

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	March 9, 2015
	Agenda Item No.	63, 66, 66
	Roll Call No.	<u>15-0425</u>
	Communication No.	<u>15-121</u>
	Submitted by:	Dan E. Ritter, Interim Finance Director

AGENDA HEADING:

Hearings on:

1. Amendment to the annual budget for the current fiscal year (FY) ending June 30, 2015;
2. Adoption of the proposed annual budget for the FY ending June 30, 2016; and
3. Adoption of the recommended Capital Improvements Program (CIP) for FY2015-16 through FY2020-21.

SYNOPSIS:

Recommend adoption of amendment of the current annual budget for FY2014-15; adoption of the proposed annual budget for FY2015-16, and; approval of the FY2015-16 through FY 2020-21 CIP. The roll calls affirm implementation of the City Manager’s recommended actions to balance the FY2015-16 budget as presented and reviewed by the City Council at the budget workshops in December 2014, January, and February 2015.

The recommended CIP document and the Operating Budget document were delivered and made available online on February 10, 2014. The official publication of the budget summary was in the Des Moines Register on February 25th. A total of one (1) town hall meeting and eight (8) budget workshops were held by the Council that specifically reviewed FY2015-16 budget proposals and the proposed CIP plan.

The proposed FY2015-16 budget accomplished budgetary goals established at the beginning of the process, namely:

- To maintain the consolidated property tax rate at \$16.92 per \$1,000 of taxable valuation, for the fourth consecutive year;
- To modify authorized staff level through attrition. Four (4) vacant positions are proposed for elimination. No lay-offs are proposed; and
- To maintain the current level of police and fire services at the City. No reductions are recommended in the number of sworn police or fire personnel funded by the General Fund. However, the Airport Authority independently decided to reduce their police presence (contracted City Police Officers) by two officers for FY2015-16.

FISCAL IMPACT:

Amount: The FY2014-15 proposed Amended Budget = \$623,834,694. The proposed Recommended Budget for FY2015-16 budget = \$607,522,278, including \$94,632,697 capital budget in FY2015-16, the first year of the CIP.

ADDITIONAL INFORMATION:Operating Budget:

FY 2015-16 is the second year of the two-year budget plan. Actions taken last year achieved a balanced budget through June 30, 2015. Additional actions taken this year, consistent with the two-year budgeting strategy, result in a balanced budget for FY2015-16. This marks the sixth consecutive year this strategy has resulted in a balanced budget.

The following actions closed an estimated \$405,000 gap in funding. A budget plan was developed to close the gap and presented publically in December 2014.

The FY2015-16 Operating Budget plan includes:

- A reduction of four (4) vacant full-time positions for a net reduction in personnel costs of \$210,000.
- Electronic Vendor Payments – use of a 3rd party vendor to provide a payment process system with vendors that results in a savings to the City of \$50,000.
- Increase in Permit and inspection Fees – update fees based on valuation tables that have not changed since 2009 and charge some nominal fees to have receiver of the services pay their fair share of costs. This change is estimated to bring in \$100,000 in revenue while keeping fees in line with surrounding communities.
- Des Moines Water Works (DMWW) – continue to work with DMWW and other area communities on arrangements to allow all of us to be better providers of service at lower costs. The City will receive a \$15,000 fee for administering the DMWW health care plan.
- Review Ambulance Fees – review area rates for service and insurance reimbursement schedules and develop an appropriate new fee for service estimated increase of \$100,000 in revenue.

Property Taxes:

These budget actions result in no change to the property tax rate of \$16.92 per \$1,000 of taxable valuation, and provide for a balanced budget while maintaining the current level of services to residents.

User Fees:

In 2012 the City Council approved multi-year rate increases for the Sanitary Sewer Enterprise and the Storm Water Utility. Much of the rate increase pressure comes from projects required to meet federal and state requirements for sewer separation, clean water, and flood mitigation improvements. The final 9% Sanitary Sewer fee increase is scheduled for July 1, 2015. The final 6% Storm Water fee increase is scheduled for July 1, 2015.

No rate changes are contemplated for the Parking System or the Solid Waste Enterprise for FY2015-16.

SSMID:

Self-Supported Municipal Improvement District (SSMID) rates remain the same for Sherman Hill District I and II (\$1.50 per \$1,000 of taxable value) Highland Park (\$1.75 per \$1,000 taxable value), Ingersoll Grand (\$2.25 per \$1,000 of taxable value), and Beaverdale (\$1.75 per \$1,000 taxable value). The rate for the Downtown SSMID is increasing from \$1.15 to \$1.30.

The FY2014-15 Amended Operating Budget:

Amendments or revisions to the adopted budget must be prepared and adopted in the same manner as the original budget. The FY2014-15 amendment to the adopted budget shows an increase of \$82.9 million, mostly reflecting changes in the debt service fund of \$74 million, which relate to an increase in appropriations for refinancing on bonds, and new debt. Most of the remaining changes in the budget are related to new grant-paid projects and enterprise fund equipment replacement purchases.

