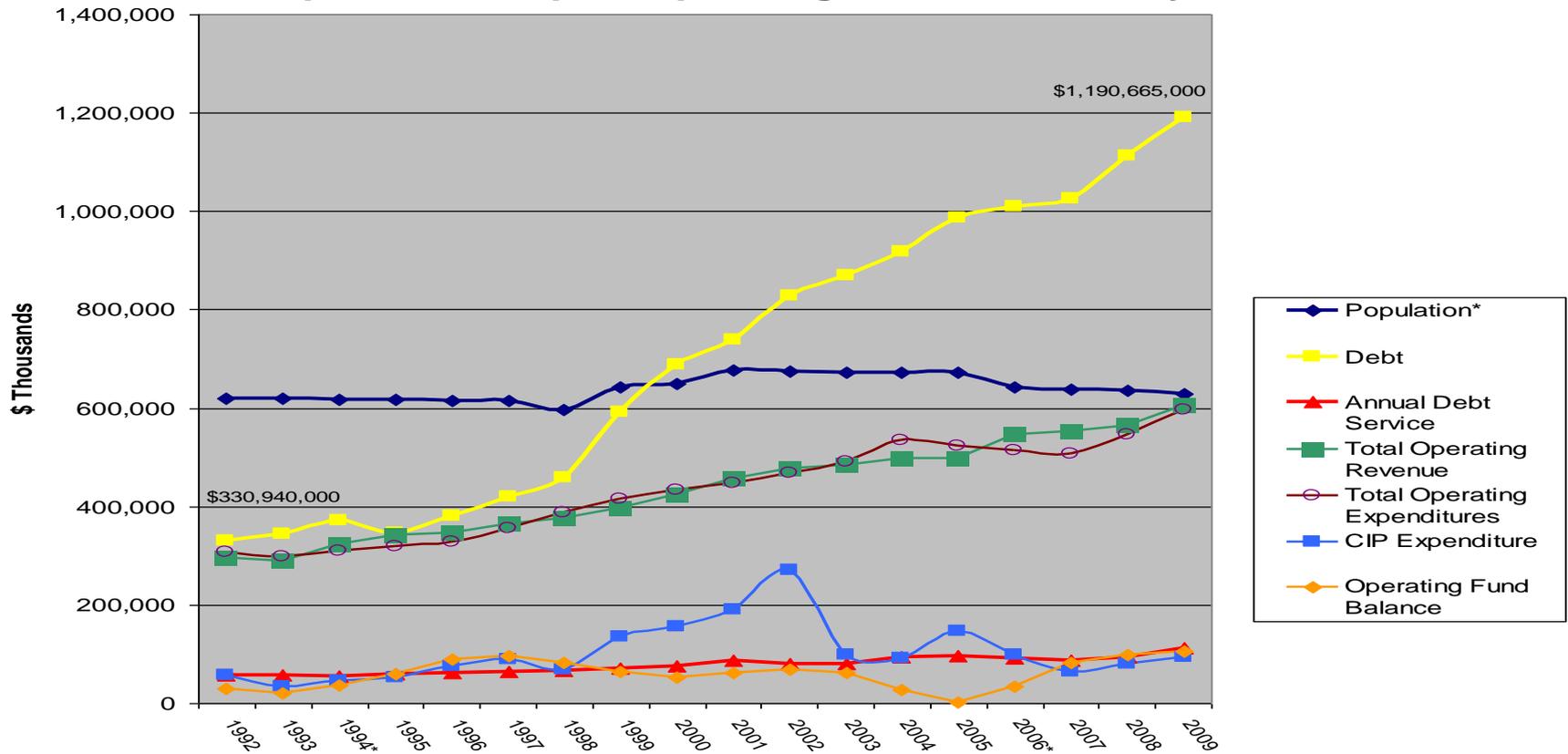


2012 Budget Reform Presentation and Ideas  
By Kemp Conrad, Memphis City Councilman, Super Dist 9., Position 1  
June 1, 2011

## Operations/Capital Spending/Debt Trend Analysis



\*Population: 1990 - 662,047 (Source: US Census); 2000 - 650,008 (Source: US Census); 2008 - 635,626 (American Community Survey); 2014 - 599,354 (Source: Demographics Now and American Community Survey)

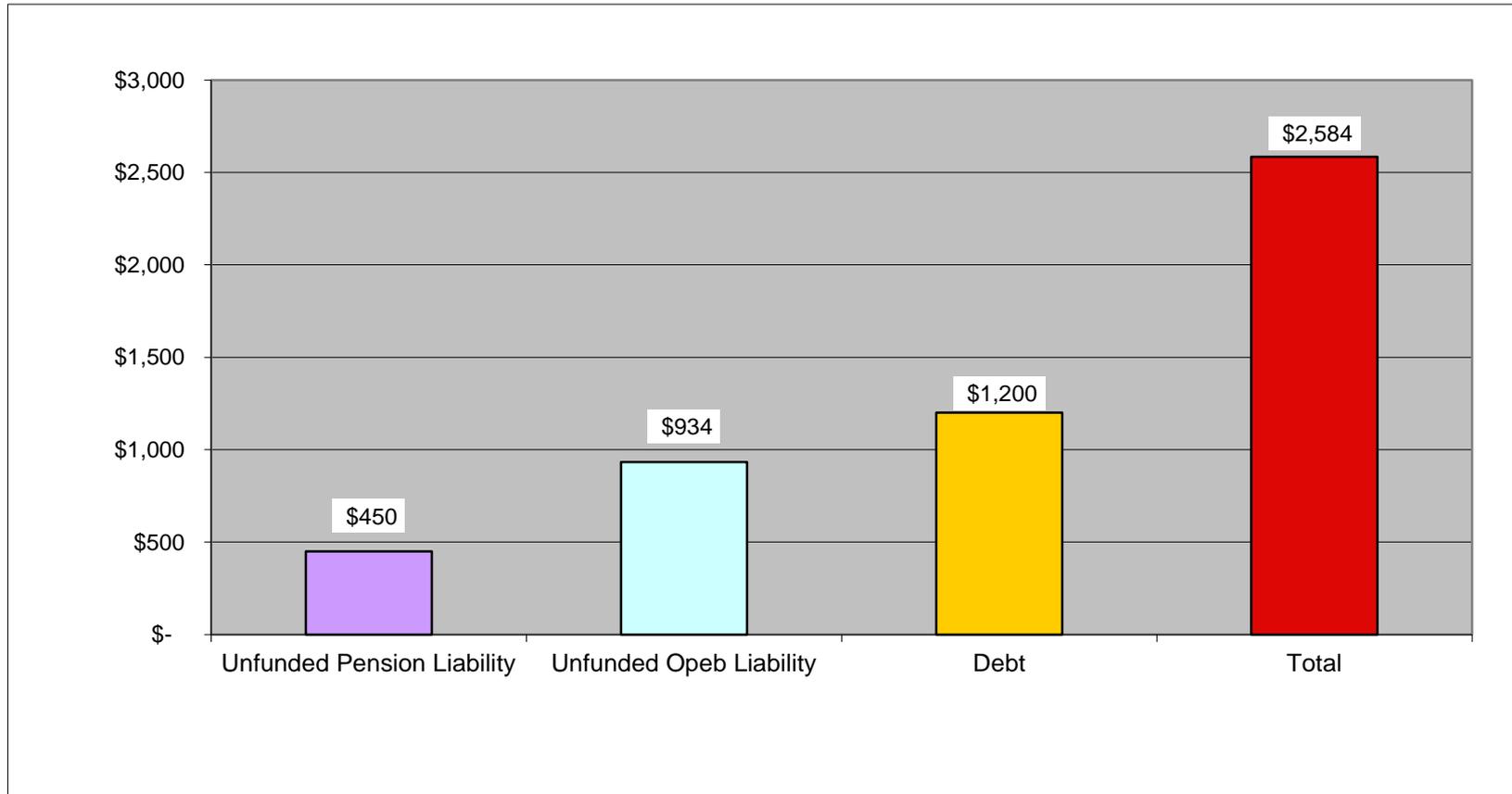
\*Poverty Rate: 1990 - 22.9%; 2000 - 20.6%; 2008 - 23.1% (Source: US Census and US Census American Community Survey 2008)

\*Income Per Capita: 1990 - \$12,190 (\$20,009) Adjust for inflation into 2009 dollars (Bureau of labor statistics); 2000 - \$17,510 (\$21,815); 2009 - \$21,656; 2014 - \$25,086

\*Median Household Income: 1990 - \$24,273 (\$39,843); 2000 - \$32,783 (\$40,843); 2009 - \$41,705; 2014 - \$44,294 (Source: US Census & Demographics Now "09" & "14")

**Summary** – The population of Memphis has been static for the last two decades (the only increases artificial and due to annexation), yet operating budget and GO debt have increased sharply.

