



FROM THE OFFICE OF THE CITY MANAGER

May 9, 2011

To: The Honorable Mayor and City Council Members

From: John Szerlag, City Manager

Subject: Proposed Library Solution Advanced by Councilman Dane Slater
Responses to Budget Questions Advanced by Councilman Martin Howrylak

Attached is a proposal from Councilman Dane Slater to keep the library open, also attached are responses to Councilman Howrylak's budget questions.

In addition, please know that the venue of our Budget Wrap-up and Library decision meeting has been moved from the Council Boardroom to the Council Chambers.

See you this evening.

c: John M. Lamerato, Assistant City Manager/Finance and Administration
Mark F. Miller, Acting Assistant City Manager/Economic Development Services
Tonni Bartholomew, City Clerk
Lori Grigg Bluhm, City Attorney
Gary Mayer, Chief of Police
William Nelson, Fire Chief
Tim Richnak, Director of Public Works
Cathleen Russ, Library Director
Monica Irelan, Assistant to the City Manager

TO: Mayor and City Council Members
FROM: Dane Slater, Council Member
SUBJECT: Proposed Library Solution

In an effort to keep a full service Troy Public Library, I am presenting a practical and sustainable solution. This solution is derived from many sources;

- Community Conversations
- The ICMA study
- The statistical survey
- Listening and communicating with all City Council Members
- Listening to community input from various groups
- Conversations with City Administrators and staff
- The media
- Compromise

Recommendations:

- At this time we should concentrate on ONE GOAL
 - Maintain a full service Troy Public Library
 - Supported by all City Council Members
 - Supported by the community
 - Roads, snow removal and public safety are important but we must concentrate on one goal at a time.
 - All data is not available by May 16, 2011 deadline
- The Goal should be reached as soon as possible
 - Cost efficient
 - Stand alone vote
- Additional revenue is needed to reach the goal
 - Supported by the majority of City Council
 - Supported by City Administration
 - Support in the Community
- A millage increase is needed to reach the goal
 - Supported by the Majority of City Council
 - Supported by City Administration
 - Support in the Community
 - Ask for what you need
 - Accomplish targeted employee concessions
 - If the community feels they are getting value, they will approve a millage increase

- An August vote is necessary
 - Cost efficient
 - Less bridge money
 - Supported by the majority of City Council
 - Support in the Community for an up or down vote without outside interference or influences
 - Revenue is collected and allocated earlier than a November vote

- Provide bridge funding to keep the library open until the millage vote
 - It is cost efficient
 - 6 weeks of funding and maintaining staff are less costly than shutting down the library and reopening.
 - Supported by the majority of City Council
 - Supported by City Administration
 - Supported by the Community

- The millage should be dedicated to funding the library
 - Supported by the majority of City Council
 - Support in the community
 - Trust is an issue

- The Library will close immediately if the millage is defeated
 - Funding is gone

Conclusion:

- Determine the amount to revenue necessary to fund a full service public library.
 - To be determined
- Request a millage that will fund the necessary revenue
 - To be determined
- Request an August Millage vote
- Provide full service bridge funding until the August vote
 - To be determined
- The millage increase will be dedicated to the Library.
- Focus on funding for roads, snow removal and public safety after all data is known. If revenue is needed it should not be tied to or included with a library millage vote.
- The Library issue must stand alone.



FROM THE OFFICE OF THE CITY MANAGER

May 9, 2011

To: The Honorable Mayor and City Council Members

Subject: City Council Member Questions and Responses

-----Original Message-----

From: mfhowryl@umich.edu [mailto:mfhowryl@umich.edu]

Sent: Monday, May 09, 2011 1:44 AM

To: John Szerlag

Subject: Questions for May 9 meeting

- Where is the rest of the supporting documentation for agenda item J-6?

Response:

The supporting documentation for J-6 will be laid on the table this evening.

- What is the amount due to the General Fund from the Sanctuary Lake Golf Course Fund? When can we expect that amount to be repaid?

Response:

(\$3.2 Million, Start to re-pay in 5 plus years)

- What were the original revenue/expense/rounds of golf projections used to support the revenue bond issue for Sanctuary Lake Golf Course? How does actual performance compare to these projections?

Response:

(see attachment)

- Please provide detailed support for property tax revenue projections over the next three years. Please be sure to delineate assumptions made in each year by property class (residential, office, industrial, etc.).

Response:

(see attachment)

- The IT charge to the library for FY 2011 appears to be about \$300,000. This seems rather high. Please explain.

Response:

(The charge is based on the number of computers (108)).

- Has the City investigated outsourcing payroll servicing?

Response:

(Yes, we have talked to other municipalities. The front-end payroll preparation is where the time and money is spent, the actual check stub distribution and payroll calculation cost is minimal).

- How about other areas of the finance and accounting functions?

Response:

No

- Has the City investigated consolidating any of these back office functions with other communities?

Response:

(No, other than some IT functions).

- There was discussion in the past about getting a quote from Community Media Network (CMN) to provide cable services to the City in lieu of having the duplicate the service with in-house cable function (e.g. CMN would service both public access and WTRY). What is the status of this?

