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# City of Detroit

## Discussion Document

July 16, 2012



## Table of contents

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**I. Executive Summary**

**II. Wage Savings**

**III. Healthcare Savings**

**IV. Pension Savings**

**V. Work Rules Savings**

**VI. Appendix**



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# I. Executive Summary



## Introduction

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- Due to the recent and projected financial performance of the City, urgent action is required to address the cash flows
  - The City issued new debt in April 2012 to address its significant liquidity crisis. Without access to additional new financing the City will likely face another liquidity shortfall as early as October 2012
  - Even if the \$137m refinancing transaction is successful, absent implementation of the proposed labor savings, the City will likely face another liquidity shortfall in FY 2013 (~May 2013)
  
- Based on recent information received from independent actuaries, the pension funds may be significantly under-funded and the unfunded OPEB liability may be higher than previously estimated
  - It will be extremely challenging if not nearly impossible to make adequate changes to active and new hire benefits to address the forthcoming issues related to retiree benefits
  
- The Administration along with input from the FAB and City Council are focused on a strategic plan combined with tactical steps to address the financial profile of the City – the plan is focused on:
  - Addressing short-term cash flows through a combination of employee concessions and other operational improvements through changes in work rules
  - Developing a longer term plan to address the OPEB and under-funded pension costs
  - Providing only core services
  - Tactical implementation while addressing pending litigation matters
  
- Although the Administration is requesting City Council approval for several economic items today, there will be additional items (including revenue initiatives) that will be brought forward for consideration over the next several weeks
  - City's efforts will be focused on maximizing revenue opportunities including tax collection efforts and system enhancements



## The Mayor's plan to achieve financial stability includes significant labor savings, which require approval from the FAB, PMO and City Council

Current financial overview	FY 2013 Budget assumptions	Labor
<ul style="list-style-type: none"> <li>■ In FY 2012, General Fund cash disbursements exceeded cash receipts by ~\$144m (see Appendix 1)</li> <li>■ In FY 2013, at the current spending rate, General Fund cash disbursements would exceed cash receipts by ~\$139m (see Appendix 2)</li> <li>■ The City's accumulated deficit was ~\$197m in FY 2011. Excluding the impact of proceeds from 2010 fiscal stabilization bonds, the City's accumulated deficit would have been ~\$447m in FY 2011 (see Appendix 3)</li> <li>■ In order to address the negative cash flows and partially repay the legacy deficit, the City is targeting annualized savings of ~\$185m</li> <li>■ Preliminary estimates from third party actuary indicate a potential pension underfunding of up to \$4.3b and an OPEB liability of up to \$6.6b</li> </ul>	<ul style="list-style-type: none"> <li>■ ~\$185m in cost reductions                             <ul style="list-style-type: none"> <li>• \$115m in labor concessions</li> <li>• \$32m in DDOT savings</li> <li>• \$38m in headcount reduction</li> </ul> </li> <li>■ Budget savings are based on July 1, 2012 implementation date, all of which will not occur on a timely basis</li> <li>■ Budget savings are based on concessions from all unions regardless of contract expiration dates</li> </ul>	<ul style="list-style-type: none"> <li>■ ~65% of costs are related to labor</li> <li>■ Proposed labor savings were designed with the goals of being fair, addressing the significant cash flow pressures and improving efficiency</li> <li>■ Proposed changes include:                             <ul style="list-style-type: none"> <li>• Wage levels</li> <li>• Healthcare benefits</li> <li>• Pension benefits</li> <li>• Economic work rules</li> <li>• Non-economic work rules (already approved)</li> </ul> </li> <li>■ Proposed changes will impact all contracts expiring on June 30, 2012                             <ul style="list-style-type: none"> <li>• Excludes DDOT employees subject to 13(c)</li> </ul> </li> </ul>



## In order to stop negative cash flow, the Administration is requesting the City Council’s approval of the following changes to labor agreements expiring on June 30, 2012

- The City reserves the right to implement further changes, as approved by the Mayor, City Council and the FAB

Proposed change to contracts expiring on June 30, 2012 (excludes 13(c))		Estimated annual savings <sup>1</sup>
<b>Wages</b>	<ul style="list-style-type: none"> <li>• 10% wage cut</li> <li>• Freezing of sick leave banks, elimination of reserve sick leave accrual</li> <li>• Elimination of sick time cash payout for future earned time</li> <li>• Elimination of budgeted furlough days</li> <li>• Ability to reinstate furlough days (~\$7m) (*)</li> <li>• Car mileage reimbursement. Elimination of \$3 per day allowance for daily cash usage (*)</li> <li>• Elimination of 4 to 6 annual bonus vacation days (*)</li> <li>• Reduction of vacation accrual to 160 hours from 320 hours . Change to use it or lose it (policy item – not contract related) (*)</li> </ul>	~\$25m
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>• Modified Option 3 (savings included herein; approximately 50% related to retirees)</li> <li>• Eliminate dental and vision coverage for retirees after 1/1/2013</li> <li>• Ability to further modify medical plans, if appropriate, to achieve greater savings (*)</li> <li>• Ability to increase active dental and vision employee premium sharing (*)</li> <li>• Eliminate provisions that require providing retirees the same medical plan as actives (*)</li> <li>• Eliminate self pay provisions for term vested retirees</li> <li>• Eliminate PPI from covered drugs</li> <li>• Implement changes to retiree healthcare that may include some or all of the following: changes in eligibility rules, implementation of defined dollar benefit plan, implementation of EGWP + Wrap for post-65 Rx, offer fixed dollar contributions to private plans (*)</li> </ul>	~\$52m ~\$8m
<b>Work Rules</b>	<ul style="list-style-type: none"> <li>• Economic work rule changes (non-economic already approved)</li> </ul>	~\$8m
<b>Pension / Retirement</b>	<ul style="list-style-type: none"> <li>• Reduction of multiplier to 1.5x</li> <li>• Elimination of escalator (cost-of-living adjustment)</li> <li>• Implementation of changes to pension board composition</li> <li>• Plan closure: Consider closing plan to new hires, and offering alternative, less expensive plan (*)</li> <li>• Elimination of sick time inclusion in FAC. Sick bank payout in 3 years . Reduction of uniformed payout to 60% (*)</li> <li>• Other changes that may include: (*)               <ul style="list-style-type: none"> <li>• Increase age/service requirements (*)</li> <li>• Adjust final average pay period/definition (*)</li> <li>• Eliminate subsidized early retirement (*)</li> <li>• Require employees to contribute to DB plan (*)</li> <li>• Further changes to governance policies and/or board composition (*)</li> <li>• Freezing of DB plan for all employees (*)</li> </ul> </li> </ul>	~\$3m ~\$3m ~\$3m
<b>Total</b>		<b>\$102m</b>

(\*) Savings not currently included in annual savings calculations

1. Excludes DPLSA, Parity DFFA & ATU

**DRAFT SUBJECT TO CHANGE**

## The ongoing delays in the implementation of proposed savings due to a variety of factors is resulting in lower estimated savings for FY 2013

	FY 2013 proposed savings	TA savings estimate <sup>1</sup>	*Adopted Budget FY 2013	*Implement by July 1, 2012 <sup>2</sup>
Payroll (10% cut)	\$26m	\$0m	\$26m	\$25m
Medical (active + retiree)	\$60m	\$52m	\$52m	\$60m
Pension - GRS (active + retiree)	\$25m	\$9m	\$9m	\$9m
Work rules	\$40m	\$28m	\$28m	\$8m
<b>Sub-total contracts</b>	<b>\$151m</b>	<b>\$89m</b>	<b>\$115m</b>	<b>\$102m</b>
DDOT	\$32m	\$12m	\$32m	\$20m
Layoffs/attrition/ERIP	\$44m*	\$38m	\$38m	\$38m
<b>Total labor</b>	<b>\$227m</b>	<b>\$139m</b>	<b>\$185m</b>	<b>\$160m</b>
Income tax revenue	\$6m	\$6m	\$6m	\$6m
DPS collection	\$0	\$0	\$0	\$0
Vendors (10% cut)	\$25m	\$6m	\$6m	\$6m
<b>Total savings</b>	<b>\$258m</b>	<b>\$151m</b>	<b>\$197m</b>	<b>\$172m</b>

\*Illustrative only and subject to material change

1. Includes DPLSA, Parity DFFA, & ATU
2. Excludes DPLSA, Parity DFFA, & ATU

**DRAFT SUBJECT TO CHANGE**

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## II. Wage Savings





## The City is seeking to bring all employees and bargaining units to the same level of wage reduction of 10%

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### Proposed change / ask

- 10% wage cut
- Freezing of sick leave banks , elimination of reserve sick leave accrual and reduction of payout rate from 100% to 60% for uniformed
- Elimination of sick time payout for future earned time
- Elimination of budgeted furlough days
- Ability to reinstate furlough days (~\$7m)
- Car mileage reimbursement. Elimination of \$3 per day allowance for daily cash usage
- Elimination of 4 to 6 annual bonus vacation days
- Reduction of vacation accrual to 160 hours from 320 hours . Change to use it or lose it (policy item – not contract related)

### Next steps

- Identify and implement reduction in force initiatives
- Implement drastic overtime reduction measures
- Evaluate selective use of furlough weeks in selected departments
- Consider sliding scale for wage cuts to address lower paid employees



## The proposed wage reduction will result in annualized savings of ~\$22m in addition to prior achieved furlough savings of ~\$25m (of which \$7m applies to the General Fund)

- Board approval requested for Non-uniform, DPOA, DPCOA, POAM and EMSO salary reduction of 10%
- Savings from non-uniform will be off-set by elimination of furlough days

	Uniform						Non-Uniform <sup>2</sup>	ATU <sup>3</sup>	Non-Union <sup>4</sup>	Total	
	DPOA	DPCOA	DPLSA <sup>1</sup>	DFFA <sup>1</sup>	ESO <sup>1</sup>	POAM					EMSOA
<i>Number of employees<sup>5</sup></i>	2,105	33	559	1,006	97	206	11	4,517	689	1,015	10,238
Salary	\$ 51,943	\$ 94,958	\$ 69,353	\$ 60,468	\$ 54,980	\$ 43,807	\$ 61,718	\$ 40,890	\$ 32,748	\$ 58,673	
Overtime	7,331	219	14,155	15,351	9,596	7,911	19,849	6,680	9,830	4,718	
Other <sup>6</sup>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
<b>Average wages per employee</b>	<b>59,273</b>	<b>95,177</b>	<b>83,508</b>	<b>75,819</b>	<b>64,576</b>	<b>51,718</b>	<b>81,567</b>	<b>47,570</b>	<b>42,577</b>	<b>63,391</b>	
Medical <sup>7</sup>	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	10,154	
Pension <sup>8</sup>	12,020	21,973	16,048	13,992	12,722	10,137	14,282	9,000	8,626	11,994	
FICA <sup>9</sup>	859	1,380	1,211	1,099	936	750	1,183	3,639	3,257	4,849	
<b>Average cost per employee</b>	<b>\$ 82,307</b>	<b>\$ 128,685</b>	<b>\$ 110,921</b>	<b>\$ 101,064</b>	<b>\$ 88,388</b>	<b>\$ 72,758</b>	<b>\$ 107,185</b>	<b>\$ 70,364</b>	<b>\$ 64,615</b>	<b>\$ 90,388</b>	
Savings impact on salary	\$ 5,194	\$ 9,496	\$ 6,935	\$ 6,047	\$ 5,498	\$ 4,381	\$ 6,172	\$ 4,089	\$ 3,275	\$ 6,519	
Savings impact on overtime	733	22	1,415	1,535	960	791	1,985	668	983	524	
Lower pension contribution	1,202	2,197	1,605	1,399	1,272	1,014	1,428	900	863	1,333	
Lower FICA	86	138	121	110	94	75	118	364	326	539	
<b>Savings per employee (10% cut)</b>	<b>7,215</b>	<b>11,853</b>	<b>10,077</b>	<b>9,091</b>	<b>7,823</b>	<b>6,260</b>	<b>9,703</b>	<b>6,021</b>	<b>5,446</b>	<b>8,915</b>	
Savings impact on salary	\$ 10,933,994	\$ 313,361	\$ 3,876,859	\$ 6,083,047	\$ 533,306	\$ 902,415	\$ 67,890	\$ -	\$ 451,264	\$ -	\$ 23,162,135
Savings impact on overtime	1,543,072	724	791,244	1,544,326	93,076	162,969	21,834	-	135,452	-	4,292,697
Lower pension contribution	2,530,126	72,512	897,105	1,407,617	123,407	208,819	15,710	-	118,869	-	5,374,164
Lower FICA	180,917	4,554	67,687	110,597	9,083	15,448	1,301	-	44,884	-	434,471
<b>Estimated total savings (10% cut)</b>	<b>15,188,109</b>	<b>391,151</b>	<b>5,632,896</b>	<b>9,145,587</b>	<b>758,872</b>	<b>1,289,650</b>	<b>106,734</b>	<b>-</b>	<b>750,468</b>	<b>-</b>	<b>33,263,468</b>
<b>Est. savings from expired contracts</b>	<b>\$ 15,188,109</b>	<b>\$ 391,151</b>	<b>\$ -</b>	<b>\$ 4,572,794</b>	<b>\$ -</b>	<b>\$ 1,289,650</b>	<b>\$ 106,734</b>	<b>\$ -</b>	<b>\$ 750,468</b>	<b>\$ -</b>	<b>\$ 22,298,907</b>

### Notes:

- 50% savings for DFFA reflected due to parity with DPOA and DPCOA. Proposed savings not reflected for others as contracts do not expire until June 30, 2013
- No incremental savings will be accomplished as 10% savings are currently being achieved through furlough days. Furlough savings achieved total ~\$7m for the General Fund
- Incremental savings of 2% will be achieved as an 8% wage reduction is currently in place. 2% savings reflected under estimated total savings
- No incremental savings will be accomplished as a 10% wage reduction is currently in place. Average salary and overtime are reflective of the 10% wage reduction
- Salary calculations based on sub-set of salary retrieved from PPS and Oracle reports. Data includes 9,766 individuals vs. the total 10,238 count reflected above
- Reflects compensation such as vacation time, sick time, comp. time, holiday pay and FMLA pay
- Average cost per head reflected. Cost per employee will depend on what plan is chosen, which could be higher or lower than the average reflected (incl. dental & vision)
- Calculated as 23.1% of salary for uniform, 18.9% of salary and overtime for non-uniform and non-union and 20.3% of salary and overtime for ATU
- Medicare taxes of 1.45% of average wages applicable to uniform and taxes of 7.65% of average wages (6.2% social security and 1.45% medicare) applicable to non-uniform, ATU and non-union



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## III. Healthcare Savings



## The City is seeking 80/20 premium cost sharing for all plans and to implement changes to plan designs to bring its healthcare benefits in line with market which will result in ~\$60m of annualized savings

### Proposed change / ask

- Implement Modified Option 3 medical plan design (see next page for details)
- Eliminate dental and vision coverage for retirees
- Ability to further modify medical plans, if appropriate, to achieve greater savings
- Ability to increase active dental and vision employee premium sharing
- Eliminate provisions that require providing retirees the same medical plan as actives
- Eliminate self pay provisions for term vested retirees
- Eliminate PPI from covered drugs
- Implement changes to retiree healthcare that may include some or all of the following:
  - Changes in eligibility rules
  - Implementation of defined dollar benefit plan
  - Implementation of EGWP + Wrap for post-65 Rx
  - Offer fixed dollar contributions to private plans

### Next steps

- Other considerations:
  - Consider elimination of dental / vision coverage for active employees
  - Closure of plans / consolidation of plans to reduce administrative burden
  - Different plans based on income level of employees
- Evaluate retiree healthcare alternatives to reduce OPEB liability
- Further analysis from a third party actuary is required to assess further changes to healthcare benefits



# Plan changes are estimated to save the City over \$60m per year, which would reduce the City's cost per participant from \$9,500 to \$6,700

\$ in millions

	CITY Portion				CURRENT	Cost Savings				Revised Total	PROPOSED
	Active	Retirees		Total	CITY cost per person	80/20 Cost Split	Plan Changes	Rx Changes	Total		CITY cost per person
		pre-65	post-65								
<b>Medical</b>											
BCBS - self-funded PPO	\$ 60.1	\$ 42.3	\$ 15.3	\$ 117.6	\$ 8,712	\$ (9.2)	\$ (14.6)	\$ (11.0)	\$ (34.8)	\$ 82.9	\$ 6,138
BCBS - traditional plan	1.7	39.9	7.8	49.4	9,541	-	(6.9)	(5.2)	(12.1)	37.3	7,205
BCBS - major medical	4.2	16.0	5.4	25.6	9,199	-	(3.6)	(2.7)	(6.3)	19.3	6,946
Blue Care Network	8.8	4.7	2.0	15.5	8,641	-	(2.2)	(1.6)	(3.8)	11.7	6,524
Health Alliance Plan	10.2	6.1	9.7	26.0	8,119	-	(3.6)	(2.7)	(6.4)	19.6	6,131
Total Health Care	3.1	-	-	3.1	6,071	-	(0.4)	(0.3)	(0.8)	2.4	4,584
US Health - Cops Trust	7.7	1.0	-	8.6	13,872	-	(1.2)	(0.9)	(2.1)	6.5	10,475
<b>Total medical</b>	<b>\$ 95.7</b>	<b>\$ 109.9</b>	<b>\$ 40.3</b>	<b>\$ 246.0</b>	<b>\$ 8,910</b>	<b>\$ (9.2)</b>	<b>\$ (32.6)</b>	<b>\$ (24.4)</b>	<b>\$ (66.2)</b>	<b>\$ 179.8</b>	<b>\$ 6,513</b>
<b>Dental/Vision<sup>2</sup></b>											
Dental	\$ 6.4	\$ 5.2	\$ 1.9	\$ 13.5	\$ 464	\$ (2.2)	\$ (6.4)	\$ -	\$ (8.6)	\$ 4.9	\$ 169
Vision	0.9	1.2	0.4	2.6	113	(0.4)	(1.5)	-	(1.9)	0.7	29
<b>Total dental/vision</b>	<b>\$ 7.3</b>	<b>\$ 6.5</b>	<b>\$ 2.4</b>	<b>\$ 16.1</b>	<b>\$ 9,487</b>	<b>\$ (2.6)</b>	<b>\$ (8.0)</b>	<b>\$ -</b>	<b>\$ (10.5)</b>	<b>\$ 5.6</b>	<b>\$ 198</b>
<b>Total healthcare</b>	<b>\$ 103.0</b>	<b>\$ 116.4</b>	<b>\$ 42.7</b>	<b>\$ 262.1</b>	<b>\$ 9,487</b>	<b>\$ (11.7)</b>	<b>\$ (40.5)</b>	<b>\$ (24.4)</b>	<b>\$ (76.7)</b>	<b>\$ 185.4</b>	<b>\$ 6,711</b>