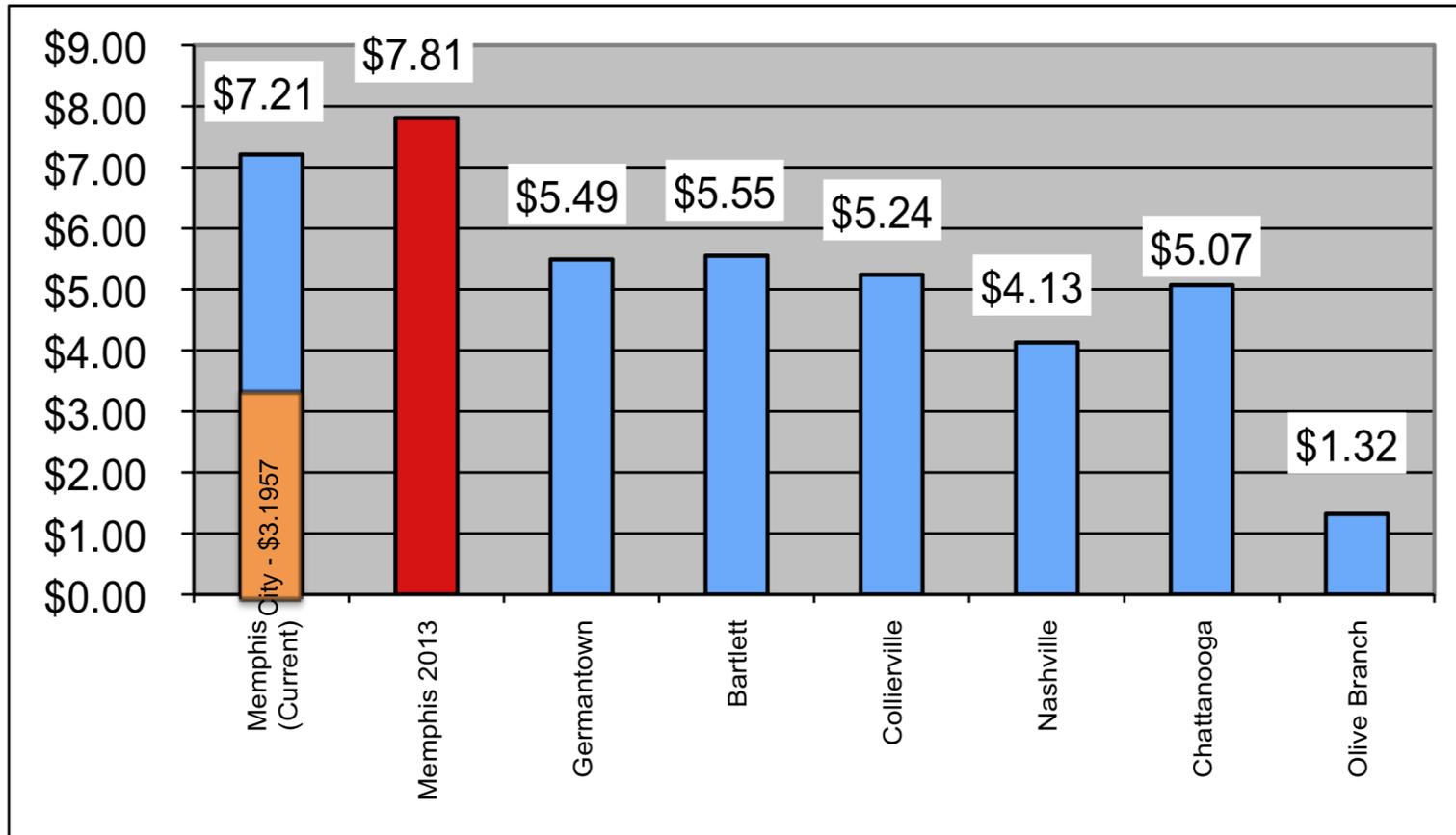
# Unfunded Liabilities/Debt (in Millions)



Summary - Memphis **unfunded** obligations to retirees and employees is in excess of \$1.5BB - 2.5 x larger than our entire annual operating budget. With General Obligation debt the total is \$2.6BB.

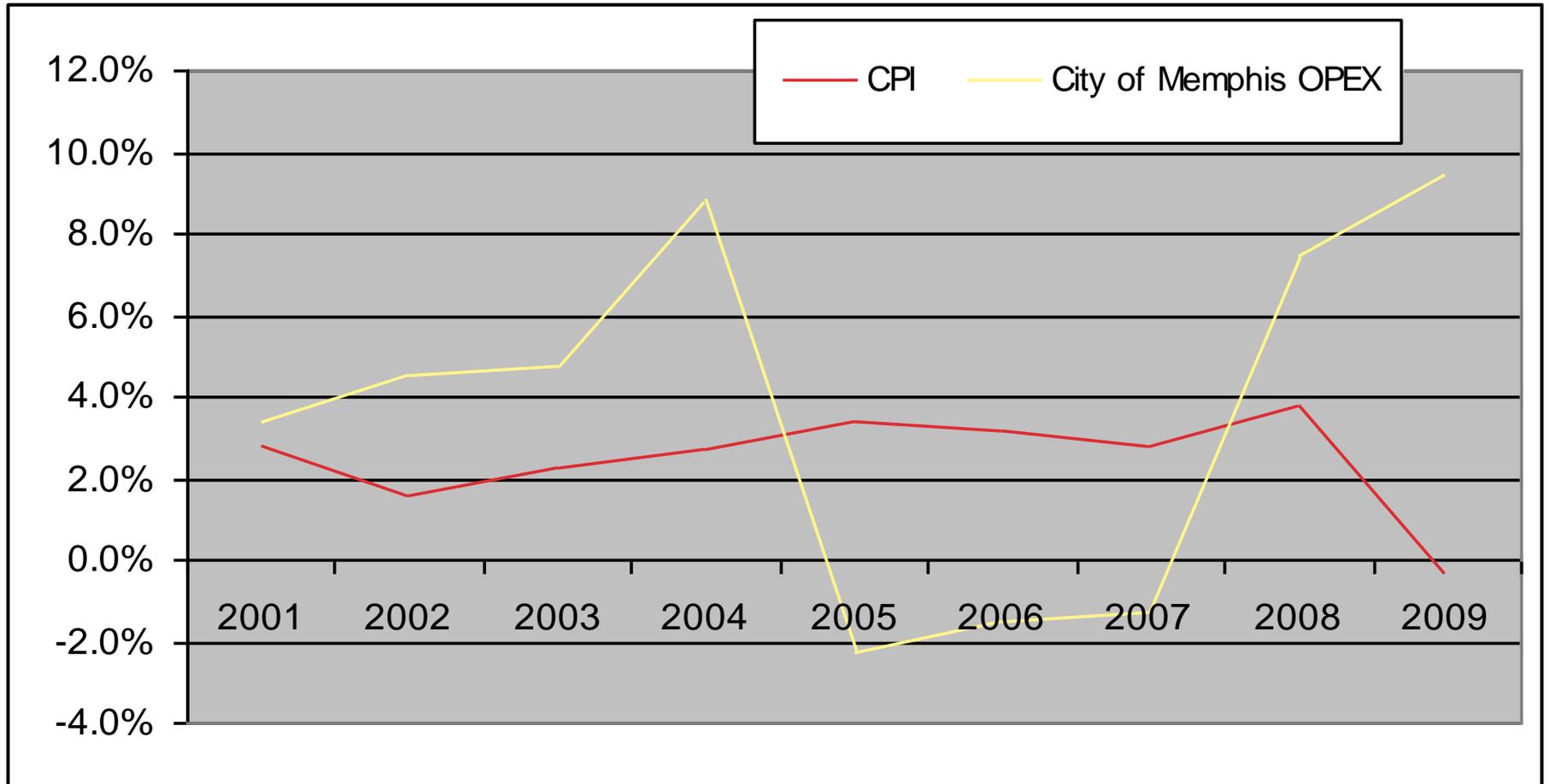
# Combined Memphis & Shelby County Property tax rates

- Memphis compared to other municipalities in the MSA and Tennessee



Summary: Under the status quo taxes will have to increase approximately \$.60 to \$7.81 in 2013 (next budget cycle) to balance the budget. A combined tax rate of \$7.81 will be 41% higher than the next highest city (Bartlett).

## Consumer Price Index Year over Year Change vs. City of Memphis Operating Expenses Year over Year Change



Summary: The Operational Budget trends well above inflation, or CPI. The only reason for the city budget to increase should be due to additional population to serve, or inflation. Neither are the case in Memphis.

## City of Memphis Reform Plan

- The Wharton Administration has already made some tough budgetary decisions
- The 2012 budget fills a structural deficit of \$60MM with “one time” money – not recurring and-or sustainable reductions
  - \$20MM Final proceeds of debt refinance
  - \$20MM from parking meters
  - \$20MM from selling delinquent receivables
- There is no plan on how to plug the gap in 2013, just twelve short months away
- An election year is the exact time we should be having this debate about the future of city government
- The citizens, employees, and retirees deserve the truth and a credible plan
- Without structural change every year will be battle with no room for error and no wage growth for the workforce
- City of Memphis has a spending problem, not a revenue problem, thus the solution should focus on spending reductions
- Every year of delay makes the decisions more painful and acute
- This is the result of ten years of the lack of political will for reform, the 2008 council action that cut funding from MCS then added \$41MM in operational costs, and unwillingness to act during last two budget cycles
- We can't tax our way out of this abyss however fees need adjustment and Edmund Ford has ideas here
- Businesses would follow residents in flight out of the city with implementation of payroll tax.
- MCS funding could cease in totality in 2013, however not guaranteed. This COULD potentially free up \$78M recurring
- We can no longer afford sacred cows
- If at some point city leaders and elected officials do not act – markets will, causing more pain to employees and retirees

# Long Road Out of Bankruptcy

By BOBBY WHITE

VALLEJO, Calif.—City leaders say they expect Vallejo to emerge from bankruptcy by July as settlement talks with its creditors near final agreement, in a case being closely watched by financially stricken cities across the country.

Vallejo, which filed for Chapter 9 protection in 2008, represents the biggest municipal bankruptcy in California since Orange County filed in 1994 and one of the largest in U.S. history.

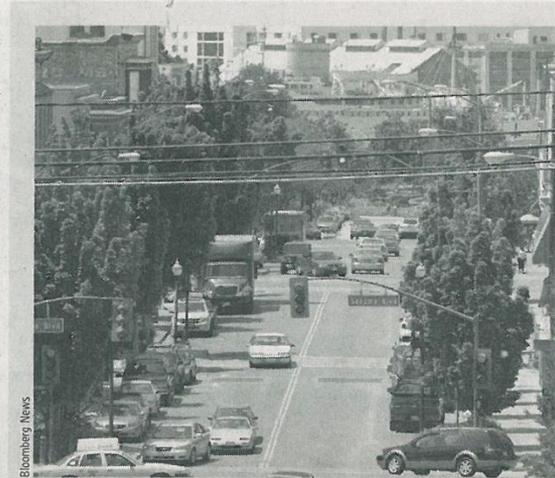
In January, the city of 120,000 people some 30 miles northeast of San Francisco submitted a plan to exit from bankruptcy and began negotiating on a debt restructuring with major creditors. City leaders secured deals with Vallejo's largest debt holder—**Union Bank of San Francisco**—and bond insurer **National Public Finance Guarantee Corp.**

Officials faced pushback from lawyers representing city-worker retirees and some city unions, who objected to early versions of the plan because they lacked details on how some creditors would be treated. But recently the groups indicated they approve of the measures.

"We're satisfied with progress so far," said Kelly Woodruff, an attorney representing two city unions.

Under the plan, city employees will maintain their current pay and no additional jobs will be cut. But health-care benefits will be reduced for Vallejo's more than 400 city-worker retirees and surviving spouses, with the city contributing about \$300 a month to premiums, down from about \$1,500 for some retirees. Current pension payouts will remain in place.

In the years leading up to the filing, the city's expenses grew 11% annually while revenue rose only 3%. Vallejo was also saddled with contracts with its police and



Georgia Street in Vallejo, Calif., which filed for bankruptcy in 2008.

fire unions whose salary and benefits took up more than 70% of the city's \$65 million budget.

Those public-safety workers took a big hit from the bankruptcy. The city scaled down its police force from a high of more than 150 officers to 90 today, and it closed three fire stations and cut the number of firefighters to 70 from more than 120.

In 2009, city leaders reached new agreements with the police, fire and management unions that reduced pension benefits for new employees, among other cuts. Last year, the city reached similar agreements with the union representing administrative workers.

Original bondholders have emerged from the reorganization unscathed, with the city having either repaid much of this debt or pledged to continue repayment. But **Union Bank**, owed about \$50 million after guaranteeing debt repayment to investors, will receive 40% less than this amount under the settlement. Lawyers representing Union Bank declined to return emails and

phone calls seeking comment.

National Public Finance Guarantee fared better, securing a deal allowing the insurer to continue to receive payment of nearly \$5 million in debt owed, but over an extended period of time. The insurer also reached an agreement in a dispute with the city and California to guarantee that, in the event of a Vallejo default, the insurer would receive payment from state vehicle-license fees.

"We are pleased to have reached an agreement," said Kevin Brown, a spokesman for National Public Finance.

Dave Millican, Vallejo's interim finance director, said, "We've turned the corner because our creditors realize it's unlikely they will be able to get more money from the city."

Creditors became pragmatic after U.S. Bankruptcy Judge Michael McManus in the Eastern District of California said he wouldn't force more concessions from Vallejo, Mr. Millican said.

Marcel Levinson, Vallejo's bankruptcy attorney, said the city's or-

## Dire Straits

Vallejo, Calif., hopes to emerge from bankruptcy soon. Other troubled municipalities:

■ **Jefferson County, Ala.:** Trying to avoid bankruptcy; grappling with \$3.2 billion in sewer debt

■ **Central Falls, R.I.:** Overseen by a state official since last year.

■ **Harrisburg, Pa.:** Narrowly averted debt default last year when state infused cash; faces \$288 million in debt from an incinerator project

■ **Hamtramck, Mich.:** Talk of bankruptcy receded after city collected \$3.2 million in March from settlement with Detroit.

deal was a cautionary tale for municipalities seeking an exit from financial troubles. The bankruptcy had cost Vallejo more than \$9 million, largely from legal fees, he said, and services had been severely curtailed.

Lawyers representing retirees and unions attempted to fight the settlement plans, arguing that guarantees from Vallejo to continue pension payouts and payments to bondholders indicated funds were still available, according to court documents. Retirees wanted to reinstate benefits, while unions pursued funds lost in a fight over labor contracts.

Vallejo is expected to submit a final exit strategy, incorporating deals reached with creditors, by mid-May and a hearing for a final vote is expected in late June.

The plan calls for the city to defer debt repayments from its general fund until 2013. It also calls for some employees and retirees to be paid just 5% to 20% of some other claims, such as workers' compensation, out of a \$6 million fund over two years.

## OPERATIONAL REFORM DETAILS

# 1. City of Memphis Reform Plan – Privatizing Trash Pick up & Buy out for Long Time Employees or Managed Competition: A Better Alternative Than The Status Quo

- The biggest opportunity for savings with recurring savings up to \$25mm per annum including capital
- AFSCME rejected Mayor Wharton's proposal for managed competition which would allow current employees ownership
- Private contractor makes 950 stops a day vs. 450 for city of Memphis
- Under city incentive plan workers routinely complete shift in less than 8 hours but paid for full 8 hours under City "Incentive Plan"
- Per Dwan Gilliom 6 years ago Administration and AFSCME agreed not to buy automated trucks and since then 43 trucks bought artificially inflating workforce, when an attrition plan could have been initiated
- City currently has 19 automated trucks and 208 non automated trucks
- Per Dwan Gilliom there are approx. 500 permanent employees in solid waste
- The new contractor will need approximately 200 employees, leaving a balance of 300
- Per Dwan Gilliom the wages with the contractor will be similar to City of Memphis although hours are longer
- 107 have 35 or more years of service and 9 have been with the dept. since 1968
- This plan provides for \$7mm to be spent in FY 2012 for a buy-out of the 107 employees who do not wish to work for the new contractor and are ready to retire. The administration may also wish to provide some benefit for the other employees who do not work for the new contractor
- If \$8mm is directed at employees with 35 years or more of service, the pay out is approximately \$75,000 per employee
- Sanitation employees not eligible for a pension due to decision for social security long ago
- If we do nothing long time employees that soon cannot work any longer will leave the City of Memphis employment with nothing
- OR Managed Competition with a \$5MM savings target in 2012 budget with \$15mm in 2013 to be written into the 2012 budget resolution. AFSCME to confirm with Mayor Wharton by close of business Friday June 3<sup>rd</sup> if it is open to this.

## 2. City of Memphis Reform Plan – Immediate Implementation of the MFD Attrition Plan

Summary: Except for FS/square mile, MFD would still rank 1<sup>st</sup> in all categories among its peer departments.

111 positions eliminated saving in excess of \$9mm per year. No stations are closed under this plan.

AFL-CIO-Memphis Fire Association opposed to three year attrition plan as proposed by Wharton Administration as their number one goal is to protect jobs and dues. The union has been asked numerous times if they have ONE idea for efficiency in order to prevent layoffs – they do not and instead have launched a PR campaign based on fear.

\*\*All statistics above and maps following from MFD. Please note the rings represent 2.5 mile circles recommended coverage for engines and Fire Stations – the overlap is redundancy. Approximately 75% of runs by MFD are EMS calls.

2. Cont'd, Immediate Implementation of MFD Plan.  
 Top 50 City Population and Fire Department Rankings  
 (Before and after 3-year attrition strategy)

City of Memphis	Ranking
In overall population:	20
In populaton per square mile:	44
In square miles	10

Fire Department	Ranking	
	Current	After 3-years
In number of Fire Stations:	7	7
In number of Fire Engines:	7	7
In number of Ladder Trucks:	5	7
In number of Battalions:	5	5
In number of Fire Stations/50,000 population:	1	1
In number of Fire Engines/50,000 population:	1	1
In number of Ladder Trucks/50,000 population:	1	2
In number of Battalions/50,000 population:	1	1
In number of Fire Stations/50 Square Miles:	26	26
In number of Fire Engines/50 Square Miles:	7	7
In number of Ladder Trucks/50 Square Miles:	5	7
In number of Battalions/50 Square Miles:	5	5

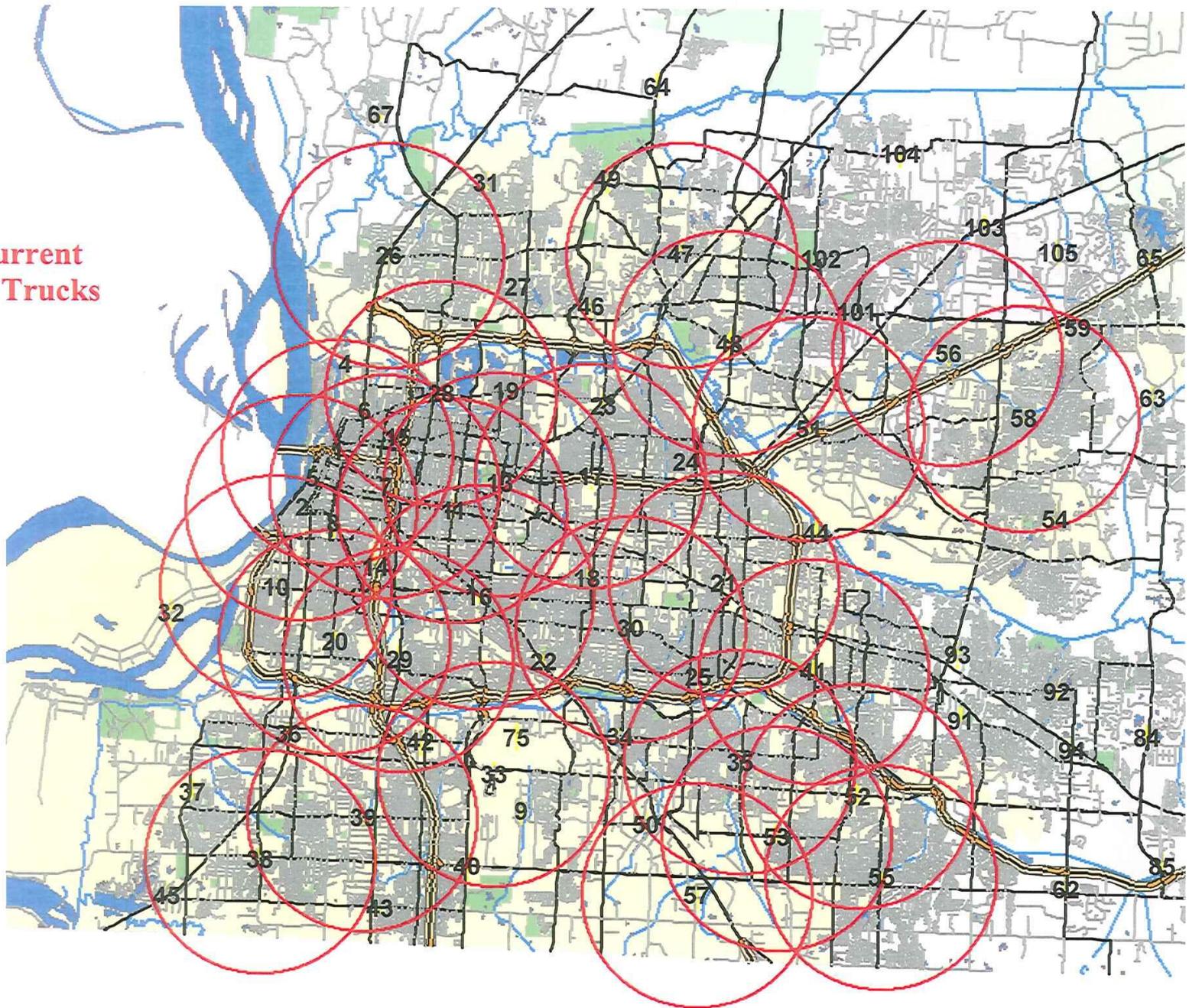
*Note: Except for FS/mi<sup>2</sup>, MFD ranks 1st in all categories among its peer departments before and plan implemented.*

## 2. Cont'd

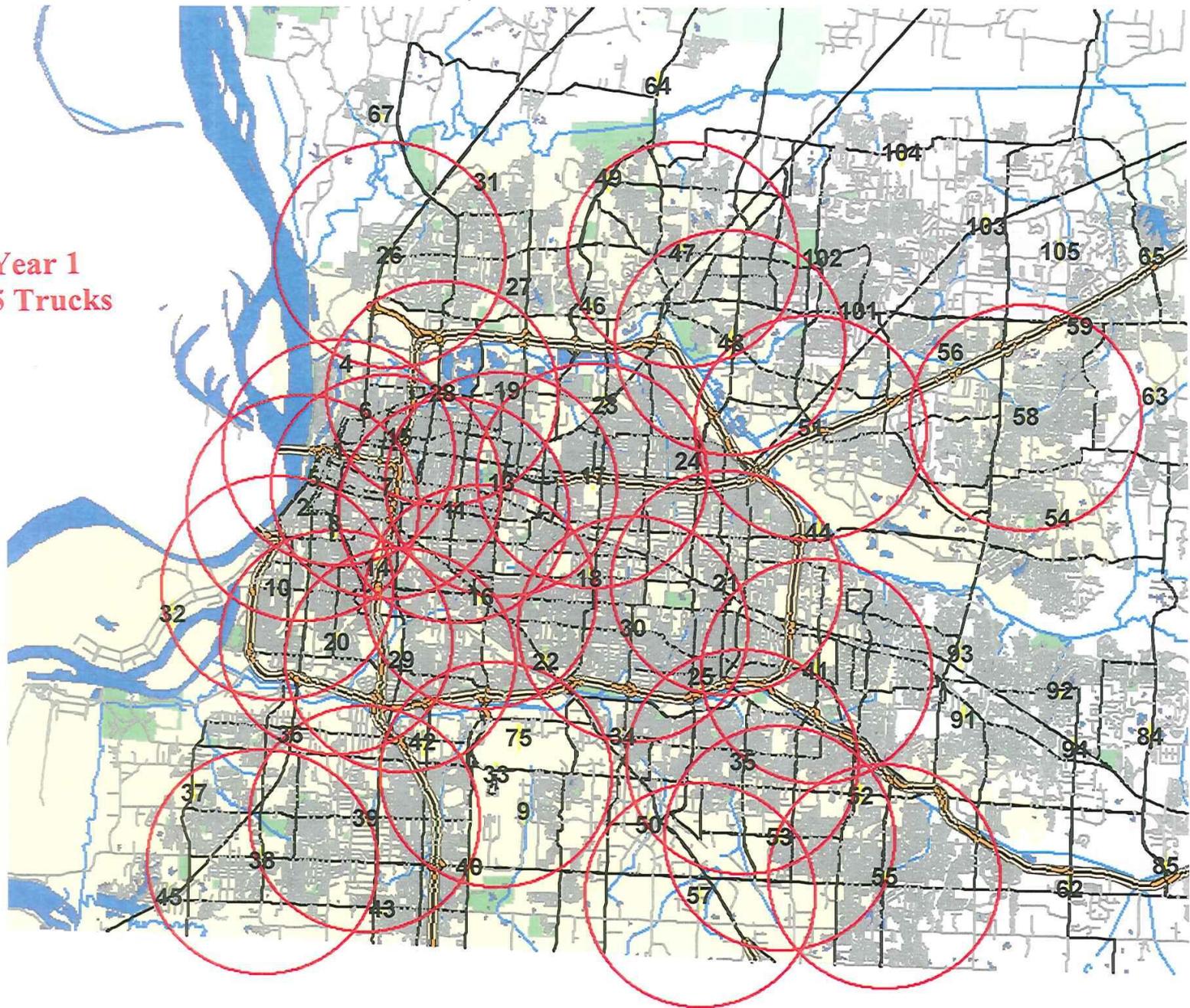
Robert Kramer on behalf of Local 1784  
City Council Minutes – March 1, 2011

- “...with 19 trucks, the studies say we can get to all areas of the City within an 8 minute response time. That’s a fact. That can be done...” [timer position 00:09:00]
- “...so our recommendation is, instead of risking employees, let’s shut down 8 trucks...but it’s going to come with a condition...” [timer position 00:09:19]
- Note: Their condition was that the Council approve the Local’s version of an ARV instead of the administration’s version
- “[with Trucks positioned according to the Local’s proposal]...we can cover more with 19 than we currently cover with 27...” [timer position 00:30:05]

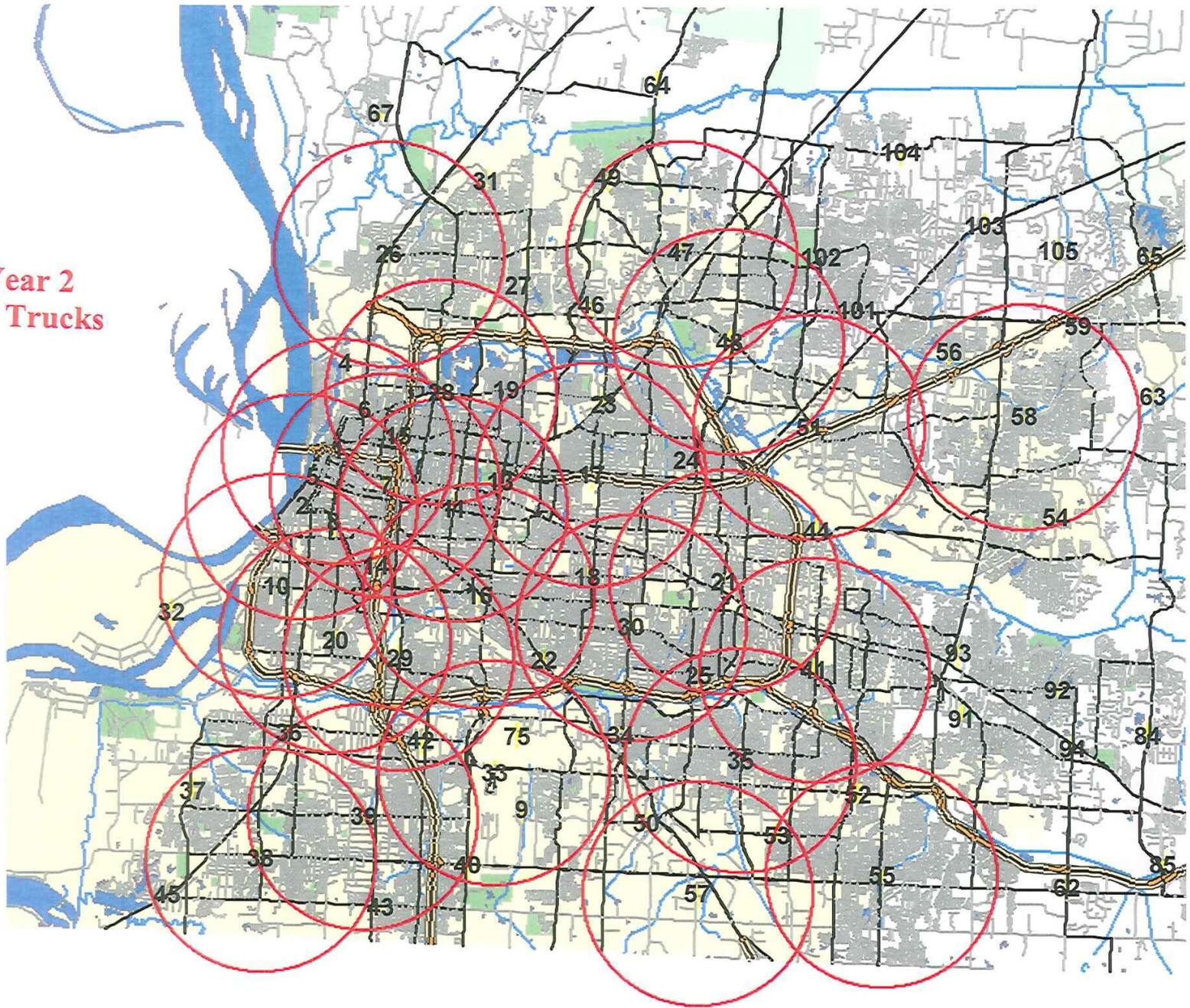
**Current  
27 Trucks**



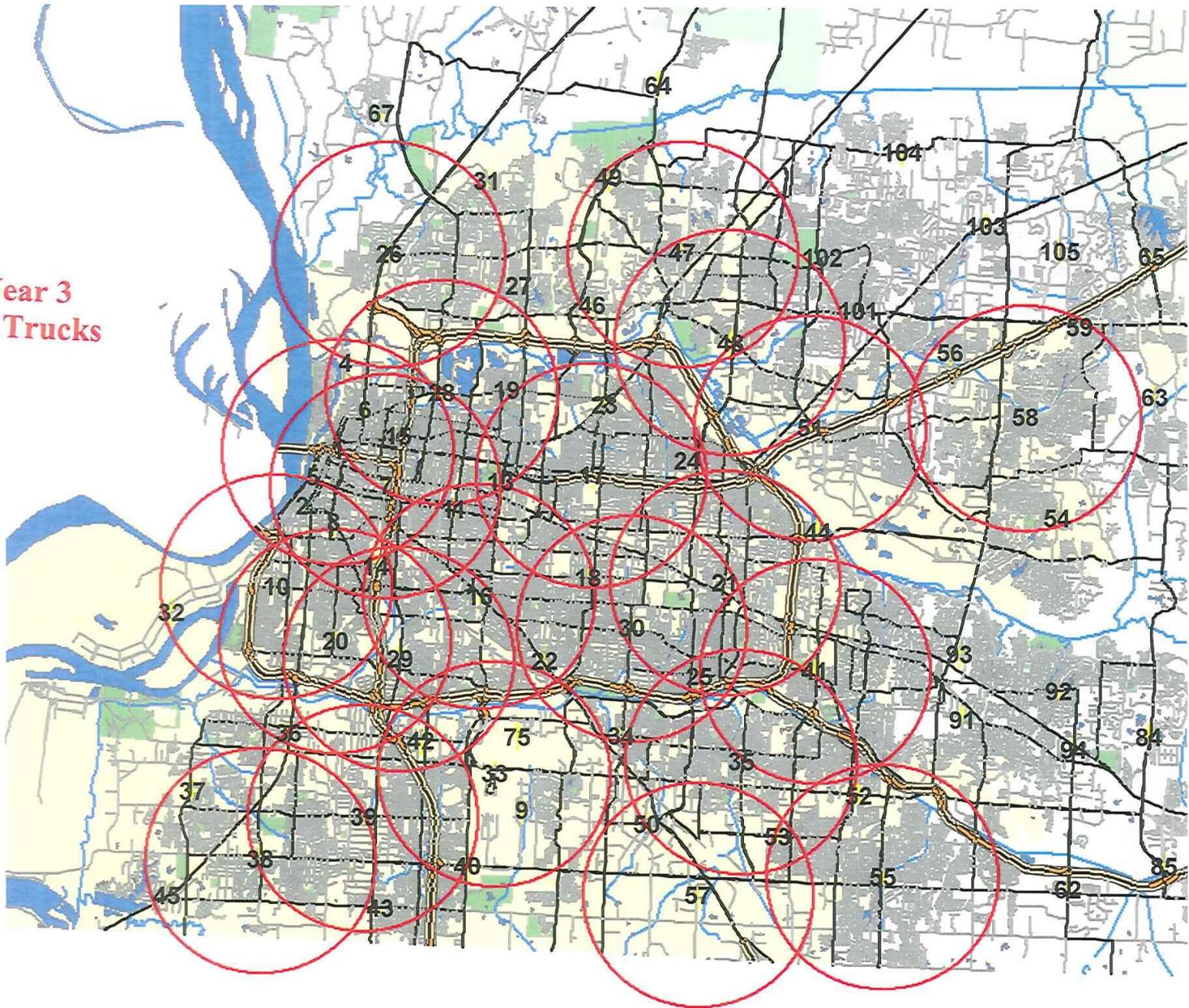
**Year 1**  
**25 Trucks**



Year 2  
23 Trucks



Year 3  
21 Trucks





# BURNING ISSUES

PAID FOR BY: Memphis Fire Fighters Association Local 1784



## Do You Want The Fire Equipment and Personnel Closest To Your Home Taken Out of Service?



### YOU NEED TO KNOW

- Mayor Wharton has stated numerous times there will not be cuts to the Fire Division.
- The Fire Director released his three-year budget plan that will take the Memphis Fire Department back to the early 1970's staffing levels.\*

\*This was the level of staffing prior to the annexations of Cordova, Hickory Hill, Southwind, and Wolfchase.

## HELP US HELP YOU! YOU COULD BE IN DANGER.

Fire truck closings and staffing reductions are being proposed. Based on an appointed committee's report, the Mayor and Fire Director are proposing to make the cuts over the next three years. The Memphis City Council is scheduled to vote on this budget proposal June 7, 2011.

The appointed committee's report is misleading and will lead to damaging results if this budget is passed. Will you be agreeable to closing the fire company nearest to you?

Contact your Council Person and the Mayor and let them know this is **NOT ACCEPTABLE!**

CITY OF MEMPHIS – OFFICE OF THE MAYOR: 901-576-6000

CITY OF MEMPHIS – CITY COUNCIL: 901-576-6786

OR VISIT: [www.memphistn.gov](http://www.memphistn.gov)

Example of misleading and irresponsible propaganda using scare tactics being spread by Memphis Fire Union.

Mayor Wharton and  
the Fire Director are  
gambling with your

**LIFE**

**(901) 576-6000**

Demand that public safety not be  
cut due to a school debt the City  
chose **NOT TO PAY.**

Example of misleading and irresponsible propaganda  
using scare tactics being spread by Memphis Fire Union.

### 3. City of Memphis Reform Plan-Eliminate Longevity and College Incentive Pay or generate savings from PTO reform

- At 56% of the total budget it is impossible to reduce the budget significantly without impacting public safety employees. This plan addresses some imbalances that exist where parity needs to exist.
- In years past when pay increases have not been awarded, other concessions have been won that are costly and now unsustainable.
- Some employees receive college incentive pay in addition to a base salary differential based on number of years of college completed.
- As an example employees accrue benefits for longevity through additional vacation, pension contributions, and sick time. However, the MFD and MPD MOU's also provide for "longevity pay" as well based on years of service. (This should be eliminated although preference to have savings come from PTO reform).
- In addition, the City has had a college reimbursement plan where the city pays a portion of a college degree – then when the degree is earned, the city pays the employee more money called "College incentive Pay". (This should be eliminated although preference to have savings come from PTO reform).
- Both are in the MOU's that the Administration and Unions have already negotiated. If the Unions will not agree, then lay offs should occur to match the \$7mm in savings or MFD and MPD to find savings elsewhere that will do least to affect public safety.
- First to be added back to budget if savings enough are MPD furlough (\$6M), and a 1% one time bonus for MPD (\$1.6M) for a total of \$7.6M.
- The position of the attorney representing the police union is that they would rather lay off officers than amend the MOU and agree to other concessions.

1 MS. GODWIN: Now, as far as -- you know,  
2 I've heard -- let me say this. I've heard that  
3 the Mayor has asked for wage cuts of some of the  
4 Unions. There was even a rumor that we were  
5 agreeing to some percentage of a wage cut.

6 I'll go on record as saying, we are  
7 not -- only not agreeing to a wage cut, but when  
8 we walk out of here today and sign this, we will  
9 not agree to any wage cut. There will be no wage  
10 cut for the term of this agreement.

11 MR. THORNTON: Unless the City has a  
12 serious financial situation. Right?

13 MS. GODWIN: No. No. That's got nothing  
14 to do with it. There will be no wage cut. It  
15 says we were agreeing to a zero increase.

16 MR. THORNTON: So in other words, let me  
17 get this question. I'm going to ask this  
18 question again. So if the City has no money and  
19 they -- let's say you want to go to furloughs and  
20 they want --

21 MS. GODWIN: You'll have to lay people  
22 off.

23 MR. THORNTON: So you prefer to have  
24 officers laid off?

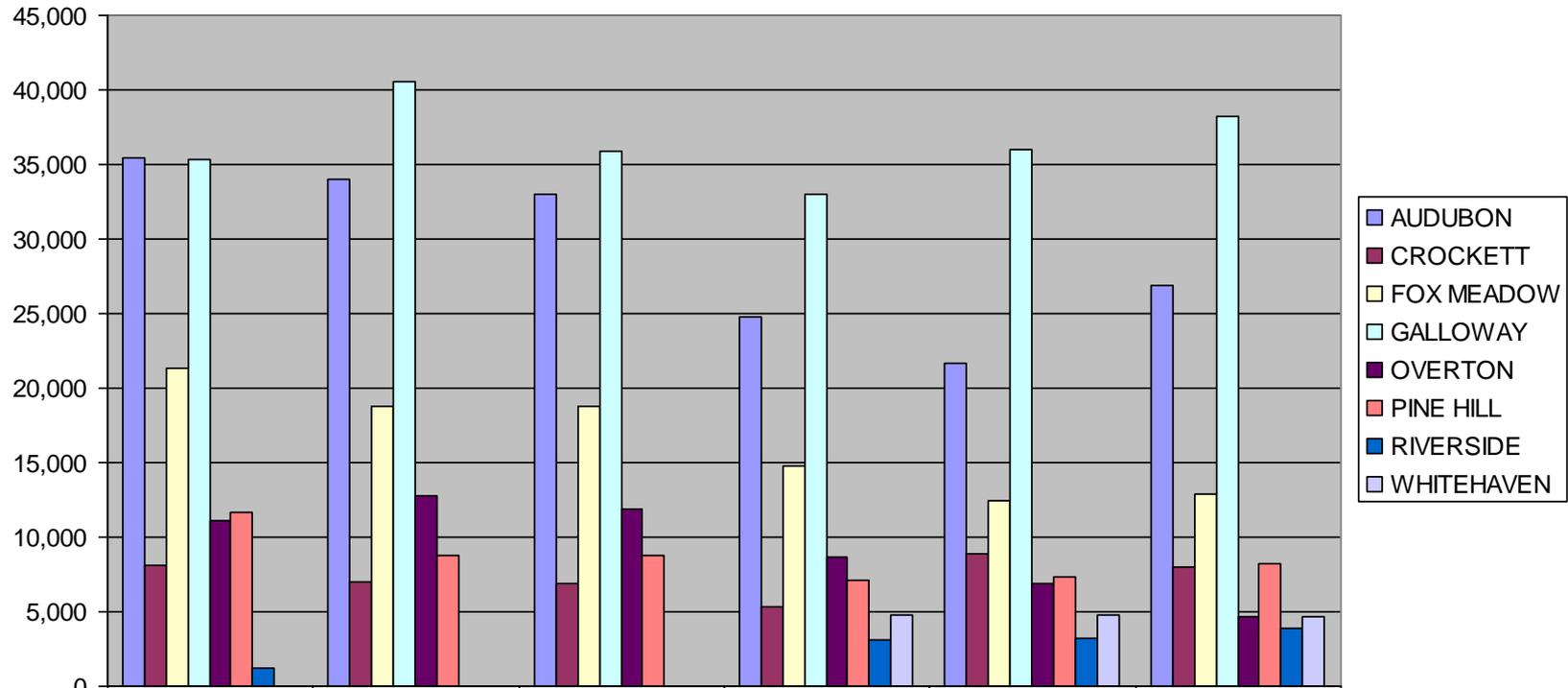
### 3. City of Memphis Reform Plan – Reduce Grants and MVIB

- 2011 Adopted has \$2.6M in grants with a forecast of \$3M. 4 year average is \$1.25M. \$2.2M in 2012 Request. Reduce discretionary grants & subsidies by 50% saves \$1.1M
- Reduce LOC and MLGW grant by half in 2012 saves \$1,150,000. There has no been a LOC grant in the budget since 2009
- Privatize car inspection stations and allow private sector to perform the function or charge \$7 per car – whichever is less of a burden on the tax payers as in the privatized model there will also be a charge. \$2.5MM budgetary impact.

#### 4. City of Memphis Reform Plan – Close All Unprofitable Golf Courses Except Overton Park and Pine Hill

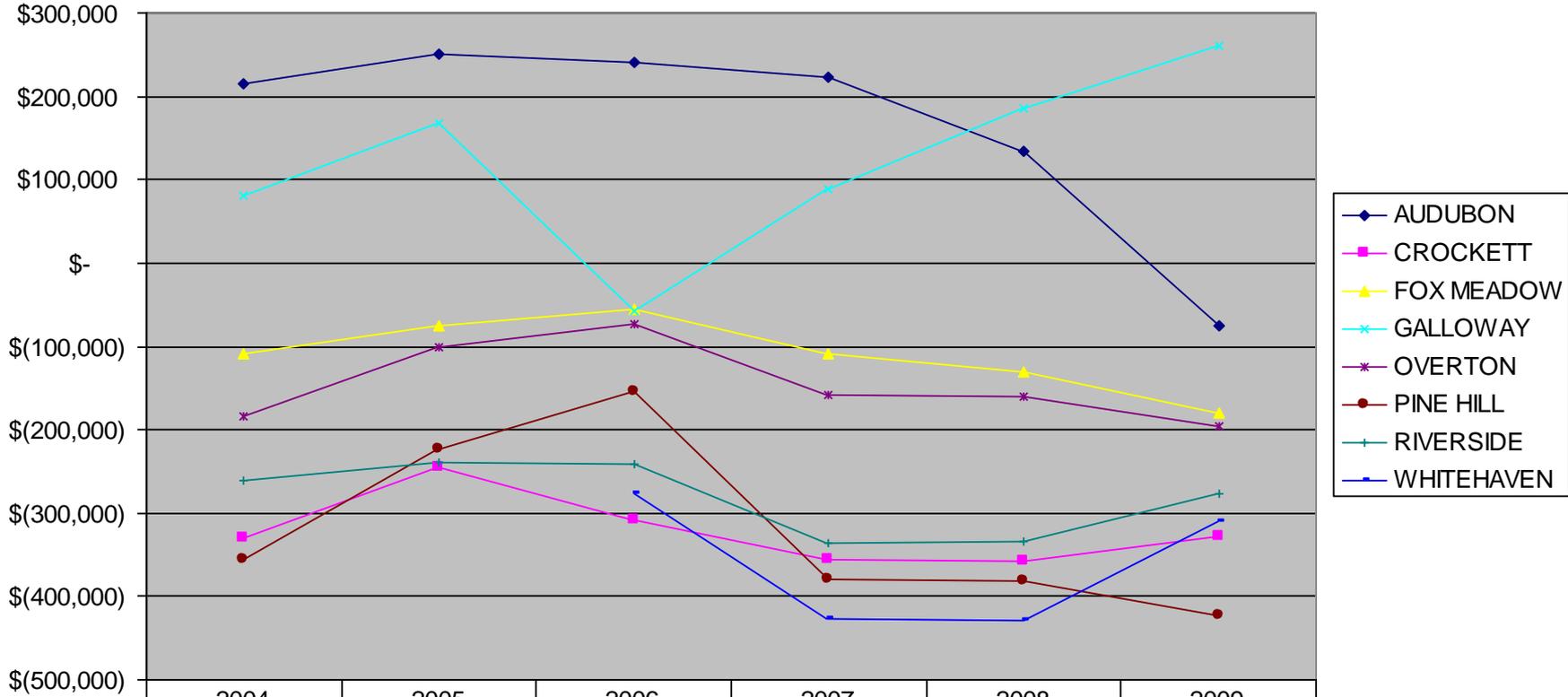
- The City has too many golf courses and should close Crockett, Riverside, Whitehaven, and Fox Meadows to save \$1.4M
- Profitable courses Galloway and Audubon would remain open, and Pine Hill and Overton Park would remain open in 2012. Remaining open in 2013 subject to reaching 80% of breakeven or being taken over by a citizen group.
- Whitehaven and Riverside Clubhouses still to be available for community events
- Closed courses will be returned to park land
- All courses recommended for closure never above 20% of capacity. All others historically above this except Pine Hill.
- Approximately 30-50% of the rounds at Whitehaven and Riverside are from repeat golfers from AR and MS – Memphians are subsidizing them to the tune of approximately \$70 per round.
- Plan keeps one money losing course open in each Super Dist. 8 and Super Dist. 9, and keeps one 9 hole course open in the middle of the city – good for families and children
- See attached charts and analysis for more detail.
- Map that follows clearly shows numerous daily fee options still available near the proposed closed city courses.

