



MEMORANDUM

TO: City Council Members

FROM: Darin Atteberry, City Manager
Mike Freeman, Interim Chief Financial Officer *ML*

RE: **Work Session Follow-up: October 9 Budget Work Session**

DATE: October 11, 2007

On October 9, City Council and staff met in work session to continue the review of the 2008-2009 City Manager's Recommended Budget. Discussion focused on two areas:

Additional Revenue Sources

1. **Vendor Fee Modification:** The Council reviewed the proposal to change the Vendor Fee provided to merchants that collect sales and use taxes on behalf of the City. The modification would decrease the amount retained by the vendors, thus increasing the yield of sales tax revenues by approximately \$390,000 per year (on-going.) Council directed staff to continue to develop this policy change. The ordinance to implement this change will be presented for First Reading on November 6, with Second Reading to coincide with the Second Reading of the Final Budget on November 20.
2. **Additional Use of Reserves:** Council reviewed the discussion that occurred on October 8 at the Council Finance Committee regarding targets for General Fund reserves. Conversation centered on establishing a minimum target of 60 days of General Fund expenditures held in reserve, with a maximum target of 90 days. Staff provided information that, given current reserve levels, Council could choose to appropriate an additional \$400,000 for 2008/2009 expenditures without lowering reserves below the 60 day minimum target.

The establishment of a formal General Fund reserves policy has been scheduled for the October 23 Work Session.

Council Directed Additions to Budget

At the September 25 Work Session, Council developed a list of budget offers which some members were interested in funding, if resources were available. This list of 22 offers totaled approximately \$5 million in addition one-time or ongoing expenditures. At the

October 9 Work Session, Council members trimmed this list to 11 offers with a total cost of \$1,252,715 over two years. Both the original and the narrowed list are attached.

In order to fund all of the items listed on the revised list, City Council would need to approve both the change to the Vendor Fee (\$390,000 per year/\$780,000 total) and the use of additional reserves in the amount of \$412,715 (slightly more than the amount discussed on October 9.) Along with the savings realized by reducing the Trash Districting Offer from \$135,000 to \$75,000, a total of \$1,252,715 would be available for these additional projects.

Council sought additional information about several offers which had appeared on its list of programs to consider for additional funding.

1. **Network Technology—Voice over IP:** What costs savings might be realized by funding this technology conversion in 2008 and 2009?

The City currently is operating two different phone systems and is migrating its technology toward the Voice over IP technology. This offer would allow the City to complete this switch sooner creating both a more effective and efficient system and allowing the IT department to eliminate an existing contract Network Engineer position. By completing this change during 2008 and 2009, the existing contractual position can be eliminated in the 2010-11 Budget, saving approximately \$85,000 per year.

2. **eCommerce Implementation--Parking Service:** What savings can we project if this offer were purchased?

This offer will allow customers of Parking Services to pay parking citations or buy permits on-line. It also will allow existing customers to renew a parking permit on the web. This will benefit customers since they will not have to come in person to the Parking Services office. It will relieve the pressure on front-counter operations where it is becoming more and more difficult to serve the public with the limited number of staff that are available. This offer is expected to increase parking services revenue by 3-6% due to the added ease of convenient payment methods. This could result in a saving of \$18,000 to \$36,000 in the first year alone. The payback period is estimated to be 2 years.

**City Council Offers for Funding Consideration
October 9, 2007 Work Session (Revised)**

Offer #	Result Area	Offer Name	2008 Cost	2009 Cost	Request Ongoing or One-time	
One Time Only						
166.1	Environmental	West Nile--fully fund	\$ 14,156		ongoing	partially funded in 2008 only; 2009 funded
127.3	Transportation	Enhanced Travel Corridor--North College	\$ 200,000		one time	
126.2	Transportation	Transfort Strategic Operating Plan Update	\$ 100,000		one time	Either year, prior to Transportation Master Plan
138.1	Transportation	eCommerce Implementation--Parking Service	\$ 44,000		one time	
221.1	Neighborhood	Eastside/Westside Neigh.Plan updates	\$ 171,000		one time	
TBD	Environmental	Hazardous Waste Disposal Facility (Estimate ONLY)	\$ 200,000		??	Staff does not have an estimate of either the one-time or ongoing cost
TBD	Econ.	NCEDC Contribution	\$ 30,000	\$ 30,000		
30.4	High Perf. Govt.	Network Services--Network Equipment(Voice overIP)	\$ 88,850	\$ 83,000	one time	2 one-time offers, Possibly thru telecomm fund for portion?
			<u>\$ 848,006</u>	<u>\$ 113,000</u>		
One Time Possible						
203.3	Neighborhood	Enhancement of Human Services Grant Prog.	\$ 100,000	\$ 100,000	ongoing	partial, total request = \$210,000 year
186.1	Safe Community	Traffic Calming (fund pilot?)	\$ 550,000	\$ 550,000	ongoing	Fund a pilot project?
184.2	Transportation	Sign Replacement Program	\$ 38,000		ongoing	Ongoing project, first year funding included in 2009 Rec.Budget
88.16	Transportation	Street Design & Const. Stds Suppt. & Maint.	\$ 5,000	\$ 5,000	ongoing	
88.6	Transportation	Pedestrian Access--Enhancement	\$ 275,000	\$ 325,000	ongoing	
203.2	Neighborhood	Partial Restoration of Affordable Housing Fund	\$ 250,000	\$ 200,000	ongoing	
211.2	Neighborhood	Neighborhood Sevices--Grant Enhancement	\$ 5,000	\$ 5,000	ongoing	
			<u>\$ 1,223,000</u>	<u>\$ 1,185,000</u>		
Ongoing						
139.8	Safe Community	PFA South Battalion	\$ 664,616	\$ 506,424	ongoing	180k one time capital, balance ongoing
TBD	Environmental	Air Quality Monitoring	\$ 30,000	\$ 20,000	one time plus ongoing	
TBD	Safe Community	Police staffing	\$ 2,000,000	\$ 2,000,000	ongoing	
167.1	High Perf. Govt.	Sustainable City Government	\$ 67,151	\$ 69,048	ongoing	
213.1	High Perf. Govt.	Development Review Center--Innovative Tech	\$ 121,600	\$ 12,600	ongoing	
211.3	Neighborhood	Neighborhood Services--Code Enforcement	\$ 17,500	\$ 17,500	ongoing	
93.1	Neighborhood	Neighborhood Parking Pilot program	\$ 28,735	\$ 21,205	ongoing	
			<u>\$ 2,929,602</u>	<u>\$ 2,646,777</u>		
		Grand Total	\$ 5,000,608	\$ 3,944,777		

**City Council Possible Funding List
October 9, 2007 Work Session**

Ongoing		2008	2009
167.1 HPG	Sustainable City Government	\$ 67,151	\$ 69,048
TBD Envir.	Air Quality Monitoring		\$ 20,000
211.2 Neigh	Neighborhood Sevices--Grant Enhancement	\$ 5,000	\$ 5,000
211.3 Neigh	Neighborhood Services--Code Enforcement	\$ 17,500	\$ 17,500
213.1 HPG	Development Review Center--Innovative Tech		\$ 12,600
Ongoing Total		\$ 89,651	\$ 124,148
One time			
30.4 HPG	Network Services--Equipment(Voice overIP)**	\$ 39,974	\$ 37,342
213.1 HPG	Development Review Center--Innovative Tech	\$ 121,600	
203.3 Neigh.	Enhancement of Human Services Grant Prog.	\$ 100,000	\$ 100,000
TBD Envir.	Air Quality Monitoring	\$ 30,000	
126.2 Transp.	Transfort Strategic Operating Plan Update	\$ 100,000	
TBD Envir.	Hazardous Waste Study	\$ 50,000	
TBD Econ.	NCEDC Contribution	\$ 30,000	\$ 30,000
203.2 Neigh.	Partial Restoration of Affordable Housing Fund	\$ 200,000	\$ 200,000
One time total		\$ 671,574	\$ 367,342

***Note: Offer 30.4 partially funded through Telecommunications Fund*

**Resources v. Possible Expenditures
October 9, 2007 Council Work Session**

	2008	2009	Total
Resources			
Reserves--One time \$412,715 (use in either '08 or '09)	\$ 311,225	\$ 101,490	\$ 412,715
Vendor Fee (New On-going resource)	\$ 390,000	\$ 390,000	\$ 780,000
Reduced Trash District Offer (Misc. addl. Resource)	\$ 60,000		
	<u>\$ 761,225</u>	<u>\$ 491,490</u>	<u>\$ 1,252,715</u>
Expenditures			
One-time	\$ (671,574)	\$ (367,342)	\$ (1,038,916)
Ongoing (Can be no more than \$390k per year)	\$ (89,651)	\$ (124,148)	\$ (213,799)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,252,715)</u>