



# Council Communication

Office of the City Manager

**Date** February 22, 2010

**Agenda Item No.** 46A  
**Roll Call No.** 10-  
**Communication No.** 10-107  
**Submitted by:** Richard A. Clark, City Manager

## **AGENDA HEADING:**

Hearings on amendment to the Annual Budget for current fiscal year ending June 30, 2010; on the proposed Annual Budget for fiscal year ending June 30, 2011; and the Capital Improvements Program for fiscal years 2010-11 to 2015-16.

## **SYNOPSIS:**

Recommend adoption of amendment of the annual budget for the current fiscal year (FY2010) and adoption of the annual budget for the next fiscal year (FY2011). The roll call also affirms the implementation of the City Manager's recommended actions to balance the FY2012 budget as presented and reviewed by the City Council at the February 8, 2010 workshop. The recommended Capital Improvement Program Budget document was delivered to Council on February 4, 2010, and the Operating Budget document was delivered on February 11, 2010. A total of nine workshops were held by Council to discuss various budget policies, in addition to two Town Hall style meetings used to solicit public input.

## **FISCAL IMPACT:**

Amount: \$701 million

The recommended operating budget for FY2011 is over \$577 million. The FY2011 recommended capital budget is approximately \$124 million.

## **ADDITIONAL INFORMATION:**

The highlight of the FY2010-11 budget process was the preparation of a two-year budget plan. City revenues and expenditures were forecast for a two-year period, and sufficient balancing actions are proposed to achieve a balanced budget through FY2011-12. The City Council cannot take formal action to approve the FY2011-12 budget at this time, but the FY2010-11 budget lays the foundation for a balanced budget through FY2011-12, with only modest adjustments to be needed next year.

The two-year budget plan reduces expenses in the Operating Budget by \$11.3 million, with no change in the property tax rate for two years (total City tax rate of \$16.58), and reduces Capital Improvement Plan expenditures by \$12.5 million over five years. Operating Budget reductions of \$9.9 million have been presented to Council, and another \$1.4 million in reductions will be achieved through salary and benefit savings to reach the full \$11.3 million required to balance.

The primary benefit of the two-year budget strategy is to allow more time to focus on solutions for the City's structural deficit challenge. The City's heavy reliance on property taxes means that revenues have

not and are not projected to keep pace with increasing costs. Our goal is to identify additional revenue sources that will allow revenue growth to match expenditure growth. This is not to say that expenditures will not need to be controlled as well, because they will, but the reality is that increasing costs in wages, health benefits, pensions, aging infrastructure and increased service needs put constant pressure on scarce budget dollars. The two-year budget plan will make additional time available to focus on the structural deficit problem. Two-year strategies include the pursuit of intergovernmental collaborations, a review of the City organization and the physical location of City departments, and the identification of new revenue streams that will augment property taxes and other revenues that can be used to fund City services. We will also need to review City operations and procedures to identify service delivery options that reduce costs and negotiate new contracts with City unions.

A related Council action considers a reduction to authorized staffing levels by 58 positions, all within the General and Road Use Tax Funds. Nine public safety positions, six in the Police Department and three in the Fire Department have had hiring frozen until funding has been identified to cover salaries and benefits. These nine positions do not constitute a reduction in authorized strength. In addition, some staffing has been restructured, such as the elimination of an Assistant City Manager position replaced by an Assistant to the City Manager position. Similarly, the Executive Administrative Assistant position in the Human Rights Department has been replaced with a Human Relations Specialist position, to become effective upon the retirement of the current employee. As a note for the FY2011-12 budget, a clerical position in the Fire Department is planned to be eliminated for that fiscal year through attrition.

In response to Council's strong interest in having the graffiti removal program retained, this service reduction will not be implemented. The initial budget balancing proposal had removed funding for this program, however, the Recommended Budget continues funding. The City has been spending approximately \$80,000 per year for this program, but will endeavor to provide the service at a lower cost. There are several options available including the use of City staff, contractors, volunteers or a combination of these resources. This addition to the budget will be balanced with a reduction in another area or an alternative revenue source that is yet to be determined.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: February 8, 2010

Roll Call Number: 10-189

Action: Setting date of hearing On proposed annual budget for fiscal year ending June 30, 2011, (2-22-10). Moved by Hensley to adopt. Motion Carried 7-0.

Date: February 8, 2010

Roll Call Number: 10-188

Action: Setting date of hearing On amendment to annual budget for current fiscal year ending June 30, 2010, (2-22-10). Moved by Hensley to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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