

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: March 10, 2014
	Agenda Item No. 29, 31, 32 Roll Call No. <u>14-0394</u> Communication No. <u>14-108</u> Submitted by: Richard A. Clark, City Manager; and Scott E. Sanders, Assistant City Manager/ Finance Director

AGENDA HEADING:

Hearings on amendment to the Annual Budget for current fiscal year (FY) ending June 30, 2014 on the proposed Annual Budget for fiscal year ending June 30, 2015, and the Capital Improvements Program (CIP) for FY2014-15 to 2019-20.

SYNOPSIS:

Recommend adoption of amendment of the annual budget for the current FY2013-14 and adoption of the annual budget for the next FY2014-15. The roll call also affirms the implementation of the City Manager’s recommended actions to balance the FY2014-15 budget as presented and reviewed by the City Council at the various workshops in December, January and February. The recommended CIP document and the Operating Budget document were delivered on February 10, 2014. The official publication of the budget summary was in the Des Moines Register on February 27th. A total of five (5) workshops and two (2) town hall meetings were held by Council to discuss various budget policies.

The proposed FY2014-15 budget accomplished budgetary goals established at the beginning of the process, namely:

- No change to the property tax rate with the recently approved 2.5 cent increase in the franchise fee used to pay the debt service on the judgment bonds.
- No lay-offs are being proposed, although 10 positions are being eliminated.
- In order to maintain the current level of police and fire services, no reductions are recommended in the number of sworn police or fire personnel.

FISCAL IMPACT:

Amount: \$538.6 million for FY2014-15

The recommended operating budget for FY2014-15 is approximately \$450.5 million. The FY2014-15 recommended capital budget is approximately \$88.1 million.

ADDITIONAL INFORMATION:

This is the third time the City has implemented a two-year budget balancing strategy. City revenues and expenditures were forecast for a two-year period identifying a \$4.4 million annual gap in funding.

\$2.2 million in net improvements to the budget were proposed to achieve a balanced budget for FY2014-15 and potential options were identified for balancing the remaining \$2.2 million gap associated with FY2015-16.

The FY2014-15 Operating Budget plan includes:

- Reducing expenses by \$681,000 through reduction in full time positions.
- Shifting \$1 million in Gaming funds from new street capital expenses to paying for the debt service on street projects. This will free up funds that will be used in the Operating Budget.
- \$826,000 in fee revenue will be added associated with Parks and Cemetery fees, Library rental fees and Fire Inspection fee schedule changes.
- An additional \$500,000 of net revenues by including the full amount of Automated Traffic Enforcement revenues and expenses to run the program.
- \$780,000 in additional costs to maintain current staffing levels for sworn Police and Fire Departments and the loss of fee revenue for the Homeland Security Program.
- The addition of a Homeless Coordinator position that will be paid from Community Development Block Grant (CDBG) funds and private donations.

These budget actions result in no change to the property tax rate of \$16.92 per \$1,000 of taxable valuation given the fact that the additional 2.5% franchise fee was passed by voters.

As part of the budget discussions in 2012 the City Council approved multi-year rate increases for the Sanitary Sewer Enterprise and the Storm Water Utility. A 9% Sanitary Sewer fee increase was approved and is scheduled for July 1, 2014 to address ongoing sewer separation requirements mandated by the federal government [\$275 million between the City and the Wastewater Reclamation Authority (WRA)]. A 6% Storm Water fee increase was approved and is scheduled for July 1, 2014 to address flood protection improvements. One (1) additional year (FY2015-16) of 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 FY2014-15.

The FY2014-15 budget includes anticipated reduction to authorized staffing levels by 10 full-time positions. All the reductions are occurring in positions that are currently vacant. Two (2) of the eliminated positions were in the Community Development Department, three (3) were in Engineering, three (3) were in Parks and Recreation and two (2) were in Public Works. Sworn officer position levels were maintained within the Police and Fire Departments.

The CIP includes:

- Over \$5 million over the next six (6) years for the treatment and/or removal of ash trees due to the infestation of the Emerald Ash Borer. The total expense for this initiative will likely eclipse \$10 million over the next 12 years. A comprehensive tree inventory will be pursued with partial funding from the private sector;
- \$900,000 over three (3) years to update the Comprehensive Plan, Zoning and study placement of affordable housing;
- Replacement of parking garages at 7th and Grand and 5th and Walnut;
- Replacement of the Grand Avenue Bridge over the Des Moines River;
- Completion of the Southeast Connector to East 30th Street;

- Completion of the first phase of the Municipal Services Center;
- Flood mitigation improvements will continue and a joint grant application is being prepared with the WRA to address projects along the Des Moines River; and
- An adjustment to the timing of a new spray ground water feature at Fairmont Park to occur in FY2015-16 which has been moved up two (2) years.

Long Term Budget Strategy

The City's heavy reliance on property taxes continues to leave 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 in future budget cycles. In addition, there is the ongoing threat that the legislature may take away current revenue sources from cities; i.e., the commercial property tax backfill (\$5.4 million in FY2015-16) or ATE revenue (\$1.4 million for public safety operations).

With the FY2014-15 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.

- CIP funds have been allocated for the planning processes to identify options to relocate or consolidate services on a City-wide basis, including library services on the southeast side of the City.
- 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.
- Expansion of comprehensive employee training programs for City employees. Fundamental leadership training has been introduced that will foster 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.
- Expanding the use of information technology opportunities 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.
- 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 24, 2014

Roll Call Number: [14-0288](#)

Action: [On](#) amendment to the annual budget for the current fiscal year ending June 30, 2014, (3-10-14). Moved by Hensley to adopt. Motion Carried 7-0.

Date: February 24, 2014

Roll Call Number: [14-0289](#)

Action: [On](#) proposed annual budget for the fiscal year ending June 30, 2015, (3-10-14). Moved by Coleman to adopt. Motion Carried 7-0.

Date: February 24, 2014

Roll Call Number: [14-0290](#)

Action: [On](#) recommended Capital Improvement Program (CIP) for fiscal years 2014-2015 through 2019-2020, (3-10-14). Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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