



## **NOTICE OF PUBLIC MEETING – Budget & Finance Committee**

The City of Adel's Budget & Finance Committee will meet at Adel City Hall, 301 South 10<sup>th</sup> Street, Adel, Iowa, in the Council Chambers on **Tuesday, August 22, 2017 at 6:00 p.m.**

### **AGENDA**

1. Call to Order
2. Approval of August 1, 2017 Minutes
3. Modifications to the Residential Tax Abatement Program
4. Any Other Business
5. Adjournment

8/21/2017 2:52:07 PM

*Please Note: Members or a quorum of members of other City Committees, Commissions, and / or the Council may be in attendance. Only items on the agenda may be acted upon and / or discussed.*



## August 1, 2017 Budget & Finance Committee - Minutes

### **The City of Adel's Budget & Finance Committee met in the Adel City Hall council chambers, 301 South 10<sup>th</sup> Street, Adel, Iowa, on Tuesday, August 1, 2017 at 6:00 p.m.**

The Budget & Finance Committee meeting was called to order at 6:00 p.m. by Chair Shirley McAdon. Members present: Hillmer, McAdon, and Ockerman. Others in attendance: Council member McAvoy, City Administrator Brown, Gary Berglund, Carter Nordman, Jodi Selby, and another audience member. Chief of Police Gordy Shepherd arrived at approximately 7:00 p.m.

McAdon began the meeting by explaining the agenda and the committee's process. Any documents available at the meeting will also be posted to the City's website. McAdon's expectation is that the committee will discuss the residential tax abatement, make a brief report at next week's council meeting, and then meet again in August to develop a recommendation. The Adel City Council would consider the recommendation on August 28 and then take further action in September and October. McAdon noted that public comments may be directed to Adel City Hall or the council. If a public hearing is held in the future, that hearing would be another venue for the public to express their views.

Hillmer motioned, seconded by Ockerman, to approve the June 7, 2017 meeting minutes. Motion carried unanimously. McAdon brought up a few items from last meeting's minutes. The City's annual audit for FY16-17 has not yet been scheduled, though Brown anticipates that it will be started this month or next month. The Adel Public Library is changing its fiscal year to better coordinate with the City's audit. The City has received a letter from Dallas County regarding the upcoming local option sales tax (LOST) election. The letter noted that the City may decline to participate, as the City already has a LOST.

Discussion moved to the modification proposals for the City's residential tax abatement program. McAdon stated that the Adel City Council has been reviewing a variety of information to help the decision-making process. This information includes the history of the program, a demographic study on the ADM School District, a letter from the ADM School Board, information from Xenia Rural Water, several reports and studies from McClure Engineering, and financial data from PFM and City staff.

Brown stated that, as of July 31, the City has issued 485 building permits since 2011 (i.e., when the program began): 85 in 2017; 138 in 2016; 119 in 2015; 41 in 2014; 47 in 2013; 29 in 2012; and 26 in 2011.

Brown reviewed six developments (i.e., Brickyard Summit, Eagle Vista, Prospect Pointe, Southbridge, Timberview West, and Twin Eagles Riverview PUD) whose developers, builders, and/or homeowners could be affected by changes to the program. Legal advice will be necessary to determine how any changes to the current program affect these developments.

Brown provided the committee with the expected City tax revenue from the 485 homes once their abatement period starts ending in a few years. Brown noted that a number of assumptions were used to determine these amounts. Ockerman noted that the State could end backfill payments in the future, which is a revenue gap that the City would need to fill itself. Hillmer noted that the City has generated building permit fees and other revenues during this interim period.

McAdon stated that Adel Developers, an economic development group under the Adel Partners Chamber of Commerce, has provided information on the impact of the abatement program. McAdon stated that residential developers in the group came to Adel because of the program and ceasing it completely and quickly would have a major impact on Adel. McAdon noted that most residential developers could accommodate any changes if provided 18 months' notice.

Hillmer stated that a fundamental question for Adel is whether it wants any more growth and whether incentives should be offered. Ockerman stated that, if the housing products are good, folks will continue to purchase without the program.

McAdon stated that the program's goals have changed since 2011 and the council needs to decide what to do now with the current situation. McAdon noted that everyone has questions on how aggressive the program should be. The council, mayor, and a number of residents have provided ideas on changing the program. Hillmer noted that everyone is open to changing the program, but how it is changed needs to be determined.

McAdon asked whether the City's goal should be to reach 5,000 in population by 2020. This population size would allow the City to apply for CIRTPA funding and would provide approximately \$154,000 per year in RUT funding. Ockerman noted that CIRTPA funding is not guaranteed and that any increase in population will generate more RUT funding.



McAdon stated that she was concerned with ending the program too quickly, which may cause developers, builders, and homeowners to overwhelm City staff to get their projects done before the deadline. Ockerman noted that there does not appear to be enough labor or materials to sustain any more homebuilding in Adel than has been recently seen.

McAdon noted that Mayor Peters has expressed the idea of capping the abatement offered per home to incentivize less expensive homes. Hillmer noted that the argument against the abatement does not seem to involve the price of the homes. McAdon noted that most of the homes since 2011 have averaged over \$200,000. McAvoy stated that the abatement was designed to be very aggressive and that the City should still be competitive with the metro.

Hillmer noted that the City could stop abatement but still see growth continue. Hillmer stated that she has supported giving the current program two more years, but she understands that a deescalating sliding scale program may help residents budget for their property taxes. Hillmer would support either McAvoy's Option #1 or Haynes's sliding scale option. Hillmer noted that she received a letter from someone who cannot close on their home until March 2018. The homeowners should also be considered.

McAdon stated that she supports a deescalating sliding scale, which would keep the City competitive with the metro. McAvoy stated that he supports a deescalating sliding scale. Ockerman stated that he would prefer to end the program on January 1, 2020, but he could consider supporting a 3-5 year sliding scale for 2018 and 2019.

Hillmer stated that goals should be created for the new program and that it should be reviewed annually. McAdon noted that the current program had goals but that the past few years have changed rapidly. McAdon noted that, if the program were evaluated every few years, it could create uncertainty for those looking to invest in or move to the City.

McAdon stated that, if the program changes, the City may see growth occur more slowly and steadily than the past six years (e.g., the City of Carlisle). Hillmer stated that she was officially withdrawing her modification proposals from consideration.

McAdon stated that the committee will report the following to the council next week: The committee agrees that the program should be changed to a deescalating sliding scale, but it has not yet determined the amount of years and percentages of the scale, when the program should begin, and when the program should end. Legal will need to review the "trigger" for the changes.

Discussion moved to the City's capital improvement plan (CIP) purchasing process. Brown asked the committee to provide clarity on this process, as it has seen several iterations in the past four years.

McAdon stated that, during the City's annual budgeting process, the council and department heads discuss their upcoming CIP items. The items are included in the budget, which is approved by council. McAdon stated that CIP items should be purchased immediately when they align with the budget and when three or more quotes have been obtained. If the price is high or if there are issues, the items should come to council. McAdon noted that some department heads have waited until the end of the fiscal year to purchase their items. This practice should be avoided.

Ockerman stated that he did not have any issues with purchasing CIP items that were approved in the budget. Ockerman noted that old quotes/bids should not be relied on, as prices can fluctuate on a regular basis. Ockerman noted that Dallas County requires each CIP item to come before the Board of Supervisors, though these items are hundreds of thousands of dollars.

Hillmer stated that CIP items should be purchased if the council has allocated funds for them. McAvoy agreed. McAdon suggested that Brown provide council with notice when an expensive CIP item will be purchased.

Hillmer motioned, seconded by Bob, to give budget authority to department heads to make CIP purchases that have been budgeted with City Administrator approval. Motion carried unanimously.

With no other business, the meeting was adjourned at approximately 7:39 p.m.

Respectfully submitted,

Anthony Brown  
City Administrator

**Adel City Council**  
**Residential Tax Abatement Program – Proposed Modifications – UPDATED**

**Shirley McAdon**

- Modify to a five-year or seven-year sliding scale program
- Requested more information

**Bob Ockerman**

- Prefers to end current program January 1, 2018
- Modify to a sliding scale program until January 1, 2020

**~~Rebecca Hillmer~~ (withdrawn)**

- ~~• End current program January 1, 2020~~
- ~~• Requested more information~~

**Jon McAvoy**

- Option 1: Maintain current program; modify to a seven-year sliding scale program (first two years at 100%, next five years at a sliding scale) effective January 1, 2018
- Option 2: Maintain current program; modify to a five-year program (all five years at 100%) effective January 1, 2019
- Option 3: Maintain current program; modify to a five-year sliding scale program effective January 1, 2020

**Mike Haynes**

- Prefers to end program completely
- Modify to a seven-year sliding scale program (first year at 100%, then approximately 16.7% decrease every year) beginning January 1, 2018
- Any new development that is not shovel ready will not receive abatement

\*Highlighted options were supported by Rebecca Hillmer at the last Budget Committee meeting.