

## **FISCAL YEAR 2016/2017 CITY COUNCIL BUDGET ISSUES**

Near the beginning of each year's budget preparation cycle, the City Manager and Finance staff present City Council with a budget overview. This presentation has four main purposes:

1. Present the "big picture" of the coming year's budget, including factors that may impact Council's later decisions on the budget
2. Share budget-related input and requests that have been received from local citizens and organizations
3. Seek Council direction on select components of the budget (e.g., overall funding levels for human services and arts)
4. Receive whatever general funding or service level direction Council wishes to give for incorporation into the budget

### ***OVERALL ECONOMIC CONDITION OF THE CITY***

The City's overall financial situation continues to remain strong. For FY 16/17, we expect continued improvement in retail sales and overall property valuation to have a positive financial impact on the City budget. Some of this positive impact will be offset by higher increases in health care costs and the ongoing impact of property tax reform.

Overall, we expect modest increases in assessed property valuations along with a slight decrease in the rollback rate. This will result in increased taxable valuation for residential property. Commercial and industrial property will continue to be taxed at 90% of value with state replacement tax frozen at the FY 15/16 level. A new property classification will be implemented in FY 16/17 – multi-residential property formerly taxed at 90% of value will begin the first step of rollback to the residential rate and will be taxed at 86.25% of value with no state replacement tax. Road use tax from fuel sales is expected to exceed the budgeted revenues for the current year due to the increase in the Road Use Tax rate. The increased revenue will continue in future years.

Interest revenues for the City will likely show some improvement in FY 16/17, as the Federal Reserve appears to be in the process of increasing short-term interest rates in the near future. Though this action will provide some additional revenue, rates for G.O. Bonds are likely to increase from the current very favorable levels.

## **GENERAL FUND**

The General Fund ended FY 14/15 better than budgeted, with a balance at 37.4% of expenditures instead of the 23.3% anticipated in the adopted budget. Around \$2.3 million of the approximately \$3.7 million in added fund balance is due to uncompleted projects which are being carried forward into the FY 15/16 adjusted budget. Major projects carried over in the General Fund include improvements to the City Hall roof and parking lot, the completion of Phase 2 of the City Hall basement renovation project, brand marketing, the update to the Land Use Policy Plan, and the emerald ash borer program.

Of the remainder, large increases in two revenue sources account for approximately two thirds of the net \$1.4 million increase in the General Fund balance. These are building permit revenue (\$610,216) and Hotel/Motel tax revenue (\$344,535). The remaining portion was the result of savings distributed across various programs funded through the General Fund.

The City Council could decide to use some amount of this additional balance to subsidize operating costs, thereby lowering property tax rates in FY 16/17. This strategy, however, would only lead to a larger increase in the following year when this one-time balance would need to be replaced with a more permanent revenue source. **As in the past, staff is strongly recommending that Council utilize this larger than anticipated fund balance for one-time expenditures as part of the FY 15/16 adjusted budget.** Staff will develop a list of such recommended one-time uses as part of the recommended budget. **This is also an opportunity for Council to identify one-time expenditures that could be included in the budget.**

## **FIRE AND POLICE RETIREMENT AND IPERS**

Improved investment returns and changes in funding plans for the Municipal Fire and Police Retirement System of Iowa (MFPRSI) have resulted in a decrease in the City's pension contribution rate from 27.77% of covered wages to 25.92% for FY 16/17. The rate remains well above the City's minimum contribution rate of 17% and is expected to remain so in the foreseeable future. We expect the City contribution rate to fall slowly in the future. The table below provides a summary of the contribution rates:

**MFPRSI Contribution Rates**

<b>Effective Date</b>	<b>July 1, 2015</b>	<b>July 1, 2016</b>
Employee Rate	9.40%	9.40%
Employer Rate	27.77%	25.92%
Combined Rate	37.17%	35.32%
<b>% Of Contribution</b>		
Employee	25.29%	26.61%
Employer	74.71%	73.39%

The IPERS rate will remain unchanged for the upcoming year. The City will contribute 8.93% of covered wages and the employees 5.95%, with the fixed 60/40 cost sharing of the pension cost.

## ***HEALTH INSURANCE***

For several years, the City of Ames experienced health insurance increases of around 5% per year due to favorable claims experience and implementation of health insurance program changes recommended by an ad hoc employee Health Insurance Team. More recently, less favorable claims experience and additional costs related to the Patient Protection and Affordable Care Act (PPACA) necessitated a 9% increase in health rates for the FY 15/16 budget. Based on recent claims experience, we are building in a 7% increase in health insurance rates for the FY 16/17 recommended budget. Even with the 7% rate increase and projected expenses, we expect a small draw down in the fund balance, but the balance will still be above the requirements to maintain a self-insured plan and provide an adequate balance to fund possible claims fluctuations. We will review the status of the plan again after the end of December and evaluate the need for a larger increase.

## ***ROLLBACK AND VALUATION***

Attached is a special budget report from the Iowa League of Cities entitled “Assessment Limitation Order – Rollback and Major Changes to Iowa’s Property Tax System” (Attachment A).

While the property tax rollback system remains in place, several major changes were made during the 2013 legislative session. For each assessment year beginning in 2013, residential and agricultural property value growth is now capped at 3%, or whichever is lowest between the two classes (the coupling provision remains).

Commercial, industrial and railway property now have their own rollback, which began at 95% for valuations established during the 2013 assessment year (affecting FY 2015) and 90% for the 2014 assessment year and thereafter. The rollback percentage for these properties will remain fixed at 90% regardless of how fast or slow valuations grow.

The legislature created a standing appropriation, beginning in FY 2015, to reimburse local governments for the property tax reductions resulting from the new rollback for commercial and industrial property (railroad not included). The “backfill” was funded at 100% by the legislature for FY 2015 and FY 2016, and cities receive the funds in a similar manner as property tax revenue. Future backfill appropriations will be capped at the FY 2017 level.

A new property class was established for multi-residential property, which first takes effect in FY 2017 and will likely have long-term impacts for many cities around the state. For buildings that are not otherwise classified as residential property, the definition of multi-residential property is broad and includes:

- Mobile home parks
- Manufactured home communities
- Land-leased communities
- Assisted living facilities
- Property primarily used or intended for human habitation containing three or more separate living quarters

The following rollback percentages will be phased in over eight years, beginning in budget year FY 16/17. **There is no backfill provision for this class and estimated valuation in Ames is \$124.7 million, or a reduction of property tax dollars of approximately \$49,700 in FY 16/17**, with continuing reductions of property tax dollars of approximately \$50,000 each year thereafter until FY 22/23. That equates to an annual loss of approximately \$450,000 in property taxes by the end of that period.

<b>Multi-Residential Property Rollback Schedule</b>	
<b>January 1, 2015</b>	<b>86.25%</b>
<b>January 1, 2016</b>	<b>82.5%</b>
<b>January 1, 2017</b>	<b>78.75%</b>
<b>January 1, 2018</b>	<b>75%</b>
<b>January 1, 2019</b>	<b>71.25%</b>
<b>January 1, 2020</b>	<b>67.5%</b>
<b>January 1, 2021</b>	<b>63.75%</b>
<b>January 1, 2022 and thereafter</b>	<b>same as residential</b>

#### **Rollback Percentage Rates**

<b>Property Class</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Residential	52.8166	54.4002	55.7335	55.6259
Com. & Ind.	100.0000	95.0000	90.0000	90.0000

### ***ROAD CONDITIONS / ROAD USE TAX FUND***

In our annual Resident Satisfaction Survey's ranking of capital improvement priorities, the reconstruction of existing streets continues to be the top priority of our citizens. This represents a challenge, since the lane-miles of streets continue to expand, existing streets continue to age, and recent winters have been particularly hard on our roadways.

The Road Use Tax Fund (RUTF) is accumulated through the City's share of state-wide motor vehicle registration fees, motor vehicle fuel taxes, an excise tax imposed on the rental of automobiles and a use tax on trailers. The General Assembly approved a gas tax increase supported by the Iowa League of Cities in 2015 that will bring additional funding to the system for critical road infrastructure needs. The per gallon tax increase of 10 cents is estimated to add a little over \$1 million annually to this fund beginning in the current Fiscal Year.

It is the staff's intent to utilize these additional funds to help accomplish the capital improvement projects identified in the recently approved Long Range Transportation Plan (LRTP). However, it is staff's recommendation that not all of these additional funds be earmarked strictly to the Capital Improvements Plan. Over the years, the number of City streets has increased dramatically. Therefore, some of this added revenue should be directed to the operating budget for additional equipment and personnel to assure that proper maintenance and operation of our transportation infrastructure is accomplished.

### ***IMPLEMENTATION OF LONG RANGE TRANSPORTATION PLAN***

The recently approved Long Range Transportation Plan prioritizes both roadway and bicycle/pedestrian related projects according to the following categories:

- **Committed** (those projects which were reflected in the 2015-2020 CIP)
- **Short-term** (2020 - 2025)
- **Mid-term** (2026 – 2032)
- **Long-term** (2033 – 2040)
- **Illustrative** (those projects that have merit and benefits but do not have the funding or are prioritized as high as the other projects in the LRTP).

As staff begins preparation of the 2016-2021 CIP, it is our intent to implement the LRTP by including the previously committed projects in the Plan as well as new Short-term projects based on existing engineering data such as pavement condition, safety, and Levels of Service (i.e. delays). Other important factors are responses from the Resident Satisfaction Survey and citizen input during LRTP development.

Certain bicycle/pedestrian projects that have been categorized in the LRTP beyond the short-term period could still be included in the Recommended CIP. These projects might be accelerated to accomplish network connectivity or coordination with previously programmed roadway projects.

### ***REQUEST FROM THE CITY COUNCIL REGARDING SPECIFIC LONG RANGE TRANSPORTATION PROJECTS***

At the September 22, 2015 City Council meeting, Council referred a request for information regarding the following projects, especially in the context of timelines relative to the Long Range Transportation Plan:

1. Ontario improvements
2. Three intersection improvement categories
3. Two single block categories
4. Worrel Creek Trail project

Following clarification from Council, it was found that Items 1, 2, and 4 referenced projects shown in the 2040 Long Range Transportation Plan (LRTP). Item 3 referenced one block

extensions of existing shared use paths in two different locations. Staff has researched background information on these four requested categories. All estimates shown below are in 2015 dollars, and include engineering.

### **Ontario Improvements**

LRTP Project ON1 – Ontario On-street Bike Treatment from North Dakota Avenue to Hyland Avenue (Mid-term: \$226,800). The estimate is for creation of bike lanes. This would require removal of parking on one side of Ontario and potentially eliminate the future creation of a two-way left turn lane. Removal of all on-street parking would be required to accommodate a two-way left turn lane along with on-street bike lanes. The public input process will be very important in consideration of this project.

### **Three Intersection Improvement Categories**

LRTP Project CR6 - Lincoln Way/Clark Avenue (Mid-term: \$120,000). The Implementation Comments note that this project should be completed with Roadway Project 19A (Mid-term: \$85,000), which is the three lane conversion of Lincoln Way from Gilcrest Avenue to Duff Avenue. This project is not recommended for evaluation until completion of the Grand Avenue Extension.

LRTP Project CR11 - Lincoln Way/Welch Avenue (Illustrative: \$175,000). This project consists mainly of pedestrian crossing improvements. The Lincoln Way Corridor Study, which will be getting underway early in 2016, will likely impact the treatments planned with this project. The timing of the project would likely need to be coordinated with other improvements identified by the study in that section of the corridor.

LRTP Project CR12 – Hyland Avenue/Ontario Street (Mid-term: \$175,000). The Implementation Comments note that this project should be completed with ON1 (noted above).

