

February 24, 2010

THE HONORABLE MAYOR
AND
MEMBERS OF CITY COMMISSION

As we begin preparing our two year 2010-2012 budget, we face a fiscal environment unlike anything since the great depression. While the national news is full of optimistic signs that indicate we are starting to pull out of this recession, the news in Michigan is not so positive and the news for Michigan local governments is downright alarming.

I usually like to put a summary and recommendation near the beginning of a report. That didn't seem appropriate in this case. I want everyone to understand the full severity of the problem and the impact of the necessary cuts before looking at the recommended action. For those who are too impatient to wade through this report, the recommendations appear at the end of the report.

Property Taxes

I think everyone is well aware of the unprecedented decline in property values we have seen in the past two years. This had a significant impact on our taxable value and tax revenue last year. It will have a huge impact this year and next and it will continue to have a huge impact in future years.

We expect to lose about 10% of our taxable value and property tax revenue this year and an additional 10% next year. We do not have a projection for 2012-2013 at this time but the best we can hope for is to end the decline. Taxable values will not increase when property values increase.

It is very important to understand how Proposal A of 1994 impacts our ability to recover from these losses. Proposal A only allows taxable value to increase by 5% or the rate of inflation, whichever is less.

For example, assume we have a home worth \$200,000 with a Taxable Value of \$100,000. If its market value falls to \$150,000, its Taxable Value will decrease to \$75,000. Now assume the market picks up and next year the home's value increases back to \$200,000 or goes even higher. Its taxable value will be, at most, \$78,750 because taxable value can increase by 5% at most and only if the rate of inflation is at least that high. Under Proposal A, **any reductions in taxable value are permanent reductions**. We will never recover that lost taxable value.

We don't even recover when the home is sold and the taxable value "pops up" to equal the state equalized value, as provided by Proposal A. The Headlee amendment of 1978, views these "pop ups" as an increase in the value of existing property and requires the tax rate to be lowered to offset these increases. The individual who purchased the home does pay more, based on

higher taxable value, but everyone else benefits because this drives down the tax rate. The City however, sees no increase in revenue from the “pop up.”

State Shared Revenue

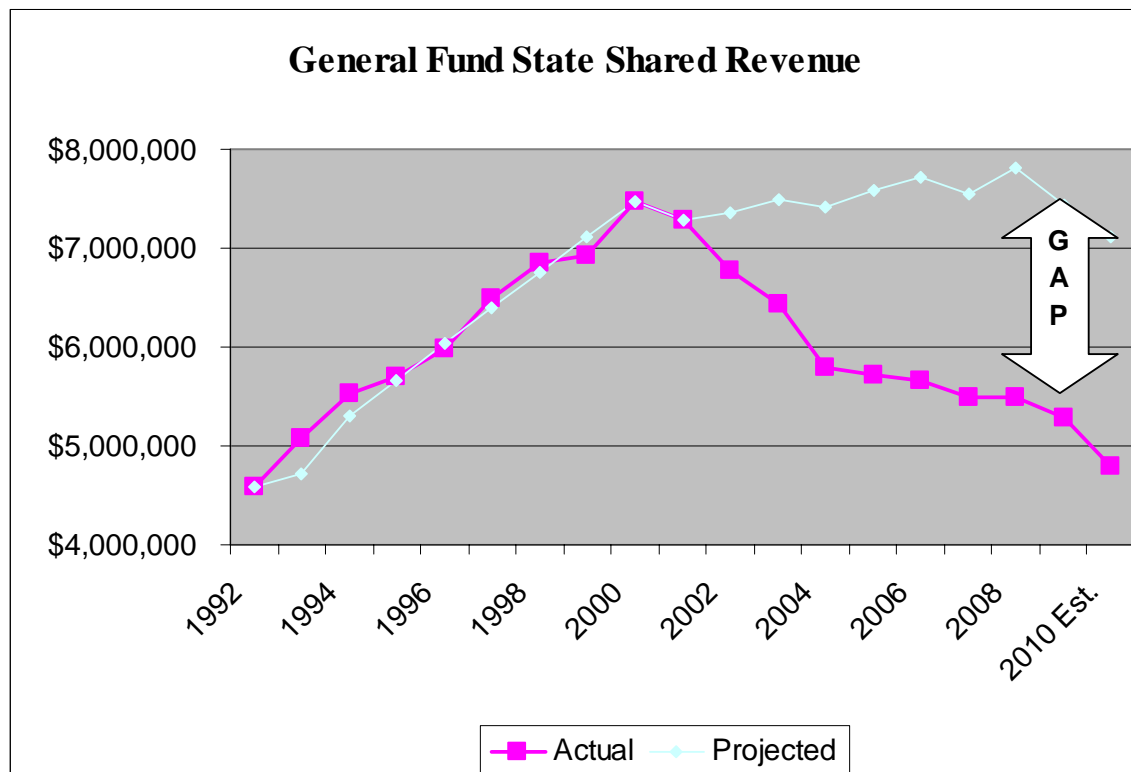
State Shared Revenue is made up of a Constitutional piece and a Statutory piece. Constitutional receipts, which has consistently hovered around \$4 million for Royal Oak, are set by the voters, which cannot be affected by the Legislature. Prior to FY1997/98, growth in Statutory revenue above the previous fiscal year was distributed on a per-capita basis. Over the next ten years a new formula was phased-in (in addition to changing the source of the revenue) as the entire prior formula entirely sunset June 30, 2007. The new formula consists of three equal components: local unit type/population group, inverse taxable property value per capita, and equalized value.

Fiscal <u>Year</u>	<u>State Shared Revenue</u>			
	<u>Constitutional</u>	<u>Statutory</u>	<u>Actual</u>	
1992			4,582,906	Uses 1990 Census.
1993			5,071,275	
1994			5,531,742	
1995			5,695,931	
1996			5,975,120	
1997	3,914,919	2,578,011	6,492,930	
1998	3,978,040	2,874,568	6,852,608	State Formula revised.
1999	4,094,535	2,831,659	6,926,194	
2000	4,433,959	3,046,331	7,480,290	
2001	3,897,555	3,393,244	7,290,799	
2002	3,937,256	2,838,283	6,775,539	Reductions begin anew.
2003	4,003,913	2,436,424	6,440,337	
2004	3,960,423	1,827,848	5,788,271	
2005	4,054,936	1,670,243	5,725,179	
2006	4,123,971	1,537,506	5,661,477	
2007	4,038,279	1,454,599	5,492,878	
2008	4,173,107	1,319,771	5,492,878	
2009	3,970,888	1,319,771	5,290,659	Governor's Executive Order 5/5/09
2010 Est.	3,800,000	1,000,000	4,800,000	

The Michigan legislature has dramatically reduced distributions of State Shared Revenue or sales tax receipts since FY 2000-2001. The amount received in 2009 is less than the 1993 distribution. The formula was fully funded in 2001 but population dropped in the 2000 Census. Statutory payments to cities have been reduced by the legislature each year beginning in 2002. Royal Oak’s Statutory piece has steadily declined since 2001, from \$3.4 million to an estimated \$1 million for 2010. The cumulative loss of State Shared Revenue since FY 2001 approaches \$16,000,000. Should the State decide to completely eliminate the Statutory payment, as the State is having its own budget crisis, it will mean \$1 million hit to the General Fund.

Following limitations by Headlee to tax rates and by Proposal A to taxable value, local government faces the dilemma that State Shared Revenue (a third leg of our financial stool) has

been sawed off. Thus the local unit of government continues to be forced into the position of having to drastically reduce services or find some creative way to raise new revenue.



Investment Income

While we have been talking about Taxable Value and State Revenue Sharing for some time, we really haven't said much about another serious revenue problem. Our General Fund investment income has fallen from \$1.5 million in FY2007/08 to an estimated \$350,000 this year because of lower interest rates. Other funds are also impacted in the same proportion.

Expenses

While revenues are falling, the same can not be said of expenses. The police arbitration award and the police command, police detective and firefighter contracts which based their wage provisions on that award call for a wage increase of 2% on July 1, 2010. We just received our actuarial report for the pension system and that calls for a contribution increase from 21.5% to 25.5%. This will represent a 17% increase. Health insurance costs are increasing and we can expect our cost to go up 9%, even if we move to self insurance. If we don't self-insure, the costs will increase 19%. Gasoline costs are rising again and utility costs are not going down.

Impact

The impact of this on our budget is simple. Lower Taxable Value means less tax revenue. Coupled with lower State Revenue Sharing, lower investment income and higher operating costs we have a serious problem. We can deal with it by further reducing our costs, by increasing our revenues or some combination of the two.

Public Safety Is Our Top Priority

It's been frequently said that public safety is our foremost priority. I think you would be very hard pressed to find any elected officials at any level of government who would disagree with that statement.

However, public safety is more than just the Police Department and Fire Department. In fact, most municipal activities are directly or indirectly related to public safety. The Building Department and the Engineering Department protect us from the dangers of faulty construction. Code Enforcement protects us from many health hazards. Fully 75% of the Court budget is spent on criminal cases, traffic violations and parking violations. That figure doesn't include the probation Division which is entirely related to public safety. DPS crews provide safe streets, clean water and sanitation; all critical to our safety. Support departments like Finance, Human Resources and Information Services spend most of their time supporting public safety activities. Without the Assessor and Treasurer, there would be no police officers or firefighters because we wouldn't have any money to pay them.

In Royal Oak, we spend 65% of our General Fund Budget on Police and Fire alone. If we count the other direct providers of Public Safety services, that percentage climbs to 76%. If we assign a share of the support departments' cost, the number exceeds 81%. If we compare to tax revenue rather than all revenue, Police and Fire alone use 129% of taxes, all direct public safety providers use 150%, and if we include support departments, that number becomes 161%!

It is impossible to make any significant reductions in the General Fund Budget without severely impacting public safety.

Setting Priorities

I know there is an expectation that we will provide in this report a priority list of programs and services. However, I think preparing list of programs now is putting the cart before the horse. It's not programs that we should be prioritizing now, its citizen needs and commission goals and objectives. Our initial focus should be on identifying "what" rather than "how." It should be on desired "outcomes", not "outputs," or "inputs."

This way of thinking lets you analyze specific programs in terms of how well they support the desired outcome. For example, we often hear that police patrol is our highest priority. I would suggest that our true priority is "Protecting persons and property." Patrol is a means to that end but it may or may not be the most cost effective way to accomplish that goal. When we think of it this way, we start to think about the value of spending a dollar on patrol activities vs. spending it on crime prevention, fire inspections, EMS, or other public safety programs. Where do we invest our money in order to maximize our goal of protecting persons and property?

This method also provides a means to properly analyze support services. If we asked citizens or commissioners to name our most important functions, no one would say “payroll.” Yet, without payroll services (regardless of how this is provided), there would be no police officers, firefighters, or any other city employees. Some functions are critically necessary to support the programs that directly address our goals.

We started this process in February of 2006 at a special “goal setting” meeting of the City Commission facilitated by Brett Tillander and continued it with a two day session in late January this year. We adopted a Vision Statement, a Mission Statement, and established goals and objectives. We need to continue this process and identify initiatives (programs) designed to accomplish these goals along with performance measures and targets. Doing exactly that is indeed one of the objectives adopted by the City Commission on February 1.

For purposes of this report, we have assumed the pain would be equally shared. All departments were asked to present a plan for reducing their expenditures by 25%. While I’m certain this will not be our ultimate position, it works very well for illustrating the magnitude of the problem we face.

I’m certain there will be a strong desire to reduce the impact on the police and fire departments. That can only be accomplished by cutting other General Fund operations even more. That will not be easy to do. Royal Oak has long run very lean General Fund operations outside of police and fire. Most of our departments are staffed comparably to cities less than half our size. Many are already struggling to perform the services we expect of them. In many cases, we cannot simply decide to cut the service because the service is mandatory or the service is necessary to support police, fire and other public safety services.

Cutbacks Needed

Because personnel costs account for fully 84% of General Fund expenditures, reducing costs means further reducing the number of employees. It should be noted that we have already reduced the total number of full-time city employees by 22% since 2004. In the General Fund this number is 23%

Below, is our most recent projection for the General Fund over the next five years. When we presented a similar table in the 2009-2010 budget document, we incorporated assumptions about retirements. We are not doing that here because our retirement assumptions used in the budget have proven to be inaccurate. People are not leaving as expected. We currently have 14 employees who have already maximized their pension percentage but have not retired.

General Fund Summary	2009-2010 Estimated Year End	2010-2011 Approved Budget	2011-2012 Requested Budget	2012-2013 Projected Budget	2013-2014 Projected Budget	2014-2015 Projected Budget
Beginning Fund Balance	9,806,898	6,152,584	326,302	(8,919,588)	(19,813,117)	(30,557,202)
Revenues	32,221,251	30,405,748	28,390,503	27,505,169	28,368,082	28,473,131
Expenditures	37,360,565	37,942,030	38,986,393	39,748,697	40,462,167	41,251,925
Net	(5,139,314)	(7,536,282)	(10,595,890)	(12,243,528)	(12,094,085)	(12,778,794)
Transfers from other funds	1,485,000	1,710,000	1,350,000	1,350,000	1,350,000	1,350,000
Net Change in Fund Balance	(3,654,314)	(5,826,282)	(9,245,890)	(10,893,528)	(10,744,085)	(11,428,794)
Ending Fund Balance	6,152,584	326,302	(8,919,588)	(19,813,117)	(30,557,202)	(41,985,996)
Fund Balance as a percentage of Expenditures	16.47%	0.86%	-22.88%	-49.85%	-75.52%	-101.78%
Net Change in Fund Balance	(3,654,314)	(5,826,282)	(9,245,890)	(10,893,528)	(10,744,085)	(11,428,794)

Although this table shows large deficit fund balances starting in FY2011/12, that is for illustrative purposes only. Such large deficits are not actually possible unless the employees are willing to accept IOUs instead of cash. When we are unable to pay employees, they will stop showing up for work and the deficit will stop increasing.

