

WORK SESSION

A work session was held by the Mayor and City Council of the City of Norfolk, Nebraska on Monday, December 22, 2008 beginning at 5:30 p.m. in the City Council Chambers Conference Room, 309 West Madison Avenue, Norfolk, Nebraska.

Mayor Sue Fuchtman called the meeting to order.

Roll call found the following members present: Mayor Sue Fuchtman and Councilpersons Brenneman, Coy, Fauss, Lange, Reeder, Van Dyke and Wilson. Absent: Saunders.

Staff members present were City Administrator Al Roder, Public Works Director Dennis Smith, City Attorney Clint Schukei, City Clerk Beth Deck, Wastewater Plant Superintendent Todd Boling, Police Captain Leon Chapman, Transportation, Building & Grounds Director Jim Koch, Property/Operations Manager Gary Miller, Water & Sewer Director Dennis Watts, Solid Waste Manager Gary Lund, Prevention Manager Scott Cordes, Fire Chief Shane Weidner, Information Systems Manager Jim McKenzie and Finance Officer Randy Gates.

The media was represented by Greg Wees, Norfolk Daily News, and Jim Curry, WJAG/KEXL.

The Norfolk Airport Authority was represented by Jerome Bahm, Gerald Adams, Doris Kingsley, Don Smejkel, Dan Geary and Terri Wachter.

Notice of the meeting was given in advance by publication in the Norfolk Daily News, and notice of the meeting was given to the Mayor and all members of the Council prior to the meeting.

The Mayor presided and the City Clerk recorded the proceedings.

The Mayor informed the public about the location of the current copy of the Open Meetings Act posted in the meeting room and accessible to members of the public.

Minutes

Councilperson Fauss moved, seconded by Councilperson Wilson to approve the November 20, 2008 work session minutes as printed. Roll call: Ayes: Councilpersons Brenneman, Coy, Fauss, Lange, Reeder, Van Dyke, Wilson and Mayor Fuchtman. Nays: None. Absent: Saunders. Motion carried.

Economic Information

Mayor Fuchtman requested a discussion on the current economic outlook for the City of Norfolk.

City Administrator Al Roder stated the significance of the City Council and Airport Authority Board attending the meeting is that both are the taxing entities that can levy a property tax under the City of Norfolk's taxing authority. Roder stated the meeting is to discuss the current economic situation for the City of Norfolk as well as for the State of Nebraska and nationally. City staff has taken steps to prepare for a worse-case scenario, trusting it won't be that bad. Roder feels it is timely to have a discussion to talk about what has been done, where the City is at and where things are going.

Finance Officer Randy Gates explained sales tax is the largest revenue source for the City's General Fund. The City receives approximately \$6.6 million in sales tax annually. The City budgeted \$6,565,000 for FY 2008-2009; however, sales tax varies depending on economic conditions. Gates stated the City only has three months of sales tax revenue for the current fiscal year and "looking on the surface it doesn't look real bad" for those three months. Cash receipts for this fiscal year compared to those same months last year don't look too bad but that is misleading, says Gates. Madison County was two months late reporting motor vehicle sales for August which the City would have normally received in October. There was \$47,000+ of motor vehicle sales tax that didn't show in October that should have. The City actually received the funds with the December sales tax receipts. Gates stated that by putting those receipts in the correct month it would show that the City is up 9.56% for October receipts (August sales tax); the next month the City was up 2.2% (September sales tax); and this month's receipts are down 6.5% (October sales tax). Gates stated this shows a "pretty alarming trend" of rapidly falling in sales tax revenue. Gates said that November retail sales (sales tax the City will receive in January) nation-wide shows the lowest for 39 years. Because of this trend, Gates expects Norfolk sales tax to decrease significantly next month.

Gates recently attended a State Chamber Forum in Columbus to hear economists talk about the national economic trend and how it is affecting Nebraska. The economists stated Nebraska is lagging with the economic downturn but the State is starting to feel the effects.

Gates stated staff has been looking at what can be done to offset the declines in revenue and the City is cutting back on discretionary spending as much as possible. To curb discretionary spending, the City has deferred over \$200,000 of capital outlay purchases, which has been done for a number of years, to reduce spending. The City is also reviewing personnel vacancies before hiring and out-of-state travel has been eliminated.

Gates did state, however, that Keno revenue has been steady. The budget contains \$400,000 for Keno revenue and, according to Big Red Keno, the City should receive that amount. Big Red representatives indicate that Keno revenue normally isn't sensitive to economic conditions; however, if a satellite closes because of the economic downturn, then it would impact revenues. Gates stated that the Keno revenue is for Park & Recreation expenses, however, and is not available for normal General Fund expenditures.

