

2022 Budget

AUGUST 23, 2021

Sturgis' Current Economic Position

Unprecedented Residential Demand

Within the City of limits current homes for sale that are not pending or taking contingencies

As of August 23, 2021

- 1 home for sale \$129,000
- 2 houses for sale \$279,900 - \$300,000
- 2 houses for sale \$325,000 - \$350,000
- 1 house for sale \$400,000 - \$500,000
- 2 houses for sale \$500,000 - \$600,000

0.2% availability (healthy market exceeds 1-2%)

Brokered by Re/Max In The Hills



● For Sale

\$407,500

5 bed 3 bath 2,066 sqft 7,841 sqft lot

Population Growth

2000-2010 growth rate of 2.9%

2010-2020 growth rate of 5.9%

- 72% was from 2015-2020

Downtown Business Renaissance

“The business environment in downtown Sturgis is better now than any time since the 1970’s”

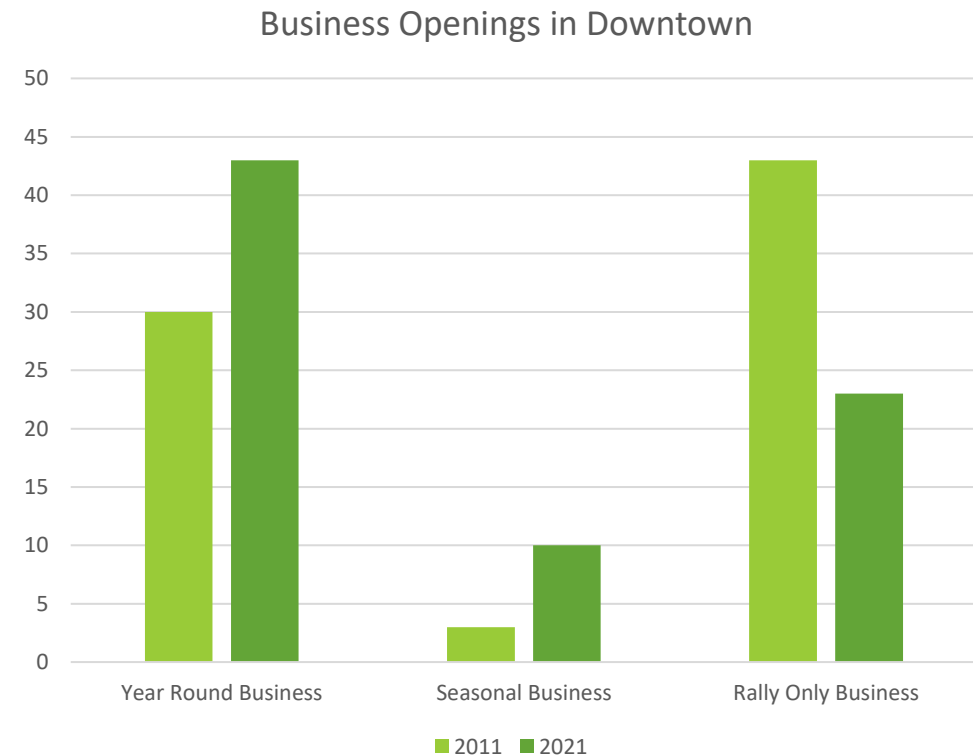
- Downtown Business Owner
- July 22, 2021

Year-round businesses have increased by 43% in the last 10 years

Seasonal businesses have increased by 333% in the last 10 years

Rally only businesses have fallen by 46% in the last 10 years

- The numbers would be even better considering three year-round businesses built new larger sites outside the downtown core over the past 10 years (Flex Fitness, BH Laundry, BHE)



Some of the New and Expanded Businesses since 2015



City of Sturgis Financial Position

Bond Rating

Similar to a family's credit rating

Increased 4 steps

Has not been reassessed since '14 (no more outstanding credit bonds)

