

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-005

SYNOPSIS -

AGENDA:

JANUARY 4, 1999

The annual financial statements and audit for the Wastewater Reclamation Authority (WRA) for fiscal year 1997-98 have been completed, published, and distributed to the communities that belong to the WRA Management Agency. As in past years, the external financial auditors issued an unqualified opinion on the financial statements.

SUBJECT:

FINANCIAL STATEMENTS
FOR THE WASTEWATER
RECLAMATION
AUTHORITY, FISCAL
YEAR 1997-98

FISCAL IMPACT -

None.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Receive and file.

SUBMITTED BY:

KEVIN RIPER
FINANCE DIRECTOR

HAROLD SMITH
CITY ENGINEER

BACKGROUND -

The financial statements for the WRA for fiscal year 1997-98 report another year of healthy results, with operating and capital expenditures sufficiently below the adopted budget to produce the usual annual refunds to the constituent communities. Furthermore, WRA's external financial auditor, KPMG Peat Marwick, has issued a clean opinion on the financial statements.

The relative size of the annual refunds continues to be an item of discussion within the WRA. While most constituent communities express support for the longstanding WRA practice of budgeting each year for a projected 5 percent refund-to avoid the need for mid-year appropriation adjustments and rate increases-several other constituent communities would prefer that

projected refunds be closer to zero. In partial response to this desire, City staff intends to recommend to the WRA Management Agency representatives in early 1999 that, for the first time, the current-year budget be amended to reflect recent budgetary developments. Furthermore, a budget subcommittee of the Management Agency continues to meet and discuss the issue of the appropriate target level for annual refunds.

A second issue the subcommittee is discussing is the annual payment in lieu of taxes (PILOT) made by the WRA to the City's General Fund. While all constituent communities agree with the concept that an annual PILOT payment is justified, some are concerned that the formula the City uses to compute the PILOT yields too high a figure (nearly \$600,000) for the value of police and fire services received. City staff has pointed out that the PILOT formula applied to the WRA is the same as the formula applied to all other City enterprise funds (parking, golf, solid waste, airport, and sewer).