Councilperson Van Dyke stated the City isn't real dependent on property taxes at this time and a point made at the forum in Columbus is that cities don't feel a real impact with lost property tax revenue until the following year.

Gates stated real estate prices are expected to soften as well.

Councilperson Fauss stated local industries are cutting hours so Gates' prediction is probably correct. Fauss feels people in Norfolk are "going to tighten their belts pretty good" after Christmas. Fauss feels the City needs to be frugal with money.

Airport Authority

Roder has a concern because the City has eliminated discretionary spending but it doesn't seem like Airport Authority is reducing its spending. The Airport Authority falls under the City's taxing authority. Roder feels it is important for the City and Airport Authority to discuss what can be done to minimize the impact on taxpayers. Roder stated the most effective way the City

can do it now is to cut discretionary spending. Roder stated City staff also looked real hard at “A” priority capital expenditures. Roder stated that, after a lot of discussion, the City is moving forward with the purchase of police cruisers mainly because those vehicles are on a three-year rotation and most of the vehicles have 90,000 to 100,000 miles before replacement occurs. Roder felt it is important to ask the Airport Authority if there is something the City can do with the Authority, as joint taxing entities, to soften the impact on taxpayers. Roder stated one of the City’s big concerns is the Airport Authority’s \$400,000+ expenditure on a new hangar.

Dan Geary stated the hangar purchase is in the FY 2008-2009 budget and the contract is let at this time.

Jerry Adams said the Airport Authority Board is “trying to do the best we can.” Adams stated the Airport has never had to bid projects unless they were federally funded. Adams received a price of \$277,809 for the new hangar on April 2, 2008 with a completion date of November 20, 2008. However, some “outside people and a previous member of the Airport Authority Board said” the project should be bid and an engineer should design the hangar. After that process, the low bid from BC Builders (the same company that previously bid \$277,809) came in at \$328,792.40. With engineering costs of \$7,373 plus additional costs for piping and site work the total project cost is now \$414,979 or a difference of \$137,000 from the original bid. Other bidders were Medallion Construction, \$379,648.04; Hespe Construction, \$392,303; BD Construction, \$489,800+; and Capital General Construction, \$509,946. Adams stated BC Builders’ original building was a Butler building but the bid price is on a Liberty building, which is a \$20,000 cheaper building. Adams stated the Airport Authority has never used the bid process in the past unless it is a federal project and is trying to save money without using the bid process. Adams stated the Butler buildings are already pre-engineered.

Councilperson Lange “begs to differ” with Adams because having an engineer for the project lets companies bid on an equal basis. Lange feels that if the project had been bid in a competitive situation, a considerably lower price may have been received. Lange feels it is “peculiar that the dollar amount of the engineering came up really close to what Medallion’s bid number was.” Lange stated “a change order on a project that is nearly 20% of the cost of the project should not happen.” Lange stated the change mainly came because the “original location was moved to another location which involved more site grading and storm sewer.”

Adams stated Lange and Guy Elsworth (former member of the Airport Authority) wanted the change of location for the hangar.

Lange disputed the claim and never said anything about changing the location. Lange stated the Airport Authority minutes don’t reflect Lange wanting to change the location either.

Public Works Director Dennis Smith questioned when the project was bid.

Adams stated bids were opened on October 12, 2008.

Roder stated a review of the Airport Authority budget shows a rapid decline in the cash balance over the last 3-4 years. Capital projects over the next five years are “very aggressive”. Roder stated federal funding of 95% is tremendous but a lot of that must be paid up front and how can that occur if the cash balance is reduced to the point that the money isn’t there to front federal projects. Roder questioned the Authority’s plan to cover the upfront costs of federal projects.

Jerome Bahm, Accountant for the Airport Authority, stated the City Council said the Authority could borrow funds for those projects if it is a 95% federally funded project.

Roder questioned whether that funding includes the \$1.8 million projects not included in the federal money.

Bahm answered “no,” the federal projects are \$1.2 for the overlay and \$28,850 for the airport layout plan and are budgeted in the current year. Bahm stated the Airport Authority planned an inch and one-half for the overlay project but the federal government said it needs to be two inches. Bahm isn’t sure what the extra one-half inch will cost but the additional cost will be 95% federally funded.

Roder questioned whether the hangar is a 95% federally funded project.

Bahm stated the hangar is not part of the 95% reimbursable costs. The hangar is a totally funded project of the Airport Authority and the engineer’s estimated cost is \$421,000+. Bahm said the hangar is being paid for out of cash reserves as well as a loan of about \$200,000. Bahm stated the Authority had requested the funds from the City Council in the budget request but it was denied. The Authority had requested \$450,949 and the Council approved \$269,253 in property taxes. The request was cut back by \$190,000 which was the amount to cover the hangar.

