



**CITY OF PUNTA GORDA
OFFICE OF THE CITY MANAGER
INTEROFFICE MEMORANDUM**

To: City Councilmembers
From: Howard Kunik, City Manager
Date: March 6, 2008
Subject: FY 2010 Budget Alternatives

Issue: Alternatives to eliminate projected gaps between revenues and expenditures in the FY 2010 budget.

Recommendation: That City Council consider the alternatives delineated below as strategies to balance the FY 2010 budget.

Discussion: The Long Range Financial Plan was presented to City Council on January 7, 2009 for the following funds – General, Water & Sewer, Community Redevelopment Area, Sanitation, Canal Maintenance, Building, Laishley Park and Gas Tax. The Plan highlighted revenue and expenditure trends per fund based on specific assumptions and recommended strategies to minimize budgetary gaps, tax and fee increases. Four funds were forecasted to experience significant deficits - General, Water & Sewer, and Punta Gorda Isles(PGI)/Burnt Store Isles(BSI) Canal Maintenance Funds.

Over the past six weeks, departments were requested to prepare strategies that result in FY 2010 projected expenditures at a level 90% of the FY 2009 budget, and identify service level impacts, if any, associated with those strategies. After review of department scenarios, the strategies delineated below provide alternatives that address the budget deficits referenced in the Long Range Financial Plan.

FY 2010 Projected Budget Gaps

	General Fund		
	Scenario 1	Scenario 2	Scenario 3
Revenues	\$18,496,087	\$18,274,087	\$18,066,087
Expenditures	20,175,454	20,175,454	20,175,454
Gap	\$ (1,679,367)	\$ (1,901,367)	\$ (2,109,367)

The above revenue and expenditure forecasts have been updated to reflect trends through January 2009. Projected revenues are based on three scenarios – Scenario 1 assumes ad valorem tax revenues will be the same in FY 2010 as the previous year. Scenario 2 assumes that non-homestead taxable values will decline 10%, while homestead taxable values will increase 0.1% (rate of inflation); thereby reducing property tax revenues \$222,000. Scenario 3 assumes a 15% decline in non-homestead tax values, thereby resulting in reduced property taxes in the amount of \$430,000. City Council has the option to adopt a “roll forward” tax rate to bring in the same revenues. While the tax rate is higher than the previous year, State of Florida Truth in Millage Act (TRIM) legislation stipulates that a roll forward rate does not mean the community is adopting a tax increase.

	Water & Sewer Fund
Revenues	\$13,154,103
Expenditures	15,593,308
Gap	\$ (2,439,205)

The projected revenues are based on the same rate structure (recently adjusted in August 2008), reduced impact fee collections, stagnant growth and continuation of once per week watering restrictions.

	Canal Maintenance Funds	
	PGI	BSI
Revenues	\$2,084,160	\$ 413,032
Expenditures	2,417,414	476,337
Gap	\$ (333,254)	\$ (63,305)

The projected revenues are based on no increases in assessments, currently set at \$400 for each single family lot and no use of reserves.

Administrative Restructuring

Business principles call for evaluation of an organization’s administrative structure in an effort to flatten hierarchy, readjust span of control, realize savings and maintain efficiency and communication. As suggested in the 2008 Business Plan, we took a macro view of all levels of positions during preparation of the FY 2009 Budget and implemented a myriad of changes, which are highlighted below.

- Facilities Maintenance was transferred into Public Works.
- Fleet is no longer an internal service fund and moved from Public Works into Utilities to work in existing bays at the Wastewater Treatment Plant. Additional fleet work was contracted out.
- 17.5 positions were eliminated based on new-restructured job responsibilities and/or results of early retirement/lay-off.

FY 2010 budget alternatives call for further reductions in positions and organizational restructuring. The restructuring recommendations are highlighted below.

- Human Resources is changed from a separate department into a division of the City Manager’s Office. This reduces the number of departments from 7 to 6, excluding City Clerk and City Attorney.
- Facilities Maintenance and Parks & Grounds are merged into a single division within Public Works, thereby resulting in the elimination of one supervisory position.
- Structural fire inspections are merged into Building, thereby resulting into the elimination of one inspector position.

One of the key human resources related outcome measures in the Business Plan is the ratio of full time employees to City population. The chart below updates this ratio based on recommendations below (not including service level reductions). Projected cost savings are incorporated in the department analyses. Positions being recommended for elimination that are not through attrition will result in a layoff scenario, unless the City can slot the affected employee into an unfilled position elsewhere in the organization.

Fiscal Year	Population	Employees	Ratio Employees/Population
<i>2010</i>	<i>19,900*</i>	<i>276</i>	<i>1.4</i>
2009	18,400	291	1.6
2008	18,200	308	1.7
2007	18,123	313	1.7
2006	16,593	313	1.9
2005	16,255	305	1.9
2004	17,168	290	1.7
2003	16,591	288	1.7
2002	16,120	283	1.8
2001	15,236	283	1.9
2000	14,344	286	2.0
1999	13,646	277	2.0

*Population estimate as delineated in Comprehensive Plan. May be optimistic.

General Fund Department Reduction Alternatives

City Council

No changes recommended. Salaries are established by ordinance as incorporated in each year's budget for the Council.

City Clerk \$11,800

A reduction in various operating line items in the amount of \$5,000 is offered.

An additional option is to reduce the work schedule of an Administrative Assistant position by 20%, resulting in a savings of \$6,800. The impact to the public should be minimal but may reduce the ability to assist other departments in coverage.

City Manager/Legal/Human Resources \$57,500

The proposal calls for changing the Human Resources function from a department to a division of the City Manager's Office. The HR Director will become a Manager.

The major assumption used to develop savings is that the City will be doing minimal recruiting and hiring due to the area's economic climate. Operating expenditures will be reduced by \$20,000 in Human Resources and \$7,500 in the CM/Legal area. Costs associated with non-core activities to include memberships, publications and training are also reduced. A reduction in City Attorney attendance at various meetings will also result in a projected savings of \$5,000 (see attached revisions to City Attorney scope of services).

In order to meet the requested guideline, another option is to reduce the work schedule of the Assistant City Manager position, resulting in a savings of \$25,000. The Assistant City Manager provides services in the following primary areas, some of which will have to be adjusted:

- *Community outreach (Main Street Punta Gorda, Downtown Merchant's Association, Chamber of Commerce, Peace River Housing Trust, TEAM Punta Gorda, other community organizations)*
- *Legislative and intergovernmental services to include analysis, monitoring and communication*
- *Assistance in development and monitoring of Strategic Plan objectives and departmental performance measures, bargaining unit contract negotiations, public information (media, City newsletter, website notification), agenda preparation and guidance to departments, proposal selection process and emergency management*
- *Special projects (self assessment per Baldrige/Sterling criteria, interdepartmental coordination on specific topics, special events, etc.)*

Information Technology (Division of City Manager) \$100,000

This is a difficult area to implement cut backs. One of the impacts of a weakening economy is an increase in dependence on information technology to automate and streamline processes as well as develop creative ways to save time, paper, ink and other costly resources. A financial crisis is reason to continue investment in technology, not decrease service levels. Therefore, the proposal offers a reduction of \$100,000 in various operating line items, of which \$70,000 relates to the general fund and \$23,000 to the water & sewer fund.

Finance \$38,000

Operating expenses in Finance are reduced by \$5,000.

The proposal is to eliminate one Purchasing Agent position (attrition), and addition of software to automate insurance tracking and renewal requirements, thereby resulting in a savings of \$40,000. In addition, the current budget supports 2 full time positions at the Warehouse. The recommendation is to retain one of the positions as part time and use the remaining monies plus \$7,000 to establish part time administrative support for Procurement, which will allow remaining procurement staff to focus and process purchase and contractual responsibilities.

