

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

AMES, IOWA

JANUARY 28, 2022

Mayor John Haila called the Special Meeting of the Ames City Council to order at 2:00 p.m. with the following Council members participating: Bronwyn Beatty-Hansen, Gloria Betcher, Amber Corrieri, Tim Gartin, and Anita Rollins. City Council Member Rachel Junck and *ex officio* Member Trevor Poundstone were absent.

FY 2022/23 BUDGET OVERVIEW: City Manager Steve Schainker stated that his recommended budget for FY 2022/23 totals \$280,300,058. The budget reflects: (1) the service plan presented in a program format, rather than by Department, (2) the financing strategy to accomplish those services, and (3) the performance measures that allow bench-marking productivity against the prior year results as well as against other cities' efforts.

Mr. Schainker presented the major highlights of the proposed service plan for FY 2022/23.

The FY 2022/23 budget requires an additional \$1,184,190, which is an increase of 3.65%, in property tax revenue as compared to the previous year's adopted level to finance those programs funded by that funding source. The additional tax revenue can be generated with an overall tax reduction of 4.4 cents from a \$9.87/\$1,000 to \$9.83/\$1,000 of taxable value. While it is not possible to project the additional cost for each property owner, when analyzing each tax classification, on average, in FY 2022/23, residential property tax bills will decrease 1.22% or \$6.81 less per \$100,000 of assessed valuation. Commercial property tax bills will increase by 5.81% or \$51.63 more per \$100,000 of assessed value. Industrial property tax bills will increase 3.09% or \$27.47 more per \$100,000 of assessed valuation as compared to the previous year.

Challenges that impacted the development of the 2022/23 budget were noted as:

1. The promised financial backfill from the State Legislature to compensate cities for rolling back the taxable values on commercial and industrial properties is being eliminated over the next five years resulting in a \$168,322 loss in State Replacement Tax revenue in FY 2022/23 alone. Approximately \$99,000 of this total will be lost to the General Fund.
2. The State mandated rollback on residential properties was reduced from 56.41% to 54.13%, resulting in \$83,902,749 less assessed valuation being subject to taxation, which impacts all four levies that comprise the City's overall tax rate.
3. Along with the traditional annual amount of General Obligation Bond issuance for street, traffic, storm water, public safety, and park improvements; the FY 2022/23 budget reflects for the first time the issuance of \$6,192,512 in General Obligation bonds for the new Indoor Aquatics Center, with an additional \$13,971,664 of bonds planned for sale in FY 2023/24. As a result, over half of the \$1,184,190 in additional property tax funding being requested for FY 2022/23 is earmarked to cover the Debt Service Levy increase.

Mr. Schainker shared good news that will positively impact the budget and help generate the additional revenue needed to fund the budget. He advised that the City has been informed that the City's obligation for the State-administered Police and Fire Retirement System will be approximately \$169,000 less in FY 2022/23 than the prior year.

Also, throughout the pandemic, Ames residents appear to have continued to shop in person and through the internet resulting in a projected increase of approximately \$2,300,000 more in Local Option Sales Tax revenue than budgeted in FY 2021/22. An additional \$892,036 is projected for FY 2022/23 as compared to the FY 2021/22 adopted budget. It was noted that for both fiscal years, 60% of those totals will be used to reduce property taxes.

In addition to the unexpected increase in Local Option Sales Tax revenues, an unusually high number of vacant positions were experienced in the General Fund supported departments, which resulted in substantial savings. Some of the vacancies were the result of retirements, some were influenced by police officers deciding to leave the profession, and others were caused by the City's conservative approach not to fill the vacancies immediately in the face of the uncertainty as to whether or not the negative effects of the pandemic on revenues would cause a need to cut expenditures later in the fiscal year. Those vacancies have resulted in approximately \$800,000 in savings in personnel costs in both FY 2021/21 and FY 2021/22.