Roder questioned how the Authority will repay the \$200,000 loan.

Bahm stated the loan will be repaid out of future revenues and “some of that may be tax revenue.” Bahm stated that in 2005-2006 the Council told the Authority the budget reduction was only for one year; however, the reduction has been for three years now and “as the projects come up the money gets used up.”

Roder stated the Authority’s cash reserves over that period of time have been reduced from over \$730,000 to a projected \$128,000.

Dan Geary stated the Authority builds up the cash reserve for federal projects. Geary stated the Obama administration is pushing a Stimulus Package and the \$3 million drainage project is ready to go, fits the criteria and will be 95% funded by the federal government. However, the Authority needs to respond about the project by January 20, 2009. Geary stated the same costs still need to be paid upfront until the “first draw of the construction project.”

Roder questioned whether the hangar project is a priority over the drainage project.

Geary stated the drainage project was delayed for three years. However, the Stimulus Package resurrected the project.

Adams is “responsible for signing the Assurances” which states the Airport Authority has the funding for the federal projects but Adams doesn’t want to sign the documents unless the money is available.

Don Smejkel stated there hasn’t been a problem in the past but the Authority’s budget has been cut for three years. Smejkel stated the drainage project is a necessity now. Smejkel stated there are about three planes waiting to rent space at the airport. The “T-hangers are 20, 30, 40 years old” and hard to maintain. Some airplane owners are complaining about water dripping onto their airplanes. Smejkel stated the Authority “has a problem with the budget cuts.”

Gates stated the hangar rent charged by the Authority isn't paying for the cost of the hangars. Gates understands the \$421,000 budgeted cost for the new hangar is going to be rented for \$900 per side per month "unless that number has changed since the last discussions."

Bahm doesn't think "the number has changed" but the airport charges similar to what other airports charge. Bahm stated the airport may be subsidizing some of the big, industry-type airplanes but if the airplanes can't be housed, those people may not be coming to Norfolk.

Gates asked whether those people would pay a rent sufficient to cash flow the hangars. Gates stated Mayor Adams previously wrote a letter to the Airport Authority saying the City was seriously looking at cutting property taxes prior to the bid letting for the maintenance building and that the Authority should reconsider the project. However, the Authority went ahead with construction of the maintenance building. Gates stated if several of those projects had not been completed the Authority would have the dollars available for the federal projects even with the tax cuts. These projects have eaten up the cash balance to the point now that there will be problems with some of the federal projects because the cash balance has been significantly drawn down.

Bahm stated the maintenance building is housing a lot of dollars in equipment.

Adams stated the hangar will probably generate at least \$300 monthly rent for each side not the \$90 Gates mentioned.

Gates was told the rent would be \$900 per side per month and not \$90 mentioned by Adams.

Roder questioned the amortization of a \$400,000 building at \$1,800 per month. Roder said, "It doesn't sound like the building will be standing when it gets paid off."

Gates stated that \$900 rent per side per month would probably be a 20 year payback with no interest, maintenance or insurance. Gates feels the hangars are being heavily subsidized at \$900 per side.

Adams stated the Airport Authority was thinking that if big companies come to Norfolk it would provide economic development to the area. The hangar will be about 60 x 60 and will house large airplanes.

Geary stated some airplanes drop people off at the airport for an overnight visit but then the airplane flies to Des Moines to house the plane because there isn't room at the Norfolk airport.

Roder is confused because the Authority first talked about a \$900 monthly rent which suggests there is tenant but the new hangar will be for airplanes coming in overnight.

Adams stated the airport has one hangar for overnight stays. The current big hangar can hold from 2-10 or 11 airplanes and the jets pay between \$200 and \$300 per night.

Roder questioned whether the proposed new hangar has tenants.

Adams "is pretty sure" the new hangar has one tenant.

Geary stated the Authority "has inquires throughout the year for hangar availability."

Councilperson Van Dyke questioned how many planes go elsewhere to be housed instead of Norfolk. Van Dyke questioned the maximum amount of income the hangars can generate.

Adams said that number is hard to estimate but “a lot”. The rent is based on the size of the plane. A corporate jet brings in a maximum of about \$400 per night.

Roder questioned what Des Moines charges to house airplanes.

Adams said places like Des Moines, Lincoln and Omaha probably charge about \$1,100 to \$1,200. Adams said the Authority “is not charging enough for the planes to go some other place.” The big hangar is used a lot more in the winter time or during stormy weather.

Gates questioned whether the \$421,000 proposed hangar is for transient planes.

Adams said no, the hangar is not for those types of planes.

Roder said the airport may have a tenant for one half of the new hangar but not the other half and the \$421,000 hangar is being built for \$900 a month. Roder has a concern with the fact that the \$421,000 is being constructed and will “drive a property tax increase” during challenging economic times.

Adams said both sides don’t have a tenant yet.

Bahm stated the hangar may house a several million dollar airplane of an industry that wants to locate to Norfolk and that should be important.

Roder agrees corporate jets should be taken care of but the hangar rent seems to be very conservative. Roder stated most airports cash flow the hangars. If there is a reason not to cash flow, then it needs to be discussed. The owner of a multi-million dollar aircraft should be willing to pay to house the airplane indoors. The current hangar can be utilized for that purpose. Roder questioned how many hangars are available at the airport.

Terri Wachter and Adams stated there are 41 total -- 36 T-hangars, 2 big hangars, 2 small hangars and 1 rented to a mechanic.

Roder questioned whether rent should be charged to match the plane size.

Adams stated yes, on “those types of planes.”

Coy stated the demand seems to be there for hangar rent but questioned whether the people could pay the money upfront and then those commitments be used to build the hangar.

Adams said people won’t make commitments until the hangar is built.

Roder stated it appears the hangar rent is being subsidized by taxpayers and the rent received isn’t enough to cash flow the operations and the projects.

Adams said “yes, probably.”

Geary stated the airport is not self-sufficient and taxpayers are subsidizing the airport.

Roder is still not clear on whether the taxpayers are subsidizing the hangar rent or airport operations. Roder stated that if the \$421,000 hangar reduces the cash reserves to \$128,000 then “are taxpayers subsidizing federal projects or hangar rent, or both?”

Adams said it is all “kind of combined.” There are a lot of old hangars that don’t generate much rent but they have been paid for a long time ago.

Roder questioned whether the airport has discretionary spending that could be used as a cushion though these tough economic conditions.

Bahm stated the City Council was provided with a detailed budget for the airport. Bahm stated the hangar seems to be the big concern for elected officials.

Roder stated the hangar is the “big ticket item” right now. Roder stated the City also has a budget but as the year progresses and the economy changes, items aren’t purchased just because they are in the budget. Roder stated things may need to be modified as the economy changes and that is not unique to Norfolk. Roder said the City is trying to position itself so no layoffs occur. The City is already looking at not filling vacant positions. The City “is taking some pretty drastic steps to weather the storm and the City is being somewhat conservative in conducting business” because it is taxpayer money. Roder stated the City and Airport Authority have the same fiduciary responsibility.

Gates stated the Airport Authority has about \$1,755,000 of capital outlay budgeted with \$1.2 million for federal projects and City staff generally feels the federal projects should be done because of the 95% reimbursement. However, the budget also includes \$506,000 for building and improvements of which \$421,000 was budgeted for the hangar. There is a line item of \$20,000 for unspecified machinery and equipment. Gates questioned whether those funds have been spent.

Bahm only looks at the Airport records every three months and then reconciles the bank account but “nothing was spent for August, September and October.” Bahm stated \$8,500 was spent after October 31.

Adams stated the \$8,500 was spent on a different pickup. Adams stated that in 2002 the airport purchased a new pickup for a snow plow – the cheapest pickup available with a standard transmission and no carpet. The pickup was driven until last winter and then needed to be replaced. The airport had an opportunity to trade the pickup for a 2004 model for \$8,500.

Geary stated the airport requested \$450,000 of tax revenue which included the hangar and the drainage project but the City only approved \$269,000. The Authority thought the drainage project was postponed for several years and on August 11, 2008 the Board decided to fund the hangar project. Geary stated the economy “didn’t quite look the same in August as it does right now.” Geary stated that is why the Airport Authority proceeded with the hangar. Geary questioned what the City wants the Authority to do at this point.

Roder doesn’t have an answer right now to Geary’s question, but Roder has a concern because if the Authority needed the \$459,000 to build the hangar and to maintain the cash reserves then why did the Airport proceed with the hangar project when the Council cut the tax request amount by \$190,000.

Geary stated “projects slip down the line” and it didn’t appear the cash reserve was needed to pay upfront costs for the \$3,000,000 drainage project.

City Attorney Clint Schukei stated the Airport Authority minutes reflect that the hangar bid opening was on October 10, 2008 and there was a special meeting on November 4, 2008 to discuss changing the location of the hangar and to award the bid. The award of bid didn’t happen in August but in November.

Geary stated the day that the Airport Authority moved forward with the hangar project was at the August 11 meeting. The engineer was hired at the November 4 meeting. Geary agrees, however, that “it could have been stopped” before proceeding with the project.

Bahm stated the Airport has already spent \$35,000 on the hangar project.

