

Kearney, Nebraska
July 6, 2021
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 6, 2021 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, Jonathan Nikkila and Tami James Moore. Absent: None. Michael Morgan, City Manager; Wendell Wessels, Director of Finance; Eric Hellriegel, Assistant City Manager; Tony Jelinek, Director of Utilities; Scott Hayden, Director of Park and Recreation; Andy Harter, Director of Public Works; Mike Young, Police Captain; Shawna Erbsen, Administrative Services Director; Matt Williams, Library Director; Nate Mollring, Director of Information Technology; Jim Lynaugh, Airport Manager; and Jena Bice, Assistant Director of Finance, 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.

I. 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 2021-2022 BUDGET

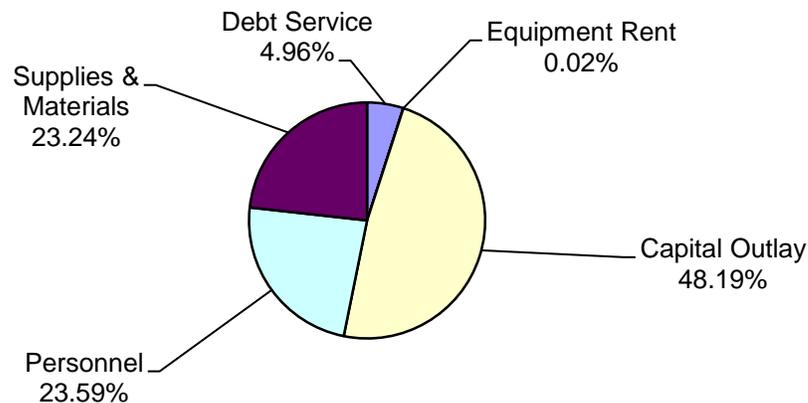
Finance Director Wendell Wessels and City Manager Michael Morgan presented an overview of the 2021-2022 budget that addressed Expenditures, Personnel, Capital Outlay, Debt Service, Revenues, Property Taxes, Sales Tax Revenues, Fund balance and Miscellaneous items. The following was the presentation:

Mr. Wessels stated the General Fund is up approximately \$3,000,000 due to a pay plan adjustment in March and a future adjustment in October along with a 27th pay period in the upcoming year; 27 pay periods occur every six to seven years. Special Revenue Funds are up approximately \$2,500,000 due to CARES Act funding. The Special Revenue Fund includes the Economic Development Fund, Transportation, Natural Disaster, Downtown Improvement Board and Lottery Fund. Enterprise Funds shows a larger increase due to the Wastewater Treatment Plant Phase II project and the new Water Tower project. There will be an approximate 28% increase overall.

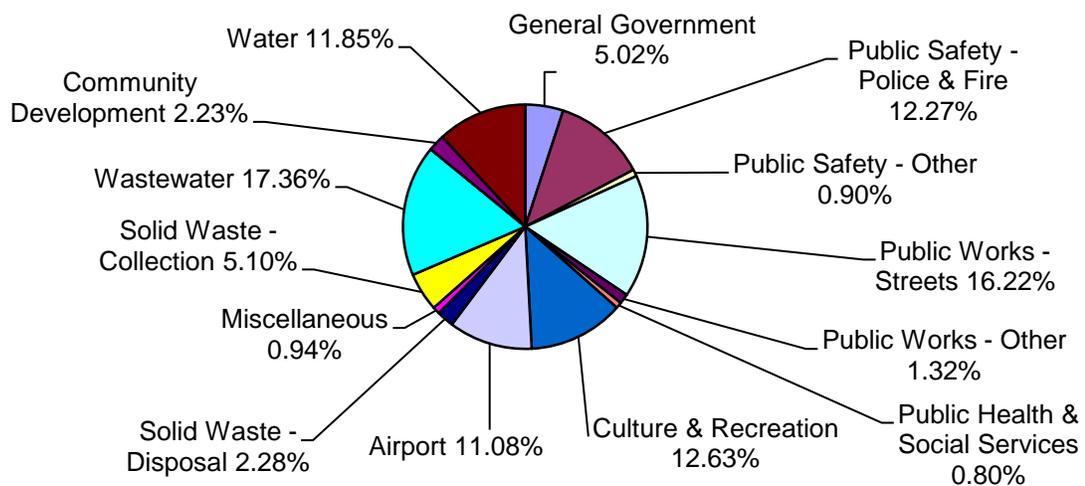
Proposed Expenditures

Expenditures:	<u>FY21</u>	<u>FY22</u>
▪ General Fund	\$26,437,510	\$29,589,100
▪ Special Revenue Funds	\$5,702,221	\$8,350,155
▪ Capital Project Funds	\$20,597,628	\$21,145,543
▪ Debt Service Funds	\$1,957,266	\$1,766,098
▪ Enterprise Funds	\$35,935,634	\$57,812,917
▪ Internal Service Funds	\$8,196,152	\$8,265,869
▪ <u>Fiduciary Funds</u>	<u>\$716,237</u>	<u>\$712,389</u>
Total	\$99,542,648	\$127,642,071