**Current City cost per participant**

Adjustment for DWSD  
Adjustment for unions not expiring

**Estimated savings to City**

\$ 11.4  
5.0  
**\$ (60.3)**

**Proposed City cost per participant**

**Notes:**

- Costs are based on FY 2011 actual data provided by healthcare providers
- Dental and vision allocation between pre-65 and post-65 is estimated based on medical cost split since actual dental/vision split was not readily available



## The City is proposing a modified Option 3 plan design and considering further plan changes if necessary to achieve greater savings

	Current	Option 1	Modified Option 3		
			Option 3	Wayne County	State (NSHP) <sup>4</sup>
<b>PPO plan<sup>1</sup></b>					
Employee premium contribution	10% - 20%	20% for all plans	20% for all plans	20% for all plans	20% for all plans
Plan deductible	\$175/\$350	\$250/\$500	\$250/\$500	\$500/\$1,000	\$400/\$800
Co-insurance %	10%	20%	20%	20%	10%
Co-insurance maximum (OOP max)	\$825/\$1,650	\$1,000/\$2,000	\$1,500/\$3,000	\$1,500/\$3,000	\$1,500/\$3,000
Office visit	\$10	\$15	\$25	\$30	\$20
Urgent care co-pay	\$10	\$15	\$25	\$30	\$20
Emergency room co-pay <sup>2</sup>	\$75	\$75	\$100	\$100	\$200
Hospital co-pay <sup>2</sup>	\$75	\$0	\$100	\$100	\$200
<b>Rx drug plan</b>					
Co-pay (retail; mail=2x for 90 day supply)	\$5/\$15	\$5/\$15/\$30	\$10/\$35/\$50 after 34 days	\$10/\$35/\$50 after 34 days	\$10/\$30/\$60 after 34 days
Mandatory mail	no	yes	yes	yes	yes
Mandatory generic	no	yes	yes	yes	yes
Traditional generic step therapy	no	yes	yes	yes	yes
Exclusion of lifestyle drugs	no	yes	yes	yes	yes

**Notes:**

- Information herein represents in-network costs of PPO plans; out-of-network costs are generally twice the cost of in-network
- Co-pay waived if admitted
- State Health Plan (SHP) details represent BCBS PPO for employees hired prior to April 1, 2010; prescriptions covered under non-BCBS, details not readily available
- New State Health Plan (NSHP) details represent BCBS PPO for employees hired on or after April 1, 2010; prescriptions covered under Participating ID Card Plan



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# IV. Pension Savings

## The City is seeking Pension changes to General Retirement System for non-uniformed to bring them in line with concessions provided by uniformed unions

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### Proposed change / ask

- Multiplier: reduce from progressive scale to 1.5x for future years of service
- COLA: elimination of post-retirement cost-of-living adjustment of 2.25% (DPCOA and non-uniform)
- Implementation of changes to pension board composition
- Plan closure: consider closing plan to new hires, and offering alternative, less expensive plan
- Elimination of sick time inclusion in FAC. Sick bank payout in 3 years. Reduction of uniformed payout to 60%
- Approve changes identified by a third party actuary that include some or all of the following:
  - Increase age/service requirements
  - Adjust final average pay period/definition
  - Eliminate subsidized early retirement
  - Require employees to contribute to DB plan
  - Further changes to governance policies and/or board composition
  - Freezing of DB plan for all employees

### Next steps

- Consider mandatory employee contributions to plan
- Further analysis from a third party actuary is required to assess further changes to pension benefits





**Pension changes to the GRS plan could generate ~\$8.5m in savings, in addition to ~\$30m in savings already achieved from PFRS plan in 2011**

	<u>As of 6/30/10</u>	<u>As of 6/30/11</u>	<u>Total</u>
	GRS	PFRS	
Number of retirees: Post 65	6,909	4,385	11,294
Number of retirees: Pre 65	4,630	3,971	8,601
<b>Total</b>	<b>11,539</b>	<b>8,356</b>	<b>19,895</b>
Benefits paid from retirement system (\$ in millions)	\$ 209.8	\$ 250.4	\$ 460.2
Average annual pay from retirement system	\$ 18.2	\$ 29.9	\$ 23.1
Annual contributions from City (\$ in millions)	\$ 63.9	\$ 51.0	\$ 114.9
<u>Proposed changes</u>			
Multiplier reduction for future service	\$ (3.3)	Done	\$ (3.3)
Elimination of COLA escalator	\$ (2.2)	Done	\$ (2.2)
Other	\$ (3.0)	Done	\$ (3.0)
<b>Total estimated savings</b>	<b>\$ (8.5)</b>	<b>\$ -</b>	<b>\$ (8.5)</b>
<b>Estimated annual contributions from City (\$ in millions)</b>	<b>\$ 55.4</b>	<b>\$ 51.0</b>	<b>\$ 106.4</b>

**City cost currently**

**City cost after changes**

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## V. Work rule savings



## The City is seeking approval to implement changes to DPOA non-economic work rules, similar to those approved by the FAB for other union groups

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### Proposed change / ask

- **Management Rights and Responsibilities:** changes that remove current limitations on the City's rights to manage policies, goals and scope of operations for each department
- **Arbitration:** changes the arbitrators authority to prohibit upholding a grievance against department on the basis of expired CBA provisions or past practice
- **Seniority:** transfers and assignments now based upon experience, attendance, work performance, sick time use and demonstrated ability
- **Police Reserves:** City may hire and deploy at discretion of Chief
- **Civilianization:** civilians may be used by City in any function where police is not required in the City's discretion. Elimination of joint committee
- **Administrative fee:** City will charge a 2% administrative fee for collection and remittance of dues. City will charge a 2% administrative fee for collection and remittance of service fees
- **Union Representation:** Union shall reimburse employer for all full time and part time paid union officials, City is no longer obligated to pay these employees if Union fails to reimburse
- **Discipline:** City reserves right to implement or modify disciplinary policies

Contract provisions highlighted by the FAB (bonus vacation days, car usage reimbursement, inclusion of sick days into FAC, freezing/capping sick leave banks) have been incorporated into the DPOA City Employment Terms document



# The City is seeking to implement changes to work rule provisions that will result in increased flexibility and economic savings – sample changes

