

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

AMES, IOWA

JANUARY 30, 2009

The Ames City Council met in special session at 2:00 p.m. on January 30, 2009, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor Campbell presiding and the following Council members present: Doll, Goodman, Larson, Popken, and Rice. Council Member Mahayni and *Ex officio* Member Tracy were absent.

FY 2009/10 BUDGET OVERVIEW: City Manager Steve Schainker, Finance Director Duane Pitcher, and Budget Officer Carol Collings reviewed the documents contained in the budget packet distributed to the City Council.

City Manager Schainker advised that this meeting marked the unveiling of the Fiscal Year 2009/10 Program Budget. Discussion will also occur on amendments to the current fiscal year (2008/09) budget. Mr. Schainker stated that the recommended Fiscal Year 2009/10 budget totals \$179,818,767. He believes that City staff members have done an excellent job in their attempts to hold costs down. The end result is that there will be an actual property tax rate decrease of \$.20/\$1,000 valuation; however, there are no significant decreases in the levels of service. It was emphasized by City Manager Schainker that utilities are going to be impacted significantly by capital improvements projects. Mr. Schainker pointed out that, even though there are a lot of financial challenges and uncertain economic times, the City Council's direction and the City's conservative fiscal policies have put the City of Ames in a very good position compared to other Iowa cities.

Finance Director Duane Pitcher noted that there will be rate increases in 2009/10 for Water (10%), Electric (5%), and Storm Sewer Utility (\$.40 in monthly rate); Sanitary Sewer Utility and Resource Recovery will remain flat.

Property Tax Levies for 2008/09 were summarized by City Manager Schainker. He stated that the City of Ames levy is \$11.06/\$1,000 valuation (34.81%), School is \$13.63 (42.88%), County is \$6.53 (20.54%) and DMACC is 0.56 (1.77%).

Mr. Pitcher gave a comparison of City Property Tax Valuations and Total Levies to be collected for fiscal year 2008/09 for the 11 largest cities in Iowa. He reported that Ames is the only city under the \$8.10 limit. Ames has the second-lowest total city tax levy per \$1,000 valuation (\$11.06); only Dubuque is lower at \$9.97. It was noted that FY 2008/09 included the debt for the Aquatic Center. For FY 2009/10, the total tax levy/\$1,000 taxable valuation will be \$10.86.

Mr. Schainker reminded the City Council that, by referendum, 60% of the Local Option Tax proceeds goes to reduce property taxes. The total tax levy for FY 2009/10 would be \$12.65 without the infusion of Local Option Tax proceeds of \$1.79/\$1,000. According to Mr. Pitcher, there was an increase in taxable value of approximately \$89,000,000; approximately \$76,000,000 was from Residential, just under \$10,000,000 was from Commercial, and approximately \$3,000,000 was from Industrial.

Mr. Pitcher emphasized the large impact on the City's budget from residential rollback. Council Member Rice asked to know how much impact the conversion of apartments to condominiums had in terms of the City's budget. Mr. Pitcher confirmed that information would be discussed later in the presentation.

Debt Service for the 2009/10 budget was explained by Mr. Pitcher. He noted that \$500,000 will be allocated from the Fund Balance. With current valuation, that translates into a Debt Service Levy of \$3.95/\$1,000 valuation. Attention was directed to the listing of General Obligation Bond projects planned for 2009/10. Mr. Pitcher reported that two projects will not be financed by G.O. debt: (1) NE Area Shared-Use Path and (2) NE Area Commercial. He advised that all projects are monitored carefully, so if it is determined that the project will not be completed in the fiscal year planned, the bonds will not be issued. Debt Services issues for FY 2010 through FY 2014 were briefly reviewed. It was noted that the amounts assume a 3.0% annual growth in taxable value.

The percentage change of total levy by property type was explained by Mr. Pitcher. The net change is 2.65%. An analysis of that change in tax dollars by property type was also described; changes in classification and the rollback affected the net tax asking.

Mr. Pitcher reported on the percentage of taxable valuation by property type: Residential, 71.56%; Commercial, 24.9%; Industrial, 3.33%; and Utilities, 0.29%. He gave sample tax calculations for the property classifications. The conversion of apartments to condominiums shifted \$27,000,000 from commercial to residential, resulting in a loss in taxable value of approximately \$14,200,000.

