



Office of the City Manager

1040 Harley -Davidson Way

Sturgis, SD 57785

(605)-347-4422

**Forward Sturgis
2020 City Council Goals & Priorities**

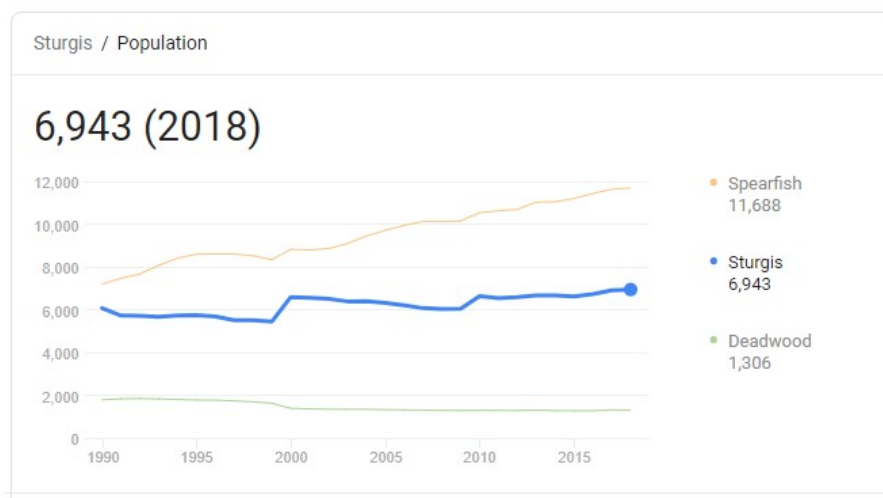
July 6, 2020 Six-Month Review

“To provide an attractive, growing community being served by a professional staff that offers reliable, quality municipal services.”

Introduction

On February 25, the City Council met in special session to refine its vision for the community. The Council sought to ensure that the community embraced its frontier legacy of Ft. Meade, Bear Butte and the City of Sturgis Motorcycle Rally while it moved towards a future of growth, recreation, outdoor exploration and affordable cost of living.

The Council continued to express a significant desire to ensure continued growth in the community. The primary driver for this is that growth is the best way to ensure a long-term reduction in the cost of governance. Also, growth is the best way to ensure that existing businesses prosper and that new businesses are attracted to our community. In the twenty years from 1990 to 2010, the City of Sturgis grew 9.3%. This tepid growth is five times smaller than Spearfish, whom while being nearly the same population in 1990, grew 46.5% during the same twenty-year period. The Council wants to ensure that during the next twenty years, Sturgis matches the overall Black Hills growth rate.



Last year the City partnered with the State, SEDC and Black Hills Energy to complete a comprehensive housing study. The study concluded that there was a sustainable annual demand for 40 new home ownership units of a variety housing types and 40 new rental housing units of a variety of styles. Given this demand, the current supply of buildable lots in Sturgis is anticipated to be nearly exhausted by the end of 2020. This means that the City should approve subdivisions totaling 300 home ownership units over the next 5 years, with 120 lots needing to be approved by the end of 2020.

Excerpt of 2019 Housing Study, the demand for home ownership lots in Sturgis

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that 35 to 45 new owner-occupied housing units will be constructed per year, the City should have approximately 88 to 113 residential lots available to meet the 2 ½ year expected demand. Part of this demand is for attached unit construction.

With approximately 49 available lots, the City currently does not have an adequate number of lots, if new construction projections are achieved. We encourage the City of Sturgis, the Sturgis Economic Development Corp., and private developers to develop lot options in all price ranges to accommodate new housing construction. Several Sturgis sites have been identified for potential new lot development.

The existing infrastructure of the City is well suited for continued moderate growth. Our community's water system regularly operates using 2-3 of its 7 wells in the middle of the summer. Our wastewater system is being designed for up to 2 million gallons of sewage treatment with a continued operational flow of 1 million gallons. There is more than sufficient capacity for growth. Added growth would allow the ongoing operating costs of these utilities to decrease with future residents. The School District Administration has stated for several years that there is sufficient physical school space within Sturgis for continued growth. In fact, growth in Sturgis would hopefully reduce some of the growth pressure along the I-90 corridor where there is insufficient physical space for the continued growth of students.

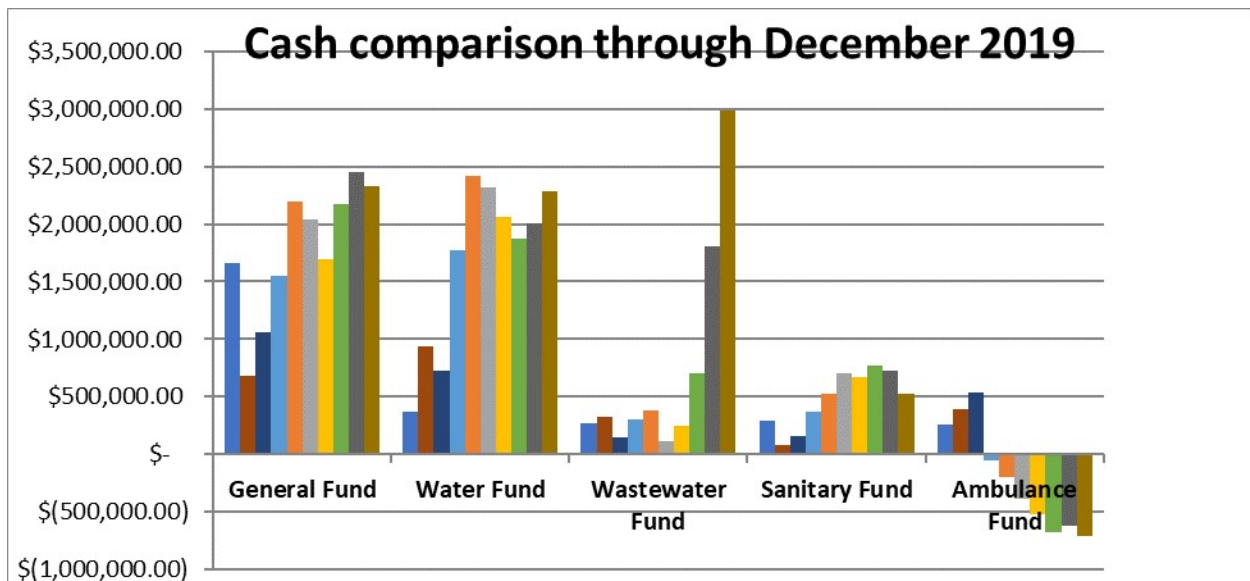
Following this analysis, the Council adopted the following priorities for 2020:

1. Ensure the continued financial stability of the organization
2. Approve subdivision of lots for at least 120 units of new housing
3. Establish plans for significant recreational upgrades to sporting fields in the community
4. Complete at least 4 annexations of adjacent properties while working diligently to achieve this through voluntary annexations when possible
5. Quantifiable effort to enhance retail amenities in Sturgis
6. Complete negotiations with State regarding the National Guard lease of Exit 30
7. Complete discussion and negotiations regarding event space in Sturgis
8. Complete changes as needed to ensure ongoing sustainable Ambulance funding
9. Continue work on the City's Generation Fund Capital Improvement Plan
 - a. Finalize plans for start of construction of a splash pad in 2021
 - b. Start of construction on WWTF
 - c. Complete Vanocker Stormwater Project
 - d. Complete Otter Road Stormwater Project
 - e. Complete design of Vanocker Road Upgrade
 - f. Complete Plans for Reconstruction of Ellen
 - g. Complete reconstruction of Woodland Creek Bank
 - h. Complete hydrology for 7th, Sly, Blanche crossings
 - i. Complete Armory upgrades

- j. Complete support of soccer association for fundraising for field enhancements
- 10. Complete a review of at least 4 ordinances
- 11. Implement Councilor’s Corner - council members will be provided space in the monthly SIP newsletter and/or website
- 12. Post City revenue on the city website with updates
- 13. Establish a working budget group within the Council to allow the budget to be under constant review
- 14. Develop a calendar for capital improvements, vehicle purchases and other projects
- 15. Establish a Black Hills regional Rally working group to support efforts to advocate for future Rallies
- 16. Establish a sustainable way forward for sponsorship and charities
- 17. Complete a review of City sanctioned events and a sustainable event calendar to be put into practice in 2021
- 18. Develop a defined, strategic plan for the Rally. Implement action plans/metrics/guideposts to achieve the plan’s goals
- 19. Ensure these goals and strategies are made public with a timeline for implementation

Current Fiscal Situation

The City has continued to retain its very strong financial position. The chart below illustrates the yearend cash and investment comparisons for the majority of the City’s major operating funds. The blue bar on the left indicates the recommended minimum reserve level (rainy day fund). This is equal to 20% of the fund’s annual operating budget.



The City’s General Fund remains in a very strong position, with a reserve of 41% of its annual operational budget. The minor decrease compared to 2018 is due to more than \$250,000 in expenses incurred during the Summer of 2019 flooding events that were presidentially declared disasters. The City anticipates a reimbursement of much of those expenses in 2020 or 2021. In addition, several future Rally lease payments were prepaid in 2019 in order to achieve a total savings of more than 10%. It is anticipated that the cash balance in the General Fund will be more than restored by the end of 2020.

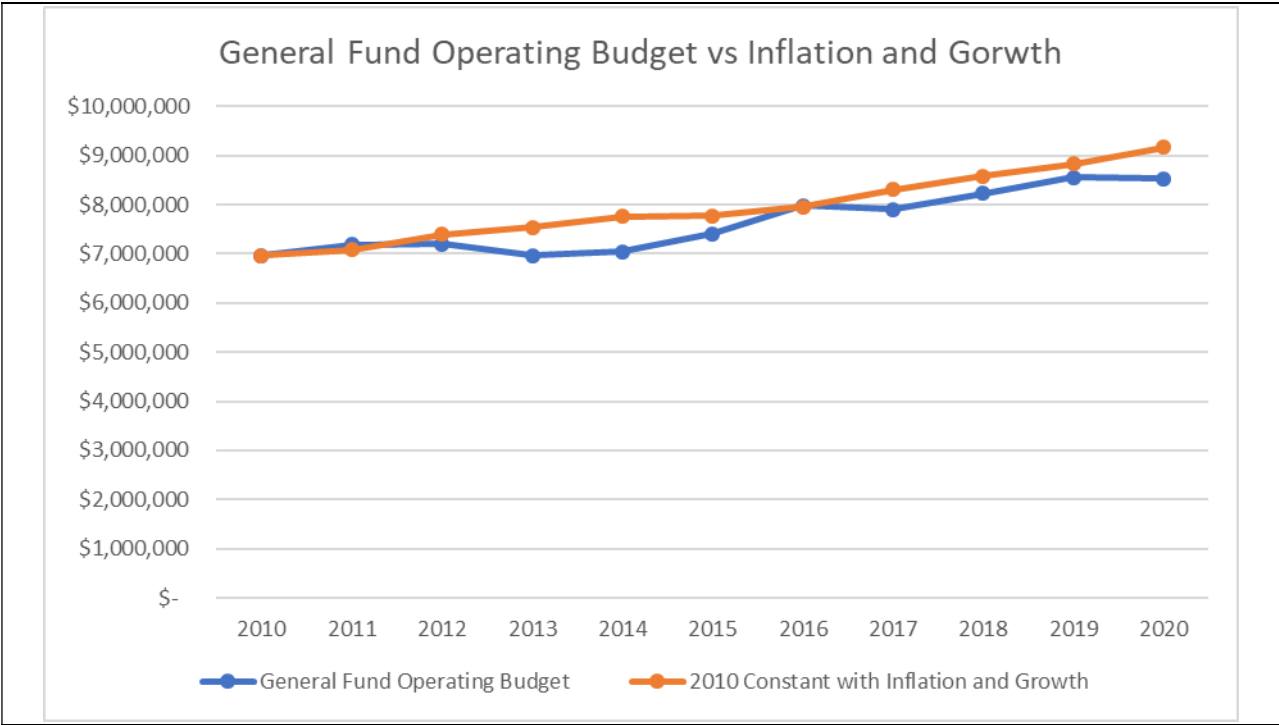
As of the end of 2019, the Water Fund retained a reserve balance of 511% of its operational budget. This significant savings is due to retaining revenue for future larger water main replacements and other capital improvements. The Municipal Utility Board (MUB) determined the best course of action for funding future capital improvement projects is to provide payment from water reserves. This compares to the past practice of taking on loans from the US Rural Development which requires additional surcharges to be placed on the monthly utility bill. The MUB has asked for funds to be saved and larger projects to be constructed every 2-4 years. With sufficient revenue now having been saved, the next water main replacement project will begin to be developed.

The Wastewater Fund ended 2019 with a total reserve of 1,007% of its operational budget. This tremendous balance was part of the original financing plan for the wastewater treatment plant. The plant is currently under construction and is anticipated to become operational in the Spring of 2021. The financing package requires the City to make the final few construction payments totaling approximately \$2.8 million. The initial operation period will be staffed by the contractor, however soon after operations begin, the City will need to increase the wastewater workforce to operate the new facility. The increased labor costs, increased utility costs, savings for equipment replacement and loan repayment will consume the additional revenue that had been collected each year since the surcharge went into effect. With an annual growth rate of 35 new customer units per year, the City should be in a position to maintain or potentially reduce the surcharge in the future.

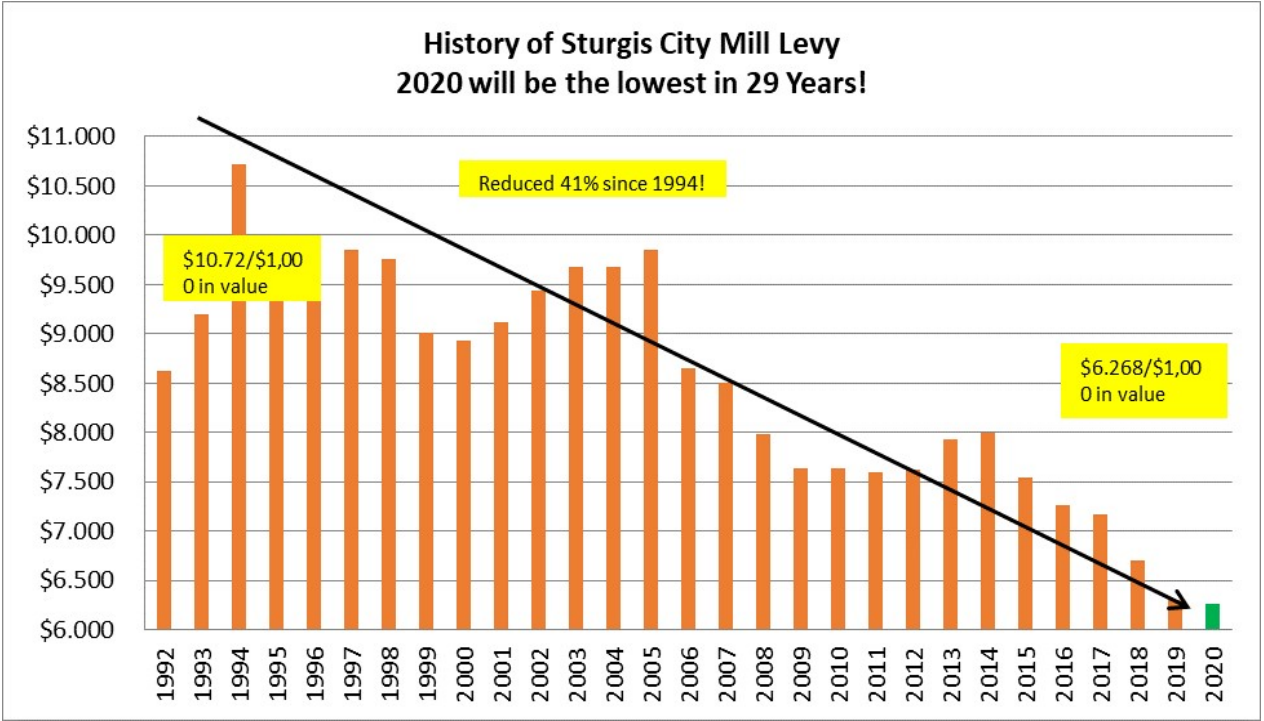
The Sanitation Fund continues to be quite challenged. Though the existing reserve is 81% of its operational expenses, 60% of the reserve balance would be consumed through the purchase of a single new truck (we maintain a fleet of 3 routinely operated trucks). The fund's fixed costs (Belle Fourche landfill fees, truck replacement and insurance) continue to increase faster than the fund's utility fee increases. Over the years, this eroding annual surplus has meant that the fund has been unable to continue to build reserves for needed equipment replacement. In 2020 the City has reviewed labor practices and is instituting a revised work schedule to greatly reduce any overtime expense. Additional cost saving measures have also been instituted, however, they are insufficient to make up the long term deficit. The City will be investigating potentially outsourcing this service to private providers as well as potential changes to the utility fee schedule.

The Ambulance Fund continues to be greatly challenged. The City has taken significant strides to ensure the structural imbalance of the fund ends. This has included requiring all property owners receiving the benefits of guaranteed coverage to provide financial contributions to the Service. It has also included an increase in the City's contribution to the Ambulance Fund. Lastly, the City is completing an analysis of the potential benefits of alternative billing practices.

Due to the growth of the community and the continued focus on innovation and efficiency, the City has been able to ensure that the ongoing cost of providing general municipal services (Public Safety, Streets, Parks, Recreation, Library, Administration, etc.) has continually declined. When measured in real dollars (adjusted for inflation) and the City's population growth, the cost of providing the basic services of the municipality has been reduced by 7.5% from 2010 to 2020.



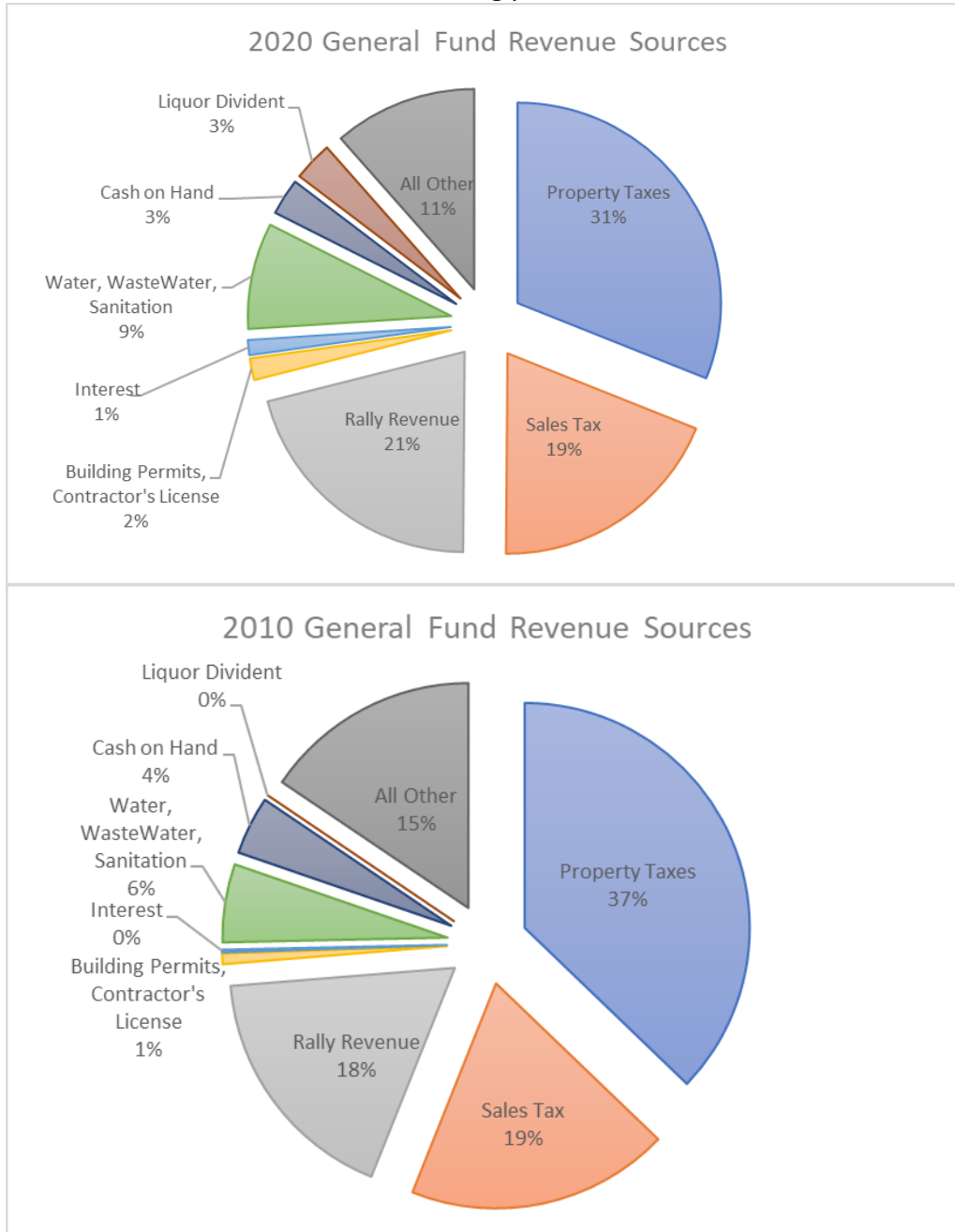
Over the past ten years, the City has made a concerted effort to reduce its dependence on property taxes. The City has reduced its property tax rate by 18% since 2010.



The reduction in property taxes has been funded through a diversification in its funding sources. As illustrated below, in 2020, property taxes now account for 31% of General Fund revenue, compared to 37% in 2010. The major contributors allowing for this reduction include:

- The increased profitability of the Liquor Store

- The increased profitability of the annual City of Sturgis Motorcycle Rally
- The increased revenue from interest payments made to the City on TIF loans
- Increased contractor licenses and building permits



Summer 2019 Flooding Events

During the Summer of 2019, the City endured a historical amount of rainfall, culminating in two separate Presidentially Declared Disasters. These disasters caused significant debris to accumulate on City streets, damaged two low water crossings along Deadman debris way, destroyed the crossing into the City's lagoons (twice), destroyed the two crossings (Blanche and Sly) into the City Park, destroyed the 7th Street crossing, damaged several areas of the Bear Butte Creek levee, collapsed part of the Woodland Drive bike path and destroyed the 15th Street crossing next to the City limits.

The City completed the reconstruction of the road into the City's lagoons and the two crossings into the City Park. After these immediate repairs, FEMA flagged the City's lack of previous authority to construct the 7th Street, Blanche and Sly crossings. When the City originally installed these crossings (prior to 2010) it did not acquire necessary permitting from the Army Corps or FEMA and had not completed a hydrological analysis to determine the impact the crossings would have on the flood plain.

Due to this inadequacy, the City had to begin the hydrological study to close out the Sly and Blanche crossing and a hydrological study to determine if FEMA would allow the reconstruction of the 7th Street crossing. As of July 1, the outside engineering firm is still working to finalize the 7th Street study. The initial findings indicated that reconstructing the 7th Street crossing would increase the base flood elevation by 1', which is unacceptable to FEMA. If a solution cannot be found to replace the crossing without increasing the base flood elevation, the City will not receive the necessary permits to reconstruct the crossing. The initial findings for the Sly and Blanche crossings indicate a rise as well, however, it is believed that it would not impact any structures. If upon final conclusion of the process no structures are effected, the crossings will be allowed to stay in place and FEMA will reimburse up to 75% of the cost incurred.

The 15th Street crossing is located on private land outside the City limits. As such, FEMA is unable to provide any funding towards its reconstruction. Similar to the other crossings, the 15th Street crossing was not properly permitted when it was constructed. As such, a hydrological study and design are necessary to ensure that there is not a base flood elevation rise upstream. The City has provided a proposal to the County residents to assist but the majority of the costs would need to be paid for by the property owners or the County as it is not a City owned crossing. To date, the City has not received acceptance from the residents of this proposal.

In May, the City has received FEMA reimbursement for the costs incurred during the debris removal. The City is anticipated to complete the reconstruction of the Woodland Drive intersection and bike path this summer. This was not included in the adopted 2020 budget and will need a supplemental appropriation. Eventually up to 75% of the cost will be reimbursed by FEMA. The remaining embankment repairs have been completed, similar to the Woodland project, these repairs were not included in the 2020 budget and will require a supplemental appropriation. FEMA will eventually reimburse up to 75% of these costs.

COVID-19 Impact

Similar to much of the Country, the City's economic year was looking quite promising in 2020. Negotiations for the long awaited Independent Senior Living project were nearly complete, local sales during the 2019 Christmas season were the highest ever, construction had just completed the second largest year ever and the 80th City of Sturgis Motorcycle Rally was anticipated to be one of the largest events on record.

The City's response to the March "15 Days to Slow the Spread" initiative was quite unique from other communities throughout the region. The City did not issue business closure mandates or stay at home orders. Instead the City sought to support vulnerable residents by providing free shopping and delivery services. The Sturgis Good Deeds Program has provided free, contactless delivery to more than 100 residents to date and will continue to assist vulnerable residents until

the pandemic has passed. In addition, the City ensured that outdoor playgrounds and recreational areas were open and sanitized routinely. This allowed some semblance of normalcy to continue during this peculiar time.

Many Sturgis businesses remained open throughout the time; though some businesses voluntarily closed. The vast majority of these businesses reopened following CDC Guidelines in a far quicker manner than neighboring communities. The City supported this reopening effort through numerous visitations and suggestions and a significant advertising and giveaway campaign, "Sturgis Strong." The campaign was a partnership between the City, the Chamber of Commerce and the Sturgis Economic Development Corp.

To date, the City has expensed approximately \$100,000 in additional unbudgeted COVID-19 related supplies and labor costs. In late June, the Governor announced the COVID-19 Recovery Fund (CRF) for local counties and municipalities. The City of Sturgis' allocation was \$1.56 million. The allocation will be able to fully replenish the added costs expensed on COVID-19. In addition, it will provide funding for public safety related personnel costs from March 1 through December 31. The public safety related expenses are anticipated to total approximately \$1.2 million.

December 31, 2020 Financial Projection

The City is actively monitoring the significant upheaval that is occurring throughout the national economy. Nearly every national metric indicates the current national economy is at its worst point in nearly a century.

IMF: 'This is the worst recession since the Great Depression'

The International Monetary Fund has sharply lowered its forecast for global growth this year because it envisions far more ...

Get ready for the worst unemployment reading since the Great Depression: Morning Brief

This report is expected to show the economy lost 7.5 million jobs ... At this level, the unemployment rate would be the highest since the Great Depression. And as we head into the summer months ...

Due to this upheaval, the City has been carefully monitoring the organization's finances to ensure that it can maintain its strong financial position. This includes careful analysis of all 14 of the City's funds with heightened attention being paid to the 8 largest funds.

General Fund

The City's General Fund includes 40.5% of the City's budget. To date, expenses have largely been in line with the original budget with the exception of 2019 FEMA recovery projects and COVID expenditures. As previously described, the majority of these expenditures will eventually be repaid to the City. Additional savings have arisen from greater efficiencies in the utilities used in several buildings and the reorganization of several positions. In addition, Departments have been greatly reducing overtime expenditures. By the end of the year, total General Fund expenditures are anticipated to be lower than originally budgeted (with the exceptions previously described).

