

Kearney, Nebraska
July 11, 2017
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 11, 2017 in the Council Chambers at City Hall. Present were: Stanley A. Clouse, President of the Council; Lauren Brandt, 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; Scott Hayden, Park and Recreation Director, Eric Hellriegel, Assistant Park and Recreation Director, and Julie Steffensmeier, Executive Assistant were also present. Members of the media present included: Kyle LaBoria from KGFW Radio and Mike Konz from Kearney Hub.

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.

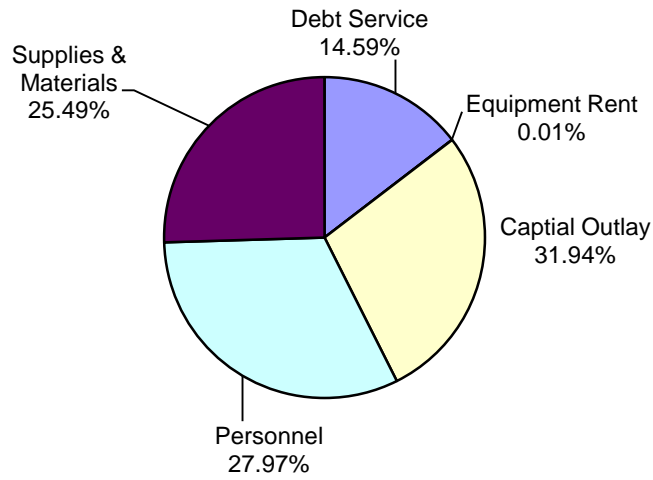
PRESENTATION OF THE 2017-2018 BUDGET

Finance Director Wendell Wessels presented an overview of the 2017-2018 budget that addressed expenditures, personnel, capital outlay, debt service, revenues, property taxes, and sales taxes. The following was the presentation:

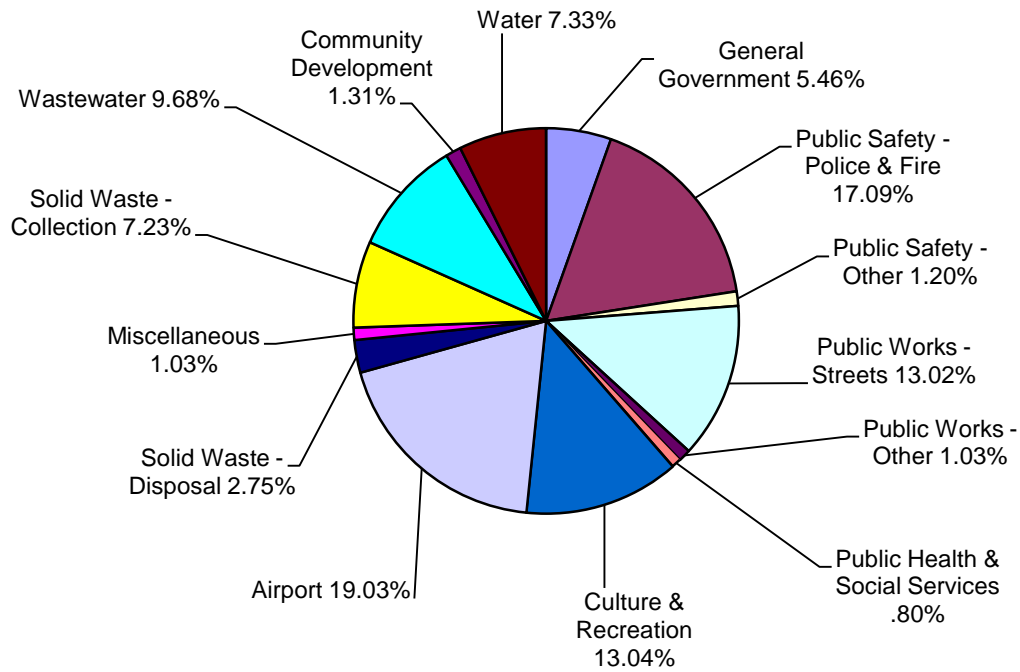
Proposed Expenditures

Expenditures	Fiscal Year 2017	Fiscal Year 2018
General Fund	\$23,519,923	\$23,512,501
Special Revenue Funds	\$8,562,721	\$5,780,339
Capital Project Funds	\$16,288,465	\$9,122,952
Debt Service Funds	\$1,803,339	\$9,196,278
Enterprise Funds	\$30,417,118	\$34,545,207
Internal Service Funds	\$8,094,980	\$7,479,827
Fiduciary Funds	\$616,237	\$666,237
Total	\$89,302,783	\$90,303,341

