

STATE OF THE CITY ADDRESS

MAYOR LOUISE E. SCHILLING

Delivered at the Troy Community Center, July 13, 2011

Ladies and Gentlemen,

It is my distinct pleasure to address you today as Mayor of the City of Troy. These past few years have not been easy due to the struggling economy; however, I remain hopeful because there are a lot of positive things happening in Michigan and especially in the City of Troy.

We must all work hard together in order to preserve our future for the next generations. And I am here, ladies and gentlemen to say that the City of Troy is indeed taking control of its future by engaging in a massive restructuring initiative. This is being done to assure that we can deliver municipal services in the most cost efficient and effective manner. Troy has been actively pursuing all best practices for many years and recently adopted more restructuring initiatives.

Not long after Governor Snyder took office last November, he began stressing best practices to our local jurisdictions. His focus has been on three main areas: consolidation and shared services; transparency and accountability; and reducing the cost of employee benefits. Well I am proud to tell you that the City of Troy has been ahead of the curve in all three areas.

City Management's aggressive restructuring plan to streamline the operations of the City will ensure that Troy remains a fiscally responsible community. This plan is a multi-year project that's been rolled out in phases. But it is important to understand that the City of Troy has always been a very lean operation with a history of being fiscally responsible. We have had the lowest millage rate in Oakland County while always providing quality services to our residents. For more than 16 years, the City of Troy has been reducing employee costs and engaging in a massive restructuring initiative during these tough times.

City administration has reduced the workforce by 150 full-time employees in the last 6 years. This equates to 30% of the full-time workforce. Again, we have the lowest millage rate in the area and one of the lowest per capita rates of employees to residents in Michigan. And numerous measures have been taken thus far to position Troy to implement these cuts to staff and resources with minimal interruption to services.

While City Management has spent a great deal of time and effort to research, present and implement a variety of projected financial strategies, we thought it would be beneficial to establish a mechanism that regularly communicates these “best practices” of cost reduction and fiscal responsibility to the residents and businesses of Troy.

City Management created a connection on our website of “Best Practices.” This feature provides information on the City’s continuous efforts to manage costs and use best-value purchasing measures. As we continue to implement this management strategy, we will regularly update this section to include recent efforts for organizational and fiscal responsibility. Some of the best practices include the following:

- Over the period from October 2009 – June 2011, the City reduced its payroll by more than \$8 Million or 26%.
- All employees and five bargaining units have taken at least a 10% concession through wages and reduced health care benefit levels. We have a tentative agreement with a bargaining unit of 9 individuals which will be approved July 25. When the last bargaining unit receives approval we will have achieved concessions determined necessary by City Council from ALL employees.
- The City eliminated longevity pay for new hires for all employee groups beginning back in 1993 and eliminated tuition reimbursement for non-union employees in 2008.
- The City contracted with the ICMA, a professional firm with over 9,000 municipal clients, to evaluate our efficiencies, including salary and benefits. Many of the recommendations are already in place with additional recommendations being implemented.
- The City has utilized Federal *Energy Efficiency and Conservation Block Grant* funds to make a variety of efficiency upgrades to City facilities including heating and cooling improvements and purchasing hybrid and electric vehicles.
- The Engineering Department is a hybrid of in-house and consulting staff. Since 2005 the Engineering Department has been restructured, reducing staff by 50 percent. The department’s blend with outside consulting firms is the optimum mix of staff and consultants allowing the City to break even on the department’s expenditures.
- In June 2010, the City privatized the entire Building Department with a contract with SafeBuilt Michigan Inc. The contract resulted in a savings to the City of approximately \$295,000 in the first year, and will remove the general fund subsidy to the department that has been required in past years. The savings to the City came without a reduction in service to the community.

