


ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 3/30/09
Item No.: 13.b

Department Approval

City Manager Approval

Christopher K. Miller

W. J. Malinen

Item Description: Consider Adjustments to the 2009 Budget

BACKGROUND

On December 15, 2008, the City Council adopted the Final 2009 Budget. As with previous year's budgets, the 2009 Budget carried a number of revenue and expenditure assumptions which are based on prior years' results, expected trends, and projections based on inputs from a variety of sources. Among the assumptions made was that the City would receive from the State of Minnesota, approximately \$400,000 in Market Value Homestead Credit (MVHC) in 2009. These monies are used to support police, fire, streets, parks & recreation, and administrative and finance functions.

At the time the 2009 Budget was adopted, it was acknowledged that the State of Minnesota was facing a projected budget shortfall but the magnitude of that shortfall and its impact on MVHC was unknown. The fate of the City's MVHC aid is still unknown, but all indications suggest that the City will lose its allotment for 2009 and possibly beyond.

In recognition of the expected loss of MVHC, it is prudent for the City to publicly acknowledge the impact and to make budget adjustment as necessary. While the Council can choose to take any number of actions in response to this, it is suggested that the Council first give consideration to the following options in offsetting the loss:

- 1) Use cash reserves
- 2) Make temporary or short-term budget cuts
- 3) Make structural or long-term budget cuts

Each of these options is discussed further below.

Cash Reserves

MVHC revenues are deposited into the tax-supported programs; primarily the General and Parks & Recreation Funds. For 2009, the City could choose to offset the loss in MVHC by using reserves from these funds. However, both of these funds have cash reserves that are already below industry-recommended levels, as well as the amounts prescribed in the Council-adopted Cash Reserve Policy. In total, the General and Parks & Recreation Funds are approximately \$3 million below recommended levels. Using reserves further will only weaken these Funds' ability to generate interest earnings and respond to contingencies and unforeseen circumstances.

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Temporary or Short-Term Budget Cuts

The Council could choose to use short-term measures such as leaving employee positions temporarily vacant, reducing overtime, delaying vehicle and equipment purchases, or reducing Staff training and conferences.

However, this would have the effect of spreading an increased workload over less Staff, and effectively prohibiting the City from realizing the optimal value of its vehicles and equipment. While this approach may offset the loss of MVHC for 2009, it would not necessarily provide a viable option beyond 2009. In short, it would not be sustainable.

Structural or Long-Term Budget Cuts

Finally, the Council could choose structural or long-term measures such as; organizational restructuring that result in the elimination of employee positions, eliminating programs and services, or reducing service levels.

This option presents the most viable option for ensuring financial and operational sustainability. It will better equate the public’s ability or willingness to pay for services with the actual demand for those services.

Potential 2009 Budget Cuts

In recognition of the expected loss in MVHC in 2009, and possibly beyond, City Staff has compiled a list of potential spending cuts. These cuts are summarized in *Attachment A*. Bear in mind, that the proposed cuts were based on the premise that the impact from the loss of MVHC should be borne by each department on a proportionate basis based on the 2009 Budget. This represents only one of several formulas that could be used.

City Staff will be present at the meeting to address any Council inquiries and impacts from any spending cuts.

POLICY OBJECTIVE

It is recommended that the City publicly acknowledge the expected loss of MVHC and its potential impact.

FINANCIAL IMPACTS

The City expects to lose \$400,000 in MVHC in 2009, and possibly beyond; creating a budget shortfall in the property tax-supported programs.

STAFF RECOMMENDATION

Not applicable.

REQUESTED COUNCIL ACTION

City Staff is seeking direction on whether to make cost-cutting adjustments to the 2009 Budget.

Prepared by: Chris Miller, Finance Director
Attachments: A: Summary of Potential 2009 Budget Reductions
B. Staff Memos

**Attachment A –
List of Potential 2009 Budget Reductions**

The table below summarizes the potential 2009 Budget Reductions.

