Storm Sewer monthly charges

	# of units	Current rate Cost/unit	Income/year	July 1, 2016 Proposed rate inc .50 Cost/unit	Income/year
Residential:	3452	$2.25	$93,204.00	$2.75	$113,916.00
Commerical & Industrial:	398	$3.50	$16,716.00	inc 1.00 Cost/unit $4.50	Income/year $21,492.00
			$109,920.00		$135,408.00 Annual totals
					$25,488.00 Net change

F2abc

Hiawatha City Council met in a budget work session on January 25, 2016 in Conference Room D. Mayor Bennett called the meeting to order at 5:30 P.M. Council Members Present: Marty Bruns, Dick Olson, Dennis Norton, Aime Wichtendahl, and Bob Rampulla. Staff present: City Administrator, Kim Downs and Finance Director, Cindy Kudrna. Guests: None.

Rampulla moved the approval of the agenda, second by Bruns. Motion carried.

FY 2016-2017 Budget Review

Finance Director Kudrna noted a 1.68% growth in General Fund revenue numbers from Linn County; this amounts to $144,000.00 more revenue in the General Fund compared to last year. Kudrna said the debt service payments increased $287,148 from last year; this is principal payments due on borrowed money and includes 2016 General Obligation Bonds. Expenses increased by $147,339 from last year due to outside agency requests and the addition of a 3% merit increase.

Kudrna stated in order to keep the levy rate the same as last year at 15.40, Kudrna prepared two (2) options for preparing the FY 2016-2017 Budget. One option includes General Fund Levy amounts for Operations and Maintenance publicly owned Transit in the amount of $83,160 and Liability, Property and Self Insurance Costs in the amount of $109,000. Liability insurance covers City vehicles and property and the transit line item applies to Hiawatha's portion of payment to the Cedar Rapids Transit for bus services in the City. If these items are left in the General Fund, the levy rate increases to 16.23937. Kudrna explained Cedar Rapids Transit increased their rates by the standard 10% annual increase; this adds $0.24 increase to the levy rate and liability insurance adds $0.32. Kudrna stated there is a $250,000 shortfall in the General Fund and a $410,000 shortfall in the overall budget; need to come up with additional funding to cover this.

Mayor Bennett asked if the City could self insure the liability insurance instead of levying. Council Member Bruns explained everyone assumes the City has deep pockets and the liability insurance is there for lawsuits. Council Member Rampulla added the City does not have the ability to cover the cost of an accident to a large vehicle like a fire truck. Bruns inquired if the City needs to include insurance coverage for the total fleet. Kudrna gave an example of an incident with a City truck where the snow blade was bent and the cost to fix it was $4,000. Kudrna said there is no contingency fund to pay for these kinds of incidents. Rampulla added the City has a fixed income; cannot write these items off.

Council Member Rampulla suggested using the 1% sales tax as a way to reduce the levy rate. Staff noted Local Option Sales and Service Tax (LOSST) is not traditionally used for operating expenses due to its short term.

City Administrator Downs noted Linn County Dispatch is requesting additional funding in the amount of $150,000. Downs said the City has no intention of funding $150,000 right off the bat for dispatch without knowing what the other cities are paying per capita. Downs noted instead $50,000 has been built in to the Police Department Budget to be applied toward the funding request for Linn County Dispatch. Downs stated the goal is to pay no more than $50,000 or not at all.

Kudrna stated Linn County Solid Waste requested additional funding in the amount of $13,000 to help fund their recycling center; Hiawatha used to get community credit each year in the amount of $6,500 and Linn County has eliminated this credit. Staff decided not to grant the additional funding request to Linn County Solid Waste because the City does not contract with the garbage haulers; residents have to contract on their own for garbage and recycling pick-up. The haulers will need to collect the funding gap on their end.

Kudrna added the sale of the Oakbrook property is not included in the budget; the money from this sale of property will be used to pay off debt. Kudrna said there is an additional revenue source in the budget due to $14,350 in funding to the Hiawatha Library from the City of Alburnett.

Council Member Norton mentioned the shortfall in the General Fund and asked for staff recommendations on filling the gap. Kudrna said the General Fund Reserve balance is currently at 19% of expenditures and in the past, council expressed the desire to stay between 20-25% of expenditures.

Council Member Rampulla asked about implementing a utility franchise tax. City Administrator Downs provided some information on the research she conducted on the franchise tax as follows:

Hiawatha currently does not charge a franchise fee on electric or gas. If the City imposes a 2% franchise tax this would equal approximately $79,000, 5% franchise tax is approximately $396,000 in additional revenue for the City. Current franchise tax charged by metro cities: Cedar Rapids 2% electric and 2% gas, Center Point 1% electric and 1% gas and Central City 1% electric and 1% gas. Cedar Rapids is in the process of increasing to 3%.

The first 1% has to be applied to Local Option Sales and Service Tax (LOSST) dollars so in order to make the franchise fee worthwhile, the City would need to charge at least 2%. The City does not have a franchise with REC; this would have to go on the election ballot for vote in the future.

Council members directed staff to move forward with the necessary steps to impose a 3% franchise tax to cover the budget shortfall. Council Member Rampulla suggested coupling the franchise tax with LOSST funds. Council Member Bruns said LOSST funds would simply kick the can down the road. Downs said she would prepare a 2%, 3% and 5% franchise tax for council review.

Downs noted the 8/10 levy limit has been in tact since 1979 with no adjustments. Council Member Bruns added it does not help that the state is giving away all the local municipalities' income. Council Member Olson said the City simply does not have the revenue stream.

Kudrna informed council there is $270,000 in LOSST funds that is not committed to anything. Council Member Rampulla said use LOSST as a last resort if it is appropriate based on the referendum.

Downs added if the City implements the franchise fee, the General Fund reserves will be at the appropriate level.

Other Budget Related Discussion -

Council and staff held discussion on the sanitary and storm sewer rates. Kudrna said the results of the study conducted last year showed the rates are right where they should be. Kudrna stated the City continues to make payments to Cedar Rapids for wastewater treatment. The current rates are maintaining the level of service and therefore, Kudrna recommended no change in sanitary sewer rates.

Kudrna informed council the last time council reviewed storm water rates was 2013. Current rates are $2.25 for residential and $3.50 for commercial, generating $109,920 in revenue per year. Kudrna suggested looking at the rates annually.

Kudrna presented council with options of increasing the storm sewer monthly rate by $.25 or $.50. Increasing the rate by $.25 equals $122,644 annually and $.50 increase equals $135,408 annually. Kudrna stated the last increase was $.50 and rate increases generally go into effect on July 1.

Council Member Olson said he has no problem with a $.50 increase in the storm sewer rates. Kudrna stated the City is a member of the Iowa Rural Water Association and this agency conducts rate studies for its members for free. Kudrna contacted Iowa Rural Water to do a study on the storm sewer side.

Downs suggested setting a rate increment to have something in place for future years. Council directed staff to insert a $.50 storm sewer rate increase into the budget with projections for future years.

There being no further discussion. Bob Rampulla moved to adjourn at 7:00 p.m., second by Aime Wichtendahl. Motion carried.

_____
Mayor, Bill Bennett

ATTEST: _____
City Clerk, Kelly Kornegor

DRAFT

ORDINANCE NO. _____

AN ORDINANCE AMENDING THE CODE OF ORDINANCES OF THE CITY OF HIAWATHA, IOWA, 1996, BY AMENDING CHAPTER 101 STORM WATER DRAINAGE SYSTEM §101.03 RATES

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HIAWATHA, IOWA:

SECTION 1. Section 101.03 Rates of the Code of Ordinances of the City of Hiawatha, Iowa, 1996, is hereby amended and adopted by adding the following:

101.03 RATES. The rates for the operation and maintenance of the storm water management facilities shall be collected by imposing a monthly rate on every City water meter, and on every residence, apartment and dwelling unit in mobile home parks. A monthly rate of ~~three~~ four dollars and fifty cents ($~~3~~4.50) shall be collected on every business, commercial and industrial City water meter. A monthly rate of two dollars and ~~twenty~~seventy-five cents ($2.~~25~~75) shall be collected on every residence, apartment and dwelling unit in mobile home parks. The rates shall be billed and collected in the same manner as water service rates. The Council shall have the authority to establish different monthly rates for different classifications of City water meters.

SECTION 2. SEVERABILITY CLAUSE. If any section, provision or part of this ordinance shall be adjudged invalid or unconstitutional, such adjudication shall not affect the validity of the ordinance as a whole or any section, provision or part thereof not adjudged invalid or unconstitutional.

SECTION 3. WHEN EFFECTIVE. This ordinance shall be in effect beginning July 1, 2016 for the August 2016 water billing from and after its final passage, approval and publication as provided by law.

PASSED AND APPROVED this 1st day of June, 2016.

_____
Bill Bennett, Mayor

ATTEST:

_____
Kelly Kornegor, City Clerk

DRAFT

I, Kelly Kornegor, City Clerk of the City of Hiawatha, Iowa, do hereby certify that the foregoing ORDINANCE was PASSED and APPROVED by the City Council of the City of Hiawatha, Iowa, on the 1st day of June, 2016, and was posted as Ordinance No. ____ on the _____ day of June, 2016.

_____

Kelly Kornegor, City Clerk