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

Streets/Traffic	\$	128	
Police Protection			108
Fire Protection			72
Recreation and Parks			60
Library			42
Transit			29
General Support Services			23
Planning			9
Resource Recovery			7
Storm Sewer			7
Animal Control			4
Inspections/Sanitation			3
Building and Grounds/Airport			<u>3</u>
TOTAL		\$	<u>495</u>

Road Use Tax Revenue was briefly explained by Mr. Pitcher. He noted that there was a bill passed last year that allowed for additional funding; however, without that, there would not have been an increase in revenue.

Director Pitcher reiterated that, to support the Capital Improvements Plan over the next five years, rate increases will be required in several City Utilities. He noted that Water had adjusted its rate structure in FY 08/09, as approved by the City Council. It was again noted that, in FY 2009/10, Electric rates will increase by 5%, Water rates will increase by 10%, and Storm Sewer will be \$.40 in the monthly rate. According to Mr. Pitcher, there is the possibility in the future

of increases occurring in multiple utilities. Sample Utility billings were given for minimum-use, medium-use, and large residential customers and for small and large commercial customers.

City Manager Schainker forewarned that next year will be even more challenging as more information will be known about the disinfection requirements at the Water Pollution Control Plant, Electric Services and tie-line improvements, and the DNR permit requirements to be placed on the Water Plant.

Council Member Larson added that, after a survey of cities done by the Ames Economic Development Commission, Ames had the lowest utility rates of cities in Iowa.

Council Member Goodman asked if there was a way to compare different utilities in their different life cycles for different cities.

City Manager Schainker stated that there will be the addition of two full-time-equivalent employees in 2009/10: Transportation Planner and Assistant City Attorney. He added that there will be no budget increase from the hiring of a Transportation Planner; that position will be paid 80% from AAMPO reimbursement and 20% through a reduction in temporary traffic interns.

Mr. Pitcher described fee changes for the Municipal Cemetery and Rental Housing Inspection Fees. He reminded the Council that they had recently adopted an ordinance designating the Municipal Cemetery as a perpetual care operation, which was done to meet the requirements specified by the Iowa Code.

The meeting recessed at 3:36 p.m. and reconvened at 3:44 p.m.

Budget Officer Carol Collings brought the Council's attention to an area of deficit-spending, which is not usually done. She reminded the Council that the City's policy is to reserve 20% of the General Fund balance. However, due to a larger-than-anticipated General Fund balance, \$600,000 was being recommended to be allocated to the City Hall Space Re-Use Project. Even after using \$600,000, the ending fund balance for FY 2009/10 will be 23.6%.

The Local Option Tax Fund was explained by Ms. Collings. She recalled that the fund balance is reserved at 25% of budgeted expenditures less the 60% tax relief. The unreserved fund balance is estimated to be approximately \$952,000 for 2009/10. City Manager Schainker commented that it appears that the City has a healthy balance, but the economy is very unstable.

Regarding the Hotel/Motel Tax, Ms. Collings noted that, due to an error recently caught in the revenues collected by the State, a settlement check was received by the City in the amount of \$425,000. There is an ending balance projected for 2009/10 in the amount of approximately \$340,000.

Ms. Collings brought the City Council's attention to the Leased Housing Fund (Section 8) budget. It was noted that, in FY 2004/05, Federal reimbursements for rent payments and administrative expenses dropped substantially, and as a result the fund balance available for administration continues to not cover the administrative costs. Therefore, Program revenues are not sufficient to cover expenses, and this Program is expected to operate with a deficit in FY 2008/09 and beyond. City Manager Schainker warned the Council that this will present a challenging situation in 2010/11 if the trend continues.

According to Ms. Collings, the Community Development Block Grant (CDBG) is similar in that administrative costs incurred are more than what is provided by federal funding. To offset that deficit, Ms. Collings pointed out that the City resells homes and brings revenue into the Program.

Pertaining to Road Use Tax, City Manager Schainker said that the estimates received from the State for the base amount are flat. It is anticipated that expenses will exceed revenues and draw the balance down significantly.

