

# Memo

**To:** Mayor and City Council  
**From:** Jeffrey E. Repp, City Administrator  
**CC:** Margie Eirich, City Clerk  
**Date:** 4/30/2009  
**Re:** FY 2010 Proposed Budget

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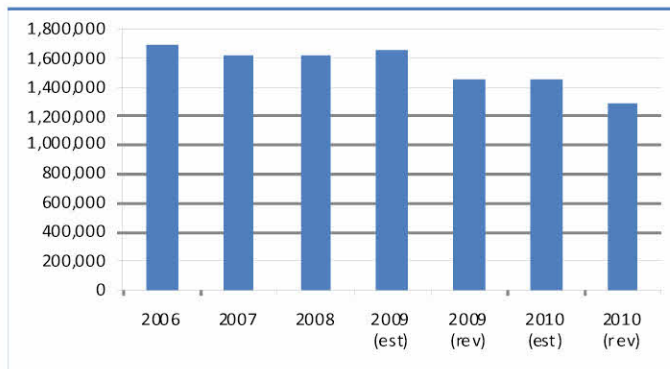
Please find attached for your review and input the proposed budget for FY 2010.

## Overview

As we are all aware our nation and the State of Maryland are facing unprecedented financial times. There is no local government in Maryland that is not facing the same financial issues that the City of Cumberland is currently facing. With the adjournment of the 2009 Session of the Maryland General Assembly the full impact of the decisions of that legislative body in adopting the State's FY 2010 budget are now known.

For the City, the greatest impact was in the decision to reduce Highway User Revenues (HUR) by 10.8% for municipal governments across the State to assist the State in balancing their budget. While the State was able to fill many operating budget gaps with American Recovery and Reinvestment Act (ARRA) funds from the federal government, local governments in Maryland failed to realize any of those funds to assist in our operating budgets.

The chart below I believe fully illustrates the impact that both the national economy and the State's action have taken on this very important revenue source.



Between the start of the current fiscal year (FY) and the current projection for FY 2010, the City is anticipating to collect over \$ 357,000 annually less in HUR.

During 2002-2006, the City faced a triple threat to its budget due to flat property tax assessments; reductions in HUR by the Ehrlich administration for similar budget purposes and skyrocketing workman's compensation insurance costs. During that fiscal downturn, the City was able to rely upon its undesignated fund balance to avoid either property tax increases or furloughs or layoffs along with other cost savings measures that were employed. It is unfortunate that not enough time has elapsed to allow for the replenishment of the undesignated fund balance to ward off some of the tough decisions that will be necessary in the FY 2010 budget.

Some of the significant items that the Council will have to consider during your review and adoption of the budget are highlighted below.

- *The proposed budget does not include a cost of living adjustment (COLA) for AFSCME and management/non-union employees. It does contain a negotiated 3% COLA for non-management police and fire personnel who are in the final year of their collective bargaining agreements.*
- *The elimination of the "standard group over 65" program to approximately sixty three (63) former city employees who have retired from City service. This provides an annual savings of \$ 90,007 annually. It is also important to point out that in FY 2010 CAFR the City will for the first time have to begin reporting the cost of its post-retirement medical benefits it provides to its retired employees. This will appear as a liability on the City's balance sheet and will impact future borrowing and ratings if the City does not have a plan to "pre-pay" this liability. Since the City has always paid these expenses on a "pay as you go" basis and does not have a reserve set aside to pay this total expense it will negatively impact future credit ratings and borrowing activities.*
- *The one-time reduction in revenue distributed to groups seeking hotel/motel funding by 50% that will result in a savings in FY 2010 of \$ 35,500.*
- *The elimination of the 50% contribution to the individual membership at the YMCA by the city to employees who chose to join the YMCA which provides a savings of \$ 11,667.*

The above four actions are only highlighted items because as you review the individual line items in the budget you will see numerous reductions in items such as travel/training, office supplies, etc. that were necessary in this challenging financial times.

## **Personnel Costs**

In previous memoranda to the Council I have expressed concerns of the potential impact that increases in personnel costs outside of the City's control may transpire. I am pleased to report that for FY 2010 those concerns were somewhat mollified.

The proposal the Council will soon adopt for **health care insurance** for its city employees will increase by 2.6% in FY 2010. During the fiscal crisis earlier in this decade the actions taken during negotiations to require employee contributions to the premiums paid by the City have contributed greatly to the costs that other public and private employers are experiencing in their health insurance.

The **retirement rates** for the Alternative Contributory Pension System (ACPS) and Law Enforcement Officers Pension System (LEOPS) are 11.49% and 30.03% of payroll versus the FY 2009 rates of 11.27% and 30.53%. Employees contribute 5% to ACPS and 7% to LEOPS. While the City was fortunate in FY 2010 I cannot but expect these rates to increase in the future and dramatically so to

make up for the reported \$ 6 billion loss that the State Retirement System experienced in the stock market collapse in 2008.

At this point in time the City has not received its *workman's compensation* proposal from PMA for FY 2010, but I do not anticipate any increases from FY 2009 based on our loss experiences. I've estimated the premium at \$ 337,662 and the loss fund at \$950,000. It should be pointed out that in FY 2011 the City will begin receiving the "unused" portion of the loss fund from FY 2007 to reduce our annual cost for this insurance.

## Capital Outlays

Capital outlays, or capital purchases (those exceeding \$ 5,000 in value), are the next item in any budget that garner them most attention, other than personnel costs. To assist the Council in reviewing what I am recommending versus what was requested from my departmental meetings I have condensed those requests into the two tables below. The City will either budget for and pay for items in "cash" or in the case of vehicle purchases the City will entertain a "lease/purchase" loan from a financial institution for usually a five-year term. While the City in FY 2009 proposed to purchase vehicles by "lease/purchase" I made the decision to forgo that activity due to the uncertain economic future. As a result many of the vehicles that were to have been purchased in FY 2009 will now, again, appear in the FY 2010 proposed budget.

The table below provides an overview of the items I would propose to pay for by the cash method. Those highlighted in yellow represent the items I am recommending and can be found in the individual budgets in the 600 accounts.

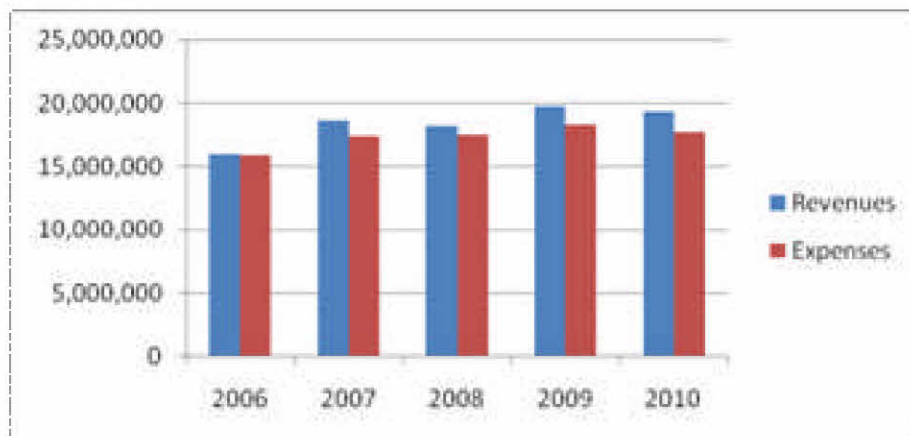
2010 Capital Improvement Request		General	Water	Sewer
	Item			
City Hall	Electrical Improvements	20,000		
	Exterior Refinishing & Repairs	1,75,000		
	Window Replacement	3,80,000		
MIS	MCCI Web Query	8,200		
Vehicle Maint.	Welder/Compressor	27,000		
Street Lighting	(4) Traffic Lighted Intersections	1,25,000		
Mun. Svr. Ctr	Garage Door Replacement	7,565		
	New Roof	85,000		
	Surveillance Cameras	15,000		
Parks	Resurface Const. Park Tennis Courts	16,000		-
Water Dist.	Water Line Replacement - S. Centre St		125,000	
	Water Line Replacement - Washington St.		479,000	
	Water Line Replacement - Queen City Dr.		50,000	
	Water Line Replacement - Memorial Ave		48,726	
	Water Line Replacement - Michigan Ave		60,544	
	Water Line Replacement - Elder Street		22,455	
	Replace AES Water Meter		40,000	
	Install Fire Line Meter @ MSC		25,000	
	Hydrant and Valve Replacement		40,000	
Water Filtration	New Roof over drying beds		12,000	
	New Chlorine Feed Facility		500,000	
	Replace existing boat		10,000	
	Replace Cone Valve		15,000	
WWTP	Roof for Maintenance Garage			6,200
	Riding Lawn Mower			7,200
	Relay Panels (main substation 2, 4160V)			9,000
	Sewer Camera - tracked tractor for steep slopes			8,500
	Replace electric switching equip - Mill Race			81,365
Sewer Flood	Replace electric switching equip - Viaduct			68,650
Sub-total		8,58,765	1,427,725	180,915
Requested Total		24,67,405		
Funded Total		10,41,040		

