


# COUNCIL COMMUNICATION

	Number:	<b>20-144</b>	Meeting:	<b>March 23, 2020</b>
	Agenda Item:	<b>68A-D</b>	Roll Call:	<b>20-0578-1</b>
	Submitted by:	<b>Nickolas Schaul, Interim Finance Director</b>		

## AGENDA HEADING:

### Hearings on:

1. Adoption of the recommended Capital Improvement Program (CIP) for fiscal year (FY) 2020-21 through FY 2025-26.
2. Amendment to the annual operating budget for the current FY ending June 30, 2020.
3. Adoption of the recommended annual budget for the FY ending June 30, 2021.

### Approving:

1. Fund transfers for FY ending June 30, 2020.
2. Fund transfers for FY ending June 30, 2021.

## SYNOPSIS:

Recommend approval of the FY 2020-21 through FY 2025-26 CIP, adoption of amendment to the current year budget for FY 2019-20, adoption of the recommended annual budget for FY 2020-21, and fund transfers for FY 2019-20 & FY 2020-21. Budget presentations were made to the City Council at the work sessions held beginning in November and concluding in February.

## FISCAL IMPACT:

### Amount:

- FY2019-20 Amended Budget = \$952,031,409 (including a \$205,372,968 capital budget)
- FY2020-21 Recommended Budget = \$920,749,928 (including a \$210,271,617 capital budget)

Funding Source: The total \$920 million budget would be the appropriation authority across all City funds.

## ADDITIONAL INFORMATION:

### Budget Overview

- The Recommended Operating Budget reflects a \$0.10 tax rate reduction from \$16.64 to \$16.54 per \$1,000 of taxable valuation. This would be the second straight year the City's tax rate has been reduced.

- The \$16.54 rate can reasonably be expected to remain the same for several years if budget assumptions don't change. Two (2) major changes have been made since the printed copies of the budget were distributed.
  - The budgeted amount for Local Option Sales and Service Tax (LOSST) revenue has been lowered by \$2 million. The impact of this reduction is reflected by less funds being set aside in reserves.
  - The second change to the budget is the incorporation of debt service savings attained through the bond refundings priced on February 12, 2020.
- The annual budget for the CIP, is increasing by three-fold over a 3-year period – from \$71 million in FY 2017 to \$205 million in FY 2020
- Council will consider more funds for street improvements than ever before – a massive \$427 million has been proposed over seven (7) years. This has enabled the Public Works Department and Engineering Departments to begin implementing the largest street repair effort in Des Moines' history.
- Funds for street improvements went from averaging \$30 million per year to \$61 million annually for a 7-year period through FY2026. This will include a record \$92 million in 2023.
- Strengthening the street improvement effort is the LOSST that went into effect last July. Starting in July of 2020, roughly \$23 million in Local Option revenue will be applied to debt service of bonds issued for street improvements and the CIP Plan.
- In order for a \$0.40 cent rate reduction to take place, the following would need to happen:
  - Remove the last projects added to the CIP.
    - Change Grubb YMCA project from new construction to a \$5 million renovation and use the LOSST to buy down the tax rate. LOSST policy would be amended to reflect more than 50% of revenue is needed to buy down the rate.
    - Change the Annex new construction project to a remodel with a budget of \$20 million to include getting Information Technology (IT) off-site into a new building.
  - Delay Birdland Marina, Douglas Avenue temporary and permanent aspects, Easter Lake Drive Trail, and Cownie Soccer for six (6) to eight (8) years.

Impact would be removing approximately \$2,500,000 from annual revenues

### The Capital Improvement Plan Detail

Council authorizes funding for the FY 2019-20 (amended) and FY 2020-21 (recommended) capital budget, and approves a 5-year capital improvement plan. Expenditures of \$976,278,164 are programmed in the following 5-year project plan. The FY 2019-20 capital budget is \$205,936,000 and the recommended FY 2019-20 capital budget is \$213,313,617.

The CIP 5-year plan averages \$149.5 million annually on projects from all funding sources, this is an increase of \$39 million annually compared to the last year's approved 5-year plan. An average of \$57 million in General Obligation (GO) bonds issued each year. About 35% of the total CIP FY2020-25 is funded from GO bond (debt levy) dollars, the rest from enterprise fees, LOSST, federal and state grants, or donations. About 44% of the total CIP FY 2020-25 planned expenditures are for street projects, another 12% for municipal buildings, and 6% for bridge improvements.

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

- Bridge Replacement or Rehabilitation:
  - Walnut Street Bridge over the Des Moines River (FY20-FY24) \$15 million

- Fire Improvements
  - Fire Buildings Improvement and Replacement (FY20-FY26) \$11 million
- Miscellaneous Improvements
  - Public Safety Communication System Upgrade (FY20-FY21) \$10.2 million
- Municipal Building Improvements
  - Municipal Service Center Phase II (FY20-FY22) \$57.8 million
  - City Hall Annex (FY21-FY25) \$38.5 million
- Park Improvements
  - Easter Lake Drive Trail (FY21-FY22) \$2 million
  - Cownie Soccer Park Expansion: \$2.4 million (FY22-FY23)
- Sanitary Sewer
  - Western Ingersoll Run Sewer separation (FY20-FY23) \$20.3 million
- Storm Water Improvements
  - Hamilton Drainage Area Improvements (FY20-FY25) \$27.1 million
  - Flood Mitigation Improvements (FY20-FY26) \$66.1 million
  - Add
- Streets
  - 2<sup>nd</sup> Avenue Reconstruction (FY20-FY23) \$17.5 million
  - Fleur Drive Reconstruction (FY20-FY23) \$22.4 million

#### FY 2020-FY 2021 Amended Budget

Amendments or revisions to the adopted budget must be prepared and adopted in the same manner as the original budget. The FY 2019-20 amendment to the adopted operating budget shows an increase of \$135 million, mostly reflecting the addition of LOSST expenditures, changes in the debt service, enterprise funds, and capital project funds for refinancing/calling of bonds, and budget carryover for projects that were not completed in the prior year.

#### Self-Supported Municipal Improvement District (SSMID)

SSMID rates remain the same for:

- Sherman Hill (\$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)
- Beavertdale (\$1.75 per \$1,000 taxable value)
- 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)

#### Enterprise Funds Fees

##### Sanitary

In May 2019, the City Council approved annual Sanitary Sewer rate increases of 3% per year for three (3) years. The fee increases take effect on July 1, of each fiscal year.

FY 2019: \$7.49

FY 2020: \$7.71– Current Rate

FY 2021: \$7.94

Storm Sewer

On August 20, 2018, the City Council approved annual Storm Sewer rate increases of 6%, 6%, 6%, 5%, and 3% per year over the next five (5) years. The fee increases take effect on January 1<sup>st</sup> of each year.

Calendar Year:

2019: \$13.44

2020: \$14.25 – Current Rate

2021: \$15.11

2022: \$15.87

2023: \$16.35

Storm Water rates are per Equivalent Residential Usage (ERU) per month.

Solid Waste

FY 2021 Current Rates (Proposed):

First 64 gallon:	\$13.20
First 96 gallon:	\$14.20
Additional 64 gallon:	\$11.20
Additional 96 gallon:	\$12.20
First 64 gallon subsidized:	\$10.00 (no change)
First 96 gallon subsidized:	\$11.00 (no change)
City dumpster:	\$9.00 (no change)

Rate changes of 2% per month on the non-subsidized rates for the Solid Waste Enterprise is included in the revenue estimates for FY2019-20. The Council will need to take action this spring to increase solid waste enterprise rates for FY 2020-21 at a rate increase of 5%.

**PREVIOUS COUNCIL ACTION(S):**

Date: March 9, 2020

Roll Call Number: [20-0426](#), [20-0427](#), and [20-0428](#)

Action: On items regarding the budget, (3-23-20): ([Council Communication No. 20-119](#))

- (A) On consideration of the recommended Capital Improvement Program (CIP) for fiscal years 2020-21 through 2025-2026. Moved by Boesen to adopt. ([Council Communication No. 20-119](#)) Motion Carried 7-0.
- (B) On amendment to the annual budget for current fiscal year ending June 30, 2020. Moved by Boesen to adopt. ([Council Communication No. 20-119](#)) Motion Carried 7-0.
- (C) On proposed annual budget for the fiscal year ending June 30, 2021. Moved by Boesen to adopt. ([Council Communication No. 20-119](#)) Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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