

*Kearney, Nebraska
July 10, 2018
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, 2018 in the Council Chambers at City Hall. Present were: Stanley A. Clouse, President of the Council; Lauren Brandt, City Clerk; Council Members Randy Buschkoetter, Bob Lammers and Jonathan Nikkila. Absent: Bruce Lear. Michael Morgan, City Manager; Wendell Wessels, Director of Finance; Eric Hellriegel, Assistant City Manager; Tony Jelinek, Director of Utilities; Rod Wiederspan, Director of Public Works; Nate Mollring, Director of I.T., Jason Whalen, Fire Administrator, Shawna Erbsen, Administrative Services Director; Matt Williams, Library Director; Jim Lynaugh, Airport Manager; Scott Hayden, Park and Recreation Director and Peggy Eynetich, Deputy City Clerk 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.

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.

ANNEXATION OF PROPERTY LOCATED WEST OF CHERRY AVENUE, EAST OF KEARNEY EAST EXPRESSWAY, NORTH OF HIGHWAY 30 AND SOUTH OF 39TH STREET INCLUDING A PORTION NORTH OF 39TH STREET AND A PORTION EAST OF CHERRY AVENUE

Mayor Clouse opened the public hearing on the proposed annexation of the following tracts of land: a tract of land being part of Government Lot 4 in Section 28, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND a tract of land being part of Government Lot 3 in Section 29, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND Slaughter Addition, a subdivision being part of the Northeast Quarter of the Northeast Quarter of Section 32, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; TOGETHER WITH a tract of land being part of the Northeast Quarter of Section 32, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND a tract of land located in Tract A Midway Industrial District and Kearney Airfield in Section 33, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska (West of Cherry Avenue, East of Kearney East Expressway, North of Highway 30 and South of 39th Street Including a Portion North of 39th Street and a Portion East of Cherry Avenue).

City Attorney, Mike Tye, presented this matter to the Council. The parcel is contiguous to our City boundary line, and is on the eastern side of town. The parcel is owned by the State of Nebraska that was acquired as part of the expressway project. The state has consented to annexation of the property. There are services currently available to the parcel.

In accordance with Section 19-929 of the Nebraska Statutes, “the municipal governing body shall not take final action on matters relating to...the annexation of territory...until it has received the recommendation of the planning commission if such commission in fact has been created and is existent.” The Planning Commission considered the proposed annexation at a public hearing held on June 15, 2018 and was unanimously approved. There were no members of the public that testified at said hearing.

In accordance with Section 16-117 of the Nebraska Revised Statutes, the City Council, on June 26, 2018, passed a resolution stating its intent to annex, approved an annexation plan, and set the public hearing for comment on the proposed annexation before the City Council this morning. This morning, the Council will receive comments from the public with regard to the annexation.

Routine Business Item 4 is the ordinance annexing the property. Most generally, the City Council always suspends the rules requiring the reading on three different days and moves for final passage. However, in accordance with Section 16-404 of the Nebraska Revised Statutes, “...such requirement shall not be suspended for any ordinance for the annexation of territory.” Therefore, the first reading of the ordinance by title will be this morning, the second reading at tonight’s Regular City Council meeting at 5:30 p.m. and the final reading on tomorrow’s, July 11, 2018 Special City Council Meeting at the Peterson Senior Activity Center at 3:00 p.m.

The area in question is either served or can be served by city utilities. Accordingly, additional utility improvements will not be required.

There was no one present in opposition to this hearing.

Moved by Lammers seconded by Nikkila to close the public hearing and approve the annexation of the following tracts of land: a tract of land being part of Government Lot 4 in Section 28, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND a tract of land being part of Government Lot 3 in Section 29, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND Slaughter Addition, a subdivision being part of the Northeast Quarter of the Northeast Quarter of Section 32, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; TOGETHER WITH a tract of land being part of the Northeast Quarter of Section 32, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND a tract of land located in Tract A Midway Industrial District and Kearney Airfield in Section 33, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska (West of Cherry Avenue, East of Kearney East Expressway, North of Highway 30 and South of 39th Street Including a Portion North of 39th Street and a Portion East of Cherry Avenue). Roll call resulted as follows: Aye: Clouse, Nikkila, Lammers, Buschkoetter. Nay: None. Lear absent. Motion carried.

