



**Council
Communication**
Office of the City Manager

Date	March 6, 2006
Agenda Item No.	33
Roll Call No.	<u>06-</u>
Communication No.	<u>06-111</u>
Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

On amendment to the Annual Budget for current fiscal year ending June 30, 2006 and on proposed Annual Budget for fiscal year ending June 30, 2007.

SYNOPSIS:

Recommend adoption of amendment of the annual budget for the current fiscal year (FY06) and adoption of the annual budget for the next fiscal year (FY07) with adjustments. The recommended operating and capital improvement budgets were presented to Council at the workshop held on January 25, 2006. The Council subsequently requested changes in the budget related to golf course maintenance, as discussed at the February budget workshops and reported to Council in a letter and email, both dated Monday, February 27, 2006. A summary of those adjustments is included in the table below:

	FY07 Recommended Golf Fund	FY07 Recommended General Fund
Expenditure Adjustments:		
Reinstate Indirect Charge in Golf Enterprise Fund	138,000	
Reinstate Golf PILOT Charge in Golf Enterprise Fund	37,000	
Eliminate General Fund Transfer Out		(50,000)
Eliminate Blank Golf Course Budget in Golf Enterprise Fund	(434,523)	
Revenue Adjustments:		
Reinstate Golf Indirect Charge Revenue in General Fund		138,000
Reinstate Golf PILOT Charge Revenue in General Fund		37,000
Eliminate General Fund Transfer In Golf Enterprise Fund	(50,000)	
Decrease Blank Golf Course Revenues in Golf Enterprise Fund	(402,873)	
Total Expenditure Adjustments	(259,523)	(50,000)
Total Revenue Adjustments	(452,873)	175,000

FISCAL IMPACT:

Amount: The recommended operating budget for FY07 totals nearly \$430 million. The total six-year recommended Capital Improvement Program for FY07 through FY12 totals over \$590 million.

Funding Source:

- The tax rate for next year will be set at 16.45, reflecting a 7 cent reduction from the current year.
- The city's tax rate will no longer include a Public Transit levy due to the creation of the Regional Transit Authority (RTA) and its independently established tax rate. The RTA levy in Des Moines, when added to the City's rate, will be 17.05.

ADDITIONAL INFORMATION:

This year the Council was engaged in the operating budget earlier than ever before with a workshop schedule that began in August 2005. Based on conversations during these budget workshops, staff recommends an FY07 budget that includes the following:

- Expanded homeland security (with anticipated regional financial assistance).
- Greater information technology support.
- Enhanced capital improvement project administration and planning.
- Full-year funding of the new central library.
- Pursuit of new operating agreements at the golf courses.
- Parking system rate restructuring.
- No change in solid waste user fees.
- Adherence to the Council debt margin policy.

The budget workshop discussions also revealed a number of threats and opportunities that the City will face in future budget cycles as it continues to balance the needs of the community with limited resources:

- The City is still involved in litigation regarding gas and electric franchise fees. Though a positive outcome is anticipated in the Iowa Supreme Court, staff is working on a contingency plan to address the budget shortfall that would result if these revenues were no longer available. This contingency plan would give City staff and the Council time to identify a long-term strategy to balance the budget, though such a remedy would likely include significant reductions in essential services and tax increases.
- Health insurance costs continue to be a volatile factor in the City's effort to balance the budget. The City must continue to be aggressive in seeking the most competitive rates from insurance providers.
- The City is currently in negotiations for renewal of the cable franchise agreement. The outcome may result in opportunities for increased services or cost savings.
- The City must continue to seek ways to stabilize the City's budget and reduce reliance on the property tax by diversifying revenue streams. In the future, the City must work to build a statewide coalition of municipalities that will collectively develop new revenue approaches that benefit all of Iowa's cities, not just Des Moines. This level of cooperation will be necessary to help build support for change in the General Assembly.
- The City should continue to explore opportunities for intergovernmental collaboration, such as those that have been successful with Polk County. Future opportunities may be available with suburban neighbors and the school district.
- The City should continue to monitor the Greater Des Moines Partnership Project Destiny initiative for a regional local option one cent sales tax, which is anticipated for a November 2006 referendum. If approved by voters, this proposal would have a significant impact on future budgets.
- As always, staff must work with the Council to control expenditures by maximizing efficiency in providing those services deemed most essential to the community.

PREVIOUS COUNCIL ACTION(S):

Date: February 6, 2006

Roll Call Number: 06-256

Action: Setting date of hearing on proposed Annual Budget for fiscal year ending June 30, 2007, (3-6-06). Moved by Vlassis to adopt. Motion Carried 7-0.

Date: February 6, 2006

Roll Call Number: 06-255

Action: Setting date of hearing on amendment to the Annual Budget for current fiscal year ending June 30, 2006, (3-6-06). Moved by Vlassis to adopt. Motion Carried 7-0.

Date: March 7, 2005

Roll Call Number: 05-583

Action: On proposed Annual Budget for fiscal year ending June 30, 2006. Moved by Coleman to adopt the Proposed 2006 budget as published, incorporating the applicable changes as outlined in Exhibit "A" Budget Changes to Published Hearing Notice, including the following: 1. Select option 3 – to reduce the tax rate from 17.22539 to 16.52, with a corresponding adjustment in franchise fees. 2. Regarding bullet #14 – Amend – to reduce the Enterprise, General, Tort, Employee Development and Road Use Tax, travel/training/dues & memberships by 10%. 3. Set date of public hearing on the Franchise Fee amendment as March 28, 2005 at 5:30 P.M. Motion Carried 6-1. Nays: Brooks.

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE