



*The Council of Neighborhood Associations of South Pinellas County  
P.O. Box 13693, St. Petersburg, Florida 33733*

**CONA CITY BUDGET REVIEW COMMITTEE  
INTERIM REPORT ON CITY BUDGET**

**February 24 – June 15, 2010**

During this reporting period the CONA Budget Committee has met with various city department heads and engaged them in our review of the FY 2011 budget being developed for the City of St. Petersburg. Our focus has been on assisting the city in identifying opportunities to close the \$14M “revenue gap” in the General Fund. This account is the source of funding most of the basic services/major functions of the city such as public safety (Police, Fire) as well as amenities and civic services associated with our parks, recreation centers, libraries, and neighborhood services. Many of the city’s internal (i.e., Administrative) costs are also financed by the General Fund. The General Fund is primarily headcount-driven; approximately 75% of the fund is cost for salaries and benefits.

The Committee’s Report is provided in an Executive Summary format. Included in the attachments is a high-level analysis outlining the extent of changes in property values, tax rates, population, average city employee salaries and benefits, and recreation services that occurred during the period 2001-2009. Copies of the data sources used are also attached where appropriate. Additional detail is available upon request.

The Committee appreciates the cooperation and support of the City Administrator, Finance Director, Chief Information Officer, Internal Services Administrator, Neighborhood Partnership Director, Parks and Recreation Director, Library Director, various City Council members, and other city staff in the formulation of this report.

Respectfully submitted,

Mike Gulley  
Chairman  
City Budget Committee

Travis Jarman  
Vice-Chairman  
City Budget Committee

Will Michaels  
President  
CONA

**COUNCIL OF NEIGHBORHOOD ASSOCIATIONS  
CITY BUDGET COMMITTEE  
INTERIM REPORT ON FY 2011 CITY BUDGET  
EXECUTIVE SUMMARY**

**Committee Background & Findings**

Average Actual Compensation Exceeds Inflation Rate

The FY 2010 Budget reports that the City has 3,136 full time equivalent (2745 Full Time) employees with salaries and benefits of \$235.5M. This year the average City employee will receive \$75,113 in salary and benefits. According to prior year's budget reports average salaries and benefits per FTE were \$42,158 in 2002. Salaries and benefits have increased 78% from 2002 to 2010, while inflation based on the all consumer price index was up about 22%. Had employee costs grown just at the rate of inflation the city's current budget surplus for FY 2011 would be in excess of **\$44M**.

Cost of Defined Benefit vs. Defined Contribution Retirement Plans

A defined benefit plan cost analysis was done using data from the 2009 Comprehensive Annual Financial Report (attached). The City Employees Plan had a covered payroll of \$82.2M and a required contribution by the City of \$10.8M, or 13% of payroll. The Police Plan had covered payroll of \$32.0M, and a required contribution of \$12.3M, or 39% of payroll. The Fire Plan had a covered payroll of \$17.0M and a required contribution of \$11.4M, or 67% of payroll.

The corresponding cost to the city of a defined contribution plan has been established by the city at 11% of covered payroll; thus a conversion to a defined contribution plan would have resulted in a reduction in plan costs in FY 2009 of **\$20.1M**.

From our analysis we conclude that a major driver of the cost increase during the period 2001 - 2010 is growth of salaries and benefits at a rate well in excess of inflation, and that this increase is structural – caused by excessive cost growth and not necessarily driven by new services.

Management/Span of Control

After reviewing the city's organization structure (attached), management spans of control, and department charters and functions the Committee also concludes that City organization restructuring and transformation is a potential ground for significant savings, and that service cuts are not the first, best or only way to close the FY2011 and expected out-year budget gaps.

Budgetary Increases by Function

The Committee compared budgetary growth in major City functions relative to increases over the last 12 years. The budget was relatively constant from 1998 to 2001. Subsequent to 2001 budgets for some areas increased sharply. Over the 12 year period increases were as follows: Public Safety, 64%; Elected Officials, 15%; Infrastructure & Citizen Property Compliance, 11%; Internal Finances & Administrative Services, 40%; Citizen Services, 55%. (See attached detail).

## Committee Recommendations

The following recommendations are offered by the Committee for consideration by the City in developing a balanced budget for 2011, and to begin now to prepare for subsequent year budgets. It is important that the City consider first and foremost the most efficient City administrative structure and operation possible.

Headcount:

Given the large headcount component (#) of the General Fund budget there are several options to be considered:

- **Headcount Freeze** -- While senior management approval is currently required to fill open requisitions, a more restrictive hard freeze should be considered on filling vacant positions.
- **Salary Freeze** -- A Salary Freeze should be considered for the next year / two, at least for higher salaried employees. This is a measure that has been taken again this year by the State of Florida. Since salary cuts are demoralizing and punish good performers they should be avoided if possible.
- **Part-Time Employees** -- Continue to expand the use of part time employees in lieu of overtime, particularly in police and parks. - Example - use "retired" police officers rather than overtime for events.
- **Early Retirement** -- Development of an Early Retirement Program is a fairly quick and painless way to encourage longer term employees to retire now, and also provides opportunities for organization restructuring. This is also an ideal place to use reserves since this is a one time cost that will be recouped in the out-years.
- **Health Insurance** -- Renegotiate health care insurance premiums and cap city contributions to health care costs to bring employee cost sharing process in line with corporate America.
  - **Retirement Program** – Increase employee contribution to the current defined benefit plans. Longer term, convert the defined benefit plans to defined contribution plans. Defined benefit plans are a future liability for the City dependent upon the uncertainty of the market. These “guaranteed benefits” cannot likely be sustained by the fund itself without a return to the 10-fold increases of the market as experienced in the 1990’s. The cost of conversion to a defined contribution plan is another appropriate one-time use of reserves.
    - Freeze entrance into Defined benefit plan. Create a "guaranteed" option for those risk averse participants (Insurance products come to mind). Investigate process of converting DB plans to DC/thrift plans.

Other Recommendations:

- **Task Force on Consolidation of Government Services** -- The Committee recommends creation of a **Task Force on Consolidation of Government Services composed of persons from throughout the county** to identify opportunities for consolidation with county and other city’s services – e.g., Libraries, Fire, EMS, certain Police functions such as Communications and Swat Teams, and other areas.

- **Supply Services -- The Mayor's recent offer to supply City services (Menu of Potential Service Sharing Opportunities) for a fee** to smaller cities and the County is commended and should be followed through on.
- **Pay for Performance --** In the city's current system employee compensation appears more connected to length of service than to job performance. This can lead to long-tenured employees getting paid more than the job is worth. The city should consider adopting a pay-for-performance system that links employee goals and performance (and their subsequent pay) to the needs and satisfaction level of the citizens.
- **Renegotiate Union Contracts --** SPPD / Fire contracts expire in 2010 and Blue and White in 2011. Given the economic situation the time is ripe to aggressively renegotiate with the unions.
- **Roll Back Funding -- Funding** for functions whose costs have increased as a rate higher than the rate of inflation and where there is no documentation of necessary market rate adjustments (e.g. internal services, etc.) should be considered for reduction.
- **Reorganization -- Consider** collapsing / consolidating departments and increasing the span of control, eliminating management positions in the process. It is recommended the City contract with an outside consultant for this purpose. Some steps that might be considered as well.
  1. Salary structure - look at all salaries of management personnel today vs 2001. Most will likely be significantly above inflation. Are they more productive by that amount or did they get raises because there was more money?
  - 2 Look at each management position and determine its replacement value. Are the current managers in line with replacement costs? It will lead to some interesting conclusions.
  3. Based on the evolution of head count, It appears there is about the right head count. About 300 line jobs have been converted from full time to part time - same total head count. At the same time top employees have appeared to continue getting step increases, promotions, and cost of living increases with no staff reductions at that level.
  4. Span of control - How many managers/supervisors oversee less than 7 (arbitrary) direct reports? Remove title from those that do not meet criteria. Combine functions until span levels are met.
- **I.T. Strategy** - There does not appear to be a cohesive and agreed-to strategy for using Information Technology to reduce costs and improve information availability for management decision-making. The systems that are in place appear to be selected by the individual departments, lack an integration strategy, and are point-solution driven. A recent example is the fire departments adoption of a new staffing system without understanding what similar capabilities Pinellas County (or for that matter) Clearwater FD might have.

