
MINUTE RECORD

PAPILLION CITY COUNCIL BUDGET HEARING MINUTES
TUESDAY, SEPTEMBER 5, 2023 @ 7:30 P.M.

The City Council of the City of Papillion met in open and public session in the City Council Chambers at Papillion City Hall, 122 E Third St, on September 5, 2023, at 7:30 PM. City Clerk Nicole Brown called the roll. Present were Councilmembers Steve Sunde, Tom Mumgaard, Jason Gaines, Jim Glover, Dave Fanslau, Lu Ann Kluch, Bob Stubbe, Steve Engberg, and Mayor David P. Black. Also present were City Administrator Amber Powers, Deputy City Administrator Mark Stursma, Finance Director Nancy Hypse, Recreation Director Tracy Stratman, Parks and Facilities Director Tony Gowan, Police Chief Chris Whitted, City Attorney Nicole Hutter, Planning Director Travis Gibbons, Fire Chief Robb Gottsch, Public Works Director Michael Kleffner, Human Resources Director Carrie Svendsen, Chief Building Official Brad Sojka, Library Director Matt Kovar, and Communications Manager Trent Albers.

Mayor Black led those present in the Pledge of Allegiance.

Affidavit of Publication: Notice of the meeting was given in the Sarpy County Times, the designated method of giving notice. A copy is available in the office of the City Clerk. Incorporated herein by reference as if fully set out herein is the audio and visual recording of the council meeting.

Public announcement that a current copy of the Open Meetings Act is posted in the Council Chambers.

ORDINANCES SECOND READING AND PUBLIC HEARING:

ORD. 2004 – An ordinance to approve the FY2023/2024 Budget – Nancy Hypse – 597-2020.

Mayor Black briefly explained legislation from the State requiring the budget hearing to be held separately from a regularly scheduled Council meeting. He also explained the requirements set by new legislation from the State regarding when a City must participate in an additional public hearing with the County. He then provided a presentation of the FY2023/2024 Budget, which is attached hereto.

Mayor Black opened the public hearing and called for proponents and opponents.

Proponents: None.

Opponent: Edward Weniger, 1709 Ridgeview Dr, expressed concern about the levy within Sarpy County, would like to know when citizens can start seeing some financial relief, and asked whether Papio Bay and the Papillion Landing generate revenue.

No one else came forward and the public hearing was closed.

ADJOURNMENT:

Motion to adjourn by Councilmember Glover, second by Councilmember Engberg. Upon roll call vote, Sunde, Mumgaard, Gaines, Glover, Fanslau, Kluch, Stubbe, and Engberg all voted yes. Voting no: none. Motion passed. Meeting adjourned at 8:02 PM.

CITY OF PAPILLION

DAVID P. BLACK, MAYOR

ATTEST:

NICOLE BROWN, CITY CLERK

(SEAL)

DRAFT



CITY OF PAPIILLION
David P. Black, Mayor

122 East Third Street
Papillion, Nebraska 68046
Phone 402-827-1111
Fax 402-339-0670

August 7, 2023

Papillion City Council Members:

I am pleased to provide you with the proposed budget for fiscal year 2023/2024. The City remains in a healthy position as we continue to face unknowns, including the state's local sales tax incentives and the national economy.

Like last year, I think it is important to see a broader perspective in order to appreciate and understand the importance of our fiscal policies and to understand the proposed budget. This time last year we were in the highest inflationary period since 1981 and the Federal Reserve short-term borrowing rate increases had been the highest in 30 years. Fast forward to now we see the Fed continued to raise rates (11 out of last 12 times) so now the benchmark is the highest rate it has been in 22 years and the Prime Rate is 8.25%, last seen 17 years ago in 2006. Federal Reserve Chairman Powell said with the last increase that they are now not currently predicting a recession this year; however, there is a chance inflation could return. Two budgets ago the unknown was a global pandemic; last budget was a pending recession; and this budget is what is the Fed's response to control inflation and jobs.

Entering the third years of financial unknowns, I want to thank the Council for your foresight, wisdom and planning five years ago to pass the Sales Tax and Use Reserve Fund Policy. Because of this Policy the City will be able to reduce its property tax levy for the third year in a row, despite these rising inflation costs and despite receiving notice from the State that they will start the first of their large project sales tax incentive rebates from the City in December of this year.