Those capital items that I am recommending to be purchased by "lease/purchase" are found below. Again, items highlighted in yellow represent those vehicles that I am recommending for acquisition.

<i>Vehicle Leasing</i>	Item	General	Water	Sewer
Police	(3) Police vehicles	110,000		
Fire	(1) Chevy Tahoe to replace 91 Chevy Lumina	28,979		
Engineering	(1) 2010 Van to replace existing Van	25,300		
Street	(1) Extended Cab Pickup w/ compressor	65,000		
	(1) Trailer for Paver/Roller	20,000		
	(1) Crew Cab Pick up 4X4 w/ P/S	40,000		
	(1) Bobcat S-160 w/ Attachments	42,000		
	(1) 5 Ton Dump Truck	130,000		
	(1) 1 Ton Dump Truck	70,000		
	(1) CAT 4X4 Backhoe	82,000		
Mun. Svr Ctr	(1) Bucket Truck	85,000		
Parks	(2) Pickup with 8' Bed Reg Cab w/ Tool Boxes	45,000		
Water Dist.	4" Goodwin Pump		33,000	
	(1) 1-ton Pickup to replace 91 truck		40,000	
	(1) 5 Ton Dump Truck to replace 91 truck		120,000	
Water Filtration	(1) New pickup to replace 01 pick-up		20,000	
WWTP	(1) New pickup to replace 91 pick-up			22,000
Sewer/Flood	(1) New pickup to replace 91 pick-up			25,000
Sub-total		743,279	213,000	47,000
Total		1,003,279		
Recommended		527,000		

## General Fund

The table below represents a summary of the revenues and departments that are included in the City's General Fund.



	FY 2008 Actual	FY 2009 Adopted	FY 2009 Estimated	FY 2010 Proposed
<b>Revenues</b>				
Taxes	8,584,179	10,070,090	10,336,172	10,688,622
Licenses & Permits	274,908	263,884	261,451	197,860
Intergovernmental	3,794,355	3,852,324	3,654,198	3,477,391
Charges for Services	1,312,103	1,626,818	1,610,453	1,641,317
Fines & Forfeitures	375	2,500	500	2,500
Interest	43,927	75,000	7,500	25,000
Miscellaneous	1,095,955	900,248	2,031,736	801,568
Transfers	1,817,344	1,139,427	1,148,506	975,443
Prior Year Balance	1,248,245	731,262	731,262	1,481,199
<b>Total</b>	<b>18,171,391</b>	<b>18,661,553</b>	<b>19,781,778</b>	<b>19,290,898</b>

	FY 2008 Actual	FY 2009 Adopted	FY 2009 Estimated	FY 2010 Proposed
<b>Expenses</b>				
Mayors Office	8,860	8,629	9,446	9,503
City Council	44,124	44,233	43,499	42,663
City Clerk	56,534	57,633	49,816	59,209
City Administrator	112,288	111,321	110,978	108,028
Registration & Elections	-	-	-	-
Comptroller	342,084	335,719	329,405	309,169
Personnel	87,120	78,840	79,216	80,947
City Solicitor	78,321	54,604	85,077	77,132
Planning	-	62,249	47,604	53,105
Memorial Hospital	39,800	-	-	-
City Hall	228,037	229,091	213,836	183,416
MIS	315,488	354,777	358,404	330,014
Public Officers	-	-	-	-
Police	4,793,145	5,089,693	5,248,424	5,023,798
Fire	5,009,324	5,307,327	5,237,781	5,273,695
Civil Defense	-	-	-	-
Public Safety Buidling	147,442	154,643	140,668	149,616
Public Works	139,017	132,036	119,908	122,389
Vehicle Maintenance	76,490	92,824	49,808	87,522
Engineering	280,571	258,206	243,978	234,635
Waste Collection	-	-	-	-
Street Maintenance	1,884,156	2,006,790	1,946,600	1,736,048
Snow Removal	161,306	170,880	171,492	163,589
Flood Control	-	-	-	-
Street Lighting	482,623	446,000	444,000	442,500
Building Maintenance	51,997	51,621	46,125	42,307
Municipal Service Center	91,334	87,760	85,228	87,188
Dir - Parks & Rec	130,319	148,266	126,876	110,013
Recreation Activities	170,896	160,142	211,654	278,582
Swimming Pool	111,764	134,802	110,462	119,700
Parks	569,551	587,826	580,904	543,614
Grass Cutting Crew	56,428	56,499	55,902	55,952
Community Development	573,670	543,859	558,512	447,599
Debt Retirement	932,323	1,347,231	1,159,787	1,122,125
Insurance	306,500	306,992	283,774	217,900
Miscellaneous	204,175	180,287	151,412	245,960
<b>Totals</b>	<b>17,485,689</b>	<b>18,600,781</b>	<b>18,300,579</b>	<b>17,757,919</b>

<b>Balance</b>	<b>731,262</b>	<b>60,772</b>	<b>1,481,199</b>	<b>1,532,979</b>
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The proposed FY 2010 expenditure budget is \$ 542,660 less than the revised FY 2009 budget and \$ 842,862 less than adopted FY 2009 budget. The decision to not fill a number of positions that became

open due to retirements is the most significant reason for this reduction, as well as the items that were addressed earlier in this memorandum that I proposed.

While the City is expecting a 4.8% increase in real property assessable base that generation of approximately \$ 375,000 is offset by the loss of \$ 357,000 in HUR leading to little actual increase in recurring general fund revenue.

The general fund budget also does not require used of any undesignated fund balance in FY 2010. The projected revenues equal the projected expenses with the customary transfer of administrative costs and payment in lieu of taxes (PILOT) from the utility funds. The transfer of any profits, which in the past have typically ranged from 50% to 80% of net profits of the water and sewer funds, are not shown as operating revenues. Thus, any profits that are realized to be transferred from those funds would go directly into the undesignated fund balance for the general fund.

### **City Clerk**

Funds are provided for the former City Clerk to finish the project of unifying the current and former City Solicitor's files into the City's electronic storage system and create new document retention schedules for the various city departments. It is anticipated that this work will be completed by January 1, 2010 and funds are budget accordingly.

### **Public Safety**

The budget for the Fire Department has been prepared proposing that 2 full-time equivalent positions not be filled in FY 2010.

The Police Department budget reflects an overall reduction in cost due to a number of retirements (4) in FY 2010 that are to remain unfilled at this time. The department is submitting a COPS grant seeking funds for seven (7) officers and two (2) civilian staff. If awarded this grant would fund the cost of the employee for three (3) years at which point the City would be responsible for picking up 100% of the cost. While personnel costs are not shown in this budget the cost for equipping three (3) officers to be funded by this grant are included at \$ 5,100 per officer and training costs.

### **Planning**

The City has discussed with the State Highway Administration and the Cumberland Area Metropolitan Planning Organization officials the need for a comprehensive Traffic Circulation and Signage Study to evaluate vehicular and truck traffic routes and identify appropriate signage to direct traffic through the City. The last such study was in 1978 and is out of date. It is estimated that the City's share of this projected \$ 40,000 to \$ 50,000 study will be \$ 12,000 and is budgeted in this department.

### **Transfers**

Funds necessary to balance the "Street Improvement Fund" which was created by the Mayor and City Council in FY 2009 are found in this department. It is projected that \$ 241,960 will be needed to be transferred from the general fund to added to the projected \$ 175,000 of interest income to pay for the FY 2010 debt service for this department/fund.