Provision	Proposed change / ask	DPOA	DPCOA	POAM	EMSOA	Non-uniform
Non-economic work rules	Refer to DPOACET	x				
Absent with Leave and Absent without Leave	Defines AWL as full duty status with all related benefits		x			
Adoption by Reference or Relevant Charter Provisions, Ordinances and Resolutions	Eliminated.	x				
Bonus Vacation Days	Eliminated	x				
Civilianization	Civilians may be used by City in any function where police is not required in the City's discretion. Elimination of joint committee.	x				
Clothing and Uniform Allowance	Changed uniform allowance from every year to every two years. Clarified language to include specific "clothing and shoes" under "clothing allowance."					x
Death benefits and Life Ins	Provided City with discretion to determine contributions. Eliminated all other procedural items in contract and made subject to City policy, which may be amended at discretion of City. Eliminated provisions allowing for group, additional or optional life insurance. These provisions will be included in City policy which may be amended at discretion of City.	x	x	x	x	x
Department Files	Relates to personnel files; enumerates rights: to confidentiality; inspect 2x per year under supervision and during work hours (unless member is under investigation); include refutation of detrimental material	x				
Disabled Time	Defines Disabled time as off-duty due to duty related injury or illness		x			
Duty Disability Benefit Plan	Removed this provision to be in line with general City employee's elimination of supplemental worker's compensation.			x	x	
Educational Reimbursement / tuition refund	Deleted	x	x	x	x	x
Emergency/Excused Leave Days	Emergency leave days may be deducted from sick banks.	x				
Employee loan program	Deleted. Program will be subject to non-contractual City policy which may be amended at the discretion of the employer.					x
Exchange of Duty Days	Overtime resulting from duty trades must be based on over 40 hours in a work week; allows City to void provision if results in overtime			x		
Excused Time	Deleted		x			
Funeral Leave	Reduced days off from three to two that will not be charged against sick leave bank, increased the number of days that can be charged to sick leave bank from two to three.	x	x	x	x	x
Furlough Selection and Cancellation	Department specific vacation selection policy due to 24 hour operations. Removed references to Bonus Vacation days.	x				
Holidays	Eliminate use of furlough days for holiday shutdown, reduced premium rate from 2x to 1½ time, payout split half CT half cash. Removed election day from holiday schedule. Eliminate 8th and 9th holiday provisions (DPOA)	x	x			x
Holidays, Swing Holidays & Excused Time	Reduces holiday overtime to 1.5% premium; holiday accrual is unique to 12 hour employees; uniform provision for EMS units. Eliminates swing holidays for all employees. Eliminates designation of election day as vacation day.			x	x	
Jury Duty	Elimination of supplemental Jury Duty pay. Employees may attend without pay, but may elect to use paid leave days. Jury duty time shall not be counted towards time worked for overtime	x	x	x	x	x
Leave Coming Days	Eliminate leave coming days going forward, no more future accrual. Limits leave day carry over to 30 days in subsequent year.		x			
Leave of Absence	All leaves only for members with 5 continuous years of service		x			
Legal Representation and Indemnification	This is the indemnification provision under Section 13-11-1 of the Municipal code common to all agreements except that the City Council's decision on representation may be appealed through arbitration	x				
Long term Disability	Deleted entire provision, but stated that employees will be eligible for long term disability under City Policy, which may be amended at the City's discretion.					x
Longevity Pay	Deleted – no longer made available	x	x	x	x	



## The City is seeking to implement changes to work rule provisions that will result in increased flexibility and economic savings – sample changes

Provision	Proposed change / ask	DPOA	DPCOA	POAM	EMSOA	Non-uniform
Military Service Credit	Provides for up to 36 months military service time credit in pension system.		x			
Miscellaneous	Change limits use of Department vehicles to business use, with exceptions as determined by Chief; if member refuses to be present for desk/office inspection, Department may proceed; City to pay out banked time on separation within at city's own schedule.		x			
MOU RE Care of Departmental Dogs	Governs employees rights in caring for Departmental dogs.	x				
Off-Duty Court Appearances	Changed credit for off duty court appearance to two hours. All court time paid as straight time unless FLSA compels 1.5x. First sixty hours of off duty court time shall be compensated through comp time placed in bank. Thereafter, cash will be paid.	x				
Out of Class Pay	Changes time spent in out of class position for higher salary from 14 to thirty days consistent with general City CBAs			x		
Overtime: POAM & EMSOA	Reinforces City right to implement mandatory overtime; limits overtime opportunities to in-class; adds inverse seniority mandatory overtime; limits remedies for violations to next opportunity; places 6 hour notification requirement for inability to show up – 3 instances in 120 days results in removal from overtime list. Limits off-time hours for overtime purposes to vacation and holidays, uniformity with general City CBAs.			x	x	
Overtime: Non-uniform	Eliminated qualifications to City's right to eliminate overtime. Centralized all overtime regulations in master agreement. Voluntary overtime by seniority, mandatory overtime through inverse seniority. Except, maintained super seniority for working stewards for overtime. Employees ability to substitute overtime hours for regularly assigned hours made subject to discretion of department. Eliminated overtime for hours worked within eight hours of quitting time of prior shift. Limited non-work time counted for purposes of computing overtime to holidays and vacation. City can eliminate equalization of overtime with prior notice to Union and approval of Labor Relations Director. In any unit where the City equalizes over time, the sole remedy for violation of the scheme shall be working the next available overtime opportunity. Eliminated daily overtime payment and double time.					x
Overtime: DPOA	Department retains right to schedule and assign overtime. Only time worked over 80 hours in a pay period shall be eligible for overtime, or if the FLSA requires otherwise. Management retains right to assign overtime without regard to prescheduled overtime rosters, City may shift personnel prior to using prescheduled overtime roster. Amended notification procedures, allowing for mandatory overtime by inverse seniority if the needs of the department are not fulfilled. Longevity pay eliminated from overtime computation.	x				
Pensions – Adoption by reference	Deleted; solely incorporates prior Charter provisions and prohibits changes to pension plan and any of its provisions		x			
Permanent Shift Program	Reserve right for City to eliminate program.	x				
Police Reserves	City may hire and deploy at discretion of Chief.	x				
Rates for new Positions	Eliminated Required the City to meet with union prior to implementation of a new position to discuss rate of pay; eliminated.					x
Recovery of Overpayments	Changed consistent with general City provisions authorizing City to recover through payroll or legal action.			x	x	
Shift Premium	Shift premium reduced to 50 cents per hour for nights; 25 cents for afternoons	x		x	x	x



## The City is seeking to implement changes to work rule provisions that will result in increased flexibility and economic savings – sample changes

Provision	Proposed change / ask	DPOA	DPCOA	POAM	EMSOA	Non-uniform
Sick Leave	All current sick leave banks are frozen. Hours currently exceeding 300 will be retained, but no more accrual until bank falls under 300. Reserve sick leave banks are frozen and future accrual is eliminated (DPCOA, POAM, EMSOA, Non-uniform) Unused sick leave included in FAC eliminated Seniority sick leave banks are frozen and future accrual is eliminated (DPOA)	x	x	x	x	x
Sick Time	Retirement payout for existing unused accrued sick leave remains at 100%; payout for future unused accrual will be at 60%. Payout of accrued bonus vacation days to rate of pay at time earned; provides payout option on retirement of lump sum or semi-annual installment; City reserves right to cap payouts in future.	x	x			
Temporary assignments	Broaden employer's right to assign employees outside of classification on a temporary basis. Employees must work thirty days before they are eligible for out of class compensation (previously 5 days). Eliminated distinction between short term and long term assignments. Eliminated work unit limitation on selection for out of class assignments. Eliminated seniority requirement for long term out of class assignments. Eliminated requirement that HR must complete job classification surveys within 90 days. Eliminated requirement that out of class pay be paid within 45 days. Eliminated limitation to place employees into other duties and departments.					x
Unemployment Benefits	Eliminated supplement unemployment financial benefit to laid-off employees.			x	x	x
Uniforms	Removed language requiring a joint committee to determine changes to City policy.	x				
Vacation	Eliminates bonus vacation days for all employees; eliminates forced vacations and institutes forfeiture of vacations not used. Added City's discretion for employee's ability to receive lump sum payment for extended sick leave. Vacation accrual is unique to 12 hour employees.			x		
Vacation	Scheduling based upon department procedures and work needs. Maximum vacation days changed to 20 days (15 years of service if hired before September 2010); 15 days (15 years of service if hired after September 2010). All other procedures subject to vacation policies to be promulgated by HR and may be changed at the City's discretion.					x
Vacation	Maximum accrual reduced from 320 to 160 hours	x	x	x	x	x
Work Area	Deleted to prevent employees from filing grievances if their work area is dirty.	x				
Work During Declared Emergencies	Eliminated because prohibits City from calling members in during emergencies declared by Mayor (e.g., snow days)				x	
Worker's Compensation	Eliminated all procedural requirements in prior contracts and stated that the City shall be subject to Workers Compensation Act.					x



# Work rules changes are expected to generate ~\$8m in savings annually; with the bulk of savings from DPOA

\$ in millions

Proposed Police Department savings	FY 2013			TOTAL
	DPOA	DPLSA	DPCOA	
<b>Work rules</b>				
Officers paid for actual time in court not less than two hours	\$ 0.4	\$ 2.9	\$ -	\$ 3.3
Educational reimbursement eliminated	-	-	-	-
Must work 80 hours in the prior work period to be eligible for OT	0.5	0.2	-	0.7
Payment of holiday earnings	2.3	0.7	-	3.0
Suspend 2% wage differential while on promotional roster	0.3	0.1	-	0.4
Eliminate option to receive pay for court; return to banking first 60 hrs	0.3	0.4	-	0.7
Elimination of bonus vacation days	1.2	0.8	-	2.0
Delay of separation payments	0.2	0.1	-	0.3
<b>Sub-total work rule savings</b>	<b>\$ 5.2</b>	<b>\$ 5.2</b>	<b>\$ -</b>	<b>\$ 10.4</b>
	<b># of Proposed Changes<sup>1</sup></b>	<b>Efficiency Related<sup>2</sup></b>	<b>Cash Savings Related<sup>3</sup></b>	<b>Preliminary Cost Savings Estimate<sup>4</sup></b>
<b>Proposed other savings</b>				
Law	1	1	0	\$ 0.1
Board of Assessors	1	0	1	0.1
Municipal Parking Department	14	11	3	0.1
Information Technology Services	12	11	1	0.0
General Services	31	26	5	0.1
DPW	8	6	2	0.3
Eliminate pay for union representatives	n/a	n/a	n/a	2.5
<b>Sub-total work rule savings</b>	<b>67</b>	<b>55</b>	<b>12</b>	<b>\$ 3.2</b>
<b>Total work rule savings</b>				<b>\$ 8.4</b>

