

COMMUNITY ACTION COMMITTEE

TO WHOM IT MAY CONCERN:

In response to the expected decrease in City revenues caused by the implementation of HB 1001, our non-partisan group of volunteers comprised of labor leaders, business owners and neighborhood activists have been working for a considerable amount of time working on a plan to help meet these deficits. The proposed plan increases revenues for the city, decreases expenditures in personnel costs, and gains in efficiency that will produce a net savings in excess of \$1,000,000 this year.

The committee agrees with Governor Daniels' 2008 statement that public safety reductions are "the least responsible changes to make first." (FW Daily News 2-14-2008) We have listened to the suggestions of Dr. John Stafford of the Community Research Institute of Indiana University/Purdue University, Fort Wayne, who, in his April 23rd presentation, stated that our budgetary deficits will only be solved by a combination of increased efficiency, reducing budgets and finding a means to generate revenue. All of these comments are accomplished in this plan without an increase in taxes.

The committee would like to thank all persons who contributed their knowledge that aided in the formulation of this plan. We especially applaud the Fire Union Local 1348 representatives who are very much aware of the financial condition of the city and were willing to work in a professional manner with those trying to resolve this issue for the betterment of the community.

This plan, at this point, is only a plan and is totally contingent on the acceptance of all governing bodies concerned. The plan represents an immediate savings of \$1,024,000 and an on-going annual savings of \$1.332,000. We offer it for your review and, hopefully, your acceptance.

Given the significant shortfalls in revenue, our community leaders face the daunting task of doing more for less. TheStarPress has called for citizen leaders within our community to step forward. We appreciate the opportunity to answer the call recognizing that public safety is Muncie's most pressing issue.

The Committee

NEWS RELEASE - TheStarPress - June 4, 2009

Copies to: Mayor McShurley, Alison Quirk, President, Muncie City Council, Kay Walker, Center Township Trustee, Mike Whited, President, Fire Union Local 1348.

Other Media: Muncie Times, Ball State Daily News, Sabrecom Broadcasting, Citadel Broadcasting Co. and WBST.

Contact:. Jim Riggle, "Community Action Committee" Chairman, 730-5140.

For immediate release:

A non-partisan group comprised of local business leaders and interested property owners has formed a "Community Action Committee" to study ways to help the Fire Department meet the Mayor's request to reduce their operating budget by \$1 million before the end of the year. The group's primary concerns are the 40-member reduction of Muncie's firefighters requested by the Mayor, the closing of fire stations and how these changes would affect the emergency response time and the ultimate safety of Muncie citizens.

The committee recognizes the difficult task the Mayor has in reducing operating budgets to meet the deficits caused by the implementation of HR 1001 and the projected lost of \$3.8 million in property tax revenues. It takes a delicate balance between budget reduction and retaining adequate police and fire protection for Muncie citizens.

The committee has held several meetings to develop a proposal to help the Fire Department adhere to the Mayor's request and to offer an alternative to the massive layoffs.

The committee also found that the Muncie Firefighters have been cooperative and have made substantial concessions in the past. According to an editorial appearing in the September 15, 2005 issue of TheStarPress: "The City's new 3-year contract with Muncie Firefighters is historic in its recognition of local economic factors. It is the first time in recent history that a governmental bargaining unit has agreed to what, in the private sector, constitutes "give-backs." Because these concessions could save the city as much as \$2.5 million over the life of the contract, Muncie taxpayers should rise in praise of the firefighters, who agreed to the financial sacrifice."

Here is the committee's comprehensive proposal with estimated savings for the City:

1. Consolidate the City and Center Township Fire Departments:

Operational efficiencies would be realized by combining the two operations. There would be a total of nine fire stations. By making the operation more efficient, we anticipate we could close as many as three fire stations without affecting the overall fire protection of Muncie citizens. To determine which stations to close will depend on the pending results of Geographical Information Study (GIS) out of Washington, D.C. and input from the public. The Fire Department would guarantee a minimum of twenty-six firemen on duty during each shift

