

Budget Comments for City Staff

Commissioner Wynn Butler 22 July 2020

General: The budget discussion process has resulted in a determination to publish the 2021 budget with a proposed flat mill levy. Based upon data provided to the commission the Mill Levy would be set at 49.797. The rate is a decrease of 0.001 from the 2020 rate of 49.798. The actual budget amount is \$166,676,587 and increase of \$3,090,715 over the 2020 budget of \$163,585,672. The increase is the result of collected/accumulated sales tax for the Quality of Life Parks and Recreation Fund (\$3,100,000) and valuation increase (\$513,244). \$218,836 of the valuation increase was used to fund RCPD. Remaining amount of \$294,408 was allocated to the general fund. 30 specific funds with various funding sources (mill levy does not support all funds) are part of the 2021 budget. Funds supported by various sales taxes may not achieve projected revenue projections for 2021. Funding amounts for 7 of the funds were increased, 12 were decreased and 11 remained flat from budget year 2020.

Budget Situation 2021: Achieving a flat mill levy for 2021 appears to be a simple process. Simply keep expenditures in line with revenue receipts. The problem is that the only revenue receipts that can be accurately predicted in the current economic environment is the property tax or mill levy component and the enterprise funds. The property tax portion of the city budget is forecasted to be approximately \$31,170,118. Enterprise funds (water, Sewer, Storm Water) are forecasted to be \$39,468,335. The only risk in the revenue projections is possible increase in default on tax payments and weather impact on the water funds. The remaining \$96,138,134 of the city budget is based on sales tax receipts and funding from the state. The city only has 5 to 6 months of data to project revenue receipts for 2021. Due to the current health crisis use of past years numbers to predict economic activity may be totally inaccurate. Essentially 96 million dollars of the budget is based on a best guess estimate.

Budget Reduction Philosophy: Budget reductions should be based on a priority list. Waste, excess, or needless activity should be eliminated across the board in all departments as identified by specific department heads. Assignment of arbitrary percentage budget cuts for all departments is the easy solution to a budget dilemma as it shields leadership from deliberate and tough choices. Priorities must be established. For the City of Manhattan funding priorities must be centered on core city functions. The top three areas for funding priority are: RCPD, MFD, Public Works. The last priority are outside agencies. Briefing by staff all include cases where positions are removed, normally at the bottom of the pay pyramid. Elimination of positions or reduction of salary of senior staff should be considered before removing key hourly workers.

Initial Budget Cuts: The budget cycle was initiated with an intergovernmental determination between the Law Board, County Commission and City Commission to eliminate inclusion of pay raises and COLA adjustment for all employees. This sacrifice was necessary due to the government economic shut down. The elimination of step increases, pay raises and COLA for 2021 was designed to save jobs. The intent was to retain all current employees and eliminate adding new positions (new being those not already authorized or approved). Even with the major personnel cost reductions city staff anticipated the need to reduce the budget by 2.7 million by cuts in services and transfers from existing cash balances in the General Fund.

Transfer of Cash Balances from other funds: City administrations recommends taking \$1,228,796 from the Economic Development Fund and Water/Wastewater/Stormwater funds. \$465,949 from the Water fund, \$89,023 from Wastewater and \$176,737 from Stormwater. The enterprise funds should not be used as a hidden tax or a slush fund to subsidize other operations. Those funds are the easy go to source and have been continually abused in the past. This practice needs to cease. Citizens are paying for water service and the enterprise funds should be operated as a business entity. Increases to water rates has been sold to the customers as a requirement to fund plant upgrades, sewer improvements and to fund storm water CIP projects. Transfer of the recommended \$497,085 from the Eco Devo Fund is appropriate. The fund balances between the three Eco Devo Accounts are sufficient to cover the full 1.288 million if necessary. Total combined fund availability is projected to be 4 million dollars in 2025. Use of 1.2 million this year will reduce that availability and produce shortfalls in annual payment obligations after 2025. Use of the funds is based upon the intent to include a replacement city wide Eco Devo Tax on the November 2020 ballot. The effective date of that tax would be 2023 and it would alleviate budget shortfalls. Without the tax approximately 4 million in Eco Devo obligations will need to be funded by property tax dollars in the 2025-2030-timeframe.

27th Pay Period: In 2021 a 27th pay period or extra pay period will result in a \$680,000 increase in city payroll cost. The cost can be eliminated by establishing a Furlough plan for all city employees. A furlough plan ensures that jobs are retained, and it is in line with what has been the experience of most of the city's population.

Department Targeted Reductions:

MFD is one of the top three city priorities. They participated in the pay freeze and any furlough requirements generated by the 27th pay period. No further reductions should be made to the MFD budget. All positions should be retained, and vacant positions filled.

Legal department is understaffed and produces a revenue stream through municipal court. All positions should be retained. The vacant assistant city attorney positions were already cut from the budget and the 2021 budget request is slightly lower than 2020 (\$801).

Public Works is one of the top three city priorities. Over the past year we have focused on establishment of a road maintenance plan, passed a sales tax to assist in road maintenance and embarked on several street upgrades. Any fund reductions in public works will stifle gains made over the past few years. No reductions in public works should be imposed. Possible savings could be achieved by the department in adjustment of the snow removal plan in terms of hours, weekends and use of plows in low snow events. Any savings in snow and ice operations would need to be provided by Public Works.

City Managers Office: A 10% reduction as presented on 21 July is appropriate. Total amount would be \$99,308. \$50,500 of that amount is in travel expenses – it includes \$12,500 for City Commissioner travel. The city has upgraded telecommunications capability and future trends indicated that travel can be replaced by online conferencing.

