

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 Friday, February 22, 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 (7:10 a.m.), Reeder, Saunders, and Van Dyke. Absent: Wilson.

Staff members present were City Administrator Mike Nolan, Public Works Director Dennis Smith, City Clerk Beth Deck, Administrative Secretary Bethene Hoff, Transportation, Building & Grounds Director Jim Koch, Parks Superintendent Pat Mrsny, Wastewater Plant Superintendent Todd Boling, Water & Sewer Director Dennis Watts, Information Systems Manager Jim McKenzie, Prevention Manager Scott Cordes, Finance Officer Randy Gates, Library Director Ted Smith, Housing Director Sheila Miller, Property/Operations Manager Gary Miller, Fire Chief Shane Weidner, Solid Waste Manager Gary Lund, Police Captain Steve Hecker, Police Division personnel Trish Hanis, Don Miller, John Geary and Fire Division personnel John Reding, Jerry Thompson, Steve Bettendorf, Tim Wragge, Landon Grothe, and Mike Anderson.

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

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.

Mayor Adams stated the purpose of the meeting was to discuss and objectify with agency partners desiring to **office** with the City of **Norfolk** square footages needs and leased square footage costs.

Finance Officer Randy Gates provided information of a cost comparison for a combined City/Partners Building on the Salvation Army site compared to the City-only in the Health & Human Services Building. The cost comparison of two different options was included in the agenda packet. One option is the current HHS building and the other is partnering with various agencies on the Salvation Army site. Project cost estimates \$5,795,600 for a 2-story shared facility with partners on the Salvation Army site with parking on the old Kentucky Fried Chicken lot across the street and \$2,179,850 without partners (City-only facility). Representatives from the Shared Facilities Group (SFG) indicated to Gates a willingness to pay an annual lease rate per square foot of \$12.00 - \$14.00. Gates assumed a rate of \$13.00 per square foot for the comparison which comes to an annual lease cost to the SFG of \$151,593. The annual lease payment on the \$5.8 million is \$435,181 depending on interest rates. Gates used an interest rate

of 4.23% for the comparison. Therefore, the annual net cost to the City would be \$283,588 for a shared facility compared to \$163,681 for the HHS building. The difference of \$119,907 would be an additional annual cost to the City of Norfolk with a shared facility or an additional cost to the City of almost \$2.4 million over the 20-year life of the lease/purchase. Gates said, “even if the partners continue paying the \$151,593 lease revenue, it would take almost 16 years to get that paid back and that doesn’t take into account the time value of money.” Gates stated the annual lease rate for the partners would need to be \$23.28 per square foot before the City would break even over the 20-year period where the lease revenue would offset the extra debt service from the \$2.2 million to the \$5.8 million cost.

Councilperson Reeder questioned whether a bigger facility can be more cost effective.

Gates stated there is some cost savings in constructing a 2-story facility but there are also additional costs such as for an elevator; therefore, the difference would be “about a wash.”

Public Works Director Dennis Smith explained the \$150 square foot cost estimate is based on information from Councilperson Jim Lange on a 40,000 square foot building bid in the fall of 2007. Smith stated the cost did not include the roofing or sheet deck because they were supplied by the owner. Smith stated the \$150 is a good number and may even be light because Lange indicates the cost of structural steel has increased 15% since January 2008 and that is consistent with the Department of Roads 11% annual increase in construction costs.

Councilperson Reeder feels “it is somewhat hypocritical” for the City to spend \$60,000 on a landscape study when “this is a huge decision and maybe needs some kind of a study.” Reeder feels the City needs to hire an architect for the City facility.

Councilperson Coy stated the “\$150 number has been thrown around quite a bit” but other contractors in Norfolk “are considerably lower” and that variable can make a big difference on the bottom line.

Smith questioned whether Coy is comparing construction costs or total costs. Smith stated \$15 per square foot needs to be allowed for architecture fees and the \$150 includes that cost.

Councilperson Coy feels there are other resources in Norfolk that “are willing to give us information and there’s no reason why we can’t compare.”

City Administrator Mike Nolan stated, “the reality is there are a lot of numbers floating around but the City has been consistent with the numbers used and based the comparison on objective criteria.”

Smith stated the \$150 used by the City is based on a project that was actually bid and not a “rough square foot cost”.

Councilperson Van Dyke feels it is a waste of time to talk about the square foot cost because it will be a lot of money no matter what. Van Dyke feels elected officials need to get past other major issues including whether to renovate a building or new construction.

Nolan distributed a “list of questions that need to be addressed”, including the following:

- Co-location only makes sense if it is less expensive for the City versus other options;
- Why should the City pay for all meeting space, restrooms and mechanical?

Reduces convenience for citizens;
Co-located facility costs the City \$2,398,140 more over 20 years;
Lost opportunity costs of any facility (50% more for a new facility); an extra million dollars on office facilities is a million dollars that cannot be spent on any other pressing need of the City;
Being a landlord has costs;
Should the City be a landlord?
What is the nexus between probation and economic development?
Parking ease for citizens?
Any facility new or used, co-located or separate requires tax increase. Why not minimize cost?
Wouldn't it be less expensive for the City to buy used and sell the Council Chambers for probation or Chamber office?
Why don't the partners build together themselves?

Nolan said the issue can't be about "warehousing people". Nolan is concerned the issue is being looked at that "success is going to be defined by having all of the entities in one place at the same time and there will somehow be a magical result that will be beneficial to the community."

Tim Wragge, Fire Division, addressed concerns that the City finances are not adequate enough to fund public safety.

Sgt. Don Miller, Police Division, reiterated concerns about the lack of City finances to fund personnel and equipment for public safety.

Mayor Adams stated elected officials concede that all City Departments/Divisions have budgetary constraints and, therefore, Adams requested citizens wanting to discuss co-location with the City address the issue on the agenda.

Lora Young, Director of the Madison County Convention and Visitors Bureau, stated the City has spoken for years about consensus democracy and the future; however, nothing has come to fruition and the City is run by dictatorship. Young doesn't feel Norfolk citizens "should be proud of the lowest tax rate in the State of Nebraska." Young feels the facility should be a joint facility with other entities. Young said Madison County doesn't have "appropriate means for tourism" and "this opportunity to have a joint facility could be something that other cities could look up to and appreciate."

Dan Mauk, Norfolk Area Chamber of Commerce, stated most of the "partner agencies" (SCORE, NAR, EVEDC, and Convention & Visitors Bureau) are currently located in the Chamber offices and the current building is 2,200 square feet. The proposed space for the partners was increased by 60% for discussion purposes. Mauk stated "nobody has asked to be subsidized" by the City of Norfolk but only "to have an honest discussion with independent professional advice" to decide "can we make this happen and does this make sense to the City of Norfolk and all of the agencies that we are talking about. Is this a smart thing to do?" Mauk said "this is a discussion to find out if this makes sense." Mauk wants to sit down and "have the premise be not how can't we do this or how I won't let this happen but how could we do this if it makes sense that we should be working together."

Mayor Adams stated "that is the purpose of today's meeting."

Nolan explained the assumption has been that the newspaper would report both sides of the story but that is not what has happened.

Mayor Adams reiterated that the City has a 90-day option on the First Christian Church property and elected officials need to make a decision. Adams stated, "correct decisions in real estate many times need to be made on the fast track."

Webb McNally, Western Office Products Plus, doesn't feel the City needs to pay back \$365,000 to the Vehicle Parking District for the property located on West Madison Avenue since the City manages those funds. McNally feels the City should construct a new building on the property located at 309 West Madison Avenue since "the City owns everything there from 3rd Street to 4th Street" and "there would be no need to raise taxes." McNally doesn't feel the City will need to spend \$60,000 to purchase the Founders building. McNally stated the Salvation Army lot "is too expensive" and the railroad crossing "is formidable" at that site. McNally feels a campus concept is good and should be considered through a committee of the Council and not City staff.

