
Citizens Advisory Group

Municipal Cost Structure Committee
January 13, 2009

Draft Report

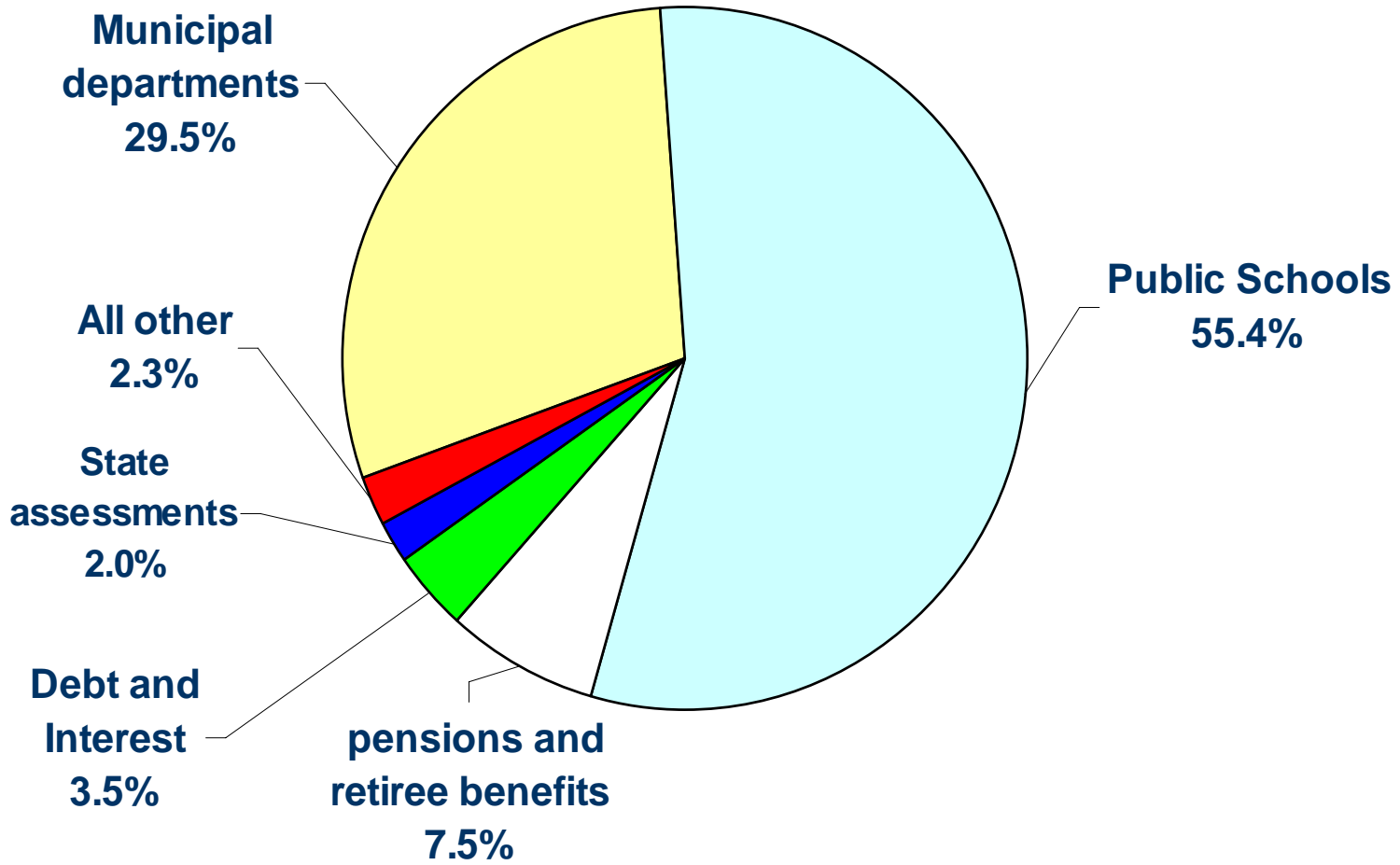
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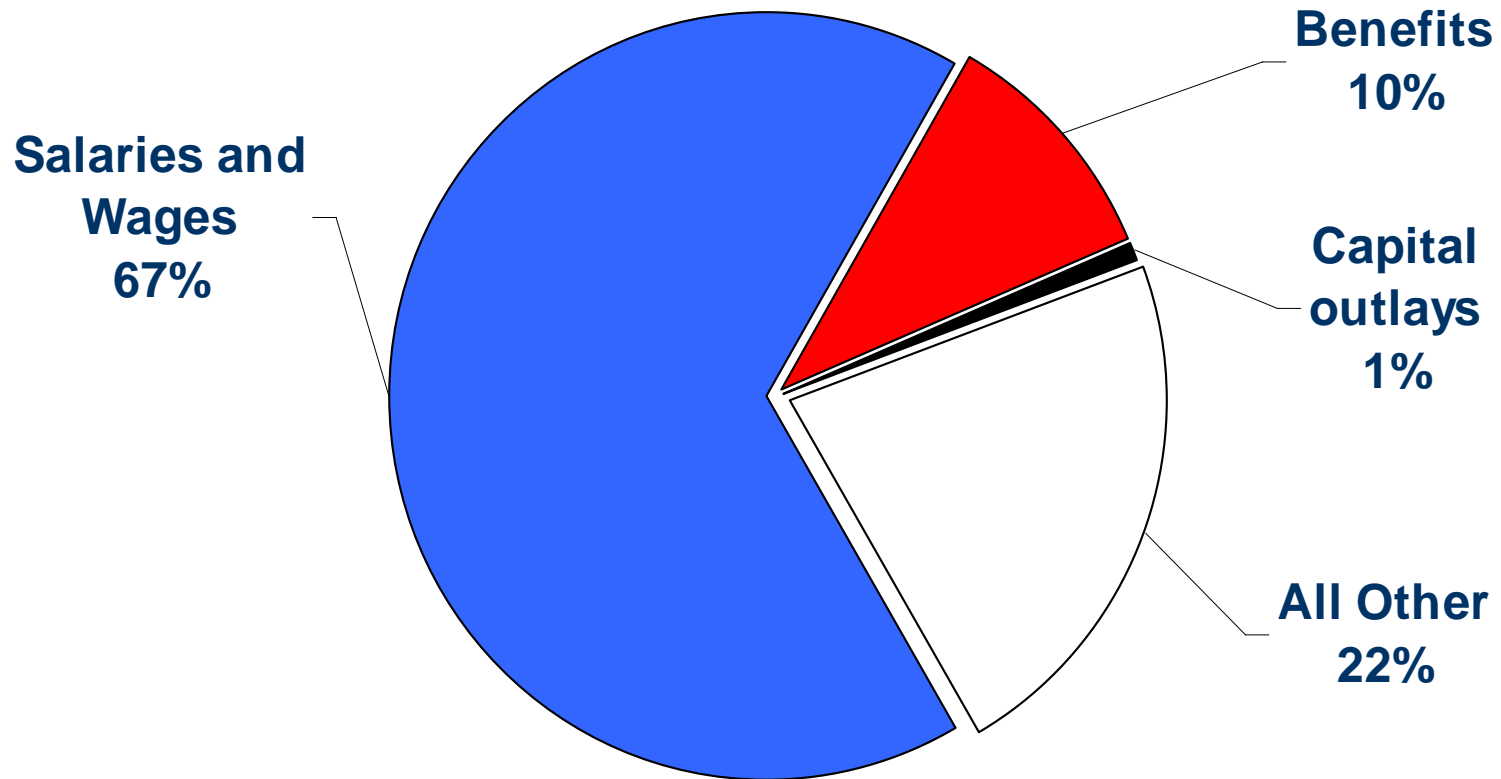
Perspective:

- Municipal department operations represent about **29.5%** of the current \$286 million city budget;
 - Salaries and benefits are about **77%** of municipal department operating costs;
 - Since 2001, municipal department staffing has been reduced about **10%** and the share of the total budget has dropped from almost **33%** (FY01) to **29.5%** currently.
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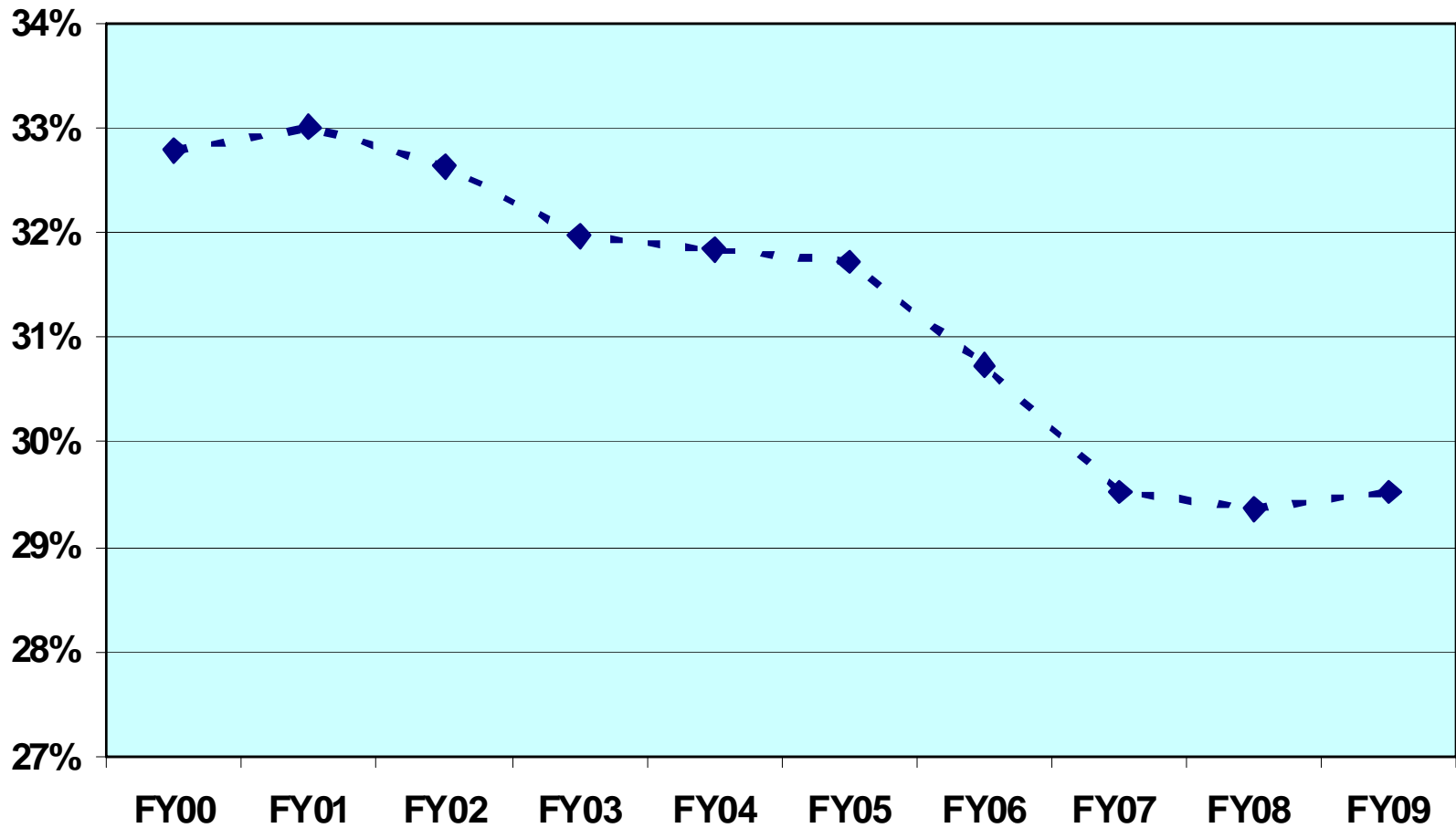
Shares of General Fund FY09 budget



Municipal Departments - FY09 budget by category of expense



Municipal Departments share of total General Fund budget



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Compound annual growth rates

| | 5 years | 10 years |
|--------------------------|----------------|-----------------|
| Revenues | 3.9% | 4.6% |
| Municipal departments | 2.1% | 3.3% |

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- ***Recommendations:***
 1. control employee compensation costs
 2. decision on joining GIC
 3. begin funding post-employment health benefit obligation
 4. implement operating efficiencies
 5. invest in energy efficiencies
 6. shift costs from the taxpayer to users
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- 1. Employee compensation
 - pay and benefits
 - marketplace
 - collective bargaining
 - state laws
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- **Benefit issues –**
 - **Employer contribution rates for active and retired employees**
 - **Eligibility of part-time staff for full benefits**
 - **Plan design**
 - **new plans for new employees?**
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- Constraints on action
 - All employees working at least 20 hours per week are eligible for full benefits
 - City is precluded from setting different conditions for eligibility
 - City is required to pay **AT LEAST 50%** of the cost (for both active and retired)
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- 2. Decide whether joining the Group Insurance Commission (GIC) will decrease health insurance costs
 - Coalition bargaining requirement, 70% union approval
 - Potential for \$1 million to \$4 million annualized savings, BUT
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- **3. Begin Funding Post-Retirement Health Care Obligations (“OPEB”)**
 - **State law requires that retirees remain eligible for the city’s group insurance**
 - **City pays 80% of cost, active and retired**
 - **City pays 80% share of Medicare Part B premium (representing 15% of its accrued OPEB liability)**
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- City is required to measure and record this liability on its balance sheet.
 - Retirement health benefits are earned during active employment, just like pensions.
 - Failure to fund now means escalating future costs, requiring an ever-increasing share of the budget.
 - Estimated cost to fully fund annual required contribution (“ARC”) = \$35 million; FY09 “PAYG” cost is \$13 million; difference = **\$22 million**
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- **4. Implement operating efficiencies**
 - **Consolidate PARKS functions of the current Parks department and Recreation Department**
 - *estimated annual savings: \$100,000 to \$250,000*
 - **Convert city payroll from a weekly to a biweekly cycle**
 - *estimated annual savings (\$ and time)*
= \$140,000
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- **4. Implement operating efficiencies (cont.)**
 - Life-cycle costing analysis – initial cost, operating cost, disposal cost
 - Outsourcing – develop a financial framework for decision-making
 - Develop “best practice” procurement guidelines
 - Reduce fire engine minimum staffing requirements **(\$700,000)**
 - Eliminate fire call box system **(\$200,000)**
 - Decrease snow plowing standards **(\$125,000 - \$250,000)**

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- **4. Implement operating efficiencies (cont.)**
 - **Increase funding for communication and information technology**
 - **centralize budgeting and planning for IT development**
 - **Hire a Budget Analyst**
 - **continuous identification, analysis and action v on cost-saving and operational efficiency opportunities**
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- **4. Implement operating efficiencies (cont.)**
 - **Allow department heads to shift appropriated budget funds between “personnel” and “operating” categories.**
 - *Position controls limiting how many staff members can be employed and at what salaries should continue to be maintained by the executive branch of government*
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- **5. Invest in Energy Efficiencies**
 - **Incandescent bulb ban**
 - **“Energy Star” appliance purchasing**
 - **Life cycle costing**
 - **Recycling implementation**
 - **Replace gas-burning street lights**
 - **Peak demand provider**
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6. Shift appropriate costs from the Tax Base to User Fees

- **“Pay as you throw” trash program**
 - *charging based on use reduces trash volume, increases recycling, and isn't provided free to tax-exempt properties.*
- **User fees for recreation, cultural, community ed programs**
 - *programs benefitting primarily the direct user do not meet the test of being financed from general taxes*

**Total potential impact : \$1 million to \$7 million off the
tax levy**
