

City Administrator's Report for 2018-19 Budget Workshops

Tuesday, February 6 and Wednesday, February 7, 2018

Special Council Meetings at 5:30 p.m.

Background: This is a summary regarding the Council, Mayor & Administration sections of the budget, as well as some topics that apply throughout the budget cost centers.

This budget contains many positives. The general fund is in good condition, with an estimated projection of cash on hand on June 30, 2018 of approx. \$200,000. In addition, the positives include a property tax levy that is slightly less than the last few years and a continued commitment to street improvements – with no additional bonding. For reference, budget summaries from 3 and 5 years ago are included in your budget books.

The rainclouds include rising health insurance costs, the State of Iowa's budget issues (which could affect the "backfill" dollars), a negative balance in the FEMA Flood buyout program and the costs for the Wilson School demolition vs the limited bond funding. Regarding the FEMA Flood account deficit of \$85,039, this isn't nearly as serious as predicted. Credit for this reduction goes to our State FEMA representative, Dusty Pogones, and Diane Cargin. At one point, we thought it might have up to \$200,000 in unfunded local match. We do not need to find \$85,039 now; similar to the Doherty TIF fund deficit which was resolved last year, this will need to be zeroed out at some point. Options for resolving this will be discussed during the workshops.

During the formation of this budget, I asked the Department Directors to review the City's well written 2011 Comprehensive Plan and apply it accordingly. Paper copies are available upon request. This is linked at: cherokeeiowa.net/comprehensive.

Personnel: Our most important asset is our people. We current have 30 approved full time employees City wide, with no vacant positions. The Library does desire a full-time position for children's librarian, the funding for which is included in this proposed.

Rising health insurance costs are a perennial issue. Below is the summary. On January 10, Rick Angell recommended including a 15% increase for health insurance for January 1, 2019, although

he said this is a guess. It is too soon to know for sure, however, it is safe to say it will be higher.

Year	% change in Health Insurance Premiums
7/1/2010	35.78% increase
7/1/2011	15.42% increase
7/1/2012	-15.55% decrease
7/1/2013	-.69% decrease
12/1/2014	1.11% increase
12/1/2015	1.79% increase
12/1/2016	9% increase
1/1/2018	19.16% increase; 9.71% with MERP Buydown
1/1/2019	Projected 15% increase

The Police Union contract is pending approval. The proposal is for a one-year contract, effective July 1. The City currently pays 97% of the employee’s insurance and 85% of family for Police. The proposal is to change this so the City pays 85% across the board, which would be the same as what was implemented July 1, 2017 for IUOE and non-union. A 3% pay increase for Police employees is included, effective July 1. Therefore, this budget includes 3% for non-union as well. (IUOE is already receiving 3% on July 1, 2018, per the two-year contract adopted in 2017).

Planning & Zoning:

- I recommended an increase in this line item from \$2,900 to \$3,500. This will be used to cover the expenses in updating zoning related ordinances, maps and processing annexation paperwork.

Mayor & Administration, City Council:

- **Technology:** We purchased a laptop for Mayor Schmidt at the end of 2017. We do not anticipate any other major technology expenses in the Mayor & Administration or City Council budgets. Since we do not have a formal IT department and our network is small, the implementation of a simple technology allowance is the easiest path – IE \$50 a month. Last year we discussed the idea of a technology allowance or purchasing machines for the Council. Neither is included in the budget, however, both are common in other cities.

- **Travel & Training:** Increases are included in the travel and training line items for both Mayor & Administration, and City Council. It's important for Cherokee that we be involved more in the Iowa League of Cities. The League's annual conference is in Council Bluffs in August, and it would be good if at least one Council member and the Mayor attended. Also beneficial are the monthly NW Iowa League meetings, which cost \$15 each to attend and are well worth the expense. I do plan on attending the national International City Management Association Conference in Baltimore this fall. I will seek a stipend or scholarship from the Iowa League as I have done for the last two conferences. I appreciate your support for me to attend these trainings; it has been excellent professional development.

