

WORK SESSION Retreat

The Mayor, City Council and City staff of the City of Norfolk, Nebraska met on Saturday, February 25, 2017 beginning at 9:00 a.m. in the Training Room, 309 N 5th Street, Norfolk, Nebraska 68701.

Mayor Josh Moenning called the meeting to order.

The following elected officials were present: Mayor Josh Moenning and Councilmembers Shane Clausen, Dave Fauss, Corey Granquist, Gary Jackson, Jim Lange, Rob Merrill, Thad Murren, and Dick Pfeil. Absent: None.

Staff members present were City Administrator Shane Weidner, City Attorney Clint Schukei, Public Works Director Dennis Smith, City Clerk Beth Deck, Finance Officer Randy Gates, Human Resources Director Sheila Schukei, Communications Director Diane Becker, Risk Manager Lyle Lutt, Clint Schukei, Sheila Schukei, City Planner Val Grimes, City Engineer John Heine, Economic Development Director Andy Colvin, Library Director Jessica Chamberlain, Fire Chief Scott Cordes, Information Systems Manager Jim McKenzie, and Police Chief Bill Mizner.

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 accessible to members of the public.

Mayor Moenning, City Council members and City Administrator Weidner discussed projects/developments in the City of Norfolk.

Strategic Planning

Weidner explained staff combined comprehensive plan goals and vision statements in the Strategic Plan for a more complete document, which will be included in the budget. Goals accomplished during the past year include: installation of 8-inch natural gas line to Norfolk; review of City Code regarding telecommunications and aerial locations; sewer south of the river; sewer design for expansion to Nucor and northeast industrial area; sewer to OCT property; lobbying efforts to place Highway 275 in 2nd 10-year phase of Build Nebraska Act, or sooner; Assess potential retail development sites; evaluate areas in west and southwest Norfolk for possible annexation study; conduct blighted and substandard study; housing study (completed by Hanna Keenan); apply for grant for Omaha Avenue trail project and received \$250,000; in-kind donations, i.e. recreation property west of YMCA and potential funding for community betterment; turn lane by NECC; 37th Street round-a-bout; succession planning for manager positions; create checklist of ongoing city projects; market the fact the City is working to improve dilapidated properties; Elkhorn River Railroad Embankment Stabilization funding plan and interlocal agreement.

Moenning asked about the timeline for the Omaha Avenue trail project.

Smith explained the Federal Highway Administration is auditing Game & Parks Commission projects in March so the trail won't start until the audit is complete. City staff will then need to meet with Game & Parks staff, put out a Request for Proposals for engineering services, do an environmental review and obtain railroad right-of-way before the project can move forward.

Sheila Schukei updated elected officials on Embrace Park to be located west of the YMCA. A citizens group has raised a lot of funding for the park, and City engineering staff is working with the group to lay out design of the project. The group hopes to have the playground equipment done this summer and bids will be let for the splash pad project as soon as possible.

Weidner said the Tree Board is an active group and would like to leverage dollars to fund tree/landscaping projects throughout the City. Weidner is proposing to put \$10,000 to \$20,000 in the Level IV Park Division budget to leverage projects for the Tree Board. When asked about a tree nursery, Weidner explained Park Division staff is very busy throughout the summer and probably can't take on any more projects; a tree nursery would probably require staff to have some horticultural experience as well.

Moenning wants to be sure the Library expansion project includes trees and landscaping and would like, if possible, to replant the same number of trees that are being removed.

Chamberlain stated the Library project bids came in higher than anticipated and City staff reviewed a list of value engineering items for possible elimination to reduce the cost of the project to the estimated construction cost. The value engineered items are: remove humidification system, \$23,480; insulated PVC in lieu of cash iron soil piping – above grade, \$66,875; PVC in lieu of cash iron soil piping – below grade, \$13,715; change wood ceiling to 4x4 ACT- Armstrong, Optima Vector #3909, \$82,500; change APC-1, APC-2 and APC-3 grid system from Armstrong Sonata to Armstrong 9/16 Suprafine, \$55,000; eliminate spare parts for light fixtures, \$10,000; and change Petcon reveals to a vinyl Trimtex reveal, \$10,500 for total deductions of \$262,070. The total project will be \$8,702,800 which includes construction costs, architectural fees & testing, Information Systems and audio/visual & security, furnishings and shelving moving and storage and a 3/5% construction contingency. Sales tax receipts are averaging \$221,000/month or about \$7,956,000 over the 36 month period of collecting the additional sales tax. The City received a grant of \$750,000 for the library project so total source of funds will be \$8,706,000. Chamberlain said new trees and sidewalk will go all the way around the building.

Smith stated one of the bid alternates recommended for acceptance is an enhanced landscaping plan.

