

FINANCE COMMITTEE MEETING

The Finance Committee of the City of Norfolk, Nebraska met in the City's Conference Room, 309 West Madison Avenue, Norfolk, Nebraska, on Monday, February 11, 2008, beginning at 7:00 a.m.

Mayor Gordon D. Adams called the meeting to order.

Roll call found the following Committee members present: Mayor Gordon Adams and Councilpersons Brenneman, Coy, Fauss, Lange, Reeder, Saunders, Van Dyke and Wilson.
Absent: None.

Staff members present were City Administrator Mike Nolan, Public Works Director Dennis Smith, City Attorney Clint Schukei, City Clerk Beth Deck, Transportation, Building & Grounds Director Jim Koch, Property/Operations Manager Gary Miller, Finance Officer Randy Gates, and Fire Chief Shane Weidner.

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

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.

The first item discussed was the proposed One & Six Year **Street** Improvement Plan 2008-2013. Projects for FY 2008-2009 begin after October 1, 2008. Public Works Director Dennis Smith reviewed the 2008-2009 project numbers (in parenthesis) and planned projects as follows:

- (1) Miscellaneous street maintenance work by contract, \$750,000
- (6) M-451(172) Miscellaneous Residential Paving District, \$30,000
- (8) M-451(151) Hwy 35 between Omaha Avenue and Norfolk Avenue, Norfolk Southeast, STPD-35-3(105), CN, 31442, \$317,352
- (10) M-451(154) Traffic signal at Hwy 81 and Monroe, \$512,500
- (12) M451(159) 25th Street, Benjamin Avenue to US 275, \$285,000
- (16) M-451(179) Hwy 275 and Industrial Road, \$14,100
- (17) M-451(180) Resurface 13th Street from Prospect to Alaska, \$475,000

Councilperson Saunders questioned repair of the intersection at Pine Street and Braasch Avenue.

Smith explained the issue at Pine and Braasch relates to drainage and not street repair. The City can look into removal of ice in the intersection but temperatures aren't warm enough now to melt the snow and ice.

Smith stated project number 8 is a State of Nebraska project with the City providing matching funds. Some property acquisition has occurred to date. The State can approve the Corridor Study after February 12, 2008 which will free funds earmarked for this project.

Smith said the 25th Street reconstruction project will probably begin in 2010. Smith stated the Federal government has “a lot of hoops to jump through” each year. The Federal Highway Administration is now doing more oversight of the Department of Roads, therefore, causing more delays. Smith stated the Environmental Review and the time frame for right-of-way acquisitions has caused some of the delays.

Smith explained project number 16 is a Department of Roads project to improve the intersection on the south leg of Hwy 275/Omaha Avenue and Pine Street Industrial Road which is the access to the Hiland Roberts facility. The Department of Roads is trying to get a larger radius so trucks can turn without getting into the other lane of traffic.

The final project is resurfacing 13th Street from Prospect Avenue to Alaska Avenue. Smith stated this is also a Department of Roads project with the City obligated for a portion of the funding. That section of the road will be milled and a new asphalt overlay installed.

Smith stated a public hearing on the One and Six Year Street Improvement Plan is scheduled for the February 19, 2008 City Council meeting.

The last item discussed was the subcommittee recommendation for **City offices**. A subcommittee consisting of Mayor Adams and Councilpersons Brenneman, Van Dyke, Lange and Fauss met on February 5, 2008 to discuss and winnow down the number of available options for a municipal office building. Fourteen sites were discussed:

- Auditorium (eliminated)
- First Christian Church (keep as option)
- City Council Chambers building (keep as option)
- Salvation Army out lot (keep as option)
- Merle Rix property (eliminated)
- The Kensington (eliminated)
- Villa Inn property (eliminated)
- Fullerton Lumber building (eliminated)
- Rod Kush Furniture building (eliminated)
- Stuart Hansen property (eliminated)
- Maple Park Trailer Court (eliminated)
- Health & Human Services (HHS) building (keep as option)
- Medelman property (eliminated)

City Administrator Mike Nolan explained a set of criteria was established and applied to all of the properties. City staff put together cost estimates, for planning purposes only, for the four remaining options – First Christian Church, City Council Chambers building, Salvation Army out lot and HHS building. However, the numbers probably aren’t accurate for design purposes and an architect will need to be hired to comply with state statute requirements. Staff used \$75.00 per square foot for remodeling and \$150.00 per square foot for new construction. Staff came up with the following cost estimates for city offices only (copies of the estimates are attached to these minutes):

- First Christian Church (North 13th Street) purchase and remodel, \$2,278,800
- Health & Human Services building (6th Street and Braasch Avenue)
purchase and remodel, \$2,179,850
- New City office building (4th Street and Madison Avenue), \$3,115,000

New City office building (Salvation Army site -- 7th Street and Norfolk Avenue), \$3,033,600

Smith explained that the first two options include \$75,000 for aesthetic improvements to the entrances. Smith stated staff hear recurring comments about the need for aesthetic improvements to the front entrance to the City offices.

Nolan explained staff, however, “is not advocating” the entrance improvements as a necessity but the number is included because of criticism received from businesses in the community. Nolan stated staff feel the HHS building is “very functional and the number one choice” for staff. Nolan feels some of retrofitting can be done over time to save money on upfront costs.

Councilperson Reeder questioned whether there is a deadline on responding to the HHS building offer.

Smith understands Pete Becker, owner of the HHS building, requests a decision by the March deadline for executing the First Christian Church property option.

Councilperson Fauss questioned the \$110,000 cost to reconstruct the parking lot at the Salvation Army site.

Smith explained there is a lot of slope from Norfolk Avenue to Braasch Avenue into the northwest corner of that lot. Smith stated the lot will need to be reconstructed to get a building up to the level of Norfolk Avenue to allow drainage around the building as well as aesthetics improvements. Smith stated the City owns a strip about 60 feet wide running east/west and about 350 feet north/south from Braasch Avenue to Norfolk Avenue. There is approximately 50 feet of green space and 10 feet of concrete owned by the City.

Nolan feels that, whether the City Council chooses the Salvation Army or the HHS site, the intersection at 7th Street and Norfolk Avenue should be landscaped in the future. Nolan explained there has been talk about using the property owned by the City for additional parking for the Fire Division.

Councilperson Van Dyke feels that, at this time, elected officials need input from the public prior to moving forward with a decision.

Councilperson Fauss feels the difference between remodeling the church property or the property occupied by HHS “seems to explain itself.” However, “if numbers are somewhat solid, there is only about \$700,000 difference between a new facility and remodeling an existing building.” Fauss feels the two best choices are the HHS building or a new facility.

Councilperson Coy feels that if the Council is going to make a commitment it “should be a long term solution like an 80-100 year solution.” Coy doesn’t feel the church is a good option since it is already 40 years old.

Nolan stated the church property contains 3.5 acres of land, which is a positive. Nolan stated Madison County has the authority to partner with other counties for like services and the church property location may be a good option.

Councilperson Reeder questioned “where are we at with working with the other entities to include them.” Reeder questioned whether the City would benefit from sharing some costs with those entities.

Nolan stated the subcommittee and staff feel that, with everything else that is in the City’s budget, “we want to do this for our offices as a stand-alone.” Nolan stated the biggest problem is that, even if it could be done on a lease/purchase basis, it would fundamentally be amortized with public funds. Staff has consistently advocated to “do this just as cost effective” as possible because there are many other City projects competing for funds including a possible water park or renovation of the current swimming pools.

Councilperson Van Dyke stated the “driver’s license thing” (Madison County project) could be a 2-3 county application process and the church property would be a good location with easy accessibility.

Nolan stated City staff is very willing to help the other groups with debt financing options and planning their own facility, either a modular addition to a building or as part of a campus where “everyone has a stand-alone facility.” Nolan explained several elected officials have stated the desire to have a minimal or no tax increase for a municipal office building. Nolan said, “it’s hard to argue that you can’t efficiently get into a facility like the HHS facility and operate services out of it in a short interval of time without having to incur major amounts of capital and debt service.”

Brenneman questioned the \$20,000 roof repair amount estimate for the First Christian Church building.

Smith explained the roof repair cost is for the flat roof on the educational wing. Smith stated the steeple removal will probably be included in the estimated cost to remodel.

Councilperson Wilson stated that the involvement of other entities would depend on the location of the facility. Wilson stated the HHS building “doesn’t have much room in it for other entities to work with us.” However, if the City is looking at new construction, that option should be kept open. Wilson talked with some general contractors and the contractors stated the book *Construction Building Guide* lists a new construction cost of \$120 per square foot instead of the \$150 per square foot.

