



January 31, 2020

To: Mayor and Ames City Council Members:

I am attaching for your review and approval my recommended budget for FY 2020/21 which reflects expenditures of \$263,300,236 to fund the wide variety of services that are provided to our citizens as well as our most recent expenditure estimates for FY 2019/20.

The Executive Leadership Team dedicates itself each year to developing a budget that assures exceptional customer service by continuing to seek improvements to our services where possible. At the same time, they are well aware of the financial impact that the budget will have on property taxes as well as the various fees that support our utilities. Therefore, they work very hard to balance these two objectives, exceptional service at the best price.

I have attempted to present below some of the more significant highlights of my recommended budget. You will note that the recommended budget responds to some of the issues raised in the annual Citizen Satisfaction Survey as well as to the City Council goals.

PROPERTY TAXES – A 1.2% Increase In Overall Tax Rate From \$10.02 to \$10.14

Each year seems to pose a unique challenge as we formulate the budget, and FY 2020/21 is no exception. An important factor in generating General Fund revenues is our property tax revenue, which is influenced by the taxable valuation. While over the past five years the taxable valuation has increased annually by an average of 5.6%, the taxable valuation in our community will increase by only 1.1% for FY 2020/21. This is our lowest rate of increase in taxable valuation since FY 2008/09 (0.4%), which was during a nationwide recession brought on by a global financial crisis. There are several factors influencing the low growth rate, including the reduction in the State mandated rollback rate which reduces the taxable value of residential and multi-residential property by \$73,520,427. This fact, coupled with the value of properties which are benefiting from tax exemptions (\$48,234,000) granted by the City or State, more than offsets the taxable value gained from properties new to the tax roll (\$105,756,594).

This reduction in taxable valuation was offset by the revaluation of commercial properties which will ultimately result in most commercial properties experiencing an increase in their City property tax bill while most residential property will experience a decrease in City property taxes. This is just the opposite from the past two years when residential revaluation

and increases in residential rollback rates resulted in lower levy rates but increased City tax bills for residential property and decreased City tax bills for commercial property.

To meet this challenge, two important factors helped significantly. First, our department heads and their staffs who rely on General Fund monies presented budgets that increased by only 3.1%. Second the additional local option sales tax revenue (60% is earmarked to the General Fund) that is being collected for the first time on internet sales has allowed us to earmark more funds than in the past to be directed towards property tax relief.

The recommended budget reflects an increase in the overall property tax rate from \$10.02 per every \$1,000 of taxable valuation to \$10.14 per every \$1,000 of taxable valuation. This 1.2% tax rate increase is estimated to yield the 2.52%, or \$782,389, in additional property tax revenue needed to fund the FY 2020/21 budget.

In addition, the recommended budget reflects the Council's goal for a 25% ending balance in the General Fund, plus 95% of the State's "Backfill" revenue total. While the Iowa Department of Management has recommended that city budgets assume that the State Legislature will reduce their funding by 25%, we have chosen to increase property taxes to absorb 5% loss of the State Backfill revenue in FY 2020/21. Should the ultimate action by the State require us to absorb more, sufficient funds (\$924,549) will remain available in the fund balance to respond to this action.

PUBLIC SAFETY

Law Enforcement

A new Police Officer position has been included in the budget in keeping with my strategy to increase our police force gradually over time as the city continues to grow. This position will be added to the Patrol Division in FY 2020/21 to address calls for service from the community.

A great deal of effort is being devoted to installing our own County-wide radio system, StoryComm, to improve coverage throughout the city, assure interoperability among all emergency responders in Story County as well as city departments, and stabilize the costs for radio purchases and radio tower fees. It is hoped that a temporary system can be in place in early 2020, with the permanent system in operation in early 2021.

Beginning in 2019, the Ames Community School District (ACSD) provided teacher aides to perform crossing guard duties at all but two of the needed locations. Since it has been very difficult to hire individuals who want to work the odd schedules required of a crossing guard, this new initiative on the part of the ACSD is greatly appreciated and will better assure the safety of their students.

In keeping with the City Council's goal to expand our sustainability efforts, we have placed six hybrid patrol vehicles into service. Since the majority of the fuel consumption for these police vehicles is related to the idling time required in the normal course of business, we are excited about the significant decrease in carbon emissions that is expected from the use of these hybrid vehicles.

The City Council's commitment to diversity and inclusion is important for all departments, but none more important than the Police Department. Towards this end, a multi-year training effort that included such programs as Implicit Bias, Fair and Impartial Policing, Cultural Diversity/Racial Profiling, and LGBTQIA+ Awareness will continue in the department.

The staff is currently evaluating new handheld parking ticket writing equipment administered through a third party system. This new type of partnership should provide more security for those who pay fines with a credit card and allow the City Council to adopt a policy that excuses first time offenders.

Animal Control

An additional .45 FTE has been added to an existing Animal Control Officer position. The increase will allow for 30 hours per week of enhanced coverage in the field and shelter operations as well as improved oversight of the dog park, which was previously handled by the Parks and Recreation Department. Because of the knowledge and close proximity to the dog park, it is believed this switch will better ensure public and animal safety at the park.

Our current Animal Control Shelter is in need of significant improvements to adequately house the growing number of animals brought to the facility, meet the state/national standards, provide an appropriate environment for our professional staff, and welcome visitors to the shelter. Because of these factors, we are currently reviewing concepts to renovate the existing building or construct a new building. Once the cost estimates are completed and concepts finalized, the City Council will need to decide how this facility fits into plans for future bond issues.

In keeping with our commitment to continuous improvement, pet adoption applications are now available online at the Shelter website.

Fire Safety

Included in the FY 2020/21 budget is an additional Firefighter position. It is my intent to add firefighters gradually over the coming years in anticipation of staffing a fourth fire station, rather than incurring a significant budget impact in one year to staff this additional station. In the interim, this position will be assigned as needed to fill short-term firefighter vacancies (caused by injuries, retirements, resignations, etc.) across all three shifts.

We currently are in discussions with representatives from Mary Greeley Medical Center (MGMC) to improve upon our partnership where we provide assistance to their emergency medical response service. In anticipation of MGMC approving an updated contract with the City to pay for training, incentive pay, drug/materials, and defibrillators; we hope to upgrade from First Responder to a Provisional Emergency Medical Technician status beginning in FY 2020/21. This upgrade will allow firefighters on scene to perform more advanced emergency medical services before the arrival of a MGMC ambulance.

Other highlights include the progress being made on the construction of our own fire training facility through the very cost-effective use of shipping containers rather than building a very expensive structure. In response to a City Council initiative, funds have been included in FY 2019/20 to prepare a conceptual plan for the relocation of Fire Station #2. Finally, to better

prepare us to respond to disasters, we are initiating planning for the first county-wide, full scale, all hazard exercise.

Building Safety – No Increase in Building Permit Fees or Rental Housing Fees

The Inspection staff is continuing their emphasis on outreach to the general public and to the building/trades professionals who routinely interact with the division. It is their goal to be viewed by customers as a resource that assists in completing a project rather than being seen as an enforcement agency that is only attempting to identify violations.

To accomplish this commitment, the Inspection staff attends the Ames Home Builder’s Association, Ames Property Manager’s Network, Central Iowa Board of Realtors, and League of Women Voters meetings to learn more about our customers’ needs and share how we can partner with them to ensure a safe and successful project.

In response to the City Council’s goal of strengthening our neighborhoods, a new initiative, the Neighborhood Blitz, was recently launched where Inspections staff teams up with employees from the Police Department, Planning & Housing Department, and ISU’s Department of Student Conduct to inform residents in the near campus neighborhoods on how they can become good neighbors.

It should be emphasized that the FY 2020/21 budget does not call for any increases in building permit or rental housing fees.

ELECTRIC UTILITY – NO RATE INCREASE

Our current long-range financial forecast indicates that we will not need a rate increase for the next five years to cover our annual operating expenses and project costs contained in our Capital Improvement Plan (CIP). This trend is made possible once again, because the operating expenditures included in the FY 2020/21 budget represent a very nominal increase, only 1.2% over the previous adopted budget.

Previously, the Demand Side Management program was shifted from the CIP to the Electric Services operating budget. A focus this year will be on revamping this important program to improve the amount of benefit that is received from the \$1,000,000 investment in incentives. Changes to be explored include eliminating eligibility for residential light bulbs and raising the efficiencies needed for air condition rebates, as well as looking to add electric vehicle charging equipment, heat pumps, water heaters, and solar hot water heaters to the program.

In keeping with the City Council’s goal to expand our sustainability efforts, we intend to apply for grant funding for four additional electric vehicle charging stations. In addition, we intend to pursue a pilot partnership with a developer to create a “neighborhood” ground source heat pump system to serve all of the homes in a subdivision.

At the conclusion of FY 2020/21 we hope to have:

- Two full-functioning, modernized RDF burning base load power generation units in operation
- A forward looking Demand Side Management program in place
- A Community Solar Project in operation
- A Waste to Energy Options Study completed.

WATER UTILITY – 2% RATE INCREASE

The FY 2020/21 budget reflects a 2% increase in rates for the customers in this utility. While efforts have been made to hold down expenditures in the Water Utility, the fund has been negatively impacted by a number of very wet years which resulted in less revenue from customer usage than anticipated; and to a lesser degree by the estimated price tag for a large water supply expansion project (the North River Valley Well Field project) exceeding the initial expectations on which previous rate models were based. In an attempt to make up for this lost revenue, finance the needed capital improvements in the utility, and attain our desired ending balance in this enterprise fund; we are anticipating the need for rate increases in each of the next five years. It is important to note that our current rates are at the bottom 33% of the median water bills for the largest municipal water utilities in the state and are projected to remain well below the statewide median over the next 10 years.

With the conclusion of the warranty period for the new Water Treatment Plant, the focus of this project will now shift to finalizing the as built drawings and closing out the State Revolving Fund loan process.

A “Risk and Resilience Assessment” is scheduled to be completed in FY 2020/21. The assessment will help us prepare for malicious acts, cyberattacks, and natural disasters against the Water Utility.

We are proud to announce that the new treatment plant received a Leadership in Energy and Environmental Design (LEED) certification.

A new position has been added in the budget that will be shared by the Water Distribution System Maintenance and Sanitary Sewer System Maintenance activities. This new employee will help improve our response to water main breaks, sanitary sewer repairs, and snow and ice control efforts.

SANITARY SEWER UTILITY – 5% INCREASE IN RATES

A 5% rate increase has been incorporated into the FY 2020/21 budget, with a projected need for additional increases every other year for the next five years. Increases in the first four years are essentially to keep pace with inflation. Larger increases are expected in the following years as Phase 1 of the Nutrient Reduction project begins. Currently, our sewer rates are within the bottom 25% of the median bill for the largest municipal sewer utilities in

the state. Just as for drinking water, the sewer rates are also projected to remain well under the statewide median throughout our ten-year projection.

Another accomplishment that we should be proud of is the fact that the Ames Water Pollution Control facility has surpassed the 30 year mark with perfect compliance with our NPDES permit, making us the second longest compliance record in the nation.

The Laboratory Division is continuing a partnership with the Squaw Creek Watershed Management Authority by providing free analysis which can be counted as the local match for grants for which the Authority might apply.

STORM SEWER UTILITY – NO INCREASE IN FEE

Our current long-range financial analysis indicates that no increase in our current monthly Storm Water Utility fee of \$4.95 per Equivalent Residential Unit (ERU) will be needed until FY 2022/23.

You will remember that a major concern expressed by our residents in the Annual Citizen Satisfaction Survey deals with overland flooding from storm water runoff and sanitary sewer backups. The FY 2020/21 budget has been increased to respond to this feedback. A second, larger Jet Vac Truck has been purchased which will allow us to provide a higher level of service for storm sewer cleaning to prevent backups and more timely responses once backups have occurred. This new vehicle will be shared with the Sanitary Sewer System Maintenance activity to assure improved service related to sanitary sewer backups as well.

In addition, two new temporary positions will be added; one devoted to maintaining the rain gardens/bio-swales on City property to assure their effectiveness in controlling storm water and one to promote adoption of Smart Watershed techniques by private property owners. An existing intern will continue to assist with the storm water erosion and sediment control inspections.

Funds have been included to work with Prairie Rivers of Iowa to complete a water quality monitoring plan, soil health analysis, education plan, and water quality project implementation plan.

**RESOURCE RECOVERY UTILITY
NO INCREASE IN THE PER CAPITA SUBSIDY
NO INCREASE IN THE TIPPING FEE**

The FY 2020/21 budget maintains the same Per Capita subsidy of \$10.50 for every entity in Story County that contracts with the City for solid waste disposal as well as the same tipping fee of \$58.75 per ton for customers who deliver their waste directly to our facility. It is currently projected that these fees will not have to be increased until FY 2022/23.

The City's portion of the property tax subsidy for this utility is planned to be \$522,533 or 63% of the total subsidy needed to fund the Resource Recovery system in FY 2020/21. You

will note that the overall budget for the Resource Recovery is less than the previous year. With the conclusion of the boiler tube repairs on Power Plant Unit #7, we are expecting less downtime resulting in more burning of solid waste material and a corresponding decrease in the cost to transport rejects to the Boone Landfill.

