

City of Fargo

Finance Committee Meeting Minutes

January 14, 2009

A special Finance Committee meeting was held at 9:00 a.m. in the Mayor's Office. This purpose of the meeting was to discuss recent grant awards by the State of North Dakota and potential Federal stimulus funding.

Members Present: All

Guests Present: Jim Gilmour, Planning Director

NDOT State Transit Capital Grant Award

Gilmour reviewed a city list of transit projects for potential grant and stimulus funding. Eleven projects were submitted and ranked in priority. We presently have enough local share funding in budgets and therefore no additional local share is needed. He expects that Fargo should receive between \$3.5 to \$4.0 million.

There was a general discussion about purchasing hybrid buses or paratransit vans. Costin suggested using a slow approach due so we can learn about other systems experience with hybrids. Jim and Harold will check on the availability of hybrids. Total potential stimulus listing of projects was \$9.7 million. No action taken as this was informational only.

Federal Stimulus Funding Potential

Zavoral reported that he had been notified by the State that stimulus funding will likely be coming and that 50% of those projects would have to be ready to go within 90 days. A spreadsheet of potential projects was discussed. There were 21 projects totally about \$26.7 million. This leaves a very tight window of opportunity to design these projects if awarded. Statewide potential is about \$200 million with an optimistic estimate for Fargo of about \$8.4 million.

Mayor Walaker expressed concern about the NP Ave bridge needing replacement vs. reconstruction.

Walaker moved seconded by Piepkorn to select design consultants. All voted in favor.

Fargo Board of Education

Committee recommended that the fueling agreement with the Fargo Board of Education use the same fuel markup as all other City Departments. Zavoral suggested that they should participate in capital costs when the fueling station is replaced. All voted in favor.

Fuel Purchase Contracts

Costin reported that the fuel purchasing contracts have been awarded and prices were locked in for 2009. This should result in significant savings in the event that fuel prices rise above the current levels. Finance Committee should re-direct budgeted funds since budgets were set when fuel was at an all time high last summer. Consider mid-year adjustment with budget process.

City of Fargo

Finance Committee Minutes

February 24, 2009

The regular monthly Finance Committee meeting was held on February 24, 2009 at 9:30 a.m. in the River Room.

All members were present

Guest present included James Gilmour, Bruce Grubb, and Erik Johnson from the City of Fargo and Ron Mclean, Beth Pladson, Josh Brekke, Bill Forbes, Mark Thelen

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

TAX INCREMENT FINANCING ASSISTANCE FOR MERIDIAN ON BROADWAY PROJECT

Ron Mclean led a discussion about the proposed development project in North Broadway. The project is requesting TIF assistance of \$714,525. Springsted reviewed the project financial plans and delivered a due diligence report that supports providing assistance to make this project feasible. The expected return using their assumptions was 6.5% with about a 10 year payback of the taxpayer assistance. The project would be a build and sell model vs. long term ownership.

The Committee reviewed the due diligence report in detail prior to the proposal by the development group. Bittner questioned the demand for this type of development.

Zavoral moved, seconded by Piepkorn to approve the TIF assistance in the amount of \$714,525. All members voted in favor.

FLOOD COVERAGE REVIEW FOR CITY BUILDINGS

Costin presented a letter from the State Fire and Tornado Fund regarding flood coverage on City buildings. He stated that the Dome, the CVB, and the City Hall complex is currently covered by flood insurance policies because of previous damage in prior FEMA funded events. Commission Piepkorn moved that the new Library be included due to the proximity to the City Hall complex. Seconded by Costin. All voted in favor of adding coverage for this new facility.

Bond Refunding and Defeasance Proposals

A debt refinancing report from Springsted was reviewed that detailed refinancing opportunities on two City bond issues. The present value savings were about 7% combined which exceeded the City's benchmark for moving ahead with refinancing bonds. Costin asked for approval to proceed with a cash defeasance for Refunding Improvement Bonds, 2003 Series C since there is enough cash on hand to fund the remaining maturities for this issue. He moved to approve the three refinancing issues recommended. This was seconded by Bittner. All voted in favor.

NRI Stimulus Funds Request to Add Staffing for Grants

Jim Gilmour reviewed the proposed federal stimulus funding that was awarded to Fargo for housing. He reported that 4.5 million has been awarded and will be used in Fargo NRI and other housing programs. This includes administrative funding as well as the ability to use existing General Fund staff on grant programs until the stimulus funds are depleted. Costin moved, seconded by Zavoral to approve addition of on new staff position rated at C-43 DBM level. All voted in favor.

Fargo Park District Request to Add Specials for Urban Plains Parking Lots

Committee reviewed a request by the Fargo Park District to add special assessments up to \$225,000 for parking lots at the Urban Plains arena. This has been previously discussed and has been approved by the Park Board. Bittner

moved, seconded by Piepkorn to approve allocation of specials to this project. All voted in favor.

Red River Zoo Access Project Funding

Bittner reviewed the latest funding offer from the State DOT for the Red River Zoo access project related to the I-94 lane expansion project. The State has increased their funding levels from \$200,000 to \$432,500. The increased funding was related to the cost of the revised parking lot in the SW corner of the development area. The Finance Committee has previously agreed to fund a matching contribution based upon the State funding levels for this project out of the existing tax increment financing district currently in place. Zavoral moved, seconded by Bittner to approve match funding up to \$432,500 with the resources allocated out of the Matrix TIF.

General Fund Preliminary Year End Financial Results

Costin reviewed the preliminary year end results for 2008. There is a \$1.6 million surplus this year, somewhat better than expected, with about \$500k in encumbrances to carry over into 2009. The fund balance position is strong at 28% of General Fund expenditures. He reported that the \$400,000 approved transfer out of the Revenue Stabilization Fund had been made as part of the final results and wanted to know if the Committee wanted to simply leave the surplus in the General Fund pending the resolution of the Sauby traffic fines case, or transfer this into the City Hall construction fund. Committee recommended leaving this in the General Fund until we are able to assess the impact of future economic uncertainty.