Councilperson Lange stated a dollar amount can be taken from a book but the Nucor Detailing Center cost is closer to the \$150.

Nolan stated staff “get beat up all of the time on the second fire station because we didn’t estimate that number correctly.” The Fire Chief got the estimate from a technical fire service publication of recent construction costs and the architect initially accepted the number but later changed the cost estimate. The difference was an additional \$500,000.

Tom Schommer feels the HHS building reconstruction cost estimate is on the low-end but the cost for new construction is on the high-end. Schommer stated a local contractor estimates the cost of reconstruction at 80-85% of new construction costs. Schommer stated the cost for reconstruction should either be raised or the cost for new construction should be lowered. Schommer stated that would then “reduce that gap to a point where it’s not much of a factor.”

Schommer feels “the odds and advantages of working together with local partners should be weighed.”

Nolan feels it is easy for Schommer to make those comments because “you’re not in charge of the budget.” The problem is City staff is trying to do this from a planning standpoint only but the City’s cash competes for other needs, like the Memorial Field projects. Nolan stated there is some control over retrofitting costs but once new construction occurs “there isn’t any real control” over costs. Nolan stated staff has never advocated doing new construction because the City’s budget has a lot of competing uses for capital. Nolan feels “this is a decision on an office arrangement for City staff only and being able to move to a place that is cost effective”.

Schommer stated a retrofit is estimated to cost a little over \$2 million but a new building cost is a little over \$3 million. Schommer thinks the gap could be narrowed by changing the cost estimates for retrofitting and new construction.

Nolan stated the HHS building is workable and would be well within the City’s budget. Nolan stated some of the remodeling is discretionary.

Councilperson Reeder feels City staff should spend as much time on a new building option as has been done on the church facility and the HHS building. Reeder stated “it may not be a good option” but it should be “seriously looked at.”

Smith stated the \$150 contains architectural services in the cost and the \$120 does not include that amount. Smith feels it would be much easier to remodel the HHS building than the church facility.

Finance Officer Randy Gates stated the number for the HHS building only includes money to remodel about one-half of the facility because of the current layout.

Wilson feels the remodel cost estimate for the HHS building is on the high end because a lot of it is already existing offices.

Smith stated the City needs “to get an architect on board” to layout traffic patterns in the HHS building.

Nolan stated there are expansion possibilities with the HHS site and Becker has said “all of the buildings are for sale if the price is right” which would make a good campus concept for the various entities.

Schommer stated Madison County has consistently stated they don’t want a stand-alone facility but they want to work in an environment where there is going to be partners.

Nolan stated Madison County could have as many partners as they like with the other groups. The whole concept of a partnership doesn’t depend on the City offices being part of the solution.

Schommer stated “it’s not dependent on it but it certainly has a large bearing on it.”

Nolan stated some of the partners have not identified cash to be able to participate in such a venture. If some partners don’t have cash then one of the partners fundamentally capitalizes the project, incurs the debt and is the landlord for the other tenants over the lifecycle of the building. Nolan stated “there are some tradeoffs in approaching a concept like that.”

Schommer stated the “City has not identified the cash available for a facility either.” Schommer said the group requested numbers from the City but has not received that information.

Councilperson Van Dyke said the City has the “wherewithal” to get the cash.

Nolan stated the “numbers” were included in the agenda packets and the City “can find the cash to do our project.” Nolan explained City staff understands the City budget “inside and out” and new officials should be trying to understand the budget as well.

Councilperson Reeder questioned the next step on the four options and whether the subcommittee would meet again to further reduce the number of options.

Nolan stated staff can develop more numbers and report back to elected officials to make a decision as soon as possible but definitely prior to expiration of the church option.

Smith stated staff will need some direction at the March 3 City Council meeting to prepare for a public hearing on March 17.

Van Dyke questioned whether staff need to “find out whether the HHS building is even an option” that is still available or whether the state is going to renew the lease.

Councilperson Wilson questioned “whether we are totally writing off working with any other group.” Wilson said those groups need to “provide the City with hard numbers on the options and what they would be willing to pay.”