Public Works \$344,000

The proposal calls for a myriad of personnel and operating reductions in the various divisions. The City will experience a somewhat slower response to special project requests and right of way improvements but will make every attempt to maintain its public facilities, parks and grounds in their current state.

- Administration – reduction of \$4,000 in operating expenditures.
- Engineering – reduction of \$69,000 through elimination of one Project Manager position (attrition), and associated operating expenses. Project management services will be performed by a contract employee on an as needed basis and will be funded from the specific project allocation.
- Right of Way – reduction of \$65,000 through elimination of one Maintenance Worker position (attrition) and reductions in various operating line items.
- Parks & Grounds – reduction of \$156,000 through elimination of Supervisor (attrition) and one Maintenance Worker (attrition) and reductions in various operating line items.
- Facilities – reduction of \$50,000 in various operating line items.
- A request for bid has been sent out to determine the cost of out sourcing the right of way mowing program. The cost difference between out sourcing and the savings from elimination of position(s), depreciation and maintenance on mowers and vehicle(s), and fuel costs will be provided as soon as available.

Growth Management

\$93,500

The proposal calls for a number of personnel changes as well as a reduction of \$7,500 in various operating line items.

- Administration – reduction of Administrative Assistant position (attrition) to part time status, resulting in a savings of \$7,000 in FY2010 and the full \$23,000 in FY2011.
- Urban Design – reduction of Manager’s work schedule to 32 hours/week results in a savings of \$21,000.
- Code Compliance – reduction of \$58,000 through elimination of Engineering Tech position due to stagnant economy. Inspections will be handled by building inspectors, dock permits by remaining office staff, and line & grade transferred to Public Works.

Fire

\$97,000

The proposal calls for the elimination of the Fire Inspector position (attrition) and transfer of duties to Building Division personnel resulting in a savings of \$42,000. The Fire Marshall will continue to remain within the Department and handle plans review for fire alarm and sprinkler systems, field inspections for same, conduct all required annual inspections of State permitted facilities (schools, medical offices, day care, congregate living facilities, restaurants, etc.).

A reduction of \$25,000 in various operating line items is also offered. An additional reduction of \$25,000 in overtime plus the related FICA and pension contributions of \$5,000 is recommended due to the success of the recently instituted “move up program”. Staff will monitor experience over the next few months to ascertain if additional reductions in overtime expenses can be realized in FY 2010.

Police

\$122,800

A reduction of \$60,000 in various operating line items is offered.

An E-Citation program involves installation of hardware and software in 32 patrol vehicles and 2 motorcycles enabling officers to scan violators’ drivers licenses and more accurately and efficiently issue warning or citations by using printers in the vehicles. The initial year’s savings (FY 2010) is \$2,000, and future annual savings (beyond FY 2010) are projected at a full \$47,000. The proposal calls for elimination of one Records Clerk position.

A third alternative is to transfer \$60,800 of the costs for the Marine Patrol Program (\$76,000) to the two canal maintenance districts in the following manner – PGI (\$45,600) and BSI (\$15,200) based on level of service. While this alternative provides a savings to the general fund, costs associated with two canal maintenance areas will be borne by

assessment payers in those respective districts. These two districts also bear a preponderance of the City’s property tax burden – PGI (64%) and BSI (13%) and, as such, property owners within these areas may point out their tax payments should cover the costs of marine patrol.

Non Departmental \$285,000

The proposal calls for use of \$250,000 (at this time) in undesignated reserves to assist in closing the projected gap. This amount is over and above the 5% set aside designated in financial management policy.

The proposal also eliminates the \$35,000 set aside for economic development incentives. If such funds are not fully allocated during FY 2009, they can be carried over into FY 2010.

