

CITY COUNCIL PROCEEDINGS

October 12, 2010

The City Council met at 8:00 p.m. in special session with Mayor Larsen presiding. The meeting was held in the music room at Walnut Community School. Council present: True, Tooley, Zimmerman, Shepherd. Council absent: Wood.

The purpose of the meeting was to discuss and consider the proposed Pottawattamie County Wind Farm Urban Renewal Plan Agreement.

Guests in attendance: Kay Mocha, John Rasmussen, Melvyn Houser, Lori Holste, Rex Sievers, Mary Ann Goettsch, Mary Jo Bradley, Mike Bradley, Bryan Simonsen, Shannon Griffith, Izetta Dierking, Kathy Humann, Sondra Dea, Barb Dyer, Mel Hansen, Mark Hopkins, Vera Mueller, Milton E. Mueller, Charlotte Shepherd, Shirley Simonsen, Paul Simonsen, Loleta Hansen, Joan Nelson, Ron Nelson, Kelly Allen, Sarah Kock, Ron Hamilton, Linda Holst, Robert Holst, Larry Kay, Troy Schaben, Jim Hammrich, Todd Ehlers, Ione Hughes, Sharon Sorrells, Judy Kay, Robert A. Kixmiller, and Cindy Redler.

City staff in attendance: Terri Abel.

Motion by Zimmerman, seconded by Tooley to approve the agenda. Ayes: Shepherd, True, Tooley, Zimmerman. Carried.

Melvyn Houser was present representing the Pottawattamie County Board of Supervisors. Kay Mocha, the Pottawattamie County Planning and Development Director, was also present at the meeting as well as Pottawattamie County Engineer John Rasmussen. Melvyn Houser introduced the Pottawattamie County officials for the benefit of those in attendance.

Houser stated that after attending the recent City Council meeting and listening to the concerns expressed by the School Board members who spoke, he felt that the County had come up with a plan that would suit the Walnut Community School Board, the needs of the Pottawattamie County Engineer to repair the County's roads, the various County departments, and the Township Trustees. Houser noted that Kay Mocha had worked with the County's bonding attorney and financial advisor since the City Council meeting to develop that plan.

Houser prefaced the discussion by making a statement that the City and the County has always worked well together; he read a quote concerning partnerships. He stated that he considered Walnut and the other communities in the County as members of the Pottawattamie County community.

Kay Mocha distributed worksheets detailing various options concerning the implementation of the proposed Urban Renewal Plan.

Mocha stated that there are two options for the County to attempt to fund the road projects that the County Engineer needs to complete. The first approach would be to include all of the wind turbines that are located in Layton and Knox Townships, in the Walnut Community School District and the AHST School District. Kay stated that she had looked at four different options within that scenario. She distributed support material with an option summary sheet showing the calculations and how the various distributions were determined.

The first option illustrated what would happen if the County were to utilize 100% of the increment for the first ten years with none of the revenue going to the other taxing entities; debt would be certified on December 1, 2010. Even though she was aware that the first option was not considered acceptable, she wanted to include the figures for comparison purposes.

The second option detailed the consequences of a 75%-25% distribution of the increment for twelve years; debt would be certified on December 1, 2010. The second option was the proposal as suggested by Ron Hamilton at the previous City Council meeting. The second option would bring a total of \$16,140,557 to the County TIF program over a twelve-year period, distributing \$13,593,785 to the two school districts and \$877,153 to the two townships.

The third option illustrated the results of a 75%-25% distribution of the increment for twelve years; debt would be certified on December 1, 2011. Approximately \$16 million would become available for the County road projects, approximately \$17.5 million for the two school districts, and \$1.1 million for the townships.

The last option detailed a 60%-40% distribution of the increment for fourteen years utilizing all of the wind turbines; debt would be certified on December 1, 2010. The option would provide approximately \$15.9 million to the County TIF, approximately \$13.7 million to the two school districts, and approximately \$500,000 to the townships.

Mocha detailed that another alternative would be to completely abandon the wind turbines that are within the two-mile limit of the City of Walnut and to move out beyond that boundary, accounting for 55 turbines. 37 of the 55 would be located in the Walnut School District. This proposal would net \$16.4 million to the County road project, \$13.4 million to the schools, and \$888,000 to the townships. Like all of the options, the calculation excluded current debt service for any and all of the entities. Debt would be certified on December 1, 2010. This is the alternative that could occur if the City would decide not to participate.

