

City Council Agenda Memo

From: Charlie Richter, City Engineer

Council Meeting: August 9, 2022

Subject: Special Assessment Policy

Person(s) Responsible: Charlie Richter, City Engineer

Summary:

The special assessment policy will address financial terms for all special assessments not addressed by state statute.

Background:

South Dakota state statute details the procedure on how to establish a special assessment but leaves cities to determine the financial terms for those assessments. Historically, the City charged 10% for utilizing the municipal financing of assessed projects. This policy would define those terms for projects moving forward in a more equitable fashion.

This item was brought to City Council for discussion at a study session in May 2022.

Item Details:

The Special Assessment Policy shall be applied to all special assessments. The State of South Dakota clearly defines the procedure on how to establish a special assessment, but leaves cities to determine the financial terms for those assessments. This policy will define the financial terms of the assessment, including the number of years an assessment can be paid over, interest rate, and the minimum assessment which can be paid in installments.

The financial terms for assessments defined in the policy are:

- Term of financing shall depend on the type of project being assessed
 - i. Sidewalks and Alleys: 5 Years
 - ii. Roadways and Utility Work: 10 years
- Annual interest rate charged shall be calculated by the following formula
= FHLBank Chicago 10-year Fixed Rate (%) + 3.5%
- Any assessment under \$300 would be assessed in one payment.

The term of financing is consistent with what has been used for similar projects in the past.

The typical interest rate used in the past has been 10%, but it was never linked to a standard. Linking the interest rate to a well-known standard promotes consistency and equity while considering market conditions. This rate was discussed at a previous study session and has been revised based on those comments.

The minimum dollar threshold for financing over multiple yearly installments will be \$300. A higher threshold was proposed at a previous study session, but it was felt that the threshold proposed in this policy was more equitable. \$300 has been the threshold used for sidewalk assessments for many years and is consistent with past assessments.

These terms will be included in the Resolution of Necessity to inform residents of what is being proposed.

Legal Consideration:

State statute allows cities to set the financial terms for special assessments on a case by case scenario or by policy.

Strategic Plan Consideration:

Fiscal Responsibility – This policy will provide financial transparency to residents being assessed for Special Assessment projects.

Financial Consideration:

The City will finance these projects consistent with terms that have been used for past Resolution of Necessities with a revised interest rate that is linked to a well-known interest rate standard.

Recommendation:

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Move the item to a Study Session
5. Discuss / take no action / table

Staff recommends approval of the resolution as presented.

Supporting Documentation:

Resolution

Policy