

# **CITY OF ROCHESTER HILLS**



## **SEVEN YEAR FINANCIAL FORECAST**

**For Fiscal Years 2020 – 2026**

**Presented: July 29, 2019**



innovative *by* nature

July 29, 2019

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 City Council and the public a forward look at the City's financial picture. This forecast is intended to identify financial trends, issues, and opportunities to enable the City to **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 envision the impact of those service levels, programs, and policies into the future. The Seven-Year Forecast considers the City of Rochester Hills adopted Governmental Funds Fund Balance Policy.

*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 most appropriately. The forecast helps to project economic outcomes, their effects 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**

## **101 – 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
- FY 2019 includes a Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
  - Moving forward, any General Fund Balance in excess of 80% of annual expenditures will be transferred-out to the Capital Improvement Fund
- 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 operating transfer to the Water Resources Fund (244) to balance

## **420 – Capital Improvement Fund / Takeaway Points:**

- The mission of the Capital Improvement Fund is to provide a mechanism to fund certain projects identified in the Capital Improvement Plan (CIP)
- Revenues represent the structural surplus of the General Fund maintained at 80% of annual operating expenditures
- Capital Outlay costs include projects as included in the Adopted CIP

## **202 – Major Road Fund / Takeaway Points:**

- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Other Revenues increased in 2018-2019 due to sources of outside funding for several Major Road projects
- Capital Outlay costs for 2019-2026 include all Major Road projects as included in the CIP
- Proposed for 2020+ to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
- As annual construction eases, it is projected for Major Road fund balance levels to increase into the future

## **203 – Local Street Fund / Takeaway Points:**

- Transfers-In revenue decreased in 2019 to set Local Street Fund Balance at 25% of annual expenditures
  - Moving forward, the annual transfer-in from the General Fund will be in an amount to maintain the Local Street Fund Balance at 25% of annual expenditures
- Proposed for 2020+ to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
  - This will reduce the amount of funding required from the General Fund
- Using the current forecast assumptions, the Local Street Fund is 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, Major Road Fund, and Capital Improvement Fund

# 7-Year Forecast / Executive Summary

## 206 – Fire Operating Fund / Takeaway Points:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The increase in Transfers-Out Expenditures in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
  - Moving forward, the annual transfer-out to the Fire Capital Fund will be in an amount to maintain the Fire Operating Fund Balance at 25% of annual operating expenditures
- It is projected the existing Fire millage levy of 2.7000 mill will be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030+

## 402 – Fire Capital Fund / Takeaway Points:

- Capital Outlay costs for 2019-2026 include all Fire Capital (with updated project budgets) as included in the CIP
- It is projected the existing Fire millage levy of 2.7000 mill will be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030+

## 207 – 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
- Special Police Millage II reduced (2020-2022) to set Special Police Fund Balance at 25% of annual operating expenditures
  - Moving forward, the Special Police Millage II will be set to maintain the Special Police Fund Balance at 25% of annual operating expenditures
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off

## 244 – Water Resources Fund / Takeaway Points:

- General Fund is projected to continue funding Water Resources Fund (244) operations to balance expenditures
- Capital Improvement Fund is projected to fund Water Resources Fund (244) capital projects
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- Long-Term potential funding options should continue to be explored as Storm Water infrastructure needs will begin to escalate into the future, and would cause a larger transfer-in from the General Fund and/or Capital Improvement Fund to finance the infrastructure costs

## 369 – OPC Building Debt Fund / Takeaway Points:

- 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 \$660,000 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 = 0.1793 mill

## Overall Expenditure Assumptions Used in the July 2019 Forecast:

- **Taxable Value:**

FY 2020	4.95%	Actual
FY 2021	3.00%	Projected
FY 2022-2026	2.50%	Projected

- The City is taking a conservative approach to projecting City Taxable Value growth into the future
  - *Taxable Values have increased an average of 3.72% per year the past 5-Years*