Mocha stated that Pottawattamie County would like to propose the option that would give the most to the school district, that being the third option as previously detailed. Debt would be certified on December 1, 2011, leaving the base at \$17 million to be distributed among the taxing entities. The option would provide for a 75%-25% distribution of the value through the process.

The estimates are based on the 2010-2011 levy which will not remain stagnant.

At this point in the meeting, Mayor Larsen requested questions and comments from the School Board as well as the interested citizens in attendance at the meeting.

Shannon Griffith stated that the School Board had not been given adequate time to look at the numbers as provided by Pottawattamie County. He indicated that the school budget formula is much more complex than multiplying property valuations times levy rates. There are State mandates that guarantee that there will be property tax relief built in as the property tax base grows. Griffith also commented that the County's perspective is not correct because the tax base value already exists, the County's project does not create the value.

With the help of the Iowa Department of Management figures, Griffith used 2010 as the base year; the Walnut Community School District has \$78 million in property tax base. The school's total levy rate is \$15.00 per \$1,000 of valuation. If the school were to realize the full 30% gain from the wind farm, in five years the school's levy rate would

drop to \$11.00 per \$1,000.00 of valuation, while the district revenue would increase by approximately \$500,000 per year. This would decrease the school's State aid by approximately 40%. Griffith made the comment that if Walnut would not cooperate with the proposed plan, the County would most probably implement the plan immediately, which would harm both the Walnut and the AHST school districts.

Griffith requested that the City Council completely reject the County's proposal. He did not feel that the County's plan had any benefit to the Walnut School District or the community. He indicated that the school would be allowed to attend the upcoming consultation. During the course of the discussion, Houser stated that Mocha used the same \$13.13 levy rate for the Walnut School District throughout the scenario. Shannon pointed out that there could be tax relief after the tax base is realized from the wind turbines.

Ron Hamilton stated that time has been a factor throughout the County's request, and he felt that Walnut representatives should be given adequate time to look at and digest the numbers in order to determine which option is the most beneficial for Walnut. It was Ron's opinion that the County will proceed with its plans should the City Council not approve of the proposed Urban Renewal Plan. Griffith commented that he had not had the chance to look at every scenario.

Shannon Griffith stated that when MidAmerican Energy initially approached the local landowners about the installation of wind turbines, it was stated that the property tax revenue from the turbines would benefit the local townships and school district. He noted that the County's proposal would take that tax benefit away from the local townships and school district to repair the County's roads.

Griffith stated that when talking to representatives of Hancock and Oakland, none had been made aware of the County's plans until recently. Shannon questioned when the County started making its plans for the creation of an urban renewal district. Houser replied that the Board of Supervisors has been thinking about the process for more than one year; however, it was not until May of 2010 that the County arranged for a bonding attorney to explain the process. He continued that the Board did not begin to actively work on the Plan until this past summer, and the current time crunch materialized unintentionally because portions of the proposed Plan are time sensitive. Griffith felt that it was unrealistic and unfair for the County to expect three City Councils to react in such a short timeframe.

Melvyn Houser detailed other counties that have completed similar TIF projects using wind farms including Mitchell, Hardin, Winnebago, and Story; Adair County is in the process. He also stated that the completion of Pottawattamie County's Plan would benefit the road department, but it would also cause the other various County departments to lose money. Houser stated that the scenario as presented by the County would show growth, a compromise that he felt would be advantageous to all taxing entities.

Griffith pointed out that if the plan were to be abandoned, all of the taxing entities would be equal partners in the tax revenue that would be derived from the wind farm. Pottawattamie County Engineer John Rasmussen reported that if the plan were to be abandoned, his department would realize an increase in revenue of approximately \$5 million over twenty years.

Shannon stated that he is not opposed to TIF districts that are used for the right reason to spur economic development to an area. Houser stated that good roads are

indeed necessary for agriculture, which is the largest industry in Pottawattamie County. Sue Shepherd pointed out that roads in the immediate local area are not included in the repair plan. The roads that are slated for repair are detailed in the proposed Plan. Those in attendance briefly discussed the deteriorating condition of the County's roads.

When asked by Hamilton, Houser stated that if the City Council did not agree to the Plan, the County would have the option to either do nothing or amend the Plan and proceed with the alternative to exclude the wind turbines that are located within the two-mile limit and proceed with the amended Plan. Ron felt that the School Board should be given enough time to look at the numbers and talk to the State, in order to determine which plan is best for all involved. Hamilton also wanted to consider which plan would be best for the neighboring AHST School District.

Kay Mocha stated that she had discussed the Plan with the County's bonding attorney; there are aspects of the process that are time sensitive. She said that the Board is planning to adopt a resolution of necessity at the next week's meeting. The schedule from which the Board of Supervisors is working would schedule the public hearing for the adoption of the plan and the first consideration of the ordinance for November 10, 2010.

Ron Hamilton pointed out that the actual length of the Plan is twenty years, so potentially the Board of Supervisors could undertake additional projects during the twenty-year life of the district. Hamilton stated that he would be happier if the length of the plan would coincide with the length of the option chosen, twelve years for example. Mocha commented that the better scenario would be to limit the Plan to the cost of the road project.

Kay Mocha suggested scheduling a work session with two School Board members, John Rasmussen, and herself to work together to determine the best situation for all of the taxing entities. Kay's suggestion would allow the City Council additional time to think about the Plan, which could then again be discussed at the regular November 4, 2010 City Council meeting.

Tooley made note that the majority of the proposed road improvements will occur outside of Layton and Knox Townships. He stated that he would be in favor of a plan that would bring economic growth to Walnut's area. He questioned the necessity of the road improvements for agricultural economic development. Tooley personally thought that the City Council should refrain from executing the joint agreement and fight to throw out the plan until a plan materializes that would bring economic growth to the immediate local area. Houser clarified that the Plan would fix the road infrastructure within Pottawattamie County, which the Board considers the local area. Houser also stated that the Board would like to adopt a Plan that would allow growth and tax benefit to all of the taxing entities.

Mayor Larsen said that whether or not to execute the joint agreement will be an extremely difficult decision for the City Council. He summarized that the County's roads are deteriorating, and the County does not have adequate funding to make the needed repairs. Larsen felt that the funding to repair the roads should come from the proper source, gas tax. Houser stated that all of the Iowa counties are experiencing difficulty in financially maintaining the County roads. Melvyn also commented that counties have the ability to float G.O. bonds on behalf of road improvements.

Houser also pointed out that most property taxes on utilities are collected by the State and disbursed by formula to the taxing entities. Pottawattamie County adopted an ordinance that allowed the property tax from the wind turbines to stay locally. Shannon Griffith noted that it was in the best interest of MidAmerican Energy that Pottawattamie County adopted the ordinance, because it saved MidAmerican a great deal of money. Mocha indicated that Pottawattamie County collected money from MidAmerican Energy for plan review and permits during the construction of the wind farm. Most of the plan review and inspections were outsourced; 75% of the fees were paid to the contractor, and the County retained 25%.

Mocha again suggested that a work session be held with representatives from the Walnut Community School Board and Pottawattamie County to further investigate the various options and associated numbers. Houser surmised that the City Council's decision would probably be easier with a recommendation from the School Board. Mayor Larsen clarified that the City Council is the only entity in Walnut from which the County needs to obtain permission. Larsen was also certain that the members of the City Council will be influenced by the local school board and the local residents of the community.

When questioned by the public, Kay Mocha stated that there are a total of 55 wind turbines outside of the two-mile radius and 37 wind turbines within the two miles surrounding the City limits of Walnut. Mocha explained that State Code dictates that a joint agreement is required for the County to establish an urban renewal area or to undertake urban renewal projects within two miles of an incorporated city. The same would hold true if a city were to come out into a county within the two-mile limit to accomplish an urban renewal project or establish an urban renewal district.

Motion by Shepherd, seconded by True to table discussion of the Pottawattamie County Wind Farm Urban Renewal Plan Agreement until the next regular City Council meeting, which will be held on November 4, 2010. Ayes: Zimmerman, True, Shepherd. Nays: Tooley. Carried.

Meeting adjourned, 8:55 p.m.

Gene Larsen
Mayor

Terri L. Abel
City Clerk