The Hiawatha City Council met in a Budget Work Session on January 21, 2019. Mayor Bill Bennett called the meeting to order at 5:30 P.M. Council members present: Aime Wichtendahl, Rob Archibald, Dick Olson, Dennis Norton, and Steve Dodson. Staff present: City Administrator Kim Downs, and Finance Director Cindy Kudrna, and Fire Chief Mike Nesslage. Guests: None.

Norton moved the approval of the agenda, seconded by Archibald. Motion carried.

**FIRE**

Chief Nesslage presented the Fire Department and Ambulance Department budget for FY 2020:

Chief Nesslage said they continue to seek efficiencies where they can minimize expenses; they've been able to keep the operating budget consistent.

***Ambulance –***

- No changes.

***Fire –***

- $5,000 reduction in Vehicle Maintenance Supplies to replace tires on vehicles and apparatus. They have switched out three sets of tires the first half of this fiscal year and will continue through the balance of the year, with some work next fiscal year.
- $2,000 moved to Vehicle Repair as that line is running higher.
- Overall budget results in a $3,000 decrease.

Council Member Norton asked if there were no changes due to the Master Plan. Nesslage said a lot of the stuff in the Master Plan you will see next year in the budget.

Chief Nesslage said the fire income remains fairly consistent, primarily composed of $20,000 in which they receive for providing coverage to a portion of Monroe Township. Additional income is typically coming from permits and reports.

Chief Nesslage also noted ambulance revenue has also been impacted by trends in the economy and particularly in insurance and Medicare processes. For FY19 ambulance revenue, they forecasted $400,000 of revenue. In the first half of FY18 was high, however, that did not continue for the second half of FY18 and they are not seeing that this fiscal year. The number of runs have not reduced; the cause may be due to hardship write offs. They continue to research why, but in looking at the trends without DAEC income, our numbers are pretty consistent.

Council Member Olson asked if they are seeing delinquencies with collections. Nesslage said yes the number is creeping up.

Chief Nesslage said FY19 revenues half way through the fiscal year are down, they dropped the budgeted income for FY20 to $375,000, the ambulance service has continued to offset the majority of its expenses with income.

Chief Nesslage additionally stated DAEC contract is on every other year commitment that generates significant revenue (of which some is expensed back to salaries), however, FY19 will probably be the last year for it.

Council Member Archibald asked if they see a lot of fluctuation in gas. Nesslage said in the past we have left that alone because they don't know what will actually be spent beforehand.

Council Member Olson mentioned they always come in under budget every year.

Council Member Dodson inquired about Fire Station updates. Nesslage said they are working on the classroom, installed a new bed, and future projects would include overhead doors and possibly new HVAC.

Council Member Archibald asked what the holdup was on going forward with the overhead doors and HVAC. Nesslage answered they still work.

Council Member Olson asked to talk about volunteer stipends.

Nesslage said he is looking at a type of stipend for the fire side as on the ambulance side, they already get a stipend. Looking into a point system, participation, training and calls and at the end of pay period would add up points, take the total and sum it out. We would budget an amount and divide the points into a dollar amount also end up with other money. Currently have questions out to other chiefs on volunteers but wouldn't want to go above 10,500.

Council Member Olson stated this would be an additional incentive for those volunteers who have a lot of time invested at the fire station.

Council Member Wichtendahl asked if this will help keep them and for longevity.

Nesslage replied there are studies out on that but no matter what you pay doesn't always mean they will stay. Nesslage also stated that he likes the point system as other options are part time employees or a flat pay, the point system fixes a budget amount.

Council Member Olson said he doesn't think the $50,000 is something the city couldn't do.

Council Member Archibald said if we do it, it should be going towards the higher number and make it worth it. Archibald also asked if they are working a stipend shift do they get points.

Nesslage answered no if they are on stipend shift, they get zero points and they want to be fair to officers and looks like they make more on their stipends now.

**FY 2019 – 2020 Budget Review and Discussion**

In her report, City Administrator Downs reported:

- FY2019 General Fund budget is on trend with an excess of $5,709 with projected revenues set at $5,171,409 and expenses utilizing 99% of those revenues at $5,165,700.
- FY2018 ended with a balanced budget with an excess of $499,600 (Revenues - $260,000 Fire Grant, $100,000 unused liability, $30,000 ambulance fees, $40,000 Alliant and $30,000 Mediacom). Currently our reserves are sitting at 50% of our FY2019 operating budget.
- Evaluations came in with 6.18% increase with a dollar value of $27,384,415. Slightly below FY2019's came in at 7.43% with a dollar value of $30,652,962. City does see an increase in General Fund property tax dollars by $184,123.
- Revenue growth in valuations and are estimating FY2020 revenues lower than FY2019 by $78,000.
- We have adjusted ambulance revenue by $61,000 due to off year with DAEC contract and the re-estimation of ambulance fees, library revenue reduced by Linn County formula due to Alburnett, if not for the one-time revenue of $101, 775 in FY2019 for dog park development

we would see an overall increase from one fiscal year to the other by $23,569 and no other significant revenue changes.

