



Council Communication

Office of the City Manager

Date	February 26, 2007
Agenda Item No.	50
Roll Call No.	07-
Communication No.	07-114
Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

Hearings on amendment to the Annual Budget for current fiscal year ending June 30, 2007, on the proposed Annual Budget for fiscal year ending June 30, 2008, and the Capital Improvements Program for fiscal years 2007-08 to 20012-13.

SYNOPSIS:

Recommend adoption of amendment of the annual budget for the current fiscal year (FY07) and adoption of the annual budget for the next fiscal year (FY08). The recommended operating and capital improvement budgets were presented to Council at the workshop held on January 24, 2007. The published tax rate was \$16.61, but \$16.59039 is recommended for approval, based on updated information from the Polk County Assessor's Office.

FISCAL IMPACT:

Amount: The recommended operating budget for FY08 totals over \$432 million. The FY08 recommended capital budget is nearly \$114 million.

Funding Source: The tax rate for next year will be set at 16.59039; compared to the current year tax rate of 16.45, this is less than a 1% increase.

ADDITIONAL INFORMATION:

The following are the **major highlights** that summarize the proposed budget:

1. **Slight decrease in residential tax bills:** Based on the recommended tax rate, residential tax bills will decrease by a few dollars and commercial/industrial tax bills will increase about 2%, still well below the rate of inflation.
2. **Reduced future debt service tax rates and overall tax rates:** Staff and City Council have worked to significantly decrease the City's general obligation bonding levels. Exercising discipline with our debt levels will have long term positive impacts on our tax rate.
 - o The amended FY07 capital budget reflects \$7.4 million in reductions.
 - o The proposed FY08 capital budget reflects \$8.7 million in reductions.

- o The remaining four years in the capital program (FY09-FY12) reflect \$16.6 million in reductions.
- 3. **Substantial health insurance and pension savings:** Because of collective bargaining agreements, the City will save a tremendous \$7.1 million next year in health insurance costs, while maintaining essentially the same level of benefits for employees. The City will also experience \$900,000 in savings for police and fire pension contributions.
- 4. **Maintained the current tax rate for the Des Moines Regional Transit Authority (DART):** For the next three years, the City has offered to provide the DART an annual grant not to exceed \$400,000. Funding would come from non-tax Park and Ride revenues that must be spent on public transit. The grant dollars will help DART balance its budget and maintain a steady (60 cent) tax rate for Des Moines taxpayers. This arrangement will also provide funding to begin transit service on Sundays in the next fiscal year. A strategy of using temporary grant dollars to fill the budget gap will only be successful if DART is able to fully absorb its expenses after three years. To do so, DART will need to develop a new funding formula that is sufficient to support the transit priorities of the region, regardless of mileage in a particular jurisdiction. We have encouraged the DART Board to initiate these conversations.
- 5. **Strategic Staffing:** A Plans Examiner position will be added to help speed up plan reviews related to new construction. The City will also add an Internal Auditor position to increase public trust of city finances. Both of these positions will be added through reallocations, so overall there is no increase in staffing levels. The City is also still practicing a limited hiring freeze as an ongoing savings strategy. This will save approximately \$225,000 next year.
- 6. **Reallocated Resources to Address Needs Related to City Goals:** This year's budget process began in August, when the Council worked to establish 12 new goal statements for the City. The goals were adopted by Council on October 23, 2006. The recommended budget includes a number of items that specifically address the City Goal Statements:
 - o *Great Customer Service and Communication:* \$50,000 was added to enhance the city cable production capabilities for DMTV Cable Channel 7.
 - o *Sustainable Green Community:* The City will partner with the Downtown Community Alliance and the State of Iowa to begin the downtown shuttle service next year.
 - o *Pride in Community Assets:* An additional \$4.9 million of local funding has been added to the Southeast Connector project.
 - o *Neighborhood Commercial/Retail Districts:* Beginning in FY09, \$1 million a year is provided for streetscape improvement projects. The budget also maintains annual funding of \$1 million each for the Neighborhood Development Corporation (NDC) and Neighborhood Finance Corporation (NFC).
 - o *World-Class Lifelong Learning Opportunities and Vibrant Downtown:* The City will be opening the Central Library year-round on Sundays. Beginning in July, the Central Library will open at 9:00 a.m. on weekdays, adding more hours each week to enjoy this centerpiece of our vibrant downtown.

Below are some other areas that have, in the past, been the subject of attention and questions from both the City Council and members of the public. The explanations below outline how each is addressed in the amended and proposed budgets.

- **Franchise Fees:** The City is still involved in litigation regarding gas and electric franchise fees. Based on the preliminary legal analysis, a positive outcome is anticipated. Franchise fee revenues, therefore, are included in the recommended budget. If the legal outcome on franchise fees is not favorable, the Council does have alternatives to address the shortfall. These would include operating cost reductions, short-term borrowings, and adjustments to the tax rate.

- **Gaming Revenue:** All gaming revenues remain devoted to street and bridge improvements.
- **Enterprise Operations:** The budget does not recommend any rate increases beyond the adopted fee schedules for sanitary, storm, solid waste, and parking enterprise operations.

PREVIOUS COUNCIL ACTION(S):

Date: February 12, 2007

Roll Call Number: 07-241 and 07-242

Action: Set date of hearings on amendment to the Annual Budget for current fiscal year ending June 30, 2007, and on proposed Annual Budget for fiscal year ending June 30, 2008, (2-26-07). Moved by Vlassis to adopt. Motion Carried 7-0.

Date: October 23, 2006

Roll Call Number: 06-2111

Action: Informal Hearing to adopt City of Des Moines Goal Statements. (Council Communication No. 06-682)

Date: March 6, 2006

Roll Call Number: 06-454

Action: Hearing on proposed Annual Budget for fiscal year ending June 30, 2007, and approving the Capital Improvements Program for fiscal years 2006-2007 to 2011-2012. (Council Communication No. 06-111)

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE