



## **Memo**

To: Honorable Mayor Armitage; City Council

From: City Manager, LaPere, MPAP

Date: April 29, 2022

Re: Staff report on draft FY22-23 Budget – proposed additions

### **Background**

At the workshop meeting held April 21, 2022 the draft budget for FY22-23 was discussed by City Council. The Council requested additional information on the budgetary impacts of adding three staff roles: hiring grant writer (contract), hiring DPW Secretary, and hiring second-in-command for Police Department. When the DPW Director reviewed the water and sewer budget to analyze the impacts of the DPW Secretary role, she realized that the estimated costs of replacing utilities associated with the Hall/Washington/McClure road project planned for 2023 were not included in the draft budget she submitted. The DPW Director has provided those figures and removed other projects to adjust the draft budget. The DPW Director also removed one project from the proposed MVP Fund budget to minimize the fund balance utilized in this upcoming fiscal year. The revised amounts are what is shown below for further discussion on the proposed addition of a DPW Secretary. We have also made minor adjustments to the general and fire funds to account for updated information on state revenue sharing, SAD assessment figures, and estimated contribution from the RFA as we now have more accurate figures available which reduced the surplus by approximately \$54k.

### Grant Writer

The City has issued an RFP to request proposals from a contractor to provide grant research and writing assistance to city staff. A detailed memo discussing the proposed contract providers is provided in the packet for further discussion at the May 2<sup>nd</sup> Council meeting. At the workshop meeting, Council discussed capping this amount at \$25,000.

### DPW Secretary

The position of DPW Secretary has been vacant since early 2021 when the individual was promoted to Deputy City Clerk. Due to staffing shortages from COVID-19 pandemic, from 2020-2021 the DPW Secretary was serving in a dual role of providing assistance to the Clerk/Treasurer's Office as well as providing administrative support to the DPW Director. As detailed in the Operational and Fiscal Analysis provided to the City in 2020, the administrative offices are understaffed and the addition of several administrative roles were recommended. The DPW Secretary wages/benefits are split between the General Fund (5%), Major Streets (10%), Local Streets (10%), Water & Sewer Fund (70%), and Motor Vehicle Pool (5%) as that role provides administrative support to those various areas. The total costs for wages and benefits for an entry level position in this role is \$67,500.

### Police Second-in Command

The role of second-in-command would be a new role for the City and provide an additional layer of administration in the otherwise flat command structure of the police department. This would alleviate some of the administrative burdens currently placed on the four Sergeants and was a recommended change by the consultants in the Operational and Fiscal Analysis, once the city's financial position was improved. The total cost included is \$145,000 for the first year. This includes the wage and benefits for this role estimated at \$105,000; onetime costs of \$10k for outfitting and \$10k for office remodel; \$10k additional benefits for internal promotion; and \$10k for outfitting to backfill patrol officer for internal promotion.

**Financial Impacts**

Below details the impacts of the addition of all three roles on the various funds.

General Fund

Draft Budget (as revised)	Surplus of \$285,750
Less grant writer	\$ 25,000
Less DPW (5\$)	\$ 3,375
Less Police Dept	\$ 145,000

**Remainder \$112,375 surplus**

This leaves the General Fund with the minimal surplus to replenish fund reserves in 5-years as required under Council Policy, and nothing to address the underfunded pension liability.

Major Street

draft budget	utilizing \$61,650 fund reserves
DPW Sect (10%)	\$6,750

**Requires utilizing \$68,400 fund reserves (fund balance \$1.3 mill as of June 30, 2021).**

Local Street

draft budget	utilizing \$34,575 fund reserves
DPW Sect (10%)	\$6,750

**Requires utilizing \$41,325 fund reserves (fund balance \$300k as of June 30, 2021).**

Water & Sewer Fund

draft budget (revised)	utilizing \$542,325 fund reserves
DPW Sect (70%)	\$47,250

**Requires utilizing \$589,575 fund reserves (\$14.5mill total, \$450 unrestricted, available as of June 30, 2021).**

Motor Vehicle Pool

draft budget (revised)	utilizing \$173,640 fund reserves
DPW Sect (10%)	\$3,375

**Requires utilizing \$177,015 fund reserves (\$1.3mill total, \$300k unrestricted, available as of June 30, 2021).**

Fund balance for Major and Local Streets, Water & Sewer Fund, and Motor Vehicle Pool at end of current fiscal year (June 30<sup>th</sup>) is projected to be similar or improved as of last year end. The unrestricted fund balance in water and sewer and motor vehicle pool funds will be limited moving forward as the funds are capital asset heavy; however, the major expenditures planned for this year are capital assets which will be subject to amortization and depreciation.

### **Recommendation**

At the workshop meeting, there was consensus among Council to review the impacts of allocating not more than \$25,000 from the General Fund towards grant writing services, the addition of police second-in-command, and filling of DPW Secretary role. For the police role, some of the costs associated with the addition are one-time modifications to the offices; however, the salary and benefits represent the majority of the costs. To be as conservative as possible, we included costs associated with an internal promotion as the benefits package may increase because the person could bring paid time off and other benefits not currently available to new employees. For the DPW Secretary role, the significant impacts to the water and sewer fund due to the infrastructure projects planned for next year make this a difficult year to propose an additional ongoing cost. The street funds have the fund reserves available to offset the proposed costs but it will be important to maintain a long-term view of the potential impacts of continuing to draw on fund reserves. Regarding the grant writer contract, that matter is on the agenda for further discussion. If Council decides to move forward, I agree with capping the allocation to ensure the contractor has clear parameters within which to operate and provide services.

Overall, the City remains financially constrained by the need to replenish fund reserves in its General Fund and address the underfunded pension liability. Addition of new/replacement staffing limits the ability for the city to utilize the projected surplus funds for addressing those financial needs. Therefore, I recommend we first replenish the fund reserves and create a dedicated plan towards funding pension liabilities, then begin looking at opportunities to address the staffing shortfalls. There is a need to add staffing; however, the current funding constraints will be alleviated quicker if we wait to fill those roles.

### **Next Steps**

Upon consensus of Council as to whether to move forward with any/all of these changes, administration will provide Council with a revised draft budget for FY22-23. Procedurally, the City Council must hold a public hearing and the draft budget must be available for public review at least one-week prior to adoption. Therefore, I recommend City Council hold a public hearing and consider adoption of the draft budget at the June 6<sup>th</sup> Council meeting.

The City Council must also hold a public hearing on the Special Assessment District, including the estimated costs and expenditures, and the distribution of the levy. I recommend Council hold the public hearing on the same day, June 6<sup>th</sup>, to hear public comments.

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