

Memo

To: Roseville Finance Commission
From: Patrick Trudgeon, City Manager
Date: February 11, 2020
Re: Item #5: Receive City Communications Fund Update

Background

As part of the final approval of the 2020 City Budget, the City Council cut \$45,000 from the Communications Division Budget due to concern about the declining fund balance of the Communications Fund.

All communication-related expenditures are currently funded from the Communications Fund. Cable Franchise Fees paid to the City by cable tv providers in Roseville are the sole funding source for the Communications Fund. From 2014 to 2019, the amount collected in franchise fees have declined by about 19% as more people have “cut the cord”. In addition, over the past couple of years ex,penditures for communications have risen.

The table below shows a summary of expenditures in the Communications Division since 2014.

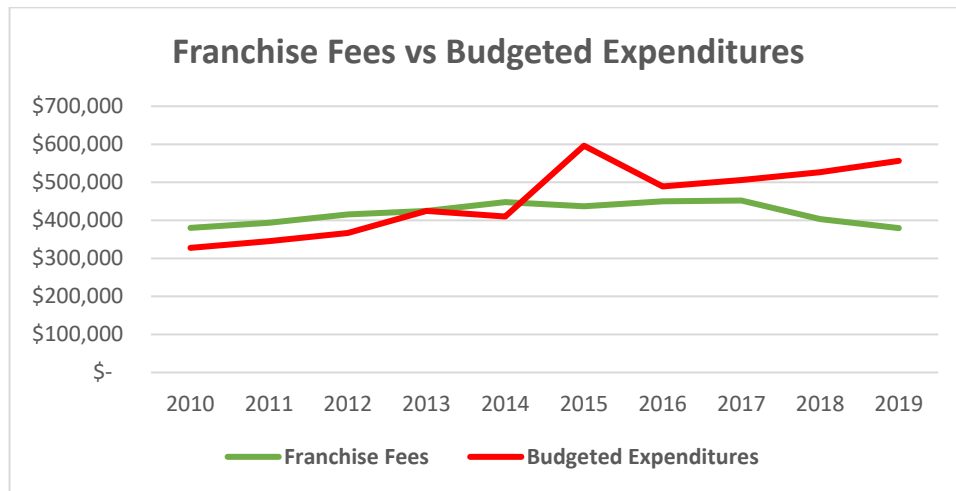
	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Budgeted	2020 CM Budget
Personnel Services	\$229,178	\$220,992	\$234,895	\$235,477	\$241,604	\$290,390	\$234,260
Supplies & Materials	\$ 1,283	\$ 1,706	\$ 4,937	1,789	6,904	2,000	2,000
Other Services & Charges	\$222,621	\$230,721	\$241,934	224,955	244,623	242,000	247,050
Capital Outlay	\$ 1,052	\$152,664	\$ -	-	-	22,000	20,000
	\$454,134	\$606,083	\$481,766	\$462,221	\$493,131	\$556,390	\$503,310

Since the reorganization of the communications functions in 2014, personnel costs have been about 51-53% of total communications budget. My proposed 2020 budget had the personnel costs being 47% of the total communications budget. This drop was due to removing the portion of the salaries of the Assistant City Manager and Deputy City Clerk position from the Communications Fund to the general levy.

The other large line item in the Communications budget is the category “Other Services and Charges”. This category includes payments to CTV for cable franchise management as well as city meeting producing, website hosting, and the community survey during even-numbered years. The City Manager’s originally proposed 2020 budget had allocated \$247,050 towards “Other Services and Charges”. Within that category, the largest expenditure is payment to CTV for cable franchise management and public access operations. Over the years, this amount has been between 20 and 24% of the total communications budget, or approximately \$100,000 annually.

This growth in the Communications Division budget has been to fund new communication needs of the city. While the increased use of the balance of the Communications Fund for communication-related city operations has reduced the need for general tax levy support for new operations, there has been a greater strain on the fund balance of the Communications Fund in recent years. As part of my 2020 budget message, as already mentioned, I proposed shifting some of the personnel costs in the Communications Division to the property tax levy. In addition, I proposed to fund future capital needs for communications to the General Facilities Fund. These recommendations were implemented by the City Council as part of its approval of the 2020 budget.

As the information below demonstrates, for many years, the City had sufficient revenue from franchise fees to fully fund the City’s communications function. Starting in 2015 after the reorganization of the City’s communication functions, expenditures for the Communications Division have exceeded the franchise fee revenues and the deficit was covered by utilizing the fund balance of the Communications Fund.



	2010	2011	2012	2013	2014
Franchise Fees	\$ 380,108	\$ 393,657	\$ 415,385	\$ 424,827	\$ 448,088
Budgeted Expenditure	\$ 327,650	\$ 345,480	\$ 366,735	\$ 424,698	\$ 410,195
Net Income	\$ 52,458	\$ 48,177	\$ 48,650	\$ 129	\$ 37,893
Year End Fund Balance	\$ 455,249	\$ 521,444	\$ 591,108	\$ 584,645	\$ 633,732

	2015	2016	2017	2018	Projected 2019
Franchise Fees	\$ 436,851	\$ 449,920	\$ 452,123	\$ 403,224	\$ 379,561
Budgeted Expenditure	\$ 596,325	\$ 489,275	\$ 506,075	\$ 526,570	\$ 556,390
Net Income	\$ (159,474)	\$ (39,355)	\$ (53,952)	\$ (123,346)	\$ (176,829)
Year End Fund Balance	\$ 469,353	\$ 436,616	\$ 431,608	\$ 345,056	\$ 168,227

It should be noted that the spike in expenditures in 2015 was the purchase of new capital equipment (new cameras, projector, and video system for the council chambers).

At its January 6, 2020 meeting, the City Council adopted a budget amendment to shift \$20,000 earmarked for potential 2020 capital equipment replacement from the Communications Division operating budget to the General Facilities Capital Fund. Where the remaining \$25,000 cut from the 2020 Communications Division budget will be implemented is still in the process of being determined while the City Council and staff are discussing options for future communications operations.

Staff will keep the Finance Commission informed as decisions are made regarding communication functions and the Communication Fund.