The Commission directed administration to present a plan that would result in a balanced 2010-2012 budget that makes the necessary cuts prior to July 1, 2010. To accomplish that goal, we would need to reduce expenditures by \$7.9 million per year as identified in the table below as "improvement needed" and "cumulative improvement needed." If spread equally across all departments, this would represent an additional 25.5% reduction in expenditures.

General Fund Summary to Balance Budget	2009-2010 Estimated Actuals	2010-2011 Projected Budget	2011-2012 Projected Budget
Beginning Fund Balance	9,806,898	6,152,584	8,226,302
Revenues	32,221,251	30,405,748	28,455,000
Expenditures	37,360,565	37,942,030	38,986,393
Net	(5,139,314)	(7,536,282)	(10,531,393)
Transfers from other funds	1,485,000	1,710,000	1,350,000
Net Change in Fund Balance	(3,654,314)	(5,826,282)	(9,181,393)
Improvement Needed		7,900,000	
Cumulative Improvement Needed		7,900,000	7,900,000
Ending Fund Balance	6,152,584	8,226,302	6,944,909
Fund Balance as a percentage of Expenditures	16.47%	21.68%	17.81%
Net Change in Fund Balance	(3,654,314)	2,073,718	(1,281,393)

Staffing Targets

To do that, we will need to eliminate over 70 positions by July 1, 2010. If this were spread equally to all departments, the result would be as follows.

<u>Function/Program</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>Actual</u>	<u>2010-11</u>	<u>Change</u>
44th District Court/Probation	23	23	22	22	22	22	21	21	16	-23.8%
Administrative Services										
Manager	2.5	2	2	2	2	2	2	2	1.5	
Attorney	4	4	5	4	5	4	4	4	3	
City Clerk	7	7	4	4	4	4	4	5	5	4
Human Resources	4.5	4	4	4	4	4	4	3	4	2.5
Code Enforcement	7	7	6	5	5	4	4	4	6	4
Engineering *	12	9	11	10	10	10	10	10	10	
Planning **	5	5	6	5	5	5	4	5	3	
Finance	7	6	6	6	6	6	6	6	6	5
Purchasing	1	1	1	1	1	1	0	0	0	0
Assessing	5	5	5	5	5	5	4	4	4	4
Treasurer	5	5	5	5	5	5	4	4	4	4
Subtotal	60	55	55	51	52	50	46	50	41	-18.0%
Public Safety										
Police	123	117	107	106	107	103	94	96	61	-36.5%
Fire	72	68	70	65	63	63	57	61	38	-37.7%
Subtotal	195	185	177	171	170	166	151	157	99	-36.9%
Recreation & Public Services										
Public Service										
Parks & Forestry	16	14	10.5	5.45	5.45	5.45	3.14	3.14	3.14	
Building Maintenance	2	2	2	2	2	2	2	2	2	
Electrical	2	2	2	2	1	1	1	1	1	
Subtotal	20	18	14.5	9.45	8.45	8.45	6.14	6.14	6.14	0.0%
Total	298	281	268.5	253.45	252.45	246.45	224.14	234.14	162.14	-30.8%

* Majority of employees time is charged out to other funds.

** Majority of employees time is charged to grants.

Change (Year over Year) To Date	-17	-12.5	-15.05	-1	-6					-52
Change (Year over Year) Forward						-22.31	10	-72		-84
Change Total										<u>-136</u>

This allocation of resources among departments may very well change as the Commission establishes goals and objectives and we evaluate programs based on how well they help us accomplish the objectives. That will be part of the budget process. However, the overall numbers are based on the best projections we can provide at this time.

We have been very successful in reducing city staffing through attrition. In the past five years, we have eliminated nearly 90 positions without a single layoff. However, we will not be able to reach these target levels, this soon, through attrition alone. Layoffs are inevitable.

Please keep in mind the impact such massive staff reductions will have on the organization. It is difficult enough to gradually adjust operations to a new lower level of staffing when we lose employees through attrition. Any program that resulted in a mass exodus of employees would have a huge sudden impact on our operations and a huge negative impact on the morale of remaining employees. It would also have a huge impact on the quantity and quality of services we provide.

Staffing Reductions

As noted above, we have successfully made significant staffing reductions in the past 5 years without a single layoff. The attrition plan has resulted in a gradual reduction which let departments make incremental changes in their operations to deal with lower staffing levels. The citizens have not seen sudden major service reductions. Employee moral has not been severely impacted as it would be with layoffs. I would very much like to continue to reduce staff in that manner. However, it is very clear that will not be possible.

We are far beyond the point where we can simply wait for employees to voluntarily leave. If we had the resources to drag this out over three to five years, that would work. We do not have the resources to do that. **We need to make major cuts in personnel costs and we need to do it quickly.**

This can be accomplished three ways:

1. Voluntary Retirements

We have 40 employees currently eligible to retire. We have 14 employees who have already maximized their pension benefits. We have another 23 employees who will be eligible for retirement within one year and another 22 who will be eligible before the end of the 2010-2012 budget.

I'm not going to advocate for retirement incentives. I think the expectation of an incentive offering is actually counter-productive. Employees who are on the brink of retiring will delay retirement in the hopes of receiving an incentive. **We need to make it clear the Commission has no intention of offering any kind of cash incentive or pension enhancement to encourage retirements.**

I will suggest that we may want to offer an early retirement option to those who are not quite eligible at present. This would not provide any cash benefit or pension enhancement, only a means to leave sooner than otherwise possible.

2. Layoffs

This is a very distasteful option. However, I'm afraid it is also a very necessary option. We need to be prepared to layoff as many employees as necessary to balance this budget. That number will vary depending on how many employees leave voluntarily and whether the unions are amenable to contract concessions. **I recommend we assume the worst, no retirements and no concessions, and be prepared to layoff approximately 70 employees effective April 30.** I'm asking for that authority now in the proposed resolution.

April 30 provides at least twice the notice required by any union contract, if notices are issued by Feb 26. It also provides time for us to discuss this with each of the bargaining units to see what can be done to reduce these numbers.

3. Contract Concessions

We need to ask for further labor contract concessions from all bargaining units in hopes of reducing the need for layoffs. This must include those groups whose contracts do not expire this year. Discussions with our labor counsel have convinced me that it's best to approach the bargaining units with a savings target rather than with specific desired changes to their contracts. Different units will prefer different approaches. Our goal is to reduce costs, not to impose specific contract changes. We need to be flexible and willing to work with the bargaining units toward accomplishing that goal.

There is one specific change that we do need, however. We need to change the provisions in all contracts for retiree healthcare. I do not advocate requiring retirees to pay a portion of their healthcare upfront. It is far more effective to increase co-pays and deductibles. The latter encourage better health care usage decisions which result in lower costs. We are suggesting moving new retirees to the benefits of Community Blue option #12.

Organizational Changes and Impact of Reductions

Staff reductions of the magnitude required, on top of the reductions we have already absorbed, cannot be done without changes in our organizational structure and significant reductions in the quantity and quality of the services we provide.

I asked the department heads to review their operations and identify the cuts they would make to reach the financial targets we provided to them. They were also asked to identify the programs and services that would be reduced or eliminated and the impact these service reductions would have on the community.

The information that follows was prepared by the department heads unless otherwise noted. Because this section was written by numerous different individuals and we did not have time for extensive editing, re-writing and re-formatting, it looks and reads like a bunch of separate reports, which is exactly what it is.

There are a number of issues related to consolidation and privatization not addressed in the departmental reports that I will comment on at the end of this section.

Police Department (Chief Christopher Jahnke)

As you recall, in July of 2008, then City Manager Thomas Hoover presented a “Long Term Budget Strategy” to the City Commission. In this document, Former Chief Quisenberry and I prepared a police department reorganization plan spanning four (4) years. This document outlined specific issues that the Police Department has and will encounter.

Since that time, the City adopted a policy regarding personnel replacement “attrition plan” has greatly hamstrung the Police Department. This attrition plan has prevented our department from maintaining the staffing level that the department had been budgeted for. If an employee leaves (retires/resigns) then that position becomes vacant and unfunded unless that position is deemed to be critical and must be filled to maintain optimum efficiency.

Where we are now

As a result of the 2003-2004 budget recommendations, we eliminated the Directed Patrol Unit (1-Sergeant- 4 Officers), one (1) Police/School Liaison position and reduced the number of police Detectives and officers assigned to the Traffic Safety Bureau. In addition, the police administration eliminated one Deputy Chief position and a part time administrative assistant.

Since June of 2008, nine (9) sworn Police Officers have left the agency. In 2008, we hired one (1) Police Officer to allow us to make an assignment to the Drug Enforcement Administration (DEA) taskforce. This was approved with the expectation that revenue recovered through forfeiture funds from the DEA assignment would offset the cost of the additional F.T.E. This objective has been met with projections that future revenue will continue to be captured to sustain the position for the near future. This position has had a zero net effect on existing police personnel operations.

Due to the reduction of staffing in the Criminal Investigations Division, there are many cases that simply do not get investigated (see attachment C).

The Traffic Safety Division’s goal is to reduce accidents through a combination of traffic monitoring; promoting awareness of traffic rules and regulations, as well as enforcement. The department utilized a balanced approach to traffic safety that goes beyond merely sending officers to crashes. However, in September of 2008, due to staffing reductions, we disbanded the Traffic Safety Division altogether.

Since the dissolution the Traffic Safety Division, shift officers have taken on traffic safety issues; responding to calls for increased enforcement when time permits. In addition, we no longer have a dedicated Motor Carrier Enforcement team as we have in the past. We do, however, have officers assigned to shift to enforce motor carrier violations as time permits. In addition, instead of having a dedicated supervisor in the Traffic Safety Division, the duties for supervising Parking Enforcement Officers have been absorbed by shift supervisors. Shift supervisors have also absorbed the responsibility of planning for the numerous special events that our city hosts throughout the year.

Since the 2004 budget, we have decreased our staff by 24 sworn personnel (23%).

What we have done through 2009

In an effort to utilize our resources as efficient as possible, we participated in a number of regional and Inter-Local Cooperative Services

- Train selected officers in advanced evidence collection in an effort to offset shortage in the Criminal Investigations Division.
- Participate in county regional training effort at no additional cost to the department
 - Crowd Control
 - Small Squad tactics
- Participate in multi-department training at no cost to the department
 - Officer Safety
 - Active Shooter
- Participate in regional task forces
 - Oakland County Narcotics Enforcement Team
 - Oakland County Crime Suppression Task Force
 - South Oakland County S.W.A.T. Consortium
 - Drug Enforcement Administration Task Force
- Sought out and received a number of Grants
 - Domestic Violence Initiative
 - Justice Administrative Grants
 - Traffic Improvement Association Grants
 - Safe Communities Grants
 - Bulletproof Vest Partnership Grants
 - State of Michigan Liquor License Grant
- Receive funding through the Downtown Development Authority for funding of three Police Officers.
- Receive funding through the Royal Oak School District to fund ½ of the cost for School Liaison Officer.
- Shared Services agreement with Berkley Animal Control
- Civilianize Records Supervision
- Combined auto action with Berkley
- Participate with CLEMIS
 - 5 county information sharing
 - Oakland County Radio System
 - Latest technology upgrades

Staff Reductions Reorganization – 2010-2011

Prior to the current budget crisis, over the past few years, the police department has reduced its sworn personnel by an unprecedented 23% through attrition. As a result, we have repeatedly looked for ways to deal with the decrease in ways that have the least impact on the general public. It has not been easy and I am very proud how every member of this department has stepped up to the challenge.

It is important to recognize that a police department's most basic and critical service is uniform patrol response. When we receive a call for service, we respond and handle the complaint

properly. The current fiscal crisis no longer provides us with the opportunity to choose what “extra functions” we will provide other than basic uniform patrol and Detective positions; and these functions are going to be radically reduced.

I have now been tasked with finding a way to cut \$3,427,300 from the police budget: a 25% reduction. To achieve this type of reduction will require mass layoffs. I would propose the following positions be eliminated:

- 24 Patrol officers which include:
 - Community Police Officer
 - School Liaison Officer
 - Both K-9 Officers
- One (1) Police Service Aide (PSA)
- Three (3) Detectives
- Four (4) Sergeants
- One (1) Lieutenant
- Two civilian clerical employees

Total Reduction: 32 sworn/1 PSA/ 2 civilian positions

Staffing levels Sworn Personnel (see attachment B)

2003: 103

2009: 79

2010: 47 - with layoffs

Anticipated effect of the downsizing of the Royal Oak Police Department

The ramifications of these draconian cuts will immediately be noticed by the general public. The police department will need to be completely reorganized, and the way we “do business” completely retooled. The full effect of these cuts will be difficult, at best to forecast.

Initially the following positions will be eliminated; both K-9 officers, School Liaison Officer, Community Policing Officer, and the Narcotics Enforcement Officer.

