

MANAGERS REPORT
December 13, 2010

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

UPDATES / FOLLOW-UP

This report is devoted to discussing the impacts associated with some of the proposed budget amendments offered by members of the Council. At the last Committee of the Whole meeting, the Council discussed some of these proposed amendments, but not all of them. It is hoped that this report will assist in moving the conversation ahead.

The report focuses on major proposed cuts that represent a change in direction or policy and that would have very significant impacts upon the City's ability to carry out its mission and to serve and protect the public. Reports from individual department heads are attached. Department heads will be available to answer questions at the Committee of the Whole.

In-House Legal Department: This topic has been discussed several times over the past few years. It is a good conversation to have periodically to make sure the Council is getting the best value it can for legal services. There are definitely a set of advantages and disadvantages to doing this and I won't take the space to go into that here. As far as the budget goes, I do not see any advantage to taking this step now. First, I am not convinced this would actually save the City money. In house attorneys are often quite skilled at a number of areas of municipal law. However, outside legal experts are often required and you still have the conflict of interest problem which we seem to experience regularly. Also, as Council member Hogan notes in his memo, the Council would have to not only hire an Attorney but also an assistant, perhaps a paralegal. Both of which might be PERS employees. Second, the numbers Mr. Hogan uses for expenses are speculative. We could not know what it would really cost until we draft up a job description, advertise or issue an RFP, and hire someone. That is not a good way to build a budget. In short, this might be a good discussion to have again, but now is not the time because the discussion has little immediate impact upon the budget. I would suggest bringing this up again before the next legal contract expires if the Council wishes.

Outsourcing IT: This proposal would have very serious negative impacts upon all City operations. It would be extremely disruptive and again, I am not sure it saves any money. As I was thinking about this, it occurred to me that the Council probably does not have a good idea of the scope of responsibility that the IT department currently handles. At the last meeting, I brought along the Systems Manager's job description in case I had an opportunity to discuss this. Following is a sample of what is included in the Job Functions and Major Activities:

- Maintaining and improving the City's Wide Area Network (WAN) and Local Area network (LAN).
- Installation and maintenance of the citywide IP Telephone system
- Advises all staff on aspects of computerized information systems as needed
- Install and configure hardware and software and monitors computer resource utilization and performance
- Information systems procurement and third party upgrades and repairs
- Analyze and document information needs; develop solutions that are consistent with the computing environment
- Manage security, backup, and recovery procedures to assure system integrity.
- Monitors networks on a regular basis to insure the integrity of those systems including auditing backup, testing restoration, monitoring virus protection, monitoring network statistics, and overseeing system security.
- Assists the Police Department with investigations of computer related crime, including but not limited to computer theft, fraud, child pornography and computer hacking.
- Assists in development of departmental procedures and policies related to the use of automated systems.
- Technical support for City's web page and certain webmaster functions.
- Installs network cabling and retrofit cabling.
- Develops training classes.
- Troubleshoots and resolves problems relating to both hardware and software in all departments.
- Performs preventative and remedial maintenance of computer equipment such as terminals, modems, printers, microcomputers, disk drives, and cables in all City departments.
- Assist departments with other non-pc computer technologies, including but not limited to, telephone systems, PLC controllers and telemetry monitoring, heating and air conditioning automation, E911 systems, EMS and Police dispatch and radio console systems, network based security systems, and wireless GPS systems and base stations.

As you can see, the scope of responsibilities is probably much broader than many people may realize. It is my view that the City is getting a tremendous value for its money. It is doubtful that an outside consulting firm would be able to do all of this for less money. Further, the IT staff are available 24/7 and are always there when they are needed. The City's systems are critical for public health and safety and need the type of attention that can only be provided by in-house staff. The IT staff have saved the City significant amounts of money through innovative approaches to service delivery and the procurement of services; especially telephone services. I strongly recommend no change here.

Employee Health Care Contribution

I would recommend that the Council not take any action on this at this time. If the Council wishes to do something in this area, I recommend that it delay any action until the following steps are completed:

- The Parity Study. This will give the Council a better overall picture of the employee benefit package as a whole as it compares to other municipalities and hopefully, comparables in the private sector. That way, Council can see the entire compensation package instead of focusing all of its attention on health care.
- Federal Health Care Regulations: The new rules are still being written. The City is consulting with its attorney's and insurance experts regarding potential impacts associated with making changes to the plan and subsequently losing the City's grandfather status. More information is coming in almost every day and we are getting closer being able to making recommendations with some degree of confidence.
- Consultation with Employees: The Council previously adopted a policy that no changes would be made to the health care plan unless the employees had at least 30 days to review and comment. The employees have not had the opportunity to review and comment on Councilmember Hogan's proposed amendment. Further, consultation with the employees is desirable because they would likely come up with and endorse options that are perceived to be more fair and equitable than the one on the table.

As has been noted many times, the City Health Insurance Plan is a pretty good one and it serves as one of the best remaining recruitment and retention tools the City has at its disposal. Making cuts to this plan would reduce benefits further on top of other cuts that have already been made. There would be a real cost to employees, especially young ones with families. It is always good to remember that City employees live here too. They pay taxes and they spend their earnings at local businesses.

That aside, the administration and many employees recognize that health care costs now constitute an unacceptably high percentage of the City budget. The current benefit may be something the City can no longer afford. **If** the Council wants to address the issue this year, I would suggest the following course of action.

- Instruct the City Manager to come up with a plan to reduce health care costs. It would be helpful if a target amount of savings were identified.
- Give the Manager several months to consult with employees to review options and develop a set of recommendations
- The CM will provide a report with a set of recommendations no later than April 1 that could be implemented this year.
- This approach would result in savings toward the end of this year, hopefully result in some buy-in from employees, and would slow the growth of health care costs in future years.

Overtime: The attached reports from department heads address much of what needs to be said about overtime. The Police, Fire, Public Works, and Port and Harbor overtime

budgets go directly in large part to emergency response, public safety, and vital services. It is difficult if not impossible to cut overtime and make it up with part time employees. A very significant amount of training and certifications are necessary to do these jobs and to respond in emergencies. Part time employees with minimal training and compensation cannot even go into the water treatment plant, work on a broken sewer line, or attack a fire. They also can't do a whole lot to reduce the responsibilities of full time employees in the office.

Cutting overtime in these departments would represent a serious cut in services and the public should be forewarned. It is hard to budget for overtime in general. These budgets are based upon experience and past actual expenses. The bottom line is that cutting these budgets is in many ways just a paper exercise. If emergencies arise, we will respond. That is our duty. The Fire Chief is not going to decline to send personnel to a structure fire because it would put him in danger of exceeded his overtime budget. Public Works will send the sanders out if the roads become dangerously icy or the culverts freeze up and cause flooding. We will continue to do this unless the Council tells us to stop. Most overtime expenditures are non-discretionary.

On the administration side, the best way to reduce overtime is to do something about the number of boards, commissions, and committees we have. I am talking specifically about the Planning, City Clerk and City Manager office staff. Committee work takes up a very large percentage of available staff time reducing productivity and increasing overtime and compensation costs. Council could consider a) reducing the number of committees, b) requiring that most meetings take place during the day, and c) relieving the Clerk's office of staffing all committees except standing Commissions like Planning, Port and Harbor, Parks, and Economic Development. Most duties of the committees can be added to the responsibilities of the standing Commissions.

Credit Card Charges: Please refer to the attached memorandum from the Finance Director. While we do not like paying these charges either, there are real benefits associated with allowing customers to pay by credit card. The Finance Department is hot on the trail of ways to reduce these expenses. Also, note that we would lose the discount we already get from the bank on these charges if we start making customers pay a fee for using a credit card.

Uniforms: At the last meeting, the Chief of Police discussed what is included in the uniform budget. Attached is a Memorandum from the Fire Chief in which he addresses the same issue. In my opinion, making police, firefighters, emergency medical responders, and public works employees who are dealing with hazardous wastes or crawling into confined spaces pay for gear that they are required to have either by law or for safety is a really bad idea. No other City does this that we are aware of.

ATTACHMENTS

1. December Employee Anniversaries
2. Memorandum from Port and Harbor Director re: Budget Impacts
3. Memorandum from Fire Chief re: Budget Impacts
4. Memorandum from City Planner re: Budget Impacts
5. Memorandum from Personnel Director re: Budget Impacts
6. Memorandum from Public Works Director re: Budget Impacts
7. Memorandum from Chief of Police re: Budget Impacts
8. Memorandum from Library Director re: Budget Impacts
9. Memorandum from Finance Director re: Budget Impacts
10. Memorandum from Finance Director re: Credit Cards Expenses
11. Memorandum from City Clerk re: Budget Impacts