Federal Stimulus Funding Status Report

Bruce Grubb, Jim Gilmour and Pat Zavoral reported on the status of federal stimulus funds making their way to Fargo. There is presently about \$17 million in funding from the following sources:

Highway funding \$6.5 to \$7 million

Transit Funding \$ 2.4 million

Water & Wastewater \$ 4 million

HUD \$ 4.5 million

CDBG / HOME Funds \$ 1.3

Grubb reported that he has been in contact with the ND State staff currently operating the State Revolving Loan fund with Fargo's interpretation on what items are deemed eligible. He said there may be opportunities for zero interest loans or 25% grant funding of eligible infrastructure projects. These projects have a one year timeline to get ready. Bittner reported that the highway projects need to be ready by April, 2009 for final funding approval.

32nd Ave Powerline Relocation Project

Bittner reported on the cost estimates related to the 32nd Ave power line relocation project. The total estimated cost is approximately \$1.7 million. He will set up two assessment districts for this project. The costs to the east will be assessed and paid by the TIF district in place with Matrix, and the costs to the west will be assessed using normal city process.

City of Fargo
Finance Committee Meeting Minutes
April 29, 2009

The April Finance Committee meeting was held on April 29, 2009 at 1:30 p.m. in the Valley Room.

All members were in attendance. Guests included Erik Johnson, City Attorney, James Gilmour, and Julie Bommelman of the Transit Division.

The minutes of the previous meeting were approved as presented. All voted in favor.

Transit Services Agreement with NDSU

James Gilmour reviewed the proposed services with NDSU for transit services. He suggested that the rate per hour remain the same due to lower fuel prices. Cost is \$42.50 per hour. NDSU will be adding services Route 34, Route 33 for approximately \$250k. He also stated that NDSU is asking if faculty can be added to the U Pass system. Moorhead colleges are doing this now. NDSU will also be paying the 17% local share of coach purchases. Zavoral moved to accept the recommendations, seconded by Costin. All voted in favor.

Flood Event Financial Status Report

Costin reviewed the financial summary of the flood event. The City expected to pay out about \$5 million for flood fighting costs with an estimated local share of about \$300k if the 90/10 funding levels are declared. There is another \$300k for the local share of the costs to remove the levees. There is also significant cost associated with yard damages due to levee placement by the City.

Transit State Capital Funds Available

Gilmour reported that State capital funds are available in the amount of \$3.5 million. He provided a listing of capital needs for the transit system, including a Senior Ride Program storage building, replacement of three coaches, and a potential transfer point at the K-Mart location in South Fargo. Zavoral suggested that we wait until we see what the final financial impact of the flood event will be and how the Sauby case is settled.

Valley Bus Company Flood Billings

Costin and Gilmour reviewed the billing arrangements and related recommendations for final payment with Valley Bus Company. A recommendation from staff was made pay the quoted rate of \$60 per hour for regular transit volunteers coordinated by the Transit Division, and increased rate of \$75 for evacuation / special needs services coordinated by the Health Division, and to deny payment for buses staged lacking approval by City staff. Amount denied is \$68,850. Costin reported that there has been no evidence that the City was involved in authorizing these services. Piepkorn moved, seconded by Bittner to accept the recommendation from staff on these issues. All voted in favor.

Sandbag Billings to other Cities

Mayor Walaker asked if the other Cities will be billed for delivered sandbags. Zavoral reported staff is planning on billing \$1.65, plus transportation costs incurred to deliver them. A deduction will be made to FEMA costs to avoid duplication of billing.

Local Share of Flood Event Funding Sources

The Committee discussed the status of damages to homes impacted by the placement of flood levees. There is significant cost associated with this cleanup which is not being deemed eligible by FEMA. There are a few property owners requesting buyouts to date and the City Engineering Department has identified about forty homes that should be acquired for future flood control projects. Zavoral moved, seconded by Piepkorn to authorize the existing sales tax as the primary source for home buyouts and with Revenue Stabilization Fund as the secondary source for the local share of flood fighting. All voted in favor. Costin will draft a Revenue Stabilization Fund Balance policy that defines use of funds and will bring this forward to the City Commission for approval in May.

Third Party Administrator for Sauby Vs. City of Fargo Traffic Fines Settlement

Costin requested that consideration be given to having a third party administrator for settlement of the traffic fines lawsuit. He cited that the flood is impacting staff schedules and ability to keep up with normal work and that this settlement will consume a lot of staff resources that are already fully programmed. He stated that we received an estimate of cost from an administrator for approximately \$68k and that this service would be procured using request for proposal. Zavoral moved, seconded by Piepkorn to utilize a third party administrator for final settlement. All voted in favor.

Flood Protection Billing to Frontier and Prairie Rose

The Committee discussed the concept of billing the two incorporated Cities for flood protection provided by the City of Fargo during the flood. The consensus was that this activity should be invoiced, however, the Mayor will contact them prior to sending any billings.

City of Fargo
Finance Committee Meeting Minutes
May 27, 2009

The regular monthly Finance Committee meeting was held on May 27th at 8:30 a.m. in the Mayor's Office.

Members Attending: Walaker, Piepkorn, Zavoral, Bittner, Sprague, Costin

Guests Attending: Erik Johnson, James Gilmour

Minutes Approved

The minutes from the last Committee meeting were reviewed. Bittner moved, seconded by Piepkorn to approve the minutes as presented. All voted in favor.

Valley Bus Company Flood Billing Letter of Explanation

A letter of explanation from Valley Bus Company was attached in relation a request for reconsideration of costs associated with the flood evacuation event. Committee previously denied charges that were not approved by the City officials. Committee determined that they did not want to reconsider this request.

