



2013 OPERATING BUDGET PROPOSAL

Detailed Line Item Narrative

Prepared by Chief Bryan Litsey

Coordinating Committee Meeting - July 18, 2012

PROJECTED EXPENSES

50100 - SALARIES - FULL-TIME

This line item includes full-time salaries for union and non-union personnel. Due to current economic considerations, no additional full-time positions have been factored into this category. Nevertheless, the current level of police officer staffing remains insufficient as reinforced through the last strategic planning process and subsequent budget proposals. Expenses attributed to this category take into account the department's current complement of full-time positions, step increases within the salary schedule, longevity and incentive pay, additional detective and sergeant pay and adjustments based on market trends and job responsibilities. These factors, coupled with the already approved base wage increase of 1.25 percent for union and most non-union personnel, account for the increase to this category.

50200 - SALARIES - GENERAL OVERTIME

This line item is for overtime paid by the department to personnel working in excess of their regularly scheduled shifts, working on holidays, call-outs for special circumstances and filling gaps in the schedule due to sickness, injuries, earned time off, vacant positions, etc. Staffing and activity levels are uncontrollable variables that impact overtime throughout the year. Eligible employees have the option of taking general overtime as pay or banking it as compensatory time not to exceed 50 hours at any given time. Not knowing in advance what the breakdown will be presents a unique challenge when preparing the budget. The budgeted amount needs to be sufficient enough to absorb shifts in employee preference between pay and compensatory time. There is a slight reduction in the amount allocated to this category based on current employee preferences and past trends.

50230 - SALARIES - REIMBURSED OVERTIME

Overtime paid under this line item is offset by revenue received for services. It includes court appearances, educational programs in the schools, policing special events, security details and various enforcement grants. The amount budgeted is an estimate based on past history and any new requests for services. Although subject to variances, increases or decreases in expenses proportionately changes revenues thus having no adverse effect on the budget. Each member city is responsible for reimbursing the department for court appearances attributed to incidents within their city. Providing educational programs in the schools such as the highly popular CounterAct program is funded through the Minnetonka School District. There are a number of reoccurring events throughout the year in which the event sponsors pay for an additional police presence. These include Art on the Lake, Fourth of July,

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Lake Minnetonka Triathlon, Tour de Tonka and Pond Hockey. Special details under this category include the innovative and very successful partner arrangement with Maynard's Restaurant and BayView Event Center/Bayside Grille. These popular lakeside establishments pay to have an additional police presence on weekend evenings during the busier summer months. It is anticipated this partnership arrangement will be renewed in 2013 for a seventh consecutive year. The reimbursable costs associated with policing the aforementioned activities is reflected under revenues. Other details include the Toward Zero Deaths traffic enforcement grant through the Minnesota Department of Public Safety. The SLMPD is among a group of law enforcement agencies in western Hennepin County collectively receiving funding through this grant. It combines what used to be a number of separate enforcement programs under one umbrella, including Safe & Sober and Operation NightCAP. Continued funding for the Western Hennepin group is expected to be approved and includes additional enforcement hours for the SLMPD in 2013. The corresponding increase to this category is offset on the revenue side with additional funding through the grant.

50300 - SALARIES - PART-TIME

This line item includes part-time salaries for non-union personnel. Expenses attributed to this category take into account the department's current complement of part-time positions, tenure of personnel within these positions and movement within the salary schedule. With the exception of certain seasonal positions, the remainder of personnel under this category will receive a base wage increase of 1.25 percent in 2013. The recent switch to using part-time community service officers in the front office in place of an office specialist position helps offset this increase due to a lower pay scale. It is important to note that included under this category are the seasonal positions associated with providing park and dock patrol services to the City of Excelsior. The cost of providing these services is paid by the City of Excelsior and is reflected as such under revenues.

50500 - SOCIAL SECURITY & MEDICARE

This line item includes the required employer contributions for those personnel covered under the federally mandated Social Security and Medicare Programs. Although rates for both programs are expected to remain the same in 2013, two other factors contribute to the increase under this category. First, as payroll increases so does the base from which these calculations are made as a percentage of salaries. Second, police officers used to be exempt from both Social Security and Medicare. This has since changed so that Medicare now applies. Therefore, as exempt police officers retire the department is required to make Medicare contributions on behalf of their replacements.

50600 - PERA PENSIONS

This line item includes the required employer contributions for those personnel covered under the state mandated Public Employees Retirement Association (PERA). Contribution amounts are calculated as

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a percentage of salaries based on the prevailing rates at the time. Eligible police officers are covered under the Police and Fire Plan and eligible civilian personnel are covered under the Coordinated Plan. Contribution rates are expected to remain status quo for both plans. The increase to this category is attributed to a larger payroll in 2013.

