

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – FISCAL YEAR 2003-04

DATE: May 27, 2003

BUDGET FOR: **DEPARTMENT OF MANAGEMENT SERVICES**

STAFF REPORT BY: Sylvia Jones

cc: Rocky Fluhart, David Nimkin, Steve Fawcett, Tracey Stevens, Gordon Hoskins, Dan Mulé, Brenda Hancock, Mary Johnston, Laurie Dillon, DJ Baxter

The proposed budget for the Department of Management Services for fiscal year 2003-2004 is \$8,915,333, representing a decrease in expenditures of \$27,555 or .31%, as compared to FY 2002-2003.

The proposed budget for the Information Management Services and Risk Management will be analyzed in separate reports.

DEPARTMENT OF MANAGEMENT SERVICES				
	Adopted 2002-2003	Proposed 2003-2004	Difference	% Change
Office of the Director (budget development, emergency management, environmental management, corporate communications, demographic resource center, labor relations)	\$1,321,754	\$1,257,622	\$(64,132)	(4.85%)
Accounting (monitors revenues and accounts payable; prepares quarterly and annual financial statements; processes payroll)	1,403,434	\$1,113,668	\$(289,816)	(20.65%)
Treasurer (collects, manages and disburses City funds)	\$669,768	\$622,510	\$(47,258)	(7.06%)
Purchasing/Contracts/Property Management (provides purchasing, contract development/process and property management services)	\$1,131,880	\$1,168,185	\$36,305	3.21%
Justice Court	\$2,868,483	\$3,145,354	\$276,871	9.65%
Human Resource Management (develops and oversees programs that attract, motivate, and retain a skilled, productive work force)	\$1,090,386	\$1,158,381	\$(67,995)	(6.24%)
Total	\$8,942,888	\$8,915,333	\$(27,555)	(.31)

POTENTIAL MATTERS AT ISSUE

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

- Elimination of positions – Two positions were eliminated by budget amendment including one cashier position in the Treasurer's Office, and one vacant human resource associate position in Human Resources.

- Addition of positions - The Management Service's budget is showing an increase of an additional .65 FTE resulting from moving .25 of a Human Resource position from the Insurance and Risk Management Fund, adding .50 FTE P/T Office Technician in Human Resources, and shifting .10 FTE to 100% IMS Funded.
- CDBG Reallocation – In the past, salary expense for positions within the general fund that were funded by Community Development Block Grant (CDBG) revenue were recorded as general fund expenditures and general fund revenue. The Administration proposes budgeting for these positions directly within the CDBG Fund thereby eliminating the expenditures within the general fund and the offsetting interfund revenue. The department has not parceled out funding as a percentage of each employee but rather by function or service within the accounting division.
- Justice Court Revenue and Operating Costs – Management Services projects that the Justice Court revenue for FY 2003 will be approximately \$4,240,000 (based on the average monthly amount for traffic cases, and assuming monthly revenue from criminal cases will be at least equal to the revenue collected in March 2003). Expenses for FY 2003 are expected to be approximately \$2,620,000. The budget for the Justice Court for FY 2003 was \$2,868,483. (For additional details concerning projected revenue and expenses, please refer to the attached memo from the Administration.)
- Collection of Outstanding Accounts – Currently, the City has \$16.8 million dollars of outstanding accounts receivable from past due parking tickets and moving violations (including \$10.3 million for parking tickets, \$5.8 million for moving violations, \$500,000 for zoning issues, and \$200,000 for miscellaneous violations). One revenue auditor position is being dedicated to collecting outstanding accounts. Several other employees from Finance are assisting in this collection process. The collection procedures include requesting credit reports, sending letters, and setting up garnishments. The hard cost per delinquent account (including postage, supplies and credit review) is approximately \$2.00. (Additional details are included in the attached memo.)

Management Services suggests that the City partner with the State of Utah to require that outstanding tickets be paid prior to allowing individuals to register their vehicles. A portion of recovered accounts could be given to the State. Legislation may be required to implement this revision.

Some Council Members have expressed concern about budgeting potential revenue for which the potential success cannot be reliably documented. The Council may wish to discuss with the Administration the basis for their revenue projection.

- Justice Court Pro Tem Judges – Management Services is proposing that the appropriation for the use of part time pro tem judges is reduced by 50%, decreasing the Justice Court budget by \$28,701. The Council may wish to ask about the current use of part time judges to date.
- Parking Meter Collection Costs – The Administration has proposed placing 350 new parking meters on 300 East, 300 South, near Gateway and Franklin Covey

Field. It is anticipated that coin collection costs will be covered within the current budget. Council staff has asked the Administration for further clarification on the full costs to install the meters.

- Employee Parking/Patron Parking at the Library – The Administration is negotiating a Landlord/Tenant agreement with the Library, which will include management of the parking operation. A draft is being reviewed. *The Council may wish to update the ordinances that relate to City employee parking at the old parking garage on 200 East and 400 South and codify employee parking and patron parking at the City-owned parking structure located under the City’s Main Library building.*
- Telecommunication Right-of-Way Ordinance – Several questions have surfaced regarding the proposed changes to the ordinance fee structure.
 - 1) What is the Administration’s policy basis for this recommendation, and what is the general background information?
 - 2) Did the Administration notify the telecommunications companies of the proposed ordinance changes and fee structure increases?
 - 3) Is there any legal conflict with current state or federal telecommunications regulations?
 - 4) Are some companies using the City’s rights of way without being charged?
 - 5) Is the City proposing to charge fair market value for the use of its rights of way? How does this differ from the way the City currently charges for its rights of way?
 - 6) How do the proposed fee changes compare with other cities in Utah?
 - 7) Is the fee structure tied to direct City costs?

Council Members have expressed interest in meeting with the Administration and members of the industry to discuss these issues. The meeting is tentatively scheduled for Thursday, June 5, 2003.

- FTE Transfers – The Administration is proposing to transfer the CIP coordinator’s salary and benefits from the General Fund to the CIP Fund. This transfer would represent a service level increase to the CIP fund, since the position currently performs other functions. The position will still be supervised by the Finance Division. The labor relations representative position will be transferred from Human Resources to the Office of the Director. The IFAS coordinator’s salary will be transferred to the IFAS cost center.

Currently, Management Services employs a data/demographic planner to provide the City with housing, economic development and census data. The Police Department also provides crime and accident statistics for its divisions; however, the resources for this function are very limited. *The Council may wish to consider transferring the Management Services data/demographic planner FTE to the Police Department, including the cost of .75 FTE, and transferring .25 FTE to CED for housing, census and economic development data.*

- Salary and health insurance increases – Personal service costs assumes increases in base salaries plus merit increase for employees covered by union

contracts. Health insurance rates are projected to increase by 2%. Pension costs will increase by 8.7% and 10.7%, depending on the plan.

- Strategic Plans/Balanced Scorecard/Performance Measures**
 The Balanced Scorecard and the six-year business plans are tools used by the Administration to measure. It appears that a significant amount of resources are invested in these two processes. The Administration indicates that the FY2004 budget process combined the balance scorecard and the six-year business plans into one approach, called the Six-Year Business Plan (Balanced Scorecard). City departments, however, have indicated that they are still spending significant time tracking both approaches separately. Additionally, the information for the six-year plans was not prepared in advance of the budget process to be used as a tool, but was completed by Administrative departments after their budget submittals. The six-year plans do not contain financial information. Last year when the Council considered eliminating a position in Management Services that, among overall City training and organization development, was overseeing the balanced scorecard, the Administration indicated that the information was key to the budget development process. This same staff person is currently working with each department to complete the final phase of the alignment process, that of individual employee alignment and evaluation.

FIVE-YEAR BUSINESS PLAN (Goals and measurable results)

Performance Measurement	Balanced Scorecard measure	2003 Target	March 2003
<i>Customer Service</i>			
Conduct internal customer surveys and implement improvements each year		2	1
Create the greater of 20% of total or one additional on-line service setup on the City's WEB page each six months (started in 2001) until all identified on-line services are completed		Greater of 20% of total or 2	4
Conduct environmental audits at city departments		2	2
<i>Financial Health</i>			
Actual revenue will be equal to or greater than revenue projections		≥ 100%	105.3%
Implement a zero-based/activity based costing approach to budgeting		20%	15%
Year to date Internal Service Fund operating expenses as % of budget measured quarterly (IMS Fund)		≤ 100%	107.6%
Year to date Internal Service Fund operating expenses as % of budget measured quarterly (Risk Insurance Fund)		≤ 100%	113.1%
Year to date General Fund operating expenses as % of budget measured quarterly		≤ 100%	97%

Achieve a maintain a fund balance of 18% in the General Fund		14%	14.46%
General obligation bond ratings will be equivalent to Moody's Aaa or Fitch's AAA or equivalent		Aaa/AAA	Aaa/AAA
Efficiency & Effectiveness			
Identify one significant service to benchmark service standards against yearly		1	3
Performance Measurement	BSC measure	2003 Target	<i>Mar 2002</i>
Train 1/3 of employees in customer service skills by January 31, 2003 and each year thereafter. Refresher courses every three years		33%	.08%
Ensure through the budgeting process that an amount equal to 9% of the General Fund revenue is dedicated to the Capital Improvement Program each fiscal year		9%	>9%
Workforce Quality			
Maintain turnover rate at < 10% per year		<10%	6.5%
Establish baseline and then increase outreach and recruitment of minority and women employees		baseline	Baseline not complete
Complete employee performance plans setup by June 2003 and thereafter for all new employees		100%	12.3%
Add one new service provided through the WEB per year		1	3
Identify one internal business service to be added to the WEB per year		1	3

LEGISLATIVE INTENT STATEMENTS

The Council issued the following legislative intent statements that relate to the Management Services budget:

Fiscal Note on Proposed CIP Projects - It is the intent of the City Council that the Administration provides the Council with a fiscal note on proposed capital improvement projects that require additional ongoing operations and maintenance (new parks, additional buildings, etc).

Results/Steps Taken: The Department has been providing the operational impact on the budget amendments throughout the year. The Department provided impact statements on the proposed CIP schedule for the upcoming budget of 2003-04.

Emergency Response Employees - It is the intent of the City Council that the Administration present options to the Council regarding a requirement that, as a condition of employment, any emergency-response personnel hired after August

Item Va

31, 2001 are required to live within a 10 mile radius of the City & County Building.

Results/Steps Taken: The Department has no additional information to provide, other than the study completed and presented earlier regarding the CCAC's recommendations about residency requirements for Public Safety personnel.

Funding for Compensation Liability - It is the intent of the City Council that the Administration work with the Council to begin to accumulate a reserve in a separate fund or account to fund the City's accrued compensation liability for vacation and other payments that employees may receive upon retirement. Further, it is the Council's intent that the Administration provide estimates on the potential annual financial impact for the next ten or more years.

Results/Steps Taken: The total liability for the governmental activities is reported yearly on the financial statements. For fiscal year ending 6/30/02 it is reported on page 15, line titled "Long Term Compensation Liability". It includes vacation, sick leave, comp time, personal leave and the severance accounts. The total amount reported is \$13,347,289. Department staff has not provided a forecast for future years at this point.

Department staff has met with Council staff and now has a better understanding about what this intent is trying to accomplish. The Department will continue to examine this suggestion and as funds permit could begin to build a fund to accumulate reserves to accommodate future payouts.

Retirement Payouts - It is the intent of the City Council that the Administration consistently budgets for payments of vacation leave and other retirement payouts. The Administration should consider budgeting for these payments in a separate fund or account rather than requiring departments to leave positions vacant or otherwise make cuts in operations to finance these payments.

Results/Steps Taken: Management Services staff budgeted funds in the non-departmental account for retirement payouts for the fiscal year 2002-03. The budget was established at \$650,000. All of the funds have been expended at this point. Department staff has met with Council staff and now has a better understanding about what this intent is trying to accomplish. The Department will continue to examine this suggestion, and as funds permit, may begin to build a fund to accumulate reserves to accommodate future payouts.

Parking Meter Collection - It is the intent of the City Council that the Administration considers collecting parking meter revenue using bonded agencies or employees rather than paying overtime rates.

Results/Steps Taken: Since July 1, 2002, parking meters have continued to be collected by the Police Department while an RFP was developed and distributed and a Selection Committee established to review the proposals. As a result of the meter collection budget being reduced by \$25,000 from FY 2002 to FY 2003, it was necessary to revise the collection schedule from 3 days per week to 2 days per

week. With only \$52,000 budgeted for FY 2003 and an estimated cost of \$60,000 for the Police Department to collect the meters, \$8,000 was taken from the meter repair and replacement budget to make up this difference. The cost proposed by the number one ranked Offeror was more than we are currently paying the Police Department. The number two ranked Offeror's pricing was well below the current budget for meter collection services, but they ranked the lowest in qualifications and approach. The Selection Committee recommended that the Administration continue to use the Police Department since the number one Offeror's bid was more than what the City currently pays the Police Department. The Police Department is estimating that the cost will remain at \$60,000 to collect the meters twice per week during FY 2003/2004.

Volunteers - It is the intent of the City Council that the Administration investigates ways to expand the use of volunteers and/or retired personnel for providing City services.

Results/Steps Taken: The Administration will investigate ways to utilize volunteers and/or retired personnel to provide City services. No coordinated effort has been implemented as yet. Human Resources is working with the Mayor's Office to establish policies, procedures, tracking systems and job descriptions for unpaid interns (student volunteers). There should be some transferability of these systems for use with other City volunteers.

Process Service - It is the intent of the City Council that the Department of Management Services investigates or tests the service of documents using mail similar to the success reported by the City Prosecutor.

Results/Steps Taken: The Administration decided the best way to test this was to take 100 parking affidavits, and 100 traffic affidavits, divide them up into groups of 50 each, mail half and give the other half to the process server for service. The Department will track the difference in the number of clerk hours used in preparing the cases, the cost of mailing as opposed to being served and the number of actual services from each method. After the affidavits are printed, they are given to the clerk to sign. Once signed, the original copy (white) is filed with the court and the other two copies (pink and yellow) are given to the process server for service. Clerks separate the copies; however, the clerk must do this no matter which method of service is used, so I will only calculate the difference in staff hours in each case.

After the affidavit is given to the Process server for service, nothing is done until the service is returned from the Process server. It will be returned for several reasons:

- a) It was successfully served (\$7.00 to \$12.00 fee depending on the distance the defendant lives to the Courthouse)
- b) The addressee moved and the Department is unable to identify a new address. (No charge)
- c) If the address moved and either the Process server or our office was able to find a new address it would be sent out for service again (No charge unless

Item Va

successfully served, then the fee would be \$7.00 to \$12.00 depending on the distance from the Court the defendant lives)

d) The addressee may not have moved, but the Process server was unsuccessful in serving the paper to someone at the home. (No charge)

e) It was paid or bankruptcy was declared prior to service and our office recalled the service (No charge.)

Court rules allow service to individuals other than the defendant if they are “of suitable age and discretion there residing”, so a co-resident (parent, sibling, etc) may be served. (See attached Rule 4) If the service was successful it will be returned from the Process server with a “Proof of Service” which is a form that the process server fills out stating who was served, date of service and place of service. The process server who is swearing that the information on the proof of service is correct then signs it. This is included in the \$7 to \$12 service fee. Total costs and services are as follows:

Successful services (100 affidavits) –38		\$422.00
Moved – 26	\$0.00	
Unable – 8	0.00	
Recalled – 20	0.00	
Pending – 8	0.00	
Clerk Hours (calculated at 215 (D) step \$11.63 hr) - 0		
Total Cost to City		<hr/> <hr/> \$422.00

Mailed Service:

After the affidavits are printed, they are given to the clerk to sign. Once signed, the original copy (white) is filed with the court, the pink copy goes in the file (and will be filed with the proof of service if successful) and the yellow copy is mailed to the defendant. The clerk must fill out two certified mail forms, which are attached to the envelope. Because Rule 4 requires that the defendant sign the return receipt, these affidavits must be sent out certified, return receipt requested and restricted (defendant endorsement required) for a total of \$7.92 per Affidavit.