- We privatized the City Golf Course operations and contracted with Billy Casper Golf, LLC. The company guaranteed the City a net income of \$325,000 in the first year. Billy Casper Golf has also increased revenue at the courses along with providing marketing that the City could not otherwise provide.
- The Planning Department eliminated three positions, bringing the number of full-time staff to two. The consolidation of this department resulted in a cost savings of \$250,000 per year. The department relies on consultants for development review activity which is paid directly by applicants through escrow payments.
- Electronic agendas for City Council, Planning Commission, Zoning Board of Appeals and Building Code Board of Appeals have reduced staff preparation time and distribution costs.
- In the Fleet Maintenance Division, by switching to synthetic oil in our fleet of approximately 500 pieces of equipment/vehicles, we have extended oil changes from 3,500 miles to 18,000 miles per vehicle saving money and decreasing labor costs.
- Also, all the Fleet Maintenance In Sourcing is being done without the addition of new staff. Through a utilization study in 2010, we decreased the size of Troy's Fleet by 8%.
- While we are talking about our award winning Fleet Division, they contract with 9 neighboring communities and other government agencies to maintain and service their vehicles. Troy also leases vehicles to a neighboring community which generates new revenue.
- Best practices in procurement/purchasing save the City at least \$1 million annually

Best Practices in the Troy Police Department include:

- Flattening the organization through the elimination of command positions.
- Replacement of full-time sworn personnel, with part time non-sworn.
- Consolidation of Dispatch and Jail Services with the City of Clawson.
- Consolidation efforts for Dispatch and Jail Services continue with other jurisdictions.
- Consolidated Major Crimes Case and Fatal Traffic Crash Investigation Teams; the Hazardous Materials Response Teams and the Tactical Incident Response training and support.
- Received Homeland Security and other grants in excess of \$2.1 million.

- Revenue recovery in excess of \$1.4 million.
- Transferred Animal Control to Oakland County.
- Significant reduction in overtime.
- Rental agreements for the use of the gun range with local and federal agencies.
- Partnerships for education and prevention programs/efforts with other community organizations.

Our City management, employees and City Council have worked jointly on this massive restructuring initiative. We all want what is best for our community. It is very tough considering the news we recently heard from economists that it used to take roughly six months for the U.S. to get back to a normal employment picture after a recession; but now the estimate is that it will take five years this time around.

But, we as Troy residents and business leaders should continue to remind ourselves that we still have many reasons to feel fortunate that we live and work in Troy. Thanks to the many sacrifices we have all made, Troy is still one of the highest rated communities for our service, public safety, schools and trained workforce. Our quality of life is second to none.

Troy still remains home to several Fortune 500 businesses and world headquarters including PNC Bank, Flagstar Bank, Delphi, Meritor, Altair Engineering, and Kelly Services, which provide the center post for three world-class business districts: Northfield Parkway, the Big Beaver Corridor and Maple Road Corridor.

People choose to live in Troy because it provides an excellent service mix as well as the highest-ranked schools in Michigan, moderately priced homes, safe streets and low property taxes, the lowest in Oakland County. And that relates to another Council goal to provide a safe, clean and livable city. Troy is a great place for families, thriving around our green space, featuring 900 acres of parkland, as well as our Troy Museum and Nature Center.

Applause should go out to the Troy Historical Society and the newly created Troy Nature Society. These two non-profit organizations will guarantee that our citizens do not lose these two jewels within our community. It is so vital that we preserve our past and our natural environment as well as provide programs for residents to enjoy and learn about both history and nature.

In these tight economic times, Troy continues to provide the very best in City services while keeping our tax rate the lowest in Oakland County. We have very dedicated and hardworking City employees who continue to serve our residents each and every day. We offer excellent services to our residential and corporate citizens and like to boast that our City services are second to none. Because of this we cannot ignore our City staff that carry out the day-to-day operations and are dedicated to serving Troy citizens.

From our dedicated Police Officers and volunteer Fire Fighters working 24/7 to keep our City safe to the Library staff who are there to answer our questions or help us find that perfect book. From the Building Operations team who keep our facilities up and running to our Public Works employees caring for our sewers and streets; it's these day-to-day heroes who are vital players in addressing our resident's needs.

Our excellent customer service is proven by the numerous awards and honors that the City and various departments have earned over the past year.

For the fourth year in a row, Troy was one of several local cities identified as a top performer for attracting and retaining entrepreneurial companies in a study by the University of Michigan-Dearborn School of Management. City Manager John Szerlag and Director of Economic and Community Development Mark Miller are working diligently with staff on business development and retention as this is one of our most important and necessary goals...to retain and attract investment while encouraging redevelopment.

Troy continues to boast a triple A bond rating from Standard & Poor's. For the 11th consecutive year, the City of Troy received all three of the International Government Finance Officers Association Awards for the City Budget Document, the Comprehensive Annual Financial Report and the City of Troy 2010 Financial Summary. Special recognition goes out to our Finance Team.

Another major reason people and businesses choose to call Troy home is safety and security. On the subject of safety, the recently released CQ Press City Crime Rankings once again placed Troy as the safest city in Michigan. We also remain the 13th safest city in the United States. Thanks to Police Chief Gary Mayer and his dedicated team of professionals, we know that Troy will continue to be one of Michigan's safest communities.

The Troy Fire Department has earned 11 Life Safety Achievement Awards, recognizing a continual effort of no fatalities in structure fires, in the past 11 years. Fire Chief Bill Nelson and his team of professionals, both career and the 170 volunteer fire fighters ensure that Troy is a very safe place to live and work.

Because of these tight economic times, our City Staff are constantly challenged to do more with less and they rise to the challenge. The Troy Purchasing Department received the 2010 Achievement of Excellence in Procurement Award by the National Purchasing Institute. That's now eight years in a row.

And it was just announced today that our Library Director Cathy Russ will receive a prestigious award from the Michigan Library Association.

Troy's Fleet Division was recently named to the Top 100 Best Elite Fleet in North America and recently retired Fleet Superintendent Sam Lamerato was awarded the

United States Government Fleet Magazine's Public Sector Fleet Manager of the year. That is quite an accomplishment and we should all be very proud of our Fleet Division as well as Sam Lamerato.

While our City Staff has been working hard to meet the needs of our residents, we continue to see growth in our residential and business development even during these tight economic times. Our business community continues to invest, grow and prosper in Troy even during this economic recession. Following the trends of recent years many new businesses moved to Troy and existing companies expanded during the past year making 2010 not as active as previous years, but busy just the same.

Through June 2011, the number of building permits issued totaled 939 with a permit valuation totaling over \$81 million. New construction residential permits totaled 56.

While all over the country, headlines and articles continue to talk about the tough economic times, we were encouraged by the projects still occurring in 2010-11 to keep Troy on the map as we continue to build for the future.

Good news surprises have been occurring in 2011 to pave the way for a brighter future.

Automation Alley, one of the leading technology clusters in the US, launched their new international business center at their headquarters right here in Troy. Currently Automation Alley has close to 1,000 members representing technology-driven companies, educational institutions and governments, including Troy, to strengthen southeast Michigan's economy. We are very fortunate that Automation Alley calls Troy home.

More than 10 percent of Automation Alley member companies are Troy-based making Troy the most represented City in their membership across eight counties. 11 of their 29 pre-seed investments have been in Oakland County-based companies (including Troy-based Saleztrack and Altair).

The Alley's pre-seed investments have generated 550 new jobs and \$63 million in additional capital raised for the companies they invested in.

Also in the fields of Technology and Automotive:

AxelTech International, a leader in the design and manufacturing of axels in military construction and heavy duty vehicles added 120 jobs at its new world headquarters in Troy.

Precision Global Systems leased a new, larger facility in Troy and added additional employees

Meritor, Inc. focused on commercial vehicle and industrial markets in every major region of the world just replaced the ArvinMeritor name with Meritor. They are in the process

of a \$19 million investment in their plant facility and new machinery & equipment, as well as creating 100 new jobs.

Witzenmann, a lead manufacturer of flexible metal components for the automotive industry relocated its US Headquarters and expanded its technical operations to Troy

Magna PowerTrain consolidated operations including their R&D Technical Center from New York to Troy. The project involved a \$13 million capital investment with 130 high paying jobs created in Troy

JATO, a leading global supplier of automotive intelligence expanded in Troy

P3 North America, provider of professional management services & engineering solutions for alternative vehicle technologies relocated to Troy.

Center for Computer Resources relocated to Troy and celebrated 20 years of service in the IT small – medium sized business arena.

SilkRoute Global, an IT company located in Troy and plans to create more than 50 jobs within 5 years.

Dialogue Marketing, a Michigan-based company opened its newest location in Troy. The Customer Contact Center created close to 350 new jobs in the areas of customer service, tech support and business process support services for leading companies.

On the financial horizon, we also saw positives...

OUR Credit Union chose Troy as the place to expand and invest

North American BanCard expanded their facility and added 50 employees

John Adams Mortgage opened a retail Mortgage Sales Center

In the field of Health Care, Troy also saw advancement...

Beaumont, Troy was recognized by US News and World Report as the 5th best hospital in southeast Michigan

Beaumont, Troy was also recognized by Thomson Reuters for the 8th time as one of the Top 100 hospitals in the country.

Beaumont's Obstetrics Expansion opened this past May - Eleven (11) Private Rooms were added which expands their growth potential in Oakland and Macomb Counties

CareTech Solutions opened their new \$5 million healthcare infrastructure Operations Center.

GloStream, a leader in the health care IT industry moved its headquarters to Troy

Henry Ford OptimEyes Super Vision Center opened in a vacant building on John R north of Oakland Mall and

OMPT Specialists, offering advanced Physical Therapy and Miller Vein, state-of-the-art vein technology both opened facilities in Troy.

Other smaller business developments to take note of include grand openings or expansions for Angel Arms Care, Art Van Pure Sleep, The Barkshire, The Beauty Room, Chiropractic Studio, Classic Auto Showplace, Diamond Vault of Troy, Fantastic Sams, Great Clips, Herald Wholesale, Lace Bridal Boutique, LaVida Massage, New Day Counseling, Rainbow Child Care, Spa Renaissance, Swing-Tek Golf Academy, and Troy Tile & Stone.

Even with world-class shopping already available within our City, our retailers continue to improve with new and exciting developments.

- New stores opened in the Somerset Collection including Tory Burch, Basler, LEGO, Sur La Table, Bare Essentials, Intermix, Tapper's Diamonds and Pandora Jewelry.

And of course, Troy continues to increase the variety of restaurants within our boundaries. The variety of restaurants is as diverse as our population with cuisines representing every corner of the globe. Recent new restaurants include:

- Apovini Grill, Cedar Grille, La Botana, Hills City Grille, Hot Rock Pizza, Big Salad, the Neighborhood Grille, Slab N Slice and the Square Lake Diner. Many are owned by our own Troy residents.

Some businesses are replacing others that moved from Troy. Don't be misled into thinking these new businesses equate to making up revenue lost with the drop in valuation of properties. The upturn will not begin for 3 years which means we still have declining revenues.

Let's be sure and support all of our local Troy businesses to help them to thrive and prosper within our community!

Troy would not be the excellent City it is without a high quality educational component. People move here because of our exceptional schools. Our Troy School District, as well as the other six school districts that service Troy, plus our institutions for higher education continue to excel. Our students perform at levels that are among the highest at state and national levels. Student performance on standardized tests such as the MEAP, ACT and SAT continues to demonstrate how our community values the importance of an exemplary school district. Some recent highlights include:

This year TSD they had 42 National Merit Semi-finalists; all Troy K-12 Schools earned an "A" from the Education YES! Accreditation system; and more than 350 students earned AP honors.

TSD was again named Best Communities for Music Education and 13 Troy schools have achieved Michigan Green Schools designation.

The Troy School District scores in the top 5% on all subtests of the Michigan Department of Education assessment programs.

Just like the City, the Troy School District has faced fiscal economic challenges but continues to provide an exemplary education.

For 2010-2011: They have had \$6.7 million in reductions and 22 reductions for Non-Certified Staff and 37 reductions of Certified Staff.

The future looks bright for 2011-12 as they are beginning implementation of the Common Core standards in Reading and Math and Science and Social Studies for 2011-2012; New online course scheduling for high schools; New parental notification system; And a new Diversity and Inclusion Council will be instituted.

Our Troy Public Library is one of the best in Michigan. I am confident our residents want to continue to use and enjoy the Troy Public Library. City Council by a 6 to 1 vote placed the dedicated library millage vote on the August 2 ballot and I endorse, encourage, and ask for a YES vote to approve library services with adequate sustained funding.

Another one of Council's goals is to build a sense of community. Well, we also like to boast about Troy's lifestyle being second to none. We know we're a great place to live, work, learn and do business, but playing is also very important. This is evident by our quality Recreation department and the variety of programs suited for all ages and abilities. Not many communities can claim to have more than 900 acres of parklands and two championship public golf courses, an outdoor Family Aquatic Center and the state-of-the-art Community Center.

The City of Troy is always looking forward. And because of that visionary attitude there will be a lot of exciting things happening that will ensure Troy makes it through these tough economic times.

I recently read an article in a newsletter that addressed ways to be successful as we try and get through the recession. Tips for working through the economic challenges include get perspective – examine the big picture and strategize; get a plan; get advice; get habits; get smarter; get social and get focused. As I thought about these tips, I realized that Troy is on target for successfully getting through these economic challenges and coming out on top! But it will take all of us working together to achieve our goals. As Gandhi so wisely said, “You must be the change you wish to see in the world.”

City Council adopted a 3 year budget to focus on the present and the future in a fiscally responsible manner. Our unreserved/undesignated funds have been allocated to cover less revenue and necessary budgeted services in our 2012 and 2013 budgets.

Just as Oakland County has been using a 3 year budget plan, the City of Troy has also been projecting ahead to provide necessary services with less revenue due to declining property values in residential, commercial, and industrial properties. Prudent long range planning is necessary and we here in Troy have been delivering municipal services in the most cost efficient and effective manner.

Council recently developed a vision statement and goals, and our administration has a comprehensive restructuring plan in place. We are working on a communications plan to help us market Troy to people and businesses looking to relocate. We have solicited advice from colleagues around the state, including the Michigan Municipal League and the International City-County Management Association. We have adopted excellent habits related to managing and refining our processes that drive performance. All of us work hard each and every day to get smarter and to foster a culture where people share ideas. Besides sharing the ideas internally, we have discovered new ways to expand our capabilities. We are using social media more as a way to expand our global reach. For those of us from my generation, we’re now taking a lesson from the younger people who do everything via texting, facebook, and twitter. We are never too old to learn new ways to communicate and get our message out.

The current Michigan unemployment rate is 10.3% and 9.1% for the nation. In Troy it is 8.9% so things are starting to look better, but we must strive for more improvements in the unemployment rate in 2012.

In spite of what is going on all around us, the conflicts and challenges, we have to remember to stay focused on the positives. Our future will be very bright and solid, but we must all work at this together. We have a lot of opportunities for our current and future residents and businesses. Services and businesses and projects that work to sustain our city, our region and our state will go on. You have my personal commitment

to continue to lead with a professional and positive attitude, be vigilant and truthful in my duties as Mayor representing you and expecting excellence for our community.

In the words of Benjamin Franklin: "Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

Let's all work together and make opportunities become realities! Troy definitely will continue to be a great place to live, work, learn and play!