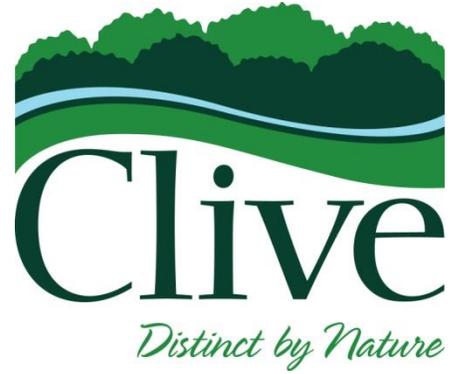


Memo

TO: Mayor Cirksena and Clive City Council
FROM: City Manager Matt McQuillen
DATE: January 14, 2021
RE: FY 2021-2022 Budget Memo – Road Use Tax and Utility Funds



City Manager's Office

The January 14 City Council meeting will be the first in a series of budget workshops to occur throughout January and February for the development of the City of Clive's Fiscal Year (FY) 2021-2022 Operating Budget. During the January 14 meeting City staff will be reviewing the proposed FY22 budget for the Public Works Department. Public Works is supported through a combination of operating funds, including the Road Use Tax Fund, the City's three Utility Funds (Sewer, Water, Stormwater) and a small portion through the General Fund.

This budget memo, along with a number of appendices attached, provide an overview of the City Manager's proposed budget for the Public Works Department. The following sections of this memo will provide an overview of the Public Works Department, including an analysis of each major fund that supports the operation of the department.

Public Works Department

The Clive Public Works Department is responsible for providing services in multiple areas related to the City's roadway and utility infrastructure. The department delivers services through a flexible staffing approach by cross training all department personnel in the various service areas to allow for maximum efficiency in staffing resources when major events occur in each of the service areas, such as flooding and water main breaks. The department implements an extensive training program and is able to provide its high level of service through experienced personnel and proper equipment to do the job safely and effectively.

The key service and process improvements made over the past few years have been:

- 1) Integrating the stormwater maintenance requirements associated with ever changing federal standards and mandates through the City's MS4 stormwater permit.
- 2) Maintaining and expanding on a comprehensive preventive maintenance program for both roadway and utility infrastructure, with the goal of limiting failures to a controlled environment.
- 3) Development of a remote traffic signal control and monitoring system to limit the need for on-site manual adjustments.
- 4) Certification process and specific training regiments for operating heavy equipment.
- 5) Aggressive joint and crack sealing program to complement the City's pavement management program and other roadway rehabilitation initiatives.

- 6) Efficiencies in vehicle routing, equipment/technology implementation, vehicle preventive maintenance and material application policies associated with the City’s snow removal operations.

As shown in the figure below, the Public Works Department consists of 33 full-time positions and one part-time position. Significant changes have occurred in Public Works personnel over the past four years with the addition of a new Civil Engineer and Engineering Inspection Technician in the previous year (FY 2020) to support the increase in capital improvement projects related to pavement and utility infrastructure replacement. The addition of a ROW Operations Specialist position was approved in the current fiscal year (FY 2021) to oversee increased telecom and utility activity in the City’s Right-Of-Way (ROW). As noted in the Public Works Director’s memo (Appendix #1) no additional positions are being requested in the FY 2022 Budget. However, a promotional system is being proposed for the creation of a Senior Operations Specialist position for each of the four work crews. The proposal seeks to reclassify existing staff positions and does not result in additional head count for the department.

Position/ Job Title	FT/PT	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	Requested FY 2022	Recommended FY 2022 Budget	Projected FY 2023 Proj
Public Works									
Public Works Director	FT	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Operations Administrator	FT	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	FT	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50
Office Assistant	PT	0.50	0.50	0.50	-	-	-	-	-
Operations Supervisor	FT	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Senior Operations Specialist	FT	-	-	-	-	-	4.00	4.00	4.00
Operations Specialist	FT	18.00	18.00	18.00	18.00	18.00	14.00	14.00	14.00
ROW Operations Specialist	FT	-	-	-	-	1.00	1.00	1.00	1.00
Engineering									
Engineering Services Administrator	FT	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Resources Engineer	FT	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Civil Engineer	FT	-	-	-	1.00	1.00	1.00	1.00	1.00
Senior Engineering Inspection Technician	FT	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00
Engineering Inspection Technician	FT	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Senior Engineering Technician	FT	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works Department Total		30.50	30.50	30.50	32.50	33.50	33.50	33.50	33.50

In the FY 2017 budget development process, the City’s finance staff implemented a salary re-allocation project. The re-allocation project properly distributes the cost of salaries for Public Works operations to their respective funding source. The changes as a result of the project have been positive in truly accounting for the expenditures and revenues for where services are rendered by the Department. For the FY 2018 budget the accounting methodology for the salary re-allocation project was adjusted to make it easier to follow and more transparent. These re-allocation changes continue into the proposed FY 2022 budget.

Capital Equipment Schedule

Annually, City staff reviews and updates the capital equipment plan for all of the City of Clive departments. Any updates and changes to the plan follow the City Council’s Capital Equipment Policy that was updated as a part of the new Financial Policies approved on May 26, 2016. The updated policy adjusted some of the replacement cycles for Public Works equipment and those changes have been incorporated. Included below is a summary of the capital equipment purchases expected in the Public Works Department for the proposed budget.

Public Works Summary for FY 2021-22 Proposed Budget (\$583,000 total)

- 1) Dump truck/plow/spreader - \$212,000
- 2) Mosquito Sprayer Replacement - \$24,000
- 3) Large Air Compressor - \$34,000

- 4) Rubber Tire Backhoe and Breaker Attachment Replacement - \$139,000 (Older model is traded down to Parks Division)
- 5) 1 Ton Service Pick-Up Replacement - \$46,000
- 6) Asphalt Patching Trailer Replacement - \$48,000
- 7) 20 Ft Concrete Trailer Replacement - \$13,000
- 8) Variable Message Sign Trailer Replacement - \$18,000
- 9) Annual Traffic Signal and Detection Replacements/Upgrades - \$23,000
- 10) SUV for ROW Specialist and Engineering (New) - \$26,000

The first eight items listed above are replacements. The dump truck, trailers and service pick-up are on 10-year replacement schedules. The backhoe is on a seven-year replacement cycle with the air compressor on a 12-year cycle. Annually, City crews work to replace and upgrade a portion of the City's traffic signal system to ensure limited failure/downtimes associated with the equipment. There is one new equipment request for a SUV in the Engineering Division to support the addition of the ROW Operations Specialist in the current fiscal year. More detail on these equipment requests are included in the Director's Memo. In addition, the Director has moved back the replacement of certain equipment due to better aging and less maintenance concerns than expected prior to replacement.

To finalize the overview of current trends and issues of the Public Works Department, Public Works Director Jeff May has provided a budget memo for your review. Director May's memo is included as Appendix #1 following this memo.

Road Use Tax Fund

The Road Use Tax (RUT) Fund is the primary funding source for Public Works operations. Shared by the State of Iowa with Iowa cities, the RUT is funded through a collection of fuel and vehicle registration taxes. RUT revenues are distributed to Iowa cities based on their population. The revenues from the RUT are limited in what they can be used for, with the primary focus on providing funds for maintenance and capital expenses associated with the City's roadways.

As show in Appendix #2, the COVID-19 pandemic had an impact on RUT revenues in FY 19-20 and continues to have a minor impact into FY 20-21. During last year's budget process staff estimated \$2.38 million in RUT revenues for FY 19-20. Actual revenues for FY 19-20 came in at \$2.25 million, resulting in about \$130,000 in less revenue. This revenue loss was offset by a reduction in expenditures in the RUT fund by about \$300,000. For the current fiscal year (FY21) RUT revenues are expected to hold, although there has been a slight decline in revenues in the early months of the current fiscal year. The proposed budget (FY22) revenues in the RUT Fund are anticipated to substantially increase with certification of the 2020 census in early 2021, with Clive population estimates nearing 20,000 people. Due to Clive's residential growth the City anticipates an increase in RUT revenue of approximately \$340,000 for the projected budget in FY22.

Appendix #2 shows the City anticipating some use of cash reserves in the RUT Fund for the current fiscal year (FY 20-21). The reason for this is two-fold: 1) the City Manager is anticipating revenue increases that are not currently reflected in the FY 20-21 revenues due to the 2020 census, 2) due to conservative budgeting practices the City does

not expend 100% of budgeted expenditures, thereby limiting the impact to the RUT Fund's cash reserves. For example, during last year's budget process the City was projected to utilize \$165,000 in cash reserves in the RUT Fund for the fiscal year ending June 30, 2020. The actual fund balance ended up being a \$38,000 surplus, a reflection of over \$330,000 less expenditures and \$130,000 less in revenue than what was budgeted. For the FY 21-22 Budget Year staff is projecting an approximately \$13,000 surplus in the RUT Fund due to the increase in revenue from the 2020 census. Based on the multiple year projections in Appendix #2, the RUT Fund is projected to maintain a healthy fund balance for future years.

As Appendix #2 shows, the proposed FY 2020-2021 budget does not identify any major changes to the status of revenues and expenditures other than the additional revenues due to the 2020 census. The goal is to maintain financial capacity in the RUT Fund for the Public Works Department to keep pace with growth through any staffing or equipment additions as identified in budget discussions in upcoming years.

Water Utility Fund

The Water Utility, funded through service charges to the City's municipal water customers, supports the wholesale water purchases plus water maintenance and capital operations of the Public Works Department. Public Works has a specific supervisor and crew dedicated to maintaining the City's water mains, valves, meters and storage facilities. The Water Utility is operated as an enterprise fund, functioning similar to a business unit. The revenues generated by the Water Utility are required to support the operational and capital needs of the City's municipal water system. Annually, the City works with Public Financial Management (PFM) to develop a cash flow for each of the City's utilities. The cash flows provide the line item detail for each utility, including revenues, expenditures, debt payments, capital needs and transfers. The cash flow for the Water Utility is displayed in Appendix #3.

In Appendix #3 PFM breaks down the City's water rate system and usage on the first page. The second page provides a summary of operating revenues and expenses. Water revenues consist primarily of regular water sales and irrigation water sales. Water revenues tend to fluctuate based on seasonal weather patterns. For example, when the City experiences a very rainy summer, the City's irrigation sales tend to plummet due to less need to irrigate by Clive's water customers. As for expenses, the City purchases water from Des Moines Water Works (DMWW) and this expense makes up the largest operational expense in the utility (45% as identified on line 53 on page three). The history and projections for rate increases for purchased water from DMWW are noted above line 27. As mentioned previously, the City also has a number of staff and equipment that maintain the City's municipal water network, and support of these operations represent the second largest operational expense in the utility.

Page three of Appendix #3 lists the debt service and capital requirements of the utility. The largest debt expense in the utility is listed on line 50, with a past history of approximate \$1.1 million annually for the City's purchased water capacity through DMWW. This debt has now been fully paid and the City has reallocated these resources towards significant water system rehabilitation needs as identified in the 2016 Water System Study completed by Snyder & Associates.

Capital equipment and project outlays are noted on the final page of Appendix #3. The Water Utility provides support to the Public Works Department for equipment specifically dedicated to municipal water operations and provides a portion of the financial support for the Department's dump truck fleet. Based on recommendations in

the 2016 Water System Study, an annual replacement program to replace water main infrastructure has been structured to lessen the probability of repairs. Support for capital projects noted in the recently approved 2021-2025 Capital Improvements Plan for the water main replacements at Clark Street, Harbach Ave, Buffalo Rd, NW 104th Street/Juan Calle/Donna Bella Dr Area, NW 78th Street, and NW 80th Street water mains are included in line 78 and 79. These capital projects are proposed to be supported through cash, rather than any debt issuance.

The promotional proposal for Senior Operations Specialists and certification incentives will have the most fiscal impact on the water utility fund. In addition to the information provided in the Director's memo (Appendix #1) the below outlines the certification incentive proposal that corresponds with promotional process. One of the long-term issues facing organizations is succession planning. The recent retirement of the City's Public Works Operations Administrator and the upcoming retirement of the City's Public Works Water Supervisor has identified some issues that need to be addressed.

The City is required to have staff with a Grade 3 water distribution license in order to operate the City's water distribution system. The City had two employees with a Grade 3 license and the retirement of the Operations Administrator had left the City with only the Water Supervisor as the remaining Grade 3 (although an Operations Specialist recently obtained a Grade 3). The upcoming retirement of the Water Supervisor in June 2021 will leave the City with only one employee with a Grade 3 license. Staff is currently working to get additional employees licensed at a Grade 3 level in water distribution. In order to avoid this issue in the future, staff is proposing a grade pay system for employees who get licensed. The pay will apply to Grade 1-3 water distribution licenses and Grade 1-2 sanitary sewer collection system certifications. This will provide an incentive for employees to get licensed and provide the City with the needed licensing and more skilled employees.

