



2012 Fiscal Year Budget

Introduction

The City of Taylor, like cities around the country, finds itself facing a seemingly unsolvable equation. While endeavoring to deliver improved services to a more knowledgeable and demanding citizenry, the city is facing an extremely dire financial future. How does Taylor provide essential and desired taxpayer services at dramatically lower costs?

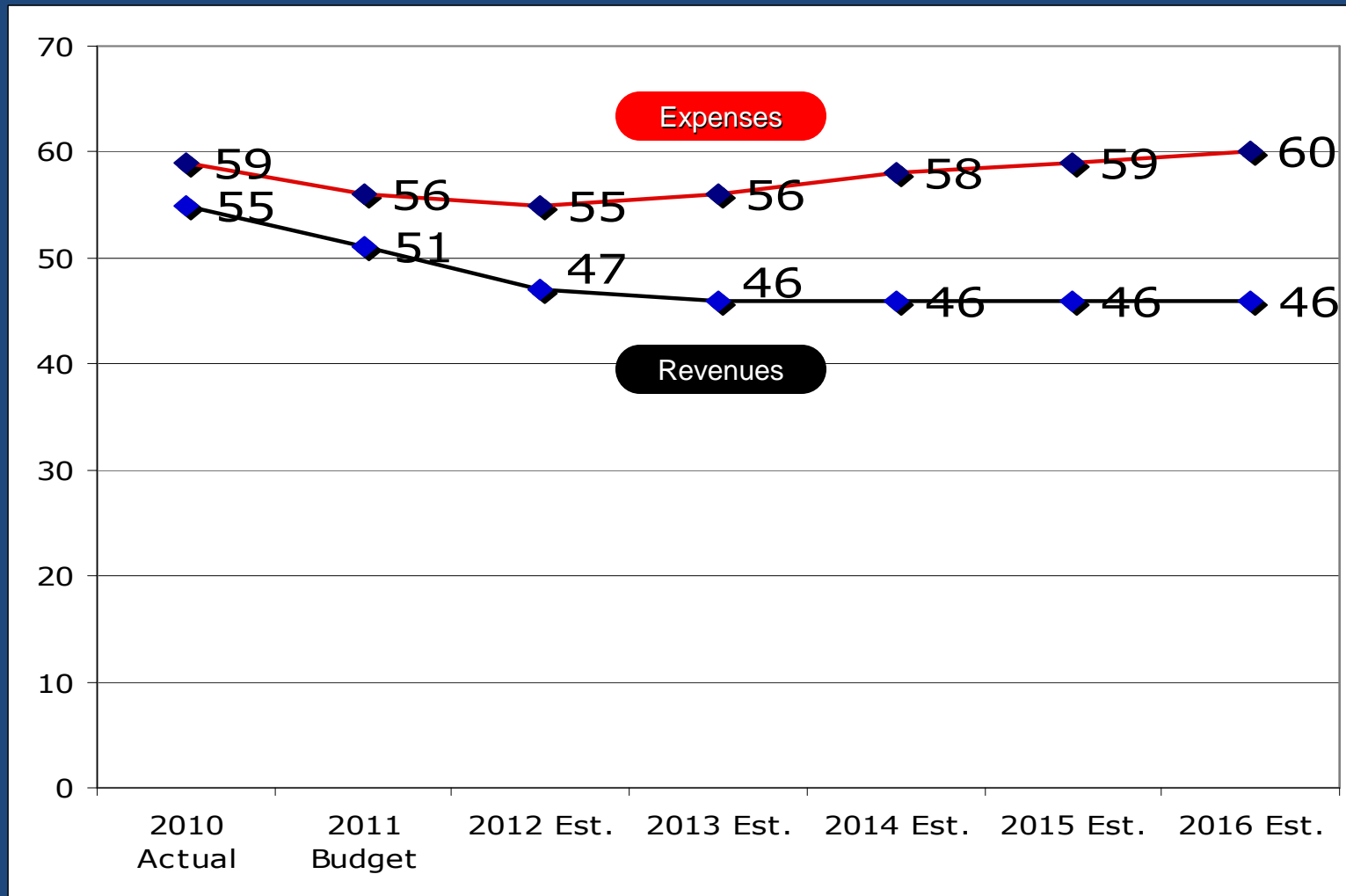
Like many municipalities in the State of Michigan, Taylor is facing a perfect storm of issues.