All funds by Object



Budget by Function



Mr. Wessels stated there will be a 4% Pay Plan Adjustment and reviewed the five (5) position additions in the upcoming year.

Personnel

- 4% Pay Plan Adjustment – Governmental Funds \$552,867
- 4% Pay Plan Adjustment – Proprietary Funds \$234,866
- Total 4% Pay Plan Adjustment \$787,733
- Position additions/removals:
 - Added two Police Officers – Police Services
 - Added Recreation Leader – Tennis Center
 - Added two Recreation Monitors (PT) – Tennis Center
 - Added Facilities Maintenance Worker – Park
 - Added Equipment Operator – Sanitation
 - Added Utilities Maintenance Worker - Water

Mr. Wessels noted the General Fund for Capital Outlay is down approximately \$140,000 from last year. The Special Revenue Fund is mainly for equipment for Public Works and Transportation and Capital Project Funds include the Street Improvement Fund and Park Development Fund. The Enterprise Funds, discussed before, includes the Wastewater Treatment Plant Phase II, the new Water Tower and new water and sewer mains.

Capital Outlay

▪ General Fund	\$1,848,443
▪ Special Revenue Funds	\$577,500
▪ Capital Project Funds	\$17,669,529
▪ Enterprise Funds	\$38,252,142
▪ Internal Service Funds	\$15,000
 Total	 \$58,362,614

Mr. Wessels discussed the top 10 Capital Outlay Projects in value and noted some of the projects will span more than one year; therefore, the amounts listed are what will be paid in the upcoming year’s budget. These Projects will be funded as follows: the Wastewater Treatment Plant Phase II (WWTP) is being funded by an SRF grant that was refinanced earlier this year; the new Airport Terminal will be funded solely from CARES Act funds; the Northeast Kearney 2mg Water Tower will be funded with an SRF loan at 0% interest; the Tennis Recreation Facility is funded with donations and a grant received from the Civic and Community Center Financing Fund; the cost of Talmadge Street to Yanney Avenue will be shared 50/50 with the County; 2nd Avenue Overpass Improvements will

be funded mainly from money received from the State when 2nd Avenue was relinquished to the City of Kearney and the remaining items, will be funded from the Special Sales Tax Fund.

Capital Outlay – Top Ten Projects (in value)

1.	WWTP Phase II	\$14,473,188
2.	New Airport Terminal (FAA)	\$8,250,000
3.	Northeast Kearney 2mg Water Tower	\$6,100,000
4.	Tennis Recreation Facility	\$4,000,000
5.	Talmadge Street to <u>Yanney Avenue</u>	\$2,446,040
6.	2 nd Avenue Overpass Improvements	\$1,982,086
7.	11 th Street, Avenue A to Avenue F	\$1,500,000
8.	Avenue N, 28 th Street to 39 th Street	\$1,500,000
9.	Talmadge Street to <u>Yanney Ave Sewer Main</u>	\$1,466,072
10.	31 st Street, Avenue G to Avenue L	\$870,000

Mr. Wessels stated the City's beginning debt is approximately \$50,000,000 and is broken down into Public Safety Bonds, Various Purpose Bonds and Revenue Bonds; approximately \$5,500,000 of that will be paid off. New debt of \$24,600,000 will include Various Purpose Bonds of \$2,800,000 for Talmadge Street and Revenue Bonds of approximately \$22,000,000 for the WWTP Phase II and the new Water Tower.

Debt Service (principal only)

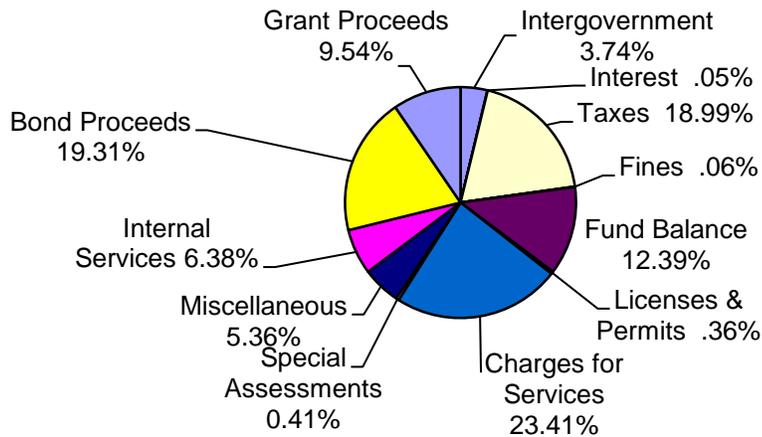
	<u>Public Safety</u>	<u>Various Purpose</u>	<u>Revenue</u>	<u>Total</u>
Beginning	\$3,685,000	\$24,698,777	\$21,420,393	\$49,804,170
Paid off	(\$305,000)	(\$3,303,600)	(\$1,812,087)	(\$5,420,687)
New debt	\$0	\$2,867,395	\$21,774,698	\$24,642,093
Ending	\$3,380,000	\$24,262,572	\$41,383,004	\$69,025,576
Net change	(\$305,000)	(\$436,205)	\$19,962,611	\$19,221,406

Mr. Wessels reviewed the Proposed Revenues and noted taxes are up approximately \$3,800,000 mainly due to sales tax revenues increasing over the current year.

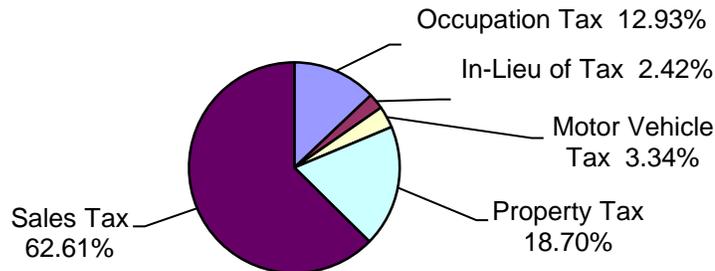
Proposed Revenues

Revenues:	<u>FY 21</u>	<u>FY 22</u>
▪ Taxes	\$20,371,222	\$24,233,030
▪ Licenses & permits	\$480,200	\$460,055
▪ Charges for services	\$27,637,397	\$29,904,477
▪ Fines	\$55,400	\$55,750
▪ Special assessments	\$1,036,770	\$522,800
▪ Interest	\$373,861	\$67,533
▪ Bond proceeds	\$4,803,803	\$24,642,093
▪ Grants	\$14,208,467	\$12,180,345
▪ Internal services	\$8,278,148	\$8,148,467
▪ Miscellaneous	\$10,787,019	\$6,835,620
▪ <u>Intergovernmental – State</u>	<u>\$4,198,868</u>	<u>\$4,772,301</u>
Total	\$92,231,155	\$111,822,471

All Funds by Source



Tax Revenues by Source



Mr. Wessels stated the City should receive property tax valuations from the County in August; however, the City is estimating a 4% growth. The tax levy will remain the same. Mr. Wessels explained 30 years ago, the tax levy was approximately 51 cents. Because voters approved the 1% sales tax for property tax relief it allows the current tax levy to be lower, at 14 cents; thereby actually lowering taxes from 30 years ago. Kearney's tax levy remains the lowest in the State, with the next lowest being Scottsbluff's at 22 cents.

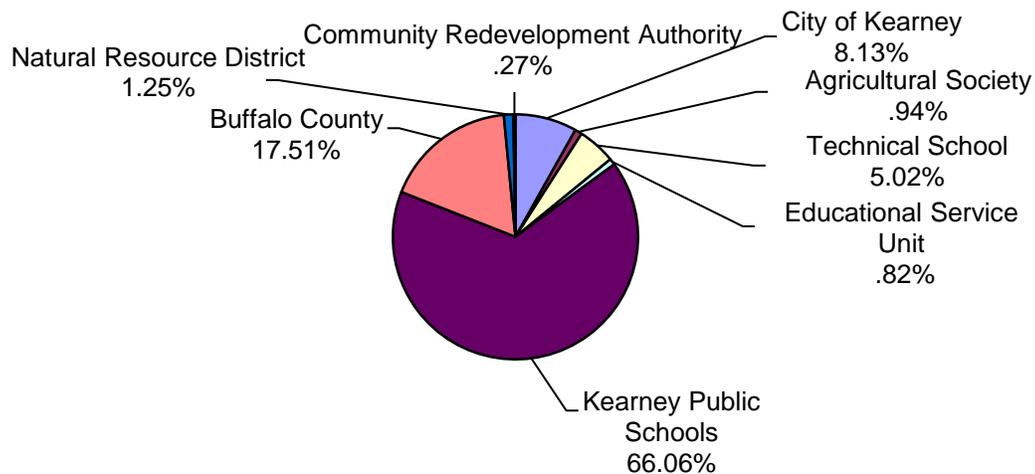
Mayor Clouse questioned if the Tax Revenues by Source graph that showed the Occupation Tax at 12.93% included Compute North? Mr. Wessels stated that it does.

