All Up In Your Budget – Episode 3
Jay Socol, Mary Ellen Leonard
7/31/20

Jay Socol: Hi, everybody. Jay Socol here. Welcome back to All Up In Your Business. This is episode three in our four-part mini-series that we're calling All Up In Your Budget, where we're working to explain the proposed FY21 City Of College Station budget. It's a budget built on an extreme set of circumstances and a very uncertain future. Episode one, kind of recapping here, episode one set the stage for what we're even dealing with. And then episode two addressed revenue, where the money is or isn't coming from right now.

So in this episode, we will address expenses and how millions of dollars were identified to be eliminated from this FY21 budget. So we'll also get into the dollars that come from and go back into our local tourism industry. So, that's our plan for episode three. Our resident budget whisperer, Mary Ellen Leonard, gets to break it down for us again. So, Mary Ellen, start talking to us a little bit about expenses, where some cuts have been identified for FY21 and how we're really throttling back to make this thing work.

Mary Ellen: Yeah. So the expense side of the budget, we talked a little bit about the general fund, which is where the majority of the services come from. And the general fund is where we fund police, fire, public works, parks, and kind of all the services that the community would see coming from a government. Each of those departments has a director, like you or like me, that kind of oversees the budget and the activities and the personnel that are in that department. When COVID-19 hit, we had just started the budget process and those directors receive a target budget, which is kind of a bottom line base of where we think expenses are going to be the next year.

And one of the first things that happened is we had immediately talked to those department directors about when you're looking at your target budgets, we need you to do two things. We need you to take a look at what expense reductions can your department realistically handle, because we don't know what our revenue reductions are going to be just yet and we don't have any idea what you think you could live without. So we're not going to tell you that, we need you to look at that. And then the second thing was we gave them a target. And we said, "As an exercise, go through and look at a 10% reduction in your department." To each of those department director's credits, they went through their individual budgets and submitted back to us, to a man... Every department submitted back something out of their department that they could do without and they also submitted that 10% reduction.

We then accumulated all of that and we went to this thing that was called a Budget Congress, which basically is a really long all-day meeting where we talked about what the revenue reductions were. We had an idea by that time, kind of what we thought we were going to be looking at, and what was proposed by each of the departments and the department directors then decided collaboratively what each of them could do without. And did it make sense for us to cut parks programming so that the fire and police department reductions didn't need to go as deep as they needed to go? And those discussions then resulted in about $5.4 million of expense reductions in this entire budget. And even with our worst-case scenario the, "Okay, what do you think is realistic that you can do for a year," reductions from these department heads was enough to cover our worst-case scenario.

So, I think that is a testament to the level of effort that each of them put into trying to make sure services could still be provided, what could they do, and how are we going to demonstrate that we are in this with the rest of the community. And we're all going to get through this just fine if we work together.

Jay Socol: So, as one of the budget congressmen, you can call me Congressman. So, the way these things usually go in a normal year, we put together with the help of your department our base budget. And then we start embarking on things called SLAs, the Service Level Adjustments. And it's where we sort of come hat-in-hand and we start asking for stuff.

Mary Ellen: Yeah. You all become lobbyists.

Jay Socol: Uh-huh (affirmative). And so an SLA -- if we're asking for something, you guys try to figure out, okay, are you asking for one-time dollars to get you something, or are these dollars we're going to have to build into the budget every year moving forward and these recurring expenses? And in a normal year, maybe some small department like mine will come with one or two asks, SLAs. And then you've got police and fire and public works that may come to you guys with this huge list of stuff. This year, that is not how that went.

So, talk a little bit about the magnitude of some of the cuts, using examples like police, fire, public works, parks and so forth, the magnitude of cuts that they came forward with to say, "We can do without this to help the greater good."

Mary Ellen: So, first of all again, these department directors went above and beyond in my opinion. Because like you said, Jay, instead of you all asking for money here, I am asking you all, "Okay, help me out here. I need some money." And each department director stepped up to the plate to the tune that we've got somewhere between 55 and 60 positions that will remain unfilled for FY21 if we end up in this worst-case scenario for the entire year. That 55 to 60 positions, there's a chunk of them out of parks programming, but there is also positions in planning and there's positions in the fire department, there's public works, every department, the city secretary's office.

Jay Socol: Your office.

Mary Ellen: In my office. So everybody has kind of stepped up and said, "Okay, we can do this." And we're calling this a flexible hiring freeze because as time goes on, there's attrition, just like in any business and we can't foresee who's going to choose to leave the city. And so the dollar amount that was accumulated from this hiring freeze from all of these departments has pretty much been dropped into a bucket and we know how much it needs to stay in that bucket. And we've got a mechanism where we're going to look at, let's say for some reason there is a whole bunch of people in the planning department that decide that they're not going to work for the city anymore. Well, the planning department wouldn't function very well without any planners, so do we have enough money in that bucket that we can hire these planners, even though we had two of them frozen because the other two left? And can we take maybe a position out of the water department or the electric department? Maybe they have somebody that they're like, "Okay, this person has chosen to left, but we're okay with that. And we can go through the rest the year because we know that you need planners."

