

## STATEMENT TO THE CITY OF DES MOINES

Last year at the Public Hearing on the proposed FY2009/10 budget, the Association encouraged the City Council and Manager to look for better ways to provide services, not rely on one-time financing, and to not employ any across-the-board cuts to balance the budget. We want to thank all of you for your hard work and for making the difficult decisions to do just that. It is not easy at any time to “right size” an organization, but it is often necessary – in good financial times as well as bad – to do just that. With this proposed budget, over a two-year period, the City has reduced 150 positions. This generates ongoing, sustainable savings. You have the Association’s support as you continue down the road to becoming a more efficient and effective government.

One of the benefits - and curses - of being the State’s largest city, and a long-established one at that, is that Des Moines has the opportunity to deal with issues and situations that the neighboring communities don’t get to, or don’t have to. There is a delicate balance between the tax rate for the City and the offering and quality of services that are provided to the citizens. The Association has every confidence that the Council is taking a conscientious approach in dealing with both sides of that balance and that the City Manager is both professional and pragmatic in his recommendations.

One of your steps for the future is implementing a two-year budget plan. Doing this 1) reduces the staff time necessary compared to developing two independent budgets, 2) improves long-range planning, a major Association tenet, 3) encourages a more policy-orientated approach to operations, and 4) should help to reinforce the City’s Performance Management process. The Taxpayers Association applauds this action as well as the budget process used by the City. The workshops are great tools for informing the citizens.

Another of the City’s steps that saved taxpayer dollars is the early refunding of outstanding Bonds. It is a sound financial procedure that not only lowers costs but also positively influences the City’s AAA Bond rating, a rating the City’s residents should be proud of. While the Debt Service portion of the Total levy has decreased significantly over the past several years, the danger is that necessary projects are being pushed out to a later date. While there may be opportunities for funds coming from outside of the City, those CIP projects will need to be addressed at some point, perhaps at an even higher cost. Our members recognize that these are not easy decisions to make.

Besides operational issues, there are other long-term issues, including the settlement of the Franchise Fee case. The Association would be lax in its mission if it did not continue to be mindful of the potential major affect on the taxes levied by the City or the service levels associated with those tax revenues.

Another long-term concern is the effect of benefits and pension costs on the City's finances. Private sector employers have moved to defined contribution plans for some valid reasons. It is becoming more difficult to justify to your constituents – the taxpayers – the generous retirement benefits that are offered as a public sector employer. While pension contribution increases are out of the control of the City, the Association urges Des Moines to work hard to convince those decision makers at the next level to make incremental changes in the system immediately so that drastic changes do not need to be made later. Without changes to the current pension system, the day will come when either much more drastic changes must be made to the pension plan or Iowa's cities will be forced to be even more diligent to look for ways to reduce salary & benefit expenses.

Des Moines – and all of Iowa's cities – relies heavily on property taxes. Getting Iowa's law changed on Franchise Fees was a success for the City of Des Moines. Congratulations! But Iowa needs to do more to allow its cities, the economic engines in the state, to diversify revenue streams. One potential change is dealing with tax-exempt properties. As they pay for water and sewer, they should also pay for the other services they use. The Association is willing to assist the metro cities in their efforts to make a positive transformation in tax policy.

On behalf of the Association, I'd like to thank City Manager Clark and his staff for meeting with us, and again thank the Council for their past efforts and your attention to these comments.

**CITY OF DES MOINES  
BUDGET SUMMARY**

	ACTUAL FY06/07	ACTUAL FY07/08	% OF CHANGE	ACTUAL FY08/09	% OF CHANGE	RE-EST FY09/10	% OF CHANGE	PROPOSED FY10/11	AMOUNT CHANGE	% OF CHANGE
TOTAL VALUATION	\$ 8,657,621,277	\$ 8,831,750,616	2.0%	\$ 9,585,387,264	8.5%	\$ 10,705,287,318	11.7%	\$ 11,043,708,222	\$ 338,420,904	3.2%
REGULAR TAXABLE VALUATION	5,523,281,681	5,622,177,693	1.8%	5,858,227,590	4.2%	6,006,513,764	2.5%	6,376,635,184	370,121,420	6.2%
TIF VALUATION	594,194,445	584,899,190	-1.6%	638,614,150	9.2%	711,108,790	11.4%	629,710,790	(81,398,000)	-11.4%
LEVY RATE	16.45083	16.59039	0.8%	16.57606	-0.1%	16.57614	0.0%	16.57613	(0)	0.0%
PROPERTY TAX LEVY:	89,945,310	92,723,803	3.1%	97,136,403	4.8%	100,566,199	3.5%	106,270,628	5,704,429	5.7%
% OF OPERATING REVENUE	25.9%	26.1%	1.0%	25.6%	-2.2%	23.7%	-7.1%	25.4%	1.6%	6.9%
TOTAL REVENUE	523,477,057	483,325,972	-7.7%	574,754,173	18.9%	604,108,130	5.1%	546,215,913	\$ (57,892,217)	-9.6%
TOTAL EXPENDITURE	468,259,540	493,967,636	5.5%	572,750,612	15.9%	653,888,705	14.2%	574,680,425	(79,208,280)	-12.1%
TOTAL FUND BALANCE	174,087,840	163,446,174	-6.1%	165,449,735	1.2%	115,669,160	-30.1%	87,204,648	(28,464,512)	-24.6%
FUND BALANCE RESERVE	37.2%	33.1%	-11.0%	28.9%	-12.7%	17.7%	-38.8%	15.2%	-2.5%	-14.2%
BEGINNING GENERAL FUND BALANCE	13,405,772	14,445,379	7.8%	14,944,291	3.5%	13,727,373	-8.1%	13,836,339	\$ 108,966	0.8%
REVENUE	130,356,567	134,288,507	3.0%	133,150,183	-0.8%	108,778,422	-18.3%	112,688,950	3,910,528	3.6%
EXPENDITURE	129,316,960	133,789,595	3.5%	134,367,101	0.4%	132,828,206	-1.1%	134,363,210	1,535,004	1.2%
TRANSFERS IN/OUT	-	-	0.0%	-	0.0%	24,158,750	0.0%	24,549,122	390,372	1.6%
ENDING GENERAL FUND BALANCE	14,445,379	14,944,291	3.5%	13,727,373	-8.1%	13,836,339	0.8%	16,711,201	2,874,862	20.8%
GENERAL FUND BALANCE RESERVE	11.2%	11.2%	0.0%	10.2%	-8.5%	10.4%	2.0%	12.4%	2.0%	19.4%
OPERATING REVENUE	\$347,825,129	\$355,003,099	2.1%	\$380,121,684	7.1%	\$423,641,830	11.4%	\$418,719,113	\$ (4,922,717)	-1.2%
OPERATING EXPENDITURE	238,748,352	275,000,266	15.2%	274,302,596	-0.3%	300,488,610	9.5%	294,136,042	(6,352,568)	-2.1%
POPULATION:	193,886	196,998	1.6%	196,998	0.0%	196,998	0.0%	196,998	-	0.0%
TAX REVENUE (per capita)	\$464	\$471	1.5%	\$493	4.8%	\$510	3.5%	\$539	29	5.7%
SALARIES & BENEFITS:	\$134,293,000	\$137,872,000	2.7%	\$152,297,814	10.5%	\$148,708,626	-2.4%	\$153,723,818	\$ 5,015,192	3.4%
% OF OPERATING EXPENDITURES	56.2%	50.1%	-10.9%	55.5%	10.7%	49.5%	-10.9%	52.3%	2.8%	5.6%
EMPLOYEES (FTE)	1,824	1,838	0.8%	1,826	-0.6%	1,727	-5.4%	1,674	(53)	-3.1%
AVERAGE PER FTE	\$73,626	\$75,023	1.9%	\$83,405	11.2%	\$86,108	3.2%	\$91,830	\$5,722	6.6%
LONG-TERM BONDED DEBT:										
LEGAL LIMIT	\$432,881,064	\$441,587,531	2.0%	\$479,269,363	8.5%	\$535,264,366	11.7%	\$552,185,411	\$16,921,045	3.2%
DEBT OUTSTANDING	357,825,000	363,820,000	1.7%	492,532,000	35.4%	478,561,000	-2.8%	360,582,000	(117,979,000)	-24.7%
% OF LEGAL LIMIT	82.7%	82.4%	82.4%	102.8%	102.8%	89.4%	89.4%	65.3%	-24.1%	-27.0%