

## **Minutes of the January 18, 2016 Hampton City Council Budget Workshop Session.**

The Council met at 6:00 pm. Members present were Mollenbeck , Freie, Davies, Hickman and Lukensmeyer. Mayor Pro Tem sitting in for Mayor Boehmler in his absence. Also present were Police Chief Bob Schaefer, Public Works Director Doug Tarr and City Manager Ron Dunt.

Public comment: Barry Lamos, 215 3<sup>rd</sup> St. SE expressed concerns of the condition of the sidewalk in front of city hall and had questions regarding Well #3.

Ron handed out and reviewed the Fiscal Year 17 budget proposal under consideration and initiated discussions primarily focusing on the highlights of FY17 budget overall as well as general fund expenditures being considered. (See handout below) Ron recommended not funding any new programs due to the decline in taxable valuation resulting from the Commercial property tax reform legislation and newly established Multi-Residential property classification. Agency funding requests were also discussed. After reviewing the entire proposed budget, the consensus of the council was to obtain further information from FCDA and Main Street Hampton prior to finalizing budget requests.

The council will meet again on Monday, January 25 for a budget workshop.

The council concluded its workshop at 8:08 pm.

(See next page for workshop handout)

**1-18-16**

**TO: Mayor Boehmler and City Council Members**

**FROM: Ron Dunt, City Manager**

**SUBJECT: Review Draft of Fiscal Year 2016-2017 City Budget**

Enclosed you will find information relating to the Review Draft of FY 2016-2017 city budget. This draft is assuming entity/agency funding remains constant only because staff needs direction from council on this and all funding proposed in this draft. This scenario is presented as a balanced budget with General Fund expenditures slightly below General Fund revenues. This proposal aligns with the Capital Improvement Plan we have put together.

This proposal results in a city property tax levy of \$13.81 per thousand of taxable valuation. The proposal has an increase of \$.61 over the current year. Major contributors to the increased levy are the Property/Liability Insurance levy and the Employee Benefits levy. There is no Emergency levy in this proposal. As you know, the Employee Benefits levy fluctuates year by year depending on rates, claims history, MERP exposure and fund balance of fund 112 Employee Benefits. The Property/Liability levy has been underutilized when compared to actual costs and needs to closer reflect the actual premiums paid.

The following are the city tax levies for the past 15 years:

**2016-2017 \$13.81**  
2015-2016 \$13.20  
2014-2015 \$13.21  
2013-2014 \$12.80  
2012-2013 \$13.60  
2011-2012 \$14.37  
2010-2011 \$16.99  
2009-2010 \$14.77  
2008-2009 \$14.79  
2007-2008 \$13.55  
2006-2007 \$17.17  
2005-2006 \$17.84  
2004-2005 \$18.42  
2003-2004 \$18.07  
2002-2003 \$17.86

Here is how the proposed 2017 levies/revenues are broken down:

Regular General levy \$805,499 or \$8.10/1000

Liability Insurance	\$141,000 or \$1.41/1000
Support of EMC Levy	\$71,000 or \$.71/\$1000
Public Library levy	\$26,850 or \$.27/1000
Emergency levy	0
Employee Benefits levy	\$329,205 or \$3.310/1000
Debt Service levy	0

Please note that the taxable valuation has decrease from last year.

You will see included in this draft budget, some capital projects, street improvements, equipment purchases and facility maintenance. This proposal includes some budgeted use of some surplus fund balances in the 002 Pool Fund for maintenance items and 110 RUTF for street improvement engineering. There are decisions related to general fund expenditures, entity/agency funding and street construction planning that need consensus this evening.

There are challenges now with the commercial/industrial property valuations rollbacks and the new multi-residential classification that is in place. We see that the total taxable value has declined by \$2,000,000. The new Multi-Residential Class has resulted in \$8,000,000 being reclassified from Commercial to Multi-Residential which will have a full residential rollback by 2022. All things being equal, the impact on the city may be a continued decline in taxable value unless we experience other taxable growth. I do not recommend approving new program funding and encourage you to keep an open mind to the possibility of future programming cuts if necessary.

Recently the 2015 DRAFT Audit Report shows a “Unassigned” General Fund Balance in the General Fund of \$525,248. Down from the FY14 balance of \$560,480 due in part to deficit spending in the prior year. However, there are many variables that affect this balance such as actual revenues received, actual expenditures, grants received, use of money revenues, intergovernmental grants or reimbursements, miscellaneous revenues, liability insurance increases, general government such as attorney fees, audit fees, funding other entities and increasing costs of operations of general fund departments.

This year begins our transition to contributing towards public safety dispatching services through the EMC levy and not through the general fund police department budget. Although this provided some temporary breathing room in the general fund, the savings is immediately countered by other general funds expense increases such as the library project funding, fire department pickup purchase, LEA training, city hall building and equipment replacements. As always, funding the FC Alcoholism Service Center, Library, Senior Center, Historic Commission and Municipal Band, are funded through the general fund as well. I would encourage these agencies to analyze their respective budgets for areas for increasing efficiencies in anticipation of possible future city funding cuts.

This proposal includes budgeted funding for engineering for Band Shell Street replacement and 12<sup>th</sup> Avenue street overlay.

Our Management philosophy continues to be to provide services in the most efficient and cost effective manner for our citizens. We prioritize needs over wants.

Thank you

Ron Dunt

## Other Revenues 2016-2017

- Police \$22,000
- Airport \$71,000
- Aquatic Center \$61,000
- Hotel Motel Tax \$45,000
- Interest Income \$18,000
- Grant revenues. \$10,000
- Road Use Tax Fund revenues \$530,000.
- L.O.S.T. estimated to generate \$430,000.
- Special Assessment revenues are expected to be \$10,000.
- TIF Revenue \$329,300
- Cemetery Trust interest income \$4000
- Water revenues estimated to be approximately \$632,000.
- Sewer revenues approximately \$659,500.

## Expenditures in Current Draft 2016-2017

The following are some highlighted proposed **General Fund Expenditures:**

**Police** \$8,000 for Law Enforcement Academy Training of a new officer.

**Fire** Pick-up truck replacement (brush buggy for grass fires)

**Airport** No projects funded.

**Library** Any contribution to the Library from the City will be done as a fund transfer from General Fund in to the Library Fund so you will no longer see a line item expenditure for the contribution as you have in the past. However, it still remains a debit to the General Fund. Last year the City contributed \$82,000 to the library. In addition, the city funds the following library related expense; health insurance, property insurance, life and dental insurance (fund 112), legal services and the library levy revenues. In this proposal, with the wall project, total city funding amounts to approximately \$226,000.

**Parks/Cemetery:** General Maintenance.

**Entity/Agency Funding:** Included in this proposal is no change in the entity/agency funding until council determines funding levels. Current levels show Library \$82,000, F.C. Alcoholism Service Center \$11,000, Historic Commission \$250, Senior Center \$4,000, Municipal Band \$7,500. Franklin Wellness Center has requested \$1,500 and Crisis Intervention has requested funds.

**City Hall:** Carpet and tile replacement as well as photocopier replacement. Liability insurance expense continues to be split 3 ways to alleviate pressure on general fund insurance tax levy.

**Code Enforcement:** General enforcement.

### **Other Funds**

**Fund 002 Aquatic Center:** \$20,000 for re-painting of pool basin and walls and \$15,000 for slide maintenance. 002 surplus funds would be utilized to fund these expenses.

**Fund 004 Library.** This is where all operational revenues and expenses are budgeted. Curved wall/lintel project is under Capital Project fund 308. City contribution is roughly \$76,000.

**Fund 110 Street Dept./Road Use:** Due to the additional gas tax increase we can increase our street construction line item to \$130,000 for street overlay improvements. Continued concrete patching improvements on 1<sup>st</sup> St. NW by Progress Park. Crack sealing and chip sealing of alleys. \$85,000 for engineering of the streets surrounding Band Shell Park and a portion of 12<sup>th</sup> Ave NW. Since we are not yet receiving franchise fee revenues, roughly \$31,000 of the \$468,000 Road Use Tax Fund surplus would be utilized. This fund is eligible to be reimbursed when franchise fees are collected.

#### **Fund 125 TIF Funding**

Hwy 65 debt payments of \$259,800 FCDA \$45,000, Main Street \$15,000. Façade Grant Program \$10,000. Buresh TIF Rebate \$22,000 approximately.

**Fund 112 Employee Benefits:** Increased levy. It is a difficult to predict how much exposure we will have with deductibles, premiums and self funded claims.

**Fund 220 Special Assessments** Debt Service on Oak Hill Drive Street project \$22,040.

**Fund 301 Cap Project FAA Grant.** 0

**Fund 306 Capital Project** Wastewater Treatment Plant construction \$4,200,000.

**Fund 308 Cap Project Library Wall/Lintel project.** Partnership with Library Foundation funding. City; Division I \$76,000.

**Fund 503 Cemetery Trust:** Wages for PT seasonal mower help.

**Fund 600 Water Department:** Radio read upgrades (\$12,000) by purchasing an additional 100 units. (approximately 400 remaining to be purchased over the next 3 years) Well #4 rehabilitation \$20,000, valve purchase \$15,000, \$8,000 engineering for 140<sup>th</sup> St loop project and general maintenance. Liability insurance cost sharing. As presented, \$10,250 of the \$850,000 surplus funds would be utilized.

**Fund 610 Sewer:** Sewer Department will continue with sewer main lining initiative to limit the infiltration. 100 radio reads \$12,000 and an additional \$50,000 for Utility line item expense due to new plant energy consumption increase. Completion of the new wastewater plant. Liability insurance cost sharing. New lawn mower for new wwtp (may not purchase depending on final grounds determination).

**Fund 670 Solid Waste:** Staffing at compost site, grinding of leaves, FC Landfill fees, and Landfill of North Iowa fees.

### **Items needing council direction:**

Entity/agency funding levels

Band Shell street reconstruction consensus on engineering as a first phase.