Councilperson Van Dyke questioned whether McNally would be willing to use the taxes generated by the Vehicle Parking District to upgrade the Ta-Ha-Zouka Park facilities.

McNally said "ok" to Van Dyke's question.

Public Works Director Dennis Smith stated the City of Norfolk doesn't own the Founders Club and could not take funds from the Vehicle Parking District and spend them outside that taxing district. Smith feels the District would expect the City to reimburse it for the property especially in light of the fact that the Vehicle Parking District has requested more funding from the City for the Norfolk Avenue streetscape project and now the City is paying 1/3 the cost of the sidewalks and 1/2 the cost of the island work.

Gates explained the \$365,000 spent by the Vehicle Parking District goes back to the 1970s and are real costs associated with purchasing property for the District.

Sue Fuchtman, mayoral candidate, feels one of the main questions to be decided is whether or not to share a facility with other entities. Fuchtman stated elected officials should listen to citizens first and then make decisions. Fuchtman suggested a neighborhood meeting "bringing forward all of the information".

R.J. Baker, EVEDC, stated one of the questions asked has been "how does this affect our budgets" if the agencies become part of the project. Baker feels the space needs of the agency partners "are slightly inflated" for budgeting purposes. Baker stated the annual lease amount for the NAR, SCORE and EVEDC would save \$1,860 per year if the City partners with the other entities.

Pete Becker, representing Zodiac Properties which owns the HHS building, explained that lease arrangement. Becker stated the HHS lease expired January 1, 2008, and Zodiac never heard anything about a new lease. Therefore, Becker contacted the City about selling the property under two ground rules: (1) Zodiac would be the ones to tell HHS that the City was going to look at the facility; and (2) under no circumstances would HHS be tossed out of the building with less than 18-24 months notice. Since then, issues in Lincoln (home office for HHS) have been resolved and a new lease with a 180-day out clause has been forwarded to HHS in Lincoln. However, Becker has not received a signed lease back. Becker feels build-out costs at the HHS

building for the City would be less than \$300,000 based on remodeling 6,000 square feet or approximately \$55-\$60 per square foot. Becker said reconstruction costs vary and the City has done a quick, reasonable calculation of build-out costs based on 8,750 square feet at \$75 per square foot, but Becker broke it down further to come up with a more realistic number.

Councilperson Van Dyke appreciated the clarification about the HHS building and stated “this is a good example of how these things need to be done in a proprietary way so people don’t get hurt.”

Nolan feels the cost of a building, after adding architectural costs and final costs, would “be somewhere between both numbers.” Nolan questioned Becker as to whether the cost of the building and build-outs for the HHS building is a total of \$1.7 million for the City. Nolan questioned whether the total cost would be less than the amount calculated by the City.

Becker replied “yes” to Nolan’s questions.

Councilperson Fauss questioned whether Becker said “it would cost \$1.4 million dollars to buy the property and approximately \$300,000 to remodel it so we’re sitting at about \$1.7 million.” Fauss questioned whether there is “any deadline to this offer.”

Becker replied, “that is pretty close,” to Fauss’ question. Becker stated “this can’t go on indefinitely but the number could be good for a little while” especially since Zodiac has not received a signed lease back from HHS.

Tom Higginbotham, NENEDD, stated the District’s square footage numbers are reasonable and the shared facility concept is something the District’s Board would consider if that is the route taken by the City. Higginbotham said it is not the intention of the District to direct elected officials in a decision about a facility and if it doesn’t work “then that’s ok.”

Councilperson Van Dyke will not support a shared facility concept unless a “bond issue is set up and the public decides whether they want this kind of building and who should be in the building.”

Nolan stated the proposed partners can use the campus concept on the Salvation Army parking lot. Nolan stated Madison County can partner with the entities and “do the lease.” Nolan stated parking on the Salvation Army lot is inadequate. Nolan said people are making “an awful lot of “what if” assumptions” regarding the Salvation Army parking lot site and a lot of money would need to be spent to find out if the assumptions are correct. Nolan stated elected officials also need “to deal with the Memorial Park issue” which needs to go on the ballot.

