



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

24150 SMITHTOWN ROAD  
SHOREWOOD, MN 55331-8598

BRYAN T. LITSEY  
Chief of Police

Office (952) 474-3261  
Fax (952) 474-4477

# M E M O R A N D U M

## **2012 BUDGET PROCESS**

**TO:** Coordinating Committee Members

**FROM:** Bryan Litsey, Chief of Police

**DATE:** July 1, 2011 - Friday

**RE:** Budget Work Session - Overtime Expenses

This follow-up memorandum pertains to the budget work session held on June 27, 2011. After my presentation, an observation was made regarding the amount allocated for overtime in the 2012 budget proposal. This was predicated on the financial information distributed at the work session pertaining to the status of the 2011 operating budget, which showed overtime expenditures below the midpoint nearly halfway into the year. This left the impression of being a possible place to scale back the 2012 budget. This simply is not the case.

It is important to understand there are two distinctly separate categories of overtime in the budget. They are as follows:

**General Overtime** - This overtime is paid by the department. It applies 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.

**Reimbursed Overtime** - This paid overtime is subsequently reimbursed to the department. 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 service that are anticipated. Although subject to variances, more or less on the expense side is proportionately more or less on the revenue side thus having no adverse impact on actual and budgeted amounts.

## **2012 Budget Memorandum**

**July 1, 2011**

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As noted at the work session, it is important not to read too much into the actual versus budgeted numbers during the year. This is especially true when it comes to overtime costs, which tend to be more heavily weighed toward the second half of the year barring some major crime, new large scale event, natural disaster, etc. There are two primary reasons behind this occurrence. First, the department has a unique patrol schedule in which officers start out the year with a bank of owed time that is usually exhausted by about the middle of the year. This reduces the amount of overtime used during this same period, since owed time is regularly substituted for overtime. Second, many of the significant activities involving overtime reimbursement occur during the third quarter of the year.

Of the two aforementioned categories of overtime, general overtime is the one funded by the member cities. General overtime in 2010 was budgeted at \$37,000. At year-end there was only a favorable variance of \$496 between budgeted and actual expenses under this category. This was the result of careful management of overtime throughout the year and not backfilling many of the vacancies in the schedule, which is not the preferred practice. The 2011 budget contains only a modest increase of \$800 in this category to coincide with the corresponding salary increases. The amount is even less for 2012 with a proposed increase of only \$200.

As a side note, the budget status report is generated through our internal financial software program using the cash basis method of accounting. Unlike the budget documents, which are based on the modified accrued method of accounting and categorize the two types of overtime separately, the budget status report still lumps them together under one category. A desire to show these separately in the budget status report was expressed at the work session. After researching this further, the most feasible time to make this adjustment is at the beginning of the fiscal year. Therefore, this conversion will be made starting in 2012.

It is important to keep in mind that the amount budgeted for general overtime is well below what is needed to consistently use overtime to backfill vacancies in the patrol schedule. This budget deficiency has repeatedly been recognized as a critical need to address with regard to officer and public safety as well as the delivery of services. It continues to be put on hold due to budget constraints. This places an over reliance on mutual aid and a measure of good fortune to navigate through these staffing shortfalls.

This expanded explanation is to support the amounts allocated for overtime in the 2012 budget proposal. It also keeps in the forefront the need to more aggressively increase general overtime in future budgets for the reasons previously mentioned. I appreciate the opportunity to provide you with this supplemental information as part of the ongoing budget process for 2012.