

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

AMES, IOWA

FEBRUARY 1, 2019

The Ames City Council met in special session at 2:01 p.m. on February 1, 2019, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor John Haila presiding and the following Council members present: Bronwyn Beatty-Hansen, Gloria Betcher, Amber Corrieri, Tim Gartin, David Martin, and Chris Nelson. *Ex officio* Member Allie Hoskins was absent.

FY 2019/20 BUDGET OVERVIEW: City Manager Steve Schainker noted that the FY 2019/20 budget reflects expenditures totaling about \$250 million for the numerous services provided by the City of Ames. He explained that this meeting was to discuss the big picture items; next week there will be more of an in-depth detailed discussion from each Department Director, and then on February 12, 2019, there will be the Budget Wrap-Up session.

Finance Director Duane Pitcher pointed out that the property tax for the City is only about a third of their bill at 32.06%. He noted the following on the overall budget:

- Property Tax rate is down \$0.04 from FY 18-19
- Increased taxable and assessed value for every class of property
- Re-valuation was minimal and has little impact on taxes paid
- Balanced General Fund budget for operations and capital
- Forecasting 3% growth in Local Option Sales Tax revenue
- Utility rate increases for water and Resource Recovery tipping fee

Mr. Pitcher reported that the City's taxable valuation is up to 5.7%. The FY 2019/20 budget reflects a \$.04 rate decrease in the overall property tax rate from \$10.06857 to \$10.02557/\$1,000 taxable valuation. He noted that the TIF valuation is subject to the debt levy but not the rest of the levies, and is up to 45,584,078.

At the request of Council Member Martin, Mr. Pitcher explained the reasoning for the TIF levy increase.

It was stated by Mr. Pitcher that the value of all property types (Residential, Commercial, and Industrial) increased, showing that the City is up in both assessed and taxable value. There was an increase of 5.67% for FY 2019/20. He then provided a more in-depth analysis of changes in taxable value. Mr. Pitcher pointed out that the revaluation of existing property last year was \$160 million where FY 2019/20 it is \$2 million.

Director Pitcher presented a breakdown of the tax levy, including General, Employee Benefits, and Transit. He noted the Employee Benefits levy are only the Police and Fire Retirement system contributions; twenty-eight years ago it was shifted from being locally operated to being combined with the state.

The debt service levy is at 3.19314/\$1,000. Mr. Pitcher noted that this amount is down slightly. City Manager Schainker stated he is not recommending using any of the fund balance in FY 2019/20 as they are trying to keep a level rate. Adding a referendum for a Fire Station, a Healthy Life Center will increase the debt service rate.

Mr. Pitcher stated that the total dollar value of the levy for FY 2019/20 is \$31,023,393. He noted that the FY 2019/20 recommended budget includes an additional \$1,564,903 in taxes.

A Summary of Changes in Taxes was reviewed by Mr. Pitcher to explain where the \$1,564,903 increase was coming from and explained more detail will come from the individual departments next week.

It was reported that the City is projected to end FY 2018/19 with a General Fund balance of \$9,446,065. He noted that the General Fund will hold a significant balance which will help if there is a loss in the replacement tax funds. Mayor Haila stated that the budget for the City-Wide Radio system went up \$750,000 and wanted to know where the additional funding was coming from. City Manager Schainker stated that the additional project cost would be funded through a combination of bonds, abated bonds, and grant funding.

Council Member Betcher commented that the Council had approved increasing the expenditures of the Homewood Clubhouse and wanted to know where the revenue for the rental of the facility would appear in the budget. Mr. Schainker stated they are recommending remain in the Homewood Golf Course Fund, but at this time no revenue has been budgeted.

Mr. Pitcher indicated that there are requests for changes in employment levels for FY 2019/20 [an increase of 4 Full-Time Equivalent (FTE)]. He noted that a Police Officer, a Firefighter, a Chief-Safety Officer for Cy-Ride, and a Utility Maintenance worker have been added to the budget.

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

Electric Utility: No rate increase

Water Utility: 7.0% rate increase for FY 2019/20 followed by two additional increases over the following four years

Sanitary Sewer Utility: no rate increase followed by two rate increases over the next four years

Storm Water Utility: No increase in monthly fee

According to Mr. Pitcher, the Resource Recovery tipping fee increase will increase from \$55.00 to \$58.75 for FY 2019/20. And additional increase may be needed in the future.

Mr. Pitcher went over the Utility Bill Rate samples and noted that Director John Dunn will go over the increase in more detail when the rate ordinance is prepared.

Mr. Pitcher pointed out that the budget also includes fee changes for Police, Animal Control, and Parks and Recreation.

Fund Summaries. Budget Officer Nancy Masteller outlined the Fund Sheets beginning with the General Fund. She pointed out that the General Fund is balanced for FY 2019/20, revenues equal the expenditures with an unreserved balance of \$884,919. Mr. Schainker pointed out that the Electric Utility makes a transfer to the General Fund in lieu of taxes.

Under the Local Option Sales Tax Ms. Masteller stated that the revenue is allocated at 60% for property tax relief and 40% for community betterment, including human service and arts agency funding. The fund balance is reserved at 25% of the budgeted expenditures less the 60% tax relief transfer. Reserves are for cash flow and revenue fluctuations. Mr. Schainker noted that the City should begin collecting on internet sales soon. Ms. Betcher asked if anything has been noted as to when any contributions will come in from the Airbnb's. A discussion was held and no one was sure at this time. Mayor Haila stated that another \$250,000 was approved for the Human Services Capital Grant Program and wanted to know where that showed up in the budget. Mr. Schainker stated that the project is funded from \$200,000 in Local Option Tax and \$50,000 in the General Fund. AS the project was not separately identified on the fund page Ms.Masteller stated that she will double check and report back to the Council.

Budget Officer Masteller continued with Special Revenue Funds. Regarding Hotel/Motel Tax, it was noted that of the seven cents/dollar, five cents is provided to the Ames Convention & Visitors Bureau for community attractions, one cent replaces the Local Option Tax and is split 60% for tax reduction and 40% for community betterment projects. The remaining one cent remains in the Hotel/Motel Tax fund for economic development activities.

Road Use Tax was briefly summarized. Council Member Martin asked if there was any mechanism to collect Road Use Tax from electrical vehicles. No mechanism exists at this time.

Other Special Revenue Funds were summarized. When discussing Public Safety Special Revenues, Mayor Haila inquired if a study had been done on the Animal Shelter. City Manager Schainker stated that an RFP is in process to hire an engineer to study the current building. Mr. Gartin stated he is looking at page 264 and wanted to know why there was such a huge increase in the 2019/20 Manager Recommendation for the revenues and expenses. Ms. Masteller stated that she will look into the increase and report back to the Council.

Ms. Masteller continued with a summary of the City Special Revenue Funds.

Enterprise Funds were then summarized by Budget Officer Masteller.

Ms. Masteller noted that City staff are watching the Resource Recovery fund closely due to the impact of the Power Plants's conversion to natural gas. Mr. Gartin inquired if the Council should change the amount that is kept in the unreserved fund balance to be more than 10% of the operating expense. Mr. Schainker stated the Power Plant and Resource Recovery Plant are looking at using a new formula to value the RDF burned in the Power Plant. Public Works Director John Joiner and Superintendent Bill Schmidt are monitoring this area to see what changes need to be made to the operation of the Resource Recovery Plant.

The Debt Service Fund was explained by Ms. Masteller. Its fund accounts for payment of principal and interest on General Obligation Bonds. The available fund balance in that account is used to reduce future debt service.

Mr. Martin inquired if the budget reflected the repayment status of each bond issued. Mr. Pitcher stated this is not included in the document but is tracked by Finance and could be reported to the Council.

Internal Service funds were summarized. Ms. Masteller noted that the City is self-insured. There will be a 2% increase in health insurance rates for 2019/20. Mr. Gartin questioned the change in the Health Insurance Fund. Director Pitcher stated that the Information Technology fund balance could be used to fund a study on internet security

Mr. Schainker stated that these documents are posted on the City's website for the public to review. Mr. Martin requested that the Special Report be posted to the website as well.

Mayor Haila asked if any update is available regarding 321 State Street. Ms. Masteller stated that it will be briefly mentioned by Vanessa in Housing department and will be on the agenda.

DISPOSITION OF COMMUNICATIONS: Mayor Haila noted that there were three items brought to the City Council's attention tonight and they were:

1. Letter from Allison Brundy requesting the Council to consider for discussion ways to reduce Greenhouse Gas Emissions during the Council's Goal-Setting retreat.
2. Email from Joel Huchstein requesting to add Inclusionary Zoning as a topic at a future Council meeting.
3. Letter from the Ames Foundation requesting to incorporate \$100,000 for an Ames sign along Interstate 35 into the Capital Improvements Plan

The Council agreed to take these under consideration for discussion during the goal setting meeting.

COUNCIL COMMENTS: Council Member Betcher was going to the International Town and

Gown Association Conference, which is coming up in May 2019. The early-bird rates end on February 15, 2019. She is working on organizing a session regarding Ames efforts to include Diversity and Inclusion to have approved by the International Town and Gown Association.

Council Member Martin noted that the Council needs to have further discussion about having the ability to take credit card or debit card payments within City Hall. Public Works Director John Joiner stated that Traffic Engineer Damion Pregitzer has been working on this; currently, Customer Service does not have the ability to use credit cards, but the Community Center does. Mr. Joiner mentioned that they are still in discussions to see how to get credit card access to the Customer Service Division and will bring this information back to the Council with a memo.

Council Member Gartin mentioned that he wanted to know if could get an updated report on the Emerald Ash Borer program. Mr. Joiner stated the Emerald Ash Borer Program originally started in Public Works Department, however now it is administered by the Urban Forester from Parks and Recreation. Mr. Gartin asked for a report from Parks and Recreation Director Keith Abraham on the status of the Emerald Ash Borer Program during the budget hearing process.

ADJOURNMENT: Moved by Beatty-Hansen to adjourn the meeting at 4:10 p.m.

Amy L. Colwell, Deputy City Clerk

John A. Haila, Mayor