Response from Cindy Stewart:

Attached is the CMN Proposal we received last year when requested by City Council to cablecast the City Council and various other meetings in Troy including Planning Commission and BZA (up to 48 meeting in a year). There is an additional per meeting charge for meetings over 48. Their cost is \$302/meeting and a cost of \$325 for all meetings over 48 in a year with an hourly meeting rate of \$100/hour – minimum 2 hours). This quote does not include any programming on WTRY other than the meetings.

Currently our cost to cablecast meetings is approximately \$20/hour per meeting depending on the length of the meeting. A six hour City Council meeting would cost \$120 vs. \$325 for CMN. They would have to use our equipment which is already installed and paid for.

They would also charge a cost to web stream our meetings (\$27/meeting) which we currently do for no cost. They would also have a one-time set-up fee of \$290.

DVD Duplication cost is \$15/ 2-hour DVD disc plus shipping. I make those here at no cost.

- What is the status of the December 31, 2010 actuarial valuation report for the defined benefit pension plan?

Response:

(Should have report in June)

- Why is this taking so long?

Response:

(This date will actually be earlier when looking back at the last 6 valuations. (2009 – Sept.; 2008 Aug.; 2007 Aug.; 2006 July; 2005 Aug.; 2004 Aug.).

- Please detail the cost savings for the classified and exempt employees. Why are we not including all personnel costs in the 10% cost savings target?

Response:

The cost savings for Classified and Exempt personnel in FY 2011/12 will be \$918,614., the details of which are attached in a memorandum from Human Resources Director, Peggy Sears.

With reference to the operational definition of a 10% cost savings target, the governing body gave me direction to define this as 10% on the sum of base wage, pension, FICA, and workers compensation costs. This direction was solidified on three separate occasions:

1. November 22, 2010 - the governing body ratified the contract extension and early retirement incentive program for the Troy Fire Staff Officers Association. A copy of the agenda item is attached which it indicates that “savings as a Percent of Base Pay + Rollups (Pension, Work. Comp., FICA)”
2. January 24, 2011 – the governing body received an update on employee concessions for classified and exempt employees which indicated that “In order to address the current budget situation, City Council directed that City management pursue a 10% cost savings from each employee group. This 10% is calculated on payroll costs which include base pay, pension, workers compensation and FICA. A copy of this memorandum is attached
3. On February 7, 2011 City Council approved an early retirement incentive program for classified and exempt employees. A copy of the agenda item is attached and a quotation from the supporting documentation indicates that “In order to address the current budget situation, City Council directed that City management pursue a 10% cost savings from each employee group. This 10% is calculated on payroll costs which include base pay, pension, workers compensation and FICA.”

- What is the cost to the City to add back the two positions in parks maintenance functions?

Response:

(Approx. \$191,000).

- If we continue to provide winter maintenance service on county roads in the future, will the RCOC continue to provide us with a certain amount of limited funds?

Response from Tim Richnak:

I have spoken to the Director of Highway Maintenance for RCOC and he indicated that they would likely enter into a Winter Maintenance Contract with the City of Troy for a certain amount of limited funds.

- Regarding the library:
 - Please provide some comparables (to other libraries) for operating hours and budgets. As many other libraries that you have available for comparables will be greatly appreciated.

Response:

Library	Annual Budget	Circulation Statistics	Annual Visits	Number of Visits per FT staff	# of hours library open	Staff		Director Salary
						FT	PT	
Birmingham Public Library	\$3,548,395	752,351	357,374	19,854	67	18	25	\$ 86,000
Bloomfield Twp. Public Library	\$5,475,851	894,446	433,033	20,621	68.5	21	69	\$115,000
Clawson Public Library	\$478,130	100,738	123,255	61,628	40	2	9	\$ 71,772
Madison Heights Public Library	\$530,065	113,106	103,227	34,409	50	3	10	\$ 89,388
Rochester Hills Public Library	\$4,700,000	1,900,000	584,500 avg	21,648	66 summer 71 school year	27	115	\$130,915
Royal Oak Public Library	\$2,318,210	423,356	653,482	65,348	60	10	25	\$ 74,000
Sterling Heights Public Library	\$2,754,750	625,500	581,000	29,050	57.5	20	22 (Many part time equivalents used so number fluctuates)	\$115,175
Southfield Public Library	\$8,579,306	696,689	812,385	23,894	62 summer 66 school year	34	22	Range \$ 78,447 - \$106,135
Troy Public Library	\$2,259,670	1,300,000	635,000	105,833	55	5	55	\$ 90,845
Warren Public Library	\$3,119,731	637,541	295,441	18,465	60	16	22	\$ 86,585

- o In what areas can the library charge for services (please be specific). For example, we know that we can charge for computer use. Of these areas, which of them currently have fees already charged (and how much)?

**TROY PUBLIC LIBRARY
SCHEDULE OF LIBRARY FEES 2010-2011**

OVERDUE CHARGES:

MATERIAL	LOAN PERIOD	OVERDUE CHARGES/DAY	MAXIMUM OVERDUE CHARGE*
Books (Adult)	21 days	\$ 0.25	\$15.00
Books (Youth)	21 days	\$ 0.25	\$15.00
Cassettes	21 days	\$ 0.25	\$15.00
Compact Discs	21 days	\$ 0.25	\$15.00
Puppets	7 days	\$ 0.25	\$15.00
Periodicals	7 days	\$ 0.25	*
CDROMS	7 days	\$1.00	\$15.00
Videocassettes	7 days	\$1.00	\$15.00
Videocassettes Non fiction	21 days	\$1.00	\$15.00
DVD	7 days	\$1.00	\$15.00
DVD Non fiction	21 days	\$1.00	\$15.00
Video Games	14 days	\$1.00	\$15.00
Boxed Set DVD	14 days	\$1.00	\$15.00

* Maximum charge does not exceed the replacement cost of the material

USER FEES:

	CURRENT
Lost/Damaged material	Retail replacement cost
Library Card Replacement	\$ 3.00
Non-Resident Card	\$ 200.00
DVD (Feature)	\$2.00 per title, per week
Rental Books	\$ 0.25 per title, per day
Computer Printout	\$ 0.10 per page
Photocopy/Microform Copy	\$ 0.10 per page
Color Copy	\$ 1.00 per page
Fax	\$ 3.00 first page, \$ 1.00 per additional page \$ 1.00 per page received
Video Games	\$ 5.00 for 14 days
Boxed Set DVDs	\$ 5.00 for 14 days

These fees are comparable to those charged by other libraries; in fact, TPL was the first library in the area to increase its user fees from .15/day to .25/day.

OTHER LIBRARY FEES:

Internet Usage

- \$5 for a day pass
- \$25 for a monthly pass
- \$200 for a yearly pass (this is the cost of a non-resident card)

Troy residents, residents of Suburban Library Cooperative communities, and those who have paid for a non-resident card (i.e. residents of Bloomfield Hills) are NOT charged to use the Internet computers.

Residents of all other communities are charged a fee for Internet usage.

Exam Proctoring

The non-refundable exam proctoring fee is \$20 for Troy residents and \$30 for all others, to be paid in advance of scheduling the exam.

Display of Art

There is a charge to the artist of \$25 per month to display art in one of the library's galleries or showcases (no charge to non-profits and schools).

- For each of the previous ten years, please show the following
 - General Fund Unreserved/undesignated fund balance utilization (per budget).
 - General Fund Unreserved/undesignated fund balance utilization (actual).

Response:

See Attachment

-----Original Message-----

From: mfhowryl@umich.edu [mailto:mfhowryl@umich.edu]

Sent: Monday, May 09, 2011 2:01 PM

To: John Szerlag

Subject: additional questions for tonight's meeting

1) Regarding item L-1, have we any suggestions for what should be in the blanks? Specifically, what millage amounts are being suggested?

Response:

I don't know what Council is going to decide on this matter. That said, the total budget for the library this fiscal year is \$2,685,000. This represents approximately .57 mills. The library's total budget for FY 2009/10 was \$4,570,000. This is approximately .97 mills.

2) Regarding Item N-2a, please provide a key so that I can know what the investment type number represents. Also, it would be helpful to have a more detailed description in the "Name" column. For example, what is "HIGHLAND PK"?

Response:

The investment key is located at the bottom of the page 7= CD's, 8 = Commercial Paper, 9 = t-bills, Gov't Agencies. The listing is from an old legacy program, which we plan to move away from at some point in the future. The Highland Park issue is a Michigan Municipal Bond Authority issue for the City of Highland Park Project with an S&P rating of A-2 and a letter of credit with Fifth Third Bank.

From: Monica S Irelan

Sent: Monday, May 09, 2011 11:40 AM

To: John M Lamerato

Cc: John Szerlag

Subject: Budget Question

John,

Last week Martin asked about DDAs that capture a millage. I did a really quick look at the DDAs in the area and this is what I found.

PA 197 of 1975: Article 125.1662 Ad valorem tax; borrowing in anticipation of collection.
Sec. 12.

- (1) An authority with the approval of the municipal governing body may levy an ad valorem tax on the real and tangible personal property not exempt by law and as finally equalized in the downtown district. The tax shall not be more than...2 mills if the downtown district is in a municipality having a population of less than 1,000,000...

DDAs in the area that DO collect ad valorem tax:

- 1) Clawson- 2 mills
- 2) Berkley- unknown at this time
- 3) Royal Oak- 2 mills (1.6477)
- 4) Southfield- unknown at this time

This information came from the 2010/11 annual budgets.

DDAs in the area that DO NOT collect ad valorem tax:

- 1) Farmington
- 2) Rochester
- 3) Troy

This information came from the 2010/11 annual budgets.

c: John M. Lamerato, Assistant City Manager/Finance & Administration
Mark F. Miller, Acting Assistant City Manager/Economic Development Services
Lori Grigg Bluhm, City Attorney
Tonni Bartholomew, City Clerk
Table



June 29, 2010

RE: Request for Information: Professional Service, including Cable Casting City Meetings

Oakland County Cable Communications Corporation (d.b.a., "Community Media Network," hereafter referred to as "CMN"), a 501c(3) not for profit Michigan Corporation established in 1983, acting upon the request of a member of Troy City Council, is pleased to respond with information that may be useful in some way to the City.

It is the presumption of CMN that the City of Troy desires to continue serving its residents through the production and cablecast of various city meetings and community events. In doing so, the City provides "openness" of government by broadening the public awareness of City issues, initiatives, and events, as well as the officials at work on their behalf. The benefits of cable casting meetings include: greater participation in the decision-making process by residents, sustained or improved "civic pride" and attendance at City-sponsored functions, and positive public opinion of City leadership efforts to engage in the expansion of "community."

CMN recognizes the many assets present in the City of Troy, and has enjoyed a long-term relationship with the City as the provider of Public Access cable television. In the past years, CMN believes it has served the City well by covering events like the Summer Concert series, the Courageous Persuaders Awards (every year for 10 years), and dozens of Troy School District events. Additionally, the City is portrayed favorably in popular CMN-member (and Troy resident) productions like "Julia's World," "Live Long, Live Well," as well as programming from the faith community, "Get Real" from Woodside Bible Church, and services from Kensington, Zion, Woodside and Calvary church. These programs are popular with viewers, and it is our pleasure to share them with Troy cable subscribers, and with those in ten other municipalities. CMN also supports awareness of the City's elected officials with Candidate Forums and "Meet the Mayor" interview programs. These programs allow viewers to more closely understand their city government and the challenges and opportunities faced as an elected official. In an effort to further enhance the impact of these productions, CMN has leveraged its human and capital resources (to which Troy has been a steady contributor via PEG franchise fees) to encode these types of public interest programs for web-based on-demand viewing, in addition to cable.

Considering current economic pressures *and* the long-term investment in CMN made by the City, an auspicious *expansion* – not reduction – of existing CMN-provided services would appear sensible if such expansion were capable of delivering savings to the City. Please find attached, for your benefit, a description of the services provided to the City of Rochester by CMN.

Thank you for requesting the following information. As your primary point of contact for CMN, I welcome any questions or feedback.

H. Jay Wiencko, Jr.
Executive Director, CMN
248-589-7778 - office
jay@cmntv.org



Solution

CMN proposed four production solutions to meet the requirements of the Rochester RFP. The City narrowed down the proposal to the two of greatest interest, and finally chose the one best suited to their needs, described below.

1. "REMOTE CONTROLLED" FIXED SOLUTION

Summary

CMN proposed four 3CCD or CMOS digital "PTZ" (pan, tilt, zoom) remotely operated cameras mounted on chamber walls or ceiling. Cameras would be unmanned, using an operator in an adjacent room to change camera angles and composition. This operator is also the "director" who operates the switcher. Small cables would run between cameras and the director's position in an adjacent room. The cables would be safely concealed in a permanent manner and provide no esthetic intrusion. The cables will remain in position for as long as the contract defines their need, or until otherwise directed by the City. The positioning of the cameras provides angles of view that would cover each Councilmember as well as Legal Counsel and the City Manager, plus the podium for public comment. No obstructions of spectator sightlines and seating are introduced in this solution. The audio used is that which is currently in place, with a (split) master feed sent to the director's station for integration into the production. Lighting provided is ambient, currently in place in the Council chambers. The switcher used to select which camera is "live" in the production is capable of accommodating up to six video inputs, plus an input from a PC source (i.e., PowerPoint presentation). The switcher can also provide graphics (titles, meeting agenda details, etc.) live to the mix. The switcher records the program to a hard drive, an external recording device (DVD burner, for archiving), the channel playback device, plus sends a video output for streaming to the Internet. The space requirements for the director's station are 4' x 6', plus 1-2 chairs. Power requirements for the entire solution are minimal; standard 110v outlets are used with UL approved devices and cables.

The main benefit of this solution is the simplicity it offers in terms of set-up, from meeting to meeting, and the efficient use of available space in chambers. Secondly, the absence of human camera operators is less distracting and does not impact seating capacity or sightlines. The intent of this solution is to enjoy a "set it and forget it" scenario for most meetings, minimizing time spent in pre-production.

The up front cost for this equipment included a robotic system (cameras, software, cables), switcher, playback device, and installation. The total was approximately \$26,000.

Basic Equipment Detail

- Sony EVID 70 P/T/Z Robotic Color Cameras (4)
- Young Monkey remote control software for TriCaster
- Newtek Tricaster Studio w/LCD monitor
- Newtek Tricaster LC-11 control surface
- APC UPS backup power supply for Tricaster/monitor
- Remote control to camera cable, 100' (1)
- Interconnect Camera to Camera cables, 50' (3)



ADDITIONAL DETAILS TO CONTRACT

Cable Casting

CMN provides technical support and labor to assure that successful cable casting of meetings is achieved on the City Government Access channel. CMN's experience with a variety of playback systems and configurations serves the City well in determining which solution most effectively meets its needs. CMN recommended a server-based playback system (Leightronix Ultra Nexus). CMN has no interest in any vendor or manufacturer, and is uniquely qualified to provide the City with an unbiased recommendation that is based strongly on value, performance or a combination of both.