The income to the City in 2009 will amount to \$150,000 to be paid by Center Township. A savings of \$42,000 per annum resulting from the closing of three stations is estimated at \$14,000 per station. This is the figure used by the Mayor when describing the savings generated by closing stations No. 1 and No. 4. Long-term savings and income to the City include the \$42,000 overhead costs of the three closed stations plus \$300,000 from Center Township for the City's fire protection. *(\$400,000 per year after Center Township pays the debt on existing fire trucks.)*

2. Reduction of personnel:

The current contract calls for 115 firefighters to cover the City of Muncie. Under this proposal, the staff would be reduced to 100 and take on the additional responsibility of Center Township. This reduction of staff would be accomplished through not filling positions within the department and possible retirement buy-outs. The reduction of ten firefighters will amount to a short-term savings of \$483,000 in salaries and benefits and \$750,000 on an on-going basis. The committee proposes retirement buy-outs of ten firefighters at \$75,000 each. This money would be borrowed by the City of Muncie and repaid by the revenues received from Center Township and further concessions from Union members. The provisions in HB 1001 will immediately transfer the pensions for the ten retired firefighters to the state with no future cost to the City.

3. Reduction of Overtime:

The committee suggests that the Fire Department minimize overtime payments. Short-term savings is estimated to total \$70,000 for 2009; \$140,000 in future savings annually.

4. Reduction in Pensions:

A one-time total of \$73,000 is estimated. All future retirement benefits would be transferred to the State.

5. Requested additional cost reductions:

The committee requested the Muncie firefighters consider a reduction in personal miscellaneous concessions to total an additional \$100,000 for the short-term with the possibility of these miscellaneous concessions continuing into future contracts until the cost of the retirement buy-outs is paid. This request will be presented to Fire Union membership for review and approval.

6. Sale of excess equipment:

With the consolidation of the two fire departments, there will be an excess of fire trucks and other equipment. The committee recommends that these be sold. The estimated value of \$200,000 should be added to the City's coffers. The committee also recommends any abandoned fire stations owned by the city be appraised and offered for sale as additional revenue to the City. These estimated property values are not included in the budget numbers presented.

Re-cap: This proposal of increased revenues, decreased expenditures, gains in efficiency, personnel reductions, and the consolidation of services will produce a total of \$1,024,000 in the short-term that will more than meet the Mayor's requested savings in 2009. With the acceptance of this plan, the on-going projected savings for the City should amount to \$1,332,000 annually.

This plan accomplishes four important considerations:

1, Plan asks for required budget reductions without any increase in taxes.

2.Provides for the appropriate number of employees to keep public safety in tact.

3. Positions the city for future growth.

4. Allows for community to maintain existing business and to be in position to attract new business.

Jim Riggle, Chairman of "Community Action Committee", says, "The committee appreciates the positive reception received from Alison Quirk, President, Muncie City Council, Kay Walker, Center Township Trustee, and Mike Whited, President, Fire Union Local 1348, when asked if they would consider a viable and workable alternative plan for the Muncie Fire Department to the one now being implemented. The consolidation of the two fire departments and further concessions from the firefighters were discussed. They are all very much aware of the financial condition of the City and shared a concern for the future safety of Muncie citizens. They indicated they welcomed our recommendations and are willing to work with the committee and the City Administration to resolve these important issues for the betterment of the community."

"This plan is merely a proposal created by the "Community Action Committee" for presentation to Mayor McShurley, members of the City Council, Center Township Board, the local union and the public", Riggle said. "All ideas and numbers presented in this proposal are contingent upon the acceptance of each government body concerned and the final agreement with the members of Fire Union Local 1348."

(1,100 words)

The 1st covenant of The Plan seems to contain some “funky” math. For instance, the claim of "A savings of \$42,000.00 per annum resulting from the closing of three stations is estimated at \$14,000.00 per station...." Well, first of all let's look at the current MFD arrangement; 7 stations of which 2 are scheduled to close at an estimated savings of \$14,000.00 per year each, leaving a total of 5. Under the proposal which includes 2 CTVFD stations not currently in the MFD inventory and not considered previously, adding 2 and closing 3, really only removes 1 from the current MFD station numbers...at savings of \$14,000.00 per year not \$42,000.00. For the balance of 2009 that savings would actually only amount to \$7,000.00. The 1st covenant also reveals the willingness of Center Township to pay for MFD provided fire protection to the tune of \$150,000.00 for the balance of 2009 and \$300,000.00 per year until the current fleet of CTVFD fire trucks are fully paid for and then \$400,000.00 per year thereafter. Of specific note regarding that offering is the fact that the CTVFD 2009 payment is exactly one-half of the annual consideration which is an indicator that The Plan, and its arithmetic, is based upon an enactment of The Plan by July 1, 2009.