**Notes:**

1. Total number of work rule changes proposed by the department
2. Proposed changes related to improving the efficiency of the department but not having direct quantifiable cost savings
3. The number of proposed changes resulting in the preliminary cost savings estimates
4. Preliminary estimates after reviewing proposed work rule changes with each department



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## VI. Appendix





## Appendix 1: The General Fund's cash disbursements exceeded cash receipts by \$144m during FY 2012 and would have faced a \$49m shortfall absent debt refinancing

\$ in millions

	Actual Jul-11	Actual Aug-11	Actual Sep-11	Actual Oct-11	Actual Nov-11	Actual Dec-11	Actual Jan-12	Actual Feb-12	Actual Mar-12	Actual Apr-12	Actual May-12	Actual Jun-12	Prelim Actual FY 2012
<b>Operating receipts</b>													
Property taxes	\$ 25.9	\$ 194.3	\$ 42.3	\$ 5.2	\$ 3.7	\$ 49.3	\$ 133.2	\$ 32.8	\$ 16.6	\$ 4.2	\$ 0.0	\$ 59.5	\$ 567.0
Income taxes	17.4	20.1	26.3	23.2	17.1	22.1	19.9	23.6	31.7	16.2	25.4	33.3	276.2
Gaming taxes	13.1	6.5	24.7	12.5	17.6	12.9	15.5	14.0	18.4	14.1	8.9	19.3	177.5
Municipal service fee to casinos	-	7.4	-	-	-	12.4	-	-	-	-	-	-	19.8
Distributable state aid	34.4	-	44.6	-	29.1	-	28.9	-	28.9	-	28.4	-	194.3
Parking violations	1.0	0.6	0.8	0.6	0.6	0.7	0.5	1.1	1.1	0.8	1.2	1.4	10.4
Fire & EMS services	0.3	0.8	1.1	1.0	0.9	1.7	1.2	1.1	2.0	1.0	0.9	1.1	13.1
Miscellaneous receipts	37.8	38.5	52.6	24.8	23.7	33.7	43.5	15.6	59.4	33.8	27.5	40.4	431.3
Reimbursements from other funds	7.3	1.7	1.7	0.5	0.1	3.3	0.9	0.7	1.1	8.6	0.3	0.9	27.0
<b>Total receipts</b>	<b>137.2</b>	<b>269.9</b>	<b>194.1</b>	<b>67.7</b>	<b>92.7</b>	<b>136.2</b>	<b>243.7</b>	<b>88.7</b>	<b>159.1</b>	<b>78.8</b>	<b>92.7</b>	<b>155.8</b>	<b>1,716.5</b>
<b>Operating disbursements</b>													
Payroll, taxes, & deductions	(39.6)	(37.7)	(42.4)	(35.6)	(36.1)	(49.9)	(35.8)	(32.2)	(36.7)	(32.3)	(32.7)	(43.2)	(454.2)
Benefits	(20.6)	(17.6)	(18.1)	(17.7)	-	(19.4)	(19.4)	(15.9)	(17.5)	(20.9)	(21.3)	(15.0)	(203.4)
Pension contributions	(9.6)	(1.3)	(16.3)	(1.5)	(8.6)	(15.7)	(8.9)	(1.4)	(7.0)	-	-	(33.4)	(103.9)
Subsidy payments	(9.8)	(5.6)	(11.3)	(1.5)	(0.7)	(2.9)	(15.5)	(0.5)	(2.3)	-	-	-	(50.0)
Distributions (w/o DDA increment)	(20.9)	(84.0)	(70.0)	(5.2)	(1.4)	(7.0)	(43.3)	(75.0)	(46.0)	(13.6)	-	(8.0)	(374.4)
DDA increment distributions	-	-	-	-	-	(10.0)	1.4	-	-	-	-	-	(8.6)
Income tax refunds	(2.6)	(2.1)	(0.6)	(1.3)	(0.7)	(0.6)	-	(0.9)	(0.8)	(1.6)	(2.1)	(3.5)	(16.9)
Other	(42.3)	(28.9)	(45.3)	(33.9)	(28.2)	(40.7)	(41.6)	(33.2)	(76.8)	(36.9)	(28.3)	(43.5)	(479.5)
Sub-total operating disbursements	(145.5)	(177.2)	(204.1)	(96.7)	(75.7)	(146.3)	(163.1)	(159.1)	(187.0)	(105.1)	(84.5)	(146.6)	(1,690.9)
<b>POC &amp; other debt payments</b>													
POC payments	(4.2)	-	(8.5)	(4.2)	-	(19.1)	(4.2)	(4.2)	(1.6)	(4.2)	-	(32.8)	(83.2)
Other debt payments	(2.5)	-	(2.4)	(5.3)	(2.8)	(0.3)	(2.1)	(0.0)	(4.5)	(19.0)	(19.1)	(1.1)	(59.0)
Sub-total POC & other debt	(6.7)	-	(10.8)	(9.5)	(2.8)	(19.3)	(6.3)	(4.2)	(6.1)	(23.2)	(19.1)	(34.0)	(142.1)
<b>Total disbursements</b>	<b>(152.2)</b>	<b>(177.2)</b>	<b>(214.9)</b>	<b>(106.2)</b>	<b>(78.5)</b>	<b>(165.6)</b>	<b>(169.5)</b>	<b>(163.4)</b>	<b>(193.1)</b>	<b>(128.4)</b>	<b>(103.6)</b>	<b>(180.6)</b>	<b>(1,833.0)</b>
<b>Net cash flow</b>	<b>(15.0)</b>	<b>92.7</b>	<b>(20.8)</b>	<b>(38.5)</b>	<b>14.2</b>	<b>(29.4)</b>	<b>74.2</b>	<b>(74.6)</b>	<b>(34.0)</b>	<b>(49.5)</b>	<b>(10.9)</b>	<b>(24.8)</b>	<b>(116.5)</b>
Cumulative net cash flow	(15.0)	77.7	56.9	18.4	32.6	3.1	77.4	2.7	(31.3)	(80.8)	(91.8)	(116.5)	
Beginning cash balance	95.3	80.3	173.0	152.2	113.7	127.9	98.5	172.7	98.0	64.0	14.5	3.6	95.3
Net cash flow	(15.0)	92.7	(20.8)	(38.5)	14.2	(29.4)	74.2	(74.6)	(34.0)	(49.5)	(10.9)	(24.8)	(116.5)
<b>Cash balance before refinancing</b>	<b>\$ 80.3</b>	<b>\$ 173.0</b>	<b>\$ 152.2</b>	<b>\$ 113.7</b>	<b>\$ 127.9</b>	<b>\$ 98.5</b>	<b>\$ 172.7</b>	<b>\$ 98.0</b>	<b>\$ 64.0</b>	<b>\$ 14.5</b>	<b>\$ 3.6</b>	<b>\$ (21.2)</b>	<b>\$ (21.2)</b>
Accumulated property tax distributions	(16.1)	(64.1)	(20.3)	(17.6)	(18.1)	(44.3)	(96.2)	(45.1)	(27.4)	(15.0)	(15.0)	(27.9)	(27.9)
<b>Cash balance net of required tax distributions</b>	<b>\$ 64.2</b>	<b>\$ 108.9</b>	<b>\$ 131.9</b>	<b>\$ 96.1</b>	<b>\$ 109.8</b>	<b>\$ 54.2</b>	<b>\$ 76.5</b>	<b>\$ 53.0</b>	<b>\$ 36.6</b>	<b>\$ (0.5)</b>	<b>\$ (11.4)</b>	<b>\$ (49.1)</b>	<b>\$ (49.1)</b>
<b>Net cash flow after required tax distributions</b>	<b>\$ (31.1)</b>	<b>\$ 28.6</b>	<b>\$ (41.1)</b>	<b>\$ (56.1)</b>	<b>\$ (3.8)</b>	<b>\$ (73.7)</b>	<b>\$ (22.0)</b>	<b>\$ (119.7)</b>	<b>\$ (61.4)</b>	<b>\$ (64.5)</b>	<b>\$ (25.9)</b>	<b>\$ (52.6)</b>	<b>\$ (144.4)</b>



