

Coordinating Committee Meeting

Wednesday, May 11, 2011

2012 OPERATING BUDGET

Preliminary Considerations



Prepared By – Chief Bryan Litsey

South Lake Minnetonka Police Department

Vision Statement

To provide quality policing for the cities of Excelsior, Greenwood, Shorewood and Tonka Bay through visionary leadership, a commitment to excellence and the effective use of available resources.



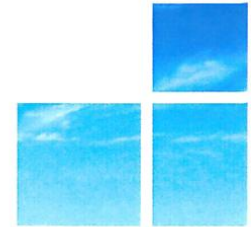
THE GOOD

EMPLOYEE HEALTH INSURANCE BENEFITS



Gallagher Benefit Services, Inc.

thinking ahead



Employee Health Insurance

- The SLMPD is part of a consortium of local governmental agencies that collectively negotiate with health insurance providers to obtain 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 cost savings 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 as well as securing mutually acceptable language in the current union labor agreement to make the HSA plan more appealing.



Employee Health Insurance



- Additionally, our Human Resources (HR) team is continually evaluating health insurance options with representatives from Gallagher Benefit Services.
- The existing contract with HealthPartners expires at the end of 2011 and went out for bids earlier this year.
- The bids for 2012 have been received and both HealthPartners and Blue Cross Blue Shield submitted the lowest acceptable bids.
- Here is the good news. Under the HealthPartners proposal, premiums for the fully insured plans currently being offered would collectively go down by approximately 12½ percent for 2012. The reduction would be approximately 10 percent under the Blue Cross Blue Shield proposal.

Employee Health Insurance

- HealthPartners offered a second year rate cap of 9 percent and Blue Cross Blue Shield offered a second, third and fourth year cap of 9, 10 and 11 percent respectively.
- Since the actual percentage decreases for 2012 differ between the plans being offered, some adjustments may be made through the remainder of the process to bring the premiums into alignment.
- One of the long-term goals is to self-insure, similar to how the League of Minnesota Cities Insurance Trust (LMCIT) operates. However, there is considerable work to be done before this becomes a viable option.
- Additionally, other fully insured options are being explored, including service cooperatives independent of LOGIS.

Employee Wellness

The SLMPD is committed to the wellness of all employees and understands the personal, professional and economic benefits that can be achieved from such a partnership.

“Exercise and recreation are as necessary as reading; I will say, rather, more necessary because health is worth more than learning”

– Thomas Jefferson

Employee Wellness

- Examples include a pre-employment agreement with new employees prohibiting them from using tobacco products while on-duty as an ongoing condition of employment.
- This not only makes for a healthy workplace, but has resulted in a workforce of non-smokers.
- This, in turn, has substantially lowered our annual premium for workers' compensation insurance through the League of Minnesota Cities Insurance Trust (LMCIT).
- The amount of this reduction for the current policy period amounted to \$4,491.



Employee Wellness

- Another example is the voluntary incentive program that awards additional pay to those police personnel who meet the department's physical fitness and/or weight standards.
- The program is based on the Cooper Institute fitness standards for law enforcement personnel.

The
Cooper  **Institute**





THE BAD

State Peace Officer Aid

MINNESOTA • REVENUE

- State peace officer aid is the largest revenue item in the budget other than member city contributions.
- This payment received through the Minnesota Department of Revenue is based upon the number of full-time licensed police officers employed by an agency for the required period of time.
- It is funded through a surcharge on auto insurance premiums and the amount of the reimbursement is determined on a per officer basis not to exceed what the employer collectively contributed the previous year toward police pensions (PERA Police & Fire Fund).
- Historically, the amount collected from the insurance surcharge has been enough so that the SLMPD has been fully reimbursed for the previous year's contribution to police pensions.

State Peace Officer Aid

MINNESOTA REVENUE

- Unfortunately, the last time this favorable condition occurred was in 2007. That year, the SLMPD received \$102,522 in state police officer aid based on actual pension contributions of \$102,522 in 2006.
- The tide turned in 2008, when the SLMPD only received \$99,355 in state police officer aid, even though actual police pension contributions were \$126,197 in 2007.
- This net difference of approximately 21 percent amounted to a revenue loss of \$26,842.
- This disparity intensified in 2009, when the SLMPD only received \$93,391 in state police officer aid based on actual pension contributions of \$136,323 in 2008.
- This net difference of approximately 32 percent amounted to a revenue loss of \$42,932.

