CITY OF HASTINGS, NEBRASKA
MINUTES OF CITY COUNCIL WORKSESSION
Monday, July 29, 2024

Pursuant to due call and notice thereof, a Worksession of the City Council of the City of Hastings, Nebraska was conducted at the Hastings Municipal Airport, 3300 W. 12th Street, on July 29, 2024.

The meeting was called to order at 5:30 p.m. in Worksession by Council President Fong with the following members present: Steve Huntley, Jeniffer Beahm, Brad Consbruck, Butch Eley, Joy Huffaker, Marc Rowan, Shawn Hartmann, Mayor Corey Stutte. Absent: None.

The following City Officials were present: Asst. City Administrator, Mark Funkey; City Attorney, Jesse Oswald; Utility Manager, Derek Zeisler; City Clerk, Kimberly Jacobitz; Police Chief, Adam Story; Assistant Fire Chief, Troy Vorderstrasse; Parks & Recreation Director, Jeff Hassenstab; Finance Director, Roger Nash; Information Technology Director, Erik Nielsen; Director of Engineering, Lee Vrooman; Director of Development Services, Chad Bunger; Director of Human Resources, Lori Hartman; Museum Director, Teresa Kreutzer-Hodson; Public Information Manager, Tony Herrman; Safety Director, Trent Clark; Library Director, Amy Dissmeyer.

The Pledge of Allegiance to the Flag of the United States of America was recited.

Moved by Butch Eley seconded by Shawn Hartmann to adopt current agenda for July 29, 2024, Worksession. Roll Call: Ayes: Steve Huntley, Jeniffer Beahm, Brad Consbruck, Butch Eley, Joy Huffaker, Marc Rowan, Shawn Hartmann, Matt Fong. Nays: None. Absent: None. The motion carried.

**PUBLIC NOTICE** - Official Notice of the Worksession was published in the Hastings Tribune on Friday, July 26, 2024. Pursuant to Nebraska Revised Statute Section 84-1412, the public is advised that a copy of today's agenda and all reproducible written material which will be discussed at today's meeting is available for public review and a current copy of the Nebraska Open Meetings Act is posted and accessible to members of the public.

**CITIZEN COMMUNICATIONS:**
None.

**DISCUSSION ITEMS**
1. Discussion of proposed 2024-2025 City Budget and Utility Budget.

Mark Funkey, Assistant City Administrator, thanked staff for putting the first draft of the budget together. He reminded everyone of the budget schedule moving forward. The second budget review will be at the August 19th worksession. The formal budget hearing is September 9th. Inflation is a huge issue impacting what is happening in our budget, along with being the year for comparability of wages. The General Fund expenses out-paced revenues.

Roger Nash, Finance Director, reported that the draft budget is located on the city’s website, Engage Hastings, and on social media. Staff has used a condensed timeframe for the budget, to get it out three weeks quicker to allow this discussion. There are a few typos in the capital outlay section of the draft budget: (page 217) cemetery irrigation phase four and (page 219) Fire Department’s training facility. The draft budget is 300 pages, so he will summarize the information and point out specific items as needed.

He began with the General Fund Revenues, showing the 2023-24 budget numbers, 2024-25 proposed budget, along with columns on dollar increase/decrease and percent increase/decrease.

- Property taxes are budgeted to increase 2%, the limit allowed by LB644, which will result in a levy decrease of 1.21 cents, based on 5% estimated increase in valuation. Sales tax budgeted at last year's actuals an increase of $500,000. Telephone occupation tax decrease $40,000 or 20% due to change in state regulations. The budget was done using the 2% sales tax increase as of October 1st.
- The General Fund includes Human Resources, Information Technology, and City Attorney, which then charges the Utility Department for portions of their budget, getting reimbursement from them.
- Personnel Services – This includes wage comparability adjustments, merit increases, a 3% market rate adjustment, and 2% increase in health insurance costs. It also includes 5 new FTE requests and 2 Part-time positions for $648,300. Minimum wage increase $1.50/hour to $13.50/hour on 1/1/25. 7.4% increase not including new position requests.
- We do not have firm insurance numbers, so we usually budget a high number, since they are usually substantial. We build in substantial numbers and will adjust when we have closer numbers.
- Capital Outlay is increasing the General Fund significantly and we will use cash reserves. The last two years we have had ARPA funds and KENO. Now we do not have ARPA. He explained Capital Outlay as anything that we consider a one-time expense/cost: equipment, building improvements.
- General Fund Revenue splits, Property tax allocation, Sales tax allocation (1 1/2%) were explained and visualized with pie charts.
- General Fund: Public safety is a large portion of the general fund.
- General Fund: Personnel services is 58% of the expense. It takes people to provide services.
- Tax Levy Comparison was given for FY 23-25 and showed how this affected owners of $200,000 value homes. The annual savings for the city's share of the property tax was estimated at: $50.69 (FY2023), $50.69 (FY 2024), $74.93 for the new levy in FY 24-25.
- It is important to note that we must continue to generate enough revenue to continue to maintain the services we provide. What are other revenue sources to offset these increases? Either way we need to manage personnel or find additional revenue sources.

There are significant challenges on the General Fund. If we want to maintain the levy at the current level, that will add $250,000. Mark Funkey reminded the group that the key thing is that it does not solve our revenue deficiencies. Roger explained that our expenses exceed our revenues. The money from maintaining the levy would help offset the deficit. It would not add to the cash balance. He further explained that the city does not usually run on a deficit. We budget revenues conservatively, capital outlay might not be spent, and expenses not used. Take the budget and look at actual estimated expenses. We budget all vacancies, and those are not all filled. Those are sometimes a significant cost difference from what is budgeted. Based on the way revenue and expense are budgeted and positions out, we are still at a $1 million deficit. Roger stated that without raising the levy, we need to come up with another revenue source. He stated that the budget is not structurally balanced. Therefore, it is not sustainable for operating expenses to continually exceed revenues. Roger talked about Museum, Street, and Landfill funds.

Museum increased revenue from their store. They have the same issues with personnel, same as the General Budget.

The Street Fund's only tax revenue is Wheel Tax. They receive Intergovernmental Revenues: Highway Allocation, Surface Transportation Funding (STP), State Motor Vehicle Fees and Pro Rate increase. Since City/Utility combined, the engineering department has started allocating expense to other departments, as they need assistance. The big change in capital outlay in the Street Fund is replacing old equipment. They have budgeted for the 12th Street and Marian project. The 12th Street corridor project looked at Burlington all the way to Westbrook. We have spending authority in next year's budget, but after the design is done the project timing will be when school is out. The budget is for planning purposes. In the Street Fund, if we don't use the money, it goes into the street fund budget, we don’t lose the money. Those funds must be used for streets. We are still facing supply chain issues and contractor issues to get bids and complete contracts.

The Landfill Fund has revenues that mostly come from user fees. There is $4.6 million in restricted funds to be used for closure/post closure, as required by the Nebraska Department of Environment and Energy (NDEE). There is increased operating expense due to an increase in daily cover supplies expenses. There has been a large increase in credit card usage at the landfill, so how much are we willing to absorb? We need to address whether the City should charge credit card fees. A policy would need to be drafted by staff and brought to City Council.

Special Revenue Funds include: grants, Parks/Recs Sales Tax Fund (Trail), Natural Disaster (2022 Hail Storm), Museum Sales Tax, Street Sales Tax, BANS, Self-Insurance Health, IT, and ARPA (must be obligated and under contract by December 31, 2024, but are not required to be spent by that time). We like to keep these in separate funds for tracking purposes. BANS includes created street districts and city hall. The street districts have money coming back in with assessments, but it comes in over an extended amount of time.

Self-Insured Health Fund: We combined utility and city self-insured funds years ago into one self-insurance fund, moving money together as per employee cost to combine the funds. We have an excessive balance in that fund and need to distribute back to the departments, since we are insured with a stop loss plan that protects us. That is not an ongoing solution for operating expense issues. It could help offset the deficit in the General Fund while we work on a solution in FY 2025. Councilmember Fong asked Roger to get a number from the insurance consultants on what would be a good self-insurance fund balance.

IT Fund: all departments pay back IT through allocations. At the end of the calendar year, we will be liquidating the Police Pension Plan. That could bring $500,000-$600,000 back into the General Fund. The final Pre-1984 officer is retiring, so annuity calculations will take care of the others drawing on it. Money will be returned to the budget since we don't need to maintain that budget.

