

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

AMES, IOWA

JANUARY 29, 2016

The Ames City Council met in special session at 2:04 p.m. on January 29, 2016, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor Ann Campbell presiding and the following Council members present: Bronwyn Beatty-Hansen, Gloria Betcher, Amber Corrieri, Tim Gartin, and Peter Orazem. Council Member Chris Nelson arrived at 2:06 p.m. *Ex officio* Member San Schulte was absent.

FY 2016/17 BUDGET OVERVIEW: City Manager Steve Schainker told the Council that the FY 2016/17 budget he was recommending totaled \$229,192,769. This includes the Operating Budget as well as the first year of public improvements. He reported that the recommended budget reflects an overall property tax rate decrease of 2.4% from \$10.63/\$1,000 of taxable valuation to \$10.37/\$1,000 of taxable valuation.

Mr. Schainker reported positive indicators of an economic resurgence. There will be no rate increases in the Electric Utility, Water Utility, Sewer Utility, and no increase in the per capita or tipping fees at Resource Recovery. There will be an increase of 4.9% property tax dollars collected through the Transit Levy.

Finance Director Duane Pitcher presented a summary of the overall budget. He stated that the City's levy makes up 32.97% of a property's total tax bill: the School District makes up 44.06% (if in the Ames Community School District); 20.87% is the County's share (includes the City Assessor); and 2.10% goes to Des Moines Area Community College. Mr. Pitcher gave a comparison of City Property Tax Valuations and Total Levies to be collected for fiscal year 2015/16 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.

Finance 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 6.96. Net debt service adds 3.41. He noted that, without Local Option Tax, the levy would be \$12.17, instead of \$10.37. Mr. Pitcher reported a very nice Increase in TIF valuation. He emphasized that the main part of the levy goes into the TIF, but that the \$10.8 million in taxable TIF value is subject to the Debt Service Levy.

Finance Director Pitcher presented an analysis of changes in taxable value for residential, commercial, industrial, and utilities (not including utilities subject to excise tax). He specifically noted that the total change in taxable value will be an increase of 6.5%. Over the past ten years, that represents the highest percentage in increase in taxable valuation. Increases in taxable valuation occurred in all classes of property. Taxable values in all classes (Residential, Commercial/Multi Residential, Industrial, Utilities) increased. The net change on existing property will be \$94,748,584.

The Police and Fire Trust Fund was explained by Mr. Pitcher. For FY 2015/16, the tax rate is estimated to be 0.71908. According to Finance Director Pitcher, it is assumed that the contribution rate will continue to decrease.

The Debt Service cost allocation for 2016/17 was reviewed by Mr. Pitcher. He reiterated that, for FY 2016/17, the Debt Service Levy equates to 3.41%. The 2016/17 CIP General Obligation issue will equate to a total of \$5,945,000. He brought the Council’s attention to the projects for which the CIP General Obligation Bond proceeds will be used.

Mr. Pitcher gave a detailed analysis of dollar value and percentage change of total levy by property type. Sample tax calculations for residential, commercial, and industrial properties were provided by Mr. Pitcher. He reviewed the major items that impacted the rate of taxable valuation. Revenue increases equated to approximately \$807,000; those are really helping with the Proposed Budget.

The costs of City services for 2016/17 per residence from property taxes (based on a \$100,000 home) were summarized, as follows:

Streets/Traffic	\$	144	
Police Protection			132
Fire Protection			85
Library (includes Debt Service for renovated library)			73
Recreation and Parks			50
Transit			36
General Support Services			25
Planning			10
Storm Sewer System			6
Resource Recovery			6
Facilities/Cemetery/Airport			5
Animal Control			4
Building Safety			<u>1</u>
TOTAL	\$	<u>577</u>	<u>\$100,000</u>

City Manager Steve Schainker acknowledged the contribution of Iowa State University towards fire Protection. Without its contribution, the City’s cost would be much higher.

Finance Director Duane Pitcher reported that Ames will receive a significant increase (about \$1 million) in Road Use Tax Revenue, and that has been reflected in the Draft Operating Budget for 2016/17. Those funds are used for maintenance and construction of roads. At the inquiry of Council Member Orazem, these rates are updated every ten years. Council Member Nelson asked if the Road Use funds had to be used for roads for vehicular projects or if they could be used for shared use paths. Public Works Director John Joiner answered that the shared use path must be part of a road project in order to use Road Use Tax funding.

An historic review of budget information from 1995/96 to 2016/17 was given, including residential and commercial/industrial rollback.

Projected Utility Rate Summary. Mr. Schainker reviewed the projected utility rates, as follows: The only rate increase will be to the storm water fee, which will be 36% in FY 2016/17. Electric rates are projected to increase by 4% in 2017/18. Water and Sewer will increase 4% and 5%, respectively, in 2018/19. Water will increase again by 4% in 2019/20. Sewer rates will increase by 6% in FY 2020/21. At the request of Council Member Gartin about the rationale for increasing the storm sewer rates by 36% at one time, Mr. Pitcher advised that, for most customers, the impact on the total bill will be very small. Also, there will be no other utility rate increases. He gave utility bill rate samples for electric and water users. For median use residential customers, the increase will be \$1.25/month or a little less than 1%. For small commercial residents, the increase will be \$2.50/month. For commercial users, the increase will be \$3.75/month. For larger commercial users, their bill will increase by \$11.20/month.

Council Member Orazem asked if Iowa State University pays storm water fees. Municipal Engineer Tracy Warner advised that Iowa State has its own MS4 Permit. The City does not charge storm water fees for Iowa State property; ISU does its own improvements. The Council's attention was brought to the comparison of Iowa Storm Water Utility Fees for Iowa cities.

Finance Director Pitcher noted the fees for Parks and Recreation as approved by the Commission. The FY 2016/17 Rental Housing Fee Schedule was reviewed. The percentage of increase is an estimate; it could change if more or few units are constructed. The final numbers will not be generated until April 2017.

City Manager Schainker noted that staff will be proposing an increase to cemetery fees for 2016/17.

Moved by Betcher, seconded by Beatty-Hansen, to provide data on the outstanding exemptions (in dollar amount) for TIF and abatements.

Vote on Motion: 6-0. Motion declared carried unanimously.

Fund Summaries. Budget Officer Nancy Masteller outlined the Fund Sheets beginning with the General Fund. She stated that the ending balance of the General Fund was substantially higher than what was anticipated: \$10,688,193 was the Actual for FY 2014/15; however, \$6,940,667 was the Adopted for 2015/16. Finance Director Pitcher noted the recommended policy of retaining a 25% of revenues as fund balance reserve; that would equate to \$7,691,509, which yields an Unreserved Fund Balance of \$1,338,532. City Manager Schainker advised that funding for one-time capital expenditures has historically been used from that General Fund Reserve.

Noting the Utility Assistance Fund, Council Member Gartin asked to know if there is an unmet need in the Ames community for utility assistance. City Manager Schainker said that it would be difficult to ascertain that. It is known that everyone who requested assistance received something; it might not mean the entire amount of the bill. Staff will provide Council the information that was sent to the Electric Utility Operations Review and Advisory Board.

Ms. Masteller continued the explanation of Special Revenue Fund Sheets and Capital Projects - Special Assessments, Airport Improvements, Park Development, and Bond Proceeds. Permanent Funds - Cemetery and Donald and Ruth Furman Aquatic Center Trust - were reviewed. It was noted that the Park Development Capital Project Fund now includes donations and grants for park development as well as \$100,000 transferred annual from Local Option Sales Tax.

Council Member Orazem asked where the donations from fund-raising efforts from the Friends of Emma McCarthy Lee Park and Munn Woods were showing up in the Operating Budget. Budget Officer Masteller said that no donations had come in from the Friends of Emma McCarthy Lee Park. Mr. Orazem recalled the City entering into an agreement with that Friends group. Parks and Recreation Director Keith Abraham explained that all the Friends groups (for park improvements) with whom the City has entered into agreements are all are separate groups, do their own fund-raising, and then if they want to assist with a City project will make a donation to the City or purchase an amenity for the park.

Council Member Orazem left the meeting at 3:48 p.m.

Enterprise Funds were then summarized by Budget Officer Masteller for the Water Utility, Water Construction (accounts for proceeds received from the State Revolving Loan Fund), Water Sinking, 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.

The meeting recessed at 4:02 p.m. and reconvened at 4:06 p.m.

Ms. Masteller continued with the Enterprise Funds for Transit Operations, GSB Transit Trust, Transit Capital Reserve, Transit Intermodal Facility Construction (should end in 2015/16), Storm Sewer Utility, Ames/ISU Ice Arena, Ice Arena Capital Reserve, Homewood Golf Course, and Resource Recovery.

Council Member Betcher noted that the Government of Student Body has re-branded itself as Student Government. She asked if the City names its funds; if so, it should be changed to reflect the correct name of the organization. Mayor Campbell noted that there might be legal reasons to keep it named as is depending on what the name is on the agreement between the City and that organization. It was agreed that the City would use the name "Iowa State Student Government Transit Trust."

Internal Services were summarized, including Fleet Services, Fleet Reserve, Information Technology, Technology Reserve, Risk Management, and Health Insurance. Council Member Betcher asked if the purchase of new technology will cause additional work for the Information Technology staff, specifically asking if it should be noted in the IT budget as well. City Manager Schinker stated that when new technology is added, analyses are conducted to see the total impact the additional technology will have on operations.

City Manager Schainker recognized City staff for putting together a budget such as the one just reviewed. Not all cities are as fortunate and some are having to make lay-offs.

Council Member Gartin asked to have information from Finance Director Pitcher on the significance that new growth is having on lowering taxes for all residents.

COUNCIL COMMENTS: Council Member Betcher reminded the Council members that evaluations of the Council appointees are due to Council Member Orazem today.

Council Member Gartin noted that the Mayor has put out a call for those interested in serving on a Board or Commission to complete an application and return to the City Clerk's office by the deadline of February 15, 2016, at 5 PM.

ADJOURNMENT: Moved by Gartin to adjourn the meeting at 4:20 p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor