

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	March 6, 2017
	Agenda Item No.	61
	Roll Call No.	<u>17-0419 17-0443 17-0444</u>
	Communication No.	<u>17-282</u>
	Submitted by:	Dan E. Ritter, Finance Director

AGENDA HEADING:

Hearings on:

1. Adoption of the recommended Capital Improvements Program (CIP) for fiscal year (FY) 2017-18 through FY2022-23.
2. Amendment to the annual budget for the current FY ending June 30, 2017.
3. Adoption of the recommended annual budget for the FY ending June 30, 2018.

SYNOPSIS:

Recommend approval of the FY2017-18 through FY2022-23 CIP, adoption of amendment to the current year budget for FY2016-17, and adoption of the recommended annual budget for FY2017-18. The roll calls affirm implementation of the City Manager’s recommended actions which include a balanced budget for FY2017-18. Budget presentations were made to the City Council at the workshops held in December 2016 and in January 2017.

FISCAL IMPACT:

Amount:

- FY2016-17 proposed Amended Budget = \$671,480,847 (including a \$106,832,788 capital budget)
- FY2017-18 Recommended Budget = \$686,924,570 (including a \$117,168,700 capital budget)

Funding Source: The total \$687 million budget would be the appropriation authority across all City funds.

ADDITIONAL INFORMATION:

The Recommended CIP document and the Recommended Operating Budget document were delivered on February 13 and February 24, 2017, respectively. The budget is also available online. The official publication of the budget summary was in the Des Moines Register on February 23, 2017. Six (6) town hall meetings and several Council workshop presentations reviewed the recommended budget proposals and CIP plan and offered public input, comments, and suggestions. The City website allows for continuous input on the budget.

The FY2017-18 Operating Budget:

The budget plan includes increasing the consolidated property tax rate to \$17.04 per \$1,000 of taxable valuation, and adding 29 positions needed to maintain and enhance current level of services.

The positions will address:

- Neighborhood revitalization efforts across the City which include corridor improvements, removal of blight, and streetscape projects.
- Record number of construction permits issued in 2016 and continued growth requires staffing to provide service to developers and homeowners.
- Increased information and transparency demands from stakeholders.
- Commitment to civil and human rights with additional resources to bridge gaps between underrepresented groups and City Departments to ensure equitable delivery of City services.
- The need to manage a digital evidence database for implementation of Police body cameras.
- Full utilization of emergency response equipment within the Fire Department.
- Increased number of capital improvement projects to be designed, engineered, and inspected.

Property Taxes:

These budget actions result in an increase to the property tax rate of \$0.12 per \$1,000 of taxable valuation, and provides for a balanced budget while addressing the priorities and needs facing the City of Des Moines and identified in the City’s Strategic Plan.

Enterprise Fund Fees:

On March 21, 2016, the City Council approved annual Sanitary and Storm Sewer rate increases of 5% per year for three (3) years. The fee increases take effect on July 1, of each fiscal year.

	<u>Sanitary</u>	<u>Storm Water</u>
▪ July 1, 2016 - June 30, 2017	\$6.59	\$11.50 – Current Rates
▪ July 1, 2017 - June 30, 2018	6.92	12.07
▪ July 1, 2018 - June 30, 2019	7.27	12.68

Sanitary rates are per 1,000 gallons per month. Storm Water rates are per Equivalent Residential Usage (ERU) per month. Rate changes are not included in the revenue estimates for the Parking System or the Solid Waste Enterprise for FY2017-18, but selected fees within the Parking System may be brought forward for change.

Self-Supported Municipal Improvement District (SSMID):

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), Beavercdale (\$1.75 per \$1,000 taxable value), and for the Downtown SSMID (\$1.30 per \$1,000 of taxable value), Southwest 9th (\$2.25 per \$1,000 of taxable value), Roosevelt Cultural District (\$1.75 per \$1,000 taxable value).

The FY2016-17 Amended Operating Budget:

Amendments or revisions to the adopted budget must be prepared and adopted in the same manner as the original budget. The FY2016-17 amendment to the adopted operating budget shows an increase of

\$45 million, mostly reflecting changes in the debt service and enterprise funds for refinancing bonds and the purchase of equipment.

The CIP:

Council authorizes funding for the FY2016-17 (amended) and FY2017-18 (recommended) capital budget, and approves a five (5) year capital improvements plan. Expenditures of \$442,162,500 are programmed in the following five (5) year project plan. The FY2016-17 capital budget is \$106,832,788 and the recommended FY2017-18 capital budget is \$117,168,700.

The CIP five (5) year plan averages \$88 million annually on projects from all funding sources, with about \$35 million in GO bonds issued each year. About 45% of the total CIP FY2018-23 is funded from property tax dollars, the rest from enterprise fees, federal and state grants, or donations. About 36% of the total CIP FY2018-23 planned expenditures is for street projects and another 11% for bridge improvements.

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

- **Bridge Replacement or Rehabilitation:**
 - Grand Avenue Bridge over the Des Moines River (FY14 - FY18) \$11.2 million
 - Locust Street Bridge over the Des Moines River (FY16 - FY20) \$10.6 million
 - Scott Avenue Bridge over the Des Moines River (FY16 - FY20) \$5.1 million
 - Court Avenue Bridge over the Des Moines River (FY17 - FY19) \$8.6 million
- **Municipal Building Improvements:**
 - City Hall Improvements (FY16 - FY18) \$7.6 million
- **Parking Garages:**
 - Demolition or redevelopment of the 5th and Walnut parking garage (FY18) \$3.0 million
- **Storm Water Improvements:**
 - Levy and other work to mitigate effects of increased flood flows and ensure FEMA accreditation of levee system (FY17 - FY20 and beyond) \$50 million. This project is largely being funded with a State Grant funded from incremental growth in sales tax revenue.
- **Sanitary Sewer:**
 - Separation project expenditures (FY18 - FY23) \$66.6 million
 - Sewer lining project expenditures (FY18 - FY23) \$13.5 million
- **Streets:**
 - East Douglas Avenue Widening – East 42nd – East 56th (FY19 - FY24) \$11.5 million
 - Hubbell Avenue Improvements – East 33rd – East 38th (FY16 - FY20) \$8.4 million
 - Indianola Avenue Widening – East army Post Road to Hwy-69 (FY18 - FY23) \$8.2 million
 - Walkability Improvements (FY18 - FY23) \$5.4 million
 - McKinley Avenue Widening – Fleur Drive – East Indianola (FY18 - FY24) \$5.1 million
 - Sixth Avenue Streetscape (FY18 - FY21) \$6.7 million
 - Arterial Pavement Rehabilitation (FY19 - FY23) \$20 million

Long-term Budget Strategy:

The City Council has mapped out a path for the future with a new strategic plan. As well as providing for a vision, mission, and goals, the plan includes many action items to be completed in the next five (5) years. Future budget meetings will utilize the Des Moines Strategic Plan as a guide for allocating resources and prioritizing projects and programs. With the FY2017-18 budget balanced, there is a need to continue to explore options that will avoid reductions in essential services and allow the City to continue to provide quality services to residents and visitors and remain a top rated city.

PREVIOUS COUNCIL ACTION(S):

Date: February 20, 2017

Roll Call Number: [17-0270](#), [17-0271](#), and [17-0272](#)

Action: On items regarding the budget, (3-6-17):

- (A) On consideration of the recommended Capital Improvement Program for fiscal years 2017-2018 through 2022-2023. Moved by Gatto to adopt. Motion Carried 7-0.
- (B) On amendment to the annual budget for current fiscal year ending June 30, 2017. Moved by Gatto to adopt. Motion Carried 7-0.
- (C) On proposed budget for the fiscal year ending June 30, 2018. Moved by Gatto to adopt. Motion Carried 7-0.

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

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