Any equipment necessary to deliver successful cable casting has been evaluated by CMN, and information regarding necessary equipment has been promptly shared with the City. Any costs for such are "actual," as provided by the best-qualified vendor. CMN offers services to the City, and has no interest in deriving profit from equipment mark-up.

Meetings

The City requires, at a minimum, the cable casting of the following meetings:

- A. City Council - 2nd & 4th Monday each month
- B. Planning Commission - 1st Monday each month
- C. DDA - 3rd Wednesday each month

It is understood that the length of the above meetings may vary from less than one to more than six hours, and that from time to time, additional special meetings may be scheduled that are to be cable cast.

Production Values

It is understood that the delivery of the content produced in a City meeting is to be "acceptable to the average television viewer," and that would coincide with the goals of CMN as well.

Webcasting

The City had enabled webcasting of meetings, but was open to proposals that addressed alternate means of providing this service. CMN offered webcasting service support at \$27 per hour (spent in addition to normal recording duties) augmenting the remainder of services under contract, and the City accepted the offer as well as CMN's recommendation for improved streaming service.

Additional Value Added Services

Promotional Programming: As an included service that provides value to the City and its residents, businesses and organizations, CMN produces six additional programs annually for cablecast. Examples of such include recaps of special events like the "Art & Apples Festival," "Rockin' Rods 'n Rochester," "Heritage Festival," "Big, Bright, Light Show," "Fire & Ice Festival," and "Earth Day Fest." CMN allocates staff to produce these programs to further enhance "Community" in Rochester, and the value of the contract.

Training: Since City staff is on-site more often than CMN, CMN recommended that a City representative be trained in the use of the chosen playback device. CMN provided training to enable redundancy and flexibility for the city, at no additional charge.

Archiving, Ownership & Duplications

CMN provides archiving of meeting recordings on DVD for a period of one year from the date of the meeting. Ownership of the meeting recordings is designated to the City. CMN can provide DVD duplications of meetings or promotional programs upon request; duplication fees are payable by the requestor.



Contract Pricing and Services: Rochester

1. "REMOTE CONTROLLED" FIXED SOLUTION

City Equipment, CMN Labor

- City-owned and maintained production equipment (purchased separately, < \$30,000)
- CMN-staffed production and cable casting of meetings
- Provision of video feed to & coordination with current live webcasting solution used by City

Price: \$14,500 per year, for 48 meetings.

Per meeting charge over 48: \$325

Hourly meeting rate (over 48): \$100/hr (min. 2 hrs.)

Hourly rate is billable in quarter hour increments.

Time billed includes actual meeting time, plus .5 hour for production prep.

PRICING OF DETAILS COMMON TO ALL SOLUTIONS

Cable Casting

CMN assists in the discovery of all equipment determined to be necessary for delivery of cable casting, including play back equipment, the CITY may purchase such equipment. CMN develops specifications and bid packages for all necessary equipment. CMN consults and assists the City with wiring or installation of equipment. CMN provides support for the operation of the equipment and provides training to CITY staff, all at no additional cost.

Webcasting

CMN now also provides a live video stream that is delivered to the city website. CMN also manages the uploading and chapter indexing (i.e., Agenda items) of a video file for on-demand viewing. The web video content is managed completely by CMN. The additional cost for this service is a modest \$27/hr of time spent to specifically manage uploading and chapter indexing. The average cost of this is \$22 per meeting. CMN also researched, recommended and implemented for an improved webcast delivery provider than that which had been used before (cost: one-time set-up fee of \$290).

Additional Value Added Services

Promotional Programming: Promotional programming efforts as described at no additional cost.

Archiving

Archiving of meeting recordings on DVD or other mutually acceptable media for a period of one year.

Price: no charge with annual contract

Duplications

CMN provides DVD duplications of meetings or promotional programs upon request.

Price: \$15 per 2-hour DVD disc (pick-up at CMN); shipping available for added charge.



CITY COUNCIL ACTION REPORT

DATE: November 18, 2010

TO: The Honorable Mayor and City Council Members

FROM: John Szerlag, City Manager
John M. Lamerato, Assistant City Manager/Finance & Administration
William Nelson, Fire Chief
Peggy E. Sears, Human Resources Director

SUBJECT: **AGENDA ITEM** – Ratification of Contract Extension and Early Retirement Incentive Program – Troy Fire Staff Officers Association (TFSOA) 2011-2014

RECOMMENDATION

City management supports and recommends approval of the tentative agreement between the City of Troy and the Troy Fire Staff Officers Association for an extension of the collective bargaining agreement from June 30, 2011 to June 30, 2014 with the following exceptions: cost-saving changes to health insurance, elimination of longevity for all employees, and offering an early retirement incentive program. Additionally, the equivalent of a 5% wage decrease in the form of unpaid furlough days will continue through the period of the contract extension.

BACKGROUND

On June 15, 2009, the City Council approved a tentative agreement between the City of Troy and TFSOA to extend the current collective bargaining agreement from June 30, 2010 to June 30, 2011. Six months later the union agreed to open their contract for the purpose of investigating options for employee concessions; in December, 2009, the union agreed to the equivalent of a 5% wage decrease in the form of mandatory furlough time for the duration of the contract extension. This agreement was contingent on the passing of the millage election in February 2010.

As you are aware, the millage election failed. However, on March 11, 2010, the TFSOA agreed to continue the mandatory unpaid furlough days through the period of the contract extension until June 30, 2011, and further agreed that the issue of health insurance coverage may be subject to further negotiations. Health insurance changes were

subsequently negotiated, and on October 19, 2010 the TFSOA signed a tentative agreement (copy attached) that incorporated cost-saving changes to health insurance, as well as eliminated longevity pay for all TFSOA members who had been previously eligible to receive it. This agreement represents a reduction in costs of 16% of base pay.

The last component of the tentative agreement is the offering of an Early Retirement Incentive Program. A description of the program recommended by city administration is attached. Generally, two options would be offered: a cash incentive of \$1,000 per complete year of credited retirement service with the City of Troy, or the option to convert from a Defined Contribution Pension Plan to a Defined Benefit Pension Plan. This Early Retirement Incentive Program must be cost neutral. The DC to DB Program would be funded directly from the members' DC accounts. The cost associated with the cash incentive program will be covered by the department. In the attached letter, actuary Brad Armstrong, Gabriel Roeder Smith & Company, further discusses this issue.

PES/JML/bjm

Attachments

TENTATIVE AGREEMENT

**2010 Contract Negotiations
City of Troy and TFSOA**

The City of Troy and the Troy Fire Staff Officers Association (TFSOA), hereby agree that all terms and conditions of the 2006-2009, which was extended to June 30, 2011, will be further extended until June 30, 2014 but with the following conditions:

1. Increases pertaining to certification enhancements will continue pursuant to the contract provisions
2. For all employees, the current health insurance plan will be replaced with Blue Cross Community Blue Plan 1 (Modified) to include:
 - a. \$10/40 drug rider with mandatory generic, step therapy and prior authorization.
 - b. \$30 office visit co-pay
 - c. \$50 emergency room co-pay (waived if admitted to hospital)
 - d. \$250/500 Basic deductible
 - e. preventive care coverage with \$1000 max
 - f. \$30 co-pay for chiropractic visits
3. HMO coverage would include:
 - a. \$10/40 drug rider with mandatory generic, step therapy, and prior authorization
 - b. \$30 office visit co-pay
 - c. \$50 emergency room co-pay (waived if admitted to hospital)
4. For employees currently receiving 'cash-in-lieu' for opting out of city health insurance, the cash-in-lieu payment will be \$200/mo.
5. Employee co-pay for health insurance shall be 5% of the total premium cost for medical insurance and shall be paid by means of a payroll deduction.
6. Each member will continue to use mandatory furlough time in the amount of 104 hours between July 1 and June 30 for each year of the contract extension.
7. Effective January 2, 2011, longevity pay is eliminated.
8. The early retirement incentive plan (consisting of two options: cash incentive of \$1000 per year of service or DC conversion to DB) will be offered to eligible members as soon as feasible.

FOR THE UNION:

Kathleen
Daniel Roberts

FOR THE CITY:

[Signature]
Becky L. Sears

Date: 11/02/10

Date: 11/2/10

TFSOA NEGOTIATIONS 2010
 PROPOSED SETTLEMENT SAVINGS
 (As % of Payroll)

<u>ISSUE</u>	<u>ANNUAL SAVINGS</u>	
Furlough Time	\$47,494	
Replace PPO Health Insur. w/Community Blue	\$57,530	
Eliminate All Remaining Longevity effect. Jan., 2011	\$25,156	
Total Annual Savings	<u>\$130,180</u>	
Savings as Percent of Base Pay + Rollups [Pension, Work. Comp., FICA] (\$949,870)		13.7%
Savings as Percent of Base Pay Only (\$767,784)		16.96%



CITY COUNCIL AGENDA ITEM

Date: January 24, 2011

To: Honorable Mayor and Troy City Council

From: John Szerlag, City Manager
John M. Lamerato, Assistant City Manager/Finance and Administration
Mark F. Miller, Acting Assistant City Manager/Economic Development Services
Peggy E. Sears, Human Resources Director

Subject: Update on Employee Concessions – Classified and Exempt Employees

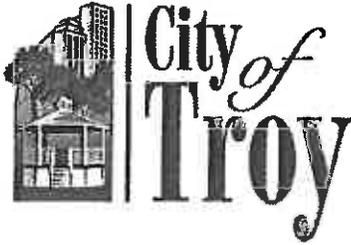
In order to address the current budget situation, City Council directed that City management pursue a 10% cost savings from each employee group. This 10% is calculated on payroll costs which include base pay, pension, workers compensation and FICA. On November 22, 2010, City Council ratified a contract extension for the Troy Fire Staff Officers Association (TFSOA) that achieved these cost savings.

