

March 4, 2003

Honorable Mayor and
Members of the City Council
City of Urbandale, Iowa

Re: FY2003-04 Operating Budget

I am pleased to present to the City Council the FY2003-04 operating budget for the City of Urbandale. This budget represents the City's operating plan for the fiscal year beginning July 1, 2003 and ending June 30, 2004. It was prepared in conformance with the Code of Iowa and the City's fiscal performance goals. At its meeting of March 4, 2003, the City Council will conduct a public hearing to review and approve the FY2003-04 operating budget.

The recommended FY2003-04 budget has been shaped by several significant factors. These key elements include the following:

1. Wages and Benefits – The recommended budget does not anticipate the creation of any new full time positions during either FY2003-04 or FY2004-05. During the upcoming fiscal year, the only personnel changes will involve the creation of several part-time positions in the Fire Department. The part-time staffing will provide the department with the same coverage as two full time positions. In spite of this limited staffing change, personnel costs will increase by approximately \$628,900 in FY 2003-04. In addition to salary and pension increases for existing employees, much of the rise in personnel costs can be attributed to a 25% increase in health insurance costs. Over \$230,000 in additional health care expenditures are anticipated during the upcoming fiscal year. Finally, the implementation of the merit based pay system for the City's non-union employees will increase personnel costs by another \$78,000.
2. Infrastructure – Once again, the operating budget emphasizes the importance of infrastructure maintenance and improvements. In Police, three aging heat pumps will be replaced and the front entry wall will be repaired. In the Library, the electrical and mechanical system contracts will be renewed and a floor maintenance program will be initiated. In Parks, the 70th and Douglas fountain and Walker Johnston restrooms will be repaired, new bike path repairs and overlays will be performed and improvements will be made at Walker Johnston Park. Additionally, new land will be acquired for the Walnut Creek Regional Park. At the Swimming Pool, a significant exterior repair project will be initiated

and improvements will be made to the locker rooms. In Sanitary Sewer, sewer line and manhole repair programs will be continued and an inflow/infiltration control program would be initiated. In Storm Sewer, drainage way improvements will be constructed along four creeks. Finally, an enhanced pavement maintenance program will be initiated in Roadway Maintenance.

3. Technology – With the current limitations on new staffing, the introduction of new technologies will be even more important. The desktop computer modernization program will continue with the addition of new computers in Police, Library and Engineering and Public Works Administration. In Traffic Safety, new LED red signal lights will be installed to reduce the City's annual energy costs. In Parks, the on-line registration program will be continued. A new housing information and permitting system will be introduced in Code Enforcement and Community Development. This system will utilize hand held technology to streamline the inspection process. Hand held technology will also be introduced in Engineering and Public Works Administration for the collection of traffic data and to perform utility locates. In Finance and Records, new financial system software and hardware will be installed. Finally, network improvements and a citywide technology training effort will be funded in Technology.
4. Privatization – In an effort to control costs, the privatization of the park and roadside mowing program will be explored. It is estimated that this initiative could save the City at least \$80,000 annually, based on experiences in other cities. If approved by the City Council, bids will be solicited for this service in Spring 2003. It should be noted that this initiative will be structured in a manner that no full time employees will be impacted.

The recommended FY2003-04 budget anticipates an increase of \$2,047,544 (9.6%) in expenditures over the FY2002-03 adopted budget. Of this total, operating expenses will be increased by \$1,089,968 (6.6%), debt service expenses will be increased by \$584,666 (16.3%) and TIF transfers will be increased by \$372,910 (31.7%). The recommended expenditures for FY2003-04 will require a \$0.10 increase in the City's property tax levy rate. Under the recommended FY2003-04 budget, the general tax levy rate will increase to \$7.02 and the debt service levy rate will remain at \$2.05. The ag land levy rate will remain at \$2.02. The City's combined tax levy rate will be \$9.07/\$1,000 of valuation.

The recommended operating budget contains financial projections for the 2003-04 and 2004-05 fiscal years. The two year budget format was approved by the City Council in 1981 and continues to be a useful tool in the City's financial planning efforts. It should be noted that expenditures in the 2004-05 fiscal year are estimated to increase by \$2,379,977 (10.2%). In order to maintain an adequate general fund balance, it is anticipated that an additional \$0.10 increase in the tax levy rate will be

needed in FY2004-05. Additionally, another \$0.10 will be needed to finance the expansion of the Community Development/Engineering office building to accommodate the City Hall and Parks and Recreation offices, if approved by the City Council. It is also possible that reductions in expenditure levels or other revenue enhancements will be needed to balance the operating budget in FY2004-05.

The FY2003-04 budget document has been reformatted to assist the City Council in its decision making process. As in the past, the budget includes Goals and Performance Objectives, Budget Summaries and Budget Notes for each program. The Budget Summaries contain actual expenditure amounts for FY2001-02, estimated expenditure levels for FY2002-03, recommended expenditures for FY2003-04 and estimated expenditures for FY2004-05. Additionally, this section has been expanded to include more detailed revenue information for each program. Following the principles of GASB 34, the Summary now identifies fees, grants and other revenues attributable to the program and uses this information to calculate a net tax support. Descriptions of the most significant factors influencing the recommended budget are also included. Finally, expenditure trends anticipated to influence future budgets are noted in this section.

Once again, the Goals and Performance Objectives section has been expanded. The primary goals and performance objectives continue to be identified in this section. However, additional workload, efficiency and outcome measures for many of the programs have been included. Where appropriate, measures from the ICMA Center for Performance Measurement and the CIPA program have been utilized. This performance information should allow the City Council to better understand the impact of its budget decisions. Finally, the Budget Notes have been reformatted to provide more detailed information about the expenditure line items in each program. The new vertical alignment of this section should make it easier for the City Council to use.

The remainder of this letter will provide additional information regarding the City's estimated revenues and expenditures for the 2003-04 fiscal year. It is hoped that this information will provide the City Council with a more complete picture of the City's financial position resulting from the operating budget.

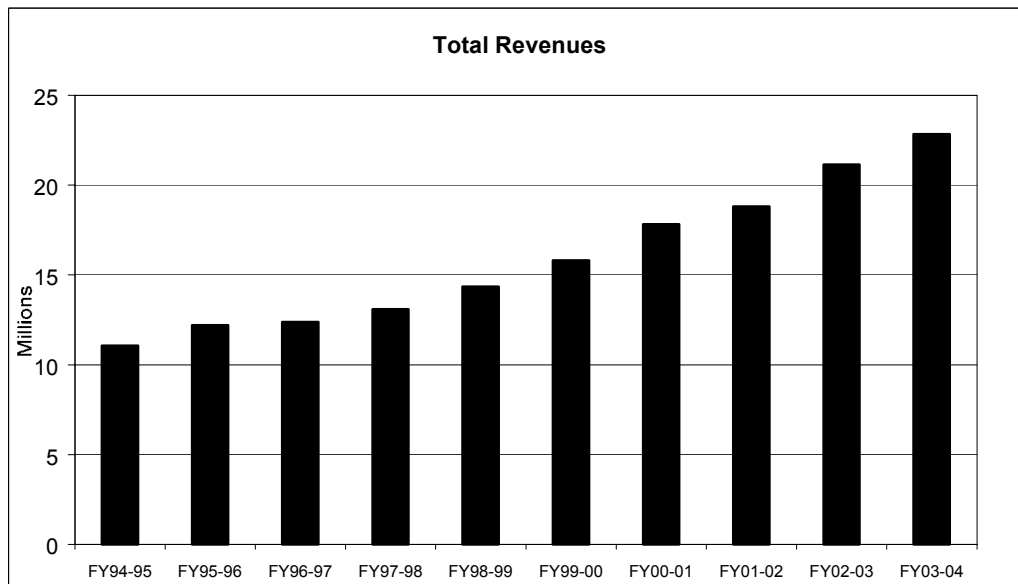
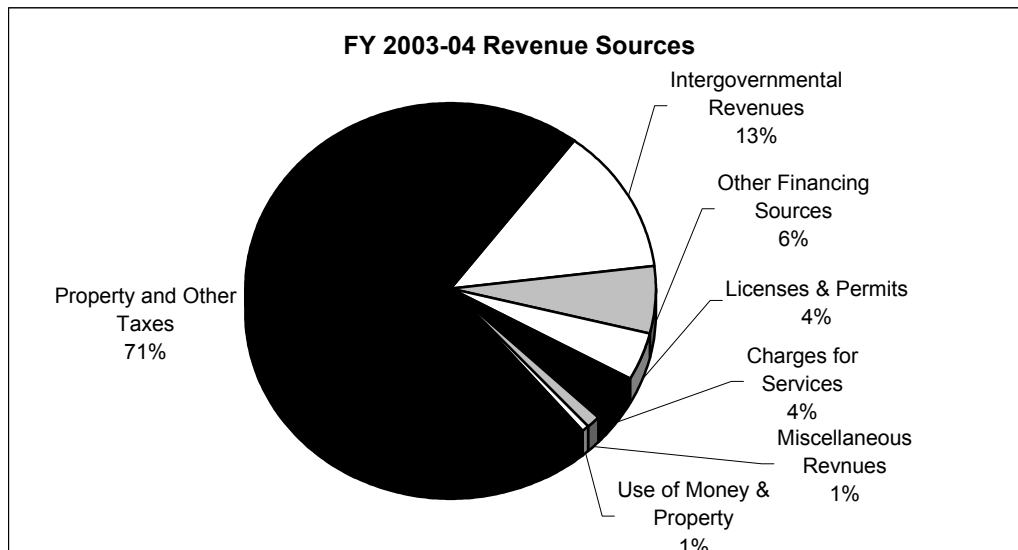
Revenue

The recommended 2003-04 fiscal year budget anticipates a total revenue increase of \$1,918,288 (9.2%) over the 2002-03 adopted budget. If the TIF transactions are factored from the operating budget, the total revenue increase is \$1,545,378 (7.8%). The total adjusted revenue for the 2003-04 fiscal year will be \$21,282,762. This revenue level represents an increase of \$1,440,305 (7.3%) from the FY2002-03 revised budget estimate. The following table summarizes the City's FY2002-03 and FY2003-04 revenue by funding source:

Revenue by Source

Revenue Source	2002-03 Adopted		2002-03 Revised		2003-04 Recommended	
	Total	%	Total	%	Total	%
Taxes	\$14,890,498	71.2	\$14,969,141	70.8	\$16,314,589	71.5
Licenses/Permits	904,925	4.3	1,042,300	4.9	940,190	4.1
Use of Money & Property	270,000	1.3	143,000	0.7	145,000	0.6
Intergovernmental	2,797,000	13.4	2,902,501	13.8	2,889,100	12.7
Charges for Services	908,950	4.3	914,917	4.3	913,150	4.0
Miscellaneous	221,000	1.1	254,500	1.2	255,000	1.1
Other Financing Sources	<u>923,011</u>	<u>4.4</u>	<u>910,116</u>	<u>4.3</u>	<u>1,376,643</u>	<u>6.0</u>
Total	\$20,915,384	100%	\$21,136,475	100%	\$22,833,672	100%

The following charts graphically depict the sources of revenue for FY2003-04 and the revenue trends for the last ten years.



