Educational Discussion

State aid was discussed as an educational item with the Committee. The derived source of the aid, long term trends in amounts shared with political subdivisions and the funding formulas were reviewed. An analysis of budgeted and projected state aid payments was reviewed for fiscal years 2010, 2011, 2012, 2013, and 2014. Current aid levels have been surpassing budgeted levels and are expected to continue with the boom in oil exploration in the State.

City of Fargo
Finance Committee Meeting Minutes
December 3, 2012

The Finance Committee met on December 3, 2012 at 9:30 a.m. in the Mayor's Office.

All members were present. Guests: April Walker, James Gilmour, Dan Mahli, Erik Johnson

Minutes Approved

The minutes from the last meeting were approved as presented. A motion was made by Wimmer seconded by Bittner to approve the minutes. All voted in favor.

Preferred Financing Alternative for Flood Project Funding

Costin reviewed a report from PFM Group relating to the preferred financing method for flood control bonding. The City has evaluated the State of ND Capital Financing Program (CFP) with the assistance of PFM. Their analysis concluded that there would be an advantage to the City by using the CFP. Costin reported that the financial needs total $55 million which includes $20 million for 2012 expenditures plus the CIP amount approved for 2013 projects and that this transaction would be approved by the Industrial Commission in January, 2013. A motion was made by Wimmer to utilize the CFP program for flood control bonding a total of $55 million. The motion was seconded by Bittner and all voted in favor.

Downtown One Way Pairs Traffic Signals Special Assessments District Methodology

April Walker discussed alternatives for financing the one way pair traffic signalization changes in relation to the one way pair conversion project. The project cost was estimated at $300k with a cap of assessments at 3 cents per foot. They have assessed traffic signal projects in the past. Using this formula there would be approximately $174k assessed or 58% of the total project costs. The Engineering staff is recommending this assessment spreading methodology. Zavoral inquired about whether or not this would be a separate assessment or if the entire project would be within one assessment district. The intent was that this would be a separate district. Zavoral moved to create the assessment district and levy the assessments at 3 cents per square foot. This was seconded by Bittner and all voted in favor.

Sole Source Procurement of Bricks for Broadway Repair Approved

Kristi Schmidt requested approval to sole source procure replacement bricks for the Broadway intersection repairs. She reported that they have tested Endicott brand paver bricks and they have proved to be the most reliable in this climate. Sprague moved to approve a sole source procurement. This was seconded by Wimmer and all voted in favor.

Bus Wrap Trade Agreements with Radio Fargo Moorhead Approved

Jim Gilmour requested a review and approval of an advertising trade agreement with Radio Fargo Moorhead. This agreement exchanges bus wrap advertising for radio ads for Transit. Gilmour

reviewed the value of bus wraps and the current demand for this type of advertising and the inventory of unsold space on coaches. The trade agreement was valued at approximately $38,000 per year and the Transit Division would like to move forward on this contract. He wanted this reviewed and approved by the Finance Committee since it is an unusual transaction involving bartering. Zavoral moved to approve the trade agreement. This was seconded by Sprague and all voted in favor.

Planning Staff Request to Add Back One Planning FTE

Gilmour and Mahli reviewed the current status of the recommended staff reductions due to decline Federal revenues. The Planning Division would like to seek approval to add back one FTE due to the ongoing workload in their Division. Staff impacted by the reduction in the FTE's will be able to apply for the reinstated position. The General Fund budget impact is estimated at $75k. Zavoral moved to reinstate one full time assistant planner position in the budget. This was seconded by Wimmer and all voted in favor.

Building Permit Report Reviewed

Gilmour reviewed the Y-T-D building permit report with the Committee which shows considerable increase in building activity this year. There have been $282 million in permits issued this year that have generated about $1.3 million in permit revenues. Single family and apartment projects are higher than last year and the housing market is strong. He noted that apartment vacancy rates are currently 3% which is very low. He also reported that three new hotels will be constructed which is also a positive trend.

City Building Purchase Offers Approved

Zavoral reported on the status of outstanding purchase offers on the CVS and Flatin Insulation buildings. CVS is willing to accept our offer of $3 million and Flatin will accept $135k. There was some discussion on interest in the Downtown Firestone facility, however, this facility is not provide beneficial space for operations to expand. Wimmer moved to approve the offers for both buildings. This was seconded by Sprague and all voted in favor.

Downtown BID Cash Flow Management Procedures Approved

Sprague reviewed various options of funding the Downtown BID from special assessment collections. The Committee selected the quarterly funding model to be implemented with monthly financial reporting to the City Auditor. Sprague moved to approve this suggestion. This was seconded by Wimmer and all voted in favor.

Closeout Method of the Winter Lights and Broadway Mall Maintenance Special Assessment Districts Approved

Costin reviewed alternative strategies for close out of the Winter Lights and Broadway Mall Maintenance Districts. One option would be to close the funds and transfer the residual balance to the General or City Share of Specials Fund and the other option would be to transfer the residuals to the newly created Downtown Business Improvement District. The Committee favored moving the

remaining funds into the BID. Wimmer moved to transfer the residual balances into the BID. Sprague seconded the motion and all voted in favor.

