

CITY OF ROCHESTER HILLS



SEVEN YEAR FINANCIAL FORECAST For Fiscal Years 2018 – 2024



innovative *by* nature

June 19, 2017

We are pleased to present the Rochester Hills City Council with the City's Seven-Year Financial Forecast.

The City's Seven-Year Financial Forecast was developed to give Administration and City Council a forward look at the City's financial picture. The forecast is intended to identify financial trends, issues, and opportunities so the City can **proactively** address issues rather than be forced into a **reactive** position.

The City's Seven-Year forecast is built by projecting *current* service levels, programs, and policies by a set of financial assumptions to see the impact of those service levels, programs, and policies into the future.

The Seven-Year Financial Forecast is not intended to be a budget, a proposed spending plan, or a policy recommendation.

As the name implies, this process is a forecast and is not a formal plan. The Seven-Year Financial Forecast is not intended to be a comprehensive plan for achieving City Council adopted objectives.

The Seven-Year Financial Forecast sets the stage for budget development, by aiding Department Directors, the Mayor, and City Council in establishing priorities and allocating the City's resources appropriately. The forecast helps to project economic outcomes, their affects on the City's revenues, and the level of services and programs the City may be able to deliver within those forecasted revenue flows.

7-Year Forecast / Executive Summary

General Fund / Takeaway Points:

- The General Fund levy is adjusted and set each year to maintain the overall bottom line City millage rate of 10.4605
- It is currently forecasted for the General Fund to continue an annual transfer to the Local Street Fund (203) to fund \$5 million of Local Street Rehabilitation per year
- It is currently forecasted for the General Fund to continue an annual transfer to the Water Resources Fund (244) to balance

Major Road Fund / Takeaway Points:

- Due to changes in the State of MI Gasoline tax, higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
 - At this point in time it is most conservative to project annual inflationary increases going forward, however there is the "potential" that there may be additional increases in Act 51 funding
 - Wait and see approach is recommended
- Capital Outlay costs for 2018-2024 include all Major Road projects as included in the Adopted 2018-2023 CIP
- As annual construction eases, it is projected for Major Road fund balance levels to increase into the future

Local Street Fund / Takeaway Points:

- Due to changes in the State of MI Gasoline tax, higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Local Street Fund revenues are balanced between Property Tax, Act 51 Revenue, and Transfers-In from the General Fund
- Using the current forecast assumptions, the Local Street Fund appears able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund

Fire Operating Fund / Takeaway Points:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- It is projected that by 2024, the existing Fire millage levy of 2.7000 mill may not be adequate to contribute funding to the Fire Capital Fund (402)
- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

Fire Capital Fund / Takeaway Points:

- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund
- In FY 2024, the Fire Capital Fund (402) may require additional funding options

7-Year Forecast / Executive Summary

Special Police Fund / Takeaway Points:

- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- Proposed increase from 58 to 60 officers included in forecast
 - Due to OCSO contract decrease in FY 2017, net contract savings proposed to fund two (2) additional officers at similar overall cost
 - It is projected that the Special Police Millage II could decrease from 1.5633 (2017) to 1.4890 (2018) to balance annual Special Police expenditures
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off
- Police millage II is projected to levy between 1.4890 to 1.5205 mill over the forecast period
 - *Current Headlee cap millage rate for Police II millage = 2.4477 mill*

Water Resources Fund / Takeaway Points

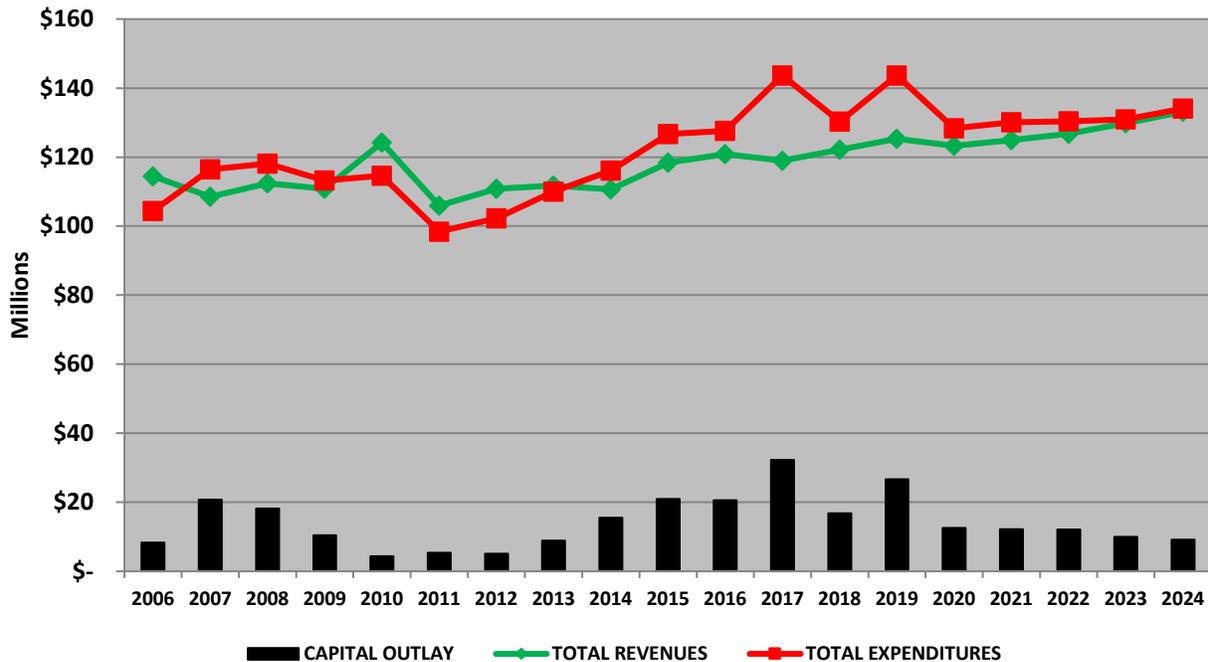
- As part of the SAW Grant process, consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- General Fund is projected to continue funding Water Resources (244) Fund to balance 244-Fund expenditures
- Long-Term potential funding options should be explored as Storm Water infrastructure needs will begin to escalate into the future, this would cause a larger transfer-in from the General Fund to finance the infrastructure costs

OPC Building Debt Fund / Takeaway Points:

- The last year the OPC Building Debt millage will need to be levied covers FY 2021
 - For FY 2021, it is estimated that the City will need to collect approximately \$700,000 through the OPC Building Debt millage to pay the final year of debt service
 - Estimated rate in the final year of OPC Building Debt millage = 0.1974 mill

7-Year Forecast / Executive Summary

Citywide Grand Total: Revenue / Expenditure / Capital Outlay



Long-Term Citywide Grand Total Revenue, Expenditures, and Capital Outlay / Financial Summary:

- From FY 2010 through FY 2013 the taxable value of the City decreased by 22%
 - In anticipation of the pending economic downturn the City responded by:
 - Aggressively reducing annual operating expenditures to be in-line with anticipated annual operating revenues
 - This included a reduction of the full-time workforce by 20%
 - Reduced capital outlay to fund only:
 - Critical infrastructure projects
 - Projects with City dollars as a participatory share (leveraged City funds)
 - Beginning in FY 2014 taxable values began to increase
- Increase of capital outlay from FY 2014-2019 due to:
 - Rehabilitation of Fire Stations
 - Infrastructure improvements as a result from several years of little capital investment during the economic downturn
 - Major Roads, Local Streets, Fire Capital, Water & Sewer
- Overall financial outlook for 2018-2024:
 - Overall citywide annual operating revenues able to fund annual operating expenditures
 - Structural Surplus maintained
 - Easing of annual capital outlay as the City appears to be “catching up” on its infrastructure investments in Major Roads, Local Streets, Fire Capital, Water & Sewer

Overall Revenue Assumptions Used in the June 2017 Forecast:

- **Taxable Value:**
 - FY 2017 = + 2.45% (actual)
 - FY 2018 = + 3.36% (actual)
 - FY 2019-24 = + 2.25%
 - Projected at slightly above the rate of projected annual inflation

- **Millage Rate:**

	Actual 2017	Projected 2018	Projected 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023	Estimated 2024
OPERATING MILLAGE								
Charter Operating	2.1136	2.2363	2.2420	2.2750	2.3168	2.4849	2.4558	2.4314
Local Street I	0.3507	0.3470	0.3470	0.3470	1.1131	1.1131	1.1131	1.1131
Local Street II	0.4803	0.4753	0.4753	0.4753	-	-	-	-
Local Street III	0.2939	0.2908	0.2908	0.2908	-	-	-	-
Fire Fund	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Special Police I	1.1954	1.1829	1.1829	1.1829	1.1829	1.1829	1.1829	1.1829
Special Police II	1.5633	1.4890	1.4894	1.4695	1.4376	1.4670	1.4962	1.5205
Pathway	0.1837	0.1817	0.1817	0.1817	0.1817	0.1817	0.1817	0.1817
RARA: Operating	0.1928	0.1907	0.1907	0.1907	0.1907	0.1907	0.1907	0.1907
OPC: Transportation	0.0990	0.0979	0.0979	0.0979	0.0979	0.0979	0.0979	0.0979
OPC: Operating	0.2377	0.2352	0.2352	0.2352	0.2352	0.2352	0.2352	0.2352
Library: Operating	0.7739	0.7658	0.7658	0.7658	0.7658	0.7658	0.7658	0.7658
TOTAL OPERATING MILLAGE	10.1843	10.1926	10.1987	10.2117	10.2218	10.4192	10.4192	10.4192
DEBT MILLAGE								
Drain Debt Fund	0.0417	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413
Older Persons Refunding: 2010 Series	0.2345	0.2266	0.2205	0.2075	0.1974	-	-	-
TOTAL DEBT MILLAGE	0.2762	0.2679	0.2618	0.2488	0.2387	0.0413	0.0413	0.0413
TOTAL MILLAGE RATE	10.4605	10.4605	10.4605	10.4605	10.4605	10.4605	10.4605	10.4605

- The bottom line City millage rate of **10.4605** is held consistent throughout the forecast period of 2018-2024
 - General Fund (Charter Operating) millage is adjusted and set to maintain the bottom-line millage rate each year
- Expiring (non-debt) millage(s) are renewed where allowed
 - Local Street I, II, & III expire after FY 2020; it is anticipated for them to be renewed into a single Local Street millage beginning in FY 2021
 - Older Person's Commission (OPC) Building Refunding Debt millage is set to expire after the debt issue for the OPC Building is retired in FY 2021
- **State Shared Revenue:**
 - State-shared revenue represents the share of sales tax distributed by the State of Michigan to the City of Rochester Hills
 - FY 2018-24 = + 2.0% per year

Overall Revenue Assumptions Used in the June 2017 Forecast:

- **Act 51 Revenue**

- Due to changes in the State of MI Gasoline tax, significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
 - FY 2016 = +2.92% (actual)
 - FY 2017 (original) = +2.00% (original projection)
 - FY 2017 = +20.0% (updated projection)
 - *Actual YTD = +26.6% average month-over-month*
 - FY 2018-24 = + 2.0%
- At this point in time it is most conservative to project annual inflationary increases going forward, however there is the "potential" that there may be additional increases in Act 51 funding
 - Wait and see approach is recommended
- Please note: Per MDOT Act 51 requirements:
 - *75% of Act 51 Revenue is received into the (202) Major Road Fund*
 - *25% of Act 51 Revenue is received into the (203) Local Street Fund*

- **Interest Rates:**

- FY 2017 = + 1.00%
- FY 2018 = + 1.25%
- FY 2019 = + 1.50%
- FY 2020 = + 1.75%
- FY 2021-24 = + 2.00%
 - Federal Reserve Board has signaled that they plan to slowly increase the Federal Fund Rate, which will increase City interest rate returns

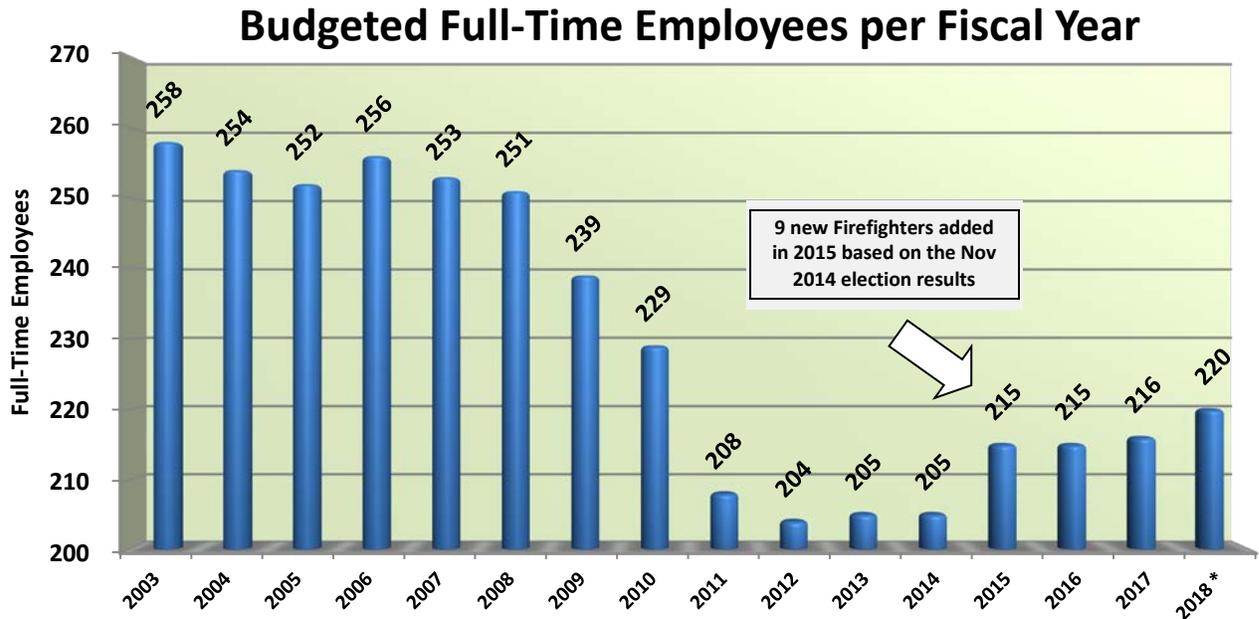
- **2017 Budget Information**

- Updated with 2nd Quarter Proposed Budget Amendment data to provide the most up-to-date forecast

Overall Expenditure Assumptions Used in the June 2017 Forecast:

- **Change in Number of Employees**

- 2018-2024 Forecast includes the proposed addition of four (4) Firefighters in FY 2018
 - Proposed to be funded by a decrease in Firefighter overtime and reduction in Part-Time Firefighter hours to minimize bottom line impact



- **Salary and Wages**

- FY 2018-2024 = + 2.0% per year
 - Based on recent Union contract annual wage adjustments
 - Due to timing, recommendations made as part of the 2017 Wage & Compensation Study are not included in the Personnel Cost projections

- **Sheriff Contract**

- 2018-2024 Long-Term Forecast includes the proposed addition of two (2) officers in FY 2018
 - +1 Additional Deputy II (No-Fill) = Daytime Patrol Officer
 - +1 Additional Patrol Investigator = Community Liaison
- Increase from 58 to 60 officers
- FY 2018 = + 2.73% (per OCSO contract)
- FY 2019-2024 = + 3.0% per year
 - Based on information provided by OCSO Business Manger

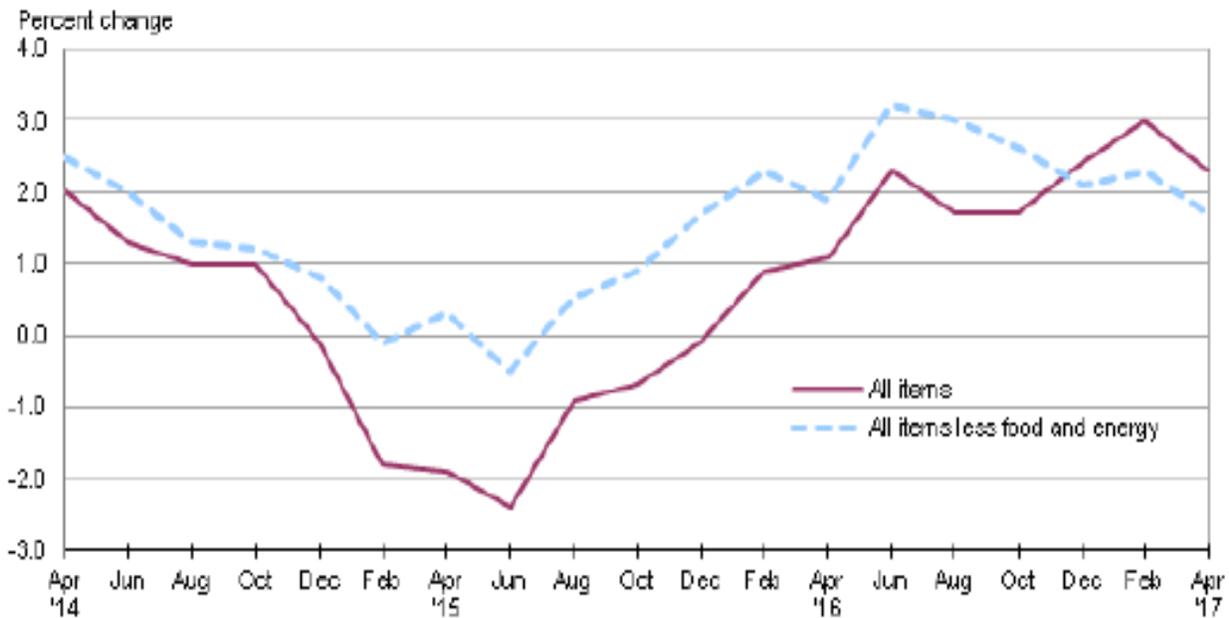
- **Health Care**

- FY 2018-2024 = + 9.0% per year
 - Based on information provided by City's Healthcare broker

Overall Expenditure Assumptions Used in the June 2017 Forecast:

- **General Inflation**
 - FY 2018-2024 = + 2.0% per year

Chart 1. Over-the-year percent change in CPI-U, Detroit, April 2014–April 2017



Source: U.S. Bureau of Labor Statistics.

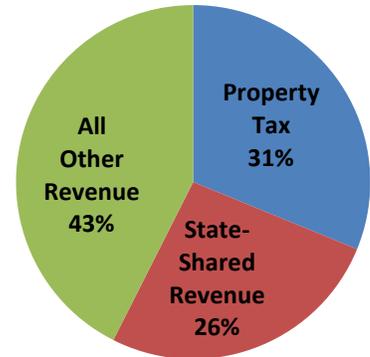
- **Capital Projects**
 - All capital projects were reviewed and updated with revised cost estimates based upon current market conditions as part of the FY 2018-2023 CIP process

Financial Forecast – General Fund (101)

GENERAL FUND / REVENUES:

- For FY 2017, the primary sources of General Fund revenue are:
 - 31% = Property Tax
 - 26% = State Shared Revenue
 - 43% = All Other Revenue
 - Charges for Services, License & Permits

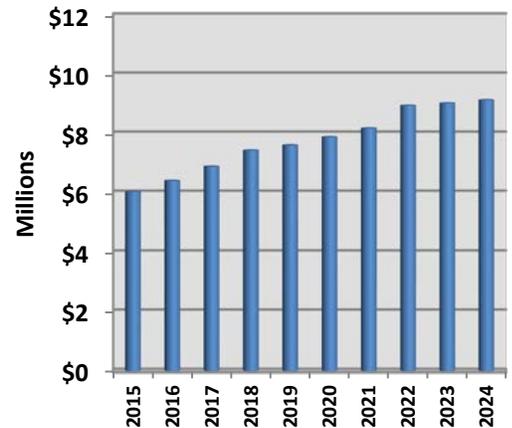
**General Fund:
2017 Revenue Sources**



General Fund / Property Tax Revenue:

- The General Fund levy is adjusted and set each year to maintain the overall bottom line City millage rate of 10.4605

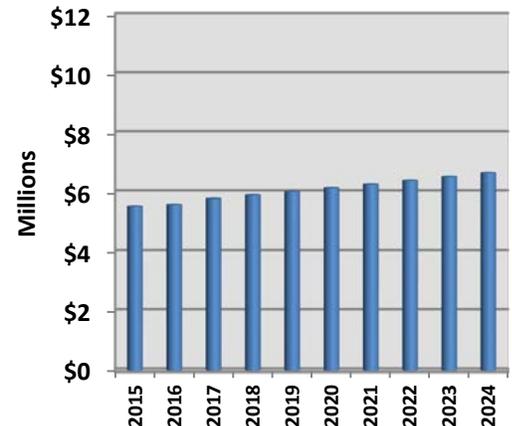
**General Fund:
Property Tax Trend**



General Fund / State Shared Revenue:

- State-Shared revenues are projected to increase 2.0% per year

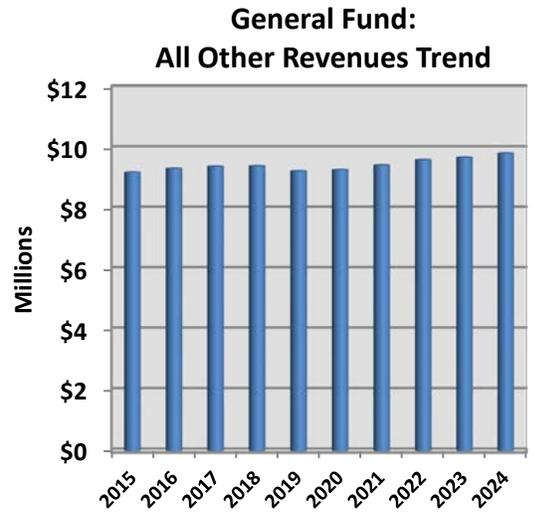
**General Fund:
State Shared Revenue Trend**



Financial Forecast – General Fund (101)

General Fund / Other Revenues:

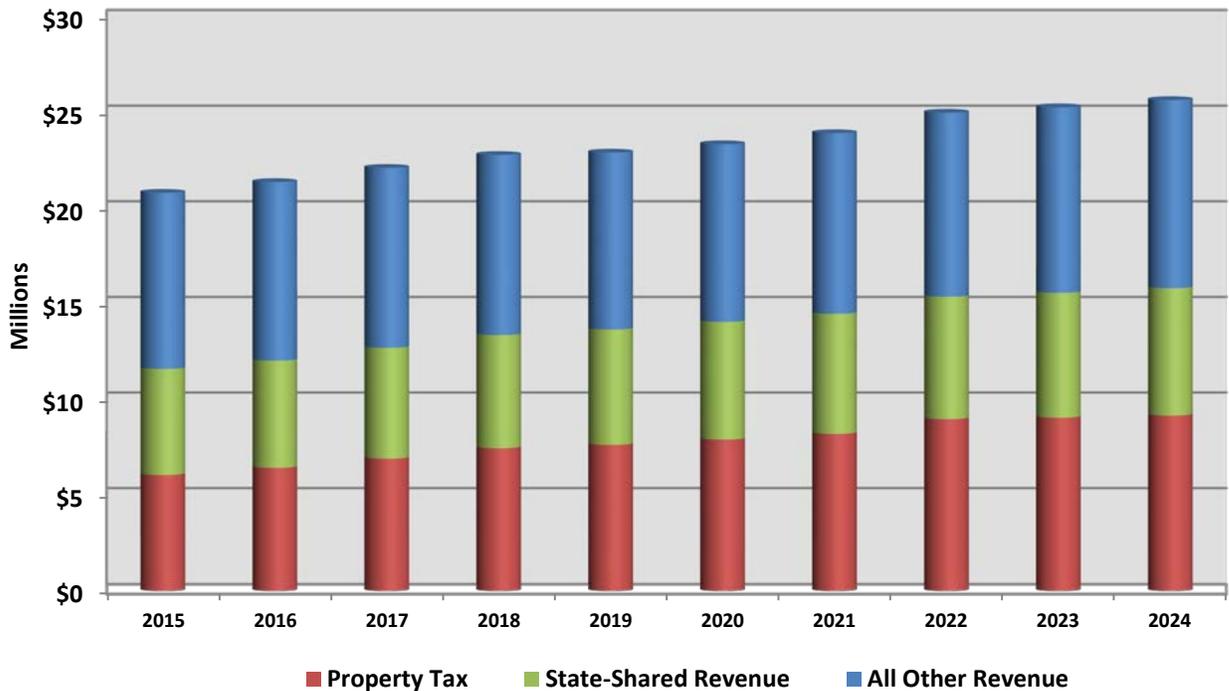
- Charges for Services, License & Permits
 - Building, Ordinance, Clerks, Planning, Parks Department, etc...
 - Many of these charges are set to recover the cost of services provided
- Other revenues are projected to increase from 0.0% to 2.0% per year



General Fund / Revenue Summary:

- General Fund revenues are balanced between Property Tax, State-Shared Revenue, and All Other Revenue

General Fund: Total Revenue Trend

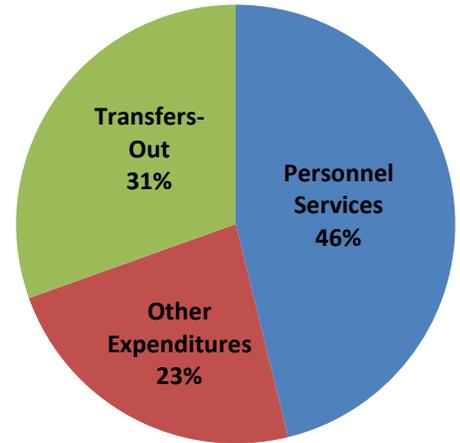


Financial Forecast – General Fund (101)

GENERAL FUND / EXPENDITURES:

- For FY 2017, the primary sources of General Fund expenditures are:
 - 46% = Personnel Services
 - 23% = Other Expenditures
 - Supplies, Services, Interfund Charges, Memberships, etc...
 - 31% = Transfers-Out to other funds

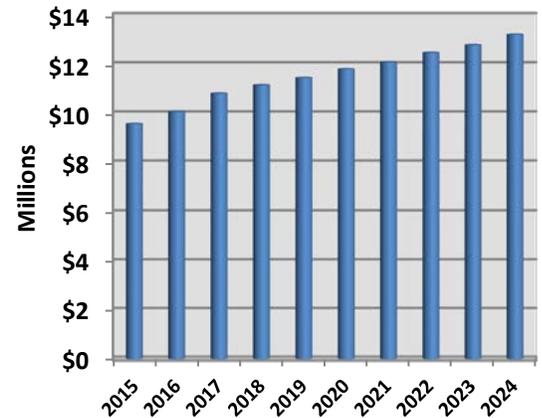
**General Fund:
FY 2017 Expenditure Sources**



General Fund / Personnel Services:

- Salary and Wages are projected to increase 2.0% per year
 - Due to timing, recommendations made as part of the 2017 Wage & Compensation Study are not included in the Personnel Cost projections
- Health Care is projected to increase 9.0% per year

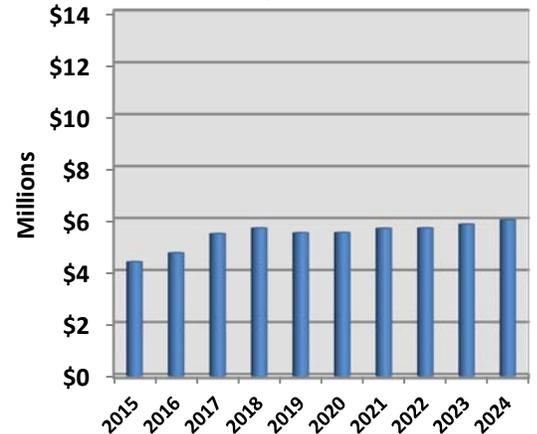
**General Fund:
Personnel Services Trend**



General Fund / Other Expenditures:

- Supplies, Materials, Professional & Contractual Services, Interfund Charges (Facilities & MIS), Printing & Publishing, etc...
- Other expenditures are projected to increase 0% - 2% per year

**General Fund:
Other Expenditures Trend**

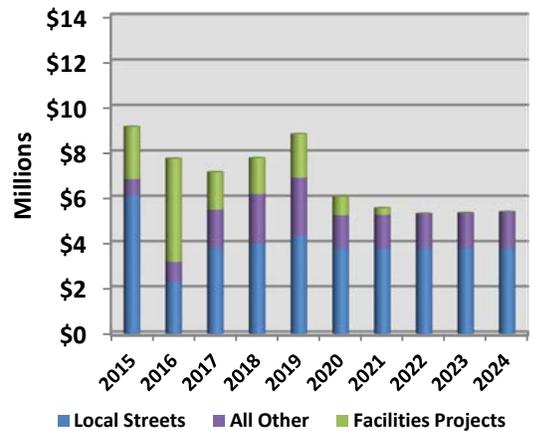


Financial Forecast – General Fund (101)

General Fund / Transfers-Out:

- FY 2015-2016 includes the Fire Station Renovations
- FY 2017-2020 includes Facilities Infrastructure and Park related projects as included in the 2018-2023 CIP
- FY 2019 includes Auburn Road Corridor project (sidewalks, parking lots, storm sewer)
- It is currently forecasted for the General Fund to continue an annual transfer to the Local Street Fund (203) to fund \$5 million of Local Street Rehabilitation per year
- It is currently forecasted for the General Fund to continue an annual transfer to the Water Resources Fund (244) to balance the 244-Fund