Revenue Stabilization Fund Balance Policy

A draft of a formal Revenue Stabilization Fund Balance Policy was reviewed and discussed. Zavoral and Costin reviewed the details of the proposed policy language and the key provision which include the ability to access this fund during economic decline or for emergency purposes. Zavoral recommended that the minimum fund balance requirement be \$1 million in lieu of zero as drafted. Committee concurred with that recommendation. Zavoral moved to approve as amended, seconded by Sprague. All voted in favor.

Flood Restoration Policy

Johnson and Zavoral led a discussion about a proposed flood restoration policy. Erik has been in contact with several insurance companies that said they will pay claims and highlighted the standard policy language that suggest they will pay. Zavoral highlighted the anticipated exposure in the number of properties damaged and the estimated financial exposure of \$1.3 - \$1.5 million. The plan for financial assistance would include two options for claims processing. One would be having the homeowner's contract for the work and then submit and insurance claim through their homeowners insurance, and the other would be to have property owners included on a City wide contract coordinated by a landscape architect. Work under option # 2 would be coordinated by a contractor. Both options have a cost sharing of either 80/20 or 90/10 and will pick up deductibles. Piepkorn suggested that option # 2's cost share be the same as option # 1 for consistency of policy. Bittner commented that the feedback

he was getting from citizens is that homeowner insurance companies must be starting to accept claims. FEMA funded public assistance projects will take care of the public right of ways including streets, boulevards and sidewalks. Costin moved to approve the policy draft as amended, seconded by Bittner. All voted in favor.

Flood Buyouts

Gilmour reported there are fifty properties on the potential buyout listing and about ten that should be considered urgent in several areas. The total financial need for all fifty is about \$16 million. Zavoral suggested that a priority listing be developed with Engineering and that he is coordinating a meeting with staff next week to discuss the status of sales tax funded projects. Bittner reported that there is \$2 million eligible to fund the south side flood control monies already spent in the Storm Sewer fund, and another \$3 million in hazard mitigation grant funds. Zavoral suggested that it would be two more City Commission meetings before a final recommendation could be made for a buyout strategy.

Flood Recovery and Buyout Financing

Costin reviewed a memo drafted with potential sources for flood recovery and buyout financing. Several alternatives were presented. A recommendation was made to use sales tax resources and that the integrity of General Fund and Revenue Stabilization fund reserves should be kept in place.

GTC/ Greyhound Terminal Lease Expiration

Zavoral reported that Greyhound notified us that they intend to let their facility lease expire on July 1st due to declining business and the cost of maintaining and heating this facility. He said that the Police Department could potentially use this facility for storing squad cars to reduce down time currently spent commuting back and forth to the Central Garage each day. An educational session of the City Commission will be scheduled soon to discuss potential use of the facility.

Fire Station Bond Issue

Costin reported that bond council and Springsted are working on financing alternatives for the type of bond issue to be used for the Fire Station project. He said that options available are development bonds, Building Authority Bonds, and potentially Build America Bonds (BAB's). Both the development bond and BAB's are new options that the City of Fargo has not used in past practices. The BAB's are similar to regular bonds, except that the federal government will pay a portion of the interest payments each year as debt service matures. Springsted will provide a final recommendations report and strategy for sale of bonds this summer.

City of Fargo
Finance Committee Meeting Minutes
August 3, 2009

The monthly Finance Committee meeting was held on August 3, 2009 at 10:00 am. in the Mayor's Office.

Members attending: Walaker, Piepkorn, Zavoral, Bittner, Costin

Members absent: Sprague

Guests Present: Ben Dow, Jim Gilmour

The minutes from the last Finance meeting were approved as presented.

Flood Buyout Policy Review

Gilmour and Zavoral reviewed the proposed flood buyout policy. The policy was modeled after the 1997 practice. A new clause has been added to allow up to \$15,000 for payment of special assessments if they move into Fargo. There is a priority listing of about \$ 5 million in property who would like to be bought out. Citizens would have 90 days to vacate their properties. Efforts will be made to salvage materials.

Zavoral moved, seconded by Piepkorn to approve the flood policy. All voted in favor.

Zavoral moved, seconded by Bittner to approve the sale of revenue bonds to fund the buyout program to include allocation of administration fees to the buyout acquisitions. All voted in favor.

Transit Capital Funding

The State of North Dakota DOT notified Jim Gilmour that there is presently \$2.5 million in State transit monies available for project. He submitted a listing of project and priorities. These funds are over and above the stimulus funding already allocated to Fargo and the State. He asked for approval to proceed with the purchase of two hybrid transit coaches. Grand Forks as already order coaches . They are significantly more expensive to purchase but will save on operational costs. Zavoral moved, seconded by Costin to approve the budget for use of these funds. \$200,000 will be appropriated mid - year to cover the additional local share cost of the hybrid purchases.

City Fraud Hotline

Costin reported that Eide Bailly recommended consideration of establishing a fraud hotline to improve our internal control process. The Committee discussed the pro and con of moving in this direction and

decided that our existing ethics and fraud and abuse policies were adequate, and therefore dismissed the idea of setting up such a service.

Master Construction Lease of Property

Ben Dow reviewed the existing site and land leased and used by Master Construction. Their lease expired and need renewal. Others have inquired about purchasing the city owned lots adjacent to the Master Construction site. Master has agreed to pay the back rent up to current. There has been damage to the water infrastructure as a result of their material piles on the leased lots. Committee considered sale or lease of lots going forward. Piepkorn recommended using market rates for the lease renewal. Walaker suggested catching up on the lease payments and then offering for sale of lots 16-20.

Zavoral moved to direct staff to update the lease agreement to current and to sell lots 16-20. Clause would include agreement to waive future special assessments. The City should pay the \$18,375 snow bill to Master to clean up outstanding accounts. All voted in favor.

DOT Stimulus Funds Allocation to Projects

Bittner reported that Red River Commodities was losing their certification as a result of a recent audit. He reported that \$ 5 million is available from federal stimulus funds for 2011 construction season. Possible projects eligible would be 7th Ave, 12th Ave North by 45th Street, 20th Ave North and the 52nd Ave westward expansion. Zavoral recommended the 7th Ave project for these funds.

City of Fargo
Finance Committee Meeting Minutes
September 15, 2009

The September Finance Committee meeting was held at 8:00 a.m. on Tuesday, September 15, 2009 in the Mayor's Office.

Members Attending: Walaker, Piepkorn, Bittner, Zavoral, Sprague, Costin

Guests Attending: Erik Johnson, City Attorney

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

Eastbridge Apartments, LLC TIF Modification

Dell Arneson forwarded a letter requesting a modification in the existing TIF developer's agreement that expands the amount of TIF resources available because of the City's desire to expand the scope of sidewalk placement. They are requesting an additional \$46,212 over and above the existing agreement which specifically limits the sidewalk budget. The overall project came in much less than the \$350,000 TIF note previously approved so this is not an additional monetary request, just an approval of more money in the sidewalk portion of the TIF budget. Zavoral moved, seconded by Piepkorn to approve the requested amendment of the TIF agreement. All voted in favor.

Bond Sale Recommendations

Costin reviewed upcoming bond sale structures for the refunding improvement bonds, sales tax revenue bonds, and the general obligation development bond for the fire station. He stated that our financial advisor and bond council are evaluating the use of Build America Bonds created by the economic recovery act. Under BAB's the federal government has agreed to pay up to 35% of the interest payment as part of the stimulus program. More discussion about what interest rate to use for special assessment levy purposes in the event that BAB's are feasible. He suggested that the Finance Committee consider amendment of our existing special assessment polices to address the BAB issue and that the interest rate should be set at the normal tax exempt bond rate which is what has been used in past practice prior to the creation of BAB structure.

There was detailed discussion on the structure and size of the sales tax revenue bonds for flood control projects. Preliminary plans were to issue \$10 million to be used for flood buyout transactions. The structure was to go with a very short term (3 year) amortization period for future flexibility with a one year call provision so that we could issue more bonds in the future as our needs become more well defined after a January, 2010 decision on a basin wide option as recommended by the Army Corp of Engineers.

Bittner reviewed proposed project plans for next year to include several drain improvements and other anticipated flood control enhancements. A total of \$22 million was listed which includes the funds for buyouts previously planned. There was more discussion about the need to continue using the special

assessments method of funding part of the flood control projects and that the sales taxes authorized were never intended to pay all of the costs, but rather reduce the taxpayer burden for these projects. The Committee agreed that we should continue using special assessments to be applied to flood projects. He also noted that the Storm sewer utility has incurred flood related costs that could be reimbursed with this bond issue. Costin also reported that revenue coverage tests will be in place to monitor the strength of our ability to repay the bonds. A 125% coverage ratio is considered a strong feature and would likely help us to maintain our very high credit rating. Staff asked the financial advisor what impact moving to a 110% coverage requirement would be and this would lower our credit rating and would end up costing more on a long term basis because higher interest rates would be charged. Zavoral moved that the City issue \$25 million in sales tax revenue bonds with a five year amortization period and a short call provision for future flexibility. Walaker seconded the motion and all voted in favor.

Street Lighting Utility Rate Structure

Costin reviewed the proposed structure of the street lighting utility that was approved in the preliminary budget. The overall budget and the need to establish a rate structure was reviewed. Bismarck is currently operating a street lighting and traffic signal utility fee structure. Their overall rate structure was reviewed which included residential with lights and residential without lights, and commercial.

Two rate structures were reviewed which provided residential rates of \$3.20, or \$ 3.90 per month, and either \$12.00 or \$16.20 for commercial accounts depending upon how costs are allocated to the rate classes. Sprague stated that the storm sewer fees are currently \$3.00 residential and \$15.00 commercial. Committee felt that the commercial rate class was somewhat high and that more costs should be allocated to the residential rate class. The Committee felt that we should look at our ability to do residential without lights as well if that data is available. Mayor Walaker suggested that we run a \$4.00 / \$8.00 model and see what revenue is generated and then bring this back to the Finance Committee for a final recommendation.

Flood Relocation Policy

Zavoral presented the idea of paying citizens who are impacted from a flood buyout that choose to move to another Community the same rate as a normal intercity move. This practice was used in 1997. A motion was made by Zavoral to allow relocation cost reimbursement up to a cap of \$4,000. This was seconded by Piepkorn. All voted in favor.

Political Subdivision Grants to Not for Profit Agencies

Zavoral reported that there is a lawsuit in Minot regarding political subdivision grant payments to not for profit entities. He said the substance of the lawsuit is that the ND Constitution only provides for the authority to provide grants and participation in organizations for the aid of the poor and needy. He wanted the Finance Committee to be aware of this issue since the City currently designates one tax mill (approximately \$313,000 per year) for grants to non profits for needy and for the Arts. Costin stated that Mayor Furness reviewed many of the organizations a while back and concluded that some of the agencies serviced low income populations as well as other income levels so that our funding was going to the needed served by those agencies. No action taken on this issue.

Grants Cash Management Policy

Costin provided an overview and a draft policy regarding cash management practices used for the various grant programs currently active within the City. The entire grants management functions are operated on a decentralized basis so Departmental staff are responsible for doing grant reimbursement requests. While the City has had very good luck in past audits, there is a lack of a uniform policy on when Departmental personnel complete this important task. The proposed policy establishes the criteria to classify a grant as either a major or minor grant program requiring differing reimbursement criteria. This policy will have the effect of setting a benchmark of reasonable amount of time to complete cost recovery requests. Minor grants will be recovered no less than quarterly, and major grants will be recovered on a monthly basis. Zavoral moved, seconded by Piepkorn to approve the grants cash management policy as drafted. All voted in favor.