Indigent Defense Contract Renewal Proposal Approved

Costin reviewed the status and case history for our indigent defense attorneys working in the Municipal Court. There has been a significant increase in caseload work and the recommended contract increase incorporated this increased volume at a fixed price. The recommendation is to renew the contract for five more years with an opportunity to review caseload and pricing after three years. The cost per month would be increased from $45,600 to $55,260 per year effective January 1, 2013. Wimmer moved to approve the terms and conditions of this contract renewal with Joe Johnson and Stormy Vickers. Sprague seconded the motion and all voted in favor.

City of Fargo
Finance Committee Meeting
December 19, 2012

A Finance Committee meeting was held on December 19, 2012 at 9:30 a.m. in the Mayor's Office. All members were in attendance. Guests included Jim Gilmour, Ben Dow and Jill Minette

Minutes Approved

The minutes from the last meeting were reviewed. Bittner moved that they be approved. Wimmer seconded the motion and all voted in favor.

Long Term Disability Coverage

Jill Minette reviewed the existing LTD coverage. Currently this insurance is capped at $6,000 per month which was high enough coverage to provide 60% income replacement at the time this coverage was placed. Since that time salaries have risen so that the $6,000 per month does not produce the desired income replacement percentage. She recommended that the insurance amounts be raised to $8,000 per month to eliminate the reduction currently in place. This change will not invoke an increase in pricing. Sprague inquired about the number of claims under this coverage. Minette reported that there has been fourteen claims since it was put in place. Wimmer moved to increase coverage to the recommended amount. Sprague seconded the motion and all voted in favor.

Payment in Lieu of Taxes Reviewed and Approved

Gilmour reviewed the PFM due diligence report with the Committee. The developer is seeking PILOT assistance in the amount of $222,000. The financial advisor's report concluded that this project requires assistance to be feasible, however, the do recommend lowering the assistance to $174k as a result of the financial analysis and cash flow review. Zavoral moved to approve a five year 100% tax exemption and a five year 50% tax exemption for this project. Wimmer seconded the motion and all voted in favor.

State Capital Financing Program Status

Costin reported that a request was made to the staff of the State's capital financing program to lower the existing letter of credit fee on borrowing through this program. Zavoral and Costin met with Karleen Fine and DeAnne Ament and discussed our future borrowing needs. PFM has suggested that the State is likely to lower the fee but the final decision will not come until January, 2013. If the fee was lowered from 1% of the loan to .5% of the loan the long term savings on flood project borrowing is estimated at $750,000.

PCard Program Status Report

Costin reported on the current status of the P Card program. Several Departments have made vendor inquiries and will be using the purchasing card as a payment method in 2013. It is likely that fuel purchases can be made on P card next year as well. Work will continue with Departmental staff to capitalize on opportunities that exist in growing this program.

Fuel Contracting and Savings Report

Ben Dow reviewed the process for contracting city-wide fuel purchases and reviewed the savings report for 2012. The estimated savings for the year is estimated at $253,000 on approximately 550,000 gallons of gas and diesel. Last year our entire estimated fuel usage pricing was locked into the contract price in January, 2012. Ben reviewed the open market pricing vs. the contract pricing during the year. The City's contracted price was always lower than the open market price with the difference being as much as 50 cents higher in March, and September.

Gaming Services Contract Renewal Recommendation

Costin reported that the existing Gaming services contract will expire on January, 1, 2013. A contract renewal has been discussed with Terri Sprenger and a recommendation is being made to renew the contract with pricing adjustments for 2013 and 2014. The contract was last renewed in 2008 and the recommended pricing adjustments are commensurate with what the City has approved for cost of living adjustments and other service contracts. Sprague moved to approve the contract renewal at $68k for 2013 and $70k for 2014. Wimmer seconded the motion and all voted in favor.

Park East Apartments Flood Project Acquisition

Zavoral reported that Park East Apartments is coming up for sale. He said that FEMA and the Army Corp of Engineers will be decertifying the levees in this area and we will have time next fall to correction the deficiencies. The acquisition of this apartment complex will be required to tie levees together. He said that it may be an appropriate time to consider purchasing due to the need to use this area for flood levees. The asking price is $8 million. Zavoral moved to direct staff to work on an acquisition offer at 110% of value or the reappraised value on this commercial property, whichever is higher. Bittner seconded the motion and all voted in favor.

Educational Topic IVR and Automated Payments in Utility Systems

Sprague reviewed the current payment options for City utility bills. The City offers Echecks, direct ACH deposit and credit card payment options. We are also doing electronic bill presentment. A total of 6,537 customers have used Echeck payments while another 22,075 have used credit card payments. Approximately 27% of our customers are on autopay. The City of Fargo is experiencing growth in the Echeck and credit card payment methods. There has also been very good acceptance of the electronic billing program.