

**PROCEEDINGS OF THE CITY COUNCIL
CITY OF PHILIP, SOUTH DAKOTA
BOARD OF EQUALIZATION
MARCH 19, 2018**

The Philip City Council met in special session on Monday, March 19, 2018, at 4:00 p.m. in the Commissioner's Room of the Haakon Co. Courthouse for the purpose of meeting as a Board of Equalization. Present were Mayor Michael Vetter, Council Members Marty Gartner, Trisha Larson, Brit Miller, Scott Pinney and Marion Matt. Also present were Finance Officer Monna Van Lint, Deputy Finance Officer Brittany Smith, Public Works Director Matt Reckling, Haakon Co. Director of Equalization Toni Rhodes, Del Bartels of the Pioneer Review, Charles & Ruth Ann Carstensen, Don Burns with Dakota Auto Supply, Joe Woitte with Grossenburg Implement, Haakon Co. Sheriff Fred Koester; and later, Council Member Jennifer Henrie, City Attorney Stephanie Trask, Chief of Police David Butler, Police Officer Eric Van Der Linden, Amanda Frink, Carla Smith, Missy Koester, Sheryl Hansen and Kaycee Jones.

Absent: None.

Mayor Vetter called the meeting to order.

Motion was made by Matt, seconded by Pinney to convene as a Board of Equalization. Motion carried.

Mayor Vetter introduced Director of Equalization, Ms. Toni Rhodes.

Rhodes presented and reviewed the 2018 growth for new construction. The City of Philip's total new construction growth was reported at \$2,115,527. The growth for the County was reported at \$1,767,511 and Midland at \$467,567. The total county-wide growth was \$4,350,605. These property growth numbers are for the 2018 taxes payable in 2019.

Rhodes reminded everyone that the City's growth reflects one-fifth or 20% of the assessed valuations in accordance with the City's adopted discretionary taxation ordinance and asked for any questions.

Council Member Miller questioned which properties are not on the discretionary formula?

Rhodes explained that all of the growth for Philip is on the discretionary formula. The county and Town of Midland have not adopted a discretionary taxation ordinance so those improvements are reported at 100%. It was also stressed that this is only growth—not property reassessments.

Council Member Larson questioned about the reassessment process and what is allowed.

Rhodes noted that she is still in the process of reassessing Philip—approximately 50% completed. State law defines how reassessments are allowed and it is recommended to complete them every five years. She gave the example of Carstensen's property that is being appealed. This property was reassessed in 2016 and the increase in the assessment was added over the course of a three year period due to the substantial increase in the assessment. She reminded everyone that most properties in the City had not been reassessed since 1999.

Rhodes went on to state that the reassessment of property can only be completed for certain reasons. More specifically if a building permit was issued, the owner filed their improvement form or through a reassessment plan. She explained that the City issues building permits, but unfortunately that is not the case with the county and Town of Midland. In these instances, she has to rely on the property owners submitting an improvement form or the property being included in her reassessment plan. She also stressed that a property cannot be reassessed because of a sale. That is called, "chasing a sale" and that is not acceptable.

Miller explained his concern about the inconsistency in the reassessment process. For example, two houses are originally valued at the same amount. One house is reassessed and the other one is not so therefore, one is paying far more property taxes than the other.

Rhodes stressed that this is the same issue every year as she does not have the sufficient staff to cover all of Haakon County. She suggested and encouraged that these concerns be shared with the County Commission. She also mentioned that she is audited by the State every year and the report consistently indicates that “three full-time personnel are needed to ensure everything is fair and equal.”

Miller stated, “The City is hurting the worst. What can we do as the assessments are not fair?”

Discussion ensued regarding options to assist Rhodes. It was questioned if a full-time staff person could be in the office entering data while she is out in the field? Other options include visiting with the County Commission while encouraging them to pursue a mass appraisal software for her office.

Rhodes advised that in order for an individual to work in her office, they must be working towards their certification or already be a certified assessor. In her opinion, one full-time certified staff would be sufficient. In addition, she mentioned that even if an assessor is certified, continued training is required.

Vetter inquired about market factors and if they can be applied annually?

