

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

AMES, IOWA

FEBRUARY 1,

2008

The Ames City Council met in special session at 2:00 p.m. on February 1, 2008, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor Campbell presiding and the following Council members present: Goodman, Larson, Popken, and Rice. Council Member Doll arrived at 2:10 p.m. Council Member Mahayni arrived at 3:30 p.m. *Ex officio* Member Luttrell was also present.

FY 2008/09 BUDGET OVERVIEW: City Manager Steve Schainker, Finance Director Duane Pitcher, and Budget Officer Carol Collings reviewed the documents contained in the budget packet distributed to the City Council.

City Manager Schainker advised that the recommended 2008/09 budget totals \$179,790,678, which is significantly greater than the previous year. This difference is mainly attributable to large Capital Improvement projects, many related to meeting the Electric Utility strategy. He stated that staff was faced with two significant challenges for the General Fund when putting together the 2008/09 budget: (1) only a .4% growth in taxable valuation and (2) the increase in Local Option Sales tax receipts is projected to be only 1.24%. Both of these represent the smallest increases to date and definitely impact the tax asking. To offset the lesser increase in revenues, Mr. Schainker noted that the City will benefit from: [1] a \$400,000 decrease in the obligation to finance the Fire and Police Retirement Fund; [2] a significant increase in interest earnings (\$385,260) in all funds due to investment at interest rates higher than prior years; and [3] a larger-than-expected beginning balance in the General Fund for FY 2007/08 due to staff vacancies and increased interest earnings in FY 2006/07. He said that the larger balance has allowed the City to fund needed capital items in FY 2007/08, which helps mitigate the tax asking. In summary, an additional \$1,300,000 is being requested for 2008/09 to finance operations in the General Fund, i.e., Police, Fire, Library, Parks & Recreation, Planning & Housing, and smaller parts of a number of budgets. Of that amount, approximately \$960,000 is due to a bond issue for the new Furman Aquatic Center. The bottom line is that an additional approximately \$400,000 is being requested to finance operations. If the approved debt is factored out of the total, the actual tax rate increase is approximately 1.46%. Mr. Schainker advised that the City Council will need to discuss strategies concerning utility rate increases; the only one that is built-in for FY 2008/09 is the 8% electrical rate.

Finance Director Duane Pitcher reviewed tax levies for 2007/08. He noted that Ames is one of the few cities that is still under the \$8.10 limit, and of the tax levies for the 11 largest cities in Iowa, Ames is the second lowest. It is proposed that the total tax levy/\$1,000 taxable valuation will increase to \$11.06 from \$10.44 in FY 2007/08. Mr. Pitcher advised that there has been no increase in commercial valuation in the past five years; in fact, there has been a significant decrease. There was no new industrial development; however, there was an increase in valuation of existing industrial property due to expiring abatements.

Mr. Pitcher advised that there were three large factors impacting this budget:

1. Slowing economic conditions reflected in small increases in the tax base due to slowing of new construction, a reduction in building permit fees, and slowing retail sales.

2. Improved investment earnings over prior years have been realized, and the budget has been adjusted to reflect the increase. Even though rates have been falling again, some of the City's investment rates are locked in. Also, the General Fund balance is a little higher than expected, which accounts for more being invested.
3. An increase in debt service greatly impacts the tax asking; it makes up approximately three-fourths of the additional amount. All of that is attributable to the vote-approved referendum for the Donald and Ruth Furman Aquatic Center. Of the total increase in the rate of \$.63, \$.47 is just for the debt service for that new project.

It was stated by Mr. Pitcher that there will be increases required in future years in the rates for all utilities, except for the Resource Recovery Plant; however, this budget only includes an increase for the Electric Utility. Regarding the Water Utility, he reminded that issues relating to peak demand were discussed in August 2007, and staff will be providing a new inclining rate structure within the next couple months. The base rate will not increase, but it will cost more for those who hit the next level of usage on the inclining block. He also said that it is anticipated that electric, water, sewer, and storm sewer rates will need to increase in 2009/10; water rates will again need to increase in 2010/11, 2011/12, and 2012/13; sewer rates will need to increase in 2009/10 and 2011/12, and storm sewer will need to increase at some point from \$2.60 to approximately \$3.00 to fund the necessary improvements.

