



January 12, 2012

Dear Stakeholders of the City of Saginaw:

At the January 9, 2012 City Council Meeting, I presented the Fiscal Year 2012 “5-Point” Financial Management Plan, as prepared by the City of Saginaw Financial Management Team. This 5-Point Management Plan is a proactive approach to dealing with the difficulties that many cities face in America, given the declining revenues and rising cost for providing services. It has been my intention to keep the City of Saginaw well managed and moving forward. This plan offers a blueprint for anticipating and managing the challenges of the remainder of fiscal year 2012 and the issues we face for developing and balancing a new budget for fiscal year 2012/2013.

The “5-Point Management Plan” follows:

ACTION:

1. Review all administrative policies to identify potential cost savings to the city (Example Compensatory Time optional payouts, Police & Fire Pension Board Administration);
2. Conditional hiring freeze on all vacant, budgeted positions based upon compelling evidence that the position must be filled between now and July 1, 2012;
3. Petition the state through the Governor’s and Treasurer’s Offices to strongly consider restoring Revenue Sharing (EVIP) allocations to Fiscal Year 2011 levels for local governments that qualify as distressed communities based on its own assessment mechanism; and reward those that have avoided financial emergency by proactively managing the decline in general fund revenue and rising expenditure costs. These funds could be made available based upon the state’s unexpended revenue surplus, now estimated at over \$400 million;
4. Meet with the city’s union leadership to specifically discuss possible collective bargaining provisions that can be reopened and reviewed at this time given the current contracts for SEIU, AFSCME, and IAFF all expire June 30, 2012. This is an opportunity for everyone to participate in the brainstorming;
5. Eliminate Paid-Time-Off (PTO) accruals based upon annual appropriations beginning January, and move to a monthly accrual rate, thus minimizing the substantial unfunded liability for this expense when employees retire.

GOALS:

1. Proactively manage an anticipated shortfall in the revenue sharing estimate for 2011/12 of approximately \$600,000;
2. Rebuild the General Fund fund balance to the generally acceptable level of 10% of General Fund revenue;
3. Reduce the cost of personnel services which now amounts to 70% of the General Fund budget;
4. Lessen or otherwise minimize the impact of the anticipated disparity between 2012/2013 budget revenues and expenditures;
5. Continue on a path of reorganization and reform that is more likely to be sustainable in the long-term given the preliminary estimates of lost revenues and rising expenditures.

The issues are manageable at this point, but it will take the cooperation of everyone to continue our present state of sustainability. As we look forward to our budget development process for fiscal year 2012/2013, I ask that you join with me and let's work together to keep Saginaw moving forward while addressing the fiscal challenges ahead.

Sincerely,



Darnell Earley, ICMA-CM, MPA
City Manager
Saginaw, MI
Past President, ICMA (2009/2010)