



Memorandum

Date: October 4, 2006
To: Mayor, Alderpersons and Finance Committee
From: City Administrator *[Signature]*
RE: Budget Reduction Alternatives - 2007

As introduced in the Letter of Transmittal for the 2007 Executive Budget, there has been omitted from the budget \$500,000 in funding for anticipated increases in health care cost. The purpose of this avoidance of budgeted expense is to allow ongoing labor negotiations to ripen before taking steps that would have a significant impact on individual employees or specific services or programs in the City. In other words, based on what I perceive to be the trends in labor contracts, the state of our benefit levels, the ability to make changes due to self-insurance, budgetary restraints and other cost containment opportunities, I believe that it is possible to achieve that level of cost control.

Of course making that level of assumption without some alternative would not be prudent. Therefore, I have identified certain ways to reduce budgeted expenditures in other areas of the budget. These items could substitute for the anticipated cost control savings should those not become reality. Implementation of these extra measures would be possible at any time during the budget year.

These alternates are based on department suggestions made as we struggled with budget shortfalls. These alternatives are, in fact, items that would have been recommended had the opportunity not arisen to believe that health insurance cost containment was possible. There are two important points to be made in this regard, however.

First, I have kept the alternatives involving personnel intentionally non-specific. While there are certain positions that have been discussed by staff in order to develop the list it should not be considered final. There could be changes in priorities or staff that would impact on the final decision before it is needed. If and when a decision is required specific positions would be recommended.

Second, none of the suggestions should be thought to be options to the recommended budget at this time. This list was only developed to give some indication of what would need to be done should the cost controls sought not be achieved. It is neither my nor the staffs recommendation that any of these ideas be implemented now in lieu of other reduced areas or to achieve additional reductions in the budget.

The suggestions are as follows and not in priority order.

1. Reduce Inspection Staff. This reduction could be in either the Building Inspection department or Fire department or a combination. Anticipated savings are \$65,000.
2. Close Buchner Pool. With the opening of Horeb Springs attendance has decreased. Buchner users could be accommodated at Horeb most times. Some swim programs may be dropped. Savings net of lost revenue would be approximately \$100,000.
3. Implement Mandatory Budget Reduction Leave. Require all personnel to take unpaid leave of up to two (2) weeks. The timing of the leave would depend on position and department. Savings in enterprise funds would be transferred to the General Fund. This could result in possible savings of up to \$500,000.
4. Reduce Library Hours. Reduce library hours to result in an additional savings of \$30,000.
5. Reduce Police Staff. Through reductions in minimum staffing requirements or reassignment two (2) positions might be eliminated. Level and area of reduction are to be determined. This could result in savings of between \$120,000 and \$160,000.
6. Reduce Bus Routes. All routes in the city have their constituents. In addition, only 20% of route funding comes from the city levy, making even small cuts in city funding proportionately larger than in other areas of the budget. Projected savings possible are about \$80,000.
7. Reduce DPW/PR&F Maintenance Staff. Three (3) positions have been identified for potential elimination. The possible net savings are approximately \$225,000.
8. Reduce Clerical Staff. One position at \$40,000 to be determined is possible. There are some options for shared duties.

Again, these general positions reductions and other concepts are based on discussions with directors and managers, but are not necessarily exhaustive. The point is that there are viable, if not reasonable, alternatives to the health care cost containment initiative. As will be noted the total amount of all the possibilities exceeds the needed funds. This is because the timing of the implementation of the alternatives will affect the impact of them on the budget. Decisions on implementation could not be extended beyond a three to six month window. Policy level discussions on implementation should begin shortly after the new year.