

**Kearney, Nebraska**  
**July 7, 2016**  
**7:00 a.m.**

A meeting of the City Council of Kearney, Nebraska, was convened in open and public session at 7:00 a.m. on July 7, 2016 in the 2nd Floor Conference Room at City Hall. Present were: Stanley A. Clouse, President of the Council; Michaëlle Trembly, City Clerk; Council Members Randy Buschkoetter, Bruce Lear, Bob Lammers and Jonathan Nikkila. Absent: None. Michael Morgan, City Manager; Wendell Wessels, Director of Finance; Paul Briseno, Assistant City Manager; Tony Jelinek, Interim Director of Utilities; Rod Wiederspan, Director of Public Works; Shawna Erbsen, Administrative Services Director; Matt Williams, Library Director; Jim Lynaugh, Airport Manager; Jason Whalen, Fire Administrator; and Julie Steffensmeier, Executive Assistant were also present. Some of the citizens present in the audience included: Jessica Kokesh.

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.

## **ROUTINE BUSINESS**

### **ANNOUNCEMENT**

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 Council Chambers.

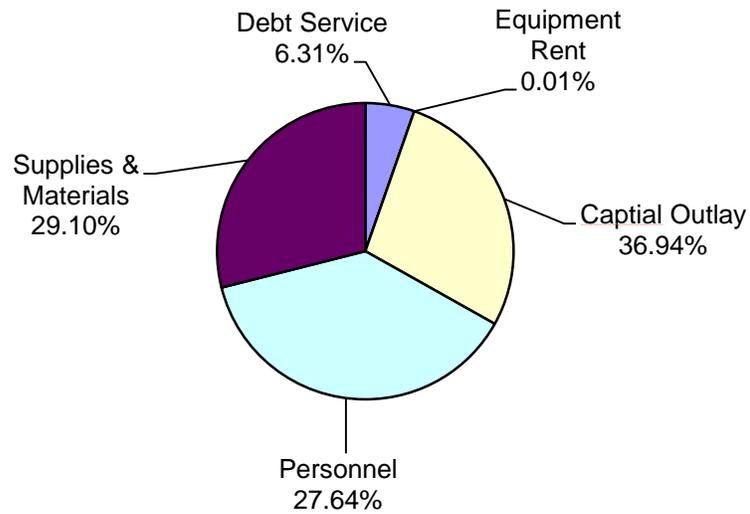
### **PRESENTATION OF THE 2016-2017 BUDGET**

Finance Director Wendell Wessels presented an overview of the 2016-2017 budget that addressed expenditures, personnel, capital outlay, debt service, revenues, property taxes, and sales taxes. The following was the presentation:

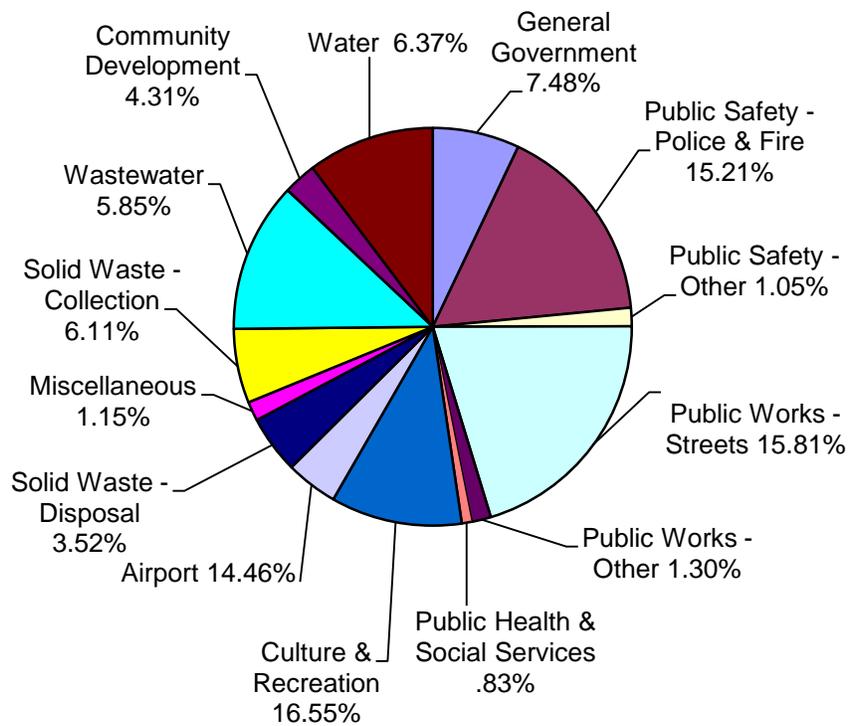
#### **Proposed Expenditures**

<b>Expenditures</b>	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>
General Fund	\$22,575,144	\$23,516,100
Special Revenue Funds	\$8,099,455	\$8,562,721
Capital Project Funds	\$20,274,457	\$16,308,237
Debt Service Funds	\$3,314,057	\$1,803,339
Enterprise Funds	\$28,323,224	\$30,417,118
Internal Service Funds	\$7,039,664	\$8,094,980
Fiduciary Funds	\$616,237	\$616,237
<b>Total</b>	<b>\$90,242,238</b>	<b>\$89,318,732</b>

