

Council Agenda Report

Date: February 27, 2017

Prepared and Submitted by: Sandra Tripp-Jones, City Manager 

SUBJECT: FY 2018 Budget Planning

Recommendation: That Council *conceptually* approve:

- A. Inclusion of an average 2% salary increase in the proposed FY 2018 operating budget;
- B. Inclusion of up to \$65,000 for salary comparability adjustments for Public Works field staff and sanitation workers at the lowest salary grades in the proposed FY 2018 operating budget;
- C. Inclusion of a volunteer firefighter incentive program in the proposed FY 2018 operating budget;
- D. Inclusion of a reserve for a Human Services Grants program in the proposed FY 2018 operating budget;
- E. Inclusion of repair of 300 block of High Street in the proposed FY 2018 capital budget;
- F. Inclusion of a \$3/month increase in solid waste collection (trash) fees in the proposed FY 2018 operating budget; and
- G. Setting March 27, 2017 for a hearing – as required by State law – to consider setting the real property tax rates to maintain constant yield.

Discussion:

Staff is preparing the proposed FY 2018 budget, and that involves projecting revenues as well as costing services. Preparation also involves consulting with and in some cases seeking formal action on policy issues without which staff would have to make assumptions which might not be acceptable to Council and would put the budget process in disarray. Therefore, staff and the Finance Committee have been reviewing a number of issues and developing recommendations for Council consideration. On Feb. 21, City Council met in work session to consider FY 2018 budget issues. This report brings forward several actions for Council consideration from the work session. If *conceptually* approved, the actions will be incorporated into the FY 2018 Proposed Budget, which Council will consider during April and May. There will be a few more budget issues to consider between now and the end of March, but these are the primary ones.

A. Cost of Living Increases for General and Public Safety Employees:

City staff were very cooperative with furloughs, increased employee costs of health benefits, and no salary increases during the 2009 – 2014 period. Since then employees have received

small cost of living increases, with larger percentage increases going to the lowest paid workers. Last year the cost of employee increases that averaged about 2%, cost \$125,000. A similar increase for 2018 would also cost about \$150,000.

B. Salary Comparability Adjustments for Public Works Field Staff:

We have collected comparative salary data on the lowest paid MUC and PW staff positions. There are approximately 25 general fund positions that we have considered: maintenance workers, custodians and sanitation collectors. The difference between Cambridge's salaries and those in the three cities' is that the other cities' average salaries ranges from \$1,000 - \$3,000/year more than Cambridge's. Using \$ 2,000 as an average increase for the approx. 25 positions, the impact would be an increase of approximately \$65,000 including benefits. We need to bring similar data to the MUC and Council on MUC's field positions.

C. Volunteer Firefighter Incentive Program:

Encouraging more volunteerism and residency in the City is in the City's interest. Approximately 30 current active firefighters live in the City and most of them are homeowners. An incentive program paying directly \$300/each would result in a \$6,000 - \$9,000 new cost to General Fund for current volunteers in good standing. If the incentive attracts more, then the cost would be higher.

D. Human Services Grants Program:

In the past the City has granted funds for human services to local organizations. When the budget went through severe reductions, this program was curtailed. The Council approved a \$5,000 grant to the library in the current FY 2017. At that time, Council discussed wanting to see a program for the next fiscal year. The Finance Committee discussed different approaches and recommends the following:

- Council consider/approve a total amount to be made available in FY 2018;
- Council direct staff to develop a process and criteria for Council consideration before June, 2017. The criteria could reflect Council Goals.
- Council authorize requests for proposals for awards before July 2017 and award contracts in July.
- The recommended amount is between \$20,000 and \$25,000.

E. Repair of 300 block of High Street:

The estimated cost of repair of the 300 block of High Street is \$800,000, of which approximately \$540,000 in General Fund dollars will be needed. To do this will likely need a new revenue source.

F. Solid Waste Collection (Trash) Fees:

The current rate of \$11 per customer does not cover the full cost of sanitation disposal service by about \$335,000/year (about 1/3 the cost of providing the service). A \$3/month

increase would yield \$175,000 and would be easy to administer. The typical bill for water, sewer and trash would increase from \$50.14 per month to \$53.14 per month.

G. Real Property Tax Rates/Constant Yield:

New assessments have resulted in 2% reduction in overall assessments. The estimated impact will be a loss of \$ 130,000 in property tax revenues. The Finance Committee has recommended that the Council hold a constant yield hearing with the recommendation that Council adjust the property tax rate to maintain constant yield. The rate adjustment would change from .7989 to .8179 or .019. The recommended date for that hearing is March 27th. Council may want to consider raising real property tax more after Finance Committee considers scenarios and purposes. Staff will return with action to recommend setting a hearing pursuant to State law.

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