The Hiawatha City Council met in a Budget Work Session on January 29, 2018. 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. Guests: None.

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

FY 2018 – 2019 Budget Review and Discussion

City Administrator Downs explained the city received an increase in property valuations of 7.6% or $213,531, and it is projected the next two years should be good as well. General Fund total revenues include commercial property tax backfill in the amount of $213,391.

In her report, Downs reported FY 2019 budget revenues at $5,030,546 and expenditures at $5,035,600. The expenditures exceed revenue totals by $5,054; this is due to overestimating revenues and overestimating expenditures. Actual revenues exceeded expenditures by $1,658 with an ending balance still maintaining a 36.7% reserve. Each year the budget looks very similar to the year before and when it comes to actual dollars taken in and spent, the city repeatedly spends less than the estimated expenditures and collects more than the estimated revenues, continuing to grow a healthy ending balance reserve. Downs additionally reported the budget includes a reduction of the levy rate by $0.10.

Mayor Bennett explained he asked staff to find $0.10 levy reduction this year and $0.10 next year. Bennett said he believes by lowering the levy rate, Hiawatha can be aggressive in the market and be closer to the tax rate in Cedar Rapids.

Council Member Olson said there has been discussion of lowering the levy rate for quite some time but council and staff were trying to find the right way to accomplish this task. Olson stated $213,531 in property valuations is 2% of the city's $5 million budget. Olson said he is not impressed with a $0.10 reduction in taxes and this does not put Hiawatha competitively with Cedar Rapids. Olson felt a more appropriate reduction would be $0.21 to take the levy rate to $15.20 and put Hiawatha under Cedar Rapids.

City Administrator Downs said Olson's request for a $0.21 reduction is feasible considering the city's history with maintaining a healthy reserve but it would be important to keep an eye on this to make sure the city can maintain in the future.

Council Member Olson stated he believes the city could maintain the levy rate based on growth.

Finance Director Kudrna presented an option for reducing the levy rate by $0.21: lowering liability insurance by $41,000.00 would allow for a $0.21 reduction. Kudrna added the city will be dipping in to the reserves by $46,000 to reduce the levy rate by $0.21.

Council Member Olson said he spoke to the city financial advisor and received confirmation the city is in outstanding shape with reserves. Olson stated city council needs to set a reserve balance policy at 30%, as 25% reserves has been past practice and now there is 36% reserves; this is a huge spread. The tax reduction would be meaningful to the stakeholders and the city would still be close to 35% reserves.

Mayor Bennett stated $0.21 would be good for this year and would be something to revisit for next year.

Finance Director Kudrna added when the city sells the Oakbrook Property this would reduce the debt service levy.

Council Member Olson explained the compensation committee needs to meet again to get some things resolved in the pay plan and employee wages for FY 2019, before bringing back to full city council for approval of the plan.

City Council Members directed staff to move forward with $0.21 tax reduction.

There being no further discussion, Norton moved to adjourn the meeting at 6:17 P.M., seconded by Wichtendahl. Motion carried.

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Bill Bennett, Mayor

ATTEST:

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Kelly Kornegor, City Clerk