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A G E N D A

**Delta City Council
Work Session**

**October 29, 2013
5:00 p.m.**

A. 2014 Budget

- **Discussion Regarding Possible Investments and Budget Savings**

MEMO

To: City Council
From: Justin Clifton, City Manager
Date: October 24, 2013
Subject: Budget Meeting



Office of the City Manager

Staff is looking for feedback on the enclosed list of possible investments and budget savings. Although these lists are the culmination of many conversations with staff, they are not all inclusive. Council can put anything else on the table. We will also have the opportunity to discuss any other budget items at this meeting.

List of Possible Investments

The following list of possible investments was generated over the last year as City staff and Council have discussed various avenues for organizational need or improvement.

1. Additional Street Maintenance Projects

Cost: \$100K-\$1M—one time

Pros: We have discussed the need to increase the City's investment in street repair. A preliminary analysis completed this year indicates the City may need to spend upwards of \$900K per year to keep pace with maintenance needs. The City has averaged closer to \$300K in the last 8 years with little to no investment in the last 2 years. Spending more money now could help the City "catch up" and reduce the likelihood that more expensive work is needed in future years for certain roads.

Cons: There are a number of possible needs in the City Wide Improvements Fund. Similarly, there are few new revenues coming into the fund and the fund balance is already projected to decline, putting the fund in a vulnerable position to deal with other priorities or emergencies.

2. Street Maintenance Planning

Cost: \$0-\$20K—one time

Pros: The City has created robust capital plans for its electric, water, sewer and storm water infrastructure. However, there is no such plan for City streets. Streets are very expensive and failure to spend dollars efficiently and effectively can have disastrous financial consequences. A good study would not only tell the City what needs to be spent annually to keep up but where to prioritize spending (this can sometimes be counter intuitive as it's not as simple as fixing the worst roads first).

Cons: The study would require expenditure of funds that are in short supply. It's not certain if a good study would truly lead to different outcomes as the City will likely spend all it can on street repair for the foreseeable future. An in-house study could improve upon the preliminary information already collected.

3. Facility Planning

Cost: \$10K-30K

Pros: Like street repair, the City has not invested any significant time or funding to better understand what will be needed to keep City owned facilities running. The City owns a substantial number of buildings that could require significant repair in future years. Better planning would allow the City to allocate and prioritize funding or make other arrangements with tenants when buildings inevitably need work.

Cons: Like street maintenance, it is not clear that a facility plan would help the City beyond its limited ability to cover the cost for repairs currently. The plan could give us a window for repairs and a ballpark cost but many needed repairs will simply arise when they arise and cost what they cost.

4. Facility needs assessment for possible office consolidation

Cost: \$10-30K

Pros: It appears as though some long term planning is needed regardless of timing. Planning could resurrect plans to consider whether or not City Hall is viable long term. There is some potential for savings in utility costs and operational improvements as well. Could take advantage of timing by getting this work done before major improvements (HVAC) are made.

Cons: It is not clear that this is needed right away or even for many years. Capital dollars will be limited and need to be prioritized.

5. Continued Citizen Survey

Cost: \$1,000

Pros: Enables the City to continually poll residents. A new survey can be created or a survey from this year can be used to establish better benchmarks and monitor performance.

Cons: In addition to the small cost, there is staff time dedicated to this operation.

6. City Council Retreat

Cost: \$500-\$2,500

Pros: This enables Council to continue to work in special sessions to set the agenda for the year, vet possible programs and invest in capacity building.

Cons: cost

7. Employee Incentives/ Rewards

Cost: \$10K-\$30K

Pros: Incentives would enable management staff to recognize/reward good performance. Although we maintain the ability to hold employees accountable, incentives can improve performance. It is my hope that incentive pay/rewards can take the place of COLA increases or STEP merit increases.

Cons: These programs need to be carefully established to make sure they increase productivity.

8. Wage Market Study

Cost: Unknown

Pros: The City could get some market verification of its wage scale. In the event the wage scale is high, pay increases would be frozen and new hires would be brought in at lower rates. In the event the wage scale is low the City can establish targets for fair compensation.

Cons: The market study could only verify that our wages are more or less appropriate. It is also possible that an in house study could be performed.

9. Conduct a TABOR election question

Cost: Unknown

Pros: A key strategy to improving the City's financial position could include de-Brucing certain revenues. This will be especially important when growth returns.

Cons: Election may not be successful.

Budget Savings Ideas

The following list of implemented/additional possible savings was generated by the Leadership Team over a series of meetings this fall. The list is created in recognition that there are a number of high priority projects/programs/services that remain unfunded in the 2014 budget. Similarly, this list offers ways the City can reduce expenditures in targeted areas in an effort to reduce reliance on utility transfers and minimize the need for future utility rate increases.

Utilities

1. **Close the power plant** – Will complete a detailed analysis in 2014.

Savings: Total cost to operate less FTE = \$70,000

Pros: Closure would eliminate air quality permitting. The City could sell engine parts to other power plants around the nation.

Cons: Closure would eliminate energy supply in the event of an emergency.

2. **Eliminate/ reduce fall clean up or a small fee?**

Savings: Hard to quantify since a lot of what we collect would end up in the normal collection of trash each week (we typically spend 2 full weeks with 7 employees to clean up the entire City)

Pros: Limited savings

Cons: Could have a negative impact on the look of the City. Customers may be upset. Could increase the need for lengthy Code Enforcement cases.

Golf

1. **Reduce hours of operation** (close during slow periods: certain hours, days, weeks or months)

Savings: \$0-\$350K

Pros: Eliminate certain labor and overhead costs and concentrate golfers on remaining open days.

Cons: Cost savings have highest potential during peak season when staffing demands are higher. However, even during this time it appears as though revenues are roughly equal to expenses on any given day of the week. If hours are reduced too aggressively it may impact the number of annual passes sold.

2. **Sell merchandise at the Rec Center:** Merchandise to be sold from December 1st – January 31st.

Pros: Rec Center has greater volume of customers during these months, which increases the potential of more merchandise sales if golf course is closed due to weather.

Cons: Inventory controls will need to be created and adjusted to make the 2 month transition. This will take time for both employees of the Rec Center and Golf Course. This will also take up space at the Rec Center. Product knowledge may be key when selling certain items.

3. Further Increases to rates (beyond draft 2014 Budget):

Savings: \$0-50K

Pros: Potential increase in revenue. Assuming rounds played will be down but revenue stays neutral the golf course will have less wear and tear and some expenses will go down a minimal amount.

Cons: Decrease in play could outpace increases in rates with a net loss in revenues. Golf Course becomes less accessible to others due to increase in rates.

Parks

1. Solicit Sponsorship of the City flower program:

Savings: \$5K to \$12K

Pros: This is a very popular program. The City has an opportunity to recognize sponsorship through tasteful advertising at flower display locations and offset a portion of the program cost. This would apply to businesses and non-profits and would be voluntary. Parks would maintain flower content and design.

Cons: There would be some administrative cost to the program and it is not clear if there would be substantial interest. Maintenance of signs and changing ownerships could be time consuming.

2. Reduce scope of the City Flower program: (more xeriscape, more perennials)?

Savings: ??

Pros: Could reduce cost or help extend the program without additional costs.

Cons: The Flower Program is very popular. Customers may be upset at reduced levels of service.

3. Reduce or eliminate Truck Route landscaping?

Savings: \$5,739 (one time) and \$2,719 annually

Pros: Could reduce cost or help extend the program without additional costs.

Cons: This is the entrance to the City and should look appealing to all. Rocks with trees would be a very dull entrance. Would need to install weed matting and spray for weeds at an annual cost of \$4,085 (one time) and \$576 annually

4. Reduce weed maintenance.

Savings: \$0-\$15K

Pros: Would save money and be able to reallocate labor to other areas.

Cons: We would either have more weeds or require more adjacent land owners to handle maintenance.

The Citizen survey revealed that citizens would like to see more maintenance not less.

5. Bid out weed control

Savings: ??

Pros: Cost could equal that of the City (\$30,000 to \$35,000). Contracting the service would allow the Department to focus on other services. Could increase reliability of service as the contractor would not need to juggle other priorities.

Cons: Would need to sell sprayer recently purchased. We may not save any money (depending on contract.)

6. Reduce public trash service?

Savings: Minimal

Pros: We can reduce the number of cans in and around our parks and Main Street; reducing the number of hours picking up trash. We would then look at cutting one day out a week and evaluating the amount of trash generated on that off day. This would give an idea on cost. If we cut two hours per week for the summer season it would save \$538.16. This would need to be combined with other service reductions to amount to anything significant.

Cons: Other trash cans may be over-burdened. Citizens may drop trash on the street.

7. Eliminate Community garden

Savings: \$1,500 per year

Pros: Small savings, reduced work load

Cons: 20 spaces were rented last year.

8. Reduce level of service at the Cemetery

Savings: \$13,603 (one seasonal position)

Pros: Savings

Cons: If we cut the seasonal we will be required to utilize DOC crews on some of the equipment such as mowers to keep up with the grass and leaf pickups. We will need to send other Staff up at times to help with funerals when crews are laid in or in transit from the Cemetery for afternoon services. Stone would not be trimmed as often and graves would not get filled as quick when they sink. Stones might not all get leveled as soon as they have, you will see a change and some customers may be upset.

9. Reduce level of service at the Horse Country Arena?

Savings: \$0-10,000

Pros: We can reduce level of service by reducing or eliminating dirt work and reducing restroom cleaning.

Cons: Public outcry would be the largest concern. If users were responsible for dirt work they may damage the liner at the arena.

Recreation

1. Adjust hours of operation

Savings: \$10K-\$20K

Pros: This is an opportunity to cut costs in a way that impacts only a few customers. The Rec Center has observed limited use of the facility during certain hours, which fluctuates by season. Might be wise to wait and see how the expansion affects these low attendance hours.

Cons: Certain customers would be impacted. It's possible that some customers would not be able to participate during other hours due to difficult schedules. This could anger citizens who pay sales tax and feel entitled to be able to use the facility during all hours currently available.

2. Increased Rec Center child care fees—from \$2 per/child/hour to \$3 (50% increase)

Savings: \$2,500

Pros: This will assist in having those using childcare bear more of the burden of cost for having a childcare facility available during the prime time activities.

Cons: It is possibly that patrons with more than one child might have an issue attending due to cost. Some citizens may be frustrated as they see the tax that they pay as the fee for such programs.

3. Admission Fee increase/memberships

Increase Revenue: The dollar figure on an increase is very difficult the estimate at this time.

Pros: Increase in revenues does open the door for further enhancement to programs or adding programs. The increase also opens a door of opportunity to expand the facility in the conference area or possibly another gym. Conference area expansion would serve a number of citizens. In fact, conferences could be held in Delta rather than travel to Montrose or Grand Jct.

Cons: Increased fees could possibly present a challenge to patrons, especially with children. The economic base of our county is challenged for extra funds for fun things! Would possibly drop our membership and daily attendance.

4. Look at wages/positions

Savings: \$15K-25K

Pros: This is a review that has just begun, so pros as of now would simply be the savings in expenses. Further evaluation is need.

Cons: Cutting of wages and/or position combining provides the chance that well trained staff might leave. Customer Service would be lowered.

5. Reduce advertising dollars—from \$30,000 to \$23,000 (perhaps more)

Savings: \$3K-5K

Pros: Savings on expenses.

Cons: The advertising budget for 2014 has been cut \$9,500 from 2013. \$23,000 is a five year average and the increase in 2013 was going to be used to further promote the new activities in the new expansion area. Continuing to cut the budget simply reduces the exposure to the citizens of the activities we are offering. Patrons' not participating affects revenues.

6. Establish other partnerships/ sponsorships

Savings: ??

Pros: Increase in sponsorships cuts expenses. We currently have sponsors for all of our activities. Also, grant writing is under constant review, always looking for things we can use.

Cons: Merchants are maxed out from everyone asking for sponsorships! As far as the Rec Center goes they feel we already receive a sales tax, don't ask for more!

7. Reduce janitorial services

Savings: \$7,500 has been implemented

Pros: The full time custodian has been assigned to other duties from 4pm to 8pm. This allowed us to not hire another person for childcare.

Cons: If a large event is going on, it takes other staff to assist with the set-up or tear down until 8 pm.

8. Eliminate fleet

Savings: \$13K-15K

Pros: No more than we use the vehicles the suggestion of using rental vehicles would be a wise choice of using funds.

Cons: Ready availability. We will just need to plan ahead.

Culture

1. Reduced hours of operation at the Fort—how much

Savings: \$12K-15K

Pros: Cost savings by reducing hours. We would still be available for school tours and special events/rentals.

Cons: Not being open for the traveler will be a bit of a challenge. However, many folks have not been able to find us, as we haven't done any marketing for several years, due to trying to save funds.

