

Commission Letter #: 275-10  
Commission Meeting: 10 / 04 / 2010  
**RE: Manager's Recommended Staffing and Budget Plan**

September 30, 2010

The Honorable Mayor  
and  
Members of City Commission

When we prepare the budget, the level of spending recommended by the City Manager is influenced by many factors. These include crime rates, police calls, fire calls, EMS calls, citizen complaints, department recommendations, commission goals and others. However, there is always one single factor that always dominates our budget process. That is revenue. It's been a long time, about 25 years, since I've prepared a municipal budget that wasn't limited by available revenue. I have never done that in Royal Oak.

Even before the housing slump and resulting losses in SEV and Taxable Value hit Royal Oak, we were faced with the need to reduce spending and we had implemented a very successful (from a financial perspective) attrition plan which kept our spending under our revenue until last fiscal year.

With rapidly declining tax revenue, we have had to do more. Preparing and implementing the 2010-2012 budget has been the most painful experience of my career. We have already laid off 19 employees, including 12 police officers, 2 firefighters, 3 trade inspectors and 2 code enforcement officers. We are currently evaluating a privatization plan that will require even more lay offs.

Being immersed in that process for so long makes it difficult to come to terms with the purpose of this report. I've come to think of my job largely in terms of cutting costs, reducing or eliminating programs and increasing revenues. That is been my focus for a long time; long before I came to Royal Oak.

When Commissioner Drinkwine originally asked for this report, he described it as our "Ideal Staffing Levels." I took him literally on the first attempt and quickly learned that wasn't what he really meant. He didn't want to see a wish list from the department heads. He wanted me to put together a budget based on the staffing levels that I would recommend. That recommendation shouldn't ignore fiscal reality but it shouldn't be limited by existing revenue either.

This document tries to do that. It calls for staffing levels that are greater than we presently have. This would cost more than we can presently afford. To implement it would require additional taxes. There is absolutely no way around that.

However, this is far from an "ideal staffing level." I have limited my recommended position restorations to very few departments. All are in police and fire. Even if we can restore these positions, Royal Oak will be a much smaller organization than it was five years ago.

This report is really all about the General Fund. Ninety five percent of the time, when we talk about Royal Oak's budget problems we are talking about the General Fund. However, Royal Oak isn't a single fiscal entity. Michigan law and generally accepted accounting principals require that we account for many of our activities as though they were wholly independent entities. We call those entities "funds." I think it is important that I start by talking in general terms about the activities that are not part of the General Fund. I will not include every single fund; we have over 40!

### **Special Revenue Funds**

Special Revenue Funds are funds that have special dedicated revenue that can only be used for the dedicated purpose. In some cases, this is a tax we levy. We have a special Library tax levy and a special Solid Waste levy. In some cases, it is indirect tax revenue. That is, the tax is actually levied by the state or federal government and they have provided us with money but have restricted its use to a particular purpose. In all cases the use of the special revenue is legally restricted. It is permissible to supplement the special revenue with money from the General Fund but it is not permissible to move money from a Special Revenue Fund to the General Fund.

In Royal Oak, our Special Revenue Funds include the Library Fund, the Solid Waste Fund, the Major Street Fund, the Local Street Fund, the State Construction Code Fund, the Community Development Block Grant Fund, the Senior Citizens Program Fund, and the Grants Fund.

While we are allowed to supplement these funds with General Fund revenue, we do not. This is actually an unusual practice. Royal Oak is the only city I have worked for in Michigan that didn't subsidize the Local Street Fund. Many cities highly subsidize senior citizen programs or recreation programs and waste collection from general property taxes as well.

### **Enterprise Funds**

Enterprise Funds are used to account for activities that are expected to pay for themselves out of fees or charges for service. They are accounted for like a business. Our enterprise funds include the Water & Sewer Fund, the Automobile Parking System Fund, the Recreation Fund, the Ice Arena Fund, and the Farmer's Market Fund.

Again, we are allowed to subsidize these activities with general tax revenue but we don't. In fact, we do the opposite. We transfer money from the Automobile Parking System Fund to the General Fund.

### **Internal Service Funds**

Internal Service Funds are similar to Enterprise Funds except its customers are other city funds. They are used as a convenience for spreading costs appropriately to various other funds. These include the Motor Pool Fund which owns and maintains all vehicles and much other equipment which is rented to operating funds, the Information Services Fund which does the same thing for computer hardware, software and services and the Worker's Compensation Fund.

We try very hard to price the services of the Internal Service Funds appropriately so that all operating funds are paying their fair share of these costs and so the General Fund does not get stuck making up a deficit. Generally, we cannot simply move money from an internal service fund to the General Fund. Such "refunds" really should be spread back to all of the funds that contributed to the internal service fund through fees and charges.

## **Fiduciary Funds**

Fiduciary Funds hold money that belongs to others. These include the Pension Trust and the Tax Collection Fund which often temporarily holds county and school money. Money in these funds is not ours to take and cannot be moved to the General Fund.

## **Component Units**

The DDA, EDC and the Housing Commission are largely but not quite autonomous units and are legally considered "Component Units" of the City of Royal Oak. They have their own revenue source and we can not give them general tax revenue or take revenue from them for the General Fund.

## **Other Funds Summary**

In the past, we have expected Special Revenue Funds to survive on their dedicated special revenue without assistance from the General Fund. We have expected Enterprise funds to operate like a slightly profitable business and not be a burden to the General Fund either. We have expected Internal Service Funds to function in a manner to fairly distribute costs to other funds so the General Fund does not end up indirectly subsidizing other funds. That will continue to be the case.

I'm not going to spend any time going through the financial details of our Special Revenue funds. Suffice it to say, many of these funds will have financial issues of their own and I expect to solve those financial problems without looking to the General Fund for support. Generally, that means we will continue to cut personnel and reduce services in these areas.

I also expect our enterprise funds to continue to sustain themselves. We do have an advantage with fee based activities that we can raise fees as needed to cover our costs.

## **The General Fund**

The General Fund is the primary operating fund of the City. Its principal revenue is the "General Operating Property Tax Levy" which is authorized by the City Charter. When Royal Oak's Charter was originally adopted in 1921 the authorized maximum General Operating Property Tax Levy was 20 mills. That amount is very common for Michigan cities. In 1955, the voters cut it in half. Today, the charter authorizes 11 mills but the Headlee amendment to the Michigan constitution has reduced our maximum levy to 7.3947 mills.

Because we have an extremely low authorized tax rate, Royal Oak has long been a relatively "lean" municipal organization. Our general government departments are staffed at levels typical for cities less than half our size. While we put a much higher percentage of our resources into public safety than is typical, even those departments may be lightly staffed relative to the population served.

As noted earlier, we were getting even leaner before the current housing crises began. Between FY 2004-05 and 2009-10 we eliminated 61 positions through attrition. However, attrition is no longer enough. We have had to lay off 19 employees already and may soon have more.

In putting together a "recommended" staffing level for General Fund departments, I cannot ignore fiscal reality. The recommendations here are not the levels the department heads think

they need. Every one of my department heads thinks they could do a better job with more staff. They are correct but most departments can do a satisfactory job with the staff they have.

## **Police**

Determining the appropriate staffing level for a police department is one of the most difficult tasks in public administration. There is always a perceived need for more policing as long as there is any crime. With the cutbacks we have made here, Commissioners have received many emails complaining about how these cuts have "resulted in more crime." It's far too early to evaluate the impact of this year's layoffs but it is very clear that the previous reductions have not had that effect. The latest FBI statistics show crime is actually down significantly in Royal Oak.

Never-the-less, I am not comfortable with our current staffing levels. I would like to call back all 12 of our laid off officers and increase our target staffing level for the Police Department to 79 sworn officers. These would be distributed by rank as follows: 1 chief, 1 deputy chief, 4 lieutenants, 11 sergeants, 7 detectives, and 55 police officers. This would be supplemented by 10 police service aids and 4 clericals for a total of 93 full time personnel.

This would increase our investigative staff by 40% and our patrol function by 31% over our current levels. We would be able to fully investigate and solve more crimes. Additional officers for patrol would result in more criminals being apprehended and their presence will prevent other crimes from occurring.

The police chief would like to go much further. He very much wants to return to a full service department with a Traffic Bureau and a Directed Patrol Unit and total staffing of 105-109 full time personnel. I think that would be great, but I don't think it is essential, affordable or politically possible. The police chief's recommendation appears as Appendix A.

## **Fire**

The fire chief recommends we have 59 sworn firefighters. This would consist of a chief, an assistant chief, an ALS coordinator, a fire marshal, 1 fire inspector, 3 captains, 6 Lieutenants, 9 sergeants and 36 firefighters. This is five more than we currently have. With this staffing, he would return to a 16 man minimum shift (18 max) and continue to run our own EMS service with patient transport and three ambulances. The fire chief's recommendation appears as Appendix B.

I'm going to partially concur with the chief. I think the current 14 man minimum is working well. In spite of union propaganda claims about "doubling response times" the department has actually managed to improve its average response time since we reduced the minimum shift personnel. We are also handling 97.5% of our ambulance transports ourselves at this level. However, I think we are at minimum levels far too often and I think we are spending far too much on overtime to maintain that minimum.

I'm recommending we maintain three 17 person shifts plus five staff positions for a total of 56. This would enable us to recall the two firefighters from lay off and cancel the scheduled future lay offs.

This would allow the chief to staff three ambulances most of the time. Only when actual staffing drops to 14 would we reduce to two ambulances. Even then, the engine at station #3 is an Advanced Life Support engine. The crews are certified paramedics and the engine carries the same equipment and supplies that we carry on an ambulance. The crew is capable of

performing ALS procedures such as starting an IV, instituting drug therapy, intubation and 12 lead cardiac monitoring. They arrive, stabilize the patient and put him or her on one of our ambulances from another station, a unit mutual aid partner or a private provider. At our current staffing level, we call on mutual aid or private ambulances for patient transport only 2.5% of the time. With the recommended staffing, this number would be even lower.

### **Other Departments**

I am not recommending restoring any other positions unless we can demonstrate doing so would actually reduce our total cost. If that is the case, the position would have a positive net impact on our bottom line and doesn't need to be included in this analysis.

### **Financial Impact**

The upper part of the table that follows shows the impact of restoring these police and fire positions would have on the General Fund. If we were to do it immediately and not increase our property tax rate, we would literally run out of money sometime in the second half of next fiscal year.

The lower part of the table is the calculation of the property tax rate necessary to support this level of activity. You will note the annotation "not possible" at the bottom of the 2010-2011 column. We cannot increase taxes for 2010-2011 because the soonest we can put a tax question on the ballot is February 22, 2011 for a tax increase that would be effective July 1 and it would be a revenue of the 2011-2012 fiscal year. The decision to hold a February millage election would need to be made before the end of November. Our last scheduled November meeting is on the 15<sup>th</sup>.

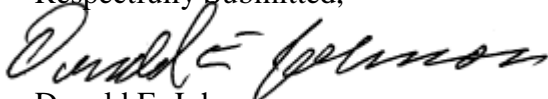
General Fund Summary	2009-2010 Estimated Year End	2010-2011 Adopted Budget	2011-2012 Adopted Budget	2012-2013 Projected Budget	2013-2014 Projected Budget	2014-2015 Projected Budget
Beginning Fund Balance	9,806,898	5,341,638	2,151,190	(5,122,651)	(13,401,791)	(22,277,734)
Revenues	32,168,690	30,151,462	28,446,199	27,792,500	27,978,757	28,181,009
Expenditures	38,118,950	36,286,910	37,275,040	37,541,640	38,159,700	38,881,100
Net	(5,950,260)	(6,135,448)	(8,828,841)	(9,749,140)	(10,180,943)	(10,700,091)
Transfers from other funds	1,485,000	2,945,000	1,555,000	1,470,000	1,305,000	1,230,000
Net Change in Fund Balance	(4,465,260)	(3,190,448)	(7,273,841)	(8,279,140)	(8,875,943)	(9,470,091)
Ending Fund Balance	5,341,638	2,151,190	(5,122,651)	(13,401,791)	(22,277,734)	(31,747,825)
Fund Balance as a percentage of Expenditures	14.01%	5.93%	-13.74%	-35.70%	-58.38%	-81.65%
Net Change in Fund Balance	(4,465,260)	(3,190,448)	(7,273,841)	(8,279,140)	(8,875,943)	(9,470,091)
Projected Tax Revenue		15,790,090	14,258,670	13,902,200	13,902,200	14,180,240
Projected Tax Rate		7.3947	7.3947	7.3947	7.3947	7.3947
\$ per mill		2,135,325	1,928,228	1,880,022	1,880,022	1,917,622
additional mills needed to balance		2.87	4.58	5.19	5.42	5.58
Total mills needed		10.27	11.97	12.58	12.81	12.97
% increase over present		<b>39%</b>	<b>62%</b>	<b>70%</b>	<b>73%</b>	<b>75%</b>
		Not Possible				

The amount of increase required seems relatively large and the percentage over our current general operating tax rate looks very large. However, this is primarily because our current rate is so low. The total millage rate that would result is actually quite reasonable. For 2011-12, the general operating millage would need to be 11.97 mills and the total city millage including library, solid waste, and debt would be 16.2652 mills. Even at this level, Royal Oak tax rates would still be lower than most of our neighbor's rates are already.

When combined with falling taxable values, the actual dollar increase in tax bills is not so significant. The average residential taxpayer is looking at about \$250 per year. The first year increase is 26.8%.

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Average Residential Taxable Value	77,078	70,239	68,132	68,132	70,176
Average Residential Tax Bill	901	1,142	1,151	1,169	1,216
Annual Increase Over Prior Year.		242	9	18	47

Respectfully Submitted,



Donald E. Johnson  
City Manager

**Royal Oak Police**  
**Christopher M. Jahnke**  
**Chief of Police**

# Memo

To: Mr. Donald Johnson-City Manager  
From: Christopher M. Jahnke-Chief of Police  
Date: 10/1/2010  
Re: Full Service Police Department structure

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Over the last several years our focus has been finding ways to deal with the inevitable downsizing of our Police Department. I am very proud of how our men and women have responded. Overall, our officers have done an exceptional job of adjusting to the continually reducing workforce. Through this adversity we have been compelled to rethink the way we do business, and in many instances, we have come up with better and more efficient ways to get the job done.

There is a point; however, when we will simply not be able to do the job. I can not say exactly what that number is because there are simply too many variables. What I am presenting today; however, are staffing numbers that I believe will make the Royal Oak Police Department serve the needs of the community in the most efficient way possible.

What is important to remember is we are not simply attempting to bring the police department up to previous levels. The structure to which is being presented represent the ideal size of our department; streamlining operations while still providing an efficient and effective police department. I have not included all the positions that I would like to have but only those positions that I feel are necessary to fulfill our mission.

As such I would propose the following increases over the 2009/10 budget:

- Increase road patrol by 6 officers
- Resurrect Traffic Safety Division (TSD) with one sergeant (reassigned from shift) and 2 officers
- Create a Special Investigation Unit (SIU) (similar to Directed Patrol Unit) with 1 sergeant and 3 officers
- Increase Criminal Investigation Division (CID) by one Detective from 2009 budget from 8 to 9
- Increase Royal Oak Police Dispatch (PSA) by 2 over the 2009 budget to a total of 12 Police Service Aides.

The increase of two officers per shift on road patrol would put all three shifts at their optimal levels. We would have enough officers to respond to calls for service in a timely manner, as well as, increase our proactive activities. These staffing levels would allow us to periodically detail officers for specific problems as the need arises.

By assigning two officers to the Traffic Safety Division we could have those officers focus on serious injury accident prevention and investigation, hit and run investigations and respond to specific traffic complaints within the City. The TSD sergeant, who will be reassigned from Day Shift, will relieve the Day Shift command officers from the special event responsibilities, supervisor the PEO's and crossing guards, and apply for and manage grants.

Increasing our PSA ranks to 12 will allow us to properly staff dispatch without the need to bring officers off the road to relieve for breaks, or cover dispatch due to shortages.

Creating a SIU, or bringing back DPU, is increasingly important. Recently we participated in a multi-jurisdictional Crime Suppression Task Force (CSTF) however; this unit was disbanded. This makes the SIU an even more critical arm to the Criminal Investigations Division. Home Invasions, for example, are rarely solved without a surveillance unit. Additionally, SIU could conduct local drug investigations, liquor establishment compliance checks, fugitive apprehensions, and basically be assigned to any special problem that needs to be addressed. Additionally, if, in fact, we do create an SIU, The Oakland County Sheriffs Office has expressed interest having a Sheriffs Deputy assigned to our SIU.

Increasing the number of detectives to nine (9) will allow us to continue to dedicate one detective to the DEA Task force while having eight (8) full time detectives. This will give us the ability to properly investigate every appropriate criminal complaint. It will also ensure we have the staff time to properly investigate major crimes.

In order for this plan to be successful, I do recommend some alterations to our current model of doing business.

The most critical modification is addressing the position of the Front Desk Officer. I recommend that this position be relegated to a part time, non-sworn position. Employing part time personnel, assigned to shorter shifts, would not only free up a full time officer for road patrol but also eliminate the need to pull road officers off the street for lunch relief. Implementing this proposition would save a substantial amount of capital. Based on the average cost of a police officer and their benefits, and paying the part time desk personnel, we would save approximately \$389,302 in the 1<sup>st</sup> year alone. Based on my initial figures, we would be able to offset the cost of 4.17 officers while still maintaining our needs at the front desk. In other words, with the amount of money we spend to staff the front desk 24 hours a day, we could pay a part time employee for the same coverage and fund 4.17 officers. In essence, by eliminating the full time desk officer position will add more officers on the road; and instead of increasing our budget for 6 officers, we would only have to increase our budget for 2 officers for shift coverage. For this plan to work it is critical we hire retired police officers, ideally retired Royal Oak police officers. These retirees would require very little direct supervision and would be able to answer most general questions from the public. Additionally, they would be familiar with NetRMS, our internal operational procedures, and would also be comfortable handling prisoners.