### All Funds by Object Graph



### Budget by Function Graph



Finance Director stated the airport runway is approximately a \$10 million project; normally the airport would not be at 14 percent. It is usually much lower.

### Personnel

3% Pay Plan Adjustment – Governmental Funds	\$325,000
3% Pay Plan Adjustment – Proprietary Funds	<u>\$143,000</u>
Total 3% Pay Plan Adjustment	\$468,000

Position additions/removals:

- Add full-time Fire Engineer – Fire
- Add full-time Senior Facilities Maintenance Worker – Park
- Add full-time Facilities Maintenance Worker – Park
- Add full-time Equipment Operator – Sanitation Collection

### Capital Outlay

General Fund	\$1,261,792
Special Revenue Funds	\$1,286,000
Capital Project Funds	\$14,159,644
Enterprise Funds	\$15,704,492
Internal Service Funds	<u>\$116,000</u>
Total	\$32,527,928

The following are the top ten capital outlay projects:

1. Primary Runway 18/36 Reconstruction (FAA)	\$10,000,000
2. Patriot Park (bond)	\$4,330,000
3. 56th Street from 6th Avenue to 19th Avenue (paving) (bond)	\$2,940,000
4. Veterans Home (sanitary sewer, water mains)	\$1,313,416
5. 17th Avenue from 50th Street to 56th Street (paving) (bond)	\$945,000
6. Talmadge Street from 2nd Avenue to 4th Avenue (paving)	\$843,177
7. CDBG – Phase II Downtown Revitalization	\$670,000
8. 31st Street from Avenue A to Avenue D (paving)	\$550,000
9. Storage building (70' x160') – Public Works	\$500,000
10. Fixed base meter reading upgrade (SRF)	\$375,000

### Debt Service (Principal Only)

	Public Safety	Various Purpose	Revenue	Total
Beginning	\$2,615,000	\$31,650,000	\$21,512,116	\$55,777,116
Paid Off	(\$310,000)	(\$2,480,000)	(\$1,571,049)	(\$4,361,049)
New Debt	\$300,000	\$3,885,000	\$1,405,790	\$5,590,790
Ending	\$2,605,000	\$33,055,000	\$21,346,857	\$57,006,857
Net Change	(\$10,000)	\$1,405,000	(\$165,259)	\$1,229,741

## Proposed Revenues

Revenues:	Fiscal Year 2016	Fiscal Year 2017
Taxes	\$19,552,028	\$19,617,382
Licenses & permits	\$595,450	\$547,400
Charges for services	\$22,330,883	\$23,363,572
Fines	\$66,500	\$61,000
Special assessments	\$1,741,456	\$159,100
Interest	\$115,344	\$179,878
Bond proceeds	\$14,834,281	\$5,590,790
Grants	\$6,259,113	\$10,286,986
Internal services	\$7,083,200	\$8,374,303
Miscellaneous	\$2,558,882	\$2,574,374
Intergovernmental – State	\$3,264,061	\$3,976,642
Total	\$78,401,198	\$74,731,427

With all the emphasis on property taxing, Mayor Clouse asked at what point do they increase charges for services. He knows on most of the services that they try to maintain middle of the road for water, sewer etc.

City Manager stated they do not have a lot of services they can charge a fee. Most of the services that are funded by property tax are free, such as parks, police and fire.

Mayor Clouse stated if the demands are there at some point in time you have to say that you have to start paying for this because we are getting hammered on the other side.