- Expenses for energy, health care and pensions continue to increase
- The continuing weak economy translates into lower home prices
- SEVs and taxable values are declining
- Property tax collections are down and will continue to be down for the foreseeable future
- The level of state revenue sharing will likely continue to be reduced and is now incentive based.
- Municipal revenues are shrinking

Taylor's Financial Situation

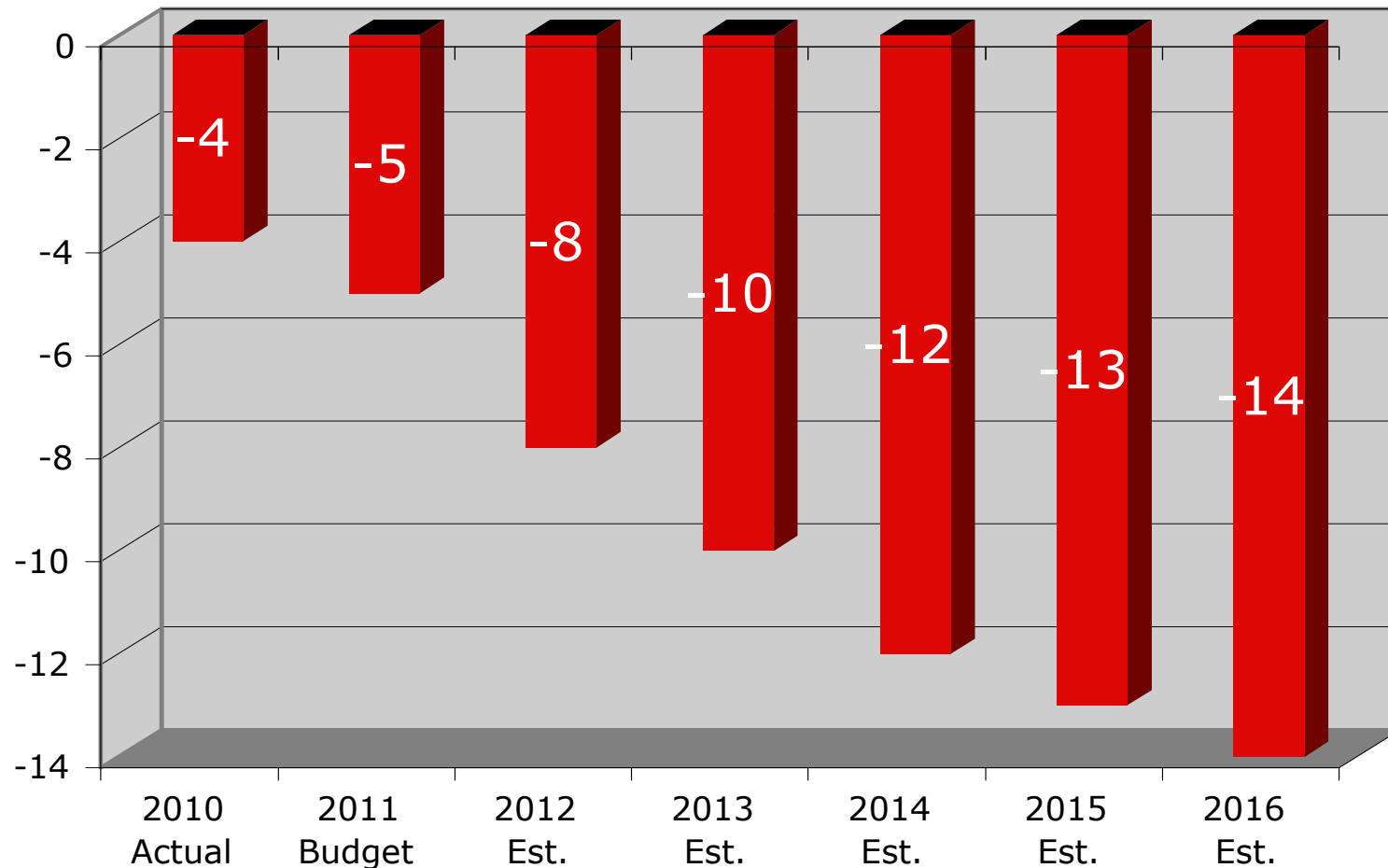
- Taylor has never fully addressed financial problems that have been apparent for many years in the form of structural deficits.
- Taylor has never adequately funded items like compensated absences and other post-employment benefits (OPEB).
- *Taylor's problems are daunting and are estimated to get worse.*
- *Additional, aggressive, bold action must be taken...now...to right the ship or risk running out of cash. What would happen next??*
 - *Emergency Financial Manager?*
 - *Bankruptcy?*

In total, Taylor's expenses are estimated to outpace revenues each year for the foreseeable future.



Includes TBA and Rubbish

Net annual revenues (expenses) are estimated to be negative through 2016...



Bond ratings agencies clearly echo Taylor's internal assessments.

FitchRatings

Fitch's recent downgrading of Taylor LTGO bonds (with outlook revised to "negative") sited four areas of concern:

- .declines in taxable values
- .declines in state revenue sharing
- .declines in court revenue
- .escalating expenditures

Standard & Poor's DirectReport ratings dated 3/15/11 reaches similar conclusions while lowering Taylor's rating on general obligation debt to BBB from A-, with a negative outlook.

- “projected use of all city's unreserved fund balance in this FY”
- “a significant ongoing budgetary imbalance for which official have no immediate remedy”
- “city's decreasing tax base which is contributing to revenue pressures”
- management's lack of expenditure adjustments in recent budgets”

Taylor's Cash Flow Position is expected to go negative at
or around the end of May

Why?

Expenses are immediate and some revenue sources are
delayed -- for example, SSR is paid every two months - -
so, current year SSR will be paid in August

Expense Reduction Needs

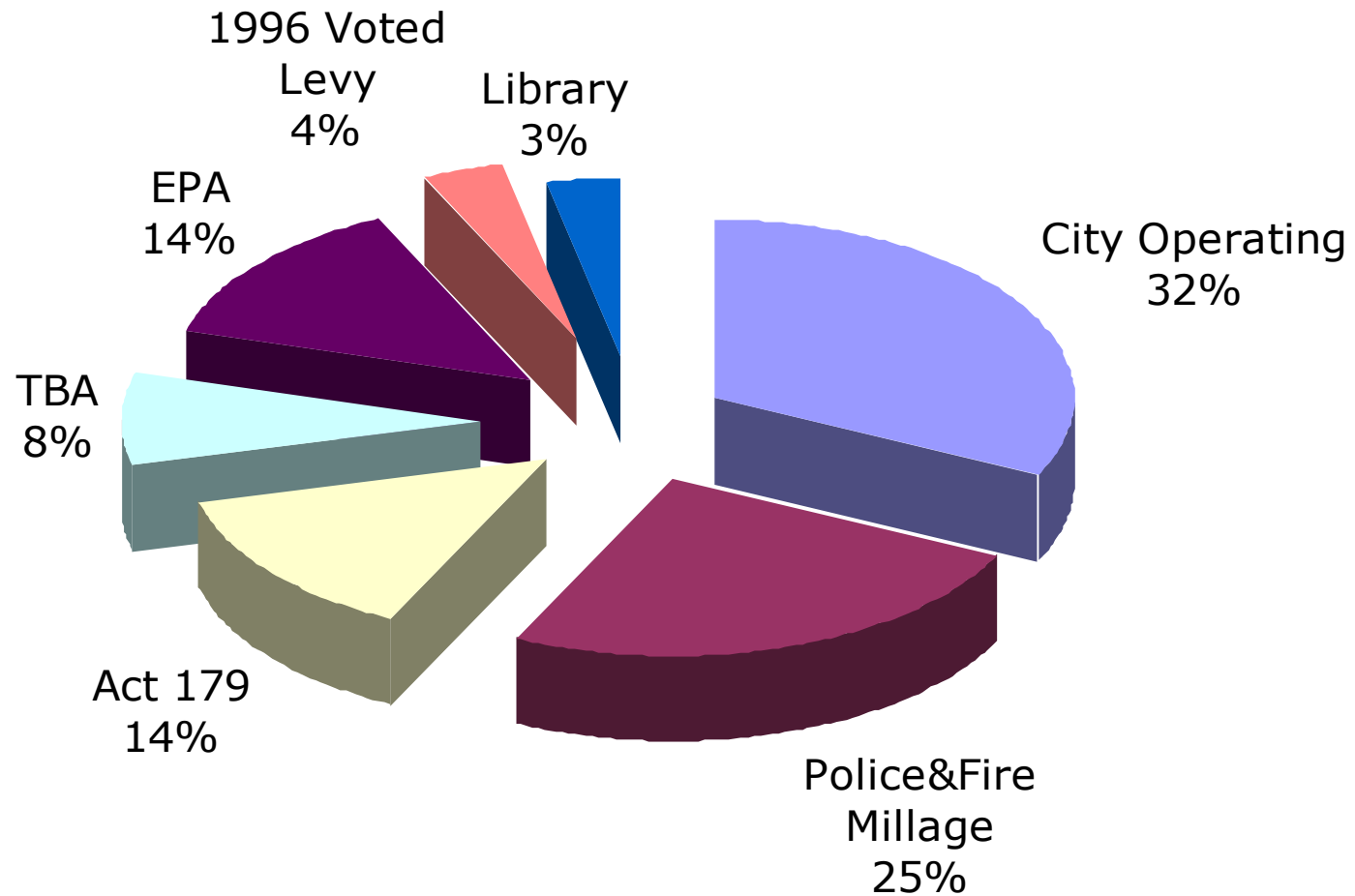
- Reduce wage and fringe benefit costs
- Reduce health care costs via cost sharing & not giving benefits too soon
- Stop compensated absences – which are costly and cause spiking of pensions
- Reduce building operating and utility costs
- Reduce vehicle fuel and maintenance costs

These changes are encouraged and identified by the State as “best practices”. In fact, these initiatives lead to State revenue sharing incentives.

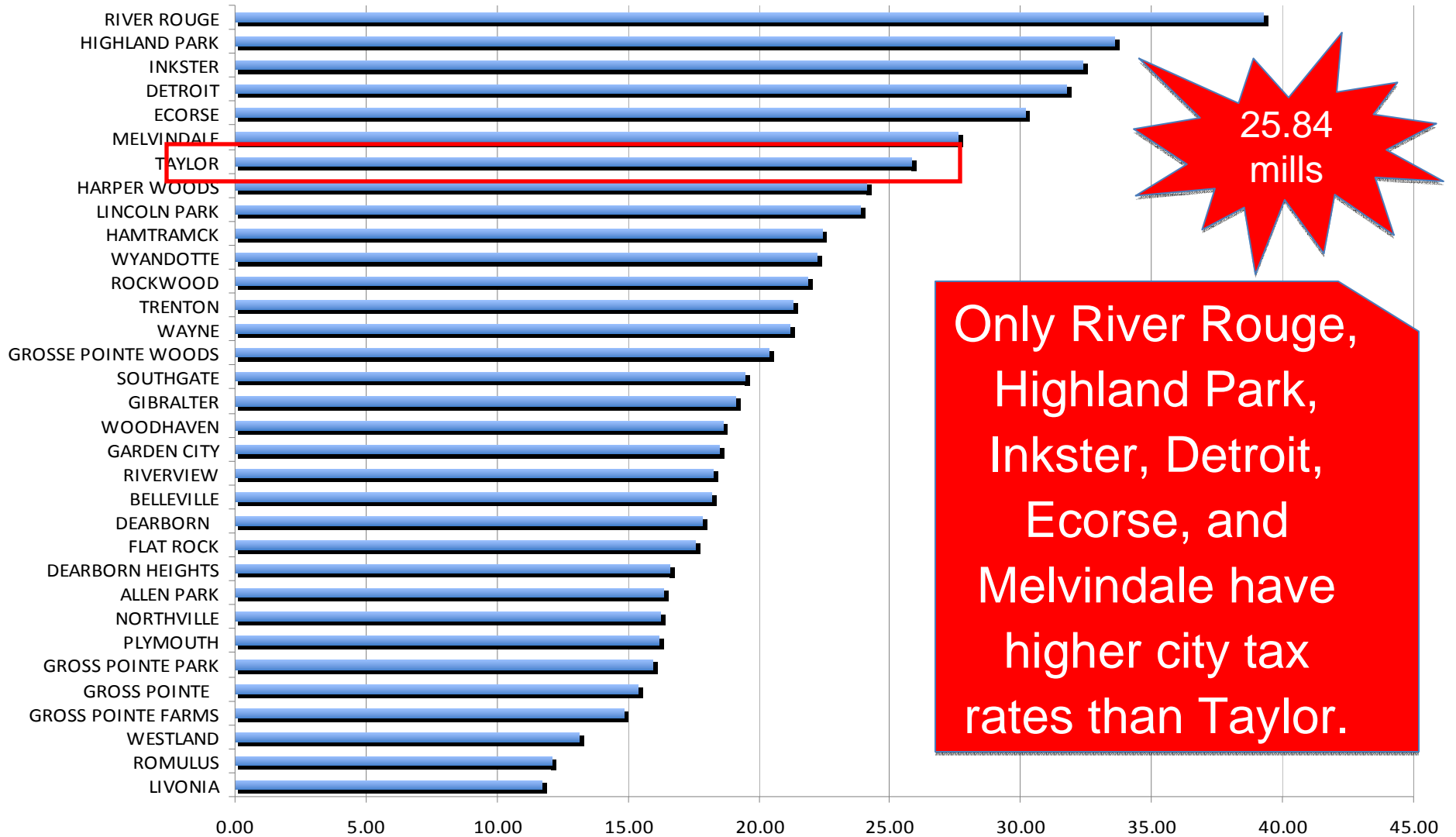
Compare 2011FY to 2012FY Revenue

2011FY Revenue	\$60.1
Appropriated fund balance	(3.3)
Bond proceeds	(3.1)
Land sales	(2.6)
State rev sharing	(1.9)
TBA taxes	(3.2)
Act 179 taxes	(4.3)
Act 179 other rev	(.7)
Taxes collections (TxV down)	(.9)
Other	(.8)
Total -- 2012FY Revenue	\$39.3