Roder stated City staff raised concerns in October about whether or not there would be money available for the hangar project without depleting the Airport’s cash reserves. Roder has concerns with the Airport Authority backing the City Council into a property tax increase because the Airport “thinks they owe it to you.” As much as the Council is working to be prudent with property taxes and as much as Roder is charged in keeping City projects prudent, then that responsibility is shared and building a hangar in spite of the lack of revenues is a concern for City staff. A property tax increase just to support the operations of the Airport raises a major concern for the City.

Smejkel stated the Airport is not asking for a property tax increase. Smejkel stated the Airport Authority was told by the City the decreased property taxes would only be for one year and now it has been 3-4 years. Smejkel stated the airport needs to continue to grow. Smejkel stated the airport has a 1930’s defunct building that should be replaced but the Historical Society doesn’t want it torn down. Smejkel feels the airport is the gateway to Norfolk.

Roder stated it appears that on the surface there isn’t any other choice but to raise property taxes for that purpose. Roder questioned whether the City and Airport “can be on the same page” instead of “plowing ahead” in different directions. The City has a 5-year capital improvement plan with additional projects being put together for a 15-year plan. The City also has a lot of projects that should be done which includes a 1930’s vintage City Auditorium used as City offices and it isn’t any better presentation to citizens than the old Airport building.

Fuchtman reminded Smejkel that not everyone flies into Norfolk.

Adams stated the Airport does have long range plans in place as required by the Federal government; however, the projects get pushed back when money isn’t available.

Property/Operations Manager Gary Miller questioned whether the \$35,000 spent on engineering costs for the hangar can be used in the future.

Smith estimates that 75% of the engineering could be used if the project is delayed. Some additional costs would occur because the engineers would need to review the plans to make sure no changes occurred that would impact the design.

Adams stated the contracts have already been signed for the hangar project.

Roder again asked why the Airport proceeded with the hangar project when the Board knew there would be a \$190,000 shortfall at budget time. The money must come from somewhere and if the cash reserves are depleted to the point that it effects operations and paying bills then “it raises a big red flag”.

Geary stated the Airport can “operate just fine” and not go ahead with the drainage project.

Roder questioned again whether the hangar project is more important than the drainage project.

Geary stated the drainage project was delayed until 2011 and that is why the Board decided in August to proceed with the hangar project.

Councilperson Reeder questioned how long it would be before another opportunity occurs for federal funding of the drainage project. Reeder feels the drainage project is necessary.

Geary doesn’t have an answer for Reeder’s question.

Bahm doesn’t feel the project should be postponed when the Airport would only have a net cost of 5% or about \$150,000.

Councilperson Wilson said the Airport would need to come up with \$150,000 for the drainage project and there is a shortfall of about \$190,000 for the hangar or a little over \$340,000 budget shortfall. Wilson stated the City isn’t replacing police officers because of budgetary constraints.

Geary stated the drainage project can be designed in 90 days and the Feds need to know whether the project “is a go” by January 20, 2009. The project needs to then start within six months or by July 2009.

Bahm stated that time line would move the project into the Airport’s next fiscal year. The Airport Authority borrowed some “short term bridge money at the time the fixed base operator (FBO) was bought out and a bond issue was pending.” At that time, the City authorized a levy for that issue in the amount of \$76,000 per year and that amount was supposed to be in addition to the operating budget. However, “the City has seen fit to take that and make that (loan) part of the operating budget.”

Geary stated the Airport rarely borrows funds for projects.

Roder questioned how the 5% match will be repaid for the drainage project. Roder questioned whether that amount would be in addition to the operating budget request.

Bahm stated the Authority would be asking for tax revenue next July to cover that \$150,000 cost for the drainage project. Bahm stated that amount would be in addition to the operating budget request.

Councilperson Van Dyke feels the drainage project should be a priority and the hangar should be put off another year “or whatever it takes” because the Airport doesn’t have “a bird in the hand” for renting the hangar. Van Dyke stated the hangar isn’t going to produce a lot of revenue and the airport “won’t be better off two years from now if the hangar is sitting there.” However, the airport would be better off if the drainage project is completed. Van Dyke stated that if the federal dollars don’t come through for the drainage project the hangar can always be built.

Bahm stated the drainage project is subject to getting the federal dollars. Bahm stated there is always the chance the upfront engineering costs would be lost if the project goes unfunded.

Van Dyke has doubts the federal government has any money to distribute the way the economy is going.

Smejkel feels the priority should be the drainage project; however, the problem is that the Airport “is stuck with the (hangar) project” because the bid has been awarded. Smejkel understands the contractor was going to order the steel before prices increased.

Councilperson Wilson feels the rent amounts for the hangars should be reviewed to cash flow the project so there won’t “be such a budgetary impact.”

Miller questioned whether the Airport Authority should ask the contractor to put the project on hold.

