



SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Serving Excelsior, Greenwood, Shorewood and Tonka Bay

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Chief of Police

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M E M O R A N D U M

TO: Coordinating Committee Members

FROM: Bryan Litsey, Chief of Police

DATE: July 6, 2013 - Saturday

RE: 2014 Operating Budget
Options and Additional Considerations

This communication is a follow-up to the budget work session held on June 26, 2013. Direction was given by the Coordinating Committee to look for additional expense reductions in the budget proposal discussed at the work session and to present these option(s) for consideration at the next quarterly meeting on July 10, 2013.

Since the aforementioned work session, I have carefully reviewed the already lean budget proposal that begins to address the persistent problem of being understaffed. I remain confident that the budget as proposed strikes the proper balance between fiscal responsibility and supporting current operations. Its vulnerability lies in the many new challenges and ever-increasing demands for service confronting the SLMPD. Further budget reductions would exacerbate this vulnerability and likely impact core operations. Nevertheless, two budget reduction options have been identified for consideration by the Coordinating Committee. Delivery of services would be adversely impacted by both options.

OPTION 1

This option eliminates the proposed increase in the number of hours budgeted for community service officer coverage in the field. As explained at the work session, having a community service officer handle those activities not requiring the response of a police officer is a cost-effective way to address being short-staffed in the patrol division. Adding these hours makes better use of our current complement of police officers and allows them to concentrate on more essential activities. As part of this proposal, the weekly hours worked by community service officers in the front office were trimmed to help reduce the financial impact of adding more hours in the field. This element of the proposal has been incorporated into this option to realize these additional savings.

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2014 Operating Budget - Options and Additional Considerations
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The corresponding budget documents highlight those expense categories impacted by this option. **See Appendix A.** This effectively lowers the increase to the member cities from 3.3 to 2.9 percent.

OPTION 2

This option expands the above-mentioned reduction in expenses to include a self-imposed freeze on my current base wage through the end of 2014. This is part of my ongoing commitment as a leader to keeping the budget lean while maintaining the high quality of service the communities have come to expect from our organization. Achieving this pinnacle of success with marginal staffing levels speaks volumes about the pride, dedication and professionalism of the men and women who work for the SLMPD. It also represents considerable savings to the member cities in terms of personnel related costs. Nevertheless, being understaffed takes its toll on personnel over time and these budget reduction options once again defer addressing this concern with officer safety implications.

The corresponding budget documents highlight those expense categories impacted by this option. **See Appendix B.** This effectively lowers the increase to member cities from 3.3 to 2.8 percent.

NEW SALES TAX EXEMPTION

Note: This section pertains to my e-mail to Coordinating Committee members on June 30, 2013 regarding this new law change.

There was discussion at the work session about the recently enacted sales tax exemption for local governments that takes effect at the beginning of 2014. This was part of the 2013 Omnibus Tax Bill that was signed into law on May 23, 2013. The new law is now subject to the interpretation of the Minnesota Department of Revenue (MDOR) as to how it will be applied. This has raised a number of questions, which the League of Minnesota Cities (LMC) is in the process of trying to get answered through the MDOR. One question of particular concern is whether or not this exemption applies to joint powers entities like the SLMPD. The LMC is apparently still waiting for a response from the MDOR. I have researched this issue independently through the MDOR web site. Unless the MDOR comes out with a different opinion, their FAQ section concerning the 2013 law change indicates that joint powers entities do not fall under the definition of local governments and thus do not qualify for this exemption.

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The potential savings from this law change have not been factored into the budget proposal and/or options because of this outstanding issue. If a favorable ruling is subsequently handed down by the MDOR this can be taken into consideration at a later date.

Although the SLMPD would stand to gain financially from the sales tax exemption, the benefit is less for an organization like ours which already receives some exemptions for police related purchases. Additionally, the majority of expenses are payroll related and not subject to sales tax.

FOURTH OF JULY COSTS

There was discussion at the work session about the member cities absorbing the additional cost of policing the Fourth of July festivities rather than assessing that cost to the Excelsior-Lake Minnetonka Chamber of Commerce as has been the past practice. It was generally agreed that of all the community events held during the year this was the one most deserving of special consideration. This would be the only exception to the long-standing practice of assessing special event sponsors for the cost of additional policing as determined by the SLMPD.

The question now becomes how to reflect this in the budget. Incorporating this expense into the budget without a revenue offset like years past inflates member city contributions. This gives the false impression of a larger than usual budget increase. To avoid this misconception, and to remain consistent with past practices, the preferred approach would be to invoice each city separately for policing this event based on the same formula used for the operating budget. This would keep this expense budget neutral.

