

CITY OF JACKSON BUDGET PRESENTATION

RE-ORGANIZATION AND RESTRUCTURING TO ACHIEVE SAVINGS AND EFFICIENCIES

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*Budget
planning
with the end
results in
mind*

Our goals...

- Realistic FY 2017 budget based on a conservative projection of revenues.
 - Management plans developed by each director to insure consistent or improved service delivery
 - Restructured and/or reorganized departments to achieve savings or efficiency
 - Restoration of General Fund reserves at level mandated in Council policy
 - Continued improvements in billings and collections for Water Sewer and Sanitation
 - Improvement of City's overall bond rating within 12 months
 - Plan to eliminate the furlough day for affected employees in FY 2018
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Challenges to overcome

- Escalating health insurance costs, workers compensation costs, and general liability claims
 - High insurance claims
 - Dwindling General Fund reserves that are below Council-approved policy levels
 - Projected expenditures above projected revenues
 - Major challenges with water sewer billing, collecting and accounting
 - Challenges with reserve requirements for water sewer
 - Consent decree demands
 - Challenges with the operation of Jatran
 - Public concerns about delivery of services
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Additional challenges to overcome

- Efficiency and effectiveness in inter-departmental and intra-departmental operation
 - Need for improved management of City's employees and City's fiscal and physical assets
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How did we get here?

This is not intended to be comprehensive, but there are some major revenue and expenditure items that have complicated the financial outlook for the City of Jackson



How did we get here?

- Aging systems should have had repair, preventive maintenance, and replacement plans in place and adhered to. Years of deferred maintenance has now necessitated replacing those systems:
 - Infrastructure
 - *Water lines*
 - *Streets*
 - Mechanical systems
 - *HVAC Systems*
 - *Chillers*
 - *Boilers*
 - Buildings
 - Equipment
 - Vehicles
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How did we get here?

- Health insurance costs over the years have been allowed to escalate with the full burden borne by the City.
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How did we get here?

- Recent operating millage changes have had an adverse affect on City revenues

Fiscal Year	City of Jackson			County Debt Service & Operating	Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Service Millage	City Millage		Operating Millage	Service Millage	School Millage	Special District	
2016	46.93	9.35	56.28	38.33 **	65.91	16.76	82.67	1.75	179.03
2015	48.90	7.56	56.46	38.33	65.91	16.53	82.44	1.57	178.80 *
2014	56.77	5.30	62.07	38.33	64.79	7.17	71.96	1.49	173.85 *
2013	53.50	3.04	56.54	38.33	62.58	14.91	77.49	1.49	173.85 *
2012	53.43	3.20	56.63	38.33	62.66	12.33	74.99	1.40	171.35 *
2011	53.56	3.07	56.63	44.13	62.58	12.41	74.99	1.40	177.15 *
2010	50.09	6.63	56.72	39.12	68.91	6.08	74.99	1.31	172.14 *
2009	51.25	5.47	56.72	39.12	68.91	6.08	74.99	1.31	172.14 *
2008	52.28	4.47	56.75	39.12	68.91	6.08	74.99	1.28	172.14 *
2007	47.23	9.52	56.75	39.12	68.91	6.08	74.99	1.28	172.14 *
2006	45.23	9.52	54.75	39.12	68.91	6.79	75.70	1.28	170.85 *

*Source: City of Jackson 2015 CAFR
 ** Not verified

How did we get here?

- Real property assessed values have declined each year since 2012 **AND** total assessed values have declined for two consecutive years

City of Jackson
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (2)

Fiscal Year	Real Property		Personal Property		Total		Total Direct Tax Rate	Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value (1)	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value		
2015	\$ 782,206,847	\$ 6,106,236,603	\$ 429,291,423	\$ 1,975,757,483	\$ 1,211,498,270	\$ 8,081,994,086	56.46	10%,15%,and 30%
2014	792,551,066	6,169,507,167	423,157,579	1,950,263,833	1,215,708,645	8,119,771,000	62.07	10%,15%,and 30%
2013	805,068,802	6,271,511,887	396,924,146	1,871,856,147	1,201,992,948	8,143,368,034	56.54	10%,15%,and 30%
2012	810,977,848	6,317,262,297	413,249,466	1,993,670,330	1,224,227,314	8,310,932,627	56.63	10%,15%,and 30%
2011	809,368,529	6,323,192,313	396,605,625	1,897,105,793	1,205,974,154	8,220,298,106	56.63	10%,15%,and 30%
2010	798,026,041	6,252,141,950	400,770,321	1,887,134,230	1,198,796,362	8,139,276,180	56.72	10%,15%,and 30%
2009	790,601,910	6,190,265,033	423,164,849	1,988,646,047	1,213,766,759	8,178,911,080	56.72	10%,15%,and 30%
2008	658,357,211	5,139,019,840	452,411,093	2,076,697,273	1,110,768,304	7,215,717,113	56.75	10%,15%,and 30%
2007	657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	56.75	10%,15%,and 30%
2006	657,256,904	5,079,239,993	452,073,610	2,081,230,213	1,109,330,514	7,160,470,206	54.75	10%,15%,and 30%

How did we get here?

- A reduction in Operating Millage of a total of 6.57 mills from 2013 to 2016, combined with a decline in assessed values over the past two years, has had a cumulative **negative** effect on COJ finances, specifically contributing to a decline in General Fund reserves
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*Proposed
restructuring
and
reorganization
savings and
efficiencies for
FY 2017*

Revised GF budget 2016	\$115,684,981.00
+ Approximate additional expenditure increases for health insurance - tort claim -	1,800,000.00 1,925,000.00
Initial GF expenditure budget 2017	\$119,409,981.00
- Projected 2017 GF available revenues <u>before three mill increase</u>	<u>\$111,812,515.00</u>
Net Savings and Efficiencies gained through departmental restructuring and reorganization	\$7,597,466.00
Proposed GF budget 2017 before three mill increase	\$111,812,515.00
+ <u>Three mill increase applied to funds balance reserves</u>	<u>\$ 3,461,853.00</u>
Proposed GF Budget 2017	\$115,274,368.00

Proposed revenue changes for 2017

- Elimination of one time revenue used to balance the 2016 budget
 - Adjustment of projected revenues to present a realistic revenue picture
 - An increase in revenue from the reevaluation of property values amounting to 1.8%
 - A recommendation to restore 3 mills of the 6.57 operating mills reflected in the millage decline from 2013 to 2016. Over the next two years, these funds will be committed to General Fund reserves restoration.
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*Anticipated
impact of our
budget
recommendations*

- Restoration of General Fund reserves
 - Capacity to eliminate furloughs in FY 2018
 - Improved financial position of the COJ by presenting realistic expenditure budgets based on realistic revenue projections
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Recommendations

- **COJ**
 - We recommend that each person in a supervisory position receive Management and Leadership training. At a minimum, this training should cover the role of a manager, how to hire and fire, how to evaluate, how to delegate, and how to insure employees are growing professionally.
 - We recommend that all departments review and update their policies and procedures, and develop Standard Operating Procedures' manuals to onboard new employees.
- **Finance**
 - We recommend that the COJ designate Cayenta as its financial accounting software.
 - We recommend that Purchasing take full advantage of its automated procurement system and update its policies and procedures to eliminate the need for any purchasing documentation not required by state law - specifically, the requirement that a quote be obtained for all purchases, including those less than \$5,000. Additionally, where a quote is required, Purchasing must work with IT to ensure the ability to electronically attach supporting documentation to the requisitions being reviewed.

Recommendations

- **Treasury**
 - We recommend that one person be employed City-wide for daily pickup and delivery of inter-departmental and external mail. There could also be a process of pickup and delivery of fixed assets on the same routing system.
 - We recommend that annual training in Cash Management procedures be implemented for all persons handling cash for the COJ.
- **Fixed Assets**
 - We recommend that the COJ determine a location and process to receive all capitalized equipment in one place, to ensure that all assets are bar coded.
- **Municipal Court**
 - We recommend that two additional collection agencies be employed to assist with collecting outstanding warrants and fines.
 - We recommend that the system of employing part-time judges be reviewed to determine the best method to ensure that all cases are reviewed in the most timely and efficient manner. *A suggestion is two full time judges and one part-time judge.*

Recommendations

- **Information Technology**
 - We recommend that all software applications be reviewed immediately to determine the best method to integrate all COJ software applications with COJ financial software.
 - We recommend that IT work with Human Resources to improve the functionality of Kronos by eliminating as many manual processes after a person signs in as possible.
- **Telecommunications**
 - We recommend that a spreadsheet of current contracts with amounts, renewal dates, and expiration dates be prepared to update the CAO.
- **Publications**
 - We recommend that all COJ large printing jobs be sourced through the Office of Publications. If there is a need to use an outside company, then the Office of Publications manages that process.
 - We recommend that copier contracts be reviewed and a determination be made of the most effective way to cancel all copiers agreements and bid copiers, City-wide, for the best possible options.

Recommendations

- Legal
 - We recommend that the Risk Manager develops a plan to reduce the COJ's exposure for all insurance products, excluding health insurance. This includes workers' compensation, general liability, and vehicle and transportation liability coverages.
 - We recommend that the Risk Management Plan looks at data for the above exposure areas, for at least three of the prior fiscal years, to determine where the greatest risks exist.
 - We recommend that the Risk Manager reports monthly on stats to the COJ's monthly stats reporting process.
 - We recommend the COJ study the pros and cons of a Contract Compliance Officer.
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Recommendations

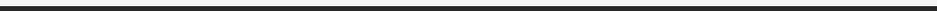
- **Planning**
 - We recommend that the COJ review the existing management contract to determine whether it yields the greatest savings, most responsive management process possible, insures all buses are operable, and serves existing routes at the lowest cost possible.
 - We recommend that all approved rates be updated and are reflected accurately in the COJ Rate System.
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Recommendations

- Public Works
 - The critical nature of this department cannot be overstated. With the demands of aging infrastructure, consent decrees, bonded indebtedness requirement and other requirements, effective operation is critical:
 - We recommend that Public Works insures that every billable customer receives a bill for water, sewer, and sanitation each month;
 - We recommend that shut off notices be rigidly enforced for failure to pay bills and/or follow payment plans;
 - We recommend that data reports be made weekly to the CAO to document progress; and,
 - We recommend that monthly reporting of billing and collection data be made to the COJ's stats process.
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Conclusion

- These recommendations have all come with a mandate that departments develop plans to insure effective and efficient operations with no reduction in services.
- Plans should be in place by the start of the fiscal year and should be monitored to insure adherence.



Questions?