This proposal would provide hourly incentives, ranging from \$0.25 per hour to \$1.00 per hour for each license/certification, for employees to get water distribution and sewer collection licenses/certifications. Certain positions would be required to have licenses/certifications. The number of employees that are eligible for licensing would be set to cover all those required and allow an additional position or two if others were interested. This would provide the City with adequate staff to meet the requirements and opportunities for additional staff to be prepared if needed in the future. The incentive program would be in addition to providing advancement opportunities for four of the 18 Operations Specialists. The Senior Operation Specialist positions would receive an additional \$2.00 per hour. The total impact to the water utility is estimated at a maximum of \$49,000/year.

At the top of each page of Appendix #3 PFM includes a table displaying water revenue adjustments. In order to maintain the Capital Improvement Program as outlined, PFM has recommended a 3% rate increase to provide continued stability in the water utility. This recommended increase is the same as the increase shown by PFM in the cash flows last year for the water utility. In the past, the City has made substantial investments in the Water Utility, requiring substantial rate increases. Three years prior was the first rate increase (3%) for the water utility since 2011.

As the comparison on the next page shows, Clive ranks in the mid-tier of water utility rates, similar to last year's ranking. Over time, as Clive is able to maintain the current rate the other communities will increase their rates and progress closer to or above Clive's rate. Based on the rankings, Clive position is unchanged from the past year and

is expected not to change with the proposed 3% increase. The table with the proposed increase does not account for any increase those communities may be considering during their current rate setting evaluations. PFM projects that Clive's 3% proposed rate increase is one of the smaller increases proposed amongst the metro communities, thereby indicating Clive's ranking is likely to progress upwards in the coming years. As with all of the utility rates, City staff will continue to track Clive's rankings as compared to other Des Moines Metro communities.

As was mentioned last year, staff and PFM continue to re-evaluate the current rate structure of the regular rate and residential irrigation rates being at the same level. As the City Council is aware, with the ongoing discussions related to regional water governance, the City is likely to be impacted by future purchased water rate structures that take into the peaking factor of irrigation on water usage. Trimming peak usage through both an increased irrigation rate and water conservation efforts will be important for the stability of the water utility fund.

Water Rate Comparison (Current Rate)

Average Residential Bill for Water (Month)	
City	Average Usage: 5,000 gallons
West Des Moines	\$31.54
Urbandale	\$33.15
Altoona	\$35.80
Norwalk	\$37.40
Ankeny	\$37.64
Clive	\$38.78
Waukee	\$47.55
Johnston	\$49.81
Grimes	\$52.62
Pleasant Hill	\$55.30

Average Commercial Bill for Water (Month)	
City	Average Usage: 12,000 gallons
West Des Moines	\$69.62
Urbandale	\$73.26
Altoona	\$78.92
Norwalk	\$82.76
Ankeny	\$87.48
Clive	\$93.12
Waukee	\$104.76
Johnston	\$108.38
Grimes	\$118.72
Pleasant Hill	\$124.02

Water Rate Comparison—Proposed 3% Rate Increase

Average Residential Bill for Water (Month)	
City	Average Usage: 5,000 gallons
West Des Moines	\$31.54
Urbandale	\$33.15
Altoona	\$35.80
Norwalk	\$37.40
Ankeny	\$37.64
Clive	\$39.94
Waukee	\$47.55
Johnston	\$49.81
Grimes	\$52.62
Pleasant Hill	\$55.30

Average Commercial Bill for Water (Month)	
City	Average Usage: 12,000 gallons
West Des Moines	\$69.62
Urbandale	\$73.26
Altoona	\$78.92
Norwalk	\$82.76
Ankeny	\$87.48
Clive	\$95.91
Waukee	\$104.76
Johnston	\$108.38
Grimes	\$118.72
Pleasant Hill	\$124.02

Sewer Utility Fund

The Sewer Utility, funded through service charges to the City's municipal sewer customers, supports the sanitary sewer maintenance and capital operations of the Public Works Department. Public Works has a specific supervisor and operations crew dedicated to maintaining the City's sewage mains and conveyance system. Similar to the Water Utility, the Sewer Utility is also operated as an enterprise fund. The revenues generated by the Sewer Utility are required to support the operational and capital needs of the City's municipal sanitary sewer system. The cash flow for the Sewer Utility, prepared by PFM, is displayed in Appendix #4.