Credit Card and Internet Payment Methods Overview

Sprague and Costin provided data regarding current payment methodology used by our customers. There is increasing usage of credit card method of payment. We currently do not offer a customer the ability to have credit card data stored for ease of future payments because the City does not want to be responsible for security over confidential credit card data. Piepkorn expressed interest in making it easier for customers to pay by credit card as a more efficient method of payment. He suggested that the City also market the auto pay option on the web site to continue awareness. Sprague reported that a high volume of call is currently being taken manually by utility billing staff because customers are refusing to use the web payment method because of the convenience fee currently in place. Costin suggested that the implementation of an interactive voice response system (IVR) would be a more streamlined method of taking in payments and would be easy for customers to use and would save staff time currently spent processing credit card payments manually. Committee continued discussion of fees and current types of payment available in our existing software systems. Zavoral suggested that none of these methods. No action taken. Staff will continue evaluation of strategies to lower fees and streamline current process.

Flood Accounting Status Report

Costin reviewed an accounting report that highlights all of the flood costs including the flood fighting expenditures, restoration payments, and related flood buyouts. He expressed concern about the existing deficit in the flood fighting fund of \$6.5 million and the lag in time spent by the State DES to process our payment requests. He stated that most of the expenditures have been turned in for reimbursement, but that a long period of time has elapsed with no money flowing back to the City. Zavoral offered to contact Greg Wills from State DES to get a status report on when we might expect payments.

Brandt Crossing Special Assessment Request

A letter was received and discussed from James Bullis regarding amendment of the existing development agreement as to when the special assessments would be levied. Their request was to change the trigger mechanism from platting to the actual installation of the utilities. Bittner felt that consideration should be given to granting this requests because this land area is in an area that is not currently impacted by flood elevations and could be developed immediately. Zavoral and Costin expressed concern about the amount of deferrals granted I light of the overall size of the 52nd Ave

project deferral approved last year. Zavoral moved, seconded by Piepkorn that the deferral request be approved with interest accruing. All voted in favor.

City of Fargo
Finance Committee Meeting Minutes
10/9/2009

The monthly Finance Committee meeting was held on October 9, 2009 in the Mayor's Office at 9:00 a.m.

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

Members Absent: Sprague

Guests Present: Ron Gronneberg, Jim Gilmour, Erik Johnson, Jill Minette

The minutes of the last meeting were approved as presented.

RMS Hardware Procurement

Ron Gronneberg reviewed the status of the public safety committee's recommendation to purchase HP hardware off of existing State contracts. All of the agencies are currently using HP equipment so there is a desire to continue using these products. Ron wanted to make sure the Committee was aware of this recommendation and wanted authorization to purchase from the WSCA contracts. These purchases are being made from grant funds. Costin moved, seconded by Zavoral to approve the purchases as recommended by the committee.

State Aid for Public Transportation Supplemental Grants

Jim Gilmour reported that the State of North Dakota has granted an additional \$164,000 of State aid in 2009. He wanted some guidance on what the City should do with these funds. The Committee felt that it should be used for the increased local share of funding for the two hybrid coaches recently approved. No formal action taken.

Payroll Periods In 2009

Zavoral and Minette reviewed the 2009 payroll calendar stating that in 2009 there will be 27 pay periods vs. the normal 26 pay periods. This is a calendar abnormality that occurs occasionally depending upon what day pay day is designated. Jill stated that the Federal government has paid on a 27 pay period basis in the past and a survey of other local governments and large employers in Fargo show that all of the employers chose to pay their exempt employees the 27th pay period because of the additional hours worked during the year. Zavoral moved, seconded by Bittner to approve setting the last payroll pay date on Thursday, December 31st. All voted in favor.

Bond Sale Protest

Costin stated that he was disappointed that there was an attempt to derail the refunding improvement bond sale last Monday because of the protest of two assessment districts included in the sale. Bittner reviewed the project details and discussed that a significant portion of the project costs relates to the

frontage roads in the new development area. Zavoral suggested that we should not be offering interest free special assessment deferrals going forward. Erik Johnson and staff will be working on answers to the protest questions for the Special Assessment Commission prior to the next City Commission meeting.

Firestone Station and GTC Remodeling

Zavoral reported that he has been working with Kevin Bartram to assess the potential for acquiring the Firestone facility adjacent to the Police Department to be used for a staging area for police vehicles and potentially some staffing office areas. He said that they are asking about \$800,000, however, the City Assessor's value is about \$690,000. The police administration is interested in moving forward with this acquisition and remodeling. Walaker asked if this would delay a south side police precinct. Costin stated that he had a conversation with Keith Ternes about the PD being ten officers short due to military or other absences and there might be significant salary savings that could be re-appropriated to the purchase of the Firestone station. Zavoral moved to get an appraisal of the building, meet with the Police Chief about budget savings from staffing shortages, and to solicit architectural proposals for the feasibility of both projects, including funding plans. The motion was seconded by Bittner and all voted in favor.

Sauby vs. City of Fargo Status Report

Erik Johnson reported that the Sauby vs. City of Fargo letters have sent out and that the closing date for filing of claims is November 2nd.

Tax Increment Financing Request by Roer's Construction

Zavoral reported that Roer's Construction has requested \$2.5 million of TIF assistance to redevelop four properties acquired. He stated that some of the property acquired is not that old some constructed in 1989, which would not be eligible. He also reported that our existing TIF policy will help to keep the land write down costs to an acceptable level because this category of costs is capped in the TIF policy. Zavoral estimated that \$900,000 might be a more appropriate level of assistance. Piepkorn stated that he thinks this is a good project and that his has faith in Zavoral's ability to negotiate a deal incorporating the due diligence review process with Springsted. Gilmour stated that they will begin to receive the data needed for the review.