## Appendix 2: If no changes are implemented in FY 2013, the General Fund's cash disbursements are forecast to exceed cash receipts by \$139m

\$ in millions

	Forecast Jul-12	Forecast Aug-12	Forecast Sep-12	Forecast Oct-12	Forecast Nov-12	Forecast Dec-12	Forecast Jan-13	Forecast Feb-13	Forecast Mar-13	Forecast Apr-13	Forecast May-13	Forecast Jun-13	Forecast 2013
<b>Operating receipts</b>													
Property taxes	\$ 25.6	\$ 191.8	\$ 41.7	\$ 5.1	\$ 3.6	\$ 48.7	\$ 131.5	\$ 32.3	\$ 16.4	\$ 4.1	\$ 0.0	\$ 51.8	\$ 552.7
Income taxes	17.8	20.6	26.9	23.8	17.5	22.7	20.4	24.2	32.5	16.6	26.1	26.7	276.0
Gaming taxes	12.5	6.2	23.6	12.0	16.9	12.3	14.8	13.4	17.6	13.5	8.5	20.8	172.0
Municipal service fee to casinos	-	6.3	-	-	-	10.5	-	-	-	-	-	-	16.8
Distributable state aid	28.5	-	28.5	-	29.7	-	29.1	-	29.0	-	28.6	-	173.4
Other	40.3	36.2	48.8	23.3	21.9	34.2	40.1	16.0	55.2	38.5	26.0	30.0	410.4
<b>Total receipts</b>	<b>124.8</b>	<b>261.0</b>	<b>169.6</b>	<b>64.2</b>	<b>89.6</b>	<b>128.5</b>	<b>235.9</b>	<b>85.9</b>	<b>150.7</b>	<b>72.7</b>	<b>89.2</b>	<b>129.2</b>	<b>1,601.3</b>
<b>Operating disbursements</b>													
Payroll, taxes, & deductions	(33.2)	(33.2)	(38.5)	(33.2)	(33.2)	(44.5)	(33.2)	(33.2)	(38.5)	(33.2)	(33.2)	(44.5)	(431.6)
Benefits	(18.0)	(18.0)	(18.0)	(18.0)	-	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(198.0)
Pension contributions	(6.5)	(6.5)	(6.5)	(1.5)	(6.5)	(11.5)	(1.5)	(6.5)	(11.5)	(1.5)	(6.5)	(11.5)	(78.0)
Subsidy payments	(13.7)	(7.9)	(15.8)	(2.1)	(0.9)	(4.0)	(21.7)	(0.7)	(3.2)	-	-	-	(70.0)
Distributions (w/o DDA increment)	(19.2)	(143.5)	(31.2)	(3.8)	(2.7)	(36.4)	(98.4)	(24.2)	(12.2)	(3.1)	(0.0)	(12.0)	(386.8)
DDA increment distributions	-	-	-	-	-	(10.0)	-	-	-	-	-	(5.0)	(15.0)
Income tax refunds	(2.8)	(2.3)	(0.7)	(1.5)	(0.7)	(0.7)	-	(1.0)	(0.8)	(1.7)	(2.3)	(2.5)	(17.0)
Other	(30.0)	(30.0)	(37.5)	(30.0)	(30.0)	(37.5)	(30.0)	(30.0)	(37.5)	(30.0)	(30.0)	(37.5)	(390.0)
Sub-total operating disbursements	(123.4)	(241.4)	(148.2)	(90.1)	(74.1)	(162.6)	(202.8)	(113.6)	(121.8)	(87.5)	(90.0)	(131.0)	(1,586.4)
<b>POC &amp; other debt payments</b>													
POC payments	(4.2)	-	(8.5)	(4.2)	-	(21.9)	(4.2)	(4.2)	(1.4)	(4.2)	-	(43.3)	(96.2)
Other debt payments	(2.5)	-	(2.3)	(5.2)	(2.9)	(0.3)	(2.1)	(0.0)	(4.4)	(18.8)	(18.9)	(0.2)	(57.7)
Sub-total POC & other debt	(6.7)	-	(10.8)	(9.5)	(2.9)	(22.2)	(6.3)	(4.2)	(5.8)	(23.0)	(18.9)	(43.5)	(153.9)
<b>Total disbursements</b>	<b>(130.1)</b>	<b>(241.4)</b>	<b>(158.9)</b>	<b>(99.6)</b>	<b>(77.0)</b>	<b>(184.8)</b>	<b>(209.1)</b>	<b>(117.8)</b>	<b>(127.6)</b>	<b>(110.5)</b>	<b>(109.0)</b>	<b>(174.5)</b>	<b>(1,740.3)</b>
<b>Net cash flow</b>	<b>(5.3)</b>	<b>19.6</b>	<b>10.7</b>	<b>(35.4)</b>	<b>12.6</b>	<b>(56.4)</b>	<b>26.9</b>	<b>(31.9)</b>	<b>23.1</b>	<b>(37.8)</b>	<b>(19.8)</b>	<b>(45.3)</b>	<b>(139.0)</b>
Cumulative net cash flow	(5.3)	14.3	25.0	(10.4)	2.2	(54.2)	(27.3)	(59.3)	(36.1)	(73.9)	(93.7)	(139.0)	
Beginning cash balance	(21.2)	(26.5)	(6.9)	3.8	(31.6)	(19.0)	(75.4)	(48.5)	(80.5)	(57.3)	(95.1)	(114.9)	(21.2)
Net cash flow	(5.3)	19.6	10.7	(35.4)	12.6	(56.4)	26.9	(31.9)	23.1	(37.8)	(19.8)	(45.3)	(139.0)
<b>Cash balance before refinancing</b>	<b>\$ (26.5)</b>	<b>\$ (6.9)</b>	<b>\$ 3.8</b>	<b>\$ (31.6)</b>	<b>\$ (19.0)</b>	<b>\$ (75.4)</b>	<b>\$ (48.5)</b>	<b>\$ (80.5)</b>	<b>\$ (57.3)</b>	<b>\$ (95.1)</b>	<b>\$ (114.9)</b>	<b>\$ (160.2)</b>	<b>\$ (160.2)</b>
Accumulated property tax distributions	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)
<b>Cash net of required tax distributions</b>	<b>\$ (54.4)</b>	<b>\$ (34.7)</b>	<b>\$ (24.0)</b>	<b>\$ (59.5)</b>	<b>\$ (46.9)</b>	<b>\$ (103.3)</b>	<b>\$ (76.4)</b>	<b>\$ (108.3)</b>	<b>\$ (85.2)</b>	<b>\$ (123.0)</b>	<b>\$ (142.8)</b>	<b>\$ (188.0)</b>	<b>\$ (188.0)</b>



## Appendix 3: The accumulated deficit in FY 2011 was \$197m and would have been higher absent proceeds from debt financing transactions

Reflects Fund 1000 and 3601 through 3606  
\$ in millions

	Actual				Prelim.	Adopted
	2008	2009	2010	2011	Actual <sup>1</sup>	Budget
<b><u>Accumulated Deficit Rollforward with Debt Financing</u></b>						
Beginning unrestricted fund balance (deficit)	\$ (155.6)	\$ (219.2)	\$ (331.9)	\$ (155.7)		
Current year surplus (deficit)	(53.7)	(123.9)	(70.6)	(56.8)		
Financing proceeds	-	-	250.0	-		
Change in reserve balances	(9.8)	11.1	(3.1)	15.9		
<b>Ending unrestricted fund balance (deficit)</b>	<b>\$ (219.2)</b>	<b>\$ (331.9)</b>	<b>\$ (155.7)</b>	<b>\$ (196.6)</b>		
<b><u>Accumulated Deficit Rollforward without Debt Financing</u></b>						
Beginning unrestricted fund balance (deficit)	\$ (155.6)	\$ (219.2)	\$ (331.9)	\$ (405.7)	\$ (446.6)	\$ (616.5)
Current year surplus (deficit)	(53.7)	(123.9)	(70.6)	(56.8)	(169.9)	22.7
Change in reserve balances	(9.8)	11.1	(3.1)	15.9	-	-
<b>Ending unrestricted fund balance (deficit)</b>	<b>\$ (219.2)</b>	<b>\$ (331.9)</b>	<b>\$ (405.7)</b>	<b>\$ (446.6)</b>	<b>\$ (616.5)</b>	<b>\$ (593.7)</b>

**Notes:**

1. Actuals based on preliminary data, subject to material change



## Appendix 4: Despite cost cuts in most categories, the General Fund has averaged a deficit of nearly \$100m per year during the last 5 years; thus requiring additional cuts going forward

<i>\$ in millions</i>	Actual				Prelim.	Adopted	Difference
	2008	2009	2010	2011	Actual <sup>1</sup>	Budget	
<b>Revenues</b>							
Tax revenues <sup>2</sup>	\$ 686.4	\$ 649.9	\$ 609.0	\$ 652.8	\$ 598.0	\$ 595.1	\$ (2.9)
State shared taxes	248.2	265.8	262.4	239.2	172.3	172.3	0.1
Other revenues	288.1	246.7	222.2	237.4	244.1	233.8	(10.3)
Miscellaneous contributions	10.7	33.7	14.1	3.2	12.5	-	(12.5)
<b>Total revenue<sup>5</sup></b>	<b>\$ 1,233.4</b>	<b>\$ 1,196.0</b>	<b>\$ 1,107.7</b>	<b>\$ 1,132.6</b>	<b>\$ 1,026.9</b>	<b>\$ 1,001.2</b>	<b>\$ (25.6)</b>
<b>Expenses</b>							
Salaries and wages	\$ (476.2)	\$ (467.7)	\$ (435.8)	\$ (421.2)	\$ (398.9)	\$ (320.7)	\$ 78.3
Overtime	(44.7)	(49.9)	(42.2)	(44.5)	(47.6)	(29.9)	17.7
Active employee benefits	(64.1)	(70.1)	(72.1)	(72.7)	(69.8)	(42.9)	26.9
Retiree benefits <sup>3</sup>	(96.1)	(105.2)	(108.2)	(109.1)	(104.7)	(74.1)	30.7
Pension <sup>4</sup>	(60.7)	(48.6)	(42.8)	(98.8)	(57.1)	(57.8)	(0.6)
Other operating expenses	(343.7)	(294.4)	(251.6)	(221.3)	(255.2)	(249.6)	5.6
DDOT subsidy	(104.1)	(79.3)	(80.0)	(81.4)	(75.0)	(43.0)	32.0
POC related payments	(59.7)	(66.7)	(71.9)	(76.5)	(83.1)	(74.5)	8.6
Debt service	(66.6)	(106.2)	(63.5)	(57.1)	(58.1)	(72.1)	(14.0)
<b>Total expenses<sup>5</sup></b>	<b>\$ (1,315.7)</b>	<b>\$ (1,288.2)</b>	<b>\$ (1,168.0)</b>	<b>\$ (1,182.8)</b>	<b>\$ (1,149.6)</b>	<b>\$ (964.6)</b>	<b>\$ 185.0</b>
Other net financing sources (uses)	28.6	(31.8)	(10.2)	(6.6)	(47.1)	(13.9)	33.2
<b>Total surplus (deficit) before refinancing</b>	<b>\$ (53.7)</b>	<b>\$ (123.9)</b>	<b>\$ (70.6)</b>	<b>\$ (56.8)</b>	<b>\$ (169.9)</b>	<b>\$ 22.7</b>	<b>\$ 192.6</b>

### Notes

1. Actuals based on preliminary data, subject to material change
2. FY 2011 includes a favorable adjustment of \$22m due to property tax distributions and charge-back liabilities that were overstated in prior years
3. Assumes ~60% of total medical benefits are retiree benefits, based on historical
4. Timing difference exists between cash disbursement and actual expense. Amount varies year to year
5. Grant revenues and expenses are not reflected



## Appendix 5: 90% of the City employees (9,223 people) are represented by 48 bargaining units, with most contracts having expired on June 30, 2012

Union summary	No.	%
Contracts expired & terminated	502	5.4%
Expire June 30, 2012	6,843	74.2%
Expires September 30, 2012	37	0.4%
Expire June 30, 2013	1,662	18.0%
DWSD responsible for negotiations	179	1.9%
<b>Total Union employees</b>	<b>9,223</b>	<b>100.0%</b>

Average salary by major group	No.	Avg. \$
Police (DPOA, DPLSA, DPCOA, ESO)	2,794	\$ 56,040
Fire (DFFA)	1,006	60,468
EMS (EMSOA & POAM)	217	44,715
ATU	689	32,748
General City	4,517	40,890
<b>Total Union employees</b>	<b>9,223</b>	<b>\$ 47,097</b>

Average salary by Police Union	No.	Avg. \$
DPOA - Officers	2,105	\$ 51,943
DPLSA - Lieutenants & Sergeants	559	69,353
DPCOA - Commanders	33	94,958
ESO - Emergency Service Operators	97	54,980
<b>Total Police Union employees</b>	<b>2,794</b>	<b>\$ 56,040</b>

Coalition and Other Non-Uniform Unions - 4,107 members			
AFSCME Crossing Guards	154	Police Officers Labor Council (Det. Fac. Officers)	10
AFSCME Forestry and Landscape Foreman	4	Police Officers Labor Council (Health Department)	1
AFSCME Motor City Seasonals	240	SEIU Local 517M - Non-Supervisory	6
AFSCME Paving Foreperson's	9	SEIU Local 517M - Professional & Technical Unit	25
AFSCME Supervisory, Local 2394	58	SEIU Local 517M - Supervisory	4
Assist. Supervisors of Street Maint. & Construction	4	Senior Accountants, Analysts, & Appraisers	203
Association of City of Detroit Supervisors	35	UAW Local 212 (Civilian Police Investigators)	10
Assoc. of Munic. Engineers (Supervisors of ADE)	23	UAW Local 2211 (Public Attorneys Association)	47
Association of Municipal Inspectors	12	UAW Local 412-Unit 86 (Law Dep. Paralegals)	8
Detroit Income Tax Investigators Association	17	Local 324 Principal Clerks Unit	67
Local 324 Park Management Association	7	Field Engineers Association	2
Detroit License Investigators Association	0	Building Construction Trades - Non-Supervisory	185
Teamsters, Local 214	380	International Union of Op. Engineers - Local 324	34
		Sanitary Chemists and Technicians Association	75
		UAW Local 2200 (Wastewater Treatment Plant SVs)	19
		Utility Workers of America - Local 488	34
		Utility Workers of America - Local 504	10
		Utility Workers of America - Local 531	6
		Senior Water Systems Chemists Association	35
		Association of Prof. Construction Inspectors	49
		Building Construction Trades - Foreman	16
		Building Construction Trades - Special Service	16
		Buildings and Safety Inspectors - Tripartite	19
		AFSCME Non-Supervisory	2,031
		Association of Detroit Engineers	94
		Association of Prof. & Technical Employees	158

13(c) - 1,099 members	
AFSCME Non-Supervisory Locals 214 & 312	364
Amalgamated Transit Union (ATU)	689
Building Construction Trades - Non-Supervisory	6
DOT Foreman's Association - Chapter 337	20
International Union of Op. Engineers - Local 324	3
Supervisor Chapter of DOT Foreman's Association	7
Teamsters, Local 214	10

Uniform - 4,017 members	
Detroit Police Officers Association	2,105
AFSCME - ESO's	97
Det. Police Lieutenants and Sergeants Association	559
Detroit Police Command Officers Association	33
Detroit Fire Fighters Association	1,006
Police Officers Association of Michigan (EMS)	206
Emergency Medical Service Officers Association (EMS)	11



## Appendix 6a: Total healthcare costs to the City in FY 2011 were \$262m per year, of which ~\$160m (61%) were related to retirees<sup>1</sup>

\$ in millions

	CITY Portion				PARTICIPANT Portion				Total Cost			
	Active	Retirees		Total	Active	Retirees		Total	Active	Retirees		Total
		pre-65	post-65			pre-65	post-65			pre-65	post-65	
<b>Medical</b>												
BCBS - self-funded PPO	\$ 60.1	\$ 42.3	\$ 15.3	\$ 117.6	\$ 6.7	\$ 4.7	\$ 1.7	\$ 13.1	\$ 66.7	\$ 47.0	\$ 17.0	\$ 130.7
BCBS - traditional plan	1.7	39.9	7.8	49.4	0.4	10.0	2.0	12.4	2.1	49.9	9.8	61.8
BCBS - major medical	4.2	16.0	5.4	25.6	1.1	4.0	1.4	6.4	5.3	20.0	6.8	32.0
Blue Care Network	8.8	4.7	2.0	15.5	2.2	1.2	0.5	3.9	11.0	5.9	2.5	19.4
Health Alliance Plan	10.2	6.1	9.7	26.0	2.5	1.5	2.4	6.5	12.7	7.6	12.1	32.5
Total Health Care	3.1	-	-	3.1	0.8	-	-	0.8	3.9	-	-	3.9
US Health - Cops Trust	7.7	1.0	-	8.6	1.9	0.2	-	2.2	9.6	1.2	-	10.8
Total medical	\$ 95.7	\$ 109.9	\$ 40.3	\$ 246.0	\$ 15.6	\$ 21.6	\$ 7.9	\$ 45.2	\$ 111.3	\$ 131.6	\$ 48.2	\$ 291.1
<b>Dental/Vision<sup>2</sup></b>												
Dental	\$ 6.4	\$ 5.2	\$ 1.9	\$ 13.5	\$ -	\$ -	\$ -	\$ -	\$ 6.4	\$ 5.2	\$ 1.9	\$ 13.5
Vision	0.9	1.2	0.4	2.6	-	-	-	-	0.9	1.2	0.4	2.6
Total dental/vision	\$ 7.3	\$ 6.5	\$ 2.4	\$ 16.1	\$ -	\$ -	\$ -	\$ -	\$ 7.3	\$ 6.5	\$ 2.4	\$ 16.1
<b>Total healthcare</b>	<b>\$ 103.0</b>	<b>\$ 116.4</b>	<b>\$ 42.7</b>	<b>\$ 262.1</b>	<b>\$ 15.6</b>	<b>\$ 21.6</b>	<b>\$ 7.9</b>	<b>\$ 45.2</b>	<b>\$ 118.6</b>	<b>\$ 138.0</b>	<b>\$ 50.6</b>	<b>\$ 307.2</b>