Additionally, we will have to remove most, if not all, our officers from the Southeast Oakland SWAT team, eliminate on-call detectives and eliminate a dedicated LCC coordinator. We will no longer have the personnel to oversee the Animal Shelter or school crossing guards. A detailed list of each responsibility is attached (attachment C). Due to the reduction in staffing, all current responsibilities may be either eliminated (in red) or absorbed by the staff. Obviously, these additional duties to staff will result in taking more time to complete any given task.

The reorganization of the department will require changes to existing labor agreements. It is likely that many of these changes will result in grievance or unfair labor practice filings.

An in-depth study into staffing levels will be required to ensure we are properly deploying remaining personal.

- We will no longer respond to certain calls for service.
 - Most crime and accident reports will require the complaint to file the report at the station.

- We will not respond to most alarm runs, unless the owner can verify that the alarm is valid.
- Our response times will greatly increase as we will be busy responding call to call. No doubt, emergency calls for service WILL stack up and our response to these calls for service will be greatly impacted.
- Traffic Enforcement will decrease significantly (as will the revenue), found on patrol activity, and proactive policing will be greatly reduced if not completely negated. A recent article in Time magazine credits part of a decline in crime to more people are locked up in jails. Many of our arrests are a result of traffic enforcement.
- Operating Under the influence of Liquor/Drugs arrests will decrease, as officers would not have time or ability to make an arrest.
- Self initiated arrests will decrease significantly- giving the criminals a sense of security.
- Self initiated activity (checking suspicious persons) will decrease significantly- as officers are responding to calls for service only (e.g. Detroit/Pontiac PD).
- Officers will only arrest the most serious offenders so as not to get tied up on an arrest.
- Arrests will decrease significantly.
- Though there are fewer personnel, overtime will increase as officers will be forced to work late to complete reports.
- Training for the officers will decrease significantly, as we would not be able to provide opportunity for training due to staffing levels.
- Officer burnout and apathy will increase which would lead to more citizen complaints and lawsuits.
- Reduced supervisor oversight, the inability to properly train officers, the inability to properly investigate citizen complaints, will result in a less professional law enforcement department.
- Fewer criminal complaints being followed up on and presented for warrants.
- Inability to apply for and manage grants.
- No longer provide Honor Guard/Bicycle Patrol/Motorcycle Unit.
- No longer will we be involved in community programs such as:
 - Royal Oak Save Our Youth
 - Royal Oak Community Coalition
 - Royal Oak Youth Assistance
 - WETC School Grant Council
 - Churchill Alternative Safety Council
 - Royal Oak PTA
 - Juvenile Officers Association
 - Town Hall Presentations
 - Career Day Presentation
 - Participate and present at Dialogue Day at Churchill
 - High School Voluntary Drug Testing Council
 - Monthly School/Police Meetings
 - School/Parent Coffee Hours
- We will no longer be able to provide the Central Business District with dedicated officers.
- Quality of service will decline dramatically.
- Increased dissatisfaction by residents, visitors, citizens and the business community of Police services. This will increase the workload of supervision, administration, City Manager, Mayor and Commission.
- Special Events: we spend a significant amount of time planning for special events that the city sponsors throughout the year (Dream Cruise-Clay and Glass- Parades and now

Arts Beats and Eats (ABE)) and these cuts will greatly reduce our effectiveness and efficiency in managing these events.

The Police Department has continued to operate efficiently despite significant changes in leadership. Despite continually reducing our staffing, our department has maintained a high level of service. By systematically reviewing what we do and eliminating certain functions, i.e. we no longer investigate hit and accidents; we can focus on our core responsibilities.

Clearly, one of the major reasons we got the Arts, Beats, and Eats Festival is how the police department has handled other major events, Dream Cruise, Clay and Glass, etc. One event that did not get much attention was game 7 of the Stanley Cup Championship. This game not only fell on a Friday, but also during Clay and Glass, in which, a large beer tent and out door concerts were scheduled.

The planning for this event was extensive. Because it went so smoothly, most people would assume there were no problems. I believe the it went smoothly because of how well the police department managed these incidents. The proactive measure before and during the game ensure the evening was successful. This does not happen by accident.

What is harder to gauge is the effect these changes will have on existing employees. It is not by chance that other communities recruit officers and staff from our department; we hire quality candidates and spend an significant amount of time training and developing our officers to be the best- to which other communities recognize. Many of our finest and brightest have left Royal Oak to work in other communities.

We will need to reevaluate our staffing allocation and staff to our busy times while leaving a minimal amount of officers during non-peak hours. It is likely that in the future, not only would we have fewer officers that may have been available do to the layoffs, but during non-peak times, we may have only a couple officers covering the entire city.

Recently, midnight shift officers responded to a home invasion complaint whereby the suspects were armed. If not for the quick and professional response, it is likely that this situation would have resulted in tragedy.

I can say confidently that in the future, our staffing during this time frame would be minimal, and we would not be able to respond as we did for this event.

The citizens of Royal Oak have enjoyed a significant decrease in crime. There are several factors that have contributed to this decline, including a increased accountability in the police department and a focus within the police department to problem solve.

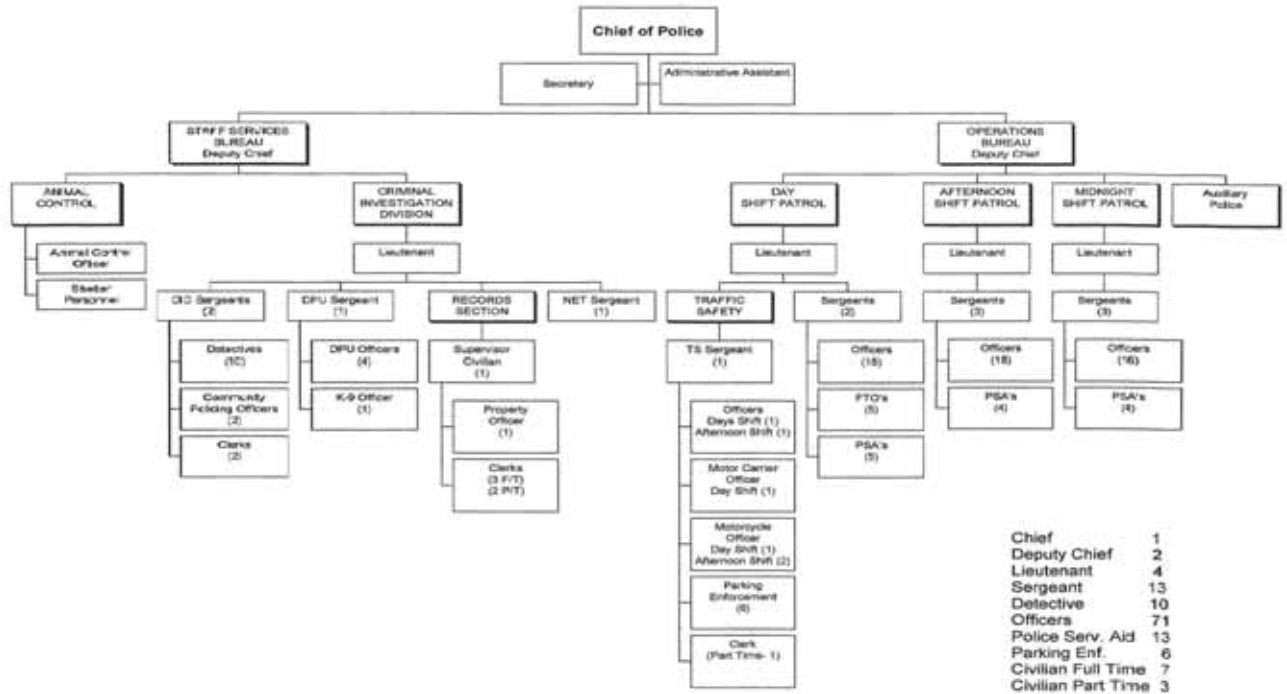
We do a good job of catching and successfully prosecuting criminals. We have an excellent reputation with the Oakland County Prosecutors Office due to our capability of responding to calls for service, handling of the initial investigation, writing quality reports and superb follow up investigations. An important factor in reducing the crime is limiting the opportunity criminal activity- whether it due to officers presence, traffic enforcement or officers checking on suspicious people; we employ those tactics to let the bad guys know that we are watching for them. Preventing someone from being a crime victim is preferable to catching a criminal after the fact.

Within these reductions in personnel, I would expect a lowering of the quality of life for the citizens of Royal Oak.

We will be policing the community instead of policing WITH the community.

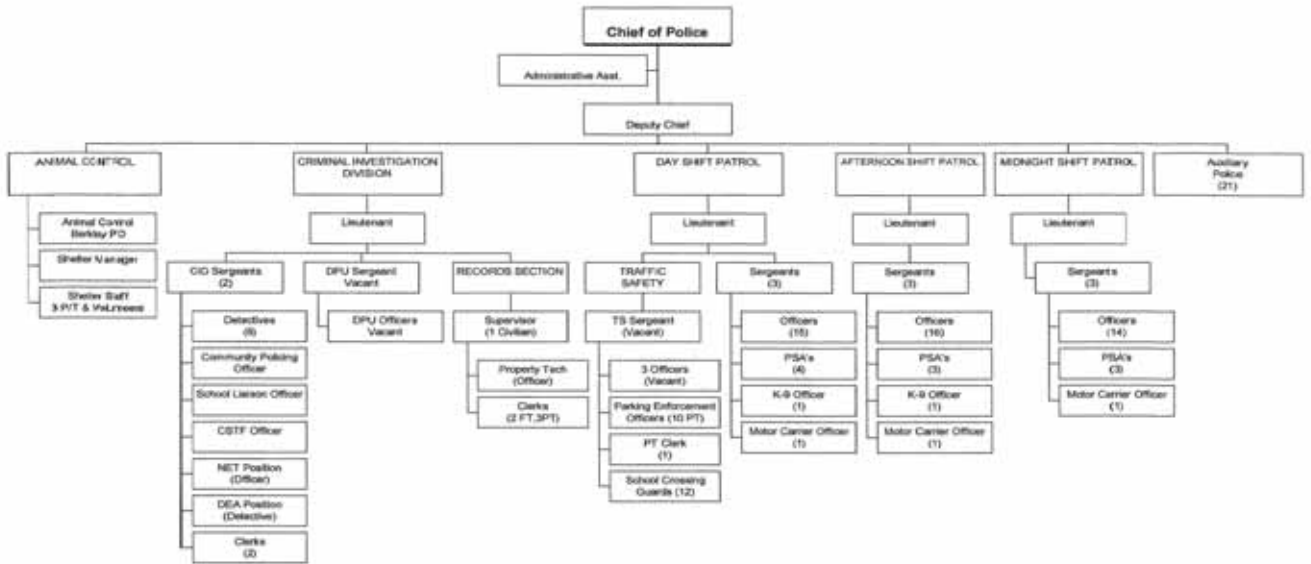
Attachment B

Royal Oak Police Department Organizational Chart 04/01/02



Revised 04-01-02

February 2010

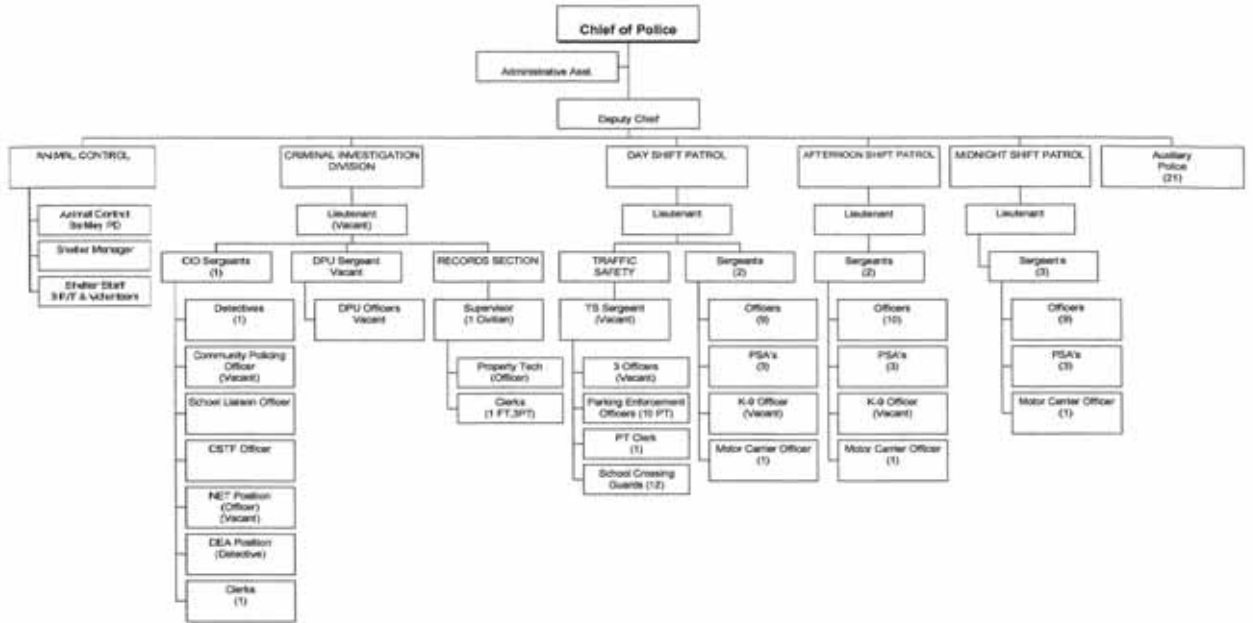


Part Time Staff	
Records Bureau	3
Traffic Violations Clerk	1
Parking Enforcement	10
School Crossing Guards	12
Shelter Manager	1
Shelter Staff	3
Total Part Time	30

Administration	2
Lieutenants	4
Sergeants	11
Detectives	7
Police Officers	53
K-9 Officers	2
Total Sworn	79

Records Supervisor	1
Records Clerk	2
CID Secretary	2
Police Service Aide	10
Civilian Full Time	15
Sworn Full Time	79
Total Full Time	94

July 1, 2010



Part Time Staff	
Record Bureau	3
Traffic Violations Clerk	1
Parking Enforcement	10
School Crossing Guards	12
Shelter Manager	1
Shelter Staff	3
Total Part Time	30

Administration	2
Lieutenants	3
Sergeants	7
Detectives	4
Police Officers	31
K-9 Officers	0
Total Sworn	47

Records Supervisor	1
Records Clerk	1
CID Secretary	1
Police Service Aide	9
Civilian Full Time	12
Sworn Full Time	47
Total Full Time	59

Updated 2/22/2010

Fire Department (Chief Wil White)

The targeted number for the budget reduction in the Fire Department is \$2,498,000. This is equivalent to 23 Firefighters. The Fire Department currently has 3 shifts of 18 personnel with one person off on military leave, 5 staff positions, 1 full time clerk and 1 part time secretary.

The first part of the budget under review is the non personnel costs. A large part of the non personnel section of the budget is mandated by OSHA, the DOT or reporting mandates that come from the state and have an effect on our ability to acquire grants.

An example of a DOT mandate is hydrostatic testing of our Self Contained Breathing Apparatus (SCBA). Testing for Aluminum Carbon Fiber Wrapped high pressure (4,500 PSI) cylinders is every 3 years for our older tanks and every 5 years for our newer tanks. This is performed on a rotating basis which starts 3-5 years from the purchase date of the tank. These tanks are worn on the backs of our Firefighters to provide breathing air in an IDLH (Immediate Danger to Life or Health) atmosphere. If these tanks are left unchecked for cracks or operational deficiencies, this can result in an explosion that would result in certain death for the person wearing the tank. Not performing the test is not an option.

Our cascade system is a high pressure filling station for these SCBA bottles. We are under OSHA mandates to check the air quality and change the filters quarterly. Again this is the air that we breathe in an IDLH atmosphere so not testing the air or not changing the filters is not an option.

There are many other examples of contracted services that are not reasonable to cut. The bottom line is other than Motor Pool rates of \$516,190 for Fire Apparatus and \$193,738 for Ambulances there is not enough savings in my discretionary spending to make a dent in my targeted budget reduction. Even if you eliminated the entire non personnel related costs.

This leaves me in a position to demonstrate the impact of a 23 person cut on the Fire Department. We would be left with 32 positions, 2 shifts of 11 and one shift of 10. At this level of staffing I would recommend closing Station # 3 completely. This would compromise fire protection and medical response in the northeast section or 1/3 of our city. These cuts would leave the Fire Department with 2 shifts of 11 and we would only be able to staff 2 engines, 1 ladder truck (cross staffed with an engine) and 2 ambulances with no vacation, sick or injury leave factored in. The remaining shift of 10 would leave us with 2 engines and 2 ambulances with no ladder truck when the shift is full and no leave time reflected.

I have demonstrated the manpower allocation in the Fire Department manning chart. This would show a shift of 11 with 4 off on vacation as allowed by contract, which leaves 7 personnel to staff 2 engines and 1 ambulance. The 10 person shift with 4 off would leave us with 6 personnel on duty and force the closing of Station # 2 on a rolling basis as needed leaving the City of Royal Oak with one working station and staffing 1 engine and 1 ambulance. During the rolling closures 2/3rds of the City of Royal Oak would have an extended response time and we would not be able to fight an average house fire without additional resources.

Fire can easily double in size every 60 seconds. Extending our response time and reducing our manpower at the scene will leave us deficient in many areas. We will not be allowed to enter a burning building unless there is a life safety concern until we have a Rapid Intervention Team (RIT) established outside the structure fire. We will not make the minimum on scene personnel to provide the tactical operations like rescue, exposure, confinement, extinguishment, ventilation

and overhaul. This is just one area and we will be out of compliance on many other NFPA standards.

First of all the unintended consequence of hitting the budgeted target is that we will lose 60-70% of our \$987,658 transport fees from the loss of Advanced Life Support ambulances due to the reduction of manpower. We will be removed from the Oak Way mutual aid pact the same as Hazel Park was when manpower fell below 8 per day. We would see a negative effect on our ISO rating which would increase insurance rates for residents and businesses.

Another impact on removing personnel from the bottom of the seniority list is the average age of the department. The average age of the bottom 12 firefighters is 34 years of age. The average age of the top 12 employees is 54 years old. It makes more sense to me to offer an Early Retirement Incentive to motivate movement at the top. Firefighting is a young person's job. We would no doubt see more injuries if we removed the youth of the department and left the department with an average age around 50 years old.

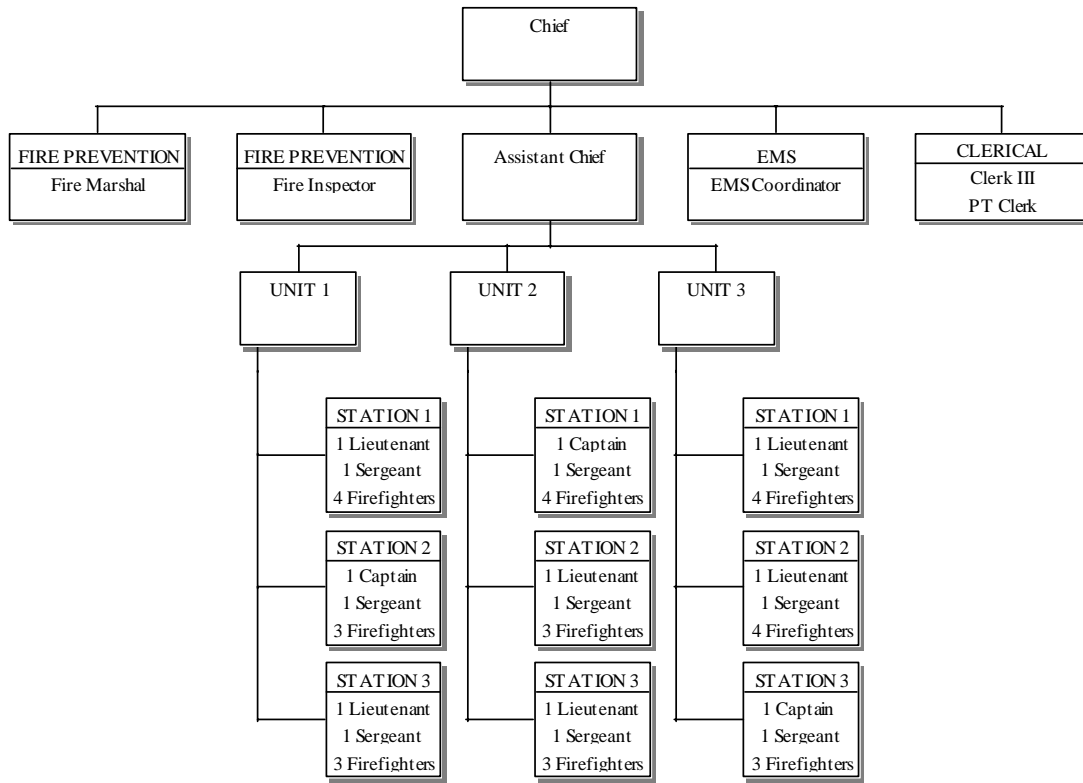
Pontiac offered early retirement incentives and they had 34 people out of 99 take advantage of the program. They expect another 3-6 by the deadline of September of this year. Ferndale has offered an ERI with little or no success. An ERI could encourage the more senior personnel to retire and leave us with a better balance of seniority. The imbalance in seniority is largely due to a 5 year hiring freeze. I would recommend looking at an ERI patterned after Pontiac as an alternative to layoffs.

The operational deficiencies created by this type of cut would affect our entire service delivery. Emergency response times to 2/3rds of the City of Royal Oak would be doubled to 8-12 minutes at the least. For Advanced life support this could be the difference between life and death as CPR should be initiated within 4-6 minutes after cardiac arrest.

It is not uncommon to have multiple medicals that are dispatched at the same time in our city. We will be forced into a dispatch driven information triage where the most critical incident will get the response and a backup ambulance from a private provider will need to be called for the remaining incident. Virtually every call for medical assistance with a longer response time will compromise patient care.

The EMS budget target is a \$65,000 reduction. With only one person budgeted to that account I would be forced to eliminate \$65,000 from the overtime budget. This would jeopardize the license recertification classes that are mandatory for Emergency Medical Technicians and for Advanced Emergency Medical Technicians or Paramedics. Requirements for EMT's are 30 hours every 3 years and 45 hours every 3 years for AEMT's. The AEMT's are required to attend an 8 hour Advanced Cardiac Life Support (ACLS) class every 2 years. We would have trouble maintaining the individual licenses for both types of technicians if the overtime is cut.

Manager's Note: The organizational chart below shows the current structure of the Royal Oak Fire Department. As staffing levels decrease, Chief White will adjust how many firefighters are assigned to each station and to particular pieces of equipment. Rather than presenting multiple organization charts, the Chief summarized his staffing assignments in a clever table that follows.



ROYAL OAK FIRE DEPARTMENT													
STAFFING/APPARATUS													
20	ON DUTY	STA. #1	E-910	E911	L912	R-91	12	ON DUTY	STA. #1	E-910	E911	L912	R-91
		8	3	OUT	3	2			6	2	OUT	2	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R92	L-922	E-921
		7	3	2	2			6	2	2	Cross staff 2		
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		5	3	2				Closed	OUT	OUT			
19	ON DUTY	STA. #1	E-910	E911	L912	R-91	11	ON DUTY	STA. #1	E-910	E911	L912	R-91
		7	3	OUT	2	2			6	2	OUT	2	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R-92	L-922	
		7	3	2	2			5	3	2	2	OUT	
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		5	3	2				Closed	OUT	OUT			
18	ON DUTY	STA. #1	E-910	E911	L912	R-91	10	ON DUTY	STA. #1	E-910	E911	L912	R-91
		7	3	OUT	2	2			5	3	OUT	OUT	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R-92	L-922	
		6	2	2	2			5	3	2	2	OUT	
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		5	3	2				Closed	OUT	OUT			
17	ON DUTY	STA. #1	E-910	E911	L912	R-91	9	ON DUTY	STA. #1	E-910	E911	L912	R-91
		7	3	OUT	2	2			5	3	OUT	OUT	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R-92	L-922	
		5	3	2	2	OUT		4	2	2	2	OUT	
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		5	3	2				Closed	OUT	OUT			
16	ON DUTY	STA. #1	E-910	E911	L912	R-91	8	ON DUTY	STA. #1	E-910	E911	L912	R-91
		6	2	OUT	2	2			4	2	OUT	OUT	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R-92	L-922	
		5	3	2	2	OUT		4	2	2	2	OUT	
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		5	3	2				Closed	OUT	OUT			
15	ON DUTY	STA. #1	E-910	E911	L912	R-91	7	ON DUTY	STA. #1	E-910	E911	L912	R-91
		6	2	OUT	2	2			4	2	OUT	OUT	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R-92	L-922	
		5	3	2	2	OUT		3	3	OUT	OUT		
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		4	2	2				Closed	OUT	OUT			
14	ON DUTY	STA. #1	E-910	E911	L912	R-91	6	ON DUTY	STA. #1	E-910	E911	L912	R-91
		6	2	OUT	2	2			6	4	OUT	OUT	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R-92	L-922	
		4	2	2	2	OUT		OUT	OUT	OUT	OUT		
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		4	2	2				Closed	OUT	OUT			
13	ON DUTY	STA. #1	E-910	E911	L912	R-91	5	ON DUTY	STA. #1	E-910	E911	L912	R-91
		5	3	OUT	OUT	2			5	3	OUT	OUT	2
		STA. #2	E-920	R-92	L-922				STA. #2	E-920	R-92	L-922	
		4	2	2	2	OUT		OUT	OUT	OUT	OUT		
		STA. #3	E-930	R-93				STA. #3	E-930	R-93			
		4	2	2				Closed	OUT	OUT			

REVISED 7-31-08

This table shows how Chief White will deploy his shift personnel depending on how many are on duty on a particular day. We are currently operating with a minimum of 16 firefighters on duty at a given time. If you find the "On Duty 16" box, you will see he assigns six to station one, and five each to station two and three. At station one, two firefighters are assigned to Engine #910, two are assigned to Ladder #912 (the "Bronto") and two to Rescue #91 (ambulance). Engine #911 is "out of service." In this case, that is all right; Engine #911 is a backup unit.

Yellow boxes with red text are used to indicate equipment out of service or closed stations.

A description of the vehicles and how they are used appears on the following page. It will help you understand this chart.

Equipment Descriptions

E-910, E-911 - two engines assigned to Station # 1

E-920 - first due engine assigned to Station # 2

E-930 - first due engine assigned to Station # 3

“Engines” are the vehicles that provide equipment, manpower, water, and hand ladders on a structure fire. They maneuver easily through our residential areas and they assist the ambulances with manpower on medical runs. We use **E-911** as a back up for runs that **L-912** is not suitable for, the ladder crew simply jumps on the engine if a second medical call comes in or a structure fire on a street that the Bronto will not fit down.

L-912 - 135' Bronto Sky Lift assigned to Station # 1. This apparatus has the ability to reach 13 floors and has an articulating platform to provide rescue teams the ability to load 4-5 people onto the platform and remove them from a building. With I-75 and I-696 interchange as well as the I-696 and Woodward interchange in the response area of Station # 1, this truck allows us to reach below grade and work from above due to the articulating jib boom on the truck. This truck weighs over 75,000 pounds and is not a truck that would provide the flexibility of an Engine or Pumper on a standard house fire. This truck is primarily used on large streets due to the fact that the stabilizers require 22' to set up. We use L-912 on commercial or high-rise applications. We also use this truck on a defensive fire where the building has been declared a loss. We have used L-912 on house fires when the street is big enough to get the truck situated.

L-922 HP-100 Aerial Ladder truck assigned to Station # 2. This truck is similar in size to the Bronto. The difference is this Aerial Ladder is a straight stick with no platform. This truck sets up in a fraction of the time of the Bronto and it allows us to use an Aerial truck in tighter locations, as the stabilizers require 15' to deploy. The truck has a reach of 100' and like the Bronto carries a pump with a water tank. It is only a couple feet shorter than the Bronto from bumper to bumper so we are more likely to use this truck than the Bronto on a large house fire. This truck would back up the Bronto on large incidents and we would use this truck on a defensive fire.

R-91 - Rescue or ambulance assigned to Station # 1.

R-92 - Rescue or ambulance assigned to Station # 2.

R-93 - Rescue or ambulance assigned to Station # 3.

These are the Advanced Life Support transporting ambulances that we use to respond to medicals. We try and bring at least one ambulance to the location of a structure fire to provide medical care to residents and firefighters if necessary.

Department of Recreation and Public Services (Greg Rassel, Director)

101.266 Parks & Forestry

To achieve the designated budget cuts amount in parks in forestry the follow cuts would be implemented.

All part time labor seasonal labor would be eliminated. \$55K

Decrease budgeted overtime which has been scheduled in the past to support youth sports special events and to complete maintenance activities to support youth sports. We would turn over some maintenance activities to the youth sports organizations to reduce time. Depending on the level of volunteerism and expertise could create maintenance issues for other users of facilities. \$15K

Remove any allocation or reduce the allocation of the Recreation Director in this fund to 1% \$2K

Reduce routine maintenance to fall zones on play structures. Saving the cost of the materials. This will increase liability for playgrounds, since we already in non compliance on several playgrounds due to budget restraints. Other materials to support repairs to equipment on parks would be cut. \$15K

Readjust allocation the Municipal clerk in this account to increase the solid waste account. \$10K

Eliminate resident tree sale program and planting program; along with the Arbor Day Program. This would end the city's Tree City program ending Royal Oak reign as longest consecutive Tree City at 32 years. There would be a revenue loss as well as the tree sales would end \$18K

The cuts above would enable us to make the number designated. Since these employees are cross charged into other accounts the following areas would also need to be eliminated or contracted with other services.

- The Main street banner program
- The Christmas light installation
- Support for special events which are charged back to the event will need to be eliminated such as Shakespeare in the park, Dream Cruise, baseball tournaments.
- Only park open space would be mowed on a regular basis. Could be as many as 4-6 weeks for smaller parks to be mowed
- Eliminate all tree work except for storm damage and dead removals.
- Some grass cutting can be contracted out, for savings comparison
- Tennis Courts except for Worden

Manager's Comment: Mr. Rassel's recommendation to eliminate all part-time workers is the result of a union contract provision that requires part-time workers to be cut before any full-time positions are cut. Ironically, the same contract allows us to cut full-time positions and replace them with outside contractors. We need to renegotiate this provision.

101.267 Building Maintenance

There are two Fulltime employees in this account. They perform the routine maintenance tasks throughout all city facilities. Perform all the safety inspections and repairs on park playground equipment. Their responsibilities also, include working with contractors on some larger projects. This budget is 85% personnel costs. To meet the number in this account I would reassign one of these employees to be 50% Building Maintenance, 25% Parks and Forestry and 25% in the street funds. This would require reassigning one of the parks employees to one of the other funds. Resulting in personnel layoff somewhere down the line.

Response time for these types for repairs throughout the city would significant increase for both residents and employees supported by these services. This will result in a run down looking appearance of facilities.

101.441

This account is used a cost center to catch unaccounted time. Through improved use of the mullin system charges to this cost center have been significantly reduced. I believe working with finance, we should be able to further reduce the allocation to this cost center and possibly eliminate it all together. The impact will be on other funds such as the highway fund and solid waste fund as this reallocation of costs occur.

101.443 Electrical

This home base cost center for the city electrician whose primary responsibility is maintenance of city traffic signals and emergency response. He is a certified electrician. The only way to reduce costs in this cost center is eliminate the position. Contract for the service on an as needed basis. This would make all cost centers responsible for their own electrical repairs and costs. Could lead to reduce safety as some individuals attempt their own minor repairs throughout the city. Elimination of the position would result in layoff due to seniority of the electrician. Further resulting in improper use of resources.

101.836 Dream Cruise

Reduce the amount of budget overtime by \$18K. This could result in reduced revenue. It could also cause poor customer service for organizations paying for the rental of facilities and park property for the event. \$70 K

Streets Major and local

The quickest way to achieve the projected cuts in street Funds would be to eliminate or reduce the projects forecast to be used from these funds. The DPS budget

202.467 &203.467 Street Maintenance

DPS use of this account is primarily for the work of the barricade truck and pavement cut road repair. This individual responds to vehicle accidents and work sites, insuring proper traffic control devices in place. This work is vital to reducing city liability for accidents. Keeping work sites safe to protect accidents. The 2/3 of these accounts is engineering costs.

202.469 &203.469 Parkway Maintenance

DPS uses this account for maintaining the ROW on streets. This is the mowing of the medians and tree work for residents. Reductions here could be achieved by eliminating all tree maintenance, except obvious hazards. This would allow for the layoff or reassignment of personnel to achieve this reduction. This would require at least 1 and possibly 2 personnel to be laid off. Contracting of outside services to perform the work on an "AS NEEDED" basis could be arranged for tree work and a very liberal grass cutting schedule could be arranged. We are already pushing over two weeks for grass cutting on some of the areas and it is particularly obvious during the dandelion season.

202.472 & 203.472 Winter Maintenance

These accounts are driven by the cost of salt and the weather. To achieve the reductions here, we could eliminate overtime plowing of residential streets Monday through Friday. This would stretch out the clearing of City Street from 24 hours after the snow to maybe a little more than 48. It would have a great impact on the traffic in the downtown during those storms when the snow has to be piled in the center of the street. Some savings could be gained by reducing the amount of salt budgeted. This is a commodity subject to swings in the price. We have paid in a range of \$28-42 a ton over the last several years. The DPS continues to work on ways to reduce consumption and improve winter maintenance through the use of chemicals, and improved equipment. DPS has had some success in this area

202.473 & 203.473 Traffic Services

Signs for the city are charged here all new installations and repairs. Cuts could be made here by simply changing the attitude that assign will correct the problem. However there are significant changes in sign regulations coming from USDOT which could have significant impact on the budget in the future.

226.528 Solid Waste

Additional charges to the maximum extent possible have been added to this account. The leaf collection program is part of this budget. Changes to the leaf collection program will require renegotiating the city's hauling and disposal contract. If layoffs in other areas occur the timeliness of completing this program within the constraints of the weather will be jeopardized. The contingency for emergency disposal could be eliminated to assist in meeting this budget number.

516.570 Auto Parking

Very difficult to cut here. The three employees assigned here work diligently to keep up with the collection schedule. The system continues to expand this past year with the addition of the 7th street lots. Additional costs were also incurred with additional OT to combat the parking meter thieves. The best way to reduce costs here long is to continue to move to contracting the entire

parking system or invest in using improved technology to move away from conventional parking meters as previously recommended.

592.538 Water Maintenance

Pending retirement will bring in \$60K we do not intend to replace. Everything else is driven by the number and frequency of water main breaks. Eliminate all capital projects would go towards making this number as well

592.539 Meter Services

Hopefully there is a retirement which would create \$60K. The other way to make the appropriate cuts is to lay off a person and contract out cross connection. It is important to remember with the reduction in manpower in Water Maintenance, this are will be called on to back fill. The long term solution is to move toward a fixed read meter system which could result in a reduction of another 2 personnel, once the system is completely operational.

592.540. Sewer Maintenance

Eliminate the West Nile program \$36K. Return on investment is low based on the number of residents infected. Possible retirement of Sewer Supervisor would lead to combining Sewer and Highway divisions. This account is driven by disposal services provided by the county.

Summary

To achieve the numbers indicated with out lay offs will be very difficult. Due to the way employees in DPS are all spread among multiple accounts, the whack amole is in effect. There will a significant need to use contractors. And the contractors will contracted to do less than what is currently being provided. Especially in the level of frequency and timeliness of service provided.

Department of Law (David Gillam, City Attorney)

This correspondence is in response to your request for a memorandum identifying the cuts that would need to made in the budget for the City Attorney's Office in order to meet the target figures provided by the Finance Department on February 18, 2010, as well as an explanation of the impact that those cuts would have on the services that are provided and the consequences of not providing those services.

The Finance Department has requested cuts in general fund expenditures totaling \$152,500. In reviewing the overall budget for the City Attorney's Office, there are two accounts that are large enough to accommodate potential cuts of this magnitude – contracted legal counsel and permanent wages.

Contracted Legal Counsel

For the 2009-10 fiscal year, a total of \$220,000 is budgeted for contracted legal counsel. These services are provided by two law firms, each of which provides the City with representation in a separate and highly specialized area of the law. The first is Howard L. Shifman, P.C., which serves as the City's labor counsel. The second is Hafeli, Staran, Hallahan, Christ & Dudek, which handles the City's property tax appeals. The work that each of these firms has done for the City has resulted in savings to the City that greatly exceeds their legal fees. If this line item was reduced and either of these areas of practice was brought back in-house with exiting staff, the City's representation would suffer significantly and the resulting long-term costs would far exceed any short-term savings.

Permanent Wages

Permanent wages are currently paid to four full-time employees – the City Attorney, two Assistant City Attorneys, and a Legal Secretary. In that the current budgeted amount for permanent wages is \$347,860, there are a limited number of ways in which the target figure of \$152,500 in cuts could be reached.

Elimination of the City Attorney Position

By eliminating the position of City Attorney, the target figure could be met. In my opinion, that action would clearly not be in the best interest of the City. I would remind you of the condition that the City Attorney's Office was in when Secret Wardle was appointed Interim City Attorney in late 2005. Without an actual City Attorney to be held accountable for the operation of the City Attorney's Office, there had been a complete breakdown in the attorney-client relationship between the Office, the City Commission, and the staff.

Layoffs

The only other way to generate the cuts that have been requested is through layoff. In reviewing potential layoffs, one must consider the essential job functions of each of the three other members of the staff.

- The Legal Secretary has three primary responsibilities. First, she provides general clerical support to all of the attorneys in the office. Second, she obtains and compiles all the police reports needed for ordinance prosecution in the 44th District Court. Third, she is responsible for the initial processing of all damage claims against the City, including any lawsuits.
- The senior Assistant City Attorney helps both the City Attorney with general municipal work and the junior Assistant with ordinance prosecutions. He has been assigned primary responsibility for litigation that is not handled by outside insurance counsel, and regularly attends Zoning Board of Appeals meetings, Charter Review Committee meetings, and Election Commission meetings.
- The junior Assistant City Attorney has primary responsibility for ordinance prosecution in the 44th District Court. He is required to be present in Court when cases are scheduled, which is typically three to four-and-a-half-days per week. In addition, he spends time in the office reviewing request for arrest warrants from the Detective Bureau, answering motions, and responding to related calls from witnesses, police officers and attorneys.

There are three possible ways to reach the target figure of \$152,500 in cuts.

First, one Assistant could be laid off. In that the senior Assistant has a higher level of benefits than the junior Assistant, savings of greater significance could be realized with his layoff. While this action in and of itself would not reach the target savings, that figure could be reached with additional cuts totaling slightly more than \$12,000. For example, these additional cuts could be obtained with a 5% reduction in wages for the remaining three employees. I do not believe that this level of wage concession would be an issue with the attorneys on staff; the concern would be with the City's Professional & Technical Employees Association, which represents the Legal Secretary.

With this layoff, the City Attorney would become directly responsible for essentially all of the City's general legal work and assume secondary responsibility for ordinance prosecutions in the 44th District Court. Response times on general work would be longer; if either the City Attorney or the remaining assistant was for any reason not at work on a day that court was scheduled, the employee that was present would cover the Court and the office would for all practical purposes be closed.

Second, both Assistants could be laid off. With this action, the City would essentially be left with a part-time City Attorney. The City Attorney would have to assume primary responsibility for ordinance prosecutions, which, as stated above, typically involves three to four-and-a-half days in the 44th District Court per week. The City Attorney would be unavailable during most regular business hours for his other responsibilities – meetings, contract review, ordinance preparation, etc. Additionally, any time that the City Attorney was unavailable, whether that unavailability was as a result of illness, vacation, or personal business, the City Attorney's Office would effectively be closed.

Third, the Legal Secretary and one Assistant could be laid off. Without the Legal Secretary, the performance of the entire office would suffer. None of the attorneys on staff have the clerical skills to manage the volume of documents and information that flows through our office. Additionally, much of her claims work is time-sensitive, and if not done properly and in a timely fashion, the City could have significant financial exposure. Without a second Assistant, the City Attorney would become the primary back-up for scheduled ordinance prosecutions, and would for the most part be directly responsible for all of the City's general legal work.

Conclusion

None of the options set forth above are acceptable. Under any of these scenarios, my office will not be able to continue to provide sound legal counsel to the City Commission, the administration and the staff in a timely manner. Legal service is one area of the City's budget that in my opinion more than pays for itself over the course of time.

If requested to offer a specific recommendation, the option that would have the least negative impact would be the first layoff scenario – the layoff of the senior Assistant City Attorney. As discussed, the difference between the savings in permanent wages (which by my estimate would be slightly more than \$140,000 per year), coupled with a 5% reduction in the wages of the remaining employees, would reach and even slightly exceed the target figure of \$152,500. The City Commission, administration and staff would, however, suffer the consequences of a reduced level of legal service. It takes a significant amount of effort and commitment for the existing staff to be able to respond to requests in a timely manner; if the number of attorneys on staff was reduced, response times would increase substantially.

Engineering Department (Elden Danielson)

The two General Fund accounts budgeted by Engineering, identified for a decrease are 101-265 and 101-447. The requested adjustments to 101-265 show a \$4660.34 budget for 2009-2010 with a \$1200.00 reduction for 2010-2011. As submitted the 101-265 adjusted budget for 2009-2010 was \$441,935.00, the estimated 2009-2010 year end cost is \$435,400.00.

The budget adjustment requested appears to be for the door attendant services only. The anticipated 2009-2010 year end cost is \$2,500.00. The 2010-2011 door attendant cost is expected to be in the \$2,500 to \$3,000 range. This would be below the \$3,460 target for 2010-2011. If the door attendant budget see's additional cuts, there could be times when, City Hall is not monitored during public meetings.

The Engineering Department's 101-447 General Fund Budget will be able to meet the proposed overall 20% reduction in expenditures through the careful and appropriate allocation of engineering costs to cost centers outside of the General Fund. The portion of 101-447 General Fund expenditures that will be maintained are expenses primarily tied to permits issued by the Engineering Department. The issuance and monitoring of the permit work is funded thru collected permit fees that are deposited into the City's General Fund keeping expenses cost neutral.

Should the General Fund in the Engineering Department be reduced further the result on basic interaction, with the general public, private developers and utility companies, would be detrimental to the service counter customer. General fund cuts in the permitting process could delay commercial, private and utility projects through longer, review time and field inspections resulting in an over all push back in the development of commercial, private and utility projects throughout the City.

City Manager's note: We have been able to minimize the cost to the General Fund of the Engineering Department because most of the cost is allocated to projects which are paid for by other funds. With Act 51 revenue (Gas and Weight Tax returns from state) falling, we will need to reduce project work in the future. That would impact the General Fund.

Code Enforcement (Jason Craig, Building Official)

In order to reduce the budget for 101.372 by \$150,700 the city would have eliminate two Code Enforcement/Housing Officer positions. This would inhibit the ability of the department to find unlicensed rental properties, license rental properties, and respond to code complaints/violations. With fewer officers to respond to complaints we can expect to see more properties falling below the standards set by the City Commission. This will have a negative impact on property values and tax revenue.

At the current staffing levels, we are able to be proactive in maintaining the community standards, responding to most complaints within 24 hours. With two less positions, we will be reactive to complaints and the response time will be much slower, often this will allow the problem to grow in severity. Examples of the complaints we respond to are: rodents, tall grass and scrub growth, unlicensed vehicles, garbage and debris, peeling paint, broken windows, unsecured structures and swimming pools, unlicensed rentals and cars parked on the grass.

Code Enforcement/ Housing Officers respond to thousands of complaints each year, most require several visits and phone calls to bring the property into compliance. This function is a vital part of maintaining an established community such as Royal Oak.

Finance Department (Julie Rudd, Director)

This hopes to serve as a response to your request for a proposed cost reduction plan and projected consequences, should I have to eliminate \$185,000 of the Finance Department's costs in the General Fund for FY2010/11, based on the next two year's economic outlook.

I propose to eliminate a contracted Budget Analyst position causing a net reduction of **\$40,000** in the Contracted Services account.

Consequence - There would no longer be much, if any research or special projects capacity in the Finance area. In addition, certain audit preparation work would have to be picked up at another desk, and with no desk currently having much capacity, this work may have to be done by the Controller or Finance Director. It is possible that the City would only produce financial statements and no longer produce a Comprehensive Annual Finance Report (CAFR), as much of the data was compiled by the Budget Analyst. Again some of these duties could possibly be picked up by the Finance Director or Controller, but at what cost? All of the budget preparation and monitoring will have to be performed by the Internal Auditor/Finance Director if possible. Pension benefit calculation work will be taken from Internal Auditor/Analyst and given to the part-time accountant. As monitoring of the budget/finances decrease, it is likely that issues will arise (material deficiencies found at audit, State Treasury office threatening to reduce state shared revenue due to deficit funds not corrected in-time), which are already occurring. Unfortunately, the ability to assist other departments, commissioners and city manager as it relates to providing financial information, financial analysis and financial reporting is expected to decline as we lose staff members.

I propose eliminating the Secretary position from the General Fund causing a savings of **\$102,000** annually (including OPEB and all of pension costs). This position is proposed to be absorbed by the Pension Fund, as it supports the administration of the pension benefits. I would permanently eliminate the Secretary position from the Finance Department's cost center. Since the Secretary is planning to retire once eligible to receive retiree healthcare benefits in January of 2011, only Secretarial costs for approximately half the year will be allocated to the Pension Fund, in addition to \$10,000 for the full-time payroll clerk and a part-time Accountant for the second half of the year, whom will be picking-up the pension benefit payment duties once the Secretary retires in January. This proposal would cost the pension fund approximately \$65,000 the first year and \$20,000 the second year (plus inflationary increases each year after).

Consequence - This change will cost Payroll and pension payments to possibly be late or possibly issued in error or inaccurately, as there is little capacity in the Payroll Clerks position or any other position in the department to accomplish the task once the Finance Secretary is retired. Should bargaining unit "bumping" occur within the Clerk positions, the possibility of accomplishing both payroll and pension will be very low.

Next, I propose to eliminate **\$16,000** from the personnel accounts, due to paying for the PT Accountant position from monies saved in the Contracted Services account.

Lastly, I propose to allocate 10% of the Finance Directors costs to the Treasury Office and 10% to the Assessing Office and 5% to the IS Department totaling **\$28,000**. This allocation represents the

reconciliation and settlement work performed for the Assessing/Treasury areas and the general work related to departments.

Should this plan be set in place, the Finance Office will be operating with 3 part-time staff members and 2 full-time staff members, excluding the Administrative Department Heads, by losing one full-time Analyst immediately and one full-time Secretary mid fiscal year. In addition, the Finance Departments FY2010/11 personnel costs (prior to the \$185,000 reduction) are \$30,000 or 4% down from the FY2009/10 budget.

HUMAN RESOURCE DEPARTMENT (Mary Jo DiPaolo, Director)

In order for the Human Resource Department to meet the proposed budget cut, department staffing will need to be reduced from 4 to 2.5 persons. In addition to personnel, other programs and/or services will be eliminated or drastically reduced.

The impact of the above will result in the elimination of the following:

1. Employee Suggestion Program - The program provides for monetary awards for innovative cost savings ideas and was established by Commission resolution in 1994. This will reduce employee morale.
2. Police Department Promotional Exams - The promotional exams are customized to include Michigan law and Royal Oak Police Department policies and procedures. This will hinder the Police Department's ability to identify and promote the most qualified candidates.
3. Department Training and Education - This allows Human Resource Department staff to attend legal update seminars in specific areas of employment law for which HUMAN RESOURCES is responsible for administering, i.e.: Family Medical Leave Act, HIPAA, COBRA etc.). This may result in staff not fully understanding new laws or changes to current laws as they impact the City and/or the employees.
4. Dependent Eligibility Audit - This process verifies the eligibility of dependents covered on City of Royal Oak health care plans. Future audits beyond that which will be completed on or about April 30, 2010 will not be possible. This may result in higher health care costs due to ineligible dependents being covered on City health plans.
5. Human Resource Department Participation on City Safety Committees - The Human Resource Department sits on the Department of Public Services, Fire Safety and City/Hall/Police/Library Safety Committees which meet periodically to identify safety problems or potential safety problems and work to proactively reduce those risks through education or other means. Human Resources then arranges for specific safety training for employee groups or locations through the City's Workers Comp provider. Language in the SEIU and Fire collective bargaining agreements require Human Resource Department membership on their safety committees. Loss of this participation may result in an increase in workplace injuries, driving up the City's workers compensation costs, and is a violation of the SEIU and Fire collective bargaining agreements.

6. Performance Evaluation Training - The Human Resource Department periodically provides training to Fire Department personnel who must evaluate subordinates. This may result in new officers not understanding how to properly evaluate personnel. Performance evaluation marks are a component of the promotional process within the Fire Department.

The proposed budget cut to the Human Resource Department will also have the following impact on:

7. New Hire Training - City policy training (Sexual Harassment, Workplace Violence, etc) will consist of written handouts to new hires as opposed to personal training. New hire orientation will not be provided at each hire, but will consist of handouts that will inform the new employee of procedures, benefit options, and documents they must provide.

8. Employees, retirees, job applicants, plan providers, third party administrators and regulatory agencies - Additional time will be required for responding to issues and inquiries, as well as processing reports, recruitments, in-processing of new hires including part-time, administering and reconciling compensation and benefit plans, processing retiree and employee status changes including Medicare A, B & D, Cobra notices, leave benefits and special pays.

Compliance reporting is required for MIOSHA, EEOC, Title VI, the Center for Medicare Services and Department of Transportation (DOT). In addition to federal and state employment laws, Human Resources must also ensure compliance with Chapter 33 of the Code (Civil Service Merit System) and City of Royal Oak collective bargaining agreements.

Office of the City Clerk (Melanie Halas, City Clerk)

To achieve the designated budget cuts, as requested from City Manager Don Johnson, I would have to eliminate one of the Municipal Clerk III positions in my office and also a part time clerical position. With these proposed cuts, it's going to be impossible for my office to continue to function the way it currently does.

Currently I have two Municipal Clerk III's in my office. One of them handles all of the business licensing. Below is a list of what was processed in 2009:

IML's - 47
Annual Business Licenses – 161
Peddlers – 31
Solicitation – 25
Special Events – 57
Taxi Bond Plates – 49
Woodward Dream Cruise – 61
Misc. Business Licenses – 90

If I lose this position, I would recommend eliminating annual licensing altogether and only issue Initial Merchants Licenses. The annual licenses that we currently issue take up a lot of staff time and I would prefer to eliminate them altogether.

This position also handles all of the death certificates in the office including scanning, corrections, re-orders, mail outs and monthly mailings to the State, County & Medical Examiner. This is something that could be sent to the County to handle, however, we would lose revenue so I am not recommending to do so at this time.

This clerk also handles the minutes from the LC Committee. I suggest either not having the minutes transcribed from my office anymore or only include resolutions in the minutes.

The other Municipal Clerk III in my office transcribes the minutes of the City Commission meetings, helps prepare the City Commission agenda items, sends items to document imaging, handles various follow up from the meetings, including public hearing notices, resolutions, etc. Again, I would recommend that minutes only include resolutions, as they will not be completed promptly anymore.

This position also handles the dog license database and the mailing out of monthly reminder notices. I am recommending that the monthly notices stop, as a cost savings measure. All of the tags that we sell for the dogs have the expiration year on them and all licenses expire the same date as the dogs rabies shot.

This position also maintains the boards and committee database, assists with the counter, phones, helps as needed with elections and other various vital record duties. All of these duties listed would have to be distributed to the staff left. This position also helps with searches regarding various requests from staff within the City. These requests will no longer be processed promptly.

Our Part Time Clerk is our backup to the counter and is knowledgeable of all counter duties, as well as answering phone calls for the Clerk line and the General Information line. This position also helps in the Treasurer's office and DPS so we would be losing someone who has been cross-trained in three different departments for almost three years now. This position also helps with our daily voter registration filing and the beginning of every year goes through every cancelled voter card and destroys records of those voters who have been cancelled for ten years (which has to be done per the State of Michigan).

I cannot cut my election budget, as I am mandated by the State of Michigan to administer elections. If I cut out my election workers, I will have no one to work the precincts so this not an option.

Information Systems (Scott Newman, Manager)

The following information pertains to your request for additional budget reductions for the upcoming multi-year budget. Information Systems is an Internal Service Fund and uses cost allocation to expense all computer applications, licensing, software and hardware support and maintenance, to each individual department/fund accordingly. In this report, it is important to note the prior year cuts have already significantly impacted the departmental operations.