All Funds by Object Graph



Budget by Function Graph



Finance Director stated the part of the budget that will receive the most next year is airport, 19.03% and includes the runway project which is approximately \$11-\$12 million project and caused the airport to increase quite a bit for next year. Most of the project will be paid by FAA.

Council Member Lammers asked if the FAA pays 95%. Finance Director stated the FAA pays 90%. The FAA used to pay 95% until a couple years ago.

Council Member Clouse asked about the debt service which is up a little bit. Finance Director stated yes, it is up some but not a whole lot. There is a chart later in presentation that will show how much it has gone up he estimates an increase of \$1 million overall.

Finance Director stated that there are three types of bonds the City has: Public Safety, Utility, Revenue and General Obligation Bonds.

Council Member Nikkila asked if the structure for the volunteer incentives has been finalized yet. City Manager Michael Morgan stated yes there is a proposed dollar amount that has been set aside that will be distributed based on calls for service and attendance. The Fire Department put it together over the last year.

Council Member Lammers stated it is very important that there are incentives for the Volunteer Fire Department because it is getting more difficult to find volunteers. City Manager stated this is an area to keep track of and looking across the country at different agencies. He felt it was a very reasonable approach. The Fire Department took it very seriously when asked to evaluate this issue. There are a few other things that the City is working with the Fire Department on in regards to the incentive and will continue to work on throughout the year.

City Manager stated in regards to the Master Electrician, the other impact is all of 2nd Avenue signals. The good news is that they are all City owned, the bad news is they are City owned. That's a major change as there are far more signals on 2nd Avenue as there are in the whole rest of the community combined. City Manager stated that one of the goals this year is to have a complete evaluation and traffic study of 2nd Avenue to evaluate all of the turning lane movements. The City has set aside funds to be able to add extended turn lanes and do some concrete work and other signal changes if needed. The City has been negotiating over the past several years with the State to try and get the signals in the best situation before the City inherited them.

Council Member Nikkila asked if the City inherited the traffic signal on the 2nd Avenue/Highway 30 intersection. City Manager stated no because that is State Highway.

City Manager stated there was an article in the Kearney Hub recently on the state project that involves putting in approximately \$4.5 million in interstate interchange improvements with lighting and ramps. This is a pretty extensive project that that the State of Nebraska is doing.

City Manager stated with Health and Dental insurance, the City is making another

change. He reminded of the significant change with the City's plan last year that impacted employees quite a bit that included co-insurance plan design and spousal coverage changes. There are still employers in the public sector that are not charging single coverage insurance which the City does so this change is more in-line and the City is gaining control of the fund again.

Personnel

3% Pay Plan Adjustment – Governmental Funds	\$340,586
3% Pay Plan Adjustment – Proprietary Funds	<u>\$151,041</u>
Total 3% Pay Plan Adjustment	\$491,628

Position additions/removals:

- Add full-time Master Electrician – Public Works
- Add \$64,000 for volunteer incentives – Fire

Change health & dental insurance contribution rate from 80% employer/20% employee to 85% employer/15% employee

Governmental Funds	\$145,338
Proprietary Funds	<u>\$72,809</u>
Total	\$218,147

Capital Outlay

General Fund	\$1,304,400
Special Revenue Funds	\$521,250
Capital Project Funds	\$7,253,597
Enterprise Funds	\$19,546,949
Internal Service Funds	<u>\$155,000</u>
Total	\$28,781,196

The following are the top ten capital outlay projects:

- | | |
|---|--------------|
| 1. Primary runway 18/36 reconstruction (FAA) | \$12,510,604 |
| 2. WWTP upgrade – Phase I (bond) | \$3,500,000 |
| 3. 11 th St, 7 th Ave to 14 th Ave (paving) (bond) | \$1,325,000 |
| 4. Fixed base meter reading upgrade (bond) | \$750,000 |
| 5. CDBG 17CR (50% CDBG) | \$700,000 |
| 6. Fountain Hills 9th (paving, water, sewer) | \$619,966 |
| 7. Harvey Park ballfield light replacements | \$400,000 |
| 8. Additional baler/conveyor (50% state grant) | \$380,000 |
| 9. Replace SCBA's & air compressor (bond) | \$370,000 |
| 10. V.M. truck bay addition | \$300,000 |

Debt Service (Principal Only)

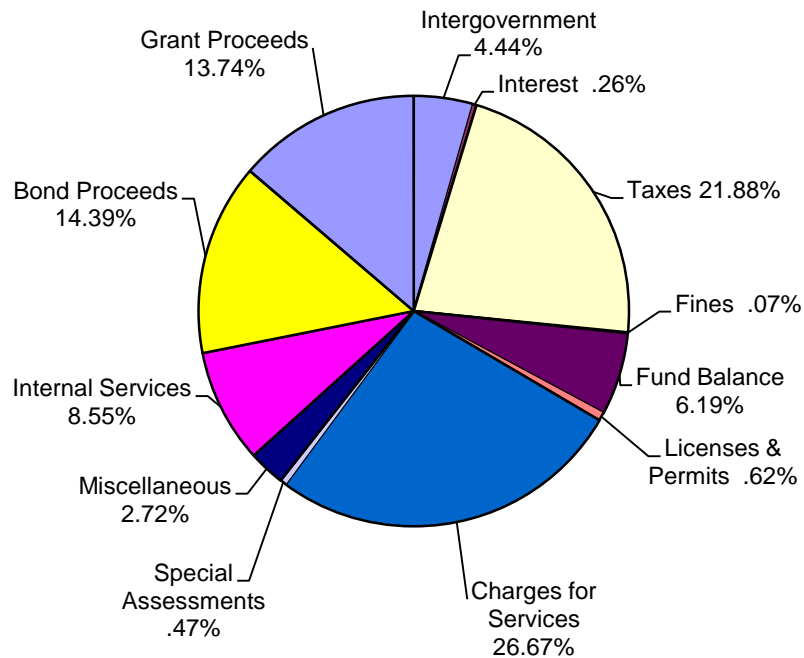
	Public Safety	Various Purpose	Revenue	Total
Beginning	\$2,610,000	\$38,520,000	\$19,941,067	\$61,071,067
Paid Off	(\$170,000)	(\$10,035,000)	(\$1,581,279)	(\$11,786,279)

New Debt	\$428,000	\$8,312,795	\$4,250,000	\$12,990,795
Ending	\$2,868,000	\$36,797,795	\$22,609,788	\$62,275,583
Net Change	\$258,000	(\$1,722,205)	\$2,668,721	\$1,204,516

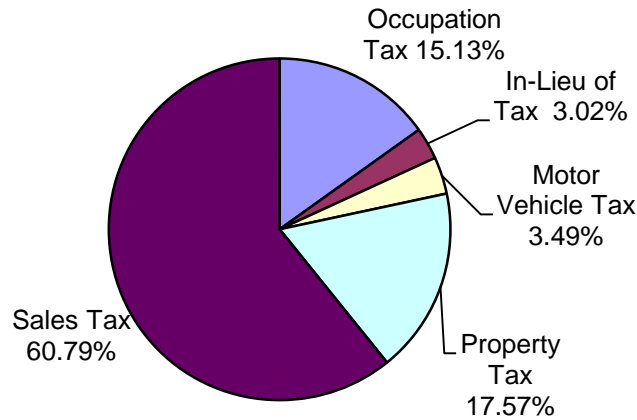
Proposed Revenues

Revenues:	Fiscal Year 2017	Fiscal Year 2018
Taxes	\$19,724,492	\$19,769,621
Licenses & permits	\$547,400	\$555,600
Charges for services	\$23,363,572	\$24,095,086
Fines	\$61,000	\$63,700
Special assessments	\$159,100	\$427,208
Interest	\$179,878	\$230,619
Bond proceeds	\$5,590,790	\$12,990,795
Grants	\$10,286,986	\$12,404,331
Internal services	\$8,374,303	\$7,716,425
Miscellaneous	\$2,574,374	\$2,456,568
Intergovernmental – State	\$3,976,642	\$4,007,517
Total	\$74,838,537	\$84,717,470

