

# City of Rochester Hills Seven Year Financial Forecast Fiscal Years 2023-2029



# Why Present a Long-Term Forecast?

- ▶ Better prepare for the future
- ▶ Get ahead of potential issues
- ▶ Pro-active instead of re-active
- ▶ Assess long-term impacts of decisions and policies

**\*\* Better Decision Making \*\***



# Long-Term Forecast Disclaimers:

- ▶ Financial Forecast **is NOT intended** to be:
  - *A budget*
  - *A policy recommendation to City Council*
- ▶ Financial Forecast **is intended** to be:
  - *A projection of the City's Revenues, Expenditures, and Fund Balances based upon an updated set of assumptions*
- ▶ Includes Governmental Fund Balance Policy
- ▶ Includes FY 2022 Proposed 2<sup>nd</sup> Qtr Budget Amendment



# Key Assumptions: Revenue

	Prior Forecast - July 2021 (2023-2028)		Current Forecast – July 2022 (2023-2029)	
Taxable Value	2023	2.5%	2023	5.6% (*)
	2024	2.5%	2024	4.4%
	2025	2.5%	2025	2.1%
	2026-28	2.5%	2026-29	2.5%
State-Shared Revenue	2022	5.3%	2022	6.3% YTD
	2023	2.0%	2023	2.0%
	2024	2.0%	2024	2.0%
	2025	2.0%	2025	2.0%
	2026-28	2.0%	2026-29	2.0%
Act 51 Revenue	2022	2.0%	2022	10.7% YTD
	2023	2.0%	2023	0.0%
	2024	2.0%	2024	0.0%
	2025	2.0%	2025	0.0%
	2026-28	2.0%	2026-29	0.0%



(\*) = Actual



# Key Assumptions: Revenue

	Prior Forecast - July 2021 (2023-2028)		Current Forecast – July 2022 (2023-2029)	
Interest Rates	2022	0.25%	2022	1.00%
	2023	0.50%	2023	1.50%
	2024	0.75%	2024	1.50%
	2025	1.00%	2025	1.50%
	2026	1.25%	2026	1.50%
	2027-28	1.50%	2027-29	1.50%



\* = Actual



# Key Assumptions: Expenditure

	Prior Forecast - July 2021 (2022-2028)		Current Forecast – July 2022 (2023-2029)	
Number of Employees	2022-28	241 FTE	2023-29	245 FTE
Salary Wage Change	2022-28	2.50%	2023-29	2.75%
Health Care	2022-28	7.0%	2023-29	7.0%
Inflation	2022	2.0%	2022	7.5%
	2023	2.0%	2023	5.0%
	2024	2.0%	2024	3.0%
	2025	2.0%	2025	2.5%
	2026-28	2.0%	2026-2029	2.0%
OCSO Contract	2022	3.0%	2022	1.8% *
	2023	3.0%	2023	2.7% *
	2024	3.0%	2024	2.8% *
	2025-2028	3.0%	2025-2029	3.0%
Capital Projects	All CIP projects updated with current cost estimates		All CIP projects updated with current cost estimates	



\* = Actual

# City Millage Rate Projection

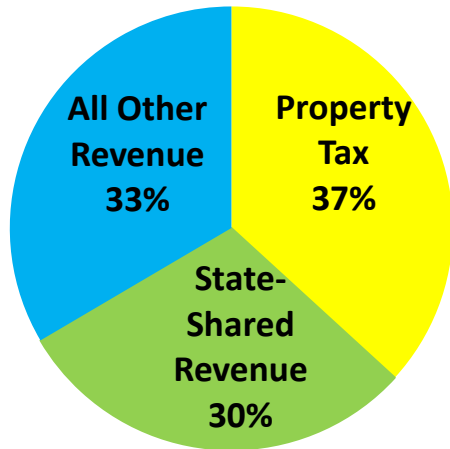
	Actual 2022	Estimated 2023	Estimated 2024	Estimated 2025	Estimated 2026	Estimated 2027	Estimated 2028	Estimated 2029
<b>OPERATING MILLAGE</b>								
Charter Operating	2.7457	2.8337	2.8337	2.8337	2.7751	2.7588	2.7421	2.7253
Local Streets	1.0781	1.0687	1.0687	1.0687	1.0687	1.0687	1.0687	1.0687
Fire Fund	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Special Police I	1.1459	1.1359	1.1359	2.2504	2.3420	2.3583	2.3750	2.3918
Special Police II	1.1658	1.1145	1.1145	-	-	-	-	-
Pathway	0.1758	0.1742	0.1742	0.1742	0.1742	0.1742	0.1742	0.1742
Parks	0.1660	0.1645	0.1645	0.1645	0.1645	0.1645	0.1645	0.1645
RARA: Operating	0.1846	0.1829	0.1829	0.1829	0.1829	0.1829	0.1829	0.1829
OPC: Operating	0.3174	0.3146	0.3146	0.3146	0.3146	0.3146	0.3146	0.3146
OPC: Transportation	0.0946	0.0937	0.0937	0.0937	0.0937	0.0937	0.0937	0.0937
Library: Operating	0.7418	0.7353	0.7353	0.7353	0.7353	0.7353	0.7353	0.7353
<b>TOTAL OPERATING MILLAGE</b>	<b>10.5157</b>	<b>10.5180</b>	<b>10.5180</b>	<b>10.5180</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>
<b>DEBT MILLAGE</b>								
Drain Debt Fund	0.0353	0.0330	0.0330	0.0330	-	-	-	-
<b>TOTAL DEBT MILLAGE</b>	<b>0.0353</b>	<b>0.0330</b>	<b>0.0330</b>	<b>0.0330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL MILLAGE RATE</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>	<b>10.5510</b>

