The Hiawatha City Council met in a Budget Work Session on January 30, 2017. Mayor Bill Bennett called the meeting to order at 5:30 P.M. Council members present: Marty Bruns, Aime Wichtendahl, Bob Rampulla, Dick Olson, and Dennis Norton. Staff present: City Administrator Kim Downs, and Finance Director Cindy Kudrna. Guests: None.

Rampulla moved the approval of the agenda, seconded by Wichtendahl. Motion carried.

FY 2017 – 2018 Budget Review and Discussion

City Administrator Downs explained the Fiscal Year 2018 estimated budget revenues are $4,450,224 and estimated expenditures are $4,590,596; estimated expenditures exceed estimated revenue totals by $140,372. This funding gap would amount to $350,000 without the state backfill. Downs said Fiscal Year 2017 estimated budget expenditures exceeded estimated revenue by $409,657, but the re-estimated ending balance continues to maintain a 27.4% ending fund balance/reserve fund.

Downs budget report to council details Hiawatha repeatedly spends less than the estimated expenditures and collects more than estimated revenues leaving a positive balance at the end of the fiscal year. On average actual revenue expenditures over the past five (5) years have under estimated the general fund reserve carry over by $231,000. Downs said GASB's accounting best practice recommendation is maintaining a two (2) month or 17% supply of regular operating revenue or expenditures in municipalities' general fund reserves.

Council Member Olson suggested the City look for other revenue growth opportunities.

Downs mentioned the following revenue growth opportunities:

Increasing franchise fees to 4-5%; 5% would generate approximately $150,000 in revenue.

The fire department is working on obtaining ground medical emergency transport funding to capture Medicaid/Medicare dollars lost while providing ambulance service to Medicaid covered patients. Downs stressed the importance of keeping this issue in front of legislators.

Downs further mentioned talking to the legislators about providing other revenue options if the state backfill is taken away.

Downs added the Community Development Department is considering an increase to their building permit fees. The Community Development Director believes the department can generate approximately $45,000 with an increase to fees. Downs said this takes time to implement because it can be political.

Downs stated the Parks and Recreation Department has the ability to increase rental fees for park pavilions as Hiawatha's rate is much lower than other cities; pavilion rentals increased by $2,000 from 2015 to 2016.

Downs noted the City received more revenue dollars last year through Local Option Sales and Service Tax (LOSST) Dollars. Once the City implemented franchise fees, LOSST dollars went away because cities cannot collect both the franchise fee on utilities and LOSST.

Council Member Olson commented the City would have to raise the levy rate without the state backfill.

Council Member Wichtendahl questioned if the funding gap would begin to dip into the General Fund without the backfill. Downs confirmed the General Fund would take a $191,000 hit.

Mayor Bennett commented some of the commercial businesses using Tax Increment Financing (TIF) credits will come on to the tax roll this year. Finance Director Kudrna confirmed $10 million will come on to assessed value in 2017 and an estimated $15-$17 million will come on to the assessed value in 2018 in relation to TIF projects.

Downs added there is growth in assessed value where the City can increase fees; Kudrna figures revenues low and expenses high. Downs continued to explain last year the City ended up with $107,000 in excess of what was anticipated.

Kudrna said a budget with $140,000 more in expenses is not a balanced budget but the General Fund still grows each year. Kudrna stated the City has 25% reserves on hand. Downs said the City has always stayed in the 20-25% range for reserves on hand. Downs added the budget does include a 2% salary increase for employees.

Council Member Bruns questioned the risk of not knowing the union response on wages. Downs said when she meets with the union groups to discuss wage proposals, she goes into detail with them on the condition of the budget and where the City is at. Downs commented the City is fair across the board with all employees.

Council Member Wichtendahl asked if there is a cap on wages. City Administrator Downs said there is not necessarily a cap and this is common in government entities. Downs explained there is a lot of longevity with Hiawatha employees and each year the steps of the wage spreadsheet increase with the wages approved by City Council. Downs continued to explain the City has done merit increases; the increases are generally cost of living. Generally, the only time wages increase outside of cost of living is when employees take on new responsibilities or earn certifications that warrant a merit increase.

