



CITY COUNCIL REPORT

February 25, 2010

TO: The Honorable Mayor and City Council Members
FROM: John Szerlag, City Manager
SUBJECT: Restructuring City of Troy Government

I'm requesting a study item at the end of the March 1 Council meeting to discuss the following items related to our long-term economic sustainability:

1) [Update on Methodology to Privatize](#)

Please refer to my memo identified as Attachment 1.

2) [Status of Current Privatization Efforts](#)

Consultant Richard Carlisle and staff will provide this update for the golf course operations, Building Inspection, Code Enforcement, and Engineering Department.

3) [Status of Employee Concessions for all Groups](#)

We currently have employee concessions in place for Exempt, Classified, and AFSCME personnel. These concessions are in the form of furlough days and will reduce our payroll by 2.5% for the above groups this fiscal year and 5% in fiscal year 2010/11. We are also looking at reducing health care costs beginning July 1, 2010. Please know that the Classified, Exempt and AFSCME employee categories constitute 219 personnel out of a total of 412 full-time personnel. Numerically, our payroll costs will be reduced by approximately \$523,000 this fiscal year and \$1,046,000 in fiscal year 2010/11.

Attachment 2 is a memo from Human Resources Director Peggy Sears indicating when labor contracts expire for the balance of our employee groups.

Restructuring City of Troy Government, Continued

4) Direction on Developing a Multi-Year Budget

Following Oakland County's lead of developing a multi-year budget, Assistant City Manager John Lamerato and I will discuss the need to address the economic sustainability of Troy by compiling a multi-year budget. Oakland County projects for 3 years and we plan on doing the same, as well as adding our projections for 2 additional years. Back in September of 2009, we projected a gap between revenues and expenditures of \$6.2 million in fiscal year 2010/11; \$6 million in fiscal year 2011/12; and \$3.2 million in fiscal year 2012/13. We also projected a deficit of \$2.9 million in fiscal year 2013/14, and \$2.7 million in 2014/15. (See Attachment 3)

As you know, City Management advanced a model known as Option 1, which eliminated recurring costs that made the organization economically unsustainable. This resulted in the closure of many venues and eventually means laying off 1 out of 3 employees across the board over the next 5 years.

Attachment 3 is that portion of previous information submitted relative to implementation of Option 1. I would very much like direction on how to proceed to develop a budget over the next 3 years.

In addition, the Refuse Fund had a deficit in fiscal year 2009/10 that was subsidized by General Capital. We project a deficit in the Refuse Fund for the next 3 fiscal years as follows:

Fiscal Year 2010/11	\$ 617,500
Fiscal Year 2011/12	1,047,350
Fiscal Year 2012/13	<u>1,318,700</u>
Total	<u>\$2,983,550</u>

Some direction will be appreciated as to how you wish to handle this deficit.



FROM THE OFFICE OF **THE CITY MANAGER**

February 18, 2010

TO: John M. Lamerato, Assistant City Manager/Finance & Administration
Mark F. Miller, Acting Assistant City Manager/Economic Development Services
Peggy E. Sears, Human Resources Director
Susan Leirstein, Purchasing Director
Richard Carlisle, Consultant

FROM: John Szerlag, City Manager

SUBJECT: Methodology to Consider Privatization of Municipal Service Delivery Functions Under the Purview of the City Manager

There's a world of difference between having departmental staff privatize certain functions of their operations to augment the workforce; and having the private sector perform service delivery functions that will replace all or a portion of the workforce within a given department. It may therefore be inherently difficult, if not impossible, for a department head to objectively rate an outside firm that may be able to be more cost efficient in delivering services when compared to in-house operations. In part, this is because the personnel in that particular department could be laid off, up to and including management personnel. To complicate matters, once bids are reviewed to perform a particular service, I will allow the affected department(s) to compete with the proposal submitted by the lowest qualified bidder. This gives a bias toward employees, and it is my preference that we do so. However, it also means that management of a department slated for possible privatization must keep an arm's length away from the selection process of the most qualified bidder in the private sector. This will avoid any potential conflicts, and/or a sense of discomfort that would result from interviewing the firms.

Given the above, I propose the following methodology when considering privatization of municipal services:

Step 1 – Analyzing Service Delivery Functions

Every department will be analyzed in terms of whether it may be more cost-effective to have those functions remain in-house, privatized, regionalized, consolidated, or eliminated.

Methodology to Consider Privatization of Municipal Service Delivery Functions, continued...
February 18, 2010

Of course, input will be received from individual departments, but the final authority in making this determination is the City Manager's Office.

Step 2 – Process for Privatization

If it is determined that a department has potential for privatization in whole or part, and the scope of work has been identified, the matter will be turned over to the Purchasing Director and our consultant for specification development. The Purchasing Director and consultant will work with the appropriate department and receive department head concurrence on the request for proposals that are being solicited. Should concurrence not be achieved, the City Manager's Office will resolve the conflict.

Step 3 – Selection of Firms to be Interviewed

The Purchasing Director and our consultant will review proposals and select the appropriate number of qualified firms to be interviewed.

Step 4 – The Interview Process

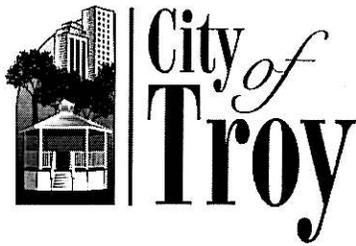
The City Manager's Office will select an outside subject matter expert to assist the Purchasing Director and our consultant in conducting interviews (Tom Markus, Alex Allie, Gary Shripka, Frank Gerstenecker, and Paul Preston come to mind). We will thus have an interview panel of three people that will recommend the most qualified bidder. Of course, department directors and other management staff of that department may be present during the interview, as well as ask questions.

Step 5 – In-house Proposal to Compete with Private Sector Bid

Once the City Manager's Office concurs with the recommendation of the Purchasing Director, our consultant and the other outside party, the City Manager's Office will turn the matter over to the Human Resources Director and the appropriate department head to see if the work can be performed as cost efficiently in-house. And the Human Resources Director can draw on anyone else she deems necessary to assist in this endeavor.

Step 6 – The Final Outcome

Once the Human Resources Director and the department director have performed their analysis, they will share it with the Purchasing Director and our consultant. If all agree on a course of action, they will submit a joint recommendation to the City Manager's Office. If there is disagreement, the City Manager's Office will decide. Of course, all contracts require City Council approval.



Human Resources Department

February 25, 2010

TO: John Szerlag, City Manager

FROM: Peggy Sears, Human Resources Director 

SUBJECT: Status of Collective Bargaining Agreements

This memorandum provides an update on the status of the collective bargaining agreements between the City of Troy and the six labor unions.

As you are aware, a letter of understanding between the City of Troy and AFSCME was recently ratified which provided for wage concessions and extended that collective bargaining agreement until June 30, 2011 (with the exception of health insurance). That agreement was entered into regardless of the outcome of the millage election.

Agreements reached between the City of Troy and the Troy Fire Staff Officers Association, as well as the Troy Command Officers Association, provided for wage concessions contingent on the passing of the millage proposal in the recent election. With the failure of the millage proposal, those agreements are no longer in effect.

Listed below are the expiration dates of the existing collective bargaining agreements.

<u>Union</u>	<u>Number of Employees</u>	<u>Contract Expiration</u>
American Federation of State, County and Municipal Employees (AFSCME)	80	June 30, 2011
Michigan Association of Police (MAP)	53	June 30, 2010
Troy Command Officers Association (TCOA)	26	June 30, 2011
Troy Fire Staff Officers Association (TFSOA)	10	June 30, 2011
Troy Police Officers Association (TPOA)	95	June 30, 2013

Additionally, negotiations are underway with the Troy Communications Supervisors Association (TCSA) which is a new unit that was certified in April, 2009 and represents 9 employees.

Attachment #3

Option #1 from Oct. 05, 2009

Department	2010/11	Savings	2011/12	Savings	2012/13	Savings	2013/14	Savings	2014/15	Savings
City Manager										
City Attorney	1	\$130,000								
City Clerk			4	\$147,000						
Community Affairs	6	\$240,000								
Human Resources			3	\$95,000						
Building Inspection	17	\$959,400								
Engineering	15	\$375,200								
Accting/ Risk Man	2.5	\$176,000								
Assessing	5	\$365,000								
Purchasing			2	\$168,000						
Treasury	0.5	\$30,000								
Library	39	\$1,000,000	69	\$2,663,000						
Museum	10	\$315,000	1	\$110,000						
RE&D	2	\$184,000								
P&R	17	\$1,654,719	12	\$1,550,000						
Nature Center	7	\$270,000	1	\$92,000						
Police		\$160,000	4	\$290,000	29	\$3,173,000	14	\$1,687,000		
DPW	2.5	\$155,000	10	\$320,000			31	\$939,000		
City Donations		\$200,000								
Longevity				\$540,000						
Fire				\$34,000	1	\$72,000	3	\$274,000		
4 Day Work Week									0	\$2,700,000
TOTALS	124.5	\$6,214,319	106	\$6,009,000	30	\$3,245,000	48	\$2,900,000	0	\$2,700,000
Full Time	60.5		39		29		31	Total Layoffs:		159.5
Part Time	64		67		1		17			149
Revenue		\$ 58.1		\$ 54.3		\$ 53.1		\$ 52.2		\$ 51.5
Expenditures		\$ 64.3		\$ 60.3		\$ 56.3		\$ 55.1		\$ 54.2
Proposed Cuts		\$ (6.2)		\$ (6.0)		\$ (3.2)		\$ (2.9)		\$ (2.7)
Total		\$ 58.1		\$ 54.3		\$ 53.1		\$ 52.2		\$ 51.5
Fund Balance		\$ 10.5		\$ 10.5		\$ 10.5		\$ 10.5		\$ 10.5
F/B % of Budget		18.1%		19.3%		19.8%		20.1%		20.4%