Merrill moved, seconded by Fauss to approve the proposed list of value engineering item deductions as discussed and place award of contract on the March 6, 2017 City Council meeting agenda for formal consideration. Roll call: All Ayes. Nays: None. Motion carried.

Financial Plan

Finance Director Randy Gates reviewed Council Priority funds, which annually generates \$400,000 from property taxes. Ongoing expenses paid with council priority funds, at this time,

are administration building debt service, park personnel and economic development personnel costs. There is approximately \$113,000 per year to spend on other items/projects.

Moenning has concerns with the continued year-to-year obligations, e.g. park personnel salaries, being aid with council priority dollars.

Weidner explained Keno revenues previously funded additional park personnel. However, per state statutes, Keno revenue must be used for community betterment. Keno dollars are more flexible than tax dollars and that is why elected officials made the decision to use council priority dollars to pay for park personnel. Property taxes will need to be raised to pay for the current ongoing expenditures if elected officials redirect use of council priority dollars.

Smith explained the use of council priority dollars help with unexpected projects that arise throughout the year, such as the Library emergency air conditioner replacement and debt service on the administration building, without adverse tax consequences.

Clausen would like to have further discussion about the \$113,000 of uncommitted council priority dollars. Clausen feels park personnel needs another funding source.

Keno

Gates reviewed the Keno projections spreadsheet with elected officials and said staff try to maintain a balance of \$500,000 in the fund. However, Keno receipts have steadily decreased since 2015. Gates said the City's sales tax revenue is flat and NPPD revenue is stagnant; and those the two major revenue sources for the City. Revenue from Amazon Internet sales tax collection should help but the City won't see any collection amounts until March 1, 2017. Gates said revenue sources aren't growing and if nothing changes, the City will need to increase property taxes every year going forward and in ten years the City will be at 43 cents.

Clausen would like a breakdown of Keno projects revenue showing only committed projects "in case another big company wants to locate in Norfolk."

Smith explained staff look at the capital improvement program in conjunction with Keno dollars.

Moenning said City staff and elected officials will need to plan to have discussions with NPPD as the contract lease expiration gets closer.

General Fund Balance Adequacy

Gates reviewed the General Fund Balance Adequacy with elected officials. GFOA suggests a minimum of unrestricted cash reserves of 16% of expenditures. The City has made progress since a 9% reserve in 2012 to an 11% reserve in 2016. However, the fund balance is low in comparison with other municipalities and other governmental entities.

Staff left at 11:30 a.m.

Fauss left the meeting at 11:30 a.m.

Strategic Planning/Goal Setting Discussion

Moenning distributed a list of discussion items and would like to “drill down on priorities and create an action plan with accountability” with determining designation of remaining council priority dollars and any other general projects for the next twelve months.

Merrill would like further discussion on options for infrastructure financing for both industrial and residential development.

Weidner said there is no real creative way to finance improvement projects because either utility rates, property taxes must be raised or the project is paid for through special assessments to the benefiting property owners. Weidner said projects were identified over the past years with utility funds investing in utility mains, lift stations, etc. Utility revenue is received by increased costs to citizens. If a utility serves the community as a whole, then the community helps pay for the project. However, if a project directly benefits certain citizens/customers then they pay a special assessment for the improvements. Another possible way to help finance a project is with utility connection fees. However, elected officials would need to decide what a connection fee is based on, e.g. percentage of the project. Elected officials would then have to force citizens to connect to the City’s utilities when their septic systems fail. Some property owner will have huge costs because of the size of their properties/lots.

Moenning understands the City of Norfolk has relied on special assessments for infrastructure improvements and “there is some fairness with that.” However, Moenning would like more discussion on use of utility revenues and/or connection fees for infrastructure improvement projects.

Murren suggested the City finance special assessment districts with an increase “of something in the fee” and less “in special assessments costs.”

Lange feels citizens need to be educated on how the special assessment process works.

Merrill questioned whether the City has a responsibility to “pick up some of the tab” for infrastructure improvement projects. Merrill thinks property owners should have the option “to pay up front or with a connection fee later.”

Weidner said the City already does pay for intersection costs for infrastructure projects. A connection fee would be a carrying cost for the City and, as such, taxpayers.

Clausen questioned “what is the fair amount for citizens to carry for growth?” Clausen has heard that a “new house brings in \$30,000 to a community.” There are three different end users with housing development, (1) income producing, (2) household, and (3) developer. Clausen said the City of Fremont assesses the first 100’ of improvements to the property owner, as well as a \$15,000 hookup fee, which would be the cost of a replacement septic system.

Lange said the real problem is the large acre lots and rural residential housing developments that are “coming back to haunt us now.” Lange questioned what amount of feet would be adequate because a person with a 1,000 foot lot could then subdivide. Lange feels “interest, etc. should all be included in a connection fee.”

