



February 1, 2019

To the Mayor and Ames City Council:

I am dedicating the FY 2019/20 budget to Assistant City Manager Bob Kindred, Library Director Lynne Carey, and Transit Director Sheri Kyras, who will all be retiring in the spring of 2019. During the course of their careers with the City, they exemplified all of the best attributes of an Ames City employee. Each of them reflected the highest ethical standards, committed to providing exceptional customer service every day, and worked continuously to identify efficiencies in our operations that saved our citizens substantial sums of money while never compromising the quality of our services.

I am sure you all know that the City of Ames has received the Distinguished Budget Award from the Government Finance Officers Association for the past 33 years. What you may not know is that Bob Kindred originally came to us as the Budget Analyst in the Finance Department back in 1980 and coordinated transforming our line-item department budget into the program/performance format that City Council and our citizens now rely on to better understand our budget document. Because of the continuous national recognition we have garnered over the years for our budget format, few major changes have been made to the document. However, in keeping with our value of continuous improvement, you will note that our format has been changed in the FY 2019/20 budget to tie our various services and performance indicators back to the City Council and department goals. We believe this change will assure that the City continues to receive national acclaim for our budget.

The FY 2019/20 budget reflects expenditures totaling \$250,374,227 for the numerous services provided by the City of Ames. To cover the cost of these services, the budget calls for \$1,564,903 more in property tax revenue than the previous year, as well as increases in various recreation fees, water rates, and Resource Recovery user fees.

PROPERTY TAXES - \$.04 RATE DECREASE

Even though property taxes represent only about 14% of our total annual revenues needed to fund the budget, most citizens are concerned about how their property taxes will be impacted by my budget recommendation. **The FY 2019/20 budget reflects a \$.04 rate decrease in our overall property tax rate from \$10.07 per \$1,000 of taxable valuation to \$10.03 per \$1,000 of taxable valuation.**

In order to understand the impact of this budget on our citizens, we must take into account the recommended decrease in tax rate, the slight increase in the State mandated Rollback (which dictates how much of the assessed value of a property is subject to taxation), and any increases in valuations due to new growth and reassessments. **When all three of these factors are considered, it is estimated that the residential customer class will pay an additional \$11.32 (+2.02%) for every \$100,000 of their taxable valuation, the commercial customer class will pay \$4.84 (-.53%) less than the prior year for every \$100,000 of their taxable valuation, and the industrial customer class will pay \$3.87 (-.43%) less than the prior year for every \$100,000 of their taxable valuation.**

It is very prudent for the City to maintain a significant fund balance in our General Fund so that we can absorb any unanticipated shortfalls in revenues or increases in expenditures related to our City operations and Capital Improvement projects. **Consequently, the FY 2019/20 budget preserves the City Council's goal of a 25% available balance for this purpose. In addition, \$884,919 has been set aside in the General Fund available balance so that we can react to any State or Federal mandates that might be declared after the budget is certified, or to respond to City Council priorities that were not included in my recommended budget.**

The following are highlights of the FY 2019/20 budget.

PUBLIC SAFETY

LAW ENFORCEMENT

As you know, I have been recommending additional police officer positions over the past few years to allow us to respond to our increasing city population. **Based on a request from administrators from the Ames Community School District, in FY 2019/20 it is our intent to add a second School Resource Officer (SRO) position so that we will have a more consistent police presence in both the High School and Middle School.** The budget anticipates the City sharing the associated costs for both SROs equally with the Ames School District for nine months out of the year and covering 100% of these costs for the three months when school is not in session.

A significant amount of time will be devoted to working with Iowa State University, Story County, and a yet-to-be-selected provider to upgrade our emergency radio system to ensure reliability and interoperability among our emergency and non-emergency personnel throughout Story County.

A new software package will be purchased that will enhance existing departmental policy review, new policy development, documentation, and employee training that should help our officers navigate through the growing complexity of the legal environment in which they work.

An emphasis on diversity and inclusion continued in FY 2018/19, with training for all officers focusing on implicit bias/impartial policing. This commitment will be maintained in FY 2019/20 as procedural justice training will be introduced to the officers. We are

expecting the results of our Stop Study in the spring of 2019 to determine whether or not the pattern of our traffic stops indicates a disproportionate number of minority contacts.

FIRE SAFETY

I also have added a new firefighter position in FY 2019/20 to increase our staffing capability in anticipation of a new fourth fire station once the Comprehensive Plan is completed and growth in certain directions warrants the new facility.

Emphasis is being placed on training, employee wellness, safety, and public outreach. Towards this end, all fire company officers will receive certification training which will allow them to perform fire inspections for commercial and industrial properties. An innovative approach will be used to assemble metal shipping containers into a modular fire training facility in the coming year. The in-house Peer Fitness Team, the City's Health Promotion Coordinator, and McFarland Clinic's Occupational Medicine doctor are working on improving the health and wellness for our employees. Our newest firefighters have received Hazardous Materials Technician certification training. To promote improved customer service, a new online permit approval process for fire suppression systems and alarms has been created.

ANIMAL CONTROL

The staff at the Animal Shelter should be commended because our live release rates have exceeded all previous totals with dogs and puppies at 100%, kittens at 98.94%, cats at 96.21%, rabbits at 95.24%, and all other species, including wildlife, at 81%.

An architectural review of the aging shelter is being performed to determine the long term viability of this facility. In the interim, minor improvements to the medical care room, ceiling, doors, and insulation are underway. In addition, new dog kennels will be purchased.

In recent years, new medical procedures, including vaccinations and spaying/neutering, have been implemented for all animals that are adopted from the Shelter. New adoption fees designed to offset these costs are included in the FY 2019/20 budget. Adoption fees for cats/kittens will go from \$40 to \$60, and for dogs/puppies from \$50 to \$80.

BUILDING SAFETY

Based on projected revenues from new construction activity, no increases in building or rental housing permit fees are needed in the FY 2019/20 budget.

Again this year, the following efforts are being made to improve service to our customers. The new citizen self-service component of our building permit software is scheduled to go into effect in early 2019. This new service will eliminate the need for the Finance Department to mail permit invoices and track payments. We are converting our paper files into an electronic format to allow for more timely retrieval. Finally, Inspection staff is devoting more time to attending community events and hosting informational meetings to help the public understand how our inspectors can serve as a helpful resource for their projects rather than an enforcement arm of the City.

ELECTRIC UTILITY – NO RATE INCREASE

Our financial analysis indicates that our current electric rates are sufficient to cover our operational and capital improvement expenditures for the next five years. As the number of customers continues to increase, so does our need to buy or produce more energy to serve these customers. Therefore, you will note that the amount budgeted for purchased power is up approximately \$2,000,000 in FY 2019/20. It should be noted that these increased expenditures are offset by a corresponding increase in revenues from the sale of electricity to these additional customers.

The overall increase in electric consumption by our customers would have been even greater without the existence of our Demand Side Management program where we continue to budget \$1,200,000 annually for financial rebates that incentivize our customers to reduce their use of electricity. For the first time since its inception, this rebate program is being recognized as an expense in the operating budget rather than a capital improvement. We have estimated that this program has resulted in a yearly reduction of 2.5 MW in our peak demand.

One way to satisfy the City Council goal to increase sustainability is to expand our use of renewable energy sources. Our current energy portfolio includes 18% from wind and 2% from burning Refuse-Derived Fuel. We hope to approach the Council in early 2019 with a recommendation to create our first community solar farm in an effort to increase our renewable energy portfolio.

Another strategy to deal with a tight labor market is to “grow” our own employees. Towards this end, a new Apprentice Lineworker FTE has been added to the FY 2019/20 Distribution budget. Our intent is to hire individuals with less experience initially and guide them through an extensive training program to develop their knowledge and skills.

WATER UTILITY – 7% RATE INCREASE

Again this year, the City of Ames was recognized by the Iowa Section of the American Water Works Association as having the best tasting water in the state.

With the completion of the new Water Plant, additional regulatory testing is required by the Iowa Department of Natural Resources. This additional workload is being performed by our existing staff with no additional impact on the budget.

In support of the City Council’s commitment to sustainability, the Water Plant is recycling approximately 28,000 tons of lime sludge per year.

At the end of FY 2018/19, approximately one-half of the conversion to Automated Meter Readers will be complete.

A new position is being added in the Utility Maintenance activity to assist with the increasing number of water main breaks and sanitary sewer repairs. The cost of this position will be shared 79% from the Water fund and 21% from the Sanitary Sewer fund. After taking into account the CIP projects and estimated operational expenditures for the next five years, our financial analysis currently indicates that a 7% water rate increase will be needed in FY 2019/20, with additional increases in FY 2021/22 and in FY 2023/24.

SANITARY SEWER UTILITY - NO RATE INCREASE

The Ames Water Pollution Control plant has the distinction of receiving a Platinum Peak Performance Award for 29 consecutive years of operating the plant without a permit violation.

Our Iowa Department of Natural Resources (IDNR) National Pollutant Discharge Elimination System (NPDES) permit expired in August 2015. Subsequent to that date a draft permit was issued, but was pulled after the City questioned some of the provisions. In the meantime, we continue to operate under our previous permit to allow us time to reach an agreement with IDNR.

After extensive discussions among our consulting firm, the staff, and City Council, we have identified a three phase plan to meet nutrient reduction requirements over the next twenty years.

A five-year financial analysis of this utility currently indicates the need for the next water rate increase in FY 2020/21, with another increase in FY 2022/23.

STORM WATER UTILITY - NO RATE INCREASE

In an effort to recoup some of the costs related to our Storm Water Utility operations and capital improvements, the City has established a four tier monthly fee schedule based on the amount of impervious land on a property. Our five-year financial projection for this fund currently does not require us to increase the fee for any of the four tiers.

Additional funding has been added to the Storm Water System Maintenance activity both in FY 2018/19 and FY 2019/20 for contracted repairs to help keep our system functioning properly. In addition, we have switched work priorities for our own crews from televising the system to cleaning system blockages.

The staff has submitted an application for a grant from the Federal Emergency Management Administration for our most significant flood mitigation/river flooding project. This bank restoration project is intended to lower flood water levels in the South Duff area up to two feet.

RESOURCE RECOVERY UTILITY

**NO INCREASE IN PER CAPITA SUBSIDY
\$3.75 INCREASE IN TIPPING FEE**

The high number of boiler outages at the Power Plant due to the caustic effect of burning our Refuse-Derived Fuel (RDF) with natural gas has resulted in a growing number of instances when our garbage must be diverted to the Boone landfill. These outages result in increased costs to transport unprocessed solid waste and to dispose of the material in the landfill. In addition, the Resource Recovery operation loses out on an opportunity to generate revenue from the Electric Utility for the sale of our RDF as an alternative fuel source. The substantial investment in replacing the boiler tubes in Unit #7 and Unit #8 in FY 2018/19 and FY 2019/20 with new coated tubes should correct this situation.

The boiler tube problems, coupled with a downturn in revenue received from the sale of the metals recycled from our process, pose a financial challenge for this utility. In order to meet this challenge, we are assuming two initiatives are implemented. First, the tipping fee charged to haulers bringing material to the Resource Recovery Plant will be increased from \$55.00 per ton to \$58.75 per ton. Secondly, a new formula prescribing how the Electric Utility will be charged for the purchase of RDF has been introduced that incentivizes both the Electric Utility and the Resource Recovery Utility to maintain the operation of their plants, resulting in more reliability in expenditures and revenues for this fuel source.

The per capita subsidy charged to the City of Ames (\$522,533) and the other Story County cities (\$305,025) that are partners in this operation will remain at \$10.50 for FY 2019/20. However, in order to keep this operation solvent over the subsequent four years, further increases in the tipping fee and per capita subsidy should be anticipated.

Much has changed since the City pioneered the operations of our waste-to-energy concept in the mid-1970s. Technology has changed, environmental standards have changed, energy and recycling markets have changed, and our customers' consumption patterns have changed. As a result of these changes, the staff believes it is an appropriate time to take a look at our current operation and determine if there are improvements that can be made to help us reach our goals of reducing our solid waste volumes and producing electricity from alternative energy sources. Consequently, you should note funds have been placed in the FY 2019/20 budget to conduct a feasibility study regarding an alternative "mass burn" process. The cost of this study will be shared equally by the Electric and Resource Recovery utilities.

TRANSPORTATION

STREET SYSTEM

An extra outreach effort was made in FY 2018/19 to inform our citizens of a number of upcoming projects: Welch Avenue Improvements, Complete Streets Plan, South Duff widening, Munn Woods sanitary sewer line installation, and the Ames On The Go smartphone app introduction.

You will note that traffic studies previously included in the CIP are now reflected in the operating budget to more appropriately coincide with accepted accounting principles. Since we completed the Complete Streets Plan and the Council approved the associated policies, Traffic Engineering staff will now direct its focus on developing a Traffic Network Communication Master Plan and begin updating the Long Range Transportation Plan in FY 2019/20.

Our new customized citizen reporting mobile application was introduced in FY 2018/19. This app allows our citizens to more conveniently report problems associated with our street system and other City infrastructure to the appropriate City staff member, assuring faster response to citizen concerns.

We are continuously seeking ways to improve our service in this program. Some recent examples include: the use of mastic materials on streets and bike paths to maintain their surfaces in a safe and useable condition, the purchase of two automated high-water signs to detect standing water on a roadway and initiate a flashing warning sign to alert motorists, the installation of an automated vehicle location system and GIS tracking system for better workload management, the introduction of an on-line public GIS portal to provide our citizens with convenient access to information, the implementation of the new Intelligent Transportation System to more quickly adapt to the demands of the motorists traveling throughout the city, and the introduction of the ADA Signal Enhancement project to retrofit our traffic signals and radar systems to improve our service to our citizens with disabilities.

TRANSIT

We had not undertaken a comprehensive review of the CyRide route structure since its inception. Given the increasing ridership on the system and the growing financial pressures on the funding partners that called into question the long-term viability of the system, the Transit Board of Directors hired a consulting firm to develop recommendations that would result in efficiencies to the system. Once these recommendations were approved by the Board and implemented, they became known as CyRide 2.0.

As could be predicted, not all of the changes were warmly accepted by our customers. Feedback was solicited from our users after the new system was in place to determine their reactions. Based on this feedback, the Transit Board has included in the FY 2019/20 budget either restoring or improving service to the following routes currently offered under CyRide 2.0; Peach, Gold, Cherry, Brown, and Lilac. The total cost for these new services is approximately \$200,000.

You will also notice that a new position, Chief Safety Officer, has been introduced into the budget. This position is mandated by the Federal Transit Agency to assure that the Transit operation has a professional permanently assigned solely to this safety function. In order to cover normal salary, benefits, contractual, and commodities along with the introduction of the new service improvements, the City (through its Transit Levy), the ISU students (through their student fees), and ISU Administration (through their general funds)

will need to contribute a 4.6% increase in their support for public transportation. For the citizens of Ames, the total contribution to CyRide in FY 2019/20 will be \$1,994,811.

AIRPORT

The financial status of the Airport continues to gradually improve. This improvement can be attributed to our new Fixed Based Operator (FBO), Central Iowa Air Service, whose excellent customer service is attracting more itinerant flights into our airport resulting in a 38% increase in fuel sales. The new FBO has also assumed mowing and snow removal responsibilities at the Airport at no cost to the City other than us providing the equipment and fuel to perform these duties. Previously, the City had to contract with a private firm to accomplish this work. At the end of a fiscal year, any revenue generated in excess of the expenditures for this operation will be transferred to the Airport Construction Fund to help finance future capital improvement projects.

We are in the process of updating our Airport Master Plan which is projected to be completed in the fall of 2019. This document will identify future goals for the Airport and major capital improvement projects such as runway extensions and hangar expansions.

PARKING

Historically, the City Council's goal for the Parking Fund is to cover all expenditures in a fiscal year with user revenues, which includes monies from parking meters, fines, and reserved parking space fees, as well as to maintain a 10% available balance. Given the deterioration of the City's parking lots, the City Council established another goal to generate additional funds to finance the reconstruction of our lots.

In response to these goals, a tiered meter parking fee schedule was established for the Downtown and Campustown business districts beginning on July 1, 2018. After much public feedback and discussions among the City Council members, the parking meter fees in all Downtown meters were reduced to \$.50/hour effective April 1, 2019. Even with this recent action, it is estimated that by the end of FY 2019/20, \$335,983 will be transferred to the new Parking Capital Reserve account to help fund future parking lot reconstruction.

The business leaders in Downtown have argued that the reduction in meter fees will actually generate more money for the Parking Fund than if the \$1.00/hour fee was maintained. Over the coming months we will monitor how revenues actually come in under the \$.50 meter rate and then make a recommendation if an additional fee increase is warranted in FY 2020/21.

The City Council has authorized \$70,000 in FY 2018/19 to hire a consultant to perform a parking study of the Downtown area to review existing space utilization, project future parking demand, and make recommendations for optimizing the future viability of the parking system.

