

Information for understanding and analysis of the 2019 City Budget:

Responses from the City Manager:

Query by Elly resulting from discussion among Elly, Mike and Carl on Saturday.

Breakdown of the amounts in non-allocated costs:

- \$7,745,115 for principal and interest on bonds and bond anticipation notes already issued, which is a \$1,993,845 increase from FY2018.
- \$2,747,500 for the City's self-insured claims and expenses, a \$50,000 increase from FY2018.
- \$490,000 increase to fully fund the actuarially required contribution to the Police and Fire pension plan for the first time in a decade.
- \$300,000 to partially fund the actuarially required contribution for retiree health insurance for the first time ever. (The City has an unfunded \$50 million liability for retiree health insurance.)
- \$1,360,000 to pay for next year's retiree health insurance expenses, an increase of \$300,000.
- \$275,000 to fund the Voluntary Employee Benefits Association plan, an expense currently incurred but not budgeted (which means the City has been using nonrecurring fund balance to pay for this recurring expense).
- \$938,339 for union negotiations, cost of living increases, and possible pay grade/step changes if the classification and compensation study is implemented.
- \$2,500,000 subsidy to Transportation Fund, which is a \$100,000 increase from FY2018.
- \$3,270,910 to pay-go fund vehicle purchases and routine roadways, sidewalks, and capital facility repairs that were funded with bonds in prior years.
- \$0 for the Sidewalk Revolving Fund, which is a \$680,000 decrease over FY2018. The Sidewalk Fund is not a revolving fund, and the expenses are more appropriately budgeted in DPW - Roadways in FY2019.
- \$410,000 for contingencies, consistent with the FY2018 budget.

Teresa

And

General Fund questions to budgetary questions raised by John Taylor through Alderwoman Elly Tierney:

i. Admin Salaries increase 9% - is this salary increases or new hires?
Seems high

This increase reflects (1) the addition of a half-time African American Liaison, (2) the conversion of a half-time to full-time Hispanic Liaison position, and (3) the addition of a full-time Arts and Veterans Affairs position. All are contractual, not civil service, positions.

ii. Public information salaries – 47% reduction – how is this consistent with the transparency the mayor promised?

This is both transparent and accurate. The current Public Information Officer makes approximately \$50,000 less than the PIO under Mayor Pantelides, and she has selected less expensive benefits.

iii. MIT salaries – 26% increase - ????????

The proposed budget includes \$133,500 to re-instate the position of MIT Manager, a position that was downgraded from a department director position a few years ago, then never filled. Unfortunately, the former Finance Director duplicated the funding for this position in the budget, so the Mayor plans to introduce an amendment to cut the MIT budget to remove this duplication.

iv. HR salaries – 31% increase - ????????

The proposed HR budget includes a new HR recruitment/employee relations analyst position for \$126,000 (salaries and benefits) plus \$40,000 for a contractual position to handle a variety of HR generalist tasks, such as collective bargaining research, development in career ladders, and classification and compensation appeals.

v. Office of environmental policy salaries – 28% decrease - how is this consistent with the environmental agenda the mayor promised?

Unfortunately, this is another error in salaries and benefits category whereby the former Finance Director

did not include the correct salaries and benefits for the Director of the Office of Environmental Policy position. The budget should be approximately \$65,000 more for this position. (There are a number of departments with errors in salaries and benefits for which the Mayor will propose an amendment to correct the errors.)

vi. Roadways salaries – 35% increase – agreed we need to do more but 35% increase in salaries in 1 year – there will be terrible waste or under spending

The answer to this one goes hand in hand with Mr. Taylor's question on the Sidewalk Revolving Fund. The money from the Sidewalk Revolving Fund was moved to DPW Roadways, which is generating the 35% increase in salaries in that category.

vii. Recreation salaries – 18% increase – agreed we need to do more but 35% increase in salaries in 1 year – there will be terrible waste or under spending

viii. Parks salaries – 24% reduction – don't understand this unless it's a transfer of responsibilities from the recreation department

These fluctuations are, in fact, the result of shifting positions from the parks division to the recreation division. The budget proposed by the Mayor does not include any new positions in Recreation and Parks.

ix. Unallocated salary adjustments – \$1.5M from zero last year – with all the huge increases in departmental salary budgets proposed, what is this?

This \$1.5 million comprises three line items that the former Finance Director grouped under one line called "unallocated salary adjustments." The three items are:

- **\$300,000 contribution to the OPEB (Retiree Health Insurance) Trust Fund. The annual required contribution as determined by the actuary is \$1.4 million, but the City has never funded this annual required contribution intended to pay off this \$50 million liability. This \$300,000 is the first step towards fully funding the annual required amount in five years.**
- **\$275,000 for salary expenses related to the Volunteer Employee Benefits Association fund that are paid each year, but never budgeted. The fact that these expenses are incurred each year, but not budgeted, has been a contributing factor to the police and fire departments being unable to live within their budgets for salaries**

and benefits. We haven't avoided the cost - we just haven't budgeted for it and we've used our fund balance (savings) to pay for the expenses.

- ***\$938,339 is set aside for the impact of union negotiations with the City's four unions (police, fire, AFSCME technical, and AFSCME clerical), as well as cost-of-living increases and changes in salary scales for nonrepresented employees, depending on the outcome of union negotiations.***

a. Another 15% increase in water rates????

There is not a 15% increase in water rates, although I can see why Mr. Taylor would think that. The FY2018 budgeted revenue of \$8,243,164 is 15% more than the FY2018 budget of \$7,170,000. However, the former Finance Director estimated this year's actual revenue will be \$8,075,226, which means FY2019 revenue is only 2% more than FY2018 projected revenue. I am meeting with the consultant who develops our water, sewer, and watershed rates this week to determine that the projected revenue is both accurate and adequate without being more than necessary to ensure the financial stability of the fund.

b. 29% increase in salary budget?

This line item is overstated by \$285,000, another error by the former Finance Director that the Mayor will introduce an amendment to correct.

3. Wastewater Fund – only a 1% increase in total spending for one of our critical problems?????

The decreases in the sewer fund are not decreases in expenses related to running our day-to-day sewer operations. Rather, the decreases are attributable to a \$115,000 decrease in debt service, a \$113,000 decrease in depreciation, and a \$100,000 reduction in the amount budgeted for contingencies. (And yes, we do budget for depreciation to ensure the rates are sufficient to accumulate enough funds to replace fixed assets when their useful lives are over.

4. Parking Fund – 91% reduction in salaries – is this because of outsourcing? Also why is Hillman operating expenses going up 117% - is this outsourcing?

Yes, this is because of outsourcing, and the Hillman expense increase is also the result of outsourcing.

5. Transportation Fund – transportation charges are going down when expenditures are going up 12%??? This is just moving even more of the cost of buses onto the property tax taxpayer.

Mr. Taylor has correctly identified that revenues in the Transportation Fund are declining. Revenues from bus fares were budgeted at \$515,000 in FY2018, but the Office of Finance is projecting actual revenue will be only \$407,000. Mr. Taylor is also correct that this means an additional subsidy from the General Fund to the Transportation Fund (from \$2.4 million to \$2.5 million).

6. Sidewalk Revolving Fund – reduced to zero – where has the money been moved?

The money from the sidewalk fund has been moved to DPW - Roadways as discussed above.

I hope I have adequately answered Mr. Taylor's questions. His analysis was insightful.

Teresa