

*Kearney, Nebraska
July 20, 2010
7:00 a.m.*

A Special Meeting of the City Council of Kearney, Nebraska, was convened in open and public session at 7:00 a.m. on July 20, 2010, in the 2nd Floor Conference Room at City Hall. Present were: Stanley A. Clouse, President of the Council; Michaelle Trembly, City Clerk; Council Members Randy Buschkoetter, Don Kearney and Bob Lammers. Absent: Bruce Lear. Michael Morgan, City Manager; Wendell Wessels, Director of Finance; Suzanne Brodine, Assistant to the City Manager; Julie Steffensmeier, Executive Assistant; Kirk Stocker, Director of Utilities; Matthew Williams, Library Director; Neal Lewis, Director of Park & Recreation; Ken Tracy, Fire Administrator; Dan Lynch, Chief of Police; Jim Lynaugh, Airport Manager were also present. Kevin Hervert from Kearney Hub was also present.

Notice of the meeting was given in advance thereof by publication in the Kearney Hub, the designated method for giving notice, a copy of the proof of publication being attached to these minutes. Advance notice of the meeting was also given to the City Council and a copy of their acknowledgment or receipt of such notice is attached to these minutes. Availability of the Agenda was communicated in the advance notice and in the notice to the Mayor and City Council. All proceedings hereafter shown were taken while the meeting was open to the attendance of the public.

Mayor Clouse announced that in accordance with Section 84-1412 of the Nebraska Revised Statutes, a current copy of the Open Meetings Act is available for review and is posted towards the back of the Council Chambers.

BUDGET INTRODUCTION

Wendell Wessels, Director of Finance and Administration presented the proposed budget to the Council.

General Fund Property Tax – The General Fund Property Tax requirement for the 2010-2011 proposed budget is \$2,030,472 and the proposed property tax levy for 2010 is \$.12481 per \$100.00 of valuation. The General Fund Property Tax requirement for the 2009-2010 adopted budget was \$1,983,197 and the actual tax levy was \$.12434. Therefore, the General Fund Property Tax requirement for 2010-2011 is \$47,275 more than the 2009-2010 General Fund Property Tax requirement and the General Fund tax levy for 2010-2011 is \$.00047 more than the 2009-2010 General Fund tax levy. The General Purpose Property Tax is deposited in the General Fund for the purpose of paying operational expenses of the City.

Special Property Tax – The Special Property Tax requirement for the 2010-2011 proposed budget is \$391,398 and the estimated Special Property Tax levy for 2010 will be \$.02406 per \$100.00 of valuation. The Special Property Tax requirement for the 2009-2010 adopted budget was \$391,185 and the actual tax levy was \$.02453. Therefore, the Special Property Tax requirement for 2010-2011 is \$213 more than the 2009-2010 Special Property Tax requirement and the Special Property Tax levy for 2010-2011 is \$.0047 less than the 2009-2010 Special Property Tax levy. The Special

Property Tax is deposited in the Public Safety Tax Anticipation Bond Fund for the purpose of paying principal and interest on bonds issued for public safety resources.

Therefore, the proposed combined property tax levy for 2011 is .14887 per \$100.00 of valuation, which is the same property tax levy that was approved by City Council for fiscal years 2008, 2009 and 2010. It appears that Kearney will continue to enjoy having one of the lowest property tax levy among all first class cities in the State of Nebraska again next year.

The volatility of sales tax receipts, the City's largest general fund revenue, poses a formidable change during a downturn in the economy. Accordingly, the City Council should be aware that as ongoing operations increase due to growth in the community and other related demands, that future property tax increases will be necessary or a reduction in services may be needed to balance the budget.

Capital Improvements/Equipment

The 2010-2011 proposed budget includes \$14,652,728 of capital improvements/equipment in the following funds:

- General Fund \$785,047
- Special Revenue Funds \$334,000
- Capital Projects Funds \$6,622,330
- Enterprise Funds \$6,877,351
- Internal Service Funds \$34,000

Compensation, Benefits and Staffing

The 2010-2011 budget includes a net decrease of one full-time position as follows: remove Management Assistant, remove Victim Witness Case Manager, and add Wastewater Treatment Plant Operator.

Due to the significant financial challenges the City is facing, a cost of living increase is not provided for in this budget. It is hoped that as funding allows in the future, adjustments can be made to ensure employees salaries are compensation comparable with similar positions in other communities.

Fiscal Summary

The 2010-2011 proposed budget is \$56,138,217 and the 2009-2010 adopted budget was \$63,143,819. Therefore, the 2010-2011 proposed budget is \$7,005,602 lower than the 2009-2010 adopted budget. The following is a summary listing of the budget for each of the fund groups contained in the 2009-2010 and 2010-2011 budgets:

	2009-2010	2010-2011
General Fund	\$16,340,049	\$16,390,146
Special Revenue Funds	\$4,709,342	\$4,618,704
Capital Project Funds	\$13,868,802	\$7,409,700
Debt Service Funds	\$2,118,952	\$1,618,580
Enterprise Funds	\$20,419,687	\$19,667,726
Internal Service Funds	\$5,200,750	\$5,926,500
Fiduciary Funds	\$486,236	\$506,861
TOTALS	\$63,143,819	\$56,138,217

The establishment and maintenance of adequate cash balances and reserves allows the City financial flexibility and security and is recognized as an important factor considered by bond rating agencies and the underwriting community when reviewing City debt issuance. Along with maintaining the City's credit worthiness, such cash balances and reserves provide the means to handle economic uncertainties, local disasters and other unanticipated financial hardships, as well as, to meet cash flow requirements. Fund balance levels will be sufficient to meet funding requirements for projects approved in prior years that are carried forward into the new year; debt service reserve requirements; and other reserves or designations required by contractual obligations or generally accepted accounting principles.

- General Fund – The City shall strive to maintain the fund balance at no less than 25% of the proposed operating budget expenditures.
- Special Revenue Funds:
 - Transportation Fund – The City shall strive to maintain the fund balance at no less than 25% of the proposed operating budget expenditures.
 - Economic Development Grant Fund – There is no minimum fund balance requirement.
 - Lottery Trust Fund – The City shall strive to maintain the fund balance at a minimum of the proposed budget gross handle, less state taxes, less audit fees, less legal fees, less community betterment expenditures, plus interest income.
 - Natural Disaster Fund – There is no minimum fund balance requirement.
 - Offstreet Parking District No. 1 – The City shall strive to maintain the fund balance at no less than 25% of the proposed operating budget expenditures.
- Capital Project Funds – There is no minimum fund balance requirement.
- Debt Service Funds – The City shall strive to maintain sufficient reserves in its debt service funds which shall equal or exceed the reserve fund balances required by bond ordinances. These reserves shall also be adequate to cover future debt service.
- Enterprise Funds – The City shall strive to maintain the fund balance at no less than 25% of the proposed operating budget expenditures. Fund balance may also include funds equal to the project cost of the replacement and additions of existing capital assets financed on a “pay as you go” basis.
- Internal Service Funds:
 - Health Insurance Fund – The City shall strive to maintain the fund balance at no less than 35% to 45% of the proposed operating budget expenditures.

- Property & Casualty Insurance Fund – The City shall strive to maintain the fund balance at no less than 35% to 45% of the proposed operating budget expenditures.
- Workers Compensation Insurance Fund – The City shall strive to maintain the fund balance at no less than 35% to 45% of the proposed operating budget expenditures.
- Central Stores Fund – The City shall strive to maintain the fund balance at no less than 25% of the proposed operating budget expenditures.
- Vehicle Maintenance Fund – The City shall strive to maintain the fund balance at no less than 25% of the proposed operating budget expenditures.
- Pension Trust Funds – The City shall strive to maintain the fund balance in an amount no less than required by the State of Nebraska Retirement Systems for Police Officers of first class cities statutes for the Pension Trust Fund.
- Agency Funds – There is no minimum fund balance requirement.
- Use of Fund Balance – The Fund Balance shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. Should such use reduce the balance below the appropriate level set as the objective for that fund as indicated above, restoration recommendations will accompany the decision to utilize said fund balance.

Director of Finance discussed some of the changes with the Comprehensive Fee Schedule of which includes increases in fees in Solid Waste-Collection, Wastewater Treatment-Collection, and Water Production-Distribution.

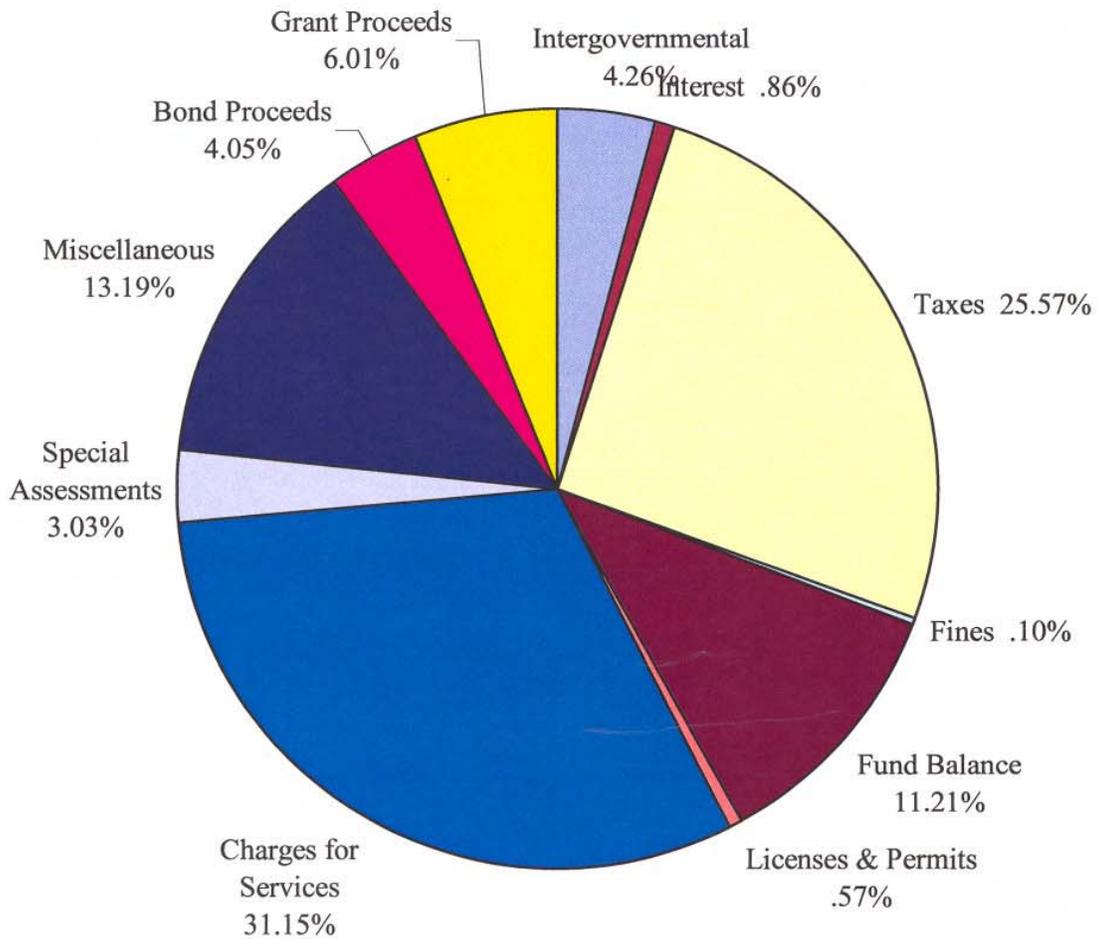
**CITY OF KEARNEY
LID COMPUTATION CALCULATION**

	<u>2009-2010 Budget</u>	<u>2010-2011 Budget</u>
<u>Calculation of "Restricted Funds":</u>		
"Restricted Funds":		
Personal and Real Property Tax	2,374,382.12	2,421,870.92
Motor Vehicle Tax	550,000.00	542,000.00
In-Lieu of Tax Payments	382,000.00	408,350.00
Sales Tax	9,600,000.00	9,600,000.00
Transfers of Surplus Fees	.00	0.00
Pro-Rate Motor Vehicle Tax	9,000.00	7,000.00
Highway Allocation	1,945,000.00	1,895,000.00
Municipal Infrastructure Redevelopment Fund (M.I.R.F.)	.00	0.00
Motor Vehicle Fee	200,000.00	200,000.00
State Aid	239,000.00	215,000.00
Prior-year capital expenditures budgeted, but not spent	<u>3,000.00</u>	<u>.00</u>
Subtotal	15,302,382.12	15,289,220.92
Less: "Restricted Funds" budgeted for		
Capital Imp. (real property acquisition, constr., or extensions)	(3,542,549.00)	(3,548,179.48)
Retiring bonded indebtedness	(1,685,079.12)	(1,463,920.75)
Supporting an Interlocal Cooperative Agreement	(1,513,573.00)	(1,515,197.00)
Interest-free loan payments to Department of Aeronautics	(11,940.00)	0.00
Natural disaster repairs (infrastructure only)	0.00	0.00
Judgments	<u>0.00</u>	<u>0.00</u>
Subtotal	(6,753,141.12)	(6,527,297.23)
Total "Restricted Funds"	8,549,241.00	
<u>Calculation of "Total Budget Authority"</u>		
2009-2010 "Restricted Funds"	8,382,532.92	
Plus:		
Unused "Budget Authority" carryover from prior years	<u>2,334,284.94</u>	
Subtotal - 2009-2010 "Restricted Funds"	10,883,525.94	
Allowable Increases:		
2½% increase allowed for "Base Limitation"	272,088.15	
1% increase allowed by governing body (75% vote of governing body)	108,835.26	
Increase for "Allowable Growth" (real prop., new const.,annex)		
0.00% - 2.5%)	0.00	
Special election increase	<u>0.00</u>	
Total "Budget Authority" for 2010-2011	11,264,449.35	11,264,449.35
Unused "Budget Authority" carryover to 2011-2012		2,502,525.66

<u>Unused "Budget Authority" carryover history:</u>	<u>Annual Change</u>	<u>Cumulative Balance</u>
1995-1996	22,618.75	22,618.75
1996-1997	322,711.56	345,330.31
1997-1998	614,853.57	960,183.88
1998-1999	462,084.99	1,422,268.87
1999-2000	(289,594.30)	1,132,674.57
2000-2001	(340,128.54)	792,546.03
2001-2002	(480,511.05)	312,034.98
2002-2003	(179,709.02)	132,325.96
2003-2004	141,377.61	273,703.57
2004-2005	917,631.99	1,191,335.56
2005-2006	1,451,504.41	2,642,839.97
2006-2007	394,629.24	3,037,469.21
2007-2008	(943,746.52)	2,093,722.69
2008-2009	(22,383.80)	2,071,338.89
2009-2010	262,946.05	2,334,284.94
2010-2011	168,240.72	2,502,525.66

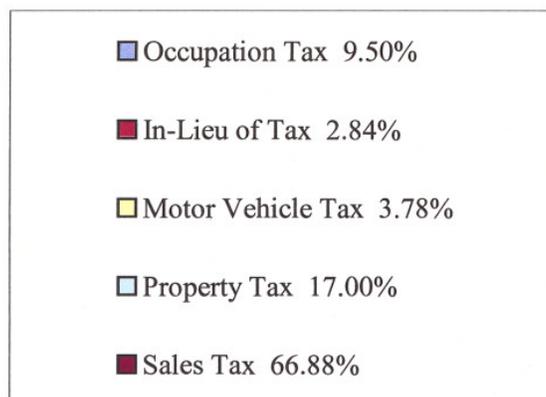
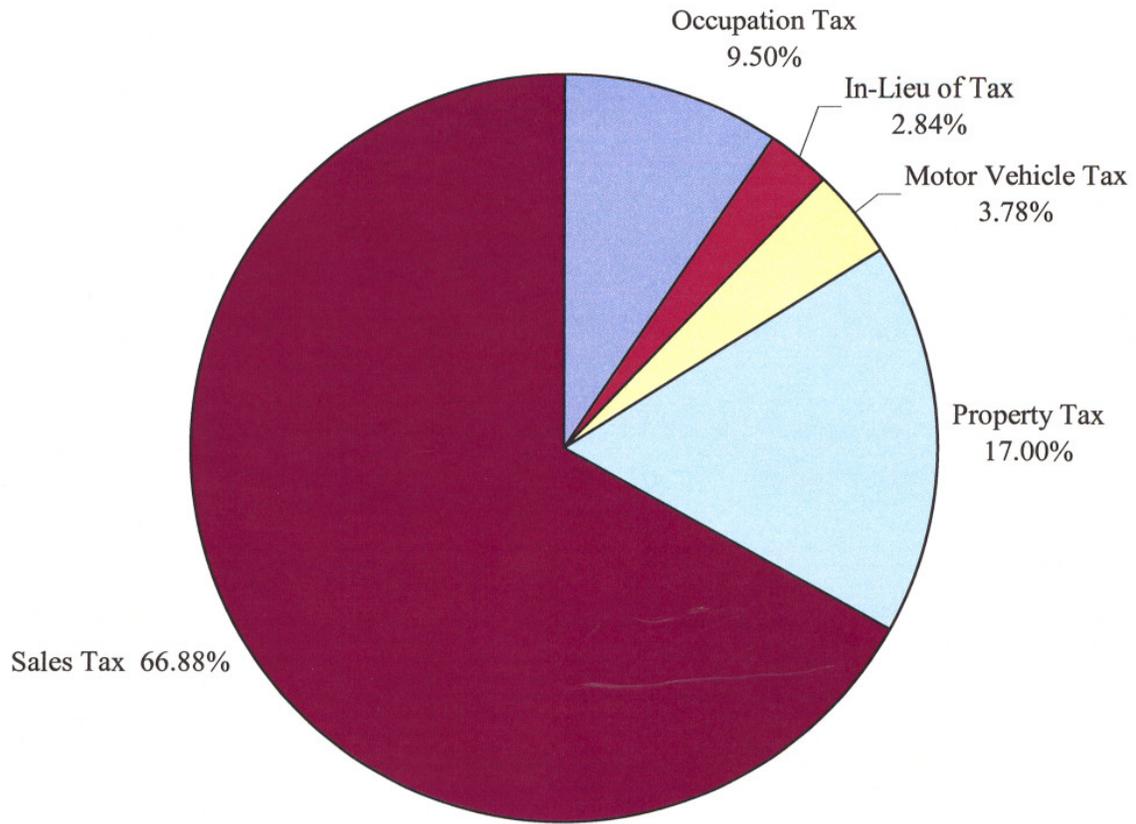
The following graphs summarize the City's upcoming budget:

City of Kearney All Funds by Source 2010-11

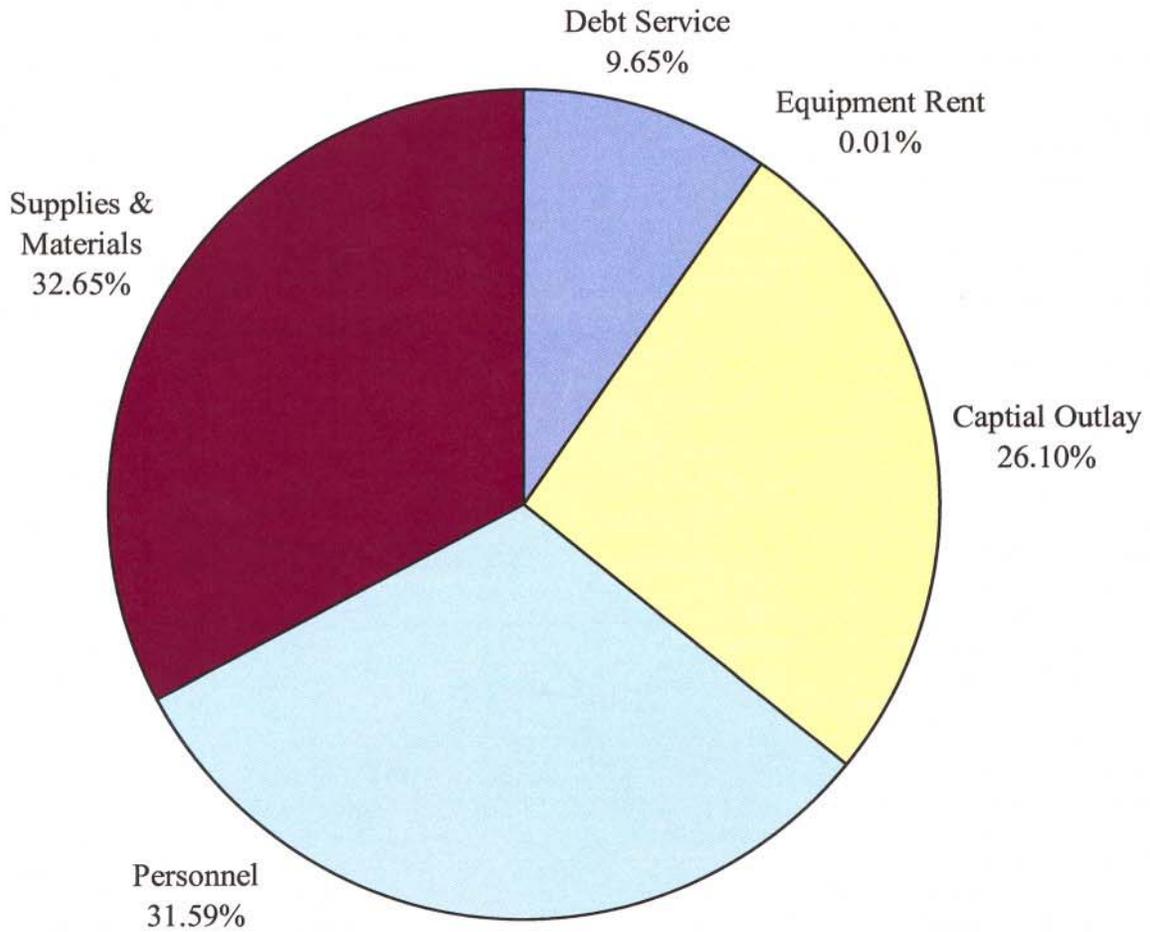


Intergovernmental	4.26%
Interest	.86%
Taxes	25.57%
Fines	.10%
Fund Balance	11.21%
Licenses & Permits	.57%
Charges for Services	31.15%
Special Assessments	3.03%
Miscellaneous	13.19%
Bond Proceeds	4.05%
Grant Proceeds	6.01%

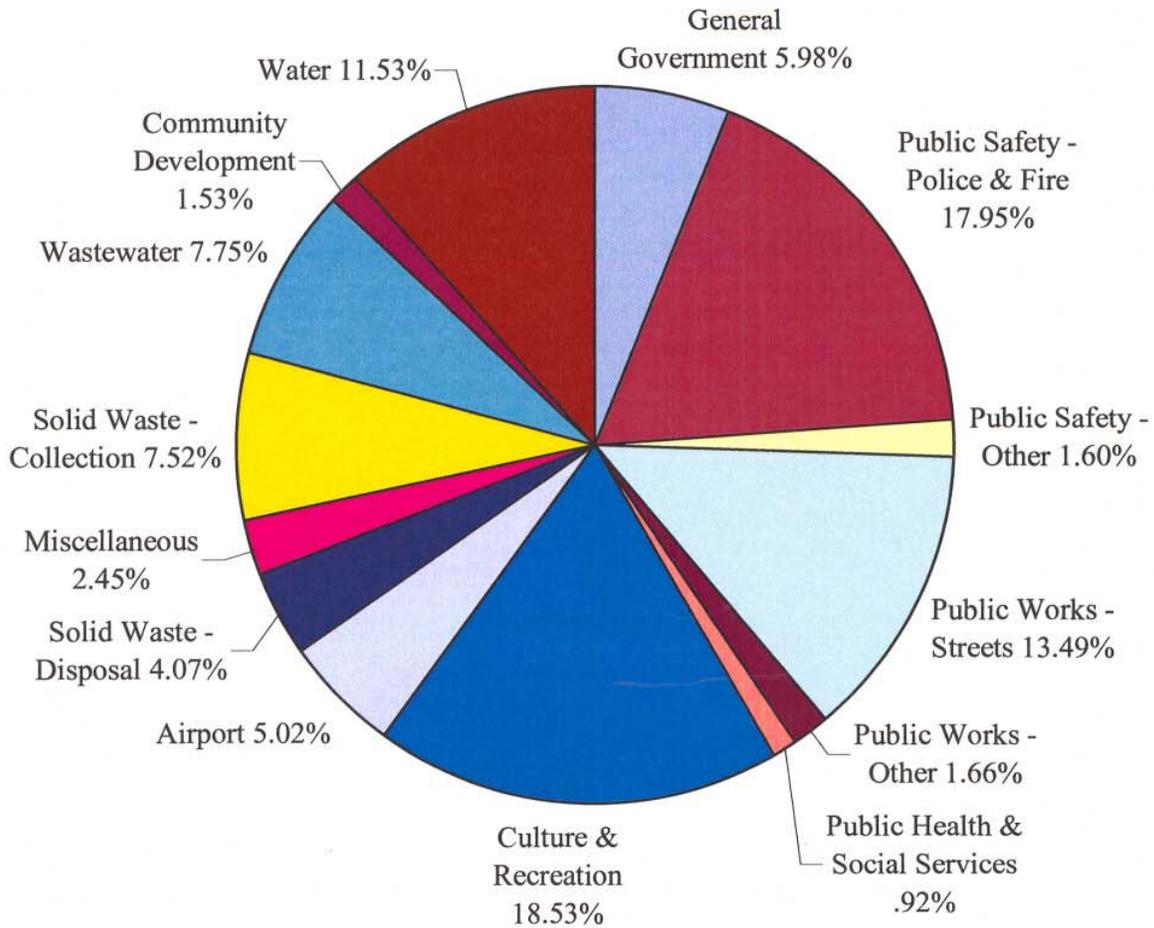
City of Kearney Tax Revenues by Source 2010-11



City of Kearney All Funds by Object 2010-11

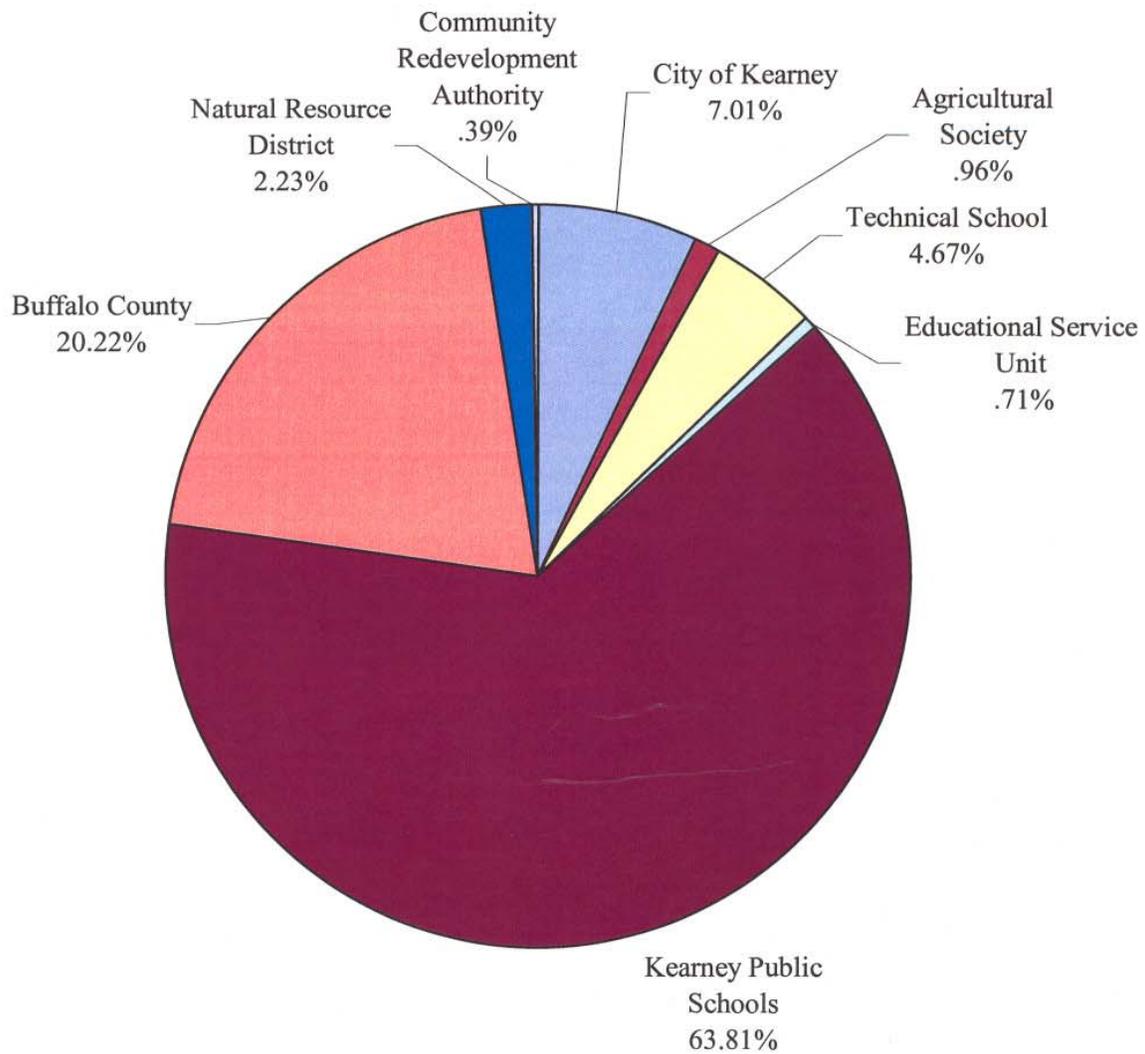


City of Kearney Budget by Function 2010-11



General Government	5.98%
Public Safety - Police & Fire	17.95%
Public Safety - Other	1.60%
Public Works - Streets	13.49%
Public Works - Other	1.66%
Public Health & Social Services	.92%
Culture & Recreation	18.53%
Airport	5.02%
Solid Waste - Disposal	4.07%
Miscellaneous	2.45%
Solid Waste - Collection	7.52%
Wastewater	7.75%
Community Development	1.53%
Water	11.53%

Kearney City Property Tax Distribution 2010



City of Kearney	7.01%
Agricultural Society	.96%
Technical School	4.67%
Education Service Unit	.71%
Kearney Public Schools	63.81%
Buffalo County	20.22%
Natural Resource District	2.23%
Community Redevelopment Authority	.39%

Council member Kearney stated the citizens do not understand this particular graph. Approximately 69.19 percent goes to education. He also commended the Employee Council who voluntarily agreed to no cost of living increase without any confrontation is remarkable. The Council cannot thank the City employees enough to accept no increase this year. City Manager stated that City employees looked at the citizens and understood the challenges that are out there. City employees understand what the City is facing with the economy being down.

City Manager stated the bottom line is there will be no property tax increase. The City has done what it can do to maintain the level of services to get through this tough year.

Council member Kearney commented to the Kevin Hervert from the Kearney Hub, who was in attendance, the importance that the City employees voluntarily chose no cost of living increase for the year. He has worked as a CEO in several companies and he has never seen anything run as smoothly as what this has.

The Council members thanked Administration on putting the budget together and that it is a continuous working document in progress.

ADJOURN

Moved by Kearney seconded by Buschkoetter that Council adjourn at 8:38 a.m. Roll call resulted as follows: Aye: Clouse, Lammers, Kearney, Buschkoetter. Nay: None. Lear absent. Motion carried.

ATTEST:

**STANLEY A. CLOUSE
PRESIDENT OF THE COUNCIL
AND EX-OFFICIO MAYOR**

**MICHAELLE E. TREMBLY
CITY CLERK**