



GENERAL INFORMATION MEMORANDUM

TO: Honorable Mayor Susan Rohan and Members of the City Council

FROM: Rob Jensen, City Manager 

APPROVED BY: Dominick Casey, Acting City Manager

DATE: May 3, 2018

SUBJECT: 10 Year Reductions Citywide

Purpose

At the Council's budget workshop on April 12th, the Council requested additional information on service level reductions and policy changes that have occurred over time to address the current fiscal imbalance. Over the past ten years, the City has made significant strides to address the changing economic and fiscal climate. Those efforts included a significant reduction in work force, changes to employee compensation and service level reductions. In addition, Roseville, like most cities in California depleted reserve funding to weather the recession and deferred maintenance for City facilities and public buildings including our police and fire stations, our three libraries, parks, pools, roadways and IT infrastructure. This deferral added additional cost pressures to the General Fund as it balanced these long term obligations with current operational needs. All the while, a constantly changing statewide legislative and regulatory environment continues to add unfunded mandates and significant costs to the City's operations, such as public-safety realignment, open space management, and the State moving responsibility for stormwater management from the State to local government, all adding millions in expenses to the City's General Fund. The purpose for this memorandum is to provide details in each of these areas.

REDUCTION IN WORKFORCE:

The City began reducing its General Fund staffing levels in 2007 as a result of the recession. Over the past 10 years, the City has reduced General Fund staffing from 778 full time employees to 665 full time employees in 2018. During the same period, the City's population grew from 109,154 to 138,150. This resulted in a per capita reduction in employees of 32 percent.

The majority of the positions eliminated in the early years were directly related to new development as growth levels were a fraction of what they were in previous years. However, as the recession continued, the City looked for opportunities to improve efficiencies and further reduced staffing levels across all areas. As the economy improved and development levels increased, new staffing has not been brought in to keep pace with the growth. This has resulted in service level reductions in all General Fund City departments.

EMPLOYEE COMPENSATION:

As a service provider, the City's highest General Fund cost is labor. With one of Council's goals being fiscal soundness, the City and its labor groups, including management, partnered over the past several years to manage labor costs. The changes we've made together still allow the City of Roseville to attract and retain competent, dedicated people to serve our community. It's an important undertaking given that labor-related costs account for almost 75 percent of the City's General Fund budget, which pays for a variety of services including fire, police, parks, recreation, library, and public works.

Ensuring consistency among labor groups within our workforce and developing strategies to contain costs have been key focus areas. It is important to remember that current State law hinders the City's ability to make significant changes to retirement benefits until the court system rules on this issue. That said, in partnership with our labor groups, we have taken proactive steps where we could to reduce long term costs, which included:

- Controlling pension costs by transferring the responsibility to employees to fund 100 percent of the employees' share of pension costs. This has significantly reduced pressure on the City's budget.
- Capping liability for retiree health benefits: A defined-contribution plan is offered to new employees instead of the defined-benefit plan that previously existed. This means that employees, along with the City, contribute to saving for their retiree-medical benefits; and that the City's cost associated with the defined-benefit plan will eventually be zero.
- Setting salary-level targets at median levels in labor-market comparison: Salary schedules for new employees have been reduced up to 21 percent in some cases to reflect median salaries in the labor market, instead of upper-end levels.
- Reducing the rate of increases within each salary range: The previous pay scales allowed for 5 percent increases between each step in a salary range. Now, new employees are eligible for increases no greater than 2.5 percent between each step in the range. This extends the time it takes to reach the highest level in the pay range, which can now be up to 15 years; slowing the growth rate of this expense.

POLICE DEPARTMENT SERVICE LEVEL REDUCTIONS:

Since 2007, the total number of sworn officers has been reduced from 136 to 130. During this same period, the size of the city in square miles, calls for service, and both daytime and nighttime populations have all dramatically increased. For example, our residential population increased by 30,000 since 2007, a 28 percent increase. The staffing level of the Department's Professional Staff has also been reduced significantly with volunteers providing many of the job assignments previously handled by employees.

With staffing levels decreasing on a per capita basis, service level reductions have been reduced including longer response times to calls and less time for officers to conduct problem oriented and proactive work. The department goal and best practice in policing is for officers to spend 60 percent of their time handling calls, and 40 percent of their time on proactive policing activities. With the department unable to maintain this standard, the quality of the service provided to our community has been reduced.

Overall Department Sworn Staffing Levels

	2007	2018	Percent Change per Capita
Sworn Officers	136	130	- 26 percent

Patrol Unit - The Patrol Unit comprises the front line officers that the community sees on a regular basis patrolling and enforcing laws. In order to preserve essential staffing in front-line patrol, the department has eliminated or shrunk specialty units to maintain patrol staffing at 66 officers and 10 sergeants, consistent with the 2007 levels. As the city has grown in both area and population, the patrol division has needed to strategically size beats to best utilize the resources available. This has resulted in less than optimum staffing in all areas and corresponding decreases in effectiveness.

Patrol Unit Staffing

	2007	2017	Percent Change per Capita
Sergeants	9	10	-14 percent
Officers	70	66	-27 percent

Crime Suppression Unit / Vice and Narcotics Enforcement Team - Ten years ago, the department had a Vice and Narcotics Enforcement Team (VNET), staffed by a sergeant and three officers. VNET focused on street-level drug activity, problem drug houses in neighborhoods and narcotics activity. The department had a separate Crime Suppression Unit (CSU), staffed by a sergeant and six officers. CSU focused on monitoring known gang members, parolees and other known offenders in our city, as well as ad hoc crime trends and nuisance locations. They maintained a high presence and conducted regular patrols in neighborhoods with high levels of gang and criminal activity. Today, VNET and CSU have been combined into one unit with a sergeant and five detectives. This is a reduction of one sergeant and four detectives over 2007 staffing levels. The impact on the community includes fewer narcotics investigations, fewer "problem location" investigations, and no time for random patrols and high visibility in the neighborhoods that need it.

CSU / VNET Staffing

	2007	2017	Percent Change per Capita
Sergeants	2	1	-61 percent
Officers	9	4	- 65 percent

K9 Unit - K9 staffing has been reduced over the past decade from six dogs to four. This has reduced the ability of K9s to assist patrol and other officers with suspect searches, drug searches and other situations where a police K9 would be helpful. K9 coverage has also shrunk from 24 hours a day to 18 hours a day, and we've increased our dependence on neighboring agencies when we have a need for a K9.

K9 Unit Staffing

	2007	2017	Percent Change per Capita
Canines	6	4	-48 percent
Hours of Operation	24	18	-25 percent **

****Note – Change in hours of operation not calculated on a per capita basis, as number of hours in a day are constant.**

Youth Services - At one time, the department had seven full time dedicated youth service officers: four in the high schools, two in the middle schools and one officer who focused on truancy and runaways.

Even farther back in time, the department had two DARE officers assigned to elementary schools. Today we have officers assigned only to the three comprehensive high schools, and one officer assigned to Adelante High School on an overtime basis. Coverage to the high schools is spread thinner, as there are no extra officers to cover when an assigned officer is sick or on vacation. There are no officers assigned to increase security and build positive relationships at the City's five middle schools.

Youth Services Staffing

	2007	2017	Percent Change per Capita
Youth Services Officers	7	4	-56 percent

Traffic Enforcement Unit - At one time the traffic unit was staffed by two sergeants, ten motor officers, two DUI officers, two community service officers and a full time parking enforcement officer. Currently there is one Sergeant and four motor officers assigned to Traffic and no dedicated DUI officers. We have a position slotted for one DUI officer, however due to staffing levels in Patrol, it has not been filled for over a year. As a result, DUI enforcement is left for patrol officers as time permits. We now have far fewer DUI offenders arrested than when we had dedicated DUI officers; this means more DUI drivers are going undetected, and this decreases safety on our roadways. Because traffic officers are often reassigned to cover shortages in patrol, there are fewer of them available to make traffic stops and address citizen complaints and traffic safety issues in the city. The department no longer has parking enforcement officers, so the police department no longer provides proactive parking enforcement in the downtown area. Patrol officers and community service officers respond to parking issues only when the public calls to complain.

Traffic Enforcement Staffing

	2007	2017	Percent Change per Capita
Sergeants	2	1	-60 percent
Motor Officers	10	4	-69 percent
DUI Officers	2	1	-60 percent
Community Services Officer	2	2	-28 percent
Parking Enforcement Officer	1	0	-100 percent

Investigations Unit - While staffing has remained consistent over the ten year window, the amount and complexity of cases being assigned to detectives has greatly increased while being handled by the same number of detectives. As a result, cases take longer to close, the threshold of what kinds of cases assigned to a detective is higher, and caseloads per detective are higher. So while staffing has remained constant, the workload has dramatically increased which has the effect of being a service reduction to the community.

Communications Unit - Dispatcher staffing has not kept up with the population growth of the city. Since 2007, 911 calls increased from 31,076 to 44,853, a 31 percent increase. The unit lost one "off-line" dispatch supervisor position. The loss of this position created many challenges for the unit in managing shift schedules, coordinating and scheduling training, and addressing personnel issues in a timely manner.

Police Records Unit - The department has eliminated four records clerks, resulting in a redistribution of essential and legally mandated duties among the remaining clerks. To compensate, the department reduced the hours the public counter is open and available to the public. The reduced staffing has created more backlogs in less critical but important records tasks, like archiving and purging of old records. Records clerks were eliminated from Administration (1), Community Services (1), and Investigations (2). Clerks assigned to Records have remained constant at eight.

Animal Control Officers - Our ACO's are some of the hardest working people in the Police Department. And like Patrol and Investigations, while their staffing has remained constant over the years, the call load has risen as the city has grown and calls for service for Animal Control pend considerably longer than in the past. This has the result of being a service reduction since staffing has not kept pace with the increase in population and calls for service.

Police Vehicles Fleet - The department used to have a "car-per-officer" program, providing each officer who lived in or close to the city with a personally assigned take-home vehicle. This was something the City highlighted in recruitment messages to prospective officers, and it also increased the perceived presence of police in the City, since patrol cars were parked in front of officers' homes throughout the City. Officers called out for SWAT and other emergencies could respond directly to the location of the emergency, rather than first coming to the department to pick up their cars and equipment. Our officers now share cars.

Administration - The administrative side of the Office of the Chief of Police was reduced by almost half with the loss of an Administrative Analyst and a Records Clerk. These positions were assigned to training, workers compensation claims, and the recruitment/hiring process. All of these assignments were then spread out amongst other employees. While this had no visible reduction in service levels to the community, it affected our administrative ability to train and hire officers and staff which does project outward to how we provide service to the community.

Training - The department has greatly reduced the amount of travel and training provided by the General Fund. Most mandated in-service training is now conducted in-house with qualified in-house instructors. Fewer police staff attend professional conferences, where they used to network with other professionals in the same disciplines, learn about new trends, and bring that knowledge and expertise back to the City.

FIRE DEPARTMENT SERVICE LEVEL REDUCTIONS:

Fire Administration

- Eliminated one and a half positons in the front office and reclassification of other positions has increased the wait times for counter service, records requests, and incident reports.

Fire Operations

- Eliminated three (3) Shift Battalion Chiefs beginning in 2011 which doubled the managerial span of control and reduced incident management capabilities. This change created longer response times for the Battalion Chief to arrive and assume Incident Command. First arriving Engines are pushed into a command role until the Battalion Chief arrives.
- The closure of Fire Station 8 and relocation of that company to open Station 9 created extended response times to district 8. Response reliability continues to increase in districts 2, 5, and 9 while call volumes continue to increase in all districts including district 8. While funding to construct a new station to balance response time, no funding is available to operate the new fire station at an estimated cost of \$2.5 million annually.

- In 2010 the Dive Rescue program was eliminated. We are no longer able to perform rescues for submerged vehicles into bodies of water.
- In 2013, watercraft were eliminated reducing our ability to perform flood and swift water rescues.
- In 2013, the Bike Team was eliminated. Although the equipment is still available for special call out, there is no longer an organized team, training, or scheduled event calendar.
- In 2014, the Tower Rescue program was eliminated. We are no longer able to perform rescues on elevated towers, power line towers, or cell towers.

Fire and Life Safety

- Reductions and reclassification of positions has increased work load and turnaround time for Inspections, Plan Review, and follow up. Fees were increased to offset rising costs.
- Public Education position reduced to part time. This reduction has decreased the amount and frequency of in school programs and public events
- No longer providing Hands-Only CPR demonstrations at community events
- Discontinued Smoke Detector Program
- Car Seat technician Inspection/Installations have been significantly reduced. These were done by on duty crews at every fire station. Today they are done by-appointment only by our on part-time Pub-Ed Technician.

Fire Support Services

- Reductions in the Fire Investigation program has increased the time to complete reports and the ability to fully investigate possible Arson Fires.

Fire Emergency Preparedness

- The loss of a full time Emergency Preparedness Manager in 2007 has reduced abilities to prepare and educate the community.

PARKS, RECREATION, AND LIBRARIES SERVICE LEVEL REDUCTIONS:

Over the past decade, there has been significant growth in the Parks, Recreation & Libraries Department. We have added 22 Parks, over 1,000 acres of open space, Martha Riley Community Library, Mike Shellito Indoor Pool and increased from 13 to 60 annual events with the opening of Vernon Street Town Square. In this same period, we reduced 29 General Fund positions. Where funding was available and where it made sense, portions of work in Parks and open space, including landscape maintenance and tree trimming, were contracted out to further reduce costs. While contract services made fiscal sense in years past, recent City salary and benefit reductions, along with increased private costs due to minimum wage increases and the Affordable Care Act, have eroded those savings. In addition, reduced oversight of contract services have resulted in limitations in project flexibility, increased response times, lower standards and in some cases additional cost. The Department has been increasingly reliant on temporary employees to fill critical roles and functions. Increased turnover in temporary positions continues to cause challenges with consistency and hinders appropriate redundancy for important functions. The items below do not represent each and every service level reduction, but instead attempt to represent those from a more global perspective.

Parks, Recreation & Libraries 10 year service level reductions	
Action	Service Level Impacts
Libraries & Museum	
Reduced Library hours	<ul style="list-style-type: none"> Reduced from 68 hours to 41 hours per week per Library including Friday closures in 2017 Loss of public access to materials, computers, community space and programs
Library materials reduced	<ul style="list-style-type: none"> Depleted the \$1,364,423 Library Fund for materials. Supplemental revenue source is no longer available. One of the lowest per capita budgets in the region. Roseville \$1.65 - State median \$2.83 While funding for materials has decreased, the number of visitors and items loaned has increased. Longer wait times for materials, less copies of in-demand items
Reduced Maidu Museum hours	<ul style="list-style-type: none"> Reduced from 39 hours to 9 hours per week (pending budget adoption)
Reduced Museum staff and programs	<ul style="list-style-type: none"> Eliminate all 53 annual events and program serving 4000 people (pending budget adoption) Limited fundraising, grant opportunities, tribal partnership expansion and corporate membership development Eliminated outreach efforts
Parks – Open Space	
Eliminated goat grazing in general fund open space	<ul style="list-style-type: none"> Potential increased risk of fire, thatch and invasive species Overgrown open space areas are now becoming havens for unsheltered camps, increasing risk of illegal dumping in neighborhoods and preserves Increased number of resident complaints as there are 250 acres in the General Fund Open Space adjacent to residential property
Open space management	<ul style="list-style-type: none"> Increased customer service requests related to General Fund Open Space as a result of growth and increased population Service requests increased from 330 in 2015 to over 700 service requests in 2017 with time to respond increasing from 7 days to 21 days or longer depending on the complexity of the work More reactive and less proactive approach
Unsheltered camps	<ul style="list-style-type: none"> Significant increase in camp cleanups with no funding provided, resulting in existing staff being redirected from primary core services. Increased frequency of camp cleanup from monthly to weekly. This work is being done by existing staff, removing them from performing other core services including creek maintenance for flood conveyance, bike trail maintenance/trash removal, tree pruning, preserve and open space maintenance Increased customer service response time due to redirection of staff from 7 days to 21 days or longer to complete work related to tree and vegetation encroachments, vandalism and code enforcement complaints
Tree Maintenance	<ul style="list-style-type: none"> Increased pruning cycle from 5 years to 6.5 years Increased customer service response times to complete work has increased from 1-2 weeks to 4-6 weeks Non-routine work such as encroachment, nuisance, code enforcement, hazard and safety, is now limited to public safety only Potential increased risk and liability Limited tree planting

	<ul style="list-style-type: none"> • Decreased plant healthcare and preventative maintenance • Reduced flexibility and increased costs due to contracting out nearly all tree work
Park Planning & Development	
Park Development	<ul style="list-style-type: none"> • Increased timeline for completion of a new park from 18 months to 30+ months • Increased project costs and delayed response times due to in-house production shifting to Consultants • Reduced project inspections from twice daily to just 2-3 times a week.
Decreased CIP/rehab funding	<ul style="list-style-type: none"> • Currently CIP/rehab funding of parks and facilities is at roughly 30 percent of the required amount
Deferred Construction of General Fund Parks	<ul style="list-style-type: none"> • Delayed construction of new parks reliant on the General Fund for maintenance. Specifically city-wide parks such as Crabb & Central Park which are partially constructed and Gibson & SSP 2, 3, and 4 which are not developed all.
Parks Maintenance	
Turf Care	<ul style="list-style-type: none"> • Reduced fertilizer from 4 times to 2 times per year • Reduced edging from weekly to every 3 weeks • Reduced broadleaf applications from twice per year to once a year • Reduced aeration in neighborhood parks from 2-3 times per year to 1 time per year • Reduced mowing of sports fields at most neighborhood parks from twice to once per week
Custodial	<ul style="list-style-type: none"> • Reduced restroom custodial from daily to twice a week • Reduced trash pickup from daily to three times per week • Removed portable restrooms in parks
Landscape Maintenance	<ul style="list-style-type: none"> • Reduced pruning of shrubs from 3-4 times per year to only safety and sidewalk clearance • Reduced the frequency of chemical application for weeds in landscapes and beds from 8-10 times per year to 4 times per year
Infrastructure Maintenance and Inspection	<ul style="list-style-type: none"> • Reduced safety and playground checks from daily to three times per week • Increased response times and decreased funding for playground repairs resulting in some amenities being taken out of service or closed • Deferred maintenance of backstops, picnic areas and other park amenities
Recreation	
Decreased front-line staffing	<ul style="list-style-type: none"> • Increased response times for answering phone calls and emails. • Longer wait times for in person assistance in our community centers. • Less consistency in response due to higher staff turnover.
Fee impacts to customers	<ul style="list-style-type: none"> • Increased average fees for recreation programs including: <ul style="list-style-type: none"> ○ Adult sports 56% ○ Swim lessons 23% ○ Special interest classes 40%

Less access to Recreation facilities - reduced hours	<ul style="list-style-type: none"> Reduced hours at facilities including: <ul style="list-style-type: none"> Roseville Sports Center 6 hours per week Maidu Community Center 11 hours per week Roseville Aquatics Complex 2 hours per week Closed batting cages at Maidu and Mahany parks Closed Johnson Pool on Saturday Eliminated all programs at Oakmont Pool
Reduce subsidized programs	<ul style="list-style-type: none"> Reduced SPARKS park playground programs from 8 sites to 1 Reduced Johnson Pool schedule from 10 to 8 weeks Reduced teen programming from 24 programs to 1
Reduce or eliminate recreation programs	<ul style="list-style-type: none"> Reduced the number of concerts, eliminated 4th of July fireworks, eliminated child care for fitness members, eliminated VSTS holiday décor, eliminated Art Cart, eliminated adaptive recreation programming, eliminated day camps at Royer and Maidu parks.

DEVELOPMENT SERVICES SERVICE LEVEL REDUCTIONS:

Planning Division - While changes to Planning's service levels tend to be less measurable quantitatively than other departments given the nature of work, changes over the last 8 years have resulted in doing more with less including:

- Reduced planning staff by 48 percent. Fewer staff to share the workload can result in service level reductions such as longer entitlement processing times, longer response times (i.e., calls, letters, emails, research), longer scheduling timeframes (i.e., meetings, inspections), phone customers not getting a live person right away and rolling to voicemail.
- Eliminated dedicated plan checker position. Not having this position requires planners to do both plan check and entitlement processing, creating delays in both.
- Reduced administrative staff from four to one. Now Planning shares one dedicated admin staff (there are 3.5 Admins that share workload for all of DS).
- Technical staffing levels have remained constant but work levels have increased to assume responsibility for other divisions within Development Services. This affects Planning functions including the elimination of Development Activities Reports, longer times for updating base planning documents, and increases response times for providing mapping and data services.
- Planning technicians have assume dual roles as permit and planning techs. This has resulted in longer response time to customers, fewer planning "experts" at the front counter and more reliance on planners for general information which is less time planners spend on processing entitlements.

Business Services - The following factors over the past ten years have contributed to an upward trend in Business:

- Reduced business services staffing by 50 percent.
- Increased work level to include implementation and maintenance of the City's permitting system, providing support services to Engineering, Planning and Building Divisions, and assumed responsibility to update and maintain GIS landbase and addressing data bases.

Although Business Services has largely adapted to doing more with less and has become better at supplementing peaks in workload demands with temporary and contract staff, the following service level reductions are a direct result of the items noted above:

- With fewer resources to share the workload, staff is often forced to be more reactive than proactive in many instances, including responding to Accela issues and enhancements, providing GIS, mapping, and data services, and updating procedures.
- The division is no longer able to provide custom mapping or reporting services to the public.
- Increased response times in the timely post-approval of administrative updates (i.e., text, tables, figures) to the General Plan, and Specific Plan documents.
- No longer able to re-create and provide the Monthly and Quarterly Development Activity Reports.
- Delays in the timely updating and maintenance of key GIS infrastructure datasets (i.e., parcels, street centerlines, addresses, etc.).
- Impedes the division's ability/opportunity to provide innovative public facing or civic engagement solutions that better serve the needs of staff and the public. Staff often doesn't have time to effectively create processes, products, and tools to increase efficiencies and streamline business processes.

Engineering Division - Service level reductions to the Engineering Division have not been that dramatic over the last 8 years, as staff has learned to do more with less and supplement workloads with contract staff. Specific changes have included:

- Reduced engineering staff by 33 percent.
- Reduced level of Engineering's support staff. Not having this support results in engineers being responsible to respond to general information and document requests from customers, both at the counter and over the phone. The turnaround time on these generalized requests has been delayed due to the reduction in staffing.
- With less staff, division staff is often forced to be more reactive than proactive in some instances (i.e., updating procedures, standards, etc.)
- Plan Check and Inspection Service Levels have NOT dropped off:
 - Engineering's plan check staff has actually made the Civil review process more efficient. In 2008/2009 turnaround times for Civil plan review was 6/4/2 weeks for the first three plan checks respectively. These same plan reviews are now completed in 4/3/2 weeks respectively. The ability to bring in contract plan services to supplement heavy workloads aids in allowing staff to meet these accelerated turnaround times.
 - Engineering's plan check staff now offers an expedited civil plan review for "pad ready projects". This review is completed within 10 days and was not offered 8 years ago.

- Inspection service levels have not changed in the past 8 years. Supplementing with contract staff has allowed this service to remain constant.

PUBLIC WORKS DEPARTMENT SERVICE LEVEL REDUCTIONS:

Engineering Division – The division eliminated two Assistant Engineering positions resulting in the following service level reductions:

- Longer response times to public requests.
- Responding to public concerns rather than proactively preventing concerns before they occur.
- Plan check is being rushed, items are being missed, and contractor and developer complaints are increasing due to last minute changes being required in the field during construction.
- Projects delayed and being pushed to the next year. This is often blamed on a tough bidding climate but is also partially due to projects bidding too late into the construction season. The public has to keep waiting for the key road and safety improvements including storm drain improvements for drainage issues, pavement resurfacing reducing wear and tear on vehicles, and capacity improvements to shorten commute times.
- The City's Intelligent Transportation System (ITS) is not being used to its full capabilities resulting in increased travel times and delay on City roadways.
- Increased time to public floodplain determinations delaying real estate transactions and development applications.

Streets Division – In addition to reductions in general funding for materials and supplies, the division eliminated six street maintenance workers resulting in the following service level reductions:

- Reduced linear feet of crack sealing in roads causing roads to fail faster.
- Reduced amount of asphalt patching of roads causing them to fail faster.
- Reduced number of replacement pavement markers in streets.
- Reduced number of square feet of thermo plastic and paint markings that get updated each year resulting in poor visibility for crosswalks, stop bars, and edge lines.
- Reduced number of signs that get replaced each year resulting in poor visibility on street signs for the public, fire and police.
- Reduced number of sidewalk/curb/gutter repairs for failed concrete and trip hazards resulting in the potential for more safety issues for public until a permanent repair can be completed.
- Reduced number of storm drain inlet replacements resulting in more localized flooding on streets.

INFORMATION TECHNOLOGY DEPARTMENT SERVICE LEVEL REDUCTIONS:

All Technology Services - The City maintains approximately \$100M of information technology hardware and software. These assets support every City department and all City services. Funding for rehab and replacement of these systems was eliminated or dramatically reduced starting in 2007. There is no ability today to fully fund technology rehabilitation and replacement. Currently, the City is funding these at a 30 percent level. The Council recently adopted a policy to increase funding in this area by \$500,000 per year annually until it reaches the required funding level of \$5.0 million annually. This will further reduce funding that is available for other City services including police and fire.

Additionally, growth of technology infusion and cloud applications have resulted in increased security responsibilities within the business units. Administrative and customer support service levels have been reduced in many areas due to competing demands for new technologies and projects. Administrative, cross-functional leadership and onboarding tasks have been reassigned to IT-Managers, potentially jeopardizing the primary IT functions performed by the City.

Administrative Support Services - Eliminated Administrative Assistant position and replaced with temporary part-time position.

Business Applications - More than 50 percent of the City's business applications have moved to the Cloud over the past 10 years, resulting in cost savings and increased efficiencies for City departments. This trend has also caused an exponential increase in the complexity of data integration and decision support tools. The City has not added staff or technology to deal with this complexity. Executive dashboards and decision support requires significant manual effort to integrate database & application outside of the City network.

CENTRAL SERVICES DEPARTMENT SERVICE LEVEL REDUCTIONS:

Administration – Staff is proposing that this Department be consolidated into the Finance and Public Works Department and the Department Head position eliminated.

Central Stores and Courier Service – Eliminated one warehouse worker position resulting in the following service level reductions:

- Receiving hours reduced to four days a week
- Deliveries to customers reduced from five to two days a week
- Customer hours reduced by five hours a week
- Surplus pickup/drop off times reduced to three hours a week

Purchasing – Eliminated one buyer position resulting in the following service level reductions:

- Average turnaround time to process purchase requests has increased from 3 days to 5 days
- Citywide training on purchasing processes not conducted on a regular basis
- Minimal vendor outreach efforts

Building Maintenance – Eliminated three building maintenance positions resulting in the following service level reductions:

- Longer wait times for service requests
- Same day / next day service limited to urgent and emergency requests only

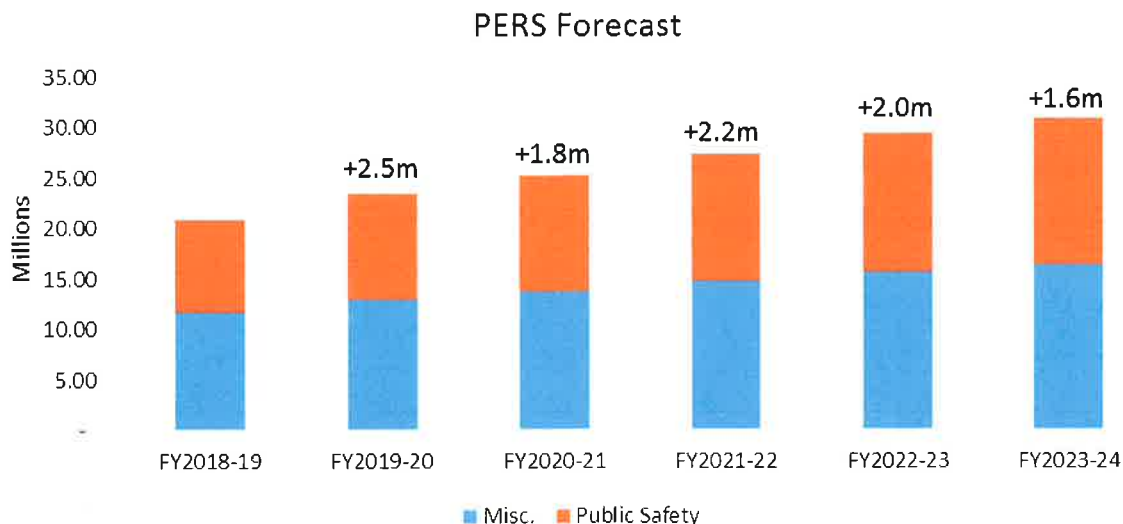
Custodial – Eliminated twelve custodial positions and offset with contract services. This division is currently understaffed resulting in the following service level reductions:

- Buildings not cleaned at the same high level they once where
- Floor care/maintenance was deferred for a few years and is now performed only on an annual basis
- Many non-public spaces now cleaned on a reduced schedule

CITY LONG TERM OBLIGATIONS AND POLICIES:

The City's long term obligations include PERS, Retiree Health (OPEB), and deferred maintenance (CIP Rehab and Street Maintenance). Each of those areas is discussed below;

PERS - While the City continues to pay its PERS obligations as required, those costs continue to increase. As noted earlier in this memorandum, the City's ability to control those costs going forward will be decided by the Court system. To date the City has implemented all of the options currently available to control those obligations. However, even with those changes, PERS costs are expected to grow. Over the next 5 years those increase will total \$10-\$15 million adding additional burden to the General Fund and requiring additional service level reductions. The following chart shows the City's expected future payments increasing based on CalPERS projections.



Costs for the employee pension plan are related to the:

- Particular retirement plans the City participates in,
- Annual contribution made by the City and the employees, and
- Returns experienced in the stock market.

The latest actuarial report identifies a \$221 million unfunded liability for "miscellaneous" (non-public safety) employees and a \$102 million unfunded liability for public safety employees for a total of \$323 million. The annual payment to PERS for pension costs is calculated by PERS and sent to its member agencies. As has been the case in previous years, the FY2018-19 proposed budget will fully fund the payment due to PERS for the fiscal year. Looking forward, in order to reduce, and ultimately eliminate, the unfunded liabilities that cities currently have, PERS has developed an accelerated payment plan that is expected to

eliminate the unfunded liability in approximately 25 years. The actions taken by PERS to correct the unfunded liability will result in cities being required to fund higher annual costs as PERS recalculates the requirements each year. As an example, the increased cost for the City of Roseville for FY2018-19 totals \$1.9 million, which includes \$1.1 million for the General Fund.

Retiree Health or “Other Post-Employment Benefits (OPEB)” - Costs for those employees who will receive City funded retiree health benefits are continuing to grow as healthcare premiums and Medicare costs increase. In an effort to reduce the City’s long term obligations, the Council, along with our labor groups, have revised their retiree health program for employees hired after 2013. These new employees are required to contribute into a Retirement Health Savings account that can be used for future medical, dental, and vision expenses after retirement. These expenses will now be funded by the retiree as opposed to the City.

To provide long-term sustainability for retiree medical expenses, the City created an OPEB trust in February 2011 with an initial contribution of \$34 million. Since that time, the City has been committed to funding this obligation by directing a certain percentage of annual salary costs to the fund. That percentage had been about three percent of total salary for the General Fund for several years. Since the current required payment to meet a fully funded status is approximately eight percent of salary, a new policy has been put in place to increase the funding of this obligation each year. Beginning in FY2016-17, the Council-adopted policy directs the annual General Fund payment to the trust to increase by one percent of salary each year until the annual funding level is equal to the actuarially determined contribution (ADC, formerly known as the annual required contribution (ARC)).

As discussed earlier, to reduce the City’s long term obligations, it eliminated this benefit for new employees hired after 2013. However the latest available actuarial report as of June 30, 2017, for those employees who receive this benefit, shows a total Actuarial Accrued Liability (AAL) of \$215 million. Taking into account the OPEB trust fund balance of \$71 million invested to fund this liability, the City has a citywide total unfunded liability of \$144 million. The General Fund portion of the unfunded liability is approximately \$95 million. The proposed FY2018-19 budget will fund \$13.8 million toward this liability.

Deferred Maintenance - Although the City’s General Fund budget is balanced for FY2018-19, it does not address all of our long-term liabilities, it does not provide the funding necessary to maintain City assets such as playgrounds, police and fire stations, libraries, roadways, or IT infrastructure. In the three expense areas of CIP rehab (capital-improvement plan and rehabilitation of assets), road maintenance, and OPEB (other post-employment benefits such as retiree healthcare), if the City were to fully fund its long-term liabilities and the deferred maintenance that occurred since the recession, the budget would be upside down by almost \$14 million per year. As a result of the slowing revenue growth, we’re continuing to look for ways to close this gap, including reducing expenses, bringing in additional revenues, and changing service levels.

In an effort to balance the budget during the recession, several categories of operating expenses were underfunded. As the economy has improved, City Council has made significant progress towards reversing this trend and attaining long-term fiscal soundness. As a result, the City has successfully implemented several long-term solutions. Among these solutions is the policy to fully fund the Workers’ Compensation internal service fund (ISF), the Vehicle Replacement ISF, the General Liability ISF, and the Litigation Reserve Fund. The City Council has also implemented policies to annually increase funding for OPEB and the General Fund Capital Improvement Plan Rehabilitation program until they are fully funded.

Capital Improvement Plan (CIP) and Rehabilitation of Assets - Costs for infrastructure maintenance and replacement is increasing in all areas— from building maintenance to technology to capital improvements and rehabilitation. The 10-year capital improvement plan has identified approximately \$56 million of underfunded needs or about \$5.6 million per year. For several years the General Fund had been funding about \$1 million per year when the actual funding level should have been closer to \$5 million. This has resulted in deferred maintenance occurring throughout the City. The adopted FY2017-18 budget funded \$1.5 million of deferred maintenance, plus an additional \$4 million was later invested into high priority deferred maintenance, such as two new Jaws of Life for the Fire Department, funded by FY2016-17 year-end budget savings. In alignment with Council policy, the proposed FY2018-19 budget will increase this funding level to \$2 million, an increase of \$500,000. Future budgets will continue to increase this funding by \$500,000 per year until fully funded. This increase in funding will reduce the amount of General Funds available for services further reducing service levels.

Streets and Roadways - Funding challenges for roadway infrastructure have caused the City to fall behind on its maintenance schedule for streets. The passing of SB1 by the State Legislature in April 2017 is enhancing our ability to maintain our roadways but doesn't completely close the gap. Prior to SB1, roadway maintenance was \$50 million underfunded. SB1 closed about half of the funding gap bringing the maintenance funding deficit down to about \$25 million.

The gas tax is the primary funding source for streets and roadways. Gas tax rates, accrued on a per-gallon basis, were developed without an adjustment for inflation, minimizing their purchasing power with every year that passes. Gas tax revenues have also fallen due to more fuel-efficient and electric vehicles being on the road, reducing the demand for gasoline. The City has identified an average, annual ongoing need of \$9- 10 million per year. The City annually funds \$6.5 to \$7.5 million per year from Gas Tax, Local Transportation, Utility Impact Reimbursement, SB1, and Federal Regional Surface Transportation program funds, leaving a shortfall of \$2.5 million per year, or \$25 million over the next 10 years. It will be determined by the voters later this year whether SB1 remains in place. If it is rejected by the voters, we will fall even further behind in our road maintenance.

Summary

As noted above, over the past ten years the City has made considerable efforts to reduce costs while maintaining services. In addition to the Departments noted in this report, all administrative departments have reduced staffing and operating budgets as well. Recent Department audits found that all of the departments were operating efficiently and at capacity. As such, there is no capacity to further reduce service levels without significantly impacting the community. This was apparent in FY17 where the Council reduced library hours to balance the budget. Absent a positive change in revenues, continued reductions with increasing impacts on the community are expected to continue. The information gathered through the EngageRoseville process will be used as a guide to prioritize what services remain, however, as noted through that process, every service is important to someone. Based on current trends, it is expected that the City would need to reduce service levels by \$2-3 million dollars annually.

APPROVED:



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