US Bank Demolition

Zavoral reviewed the status of the demolition of the US Bank parking ramp. He stated that the engineers estimate was about \$800,000 and that the final bids came in at \$359,000 for the demolition and \$ 250,000 for the reconstruction and support of the Skyway system adjacent to the ramp. He recommended that the demolition contract be paid from Parking surplus funds, and that the \$250,000 reconstruction of the Skyway system be funded by special assessments levied back to the City property.

National Guard Flood Local Share of Flood Control Billing

The Committee reviewed a billing received from the National Guard for the local share of time spent on the spring flooding in the amount of \$124,018. Walaker questioned if the Guard was billing all agencies in North Dakota including all of the smaller communities. He recommended that this billing be delayed until we inquire about the consistency of the billing across the State of North Dakota.

Third Quarter Financial Status Reports

Costin reviewed the third quarter financial status reports of all the major operating funds. He noted that overall revenues are lagging slightly noting drop off of revenues from the ethanol plant project and the lack of carbon credit sales in the Solid Waste fund this year. Overall revenues were 2.1% below budget projections. Expenditures were 1.5% below projection.

Street Lighting Utility Rate Structure

Costin reviewed the additional analysis of street utility rate structures as a follow up to the last meeting. Various rate proposals were presented. He stated that all of the Street lighting costs were initially included in the budget, however one staff person, Dave Helland is a design engineer that works primarily on projects vs. maintenance. Bittner moved to approve the rate structure of \$4 residential and \$10 commercial to fund this function. Dave Helland's position will be removed from the street lighting utility and will be funded out of the General Fund.

Ridgewood Flood Control Special Assessments

Bittner reported that they had received complaints from property owners in the Ridgewood special assessment improvement district about being assessed a direct benefit when their properties were in an area higher than others in the district. He reviewed a map showing several properties that had been included in the direct assessment at \$1,500 per parcel. Committee approved lowering the assessment to the same as others in the Ridgewood area at \$200 per parcel, knowing that more assessments might be coming forward in the future that help to secure this area. Zavoral moved to approve, seconded by Bittner. All voted in favor.

North Dakota Insurance Reserve Fund General Liability Analysis

Costin presented a review of recent claims history and a letter from our risk manager, AON Risk Services stating that it would be in the best interest of the City and would improve the strength of our risk management program by moving coverage to NDIRF and discontinuing the existing self insurance plan. Zavoral moved to join NDIRF for the general liability coverage and to discontinue the self funded plan after moving to NDIRF. This was seconded by Bittner. All voted in favor.

City of Fargo
Finance Committee Meeting Minutes
October 29, 2009

The October Finance Committee meeting was held on October 29, 2009 at 9:00 a.m. in the Mayor's Office.

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

Members Absent: Bittner

September Meeting Minutes Approved

The meeting minutes from the September meeting were reviewed. Walaker moved, seconded by Costin to approve the minutes. All voted in favor.

Firestone Facility Acquisition & GTC Remodeling

Zavoral discussed the acquisition of the Firestone facility and the remodeling of the transit terminal for Courts. He said that Kevin Bartram has looked at the Firestone facility and it is large enough to handle about 30 squad cars, plus some office type environment at ground level. Walaker moved, seconded by Piepkorn to get an appraisal done for Firestone and to come up with a financing plan for this facility. All voted in favor.

Water Utility Rate Ordinance Update

Sprague reviewed proposed changes in the water rate / billing ordinance. He recommended that the overtime rate be increased from \$50 to \$75 with a two hour minimum charge. He said that there were changes in the late fees structure to clean up the language. Costin moved, seconded by Zavoral to approve the changes proposed.

On-Line Pay Stub Project Implementation

Costin reported that the Finance and Human Resources Offices are ready to launch an online web check stub program in lieu of paper based stubs currently provided manually. He said that they would like to launch this and then discontinue with the paper stubs. Divisional payroll processors would be able to access this data if necessary in the event that the employee does not have computer access. Committee recommended setting up a couple of computer terminals to access this data in the departments with limited access like Streets and Solid Waste. He also mentioned that we would like to do the W-2's in the same manner. Committee felt that we should wait until next year for this process to be implemented, pending acceptance of the check stub program.

FargoDome Capital Escrow Asset Allocation Review

Costin reported that the FargoDome Finance Committee will be reviewing the current asset allocation methodology in the near future. The current asset allocation is 50% equities and 50% fixed income. He

stated that there has been a nice recovery in the current year and that some of the market losses from the past year were being recovered over time. Piepkorn suggested that a more conservative asset allocation be considered in light of the overall economy and the need to consistently produce returns for the facility. Costin stated that this was set up much like a long term pension fund with traditional asset allocation methodology because of the long time horizon for the fund. Steve Cochrane of the State Investment Board will be meeting with the FargoDome Finance Committee in either November or December. Zavoral suggested that we wait until after this meeting to see if any changes are desired.

Airport Tenants Phone Connections

Costin reported that both Qwest and Idea One now offer commercial phone services at the Airport because of the fiber optic cable that was placed there late this summer. He suggested that the City discontinue supporting the Airport tenants with phone services. Walaker moved, seconded by Sprague to discontinue phone services to the tenants of the Airport with 90 days notice. All voted in favor.

Sole Source Procurement for General Liability Broker

Costin asked for sole source procurement to place the City's recently approved general liability insurance coverage with the North Dakota Insurance Reserve Fund (NDRIF). He said that the City could do a formal RFP or bind immediately with Warner & Company, our existing vehicle liability agent of record. He stated that there are several insurance policies in place from several different brokers and that it might make most sense to bind with Warner now and then do the formal RFP next year about this time. This would eliminate the risk of a large loss during the time of the RFP process since coverage could be implemented immediately. Zavoral also reported that the NDRIF policy provides additional coverage not currently in place for accidents in Minnesota. Sprague moved, seconded by Piepkorn to place the general liability with Warner & Company and then do an RFP within one year to consolidate all of the insurance products of the City. All voted in favor.