# 2023-2029 Fund Forecasts

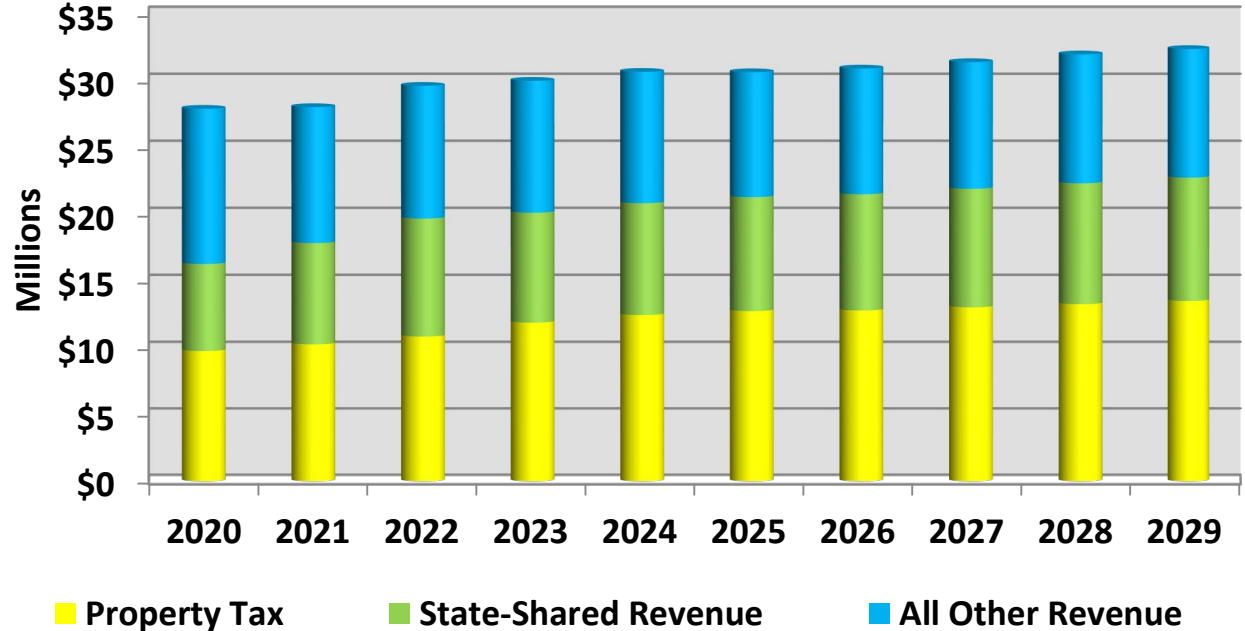


# General Fund (101): Revenue

General Fund:  
FY 2022 Revenue  
Sources

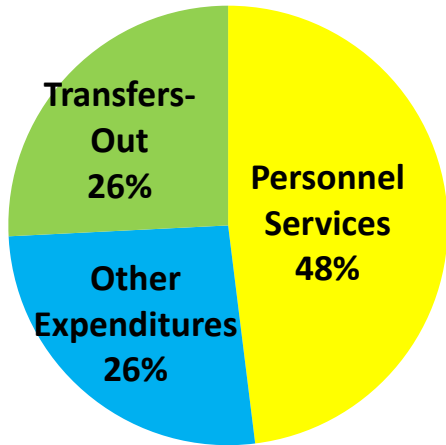


General Fund: Total Revenue Trend

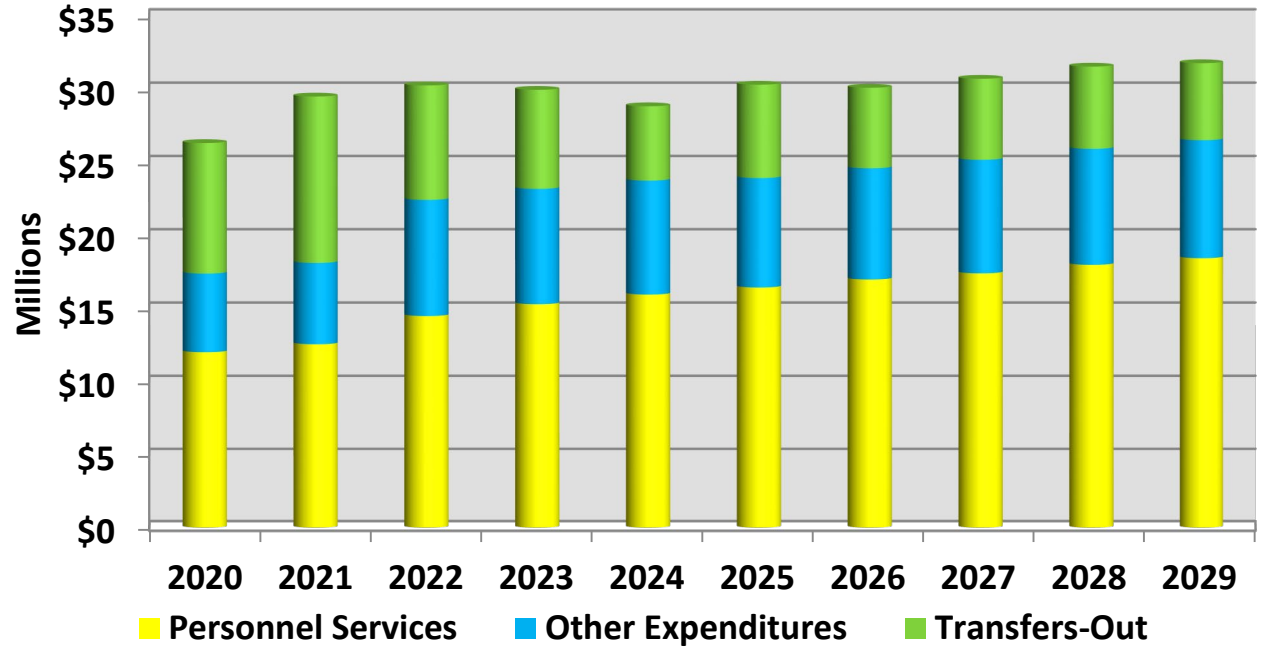


# General Fund (101): Expenditures

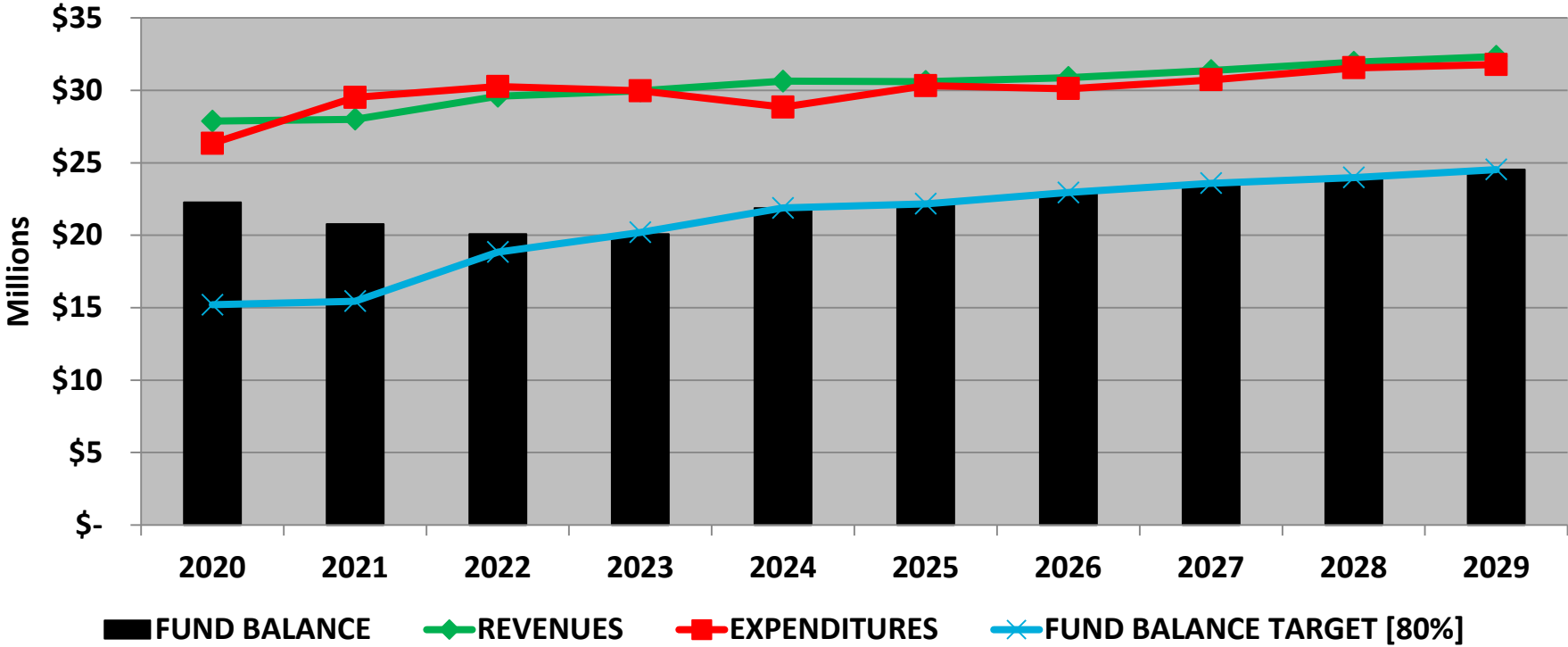
General Fund:  
FY 2022 Expenditure  
Sources