**General Fund:
Transfers-Out Trend**



General Fund / Expenditure Summary:

- FY 2017-2020 Transfer-Out includes Facilities Infrastructure, Park related projects, and Auburn Road Corridor project (sidewalks, parking lots, storm sewer)
- It is currently forecasted for the General Fund to continue an annual transfer to the Local Street Fund (203) to fund \$5 million of Local Street Rehabilitation per year
- It is currently forecasted for the General Fund to continue an annual transfer to the Water Resources Fund (244) to balance the 244-Fund

General Fund: Total Expenditure Trend

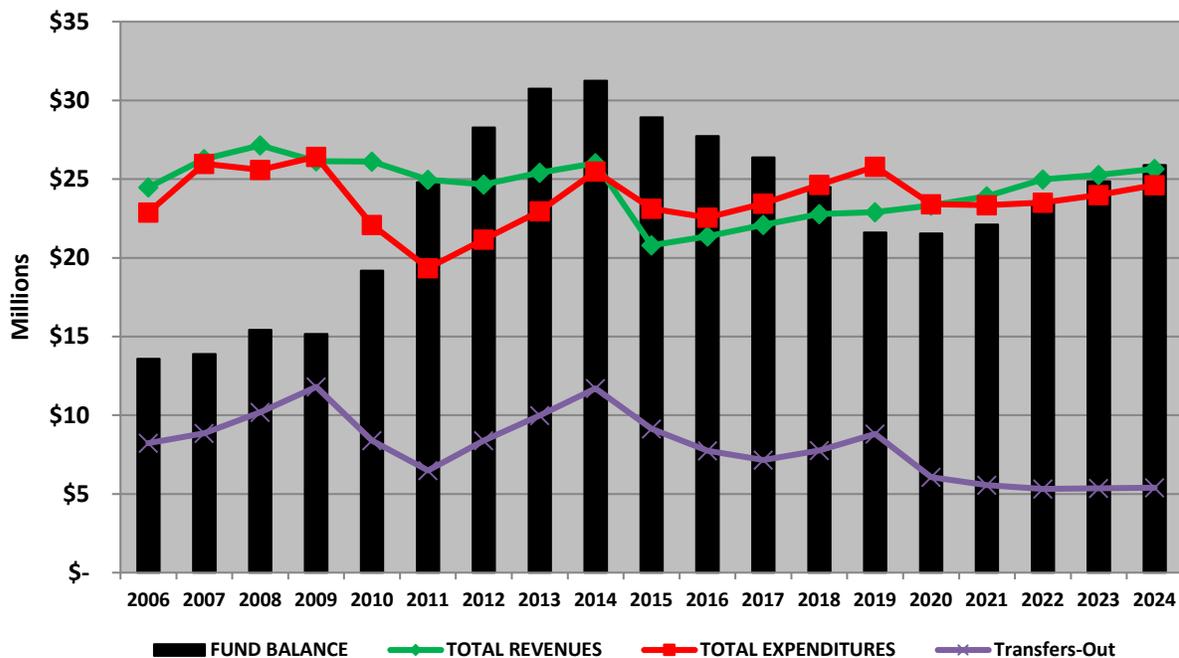


Financial Forecast – General Fund (101)

General Fund / Revenue, Expenditures, and Changes in Fund Balance:

- General Fund Balance has grown from FY 2006-14 as General Fund revenues consistently outpaced General Fund expenditures
- The decrease in Transfers-Out from 2009-2011 was in response to the decrease in taxable value, with a reduction in the transfer to the Local Street Fund to provide only for Local Street operations (no Local Street Rehabilitation funding)
- The increase in Transfers-Out from 2011-2014 was in response to a stabilizing economy and increases to the Local Street Fund to support a Local Street Rehabilitation program
- The decrease in revenues, expenditures, and transfers-out in FY 2015 was due to the new Police II millage which reduced the General millage levy and eliminated the General Fund transfer-out subsidy to the Police Fund
- The decrease in fund balance in FY 2015-16 is due to the General Fund contribution for the Fire Station renovation projects
- The decrease in fund balance in FY 2017-19 is due to the General Fund contribution to Auburn Road Corridor, Facility Infrastructure, and Park related projects
- In FY 2021, as Transfers-Out for projects decreases, General Fund revenues look to be greater than expenditures causing General Fund balance to increase

General Fund: Revenue / Expenditure / Fund Balance



General Fund / Takeaway Points:

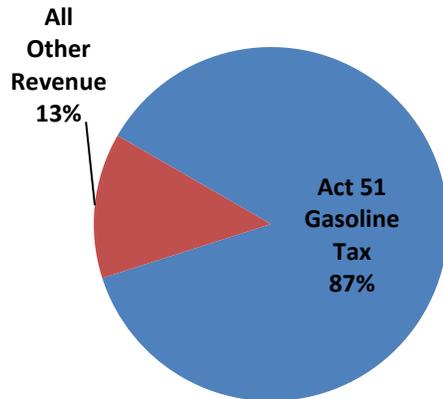
- The General Fund levy is adjusted and set each year to maintain the overall bottom line City millage rate of 10.4605
- It is currently forecasted for the General Fund to continue an annual transfer to the Local Street Fund (203) to fund \$5 million of Local Street Rehabilitation per year
- It is currently forecasted for the General Fund to continue an annual transfer to the Water Resources Fund (244) to balance

(202) Major Road Fund Forecast

MAJOR ROAD FUND / REVENUES:

- For FY 2017, the primary sources of Major Road Fund revenue are:
 - 87% = Act 51 Gasoline Tax
 - 13% = All Other Revenue

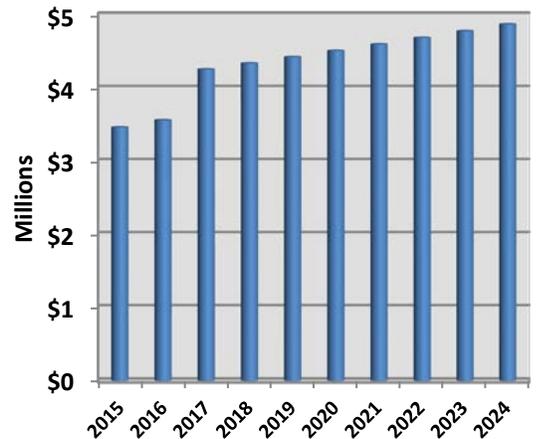
**Major Road Fund:
FY 2017 Revenue Sources**



Major Road / Act 51 Gasoline Tax Revenue:

- Due to changes in the State of MI Gasoline tax, significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
 - FY 2016 = +2.92% (actual)
 - FY 2017 = +20.0% (projection)
 - Actual YTD = +26.6% average month-over-month
 - FY 2018-24 = + 2.0% per year

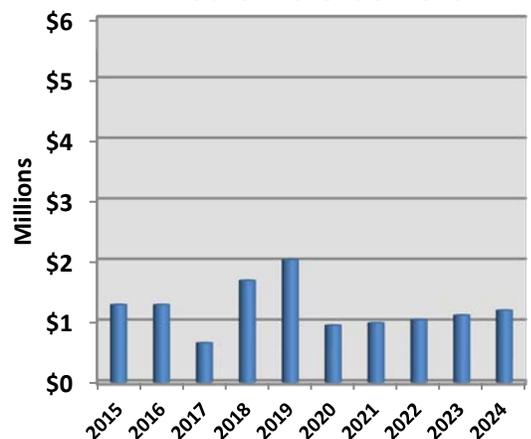
**Major Road Fund:
Act 51 Gasoline Tax Trend**



Major Road / Other Revenues:

- The increase in Other Revenue in 2018-2019:
 - 2018 = +\$1,000,000
 - From LDFA for Hamlin Road (East City Limit – Adams) Reconstruction
 - 2019 = +\$1,100,000
 - From General Fund for Auburn Corridor Project
 - Sidewalks, Storm Sewer, Parking Lots

**Major Road Fund:
All Other Revenue Trend**

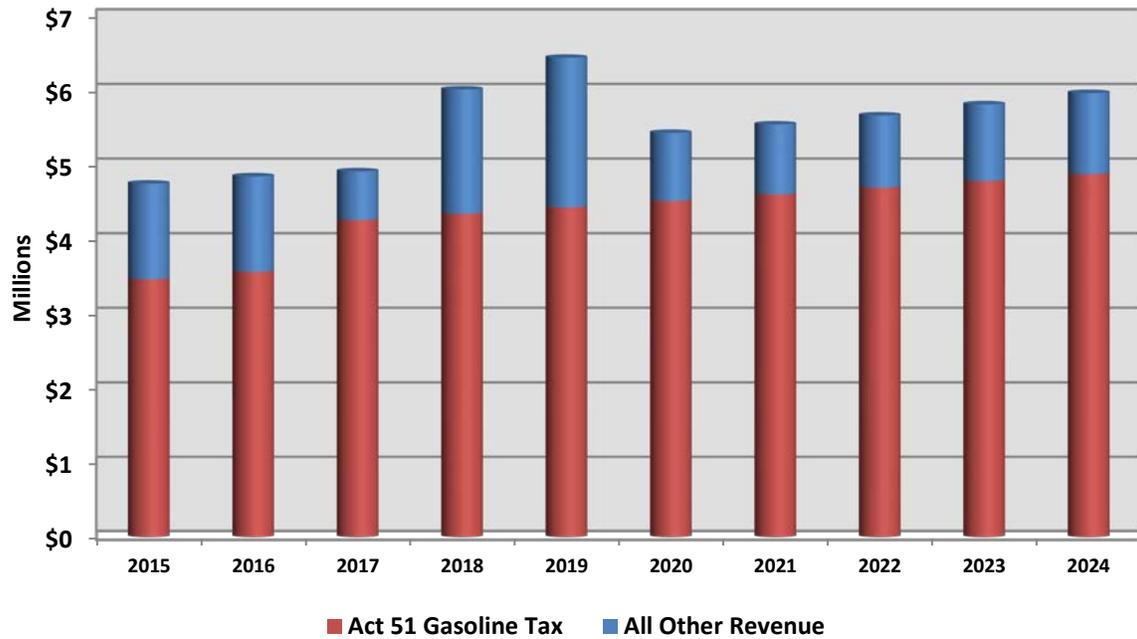


(202) Major Road Fund Forecast

Major Road / Revenue Summary:

- Due to changes in the State of MI Gasoline tax, significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- The increase in Other Revenue in 2018-2019:
 - 2018 = +\$1,000,000
 - From LDFA for Hamlin Road (East City Limit – Adams) Reconstruction
 - 2019 = +\$1,100,000
 - From General Fund for Auburn Corridor Project

Major Road Fund: Total Revenue Trend

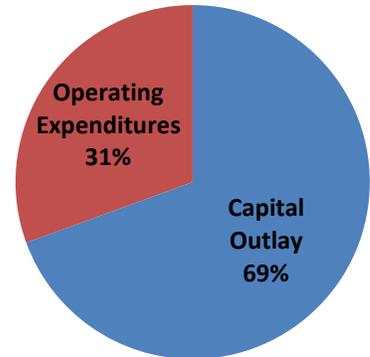


(202) Major Road Fund Forecast

MAJOR ROAD FUND / EXPENDITURES:

- For FY 2017, the primary sources of Major Road Fund expenditures are:
 - 31% = Operating Expenditures
 - 69% = Capital Outlay
 - *This proportion will vary based upon the level of capital outlay scheduled in a particular Fiscal Year*

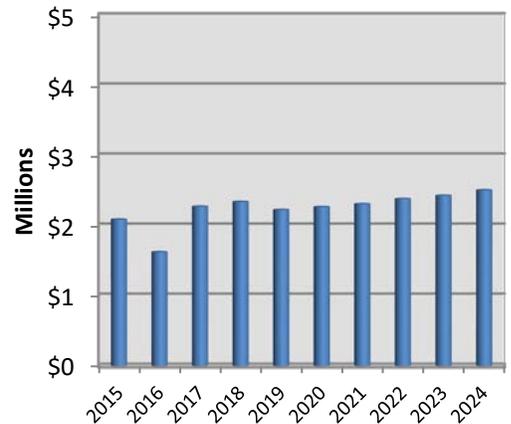
**Major Road Fund:
FY 2017 Expenditure Sources**



Major Road Fund / Operating Expenditures:

- Personnel, Materials, Supplies, Services, Interfund Charges (Fleet), Memberships, etc...
- Operating expenditures are projected to increase 2.0% per year
- The decrease from 2015 to 2016 was due to higher Winter Maintenance activities in FY 2015

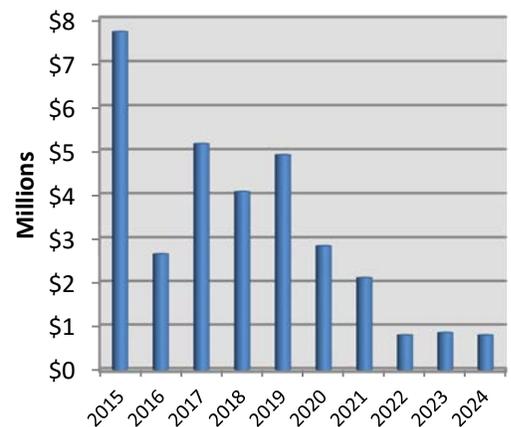
**Major Road Fund:
Operating Expenditure Trend**



Major Road Fund / Capital Outlay:

- Capital Outlay costs for 2018-2024 include all Major Road projects as included in the Adopted 2018-2023 CIP
 - 2015 = Tienken & Hamlin Roads (complete)
 - 2017 = Rochester @ Eddington (2Q B/A)
 - 2018 = Hamlin [E City Limits]
 - 2019 = Auburn Corridor
- The City continually works with other road agencies to leverage Major Road funding in order to construct needed improvements and rehabilitations to the City's Major Road network