Would now be even higher



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Rating Agency Credit Scale

Moody's	S&P	Fitch	NAIC*	
Aaa	AAA	AAA	1	Investment Grade
Aa1	AA+	AA+	1	
Aa2	AA	AA	1	
Aa3	AA-	AA-	1	
A1	A+	A+	1	
A2	A	A	1	
A3	A-	A-	1	
Baa1	BBB+	BBB+	2	
Baa2	BBB	BBB	2	
Baa3	BBB-	BBB-	2	
Ba1	BB+	BB+	3	Non-Investment Grade
Ba2	BB	BB	3	
Ba3	BB-	BB-	3	
B1	B+	B+	3	
B2	B	B	3	
B3	B-	B-	3	

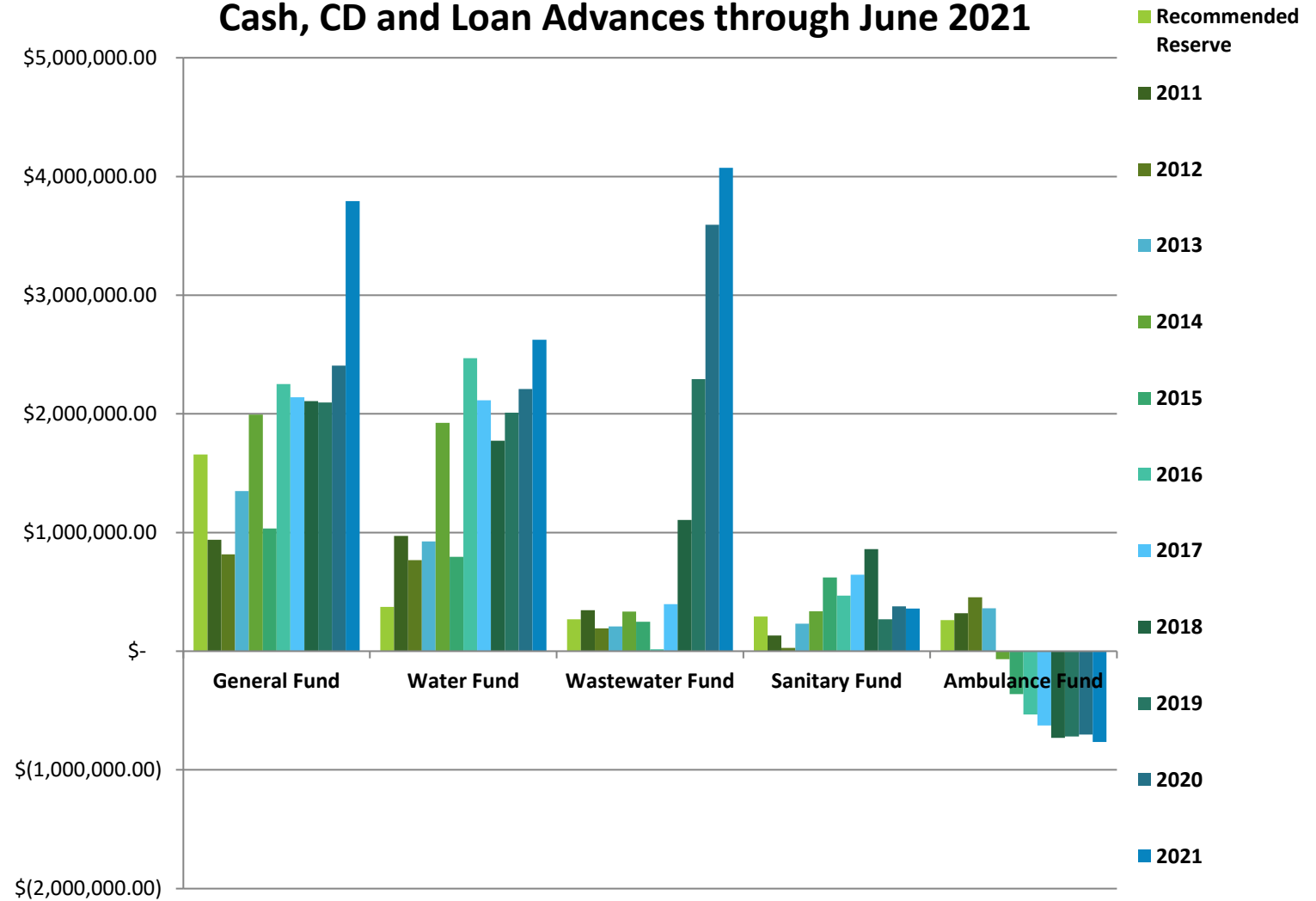
* National Association of Insurance Commissioners