- **Millage Rate:**

OPERATING MILLAGE	Actual 2019	Projected 2020	Estimated 2021	Estimated 2022	Estimated 2023	Estimated 2024	Estimated 2025	Estimated 2026
Charter Operating	2.4959	2.6582	2.6689	2.7798	2.6567	2.6408	2.6248	2.6459
Local Street I	0.3444	0.3418	1.0965	1.0965	1.0965	1.0965	1.0965	1.0965
Local Street II	0.4718	0.4683	-	-	-	-	-	-
Local Street III	0.2886	0.2864	-	-	-	-	-	-
Fire Fund	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Special Police I	1.1742	1.1655	1.1655	1.1655	1.1655	1.1655	1.1655	1.1655
Special Police II	1.2725	1.1640	1.1640	1.1640	1.2871	1.3030	1.3190	1.3351
Pathway	0.1803	0.1789	0.1789	0.1789	0.1789	0.1789	0.1789	0.1789
RARA: Operating	0.1893	0.1878	0.1878	0.1878	0.1878	0.1878	0.1878	0.1878
OPC: Operating	0.2334	0.2316	0.2316	0.3000	0.3000	0.3000	0.3000	0.3000
OPC: Transportation	0.0971	0.0963	0.0963	0.0963	0.0963	0.0963	0.0963	0.0963
Library: Operating	0.7602	0.7545	0.7545	0.7545	0.7545	0.7545	0.7545	0.7545
<b>TOTAL OPERATING MILLAGE</b>	<b>10.2077</b>	<b>10.2333</b>	<b>10.2440</b>	<b>10.4233</b>	<b>10.4233</b>	<b>10.4233</b>	<b>10.4233</b>	<b>10.4605</b>

DEBT MILLAGE	Actual 2019	Projected 2020	Estimated 2021	Estimated 2022	Estimated 2023	Estimated 2024	Estimated 2025	Estimated 2026
Drain Debt Fund	0.0394	0.0372	0.0372	0.0372	0.0372	0.0372	0.0372	-
Older Persons Refunding: 2010 Series	0.2134	0.1900	0.1793	-	-	-	-	-
<b>TOTAL DEBT MILLAGE</b>	<b>0.2528</b>	<b>0.2272</b>	<b>0.2165</b>	<b>0.0372</b>	<b>0.0372</b>	<b>0.0372</b>	<b>0.0372</b>	<b>-</b>

TOTAL MILLAGE RATE	Actual 2019	Projected 2020	Estimated 2021	Estimated 2022	Estimated 2023	Estimated 2024	Estimated 2025	Estimated 2026
<b>TOTAL MILLAGE RATE</b>	<b>10.4605</b>							

- The bottom line City millage rate of **10.4605** is held consistent throughout the forecast period of 2020-2026
  - The 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
    - Forecasted that OPC will increase Operating millage to 0.3000 mill in 2022

## **Overall Expenditure Assumptions Used in the July 2019 Forecast:**

- **State Shared Revenue:**

FY 2020-2026	2.00%	Projected
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- State-shared revenue represents the share of sales tax distributed by the State of Michigan to the City of Rochester Hills
- The City is taking a conservative approach to projecting State Shared Revenue growth into the future
  - *State-shared revenues have increased an average of 3.92% per year the past 5-Years*

- **Act 51 Revenue:**

FY 2020-2026	2.00%	Projected
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- State of MI Gasoline tax (Act 51) distributed to local units based upon miles of roads
- The City is taking a conservative approach to projecting Act 51 revenue growth into the future
  - *Act 51 revenues have increased an average of 9.84% per year the past 5-Years due to an increase in the State Gasoline tax in FY 2017*

- **Interest Rates:**

FY 2020	2.00%	Actual
FY 2021	1.75%	Projected
FY 2022-2026	1.75%	Projected

- The Federal Reserve Board has signaled that they may reduce the Federal Funds Rate if economic conditions deteriorate
- The City is taking a conservative approach to projecting investment revenue, projecting two (2) rate cuts within the next 12-months
  - *As of 06/30/2019 the City's average weighted yield returned 2.58%*

- **2019 Budget Information:**

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

- **Capital Projects:**

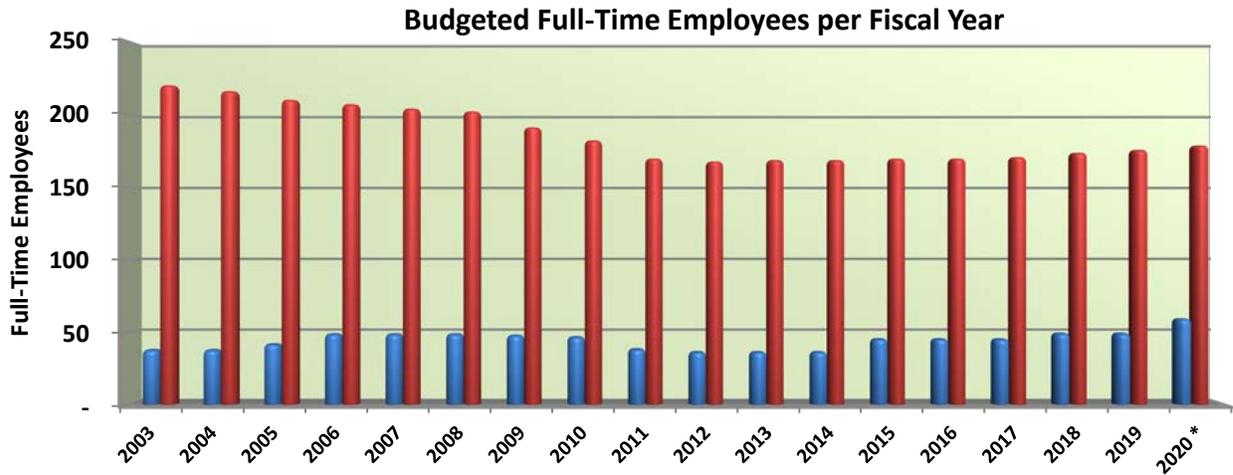
- All capital projects were reviewed and updated with revised cost estimates based upon current market conditions as part of the FY 2020-2025 CIP process

- **Staffing Levels:**

- 2020-2026 Long-Term Forecast projects the proposed addition of staff:
  - Fire Staff:
    - 10 additional Fire staff members
      - 8 x Firefighter – Emergency Medical Technicians
      - 2 x Fire Inspectors
  - All Other City Staff:
    - 3 x additional Other City Staff members

## Overall Expenditure Assumptions Used in the July 2019 Forecast:

- 1 x Administrative Assistant / Human Resources
  - Part-Time to Full-Time
- 1 x Building Permit Technician
- 1 x Mechanic I / Fleet
  - Part-Time to Full-Time



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 *
Fire Staff	38	38	42	49	49	48	47	38	36	36	36	45	45	45	49	49	59	
All Other City Staff	220	216	210	207	204	191	182	170	168	169	169	170	170	171	174	176	179	

- **Salary and Wages**

FY 2020-2026	2.50%	Projected
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- Consistent with recently adopted Union contracts

- **Sheriff Contract**

FY 2020	2.92%	Per OCSO Contract
FY 2021	2.91%	Per OCSO Contract
FY 2022-2026	3.00%	Projected

- Consistent with recently adopted OCSO contract

- **Health Care**

FY 2020-2026	7.00%	Projected
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- Based on information provided by City's Healthcare broker

- **General Inflation**

FY 2020-2026	2.00%	Projected
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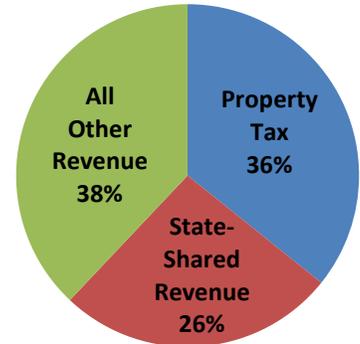
- Based on Federal Reserve Board inflation target

# (101) General Fund Forecast

## GENERAL FUND / REVENUES:

- For FY 2019, the primary sources of General Fund revenue are:
  - 36% = Property Tax
  - 26% = State Shared Revenue
  - 38% = All Other Revenue
    - Charges for Services, License & Permits

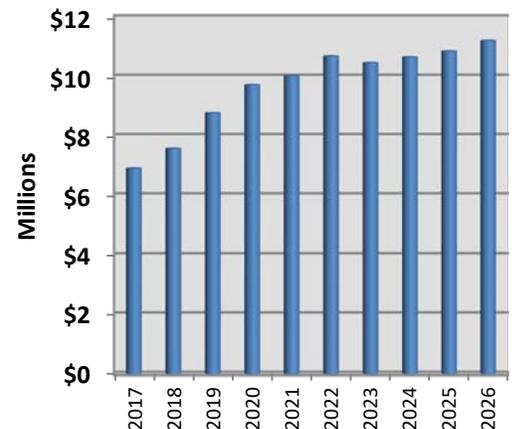
### General Fund: FY 2019 Revenue Sources



## 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
  - Please note: The increase in FY 2017 due to one-time accounting timing of recognizing State-Shared Revenue in FY 2017

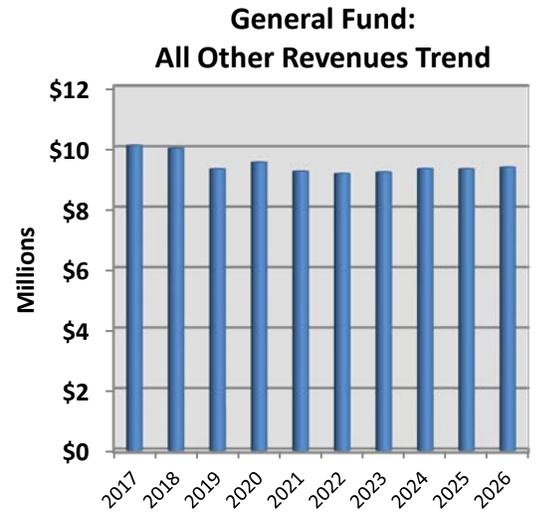
### General Fund: State Shared Revenue Trend