Pharmacy Benefit Manager Contract Renewal with MEDCO for 2010.

Costin reported that Aon has successfully renegotiated a PBM contract with MEDCO for 2010 after considerable effort on their part. The new contract terms and conditions are very favorable and will lower our drug costs by about 12%-13%. Most of the savings come from increase sharing of drug rebates offered by the drug companies. Piepkorn moved, seconded by Sprague to approve the one year contract with MEDCO. All voted in favor.

Cable Franchise Fee Audit Proposal

Costin forwarded a franchise fee audit proposal from Lewis & Associates. They are in the business of auditing franchises for cable television. Committee felt that this was a good idea to have the recently approved contract audited for compliance with changes made at the last negotiation done in 2005. Sprague moved to select the three year option, seconded by Zavoral. All voted in favor.

Sole Source Procurement Request for Koterra Software

Bittner requested approval of a unique mapping software provided by Koterra. He said this is compatible with existing data bases and will help their Divisions efficiency. Walaker moved, seconded by Piepkorn to approve this purchase under a sole source process. All voted in favor.

Money Managers for Sales Tax Funds

Costin suggested that it might be prudent to consider a professional fixed income asset manager for the resources being accumulated in the sales tax funds for infrastructure. He stated that the city has followed the same process for years and that now with the sales taxes accumulated in the early years that more revenue could be produced using a different approach. Piepkorn suggested that the City look into having a money manager for all funds of the City vs. just the sales tax funds. Piepkorn moved seconded by Costin to look into options for having the money professionally managed. All voted in favor.

Roer's Tax Increment Project Update

Zavoral reported that about 20% of the Roer's project would be TIF eligible. He said that a payment in lieu of taxes (PILOT) option was being considered for the non-TIF eligible items.

Flood Buyouts

Zavoral reported that the offer to purchase Mr. Poytner's home expires on 10/31/09. He said that this is a key home in a low area and that the City should not extend the offer any longer as Mr. Poytner was asking for an extension until after the Army Corp of Engineers options were selected. Committee reaffirmed this decision.

He also reported that the McColley home was being negotiated and wanted to split the difference in pricing to obtain this home.

City of Fargo
Finance Committee Meeting Minutes
November 23, 2009

A Finance Committee meeting was held on November 23, 2009 in the Mayor's Office at 2:00 p.m.

Members Attending: Walaker, Piepkorn, Zavoral, Bittner, Costin

Members Absent: Sprague

Guests Present: Bruce Grubb, Jim Hausauer, Butch McConn

Sewer Backup Status Report

Butch McConn reported on the status of the sewer backup claim and how NDIRF and others are resolving this issue. He stated that NDIRF emphasized that it is important that there is not an admission of liability. Zavoral suggested that consideration be given to establishing a policy or fund with a cap of up to \$2,000 to assist homeowners in situations like this. Grubb reported that he felt it was clearly a contractor issue. Walaker suggested that we wait on setting up a fund so that we don't establish a precedent. Piepkorn suggested that a long term policy needs to be worked out over time. Walker suggested that we wait to see how NDIRF settles this claim before adopting a policy.

Minutes Approved

The minutes from the October 29, 2009 meeting were approved as presented.

GFOA Article on Financial Planning

An article recently published by the Government Finance Officers Association was distributed and discussed. The theme of this article was an emphasis on long term financial planning which identified the eight essential characteristics of a resilient system which includes diversity, redundancy, decentralization, transparency, failing gracefully, flexibility, and foresight. Costin emphasized that oversight is often gauged upon the adoption of strong financial policies and that the rating agencies look at this during our ratings.

Street Lighting Utility Feedback

The Committee discussed recent feedback on the street lighting utility fee proposal. Costin provided a map of the City that isolates all of the private drive areas that do not have lights, or have lights that are paid by their development or association. There were several areas of the City that were identified by the Street Lighting staff. A sampling of area rate structures was provide for both North Dakota communities, Minnesota cities, and other states including Idaho, and California. The street lighting concept seems more prevalent in Minnesota cities, however, more North Dakota communities have or are setting up this structure. Piepkorn stated that citizen input is being received and he wondered if the rate structure was as fair as possible in light of the citizen complaints about the new fee. The Committee decided to leave the rate recommendation as is until after the feedback received at the second reading of the ordinance on November 30th.

NDIRF Claims Processing

The Committee discussed how NDIRF will be processing claims in the future now that the City has become insured under the general liability package. Zavoral stated they may defend us against claims vigorously and that their standards for payment under the liability may be less robust than how the City was handling claims while being self insured. Small claims like mailboxes and other minor damages might be funded differently.

Health Care Stop Loss Renewal Coverage

Costin reported that he has been working on the renewal of the City's health care stop loss coverage for 2010. This has been more complicated this year because of potential for high claims related to organ transplants. Our current carrier, HCC Benefits, is adding the potential risk associated with these cases to our insurance costs, directly, or setting them aside as self funding with a cap. He noted that this seems to be a departure from past renewals and that AON has been asked to assist in validating the pricing and how our renewal was being priced. They have access to other carriers and may be able to lower our insurance costs.

FCCEDC Growth Initiative Fund

Zavoral reported that Brian Walters has made a request for funding into the Growth Initiative Fund in 2008 due to recent rulings by the IRS about it being funding in accordance with a public trust. They are in jeopardy of losing their tax exempt status if they do not receive at least \$80,000 in funding by year end. Piepkorn recommended that the FCCEDC consider solicitation of funding from West Fargo as they have not funded their fair share of the original contribution to start the fund and they have been loaned out more money than they have contributed. He was concerned about the loss of control of the economic development process. He was in favor of having the FCCEDC come to the City with direct requests instead of having a dedicated funding source. Zavoral moved to fund up to \$40,000 of this request and recommended that other governmental units help to resolve this issue. Piepkorn seconded the motion and all voted in favor.

