EASTERN MICHIGAN UNIVERSITY
Institute for Community and Regional Development

MEMO

February 27, 2006

TO:	Ed Koryzno, City Manager, City of Ypsilanti
CC.	Mayor and Members of Council, Department Heads, Participants
FROM:	Dr. Joe Ohren, ICARD/EMU
RE:	Minutes of Planning Retreat, 2/16/06

As I have done in the past I have summarized the discussion from the Planning Retreat on Thursday February 16, 2006. These constitute an addition to the official minutes of the meeting prepared by the City Clerk. The summary is organized around three major themes used to organize the work session: a budget update, discussion of the Manager's recommended Solvency Plan, and the recommendations for action by the leadership group. I have made no effort to provide a complete transcript of the discussion; rather I have tried to capture key points, without attribution to any individual, and supporting narrative. As we all recognized, the recommendations emerging from the work session are not final decisions on the budget; they will provide guidance to the Manager and department heads as they begin assembling detailed budget estimates in the coming weeks for presentation to Council and the community in April.

Budget Update

After an overview of the agenda for the evening, the group quickly reviewed the Minutes from the December 10 retreat session. Several comments were made in reaction to the summary provided earlier, and while not designed to modify or amend the summary, they emphasized both the complexity of the budget before the group and the difficulty of making decisions. The comments included:

- Awareness that, after five years of budget reductions, the same services can no longer be provided with less money, and one of the critical elements in sharing these budget actions to the community will be to communicate lower service expectations—as someone put it, we just will not be able to do some of things that citizens have come to expect;
- A reminder that some items in the budget are not subject to reduction—the payment of SBT to the school district was an example—and that some services in the general fund are partially supported by revenues in other funds—street programs for example;
- A recognition that "everything is connected to everything else" in the budget, and as reductions are made officials need to be aware of these connections—for example, changes in fire department staffing may affect residential insurance rates since the ISO rating includes a staffing factor; and
- An admonition to be conscious of the long-term consequences of budget actions—cuts that are made now may have implications for services and the quality of life in the community that are irreversible.

Mr. Koryzno then provided an updated five-year budget projection for the city, indicating that the estimated deficit for fiscal year 2006-07 is approximately $462,000. This updated figure reflects the impact of negotiated wage increases, increases in employee fringe benefits including significant increases in health costs, increases in retiree costs, utility increases, and other cost escalators—the assumptions were spelled out on the spread sheet distributed in advance to participants. The Manager also noted that final figures for some of these cost drivers are not yet in and may further affect the shortfall. The estimated deficit for the following year, fiscal year 2007-08, increases to nearly $704,000 with the expected loss of the personal property tax payments from Visteon.

Revenue estimates are figured conservatively for the five-year period; future increases are estimated using the same escalators that have been used in the past. While savings from budget cuts occurred in the most recent fiscal year, adding a small amount to the fund balance, the city is at the low end of the range that auditors use in terms of the size of the fund balance in relation to total general fund expenditures. Thus, there is little room for further reductions here to cover the budget shortfall.

In addition to the budget update, the Manager also distributed a recommended three-year Solvency Plan, based on the discussion and direction provided by Council at the December 10 retreat session, summarizing recommended reductions emerging from meetings among the management team for city departments. The proposed Solvency Plan, especially the first year for which budget decisions will need to be made in the coming weeks, became the focus of the balance of the discussion during the evening.

Discussion of Solvency Plan

No attempt was made to work through each item of the recommendations at the start of the discussion. Rather, participant comments and questions prompted explanation and clarification. At the end of the evening, the group summarized the recommendations agreed to during the evening and that summary appears at the end of these notes.

Participants discussed at length the impact of proposed reductions in the AATA contribution, agreeing that more information should be sought from the transit authority on route reductions, the possibility of fare increases to minimize some of the reductions, and exploration of alternative sources of revenue—perhaps agreements with EMU, WCC and St. Joseph's Hospital to subsidize employees who ride the system, as AATA has done with UM and Pfizer. The Manager will seek additional information as part of the budget process.

While not targeted in the first year of the three-year Solvency Plan, attention turned to the elimination of three positions in the Fire Department, essentially eliminating the EMS response by the department. Chief Roberts explained that the impact of the proposed reduction would not be isolated to EMS response, but reduce shift staffing levels from five to four persons, meaning that the aggressive fire attack that the department currently utilizes would not be possible. One engine would respond to a fire scene, leaving only two fire fighters to attack a fire until backup arrived. The change would require contract negotiations with the union to implement.

Over time the reduction would affect the ISO rating in the city—the three primary factors used in the rating are personnel, equipment and water supply—affecting insurance rates for citizens, potentially impact state funding to protect state properties, and have implications for mutual aid. Participants discussed whether a change from an all career department to a combination of career and volunteer staffing could be implemented; the Chief noted that only four of fourteen departments in the county have all career departments. He also noted that specialized services such as hazardous materials, technical rescue and homeland security efforts are being pursued through regional initiatives, indicating that the Haz Mat team stores its equipment at Ypsi FD.

