

FINANCE COMMITTEE MEETING BUDGET REVIEW SESSION

The Finance Committee of the City of Norfolk, Nebraska met in the City's Conference Room, 309 Madison Avenue, Norfolk, Nebraska, on Tuesday, July 26, 2005, beginning at 1:30 p.m.

Mayor Gordon D. Adams called the meeting to order.

Roll call found the following Committee members present: Mayor Gordon Adams and Councilpersons Kaspar-Beckman, Brenneman, Fauss (1:32 p.m.), Lange, Leshovsky (1:47 p.m.), Van Dyke and Wilson. Absent: Saunders.

Staff members present were City Administrator Mike Nolan, Public Works Director Dennis Smith, City Attorney Clint Schukei, City Clerk Beth Deck, Finance Officer Randy Gates, Human Resources Director Sheila Schukei, Library Director Ted Smith, Housing Manager Sheila Miller, Police Chief Bill Mizner, Fire Chief Shane Weidner, Transportation, Building & Grounds Director Jim Koch, Park Superintendent Pat Mrsny, Recreation Coordinator Pat von Glan, Information Systems Manager Jim McKenzie, Wastewater Plant Superintendent Todd Boling and Solid Waste Manager Gary Lund.

The media was represented by Greg Wees, Norfolk Daily News; Jim Curry, WJAG/KEXL; and Brian Masters, KUSO.

Notice of the meeting was given in advance by publication in the Norfolk Daily News, and notice of the meeting was given to the Mayor and all members of the Council prior to the meeting.

The Mayor presided and the City Clerk recorded the proceedings.

Finance Officer Randy Gates discussed **audit** proposals with Finance Committee members. The City received proposals from seven firms for audit of the City and Coalition financial statements for the next four years. Gates said Dana Cole only submitted a single copy instead of the six required. Dana Cole also did not list the number of estimated hours the audit would take even though the RFP specifically requested hours. Scow and Christensen's proposals also omitted hours. The number of hours is important when evaluating audit efforts.

Gates ranked the firms qualifications as follows:

Williams appears to be most qualified and currently audits thirteen governments receiving the Certificate of Achievement in the immediate tri-state area. None of the other firms have more than one Certificate client locally. Williams audits three solid waste agencies locally including NNSWC.

BKD appears 2nd most qualified with nine Certificate clients nationally and one locally (the City of Lincoln) as well as claiming two local landfill clients.

Dana appears 3rd most qualified with three Certificate clients nationally and one locally (the City of Beatrice). No landfill clients are listed.

Shonsey appears to be 4th most qualified with several local solid waste agencies but no CAFR clients.

Hayes appears 5th most qualified. Although Hayes doesn't have any clients with the Certificate, several are seeking the award. They also have several large GAAP based financial statement audits including: St. Louis Housing Authority, Douglas County Hospital and Sarpy County. Hayes only audits one city, Nebraska City, and doesn't produce GAAP based financial statements. Gates questions Hayes' understanding of the effort required for the City's audit. Of the four firms giving estimated hours, the other three were all about 370 hours. Hayes estimates only 236 hours which is out of line with the other estimates. Part, but not most, of the reduced hours may be attributable to bidding the single audit separately.

Christensen appears 6th most qualified, listing four villages and one small city (Elgin) as audit clients. Partially offsetting this lack of municipal experience is their proposal as a joint venture with Shonsey who is ranked 4th most qualified audit firm submitting proposals.

Scow appears the least qualified of the proposers. Scow didn't list any Certificate or landfill clients and none of their government clients prepare GAAP based statements. They are not partnering with another firm to compensate for this lack of experience.

A comparison of fees is as follows:

Hayes has the lowest fees totaling \$75,015 for the four years for both the City and the Coalition. This fee is low because of substantially less audit effort as discussed above.

Scow submitted the 2nd lowest fee at \$85,000. Gates feels Scow is the least qualified of the seven proposers.

Dana submitted the 3rd lowest fee at \$95,600. Dana submitted only one copy of the proposal and did not estimate hours for the audit.

Christensen submitted the 4th lowest fee at \$96,300. Christensen did not respond to the request for estimated hours. However, even without this omission, Gates feels Christensen is the next to last most qualified firm.

