

**MINUTES/FINANCE COMMITTEE**

**Tuesday, September 30, 1997 - 3:45 p.m.**

Members present: Carpenter, Babinchak, Bakken, Hamerlik.

1. Consideration of protests of 1997 assessor's values:

a) Wayne and Carol Carlson, 2333 S. 38th Street.

The property has a valuation of \$72,200.

b) Coca-Cola Enterprise, 819 s. 46th Street.

The assessor's valuation of the property for 1997 is \$1,983,000.

Mel Carsen, city assessor, reported that these protests had been withdrawn. Moved by Babinchak and Hamerlik to uphold assessor's valuation on the properties. Motion carried.

c) First National Bank, Trustee for Bertha Byrne, 1322  
12th Avenue South.

The assessor's valuation of the property is \$202,700.

Members Hamerlik and Carpenter asked to be excused from voting on this matter, Babinchak and Bakken so moved. Motion carried.

No one appeared to rep. this matter. Mr. Carsen reported that this was former General Candy & Tobacco Co. property, now leased to Custom Aire, who did considerable remodeling, property re-appraised and increased value by \$107,900. He reported he met with reps. re. this matter, and that it is his opinion that is value of property. He noted that the property owners received copies of these reports. It was moved by Bakken and Babinchak to uphold assessor's valuation. Motion carried; Hamerlik and Carpenter abstaining.

d) Marcil Family Partnership-WDAZ 8, 2220 S. Wash. St.

The assessor's valuation of the property is: land - \$118,300, bldg. - \$554,200, for a total of \$672,500.

Bob Kerr, general manager representing Marcil Family Partnership, stated he strongly disagreed with 122% increase in light of the fact that garage and tower were not part of the 3-year remodeling exemption, had tremendous financial losses because of flood, both revenue and equipment. He stated he feels 122% increase unrealistic and unfair. It was noted that they did remodeling of building and received a three-year exemption of the remodeling, that three-year exemption was now up and property received full valuation. Committee questioned amount of money put into re-modeling, but Mr. Kerr stated he didn't have those figures with him, but would provide those figures to the committee. It was reported that property valued

at \$303,100 in 1994, and now \$672,500. Mr. Carsen reported that in 1994 they est. cost of making improvements of \$340,000, and wasn't sure if that would include garage and tower; that he didn't feel increase excessive and that there is any time there is a large remodeling. After some discussion the committee held the matter until 5:45 p.m. on Monday, October 6.

e) South Forks Plaza-J.Herzog & Sons, Inc., 1726 S. Washington Street.

The property was valued at \$4.9+ by the assessor; and valued

at \$3.2 by the property owner's appraiser.

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Carpenter questioned the difference between lease fee interest and fee simple interest, and whether value of K-Mart's improvements should be included.

Mr. Carsen reported that the appraisal made which indicates a value of \$3.2 million is based on the statement of the as is market value

in lease fee interest, which is the owner's interest in the real estate, and the leasehold interest can be established in two ways, one is by a lease that is now below market rent, second way is if the tenant makes improvements to the property (remodeling, etc.) and those are his improvements for the term of the lease, owner doesn't get increased rent for those improvements. He stated that the absolute ownership interest is called fee simple; that for tax purposes they have always valued property based on absolute interest, they do not separate ownership for tax purposes.

Doug Christensen, attorney for J.Herzog & Sons, Inc., stated that fee interest is entire piece of ground and when lease property to someone, that tenant has property interest because of leasehold interest in that property, K-Mart has property rights, but Herzog bought fee title to the property. He stated that the appraisal process incorporates different methodology and when appraiser appraised property, he appraised fee interest, and didn't exclude leasehold interest. His commission was to determine what property worth today, and responsibility to appraise property when improve-ments are made. He stated that Marty Herzog & Sons bought pro-property, they acquired fee interest in the property, that appraisal Mr. Mande prepared, appraises the fee and in appraising the fee

look at the leases, and that's why as part of this appraisal they have income approach, because property has value based upon the income it generates.

Mr. Swanson stated he has no response as he hasn't had opportunity to see appraisal.

Carpenter stated that as he understands this, K-Mart added 24,000 sq.ft. and wouldn't have impact on the appraisal because didn't increase the revenue stream; and asked if that was a property interest that is taxable for property tax purposes. Mr. Swanson stated he thought it was, income approach is an indication of value.

Mr. Christensen stated that improvements K-Mart made are included in replacement cost analysis of Mr. Mandee, he comes up with cost approach and detailed analysis in the report and factors in depreciation; and has also included comparable sales in his analysis; that Mr. Mandee has combined three methodologies and comes up with value of \$3.2 million. He stated that State statutes say that property to be valued at true and full value, and one of the things to consider is market value; that they disagree with Mr. Carsen's valuation of the property for the following reasons: 1)

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property listed and on market for year at \$3.6 million; 2) have sale of subject property in 1997 at \$2.5 million, and 3) appraiser appraised at \$3.2 and feel that property less than \$4.9 as valued by the assessor, and request that the committee not accept the valuation of the assessor and give it a value of \$2.5 or \$3.2. He also reported that they are in the process of improving this property, have committed \$1.6 million to the property.

Mr. Carsen reported that he feels depreciation too heavy (80% wasted) esp. on K-Mart Store, 50%; that K-Mart totally rehabbed in 1991, that this appraisal considers all three approaches to value but it also stated that he's valuing only lease fee, that this is appraisal of partial interest called lease fee. He stated that in the income approach he valued difference between contract rent and economic rental, capitalize that difference and arrive at value of \$1.1, that current rental on K-Mart is \$296,000/annually, and economic rental should be \$456,337 which

is \$4.75/sq.ft. and difference is \$160,300 and capitalize at 13.5%, value of that leasehold interest is \$1,187,000. He stated that if take the \$3.2 million and add the leasehold interest, \$4.3 million.

Marty Herzog also addressed the committee.

Committee stated that they felt \$4.9 was too high and \$2.5 market price too low, if add the \$1.2 leasehold interest to the sale price of \$2.5 = \$3.7, and cost approach \$3,764,000.

After discussion it was moved by Babinchak and seconded by Bakken that we establish an appraised value of \$3,764,000. Motion carried.

2. Matter of Nursing Home Revenue Bonds (Valley Memorial Homes Project), Series 1997.

Rev. Wayne Stark of Valley Memorial Homes was present. John Schmisek, city auditor, reported that Valley Memorial had been in earlier discussing possibility of issuing MIDA bonds in order to construct a new facility (in an amount not to exceed \$30,000,000) and also to refund an old issue outstanding (\$8,250,000), have preliminary resolution and would need to set public hearing for October 20, that Valley Memorial will do the publication of that notice starting this Saturday in order to meet time lines; and motion needed, if inclined, is to recommend adoption of the resolution primarily authorizing the issuance of Municipal Industrial Development Revenue Bonds under Chapter 40-57 NDCC, subject to public hearing and authorizing the preparation of necessary documents therefor (Valley Memorial Homes Project), and call for the public hearing. He reported that this bond issue doesn't have impact on City's debt and liability. He also checked with Lynn Endorf re. publishing notice prior to council action, and he said not problem because coming out of finance committee as a recommendation. Moved by Bakken and Babinchak to recommend

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adoption of the resolution and set public hearing for October 20. Motion carried.

3. Matter of complaints re. cable t.v. service.

Butch Moteberg, general manager of TCI was present. Mr. Swanson reported that there were three areas of concern that

his office has received: 1) interruption or quality of service, 2) billing issues and late fees, etc.; 3) that office not open for follow up re. questions on bills, etc.

Mr. Moteberg responded to complaints:

1) he reported that to get working properly have to interrupt service, lot of construction crews out there replacing underground cable where lines get cut, that they have done lot of cable replacement, spent over \$3 million replacing lines, etc.

2) He reported reported that re. billing, if someone calls where no service, etc. do give credit, however, no way for computer system to pull out areas and do that automatically, that they gave two weeks credit to everyone after flood. He stated that they bill in advance, and probably have given more credit to customers than any other utility in town.

3) He reported that are looking to be up front (in office) by the 6th of October; and their ultimate goal is to improve service.

Committee also noted that they receive more complaints re. cable tv than on any other utility. Mr. Swanson stated that the broad public perception is that City has control over the cable tv franchise and has perception that City has no control over other utilities (ie. long distance carriers), other utilities can feed from more than one direction (water - electricity, etc.) He stated that when his office made contact with TCI, had good reaction; his concern was that office was down. He also stated that he didn't think that City could hold TCI to higher standard than any other business, given flood damage they suffered. He stated they will continue to log complaints, but at this point other than making them aware of issue, not recommending taking any action on the franchise, that circumstances don't warrant. He stated that if problems continue without good faith effort to resolve, that may give basis to do something.

Committee suggested bringing this back for review in January, 1998 they will revisit and see status at that time.

Mr. Moteberg also stated they will be introducing additional channels in early December.

4. Consideration of bids for replacement of flood-damaged vehicles.

Ford for 2 pickups and 10 mid-sized automobiles (vehicles destroyed in the flood), received \$105,000 insurance payment for the vehicles, and recommended award to low bidder Rydell Chevrolet for 1998 vehicles in the amount of \$180,314 (compared to \$196,252 from Hansen Ford).

Hamerlik moved that we award to low bidder, Rydell Chevrolet, for \$180,314 for the vehicles; seconded by Babinchak. Motion carried.

5. Matter of establishing polling places for special election.

Mr. Schmisek reported that along with establishing polling places they are asking that they set hours of election from 7:00 a.m. to 8:00 p.m. He stated that he has concern with polling place for precinct 1, ward 3, Wilder School which has been severely damaged by the flood and is not available for use as a polling place, that they can reduce number of voting places for an election and combine, up to committee how they wish to handle. He also stated that they would need some clarification on how to establish poll books, etc. and Mr. Swanson stated he will have clarification on qualifications for voters prior to that time. He stated that if they alter from the number of precincts or number of polling places in the past, should include in the motion, finding that the location for voting has been damaged or not available for voting and that there has been disbursement of residents within the precincts.

Mr. Schmisek reported that the polling places they would be recommending are as follows:

- Ward 3, Precincts 1 and 2 - Winship School
- Ward 3, Precinct 3 - Civic Auditorium
- Ward 3, Precinct 4 - Police Building
- Ward 2, Precinct 1 - School for the Blind
- Ward 2, Precinct 2 - Valley Middle School
- Ward 3, Precinct 3 - Wesley United Methodist Church.

Moved by Hamerlik and Carpenter that polling places remain as in the past, except that 3-1 and 3-2 be combined at Winship School, because of finding that Wilder School, the polling place previously used in Precinct 1, Ward 3, has been severely damaged by the flood and is not available, and further that the hours of election be established as 7:00 a.m. to 8:00 p.m. Motion carried.

It was noted that notice of election will be published and that Herald usually runs article on the election and a map showing ward and precinct boundaries and polling places.

6. Matter of carry-over of vacation time by employees.

Dan Gordon, director of Human Resources, reported that Code addresses vacation carry-over up to two-year accrual, that because of the flood a number of employees have excess vacation hours and face situation of losing it; and that they have suggested change to authorize mayor to extend excess vacation accrual up to a 24-month

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period to be determined on case by case basis on inability to use the leave time.

Mr. Swanson reported that would require an ordinance change whether they wish to change as suggested, leave as policy change that mayor can authorize, or if wish to limit to circumstances at hand and establish time frame. It was noted that this change would only be for excess vacation (over and above the two-year accrual).

Mayor Owens stated that because of workload, etc., enable employee to bank excess vacation and have two year period to use that time.

Committee stated they would like to see sunset on this.

Moved by Babinchak and Bakken to amend ordinance to allow mayor to approve an extension of leave in excess of the two-year accrual, to be determined on a case by case basis, that any request to carry over excess vacation time be made by December 31, 1998 and any carry over time be brought back into normal state by December 31, 2000, and to introduce the ordinance for first reading. Motion carried.

7. Matter of part-time wage policy.

Mr. Gordon distributed copies of part-time wage policy and reviewed print-out of current part-time employees and wage scale with the committee. He reported that the mayor had asked that he put something together to fairly compensate part-time employees but which doesn't infringe on level of

compensation and benefits of a full-time classified employee. He recommended that if a part-time position reflects the identical duties of a current classified job description, to utilize the established pay grade with only the first five steps rather than eight steps for the classified position.

There was discussion by committee, whether part-time or seasonal employee would come back year after year gets step increase for working several months compared to full year for classified employees, whether there was to be an annual review of part-time positions. It was noted that City having difficult time keeping part-time/seasonal employees because lot of special program positions paid at higher rate than City.

It was moved by Bakken and Babinchak to establish pay range for permanent part-time, temporary and seasonal positions with minimum pay to be minimum wage and not to exceed the dollar amount of fifth step of related position, with recommendation from Human Resources and ultimate approval by mayor, and pay range to be reviewed in April of each year. Motion carried.

8. Matter of potential compensation program for exempt employees.

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Mr. Schmisek presented proposal from Mayor and memo from Tri-chairs to compensate non-exempt employees for excess hours, that many employees putting in 60+ hour workweeks, that this has been on-going for almost 6 months and will continue for months to come, to pay exempt employees engaged in flood recovery activities for their additional work time in the form of straight time past the typical 44 hour work week, that this is an eligible administrative cost covered under the CDBG program, will fit within the existing budget, and will be monitored monthly by the mayor and applicable department head, with an effective date of September 1, 1997. He noted that there are approx. 25 non-exempt employees with approx. half affected, that there will be a decrease of time and get into more normal work effort and as additional support added, and asked for consideration of this and look at situation as very unique and that this is an eligible CDBG expenditure item and would be included in budget.

Mayor Owens spoke in support of this program.

Committee asked how many of the 117 positions authorized by council have been filled, and Mr. Gordon reported that 30 have entered into agreement and another 30 awaiting approval, reduction of approx. 15 positions because City will not be responsible for FEMA trailer area, total of 95 to 100 through staffing assessment, about 80 positions on board within next two to three weeks.

There was some discussion re. exempt employees not being given consideration in wage studies that allowed for extra compensation (point value); number of hours; and amount of money in the matrix for administrative costs.

Moved by Hamerlik and Babinchak that we recommend to council that we pay exempt employees straight time beyond 48 hours, and not to exceed \$100,000 without it returning to council for additional approval.

Moved by Bakken to amend motion to change number of hours to 46 hours, motion failed for lack of a second.

Upon call for the question and upon voice vote, motion carried.

Moved by Hamerlik and Babinchak to adjourn; meeting adjourned at 6:35 p.m.

Alice Fontaine  
City Clerk

Dated: 10/01/97.