

POLICIES & ISSUES SUMMARY

General Fund Reserves	
Should the City Council reconsider the policy requirement for maintaining an 8% General Fund Reserve?	Recommend that the Finance Committee discuss and evaluate the city's ability to cover unforeseen costs.
Allocation of Funding for New Positions	
Should the City defer actual allocation funding for new positions to the date of hire rather than the date the position is authorized by Council?	Concur with staff recommendation to the funding of new positions. Unusual circumstances warrant exception would require City Manager approval on a case-by-case basis.
2-1-1 Funding	
Does the City wish to commit financial resources, \$24,694.00, towards the implementation of 2-1-1 Stanislaus Helpline?	This is a policy decision of the Council.
Booking Fee Reimbursement/Public Safety Revenue Enhancement	
Should the Modesto Police Department recover booking fee costs from charged defendants?	Concur with staff recommendation to closely monitor the developments in this year's state budget and consider changes once more is known.
Outsourcing of Custodial Services	
Should the custodial service to external facilities be outsourced?	If approved, City should maintain one employee, in addition to the Building Services Superintendent, to oversee the contract citywide. Staff recommends a performance-based contract that allows for a deduction in payment for less than a 90% level of cleaning.
Public Works Department Reorganization into Two Departments	
Should the Public Works Department be reorganized into a Municipal Utilities Department and a Public Transportation Department?	Committee reviewed staff's recommendation to reorganize the Public Works Department into a Municipal Utilities Department and a Public Transportation Department, but desires more detailed fiscal analysis before pursuing.

Spending Plans for Grant Monies	
Should department be required to submit a spending plan at the start of the year for all grant and special allocation monies that can be applied to costs from a broad category of expense types?	Staff's recommendation is to require each department that anticipates having this type of grant and special allocation money available next year to include as part of their budget submittal, a list of prioritized needs to be funded with these monies.

Issue: General Fund Reserve

Should the City Council Reconsider the Policy Requirement for Maintaining an 8% General Fund Reserve?

Background:

The City Council recently adopted financial policies as part of the 2006-2007 budget adoption process. One of the policies re-adopted at that time, after considerable discussion by the Finance Committee, was the policy to maintain a minimum 8% reserve in the General Fund. There have been several discussions during the current year in which the need to continue maintaining this reserve level has been questioned. This issue is being brought forth at this time to allow the City Council to have an opportunity to evaluate the merits of the policy in advance of their deliberations over the Fiscal 2007-2008 budget.

Fiscal Impact:

The fiscal impact of lowering the reserve requirement will be felt immediately because the lower reserve requirement will provide additional resources to pay current costs. Consideration must be given to the amount of adjustment that is made in order to leave the city with the resources needed to provide an adequate contingency reserve for unforeseen costs.

Staff Recommendation:

Staff's recommendation is that a discussion should be held on this topic so that the Finance Committee can evaluate the city's ability to cover unforeseen costs. The current status of the city's insurance programs would be covered in these discussions in order to help the committee reach a decision on this issue.

Action Taken:

The Finance Committee declined to take action on this item.

Issue: Allocation of Funding for New Positions

Should the City defer the actual allocation of funding for new positions to the date of hire instead of the current practice which allocates funding from the date the position is authorized by Council?

Background:

The City budget allocates full year funding for all authorized positions. Each year, the Council has the opportunity to approve new positions in the various operating departments. When those positions are approved by Council, the funding for that position is immediately allocated to the operating budget. However, it is uncommon for a position to be immediately filled since there is often a need to recruit for and establish an eligibility list from which to hire. When this occurs, funding is "encumbered" for a purpose (the position) but may not be needed for months.

Fiscal Impact:

The anticipated salary savings from delaying the funding of new positions until the hire date of an employee creates additional resources that can be used to fund other critical needs within the City. The level of savings is dependent on the number of new positions being approved in any given year.

Staff Recommendation:

Staff recommends this approach to the funding of new positions. If unusual circumstances warrant exception, staff would recommend these be approved by the City Manager on a case-by-case basis.

Action Taken:

Finance Committee endorsed staff recommendation. Policy language follows:

Allocating Funding for New Positions:

New positions allocated by the City Council shall be funded as of the date-of-hire unless specifically approved by the City Manager, e.g., funding shall not be transferred to a departmental operating budget until the position is actually filled. Circumstances that may warrant City Manager approval of funding in advance of the hire date include, but may not be limited to:

Funding is necessary to hire contract or temporary staff until such time as the position is filled;

Overtime by existing staff is necessary to manage the existing workload until the position is filled. In any event, it is the Department Director's responsibility to assure that other departmental operating funds are not available prior to requesting the advanced funding allocation.

Issue: 2-1-1 Funding

Does the City wish to commit financial resources towards the implementation of 2-1-1 Stanislaus Helpline?

Background:

Spearheaded by the United Way of America, 2-1-1 is an abbreviated, easy to remember telephone number, designated by the Federal Communications Commission in 2000 to be a toll-free call for residents to confidentially access health and human services.

In 2003, the California Public Utilities Commission (CPUC) approved the 2-1-1 ruling and on July 20, 2006, the United Way of Stanislaus County was authorized by the CPUC to become the sole 2-1-1 service provider in this county.

In late January 2007, the City received a letter from the United Way requesting long-term financial support of this service. That letter and additional background on the 2-1-1 service are attached for your review.

Both the Police Chief and Fire Chief are supportive of the services provided by 2-1-1. At the same time, while the goal is for 2-1-1 Helpline to be the first call for residents seeking non-emergency help, it is unclear if implementation of 2-1-1 will have any significant impact on the call volume to the 9-1-1 Center which is supported operationally in both the Police and Fire Department budgets.

Fiscal Impact:

The United Way is requesting \$60,000 in financial support from the county's nine cities, divided between the cities on a population basis. The request assumes the City of Modesto population is about 41.16% of the county's total equating to an annual contribution of \$24,694.

Since the local United Way Board will not allow the launch of 2-1-1 unless three-year funding needs are met, the request also asks that the City make a three-year funding commitment.

Staff Recommendation:

This is a policy decision of the Council.

Action Taken:

On March 6, 2007, the City Council concurred with the Finance Committee recommendation approving a three-year funding commitment beginning in FY 07-08 at an annual cost of \$24,694.

Issue: Booking Fee Reimbursement/Public Safety Revenue Enhancement

Should the Modesto Police Department recover booking fee costs from charged defendants?

Background:

In the early 1990's, the State of California authorized counties to charge local municipalities the cost for booking fees. In 1994, the City of Modesto worked with Stanislaus County to establish a procedure to recapture booking fee costs from charged defendants. The courts would order the defendants to reimburse the City of Modesto the cost for booking fees with payment made through the county collections department. At that time, the State of California did not reimburse cities for the cost of booking fees.

Beginning with FY 1999-2000, the State of California began reimbursing all local agencies the cost for booking fees. The City of Modesto received \$560,804 for reimbursement of booking fees paid to Stanislaus County from July 1997 to June 1998. This amount (\$560,804) was received annually for the following six years.

The practice of recovering booking fees from defendants was stopped in 2001, to avoid "double recovery." Even though the City of Modesto stills receives small monthly payments from the courts, no formal requests have been made to the courts by the Modesto Police Department since 2001.

Fiscal Impact:

In fiscal years 1997-2000, the City of Modesto received an average \$44,673 in booking fee reimbursement from charged defendants as part of the formal judicial sentencing. Historically, the percentage of collection of booking fee reimbursement from charged defendants is very small. Thirty percent of the reimbursement received is retained as a fee for collection by Stanislaus County. For the years that the Modesto Police Department did request the reimbursement, \$1,569,526 was paid for booking fees by the City of Modesto and \$130,236 in reimbursement was received.

