

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2007-08

DATE: May 18, 2007

BUDGET FOR: **DEPARTMENT OF MANAGEMENT SERVICES**

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The proposed budget for the Department of Management Services for fiscal year 2007-08 is \$11,104,017, representing an increase in expenditures of \$802,361 or 7.8%, as compared to fiscal year 2006-07.

The proposed budget for the Information Management Services (IMS) is also included in the last portion of this report. The Insurance & Risk Management Fund will be analyzed in a separate report.

DEPARTMENT OF MANAGEMENT SERVICES				
	Adopted 2006-07	Proposed 2007-08	Difference	% Change
Office of the Director (budget and policy development, emergency management, environmental management, civilian review board investigations)	\$1,126,472	\$1,323,128	\$196,656	17.5%
Finance (monitors revenues and accounts payable; prepares quarterly and annual financial statements; processes payroll)	\$1,233,764	\$1,306,098	\$72,334	5.9%
City Treasurer's Office (collects, manages and disburses City funds, bills, manages and collects special assessments, and issues and services debt)	\$936,346	\$1,007,572	\$71,226	7.6%
Purchasing/Contracts/Property Management (provides purchasing, contract development/process and property management services)	\$1,227,290	\$1,267,272	\$39,982	3.3%
Justice Court (traffic/parking adjudication, criminal adjudication, small claims)	\$4,015,464	\$4,304,340	\$288,876	7.2%
Human Resource Management (labor relations, develops and oversees programs that attract, motivate, and retain a skilled, productive work force)	\$1,277,653	\$1,404,903	\$127,250	10.0%
City Recorder (manages city records, administers City elections, publishes official City notices, and records City Council meeting minutes)	\$484,667	\$490,704	\$6,037	1.2%
Total	\$10,301,656	\$11,104,017	\$802,361	7.8%

POTENTIAL MATTERS AT ISSUE AND MAJOR BUDGET ISSUES:

Some of the major changes reflected in the proposed budgets include:

- Additional positions – The Administration has recommended an increase of 5.0 FTE positions and 1.5 Regular Part-time positions.

\$115,000 – 1.0 FTE Environmental Services Sustainability Administrator

The Administration is proposing an executive level position in the Department of Management Services that would oversee the Environmental Program Manager, the Sustainability Committee, and the newly-created Energy Fund for the Future. According to the Administration, this individual will report regularly to the Mayor and the Mayor's Cabinet, and will work with all City departments to implement initiatives to achieve the City's sustainability goals.

The Council may wish to ask whether this position needs to be included in the executive pay plan or whether it could be accomplished at a lower level management position within Management Services. A non-appointed person may bring long-term stability that would help that program.

As noted during the Non-Departmental budget discussion, the Council has asked the Administration for additional information with regards to the specific use of the proposed 1% of General Fund revenue for the Energy Fund for the Future program.

\$199,056 – 4.0 FTE Justice Court clerks (temporary positions changed to full time) – The proposed budget includes a \$58,000 increase to shift the four temporary Justice Court Clerks to regular FTEs. (The \$199,056 figure represents the fully loaded costs.) The Administration is continuing its overall review of the Justice Court and may have recommendations for additional staffing changes when the review is concluded. The Administration anticipates that the review would be completed by September of 2007.

The Administration indicates that the four temporary employees have been able to scan closed files to reduce the backlog, as well as scan current cases. They have also been pulling calendars and filing court documents, freeing up the regular clerks to work on case management.

\$15,932 – Convert two Part-time Justice Court judges to Regular Part-time positions (equivalent of 1.0 FTE) – The Mayor's proposed budget converts two part-time judge positions to RPT (regular part-time) positions. According to the Administration, if both judges become RPT's they will be able to carry their own caseload (not just fill in as they currently are) which will give the Justice Court the same benefit as another full time judge at a lesser cost to the City. Additionally, the Administration indicates this will likely not change the judges' hours but will allow for 50% paid benefits and 50% accrued vacation leave.

A Council Member inquired as to whether giving benefits to part-time judges would actually reduce the number of working hours. In response, the Administration indicates that providing benefits would not reduce their working hours because the judges will be sharing a full caseload, and they are obliged to ensure their calendars are covered and paperwork is kept current.

Convert a Human Resources Part-time position to .50 Regular Part-time position

– The Administration proposes to convert an hourly position to a regular part-time position. The Human Resources Division has indicated it will absorb any additional costs for 2007/08.

- Credit card charges \$20,000 – The Treasurer’s Office is requesting \$20,000 for increased costs related to the use of credit cards for building permits and impact fee payments, as well as small amounts associated with general banking charges. According to the Administration, the volume of credit card payments continues to increase, as well as the associated banking fees paid by the City for each credit card transaction, which may be a reflection of the popularity of using credit cards as the preferred method of payment.
- Supplies for Emergency Operations Center - \$15,000 – The Office of the Director has requested \$15,000 of one-time funds for the purchase of emergency supplies for the Emergency Operations Center. The following is the Administration’s itemization of items to be purchased:

Food and water for 4 days	\$4,500
Radios	\$4,000
Phones with Headsets	\$3,800
Laptop/Printer	\$1,350
Supplies	<u>\$1,350</u>
	\$15,000

The Administration indicates that in the event of an emergency, as many as 22 employees would be assigned to the Emergency Operations Center, and at present, there are not adequate stockpiles of food and water for them.

