

Kearney, Nebraska
July 6, 2022
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, 2022 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 and Tami James Moore. Absent: Jonathan Nikkila. Michael Morgan, City Manager; Wendell Wessels, Director of Finance; Kayla James, Director of Finance; Brenda Jensen, Assistant City Manager; Eric Hellriegel, Assistant City Manager; Sarah Sawin, Assistant Utilities Director; Scott Hayden, Director of Park and Recreation; Andy Harter, Director of Public Works; Bryan Waugh, Police Chief; Shawna Erbsen, Administrative Services Director; Matt Williams, Library Director; Nate Mollring, Director of Information Technology and Jim Lynaugh, Airport Manager 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 2022-2023 BUDGET

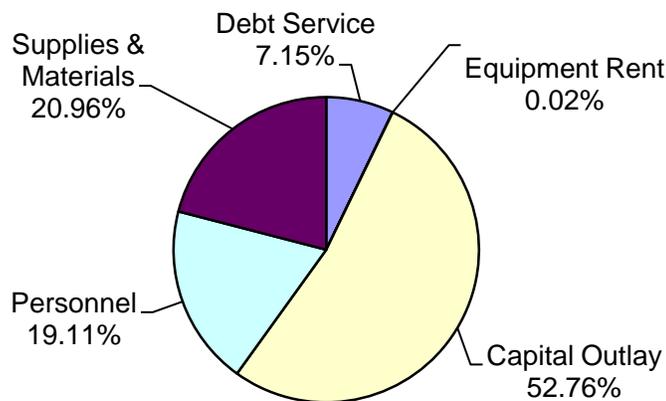
Finance Director, Wendell Wessels, presented an overview of the 2022-2023 budget that addressed Expenditures, Personnel, Capital Outlay, Debt Service, Revenues, Property Taxes, Sales Tax Revenues, Fund balance and Miscellaneous items. The following information was included in the presentation. Mr. Wessels stated the proposed expenditures for Fiscal Year 2023 in the General Fund increased approximately \$3,000,000 over last year or approximately 6.5%. The Special Revenue Funds account will be down due to payments made out of this account; CARES Act and ARPA funds go through this account. Capital Project Funds is up considerably due to the Sports Complex and Debt Service Funds will increase slightly due to a Bond Anticipation Note coming due in December for the Avenue N project that is approximately \$3,000,000. Enterprise Funds are up due to three big projects scheduled for next year; Airport Terminal, the Water Tower and the Waste Water Treatment Plant Phase II.

Proposed Expenditures

Expenditures:	<u>FY22</u>	<u>FY23</u>
• General Fund	\$29,881,385	\$32,864,340
• Special Revenue Funds	\$8,624,198	\$6,806,899
• Capital Project Funds	\$21,895,543	\$41,413,610
• Debt Service Funds	\$1,766,098	\$4,575,407
• Enterprise Funds	\$57,894,315	\$68,866,191
• Internal Service Funds	\$8,265,869	\$9,072,078
• Fiduciary Funds	\$712,389	\$712,389
Total	\$129,039,797	\$164,310,914