**Major Road Fund:
Capital Outlay Trend**

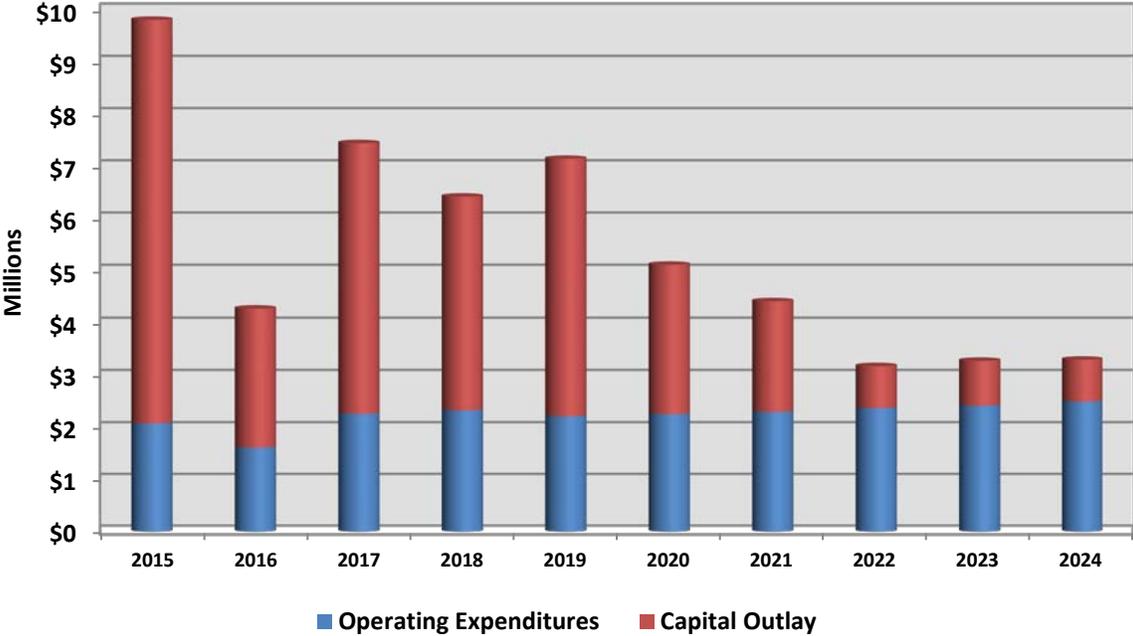


(202) Major Road Fund Forecast

Major Road Fund / Expenditure Summary:

- Capital Outlay costs for 2018-2024 include all Major Road projects (with updated project budgets) as included in the Adopted 2018-2023 CIP
 - 2015 = Tienken & Hamlin Roads
 - 2017 = Rochester @ Eddington (2Q B/A)
 - 2018 = Hamlin [E City Limits - Adams]
 - 2019 = Auburn Corridor

Major Road Fund: Total Expenditure Trend

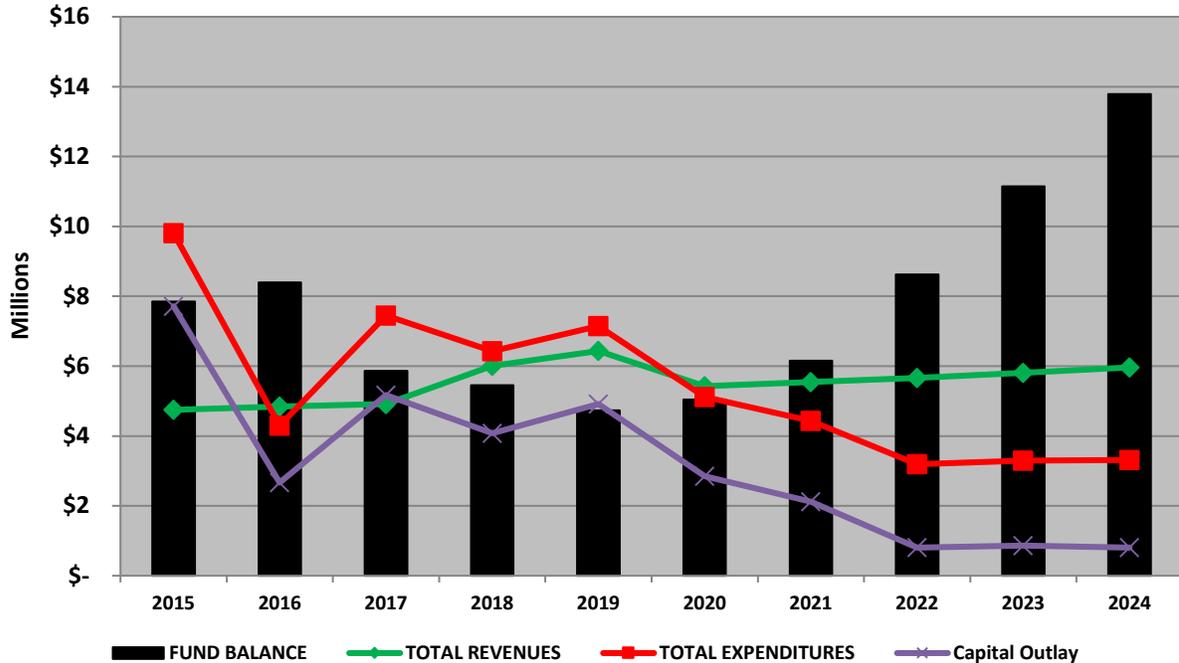


(202) Major Road Fund Forecast

Major Road Fund / Revenue, Expenditures, and Changes in Fund Balance:

- Capital Outlay costs for 2018-2024 include all Major Road projects as included in the Adopted 2018-2023 CIP
 - Also included (MR-57) Rochester Road @ Eddington Boulevard project (per the 2017 2nd Quarter Budget Amendment)
- As annual construction eases, it is projected for Major Road fund balance levels to increase into the future

Major Road Fund: Revenue / Expenditure / Fund Balance



Major Road Fund / Takeaway Points:

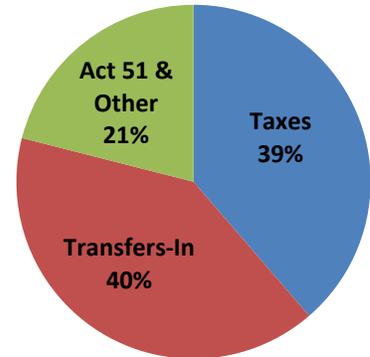
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 - At this point in time it is most conservative to project annual inflationary increases going forward, however there is the "potential" that there may be additional increases in Act 51 funding
 - Wait and see approach is recommended
- Capital Outlay costs for 2018-2024 include all Major Road projects as included in the Adopted 2018-2023 CIP
- As annual construction eases, it is projected for Major Road fund balance levels to increase into the future

(203) Local Street Fund Forecast

LOCAL STREET FUND / REVENUES:

- For FY 2017, the primary sources of Local Street Fund revenue are:
 - 39% = Property Taxes
 - Local Street I, II, III
 - 21% = Act 51 & All Other Revenue
 - 40% = Transfers-In
 - From General Fund

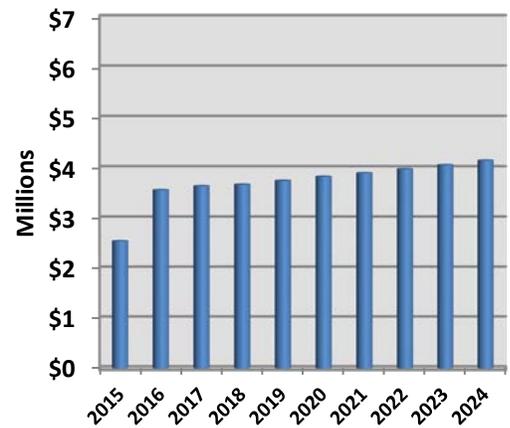
**Local Street Fund:
FY 2017 Revenue Sources**



Local Street Fund / Property Taxes:

- The increase from 2015-2016 is due to the approval of Local Street III
 - *Repurpose of expired Green Space millage*
- Local Street I, II, III are all set to expire in 2020
 - It is anticipated they will be renewed into a single Local Street millage beginning in FY 2021

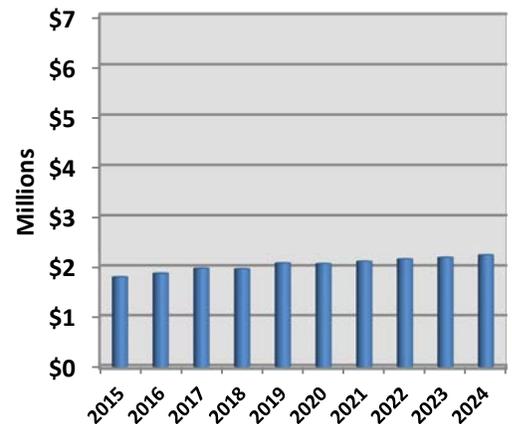
**Local Street Fund:
Property Tax Trend**



Local Street Fund / Act 51 & Other Revenue:

- Due to changes in the State of MI Gasoline tax, higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
 - Please note: Per MDOT Act 51 requirements:
 - *75% of Act 51 Revenue is received into the (202) Major Road Fund*
 - *25% of Act 51 Revenue is received into the (203) Local Street Fund*

**Local Street Fund:
Other Revenue Trend**

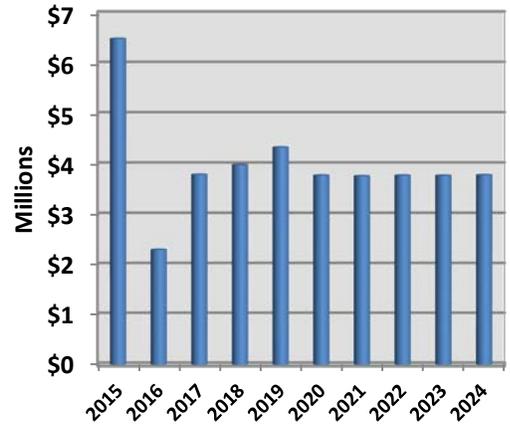


(203) Local Street Fund Forecast

Local Street Fund / Transfers-In:

- Transfers-In decreased from 2015 to 2016 due to:
 - Large amounts of Local Street construction activity completed in 2015 (funded from the General Fund)
 - Redirection of \$1.5 million of General Fund monies in FY 2016 from the Local Street Fund to the Facilities Fund for the renovation of Fire Station #4.
- The Transfers-In from 2018-24 represent the amount of funding needed from the General Fund to support a \$5M annual Local Street Rehabilitation program

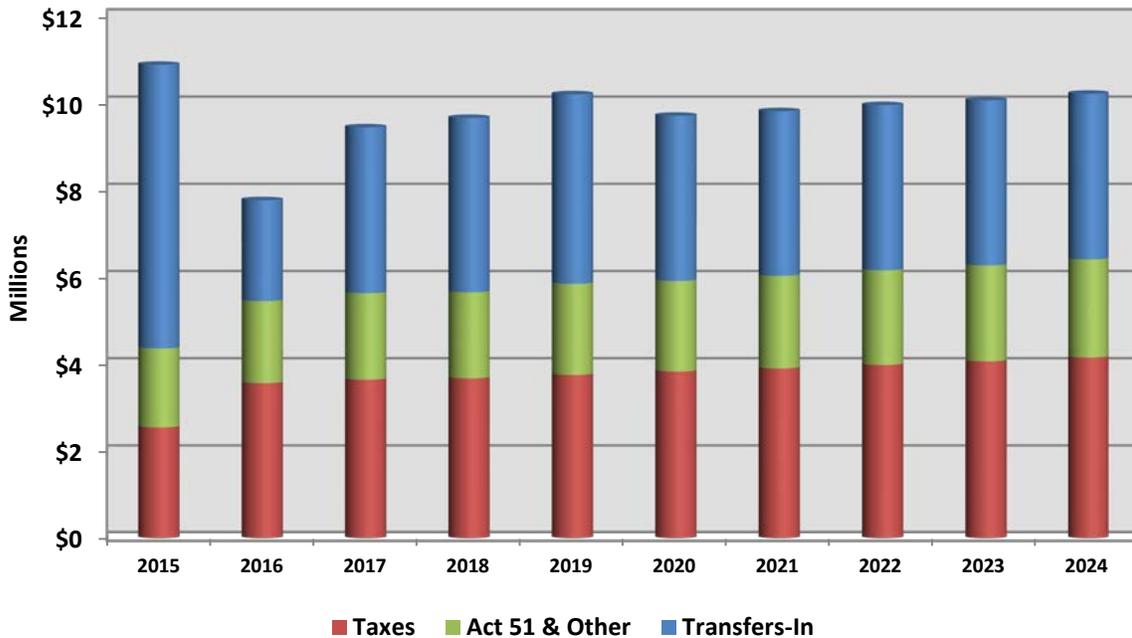
**Local Street Fund:
Transfers-In Trend**



Local Street Fund / Revenue Summary:

- Local Street Fund revenues are balanced between Property Tax, Act 51 Revenue, and Transfers-In from the General Fund

Local Street Fund: Total Revenue Trend

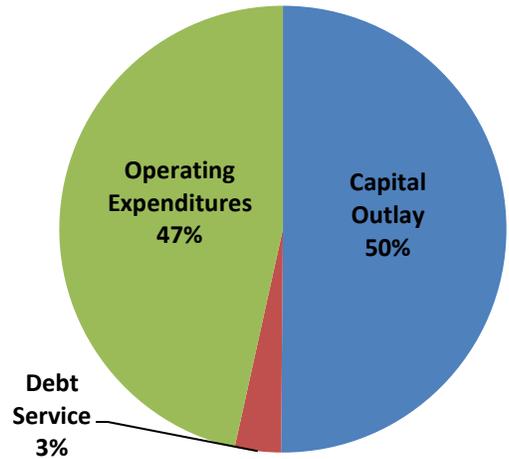


(203) Local Street Fund Forecast

LOCAL STREET FUND / EXPENDITURES:

- For FY 2017, the primary sources of Local Street Fund expenditures are:
 - 47% = Operating Expenditures
 - 50% = Capital Outlay
 - 3% = Debt Service
 - *FY 2017 = Final Year of Local Street Debt Service*

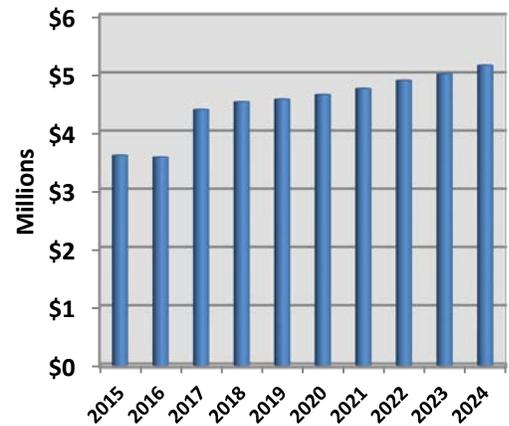
**Local Street Fund:
FY 2017 Expenditure Sources**



Local Street Fund / Operating Expenditures:

- Personnel, Materials, Supplies, Services, Interfund Charges (Fleet), Memberships, etc...
- Operating expenditures are projected to increase 2.0% per year