For the past couple of years, the number of bookings has increased. Current year anticipated costs for booking fees are estimated at \$600,000. Even with improved collection processes at the County, their estimate is that only 10% to 15% of the invoices for booking fee would be paid as requested. Based on these estimates, anticipated annual revenue would be approximately \$60,000.

Staff Recommendation:

For the last two state budget cycles there has been considerable discussion and compromise regarding booking fee subvention.

The proposed FY 2007-2008 State of California budget contains \$35 million for a "**Local Detention Fund.**" If funded in its entirety, booking fees for local agencies will no longer be

an allowable expense with the exception of misdemeanor bookings that exceed a "rolling" three-year average.

The State of California budget is unsettled. If counties are allowed to continue the practice of charging local municipalities the cost for booking fees without subvention, the police department will consider implementing a reimbursement program similar to one utilized in 1994-2000.

Staff is recommending that we closely monitor the developments in this year's state budget and to consider changes once more is known.

Action Taken:

The Finance Committee endorsed the concept of reimbursement from charged defendants. Staff will continue to monitor State budget developments and absent legislation resolution to this drain on the City's resources will pursue an ordinance change allowing this reimbursement from charged defendants to occur.

Issue: Outsourcing of Custodial Services

Should the Custodial Service to External Facilities Be Outsourced?

Background:

Currently, City custodial staff cleans 209,469 sq. ft. of various rental, office and public facility space. Some of this work is performed during facility operating hours; however, much of it occurs at night when the facilities are unoccupied. This function is performed at an annual personnel cost of \$872,905, or 24¢ per square foot per month. The current industry standard is 16¢ per sq. ft. per month. If the industry standard were achieved, annual personnel costs would be \$402,180, which would be a savings of \$470,725 annually. Staff feels that other costs (supplies, materials, etc.) would remain approximately the same.

In addition to potential cost savings, outsourcing custodial services could provide certain benefits. The contractor would have the responsibility to maintain staffing levels regardless of vacations or employees out sick. Currently each custodial crewmember has a full workload. When vacation or sick leave occur, work in the buildings suffers. In addition, the city would be able to request changes in staffing levels as needed. In addition, the City would be able to take advantage of a contractor's professional experience in areas that require training and skills such as floor cleaning.

Issues that may arise with outsourcing include security and assistance with special events. The City might have better security with in-house employees. A program to perform appropriate background checks on the contractor's employees would need to be included in the contract. Currently City custodial crews complete set-ups and tear-downs for special events at many facilities through out the city. These hours and costs are included in the total cost described above, and would need to be negotiated into any contract with an outside provider.

Staff Recommendations:

If outsourcing is approved, the City should maintain one employee, in addition to the Building Services Superintendent to oversee the contract citywide. Following the practice used for the landscape maintenance contract, this employee should be a Maintenance Supervisor. The cost for this employee would need to be deducted from the cost savings listed above. Staff also recommends a performance-based contract that allows for a deduction in monthly payment to the contractor per building if the building did not maintain a 90% level of cleaning. The program would allow for a bonus program to the contracted employees.

Action Taken:

The Finance Committee endorsed undertaking the managed competition. Staff will develop a work plan to be reviewed with the Committee during budget workshops in May 2007.

Issue: Public Works Department Reorganization into Two Departments

Should the Public Works Department be reorganized into a Municipal Utilities Department and a Public Transportation Department?

Background:

The City of Modesto's Public Works Department was created by a 2004 reorganization that combined the former Operations and Maintenance Department (O & M) and the former Engineering and Transportation Department (E & T). This reorganization was primarily done as a cost reduction measure and to strengthen the linkage between E & T and O & M.

The 2004 reorganization created an organizational structure that is typical for a public works department serving small to medium-sized cities in California. It is a "generalist" full-service public works department. This type of full-service public works department is an effective service delivery structure for cities with populations of approximately 90,000 to 100,000.