Derek Zeisler, Utility Manager, reported on the Utility Department’s budget.
<u>General Budget highlights:</u>

- Cost of Service discipline continues with Electric COS study near completion
- No Headcount (FTE’s) change for entire HU Department
- Organizational reviews and role validation continues with each and every open position
- All money owed to other departments has been transferred to the appropriate department
- The Utilities pays a varying portion of city department services. The Utilities is not involved in any of the hiring or supervision of those department. (Engineering, Human Resources, Information Technology)

<u>Budget Assumptions:</u>

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| • Cost of Service Study Results Utilized | Elec, Gas, Water |
| • Material Inflation | 5% |
| • Economic Impacts Budgeted: | Payroll ~ 8.5 % |
| • Forecasted Revenue Growth (Non-Rate) | 1 % |
| • Forecasted Expense Inflation (Forecasts) | 3 % |
| • Financial = Unencumbered Cash & Rate Stabilization | |
| • Funds as % of Operating Expense (Target) | > 50 % |
| • Capital Execution Rate (Target) | 75 – 85 % in budget |
| • Customer Fees being Analyzed and Reviewed | FY2025 |
| • Three (3) Year Forecast Projections | Economic Challenges |

- The auditor states that utilities should carry 50% in cash. At the end of this year, we are projected to be at 25% and by the end of next year we project to be a little over 10%.

Derek explained the product cost comparison for Electric, Gas, and Water and bill comparison for Electric, Gas, Water, and Sewer.

He explained that the majority of capital planning is either regulation driven or developer driven. Over $5 million is driven by developer. For the most part capital outlay cannot be cut, but deferred. It is infrastructure upgrades that factor back into the reliability.

<u>Critical Capital Planning:</u>

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| Electric Dept: | $14.00M | |
| Whelan Energy Center | | |
| • Coal Combustion Residuals (CCR) Compliance | | $2.9M |
| North Denver | | |
| • Circ Water Line Repairs | | $500k |
| Solar Field | | |
| • Solar Field Phase 2 (Carry Over) | | $1.5M |
| • Solar Field Phase 3 | | $2.0M |
| Don Henry | | |
| • DCS Recontrol | | $1.0M |
| Distribution and Substations | | |
| • Improvements and Additions | | $8.0M |
| Gas Dept | $1.86M | |
| • Distribution Additions | | $1.44M |
| Water Dept | $6.92M | |
| • ASR Additions | | $900K |
| • New Mains/Dev Projects | | $3.29M |
| • Main Replacement | | $2.35M |
| Pollution Control Dept / Sewer | $6.04M | |
| • Plant Additions | | $4.58M |
| • Collections | | $1.47M |

<u>Electric Dept Highlights:</u>

- Continued success in offering 5 generating units to support grid demands
- Instituting a performance monitoring program
- Maximizing staffing efficiency
- Renewable strategy continues with solar phase 2
- Finish capacity upgrades to 3 substations
- Finish high-capacity substation tie line
- Spare transformer for 115KV/13.8 system
- Continuation of AMI conversion

<u>Gas Dept Highlights:</u>

- Gas relocation for NDOT Hastings Southeast Project (Hwy 6 Project)
- Replace 2008 directional drilling machine
- Downtown low pressure system replacement Phase 2
- Peak shaving expense increase

<u>Water Dept Highlights:</u>

- Piping, pumps, and controls to utilize Well 17 as an ASR feed well
- Pressure booster station investigation and implementation to Westbrook
- Water relocation for NDOT Hastings Southeast Project (Hwy 6 Project)
- LSL Main and lead service replacement program (Enters year 3)

PCF/Sewer Dept Highlights:

- Year 2 of sewer video inspection plan
- Activated sludge west basin switch and startup contract awarded
- Maxon lagoon dredging contract awarded

Administration Highlights:

- AMI expansion continues
- Billing software implementation
- Combined Utility and City Safety
- Warehouse roof replacement

Rate changes proposed:

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| Electric ('24 COS Study) | 5% |
| Gas ('23 COS Study) | 6.3% |
| Water ('22 COS Study) | 5% |
| Sewer | -4% |

Mark Funkey reminded the group that we have three weeks until the next worksession. Please contact Shawn Metcalf and Mark Funkey with any questions, so that we are prepared for the worksession. The new FTE in the Police Department was discussed and will remain in the draft budget. Police Chief Story stated that the new position is for the sustainability of the police department. Officers see that position as a future opportunity. City Council also discussed the current bonus for new hires and how to improve that pay. Chief Story stated that we do not like to cut services to our community, but cannot sustain staffing to provide services. We look at different angles for hiring. Money is an aspect, community housing, bonuses and financial incentives.

Moved by Butch Eley seconded by Shawn Hartmann there being no further business to adjourn at 8:06 P.M. Roll Call: Ayes: Steve Huntley, Jeniffer Beahm, Brad Consbruck, Butch Eley, Joy Huffaker, Marc Rowan, Shawn Hartmann, Matt Fong. Nays: None. Absent: None. The motion carried.