

**House Finance and Taxation  
Chairman Craig Headland  
January 24, 2023**

**By: David Lakefield  
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**HB 1367**

Chairman Headland and Members of the House Finance and Taxation Committee, my name is David Lakefield and I am the Finance Director for the City of Minot. I would like to thank you for your time to address this bill this morning.

The time constraints imposed by this bill will be very challenging. I would like to take a few minutes to outline the typical schedule that we follow in Minot to prepare the budget. The first quarter of the year is extremely busy. We are processing the daily activity and trying to close the prior year. There is a considerable amount of time spent preparing documents for our independent audit and preparing the Comprehensive Annual Financial Report. This year our audit fieldwork is scheduled for the week of March 13<sup>th</sup> and completion is expected by late April or early May.

If you look at the following schedule from the 2023 budget cycle, you can see that there is already considerable overlap.

2023  
B U D G E T   S C H E D U L E

|                    |   |
|--------------------|---|
| April 4            | Council Approves Budget Schedule  |
| April - May        | Pay Plan and Classification Study (Human Resources)   |
| April -May         | Department tours with Council members   |
| April 23           | Send social service budget request forms (Anna)   |
| May 2              | City Council Meeting agenda item to outline budget priorities   |
| June 1             | Budget request forms (including social service budget request forms) due in City Manager's Office   |
| June 14            | Annual Plan presentation to Civil Service Commission (Human Resources) 10 AM  |
| June 8             | Council workshop  |
| June 13 to June 24 | Meetings with the Department Head, City Manager and Finance to go over Individual Budgets – Time blocked on June 22 - 25 to meet individually with each department to discuss the budget. |
| June 20            | Annual Pay Plan Public Meeting (Human Resources) 10 AM  |
| July 1             | Department Budgets Complete   |
| July 1 – July 22   | CM/Finance - Work on budget and budget message and presentation   |
| July 25            | Have budget ready to copy and bind  |
| August 1           | Proposed Annual Budget and Annual Pay Plan to City Council  |
| August 15          | City Council – Questions & Answers in Council Chambers in conjunction with regular meeting.   |
| August 26          | President of the Council message due  |
| September 6        | City Council meeting - public hearing on Budget Ordinance and first reading of Budget Ordinance 5:30 pm   |
| September 19       | City Council meeting - Final adoption of budget ordinance 5:30 pm   |

Moving the statutory date for completion of the Preliminary Budget from August 10<sup>th</sup> to July 10<sup>th</sup> further compresses this already tight schedule. The earlier submission also forces cities to make forecasts further into the future which will likely reduce accuracy. This is compounded by the uncertain financial climate that we are currently experiencing due to the after effects of the pandemic.

The bill as written allows for the referral of the preliminary budget with no restrictions and could be referred even if it was lower than the prior year? The bill also does not impose a deadline to submit the petitions. If I refer to the Minot code of ordinances which provides that a petition to refer an ordinance be submitted within 30 days after the second reading of the ordinance being referred and specifically exempts the annual appropriations ordinance.

Allowing 30 days to gather signatures and the time required to notice and conduct a special election would put unreasonable time constraints on the budget process.

Following the procedure outlined in the bill could result in not knowing the outcome of an election on the referendum until September 8<sup>th</sup>. This allows very little time to make the appropriate changes to the budget, hold a public hearing on the final budget and have a second reading of the ordinance to adopt the Final Budget before October 7<sup>th</sup>.

If the electors are successful in referring a Preliminary Budget and cities are forced to adopt a constrained budget, the electors will have no idea what programs will be reduced to accommodate the reduced tax levy. This could have unintended consequences that could have far reaching impacts.

Less than 15% of Minot's 2023 Budget was funded by property tax. The bulk of funds raised through property taxes goes to fund the General Fund. The bulk of General Fund spending goes to provide public safety services and administrative services. The bulk of these costs are related to employee salaries and benefits. Over time, these costs tend to escalate with the market. Limiting the dollars that can be raised through property taxes could result in reduced services in the impacted departments including public safety.

The ability to develop a budget that is responsive to the needs of our community is a critical component of local government. City elected officials are elected to represent the best interests of their constituents. They are tasked with balancing the need for services to be provided with the cost of those services and are responsible to the electors of the City for their decisions. The citizens have the opportunity to participate in the existing process and make their opinions known. They also have the ability to elect different representative if they feel that their needs are not be addressed. The current process accommodates this.

Thank you for your time today. I would urge you to give HB 1367 a "do not pass" recommendation.