With the additional PSA coverage, we could reasonably market our Police dispatch services throughout Oakland County in an effort to gain contract services for outside agencies. If successful, we could offset our costs for the additional PSA's.

As indicated, I am not looking to go to where we were when the economy was running on all cylinders, there are many things that I think that are important, but not realistic to ask for at this time. I believe that this recommended structure will provide us with the tools needed to be successful in providing a quality service to our community.

The tables below show what additions we are requesting in an effort to return to a full service police department.

As you can see from the tables below, we are not requesting to go back to the 103 sworn personnel that we had in the past, we are essentially asking to increase our budget to fund 6 officers (if Front Desk position is part time), 1 Detective, 1 Sergeant and 2 PSA's over the 2009-2010 Budget and only 2 positions (1 Sergeant, 1 PSA) over the 2008-2009 budget. Furthermore, we are decreasing our civilian personnel by 4 full time positions as compared to the 2008-2009 budget.

<b>Position</b>	<b>Addition</b>	<b>Offset by initiatives/restructuring</b>	<b>Total funding increase over 2009-2010 budget</b>
Shift Ofc	6	4	2
TSD Ofc	2	0	2
SIU Ofc	3	1 (from CSTF)	2
SIU Sgt	1	0	1
CID	1*	0	1
PSA	2**		2

\*Based on budgeted 8 Detectives

\*\* Based on budgeted 10 PSA's

Staffing Levels

**Sworn Personnel**

	2008-2009 budget	2009-2010 budget	06/01/10 level	Current level	Requested level
Officer	62	56	55	42	66/62*
Detective	8	8	7	5	9
Sergeant	11	11	11	10	12
Lieutenant	4	4	4	4	4
Admin.	2	2	2	2	2
Total Sworn	87	81	79	63	93/89*

\*If Desk officer is part time position

**Additional Full Time- Non- Sworn**

	2008-2009 budget	2009-2010 budget	06/01/10 level	Current level	Requested level
PSA	11	10	9	9	12
Admin. Sec.	1	1	1	1	1
Records Supv.	1	1	1	1	1
Records Clerk	2	2	2	2	2
CID Clerk	2	2	2	0	0
Total F/T Civilian	17	16	15	13	13

Appendix B Fire Chief's Recommendation

September 23, 2010

Mr. Johnson,

I wanted to put forth a recommended adequate staffing level for the Fire Department for future planning. I would recommend a daily minimum staffing level of 16 persons per day. I would staff the Department as this chart shows.

<b>ON DUTY</b>	<b>STA. #1</b>	<b>E-910</b>	<b>R-91</b>	<b>L-912</b>	<b>E-911</b>
<b>16</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>OUT</b>
	<b>STA. #2</b>	<b>E-920</b>	<b>R-92</b>	<b>L-922</b>	
	<b>5</b>	<b>3</b>	<b>2</b>	<b>OUT</b>	
	<b>STA. #3</b>	<b>E-930</b>	<b>R-93</b>		
	<b>5</b>	<b>3</b>	<b>2</b>		

This staffing distributes the manpower equally throughout the City and is the lowest manning that allows us to operate all of our necessary equipment in a safe and proven manner.

We currently have 49 persons in Fire Suppression. By setting the daily maximum at 18 persons per day and using overtime to supplement our staffing during peak vacation periods we would need 54 persons to operate at this level. To accomplish this we would need to recall the 2 laid off Firefighters and hire 3 new employees. These new hires would be on a second tier and would cost 60% of a current employee in the first year. My estimate of the additional cost of this proposal would be \$560,000 per year, plus some overtime implications when injuries arise.

As you know the Fire Department is anticipating several retirements over the next year or two. These retirements would allow us to take advantage of the above mentioned 2<sup>nd</sup> tier in the near future. The savings that would be realized would have a tremendous positive impact on our budget and would reduce our employee costs significantly.

I look forward to the opportunity to discuss this matter with you in the near future.

Pat Mulligan  
Acting Fire Chief