

TO: Kirkwood City Council  
FROM: Kirkwood Citizen's Finance Committee  
DATE: January 5, 2012  
RE: 2012/2013 Budget Commentary/Recommendations/Feedback  
Cc: John Adams, Mike Brown

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### **Overview of Citizens' Finance Committee Authority, Purpose, Mission**

Consistent with City of Kirkwood Ordinance No. 8007, §1, 11-15-90 [Sec. 2-565 to Sec. 2-568], the Kirkwood Citizens' Finance Committee (hereafter "the Committee") hereby "provide[s] suggestions, recommendations, and comments to the city council concerning the preparation of the city's annual operating and capital budgets." [Sec. 2-565 (b) (1)]. The Committee "interview[ed] the department heads...to gain an understanding of the need and cost of specific line-item operating and capital requests," [Sec. 2-565 (b) (2)], "work[ed] with the chief administrative officer and city [chief financial officer] in a mutually cooperative fashion in reviewing revenue forecasts and the assumptions upon which they were based," [Sec. 2-565 (b) (3)], and "conduct[ed] such other reviews...to adequately formulate recommendations on the city's financial condition, budgetary actions, and fiscal policies." [Sec. 2-565 (b) (4)].

### **Brief Description of the Committee's Review Process During the Calendar Year**

The Committee provides this report after engaging in a three-month review process that included meetings with representatives of all of the City departments, with such representatives appearing with the Committee on the following respective dates: Administrative/Finance (October 7, 2011); Recreation (October 14, 2011); Water (October 21, 2011); Electric (October 28, 2011); Police (November 4, 2011); Fire (November 11, 2011); Public Works (November 18, 2011); MIS (December 2, 2011); and Purchasing (December 16, 2011). All of these department-by-department meetings were "open to the public" with prior public posting consistent with the Missouri Sunshine [Meeting Posting] Laws.

The typical meeting AGENDA format for such meetings is as follows: (1) review and approval of minutes from prior meeting; (2) Citizen Comment (3-minutes maximum per individual), if any<sup>1</sup>;

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<sup>1</sup> Historically, the Committee can expect a few citizen comments per calendar year of activities; however, the Committee reports that no such citizen comments were made during this year's calendar year of meetings.

(3) department head presentation followed by questions and follow-up inquiries from members of the Committee; and (4) Committee “round-table” discussion of key issues and concerns following the departmental presentation; and (5) adjourn meeting. The meetings are generally held on Friday mornings, 7:00 – 8:30 a.m., at City Hall.

In anticipation of the aforementioned meetings, two Committee members are assigned to each respective department as “liaisons” for that particular session, with such liaisons responsible for meeting with each department head prior to the scheduled meeting for such department. At the various Friday morning meetings, the liaisons tend to lead the morning’s discussion and are generally the most prepared to identify the issues most “pressing” to that particular department.

### **Committee’s [General] Recommendations -- Points Applicable to All Departments**

- (1) The Committee again urges Council to continue its emphasis on fiscal responsibility and restraint in the still-tenuous economic climate. Sales tax receipts and building permit requests, for example, remain low from a historical perspective even though the City has realized some increase in these respective categories.
- (2) The Committee reiterates last year’s concern about the prospect of adding additional full-time employees to its fixed operating budget. The Committee recommends that all efforts should be made by the department heads to utilize existing human capacity, if any, in a more fluid, “shared manner” between departments. If necessary, additional focus should be made on “cross-training” various employees to put them in a position to “float” among different jobs depending on seasonal and/or economic demands within a particular department. In conjunction therewith, the Committee encourages all department heads to remain open-and-flexible in this regard as opposed to “territorial” with respect to the employees under their immediate supervision.
- (3) In last year’s report, the Committee expressed “concern that Electric Department *reserve funds* continue to be used to fund operational expenses, with the reserve balance projected to decline from a high of \$24 million to an estimated \$14 million.” While the Committee reiterates the same concern – i.e., use of Electric reserve funds to fund operating expenses – the Committee notes that such fund balance has increased, as of 12/31/2011, to \$17,430,000, resulting in a positive change of approximately \$293,000 from the 2011 fiscal year ending balance. With this fund balance projected to increase in the near future, at least modestly-speaking, this concern has been lessened to certain degree.

- (4) Rather than put the spotlight uniquely on the Fire Department and/or the Police Department with respect to the concerns about fluctuating overtime pay totals, with said spotlight being a “periodic feature” of the Committee’s prior reports, the Committee urges Council (and all the department heads) to continually monitor and evaluate overtime patterns to identify any trends in this area that could rise to a higher level of concern in the future. The Committee did not identify a particular concern in this area, Fire Department and Police Department included.
- (5) Committee again encourages Council to explore possible revenue opportunities, particularly in areas where the City has unique service capabilities (e.g., geographical mapping services & fleet maintenance department). Payroll services for other municipalities is another example. The Committee has established a special three-member “sub-Committee” to study this area – i.e., alternative sources of municipal revenue – and the goal of such sub-Committee is to submit a short synopsis report to Council on or before April 30, 2012.
- (6) In last year’s report, the Committee recommended that budget assumptions being made by the Public Works Department with respect to the new curb-side recycling program “be reviewed after the first quarter of operations for any adjustments.” Based on information presented by the director of Public Works, and as verified by finance personnel, the Committee believes that the City has, as predicted, reduced its “overall trash loads by 20% as a result of the new curb-side recycling program.” That being said, continued monitoring in this regard should be maintained to confirm, over a more extended period of time, that such program is, in fact, realizing the cost savings as originally forecasted.
- (7) Each City department should rank its proposed capital expenditures, from most-to-least-important, in the event that future budgetary constraints necessitate that certain expenditures be abandoned to balance unexpected budgetary concerns. [Note: The Committee commends Kevin Campe, MIS Department head, on his prioritization in this year’s budget following this same recommendation in last year’s Committee report].
- (8) As referenced above, the Committee has formed a sub-Committee to address a variety of revenue enhancement strategies, some of which were identified throughout the expense review of the budget. This sub-Committee plans to meet during the first quarter of 2012 and have its report ready for review by April 30, 2012. The sub-Committee plans to review fees, collections, and new revenue sources to quantify the opportunities for the community. Last year, the Committee recommended increasing

ambulance fees to the 50<sup>th</sup> percentile and the Finance Department estimates that this will bring an additional \$108,000 to City.

### **Department-by-Department Recommendations/Comment**

#### **RECREATION**

ISSUE: The Annual expenses and costs associated with the pool and ice rink continue to outpace revenues and, as a result, the City is not regularly meeting its cost recovery objectives for these facilities.

RECOMMENDATION: The Committee believes an increase in the fee structure for season pass holders (pool) and ice rink rentals may be necessary to bring the revenue from these activities in line with costs and to be more consistent with departmental cost recovery objectives. Additionally, we encourage the City to explore new revenue sources to further strengthen recreation revenues and cost recovery expectations.

ISSUE: The City's Community Center is aging and may not fully meet the evolving needs of the community.

RECOMMENDATION: The Committee recommends that a systematic analysis be undertaken to identify community expectations regarding services available and provided by the community center, including an assessment of the current strengths and deficiencies of our Community Center compared to other similarly situated municipalities. Once community expectations, strengths and gaps in expectation are identified we recommend a study be performed to determine the most optimal upgrades to the facility to explore and the necessary steps to upgrade the community center so that any gaps in service are addressed and the facility continues to meet community expectations.

#### **MIS**

ISSUE: The Committee recognizes the important role the MIS Department plays in delivering and maintaining vital IT systems for the city. Key infrastructure replacements and updates ensure the functioning of critical services and visibility of government operations to the citizens of Kirkwood.

The Committee continues to support the enhancement of the City's IT systems with new technologies during the IT replacement cycle, with an aim at enhancing the automation

capabilities of the various City departments which will lead to more efficient and effective City services. The Committee commends the MIS department's developments in document management, computer-aided dispatching, end-user virtual desktop computing, and hardware upgrades to ensure system reliability.

RECOMMENDATION: It appears the MIS department staff possess certain skills and capabilities (e.g. expertise in providing "Fire Maps" to other municipalities) that could perhaps generate additional revenues and offset MIS operational costs. The Committee suggests that an assessment be made of the MIS Department's capabilities and opportunities to generate revenue by servicing other municipalities.

### **WATER DEPARTMENT**

ISSUE: Water main replacement occurs at rate of less than 1% per year, yet the City incurs significant amounts of overtime costs and water expense due to loss of water when existing, aging water mains break.

RECOMMENDATION: The Committee recommends that an analysis be completed of potential funding sources, including an increase in water rates that would enable the City to accelerate the rate of water main replacement. The current rate of water main replacement stands at more than 200 years (e.g., water mains are replaced every 200 years). The Committee encourages the City to explore funding options to reduce the amount of time between main replacements to something closer to 75 years. Given the current environment of reduced revenues it is understandable that excess funds would not be readily available to support activities such as main replacements that are not critical to the daily operations of the City of Kirkwood. The Committee believes that in the long run, however, water main replacement is an important activity that will pay dividends for many years to come in the form of lower costs to replace and maintain water mains, and as such, we believe the Water Department should explore possible additional funding sources to accelerate main replacement.

### **PURCHASING/BUILDING SERVICES/FLEET**

ISSUE: In recent years the Committee has requested that the Purchasing department complete a "Return on Investment" analysis for the Assistant Director of Purchasing's position as per the original Committee recommendation. The information recently provided to the Committee by

the Purchasing department does not adequately demonstrate the return on investment associated with the hiring of this individual.

