

Informal Staff Report to the Mayor and City Council

Date: August 23, 2017

Subject: Follow Up Budget Questions Part 2

Originated by: Brady Olsen, Finance Director

Summary:

During the August 17th Council meeting, the City Council requested several different budgeting scenarios. The following attempts to show the impact of each scenario to help facilitate discussion at the work session slated for Monday, August 28th at 7:00 pm.

In addition, Council has raised several questions on both the budget as a whole and individual line items. We have addressed those outstanding questions. Finally, individual council members have sent in their own requested tax rates and budget cuts, I have included the fiscal impact of each. The main focus of this report is the General Fund, as other funds are in relatively stable position.

Scenarios

The starting point for each scenario is the City Manager's proposed budget as presented on August 11th.

SCENARIO A

Scenario A keeps the proposed two cent tax increase and shows the cuts required to balance the budget and maintain a stable fund balance.

Scenario A

Necessary Cuts for Revenues to Equal Expenditures with Proposed Tax Rate (.787)

General Fund Revenue at Proposed Tax Rate	\$6,454,392
Current GF Expenditures:	\$6,680,232
Difference	-\$225,840

Cuts	Total	Department Total
General Supplies	\$ 500	CM \$ 1,450
Professional Memberships	\$ 450	Mayor \$ 31,020
Training	\$ 14,200	City Secretary \$ 6,200
UTA Capstone	\$ 1,000	Court \$ -
Strategic Planning	\$ 25,000	HR \$ -
Slate Communications	\$ 5,520	Finance \$ 2,098
CivicPlus	\$ 5,000	Comm Dev \$ -
Laserfiche	\$ 1,200	Senior Center \$ 2,583
Asset Management Software	\$ 2,098	Non Dep \$ 145,100
Printer	\$ 2,583	Police \$ 18,700
Computers/Server	\$ 30,100	Fire \$ 14,200
Vehicle Maintenance	\$ 5,000	Library \$ 5,000
Equipment Warranty	\$ 8,700	
Animal Control	\$ 5,000	
Reconfigure Library Staff	\$ 5,000	
Net effect of Eliminating Ambulance Purchase	\$ 115,000	
Total	\$ 226,351	
Target	\$ 511	

The highlight is to slowly move away from providing ambulance service as a city, and instead looking to contract this activity. Other cost savings measures include postponing both the strategic plan update and server replacement.

SCENARIO B

Scenario B reduces the property tax back to the effective tax rate. In addition, no changes are made to the fire department, police department, library, or personnel. It was also suggested this could be accomplished without drawing down the fund balance. The following chart shows the suggested limitations are not feasible and will have a real impact on city services. Every line item that was not contractually or legally obligated was removed from the budget under the proposed restriction. Even with these cuts, the fund balance would still be reduced by over **\$300,000**. This scenario is presented only to demonstrate the draconian types of cuts that would be required to achieve the objectives outlined by Councilmember Joplin and requested by the Council for consideration and discussion.

Scenario B

0008

Restrictions/Assumptions: No cuts to personnel, fire, police, or library

GF Revenue with Effective Tax Rate	\$ 6,059,292
Current GF Expenditures:	\$ 6,680,232
Difference:	\$ (620,940)
Methodology- Cut every line item not contractually or legally obligated	

Cuts	Total	Department Total
Cleaning Supplies	\$ 100	CM \$ 8,414
Printed Supplies	\$ 2,140	Mayor/Council \$ 70,533
Office Supplies	\$ 3,850	City Secretary \$ 31,946
Postage	\$ 350	Court \$ 3,540
Coffee	\$ 1,200	HR \$ 15,385
Meeting Refreshments/Supplies	\$ 1,820	Finance \$ 10,109
Building Cleaning	\$ 5,400	Comm Dev \$ 30,671
Building Other Maintenance	\$ 10,338	Senior Center \$ 55,022
City Memberships	\$ 7,439	Non Dep \$ 83,881
Professional Memberships	\$ 6,959	
Training	\$ 10,901	
Travel	\$ 10,606	
Telephone	\$ 516	
UTA Capstone	\$ 1,000	
IPAD/AV	\$ 16,400	
Strategic Planning	\$ 25,000	
Slate Communications	\$ 5,520	
Paratransit Program	\$ 1,288	
Trunk or Treat	\$ 1,000	
Christmas Tree	\$ 1,500	
YAC	\$ 4,000	
CivicPlus	\$ 5,768	
Laserfiche	\$ 3,900	
Record Storage	\$ 2,000	
Employee Care	\$ 600	
Employee Appreciation	\$ 4,300	
KKB	\$ 5,000	
Accounting Software	\$ 1,750	
Co-Op Membership	\$ 100	
Sales Tax Analysis Software	\$ 600	
Certificate of Excellence in Financial Reporting	\$ 435	
Asset Management Software	\$ 2,098	
One-day inspections	\$ 1,120	
Mowing	\$ 5,000	
Demo Structures	\$ 20,600	
Senior Center-ALL	\$ 55,022	
Vehicles & Computers	\$ 74,573	
Sales Tax Audits	\$ 1,100	
Everbridge Notifications	\$ 6,000	
Consult A Doc	\$ 2,208	
Total	\$ 309,501	
Total After Cuts	\$ (311,439)	

Major Cuts by Category

- Cutting all professional memberships, training and travel (non-legally/contractually required) results in a \$28,000 savings. These cuts, particularly in training funds may result in loss of certification unless employees assume training costs.
- Elimination of all vehicle and computer replacements-\$74,573
- Closing of Senior Center- \$55,022
- Stop demolition of substandard structures-\$20,600
- Elimination of Strategic Plan update- \$25,000
- Elimination of AV Equipment for Council- \$16,400
- Software Elimination- \$20,166
- Office Supply/Building Maintenance Elimination- \$26,334

Service Highlights

- Nothing will be printed for meetings (including budget books and packets), no snacks or refreshments will be provided.
- The city will have no opportunity for a train line stop.
- We will have to individually handle the Atmos/Oncor cases.
- Reduced custodial services will result in a less hygienic city buildings
- We will lose the benefits of inexpensive Graduate Student labor for city studies.
- No national resources from professional organization.
- No more legal advice from TML.
- Staff will be more poorly trained.
- Public will no longer have web access to historical documents.
- Public meetings will not be video recorded and re-broadcasted.
- No informational mailings to the public.
- No ability to track and recover potentially lost sales tax revenue.
- Maintenance costs will go up without vehicle replacement.

SCENARIO C

Scenario C once again uses the effective tax rate and no use of general fund reserves. In this scenario however, fire, police, library, and personnel could be reduced. While this scenario is possible, it would result in heavy cuts to service.

Scenario C

0008

Necessary Cuts for Revenues to Equal Expenditures with Effective Tax Rate

GF Revenue with Effective Tax Rate	\$	6,059,292
Current GF Expenditures:	\$	6,680,232
Difference:	\$	(620,940)

Cuts	Total	Department Total	
Cleaning Supplies	\$ 450	CM	\$ 6,100
Printed Supplies	\$ 2,740	Mayor	\$ 65,941
Office Supplies	\$ 5,301	City Secretary	\$ 21,846
Postage	\$ 700	Court	\$ 25,710
Coffee	\$ 500	HR	\$ 13,185
Meeting Refreshments/Supplies	\$ 2,535	Finance	\$ 34,504
Building Cleaning	\$ 22,496	Comm Dev	\$ 25,471
Building Other Maintenance	\$ 4,913	Senior Center	\$ 8,058
City Memberships	\$ 3,821	Non Dep	\$ 192,181
Professional Memberships	\$ 8,559	Police	\$ 37,295
Training	\$ 26,924	Fire	\$ 68,486
Travel	\$ 13,051	Library	\$ 49,409
Telephone	\$ 516		
UTA Capstone	\$ 1,000		
IPAD/AV	\$ 16,400		
Strategic Planning	\$ 25,000		
Slate Communications	\$ 5,520		
Trunk or Treat	\$ 700		
Christmas Tree	\$ 1,500		
YAC	\$ 4,000		
CivicPlus	\$ 5,768		
Laserfiche	\$ 3,900		
Employee Care	\$ 600		
Employee Appreciation	\$ 2,100		
KKB	\$ 5,000		
Accounting Software	\$ 1,750		
Sales Tax Analysis Software	\$ 600		
Certificate of Excellence in Financial Reporting	\$ 435		
Asset Management Software	\$ 2,098		
One-day inspections	\$ 1,120		
Mowing	\$ 5,000		
Demo Structures	\$ 15,400		
Printer	\$ 2,583		
Vehicles & Computers	\$ 42,728		
Everbridge Notifications	\$ 6,000		
Consult A Doc	\$ 2,208		
No Pay Raise	\$ 75,000		
Elimination of Storyteller	\$ 800		
No Fire Personal Day	\$ 6,725		
Office Furniture	\$ 8,400		
Animal Control	\$ 15,000		
Eliminate Court Clerk	\$ 22,370		
Eliminate Library Clerk	\$ 39,132		
Eliminate Part time AP	\$ 24,445		
Eliminate Fire Admin	\$ 46,153		
Net effect of Eliminating Ambulance Purchase	\$ 141,245		
Total Cuts	\$ 623,186		
Target	\$ 2,246		

Additional Highlights (in addition to cuts mentioned in scenario one)

- The city would delay the purchase of an ambulance and no longer train fire personnel as paramedics
- City employees would not receive any adjustment in compensation
- Four positions would be eliminated
 - The fire department would be less able to apply for and manage grants
 - City Hall offices would be closed more frequently
 - The library would close more frequently
 - Less time would be spent actively managing the city's finances

SCENARIO D

Scenario D shows the cuts necessary to avoid a drawdown of reserves while leaving the tax rate unchanged (removing the proposed 2 cent increase and maintaining at .7675).

Scenario D

Necessary Cuts for Revenues to Equal Expenditures with Current Tax Rate (.767)

Revenue	\$6,304,462
Expenditures	\$6,680,232
Difference	-\$375,770

Cuts	Total	Department Total	
Meeting Refreshments/Supplies	\$ 2,535	CM	\$ 4,050
Uniforms		Mayor	\$ 61,520
Building Cleaning	\$ 200	Secretary	\$ 9,668
General Supplies		Court	\$ 200
City Memberships	\$ 100	HR	\$ 2,100
Professional Memberships	\$ 2,150	Finance	\$ 2,338
Training	\$ 16,700	Comm Dev	\$ 15,520
Travel	\$ 6,500	Senior Center	\$ 2,583
Telephone	\$ 240	Non Dep	\$ 141,650
UTA Capstone	\$ 1,000	Police	\$ 23,400
IPAD/AV	\$ 16,400	Fire	\$ 14,900
Strategic Planning	\$ 25,000	Library	\$ 6,615
Slate Communications	\$ 5,520		
Trunk or Treat	\$ 700		
Christmas Tree	\$ 1,500		
YAC	\$ 4,000		
CivicPlus	\$ 5,768		
Laserfiche	\$ 3,900		
Employee Appreciation	\$ 2,100		
Asset Management Software	\$ 2,098		
Demo Structures	\$ 15,400		
Printer	\$ 2,583		
Computers/Server	\$ 31,650		
No Pay Raise	\$ 75,000		
Elimination of Storyteller	\$ 800		
Vehicle Maintenance	\$ 5,000		
Equipment Warranty	\$ 8,700		
Animal Control	\$ 5,000		
Reconfigure Library Staff	\$ 5,000		
Eliminate Ambulance Purchase	\$ 130,000		
Total	\$ 375,544		
Target	\$ (226)		

Further Comments

- Community outreach events such as the YAC and Trunk or Treat would be eliminated
- Reduction in the elimination of substandard structures in the city
- Staff would not receive a pay adjustment
- The city would delay the purchase of an ambulance and no longer train fire personnel as paramedics

Responses to Council Inquiries

1. What can EDC funds be used for?

After consultation with legal, the key to any use of funds is to “create or retain primary jobs.” For instance, in order for funds to be spent for a public safety facility, you need to be able to point to a specific service the police/fire facility is not able to provide that would support a specific business or sector in town. For instance, active shooter equipment is not keeping H2O from expanding its facilities. If DOW Chemical wanted a facility in town, and the Fire Department did not have specific chemical firefighting equipment, then we could spend EDC funds on that project. None of the items in the current Fire and Police budgets fit this description.

You can only use EDC funds to maintain a park facility which was purchased using EDC funds. For instance, if we used EDC funds to purchase Town Center Plaza, we could use EDC funds for the mowing contract. However, we could not use EDC funds for the splash pad (assuming it was not purchased via the EDC). All expenditures would require EDC board approval.

2. What would the effect be on limiting pay raises to employees with over 1 or 2 years of experience?

As proposed, the 2% increase to all employees will cost all funds approximately \$95,000. Limiting it to employees with over 1 year experience would save \$22,600 total (\$19,000 from the General Fund). Limiting the raise to employees with over 2 years' experience would save \$33,800 total (\$26,000 from the General Fund).

3. Can we use contractors to save ongoing costs?

This is a strategy the City can continue to pursue moving forward where it makes fiscal sense and would result in savings. Contracting can be unpredictable and adds variance to a budget, as demonstrated by the change in the mowing contract.

4. What happens if we remove the Bond Issue?

Needed capital projects in Stormwater, Water, and Sewer would go unfunded. When a project is debt financed, future residents (who would have the benefit of the project) pay for the benefits. Without the current proposed issue, it would be difficult to meet our contractual obligations in the Village Creek area. In order to pursue a contract with Arlington for Water & Sewer service, we would need the Arlington Interconnect which would then need to be cash funded. This could greatly increase the water and sewer rates for the coming year. Any delays in a CO issue would delay the savings that could be achieved with an Arlington contract. The debt would not be issued until the projects are further along in the planning process, but we would have the debt service funding planning in place if that were to occur.

5. Street Fund: Why is there a \$50,000 purchase for Link Street?

There is not. The \$50,000 is for general asphalt and concrete street maintenance. The Link Street item is from a prior year, where any current year expenditures were removed.

6. Can Animal Control be contracted out?

We currently contract out with the City of Fort Worth for animal shelter services. This is the majority of the line item for Animal Control in the Police Budget. Contracting out for an animal control officer costs the city approximately \$30/hr, more than a full time employee would cost. The city is currently recruiting to fill the vacant animal control officer position as a cost savings measure.

7. Please expand on the Transfer Out-Capital Replacement Fund?

When possible, we try to direct all General Fund and Street Fund Capital spending to the Capital Replacement Fund. This allows the City to track the vehicle and computer replacement schedules in one location. After determining the actual use by the Street Fund and General Fund in a given year, an appropriate transfer is made to the Capital Replacement Fund to cover these costs.

8. What is Sixty & Better Inc?

This is the company which runs programs and services for the Senior Citizen Center.

9. Why the increase in the Town Center Park Maint line item?

This is in reference to the new mowing contract. When relying on contracted services, costs can often take large swings.

10. How does the Code Enforcement Services line item work?

In order to pursue the demolition of any substandard housing, we must budget for the full cost of completion for the project. Oftentimes, we are able to secure improvements to the property without spending the full cost of demolition. However, we would not be able to secure these improvements without the budgeted funds for demolition.

11. Why is the Municipal Court spending \$8,291 for cleaning?

This line item is not for cleaning, it covers court software and record keeping.

12. What can we cut from the City Manager's Budget?

Most of the items in the City Manager's budget have been contractually obligated, leaving little room for discretionary cuts. We have listed possible cuts in the above scenarios. The current Deputy City Secretary is also budgeted within the City Manager budget, so line items such as overtime, retirement, salaries, etc. would be in reference to both positions.

13. Why is the General Fund paying out a 380 (property tax reimbursement) agreement?

Pursuant to the 380 agreement, the city's General Fund pays the required \$25,000 property tax rebate, but is then reimbursed through a fund transfer by the EDC. This practice creates a clearer paper trail of the transaction to rebate property tax collected by the city.

14. Why is there a transfer from the Stormwater Fund to the Street Fund for administrative expense? The General Fund already transfers money to the Water and Sewer Fund for administrative expenses.

The General Fund and Water and Sewer Funds are completely separate from the Street Fund and Stormwater Funds. Currently, Larry Hoover manages both the Street Fund and the Stormwater Fund. However, the Street Fund pays 100% of his salary. This creates a scenario where the Street Fund is subsidizing the Stormwater fund. This transfer is to remove that subsidy.

15. Why are 2017 debt service figures not listed in the beginning of the budget?

The budget reflects the coming year's expenditures; including 2017 debt service would be confusing.

16. Is the TIF a part of the EDC?

The TIF is a separate entity from the EDC. Transfers to the TIF make no difference to the EDC being self-sufficient. In addition, Roadway Impact Fees can only be used on specific projects as designated in the Roadway Impact Fee study by engineers and demographers. TIF projects are one of the few listed in this study.

17. Can we cut the City Secretary's advertising budget?

The city is legally obligated to post meeting notices in the local paper, this item cannot be cut.

18. How does the Park Donation Fund work?

This is a uniquely presented fund in the City's budget. Instead of showing revenue and expenditures, we show liability accounts. The city only expends funds from this account when it receives donations. Speculating to the degree of donations in a given year, or relying on donations for specific projects would be highly inaccurate unless the City hired staff to actively pursue donors.

19. Why did the legal expense jump in the proposed budget?

In the past year, legal consultation and services have been used to a greater degree than in previous years. This is expected to continue.

Net Effect of Individual Council Proposed Rates and Budget Changes

Sandra Lee

Councilmember Lee asked for a scenario where the tax rate was reduced 2 cents to .7475, along with a handful of specific budgetary changes. The net effect would be a drawdown of general fund reserves to the sum of \$468,771 or \$242,931 more than the proposed City Manager's budget.

Rockie Gilley

Councilmember Gilley asked for a scenario where the tax rate was reduced to .75 along with specific budgetary changes. While all changes could not be made (see above responses), the net effect of the proposed changes result in a drawdown of general fund reserves to the sum of \$375,703 or \$149,863 more than the proposed City Manager's budget.

Jan Joplin

In addition to the prior mentioned requests, councilmember Joplin sent in specific budgetary changes. With the effective tax rate and her suggested changes, the net effect would be a drawdown of general fund reserves to the sum of \$527,082 or \$301,243 more than the proposed City Manager's budget.

The above options could result in a negative fund balance for the General Fund in 2-3 years, at least 1-2 year earlier than the City Manager's 5-year projections.