Case Study Essay, Research Paper

The Case

After reading the case study Welcome to the new town manager, by Mary Jane Kuffner Hirt, I established three major problems the community of Opportunity needed to correct. These problems involved the water & sewer system, the balancing budget, & the pay-as-you-go method. The city manager, Jennifer Holbrook, must implement strategies that would correct these problems quickly.

If I were Holbrook my initial goal would be to correct the water and sanitary sewer systems problem. I believe it is the community responsibility to pay for the up-keep and maintenance of the two facilities, because it is the community who is reaping the benefits of these facilities. I would recommend the council to combine the sewer (330,800) and water (158,090) expenditures to the sewer (113,000) and water (379,350) capital program expenditures, and incorporate the two as one revenue fee. This would allow the revenue fees to pay for the operating cost and the reconstruction cost of the two facilities. Making them one fee would give the council more leeway in increasing total revenue cost for these services. In general, people tend to see one bill instead of two as a deal instead of a problem. This is almost like the buy one get one free philosophy; you know the store has raise the price of the item you are purchasing so that you are paying for the item you’re getting free. The propose revenue fee would total 648,170. The 700 water customers and the 3000 sewer customers would pay for this fee. Assuming that the 700 water customers were already included in the 3000 sewer customers, the total customer for the two services would equal 2300. I would divide the total revenue fee (648,170) by the total customers (2300), resulting in each customer paying 23.48 per month for the two services. I feel this proposed revenue fee would make utilities more self-sufficient.

My second goal would be to correct the budget balancing problems. The budget debt each year is approximately 200,00 to 300,000. To solve this problem, I would make three more adjustments in the budget expenditures. The adjustments would approximately total 250,000. I chose 250,000 because it is the average of 200,000 & 300,000. My first adjustment would go towards the capital program expenditure. Since I previously include the sewer and water system capital program expenditure into the revenue fee, I could deduct these two services from the capital program expenditure total. Doing this would reduce the capital program expenditure from 538,630 per year to 379,350 per year, leaving the budget with a 159,280 per year savings. The second adjustment would go toward public safety. I would immediately hire a new police officer, because of the police’s staff shortage. I think it is a necessity to have enough officers to maintain all shifts. Hiring more officers would help keep the streets of Opportunity safe. This is important because of the community’s profile. Opportunity consists of mostly above-average socioeconomic people and elderly people. I could see the crime rate rising in the future, due to the lack of police officers. On the other hand, I would alleviate the ideal of hiring a technician. I feel hiring a contractor on needed bases is sufficient. Why hire someone in a position when you don’t need them on a daily bases? Not hiring a new technician will allow the public safety expenditure to remain at 758,012. The third and final adjustment would go towards public work. I feel that 16% of the budgets total expenditures is entirely too much to spend on public work. Especially when public work equipment is already incorporated in the capital program expenditure. I would reduce the expenditure from 16% (541,750) to 13.47% (446,247), eliminating the purchase of un-needed equipment. This reduction would leave the public work expenditure a 95,503 savings. The total expenditure savings would be 255, 783. These three adjustments would hire a new police officer, allow the budget to balance, and compensate for the surplus fund depletion.

My third and final goal would be to change the pay-as-you-go method. I feel that, this method had been the cause of a lot of Opportunity problems. Payments for improvements in the community should initially be incorporated in the budget as opposed to paying afterwards. To pay for these improvements, I would propose a new revenue tax called the Opportunity improvement tax. 6% of the total revenue would go towards this tax, allocating 220,800 per year in the budget for improvements. The community would be required to pay this tax because it is their responsibility to keep its appearance above average.

Instead of hiring a staff, as the city manager, I would rely on my managerial skill to assist me in developing strategies for solving the community’s problems. This would save the community money and give me complete control over budget planning. My revised budget balances. The budget consists of a 3,695,815 total revenue fee, and a 3,695,815 total expenditure. There is a 638,053 surplus fund included in the expenditure total. The new budget surplus fund would alleviate any future financial crisis for the community. Adopting this budget would make-up for the miscalculation in the pervious years budget, start the initial face in the reconstruction of the water and sewer facilities, correct the annual debt and restore the surplus fund all within a year.

The Revised Budget

Revenue

Real estate tax 894,640 24.2%

Earned-income tax 959,000 25.9%

Other taxes 105,000 2.80%

License, fees, permits 72,490 2.00%

Sewer/water fee 648,170 17.5%

Intergovernmental grants 177,575 4.80%

Interest earnings 62,000 1.70%

Charges for service 45,750 1.20%

Miscellaneous 19,000 0.51%

Use of fund balance 491,390 13.30%

Opportunity service tax 220,800 6.00%

Total 3,695,815 100%

Expenditures

General government 377,181 10.0%

Public safety 758,012 21.0%

Engineering/code enforcement 154,870 4.20%

Sanitation 176,771 4.80%

Public work 446,247 12.0%

Water/sewer service 488,890 13.2%

Parks/recreation 108,180 3.00%

Debt service 168,261 4.60%

Capital program 379,350 10.0%

Surplus Fund 638,053 17.2%

Total 3,695,815 100%

Capital program

Road improvement 253,000 77,400 (general revenue sharing)

Municipal buildings 32,350

Public work equipment 54,000

Comprehensive plan 10,000

Fire department 30,000

Total 379,350

Surplus Fund

Extra money from revenue fees 638,053