50700 - INSURANCE BENEFITS

This line item includes the employer contribution toward health, life and supplemental insurance for eligible personnel. The majority of expense under this category is for health insurance. The SLMPD is part of a consortium of local governmental agencies that collectively negotiate with health insurance providers to obtain comprehensive coverage at competitive rates. This alliance is called the LOGIS Health Care Group, which is managed by Gallagher Benefit Services, Inc. One proactive way the group has been trying to lower costs is educating employees on the potential cost savings that can be derived when switching from a traditional plan to a high deductible plan with a companion health savings account (HSA). The SLMPD has been in the forefront of this effort, both in educating employees and negotiating with the union to make the HSA plan more appealing in the labor agreement. The previous contract with HealthPartners expired at the end of 2011 and went out for bids in the spring of that year. After an extensive bidding and screening process, Blue Cross and Blue Shield of Minnesota was selected as the new insurance carrier for the LOGIS Health Care Group. The new contract reverses years of premium increases by offering a premium decrease in 2012 of between 17 and 20 percent depending on the plan selected. Additionally, the rate caps keep premiums under 2011 levels until at least 2015. This played a significant role in being able to negotiate a favorable labor agreement with union employees for 2012-2013 in which there is no increase in the employer contribution toward health insurance benefits. This also applies to non-union employees receiving the same health insurance benefits. Nevertheless, there is a modest increase to this category to account for employees within the SLMPD group switching from single to dependent coverage, the latter of which requires a larger employer contribution.

51000 - CONTRACTED SERVICES

This line item takes into account a number of professional services that are utilized as part of operations. These include the general legal counsel for departmental affairs; specialized labor attorney for union negotiations and other personnel matters; annual audit and other financial services; interpreters to communicate with non-English speaking victims, witnesses and suspects; pre-employment medical and psychological examinations for personnel hired during the year; emergency veterinary care for sick/injured animals; and fees associated with payroll and other financial transactions. One of the challenges is trying to estimate in advance the extent to which these services will be needed and the corresponding costs. Budgeted amounts have historically not kept pace with the growing demand for these services spurred by additional mandates and specialized needs. Recent budgets have addressed this disparity by raising the baseline to a level that allows this category to remain status quo for 2013.

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52100 - EQUIPMENT LEASES

This line item includes lease and maintenance agreements for such things as connecting to the state criminal justice information system (CJIS), postage meter and document processing equipment. The most significant expense under this category is the annual transfer made to the Technology Fund. Please refer to the "Funds Supporting Operations" section of this proposal for a more detailed explanation of this fund. The current transfer amount will be incrementally increased over a five-year period (2013-2017) to support the approved changeover to a new records management system. This is the sole reason for the increase to this category.

52200 - REPAIRS & MAINTENANCE

This line item covers the repair of office equipment and furniture, preventative building maintenance, vehicle repairs, support for technology and calibrating specialized equipment. Critical building components are protected by maintenance agreements that are renegotiated periodically to receive the best value. Most of the building maintenance is a shared expense with the Excelsior Fire District. Vehicle maintenance is the most significant expense under this category. It is important that our fleet of vehicles be maintained in top-notch condition given the reliance placed on them for emergency response. Maintaining a reliable computer network requires technical support along with a number of user/maintenance agreements. As dependence on technology increases so does the expense of keeping it operational. Other items include the cost of calibrating specialized equipment such as speed measuring devices. There is also a nominal contribution to the Firearms Range Fund. Please refer to the "Funds Supporting Operations" section of this proposal for a more detailed explanation of this fund. A new expense under this category is the cost of car washes, which were previously provided for free through a now defunct gas station. This accounts for the increase to this category.

52300 - UTILITIES

The majority of expenses under this line item are associated with the public safety facility that serves as headquarters for the SLMPD and the Excelsior Fire District. Shared costs include phone service, high speed data connections, electricity, natural gas, water, sewer, waste removal and fire alarm monitoring/maintenance. Electricity and natural gas costs represent the most significant shared expense under this category. Several years ago a controls expert was brought in to fine-tune the heating/cooling system for maximum efficiency. Since that time there has been a sustainable reduction in natural gas usage. Subsequent budgets did not fully reflect the corresponding cost savings until there was a reasonable degree of certainty that the adjustment to the controls was the primary reason for the reduction and not weather or some other anomaly. A number of factors are taken into account when budgeting for electricity and natural gas costs. Past costs is a helpful indicator in predicting future costs, especially with an experience factor of more than eight years in the building. Less predictable variables include the volatility in pricing for electricity and natural gas along with the impact of weather. The

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amount budgeted for these expenses has been tweaked to the point where in 2011 the annual cost of electricity was over the budgeted amount and near even for natural gas. A similar scenario seems likely for 2012, although the unseasonably warm first quarter of the year kept heating costs down. A modest increase has been factored into this category for both electricity and natural gas in order to keep pace with rising costs. Noteworthy savings have been realized by renegotiating government contracts with the providers used by the SLMPD for telecommunications and cellular service. This has helped keep costs down in this category while receiving the same or better service.

52400 - JANITORIAL & CLEANING

This line item includes janitorial and carpet cleaning services. Janitorial service for the police side of the facility is the most significant expense under this category. The current janitorial arrangement not only provides good service at a competitive price, but also addresses the privacy and security concerns unique to police operations. Carpet cleaning is normally performed twice a year unless conditions warrant otherwise. There is no increase to this category due to the janitorial service agreeing not to raise fees in 2013.

52500 - PRINTING & PUBLISHING

This line item includes printing costs for letterhead, envelopes, business cards, forms, citations and warning notices. The changeover to ticket writer technology in the patrol vehicles requires special thermal paper for the mobile printers. This new expense is partially offset by the reduced number of traditional citation booklets that will need to be purchased for handwriting violations in the field and/or when the ticket writer application is offline. Cost reductions previously factored into this category include posting most personnel vacancies and notices online rather than in the newspaper. Accessing professional and legal resources online saves the expense of having to purchase these publications. This category remains unchanged for 2013.

52800 - CARE OF PERSONS

This line item includes caring for detainees while being held at the SLMPD detention facility. This is a nominal expense since most detainees are either booked and released from the SLMPD detention facility or transported to the Hennepin County Adult Detention Center. This category is also used to track jail booking fees assessed by Hennepin County, which are offset through reimbursement from the member cities.

53000 - SUPPLIES

This comprehensive line item includes gasoline for vehicles in the fleet, diesel fuel for the emergency generator at the public safety facility, vehicle supplies, educational materials, ammunition, first aid

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supplies, recording supplies, drug testing kits, small equipment, office supplies, meeting expenses and other miscellaneous items necessary for department operations. There is an offset under revenues for the educational materials used by the police officer(s) instructing the CounterAct Program at the local elementary schools. Motor fuels (gasoline) represent the greatest expense under this category. The price has been trending upwards since 2009 and within the last year has peaked near \$4.00 per gallon. Revisions made to the 2011 operating budget accounted for some of the increase by moving \$6,000 from the undesignated allocation category to motor fuels, which is a subcategory under this category. This additional amount allocated to motor fuels in 2011 became the new baseline for the 2012 budget. This was still not enough to support gasoline prices nearing \$4.00 per gallon at the time the 2012 budget was being prepared. This meant having to budget even more for motor fuels in 2012. Projecting where gasoline prices are heading for 2013 is a formidable challenge given the recent spike in gasoline prices and the volatility of this commodity on the world market. The benchmark being used for 2013 is an average annual price of \$3.90 per gallon. For budgeting purposes, the actual figure is \$3.72 per gallon due to the fact that the SLMPD is exempt from the federal excise tax of 18.4 cents per gallon. This average price is then applied to the 12,700 gallons of gasoline the vehicle fleet is projected to consume during the course of 2013. All this adds up to a needed increase in the amount budgeted for motor fuels in 2013.

54000 - UNIFORMS & GEAR

This line item includes uniforms and gear for department personnel along with applicable clothing and equipment allowances. In recent years, the expansion of the community service officer program and the formation of an emergency response unit have increased expenses. This category also absorbs the considerable expense of outfitting new personnel, which is not always known at the time the budget is prepared. State and federal reimbursement is generally available when purchasing body armor for licensed police officers. Costs associated with outfitting seasonal personnel working the park and dock patrol detail are reimbursed by the City of Excelsior. There is a nominal increase to this category to account for rising vendor prices.

54500 - TRAINING & CONFERENCES

This line item must accommodate the training needs of both full-time and part-time personnel. Staff development is critically important to the professionalism of the organization, effectiveness within the community, officer and public safety, and the retention of personnel. There can also be significant legal ramifications for failure to adequately train and supervise personnel. Training needs and costs are continually increasing due to mandates, changing technology, specialization, organizational changes and personnel replacements. Although the state provides some training reimbursement, it covers only a fraction of the overall cost each year. A new expense added to this category in 2012 is an online training program called PATROL (Police Accredited Training Online). Through PATROL, officers are able to access monthly web-based courses on current legal issues and important topics relevant to

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Minnesota law enforcement. This cost-effective, but added training expense was not contemplated in the 2012 operating budget when it was adopted. This put an additional strain on what was already an underfunded expense category in need of an infusion. This was addressed by the Coordinating Committee as part of approving revisions to the 2012 operating budget. One of these revisions moved \$2,800 from the undesignated allocation category to the training category bringing the total to a more appropriate level. This new baseline for training expenses has been carried over to the 2013 operating budget with no additional increase.

56000 - INSURANCE

The amount allocated to this line item is transferred to the Insurance Fund. Premiums are paid out of this fund for liability, property and workers' compensation coverage through the League of Minnesota Cities Insurance Trust (LMCIT). It also provides a means for absorbing higher deductibles and self-insuring against smaller claims. Please refer to the "Funds Supporting Operations" section of this proposal for a more detailed explanation of this fund. The transfer amount needed to be increased in 2010 due to a dwindling fund balance. Maintaining this higher transfer amount in 2011 and 2012, coupled with some favorable insurance dividends, has restored the health of the fund. This allows for a modest reduction in the transfer amount for 2013.

56100 - SUBSCRIPTIONS & MEMBERSHIPS

This line item includes subscriptions to periodicals as well as memberships in civic and professional organizations. Also included under this category is the contractual expense of activating and renewing police officer licenses through the Minnesota Board of Peace Officer Standards and Training. There is a modest increase to this category to account for the expanding number of professional memberships and rising costs.

57000 - SPECIAL PROJECTS

This line item includes membership in the Southwest Metro Drug Task Force, subscriber fee for the services provided by CornerHouse, annual transfer to the Designated Reserve Officer Fund and annual contribution to the Lake Minnetonka Emergency Response Unit (ERU). The SLMPD is a charter member of the Southwest Metro Drug Task Force dating back to the 1980s. It is funded through contributions from member law enforcement agencies supplemented by grant money and proceeds seized through forfeitures. Once again, there is no anticipated increase in member contributions for 2013. CornerHouse is a highly regarded child abuse evaluation and training center. The SLMPD utilizes CornerHouse to conduct forensic interviews and medical examinations of children who have reportedly been sexually and/or physically abused. A nominal increase in the subscriber fee is anticipated for 2013. In accordance with the schedule adopted by the Coordinating Committee, the 2013 transfer to the Reserve Officer Fund increases by \$200. Please refer to the "Funds Supporting

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Operations” section of this proposal for a more detailed explanation of the Reserve Officer Fund. A newer addition to this category is the annual fee that the SLMPD and other member law enforcement agencies contribute to the Lake Minnetonka Area Emergency Response Unit.

58000 - CAPITAL OUTLAY

The amount appropriated to this line item is earmarked for two capital funds. These are the Vehicle Fund and the Equipment Fund. Please refer to the “Funds Supporting Operations” section of this proposal for a more detailed explanation of these two funds. Nearly the entire amount under this category is transferred to the Vehicle Fund. This fund is utilized to purchase, equip and setup vehicles as part of a fleet rotation plan. In recent years, the amount transferred to this fund has lagged well behind what is needed to sustain a conservative fleet rotation schedule. A short-term fix was taken in 2010 to address this issue by using proceeds in the DWI Forfeiture Fund to acquire and outfit one of the two patrol vehicles purchased that year. It was understood at the time, however, that relying on an unpredictable funding source was not a good long-term strategy. More recently, this funding shortfall has been exacerbated by Chevrolet and Ford following the lead of Dodge in introducing a new generation of police vehicles. Not only are they more costly, but much of the equipment in existing police vehicles is not compatible with the newer models. This means for the next several years there will be an additional cost to outfit new police vehicles. It was once again noted during the 2012 budget process that the amount being transferred into the Vehicle Fund needs to be incrementally increased in future budget years in order to support a realistic fleet replacement schedule. The increase factored into the 2012 budget was still approximately \$21,000 short of what is needed annually. Great strides were made in addressing this shortfall after revisions to the 2012 operating budget were approved by the Coordinating Committee. One of these revisions moved \$14,000 from the undesignated allocation category to the capital outlay category to supplement the \$52,000 already transferred to the Vehicle Fund. This new transfer amount of \$66,000 raised the baseline for 2013. However, it is still short of the goal even with an additional \$2,000 being budgeted toward capital outlay in 2013.

59000 - UNDESIGNATED ALLOCATION

This line item was first incorporated into the 2011 budget process. The amount allocated to this category is based on what will likely be needed for those expense items still pending at the time the budget is prepared. This normally involves salaries and/or benefits that have yet to be negotiated for the following budget year. Since this has already been established for 2013, and there are no other pending operational costs anticipated at this time, nothing has been allocated to this category.