Rhodes explained that this would not be a fair increase as properties are not equal. For example, dilapidated and/or abandoned homes should be devalued—not increased. She also mentioned that all properties need to be viewed to accurately assess them and therefore, a standard increase cannot be applied.

Larson revisited an updated software option for the assessor’s office. More specifically, Vanguard is a mass appraisal software used by many counties throughout the State. She mentioned that in visiting with other assessor’s, the software reduces the reassessment time considerably.

Rhodes advised that she has requested a quote from Vanguard, but is still waiting to hear back from them. Regardless though, she will still need more help and they will need to be able to get certified or already be certified. She mentioned that Susan Berry worked with her during 2016 and together they were able to reassess a large number of properties. It was also noted that a new staff member can assist her immediately as long as they are in the process of obtaining their certification. It is also beneficial to have another staff member working with them in the field as it saves time on the assessment process. For example, one can be taking pictures while the other one is taking measurements.

Rhodes then reminded everyone that sale prices are also taken into account with the assessment process as far as how much of the valuation is taxable. For instance, sale prices need to be within a certain amount of the assessed value or the taxable valuation increases. The taxable value is established by the SD Dept. of Revenue and the optimal amount is 85% which has been achieved after reassessing properties. (For the record, the 2015 taxes payable in 2016 were factored at 100% due to the SD Dept. of Revenue’s review of the county’s median sales to assessment ratio in 2015.)

Vetter reiterated that since properties have not been reassessed for so long, the property owners are paying far more taxes when the property is reassessed as the valuation has increased considerably. In other words, if all of the assessments were up-to-date, all property owners would be paying a more equitable share of the city taxes.

By general consensus of the Council, they will schedule to meet with the County Commission during their next meeting on April 3, 2018.

Council then went on to review the following three written notices of appeal in objection to property assessments: Charles and Ruth Ann Carstensen; Dakota Auto Supply, Inc.; and, Grossenburg Implement.

Charles and Ruth Ann Carstensen: Lot 3, Block 1, Gem Addition, City of Philip, Haakon County, SD (Parcel #9134).

Assessors Valuation - \$69,672

Requested Valuation – House is not worth \$71,000

Reason for Appeal – Taxes are too high; increased from \$787.56 in 2017 to \$1527.52 in 2018.

Ms. Carstensen stated, “This is a rental property and due to the increase in taxes, they will now have to rent it out for eight months to pay the tax bill.” She explained that the house is 70 years old and has always had an apartment in the basement. They have made minimal improvements with some being required from storm damages. Her daughter also owns a house that is assessed at \$180,000 in Black Hawk and her annual taxes are \$1,000.

Rhodes addressed the Council regarding this appeal noting that this particular property was reassessed in 2016. Prior to that, it was assessed at \$31,522 which was established in 1999. She also reminded everyone that the property values have increased in Philip and most of the properties have not been reassessed since 1999. It was also noted that rental properties are classified as non-owner occupied—not commercial.

Larson also noted that if all properties were reassessed, they would not be incurring such a large increase in their property taxes.

Vetter inquired if they could possibly increase the rent to help cover the additional property taxes?

Carstensen stated that they will more than likely be selling the property. She stressed that the community needs rentals, but if something does not change with the property taxes, people will not be purchasing property or improving properties in the City.

Discussion ensued regarding the equalization of the properties and how to determine if they are fair and equitable when a large number of properties have still not been reassessed since 1999. It was stressed that the City needs to address these concerns with the County in hopes of coming up with a solution to address these concerns.

In reviewing the assessment roll for this area of Philip and considering recent sales, it was mentioned that Carstensen’s assessment at \$69,672 is more than likely fair.

Following, motion was made by Gartner, seconded by Pinney to deny Carstensen’s objection as presented and recommend no change to the assessor’s value. Motion carried with all members voting aye.

Dakota Auto Supply, Inc: Lots 6, 7, 8, 9, 10 & N2 Lot 11, Blk 8, Original Town, City of Philip, Haakon County, SD (Parcel #8946).

Assessors Valuation - \$1,023,181.00 (Discretionary Amount - \$407,853)

Requested Valuation – Discretionary Amount \$885,872.00

Reason for Appeal – Discretionary tax ordinance is not being applied correctly.

Rhodes explained that following the assessment of this property after the renovations/remodel, she did not include the remodeled portion—only that of the new construction as discretionary tax eligible. Unfortunately this was overlooked for both Dakota Auto Supply and Grossenburg Implement’s renovations. She has since added the remodeled amounts (75% of the office assessment and 25% of the garage assessment) and this tax reduction will start next year at 20%.

The remaining 25% of the office and 75% of the garage are considered reassessment values that were already in place. She also mentioned that she did not have the opportunity to review the property before any construction so additional considerations were necessary in determining what is the new construction/remodel portion and reassessment portion.

Don Burns, President of Dakota Auto Supply, advised the Council that his property was assessed at \$137,309 prior to any construction of the renovations/remodeling. The construction began in 2015 and was substantially completed in 2016. The City had also adopted the discretionary taxation ordinance, effective in 2011, to help promote growth and improvements. He stressed that he does not have an issue with his valuation, but that of how the discretionary tax ordinance was applied. More specifically, it is his understanding that the discretionary amount should be \$885,872 which is the difference between the previous assessment and that after the improvements. In addition, by gradually increasing the taxes over the five years, it allows other property values to increase with it for equality. He also mentioned that it was his understanding before construction that this tax ordinance would apply to all of his improvements and in his opinion, the incentive for making improvements is not being applied as the City intended.

Miller questioned, "Why is Burns being punished for the property not being assessed prior to the renovations?"

Vetter also expressed concern as far as "how can a property be reassessed after construction when it has to be physically viewed--how do you determine what the true and full value was there before the construction?"

Following, motion was made by Miller, seconded by Matt to accept Dakota Auto Supply's objection to the discretionary tax portion of his assessment. More specifically, the discretionary amount shall be \$885,872 which reflects the difference between the new assessment and the old assessment. Motion carried with Council Member Larson abstaining from the vote.

Grossenburg Implement: Outlot 1 Portion of Tract C, 13-1-20, City of Philip, Haakon County, SD (Parcel #9095).

Assessors Valuation - \$2,722,470.00

Requested Valuation – \$2,000,000.00

Reason for Appeal – Property value assessed too high

Joe Woitte, Manager of Grossenburg Implement, advised the Council that he has visited with Ms. Rhodes and she has agreed to reconsider their property valuation. He mentioned that the property was assessed at \$276,419 prior to the addition and remodel of their existing building. The improvements cost approximately \$1,500,000 and therefore they are requesting the valuation be lowered to at least \$2,000,000. He also noted that Grossenburg's building in Pierre is substantially larger than the one in Philip and it is assessed at \$2,200,000.

Rhodes agreed that she will be reconsidering Grossenburg's valuation and will also apply the discretionary amount the same as approved for Dakota Auto Supply.

Following, motion was made by Matt, seconded by Miller to accept Grossenburg Implement's objection to real property assessment and adjust the discretionary tax portion of said assessment. More specifically, the property valuation shall be \$2,000,000 and the discretionary amount shall be \$1,723,581 which reflects the difference between the new assessment and the old assessment. Motion carried with all members voting aye.

With nothing further for Rhodes, Mayor and Council thanked her as she left the meeting at this time.

Council then reviewed City Ordinance #6-200, Discretionary Taxation, which defines the improvements that are eligible for the discretionary tax formula when there is true and full value added to a property as follows: Industrial structures/addition - \$30,000; Commercial structures/addition - \$30,000; Commercial Residential structures/addition - \$30,000; Residential structures/additions - \$5,000; and, Special Classifications - \$10,000.

DFO Smith explained that in visiting with Rhodes, she has suggested the Council consider increasing the qualifying amounts for residential and special classifications. She advised that these improvements have to be tracked for five years and could be minor improvements (i.e. windows, deck, etc.).

Following, motion was made by Matt, seconded by Miller to change the amount for residential and special classification improvements as defined in Ordinance #6-200 to \$20,000. An ordinance amendment will be presented at the Apr. 2nd meeting for approval. Motion carried.

With nothing further, it was noted that the Haakon Co. Commissioners will meet as Board of Equalization on April 10, 2018.

With no further business to come before the Board of Equalization, Mayor Vetter declared the meeting adjourned at 4:08 p.m.

Mayor Vetter then reconvened the meeting as the City Council.