FEMA Cost Recovery Status Report

Costin reported that since the last status report the City sent back the evacuation bills originally sent to the City as FEMA and the State DES have determined that these costs should be borne by the State of North Dakota who issued the evacuation order. He also reported that while the newly appointed FEMA officer is making great progress our cost reimbursement requests are getting bogged down in the review process at either the State DES or Federal FEMA level. Zavoral suggested that we should be in contact with Lance Gaebe with the Governor's office to express our concerns about settling our reimbursement requests.

City of Fargo
Finance Committee Meeting Minutes
December 3, 2009

A special meeting of the Finance Committee was held today to discuss the street lighting utility fee rate structure as referred from the City Commission on November 30th.

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

Members Absent: None

Guests Present: Jim Gilmour

Minutes Approved from November 29, 2009 Meeting

The minutes from the November 29, 2009 meeting were approved as presented.

Street Lighting Utility Fee Rate Structure

This issue was referred by action of the City Commission on November 30th. They approved sending this back to the Finance Committee for further review of the rate structure based upon the feedback received prior to the second reading and delay of the second reading for two weeks.

Costin reviewed a revised allocation method that replaces a per building commercial fee for multi-family apartments to a per living unit fee so that all residents living in apartments would be subject to a similar fee structure as proposed for single family residential customers. There are approximately 22,000 living units in 1,292 buildings in the multi-family class of properties. Allocating a user fee to this class of customers on a per unit basis will lower the amounts previously proposed to the single family and commercial class of customers. A revised fee of \$2.50 for residential, \$ 8.00 commercial, and \$2.50 multi-family apartments was reviewed. The fee structure lowers the overall fee structure by allocating to more billing units and helps to resolve the inequity between single family residential and multi-family residential customers.

He also reported that customers who are low income eligible for homestead credit on their property taxes are eligible for reduced garbage utility fees of \$2.50 per month vs. the small, medium, and large can structure currently in place. He inquired about the desire to incorporate a homestead credit exception in the street lighting fee. The Committee favored this approach. There are about 200 low income households presently taking advantage of the reduced garbage fee. He suggested that the entire City's utility rate structure be evaluated in the future for consistency in applying the homestead credit fee structure for all of the City utilities and not just garbage services.

Piepkorn confirmed that he feels the utility concept is sound; however, he expressed concern about moving cautiously through the remainder of this process. Walaker stated he supports the concept and the revised rate structure looks better than the initial proposal. Bittner reported that the same citizen concerns were raised during the time that our Forestry fee structure was implemented. Zavoral felt this will allow us to hold the line on future property tax rates. Bittner asked if having the rate the same for

single family vs. apartments was fair. Zavoral stated that the utility is designed to be looked at as a city-wide network of lights and that apartment residents benefit the same as they live and move through the community and that this proposal should be viewed as a whole vs. a neighborhood issue. Gilmour stated that it is common for apartment owners to have a vacancy rate which would support the concept of having a lower apartment fee vs. single family homes. Zavoral, Costin and Gilmour reported about long term concerns with future budgets is a concern because of lagging building and development currently and in the future. Springsted, the City's financial advisor informed us that credit is very difficult for commercial property and the lending standards have essentially dried up commercial lending practices of the past and that commercial projects have slowed considerably in Minnesota and other parts of the country. Zavoral moved, seconded by Piepkorn to revise the rate structure to a fee of \$2.50 per month for single family residential, including condos, \$8.00 per commercial account, and \$2.00 per multi-family apartment living unit, and \$1.25 per month for those customers eligible for homestead credit with the agreement that the homestead credit utility rate reduction be studied and considered for all utility services offered by the City. All voted in favor.

Discussion on Public Purpose Policy or Guidance

The Committee began discussion on several questionable expense categories and whether the Finance Committee should consider a policy or operational guidance to Department Heads. There are several instances noted where items might be considered inappropriate and that there is general inconsistency in how Department and Division Heads assess the necessity of various expenditures.

Funding for Feral Cat Sterilization Program

Zavoral moved, seconded by Piepkorn to recommend a funding source of the emergency animal clinic budget for the feral cat program discussed at the 11/30/2009 Commission meeting up to \$3,000 per year. All voted in favor. Historical animal collection stats were provided.

Consider Establishment of a Sewer Backup Relief Fund and Waive Building Permit Fees on Recent Sewer Backup Event

Zavoral suggested that the City consider a sewer backup relief fund to assist homeowners that may be caught up in the insurance claim where they might not be paid at full market value but rather the actual cash value of their damages. Walaker stated that this is too early in the claim process to consider this and a decision should be delayed on this request.

Special Assessment Protest Review

Bittner reviewed a map of property owners on South University who protested their special assessments during the hearings. Engineering looked at the 135' criteria for a large lot spread, but none of the properties are eligible. These homeowners were impacted by a street project that included capped assessment costs at \$140 per foot. He said that an assessment lien or low income rules may be some options to consider. If they are income eligible, they could access the CDBG low income specials program to help pay their special assessment installment. Walaker suggested that we do not want to

set a precedent in granting relief outside of our existing special assessment policy. No further action taken on this issue.

Payment in Lieu of Tax (PILOT) Assistance Policy

Zavoral stated that we have an existing TIF policy that addresses eligible costs and that the same concept should be applied to tax exemptions granted in the form of a payment in lieu of taxes proposal. He said that the amount of tax relief granted should be linked directly to the eligible costs from the proposed project. Springsted, Inc, our financial advisors would perform the same “but for” testing to validate the proposed PILOT amounts recommended. Piepkorn moved, seconded by Costin to approve a policy concept to include a “but for” test. All voted in favor.