Division / Function	Item	Budget Reduction/ Savings
City Council	Advertising	\$ 500
City Council	Conferences	1,000
City Council	Employee recognition	500
City Council	Worksession expenses	200
Human Rights Commission	General expenses	250
Ethics Commission	General expenses	250
Administration	Citywide employee training	4,000
Administration	Employee career dev. training	3,000
Administration	Position advertising	5,000
Administration	Professional services	5,000
Administration	Temporary employees	3,000
Elections	Supplies and materials	960
Legal	Professional services	5,675
Contingency	Reduced contingency	6,967
Finance / Accounting	Reduced reception desk duties	16,260
Central Services	Reduced color copying	2,253
Insurance	Reduced internal charges	2,357
Building Maintenance	Professional services	20,000
Engineering	ROW, erosion control mgmt.	20,000
Street Maintenance	6-month vacancy in Staff position	31,148
Parks & Recreation	Staff reorganization, reduction of 1.5 FTE's	75,000
Parks & Recreation	Program and service level cuts	36,000
Parks & Recreation	Reduce PIP	6,000
Pathway Maintenance	Program and service level cuts	4,124
Boulevard Maintenance	Program and service level cuts	1,767
	Subtotal	\$ 251,211

**Attachment A –
List of Potential 2009 Budget Reductions**

Division / Function	Item	Budget Reduction/ Savings
Police	Leave Police Officer position vacant	\$ 64,539
Police	Lost citation revenue	5,994
Police	Reduction of 2 CSO positions	35,390
Police	Family Violence Network	6,050
Police	Explorer Program	1,285
Police	Junior Badges	1,000
Police	McGruff	1,600
Police	Digital Interview Room equipment	20,000
Police	National Night Out	2,000
Police	City Hall Open House materials	600
Police	Citizen Park Patrol Shirts	300
Police	LEC Range	1,500
Police	Professional services	19,644
Police	Hiring physical / psych tests	2,725
Police	IAWP Conference	1,675
Police	Administrative tickets	1,304
Police	All Other Conferences	8,755
Fire	Reduce on-duty staffing	48,448
	Subtotal	\$ 222,809
	Grand Total	\$ 474,020

As the tables above indicate, City Staff have identified in excess of \$400,000 in recognition of the last-minute cuts that were made to various operating budgets late last year, but were not subject to the same cost-cutting allocation formula that is being used for these purposes.



Parks and Recreation

William J. Malinen, City Manager
February 20, 2009

Dear Bill,

Given the state of the economy, the uncertainty of the future and the financial condition of the City of Roseville, Roseville Parks and Recreation is optimistic about being part of the solution to stabilize for a brighter future. Part of the following recommendations will make the requested reductions and positively position the department for the future and suggests hiring front line employees back as future resources allow.

You have requested a plan and related impacts for the \$117,000 share of the MVHC reduction given to Parks and Recreation. My understanding is that the City of Roseville is in a financial condition that requires restructuring, reallocating, reducing and/or eliminating throughout all departments. Given community expectations and demands, it has been very difficult to reduce an already lean operation. It is our intent to reduce and adjust in areas that would result in the least impact to the community and will gain efficiencies along the way.

It is extremely important to implement the proposed program immediately as we are approaching our busiest season of the year. In many ways, the program has begun by default.

The Parks and Recreation Department materials and supplies budget has continually been challenged with no inflationary consideration so the majority of the proposal is personnel related. The majority of the savings comes from a complete reorganization of the department operations. We are confident that the proposed new structure will gain efficiencies, realize the necessary savings and will allow for the best and most efficient use of the current staff, their talents (see attached before and after structure) and other resources.

The Plan and the Impacts

The proposed plan is anticipated to be fully implemented by March 15, 2009 and:

- 1) Allows for increased efficiencies
- 2) Reduces staffing for operations by 3120 FTE hours
- 3) Overall increases responsibilities and duties of existing employees
- 4) Modifies some programs and services
- 5) Affects every single department employee
- 6) Is all interrelated
- 7) Makes long term structural changes necessary to meet the Parks and Recreation Departments \$117,000 given share of the MVHC reduction

The specific categories and amounts totaling \$117,000 are as follows:

<u>ITEM AND IMPACT</u>	<u>ANNUAL SAVINGS</u>
<i>1). Staff Reorganization</i>	<i>\$75,000</i>
<ul style="list-style-type: none">• Reduces 3120 FTE hours (1 ½ FTE)• Assistant Director position focuses on Recreation and Business operations• Park Project Coordinator position changes to Planning, Facilities and Maintenance Superintendent• Recreation Superintendent position changes to Supervisor• Golf Course Superintendent responsibilities are expanded to serve entire department in area of expertise and special projects• Program/Marketing position reduced from 1 FTE to ¾ beginning July 1st, 2009• A Customer Service Position reduced from ¾ to ½ time• A Customer Service Position will be left vacant• A Parkkeeper position will be changed to Park Foreman• A Parkkeeper position will be left vacant to be filled as resources allow• Staff will no longer have an office at HANC and duties will be expanded to serve entire recreation division• Working with Leadership St. Paul to enhance volunteer model• Focus will be more on day to day operations rather than special projects• Clear priorities for staff will be set allowing for little discretion• Uncertainty of volunteer involvement without a staff presence at HANC• Project and event management time will be scrutinized• Positively positions department for the future	
<i>2). Program and service cutbacks and operation adjustments</i>	<i>\$36,000</i>
<ul style="list-style-type: none">• Renegotiated custodial services contract<ul style="list-style-type: none">○ New provider• City Hall Campus - evening/weekend after hours reduced<ul style="list-style-type: none">○ City Hall campus facilities open T, W, & Th○ Other times will require city wide FT staff to take responsibility○ Less public meeting/gathering space available• Skate Park changed from Tier 2 to Tier 1<ul style="list-style-type: none">○ Will be a non supervised, non admission skate park○ Will allow RSC FT maintenance employees to help with park maintenance• HANC Part Time staffing reduced<ul style="list-style-type: none">○ Part of reorganization plan○ All programs to cover all direct costs○ Possible reduction in programs based upon program minimums• Portable restroom reduction<ul style="list-style-type: none">○ Community concern○ Change in level of service• Eliminate 4th of July daytime activities<ul style="list-style-type: none">○ Loss of community heritage○ Will still have evening program with fireworks assuming no cost assistance from other departments is available	

- No staff or program during the daytime on the 4th of July
- Reduction of the availability of neighborhood outdoor rinks
 - Strategically reduce # of warming houses maintained –will winterize those not in use
 - Focus on programmed rinks and less community drop in opportunities
 - Promote more key checkouts
 - Second reduction in 4 years
- Community program brochure
 - Transition in house production
 - Added duty to already full plate of someone
 - Need additional training and software

3). *PIP cutback*

\$6,000

- Less upkeep projects, improvement needs keep building
- Since 2004 the amount cut from the PIP budget is \$421,000

Unknown at this time is the interdepartmental assistance, i.e. emergency personnel at events, etc. If this is decided as a cut by Department Directors, City Manager and City Council, it puts it out of the control of Parks and Recreations and we will be forced to either look at other alternatives or adjust appropriately.

Other considerations include current and future sponsorships and contributions as a result of diminished service and or general economic conditions. We will monitor this closely.

Because we are well into 2009, I am anticipating that area #2 above “*Program and service cutbacks and operation adjustments*” will not experience the entire savings amount in 2009 but will stabilize in the future. The use of reserve funds to balance the delay in decision making is appropriate and recommended. The planned implementation will be systematic and over time. General staff responsibilities have been outlined; others will be developed along the way.

To eliminate confusion and to provide clear staff direction, I have scheduled meetings with each division beginning February 26th to explain the plan and an all staff meeting has been scheduled on March 12th, 2009 to bring the plan to full implementation on March 15th, 2009.

Overall, I am concerned, optimistic, anxious and excited all at the same time. There will be bumps along the way and I am certain all will understand. Finally, I am extremely proud of our team of employees, each and every one, for sincerely assisting with a positive and helpful attitude and maintaining their commitment to the Community and to Roseville Parks and Recreation.

Sincerely,



Lonnie Brokke
Director Parks and Recreation



Public Works Maintenance Department

Memo

To: Bill Malinen, City Manager
From: Duane Schwartz, Public Works Director
Date: March 25, 2009
Re: 2009 MVHC Budget Reduction Impacts

Potential 2009 MVHC Public Works Department Budget Adjustments

- | | |
|--|----------|
| 1. Reduce Building Maintenance Professional Services | \$20,000 |
| This is possible due to new janitorial contract. | |
| 2. Reduce Engineering/Admin Budget due to permit fees | \$20,000 |
| ROW and Erosion Control permit revenue is adequate to this level. | |
| 3. Keep open current vacant maintenance position until 2010 military leave returns | \$31,000 |
| Total | \$71,000 |

The remaining vacant maintenance worker salary/ benefit dollars (\$20,000) will be used to backfill certain critical operations with skilled temporary labor.

It is anticipated the individual on military leave will rejoin staff in February 2010 in the current vacant position so no layoff will be required.

This plan allows for current programs to continue at near current levels as reduced by 2009 approved budget.

We anticipate the need to reorganize our ROW management program for 2010 to gain efficiency and reduce duplication. Permit fee revenue and utility funds will be necessary to accomplish without tax impact.

MEMORANDUM

DATE: February 27, 2009

TO: Bill Malinen, City Manager

FROM: Richard B. Gasaway, Fire Chief

RE: Budget Reduction Plan

To achieve the \$48,000 reduction necessary to balance the 2009 budget, we propose reducing the on-duty part-time shift staffing by 12 shift hours per day (a day is defined as a 24-hour period). A reduction of 12 hours each day equates to the elimination of seven part-time shifts per week (one shift each 24-hour period). This would be accomplished by having one scheduled position working less hours each shift. The affected employee would be rotated each week so each firefighter is impacted by reduced hours plan. Each shift will maintain a minimum of staffing of four firefighters. Thus, if the fifth scheduled firefighter were to report off, the shift would run with four and no firefighter's hours would be reduced for that shift (because of the savings would be achieved from the fifth firefighter reporting off). Part-time firefighters working nighttime shifts would end their shift at 10:00pm (versus working until 6:00am). Part-time firefighters working daytime shifts would start their shift at 10:00am (versus 6:00am). This equates to a 12-hour reduction in part-time staffing each 24-hour period, between the hours of 10:00pm and 10:00am.

As proposed, this plan is expected to create a budget savings: \$48,647.

Impact:

Currently, there are five firefighters scheduled to be on-duty 24 hours-a-day. The personnel are split into two crews; a crew of two on the medical response vehicle and a crew of three on the fire engine. When a medical call is received, it is the nature and severity of the call that determines which crew (or if both crews) will respond. If there is a report of a medical call, only the medical crew will respond. If there is a second medical call while the first medical call is being handled (this happens about 30% of the time) then the engine crew will respond to the second medical call. If the medical call sounds critical (cardiac arrest, non-breather, unconscious, vehicle accident, etc.) then both crews may respond because of the labor-intensive nature of providing medical care to critical patients. When a patient is critical, one of the on-duty firefighters may ride down to the hospital with Allina. If there is a report of a fire, both crews respond.

The hours of 10:00pm to 10:00am were chosen for the staffing reduction because this timeframe represents the least busy hours of the day for fires and medical emergencies. Roughly one-third of emergency calls occur during the hours when staffing will be reduced. The exposure from reduced staffing during these hours is reduced because evening hours represents the time when the highest number of firefighters are available for callbacks from home.



Memo

To: Bill Malinen, City Manager
From: Chris Miller, Finance Director
Date: January 28, 2009
Re: 2009 Budget Reductions Related to the Loss of MVHC

Bill,

You recently asked the Department Heads to identify potential budget cuts in recognition that the City is likely to lose approximately \$400,000 annually in general-purpose state aid; also known as Market Value Homestead Credit reimbursement or MVHC. Based on a formula that distributes the impact of the loss of MVHC on a proportionate basis of each division's operation budget, the Finance Department would have to accommodate the following budget reductions to the 2009 Budget:

- ❖ Finance/Accounting - \$16,261
- ❖ Central Services - \$2,254
- ❖ Insurance - \$2,357

Based on a cursory review, it is proposed that the reductions would come from:

- ❖ Reduced color printing and copying for City documents
- ❖ Use of Insurance Fund reserves
- ❖ A 0.25 FTE reduction in the Finance/Accounting area

The proposed budget reductions and subsequent impacts are discussed in greater detail below.