A projection has been made on what this would likely cost the member cities in 2014. This includes both the morning and evening Fourth of July activities that require additional policing. This is an estimate based on actual payroll costs plus a five percent administrative fee as has been the practice when providing supplemental policing to a member city. The attached document provides this information based on the same funding formula used for the operating budget. **See Appendix C.**

CONCLUDING COMMENTS

The budget proposal presented at the work session is a straightforward representation of what is needed to sustain operations. I do not play the game of over inflating a budget so that cuts can be made later in the process to give the illusion of great sacrifices being made.

Memorandum to Coordinating Committee
2014 Operating Budget - Options and Additional Considerations
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Not only is this a bad practice, but it creates trust issues. The budget history document previously provided illustrates the struggles the SLMPD has gone through just to sustain operations, especially between 2003 and 2006. Since then, significant progress has been made in stabilizing funding for operations so that the SLMPD is on much firmer footing today. It is vital this momentum be maintained for 2014 and beyond. The budget proposal presented at the work session achieves this objective while delivering tremendous value to the member cities in terms of quality, service and cost. It is *penny wise and pound foolish* not to take into account all three factors when determining an appropriate level of funding.

The bottom line is that the SLMPD consortium of cities is an economical way to increase the availability of police personnel and resources over what each city could realistically support on its own. Staff recommends that the budget proposal presented at the work session be adopted and forwarded to the member cities advocating that the requested funding be approved.

APPENDIX A

Option 1



MEMORANDUM TO COORDINATING COMMITTEE

2014 Operating Budget

Options and Additional Considerations

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2014 Operating Budget - Option 1

Coordinating Committee Meeting - July 10, 2013

2014 Operating Budget and 2013 Operating Budget 2012 Operating Budget Information (Budget/Actual)

OPERATING BUDGET EXPENSES							
Item	Category	Proposed 2014	Budgeted 2013	Inc(Dec)	Change	Budgeted 2012	Actual 2012
50100	Salaries - Full-time	\$1,238,000	\$1,234,000	\$4,000	0.3%	\$1,204,700	\$1,172,610
50200	Salaries - General Overtime	\$37,000	\$36,000	\$1,000	2.8%	\$38,000	\$39,842
50200	Salaries - Reimbursed Overtime	\$48,600	\$41,000	\$7,600	18.5%	\$38,000	\$42,898
50300	Salaries - Part-Time	\$95,400	\$97,200	(\$1,800)	-1.9%	\$96,400	\$88,650
50500	Social Security & Medicare	\$29,700	\$29,700	\$0	0.0%	\$29,000	\$28,183
50600	PERA Pensions	\$198,900	\$186,300	\$12,600	6.8%	\$182,000	\$177,003
50700	Insurance Benefits	\$238,500	\$241,600	(\$3,100)	-1.3%	\$236,000	\$227,562
51000	Contracted Services	\$19,000	\$17,000	\$2,000	11.8%	\$17,000	\$26,325
52100	Equipment Leases	\$35,500	\$34,000	\$1,500	4.4%	\$30,000	\$28,609
52200	Repairs & Maintenance	\$48,500	\$43,700	\$4,800	11.0%	\$43,000	\$46,925
52300	Utilities	\$63,000	\$61,500	\$1,500	2.4%	\$59,200	\$52,205
52400	Janitorial & Cleaning	\$11,000	\$11,000	\$0	0.0%	\$11,000	\$10,425
52500	Printing & Publishing	\$3,200	\$3,200	\$0	0.0%	\$3,200	\$3,358
52800	Care of Persons	\$100	\$100	\$0	0.0%	\$100	\$5
53000	Supplies	\$76,500	\$76,000	\$500	0.7%	\$74,100	\$76,093
54000	Uniforms & Gear	\$14,300	\$14,000	\$300	2.1%	\$13,800	\$15,028
54500	Training & Conferences	\$13,200	\$12,900	\$300	2.3%	\$12,900	\$13,938
56000	Insurance	\$56,000	\$58,000	(\$2,000)	-3.4%	\$60,000	\$60,000
56100	Subscriptions & Memberships	\$3,200	\$3,200	\$0	0.0%	\$2,900	\$3,337
57000	Special Projects	\$14,300	\$14,000	\$300	2.1%	\$13,600	\$13,404
58000	Capital Outlay	\$72,000	\$70,000	\$2,000	2.9%	\$68,000	\$68,000
59000	Undesignated Allocation	\$34,600	\$0	\$34,600	0.0%	\$0	\$0
TOTAL PROJECTED EXPENSES		\$2,350,500	\$2,284,400	\$66,100	2.9%	\$2,232,900	\$2,194,400

