

## **SALES TAX AD HOC COMMITTEE**

**January 30, 2017**

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### Committee Members Present:

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

### Members Absent

None

### Others Present:

Tom Barry, Shaun Sipma, Stephan Podrygula, Mark Jantzer, Cindy Hemphill, Dan Jonasson, Sue Greenheck, Penny Johnson, Kevin Ternes, Derek Hackett, Kelly Hendershot, Ryan Ackerman, Alan Walter, Jim Montgomery, Ron Merritt, Jill Schramm, Josh Wolsky

Chairman Frantsvog called the meeting to order at 12:01 pm.

### **Minutes**

John MacMartin moved to approve the minutes from the January 23, 2017 Sales Tax meeting, seconded by Alderman Hedberg and carried unanimously.

Chairman Frantsvog stated, he would like this to be an information gathering session and requested the committee members use all necessary resources in order to bring a recommendation to the next meeting.

### **2017 Sales Tax Budget**

The Finance Director provided information outlining the 2017 Sales Tax budget and made herself available for questions.

### **Update from MADC**

Stephanie Hoffart, President of MADC, gave a brief summary of what the MADC does. She said, it is the leading economic development group for the City of Minot. They receive \$365,000 from the City each year as approved by City Council, to use for their operating budget. Individual projects are brought to the MAGIC Fund for approval, where funds are awarded. She described some recent projects that have brought business to Minot including, AGT Foods, a processing plant for peas and lentils and SkySkopes, a drone company which provides service all over the Bakken to look over utility lines. She said they focus on industries in value-added agriculture, technology and distribution and they are working on partnerships with MSU and high schools to ensure that Minot is teaching the skills these, and other businesses find desirable.

Upon questioning about other funding sources, Ms. Hoffart stated, about \$155,000 per year comes from private investors and about \$60,000 comes from Ward County.

Ms. Hemphill explained, 15% of first penny sales tax goes toward economic development. MADC receives \$365,000 but funds are also distributed to Souris Basin Planning Council and MAFB Retention, among others. The allocation was 40% of first penny sales tax but was decreased in 2014 to accommodate the changes in Minot's economy. Upon further questioning, she stated, the MAGIC Fund currently holds about \$7.1 million.

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### **Update on Community Facilities**

Ms. Hemphill stated, the City has not received any applications yet for Community Facilities. They are usually accepted in May and reviewed in June. She also clarified her previous statements regarding reallocating the funds by saying, the Finance Director is authorized to proportionally reduce the funds for the three approved uses to provide funds necessary for the NAWS project.

Alderman Frantsvog asked if City Council is able to reallocate the funds collected through the second penny, to which Ms. Hemphill replied by saying, they can make changes through two readings of an ordinance. Upon further questioning, she stated the fund currently has about \$4.1 million but the City has not received tax collections yet for this year.

Alderman Straight asked for the Finance Director's perspective of reallocating the community facilities funds. Ms. Hemphill stated, the NAWS project benefits the entire region so using sales tax prevents the burden from being placed only on the citizens of Minot.

### **Update on Mouse River Enhanced Flood Protection Project (MREFPP)**

Ryan Ackerman, administrator for the Souris River Joint Board, gave a presentation to give an understanding of the costs and funding for the MREFPP. He prefaced the conversation by saying, his analysis and scenarios will be different considering the final expenses, revenues, impacts of local activities and bond ratings. He said, he had to make some assumptions in order to present what might be possible to collect funding for the project.

He explained, this is a basin-wide project and the City of Minot has committed to providing the local share of the entire Mouse River Plan. Work is being done by multiple agencies and funding is provided by federal, state and local sources. He used several graphs to demonstrate the possible projected revenues and the amount of growth that would be necessary to achieve the funds required. Based on the estimates Mr. Ackerman displayed, he said, there is no way even one penny will be enough to provide cash flow. At that rate, bonding for the project would be impossible to pay.

Upon questioning by Mr. Schemp, Mr. Ackerman explained, construction contracts would be split based on the appropriations available and the project will be modified to make the most of those funds. Mr. Schemp emphasized, until legislation passes the budget, there are a lot of unknown factors to consider.

At 1:09 pm Chairman Frantsvog left the meeting and Alderman Hedberg took his place.

### **Update on Northwest Area Water Supply (NAWS)**

Dan Jonasson provided a handout with very rough estimates on what projects may cost since they have not been designed yet. He stated, there is currently about \$34 million in the NAWS account and it will be used up on the Sundre line and Biota Plant, however, the ruling on the Biota Plant will determine how much is used. He also mentioned, there will likely be a change in how funds from the State Water Commission are allocated. It is important to keep projects moving forward for design because Minot will have to apply for funding as quickly as possible.

Alderman Straight suggested the committee members reach out to agencies who have applied for Community Facility funds in the past to find out how reallocating those funds to the NAWS project would impact them.

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Mr. Schemp stated, there are too many unanswered questions for him to make a firm recommendation. The legislative session will have a major impact on the amount of money available.

Upon questioning by Mr. MacMartin, Mr. Ackerman said, a strong local investment is necessary to hope for federal funding. The City needs to convey to the legislators that we are doing our part to pay for the project.

Mr. Schemp said, it needs to be made clear to the citizens of Minot, there will be increases happening soon.

Ms. Hoffart stated, as a benefactor of City funding, she understands the need for flood protection and wants to work together. She said she will also work towards finding funding in other resources.

There being no further business, the meeting was adjourned at 1:28 pm.

Respectfully Submitted,  
Kelly Matalka  
City Clerk