According to City Manager Schainker, one-time net savings in the General Fund are projected to be \$3,504,556 from FY 2020/21 and FY 2021/22. He strongly advised the City Council to use those one-time savings for one-time expenditures. To apply those savings to reduce ongoing operational expenditures will create a large increase in property taxes the following year when the balance has been depleted. The list of uses developed by Mr. Schainker (that have been incorporated into the budget) for one-time expenditures totaling \$877,624 include Fire Safety, Parks and Recreation, the Library, the Cemetery, Information Technology, and Facilities. It was explained by the City Manager that since those expenditures would likely show up in future budget requests, using a portion of the savings for these purposes will help reduce future costs. Mr. Schainker directed that additional one-time savings be earmarked as follows: \$200,000 for an initial pool for sustainability projects, \$500,000 to restore the Parking Reserve Fund balance, \$900,000 for the Debt Service Fund balance to mitigate the tax impact on the issuance of \$21,000,000 for the Indoor Aquatics Center, and \$1,000,000 to the City Council's Priority Fund for yet-to-be-determined capital projects.

Mr. Schainker advised that the General Fund ending balance in FY 2022/23 is projected to be \$10,282,146, which meets City Council's goal of a 25% unobligated reserve and leaves an additional \$991,061 to further respond to unplanned events.

Finance Director Duane Pitcher brought the Council's attention to the *Special Reports for FY 2022/23 Budget*. He pointed out that today's presentation will only cover Ames portion of property taxes. The portion of the property tax levy going to the City of Ames (31.66%) is approximately one-third of the property owner's total tax bill. Ames School District receives 46.00%; Story County, 20.17%, and DMACC, 2.17%.

Mr. Pitcher provided the following highlights for the overall budget:

1. Property tax rate is down \$0.04 from FY 2021/22
2. Taxable and assessed value is up for all major property classes
3. Decreases in the replacement tax from the State of Iowa and increase in debt service levy were mitigated by Local Option tax increases and modest changes in operating costs
4. Balanced General Fund budget for operations and capital
5. Utility rate increases for wastewater, storm water, and the resource recovery tipping fee

The tax levy breakdown was explained. The total tax levy per \$1,000 taxable valuation will equate to \$9.83 for FY 2022/23, down from \$9.87 in 2021/22. The total change in Taxable Value for all property types from 2021/22 to 2022/23 increased by 4.39%. An analysis of changes in taxable value was given. The Total Change in Net Taxable Value for all four property types was \$142,836,149; after changes due in part to State Rollback, the net change on existing property equates to \$45,147,869.

The Debt Service Allocation was itemized by the user of the bond proceeds, showing specifically the General Obligation Bond issues included in the 2022/23. For FY 2022/23, the Debt Service Levy will increase to \$3.07409 from 2.99735/\$1,000 valuation. Mr. Pitcher shared that, by the end of 2032, the entire Library debt will fall off.

Finance Director Pitcher explained the Police and Fire Fund and noted the changes that will occur to that Fund in 2022/23.

Director Pitcher reviewed the cost of City services for 2022/23 per residence from property taxes (based on a \$100,000 home), as follows:

Streets/Traffic	\$	145	
Police Protection			126
Fire Protection		80	
Library (includes Debt Service for renovated library)			64
Recreation and Parks			31
General Support Services			28
Transit		32	
Planning Services			9
Resource Recovery			6
Animal Control			5
Facilities/Cemetery			3
Storm Water Management			2
Building Safety			<u>1</u>
TOTAL	\$	<u>532</u>	<u>\$100,000</u>

Projected Utility Rate Summary. Mr. Pitcher reviewed the projected utility rates, as follows:

Electric Utility: No rate increase.

Water Utility: No rate increase. Assuming five-year projections remain true, water rate increases in FY 2023/24 and FY 2025/26 will be needed.

Sanitary Sewer Utility: 5% in 2022/23. Additional rate increases in FY 2024/25 and FY 2026/27 will be needed.

Stormwater Utility: \$0.25 increase in monthly Equivalent Residential unit increase from \$4.95 to \$5.20 to help cover the costs to maintain the existing stormwater system as well as the Capital Improvement Projects to replace deteriorating infrastructure over the next five years.

Resource Recovery: No increase in the per-capita subsidy; \$3.75 increase for the per-ton tipping fee from \$58.75 to \$62.50 per ton.

Mr. Pitcher reviewed the Utility Bill Rate samples for median use residential and commercial customers. The increase due to the rate change is estimated to be 1.38%. For median use commercial customers, the increase is estimated to be 0.34%.

Information on the proposed fee increases for Parks and Recreation facilities and programs, Planning and Housing, and Rental and Building Inspections, and the Projected Revenue and Expenses for the Ames Intermodal Facility was included in the *Special Reports*.

Placed around the dais was information pertaining to FY 2022/23 ASSET Allocations and COTA funding recommendations.

Fund Summaries. Budget Analyst Nancy Masteller stated that the Fund Summaries include the Fund Sheets for the following: General Fund; Special Revenue Funds, including Local Option Sales Tax, Hotel/Motel Tax, Road Use Tax, Public Safety Special Revenues, City-Wide Housing Programs, Community Development Block Grant, Home Investment Partnership Program, CDBG/COVID-19 CARES Act, IEDA/COVID-19 CARES Act, HOME/American Rescue Plan; Employee Benefit Property Tax, Fire/Police Pension, Parks and Recreation Donations and Grants, FEMA/COVID-19, FEMA/Derecho 2020, American Rescue Plan, Library Donations and Grants, Utility Assistance, Miscellaneous Donations, Developer Projects, Economic Development, and Tax Increment Financing.

Ms. Masteller briefly reviewed Capital Project Funds, as follows: Special Assessments, Street Construction, Airport Construction, Park Development, the Winakor Donation, Indoor Aquatic Center Donations (new), Council Priorities Capital Fund, and Bond Proceeds.

Two permanent funds were reviewed: Cemetery Perpetual Care and the Donald and Ruth Furman Aquatic Center Trust.

Ms. Masteller also explained the Enterprise Funds for the Water Utility, Water Construction, Water Sinking, Sewer Utility, Sewer Improvements, Sewer Sinking, Electric Utility, Electric

Sinking, Sunsmart Community Solar, and Parking Operations. The Parking Capital Reserve fund was briefly reviewed; it is used to fund future Parking capital projects. Due to lost revenue due to the pandemic, funds had to be transferred to fund operations in 2021/22.

Budget Analyst Masteller continued with brief explanations of additional Enterprise funds, as follows: Transit Operations, Transit Student Government Trust, Transit Capital Reserve, Stormwater Utility, Stormwater Improvements, Ames/ISU Ice Arena, Ice Arena Capital Reserve, Homewood Golf Course, and Resource Recovery. Corrected pages for Transit Operations (Page 332) and Transit Student Government Trust (Page 333) were distributed to the Council members.

The Debt Service fund was described. The available fund balance from this account is used to reduce future debt service.

The presentation concluded with summaries being given of Internal Services funds, including Fleet Services, Fleet Replacement Reserve, Information Technology, Technology Replacement Reserve, Technology Reserve Fund, Shared Communications System, Printing Services, Messenger Services, Risk Management, and Health Insurance.

City Manager Schainker brought the Council's attention to the memo included in the Special Reports regarding the FY Budget for Ames Intermodal Facility. He noted that at the end of FY 2022/23, it is projected that the balance in the Facility will be \$271,719.85. The Agreement between the City and Iowa State University requires the parties to share equally in any year where revenues do not. Mr. Schainker stated that, due to the excellent work being done by Mark Miller, who manages the Facility, the City's financial support was rewuquired only in the first two years of the Intermodal's existence. Since no deficit is being projected for FY 2022/23, no action will be needed from the City Council.

City Manager Schainker noted that information regarding the proposed allocations for COTA, ASSET, and Outside Funding requests had been provided to the Mayor and Council. The decisions on the allocations will be finalized at the Budget Wrap-Up meeting to be held on February 8.

DISPOSITION OF COMMUNICATIONS: Mayor Haila noted that a letter submitted by Jeri Neal, on behalf of the Ames Climate Action Team, had been received. This item was taken under advisement by the Council.

COUNCIL COMMENTS: Noting that most of the largest cities in Iowa are already at the 8/10 limit for debt, Council Member Gartin noted that not all communities are in the good financial position like the City of Ames. He credited and thanked City staff for working hard to get the City in that position. Council Member Betcher echoed those comments.

ADJOURNMENT: Moved by Beatty-Hansen, seconded by Gartin, to adjourn the meeting at 4:47 p.m.

Diane R. Voss, City Clerk

John A. Haila, Mayor