State Peace Officer Aid

MINNESOTA • REVENUE

- Unfortunately, this downward trend continued in 2010, when the SLMPD only received \$88,245 in state police officer aid, even though actual police pension contributions were \$150,268 in 2009.
- This net difference of approximately 41 percent amounted to a revenue loss of \$62,023.
- This difference was partially accounted for in the 2010 operating budget by reducing revenue expectations from state police officer aid to \$118,000.
- This left a fund gap of \$29,755, instead of the \$62,023 previously mentioned.
- Much of the burden for making up this loss revenue shifted to the member cities, which was aided by a base wage freeze in 2010.

State Peace Officer Aid

MINNESOTA • REVENUE

- Not only does the outlook remain bleak for 2011, but the mandatory employer/employee contributions to the police pension fund took another rate hike in 2011.
- Although the projected revenue from state police officer aid has been downgraded even further for 2011, the budgeted amount of \$102,000 will likely be higher than the actual amount received later in the year.
- In 2012 and beyond, it would behoove the SLMPD to further reduce its reliance on state police officer aid much like cities have been doing with local government aid.
- This will create even more budget challenges in order to make up for the loss revenue.

South Lake Minnetonka Police Department

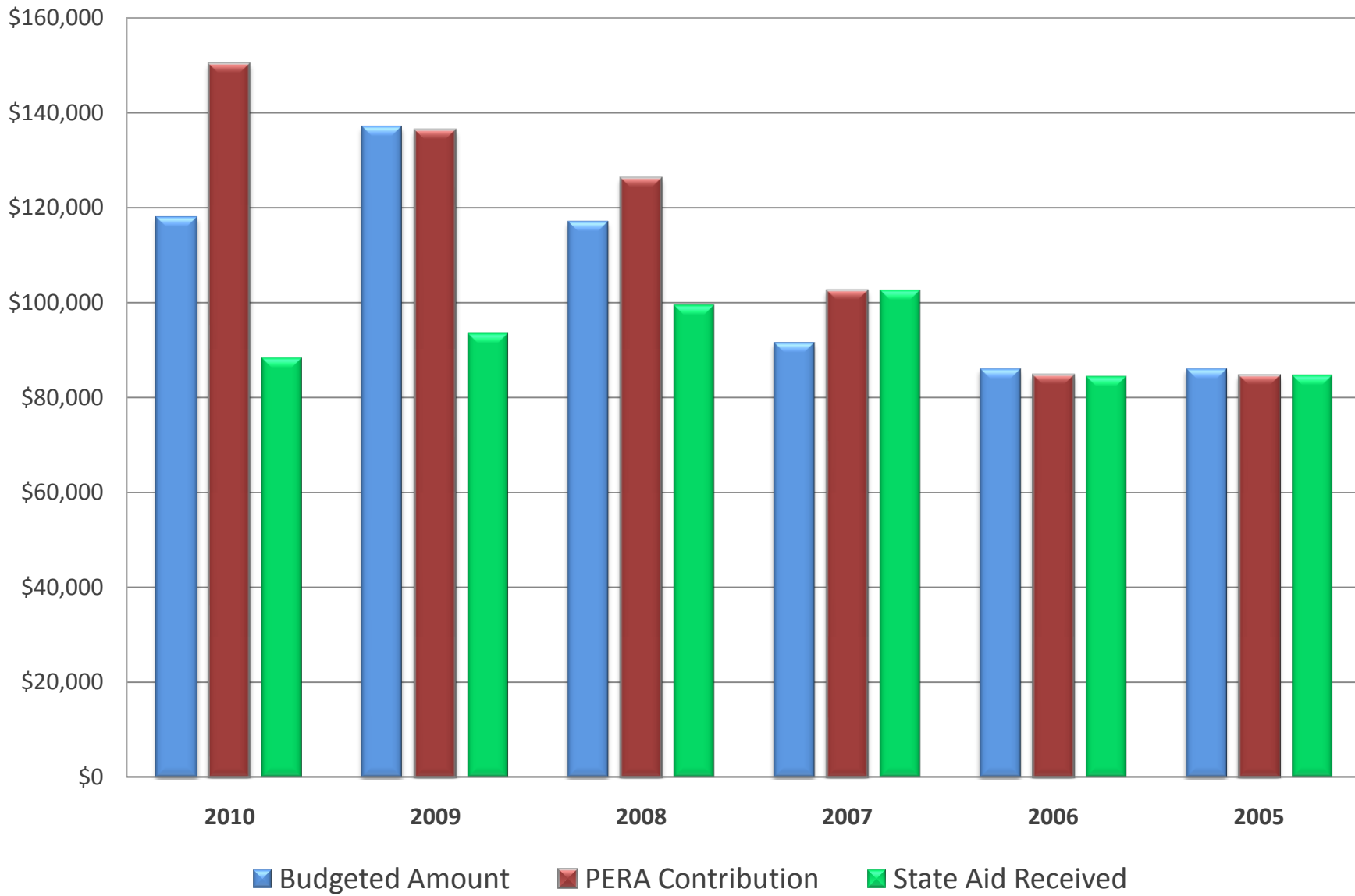


MINNESOTA • REVENUE

State Police Officer Aid - Revenue Line Item 42100

Calendar Year	Payment Received	Budgeted Amount	Payment vs. Budgeted		Base Year	Actual PERA Paid	Payment vs. PERA Paid	
			\$	%			\$	%
2012	Pending	Pending	Pending	Pending	2011	Pending	Pending	Pending
2011	Pending	\$102,000	Pending	Pending	2010	\$148,923	Pending	Pending
2010	\$88,245	\$118,000	(\$29,755)	-25.2%	2009	\$150,268	(\$62,023)	-41.3%
2009	\$93,391	\$137,000	(\$43,609)	-31.8%	2008	\$136,323	(\$42,932)	-31.5%
2008	\$99,355	\$117,000	(\$17,645)	-15.1%	2007	\$126,197	(\$26,842)	-21.3%
2007	\$102,522	\$91,500	\$11,022	12.0%	2006	\$102,522	\$0	0.0%
2006	\$84,373	\$86,000	(\$1,627)	-1.9%	2005	\$84,704	(\$331)	-0.4%
2005	\$84,606	\$86,000	(\$1,394)	-1.6%	2004	\$84,606	\$0	0.0%
2004	\$83,990				2003	\$83,892		

South Lake Minnetonka Police Department State Police Officer Aid





Public Employees Retirement Association

Police and Fire Plan - Contribution Rates Historical Chart (2005 - 2011)

Date of Increase	Employee	Employer	Total Rate
January 1, 2005	6.20%	9.30%	15.50%
January 1, 2006	7.00%	10.50%	17.50%
January 1, 2007	7.80%	11.70%	19.50%
January 1, 2008	8.60%	12.90%	21.50%
January 1, 2009	9.40%	14.10%	23.50%
January 1, 2010	9.40%	14.10%	23.50%
January 1, 2011	9.60%	14.40%	24.00%