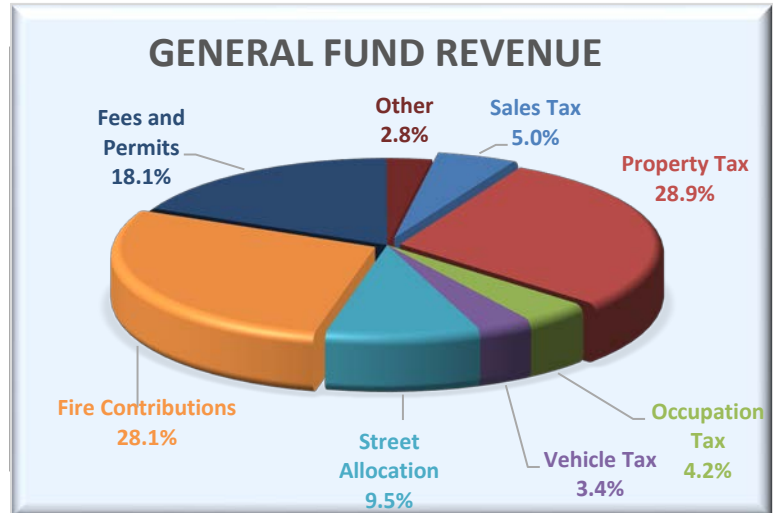
I am happy to share with you that we are able to reduce our Property Tax Levy 7.51% over the current year. Papillion's City levy continues to be the lowest levy of all the communities in both Sarpy and Douglas Counties. Our ability to reduce our levy three years in a row and continue to maintain the lowest levy is due to you Council Members' strong financial planning and fiscal policies over the past decade, the professional staff's management of the City's daily operations, and the community's continued growth.

In order to maintain our sense of community amid continued growth, this year's budget continues the street improvement plan without the use of financing; purchases several community-focused quality of life amenities, hires some additional staff to keep up with the growth, installs and repairs community parking lots, and purchases necessary equipment and vehicles to manage the City's growing boundaries. As with the prior years, the budget does not call for the City to issue any new bonded debt; each department has budgeted approximately a 3% increase to account for an inflation factor; and we continue to be conservative on Sales Tax assumptions.

The budget does plan for the City needing to use planned sales tax reserves to off-set the State’s incentive program where it will begin withholding our portions of our sales tax for pre-approved *ImagiNE Act* rebates. I cannot thank you enough for the support and prior planning that put us in a position to be able to have sales tax withheld while still allowing for us to reduce our tax levy and plan for continued growth into future years. In line with the budget meetings we had, here are the highlights of the FY2023/2024 Budget:

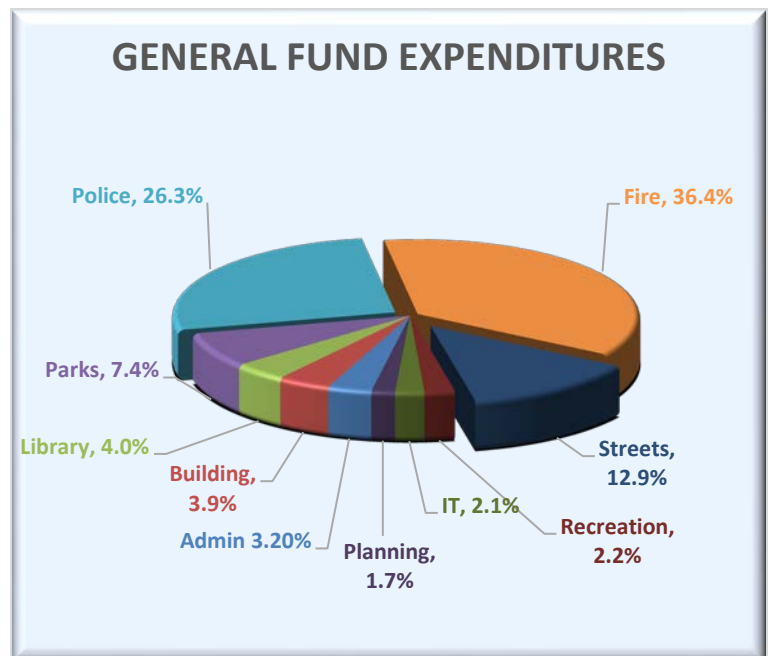
REVENUE

Due to the State’s *ImagiNE Act* incentive program, the use of **Sales Tax Reserves** is our largest source of revenue at 31% of total revenue in the General Fund. We are projecting the use of \$16.1 million in general fund and half-cent sales tax reserves. In addition to the use of the sales tax reserves, we are anticipating receiving \$3.2 million in sales tax from the State, excluding what is being held back for the *ImagiNE Act* incentives, which represents a conservative 4% increase in Sales Tax over last year’s budgeted amount. The **Property Tax** Levy will be reduced by approximately 7.51% compared to last year’s levy, lowering the levy to approximately \$0.40 per \$100 of valuation – again, this continues to be the lowest City levy of all communities in both Sarpy and Douglas County. The preliminary assessed valuation includes one large residential annexation, three industrial development annexations, plus organic growth for a total assessed valuation of approximately \$3.851 billion, which generates \$7.66 million in general fund revenue. Most **other revenues** are projecting conservative increases.



GENERAL FUND

Combined departmental **personnel** costs represent the single largest expense in the General Fund at approximately 71.5% of total expenditures. The proposed budget accounts for wage increases and health insurance benefits consistent with the union agreements the Council recently approved, and a 4% wage increase for management-exempt employees, plus increases for job performance and as necessary due to job comparability studies. Also included in this budget are wage increases for part-time employees in order to be compliant with the state’s new minimum wage requirements. Vacation and holiday pay are also being offered for the first time to regular part-time employees in this budget, in order for the City to remain competitive in the current hiring market. Health



and dental insurance premiums for full-time employees are projected at 15%. Workman's Compensation is projected to increase by 3%. Life and long-term disability increases are being proposed due to increasing the benefits being offered. As far as staffing, this year's budget includes eight full-time General Fund supported positions, including: three fire fighters (per contract negotiations), two police officers (due to growth and annexation), CALEA Manager (Police), Maintenance Worker (Parks), and Landing Custodian (Recreation). The proposed budget also continues to invest in supervisor and leadership development.

Consistent with past years, **Public Safety** includes the two largest General Fund budgets. The **Police Department** retains its professional CALEA certification and creates a CALEA manager position to create efficiencies within the department. It also allows for the replacement of four vehicles and allows for the hiring of two new police officers and one new vehicle to help manage the new growth. Moreover, the budget appropriates an additional \$3 million towards the Police Department building remodel/expansion project. As a reminder, \$1.5 million was also appropriated in this current year's budget from the federal CARES dollars. The **Fire Department**, through the partnership with the City of LaVista and the Papillion Rural Fire District, will see our two partners funding 56.6% of the Fire budget, with fees covering an additional 8.0%. Their budget includes three new fire fighter positions, consistent with the recently approved union contract. Their budget also includes ten sets of backup gear, gear for the new fire fighters, a replacement vehicle for the Fire Marshall, new records management software, and funds for employee training.

This will be the fifth year in a row that we made a serious investment in **Streets** through the development of the long-term **Pavement Management Plan** to keep all streets at, or above, an acceptable standard, primarily using and ultrathin bonded asphalt surface (UBAS) product to keep moisture out of good streets to slow down their deterioration. This year's budget proposal calls for \$2.35 million (inflation factor) for the UBAS program, which will be managed based on the Plan. Additionally, we continued to retain over \$240,000 in general pothole and street repairs. Like the last two years, both the plan and the repairs are fully funded without debt financing. The Street budget also includes software upgrades, funds to maintain aging infrastructure, and additional equipment to manage the new growth.

