

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	February 25, 2013
	Agenda Item No.	41, 43, 44
	Roll Call No.	<u>13-0348</u>
	Communication No.	<u>13-107</u>
	Submitted by:	Scott E. Sanders, Finance Director

AGENDA HEADING:

Hearings on amendment to the Annual Budget for current fiscal year ending June 30, 2013; on the proposed Annual Budget for fiscal year ending June 30, 2014; and the Capital Improvements Program (CIP) for fiscal years 2013-14 to 2018-19.

SYNOPSIS:

Recommend adoption of amendment of the annual budget for the current fiscal year (FY2012-13) and adoption of the annual budget for the next fiscal year (FY2013-14). The roll call also affirms the implementation of the City Manager’s recommended actions to balance the FY2013-14 budget as presented and reviewed by the City Council at the various workshops in December, January and February. The recommended CIP document was delivered to Council on January 28, 2013, and the Operating Budget document was delivered on February 11, 2013. The official publication of the budget summary was in the Des Moines Register on February 14th. A total of five (5) workshops were held by Council to discuss various budget policies.

FISCAL IMPACT:

Amount: \$535 million for FY2013-14.

The recommended operating budget for FY2012-13 is approximately \$452.8 million. The FY2012-13 recommended capital budget is approximately \$82.2 million.

ADDITIONAL INFORMATION:

This is the second time 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 were proposed to achieve a balanced budget through FY2013-14.

The two-year budget plan reduced 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 increased rate took effect last July. No additional tax rate change or service level adjustments are being recommended for FY2013-14.

Enterprise Fund budgets include a 9% Sanitary Sewer fee increase effective July 1, 2013 to address sewer separation requirements mandated by the federal government (\$275 million between the City

and the WRA) and a 6% Storm Water fee increase effective July 1, 2013 to address flood protection improvements (\$20 million in costs). Additional Sanitary and Storm Water fee increases have already been approved by the Council to accommodate the Federal and State mandates and critical flood mitigation improvements as discussed at the Council Workshops. No rate changes are contemplated for the Parking System or the Solid Waste Enterprise for FY2013-14.

As was approved last year as part of the two-year budget balancing plan, the FY2013-14 budget includes anticipated reduction to authorized staffing levels bringing the total to 1,554. Two positions are being eliminated due to retirements (Risk Manager and an Attorney). A third position will come from Accounting and will occur this fall once the Enterprise Resource Planning (ERP) software is fully implemented. These figures do not include staffing levels or adjustments at the Airport as their budgets are now approved separately by the Airport Authority.

The Capital Improvement Program includes \$8.5 million of planned ADA Sidewalk compliance projects and \$1.5 million in remaining building modifications for ADA compliance. This is in addition to \$6.7 million in ADA improvements that have been recently completed, for a total ADA related expenditure of \$16.7 million. These ADA projects are included in the budget as a result of the U.S. Department of Justice compliance requirements. The entire \$16.7 million is funded from taxpayer supported general obligation bonds.

Long Term Budget Strategy

The City's heavy reliance on property taxes has left us with revenue projections that do not keep pace with increasing costs; especially in the area of pension contributions. We should assume that further adjustments in expenses and/or revenues will be necessary this fall in order to develop a new two-year balanced budget. In addition, there is the ongoing threat of legislative changes in property tax law that could dramatically reduce tax revenue projections for the future. And we are awaiting final decisions from the courts on the method and timing of payment for the franchise fee refund which may have added impacts on the City's future budgets.

With the FY2013-14 budget balanced, we should continue to explore various actions that will avoid further reductions in essential services, and allow the City to continue to provide quality services to our citizens. This exploration should address both strategic expense reductions and diversified revenues, as well as specific strategies that enhance productivity. The following key strategies are addressed in the proposed FY2013-14 budget: Considering new approaches to providing and configuring library facilities and services, aquatic centers, and community centers. CIP funds have been allocated for the planning processes to identify options to relocate or consolidate these services on a city-wide basis, including library services on the southeast side of the City.

- Utilizing our new ERP system to examine in detail the cost of operations in all departments that in turn allows us to identify and implement operating efficiencies.
- Preparing a strategy for conducting a comprehensive office space plan for the City operations now housed in the Police Station, City Hall, and the Armory. The City has made important strides toward improving the efficiency of City operations by construction of new fire facilities, as well as major progress toward construction of the new municipal service center which will ultimately house Public Works, Parks, Fleet, and related municipal functions. However, Police operations, public meeting spaces (Council Chambers), and administrative functions are inefficient in both layout and location and not well suited to meet present and future needs of the organization and the public. These inadequate spaces have and will increasingly result in

inefficient operations that are more costly and ultimately less conducive to the delivery of needed services.

- Implementing a comprehensive employee training program for City employees. Many specific areas of training will be addressed, including a leadership development series that will coach current and emerging leaders in core leadership competencies, such as oral and written communication, conflict management, managing change, and performance evaluation.
- Completion of a fire station study that addresses city-wide needs and examines in detail those areas that will require additional fire services in the future, in particular the northeast side and southeast side.
- The Automated Traffic Enforcement camera program includes budgeted revenues to cover the costs of running the program as well as \$300,000 toward the general fund for public safety purposes. Two additional examples for use of automated traffic safety funds are the creation, on a temporary basis, of a Police burglary detail that will address the rash of burglaries across the city. Another example for the possible use of these funds would be the expansion of the School Resource Officer program in our schools.
- Expanding the use of information technology opportunity to allow better and faster interaction between citizens and city government.
- Creating a “City Development Office” to coordinate and expand fund raising efforts for City projects. This effort would allow the City to establish a private fund raising entity attached to City government to help pay for key improvements that are identified priorities by City Council. 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. The proposed budget includes \$100,000 for this purpose.

As part of the Capital Budget there are funds to continue renovating City Hall and add security measures to City Hall, the Armory, and the Police Station. There is an allocation for the Fire Department to review Fire Station expansion needs, potential site locations, financing timelines, and likely operating cost impacts. Results will be presented to the Council upon completion. Additionally, financing options are being explored that would allow for a second phase of the Municipal Service Center to be undertaken.

PREVIOUS COUNCIL ACTION(S):

Date: February 11, 2013

Roll Call Number: [13-0214](#), [13-0215](#) and [13-0216](#)

Actions: [On](#) amendment to the annual budget for the current fiscal year ending June 30, 2013, (2-25-13). Moved by Hensley to adopt. Motion Carried 7-0.

[On](#) the proposed annual budget for the fiscal year ending June 30, 2014, (2-25-13). Moved by Hensley to adopt. Motion Carried 7-0.

[On](#) the recommended Capital Improvement Program (CIP) for Fiscal Years 2013-2014 through 2018-2019, (2-25-13). Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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