



To: City Council

From: Kay Kuhlmann, Council Administrator

Date: February 27, 2009

RE: Plan to Address 2009 Budget Shortage Due to Anticipated Reduction in State Funding

Introduction

The City Council and Mayor are aware that the City stands to lose a substantial percentage of anticipated 2009 revenue due to the State's fiscal condition. In preparation for the worst case scenario, staff has been directed to prepare a plan that will transition the City through this unusual year. There are a couple process and background comments I would like to make before you read through the recommendations. Please feel free to call me with any questions. I will be around all weekend and next week (unless I get called in for jury duty).

Background

Last fall when the state's fiscal crisis became more evident, city administration enacted several procedures to control spending. In spite of having budgetary authority to replace open positions and to process special project contracts, these activities were frozen. Employees and Council were made aware that we would reconsider each when we had a better idea of the extent of the problem; working within Council policy direction. Those decisions have assisted us in saving money but were done by opportunity, not by strategic planning or Council direction. I believe that in local government the process is as important as the product. In order to address the anticipated 2009 budget revenue reduction, we have initiated a process that has been time consuming but addresses the Council need for better information in order to establish a policy and enact operational and service reductions.

Process

The 2009 budget as adopted anticipates receiving \$2.7 million in revenue from the State of Minnesota. The City believes that all of this revenue is in jeopardy and is closely watching and participating in the lobbying process to minimize the cuts to the City of Red Wing. Council was informed of this situation at the January workshop and they directed staff to prepare budgets showing reductions between 5-15 percent. Our process to accomplish this has not been without bumps, but has yielded what I believe is a realistic list of recommendations for Council to consider. Here are the highlights of the process used to prepare this memo.

- Early in January a staff team made up of the Finance Director, Planning Director, City Engineer, Public Works Director (interim at the time) and myself combed through the capital budget to create a prioritized list of projects that identifies savings in capital expenditures. This is presented below as part of the plan to address the 2009 budget

shortages. Reductions in capital spending are likely to be part of the solution for the next 3-5 years.

- The City Department and Division head team has held multiple discussions on how to approach our assignment from the City Council. In addition, I held three sessions open to employees to give them updates on the fiscal situation and to seek their input on what we could do to find the savings. Their ideas have been attached for you to review. Much of the conversation in the employee meetings was about service reductions, but they also looked internally and suggested operational changes that would help reduce expenditures. The message I heard is that most employees appreciate the difficulty of this task, and want to be a part of the solution. You will see that many of the ideas suggested by employees have been incorporated into our recommendations.
- Although the capital budget reductions and operational reductions will assist with the solution, in the end there will have to be service cuts if the state does eliminate all funding. The Council directed managers in January to create a contingency plan based on a 5, 10 or 15 percent cut in each budget. I know I don't have to say this, but this is going to be a difficult task. The service reductions suggested under the different scenarios (5, 10 or 15 percent) will all have an impact on our community. There will be negative ramifications and frustrated citizens; but there will also be opportunities for citizens and groups to become more involved in local government decision-making process and take on some volunteer tasks.

Staff has empathy for you as you make these difficult decisions and stand prepared to provide you with additional information.

Outline of this Report

Due to the limited time we have set aside for the March 4 meeting, I have made an executive decision to provide a summary of our recommendations in a narrative format. The budget sheets I have received are numerous and the figures will not tie to this report. The reason they do not tie is that since these were submitted we have continued to make changes without going back to change each individual sheet. There was just no time for this detail at this stage. Once we get Council consensus on the 2009 budget modifications, we will make the changes and prepare a final report. If you want additional supporting information, we can provide that for you. I just caution that we don't get bogged down by the number crunching at this meeting.

The format of this memo is narrative format of a continuum of cuts based on four scenarios we believe are the most likely. I hope that this will be easier to read and understand as compared to a graph version.

I want to also explain that there are certain opportunities for budget reductions that are not ready for Council review. The Sheldon has indicated an interest in being part of the solution, but also requested a discussion on the larger fiscal relationship between the City and Sheldon. I anticipate scheduling a meeting with representatives of the City and Sheldon to work through this. I haven't had time to make this happen yet. Before we finalize the 2009

budget amendment in April, I would anticipate that we would have met and have a recommendation.