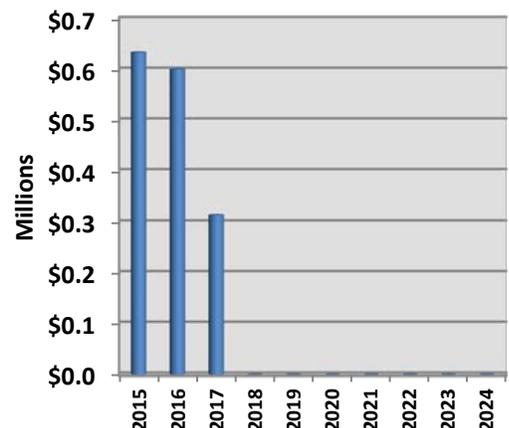
**Local Street Fund:
Operating Expenditure Trend**



Local Street Fund / Debt Service

- In FY 2017, the Local Street Fund will payoff the 2002 Local Street Improvement bond debt
- After FY 2017, the Local Street Fund no longer has any Local Street Improvement bonds outstanding

**Local Street Fund:
Debt Service Trend**

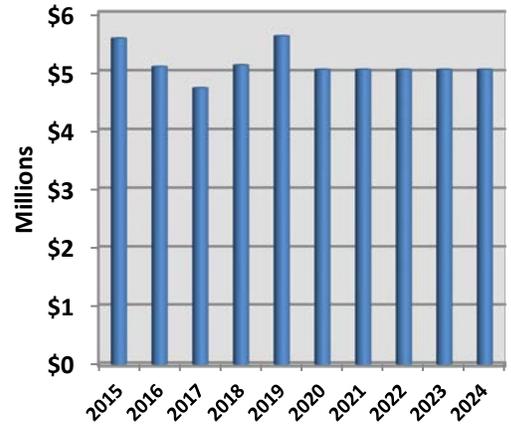


(203) Local Street Fund Forecast

Local Street Fund / Capital Outlay:

- Using the current forecast assumptions, the Local Street Fund appears able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund
- The increase in FY 2019 is due to additional Local Street construction projects included as part of the 2018-2023 CIP

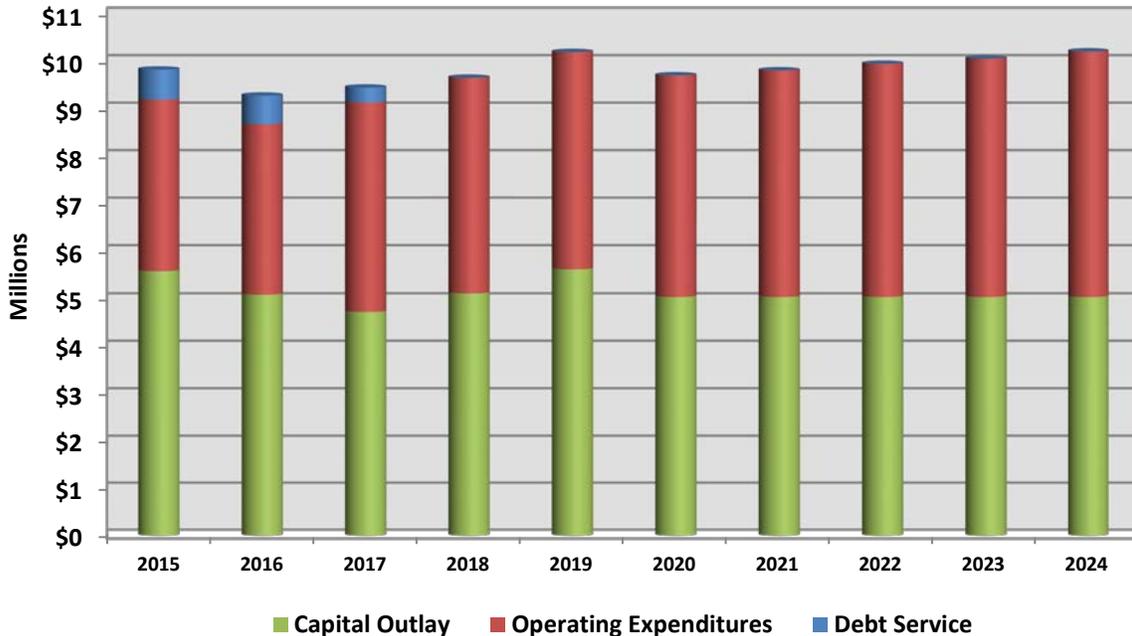
**Local Street Fund:
Capital Outlay Trend**



Local Street Fund / Expenditure Summary:

- After FY 2017, the Local Street Fund no longer has any bonds outstanding
- Using the current forecast assumptions, the Local Street Fund appears able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund

Local Street Fund: Total Expenditure Trend

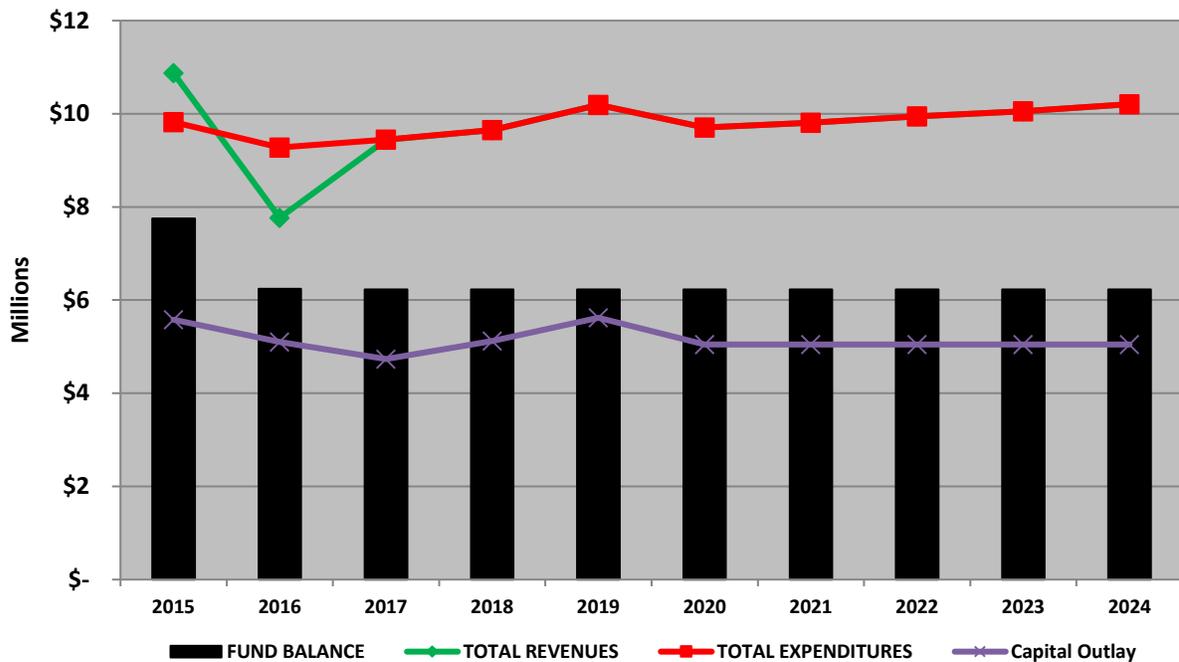


(203) Local Street Fund Forecast

Local Street Fund / Revenue, Expenditures, and Changes in Fund Balance:

- Fund Balance decreased in FY 2016 due to:
 - The redirection of \$1.5 million in General Fund monies from the Local Street Fund to the Facilities Fund for the renovation of Fire Station #4.
 - To maintain the same level of funding for the FY 2016 Local Street Rehabilitation Program, the Local Street fund utilized \$1.5 million of Fund Balance
- No use of Local Street Fund Balance is included in the long-term forecast

Local Street Fund: Revenue / Expenditure / Fund Balance



Local Street Fund / Takeaway Points:

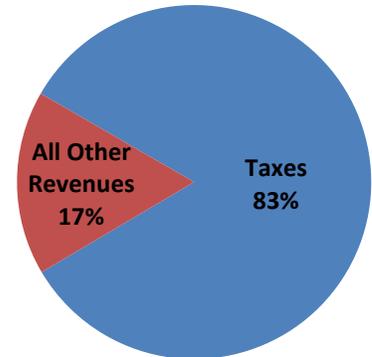
- Due to changes in the State of MI Gasoline tax, higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Local Street Fund revenues are balanced between Property Tax, Act 51 Revenue, and Transfers-In from the General Fund
- Using the current forecast assumptions, the Local Street Fund appears able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund

(206) Fire Operating Fund Forecast

FIRE OPERATING FUND / REVENUES:

- For FY 2017, the primary sources of Fire Operating Fund revenue are:
 - 83% = Property Taxes
 - 17% = All Other Revenues

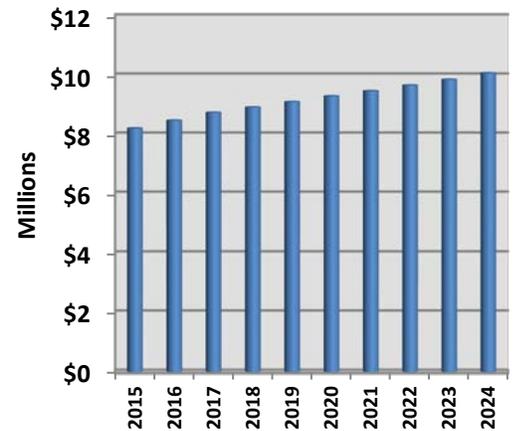
**Fire Fund:
FY 2017 Revenue Sources**



Fire Operating Fund / Property Taxes:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model

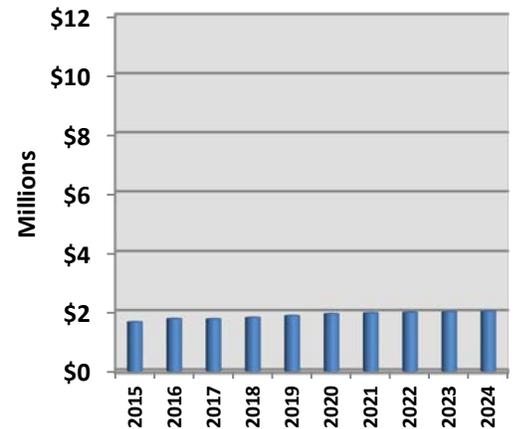
**Fire Fund:
Property Tax Trend**



Fire Operating Fund / Other Revenues:

- The primary source of Other Fire Revenue is EMS Charges for Service
- Other revenues are projected to increase from 0.0% to 2.5% per year

**Fire Fund:
Other Revenue Trend**

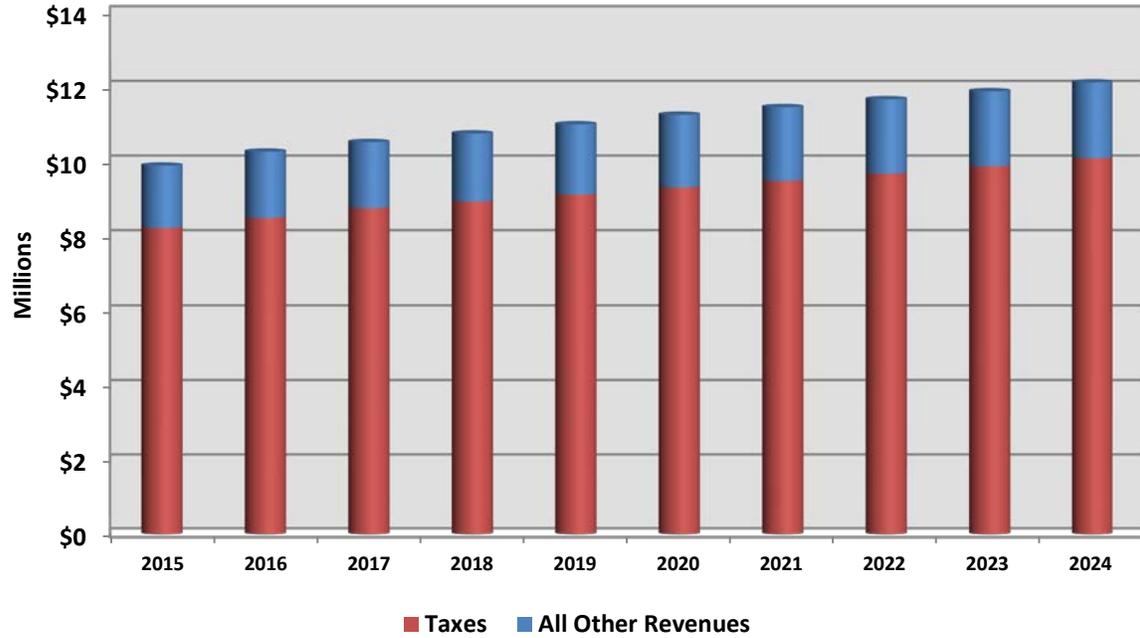


(206) Fire Operating Fund Forecast

Fire Operating Fund / Revenue Summary:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The primary source of Other Fire Revenue is EMS Charges for Service

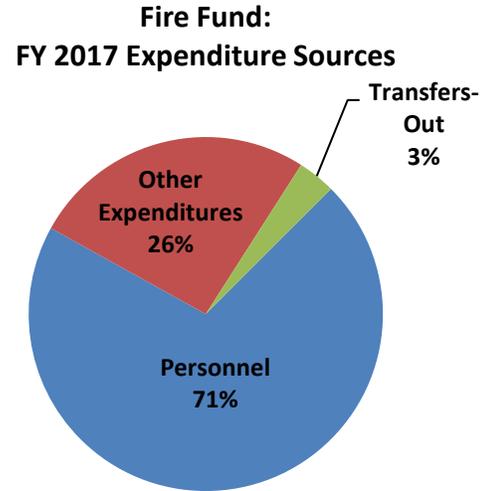
Fire Fund: Total Revenue Trend



(206) Fire Operating Fund Forecast

FIRE OPERATING FUND / EXPENDITURES:

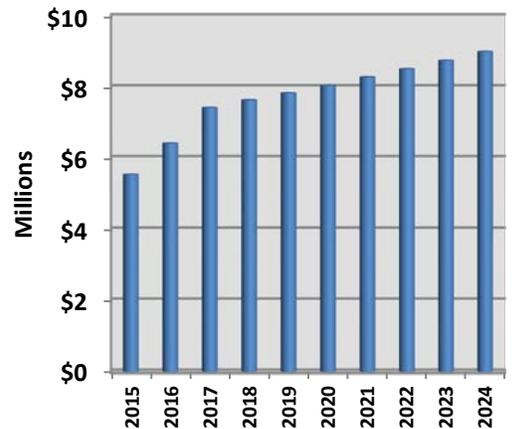
- For FY 2017, the primary sources of Fire Operating expenditures are:
 - 71% = Personnel
 - 26% = Other Expenditures
 - 3% = Transfer-Out
 - To (402) Fire Capital Fund



Fire Operating Fund / Personnel Services:

- The increase in Personnel Services from 2015-16 to 2017 is due to the restructuring of Fire Department operations and the addition of nine (9) new Full-Time Firefighters hired after the voter approved Fire Charter millage increase
 - Salary lapse in time before hiring the new Full-time firefighters
- 2018-2024 Long-Term Forecast includes the proposed addition of four (4) Firefighters in FY 2018
 - Proposed to be funded by a decrease in Firefighter overtime and reduction in Part-Time Firefighter hours to minimize bottom line impact
- Salary and Wages are projected to increase 2.0% per year
- Health Care is projected to increase 9.0% per year

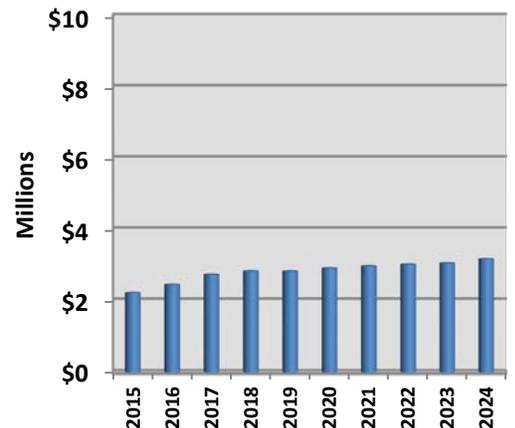
**Fire Operating Fund:
Personnel Trend**



Fire Operating Fund / Other Expenditures:

- Supplies, Services, Interfund Charges (including Fleet & Facilities), Memberships, etc...
- Other expenditures are projected to increase 2.0% per year

**Fire Operating Fund:
All Other Expenditure Trend**

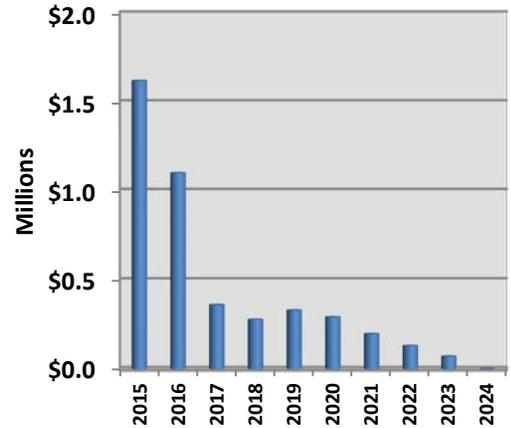


(206) Fire Operating Fund Forecast

Fire Operating Fund / Transfer-Out:

- The increase in Transfers-Out in FY 2015-16 is due to the increase in the Fire millage combined with the salary lapse in time before hiring the new Full-time firefighters
- It is projected that by 2024, the existing Fire millage levy of 2.7000 mill may not be adequate to contribute funding to the Fire Capital Fund (402)
- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

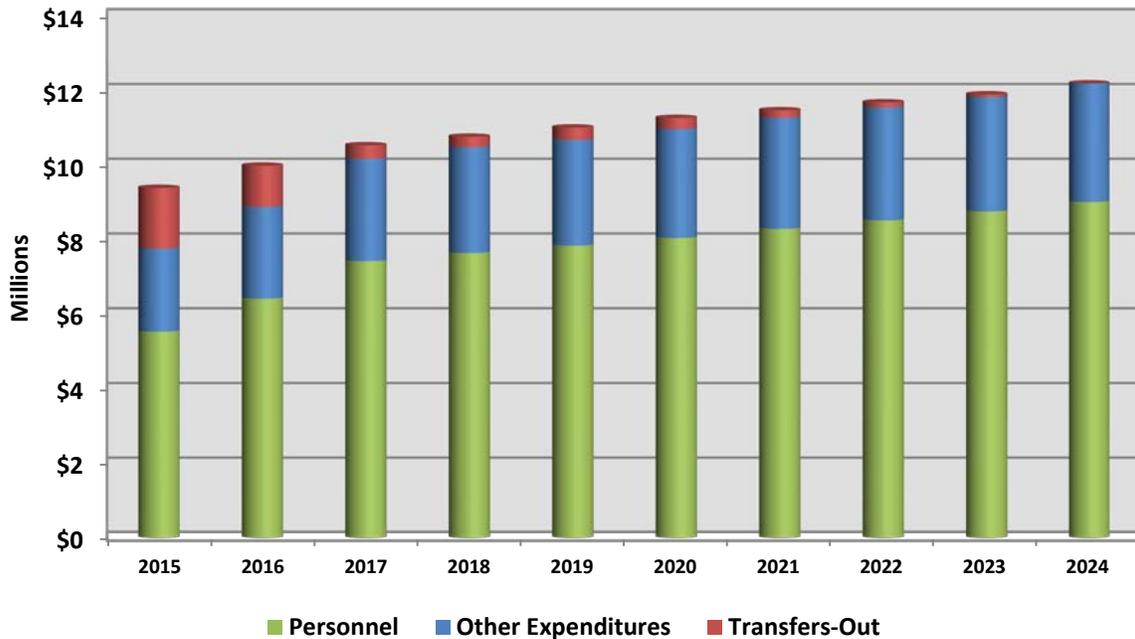
Fire Operating Fund: Transfer-Out Trend



Fire Operating Fund / Expenditure Summary

- The increase in Personnel Services from 2015-16 to 2017 is due to the restructuring of Fire Department operations and the addition of nine (9) new Full-Time Firefighters hired after the voter approved Fire Charter millage increase
- 2018-2024 Long-Term Forecast includes the proposed addition of four (4) Firefighters in FY 2018
- It is projected that by 2024, the existing Fire millage levy of 2.7000 mill may not be adequate to contribute funding to the Fire Capital Fund (402)

Fire Fund: Total Expenditure Trend

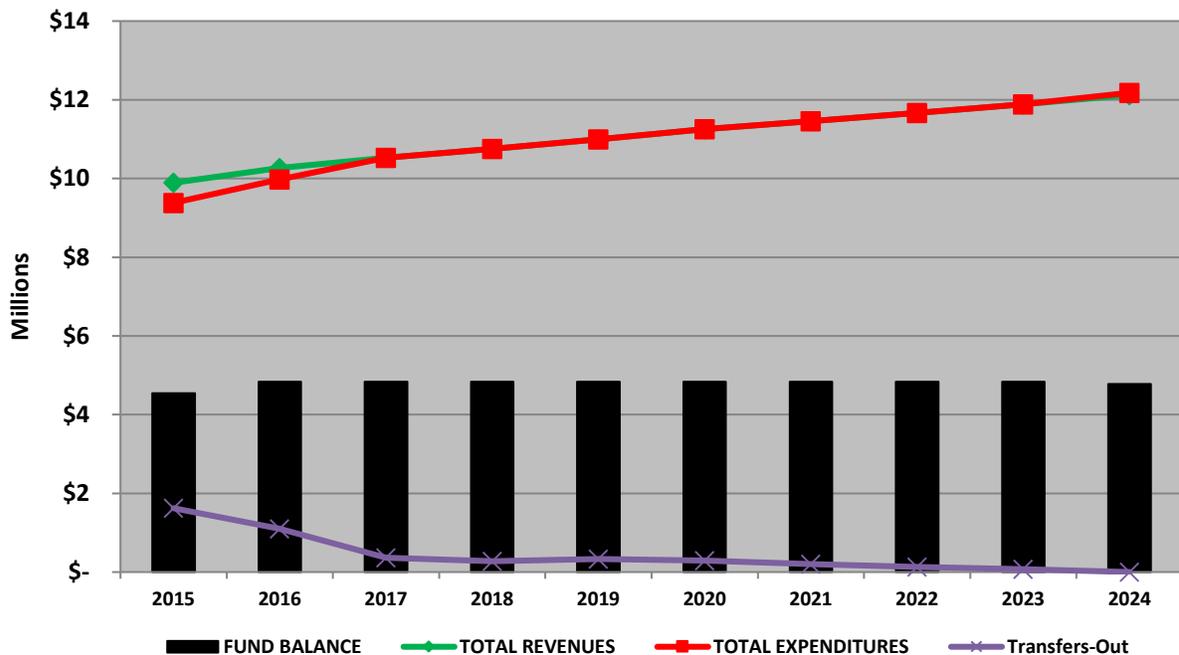


(206) Fire Operating Fund Forecast

Fire Operating Fund / Revenue, Expenditures, Changes in Fund Balance:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The increase in total expenditures from 2015-16 to 2017 is due to the restructuring of Fire Department operations and the addition of nine (9) new Full-Time Firefighters hired after the voter approved Fire Charter millage increase
- 2018-2024 Long-Term Forecast includes the proposed addition of four (4) Firefighters in FY 2018
- It is projected that by 2024, the existing Fire millage levy of 2.7000 mill may not be adequate to contribute funding to the Fire Capital Fund (402)
- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

Fire Operating Fund: Revenue / Expenditure / Fund Balance



Fire Operating Fund / Takeaway Points:

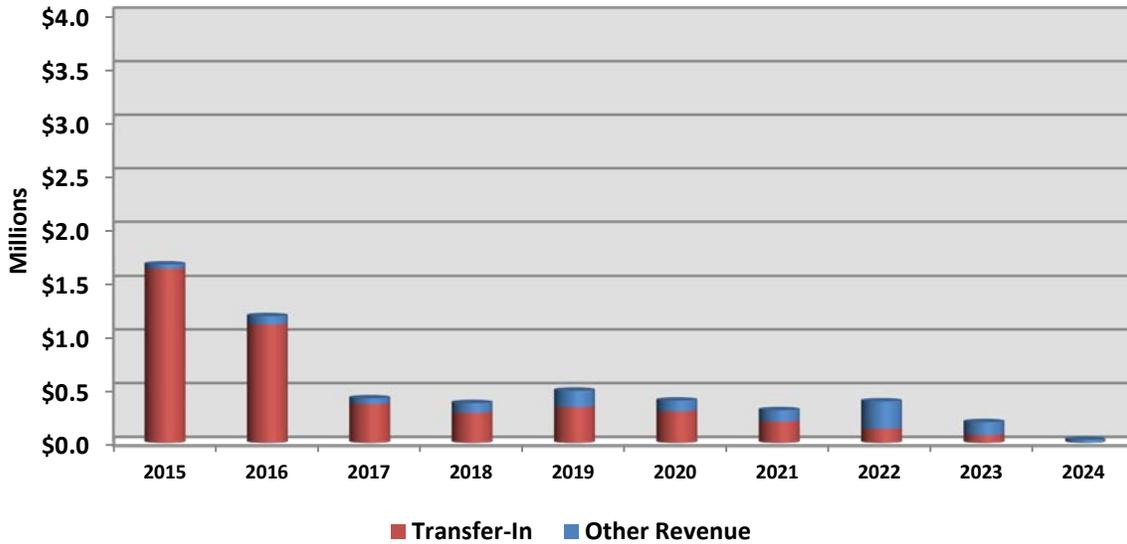
- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- It is projected that by 2024, the existing Fire millage levy of 2.7000 mill may not be adequate to contribute funding to the Fire Capital Fund (402)
- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

(402) Fire Capital Fund Forecast

Fire Capital Fund / Revenue Summary:

- The increase in Transfers-In in FY 2015-16 is due to the increase in the Fire millage combined with the salary lapse in time before hiring the new Full-time firefighters
- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

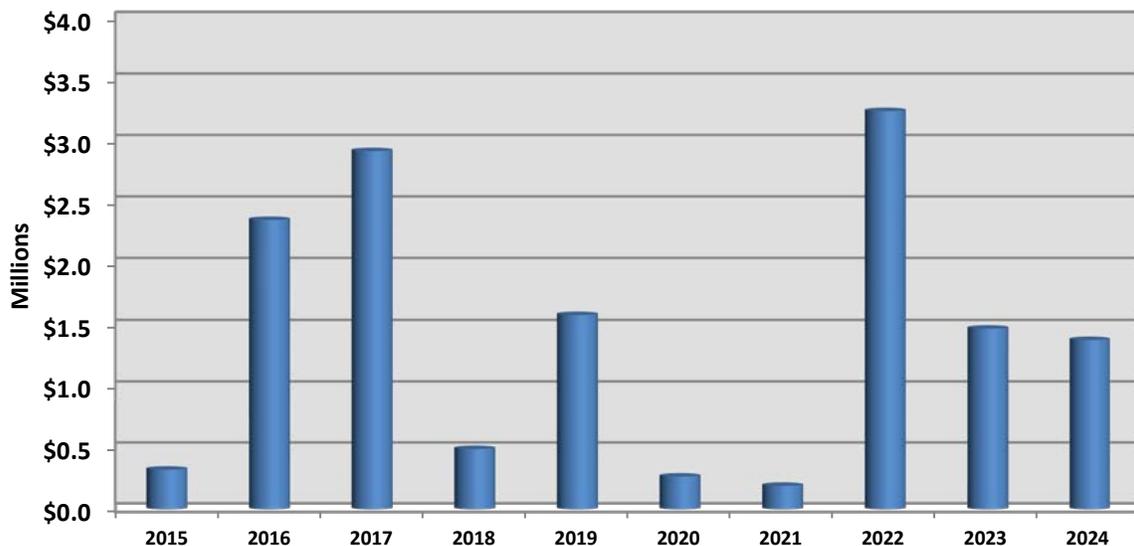
Fire Capital Fund: Total Revenue Trend



Fire Operating Fund / Expenditure Summary:

- Capital Outlay costs for 2018-2024 include all Fire Capital (with updated project budgets) as included in the Adopted 2018-2023 CIP