Regarding the proceeds from 2007/08 property taxes, Mr. Pitcher explained that the City will receive 33.95%; Ames School District, 43.18%; the County, 20.91%; and DMACC, 2.21%. He said that residential makes up approximately 52% of the total taxable valuation, commercial dropped to approximately 42%, and industries make up a little over 5%. He gave sample tax calculations for each category.

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

Streets/Traffic	\$	131	
Police Protection			106
Fire Protection			71
Recreation and Parks			59
Library			40
Transit			27
General Support Services			22
Planning			9
Resource Recovery			7
Storm Sewer			7
Animal Control			4
Inspections/Sanitation			3
Building and Grounds/Airport			<u>2</u>
TOTAL	\$		<u>488</u>

According to Mr. Pitcher, Road Use Tax Revenue has seen a very slight increase; it has basically flattened out. Therefore, the City has moved some CIP projects out of this fund.

Mr. Pitcher emphasized the large impact on the City's budget from residential rollback. He gave comparisons over the past ten years and said that residential rollback has driven a large percentage of the City's increased tax rate.

Full-Time Equivalents in Personal Services were reviewed. For the FY 2008/09 budget, the following increases are being proposed:

1. Fire Department: 3 additional Fire Fighters
2. Information Technology: 1 Technician
3. CyRide: 1 full-time receptionist, 1 half-time clerical position in the maintenance area, and 1 half-time dispatcher
4. Police Department: Increase a half-time Records Clerk to three-quarter time
5. Legal Department: Increase a three-quarter time Principal Clerk to full-time

According to Mr. Pitcher, good investment returns for the Municipal Police & Fire Retirement System over the past three or four years have allowed the employer contribution rate to be lowered; this has had a very significant impact on the City's budget.

Mr. Pitcher said that the conversion of commercial-classified apartment buildings, which were formerly taxed at generally 100% of the value, to a residential classification as condominiums, now taxed at under 50% of the value, has greatly impacted taxable valuation. He said that five years ago, the total assessed valuation per commercial property was \$858 million; however, since the condominium conversions and including any new commercial property, there is now a deduction of approximately 5% of the total assessed value of commercial property (not taxable value). The total has decreased to \$817 million over the past five years.

Budget Officer Carol Collings described the fund sheets in detail. She explained how the General Fund ended with an available balance equal to 24.9% of expenses.

City Manager Schainker explained the space needs of City Hall. He said that the goal is to optimize the space within the current footprint of the building. Included in this budget is a \$20,000 allocation to hire an architect/engineer to determine ways and costs to renovate space (police holding cell areas) and make the basement into more usable space. There is also an allocation of \$60,000 built in to the 2008/09 budget, which will allow for minor modifications to existing areas on the first and second floors. A Space Needs Team has been formed, which will provide recommendations to the City Manager.

Mr. Schainker added that a number of vacancies (through retirement) are anticipated in the Police Department. It takes some time to get the appropriate training before an officer may be put out on the street. He may be asking the City Council to hire the new officer approximately six months prior to the officer retiring to allow for the appropriate training. Assistant City Manager Bob Kindred explained that the internal training program takes 13 weeks and the Iowa Academy training also takes 13 weeks.

Regarding the Local Option Tax Fund, Ms. Collings explained that after the policy (reserving 1/4, excluding 60% pass-through), there is approximately \$800,000 in unreserved fund balance. There is approximately a \$325,000 balance in the Hotel/Motel Tax Fund. Regarding Hotel/Motel Tax, Ms. Collings explained that of the \$.07/\$1.00 tax, \$.05 is provided to the Ames Convention & Visitors Bureau for community attractions, \$.01 replaces the Local Option Tax and is split 60%

for tax reduction and 40% for community betterment projects, and the remaining \$.01 remains in this Fund for economic development activities.

Ms. Collings said that the Leased Housing Fund is expected to operate with a deficit in 2008/09 and beyond because program revenues are not sufficient to cover expenses. The City, at this point, does not get all its rent money, and it does not receive enough administrative money.

According to Ms. Collings, the Road Use Tax Fund accounts for activity of the state-allocated motor vehicle fuel tax. Mr. Schainker stated that estimates received from the state for 2007/08 and 2008/09 are reductions from earlier projections. A number of large public improvements have been funded via this Fund; however, the City cannot continue to dip into the Fund due to the reductions.

Housing Assistance, Community Development Block Grant, County-Wide Affordable Housing, and Tax-Increment Financing Funds were briefly detailed by Ms. Collings. She said that all TIF Districts have collected adequate funds to abate outstanding debt, and all property located in those Districts has been released for general taxation.

Ms. Collings was pleased to explain a new revenue source, i.e., the Don & Ruth Aquatic Facility Construction and Operating Fund. Of the \$2,000,000 donation, the first one million dollar gift will be used for the construction of a 50-meter multi-purpose pool and other enhancements, and the second one million dollar gift will establish an endowment to minimize the City's ongoing operational costs, to fund future repairs and enhancements, and to replace equipment.

The Fire/Police Pension Retirement, Employee Benefit Property Tax, and Cemetery Funds were briefly reviewed by Ms. Collings as were Library Donations (donations and grants to the Library designated for specific purposes) and Developer Projects, which retains funds until agreed-upon improvements are required.

City Manager Schainker explained the Economic Development Fund. He said that this Fund accounts for revolving loan, community investment, and pass-through state loan activity. Revenues include loan repayments and approved loans. Council Member Larson asked for a summary of the outstanding loans from the Revolving Loan Fund. Mr. Schainker stated that the City Council will be provided with a report.

Ms. Collings briefly described the Street Construction Fund, which includes projects that have multiple funding sources. She explained that under the Airport Construction Fund, the excess of operations each year is transferred from the General Fund to finance improvements.

Under the Bond Proceeds Fund, Ms. Collings noted that General Obligation Bond sales are planned each year to finance CIP projects. Any undesignated fund balances may be used for certain projects or transferred to the Debt Service Fund.

Mr. Schainker discussed the Utility Funds. He said that the City will be selling Revenue Bonds for four large electric projects planned for FY 2008/09. Under the Water Utility Fund, there could be an additional expense of approximately \$45,000 for water quality monitoring at Ada Hayden Park; however, that is not built into this budget at this time. He reiterated that, under the Storm Sewer Utility, compliance with new storm water regulations continue to increase operating costs. Mr. Schainker stated that the City needs to start building additional revenue.

Finance Director Pitcher explained Parking Operations and Improvement. He stated that expenses were down for 2007/08 and it is anticipated that they will also be down for 2008/09.

Council Member Mahayni arrived at 3:30 p.m.

Ms. Collings said that Transit Operations and Capital Reserve will be explained at the February 4 budget hearing.

The GSB Transit Trust fund was reviewed by Ms. Collings. She said that it is used for the stabilization of the contributions from the Government of the Student Bond (GSB) at Iowa State University to the Transit operating budget. The fund balance fluctuates based on fee approval, enrollment, and service levels. Mr. Schainker advised that this budget does not reflect fare-free operations.

City Manager Schainker said that a Storm Sewer major initiative is to clean out the retention ponds. Additional projects have been added to this Fund, and an increase in rates is anticipated for 2009/10. Public Director John Joiner explained the method of using lasers to take aerial photographs, which can tell the difference in surface types. This would provide an easier way to determine storm sewer rates based on usage.

Ms. Collings explained that \$20,000 was contributed by both ISU and the City to improve the operating fund balance of the Ice Arena. It is now appearing that it will have a healthy ending balance. There is concern, however, about Homewood Golf Course. Operationally, a quarter FTE was shifted to other areas of recreation. More details will be given at the Parks and Recreation budget hearing.

Under Internal Services, Ms. Collings said that Wi-Fi services have been included in the Information Technology Fund. She explained that accumulations of funds for use in the replacement of City computers and related equipment make up the Computer Replacement Fund.

The Risk Management Fund, for payment of insurance premiums for Worker's Compensation, comprehensive liability, and other insurance coverage, was briefly described by Ms. Collings.

The Health Insurance Fund was explained by Mr. Pitcher. He noted that a new ruling, GASB 45, requires local governments to recognize a liability for post-employment health care benefits. The only liability incurred by the City is an implied subsidy for retirees, which means that they may retain City insurance by paying 100% of the same rate as employees until they reach age 65. A reserve for post-employment health care benefits is included for 2007/08 Adjusted and the 2008/09 Recommended..

EASEMENT ON THE PROPOSED ROUTE OF THE 161-kV TRANSMISSION LINE:

Lyndon Cook explained that the proposed easement is the last one to be acquired on Lincoln Way right before the route turns south.

Moved by Popken, seconded by Rice, to adopt RESOLUTION NO. 08-030 authorizing staff to exercise the Option to acquire the easement due to expire on February 1, 2008, in the amount of \$863.

Roll Call Vote: 6-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these minutes.

UPDATE ON HUMAN SERVICE CAMPUS PROGRESS: Assistant City Manager Sheila Lundt stated that the committee of individuals assembled by Mayor Campbell and Brian Dieter, who represented the United Way Board of Directors, has been meeting for several months to explore the feasibility of a human services campus to be located in Ames. She explained that the committee first met on November 14, 2007, and broke into subcommittees. One group was to be primarily in contact with the agencies involved in the study and provide information flow between the committee and that group. The second sub-committee was to work on how to determine fundraising feasibility. The third group was to look into possible locations.

According to Ms. Lundt, approximately a dozen possible locations were initially examined by the location sub-committee. The committee was mindful of the Council's desire not to take property off the tax roles and the agencies' needs for a central location and proximity to a CyRide route/stop. The locations were then narrowed to:

1. Former Ames Middle School. It consists of approximately 160,000 square feet. It has been vacant for a long time and in need of a lot of work. This facility would be too large, and a large portion of the facility would not be used by human service agencies. Location was also an issue.
2. Evangelical Free Church. The facility would need little work to accommodate the Human Services Campus. The owners have indicated a willingness to work with the City. However, there are a number of processes that need to be undertaken, most specifically, a Special Use Permit must be obtained.

Ms. Lundt advised that the United Way Board of Directors has indicated that it will be providing funding for the fund-raising feasibility study.

It was also stated by Ms. Lundt that, on January 9, members of the entire committee met with Directors and Board representatives of the larger organizations originally interested in the campus. Only one organization has since indicated that it is no longer interested in the project; it has other options at its existing location.

Ms. Lundt added that, on February 12, the City Council will be asked to approve an allocation of \$30,000 for an analysis of the E-Free site with respect to Code, site capacity, utility suitability, condition assessment, and meetings with the agencies to firm-up actual needs. Meetings with affected neighbors and other members of the public will also be set up.

The Ames firm of RDG has submitted a very comprehensive proposal for professional services, which will be brought to the Council on February 12. Other City funding may be the use of CDBG funds for the facility purchase; that will be brought to the Council as part of the City's CDBG Plan in Spring 2008.

Council Member Popken pointed out that the City Council will essentially be asked to allocate a majority of its CDBG funds to this project. He questioned at what point the Council would decide whether or not to move forward with this project. Ms. Lundt advised that a discussion will be held concerning the CDBG funds in the near future, and the City Council will need to make a decision at that time.

Council Member Rice said that the E-Free site does not seem to meet the location criteria. He asked how the criteria were weighted. Ms. Lundt said that each criterion carried equal weight. The criteria were actually used to eliminate sites. She summarized the results of the review of different properties.

Housing Coordinator Vanessa Baker-Latimer said that project ideas for usage of CDBG funds are planned to be brought to the Council on February 12. Concerns were expressed that that is the date of the final budget discussions, and it would be better to bring the details of the human services campus on February 26.

COMMENTS: *Ex officio* Member Luttrell requested that \$2,000 be allocated for a Student Appreciation year-end event. She advised that GSB will be spending that amount or more for the event. This event will occur approximately two weeks after VEISHEA.

Moved by Goodman, seconded by Rice, to direct staff to look at the value of donating \$2,000 for the student year-end event.

City Manager Schainker asked for more details on the event. Council Member Goodman agreed that more information was needed.

Motion withdrawn.

Moved by Goodman, seconded by Rice, to request *ex officio* Member Luttrell to provide a description of the event and recommendation for funding of the year-end event.

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

Council Member Larson said that, in light of the goals set by the Council on January 12, 2008, he would like the City to play more of a financial role to the FACES celebration. He pointed out that there are limited funds to be put towards certain events.

Moved by Larson, seconded by Goodman, to request that staff prepare a report on funds (in an amount not to exceed \$5,000) that may be available to fund the FACES celebration.

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

Moved by Doll, seconded by Mahayni, to refer to staff for preparation of a report clarifying the inconsistency of zoning regulations regarding short-term lodging and a strategy to rectify the situation.

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

Moved by Doll to request staff to prepare a moratorium on short-term lodging until the issue may be addressed by the City Council.

Motion withdrawn.

ADJOURNMENT: Moved by Doll, seconded by Goodman, to adjourn the meeting at 4:38 p.m.

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

Diane Voss, City Clerk

Ann H. Campbell, Mayor