

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

AMES, IOWA

FEBRUARY 3, 2012

The Ames City Council met in special session at 2:00 p.m. on February 3, 2012, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor Campbell presiding and the following Council members present: Goodman, Larson, Orazem, and Szopinski. Council Member Wacha arrived at 2:08 p.m. Council Member Davis and *ex officio* Member Finseth were absent.

FY 2012/13 BUDGET OVERVIEW: City Manager Steve Schainker told the Council that, as the City was beginning the preparation of the FY 2012/13 budget, State Legislators in Des Moines were beginning a debate regarding bills that would impose an arbitrary limit on the amount of property taxes a City Council could raise each year to support municipal services. He said that there appears to be fear among some in the State House that locally elected City Council members will take advantage of this trend and raise taxes on their constituents in excess of their needs. Mr. Schainker emphasized to the Ames citizens that year after year the Ames City Council members have been very prudent in their decisions to levy taxes to finance City services, and fiscal year 2012/13 will be no different. He advised that the budget that he is recommending for FY 2012/13 reflects expenditures of \$197,836,020.

Mr. Schainker reported that, in FY 2012/13, operational expenses estimated to grow 3.6%. In order to fund these expenditures, an additional \$502,094 in property taxes will be needed. However, because of the improvement in Local Option Sales Tax, new growth in the community, and an increase in the rollback percentage, there will be a reduction of \$.12 in the overall property tax rate from \$10.84 per \$1,000 of taxable valuation to \$10.72 per \$1,000 of taxable valuation. Mr. Schainker emphasized that the budget benefited from a recovery in Local Option Sales Tax revenue, which has been stagnant since FY 2008/09. Local Option Tax revenues transferred to the General Fund for property tax relief are expected to increase by \$501,370.

Council Member Wacha arrived at 2:08 p.m.

Finance Director Duane Pitcher stated that the City's levy makes up 33.57% of a property's total tax bill; the School District makes up 44.95% (if in the Ames Community School District); 19.65% is the County's share; and 1.83% goes to Des Moines Area Community College (DMACC).

Mr. Pitcher gave a comparison of City Property Tax Valuations and Total Levies to be collected for fiscal year 2012/13 for the 12 largest cities in Iowa. Ames has the third-lowest total city tax levy per \$1,000 valuation; Mr. Pitcher reiterated that for FY 2012/13, the total tax levy/\$1,000 taxable valuation will be \$10.72. He gave a detailed analysis of changes in taxable values among residential, commercial, industrial, and utilities. Residential increased by 5.90%, Commercial decreased by 0.52%, Industrial increased slightly (2.21%), and Utilities increased 13.62%. The net percentage change in taxable value on existing property equates to 2.04% broken down as follows: Residential (due almost exclusively to Rollback) is \$50,277,595; Commercial: (\$7,749,000); Industrial: (\$18,000); and Utilities: \$1,472,901.

The Fire & Police Trust Fund was reviewed in detail by Mr. Pitcher. City Manager Schainker told the Council that it would have to make policy decisions regarding this Fund. He noted that in FY 2012/13, \$200,000 will move from the General Fund Balance to help soften the amount needed from a tax increase, which will equate to approximately \$124,000.

Finance Director Pitcher reviewed the debt service cost allocation for the 2012/13 Budget. He told the Council how the bond proceeds will be used, with the largest portion (\$5.8 million) going to streets. According to Mr. Pitcher, the Library Expansion/Renovation (\$4,500,000) will first appear in the 2012/13 Budget. The debt service issues for Fiscal Years 2013 through 2017 were highlighted. City Manager Schainker said that there will be some policy decisions needed to be made by the City Council regarding storm sewer (flood-mitigation) issues, which have been shown in the CIP as being funded through G. O. Bonds. The total FY 2012/13 tax levy will be \$24,014,006, which is a change of \$502,094 (2.14%). The Residential property class will pay \$614,299 more, Commercial will be \$145,982 less, and Industrial will pay 1.06% more (\$14,893). He gave sample property tax calculations per \$1,000 taxable valuation. Residential will see a 3.4% increase, or \$17.88/\$100,000 in valuation. It was pointed out that \$295,522 in the debt service levy is attributable to the Library bond issue. If not for that recently approved bond referendum for the Library renovation, the residential property owners would have been asked to pay only 2.12% more in taxes (\$11.18 per \$100,000 of taxable valuation).