I also want to make note of the Library budget. The Library Director and the Library Board have met and made recommended cuts that reduce the general fund transfer from the City by approximately 10 percent. The Library Board and James are keenly aware that the City is in a difficult situation and will likely recommend an additional reduction in the transfer to the general fund as we prepare the 2010 budget. However, if the City reduces the transfer to an amount less than the certified Maintenance of Effort (MOE) level, it triggers a clause in the SELCO (our regional Library system) bylaws that will lead to the Library's removal from SELCO. This would take us off the automation system which is basically the backbone of the library. James, the Library Board and I know that the state legislature is considering various bills that would modify the Maintenance of Effort. Relaxing or elimination of the MOE will drive the Library's recommendations. If the MOE is not modified, a Library budget established below the MOE will have ramifications that the Library Board and Council will need to better understand. I support this modification in legislation because in this difficult time the City Council needs the flexibility to look at all areas for possible reductions.

The other piece of information you should know is that the Charter does not allow the City Council to modify the amount transferred to the Library after the budget has been set without approval from the Library Board. Also, the City Council does not have the right to establish services within the Library. This is the role of the Library Board. The City only has the right to establish the budget.

The reason I tell you this is because citizens may ask why you do not consider additional funding reductions in the Library budget and that they may also ask you to make service cuts. Any suggestions for service reductions should be referred to the Library Board and Library Director.

Recommended Budget Reductions due to Anticipated State Funding Reductions

The balance of this budget addresses four scenarios. Each one builds upon the previous scenario. They are:

<u>Scenario One</u>	= \$712,414 – is a reduction of 50 percent of LGA
<u>Scenario Two</u>	= \$1,445,120 – is a reduction of 100 percent LGA
<u>Scenario Three</u>	= \$1,921,739 – is a reduction of 100 percent LGA & Market Value Credit
<u>Scenario Four</u>	= \$2,680,269 – is a reduction of 100 percent LGA & Market Value Credit & Utility Aid

It's important to note that the work you are doing on the 2009 budget amendment will greatly assist us in preparing for the 2010 budget. However, I want to reiterate that there will be additional information, like the result of the Sheldon meeting and the MOE legislation that will provide additional opportunities for budget reductions.

Scenario One - Budget Recommendations in the case of a Reduction of \$712,414 which is the Governor's Proposal to cut LGA by 50 percent

The first area to be addressed in amending the 2009 budget are those internal/operational changes that we believe can be made without modifying our external service. The changes being proposed can be lumped into two groups. Marshall has reviewed many of the budgets with Department/Division Heads to suggest line items that can be modified. Department Heads are always concerned when budgets are reduced and the potential for over spending can occur from situations completely out of their control. For example the snow plowing budget was overspent in 2008 due to the unusually high number of snow events. In the past, this has required Public Works to under spend by an equal amount on another line item to stay within their budget authority. In response to this, often budgets will be increased to provide a less likely, but conservative line item.

Another example is in the police budget. It is difficult to determine, outside of a best guess, what the overtime will be for the upcoming year. Last year the Police Department overtime budget was exceeded due to the homicide and several other serious crimes. Budgets that are higher protect the department head from exceeding their budgetary authority but can inflate the budget. A solution to this has been proposed by Marshall. In order to keep the budgets at the lowest level, but to provide Department/Division heads with a risk assurance policy, Marshall and I are recommending Council establish a budget contingency fund that allows managers to tap into the fund if a line item goes over the budget amount due to unforeseen and uncontrollable situation. This is a policy change that staff would like to incorporate into the 2009 budget amendment as a way of reducing several key line items. Based on Marshall's analysis of every line item in the City, and his reduction to many, he feels there is a savings of \$800,000 that could be made if the City Council is willing to establish the contingency fund. Staff would recommend Council set aside \$200,000 in this account with the conditions listed above with the **net anticipated savings of \$600,000**

Another area of analysis has been our internal operational policies. In looking at each, we have made adjustments due to the fiscal situation. I have sent a directive to department heads on the following items:

1. **Overtime** – There will be no overtime unless specifically directed by the supervisor for a specific reason and for a limited time.
2. **Travel/Conference Budgets** – All travel and conference budgets are to be cut by 15 percent (not just general fund). This includes the Mayor and City Council. There will be no out of state travel in 2009 (except for the Mayor and Council). Until further notice and for the foreseeable future years, no employee at a grade lower than a division head will be eligible to attend an out of state conference. Department/Division Heads will be eligible for full cost coverage for conference/travel to attend an out of state professional conference once every three years. The City will pay conference registration only for any national conferences that the department head chooses to frequent more than once every three years. There is to be no exception for department heads serving on a board and/or have made previous commitments.
3. **Challenge Games** - The Administration budget Awards line item has traditionally covered the cost of the challenge games. The amount has been reduced to the \$250

- to cover just the cost to enter a team. Costs for t-shirts, corporate walk lunch, bowling and golf expenses have been eliminated.
4. **Civic Memberships** – The City will only pay up to \$100 for civic membership. The choice of remaining in a civic club is up to the member.
 5. **Recognition Event** - The City Council budget line items that cover the cost for the awards banquet has been cut by approximately 40 percent eliminating the summer picnic. In anticipation of 2010, I plan to recommend cutting the banquet budget, but still holding an event.
 6. **Employee Quarterly Training Sessions** will be eliminated in 2009 and until some level of funding is restored.
 7. **Educational Reimbursement Program** - The City's educational reimbursement program is suspended until further notice. It is unlikely that the program will reemerge prior to 2011. Applicants who have gotten approval will still be eligible for the reimbursement.
 8. **Car Allowances** – Effective December 31, 2009 every recipient of a car allowance will be eligible for a mileage reimbursement instead of getting an automatic allowance. Departments should discuss how to best manage the fleet of vehicles available to them to maximize efficiencies, using department vehicles when available, fleet cars when available and walking when practical.
 9. **Cell Phones/PDAs** –All Department Heads will review the list of employees who currently carry a cell phone and make a determination if having the device is the most efficient and practical manner in which to communicate. Phones not needed are to be terminated at the next renewal date.
 10. **Energy Savings** - Heating and cooling in each City building will be set at the minimum safe standard to better control energy costs.
 11. **Voluntary Days Off without Pay** - Employees authorized by their supervisor, will be able to voluntarily take up to one day a month without pay with no affect on benefits. Any scheduled reduction of hours on a more regular basis will be considered on a case-by-case basis.
 12. **Water Cooler Contract** – Water cooler contracts are to be terminated immediately in all public buildings except where no potable water is available.
 13. **Coffee** - The City will no longer cover the cost of coffee for any buildings.

The value of these changes has been **estimated to be \$100,000**. In addition to the above mentioned directives, I have asked non union and union employees to consider wage concessions. Feedback from most employees was supportive of some type of concession based on the final outcome of budget cuts. However, union support was not universal. Our organizational philosophy has been to keep the wage structure and benefit package as consistent between all union and non-union employees as possible. Therefore, I do not recommend that Council consider a wage reduction for any employees at this time. I feel the better approach is to address the need for wage/benefit concession in negotiations for 2010. All eight union contracts will be negotiated this year. I look forward to working with our non-union employees and our union representatives in an effort to continue to find ways to treat employees fairly and reduce our employment costs.

Scenario Two - Budget Recommendations in the case of a Reduction of \$1,445,120 which is a Possible Legislative Action that would cut LGA by 100 percent

Scenario Two includes all of the recommendation in Scenario One plus additional reductions; the reductions are all taken primarily from the capital budget. The capital budget is a five year financial tool. In 2009 it was anticipated to receive a \$2,100,000 transfer from the general fund. The same general fund contribution was anticipated in each of the out years (2010 – 2013). Staff believes that amount can be reduced to roughly \$1,400,000 thereby providing roughly \$665,151 as the second major budget reduction. Please understand that the entire capital budget is much higher than \$2,100,000 because it receives revenue from many other sources. The recommended project/equipment cuts that are listed below are only those supported by general fund dollars.

I have summarized the projects in four categories of priority. The priorities are in order as follows:

Category One	Funding is committed or already spent
Category Two	Critical investment in infrastructure
Category Three	Equipment Replacement
Category Four	Enhancements to Facilities and/or additional Community Infrastructure Investments

Category One – Items 1-6 below include financial commitments made by the City Council and requires no additional action by the Council. Item number 7 has been committed by the Council, but Council will need to take action at a Council meeting to authorize the expenditure. Council action is anticipated to happen in the next six months. The value of these projects is \$516,044.

1. Cemetery Land Acquisition	\$62,000
2. Ladder Truck	\$46,076
3. Fire Engine Purchase	\$82,968
4. Universal Play Ground Equipment	\$40,000
5. Central park Improvement	\$150,000
6. Holiday Decoration	\$15,000
7. Aspen Avenue/Hwy 61 Improvements	<u>\$120,000</u>
Total Category One	\$516,044

Category Two – Items 1 & 2 are investments in buildings that have critical needs. There is a need to fund the HVAC system at the Library. Although an investment was made in the boiler recently, there is a need for the balance of the project to be completed. Staff will rebid the project with Council approval. In order to make this investment, funding of \$180,000 has been placed in the capital budget.