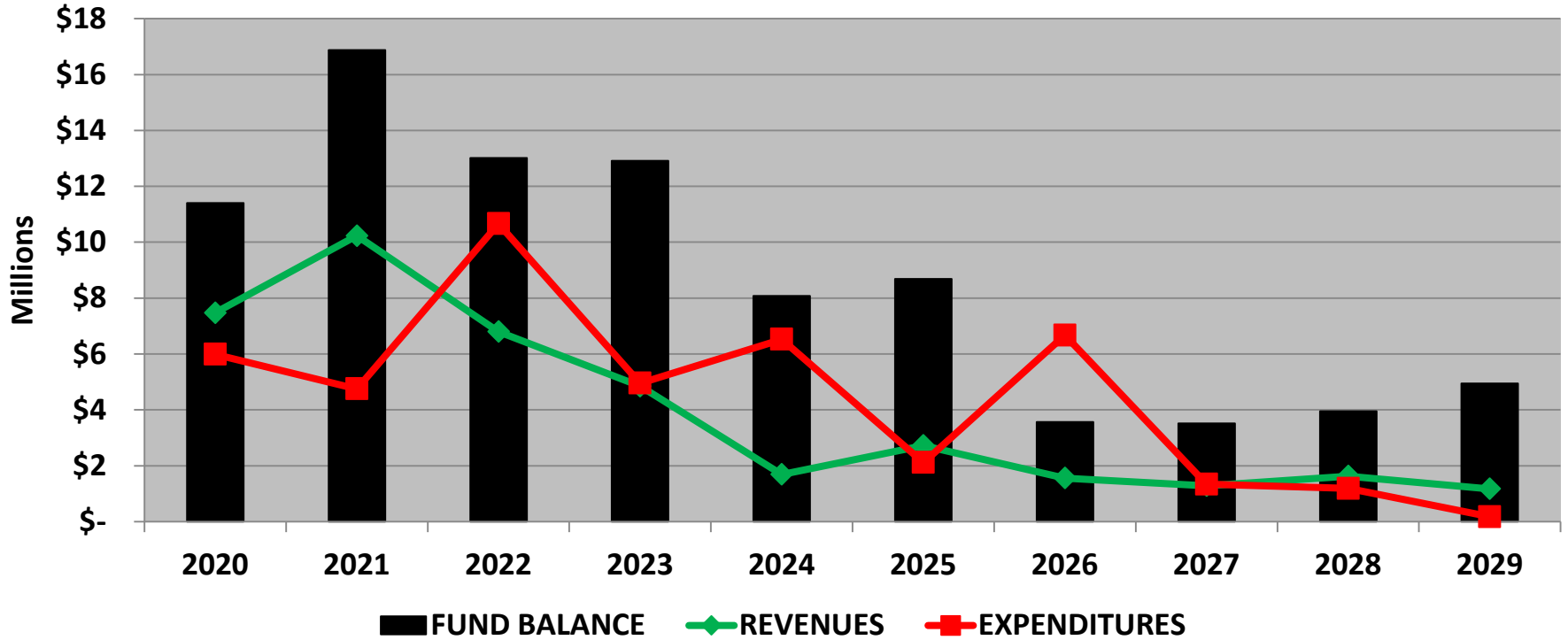
General Fund: Total Expenditure Trend



# General Fund (101): Changes in Fund Balance

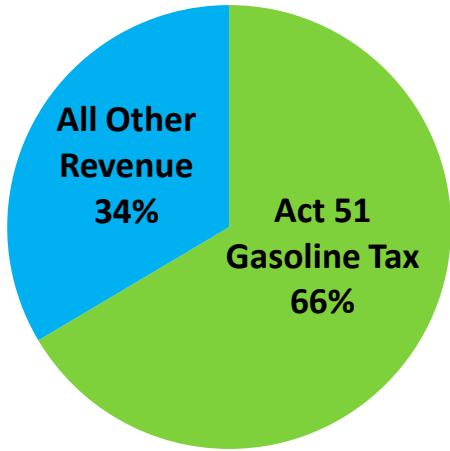


# Capital Improvement Fund (420): Changes in Fund Balance

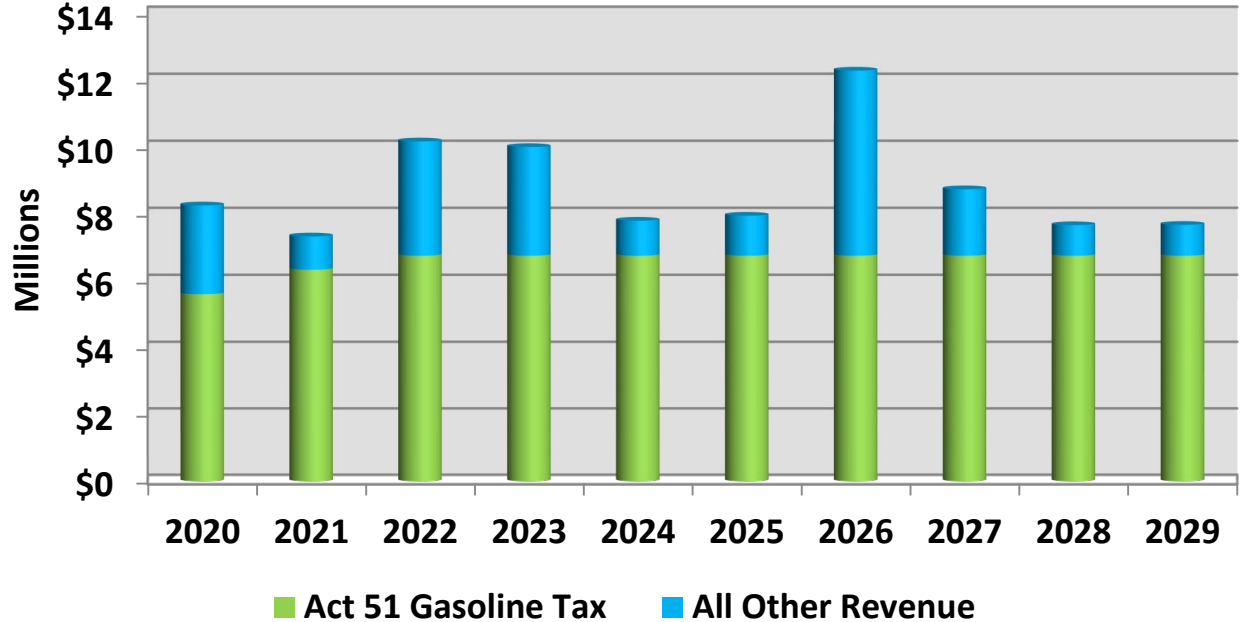


# Major Road Fund (202): Revenue

Major Road Fund:  