COMMUNITY ENRICHMENT

PARKS & RECREATION

As you know, the city of Ames has one of the lowest unemployment rates in the country. This distinction comes with negative consequences. A very tight labor market makes it difficult to attract and retain qualified employees. Nowhere is this challenge more prevalent than in our recruitment effort for temporary/seasonal employees who staff our recreation programs. In an effort to confront this challenge, the FY 2018/19 and FY 2019/20 budgets support an initiative to assure these salaries are more competitive with our local labor market by establishing a three step pay plan with annual increases for each step. This major initiative alone accounts for a 15% increase in temporary/seasonal salaries in our recreation programs, or an increase of approximately \$126,000 over the FY 2018/19 Adopted Budget.

A review of the attendance numbers for certain classes in our Athletic, Wellness, and Instructional programs reveals that we are experiencing a decline in participation. Consequently, I have challenged our recreation staff to introduce new classes that will attract the interest of our citizens and thereby stimulate an increase in participation.

Parks and Recreation staff have been spending a significant amount of time working with numerous partner groups to develop the plans for the Healthy Life Center, Miracle Field, and All Inclusive Playground. Hopefully, final decisions on whether or not to proceed with these important projects will be made by the spring of 2019.

The two enterprise funds, Ames/ISU Ice Arena and Homewood Golf Course, remain in very strong financial positions. With the requested 3% increase in ice rental fees, it is expected that the Ice Arena fund will end the FY 2019/20 with an available balance of \$149,751 above the goal of a 15% operating reserve. Similarly, should the various recommended fee increases be adopted, it is anticipated that the Homewood Golf Course Fund will end next fiscal year with an available balance in excess of our goal of 25% by \$142,039.

LIBRARY

The tight labor market has also impacted the Library. Consequently, the budget for this service includes a \$1.00 per hour increase for hourly employees which results in an additional \$23,000 for temporary salaries.

In addition, an increase of .25 FTE for a Technical Services Assistant position is introduced in the Youth Services activity for FY 2018/19 to assure more staff time is directed to getting out from behind the desk and circulating in the area to offer more customer assistance and better monitoring of the area.

The Library is well known for its efforts to continue to improve programs. In keeping with this commitment, the pilot year of the streaming service Hoopla will be permanently added to the programming, the website was redesigned, and a new streaming movie service, Kanopy, was introduced allowing access to 30,000 titles.

CEMETERY

Our ultimate goal is to generate sufficient revenue to cover the expenses for this service each year. While we will not accomplish this goal in FY 2019/20, we are projecting the General Fund subsidy to be decreased to \$37,593. While no fee increases are being recommended for FY 2019/20 for this service, during the next year staff will be performing a comparative fee analysis to determine if future increases can be justified.

In response to previously obtained citizen input, we installed eleven water spigots to better serve families who are supplying plants to their family members' gravesites, and upgraded our stonework photos and memorial information to improve our capability to respond to customer inquiries.

HOUSING SERVICES

In FY 2018/19, we are planning to expend \$1,170,765 from our Community Development Block Grant funding for the development of our new mixed-income housing subdivision at 321 State Street, home acquisition/rehabilitation, rental deposit assistance, and transportation assistance. With the addition of federal HOME funds, \$450,897 will be used to assist with the construction of single family houses for lower income households at our 321 State site.

In 2019, we will be submitting our first Consolidated and Annual Action Plans for both the CDBG and HOME funding. These Action Plans will incorporate the program goals and priority projects that are ultimately approved in the Five Year Consolidated Plan.

HUMAN SERVICE AGENCY AND ARTS SERVICES

We are very fortunate to have access to local option sale tax revenues which are paid on qualifying purchases delivered within the city limits of Ames. In FY 2019/20, the commitment will continue for those human service agencies that provide the City Council's service priorities by allocating \$1,466,202 towards these services. Our local arts agencies also will benefit from local option sales tax proceeds by earmarking \$168,898 for these organizations, as well as \$46,000 for the City's Public Art program.



My sincere thanks goes out to our Department Heads and those members of their staff who helped develop this administrative/financial plan for the city. It remains clear to me from their actions that they remain committed to providing exceptional customer service at the best price!

Assembling the mountain of data that is reflected in this budget is a significant task. Credit for this effort must be given to Duane Pitcher, Finance Director, Emily Johnson, Finance Department Secretary, Tasheik Kerr, Management Analyst, Brian Phillips, Assistant City Manager, and Bob Kindred, Assistant City Manager. Nancy Masteller, our Budget Officer, deserves special recognition for the many extra hours she spent during evenings and

weekends implementing this new budget format and in making sure the budget was completed on time and worthy of another award from GFOA!

Respectfully Submitted,

A handwritten signature in cursive script that reads "Steve".

Steven L. Schainker
City Manager