All Funds by Source Graph



Tax Revenues by Source Graph



Proposed Property Tax Request

City of Kearney valuation (4.0% est. growth)	\$2,516,587,27
General Fund property tax requirement	\$3,222,968
Public Safety TAB Fund property tax requirement	<u>\$233,816</u>
Total property tax requirement	\$3,456,784
Total property tax levy (per \$100)	\$0.13736

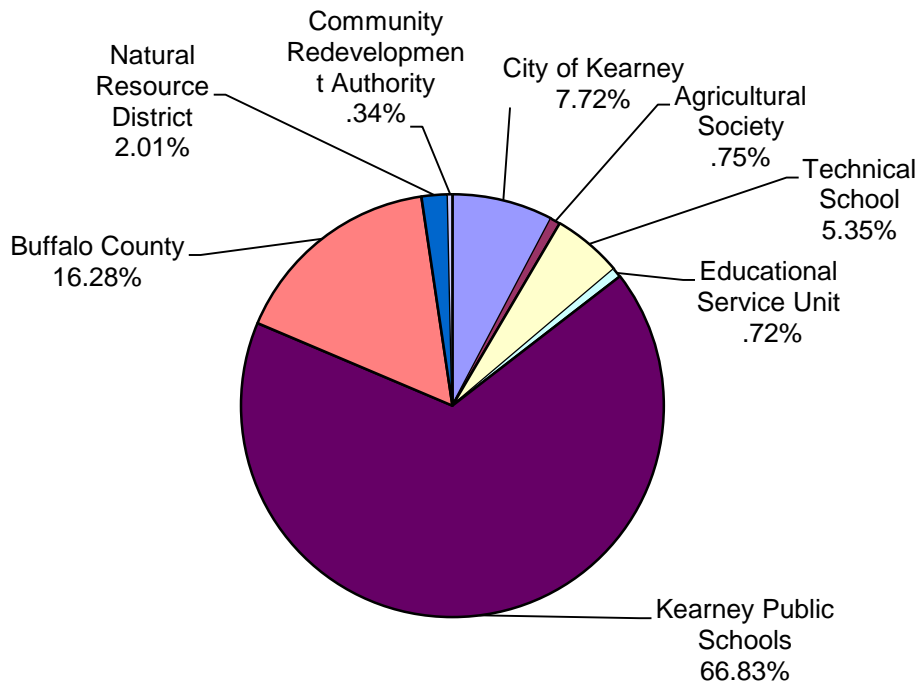
Change over FY17:

Total property tax requirement (4.0% increase) \$132,953
 (Estimate that \$66,477 (50%) will come from new construction/annexation and \$66,476 (50%) of will come from existing properties)

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

Taxes on a \$180,522 home \$248.03

Property Tax Distribution – 2016



City Manager stated \$233,000 of property taxes goes to the Fire Department every year. About 8% of property taxes go directly into Fire Department equipment every year.

City Manager reminded that no State aid is given to the City of Kearney (also called municipal equalization funds). Cities to the east of Kearney get \$1 million a year in subsidies which include airport property taxes to support the airport. Cities to the east have a separate airport property tax.

City Manager stated he does appreciate the Kearney Hub editorials. Citizens are paying more to the ESU and the Natural Resource District in taxes as compared to how much is paid to the City of Kearney as the ESU is 5.35%, the City is 7.7% and Natural Resources is 2.01%.

Council Member Clouse asked if the City has a lot of deductions on the Nebraska Advantage. Finance Director stated that this year the City had \$95,000 and next year, the City will have \$62,000 which staff has already determined what it will be used for.

City Manager stated that the combined property and sales taxes for fiscal year 2018 is based on the City's net increase in revenues from those two revenue sources is approximately \$50,000 which is not much.

