

SALES TAX AD HOC COMMITTEE

January 23, 2017

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Committee Members Present:

Dean, Frantsvog, Rick Hedberg, Shannon Straight, John MacMartin, Robert Schemp

Members Absent

Stephanie Hoffart

Others Present:

Tom Barry, Shaun Sipma, Stephan Podrygula, Cindy Hemphill, Dan Jonasson, Sue Greenheck, Kevin Ternes, Derek Hackett, Jason Sorenson, Kelly Hendershot, Mark Lyman, Jill Schramm, Josh Wolsky

Schedule

Chairman Frantsvog asked if the committee approved the proposed meeting schedule as suggested by the Finance Director. Alderman Straight had a conflict with the February 13th meeting but they decided to leave the schedule as-is and determine if the meeting should be rescheduled after seeing how far the committee gets by then.

History of Sales Tax

The Finance Director briefly explained how the committee came into place. She said, at the request of an alderman and after looking at the budget, it was determined that 50% of the first penny sales tax collections would not be enough to fund the flood control project. She stated, the current ordinance is written in a way that gives the Finance Director the authority to direct funds from the second penny tax collections to the NAWS project without the need for a special election however, if the committee and Council decide to put it to a vote of the people in a special election, that would be fine. She also warned, the 2017 budget was projected based on current estimates of sales tax collections. If changes are made, the current budget would need to be analyzed and funds might need to come from other sources.

Alderman Frantsvog summarized the goals of the committee by saying, they need to figure out if a reallocation of first and second penny sales tax needs to take place and if the list of projects needs to be reanalyzed.

Ms. Hemphill explained, the 2017 budget includes \$2.5 million in street improvements, as well as water and sewer projects, and money budgeted to buy down highway debt. If the sales tax is reallocated, staff would need to find another source for that money which may include increasing property taxes in the future and the use of cash reserves in 2017.

Upon questioning from Alderman Frantsvog regarding community facility funds, the Finance Director stated, the projects are funded based on previous collections. Applications will be accepted in May of this year, awarded around June and will be placed in the 2018 budget using 2017 funds, therefore the community facility funds budgeted in 2017 are not committed yet and may be changed.

Alderman Straight stated, he attended appropriations meetings in Bismarck for flood protection and noticed the Public Works Director is always asked how the City uses sales tax to fund flood protection. That prompted Alderman Straight to open up the conversation to reevaluate the current allocation. He also emphasized the importance of growth for the community and the economy while the flood project continues.

Upon questioning, Ms. Hemphill said there is about \$34 million in the account for the NAWS project.

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She also stated, the city share of the flood control project would be 35% of about \$1 billion. Mr. Schemp said, that amount financed over a period of time would equate to a large amount and he would prefer to make arrangements to have more cash on hand. Ms. Hemphill said, there will be a shortfall even if the whole penny was allocated toward flood control. She suggested, after the county is done collecting tax for their building, a city tax could be added in its place.

The Public Works Director gave some information regarding the NAWS project and said all of the funds in the account will be used up. The City will be moving forward with the Sundre line and Water Treatment Plant and when the injunction is lifted, it will be brought to City Council for bonding.

Alderman Straight expressed his concerns for taxpayers and emphasized the importance of prioritizing. The group discussed community facility funds and Mr. Jonasson's interest in applying for funds to build a transfer station at the landfill. He said, if those funds are no longer available, the department would have to use tipping fees and garbage collection.

Upon questioning by Mr. MacMartin, Ryan Ackerman, of Ackerman Estvold, stated, the cost of the flood control project, including the first three phases, property acquisitions, and the Maple St. Diversion, would total \$325 million, of which \$214 million will be paid by the state and \$111 million will be local.

Alderman Straight took a moment to explain the literature provided by Stephanie Hoffart of the MADC. She was unable to attend the meeting but compiled a book explaining the MADC and its impact on Minot.

Alderman Frantsvog directed city staff to draft a report to give an overview of how Magic funds are distributed and the uses from the Community Facility Fund.

Alderman Hedberg requested a report of costs for flood control and the NAWS project.

Alderman Frantsvog concluded by saying, the committee needs to look at what the City is spending and why there should be a reallocation of funds.

There being no further business, the meeting was adjourned at 12:39 pm.

Respectfully Submitted,
Kelly Matalka
City Clerk