

Kearney, Nebraska
July 10, 2014
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 10, 2014, 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 (arrived at 7:04 a.m.), Bruce Lear, Bob Lammers and Jonathan Nikkila. Absent: None. Michael Morgan, City Manager; Wendell Wessels, Director of Finance; Suzanne Brodine, Assistant City Manager/ Development Services Director; Shawna Erbsen, Administrative Services Director; Kirk Stocker, Director of Utilities; Rod Wiederspan, Director of Public Works; Dan Lynch, Chief of Police; Matt Williams, Library Director; Jim Lynaugh, Airport Manager; Scott Hayden, Park & Recreation Director; and Julie Steffensmeier, Executive Assistant were also present. Steve Altmaier from KGFW Radio and Ashley White from Kearney Hub were 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 on the wall of the Conference Room.

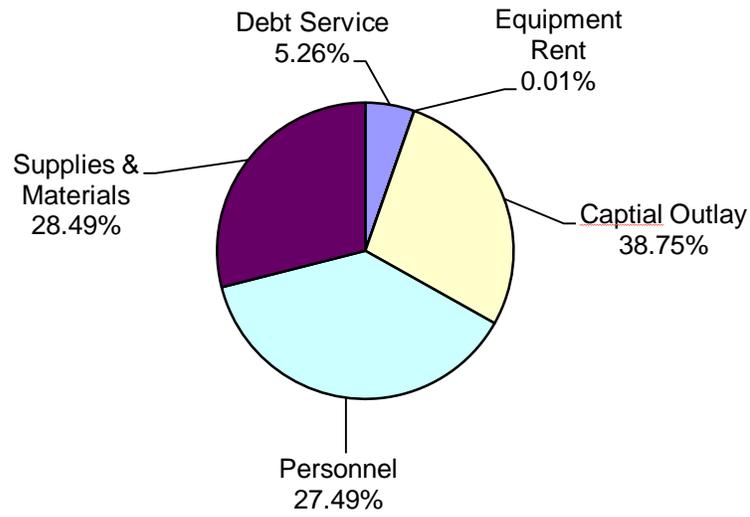
BUDGET INTRODUCTION

Wendell Wessels, Director of Finance presented the proposed budget to the Council that addressed expenditures, personnel, capital outlay, debt service, revenues, property taxes, and sales taxes.

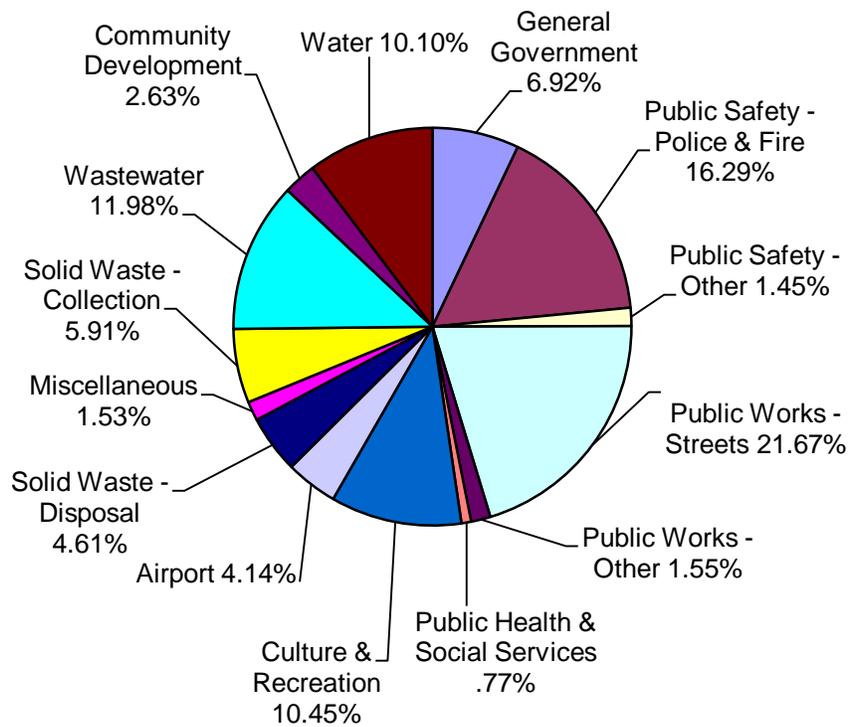
Expenditures

Expenditures	Fiscal Year 2014	Fiscal Year 2015
General Fund	\$20,516,596	\$21,510,717
Special Revenue Funds	\$5,430,361	\$6,136,531
Capital Project Funds	\$13,118,909	\$14,862,044
Debt Service Funds	\$2,849,923	\$1,776,601
Enterprise Funds	\$22,932,712	\$27,924,627
Internal Service Funds	\$6,896,015	\$6,928,293
Fiduciary Funds	\$536,237	\$566,237
Total	\$72,280,753	\$79,705,050

All Funds by Object Graph



Budget by Function Graph



Personnel

3% COLA – Governmental Funds	\$296,000
3% COLA – Proprietary Funds	<u>\$128,000</u>
Total 3% COLA	\$424,000

Position additions/removals:

- Add two full-time CSO's – Police Services
- Add one full-time Police Officer – Police Services
- Add one full-time Maintenance Worker – Utilities

Capital Outlay

General Fund	\$1,604,300
Special Revenue Funds	\$383,291
Capital Project Funds	\$14,132,270
Enterprise Funds	\$14,745,969
Internal Service Funds	<u>\$18,700</u>
Total	\$ 30,884,530

The following are the top ten capital outlay projects:

1. 4th Street from 6th Avenue to Avenue M sewer main (SRF)	\$4,125,000
2. Project Honor	\$2,600,000
3. Central Avenue from 12th Street to 16th Street (bond)	\$2,441,250
4. Bearcat Corner (SRF/bond)	\$1,713,104
5. Ultra violet disinfection upgrade (SRF)	\$1,620,142
6. Avenue N from 25th Street to 28th Street (bond)	\$1,155,000
7. SRE/Terminal building emergency generator (FAA)	\$769,000
8. 4th Street from 3rd Avenue to 6th Avenue (bond)	\$760,000
9. ARFF truck (FAA)	\$752,500
10. 8th Street from 2nd Avenue to 3rd Avenue bridge	\$606,375

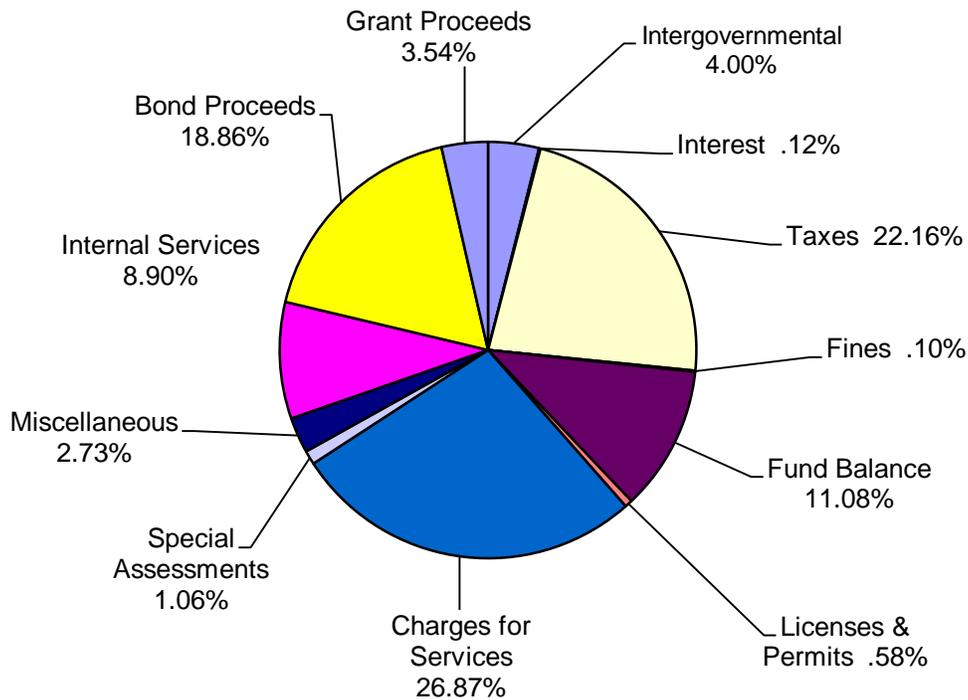
Debt Service (Principal Only)

	Public Safety	Various Purpose	Revenue	Total
Beginning	\$2,585,000	\$20,516,141	\$15,803,691	\$38,904,832
Paid Off	(\$280,000)	(\$1,475,000)	(\$1,204,946)	(\$2,959,946)
New Debt	\$655,000	\$6,242,160	\$8,132,142	\$15,029,302
Ending	\$2,960,000	\$25,283,301	\$22,730,887	\$50,974,188
Net Change	\$375,000	\$4,767,160	\$6,927,196	\$12,069,356

