
COMMON COUNCIL MEMORANDUM

TO: COMMON COUNCIL OF THE CITY OF LA CROSSE

FROM: EXECUTIVE BUDGET TEAM
(JAY ODEGAARD; DAVID BUROKER, ADAM LORENTZ, ROB ABRAHAM, VALERIE FENSKE)

SUBJECT: 2020 BUDGET REDUCTION PLAN

DATE: MAY 28, 2020

CC: MAYOR TIM KABAT

The Executive Budget Team held an initial meeting on May 8, 2020 to define core essential services and departments of the City in order to formulate a plan as to how to reduce budgets in the most efficient and realistic fashion. On May 12-13, 2020 the Team held meetings with all departments asking them each the same 16 questions. After the department interviews the Team held several further team meetings to compile the attached Budget Reduction Plan. While the Enterprise Funds were included in the departmental interview schedules, they are of a different nature in that they have dedicated revenue sources which, in the event of shortfalls, can be addressed in a different manner than the General Fund and Special Revenue Funds that are recipients of General Fund subsidies, i.e., Transit.

Table B identifies, by category, the General Fund departments.

Categories were identified as:

- Safety
- Quality of Life
- Ordinance/Statute
- Support Services
- Other

In addition, the City has the following Enterprise Funds:

- Water Utility Fund
- Wastewater Utility Fund
- Storm Utility Fund
- Parking Fund
- Airport Fund

The City's Transit Fund is a Special Revenue Fund funded with charges for services, Federal and State funding and an annual subsidy from the General Fund, i.e., levy dollars.

At the Finance and Personnel Committee meeting of May 7, 2020 and by consent agenda at the Common Council meeting of May 14, 2020, it was acknowledged and authorized that the City is in Stage 3 of the adopted Economic Recession Plan. Remedial measures in Stage 3 of the plan are:

Action: Requires strong justification for large purchases, elimination of expenditures related to travel, meetings, and discretionary training, deferring a significant number of capital projects, implementation of a hiring freeze on all but essential health, safety, and welfare positions, and the suspension or reduction of services and programs or decrease level of service in programs that are not deemed essential to the community. A possible reduction of workforce with initial emphasis upon temporary, part-time, and contract employees. A possible draw down of reserves may be considered. The City will consider reduction of hours and/or temporary closures of facilities and/or increases in fees to maintain services. Possible deferral or postponement of salary increases (pay increases and COLAs).

Several strategies and options were considered and ultimately removed as current options by the Team. The *options removed from consideration* at this time and the reasons for their removal are as follows:

1. Across the board pay cuts and furloughs. These amount to across-the-board budget cuts and are not considered a strategic solution to budget shortfalls. These kinds of cuts serve to harm the Safety aspect of services to the community. Furloughs are appropriate in certain instances in departments with a lack of work due to limited hours, or facility and program closures and where the work is realistically deemed to return within a defined period of time.
2. Collective Bargaining Agreements. Open negotiations for financial relief for the City's General Fund. This was deemed to be time consuming and not something that could be implemented and agreed to in a rapid fashion.
3. Use of General Fund Reserves. The City is currently struggling to meet its 20% Fund Balance Policy which affects its ability to borrow at competitive interest rates. The City received a downgrade of its debt from Moody's Rating Agency last week due to its low reserve balances prior to any utilization of fund balance to solve its current budget shortfalls. A key reason the City doesn't have a Rainy Day Fund that could be tapped for these kinds of situations is that the City has historically chosen not to levy to the maximum levy limits and has turned to the Reserve Fund for a variety of reasons without a clear path to grow the reserve balance. One solution to this is to provide for (and levy) an adequate annual Contingency Budget and if that remains unspent to let that flow into General Fund Balances. Based on discussion and feedback with the Urban Alliance of Finance Director weekly calls it has been voiced that it's irresponsible to use General Fund Reserves as the first resort for a budget shortfall.
4. Early Retirement Incentives. This was discussed at length by the team and financial impact reviewed where it was determined that the salary savings vs. the leave bank payouts for long serving members of the organization were somewhat insignificant in relation to the value of leaving the position vacant while putting more work on the remaining department staff,

The Budget Reduction Plan presented in this memo is considered a first effort; meaning that the 2021 and 2022 budgets are anticipated to be more challenging as the State attempts to balance its budget with declining revenues. Portions of the City's state shared revenues are derived from state sales and income taxes along with gasoline taxes; all of which suffered significant hits over the last few months.

The revenue forecast provided to the Finance & Personnel Committee on May 7, 2020 indicated a projected revenue shortfall of \$5,946,000. That has since been revised to \$4,474,000.

Summary of Budget Cuts		
2020 Revenue Shortfall:	(5,946,065)	Original Forecast-May 7, 2020
Adjust for new Dept forecasts	429,350	Original forecast 50% revenue loss, per department will come in at 2019 levels
Adjust for State Shared Revenues	<u>1,043,138</u>	Original forecast of 7% reduction; per Urban Alliance-90% certain state won't take for 2020; will for 2021
Adjusted shortfall-May 20, 2020	<u>(4,473,577)</u>	

Per the Wisconsin League of Municipalities there is a 90% certainty that the state will not pull shared revenues from cities and towns in 2020. The original forecast indicated a 7% shortfall in shared revenues as to what we were hearing at the time and have therefore been added back in.