Consistent with the direction of City Council, we have met with the Classified and Exempt employees to discuss further concessions beyond the furlough days that had been implemented. (Since February, 2010, the Classified and Exempt employees have been contributing furlough days which represent a 5% savings.) These meetings resulted in achieving a 10% reduction in payroll costs, approximately \$919,000. This cost savings is comprised of a combination of furlough days and pay reductions, as well as the same changes to health insurance that were agreed to by the TFSOA.

We have now met our objective with three employee groups representing 32% of our full-time workforce.

PS11M.006

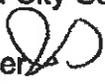
PES/bjm\AGENDA ITEMS\2011-01-24 – Update on Employee Concessions – C&E Employees



CITY COUNCIL AGENDA ITEM

DATE: February 3, 2011

TO: The Honorable Mayor and City Council Members

FROM: John Szerlag, City Manager 
 John M. Lamerato, Assistant City Manager/Finance & Administration 
 Mark Miller, Acting Assistant City Manager/Economic Development Services 
 Peggy E. Sears, Human Resources Director 

SUBJECT: **AGENDA ITEM** – Approval of Early Retirement Incentive Program –
 Classified and Exempt Employees

RECOMMENDATION

City management supports and recommends approval of the Early Retirement Incentive Program for Classified and Exempt employees.

BACKGROUND

In order to address the current budget situation, City Council directed that City management pursue a 10% cost savings from each employee group. This 10% is calculated on payroll costs which include base pay, pension, workers compensation and FICA.

Consistent with the direction of City Council, we have met with the Classified and Exempt employees to discuss further concessions beyond the furlough days that had been implemented. (Since February, 2010, the Classified and Exempt employees have been contributing furlough days which represent a 5% savings.) These discussions resulted in achieving a 10% reduction in payroll costs (approximately \$919,000), and included offering an incentive for early retirements.

This cost savings is comprised of a combination of furlough days and pay reductions, as well as the same changes to health insurance that were agreed to by the TFSOA. With the Early Retirement Incentive Program, additional savings can be realized by (1) elimination of positions through attrition and (2) hiring replacements for those employees whose positions must be filled at a reduced pay rate and reduced level of benefits.

Agenda Item - Approval of Early Retirement Incentive Program – Classified and Exempt Employees
Page Two

A description of the program recommended by city administration and the actuarial valuation are attached. Generally, two options would be offered: a cash incentive of \$1,000 per complete year of credited retirement service with the City of Troy, or the option to convert from a Defined Contribution Pension Plan to a Defined Benefit Pension Plan. This Early Retirement Incentive Program must be cost neutral. The DC to DB Program would be funded directly from the members' DC accounts. The cost associated with the cash incentive program will be covered by the department.

PES/JML/bjm

Attachments

\$12,000,000
CITY OF TROY
COUNTY OF OAKLAND, STATE OF MICHIGAN
BUILDING AUTHORITY GOLF COURSE BONDS, SERIES 2002

SCHEDULE OF PROJECTED RATE REQUIREMENTS

<u>Act. Exp.</u>	Year	(1) Projected Operating Expenses	(2) Projected Debt Service Requirements	Total	See Note* (3) Required Rate Per Round Played
	2002	\$312,500.00	Capitalized	\$312,500.00	Capitalized
	2003	312,500.00	Capitalized	312,500.00	Capitalized
1,239,397	2004	1,100,000.00	Capitalized	1,100,000.00	\$27.23
1,175,642	2005 /06	1,133,000.00	860,000.00	1,993,000.00	49.33
1,132,909	2006	1,166,990.00	849,000.00	2,015,990.00	49.90
1,082,471	2007	1,201,999.70	938,000.00	2,139,999.70	52.97
1,113,012	2008	1,238,059.69	921,500.00	2,159,559.69	53.45
1,123,078	2009	1,275,201.48	905,000.00	2,180,201.48	53.96
	2010	1,313,457.53	988,500.00	2,301,957.53	56.97
	2011	1,352,861.25	966,500.00	2,319,361.25	57.40
	2012	1,393,447.09	944,500.00	2,337,947.09	57.86
	2013	1,435,250.50	922,500.00	2,357,750.50	58.35
	2014	1,478,308.02	950,500.00	2,428,808.02	60.11
	2015	1,522,657.26	975,750.00	2,498,407.26	61.84
	2016	1,568,336.98	948,250.00	2,516,586.98	62.29
	2017	1,615,387.08	920,750.00	2,536,137.08	62.77
	2018	1,663,848.70	993,250.00	2,657,098.70	65.76
	2019	1,713,764.16	960,250.00	2,674,014.16	66.18
	2020	1,765,177.08	927,250.00	2,692,427.08	66.64
	2021	1,818,132.40	894,250.00	2,712,382.40	67.13
	2022	1,872,676.37	961,250.00	2,833,926.37	70.14
	2023	1,928,856.66	922,750.00	2,851,606.66	70.58
	2024	1,986,722.36	984,250.00	2,970,972.36	73.53
	2025	2,046,324.03	940,250.00	2,986,574.03	73.92
	2026	2,107,713.75	946,250.00	3,053,963.75	75.59
	2027	2,170,945.16	949,500.00	3,120,445.16	
		<u>\$38,494,117.24</u>	<u>\$21,570,000.00</u>	<u>\$60,064,117.24</u>	<u>\$58.08</u>

46.00

Assumptions

- (1) Based City Staff projections of operating costs inflated annually @ 3.00%
- (2) From Schedule of Debt Service Requirements
- (3) Based on 7 year average of equivalent 18 hole rounds of: 40,404

28,230

**Note: The above rate requirement is a raw mathematical average and does NOT take into consideration the fact that revenues are generated from any other sources such as golf cart rentals, merchandise sales, outings and food and beverage sales.*

**City of Troy - Assessing Department
Estimate of Taxable Value 2010/2011 - 2014/2015**

Type	2008/2009 Actual Taxable Value	2009/2010 Actual Taxable Value	% Change	2010/2011 Actual Taxable Value	% Change	2011/2012 Actual Taxable Value	% Change	2012/2013 Estimated Taxable Value	% Change	2013/2014 Estimated Taxable Value	% Change	2014/2015 Estimated Taxable Value	% Change
Commercial													
Real	1,399,118,520	1,370,377,371	(2.05)	1,207,199,537	(11.91)	1,192,065,320	(1.25)	1,072,858,788	(10.00)	992,394,379	(7.50)	942,774,660	(5.00)
Industrial													
Real	509,100,180	507,215,340	(0.37)	439,470,690	(13.36)	241,468,720	(45.05)	193,174,976	(20.00)	173,857,478	(10.00)	156,471,731	(10.00)
Residential													
Real	3,196,824,810	3,134,086,995	(1.96)	2,788,952,055	(11.01)	2,631,131,230	(5.66)	2,499,574,669	(5.00)	2,399,591,662	(4.00)	2,303,608,014	(4.00)
Total Real	5,105,043,510	5,011,679,706	(1.83)	4,435,622,282	(11.49)	4,064,665,270	(8.36)	3,765,608,433	(7.36)	3,565,843,539	(5.30)	3,402,854,405	(4.57)
Comm													
PersProp	318,577,080	294,210,610	(7.65)	272,258,370	(7.46)	249,450,210	(8.38)	230,741,444	(7.50)	213,435,836	(7.50)	202,764,044	(5.00)
Ind PersProp	103,094,850	113,894,040	10.48	97,126,060	(14.72)	93,461,220	(3.77)	84,115,098	(10.00)	79,909,343	(5.00)	75,913,876	(5.00)
Utility													
PersProp	35,880,570	39,995,560	11.47	38,606,300	(3.47)	41,173,460	6.65	39,938,256	(3.00)	38,740,109	(3.00)	37,577,905	(3.00)
Total Personal	457,552,500	448,100,230	(2.07)	407,990,730	(8.95)	384,084,890	(5.86)	354,794,798	(7.63)	332,085,288	(6.40)	316,255,825	(4.77)
Grand Total	5,562,596,010	5,459,779,936	(1.85)	4,843,613,012	(11.29)	4,448,750,160	(8.15)	4,120,403,231	(7.38)	3,897,928,827	(5.40)	3,719,110,230	(4.59)

2012 - 2015 Residential Based on Sales through March 2011, the Residential market has already bottomed out. Lower end homes are selling for slightly higher values. Higher end homes are still selling far below their values of 3 years ago. The actual overall reduction in value will be predicated by which type homes sells.

2012 - 2015 Commercial The commercial, and mainly office, market is still suffering from high vacancy, which is driving rental rates down. Based on pending Tribunal appeals, and appeals that have been settled, as existing leases expire, the renewal rates drop, further weakening the value of these properties.

2012 - 2015 Industrial Industrial vacancy is near 30%, and appears that it may not have peaked. Rental rates are near 1985 levels, and this is making these types of properties poor investments. Many more are expected to go back to the banks in the next 3 - 4 years, which will drive the prices down even more. While rental rates are starting to stabilize, there are fewer and fewer companies in need of industrial buildings.

2012 - 2015 Personal Prop Personal property tends to follow its real property values, at a lesser rate, either up or down. Businesses that are viable see a reduction in value based on age. If the depreciated value is not offset by new purchases, there will be a drop in value, as a matter of course. If businesses fail, and move out of Troy, there is a larger drop. As a comparison is that personal property usually represents about 33% the value of real commercial property, yet with all of the vacancy, it is now between 20 - 25%.

City of Troy
 General Fund - Unreserved/Undesignated Fund Balance
 Budget/Actual

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E
Budget	\$ 3.3	\$ 4.7	\$ 3.3	\$ 3.4	\$ 3.1	\$ 1.3	\$ 6.4	\$ 3.2	\$ 4.1	\$ -	\$ 2.4
Actual	\$ 2.2	\$ (1.4)	\$ (0.5)	\$ (1.0)	\$ 2.1	\$ 3.1	\$ (2.0)	\$ (1.2)	\$ (2.3)	\$ 2.4	\$ (0.8)
Unres./Undesig. F/B	\$ 10.0	\$ 9.8	\$ 9.0	\$ 8.2	\$ 13.0	\$ 11.2	\$ 10.8	\$ 8.7	\$ 10.5	\$ 10.7	\$ 10.1