RECOMMENDATION: While we believe that the Purchasing department does an effective job at meeting the procurement needs of the City, we request that an analysis of this position should be provided to the City Council and the Committee on an annual basis. The Committee would envision that this analysis would include information on the total number of procurements completed, the amount of savings generated by the procurement process, the efficiencies gained by the City in doing these procurements, the amount of time required to complete procurements, the number of staff working on each procurement, etc. This information is necessary to understand the work load of the Purchasing Department staff, the efficiency of the staff and the necessity for the number of staff in the department to meet the procurement needs of the City.

### **BUILDING SERVICES**

ISSUE: The Building Services capital plan has only a few projects scheduled for years four and five.

RECOMMENDATION: To give the City a better picture of potential major expenses that could be coming in the future, the Committee recommends that the capital budget be expanded for Building Services to *at least* five years.

### **FLEET**

ISSUE: Their efforts specifically in preventative maintenance should lead to decreased costs and increased efficiencies.

RECOMMENDATION: The Committee recommends that an analysis be completed of the Fleet Service's ability to support other municipalities, to generate additional fee income/revenue for the City. The Committee believes, as part of this analysis, it will be necessary to check into the legal liability associated with providing Fleet Services for other interested entities.

### **ADMINISTRATION**

RECOMMENDATION: The Committee commends the Administration Department for the effective and complete job it does at managing all its various operational, financial and personnel responsibilities. In our review of the departments each year, it is clear that the

Administration Department continues to do an outstanding job of ensuring the effective and efficient functioning of all the City's departments.

### **POLICE DEPARTMENT**

ISSUE: Is the Firing Range in Kirkwood Park an underutilized revenue opportunity?

RECOMMENDATION: The Committee recommends that the Police department explore opportunities with other law enforcement agencies to get better use of the firing range facility. This project is on the list to be explored more in depth by the revenue sub-Committee during the first quarter of calendar year 2012.

### **PUBLIC WORKS**

ISSUE: Currently the Public Works Department has not replaced two (2) full-time employees. These positions are the street department customer service assistant and a housing inspector position.

RECOMMENDATION: The Public Works Department should be commended for aggressively not replacing these full-time positions. After reviewing volumes, budget, and department discussions, it would appear that the Department should refrain from filling such positions in the foreseeable future.

ISSUE: Sewer Lateral Program has currently repaid all money to the Electric Fund, with its current 60/40 split.

RECOMMENDATION: Given the fund balance and repayment the Committee recommends that the Council consider changing the split to 70/30. This split and fund balance should be reviewed on an annual basis.

### **SANITATION**

ISSUE: Do volumes at the Francis Scheidegger recycling center currently justify 24-hour operations or the current staffing levels?

RECOMMENDATION: With the one (1) year anniversary of the successful implementation of curb-side recycling, a review of the hours of operation and staffing levels of the Francis

Scheidegger Center needs to occur to ensure that the center operates at minimum break-even levels. In addition, based on the presentation to the Committee, it is our understanding that the City receives much higher compensation for card board that is brought directly to the recycling center. We believe the City has an opportunity to increase recycling revenues by encouraging citizens and businesses to bring card board directly to the center, where the revenue will be eight (8) times that of card board picked up at curb side. This opportunity will be explored as part of the revenue sub-Committee's review and report.

ISSUE: Committee members continue to hear issues about curb side recycling not being available in multi-unit dwellings.

RECOMMENDATION: With the successful one year anniversary of the curb side recycling program, it is time to analyze and take steps needed to expand the program into multi-unit dwellings. If this is not practical due to dumpsters, private collection, or decreased parking spaces this needs to be communicated to the residents.

## **FIRE**

ISSUE: Overtime

RECOMMENDATION: The Committee recommends that the department heads and Council continue to monitor overtime. If overtime continues to increase, the Committee recommends that the Council do a deeper dive into the cost benefit of adding additional staff.

## **ELECTRIC**

ISSUE: Fund Balance

RECOMMENDATION: The Committee did not perceive the need to address any significant "issues" with the Electric Department, and the Committee commends Director Mark Petty on his detailed grasp of the variables that impact/affect the fiscal performance of his department. The Committee urges Council to monitor the Electric Department's fund balance on a year-to-year basis and urges Council to monitor current and future regulatory issues that the department could face.

## **GENERALLY**

In closing, the Committee believes that in this current economic climate, the City continues to effectively manage its financial matters and act in a prudent manner that results in the appropriate provision of services to the Citizens of Kirkwood. The Committee appreciates your consideration of the recommendations mentioned above and welcomes any additional questions or dialogue you wish to have regarding this document and its contents.