Williams submitted the 5th lowest fee proposal at \$105,200. Williams had a responsive proposal and appears to be the most qualified firm.

Shonsey submitted the 6th lowest fee at \$120,000. Gates ranks Shonsey as the 4th most qualified firm.

BKD submitted the highest fee proposal at \$176,800. Gates ranks BKD as the second most qualified firm.

Gates recommends Williams & Company be retained as the City and Northeast Nebraska Solid Waste Coalition's auditors for the next four years. Williams appears to be the best qualified with reasonable fees, increasing less than 10% in total from their proposal four years ago. This is approximately the increase in inflation during that same period. Williams works well with City staff and is very responsive to the City's needs and scheduling work at staff's convenience. Williams was also extremely helpful with implementation of GASB 34.

Councilman Van Dyke moved, seconded by Councilman Brenneman to approve the recommendation to retain Williams & Company as auditors for the City and the Northeast Nebraska Solid Waste Coalition for the next four years.

Councilman Fauss questioned why the City would want to spend \$25,000 - \$30,000 more on auditors if the City's "books are right". Fauss feels the money could be spent elsewhere.

Councilwoman Kaspar-Beckman stated a good auditing firm helps safeguard the City. Kaspar-Beckman stated the City needs a credible auditing firm.

Councilman Brenneman respects Finance Officer Randy Gates' judgment and recommendation.

Councilman Wilson stated Williams & Company is a good firm and didn't "submit the highest fee anyway."

Councilman Van Dyke stated the Council also needs to consider that amount of time the Finance Officer would need to spend with a new auditing firm.

Roll call on the motion to retain Williams & Company: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Leshovsky and Saunders. Motion carried.

At the request of Councilman Fauss, Finance Committee members discussed the **NPPD 2%**

lease payment and the proposed water park. Fauss feels “groups are lining up” to get a portion of the NPPD 2% lease payment after the four years wherein the money is going to the Arts Center, YMCA, Museum and Theatre. Fauss feels that if the water park bond issue passes the NPPD 2% lease payment funds can be used to offset the cost of the park. Fauss also feels if the water park bond issue fails the NPPD funds can be used to build a water park. Fauss doesn’t feel the bond issue will pass unless elected officials “get in line” to use the NPPD 2% lease funds for the water park.

Councilwoman Kaspar-Beckman supports Fauss’ suggestion. Kaspar-Beckman stated a recent Letter to the Editor (in the Norfolk Daily News) supports elected officials adopting a resolution to address the use of the NPPD funds after the four year time period. Kaspar-Beckman also stated the current Council makes decisions that affect future City Councils.

Councilman Van Dyke is reluctant to do anything with future NPPD 2% lease payment funds. Van Dyke feels the Council needs to see “how it works over the next two years” before making any commitments.

Councilman Fauss feels the NPPD funds are necessary to pass the water park bond issue. Fauss stated citizens want the water park but can’t afford higher taxes. Fauss feels the NPPD funds could relieve property taxes in the future.

Councilmen Van Dyke and Lange feel people may perceive this as a bribe to vote for the bond issue. Van Dyke stated the City’s General Fund may need to use the NPPD 2% lease money in the future.

Mayor Adams wants to leave open the possibility of using the NPPD 2% lease money for the City’s General Fund.

This item was for informational purposes only.

BUDGET REVIEW SESSION

General Fund Revenues

City Administrator Mike Nolan provided information to elected officials on the proposed FY 2005-2006 General Fund Revenues. Estimated balance brought forward is \$2,037,640 with revenue from the following sources: Taxes, \$7,768,330; Licenses & Permits, \$271,845; Intergovernmental Revenues, \$538,078; Charges for Service, \$1,128,922; Rent & Other Revenue, \$2,655,300; Other Interest Income, \$40,100; and Non-revenue Receipts, \$417,000. Nolan stated a property tax increase of \$450,676 in the Debt Service fund to supplement the General Fund is necessary. Nolan explained the City of Norfolk will still have the lowest property tax levy in the State. It will be necessary to levy General Fund property taxes of \$253,047. Nolan explained that, because of the tight budget, it is necessary to defer purchasing necessary capital items including the Fire Division rescue squad. Nolan stated fee adjustments aren’t popular but elected officials may need to consider fee adjustments on a regular basis. Nolan explained the City is using CHAF (gas tax revenue) to supplement the General Fund to help defray Street Division expenditures.