The costs of City services for 2012/13 per residence from property taxes (based on a \$100,000 home) were summarized, as follows:

Streets/Traffic	\$	134
Police Protection		128
Fire Protection		88
Recreation and Parks		53
Library		52
Transit		33
General Support Services		24
Planning		10
Storm Sewer		7
Resource Recovery		6
Animal Control		5
Building and Grounds/Airport		3
Inspections/Sanitation		<u>1</u>
TOTAL	\$	<u>544/\$100,000</u>

Mr. Pitcher explained how the new Census numbers helped with Road Use Tax Revenues. The population of Ames grew, thus the amount of Road Use Tax Revenue increased. That, in essence, means that more road improvements will be paid from Road Use Tax Revenues, rather than from the General Fund.

An historic breakdown of the budget, specifically valuation increases and rollback, from 1991/92 to the present was given by Mr. Pitcher. He also reviewed the Full-Time Equivalents (FTEs) recommended for 2012/13. There will be a net increase of 1.00 FTE from 2010/11 to 2012/13, which will be a Management Analyst position in the City Manager's Office.

A brief summary of utility rates was given by Finance Director Pitcher. Rate restructures are planned for Electric and Storm Sewer, Water will increase by 3%, and Sewer will increase by 5%.

Pertaining to the Resource Recovery Plant (RRP), City Manager Schainker explained that, in order to generate the same total revenue in FY 2012/13 that was realized in FY 2011/12, the per capita charge to the City's partners must be reduced from \$10.50 to \$9.10 due to the population

increase. Because Ames now represents a greater percentage of the County population, the City's property tax obligation to finance Resource Recovery operations will increase by \$29,386 (from \$423,476 to \$452,862), even with the reduction in the per capita charge. City Manager Schainker emphasized that the utility rates are strictly estimates; they may change depending on state- or federal-mandated improvements.

Pertaining to the Building Inspections budget, City Manager Schainker advised that the budget includes \$72,500 to contract with a private firm to supplement the City's inspection capabilities. While more costly in the short run, contracting out for inspection services will hopefully prove more effective in meeting peak demands. Mr. Schainker pointed out that if the construction activity continues to grow, the Council should give consideration to an additional full-time inspector to satisfy customers' demands. He also said that Inspections staff is currently exploring new software that will allow inspection reports, scheduling, and research to be accomplished in the field. The cost of the new software could be as much as \$250,000. Funds in the amount of \$175,000 are being earmarked from the General Fund balance to begin accumulating sufficient funds to purchase the new technology.

Mr. Pitcher brought the Council's attention to the rates for Parks & Recreation activities. Modest rate increases will be necessary. More details will be provided by Director Nancy Carroll during budget hearings next week.

City Manager Schainker reminded the Council about the new process for evaluating requests for City funds from community and student groups. A team of staff and residents met and discussed the general community grants. The Student Affairs Commission then reviewed the requests. Funding recommendations had been provided to the Mayor and Council as part of their budget information.

Three options for replacing the Squaw Creek Pedestrian Bridge, which was destroyed by the Flood of 2010, were offered by City Manager Schainker to the Mayor and City Council. One option would have the Council utilize \$400,000 of savings realized from better-than-expected bids that had been received for various street projects in 2009 to fund the bridge replacement. Council Member Larson noted that when the Grand Avenue Extension goes through, the Bridge would be torn down. Mr. Schainker noted that it is not anticipated that the Grand Avenue Extension, at a cost of \$17 to \$20 million, will occur in the near future unless federal funds can be obtained. Mr. Larson pointed out that there are a couple of old bridges that had been replaced and were laying in corn fields. He asked if there was any possibility of using a section of the bridge that was replaced on Dayton. Civil Engineer Corey Mellies advised that the City only owns one section of that bridge. It could cost approximately \$200,000 to move the bridge. Council Member Goodman said that it would be important for the Council to know when the Grand Avenue Extension might occur and what would be lost if the Squaw Creek Pedestrian Bridge was constructed and then later removed.

City Manager Schainker brought the Council's attention to the memos pertaining to 2012/13 ASSET Allocations and COTA Funding requests. He also noted that a report on the Summary of Proposed Flood Mitigation Projects that are reflected in the proposed Capital Improvements Plan (CIP) had been provided to them. Decisions on those items will need to be made by the Council on February 14 during Budget Wrap-Up.

Mr. Schainker told that Council that he would have to clarify the number of garbage cans being

requested from the Campustown Action Association.

Budget Officer Carol Collings highlighted the General Fund ending balance of \$6,542,726. She noted the Council's policy of reserving 20%, and with that being removed, the unreserved fund balance totals \$969,600. She informed the City Council that the City was fortunate to end FY 2010/11 almost \$550,000 better in the General Fund balance than had been planned. She noted that the City Manager prefers to consider utilizing that funding for one-time expenditures that would lessen the tax burden for FY 2012/13.

City Manager Schainker explained that, due to that larger-than-anticipated ending balance of the General Fund, he is recommended that the following one-time expenditures be made:

1. \$81,161 for various capital items
2. \$175,000 for new Inspection software
3. \$200,000 towards City Hall/Police Department renovation project
4. \$195,000 towards the City's contribution to the Fire/Police Retirement System

Budget Officer Collings reviewed the Local Option Sales Tax Fund. Revenues exceeded the current year's estimate, and the estimate for 2012/13 is 1% higher.

The Council's attention was also brought to letters submitted by outside agencies for funding. Under the new policy, those amounts, which total around \$89,000, are not built into the budget; that is a change from last year. The only two allocations that had been built into the budget were those for the Ames Economic Development Commission and the Shared Sustainability Coordinator. City Manager Schainker noted that the budget would thus change when those funding decisions are made.

Ms. Collings pointed out that the City had experienced an increase in the Hotel/Motel Tax Fund, and the future looks optimistic.

In the Leased Housing Fund, Ms. Collings noted that the City Council made a decision to turn this program over to the Department of Housing and Urban Development (HUD) for administration by an agency other than the City of Ames. This Fund will be closed out.

Council Member Wacha left the meeting at 3:50 p.m.

Ms. Collings briefly reviewed Tax Increment Financing, which now only includes development on South Bell. She also gave highlights for the following funds: Park Development; Furman Aquatic Facility Construction Donations, which will be closed out. Miscellaneous Special Revenues, which includes the softball complex, Project Share, Public Safety Trusts, and Parks and Recreation Trusts, was highlighted because it had increased by \$1,600,000 with the G. Winakor Donation. Library Donations and Developer Projects were also explained. The Economic Development Fund, which was expanded to account for revolving loan, community investment, and pass-through State loan activity was explained by City Manager Schainker. Council Member Larson requested a report on the Homestyle Furniture and BioForce loans from the City Attorney. Ms. Collings explained the Cemetery Fund. The principal must be retained, per *Iowa Code*, to provide cemetery maintenance. Interest earnings are transferred to the General Fund for cemetery operations. The Donald & Ruth Furman Aquatic Center Operations Fund, Street Construction, Airport Construction, the American Recovery and Reinvestment Act Grant

and Energy Block Grant Funds, and Bond Proceeds were briefly described by Ms. Collings.

City Manager Schainker pointed out the series of rate increases that had been anticipated to pay for the new Water Plant. He noted that Water and Pollution Control Director John Dunn had been able to secure an SRF Loan of nearly \$6 million. Mr. Dunn said that as a result of that forgivable loan and a delay in the start of the project, reductions in the prospective rates had now been made. In FY 2012/13, instead of 10%, an increase of 3% will be needed. In 2013/14, 6%, instead of 10%, is being recommended. There is no increase anticipated for 2014/15. An increase of 7% is estimated for 2015/16. Sewer rate increases are also going to be less than originally anticipated. In 2012/13, 5% instead of 10%; and in 2013/14, 5% instead of 10%, is being recommended. It is anticipated that an 8% increase, instead of 6%, will be needed in 2014/15. There is no rate planned for FY 2015/16.

Pertaining to the Electric Utility, there is no need to increase the overall revenue in FY 2012/13 to finance the projected 3% increase in operating expenditures. Sufficient revenues are available in the Electric Fund to cover these costs. However, as a result of a recently completed Cost-of-Service Study, electric rates will be restructured. Highlights of this restructuring will include an increase in the minimum bills, the establishment of a flat block rate for all customer classes to promote consumption reduction, and a change in the unit of measure to determine the demand charge so that it is more accurate. It is anticipated that the City will receive the Ruling from the Iowa Utilities Board on the extension of the 161 kV Line in March 2012.

City Manager Schainker highlighted the Parking Fund. He noted that, in FY 2012/13, the expenditures exceed the revenue by approximately \$25,000. Since there remains a substantial available balance in this fund, no immediate action is required to correct this situation. However, based on the information recently presented by the Police Chief, the charges for overtime and illegal fines are not covering the costs. New technologies to improve customer convenience for paying meter fees and enforcement efficiencies will require one-time capital expenditures to purchase equipment. Mr. Schainker told the Council that it should be prepared to take action in the near future to increase fee and fine amounts to generate the needed revenue.

Budget Officer Collings reviewed the Transit Agency Funds, including Capital Reserve, GSB Trust, and the Intermodal Facility. It was noted that an additional 7% is being asked from the City, University, and GSB for FY 2012/13 in order to bring the fund balance up from 8.2% to 10.3%.

City Manager Schainker reviewed the Storm Sewer Fund. A new rate structure, expected to be revenue-neutral, will be implemented in 2012/13. Council Member Goodman referenced the flood-mitigation issues and asked what the City's requirements were related to maintenance of storm sewers, especially as they relate to post-development. Tracy Warner, Municipal Engineer, described the City's mandated Water Quantity Control program and other requirements that should help mitigate flooding.

Ms. Collings highlighted the Ames/ISU Ice Arena Fund and noted that no fee increases are planned for FY 2012/13. The Fund Balance of the Ice Arena Capital Reserve will be able to absorb the cost of the floor resurfacing. According to Ms. Collings, there are no fee increases planned for the Homewood Golf Course, as its balance is projected to be approximately \$115,000.

City Manager Schainker again reviewed the Resource Recovery Fund. The per capita fee was lowered to collect the same total dollars on the larger Census amounts. He reiterated that the City's share will increase because Ames' population increased.

Pertaining to the extension of utilities east of Interstate 35, Water and Pollution Control Director Dunn presented the effects on the debt levy that would occur as a result of each of the four scenarios that had previously been presented to the City Council on January 24, 2012.

Council Member Orazem left the meeting at 4:42 p.m. Since no decisions would be made by the City Council members present and they would be only receiving information, City Attorney Marek advised that the meeting could continue without a quorum.

Discussion pertaining to the four scenarios ensued. City Manager Schainker recommended that, if the City Council decides to pursue any of the scenarios, the amounts estimated in the scenario chosen should be put in the budget. If the Council has not made a decision by Budget Wrap-Up, Mr. Schainker advised that the budget could be amended. Council Member Larson suggested that another option could be to place the project in the second or subsequent years of the CIP.

Council Member Goodman recalled that he had asked to know the City's rate of return on investment for very large projects before any commitments were made to fund the project. Mr. Schainker said he is working with a consultant from Iowa State University to provide the data.

COMMENTS: Mayor Campbell noted that the deadline for applications for appointment to a Board or Commission had been extended to February 17. She asked for the assistance of the Council members in recruiting applicants.

ADJOURNMENT: The meeting adjourned at 4:57 p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor