

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2004-05

DATE: May 14, 2004

BUDGET FOR: **DEPARTMENT OF MANAGEMENT SERVICES**

STAFF REPORT BY: Sylvia Jones

cc: Rocky Fluhart, Sam Guevara, Steve Fawcett, Tracey Stevens, Gordon Hoskins, Ken Cowley, Dan Mulé, Brenda Hancock, Mary Johnston, Laurie Donnell, DJ Baxter

The proposed budget for the Department of Management Services for fiscal year 2004-05 is \$9,471,880, representing an increase in expenditures of \$631,506 or 7.1%, as compared to fiscal year 2003-04.

The proposed budget for the Information Management Services is also included in the last portion of this report. Risk Management was analyzed in a separate report.

DEPARTMENT OF MANAGEMENT SERVICES				
	Adopted 2003-04	Proposed 2004-05	Difference	% Change
Office of the Director (budget development, emergency management, environmental management, corporate communications, demographic resource center, labor relations)	\$1,257,622	\$1,241,171	\$(16,451)	(1.3)%
Finance (monitors revenues and accounts payable; prepares quarterly and annual financial statements; processes payroll)	1,113,618	\$1,051,162	\$(62,456)	(5.6)%
City Treasurer's Office (collects, manages and disburses City funds)	\$622,510	\$623,763	\$1,253	0.2%
Purchasing/Contracts/Property Management (provides purchasing, contract development/process and property management services)	\$1,171,341	\$1,126,649	\$(44,692)	(3.8)%
Justice Court (traffic/parking adjudication, criminal adjudication, small claims)	\$3,145,354	\$3,879,943	\$734,589	23.4%
Human Resource Management (develops and oversees programs that attract, motivate, and retain a skilled, productive work force)	\$1,080,266	\$1,086,933	\$6,667	0.6%
City Recorder (manages city records, administers City elections, publishes official City notices, and records City Council meeting minutes)	\$449,663	462,259	\$12,596	2.8%
Total	\$8,840,374	\$9,471,880	\$631,506	7.1%

POTENTIAL MATTERS AT ISSUE

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

- Elimination of positions – The Department of Management Services is recommending the elimination of 4.0 FTEs.
 - \$(48,335) – Deputy recorder position, 1.0 FTE
 - \$(17,917) – Clerical position in HR, .50 FTE
 - \$(23,268) – Contract writer position in Purchasing, .50 FTE
 - \$(52,188) – Admin. specialist contract mgmt. in Purchasing, 1.0 FTE
 - \$(48,328) – Accounts payable accountant position in Finance, 1.0 FTE
- Addition of positions – The Administration has recommended the following addition of 6.0 FTE positions:
 - \$(78,148) – Two clerk positions for the Justice Court, 2.0 FTEs
 - \$(36,377) – One office tech position for the Justice Court, 1.0 FTE
 - \$(20,500) – One records clerk position for Recorder's Office, .50 FTE
 - \$(88,732) – Two collection specialists for the Justice Court, 2.0 FTEs
 - \$(-0- net) – One debt mgmt. analyst for the Treasurer's Office, .50 FTE
- Justice Court Operations Costs – The Administration has proposed the following additions to the Justice Court budget:
 - \$ 45,000 for collection effort supplies and credit checks, postage, supplies
 - \$150,000 one-time cost for interactive voice recognition
 - \$ 10,000 computer software for case management system upgrades
 - \$ 24,000 one-time scanning software
 - \$ 58,500 interpreter fees and witness fees
 - \$ 25,000 process service for parking tickets/new contract fees
 - \$ 25,000 criminal process service fees
 - \$ 9,183 other expenses (computer maintenance, telephone, membership fees and training)
 - \$ 21,840 prisoner transport
 - \$368,523 Total**
- IFAS Accounting change – Last year, per the Administration's request, the Council approved transferring a portion of the IFAS administrator's salary to

IFAS account in the Information Management Services Fund. The Administration has proposed that the entire amount of the IFAS administrator's salary be accounted for in the IFAS fund resulting in a \$7,400 decrease in expenditures in the Department of Management Services.

- Telecommunications right-of-way fees – The Administration is proposing a uniform linear-foot fee for placing conduit in the City's streets and rights-of-way. The proposed uniform fee is projected to increase revenue by \$375,000.
- Treasurer's Office – Street Lighting Special Assessment Fund -- The Mayor's Recommended Budget proposes to charge \$48,221 of administrative costs of the special assessment coordinator in the City Treasurer's Office to the street lighting districts. Administrative costs are proposed to be charged to all 50 districts based on the amount of other costs of each district (i.e. contract with Utah Power, outside legal services, publication and recording fees.)
- Grant writer paid with CDBG funds – The Finance Division receives CDBG funding related to eligible administrative costs. Last year, the City Council eliminated funding of a grant writer position with CDBG funding. The proposed budget anticipates funding this position with \$47,000 of existing allocations of CDBG funding. According to Management Services, this will not require any additional funding, but will require a policy shift allowing the grant writer to be paid with CDBG funding.
- Portion of Treasurer's Office costs reimbursed by General Obligation Bonds – The Administration is proposing to pay \$2,948 of administrative costs of the Treasurer's Office from bond proceeds of future general obligation bonds.
- Pension and health insurance increases – The Department of Management Services will incur \$84,580 of addition pension premiums and \$58,363 of additional costs for employee health insurance.

Justice Court Questions – Council staff asked Management Services to respond to the following questions based on information requested by Council Members:

1) **What are the annual costs and revenues associated with parking meters?**

Response: See attachment "Parking meter expenses and revenue comparisons"

2) **How close to actual are the revenue projections since the inception of the Justice Court?**

Response: For FY2005 requested levels, revenues are 12.3% higher and expenses are 15.9% higher than 2000 actuals. A summary showing the percentage difference from projection in October 2000, and each year thereafter, is included in the attached spread-sheet labeled "Justice Court Expenses and Revenue Comparisons".

3) **What are the net revenues minus expenses (taking into consideration the district court revenues the City would have received anyway)?**

Response: The net amount for FY2005, after adjustment of increases proposed in the recommended budget is \$269,872. See attachment "Justice Court Expenses and Revenue Comparisons".

4) **When the Justice Court took on the University and Highway Patrol and other cases, what were the projected caseload, revenue and staffing needs?**

Response: Initial estimates for the Justice Court caseload included the number of cases that would be added from UHP and other agencies, as well as the revenue from those cases. The estimate for traffic cases was approximately 7,700, and the number of criminal cases was estimated to be 16,000, including the misdemeanors and infractions.

In 2003 when the prosecution of cases was taken over by Salt Lake City, Prosecutor's Office expected an increase of about 2,900 cases per year resulting from the shift in the prosecuting entity. The number of traffic cases from the UHP and other entities were somewhat higher but at the same time there was a decrease in the number of traffic cases from Salt Lake City, so the total was close to projections. Because the Justice Court caseload did not change, increases in staffing were requested for the Prosecutor's Office, but no clerical staff or judges were added at the Justice Court.

In October 2002, when the City discussed the option of prosecuting the District Attorney cases, the traffic caseload at the Justice Court was reviewed. We found that 45% of the traffic cases were being heard by a hearing officer, prompting the Administration to make the request for an additional hearing officer due to the workload. At the time, it also appeared that the traffic caseload was increasing. This trend has not continued, but the popularity of having someone hear the side of the citizen without a formal trial has been on-going, so the need for hearing officers has continued. Currently 58% of traffic cases are being heard by a hearing officer.

The total anticipated revenue from the City prosecuting the District Attorney cases was expected to be about \$525,000. This revenue was the result of not having to split the fines and forfeitures with the State, since the City would be handling both the prosecution and the adjudication. The estimated revenue for FY 2003-04 is about \$500,000 higher than what was originally estimated for the Justice Court (see attached spreadsheet "Justice Court Expenses and Revenue Comparisons").

In the past year, comparisons with other courts have indicated that the staffing for the SLC Justice Court is much lower than other courts. In preparing preliminary estimates for staffing at the Justice Court, these kinds of comparisons were not

made. Instead, the types of cases and numbers of judges were reviewed and a plan was developed with those criteria rather than staffing it at levels similar to other courts. A review of the current situation has resulted in duties that require more time than was initially estimated. Comparisons with other courts simply indicate that more staff members are likely needed to handle the caseload.

5) **How many cases did the Justice Court review last year?**

Response: See the bottom of the attachment labeled "Justice Court Expenses and Revenue Comparisons".

6) **Given the volume of court cases, is there a system currently in place whereby the Prosecutor's office determines whether a case has merit?**

Response: Yes. A committee screens cases, checks the merits and proper filings, the issues, witnesses, etc. and through the pre-trial process, they review the strength of the case, speak with the defendant and counsel.

7) **During the budget opening, the Administration was given temporary employees to assist with the collection of outstanding debt. How much has been collected to date?**

Response: \$750,000

8) **The use of an outside firm for collections has been recently mentioned. Is the Administration reevaluating the FTE approach?**

Response: Not necessarily. We have already contracted with a firm specializing in collections. They charge 20% of what they collect. We see them as a way to supplement our in-house effort, but not as a replacement for the in-house effort.

9) **Will the temporary employees be located and managed by the Justice Court or by the Finance Division?**

Response: Until the end of this fiscal year the temporary employees will stay in Finance. When the positions are added as full time staff, the decision has been made to include them in the Justice Court. They will have a separate work space. They will be managed directly by Mary Johnston, the Court Director and not by either the Criminal Section Manager or the Administrative Enforcement Program Specialist.

Management Services indicated to Council staff that they believe it will work out well functionally to have these employees report to the Court Director. They will put in place specific safeguards so that these employees will only work on collection efforts. They will also begin collection efforts earlier in the process which may increase success of collecting fines.

10) **If employees are located in the Justice Court, will there be controls in place to ensure that their focus remains on collections and not diverted to other pressing needs?**

Response: The Justice Court Director will ensure that they will perform only those duties associated with collecting past due revenue. This will be controlled by their reporting directly to the Court Director and not to another supervisor. The Justice Court Director meets monthly with the Deputy Director of Management Services, and this topic will be covered each month, and reports will be generated regarding revenue collections, cases cleared, etc.

11) How do actual collections compare with the projected collections?

Response: We estimated that we would collect \$500,000. We have collected \$750,000 and believe that we will actually collect \$800,000 to \$850,000 by June 30, 2004.

12) Some Council Members expressed interest in obtaining information regarding how legislative bills would influence Justice Court and Prosecutor's Office.

Response: Please see attached itemization of legislative bills.

13) Are there other voice recognition systems available that could provide the services needed by the Justice Court? (Please see attachment entitled, "Questions and responses regarding the voice recognition system".)

Response: Yes, there are many different systems and vendors who could provide this technology. If the Council approves this expenditure, the actual cost of the system will be known after an RFP or other competitive bid processes are sent out and a bid is accepted. \$150,000 is the estimate given to the Justice Court after IMS made several inquiries with various vendors.

IMS estimates that approximately \$70,000 would pay for the server, hardware and software for the voice response program. The remaining \$40,000 to \$80,000 would pay for consulting fees to set up the system and design the system to the specific applications necessary for the Justice Court.

The Justice Court applications include but are not limited to the following:

- a) Providing information regarding jury duty
- b) Providing court date information
- c) Allowing customers to make traffic and criminal fine payments by phone (without having to speak to an operator)

IMS staff told Council staff that this system may have a larger application than just the Justice Court. After the system is purchased, other City divisions may be able to use the automated technology for their own purposes, such as:

- a) Scheduling building inspections
- b) Providing purchasing vendors with invoice and payment information
- c) Enhancing public utilities' automated system to close water accounts, shut off service, provide account balance information.

- d) Provide stolen property information

IMS told Council staff that public utilities paid approximately \$30,000 for their system which is currently functioning, but not at the anticipated level. Community Development's automated system is no longer functioning.

14) Council Members may wish to note that Council staff met with Management Services and Justice Court staff recently to discuss Justice Court issues. Justice Court staff is working with the Prosecutor's Office to create efficiencies and streamline processes. One issue relates to the filing of 'informations' which are basically a list of facts about each particular case. The Justice Court judges have the discretion of requiring informations to be filed prior to pre-trial dates. However, the district courts do not file informations until after pre-trials, since approximately 50-70% of cases are dismissed by the date of pre-trial.

By waiting until after pre-trials to file informations, the prosecutor's office could save time and create efficiencies. Justice Court judges could be urged to handle the filing of informations in the same manner as the district court.

Additional Information

PERFORMANCE MEASUREMENTS (Goals and measurable results)

The Department of Management Services identified goals and objectives to guide the budgeting process and provide a means for management to better evaluate overall Department performance. In order to assist the Council in evaluating progress, Council staff summarized the goals and noted the results or steps taken by the Department through March of 2004.

1. Goal/Objective: Percentage of Justice Court customers satisfied with service received.
Response: The baseline survey was completed and indicates that 78% of those responding were either happy or very happy with the service.
2. Goal/Objective: All Human Resource processes, policies and procedures will be reviewed and revised as needed by the end of FY 2004.
Response: Human Resources worked with Labor Relations on Employee Appeals process to revise three procedures. Others not yet identified.
3. Goal/Objective: Enhance online bids and proposal system to include additional search features by June 30, 2004.

Response: This goal has been met.

4. Goal/Objective: Emergency response plan exercised and evaluated annually with checklists and standards determined by outside evaluators..

Response: This exercise is planned for the spring of 2004.

5. Goal/Objective: Percent of time cashiers are out of balance will be less than or equal to the established benchmark.

Response: This goal is being accomplished and it is anticipated to continue this positive trend.

6. Goal/Objective: Budget balanced on financial system five days after amendment is approved by Council.

Response: This goal is being accomplished and it is anticipated to continue this positive trend.

7. Goal/Objective: Develop 2 web based applications for accounting procedures per year.

Response: The ACH for vendors and the “what if” screen for the employee online system procedures were developed.

8. Goal/Objective: Enhance online bids and proposal system to include additional search features by June 30, 2004.

Response: This goal will be met by the target date.

9. Goal/Objective: Complete enhancements to Employee Online.

Response: The “what if” screen was developed and an updated version of the employee online was developed.

LEGISLATIVE INTENT STATEMENTS

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

City Employee Benefit Plan Review - It is the intent of the City Council that the Administration and the Citizens Compensation Advisory Committee review the City's Employee Benefit Plans and transmit to the City Council by February 3, 2004 information, comparisons and recommendations for options relating to the benefit package; the Council is particularly interested in options that would reduce the amount of the vacation and personal time payout upon employee retirement or resignation.

Department Response: the Citizen's Compensation Advisory Committee provided this report to the Council in February. However, the Committee recommended

further study by the Employee Benefits Committee and the Human Resources Division. The study is in progress.

Early Retirement Program - It is the intent of the City Council that the Administration transmit to the City Council by July 31, 2003 options for consideration and recommendations necessary to implement an Early Retirement Program.

Department Response: The Administration has completed this review as requested by the Council and submitted the report to the Council in November 2003.

Collection of Fines - It is the intent of the City Council that the Administration report quarterly on the successfulness of its special collection effort. This report is to include quantitative information as well as progress regarding the City's efforts to work with the State and with collection agencies. The report information is to be separated based on the age of the fine (6 month, 1 year, etc.) per the information available from the Justice Court GEMS computer program.

Department Response: The Administration is tracking this information. The Council received summary results in connection with Budget Amendment Number Three.

Retirement Payouts - It is the intent of the City Council that the Administration provide to the Council by September 1, 2003 information, options and a recommended plan to budget for payments of vacation leave and other retirement payouts.

Department Response: The Administration prepared written information regarding retirement and other leave payouts and submitted to the Council in October, 2003.

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. Please note that the Justice Court is included in the Council's list of potential 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.

The budget for the Information Management Services Fund for fiscal year 2004-05 is proposed to decrease by \$151,184 or 2.0% over fiscal year 2003-2004.

