

The text is centered horizontally and overlaid on a decorative graphic consisting of six light purple circles arranged in two rows of three. The top row has one circle that is an outline and two that are solid. The bottom row has two solid circles and one outline circle on the right.

CITY FINANCES 101

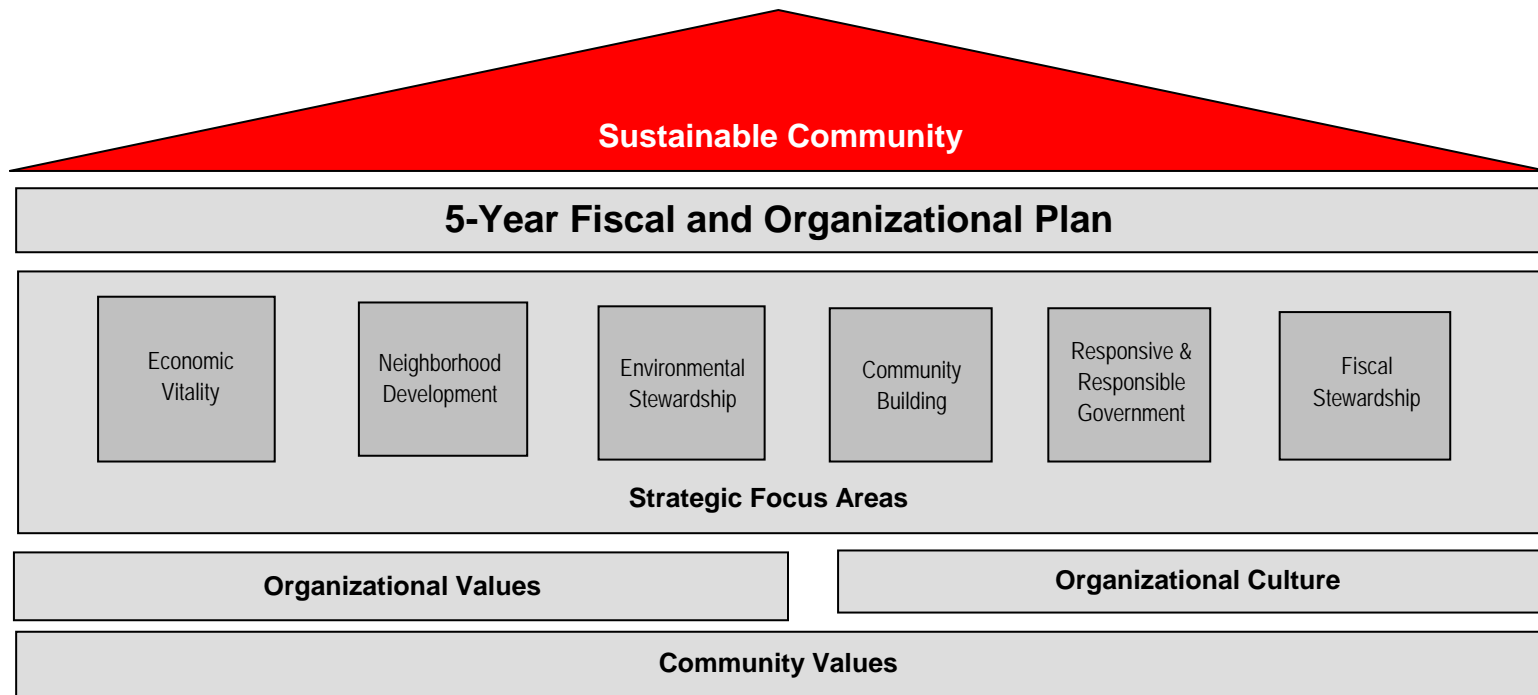
CIRCA 2010

CITY FINANCES 101 – CIRCA 2010

- Webster's definition of schizophrenia...

As a state and a nation, we can't continue behaviors "characterized by a loss of contact with the environment, by noticeable deterioration in the level of functioning in everyday life, and by disintegration of personality expressed as disorder of feelings, thoughts, conduct, and contradictory and/or antagonistic attitudes" – for those of you that may have been wondering that's.

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Principles applied:

- You can only spend the money you have
- You can only spend it once
- You must clearly identify all available resources
- There are consequences to your resource allocation choices
- All public resources essentially come from the same “pockets”
- A “checking account” is fundamentally different than a “savings account”

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Key Assumptions:

- Revenues and Expenditures will Increase at Historical Rates
- No New Taxes will be Imposed
- Increase Contributions should be made to Capital Improvements
- Initiatives will Continue
- Debt should be used Strategically to Finance Capital Improvements
- State Shared Revenues will Continue at Existing Levels
- Excess Pension Fund Investment Earnings may be Used to Finance Retiree Healthcare Costs

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Financial Indicators & Targets to Sustain Fiscal Health:

- Fund Balance: 13-15%
- Budget Stabilization Reserve: 1-2% of Operating Revenue
- Capital Contingency Reserve: 1-2% of Operating Revenue
- Annual Capital Improvement Program: \$5 million
- Debt Financing: Optimized
- Bond Ratings: Maintain or Improve
- Retiree Healthcare: Establish Fund

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With a Commitment To:

- Not overreact to changing economic data
- Fight through short term budget challenges by making timely and informed decision
- Responsibly address the long term structural, fiscal challenges
- Telling the truth, the whole truth and nothing but the truth relative to the fiscal challenges

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City Commission in full collaboration with the administration decided to:

- Develop a two year, status quo budget
- Review the budget (particularly revenues) quarterly
- Make mid-year budget adjustment(s) to maintain a balanced budget
- Address legacy costs
- Smooth impacts of revenue shortfalls
- Transition to a “new normal”

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These balanced budgets haven't been accomplished without pain:

- 51 position eliminations with 17 layoffs in 2009
- organizational transformation (backshop operations have been reengineered and we continue to consolidate work sites)
- Federal stimulus funding (15 positions “saved,” \$2.7 million in capital construction funding and more than \$3 million in program expansion for neighborhood stabilization and homeless prevention)

CITY FINANCES 101 – Circa 2010

There have been some erosion of the services but these impacts have been greatly tempered by:

- Interdepartmental collaboration (breaking down the silos and modifying the culture that protected the silos) and a commitment to maximize the effectiveness and efficiency of our line operations
- Strict management controls in the form of a selective hiring freeze, a wage freeze, energy conservation, healthcare cost containment, tight control of overtime, limited conferences and travel and redesigning telephone programs

CITY FINANCES 101 – Circa 2010

During 2010, we'll continue to:

- live within our means
- hold nothing back from the community
- vigilantly monitor our revenues
- deliver high quality core services.
- reconstruct and validate the five year fiscal plan

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The “new economic normal,” we will be challenged to estimate:

- State shared revenues that will be a result of Michigan’s economy and decisions made in Lansing
- Property tax revenues based on future valuations of residential and commercial properties
- The cost of Retiree Healthcare in an ever changing medical market
- The future values of the stock market to determine liabilities for both Pension and Retiree Healthcare
- The outcomes to multiple collective bargaining processes in which employees will be asked for concessions
- The future costs of energy



CITY FINANCES 101 – Circa 2010

THANK YOU