

Opportunity for a Better Windemere Road Maintenance Operations Review

WINDEMERE TOWNSHIP

Review Purpose of this Presentation

1. Provide information & analysis to the Board regarding operations and costs of the current model
2. Bring clarity and transparency to the actual cost of the current operating model
3. Address the under-funded liabilities of the current budget given voted-approved levy
4. Compare current model to a different model
5. Encourage healthy debate so the Board can choose the best model for the taxpayer

Executive Summary: The Township has an opportunity to deal with the budget problem by switching to a more efficient model of operations which would provide the same services at a greatly reduced cost.

Observations of the Town's Current Model

The Township has utilized the following operational methods:

1. Hired contractors to be permanent part-time employees (2 of 3)
2. Hired employees to be contractors
3. Hired independent contractors to be contractors
4. Hired temporary/seasonal part-time employees
5. Hired some employees with no benefits and others with numerous benefits
6. Contracted with a Union to be exclusive representative for employees
7. Union Foreman has hired multiple employees to operate equipment outside of the contract
8. There are no minimum benefits eligibility requirements in the contract
9. Provides, maintains and plans replacement of heavy equipment for employee use
10. Recommended tax increases to pay for current operational model

3

Financial Perspective & Background

Q: What is the lens or perspective of the financial presentation?

A: The context of this presentation is the Board's recommended 5-year plan.

1. Mike Buetow (employee/Foreman) and Pete Steen (former Board member) provided their road operations & capital projects budget requests (Fall, 2019)
2. The Treasurer moderated meetings with the Board to incorporate the requests into the comprehensive 5-year spending plan / budget
3. The 5-year plan was adopted by the Board which was the basis to request higher taxes (12/2019)
4. The plan was provided to the taxpayers during the Town Annual Meeting (3/2020)
5. The taxpayers voted to reject tax increases and to maintain the previous levy
6. The Board is now reviewing the budget in view of future revenues. Thank you!

4

Review Board's 5-Year Budget

Windemere Township 5-Year Budget Projection

	<u>2019 Actual</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Cash on Hand: Start of Year	2,183,000	1,755,340	1,233,640	831,140	561,140	483,640
Levy Revenue	410,000	455,000	500,000	550,000	600,000	600,000
Other Revenue	105,380	87,300	70,000	60,000	60,000	60,000
Operating Expenses	403,700	370,000	380,000	390,000	400,000	410,000
Capital Improvements (Direct Bill)	497,700	650,000	550,000	450,000	300,000	200,000
Capital Improvements (Overhead)	41,640	44,000	42,500	40,000	37,500	35,000
Cash on Hand: End of Year	1,755,340	1,233,640	831,140	561,140	483,640	498,640
Net Cash/Expenses	186%	116%	85%	64%	66%	77%
Cash Reserve @ 100% Exp.	943,040	1,064,000	972,500	880,000	737,500	645,000
Excess Cash	812,301	169,640	-141,360	-318,860	-253,860	-146,360

5

Current Operations Model Expenses

Windemere Township's current operating model includes expenses from three major categories:

1. Payroll expenses: salary and benefits
2. Equipment operating expenses: fuel, service, repair, insure, clean, store, etc.
3. Capital expenses: Purchasing new equipment, buildings

6

1. Payroll Expenses - Salary and Benefits

- Over a 2-year period, average monthly payroll cost has been over \$50 / hour (salary & benefits).
Formula: Total Expenses / Total Hours = Rate
- Multiple permanent part-time employees
 - In 2019, based on a 40-hour week, our employees were .45, .30, .25 of full-time status (FTE). These are lower in 2020.
- Numerous benefits (fixed-cost health insurance, PERA, IUOE Retirement, IUOE Training)
- No minimum benefits-eligibility requirements
- Union operators spend much time (~50%) not operating equipment (admin & general labor)

May, 2020 payroll highlights dramatic affects of the current model:

- 3 permanent employees worked a combined 103.5 hours
(May had an equivalent of 20 work days. One typical full-time employee would work 160 hours)
- 47.5 hours of operating equipment (46%) / 56 hours non-operating (54%)
- Township advanced money to one employee to generate a positive paycheck
- Township spent \$6,649.47 on payroll expenses (salaries & benefits)
- Equates to an average \$64.25 / hour for the month

7

Road Maintenance Payroll Detail (As of 7/1)

PAYROLL ITEM	EXPENSE FORMULA	BASIS	EMPLOYEE	AVG ANN HOURS
Foreman Wages	\$37.63	Per Hour	Mike	950
Maintenance Worker Wages	\$26.27	Per Hour	Kole	875
Employer Paid Health Insurance	\$865.00	Per Employee, Per Month	Dave	540
Employer Paid FICA	7.65%	Per Gross Wages		2,365
Employer Paid PERA	7.50%	Per Gross Wages		
Employer Paid IUOE Pension	\$1.20	Per Hour	(Includes all labor hours: operating, paperwork, repairs, cleaning, etc.)	
Employer Paid Training	\$0.50	Per Hour		
Employer Paid Phone Allowance	\$60.00	Per Month for Foreman		
TOTAL BASED ON AVERAGE ANNUAL HOURS				
	Mike	56.72 Per Hour		
	Kole	43.81 Per Hour		
	Dave	51.17 Per Hour		

DOES NOT INCLUDE: Worker's Comp Insurance, Property Insurance, Support Staff, Motor Fuels, Lubricants and Additives, Shop Materials, Repair and Maintenance Supplies, Tires, Small Tools and Minor Equipment, Vehicle Registration / Tabs, Machinery and Equipment Repair, Machinery Rental, Road Equipment (new or replacement)

8

2. Equipment Operating Expenses

Category	2019	2018
119.5 · Personal Mileage Reimbursement	1,207.42	0.00
212 · Motor Fuels	15,218.17	17,712.84
213 · Lubricants and Additives	688.82	718.84
215 · Shop Materials	1,747.62	831.25
220 · Repair and Maintenance Supplies	4,972.74	15,639.79
222 · Tires	2,057.90	1,766.00
240.2 · Small Tools and Minor Equipment	5,998.92	1,665.37
334 · Vehicle Registration / Tabs	200.00	48.00
363 · Automobile Insurance	1,324.00	1,249.00
404 · Machinery and Equipment Repair	11,317.65	14,350.97
416 · Machinery Rental	11,948.83	24,508.52
TOTALS	56,682.07	78,490.58

**Other Related Expenses
(not included)**

Worker's Comp Insurance
 Unemployment
 Property Insurance
 Electricity
 Propane
 Building Repair
 Sanitation
 Clerk's time (40% of all
 claims are for R&B)
 Board's time
 Legal fees

Capital Equipment (Acct 43126)

Totals 25,000.00 50,000.00 25,000.00 25,000.00 25,000.00

Item	2020	2021	2022	2023	2024
Trailer	-	25,000.00			
Equipment Replacement	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00

Building Maintenance (Acct 41940)

Totals - 65,000.00 40,000.00 40,000.00 40,000.00

Item	2020	2021	2022	2023	2024
Salt shed		25,000.00			
Gravel pit storage building	-	40,000.00	40,000.00	40,000.00	40,000.00

\$86,000 in Fund

Opportunities for a Better Windemere

What if, with a little effort, we could achieve the following?

1. Save taxpayers money and keep the levy flat
2. Greatly simplify the operating model (and the administration of it)
3. Maintain the same services
4. Demonstrate a taxpayer first mindset (prioritize principles of stewardship)
5. Increase trust of the Board with the taxpayers
6. Reduce rancor within the Township

I believe making changes now would achieve these goals. Alternatives exist to the current employment and operating model. Let's look at four steps to get there.

Step 1: Evaluate Current Job Duties (not exhaustive)

Administration

Field resident phone calls
 Order repair parts
 Order fuel deliveries
 Order rental equipment
 Order culverts
 Gopher State One Call locates
 Calculate & submit budget request
 Manage operators
 Meet with engineers
 Meet with trapper
 Check on pit crushing
 Monthly claim paperwork
 Attend Township meetings
 Annual road review

Manual Labor

Repair equipment
 Drive to pick up parts
 Drive equipment to/from repair shop
 Steam frozen culverts
 Setup/watch water pump
 Drive roads after storm
 Inspect culverts & ditches
 Cut trees / pick up and haul debris
 Place safety signs
 Attach/detach blade/wing
 Stake roads
 Patch pot holes
 Remove beaver dam
 Paint voting sign
 Shovel Townhall sidewalk
 Clean shop
 Wash backhoe / grader / truck