Community Development: A 10% cut as presented on 21 July is appropriate. Elimination of the full-time planner positions, paid interns and some professional services provides a \$70,060 reduction.

Airport: The Airport has significantly reduced operations and has received major budget assistance from federal government programs. A 5% reduction is appropriate at \$76,012. A 10% reduction would include removal of a custodian position, which is not advisable.

Parks & Recreation: The issue of quality of life is a major consideration in economic growth. While parks and recreation have a large budget, it should not be the primary target for budget cuts. The citizens supported sales tax initiatives to provide upgraded facilities (pools and the three new recreation centers). The expectation is that those facilities will be fully operational. Economic Development initiatives also hinge to a large degree on quality of life issues. Major reductions in Parks and Recreation will be detrimental to Eco Devo efforts. **Aquatics:** The City pools must be kept open for the full season for 2021. Some adjustments to fee schedules should be made in terms of cost of admission and pool passes. The wave pool should be permanently closed saving maintenance cost and the need to keep two staff members in that area. Hours should not be reduced. Make approximately \$60,000 in aquatic reductions. **Recreation:** The minimum reductions in Arts and Sports is recommended (\$76,500 and \$25,500). Eliminating two recreation coordinator positions and moving them to the new recreation centers is a wise move saving \$84,000 for the current year and it will have positive impact on future budgets. A total savings of \$182,00. **City Parks:** Reductions proposed are detrimental to long term maintenance. Eliminating lighting, removing trash containers, and closing restrooms will ultimately lead to deterioration of our facilities. Not repairing mowers and removing playground equipment is not a good idea. Implement the energy conservation plan to save \$20,000. Examine mowing practice to reduce mower use and maybe eliminate mowing in some areas allowing a natural state of vegetation. **FHDC:** The Discovery Center is the least liked of all the Parks Facilities. It might be considered for repurpose except for the STAR Bond issue. The FHDC Foundation is making improvements and they deserve our support. But in terms of priority the FHDC is at the bottom of the Parks and Rec List. The July 21 briefing recommended a maximum reduction of \$112,000. All of those reductions should be implemented to include the elimination of the cost for traveling exhibits. **Animal Shelter:** Reducing weekend and evening calls to emergency only will save \$3,150. Retain the Animal Technician position. Consider outsourcing Pet Licensing to increase number of licensed pets and reduce customer service cost at city hall. **Sunset Zoo:** Keep the one zookeeper position open/unfilled saving - \$42,547. Do not implement any of the other proposed reductions. Elimination of janitorial positions will degrade the quality of facilities. Total reductions to Parks and Recreation \$201,897 approximately 2% of budget.

Finance and HR: The briefing on 21 July did not include any specific cuts to the budget. Two positions are vacant in the Finance office and should be filled. The three new positions should not be authorized.

City Library: The city library is requesting the same budget as previous years. \$2,798,500 from the General Fund and \$701,350 from the Employee Benefit Fund. I am not sure if the furlough option for the 27th pay period is calculated in the budget figures. The Library should be part of the furlough plan for the 27th pay period. The Library is mill levy supported. Total cost of \$3,499,850. The library should step up and reduce their budget by at least 5% or approximately \$175,000, If the library board does not agree the commission should consider amending the Charter Ordinance and reducing the total mill levy for the library to 5 mills and include the EBF in that amount.

Outside Agencies Mill Levy Impact: The Social Services Advisor Board requested \$496,865 in funding. The amount is all property tax or general fund dollars. Outside agencies should not take priority over core city departments. SSAB should reduce funding for 6 of the 12 agencies – those that are labeled

critical. Keep full funding for the emergency labeled agencies. Three of the six critical agencies Big Brothers & Big Sisters, Boys & Girls Club and Thrive also received funding from the Special Alcohol Advisory Board. The Critical agencies budget number is \$161,797. The SSAB should implement 5% targeted reduction to that amount or \$8,089.

Recommendation for General Fund Mill Levy Supported Reductions:

Furlough 27th Pay Period	\$680,000	
City Manager Office	\$99,308	
Community Development	\$70,060	
Airport	\$76,012	
Parks and Rec	\$201,897	
Library	\$17,500	
SSAB	\$8,089	
Transfer Eco Devo	\$497,084	\$1,547,134
Total	\$1,649,951	
Target Reduction Amount	\$2,700,00	
Deficit	\$1,050,049	
Increase Eco Devo Trf to	\$1,547,134	\$1,547,000

If the SSAB and Library reductions are not included, then the Eco Devo Transfer must be increased to \$1,572,723. Eco Devo Combined Fund Availability 2020 - \$6,492,376; 2022 - \$4,727,835; 2025 \$4,075,079. The Eco Devo fund has the resiliency to sustain the transfer of funds. Long Term plan should include replacement sales tax for Eco Devo.

Transient Guest Tax and CVB: The projected TGT revenues are \$1,382,792. Funding should be allocated to DMI \$78,000, ABA \$60,000, CVB Contact \$924,708, \$90,000 Conference Center Expansion, \$93,334 Existing Conference Center and \$73,660 to Annenberg project. Wolf House and MAC should not be funded through TGT or any other fund for 2021. The Eco Devo Fund will need to provide an additional \$151,090 to cover the shortfall in Annenberg cost.

Economic Development: The three Economic Development Funds will be depleted for budget year 2021. \$1,572,723 will be needed for the general fund and \$151,090 for TGT shortfall. A total of \$1,723,813 additional commitments from the fund are necessary. This will reduce the amount of projected fund available in 2022 from \$4,075,079 to \$3,000,000.