Property Taxes provide 31% of the General Fund's revenues. To date, revenue has been in line with projections. Rally revenue accounts for 19% of the fund's revenue. Given the greatly

diminished event that is anticipated a very early estimate is that total net from the event will be approximately \$500,000 versus the \$1,000,000 anticipated in the budget. Sales Tax represents 19% of the Fund's revenue. As of the end of May collections, sales taxes are 9.7% higher than anticipated when developing the 2020 budget. This percentage will decrease as Rally sales taxes are included and the reduction in internet provider services are eliminated this July. However, this revenue stream appears to exceed the projections included in the 2020 budget.

The Liquor Store provides approximately 3% of the total General Fund revenue. To date in 2020, the Liquor Store's profitability has exceeded projections by more than 40%. All other General Fund revenue sources including building permits and interest are fairly similar to the initial projections included in the 2020 Budget.

A very early projection of the ending General Fund Reserve balance (cash and investments) would be \$3,000,000. This includes the 2020 Budget's increase in the reserves of \$180,000, the anticipated reduced profitability of the City of Sturgis Motorcycle Rally, the CRF reimbursement, and FEMA related projects and reimbursements.

Municipal Utilities

The City's utilities total 27.3% of the City's budget. To date, revenue collections have been in line with projections as have costs. Beyond the ongoing structural deficiencies in the Sanitation Fund previously described, there is no significant change to this portion of the City's budget.

Capital Improvement Fund

The City's Capital Improvement fund represents 9% of the City's budget. It is funded through 45% of the City's sales tax collection. To date 2020 Capital Project expenses have been in line with projections and the revenue has been 9.7% higher than budgeted.

Tourism (BBB) Fund

The City's Tourism Tax or BBB Fund totals 2% of the City's budget. To date, the tourism tax fund is 14% lower than anticipated in the 2020 Budget. This reduction has been due to the dramatically lower tourism rental rates of hotels and the voluntary closure of restaurants during March and April. Given the likelihood of a far smaller Rally, this deficit is likely to grow. As such, significant reductions in expenditures in 2020 and 2021 will be necessary. The City has already reduced expenditures from this fund through eliminating the annual Supermoto event in the fall and the Summer movie series. The 2021 Budget will need to include these reductions as well as further reductions to the funding of the Chamber of Commerce and SEDC in order to rebuild the fund's balance. Over time, the City will need focused attention to expand and enhance tourism draws in order to rebuild this fund.

Accomplishments of the 1st and 2nd Quarter 2020

Initiative 1 – Maintain a Strong Financial Position

As previously described, the City's financial position remains strong. Despite a very challenging global economic climate, the City has navigated a path to ensure that the residents can trust in the financial security of their community.

Initiative 4 – Complete at least 4 annexations

During the first 6 months of 2020, the City completed two annexations. One annexation was completed with a voluntary annexation and development agreement. This initiative is part of a long-term goal of the City that was established more than six years ago. Since then, the City has successfully completed 22 annexations. Of the 22 completed annexations, 19 were voluntary.

Despite the significant number of annexations completed, very few additional City services were required. The 22 additional annexations have increased the assessed value within the City of Sturgis by \$15,941,025 (this does not include the added value within Dolan Creek, when TIF #12 is repaid, at that point an additional \$25,000,000 will be added to the assessed value of the community). These annexations currently represent 3.5% of the City's assessed value. This additional value has been used by the City Council to reduce the City's mill levy. **These annexations have reduced the City property tax bill of a \$200,000 assessed home by \$46 every year.**

It must be noted that the City has not forced any of the property owners to change their previous land use, sell any of their property or to change its development. The importance of the annexations is that it provides tax equity across the community, ensuring that those who receive the services provided by the City's property taxes help to pay those same property taxes. In addition, it provides ordered growth for the community.

The City is working to complete 3 additional voluntary annexations in the second half of 2020.

Initiative 5 – Enhance retail amenities

Many of the original concepts for retail enhancements were unfortunately disrupted with the COVID-19 pandemic. However, the Sturgis Strong Initiative and the continued business operational support visits demonstrated the City's commitment to enhancing the retail environment. The City has actively worked with three entrepreneurs on new retail initiatives that will hopefully open in the coming year.

Initiative 6 - Complete Negotiations with the National Guard for Exit 30

Throughout January and February various City Officials have been in contact with state leaders regarding the need to make a more equitable use of Exit 30. The four-acre parcel was leased to the National Guard at a price of \$1 for 50 years. When the City entered into the lease it agreed to a 50-year extension with the same terms. The original lease expires this October. When the original lease was agreed upon, the City did not follow proper legal protocols including public hearings. The inequitable arrangement and the failure to follow state law has led the City to seek a more equitable use for the parcel. Initial discussions have been professional but not fruitful. Progress stalled during the COVID-19 pandemic but further work will be ongoing during the next quarter.

Initiative 8 – Ensure ongoing sustainable funding for the Ambulance Service

The City has continued work on this goal for several years. The rural Ambulance Service Tax District has been passed and a Board has been elected. The City will begin negotiations to

determine if the District will contract with the City for service in 2021. The City continues to work with the County to ensure that Sturgis no longer is dispatched to calls outside our response area. In addition, continued analysis is occurring regarding patient billing.

Initiative 9 – Capital Improvement Plan

Wastewater Treatment Plant

The largest infrastructure project in the City's history is underway. The project is on schedule and within budget. It is anticipated to be completed in the Spring of 2021. The finances of the project have been previously described.

Complete Vanocker Stormwater Project

The project has been awarded and will begin construction soon. The project is a part of the larger Vanocker/Otter Road Bike Path, Stormwater project. The bid price was far below the original engineer's budget and is funded through the City's Capital Improvement Fund.

Complete Otter Road Stormwater Project

The project is nearly completed. The project is part of the larger Vanocker/Otter Road Bike Path, Stormwater project. The project was funded through the City's Capital Improvement Fund.

Complete design of the Vanocker Canyon Road Upgrade

The project is currently being designed by the State DOT. The project will be constructed in 2021. It is funded through a combination of a State DOT Grant, the City's Capital Improvement Fund and a new TIF.

Complete plans for reconstruction of Ellen

The plans have been completed and bid. The project was recently awarded and will begin in late August 2020. The project is well ahead of schedule and is under budget.

Complete reconstruction of Woodland Creek Bank

The project is anticipated to be completed by August of 2020. The project is part of the 2019 flood recovery. The project has been funded by the City's General Fund, with up to 75% being eventually reimbursed by FEMA.

Complete hydrology for 7th, Sly and Blanche crossings

As previously described, an outside engineering firm is completing the work and will be working with FEMA to try to achieve approval for the crossings.

Complete Armory upgrades

The HVAC system has been replaced. This will provide a far more comfortable and efficient environment for community gatherings. The staff has prepared a plan for future upgrades. This plan will be reviewed by the Infrastructure Committee in the near future. The Capital Improvement Plan includes funding to complete many of the future upgrades.

Initiative 11 Councilor's Corner

The SIP has space available for Councilors to include a story. This has been done in previous months and will likely be done in the future.

Initiative 12 City Revenue Placed on the Website with Updates

The quarterly financial report is placed on the website. In addition, this biannual report will be placed on the website.

Initiative 13 Establish a working budget group

City staff has meet with Councilors interested in a deeper review of the 2020 and proposed 2021 budget. After the meeting additional information was sent to the Councilors. This report includes a detailed review of current City finances. The proposed 2021 Budget was reviewed during a public meeting and was provided to Councilors to review. After one month, it will be presented to the public once again and then posted on the City website. Four weeks later, the Council will consider a first reading on the 2021 budget.

Initiative 14 Develop a calendar for capital improvements and equipment purchases

The 2021 Preliminary budget includes a complete calendar and budget for the next five years of capital improvement projects. In addition, the preliminary 2021 budget includes the anticipated equipment purchases for the next two years.

Initiative 15 Black Hills regional Rally working group

The first several months of 2020 included numerous phone conversations and meetings with innumerable Rally stakeholders. This was primarily focused on the 2020 event and if it should occur and how it could be completed safely. Over the remaining of 2020, this effort will continue with the Rally and Events Department focused on developing a strategic plan for future events that encompasses the assistance of industry partners throughout the region.

Initiative 16 Establish a sustainable way forward for sponsorship and Charities

The Council held several public discussions early in 2020 regarding potential future funding for charities. Several ideas have been reviewed. It is anticipated work on this objective will begin again in early 2021.

Initiative 19 Ensure goals and strategies are made public with timelines

The initiatives developed by the Council were published following the Council's discussion. This biannual review will be published following the July 6, 2020 Council meeting. It serves as a complete review of the City's achievements thus far and the strategies behind actions that will occur in the second half of 2020.

Work Plan for the 3rd and 4th Quarter of 2020

During the next six months, the City will be focused on enhancing the community's quality of life and economic vitality. It is vital that the community diversify its economic base so that it is not reliant upon the annual City of Sturgis Motorcycle Rally. This can best be achieved by enhancing the community's quality of life and increasing its customer base. Beyond the continued work to finalize the initiatives previously described, the City will be working to address several other priorities.

Initiative 7 Event Space

At the July 20 Council meeting, the City will discuss implementing this long-term endeavor. During this meeting, the Council will weigh whether it should purchase the Mr. Al's building to convert it to an event center. The concept is to redevelop a largely vacant structure into a vibrant economic catalyst for the downtown core and the community. With the closure of the Boulder Canyon Event Center, hotels and restaurants have lost a significant resource for weddings, meetings and banquets. These events drove a significant catering business as well as a significant number of non-Rally hotel room nights. The former center was a beautiful facility but often lacked adequate space for several meetings and wedding parties. The closure has led to an increase in demand at the Community Center and Armory despite their lack of appeal for such events. Long term this is not a viable solution as it would impair youth sports and recreational programs in our community.

The Sturgis Hotel BID and the Downtown BID have both advocated for the City to address this need by finding another location that could fit a variety of events year-round. The City has been in discussions with the owners of the Mr. Al's building in Downtown Sturgis to fulfill this need. In July a proposal will be brought before the Council to fulfill this need. The roughly 11,250 sq. ft. building is large enough to fit two large bathrooms (including areas dedicated to serving downtown visitors and guests), a storage area for the Music on Main and other event needs, a warming kitchen and up to 9,000 square feet of event space. This space is larger than either the Armory or Community Center and can allow for up to 600 guests (if sprinklers are included) or 300 (if sprinklers are added later).

The goal of the space would be to allow for weddings and mid-week meetings and gatherings at a more affordable price than those rooms available in Rapid City and Spearfish. Event spaces are often owned or financed by municipalities. This is done knowing that it encourages new visitors to spend time in the community which assists local businesses. The event center would be an anchor for new visitors to Downtown restaurants and new guests in Sturgis hotels. The July 20 meeting will include a financial pro forma of the project that would allow for the Rally to be leveraged to construct a year-round facility that would assist in enlivening downtown Sturgis throughout the year. This is a similar strategy the City has used in the past with Harley-Davidson Rally Point and the Community Center, where the City is able to leverage financial resources from the Rally to make a year-round positive impact in our Downtown.

Initiatives 3, 9a,9j

The establishment of a financing plan for significant recreational upgrades to existing sporting fields and recreational areas as well the development of new recreational amenities including bike trails, a large City Park in the south of the City and a new splash pad have all been combined in the potential development of the Marcotte and Fairgrounds.

The Marcotte

Later in July, the City will host a town hall meeting to discuss the potential development of the Marcotte property. This development would be designed as a premier neighborhood, embracing an outdoor lifestyle. The development would permanently dedicate more than 20 acres of land to parks, trails and outdoor recreation. The project would provide \$1,000,000 in funding for a new splash park and more than a million dollars in TIF funding for numerous infrastructure enhancements. In particular the project would:

- Reconstruct Otter Road (full width reconstruction)
- Provide \$1,000,000 in income for the City (allocated for new Splash Park by Community Center to be built in 2021 – the largest in the Black Hills)
- Construction of new City Park on the south side of Town
 - Large Play Structure
 - Covered awning
 - Restrooms
 - New gazebo or shelter
- Construction of a new crushed limestone trail
- Extension of City Bike trails into Marcotte, Palisades and Dolan Creek
- Construction of a parking area for the Red Cut trailhead
- Funding for new crossing over Deadman (will need Army Corps and FEMA approval)
- Will increase property valuation by 4% (can allow further future reduction of property taxes)
- Will increase revenue from sales tax by \$125,000 (average \$393 per new resident)
- Allows for approximately 2.5 years' worth of growth

The Marcotte was purchased from the state in 2013. During negotiation, the state completed an appraisal of the property. The appraised price of \$10,000 per acre did not include limitations on potential future use of the property once the City paid for the property. The City agreed to purchase the property at \$10,000 an acre to ensure that it would be developed in a responsible manner that provided significant upgrades to recreational areas. There are no deed restrictions on the property.

The project is anticipated to take approximately 4 to 5 years to complete buildout. Revenue from the sales of the land would be used to fund a new splash pad that would be built next to the Community Center. This would be the largest splash pad in Western South Dakota. It is anticipated that this would be the first step towards constructing a larger water park over the coming years.

The Fairgrounds

Later in the year, the City will host a town hall meeting to discuss the potential redevelopment of the Fairgrounds property. This initiative was originally developed in 2013 as a recommendation of the Fairgrounds Use Committee. Following numerous public discussions, the Committee determined that the existing fairgrounds site was inadequate for rodeos. In addition, when reviewing the very limited activity that currently occurs on the half-mile track, the concern raised by neighbors when additional uses are discussed and the highly dilapidated condition of the grandstands, the Committee recommended relocating the fairgrounds and using the property for other purposes.

Since that time, the City has worked in coordination with the School Board to move the fairgrounds to the High School. This summer this will be completed. After the relocation of the rodeo facilities, the only remaining use on the property will be a half mile track. Given the very limited use of the half-mile track, the impact of its use on neighbors and the significant expenditures necessary to upgrade the facility it is recommended that the half mile track and grandstands (approximately 22 acres) would be sold for a housing development. This proposal does not include changing the softball or baseball fields.

The potential reuse of the site for housing is highly desirable as it is in between the softball and baseball fields, next to the elementary school and is within easy distance to Downtown and the Interstate. In addition, the property is not located in a flood plain. If the City retained the land for eventual reuse for more sports fields, there is no realistic way to provide funding to actually construct the fields. Instead, the redevelopment of the fairgrounds would provide hundreds of thousands in TIF funds for improvements to the softball and baseball fields as well as up to a million dollars in revenue for various City priorities. This development would need to be in conjunction with the Marcotte, as some open recreational covenants that are held at the fairgrounds as the result of grants received decades ago can be transferred to the Marcotte parkland, trails and open space. There are no restrictions on the use of the property beyond these grant requirements.

The project would provide \$1,000,000 in funding for City priorities and more than a million dollars in TIF funding for numerous infrastructure enhancements. In particular the project would:

- Eliminate the need to reconstruct grandstands (saving more than \$400,000 not budgeted at this time)
- Provide \$1,000,000 in income for the City (not allocated at this time)
- Construction of a new neighborhood Park in the center of town
 - Play structure
 - Covered awning
- Connection of a bike trail from Ball Park Road to the community center (part of the City's Bike Plan)
- Paving of the parking lot and other improvements to the existing softball fields (will not change the location of the fields)
- Construction of improvements to the existing baseball fields (will not change the location of the fields)
- Construction of an indoor pitching machine building
- Will not increase property taxes
- Will increase property valuation by 2.4% (can allow further reduction of property taxes)
- Will increase revenue from sales tax by \$103,000 (average \$393 per resident)
- Allows for approximately 2 years' worth of growth
- Further growth brings more customers for existing and future retailers

Initiative 10 Complete a review of at least 4 ordinances

The City will begin reviewing ordinances following a new protocol established in 2019. The Council will hold a public discussion on ordinances and then prepare a draft for a first reading and then a final second reading. This will likely begin in September.

Initiative 17 City Sanctioned Event Calendar

This Fall, the Sponsorship Committee will begin a thorough review of City sanctioned events. The review will include the costs and benefits from each event and will be used to determine which events will continue in 2021 and what new if any events can be added.

Initiative 18 Develop a strategic plan for the Rally

Work began in early 2020 but was halted with the outbreak of the pandemic. Work on the strategic plan will resume in the Fall of 2020.