In addition to the Pavement Management Plan, the **Capital Improvement Plan (CIP)** contains \$2.9 million in additional funding, a replacement wide-area mower, a new mower due to growth, three police vehicles (replacements), traffic signal upgrades, replacement streets vehicle, an asphalt hot box, replacement of a large truck, purchase of a new snow plow due to growth, the expansion of Harrison Street to the north of the Tower District, as obligated by the subdivision agreement and a salt storage cover. Additional CIP projects are being reviewed and considered for either this budget or a future budget. All CIP projects are on the current plan and scheduled to be paid without financing.

The percentage of the total levy being dedicated to the **Bond Fund** is approximately 25.6%. Outstanding debt for the Bond Fund is \$90.61 million, which includes \$62.51 million for the voter approved Papillion Landing. Total annual debt service, excluding Papillion Landing, is \$3.7 million including interest. The cash reserve of the bond fund is approximately \$7 million. We continue to hold a high-grade investment rating (Aa1) from Moody's with our general obligations (upgraded from Aa2 in April 2018). This strong rating has allowed us to refinance when rates are favorable; however, due to the current economy I do not anticipate any bond refunding this next fiscal year.

OTHER

The **Recreation Fund** includes the Papillion Landing and Fieldhouse complex, along with non-revenue generating recreation programs, such as the Farmers Market, Easter egg hunt, kid day camps, the race series, free events, and movies at SumTur Amphitheatre, and other civic uses. The non-revenue generating programs of the Recreation Department are budgeted thorough the General Fund at approximately \$831,239, excluding staff. While a major portion of the Landing complex is supported by revenue from memberships, user fees, donations, and other non-tax revenues there is a portion of staff that is allocated to the General Fund for broader community recreation programming and services which was a policy reiterated by Council last year.

The **Water and Sewer Funds** are proprietary funds and are both budgeted to operate within the guidelines established by the previously approved rate studies. Funding is included in the budget for new water and sewer rate studies for rates that would be in effect for October 1st, 2024, and subsequent years. Rate studies are conducted every five years. A Utility Technician Manager position is being budgeted, which is a combined water/sewer position. The water department includes funding for a new clearwell and auxiliary building for approximately \$15 million, which was anticipated during the previous rate study. Nearly \$3.8 million of it will come from the City's American Rescue Plan (ARPA) funds that the City was awarded in March of 2021. The remaining dollars to fund the project will come from water capital facility fees and reserves. Also included in the water department are funds to upgrade the southwest emergency power booster and replacement of some equipment and vehicles. Outstanding debt of the water fund is \$8.15 million with annual debt service at about \$1.231 million including interest. Nearly \$10.2 million is set aside in a capital and debt service reserve funds and nearly \$12.8 million in unrestricted reserve in the Water Fund. The Sewer Fund includes the replacement of some aging equipment. We continue to maintain a high-grade investment rating (Aa2) from Moody's for this proprietary fund.

The **Golf Fund** is also a proprietary fund with revenue from normal operations. The budget includes the use of \$300,000 in reserves, with \$250,000 of that going towards golf cart path work at Tara Hills and \$50,000 going towards the bonded debt associated with Eagle Hills. Based on the current budget projections, the estimated ending golf fund cash balance at the end of the FY2023/24 will be \$2.6 million. There are no large projects being proposed this year in the golf department; however, the Golf Ad Hoc Committee of the City Council will be meeting over the next year to provide guidance on which capital improvement projects need to be funded in upcoming budgets.

The **voter-approved** 1/2 cent sales tax is by law dedicated for parks and recreation and cannot be used for general operations. The primary use of the 1/2 cent is for the bond payments on Papillion Landing. The proposed budget fully funds our bond obligations, and the required reserve remains fully funded. This budget allocates \$1.54 million of the 1/2 cent sales tax to be used to make needed upgrades to the City Park playground and park area of which \$1 million is contributed by the community betterment fund, consistent with the **Parks and Recreation Master Plan**, adopted in 2021. This budget makes additional allocations of the 1/2 cent sales tax, such as: \$615,000 for parking lots at the Landing Complex, \$1.6 million for replacement of the Papio Bay parking lot, \$1 million for the renovation of the kiddie area at Papio Bay, \$1.5 million for the paving of a portion of the SumTur Amphitheater parking lot, including \$100,000 funding for a consultant to evaluate potential renovation and/or expansion options at Papio Bay, \$650,000 for Halleck Park trail and \$100,000 for road and parking repairs in the Halleck Park parking lot. If current projections hold, they show that a potential Papio Bay expansion project could be funded through the 1/2 cent sales tax cash reserves in three years.

The **Community Betterment Fund** includes funding for a disc-golf course on recently purchased City property at Prairie Queen, funds towards the City Park improvements, an enhancement to Veterans Park, annual B-Cycle Station fees, funding to the Arts Foundation per the recently approved MOU, and an additional contribution for the Nebraska Vietnam Veterans Memorial. Additional community projects using community betterment funds are being reviewed and considered for either this budget or a future budget. Funds for Community Betterment are generated through keno and by law are restricted to community projects.

CLOSING

I want to thank our dedicated employees that serve our community. They professionally support the established mission, vision, and goals of the Council. Their dedication to successfully keep this community moving forward amid rapid growth and uncertain external factors is why this City is such a great place to live, work, and play!

I also want to personally thank each of you for your support as we continue to manage a rapidly growing community while continuing to retain the lowest city property tax levy in the metro despite having sales tax withheld due to State incentive programs, all while continuing to provide high levels of service delivery through effective management, growth planning, technology upgrades, and additional staffing.

I want to thank City Administrator Amber Powers and Deputy City Administrator Mark Stursma for their strong leadership and balance of everyday pressures with long-term vision and sustainability. A special thanks to Finance Director Nancy Hypse for her fiscal management, insights, and wisdom. Thank you to the Department Heads who are true professionals in their fields. With all the staff we have a great team that truly care about Papillion.

Finally, to each of you Council members, the Cash Reserve Policy you approved in 2010 has played a critical key role in our ability to maintain our fiscal health while previously navigating the global pandemic and national recession. Now the Sales Tax Reserve policy approved five years ago allows us to navigate having our sales tax withheld due to State incentives. I am confident that these policies have set us up to continue to grow while maintaining the services that makes this a place that *“feels like home.”*

We will continue to manage conservatively as we navigate through the unknown future of the national economy this next year. Fed. Chairman Powell said at their last meeting *“My base case is that we will be able to achieve inflation moving back down to our target without a really significant downturn that results in high levels of job losses, but it’s a long way to be sure and we have a lot left... reducing inflation is likely to require a period of below-trend growth and softening of labor market conditions.”* What does that mean to us – a number of unknowns, for which is another reason I thank you for your support, the wisdom of our long-term fiscal policies and the dedication of our staff.

For a local perspective of the Property Tax Levy, the median home price inside City Limits is \$231,600 (US Census Bureau). With the proposed \$0.40 levy that median household would pay \$926 a year. That is \$77.17 per month in Property Tax, which is less than most choose to pay for their home internet service or their cell phone plan. For that \$77.17, they receive professional Police and Fire services along with Public Works, Streets, Library, Parks, Recreation, Planning, Building and all Administrative Services.

As you can hopefully see, the Mission that you created at the 2020 Council Retreat, and reaffirmed at the 2023 Council Retreat, continues to be displayed in the budget priorities: ***To preserve our small town feel and promote quality of life, while delivering exceptional services for our residents, visitors, and***

businesses, and to sustain an environment (physical, social, and economic) that people are proud to call “home”. The Goals that you set to achieve that Mission were strong guidelines for the Department Heads as the budget was developed.

As with last year, another thanks to Ms. Hypse and her team. As you know we once again were awarded the **Certificate of Achievement for Excellence in Financial Reporting (COA)** by the Government Finance Officers Association (GFOA). The COA recognizes governments that go above and beyond the minimum reporting requirements of Generally Accepted Accounting Practices (GAAP) by preparing a **Comprehensive Financial Report** and then voluntarily submitting it for review by a professional Board. A goal of the COA is transparency in financial reporting. Ms. Hype’s team has been participating in the program for a decade. Thank you!

I thank you for your leadership that continues to allow Papillion to thrive as a place that “feels like home”.

If you have specific questions on the budget, please feel free to reach out to Ms. Powers, Mr. Stursma, or myself.

It is an honor to serve alongside you.

Sincerely,



David P. Black
Mayor