

In Re:	Davenport, Iowa Budget Appeal FY 1999-2000))))	Order June 25, 1999
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BEFORE STATE AUDITOR, RICHARD D. JOHNSON; STATE TREASURER, MICHAEL L. FITZGERALD; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CYNTHIA L. EISENHAUER:

The above captioned matter was heard on June 2, 1999, before a panel consisting of Ronald J. Amosson, Executive Secretary to the State Appeal Board and presiding officer; Stephen E. Larson, Executive Officer II, Office of the State Treasurer; and Katherine Rupp, Senior Auditor II, Office of State Auditor.

The hearing was held pursuant to Iowa Code Chapters 24 and 384. City Attorney John Martin and others represented the city, and the spokesperson for the petitioners was Keith Meyer.

Upon consideration of the specific objections raised by the petitioners, the testimony presented to the hearing panel at the public hearing, the additional information submitted subsequent to the hearing and after a public meeting to consider the matter, the State Appeal Board has voted to sustain the budget as filed.

PROCEDURAL HISTORY

The FY2000 Davenport proposed budget summary was published on February 19, 1999 in the Quad Cities Times, a newspaper printed and published in Davenport, Iowa. The Scott County Auditor's office stated that the published notice regarding the budget did not meet the criteria established by the Iowa Department of Management. Subsequently, the City requested the Iowa Department of Management grant an extension of time to certify the budget so that the budget could be republished and certified timely. On March 16, 1999, permission was granted by the Department of Management to extend the certification date to April 20, 1999. The second public notice regarding the budget was published in the Quad Cities Times on March 25, 1999. The required public hearing for the budget was held on April 5, 1999, the budget was adopted on April 7, 1999, and certified to the county auditor on April 12, 1999.

Several different appeals were filed against the City's budget. The County Auditor received the first two petitions on March 25. The first petition objected to the 53rd and Eastern Avenue Mixed Use Project and all budget items therein. The petitioners said this project is not needed, will place a financial burden on other parts of the city and future generations, and will primarily benefit real estate

developers. The second petition protested any additional item in the Davenport Fiscal Year 2000 budget, both operating and capital improvement. The reason for the second petition was because "...of the insensitivity of the Davenport City Council to the concerns of its citizens and because of the volume of items contained in the budget.

The county auditor received an additional five petitions on April 30, 1999. The first petition objected to \$1.5 million to acquire property for an expansion of the Davenport Museum of Art. The petitioners noted that there is another \$1.5 million budgeted for FY2001. The petitioners felt that consideration should be shown to land already owned by the City. They also felt that the individuals to whom this money is proposed to be paid should be identified.

The second of the additional five petitions objected to the proposed expenditure of \$8.175 million in FY2000 for the John O'Donnell Stadium. They felt it was too much money to pay for, among other things, the addition of corporate skyboxes. They felt the owner of the ball team was asking too much from the taxpayers.

The petitioners objected to spending \$8.210 million in FY2000 for a downtown parking ramp in the third additional petition. They believe this should not be a priority of the City.

The fourth additional petition objected to the expenditure of \$2.525 million to construct a new library at 53rd and Eastern. They said there already is a library a short distance away. They said this should be a priority sometime in the future.

The last petition objected to the expenditure of \$6.48 million over a seven-year period for a streetscape plan of the Downtown Davenport Association.

All the issues of the various petitions were heard at the public hearing on June 2, 1999, and this order is applicable to all the petitions filed.

DISCUSSION

Petitioners' Concerns

At the budget appeal hearing petitioner Keith Meyer outlined thirty-one issues he characterized as Capital Improvement Project (CIP) Issues. Most of the issues dealt with specific projects and/or budgeted expenditures. The petitioners wanted the City to show the projects or expenditures were necessary, reasonable and in the interest of the public welfare. A recap of these projects, as identified by the petitioners, is as follows:

- General obligation bond issuance costs
- Costs related to the disposition of the Annie Whittenmeyer facility

- Parking lot maintenance
- Upgrade radio equipment
- Install phone messaging system
- Automated fingerprint identification system
- New fire station
- Shelving for property room in police station
- Haz Mat vehicle
- Eastern Avenue golf course
- Recreation center @ 53rd and Eastern Ave.
- John O'Donnell stadium repairs
- Library branch development
- Renovation and expansion of the DMA main building
- Theater seating
- Eastern land acquisition
- Preliminary grading @ 53rd and Eastern Ave.
- 53rd and Eastern Ave. sewer and water extension
- Downtown Davenport Development Corporation - Streetscape implementation
- Goose Creek sewer repair
- Historical preservation loan
- Phoenix properties loan and Jr. Achievement grant
- TIF grants for industrial and business development
- Regional industrial park
- Street resurfacing program
- 53rd and Eastern Ave. paving and proposed library
- 53rd street right and dual left turn lanes
- Downtown parking ramp
- Racetrack development
- Widening 46th St.

In addition, the petitioners wanted the City to show that certain internal policies and procedures were followed with respect to the "capital projects", wanted the City to identify the members of certain committees, and wanted the City to provide definitions of certain terms.

Mr. Meyer also referred to twelve issues and/or expenditures characterized as being related to the City's operating fund. Some of the items include expenses for library project administration, fire administration, road use tax public works administration, airport project public works administration, and community and economic development. In each of these issues the petitioners wanted the City to show that the expenses were "necessary, reasonable, and in the interest of public welfare".

City Response

The City, through several spokespersons, responded to each of the issues regarding the FY2000 Capital Improvement Program. In response to the request that the City show that a public hearing was held to review the capital budget prior to the hearing regarding the operating budget, the City indicated that the first work session regarding the Capital Improvement Program was January 28, 1999 and the first work session regarding the operating budget was January 30, 1999.

The City also stated that the various required public hearings were held.

The petitioners wanted to know the identity of the members of the CIP Committee and wanted the CIP Committee to provide quarterly reports. The City identified the members and said that even though no formal quarterly reports were prepared, the Committee held progress meetings that are open to the public.

In response to the petitioners' request that the City show that public hearings were provided for the general public to present projects for consideration, the City cited a number of opportunities in public forums for citizens to present projects of interest.

The petitioners wanted the City to define "necessary, reasonable and in the interest of public welfare". The City said that this term is referred to in the Iowa Code but only as it applies to determining who has the burden of proof regarding any appealed item. The City did, however, provide what it felt the term meant.

The estimated expenditures for capital projects increased from a revised FY1999 estimate of \$37,469,163 to an estimated \$65,686,000 for FY2000. The City provided explanations of the capital projects. Examples of these explanations follows:

A number of the projects identified by the petitioners are part of the 53rd Street/Eastern Avenue Mixed Use Development Project. According to the City, the general concept of such a project has been considered since 1994. The project first appeared in the FY1998 budget and has appeared in the budget in subsequent years. The City said that the FY2000 budget includes funding for planned expenditures related to the implementation of the project. The objectives of the project are to provide a land-use plan to guide future development, ensure a number of needed public facilities are provided, and to provide for a range of residential and commercial development opportunities currently not available in the city. The City outlined several significant features including a planning area of about 630 acres which includes a public golf course, recreational fields, park, site for future recreation center, public library branch, site for future public school, residential development parcels, and commercial

development parcels. According to the City, the costs of the project have varied as the extent and outline of the physical plan the negotiations and design processes have moved forward.

According to the City changes in FCC regulations will alter radio bandwidths in the 800 MHz range. The City's radio system will be upgraded so that public safety personnel and other City employees can effectively communicate to protect and serve the community.

There were two issues raised by the petitioners regarding the Davenport Museum of Art facility (DMA). The first is the plans by the City to build a new facility. The petitioners wanted the City to use existing land already owned by the City. The City provided an extensive report that indicated that a number of sites were considered to be the best, but the City currently owned none of these sites. The second issue is the City's decision to install a phone messaging system in the library, River Center, police department and the museum. The City said that the system would provide a more efficient and effective way to communicate with the public. The City also said that the Museum of Art phone system was part of the 1999 CIP. The system replaced was out-of-date and could no longer be repaired. The new equipment can be used at the new museum site.

The Automated Fingerprint Identification System is used to quickly identify potential suspects involved in criminal activity. The City said that the computer components of the system are not Y2K compliant. A significant part of the upgrade will be paid by state funds because this system is part of the state system.

According to the City, a new central fire station will not be replaced for five or more years. The funding in the FY2000 CIP is to replace the boiler in the heating system in the current facility.

The City said that it is necessary for the police department to store evidence from criminal investigations and storage space has become limited in the current building. The City said that it is necessary, reasonable, and in the interest of the public welfare to purchase track shelving to increase available storage capacity.

The City had a comprehensive study done regarding the John O'Donnell Stadium. There were a number of issues involved, including the ownership of the baseball club, league affiliation, and the extent of the renovations. One of the things concluded in the study is that the stadium has limitations that will not allow a Midwest League baseball franchise to remain in the stadium in the long-term. The most notable deficiencies in this regard are the size and condition of the current clubhouses and training facilities. The study also indicated that a new owner of the team is likely, which would require the stadium project be more than a mere upgrade of the clubhouses. The total budget for the stadium renovation

is \$8,575,000. The construction amenities include a flood-wall, clubhouse (team), administrative offices, concessions, restrooms, ADA accessibility, novelty space, and sky boxes (paid for by the team owner). According to the report the renovation will be financed with general obligation bonds repaid equally by private donations, the team owner, and the City of Davenport.

According to the City, plans for replacement of the present Annie Whittenmeyer public library branch have been in the works since 1994. The City said the current branch is no longer adequate to meet the needs of the City. The new branch location will be in the 53rd and Eastern area and the building program was designed to reflect such services as meeting rooms, expanded technology access, expanded programming area, an ICN site, a bookmobile garage.

The Downtown Davenport Development Corporation is a private non-profit 501C-6 entity, which represents the property owners and businesses in the Self-supporting Municipal Improvement District (SSMID). The SSMID in the downtown is budgeted in the City's operating budget along with two other SMMIDs; however, the funds are controlled and spent by the Board of the DDDC. The City is not budgeting any other funds toward this project. Since 1994 over 20 blocks in downtown Davenport have been "streetscaped" with DDDC and Riverboat Development Funding. The City said that only \$250,000 of private investment has been budgeted with the balance shown as a capital need or no funding sources identified.

The City said the downtown parking ramp has been budgeted for two years at the same funding level. A professional study was conducted to determine the need for additional parking and it was determined that a structure of 800 to 850 spaces will be necessary to meet current and future parking demand. Further analysis shows that a ramp can generate enough revenue through fees and contributions to service the debt over 20 years.

The petitioners asked about news articles in the paper relating to the land costs for racetrack development. The City said that this is not an issue in the FY2000 budget and it could not respond to the petitioners' request.

The City also responded to the petitioners' issues that were characterized as operating budget issues. The City explained that in most cases the level of the expenditures identified are to provide for the same level of service as provided in FY1999. Generally, expenditure increases over the prior year budget are due to salary and benefit increases as agreed through collective bargaining and for non-bargaining employees.

Other Responses

At the public hearing, a number of people spoke either supporting the petitioners or supporting the budget.

FINDINGS OF FACT

1. The City annually adopts a six-year Capital Improvements Program that provides a framework for the development and maintenance of infrastructure to meet current and future needs.
2. Section 24.28 of the Iowa Code states in part: "At all hearings, the burden shall be upon the objectors with reference to any proposed item in the budget which was included in the budget of the previous year and which the objectors propose should be reduced or excluded; but the burden shall be upon the certifying board or levying board, as the case may be, to show that any new item in the budget, or any increase in any item in the budget is necessary, reasonable, and in the interest of public welfare."
3. Section 384.102 of the Iowa Code requires that public hearings be held on proposed public improvements over \$25,000.

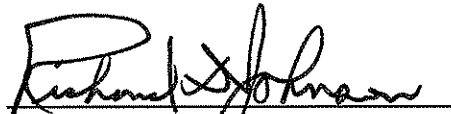
CONCLUSIONS OF LAW

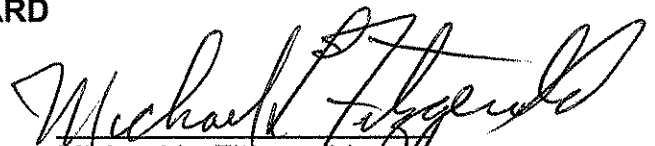
The State Appeal Board has jurisdiction over the parties and the subject matter of this appeal pursuant to Iowa Code sections 24.28 and 384.19.


ORDER


Based on the information provided by the parties involved, the State Appeal Board sustains the Fiscal Year 2000 budget for the City of Davenport, Iowa.

STATE APPEAL BOARD


Richard D. Johnson
Chairperson


Michael L. Fitzgerald
Vice Chairperson


Cynthia P. Eisenhauer
Member


Date