**Notes:**

1. Costs are based on FY 2011 actual data provided by healthcare providers
2. Dental and vision allocation between pre-65 and post-65 is estimated based on medical cost split since actual dental/vision split was not readily available

**Appendix 6b: Average healthcare cost to the City is \$9,500 per participant (including retirees), which is approximately 85% of total costs and therefore above the 80/20 target <sup>1</sup>**

	Number of Participants			
	Active	Retirees		Total
		pre-65	post-65	
<b>Medical</b>				
BCBS - self-funded PPO	6,226	4,622	2,656	13,504
BCBS - traditional plan	160	4,004	1,018	5,182
BCBS - major medical	363	1,577	845	2,785
Blue Care Network	957	435	403	1,795
Health Alliance Plan	1,189	744	1,267	3,200
Total Health Care	518	-	-	518
US Health - Cops Trust	562	60	-	622
<b>Total medical</b>	<b>9,975</b>	<b>11,442</b>	<b>6,189</b>	<b>27,606</b>
<b>Dental/Vision <sup>2</sup></b>				
Dental	13,597	10,073	5,449	29,119
Vision	10,454	8,142	4,404	23,000

	ER/EE Cost Split	Total CITY cost per year				Total PARTICIPANT cost per year				Total cost per year			
		Active	pre-65	post-65	Total	Active	pre-65	post-65	Total	Active	pre-65	post-65	Total
<b>Medical</b>													
BCBS - self-funded PPO	90/10	\$ 9,646	\$ 9,147	\$ 5,768	\$ 8,712	\$ 1,072	\$ 1,016	\$ 641	\$ 968	\$ 10,717	\$ 10,163	\$ 6,409	\$ 9,680
BCBS - traditional plan	80/20	10,471	9,970	7,708	9,541	2,618	2,493	1,927	2,385	13,089	12,463	9,635	11,927
BCBS - major medical	80/20	11,592	10,153	6,392	9,199	2,898	2,538	1,598	2,300	14,490	12,691	7,990	11,499
Blue Care Network	80/20	9,214	10,787	4,961	8,641	2,304	2,697	1,240	2,160	11,518	13,484	6,201	10,801
Health Alliance Plan	80/20	8,554	8,188	7,670	8,119	2,138	2,047	1,918	2,030	10,692	10,235	9,588	10,149
Total Health Care	80/20	6,071	-	-	6,071	1,518	-	-	1,518	7,589	-	-	7,589
US Health - Cops Trust	80/20	13,653	15,926	-	13,872	3,413	3,981	-	3,468	17,066	19,907	-	17,340
<b>Total medical</b>		<b>\$ 9,598</b>	<b>\$ 9,609</b>	<b>\$ 6,509</b>	<b>\$ 8,910</b>	<b>\$ 1,563</b>	<b>\$ 1,889</b>	<b>\$ 1,283</b>	<b>\$ 1,636</b>	<b>\$ 11,162</b>	<b>\$ 11,498</b>	<b>\$ 7,793</b>	<b>\$ 10,546</b>
<b>Dental/Vision <sup>2</sup></b>													
Dental	100/0	\$ 468	\$ 520	\$ 353	\$ 464	\$ -	\$ -	\$ -	\$ -	\$ 468	\$ 520	\$ 353	\$ 464
Vision	100/0	88	150	102	113	-	-	-	-	88	150	102	113
<b>Total dental/vision</b>		<b>\$ 10,154</b>	<b>\$ 10,280</b>	<b>\$ 6,963</b>	<b>\$ 9,487</b>	<b>\$ 1,563</b>	<b>\$ 1,889</b>	<b>\$ 1,283</b>	<b>\$ 1,636</b>	<b>\$ 11,718</b>	<b>\$ 12,169</b>	<b>\$ 8,247</b>	<b>\$ 11,123</b>

**Notes:**

1. Costs are based on FY 2011 actual data provided by healthcare providers
2. Dental and vision allocation between pre-65 and post-65 is estimated based on medical cost split since actual dental/vision split was not readily available



## Appendix 6c: Wayne County offers different plan designs to its employees, as outlined below

	WC - A	WC - B	WC - C	WC - D	WC - E
<b>PPO plan<sup>1</sup></b>	Single/Two-person/Family				
Employee premium contribution	\$119/\$127/\$131	\$146/\$188/\$205	\$117/\$130/\$153	\$86/\$200/\$240	\$124
Plan deductible	\$100/\$200	\$100/\$200	\$500/\$1,000	\$100/\$200	\$500/\$1,000
Co-insurance %	10%	10%	20%	10%	20%
Co-insurance maximum (OOP max)	\$500/\$1,000	\$500/\$1,000	\$1,500/\$3,000	\$500/\$1,000	\$1,500/\$3,000
Office visit	\$20	\$20	\$30	\$20	\$30
Urgent care co-pay	\$20	\$20	\$30	\$20	\$30
Emergency room co-pay <sup>2</sup>	\$100	\$50	\$100	\$50	\$100
Hospital co-pay <sup>2</sup>	\$100	\$50	\$100	\$50	\$100
<b>Rx drug plan</b>					
Co-pay (retail; mail=2x for 90 day supply)	\$5/\$25/\$40	\$5/\$25	\$10/\$35/\$50	\$5/\$25	\$10/\$35/\$50
Mandatory mail	na	na	na	na	na
Mandatory generic	yes	yes	yes	yes	yes
Traditional generic step therapy	yes	yes	yes	yes	yes
Exclusion of lifestyle drugs	na	na	na	na	na
<b>Bargaining units included in option</b>	Michigan Building & Construction Trades Council	Gov't Administrators Association	Commission Contractual Employees	AFSCME Local 1862, 2057, 2926	AFSCME Locals 25, 101, 409, 1659
	Unite HERE Local 24	Dieticians & Nutritionists	Elected Officials & Judges	Government Bar Association	
	AFSCME Local 3317	GAA Nurses	Exec. & Exempt employees of WC Commission		
	POAM Sheriff Deputies	IUOE Local 324	Exec. & Exempt employees Wayne County		

**Notes:**

- Information herein represents in-network costs of PPO plans; out-of-network costs are generally twice the cost of in-network
- Co-pay waived if admitted





**Appendix 6d: Incremental annual cost for a family could range from \$390 for low users to \$2,280 for high users of medical services for switching to Option 3 for participants already paying 20% premiums**

**ILLUSTRATIVE ONLY**

Incremental Cost to Option 3 from 80/20 plan currently		
	Individual (per month/year)	Family (per month/year)
<b>Low</b>	\$9 / \$105	\$33 / \$390
<b>Medium</b>	\$43 / \$518	\$101 / \$1,215
<b>High</b>	\$95 / \$1,140	\$190 / \$2,280

**ILLUSTRATIVE ONLY**

Incremental Cost to Option 3 from 90/10 plan currently		
	Individual (per month/year)	Family (per month/year)
<b>Low</b>	\$47 / \$561	\$122 / \$1,459
<b>Medium</b>	\$81 / \$974	\$190 / \$2,284
<b>High</b>	\$133 / \$1,569	\$279 / \$3,349

**Low** – This scenario assumes the individual has no costs that apply to the deductible and does not extend into coinsurance. It assumes the member / family has a typical level of utilization of the physician office visits (3 per individual per year and 10 per family per year) and prescription drugs (12 scripts per individual per year and 48 scripts per family per year)

**Medium** – This scenario assumes the individual has costs that meet the deductible and extends into coinsurance halfway to the out-of-pocket maximum. It assumes the member / family has a typical level of utilization of the physician office visits (3 per individual per year and 10 per family per year) and prescription drugs (12 scripts per individual per year and 48 scripts per family per year)

**High** – This scenario assumes an individual or family that heavily utilizes healthcare services. It assumes the member / family has healthcare costs that exceed the out-of-pocket maximums and assumes a high level of utilization of the physician office visits (10 per individual per year and 20 per family per year) and prescription drugs (48 scripts per individual per year and 96 scripts per family per year)



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