



Inter-Departmental Communication

DATE: March 7, 2006

TO: Dr. Charles A. Eddy, Chair, Finance and Audit Committee

FROM: Mark Funkhouser, City Auditor

SUBJECT: Response to Budget Director's Comments on Memorandum to Restore City Auditor's Office Budget for Fiscal Year 2007

On March 2nd, Councilman Jim Glover asked Troy Schulte, Budget Director, to respond to my March 1st memorandum to you requesting that the City Auditor's Office budget for 2007 be restored to my original request. I would like to make a few comments on Mr. Schulte's response, which is attached.

Mr. Schulte states that the City Auditor's Office budget is "restrained as is every other support budget as budget staff focused available resources on funding needs in the core service delivery areas." However, the City Auditor's Office is not support staff to the City Manager or the departments he oversees. We are support to the City Council – providing the Council with independent, objective, and useful information regarding the work of city government so the Council may better exercise the power vested in it to improve the quality of life of citizens of Kansas City.

Unlike other departments, our main function is to identify ways to make the activities of the city more efficient and effective, which can translate into reduced costs and increased revenues. In fiscal year 2005, my office identified \$4.3 million in potential economic impact – more than three times the amount of our expenses for that year. Our main resource to accomplish our work is staff; over 90 percent of our expenses are for salaries and benefits.

The salary savings identified in the 2007 submitted budget, effectively eliminates two auditor positions. When our staff is cut – either through the elimination of positions or salary savings – our efforts to serve the City Council and the citizens of Kansas City are hampered.

Mr. Schulte closes by stating that "at this point, changes to any departmental budget can be made by the City Council only." I agree and continue to request that the City Council restore the \$80,000 cut from my budget request.

Attachment

cc: Mayor Kay Barnes
Members of the City Council
Wayne Cauthen, City Manager
LaTrisha Underhill, Assistant to the City Manager
Troy Schulte, Budget Director



Troy Schulte/mg/kcmo
03/02/2006 06:19 PM

To Jim Glover/cc/kcmo@KCMO
Susan Borge/cc/kcmo@KCMO, Charles
Eddy/cc/kcmo@kcmo, Bill Skaggs/cc/kcmo@KCMO, John
cc Fairfield/cc/kcmo, Terry Riley/cc/kcmo, Alvin
Brooks/cc/kcmo@kcmo, Wayne A Cauthen/mg/kcmo, Mark
Funkhouser/ad/kcmo

bcc

Subject Re: City Auditor's Office Budget

The City Auditor's budget for FY 2006-07 reflects a change in salaries for 16 authorized positions due to the loss of a relatively high paid staff person and the replacement of that position at a lower salary level. Salary projections are developed for all departments using the same methodology (hiring at minimum salaries, average annual merit increases, and health insurance premium adjustments). The auditor's office budget also reflects salary savings of 4.5% of total personnel costs reflecting staff turnover that occurs throughout the year. This salary savings level is higher than required in this years budget (3.1%), but below the average budgeted salary savings of 5.5% required of all other departments. To reduce the salary savings to the same percentage as in the Auditor's current budget would require \$18,000 in additional resources to be added to the Auditor's budget. To totally remove salary savings from the departmental budget would require \$58,000 in additional resources.

From an operating (non-personnel) budget perspective, the City Auditor's office received \$10,328 in total additional resources for this fiscal year. Nearly all of that (\$10,000) is attributable to the increased costs associated with the annual citizen survey. The auditor's office budget is restrained as is every other support budget as budget staff focused available resources on funding needs in the core service delivery areas. If funding increases were provided in the support departments it was to meet a mandated cost increase only, with little opportunity for additional departmental flexibility.

Over the past five years, every department except Police and Fire has seen significant reductions in their staffing and operating funding levels as the City struggled to balance the budget. While I am sympathetic to the needs of the City Auditor, there are probably any number of department directors that could make the same argument as to the impact of limited resources to perform their work as needed.

As with every other departmental budget, OMB asks the department to stretch its resources as far as possible and if issues arise (lack of staff turnover, additional unforeseen costs), we work with the department to resolve the issues and identify the supplemental funding needed. Short of authorizing additional audit staff, the City Manager has asked that I work with Dr. Funkhouser to resolve any issues that will seriously impact his ability to perform his work. I will do this, but at this point, changes to any departmental budget can be made by the City Council only.

I hope this helps explains our rationale.

Jim Glover/cc/kcmo

Jim Glover/cc/kcmo
Sent by: Susan Borge
03/02/2006 02:36 PM

To Troy Schulte/mg/kcmo@kcmo
cc
Subject City Auditor's Office Budget

Troy:
Councilman Glover has asked that you comment on the communication received from Mark Funkhouser regarding his budget for fiscal year 2007. Thanks.

Susan Borge
Assistant to Councilman Jim Glover
4th District at Large
816 513-1616