

Oct 10, '85

City tax rate could clim

By BRIAN STEFFEN
Staff Writer

Ames property owners could see more than a 10 percent increase in their city tax rates next year if another funding source isn't tapped and officials keep services near the current level.

That's the word from city staff members who Tuesday told the Ames City Council they'll need to raise as much as \$700,000 in additional money during 1986-87 to fund human services and the arts at current levels and to maintain the city's general fund and road use tax fund at goal levels.

"IF WE believe those are the goals, then we have some problems because we need some additional

funds," City Manager Steve Schainker said. "And we have to look at some alternatives to accomplish these goals."

Ames' city tax rate, currently at \$10.29 per \$1,000 taxable valuation, could go to an estimated \$11.44 if those funds were raised only through property taxes, according to City Finance Director Betty Jo Harker. The rate does not reflect school and county tax levies.

An estimated \$387,000 of the additional money will be needed to keep the city's general fund balance at 10 percent of total expenditures when the fiscal year ends in June 1987, Harker said. The 10 percent balance is needed to keep the city in the good graces of bonding houses.

Up to \$286,000 of the additional funds will be needed if officials continue to fund human services and

the Ames Community Arts Council at the \$400,000 level they've been at the past two years. The extra money is needed because the federal revenue sharing program, which the city has used to fund those activities in the past, will end next fall as part of the Reagan administration's efforts to cut the federal deficit.

OFFICIALS also say they'll need an \$25,000 of the extra funds to keep the city's road use fund at the staff-preferred balance of \$250,000 when the 1986-87 fiscal year ends. That balance creates a contingency fund for future years.

Schainker and his staff will begin preparing the budget with those goals in mind, along with a 4 percent expenditure increase that he said will make it difficult to maintain services at the current level.

But Schainker will also present a list of possible service cutbacks for the council to consider in light of the revenue increase. Those cuts will be considered at public hearings are held on the budget in February.

Council members, noting that a recent city survey showed few residents favor a significant property tax increase, also said they may ask voters to decide whether to institute a local option sales tax to raise additional city revenue.

"WE NEED to look at the option sales tax," council member Pat Brown said. "I'd like to see human services funded, but we don't have political support for a property tax (increase)."

BUDGET see page 11

CONTINUED from page 1

Earlier this year the Iowa Legislature gave local governments the ability to allow voters to approve a variety of local option taxes. One is the local option sales tax that could add up to 1 cent in Ames to the existing 4-cent state sales tax.

Using 1984 sales figures for an estimate, Ames officials say the additional sales tax could bring \$1.8-\$2.2 million in new money into the city each year.

While that would ease the city's current financial difficulties, some on the council worry about how voters would react to such a proposal.

"I can see putting it on the ballot," said council member John Parks. "I don't know how much of a chance it would have."

ADDED council member Georgene Shank, "The discussion here shows that we're not very sure on how that money would be used, and I think we'd have to be very sure

before we put it on the ballot."

Parks said he's like to see a significant amount of the funds used for property tax relief.

Schainker said an alternative to the sales tax would be to raise user fees and charges. "There may be some substantial increases proposed," he said, but that would only create an additional \$30,000 to \$40,000.

The city will also have to deal with the problem of skyrocketing insurance costs during the coming year.

Schainker is projecting that the city's insurance premiums could cost \$882,000 next year, compared to the \$612,000 estimated for the current fiscal year. Cities and other public bodies are considered bad risks by insurance companies because of the number of lawsuits brought against them in recent years.

"Things are getting worse all the time," City Risk Manager Eric Larson said.