ROSEVILLE

REQUEST FOR COUNCIL ACTION

Date: 3/23/2009
Item No.: 13.b

Department Approval | Acting City Manager Approval

Item Description: Discuss 2009 Budget Adjustment

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.

<u>Cash Reserves</u>

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.

<u>Temporary or Short-Term Budget Cuts</u>

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.

<u>Structural or Long-Term Budget Cuts</u>
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.

<u>Potential 2009 Budget Cuts</u>
In recogniton 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

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.