Fire Capital Fund: Total Expenditure Trend

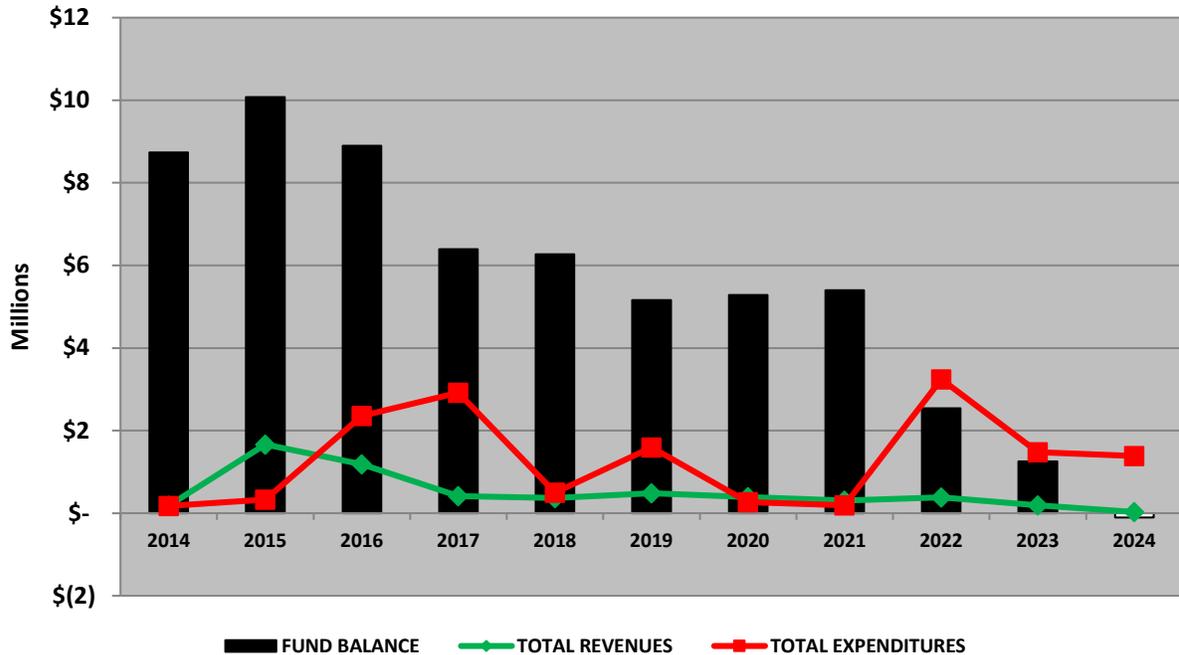


(402) Fire Capital Fund Forecast

Fire Capital Fund / Revenue, Expenditures, Changes in Fund Balance:

- Capital Outlay costs for 2018-2024 include all Fire Capital (with updated project budgets) as included in the Adopted 2018-2023 CIP
- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund
- In FY 2024, the Fire Capital Fund (402) may require additional funding options

Fire Capital Fund: Revenue / Expenditure / Fund Balance



Fire Capital Fund / Takeaway Points:

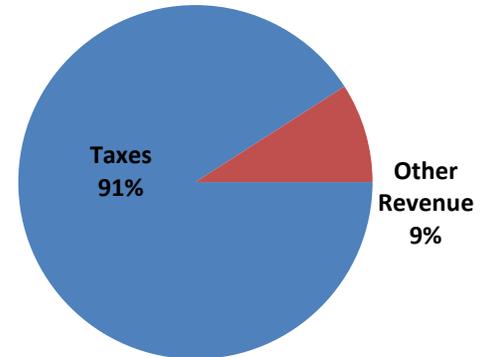
- It is projected that approximately \$500,000-\$750,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund
- In FY 2024, the Fire Capital Fund (402) may require additional funding options

(207) Special Police Fund

SPECIAL POLICE FUND / REVENUES:

- For FY 2017, the primary sources of Special Police Fund revenue are:
 - 91% = Property Taxes
 - 9% = All Other Revenues

**Special Police Fund:
FY 2017 Revenue Sources**



Special Police Fund / Property Taxes:

- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- It is projected that the Special Police Millage II could decrease from 1.5633 (2017) to 1.4890 (2018) to balance annual Special Police expenditures
 - Addition of two (2) officers included in calculation
 - Due to OCSO contract decrease in FY 2017, net contract savings proposed to fund two (2) additional officers

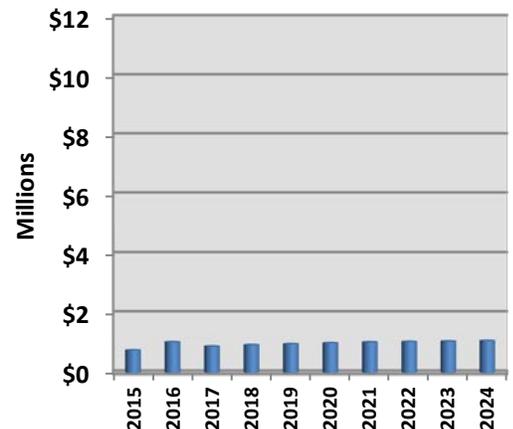
**Special Police Fund:
Property Tax Trend**



Special Police Fund / Other Revenues:

- Includes Fines, District Court Fees, Charges for Service, etc...
- Other revenues are projected to increase from 0.0% to 3.0% per year

**Special Police Fund:
Other Revenue Trend**

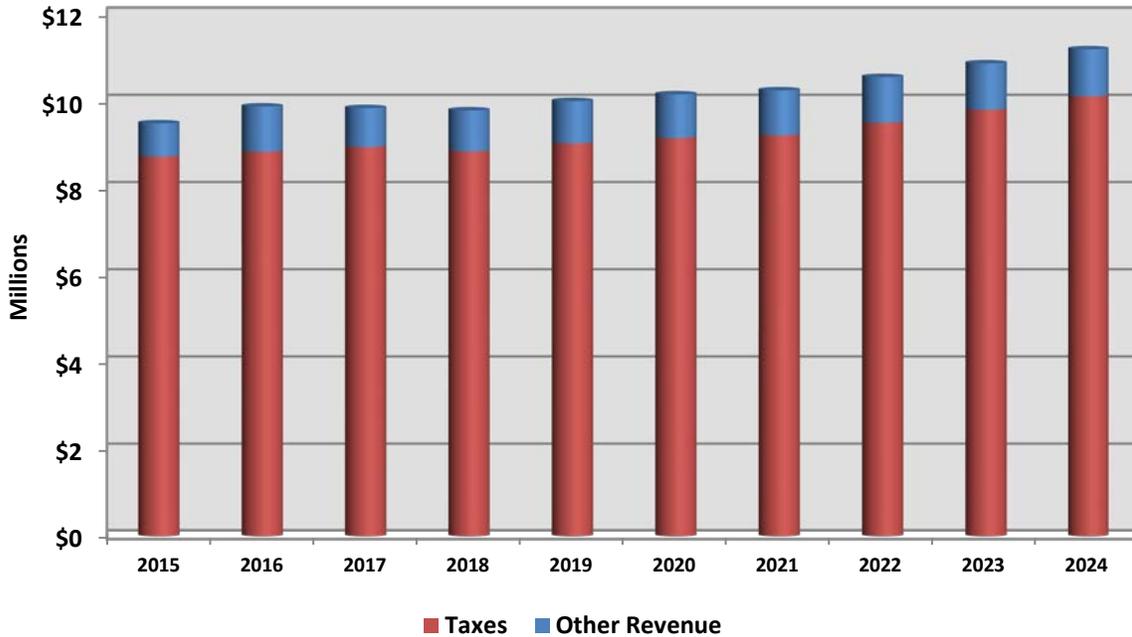


(207) Special Police Fund

Special Police Fund / Revenue Summary:

- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- Police millage II is projected to levy between 1.4890 to 1.5205 mill over the forecast period
 - Current Headlee cap millage rate for Police II millage = 2.4477 mill
 - *The City is projecting to levy considerably less than the maximum levy allowable for Police millage II*

Special Police Fund: Total Revenue Trend

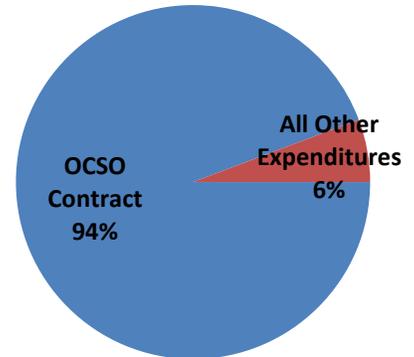


(207) Special Police Fund

SPECIAL POLICE FUND / EXPENDITURES:

- For FY 2017, the primary sources of Special Police Fund expenditures are:
 - 94% = OCSO Contract
 - 6% = All Other Expenditures

**Special Police Fund:
FY 2017 Expenditure Sources**



Special Police Fund / OCSO Contract:

- Proposed increase from 58 to 60 officers included in forecast
 - Recommended by the Public Safety & Infrastructure Committee
 - +1 Additional Deputy II (No-Fill)
 - +1 Additional Patrol Investigator
- FY 2017 = - (2.00%) [per contract]
- FY 2018 = + 2.73% [per contract]
- FY 2019-2024 = + 3.0% per year
 - Due to OCSO contract decrease in FY 2017, net contract savings proposed to be used for two (2) additional officers at similar overall cost

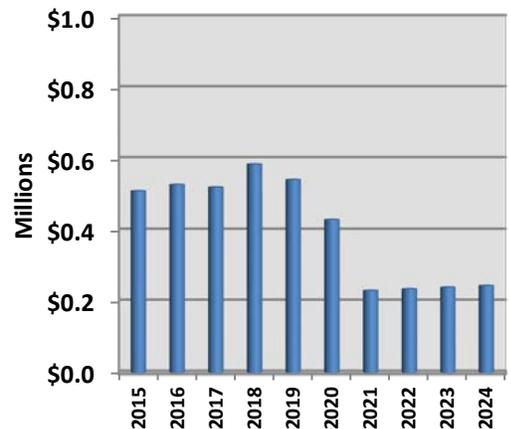
**Special Police Fund:
OCSO Contract Trend**



Special Police Fund / Other Expenditures:

- Supplies, Services, Interfund Charges (including Facilities), Memberships, Debt Service, etc...
- Other expenditures are projected to increase 2.0% per year
- The decrease from FY 2018-2021 is a result of the debt related to the new OCSO Substation construction being paid off
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off

**Special Police Fund:
All Other Expenditure Trend**

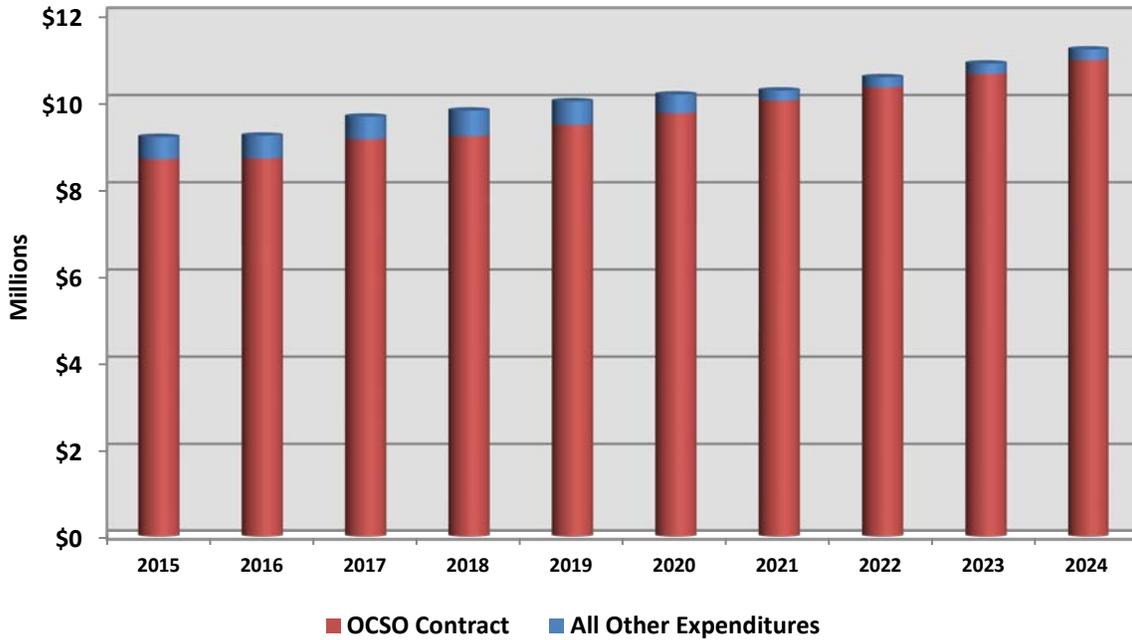


(207) Special Police Fund

Special Police Fund / Expenditure Summary:

- Proposed increase from 58 to 60 officers included in forecast
 - Recommended by the Public Safety & Infrastructure Committee
 - Due to OCSO contract decrease in FY 2017, net contract savings proposed to be used for two (2) additional officers at similar overall cost
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off

Special Police Fund: Total Expenditure Trend

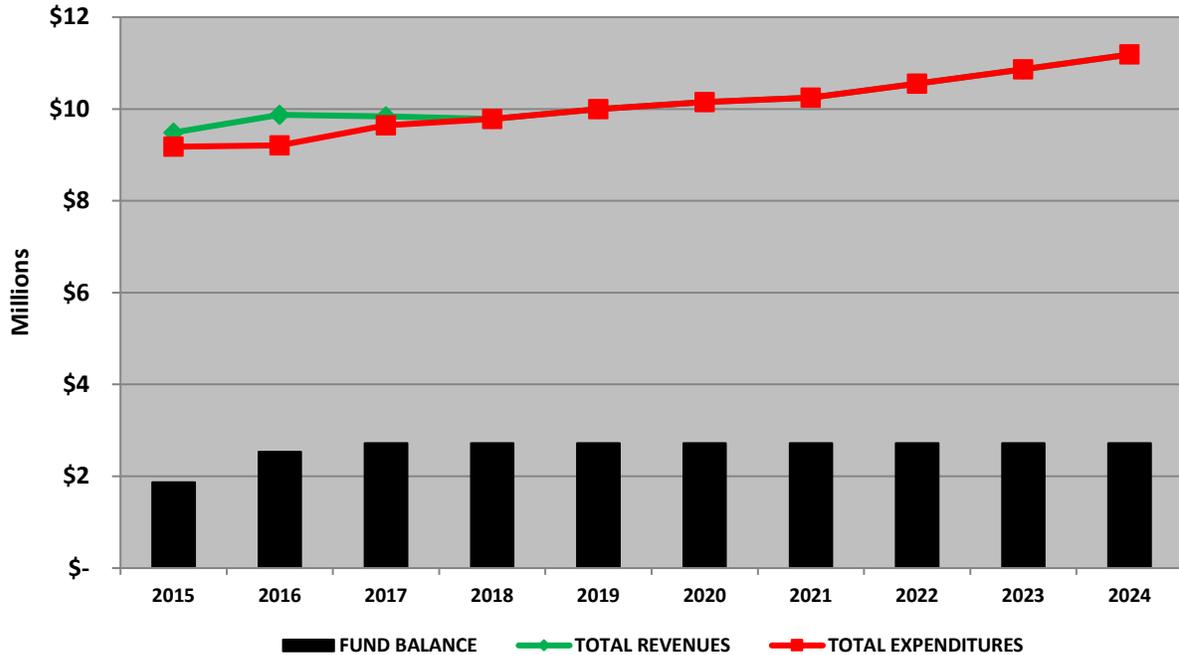


(207) Special Police Fund

Special Police Fund / Revenue, Expenditures, Changes in Fund Balance:

- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- It is projected that the Special Police Millage II could decrease from 1.5633 (2017) to 1.4890 (2018) to balance annual Special Police expenditures

Special Police Fund: Revenue / Expenditure / Fund Balance



Special Police Fund / Takeaway Points:

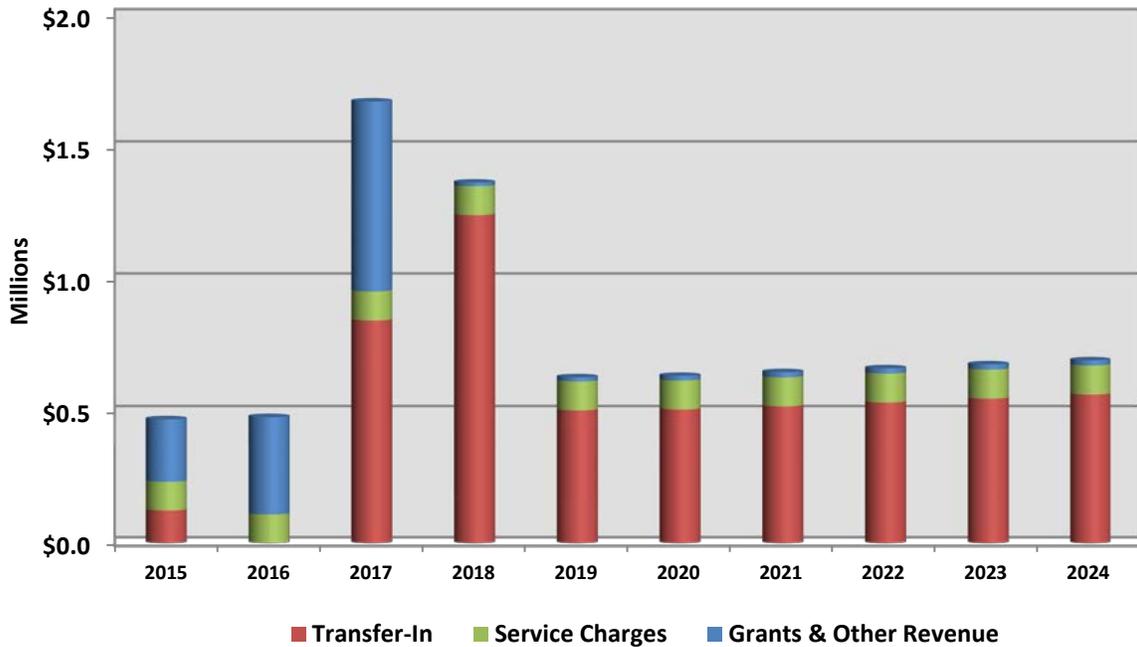
- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- Proposed increase from 58 to 60 officers included in forecast
 - Due to OCSO contract decrease in FY 2017, net contract savings proposed to fund two (2) additional officers at similar overall cost
 - It is projected that the Special Police Millage II could decrease from 1.5633 (2017) to 1.4890 (2018) to balance annual Special Police expenditures
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off
- Police millage II is projected to levy between 1.4890 to 1.5205 mill over the forecast period
 - *Current Headlee cap millage rate for Police II millage = 2.4477 mill*

(244) Water Resources Fund

Water Resources Fund / Revenue Summary:

- Water Resources Fund has very little in dedicated revenue sources
 - Primary funding currently from General Fund transfer-in to balance expenditures
 - General Fund is projected to continue funding Water Resources (244) Fund to balance 244-Fund expenditures
- Grant revenue funding for 2015-2017 comes from the SAW Grant and Avon Creek Phase IV in 2017
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements

Water Resources Fund: Total Revenue Trend

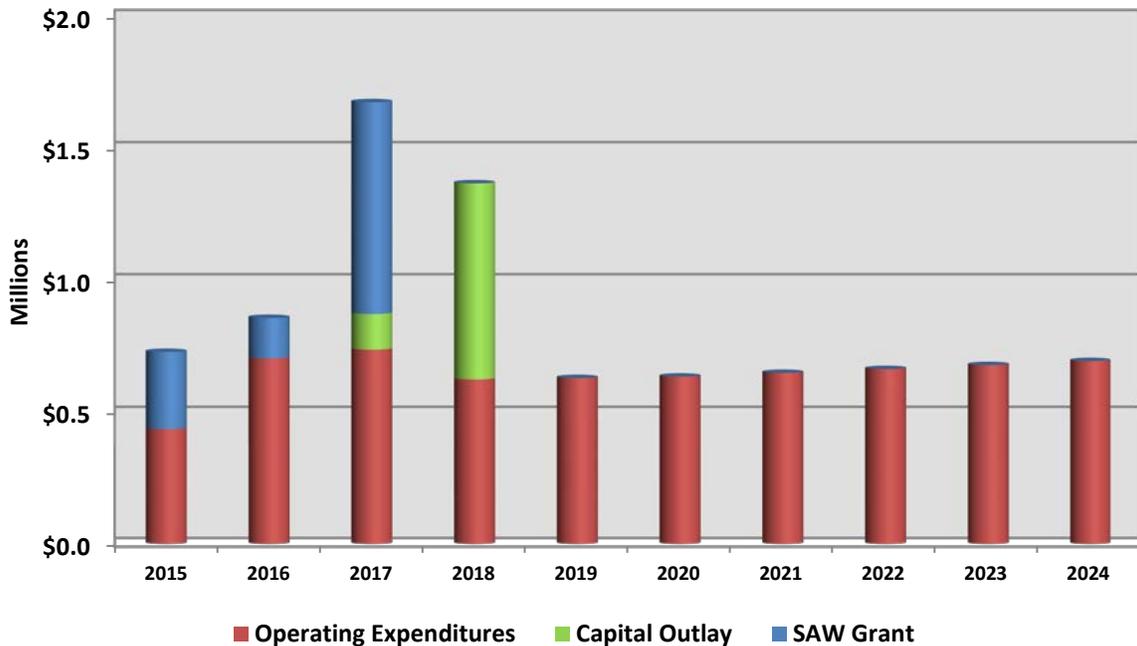


(244) Water Resources Fund

Water Resources Fund / Expenditure Summary:

- Grant expenditures for 2015-2017 comes from the SAW Grant (offsetting revenue)
- The increase in Capital Outlay in FY 2018 is due to projects included in the 2018-2023 CIP
 - Proposed to be funded by General Fund Transfer-In
 - No additional infrastructure projects are included in the projection at this time
- As part of the SAW Grant process, consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs
 - The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements

Water Resources Fund: Total Expenditure Trend

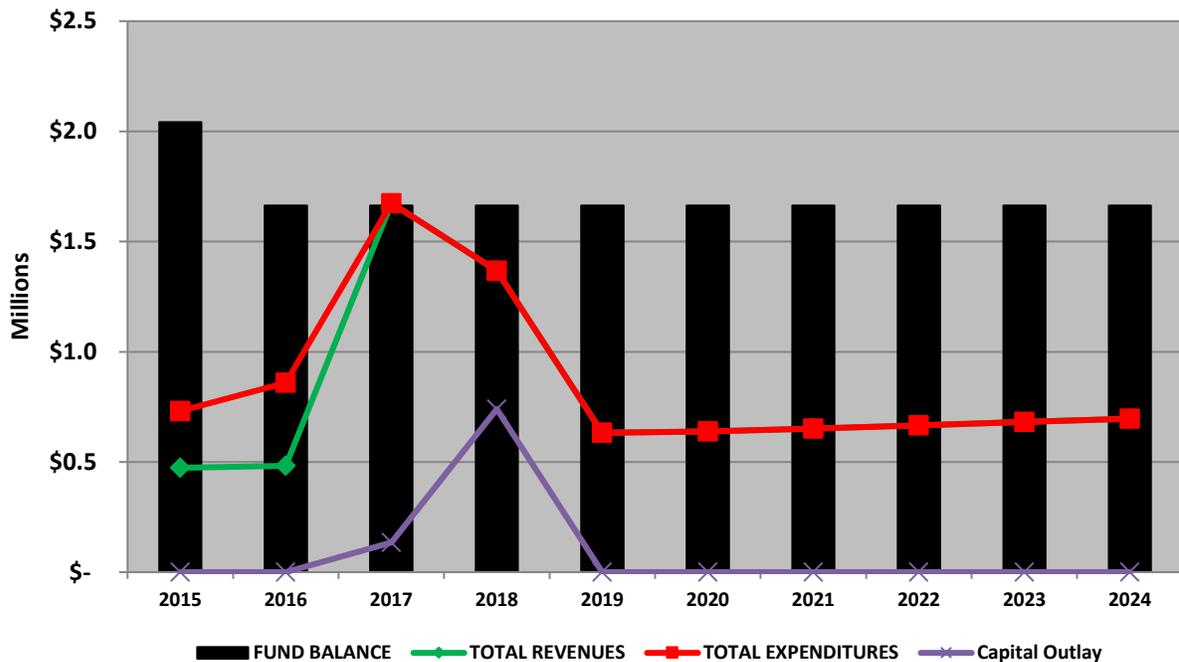


(244) Water Resources Fund

Water Resources Fund / Revenue, Expenditures, Changes in Fund Balance:

- Water Resources Fund has very little in dedicated revenue sources
 - Primary funding currently from General Fund transfer-in to balance expenditures
 - General Fund is projected to continue funding Water Resources (244) Fund to balance 244-Fund expenditures
- As part of the SAW Grant process, consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs for the fund
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements

Water Resources Fund: Revenue / Expenditure / Fund Balance



Water Resources Fund / Takeaway Points

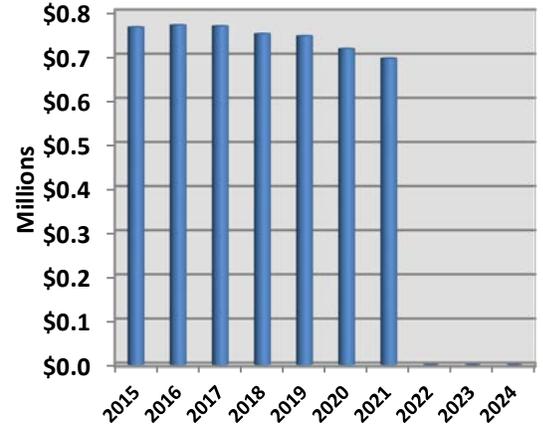
- As part of the SAW Grant process, consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- General Fund is projected to continue funding Water Resources (244) Fund to balance 244-Fund expenditures
- Long-Term potential funding options should be explored as Storm Water infrastructure needs will begin to escalate into the future, this would cause a larger transfer-in from the General Fund to finance the infrastructure costs

(369) OPC Building Debt Service Fund

OPC BUILDING DEBT SERVICE FUND

- For FY 2017, the primary source of OPC Building Debt revenue is Property Tax
- The last year the millage will be levied is for FY 2021
 - For FY 2021, it is estimated that the City will need to collect approximately \$700,000 through the OPC Building Debt millage to pay the final year of debt service
 - Estimated rate in the final year of OPC Building Debt millage = 0.1974 mill

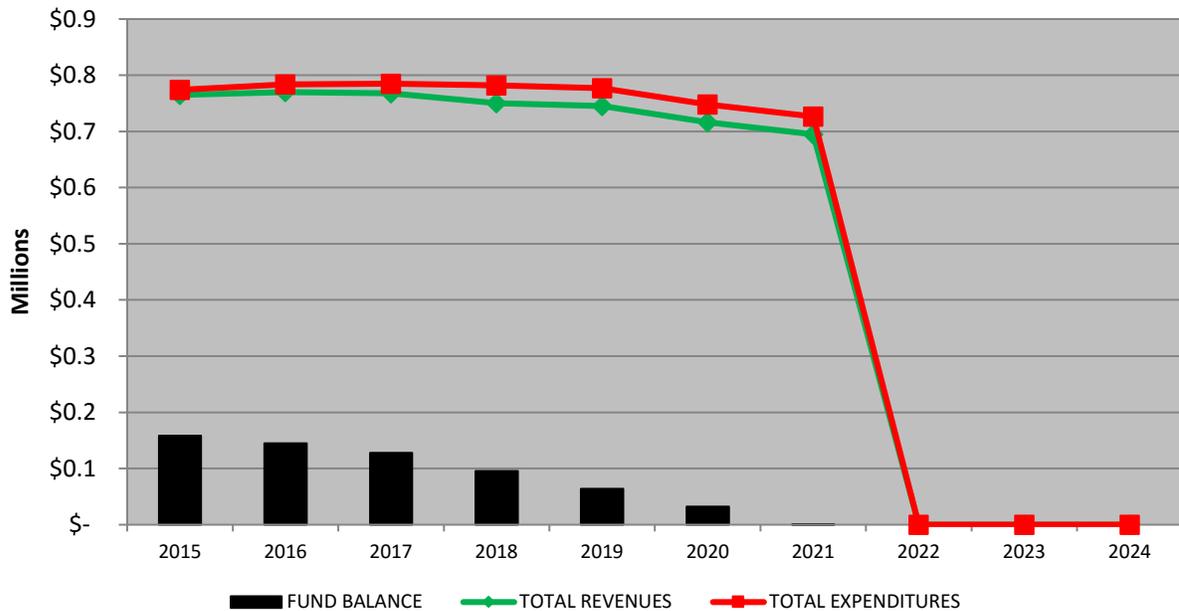
**OPC Building Debt Fund:
Property Tax Trend**



OPC Building Debt Fund / Revenue, Expenditures, Changes in Fund Balance:

- A portion of (369) OPC Building Debt fund balance is utilized each year over the remaining life of the debt issue

**OPC Building Debt Fund:
Revenue / Expenditure / Fund Balance**



OPC Building Debt Fund / Takeaway Points:

- The last year the OPC Building Debt millage will need to be levied covers FY 2021
 - For FY 2021, it is estimated that the City will need to collect approximately \$700,000 through the OPC Building Debt millage to pay the final year of debt service
 - Estimated rate in the final year of OPC Building Debt millage = 0.1974 mill

Final Thoughts of the Seven Year Forecast

- Like many governments nationwide and especially in the State of Michigan, the City of Rochester Hills faced a major economic downturn, which challenged our ability to deliver programs and services supported by property taxes and state revenues
- With City Council's support we have been able to manage through the worst of the economic storm
 - By City Council and Administration working together, we carefully prioritized services and programs
- As we have been told by the City's Auditor, the Financial Forecast has helped the City to get ahead of issues and address them before they become greater problems
 - We have been able to use the projections of the Financial Forecast to move the City to a three-year approach to budgeting
 - We have brought services and expenses in line with revenue resources
 - We have become pro-active on those issues affecting our ability to deliver services to our citizens
 - Including investments in infrastructure
- We appreciate Council's support, without it we might not have been able to manage during the economic downturn as successfully
- There will always be financial challenges but with careful planning many of these challenges can and will be turned into opportunities