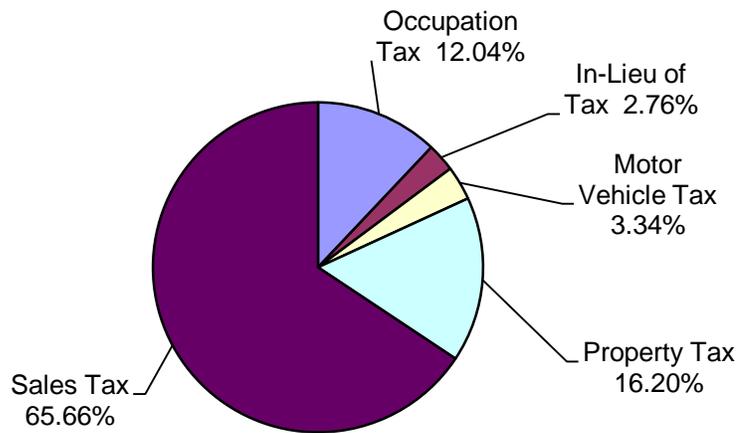
Proposed Revenues

Revenues:	Fiscal Year 2014	Fiscal Year 2015
Taxes	\$16,906,599	\$17,665,713
Licenses & permits	\$357,450	\$460,150
Charges for services	\$20,334,114	\$21,417,088
Fines	\$78,600	\$77,600
Special Assessments	\$1,566,640	\$845,500
Interest	\$80,424	\$94,948
Bond proceeds	\$7,897,601	\$15,029,302
Grants	\$4,249,546	\$2,818,742
Internal services	\$6,812,250	\$7,096,503
Miscellaneous	\$2,806,894	\$2,174,322
Intergovernmental – State	\$2,884,758	\$3,191,664
Total	\$ 63,974,876	\$70,871,532

All Funds by Source Graph



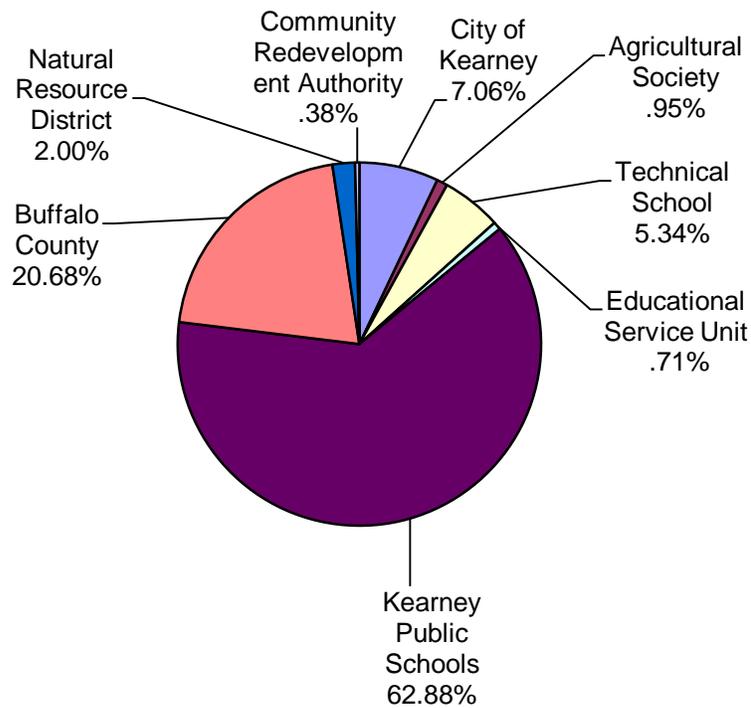
Tax Revenues by Source Graph



Proposed Property Tax Request

City of Kearney valuation (est. 4.0% growth)	\$1,910,323,872
General Fund property tax requirements	\$ 2,522,156
General Fund property tax levy (per \$100)	\$0.13203
Public Safety TAB Fund property tax requirement	\$321,459
Public Safety TAB Fund property tax levy (per \$100)	\$0.01683
Total property tax requirement	\$2,843,615
Total property tax levy (per \$100)	\$0.14886
Taxes on a \$150,000 home	\$223.29