Since the mid-1970s, the City has been burning refuse derived fuel (RDF) in our Power Plant Units #7 and #8 as an alternate fuel source to produce electricity and to reduce the amount of Story County waste that is buried in a landfill. While this strategy has benefitted the environment, it sometimes requires us to produce electricity internally by burning RDF in our boilers rather than taking advantage of the market and purchasing electricity at a lower cost than we can produce. Over the coming year, staff will partner with a consulting firm to explore options for burning our RDF either in our existing Power Plant boilers as we currently do, or in a new separate boiler at a different location.

TRANSPORTATION

Street System/Traffic

Another area of improvement that our citizens requested in our Annual Satisfaction Survey deals with street maintenance. In response to this request, funds have been included in the FY 2020/21 budget to upgrade seven of our dump trucks in the Street System Maintenance activity. These units will be outfitted with new wing plow mounts, underbody plows, laser guided systems, and swap loading capabilities. These upgrades will result in faster snow and ice control response times and improved efficiency in street maintenance activities.

While a new skid steer is being purchased, we will retain the old equipment to double our capabilities to improve snow removal service in residential areas because of the maneuverability of these vehicles.

In addition, to take advantage of the recent purchase on a new pavement marking truck to improve driver safety, we have increased our contract costs in both FY 2019/20 and FY 2020/21 for water blasting services to remove paint markings from our streets.

CyRide

CyRide poses our latest challenge. The three major entities that financially support our public transportation system are the City of Ames, ISU Administration, and the ISU student body. When the students' request to switch to a fare free system was approved, it was done with the understanding that their financial obligation would be paid from their student fees. As the enrollment skyrocketed over the recent years, the fees did not have to increase to cover their share of the system. In fact, extra funds were deposited in a trust account to accommodate future obligations. A problem presented itself as the trust account balance was drawn down to support additional services as student enrollment began to decrease. Ridership has decreased along with the corresponding revenue.

In response to this challenge, the staff has worked very hard to control expenditures in the transit operations by requesting a 1.1% decrease from the previous year's appropriated level. However, with an aging fleet, we have opted at this point not to reduce our capital

spending for new buses for the system. Therefore, this budget will necessitate a 2.2% increase in property tax revenue, for a total of \$2,037,720, to support CyRide in FY 2020/21.

During the coming year, the Transit Board will be working with staff to right size the system to reconcile the most recent ISU enrollment estimates for the coming years with the semester fees approved by the student government.

COMMUNITY ENRICHMENT

Parks & Recreation

This past year we experienced an inordinate amount of turnover with our Recreation Manager positions causing extended vacancies that left us shorthanded. We found that requiring these positions to be on call seven days a week throughout the year was causing burnout and an inability for these employees to maintain a work/life balance. Therefore, the major highlight in FY 2020/21 budget is the personnel changes we are making to help rectify this turnover situation. First, a new Recreation Coordinator position has been added to oversee weekend and night recreation programs. In addition, this entry level position will serve as a promotional opportunity for succession planning. Second, two shift leader positions will be created in Aquatics to supervise temporary staff in the concessions and pool deck areas at the Furman Aquatics Center. Third, a new .75 FTE Shift Leader will be added to the Ames/ISU Ice Arena to assist the facility manager with supervisory responsibilities. Fourth, the allocation of time for an existing Recreation Manager will be modified to reflect that 70% of his time being assigned to various recreation programs and 30% of their time to Homewood Golf Course.

Library Services

The most recent user data indicates that the popularity of electronic and audio books continues to increase. This trend is exemplified in Adult Services where there has been a noticeable shift from physical materials to electronic materials. In order to continue to upgrade the quality of our over collection, the FY 2020/21 budget provides for an 8.8% increase in the amount available to acquire additional books and materials for the Library.

A new initiative introduced by our new Director is a comprehensive process to update the Library's Strategic Plan which will identify future programing for the Library. An extensive public outreach campaign has been initiated to collect citizen input.

Special thanks are due to the following team members who have helped compile this important budget document: Duane Pitcher, Finance Director; Nancy Masteller, Budget

Manager; Amy Crabbs, Budget Analyst; Shannon Andersen, Finance Secretary; Deb Schildroth, Assistant City Manager and Brian Phillips, Assistant City Manager.

Respectfully submitted,

A handwritten signature in cursive script that reads "Steve".

Steven L. Schainker
City Manager