Councilperson Fauss feels the drainage project is necessary. Fauss disagrees with the statement that the cost of steel is continuing to rise because the cost of scrap steel is “about down to nothing.” Fauss feels the Airport Authority may even save money by putting the project on hold. Fauss feels City staff “may need to do a little investigation to find out some answers” and have another meeting after Christmas.

Adams stated there is a possibility that the contractor hasn’t ordered the steel.

Councilperson Coy stated the Stimulus Package “may come around only once” and the drainage project shouldn’t be bypassed.

Adams stated the drainage project may even receive 100% funding.

Roder stated the Stimulus Package includes water, sewer, and infrastructure improvements projects which may be 100% on hard costs. However, the soft costs are not covered. Roder stated “it is a huge opportunity and should be taken advantage of” but Roder has a concern with the Airport locking the City Council into a position to raise property taxes before the next budget even comes around. Roder encouraged all members of the Airport Authority and City Council to discuss issues more often throughout the year. Roder doesn’t feel a mandatory property tax increase is a good idea and that means “someone has made a mistake.”

Geary stated the Airport Authority tax base is within the city limits of Norfolk. No one outside the city limits pays tax for the Airport. However, sales tax is collected on the rate outside the city limits. Geary questioned whether the Airport should be made into a county or regional airport to increase the tax base. Geary reminded staff that the Airport Authority Board is short one member at this time.

Mayor Fuchtmann is aware the Airport Authority is one Board member short but this discussion was good to get better educated on the responsibilities of the Airport Authority.

Geary stated the Airport Authority is organized under the Nebraska State Statutes and the City Council has an Interlocal Agreement (signed in 1989) with the Airport that sets the parameters and duties of the Airport Authority.

Roder has not previously dealt with Airport Authorities. According the Nebraska Statutes, the airport authorities have been in existence since about 1960 and can be eliminated after 20 years or until the debt against the airport is paid off. Roder questioned what happens to the Airport Authority once the debt is paid off.

Geary agreed with Roder's statement but doesn't know what happens once the debt is paid off. However, Geary said, "it acts like the City Council appoints an Airport Authority for a certain bond issue and at the end of those 20 years when it is all paid off there isn't any reason to have the Authority and it goes away."

Schukei stated "no sense can be made from the Nebraska Statutes as it relates to airport authorities today" because: (1) the airport property is owned by the City but operated by the Airport Authority; and (2) the airport, formed in Norfolk (late 1960s early 1970s), was totally different because of the action taken by the Legislation in 2000 when the taxing authority was given to the City Council.

Geary stated the Airport Authority, prior to 2000, had its own taxing authority up to 3 1/2 cents. Geary questioned what happened to the 3 1/2 cents.

Gates stated the Airport Authority became part of the City's 45 cent maximum property tax levy and the Authority must come to the City and request a portion of the 45 cents. Since 2000, the City Council has had the authority to "say yea or nay" to the Authority's property tax request. Gates said it would be a real problem if the City was close to the 45 cent maximum allowed. Gates stated the City has, for the last three years, been trying to coordinate the Airport Authority's budget with the City's budget to keep the property tax from becoming a burden on taxpayers.

Smith stated the real issue is that the City and Airport Authority need a common vision for goals and priorities. Smith stated it appears the Airport has developed a capital improvement program and the Airport Authority Board feels "funding should be given for those projects regardless as to how it messes with the City of Norfolk priorities." However, the tax money for both entities comes from the same number of people. Smith stated the City doesn't "get rid of pickups that are 2002 models and doesn't build a new maintenance building just to house new equipment."

Roder feels everyone agrees that Norfolk should be proud of having the lowest property tax of all 1st class cities in Nebraska. However, everyone also has to be prudent in what the investment is for whether it is for Airport or City infrastructure/facilities needs. Roder feels it is imperative that the City and Airport Authority have a shared vision for the City of Norfolk. Roder also feels it would be a good idea for the City and Airport Authority to have more discussions "as we move forward." Roder stated "we all have priorities and none of us have enough money to accomplish all of those priorities." In response to Smith's comment about the 2002 pickup Roder questioned whether the Airport Authority purchased a 2004 pickup. Roder questioned whether that is the newest vehicle the Airport has in its fleet.

Adams stated the Authority also has a 2008 pickup that was purchased last year.

Geary stated the Authority also replaced a 15-year-old dump truck and purchased a new tractor with a snow blower. Both received the 95% federal reimbursement.

Smith questioned whether the vehicle that the Airport Authority just purchased for \$8,500 is a 2004 model.

Adams replied “yes” to Smith question.

Fire Chief Shane Weidner feels it would be nice to have some of the Airport Authority Board members attend some of the City’s budget review sessions to get a better understanding of the City’s needs.

Adams agrees with Weidner’s suggestion.

Councilperson Fauss suggested the Airport Authority members attend more City meetings to use as a tool to work together.

Miller questioned whether the Airport Authority is going to ask BC Builders to put the hangar project on hold and whether the City and Authority will meet in the near future to discuss sales tax revenues and projections.

Roder understood Gerald Adams was going to check with BC Builders to put the project on hold.

Adams can check with BC Builders but the building may have already been purchased. Adams stated the Airport Authority Board would need to approve any change(s) in the hangar project.

Roder volunteered to go with Adams to discuss the hangar issue with BC Builders and discuss putting the project on hold.

Councilperson Brenneman feels general consensus is that the drainage project should move forward.

Roder stated it will be a moot point if the federal funds don’t come through with the Stimulus Package and everyone will have an answer before July 2009.

Councilperson Fauss feels the City and Authority should “talk prior to the January 20, 2009 deadline”. Fauss feels the drainage project is important especially with 95% of the costs paid for with federal dollars.

Councilperson Lange questioned whether the Airport Authority could be made a department of the City since the taxing authority comes through the City.

Schukei stated there are many places where the Airport Authority has been made part of the City budget such as in Fremont, Hastings, Columbus and Ogallala. Schukei also explained that Chapter 3 of the Nebraska Statutes does not contain the word “bid”. Schukei agrees there aren’t any requirements in Nebraska that an Airport Authority needs to bid anything. By the same token, the only place that would be required is in Chapter 3 wherein the Airport Authority is authorized to create it in bylaws. Schukei reviewed the Airport Authority bylaws and nothing there requires bidding or creating a bidding requirement. Similarly, the City of Norfolk requires that if there is an engineering project where the costs will be assessed back against the property (e.g. water, sewer, streets) then a bidding process must be established. However, nothing in State Statutes requires the City to bid on projects. The only reason the bid is required in Norfolk is because of an ordinance which is a policy statement and not required by State Statutes. Schukei feels the Legislature started the process by creating airport authorities which are separate bodies without any levying authority. Schukei stated the Airport Authority could be disbanded and made a part of the City if the City Council so desires. The airport property is all

City-owned. Statutes also contain a provision wherein all of the assets automatically revert to City ownership if an airport authority ceases to exist. Schukei also stated that if the City paid off the Airport Authority's debt it would cease to exist. Schukei feels the City could eliminate the Airport Authority in much the same way it was created. Schukei stated the Nebraska Legislature has said the City Council is the governing body that determines whether or not the hangar, which is 100% financed by the taxpayers of the City of Norfolk, is a greater priority than a fire truck, police cruisers, city office building, or Memorial Field recreational projects.

Bahm stated "the hangar has the opportunity to make some money and a police cruiser doesn't."

Schukei stated the hangar, at \$900 per side per month, is not a paying proposition and Adams stated the Airport Authority was going to only charge \$300 per side per month. It was also stated that "the hangar will be available if someone wants to use it and other times it was stated it is rented out." The hangar is not a paying proposition at a cost of over \$400,000 with rent of only \$600 per month and the taxpayers are really subsidizing anyone parking a plane in that facility.

Miller questioned whether the City and Airport Authority will meet again to provide follow-up information on the items discussed and take a further look at sales tax receipts.

Mayor Fuchtman stated the City and Airport Authority will meet again as a follow-up to this meeting.

Geary wanted "to put a plug in for having an Airport Authority." The City of Norfolk is better off because of the Airport Authority which consists of five volunteer Board members. Geary feels the Airport Authority can "do things quicker than going through the Council."

Mayor Fuchtman stated no decisions are being made at this time.

Lobbyists

At the request of Councilperson Coy, a discussion was held regarding the City retaining lobbyists.

Roder stated funding for a lobbyist was not included in the budget for FY 2008-2009. The Council said "no" and the contracts terminated. Roder and Fuchtman have been contacted by Paul O'Hara, John Lindsay and Don Wesely who encouraged the City to retain lobbyists on a regular basis. Wesely has joined the firm of Lindsay & O'Hara. Roder stated the League does a good job lobbying on items not specific to Norfolk but can't address items for Norfolk, e.g. Highways 35 and 275.