# (101) General Fund Forecast

## General Fund / Other Revenues:

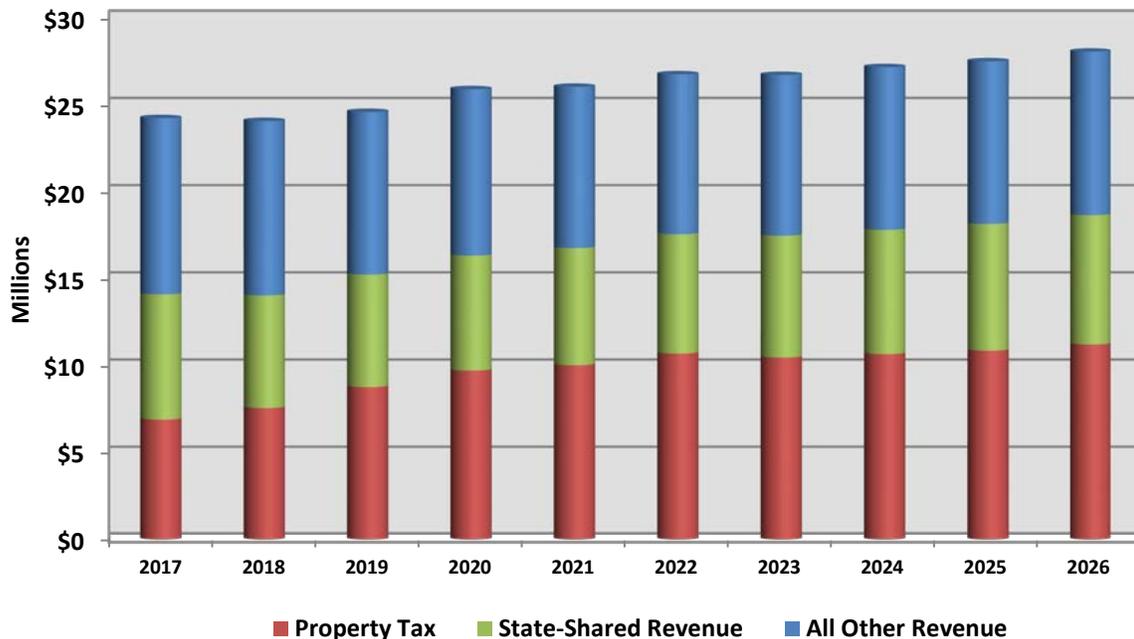
- Charges for Services, License & Permits
  - Building, Ordinance, Clerks, Planning, Parks Department, etc...
    - *Many Building Department revenue projections were conservatively reduced over the next few years to more normal revenue levels*
  - Other revenues are conservatively projected



## General Fund / Revenue Summary:

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

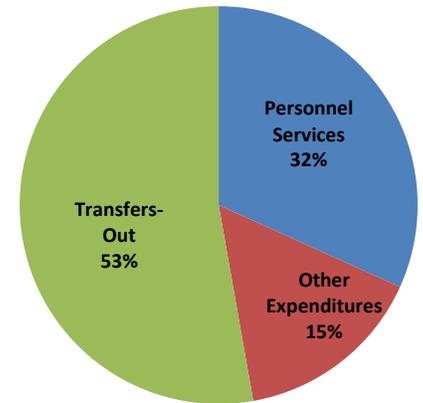


# (101) General Fund Forecast

## GENERAL FUND / EXPENDITURES:

- For FY 2019, the primary sources of General Fund expenditures are:
  - 32% = Personnel Services
  - 15% = Other Expenditures
    - Supplies, Services, Interfund Charges, Memberships, etc...
  - 53% = Transfers-Out to other funds
    - *FY 2019 includes the Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures*

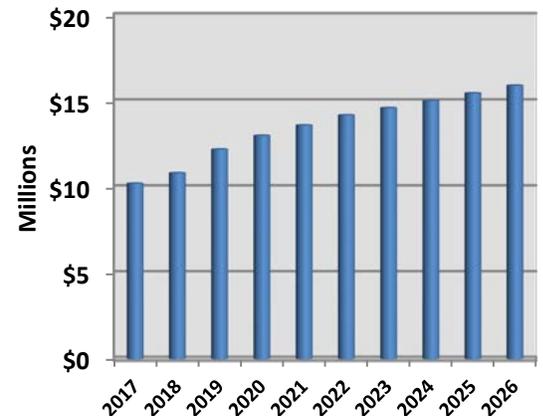
**General Fund:  
FY 2019 Expenditure Sources**



## **General Fund / Personnel Services:**

- Salary and Wages are projected to increase 2.5% per year
  - *The increase from 2017-18 to 2019 is due to actual personnel expenditures routinely coming in under budget due to some level of salary lapse (vacant positions) each year*
- 2 x additional City Staff members to General Fund
  - 1 x Administrative Assistant / HR
    - Part-Time to Full-Time
  - 1 x Building Permit Technician