The new TIF District project on South Bell was briefly reviewed by Director Pitcher. He pointed out that the TIF project of 1998 has collected adequate revenue to pay off outstanding bonds, and the property has been released for general taxation.

Ms. Collings briefed the Council on the Funds for Park Development, Don & Ruth Furman Aquatic Facility Construction and Operating, Library Donations, and Airport Improvements.

City Manager Schainker explained the Developer Projects Fund, which accounts for the developers' share of improvements required by the Development Agreement. This is in addition to the Letters of Credit and/or bonds that the City holds until completion of the projects.

Regarding Bond Proceeds, Ms. Collings advised that any undesignated fund balances are used for other projects or transferred to the Debt Service Fund.

Mr. Pitcher explained that changes were made in the past few years to Parking Operations and Improvement, which have restored it to a healthy balance.

Ms. Collings reported good news for the GSB Transit Trust Fund. They are making progress to pay off the deficit. She explained that, in 2004/05, GSB did not collect adequate student fees to cover its obligation to Transit's operating budget, so the FSB Transit Trust Fund went into a deficit position. The fund balance will restore to a positive balance of \$139,652 at the end of 2009/10.

More good news was reported for the Ames/ISU Ice Arena and Homewood Golf Course. There is an increase in ice time built into this budget, and there will be an ice resurfacer purchased.

Resource Recovery Operations and Improvements, Fleet Replacement, Information Technology, Computer Replacement, and the Risk Management Funds were briefly explained by Carol Collings. She stated that there were several large Worker's Comp claims, which became evident last fall, and an adjustment to the rates charged to Departments was made (33% higher). An additional 10% increase will be needed in 2009/10, and it will be FY 2010/11 before the balance is restored to desired levels. According to City Manager Schainker, this gets charged back to Departments based on the hazards of each job.

Ms. Collings advised that the City has experienced six hard months of increased claims for health insurance. Rates for 2009/10 are budgeted at 10% higher than the current amount, which is approximately a 6% increase from the FY 2008/09 Adopted.

Council Member Larson noted that the Resource Recovery Plant had recently experienced a fire.

He asked how the repairs are paid. Public Works Director Joiner advised that the repairs are paid for out of the available operations fund balance.

City Manager Schainker noted that a letter had been received from Dale Ross, President of the Ames Public Library Board of Trustees. The Board is asking for funds to be reallocated from the Library's CIP to the Library Expansion Feasibility Study. Mr. Schainker advised that over \$180,000 had previously been appropriated for the replacement of an air conditioning system; however, only a portion of those funds were used for a significant repair that should last for a few years. The Board is suggesting that after the requested reallocation of funds, any remaining balance required to pay for the Study come from the Library's Bequest Fund.

It was noted that copies of the written requests for funding from outside agencies were included in the information provided to the Mayor and Council. Finance Director Pitcher offered to provide a summary of those requests. Council Member Goodman asked for the summary to include suggested funding sources.

City Manager Schainker said that the Student Affairs Commission might be submitting a budget request to pursue setting up a Campustown District similar to the Main Street Cultural District.

Council Member Larson asked that the "Adjusted" column be explained. Mr. Pitcher explained that, as every Department prepares its budget, new estimates are made based on current activity, and the amounts are adjusted accordingly. The City Council approves those changes in February along with the future year's budget. The budget is adjusted again in May with the final amendments.

COMMENTS: Moved by Popken, seconded by Rice, to refer to staff the letter from the Ames Public Library Foundation for reallocation of funds.

Vote on Motion: 5-0. Motion declared carried unanimously.

Moved by Popken, seconded by Rice, to refer to staff the letter dated December 12, 2008, regarding a waiver of sidewalk requirements for property owned by Mark and Jane Love in the Timberland Heights Subdivision.

Vote on Motion: 5-0. Motion declared carried unanimously.

Assistant City Manager Lundt explained that the City received a letter today from Youth & Shelter Services requesting \$40,000 to assist with its acquisition of the Richmond Center located at 125 S. Third Street. It was noted that the down payment is needed by Monday, February 2.

ADJOURNMENT: Moved by Doll, seconded by Goodman, to adjourn the meeting at 4:35 p.m.

Vote on Motion: 5-0. Motion declared carried unanimously.

Diane Voss, City Clerk

Ann H. Campbell, Mayor