City's "Savings Accounts"

The Reserves of Operating Funds are very high

Each Fund (other than Ambulance) is at least 2X the recommended minimum reserve (20%)

Cash, CD and Loan Advances through June 2021



City's Property Tax

Estimate (do not have final assessment)

Growth (new construction) has increased valuation by 9.6%

Annexation has increased valuation by 3.5%

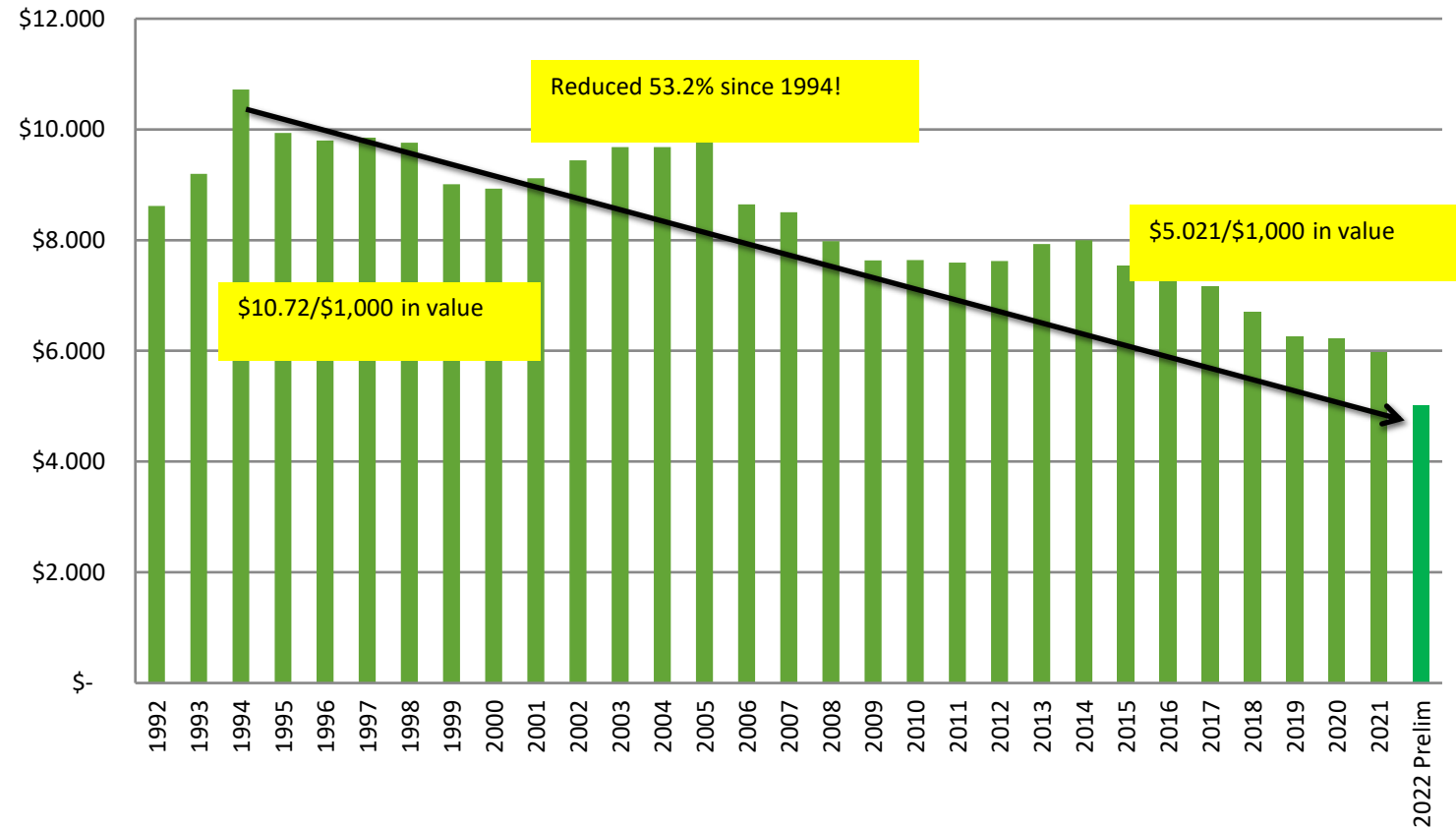
TIFs will ensure continued growth in assessment valuations