Finance Officer Randy Gates stated Nebraska Public Power District (NPPD) is considering a 5% residential rate decrease. Therefore, NPPD revenues are budgeted \$64,706 less than in FY 2004-2005. Gates explained the cuts/adds sheet. The first item on the cuts/adds sheets are adjustments to the beginning fund balance, including Street Division tractor, \$50,000; police tasers, \$8,940; and Library security door, \$1,850. The Finance Committee approved purchasing a canine unit for \$19,000 so that is a deletion from the beginning fund balance. Gates explained several items related to operation of the Memorial Field concession stand are actual cuts/adds to the revenue side. Gates stated the City began using Summer Recreation employees to operate the concession stand at Memorial Field so a revenue account was established. The City expects approximately \$45,235 in revenue from the concession stand operation. Offsetting the revenue is \$10,000 for the City’s share in the Park Facility Rental account. This is a wash with the Recreation budget. An interest adjustment of \$21,800 is because of the changes in fund balance. The various schools in Norfolk have agreed to operate the stand during the rest of the year for a percentage of the profits. Proceeds of Debt, in the amount of \$235,000, is a bond issue to purchase bunker gear, fire hose, an E911 system and a new AS400 computer system.

Gates stated an additional item for the cuts/adds sheet is the \$340,000 Power of Partnership (NPPD lease revenue allocated to the Arts Center, Museum, YMCA and Theatre). The \$340,000 expenditure shows up in Level 4 of the Administrative budget.

Nolan stated staff will discuss strategies with elected officials to address revenue shortfalls.

Staff requests approval of the proposed FY 2005-2006 General Fund Revenues with changes to the beginning fund balance by adding \$50,000 for Street Division tractor; \$8,940 for Police tasers; \$1,850 for a Library security door and deleting \$19,000 for a Canine Unit. Staff requests the addition of \$45,235 for Concessions; \$10,000 for park facility rental; and an interest adjustment, \$21,800 plus \$340,000 from Level 4 for Power of Partnership. Staff also requests the transfer of \$315,000 from CHAF to the General Fund and proceeds of debt in the amount of \$235,000.

Councilman Van Dyke moved, seconded by Councilwoman Kaspar-Beckman to approve the FY 2005-2006 General Fund Revenues with the changes, additions and deletions as requested by staff. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

Library Division

Library Director Ted Smith provided information to elected officials on the proposed FY 2005-2006 Library Division budget. Estimated expenditures are Personnel Costs, \$742,154; Operating Supplies & Materials, \$171,123; Other Operating Costs, \$600; Utilities & Maintenance, \$74,842; Legislative Affairs, \$16,372; Administration & Overhead, \$53,721; and Capital Outlay, \$25,500. Smith stated the Library Material & Book repairs budget increased \$13,081 because State grant requires a minimum of 15% of the budget be spent on library materials. The Public Relations budget increased \$3,100 to add more children and young adult programs. Staff requests approval of the Level 3 budget with the deletion of \$80 for a workers compensation adjustment.

Councilman Van Dyke moved, seconded by Councilman Leshovsky to approve Level 3 of the FY 2005-2006 Library Division budget with the deletion of \$80 for the workers compensation adjustment. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

Recreation

Human Resources Director Sheila Schukei provided information to elected officials on the proposed FY 2005-2006 Recreation budget. Staff requests approval of the Level 4 budget. Estimated expenditures are Personnel Costs, \$272,520; Operating Supplies & Materials, \$2,850; Other Operating Costs, \$19,270; Utilities & Maintenance, \$150; Legislative Affairs, \$2,633; and Administration & Overhead, \$3,975. Schukei explained the Level 4 budget contains \$33,000 for operation of the Memorial Field concession stand by the City. Schukei stated the City buys the product for the concession stand and the City accounts for the expenditures. Schukei stated Summer Recreation staff operated the stand, which accounts for the increase of \$2,235 in salaries. The City made an agreement with the schools to operate the concession stand in the fall. The City will pay the schools a percentage to operate the concession stand.