As noted above, total City revenues have increased from \$11,068,595 in FY1994-95 to \$22,833,672 in FY2003-04. During this period, total revenues averaged an annual increase of 11.8%. Due to a change in reporting format, it is not possible to compare changes in revenue sources over the past ten years. However, for the first nine years, most of the growth in revenues occurred in the property tax, intergovernmental and franchise revenue categories.

Several factors will have an impact on the City's property tax receipts during the upcoming fiscal year. A significant growth in residential and commercial construction is primarily responsible for the 7.1% increase in the City's property tax base. This growth rate would have been larger had a portion of the base not been captured in the City's three tax increment districts. In FY2003-04, \$37,797,130 in taxable valuation will be used to support improvements in the Northwest Market Center, Fawn Creek and Downtown Urbandale Neighborhood tax increment districts. To ensure an appropriate revenue stream for the City's general fund operations, the City Council has limited the amount of property tax valuation that can be captured in the Northwest Market Center TIF district. Beginning in FY2002-03, no more than 50% of the district's incremental value may be captured for public improvement and debt service expenditures. It should be noted that the City's growth in taxable valuation has averaged 6.7% for the past three years.

The City's property tax receipts will also be impacted by the State's limitation on property tax growth. The State imposed rollback on residential property values will drop for the upcoming year. The residential rollback will decrease from 51.67% to 51.39%. Under the new residential rollback provision, 51.39% of a residential property's value will be subject to taxation. However, this loss in valuation will be offset by a rise in the commercial rollback from 97.77% to 100%. These changes in the residential and commercial rollbacks will result in a net valuation increase of \$10,096,623 during FY2003-04. Unfortunately, the City has still lost approximately \$214,600,000 in valuation due to the State's rollback provisions during the past ten years. Since most of this tax break has benefited residential property owners, there has been a shift in the property tax burden to commercial and industrial properties during this period. Obviously, such a shift in the property tax burden is counter productive to the City's economic development efforts.

In 1998, the State's method for the valuation of electric utilities was significantly modified by the Iowa Legislature. FY2003-04 represents the fourth year under the new valuation formula. Under the formula, utility properties are valued differently than other commercial properties. The formula bases the utility's value on energy consumption within the community, not on its value in relation to other commercial properties. This new approach was adopted in anticipation of the deregulation of energy utilities. However, deregulation legislation has not yet been adopted by the Iowa Legislature. Using the new methodology, the City's utility valuation will be \$64,998,758 for FY2003-04, representing a \$64,074 (1%) increase from the previous

year. It should be noted that FY2003-04 represents the first year that the City's property tax receipts from electric utilities will reflect the actual property valuation. For the last three years, the City's revenue was protected by a "hold harmless" provision, which ensured that there would not be a revenue drop from the switch to a consumption based valuation method.

The recommended FY2003-04 operating budget also anticipates the prudent use of the general fund balance to supplement property tax revenues. The City Council's financial goals dictate that the general fund balance should represent approximately 25% of the annual general fund expenditures. At the end of FY2002-03, it is estimated that the general fund balance will be \$4,255,130, representing 28.3% of general fund expenditures. In order to address several one-time capital expenditure needs, approximately \$349,801 of fund balance will be used to finance the FY2003-04 operating budget. The one-time expenditures to be financed from the fund balance include the construction of a skateboard area in Walker Johnston Park, improvements to the bike path system, building repairs at the Swimming Pool, the construction of several storm sewer improvements, and several technology related purchases. At the end of FY2003-04, it is estimated that the general fund balance will represent 23.4% of annual operating expenses. In the preparation of the FY2004-05 budget, efforts will be made to at least stabilize the fund balance at this level.

In order to fund the expenditures contained in the recommended FY2003-04 budget, the general property tax levy rate will rise from \$6.92/\$1,000 of valuation to \$7.02/\$1,000 of valuation. The debt service tax levy rate will remain at \$2.05/\$1,000 of valuation. When combined with increases in valuation, the proposed tax levy rate will generate an additional \$1,048,410 (8.8%) in property tax revenues when compared to FY2002-03.

For comparison purposes, the following table depicts the City's property tax levy rates since FY1999-2000:

Property Tax Levies Per One Thousand Dollars of Valuation

	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04
General	\$ 6.92	\$ 6.92	\$ 6.92	\$ 6.92	\$ 7.02
Debt Service	<u>1.92</u>	<u>2.05</u>	<u>2.04</u>	<u>2.05</u>	<u>2.05</u>
Total	<u>\$ 8.84</u>	<u>\$ 8.97</u>	<u>\$ 8.96</u>	<u>\$ 8.97</u>	<u>\$ 9.07</u>
Ag Land	<u>\$ 2.02</u>	<u>\$ 2.02</u>	<u>\$ 2.02</u>	<u>\$ 2.02</u>	<u>\$ 2.02</u>

An Urbandale House valued at \$100,000 will pay approximately \$422 in property taxes to the City as a result of the recommended FY2003-04 budget. This property tax bill represents an increase of approximately \$2 (.5%) from FY2002-03. A

similarly valued home in FY 2002-03 would have paid approximately \$420 in City property taxes. As a point of reference, the property tax bill for this home will be essentially the same in FY2003-04 as it was in FY1998-99. During that five year period, this home's property tax bill will have slightly dropped from \$425 to \$422.

In his State of the State Address, Governor Vilsack challenged the Iowa Legislature to reform the State's tax structure. In response to this challenge, two significant property tax initiatives have been introduced. Senate File 41 would modify the current property tax assessment process and limit a City's annual property tax levy. Under this bill, all property would be initially assessed at fair market value. The established value would then be reduced by 50%, up to \$20,000, for residential property, and 50%, up to \$25,000, for commercial and industrial property. Additionally, a city's property tax levy would be limited to 1% of residential taxable value and 2% of commercial and industrial tax value. Finally, any increases in taxes would not be allowed to exceed the Consumer Price Index. It is anticipated that this bill will be debated by the Senate in the near future.

The second proposal has been offered by the Iowa Farm Bureau to eliminate tax increment districts. As proposed, all TIF districts throughout the State would be eliminated and the existing debt from these districts would be assumed by the State. In order to fund this debt, a State-wide property tax would be levied on 4.5% of all property valuation. The proceeds from this tax would also be used to create a regional economic development program entitled the Iowa Values Fund. A board would be established to allocate funds for this program for projects previously financed through the TIF mechanism.

As was the case with previous property tax limitation proposals, it appears that Iowa's growth cities would be especially hurt by the new proposals. It is recommended that the Mayor and City Council continue to work with Urbandale's legislative delegation to provide information regarding the negative impact of both initiatives.

Proceeds from another City tax, the Hotel/Motel tax, are expected to slightly decline during FY2003-04. It appears that Urbandale's hotels and motels captured a smaller percentage of the metropolitan market during FY2002-03 and it is projected that this trend will continue into next year. However, a significant increase is expected in FY2004-05, with the addition of the Hilton Garden hotel at 86th Street and North Park Drive.

License and permit revenue is expected to grow by \$35,265 (3.9%) during FY2003-04 due to continued strength in the residential construction and cable television markets. In 2002, the City issued over 400 single family residential permits, breaking the previous one year record. Based on current platting and site planning activities, it appears that this permit level could be reached in the upcoming year. It also appears that the slow down in the construction of commercial

and industrial projects may be reversed during the year. As the number of homes increases in the City, the number of cable television users also increases. This market expansion, combined with service rate increases, are responsible for the \$10,000 (4%) projected growth in the cable television franchise fee revenue.

It is apparent that low mortgage rates have been partially responsible for the growth in the City's housing starts. However, a corresponding decline in interest rates has significantly reduced the City's earnings from its investments. It is anticipated that interest earnings will decline by \$125,000 in FY2003-04, before rebounding in 2004-05.

The City's receipts from the Road Use tax are expected to rebound slightly in FY2003-04. Although gasoline prices continue to rise, it appears that market demand will be strong, resulting in a 2.8% rise in road use tax receipts. Increased revenue from the bank franchise fee and various library contracts and grants are expected to increase intergovernmental revenues by an additional \$28,000. In total, the intergovernmental revenue category is expected to rise by \$92,100 (3.3%) in FY2003-04.

Most of the City's service fees are expected to generate additional revenue in FY2003-04. Revenue growth can be expected from the shelter house rentals, recreation programs, yard waste and bulk item collection, and sanitary sewer operations. However, most of these increases will be offset by revenue losses from cemetery and turf maintenance activities. Due to the unavailability of additional plots in the cemetery, it is expected that no cemetery related revenue will be received in FY2003-04. Additionally, no revenue is expected from the Urbandale Community School District if turf maintenance responsibilities are transferred to a private contractor.

In the City's other revenue categories, increased library fines and court fines are responsible for the \$34,000 (15.4%) growth in miscellaneous revenues. Additionally, increased support for TIF related debt service, partially offset by a \$70,000 reduction in a Trust & Agency contribution for police pension expenses, is responsible for the \$453,632 (49.1%) rise in the other financing source revenue category.

It should be noted that the FY2004-05 revenues are anticipated to be \$2,035,031 (8.9%) greater than those received in the 2003-04 fiscal year. Most of the revenue growth will be experienced in the City tax revenue category. Property tax receipts in the general fund are anticipated to increase by \$830,151 (8.3%) in order to maintain current service levels, finance the expansion of the Community Development/Engineering office building, and ensure that the general fund balance is maintained at an adequate level.

Expenditures

The recommended FY2003-04 budget projects expenditures of \$23,384,855, representing a \$2,047,544 (9.6%) increase from the current adopted budget. The proposed expenditures represent an increase of \$2,468,783 (11.8%) from the revised 2002-03 budget. Several factors are responsible for the recommended funding levels contained in the 2003-04 operating budget.

The recommended budget will fund wage increases for the City's union and non-union employees. The City is currently negotiating collective bargaining agreements with the police and laborers units for FY2003-04. For this reason, salary and wage rates have not yet been established for either unit. It is anticipated that the final wage settlements will be reflective of current economic conditions. The compensation levels for the City's non-union employees will be determined by the new merit pay system. This system will reward employees for high performance and the accomplishment of specific goals.

With the continuing rise in health care costs, it will be necessary to increase the departmental contributions to the health insurance internal service fund by 25% during FY2003-04. Due to increases in the City's reinsurance and claims costs during the past two years, expenses from the internal service fund have outpaced contributions. This problem was complicated by a 23% increase in the City's health insurance program for 2002-03. In total, contributions to the health insurance internal service fund will reach \$1,162,358, representing a \$232,474 increase. A 25% increase in contributions is expected for FY2004-05.

In 2003-04, the City will continue its participation in the Iowa Communities Assurance Pool (ICAP). ICAP provides the City with property and casualty insurance coverage through a combination of traditional insurance and a risk pooling arrangement with other cities and counties in Iowa. The City's comprehensive general liability, automobile, police, public officials liability and property coverages are provided by the Pool. The workers compensation coverage is provided by the Iowa Municipalities Workers Compensation Association (IMWCA), another public sector insurance pool.

Participation in ICAP and IMWCA has stabilized the City's insurance premiums for property and casualty coverage. When the City joined ICAP, an internal service fund was created to finance property and casualty insurance expenditures. This fund was originally established at a level of \$75,000 and had reached a level of approximately \$680,800 by the end of FY2002-03. The fund will be used to finance any future premium increases, special assessments levied by ICAP or losses experienced through an increase in deductibles. This fund can also be used to purchase a "tail" policy for the City's liability, automobile, police, property and public officials liability coverages, if pool membership should be discontinued. A "tail" policy would provide the City with coverage for outstanding claims from the date of withdrawal.

In FY2002-03, liability, property and workers compensation insurance premiums increased by approximately \$87,000 (27.9%). This premium increase was primarily attributed to a rise in workers compensation rates and a drop in the pools' premium credits. Although the City's loss experience for workers compensation improved during the past year, increases in payroll costs and class rates contributed to the significant rise in the premium. The drop in the premium credits was tied to the adverse claims experience for each of the pools during the past year. In FY2003-04, it is anticipated that the premiums for liability and property coverages will remain stable, but that the workers compensation premium will once again significantly increase. For this reason, contributions to the internal service fund will be increased by 15% during both FY2003-04 and FY2004-05.

The gasoline and diesel fuel market continued to be volatile during FY2002-03. The recommended operating budget anticipates that this trend will continue, resulting in a 10% expenditure increase during the fiscal year. Should prices fluctuate more than anticipated, adjustments will be made in other areas of the operating budget.

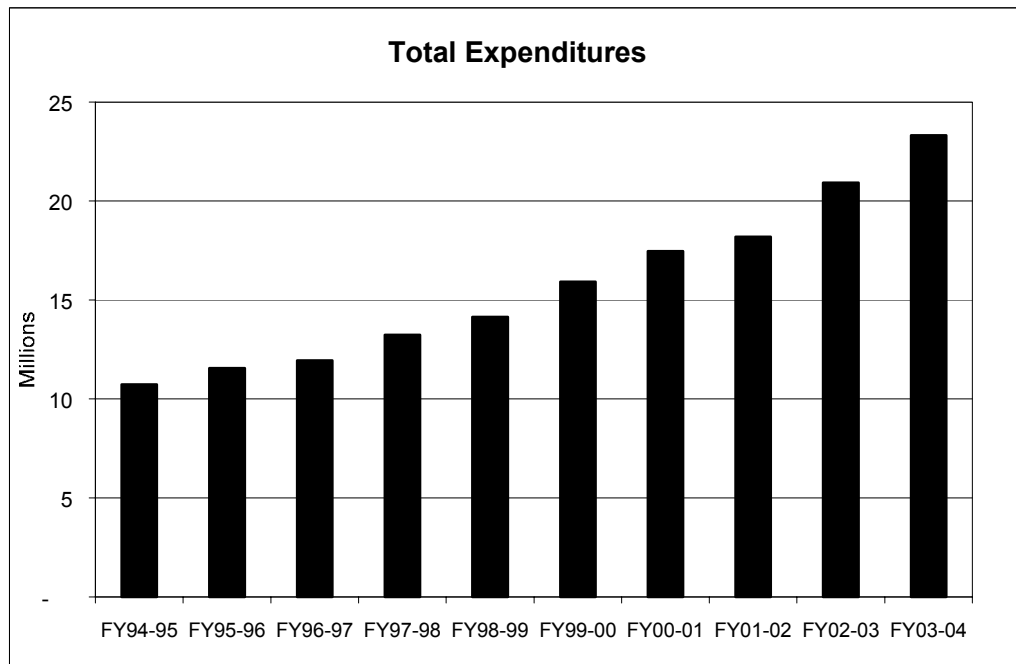
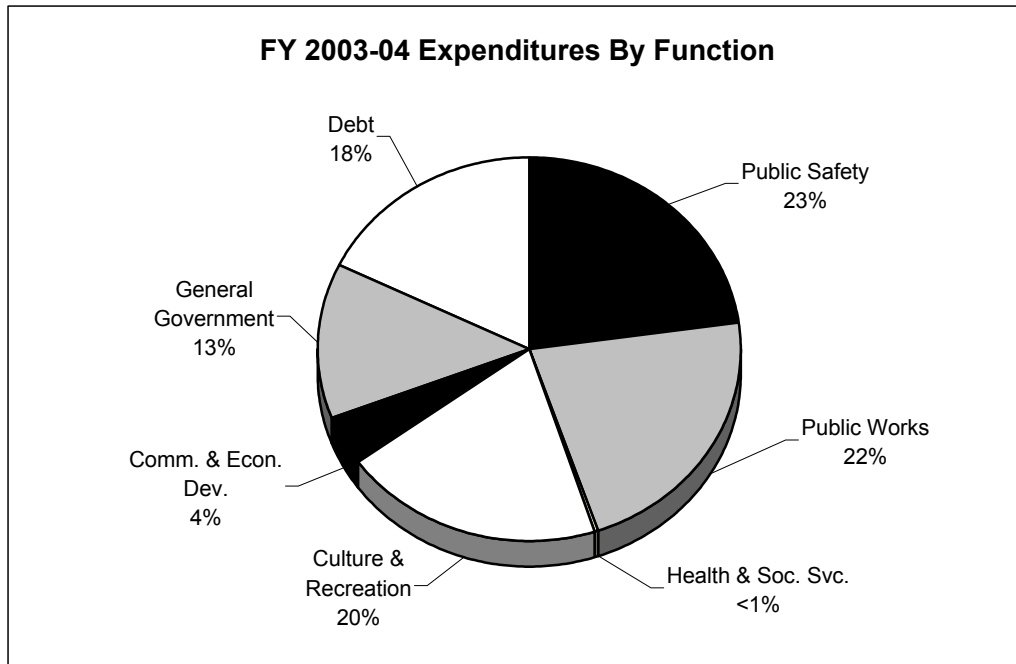
Mild weather was primarily responsible for the moderate increase in utility expenses during FY2002-03. A predicted return to normal weather patterns, coupled with a cost of living increase in energy expenses, will cause utility costs to increase by 4% during FY2003-04.

Many of the above mentioned factors helped shape the recommended operating budget for FY2003-04. The following table summarizes expenditures, by function, for the 2002-03 and 2003-04 fiscal years:

Expenditures by Function

Function	FY2002-03 Adopted	FY2002-03 Revised	FY2003-04 Recommended
Public Safety	\$ 5,028,340	\$ 4,711,536	\$ 5,333,473
Public Works	4,878,533	4,875,722	5,140,800
Health & Social Services	26,153	26,153	29,653
Culture & Recreation	4,396,850	4,386,353	4,700,333
Community & Economic Development	892,833	890,054	992,027
General Government	<u>2,534,537</u>	<u>2,534,808</u>	<u>3,023,838</u>
Subtotal	<u>\$ 17,757,246</u>	<u>\$ 17,424,626</u>	<u>\$ 19,220,124</u>
Debt Service	3,580,065	3,491,446	4,164,731
Total	<u>\$ 21,337,311</u>	<u>\$ 20,916,072</u>	<u>\$ 23,384,855</u>

The following charts graphically depict the FY2003-04 recommended expenditures by major functions and the expenditure trends for the last ten years:



As noted above, total expenditures have increased from \$10,730,900 in FY1994-95 to \$23,384,855 in FY2003-04. During this time, expenditure levels have increased by approximately 13.1% annually.

The remainder of this section will be devoted to an expenditure summary by program. The summary will highlight the major activities in each of the program areas.

Police – FY2003-04 will mark the fourth year of operations for Westcom, the west suburban public safety dispatch center. This cooperative venture has allowed the cities of Clive, Urbandale, and West Des Moines to share in the staff and equipment costs for an advanced dispatch and radio system. Urbandale's contribution to Westcom will be \$394,982, representing a 7.5% increase from the FY2002-03 contribution. The Police Department will continue to expand its use of technology during the upcoming fiscal year. Four new desktop computers will be purchased for administrative uses and new keyboards will be purchased for the mobile data terminals located in the department's patrol vehicles. The FY2003-04 budget will also be significantly impacted by an increase in the City's contribution rate for the Municipal Fire and Police Retirement System of Iowa. In the next year, the rate will increase from 17% of wages to 20.5%, resulting in approximately \$80,000 of additional expense for the City.

Fire – A disparity in response times between daytime and nighttime hours is responsible for the addition of two full-time equivalent positions in this program. Several part-time employees will be hired to provide eighty hours of additional coverage during the week. With the addition of three full-time Firefighter/ Paramedic positions in FY2002-03, there has been a dramatic improvement in response times between 6:00 a.m. and 5:00 p.m. The new part-time positions will be utilized during the remaining hours, in an attempt to obtain similar response time improvements. The addition of these positions is consistent with the five-year staffing plan that was recommended by the department in 2002. Funds are also allocated for the purchase of a system to test the fit of self-contained breathing apparatus and the purchase of specialized rescue equipment for a new fire vehicle.

EMS – This program will finance a portion of the two new full-time equivalent positions and the fit testing equipment mentioned in Fire. Additionally, compensation levels for the EMS staff will increase due to the rising call volume and an increase in the compensation levels for volunteers. FY2003-04 represents the second year of a fee system for ambulance service. The revenue from this fee will be used to partially offset the increased personnel costs for the program.

Emergency Preparedness – The FY2003-04 budget provides \$17,000 for the installation of a new warning siren at 104th Street and Meredith Drive. It is anticipated that new sirens will be added to the system for at least two more years in order to address coverage needs in western Urbandale.

Animal Control – Based on feedback from the most recent citizen survey, alternative service arrangements for the Animal Control program will be explored during the next year. However, no operational changes are expected to be

implemented during FY2003-04. Service alternatives may include the creation of a west side animal control program or a contractual arrangement with a neighboring jurisdiction.

Roadway Maintenance – Based on the recommendations of the 2002 Street Management Report, the City's street maintenance efforts will be enhanced in FY2003-04. This report recommended that the City expend approximately \$1,000,000 annually to extend the life of the existing street system. The new maintenance initiative will include expanded crack sealing, concrete patching and asphalt overlay programs. Additionally, a new crack sealing machine will be purchased to improve the efficiency and effectiveness of City crews performing this work. To measure the impact of this effort, a new pavement condition survey will be performed during the year. It is anticipated that pavement condition surveys will be conducted every two years.

Street Lighting – The City's street lighting system will continue to expand during FY2003-04, reaching an estimated total of 3,471 fixtures. The recommended budget contains \$15,000 for the construction of new street lights throughout the City. These fixtures will improve lighting levels on streets that currently do not meet the City's street lighting standards.

Traffic Safety – In FY2003-04, all of the red traffic signal bulbs will be converted to LED lights, at a cost of \$12,500. Although more expensive than the traditional incandescent bulb, the LED light uses less energy, resulting in an annual cost savings of approximately \$21. In addition, the average life of an LED light is approximately seven times longer than an incandescent bulb. It is estimated that the cost for the purchase and installation of the LED lights will be recouped in approximately 18 months. In FY2004-05, it is anticipated that the traffic signal pedestrian bulbs will be converted to LED lights.

Engineering Services – In order to expand the staff's use of the City's GIS system, Engineering Services will coordinate an in-house training program during the upcoming year. This training will provide staff members throughout the organization with basic information about the CarteGraph system and expose them to possible applications. The Engineering Services budget also provides funds for compliance with the City's NPDES Stormwater Phase II Permit. During the next five years, the City must implement a series of best management practices to control stormwater runoff throughout the community.

Street Cleaning – No new initiatives are planned for the Street Cleaning program in FY2003-04.

Solid Waste – Changes implemented during the past few years have greatly improved citizen satisfaction with the City's solid waste collection effort. In the most

recent citizen survey, 97% of the respondents indicated that they were satisfied or very satisfied with this service. The contractual recycling program received an even higher rating of 99%. The FY2003-04 budget contains no new initiatives but continues fully automated, curbside refuse collection service, recycling service and yard waste service.

Sanitary Sewer – During the past few years, the Sanitary Sewer budget has financed a comprehensive sewer line spot and slip line repair program. The locations for these repairs were identified through television surveys of the sewer system. Since a number of the problem areas have now been addressed, additional attention will be devoted to an inflow/infiltration control program. This initiative will restrict the amount of stormwater that enters the sanitary sewer system. This effort will be jointly funded by the Urbandale Sanitary Sewer District and the City.

Storm Sewer – The FY2003-04 Storm Sewer program will continue to implement the recommendations of the 2000 Storm Sewer and Drainage Management Plan. Storm sewer protection projects are planned for Industrial Creek, Karen Acres Creek, Living History Farms Creek and Timberview Creek.

Engineering and Public Works Administration – The FY2003-04 budget will once again emphasize the use of enhanced technologies to improve the City's engineering services. Two GIS workstations will be upgraded during the year. Additionally, a hand-held data collector will be acquired for use in traffic studies. Finally, a hand-held computer will be purchased to assist the field staff with utility locates.

Mosquito Control – Due to the continuing threat from the West Nile Virus, an expanded mosquito control effort will be implemented in FY2003-04. This program will include aerial sprayings of mosquito breeding areas and a ground based spraying of residential areas.

Library – Citizen satisfaction with the Library facility and its daily operations reached an all time high in the most recent resident survey. In that survey, 100% of the respondents were either satisfied or very satisfied with the Library's operation. Although the FY2003-04 budget does not introduce any new initiatives, it does provide resources for the continuation of existing service levels.

Parks – As previously discussed, the City will explore the contractual mowing of park ground during the upcoming fiscal year. Proposals for this service will be solicited in early Spring, 2003. Improvements to the park system planned for the coming year include repairs of the 70th Street and Douglas Avenue fountain and the Walker Johnston Softball Complex restrooms; the acquisition of land for the Walnut Creek Regional Park; the repaving of bike paths throughout the City; and the construction of a skate park in Walker Johnston Park.

Grounds Maintenance – No new initiatives are planned for the Grounds Maintenance program in FY2003-04. However, this program would be affected by the use of a private contractor for the mowing of public grounds, if such an effort proves to be cost-effective.

Recreation – The combined Recreation/Community Education program will offer approximately 390 classes and activities during the year, with an estimated 5,200 participants. Included in the planned activities will be 38 new program offerings and 15 special events. Resident satisfaction with this program remains high, with a 95% approval rating.

Cemetery – The final plots in the McDivitt Grove Cemetery were sold in FY2002-03. Therefore, most of the future activity in this program will involve the operation and maintenance of the cemetery facility.

Senior Citizens – In an effort to enhance programming, the Senior Citizen Coordinator position was expanded to full-time status in FY2002-03. A new emphasis on health and fitness programming has increased the number of daily visitors to the center. It is anticipated that program participants will reach 18,000 during the upcoming fiscal year and that over 6,000 on-site lunches will be served. Due to this expanded programming, and the availability of a new facility, 100% of the respondents to the City's recent survey indicated that they were satisfied or very satisfied with the Senior Citizen program.

Swimming Pool – In response to user feedback, several improvements will be made to the swimming pool in FY2003-04. These improvements will include the resealing of the locker room floors, the installation of an outside drinking fountain, the installation of locker room hair dryers, and the re-keying of lockers. In addition, repairs will be made to the swimming pool's exterior structure to address the ongoing deterioration of the walls.

Cultural/Convention – In response to current economic conditions, it is anticipated that the City's revenue from the Hotel/Motel Tax will drop by approximately 3% in FY2003-04. This revenue loss will reduce the funding available for park improvements, property tax relief and the Convention and Visitors Bureau. However, sufficient revenue should be available for increased contributions to the Little J-Hawk Sports Association, Senior World Series and Urbandale Soccer Club. New agencies receiving funding in FY2003-04 include the Urbandale American Legion, Urbandale Community School District and Urbandale Community Adult Band.

Code Enforcement – A new computerized housing information system will be purchased in FY2003-04. This system will be utilized to issue building permits, prepare building inspection reports and monitor compliance with Community

Development requirements. Building inspectors will carry field computers to obtain information about construction projects and to prepare their inspection reports. Eventually, the system will be expanded to allow for the submission of building plans and the issuance of permits through the Internet.

Community Development – The FY2003-04 Community Development budget will share in the cost of the new computerized housing information system. Additionally, the budget contains funding for the WestHelp program. WestHelp is a housing rehabilitation program sponsored by the cities of Clive, Johnston, West Des Moines, Windsor Heights and Urbandale. Since the program's inception, four rehabilitation projects have been funded in Urbandale.

Transit – Urbandale's traditional fixed route service was replaced with an On Call program in FY2002-03. This program provides residents with door to door service, utilizing small buses to feed a fixed route park and ride system. User response to the new service has been positive, resulting in increased ridership. It is anticipated that the funding formula for the MTA will be reviewed during the upcoming year to reflect the cost disparity between the On Call and fixed route systems.

Mayor and City Council – Once again, the Mayor and City Council budget will provide funding for an enhanced citizen communication program. The quarterly newsletter and radio information system will be offered in FY2003-04. The Mayor and City Council will also conduct a strategic planning session to establish new goals and objectives for the organization.

City Manager – No new initiatives will be funded in this program during FY2003-04.

Finance and Records – In preparation for GASB 34 compliance, the City's financial management system will be upgraded in FY2003-04. New software will be purchased to generate GASB 34 compliant reports. Additionally, a new server will be purchased for the system. Additional resources have been earmarked for GASB 34 implementation assistance from the City's independent auditor.

Technology – In FY2003-04, the Technology program will continue to enhance the City's information network. Additional network storage, an exchange server, a proxy server and domain controllers will be added to the system. Additionally, a City-wide technology training program will be initiated.

Legal Services – In recognition of current market conditions, the hourly rates for the City Attorney and Labor Counsel will be increased in FY2003-04. The City Attorney's rate will rise from \$80 per hour to \$85 per hour. The Labor Counsel's rate will rise from \$65 per hour to \$75 per hour.

General Support – The General Support program provides for the transfer of tax increment revenue from the Special Revenue Fund to the Debt Service and Capital Improvement Funds. This transfer will total \$1,550,910 in FY2003-04. The General Support program also funds most of the City's property and casualty insurance program. The 15% increase in contributions to the internal service fund increases the General Support budget by approximately \$25,000.

Debt Service – The Debt Service program anticipates the sale of \$7,155,000 in general obligation bonds for various capital improvement projects during 2003. These improvements tentatively include the reconstruction of the Douglas Avenue bridge over I35/80; the construction of a bike path on Northwest Urbandale Drive; the paving of Douglas Parkway, from 121st Street to 124th Street and from 138th Street to 142nd Street; the paving of 138th Street/142nd Street, north and south of Douglas Parkway; the paving of 152nd Street, south of Meredith Drive; the installation of a traffic signal at 100th Street and Justin Drive; the paving of Meredith Drive, from 121st Street to 128th Street; the coordination of traffic signals on 100th Street and Northwest Urbandale Drive; and the replacement of the Police Station roof. Proceeds from the bond sale will also be used for the acquisition of a new Fire rescue truck and computer systems for the Community Development and Finance and Records Departments.

Conclusion

The development picture for Urbandale continues to be rosy. 2002 proved to be a record year for residential construction and the inventory of available lots remains high for 2003. Although commercial and industrial development slowed in 2002, a number of projects are on the drawing board for this year. Additionally, new office park and business park ground will be opened later in the year with the paving of Meredith Drive, west of I35/80. In following years, improvements to Plum Drive and North Park Drive will open those commercial corridors for additional development. Finally, improvements to the City Center in 2003 should spur development in this area. Assuming a healthy economy, Urbandale's future tax base growth should follow the positive trend of the last five years.

Obviously, continued economic development activity generates additional demand for services. At the same time, pressures exist for the maintenance of a predictable tax rate. These conflicting influences are obvious in the recommended FY2003-04 budget. To accommodate the City's growth, several infrastructure improvements and selected service extensions are recommended for funding. In an effort to provide some tax rate stability, staff additions are limited. Instead, new technologies will be introduced and limited privatization will be explored. Finally, in order to recognize the productivity and innovation of the staff, a new merit based pay system will be introduced for the City's non-union employees. In summary, the recommended

2003-04 operating budget attempts to provide the City's highly motivated workforce with the tools necessary to meet rising service demands in a cost-effective manner.

The preparation of the budget document would not have been possible without the cooperation of the City's entire management team. I would like to thank all of the Department Directors for their input and assistance during the budget preparation process. Additionally, I would like to thank Sandi Tompkins, Budget Assistant; Deb Mains, City Clerk; Su Zanna Prophet, Assistant City Manager; Don Gloo, Assistant to the City Manager; and Kim Keisler, Finance Assistant, for their diligent efforts in preparing and reviewing this document.

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Robert Layton
City Manager