

**MINUTES OF THE SPECIAL MEETING
OF THE AMES CITY COUNCIL**

AMES, IOWA

FEBRUARY 2, 2018

The Ames City Council met in special session at 2:00 p.m. on February 2, 2018, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor John Haila presiding and the following Council members present: Bronwyn Beatty-Hansen, Gloria Betcher, Amber Corrieri, Tim Gartin, David Martin, and Chris Nelson.

FY 2018/19 BUDGET OVERVIEW: City Manager Steve Schainker reviewed the schedule for the Budget Hearings to be held on February 6, 7, and 8, commencing at 5:15 p.m. when the individual Department Directors will present their budgets. The Budget Wrap-Up to be held on February 13, 2018, commencing at 5:15 p.m. The Final Budget Hearing will be held on March 6, 2018, commencing at 6:00 p.m.; the 2018/19 Budget will be finalized on that date.

Finance Director Duane Pitcher pointed out that the City's levy makes up 32.80% of a property's total tax bill: the School District makes up 45.34% (if in the Ames Community School District); 19.73% is the County's share (includes the City Assessor); and 2.10% goes to Des Moines Area Community College.

Mr. Pitcher reported that the recommended budget reflects a decrease in the City's overall property tax rate of \$.31, from \$10.37589 to \$10.06857/\$1,000 taxable valuation. Because of new construction and the significant increase in assessed valuations for some residential properties, that decrease will still generate the additional \$1,326,550 in property tax revenues needed to fund the Budget. Mr. Pitcher noted that the increase from 2017/18 to 2018/19 in taxable valuation (7.9%) is the largest that the City has seen in over ten years and is a big driver in the lower tax rate.

At the request of Council Member Gartin, Mr. Pitcher explained how the taxable value of property is calculated.

It was stated by Mr. Pitcher that the value of all property types (Residential, Commercial, and Industrial) increased, with the largest increase being in Residential (a change in taxable value of 10.29%). The total went from \$2,701,440,748 to \$2,914,741,622, an increase of 7.9%. Mr. Pitcher provided a more in-depth analysis of the changes in taxable value. In summary, the net change in taxable value on existing property is 4.60%.

According to Mr. Pitcher, there was no growth in the Local Option Sales Tax revenue; since a portion of that revenue goes directly to offset property taxes, that did have some impact on the overall rate.

City Manager Schainker reviewed the tax levies for the 13 largest cities in Iowa. Ames has the second-lowest total city tax levy per \$1,000 valuation; the one lower is Urbandale.

Director Pitcher presented a breakdown of the tax levy, including General, Employee Benefits, and Transit. The levy rate per \$1,000 without debt service equates to approximately 6.85044%. Net debt service adds 3.21813/\$1,000. The proposed debt service levies for 2019-2020 through 2022-2023 were shown, which indicated that they will stay fairly level. The 2018/19 CIP General Obligation issue will total \$7,987,000. The dollar value change by total levy equates to \$1,326,550, or 4.72%.

City Manager Schainker emphasized that the 2018/19 Budget assumes that the City will continue

to receive state replacement funds totaling \$973,210 as was promised when the Iowa Legislature rolled back the taxable valuation on commercial and industrial properties from 100% to 90%. If that funding were to not be fulfilled, rather than a \$0.31 decrease, a \$0.03 increase would have been required.

Sample tax calculations for residential, commercial, and industrial properties were provided by Mr. Pitcher. He gave an analysis of the residential re-valuation.

Mr. Pitcher advised that commercial and industrial property make up about 34% of the total taxable value. With the rate reduction, this classification of property will pay less in property taxes compared to the prior year due to the rate decrease. He said that the changes in assessed value for residential properties were spread over a fairly wide range. Director Pitcher provided a summary of the valuation change in the groupings and the impact per \$100,000 in assessed valuation as well as the total dollar impact. The change in tax dollars paid by existing residential properties will be \$619,670.

It was reported that the City ended FY 2016/17 with a balance in the General Fund that was almost \$1,000,000 higher than had been anticipated. The availability of those funds was the result of delays in filling vacant positions, savings from completed projects, and the receipt of revenues greater than what had been budgeted. In keeping with past directives from the Council for one-time monies, a number of capital items and capital improvement projects have been included in the FY 2017/18 Adjusted Budget. Those items and projects total \$1,202,110 that otherwise would have been included in the FY 2018/19 Budget and required additional property tax support. Even with that intentional drawdown, it is estimated that the City will end FY 2018/19 with a 28% available balance in the General Fund. That total is \$995,651 more than the City Council’s goal of a 25% balance. It was noted that because the City Council is engaged in a number of projects where the total funding is yet to be secured, staff believes it is appropriate to maintain a larger available General Fund balance this year.

