

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

AMES, IOWA

JANUARY 31, 2020

The Ames City Council met in special session at 2:01 p.m. on January 31, 2020, 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, Rachel Junck, and David Martin. *Ex officio* Member Devyn Leeson was absent.

FY 2020/21 BUDGET OVERVIEW: City Manager Steve Schainker noted that staff began working on the budget back in August. Input received at the Town Budget Meeting was taken into consideration. The FY 2020/21 budget reflects expenditures totaling \$263,300,236 for the numerous services provided by the City of Ames. It is hoped that the budget that will be presented for the Council's approval meets the service levels desired by Ames residents. Mr. Schainker shared that there were challenges for this budget with the minimal increase in taxable valuation and the roll-back in combination with the approved tax abatements. It was noted that some projections for the Operating Budget for FY 2019/20 have changed, so at Budget Wrap-Up, the Council will be asked to approve the Adjusted Budget (for FY 2019/20) along with the Proposed Budget for 2020/21.

Mr. Schainker advised that the reports pertaining to The Commission of The Arts, ASSET, and Outside Funding Requests are available on the Finance page within the City's Web site. He emphasized that public input on the City's Operating Budget will be taken on February 11, 2020, during the Budget Wrap-Up session. Information provided at this meeting is intended to be a broad financial overview; the programs and activities will be provided during the Department Budget Hearings that will be held on February 4, 5, and 6.

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 is approximately one-third of the property owner's total tax bill at 31.80%. Ames School District receives 45.50%; Story County, 20.63%, and DMACC, 2.07%. For those living in Ames, but in the Gilbert School District, the tax bill will be a bit higher because the Gilbert School levy is a bit larger.

Mr. Pitcher stated that the property tax rate is up \$0.12 from FY 2019/20. He pointed out that the budget has been impacted by the lowest rate of increase in taxable value (1.1%) in over ten years. There will be a modest increase in total tax dollars driven in part by an increase in revenues and by Departments having tight budgets. The increase in total tax dollars will not be evenly spread across all classes of property, which is not uncommon with the roll-back.

According to Director Pitcher, the City has a balanced budget for operations and capital, which means that there will be enough revenues brought into the General Fund to cover all expenses for FY 2020/21. There will be utility rate increases for both water and sewer. They are forecasting 5% growth in Local Option Sales Tax revenue. He reminded the Council that with the adopted Referendum, 60% of that goes directly to decrease property taxes. At the inquiry of Mayor Haila, Mr. Pitcher advised that the approximate amount going to reduce property taxes due to a 5% growth in Local Option Sales Tax will be an additional quarter million dollars. The Mayor commented that

part of that is due to the Legislature passing a law requiring sales tax to be paid on on-line sales.

Mr. Pitcher brought attention to the comparison of the property tax levy for the 13th largest cities in Iowa. Ames has the second-lowest tax levy (at \$10.02 in the current year) per \$1,000 Taxable Valuation. The only city that is lower is Urbandale. Ames is one of only three large cities in Iowa that are under the \$8.10 limit on the General Fund Levy. With roll-back and a very small amount or no increased valuation, being at the \$8.10 limit would not allow for any increase in taxes or even keep them the same.

In regards to the Consolidated Levy, City Manager Schainker noted that the City Assessor is actually accounted for in the Story County Tax Levy.

Director Pitcher summarized the Tax Levy Breakdown, noting the impact that 1.1% increase in valuation has - which is to drive property taxes up slightly. He also noted the change in the General Tax Levy from 5.52 last year to 5.65/\$1,000 this year which is about 3.45% as far as dollars are concerned. The Employee Benefits and Transit Levies were also explained. The total Levy without debt service equates to approximately \$7/\$1,000 valuation. Adding in the Debt Service Levy of \$3.15 equates to a total Tax Levy of approximately \$10.14, which brings in approximately \$32,000,000. A comparison to last year was given. Total dollars asked are up 2.52% from the prior year. The rate is going up by only 1.17% due to the increase in taxable valuation of 1.1% and new dollars of \$782,389. Last year at this time, the City had new dollars of about double that, so the City's budget is quite a bit tighter this year, and it includes a couple new employees and some additional services.

City Manager Schainker advised that property taxes pay predominantly for Police, Fire, Parks & Recreation, and the Library. One police officer, one firefighter, and one Recreation Coordinator for Parks & Recreation will be added. Without those positions, the 2.52% would be less; those new positions equate to an increase of approximately \$250,000.

Mr. Pitcher explained the percentage of change in taxable valuation for the past ten years and how that has impacted the tax rate. He also noted the impact that Local Option Sales Tax has on the tax levy.

Regarding Assessed and Taxable Value, Director Pitcher explained the effects roll-back has made for each class of property (Residential, Commercial, Multi-Residential, and Industrial). He noted that there was an increase in valuations for existing property of approximately \$53 million, which was mainly from commercial property. New and expiring exemptions made a significant reduction by approximately \$48 million. However, roll-back made the biggest impact on reduction in valuation; that along with the exemptions basically wiped out 100% of the new value.

Mayor Haila asked about multi-family roll-back, asking how many more years were left. Mr. Pitcher advised that he would get that information for the Council.

Director Pitcher provided information on the Debt Service Fund, which is restricted in use to pay

back debt. He noted that they used part of the Debt Service Fund balance (\$375,000) for 2020/21 to help keep the Debt Service Levy lower. It is not anticipated that any of that fund balance will be used in 2021/22.

Mayor Haila asked to know the Debt Service Fund balance. Mr. Pitcher said that that information is included in the Fund sheets. After the implementation of the five-year plan, it will pretty much be used. He stated, however, that it is anticipated that there will some savings realized from refunding bonds that will be before the Council on February 25 to help replenish the Debt Service Fund balance. Director Pitcher also brought the Council's attention to the Fire & Police Trust Fund where they are using \$75,000 from that Fund to even out the tax levies over the next few years. There will be no more funds coming into that Fund.

A list of projects to be covered by the 2020/21 CIP General Obligation Bonds was shown.

Mr. Pitcher reviewed the Dollar Value of Levy by Property Type, specifically noting that the FY 2020/21 total Residential Tax Levy is \$20,125,034, which is 0.61% lower than 2019/20; so residents will actually pay fewer taxes next FY. Commercial, which had revaluation this year, will pay 9.07% more, and Industrial will pay 0.70% less. Director Pitcher provided details on the change in Tax Dollar Payments by Property Type, further breaking it down by new property and existing property. Sample tax calculations for Residential, Commercial, and Industrial customers were given.

Council Member Gartin asked, hypothetically, if the City knew the percentage change in valuation was going to be 1.1%, would it have changed the recommendation for the proposed budget. Additionally, if the percentage change in valuations decreased further, would it change the way the City budgets in the future. City Manager stated that if a trend was being set, the recommendation might be different; however, the request is only for 2.5% more. Departments have presented very lean budgets. Mr. Gartin believed the 1.1% increase could be an aberration. He stated that he is comfortable with the budget being presented, but if it becomes a trend, the Council will need to think differently about the proposed budget.

At the request of City Manager Schainker, Mr. Pitcher presented historic budget information regarding the percentage of valuation increases for Residential, Commercial, and Industrial property.

Budget Officer Nancy Masteller presented a summary of the change in the tax asking for 2020/21, showing where the additional amounts come from. The total change for 2020/21 is \$782,389.

The General Fund Balance is projected to be \$9,865,175 at the end of 2020/21. Of that amount, 25% (\$8,832,833) is reserved as a minimum fund balance. Mr. Pitcher explained that the minimum fund balance reserve is based on the credit rating agency guideline for an Aaa-rated city. After the 25% reserve, it leaves an unreserved fund balance of \$1,032,342. City Manager Schainker explained the one-time purchases that he is recommending be paid from the 2019/20 General Fund balance. Savings from General Fund operations and CIP projects remain in the General Fund balance and are available for expenditures. The recommended one-time purchases in the amount of \$1,645,681 have already been deducted in the proposed budget.

Mayor Haila noted that Council had approved lighting and other improvements to the Bandshell. He recalled that some improvements were not included because there was not enough funding. He asked if the use of the Bandshell would be expanded if those improvements were added back in. The Mayor believed the additional funding needed would be approximately \$60,000. City Manager Schainker said that they will have to see the numbers. He stated that if the Adjusted Budget were to be decreased by that \$60,000, it would change the Adjusted balance.

Director Pitcher reviewed the cost of City services for 2020/21 per residence from property taxes (based on a \$100,000 home), as follows:

Streets/Traffic	\$	153
Police Protection		132
Fire Protection		86
Library (includes Debt Service for renovated library)		69
Recreation and Parks		30
Transit		35
General Support Services		28
Planning Services		9
Resource Recovery		6
Animal Control		5
Facilities/Cemetery		3
Storm Water Management		2
Building Safety		<u>1</u>
TOTAL	\$	<u>559/\$100,000</u>

City Manager Schainker explained the justification for the additional FTEs being recommended.

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

Electric Utility: No rate increase.

Water Utility: 2.0% rate increase for FY 2020/21 followed by 8.0%, 2.0%, 9.0%, and 2.0% in FY 2021/22, 2022/23, 2023/24, and 2024/25, respectively.

Sewer Utility: 5.0% in FY 2021/21 and 5.0% in 2022/23.

Storm Water 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 \$58.72 to \$62.50 in FY 2022/23.

Mr. Pitcher went over the Utility Bill Rate samples.

There will be fee changes for Electric, Police and Animal Control, Water and Pollution Control, and

Parks and Recreation.

Fund Summaries. Budget Officer Nancy Masteller outlined the Fund Sheets beginning with the General Fund. She reiterated that the General Fund is balanced for FY 2020/21: Revenues equal expenses. Ms. Masteller continued with a summary of the City Special Revenue Funds, Capital Projects, Permanent Funds, Enterprise Funds, and Internal Service Funds.

Council Member Gartin asked for information on the current fees charged for the Auditorium.

Mr. Schainker stated that the Draft Operational Budget and Draft Capital Improvements Plan are posted on the City's Web site (under Finance) for the public to review.

DISPOSITION OF COMMUNICATIONS: Mayor Haila noted that there were two documents in the Non-Agenda Packet: (1) Memo from City Attorney Mark Lambert regarding eminent domain being used for trails and (2) Report from Housing Coordinator Vanessa Baker-Latimer providing a summary of the open house meeting with the College Creek Old Ames Middle School Neighborhood Association and surrounding neighborhoods in the area. He noted that both were for the Council's advisement.

ADJOURNMENT: Moved by Martin to adjourn the meeting at 4:22 p.m.

Diane R. Voss, City Clerk

John A. Haila, Mayor