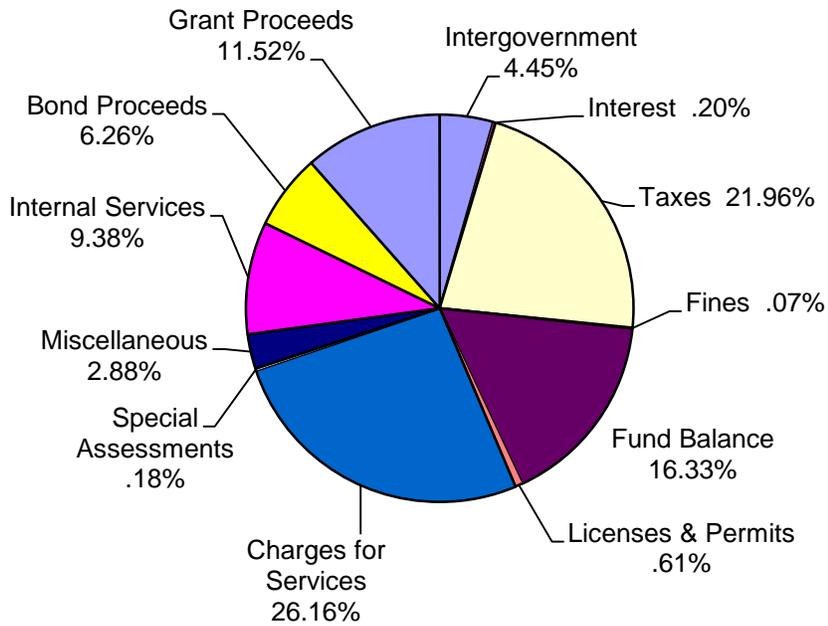
City Manager stated that is a great policy question for City Council to consider in the future when property taxes are 30 percent lower than any other city. Would citizens prefer to have to spread out or would each individual interest group. He does not think you can come up with enough revenue even doing that.

City Manager stated one area they have talked about is building permit fees which have now gone back down due to the nature of business. The challenge here is where do you go.

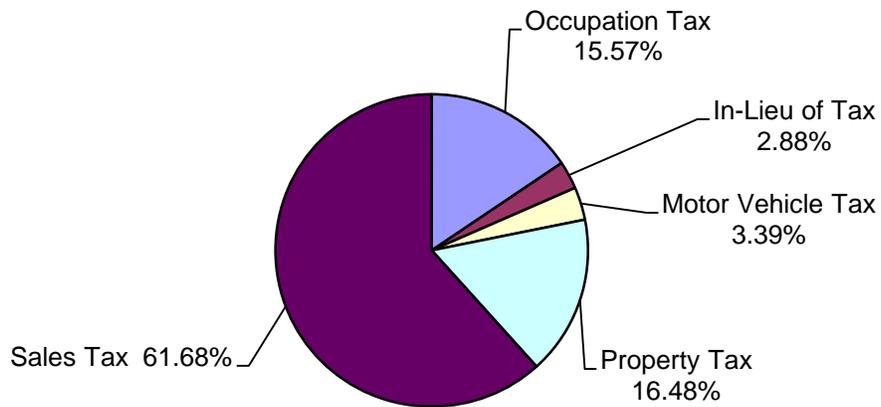
Finance Director stated on the way state aid works is the State has approximately \$22 million that they divvy up between most cities and counties. They look at several things and one thing they look at is the property tax levy. If your levy is above the average, the higher it is the more you get in state aid. If you are below that you get zero. The City of Kearney gets zero because its levy is so low. The thought process behind that is that the State does not need to give us money because the levy is so low, you can go ahead the raise taxes and revenue.

City Manager stated the key is, Kearney has invested as a community in many things over the years such as the Veterans Home and Patriot Park with the goal of bringing in additional revenue and that is what they will have to monitor.

### All Funds by Source Graph



### Tax Revenues by Source Graph



### Proposed Property Tax Request

City of Kearney valuation (est. 4.0% growth)      \$2,341,037,871

General Fund property tax requirements      \$2,846,146

Public Safety TAB Fund property tax requirement      \$369,504

Total property tax requirement      \$3,215,650

General Fund property tax levy (per \$100)      \$0.13736

Public Safety TAB Fund property tax requirement      \$368,999

Public Safety TAB Fund property tax levy (per \$100)      \$0.01651

### Change over Fiscal Year 2016

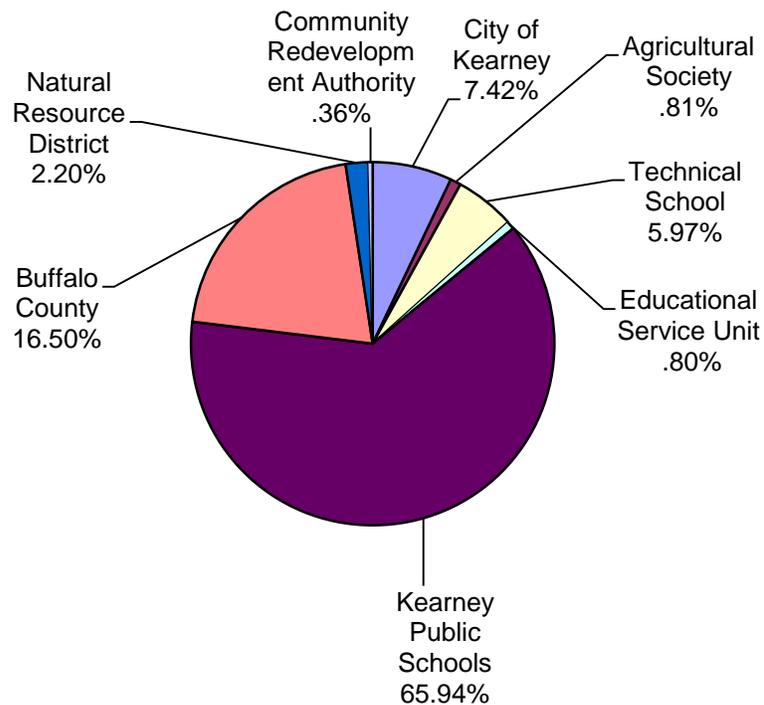
Total property tax requirement (4% increase)      \$123,788