### Golf Rounds Played 2004-2009



	2004	2005	2006	2007	2008	2009
AUDUBON	35,403	33,955	32,950	24,761	21,667	26,868
CROCKETT	8,124	7,028	6,925	5,339	8,848	7,965
FOX MEADOW	21,366	18,763	18,725	14,807	12,390	12,842
GALLOWAY	35,378	40,561	35,927	33,014	36,027	38,276
OVERTON	11,119	12,733	11,873	8,696	6,918	4,715
PINE HILL	11,617	8,778	8,724	7,124	7,355	8,235
RIVERSIDE	1,193			3,061	3,261	3,913
WHITEHAVEN				4,824	4,777	4,621

### Golf Revenue 2004-2009



	2004	2005	2006	2007	2008	2009
AUDUBON	\$214,075	\$250,073	\$240,016	\$223,410	\$133,805	\$(75,865)
CROCKETT	\$(329,763)	\$(244,889)	\$(308,585)	\$(355,488)	\$(357,665)	\$(327,747)
FOX MEADOW	\$(108,187)	\$(74,923)	\$(56,505)	\$(109,533)	\$(131,176)	\$(179,639)
GALLOWAY	\$80,425	\$166,801	\$(58,056)	\$89,492	\$185,048	\$260,073
OVERTON	\$(184,909)	\$(101,703)	\$(72,794)	\$(158,450)	\$(159,712)	\$(195,583)
PINE HILL	\$(356,339)	\$(223,365)	\$(155,045)	\$(378,579)	\$(382,346)	\$(422,611)
RIVERSIDE	\$(260,770)	\$(238,341)	\$(241,796)	\$(336,545)	\$(334,119)	\$(277,243)
WHITEHAVEN			\$(277,649)	\$(427,629)	\$(429,353)	\$(309,445)

**NET**

	AUDUBON	CROCKETT	FOX MEADOW	GALLOWAY	OVERTON	PINE HILL	RIVERSIDE	WHITEHAVEN	TOTAL
<b>2004</b>	\$214,075	\$(329,763)	\$(108,187)	\$80,425	\$(184,909)	\$(356,339)	\$(260,770)		\$(943,464)
<b>2005</b>	\$250,073	\$(244,889)	\$(74,923)	\$166,801	\$(101,703)	\$(223,365)	\$(238,341)		\$(464,342)
<b>2006</b>	\$240,016	\$(308,585)	\$(56,505)	\$(58,056)	\$(72,794)	\$(155,045)	\$(241,796)	\$(277,649)	\$(928,408)
<b>2007</b>	\$223,410	\$(355,488)	\$(109,533)	\$89,492	\$(158,450)	\$(378,579)	\$(336,545)	\$(427,629)	\$(1,451,315)
<b>2008</b>	\$133,805	\$(357,665)	\$(131,176)	\$185,048	\$(159,712)	\$(382,346)	\$(334,119)	\$(429,353)	\$(1,473,510)
<b>2009</b>	\$(75,865)	\$(327,747)	\$(179,639)	\$260,073	\$(195,583)	\$(422,611)	\$(277,243)	\$(309,445)	\$(1,526,051)

**ROUNDS**

	AUDUBON	CROCKETT	FOX MEADOW	GALLOWAY	OVERTON	PINE HILL	RIVERSIDE	WHITEHAVEN	TOTAL
<b>2004</b>	35,403	8,124	21,366	35,378	11,119	11,617	1,193		124,200
<b>2005</b>	33,955	7,028	18,763	40,561	12,733	8,778			121,818
<b>2006</b>	32,950	6,925	18,725	35,927	11,873	8,724			115,124
<b>2007</b>	24,761	5,339	14,807	33,014	8,696	7,124	3,061	4,824	101,626
<b>2008</b>	21,667	8,848	12,390	36,027	6,918	7,355	3,261	4,777	101,243
<b>2009</b>	26,868	7,965	12,842	38,276	4,715	8,235	3,913	4621	107,435

**Subsidy / Round**

	\$(2.82)	\$(41.15)	\$(13.99)		\$(41.48)	\$(51.32)	\$(70.85)	\$(66.96)	
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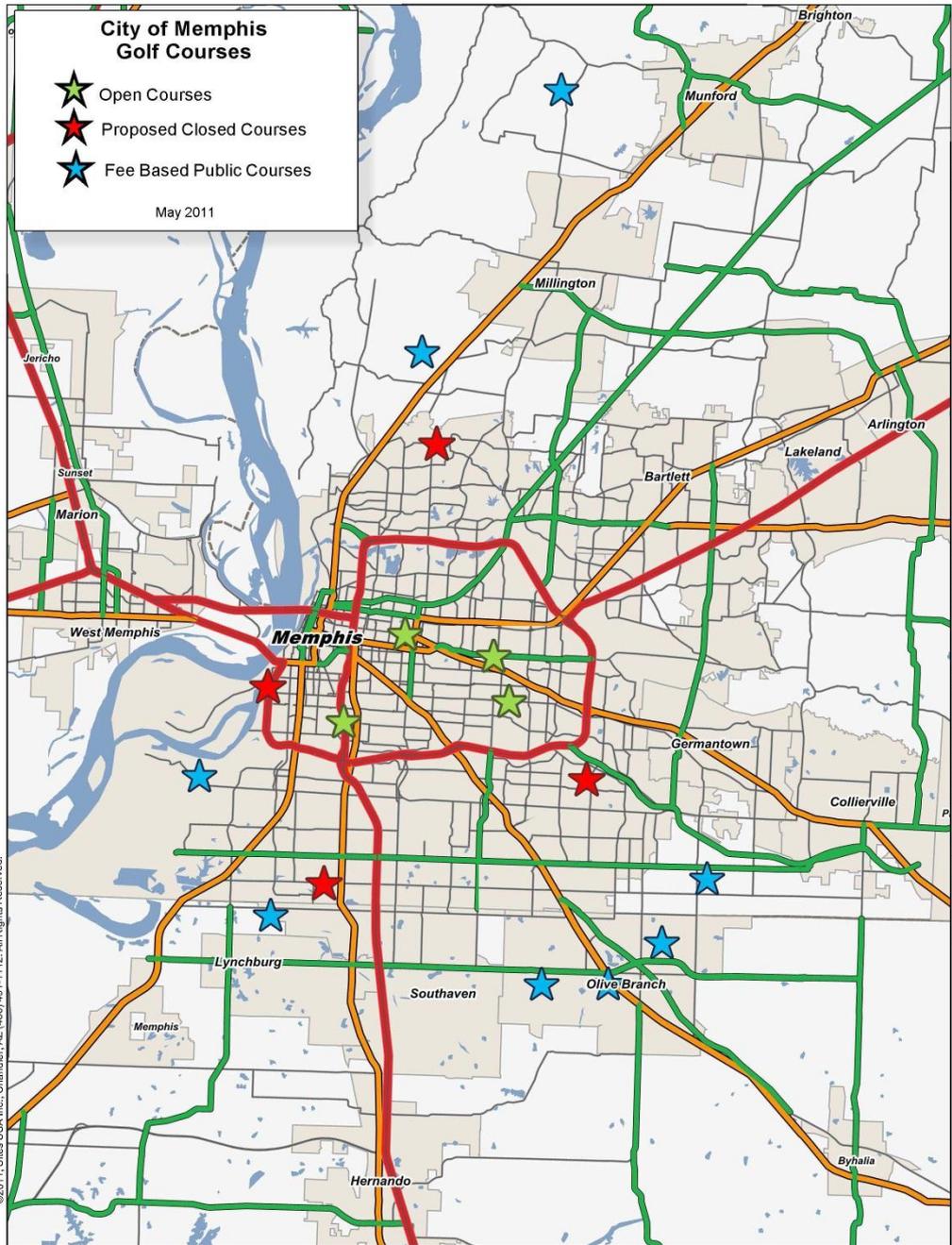
**Kemp Conrad**

Expense	\$650,480	\$573,159	\$495,051	\$869,497	\$318,761	\$634,466	\$430,052	\$645,171	
Rev / Round	\$39.90	\$24.00	\$31.00	\$29.67	\$23.17	\$34.79	\$28.67	\$34.11	
Breakeven	16,303	23,882	15,969	29,306	13,757	18,237	15,000	18,914	
<b>% to BE</b>		<b>0.37</b>	<b>0.78</b>		<b>0.5</b>	<b>0.4</b>	<b>0.22</b>	<b>0.25</b>	

**Park Services**

<b>2009</b>									
<b>Breakeven</b>	30,100	16,680	18,029	29,800	11,045	23,077	11,345	10,819	
<b>Difference</b>	-3,232	-8,715	-5,187	8,476	-6,330	-14,842	-7,432	-6,198	
<b>Percentage</b>	89%	48%	71%	128%	43%	36%	34%	43%	

Rev. Round	\$23.50	\$37.61	\$34.63	\$30.68	\$30.90	\$28.47	\$37.30	\$49.93	
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Lat: -89.93891 Lon: 35.1417 Zoom: 33.37 m

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## 5. City Council Should Lead the Way

- Eliminate travel and tax payer funded meals: Saves \$30,000
- Council pay already reduced 5% due to Shelby County Commission action, and as the Board of Directors of a financially struggling enterprise, the Council should also return another 5% (approximately \$1500) to the treasury or a non profit for a total of 10% pay reduction. Returns \$19,500 to general fund.
- I suggest Mayor Wharton do the same
- Eliminate \$13,000 for council glamour shots.
- Total savings of \$62,500

## STRUCTURAL-UNFUNDED LIABILITY REFORM DETAILS

## 1. City of Memphis Reform Plan – Structural Reform – Rationalize PTO (Paid Time Off) per the SBAC Recommendation

- Per the Administration city employees **average 55 days off work per year**. At 2,000 hours per year of productive time (50 wks. x 40 hours per week), 55 days equates to being off of work 22% of the time. This is simply not sustainable or in line with the private sector that pays for government.
- It stands to reason that a PTO policy capped at 30-35 days for all non public safety employees (as their shift differentials mandate a different standard – but still less generous than that exists today) would require less people in city govt.
- Implement 30 Day PTO reducing the current 13 number of paid vacation days down to ten, maximum of 15 days of paid vacation, and 5 personal days. Eliminate bonus days as an award for not using sick days.
- Address true long term illness with a long term disability insurance plan.
- For new employees no vacation for first six months, 5 vacation days after 6 months and 10 days after one year.
- Recommendation forthcoming from MFD and MPD on a reasonable change to the plan for public safety employees due to their shifts and nature of jobs.
- Savings estimate forthcoming from Administration.
- Current bank of sick days would not be affected.
- This change can be made by the Administration although if a majority of the council agrees, a resolution can be passed. Alternative if savings desired here are lay offs as PTO subject to Union MOU's already negotiated by Administration.

## 2. City of Memphis Reform Plan – Structural Reform – Healthcare

- Increase maximum retiree share to 30% of cost – the retiree portion currently stands at 28%. This saves \$2.5MM from the general fund.
- For employees-retirees spouses that have access to other healthcare options, implement a surcharge or have them pay true cost of plan.
- Tier the retiree % of the premium based on years of service. Annual savings estimate pending. Shelby County has a somewhat similar tiered structure.
  - Tier 1: 25+ years of service retiree premium 30%
  - Tier 2: 20-24 years of service retiree premium 35%
  - Tier 3: 15-19 years of service retiree premium 40%
  - Tier 4: 10-14 years of service retiree premium 45%
  - Tier 5: 5-9 years of service retiree premium 50%
  - Tier 6: <5 years of service retiree premium 100%

### 3. City of Memphis Reform Plan – Structural Reform – Pension Reform

- COLA increases tied to increases in social security (no COLA increase this year)
- Eliminate 25 and out and add a minimum age requirement for all retirement benefits.
- Retirement age increased to age 65 and 25 years of service and 55 for public safety personnel.
- Eliminate spousal pensions if recipient remarries.
- 5% reduction per year for each year of early retirement
- Lower Accrual rate on service after 12/31/2010 to 2.25% average pay from 2.5% and increase average period to determine final rate of pay from the most recent one year's earnings to last 5 years average. Per PWC reduces suggested employer contribution by \$3.6M.
- 10% reduction in Joint & Survivor annuity to married participants after 1-1-11 reduces suggested employer contribution by \$1.3M per PWC.
- No change to current vesting period of ten years.

## 4. City of Memphis Reform Plan – Structural Reform – Line of Duty Disability Reform

- The City of Memphis has approximately a large number of employees on disability compared to MLGW and Shelby County. One main difference is that the Pension Board (current and former employees) makes the decision for the city vs. an insurance company for Shelby County and MLGW.
- Second is the city's strict construction of the definition of disability (not allowing the employee to do other comparable jobs in city gov't)
- Mayor Wharton implemented this reform as Shelby County Mayor
- The numbers vary, but approx. 483 people are on LOD for the city, costing \$13,351,879. This is paid out of the pension fund. Recipients get 60% of salary tax free for life.
- City of Memphis should:
  - 1) Add Disability Reassignment: change the qualification guidelines for disability: Currently an employee gets disability if they can't perform the exact job they were hired for (Example of police officer that loses trigger finger). Change would enable city to reassign employee to a suitable position within city gov't with a comparable job if individual is physically able to work in a different capacity other than the job in which they were deemed disabled.
  - 2) Outsource the administration and decision making to an insurance company
  - 3) Change ordinance so that employees receiving LOD must revert to a regular retirement at age 65, reducing the percentage from 60% to calculated rate and spousal limited distribution of several pension annuities
  - 4) Immediately implement income audit and random recall of LOD recipients. Continue audits routinely

## BUDGETARY IMPACT OF PROPOSED CHANGES

## City of Memphis Reform Plan – Operating Budget Savings

2012 Structural Deficit of Approx. \$60MM (\$50mm + \$10mm MCS from 2008-2009)

### 2012 OPERATIONAL Immediate Savings

- Privatize trash pickup (\$10M, leaves \$7M for buyout)
- OR Managed Competition (MC) (with \$5M 2012 savings target and \$20M in 2013)
- Immediate implementation of MFD attrition plan (\$9M)
- Eliminate college incentive & longevity pay (\$7.7M)\*
- Close all unprofitable golf courses except OP-PH (\$1.5M)
- Moratorium on Living Wage (\$2.5M)
- Reduce discretionary grants & subsidies by 50% (\$1M)
- Reduce LOC and MLGW grant by half in 2012, and all 2013 (\$1.15M)
- Privatize MVIB (w 6 mo. implementation in 2012 or fee (\$1.25M-\$2.5M)
- Council: \$39,500-62,500 (all dedicated to returning athletic programs)
- Retiree Healthcare to 30% (\$2.5mm)
- Combine CE & PSN: (\$500K)

**Total Savings 2012: \$37,150,000 or \$32,150,000 based on MC**  
**Does not include PTO Reform, should be big savings, Admin to provide**

Plus \$20M Debt restructure (Already implemented)  
**= \$57,149,500 or \$52,149,500 (MC)**

- 2012 UNFUNDED Liability Savings:
- Hcare to 70% (savings of \$2.5M above)
- Hcare tiered premium SAVINGS TBD
- Pension Reform SAVINGS TBD
- Line of Duty Disability SAVINGS TBD
- WIN add back TBD
- If additional savings found add back \$7.6MM so no furlough for MPD and 1% one time bonus

### 2013 OPERATIONAL Recurring Savings

- (\$20M, leaves \$5mm for buyout)
- (\$15M)
- (\$9M)
- (\$7.7M)
- (\$1.5M)
- (\$2.5M)
- (\$1M)
- (\$2.3M)
- (\$2.5M)
- (\$50,000)
- (\$2.5M)
- (\$500K)

**(\$49,550,000 or \$44,550,000 w MC)**

## City of Memphis Resources for displaced workers

Rapid Response team – WIN is a member of the TDOL Rapid Response team, which meets with employees in layoff situations to apprise them of government resources available to them as they transition from employment.

- Core Services:
  - Dislocated workers are invited monthly to orientation meetings at WIN, where they are informed of the various services available to them here at WIN and through our various partners.
  - WIN also provides computer access for self directed job search as well as assistance with labor market information and networking with the Department of Labor personnel who provide job search assistance as well.
  - WIN can provide various assessments based on the employee's skill level, including the TABE test, which tests for 8<sup>th</sup> grade reading and math levels, and training in ACT Work Keys, which culminates in the National Career Readiness Certificate test. The NCRC test is a valuable credential and is used by a number of local and national employers to differentiate job applicants' skill levels.
- Intensive Services: WIN can assist dislocated workers with resume preparation, interview skills and practice, dress for success, financial literacy assistance during a layoff scenario, and preparation of an individual service strategy (ISS) designed to help individuals determine their career preparation needs.
- Training Services: Subject to funding, WIN can provide individual participants with occupational skills training based on their skills assessment and ISS. Please note that, due to current funding reductions, WIN is limited in the amount of training services it is providing. The city may need to provide an additional \$1500 per displaced worker who desires to use WIN's services. This should be added back into budget once final headcount reduction number is determined.