Item 3 is the cost for preliminary and final design of the Old Highway 19 bridges. There are two that are unsafe and have been either closed or restricted in travel. Item 4 provides backup to our computer network which is the hub of our communication/computer system.

Item 5 has been ordered in for improvements by the City Council, but Council has not approved the plans or ordered the advertisement for bids at this time. The value of these projects is \$790,000.

1. Library HVAC	\$180,000
2. Fire Department Exterior Repairs	\$125,000
3. Old Highway 19 Bridges	\$200,000
4. City Hall Generator	\$85,000
5. Sidewalks (Hallquist Ave. & Eunice Ave.)	<u>\$200,000</u>
Total Category Two	\$790,000

Category Three – Staff is not able to provide you with a list of prioritized cuts in the equipment budget until Council determines which services are to be reduced or eliminated. However, we recommend that you reduce this category substantially saving \$345,000 from the general fund supported capital budget.

Category Four – Staff recommends Council eliminate from the capital budget items 1-4 listed below. The projects will be placed on a list of capital items for consideration in future capital budgets. This value of these projects is \$726,417.

1. City Hall remodeling	\$363,156
2. Club House upgrades at Mississippi National	\$65,000
3. East 5 th street bridge	\$30,000
4. Transit lot and garage	<u>\$10,000</u>
Total Category Four	\$468,156

The general fund supported capital budget summary of recommended cuts is as follows:

Recommended Reductions in the 2009 Capital Budget

Category Three	\$345,000
Category Four	<u>\$468,156</u>
Total Reduction from the CIP	\$813,156
Minus the funding for the HVAC @ Library	<\$180,000>
Total Saving in 2009 Capital Budget	\$633,156

In order to find the additional \$111,964 in Scenario Two, I have identified several program/operational changes in the Administration area.

Council Administrator – value of the reductions listed below is \$50,600. Reductions to the Council Administrator budget is 20 percent, although approximately one third of this reduction is a shift to the Communication’s budget. Here are the recommended service reductions for the Council Administrator’s budget in Scenario Two.

Service Cut - Council Administrator

1. Reduction of 25 percent of Assistant to the Administrator’s time to Communications – the impact will be that 75 percent of Deanna’s time (rather than the previous 50 percent) will now be dedicated to communications and not used to support general administrative and Council support activities like staffing the 3D meetings, staffing the seniors committee issues meetings, serving as ex-officio to the VCB Board, having representation at various community meetings, and etc. Her time spent working with

our membership associations such as the LMC, NLC, SELMC, CGMC, etc. and attending meetings with legislators will also be reduced. Since I will not be able to pick up all of her commitments and mine, City staff will not be present at the 3D meetings, serve on VCB board, attend Downtown Mainstreet meetings or attend other community meetings. Red Wing will also have less of a presence in statewide efforts to impact legislation.

2. Elimination of seasonal support during the summer – the impact of this will be that we will struggle to get our annual filing and archiving completed. In addition, support for the City Council on special event and miscellaneous activities will be reduced.

Board and Commission – value of the reductions listed below is \$5,300. Reductions to the Board and Commission budget is 35 percent. Here are the recommended service reductions for the Board and Commission budget in Scenario Two.

Service Cuts - Board and Commission

1. Reduction of funds for each board commission reduced by 15 percent leaving \$2,144 for Sister Cities, Heritage Preservation, Human Rights and the Sustainability Commission.
2. Reduction of \$3,000 dedicated for the Diversity Festival.
3. Reduction by 50 percent of the funds used to pay for the annual awards event.

Legal – value of the reductions listed below is \$50,000. Reductions to the Legal budget is 26 percent. Here are the recommended service reductions for the Legal budget in Scenario Two.

Service Cuts - Legal

1. Modify the retainer so that it only covers representation at both City Council meetings each month and limited office hours. Some of the legal needs would be billed on an hourly basis rather than included in the retainer. The reduction in the retainer amount is substantial, saving the City an estimated 50,000. The impact on services is unknown at this time. Staff will have to be more organized for our meeting opportunities and conduct in-house research whenever possible on possible legal items.

Mayor – value of the reductions listed below is \$4,000. Reductions in the Mayor's budget are 16 percent. The recommended service reductions for the Mayor's budget in Scenario Two are:

Service Cuts - Mayor

1. Elimination of Neighborhood Enhancement Funds – strategic investments in neighborhoods will be unavailable.

City Council – value of the reductions listed below is \$16,500. Reductions in the City Council's budget is 14 percent. Here are the recommended service reductions for the Mayor's budget in Scenario Two.

Service Cuts – City Council

1. Eliminate National Night Out Funding – this program is also supported by funds in the Police Department. This does not cancel National Night Out; it reduces the City's contribution toward gifts, food and etc.

2. Eliminate Neighborhood Enhancement Funds - strategic investments in neighborhoods will be unavailable.

The total reduction identified in the service cuts section of Scenario Two is **\$126,400**

Scenario Three - Budget Recommendations in the case of a Reduction of \$1,921,739 which is a Possible Legislative Action that would cut LGA and Market Value Credits by 100 percent

The first recommended reductions in Scenario Three are the reductions identified in Scenario One and Two. The only option for additional cuts is further service reductions. They are listed below.

Employee Services – value of the reductions listed below is \$19,600. Reductions to the Employee Services Budget is 4 percent in Scenario Three. There will be no visible cuts to public service. All deductions will have an impact on our internal staff.

City Clerk – value of the reductions listed below is \$29,500. Reductions in the City Clerk’s budget is 9 percent. Here are the recommended service reductions for the City Clerk’s budget in Scenario Three.

Service Cuts – City Clerk

- Impact of no seasonal help – we will not have the benefit of a person scanning documents into Laserfiche which could become available for citizen access.
- Impact of elimination of overtime – in an election year, this could be a real struggle due to limited staffing and multiple mandated deadlines.

Communications – value of the reductions listed below is \$88,298. There are two alternatives in the Communication budget. Alternative A reduces the communication budget by 20 percent and reduces overall communication activities, concentrating in area of Channel 6.

Here are the recommended service reductions for the Communications budget in Scenario Three.

Service Cuts – Communications - [Alternative A](#)

1. Reduction in printed and mailed Current newsletter from monthly to bi-monthly
2. Reduction in printing expenses by eliminating miscellaneous projects which provide information about various departments or the organization as a whole.
3. Elimination of the City’s fiscal support of the community-wide branding effort
4. Do not fill part-time camera operator position – impact on the community will be a 50 percent reduction in Channel 6 coverage of Board/Commission meetings (there are several options on how this could be done).
5. Do not fill part-time camera operator position – impact on the community will be a 25 percent reduction in Channel 6 general (non-board & commission) programming produced by Channel 6.

Communications – value of the reductions listed below are for Alternative B and is \$121,023. This alternative reduces the communications budget by 28 percent and reduces overall communication activities, and concentrates reduction in the area of website maintenance, special events planning, and support for departments/Mayor/City Council. Here are the recommended service reductions for the Communications budget in Scenario Three.

Service Cuts – Communications – [Alternative B](#)

1. Elimination of the full time communication coordinator position.

2. Reduction in printing expenses by eliminating miscellaneous projects which provide information about various departments or the organization as a whole.
3. Elimination of the City's fiscal support of the community-wide branding effort
4. Less timely updates made on the website
5. No graphic design work done in-house (some would be cut, others out-sourced and paid for by other budgets)
6. More reliance on divisions to provide content for the website, Current Scoop and Channel 6.
7. Elimination of the publication posted in the community kiosks
8. Elimination of the City Line weekly recordings.
9. 75 percent reduction in event planning support
10. Reduction in promptness in writing and distributing news releases, creating communication materials and support Council/Mayor on communication efforts.
11. Overall reduction in the efforts to communicate about projects, issues and other City matters.

Finance – value of the reductions listed below is \$64,864. Reductions in the Finance budget is 13 percent. Here are the recommended service reductions for the Finance budget in Scenario Three.

Service Cuts - Finance

1. Elimination of seasonal help – this position was building a more transparent and user friendly budget document. This work will be suspended at this time.
2. Elimination of Programming Services – this means we will not be adding modules to our computer finance system and not fully utilizing the system.

Library Department – value of the reductions listed below is \$92,250. This equates to a reduction of 10 percent. Here are the recommended service reductions for the Library Department in Scenario Three.

Service Cuts – Library

1. Thirty percent reduction in book budget – reduced resources for the community.
2. Elimination of replacement of computer equipment – possible failure in providing computer services to the public.
3. Reduction in building maintenance – appearance of Library may suffer and citizens may complain.

Planning Department – value of the reductions listed below is \$61,000. This equates to a reduction of 15 percent. Here are the recommended service reductions for the Planning Department in Scenario Three.

Service Cuts – Planning

1. Reduction in Professional Services Budget – impact on service is delay of the transportation plan and possible use of in-house engineering for professional service projects that arise.
2. Elimination of summer help including seasonal clerical support and intern – impact on service is full time regular staff will have to complete records management tasks, and labor intensive projects will go undone.

Engineering Department Transfer from General Fund– value of the reductions listed below is \$37,800. This equates to a reduction of 22 percent of the general fund transfer.

Here are the recommended service reductions for the Engineering Department in Scenario Three.

Service Cuts –Engineering

1. Elimination funding for East 5th Street Bridge Work Project
2. Elimination funding for Neal Street Sidewalk Construction Project
3. Elimination funding for Downtown Intersection Improvements Project
4. Elimination funding for the Gravel to Pavement Program
5. Reduction of Street reconstruction project to half its original scope.
6. Reduction of two seasonal employees

Public Works – Administration - value of the reductions is \$34,332. The savings here is due to the Public Works reorganization. There is no reduction in public service due to this change.

Information Technology – value of the reductions listed below is \$40,000. The Information Technology Division is not a general fund account, but each budget is charged an Information Technology fee which is transferred into this budget. Some of this comes from the general fund and some comes from enterprise and other funds. The value of the reductions is \$100,000, but the general fund would only receive a value of \$40,000. Like the Employee Service Division, the recommended service reductions for the Information Technology Budget will be felt mainly internally. Here are the recommended service cuts proposed for the Information Technology Division in Scenario Three.

1. Reducing I.T. division from three full-time employees to two full-time employees with the understanding that IT will not be involved in as many special projects.
2. Reduce programming due to cutting Sharepoint project 150 licenses at \$75 per seat.
3. Reducing computer purchases - going from a four to a five year replacement plan.
4. Training for two I.T. staff members instead of three.

Public Works – Building Division - value of the reductions listed below is \$34,336. This equates to a reduction of 6 percent. Here are the recommended service reductions for the Building Division of the Public Works Department in Scenario Three.

Service Cuts – Public Works Building Division

1. Eliminate custodial contract for office and locker room cleaning. The impact on the public will be a reallocation of staff time dedicated to internal service vs. external service. This is a less expensive way of getting this necessarily task done.

The total reduction identified in the service cuts section of Scenario Three is **\$501,980 if the Communication Budget reduction is Alternative A; and \$534,705 if the Communication Budget reduction is Alternative B.**

Scenario Four - Budget Recommendations in the case of a Reduction of \$2,680,269 which is the worst case and a result of a Legislative Action that would cut LGA and Market Value Credits and Utility Aid by 100 percent

The first recommended reductions in Scenario Four are the reductions identified in Scenario One, Two and Three. The only option for additional cuts is further service reductions. They are listed below.

Public Works – Cemetery Maintenance - value of the reductions listed below is \$22,800. This equates to a reduction of 7 percent. This would be a position that is currently open. Here are the recommended service reductions for the Cemetery Maintenance function of the Public Works Department in Scenario Four.

Service Cuts – Public Works Cemetery Maintenance

1. Close cemeteries in the winter except for winter burial and charge back full price of winter burial – individuals will have a choice of whether to pay the fee or wait for a summer burial. If there is a winter burial, the costs will be covered.

Police Department – value of the reductions listed below is \$165,000. This equates to a reduction of approximately 4 percent. Here are the recommended service reductions for the Police Department in Scenario Four.

Service Reductions – Police Department

1. Do not fill two open Patrol Officer Positions – impact on service will be elimination of two patrol officers during the day shifts The Police Department will be more responsive instead of proactive to calls.
2. Reduction of hours budgeted for reserve officer work – impact on services will be less neighborhood presence.
3. Reduction in equipment – impact on services levels is anticipated to be minimal in the beginning, but cannot be sustained for multiple years.
4. Reduction in program supplies for Crime Prevention and National Night Out – impact on the community will be less City involvement in citizen programs.

Fire Department – value of the reductions listed below is \$101,430. This equates to a reduction of 4 percent. Here are the recommended service reductions for the Fire Department in Scenario Four.

Service Cuts - Fire Department

1. Reduction in three budgeted full time firefighters/paramedics – impact based on call load increases will be reduction in timeliness of responsiveness.

Public Works – Park and Recreation - value of the reductions listed below is \$147,500. This equates to a reduction of two and a half FTEs. This would reduce the number of Park Maintenance Workers by one. A transfer to the Streets Budget would prevent the need to lay-off an employee. Here are the recommended service reductions for the Park and Recreation Division of the Public Works Department in Scenario Four.

Service Cuts – Public Works Park and Recreation Division.