Property Tax Distribution – 2013



Sales Tax Revenues

	Actual Fiscal Year 2013	Estimated Actual Fiscal Year 2014	Proposed Fiscal Year 2015
One Cent Sales Tax			
General Fund	\$5,898,809	\$6,186,666	\$6,186,666
Street Improvement Fund	\$867,125	\$1,146,853	\$1,145,852
Various Purpose Bond Fund	\$607,577	\$399,814	\$400,815
Subtotal	\$7,373,511	\$7,733,333	\$7,733,333
One-half Cent Sales Tax	\$3,686,746	\$3,866,667	\$3,866,667
Total Sales Tax	\$11,060,257	\$11,600,000	\$11,600,000

Comprehensive Fee Schedule Changes

- Fire – increased permit to sell fireworks to \$250
- Cemetery – increase various fees
- Library – lowered various fees
- Golf – increased various fees
- Solid Waste-Collection – rates increased three percent
- Wastewater – rates increased two percent
- Water – rates increased five percent
- Airport – agricultural land cash rents decreased

Fund Balance

The following funds do not meet the current Fund Balance Policy:

- Golf Fund deficit - \$170,756 (target is 25% of operating expenses)
- Health Insurance Fund deficit - \$225,186 (target is 35-45% of operating expenses)

Other Notable Items

- Utilities Dept. – Household Hazardous Waste Building - \$450,000
- Police Department software upgrade - \$380,000
- Project Honor funding source/use for FY15:
 - Special Sales Tax Fund - \$1,600,000
(Physical Factors - \$1,000,000 / Program Enhancements - \$600,000)
 - General Fund - \$600,000
(Workforce Factors - \$600,000)
 - Sanitary Sewer Fund - \$200,000
(Program Enhancements - \$200,000)
 - Water Fund - \$200,000
(Community Support - \$200,000)

Discussion was held on the Enterprise Fund. The Enterprise Fund consists of Golf Course, Sanitation, Landfill, Water, Sewer and Airport. There was an increase this year due to the large sewer line (\$4,125,000) in south Kearney. The City's budget authority is not by fund; the grand total is what is looked at by the State Auditor. The City cannot spend more than what the total amount of the budget is. Also included is the Bearcat Corner project, a big water project at the Airport, a water/sewer line being installed at 30th Avenue from North Railroad Street through the cornfield that UNK is developing.

Mayor Clouse asked how much unused budget authority is left. Finance Director stated there is a mill levy authority which is the 45¢ (Kearney is at 15¢) and there is a spending lid. What is looked at here is certain restricted revenues, such as sales tax, property tax, motor vehicle tax, highway allocation, state aid and the City can only increase that 2½ percent a year plus another one percent if ¾ of the Council voted for it. If the City does not use its total budget authority, it can be carried over year to year. Currently, Kearney is at \$2 million in unused budget authority. Interlocal agreements with the County have helped because they are not included in these calculations. There are no calculations allowed for higher inflation.

There was a bill that the Legislature approved this year, LB97 that exempts farm equipment and machinery from sales tax. It was not believed the City would lose much from this.

Council member asked for an explanation on the total budget number and the revenue numbers. Finance Director stated there is approximately \$8 million difference and that will be made up in the Fund Balance. It is not known until October 1 what the actual number the City will start with. The City is not through this year's budget because it

does not end until September 30. The Department heads have to estimate their revenues and expenditures for the remaining year. The City makes certain it is meeting their fund balance policy of 25 percent.

Council members thanked the staff for their work on the budget. The hearing on the budget is scheduled for September 9, 2014.

ESSENTIAL AIR SERVICE

City Manager Michael Morgan stated essential air service is a federal subsidy program that was created after the deregulations of airlines. The purpose of it was to provide funding to ensure many airports across the country. This funding is very critical to many smaller communities across the country to maintain air service. Last year the federal subsidy for Kearney was \$2.3 million to provide a subsidy for the airline to operate service and to ensure they are profitable out of Kearney's airport.

This program is a 2-year bid cycle and October 1 is the new start date for a new cycle. The federal government issues RFP's. Kearney has been soliciting other carriers but only received one bid from Great Lakes. Great Lakes bid was \$2.99 million which is significant increase over last year's funding. In their bid they provide a proposed schedule that they are willing to fly for the \$2.99 million. They do not receive any money if they do not fly the flights that they are requesting subsidies for; also, there is no penalty. Great Lakes proposed to provide Kearney with three flights per day into and outbound Kearney. The outbound flights are called enplanements which are important for Kearney to reach 10,000 in order to receive \$1 million federal funds for airport improvements. Last year Kearney had over 13,000 enplanements.

