

Unapproved Minutes  
Council Special Session  
January 26, 2015  
Monday - 6:00 p.m.

The special session of the City Council, City of Vermillion, South Dakota was held on Monday, January 26, 2015 at 6:00 p.m. at the City Hall Council chambers.

1. Roll Call

Present: Collier-Wise (arrived at 6:10 p.m.), Erickson, Holland, Clarene Meins, Holly Meins, Price, Ward, Willson, Mayor Powell

2. Pledge of Allegiance

3. Informational Session - Discussion of Ordinance 1325 to implement a 5% markup on the wholesale cost of malt beverages and freight beginning July 1, 2015

Mayor Powell reviewed the background of what has brought the group together tonight. He reviewed the basic services provided by the City, noting that progressive cities look to provide additional services such as swimming pools, golf courses, libraries, etc. Mayor Powell noted that this discussion is on the funding options for the repayment of the general obligation bond for the Prentis Park improvements. Mayor Powell asked John Prescott, City Manager, to review the Prentis Park improvements including the funding options.

John Prescott, City Manager, reviewed a presentation of the Prentis Park Improvements including the pool, parking lot and basketball courts. John reported on the proposed construction timeline, the proposed funding for the improvements being from reserves, grants and the General Obligation Bond. As to repayment of the general obligation bond, John reviewed the malt beverage markup option that is projected to provide part of the annual debt service with the balance coming from the second penny sales tax.

Alderman Collier-Wise arrived at 6:10 p.m.

John noted that it appeared from the last meeting that there was a general consensus of support for the park improvements. The issue was using the malt beverage markup to pay for part of the debt service. John explained the other funding options reviewed. John stated that the malt beverage markup may be considered a business tax or it could be an opportunity to partner with the community for the park improvements.

Mayor Powell opened up the meeting for public comments.

Shane Nordyke, 422 S University, stated that she attended a pool information meeting in July and supports the pool project and the malt beverage markup as part of the funding for the bond payment. Shane stated that she did not feel that this markup would have a negative impact on local business. She stated that it cannot be considered a tax on just USD students as at least half are not of legal age. She stated that it was a better option than property tax or sales tax and if someone did not want to pay they could by just not consuming malt beverage. She stated that it was a great idea.

Josh Suing, HyVee Manager, asked if the license holders are required to pass along the 5% markup or can it be absorbed. Jim McCulloch, City Attorney, stated that it is up to the individual business how they want to handle the increase in wholesale cost. Josh stated that some businesses may absorb the cost and not passing it along directly and if he is going to be competitive in his pricing he will need to do the same or lose sales. This will require increasing costs on other items.

Jesse Jastram, 1104 W Main, asked if there were funds available to make the bond payment without the malt beverage markup. John Prescott, City Manager, stated that it depends upon what adjustments the City makes in services provided so the bond payment can be made. Jesse requested a yes or no answer. Mayor Powell reported that it would be yes but other adjustments would be needed.

Tammy Baisden, 315 Jefferson, asked why the City Council promised not to raise taxes but then want to pass along an increase to the malt beverage license holders. She stated that the 5% would add \$5,000 per month to her cost of malt beverages.

Ted Munster, 509 Linden, stated that he worked for a wholesale distributor for a number of years and, as such, the distributor had to pass along price increases to the license holders to recover their increased costs. Ted noted that the license holders need to make the business decision to absorb or pass along the price increase. Ted stated that the park improvements are needed in the community and the malt beverage markup is a reasonable and fair way to assist in the bond payment.

Josh Suing, HyVee Manager, asked if all the bars had closed in Wagner as he heard they all have closed because of the markup that the City implemented. Tiff, from Old Lumber Company, stated that all the bars have closed and you had to go out of Wagner to buy beer.

Sheila Gestring, VP of Finance for USD, stated that the park improvements are a community quality issue. If people are going to move here they need things to do in the community. She stated that the malt beverage markup is a good way to fund part of the park improvements that benefit the whole community. She wanted to thank the City and Pool Committee for their work to improve the community.

Chad Grunewaldt, Old Lumber Company 15 Court Street, reported that Wagner bars all closed because of the markup decreasing the sales in the community. Chad questioned if the same will happen in Vermillion which would also decrease sales tax revenue to the city. He stated that as a business owner if he does not have the funds he must postpone purchases to work within his budget and the City should do the same. Chad noted that for the sidewalk assessments at last meeting the City mailed notice and published notice yet the license holders were not notified of the markup ordinance. He stated that you cannot compare Brookings to Vermillion as Brookings is larger and has more industry to support the community. He wanted to know why the malt beverage license holders were being asked to pay a higher cost and pay the tax for the pool improvements. Chad stated that it was stated earlier that the city could pay for the bond without malt beverage markup. Chad questioned if the city was trying to grow too fast which may hinder the future growth of the community.

Ryan O'Connor stated that there are not a lot of young business owners and that the people who will be paying the tax are those purchasing the malt beverages and they are not here tonight.

Kirk Phillips, Chef at Red Steakhouse, stated that he has been in the restaurant business for many years and noted a 5% increase in a cost is too large to absorb. He noted that they watch costs in the restaurant business to make a profit and a 5% increase is hard to work with.

Heath Larson, with John A. Conkling in Yankton, asked how the City planned on tracking the sales. John Prescott, City Manager, reported that the City will request the invoices from the distributors and then bill the license holders the 5% of the wholesale cost. Heath asked if the City would be hiring additional employees to do this billing. John stated that we hoped to use existing staff to do the monthly billing. Heath reported that price does make a difference to the consumer and many purchases are based upon price. Heath requested that the City Council consider this action as it may negatively impact local business.

Alderman Erickson expressed his concerns about negatively impacting local business with the markup and suggested delaying the improvements.

Alderman Ward agreed that the City did not communicate the markup information to the license holders. Steve stated that the ordinance requires an annual review of the markup and, as such, could remove the markup if it was negatively impacting the business.

Alderman Collier-Wise asked if there was any other information available about the projections the markup will generate. John stated that we have not received any additional information from the distributors. Kelsey noted that when we talked about tabling action on this ordinance it was stated that we were going to review options.

Tammy Baisden, 315 Jefferson, wanted to know why the City is spending so much on a pool that does not make any money. She questioned why 33 businesses were being asked to pay for the pool and why not all the citizens.

Shane Nordyke, 422 S University, stated that, as a comparison to Brookings, it should be noted that Brookings adopted the markup prior to 1988 which was over 25 years ago. She stated that Brookings has had the benefit of the markup to make improvements to their community over that time period and questioned what our community would look like if it would have had the benefit of the markup for the last 25 years.

Sheila Gestring, VP Finance at USD, stated that the pool is an investment in our community to help recruit and provide amenities for our citizens. She noted that the workforce study completed by the VCDC noted that USD had approximately 420 employees that commuted to work as well as a high number for other larger employers also commute to Vermillion to work. She stated that the city needs these amenities to encourage these employees to live in the community that will provide more customers to the local businesses.

Mayor Powell asked for any more comments.

#### 4. Adjourn

28-15

Alderman Ward moved to adjourn the Council special session at 7:17 p.m. Alderman Willson seconded the motion. Motion carried 9 to 0. Mayor Powell declared the motion adopted.

Dated at Vermillion, South Dakota this 26<sup>th</sup> day of January, 2015.

THE GOVERNING BODY OF THE CITY  
OF VERMILLION, SOUTH DAKOTA

BY \_\_\_\_\_  
John E. (Jack) Powell, Mayor

ATTEST:

BY \_\_\_\_\_  
Michael D. Carlson, Finance Officer

Published once at the approximate cost of \_\_\_\_\_.