ORDINANCE FOR ANNEXATION OF PROPERTY LOCATED WEST OF CHERRY AVENUE, EAST OF KEARNEY EAST EXPRESSWAY, NORTH OF HIGHWAY 30 AND SOUTH OF 39TH STREET INCLUDING A PORTION NORTH OF 39TH STREET AND A PORTION EAST OF CHERRY AVENUE

Council Member Nikkila introduced Ordinance No. 8255 to annex the following tract of land: a tract of land being part of Government Lot 4 in Section 28, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND a tract of land being part of Government Lot 3 in Section 29, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND Slaughter Addition, a subdivision being part of the Northeast Quarter of the Northeast Quarter of Section 32, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; TOGETHER WITH a tract of land being part of the Northeast Quarter of Section 32, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska; AND a tract of land located in Tract A Midway Industrial District and Kearney Airfield in Section 33, Township 9 North, Range 15 West of the 6th P.M., Buffalo County, Nebraska (West of Cherry Avenue, East of Kearney East Expressway, North of Highway 30 and South of 39th Street Including a Portion North of 39th Street and a Portion East of Cherry Avenue), and moved that Ordinance No. 8255 be placed on first reading. Council Member Buschkoetter seconded the motion to place on first reading. President of the Council asked for discussion or if anyone in the audience was interested in the ordinance. No one responded. Clerk called the roll which resulted as follows: Aye: Clouse, Nikkila, Lammers, Buschkoetter. Nay: None. Lear absent. Motion carried. City Clerk read Ordinance No. 8255 on first reading.

ORDINANCE NO. 8255

An Ordinance Of The City Of Kearney, Nebraska, To Extend The Boundaries And Include Within The Corporate Limits Of, And To Annex To The City Of Kearney, Nebraska A Tract Of Land Being Part Of Government Lot 4 In Section 28, Township 9 North, Range 15 West Of The 6th P.M., Buffalo County, Nebraska, Entirely Discussed And Described In The Metes And Bounds Legal Provided In Ordinance No. 8255; To Provide Service Benefits Thereto; To Confirm Zoning Classifications; To Repeal All Ordinances And Resolutions Or Parts Thereof In Conflict Herewith; And To Provide For Publication In Pamphlet Form By Authority Of The City Council And Effective Date Of This Ordinance.

Council member Lear arrived at 7:12 a.m.

PRESENTATION OF THE 2018-2019 BUDGET

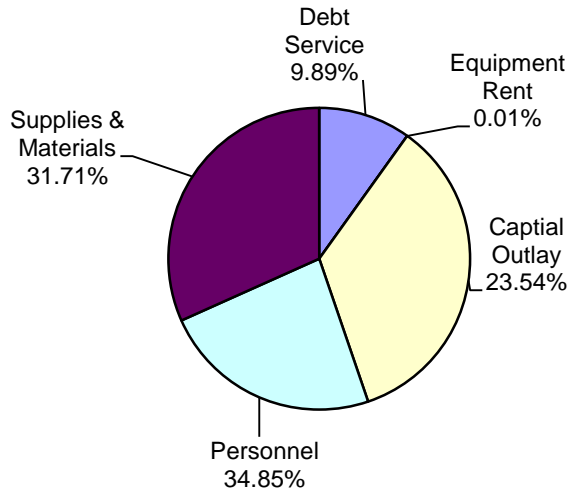
Finance Director Wendell Wessels presented an overview of the 2018-2019 budget that addressed expenditures, personnel, capital outlay, debt service, revenues, property taxes, and sales taxes. The following was the presentation:

Proposed Expenditures

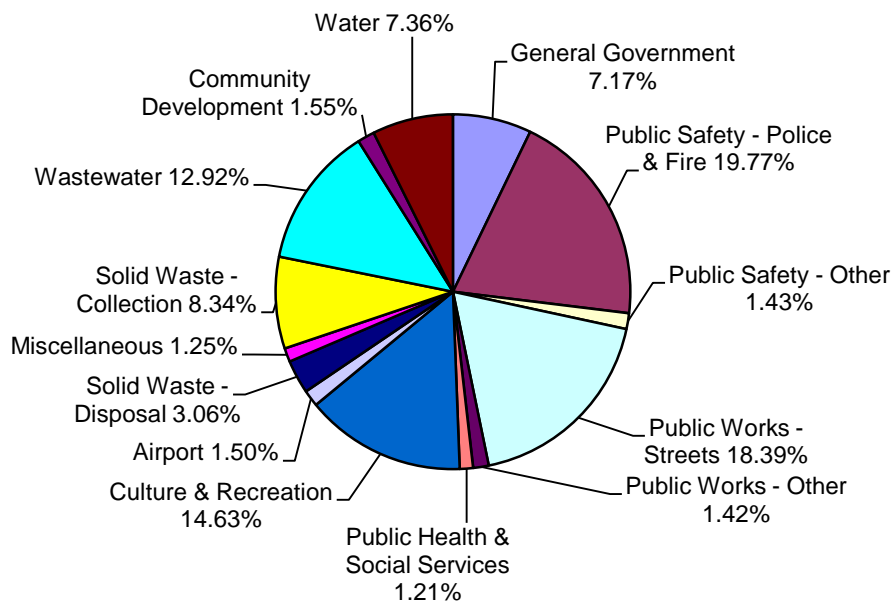
Expenditures	Fiscal Year 2018	Fiscal Year 2019
General Fund	\$23,378,754	\$24,470,327

Special Revenue Funds	\$5,796,889	\$6,113,105
Capital Project Funds	\$9,108,193	\$9,594,660
Debt Service Funds	\$9,196,278	\$3,134,919
Enterprise Funds	\$34,588,264	\$22,861,718
Internal Service Funds	\$7,493,430	\$7,510,388
Fiduciary Funds	\$666,237	\$716,237
Total	\$90,228,045	\$74,401,354

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 Public Safety – Police & Fire, 19.77% and the second will be Public Works – Streets, 18.39%. A full – time and a part – time position will be added in the upcoming year.

Personnel

3% Pay Plan Adjustment – Governmental Funds	\$338,097
3% Pay Plan Adjustment – Proprietary Funds	<u>\$152,433</u>
Total 3% Pay Plan Adjustment	\$490,530

Position additions/removals:

- Add full-time Assistant Director of Finance – Finance
- Add part-time Park Attendant - Park

Capital Outlay

General Fund	\$1,828,748
Special Revenue Funds	\$602,500
Capital Project Funds	\$6,370,749
Enterprise Funds	\$7,618,933
Internal Service Funds	<u>\$40,000</u>
Total	16,460,930

Finance Director stated the following projects are the top ten current capital outlay projects; these are subject to change by the September public hearing on the finalization of the budget:

- | | |
|---|-------------|
| 1. WWTP Phase I upgrade | \$4,031,266 |
| 2. Northridge Estates (paving, water, sewer) | \$760,765 |
| 3. 31st Street, Avenue E to Avenue I | \$714,000 |
| 4. CDBG 17CR (50% CDBG) | \$700,000 |
| 5. Avenue A, 25th Street to 27th Street | \$485,000 |
| 6. Fountain Hills 9th (paving, water, sewer) | \$619,966 |
| 7. Vehicle Maintenance truck bay addition | \$400,000 |
| 8. Veterans Memorial | \$350,000 |
| 9. Memorial Field ballfield light replacement | \$350,000 |
| 10. Fox Creek 2nd Addition (paving, water, sewer) | \$147,150 |

Debt Service (Principal Only)

	Public Safety	Various Purpose	Revenue	Total
Beginning	\$2,865,000	\$29,875,000	\$19,859,787	\$52,599,787
Paid Off	(\$210,000)	(\$4,285,000)	(\$1,497,274)	(\$5,992,274)
New Debt	\$0	\$1,270,000	\$4,031,266	\$5,301,266
Ending	\$2,655,000	\$26,860,000	\$22,393,779	\$51,908,779
Net Change	\$(210,000)	(\$3,015,000)	\$2,533,992	\$(691,000)

Finance Director stated the new Debt Revenue Bond is for the Waste Water Treatment Plant Upgrade, Phase I.

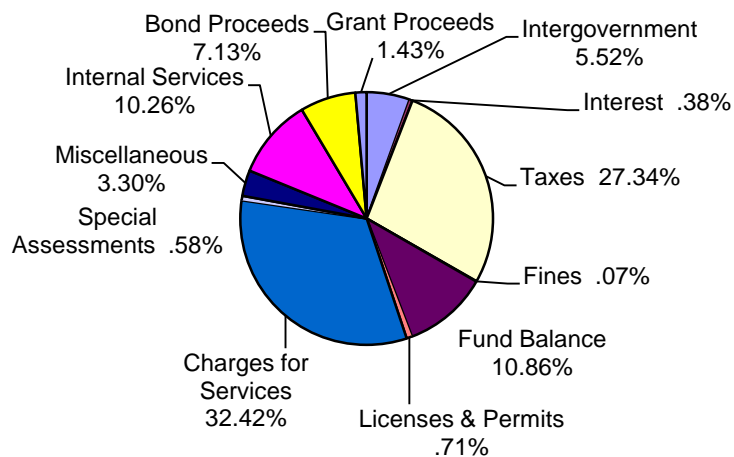
Proposed Revenues

Revenues:	Fiscal Year 2017	Fiscal Year 2018
Taxes	\$19,766,258	\$20,337,156
Licenses & permits	\$555,600	\$530,550
Charges for services	\$24,101,228	\$24,116,947
Fines	\$63,700	\$54,700
Special assessments	\$427,208	\$433,588
Interest	\$230,619	\$283,225
Bond proceeds	\$12,990,795	\$5,301,266
Grants	\$12,404,331	\$1,066,000
Internal services	\$7,733,428	\$7,635,601
Miscellaneous	\$2,456,368	\$2,456,717
Intergovernmental – State	\$4,111,313	\$4,105,387
Total	\$84,840,848	\$66,321,137

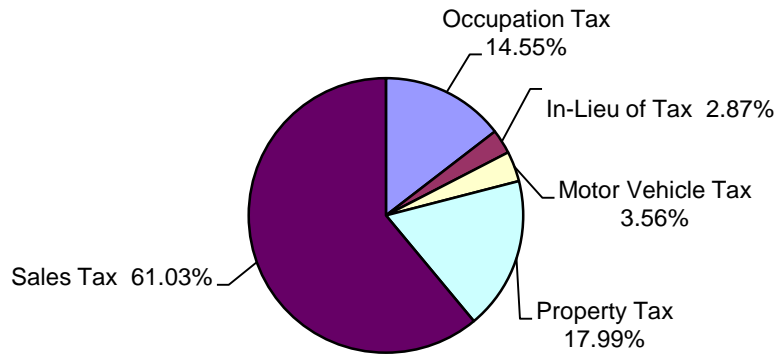
Finance Director stated the tax increase will mostly be made up of combined sales tax revenues and revenues from the estimated 4% increase in valuation on property taxes. Mayor Clouse questioned if the revenues came from anticipation of online sales tax? Finance Director stated some of the revenues may be from the online sales tax but the exact estimation is unknown as the sales tax is complicated to calculate but the estimated impact of revenues is unknown.

Council Member Buschkoetter stated the Supreme Court recently ruled that states could collect the online sales tax and asked how this process would work for cities? Finance Director stated cities can also collect the tax. The State of Nebraska will have to change the state statutes to read that all online sales are subject to sales tax which would result in cities sales taxes being subject to the same rules. All businesses pay the State of Nebraska and the City sales taxes to the State of Nebraska. The City of Kearney then gets one payment a month from the State of Nebraska on the revenues from our portion of the city sale taxes. Council Member Lammers stated that this new ruling will take a while to put legislation into place and to collect so the City would not start receiving payments since the new ruling has not be put into legislation.

All Funds by Source Graph



Tax Revenues by Source Graph



Finance Director stated of the \$20,000,000 collected for overall taxes, the largest part is sales tax, 61.03% about \$12,400,000; Property tax, 18% about \$3,600,000; Occupation Tax, 14.55% about \$2,900,000. Mayor Clouse questioned if the Occupation Tax is trending down? Finance Director stated the telecommunication tax has trended down over the past few years but is leveling off at this current time. Hotel occupation tax has increased a little bit each year but the largest is the restaurant tax which is about \$1,000,000 per year for Patriot Park. Council Member Buschkoetter asked when Patriot Park will be paid off. Finance Director stated the payoff is estimated to occur one year earlier than anticipated, potentially four years away from being paid off.

