



Department of Administration
Budget and Management Division

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Ref: 18bf

MEMORANDUM

To: Common Council Members

From: Dennis Yaccarino, Budget and Management Director

Subject: Possible Substitute Amendments to Amendment Two

Budget Office staff was asked to prepare two different substitute amendments for amendment number two in Finance and Personnel Committee approved packet. Both amendments involve funding for a disparity study and adding five police officers to the final class of 2018. Both of the amendments assume salary reductions to all departments except police and fire to offset the tax levy impact. It is important to comment on these given the likelihood that both or one of the substitute amendments will be brought forward at today's Common Council meeting.

The percentage reduction to departmental salaries was based on the amount of salary reductions needed to offset the costs added by either of the amendments. There was no analysis of departmental salaries or determination of the impact on services used to develop these salary reductions. Given the 2018 proposed salary budgets are based on historical vacancy trends and the level of service provided, all the salary reduction will do is short salaries or require departments to reduce services by holding positions vacant. The risk is the departments will be asked to provide the same level of services and salaries will be short.

As an example, in amendment one, two positions of Disease Intervention Specialist were added to the Health Department budget at a cost of \$85,078 but one of the substitute amendments would require the Health Department to reduce salaries by \$34,934. One way to meet the salary reduction would be to hold one of these positions vacant for nearly one year. This would be contrary to the intent of amendment one but would allow the department to meet the salary reduction. If the department chose to hold that position vacant, the department will not provide the expected higher level of service.

The more likely scenario will be shortages in departmental salaries. This will require the city to fund these shortages through either the contingent fund or the wages supplement fund. Since the city has exhausted the contingent fund in the last few years, the wages supplement fund would be the probable source of funds for the shortages. The wages supplement fund is set up to provide wage increases to the employees and fund police and fire unions contract settlements. Police and fire unions have had wage settlements between 2% and 2.5% annually. Based on the substitute amendments, the wage increases for general city employees for 2018 will be reduced from 2% to 1.5% to cover the potential salary shortages in departments.



Both amendments add \$76,000 to add five police officers to the final class in 2018. That class is anticipated to start in pay period 24. Since the costs are estimated on three pay periods of cost in 2018, the real impact of this amendment is pushed into 2019. The cost is estimated to increase by \$330,000 in 2019. This \$330,000 will be added to \$5.8 million that will be added to the 2019 budget based on the 2018 proposed budget.

It is important to note that any across the board cuts will have unintended consequences and any additions to police staffing will significantly increase future costs. Please contact me if you have any questions.

DY:dmr

Possible Amendment.doc