

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – FISCAL YEAR 2010-11

DATE: May 18, 2010

BUDGET FOR: **DEPARTMENT OF FINANCE and
DEPARTMENT OF HUMAN RESOURCES**

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The budgets for the Justice Court, Department of Information Management Services (IMS) and Insurance & Risk Management Fund will be analyzed in separate reports.

**REORGANIZATION OF THE
DEPARTMENT OF ADMINISTRATIVE SERVICES**

Office of the Director of Administrative Services	Eliminate Office of the Director position. Projected savings of \$161,394, plus \$24,531 in operating expenses associated with this position.
Office of Budget and Policy	Transferred to Mayor's Office
Capital Asset Management	Transferred to Community & Economic Development
Civilian Review Board	Transferred to Department of Human Resources
Emergency Management	Transferred to Police Department
Finance	New Department
Treasurer's Office	Transferred to Department of Finance
Purchasing/Contracts	Transferred to Department of Finance
Human Resources	New Department
City Recorder	Transferred to Attorney's Office
Justice Court	New Justice Court Division
Sustainability and Environmental Management	Transferred to Department of Public Services

Department of Finance	Proposed 2010-11 Budget
Accounting (Payroll, Accounts Payable and Grants Acquisition)	\$792,652
Financial Reporting & Budget (Financial Reporting, Budget Facilitation, Capital/Fixed Asset Reporting)	359,494
Purchasing/Contracts(Purchasing and Contract Development)	739,456
Auditing of Revenue/Business License (Revenue Auditing and Business Licensing)	850,438
Treasurer's Office (Cashiering, Cash & Debt Management and Special Assessments)	985,257
Total	\$3,727,297

The Department of Finance includes the functions of the former Finance Division, as well as Business Licensing, the Purchasing and Contracts Division and the Office of the City Treasurer. In total, there are 39.0 FTE's in this Division.

Please note that merit increases, the 1.5% salary restoration, as well as pension and insurance increases are included in each division's proposed budget.

Finance Issues:

- Cash Conversion Budget Reduction
The Administration proposes to eliminate the cash conversion funding of \$39,000. This funding was originally intended to finance the cash conversion of employees' annual personal leave buyout. With the elimination of this funding, all of the former Administrative Services divisions will have to absorb these costs in the future.
- Collections Briefing and Discussion
The City Council will hold a Collections briefing and discussion on June 1st. The Administration is preparing documentation detailing collection efforts citywide, including current processes, comparisons of what the City has collected (FY 2009 versus 2010), potential for process improvement, and current challenges with regards to collections efforts.

Accounting Division

The Accounting Division's proposed budget for FY 2010-11 is \$792,652. As this is a new division within the Finance Department, there are no budget comparison totals from prior years.

The positions in this Division include:

# of FTEs	Accounting Division
.40 FTE	Finance Director (A portion of this position is allocated to the Accounting Division, the Financial Reporting/Budget Division as well as Revenue Auditing/Business Licensing.)
1.0 FTE	Controller
1.0 FTE	Systems Support Administrator
3.0 FTEs	Grant Acquisition/Project Coordinator
1.0 FTE	Payroll Administrator
2.0 FTEs	Accountant II
	<u>Elimination</u> of 1.0 FTE Financial Records & Filing Accountant (layoff). Responsibilities will be reassigned and absorbed by other positions. Projected savings of \$48,200.
8.40 FTEs	Total

Financial Reporting & Budget Division

This Division's proposed budget for FY 2010-11 is \$359,494. As this is a new division within the Finance Department, there are no budget comparison totals from prior years.

The positions in this Division include:

# of FTEs	Financial Reporting & Budget Division
.20 FTE	Finance Director (A portion of this position is allocated to the Accounting Division, the Financial Reporting/Budget Division as well as Revenue Auditing/Business Licensing.)
1.0 FTE	Budget & Reporting Manager
1.0 FTE	Accountant IV
1.0 FTE	Staffing/Position Control Specialist
1.0 FTE	Property Control Agent
4.20 FTEs	Total

Purchasing/Contracts Division

The Purchasing/Contracts Division's proposed budget for FY 2010-11 is \$739,456, which is an increase of \$24,801 or 3.5% as compared to FY 2009-10. The increase is attributed to the 1.5 % salary restoration. The positions in this Division include:

# of FTEs	Purchasing & Contracts Division
1.0 FTE	Chief Procurement Officer
1.0 FTE	City Contracts Administrator
1.0 FTE	<u>Elimination</u> of 1.0 FTE Purchasing Consultant II (vacant) Projected savings of \$73,584. (This change leaves one remaining Purchasing Consultant II.)
2.0 FTEs	Procurement Specialist I
2.0 FTEs	Contract Development Specialist
1.0 FTE	Office Facilitator I
1.0 FTE	Contracts Process Coordinator
9.00 FTEs	Total

Revenue Auditing/Business License Division

This Division’s proposed budget for FY 2010-11 is \$850,438. As this is a new division within the Finance Department, there are no budget comparison totals from prior years. Included in this budget is the Administration’s proposal to allocate 30% of the Revenue Analyst and Auditor’s salary cost to the Risk Fund. The Administration indicates that the Revenue Analyst ensures that the Risk Fund is being accounted for in the allocation of the administrative costs to the general fund, internal service funds and enterprise funds.

The FTEs in this Division include:

# of FTEs	Revenue Auditing/Business License Division
.40 FTE	Finance Director (A portion of this position is allocated to the Accounting Division, the Financial Reporting/Budget Division as well as Revenue Auditing/Business Licensing.)
1.0 FTE	Revenue Analyst/Auditor Manager
2.0 FTEs	Revenue Analyst & Auditor
1.0 FTE	Revenue Analyst & Administrative Internal Auditor
1.0 FTE	Business License Administrator
2.0 FTEs	Business License Enforcement Officer
1.0 FTE	Development Review Combination Processor
2.0 FTE	Business License Processor
10.40 FTEs	Total

Proposed Ordinance Fee Increase

Current Ordinance	Proposed Increase	Anticipated Revenue
Freight License sticker fee (12.56.330) and base business license fee (5.04.070)	Increases freight sticker fee from \$25.00 to \$35.00 and requires base business license fee of \$100. (Note: the freight sticker fee has not been increase in 20 years.)	\$130,000 annually for sticker increase; \$52,000 annually for base business license fee.

With regards to the proposed fee increases, the Administration indicates that letters of notification are being sent to the delivery companies. The Business Advisory Board was not notified.

Office of the Treasurer

The proposed budget for the Treasurer’s Office is \$985,257, which is a \$61,552 or 6.7% increase as compared to the FY 09-10 adopted budget. The increase in budget is, in part, a reflection of the Administration’s request for \$20,000 to change the Administrative Assistant to a full-time position. It is currently a .50 RPT position. The Administration indicates additional support is needed, given the increased amount of bond work that will be taking place in the next several years. The City’s lack of coordination on bonding-related items and assessments (that don’t ultimately lead to bonding) have created confusion which has led significant staff rework as well as use of bond counsel time due to errors. **The Council may wish to discuss providing adequate resources to address the City’s bonding needs.**

In addition, the Treasurer’s Office is requesting \$30,000 as a result of increased costs relating to the use of credit cards for building permits and impact fee payments. Credit card usage continues to increase, according to the Administration.

The positions in this Division include:

# of FTEs	Treasurer’s Office
1.0 FTE	City Treasurer
1.0 FTE	Deputy Treasurer
1.0 FTE	Cash Management/Investment Analyst
1.0 FTE	Cash Management Assessments Analyst
2.0 FTEs	City Payment Processor
1.0 FTE	Treasurer’s Office Administrative Assistant (<u>Add</u> .50 FTE to make 1.0 FTE) Projected cost is \$20,000.
7.00 FTEs	Total

LEGISLATIVE INTENT STATEMENTS

1. Collections:

In addition to focusing on collection strategies as an interim study issue, it is the intent of the Council that in the short-term, the Administration would make every reasonable effort to turn over collectibles to an outside agency for more immediate follow-up and to provide a quarterly report on the status of the collection efforts.