Central Services Division

The Central Services division reduction of \$2,254 can be accommodated by a reduction in the amount of printing costs – specifically, a 50% reduction in the amount of color copies that are typically made over the course of the year. The savings would come from reduced color toner purchases and maintenance charges which are tied directly to the number of copies made. Color toner and copies cost 5 times as much as black and white copies do.

This would likely have the greatest impact on publications produced by the Parks & Recreation Department, but would also have some impact on other departments as well.

Insurance Division

The Insurance Services division reduction of \$2,357 can be accommodated by a reduction in the General Fund's share of the City's property/liability coverage. But because the City's insurance premiums are fixed for 2009, this will require the use of reserves held in the City's Insurance Fund to offset this reduction.

The Fund currently has a balance of approximately \$700,000, so the impact will be negligible in the short term. However, in the future the General Fund’s portion of the City’s property/liability coverage will need to increase to an amount commensurate with the annual premiums.

Finance/Accounting Division

The vast majority of duties and responsibilities of the Finance/Accounting division are performed in conjunction with Federal, State, and Local (City Code) mandates; and/or in recognition of generally accepted accounting principles. In short, the Department provides very little discretionary-type services. We must also recognize that many of the services provided by the Department are funded by specific revenue sources, which makes it problematic when considering budget reductions in revenue-generating programs.

The following table summarizes the functions performed in the Finance/Accounting division as well as any applicable program revenue:

Finance Division Functions

Function	FTE's	Hours	Cost	Per Hour	Less Program Revenue	Net Cost (Surplus)
Payroll	0.83	1,716	\$ 60,975	\$ 35.53	\$ -	\$ 60,975
Purchase Orders	0.03	52	2,475	47.60	-	2,475
Business Licensing (a)	0.40	832	31,150	37.44	(300,000)	(268,850)
Accounts Payable	0.63	1,300	41,603	32.00	-	41,603
Accounts Receivable	0.03	52	2,150	41.35	-	2,150
Utility Billing	0.98	2,028	62,805	30.97	(62,805)	-
Receptionist / Cash Receipts	1.00	2,080	64,355	30.94	-	64,355
General Acctg / Financial Reporting	1.38	2,860	136,775	47.82	-	136,775
Risk Management	0.50	1,040	62,150	59.76	-	62,150
Treasury Management (b)	0.25	520	34,875	67.07	(300,000)	(265,125)
Debt Management (c)	0.13	260	19,575	75.29	(30,000)	(10,425)
Budget and Capital Planning	0.50	1,040	78,150	75.14	-	78,150
Contract Admin (JPA's, wireless leases)	0.13	260	19,375	74.52	(19,375)	-
Economic Development (d)	0.13	260	19,575	75.29	(5,000)	14,575
Contracted Services - Lake Elmo	0.13	260	8,751	33.66	(14,400)	(5,649)
Total	7.00	14,560	\$ 644,738	\$ 44.28	\$ (731,580)	\$ (86,842)

Comments

- (a) Total revenues derived from business licensing = \$350,000. Approximately \$50,000 is used for Police background and compliance checks and calls to the establishment, the remaining is shown here.
- (b) Total interest earnings = \$1.7 million annually with portfolio management oversight. Absent this oversight, it is estimated the earnings would only be \$1.5 million.
- (c) Through conduit debt financing, the City earns on average, \$30,000 per year.
- (d) The City typically charges a 5% admin fee for managing TIF projects. The amount shown above relates only to the portion attributable to the Finance Staff

As the table above indicates, the functions performed in the Finance/Accounting division generate over \$730,000 annually in program-related revenues. This translates into an annual divisional surplus of approximately \$86,000 that is used to offset other tax-supported programs. It could be argued however, that a portion of the program revenues ought to be allocated to other operational costs as well.

It can also be argued that the surplus monies from the City's License Center (approximately \$200,000 annually), which is managed by Finance Department Staff, ought to be included in the revenues shown in the table as well. In practice however, those monies are used to support other General Fund operations.

