

★ Roll Call Number
06-1072-I

Agenda Item Number
6

Date May 31, 2006

Communication from City Manager Richard Clark, submitting a list of steps being taken to limit expenditures.

Moved by Kiernan to receive and file, and give Council a stats report in 60 days.

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE	✓			
BROOKS	✓			
COLEMAN	✓			
HENSLEY	✓			
KIERNAN	✓			
MAHAFFEY	✓			
VLASSIS	✓			
TOTAL	7			

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED APPROVED
T. M. Franklin Coome
 Mayor

Diane Rauh
 City Clerk

**City of Des Moines
Franchise Fee Revenues**

The City of Des Moines receives about \$13.5 million per year in gas and electric franchise revenues. These revenues have been used to fund various operating budget activities including police, fire, library, utility assistance rebates, tax rate decreases, and general operations. The May 26, 2006 Supreme Court ruling indicates that the City may impose a franchise fee so long as it is based on certain costs incurred by the City as a result of the franchise. In preparation for our case before the District Court, the City will develop a comprehensive accounting of expenditures incurred by the City in relation to the franchise agreement for gas and electric services. We are confident that the City will be able to establish to the satisfaction of the District Court that the City incurs a significant cost related to the franchise for gas and electric utilities.

No trial date has been established, and a ruling on the merits by the District Court, and possible further appeal of such ruling, leaves a likelihood that the final outcome may not be known for an extended period of time. Given the uncertainty and unpredictability of the outcome, it is incumbent upon the City to take reasonable and prudent actions to limit expenditures until such time as there is a definitive conclusion. Therefore, it is recommended that the City take the following steps:

1. A limited hiring freeze will be imposed for all City departments. Exceptions will be made for essential positions.
2. The bond sale proposed for May 31, 2006 will be postponed. This will allow time for a review of the proposed CIP projects with the goal of reducing the total amount of bonds to the minimum required. It is anticipated that the sale of the bonds will be rescheduled for July, 2006.
3. All proposed expenditures for capital projects or equipment will be reviewed. Where possible, the expenditure will be delayed.
4. Potential new revenue sources such as local option sales tax (Project Destiny) will be reviewed and evaluated. This effort will include legislative efforts that focus on local government revenues including franchise revenues as well as other strategies. This effort will be pursued in conjunction with other cities in the State of Iowa.

The steps outlined above will be taken with the goal of minimizing impact on the provision of services to the public. However, it should be understood that some service level reductions and operating impacts may occur. It is also important to understand that the steps outlined above are not intended to result in savings equal to the full amount of the current franchise revenue.

May 31, 2006