The costs of City services for 2018/19 per residence from property taxes (based on a \$100,000 home) were summarized, as follows:

Streets/Traffic	\$	141
Police Protection		133
Fire Protection		84
Library (includes Debt Service for renovated library)		70
Recreation and Parks		46
Transit		35
General Support Services		23
Planning Services		10
Resource Recovery		6
Animal Control		5
Facilities/Cemetery		4
Storm Water Management		3
Building Safety		0
TOTAL	\$	<u>560/\$100,000</u>

At the inquiry of Council Member Betcher, due to the revenues collected for Building Permit fees, no property tax dollars are being allocated to Building Safety.

An historic review of budget information from 1996/97 to 2018/19 was given, including residential and commercial/industrial rollback.

Mr. Pitcher indicated that there are requests for changes in employment levels in 2018/19 [an increase of 3.5 Full-Time Equivalent (FTE)]. He stated that more information on the requests will be provided at the Department Budget Hearings on February 6, 7, and 8.

Projected Utility Rate Summary. Mr. Pitcher reviewed the projected utility rates, as follows:

Electric Utility: No rate increase

Water Utility: 3.5% rate increase for FY 2018/19 followed by two additional increases over the following four years

Sanitary Sewer Utility: 3.0% user rate increase followed by two additional rate increases over the next four years

Storm Sewer Utility: No increase in monthly fee

According to Mr. Pitcher, there will be a need for additional revenue for the Resource Recovery Utility; that is an unknown at this time. Additional revenue will be required through per diem tipping fees or other revenue sources to fund that Utility. At this point, Electric and Resource Recovery are working together.

Mayor Haila pointed out that over the next five years, the projected increases for Water, Sewer, and possibly, Resource Recovery could equate to approximately 50%. City Manager Schainker said that the cumulative impact on all the groups will not be 50%. Mr Pitcher showed the Council a utility bill rate sample to demonstrate the percentage impact of the electric/water rate increase on the total bill. Mayor Haila noted that there are some Ames residents who do not pay City Electric; their rates for sewer and water will see a large increase.

City Manager Schainker told the Council that there are some increases in fees charged by Departments being recommended in the 2018/19 Budget. The 2018/19 Recommended Budget includes those increases. If the Council should not approve those fee increases, the tax asking would change. Finance Director Pitcher noted the fees for Parks and Recreation as approved by the Commission. The FY 2018/19 Rental Housing Fee Schedule will be reviewed by Fire Chief Bayouth during the Fire Department Budget Hearing, which will be on Wednesday, February 7, 2018.

Mr. Pitcher explained how to use the Budget Document. Council Member Gartin asked to have the Special Report document put on the Finance Web page.

Fund Summaries. Budget Officer Nancy Masteller outlined the Fund Sheets beginning with the General Fund. She reiterated that the ending balance of the General Fund was higher than what was anticipated. Ms. Masteller noted the recommended policy of retaining 25% of revenues as fund balance reserve; the minimum fund balance reserve is based on the credit rating agency guideline for a Aaa-rated City. The minimum fund balance, based on a net change in the fund beginning balance of \$9,238,208, would equate to \$8,242,557. This would yield an Unreserved Fund Balance of \$995,651. City Manager Schainker reiterated that funding for one-time capital expenditures has

historically come from that General Fund Reserve.

Ms. Masteller continued the explanation of Special Revenue Fund Sheets, which included Local Options Sales Tax.

Council Member Gartin commented that he would like to see a “percentage change column” in the Fund Summaries of the Program Budget. Ms. Masteller said that that column would be added to the final document.

Under the Local Option Sales Tax, City Manager Schainker stated that the Unreserved Fund Balance will be drawn down to finance the projects that are in the Capital Improvements Plan. Mr. Gartin asked about the Parks & Recreation CIP line item which indicated a large increase between the 2017/18 Adopted and 2017/18 Adjusted (from \$640,000 to \$1,796,791). Ms. Masteller brought the Council’s attention to Page 214 where all of the Parks & Recreation CIP projects are listed. She advised that not all of these projects were finished in 2016/17, so the amounts were carried forward to 2017/18. One project, the Homewood Golf Course Club House, will draw down \$750,000 in 2018/19.

Budget Officer Masteller continued with Special Revenue Funds. Regarding Hotel/Motel Tax, it was noted that of the seven cents/dollar, five cents is provided to the Ames Convention & Visitors Bureau, one cent replaces the Local Option Tax and is split 60% for tax reduction and 40% for community betterment projects. The remaining one cent remains in the Hotel/Motel Fund for economic development activities. City Manager Schainker indicated that this Fund formerly paid a portion of the salaries for those who worked on economic development projects, e.g., the City Manager, Finance Director; however, Council previously moved those salaries to be paid by the General Fund. That has allowed the Hotel/Motel Tax Fund to continually grow its balance.