Proposed Property Tax Request

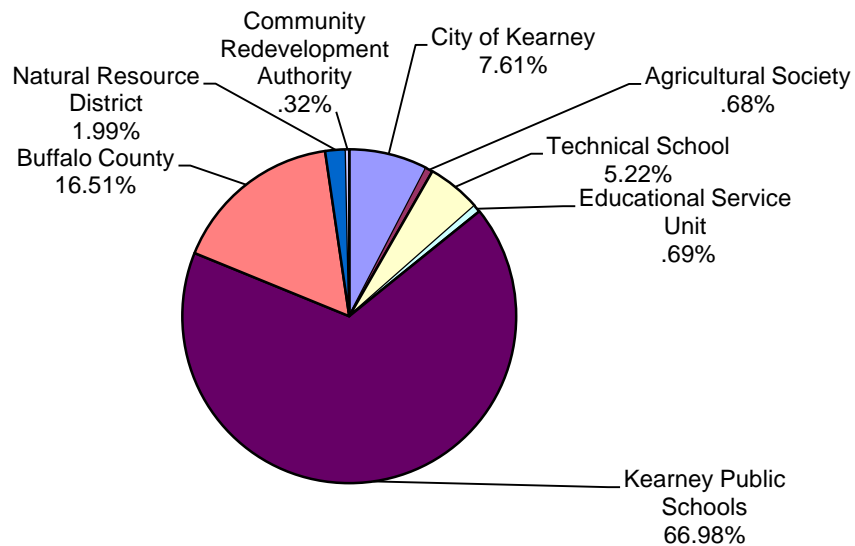
City of Kearney valuation (4.0% est. growth)	\$2,652,308,106
General Fund property tax requirement	\$3,359,924
Public Safety TAB Fund property tax requirement	<u>\$283,286</u>
Total property tax requirement	\$3,643,210
Total property tax levy (per \$100)	\$0.13736

Change over FY17:

Total property tax requirement (4.0% increase)	\$140,123
<small>(Estimate that \$70,062 (50%) will come from new construction/annexation and \$70,063 (50%) of will come from existing properties)</small>	
Total property tax levy (per \$100) (no change)	\$0.0
Taxes on a \$200,000 home	\$274.72

Finance Director stated that 28 years ago before the City of Kearney implemented the one cent sales tax, the property tax levy was set at 51 cents. Our current levy is still about 73 percent lower than the levy was 28 years ago.

Property Tax Distribution – 2017



Regarding the property tax distribution, Finance Director stated for Kearney, the City collects 7.61% of every dollar that is paid to the County Treasurer so for every \$1,000 paid in property taxes, the City receives \$76.10.

Sales Tax Revenues

	Actual Fiscal Year 2017	Estimated Actual Fiscal Year 2018	Proposed Fiscal Year 2019
One Cent Sales Tax			
General Fund	\$6,369,413	\$6,598,550	\$6,618,206
Street Improvement Fund	\$1,199,838	\$999,292	\$1,379,020
Various Purpose Bond Fund	\$392,515	\$650,345	\$275,532
Subtotal	\$7,961,766	\$8,248,187	\$8,272,758
One-half Cent Sales Tax	\$3,980,883	\$4,124,094	\$4,136,379
Total Sales Tax	\$11,942,649	\$12,372,281	\$12,409,137

Finance Director stated due to the Nebraska Advantage Act, if a business in Kearney qualifies, resulting in having enough investment in their business and hiring enough employees, the business qualifies to have their sales tax rebated back to them on equipment or items that are subject to sales tax, so the sales tax amounts have to be adjusted to reflect that. These figures change every year but the City does know a year out what the figure will be in order to estimate for future years.

Comprehensive Fee Schedule Changes

- Development Services - Residential permit .20 to .22 per square foot (first floor)
- Police - Accident report fees adjusted
- Cemetery - Various fee increases
- Golf - Various fee increases
- 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 - \$264,660 (target is 25% of operating expenses)
- Health Insurance Fund deficit - \$391,417

Other Notable Items

- Project Honor funding source/use for FY19:
 - Economic Development Fund - \$450,000
 - (Environmental Factors - \$200,000)
 - (Community Services - \$75,000)
 - (Workforce Factors - \$175,000)

Council Member Lammers asked that with the payments made for Project Honor, will the City pretty close to completing the payment requirements, leaving utility reductions and other agreements made by the City of Kearney that will kick into place. Finance Director stated this is correct and the utility reduction is scheduled for 20 years.

ADJOURN

Moved by Clouse seconded by Lammers that Council adjourn at 7:35 a.m. Roll call resulted as follows: Aye: Clouse, Lammers, Buschkoetter, Lear, Nikkila. Nay: None. Motion carried.

ATTEST:

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

**LAUREN BRANDT
CITY CLERK**