City Hall:

- The budget includes a reduction in expenses for line 6310 – Repair Maintenance of Buildings, and adds approximately \$6,800 for the installation of a central station smoke alarm system at City Hall. The current alarm system will just beep and won't dial for help. Given the isolated nature of City Hall and the importance of our 148 years' worth of files, this is a worthwhile investment to consider.

Overall Budget process:

- Mayor Schmidt and all Council members submitted their vision and priorities for the budget, and is included in your binders.
- The Directors presented their budgets to the other Directors starting January 10; this allowed for great dialog on the budget.
- The Legislature is in session, and a concern for Iowa's local governments are the "backfill" dollars. We are projected to receive \$65,522 in FY17-18. This is a significant amount for us. This is not a subsidy of the City by State Government. This was a commitment to reduce commercial and industrial taxes in Iowa and partially replaces money we otherwise would have received. Cities like Waukee and Ankeny are growing faster than average, which provides fuel for the argument to reduce the allocations. We appreciate the support of our local legislators Sen Randy Feenstra and Rep Dan Huseman on this important issue. This budget proposal assumes 90% of our backfill for the FY18-19 budget; we are hoping we will receive 100%, although it is wise for us to prepare for a possible cut.

Cherokee Backfill \$'s	2017-18	2017-18	2016-17	2016-17	2015-16	2015-16	2014-15	2014-15
LEVY	LEVY	AMOUNT OF	LEVY	AMOUNT OF	LEVY	AMOUNT OF	LEVY	AMOUNT OF
TYPE	RATE	BACKFILL	RATE	BACKFILL	RATE	BACKFILL	RATE	BACKFILL
REGULAR GENERAL	\$8.10	\$ 32,878	\$8.10	\$ 32,155	\$8.10	\$ 40,655	\$8.10	\$ 20,400
NON-VOTED & VOTED GENERAL	\$0.84	\$ 3,429	\$0.81	\$ 3,211	\$0.85	\$ 4,291	\$0.81	\$ 2,034
EMERGENCY	\$0.27	\$ 1,096	\$0.27	\$ 1,072	\$0.27	\$ 1,355	\$0.27	\$ 680
EMPLOYEE BENEFITS	\$4.83	\$ 19,623	\$4.44	\$ 17,621	\$3.99	\$ 20,017	\$3.78	\$ 9,532
DEBT SERVICE	\$2.09	\$ 8,497	\$2.53	\$ 10,046	\$2.79	\$ 13,996	\$4.69	\$ 11,817
Totals	\$16.14	\$65,522	\$16.15	\$64,104	\$16.00	\$80,314	\$17.65	\$44,462

Source: <https://dom.iowa.gov/document/commercial-industrial-replacement-payments>

- Currently, the Hotel/Motel tax provides \$70,000 annually for swimming pool operations, and \$25,000 for the Façade project. The latter is a three year commitment ('15-'16, '16-'17 and '17-'18). The Hotel/Motel Tax Advisory Board desires to utilize more of these monies for promotion and community enhancements. Beyond this \$25,000, there isn't much liquidity in the fund unless the Council desires to reduce the amount being used for swimming pool operations. The recommendation in this budget is to dedicate the \$25,000 freed up from the façade project for the efforts of the Hotel/Motel Tax Advisory Board. This is in addition to the \$5,000 for the Chamber of Commerce as part of the recently adopted memorandum of understanding.
- We do have more leeway in the water fund than sewer. In 2014, a five-year water rate schedule was implemented, and the last increase was implemented on January 1, 2018. Over the next year, Armond and I will be working on a proposed rate schedule for your consideration. We plan to avoid an expensive rate study, and will work on something in house.
- Cherokee's budget process allows for enough time to go through the line items during the workshops. It's important for you to hear the unvarnished goals and ideas from each department, including mid to long term priorities. Therefore, I did not do much of changing of the director's budgets, although I did provide guidance.

Sam Koerber