



TO: Budget Committee

CC: City Department Directors

FROM: Robert Strobe, City/District Manager/Budget Officer

DATE: May 14, 2024

RE: Budget Questions and Answers Fourth Memo

During the Budget Committee Hearing on the City’s Proposed Budget, the discussion pertaining to the General Fund focused on whether or not the Proposed Budget should be approved with the estimated deficit in light of the projections shared with the City Council during a December 2023 Work Session showed that the ending cash on hand would be \$1.7 million. Concerns were raised about whether or not adding continuing money expenditures should be considered, in particular the increased staffing in Finance, Library, Parks/Aquatics, and Police. Some members of the committee suggested cutting the General Fund budget as a whole.

There were other suggestions/questions, including whether or not to divert funds to be transferred from the General Fund to the General Reserve Fund. In regards to this suggestion, the City Council, as noted in the Budget Message, passed a Resolution establishing a policy for how the unanticipated increase would be handled, and the Proposed Budget follows that Resolution. Therefore, it would be outside the Budget Committee’s authority to deviate from that policy in approving the Proposed Budget. Should the Budget Committee believe those funds should not be transferred as the Resolution directs, the Committee could vote to recommend that the City Council change the policy in conjunction with Budget Adoption.

The City Council, during their annual Retreat, affirmed the intent to continue to fund existing programs at their current level and use fund balance to fund capital improvements and cover the deficit as shown in the excerpt below. Based on this, reducing current programs or staffing levels would not be consistent with the Council’s guidance.

- a. **Validate continuation current services and programs at a minimum.**
 - i. *In recent years the City's approach has been to maintain staffing levels, programs, and functions using a balanced approach with increases to staffing levels limited based on the fiscal resources.*
 - 1. *Does the City Council want to continue this approach or make any changes?*
 - 2. *Does the City Council want to continue the practice of conservative capital investments/maintenance using existing fund balance in General Fund to avoid reductions?*

The City Council was in support of continuing the above philosophies.

Based on the above, I would suggest that the focus for the Budget Committee should be on whether or not the requested staffing increase be approved and forwarded to the Council for consideration. For context, below is an excerpt from the Retreat relevant to the conversation:

i. **Department Director Staffing Requests**

3. Library

a. *The Library Director would like to move the two current half-time employees to full-time. Doing so would enable the Library to increase open hours by two hours on two evenings per week and increase open hours on Saturday by two hours. This would also provide increased safety for the staff.*

4. Parks and Recreation

a. *The Parks and Recreation Director would like to add one full-time maintenance position split between Parks and Aquatics to help maintain the facilities. Current staffing is not sufficient to meet the needs. There would be some savings by not needing to contract out cleaning and maintenance services.*

5. Police

a. *The Police Chief would like to add two additional full-time dispatchers. Doing so would enable moving from 10-hour to 12-hour shifts. The change would also require creating an additional supervisory position, which would be a promotion for a current employee, not a third position.*

b. *The Chief would also like to add an additional full-time police officer to do drug investigations and enforcement.*

i. *Does the City Council have any specific guidance regarding staffing levels?*

The City Council expressed a desire to be conservative regarding adding any additional staffing based on the five-year projections. While there was discussion regarding the need for some of the positions above, the Council did not reach consensus regarding any of the positions. The Directors will include the positions in their Requested Budgets and ultimately the final decisions will be made in conjunction with the adoption of the FY 2024-2025 Budget.

When preparing the Proposed Budget, as Budget Officer, I considered the City Council’s guidance to mean no reductions in staffing or programs and that the Council would consider the merits of any proposed increases through a lens of need and ability to sustain the increased staff. I think it would be helpful to expand on my rationale for each proposed staffing increase.

Police Department 911/Dispatch—two new full-time positions

As Chief Bell explained, the call volume has increased substantially without any increase in staffing.

- We currently have 10 dispatchers.
- We added an 11th dispatcher in FY 2002-03, 21 years ago.
- Due to budget cuts, we lost the 11th dispatcher in FY 2009-10, 14 years ago.
- In 2002, our dispatch center handled a total of 10,523 CFS.
- In 2023, our dispatch center handled a total of 26,188 CFS.
- This represents a 149% increase in CFS over the past 21 years.
- Increasing our staffing level to 12 dispatchers would allow us to have minimum mandatory staffing of two dispatchers on-duty 24/7.

I don’t recall if he mentioned that in addition to the increase in call volumes, the regulatory requirements related to law enforcement have also increased which adds more work than in prior years. In speaking to current employees, I confirmed that the staffing shortages and shift work has an adverse impact on employee morale and could impact recruitment and retention. The last piece for me was the relatively small cost to the General Fund to address this critical need:

- The total annual cost for two new dispatchers is \$183,853.

- Applying our cost-sharing formula (60% General Fund and 40% 9-1-1 Fund), the General Fund (GF) cost is \$110,312.
- After billing the county for contracted services (46% in 2023), the final cost to the GF is \$59,568.
- **Therefore, the net cost to the GF is \$59,568.**

Library—two positions from part-time to full-time

Director Bushman shared her biggest motivation for the increase was safety. The ability to increase hours is, in my view, an added benefit. Historically the Library has done a great job of adjusting hours to meet the needs of the community and be open at the times most likely to draw the most patrons. I see the added staffing as a way to provide that added safety while better meeting the needs of the community. For this request, if the added staff is not approved we will be adjusting hours to assure we have two people on staff at all times, which we are not currently able to do. The cost of this increase would be \$74,250.

Finance—increase one position from part-time to full-time

Director Rajkovich did an excellent job of explaining the increased workload, and noted that when long-time Finance Director Eldon Slippy retired after 40 years, we hired a half-time employee to fill the vacancy within the department. She did a good job of explaining the increased workload, but didn't mention that we also opened the office for an additional hour instead of closing for lunch to provide better service. The added workload that comes with Paid Leave Oregon is significant and moving it to the Finance Department is not only the appropriate decision, but currently is the only option as our Human Resource Generalist resigned to relocate out of state. If we do not increase this position from part-time to full-time, we will be forced to adjust open hours to the public at a minimum. The cost of this increase would be \$35,332.

Parks/Aquatics—one new full-time position

This change will result in added costs but one of the significant factors in this decision is related to the loss of our long-time seasonal employee, who retired, that maintains all the parks irrigation systems. It is vital to have someone on staff who is intimately knowledgeable of the system. The increase in staffing will result in other cost savings and increased services as Director Spence mentioned during his presentation. The net cost of the new position would be:

\$ 47,825.08	Parks Portion based on Payroll Worksheet
\$ 31,883.38	Pool Portion based on Payroll Worksheet
\$ 79,708.46	Total expenditure for position
\$ 22,525.00	Seasonal Irrigation Savings
\$ 15,000.00	Savings on contractors
<u>\$ 42,183.46</u>	<u>Total net expenditure to General Fund</u>

One of the overarching themes of the discussion was the forecast that was discussed by the Council last December and indicates that on June 30, 2028, the ending cash would be \$1.7 million and we need \$1.4 to \$1.6 million to carry the City to the first receipt of property taxes in the fall. This is a forecast and assumes our revenue projections are 100% accurate and we receive the entire amount, that we negotiate bargaining agreements with the increases shown, that other costs increase at the projected inflation rate, and that we spend 100% of the budget. It also has projected capital expenses and a flat \$375,000 of revenue to the General Fund in the form of an under levy. The Proposed Budget before the Committee has a \$574,000 under levy. In other words, it is a “worst case” scenario in terms of spending the full budget, which we never do.

I was asked to provide to the Budget Committee the 5-year Projections, and in response, am sharing the summary for the 5-year period. Also provided is a look back at our budget vs. actual to show how we did. And finally, that same summary projection but with our average percentages from the past applied to the original forecast to illustrate what could happen. There is a huge difference and it reinforces that we can only look so far into the future. I am pretty sure none of us would have forecast the huge increase in inflation we have seen recently if asked five years ago.

The bottom line from my perspective as Budget Officer is we are able to sustain the increased positions but recognize that if our future is closer to the December forecast, that we may need to make a course correction at that time. We will continue to review the projections on an annual basis in conjunction with the Retreat and provide the City Council with recommended changes as the situation dictates.