The 2nd covenant of the Plan raises some confusion relative to the staffing numbers. It starts out reciting the 115 contractual staffing and the 100 proposed staffing and the "retirement buy-out" of 10 firefighters. I'm missing 5 in the head count here, unless it should be inferred or acknowledged that there are only 110 currently on the payroll. The reduction of 10 for the balance of the year, it is alleged, will yield \$483,000.00 savings while it is estimated to save \$750,000.00 in years thereafter. Are we to assume that the \$483,000.00 number comes from something other than the last 6 months of 2009 as supported in the first covenant regarding the Center Township payment to the City? Because based upon the \$750,000.00 annual savings figure, that savings number for 2009 should be \$375,000.00. This is a discrepancy that we'll hold out as a questionable consideration in our summary of The Plan until we can reconcile the difference. This covenant goes on to request a “buy-out” of the 10 firefighters being “retired” for \$750,000.00. Another fact worth noting at this point is that we have always considered the total average cost per firefighter as between \$73,000.00 and \$76,000.00 per year including all benefits, insurance and PERF (retirement). This buy-out proposal puts that figure at \$75,000.00 per firefighter and would obviously include ALL costs associated with each firefighter as well. The Plan requests that the City borrow the \$750,000.00 to provide for the “buy-outs” and that the revenues from Center Township and “further concessions from the Union members” will be used to pay for the "buy-out loan". This raises two issues; If the City incurs a debt to reduce a cost, the revenues resourced to pay for that debt cannot be considered free and clear and additional revenue until that debt is retired; If the City also uses the saved resources from the “further concessions from the Union members”, they as well cannot be considered free and clear savings computed into the arithmetic of The Plan until the debt is retired. For the purposes of this summary, we will consider the fact that the fire protection payments by Center Township of \$25,000.00 per month (\$300,000.00 per year) are fixed and known and will be obligated fully to the amortization of the \$750,000.00 buy-out loan so as to retire the debt as expeditiously as possible to minimize the additional costs associated with loan interests. A 36 month loan for \$750,000.00 at 4% interest and amortized at \$25,000.00 per month, will be retired in 32 months at a cost of \$42,000.00 in interest for a total cost of the buy-outs being \$792,000.00 to the City. The “further concessions from the Union members”, while not specifically known, will be considered into summary of The Plan as savings to the City.

Covenant number 3, pretty much speaks for itself. It calls for \$70,000.00 in overtime savings in 2009 and \$140,000.00 in future annual overtime savings. The primary question this raises with us is why haven't these savings been found up until now? AND these savings are achieved with reduced manpower? That issue could be a discussion for another time.

The 4th covenant indicates a number of \$73,000.00 regarding ONE-TIME reduction in pensions. We assume that this is the pension payments that the City would be relieved of for the balance of the year with the buy-outs of the 10 firefighters. However, as stated in our interpretation of the 2nd covenant, the \$750,000.00 per annum savings of the reduction of 10 firefighters appears to already take in to consideration all the associated costs of each firefighter INCLUDING the benefits and pensions at \$75,000.00 each per year. If that's the case, we certainly cannot plug pension savings into the arithmetic of The Plan twice. Once again, like the discrepancy between the \$483,000.00 in salaries and benefits savings for 2009 as stated in 2nd covenant as opposed to the \$375,000.00 for the balance of 2009 as gleaned from the acknowledged \$750,000.00 annual savings, we are left to try and guess where this number is being generated from. Probably the reasonable thing to do, like the discrepancy in covenant number 2, is to hold this issue out as a questionable consideration in our summary.

The 5th covenant refers to a \$100,000.00 "short-term" reduction via "personal miscellaneous concessions" and contains no promise or numbers relative to future concessions only to the extent that they might be "possible". The dialog contains a specific reference to the fact that any considered concessions, none of which have been yet conceded, would only be effective until the "cost of the retirement buyouts is paid". We find that to mean that once the loan associated with the buy-outs is fully amortized, all bets, if they exist, are off the table. Although there hasn't been any future concessions specifically laid out, whatever they might be, if any, won't continue beyond the next 32 months if we use the Center Township payment in its entirety to expeditiously amortize the loan.

The 6th covenant suggests that the City should sell off the excess inventory of equipment for approximately \$200,000.00. That in its own certainly puts into question as to why we're now on the verge of buying 2 new fire trucks for a total cost of nearly \$1 million courtesy of the Morrison TIF and taxpayers and why the architects of The Plan haven't called for the suspension of that effort pending the final resolution of The Plan's offerings. The CTVFD has a very substantial inventory of firefighting equipment that would not only compliment, but literally fulfill the MFD's needs and wish list at an ultimate savings of \$1 million to the taxpayer, specifically the Morrison TIF. The covenant additionally states that the abandoned fire stations could be sold as well but attached no value to them and this number wasn't used in the budget numbers (savings?) provided.

So, here's what we're getting in our summary:

2009: (Muncie to suffer an estimated \$3.8 million dollar revenue shortfall, MFD being asked to cut \$1 million)

#1 = **\$7,000.00** (a reduction of one fire house for 6 months from the current MFD inventory)

#2 = **\$375,000.00** (maybe \$483,000.00? Needs explanation/reconciliation)

#3 = **\$70,000.00** (overtime reductions)

#4 = (maybe \$73,000.00? Needs explanation/reconciliation)

#5 = **\$100,000.00** (short-term personal miscellaneous concessions...no future concessions stipulated)

#6 = **\$200,000.00** (however \$1 million is currently appropriated from the Morrison TIF reserves for new acquisitions)

+\$150,000.00 paid by Center Township

-\$150,000.00 paid by Muncie to the Buy-Out Loan

2009 total "short-term" savings = \$752,000.00 (maybe \$933,000.00? Needs explanation/reconciliation)

(OR maybe a net **COST to the taxpayers of \$48,000.00**, if \$1 million is spent for a \$200,000.00 recovery in equipment!)

2010: (another \$3.2 million shortfall of which the MFD might proportionally share approximately \$1 million?):

#1 = **\$14,000.00** (a reduction of one fire house from the current MFD inventory)

#2 = **\$750,000.00** (10 firefighter reduction)

#3 = **\$140,000.00** (overtime reductions)

+\$300,000.00 paid by Center Township

-\$300,000.00 paid by Muncie to the Buy-Out Loan

2010 total annual savings = \$904,000.00

2011: (another \$1.7 million shortfall...MFD share \$340,000.00?):

#1 = **\$14,000.00** (a reduction of one fire house from the current MFD inventory)

#2 = **\$750,000.00** (10 firefighter reduction)

#3 = **\$140,000.00** (overtime reductions)

+\$300,000.00 paid by Center Township

-\$300,000.00 paid by Muncie to the Buy-Out Loan

2011 total annual savings + revenues = \$904,000.00

2012:

#1 = **\$14,000.00** (a reduction of one fire house from the current MFD inventory)

#2 = **\$750,000.00** (10 firefighter reduction)

#3 = **\$140,000.00** (overtime reductions)

+\$300,000.00 paid by Center Township

-\$42,000.00 paid by Muncie to the Buy-Out Loan

2012 total annual savings + revenues = \$1,162,000.00

2013: (and beyond?):

#1 = **\$14,000.00** (a reduction of one fire house from the current MFD inventory)

#2 = **\$750,000.00** (10 firefighter reduction)

#3 = **\$140,000.00** (overtime reductions)

+\$400,000.00 in Center Township revenues (assuming the trucks are paid off)

2013 total annual savings + revenues = \$1,304,000.00

Now all this is contingent on the fact that everything remains the same....no raises, no bonuses, no increase in insurance costs, the price of fuels remain stable, etc., etc....and we've yet to see a plan for a regular consideration for ongoing capital needs such as trucks or equipment.

The real winners of The Plan appear to be the taxpayers of unincorporated areas of Center Township (those areas outside of Muncie). Their current fire related expenses of \$925,000.00 per year could be immediately reduced to \$400,000.00 per year thereby causing their existing fire related tax levy of .23 to be reduced to .10 with this agreement.