### **Two Single Block Categories**

It was found that this refers to extending the shared use paths for one block on Grand Avenue (Murray Drive to 16th Street) and 13th Street (Ridgewood Avenue to Northwestern Avenue). An approximate estimate for these locations is \$30,000 per project (\$60,000 total). Potential complicating factors are that Grand Avenue is Iowa DOT right-of-way and 13<sup>th</sup> Street will require a railroad crossing.

These two shared use path extensions do not specifically appear in the LRTP but are part of larger corridor projects identified for the future. These are, respectively, Grand Avenue from 6<sup>th</sup> St to Murray Drive (OFF20; Mid-term: \$450,000) and 13<sup>th</sup> Street from Ridgewood Ave to Meadowlane Avenue (ON6; Illustrative).

### **Worrel Creek Trail Project**

City Council was actually discussing LRTP Project OFF14 (Illustrative: \$1,310,000), which is paving the existing rock surfaced trail from S. 4<sup>th</sup> Street to Airport Road. This is commonly referred to as the Vet Med Trail. It should also be noted that during public meetings for LRTP development and for the Grand Avenue Extension,

support was voiced for keeping the rock surface of this trail. The public input process will be very important in consideration of this project.

### ***GRAND AVENUE EXTENSION PROJECT***

It appears from recent City Council feedback that there is a desire to have this project completed as soon as possible. The staff has estimated that the fastest this project can be completed is in FY 2018/19, which is one year sooner than is reflected on page 93 of the current CIP.

The following is a realistic schedule given the number of tasks needed to complete this project:

- Complete the conceptual planning and environmental assessment to satisfy the National Environmental Policy Act (NEPA). Approval of this work element is projected for November of 2016 in FY 2016/17. Our consulting firm began this work in August 2014.
- Acquire necessary right-of-way. This task is estimated to begin by January 2017 and completed by the summer of 2017 (FY 2016/17).
- Engineering/design of the project could also begin in January 2017 and be completed by the summer of 2017 (FY 2016/17).
- Construction could begin in summer/fall of 2017 and be completed by the summer of 2019 (FY 2017/18 & FY 2018/19).

### ***EAST INDUSTRIAL AREA UTILITY EXTENSION***

Water and sewer rates were raised in FY 2014/15 to generate revenue to pay for extending a water line (\$800,000) and a sanitary sewer line (\$4,000,000) along Lincoln Way eastward all the way to 590th Street to facilitate additional industrial development. Lacking any specific project to justify the total project, the City Council included a \$2,000,000 project in the CIP to extend a sanitary sewer line just east of Interstate 35. With that section in place, it was believed the City could respond more quickly to any proposed development to the east.

During the past year, the staff has been engaged in negotiations with the Central Iowa Water Association to "buy out" their service territory. It is hoped that an agreement can be reached in the next few months. In addition, the Ames Economic Development Commission has been contacting property owners in the eastern industrial growth area to gauge their support for annexation of their properties. It is hoped that there will be sufficient support to justify a "80/20" voluntary annexation of the area that would be served by the extended utilities.

The City Council has received a letter from the Ames Economic Development Commission requesting that the City Council include in the upcoming CIP the total project which includes the extension of both water and sewer lines to 590th Street. A decision by the City Council regarding this request will help the staff in preparation of the CIP.

## STORM WATER UTILITY FEES

Beginning in early 2013, the City of Ames began billing for storm water using a system which divides customers into tiers based on the amount of hard surface or impervious area (in square feet) on their property. The goal of the simplified tier structure was to provide an understandable storm water fee that generates adequate revenue to fund the storm water system serving Ames residents. Customers with larger impervious areas generally pay more than those with less impervious areas. The table below shows the four identified tiers, and each tier has a corresponding charge per account:

TIER	Impervious Area/Account Range (Sq. Ft.)	Monthly Charge Per Account
1 (25,552 accounts)	150-10,000	\$3.45
2 (593 accounts)	10,000.01-30,000	\$6.90
3 (311 accounts)	30,000.01-90,000	\$10.35
4 (79 accounts)	90,000.01-Max	\$31.05

As developed areas within the City continue to expand, City staff has received an increasing number of requests to deal with storm water issues. The importance of this topic is substantiated in the recent Resident Satisfaction Survey, where storm sewer projects were ranked the third highest category for prioritizing capital improvements. Last year staff informed the City Council that two \$.25/month fee increases would be needed over the next five years to finance the Storm Water utility. **In identifying the storm water projects for the upcoming CIP, it is now apparent that the two projected fee increases will not be sufficient to cover our operating and capital improvement costs in this utility over the next five years.**

The following four strategies have been identified for dealing with this projected shortfall:

- Increase the monthly charge on all four tiers
- Increase the monthly charge on only the first tier
- Rather than increase the monthly utility fee, issue General Obligation Bond (tax supported) debt to finance the desired storm water projects
- Reduce the number of storm water projects that have been identified to match the available revenue generated from the current monthly charge



In the past we have issued debt to pay for many of these projects. This strategy influenced an increase in property taxes reflected in the Debt Service Levy. **Since this monthly fee has not been increased since 2013 and no other utility rate increase is scheduled for FY 2016/17, this might be an appropriate time to consider an increase in the storm water utility monthly fee, perhaps by as much as an additional \$1.00 per month for the Tier 1 properties.**

## **LOCAL OPTION SALES TAX**

### ***Estimated Revenue***

For the current year, local option sales tax receipts are expected to be \$7,831,295, up \$346,690 or 4.6% from the adopted budget. These numbers indicate that the recovery in retail sales has continued. All of the increased local option revenue for the current year is due to the adjustment payment received earlier this month. The adjustment payment reflects an underestimate of local option sales tax revenue by the Iowa Department of Revenue and Finance for FY 14/15. The staff forecast for local option sales tax revenue for FY 16/17 is a 4.2% increase from the FY 15/16 adopted budget, or \$7,800,000. A summary of the Local Option Sales Tax Fund with some illustrative options for the FY 16/17 budget is included as an attachment (Attachment B) to this document, and is by no means a recommendation for the upcoming budget. **Staff is requesting Council direction on overall funding levels for ASSET, COTA and other outside organizations so that recommendations can be developed for each service, agency and organization.**

### ***ASSET Human Services Funding***

The City Council adopted the following priorities for human services program funding in FY 16/17:

#### **1. Meet basic needs, with emphasis on low to moderate income:**

- Housing cost offset programs, including utility assistance
- Sheltering
- Quality childcare cost offset programs, including daycare and State of Iowa licensed in home facilities
- Food cost offset programs, to assist in providing nutritious perishables and staples
- Transportation cost offset programs for the elderly and families
- Legal assistance
- Disaster response

#### **2. Meet mental health and chemical dependency needs**

- Provide outpatient emergency access to services
- Provide crisis intervention services
- Provide access to non-emergency services
- Ensure substance abuse prevention and treatment is available in the community

### 3. Youth development services and activities

- Provide services for social development

The table below summarizes each year's ASSET allocations by funder.

	Story County	CICS	United Way	ISU Student Gov't.	City Budgeted Amount	City % Increase	Total
2010/11	\$ 983,591	--	\$ 803,707	\$ 139,781	\$ 1,079,065	9.3%	\$ 3,006,144
2011/12	995,618	--	814,333	149,960	1,111,437	3.0%	3,071,348
2012/13	1,029,339	--	819,607	136,755	1,150,278	3.5%	3,135,979
2013/14	1,193,438	--	883,256	138,178	1,184,786	3.0%	3,299,850
2014/15	1,082,602	--	955,145	152,605	1,139,226	-3.8%	3,329,578
2015/16	879,857	349,856	1,002,833	167,339	1,212,375	6.4%	3,612,260

Context is important when evaluating the chart above. The large decrease in funds in FY 14/15 coincided with the withdrawal of Orchard Place from ASSET and the decrease in the use of City funds for mental health services.

The prior year budget is not the only way to evaluate the amount to budget for the next fiscal year. The amount budgeted each year at this time can vary slightly if the volunteers do not recommend allocating the entire amount. The amount contracted with agencies is often not entirely drawn down. In FY 14/15, \$10,593 (1%) of the City allocation was not drawn down by agencies.

<i>Ames Requested FY 14/15</i>	<i>Ames Budget FY 14/15</i>	<i>Ames Contracted FY 14/15</i>	<i>Ames Request FY 15/16</i>	<i>Ames Budget FY 15/16</i>	<i>Ames Contract FY 15/16</i>	<i>Ames Request FY 16/17</i>
\$1,275,268	\$1,139,227	\$1,133,061	\$1,295,872	\$1,212,375	\$1,212,375	\$1,359,822

### FY 16/17 Program and Service Requests

For FY 16/17, City ASSET funds requested by agencies totals \$1,359,822, up \$147,447 or 12.2% over the current FY 15/16 contracted services of \$1,212,375. One new agency has been accepted into the ASSET process this year, Friendship Ark Homes. That agency, however, has not requested City funds.

Below is a summary of the requests of the City by ASSET panel:

#### Panel 1 – Health Services (mental health and substance abuse services)

Requests for services in this panel total \$276,024, which is a 25.2% increase from the FY 15/16 contracted total. This is the largest percentage increase of the four panels. This increase is primarily attributable to two services:

- MICA has requested an increase in dental clinic funding from \$27,750 to \$52,608. Increases were requested by MICA from all of its ASSET funders for this service.

- Eyerly Ball has requested \$55,000 for mental health crisis services, an increase from the current contract amount of \$18,022. This proposal doubles the units of service provided by offering mental health crisis services during afternoons and evenings, when the Police mental health liaison is unavailable. Further discussions are necessary between the Police Department and Eyerly Ball to determine how this service would function.

#### **Panel 2 – Basic Needs Services (shelter, food, disaster services, transportation, and bill payer programs)**

Requests for services in this panel total \$529,372, which is a 10.9% increase from the FY 15/16 contracted total. These increases are spread across a variety of services. This is the City's #1 priority area.

#### **Panel 3 – Children's Services**

Requests for services in this panel total \$357,128, which is an 8% increase from the FY 15/16 contracted total. Child care services have increased approximately \$10,000 over the current contracted amount, or 6%. Youth and Shelter Services has requested City funds in its AMP program and its summer enrichment program, neither of which received City funds in FY 15/16.

#### **Panel 4 – Prevention/Support Services**

Requests for services in this panel total \$197,298, which is a 7.3% increase from the FY 15/16 contracted total. Youth and Shelter Services has requested \$2,000 in City funds in two programs that did not receive funds in FY 15/16: Adolescent Pregnancy Prevention and Public Education – Human Trafficking.

The table below indicates allocation options based on the percentage increases from the FY 15/16 contracted amount of \$1,212,375. In addition to the amount authorized for these programs, the City will also budget its share of the ASSET administrative expenses. These expenses include services provided by the ASSET Administrative Assistant and printing costs. The City's estimated share for these expenses in FY 16/17 is \$3,026.

<b>Increase From Current</b>	<b>Dollar Increase</b>	<b>Total City Funding Authorized</b>
2%	\$24,248	\$1,236,623
4%	\$48,495	\$1,260,870
5%	\$60,618	\$1,272,993
6%	\$72,743	\$1,285,118
8%	\$96,990	\$1,309,365
12.2% (request)	\$147,447	\$1,359,822
+		
<i>ASSET Admin. Share</i>	\$3,026	<i>In addition to services</i>

The attached spreadsheet (Attachment C) indicates the services requested from the City compared to the current year, as well as the total amount requested from ASSET funders for each of these services. It does not include funding requested from other funders for services that the City does not participate in.

### ***COTA – Performing Arts Funding***

The Commission on the Arts (COTA) allocation for FY 15/16 is **\$148,733**, which was 3% higher than the \$144,401 allocated for FY 14/15. For FY 16/17 COTA organizations have requested funding in the amount of **\$183,571** (excluding special Spring and Fall Grants). This is a 23% (\$34,838) increase over the FY 15/16 appropriation.

No new organizations have applied for COTA funds for FY 16/17. As always, a range of options is available for establishing an authorized allocation for FY 16/17.

Increase From Current	Amount Authorized
1%	\$150,220
2%	\$151,708
3%	\$153,195
4%	\$154,682
5%	\$156,170
23%	\$182,941

### ***FUNDING REQUESTS FROM OUTSIDE ORGANIZATIONS***

City staff accepts applications from outside organizations wishing to receive Local Option Sales Tax funds for their organizations' operations. This process is known as the Ames Fall Grant Program. The City Council has exempted the Ames Economic Development Commission's business development partnership, the Ames/ISU Sustainability Coordinator and the Ames Human Relations Commission from this process, since those activities are conducted in an official capacity on behalf of the City government.

The total amount allocated for FY 15/16 was \$130,680. The total FY 16/17 request is \$165,300, which is a 26.5% increase over the 2015/16 total.

Organization/Program	15/16 Funding	16/17 Request	% Change
Ames Historical Society	\$ 35,000	\$ 37,000	5.7%
Ames Int'l Partner City Association	5,000	5,000	0.0%
Campustown Action Association	27,000	27,000	0.0%
ISU Homecoming	1,000	--	--
Hunziker Youth Sports Complex	26,680	28,300	6.1%
Main Street Cultural District	36,000	68,000	88.9%
<b>TOTAL</b>	<b>\$ 130,680</b>	<b>\$ 165,300</b>	<b>26.5%</b>

**ISU Homecoming did not submit a request this year. Staff should note that Main Street Cultural District has included in its application a one-time request of \$20,000 for replacement of the downtown holiday lighting. The remainder of the MSCD request is for operational expenses and activities.**

Staff has not assumed that the City Council will approve these requests. The past practice has been to include the amount approved for the prior fiscal year in the recommended budget. **Earlier this year, the City Council indicated that it wished to establish a fixed amount of funds that could be allocated under this process, similar to the process for ASSET and COTA requests. Therefore, City Staff is seeking direction from the City Council regarding a total allocated amount for the coming year. As with the similar funding processes, a variety of options is available to the City Council:**

Increase From Current	Amount Authorized
1%	\$131,987
2%	\$133,294
3%	\$134,600
4%	\$135,907
5%	\$137,214
11.2%	\$145,300
26.5%	\$165,300

We have not assumed that the City Council will approve the individual requests for these groups. The past practice has been to include the requests and amount approved for the prior fiscal year in the recommended budget. **Therefore, the 2015/16 funded total will appear in the 2016/17 recommended budget (\$130,680).**

### **Town Budget Meeting**

On October 6, 2015, the annual Town Budget Meeting was held. Minutes from the meeting are included as an attachment (Attachment D) to this document.

### **City Council's Input**

*Given the information provided, Council's input is requested.*

### Service Level Increases

### Service Level Decreases

### Other Issues



Iowa League of Cities

# Special Report

## Budget Special Report for Fiscal Years (FY) 2016-17

**Reminder: All city budgets must be completed using the file provided by the Iowa Department of Management (IDOM) and submitted electronically as prescribed by IDOM. The budget form must also be filed with the county auditor. Forms can be found at [www.dom.state.ia.us/local/city/index.html](http://www.dom.state.ia.us/local/city/index.html).**

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Significant changes to Iowa's property tax system along with other economic factors will continue to impact the ability of city governments across the state to provide needed services while maintaining a responsible budget.

Information in this special report details the key issues needed to prepare your city budget and serves as a starting point for the upcoming budget process. It is also important to note that several topics covered in this report are not only important to this city budget process, but are also likely to be major issues in the future.

Many of the figures included in this report are projections only and may be subject to change based on actions by the legislature and the Governor. If the League becomes aware of changes to the numbers in this report the information will be posted at [www.iowaleague.org](http://www.iowaleague.org).

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## Revenues

### Assessment Limitation Order – Rollback and Major Changes to Iowa’s Property Tax System

The January 1, 2015 property valuation serves as the basis for calculating property taxes in fiscal year (FY) 2017.

Rollback Figures				
Property Class	FY 2017	FY 2016	FY 2015	FY 2014
Agricultural	46.1068%	44.7021%	43.3997%	59.9334%
Commercial	90%	90%	95%	100%
Industrial	90%	90%	95%	100%
Railroad	90%	90%	95%	100%
Residential	55.6259%	55.7335%	54.4002%	52.8166%
Multi-Residential	86.25%	*Begins FY 2017		

Since 1978, residential and agricultural property has been subject to an assessment limitation order, or “rollback”, that limits annual growth of property values (all other classes of property were eventually added). Prior to the 2013 overhaul of the property tax system, property value growth was limited to 4 percent per year for agricultural, commercial, industrial and residential properties. If property values grew by more than 4 percent, the taxable value was rolled back to comply with the assessment limitation system.

In addition, the rollback included a formula that tied the growth of residential property to that of agricultural property. This connection is commonly referred to as “coupling” and limited the valuation of either property class to the smaller of the two. Since the law’s inception, residential property has always been subject to significant rollbacks while the other property classes did not grow as much and were usually taxed at or near their full assessed value.

While the property tax rollback system remains in place, several major changes were made during the 2013 legislative session. For each assessment year beginning in 2013, residential and agricultural property value growth is now capped at 3 percent, or whichever is lowest between the two classes (the coupling provision remains).

Commercial, industrial and railway property now have their own rollback, which began at 95 percent for valuations established during the 2013 assessment year (affecting FY 2015) and 90 percent for the 2014 assessment year and thereafter. The rollback percentage for these properties will remain fixed at 90 percent regardless of how fast or slow valuations grow.

The legislature created a standing appropriation, beginning in FY 2015, to reimburse local governments for the property tax reductions resulting from the new rollback for commercial and industrial property (railroad not included). The “backfill” was funded at 100 percent by the legislature for FY 2015 and FY 2016 and cities receive the funds in a similar manner as property tax revenue. Future backfill appropriations will be capped at the FY 2017 level. These funds should be recorded as intergovernmental revenue from the state. For those using the standard Chart of Accounts the account number will be 4464: Commercial/Industrial Replacement Claim Payments.

A new property class was established for multi-residential property, which first takes effect in FY 2017 and will likely have long-term impacts for many cities around the state. The definition of multi-residential property is broad and includes:

- Mobile home parks
- Manufactured home communities
- Land-leased communities
- Assisted living facilities
- Property primarily used or intended for human habitation containing three or more separate living quarters

- For buildings that are not otherwise classified as residential property, that portion of a building that is used or intended for human habitation can be classified as a multi-residential property, even if human habitation is not the primary use of the building and regardless of the number of dwelling units located in the building

Multi-Residential Property Rollback Schedule	
FY 2017	86.25%
FY 2018	82.50%
FY 2019	78.75%
FY 2020	75%
FY 2021	71.25%
FY 2022	67.50%
FY 2023	63.75%
FY 2024 (and beyond)	Equal to residential

Excluded properties include, hotels, motels and other buildings where rooms or dwelling units are typically rented for less than one month. Multi-residential properties will be subject to a separate rollback schedule for eight years, as shown in the table to the left, before reaching the residential rollback percentage. Unlike the rollback for commercial and industrial properties, there will be no backfill funding to offset revenue reductions for the multi-residential property rollback.

A new exemption for telecommunications companies was created that is based on “the actual value that is used by the companies in the transaction of telegraph and telephone business.”

The actual value for telecommunication companies focuses primarily on the lines used to operate telegraph and telephone services. Once the properties have been assessed, they will receive partial property tax exemptions based on their total value as detailed below:

- 40 percent of the actual value of the property that exceeds \$0 but does not exceed \$20 million.
- 35 percent of the actual value of the property that exceeds \$20 million but does not exceed \$55 million.
- 25 percent of the actual value of the property that exceeds \$55 million but does not exceed \$500 million.
- 20 percent of the actual value of the property that exceeds \$500 million.

With the sweeping changes to the property tax system, it may be difficult for cities to accurately forecast how their budget will be affected. The League will continue to study the impact of these changes and provide additional resources for cities to use, including the Property Tax Model which allows cities to enter in their own property tax valuations and see how their budget is affected. Please visit [www.iowaleague.org](http://www.iowaleague.org) to use the model and view other property tax resources.

#### Property Tax Levies

Cities may levy up to \$8.10 per \$1,000 of taxable value on residential, commercial and industrial property and up to \$3.00375 per \$1,000 on the taxable value of agricultural property for their general fund (*Code of Iowa* Section 384.1). If a city is unable to meet the essential costs for services within the \$8.10/\$1,000 levy limit, there are several other levies available.

- A city may levy for the city’s contribution under the Federal Insurance Contributions Act (FICA), the Iowa Public Employees’ Retirement System (IPERS), the Municipal Fire and Police Retirement System of Iowa (MFPRSI) and certain other employee benefits. On the state budget forms, these are shown in the special revenues fund column of the Revenues Detail (Form 631B). The expense would be shown on the Expenditures Schedule (Form 631A) under the appropriate activity in the special revenues fund (column D). Alternatively, the city may need to transfer the benefits into the general fund where the expenses are recorded.
- Insurance premiums, including workers’ compensation, necessary for the operation of the city and the costs of self-insurance or risk pools may also be levied outside the \$8.10/\$1,000 limit. The levy rate is the actual cost of the premiums divided by the total property tax base.



Insurance costs on projects or improvements covered by revenue bonds and insurance on proprietary fund activities may not be levied, as these activities should fund themselves. These revenues are typically credited to the general fund even though they are restricted.

- An emergency levy rate of up to \$0.27/\$1,000 of taxable valuation that can be used for any governmental purpose (Section 384.8). This is a special revenue that must be transferred to the general fund for expenditure prior to the end of the fiscal year.
- A city may levy to cover principal and interest payments on general obligation bonds under debt service. Provided proper procedures were followed on lease-purchase or loan agreements, the annual principal and interest payments may also be levied under debt service. The debt service levy is the dollars needed to cover the annual debt obligations divided by the total property tax base.

Section 384.12 lists several other levies available to a city for specific purposes, some requiring a referendum. Non-voted levy activities include funding for the operation and maintenance of a publicly owned transit system; liability, property and self-insurance costs; a joint county-city building lease and rent; support of a local Emergency Management Commission; and operation and maintenance of a city-owned civic center. Activities requiring a voted levy include funding for instrumental or vocal music groups, memorial buildings, symphony orchestras, cultural and scientific facilities, aid to public transportation companies, library services and emergency medical districts.

### **Employee Benefits Levy**

Cities may levy for the city's contribution to certain employee benefits. The definition of employee benefits includes:

- Retiree hospital/medical/prescription benefits pursuant to *Code* Section 364.25
- Workers' compensation cost or insurance premiums
- Employer's share of employee benefit plan costs for employees and their dependents which would include only:
  - Hospital/medical/prescription benefits
  - Dental benefits
  - Disability insurance benefits
  - Life insurance benefits
  - Long-term care insurance benefits
  - Vision benefits
- Deferred compensation programs for city managers, fire chiefs and police chiefs who do not participate in either IPERS or MFPRSI
- Employee wellness programs that are a part of or included in a document approved by the city council
- Employee assistance programs providing free counseling for employees and their dependents
- Occupational Safety and Health Administration (OSHA) required tests
- Regularly-scheduled, city-required post-employment physicals for employees, police reserves and volunteer firefighters

### **Utility Replacement Tax**

The Utility Replacement Excise Tax is collected on the generation, distribution and delivery of electricity and natural gas. This tax replaced the taxation on utility property in 1999. Cities are required to calculate their property tax revenues with and without utility property valuations. The difference that is calculated is necessary to establish the General Property Tax Equivalents, the basis for determining the distribution of the excise tax. The Iowa Department of Revenue calculates the amount of revenue that a city will receive and includes this information with the budget packet cities receive from the Iowa Department of Management.

### Franchise Fee Legislation

In 2009, the state legislature passed a bill that legalized the collection of gas and electric franchise fees not to exceed five percent of the franchisee's gross revenues "without regard to the city's cost of inspecting, supervising, and otherwise regulating the franchise." Revenue from franchise fees can only be used for certain purposes outlined in the bill, but does include such items as public improvements, property tax relief, public safety, energy conservation and economic development activities. A bill approved during the 2015 legislative session requires cities to hold public hearings prior to increasing or amending a franchise fee.

■ For more information, please read the League's special report on franchise fees at [www.iowaleague.org](http://www.iowaleague.org).

IDOT RUTF Per Capita Forecast	
Fiscal Year	Current IDOT Per Capita Forecast
FY 2016	\$120.50
FY 2017	\$121.00
FY 2018	\$121.00
FY 2019	\$122.00
FY 2020	\$123.00

*\*includes gas tax increase*

### Road Use Tax Fund

The Road Use Tax Fund (RUTF) is accumulated through motor vehicle registration fees, motor vehicle fuel taxes, an excise tax imposed on the rental of automobiles and a use tax on trailers. The state legislature approved a League-supported gas tax increase in 2015 that will bring additional funding to the system for critical road infrastructure needs. The per gallon tax increase of 10 cents is estimated to add \$215 million annually to the fund, from which cities receive per capita distributions to pay for the construction, repair and maintenance of road infrastructure.

Cities are reminded that economic instability and fluctuating fuel consumption and costs can result in immediate changes in the fund. The Iowa Department of Transportation (IDOT) issues per capita forecasts only and cities are only entitled to receive their share of the amount actually collected. The estimates are subject to dramatic changes and cities should consider using a conservative estimate.

Also, the estimates are based on current law regarding specific revenue to and disbursement from the RUTF. Any change in the law could change the per capita amount to be distributed to cities.

### **Transfer of Road Jurisdiction: Cities Under 500**

In 2004, counties in Iowa assumed responsibility for maintenance of Farm-to-Market (FM) roads in cities with a population less than 500. A transfer of RUTF money based on the total length of the FM roads in each of these cities was also transferred to the respective county. Many cities have entered into 28E agreements with the county to return a portion or all of the responsibility for the road back to the city, along with a corresponding amount of RUTF funds. The State Auditor's Office has stated that funds transferred back to the city from the county are still restricted in the same manner as all Road Use Tax revenue, because road use tax funds are restricted to be spent for roads by Article VII (8), Iowa Constitution. As such, the revenue received under the 28E agreement should be recorded in the city's Special Revenue Fund as:

- Intergovernmental
- Local grants and Reimbursements

This revenue should not be recorded as road use tax revenue by the city since it is already recorded as road use tax revenue when received by the county. The money must also be spent in accordance with the *Code of Iowa* Chapter 312 and any terms and conditions of the 28E agreement.

■ *FY 2016 farm-to-market RUTF estimates are available online at [www.iowaleague.org](http://www.iowaleague.org).*

### **Local Option Sales Tax**

Cities in Iowa are allowed to establish a Local Option Sales Tax (LOST) upon approval by its citizens. Rates are limited to one percent and cities must specify on the ballot the purposes of the revenue, including any that will be used for property tax relief.

The Iowa Department of Revenue (IDR) is required to send an estimate of the monthly tax revenues each city will receive for the year by August 15 of each fiscal year. Ninety-five percent of estimated tax receipts are paid to the city monthly. A final payment of any remaining tax due to a city for the fiscal year will be made before the due date of the first payment of the next fiscal year. If an overpayment to a city exists for a previous fiscal year, the first and/or second payment of the subsequent fiscal year will be adjusted to deduct the overpayment.

The FY 2016 statewide LOST estimate is \$313,905,492, an increase from the FY 2015 estimate of \$298,538,961. The IDR has several helpful files regarding LOST, including a history of revenues for each city, monthly estimates, and a tool that shows how distributions would be impacted by a city approving or rescinding a LOST. Those files can be accessed at [tax.iowa.gov/local-option-tax-information-local-government](http://tax.iowa.gov/local-option-tax-information-local-government).

■ *More detailed information may be obtained by contacting the IDR at (800) 367-3388 or [tax.iowa.gov](http://tax.iowa.gov).*

### **Hotel/Motel Tax**

A city may impose a hotel/motel tax at a rate not to exceed 7 percent after successful approval of a simple majority vote within the city. State law requires that 50 percent of such revenues are used for acquiring, improving, operating or improving recreational, cultural or entertainment facilities. The remaining revenues may be spent on any other lawful purpose.

■ *The IDR has additional information, including files showing rates and quarterly payment distributions, at [tax.iowa.gov/iowa-hotel-motel-tax](http://tax.iowa.gov/iowa-hotel-motel-tax).*

### **Enrich Iowa Funds for Libraries**

The Enrich Iowa Program includes Direct State Aid, Open Access and Interlibrary Loan.

- Direct State Aid is a direct payment to public libraries and is intended to be used to improve and enhance library services.
- Open Access provides a partial reimbursement to participating libraries to make it possible for patrons to check out materials at other participating libraries.
- Interlibrary Loan provides partial reimbursement for interlibrary loans among all types of libraries.

■ *Additional information on these programs is available at the State Library of Iowa Web site, [www.statelibraryofiowa.org/ld/e/enrich-ia](http://www.statelibraryofiowa.org/ld/e/enrich-ia).*

### **Fuel Tax Refunds**

Cities are eligible for refunds from both federal and state governments for taxes paid on gasoline. In most cases, cities must pay the fuel taxes at the pump and then file for a refund with the state and federal governments. Cities on a modified accrual accounting basis should not consider payment of the tax as an expenditure nor should they consider the refund as revenue. However, cities on a cash accounting basis should charge the tax as an expense and receipt the refund as revenue. In order to receive a refund from the state, the city must:

- 1) Have a refund number
- 2) Keep a record of gallons purchased (cities are not required to send the actual invoices with the refund request)
- 3) Apply for the refund within one year of purchase

Cities may apply for a refund number and obtain forms necessary for filing the refund by contacting the Iowa Department of Revenue at (800) 367-3388 or download the forms by visiting [tax.iowa.gov/other-iowa-motor-fuel-tax-information](http://tax.iowa.gov/other-iowa-motor-fuel-tax-information). Cities may also file for a refund by telephone and request direct deposit of their refunds.

If your city is entitled to a federal refund of \$750 or more per quarter for tax paid on gasoline purchases, you may file quarterly for a refund. If the refund is less than \$750 per quarter, you must file annually. To receive the refund on the gas tax, a refund request must be filed on Internal Revenue Service (IRS) Form 8849. See IRS Publication 510 Fuel Tax Credits and Refunds for further information.

■ *You may request IRS forms by calling (877) 829-4933 or download the forms at [www.irs.gov/Forms-&Pubs](http://www.irs.gov/Forms-&Pubs).*

## **Expenditures**

### **U.S. Consumer Price Index**

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI for all urban consumers (not seasonally adjusted) for September 2015 is unchanged from September 2014. The CPI-U is based on the major expenditure categories of food and beverages, housing, clothing, transportation and energy, medical care, recreation, education and communication as well as other goods and services.

Closer to home the Midwest Region CPI decreased .8 percent from September 2014 to September 2015, largely attributable to declines in fuel prices.

■ *The most recent CPI figures and more information can be obtained by visiting [www.bls.gov/cpi/](http://www.bls.gov/cpi/).*

### FICA Deductions

The city (employer) and the employee each contribute 7.65 percent of wages for Social Security and Medicare. The maximum taxable earnings subject to the Social Security portion (6.2 percent) of the Federal Insurance Contributions Act (FICA) is currently \$118,500 and is projected to remain the same in 2016. There is no limit on the salary covered for the Medicare portion (1.45 percent) of FICA. Please note that rates may change during the fiscal year. Questions on FICA may be directed to the Des Moines office of the Social Security Administration (SSA) at (800) 772-1213.

 You can also visit the SSA Web site at [www.ssa.gov](http://www.ssa.gov) for questions, publications and other information.

IPERS Contribution Rates Regular Class Members			
Regular Class Members	July 1, 2014	July 1, 2015	July 1, 2016
Employee Rate	5.95%	5.95%	5.95%
Employer Rate	8.93%	8.93%	8.93%
Combined Rate	14.88%	14.88%	14.88%


IPERS Contribution Rates Protection Class Members			
Protection Class Members	July, 2014	July 1, 2015	July 1, 2016
Employee Rate	6.76%	6.56%	6.56%
Employer Rate	10.14%	9.84%	9.84%
Combined Rate	16.90%	16.40%	16.40%

### Iowa Public Employees' Retirement System (IPERS)

IPERS contribution rates have held steady the past couple of years after significant increases were previously necessary to keep the system fully funded due to market instability leading to investment losses several years ago. In addition, important changes for current and newly vested members were made in 2010 to help protect and grow the fund in the future. City officials are also encouraged to consult with an IPERS representative should they have any questions about their retirement account.

Employer and employee contribution rates are posted to the IPERS Web site at [www.ipers.org/about-us/contribution-rates](http://www.ipers.org/about-us/contribution-rates).

Important Note: All part-time elected officials must be covered by IPERS unless they specifically opt out of coverage. All employers will be audited on a regular cycle, based on the number of employees.

 Questions may be directed to the IPERS office at (800) 622-3849 or visit their Web site at [www.ipers.org](http://www.ipers.org) for more information.

MFPRSI Contribution Rates			
MFPRSI City Contribution Rates	July 1, 2014	July 1, 2015	July 1, 2016
Employee Rate	9.40%	9.40%	9.40%
Employer Rate	30.41%	27.77%	25.92%
Combined Rate	39.81%	37.17%	35.32%

### Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The MFPRSI contribution rate formula is established in *Code of Iowa* Chapter 411 and currently sets the employee rate at a fixed 9.40 percent. Each year, the MFPRSI Board of Trustees sets the employer rate after the completion of an annual actuarial valuation.

The city's contribution rate, effective July 1, 2016, will be 25.92 percent, a slight decrease from the current rate. Recent actuarial projections show that future employer contribution rates could continue to decline slightly.

### **Mileage**

Cities may reimburse city officials and employees using their own vehicles up to the amount allowable under Internal Revenue Service (IRS) rules. While cities are not required to use the IRS rate, any changes made in the city reimbursement rate should be done by resolution. The current IRS rate of 57.5 cents per mile is valid until December 31, 2015. Rates for 2016 have not yet been determined and will be available at [www.irs.gov](http://www.irs.gov) in December.

### **Minimum Wage Rate**

Both the state and federal minimum wage have remained the same for several years. The state hourly wage is \$7.25 and the hourly wage for youth employees working less than 90 days is \$6.35 (the lower rate only applies to employees under the age of 20). The federal minimum wage is also \$7.25 per hour. As a reminder, if there is a disparity between the federal and state minimum wage rate, employers are required to pay the higher of the two.

### **Unemployment Compensation**

Most cities are reimbursable for unemployment compensation upon application, unless they elect to be contributory by completing an additional form stating such. Cities must reimburse the state for actual unemployment benefits paid out by Iowa Workforce Development (IWD) within 30 days following the billing for any quarter in which the state has made payments to the city's former employees. If a city anticipates the possibility of layoffs during a fiscal year, they may want to budget for the expense of reimbursing unemployment benefits.

Contributory tax rates are based on the extent that tax payments made by the city are in excess of benefits paid out by IWD, and this reserve balance is then divided by the average taxable payroll. The tax due is found by taking the percentage calculated for the city multiplied by the first \$27,300 of each employee's gross salary. IWD will mail tax rate notices giving the percentage for each city in November. The city has 30 days from the Rate Notice Date on the form to appeal their contribution rate.

All cities have the option to change their status to contributory or reimbursable. Cities can change their status by December 1 for the next calendar year by contacting IWD for the appropriate forms in advance of the deadline. However, if a city opts to switch from contributory to reimbursable, it is required to pay to IWD any deficit that may be due to claims against its current account in excess of contributions.

 *Information regarding IWD can be found at [www.iowaworkforcedevelopment.gov](http://www.iowaworkforcedevelopment.gov).*

### **Workers' Compensation Insurance**

Premium for workers' compensation coverage can be estimated using the audited payroll from the previous year with adjustments for cost of living and other increases, taking into consideration anticipated changes in personnel and/or operations. Once payroll has been adjusted for each class code, apply the rate for each code per \$100 of payroll. The city should check with its agent to see if any rate changes will go into effect prior to its renewal.

### **General Liability and Property Insurance**

Liability coverage contribution is based on several factors such as number of employees, number and types of automobiles and expenditures. However, the easiest way to project cost of liability coverage is to apply the current inflation factor. Premium for liability coverage is based on the number of employees and a five percent increase to the entity's total budget. Rating for property and auto physical damage coverage is based solely on the total insured value (TIV) of the schedule. A simple way to project cost is to calculate the TIV of the previous year, divide it into last year's contribution and apply the factor to this year's TIV.



## Legislation

When re-estimating revenues and expenditures for FY 2016 and budgeting for FY 2017, cities should keep in mind recent legislative actions that may have a significant fiscal impact on the city. Full coverage of the laws passed by the 2015 General Assembly is included in the New Laws of Interest to Iowa Cities report, which can be found on the League Web site at [www.iowaleague.org](http://www.iowaleague.org).

### **HF 616 – Primary Use Related to Multi-Use Properties**

Strikes the “primary use” language from *Code of Iowa* Section 441.21 that was put in place by the property tax reform law, SF295, in the 2013 legislative session. Creates dual classification for properties that have three or more units of habitation, instead of determining the primary use before the tax assessment for the building. Amends Sections 426C, 441.21 and 441.26.

### **HF 626 – Property Assessment Appeal Board**

Extends the future repeal of the Property Assessment Appeal Board to 2021, and provides for the future repeal of the State Board of Tax Review no later than July 1, 2016. Amends Section 441.28.

### **HF 660 – Public Hearing for Franchise Fee**

Requires a city hold a public hearing before adopting or amending an ordinance imposing a franchise fee or increase to the rate of the fee. Also, requires that notice of the hearing be published at least once, not less than four nor more than 20 days before the date of the hearing, and that the publication must be in a newspaper published at least once weekly and having general circulation in the city. Does not impact the ability for a city to have a franchise fee or to increase the fee. Amends Section 364.2.

### **SF 257 – Gas Tax Increase**

Increases the state gas tax by 10 cents per gallon. This is estimated to provide \$215 million additional revenue to the Road Use Tax Fund (RUTF), from which cities receive per capita distributions to pay for the construction, repair and maintenance of road infrastructure. Amends Section 452A.3.

### **HF 507 – Delinquent Sewer Accounts**

Allows wastewater providers, who do not also provide water services, to contract with water providers to allow the water provider to discontinue service to a customer who has a delinquent sewer account. Allows cutoff only for new customers, not existing customers that have already entered into a contract. Amends Section 384.84.

### **SF 499 – Iowa Economic Development Authority Omnibus Bill – Abandoned Nuisance Properties**

Includes language that helps cities address abandoned nuisance properties – properties that the owner no longer wants and are expensive to clean up. Division VI of the bill creates a loan program under IEDA for cities to access low-interest capital to address these properties, provides additional due process and enhanced notification to the property owner, and also extends the current process under Section 657A.10A to purely commercial properties, such as abandoned gas stations and warehouses. Amends Section 657A.10A.

**HF 650 – Rebuild Iowa Infrastructure Fund**

- Appropriates \$5 million to the Community Attraction and Tourism (CAT) Grants fund. The CAT fund is one of three funds that comprise the Vision Iowa Program. The CAT fund was created to assist projects that will provide recreational, cultural, entertainment and educational attractions.
- Appropriates \$1 million to the Iowa Great Places Fund. The Iowa Great Places Fund seeks to have a transformative impact on community vitality and quality of life for Iowans.

**SF 510 – Standing Appropriations**

- Appropriates \$416,702 for FY 2015-2016 for operational support grants and community cultural grants under Section 99F.11.
- Appropriates \$208,351 for FY 2016-2017 for operational support grants and community cultural grants under Section 99F.11.
- Workforce Housing Tax Incentives Program – Amends certain provisions of the program that was created along with the High Quality Jobs Program, and creates a 10 percent buffer if there is an overage on costs per unit. This will assist developers as they work to revitalize core neighborhoods.


**Other Budget Issues****City Budget Form Changes**

The Iowa Department of Management (IDOM) has updated the city budget form that is filed with the state. The Long Term Debt Schedule has been revised to include information that will better assist the County Auditor in tracking the debt service of each city. A column has been added for denoting if the debt is a General Obligation (GO) or a Non-General Obligation (Non-GO) of the city. Another column has been added which will require the reporting of the resolution number of the resolution that approved the debt. The FY 2017 city budget form was also revised to include a space at the top of the Adoption of Budget and Certification of City Taxes form for the resolution number of the resolution which approved the city budget.

The budget amendment form has also been updated to include a Transfer In line under the revenue section and a calculator that shows the timeframe for publishing the public hearing notice. Also of note, the IDOM will pre-fill actual year data from each city's Annual Financial Report into the city budget form. As a reminder, the budget form must be filed with IDOM and the county auditor by March 15.

**Affordable Care Act**

Cities are reminded to be in compliance with applicable provisions of the Affordable Care Act (ACA) or they could be subject to penalties for employers and individuals. With that in mind, cities need to know how the ACA affects them and their employees and prepare for any coming changes. The various aspects of the ACA could impact cities in many different ways and cities are encouraged to consult with their health care advisors to determine the best course of action.

 *Additional information is available at [www.iowaleague.org](http://www.iowaleague.org).*



### **Annual Urban Renewal Report**

Legislation approved in 2012 requires all cities that have an urban renewal area to submit the Annual Urban Renewal Report. Cities must provide a variety of information for each of their urban renewal areas, including urban renewal plans, maps, tax increment financing ordinances, debt and financing data, and urban renewal projects.

The report is due December 1 of each year and must be completed and filed using the IDOM online reporting system ([www.dom.state.ia.us/local/tif/index.html](http://www.dom.state.ia.us/local/tif/index.html)). The system requires users to upload associated documents in PDF format. City councils must approve the form prior to submittal. Failure to file the report by the deadline will result in the city being unable to certify their budget and being placed on a list sent to the legislature.

■ *The League and IDOM recorded training webinars on how to complete the report. Those webinars and other helpful information can be found at [www.iowaleague.org](http://www.iowaleague.org) and [www.dom.state.ia.us](http://www.dom.state.ia.us).*

### **Certification of TIF Debt**

Cities must certify debt payable with Tax Increment Financing (TIF) funds on or before December 1. *Code of Iowa* Section 403.19 requires cities to certify to the county auditor the amount of any “loans, advances, indebtedness, or bonds” that qualify for payment from TIF revenue from a TIF district. This certification of TIF debt is only required once. However, due to the unique nature of many TIF financing programs, some cities may need to file on an annual basis.

The auditor is responsible for collecting and distributing the funds available from the increment in subsequent years until the entire certified amount is paid into the city’s tax increment fund. However, if additional debt is incurred, that amount must be certified by the following December 1 in order for the county auditor to make the proper distribution in the next fiscal year. Failure to certify the debt before December 1 will delay payments to the city by one year. IDOM and the State Auditor’s Office have developed a TIF Debt Certification form that cities may use when certifying their debt to the county auditor.

■ *The League and IDOM recorded training webinars on how to complete the report. Those webinars and other helpful information can be found at [www.iowaleague.org](http://www.iowaleague.org) and [www.dom.state.ia.us](http://www.dom.state.ia.us).*

### Bid and Quote Thresholds for Iowa Cities

The bid and quote thresholds for qualifying public improvement projects as defined in Chapter 26 of the Code of Iowa can be seen in the following tables.

■ For a detailed explanation of construction bidding and quotation procedures please visit the Member Resources section at [www.iowaleague.org](http://www.iowaleague.org).

Current Bid/Quote Thresholds		
<i>Horizontal Infrastructure – Roads, streets, bridges, culverts</i>		
	Cities Less Than or Equal to 50,000	Cities Greater Than 50,000
Competitive Bid Required	\$50,000	\$72,000
Competitive Quote Required	N/A	N/A

Current Bid/Quote Thresholds		
<i>Vertical Infrastructure – Buildings, parking facilities, utilities, trails</i>		
	Cities Less Than or Equal to 50,000	Cities Greater Than 50,000
Competitive Bid Required	\$135,000	\$135,000
Competitive Quote Required	\$55,000	\$75,000

### W-2 and 1099 Forms

Cities are reminded that W-2 and 1099 forms are due to employees and vendors, respectively, by January 31 of each year. Completed paper forms must be filed with the state and federal governments by February 29, 2016 while electronic forms have a deadline of March 31, 2016. For employees that claim exemption from federal income taxes, they must file a new form W-4 with the city by February 15.

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan on an employee's Form W-2 in Box 12 using Code DD. For cities filing fewer than 250 W-2 forms this requirement is optional, although the IRS may lower this threshold in the future. Additional information on this requirement can be found at [www.irs.gov/Affordable-Care-Act/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage](http://www.irs.gov/Affordable-Care-Act/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage).

### GASB 45

Governmental Accounting Standards Board Statement 45 (GASB 45) requires many public entities to reflect the value of post-employment benefits (health, life, dental, etc.) that are provided to retired employees in your future audited financial statements. Your auditor has likely informed you when (and if) your city will meet the requirements for compliance with this accounting standard.

### GASB 54

Governmental Accounting Standards Board Statement Number 54 (GASB 54) provides guidance for fund balance categories and classifications and governmental fund type definitions. In Iowa, the Annual Financial Report, sent to the State Auditor's office by December 1 of each year, has been changed due to GASB 54. This means all cities in Iowa are impacted.

GASB 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Additional information can be found at [www.iowaleague.org/members/Pages/GASB54FundBalanceClassifications.aspx](http://www.iowaleague.org/members/Pages/GASB54FundBalanceClassifications.aspx).

**GASB 68**

Governmental Accounting Standards Board Statement Number 68 (GASB 68) requires state and local government to make significant changes to how they account and report finances related to pension plans. This includes new requirements for reporting pension-related liabilities and obligations. The State Auditor's Office has created a variety of resources to help cities prepare for the new requirements, which can be found at [www.auditor.iowa.gov/pension/index.html](http://www.auditor.iowa.gov/pension/index.html).

**GASB 77**

Governmental Accounting Standards Board Statement 77 (GASB 77) issues new requirements for cities to disclose information regarding tax abatement programs. Cities must report the purpose of any tax abatement program, tax being abated, dollar amount of taxes abated, provisions for recapturing abated taxes and other commitments made in a tax abatement agreement, such as to build infrastructure assets. The new disclosures also require information about tax abatements entered into by other governments that reduce the reporting government's tax revenues, including the name of the government entering into the tax abatement, the tax being abated and the dollar amount of the reporting government's taxes abated.

**Red Flag Rules**

The Fair and Accurate Credit Transactions (FACT) Act of 2003 requires utilities and government entities to implement identity theft prevention programs. These provisions are known more commonly as the Red Flags Rule. Municipal utilities, local governments and any entity that can broadly be classified as a creditor should develop and implement a written identity theft prevention program. More information regarding this policy is available at [www.business.ftc.gov/privacy-and-security/red-flags-rule](http://www.business.ftc.gov/privacy-and-security/red-flags-rule).

**Proposed Rule Change for Exempt Employees under Fair Labor Standards Act**

The U.S. Department of Labor issued a proposed rule change for exempt employees as defined by the Fair Labor Standards Act (FLSA). Currently, exempt employees are subject to a salary basis test which requires a minimum salary of at least \$455/week or \$23,660/year in order to qualify as exempt. The proposed rule change increases the annual salary to \$47,892 beginning in 2016 (please keep in mind there are other standards an employee must meet under the FLSA in order to be classified as exempt). At the time of this writing this is only a proposed rule. If approved, it is expected to take effect in early 2016.

**Training Costs**

The League and others offer several training events directed at city officials throughout the year. Be sure to check [www.iowaleague.org](http://www.iowaleague.org) throughout the year to get information about these events and the associated registration fees.

**Consumer Confidence Report**

Cities are required to complete a Consumer Confidence Report, which is designed to inform consumers of their local water quality. A copy of the report must be mailed or otherwise directly delivered to each customer annually by July 1. A city with a population less than 10,000 with no violations during the past year may use a mailing waiver. If these cities choose to use the mailing waiver:

- For a city with a population less than 500, the mailing waiver must provide notice at least once per year to their customers by mail, door-to-door delivery or posting that the report is available upon request.
- For a city between 500 and 10,000 in population, the mailing waiver must inform customers that the report will not be mailed. The cities must publish the report in the newspaper and make the report available upon request.

### Single Audit Act

Cities that expend a total of \$750,000 or more in federal assistance in a fiscal year must comply with the Single Audit Act, which requires a single or program-specific audit of city financial records.

### Budget Calendar

The following schedule is an example for cities to follow during the budgeting process. The following information assumes the city has a Thursday newspaper with a Tuesday deadline and the council meets on the first and third Monday. Cities should adopt a calendar that meets their specific circumstances. *\*Dates noted by an asterisk are statutory deadlines or requirements.*

### Typical Budget Timeline

City elected officials and staff members meet to hold preliminary budget discussions and schedule formal work sessions and budget adoption dates..... November and December

City department heads give budget and proposals to city finance officer..... January 4

Budget work session(s) with staff members and city council ..... January 18 (and February 1)

Council receives and adopts final proposed budget and orders notice of hearing..... February 15

Notice of hearing on adoption of final budget published ..... February 25

**Notice Requirement:** Notice of the budget hearing must be given not more than 20\* days nor less than 10\* days before the date of the hearing.

**Detailed Budget:** The detailed budget must be available for public inspection at least 10\* days before the final budget hearing and 20\* days before final date for certification, and is to be available at the clerk's and mayor's offices and the public library, or posted at three places designated by ordinance if there is no library.

*\* Cities might find that they need to exceed the general fund levy limit set by statute (\$8.10 per \$1,000 of taxable property value). If so, a city may appeal to the IDOM/City Finance Committee and use a unique schedule and set of guidelines. Please contact the League for assistance with such schedules.*

Budget hearing..... March 7

Adoption of final budget ..... March 7

Certified budget to county auditor ..... March 15\*

Persons affected by the budget have 10 days after the date of certification to file a written protest..... March 25\*

IDOM certifies taxes back to county auditor ..... June 15\*

Budget takes effect ..... July 1\*

## **One-Stop Web References**

**Iowa League of Cities** - [www.iowaleague.org](http://www.iowaleague.org)

*The League's Web site has numerous reports on budget matters*

**Snapshot of Tax Increment Finance**

[www.iowaleague.org/members/Publications/TIF%20Report\\_2015.pdf](http://www.iowaleague.org/members/Publications/TIF%20Report_2015.pdf)

*Requires login to League's Members Only section*

**Franchise Fees Special Report**

[www.iowaleague.org/members/Publications/FranchiseFees2015.pdf](http://www.iowaleague.org/members/Publications/FranchiseFees2015.pdf)

*Requires login to League's Members Only section*

**Law Enforcement Special Report (including sample Training Reimbursement contract)**

[www.iowaleague.org/members/Publications/law%20enforcement%20special%20report\\_2014\\_UPDATE.pdf](http://www.iowaleague.org/members/Publications/law%20enforcement%20special%20report_2014_UPDATE.pdf)

*Requires login to League's Members Only section*

**Index of Iowa Laws** - [www.iowaleague.org/members/Pages/IndexofIowaLaws.aspx](http://www.iowaleague.org/members/Pages/IndexofIowaLaws.aspx)

*Requires login to League's Members Only section*

**Code of Iowa** - [www.legis.iowa.gov](http://www.legis.iowa.gov)

*Requires Entry of Chapter and Section numbers*

**Iowa Department of Revenue Fuel Tax Refund Forms**

[tax.iowa.gov/other-iowa-motor-fuel-tax-information](http://tax.iowa.gov/other-iowa-motor-fuel-tax-information)

**Iowa Public Employees' Retirement System** - [www.ipers.org](http://www.ipers.org)

**Iowa Workforce Development** - [www.iowaworkforcedevelopment.gov](http://www.iowaworkforcedevelopment.gov)

**Internal Revenue Service** - [www.irs.gov](http://www.irs.gov)

**Local Option Sales Tax Information** - [tax.iowa.gov/local-option-tax-information-local-government](http://tax.iowa.gov/local-option-tax-information-local-government)

**Minimum Wage**

The Iowa Division of Labor | [www.iowaworkforce.org/labor](http://www.iowaworkforce.org/labor)

The U.S Department of Labor | [www.dol.gov](http://www.dol.gov)

**Municipal Fire & Police Retirement System of Iowa** - [www.mfprsi.org](http://www.mfprsi.org)

**Publication Rates** - [www.inanews.com](http://www.inanews.com)

**Social Security Administration** - [www.ssa.gov](http://www.ssa.gov)

**State Library of Iowa Enrich Iowa Funds** - [www.statelibraryofiowa.org/ld/e/enrich-ia](http://www.statelibraryofiowa.org/ld/e/enrich-ia)

**U.S. Department of Labor** - [www.dol.gov](http://www.dol.gov)

**U.S. Department of Labor Consumer Price Index information** - [www.bls.gov/cpi](http://www.bls.gov/cpi)

## LOCAL OPTION SALES TAX FUND SUMMARY

	FY 15/16 Adopted	FY 15/16 Adjusted	5% Increase COTA/ASSET FY 16/17 Estimated	
<b>Revenues</b>				
Local Option Sales Tax	\$ 7,484,605	\$ 7,831,295	\$ 7,800,000	
Transfer from Hotel/Motel	101,429	114,285	116,571	
Grants	-	-	-	
Other Revenue	-	-	-	
<b>Total Revenues</b>	<u>7,586,034</u>	<u>7,945,580</u>	<u>7,916,571</u>	
<b>Transfers</b>				
Ice Arena	20,000	20,000	20,000	
Park Development	-	100,000	100,000	
60% Property Tax Relief	<u>4,490,763</u>	<u>4,698,777</u>	<u>4,680,000</u>	
<b>Total Transfers</b>	<u>4,510,763</u>	<u>4,818,777</u>	<u>4,800,000</u>	
<b>Expenses</b>				
Human Service Agencies	1,212,375	1,212,375	1,272,994	(1)
Commission on the Arts	148,733	148,733	156,170	(2)
City Council Spec. Alloc.	135,180	137,980	137,980	(3)
Human Services Admin	21,134	20,982	21,611	
Public Art	41,000	77,840	41,000	(4)
Municipal Band	30,185	30,669	27,170	
	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total Expenses</b>	<u>1,588,607</u>	<u>1,628,579</u>	<u>1,656,925</u>	
<b>Net Increase/(Decrease)</b>	1,486,664	1,498,224	1,459,646	
<b>Beginning Balance</b>	<u>3,373,191</u>	<u>5,723,214</u>	<u>3,368,258</u>	
<b>Available for CIP</b>	4,859,855	7,221,438	4,827,904	
<b>CIP Projects</b>	<u>1,489,175</u>	<u>3,853,180</u>	<u>1,825,335</u>	(5)
<b>Ending Balance</b>	3,370,680	3,368,258	3,002,569	
Reserve For Park Dev.	666,329	-	-	(6)
<b>Avail Un-Resv Fund Bal.</b>	<u>\$ 2,704,351</u>	<u>\$ 3,368,258</u>	<u>\$ 3,002,569</u>	(7)

(1) FY 15/16 Adopted Plus 5% As Example

(2) FY 15/16 Adopted Plus 5% As Example

(3) FY 15/16 Funding Level as Example

(4) City Council will receive request for Public Art funding in January 2016

(5) Estimated CIP From Prior Plan, Still Reviewing Projects

(6) Park Development Fund Moved to Separate Fund beginning FY 15/16

(7) Does not include any reserve of Fund Balance for fluctuations in revenue

# ATTACHMENT C

City of Ames						ASSET Total		
Agency	Service	Index	Contracted 15/16	Request 16/17	% Change Contract to Request	Contracted 15/16	Request 16/17	% Change Contract to Request
ACCESS	Battering Shelter	2.1h	\$ 47,514	\$ 48,464	2.00%	\$ 98,581	\$ 100,553	2.00%
ACCESS	Battering Crisis Intervention	2.1b	\$ 2,650	\$ 2,703	2.00%	\$ 8,407	\$ 8,575	2.00%
ACCESS	Battering Counseling and Support	2.1b	\$ 25,000	\$ 25,250	1.00%	\$ 64,240	\$ 64,882	1.00%
ACCESS	Rape Relief Crisis Intervention	2.1c	\$ 1,800	\$ 1,872	4.00%	\$ 10,600	\$ 11,184	5.51%
ACCESS	Rape Relief Counseling and Support	2.1c	\$ 4,200	\$ 4,326	3.00%	\$ 17,323	\$ 18,518	6.90%
ACCESS	Battering Courtwatch	2.1b	\$ 5,000	\$ 5,100	2.00%	\$ 13,513	\$ 14,360	6.27%
ACCESS	Public Education and Awareness	4.3a	\$ 3,000	\$ 3,578	19.27%	\$ 16,635	\$ 17,726	6.56%
			<b>\$ 89,164</b>	<b>\$ 91,293</b>	<b>2.39%</b>	<b>\$ 229,299</b>	<b>\$ 235,798</b>	<b>2.83%</b>
Ames Comm. Preschool Center	Day Care - Infant	3.1a	\$ 5,052	\$ 5,254	4.00%	\$ 13,297	\$ 13,829	4.00%
Ames Comm. Preschool Center	Day Care - Children	3.1b	\$ 54,004	\$ 56,164	4.00%	\$ 92,684	\$ 96,390	4.00%
Ames Comm. Preschool Center	Day Care - School Age	3.1c	\$ 25,104	\$ 26,108	4.00%	\$ 30,090	\$ 31,294	4.00%
			<b>\$ 84,160</b>	<b>\$ 87,526</b>	<b>4.00%</b>	<b>\$ 136,071</b>	<b>\$ 141,513</b>	<b>4.00%</b>
The Arc of Story County	Special Recreation - Active Lifestyles	1.3b	\$ 1,667	\$ 2,200	31.97%	\$ 34,187	\$ 36,900	7.94%
The Arc of Story County	Respite Care	2.3f	\$ 3,500	\$ 4,000	14.29%	\$ 13,500	\$ 15,000	11.11%
The Arc of Story County	Service Coordination	4.2c	\$ 1,043	\$ 1,000	-4.12%	\$ 3,924	\$ 3,000	-23.55%
			<b>\$ 6,210</b>	<b>\$ 7,200</b>	<b>15.94%</b>	<b>\$ 51,611</b>	<b>\$ 54,900</b>	<b>6.37%</b>
Boys and Girls Club	Youth Development and Social Adjustment - Daily Program	3.2a	\$ 98,700	\$ 105,700	7.09%	\$ 193,566	\$ 209,700	8.34%
			<b>\$ 98,700</b>	<b>\$ 105,700</b>	<b>7.09%</b>	<b>\$ 193,566</b>	<b>\$ 209,700</b>	<b>8.34%</b>
Campfire	Day Care- School Age	3.1c	\$ 2,385	\$ 2,510	5.24%	\$ 16,290	\$ 20,602	26.47%
Campfire	Day Care - School Age - Scholarships	3.1c	\$ 4,255	\$ 4,462	4.86%	\$ 7,362	\$ 7,909	7.43%
			<b>\$ 6,640</b>	<b>\$ 6,972</b>	<b>5.00%</b>	<b>\$ 23,652</b>	<b>\$ 28,511</b>	<b>20.54%</b>
Center for Creative Justice	Correctional Services - Probation Supervision	2.2a	\$ 54,007	\$ 56,437	4.50%	\$ 99,769	\$ 104,257	4.50%
			<b>\$ 54,007</b>	<b>\$ 56,437</b>	<b>4.50%</b>	<b>\$ 99,769</b>	<b>\$ 104,257</b>	<b>4.50%</b>
ChildServe	Day Care - Infant	3.1a	\$ 4,500	\$ 16,000	255.56%	\$ 12,540	\$ 26,000	107.34%
ChildServe	Day Care - Children	3.1b	\$ 15,290	\$ 5,000	-67.30%	\$ 24,030	\$ 14,000	-41.74%
			<b>\$ 19,790</b>	<b>\$ 21,000</b>	<b>6.11%</b>	<b>\$ 36,570</b>	<b>\$ 40,000</b>	<b>9.38%</b>
Eyerly Ball	Primary Treatment/ Health Maintenance - Crisis	1.2b	\$ 18,022	\$ 55,000	205.18%	\$ 18,022	\$ 55,000	205.18%
			<b>\$ 18,022</b>	<b>\$ 55,000</b>	<b>205.18%</b>	<b>\$ 18,022</b>	<b>\$ 55,000</b>	<b>205.18%</b>
Emergency Residence Project	Emergency Assistance for Basic Material Needs	2.1h	\$ 68,500	\$ 75,000	9.49%	\$ 155,699	\$ 179,000	14.97%
Emergency Residence Project	Transitional Housing	2.1a	\$ 4,500	\$ 3,000	-33.33%	\$ 13,216	\$ 12,000	-9.20%
			<b>\$ 73,000</b>	<b>\$ 78,000</b>	<b>6.85%</b>	<b>\$ 168,915</b>	<b>\$ 191,000</b>	<b>13.07%</b>
Good Neighbor	Emergency Assistance for Basic Material Needs	2.1a	\$ 13,427	\$ 13,736	2.30%	\$ 19,234	\$ 19,643	2.13%
Good Neighbor	Healthy Food Vouchers	2.1a	\$ 3,178	\$ 3,284	3.34%	\$ 7,074	\$ 7,323	3.52%
			<b>\$ 16,605</b>	<b>\$ 17,020</b>	<b>2.50%</b>	<b>\$ 26,308</b>	<b>\$ 26,966</b>	<b>2.50%</b>
HIRTA	Transportation - City	2.3d	\$ 40,000	\$ 38,133	-4.67%	\$ 46,683	\$ 58,816	25.99%
HIRTA	Transportation - Iowa City	2.3d	\$ 2,000	\$ 2,000	0.00%	\$ 6,000	\$ 6,000	0.00%

City of Ames						ASSET Total		
Agency	Service	Index	Contracted 15/16	Request 16/17	% Change Contract to Request	Contracted 15/16	Request 16/17	% Change Contract to Request
			\$ 42,000	\$ 40,133	-4.45%	\$ 52,683	\$ 64,816	23.03%
Heartland Senior Services	Day Care - Adults , Adult Day Center	1.4a	\$ 49,375	\$ 51,844	5.00%	\$ 71,294	\$ 75,093	5.33%
Heartland Senior Services	Congregate Meals	1.4e	\$ 27,045	\$ 28,397	5.00%	\$ 46,597	\$ 49,128	5.43%
Heartland Senior Services	Senior Food Program	2.1a	\$ 4,177	\$ 4,177	0.00%	\$ 10,842	\$ 11,093	2.32%
Heartland Senior Services	Service Coordination - Outreach	4.2c	\$ 37,000	\$ 41,655	12.58%	\$ 97,686	\$ 11,806	-87.91%
Heartland Senior Services	Service Coordination - Friendly Visitor	4.2c	\$ 2,671	\$ -	-100.00%	\$ 8,140	\$ -	-100.00%
Heartland Senior Services	Activity and Resource Center	4.2d	\$ 33,481	\$ 34,000	1.55%	\$ 37,019	\$ 39,000	5.35%
			\$ 153,749	\$ 160,073	4.11%	\$ 271,578	\$ 186,120	-31.47%
Mary Greeley Home Health Services	Community Clinics and Health Education	1.1a	\$ 15,025	\$ -	-100.00%	\$ 115,745	\$ -	-100.00%
Mary Greeley Home Health Services	In-Home Health Assistance	1.4c	\$ 12,000	\$ 13,000	8.33%	\$ 136,410	\$ 142,200	4.24%
Mary Greeley Home Health Services	Home Delivered Meals Meals on Wheels	1.4d	\$ 13,000	\$ 13,500	3.85%	\$ 42,520	\$ 44,200	3.95%
			\$ 40,025	\$ 26,500	-33.79%	\$ 294,675	\$ 186,400	-36.74%
Legal Aid	Legal Aid - Society , Legal Aid - Civil	2.2c	\$ 85,000	\$ 105,000	23.53%	\$ 186,890	\$ 243,000	30.02%
			\$ 85,000	\$ 105,000	23.53%	\$ 186,890	\$ 243,000	30.02%
Lutheran Services in Iowa	Crisis Intervention , Crisis Child Care	2.1e	\$ 4,500	\$ 5,635	25.22%	\$ 18,850	\$ 26,416	40.14%
			\$ 4,500	\$ 5,635	25.22%	\$ 18,850	\$ 26,416	40.14%
MICA	Community Clinics - Child Dental	1.1a	\$ 1,650	\$ 1,650	0.00%	\$ 7,500	\$ 7,500	0.00%
MICA	Dental Clinics	1.1a	\$ 27,750	\$ 52,608	89.58%	\$ 54,338	\$ 100,000	84.03%
MICA	Community Clinics - Flouride Varnish	1.1a	\$ 825	\$ 825	0.00%	\$ 2,400	\$ 2,400	0.00%
MICA	Food Pantry	2.1a	\$ 16,555	\$ 16,555	0.00%	\$ 24,318	\$ 24,318	0.00%
MICA	Family Development/ Education	4.1a	\$ 7,279	\$ 7,279	0.00%	\$ 22,462	\$ 22,462	0.00%
			\$ 54,059	\$ 78,917	45.98%	\$ 111,018	\$ 156,680	41.13%
NAMI	Public Education and Awareness	4.3a	\$ 500	\$ 500	0.00%	\$ 5,247	\$ 17,985	242.77%
NAMI	Wellness Center	4.3b	\$ 5,000	\$ 5,500	10.00%	\$ 36,512	\$ 38,080	4.29%
			\$ 5,500	\$ 6,000	9.09%	\$ 41,759	\$ 56,065	34.26%
Raising Readers	Thrive by Five	4.1a	\$ 8,000	\$ 9,000	12.50%	\$ 13,000	\$ 17,000	30.77%
Raising Readers	Out-of-School Time Learning	4.1a	\$ 6,000	\$ 8,000	33.33%	\$ 6,000	\$ 8,000	33.33%
			\$ 14,000	\$ 17,000	21.43%	\$ 19,000	\$ 25,000	31.58%
Red Cross	Disaster Services Program	2.3c	\$ 9,000	\$ 9,000	0.00%	\$ 24,966	\$ 30,000	20.16%
			\$ 9,000	\$ 9,000	0.00%	\$ 24,966	\$ 30,000	20.16%
RSVP	Disaster Services - Volunteer Management for Emergencies	2.3c	\$ 6,300	\$ 6,500	3.17%	\$ 7,150	\$ 7,450	4.20%
RSVP	Transportation	2.3d	\$ 600	\$ 1,200	100.00%	\$ 6,326	\$ 17,000	168.73%
RSVP	Volunteer Management	4.2b	\$ 21,600	\$ 21,900	1.39%	\$ 61,400	\$ 62,300	1.47%
			\$ 28,500	\$ 29,600	3.86%	\$ 74,876	\$ 86,750	15.86%
The Salvation Army	Food Pantry	2.1a	\$ 5,250	\$ 7,500	42.86%	\$ 11,410	\$ 18,000	57.76%
The Salvation Army	Rent and Utility Assistance	2.1a	\$ 17,750	\$ 22,000	23.94%	\$ 28,950	\$ 37,000	27.81%



City of Ames						ASSET Total		
Agency	Service	Index	Contracted 15/16	Request 16/17	% Change Contract to Request	Contracted 15/16	Request 16/17	% Change Contract to Request
The Salvation Army	Disaster Services	2.3c	\$ -	\$ 1,000			\$ 3,000	
The Salvation Army	Representative Payee Services	2.3e	\$ 10,000	\$ 15,000	50.00%	\$ 13,500	\$ 33,000	144.44%
The Salvation Army	Bill Payer	2.3e	\$ 1,000	\$ 5,000	400.00%	\$ 8,860	\$ 8,500	-4.06%
			<b>\$ 34,000</b>	<b>\$ 50,500</b>	<b>48.53%</b>	<b>\$ 62,720</b>	<b>\$ 99,500</b>	<b>58.64%</b>
University Community Childcare	Child Care - Infant	3.1a	\$ 23,504	\$ 25,854	10.00%	\$ 66,376	\$ 73,013	10.00%
University Community Childcare	Child Care - Children	3.1b	\$ 28,287	\$ 31,116	10.00%	\$ 73,234	\$ 80,558	10.00%
University Community Childcare	Comfort Zone	3.1h	\$ 960	\$ 960	0.00%	\$ 4,436	\$ 4,436	0.00%
			<b>\$ 52,751</b>	<b>\$ 57,930</b>	<b>9.82%</b>	<b>\$ 144,046</b>	<b>\$ 158,007</b>	<b>9.69%</b>
Visiting Nurse Services	Foster Grandparent Program	4.2b	\$ 5,386	\$ 5,386	0.00%	\$ 17,867	\$ 17,867	0.00%
			<b>\$ 5,386</b>	<b>\$ 5,386</b>	<b>0.00%</b>	<b>\$ 17,867</b>	<b>\$ 17,867</b>	<b>0.00%</b>
Volunteer Center of Story County	Volunteer Management	4.2b	\$ 6,775	\$ 7,500	10.70%	\$ 67,576	\$ 78,800	16.61%
Volunteer Center of Story County	Service Learning , Youth Volunteering	4.3b	\$ 700	\$ 1,000	42.86%	\$ 8,888	\$ 10,500	18.14%
			<b>\$ 7,475</b>	<b>\$ 8,500</b>	<b>13.71%</b>	<b>\$ 76,464</b>	<b>\$ 89,300</b>	<b>16.79%</b>
Youth and Shelter Services	Substance Abuse Treatment - Outpatient	1.1e	\$ 6,830	\$ 8,000	17.13%	\$ 10,630	\$ 12,500	17.59%
Youth and Shelter Services	Primary Treatment /Health Maintenance Family Counseling	1.2b	\$ 47,250	\$ 49,000	3.70%	\$ 66,250	\$ 69,000	4.15%
Youth and Shelter Services	Transitional Living / Homeless	2.1a	\$ -	\$ 2,500			\$ 7,500	
Youth and Shelter Services	Emergency Shelter - Rosedale	2.1h	\$ 36,000	\$ 38,000	5.56%	\$ 55,977	\$ 59,000	5.40%
Youth and Shelter Services	Storks Nest	2.3a	\$ 6,000	\$ 7,000	16.67%	\$ 9,318	\$ 12,850	37.91%
Youth and Shelter Services	GRIP Mentoring Program	3.2a	\$ 22,000	\$ 24,000	9.09%	\$ 56,752	\$ 64,500	13.65%
Youth and Shelter Services	Youth Development and Social Adjustment - Nevada	3.2a	\$ 27,714	\$ 28,500	2.84%	\$ 48,988	\$ 80,840	65.02%
Youth and Shelter Services	Foster Care Youth Council - AMP	3.2a	\$ -	\$ 500			\$ 1,300	
Youth and Shelter Services	Employment Assistance for Youth - Skills	3.2c	\$ 19,000	\$ 20,000	5.26%	\$ 26,375	\$ 32,620	23.68%
Youth and Shelter Services	Summer Enrichment	3.2d	\$ -	\$ 5,000			\$ 45,000	
Youth and Shelter Services	Family Development/Eduation - Pathways, FADSS	4.1a	\$ 9,000	\$ 9,000	0.00%	\$ 18,063	\$ 20,000	10.72%
Youth and Shelter Services	Public Education/ Awareness - Substanace Abuse Prevention	4.3a	\$ 27,500	\$ 30,000	9.09%	\$ 38,888	\$ 92,940	138.99%
Youth and Shelter Services	Public Education/ Awareness - Child Abuse	4.3a	\$ 8,838	\$ 10,000	13.15%	\$ 25,203	\$ 30,500	21.02%
Youth and Shelter Services	Adolescent Pregnancy Prevention	4.3a	\$ -	\$ 500			\$ 1,400	
Youth and Shelter Services	Pub ed/Aware Human Trafficking	4.3a	\$ -	\$ 1,500			\$ 6,000	
			<b>\$ 210,132</b>	<b>\$ 233,500</b>	<b>11.12%</b>	<b>\$ 356,444</b>	<b>\$ 535,950</b>	<b>50.36%</b>
<b>TOTAL</b>			<b>\$ 1,212,375</b>	<b>\$ 1,359,822</b>	<b>12.16%</b>	<b>\$ 2,737,619</b>	<b>\$ 3,049,516</b>	<b>11.39%</b>

**TOWN BUDGET MEETING  
OCTOBER 6, 2015**

Present:

Bronwyn Beatty-Hansen, 919 Grand Avenue, Ames  
Sarah Cady, 2812 Arbor, Ames  
Dan DeGeest, 4212 Phoenix Street, Ames  
Holly Fuchs, 806 Brookridge Avenue, Ames  
Tim Gartin, 2948 Eisenhower Circle, Ames  
Sharon Guber, 2931 Northwestern Avenue, Ames  
Devita Harden, 418 West 3<sup>rd</sup>, #114, Nevada  
Rebecca Hoepfner, 3803 Ontario Street, Ames  
Drew Kamp, 304 Main Street, Ames  
Dinah Kerksieck, 621 Garden Road, Ames  
Erv Klaas, 1405 Grand Avenue, Ames  
Dilys Morris, 535 Forest Glen, Ames  
Jeri Neal, 916 Ridgewood, Ames  
Erica Peterson, 210 South 5<sup>th</sup> Street, Ames  
Susie Petra, 2011 Duff Avenue, Ames  
Merlin Pfannkuch, 1424 Kellogg Avenue, Ames  
Joanne Pfeiffer, 3318 Morningside Street, Ames  
Frank Randall, 496 W. Riverside, Ames  
Catherine Scott, 1610 Roosevelt, Ames  
Gloria Symons, 3430 Oakland Street, Ames  
Trevin Ward, 2610 Northridge Parkway, Ames  
Carol Williams, 628-8<sup>th</sup> Street, Ames

City Manager Steve Schainker welcomed the audience and explained the process of developing the FY 2016-17 City Budget. Mr. Schainker referenced the Resident Satisfaction Survey, which is mailed to a random sampling of residents to get their opinions on where they would like more or less spending. He explained that residents will be asked tonight to explain where they would like to see more expenditure or less expenditure. Viewers on television were encouraged to call in using the telephone number 515-239-5214. In addition, residents can contact members of the City Council to express their interests.

Mr. Schainker introduced the City staff members present. He then explained the budget calendar. The first step in the budget process is the Resident Satisfaction Survey. City Departments have already started gathering information on their capital improvements and operating budgets. Mr. Schainker emphasized that the purpose of this Town Budget Meeting is to gather input from the community. At its meeting to be held on November 24, the Council will be provided guidance on its budget priorities. Staff will put together the Operating Budget in November and December. On January 19, 2016, the recommended Capital Improvements Plan will be presented. On January 26, public comments on the Capital Improvement Plan will be accepted. On January 29 and February 2, 3, and 4, Budget Overview and Department Budget Hearings will be held. Budget Wrap-Up will be on February 9. The final budget hearing and adoption of the FY 2016/17 Budget will be held on March 1.

Budget Officer Nancy Masteller provided an overview of the budget. She explained that the City of Ames makes up only 1/3 of a typical resident's property tax bill. The School District comprises 44.06%; the County, 20.87%; and Des Moines Area Community College, 2.10%. Growth (increased valuation) in the City helps reduce the property tax rate. Ms. Masteller explained that the City collects a Local Option Sales Tax for property tax reduction and community betterment projects. The current property tax rate is \$10.63 per \$1,000 of property value. About 37.2% of the City's budget is for charges for services.

Ms. Masteller explained that the City's property tax is comprised of multiple levies. The General Levy is \$5.77/\$1,000. The state limit is \$8.10 and most cities levy that. Ms. Masteller commented that the City had been very good about not using all of the available levy. A Trust and Agency Levy covers certain fringe benefits, the Transit Levy is the City's contribution to CyRide, and there is a Debt Service Levy. She compared the property tax rate in Ames to the other large cities in Iowa. Almost every other large city in Iowa is at the \$8.10 limit. Ames is 12<sup>th</sup> out of the group of 13 large cities in the ranking of total levy. Ms. Masteller noted that the total cost of services per resident per \$100,000 valuation was \$592 in 2015/16; that pays for Streets/Traffic, Police Protection, Fire Protection, Library, Parks and Recreation, Transit, General Support Services, Planning, Storm Sewer, Resource Recovery, Animal Control, Building and Grounds/Cemetery, and Inspections.

City Manager Schainker advised that Commercial and Industrial valuations will be rolled back for the first time to 90%.

The public was invited to provide public input on suggestions for the 2016/17 Operating Budget and Capital Improvements Plan.

### **Public Input:**

Erv Klaas commented that climate change is the No. 1 problem facing the City, state of Iowa, and the world. He suggested that a solution would be to open the City up to solar power. Mr. Klaas applauded the City for converting from a coal-powered Power Plant to natural gas. He also suggested that the City adopt ordinances to require better energy efficiency in buildings, especially commercial ones. Mr. Klaas referenced the 28E Agreement entered into by the City to be part of the new Watershed Management Authority that includes four counties. He believes the measures to be taken will ultimately reduce flooding and improve water quality. Lastly, Mr. Klaas recommended that the City have a full-time employee in the Parks and Recreation Department to work on natural area management, not just at Ada Hayden, but other areas as well.

Susie Petra said that she had already made the City Manager aware of her desire for a solar field. She raised the issue of the City granting several tax abatements to large profitable businesses within the past couple of years. She would like to see less tax abatement granted to profitable companies.

Dinah Kerk sieck suggested that the City encourage developers to install geo-thermal systems as neighborhoods are being developed. She also stated that there are continuous drainage problems

past the south side of the Kate Mitchell School. Ms. Kerksieck gave the history of that drainage pond since 1986; the culvert underneath is now almost entirely filled with silt. She asked if there was any possibility of the City working with the land owner to open that up again.

Drew Kamp stated that he was representing the Ames Chamber of Commerce. He encouraged the City to extend sanitary sewer to 590<sup>th</sup> Street for industrial development. Economic development there will ultimately bring more jobs to Ames and add to the industrial tax base.

Joanne Pfeiffer pointed out that, with all the new housing around the Middle School, now is the perfect opportunity to incorporate energy-efficiency measures. She offered a suggestion given to her by her daughter, that more plant species be included in the South Parcel. City Manager Schainker noted that the South Parcel is owned by Iowa State University; it is not under the auspices of the City Council. He said that the City could approach Iowa State with that suggestion.

Sharon Guber asked where the City was regarding a new indoor community pool. Mr. Schainker advised that it is not in this budget, but studies are being conducted as to whether the City and School should partner on the project. The School has specifics on what it wants and needs, and citizens have suggestions on what would be best for the community. The location has not yet been decided. A new indoor community pool will not be included in a budget until a bond issue passes. The operating expenses of the facility would come up in a future budget. The only expense related to a new indoor pool included in the current budget is a small consulting fee. Susie Petra encouraged the City to not partner with the School District; she prefers a community pool and that it not be constructed on the current site.

Dilys Morris stated that she would like the number of trees required to be planted in parking lots increased and for the City to require that they be kept alive. She also would like to see trees planted between the lanes on streets, instead of the installation of cement.

Frank Randall, representing the Main Street Cultural District, requested that the City partner with the MSCD to replace the holiday lights on buildings along Main Street from the 100 Block to the 400 Block. According to Mr. Randall, it would be an approximate \$80,000 project; the MSCD is requesting \$40,000 from the City. The MSCD is fund-raising and had already raised \$18,100 in about a week. They will continue to fund-raise and might ultimately need less than \$40,000 from the City. City Manager Schainker advised that there is an application process for outside groups seeking City funding. The form is on the City's Web site. Applications are to be submitted to Brian Phillips by November 15, 2015.

Holly Fuchs, 806 Brookridge Avenue, Ames, said she wants more trees planted similar to the trees planted on 9<sup>th</sup> Street. She also encouraged the City to be more attentive to residents and wants more attention given to the quality of the work on projects, in general.

Merlin Pfannkuch, 1424 Kellogg Avenue, Ames, wants the City to look at its Hotel/Motel Tax and how it is being used. At this time, he sees that the funds appear to be able to be used for just about anything. He would like to start at "Square One" and conduct a review.

Erica Petersen, representing the Boys and Girls Club of Story County, 210 South 5<sup>th</sup> Street, Ames, said she would like to see more incentives to create affordable housing in the City of Ames. She would also like to see an increase in ASSET funding for human services on an annual basis for human services and also that the City consider capital funding for human services agencies in Ames.

Trevin Ward, 2610 Northridge, #201, Ames, representing the Ames Bicycle Coalition (ABC), asked the City to make two large investments: capital improvements in bicycle and pedestrian infrastructure and the hiring of a Complete Streets Bicycle/Pedestrian Coordinator within the City staff.

Speaking as the President of the Campustown Action Association, Trevin Ward said that the CAA would like continued investment in the façade grant program and for development incentives to be given for developments that support local businesses, but don't give up the character of neighborhoods.

Jeri Neal, 916 Ridgewood Avenue, Ames, commented that the bike community would like the City to think about how transportation services program priorities should be reordered. She gave statistics of how many people walk (10.1%) and how many people bike (2.7%) as a primary way to get to work. She suggested that the City look at reprioritizing the amount of spending based on those statistics.

Liz Beck, 205 South Walnut, Ames, wants the City to start to think about what it means to have a growing senior population in this community. According to Ms. Beck, the senior population will equal or exceed the population of younger residents in Ames. She would like the City to be proactive, rather than reactive, in addressing the needs of the senior population.

Unknown Name, representing the Hunziker Youth Complex, would like the City to continue to support the programs of the Hunziker Sports Complex. He asked that the City consider helping to fund capital improvements to repair the entry road that was built in 2010.

Sarah Cady brought up the possibility of the revitalization of parks in older neighborhoods. She specifically named Franklin Park as being in need of some revitalization. Ms. Cady believes that there are other parks in older neighborhoods that are in need of revitalization and amenities.

The meeting concluded at 8:18 p.m.

Scribe: Diane Voss, City Clerk