Reductions in Personnel and Wages:

Information Systems reductions in staffing levels (approx. 50% or 3.5 FTE) over the last 6 years as follows:

<u>Reductions in personnel (year)</u>	<u>Amount</u>		
Part-time PC Technician (FY 03/04)	21,600	Position	eliminated
Part-Time Data Entry Clerk (FY 03/04)	13,500	Position	eliminated
Contract/Project Manager (FY 04/05)	118,000	Position	eliminated
Database Administrator (FY 07/08)*	74,715	Position	eliminated (Part-time supplement)
PC Support Technician (FY 07/08)*	<u>93,265</u>	Position	eliminated
Total Reductions: \$321,070			

*Eliminated positions in FY 07/08 were due to retirements.

Reductions in Service Contracts

In addition to personnel reductions, major cuts to prior year budgets have been made in the following areas:

<u>Reductions in prior year Service Contracts:</u>			
Computer & printer maintenance and service contracts:		\$	110,000
Contract Eliminated			
Telephone PBX and Voicemail maintenance contract:	<u>60,300</u>	Contract	
Eliminated			
Prior Year Service Contract reductions:		\$	170,300

<u>Budget Reduction Description</u>	<u>Year 1</u>	<u>Year 2</u>
Elimination of Emergency Overtime	\$ 1,000	\$ -
Reduction of Computer Replacement parts (25%)	2,000	1,400
Telecom Services	400	-
Contracted worker Services	38,000	2,600
Support Services and Contracts	39,500	-
Depreciation Expense	30,000	5,000
Non-capitalized outlay (50%)	<u>35,000</u>	<u>5,000</u>
Total Reductions for 2010-2012:	\$145,900	\$ 15,000

Even though severe reductions in expenditures have been implemented, the cost for audit services, property and casualty insurance, OPEB and many of the 3rd party contract charges are not decreasing. The Print Shop and two part-time employees are being moved from the General Fund into the Information Systems fund, thus adding approximately \$30,000 in expenditures to I.S. but should reduce overall costs to the General Fund through the cost allocation process and non General Fund departments will be charged according to usage and cost of the jobs submitted to the Print Shop.

The significant personnel cuts made in the Information Systems Department have shown the commitment to reducing expenditures. The duties performed by the eliminated positions in previous budget years have been partially absorbed by the remaining personnel in the Information Systems department, but it is impossible to cover the same amount of work with less people. Each staff member in the Information Systems department has specific expertise and varying levels of ability and skill in the following areas of project management, telecommunications, network administration, database administration, equipment support & repair, software support/help desk, etc. Each one of these areas of support is critical to the function of the department in providing for the overall operation and maintenance of the City's Information Systems. The ability to provide adequate coverage and response for internal

services will not be possible with additional personnel cuts. We are already struggling with trying to meet the daily obligations of the City's information systems needs. Unfortunately, we're only able to address issues that are urgent and import like crises, pressing problems, immediate deadlines, mandated projects, meetings and preparations for planned projects.

The contracted services budget has already been reduced, so any additional cuts in this area will cripple the department's capability to provide continued services and operation of information systems. *Supplementing or replacing Information Technology services with outsourcing does not replace the necessity of those services.* Cross training has been implemented to accommodate for time-off and situations where more than one person is needed for any given project. In fact, current job titles are no longer reflective of the actual duties performed. Everyone in the department has willingly taken on more responsibility and stepped up their productivity. Obviously, they are becoming more competent in areas that were not necessarily expected as part of the original job classification and they are certainly not at a loss for job tasks.

Prioritizing of service requests has to be done on a case by case basis because a limited number of employees are available to allocate to any one project at any time. We are continually questioning how all the work is going to get done; we are constantly pulled from one project to work on a more pressing project, making it difficult to tie up loose ends.

The Information Systems department performs the following information technology services and functions to the city:

Software Support/Help Desk - Provides supporting services to end-users on an as needed basis. This function does the following:

- Provides basic, intermediate and advanced levels of on-site support and trouble-shooting to end-users.
- Support of computer operating systems, application specific software, and standard integrated office products (deployment, installation, version upgrades).
- Maintaining and updating current levels of virus protection, security software updates and email filtering for security/virus risks.
- Coordinates checkout and use of training, laptop, projector, and other computer equipment.
- Provides various levels of maintenance of the City's data and telecommunications systems software applications pertaining to switch management, call processing, voice-mail and e-mail, etc.
- Enforces the City's Information Systems policies and communicates these policies to the end-users.
- Directs and coordinates challenging problems to third party vendors.

The capability to respond to service calls on a timely basis is a problem. Service calls can not be responded to immediately due to limited availability of personnel, causing a backlog of support requests. End users get frustrated and impatient while waiting for a follow up call.

Hardware/Network Support - Provides hardware and network support services to keep the data center operational and support to end-users on an as needed basis. These functions are accomplished by providing the following:

- Support of servers; Primary domain controllers, backup domain controllers, Gems application server, database application server, document mgt. server, and web servers (Internet & Intranet).

- Support of standard computer workstations, data manipulation and transfer for installation and/or moves, and providing connectivity to network, Intranet, Internet, Oaknet, etc.
- Managing network access (security, passwords, remote access), group and individual access,
- Managing network printers, keyboards, mice and other peripherals (installs, moves, upgrades)
- Manages network connectivity (voice/data T1's, network routing & switches, cable/network infrastructure, etc.)
- Directs undeterminable hardware failures and problems to third party vendors.

We're experiencing a reduction in daily technical support coverage overall. Security updates are not being completed and monitored on a timely basis and concentration has been limited to those areas that require high levels of security or exposure to outside connectivity (Police, Court, QVF connections and all Oaknet connections). More demands are being placed on the network infrastructure and bandwidth with video streaming, webinars, and online conferencing. The 10mb switches are bursting at the seams and can barely keep pace with faster and more powerful computers and larger file transfer sizes. *The majority of the network infrastructure of cabling, routers, and switches is more than 10 years old.*

The equipment replacement program has been reduced by more than 50% since 2002 and is being reduced again by 50%, because there is just not enough funding and man-hours to accomplish the task. This situation worsens with the age of the equipment. Approaching is a situation where wholesale computer upgrades will be required as the replacement and upgrade program is further reduced. This includes network infrastructure equipment, servers, workstations and desktop operating systems and office software. Why is a 10 year old server that originally cost \$10,000 and is no longer upgradable, serviceable or efficient, still considered an asset? Because it is still in use and needed. It should be replaced with an asset that is more reliable, efficient and serviceable. Neglecting the need for replacement can be even more costly, when the need for replacement happens unexpectedly due to emergency repairs or replacement. Unplanned downtime is costly; planned downtime is manageable.

Data and Document Management - Carry out day-to-day maintenance functions for all data file and folder structures and documents created and updated by the employees on the City's various storage, email, document imaging, database, and application servers. This is accomplished by:

- Maintaining day-to-day data/document archives utilizing backup routines and various media for servers and other critical applications.
- Providing support services to end-users in archive building and retrieving/restoring of lost or damaged files.
- Ensuring the integrity and security of the data/documents.

On-going document imaging projects have virtually come to a halt. Less staff means there is no one to continue, manage or expand the existing document imaging tasks. Other departments have not been able to be added to the project due to limited time, training and resources.

Telecommunication Support - Provides hardware & software support for the NEC telephone system, trouble shooting/diagnostics, and telephone support to end-users on an as needed basis. This is accomplished by:

- Monitoring day-to-day voice/data line circuits and switches for citywide voice/data network at all locations.

- Providing support to end-users for voice services (telephone, fax and voice-mail, etc.) and related activity.
- Installing additional drops, (cabling), moves and changes of locations and/or features.
- Trouble-shooting various phone services.
- Replacement/repair of failed devices.
- Programming of special features on phone switch and hand sets

The voice and data infrastructure is essential and can not be neglected. Police shift changes, department and employee relocations are a priority and any support staffing decreases in this area would be a major problem in both communication and operational continuity. The elimination of the pbx and voicemail service contract since 2004 has put one of the City's most important assets behind in certification and capabilities to interface with new technology options like voice over IP and other voice integration options.

Project Management - Responsibilities include the detail planning and execution of Information System special projects.

- Planning and executing the special projects which are approved by the City Commission and appropriate funding is available.
- Management of third-party vendors in planning and implementation of special projects when appropriate.
- Search and research opportunities to improve the quality of IS services and indirectly, overall City services, and ensuring cost effective solutions are implemented.

Project management, design and implementation take longer, simply because there are fewer resources available for individual projects. Funding and projects from grants, donations or other resources can cause an increase in workload for the Information Systems department because adequate funding isn't included for allocating project management, needs analysis, training requirements for departmental staff, and/or training requirements for IT staff support. Questions about space availability in the data center, port availability in the switch, storage requirements, server requirements, backup requirements and implementation time-frame is often overlooked.

Specialized Application Development and Support - Development and support of applications not already supported by purchased or 3rd party software programs and support of 3rd party software applications purchased by the City.

- Application development and support of specific departmental and citywide applications using standard database development tools.
- Documentation, training, and support to end-users.
- Integration and custom extensions to the City wide integrated system when appropriate.
- Develop, maintain, and operate the employee Intranet, the City web site, and access to the Internet.

Collectively, City departments use more than 102 different software application programs. Each with varying levels of complexity and needs requirements. From AutoCite hand-held parking ticket writers to Zerba bar-code scanners used in tax bill payments, the spectrum of support is an enormous load for very few support staff.

Testing and implementation of GEMS software releases will be next to impossible without the current staffing level. Major software releases and periodic patches for each of the three production systems (Finance, Payroll & H/R, Utility Billing), have to be tested by end users before they can be put into use. Each of the various departments running or accessing these applications have fewer personnel and less time to properly test applications, causing delays in

implementation, and roll-out of production environments that are not thoroughly tested. This causes problems and loss of valuable time, when unnoticed errors or problems result in having to resolve the issues after the fact.

Service contracts are areas the Information Systems department has been diligent in reducing cost and have issued competitive bids whenever possible. The last two 3-yr contracts for local and long distance telephone services has resulted in a savings of over \$25,000 over the last six years. We've also negotiated better cell phone contracts, and have benefited from purchasing off-lease computer equipment at greatly reduced pricing.

Current contractual services and/or support agreements with 3rd party business partners (list is not all inclusive). These contracts have annual license and maintenance fees associated.

- **GEMS:** General Ledger, A/P, A/R, Purchasing, Payroll, Water Billing, etc.
- **BS&A:** Building Department's Permits, Inspections and Ordinance Enforcement, business and dog licensing.
- **Iemail:** Email service agreement and licensing.
- **SLC:** Water Meter Reading handheld devices software maintenance contract.
- **WatchGuard:** Firewall Annual License Agreement.
- **McAfee:** Enterprise anti-virus scan and anti-spam software subscription renewal.
- **ComCash:** Treasurer & Clerk's office cash drawers.
- **MFS:** Treasurer's office Trakker license renewal for monthly invoice management.
- **DS&S:** Document imaging and workflow.
- **Bentley:** Microstation CAD & IRASB maintenance and license renewal.
- **Accuprint:** Secure check and document printing (payroll, A/P and Purchasing).
- **HUD/HDS:** Software maintenance renewal for Housing application.
- **Johnson Controls:** Facility monitoring and process controls at the DPS and Ice Arena.
- **Digital Copier Contract:** High-speed multi-function copiers/printers where the cost of toner and preventive maintenance and support is included. This contract may be moved into the Information Systems Budget, from the General Fund.

The City has also leveraged use of centralized IT applications at the State and County level. These collaborative efforts have not only increased the effectiveness and benefits of having shared systems for all communities involved but have also lowered the overall IT costs for those communities. Here's a list of the major centralized applications currently in use:

- **State QVF:** The State's QVF (Qualified Voter File) system is used by the Clerk's office.
- **CLEMIS:** Oakland County's CLEMIS System is used by Police and Fire departments.
- **NetRMS:** The Police department also uses Oakland County's NetRMS package.
- **FRMS:** The Fire department uses Oakland County's Fire Records Management System (FRMS).
- **Tax Billing:** The City Treasurer's office uses Oakland County's Tax Billing, Payment Processing and Delinquent Tax application software systems.
- **Assessing:** The Assessing department uses the all of Oakland County's Master Appraisal, Equalization, and Personal Property based application software systems.
- **State JIS:** The 44th District Court uses the State's Judicial Information System application software for the court operations.

The total depreciation expense determined by the fixed asset system is charged according to the new and accumulated equipment purchases year to year. As the aging computer equipment becomes fully depreciated, that portion of equipment expense is deducted from the total. The

average depreciation expense year-to-year is declining due to the reduced computer replacement program.

Microsoft also has an end-of-Life cycle on their products. Microsoft Office 97 product support ended January 16, 2004, and Windows NT product support has also ended. Many applications require use of specialized/technical equipment and/or software and have very different life-cycles. Some of these applications have a longer life-cycle and do not require frequent replacement, while others have a shorter life-cycle and do require frequent upgrades or replacement. Although we still have computers with running unsupported software, they are targeted for replacement. Some are a higher priority than others. The City's election tabulation computer runs Windows 2000 and will need to be updated this fall as the County has mandated.

Many factors play a role when determining equipment replacement. Both internal and external factors like funding availability and business partner support must be taken into consideration as well as compatibility and conversion issues.