THE UGLY

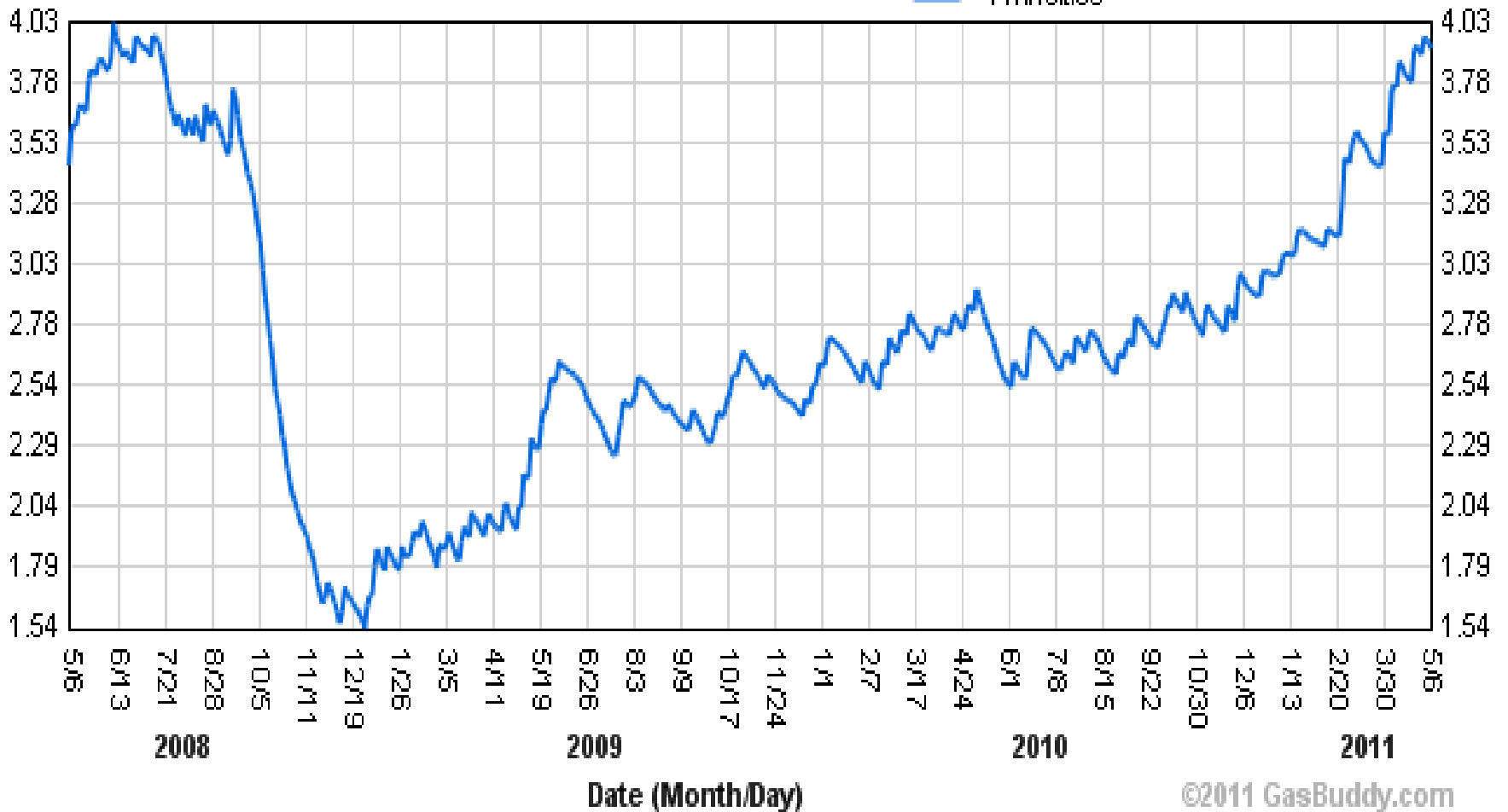
SURGING GASOLINE PRICES



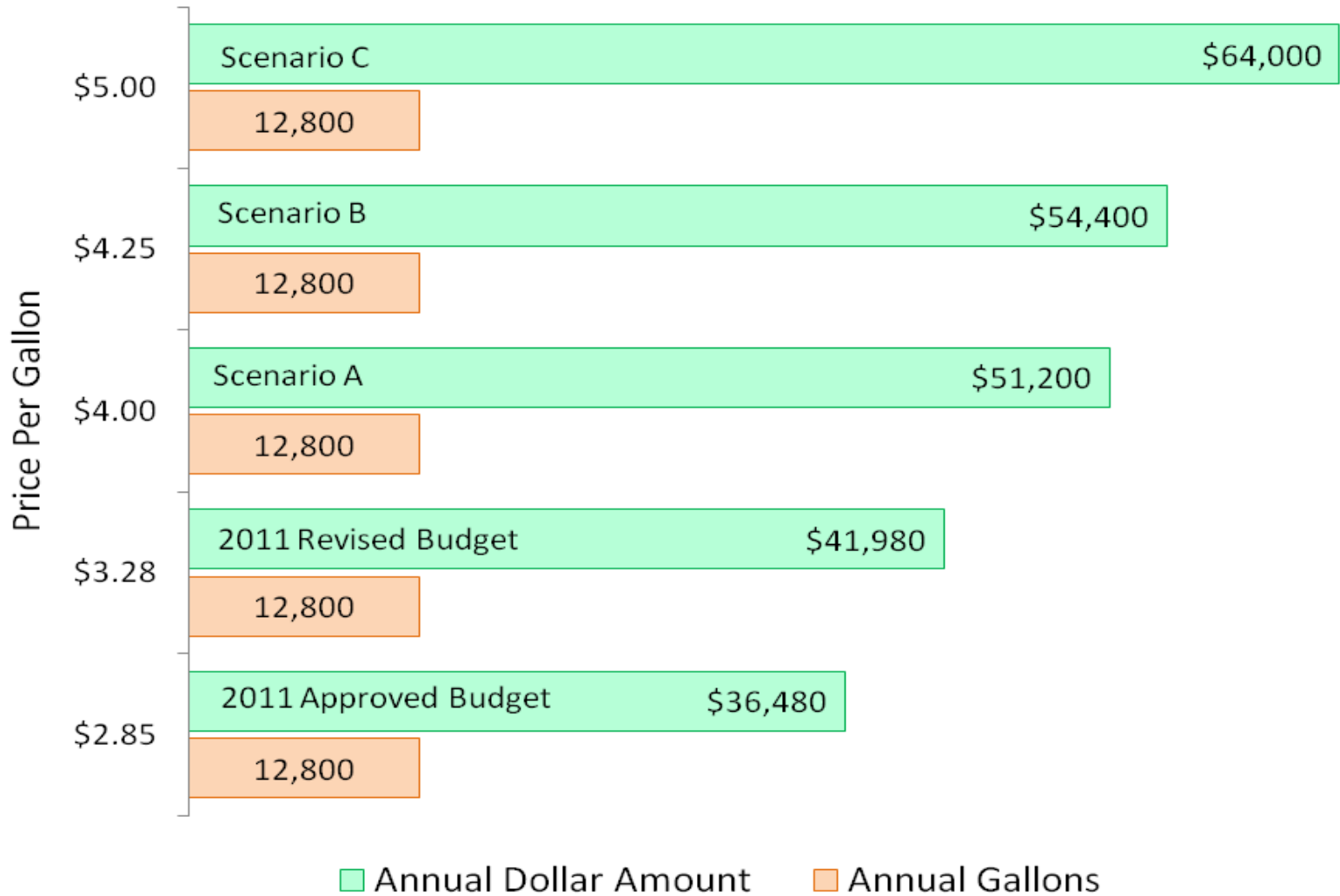
36 Month Average Retail Price Chart

Regular Gas Price (US \$/G)

Regular Gas Price (US \$/G)



SOUTH LAKE MINNETONKA POLICE DEPARTMENT VEHICLE FLEET - FUEL COSTS



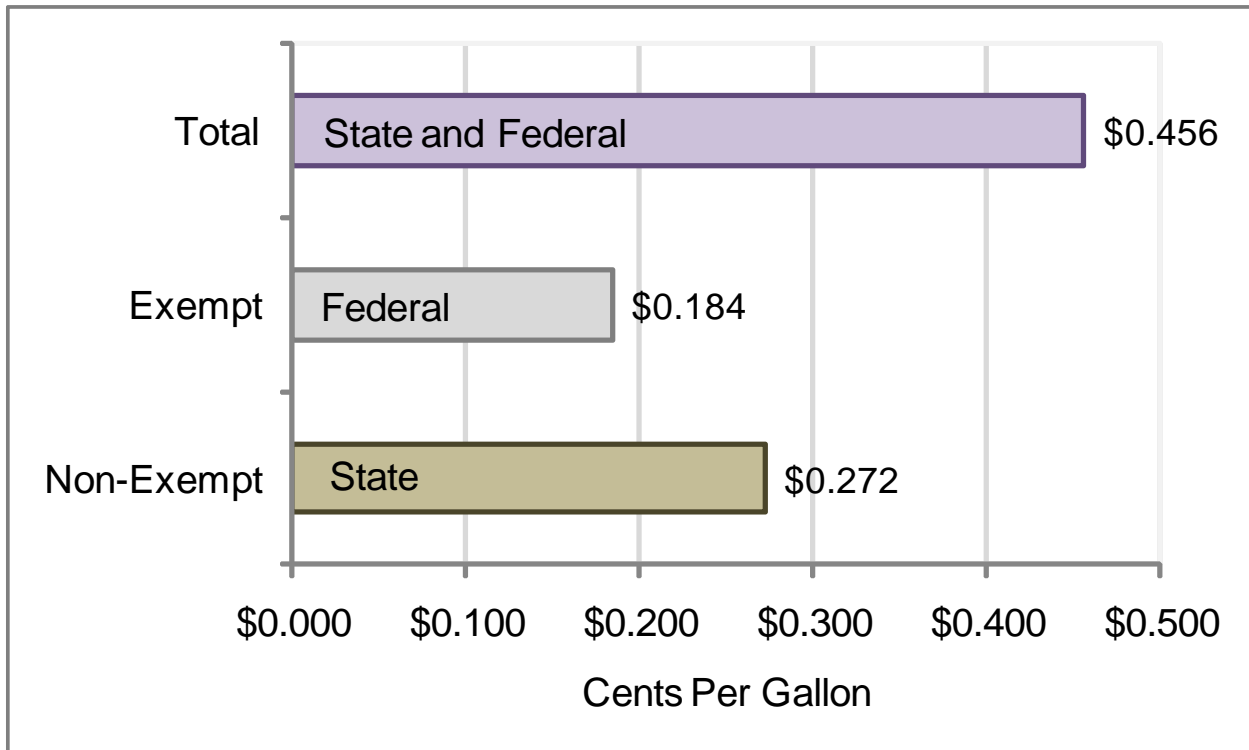
SOUTH LAKE MINNETONKA POLICE DEPARTMENT

Motor Fuel (Gasoline) - State and Federal Excise and Other Taxes

Effective January 1, 2011

Per Gallon Cost - SLMPD Vehicles

Non-Exempt State Tax	Exempt Federal Tax	Total
\$0.272	\$0.184	\$0.456



Los Angeles Sheriff 2010 Vehicle Tests

- The Fuel Efficiency Test simulates real-world conditions and is conducted over a 100-mile course.
- The protocol uses patrol deputies in full uniform to drive each vehicle.
- Each vehicle is driven through the course four times with different drivers during peak (rush-hour) traffic conditions.
- The course is divided equally among urban, suburban and freeway driving conditions.
- Standard E10 pump gasoline is used, even on E85 compatible vehicles. E85 fuel economy is not measured.

Los Angeles Sheriff 2010 Vehicle Tests

- Headlights and air conditioning are turned on, and the transmissions are placed in the default “Overdrive” position.
- The vehicles are driven in a normal manner, i.e., they are neither driven gently, nor driven for maximum performance.
- Standard E10 pump gasoline is used, even on E85 compatible vehicles. E85 fuel economy is not measured.
- The fuel mileage obtained from each run is then averaged. By definition, this test simulates the mileage that a detective or administrative vehicle would obtain. Experience shows that a marked patrol unit would obtain about 60 to 70 percent of these mileage figures.

Los Angeles Sheriff 2010 Vehicle Tests

- Each deputy fills out a checklist rating his impression of each individual vehicle.
- The evaluations are conducted separately, and the ratings are averaged to minimize any individual prejudices either for or against any of the vehicles.
- Vehicles are evaluated for general suitability and efficiency as a patrol vehicle, or for other specific functions that the LASD may require.
- The police sedan with the best gas mileage under these test conditions was the Chevrolet Impala with a 20.9 mpg average.



Los Angeles Sheriff 2010 Vehicle Tests

Fuel Mileage Figures

(100-mile test loop)

Vehicle	EPA City/Highway	LASD Mileage
Chevrolet Impala 3.9L V6	17/24	20.9 mpg
Dodge Charger 5.7L V8	15/23	19.1 mpg
Dodge Charger 3.5L V6	16/25	18.6 mpg
Ford CVPI 4.6L V8 (3.5)	14/21	17.6 mpg
Ford CVPI 4.6L V8 (3.27)	14/21	15.8 mpg

The image features a classic 'bullseye' pattern of concentric circles. The outermost ring is black, followed by a red ring, then a black ring, and so on, creating a hypnotic effect. In the center, the text 'That's all Folks!' is written in a white, elegant cursive font. The text is positioned diagonally across the center, with 'That's all' on the left and 'Folks!' on the right. The background behind the text is a solid dark blue circle.

That's all Folks!