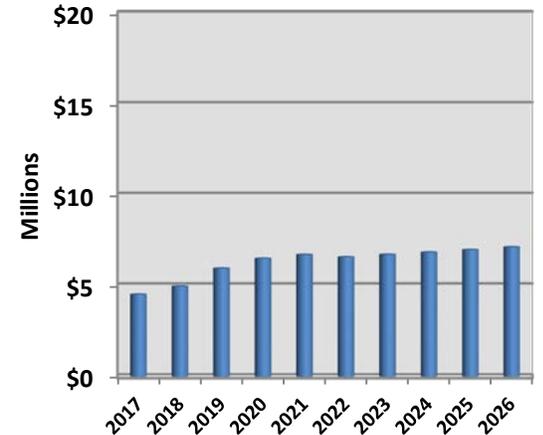
**General Fund:  
Personnel Services Trend**



## **General Fund / Other Expenditures:**

- Supplies, Materials, Professional & Contractual Services, Interfund Charges (Facilities & MIS), Printing & Publishing, etc...
- Other expenditures are projected to increase from 0% to +2% per year
  - *The increase from 2017-18 to 2019 is due to actual expenditures routinely coming in under budget*

**General Fund:  
Other Expenditures Trend**

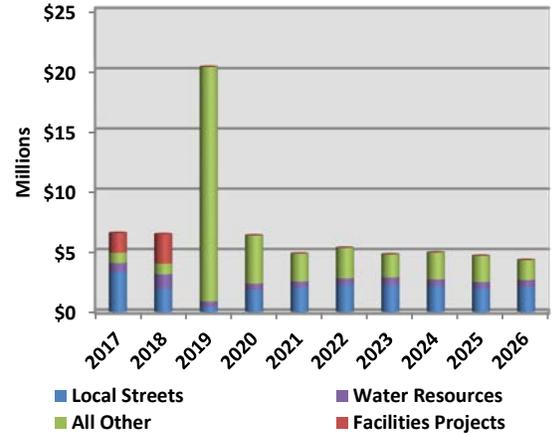


# (101) General Fund Forecast

## General Fund / Transfers-Out:

- FY 2017-2018 includes Facilities Infrastructure and Park related projects as included in the CIP
- FY 2019 includes the Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
  - Moving forward, any General Fund Balance in excess of 80% of annual expenditures will be transferred-out to the Capital Improvement Fund
- 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