OPERATING BUDGET REVENUES							
<i>(Does Not Include Contributions from Member Cities)</i>							
Item	Category	Proposed 2014	Budgeted 2013	Inc(Dec)	Change	Budgeted 2012	Actual 2012
40110	Court Overtime	\$4,800	\$4,500	\$300	6.7%	\$5,000	\$2,951
40120	Excelsior Park and Dock Patrol	\$21,100	\$20,700	\$400	1.9%	\$20,700	\$17,738
42100	State Police Officer Aid	\$88,000	\$93,000	(\$5,000)	-5.4%	\$97,000	\$86,776
42200	State Training Reimbursement	\$4,500	\$4,500	\$0	0.0%	\$4,500	\$4,650
43100	Minnetonka School District	\$7,000	\$7,000	\$0	0.0%	\$7,000	\$6,838
43200	Administrative Requests	\$3,500	\$4,000	(\$500)	-12.5%	\$4,000	\$2,994
43400	Special Policing Details	\$30,500	\$26,000	\$4,500	17.3%	\$25,000	\$30,670
44000	Investment Income	\$5,000	\$4,500	\$500	11.1%	\$4,500	\$4,518
46400	Forfeitures	\$2,000	\$1,500	\$500	33.3%	\$1,500	\$6,955
46500	Grant Reimbursements	\$31,000	\$26,500	\$4,500	17.0%	\$26,000	\$24,446
46600	Other Reimbursements	\$3,000	\$3,000	\$0	0.0%	\$2,000	\$16,153
TOTAL PROJECTED REVENUES		\$200,400	\$195,200	\$5,200	2.7%	\$197,200	\$204,689
Expenses in Excess of Revenues		\$2,150,100	\$2,089,200	\$60,900	----		
PROJECTED COST TO MEMBER CITIES		\$2,150,100	\$2,089,200	\$60,900	2.9%		

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2014 Operating Budget - Option 1

Coordinating Committee Meeting

Wednesday - July 10, 2013

Proposed Contributions from Member Cities - Year 2014
Reallocation Formula (2012-2016)

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE	\$ INCREASE OVER 2013
Excelsior	\$2,150,100	28.0532%	\$603,172	\$17,085
Greenwood	\$2,150,100	8.4747%	\$182,215	\$5,162
Shorewood	\$2,150,100	48.4887%	\$1,042,556	\$29,529
Tonka Bay	\$2,150,100	14.9834%	\$322,157	\$9,124

2014 Total Contributions from Member Cities	\$2,150,100	<p>The funding formula used to determine each member city's percentage contribution toward the operating budget is based on an arbitration ruling in 2006. Every five years the funding formula is subject to adjustment based on the criteria set forth in this ruling. The 2012 operating budget was the first time since the ruling took effect that the funding formula was subject to adjustment. An administrators group established by the Coordinating Committee worked on the reallocation formula that was subsequently sanctioned by the member cities and incorporated into the 2012 operating budget. The reset funding formula is not subject to change again until 2017.</p>
2013 Total Contributions from Member Cities	\$2,089,200	
Dollar Increase Over 2013	\$60,900	
Percentage Increase Over 2013	2.9%	

Contributions from Member Cities - Year 2013

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE	\$ INCREASE OVER 2012
Excelsior	\$2,089,200	28.0532%	\$586,087	\$15,008
Greenwood	\$2,089,200	8.4747%	\$177,053	\$4,534
Shorewood	\$2,089,200	48.4887%	\$1,013,027	\$25,942
Tonka Bay	\$2,089,200	14.9834%	\$313,033	\$8,016
Totals			\$2,089,200	\$53,500

APPENDIX B

Option 2



MEMORANDUM TO COORDINATING COMMITTEE

2014 Operating Budget

Options and Additional Considerations

SOUTH LAKE MINNETONKA POLICE DEPARTMENT

2014 Operating Budget - Option 2

Coordinating Committee Meeting - July 10, 2013

2014 Operating Budget and 2013 Operating Budget 2012 Operating Budget Information (Budget/Actual)

OPERATING BUDGET EXPENSES							
Item	Category	Proposed 2014	Budgeted 2013	Inc(Dec)	Change	Budgeted 2012	Actual 2012
50100	Salaries - Full-time	\$1,238,000	\$1,234,000	\$4,000	0.3%	\$1,204,700	\$1,172,610
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50300	Salaries - Part-Time	\$95,400	\$97,200	(\$1,800)	-1.9%	\$96,400	\$88,650
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52800	Care of Persons	\$100	\$100	\$0	0.0%	\$100	\$5
53000	Supplies	\$76,500	\$76,000	\$500	0.7%	\$74,100	\$76,093
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57000	Special Projects	\$14,300	\$14,000	\$300	2.1%	\$13,600	\$13,404
58000	Capital Outlay	\$72,000	\$70,000	\$2,000	2.9%	\$68,000	\$68,000
59000	Undesignated Allocation	\$32,200	\$0	\$32,200	0.0%	\$0	\$0
TOTAL PROJECTED EXPENSES		\$2,348,100	\$2,284,400	\$63,700	2.8%	\$2,232,900	\$2,194,400

OPERATING BUDGET REVENUES							
<i>(Does Not Include Contributions from Member Cities)</i>							
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42200	State Training Reimbursement	\$4,500	\$4,500	\$0	0.0%	\$4,500	\$4,650
43100	Minnetonka School District	\$7,000	\$7,000	\$0	0.0%	\$7,000	\$6,838
43200	Administrative Requests	\$3,500	\$4,000	(\$500)	-12.5%	\$4,000	\$2,994
43400	Special Policing Details	\$30,500	\$26,000	\$4,500	17.3%	\$25,000	\$30,670
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46400	Forfeitures	\$2,000	\$1,500	\$500	33.3%	\$1,500	\$6,955
46500	Grant Reimbursements	\$31,000	\$26,500	\$4,500	17.0%	\$26,000	\$24,446
46600	Other Reimbursements	\$3,000	\$3,000	\$0	0.0%	\$2,000	\$16,153
TOTAL PROJECTED REVENUES		\$200,400	\$195,200	\$5,200	2.7%	\$197,200	\$204,689
Expenses in Excess of Revenues		\$2,147,700	\$2,089,200	\$58,500	---		
PROJECTED COST TO MEMBER CITIES		\$2,147,700	\$2,089,200	\$58,500	2.8%		

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2014 Operating Budget - Option 2

Coordinating Committee Meeting

Wednesday - July 10, 2013

Proposed Contributions from Member Cities - Year 2014
Reallocation Formula (2012-2016)

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE	\$ INCREASE OVER 2013
Excelsior	\$2,147,700	28.0532%	\$602,499	\$16,412
Greenwood	\$2,147,700	8.4747%	\$182,011	\$4,958
Shorewood	\$2,147,700	48.4887%	\$1,041,392	\$28,365
Tonka Bay	\$2,147,700	14.9834%	\$321,798	\$8,765

2014 Total Contributions from Member Cities	\$2,147,700	<p>The funding formula used to determine each member city's percentage contribution toward the operating budget is based on an arbitration ruling in 2006. Every five years the funding formula is subject to adjustment based on the criteria set forth in this ruling. The 2012 operating budget was the first time since the ruling took effect that the funding formula was subject to adjustment. An administrators group established by the Coordinating Committee worked on the reallocation formula that was subsequently sanctioned by the member cities and incorporated into the 2012 operating budget. The reset funding formula is not subject to change again until 2017.</p>
2013 Total Contributions from Member Cities	\$2,089,200	
Dollar Increase Over 2013	\$58,500	
Percentage Increase Over 2013	2.8%	

Contributions from Member Cities - Year 2013

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE	\$ INCREASE OVER 2012
Excelsior	\$2,089,200	28.0532%	\$586,087	\$15,008
Greenwood	\$2,089,200	8.4747%	\$177,053	\$4,534
Shorewood	\$2,089,200	48.4887%	\$1,013,027	\$25,942
Tonka Bay	\$2,089,200	14.9834%	\$313,033	\$8,016
Totals			\$2,089,200	\$53,500

APPENDIX C

Fourth of July Costs



MEMORANDUM TO COORDINATING COMMITTEE

2014 Operating Budget

Options and Additional Considerations

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
2014 Operating Budget - Policing Fourth of July Activities

Coordinating Committee Meeting

Wednesday - July 10, 2013

Proposed Contributions from Member Cities - Year 2014

Preliminary Estimate - Subject to Change

MEMBER CITY	TOTAL AMOUNT	% SHARE	\$ SHARE
Excelsior	\$5,000	28.0532%	\$1,403
Greenwood	\$5,000	8.4747%	\$424
Shorewood	\$5,000	48.4887%	\$2,424
Tonka Bay	\$5,000	14.9834%	\$749