The first page of Appendix #4 displays the City's sewer rate structure and provides a summary of operating revenues and expenses. Sewer revenues consist primarily of regular usage fees (variable) and sewer availability charges (fixed). Since sewer usage calculations are primarily based on municipal water usage, sewer revenues tend to fluctuate similar to water revenues. As for expenses, a large portion of expenses are associated with the City's membership in the Des Moines Area Wastewater Reclamation Authority (WRA). The City of Clive maintains its own City sewer conveyance system and that system feeds into the regional conveyance and wastewater treatment system provided by the WRA.

Membership to the WRA requires the City to support the operational and capital expenditures of the regional sewer system and therefore these operational and capital expenses to the WRA make up the largest expense in the utility. The City also has a number of staff and equipment that maintains the City's municipal sewer conveyance network. Support of these operations represent the largest operational expense in the utility.

On page two of Appendix #4 PFM lists the debt service and capital requirements of the utility. As mentioned previously, the largest debt expense in the utility is associated with WRA debt requirements identified in total on line 28. The WRA debt payments account for Clive's portion of the improvements being made to the regional sewer system, including replacements and upgrades to the Wastewater Recovery Facility (WRF) located on the southeast side of Des Moines on Vandalia Road. At this time, the City is utilizing existing capital funds for any sewer projects within the City's network. Similar to the Water Utility, a sewer system study was completed last year and provides guidance on long-term capital replacement needs for the City's aging sewer conveyance infrastructure.

Capital equipment and project outlays are noted on the final page of Appendix #4. Similar to the Water Utility, the Sewer Utility provides support to the Public Works Department for equipment specifically dedicated to municipal sanitary sewer operations and provides a portion of the financial support for the Department's dump truck fleet. Capital outlay resources have been identified for street reconstruction projects identified in the 2021-2025 CIP (Clark and Harbach) where replacement of the clay sanitary sewers are anticipated as a part of those projects. In anticipation of future sanitary sewer replacement needs, there have been future capital funds reserved as shown in line 59 on page three.

Due to rising capital expenses associated with the City's membership to the WRA, PFM is recommending a sewer rate increase of 2% to provide for a financially stable Sewer Utility. This recommended increase is less than the 3% rate increase that was projected by PFM one year ago for the FY21 budget. As shown at the bottom of page two, WRA expense growth has begun to stabilize as Clive becomes a smaller portion of flow to the WRA as new members are added and other WRA member's flow grows at a faster rate than Clive. This reduction in flow attributable to

Clive has allowed for a reduction in the rate increase. Overall, WRA expenses (both debt and operating) represent over 45% of the expenditures in the sewer utility. As new members join the WRA (Grimes) and new WRA revenue sources come online (Biogas Project) it is the hope that Clive’s portion of WRA expenses will remain stable. As mentioned previously, the Sewer Utility Fund’s share of the Promotional/Certification proposal is \$18,000/year.

The City Manager concurs with PFM’s recommendation for the 2% sewer rate increase. Below is a Des Moines Metro comparison of sewer rates based on Clive’s current sewer rate and the recommended increased rate. With the increased rate Clive would maintain its rank in the middle of the comparison communities. All of the cities listed are full members of the WRA with Grimes just joining this past year and should be experiencing similar WRA costs, thereby requiring similar sewer rate increases. Therefore, the City’s rank may move up as Clive experiences percentage of flow decreases and depending on what the other cities decide upon for their sewer rates this year.

Sewer Rate Comparison – Current

Average Residential Bill for Sewer (Month)	
City	Average Usage: 5,000 gallons
Urbandale	\$26.50
Johnston	\$34.55
West Des Moines	\$34.68
Grimes	\$38.25
Clive	\$38.50
Pleasant Hill	\$43.26
Altoona	\$46.60
Norwalk	\$58.65
Waukee	\$59.52
Ankeny	\$62.55

Average Commercial Bill for Sewer (Month)	
City	Average Usage: 12,000 gallons
Urbandale	\$59.40
Johnston	\$74.31
West Des Moines	\$78.08
Clive	\$81.20
Pleasant Hill	\$88.62
Grimes	\$91.80
Altoona	\$104.84
Ankeny	\$112.11
Norwalk	\$130.26
Waukee	\$137.78