Employee Wage & Benefit Reduction Alternatives – All Funds

Employee Health Insurance \$142,000

Introduction of a lower cost HMO as the base plan, which results in a savings of \$142,000 Citywide, of which \$84,000 relates to the general fund and \$38,000 to the water & sewer fund. The alternate HMO plan calls for an increase in office copay per visit from \$10 to \$15 for primary care physician and from \$10 to \$35 for specialist and GYN. Prescription drugs are increased from the current \$5 (generic) and \$25 (brand) plan to a \$10 (generic), \$25 (brand) and \$60 (non-preferred) plan. Costs for other services are also increased in various categories (see attachment). Health insurance premiums are anticipated to increase 10% for FY 2010. Current monthly rate comparisons as of February 2009 for the HMO plans are as follows:

Category	Current HMO Base Plan	Alternate HMO Base Plan
Employee	\$563.02	\$534.47
Additional for Spouse	\$527.46	\$496.09
Additional for Child	\$477.56	\$449.15
Additional for Family	\$630.58	\$593.06

During FY 2008, the City established the HMO as the base plan, and employees who wish to remain in the PPO Plan pay the differential in premium costs. Currently, 250 out of 281 employees (89%) are enrolled in the HMO Plan.

Dependant Health Insurance \$137,000

A 10% reduction of dependant health care premiums paid by the City from 50% to 40% results in a savings of \$137,000 Citywide, of which \$88,000 relates to the general fund and \$32,000 to the water & sewer fund. The City has shared in the payment of such premiums for over twenty years. Currently, 146 out of 281 employees (52%) have dependent coverage.

Holidays \$71,000

Currently, the City offers 11 holidays, in conjunction with Charlotte County. A reduction of 3 holidays would result in a savings of \$71,000 Citywide, of which \$48,000 relates to the general fund and \$10,000 to the water & sewer fund. Employees could use vacation time to take the day off. Currently, 165 out of 281 employees (59%) accrue 3 weeks or more vacation per year.

Pension \$264,000

Currently, City (non Police & Fire) employees contribute 5% into the General Employees Pension Plan. Police & Fire employees contribute 8% into their respective pension plans. Primarily due to adverse investment returns, the City's contribution to the general employees' pension plan will increase 2.2%, from 15% to 17.2%. City contribution percentage increases will also occur in the police and fire plans by 4.1% and 5.5%, respectively. A 2% increase in the general employee contribution to their pension plan (5% to 7%) to negate the increase in the City's contribution would result in a savings of \$188,000 Citywide, of which \$93,000 relates to the general fund and \$64,000 to the water & sewer fund. A similar 2% increase in the police and fire employee contribution (8% to 10%) would result in a savings of \$42,000 and \$34,000, respectively.

Wage Adjustments \$373,000

The forecasts included in the long range financial plan projected an average wage increase of 3%, effective 1/1/2010, for employees in all categories. Elimination of all wage increases results in a savings of \$373,000 Citywide, of which \$226,000 relates to the general fund and \$99,000 to the water & sewer fund. The City made a concerted effort during FY 2007 & 2008 to bring employee salaries more in line with the average of surrounding jurisdictions. In addition, merit-based wage adjustments up to 3% were granted during FY 2009. Deferral of a wage adjustment for one year should not have an adverse impact on the City's efforts to remain competitive due to overall economic conditions throughout the nation and state. The Police contract ends December 31, 2009. The Fire contract ends December 31, 2010; therefore, the Fire bargaining unit would have to agree to open the contract up for renegotiation prior to its stipulated term.

Wage Reductions \$82,000

In addition to a wage freeze, the City may also consider salary reductions to management, supervisory and professional staff levels. Affecting 29% of the overall workforce, there could be a savings of \$82,000 City-wide and \$63,000 for the general fund. The following table depicts the proposed salary reduction plan:

Staff	Levels	Decrease
3%	\$90,000 and above	3%
7%	\$70,000 to \$89,999	2%
19%	\$50,000 to \$69,999	1%
71%	\$0 to \$49,999	0%

Furlough \$254,000

An alternative to wage reduction is implementation of a one week furlough, without pay, for all employees. This proposal provides a Citywide savings of \$254,000, of which \$153,000 is related to the general fund and \$67,000 to the water & sewer fund.

Assigned Vehicle Reimbursement \$21,000

The City recognizes the merit of an assigned vehicle program but is also cognizant of its operational costs. In these difficult financial times, it may be reasonable to expect employees who are assigned a vehicle to take home and thereby receiving the benefit reimburse the City in some manner. A monthly charge of \$50 for those who reside outside the City limits and \$25 within the City is recommended.

Uniform Cleaning \$41,500

As part of the City's cost saving measures in FY 2009, approximately 90 employees went to a voluntary self-clean uniform process, with no reimbursement from the City. An alternative is to expand this policy to remaining staff. Currently, 36 sworn police personnel receive a \$700 annual cleaning allowance, while 27 fire staff are allocated a \$500 annual cleaning allowance. 19 general employees have continued the contract cleaning program at a cost of \$2,800. The Citywide savings projected from this measure is \$41,500, and the general fund portion is \$39,250.

General Fund Service Level Reductions

There are a number of proposals that, if implemented, will result in direct reductions in levels of service noticeable to the public at large. These options are highlighted for consideration.

- Eliminate televising Council meetings resulting in a savings of \$35,250. This was a strategic plan initiative three years ago and has proven to be an effective communication tool. A more palatable option may be to eliminate the second airing of each meeting, thereby saving \$3,000.
- Eliminate one Administrative Assistant position in the City Clerk's Office and transfer responsibilities among remaining staff. City Council rejected this option one year ago as part of FY 2009 budget deliberation. This option results in a reduction of \$40,000. The impact of this option reduces the ability of the office to timely respond to customer service at the counter and phone; processing public records and public hearing requests; processing local business tax receipts; research requests; and scanning of public records. It also reduces the ability to implement employee sharing as proposed in a few of the alternatives.

- Eliminate firefighter staffing by 3 positions resulting in a savings of \$140,000. The current apparatus minimum staffing is 2 on each of the 3 apparatus with 1 firefighter per shift able to fill in when someone is out for any reason. Currently, there are 8 personnel per shift to cover three fire stations. National Fire Protection Association (NFPA) standards call for staffing of four on-duty personnel per engine or ladder truck. A survey of local departments in the area indicates a majority staffed their apparatus with a minimum of three personnel, although current economic conditions indicate that this level may be difficult to sustain in the future. The primary reason for the staffing of a ladder truck with three personnel is for effective and safe operation of the crew at suppression-related emergency scenes. During 2007, the department's ladder truck was staffed with three personnel 55% of the time. The remaining 45% of the time, the third firefighter filled-in for someone off duty due to a variety of factors (sick, vacation, workers compensation, vacancy). Experience in FY 2008 and 2009 to-date show the ladder truck being staffed with three personnel 66% of the time. This percentage should decline, since the department has implemented the "move up" program.
- Eliminate the School Resource Officer (SRO) Program, which is staffed with 3 sworn officers. Elimination of the program results in a savings of \$172,000. Currently, the Charlotte County School Board provides for 35% of the costs associated with the service. Originating in 2005, the program serves approximately 4,000 students. SROs also deliver Drug Abuse and Resistance Education (DARE) training to fifth grade Sallie Jones students and seventh grade Punta Gorda Middle students reaching 525 students this year alone. The program serves as an invaluable communications tool for youth oriented activities, enhances public safety/youth relations and crime prevention.
- Eliminate implementation of a ½ time Administrative Assistant position in Growth Management and Procurement, in conjunction with the two full time position eliminations previously recommended. With the reduction in recruitment for Human Resources, there may be an opportunity to share work hours with procurement. Staff in Growth Management, City Manager and City Clerk will have to develop a sharing of work schedule arrangement to retain public access to affected departments throughout the work day. This would save the general fund \$52,000. Acceptance of this option would necessitate retention of current staffing in the City Clerk's Office to adequately assist in work sharing. In addition, customer service associated with park rentals will have to be shared among remaining staff.
- Eliminate the annual contribution to United Way in the amount of \$50,000. The annual allocation provides funds for New Operation Cooper Street, CARE and other organizations deemed warranted by United Way. Such educational and human service organizations rely on some public funding to deliver services, especially during an economic downturn. The County and City just completed funding an addition to the Cooper Street facility to serve an expanding population