Mr. Wessels noted for every \$1,000 a citizen paid the County Treasurer, the City received \$81.30. That amount is not expected to change significantly for 2021.

Proposed Property Tax Request

City of Kearney valuation (estimated 4% growth)	\$3,035,866,632
General Fund property tax requirement	\$4,159,313
Public Safety TAB Fund property tax requirement	<u>\$360,182</u>
Total property tax requirement	\$4,519,495
Total property tax levy (per \$100)	\$0.14887
<u>Change over FY21:</u>	
Total property tax requirement (4.0% increase)	\$173,827
Total property tax levy (per \$100) (0.00% increase)	\$0.0000
Taxes on a \$200,000 home	\$297.74

Property Tax Distribution – 2020



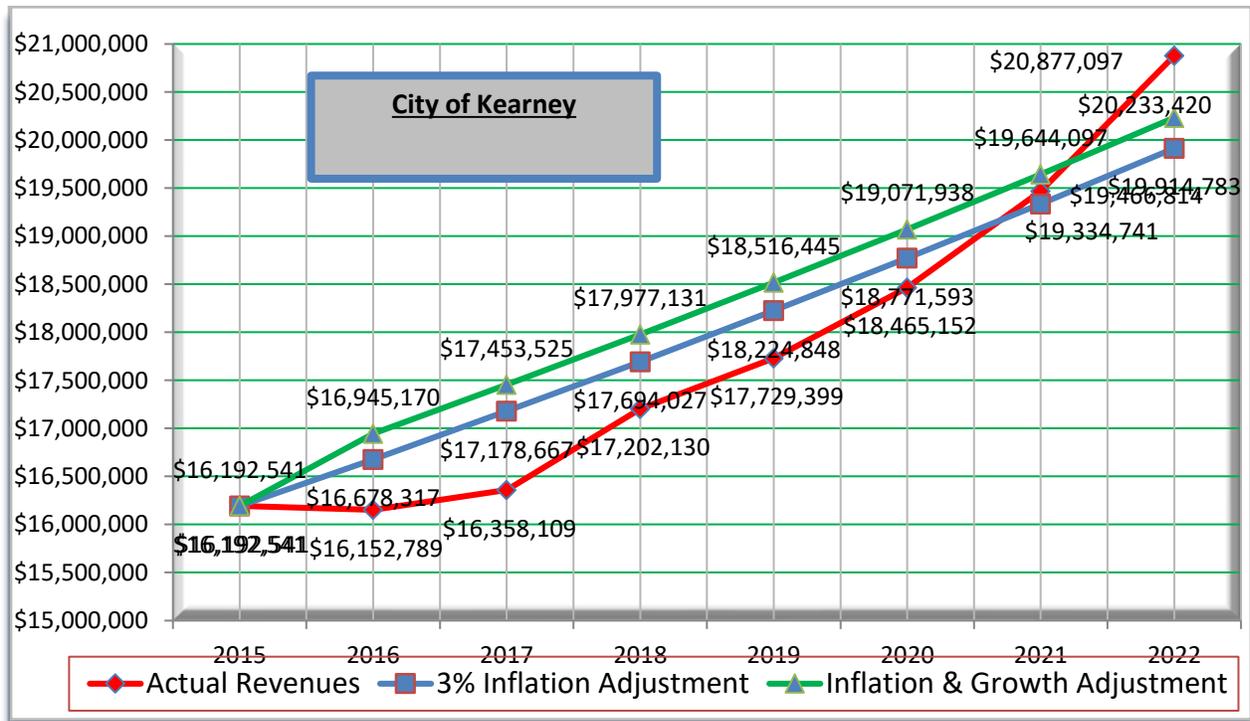
Mr. Wessels stated the one-cent sales tax goes in to the General Fund, the Street Improvement Fund and the Various Purpose Bond Fund. The one-half cent sales tax is used for Capital Improvements, Equipment and the Special Sales Tax Fund. Mr. Wessels noted the figures for the Nebraska Tax Advantage Act may be adjusted as the hearing

gets closer in September.