Sewer Rate Comparison – Proposed 2% Rate Increase

Average Residential Bill for Sewer (Month)	
City	Average Usage: 5,000 gallons
Urbandale	\$26.50
Johnston	\$34.55
West Des Moines	\$34.68
Grimes	\$38.25
Clive	\$39.26
Pleasant Hill	\$43.26
Altoona	\$46.60
Norwalk	\$58.65
Waukee	\$59.52
Ankeny	\$62.55

Average Commercial Bill for Sewer (Month)	
City	Average Usage: 12,000 gallons
Urbandale	\$59.40
Johnston	\$74.31
West Des Moines	\$78.08
Clive	\$82.80
Pleasant Hill	\$88.62
Grimes	\$91.80
Altoona	\$104.84
Ankeny	\$112.11
Norwalk	\$130.26
Waukee	\$137.78

Stormwater Utility Fund

The Stormwater Utility, funded through stormwater fees charged to all Clive property owners, supports the maintenance and capital operations of the Public Works Department for the City's storm sewer conveyance system, including pipe infrastructure, stormwater detention areas, and Walnut Creek watershed maintenance. Public Works has a specific supervisor and crew dedicated to maintaining the City's stormwater infrastructure network. Similar to the other utilities, the Stormwater Utility is also operated as an enterprise fund. The revenues generated by the Stormwater Utility are required to support the operational and capital needs of the City's municipal storm sewer system. The cash flow for the Stormwater Utility, prepared by PFM, is displayed in Appendix #5.

The first page of Appendix #5 PFM displays the City's stormwater rate structure and provides a summary of operating revenues and expenses. The Stormwater Utility is funded through one revenue source, the stormwater rate charged to residential and commercial properties. Based on the current rate structure, residential property owners are charged a flat rate for their entire parcel. Commercial property owners are charged a variable rate based on the amount of impervious surface located on their property. Residential property owners make up the largest customer base for the Utility at 94%.

As for expenses, the largest operational cost for the City in the Stormwater Utility currently is capital outlays with the second being the staff that work on the City's stormwater activities. These personnel costs (as identified on line 16 on page 1) consist of Public Works Administration, Engineering support and stormwater maintenance operations. As a result of the expense reallocation project, the transfers to the General Fund and Trust & Agency Fund, shown on line 41, page 2, reflect the amount of staff time and operating expense these funds dedicate to the Stormwater function, especially as the City continues to dedicate resources towards Clive's stormwater challenges. There are no staffing changes in the proposed budget and the Stormwater Utility will not support any portion of the promotional/certification incentive proposal outlined previously.

On pages 2 and 3 of Appendix #5, capital equipment and project outlays are noted. Similar to the other utilities, Stormwater provides support to the Public Works Department for equipment specifically dedicated to municipal stormwater operations and provides a portion of the financial support for the Department's dump truck fleet. For example, in the previous fiscal year (FY20) the City purchased a used track excavator to assist the City's public works crews in streambank stabilization efforts and other stormwater related projects such as future oxbows. The costs for the track excavator to the Stormwater Utility Fund are being spread out over a three year period.

The proposed budget incorporates capital project expenditures for storm water projects as identified in the 2021-2025 Capital Improvements Program (CIP). These capital expenditures are shown on line 53 on page three of Appendix #5. Based on the recently approved CIP, the City will be investing \$550,000 annually in stormwater capital projects for the next five years. Over the five year period projects include, storm sewer intake repair, streambank stabilization, stormwater management improvements associated with other capital projects (street replacement projects such as Clark St and Harbach Blvd) and flood mitigation activities that could include additional flood prone property buyouts or matching funds for FEMA-supported buyouts. In addition, the underway Water Resources Master Plan effort includes a full financial analysis of the City's funding sources for stormwater efforts, including the Stormwater Utility Fund. Recommendations could include changes to the stormwater utility rate structure, utilizing other revenues such as property tax and Local Option Sales Tax (LOST) for stormwater projects.

Due to the increase in operational and capital expenditures supported by the Stormwater Utility, PFM is recommending a stormwater rate increase of 10% for FY22. This recommended increase is the same 10% increase that was projected by PFM last year for the FY22 stormwater utility budget and represents a \$0.86/month increase for a residential property owner and an \$12.90/month increase for a commercial property owner with 15 ERU's.

The City Manager concurs with PFM's recommendation for the 10% stormwater rate increase. The next page includes a Des Moines Metro comparison of stormwater rates based on Clive's current stormwater rate and the recommended increased rate. With the increased rate Clive would maintain its rank in the high tier of the comparison communities.

Stormwater Rate Comparison – Current

Residential Storm Water Rates	
City	Usage
Pleasant Hill	\$3.00 per ERU per month
Altoona	\$5.00 per month
Urbandale	\$6.00 per ERU per month
West Des Moines	\$6.05 per ERU per month
Waukee	\$6.25 per ERU per month
Grimes	\$6.38 per month
Ankeny	\$6.50 per ERU per month
Johnston	\$6.55 per ERU per month
Norwalk	\$7.50 per household
Clive	\$8.61 per month

Commercial Storm Water Rates	
City	Usage
Pleasant Hill	\$3.00 per ERU per month
Altoona	\$5.00 per ERU per month
Urbandale	\$6.00 per ERU per month
West Des Moines	\$6.05 per ERU per month
Waukee	\$6.25 per ERU per month
Grimes	\$6.38 per ERU per month
Ankeny	\$6.50 per ERU per month
Johnston	\$6.55 per ERU per month
Norwalk	\$7.50 per ERU per month
Clive	\$8.61 per ERU per month

Stormwater Rate Comparison – Proposed 10% Rate Increase

Residential Storm Water Rates	
City	Usage
Pleasant Hill	\$3.00 per ERU per month
Altoona	\$5.00 per month
Urbandale	\$6.00 per ERU per month
West Des Moines	\$6.05 per ERU per month
Waukee	\$6.25 per ERU per month
Grimes	\$6.38 per month
Ankeny	\$6.50 per ERU per month
Johnston	\$6.55 per ERU per month
Norwalk	\$7.50 per household
Clive	\$9.47 per month

Commercial Storm Water Rates	
City	Usage
Pleasant Hill	\$3.00 per ERU per month
Altoona	\$5.00 per ERU per month
Urbandale	\$6.00 per ERU per month
West Des Moines	\$6.05 per ERU per month
Waukee	\$6.25 per ERU per month
Grimes	\$6.38 per ERU per month
Ankeny	\$6.50 per ERU per month
Johnston	\$6.55 per ERU per month
Norwalk	\$7.50 per ERU per month
Clive	\$9.47 per ERU per month

General Fund

The City's General Fund (funded primarily through property taxes) provides a small amount of resources for certain Public Works operations. As a part of the salary re-allocation project a small portion of funding is provided from the General Fund to support the City's engineering and administration staff located within the Public Works Department. The largest form of support from the General Fund for Public Works is the funding of the City's street lighting program. Managed by Public Works staff, expenses for the street lighting program total \$200,000 annually, paying the electrical costs and maintenance for operating the City's street light network. Street lighting programs are an eligible expense for the Road Use Tax Fund under the "supervision of public streets" provision (Iowa Code 312.6).

In the FY17 budget process the City Council allocated half of the expenses for street lighting (\$100,000) to the RUT Fund to lessen the burden on the City's General Fund. The proposed budget for FY 2021-2022 maintains this 50/50 split between the General and RUT Funds for street lighting expenses. The street lighting funding allocation will be revisited annually as needed to free up resources in the Road Use Tax Fund to support infrastructure growth.

City Council Direction and Next Steps

This completes the City Manager's budget proposal for the Public Works Department. We hope the above information and the documents included in the appendix provide an appropriate summary of the operations of the Public Works Department and the financial plan to fund their operations and capital expenditures. A detailed, line-item budget of the various activities of Public Works in the RUT Fund is included in Appendix #6 for your review.

Based on the City Manager's budget proposal there are three key budget policy items where City Council direction is required.

- 1) Does the City Council support the water (3%) rate increase as outlined by PFM?
- 2) Does the City Council support the sewer (2%) rate increase as outlined by PFM?
- 3) Does the City Council support the stormwater (10%) rate increase as outlined by PFM?
- 4) Does the City Council support the promotional proposal for a Senior Operations Specialist classification and associated certification incentives?

Pending your direction on the above items the operating budgets for the Road Use Tax Fund and the three Utility Funds (Water, Sewer and Stormwater) will be incorporated into the overall budget proposal. When the City Council considers the FY 2021-2022 budget for formal approval in March the staff will also include the 1st readings of ordinances to amend the Water, Sewer and Stormwater rates based upon your direction regarding recommended adjustments.