

On March 14, City Council President Jack Webb appointed the Ad Hoc Committee for Fiscal Year 2011-12 Budget Savings Review that was tasked with preparing a set of recommendations for possible budget saving strategies to be considered by the Mayor and Finance Committee during the upcoming budget preparation process. The Committee was charged to provide a report to the Council President on its findings and recommendations by June 1, 2011.

After initial discussions, the Committee agreed to focus their review on understanding the operations and finances of the City's internal service operations, particularly how they charge the user departments for the services they provide. The following current issues and recommendations were considered during the Committee's discussions.

Fleet Management Division

Fuel costs represent approximately 52% of Fleet Management's budget. The Fleet Management division has implemented a number of cost saving measures including the use of retreaded tires, revising the City's vehicle idling policy, extending the useful life of vehicles by 1-2 years, analyzing and investigating vehicles that are accumulating higher than average mileage, and outsourcing work when cost effective to do so. In addition, the Fleet Management Division plans to bid on JEA's upcoming vehicle maintenance RFP.

Recommendations from the Committee for future savings included revising the take-home vehicle policies, particularly for the Sheriff's Office (the "Indianapolis Plan"). The Office of General Counsel was asked to provide a legal opinion on the subject of whether or not the use of

take-home vehicles was considered a bargainable compensation benefit under the collective bargaining agreements.

Information Technology Department (ITD)

ITD directly bills all services that can be clearly identified. All remaining costs that can't be direct-billed are combined into an overhead charge and allocated among the user departments based on their overall usage rate of ITD services per device (desktop and laptop computers, radios, programming services, etc.). While some ITD functions have been outsourced as part of cost savings measures, the Help Desk was kept as an in-house function so that ITD would be able to take the trouble calls directly, triage them to determine if they could be solved over the phone, and dispatch a third party repair technician if necessary. This technique allows the Help Desk to track the completion of the job ticket and identify patterns that might suggest proactive solutions to head off problems, such as software fixes or lunch-and-learn training opportunities to address common sources of Help Desk calls.

Recommendations for future savings included utilizing the City's ITD for the independent agencies. Committee members also expressed an interest in comparing the per unit cost of devices within the City to those in the retail market. For example, the Committee members wanted to compare the cost of a desktop within the City to one purchased outside the City.

Copy Center

In March, the Copy Center developed a marketing campaign directed toward City departments to encourage the use of the Copy Center for printing high volume jobs rather than departmental convenience copiers. Departmental convenience copiers are intended for small numbers of quick copies and not for high volume jobs which are better suited to the Copy Center's high speed equipment. The Copy Center just recently took on the printing of retiree payroll statements after they determined it was more cost effective than continuing to outsource this function.

Recommendations for future savings included a request to look into whether it is permissible to discontinue the printing and mailing of paychecks, thus requiring employees to use direct deposit for payroll, and for Council Members to advertise town hall meetings and public hearings by postcards instead of first-class mailed letters/fliers.

Office of General Counsel (OGC)

The OGC discussed several budget issues with the Committee. First, the OGC stated that it has experienced an increased workload attributable to staffing City boards and commissions, some of which do not have dedicated budgets to which legal services can be charged. Second, legal settlements are paid from OGC accounts, rather than being paid directly by the department from whose action the settlement resulted. These settlements are generally not budgeted and require additional appropriation by the City Council. Settlements over \$50,000 must be approved by City Council, except for "Section 1983" settlements (jail inmate treatment cases). Third, the

OGC discussed how the City's billing methodology differs from that of the private sector in that charges billed to customers are not netted against expenditures, but are instead shown at the gross revenue amount. This increases the amount the OGC must budget for expenditures. The result is that when the OGC does need additional funds for items such as settlements, OGC must return to the City Council and legally appropriate the funds.

Committee members expressed an interest in legal settlements and OGC agreed to provide a monthly report of all settlements to the Council Auditor's Office going forward. The Florida Legislature is considering increasing the tort liability cap of local governments from \$200,000 to \$400,000, which may encourage more potential claimants to sue the City seeking a large settlement. Additionally, Committee Members discussed reducing the number of Boards and Commissions throughout the City as a means of possibly lowering OGC's costs since many of OGC's attorneys assigned to the Boards and Commissions are not able to bill back their time.

Public Buildings

The Public Buildings Division uses both City employees and contracted positions. The Public Buildings division has considered contracting for electrician positions and found that City personnel were more cost effective. In an effort to increase energy efficiency, the City conducted a study three years ago that identified the relatively easy improvements that would have immediate results and implemented those recommendations. There are still many improvements that could be made to increase energy efficiency, but they all require considerable initial capital expenditures that the City may not be able to afford given current budgetary

constraints, even if the long-term savings justifies the cost. The City expects to realize savings when the new courthouse opens because it will eliminate the need to pay for the antiquated HVAC systems used at the current courthouse and courthouse annex.

Recommendations for future savings included the use of LED lights for traffic signals, which Public Works has already implemented.

Human Resources

Consolidation of Human Resources employees from each of the City departments into the Central Operations department has resulted in an overall reduction of positions per Human Resources' Division Chief Chad Poppell. The Human Resources Division hired an industrial psychologist to help develop exams and to reduce the costs paid to outside consultants and vendors. The City is facing an increasing number of Fair Labor Standards Act challenges in recent years as more employees file claims alleging that they should have been classified in positions that pay overtime and this is currently handled by the Human Resources Division. Health care costs are budgeted within the Human Resources Division. Although participation has not been as high as originally anticipated in the City's Wellness Program, the Human Resources Division is expecting to see a decrease in claims next year.

Recommendations for future savings included reviewing the City's "structural vacancy rate", which refers to the practice of budgeting for and funding positions that the City department does not expect to fill, leaving the funds available to be transferred by the department for other

purposes. Additionally, the Committee recommended that Human Resources determine if there would be any efficiencies if the Constitutional Officers did not have their own Human Resource personnel. Next, the Committee Members recommended that Human Resources determine if it is less expensive to allow Correctional Officers to work overtime than to hire additional officers. Finally, the Committee Members recommended that the City possibly increase the emergency co-pay for employees to discourage the use of the emergency room and save healthcare costs.

Procurement

The Procurement Division oversees approximately \$400 million in purchases annually. Of the \$400 million in annual procurement, about 60% is for capital projects and 40% is for products and professional services. Given the current economic climate and the need for vendors to be competitive to keep the City's business, it may be possible to obtain volume discounts on the portion of the 40% that is spent on products. The savings achieved through using City Procurement are reflected in the user department's budgets. Committee members were interested in developing a program to identify substantial savings on procurement (when goods, services or projects are obtained much less expensively than originally projected) and direct those savings into a reserve fund for Council to re-appropriate, possibly allowing the user departments to share in part of the savings. The Procurement Division indicated that the budgetary savings are more likely to materialize when departments change what they purchase.

Recommendations for future savings included piggybacking on contracts with the Duval County School Board and the Independent Authorities for items like office supplies and cleaning

supplies, and also with the Duval County School Board for the mowing of City parks that are located right next to schools.

Capital Improvement Program (CIP)

There are two aspects to the CIP: capital maintenance and new capital construction/acquisition. The City used to do a considerable amount of capital maintenance and some small new construction on a "pay-as-you-go" basis, but has shifted to borrowing for most of those functions today, in part because the City swapped its gasoline tax revenue (non-bondable) to the JTA for bondable BJP sales tax revenue. The Committee inquired about possible savings from delaying new capital construction. Very little new construction is planned for the next couple of years, except the completion of the courthouse project and ash site remediation, which is required by the City's settlement agreement with the EPA. The amortization of bond issues takes places over a period of years, so the only savings realized in a particular year from delaying new construction that year would be the amount of that year's debt service.

