

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: February 27, 2012
	Agenda Item No. 44B Roll Call No. [_____] Communication No. <u>12-101</u> Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Hearings on amendment to the Annual Budget for current fiscal year ending June 30, 2012; on the proposed Annual Budget for fiscal year ending June 30, 2013; and the Capital Improvements Program for fiscal years 2012-13 to 2017-18.

SYNOPSIS:

Recommend adoption of amendment of the annual budget for the current fiscal year (FY2012) and adoption of the annual budget for the next fiscal year (FY2013). The roll call also affirms the implementation of the City Manager’s recommended actions to balance the FY2013 budget as presented and reviewed by the City Council at the various workshops in December and January. The recommended Capital Improvement Program Plan document was delivered to Council on January 23, 2012, and the Operating Budget document was delivered on February 7, 2012. A total of nine workshops were held by Council to discuss various budget policies, in addition to five Town Hall style meetings used to solicit public input.

FISCAL IMPACT:

Amount: \$558.7 million for FY2013

The recommended operating budget for FY2013 is approximately \$468 million. The FY2013 recommended capital budget is approximately \$90.7 million.

ADDITIONAL INFORMATION:

This is the second time that the City has implemented a two-year budget balancing strategy. The primary benefit of the two-year budget strategy is to provide a period of relative stability, and to allow us to focus on long-term strategic issues. City revenues and expenditures were forecast for a two-year period, and sufficient balancing actions are proposed to achieve a balanced budget through FY2013-14. The City Council cannot take formal action to approve the FY2013-14 budget at this time, but the proposed FY2012-13 budget lays the foundation for a balanced budget for FY2013-14 as well.

The two-year budget plan reduces expenses in the Operating Budget by \$4.3 million, with a modest increase in the property tax rate of \$0.34 per \$1,000 of taxable valuation (total City tax rate of \$16.92). The increase amounts to a \$16 annual increase to the median home in Des Moines. Operating Budget reductions of \$3 million are projected for FY2012-13, and another \$1.3 million in reductions will be realized by FY2013-14.

Enterprise Fund Budgets anticipate a 9% Sanitary Sewer fee increase effective July 1, 2012 to address sewer separation requirements mandated by the federal government and a 6% Storm Water fee increase effective January 1, 2013 to address flood mitigation concerns. Additional Sanitary and Storm Water fee increases will be included for consideration in ordinance amendments that will be presented to the City Council at subsequent meetings. These multi-year increases to utility rates are necessary in large part to accommodate Federal and State mandates and critical flood mitigation improvements. No rate changes are contemplated for the Parking System or the Solid Waste Enterprise for FY2013.

The FY2012-13 budget includes a reduction to authorized staffing levels by 35 fulltime positions bringing the total to 1,567. These figures do not include staffing levels or adjustments at the Airport as their budgets are now developed separately by the Airport Authority.

Long Term Budget Strategy

The proposed budget balances expenses and revenues for two years, but beginning in FY2015, the City of Des Moines will likely again face challenges in balancing our budget. The City's heavy reliance on property taxes means that revenues have not and are not projected to keep pace with increasing costs. We should assume that further adjustments in expenses or revenues will be necessary in two years in order to maintain a balanced budget. In addition, there is the ongoing threat of legislative changes in property tax law that could dramatically reduce tax revenues beyond current projections. With our budget balanced for two years, we should begin now to explore various actions that will avoid further reductions in essential services. This exploration should address both strategic expense reductions and diversified revenues. An important goal of our Long Term Budget Strategy must be to identify additional revenue sources that will allow revenue growth to better match expenditure growth.

Suggested budget balancing strategies that should be examined over the next two years include:

- Considering alternative arrangements for providing Human Rights services. Human Rights services need to be maintained, but consideration should be given to alternative arrangements either within the City organization or in collaboration with State government.
- Identifying additional options to privatize service delivery like what has been accomplished with mowing, janitorial services, and animal control.
- Pursuing intergovernmental collaborations with State government (e.g., fleet services), County government, other municipalities, or 28E agencies in the area.
- Pursuing consolidation (and cost reduction) of administrative services with entities such as Des Moines Water Works.
- Considering new approaches to providing and configuring library facilities and services, aquatic centers, and community centers.
- Utilizing our new Enterprise Resource Planning (ERP) system to examine in detail the cost of operations in all departments that in turn allows us to identify and implement operating efficiencies.

- Implementing the new Municipal Service Center plan and further examining the City organization and the physical location of City departments to include merging administrative functions with other governmental agencies.
- Identifying new revenue streams that augment property taxes and diversify our revenue base.
- Examining our street lighting system to identify any options to reduce cost.
- Pursuing a comprehensive approach to use of volunteers to assist the City. The City is working with the Greater Des Moines Community Foundation to secure funding for a two-year pilot project to underwrite the cost of a volunteer coordinator. In addition, consideration should be given to establishing a private fund raising entity attached to City government to help pay for key improvements. This effort would include a grant writing and solicitation component as well that will allow us to more aggressively pursue grant dollars from a variety of public and private sources.

PREVIOUS COUNCIL ACTION(S):

Date: February 13, 2012

Roll Call Numbers: [12-0190](#) and [12-0191](#)

Action: Setting hearing dates

On amendment to the annual budget for current fiscal year ending June 30, 2012, (2-27-12). **Moved by Hensley to adopt. Motion Carried 7-0.**

On proposed annual budget for fiscal year ending June 30, 2013 and adoption of the Capital Improvement Program (CIP) for 2012-2013/2017-2018, (2-27-12). **Moved by Hensley to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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