Estimated reduction in 2022 of **16.6%**

\$134,660 less than collected in 2021

The same as what was collected in 2013

History of Sturgis City Mill Levy 2022 will be the lowest in 30 Years!



Growth in non-Property Tax Revenues

- Rally related income up 51%
 - Now the net averages \$1,000,000
- Sales Tax up 69%
 - Up \$872,000 over 2010
- Liquor Store profit now \$381,000
- Development Related Income up 359% (now a profit center)
 - Has increased \$190,000 from 2010
- Interest Income up \$445,000

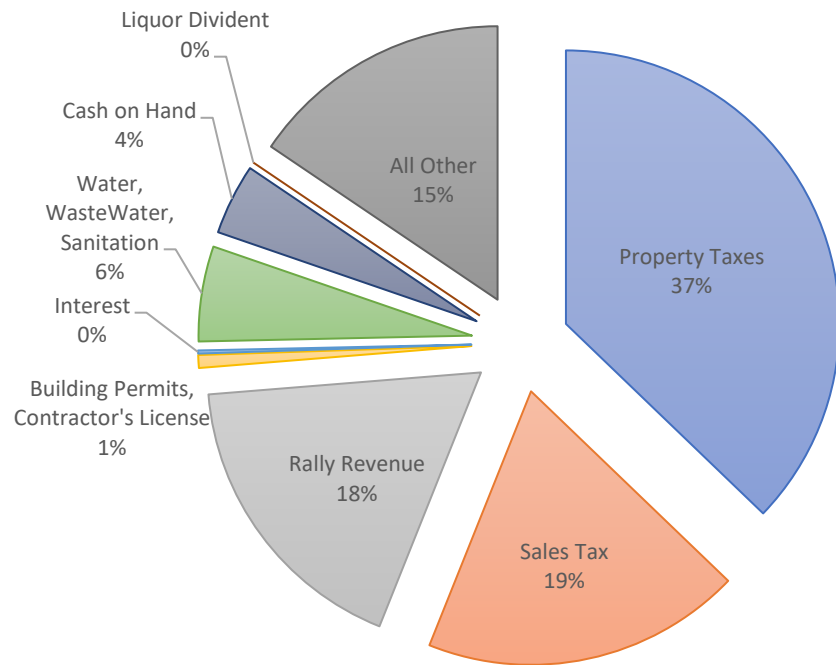
Increased Rally Revenue Stream

The Sturgis Rally generates incredible economic activity in the city. While Sturgis realizes revenues from sales taxes and permit fees, most proceeds are used for the costs of the event itself – security, visitor accommodations, utilities, print material, and organization. The city's net revenue appears to be very small, estimated in the range of \$300,000. This leaves little funding for either enhancing the product that Sturgis offers Rally visitors, or for the annual impacts on the city such as vacant property, or excess infrastructure capacity.

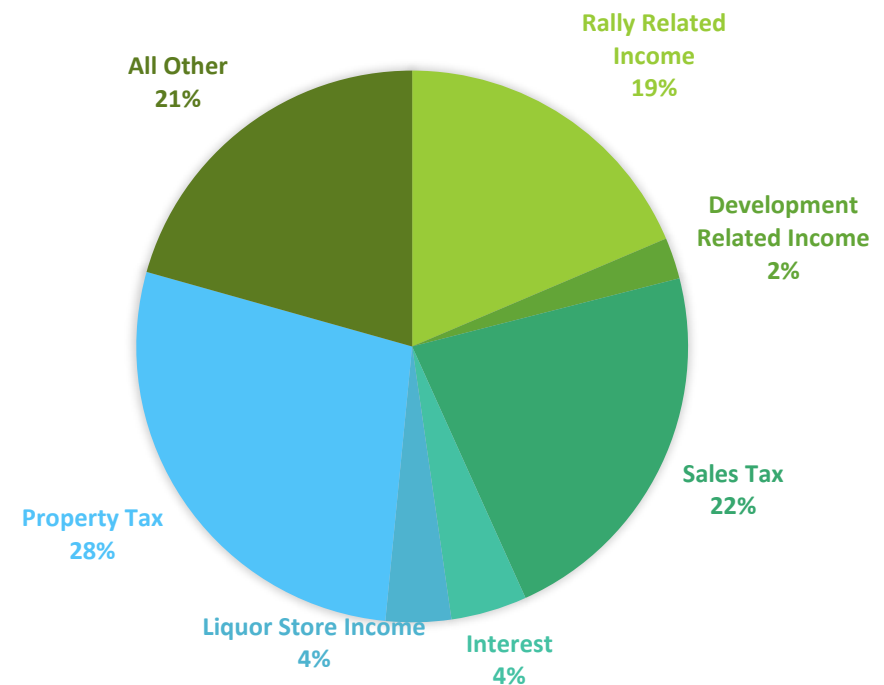
In order to fund community enhancements that specifically benefit Rally participants and other visitors, Sturgis should establish a time-limited funding source, possibly based on vendor permit fees, a sales tax surcharge, or property assessment policy to generate at least \$1 million annually to devote to central district improvements, including the capital projects and enterprise funds identified by this plan. These additional costs would be relatively inconsequential to Rally businesses and visitors, but would produce highly visible benefits to both that would further increase the popularity of this great event and improve the ability of Sturgis to attract other programs.

How Sturgis can collect less property tax and still operate

2010 General Fund Revenue Sources



2022 GENERAL FUND REVENUE SOURCES



2022 Highlights

2022 Improvements/Equipment

- \$200,000 Boulder Canyon Bike Trail
- \$700,00 Reconstruct Moose (likely construction in 2023, funded in 2022)
- \$900,00 Reconstruct E. Main and E. Sherman (likely constructed in 2023, funded in 2022)
- \$137,000 Upgrades at Armory and Comm Center
- \$170,000 Dispatch Center Control Panels
- \$ 30,000 New Mowers
- \$435,820 Purchase 2 graders



Outside Agencies

Increase SEDC contribution by \$15,000

Increase Sturgis Area Chamber of Commerce contribution by \$10,000

Continued contributions to Sturgis Rally Charities

- 5% of Sponsorship Income
- \$25,000 in set funding
- Potential Cup Sales

Personnel

Seasonal/Part-Time Employees Raises

Additional seasonal employees for Parks, Rally & Events

Police have 2 SROs and 1 CRO

Mid-Year one new additional mechanic

4.5% COLA (50% higher than contract)

Finance

Water, Wastewater and Sanitation minimums increase 3%

Estimated city mill levy reduction of 16.6%

- 2021 Payable
 - City represented 33.8% of the property tax for owner occupied
 - County represented 22.6% of the property tax for owner occupied
 - School represented 43.6% of the property tax for owner occupied

January 1, 2022 Preliminary	City Tax	School Tax	County Tax	Other Tax	Sewer*	Water	Garbage	Annual Total
Spearfish	412	1186	595	30	612	254	243	3332
Sturgis	897	1158	601	0	501	226	196	3580
Deadwood	778	1116	595	122	328	391	275	3604
Belle Fourche	892	1188	632	0	415	278	239	3643
Hot Springs	961	1165	619	54	385	271	191	3647
Lead	1259	1116	595	244	136	385	245	3980
Rapid City	479	1190	716	545	465	388	231	4013
Seven City average	\$ 811.03	\$ 1,159.84	\$ 621.73	\$ 142.29	\$ 405.88	\$ 313.26	\$ 231.55	\$ 3,685.57
Sturgis over (under)	\$ 86.42	\$ (1.54)	\$ (20.98)	\$ (142.29)	\$ 95.00	\$ (87.18)	\$ (35.11)	\$ (105.67)

Next Steps

1st Reading 2022 Budget August 23

2nd Reading 2022 Budget September 7