Here's a more complete list of criteria used in determining equipment replacement:

- Age of equipment
- Repair history
- Service calls
- Application dependency including compatibility and conversion issues
- Usage priority
- Capacity
- Usability
- Business partner support and availability
- Funding availability

Careful consideration must be given to these specialized areas when equipment replacement is needed. When replacing the Engineering CAD stations, for instance, you need to coordinate the replacement so that it does not interrupt a critical engineering road or sewer project, as well as checking for compatibility and conversion issues regarding newer operating systems and/or CAD software releases. Business partners like Oakland County (CLEMIS, SunPro, Access Oakland), Judicial Information Systems (As-400 Court Applications), and the State of Michigan (Qualified Voter File-QVF) also play a major role in equipment replacement decisions.

Specialized areas and areas demanding technical equipment and/or software:

- Engineering Computer Aided Design (CAD) stations
- GIS equipment and applications used in Planning and Information Systems
- City-wide application servers, print and file servers, email servers, switches and routers
- Critical business applications; Financial, H/R, and Utility Billing Applications
- The Police Records Bureau utilizes many cross platform applications (NetRMS, CLEMIS)
- Water Service uses hand-held meter reading devices to read water meters
- Parking Enforcement uses hand-held devices for issuing parking Violations
- City Clerk's Office uses Electronic Voting Tabulation System and connects to State-wide Voting System.
- City-wide use of digital PBX telephone system
- The 44th District Court and the Royal Oak Police use a video arraignment system
- City Clerk's office uses document imaging for storage and retrieval of Birth & Death records

- Point-of-Sale (POS) applications are in use at the City Treasurer's office, City Clerk's office, & Recreation.

The above specialized areas are reviewed periodically and are dealt with separately from the regular PC replacement program and are considered priority items when repairs or replacement are considered.

This concludes the report on the budget reductions and how these cuts have impacted information systems at the City of Royal Oak. Under normal circumstances, a list of priority projects for the future would be included for consideration and review, but unless these projects surface as a priority with sufficient funding, it seems unnecessary to bring them forward now. Citizens Request and Response Management, PBX and Voicemail system upgrade, T1/wireless strategy, server, network, cabling infrastructure upgrades, Water Meter Reading Handheld upgrade/replacement, Fire station laptop applications, email collaboration software upgrades, Court Digital Audio system upgrades, GIS commitment of resources, and various internal training programs for document and email retention, content management system training for website, and IT security program and user policy training programs are only a few of the priority projects we have been planning. As the economic conditions improve, these projects will need to be addressed and implemented.

Planning (Tim Thwing, Director)

In response to your email of February 18, 2010 and based upon the information provided by the Finance Department it is my understanding that the wage/benefit portion of the Planning Department's Fiscal Year 2010-2011 General Fund Budget is \$212,860 and I need to cut 25.5% or \$54,307. You also requested that I outline the impact of this cut on related services.

This reduction would have a direct impact on the current level of planning, zoning, and related services provided to the community. In response to previous reductions the department has already revised many activities and processes in an effort to minimize any direct impact on the community. Based upon past staff reductions the department began administratively approving various projects instead of submitting them for board approvals. Administrative review/approval results in reduced staff time spent processing a project eliminating writing reports, providing public notices and other meeting preparation or follow-up. On the negative side there is no board or public review of administratively approved projects. In addition because these projects do not appear on either the Planning Commission and/or Zoning Board of Appeals agenda's the Planning Department does not get credited with reviewing/approving these projects. In just the last few days the department has administratively reviewed and approved two (2) conversions for medical office spaces, an expansion at Common Ground (additional bedrooms), conversions for a beauty salon, pet grooming facility, used car sales and the re-facing a non-conforming sign. My expectation would be that the number of projects approved administratively i.e., without approval from the Planning Commission, Zoning Board of Appeals, City Commission nor any public notification to residents, will continue to increase as a result of this cut.

Further the size of this cut and the existing staff/funding configuration will necessitate the elimination of two (2) positions (Planner II and Clerk Steno). The Planning Department does not have a single staff position that is entirely covered by the General Fund. In total, based upon funding percentages the General Fund currently provides sufficient revenues for 1.5 of the existing 4 positions. After the suggested cut the General Fund will only provide revenue equivalent to half (.5) of a position.

Many of the Planning/Zoning tasks or activities are interrelated making it difficult to identify and eliminate a specific task or activity without impacting others. Prior efforts to eliminate specific items, most recently “valet service” have been met with objections and have been unsuccessful. Rather than suggesting specific programs, tasks and/or activities for elimination I would simply indicate that responses to every General Fund item will take significantly longer.

One noticeable change resulting from this cut will be rescheduling Planning Commission and Zoning Board of Appeals meetings from once a month to once every other month and perhaps only conducting meetings on a quarterly basis. Contrary to both the City Commission’s adopted goal and objective regarding Economic/Tax Base as well as the efforts of the Chamber/City Task Force on Business Development; on streamlining the development process this will result in significant delays for those individuals, residents and businesses that require either Planning Commission and/or Zoning Board of Appeals approvals.

In addition, responses to community issues/complaints and requests for information would take significantly longer to process and certain types of requests will simply not be provided and would be answered instead with a simple “no”.

I would point out that while the Planning Department has experienced staff reductions over the last few years it has been assigned and absorbed additional general fund related duties; sign ordinance appeals, fence ordinance appeals, and is activity participating with the following:

- SEMCOG
- Woodward Avenue Action Association,WA3
- Non-Motorized Task Force
- Business Development Task Force
- Rochester Road Access Management Plan
- Arts Beats & Eats

Other major Planning/Zoning activities currently underway:

- Master Plan (state law requires five year review and revisions)
- Zoning Ordinance amendments – Community Farms, Noise, Medical Marijuana
- Capital Improvements Program, CIP (state law requirement)

Further participation and completion of these tasks in a timely fashion will become difficult if not impossible.

Timeliness is a critical issue whether you need a loan to pay for critical home repairs or you are proposing a multi-million dollar development.

Reports to the Plan Commission, Zoning Board of Appeals and other committees associated with the Planning Department will be curtailed. The advancement of the geographic information system including the production of maps, aerial photographs, demographic data, etc. may need to be eliminated. Support services, currently provided to other departments, would also diminish or be eliminated.

The primary services provided by the Department have a direct relationship with the City’s preservation, growth and development. It is my recommendation that this cut not be applied to the Planning Department.

Motor Pool (Al Orr, Superintendent)

1. Reduction in personnel because of a pending retirement position. This is the custodian/barricade position. We will absorb the custodian duties into other positions in the dept. and transfer the barricade duties into the highway dept. This will result in a savings of **\$87, 377.00**

Reductions in the following accounts as listed:

77001 Gasoline **\$75,000.00** This reduction does not allow for any price fluctuations in the oil market and relies on stable current price levels.

77002 Diesel fuel **\$50,000.00** The same reason as for gasoline.

77100 Vehicle Lubricants & Solvents **\$5,000.00** This account also relies on the pricing of the oil market and at this level we are relying on a stable price for oil.

77201 Vehicle repair and Maintenance Parts **\$20,000.00**. Historically we forecast our future costs on past costs. At this dollar amount we are forecasting no major expenses for the fleet.

77202 Vehicle Tires & Tubes **\$5,000.00** Tires are also dependent on the cost of oil so at this level we are subject to the volatility of the market.

77600 Communication Systems Parts **\$20,000.00** We are cutting the costs of any upgrades and expansion of the system. Our mobile radios and portables will not be compliant with FCC regs in 2012. This is approx. an \$80,000.00 expense and we were spreading the cost over several years.

84201 Vehicle Repair and Maintenance Services **\$45,000.00** this reduction is forecast on not having any major expenses for the fleet. We pay for major repairs such as engine rebuilds, transmission rebuilds etc. That require specialized expertise and equipment. We pay for these repairs from this account and in order to do this in house we would need to have two additional mechanics.

84600 Communication Systems Repair and Maintenance Service **\$ 5,000.00** We are basing this cost reduction on reduced repairs and maintenance on the radio Tower.

83399 Misc. Building Repair & Maintenance Services **\$2,000.00** We are forecasting that the age of our buildings and equipment will not impact our normal costs.

73600 Tools and Hardware **\$500.00** We will buy less tools.

Total amount of these reductions **\$ 314,877.00**

Do not replace any vehicles and equipment according to the Capital expenditures listed in the 20 year plan. This would be a reduction of **\$ 1,128,000.00**

2. Depending on the amount of large repair cost some equipment may be taken out of service, and this would impact the ability of that dept to complete the necessary work that they are responsible to do.

3. If we are unable to maintain the fleet as required some services to the citizens could be impacted because of the lack of the necessary equipment needed to do the job.
4. If we did not replace the vehicles we would experience a large increase in the vehicle replacement costs in the future and it would all come at the same time.

City Commission (Donald E. Johnson, City Manager)

The only way to achieve a 25% reduction in the City Commission budget would be to cancel our membership in SEMCOG or the Michigan Municipal League. From a macro perspective, I cannot recommend cutting either of these. The city benefits greatly from our membership in these organizations.

City Manager (Donald E. Johnson, City Manager)

It is very difficult to make significant cuts in very small departments. The Manager's office only has two employees. I suggest the Manager's office and the City Attorney's office share one secretary. This would be possible but awkward with the current office arrangement. It would be very easy to do if we proceed with the City Hall renovation plan which calls for physically combining these offices.

Sharing will at times create problems but I think we can live with it.

I will be advocating that we proceed with that plan. It will enable operational efficiencies that will pay for the construction cost many times over.

Assessor and Treasurer (Donald E. Johnson, City Manager)

I did not require the Assessor and Treasurer to participate in this exercise. We cannot make significant cuts in these departments because we collect the Tax Administration fee which can only be used to pay for these functions. We are already collecting slightly more than we are spending. If we further reduced our expenditures for this function, we would need to reduce that fee.

We plan to physically combine these departments with the City Clerk's office as part of the City Hall renovation plan. This will allow Treasury and Assessing personnel to assist with the Clerk's counter traffic and visa-versa.

We are also looking more closely at charging a larger portion of the Finance Director's time to these functions. Both of these departments are supervised by the Finance Director.

Court and Probation (Donald E. Johnson, City Manager)

I also did not request the same detail from the District Court. However, I did meet with Court Administrator Gerald Tarchala and advised him of the situation. He assured me that the District Court will do its part.

What we are showing in the personnel chart for the court is our calculation of how many people this will likely impact if all of the cuts are made in personnel. This is not an indication that this is how the Court will choose to proceed. They may choose to make changes elsewhere.

Combining Operations

I mentioned the City Hall renovation plan in the paragraphs I wrote for the Manager's Office, Assessing and Treasury. Essentially, there would be two large offices on the first floor of City Hall. One would house the City Manager and the Department of Law. The other would house the Clerk, Assessing and Treasury. The latter three would share a single public counter.

The second floor would combine Building, Engineering, Planning and Housing. Human Resources would move to the third floor with Finance. We may want to explore administratively combining these departments as well into a single Community Development Department.

Contracting Services

We need to look very seriously at contracting out services. However, from comments and messages I have received, I think there is a mistaken belief that contracting always saves money. This is not true.

Contracting is a very effective way to deliver some services. Generally, for contracting to be successful, the service needs to be very well defined. It also works well when the workload is highly variable as you avoid paying an employee when there is little work. It is also necessary that there be an existing market supplying the service you wish to contract. (I don't know of any private firefighting firms.)

We already contract refuse collection, janitorial services and HVAC service. We also contract all construction projects (including water, sewer and street projects). Major repair projects are usually contracted as well. Other functions that could be easily contracted are engineering, building inspection, payroll, assessing and legal services.

However, just because you can contract a service doesn't mean doing so will save money. I have discussed contracting our payroll service with multiple vendors but the numbers I have received were comparable to what we are already paying, we would still have to do most of the work we do now and our accounting records wouldn't be automatically updated.

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Other Funds

Almost all of the focus of this report is on the General Fund. However, other funds need to be examined as well. Shortfalls last year in the State Construction Code Fund and the Recreation Fund required General Fund contributions. We cannot allow that to happen again. In fact, we should be looking for these funds to repay the General Fund as soon as possible. We need to be examining these operations very carefully.

Gas and weight tax receipts through the state are also declining. There are fewer people in Michigan and they are driving more fuel efficient vehicles. Less gasoline is being purchased and the tax is based on consumption, not price. This will require us to reduce the money we

spend on roads. As we reduce road projects, the Engineering Department is less able to spread its cost to projects outside the General Fund.

The Library Fund will be facing similar issues to the General Fund as they are losing tax revenue, state revenue and investment income too.

Recommendations

1. Continue plans to prepare a two year balanced budget for 2010-2012
2. Continue plans to prepare a complete prioritization of needs and service
3. Authorize the issuance of notice to the Unions of proposed layoffs consistent with their collective bargaining agreements
4. Approach the Bargaining Units for contract concessions
5. Consider an early retirement offer to employees within two years of retirement
6. Prepare a privatization study
7. Consider City Hall modifications to promote efficiencies and allow staff reductions.

Suggested Resolution

Whereas, the City of Royal Oak, like most Michigan communities, is facing dramatic declines in revenue.

And Whereas, the City of Royal Oak must decrease it's expenditures to match available resources.

Be it Resolved, the recommendations of the 2010-2012 budget strategy report are approved and the Administration is specifically directed to issue the notice of proposed layoffs to the City's Unions in accordance with their labor agreements.