Moenning would like to have further discussion on this issue in a work session with all City Council members.

Annexation

Moenning feels there may be “value in taking a comprehensive look at the City’s boundaries and challenges/opportunities” associated with annexation, as well as a cost benefit analysis of any possible annexations.

Weidner said City staff reviewed different areas surrounding the City of Norfolk 4-5 years ago and there may be several areas to consider for annexation. The City could hire a consultant to complete an annexation study or City staff can complete a study at the direction of elected officials.

Lange feels annexation is a quality of life issue and provides growth for the City. Lange said the scope of an annexation study should be large enough to create value for the community.

Clausen feels an updated survey needs to be completed to see how annexations would benefit the City.

Murren feels the City needs to hire an unbiased consultant to do an annexation study for the City of Norfolk.

Merrill moved, seconded by Murren to fund a comprehensive annexation study with council priority dollars this fiscal year (2016-2017) by hiring a consultant following staff’s direction as to the scope of the study. All Ayes. Nays: None. Absent: Fauss. Motion carried.

Tax Issues

Weidner stated LB 840 bonds are paid off in 2020. LB 840 was funded with property taxes which produced approximately \$400,000 annually. Additional LB 840 funding would need to go to a vote of the people. The additional sales tax for the Library expansion projects ends in March 2018. Weidner said the Trail Committee has asked about using sales tax for community trail projects. Weidner said inflation eats up any increases in property tax receipts that come from increased property valuations.

Lange said it takes a lot of leg work to educate the community about LB 840 funding and an additional local option sales tax would need a specific project to fund.

Moenning wants elected officials to discuss these options in more detail. Moenning questioned whether property taxes in Norfolk are “where they should be for what is needed?”

Murren feels elected officials need to listen to citizens because some people are “getting tired of funding trails and parks.”

Merrill feels property taxes should be increased but citizens want to know where the money is spent.

Moenning feels it is easier to use an increase in property taxes for general infrastructure, especially street improvements, as a quality of life issue. Moenning feels the model used in budgeting for FY 2016-2017 was good where the City budgets responsibly and then identifies items that need specific funding. Moenning feels elected officials need to “start dedicating more resources for streets and it is important to integrate a public input process in the prioritization” of projects. Moenning would like staff to look at ways to potentially accelerate street improvements through a property tax increase.

Clausen needs to see budget actuals before deciding on a property tax increase. Clausen said property taxes are a small amount of the City’s revenue source and it would “take a large increase to make a difference in the budget.”

Weidner said staff will take a look at “tradeoffs and provide options for a possible tax increase” in the next budget year.

Unpaved Streets

Murren feels elected officials should not make a decision to pave a street based on a small percentage of people who complain about unpaved streets but yet don’t have to pay a special assessment.

Lange said elected officials need to look at the overall community and not necessarily specifically those living on gravel streets. Lange said gravel streets cost more to maintain than paved streets.

Weidner said elected officials can use GAP paving with a 3/4 vote of the Council.

Merrill questioned whether one paving district can be created to pave all gravel streets across the City.

Clausen feels the City should help pay for any GAP paving.

Moenning suggested using council priority dollars, minus the funds for an annexation study. Moenning would like staff to set up a subcommittee to review a list of unpaved streets in the City of Norfolk and possible funding options.

Weidner said staff will develop and prioritize a list of unpaved streets in the City and come up with funding options for review by elected officials.

TIF/Housing

Weidner said Economic Development Director Andy Colvin is working on Tax Increment Funding guidelines.

Moenning would like to have a “process in place for new developers.” Moenning also suggested Economic Development staff send thank you letters to prospective developers and the use of roundtable discussions with developers and builders.

Weidner said staff can work on a “welcoming packet for new developers.”

Clausen agrees with Moenning but said some people that have an idea but “don’t know anything about development just take energy out of the room” and developments change over time. Clausen would “like a model on how to make housing more affordable - \$160,000 - \$180,000 price range. Clausen said the roundtable discussion could focus on suggested ideas from developers and City staff can provide information and guidance.

Murren feels 2-3 elected officials should be involved in the process as well.

Moenning would like a meeting to include the mayor, city administrator and several other elected officials to discuss parameters on housing issues.

Staff Transition Planning

Moenning would like a “clearer picture on the process” for staff transition planning.

Weidner said transition planning is ongoing with the City of Norfolk. Key positions all have transition planning going on to cultivate good talent and invest in good people.

Murren said City staff need to keep up with transition planning and maybe provide training for up to one year with current staff.

Moenning suggested that, as the process evolves, maybe a task force of elected officials can provide input/advise to City staff.

There being no further discussion, the meeting adjourned at 3:03 p.m.

Josh Moenning
Mayor

ATTEST:

Elizabeth A. Deck
City Clerk

(S E A L)