

The Hiawatha City Council met in a Budget Work Session on February 4, 2020. Mayor Bill Bennett called the meeting to order at 5:30 P.M. Council members present: Aime Wichtendahl, Rob Archibald, Dick Olson, Jerry Mohwinkle, and Steve Dodson. Staff present: City Administrator Kim Downs, and Finance Director Cindy Kudrna, Police Chief Dennis Marks, Library Director Jeaneal Weeks and Fire Chief Mike Nesslage. Guests: None.

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

### **FY 2020 – 2021 Budget Review and Discussion**

In her report, City Administrator Downs reported:

- FY2019 General Fund revenues had a 3.73% growth totaling \$4,960,127 with only 90.11% of expenses being spent at \$4,433,535. Of those dollars we have \$526,592 unexpended.
- FY2019 General Fund ended trend with an excess of \$5,709 with our projected revenues set at \$5,171,409 and expenses utilizing 99% of those revenues at \$5,165,700.
- FY2020 General Fund Budget-Expenses were amended plus or minus with a total increase of \$67,470 mostly due to the dog park build out not being completed in FY2019 needing to work into FY2020.
- Valuations came in with a 9.8% increase with a dollar value of \$46,093,533. A nice increase from FY2020 of 6.18% with a dollar value of \$27,234,368.
- Along with our property tax revenue increases we will see GEMT revenues coming on line. In FY2021 you will see an estimated ambulance revenue increase of \$83,000 due to the GEMT dollars. GEMT expenses the first year of \$32,000. In future fiscal years our GEMT revenue numbers will be closer to \$40,000-\$45,000.
- We do see a decrease in Library revenue due to being a fine free library. The fine free policy reduces previous revenues by \$18,000.
- 63% of increased expenditures comes from wages for added positions, market study adjustments and a 2.5% projected merit increase. 17% is from workers compensation shift from employee benefits to general fund, 7% GEMT, lastly 13% library operations.
- As long as the State continues to keep their promise of providing “Commercial/Industrial Property Tax Backfill” we will see a \$43,523 increase from FY2020 due to valuation growth.
- No other significant revenue changes.
- FY2021’s growth comes at a good time. These increases provide us the necessary funding to take on increased operating expenditures for the library and public safety garage/training facility. It also provides funding to add two officers and a paramedic.
- Other expense changes you will notice is our work comp insurances move from employee benefits to general fund in a total amount of \$79,064. The revenue to support this expenditure shift is coming from our property tax relief of the 10% LOSST-\$80,000.
- Commercial/Residential Construction continues to be on pace with an average increase of valuation of \$20M per year.
- FY2021 Debt Capacity Property Valuations(100%)/GO Bond Capacity actual \$748,278,608, Statutory GO Debit Limit @ 5% of 100% value=\$37,413,930, 15% GO Contingency Reserve=\$5,612,089, Total GO Capacity-15%=\$31801,841, Outstanding bonds/notes=\$25,275,000, Balance left to use=\$6,256,841, FY20-21 Debt to issue=\$2,291,000 projects only (12 year loan) to include additional cost. We will refinance \$1,280,000 to seek out a low interest rate.
- FY20-21 Debt Service Amount - \$2,302,157/levy rate \$4.46
- Property Tax Relief
  - 10% LOSST of \$80,000 Employee Benefits
  - General Fund Reserve over the 30% (25% best practices/5% backfill safety net) used to lower levy rate. Utilizing growth and reserve dollars we are able to lower FY21’s levy rate to \$14.75 from FY20’s rate of \$14.99.
- Maintain Moody’s Rating A1 “strong creditworthiness.”
- Future LOSST revenue increases due to the change in collecting online sales tax began in FY20.
- Second year reduction in Cedar Rapids Sanitary Sewer fees of 2.8% decrease
- Staffing changes and wage request: Non-union 2.5% merit / Union 3.5%, Police Union negotiations not complete; waiting for city’s response, and two employee reclassifications.

Mayor Bennett commented there is excitement around Tower Terrace interchange.

Downs said, "When you reflect on our North Center Point Road development and Boyson Road development each taking about 20 years to look as it is today; you can assume Tower Terrace Road over the next 20 years will look very similar." "Developers are saying they don't believe it will take that long." The preliminary hotel study is positive for a 60-80 room hotel in the midscale and higher, they didn't realize how much the business community utilizes hotels, more than 80%.

Based on FY-21 Budget discussions Downs noted FY-20 Budget includes an amendment that includes adding one police officer in FY-20 and another in FY-21. Along with FY-20 budget we included an additional paramedic and added 15 hours to the 3<sup>rd</sup> Parks Seasonal position that will be paid out of road use funds. Mayor Bennett stated he sees the need to add one police officer in this fiscal year and one paramedic in this fiscal year.

Council Members Olson, Archibald and Wichtendahl agreed with Mayor Bennett on the recommendation for one police officer and paramedic in this fiscal year.

Downs commented it will be a moral boost for staff in each of those departments.

Wichtendahl asked if the new development is driving those increases for additional staff. Downs said, "yes."

Dodson said the county raised their assessed values. However, our levy rate will reflect a decrease.

Downs said she is planning another work session, the Housing Study & Needs Assessment report is close to being completed will be presenting the results on February 26, 2020.

Olson asked if the property tax relief would provide for a 0.25 cents levy decrease.

Kudrna answered, "Potentially yes because of our valuation growth along with utilizing reserve dollars and 10% of our local option sales tax we believe that can happen."

Olson commented, "Theoretically could we lower the levy by \$1.00."

Kudrna said she had to move a portion of our workers compensation insurance over to the general fund to get the levy down to \$14.75976.

Olson asked if over the course will they be able to see the balance of the property tax relief fund.

Kudrna said she will send out reports and will show council how to read those reports that reflects the movement of dollars to the property relief tax fund.

Olson inquired about the money market and IPAIT dollars being transferred to FSB checking account due to interest rates being higher.

Kudrna commented she does not recommend moving all of the IPAIT dollars to FSB checking account until we have a more detailed conversation with our investment committee. Olson said its lost interest revenue.

Kudrna went on to explaining the budget certification page that reflected a 9.8% increase in property value. Council then reviewed the 3-Year Fund Balance Worksheet. The report shows how the city ended FY19, estimated for FY20, the adopted budget summary and all of our debt payments have pretty much stayed level. Will have to hold a second public hearing to set levy, does need to be approved by a super majority of council because our growth was more than 2%.

Kudrna asked if they were good to move forward.

Council Members Olson, Archibald, Mohwinkle, Wichtendahl and Dodson all said yes.

Kudrna said she will have paper forms at tomorrow night's council meeting.

**Library Update**

Downs handed out and explained a library financial spreadsheet to keep everyone up to date on the library's progress. The first column of the spreadsheet is the original estimates, actuals and funding sources. Downs explained there will be dollars coming to council for approval to help continue to fund the project and they will also continue to fundraise for more dollars.

Olson asked if we have a contingency fund. Downs said yes, we did but we need to remember the bids came in higher. The low bid was \$249,000 above our estimate of bids. We are paying close attention to change orders and pay estimate details. There is progress on the building with trusses coming the week of February 10. August 20, 2020 is the new completion date, they are having the sub-contractors work on the weekends.

Archibald asked if they need to think about a 10% overage for the Public Safety building and Fire Station going forward.

Olson commented there was an unforeseen watering issue adding to the cost of the foundation work.

Mohwinkle commented the water won't be a problem now, it's a good design now.

**Other Council Discussion**

City Clerk Kari Graber gave a demonstration of a new program for viewing council packets, agendas and minutes. It will streamline the process for council packets for council, staff and public viewing going forward.

There being no further discussion, Wichtendahl moved to adjourn the meeting at 6:45 P.M., seconded by Olson. Motion carried.

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Bill Bennett, Mayor

ATTEST:

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Kari Graber, City Clerk