Taylor Millage Components

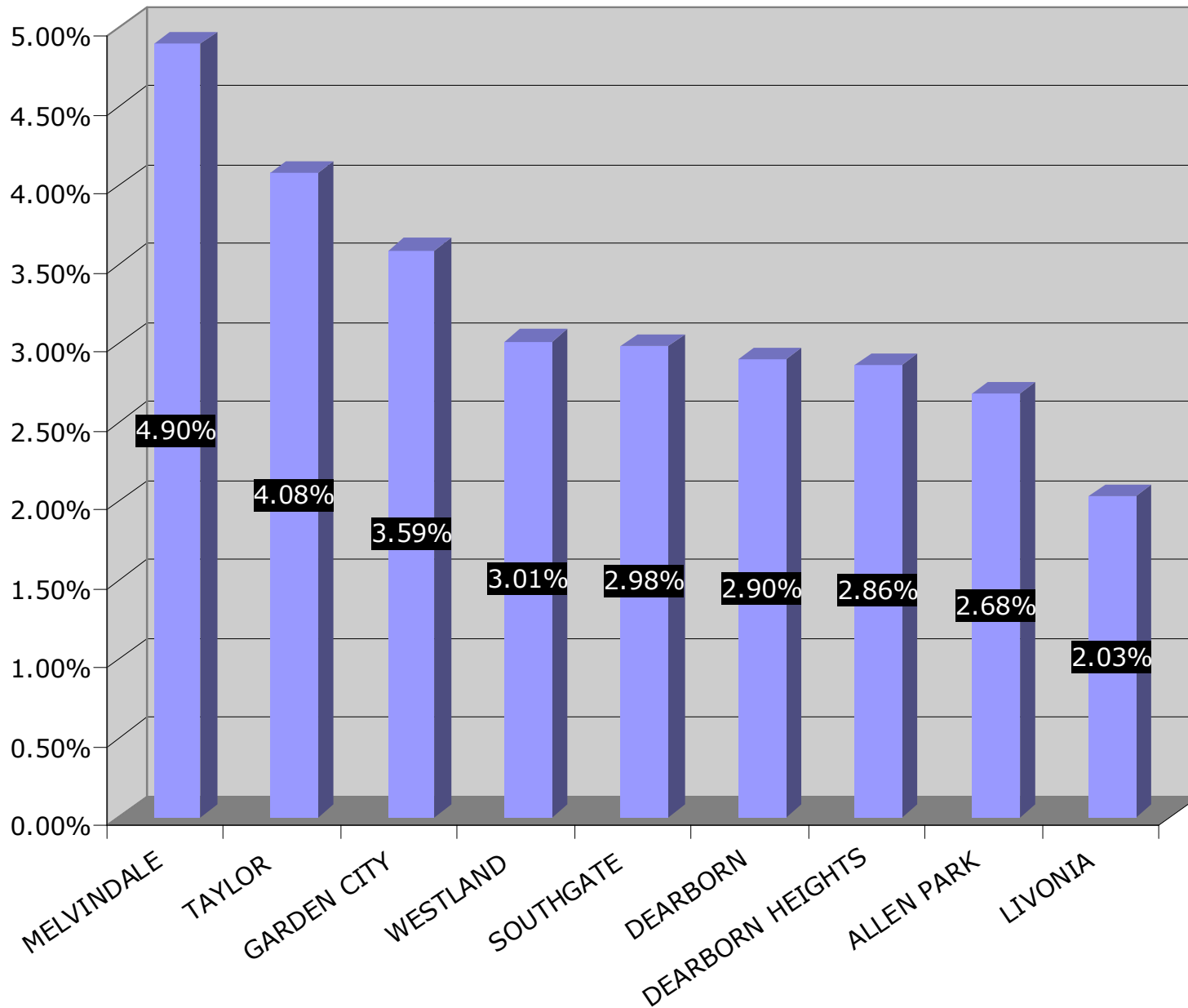


Comparable City Tax Rates

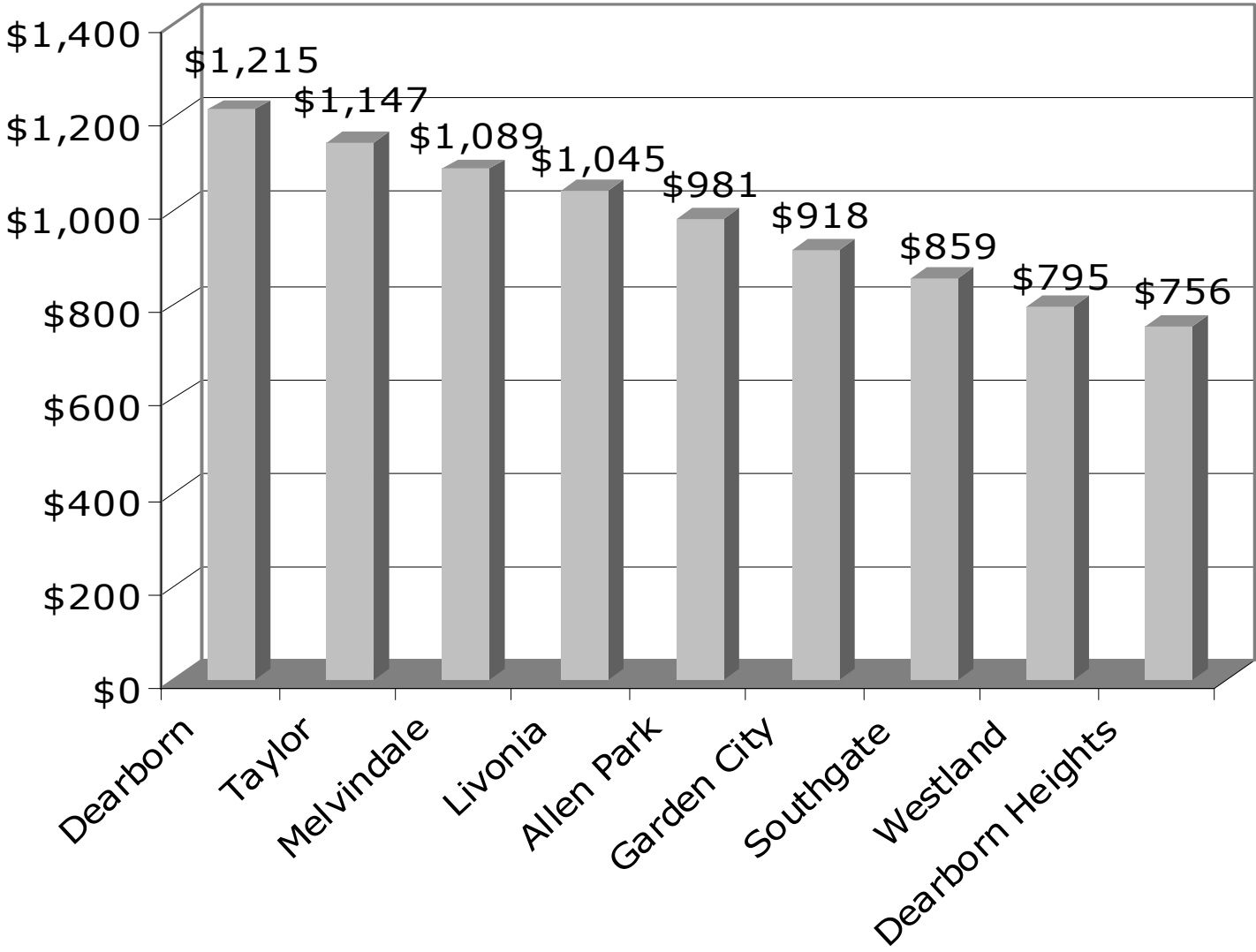


Mills

Expenses % of Taxable Value



Expenses per Capita



Approaches to reducing costs within available resources while maintaining services

- Increase efficiency (e.g., CAC & CPD)
- Collaborate & consolidate – within city & with other entities
- Contract out when either option isn't feasible
- Reduce services
- Eliminate less essential services

When cuts were made, they were contemplated within the context of what services are most important to taxpayers

Tier I	Tier II	Tier III
<ul style="list-style-type: none"> • Emergency Medical Services • Firefighting Services • Road Maintenance • Snow Removal • Crime Prevention • Traffic Control • Emergency Dispatch • Rubbish Collection • Response to Complaints 	<ul style="list-style-type: none"> • Library • Recycling • Blight Enforcement • Park Maintenance • Sewer Services • Water Quality • Street Lighting • Elections & Voter Registration • Water Quality 	<ul style="list-style-type: none"> • Treasurer-Tax Collections • Website Resources • Assessing • Yard Waste Collection • Recreation Programs / Community Events • Justice Services • Weed & Pest Control • Building Inspection • Economic Development • Community Health • City Council • Walking Paths • Building Department • Planning Commission • Storm Water Control • Zoning Board of Appeals • Animal Control • Volunteer Service Programs



Downsizing “rule of thumb”