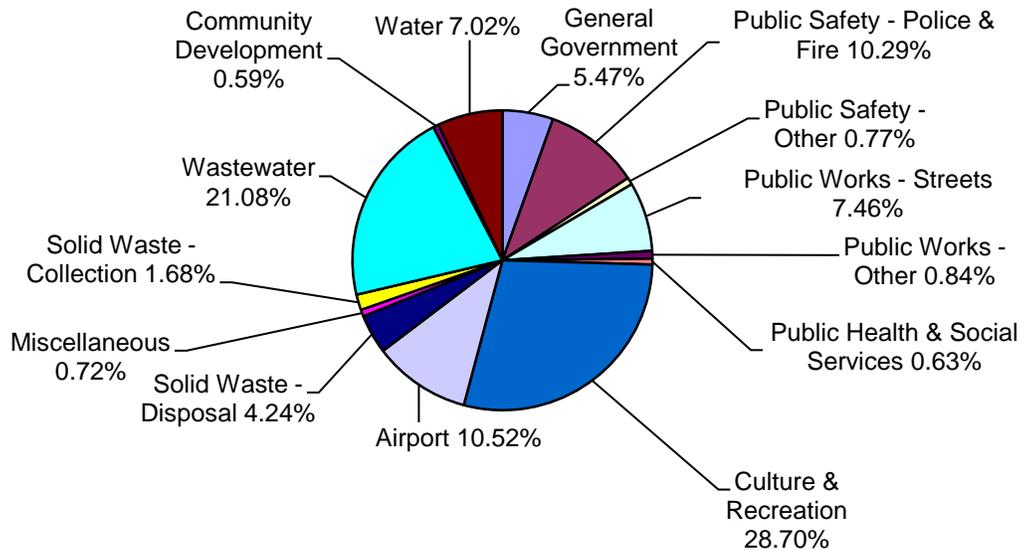
The budget is up approximately \$35,000,000 and reviewed the percentages of each category. Mr. Wessels noted Supplies & Materials increased approximately 7% - 8% due to increased fuel prices as well as increased chemical prices for the pools.

All funds by Object



Mr. Wessels discussed the budget based on governmental function and stated the number one category will be Culture and Recreation due to the Sports Complex; the second category with the highest percentage is Wastewater which includes the Waste Water Treatment Plant upgrade and the third largest category is the Airport which includes the Terminal project.

Budget by Function



There will be a 3.3% Pay Plan Adjustment and reviewed the positions that will be added.

Personnel

- 3.3% Pay Plan Adjustment – Governmental Funds \$500,378
- 3.3% Pay Plan Adjustment – Proprietary Funds \$199,257
- Total 3.3% Pay Plan Adjustment \$699,635
- Position additions/removals:
 - Added Assistant Recreation Director – Recreation
 - Added Facilities Maintenance Worker - Park
 - Reclassified Part-Time Park Attendant to Full-Time - Cottonmill
 - Added Water and Sewer System Supervisor, Assis Dir. - Water

Mr. Wessels reviewed the Capital Outlay funds and discussed the top ten Capital Improvement Projects by value. The Indoor Sports Complex will total \$34,000,000; however, \$4,000,000 will come out of the current budget with the remaining \$30,000,000 shown on next year’s budget. The Sports Complex will be paid with the GO Bonds that were approved last year. The Waste Water Treatment Plant Phase II will be funded by a 1% SRF loan; the Terminal project will be funded by CARES Act money. Mr. Wessels stated the northeast Kearney 2 MG Water Tower amount will be carried over from the current year; it is funded by a 0% SRF loan. The Yanney Pavilion will total \$4,300,000; however, \$3,000,000 is estimated for next year’s budget. Funding for the Pavilion is from grants and donations. He noted items 7, 8 and 10 will be paid out of the Special Sales Tax fund. The first five items on the Top Ten by value Project List will be spread out over several years; the amounts shown below are for 2023 and are estimated amounts.

Capital Outlay

• General Fund	\$1,666,600
• Special Revenue Funds	\$593,500
• Project Funds	\$35,055,741
• Enterprise Funds	\$44,573,313
• Internal Service Funds	\$44,500
Total	\$81,933,654

Capital Improvement Top Ten Project (in value)

1.	Indoor Sports Complex	\$30,000,000
2.	WWTP Phase II	\$26,174,362
3.	New Airport terminal (FAA)	\$8,000,000
4.	NE Kearney 2mg water tower	\$4,073,000
5.	Yanney Pavilion	\$3,000,000
6.	Booster pumps 1 & 2 upgrades	\$1,100,000
7.	30 th Street, E Ave to I Avenue	\$630,000
8.	A Avenue, 31 st Street to 35 th Street	\$625,000
9.	Southeast drainage project	\$500,000
10.	Asphalt replacement projects	\$360,000

Mr. Wessels stated the City will end the year approximately \$90,000,000 in debt and that is between the Public Safety Bonds, General Obligation, Various Purpose Bonds and Revenue Bonds (water and sewer). The City will pay off approximately \$9,500,000 next year. The new debt in the Various Purpose column pertains to Bonds that have to be issued in December to pay off short term notes that were issued for Avenue N. Mr. Wessels further noted approximately \$26,000,000 of the Revenue Bonds is for the Waste Water Treatment Plant project and approximately \$5,000,000 is for the Water Tower.

Debt Service (principal only)

	<u>Public Safety</u>	<u>Various Purpose</u>	<u>Revenue</u>	<u>Total</u>
Beginning	\$3,380,000	\$57,094,603	\$29,358,928	\$89,833,531
Paid off	(\$320,000)	(\$6,173,600)	(\$2,980,554)	(\$9,474,154)
New debt	\$0	\$2,960,000	\$31,347,362	\$34,307,362
Ending	\$3,060,000	\$53,881,003	\$57,725,736	\$114,666,739
Net change	(\$320,000)	(\$3,213,600)	\$28,366,808	\$24,833,208

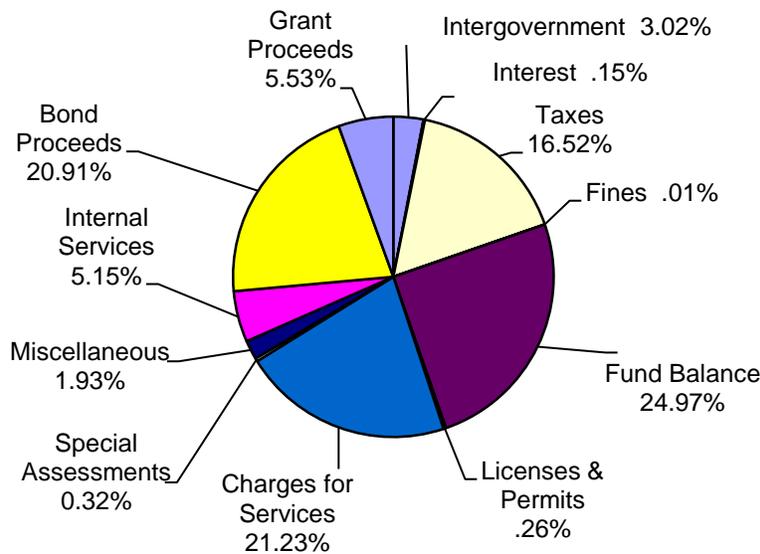
Mr. Wessels stated Taxes, which includes Sales, Property and Occupation taxes, will increase approximately 12% and Charges for services increased due to FBO fuel sales. Miscellaneous is down due to the donations for the Tennis Center being included for the current year. The majority of the Intergovernmental – State category is gas tax; state aid is not included in the amount, it is mainly highway allocation.

Proposed Revenues

Revenues:	<u>FY 22</u>	<u>FY 23</u>
• Taxes	\$24,097,286	\$27,102,611
• Licenses & permits	\$460,055	\$434,555
• Charges for services	\$29,951,912	\$34,816,483
• Fines	\$55,750	\$12,000
• Special assessments	\$522,800	\$516,900
• Interest	\$67,533	\$249,545
• Bond proceeds	\$24,642,093	\$34,307,362
• Grants	\$12,180,345	\$9,080,345
• Internal services	\$8,148,467	\$8,445,146
• Miscellaneous	\$7,020,932	\$3,172,953
• <u>Intergovernmental – State</u>	<u>\$4,544,356</u>	<u>\$4,956,026</u>
Total	\$111,691,529	\$123,093,926

Approximately 25% of the Fund Balance will be used next year primarily due to the issuance of bonds for the Sports Complex.