If the Finance/Accounting division is tasked with reducing its budget by \$16,261 it would have to do so in those areas that do NOT generate any program revenue. Otherwise, the City might find itself unable to perform the tasks that generate those revenues, thereby increasing the City's budget challenges further. As a result, we need to first look at identifying budget reductions in the following non-revenue areas:

- ❖ Payroll
- ❖ Purchase orders
- ❖ Accounts payable
- ❖ Accounts receivable
- ❖ Receptionist / cash receipts
- ❖ General accounting / financial reporting
- ❖ Risk management
- ❖ Budgeting & capital planning

However, as noted above, many of these functions are performed as a requirement under federal or state law. The duties associated with the City's payroll, accounts payable, cash receipts, risk management and accounting and financial reporting functions are required by law (and not surprising, are also required under generally accepted accounting principles). Therefore, the only functions that remain truly discretionary include:

- ❖ Accounts receivable
- ❖ Purchase orders
- ❖ Receptionist
- ❖ Budgeting & capital planning

In total, these functions cost approximately \$100,000 annually and entail approximately 1,560 hours of staff time. The budgeting and capital planning function is performed by the City's Finance Director (a salaried individual) and comprises 1,040 staff hours. This leaves 520 hours remaining for the other listed functions which are performed by hourly employees. To accommodate \$16,261 in budget cuts the Department must cut approximately 385 staffing hours from hourly employees, or 8 hours per week.

Alternatively, the Department could through attrition downgrade various positions in the department and/or look to reduce costs in non-personnel areas. However, non-personnel costs in the Finance/Accounting division only amount to \$9,680 annually and would necessitate the complete elimination of all; office supplies, phones and other office equipment, training and conferences, and professional memberships. Therefore, it is impractical to make \$16,261 in budget cuts without reducing staff.

Absent a voluntary reduction, the elimination of 385 staffing hours would require the forced reduction in hours involving one or more current employees. However, these employees would be entitled to unemployment payments for the lost wages which would reduce the budget savings by 60% in the first year.

The reduction in staff would not in of itself eliminate the accounts receivable, purchase orders, and receptionist duties. The City would have to change its accounting and purchasing policies to no longer require purchase orders and to no longer track whether billed accounts were actually paid on an on-going basis. Instead, salaried individuals would have to absorb these functions as part of their year-end closing duties. This would weaken the City's internal controls, and delay the collection of unpaid accounts which would subsequently result in less interest earnings.

In addition, the City could no longer house an individual at the reception desk full-time. This would necessitate a change in how the City receives in-bound phone calls and may require individuals to walk down to the finance area to receive a receipt. It may also require greater directional signage in the main lobby area. Finally, it could have an impact on those departments that have service counters near the lobby as customers seek assistance in finding various locations within the building or seek answers to general inquiries.

Final Comments

While the budget reductions described above are relatively small, the cuts could jeopardize the Department's ability to generate revenues not only to support the Finance Department, but other departments as well.

In addition, the City needs to be mindful of the cumulative effects of staffing reductions and reduced skillsets. The Finance Division has steadily reduced its workforce and downgraded its professional requirements since the late 1980's. At its staffing highpoint, the Division had 10 FTE's, whereas today we have 7. In 2002 the Finance Division had 8 employees, 7 of which were professional level, 4-year degree required positions. Today, the Division has 7 employees, only 3 of which are at a professional level. Personnel changes since 2002 include:

- ❖ Eliminated a full-time Accountant position
- ❖ Downgraded the Accounting Supervisor position to an Accountant position
- ❖ Downgraded a professional-level position (Payroll) to a technician level
- ❖ Downgraded a professional-level position (Accounts Payable) to a technician level
- ❖ Downgraded a professional-level position (Utility Billing) to a technician level

These staffing changes are unprecedented compared to other City Departments. And while they've produced significant on-going savings, it has left the Division with diminished skillsets and capabilities.

In the past decade, the Finance/Accounting Division has eliminated or reduced a number of tasks and responsibilities to accommodate these staffing changes. Some of those tasks include:

- ❖ Reduced internal audits of City purchases and payroll timekeeping
- ❖ Reduced emphasis on managing the City's investment portfolio
- ❖ Elimination of monthly financial reporting to City Departments
- ❖ Elimination of non-payment utility billing reminders
- ❖ Elimination of on-site audits of lawful gambling operations
- ❖ Elimination of quarterly financial reports related to the City's lawful gambling operations

Absent staffing increases it is unlikely that these tasks could be reinstated.