

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

AMES, IOWA

JANUARY 29, 2021

Mayor John Haila called the Special Meeting of the Ames City Council, which was being held electronically, to order at 2:00 p.m. with the following Council members participating: Bronwyn Beatty-Hansen, Gloria Betcher, Amber Corrieri, Tim Gartin, Rachel Junck, and David Martin. *Ex officio* Member Nicole Whitlock was absent. Mayor Haila stated that it was impractical to hold an in-person Council meeting due to the Governor of Iowa declaring a public health emergency because of the COVID-19 pandemic. Therefore, limits have been placed on public gatherings, and this meeting was being held as an electronic meeting as allowed by Section 21.8 of the *Iowa Code*. The Mayor then provided how the public could participate in the meeting via internet or by phone.

FY 2021/22 BUDGET OVERVIEW: City Manager Steve Schainker commented that staff began working on the budget for 2021/22 back in August. He noted that this year was especially difficult due to challenges brought on by the COVID-19 virus. Fortunately, City employees have supported a strategy that included some extraordinary efforts to avert a financial crisis in the City organization during the last three months of FY 2019/20 and the first seven months of FY 2020/21. Specifically, those actions included delaying the filling of vacant full-time positions, canceling training, conferences, and associated travel for all employees; eliminating the hiring of seasonal or part-time employees and assigning permanent staff members to assume extra duties, and not spending funds on various previously approved one-time capital items. On the revenue side, the City was fortunate that the federal government provided CARES funding to reduce the COVID-19-related financial strain on Transit, Police, and Fire services.

Mr. Schainker stated that City staff is well aware of the negative impact that the virus has had on the financial and emotional well-being of Ames cities. He noted that City staff has worked diligently to mitigate increases in utility fees as well as the property tax burden on Ames residents in FY 2021/22. City Manager Schainker explained that the FY 2021/22 budget calls for an additional \$590,011 from the previous year, or a 1.85% increase, to support the various services funded by the General Fund. This additional revenue requirement will be financed with a tax rate decrease of 2.69% from \$10.15/\$1,000 of taxable value to \$9.87/\$1,000 of taxable valuation for the City portion of the overall property tax bill, which is approximately 33% of the total tax bill.

City Manager Schainker advised that the only rate increase will be to the Water Utility; a 6% increase in the user rate has been incorporated into the 2021/22 Budget, which is 2% less than what was predicted last year. That rate increase is needed to fund the projected operating and capital improvement expenditures, increase the available balance in the Water Fund to the target level, and increase the debt ratio in the fund to qualify for the State's low-interest revolving fund.

According to Mr. Schainker, because of the unusual steps taken to hold the line on expenses during the last two fiscal years of the pandemic and the receipt of federal CARES funding, it is expected that approximately \$5,000,000 will be added to the General Fund balance from FY 2019/20 and FY 2020/21. He is proposing that the one-time savings be used for one-time expenditures. A list of one-

time expenditures for FY 2020/21 has been developed, which includes funding for an Arts Grant Program, dredging of the Ada Hayden Wetlands, new bike path signage, Downtown transformer painting, additional/replacement parking for the Downtown Plaza, Library entryway improvements, Auditorium stage lighting, replenishment of the Park Development and Parking Funds, supplemental funding for the new splash pad, and a new outdoor recreation obstacle course. According to Mr. Schainker, many of those projects were identified from recent citizen input into the budget process.

Finance Director Duane Pitcher pointed out that today’s presentation will only cover Ames portion of property taxes. The portion of the property tax levy going to the City of Ames (32.23%) is approximately one-third of the property owner’s total tax bill. Ames School District receives 45.55%; Story County, 20.21%, and DMACC, 2.02%.

Mr. Pitcher provided the following highlights for the overall budget:

1. Property tax rate is down \$0.27 from FY 2020/21
2. Taxable and assessed value is up for all major property classes
3. Modest increase in total tax dollars; most property taxpayers will see a reduction or less than 1% increase in City tax bills
4. Balanced General Fund budget for operations and capital
5. Forecasting 4% growth in Local Option Sales Tax revenue
6. Utility rate increases for water; per capita revenue for Resource Recovery due to new Census estimates (no change in rate)

The tax levy breakdown was explained. The total tax levy per \$1,000 taxable valuation will equate to \$9.87 for FY 2021/22. The local option tax impact on the levy was explained. Taxable valuation from 2020/21 to 2021/22 increased to 4.7%. An analysis of changes in taxable value was given. Finance Director Pitcher explained the Debt Service Allocation. For FY 2021/22, the Debt Service Levy will be 2.99735/\$1,000 valuation. The Police and Fire Fund balance usage was briefly described. It was reiterated by Mr. Pitcher that taxable valuations increased for all property types in FY 2021/22.

Director Pitcher reviewed the cost of City services for 2021/22 per residence from property taxes (based on a \$100,000 home), as follows:

Streets/Traffic	\$	150
Police Protection		134
Fire Protection		88
Library (includes Debt Service for renovated library)		68
Recreation and Parks		34
General Support Services		29
Transit		27
Planning Services		9
Resource Recovery		6

Animal Control	6
Facilities/Cemetery	3
Storm Water Management	2
Building Safety	<u>1</u>
TOTAL	<u>\$ 557/\$100,000</u>

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

Electric Utility: No rate increase.

Water Utility: 6.0% rate increase for FY 2021/22, followed by a 2.0%, 9.0%, 2.0%, and 9% in FY 2022/23, 2023/24, 2024/25, and 2025/25, respectively.

Sewer Utility: No increase for FY 2021/22; 5% in 2022/23 and 8% in FY 2024/25.

Storm Sewer Utility: 5.0% in FY 2022/23.

Resource Recovery: For FY 2021/22, it is anticipated that application of the 2020 Census will increase per capita revenue. The Tipping Fee will increase from \$58.75 to \$62.50 in FY 2022/23.

Mr. Pitcher reviewed the Utility Bill Rate samples.

Specifically highlighted were proposed rental rates for Parks and Recreation facilities, as follows: Homewood Clubhouse, City Auditorium, and Durham Bandshell. It was noted that there will be specific program fee increases for various activities.

Finance Director Pitcher noted that he had included information on the impacts of tax abatement on the property tax rate.

Regarding the Ames Intermodal Facility, City Manager Schainker explained that the Facility is owned by the City, but through a contract, is managed by the Parking Division of Iowa State University. The proposed operating budget for the Facility for FY 2021/22 had been previously provided to the Mayor and City Council. In summary, the proposed budget projects revenue to exceed expenditures by \$28,630 for the coming fiscal year; therefore, the City will not have to budget any financial support for the Intermodal at this time. In addition, the contract also stipulates that any excess revenues in a fiscal year be deposited in a reserve account for future capital improvements; that account is estimated to total \$225,067 by the end of FY 2021/22.

Fund Summaries. Budget Officer Nancy Masteller outlined the Fund Sheets for the following: General Fund; Special Revenue Funds, including Local Option Sales Tax, Hotel/Motel Tax, Road Use Tax, Public Safety Special Revenues, City-Wide Housing Programs, Community Development Block Grant, HOME Program, CDBG/COVID-19 CARES Act, IEDA/COVID-19 CARES Act,

Employee Benefit Property Tax, Fire/Police Pension, Parks and Recreation Donations and Grants, FEMA/COVID-19, FEMA/Derecho 2020, Library Direct State Aid, Library Friends Foundation, Library Donations and Grants, Library Future Needs, Utility Assistance, Miscellaneous Donations, Developer Projects, and Tax Increment Financing.

Ms. Masteller briefly reviewed Capital Project Funds, as follows: Special Assessments, Street Construction, Airport Construction, Park Development, the Winakor Donation, Council Priorities Capital Fund, and Bond Proceeds. Two permanent funds were reviewed: Cemetery Perpetual Care and the Donald and Ruth Furman Aquatic Center Trust. She also explained the Enterprise Funds for the Water Utility, Water Construction, Water Sinking, Sewer Utility, Sewer Improvements, Sewer Sinking, Electric Utility, Electric Sinking, Sunsmart Community Solar, and Parking Operations. The Parking Capital Reserve fund was briefly reviewed. It is used to fund future Parking capital projects. Budget Analyst Masteller continued with brief explanations of additional Enterprise funds, as follows: Transit Operations, Transit Student Government Trust, Transit Capital Reserve, Stormwater Utility, Stormwater Improvements, Ames/ISU Ice Arena, Ice Arena Capital Reserve, Homewood Golf Course, and Resource Recovery. The Debt Service fund was described. The available fund balance from this account is used to reduce future debt service.

The presentation concluded with summaries being given of Internal Services funds, including Fleet Services, Fleet Reserve, Information Technology, Technology Reserve, the Shared Communication System, Risk Management, and Health Insurance.

City Manager Schainker brought the Council’s attention to Page 18 of the Overview information: “Summary of Change in Tax Asking for 2021/22. Ms. Masteller explained how the total change in tax asking was calculated.

Mr. Schainker next brought the Council’s attention to Page 20 of the Overview information: “Use of 2020/21 General Fund Balance.” He noted that the amount of the one-time savings realized in the amount of \$4,592,642 is the result of additional federal COVID funding, as well as General fund savings generated through open positions, the cancellation of conferences and training, and the delaying of projects. City Manager Schainker advised that he is recommending using the one-time savings for one-time projects, as follows:

Police DEI Training	\$ 40,000
Police Speed Trailer	8,500
Fire Station Vehicle Exhaust System	20,000
Bike Trail System Signage	250,000
Park Maintenance Leaf Vacuum Upgrade	25,000
Dog Park Access Control	15,000
Spray Pad Additional Funding	200,000
Outdoor Exercise Equipment	200,000
Auditorium LED Stage Lights	35,000
Ada Hayden Wetlands Clean-Up	175,000

Library Main Entryway Improvements	63,600
Downtown Transformer Painting	10,000
Arts Capital Grant Program	200,000
Additional City Hall Parking	700,000
City Hall Building Improvements	\$ 450,000
Transfer to Restore Park Development	600,000
Transfer to Council Priorities Capital Fund	1,000,000
Transfer to Balance Parking Operations	<u>600,542</u>

Total Use of Fund Balance: \$4,592,642

City Manager Schainker informed the City Council members that they did not need to make any decisions as to the one-time projects at this meeting. He wanted to apprise them of the General Fund Balance and his recommendation for using a portion of it for one-time projects.

Council Member Betcher recalled that the source of funding for the City Council diversity training on inclusion had not been established.

City Manager Schainker noted that information regarding the proposed allocations for COTA, ASSET, and Outside Funding requests had been provided to the Mayor and Council. The decisions on the allocations will be finalized at the Budget Wrap-Up meeting to be held on February 9.

DISPOSITION OF COMMUNICATIONS: No referrals were made.

COUNCIL COMMENTS: Council Member Betcher noted that not all communities are in the position that the City of Ames is regarding its budget. She credited and thanked all City staff for working hard to get the City in that position.

Mayor Haila advised that during the Story County Emergency Management meeting on Thursday, January 28, personnel from McFarland Clinic presented information on its COVID vaccination plan. Mr. Haila found it very impressive and informative. The plan is to start with the oldest residents in Story County and work its way down to those who are 65 years of age. First Responders will be included in that list as well. McFarland will be calling each individual to schedule the vaccination. The Mayor indicated that the information is available on McFarland’s website.

ADJOURNMENT: Moved by Betcher to adjourn the meeting at 4:51 p.m.

Diane R. Voss, City Clerk

John A. Haila, Mayor