1. Elimination of 11 additional seasonal positions. This reduces resources to provide service during the summer months.

2. Reduce open days and hours at Colvill Aquatic Center – impact will be less attendance at the pool and limited recreational options for residents.
3. Reduce full time staff at Athletic Field and rely on volunteers – impact on players will be significant if no volunteers come forward.
4. Reduce number of ice rinks to two at the Athletic Field – impact will be more citizens will have to drive to the ice rinks.
5. Reduce mowing in City Parks – change in park aesthetics
6. Reduce irrigation at parks and buildings – change in park aesthetics
7. Reduce flower beds – change in park aesthetics if volunteers can't be found.
8. Reduce parking ramp maintenance with janitorial support, winter maintenance on the upper deck of the seminary ramp and sweeping frequency

Public Works – Parking Ramps Maintenance - value of the reductions listed below is \$5,000. This equates to a reduction of 3 percent. Here are the recommended service reductions for the Parking Ramps function of the Public Works Department in Scenario Four.
Service Cuts – Public Works Parking Ramps Maintenance

1. Reduce Cleaning frequency in ramps stairwells and ramps

Public Works – Street maintenance - value of the reductions listed below is \$98,875. This equates to a reduction of 4 percent and roughly 2 FTEs. Currently there are three open positions in Streets. Here are the recommended service reductions for the Street Maintenance Division of the Public Works Department in Scenario Four.
Service Cuts – Public Works Street Maintenance Division.

1. Eliminate hauling of snow from cul-de-sacs/change how we plow cul-de-sacs – residents on cul-de-sacs are used to a higher level of service than others. There will be complaints from these residents.
2. Eliminate City crews from cleaning private sidewalk – the impact will be minimal if the City contracts with a private service and charges back the full price.
3. Turn off outside arms of downtown lights and half the lights on Tyler Road – impact on services will be minimal, but council should expect complaints from residents about security and safe driving.
4. Turn off half of the street lights on Highway 61, Cedar Street to Highway 19 – impact on services will be minimal, but there may be complaints.
5. Eliminate brush clean up in the fall and spring – Impact on residents should be minimal as residents will be allowed to bring organic materials to the Compost center free.
6. Eliminate street sweeping in the downtown except for mandatory three times a year – impact services will be less attractive streets and more sand/salt going into storm drainage systems.
7. Reduce rural roadside mowing – impact on services is minimal.
8. Reduce size of street reconstruction project – impact on services is less infrastructure investment on an annual basis continues to compound the problems. The residents will not be happy with the balance of the College Avenue / Oak Street construction happening over two additional years vs. one.
9. Reduce snow hauling in the downtown – impact on service is that business owners will complain about parking difficulties.

Public Works – Park and Recreation - value of the reductions listed below is \$190,825.

This equates to a reduction of 10 percent and a reduction of four FTE's. Here are the recommended service reductions for the Park and Recreation Division of the Public Works Department in Scenario Four.

Service Cuts – Public Works Park and Recreation Division.

1. Eliminate summer recreation program funding – impact on service will be on children who use the program and possibly increased vandalism activities
2. Eliminate trail maintenance, including sweeping of trails and seek volunteers to take over – impact on the trails will be significant if no one can take over this activity
3. Eliminate City owned bus – impact negligible
4. Reduce full time hours at Colvill Park with seasonal help
5. Eliminate City crew mowing private property – service impact minimal if City contracts with private entity and they bill back the entire amount.
6. Reduce brush control program –
7. Reduce weed and insect spraying
8. Reduce or eliminate boulevard tree planting program
9. Eliminate rose garden at John Rich park –
10. Cut flower baskets by 50 percent
11. Reduce irrigation at parks and buildings – change in park aesthetics

Public Works – Street maintenance - value of the reductions listed below is \$33,850.

This equates to a reduction of 2 percent and .5 FTEs. Here are the recommended service reductions for the Street Maintenance Division of the Public Works Department in Scenario Four.

Service Cuts – Public Works Street Maintenance Division.

1. Reduce grading service for gravel roads – impact on service is probably limited to those folks who live on gravel roads. There will be complaints on this.
2. Eliminate rural roadside mowing – impact on services is minimal
3. Eliminate maintenance of Jordan Court/trees/shrubs in the downtown – impact on services will be a less attractive downtown.
4. Reduce garbage collection in the downtown area – impact is less attractive downtown
5. No new signs for subdivisions – no impact if there is no construction.

The total reduction identified in the service cuts section of Scenario Four is **\$846,705.**

Summary of Reductions Identified in Each Scenario

Scenario One	\$700,000
Scenario Two	\$759,556
Scenario Three	\$501,180 (A) or \$534,705 (B)
Scenario Four	\$765,280
Total Reductions	\$2,725,916 (A) or \$2,759,441 (B)

Summary of Staffing Impact in Each Scenario

Scenario One	No impact on staffing
Scenario Two	No impact on staffing
Scenario Three	.33 part time camera operator position remains open or 1 Communication employee – lay off would be necessary 1 Information Technology employee – lay off would be necessary
Scenario Four	2 FTE Police officer positions – these are open/would not be filled 3 FTE Firefighter/Paramedic – these are open/would not be filled 7 FTE Public Works employees – there are currently five open positions in the PW general fund. If some employees can be transferred to other non general fund divisions, we may be able to avoid lay-offs in this area

Other Possible Solutions

As I have mentioned to the City Council and employees there is still much work to be done. Managers are also examining a number of revenue options, including selling City property, and modifying the policy on use of the PERA funds. In addition to the work we have been concentrating on in the general fund budgets, there is ongoing analysis being done in the area of building inspections. In order for staff to finalize our recommendation to the City Council, we need council clarification on priorities.

Building Inspections - value of the reductions listed below is \$81,425. 92. (These are not savings to the General Fund and therefore not part of the solution, but good business action). The Building Inspections Division has provided adequate revenue to cover the cost of all building activity, plus the code enforcement efforts and City cash receipting. Due to the recent decline in construction activity, the fund is not generating enough revenue to sustain the current level of staffing. In light of this, staff is recommending reductions at a **value of \$81,425**. This equates to a reduction in expenditures of 14.7 percent and assumes a reduction in staffing of one FTE. Staff's first choice is to offer a retirement incentive package to any individual able to retire. If that option doesn't work, we have several other options to consider that all require layoffs.

If early retirement isn't possible and lay-off is necessary, staff would need to know the council's thoughts on two issues. The two issues are whether Council wants to continue with proactive Junk Code enforcement or go back to a complaint basis for enforcement; and what is the future of the rental inspection program? Does Council anticipate continuing as-is, or

possibly changing to a less labor intensive method (inspect upon sale of property, by complaint, or when reason of noncompliance exists).

Service Reductions – Building Inspection Division Department

1. Staff doesn't anticipate any service reductions. Other inspections staff would be required to help out as needed. The position would need to be refilled when building construction activity picks up in the future.

Recommendation on Implementation of Service Reductions

The biggest question I have received internally is the timing on the cuts. The budget amendments identified in Scenario One have been acted on already. Most of the directives will be implemented by March 1, 2009.

The Scenario Two Recommendations will require Council approval at a regular meeting. Staff would like consensus to bring the capital budget modification to you for action on March 9th. If you decide to bring the capital budget discussion to the citizens at the public meetings, we will delay the recommendation for action. The service cuts identified in Scenario Two seem to be minor enough that they could also be acted on at the Council's March 9th meeting.

Scenario Three and Scenario Four recommendations, especially those that result in lay-offs, should not be acted on until we know the final legislative action. Council can confirm a plan for implementation in April, but not pull the trigger on the implementation until July (or whenever the legislature completes its work). Staff will work on some of the suggested early retirement opportunities and hopefully will be able to craft a plan that eliminates all lay-off situations. Exact lay-off dates should not be prior to the third quarter of 2009 to allow the City to transition service changes and to provide time for employees to transfer internally as a first option.

2010 Scenario – While the City will know much more about our 2010 budget situation in July, please be aware that the anticipated revenue reductions from the State in 2010 is \$3,438,799. All the discussions we have to amend the 2009 budget are in preparation for the 2010 budget process. You have been provided with suggested recommendation in order to get to the \$2,680,269 scenario. In some cases like the Police Department, Fire Department and Public Works, there is additional service cuts provided by the Department heads, that I have not included because we did not need to suggest them at this time. As we start the 2010 budget process this spring we will create a 2010 budget that anticipates the \$3,438,799 reduction in state revenue as the worst case scenario, and that will force us to bring in additional service cuts and or revenue savings. By July, hopefully, we will have a better idea of what our target is for the 2010 budget preparation and we won't have to do this continuum of ideas like what is included in this memo.

Recommendation on Next Steps

On March 4, I will provide you with a walk through of this budget memo. If you have questions before the meeting, please feel free to call me or stop by. I believe our goal by the end of the evening is to have the Council President facilitate consensus on the priority service reductions you will bring to the residents. In anticipation of the March 4th meeting, we will be drafting a worksheet/survey that we can distribute at the March citizen meetings.