

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

AMES, IOWA

FEBRUARY 3, 2017

The Ames City Council met in special session at 2:05 p.m. on February, 2017, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor Ann Campbell presiding and the following Council members present: Bronwyn Beatty-Hansen, Gloria Betcher, Tim Gartin, and Peter Orazem. Council Member Amber Corrieri arrived at 3:09 p.m. Council Member Chris Nelson and *ex officio* Member Sam Schulte were absent.

FY 2017/18 BUDGET OVERVIEW: City Manager Steve Schainker reviewed the schedule for the Budget Hearings to be held on February 7, 8, and 9, commencing at 5:15 p.m. when the individual Department Directors will present their budgets. The Budget Wrap-Up to be held on February 14, 2017, commencing at 5:15 p.m. The Final Budget Hearing will be held on March 7, 2017, commencing at 6:00 p.m. Amendments to Fiscal Year 2016/17 Budget and the 2017/18 Budget will be finalized on that date.

Finance Director Duane Pitcher reported that the recommended budget reflects a slight tax rate decrease from \$10.37327/\$1,000 of taxable valuation to \$10.37168/\$1,000 of taxable valuation. It is estimated that this rate will result in a tax increase for the average residential customer class of 2.78%, the commercial class of .83%, and a reduction to the industrial customer class of 0.01%. The increase in taxable value for property within the City is 3.8%. This is mainly due to the taxable values on existing property changing because of new construction, an increase in rollback rate for residential property, changes in classification, and continued implementation of reduced taxable value for multi-residential property. Because of prolonged vacancies in various departments as well as unanticipated revenues from Building Inspection fees, the available balance realized in the General Fund at the close of FY 2015/16 substantially exceeded the amount that was budgeted. In keeping with past directives from the Council for one-time monies, those funds will be used for one-time capital expenditures or for capital improvement projects that otherwise might have been requested in the FY 2017/18 budget. Even after taking into account that unexpected revenue, the budget reflects a 29.3% balance in the General Fund at the end of FY 2017/18, which is 4.3% greater than the City Council's goal for that Fund. The availability of those funds are warranted for two reasons: (1) The City Council has supported an immediate review of the overland flooding that occurred in many of the City's neighborhoods last fall. Available funds will allow the City to respond immediately with corrective projects that were identified in the FY 2016/17 analysis. (2) In response to a budget shortfall in FY 2016/17, there has been a discussion within the General Assembly to consider reducing the annual backfill revenue that was promised to cities when a property tax reduction for commercial properties was granted at the state level. The City currently relies on approximately \$1 million from the state to fund that backfill, and, therefore, the additional funds in the General Fund will protect the City should the State Legislature decide not to fulfill its promise in this year or next.

Mr. Pitcher presented a summary of the overall budget. He stated that the City's levy makes up 32.77% of a property's total tax bill: the School District makes up 45.30% (if in the Ames Community School District); 19.65% is the County's share (includes the City Assessor); and 2.28% goes to Des Moines Area Community College. Mr. Pitcher gave a comparison of City Property Tax Valuations and Total Levies to be collected for fiscal year 2016/17 for the 13 largest cities in Iowa. Ames has the second-lowest total city tax levy per \$1,000 valuation; the one lower is Urbandale.

Director Pitcher presented a breakdown of the tax levy, including General, Employee Benefits, and Transit. The levy rate per \$1,000 without debt service equates to 7.02474%. Net debt service adds 3.34694/\$1,000. He also reported on TIF valuation. He emphasized that the main part of the levy goes into the TIF, but the taxable TIF value is subject to the Debt Service Levy.

Finance Director Pitcher presented an analysis of changes in taxable value for residential, commercial, industrial, and utilities (not including utilities subject to excise tax). He specifically noted that the total change in taxable value will be an increase of 3.7%. Taxable values in all classes (Residential, Commercial/Multi Residential, Industrial, Utilities) increased. The total taxable value on of existing property in all four classes will be \$98,375,050.

The Police and Fire Trust Fund was explained by Mr. Pitcher. For FY 2017/18, the tax rate is estimated to be 0.72660, with applied fund balance of \$40,000.

The Debt Service levy for 2017/18 was reviewed by Mr. Pitcher. He reiterated that, for FY 2017/18, the Debt Service Levy equates to 3.34694%. The 2017/18 CIP General Obligation issue will equate to a total of \$7,521,000. He brought the Council’s attention to the projects for which the CIP General Obligation Bond proceeds will be used.