Police

1. Increase Bike Patrols

Savings: ??

Pros: Increases positive community interaction. Reduces fuel usage and maintenance costs

Cons: Reduces availability of officers to respond to emergencies. Could require additional outfitting costs.

2. Refrain from filling current vacancy

Savings: \$40K-\$60K

Pros: Savings.

Cons: May create safety risks. Creates numerous scheduling challenges; especially for time off, POST training or during times of vacancy. May increase overtime. May require other changes in operations and reduction of certain services.

3. Eliminate paper copies

Savings: ??

Pros: Decrease in costs and promotion of electronic filing.

Cons: May need additional computer equipment for scanning. This requires additional coordination with other agencies (especially the DA's office).

Internal Service

1. Utilize car rental program; eliminate some fleet

Savings: Analyze over 2014

Pros: Can reduce the fleet by three. Renting vehicles for out of town travel would reduce cost by eliminating service & repair, insurance, replacement investment. Reduce the mileage on city vehicles going out of town for training or other city business, Reduce or eliminate the use of personal vehicles for traveling for training or other City business.

Cons: Departments would have to plan far enough ahead to give the Fleet Manager time to reserve the vehicles.

2. Reduce frequency of engine oil replacement

Savings: Analyze over 2014

Pros: Reduction of oil and oil filter usage, taking advantage of the synthetic oils. Use the engine oil life monitoring system on newer vehicles.

Cons: May not see vehicles as often.

3. Utilize fuel cards for traveling

Savings: Analyze over 2014

Pros: Reduce or eliminate paying mileage for using personal vehicles.

Cons: None.

4. Expand shared equipment—reduce size of inventory

Savings: Analyze over 2014

Pros: By having a shared equipment pool the city can reduce the amount of equipment in inventory; departments can reduce the replacement capital needed and use funds for other projects. Develop a rental program so all equipment costs will be covered.

Cons: Planning will be required by the individual departments to make equipment available when needed. Will have to make equipment available when an emergency arises.

5. Use new technology for better efficiency

Savings: Analyze over 2014

Pros: More efficient with time, better tracking ability on fleet, facilities and inventory.

Cons: Will require an up-front investment.

6. Incorporate fuel efficient fleet

Savings: Analyze over 2014

Pros: There is a need for both fuel efficient and large vehicles. It would require fitting the vehicle to the job. Utilizing what we have more efficiently.

Cons: This could require additional planning and/or sharing vehicles. We may lose flexibility.

7. Consolidate PD at City Hall (or at a new location)

Savings: Will analyze in 2014

Pros: Could possibly eliminate one facility.

Cons: City Hall would need to be remodeled in order to accommodate the PD; parking would be a challenge for PD, City Hall employees and city patrons. Possibly getting rid of one problem and while creating another. City Hall may not be large enough.

8. Rent Space in City Hall?

Savings: Will analyze in 2014

Pros: Could generate additional revenue by renting empty offices. Will Analyze in 2014

Cons: Would have to do some remodeling to accommodate the tenants and increase traffic flow

9. Implement VOIP system?

Savings: analyze in 2014

Pros: Could reduce costs and streamline communication.

Cons: Would require an upfront investment.

Public Works

1. **Street lighting efficiency or reduction in street lighting**—look at cost savings through efficiency

Savings: TBD 2014 work with MLP personnel to evaluate options.

Pros: More energy efficiency resulting in smaller electricity bills; Potential for lower maintenance costs.

Cons: If lights are reduced, poorer lighting patterns; Capital cost to change bulbs to energy efficient bulbs (LEDs).

2. **Examine privatization of street sweeping**—go out to bid

Savings: Cost unknown (go out to bid), City savings include equipment replacement of \$180,000 MOL and equipment fuel/maintenance of \$25,000/yr MOL, efficiency gained by using sweeping time for other tasks.

Pros: More consistent schedule for sweeping if contracted; machine downtime no longer an issue; free up employee for other needs now that department has been reduced by 2 positions.

Cons: Decreased ability to sweep upon request or need unless that is built into contract.

3. **More self performed work/GC**

Savings: Project dependent

Pros: Bring more work in house; save on the profit add-ons that contractors add to contract work; better control of the work methods.

Cons: City more at risk for jobsite liabilities; lack of experience for more complicated scenarios; project scheduling with fewer available employees.