FY 2022 Revenue  
Sources

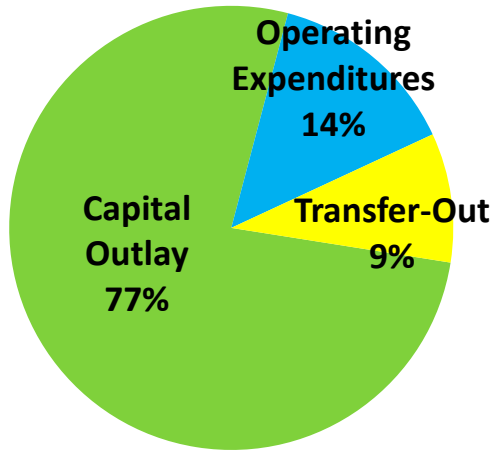


Major Road Fund: Total Revenue Trend

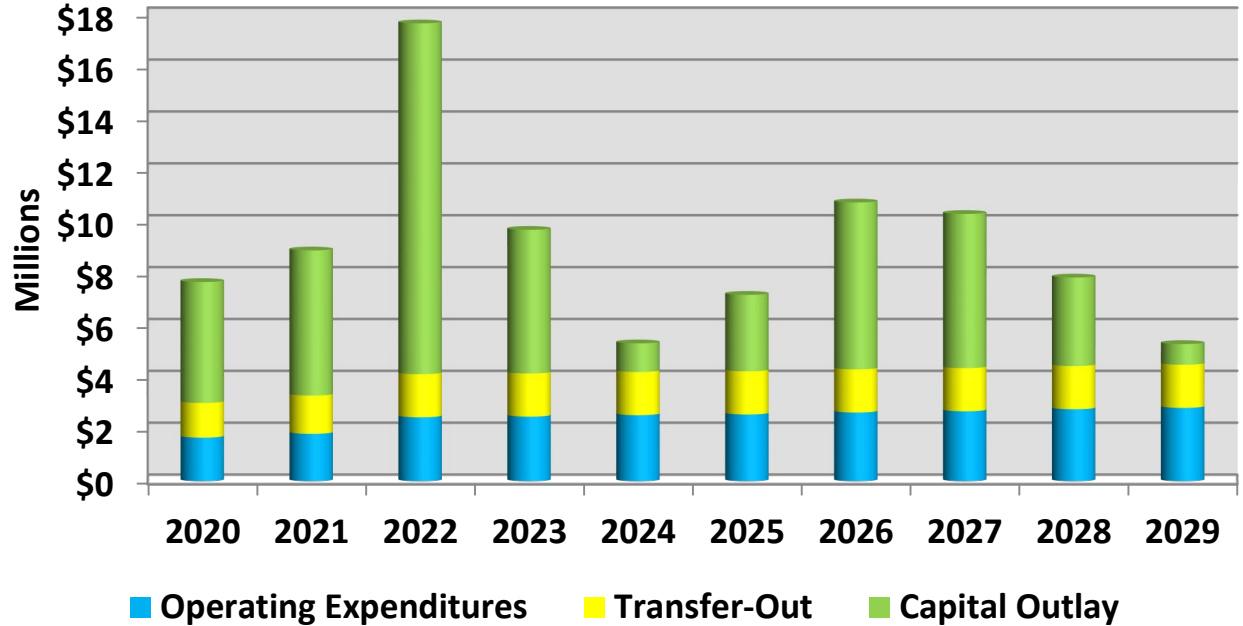


# Major Road Fund (202): Expenditures

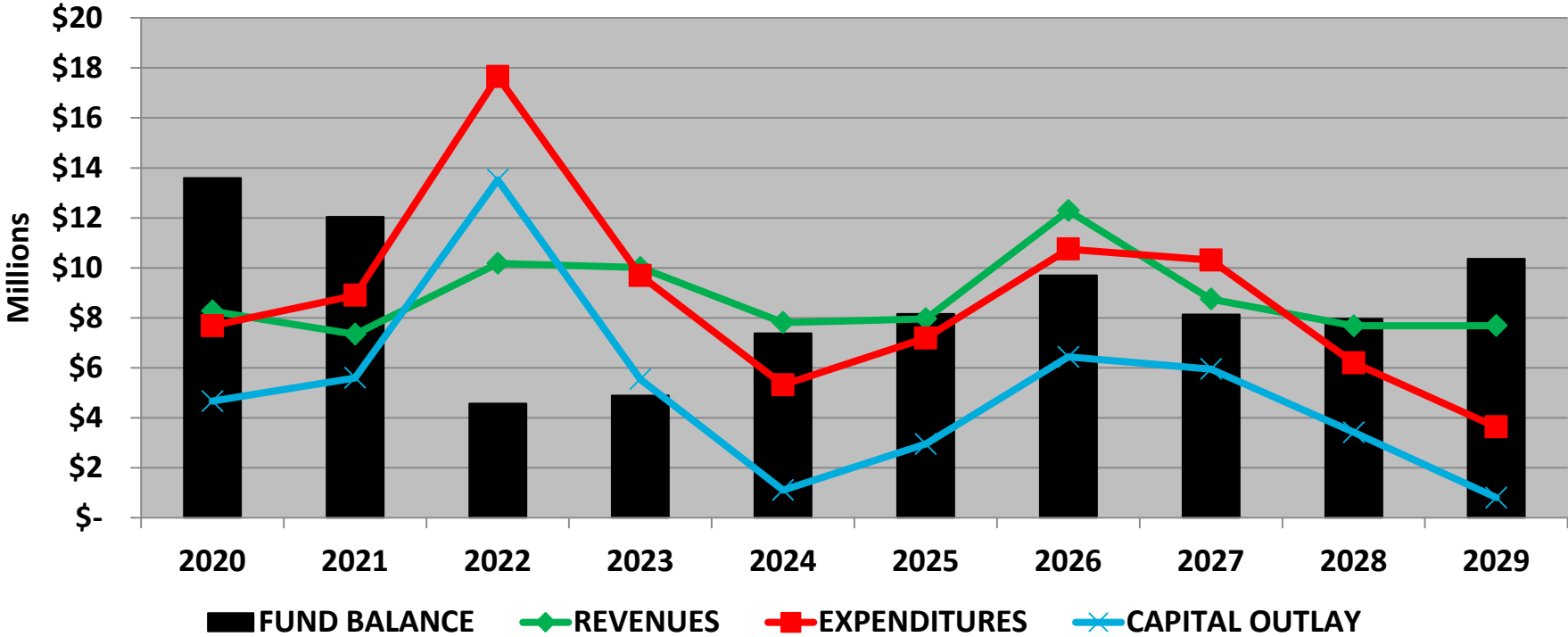
## Major Road Fund: FY 2022 Expenditure Sources



## Major Road Fund: Total Expenditure Trend

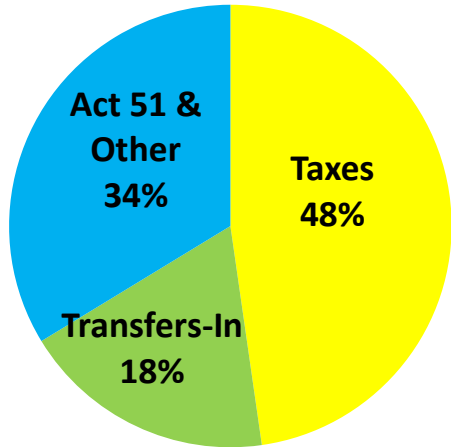


# Major Road Fund (202): Changes in Fund Balance

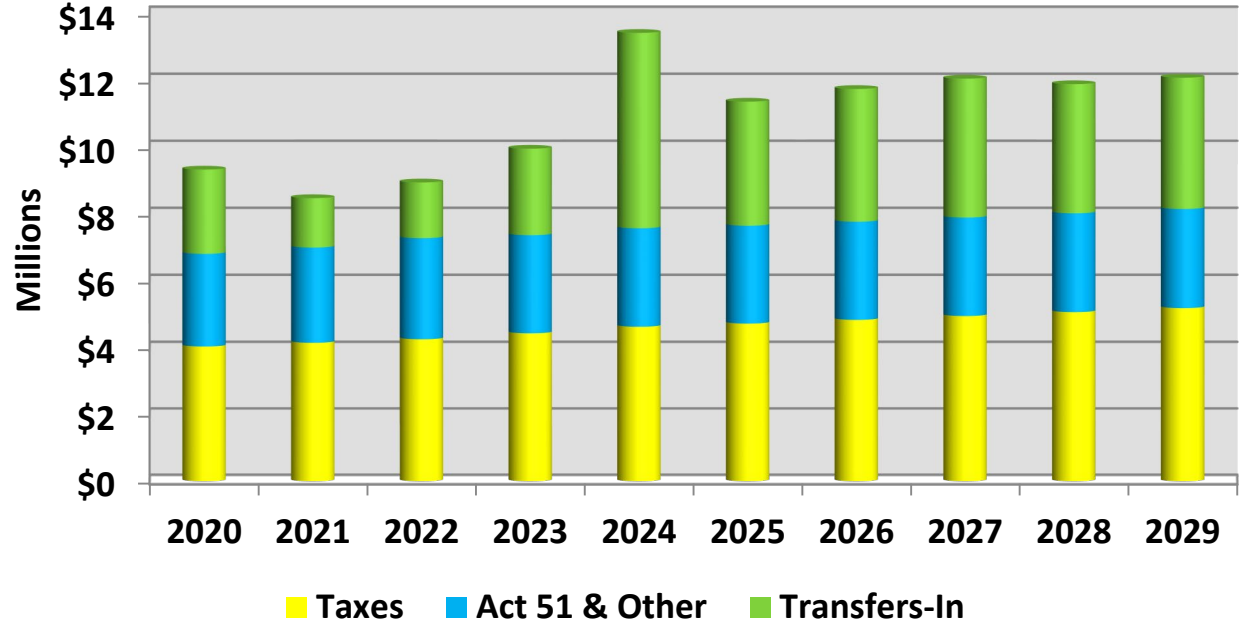


# Local Street Fund (203): Revenue

Local Street Fund:  
FY 2022 Revenue  
Sources



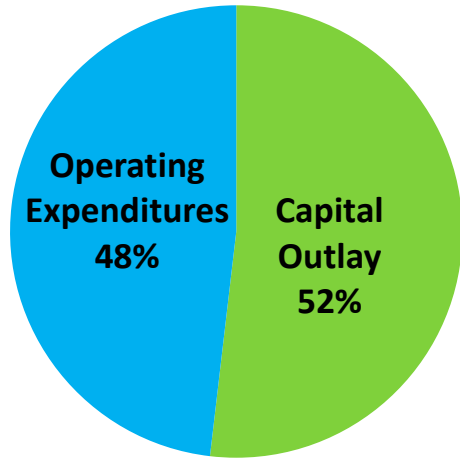
Local Street Fund: Total Revenue Trend



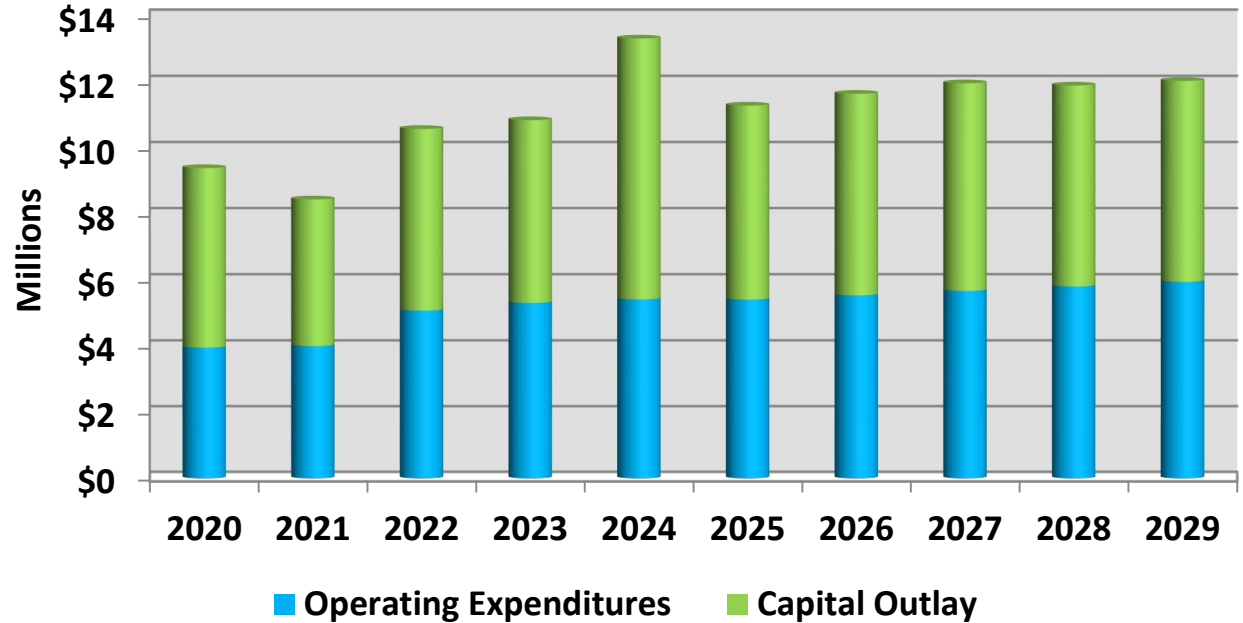


# Local Street Fund (203): Expenditures

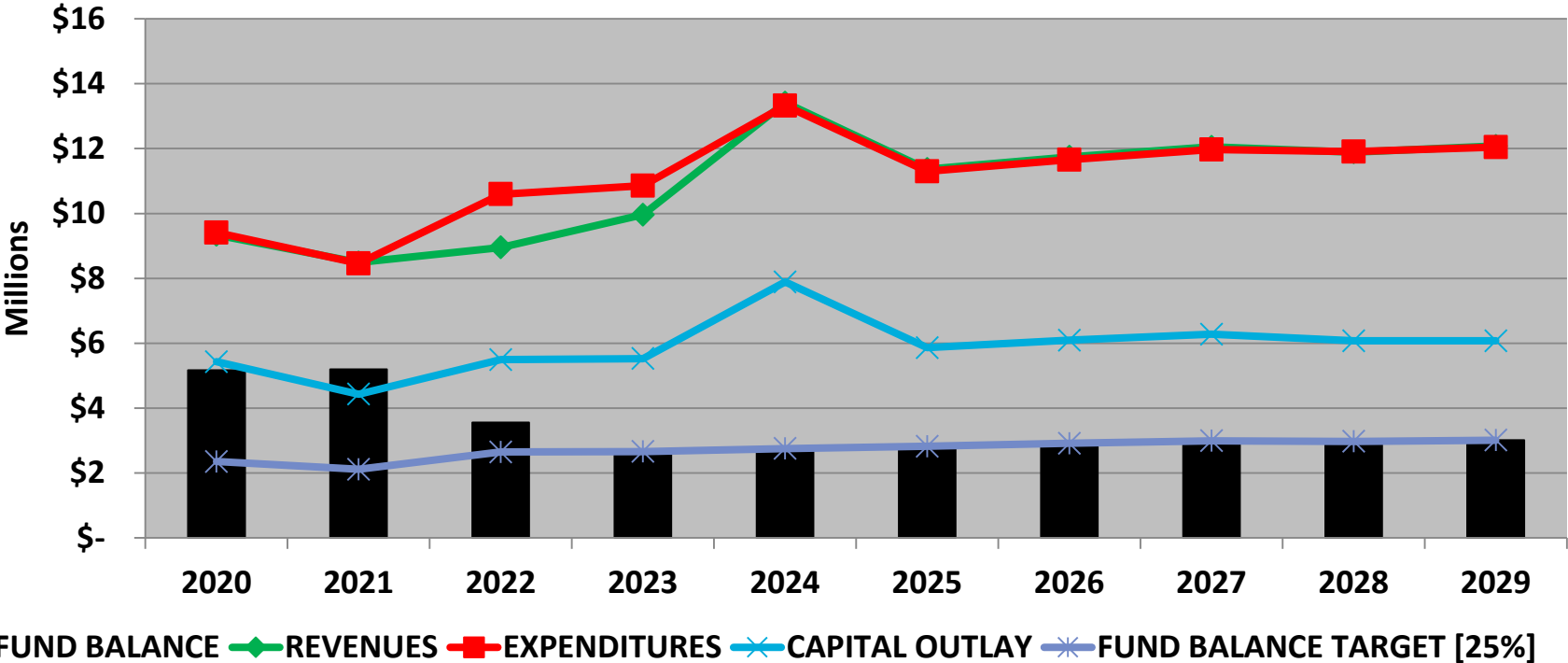
Local Street Fund:  
FY 2022 Expenditure  
Sources



Local Street Fund: Total Expenditure Trend

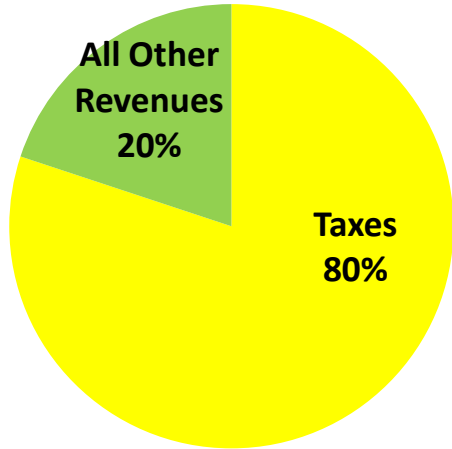


# Local Street Fund (203): Changes in Fund Balance

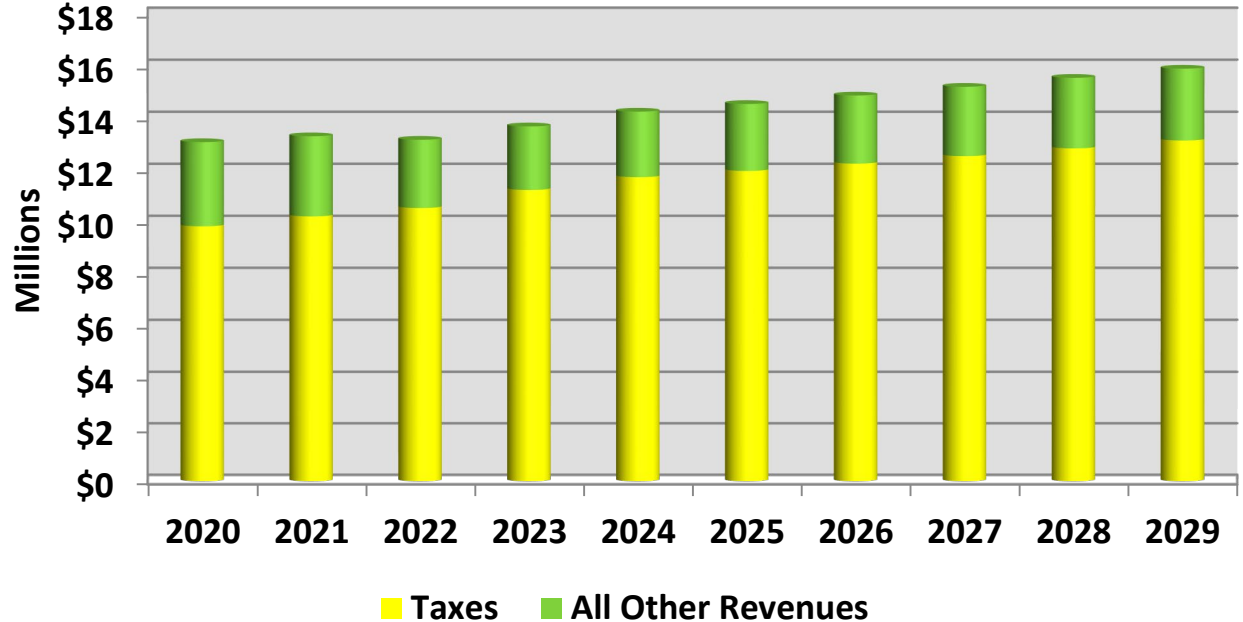


# Fire Operating Fund (206): Revenue

Fire Fund: FY 2022  
Revenue Sources

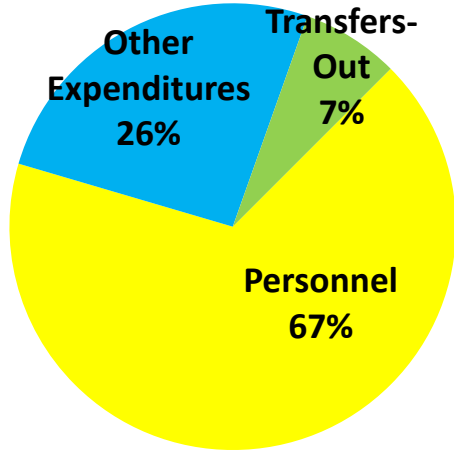


Fire Fund: Total Revenue Trend

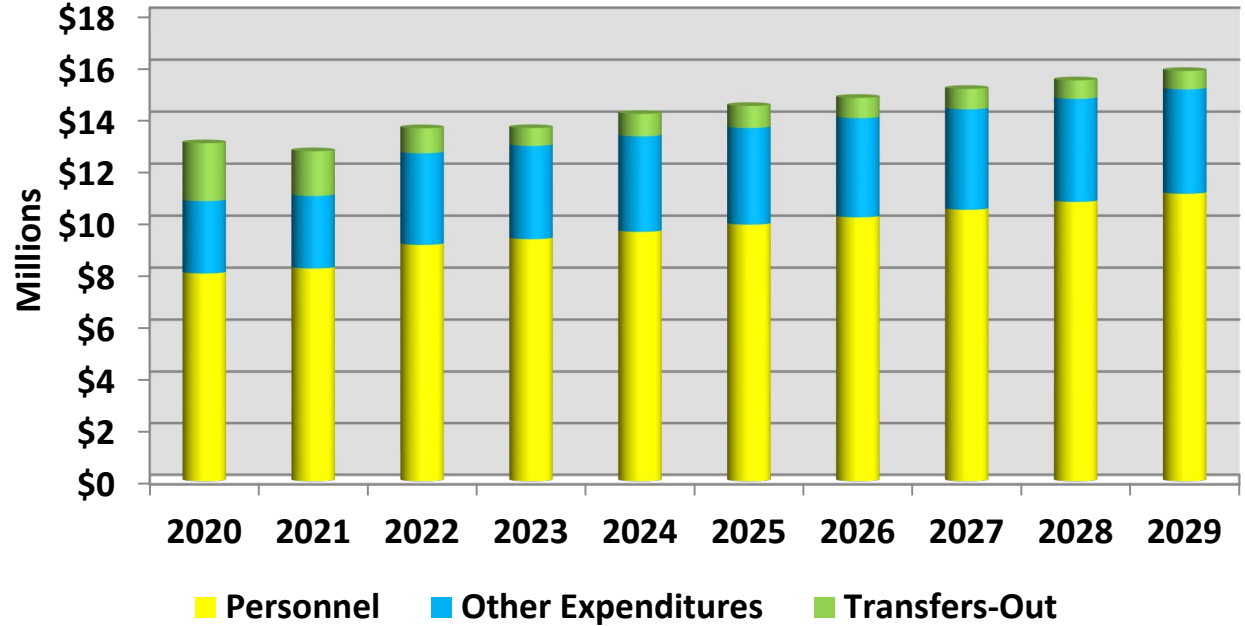


# Fire Operating Fund (206): Expenditure

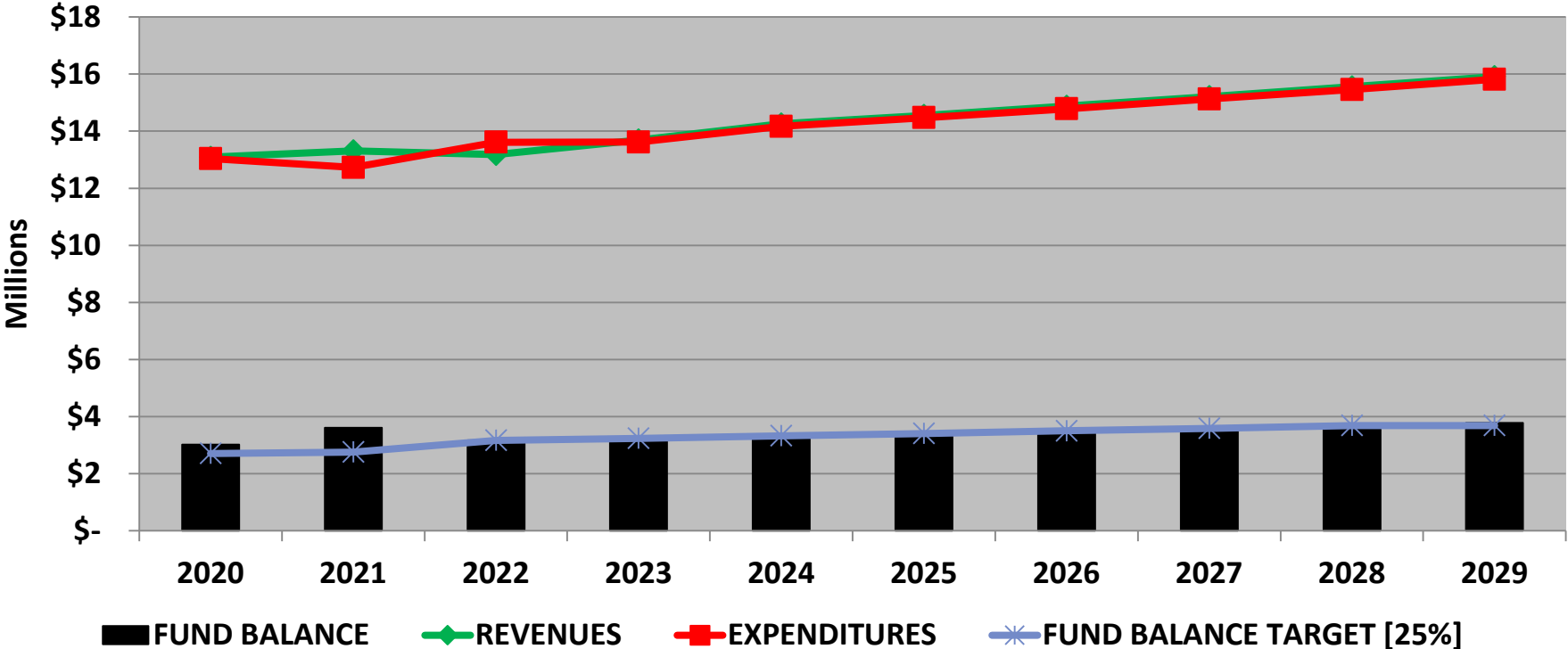
Fire Fund: FY 2022  
Expenditure Sources



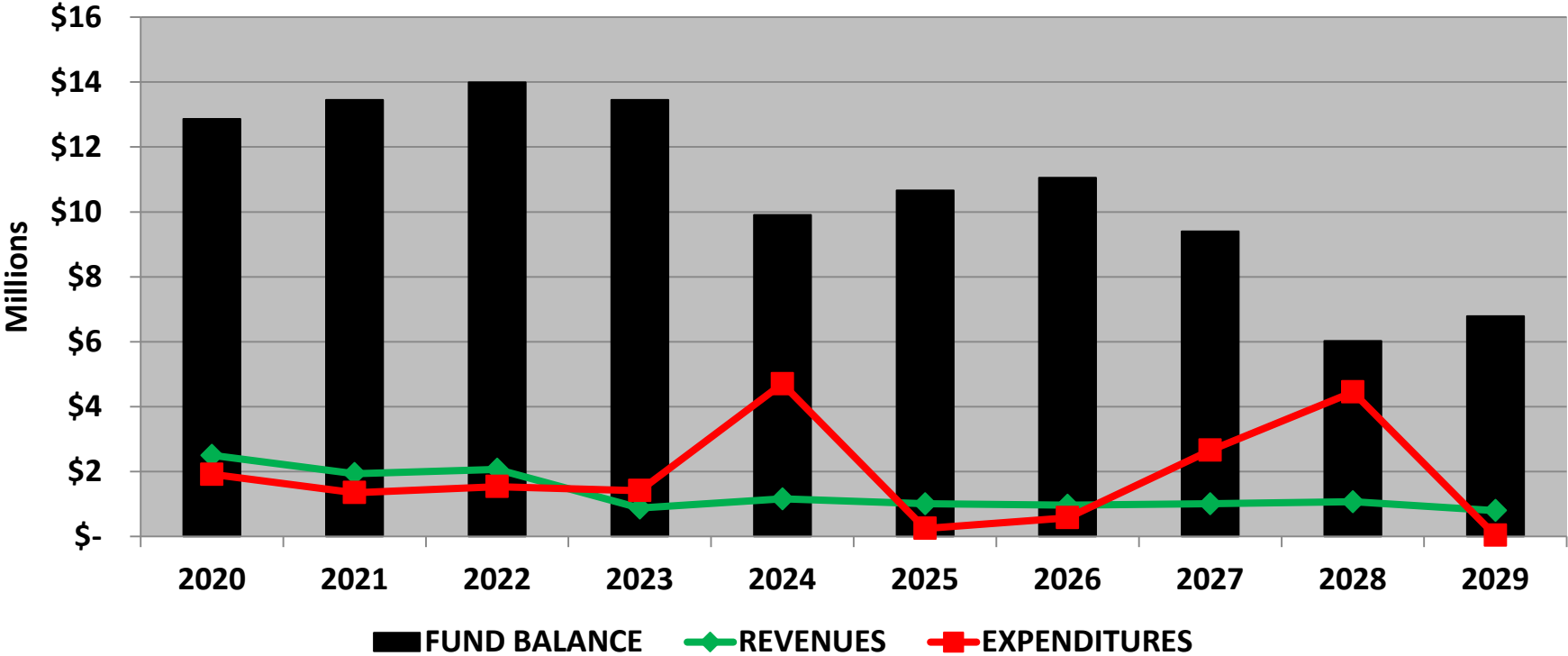
Fire Fund: Total Expenditure Trend



# Fire Operating Fund (206): Changes in Fund Balance

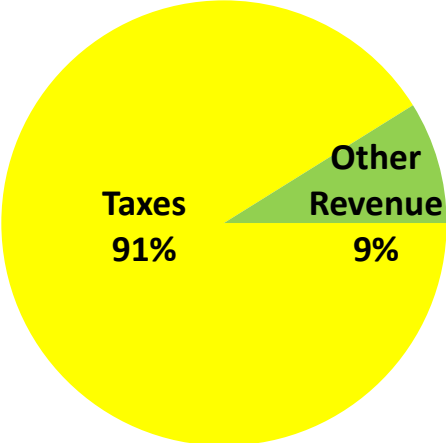


# Fire Capital Fund (402): Changes in Fund Balance

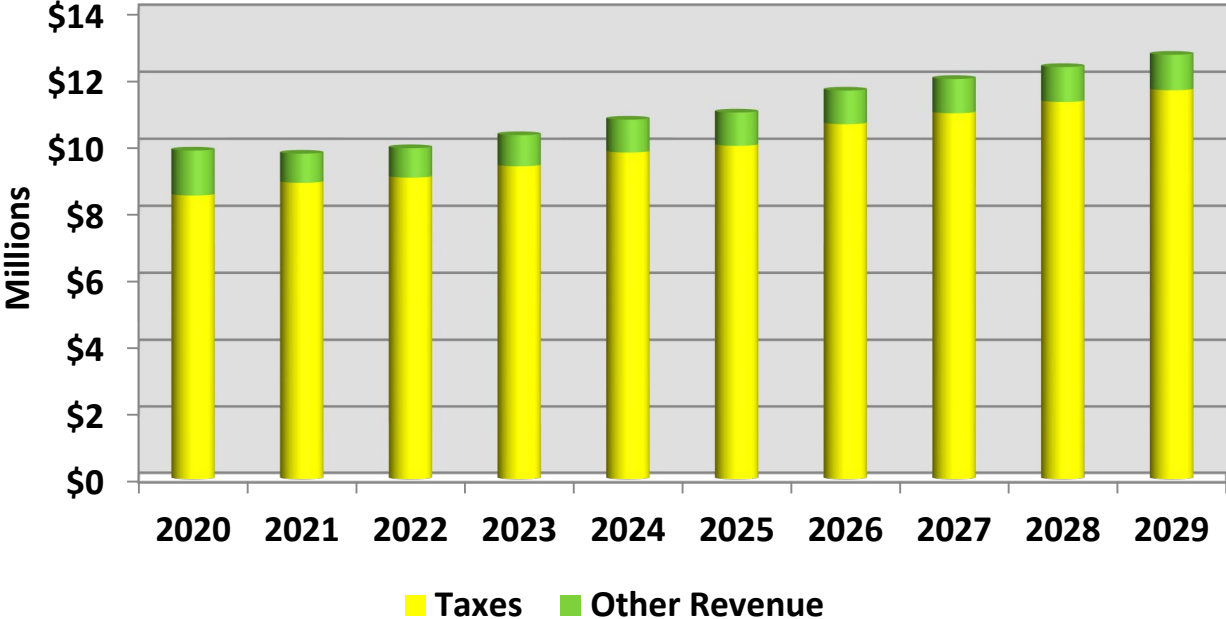


# Special Police Fund (207): Revenue

## Special Police Fund: FY 2022 Revenue Sources

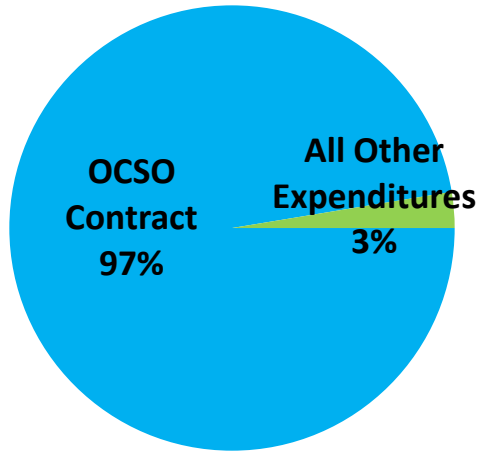


## Special Police Fund: Total Revenue Trend

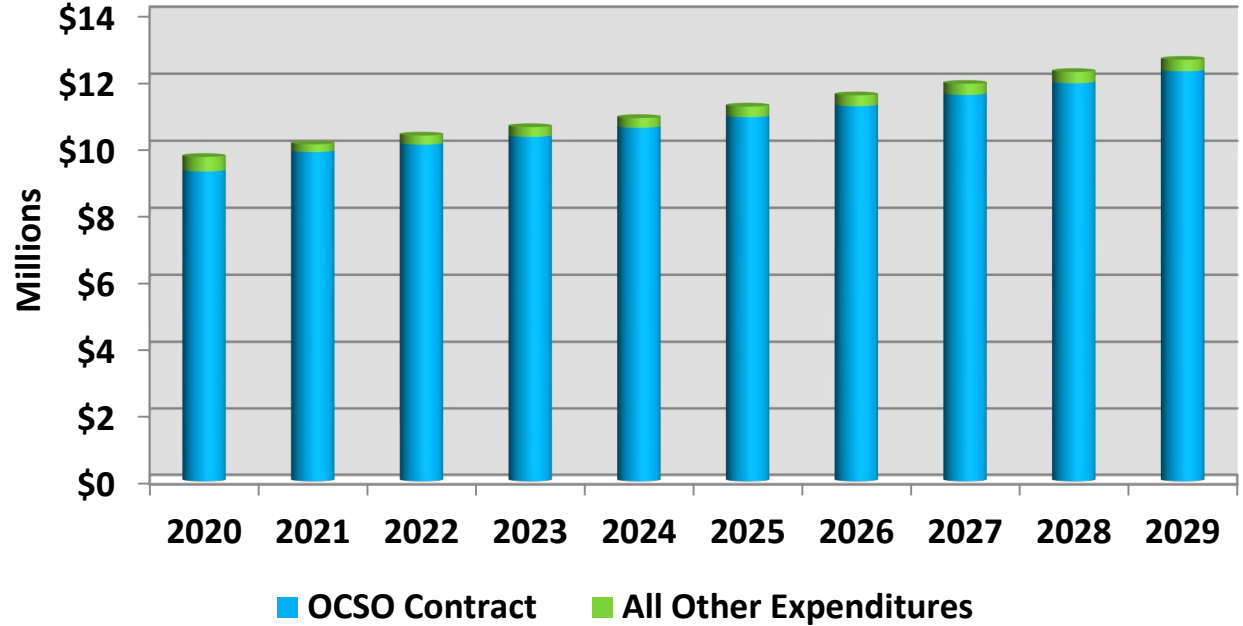


# Special Police Fund (207): Expenditure

## Special Police Fund: FY 2022 Expenditure Sources

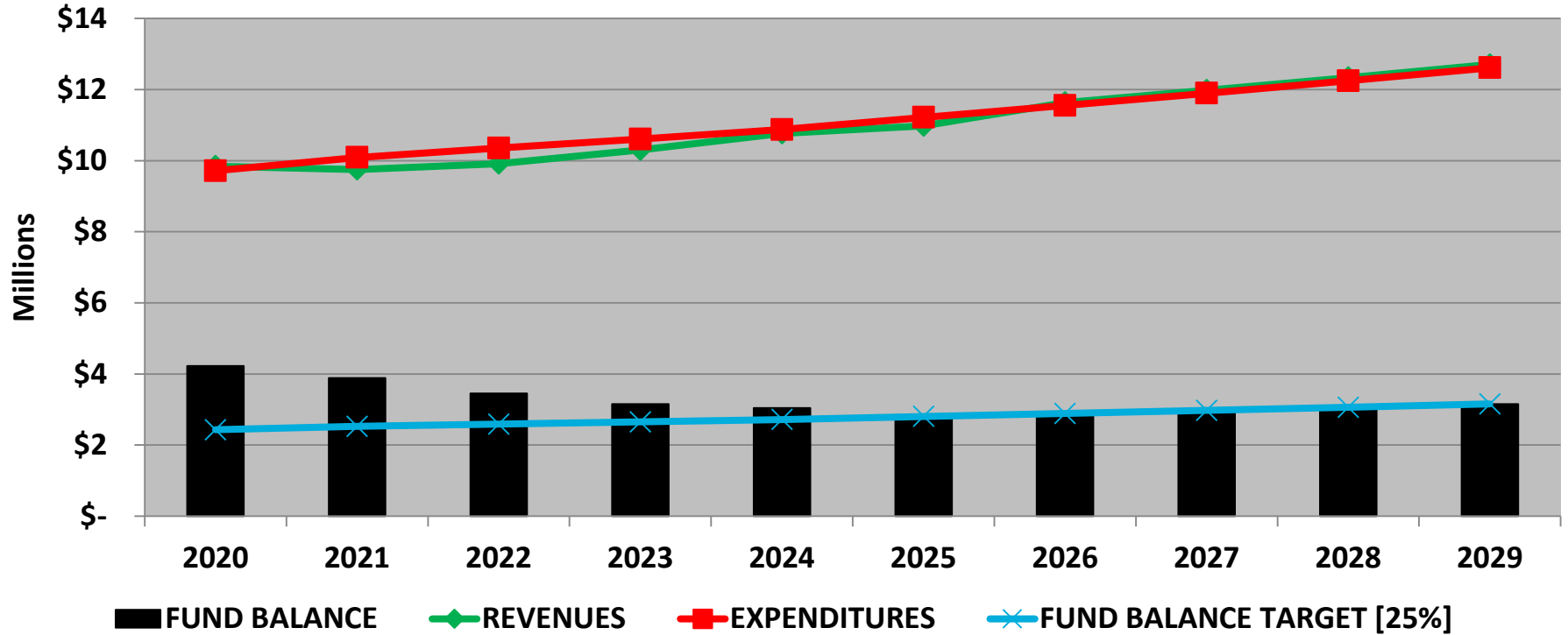


## Special Police Fund: Total Expenditure Trend





# Special Police Fund (207): Changes in Fund Balance



# American Rescue Plan Act (ARPA)

- ▶ **Total ARPA Funding Received: \$6,194,980**
  - Funds must be expended by 12/31/2024

Program Name	Total Amount	Program Timeline
CDBG Supplement	\$ 150,000	3-Year Program (2022-2024) / \$50K per Year
Economic Development	\$ 225,000	3-Year Program (2022-2024) / \$75K per Year
Not-For-Profit Assistance	\$ 300,000	3-Year Program (2022-2024) / \$100K per Year
Drexelgate Parkway & Pathway	\$ 2,103,800	FY 2023
