

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 4/13/09
Item No.: 12.a

Department Approval

Acting City Manager Approval

Christopher K. Mills

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Item Description: Consider an Alternative Budgeting Process for 2010

BACKGROUND

Over the past couple of months, the City Council has held 3 separate discussions on the merits of using an alternative budgeting process for 2010. Within these discussions, it was noted that one of the fundamental changes that is needed is the prioritization of City programs and services. To assist in that process, it was recognized that the City would benefit by having an understanding of the costs associated with providing these services. Some Councilmembers also expressed an interest in a process that would better engage citizens, advisory commission members, or other interested parties.

The need and urgency for an alternative budget process can also be portrayed from a financial perspective. Here are just a few of the challenges facing the City for 2010 and beyond:

- ❖ Cash Reserves are strong in some areas, but have consistently declined since 2001. Reserves in key operating funds are approximately \$3 million below recommended levels.
- ❖ The City has no money set aside to repair/renovate general city facilities.
- ❖ The City's asset replacement funding mechanisms are structurally imbalanced. Based on current replacement schedules:
 - The City's Vehicle Replacement Fund will run out of money in 2009
 - The City's Street Replacement and Park Improvement Replacement Funds (if combined) will run out of money in 2013
 - The City's Water, Sewer, and Golf operations will run out of money in 2014.
- ❖ The 2010 Budget Gap includes, but is not limited to:
 - \$ 400,000 Loss in State Aid
 - \$ 200,000 Use of one-time monies for '09 Budget
 - \$ 400,000 Replenish vehicle replacement funding to '08 level
 - \$ _____ Additional funding for unfunded mandates, inflation, salaries, benefits
 - \$ _____ Additional funding for unfunded asset replacements
 - \$ _____ Additional funding for strengthening cash reserve levels
 - \$ _____ Additional funding for Fire Relief Assoc. unfunded liability

- ❖ An additional \$1 million in levy dollars = 7.6% levy increase. It's also the equivalent of 15-20 FTE's. ****Note****; any budget reductions intended to alleviate this increase must come from property-tax supported programs.
- ❖ Assuming the City's tax base remains unchanged, a levy increase of \$1 million will increase the taxes on an average-valued home by \$3.61 per month.
- ❖ Long term; to maintain current service levels and replace all existing infrastructure at the optimal time:
 - a) Property taxes will need to increase by 17% annually over the next 10 years.
 - b) Water & Sewer rates will need to increase 10% per year.

These financial challenges not only were identified several years ago, but they have grown steadily worse. Our previous budgeting processes have done little, if any, to address them. As a result, Staff is recommending significant changes to the process. Specifically, Staff recommends the following:

Recommendation #1: Conduct a study through an independent consultant to develop a matrix that would depict the following:

- a) The true cost of providing each property tax-supported program
- b) An identification of the current level of service
- c) Estimated number of beneficiaries of each service

Recommendation #2: Conduct 3 or 4 town hall-type meetings to solicit input on the 2010 Budget

With regard to the program cost study, the matrix will assist the Council in making budgetary decisions by equating the selection of service levels with costs and citizen benefits.

With regard to the town hall meetings, Staff is suggestion that the City consider using a new tool that is designed to collect individual preferences and compile them in such a way that reflects the community's priorities. This process can be characterized as an electronic version of the 'Dot Method', whereby individuals can signal their preferences, and the results can be summarized and displayed for subsequent review and discussion. The advantage of this new method over the 'Dot Method' is that all responses are anonymous, which arguably results in more truthful data especially in larger groups. The summarization process can also be done in real time.

While City Staff did seek initial cost proposals from multiple consultants, we have refined our discussions with Springsted Incorporated, which has served as a financial consultant to the City on a variety of matters including, bond issuance, Twin Lakes financial modeling, and bond rating analyses. Springsted proposes to assist the City in this alternative budgeting process for approximately \$30,000.

POLICY OBJECTIVE

Establishing a budget process that aligns resources with desired outcomes is consistent with governmental best practices, provides greater transparency of program costs, and ensures that budget dollars are allocated in the manner that creates the greatest value.

FINANCIAL IMPACTS

The costs associated with a program cost assessment can be accomodated with the 2009 Adopted Budget

78 using contingency monies that had been set aside. There would be \$3,000 remaining in this account.

79 **STAFF RECOMMENDATION**

80 By previous communication, Staff has recommended the Council adopt an alternative budgeting process for
81 2010. Staff recommends that the City hire Springsted Incorporated to calculate the costs of property tax-
82 supported services and to coordinate the electronic budget solicitation process at the town hall meetings

83 **REQUESTED COUNCIL ACTION**

84 Authorize Staff to hire Springsted Incorporated for the purposes of calculating the costs of property tax-
85 supported services and to coordinate the electronic budget solicitation process at the town hall meetings, in
86 an amount not to exceed \$30,000.

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88 The Council is also asked to consider establishing tentative dates for town hall meetings.

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Prepared by: Chris Miller, Finance Director
Attachments: A: N/A