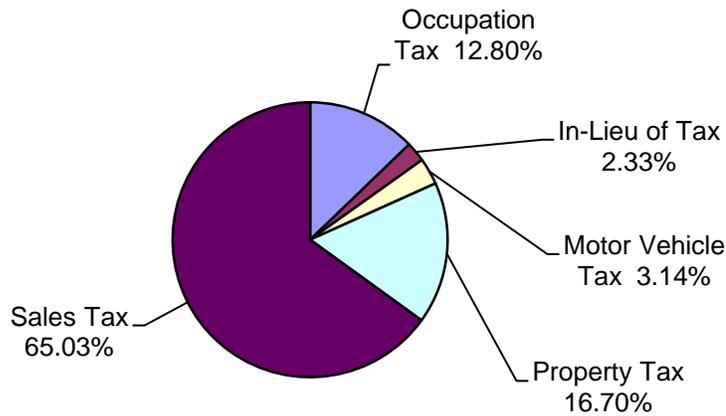
All Funds by Source



Mr. Wessels stated out of the approximate \$27,000,000 in taxes, the City receives approximately \$17,600,000 from Sales Tax, \$4,500,000 from Property Tax and

\$3,500,000 from Occupation Taxes. Property taxes have an estimated growth of 3%; however, that number will not be established until August 20th. The Public Safety TAB Fund property tax requirement is to pay on five bond issues the City has for public safety equipment. The tax levy will remain the same.

Tax Revenues by Source



Proposed Property Tax Request

City of Kearney valuation (estimated 3.00% growth) \$3,032,085,804

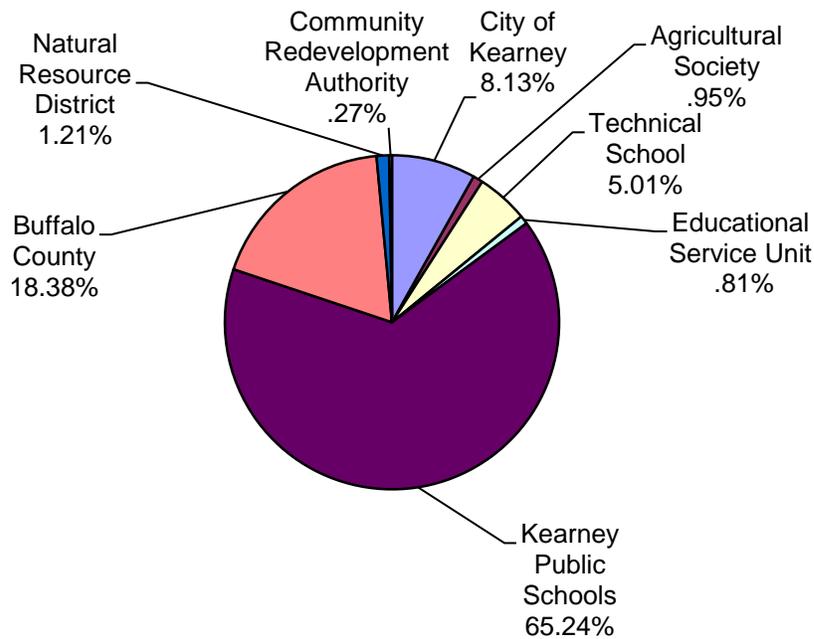
General Fund property tax requirement	\$4,141,399
Public Safety TAB Fund property tax requirement	<u>\$372,467</u>
Total property tax requirement	\$4,513,866
Total property tax levy (per \$100)	\$0.14887

Change over FY22:

Total property tax requirement (3.00% increase)	\$131,472
Total property tax levy (per \$100) (0.00% increase)	\$0.0000
Taxes on a \$200,000 home	\$297.74

Mr. Wessels noted in 2021 for every \$1,000 that the County Treasurer received in property tax, the City received \$81.30; the City receives approximately 8.13% of every dollar paid in property taxes.

Property Tax Distribution – 2021



Out of the one cent sales tax, the largest portion goes to the General Fund with some also going to the Street Improvement Fund and Various Bond Fund. The total dollar amount estimated for 2023 is approximately \$950,000 above the current year; an approximate increase of 5.7%. The City continues to watch the amount of sales tax that comes in monthly; the first seven months of the year averaged about 12%; therefore, 10% has been estimated for the remaining five months.