Schommer stated the group met with the City but “none of the entities can give that answer until we get answers back from the City with respect to what a facility will cost these entities.” Schommer questioned how the partners can consider a budgetary impact if “they don’t have any idea what that might be.” Schommer stated the group has responded in good faith, the request had “nothing to do with the City standing alone on a facility” and the group “asked the City point blank, what the cost will be to these facilities if in fact we partner up and build a shared facility.”

Nolan doesn’t feel the entities should expect the City to do square footage calculations and cost estimates of capital and figure out “within their budgets where the money is coming from.” Nolan stated the City has responded in good faith also and “doesn’t know what else is expected from the City.” Nolan questioned again whether the City is obligated to generate the numbers for the entities.

Councilperson Wilson stated the City has the square footage of the other entities so the City can figure that amount at \$150 per square foot and add to the City’s estimate for a total cost.

Schommer said the group wants to sit down with City officials and have an open discussion about square footage needs, shared common space, etc.

Nolan stated the City has repeatedly provided the numbers to Schommer’s group and has not accurately heard back as to what the partners are contributing.

Councilperson Reeder asked whether, “over the next two weeks, City staff make sure all of the information is together and look at the option of a joint facility.” Reeder said “that may not be the answer” but it may answer some questions. Reeder said, “if it doesn’t work, it doesn’t work” and “with HHS as the best building that is the one to go with.”

Nolan questioned whether Schommer's solution is a 2-story building on the Salvation Army parking lot with everyone partnering.

Schommer said "I have no solution until we have a discussion." Schommer asked to have "a discussion" with the City.

Nolan said the discussion can be held at this Finance Committee meeting and asked "what is Schommer's option, the square footage required by the other entities and the dollars available from the partners."

Schommer said "I'm not answering that without the Shared Work Group unless the City gives us the discussion that we've asked for."

Councilperson Wilson left the meeting at 7:53 p.m.

Schommer stated the numbers "listed on that piece of paper speak for themselves, around 9,000 square feet."

Councilperson Van Dyke stated the Salvation Army parking lot would not be big enough for a shared facility. Van Dyke stated the estimated 27,000 square feet (17,500 for City and 9,000 for partners) isn't accurate because it doesn't include common areas.

Nolan questioned whether Schommer would like the City to develop an option on the Salvation Army parking lot with a 2-story building that accommodates everyone based on Schommer's numbers and the City's.

Schommer isn't "specifically asking about the Salvation Army parking lot."

Mayor Adams stated the 27,000 square feet does not include common areas. Adams stated the square footage amount "needs to be multiplied by 1.8 according to architectural numbers." Therefore, "it gets way out of the range of finances the City has been talking about and the Council is not able, at this point, to make solid plans." Madison County has indicated a willingness to accept whatever "direction the City goes."

Councilperson Fauss suggested a public discussion prior to the public hearing and then "we would know what direction we are going."

Nolan questioned whether Councilperson Fauss wants the City to develop an option on the Salvation Army parking lot for the partners.

Councilperson Fauss feels elected officials need to "do something to appease what they want to do. If they have so many square feet and so many people, they need to say we are paying that kind of rent." The plan can then be figured to include the other agencies and compare that to the HHS building site.

Nolan stated either the Chamber of Commerce or the County could utilize the current City Council Chambers building.

Councilperson Brenneman stated the City is trying to meet its needs and not any additional space for a cooperative effort because by using 10,000 square feet that is "bare bones footage" for City

offices and then using the other entities estimated square footage (about 9,000) it would be a minimum of an additional \$1,200,000 to add to the cost. Brenneman stated elected officials need “to protect ourselves and what we think is most feasible and financially acceptable endeavor.” Brenneman feels the campus concept is the best solution. Brenneman said “we can satisfy our needs and if the other entities want to be incorporated with us they need to take a serious look at the campus concept” so everyone is within close proximity of each other.

Nolan emphasized that one entity has to carry the debt for a combined facility.

Councilperson Fauss feels the City “may make a little money” in 20-30 years if a combined facility is constructed and the bonds paid off. However, Fauss “is not saying that is the answer because a campus concept is a solid one”. Fauss feels elected officials “need to sit down with them” for discussions to eliminate some of the “things being talked about.”

Councilperson Coy questioned whether incorporating at least one or two of the agencies would actually accentuate the City’s services, “things that we use on an ongoing basis and that also gives us flexibility in 30-40 years if the City needs more square footage” which would allow “the City to expand into those areas because the square footage would be paid for” by that time.

Nolan stated Coy’s concept may work if everyone pays their fair share, the relationships are long-term, and the agencies have cash to “put in on the front end.” However, Nolan stated one of the proposed partners is 100% publically funded; the Elkhorn Valley Community Development Agency would probably need to ask for an increase in dues from the City of Norfolk and all of the other entities that participate in that agency to help pay the debt; the Norfolk Area Recruiters (NAR) is “akin to a start-up” and the City doesn’t know whether the group actually “does what it proports except for antidotal information received from Jay Knobbe” and it is questionable whether NAR would be a “long-term player”; the City provides Northeast Nebraska Economic Development District (NENEDD) free rent and most of their revenue comes from “contributions from public entities” and NENEDD doesn’t have levy authority. Nolan said that “when it comes to hypothecating the debt, it is going to have to be somebody, whether by lease or whatever, that gives assurances to the private lender or to the banks that purchase the public debt that it is going to be amoritized and paid back—full faith and credit.” Nolan stated the only entity of the “designated partners” that has the ability to make a commitment on financing is Madison County. The Public Schools could make the same type of commitment. However, the rest of the “partners is a by-guess or by-golly” about how the debt would be paid. Nolan stated the City of Norfolk should not have to finance the other entities. Nolan stated Madison County needs more space than the City of Norfolk and the County has the ability to go with the other entities if desired.

Nolan feels that if the City can pick and choose partners based on capacity to pay for a portion of the costs and similarity of services, there is some feasibility to a partnership. However, the process is more complicated than just “saying let’s have some partners.”

Mayor Adams explained the basic concept that there is some advantage to having the City offices with the other entities is flawed because there is very little interchange with those entities other than the Northeast Nebraska Economic Development District. Mayor practiced medicine in Norfolk for 35 years, developed a clinic on Norfolk Avenue, purchased buildings, paved parking lots, etc. and the only “thing I ever went to the City offices for was to buy a dog license.” Adams said there may be more interaction with the Permits & Codes Division but there isn’t a lot of common traffic between City offices and the proposed partners.

Schommer said “that’s not what is being reported to me by the other entities.” Schommer says the other entities “have the need to interact more closely with city officials whether it be planning, permits, mayor, or whatever.

Nolan stated the concept could be done modularly but “this is an opportunity for the City, either at the church site, the HHS building, or the Salvation Army parking lot and we need to proceed.” Nolan feels the current Council Chambers building would be better served either as a facility for an entity that needs 4,800 square feet of space with them doing the retrofits or additional parking.”

Councilperson Reeder would like elected officials “to take a serious look at the group effort just so we know.”

Councilperson Saunders left the meeting at 8:03 p.m.

Nolan doesn’t feel the square footage assessment provided by Schommer’s group for at least one of the entities, NENEDD, is accurate. City staff can come up with “our best assessment of the cost” for a share facility and provide the information to elected officials.

Mayor Adams suggested having a Finance Committee meeting with all of the other entities (proposed partners) to come to a resolution. Adams stated elected officials “need to get together and make a decision.” Adams stated Schommer’s group “needs to tell your story” and then the City Council makes a decision.

Councilperson Reeder feels elected officials need to look at floor plans, etc. and that takes time.

Adams stated that if the building is going to be developed as a combined project, it will take a couple of years. Adams stated the first thing needed, at that point, is for the group to get “some money” and hire an architect to get a professional opinion.

Nolan stated staff constantly “gets beat up because our tax levy is so low and the reason it has been so low for generations is because elected officials want it low. You have the wherewithal to raise taxes any time you wish but the message staff received from a majority of elected officials at the last budget is that there should not be a tax increase.” Nolan stated “there’s no way you will be able to do a combined facility without this being a huge number which will require a huge tax increase.” An additional 20,000 square feet on top of what the City needs in square footage is a huge impact on the cost of the project.

Councilperson Van Dyke moved, seconded by Councilperson Fauss to adjourn the meeting at 8:07 a.m. Roll call: Ayes: Council members Brenneman, Coy, Fauss, Lange, Reeder, Van Dyke and Mayor Adams. Nays: None. Absent: Saunders and Wilson. Motion carried.

Elizabeth A. Deck
City Clerk