Other Special Funds were summarized: Road Use Tax; Public Safety Special Revenues, such as Police forfeiture funds, Police and Fire grants and donations, and Animal Shelter donations; City-wide Affordable Housing; Community Development Block Grant; Employee Benefit Property Tax, which accounts for tax revenues used to pay for the City’s contribution to the Police and Fire Retirement System; Fire/Police Pension, which accounts for the funds remaining from the transition to the Municipal Fire and Police Retirement System of Iowa; Parks & Recreation Donations and Grants; Library Friends Foundation; Library Donations and Grants; Utility Assistance; Miscellaneous Donations, which are donations and revenues that are designated for specific projects; Developer Projects, which are the funds received from developers to be used for City infrastructure; Economic Development, which accounts for revolving loan, community investment, and pass-through State loan activity; and Tax Increment Financing, which records TIF project expenditures and collects revenue for repayment of debt issued to fund TIF projects. Capital Projects Funds: Special Assessments; Street Construction, where grant funding and multiple funding sources are budgeted; Airport Construction, which accounts for contributions from the FAA, federal and state grants, Iowa State University, and the Ames Economic Development Commission; Park Development, where donations and grants for park development and the \$100,000 transferred annually from Local Option Sales Tax are deposited. City Manager Schainker noted that if the Healthy Life Center moves forward, proceeds from the Park Development Fund will be recommended to help fund it. Lastly under Capital Projects, the Bond Proceeds Fund was explained. Under Permanent Funds, the Cemetery and Donald and Ruth Furman Aquatic Center Trust were reviewed.

Enterprise Funds were then summarized by Budget Officer Masteller, starting with Water Utility and Water Construction Funds. City Manager Schainker indicated that there is a strategy followed by the City when large projects, such as the new Water Plant, are undertaken. He noted the Unreserved Fund Balance under Water Utility and stated that that amount will be drawn down to pay for the major project. Mr. Schainker pointed out that the City makes every attempt not to borrow money.

Ms. Masteller continued with explanations of other Enterprise Funds, including Water Sinking (accounts for proceeds received from the State Revolving Loan Fund), Sewer Utility, Sewer Improvements, Sewer Sinking (accounts for State Revolving Fund loan payments for sewer utility projects), Electric Utility, Electric Construction, Electric Sinking (principal and interest payments for Electric Revenue Bonds), and Parking Operations.

Ms. Masteller advised that the Parking Operations Enterprise Fund saw a lot of changes in 2017/18. For the first time, a Transfer line item: Parking Capital Reserve, has been created. That Reserve Fund accounts for accumulated Parking Fund revenue being held for capital improvement projects. Funds in excess of Parking Operation's minimum fund balance requirement will be transferred to the Parking Capital Reserve Fund to fund future Parking capital projects.

Ms. Masteller continued with the Enterprise Funds for Transit Operations, Transit Student Government Trust, and Transit Capital Reserve.

Explanations were given of the Enterprise Funds for Storm Sewer Utility; Ames/ISU Ice Arena; Ice Arena Capital Reserve, which accounts for capital replacement contributions from the City of Ames and Iowa State University; Homewood Golf Course; and Resource Recovery.

The Debt Service Fund was explained by Ms. Masteller. That Fund accounts for payment of principal and interest on General Obligation Bonds. The available fund balance in that account is used to reduce future debt service.

Internal Services were summarized, including Fleet Services; Fleet Reserve, which does not include replacement of fire engines, CyRide buses, or the Ice Arena Zamboni; Information Technology, which includes the shared public safety system used by Ames, Iowa State University, and Story County law enforcement agencies; Technology Reserve, Risk Management, and Health Insurance. Ms. Masteller noted that the City is self-insured. There will be a 5% increase in health insurance rates for 2018/19.

City Manager Schainker noted there are a few outstanding requests that will need to be dealt with at Budget Wrap-Up, and copies of those had been provided to the Council members in their packet.

Regarding public participation, Mr. Schainker noted that the budget documents (Operational and Capital Improvements Plan) have been placed on the City's Web (under Finance), the budget meetings are public meetings, and the meetings are televised live and also archived for later viewing. Written or emailed correspondence may be sent to the Mayor and City Council.

Mr. Schainker again reviewed the schedule of upcoming budget meetings.

CLOSED SESSION: Council Member Gartin asked City Attorney Mark Lambert if there was a legal reason to go into Closed Session. Mr. Lambert replied in the affirmative stating there was a reason to go into Closed Session under Section 21.5(1)(j), *Code of Iowa*, to discuss the purchase or

sale of particular real estate where premature disclosure could increase or reduce the price the governmental body would have to pay or receive for the property.

Moved by Gartin, seconded by Corrieri, to go into Closed Session under Section 21.5(1)(j), *Code of Iowa*, to discuss the purchase or sale of particular real estate where premature disclosure could increase or reduce the price the governmental body would have to pay or receive for the property
Roll Call Vote: 6-0. Motion declared carried unanimously.

The meeting recessed at 4:28 p.m. and reconvened in Closed Session at 4:30 p.m.

The Council returned to Regular Session at 5:50 p.m.

ADJOURNMENT: Moved by Martin, seconded by Betcher, to adjourn the meeting at 5:52 p.m.

Diane R. Voss, City Clerk

John A. Haila, Mayor