INFORMATION MANAGEMENT SERVICES FUND PROPOSED BUDGET				
	Adopted 2003-04	Proposed 2004-05	Difference	Percent Change
Revenue & other sources				
Fees from departments/funds	\$2,654,012	\$2,563,661	\$ (90,351)	(3.4%)
Interest	91,681	75,000	(16,681)	(18.2%)
Miscellaneous revenue & sale of Equipment	2,062	37,078	35,016	1698.2%
Transfer from General Fund	4,881,370	4,832,752	(48,618)	(1.0%)
Total revenue	\$7,629,125	\$7,508,491	\$(120,634)	(1.6%)
Expenses & other uses				
Network/infrastructure	\$2,865,413	\$2,675,868	\$(189,545)	(6.6%)
Software engineering	1,120,789	1,219,607	98,818	8.8%
Web services	427,021	445,619	18,598	4.4%
Telephone services	927,879	762,760	(165,119)	(17.8%)
Consulting team (coordinate with customers)	889,386	982,300	92,914	10.4%
Security group (from hackers, viruses, spam)	522,033	527,258	5,225	1.0%
IFAS (accounting system)	183,795	178,994	(4,801)	(2.6%)
Administration	692,809	685,535	(7,274)	(1.0%)
Total expenses	\$7,629,125	\$7,477,941	\$(151,184)	(2.0%)

POTENTIAL MATTERS AT ISSUE

Matters at issue reflected in the proposed budget include:

- Reductions in Operating Costs – The proposed budget recognizes savings in operating costs including reduced contract maintenance costs of the computer network and the telephone network. In addition, some equipment costs in the

current-year budget can be eliminated because these were one-time expenses.

- Transfer from General Fund – The General Fund’s portion of major systems is funded by a direct transfer from the General Fund. A \$4,832,752 transfer is proposed for fiscal year 2004-05, which is a decrease of \$48,618.
- 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.
- Copy Center -- A fund balance of \$81,540 has accumulated in the Copy Center Fund. The Administration has recommended combining these funds with \$102,460 of fund balance in the General Fund to finance \$184,000 of one-time needs in the Justice Court.

Please note that the Copy Center services were recently put out to bid. Council staff has additional details.

Council Members asked IMS to respond to the following questions:

- **What is the current ratio of City computers to IMS technicians?**
Response: The current ratio is 1:109, or one technician to one hundred nine computers. (Please see attached itemization of computers listed in each department by object code.)
- **What is the current industry ratio of computer to technicians?**
Response: Since FY 1995-96, IMS has used the ratio of 1:100 based on the Gartner recommendation of 1:47 (complex, diverse, older networks or companies) and 1:100 (less complex, modern networks or companies with highly trained staff). Though our network is complex, we still believe the ratio of 1:100, one technician to one hundred computers is still a realistic goal. Please note, however, that the addition of mobile devices such as PDA’s or blackberries draw on our staffing resources to set up and maintain these systems.

Additional Information

PERFORMANCE MEASUREMENTS (Goals and measurable results)

Information Management Services has identified goals and objectives to guide the budgeting process and provide a means for management to better evaluate overall Department performance. In order to assist the Council in evaluating progress, Council staff summarized the goals and noted the results or steps taken by the Department through March of 2004.

1. Goal/Objective: 95% of IMS customers satisfied with overall service (at least 2 surveys administered per year).
Response: The survey was completed in February of 2004 and responses indicated that 95% of the IMS customers were satisfied with the overall service provided by IMS.
2. Goal/Objective: Create one additional online service setup on the City's Web page each six months, until all identified services are completed.
Response: Two online services were set up in the first half of the year.
3. Goal/Objective: IMS Revenue is 1% greater than expenditures.
Response: This is measured once yearly after audit is completed in December.
4. Goal/Objective: Complete infrastructure upgrade plan for each year.
Response: 26 out of 34 projects are completed and the remaining projects will be completed by the end of June of 2004.
5. Goal/Objective: Add new services provided through the Internet by 2006-07.
Response: Mobile Work Orders application at the Airport will be used by the airport fleet shop to access and update work requests for airport vehicles. The application will run on a wireless "ruggedized" device.
6. Goal/Objective: Add new internal business services to the web each year.
Response: Tree Angel (Urban Forestry) will provide a system to track trees donated for a special cause or person.

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. Please note that Information Management Services is included in the Council's list of potential future audits.