After the affidavit is mailed nothing is done until the service is returned from the post office. It will be returned for several reasons:

a) It was successfully picked up (\$7.92 fee)

b) They have moved and we are not able to find a new address. (\$7.92 fee)

c) If they have moved and the letter is returned with a forwarding address, our records would be updated and it would be sent out for service again. Another registered mail form must be filled out and then mailed out. (A second \$7.92 fee for a total of \$15.84)

d) Unable, meaning they moved but left no forwarding address. (\$7.92 fee)

e) They may not have moved, but they do not pick up the envelope it will be returned “unclaimed” in 10 days. (\$7.92 fee)

f) They go to the post office and before signing for the letter, refuse it. The post office would then return it “refused”. (\$7.92 fee)

Item Va

If it was successfully picked up and signed for by the defendant (no other person can sign for it) our staff must fill out a “proof of service form” attach the signature card and send to the court. Total costs and services are as follows:

		Cost
Successful services (100 affidavits) –23		\$229.68
Moved – 16	245.52	
Unable – 33	269.28	
Refused – 3	39.60	
Unclaimed – 38	356.40	
Clerk Hours (calculated at 215 (D) step \$11.63 hr) – 12.93 hours (only salary was calculated, not salary plus benefits)	150.38	
Total Cost to City		1290.86

Summary

Because of having to pay for all mailed affidavits as opposed to just the successfully served affidavits services, as with the process server’s office, it is clear that having the defendant served by a process server is much more cost effective and results in a higher percentage of successful services. Without a successful service, the City would be unable to get a judgment, allowing the City to garnish income tax returns, wages and be reported on credit reports. By the time a ticket reaches the affidavit stage, a defendant has received a ticket and at least two follow up notices requesting an appearance or payment. It is not likely that these individuals will respond to a mailed service.

The City Prosecutor is dealing with criminal cases, and the defendant is aware of the court date (by arrest or citation). The majority of services by the Prosecutor are witnesses and, in the majority of cases, they are willing participants. These are the cases that use to be served by a process server. Unless there is something to indicate that the witness will not appear, the subpoena is sent via regular mail. There are no court rules requiring registered, certified mail on witnesses. The Prosecutor is still using a process server on cases that may require an expert witness, and in domestic violence cases where the witness is also the victim and after the fact may be hesitant to testify.

Grant Writing Team - It is the intent of the City Council that the Administration completes the centralization of the grant writing function by transferring any remaining grant writer positions to the central team in the Department of Management Services. Further, it is the Council’s intent that the Administration provides a quarterly report on the grants submitted and grants received.

Results/Steps Taken: The grant writer team reports to the finance director. One of these grant writers is still located in the public safety building, but is coordinating all of their activities with the finance director and the other grant writers. Because of the interaction with the public safety personnel we found it easier for them to be located in that building. The grant team meets every week.

The grant team is providing a monthly report to both the Mayor and the Council on the status of all the grants that the City has applied for in the past two years.

Grant Monitoring - It is the intent of the City Council that the Administration confirms that the grant application and the grant monitoring/management function is appropriately separated in different divisions, to ensure that the grant monitoring and management is conducted by individuals other than those submitting the grants. Further, it is the Council's intent that all grants and requests for funding be tracked in a central location to insure that the requests are consistent with the City's policies, and to insure that the applications are submitted in a manner that leaves the City maximum flexibility in determining how the grants will be used. Further, it is the Council's intent that the Administration provides a quarterly accounting of grant monies received and the specific manner in which they were spent.

Results/Steps Taken: All grants are monitored on a common computer database. We have separate spreadsheets for grants that:

1. Still needing research
2. Sent and pending the results
3. Funded and the amount received
4. Those not funded

The Department has not developed a system to report the results of the grant spending compared to the grant application. We will continue to pursue this reporting request.

Impacts of Special Events - It is the intent of the City Council that the Administration continues to explore the feasibility of charging reimbursement fees for the use of police officers or other City services at special events where a fee is being charged to participants, and in other circumstances as appropriate. The Council requests a quarterly report listing special events approved by the City, including police and other City services provided. The listing should include:

Services provided for which a fee was charged, and the amount of the fee

- a. The actual cost of the service to the City
- b. Services provided for which no fee was charged
- c. Other relevant information

Further, the Council requests a listing of special City services provided for events that do not require a permit, including large gatherings at established venues. In approving this Legislative Intent the Council is not expressing opposition to special events, but is seeking more information with which to consider policy options.

Results/Steps Taken: The Administration has been working with the Council's internal auditors on this subject.

AUDIT REPORTS

Item Va

The Council's contract auditor has conducted three audits relating to the Department of Management Services: (1) Human Resource Management Services, (2) property appraisal and disposition, and (3) grant funds. The audit reports will be available within the next few days.

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.