

2011 budget reductions presented to Duluth City Council

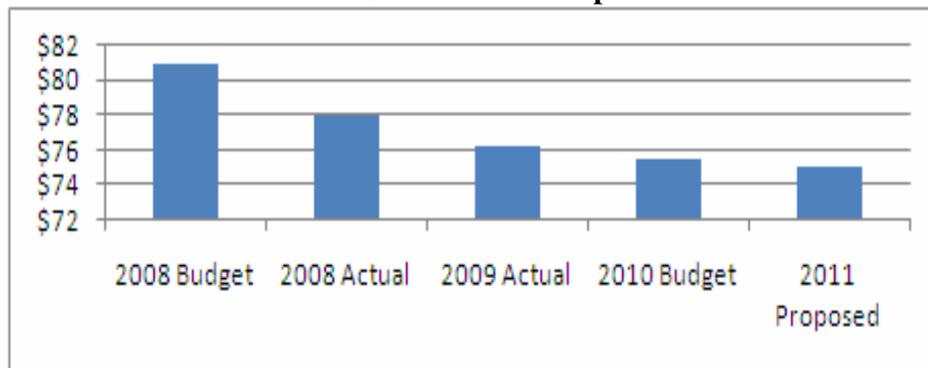
Mayor Don Ness presented the following Executive Summary of the *2011 Proposed Property Tax Levy and General Fund Budget* to the Duluth City Council on August 30, 2010. The City Council will approve a maximum tax levy in September followed by budget presentations from each of the City departments in the upcoming months. The City Council will vote on and certify the final 2011 tax levy and budget in December.

Highlights of the presentation:

- Fourth consecutive year of decreases in general fund expenditures (2008-2011)
- 0% increase in general operating tax rate
- About half million dollars less than 2010 budget

“The 2011 Proposed General Fund Budget represents the fourth consecutive year of decreases in general fund expenditures. Budget expenditures of \$74.9 million are a half million dollars less than 2010 and \$6.0 million less than the budgeted amount approved in the fall 2007. Driven by severe revenue cuts from the state of Minnesota and impacts of the current recession, the City has undertaken significant reorganization and expense reductions to overcome a significant structural deficit.

2008-2011 General Fund Expenditures



‘The 2011 Budget recommends a 2.9% levy increase for the specific purpose of financing the new law enforcement center. This increase was projected as part of the original financing arrangement approved by the council last year. The administration is proposing no tax rate increase for general fund operations in 2011. The proposed levy is more than \$5.4million below the maximum tax levy allowed by the State.

‘The Budget takes a realistic approach to 2011 revenue estimates in the face of uncertainty in the State’s budget and the ongoing affects of the recession. The Budget forecasts declines in several key revenue sources including sales taxes, pension aids, building permit fees, fines, and earnings on investments. Of course we are hopeful that the recession will ease and revenues will rebound, but we are not relying on that.

‘In presenting their 2011 budgets, many cities in Minnesota assumed Local Government Aid (LGA) will be available at the authorized amount. Given the uncertainty surrounding LGA, we budgeted a

\$1.5 million cut in our LGA (an amount similar to our '08 & '09 cuts). We will also be developing contingency plans for the possibility that the cuts could be even larger than the \$1.5 million reduction included in this Budget.

'In order to address the decline in revenue, the 2011 Budget has fewer budgeted positions than 2010 and relies on continued cost savings implemented in recent years including reduced overtime consumption, energy savings, and operations focused on core services. A priority has been given to areas that will improve efficiency and customer service (technology upgrades and One-Stop Shop), internal controls (Human Resources and audit staff), and expanding the tax base (business development).

'The most important and significant expense reduction comes from retiree health care. With all retirees on Plan 3, we anticipate a \$1.9 million reduction in the cost of providing this coverage for retirees and their dependents. Plan 3 is a very generous and expensive plan. The City will still spend more than \$7.2 million in 2011 to provide this retiree coverage. Clearly, the move to Plan 3 is critical for the financial health of the city. Not only does this change allow for significant cost savings for many years to come, it also strengthens the sustainability of the benefit for current and future city retirees.

'The most serious issue with budget reduction efforts in recent years and in this 2011 Budget proposal is the underfunding of long deferred facilities maintenance and capital improvement project needs. Capital maintenance and improvement needs far exceed available funding. Departmental requests totaling \$3.1 million were left out of the Budget.

'While the overall general fund expenditures have been declining in the past three years, the City continues to absorb inflationary increases in the cost of operations. The 2011 Budget includes inflationary costs related to PERA contributions (\$100k), steps and longevity wage increases (\$200k), costs of supplies and materials (\$400k), and cost of repairs and maintenance (\$100k).

'Other highlights of the 2011 Budget include:

- Completion of the One-Stop Shop for Construction Services
- Restoring staffing for street and park maintenance (from 2010 actual)
- Additional library shelvers to maintain library hours
- Munger Trail, Lakewalk East, & Miracle League Field construction
- New Transportation Planner position

'The administration is committed to robust contingency planning for 2011. We have budgeted conservatively but there is still the possibility of significant shocks to the budget that we must be prepared for. Any further reduction to the 2011 budget will put all of the above listed projects at risk and will also adversely impact services including library hours, administrative staff, maintenance, and the street program. We are hopeful to avoid these additional cuts, but we have to be prepared for the possibility.

'As was mentioned before, many Minnesota cities budgeted for LGA at the full statutory amount. If the legislature chooses not to cut LGA, we could:

- Significantly increase library hours
- Hire additional patrol officers
- Increase blighted building demolition

- Wade Stadium restoration and other critical park maintenance capital projects

‘The 2011 Budget represents the result of three very challenging years in which the administration and the council faced a number of very difficult decisions. We greatly appreciate the leadership of those councilors who made those tough decisions. We still face serious challenges and uncertainty, but the city is in better fiscal shape today than we were three years ago in large part because of the council’s efforts’.

The 2011 Proposed Property Tax Levy and General Fund Budget is available for review on the City of Duluth website:

<http://www.duluthmn.gov/finance/index.cfm>