- Health insurance increases – The Mayor’s Recommended Budget includes a citywide cost-of-living increase, adjustments to pension rates and health insurance costs. Council staff will prepare a separate report on compensation once negotiations with labor unions have concluded.

Budgetary Breakdown by Division

Office of the Director:

If the new Sustainability Administrator position is approved by the Council, the Office of the Director will have 10.0 FTE and a .50 part time employee. The functions of this office include budget development, policy analysis, project development and management, emergency management, environmental management, and Civilian Review Board investigations. The budget shows an increase of 17.5% or \$196,656 as compared to FY 2006/07. The increase can be

attributed to the proposed new position, the projected salary increases, as well as pension and health insurance adjustments.

Finance Division:

The Finance Division includes the functions of accounts payable, financial and budget reports, payroll, grant acquisition and revenue auditing. The Finance Division consists of 17.0 FTE employees. The budget reflects an increase of 5.9 or \$72,334, which is attributed to projected salary increases, pension and health insurance adjustments.

City Treasurer's Office:

This Division currently has 9.0 FTEs. The functions of the Treasurer's Office include cashiering, cash and debt management, as well as special assessments. The Treasurer's Office budget reflects an increase of 7.6% or \$71,226. The budget increase can be attributed to a request for \$20,000 relating to an increase in credit card costs as well as projected salary increases, pension and health insurance adjustments.

Purchasing/Contract/Property Management Division:

The functions of the Purchasing, Contract and Property Management Division include contract development, purchasing and property management. There are 17 FTEs, and the Division's budget reflects an increase of 3.3% or \$39,982, which is attributed to projected salary increases, pension and health insurance adjustments.

Justice Court:

The Justice Court functions include adjudicating small claims, criminal and non-criminal cases, domestic violence court cases, and cashiering. The Division's budget is proposed to increase by 7.2% or \$288,876. The increase is attributed to salary and benefit adjustments as well as the budget request to change four part-time Justice Court Clerks to full-time employees, and to convert two part-time judges to RPT (regular part-time) employees.

Human Resource Management Division:

The Human Resource Management Division is responsible for labor relations, and managing records which are governed by federal and state laws, rules and regulations. Examples of the types of records include investigative reports related to discrimination complaints, classification reports, employment files, employee records for insurance, training and development, negotiation notes, grievance history and other labor relations issues. If the Council approves the conversion of one part-time employee to a regular part-time position, the Division will have a total of 15.16 FTEs and .50 RPT. The Division's budget proposes an increase of 10.0% or \$127,250, which is attributed to the transfer of 1.0 FTE from the Police Department to Human Resources from Budget Amendment #1 for fiscal year 2006/07, as well as projected salary increases, pension and health insurance adjustments.

City Recorder's Office:

The Recorder's Office functions include managing City records, administering City elections, publishing official City notices and the recording of City Council meeting minutes. The budget for this office reflects an increase of 1.2% or \$6,037. There

are a total of 5.0 FTEs and .50 part time positions in this division.

Additional Information

LEGISLATIVE INTENT STATEMENTS

****These intent statements reflect what was presented to the Council in March of 2007. The Administration is working with Council staff to provide a more current update of all legislative intent statements.**

Citywide Emergency Preparedness Plan – It is the intent of the City Council that the Administration provide quarterly written briefings regarding progress of the City's emergency preparedness.

Response from the Administration: The Administration reports that in addition to the February 8th briefing, written quarterly briefings will follow.

Justice Court – It is the intent of the City Council that the Administration provide a recommendation as a result of the weighted caseload study and other Administrative changes.

Response from the Administration: The Administration reports that they will provide this information in conjunction with the Mayor's Recommended Budget.

Advance Notice of Employee Retirement: It is the intent of the City Council that the Administration explore the possibility of requiring that employees give advance notice of retirement or providing an incentive for employees to give advance notice of retirement.

Response from the Administration: The Administration reports it is exploring this issue and will provide more information in the fourth quarter.

FTZ Warehouse – It is the intent of the City Council that the Administration consider selling the FTZ Warehouse to offset the land acquisition costs associated with the Fleet Facility and consider selling the old employee clinic building on Redwood Road.

Response from the Administration: The Administration reports it is currently studying both options identified, as well as others, as part of its ongoing property management.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Department of Management Services.

During the briefing, the Council may wish to identify potential programs or functions to be added to the Council's list for future audits.

INFORMATION MANAGEMENT SERVICES BUDGET

Information Management Services provides citywide computer and network support, maintenance, software development, and telephone services and repair. Internal service funds such as Information Management Services are used to account for the financing of services provided by one department or agency to other departments or agencies of the City. Cities use internal service funds in order to account for the full cost of providing the services similar to private businesses. This type of accounting helps governments know whether the services are competitive with private businesses with regard to their fees. Internal service funds reimburse the General Fund for overhead costs and track the full cost of their operations.

Revenue for the Information Management Services Fund for fiscal year 2007-08 is proposed to increase by \$460,626 or 5.7% over fiscal year 2006-07. Expenses are increasing by \$765,841 or 9.6%.

The Council may wish to note that as a result of the recommendations from the IMS audit, the Division made a number of organizational modifications, including a significant staffing reorganization. These staffing changes are a major factor in the increases and decreases itemized in the chart below; however, as noted, the proposed **net increase** is 9.6%, which can be attributed primarily to increases in salary and insurance, the transfer of two employees, and the increase of the Microsoft licensing agreement.

INFORMATION MANAGEMENT SERVICES FUND PROPOSED BUDGET				
	Adopted 2006-07	Proposed 2007-08	Difference	Percent Change
Revenue & other sources				
Fees from departments/funds	\$2,627,719	\$2,773,962	\$146,243	5.6%
Interest	20,000	20,000	- 0 -	
Miscellaneous revenue & sale of Equipment	37,078	37,078	- 0 -	
Transfer from General Fund	5,366,294	5,680,677	314,383	5.9%
Total revenue	8,051,091	8,511,717	460,626	5.7%
Expenses & other uses				
Network/infrastructure	\$2,875,203	3,497,205	622,002	21.6%
Software engineering	1,389,499	1,553,719	164,220	11.8%
Web services	416,925	277,749	(139,176)	(33.4%)
Telephone services	740,179	462,038	(278,141)	(37.6%)
Consulting team (coordinate with customers)	1,065,255	1,333,609	268,354	25.2%
Security group (from hackers, viruses, spam)	349,960	328,462	(21,498)	(6.1%)
IFAS (accounting system)	178,994	229,566	50,572	28.3%
SLCTV – video processing	135,988	143,770	7,782	5.7%
Administration	433,412	525,138	91,726	21.2%
Computer lease program	382,009	382,009	- 0 -	
Total expenses	\$7,967,424	8,733,265	765,841	9.6%
Budgeted revenues and other sources over (under) expenditures and other uses	\$83,667	\$ (221,548)	\$(305,215)	(364.8%)

POTENTIAL MATTERS AT ISSUE AND MAJOR BUDGET ISSUES

Some of the major changes reflected in the proposed budgets include:

- \$151,070 - Transfer from other Departments, 2.0 FTE – As a result of the IMS audit recommendation, one computer programmer is being transferred from the Community Development Department and from the Fire Department in an effort to consolidate all IT positions within the General Fund under the IMS Division.
- Reserve Balance – In prior years, the Division has experienced a cash deficit. As of June 30, 2006, the IMS reserve balance was \$114,000. The Mayor's proposed budget is projecting a surplus of \$310,950 as of the end of June 2007.
- \$221,000 - Microsoft Licensing Agreement (ongoing needs) – During the October 2006 budget opening, the Council appropriated additional funds for the Microsoft licensing agreement to cover the additional costs for the current fiscal year. The license agreement fee for fiscal year 2007/08 is \$221,000. Until very recently, the Administration's budget staff thought this was a one-time cost (as opposed to ongoing). As a result, IMS is proposing to use \$221,000 of reserves. The license agreement provides the following services for city computers:
 - Desktop Software
 - Word (letters, documents)
 - Excel(spreadsheets)
 - Outlook (email)
 - PowerPoint (Presentation Software)
 - Server Support Software
 - Computer Operating Systems (Windows XP, Vista, etc)
 - Server email databases and email management
 - Virus Protection
 - Spam Protection
 - Spyware Protection
 - Databases
 - Video Conferencing Software
 - Web Services(Portals – website support)
 - Support for VoIP (Voice over IP)

The Council may wish to note that this is a three-year agreement with Microsoft. All contracts contain a clause that allows the City out of the contract if funding is not provided for that year.

- IFAS (Integrated Fund Accounting System) – According to the IMS Division, the actual IFAS costs for fiscal year 2006/07 are projected to be \$243,500. The budget for fiscal year 2007/08 is proposed to be \$239,430, which is a small

decrease from the projected actual costs.

- Transfer from the General Fund – The General Fund’s portion of major systems is funded by a direct transfer from the General Fund. A \$5,680,677 transfer is proposed for fiscal year 2007-08, which is an increase of \$314,383, or 5.9%. The increase in the transfer is attributed to projected pay adjustments and health insurance increases, as well as the funding for the 2 FTEs transferred from the Fire and Community Development Departments.
- Fees from Departments/Funds – Departments are charged for computer maintenance (set fee per computer), for discretionary computer support services not covered by the set fee amount, and for telephone services. As recommended by the IMS audit, beginning July 1, 2007, the total cost for all new software (either purchased or developed by IMS) will be budgeted by the requesting departments.
- IMS Fund Lease Program – The lease program provides for the IMS Fund to purchase computers and lease them to City departments (for general fund only) which pay for the computers over time.

Additional Information

LEGISLATIVE INTENT STATEMENTS

No legislative intent statements are outstanding for the Information Management Services Fund.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Information Management Services Fund.

During the briefing, the Council may wish to identify potential programs or functions to be added to the Council’s list for future audits.