Fauss stated the City has major expenditures coming up for parks and recreation. However, Fauss agrees a City building is very important and citizens need to be proud of a facility. Fauss said “it is an embarrassment when citizens go to the city offices and have to go up into the attic to talk to” Engineering staff. Fauss feels a study of the issue would help and that more dialogue “with all of these entities” is necessary prior to making a decision.

Councilperson Coy feels “the City should do a space needs study with a 100 year decision”. Coy has been told the cost of a study would be approximately \$5,000 to \$6,000. Coy feels the “church property should be eliminated” and “it is important to have a shared facility.” Coy stated maintenance costs should be lower for the City in a shared facility. Coy stated the 1985

study “was for a shared facility.” Coy also feels electronic storage would mean less storage space needed for City records and that 8,000 square feet (approximate area of current Administration offices) can be better utilized in a new facility than the current building.

Councilperson Van Dyke feels City staff know what space is required.

Mayor Adams stated the space needs study was completed with the same number of employees as currently work in the Auditorium.

Smith explained the 1985 study had additional people related to the court system and judges. However, the square feet used for City staff were the highlighted areas of the study only. The court system and judges square footage needs were not included in the 17,500 square feet for City office needs.

Mayor explained that electronic storage is currently not recognized as a medium for long-term storage of records in the State of Nebraska.

Councilperson Saunders said elected officials need to move ahead on this issue.

Councilperson Fauss feels elected officials need more dialogue with the proposed partners and questioned what the next step is in the process.

Mayor Adams stated elected officials need to make a decision on the First Christian Church option and whether or not to partner with the other entities or go alone with a City-only facility. Adams said any discussion on this issue needs to be made in public session. Adams stated a decision on a shared facility needs to involve a professional architect and a lot more public input would be needed.

Councilperson Fauss suggested elected officials decide on the church property at a March City Council meeting and meet again with the Shared Facilities Group in April.

Nolan stated the Norfolk Daily News requested discussions of this issue be in public session.

Councilperson Coy feels “we need to sit down with a cup of coffee and trade some ideas.”

Councilperson Brenneman feels elected officials need to decide on the following: (1) need for a facility; (2) location; (3) affordability and whether it would be a joint facility; (4) financing; (5) urgency of the issue would be, at this time, the increased costs of construction and materials; (6) exercise or dismiss the First Christian Church property option. Brenneman agrees with the need for an architect to provide an opinion on the City’s needs and facility design.

Councilperson Lange stated the current City offices are inadequate and have been for over 30 years. Lange stated the former and present City Councils have “been doing a disservice to the citizenry by not addressing the offices, for whatever reason.” Lange is embarrassed with the City of Norfolk having the lowest tax rate in Nebraska. Lange feels two items need to be decided fairly soon: (1) whether or not to exercise the church property option; and (2) whether or not co-habiting in the same facility or a campus situation is the goal of elected officials. Lange has concerns with cohabitation because the proposed entities are “more commercial than civic”. Lange feels the Shared Facilities Group entities should be located in a separate facility than the City. Lange “stands behind the construction numbers” and elected officials need to keep moving forward on this issue. Lange feels any construction is “at least one year down the road.”

Councilperson Reeder feels an important piece of information is a list of the partners that would want to work with the City on a shared facility. Reeder said elected officials then need to decide “whether we want to be under one roof or not.” Reeder agrees that a “study on this issue is important.”

Councilperson Van Dyke moved, seconded by Councilperson Fauss to adjourn the meeting at 8:30 a.m. Roll call: Ayes: Council members Brenneman, Coy, Fauss, Lange, Reeder, Saunders, Van Dyke, and Mayor Adams. Nays: None. Absent: Wilson. Motion carried.

Elizabeth A. Deck
City Clerk