Sales Tax Revenues

	Actual <u>FY 20</u>	Est. Actual <u>FY 21</u>	Proposed <u>FY 22</u>
One cent sales tax			
General Fund	\$6,946,448	\$7,919,849	\$9,104,216
Street Improvement Fund	\$1,280,751	\$828,545	\$815,767
Various Purpose Bond Fund	\$455,861	\$1,151,419	\$195,812
Subtotal	\$8,683,060	\$9,899,813	\$10,115,795
One-half cent sales tax	\$4,341,530	\$4,949,906	\$5,057,898
Total (after NE Adv. Act)	\$13,024,590	\$14,849,719	\$15,173,693
Nebraska Advantage Act	\$278,126	\$36,087	\$9,829
Total (before NE Adv. Act)	\$13,302,716	\$14,885,806	\$15,183,522

Major General Fund Revenues



Mr. Wessels noted this year the Legislature passed a bill that does not allow the City to collect sales tax on water for residential water.

Comprehensive Fee Schedule Changes

- **Administration**
Added “stormwater ditch and retention cell mowing fee” of \$100/hour
- **Cemetery**
Changed overtime fees for after hour funerals
- **Development Services**
Adjusted various fees
- **Recreation**
Added tennis facility fees
- **Solid Waste – Collection**
Utility rates increased 3%
- **Wastewater**
Utility rates increased 3%
- **Water**
Utility rates increased 3%
- **Airport**
Agriculture land cash rents adjusted

Mr. Wessels noted that next year the Golf Fund will most likely not have a shortfall due to additional Keno funds being put towards the Golf Fund due to a Bond for the Cherry Avenue Project being paid in full within the next year.

Council member Jonathan Nikkila questioned how much Keno money currently goes towards the Golf Course? Mr. Wessels stated this year \$91,000 went towards the Golf Fund.

Fund Balance

The following Funds do not meet the current Fund Balance Policy for FY22 which is 25% of operating expenses:

	<u>Required</u>	<u>Estimated</u>	<u>Shortfall</u>
Golf Fund	\$277,077	\$178,428	\$98,649

Mr. Wessels stated the last large payment to the Veteran’s Home will be made; however, going forward, \$50,000 payments will continue to the Veteran’s Home through 2034 for workforce factors.

Other Notable Items

- Project Honor funding source/use for FY22:
Economic Development Fund - \$250,000
(Community Services - \$100,000)
(Workforce Factors - \$150,000)

Mr. Wessels noted the City has two (2) lids that the City has to comply with, the first is the levy lid which is 45 cents; the City is at 15 cents and is therefore in compliance. The second is a lid on Restricted Bonds, which the City is also in compliance with.

Mr. Wessels stated LB148 was adopted in 2020 stating City's will be required to have a public hearing regarding the budget, that is separate from a regular City Council meeting; therefore, the public hearing for the City of Kearney's budget is tentatively scheduled for a Special Meeting to be held on Monday, September 13, 2021. In addition, LB644 was also passed and will take effect in 2022 requiring a joint public hearing between the City, County, School and the Community College if one or all request an increase of 2% plus growth, or more in property tax requirement. The County will be required to send notification to all property owners informing them of the public hearing and how much taxes would go up. Mr. Morgan questioned even though a public hearing is held separately for the budget, a second public hearing would be required due to LB644? Mr. Wessels stated two (2) meetings would need to be held and additionally noted the cost of mailing the notification to property owners would be split between the entities requesting an increase in property taxes; if only one entity is requesting an increase, that entity would pay the entire cost of mailing.

Mr. Wessels stated Health Insurance will drop 10% beginning January 1, 2022 due to the account currently having \$1,500,000.

Mr. Morgan noted this is the first time in several years that every Fund in the budget is in really great shape. Mr. Morgan stated there was a 67% load factor for both Denver and Chicago flights last month.

Mayor Clouse thanked everyone for their hard work and for everything they do and noted that the budget speaks well of our community.

VIII. ADJOURN

Moved by Clouse seconded by Nikkila that Council adjourn at 7:46 a.m. Roll call resulted as follows: Aye: Clouse, Buschkoetter, Lear, Nikkila, Moore. Nay: None. Motion carried.

ATTEST:

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

**LAUREN BRANDT
CITY CLERK**