Great Lakes bid is for a 19 passenger plane; however, ten seats will be removed. In summary that is 9 passenger planes, three times a day which is 27 passengers a day multiplied by 365 days a years. However, they will not fly every flight and every seat will not be filled so it is estimated that Kearney will have 5,000 enplanements for a year which is a drop from 13,000 to 5,000. The result would be the loss of the \$1 million federal funding for Kearney.

Also, the schedule they are proposing would require a subsidy or a cap of \$234 per passenger. Under federal law, any essential air service program, it cannot exceed \$200 per passenger. There are two criteria: you must fly ten passengers average per day and you must be \$200 or less per cap. As a condition to that, that cap fee does not apply to an airport that is further than 210 miles from a hub. Kearney is within 210 miles of the hub which is the Omaha airport. The City received in writing that the federal government will be strictly enforcing the cap. What that means is each year they will audit the airport and if it exceeds the cap they will put the airport on notice that the program could be eliminated and will have a show cause hearing opportunity to explain why that happened.

Basically, Kearney has only one bidder and a proposal that would reduce its capacity of air service by fifty percent. Kearney's airport is very critical to business travel. So with the proposed schedule the business travelers will figure out that in order to get access they would get their tickets much earlier at a much higher cost.

Kearney has until the 14th to respond with comments to the Department of Transportation. The Department of Transportation makes the final decision. There were major changes with the airlines. There are pilot training requirements which reduced, in essence, the number of pilots available. This is the reason Great Lakes is going from 19 passengers to nine passengers because they have pilots that can fly the 9-passenger planes.

Where this leaves Kearney is being left with a bid that is concerning for two reasons: (1) the capacity issue and (2) the City will be subject to the subsidy and would risk essential air service funding in the future.

Kearney can respond to the Department of Transportation that we would like to recommend Great Lakes bid and challenge with that is reduce air service. It should be more reliable because it is easier for them to provide that service and there is the concern with the cap. Kearney could also ask the Department of Transportation to reject the bid and rebid it which would require anyone who is interested to resubmit a bid.

Council member Lammers stated they should consider rebidding. This would provide the opportunity for others interested in Kearney to submit a proposal. When talking about a 5,000 capacity, Kearney would not be eligible for the \$1 million subsidy. With a 9-passenger plane, most business travelers or any person will think twice about using that carrier.

Mayor Clouse stated in visiting with Great Lakes and their current stability, Great Lakes would bring in overnight the Brazillas and the 1900's during the day. They know that there are already six flights cancelled for July and those passengers have been contacted and other accommodations made. Any future cancellations would be mechanical or for some other reason. Great Lakes would like to sell the Brazillas to buy regional jets. They would continue to fly the Brazillas on the same schedule they currently have until they run out of Brazillas or run out of pilots.

Great Lakes can fly more than what they bid and they are doing that currently when they are here. They do not have regional jets today and earliest that could happen is at least a year because they have to acquire the aircraft, they have to be certified as an airline flying that particular aircraft. What service they would guarantee as of October 1st was 27 passengers a day.

City Manager stated North Platte is going to request the Department of Transportation to rebid and have DOT request and require Great Lakes to clarify in a bid format their other two options. Mayor Clouse stated Great Lakes told them that DOT had the authority to waive that cap. Council member Lammers stated a letter from DOT would have more weight than Great Lakes telling them.

Mayor Clouse stated that if Kearney does not accept Great Lakes bid, the City's consultant said the essential air service funds go into dormancy. But if we do accept it, there is the risk of losing the funding in the future. City Manager stated the consultant recommended rebidding it and believed that DOT also would prefer to rebid it.

Moved by Clouse seconded by Lear that notification be sent to the Department of Transportation requesting this to be rebid. Roll call resulted as follows: Aye: Clouse, Nikkila, Lammers, Buschkoetter, Lear. Nay: None. Motion carried.

ADJOURN

Moved by Buschkoetter seconded by Nikkila that Council adjourn at 8:12 a.m. Roll call resulted as follows: Aye: Clouse, Lear, Nikkila, Lammers, Buschkoetter. Nay: None. Motion carried.

ATTEST:

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

**MICHAELLE E. TREMBLY
CITY CLERK**