Sales Tax Revenues

	<u>Actual FY 21</u>	<u>Est. Actual FY 22</u>	<u>Proposed FY 23</u>
One cent sales tax			
General Fund	\$7,964,040	\$9,998,049	\$10,574,171
Street Improvement Fund	\$833,238	\$895,857	\$316,734
Various Purpose Bond Fund	\$1,157,772	\$215,036	\$858,174
Subtotal	\$9,955,050	\$11,108,942	\$11,749,079
One-half cent sales tax	\$4,977,525	\$5,554,472	\$5,874,539
Total (after NE Adv. Act)	\$14,932,575	\$16,663,414	\$17,623,618
Nebraska Advantage Act	\$36,087	\$9,829	\$0
Total (before NE Adv. Act)	\$14,968,662	\$16,673,243	\$17,623,618

Mr. Wessels stated there will be an increase in tipping fees at the Landfill and along with a 3% increase in Solid Waste – Collection which will increase the fund \$173,000 next year; a residential 90-gallon container bill will increase 50 cents per month. Wastewater will increase 6% primarily due to the Waste Water Treatment Plant Phase II upgrade SRF loan; the City will gradually raise rates to have enough funds to pay for the 30 year loan.

Ag land cash rents will be adjusted based on the study/report that UNL dispenses each year; the City should have the new rates when the budget is presented in September.

Comprehensive Fee Schedule Changes

- **Landfill**
Tipping fee (uncompacted waste) from \$32.50 to \$35.00 per ton
Various changes to other fees (see fee schedule)
- **Solid Waste – Collection**
Utility rates increased 3%
- **Wastewater**
Utility rates increased 6%
- **Water**
Utility rates increased 2%
- **Airport**
Agriculture land cash rents adjusted
Various changes to facility fees (see fee schedule)
- **Various other Departments**
Various changes to fees (see fee schedule)

This is the first year that every fund meets the fund balance policy requirement.

Fund Balance

The following Funds do not meet the current Fund Balance Policy for FY23 which is 25% of operating expenses:

<u>Required</u>	<u>Estimated</u>	<u>Shortfall</u>
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Mr. Wessels stated the Levy limit is 45 cents per hundred; the City is well below that limit at 14 cents to 15 cents. The City is allowed to increase certain restricted funds, examples include property taxes and sales taxes, 2.5% plus 1% per year. There are some exceptions for Capital and Interlocal Agreements; this Lid has been in effect since 1993 and the City is in compliance with that Lid. He explained the requirements of a new bill, LB644, that went into effect January 1st of this year; the bill affects cities, counties, school districts and the community colleges.

Other Notable Items

- Levy limit
- Lid on Restricted Funds
- Joint Public Hearing (LB644)

Michael Morgan, City Manager and Eric Hellriegel, Assistant City Manager discussed the bids received for the Waste Water Treatment Plant Phase II project and a further discussion was held regarding the project.

Mr. Morgan updated Council on air service and stated the City is still waiting on a decision. SkyWest will attempt to continue the current level of service that meets the EAS and will

be back to the federally funded 12 flights per week; however, there will not be a Tuesday and Wednesday flight to Chicago. Mr. Morgan further noted October 1st is the target date for Denver Connect to begin service.

Numerous street projects have begun and he clarified that the 2nd Avenue overpass project is being paid for by funding the City received from the State of Nebraska. Kearney received approximately \$11,000,000 in CARES Act funding of the \$150,000,000 that was recently distributed throughout the State. Part of this funding will be combined with monetary gifts received for Yanney Park Gardens and the Yanney Pavilion, which will fully fund the \$8,500,000 project in its entirety. The water towers continue to be painted and construction has begun on the new water tower.

Mayor Clouse and Council Members thanked staff for their work on the budget. Mr. Morgan thanked Council on behalf of staff for their support.

VIII. ADJOURN

Moved by Clouse seconded by Lear that Council adjourn at 8:01 a.m. Roll call resulted as follows: Aye: Clouse, Lear, Moore Buschkoetter. Nay: None. Nikkila absent. Motion carried.

ATTEST:

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

**LAUREN BRANDT
CITY CLERK**