Equipment Operating

Grade roads
 Snowplow roads
 Sand roads
 Scratch roads
 Haul gravel
 Ditch trimming
 Wood chipping
 Road repair
 Move equipment

Step 2: Align Job Duty to Job Classification

Current Operations (one size fits all)	Proposed Operations (efficient alignment)		
 (\$120 / hr)	Operating equipment	Public Works Director (\$25 / hr)	Administration Work direction Manage contractor contracts Oversee bidding
	Wash backhoe	 R&B Laborers (\$15 / hr)	Steam culverts Picking up debris General labor as directed
	Steam culverts		 Contractors (\$85+)
	Repair equipment	Repair equipment Replace equipment Wash backhoe Calling/driving for parts	
	Calling/driving for parts	Eliminated	
	Administration		
	Driving roads		
	Picking up debris		

Step 3: Compare Annual Costs & Savings

Current Model	Hours	Effective Hourly Rate	Annual Expense	Basis
Salary		30.83	73,000.00	Historical Average
Benefits		19.84	47,000.00	Current package
Equipment Ops		33.62	79,500.00	Historical Average (with PT labor)
Capital Expense		35.60	84,200.00	5-year Spending Plan
Totals	2,365	\$119.89	\$283,700.00	

Contractors	Hours	Rate	Expense	Basis
Contractors	1,005	100.00	100,500.00	85% of current operating hours
Public Works Dir	503	25.00	12,500.00	85% of 1/2 of current non-op hours
Manual Laborers	733	15.00	11,000.00	85% of 1/2 of current non-op hours + PT
Payroll Taxes			2,750.00	Company paid FICA + PERA
Totals	2,011		\$126,750.00	

Savings			\$157,000.00	(\$785,000 over 5 years)
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Step 4: Make a Decision

1. Continue status quo of current model with no changes
 - a) Pay \$50 - \$65 for every hour of activity (phone calls, washing backhoe, grading roads) in payroll costs
 - b) Maintain no benefits eligibility requirements
 - c) Service, repair, replace all equipment
 - d) Pay equivalent of \$120 / hour total cost for every hour worked
 - e) Deal with impact of under-funded budget some other way
2. Make incremental changes to align job duties
 - a) Hire a Public Works Director
 - b) Retain manual laborers
 - c) Shift to one full-time operator
 - d) Continue to service, repair, replace all equipment
 - e) Save some money on salaries and benefits
3. Maximize tax dollars by aligning job duties and eliminating operating/capital expenses
 - a) Hire a Public Works Director
 - b) Retain manual laborers
 - c) Hire contractors for all operating work
 - d) Eliminate capital expenses
 - e) Save >\$150,000 annually

Summary

1. Direct savings of over \$150,000 / year compared to current model
2. Simplifies operations (substantial indirect cost savings)
3. Taxpayers receive the same maintenance services
4. Frees up substantial money for other projects (road improvement projects, Townhall)
5. Align job duties with job classification for operational efficiency and increased checks & balances
6. Consistent operations as many Townships
7. Windemere already hires contractors:
Behrman Farms, Buetow Trucking, Casper Construction, Kiminski Paving, Precision Grade, R&G Waldhalm, Rydberg & Sons, TLC'NC, Valhalla, etc.
8. Windemere already hires part-time labor employees at \$15 / hour
9. Windemere already hires part-time administrative employees (Zoning) at \$25 / hour
10. If you could save \$150,000 a year in your home or work budget, wouldn't you? Why wouldn't you here?

Implementation Options

Immediate Cutover

- Coordinate and time all changes to occur at one-time
- Very difficult and unnecessary to achieve

Phased approach

- Generate job descriptions with duties
- Hire Public Works Director (Part-time, available ~7am-5pm, M-F)
- Hire/rehire general laborers
- Develop new 2021 budget and 5-year forecast given lower expenses
- Temporarily select one employee to work .80 – 1.0 FTE operator position
- Begin contractor bidding process in earnest
- Switch to contractors when able
- Sell unused capital equipment TBD

17

Discussion

18