

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

AMES, IOWA

JANUARY 30, 2015

The Ames City Council met in special session at 2:13 p.m. on January 30, 2015, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor Ann Campbell presiding and the following Council members present: Amber Corrieri, Tim Gartin, Chris Nelson and Peter Orazem. Council Member Matthew Goodman arrived at 3:10 p.m. Council Member Gloria arrived at 3:23 p.m. *Ex officio* Member Lissandra Villa was absent.

GT1 RETURN-TO-SERVICE PROJECT: Moved by Corrieri, seconded by Nelson, to adopt RESOLUTION NO. 15-055 setting February 19, 2015, as bid due date and February 24, 2015, as the date of public hearing.

Roll Call Vote: 4-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

COOLING TOWER REPLACEMENT PROJECT: Moved by Corrieri, seconded by Gartin, to adopt RESOLUTION NO. 15-056 approving preliminary plans and specifications for Cooling Tower Replacement Project; setting March 4, 2015, as bid due date and March 24, 2015, as the date of public hearing.

Roll Call Vote: 4-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

FY 2015/16 BUDGET OVERVIEW: City Manager Steve Schainker told the Council that the FY 2015/16 budget he was recommending totaled \$257,905,216. He reported that the recommended budget reflects an overall property tax rate decrease of 2.5% from \$10.86/\$1,000 of taxable valuation to \$10.59/\$1,000 of taxable valuation.

Mr. Schainker reported positive indicators of an economic resurgence. Demand for additional industrial, commercial, and residential development continues to increase as Ames experiences further growth in Iowa State University enrollment as well as in the number of new jobs created. That growth in development is substantiated by the fact that FY 2014/15 reflects an increase in building permits by 18% over the previous year's total. Due to the upturn in the local economy, \$61,471,000 worth of new property valuation was added to the tax rolls. Local Option Sales Tax receipts are projected to increase by \$362,250 in FY 2015/16 (5%) over the prior year's adopted level.

It was noted by Mr. Schainker that the property tax rate decrease reflected in the proposed budget is intended to mitigate the impact of the increase in the state-mandated rollback percentage from 54.40% to 55.73% for residential properties and the 2.5% increase in property valuations due to reassessments of existing properties as the result of an improving real estate market. Expenditures to finance the operations supported by the General Fund are budgeted to increase by 3.3% in FY 2015/16. City Manager Schainker credited City staff members for their efforts in that regard. He said that, as a result of their hard work, the relatively small increase in expenses will require only an additional \$292,291 in property tax revenue to balance the budget and maintain a 23.4% available balance in the General Fund.

Mr. Schainker brought the Council's attention to the fact that the FY 2015/16 budget reflects funding of \$1,040,035 from the State government to meet their obligation to replace lost property tax revenue as the result of the new state legislation that now applies a 90% rollback on the assessed values for commercial and industrial properties.

Finance Director Duane Pitcher presented a summary of the overall budget. He stated that the City's levy makes up 33.65% of a property's total tax bill: the School District makes up 44.48% (if in the Ames Community School District); 19.83% is the County's share (includes the City Assessor); and 2.04% goes to Des Moines Area Community College. Mr. Pitcher gave a comparison of City Property Tax Valuations and Total Levies to be collected for fiscal year 2014/15 for the 13 largest cities in Iowa. Ames has the second-lowest total city tax levy per \$1,000 valuation. Finance Director Pitcher presented a breakdown of the tax levy, including General, Employee Benefits, and Transit. The levy rate per \$1,000 without debt service equates to 7.098 Net debt service adds 3.490. The change in dollar value equates to a change in the dollar value of the levy of 1.33% (\$103,650). He noted that, without Local Option Tax, the levy would be \$12.43.

Finance Director Pitcher presented an analysis of changes in taxable value for residential, commercial, industrial, and utilities (not including utilities subject to excise tax). He specifically noted that the total change in taxable value will be an increase of 3.94%. The net change on existing residential property will be \$92,830,441. The net change on existing commercial property will decrease by \$39,082,350 and industrial properties will decrease by \$6,701,640 due to the rollback.

The Police and Fire Trust Fund was explained by Mr. Pitcher. For FY 2015/16, the tax rate is estimated to be 0.71198. According to Finance Director Pitcher, it is assumed that the contribution rate will continue to decrease.

The Debt Service cost allocation for 2015/16 was reviewed by Mr. Pitcher. He reiterated that, for FY 2015/16, the Debt Service Levy equates to 3.49%. The 2015/16 CIP General Obligation issue will equate to a total of \$13,892,990. He named the projects for which the CIP General Obligation Bond proceeds will be used. Of that total amount, \$2,000,000 for the East Lincoln Way Sewer Extension will be abated by Sewer Revenue; \$2,938,990 for the ISU Research Park Improvements will be abated by TIF Revenue, and \$943,000 for the Airport Terminal will be abated by Airport Revenue. Mr. Pitcher noted the summary of current and proposed total debt service from 2014/15 to 2019/20, which was contained in the Special Reports hand-out.

Mr. Pitcher gave a detailed analysis of dollar value and percentage change of total levy by property type. Residential increased by 6.57%, Commercial decreased by 6.57%, Industrial decreased by 6.60%, and Utilities decreased by 8.23%. Sample tax calculations for residential, commercial, and industrial properties were provided by Mr. Pitcher.

The costs of City services for 2014/15 per residence from property taxes (based on a \$100,000 home) were summarized, as follows:

Streets/Traffic	\$	144
Police Protection		135
Fire Protection		88
Library		76
Recreation and Parks		52
Transit		36
General Support Services		24
Planning		10
Storm Sewer System		5
Resource Recovery		6
Animal Control		5
Facilities/Cemetery/Airport		6
Inspections/Sanitation		3
TOTAL	\$	<u>590/\$100,000</u>

City Manager Schainker reviewed the Full-Time Equivalents (FTEs) recommended for 2015/16. The Manager’s recommendation for 2015/16 is to have a 3.25 increase in FTEs. An increase of 1.50 FTE is recommended for transit drivers due to increased service levels that are required to meet the anticipated ridership increase. For Public Works Engineering, 1.75 FTE will be needed to assist with the increased workload due to capital improvement projects and storm water permit activities.

Mr. Schainker also brought the Council’s attention to the modest increases being proposed for Parks and Recreation activities, a change in the Police Department fees and charges, and a change in the Storm Water Permit for FY 2015/16. Council Member Gartin said he would like to discuss the fees charged for using the City Auditorium. He advised that he had been told that the fees are becoming too prohibitive for some of the sponsors of the programs.

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

Water	4% increase in 2015/16; 0% in 2016/17 and 2017/18; and 4% in 2018/19 and 2019/20
Sanitary Sewer	5% increase in 2015/16; 0% in 2016/17 and 2017/18; 7% in 2018/19; and 0% in 2019/20
Electric	0% in 2015/2016 and 2016/17; 4% in 2017/18; and 0% in 2018/19 and 2019/20
Storm Sewer	0% in 2015/16; \$.25 per ERU in 2016/17; 0% in 2017/18; \$.25 per ERU in 2018/19; and 0% in 2019/20

City Manager Schainker cautioned that staff is not recommending an increase in Electric rates in 2016/17, but a 5% increase is estimated in customer bills due to an Energy Cost Adjustment.

Council Member Goodman arrived at 3:10 p.m.

Finance Director Pitcher provided a brief summary of changes in the tax asking for 2015/16. The total change in the General Levy will be \$292,291, Employee Benefit Levy will decrease by \$102,648, Transit Levy will be \$47,108, and Debt Service Levy will be \$103,650. This results in a total change in tax asking of \$340,401.

Carry-Overs. Finance Director Pitcher recalled that there are available funds from the prior year that have accumulated either because expenditures came in less than budgeted or revenues received surpassed the appropriated totals. He explained that the City Manager recommends that the additional funds be used for one-time expenses that are contained on Page 20 of the City Manager's letter. Mr. Schainker expounded stating that the City Council could take advantage of the additional funds by applying them to reduce property taxes. However, because this excess should be considered "one-time funding", he believes the wiser approach is to apply them to specific one-time projects where continued funding will not be required.

Mr. Pitcher advised that carry-over funding for FY 2013/14 and FY 2014/15 totals approximately \$1,700,000. That unusually high total is attributed to: [1] \$1,123,266 in additional revenue (building permit fees - \$598,467 and Local Option Sales Tax receipts -\$524,753) and [2] \$623,436 from a reduction in expenditures.

Budget Officer Nancy Masteller outlined the Fund Sheets beginning with the General Fund. She stated that the ending balance of the General Fund was substantially higher than what was anticipated: \$9,330,638 was the Actual for FY 2013/14; however, \$6,555,990 was the Adopted for 2014/15. Ms. Masteller noted the City's policy of retaining a 20% minimum fund balance; that would equate to \$5,948,475, which yields an Unreserved Fund Balance of \$992,192.

Ms. Masteller continued the explanation of Fund Sheets, including Special Revenue Funds [e.g., Local Option Sales Taxes, Hotel/Motel Tax, Road Use Tax, Public Safety Special Revenues - forfeitures, grants, Animal Shelter donations, and miscellaneous; City-Wide Affordable Housing, Community Development Block Grant, Tax Increment Financing, Employee Benefit Property Tax, Fire/Police Pension Retirement, FEMA/2010 Wind and Flood, Parks and Recreation Special Revenues, Don and Ruth Furman Aquatic Center Construction, Library Friends Foundation, Library Donations and Grants, Utility Assistance, Public Art Donations, Developer Projects, and Economic Development (Revolving Loans and Forgivable Loans)]. Also described by Ms. Masteller were Permanent Funds (Cemetery Perpetual Care Trust and Furman Aquatic Center Trust), Debt Service (payment of principal and interest on General Obligation Bonds, ISU participation in the repayment of bonds issued to fund Fire capital acquisitions), Capital Projects - Special Assessment, - Street Construction, - Airport Construction, - American Recovery and Reinvestment Act Energy Block Grant, - Various Construction Grants, and - Bond Proceeds.

Council Member Betcher arrived at 3:23 p.m.

Enterprise Funds were summarized by Budget Officer Masteller for the Water Utility, Water Construction (accounts for proceeds received from the State Revolving Loan Fund), Water Sinking, Sewer Utility, Sewer Improvements, Sewer Sinking (accounts for State Revolving Fund loan payments for sewer utility projects), Electric Utility, Parking Operations and Improvements, Transit Operations, GSB Transit Trust, Transit Capital Reserve, and Transit Intermodal Facility (for construction of the Facility).

Regarding the Parking Operations and Improvements, City Manager Schainker told the Council members that, at some time in the future, they might want to consider an increase in parking fees. It is felt that increased parking meter fees might also result in more utilization of the Intermodal Facility. At the inquiry of Council Member Gartin, City Manager Schainker advised that he would provide a report on Intermodal Facility utilization. He pointed out that the City does not manage the operations of that facility, but he could get the numbers.

Ms. Masteller continued with additional Enterprise Funds (Storm Sewer Utility, Ames/ISU Ice Arena, Ice Arena Capital Reserve (accounts for contributions from the City and ISU), Homewood Golf Course, and Resource Recovery.

Internal Services were summarized, including Fleet Services, Fleet Reserve, Information Technology, Technology Reserve, Risk Management, and Health Insurance.

City Manager Schainker noted that information was included with the Special Reports to the Council pertaining to the ASSET allocation, COTA funding, Outside Funding Requests Summary, Public Art Commission, Property Tax Impact of Using G. O. Bonds to replace federal/state grants to fund the Grand Avenue Extension Project, a report on the Parking Fund Status, a report on 2015/16 Inspections Staffing, a report on the Level of Maintenance on Trails During Winter Months, notes from the Town Budget Meeting, an e-mail from Debra Lee pertaining to requests for improvements to Oak-to-Riverside Neighborhood and the community in general, a request from the Ames Economic Development Commission related to the Eastern Annexation and its Master Plan, a letter from Main Street Cultural District in regards to its funding structure, and an e-mail from Merlin Pfannkuch pertaining to the functions and funding of the Ames Visitors and Convention Bureau.

Council Member Gartin asked to know if there were very many requests for assistance from Project Share that are not able to be met. Finance Director Pitcher stated that the City did not have that data; however, he would look into how that data can be provided to the Council.

Council Member Nelson asked for a cost and benefits analysis of adding Planning staff. City Manager Schainker commented that a workshop on the work schedule for Planning would be scheduled in the near future. If it is felt that the expected level of service was not being met, adding staff would be recommended. Mr. Schainker also noted that it would have to be

determined if the amount of work coming in was an anomaly, was only peaking at this time, or if it is the new normal. A decision on the addition of Planning staff will need to be made by Budget Wrap-Up, which is scheduled for February 10, 2015.

ADJOURNMENT: Moved by Gartin to adjourn the meeting at 4:03 p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor