

TESTIMONY ON CA'S FY10 CONDITIONAL BUDGET

By

Joel Yesley

Alliance for a Better Columbia

Good evening. My name is Joel Yesley, and I am here to testify on the 2010 Conditional Budget on behalf of the Alliance for a Better Columbia (ABC). ABC is committed to the goal of lowering CA's annual assessment charge by 7 % in next year's budget, and we are proposing several steps the Board could take to facilitate the achievement of this goal without adversely affecting the projected budget balance. Eliminating the payment of employee incentive bonuses as well as limiting the growth of employee benefits would be a major step in this direction. Unnecessary capital spending planned for 2010 as well as Sports and Fitness programs requiring substantial subsidies should also be reduced or eliminated. CA should not be conducting business as usual in these harsh economic times but should instead follow the example of many local governments, including Howard County, in controlling costs. Ken Ulman recently announced he is directing his finance chief to develop a no-growth budget as well as one calling for a 5 % reduction in expenses for next year. CA operational spending should not be allowed to increase at a rate exceeding the anticipated growth rate of revenues as projected in the Conditional FY 2010 Budget, a situation that has occurred over the past several years.

Operating Budget

The proposed 2010 Operating Budget includes \$467,000 in "performance incentives." There is no justification for bestowing such generosity on CA's senior management, who are the prime beneficiaries, when their regular compensation already greatly exceeds that of their counterparts in the Howard County Government, whose responsibilities are much greater. The total amount spent on employee bonuses grew from \$340,000 in 2005 to \$458,000 in the current budget, an increase of about 35 % that far exceeds inflation.

Employee benefits are budgeted at \$3.2 million next year, which represents an increase of about \$1 million or 45 % from the FY 07 total. The Board should make a serious attempt to control these costs next year, especially in light of the nearly 14% increase in salary and wages over the past two years incorporated in the 2010 budget, even though the number of FTEs is projected to increase by only about 5% over this period. CA should be attempting to shift more of the responsibility for financing health care and retirement costs to the staff, as several corporations and local governments have done in recent years.

The golf courses are expected to lose \$902,000 in FY 2010. Expectations that the golf courses would become self-supporting expressed 5 years ago after the completion of extensive renovations on the Hobbins Glen Course have not been realized. In contrast to this performance, the Timbers at Troy Golf Course, which is operated by the county, has been self-supporting over the past several years. The Board should investigate whether

contracting out this operation could save money. In the meantime, measures such as closing one course in the winter months or less frequent mowing of fairways on either or both courses could reduce this drain somewhat.

The operating supplies/expenses budget of nearly \$5.3 million has increased by 27% over the past couple of years. Assuming that this total does not include any of the projected costs of Wilde Lake Dredging, which has been allocated \$2 million in the capital budget, there would appear to be little justification for such a rapid increase.

ABC has learned that 32 employees have been paid monthly business mileage allowances, and an additional 12 have been assigned take-home vehicles. ABC was informed by Maggie Brown, President of CA, that these monthly business mileage allowances are reported to the IRS as compensation and therefore taxed, which raises the possibility that the reimbursed travel was not related to employees' job duties. In addition, the high number of take-home vehicles seems to be a luxury CA can no longer afford as opposed to an essential need. How many employees on call outside of normal business hours would not be able to use their own personal vehicles if an emergency arose? The Howard County government recently announced that it was reducing the use of take-home vehicles by 60%, which was expected to result in a saving of \$700,000.

The CA Board needs to more closely oversee spending on contracts. A prime example of a lack of oversight is the Customer Services System Project (CSS), which is designed to allow residents to make reservations for activities on CA's website. This project, which was originally budgeted at \$431,000 three years ago, has now cost residents well over \$1 million after Board approval of two requests for additional funding necessitated by the contractor's inadequate performance. Another request for more funds is likely since none of the system's components has been successfully tested, while the expected delivery date was recently moved back two years and is now May 2010. The fact that this wasteful and avoidable spending has not apparently affected senior staff bonuses is an indication of a serious lack of accountability in the organization.

The Board can also save well over \$200,000 by eliminating grants to the Columbia Foundation, the Economic Development Authority, and ending the Sister Cities Program. The Columbia Foundation has greatly expanded its funding over the years while the CA annual grant of \$100,000 has not changed. Columbia residents should also not be billed twice for receiving same economic development services from the county. There are also many international exchange programs available in the area, lessening the need for a program which serves so few participants at a cost of over \$100,000.

Capital Budget Spending

1. Athletic Club carpet

Carpet replacement expenditures for the Athletic Club have been in the capital budget every year since 2001. There is no justification for such unnecessary spending, which is scheduled to cost \$25,000.

2. Athletic Club tennis HVAC

Replacing the tennis HVAC was already in the 2005 budget. Deletion of this item, which has an excessive cost and is not essential, would save \$173,000.

3. Columbia Gym fitness equipment

Without an inventory of purchased equipment, an objective estimate of their useful lives, and a reasonable replacement schedule, the Board has insufficient knowledge to make a decision. Deletion of this item would save \$80,000.

4. Ice Rink Refrigeration System, Phase 2

A similar item was approved for the ice rink's older refrigeration system in the FY 2008 Budget for a cost that was 30 % less than this item. There is no information in the budget description about the age of this second system, why it costs more, and why it also has to be replaced so soon. Deletion of this item, until further justification is provided, would save \$120,000.

5. Supreme sports Club fitness equipment

Without an inventory of purchased equipment, an objective estimate of their useful lives, and a reasonable replacement schedule, the Board has insufficient knowledge to make a decision. Deletion of this item would save \$125,000.