So, I think that whole process and how the departments are working together to make sure that we keep the money that we've pulled out in total, even though the types of people and the types of work may need to change during the year. I think that's real key.

One of the other things that these department directors kind of offered up, had to do with purchased services. Which purchased services is, there are specialized people who the city doesn't hire but we may need to bring them in to help with a particular part of the work that we have to complete. So if there is a specialized type of analysis that needs to happen related to the water department, then that department has said, "Okay, we're going to delay having this type of work done, or pile it up for six, eight months and this is the amount that you can have out of my budget related to that type of specialized service that we need." And just about every department offered stuff up in there, as well as things like certifications and trainings. There's a lot of special engineers that require special type of certification that work at the city and it requires annual training and then offering to complete that training out of their own pockets or apply for a waiver to delay the training for a year, all of that is going on.

Jay Socol: And even spending reductions like on office supplies and things like that, that has come down significantly for this circumstance. Correct?

Mary Ellen: Yeah. There was a lot of reductions in whether it's office supplies or supplies just to do that special type of work, whether it's chemicals or whatever is needed. There's a lot of reduction in that as well.

Jay Socol: So is there a sense when you combine the hiring freeze of a 55 to 60 positions and you cut out another, what was it, two and a half million dollars in spending on things like supplies and professional services and training and travel and so forth, is there a sense of any kind of difference that a College Station citizen might see in the everyday offerings from their City of College Station as a result of this?

Mary Ellen: Not for FY21. There was a big discussion, and you know as a “Congressman,” there was a big discussion in the Budget Congress with the directors about how sustainable were these cuts going to be. And in the long run, so if we were in a pandemic situation into FY22 and 23, the type of cuts that have happened right now would not be sustainable in the long run, but they are specific sacrifices that can be made right now to get us through this period of uncertainty. I don't think anybody can see how long this pandemic is going to last or what that overall impact is going to be. And by taking the steps to say, "We can do this in the short run," it gives you a longer runway to be able to figure out what are the long-term impacts and what do we have to do if this is something that is two, three, four years down the road.

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Jay Socol: What else do we need to know in terms of the kinds of spending cuts that have been built into this? And we're going to talk about the capital piece in our final episode, but in terms of the spending reductions and the other things that have been built into this proposed FY21 budget to help our residents and our citizens understand how this thing was put together and maybe things to look for if they're going to go through this document themselves, or ask questions about it, what else do you think we need to know about that?

Mary Ellen: So if a citizen was going to go through this document, I mean, sitting down and reading 350 pages of numbers is kind of a snoozer. So if you're going to go through this document, the first place to start is in that transmittal letter. It's about five, seven pages somewhere in there up front, and it kind of lays out what the revenue reductions are, as well as what expense reductions were taken and how long we think that this would be sustainable and how we plan to move forward.

There's a little bit more detail that is in the executive summary, that's like a 22-page document and there's some charts and graphs. And in that document, we go over how we got to some of those decisions, things like what's the population of the city look like? What do our property values look like? Are they going up? Are they going down? Are they stagnant? Where do we think the employment is in the city? Because sales tax is a disposable ... It's tax that we receive when people spend disposable income, primarily. So, that is all kind of laid out in that executive summary.

And then the last thing that I think would be valuable for people to take a look at is, I think if people looked at the five-year forecast, which is for the general fund, well for all of the funds, we look not just at FY21 when we do this budget, we look at 22, 23, 24 and 25. And look out into the future and see what it's going to take and when do we think revenues are going to come back and how long would we have to have these expense reductions? And are we still being able to maintain a requirement in our fund balance, which is basically our savings account.

The fund balance, which is again, kind of the savings account is 18% is set by the city council as that's how much we want you to keep and to hold back. And you can look and see in that five year forecast, are we at that 18%? Are we holding all of that? And I think coming up with this plan, we were able to do that actually higher than the 18% and hold that fund balance so that if we're wrong, there are options. So we do have things that we could utilize if need be.

Jay Socol: Spoiler alert with this page turner book: the five-year forecast, it's not like we're going to be bouncing back on the revenues and be good as new in FY22 or 23. It is, we think, going to be a while, so.

Mary Ellen: Well, also remember, too, we developed this plan being as conservative as we possibly could because we don't want a lot more surprises. We want to be able to plan and be proactive and not reactive. So if you plan for the worst and hope for the best, you've got a better shot at success and that's what we think we've done.

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Jay Socol: Look at you being all budget half full. Good for you.

Mary Ellen: Exactly.

Jay Socol: Okay. So we're going to stop there for episode three. Great job, Mary Ellen, as always.

In our last episode of this mini-series, we're going to tackle capital projects. Okay, those are the big projects that might include streets and parks and facilities, utilities, and more. COVID-19 has definitely affected what we can do there. So, don't miss the exciting conclusion, episode four. And thank you so much for listening to, or watching, All Up In Your Budget.