Council Member Wichtendahl asked if there was a possibility of refinancing old bonds. Kudrna said the City's Financial Advisor Speer Financial is looking into this and watching interest rates to see if it would be worth it to refinance. Kudrna added if it is in the City's best interest to refinance, this is generally done in March and April with the spring bonding.

Council Member Olson mentioned the City of Cedar Rapids collects interest from reinvesting. Olson felt it is a good idea for staff to look into this option for Hiawatha; see what other cities are doing.

Solar Energy

City Administrator Downs said Council Member Wichtendahl requested Downs explore the potential of solar energy initiatives for city facilities. Downs stated she spoke to other communities such as North Liberty, Johnson County and Dubuque and each looked at facilities with high usage and developed a plan to implement solar energy within these facilities. Other than the City of Dubuque, other communities entered into a PPA with a planned buy out after 10 years to fund the project; Dubuque entered into a 20 year contract to make the numbers work for their community.

Downs stated through her conversations with other communities she found each building is unique when it comes to solar and upfront cost is scary. Downs was told not to install solar in flood areas. Downs felt the best option for Hiawatha to fund solar energy initiatives is through the Capital Improvement Plan (CIP) or Local Option Sales and Service Tax (LOSST) Dollars. Downs added the best time to install solar is during new construction and include it in the project.

Downs mentioned there are future opportunities as Alliant Energy is working on green energy; Hiawatha could purchase from Alliant in the future or instead of paying a bill to Alliant could pay PPA.

Council Member Bruns agreed with the idea of implementing solar on any new projects.

Council Member Wichtendahl asked about grant opportunities. Downs said there are grants through Iowa Energy but no guarantee and even less for government entities.

Downs stated there is some maintenance needs with brackets but could implement with new facilities such as the library addition or second fire station. Downs said solar is already addressed in the Code of Ordinances and Prairiewoods has solar panels.

Council Member Wichtendahl suggested having information available for the public to understand the benefits of solar.

Downs added other communities are saying it is best practice to make sure the interior of the building is as efficient as it can be before installing solar. Downs said another tip she learned from other communities is not to oversize solar systems.

Downs asked council members if they would be interested in implementing a policy to install solar with any major construction and remodels; lift stations and water plants are good candidates.

Council Member Wichtendahl suggested doing smaller projects first.

Council Member Bruns asked about funding. Kudrna said funding would be LOSST or sewer funds; the City could support two smaller projects now and list other projects in the CIP for future years.

Interim Satellite Fire Station

City Administrator Downs said staff is trying to find an interim solution to address the space needs issues at the current fire station. Downs said leasing is one of the options staff is considering.

Downs explained she met with Realtor Doug Laird and he is currently searching for facilities. Downs said cost is estimated at $6.95 per square feet and the City needs 4,000 square feet. Downs continued to explain the additions that would be required for the building to work for the fire department, increases the cost to $11.32 per square foot or $91,000 total annual cost for 4,000 square feet including living space. This cost incorporates build out with a three to five year commitment.

Downs stated the interim satellite fire station would include an apparatus bay, fitness area, living space with sleeping quarters, kitchenette, office, and storage. Downs said ambulances would be stored at the satellite station but it would not be used for training.

Mayor Bennett questioned the length of the lease. Downs said the satellite station could be used for a long time. Right now it looks like two years.

Mayor Bennett mentioned one of his buildings is 7,000 square feet and the fire department could modify it to fit their needs because the building has no value; it is an old pole building. Downs said the City is required to consider at other available locations.

Council Member Olson stated the fire department could rent a couple of local apartment units across the street from the current station to use for sleeping quarters and use the Mayor's building to address their other space needs to be considered.

There being no further discussion, Wichtendahl moved to adjourn the meeting at 6:55 P.M., seconded by Bruns. Motion carried.

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Bill Bennett, Mayor

ATTEST:

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Kelly Kornegor, City Clerk