

Concepts For Closing the Budget Gap

The following is a summary of a series of options provided to the City Council on June 9, 2009. The options represent only a fraction of the possible choices that could be made, and not all of these steps would or could be taken simultaneously.

Cost-Cutting Measures

- **Wage Freeze:** The projected increases in contract-based wages for 2010 add nearly \$4M to the budget. The City could negotiate with its 9 unions to accept a one-year freeze on salaries (must be negotiated).
- **Voluntary Separation Initiative:** A severance package that combined cash with assistance with medical insurance costs could induce a number of employees to voluntarily resign. Vacated positions could be eliminated, held open for a period of time, or be filled with less
- **Medical Insurance Adjustments:** Increasing the employee share of health care premiums by 5% would save an estimated \$800,000 each year (must be negotiated).
- **Service Reductions/Employee Layoffs:** The average cost of each employee (including salary, pension and other benefits) is around \$100,000. Reducing headcount would require a reduction or elimination of certain services. For all involuntary separations, City is required to pay unemployment compensation and may be required to cover up to 65% of healthcare costs for 12 months.
- **Furloughs:** For each 8 hour day that the *entire* workforce takes as a furlough day, the City saves approximately \$200,000 (must be negotiated).
- **Restructuring HRA Uses:** The City collects around \$8M in HRA taxes each year, which are used to support the Civic Center, Visitors' Bureau and Arts Partners. A portion of these funds could be diverted to City operations.
- **Capital Reductions:** The discretionary portion of the Community Investment Plan (those funds not dedicated by law to a certain activity) is usually around \$9M. This amount could be reduced with only the most critical repair and replacement projects being funded.

Revenue-Enhancement Measures

- **Property Tax:** Each penny added to the property tax levy equals an extra \$200,000 in income.
- **Package Liquor Tax:** A 2% tax would equal \$700,000 in additional revenue.
- **Water Utility Tax:** A 5% tax on water bills would gain \$1,200,000 in revenue.
- **Motor Fuel Tax:** Each penny added to the local fuel tax (currently \$.02) increases the fund by \$400,000.
- **Sales Tax:** A .25% increase would bring in an additional \$3.8M.
- **Increase Parking Ticket Fines:** Raising the base cost of a parking ticket to \$15 would result in \$90,000 more in fines each year.
- **Arrest Fee:** If approved by the State legislature, a \$20 per arrest fee could result in \$180,00/year.
- **Garbage Fee:** Every additional dollar the monthly rate (currently \$6) is raised, the City would receive an extra \$336,000 annually.