

**FINANCE COMMITTEE MEETING
BUDGET REVIEW SESSION**

The Finance Committee of the City of Norfolk, Nebraska met in the Council Chambers, 309 West Madison Avenue, Norfolk, Nebraska, on Wednesday, July 18, 2007, 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 Brenneman, Coy, Fauss, Lange, Van Dyke, and Wilson. Absent: Reeder and Saunders.

Staff members present were City Administrator Mike Nolan, Public Works Director Dennis Smith, City Clerk Beth Deck, Finance Officer Randy Gates, Human Resources Director Sheila Schukei, Library Director Ted Smith, Housing Development Manager Gary Hilkemann, and Property/Operations Manager Gary Miller and CCDC Program Developer Sibyl Spahn.

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.

The Mayor informed the public about the location of the current copy of the Open Meetings Act posted in the meeting room and accessible to members of the public.

City Administrator Mike Nolan reviewed handouts with elected officials: Comparison of Property Taxes Levied by Various Local Government Subdivisions within the incorporated limits of Norfolk (1980 – 2006) and Item affecting General Fund Balances and Revenues. The historical use of property tax handout indicates Norfolk has been “pretty flat” and Norfolk has done a good job holding taxes down compared to Madison County and School District #2, the two largest uses of property tax. Staff requests elected officials not approve many Level IV items without adjusting taxes. Nolan suggested the property tax levy remain the same which will generate approximately \$45,000 because of increased valuations and staff will find \$200,000 in cuts and deferrals to get the FY 2007-2008 budget balanced. The City’s ordinance requires a \$1,000,000 reserve. Nolan stated revenues are budgeted conservatively and expenditures are budgeted somewhat on a “worse-case scenario”.

Nolan explained the funding of the Power of Partnerships (POP) with NPPD money is done in two years and that \$500,000 will be available for the General Fund. NPPD is also going to have a rate increase of approximately 12%-15%. Nolan stated staff assumes elected officials are going to place Keno on the ballot. Nolan stated Norfolk is the only first class city in Nebraska that doesn’t have Keno and it would generate approximately \$400,000 annually for the City. Nolan stated elected officials can designate Keno proceeds for parks and recreation projects.

Public Works Director Dennis Smith said NPPD increased some commercial and industrial rates by 5% on January 1, 2007. Smith anticipates a 12-15% increase in electrical rates in April or May 2008.

Councilperson Wilson questioned whether the Keno issue would be placed on a special election.

Nolan stated elected officials will need to decide whether or not to hold a special election with Keno on the ballot.

Finance Officer Randy Gates stated if Keno passes there is a good chance that revenue will be received in FY 2007-2008. However, the budget doesn't reflect any Keno revenue.

Councilperson Fauss doesn't want to raise taxes and asked whether the City could borrow \$100,000 to purchase the Level IV Parks Division items.

Public Works Director Dennis Smith cautioned against borrowing on future revenues and gave the construction of Fire Station #2 and the hiring of additional firefighters as an example.

Councilperson Wilson feels raising taxes will be a "coffin for the water park."

Mayor Adams has been hearing positive comments regarding a water park, especially if Memorial Field is used as the site if the ball field is moved to Ta-Ha-Zouka Park.

Nolan stated the Airport Authority still wants \$160,000 in tax money. City staff could do the accounting & finance, as well as legal counsel, saving approximately \$30,000. The City could also provide insurance to the Authority to save money. However, the Airport Authority hasn't made any effort to contact the City on either option. Nolan stated the tax levy is the City's and not the Airport Authority's.

Councilperson Fauss suggested cutting the City Attorney out of the budget and hiring a "group of them to do it for half the price." Fauss feels the City can "start taking bids for a city attorney." That will gain "about \$50,000." Fauss questioned whether the top 20% of City staff have frozen wages and don't receive pay raises, including the 3% cost of living.

Finance Officer Randy Gates said the top 20% of City staff are frozen and don't receive pay raises, including the 3% cost of living, which is reflected in the FY 2007-2008 budget.

Fauss feels there are "little things" in the budget that could be cut and that the Parks Division budget is more important than a "couple of other little things."

Wilson questioned the worst-case scenario if Keno doesn't pass. Wilson questioned the plan for Memorial Field improvements.

Smith stated City staff is repairing/replacing bleachers at this time. There will be 5-row bleachers that meet safety requirements basically from one end of the field to the other. Staff is taking two existing bleachers that need repair and making one good bleacher, as well as purchasing one new bleacher. The solution is a short-term fix for Memorial Field.

Nolan stated the City of Norfolk is going through a tight period because the NPPD funds can't be accessed and sales tax is flat. However, the future isn't bleak as long as new uses aren't created for the NPPD funds.

Councilperson Brenneman said it looks like the City can get along without increasing taxes but some cuts may need to be made.

Nolan stated revisions to the budget will be brought back to elected officials for review.

General consensus of elected officials is to keep moving ahead on placing Keno on the ballot.

BUDGET REVIEW SESSION

General Fund Revenues

Finance Officer Randy Gates provided information to elected officials on the estimated FY 2007-2008 General Fund Revenues. Estimated balance brought forward is \$2,752,943 with revenues from taxes \$7,713,960; Licenses & Permits, \$275,005; Intergovernmental Revenues, \$549,407; Charges for Service, \$1,253,625; Rent & Other Revenue, \$3,251,167; Other interest income, \$90,300; and Non-Revenue Receipts, \$804,000 for a total of \$13,937,464 and total funds available of \$16,690,407. Estimated expenditures are: Administration, \$2,691,250; Engineering, \$502,302; Street Maintenance, \$2,254,234; Park Maintenance, \$913,755; Housing, \$393,389; Recreation, \$363,967; Library, \$1,117,022; Auditorium, \$150,042; Fire, \$2,988,886 and Police, \$4,456,559 for total expenditures of \$15,831,406 and an estimated ending balance of \$859,001.

Councilperson Brenneman moved, seconded by Councilperson Lange to approve Level IV of the General Fund Revenues.

Public Works Director pointed out that the Level IV General Fund Revenues budget has two errors that weren't noticed at the time the budget was printed – the natural gas franchise tax and the NPPD lease revenues. Therefore, staff request approval of the Level III budget FY 2007-2008 General Fund Revenues with the addition of \$200,000 from Level IV for bonds.

Councilperson Brenneman moved, seconded by Councilman Van Dyke to amend the motion to approve Level III of the General Fund Revenues FY 2007-2008 budget with the addition of \$200,000 from Level IV for the bonds. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. The motion to amend carried.

Roll call on the motion as amended. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried. The FY 2007-2008 General Fund Revenues Level III budget with the addition of \$200,000 from Level IV for the bonds was approved.

Library

Library Director Ted Smith provided information to elected officials on the proposed FY 2007-2008 Library Division budget. Proposed Level III expenditures include: Personnel costs, \$759,834; Operating Supplies & Materials, \$187,349; Other Operating Costs, \$600; Utilities and Maintenance, \$75,122; Legislative Affairs, \$17,209; Administration & Overhead, \$50,989; and Capital Outlay, \$25,919 for total expenditures of \$1,117,022. Capital expenditures include \$17,050 to purchase eleven (11) computers. Smith stated the Norfolk Public Library has the oldest computers of any library in the One Library Consortium. The computer cycle will get up-to-date with a 3-year rotation cycle with the purchase of 11 PCs. Capital outlay also includes \$8,869 for parking lot repair; however, Smith will forego the parking lot repair if the funds need to be used for the roof repair.

Councilperson Fauss moved, seconded by Councilperson Coy to approve Level III of the FY 2007-2008 Library budget as presented. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried.

Recreation

Human Resources Director Sheila Schukei provided information to elected officials on the proposed FY 2007-2008 Recreation budget. Level III expenditures include: Personnel costs, \$298,609; Operating Supplies & Materials, \$2,850; Other Operating Costs, \$21,192; Utilities & Maintenance, \$150; Legislative Affairs, \$2,691; and Administration & Overhead, \$38,475 for total expenditures of \$363,967. Schukei stated the Recreation budget contains two full-time employees and approximately 50-60 part-time and summer employees.

Councilperson Fauss moved to approve the Level IV FY 2007-2008 Recreation budget. The motion died for the lack of a second.

Councilperson Brenneman moved, seconded by Councilperson Van Dyke to approve Level III of the FY 2007-2008 Recreation budget as presented. Roll call: Ayes: Brenneman, Coy, Lange, Van Dyke, Wilson and Mayor. Nays: Fauss. Absent: Reeder and Saunders. Motion carried.

Group Insurance

Human Resources Director Sheila Schukei provided information to elected officials on the proposed FY 2007-2008 Group Insurance budget. Estimated balance brought forward is \$1,378,723 with revenue of \$2,100,188 from Internal Service Fund Billing and \$64,551 from Other Interest Income for a total of \$2,164,739 and total funds available of \$3,543,462. Level III estimated expenditures are: Personnel costs, \$2,282,145 and Other Administration & Overhead, \$58,000 for a total of \$2,340,145 and an estimated ending balance of \$1,203,317. Schukei stated the Group Insurance was increased by 10% for FY 2007-2008. Schukei stated the City self-funds up to \$60,000 and explained the cost of reinsurance to decrease that amount to \$50,000 is significant. Schukei feels the City will need to review a transplant provision for insurance in the near future. The City may also offer reduced premium rates to employees who participate in wellness programs.

Councilperson Coy questioned whether employees who are non-smokers pay less premium costs than smokers.

Schukei stated the City may also need to look at that option for employees.

Councilperson Van Dyke moved, seconded by Councilperson Fauss to approve the FY 2007-2008 Group Insurance Fund as presented. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried.

Housing Development

Housing Development Manager Gary Hilkemann provided information to elected officials on the proposed FY 2007-2008 Housing Development budget. Level III proposed expenditures are: Personnel costs, \$347,716; Operating Supplies & Materials, \$1,966; Utilities & Maintenance, \$5,752; Legislative Affairs, \$10,296; Administration & Overhead, \$12,840; and Capital Outlay,

\$14,819 for a total of \$393,389. Capital outlay includes: used copier, \$8,919; two computers, \$3,600; color laser printer, \$1,000; computer desk, \$350; refrigerator, \$350; and two chairs, \$600.

Councilperson Fauss moved, seconded by Councilperson Van Dyke to approve the FY 2007-2008 Level III Housing Division budget as presented. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried.

Community Character Development Coalition (CCDC)

Project Director Sybil Spahn gave a Power Point presentation about CCDC activity and provided information to elected officials on the CCDC proposed FY 2007-2008 budget. CCDC received a three-year grant of \$438,000 per year. This is the third year of the grant. Spahn stated CCDC works with schools in a 70-mile radius of Norfolk. Estimated balance brought forward is \$873 with grant funds of \$438,198 for total funds available of \$439,071. Estimated expenditures are: Personnel costs, \$230,608; Other Operating Costs, \$18,000; Utilities & Maintenance, \$2,100; Legislative Affairs, \$23,972; and Administration & Overhead, \$163,435 for a total of \$438,115.

Councilperson Fauss moved, seconded by Councilperson Wilson to approve the Community Character Development Coalition FY 2007-2008 budget as presented. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried.

Community Development Block Grant (CDBG)

Finance Officer Randy Gates provided information to elected officials regarding the proposed FY 2007-2008 Community Development Block Grant fund. Estimated balance brought forward is \$337,725 with revenue from Intergovernmental Revenues, \$1,573,466; Other Interest Income, \$8,400; and Non-Revenue Receipts, \$56,494 for a total of \$1,638,360. Gates estimates grant income for economic development of \$1,023,466 (Community Revitalization grant, \$145,166; Affiliated Foods, \$138,300; and SPPLLC, \$340,000) and Other State Funding of \$550,000 (Meadow Ridge NAHTF Grant, \$300,000 and Owner Rehab NAHTF, \$250,000). Expenditures are estimated as: Other Operating Costs, \$1,847,271; Other Administration & Overhead, \$93,100 and Debt Service, \$35,714 for a zero ending balance.

Councilperson Fauss moved, seconded by Councilperson Van Dyke to approve the FY 2007-2008 Community Development Block Grant budget as presented. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried.

Administration

Finance Officer Randy Gates provided information to elected officials regarding the proposed FY 2007-2008 Administration fund. Level III estimated expenditures are: Personnel costs, \$1,198,206; Operating Supplies & Materials, \$3,760; Utilities & Maintenance, \$29,541; Legislative Affairs, \$149,567; Administration & Overhead, \$1,119,785; Governmental Subsidies & Transfer, \$87,091; and Capital Outlay, \$103,300 for a total of \$2,691,250. Capital outlay includes: citizen request management system, \$12,000; copier replacement, \$25,000; council

agenda management system, \$10,000; council laptops & printers (2), \$4,400; i5 Tape Drive, \$7,000; laser printer (front counter), \$600; Mail web server, \$10,000; Miscellaneous hardware, \$4,000; Miscellaneous Software, \$4,000; PC (Leon), \$1,800; PCs (Admin-5), \$9,000; printer, \$2,500; Server Tape drive, \$8,000; Tabber or Folder (water billing), \$5,000.

Gates stated the cost of insurance may decrease from the amount in the preliminary budget.

Councilperson Lange questioned whether the City is going to start scanning and emailing documents instead of copying and mailing information, especially agenda packets.

Nolan stated staff is ready to move forward with electronic agenda packets when the Council is ready. However, all elected officials need to “be on board” to make it work.

Mayor Adams suggested “setting a cutoff date” to begin electronic agenda packet distribution.

Nolan suggested Information System Manager Jim McKenzie give a demonstration to elected officials and discuss the topic at a Finance Committee meeting to start moving forward with electronic distribution of agenda packets as well as other information distributed to elected officials.

Councilperson Van Dyke moved, seconded by Councilperson Wilson to approve Level III of the FY 2007-2008 Administration budget as presented. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried.

Councilperson Coy moved, seconded by Councilperson Brenneman to adjourn the meeting at 3:13 p.m. Roll call: Ayes: Brenneman, Coy, Fauss, Lange, Van Dyke, Wilson and Mayor. Nays: None. Absent: Reeder and Saunders. Motion carried.

Elizabeth A. Deck
City Clerk