Old Business:

Fred Koester, Haakon Co. Sheriff, addressed the Council regarding the County's recent grant award from Homeland Security to purchase Zeucher Software. He mentioned that following the Mar. 5th City Council meeting, the county was able to work out the purchase details. More specifically, they will only be asking the City to cover half of the annual software maintenance and support fees in the future. He also noted that they were able to save approximately \$20,000 in upfront expenses by piggy-backing off of Bennett County's server for the software. In turn, he has recommended the county pay a portion of their annual maintenance fees and the City may also want to consider the same.

Following, motion was made by Matt, seconded by Larson to approve paying for half of the annual maintenance and support fees as previously proposed. Any additional requests to cover a portion of Bennett County's fees will need to be presented at a later date when more information is available. Motion carried.

Barry Knutson was not available during the meeting.

New Business:

Special Event Application:

Sheryl Hansen, Kaycee Jones and Missy Koester addressed the Council with a request to host "Philip's Own Amazing Race" on June 9, 2018.

Together, they explained that the event is being sponsored by the Haakon Co. Library and Haakon/Jackson 4H to raise funds to bring in a community and family program. The event will start and end at the Fire Hall with the attendees visiting numerous locations around Philip. Therefore, they would appreciate the City's support in blocking off that portion of Oak St. between Larimer Ave. and Center Ave. It was also noted that the cost is \$40 per a team—members must be 17 years of age and sign a liability waiver. They also mentioned that there has been great support from the local businesses and are still in need of volunteers.

Following discussion, motion was made by Miller, seconded by Matt to approve the Special Event Application as presented above. Motion carried.

Southwest Philip Improv. Project:

Council was advised that there at least one property in the project area that has underground sprinklers in the boulevard area. It was questioned how these should be addressed during construction and who is responsible?

Vetter reminded everyone that the Council had previously committed to taking care of the boulevard areas since we are narrowing the streets. It was noted that the sprinkler system may need to be extended in addition to protecting it from any damages during construction.

By general consensus of the Council, the City will assist with any current underground sprinkler systems that must be protected and/or extended in the boulevard areas. In addition, this work will be omitted from the contract bid, but the contractor will be requested to protect them during construction.

Those property owners with a sprinkler system in the boulevard area should contact the City Office to ensure these are taking care of.

Council then went on to review options for parking stripes and pavement markings for both the project and downtown area.

It was reported that those included in the project area will be addressed in the construction bid requirements and completed as part of the project. As for those in the downtown area, the following was recommended: stripe parking stalls on Pine St. from Larimer Ave. to Wood Ave. at a 45 degree angle with a 10 foot wide stall; paint/mark four handicap stalls; and, city personnel paint all of the corner intersections in the downtown area. The striping and marking in the downtown area will be contracted separately from the project.

Following discussion, motion was made by Matt, seconded by Miller to approve the striping and pavement markings as presented above. A copy of the plans are on file in the City Office. Motion carried with all members voting aye.

PWD Reckling then advised the Council of a recent concern with a floor drain in a public garage that had not been cleaned for some time. This can result in mud, sand or other debris entering and causing problems with the sewer system. City Ordinance does requires these be maintained to prevent such debris from entering the City sewer system. It was suggested to contact those businesses on the City sewer system with a reminder to encourage them to check and clean their drains on a regular basis.

By general consensus, the City Office will send a reminder those businesses with a garage drain a reminder to encourage them to check and clean them on a regular basis.

Building Permits:

Luke Weber – remove & replace garage (24'x24'), driveway & sidewalk around the house.

Motion was made by Matt, seconded by Pinney to approve the above permit as presented contingent upon Weber locating his property lines. Motion carried.

Training/Travel:

DFO Smith, Officer Van Der Linden & Attorney's Asst. Nemecek will be attending the SD Assoc. of Code Enforcement meeting, May 9-10th in Pierre.

No executive session was called.

Other Business:

The next regular Council meeting will be held on Monday, April 2, 2018, at 7:00 p.m. in the Community Room.

With no further business to come before the Council, the Mayor declared the meeting adjourned at 5:50 p.m.

/s/ Michael Vetter, Mayor

ATTEST:

/s/ Brittany Smith, Deputy Finance Officer

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