(Estimate that \$61,894 (50%) will come from new construction/annexation and \$61,894 (50%) of will come from existing properties)

Total property tax levy (per \$100) (no change)      \$0.0

Taxes on a \$176,280 home      \$242.18

### Property Tax Distribution – 2015



## Sales Tax Revenues

	Actual Fiscal Year 2015	Estimated Actual Fiscal Year 2016	Proposed Fiscal Year 2017
<b>One Cent Sales Tax</b>			
General Fund	\$6,417,991	\$6,453,334	\$6,453,334
Street Improvement Fund	\$1,188,692	\$1,613,333	\$1,215,802
Various Purpose Bond Fund	\$415,806	\$00	\$397,531
<b>Subtotal</b>	\$8,022,489	\$8,066,667	\$8,066,667
<b>One-half Cent Sales Tax</b>	\$4,011,244	\$4,033,333	\$4,033,333
<b>Total Sales Tax</b>	\$12,033,733	\$12,100,000	\$12,100,000

## Comprehensive Fee Schedule Changes

Cemetery – grave openings, columbarium spaces, etc. increased

Park & Rec – various rental fees adjusted

Development Services – licenses and permit fees increased 5%

Golf – elite family passes added

Solid Waste-Collection – rates increased four percent

Wastewater – rates increased three percent

Water – rates increased three percent

Airport – agricultural land cash rents adjusted

## Fund Balance

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

- Golf Fund deficit - \$163,051 (target is 25% of operating expenses)
- Health Insurance Fund deficit - ??

City Manager stated staff are working with the City's new consultant and looking at several options from plan design to providers to various changes based on what they see. He believes they will see some benefits with them helping the City. They have to make some adjustments.

Council Member Lear asked do they have any idea of what percentage of the employees work for other employers that have health insurance plans that they are utilizing full City coverage instead of the other employer plan.

City Manager stated they evaluated that last year and almost made a change last year. They will be making changes in that regard this year. Obama Care does not require spousal coverage; there are some misunderstandings about that so they are going through those options.

Council Member Nikkila asked you do not know what the healthcare costs will be for next year. City Manager stated they are projecting it higher than they hoped. Finance Director included a 15 percent increase. City Manager stated if they make some

adjustments that helps build up the fund balance to something.

### **Other Notable Items**

- Project Honor funding source/use for fiscal year 2017:
  - Economic Development Fund - \$2,700,000
    - (Environmental Factors - \$200,000)
    - (Community Services - \$600,000)
    - (Workforce Factors - \$650,000)
    - (Community Support - \$50,000)
    - (Program Enhancements - \$1,200,000)
  - Special Sales Tax Fund - \$2,100,000
    - (Environmental Factors - \$100,000)
  - Water Fund - \$200,000
    - (Physical Factors - \$2,100,000)

To him, overall it is a watch budget. Meaning there are areas that are a little more challenging than most years but overall they met their fund balance. Property taxes are the lowest in the state of Nebraska.

Council Member Lear asked for some data points that he would be interested in. Look back five years, total debt to total revenues and debts service as a percentage of total revenues. He would like to see the raw numbers but would also like to see an adjusted number where they delete bond proceeds, fund balances and grants. What they are doing in terms of total debt in relationship to the total revenue minus those items and what they have for debt service as a percentage of total revenue to those items.

With regard to the three percent cost of living adjustment (COLA), he certainly appreciates the level of effort and quality of professionalism in the community and what they get from the staff is unparalleled across the State of Nebraska. The fact is that they have not seen three percent inflation for a number of years. City Manager stated it actually is a pay plan adjustment and not a COLA.

### **ADJOURN**

Moved by Lear seconded by Lammers that Council adjourn at 8:15 a.m. Roll call resulted as follows: Aye: Clouse, Lear, Nikkila, Lammers, Buschkoetter. Nay: None. Motion carried.

**ATTEST:**

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

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**MICHAELLE E. TREMBLY  
CITY CLERK**