

BUDGET RETREAT AGENDA

**COUNCIL BUDGET RETREAT
MONDAY
FEBRUARY 10, 2014**

**FLAGSTAFF AQUAPLEX
1702 NORTH FOURTH STREET
8:00 A.M.**

1. Call to Order

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

MAYOR NABOURS
VICE MAYOR EVANS
COUNCILMEMBER BAROTZ
COUNCILMEMBER BREWSTER

COUNCILMEMBER ORAVITS
COUNCILMEMBER OVERTON
COUNCILMEMBER WOODSON

3. 2015 Budget

- A.** Overview
- B.** EAC Presentation
- C.** Revenue Projections
- D.** Fixed Costs Projections
- E.** New Revenue Possibilities
- F.** FY15 Budget Priorities
- G.** Possible Solutions and Strategies
- H.** Council Discussion and Direction for FY15
- I.** Format for April Budget Retreat

4. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____, at _____ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this _____ day of _____, 2014.

Elizabeth A. Burke, MMC, City Clerk

Memorandum

3.

CITY OF FLAGSTAFF

To: The Honorable Mayor and Council
From: Elizabeth A. Burke, City Clerk
Date: 02/06/2014
Meeting Date: 02/10/2014



TITLE:

2015 Budget

DESIRED OUTCOME:

Information/direction

INFORMATION:

Attached is the PowerPoint presentation for next Monday's 2015 Budget Retreat.

Attachments: PowerPoint

Agenda

- Overview
- EAC Presentation
- Revenue Projections
- Fixed Costs Projections
- New Revenue Possibilities
- FY15 Budget Priorities
- Possible Solutions and Strategies
- Council Discussion and Direction for FY15
- Format for April Budget Retreat

Overview

Employee Advisory Committee

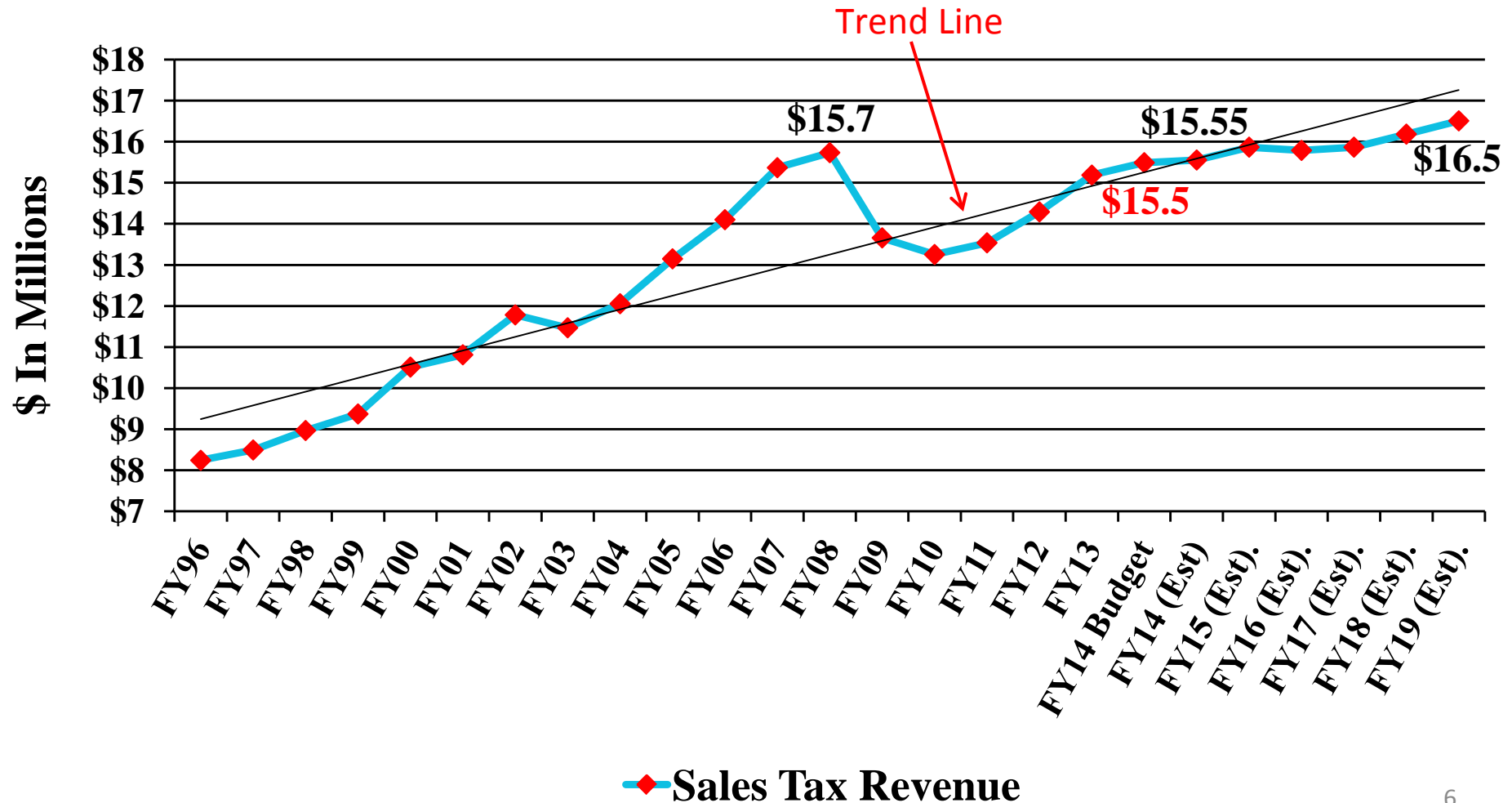
Revenue Projections

Revenue Projections

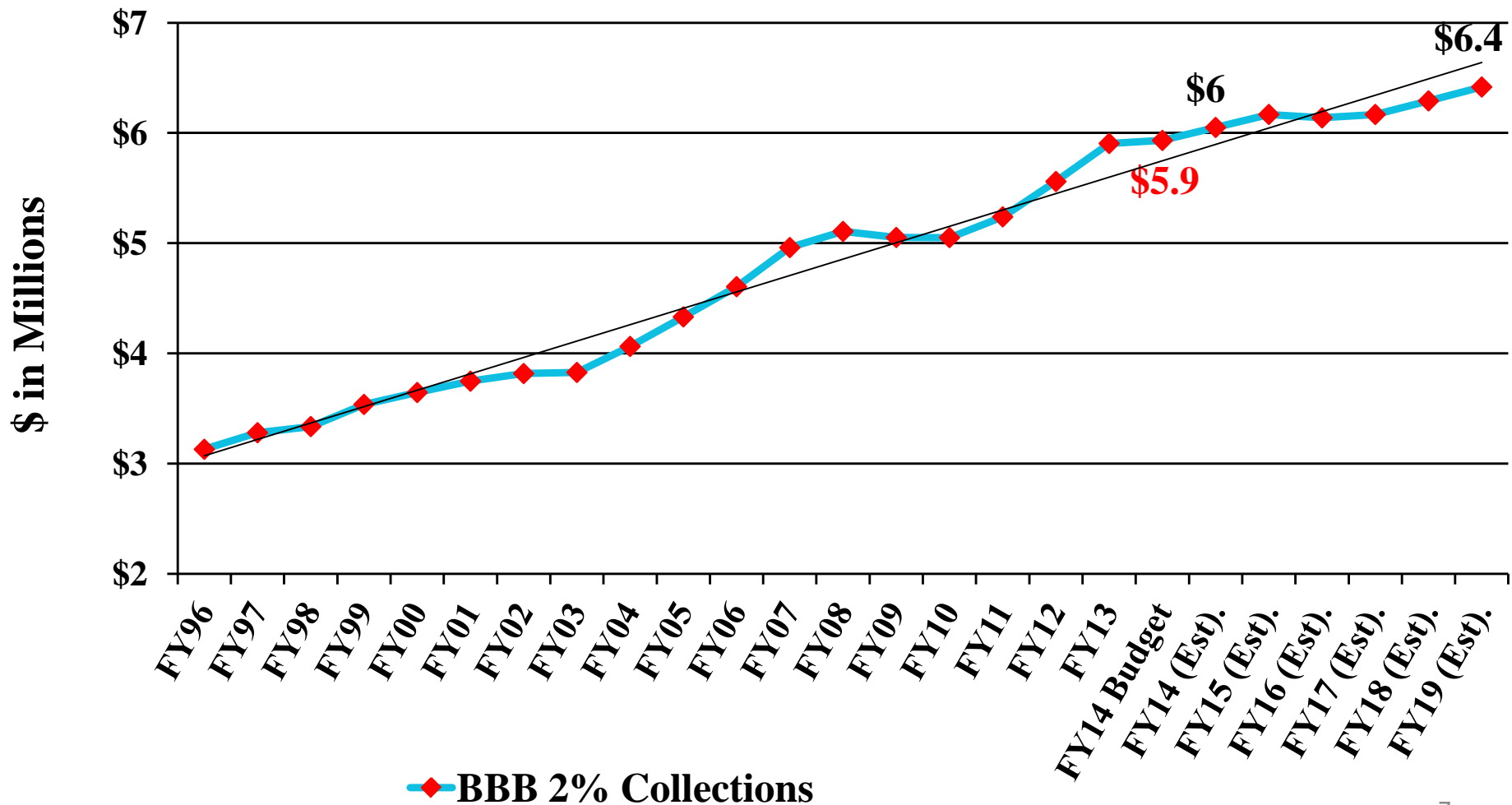
- Local Projections
 - 20 year look back.
 - Sales Tax/BBB Tax/Assessed Valuations/State Shared Sales Tax/State Shared Urban Revenue
 - Establish Trend Line
- State Projections

City Sales Tax Revenue

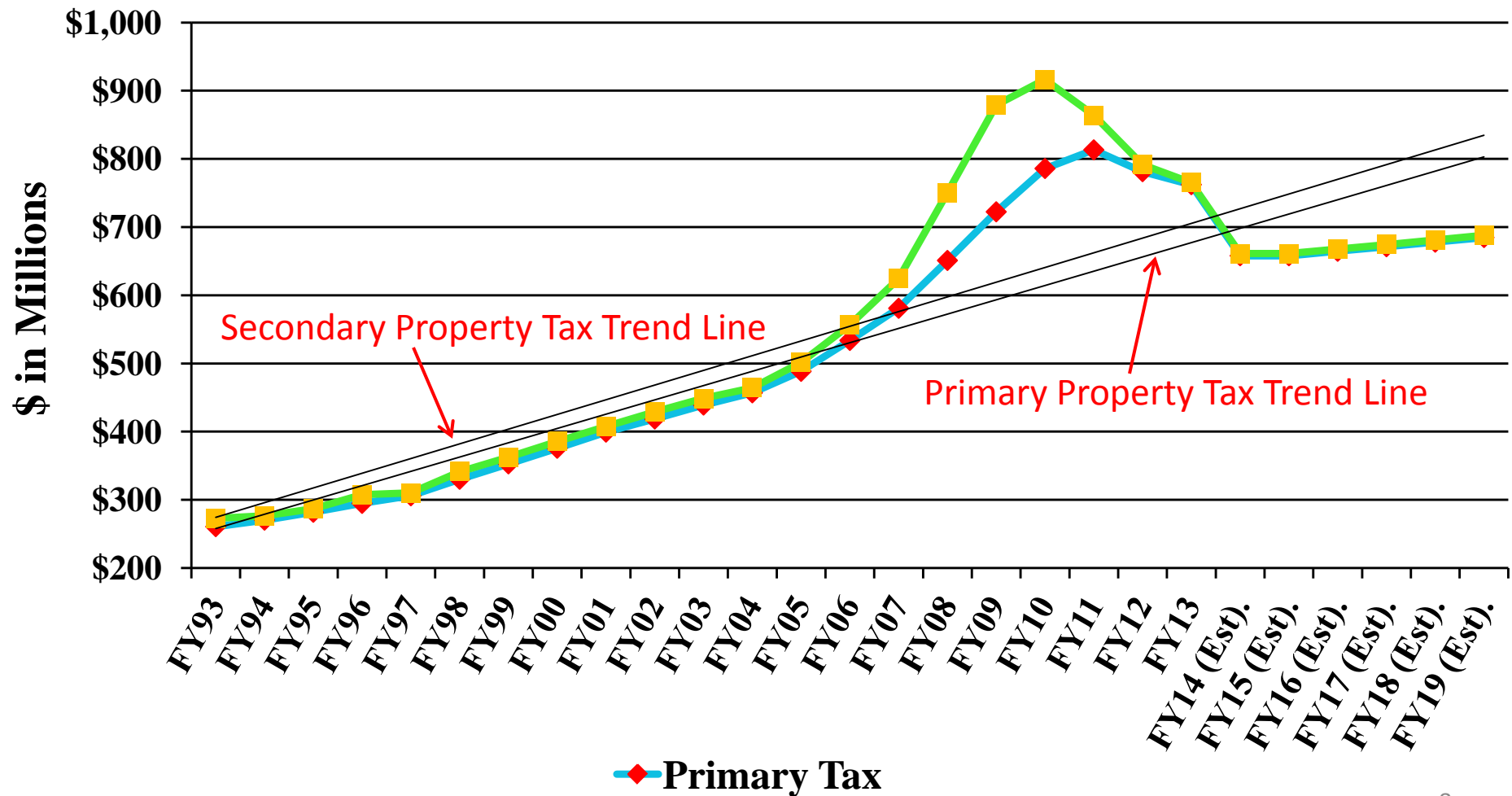
(Total 1% Collections- General Fund)



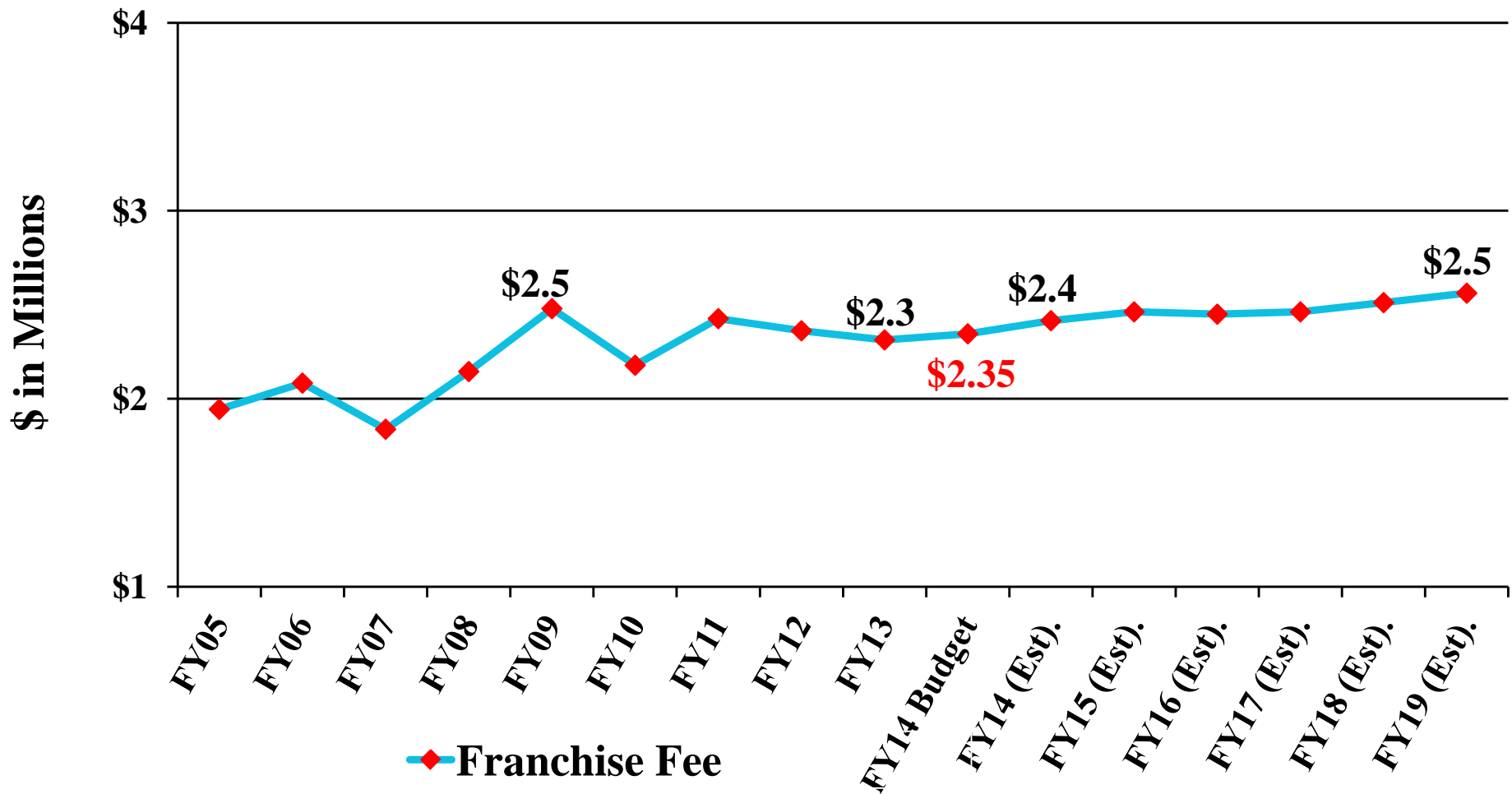
City Sales Tax Revenue (BBB Collections)



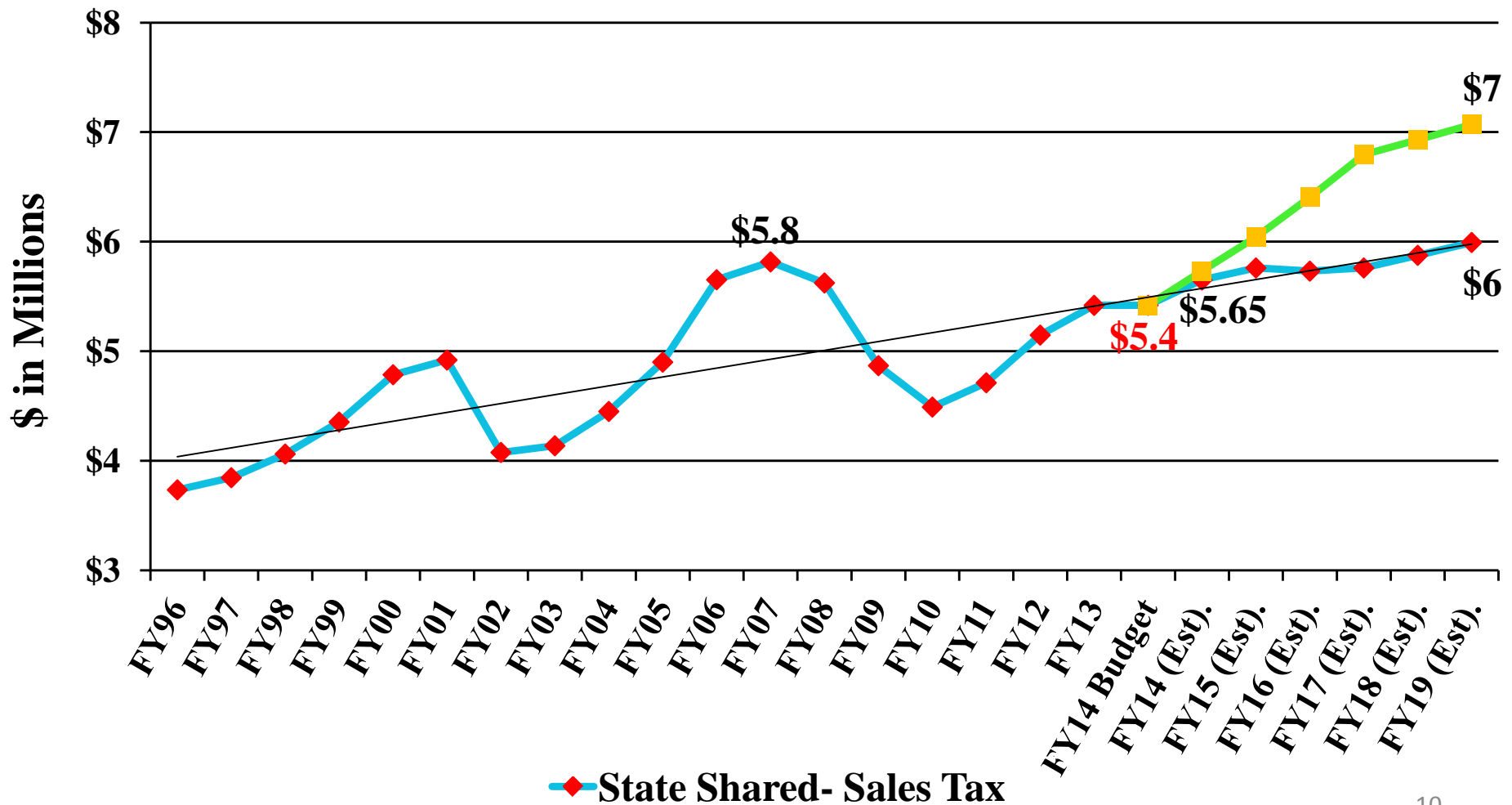
Assessed Valuations- Property Tax (Primary and Secondary)



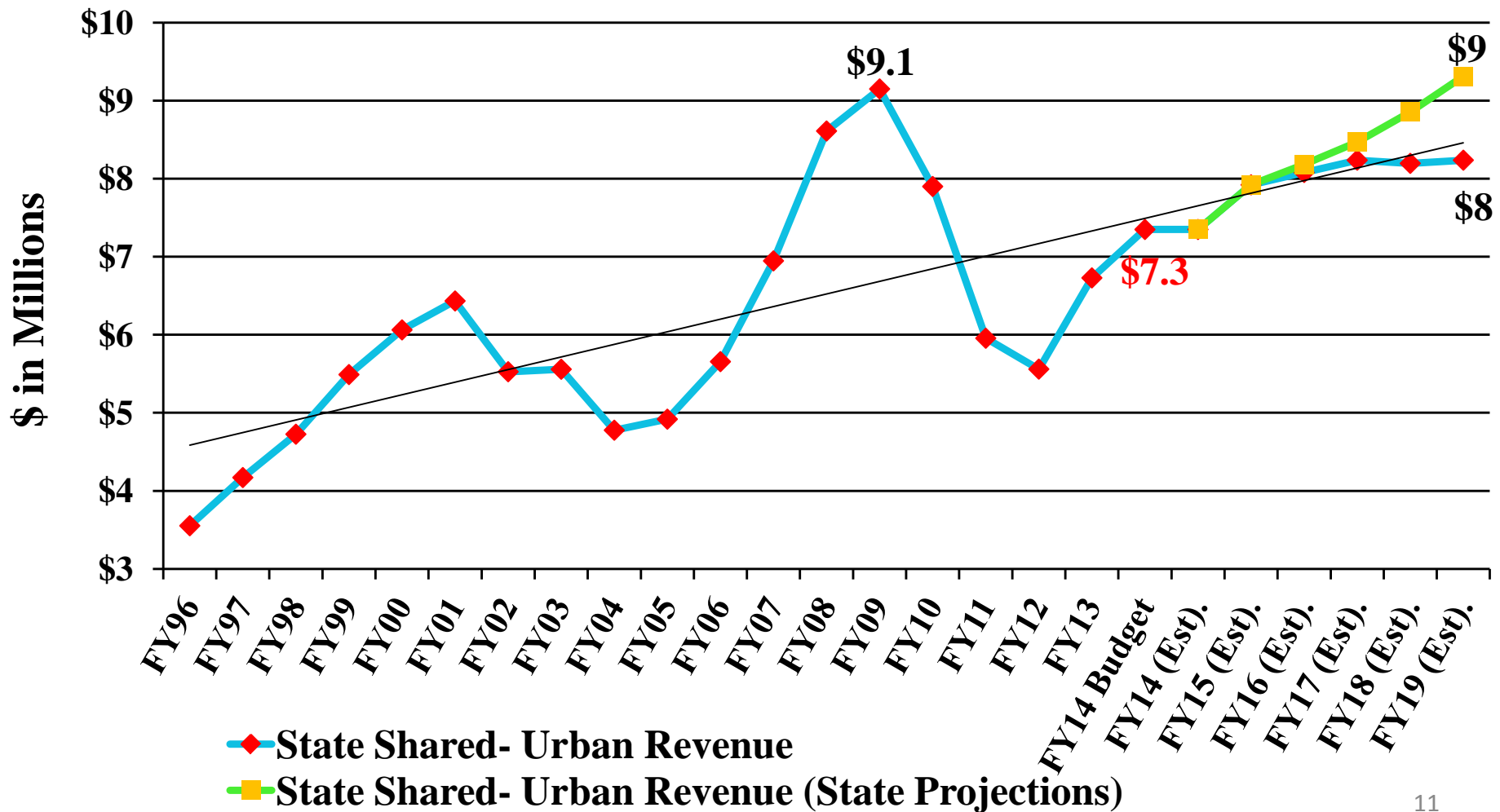
Franchise Fee Revenue



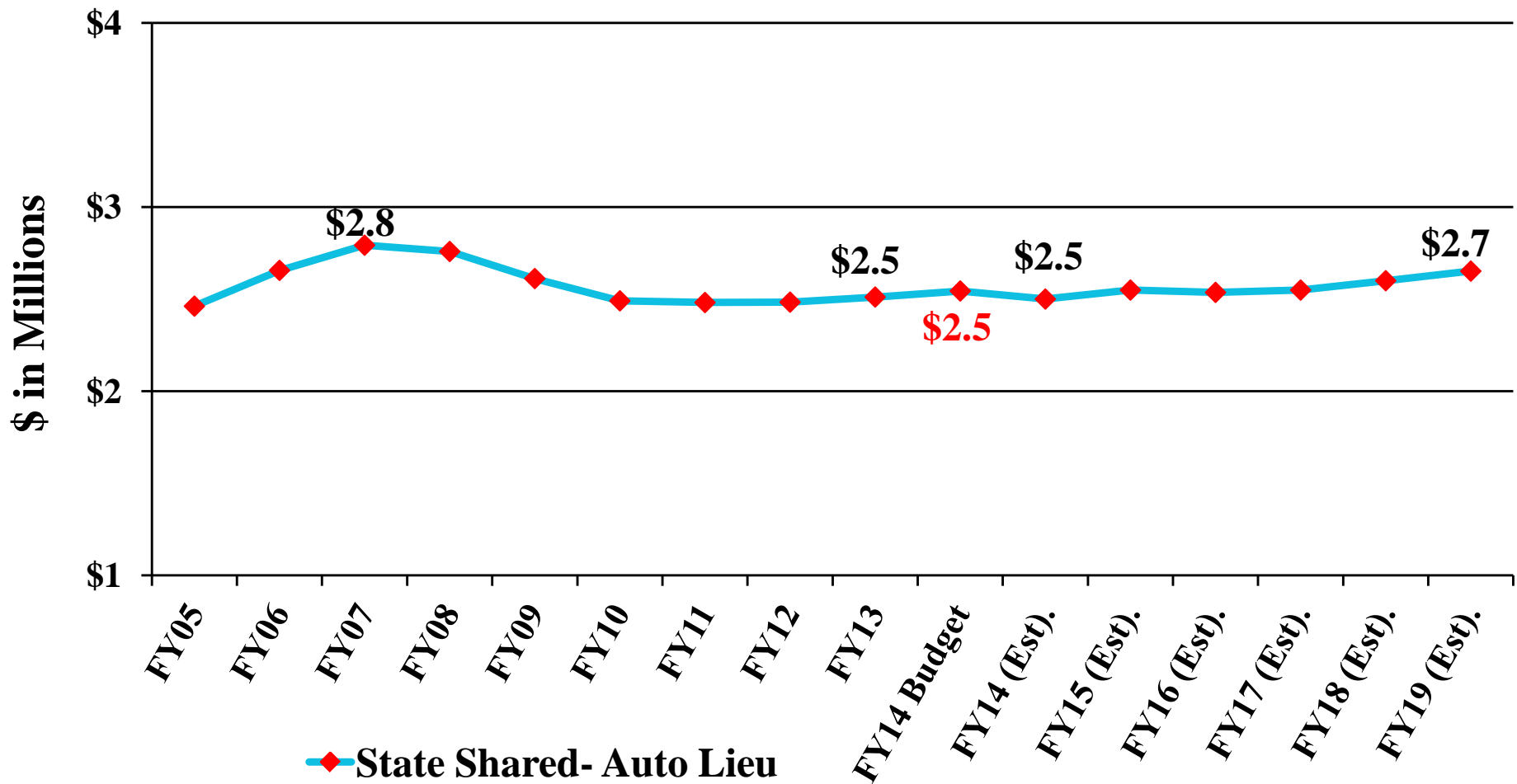
State Shared- Sales Tax



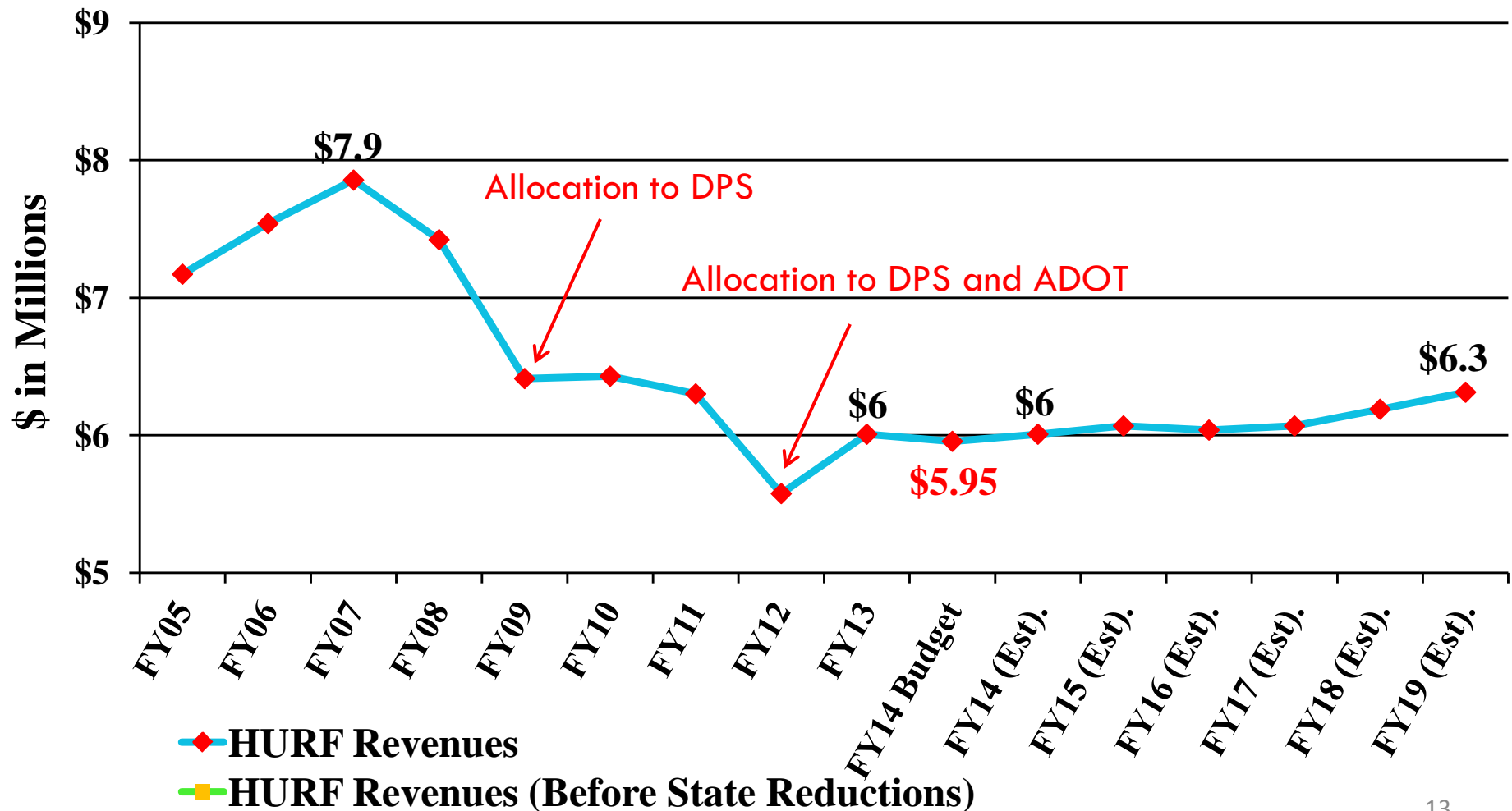
State Shared- Urban Revenue (Income Tax Collections)



State Shared- Auto Lieu (Vehicle Registration Fees)



Highway User Revenue Fund (HURF)



Fixed Costs and Projected Funding

General Fund – Projected Funding

| Source | FY 2015 Ongoing | FY 2015 One-Time |
|-------------------------------|-----------------|------------------|
| Sales Tax – City | \$ 105,000 | \$ 60,000 |
| State Shared Sales Tax | 240,000 | 230,000 |
| State Shared Income Tax | 485,000 | 50,000 |
| Franchise/Auto Lieu | 30,000 | 70,000 |
| Miscellaneous Revenue Growth | 40,000 | 0 |
| Additional Salary Savings | 100,000 | 0 |
| FY 2015 Sales Tax Held for 1X | 0 | 700,000 |
| FY 2013 Final | 0 | 1,000,000 |
| Available for FY 2015 Budget | \$ 1,000,000 | \$ 2,100,000 |
| December Retreat Figures | \$ 420,000 | \$ 190,000 |

Fixed Cost Projections

| Source (All Ongoing) | General Fund | All Other Funds | Total |
|--|--------------|-----------------|--------------|
| Health/Dental Insurance | \$ 0 | \$ 0 | \$ 0 |
| Retirement-ASRS | 7,000 | (7,000) | 0 |
| Retirement-PSPRS-Police | 187,000 | 0 | 187,000 |
| Retirement-PSPRS-Fire | (26,000) | 30,000 | 4,000 |
| Retirement-Elected Officials | (29,000) | 0 | (29,000) |
| Trigger #1 Maintenance Workers/ Equipment Operators | 150,000 | 70,000 | 220,000 |
| Compensation-Reclass/Rezoning | 150,000 | 20,000 | 170,000 |
| Utilities (water, gas and electric) | 50,000 | 205,000 | 255,000 |
| Workers' Compensation (Funded w/ SIT) | 0 | 246,000 | 246,000 |
| General Liability (Funded w/ SIT) | 0 | 350,000 | 350,000 |
| Total | \$ 489,000 | \$ 914,000 | \$ 1,403,000 |

General Fund – FY 2015

| Source | FY 2015 Ongoing | FY 2015 One-Time |
|----------------------------------|-----------------|------------------|
| Available Funding | \$ 1,000,000 | \$ 2,100,000 |
| Fixed Costs | 489,000 | 0 |
| Contingency-Sales Tax Initiative | 0 | 150,000 |
| Available for FY 2015 Budget | \$ 511,000 | \$ 1,950,000 |

Compensation Costs

| Source | General Fund | All Other Funds | Total |
|--|--------------|-----------------|------------|
| Merits-Each 1.0% | \$ 350,000 | \$ 130,000 | \$ 480,000 |
| Market Adjustment-Each 1% | 385,000 | 143,000 | 528,000 |
| Trigger #2-Library Re-Org | 125,000 | 0 | 125,000 |
| Trigger #3-Commission Police Structure | 200,000 | 0 | 200,000 |
| | | | |
| | | | |
| | | | |

New Revenue Possibilities

New Revenue Possibilities

Use Tax

- Use Tax definition
 - Charge imposed on items that are used within a jurisdiction but were bought elsewhere, and which are thus not subject to its sales tax.¹
 - Equitability tax
- Important note
 - State of Arizona collects use tax
 - Flagstaff tax payers already calculate and remit to State
 - 52% of all Arizona Cities collect a use tax
 - Cities over 20,000 population, 73% collect a use tax
 - Cities larger than Flagstaff, 83% collect a use tax

New Revenue Possibilities

Use Tax Examples

- Example 1:
 - A vehicle is purchased from an out-of-state car dealer and brought back to Arizona. The purchaser did not pay any local sales tax in the other state. The owner of the vehicle lives in Flagstaff and registers the car in Flagstaff. The owner is subject to Arizona and Flagstaff Use Tax.
- Example 2:
 - A new chain restaurant is opened in Flagstaff. Fixtures and equipment are purchased from out-of-state and delivered to Flagstaff. The purchaser did not pay any local sales tax in the other state. The new store's fixtures and equipment are subject to Arizona and Flagstaff Use Tax.
- Example 3:
 - A dentist in Flagstaff purchases dental equipment from an out-of-state vendor. The purchaser did not pay any local sales tax in the other state. The dentist is subject to Arizona and Flagstaff Use Tax.

New Revenue Possibilities

Wastewater Services

- New category in the Model City Tax Code
- Collected on utility bill for sewer usage
- Estimated revenue:
 - \$80,000 general fund
 - \$60,000 transportation funds

New Revenue Possibilities

Jet Fuel (Option LL)

- Currently no jet fuel tax
- 11 “Commercial” airports in Arizona
 - 5 levy jet fuel tax
 - 4 do not levy jet fuel tax (including Flagstaff)
 - 2 cannot (unincorporated areas)
- 4 out of 8 largest charge jet fuel tax
 - Tucson and Grand Canyon West cannot- unincorporated
 - Yuma does not- airport authority, shared with Marine Corps
- Average price per gallon: \$.025
- Recommended price per gallon: \$.03
- Estimated revenue: \$20,000

New Revenue Possibilities

Recreation Fees

- 7% increase
- Estimated revenue: \$70,000

Projected/Possible General Fund Revenue Increases in FY15

| Possible Future Sources (Ongoing) | Amount |
|-----------------------------------|---------------------------------------|
| Property Tax (6% Levy) | \$330,000 |
| Use Tax | \$100,000 (Up to \$250,000 in future) |
| Wastewater Services | \$80,000 |
| Jet Fuel (\$0.03 per gallon) | \$20,000 |
| Recreation Fees | \$70,000 |
| Total: | \$600,000 |

FY15 Budget Priorities

FY15 Budget Priorities

- Employee Compensation
- Staffing Challenges
- Infrastructure

| Budget Priority | Priority Options | ONG | 1x |
|---|--------------------------------|-----|----|
| Employee Compensation - \$ target total | | | |
| | Merit | | |
| | Market | | |
| | Compaction | | |
| | Triggers | | |
| Staffing - \$ target total | | | |
| | Training and Uniform Allowance | | |
| | Housing Assistance | | |
| | Rewards and Recognition | | |
| Infrastructure - \$ target total | | | |
| | Streets | | |
| | Parks | | |
| | IT | | |
| | Facilities | | |
| | Fleet | | |
| | Utilities | | |
| Other RSLs | | | |

Available:
\$1.95M in 1X
\$511K in ONG

FY15 Budget Priorities – Employee Compensation

Benchmark Data History

- FY 2008-2009 7.98% below market
- FY 2009-2010 19.00% below market
- FY 2010-2011 19.00% below market
- FY 2011-2012 11.10% below market
- FY 2012-2013 approx 7.89% below market*
- Increments are making a difference

* HR still conducting a peer review to confirm accuracy of numbers

FY15 Budget Priorities – Employee Compensation

Pay Adjustment History

- FY 2008-2009 1% market & full merit increases, then 1.2% decrease in May 2009
- FY 2009-2010 no increases
- FY 2010-2011 no increases
- FY 2011-2012 1.2% decrease restored
- FY 2012-2013 0.6% market increase, address positions 25% or more below market
- FY 2013-2014 3.2% increase, triggers

FY15 Budget Priorities – Employee Compensation

DBM vs Market Based Pay

- DBM focus is only internal equity
- Market based pay focus is what the market pays for a position
- Suggest market based pay primary focus with internal equity the secondary focus
- Increase ability to attract and retain employees

FY15 Budget Priorities – Employee Compensation

Structure Recommendations

- Commissioned Police Personnel Structure
- Commissioned Fire Personnel Structure
- Update from steps to open ranges
- Update ranges to match market based pay
- Smooth out progression between ranges
- Update Add and Premium Pay

Benchmark Data

- Avondale (5%)
- Boulder (Fire 3%, Police 3%, BMEA 1%, Mgmt/non-union 1.5%)
- Bullhead City (4%)
- Casa Grande (0%)
- Chandler (General 0%, PD Sgt 0.69%, Fire 1.64%)
- Coconino County (1.5%)
- Durango*
- Ft. Collins (0%)
- Glendale (0%)
- Goodyear (step to range)
- Henderson(comp study now)
- Kingman (0%)
- Lake Havasu (reinstate 5% red)
- NAU (3% merit pool)
- Palm Springs (varied)
- Peoria (step to range)
- Phoenix (expand some)
- Prescott (increase max)
- Prescott Valley (max increase 3%)
- Scottsdale (0%)
- Sedona (1.7%)
- South Lake Tahoe (0%)
- Surprise (2.20%)
- Tempe (varied)
- Tucson (varied)
- AZ Private Sector^

* No information available or received

^ Increased by 1.5 cost of living adjustment

FY15 Budget Priorities – Employee Compensation

Compensation Tools

- Market increases to remain competitive with what is being paid by competing agencies to attract and retain top talent
- Merit increase to move an employee through the pay range as the employee becomes more proficient
- Pay adjustments can be done to address structure, internal equity, pay increase/decrease

FY15 Budget Priorities – Employee Compensation

Market Increase Cost

- Increase pay by 7.89% to match market
 - GF \$3,037,650
 - All Funds \$4,165,920
- Match market movement of 1.83% each year* is \$966,240 in current year dollars

* HR still conducting a peer review to confirm accuracy of numbers

FY15 Budget Priorities – Employee Compensation

Market Increase Multi-Year Approach

- 3 year approach
 - GF \$1,012,550
 - All Funds \$1,388,640
- 5 year approach
 - GF \$1,388,640
 - All Funds \$833,184

FY15 Budget Priorities – Employee Compensation

Merit Increase

- Increase of 3.2%
 - GF \$1,100,000
 - All Funds \$1,500,000
- Pay for Performance at 2%
 - GF \$700,000
 - All Funds \$950,000
- Topped Out Employees
 - GF 27 of 447 employees (6.04%)
 - All Funds 53 of 681 employees (7.78%)

FY15 Budget Priorities – Employee Compensation

Pay Adjustment for Compaction (Not including EREs)

- 4% 5 years+ of service
 - GF \$631,564
 - All Funds \$921,624
- 3% 4 years of service costs
 - GF \$17,754
 - All Funds \$22,078
- 2% 3 years of service costs
 - GF \$15,132
 - All Funds \$28,693
- 1% 2 years of service costs
 - GF \$17,864
 - All Funds \$21,817

Total Cost of Compaction Strategy = \$994,212

FY15 Budget Priorities –Employee Compensation

Other Costs

- FY 13-14 Triggers
 - Library Structure current cost \$125,000
 - Commission Police Structure Phase II current cost \$200,000
- Add and Premium Pay

FY15 Budget Priorities – Employee Compensation

Compensation Options

- Market increase each year to maintain market competitiveness
- Merit increase to move individual employees through pay range
- Pay adjustment to address compaction by creating a spread between existing and new employees
- Creation of Compensation Targets

Employee Compensation Council Discussion

FY15 Budget Priorities – Staffing Challenges and Opportunities

Employee Turnover Rate

- Citywide = approx. 11.16% for CY 2013
- State = approx. 5.74% for CY 2013*
- Police Officers – Patrol = approx. 25% (35 positions over 2 years)
- Emergency Communications Specialists = approx. 40% (20 positions over 2 years)

* State & Local Turnover rate is preliminary for 4th quarter 2013

FY15 Budget Priorities – Staffing Challenges and Opportunities

Impacts of High Turnover and Recruitment Difficulties

- Decreased effectiveness in fulfilling City's mission and values, Council Goals
- Less resources to meet or exceed customer service expectations
- Negative impact on employee morale

FY15 Budget Priorities – Staffing Challenges and Opportunities

Impacts of High Turnover and Recruitment Difficulties (Continued)

- Loss of training investment (e.g. \$42,000 1st year training costs for police officers.)
- Recruitment costs (staff time, job announcement posting, etc.)
- Difficulties associated with the prosecution of certain cases in municipal court
- Continuity of operations/ operational effectiveness is adversely impacted

FY15 Budget Priorities – Staffing Challenges and Opportunities

- Instrumentation/Electrical Specialist (430 days)
- Police Officers (283 days)*
- Traffic Engineer (255 days)
- Emergency Communications Specialists (150 days) & Supervisor (254 days)
- Administrative Specialist – Police Records (171 days)
- IT position (165 days)
- Mechanic II (143 days)
- Equipment Operators & Maintenance Workers (73 days)

* Recruitment Process for PD

FY15 Budget Priorities – Staffing Challenges and Opportunities

Positions Most Recruited Due to Turnover and Recruitment Challenges

- Equipment Operators
- Airport Operations Specialist/ARFF
- Police Officers
- Emergency Communications Specialists
- Mechanic II
- IT Analyst – Project Manager
- Visitor Services Assistant

FY15 Budget Priorities – Staffing Challenges and Opportunities

Hard to Fill Positions Compared to Market

- Equipment Operators/ Maintenance Worker
 - 20.5% below market
- Police Officers
 - 3.5% below market
- Emergency Communications Specialists & Supervisor
 - 9.6%/8.9% below market

FY15 Budget Priorities – Staffing Challenges and Opportunities

Hard to Fill Positions Compared to Market

- Mechanic II
 - 2.5% below market
- Police Records
 - 2.5% below market
- Instrumentation and Electrical Specialist
 - .3% below market
- Traffic Engineer
 - 18.5% below market

FY15 Budget Priorities – Staffing Challenges and Opportunities

Lessons Learned from Exit Interviews (and Employee Survey)

- 37% leaving for higher pay (58% of employees indicated that pay would be the primary reason they would leave employment with the City.)
- 20% leaving for better benefits (45% of employees surveyed indicated that the City's benefit package was meeting their needs.)
- 30% leaving due to high cost of housing
- 17% leaving due to trailing spouse

FY15 Budget Priorities – Staffing Challenges and Opportunities

Strategies to Retain Employees that are Non-Compensation Related

- Peer mentoring program
- Alternative Work Schedule
- Straightening the Pipes Initiatives
- Emphasis on recruiting locally
- Employee empowerment initiatives

FY15 Budget Priorities – Staffing Challenges and Opportunities

Strategies to Retain Employees that are Non-Compensation Related

- Hire for the organization not just the job (succession planning)
- Supervisor and Manager Training
- Customer Service Initiative
- Employee engagement and participation in strategic planning
- Employee recognition
- Improve performance review process

Current Strategies to Address Staffing Challenges

1x \$

- Relocation assistance for Range 14 & above
- Investment in employee development through education and training opportunities

Ongoing \$

- Higher starting pay
- Reorganizations
- Reclassifications
- Tuition Reimbursement Policy
- Investment in employee development through education and training opportunities

Note: Employee training and education funding has decreased since 2009.

Proposed Strategies to Address Staffing Challenges

1X \$

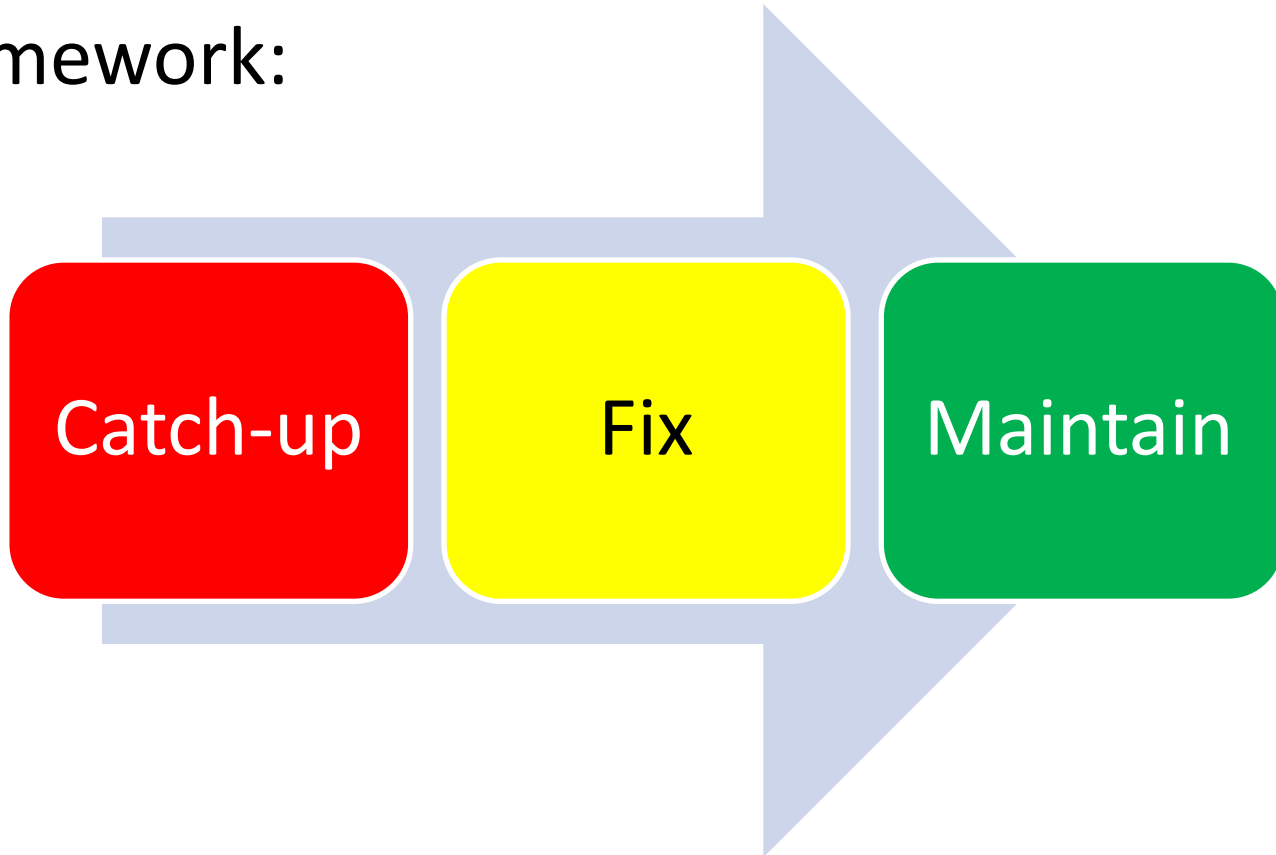
- Housing assistance program - \$100K
- Relocation assistance for hard to fill vacancies below Range 14 -\$10K
- Customer Service Initiative – rewards and recognition
- Increased investment in employee development through education and training opportunities - \$200K

Ongoing \$

- Increase Uniform Allowance - \$65K
- Increase Training and Education budgets - \$25K
- Market adjustments
- Performance based pay
- Address employee compaction
- Restore dependent subsidy

FY15 Budget Priorities – Quality Infrastructure

Quality Infrastructure Needs Assessment Framework:



FY15 Budget Priorities – Quality Infrastructure

Quality Infrastructure Needs Assessment

- Current Condition
- Target Condition
- Current O&M Funding
- Impact to Condition Rating
- Cost to Maintain Current Condition(Stop Bleeding)
- Cost to Upgrade to Target Condition
- Cost to Maintain Target Condition

FY15 Budget Priorities – Quality Infrastructure

Needs Assessment

- Facilities
- Parks
- Fleet
- Airport
- Streets
 - Maintenance, Pavement Preservation
- Information Technology
- Utilities
 - Water, Wastewater, Reclaimed Water, Stormwater

FY15 Budget Priorities – Quality Infrastructure

- Multiple Ways to Assess
 - By Operation
 - Public Works, Airport, Library, etc.
 - By Infrastructure Type
 - Vehicle, Building, Water line, etc.
 - By Fund
 - General Fund, BBB, Solid Waste, etc.

FY15 Budget Priorities – Quality Infrastructure

- History of Quality Infrastructure Cabinet
 - Commissioned in 2010
 - Initiated assessments for all City infrastructure
 - \$550,000 in infrastructure investments
 - Street maintenance \$200,000
 - Parks maintenance \$100,000
 - Facilities maintenance \$100,000
 - Vehicle replacement fund increase \$150,000
 - Increased Fleet Capital Replacement Fund
 - Developed Fleet Catastrophic Fund in 2013

| 2012 Assessment Summary | Additional Cost to Maintain Condition | Cost to Upgrade to Target Condition | Cost to Maintain Target |
|---|---|-------------------------------------|-------------------------|
| General Fund Operations | | | |
| Facilities | \$70,500 | \$1,710,000 | \$138,000 |
| Parks | \$8,100 | \$785,192 | \$226,500 |
| Fleet | \$314,552 | 6,912,257 | \$438,304 |
| General Fund Total | \$393,043 | \$8,926,544 | \$766,158 |
| Non General Fund Operations (Fleet and Facilities included in totals) | | | |
| Library | \$48,183 | \$360,303 | \$81,816 |
| BBB | \$51,258 | \$810,046 | \$321,143 |
| Airport | \$413,392 | \$18,956,938 | \$494,464 |
| Environmental Services | \$467,610 | \$6,558,817 | \$510,571 |
| USGS Facilities | \$5,000 | \$25,000 | \$15,000 |
| Utilities | \$278,541 | \$48,649,500 | \$2,641,915 |
| Pavement Preservation | \$25,730,827 | \$51,716,293 | \$3,429,090 |
| Street Maintenance | \$375,751 | \$7,828,993 | \$873,548 |
| Other Fund Total | \$27,370,562 (\$1,639,735 without Pavement Preservation) | \$134,905,890 | \$8,367,547 |

| Updated Assessment Summary | Additional Cost to Maintain Condition | Cost to Upgrade to Target Condition | Cost to Maintain Target |
|---|---------------------------------------|-------------------------------------|-------------------------|
| General Fund Operations | | | |
| Facilities | 500 | 1,710,000 | 580,000 |
| Parks | 0 | 643,380 | 129,780 |
| Fleet | | 7,337,077 | \$809,690 |
| IT - citywide | (290,605) | 1,625,326 | 212,756 |
| General Fund Total | (290,105) | 11,315,783 | 1,732,226 |
| Non General Fund Operations (Fleet and Facilities included in totals) | | | |
| Library | 42,789 | 418,467 | 104,766 |
| BBB | (3,984) | 565,811 | 57,534 |
| Airport | 507,472 | 28,169,373 | 2,246,758 |
| Environmental Services | (49,030) | 5,721,530 | 3,319,487 |
| USGS Facilities | 5,000 | 25,000 | 15,000 |
| Utilities | 2,306,410 | 88,602,400 | 1,741,310 |
| Street – Construction | 21,175,703 | 46,976,038 | 852,210 |
| Streets – Non Construction | 168,230 | 811,000 | 544,233 |
| Other Fund Total | 24,158,574 | 162,933,067 | 10,050,366 |

| <u>Comparison</u> | <u>Additional Cost to Maintain Condition</u> | <u>Cost to Upgrade to Target Condition</u> | <u>Cost to Maintain Target</u> |
|------------------------------------|--|--|--|
| General Fund Operations | | | |
| 2012 | 393,043 | 8,926,544 | 766,158 |
| 2014 | (290,105) | 11,315,783 | 1,732,226 |
| Variance | (102,938) | 2,389,239 | 966,068 |
| Non General Fund Operations | | | |
| 2012 | 27,370,562 | 134,905,890 | 8,367,547 |
| 2014 | 24,158,574 | 162,933,067 | 10,050,366 |
| Variance | (3,211,988) | 28,027,177 | 1,682,819 |
| City-wide Operations | | | |
| 2012 | 27,763,605 | 143,832,434 | 9,133,705 |
| 2014 | 23,868,469 | 174,248,850 | 11,782,592 |
| Variance | (3,314,926) | 30,416,416 | 2,648,887 |

Progress in FY14

FY15 Budget Priorities – Quality Infrastructure

Progress in FY14

- Invested additional \$95,500 in **Facilities** (all Funds)
 - Average condition index has increased 1% to 64%
 - Example projects include roof repairs and exterior painting
- Invested additional \$286,173 in **Parks** (BBB only)
 - Service level on BBB Rec Fields has increased from 3 to 2
 - Example projects/maintenance include resurfacing parking lots, renovating interior/exterior of five buildings including asbestos abatement

FY15 Budget Priorities – Quality Infrastructure

Progress in FY14

- Invested additional \$340,600 in General Funded **Fleet Capital and O&M**
 - Fleet Management Committee is implementing new Utilization and Replacement Policy
 - All replacements are evaluated based on need as well as miles, condition and age
 - Catastrophic Fund is now \$1,697,340

FY15 Budget Priorities – Quality Infrastructure

Progress in FY14 (cont.)

- **Airport** Fund did not receive QIC funding
 - O&M Costs stayed the same in FY14 (\$230,000)
 - \$30,800 grant match for joint seal project (general funded)
- Restored \$140,000 in **Street Maintenance** operations (not QIC related) (General Fund Transfer to HURF)
 - \$100,000 in Snow Operations one-time money
 - \$40,000 in Street Sweeping – Ongoing

FY15 Budget Priorities – Quality Infrastructure

Progress in FY14 (cont.)

- Invested additional \$1.45 M one-time (QIC) in **Pavement Preservation** AND \$1M GF ONG (GF Transfer to HURF)
 - Added overlay lane miles (18 in 2014 vs. 2.7 in 2011)
 - Added chip seal lane miles (20.4 in 2014 vs. 9.9 in 2011)
 - Resumed preservation work in 2014 (chip seal) – no chip seal in 2012 or 2013

FY15 Budget Priorities – Quality Infrastructure

- Updated the Utilities Division needs assessments
- Updated needs assessment to include IT

FY15 Budget Priorities – Quality Infrastructure

Utilities Needs Assessment

| Asset | Target Condition Rating | Current Condition Rating | Current O & M Funding | Impact to Condition Rating | Cost to Maintain Current Condition | Cost to Upgrade to Target Condition | Cost to Maintain at Target Condition |
|-------------------|-------------------------|--------------------------|-----------------------|----------------------------|------------------------------------|-------------------------------------|--------------------------------------|
| WATER | 70-100% | 73-100% | \$5,194,001 | - | \$6,271,158 | \$ 49,952,100 | \$6,271,158 |
| WASTEWATER | 100% | 62-85% | \$5,047,020 | - | \$6,268,147 | \$34,824,300 | \$5,868,047 |
| RECLAIM | 100% | 80-100% | \$358,374 | - | \$366,500 | \$3,827,000 | \$201,500 |
| STORMWATER | 100%-clean | 100%-clean | \$291,167 | - | \$291,167 | \$120,000 | \$311,167 |
| Totals | | | \$10,890,562 | - | \$13,196,972 | \$88,723,400 | \$12,651,872 |

FY15 Budget Priorities – Quality Infrastructure

Utilities Needs Assessment

Water

Funded

UnFunded

- Treatment \$8,600,000 \$9,725,000
- Distribution \$26,000,000 \$2,318,000
- Others-Meter Repl \$4,740,000 \$362,000
- Red Gap \$0 \$?

Total \$39,340,000

\$12,405,000

Facility Assessment Findings – Priority 1, 2

| Priority 1 Projects | Capital Cost | Comments |
|---|--------------------|-------------------------------------|
| Lake Mary WTP – Clarifier Improvements | \$4,601,200 | Equipment are at end of useful life |
| Lake Mary WTP – Sludge Lagoons Improvements | \$1,136,400 | APP Permit compliance requirements |
| | \$5,737,600 | |



| Priority 2 Projects | Capital Cost | Comments |
|-------------------------------------|--------------------|--|
| Lake Mary WTP – Flocculation Basins | \$1,575,200 | Concrete and equipment deterioration |
| Lake Mary WTP – Electrical Upgrades | \$1,205,300 | End of useful life |
| WM Clarifier Improvements | \$723,200 | Corrosion and equipment deterioration |
| Relocation of Linda Vista PRV | \$301,900 | Relocate PRV as it is in the middle of the road |
| WM Wells Improvements | \$96,800 | Corrosion issues and flow meter incorrectly installed |
| Continental Well Improvements | \$85,000 | Access issues, need chlorine generator and flow meter replaced |
| | \$3,987,400 | |
| Total | \$9,725,000 | |

FY15 Budget Priorities – Quality Infrastructure

Utilities Needs Assessment

| Wastewater | <u>Funded</u> | <u>UnFunded</u> |
|-------------------|---------------------|---------------------|
| • Treatment | \$7,390,000 | \$8,925,000 |
| • Collections | \$14,450,000 | \$3,550,000 |
| • Manholes | <u>\$118,000</u> | <u>\$6,314,300</u> |
| <i>Total</i> | <i>\$21,958,000</i> | <i>\$18,789,300</i> |

Facility Assessment Findings – Priority 1 Unfunded

| Priority 1 Projects | Capital Cost | Comments |
|--|--------------------|--|
| Third Digester | \$3,000,000 | Existing Solids Handling is under capacity, Regulatory Permit requirements |
| Permanent Solids Handling Facility – Sludge Thickener–Centrifuge | \$ 4,430,000 | Existing Solids Handling is under capacity, Regulatory Permit requirements |
| Wildcat Hill WWTP–Add initial anaerobic zone | \$1,495,000 | Regulatory Permit Requirement |
| | \$8,925,000 | |



| Unfunded Collection Projects | Capital Cost | Comments |
|---------------------------------------|--------------|--|
| Aging Manhole Rehabilitation and repl | \$6,314,000 | Manholes structures beyond their useful life |
| | | |

FY15 Budget Priorities – Quality Infrastructure

Utilities Needs Assessment

| Reclaim | <u>Funded</u> | <u>UnFunded</u> |
|--------------|------------------|--------------------|
| • Mains | \$520,000 | \$2,500,000 |
| • Reservoirs | \$0 | \$26,500 |
| • Booster | <u>\$440,000</u> | <u>\$1,300,000</u> |
| <i>Total</i> | <i>\$960,000</i> | <i>\$3,800,000</i> |

FY15 Budget Priorities – Quality Infrastructure

Utilities Needs Assessment

Stormwater Maintenance

| <u>Current Funding</u> | <u>Upgrade cost to target</u> | <u>Cost to maintain at Target</u> |
|------------------------|-------------------------------|---------------------------------------|
| \$291,167 | \$120,000 | \$311,167 |

FY15 Budget Priorities – Quality Infrastructure

Information Technology Needs Assessment

| | <u>Current</u> cost to maintain condition (funded) | One time cost to upgrade (unfunded) | <u>Additional</u> annual cost to maintain (unfunded) |
|----------------------|---|--|---|
| Network | \$132,000 | \$268,500 | \$15,267 |
| Systems | \$89,790 | \$563,000 | \$86,732 |
| PCs(et al) | \$78,500 | \$219,200 | \$126,750 |
| Applications | \$578,649 | \$374,950 | \$49,997 |
| Other | <u>\$20,187</u> | <u>\$199,676</u> | <u>\$2,019</u> |
| <i>Totals</i> | <i>\$899,096</i> | <i>\$1,625,326</i> | <i>\$280,765</i> |

| <u>Comparison</u> | <u>Additional Cost to Maintain Condition</u> | <u>Cost to Upgrade to Target Condition</u> | <u>Cost to Maintain Target</u> |
|------------------------------------|--|--|--|
| General Fund Operations | | | |
| 2012 | 393,043 | 8,926,544 | 766,158 |
| 2014 | (290,105) | 11,315,783 | 1,732,226 |
| Variance | (102,938) | 2,389,239 | 966,068 |
| Non General Fund Operations | | | |
| 2012 | 27,370,562 | 134,905,890 | 8,367,547 |
| 2014 | 24,158,574 | 162,933,067 | 10,050,366 |
| Variance | (3,211,988) | 28,027,177 | 1,682,819 |
| City-wide Operations | | | |
| 2012 | 27,763,605 | 143,832,434 | 9,133,705 |
| 2014 | 23,868,469 | 174,248,850 | 11,782,592 |
| Variance | (3,314,926) | 30,416,416 | 2,648,887 |

Council FY15 Budget Priorities – Quality Infrastructure

Strategies for FY15: General Fund

- Parks/Unfunded

- Increase Service Level from 3 to 2 (ONG) \$84,428
- Operating Capital Increase (ONG) \$20,000
- Capital Catch up (1X) - rebuild 4 courts FRC \$483,000

- IT

- To improve replacement schedules (start to save for target) request ongoing funds incrementally to cover increased annual costs, including saving for replacements
 - Approximate average = \$56,153 increase per year for 5 years
- Request one time funds each year for 5 years to cover upgrade costs
 - Spread over 5 years = \$325,065 per year

- Facilities

- Library \$30,000 for Metal Roof replacement (phase 1 of 6)

FY15 Budget Priorities – Quality Infrastructure

Strategies for FY15

- Fleet – All Funds
 - Revisit Utilization Policy
 - Continue efforts for right sizing the fleet
 - Develop a fleet replacement financing strategy
 - Continue to use mileage/hours usage for fleet replacement criteria
 - Evaluate purchase vs. refurbishment

FY15 Budget Priorities – Quality Infrastructure

Strategies for FY15: Environmental Services Fund (Solid Waste)

- Fleet Capital
 - Collections – Purchase 3 Trucks \$507,320 Funded
 - Landfill - Purchase 1 Dozer \$750,000 Funded
- Operating Capital
 - Alternative Liner Test Plots \$ 75,000 Funded
 - Excavate Sludge Storage Area \$500,000 Funded
 - Finish Landfill Maint. Bldg. \$150,000 Funded
- Core Services Maintenance Facility
 - Reinstate \$2.50/ton Landfill Tipping Fee Surcharge to pay Solid Waste's portion of the new Facility

FY15 Budget Priorities – Quality Infrastructure

Strategies for FY15: HURF

- Pavement Preservation
 - GF transfer (\$1M ongoing, \$200,000 1x in FY14)
 - Road Repair and Street Safety Initiative (tax)
 - Capital AND Pavement maintenance
 - Continue lobbying against HURF Sweeps
- Street maintenance
 - Restore temporary asphalt crew \$95,000 ONG to provide ongoing maintenance of restored streets
 - Street light maintenance increase \$109,000 and \$15,000 in electrical
 - Fleet: research reducing inventory and use available one-time (\$1M) to address deferred equipment needs
 - Continue lobbying against HURF Sweeps

FY15 Budget Priorities – Quality Infrastructure

Discussion on Strategies for FY15

Possible Solutions and Strategies

Possible Solutions and Strategies

- New Revenue
- Reallocations

Possible Solutions and Strategies

| Possible Future Sources (Ongoing) | Amount |
|-----------------------------------|---------------------------------------|
| Property Tax (6% Levy) | \$330,000 |
| Use Tax | \$100,000 (Up to \$250,000 in future) |
| Wastewater Services | \$80,000 |
| Jet Fuel (\$0.03 per gallon) | \$20,000 |
| Recreation Fees | \$70,000 |
| Total: | \$600,000 |

Possible Solutions and Strategies

Reallocations

Possible Solutions and Strategies

- Employee Compensation
- Staffing
- Infrastructure

| Budget Priority | Priority Options | ONG | 1x |
|---|--------------------------------|-----|----|
| Employee Compensation - \$ target total | | | |
| | Merit | | |
| | Market | | |
| | Compaction | | |
| | Triggers | | |
| Staffing - \$ target total | | | |
| | Training and Uniform Allowance | | |
| | Housing Assistance | | |
| | Rewards and Recognition | | |
| Infrastructure - \$ target total | | | |
| | Streets | | |
| | Parks | | |
| | IT | | |
| | Facilities | | |
| | Fleet | | |
| | Utilities | | |
| Other RSLs | | | |

Available:
\$1.95M 1X
\$511K in ONG

Format for April Budget Retreat