

CITY OF DES MOINES

2010 Budget

Budget Policies

Annually, the City Council and City Manager meet to develop goals and objectives that establish the framework for development of the budget. The City Council adopted the following goals and objectives on February 4, 2010:

Goals

1. Protect people and property.
2. Maintain and enhance the City's infrastructure.
3. Preserve and enhance livability.
4. Protect and enhance the natural environment.
5. Improve economic vitality and development.
6. Provide efficient and effective City support services by pursuing partnerships with other agencies/entities and through the use of technology and innovative problem solving.
7. Influence regional and state issues and decisions.
8. Encourage community involvement through boards, commissions, and committees; stewardship programs; and volunteerism
9. Preserve, enhance, and celebrate the historic elements of Des Moines.
10. Provide diverse active, passive, and social recreational opportunities.

Strategic Objectives

1. Facilitate development of the Des Moines Creek Business Park.
2. Review and adopt changes to downtown zoning requirements to include at a minimum height, parking, signage, and setbacks.
3. Restore Police Department staffing levels to the highest level achieved in the past ten years,
4. Facilitate improvement of the Downtown Water System.
5. Complete the revisions to the Downtown Element of the Comprehensive Plan, including traffic management, design guidelines, building heights, and setbacks.
6. Initiate a collaborative discussion of the alignment of light rail through south King County from South 200th Street to South 272nd Street.

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Strategic Objectives (Continued)

7. Develop/implement a strategy to promote the City locally, regionally, statewide, and nationally.
8. Implement the Beach Park Master Plan.
9. Explore the “Priorities of Government” budgeting process.
10. Complete the reformatting and re-organizing of the Zoning Code.
11. Implement the Marina Master Plan.
12. Review and revise the subdivision requirements in the Zoning Code before completing the review and revision of the Zoning Code.
13. Adopt revised Street Standards.
14. Adopt and implement the Emergency Management Plan.

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Budget policies provide the framework for overall fiscal planning and management. The policies set forth guidelines for both current and long-range planning activities. The policies are reviewed annually for adherence and relevance, and provide standards against which current budgetary performance can be measured and proposals for future programs evaluated.

General Budget Policies

- **The City Council adopts appropriations at the fund level.**
- **Department heads are responsible for managing their budgets within the total appropriated budget under their control.**
- **Any budget adjustment between funds shall be approved by the City Council.**
- **Budget adjustments within a fund shall be approved by the City Manager, and reported to the City Council. Adjustments affecting program implementation require City Council approval.**
- **Departmental expenditures shall be charged to the appropriate BARS account code, and not to accounts where an excess of funds may exist.**

Operating Budget Policies

- **Ongoing operations of the City shall be funded from ongoing revenues.**
Status: The 2010 budget planning process included one-time revenues in order to balance the 2010 budget.
- **Revenues should be conservatively estimated, and expenditures budgeted at 100%.**
Status: Current practice.
- **Investment interest revenues earned on fund balances in the Revenue Stabilization Fund is included in the General Fund.**
Status: Current practice.
- **Investment interest revenues transferred to the General Fund from the Police Services Restoration Fund will be utilized solely for Police Department one-time expenditures.**
Status: Current practice.
- **Building Permit and Development Services revenues for projects valued at \$5 million or greater are identified as one-time revenues.**
Status: Current practice.

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Operating Budget Policies (Continued)

- **Twenty-five percent (25%) of vehicle fuel tax revenues will be transferred annually from the Street Fund to the Transportation Capital Improvement Fund for transportation capital improvements.**

Status: Current practice. However, in 2010, there is no transfer from the Street Fund to the Transportation Capital Improvement Fund as one of the expenditure cuts to be able to continue City's essential services.

- **Interfund transfers are allowed for direct/indirect cost allocation for services rendered by administrative and support service departments to enterprise and internal service operating funds.**

Status: Current practice.

- **Actual revenues and expenditures shall be monitored monthly against budget estimates and appropriations.**

Status: Current practice.

- **A five-year projection of revenues and expenditures for all operating funds shall be prepared and updated annually.**

Status: Current Practice.

Revenue Policies

- **The City utilizes formal historic trend analysis to establish baseline estimates of major revenues including incorporating proposed rate increases where applicable.**

Status: Current practice.

- **Service users shall pay their fair share of program costs.**

Status: Costs for Recreation and Senior Service programs and special events are recovered 100% through user fees.

- **Interfund charges for services shall occur only when needed for recovering costs that support activities necessary for each funds' purpose.**

Status: Current practice.

- **Tax and fee revenues shall be monitored and audited for compliance on a recurring basis.**

Status: Current practice.