Mr. Pitcher gave a detailed analysis of dollar value and percentage change of total levy by property type. Sample tax calculations for residential, commercial, and industrial properties were provided by Mr. Pitcher. He reviewed the major items that impacted the rate of taxable valuation. Revenue increases from the 2015/16 Budget equated to approximately \$395,399; that, along with decreased expenses, really helped with the 2017/18 Proposed Budget. Additional 2016/17 revenue equated to \$63,707. After the carry-overs from 2015/16 were deducted, it equated to a Net Change in the 2016/17 Adjusted General Fund Balance of \$276,060.

The costs of City services for 2017/18 per residence from property taxes (based on a \$100,000 home) were summarized, as follows:

Streets/Traffic	\$	148
Police Protection		136
Fire Protection		89
Library (includes Debt Service for renovated library)		75
Recreation and Parks		50
Transit		37
General Support Services		24
Planning		10
Storm Sewer System		5
Resource Recovery		6
Facilities/Cemetery/Airport		5
Animal Control		5
Building Safety		<u>1</u>
TOTAL	\$	<u>591/\$100,000</u>

Finance Director Duane Pitcher reported that Ames receive a significant increase in Road Use Tax Revenue in 2016/17 (10 cents/gallon). Those funds are used for maintenance and construction of roads. For 2017/18, the City will receive a little over \$7 million.

An historic review of budget information from 1995/96 to 2017/18 was given, including residential and commercial/industrial rollback.

Projected Utility Rate Summary. Mr. Pitcher reviewed the projected utility rates, as follows: Electric rates are projected to increase across-the-board by 4% and Storm Sewer rates will increase by 5.32% in FY 2017/18. No rate increase is planned for Water or Sanitary Sewer in FY 2017/18; however, increases of 3.00% and 5.00%, respectively, are planned for FY 2018/19. In FY 2019/20, it is anticipated that Water rates will increase by 4.00% and by 6.50% in FY 2021/22. A 6.00% increase in sewer rates in FY 2020/21 is estimated to be needed. Resource Recovery Tipping Fees will increase in 2017/18; however, there will be no increase in the per-capita tax subsidy. For 2018/19, the per-capita fee will increase. Finance Director Pitcher provided Utility bill rate samples for the City's customers. The proposed utility increases will impact the total bill for minimum use residential customers by 2.06%; for median-use residential customers, by 2.57%; for small commercial customers, by 3.39%; for commercial (LP) - Tier 3 customers, by 3.61%; and for commercial (LP) - Tier 4 customers, by 3.70%.

Council Member Amber Corrieri arrived at 3:09 p.m.

Council Member Gartin brought staff's attention to Page 20 of the Special Reports specifically pertaining to the Human Service Agency Capital Improvement Program. He noted that staff was recommending using \$200,000 of the General Fund Available Balance in FY 2016/17. Mr. Gartin said he had learned that United Way has grant money that is unutilized. He asked if knowing that the United Way funds were sitting there not being used made a difference on what the City was recommending. Council Member Betcher said perhaps the City's funds could be used to leverage other funding. Mr. Gartin asked for information about United Way's grant program and whether it has input on whether the City's dollars would help to create some leverage opportunities. Council Member Orazem noted that that was one of the reasons that the City Council went with the ASSET process; to ensure that applicants didn't have to go from one funder to another funder; it was intended that there would be coordination among the various agencies. City Manager Schainker noted that staff placed that amount in the Budget; however, it is unclear at this time if there is a market for such a Program. Ms. Betcher said she would like the second year of the Program to have increased funding.

Moved by Gartin, seconded by Betcher, to direct staff to ask United Way about its grant program and utilization and also to provide the Council with feedback with respect to how the City and United Way could leverage together for projects.

Vote on Motion: 6-0. Motion declared carried unanimously.

Finance Director Pitcher noted the fees for Parks and Recreation as approved by the Commission. The FY 2016/17 Rental Housing Fee Schedule was reviewed. The percentage of increase is an estimate; it could change if more or few units are constructed. The final numbers will not be generated until April 2017.

Fund Summaries. Budget Officer Nancy Masteller outlined the Fund Sheets beginning with the General Fund. She reiterated that the ending balance of the General Fund was higher than what was anticipated. Ms. Masteller noted the recommended policy of retaining 25% of revenues as fund balance reserve; that would equate to \$7,938,276, which yields an Unreserved Fund Balance of \$1,367,825. City Manager Schainker advised that funding for one-time capital expenditures has historically come from that General Fund Reserve.

Ms. Masteller continued the explanation of Special Revenue Fund Sheets. Council Member Beatty-Hansen pointed out that staff, under the Hotel/Motel Tax, was projecting an increase in the ACVB Pass-Through; however, the ACVB is not showing an increase. City Manager Schainker recommended that the numbers estimated by City staff remain since the ACVB will only get the percentage agreed to from the Hotel/Motel revenues.

In response to Council Member Gartin's question, Finance Director Pitcher summarized the utilization of the Utility Assistance account. Mr. Pitcher believed the program was working well.

Definitions of Capital Projects - Special Assessments, Airport Improvements, Park Development, and Bond Proceeds. Permanent Funds - Cemetery and Donald and Ruth Furman Aquatic Center Trust - were reviewed.

Council Member Orazem asked where the donations from fund-raising efforts from the Friends of Emma McCarthy Lee Park and Munn Woods were showing up in the Operating Budget. Budget Officer Masteller said that no donations had come in from the Friends of Emma McCarthy Lee Park. Mr. Orazem recalled the City entering into an agreement with that Friends group.

Enterprise Funds were then summarized by Budget Officer Masteller for the Water Utility, Water Construction, Water Sinking (accounts for proceeds received from the State Revolving Loan Fund), Sewer Utility, Sewer Improvements, Sewer Sinking (accounts for State Revolving Fund loan payments for sewer utility projects), Electric Utility, Electric Construction, Electric Sinking (principal and interest payments for Electric Revenue Bonds), and Parking Operations. Ms. Masteller advised that it had been estimated that Parking Operations ending balance in 2015/16 would be \$336,284; however, it ended at \$417,633. There is now an Unreserved Fund Balance in the Parking Operations Enterprise Fund of \$287,948.

Ms. Masteller continued with the Enterprise Funds for Transit Operations, GSB Transit Trust, Transit Capital Reserve, and Transit Intermodal Facility Construction (should end in 2015/16). Mr. Schainker reminded the Council about the Agreement between Iowa State University and the City pertaining to the Intermodal Facility. The first year, there was a deficit, and the two entities had to

share in that subsidy. However, last year, there was a small amount of excess revenue, which allowed for the initiation of a Replacement Fund.

Explanations were given of the Enterprise Funds for Storm Sewer Utility, Ames/ISU Ice Arena, Ice Arena Capital Reserve, Homewood Golf Course, and Resource Recovery. For Homewood Golf Course, Mr. Schainker noted that 25% of Operating Expenses is reserved annually. Some revenue is received from a cell tower lease, and that reserve would help offset expenses if the cell tower lease were to be discontinued.

Internal Services were summarized, including Fleet Services, Fleet Reserve, Information Technology, Technology Reserve, Risk Management, and Health Insurance. Ms. Masteller noted that the City is self-insured. There will be a 4% increase in health insurance rates.

City Manager Schainker noted there are a few outstanding requests that will need to be dealt with at Budget Wrap-Up, and copies of those had been provided to the Council members in their packet.

Council Member Gartin said he would like to request \$1,000 for transit assistance for low-income children. City Manager Schainker asked if this would be paid to the Ames Community School District for distribution to those in need. Mr. Gartin said he thought that would be the way it would work.

Council Member Beatty-Hansen raised the issue of the request of the Story County Housing Trust. City Manager Schainker advised that this would be discussed next Tuesday.

Council Member Corrieri noted that work was being done by the Ames Bicycle Coalition pertaining to way-finding signage. She asked if the Council would like that to be pursued, would it require a consultant or could it be done in-house. Also, if it were to be a pilot project, what that might look like. Public Works Director John Joiner replied that staff could handle the wayfinding study in-house; no monies would need to be allocated for that. The signage would not be included in the 2017/18 CIP Budget, however.

City Manager Schainker stated that the Ames Bicycle Coalition had requested changes in the Capital Improvements Plan (CIP) pertaining to locations for projects pertaining to Multi-Modal Transportation. He said the Council would need to discuss the proposed changes at Budget Wrap-Up on February 14. Mr. Schainker noted that this would be a trade-off; no additional monies would be allocated. Noting that this not only included construction, but also the engineering, Council Member Gartin asked Public Works Director Joiner if this was do-able. Mr. Joiner indicated that because it was a trade-off and it wasn't adding projects, it was do-able.

ADJOURNMENT: Moved by Gartin to adjourn the meeting at 4:20 p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor

