The Hiawatha City Council met in a Work Session on May 9, 2019. Mayor Pro-tem Wichtendahl called the meeting to order at 5:00 P.M. Council members present: Aime Wichtendahl, Dennis Norton, Dick Olson, Steve Dodson. Staff present: City Administrator Kim Downs and Finance Director Cindy Kudrna.

Dodson moved the approval of the agenda, seconded by Olson. Motion carried.

SF634 Property Tax Bill (HSB165, SSB1260 and HF773)

City Administrator Downs explained that the purpose of the meeting was to review the current iteration of the SF634 Property Tax Bill and get City Staff and Council Members on the same page regarding the legislation.

Finance Director Kudrna reviewed the final amendments which did not contain: a reverse referendum, changes to backfill, "net new" calculations for growth 102% more than last year for new property, fund ending balance limitations, or changes to the $8.10 levy. It was also noted that the amendment did not make changes to IPERS/employee benefits.

Council Member Archibald arrived at 5:05 P.M.

Kudrna then reviewed the items the amendment did contain: all levies stay intact such as General Fund, Emergency and Trust & Agency (Special Revenue), establishment of "maximum property tax dollars", allows growth of more than 2% with public notice and supermajority vote by the City Council, new certification date of March 31.

Mayor Bennett arrived at 5:07 P.M.

Kudrna compared the current FY19 levy to the FY20 levy. It was discussed that since the FY20 liability insurance levy is $0, down from $49,000 in FY19. Although the legislation allows for 2% growth each year, in this example the City wouldn't be able to increase the liability insurance levy without following the amendment's rules for exceeding the 2% threshold because the FY20 budget amount is $0.

Kudrna discussed the limitations the 2% limitation would have on the budget for FY21. She reviewed the FY19 and FY20 budget amounts and calculated growth of $184,015 (6%). The 2% cap would limit the City's growth of $64,112 for FY21 if all numbers were the same.

Archibald asked if FY20 would be the base budget every year. Downs stated "It is still unclear whether this would be our base year or if there would be two base years." She said "We are still waiting for the Iowa League of Cities to provide clear, detailed information."

Kudrna then reviewed all General Fund revenues budgeted for FY19, FY20, and FY21 with the 2% cap and with/without backfill as well as the increases/decreases in revenues each year. She then reviewed all General Fund expenses budgeted for FY19, FY20, and FY21 with the 2% cap as well as the increases in expenses each year. She noted the City may need to tighten the budget to meet these limitations in growth if council were to maintain a 2% growth.

Downs expressed her concerns of metro communities Cedar Rapids and Linn County will begin charging for services they have not charged for in the past due to their losses from this legislation or increase fees for services received from Cedar Rapids for transit and Linn County for dispatch.

Archibald asked if there were services the City could begin charging for if we decided we needed to go there as well. The agreement with Monroe Township for fire services was briefly discussed. The fee the City charges for this service could be reviewed. The last time this was increased was in 2010.

Wichtendahl clarified the 2% cap would only affect the budget if the Council does not vote with a supermajority. Council and Staff discussed the requirements of exceeding 2% growth and the added cost and time involved. Kudrna noted it costs around $150 to publish the budget. Although this appears small; this is still an unfunded mandate.

Kudrna presented several items of consideration when looking at the budget going forward. These items included: increase franchise fees to 5% (Linn Co REC, Alliant Energy, MidAmerican – all currently 3%), plant grasses in parks vs.

mowing or contracting out, newsletter $3,000/month, leaf pick up and spring/fall clean up approx. $15,000/year, Mosquito Control $20,000/year, investment/interest rates (IPAIT 2.191%, FSB 1.240%). Council Member Olson doesn't believe we will need to cut services and thanked staff for these considerations. Mayor Bennett said, "We'll be fine, we are in a good place."

Council and Staff further discussed the legislation and noted the amendment isn't addressing the issues it is intended to. It is adding cost to the City rather than making us more transparent and it won't lower taxes. Although council doesn't believe the legislative bill will have a significant effect, Downs stated the point is the budget items the City would reduce to meet the requirements of this amendment would likely be the quality of life items like Clean Up Day and Mosquito Control and not essential services.

Council discussed the City's investments and interest opportunities. Olson expressed a need for looking at other options as

Kudrna went on to discuss transparency requirements due to the Property Tax Bill. There are many thins the City does to be transparent already, publish newsletter articles, put budget notices in the paper, set public hearing dates as required, hold public open houses, consider public input, and hold numerous public hearings for bonding, capital improvement plan and development agreements. The new changes will involve an additional notice published in the paper, holding a public hearing 20 days after the notice is published, and a 2/3 majority vote of council in order to exceed the 2% threshold.

Kudrna noted that the Iowa League of Cities is working on models for the City to help us see a better picture of the bills effects. She also noted that these figures presented are estimates as of now and could change. She also thanked the Council for their support and for reaching out to legislators regarding this issue.

Further, council and staff discussed looking at continued property tax relief, continuing honest communication of the council, potential reduction in or elimination of backfill, and how the Property Tax Bill undermines Home Rule.

Downs concluded government at the local level is very grass roots and that we get into trouble if we allow politics to get in what we do. Olson added that for as long as he has been a Council Member in Hiawatha, there have not been politics involved. Everyone, council and city staff, have the same goal(s) and work in the best interests of the City and it's citizens. It was noted that the City can't let this bill stop our growth.

There being no further discussion, Wichtendahl moved to adjourn at 5:44 P.M., seconded by Olson. Motion carried.

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Bill Bennett, Mayor

ATTEST:

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Amy Scheer, Deputy City Clerk