The Mayor should consider hiring a strong I.T. leader who has current experience outside of local government, and have that I.T. person report directly to him.

- **Total Quality Focus** - Other communities (Coral Springs, Florida is a good example) have made major improvements in constituent and employee satisfaction - and reduced costs - by adoption of a focus on customer-driven quality. This approach forces an analytical look at all organization functions and processes with the goal of eliminating processes that do not add value to the (internal) customer or (external) constituent. Performance benchmarks are used to drive continuous improvement in the organization. Under the previous Mayor the city made an attempt at the adoption of performance metrics, but the majority of the metrics currently in place are single-sided, not benchmarked, inappropriate for establishment of goals, and not actionable. We encourage the city to get a better understanding of the advantages of a Total Quality focus and to consider the appointment of a Total Quality Leader' that would lead such an effort citywide.
- **Establish a Citizen's City Budget Advisory Committee -- The establishment of an on-going Citizen's Advisory Committee** would provide an outside perspective on the budget and help inform participating citizens regarding on-going budget matters.
- **Give Priority to Services Particularly Benefiting Low Income Families -- We strongly recommend not cutting or adding fees to services such as parks, recreation, and libraries.** Given the current severe recession, these are the only quality of life activities that many families can participate in. These services are also effective at reducing crime.

Attachments:

Metrics Analysis

Notes to Financial Statements – September 2009

Program Budget – General Fund, Summary of Requirements

City Organization Chart

## Metrics Analysis

### Data Sources:

Statistical Section of the Comprehensive Annual Financial Report, 2009, Section III and the City's FY2010 Adopted Fiscal Plan

### *G-6 – Taxable Assessed Value and Estimated Actual Value of Property Last Ten Fiscal Years (In Thousands)*

FY2001-02 Estimated Actual Value was 9.477 Billion, tax rate of 7.14 per thousand

FY2008-09 Estimated Actual Value was 18.186 Billion, tax rate of 5.91 per thousand

#### Analysis:

Estimated Actual Value nearly doubled. To maintain comparable revenues the tax rate should have been cut in half, plus inflation, or the increase in the CIP, but the tax rate only decreased by 17%.

### *G-9 – Tax Levied for the same period*

FY2001-02 67.1 Million

FY2008-09 98.2 Million

#### Analysis:

A 46% increase, more than twice the rate of inflation.

### *G-17 – Demographic and Economic Statistics*

2001 Population 248,232 Personal Income per Capita \$23,797

2009 Population 248,729 Personal Income per Capita \$26,947

#### Analysis:

Average personal income in the city increased approximately 13% increase - really a decrease because of the 22% inflation rate during that same period.

### *A28 – FY2010 Adopted Fiscal Plan (Chart)*

2001 Salary & Benefits per FTE \$52,950

2009 Salary & Benefits per FTE \$83,108

Analysis: The number of FTE (Full Time Equivalent) employees has gone down 11%, but the salary and benefits per employee on average has increased 57%.

### *G21 – Operating Indicators by Function/Program from 2006-2009*

#### Analysis:

Recreation Center attendance decreased by 97,177 over this period. Swimming Pools attendance increased by 45,723, although not all pools showed an increase, some showed a decrease. The Multi-Service and Adult Centers attendance decreased by 44,678.

The reduction in attendance was most likely the result of budget cuts enacted in 2007.

According to a St. Petersburg Times article (8/19/2007) the service hours at the city's adult centers were reduced by 40 percent on September 1, 2007. The total adult center staff of 15 was reduced to eight. Additionally, Azalea Recreation Center became closed on Fridays. Bay Vista Recreation Center became closed Mondays and Fridays.