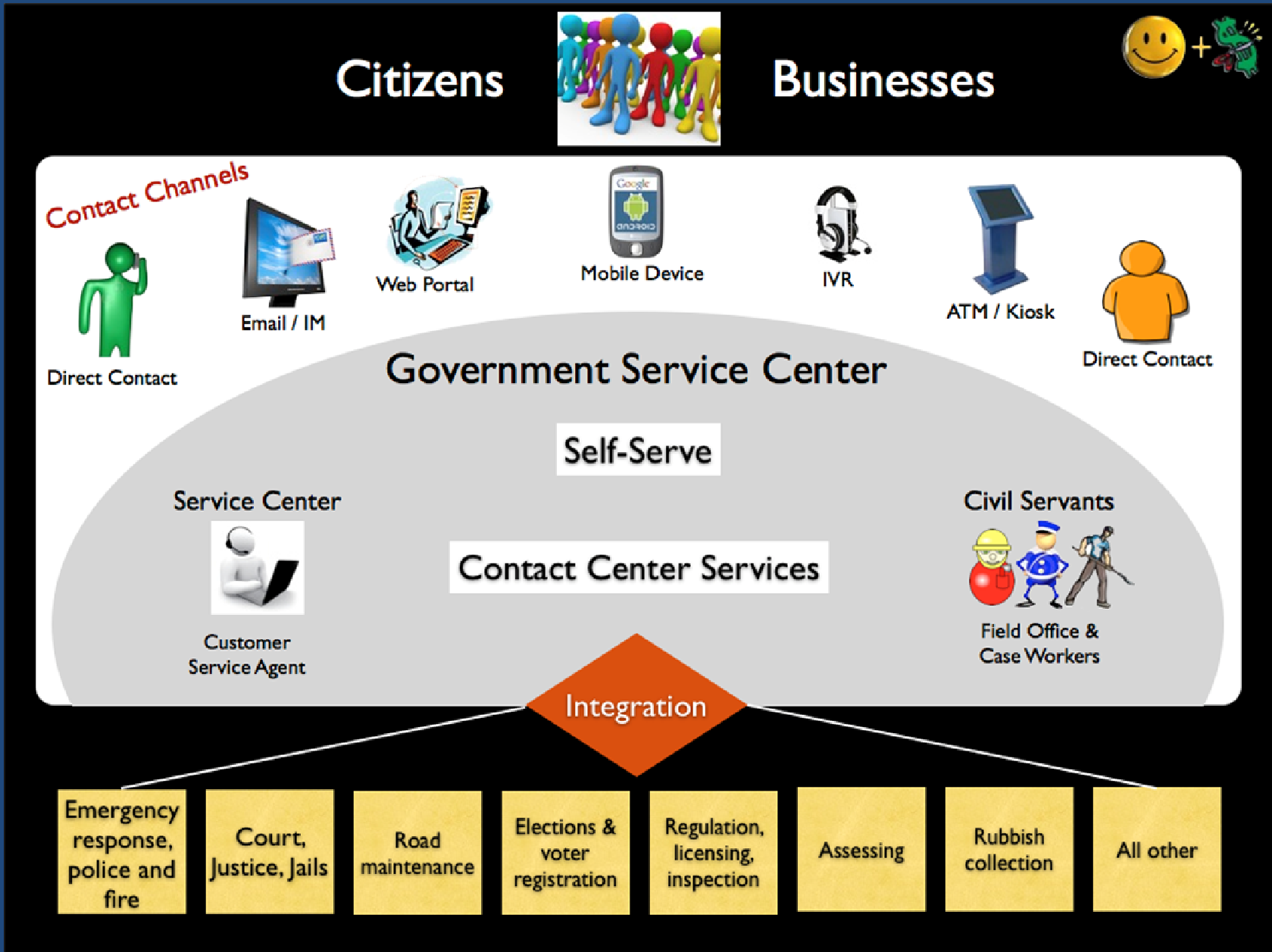
Group employees together who perform similar tasks and have have similar skill sets. This facilitates and speeds identification of efficiency opportunities.

Customer Assistance Center & Central Purchasing Department Efficiency Gains

Customer Assistance Center	8 versus 25* employees performing customer service work across the city	68% efficiency improvement
Central Purchasing Department	3 versus 9* employees performing purchasing work across the city	67% efficiency improvement

* Based on Employee Work Survey October-November, 2010

Taylor As a Customer - Driven Operation



Customer Assistance Center Resourcing Analysis

2010 CY calls per month	12.7k	<ul style="list-style-type: none"> ● Excludes inter-department communications ● Includes mobile calls ● Excludes Police, Fire and Golf
Less vendor, transfers and personal calls	30%	Based on IT experience
Net calls per month	8.9k	
Estimated calls per day	400	<ul style="list-style-type: none"> ● $8.9k \div 22$ working days ● Assume calls and emails combined
Estimated call minutes per day	2000	400×5 minutes per call
Estimated dissatisfied call minutes generated per day	100	Assumes of 400 calls, 50% information / 50% work request; assumes 10% work request dissatisfaction -- comes from automated system
Total call minutes per day	2100	
Required FTE hours per day	35	$2100 \div 60$
# Customer Service Agents Required (CSA)	5	$35 \text{ hours} \div 7 \text{ hours productivity} / \text{CSA}$
Estimated Counter CSAs	2	
CSA Receptionist / Router	1	
Total CAC Staffing	8	Does not include supervisor