Also included in year two of the Solvency Plan is a proposal to reduce compensation of Council members, with the Manager noting that all other resources supporting Council—e.g., travel, conferences and so on—have been eliminated already. Council members discussed moving this reduction into the first year of the plan and agreed to reduce compensation by fifty percent the first year and the balance in the second year.

Reductions in the public works department in the first year of the Solvency Plan would occur from not filling a vacant position, but the Director noted that continued reductions anticipated in the second and third year would mean limited park maintenance, potentially require shifting workers from reimbursed street expenditures to non-reimbursed services, and limit street cleaning, snow removal and potentially leaf pick-up.

That lead to a discussion about shifting to bagged leaf pick-up and the Director estimated savings at approximately $35,000. He indicated that he would develop a better estimate and provide a recommendation to the Manager and Council. Participants recognized that there would be a "learning curve" on the part of residents as this shift occurred, but the savings would be considerable over time and the leaves would still be composted.

In a similar vein participants discussed the possibility of reductions in street lighting, considering whether alternative strategies—reducing every other light, reducing all lights in some areas, for example—might be explored to reduce the estimated $400,000 cost of lights to the city. The Director indicated he would explore such options with DTE but noted that some costs might be associated with turning lights out.

Implementing a self-insurance program, paying only for risk management services, might also reduce current insurance premiums. Significant judgments against the city in a self-insurance program would have to be covered by a special levy on property, but would be outside the millage cap. Participants weighed the value of this approach and generally agreed that such a program might expose the city to too much risk.

Several entrepreneurial suggestions were made, including exploration of selling some city assets to achieve one-time savings; marketing Waterworks Park as a possible marina was the example described, but the discussion extended to other park properties. Concern was expressed about the long-term implications of such strategies; as one participant noted, once we sell the park property it is impossible to get it back, or so costly that we couldn't recover it.

Reductions in the police department have been made in the past several years by not filling vacant positions, resulting in a net reduction of police officers on the street and reducing the community policing initiative that has contributed to effective community service. The proposed elimination of a PSO and clerical staff may well impose additional demands on police officers, perhaps even including reduced hours for the station, although several participants agreed that further reductions need to be minimized to the extent possible. As one participant noted, if we are to attract people to the downtown and to live in the community, we must provide a safe community.

Similarly, the Clerk also noted that reductions in staffing in that office, scheduled in the second year of the Solvency Plan, would mean reduced capacity to serve the public, perhaps meaning reduced hours and an inability to provide transcripts of meeting minutes. Proposed cuts in the first year would eliminate the subsidy for the historical museum and other community promotions that are funded out of that office.

Summary Findings

The group closed the session by reviewing systematically its conclusions regarding each item in the first year of the Solvency Plan. Those conclusions are summarized below.

- Eliminate the museum subsidy and community promotion in the Clerk's Office;
- Reduce Council compensation by half for the 2007 fiscal year;
- Reduce to half time the accounting technician position;
- Leave the HR Director's position vacant, assign some of those responsibilities to the Assistant Manager, shift other responsibilities to the HR assistant, and contract out remaining responsibilities;
- Reduce additional recreation subsidies by fifty percent;
- Reduce two routes from the AATA service;
- Increase fees for special events, resulting in a fifty percent reduction of current subsidies;
- Eliminate the general fund subsidy to the DDA;
- Leave vacant the redevelopment coordinator position, and consider consulting services where necessary to pursue the Water Street development;
- Eliminate one PSO and one records clerk from the Police Department, with the proviso that if additional money is available consideration be given to reinstating the PSO position; and
- Reduce DPW by a total of 26 percent, by leaving one parks position vacant and reducing administrative costs.

After summarizing the expenditure reductions to be used by the management team in preparing the FY 06-07 budget, participants also briefly discussed and agreed, given the magnitude of the proposed reductions spelled out in the three-year Solvency Plan, to place a referendum question on the ballot for a city income tax.

The timing of the ballot question was explored briefly, with the Clerk noting that only four dates are available for elections under new laws—March, May, August and November. The Manager also pointed out that the law providing for the income tax allows a January or July start date for implementing the tax and noted the need for lead time to prepare for implementation before revenues come in, should the income tax be approved.

Given these constraints, most Council members agreed that the question should be placed on the November 2006 ballot. This provides time to help the community understand the need for the additional revenues, to explain the nature of the budget reductions necessary in the absence of new revenue, occurs at a time when voter turnout is greatest, and assuming approval in November, would allow for collection of revenues by July 2007, the start of the 2007-08 fiscal year, offsetting the loss of revenue from the closure of Visteon. Council members agreed that additional discussion of this issue will be necessary.