As a prelude to the Budget Reduction Plan; it should be noted that the City was very generous during the period of March 17, 2020 through April 30, 2020 in that it held employee paychecks whole without requiring the use of employee leave banks while employees were not at work and programs/facilities were closed. As of May 1, 2020, there is available to employees the Federal Emergency Sick Leave of another 80 hours (which is funded by the City, not the Federal government) and there is also a Federal extended Emergency FMLA for child care purposes funded by the City at 2/3 of the employee's regular hours.

Upon approval of the Budget Reduction Plan the City is poised to take immediate action to implement remedial measures to its budget shortfalls.

The Executive Budget Team collectively came up with the following proposed overall budget solutions (Table A) and the accompanying schedule of General Fund departmental budget changes (Table B).

General Fund departmental budget changes that affect staffing, staff hours or FTE counts within a department can only be done in conjunction with Human Resources.

Line item cuts within departments can and should be determined by individual departments. Department directors are the ones most intimately familiar with the operations of their respective departments and should rightfully determine line item cuts. There are many departments within the City comprised of 88%-98% staffing. It is infeasible to consider that some of the necessary budget changes will not affect personnel within the various departments. Any changes affecting personnel must follow a specific protocol determined by Human Resources.

To reiterate, the goal of the Team was to preserve, to the extent possible, the core essential services and Safety aspects of the community. It is therefore, not realistic to think that all departments will face the same cuts in an equal fashion. Departments designated as providing Quality of Life services are facing higher cuts than others due to the fact that many of their programs, hours and/or revenue streams have disappeared. Support Services have also faced cuts, some to a greater or lesser degree than others. For example, Information Technology has proven to be a highly necessary resource during recent times and is expected to be into the near future as well.

This plan is intended to be a first effort, knowing that in three short months, we will be attempting to build an operating budget that will attempt to mitigate levy impacts making up for this year's shortfalls.

Table A:

Summary of Budget Cuts			
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Budget Adjustments:			
<u>Internal Review of Accounts:</u>			
General Expense	Safety Seminar	519013	6,000
	City Arts Board	521607	6,000
	Int'l Sister City	521608	3,000
	North LAX Business Assn	521615	17,500
	Bicycle Ped Plan	539008	50,000
	Streetscaping/R&M	587010	50,000
	Sidewalks	587040	50,000
	Decrease Transit Subsidy from General Fund	593000	<u>200,000</u>
			382,500
Council	Return Exp accts to pre-Reso#19-0477 level (\$150)	537200	13,650
Eliminate Step Increases for non-reps-General Fund Portion	Various		210,000
One month healthcare premium holiday (2 mos total in 2020)	Various		750,000
Allocation of Budget Cuts Among Departments	Various		2,500,000
Hiring Freeze-All vacant General Fund positions through end of year	Various		564,712
	Balance		<u>(52,715)</u>

Table B:

Category	Dept	Salary & ERE	Other	Total	% of Total Budget	Final Budget Cuts by Dept
Safety	Police	10,866,012	850,821	11,716,833	17.04%	100,000
Safety	Fire	9,930,072	485,571	10,415,643	15.15%	100,000
Safety	Court (a support function of Police)	271,098	10,955	282,053	0.41%	
(a) Safety	Streets/Lighting	3,213,191	2,569,614	5,782,805	8.41%	500,000
(b) Safety	FPBS	1,275,835	58,100	1,333,935	1.94%	50,000
Quality of Life	Parks/Recr/Forestry	2,428,573	1,054,900	3,483,473	5.07%	500,000
Quality of Life	Library	4,164,100	980,246	5,144,346	7.48%	525,000
Quality of Life	LCC	1,477,393	998,400	2,475,793	3.60%	400,000
Ordinance/Statute	Council	91,080	55,884	146,964	0.21%	3,300
Ordinance/Statute	Clerk	521,890	71,050	592,940	0.86%	5,000
Ordinance/Statute	Assessor	435,482	10,500	445,982	0.65%	25,000
Ordinance/Statute	Mayor	228,789	11,575	240,364	0.35%	25,000
Ordinance/Statute	Refuse Svcs	94,904	2,367,000	2,461,904	3.58%	
Support Services	Legal	573,495	51,543	625,038	0.91%	20,000
Support Services	IT	801,161	1,073,800	1,874,961	2.73%	1,700
Support Services	Finance & HR	1,820,035	146,808	1,966,843	2.86%	100,000
Support Services	Planning	584,954	64,510	649,464	0.94%	95,000
Support Services	Engineering	1,619,245	81,600	1,700,845	2.47%	50,000
Support Services	B&G	285,474	372,500	657,974	0.96%	
Support Services	Employee Benefit	-	90,607	90,607	0.13%	
Support Services	Police/Fire Employee Exp	-	22,200	22,200	0.03%	
Support Services	Insurance	-	707,500	707,500	1.03%	
Other	Contingency	-	300,000	300,000	0.44%	
Other	Debt Service	-	10,786,650	10,786,650	15.69%	
Other	General	-	4,850,038	4,850,038	7.05%	
Other	RT Expense	-	155	155	0.00%	
		40,682,783	28,072,527	68,755,310	100.00%	2,500,000

- (a) Streets/Lighting includes all costs of Streets, including areas that are not Safety Related, i.e.; Leaf Pickup, Street Sweeping, Garage. These areas could rightfully be broken out into Quality of Life and Support Services.
- (b) Some aspects of FPBS could also be broken out as not 100% Safety, but could fall into Quality of Life and Support.