When the service population of a municipality increases beyond 150,000, the general trend is to typically divide public works functions between two or more departments (or departments and districts) to improve effectiveness and efficiency in the delivery of services. This improvement is the result of three factors:

1. Reducing the span of control (both functionally and structurally)
2. Reducing "goal conflict"
3. Providing more specialized knowledge for the management of key functional areas

The purpose of the proposed reorganization is to design the key organizational systems required to support the Public Works Department's areas of responsibility in order to better serve the citizens of Modesto as the city grows. The specific goal is to create the necessary organization to support the mission of planning, designing, constructing, operating, and maintaining the public infrastructure to meet the community's expectations and needs. Some specific outcomes would include expediting the delivery of master plans and related analyses.

Water, wastewater, and storm water utilities are complex services and essential services. Development, economic well-being, and a good quality of life depend on having reliable, sufficient, high-quality water supplies, effective wastewater systems, and effective storm water management. Thus, it is important organizationally to establish a clear focus on the planning, development, operations, and maintenance of these utilities. Therefore, the formation of a Municipal Utilities Department will position the City to plan for, fully develop, and properly manage its water resources (water, wastewater, storm water) to enhance the community's quality of life, preserve water rights, facilitate economic development, and to protect the environment.

Like municipal utilities, traffic, fleet, streets, airports, and transit systems also are complex services with their own specific sets of regulatory requirements and customer expectations. Additionally, these functional areas have similar federal funding and reporting requirements. Therefore, the formation of a Public Transportation Department will strengthen the management and leadership direction of the City's transportation-based divisions (Airport, Transit, Traffic Engineering, Fleet Services, and Street Maintenance) and provide for more uniform management and compliance with the funding and regulatory requirements needed to meet the goal of delivering safe and efficient transportation systems.

A third aspect of the proposed reorganization will be the opportunity to combine the land development functions that are currently housed in separate divisions of the existing Public Works Department. The concept is to provide a unified approach to the engineering aspects of land development, create more of a "one-stop shop" and house these functions under the new City Engineer position.

If this proposed reorganization is recommended, it will be consistent with the other organizational assessments that the City is currently undertaking and implementing.

Fiscal Impact:

The reorganization will create two departments, thus creating a need for additional personnel in areas. If the Committee concurs with the recommendation, staff will prepare a detailed "phasing plan" which will include costs and plans for using existing staff resources to minimize fiscal impacts.

Staff Recommendation:

Concur with staff recommendation to reorganize the Public Works Department into a Municipal Utilities Department and a Public Transportation Department.

Action Taken:

The Finance Committee endorsed staff recommendation but desires more detailed fiscal analysis before pursuing. Staff to return to Committee with fiscal analysis in March 2007.

Issue: Spending Plans for Grant Monies

Should departments be required to submit a spending plan at the start of the year for all grant and special allocation monies that can be applied to costs from a broad category of expense types?

Background:

Periodically departments obtain funds from various sources that do not limit the expenditure to specific items, such as the purchase of an automobile. Where these monies are available, the departments have the ability to apply the funding where they see fit. Further, these departments bring their requests before a committee and the City Council for spending authorization. What is not apparent in the process is whether there are specific needs that can be met with these funds that are being overlooked in favor of other costs.

Fiscal Impact:

The use of these grant and special allocation monies should be directed at the most urgent needs within a department without supplanting local monies based on a list of prioritized needs identified at the start of the budget year. This will allow city resources to be directed to other critical needs and also provide those departments that need to coordinate the acquisition of these costs or services with advance notice of an intended purchase.

Staff Recommendation:

Staff's recommendation is to require each department that anticipates having this type of grant and special allocation money available next year to include as part of their budget submittal, a list of prioritized needs that can be funded with these monies. The Finance Committee can recommend to the City Council the approval of the list, which would then become the spending plan of the department for the next year.

Action Taken:

Discussion of this item was deferred until a later date.

