

CITY OF MADISON
INTER-DEPARTMENTAL
CORRESPONDENCE

DATE: November 25, 2008

TO: Dean Brassler, City Comptroller

FROM: Terri Genin, Police Finance Manager

SUBJECT: **Year End Police Department Appropriation**

For the past several years it has been necessary for the Police Department to request a significant year-end appropriation for account overruns. There are primarily three key expenditures that account for the ongoing need for an appropriation:

- 1) Permanent Salaries: As explained in several supplemental budget requests, commissioned employees in the Police Department have a contract provision that allows them to convert up to 18 days of vacation to pay. The decision in regards to how many days will be converted to pay is solely at the discretion of the employee. Although the contract provides for this, there is no mechanism to include this in our annual budget request. For the past several years, the Department has submitted supplemental budget requests for funding for this contract provision. To date, this funding has not been included in the MPD budget. Although the average cost for this contract provision for 2006 & 2007 was \$380,000, if every commissioned employee elected to convert the maximum allowable amount, the total cost would be over \$2,000,000 (based on an average hourly rate of \$32.40). Although the estimated 2008 cost for this expenditure is \$405,000, a portion of this cost was covered through staff turnover above the budgeted salary savings amount. Therefore, the year-end request for permanent salaries cost overruns is \$340,000.
- 2) Overtime: For over a decade, the Police Department budget has not included funding for overtime at the level that the Department estimates overtime will cost. There have been several discussions at both the Board of Estimates and City Council during the annual budget process in regards to options for budgeting for police overtime. Until the current budget process for 2009, the Police Department has always submitted supplemental budget requests for overtime funding that were either denied or only partially funded. Since it has always been clear that the budget is insufficient, throughout each year the Police Chief provides a quarterly report of overtime expenditures, including actual cost projections for the year, to the City Council. In 2008, these reports have consistently indicated that the Department would need additional funding of approximately \$325,000. However, due to a lower than expected pay-to-time ratio, the current year-end appropriation request is for \$275,000. Again, this is an estimate based on previous experience. The actual amount will vary, based on any events that may occur at the end of the year, as well as how employees elect to either bank overtime or convert it to pay in the final pay periods of the year.
- 3) Benefits: The benefit rate is set by the Comptroller's Office and is automatically calculated on a formula basis. For the past several years, it has been necessary for the Police Department to request a year-end appropriation for cost overruns for this line of the budget. I have been working with staff from the Comptroller's Office to try and determine why the formula rate is consistently insufficient to fund the actual benefit costs for the Department. The current year-end appropriation request of \$475,000 is based on actual expenditures to date, combined with estimated costs for salaries and overtime through the end of the year.

Hopefully, this explains the most significant budget shortfalls for the Police Department. In addition to these expenditures, there were several smaller line item adjustments for a variety of different reasons. Early in 2008, the Mayor met with Department/Division heads and explained concerns related to the overall city budget. Since several supplemental budget requests were not funded in 2008, we were already aware that there would be a significant budget shortfall at the end of the year. The state of the

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City budget continued to be the subject of discussions during regular meetings with staff from the Mayor's Office. Consequently, we made a conscious decision to reduce expenditures in several areas. This included reducing the scope of the next phase of the Staffing Study, which saved \$41,500 in Consulting Services, reducing the use of hourly employees, which saved \$15,000, and reducing the purchase of various work supplies. In addition, due to the ability to place larger than normal orders for supplies for the Academy, we were able to achieve cost savings in both work supplies and general equipment supplies. In fact, we saved \$17,000 on the purchase of radios alone. All of these savings were applied to the overall budget shortfall within the Police Department. These savings, combined with unanticipated additional revenue, enabled us to reduce the overall year-end appropriation request.

Finally, although we were able to reduce both the maintenance contract line and the other services line items due to small reductions in expenditures, the bulk of the savings in these line items were offset by a reduction in revenues from other governments. This is due to the fact that some of the planned expenditures for the RMS project, which are offset by revenues from other law enforcement agencies, were funded through a federal grant. These adjustments actually have zero impact on our overall budget.

I believe this should answer the questions concerning the Police Department portion of the year-end appropriation request. If there are additional questions, please let me know.