

Council Study Committee
January 9, 2012
Minutes

Council Members Present: Chair Pete Berry, Greg Marchant, Eric Mathieu, John Parker, John Sirianni and Mayor Bresnan. Absent: Pam Pepper

Staff Present: Jean Furler and Tim Zisoff

1. Natural Gas Franchise Fee: Tim reviewed the proposed natural gas franchise fee:

- A 1% natural gas franchise fee generates about \$48,200 annually and is equal to an 11-cent tax rate
- The annual debt on the \$1.27 million ladder truck is \$150,000
- The 1% commercial/industrial fee and 3% residential fee will generate \$123,000 annually (MAE's projection) and equals 27 cents on the tax rate
- The tax rate required to pay the \$150,000 ladder truck debt is 34 cents
- A 34-cent tax rate has the following cost affect on property:

\$175,000 residential property = \$30 annually

\$500,000 commercial property = \$170 annually

\$750,000 industrial property = \$255 annually

- A 1% franchise fee will cost the average business about \$50 annually and average industrial property about \$150 annually
- A 3% franchise fee on residential property about \$30 annually

The following are gas franchise advantages:

- Franchise fees can be used to reduce property taxes
- Franchise fees are paid by residential, commercial, industrial organizations and non-profits
- Placing franchise fees in Fire and Police Departments not only reduces taxes, but, allows all entities to pay for these essential services
- Franchise fees diversify the revenue stream and reduce reliance on property taxes that are only paid by 70-75% of property owners
- Franchise fees can be more reliable than property taxes (this year's taxable value increased by a fraction of a percent) and provide a more consistent revenue stream
- A concern about paying the fee on an "essential" commodity such as gas can be offset by placing the fees into the Police/Fire budgets which are "essential" services, and, by reducing taxes

- When non-profits pay franchise fees, they pay for services their members receive. Keep in mind not everyone belongs to a non-profit organization, and, that non-city residents belong to non-profit organizations and would consequently pay for (police/fire) services received
- Consistent with all forms of fees or taxes, there will be winners and losers. High gas users will pay more in the fee than the reduction in taxes (see table below). However, this issue can be addressed by having a lower fee for commercial/industrial users than for residential users i.e. 3% for commercial/industrial and 5% for residential

Mayor Bresnan indicated he has received positive responses from other metro mayors of cities who have implemented the fee. It was indicated that the percentages could be changed at any time and that the council will approve how the funds are spent.

The committee approved the concept and agreed to move forward with the process.

2. Committee Assignments: The members discussed the following council committee assignments:

Indianola Development Association – John Parker and John Sirianni– meets every other month second Tuesday at 7:00 a.m.

Warren County Economic Development Association– meets third Wednesday of month at 7:45 a.m.-representative to be determined.

Dangerous/Dilapidated Committee – Pete Berry – meets on call at 5:00 p.m.

Wellness Center Committee – John Sirianni – meets on call

Landfill Committee – Pete Berry – every other month – third Wednesday at 1:00 p.m.

Investment Committee – Pete Berry – meets on call at 4:00 p.m.

Metropolitan Planning Organization – Chuck Burgin and Tim Zisoff – meets the 1st Thursday at 9:30 a.m. in Des Moines

CIRTPA – Chuck Burgin and Tim Zisoff – meets the second Thursday (even months) at 9:30 a.m. in Des Moines

Metro Advisory Committee-Mayor Bresnan and Eric Mathieu-meets second Tuesday 7:30 a.m. Botanical Center in Des Moines

- 3. YMCA/Wellness Center Committee:** The Y/Wellness center agreements between the City, Schools and Simpson to share the cost of the competitive pool have yet to be negotiated. Attorney Dan Manning has been hired to represent the city. Staff recommends establishing a committee comprised of two council members, Jean Furler, Tim Zisoff and Mr. Manning to negotiate the agreements. Representatives from the Schools and Simpson indicated their preference to wait and negotiate after the construction bids are received in the spring. The city's bond attorney, Eric Boehlert recommends having agreements in place prior to issuing any more debt for the project to minimize the city's risk. A committee was not established at the meeting.
- 4. IPAD Training/Review:** Information Technology Manager Kurt Ripperger provided an IPAD training session. IPAD readers will be utilized for council/committee meeting information in lieu of paper packets.
- 5. Other Items:**
- Eric Mathieu asked the committee if they would be favorable to moving the council/committee meeting times from 6:00 p.m. to 5:30 p.m. Staff will provide information to process the request.
 - Mayor Bresnan requested the North "C" Street engineering contract with Veenstra and Kimm be placed on the January 17, 2012 agenda.

The committee adjourned at 6:45 p.m.