Response from the Administration:

The Justice Court shortened the timeframe for sending cases with judgments to collections from six years to ten days after judgment is entered. We are now sending criminal cases to the State Office of Debt Collections, but that Office

does not have jurisdiction over civil judgment cases and those will continue to be sent to an outside collection agency with the expedited timeframe in place. The OSDC will take only outstanding debt that has been reduced to a judgment. The State has contracted with 11 different collection agencies that they use along with their own in-house agents to collect on their accounts. The OSDC also has higher priority for intercepting state tax (and soon federal tax) returns, greatly increasing their chance of collecting. The OSDC adds a State allowed percentage to the bill and takes that amount as their fee, paying the City the entire face value of the judgment. Since February 7, 2010, the City has sent 426 criminal and traffic cases, totaling \$174,000 to OSDC. In the short time OSDC has been working these cases, they have collected \$13,628. Since OSDC can garnish income tax refunds, we should see a sharp increase in the amount collected next spring as well as a gradual increase as the number of cases sent increases.

Business Licensing: Business Licensing has been aggressively working to collect on or clean up their outstanding receivables totaling \$926,575. A strongly worded collection letter was sent to all past due businesses and has received excellent response. Respondents either made a payment or communicated that the business had been terminated, allowing uncollectable amounts to be written off. Business owners that do not respond will be taken to small claims court. Once a small claims judgment has been received, a garnishment or other collections effort will be pursued.

INTERIM STUDY ITEM UPDATES

1. **Citywide Collections strategy** - In response to the City Council's expressed interest in aggressive collection of City receivables, the Administration has been working on setting up a City-wide Accounts Receivable system to identify, invoice and monitor the wide variety of receivables currently scattered across City departments. The Administration is examining all outstanding receivables to determine the best course of action for rapid collections. Collection procedures are being reviewed and process revisions are being implemented.

Identify and quantify outstanding receivables: The Administration continues to identify areas within the City that bill customers for City services and is maintaining a master list of these receivables. The identified outstanding amount owed as of 3/31/10 is approximately \$6.3 million. This includes \$1,017,500 in parking tickets, \$1,967,158 in Justice Court fines and \$3,249,266 in other amounts owed.

The Administration has implemented several process revisions that are slowly beginning to improve collections. To date, these changes have resulted in additional revenue of \$46,074. Revenue Auditing also just recently closed a long outstanding debt of \$600,000 with a telecommunication company and, as a result, the City will also have ongoing revenue of about \$200,000.

Implement IFAS Accounts Receivable Module: The Administration continues to migrate divisions to the IFAS AR system. Innkeepers Tax and Parking Tax customers are on the system. Property Management and Public Services are in

the process of entering all necessary data to the AR system. The Fire Department will be the next department to be moved to the system.

Collection Agency for NSF Checks: The pilot program with ePayments was not as successful as hoped, collecting only 30% of non-sufficient funds (NSF) checks submitted. The pilot program will be discontinued. The outstanding returned (NSF) checks will instead be sent to a collection agency using the same schedule as parking tickets. In addition, the Treasurer's Office is implementing a city-wide digitized check system where all checks written to the City are converted to ACH (turned into a debit transaction instead of a paper check). This process has been tested in the Treasurer's office for the last 10 months and has resulted in far fewer returns (only 4 ACH's were returned during the test period).

Office of State Debt Collection (OSDC): The Administration is working with the Utah Office of State Debt Collection to utilize their collections services. This process relies on Judges to review and release cases to be sent to collections (the OSDC will take only outstanding debt that has been adjudicated, meaning we have a warrant or judgment against the person for the debt, and they will not take civil cases). The State has contracted with 11 different collection agencies that they use along with their own in-house agents to collect on their accounts. The OSDC also has a higher priority for intercepting state tax (and soon federal tax) returns, greatly increasing their chance of collecting. The OSDC adds a State allowed percentage to the bill and takes that amount as their fee, paying the City the entire face value of the judgment. Since February 7, 2010, the City has sent 426 criminal and traffic cases, totaling \$174,000 to OSDC. In the short time OSDC has been working these cases; they have collected \$13,628. Since OSDC can garnish income tax refunds, we should see a sharp increase in the amount collected next spring as well as a gradual increase as the number of cases sent increases. We can only send the cases once they are delinquent, and the clerk must be able to find these cases while doing case management, which is only done when time permits, and with our reduced staffing this is not done as often as it once was.

Business Licensing: Business Licensing had been aggressively working to collect on or clean up their outstanding receivables totaling \$926,575. A strongly worded collection letter was sent to all past due businesses and has received excellent response. Respondents either made a payment or communicated that the business had been terminated, allowing uncollectable amounts to be written off. Business owners that do not respond will be taken to small claims court. Once a small claims judgment has been received, a garnishment or other collections effort will be pursued.

- 2. Transaction Fees - Encourage environmentally-friendly payment options for City-related transactions.** In response to the City Council's expressed interest in assuring environmentally-friendly payment options for all City-related transactions, the Administration has been working to identify areas that currently do not offer online or paperless transactions.

The Administration has identified several areas where electronic invoicing could

be effective. The Administration is working with departments to determine the feasibility for creating electronic invoices for the Public Utilities billing system, and the new Special Assessment Areas system.

The new version of the Public Utilities billing system has the capability to send customers' bills via email or fax. This is being tested now and will be implemented in the near future.

3. **Business License Fees - Research business license fees in order to develop a methodology that is equitable for both large and small businesses.** The Administration is aware of the City Council's interest in developing a methodology for calculating business license fees that is equitable for both large and small businesses. At this time, the Administration, along with Business License staff, is working to insure that data, following the conversion from the Legacy System to Accela, is up-to-date and correct. At this point, there is not enough accurate data to conduct an analysis. As soon as the Business License database in Accela is error-free and fully functional, the Administration will begin an analysis of the methodology for calculating fees and consider potential changes to the fee structure. The Administration will keep the Council informed as this process continues, but at this point, the Administration is still working on the data necessary to develop the methodology.

Department of Human Resources	Proposed 2010-11 Budget
Human Resources Administrative Support (Payroll, Recruiting and Compensation)	\$581,781
Departmental Consultants (Compliance)	717,882
Training	78,530
Civilian Review Board Administration	136,088
Total	\$1,514,281

The Department of Human Resources includes the functions of Human Resources Administrative Support, Departmental Consultants, Benefits, Employee Training, and Civilian Review Board Administration. Overall, the proposed budget of \$1,514,281 is an increase of \$198,460 or 13.1% over FY 2009-10. The increase can be attributed to the transfer of the Civilian Review Board Investigator, as well as merit increases, the 1.5% salary restoration, and pension and insurance increases. There are a total of 20 FTEs (16.16 General Fund and 3.84 Risk Fund) included in this department. The Insurance & Risk Management Fund will be addressed in a separate staff report.

Human Resources Administrative Support

The proposed budget for Human Resources Administrative Support is \$581,781. As this is a new division within the Human Resources Department, there are no budget comparison totals from prior years.

# of FTEs	Human Resources Administrative Support Division
.66 FTE	Human Resource Management Director (A portion of this position is allocated to the Human Resources Administrative Support Division, the Benefits Division)
1.0 FTE	Office Tech II
.60 FTE	Human Resource Information Systems Coordinator
1.0 FTE	HR Office Administrator
1.0 FTE	Compensation Program Administrator
1.0 FTE	Civilian Review Board Investigator
1.0 FTE	Employment Coordinator
6.26 FTEs	Total

With regards to the Civilian Review Board Investigator, the Administration indicates that additional duties will be added to that position, including working with the development and delivery of training. Other duties may be assigned as well.

Departmental Consultants

The proposed budget for the Departmental Consultants is \$717,882. The positions in this Division include:

# of FTEs	Departmental Consultants
	<u>Elimination</u> of Human Resource Deputy Director (vacant) Projected savings of \$120,360.
.90 FTE	Senior HR Administrator
1.0 FTE	Human Resource Consultant/Equal Employment Opportunity
2.0 FTEs	Senior Human Resource Consultant
3.0 FTEs	Human Resource Consultant
2.0 FTEs	Human Resource Associate
8.90 FTEs	Total

Employee Training

The proposed budget for Training is \$78,530. As this is a new division within the Human Resources Department, there are no budget comparison totals from prior years. The function consists of 1.0 FTE:

# of FTEs	Training
1.0 FTE	Training & Development Specialist
1.0 FTE	Total

Benefits

The proposed budget for Benefits is \$136,088. As this is a new division within the Human Resources Department, there are no budget comparison totals from prior years.

# of FTEs	Benefits
.34 FTE	Human Resource Management Director (A portion of this position is allocated to the Human Resources Administrative Support Division, the Benefits Division)
.10 FTE	Sr. HR Administrator
1.0 FTE	Employee Benefits Administrator
.40 FTE	Human Resource Information Systems Coordinator
1.0 FTE	Employee Benefits Specialist
1.0 FTE	Office Tech II
3.84 FTEs	Total

The following chart reflects all of the ordinance changes relating to the reorganization of the various departments and divisions in the Mayor's Recommended Budget.

Ordinance	Proposed Changes
Section 2.08.020	Eliminates Department of Chief Administrative Officer (CAO).
Section 2.09.060	Adds Mayor's Chief of Staff to emergency interim succession process; eliminates CAO in same section.
Section 2.54.030A.1	Eliminates CAO and adds Mayor's Chief of Staff to list of individuals who approve take home vehicles.
Section 2.72.060A	Transfers Civilian Review Board (CRB) Investigator to Human Resources Department.
Section 2.72.150 I	References H.R. Director instead of CAO regarding CRB Investigator's reports.
Section 2.35.080	References Dept. of H.R. as providing staff support to CRB Investigator (versus CAO's Office).
Section 2.24.030B	Eliminates Administrative Services from list of departments from which to choose for elected board members.
Section 2.42.020A	Eliminates reference to Administrative Services.
Section 2.75.020B	Eliminates reference to director of administrative services and states that hearing officers are supervised under the direction of the city justice court director.
Section 8.04.020	Deletes the reference to "Office" of Animal Services.
Section 10.02.100B	Eliminates Dept. of Administrative Services and adds Human Resources as the department associated with the administrator of the police civilian review board.
Section 2.08.025	Replaces Dept. of Administrative Services with Dept. of Finance as the responsible department for all financial services. Itemizes each division within the Finance Department. Deletes City Recorder and Budget Officer from the former Dept. of Administrative Services.
Section 2.08.027	Adds Dept. of Human Resources and its responsibilities.
Section 2.08.029	Adds Dept. of Information Management Services (IMS) and its responsibilities.
Section 2.08.090A	Adds Emergency management to the Police Department.
Section 2.08.050	Adds Engineering, Capital asset management and non-parking civil enforcement, including sidewalk entertainers and artists' ordinance and enforcement of snow removal under the Dept. of Community and Economic Development.
Section 2.08.040	Adds City Recorder to Attorney's Office.
Section 2.04.010	Adds Policy & Budget and Budget Director under the powers and duties of the Mayor.
Section 2.08.080	Adds Sustainability Division, Parks and Public Lands Division and Division of Youth & Family Programs and Fleet Management under the Dept. of Public Services. Eliminates references to engineering duties, supervision of design and construction of public works in the city and in the public way.

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

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