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Revenue Policies (Continued)

- **Rate studies for revenues that support Enterprise Funds shall be conducted at least every five years to update assumptions and ensure that revenues are sufficient to recover operating costs and to provide for annual capital contributions equal to 1% of net assets.**

Status: Marina rate revenues shall target a minimum of 1.25 for debt service coverage ratio. A rate study was completed in 2006. Marina 2010 capital contribution totals \$265,000.

Surface Water Management Fund's 2010 contribution for capital projects is \$662,669. A rate study was completed in 2005.

Reserve Policies

- **General operating reserves of seven percent (7%) shall be established equal to the accumulated total of the general and street operating funds for each fiscal year.**

Status: The General and Street Funds' estimated ending operating reserves were equal to seven point six percent (7.6%).

- **The Revenue Stabilization Fund shall accumulate a reserve of ten percent (10%) of annual economically sensitive revenues to cover revenue shortfalls over a three-year recessionary period.**

Status: For 2010, the Revenue Stabilization Fund's estimated ending fund balance totals \$805,175. The 2010 required reserves total \$873,533 resulting in a shortfall of \$68,358.

- **Replacement reserves shall be accumulated each year on vehicles and computer equipment. A rental rate structure shall be established annually to provide sufficient funds for future replacement.**

Status: Annual assessments for computer and equipment replacements are reduced by 50% for the General and Street Funds in the 2010 budget. Replacement reserves are estimated to be \$1,335,741 for vehicles, and \$260,579 for computer equipment, at 2010 year-end.

- **Maintain an insurance reserve equal to the annual estimated insurance cost plus 20%.**

Status: Current practice.

- **Maintain a reserve for the payment of unemployment compensation claims based on 5% of full time equivalents multiplied times the annual maximum unemployment benefit multiplied times three years plus the average annual payout for the last ten years.**

Status: The 2010 annual maximum unemployment compensation reserve is calculated to be \$542,855. For 2010, ending fund balance is estimated at \$205,687 or 37.9% of the reserve requirement.

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Debt Service Policies

- **Long-term debt shall not be used to finance ongoing operational expenditures.**
Status: Current practice.
- **Whenever possible, alternative sources of funding shall be identified and examined for availability in order to minimize the use of debt financing.**
Status: The City aggressively seeks federal, state, and local grants, and low-interest Public Works Trust Fund Loans.
- **Pay-as-you-go financing of capital improvements shall be utilized whenever feasible.**
Status: Current practice.
- **Total general obligation debt shall not exceed seven percent (7%) of the actual assessed valuation of the City as required by law.**
Status: Current practice.

Capital Expenditure Policies

- **A six-year capital improvement plan shall be developed and updated annually, including anticipated funding sources.**
Status: Current practice.
- **Capital projects financed through the issuance of long-term debt shall not exceed the expected useful life of the capital project being financed.**
Status: Current practice.
- **Transportation Impact Fees will be utilized in the following priority order:**
 1. **Payment of debt service on bonds or loans for “Comprehensive Transportation Plan” (CTP) identified eligible projects.**
 2. **Reimbursement of past CIP Transportation capital expenditures for CTP identified eligible projects.**
 3. **Reimbursement of current CIP Transportation capital expenditures for CTP identified eligible projects.**
 4. **Use as matching funds required to obtain grants for CTP identified eligible projects.****Status:** Current practice.
- **The City shall coordinate development of the capital improvement budget with development of the operating budget. Future operating expenditures associated with new capital improvements will be projected and included in operating budget forecasts.**
Status: Current practice.

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Capital Expenditure Policies (Continued)

- **The City shall maintain all its physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.**

Status: Current practice.

- **Prior to undertaking a capital project, all ongoing operational and maintenance costs shall be identified and included as part of the policy discussion.**

Status: Current practice.

Financial Reporting Policies

- **The City's accounting and financial reporting systems shall be maintained in conformance with current accepted principles and standards of the Government Accounting Standards Board (GASB), and the Government Finance Officers Association (GFOA).**

Status: The City currently does not participate in the GFOA Certificate of Achievement for Excellence in Financial Reporting nor the GFOA Distinguished Budget Presentation Award. Financial statements and budget presentation are prepared in accordance with requirements and recommendations set by both organizations.

- **Full disclosure shall be provided in the financial statements and bond representations.**

Status: Notes to the financial statements and official bond statement provide full disclosure.

- **Monthly reports outlining the status of revenues and expenditures shall be provided to all departments and the City Manager.**

Status: Current practice.

- **Quarterly financial reports discussing financial operations and major trends shall be distributed to all departments, City Manager, and City Council.**

Status: Current practice.

- **An annual financial audit shall be performed by the State Auditor's office.**

Status: The City received an unqualified opinion on its 2008 financial statements.