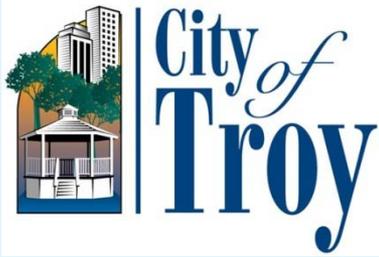


September 28, 2009



# City of Troy 6-Year Organizational Restructuring Plan

*Fiscal Years 2009/10  
Through 2014/15*

# Frequently Asked Questions

# If Troy is having financial difficulty, why not sell assets like parks and golf courses?

The outstanding debt for the Sanctuary Lake Golf Course exceeds the market value.

It would take a vote of the people to sell these assets, and the City would not get the best value for the sale of property because the market value is at a very low level.

There are legal considerations, such as environmental and deed restrictions.

Selling golf courses and parks may cause surrounding property values to drop.

# Why not disband the Downtown Development Authority (DDA) and use that revenue to solve the budget deficit?

Disbanding the DDA does not eliminate the DDA's debt of \$3,378,000 per year.

Current City-captured taxes in the DDA equal \$2,057,540.

The current captured County and community college taxes cover the difference of \$1,320,460.

Eliminating the DDA would thus create an additional deficit for the City of \$1,320,460.

# Why not redistribute the excess DDA-captured taxes back to the City, County and community college?

There are no excess funds to redistribute.

The DDA currently uses existing fund balance to cover debt and operational expenses.

# What is the balance in the Budget Stabilization Fund and why doesn't the City utilize this fund to help offset the budget short fall?

The Budget Stabilization Fund has \$1.8 million in reserve after using \$300,000 in the current year's budget.

Our revenue assumptions utilize \$300,000 each year for the next five years.

# How much does the City have in its Unreserved/Undesignated Fund Balance and what are the budget policies regarding the usage of these funds?

As of June 30, 2009 the City has approximately \$10.5 million in its Unreserved/Undesignated Fund Balance.

If we were to maintain this balance our percentage of Fund Balance to expenditures would range from 16.9% to 20.4% over the next 5 years.

The City's budget policy calls for a range of 10% to 17% of Unreserved/Undesignated Fund Balance in relation to expenditures. There was also a resolution passed prohibiting the use of Fund Balance to balance the budget.

# Declining Revenues

# Troy's Revenue and Expenditures (in Millions)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue	\$62.0	\$58.1	\$54.3	\$53.1	\$52.2	\$51.5
Expenditures	\$63.6	\$64.3	\$60.3	\$56.3	\$55.1	\$54.2
Proposed Cuts	\$(1.6)	\$(6.2)	\$(6.0)	\$(3.2)	\$(2.9)	\$(2.7)
TOTAL	\$62.0	\$58.1	\$54.3	\$53.1	\$52.2	\$51.5
Fund Balance	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5
Fund Balance as % of Budget	16.9%	18.1%	19.3%	19.8%	20.1%	20.4%

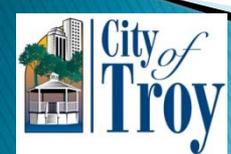
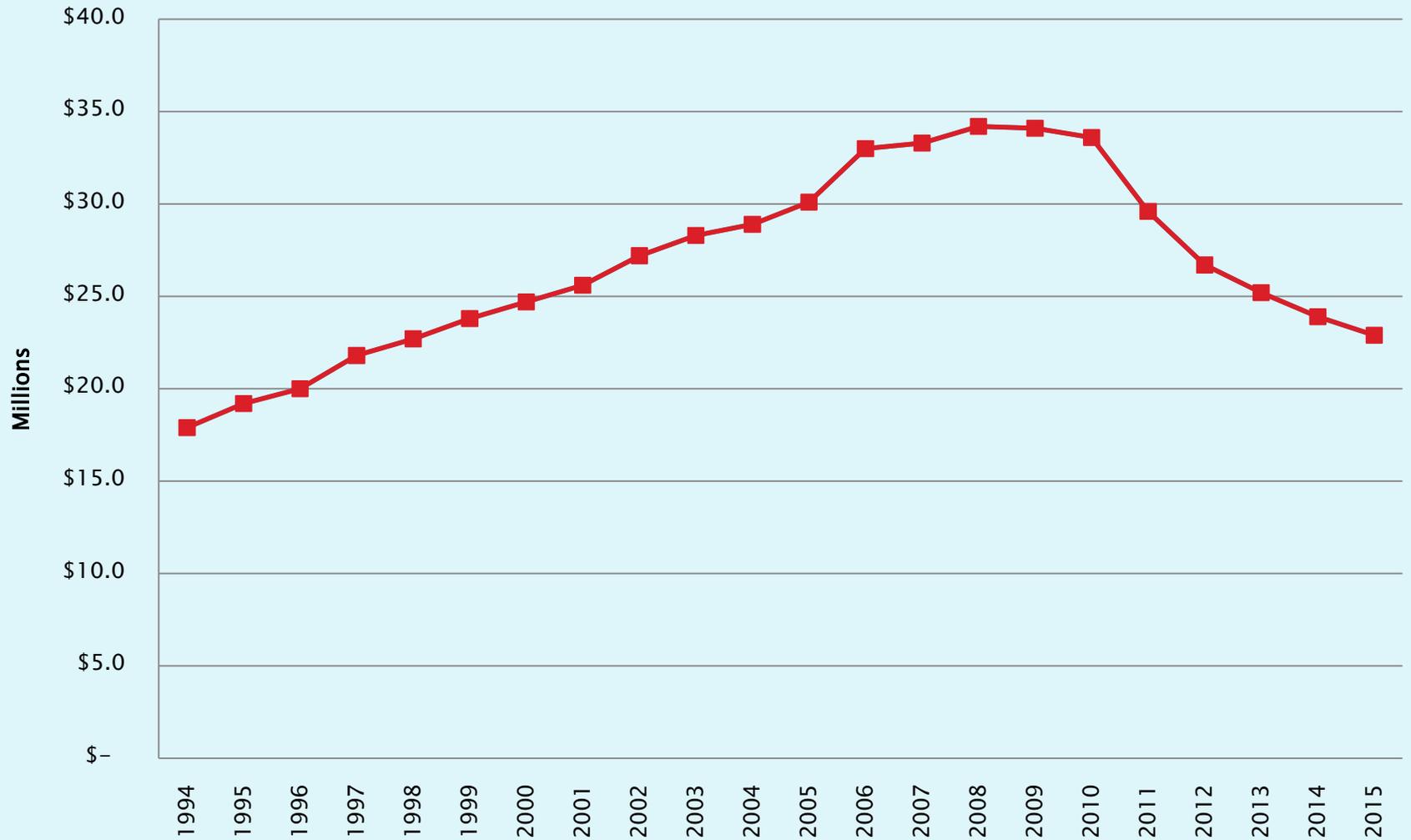
# Estimated Changes in Troy's Residential Taxable Value 2009/10 – 2014/15

1. Over 86% of residential taxable value will decrease this year.
2. 12% of taxable values are vacant land that will not change for many years.
3. Roughly 2% of all residential parcels are exempt from taxation.
4. Barring a physical addition to the structure, parcels will continue to have a taxable value decrease.
5. The average residential City tax bill will decrease by approximately \$158 in 2010.

# Why are Troy's Revenues Declining?

1. The new commercial/industrial sales study drops off 18 months worth of higher valued sales.
2. The new commercial/industrial sales study adds in 6 months of lower valued sales.
3. The net result is a 17.5% reduction in value compared to the formerly projected 6% reduction.
4. The large loss in commercial/industrial taxable value will continue into 2011/12.
5. The market value decrease in all properties will continue at a slower rate through 2014/15.

# City of Troy Property Tax Revenue



# Revenue Assumptions

**Taxes** – Taxable value decrease over the next 5 years:

2010 =	12%	(\$3.9 million)
2011 =	10%	(\$3.0 million)
2012 =	5.5%	(\$1.5 million)
2013 =	5.0%	(\$1.3 million)
2014 =	4.3%	(\$1.0 million)

**State Shared Revenue** – Decreases \$300,000 for 2010/11.  
No further decreases.

**All other fees and charges for services** – 1–3% increase per year.

**Budget Stabilization Fund** – \$300,000 transfer per year.

# Expenditure Assumptions

All expenditures are estimated to increase 2% per year with an additional \$1.0 million per year increase for pension and retirement healthcare funding requirements.

# Assumptions

1. General Fund revenues are projected to decrease every year for the next 5 years.
2. General Fund costs will increase at 2% per year.
3. Personnel related costs constitute about 71% of all General Fund expenditures.
4. The restructuring models do not incorporate a millage increase or use of any Fund Balance.

**Robert Daddow,  
Oakland County  
Deputy County Executive**

## OVERVIEW – CAVEATS / ASSUMPTIONS

- Presentation generally does NOT include the impact of the GM, Chrysler and other supplier bankruptcy filings for recent lost jobs, economic development stagnation, and property value declines that will be felt over from 2010 to 2012 resulting from current automobile company fiscal issues / bankruptcies. As a practical matter, it will take roughly two years before the recent job losses work their way through the real estate market.
- Absent a second round of federal stimulus funds, the State General / School Aid Funds would have a \$2.5B to \$3B operating shortfall for the 2011 fiscal year on General Fund revenues of roughly \$7.0B to \$7.5B. The State is struggling in resolving the 2010 budget, but if the \$1.3B in budget cuts go through, it substantially mitigates the 2011 operating shortfall.
- The level of the State's operating shortfalls are not sustainable. No equity (e.g. "savings") to draw from. Local governmental units will be adversely impacted. 58% of State revenues collected are redistributed to local governments to provide programs directly to the public. The largest dollar distributions are to school districts.

## State Economy – Employment

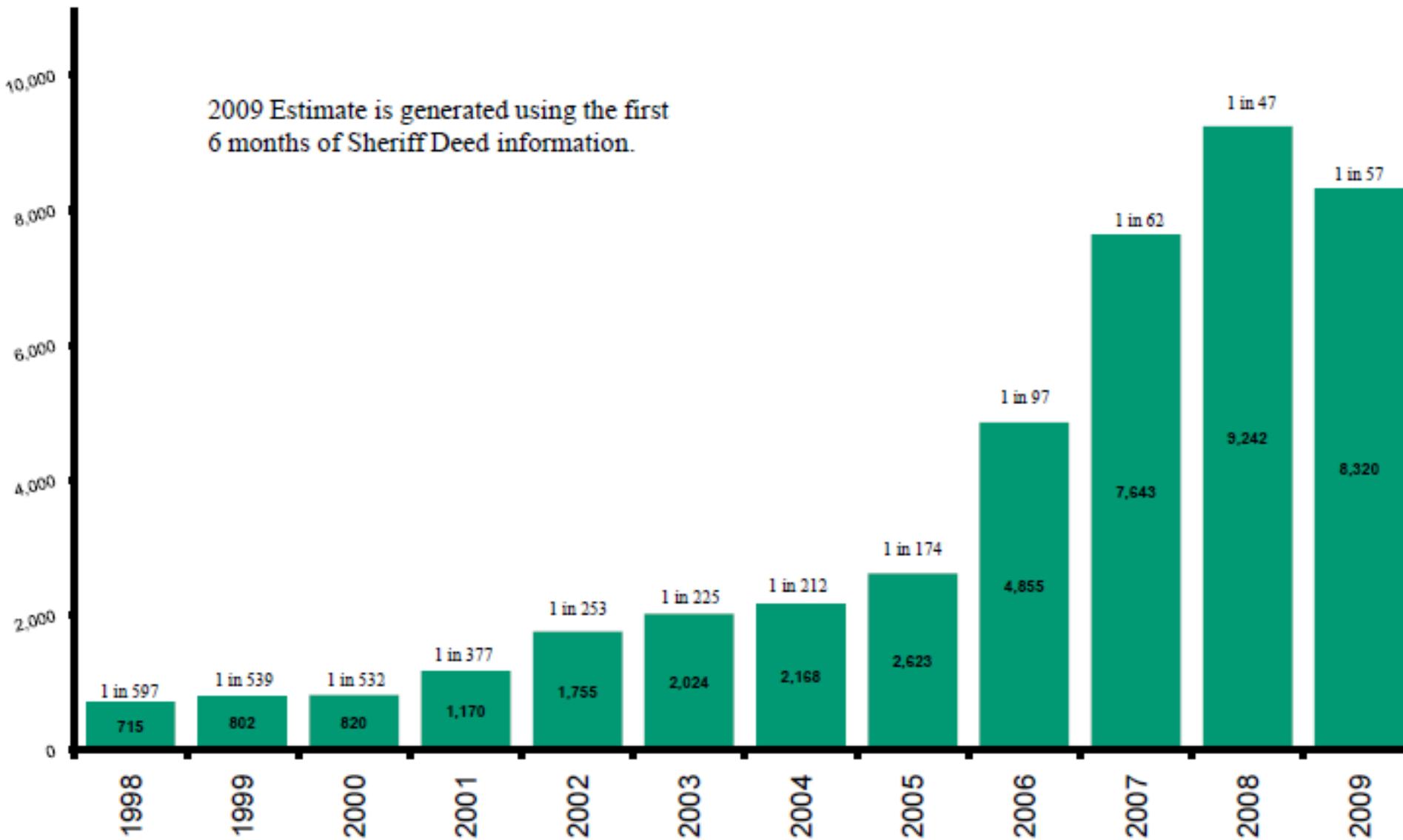
- Michigan in 2003 - 7.1%; **August 2009 – 15.2% (higher than the 11.3% U of M predicted on January 9, 2009; 7.0% higher than a year ago)**. In the May 2009 revenue estimation committee meeting, the Senate Fiscal Agency predicted 16.9% unemployment for 2010. Three recent monthly increases in unemployment have been greater than 1% – has not happened before.
- National unemployment in August 2009 – 9.7% and generally stable.
- Oakland County unemployment in June 2009 – 14.4%.
- Social program needs are growing / governmental revenues declining.
- Revenue estimation committee (statutory body - State Treasurer and House and Senate Fiscal Agencies set revenue targets for current and next fiscal years) held on Jan. 9, 2009. U of M economists projected increases in unemployment by 193K jobs in 2009 and another 80K in 2010 – at the 11.3% level. Unemployment stands at 740,000 unemployed in Michigan in June 2009.

## Michigan Fiscal and Budget Issues

- Michigan released its audit report (CAFR) in March 2009 for the year ended Sept. 30, 2008. Revenue estimation committee (Treasury / House and Senate Fiscal Agencies) met in Jan. and May 2009.
- These reports / documents reflect a very stressed financial situation over the next several years. The **structural** shortfall will return with a vengeance in 2011 – expected operating shortfalls at between \$2.5B to \$3.0B for General and School Aid Funds. Simply put, the State cannot get to September 30, 2011 without substantial program reductions or new / expanded revenues.
- Roughly 58% of the State revenues collected are re-distributed to programs operated by local governmental units – revenue sharing; roads; schools; grant programs; and similar support.

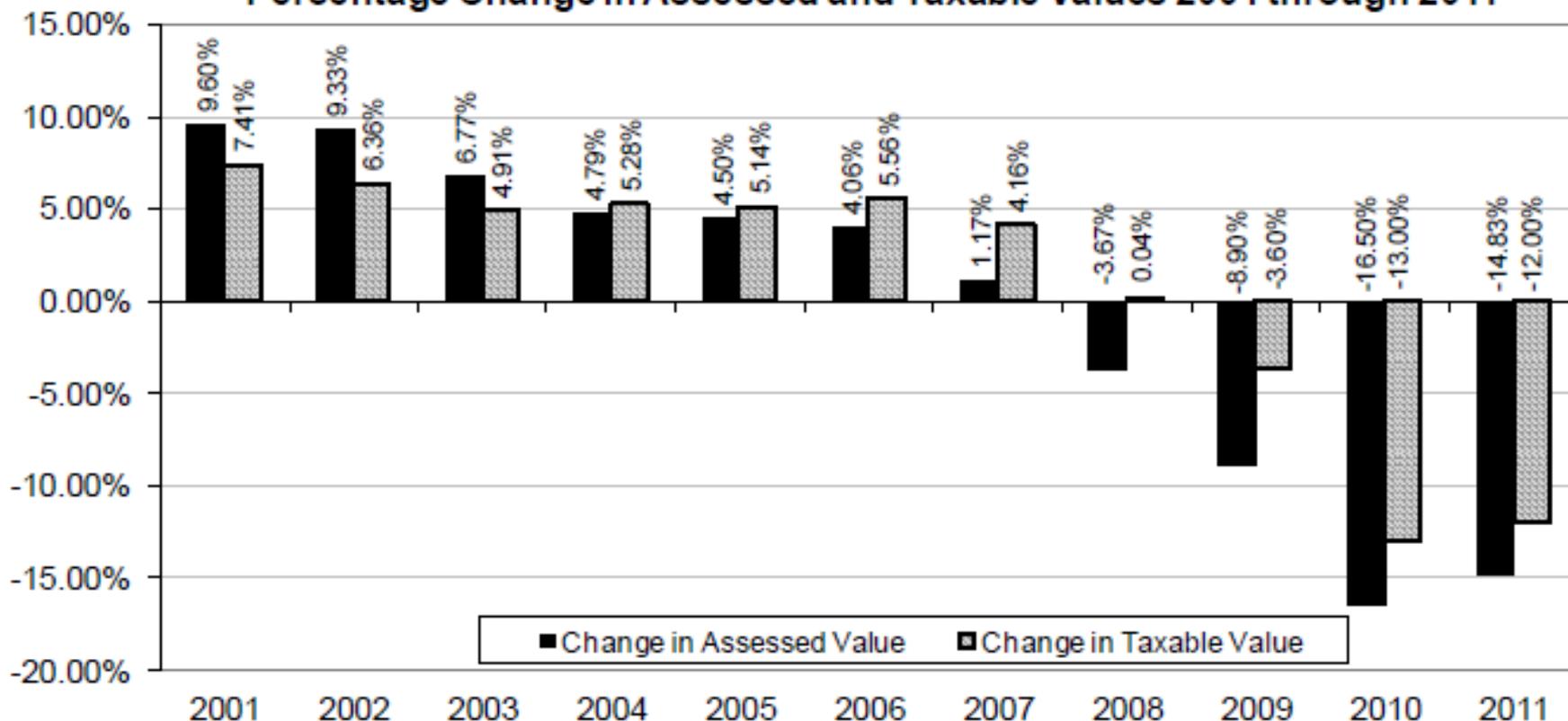
# Sheriff Deeds – Foreclosures on Mortgages Countywide

7-8-09



# Property Value Changes

**Oakland County, MI**  
**Percentage Change in Assessed and Taxable Values 2001 through 2011**



- 2001-2009 information from annual Equalization Reports.
- 2010-2011 are estimates.

- 9,242 foreclosures for 2008; 8,320 projected for 2009. Economics 101 – supply high; demand low; prices fall. “Prices” – or value – is used for property tax revenues (e.g. taxable value).
- Speculators – bulk property buyers looking for substantial discounts – could be as high as 30% to 40% in value losses per transaction. Speculators would exacerbate taxable value declines.
- Oakland County property values are roughly 17.7% of the State’s value – as goes Oakland’s property values, so goes the State’s values. Oakland’s losses are comparable with southeast Michigan counties for the December 31, 2007 and 2008 assessment rolls.
- Legislature proposals to revise property tax laws could temporarily exacerbate the decrease in property tax revenues, but would mitigate amounts paid by taxpayers. Regardless of what Lansing does, the market is going to achieve much the same efforts as would be the case with the legislation / ballot initiatives.

## Real Estate Issues – Regional (Cont.)

- Oakland County anticipated taxable value declines in its budgeting process as of the following Dec. 31 assessment date:
  - 2008 – 4.5% (actual). In 2009 budget.
  - 2009 – 13.0%.
  - 2010 – 12.0%.
  - 2011 – 5.0%. The 2011 amount is likely low depending upon how the present auto companies' restructurings / lay-offs impact future revenues – will take two years to work through the system.
- Lest you think Oakland is alone, Money magazine just reported that the median sales of a home in Wayne County is \$16,000 – with Cleveland being number two out of 25 cities at \$70,000. St. Louis - \$101,000.

## Future Regional Real Estate Issues – (Cont.)

- **Property Tax Revenues / Labor agreements** – property tax revenue declines may be greater than governments expect. Labor negotiations will be critical as the property tax declines will result in long-term losses of revenues – a clash of declining revenues and increasing labor costs expected circa 2009 / 2010-ish.
- **DTRF distributions** – delinquent receivables are purchased by counties from CVTs / schools with 'recourse.' If uncollectible, they may be coming back to the governmental units – adequacy of reserves (few governmental units provide reserves for this loss).
- **School Districts** - school districts are stressed due to the fiscal structure / relationship between the State and schools (pension / retirees' healthcare issues). The funding structure is very troubling.
- **CVTs** – as with the school districts, the CVTs and other counties are stressed as well.

## Future Real Estate Issues (Cont.)

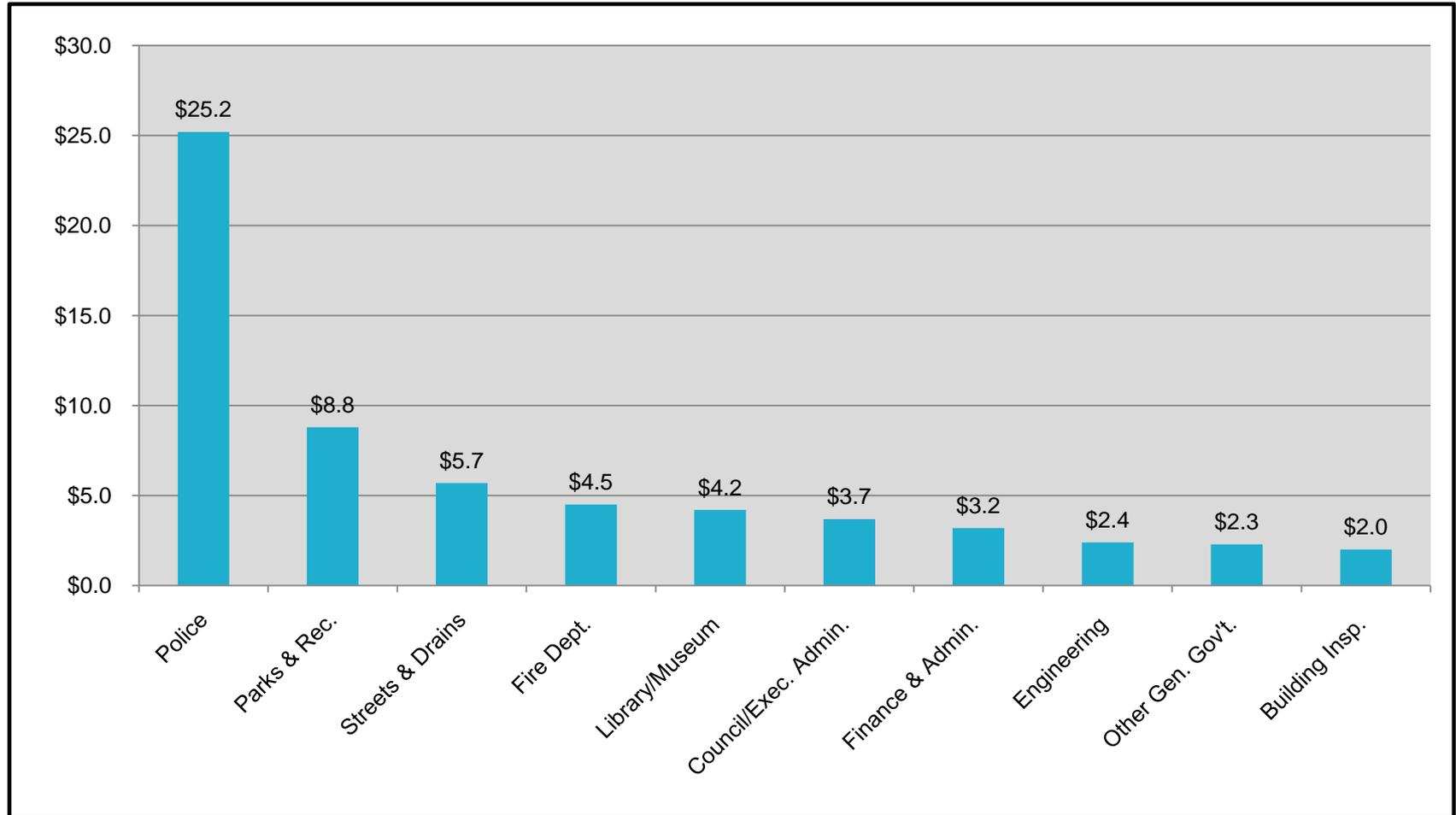
- In Jan. 2009, U of M reported - national housing market would improve in 2010. However, the nation never dipped below 1M housing starts prior to 2008. In 2008, the national housing starts are expected to be roughly 910K. U of M projects 2009 housing starts of 760K and in 2010 at 900K – still well below prior levels. No significant housing starts for Michigan.
- **Unlikely that taxable value at December 31, 2007 will return to similar levels (unadjusted for inflation) until circa 2020 – 2025. Governments will have to do without increases in property tax revenues for a half-generation – while expenditures have no limitations on increases.**
- Michigan governments need to re-order their thinking to address consolidations / sharing of services / other efficiencies. Many governments will struggle financially in the coming few years – as they are not preparing for the impacts cited in this presentation. Need long-range planning to compensate.

## Summary

- The solutions to resolve the budget beast facing State and local governmental units are many. There is no shortage of solutions – new taxes, service reductions and / or reforms.
- Unfortunately, there will be numerous governmental units who will be unable to plan longer-term for the fiscal crisis ahead and likely will find themselves facing Act 72 – an emergency financial manager or worse.
- Only proper management principles, leadership and political will can solve the tough business issues facing Michigan governments today.

**Matthew J. Farrell,  
Executive Principal/Partner  
Core Partners**

# Cost of the City of Troy Government (by Department) in 2009/10



# Options

# Assumption

Privatization and/or regionalization of certain departments will save roughly 40% compared to the cost of providing services in-house.

# Option 1 – Elimination

	<u>In House Reduction/Retention/ Combination</u>	<u>Regionalize</u>	<u>Privatize/ Contract</u>	<u>Consolidate</u>	<u>Eliminate</u>
City Manager	X	X		X	
City Attorney	X	X	Hybrid	X	
City Clerk	X	X	Hybrid	X	
Community Affairs	X	X	X	X	X
Human Resources	X	X	Hybrid	X	
Building	X	X	Hybrid	X	
Engineering	X	X	Hybrid	X	
Accounting/ Risk Management	X	X	X	X	
City Assessor	X	Hybrid	X	X	
Purchasing	X	X		X	
City Treasurer	X	X	Hybrid	X	
Fire	X	X	Hybrid	X	
Library	X	X		X	X
Museum	X	X	X	X	X
Planning	X	X	Hybrid	X	
Real Estate and Development	X	X	X	X	X
Parks and Recreation	X	X	Hybrid	X	X
Nature Center	X	X	X	X	X
Police	X	X	Hybrid	X	
Streets and Drains	X	X	Hybrid	X	

# Option 1 – Elimination

The following departments would be eliminated:

<u>Department</u>	<u>Timeframe</u>
Community Affairs	July 2010
Risk Management*	July 2010
Library	July 2010 – July 2011
Community Center	July 2011
Museum	July 2010 – July 2011
Nature Center	July 2010 – 2011

\*Function will be reassigned to another dept.

# Option 1 – Elimination of Community Affairs

Eliminating Community Affairs would impact level of service to the community in the following ways:

1. Loss of established communication methods.
2. Loss of the *Troy Today* newsletter.
3. Reduced media relations.
4. Reduced government cable channel programming.
5. Reduced City web site maintenance.

# Elimination of Library

If the Library is closed, the impact on level of service to the community would be:

1. Elimination of all library materials.
2. Elimination of access to public computers and information services.
3. Closure of Friends of the Library book shop and gift shop.
4. Elimination of all programs for children, teens, adults and seniors.
5. The Troy Public Library logs over 600,000 visits annually; visitors would have to use another city's library.

# Elimination of Community Center

If the Community Center is closed, the impact on level of service to the community would be:

1. Elimination of programs and activities for children, teens, adults and senior citizens.
2. Elimination of meeting space available to the public for use.
3. The Troy Community Center logs over 1 million visits annually; visitors would lose the use of this quality of life venue.

# Elimination of Museum

Closing the Museum would impact level of service to the community in the following ways:

1. Elimination of education programs for 12,000 students annually, including all Troy students grades K-5 and 8.
2. Contracts and donations to move Niles-Barnard House and expand museum will be renegotiated or revoked .

# Elimination of Nature Center

Closing the Nature Center would impact level of service to the community in the following ways:

1. The loss of a resource tool for the public regarding environmental, plant, and animal issues.
2. Over 28,000 annual visitors, many of whom are children, would be without this facility and its programming.

# Option 1 – Privatization

The following departments would be privatized to varying degrees:

## Department

Building Inspection  
Engineering  
Department of Public Works  
Parks and Recreation  
Human Resources  
Real Estate and Development

## Timeframe

Privatization will begin as soon as possible – contingent upon labor contracts, legal issues, development of specifications and the bidding process.

# Privatization – Department of Public Works

Privatizing the DPW function will have the following impact on level of service to the community:

1. Delayed response time for snow and ice removal.
2. Delayed pavement maintenance projects.
3. Delayed street sweeping.
4. Delayed sidewalk maintenance projects.
5. Delayed roadside clean-up, guardrail maintenance, grass and weed control, drain structures and ditch maintenance.

# Option 1 – Regionalization

**A portion of the duties of the City Assessor’s Office would be regionalized\* as Oakland County would take over these functions.**

\*Regionalization means that another layer of government will perform the service on behalf of the City. An example here is that the Oakland County Equalization Division can perform some of the assessing functions for Troy.

# Option 1 – Reduction of Staff

The following departments would experience reduction of employees:

<u>Department</u>	<u>Timeframe</u>
City Attorney's Office	July 2010
Finance	July 2010
City Clerk's Office	July 2011
Purchasing	July 2011
Fire Department	July 2012 – July 2013
Police Department	July 2011 – July 2013

# Option 1 – Reduction of Staff Career Staff in Fire Department

The Fire Department would lose 3 full-time personnel and 1 part-time person, which would impact level of service to the community in the following ways:

1. Elimination of public fire education and juvenile fire setter programs.
2. 25% reduction in fire inspection capabilities.
3. 20% reduction in fire department training.

# Option 1 – Reduction of Staff Fire Department, continued

4. 25% reduction in the number of staff available for weekday incident response.
5. 50% reduction in homeland security activities.
6. 30% reduction in fire investigations and fire department support activities.

# Option 1 – Reduction of Staff Police Department

The Police Department would see a reduction of 47 full-time personnel (25% of the Police Department), consisting of both sworn and non-sworn employees, between July 2011 and July 2013. The impact on level of service due to a reduction in the Police Department would be as follows:

## July 2011

1. Reduction in road patrol Police Service Aides.

# Option 1 – Reduction of Staff Police Department, continued

## July 2012

1. Elimination of 1 road patrol shift.
2. Elimination of Animal Control Services for both Troy and Clawson.
3. Elimination of the Juvenile Unit (including officers assigned as school resource officers).
4. Reduction of the Traffic Safety Unit.

# Option 1 – Reduction of Staff Police Department, continued

## July 2013

1. Elimination of the Criminal Intelligence Unit.
2. Elimination of the Community Services Section.
3. Elimination of the Public Information Officer.
4. Elimination of Narcotics Enforcement Team participation.
5. Reduction in the Directed Patrol Unit.

# Option 1 – Reduction of Staff Police Department, continued

## July 2013

6. Reduction in the Special Investigations Unit.
7. Reduction in the Investigations Supervisory personnel.
8. Reduction in the Training Section.
9. Further reduction of the Traffic Safety Unit.

# Option 1 – Summary of Staff Reductions

There are approximately 160 full-time employees that will be eliminated from July 2010 – July 2014:

July 2010	=	58
July 2011	=	39
July 2012	=	29
July 2013	=	31

There are approximately 150 part-time employees that will be eliminated from July 2010 – July 2014:

July 2010	=	66
July 2011	=	67
July 2012	=	1
July 2013	=	17

# Option 2

**This option maintains part-time operations for the Library, Nature Center and Museum, and full-time operation of the Community Center.**

In order to accomplish this, lay-offs in the Police Department must increase by 20 people – bringing the total decrease in Police personnel to 67 from 47 in Option 1.

Please know that 67 personnel in the Police Department represent about 35% of departmental strength. Of course, changes to other departments listed in Option 1 for elimination, privatization, regionalization, and reduction would still be in place.

# Option 2

	<u>In House Reduction/Retention/ Combination</u>	<u>Regionalize</u>	<u>Privatize/ Contract</u>	<u>Consolidate</u>	<u>Eliminate</u>
City Manager	X	X		X	
City Attorney	X	X	Hybrid	X	
City Clerk	X	X	Hybrid	X	
Community Affairs	X	X	X	X	X
Human Resources	X	X	Hybrid	X	
Building	X	X	Hybrid	X	
Engineering	X	X	Hybrid	X	
Accounting/ Risk Management	X	X	X	X	
City Assessor	X	Hybrid	X	X	
Purchasing	X	X		X	
City Treasurer	X	X	Hybrid	X	
Fire	X	X	Hybrid	X	
Library	X	X		X	X
Museum	X	X	X	X	X
Planning	X	X	Hybrid	X	
Real Estate and Development	X	X	X	X	X
Parks and Recreation	X	X	Hybrid	X	X
Nature Center	X	X	X	X	X
Police	X	X	Hybrid	X	
Streets and Drains	X	X	Hybrid	X	

# Option 2 - Reducing the Hours of Operation of the Library

Reducing the operating hours of the Library would impact the level of service to the community in the following ways:

1. The Library would be open 25 hours per week and the only service provided would be checking out/checking in books.
2. All programs would be eliminated.
3. All public Internet computers would be eliminated.
4. There would be longer lines at the check-out and information desks.

# Option 2 – Increased Lay-offs in the Police Department

Increasing the number of lay-offs in the Police Department to 67 would further impact the level of service to the community in the following ways:

## July 2010

1. Reduction in road patrol Police Service Aides and Road Patrol supervision.
2. Reduction in Investigations supervisory personnel.

# Option 2 – Increase Lay-offs in the Police Department, continued

## July 2011

1. Elimination of Animal Control Services for both Troy and Clawson.
2. Elimination of the Juvenile Unit, including officers assigned as school resource officers.
3. Elimination of the public information officer.
4. Reduce the Records Section.

# Option 2 – Increase Lay-offs in the Police Department, continued

## July 2011

5. Reduction in Road Patrol staffing.
6. Reduction in the Traffic Safety Unit.
7. Reduction in the Community Services Section.
8. Reduction in the Training Section.

# Option 2 – Increase Lay-offs in the Police Department, continued

## July 2012

1. Elimination of the Road Patrol shift.
2. Elimination of the Traffic Safety Unit.
3. Elimination of the Directed Patrol Unit.
4. Elimination of the Criminal Intelligence Unit.
5. Further reduction of personnel eliminates Community Services Section.

# Option 2 - Increase Lay-offs in the Police Department, continued

## July 2012

6. Reduction in Communications/Lock-up Police Service Aides.
7. Reduction in the Special Investigations Unit.
8. Reduction in Criminal Investigations personnel.
9. Reduction in secretarial personnel.
10. Further reduction in the Training Section.

# Option 2 – Increase Lay-offs in the Police Department, continued

July 2013

1. Elimination of the Division Captain position.
2. Elimination of the Special Investigations Unit.
3. Reduction in Communications supervisory personnel.
4. Reduction in Lock-up supervisory personnel.
5. Further reduction of Road Patrol personnel.
6. Further reduction of the Records Section.

The Professional Standards and Community Relations Division is now non-functional. The few remaining personnel are assigned to other divisions.

# Option 2 - Summary of Staff Reductions

There are approximately 170 full-time employees that will be eliminated from July 2010 - July 2014:

July 2010	=	57
July 2011	=	52
July 2012	=	30
July 2013	=	30

There are approximately 115 part-time employees that will be eliminated from July 2010 - July 2014:

July 2010	=	67
July 2011	=	26
July 2012	=	1
July 2013	=	17

# Possible Alternate Revenue Sources

1. City Manager is seeking employee concessions.
2. City Council can ask the voters if they wish to approve a General Fund millage increase.
3. City Council can ask the voters if they wish to approve a millage increase for a specific use, like a library.

# Possible Alternate Revenue Sources, continued

4. City Council can establish an independent library board separate from the General Fund and levy up to one mill for the operation thereof.
5. City Council can authorize the use of the Budget Stabilization Fund, Fund Balance, and increase some administrative fees.
6. City Council can transfer some funds from General Capital to General Operating, although I would not recommend any reduction to Capital Funds allocated for road improvements.

# Option A – Restore Public Safety Services

What would it take to maintain:

1. Police and Fire Departments at current level of service.
2. Public Works' 24-hour response protocol for snow and ice removal.

**Answer:           A one mill (1.0) operating levy.**

This option would be utilized in conjunction with regionalization, privatization and reductions in staff, as well as wage and benefit concessions. Any savings would be set aside for enhancing the restoration of services in subsequent fiscal years.

**This option does not restore any of the quality of life services.**

# Option B – Restore Public Safety Services and Partially Restore Quality of Life Services

What would it take to maintain:

1. Police and Fire Departments at current level of service.
2. Public Works' 24-hour response protocol for snow and ice removal.
3. A part-time Museum, Nature Center and Library.
4. A full-service Community Center.

**Answer: A one and one-half (1.5) mill operating levy.**

This option would be utilized in conjunction with regionalization, privatization and reductions in staff, as well as wage and benefit concessions. Any savings would be set aside for enhancing the restoration of services in subsequent fiscal years.

# Option C – Restore Public Safety Services and Fully Restore Quality of Life Services

What would it take to maintain:

1. Police and Fire Departments at current level of service.
2. Public Works' 24-hour response protocol for snow and ice removal.
3. A full-service Museum, Nature Center and Library.
4. A full-service Community Center.

**Answer:** A two (2.0) mill operating levy.

This option would be utilized in conjunction with regionalization, privatization and reductions in staff, as well as wage and benefit concessions. Any savings would be set aside for enhancing the restoration of services in subsequent fiscal years.

# How Much Would 1 Mill Cost the Average Residential Tax Payer?

1 mill equates to approximately \$103.00 on the average 2010 residential tax bill. This is still approximately \$55.00 less than the average 2009 residential tax bill.

# What is the Value of a Mill?

2010/11 = \$4.6 million

2011/12 = \$4.1 million

2012/13 = \$3.9 million

2013/14 = \$3.7 million

2014/15 = \$3.5 million

# Recommended Timeframe for a Special Election

**October 5, 2009**

Continuation of City Manager's presentation on the 6-year organization restructuring plan.

**October 19, 2009**

City Council schedules a Special Election for February 23, 2010 for proposed millage ballot question(s), as authorized by Section 9.16.5 of the City Charter.

**October 19, 2009**

City Council approves proposed millage ballot question(s) for placement on the February 23, 2010 Special Election ballot.

**October 20, 2009**

Once approved, the proposed millage ballot question(s) to be forwarded to the Oakland County Clerk.

**February 23, 2010**

Special Election.