Councilman Van Dyke moved, seconded by Councilwoman Kaspar-Beckman to approve Level 4 of the FY 2005-2006 Recreation budget as discussed with the deletion of \$125 for workers comp adjustment. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

Water Park Bond Issue General Information

In conjunction with the recreation budget, Schukei distributed an informational flyer on the proposed water park bond issue. Staff would like elected officials to approve distribution of the information. City Administrator Mike Nolan explained the Accountability & Disclosure statute allows cities to use public funds to distribute general information on issues. The flyer contains general information only and doesn't take a position on the water park bond issue.

Human Resources Director Sheila Schukei contacted the Accountability & Disclosure Commission who didn't have any problem with the City distributing the information. Schukei stated the information will be included in the next publication of the City's newsletter and

published on the City's web site. Schukei stated another 5,000 flyers will be placed in businesses and various other locations. The flyer will give a visual of the proposed water park and its features. Staff requests approval from elected officials to distribute the flyer.

Councilman Van Dyke questioned whether the bond issue proposal includes purchasing chaise lounges. Van Dyke feels that if people know there is a place in the water park to relax in the sun it may make the proposal more attractive to the older population.

Schukei will add wording to the flyer stating chaise lounges are included in the cost estimate for the water park.

Councilman Van Dyke moved, seconded by Councilwoman Kaspar-Beckman to approve staff distributing the informational flyer regarding the proposed water park bond issue in the City newsletter and have another 5,000 flyers printed to be placed in businesses and various other location across the City. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

Group Insurance

Human Resources Director Sheila Schukei provided information to elected officials on the proposed FY 2005-2006 Group Insurance budget. Estimated balance brought forward is \$1,292,956 with revenues from Internal Service Fund Billing, \$1,805,700, and Other Interest Income, \$51,706 for total funds available of \$3,150,362. Employee premiums increase 3% for FY 2005-2006. Estimated expenditures are: Personnel Costs, \$1,799,000, and Other Administration & Overhead, \$59,000. Estimated ending fund balance is \$1,292,362.

Councilman Van Dyke moved, seconded by Councilman Lange to approve the proposed FY 2005-2006 Group Insurance Fund as presented. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

CCDC (Community Character Development Coalition)

Human Resources Director Sheila Schukei provided information to elected officials on the proposed FY 2005-2006 CCDC budget. Staff applied for new grant funds but won't find out until September about award of funds. The FY 2005-2006 CCDC budget doesn't contain any funding. Carryover funds from FY 2004-2005 will fund the youth program for several more months.

Councilman Van Dyke moved, seconded by Councilwoman Kaspar-Beckman to approve the FY 2005-2006 CCDC budget as presented. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

Housing Division

Housing Director Sheila Miller provided information to elected officials on the proposed FY 2005-2006 Housing Division budget. Estimated expenditures are Personnel Costs, \$341,916; Operating Supplies & Materials, \$486; Utilities & Maintenance, \$3,527; Legislative Affairs, \$5,870; Administration & Overhead, \$6,858; and Capital Outlay, \$3,600. Miller explained the Level 4 budget includes capital outlay of two computers, \$3,600; computer desk, \$350; digital camera, \$300; refrigerator, \$350; and two chairs, \$600. Staff requests approval of the Level 4 Housing Division budget.

Councilman Van Dyke moved, seconded by Councilman Fauss to approve Level 4 of the FY 2005-2006 Housing Division budget as presented. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

CDBG (Community Development Block Grant)

Finance Officer Randy Gates provided information to elected officials on the proposed FY 2005-2006 CDBG fund. Estimated balance brought forward is \$37,683 with revenues from

Intergovernmental revenues, \$1,106,500; Rent & Other Revenue, \$25; Interest Income, \$3,600; Other Interest Income, \$800; and Non-Revenue receipts, \$62,750 for total funds available of \$1,211,358. The Intergovernmental revenues include other grants for economic development & Housing, \$400,000; Vishay, \$255,000; Community Revitalization grant, \$165,000; and Owner rehabilitation, \$196,500. Other State funding includes \$90,000 for the Nebraska Affordable Housing Trust Fund Grant for Meadow Ridge.

Expenditures include Other Operating Costs, \$1,176,087; Legislative Affairs, \$1,471; and Other Administration & Overhead, \$33,800 for total expenditures of \$1,211,358.

Councilman Leshovsky moved, seconded by Councilman Brenneman to approve the FY 2005-2006 CDBG budget as presented. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

Administration

Finance Officer Randy Gates provided information to elected officials on the proposed FY 2005-2006 Administration budget. Estimated expenditures are Personnel Costs, \$1,132,180; Operating Supplies & Materials, \$1,691; Utilities & Maintenance, \$30,921; Legislative Affairs, \$145,629; Administration & Overhead, \$544,623; Governmental Subsidies & Transfers, \$553,332; and Capital Outlay, \$121,800 for a total of \$2,530,176. The budget includes the addition of \$20,000 to help fund a New American Center. Lutheran Family Services is establishing an informational center for people moving into the area. Other participants in the center are Madison County, Norfolk Public Schools and Northeast Community College. Capital Outlay includes AS/400 i5 replacement share, \$19,800; car replacement, \$19,000; copier replacement, \$25,000. Staff requests approval of the Level 3 budget with the deletions of workers comp adjustment, \$88; property insurance, \$20,000; property tax relief, \$450,676; GIS Web Access software, \$5,000; OTDR fiber tester, \$8,000; and van replacement of IS, \$8,000. Staff requests the addition of \$340,000 from Level 4 for Power Of Partnership (the NPPD 2% lease payment allocation to the Arts Center, Museum, YMCA, and Theatre).

Councilwoman Kaspar-Beckman moved, seconded by Councilman Lange to approve Level 3 of the FY 2005-2006 Administration budget with the deletions of workers comp adjustment, \$88; property insurance, \$20,000; property tax relief, \$450,676; GIS Web Access software, \$5,000; OTDR fiber tester, \$8,000; and van replacement of IS, \$8,000 and the addition of \$340,000 from Level 4 for Power Of Partnership. Roll call: Ayes: Councilpersons Kaspar-Beckman, Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Saunders. Motion carried.

Councilwoman Kaspar-Beckman left the meeting at 2:57 p.m.

MIRF (Municipal Infrastructure Redevelopment Fund)

Finance Officer Randy Gates stated MIRF no longer exists because State funding was eliminated two years ago.

Councilman Van Dyke moved, seconded by Councilman Lange to approve the MIRF budget. Roll call: Ayes: Councilpersons Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Kaspar-Beckman and Saunders. Motion carried.

Special Assessments

Finance Officer Randy Gates provided information to elected officials on the proposed FY 2005-2006 Special Assessments Fund. The City currently has six special assessments funds. Estimated balance brought forward is \$630,993 with revenues from special assessments levied, \$100,581; other interest income, \$52,564; and non-revenue receipts, \$1,265,870 for total funds available of \$2,050,008. Estimated expenditures are other administration & overhead, \$10,000; capital outlay, \$946,000; and debt service, \$545,329 for a total of \$1,501,329 and an ending fund balance of \$548,679.

Councilman Van Dyke moved, seconded by Councilman Leshovsky to approve the FY 2005-2006 Special Assessments budget as presented. Roll call: Ayes: Councilpersons Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor. Nays: None. Absent: Kaspar-

Beckman and Saunders. Motion carried.

Finance Officer Randy Gates requested approval from the Finance Committee to prepare the City's FY 2005-2006 budget with the addition of the water park bond issue. If the bond issue doesn't pass, the City must publish the changes within 120 days of the hearing. Gates stated the City will hold public hearings on September 19, 2005 regarding the proposed FY 2005-2006 budget.

Councilman Van Dyke moved, seconded by Councilman Lange to direct City staff to prepare the FY 2005-2006 budget as presented with the addition of the water park bond issue. Roll call: Ayes: Council members Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor Adams. Nays: None. Absent: Kaspar-Beckman and Saunders. Motion carried.

Councilman Van Dyke moved, seconded by Councilman Leshovsky to adjourn the meeting at 3:08 p.m. Roll call: Ayes: Council members Brenneman, Fauss, Lange, Leshovsky, Van Dyke, Wilson and Mayor Adams. Nays: None. Absent: Kaspar-Beckman and Saunders. Motion carried.

Elizabeth A. Deck
City Clerk