- Continued commercial building construction with this being the city's fourth year in a row with new construction valuation totaling over $30,000,000 and projections for FY2020 looks to be another year of $30,000,000 plus.
- Debt service $2,210,964
- Excess reserves to buy down debt.
- General Obligation Debt Capacity FY 18-19, remaining debt capacity (not obligated) $11,740,365; 15% GO contingency reserve $4,795,255. Total GO capacity less reserve remaining $6,945,110; FY20 amount to bond $2,515,000 to include additional cost
- Maintain Moody's Rating A1 "strong creditworthiness."
- The Governor in her proposed budget listed one of her key components is to fully fund backfill.
- Future LOSST revenue increases due to the change in collecting online sales tax began January 1, 2019. Last year, Iowa signed a new bill that included the implementation of sales tax on internet sales.
- Reduction in Cedar Rapids Sanitary Sewer fees - $3,200
- Staffing changes and wage request: 3% overall COLA and Police Union Negotiations not complete; received an unofficial request.

Downs explained the City retained Newport Group to conduct a market rate compensation study for selected positions in the organization. The objectives were to:

- Provide compensation market data that relates to the industry, organization size, market area, and roles for the selected exempt and non-exempt positions.
- Provide recommendation for changes to compensation level and market adjustments.
- Provide recommendations for compensation ranges for each role.

There is more value in the pay structure as it remains competitive and communicated aggressively. Review and update the study accordingly to ensure we are benchmarking against the midpoint of the salary bands, which has enabled us to attract and retain a wide array of talent. Each year department heads and the clerk's office review individual job descriptions and if the work that is done, based on individual proficiencies and skill level, is at a higher level, we're willing to consider re-evaluating that position and moving it to a higher pay band. The result of that effort is "a highly stable, highly engaged workforce."

The market-competitive pay system is an opportunity to set the stage correctly, address pay equity, the merit-based pay system doesn't do any good if the base isn't determined correctly. A total of eight (8) individuals need to be adjusted with six (6) of them department heads.

Downs continued to explain she gave the compensation committee a recommendation of where she thinks everyone should be and did put the numbers in this plan for planning purposes, but only put 10,000 for the point system for fire.

**Discussion of general fund balance:**
Finance Director Kudrna commented in years past the city has been able to levy for liability insurance, $100,000 for FY20 it was not able to be put on the levy sheet in order to keep the levy rate stable at $15.20. The increase in general fund expenses is due to liability insurance of $91,000 and a 3% COLA increase in salaries.

Council Member Wichtendahl asked where those two differences were plugged into.

Kudrna answered the General fund reserves is only reflected in ending balance where that amount won't make a difference.

Downs said the city always underestimated the revenues as we have more revenues than expenditures and have been able to make that not be a negative balance.

Council Member Archibald asked if they will need to add another $40,00 to the $92,000.

Kudrna answered yes and the Fire Marshall position is halftime at $31,000.

Council Member Olson commented to reduce tax levy down another $0.21 in the next five (5) years and what would be needed to reduce the levy down $0.21.

Kudrna said she can have Maggie Burger do a 15 year pay schedule to see if we can get first payment lowered in order to lessen the amount of levy needed for debt service.

Olson asked if the city has $10 million parked in investments and if we take $1 million out of it to pay down debt service.

Kudrna commented yes the city has the $10 million invested and is in interest bearing accounts, but the debt service would get inconsistent and would not recommend it.

Olson asked if spreading it out from 12-15 years could help.

Kudrna answered yes it could and will look up what the interest rate is on the checking account and on the investments and report back to council.

Mayor Bennet said everything the city has talked about has been conservative and thinks the city is at 20-25% reserve.

Kudrna said they would be okay using reserves if the levy rate lowers.

Olson commented we have a long way to go before we get down to 16.7% of general fund reserves.

There being no further discussion, Wichtendahl moved to adjourn the meeting at 6:44 P.M., seconded by Archibald. Motion carried.

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Bill Bennett, Mayor

ATTEST:

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Kari Graber, Deputy City Clerk