



Department of Administration
Budget and Policy Division

July 23, 2009

Tom Barrett
Mayor

Sharon Robinson
Administration Director

Mark Nicolini
Budget and Management Director

Ref: BF 10-7E

MEMORANDUM

TO: Finance and Personnel Committee Members

FROM: Mark Nicolini
Budget and Management Director

SUBJECT: Finance Files 090333, 090259, 090260 and 090261

File 090333 contains a substitute resolution amending the 2009 Local Snow and Ice Removal Charge for the express purpose of cancelling \$2.7 million of debt incurred due to 2008 snow and ice operations that exceeded budgeted amounts.

File 090259 contains a substitute ordinance amending various fees and forfeitures.

File 090260 contains a substitute resolution establishing the 2010 Local Snow and Ice Removal Charge.

File 090261 contains a substitute resolution establishing the 2010 Local Solid Waste Charge.

The Administration is proposing these four files in order to enable the 2010 Executive Proposed Budget to strike a responsible balance between service and expenditure reductions and revenue increases. The 2010 budget faces a structural imbalance between anticipated baseline revenues and the cost of continuing baseline services of \$85 - \$90 million. Adoption of these four files will reduce this imbalance, based on budget requests, by approximately \$12.5 million.

Each of these files is consistent with the direction that recent budgets have taken with respect to cost recovery, and with responsible fiscal policy. The Administration believes that it is essential for the city to utilize its limited tools for revenue diversification in order to direct scarce property tax and Shared Revenue funding to services with little cost recovery potential.

The attachment provides more detail about each of the files. The following summarizes the policy rationale for each of these proposals.

File 090333 deals with the 2008 operating deficit that resulted from near record-setting levels of snow and ice operations. The file would in effect cancel \$2.7 million of debt that resulted from

the authorization of emergency borrowing in 2009 to eliminate this deficit. Taking action to eliminate this debt by increasing the 2009 snow and ice removal charge will improve the 2010 budget picture by \$2.7 million, and avoids \$100,000 of interest costs. It also sends a positive signal to the credit rating agencies that the city is serious about dealing with unanticipated operational problems.

File 090259 represents the annual "Omnibus" file. The proposal accomplishes two policy objectives. First, by updating the amounts charged for certain licenses, permits, and specialized services the file continues recent Council policy of avoiding property tax subsidy for these activities. The initiation of new charges for direct emergency services dispatching and certain regulatory activities of the Health and Neighborhood Services Departments is also consistent with this Council policy. Second, increasing certain meter rates, fines, and parking user charges will sustain significant Parking Fund transfers to the General Fund. Increased Parking Fund capacity will help the city deal with the challenge of declining State aids.

File 090260 proposes the 2010 Snow and Ice Removal Cost Recovery charge. The proposal intends to achieve full cost recovery, based on the 5 year average program costs of approximately \$7.7 million.

File 090261 proposes the 2010 Solid Waste Charge. The Administration proposes that this charge achieve full cost recovery for garbage collection and recycling services. More than 40% of the proposed increase is due to increased State tipping fees and decreases in the State's Basic Recycling Grant. At full cost recovery, the Administration's proposed annual rate of \$176.88 compares very favorably with that of competitor cities such as Minneapolis, where the annual rate is \$324.

Attachment
MN:dmr

Budget/10budget/2010budgetresolutions/memofinancecommittee

SPECIAL FINANCE & PERSONNEL COMMITTEE MEETING

July 27, 2009: 9:00 a.m.

2010 EXECUTIVE PROPOSED BUDGET REVENUE INITIATIVES

Objectives

- Free up scarce property tax/Shared Revenue funds for services with low cost recovery potential, such as Police, Fire, and the Library, by implementing full cost recovery for garbage collection, recycling, and snow and ice operations.
- Continue the practice of maintaining cost recovery for certain regulatory activities, licenses, and specialized user charges, e.g., in the Departments of Neighborhood Services, Health, and Public Works.
- Improve the sustainability of the Parking Fund transfer to the General Fund.

Background

- Current practices limit the Mayor's ability to present a true Executive Budget that includes proposed revenues and expenditures (service levels) in a comprehensive package.
- Adoption of revenues prior to the August recess facilitates budget planning and will enable the Mayor to propose a 2010 Budget to the Common Council that is clear and fully accountable.
- These proposals are intended to help close the estimated \$85-\$90 million gap that the City's 2010 Budget is facing. The Council can reduce this gap by approving these files. In the absence of these files, department service reductions will increase from about \$40-\$45 million, to at least \$52.5 million. Layoff exposure will also increase.

Agenda Items for the July 27 Finance & Personnel Meeting

File 090333: Amending the 2009 Snow & Ice Removal Charge

1. The net City expenses for 2008 snow and ice operations (after accounting for a FEMA grant) were almost \$15 million. This caused a 2008 budget deficit of \$2.7 million.
2. Earlier this year the Common Council authorized emergency borrowing of \$2.7 million to eliminate this deficit. The resolution authorized a two-year term for repayment.
3. The 2008 deficit has to be dealt with one way or another. The expense will not go away.

- The Administration proposes to deal with the 2008 deficit by amending the 2009 Snow and Ice Charge to raise an additional \$2.7 million of revenue, enough to cancel the need for emergency borrowing and the related debt.
 - This increase would result in the final 2009 charge for a typical homeowner to be \$34.81, compared to the final 2008 amount of \$28.04.
4. The 2008 final budget revenues from the Snow and Ice Removal charge were \$6.2 million. The 2009 adopted budget revenues from the Snow and Ice Removal charge are \$5.0 million. During the 1st quarter of 2009 DPW expended approximately \$4 million for snow and ice operations.
5. The benefits of this action are as follows:
- It allows for a \$2.7 million reduction to the 2010 debt service budget. This savings will enable the retention of approximately 40 FTE City positions, and the related service levels those employees provide.
 - It allows the City to avoid more than \$100,000 of interest costs.
 - It allows for all property owners, including tax exempt owners, to help resolve the operating deficit caused by the 2008 calendar snow season (107 inches).
 - It demonstrates to the rating agencies that the City is paying for current expenses with current revenues and not simply pushing off problems onto borrowing.

File 090259: Omnibus files amending various fees and forfeitures

1. This is an annual file which updates the amounts charged for various fees, licenses, permits, and specialized user charges.
2. The file consists of three components:
 - Parking revenues. The proposal raises hourly rates for 25-cent meters to 50 cents, and raises 50-cent meters to \$1.00 per hour. These meter rates haven't been changed since 1992. The proposal increases the charge for hooding parking meters and for towing vehicles to reflect the City's costs. The proposal also increases the fine for overnight parking violations from \$17 to \$20, and contains increases to some other fines. The total impact is \$1.77 million a year, and will increase the sustainability of the annual Parking Fund transfer to the General Fund.
 - Changes to existing items. These are based on the costs of providing various specialized services and permits, and of regulating commercial activities. Almost ½ of these changes are related to DNS operations. Many have not been changed for several years. The total impact is about \$1.3 million a year.

- New items. These include a \$10 fee from the Fire Department to ambulance providers for direct dispatches (\$318,000). The proposal also includes three new Health Department licensing fees. Two are related to ensuring that scanning devices operate correctly, in the interest of fairness to customers. The third represents a charge for inspections of non-prepared food-serving taverns, which up to now have been performed with no charge. The new items generate approximately \$700,000 in revenue.
3. The total impact of the Omnibus file is approximately \$3.7 million.

File 090260: Establishing the 2010 Snow and Ice Removal Charge

1. The Administration proposes that the projected full costs of snow and ice operations be recovered from the charge. This frees up property tax revenue for departments such as Police, Fire, and the Library that have relatively little potential to offset their costs from charges or permits.
2. The average annual cost for the last five years for snow and ice operations has been \$7.7 million.
3. The Administration's proposal is for \$7.7 million, which would amount to \$34.81 a year for the typical homeowner, the same as what is proposed for 2009.

File 090261: Establishing the 2010 Solid Waste Charge

1. In 2009 this charge recovers approximately 95% (\$28.5 million) of the costs of garbage collection and recycling. The Administration proposes that the full costs of these programs be recovered from the charge. This frees up property tax revenue for departments such as Police, Fire, and the Library that have relatively little potential to offset their costs from charges or permits.
2. There are several factors that lead the Administration to propose a \$5 million increase for this charge in 2010.
 - Adding the \$1.5 million of costs that are currently funded through the levy to the charge.
 - Covering the \$2,050,000 cost increase resulting from an increase in the State's tipping fees.
 - Covering the decrease of \$115,000 to the State's Basic Recycling grant.
 - Covering the estimated \$850,000 decrease to recycling revenues for 2010.
 - Covering the cost of increased pension contributions of \$720,000 for personnel involved in these programs.
3. The estimated increase to the user is \$6.58 per quarterly billing.