

March 22nd Financial Workshop

The third financial workshop was held on March 22nd, 2006. The participants included 9 members of City Council, and 4 out of 6 community experts serving on the Blue Ribbon Resource Team, the City Manager, the Budget and Finance Director, and lead staff from each city department.

Blue Ribbon Resource Team

John Thornton, Associate Professor Finance, KSU

Bill Hoover, Vice President, Key Bank

Brian Bialik, Vice President, Home Savings Bank

Joyce Harris, Wachovia Securities

Amy Gilliland, Director, Analysis and Budget University of Akron

Matt Fajack, Director, Financial Affairs, KSU

Parking lot

No items from the parking lot were reviewed at this workshop.

Purpose of the meeting

- 1) To provide examples of spending reduction scenarios for each department.
- 2) To indicate the relative cost savings and prospective service impacts resulting from those cost reduction measures.

Findings spending reduction scenarios

Each department prepared a list of illustrative examples of service reductions that were presented for discussion purposes. The lists did not reflect staff priorities for cutting services nor were they recommendations. Instead, they were offered as a means to convey the size of the budget gap and to show the extent of service reductions that would be required to close that gap.

Each department considered the following categories of reduction options:

1. Consolidation / Reorganization Efficiencies – reassign and reduce staff
2. General Operational Cuts – cell phones, pagers, travel, training, etc.
3. Transfer of Costs – review proportionate cost share with enterprise funds
4. Further Overtime Reductions
5. Further Professional Service Reductions
6. Deferral of Capital Commitments
7. Possible Service Reduction Measures – focusing on non-core service areas first
8. Any One-Time Cuts – e.g., defer fleet replacement
9. Technology Leveraging – where upgrades had favorable payback periods

The goal of this exercise was not to capture every idea possible but rather to demonstrate a process of how to go about considering cuts. The process relied on assigning a dollar value to services in a way that would enable more informed discussion among the Financial Resource Team for future decision making scheduled to occur in late summer 2006.

With 75% of the City's expenses related to Personnel costs most of the scenarios included examples of staff reductions. Hypothetical options were provided as a means to quantify the magnitude of cuts and describe the service loss associated with each option.

Conclusions on cost reduction scenarios

After cutting/freezing 10% of the city workforce over the last 7 years, it was evident from the data that the prospect of finding more cuts that would not impact services was very low; any cuts at this point would have direct and immediate impacts on city customers. The question then becomes which service could citizens do without?

The old adage "nothing in life is free" is true for city services. City services are performed by people, and people cost money to employ. Reducing services and cutting personnel is always an option but that requires answering the question what not to do any more. The act of cutting is not so hard; it's deciding what gets cut that's hard. Everything we plan and want to do as a city only happens when city employees do the work to make it happen. So the question is "what do we not want to do anymore?"

City "belt tightening" over the last 5 years produced \$1.2 million in personnel savings and \$800,000 in materials, supplies, contracts savings.

Despite those savings, the budget gap grew from \$500,000 in 2003 to \$2 million in 2005.

Over 100 new reduction scenarios were presented. Nearly all reduced staffing and service levels.



A \$2 million budget gap is not filled by rounding the edges of city services; it's going to require wholesale changes to the types of services offered in Kent. As a result, the financial solution will be driven by answering the question "what sort of community does Kent want to be in the future." When that is answered, the solution will become evident.

Parking Lot follow-up items

Status

- | | |
|---|---|
| 1) Compare City Department OT to peer cities | Data proven unavailable/uncomparable |
| 2) Calculate service demand vs. revenue contributions from Kent State University | Data collection in progress |
| 3) Discuss legal costs and use of professional services for legal work | Presentation at 2/22/06 workshop |
| 4) Calculate effective tax rate for Kent residents and compare with peer cities | Data collection in progress |

No New Items Were Added at the March 22nd Workshop