

MEMORANDUM

CITY OF GRAND RAPIDS

DATE: July 22, 2020

TO: Mayor and City Commissioners

FROM: Mark Washington,  City Manager

SUBJECT: Major Budget Amendment Process

In my July 6th memo, I indicated I could not support a \$9.5 million reduction to the Police Department's budget without further research and strategy. Instead, I proposed, and you approved on July 7th, a budget amendment that reallocated \$403,000 of the Police Department's budget to support increased investment in the Office of Oversight and Public Accountability and communications for Police as well as one non-sworn civilian staff position within the Police Department to more strategically manage the budget, community engagement, recruiting and hiring and the implementation of the soon to be completed Police Strategic Plan. The Police Department will present their Strategic Plan on August 11th. My concerns about making a significant reduction beyond what has been approved to date, include:

- The City's FY2021 approved budget was \$22 million less than FY2020 due to the economic impacts of COVID-19.
- The general fund portion of the Police Department's budget alone was reduced by \$1.1 million – the largest department budget reduction, which resulted in a general fund Police budget that is lower in FY2021 than it was in FY2020.
- The \$1.1 million reduction made during the budget process along with the additional \$403,000 reduction made earlier this month, totals \$1.53 million and equates to 63% of the department's overtime budget or roughly 15 officers.
- This adjustment, along with the fact that the current 327 staff members in the Police Department is lower than our millennium high of 369 staff members, is an indication of staffing divestment - even in spite of growth in our city's population.
- Since personnel accounts for over 80% of the Police budget, further reductions will likely result in layoffs and those personnel changes must be carefully determined.
- We are in a recession caused by a pandemic; neither of which we know when will end. It is not wise to make drastic changes without a clear picture of expected revenue and expenditures.

In addition, last week I instituted an organizational wide hiring freeze, inclusive of all public safety departments, through December 31, 2020 with the only hiring exceptions being compelling necessities such as legal mandates, contractual requirements, critical services or

documented cost avoidance. We are tapping the breaks on spending and ensuring that investments that are being made are intentionally aligned with our strategic and desired outcomes. With respect to the Police specifically, we are exploring how we can start new innovative initiatives with funding to be freed before the end of the year. This funding may allow investments in new initiatives such as the partnership with governmental behavioral mental/health organizations and a crime prevention strategy.

I previously indicated that budget amendments of this magnitude should not be made ad hoc during the year but are better made and more strategic as mid-year budget amendments or as part of the annual budget proposal process. I used a very deliberative budget process for the two previous budgets and tough choices were made to ensure we were investing strategically to achieve our desired outcomes. This situation requires the same deliberative approach.

Below is a preliminary road map that will allow for a holistic performance-based budget deliberation that support the desired outcomes of our citywide Strategic Plan.

- August 11, 2020: The Police Department will present their initial draft of their Strategic Plan.
- September 29, 2020: Staff will present a FY2020 performance management annual update clearly showing progress made throughout the previous year. Another discussion and update will be given on the Police Department's Strategic Plan.
- November 2020: Staff will present an analysis of FY2020 budget versus actual expenditures, FY2021 mid-year adjustments and a FY2022 budget forecast and Commission will participate in a FY2021 reprioritization strategy and FY2022 prioritization exercise.
- December 15, 2020: City Manager will propose any mid-year budget amendments as warranted.
- February 2021: Staff will provide a FY2021 mid-year performance management update reviewing performance across the first half of FY2021.
- April 2021: City Manager will propose the FY2022 Preliminary Fiscal Plan.
- May 2021: Commission will be asked to adopt the FY2022 Fiscal Plan.

The City Commission will have two upcoming opportunities to consider formal budget action, both of which will significantly impact operations: FY2021 mid-year budget amendments proposed on December 15, 2020 and FY2022 Fiscal Plan adoption in May of 2021.

I look forward to discussing this more at our August 11th City Commission meeting.

CC: Cabinet

Eric Payne, Chief of Police

Chief Lehman, Fire Chief