The Capital Improvement Program (CIP):

Council authorizes funding for FY2014-15 (amended) and the FY2015-16 (proposed) capital improvements, and approves a five-year capital improvements plan. Expenditures of \$457,727,697 are programmed in the following five-year project plan. The FY2015-16 capital budget is \$94,632,697.

The CIP five-year plan averages \$75 million annually on projects from all funding sources, with about \$28 million in GO bonds issued each year. About 43% of the total CIP FY2016 – 2021 is funded from property tax dollars, the rest from enterprise fees, federal and state grants, or donations. About one-third of the total CIPFY 2016 -2021 planned expenditures is for street projects.

Some substantial or significant projects included in the CIP plan are:

- Bridge Replacement or Rehabilitation:
 - Grand Avenue Bridge over the Des Moines River (FY13 - FY18) \$9.0 million
 - Locust Street Bridge over the Des Moines River (FY 14 - FY20) \$7.0 million
 - Scott Avenue Bridge over the Des Moines River (FY14 - FY19) \$3.5 million
 - Court Avenue Bridge over the Des Moines River (FY18 - FY 23) \$4.6 million
- Parking Garages:
 - Demolition and replacement of the 7th and Grand parking ramp (FY15 - FY17) \$23 million
 - Demolition or redevelopment of the 5th and Walnut parking garage (FY17- FY18) \$3.5 million
- Storm Water Improvements:
 - Levy and other work to mitigate effects of increased flood flows and ensure FEMA accreditation of levee system (FY13 - FY21 and beyond) \$55.8 million.

Note: A joint grant application with the Des Moines Wastewater Reclamation Authority was submitted to the State requesting funding from the Flood Mitigation Program.

- Sanitary Sewer:
 - Separation project expenditures (FY16 - FY21) \$32 million

- Sewer lining project expenditures (FY16 - FY21) \$15 million
- Streets:
 - Completion of the Southeast Connector to East 30th (FY15- FY17) \$19.3 million

Long-term Budget Strategy:

The City's heavy reliance on property taxes continues to leave the City with revenue projections that do not keep pace with increasing costs. Over \$30 million has been cut from the budget in the last 10 years. But with no changes, further reductions in expenses and increased revenues will likely be necessary in future budget cycles. In addition, there is the ongoing threat that the legislature may further restrict or not fund current City revenue sources.

With the FY2015-16 budget balanced, there is a need to continue to explore options that will avoid further reductions in essential services and allow the City to continue to provide quality services to residents and visitors and remain a top rated city. This exploration will focus on strategies that enhance productivity or efficiencies and seek out new revenue sources to invest in neighborhoods, attracting new residents and creating increased property values and equity for property owners.

Enhanced Productivity and Efficiency Proposals:

- Inventory Facilities Maintenance/Repair duties and responsibilities; establish new organizational management structure.
- Centralize Information Technology to include Police and Fire IT personnel.
- Update Vehicle and Equipment Optimization Study for all City Departments and Fleet Vehicles.
- Collaboration on Park & Recreation and Library leisure programing and marketing.
- Continue to create public private partnerships and include metro area cities as partners sharing facilities and contracts where possible. Animal control is currently being pursued.
- Review Housing Services governance options.
- Review City Human Rights and state program roles for maximum effectiveness.
- Continue new training program effort for City employees to provide leadership and other critical skill training.
- Identify options to relocate or consolidate City service operations on a citywide basis. Operations in many areas have layouts and locations not well suited for current or future needs. Ultimately that results in more costly and ineffective delivery of services.

New Revenue and Other Initiatives:

- Completion of a fire station study provides information for the most effective deployment of resources across the City. The City is pursuing a Staffing for Adequate Fire and Emergency Response (SAFER) grant in an effort to increase emergency response in new developing and annexation area.
- ROW Management Fee – the City hired a consultant to determine the costs the City incurs to manage and maintain the right of way, and to determine the most fair and equitable way to distribute the costs. The City will take action to receive a legal declaratory ruling that will provide comfort in adopting a new ordinance.

- Tax Abatement policy – abatement will be reviewed and policy developed through the comprehensive plan update process which is underway. Policy change proposals will be developed and presented by mid-summer.
- Continue to explore state legislative options that allow the City to have new revenue to invest in streets, sidewalks, parks and other infrastructure to maintain and improve the quality of life for all who live and work in Des Moines

PREVIOUS COUNCIL ACTION(S):

Date: February 23, 2015

Roll Call Number: [15-0290](#), [15-0291](#), and [15-0292](#)

Action: On items regarding the budget, (3-9-15):

- (A) On consideration of the recommended Capital Improvement Program for fiscal years 2015-2016 through 2020-2021. ([Council Communication No. 15-092](#)) Moved by Coleman to adopt. Motion Carried 7-0.
- (B) On amendment to the annual budget for current fiscal year ending June 30, 2015. Moved by Coleman to adopt. Motion Carried 7-0.
- (C) On proposed budget for the fiscal year ending June 30, 2016. Moved by Coleman to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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