- Elimination of police department special teams (bike, dive and SWAT) would result in a savings of \$27,000. The impact would be reduced community policing and ability to respond to emergency situations without assistance from outside sources.

Utilities Fund

The proposal calls for numerous personnel and operating reductions within the various divisions. Personnel-related reductions include:

- Administration – reduction of Engineering Tech position (attrition) resulting in a savings of \$54,000.
- Water Treatment – reduction of one Plant Operator position (attrition) and one Maintenance Worker position (attrition) and using a part-time plant operator to maintain minimum staffing. The dual operating licenses held by operators allows the department to move employees between the water and wastewater plants. This proposal results in a savings of \$127,000.
- Wastewater Collection – reduction of overtime by \$10,000.
- Water Distribution – reduction of overtime by \$23,000.
- Fleet – reduction of Chief Mechanic position resulting in a savings of \$67,000. Present level of outsourcing shows a reduced staff may be able to handle existing workload.
- Meter Reading - Outsourcing meter reading activities resulting in a projected savings of \$50,000 based on an informal quote from a potential vendor. This will result in the elimination of three Meter Reader Technician positions, although the employees will be offered employment with the selected vendor as part of the bid process.

Various operating line items were reduced by \$669,000.

The above reductions total \$1,000,000 and should not reduce the ability to respond to calls for service for line breaks, meter replacements, etc.

Utilities Fund Departmental Service Level Reductions

The current plan is to relocate Billing & Collections to the new Public Works/Utilities Complex. Elimination of one Customer Service Rep position could be accomplished if the drive-up window is closed as a service to be offered to the public. The proposal is to close the drive-up window May 1, 2009 and use a staff person to complete scanning of hard records over the next 12 months. When the scanning is completed, a position will be eliminated. Projected savings are \$22,000 in FY 2010 and \$56,000 in FY 2011.

In order to continue to provide some level of public payment accessibility, one alternative is to relocate the Billing & Collections Division into City Hall. The City Clerk's office will collect all walk-in payments, and a drive-by payment box will be installed in the City Hall parking lot.

Punta Gorda Isles (PGI) Canal Maintenance Fund Service Level Reductions

The proposal calls for elimination of one full-time Maintenance Worker (attrition) (\$38,000), use of reserves (increased due to FEMA reimbursement) and a reduction of \$51,000 in seawall stabilization (334 feet). This still leaves \$139,000 in the fund for seawall stabilization. Assuming Council approves a wage freeze and some of the other employee benefit reduction measures, the current canal maintenance fee of \$400 could be held constant over the next two years barring any significant storm events.

Burnt Store Isles (BSI) Canal Maintenance Fund Service Level Reductions

The proposal calls for use of reserves to provide the same level of service and retain the current canal maintenance fee of \$400.

Attachments

- Holiday Schedule
- Employee Wage & Benefit Reduction Options
- City Attorney Reduction Measures
- Self Assessment Follow Up

cc: City Clerk
Department Directors

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Holiday Schedule

Holiday

New Years Day
Martin Luther King Day
President's Day
Memorial Day
Independence Day
Labor Day
Veteran's Day
Thanksgiving Day
Day after Thanksgiving
Christmas

Normal Day Celebrated

January 1st
As designated
As designated
Last Monday in May
July 4th
First Monday in September
November 11th
Fourth Thursday in November
Fourth Friday in November
Two days*

*To be designated in conjunction with Charlotte County