Sales Tax Revenues

	Actual Fiscal Year 2016	Estimated Actual Fiscal Year 2017	Proposed Fiscal Year 2018
One Cent Sales Tax			
General Fund	\$6,444,893	\$6,392,290	\$6,409,935
Street Improvement Fund	\$1,611,223	\$1,204,299	\$974,776
Various Purpose Bond Fund	\$0	\$393,770	\$627,705
Subtotal	\$8,056,116	\$7,990,359	\$8,012,416
One-half Cent Sales Tax	\$4,045,402	\$3,995,174	\$4,006,203
Total Sales Tax	\$12,101,518	\$11,985,533	\$12,018,619

Comprehensive Fee Schedule Changes

- Cemetery - Overtime charges increased
- Aquatics - Pool fees increased
- Development Services - Licenses and permit fees increased
- Library - Overdue charges increased
- Solid Waste – Collection - Utility rates increased 0%
- Wastewater - Utility rates increased 0%
- Water - Utility rates increased 3%
- Airport - Agriculture land cash rents adjusted

Fund Balance

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

- Golf Fund deficit - \$241,844 (target is 25% of operating expenses)
- Health Insurance Fund deficit - \$422,920

Council Member Clouse stated that with these fees, the target is always the middle of the road. The City knows what the high end is and the low end is.

Council Member Buschkoetter asked about the increase in fees for Development Services and if it was a moderate percent. Assistant City Manager Paul Briseno stated Development Services increased the overall fees by approximately 4%. Many of the planning fees were substantially low and way lower when compared to other communities.

Council Member Clouse asked is the Golf Fund deficit was better than it was last year. Finance Director stated it is about the same.

Other Notable Items

- Project Honor funding source/use for FY17:
 - Economic Development Fund - \$300,000
 - (Community Services - \$200,000)
 - (Workforce Factors - \$50,000)
 - (Community Support - \$50,000)

Special Sales Tax Fund - \$500,000
((Program Enhancements (reimburse General Fund) - \$500,000))

- Storm Water Utility added
 - FY18 budget is \$209,691

Finance Director stated the General Fund is an area of concern for him. This year, the City did three big things to help the General Fund: the \$500,000 transferred to pay back part of the \$1 million certainly helped the General Fund, with occupation taxes, there is not much that the City can do there but an increase was made and the Natural Gas Occupation Tax increased from 3.5¢ to 4¢ per therm back in December that became effective January 1st.

Staff moved Public Works Administration and Engineering Support out of the General Fund to the Transportation Fund which helped the General Fund about \$300,000. Those three items really helped the General Fund. The General Fund includes 75% of revenue that comes from property taxes, occupation taxes, sale taxes and NPPD.

City Manager stated the City has invested millions of dollars into the Veterans Home to provide better benefits for the veterans and invested in residential life for our community. The City has invested in all these projects over the past several years including investing \$1 million to UNK, purchased land at TechOne Crossing to provide and increase revenues down the road. Those investments have to start paying off. The City also now has Patriot Park which includes an operating cost of \$300,000.

City staff is looking into all capital items. The City Manager has asked departments to examine their needs and staff will then try to fund these needs within the policies that Council set on fund balances. The trend is pretty clear. NPPD revenue which is the City's second largest source of revenue is flat or down a little and this may not change.

City staff is also looking into operations and are not filling positions immediately. Staff continues to evaluate every position while looking into alternatives to ensure the City is operating as efficiently as possible. The new reality is that revenues are down or flat and are not going to go up. Contrary to what individuals may say, property tax is not coming to the City and that is the bottom line. Without a structural change in the next few years, it is quite concerning.

Keep in mind when citizens are not paying sales taxes as compared to what was paid the prior year, citizens are paying less in taxes to their local government. It is unclear if citizens quite understand the impact of the online sales to their local government. The City is going to need help and look at alternatives but are always open for input. Staff did make structural changes with the transfers this year but these are a one to two year solution.

The Finance Director is always conservative and the City Manager and Finance Director debate every year about the revenues. The City Manager typically wins but he is starting to lose. The Finance Director's numbers are far more accurate than his projections which is concerning.

Council Member Lammers stated it is going to be a challenging couple of years until the agricultural economy rebounds and if the State will be more inclined to support e-commerce sales tax collection. Without this collection, cities will continue to hurt across the State, not just Kearney. Council Member Buschkoetter stated it hurts businesses as it is not a level playing field.

ADJOURN

Moved by Clouse seconded by Lammers that Council adjourn at 7:50 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**

**LAUREN BRANDT
CITY CLERK**