



MEMORANDUM

TO: Mayor Burch and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: Possible Budget Reductions

DATE: April 11, 2014

During the March 24 City Council meeting, I was asked to provide Council suggestions for additional budget reductions including further cuts to retire health insurance. As I have previously reported to Council, I believe the opportunities for reducing the budget without adversely affecting service delivery are very limited. In considering this issue, I believe it is important to avoid short-term fixes that prevent investments in maintaining infrastructure or spending on essential tools such as computer hardware and software.

As I have reviewed the proposed budget in preparation for its presentation to the Council, I have identified only the following possibilities:

Appropriation to Courthouse Square. You have heard a presentation from Christi Dutcher about this program and Council's support of it. In the recent past, Council has appropriated \$8000 from the general fund and an additional \$9000 from the Downtown Development Authority. Without respect for the merits of Courthouse Square and its programs, it is not an essential service. Nevertheless, Council has consistently indicated a willingness to provide financial support.

Council Compensation. When voters approved the City Charter in the 1960s, the compensation was set at \$10 per regular and special meeting attended plus an additional \$300 annually for the Mayor. The state subsequently permitted cities to overcome charter limitations by establishing an elective officers compensation commission. That

commission's actions have resulted in increases in compensation to \$50 per meeting for Council members, \$55 dollars per meeting for the Mayor plus an additional stipend of \$2000 annually for the Mayor. Council has the ability to reduce its own compensation through a Charter amendment.

Retiree Health Insurance. I have previously described the genesis of this program and some of the actions taken to control this cost. Council has the authority to make further reductions in this expense. In 2010, I recommended several changes that were adopted by the Council. The Council modified several of my recommendations after input from affected retirees.

As the program has worked since its inception in 1987, the City continues to a portion of the premium, up to 100%, for an employee and his/her spouse until age 65. Originally, the City contemplated continuing to pay for Medicare supplement coverage after this age. In 2010, I recommended that the City pay a flat dollar amount of \$375 each for the employee and his/her spouse after age 65 that they could apply to the purchase of private coverage. The Council rejected this recommendation in favor of contributing \$500 each and allowing the retirees to remain on the City's health insurance plan.

We project the cost of this benefit to be \$114,000 in 2014. There are numerous options available to Council to further reduce this cost should it choose to do so. These include:

- Eliminating the benefit in its entirety (Savings: \$100,000);
- Eliminating the benefit after the retired employee reaches age 65 (Savings: \$52,000);
- Eliminating coverage for the employee's spouse (Savings: \$39,000);
- Establishing a fixed dollar cap to be contributed toward purchase of private insurance.