Councilperson Coy was surprised that Norfolk was no longer affiliated with any lobbyists. Coy doesn't feel "a discussion at the July 15 budget meeting should be the decisive answer to not have lobbyists on board." Coy has questioned why the City needed three lobbyists in the past, especially since Mike Nolan was very active in the Legislature. However, Coy felt retaining Don Wesely is a good idea because of Norfolk Regional Center issues. Coy feels the dynamics of Wesely joining that firm "is different" and Norfolk, now more than ever, needs a lobbyist because: (1) Roder probably won't be as active legislatively as Nolan; (2) there is still a threat of closing the Regional Center; and (3) the Highway 35 project. Coy stated a cost savings was mentioned by O'Hara, and Lindsay with Wesely joining the firm. Coy stated the City previously

paid Wesely \$24,000 to \$25,000 per year and Lindsay & O'Hara \$24,000 to \$25,000 per year or a total around \$49,000. Coy stated the lobbyists now implied the cost may be around \$36,000 per year for the firm. Coy stated Councilpersons Lange and Van Dyke previously felt lobbyists were important to represent Norfolk in the State Legislature and questioned "what changed from December 17, 2007 to July 15, 2008 to not include funding for any lobbyists in the FY 2008-2009 budget." Coy feels it is important to the City of Norfolk to have paid lobbyists on board, especially in light of the fact that Senator Flood is speaker of the house. Coy stated Senator Flood "was very surprised the City had terminated the lobbyist contracts."

Councilperson Van Dyke hadn't thought much about the lobbyists until this discussion but thought the City had continued with Wesely but understands that once the contract expired it was not renewed. However, Van Dyke questions why any amount of money should be spent on lobbyists this year because there isn't much going on in the Legislature, other than routine items, especially in light of the weak economy. Van Dyke stated having Senator Flood is a plus for Norfolk but Flood must work for the State as a whole. Van Dyke feels Norfolk needs to be involved in the Legislature but whether the money should be spent this year or not is the question.

Councilperson Brenneman thought the City was retaining Wesely as a lobbyist. Brenneman also agrees the City has some lobbying representation in the Legislature. The League does provide lobbying efforts on a broad basis but Brenneman feels there should be some lobbying for Norfolk outside the League.

Gates stated the City did not budget any money in FY 2008-2009 for lobbyists.

Councilperson Coy thought Council action was needed to terminate the contracts instead of just "notes from a work session."

Roder stated the contracts were allowed to expire and it would have taken formal Council action to renew the contracts. Roder stated no decision can be made at this meeting, however, there are several options available to the Council: (1) leave the situation alone; or (2) offer a nominal retainer of about \$2,000 to the firm and then pay an hourly wage if an issue arises.

Councilperson Coy stated that if Norfolk pays the retainer and Hastings hires the firm then there would be a conflict of interest.

Roder stated the lobbyists would not be able to work for Hastings if the retainer is accepted.

Mayor Fuchtmann received a phone call from Wesely who asked whether the City was able to negotiate at \$36,000. Fuchtmann stated the amount wasn't "going to be that much" from a previous conversation with Wesely.

Roder distributed a telephone survey completed by staff which asked all first class cities whether or not they retain lobbyists by contract on a regular basis. The only cities that appear to be using lobbyists on a regular basis at this time are Omaha and Lincoln.

Councilperson Fauss left the meeting at 7:27 p.m.

Fuchtmann stated Wesely would like to talk about the issue in further detail and the dollar amount the City wants to spend.

Councilperson Coy “can’t follow the reasoning to go from three lobbyists to zero in three months.” Coy stated elected officials “had a special meeting to give \$5,000 to the Comedy Festival” but nothing is given to lobbying efforts.

Councilperson Van Dyke stated a lot of things, including the economy, have changed in the period of time.

Roder stated the discussion was just to bring the issue up at this time. Roder doesn’t have strong feelings about hiring lobbyists to help get up-to-speed on issues but has never worked in a community that has paid lobbyists. Roder has always worked in communities that used a league of municipalities for that service.

Smith stated the League of Nebraska Municipalities has two paid lobbyists on staff.

Roder left the meeting at 7:29 p.m.

Councilperson Brenneman feels the options discussed are: (1) not hire lobbyists; (2) negotiate with the lobbyists for services; or (3) use a retainer with an hourly basis for payment for specific issues.

Schukei stated lobbyists most generally take the side of the municipality they have worked with or for the longest. Schukei feels it would be logical to inquire as to whether the lobbyists would be interested in providing services on a retainer basis.

Miller feels the retainer may be “a safe bet.”

Councilperson Coy feels it “is a definite advantage to have one of those guys down there” representing the City especially since most of the first class cities are located on the Interstate 80 corridor except for Norfolk.

Councilperson Van Dyke moved, seconded by Councilperson Lange to adjourn the meeting at 7:40 p.m. Roll call: Ayes: Councilpersons Brenneman, Coy, Lange, Reeder, Van Dyke, Wilson and Mayor Fuchtman. Nays: None. Absent: Fauss and Saunders. Motion carried.

Sue Fuchtman
Mayor

ATTEST:

Elizabeth A. Deck
City Clerk

(S E A L)