Ambulances (x3)	\$ 990,000	FY 2022
Innovation Hills: Restroom	\$ 575,000	FY 2023
Bloomer Park: Stone Shelter Upgrades	\$ 600,000	FY 2023
City Hall: HVAC Replacement	\$ 1,012,000	FY 2023
Citywide: LED Lighting Upgrades	\$ 239,180	FY 2022-23
<b>GRAND TOTAL</b>	<b>\$ 6,194,980</b>	



# Fund Balance Summary

- ▶ **Governmental Fund Balance Policy prescribes the fund balance reserves for the following City Major Funds:**
  - General Fund = 70-80% of annual operational expenditures
  - Local Street Fund = 20-25% of annual expenditures (including capital)
  - Fire Operating Fund = 20-25% of annual expenditures
  - Special Police Fund = 20-25% of annual expenditures
- ▶ **The following City Funds are secure through 2030+:**
  - Major Road Fund
  - Capital Improvement Fund
  - Fire Capital Fund



# Takeaways

## ▶ **Excellent Financial position as of 12/31/2021**

- Strong Fund Balances
- Structural Surplus
- Conservative Projections

## ▶ **Fund Balance Policy**

- Defines financial parameters

## ▶ **Long-Term Projections**

- Constantly monitoring and adjusting

## ▶ **Long-Term Capital Planning**

- Ability to schedule capital projects and leverage City dollars



# Questions / Comments