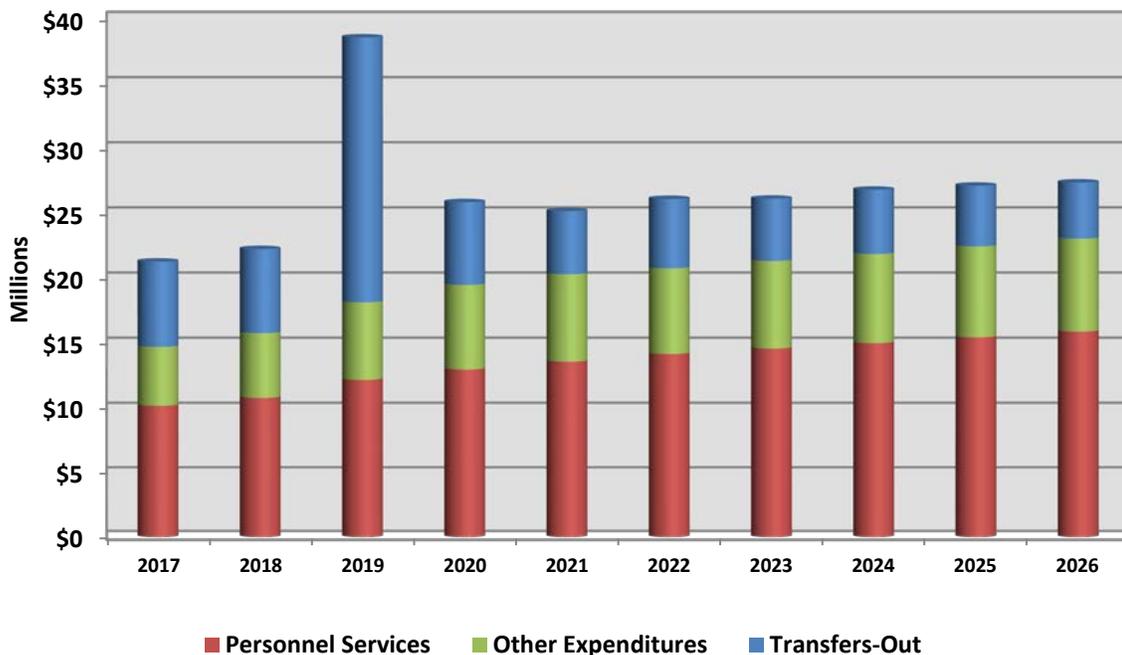
**General Fund:  
Transfers-Out Trend**



## General Fund / Expenditure Summary:

- FY 2019 includes the Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
  - Moving forward, any General Fund Balance in excess of 80% of annual expenditures will be transferred-out to the Capital Improvement Fund

**General Fund: Total Expenditure Trend**

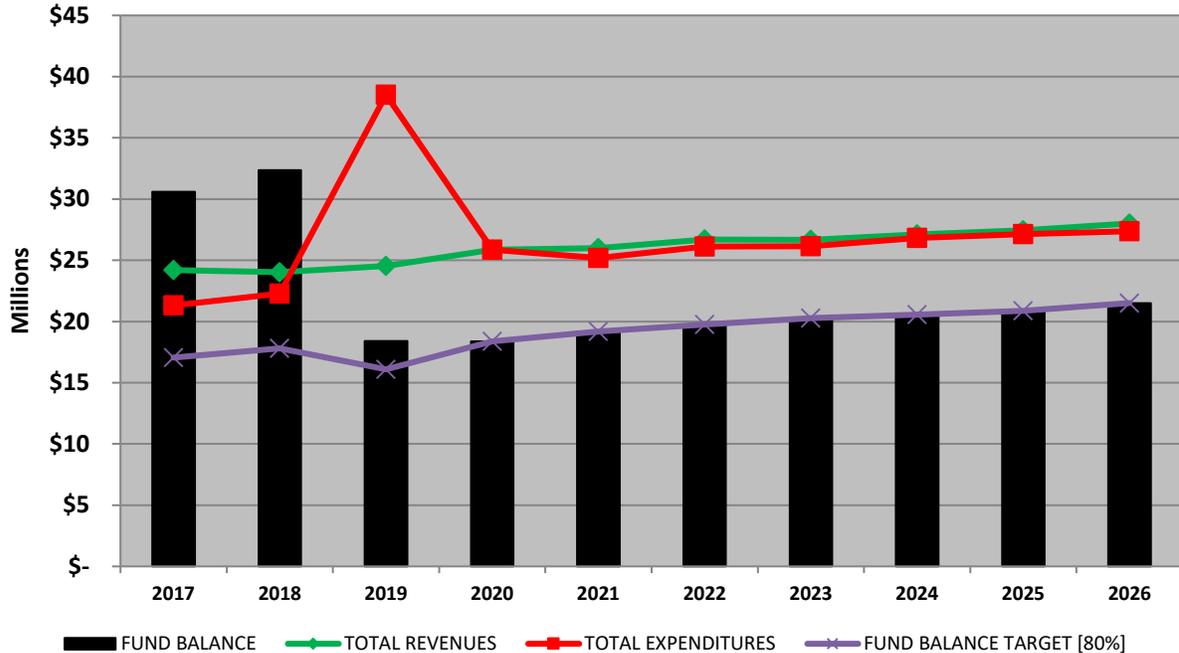


## (101) General Fund Forecast

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

- The decrease in fund balance in FY 2019 is due to Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
  - Moving forward, any General Fund Balance in excess of 80% of annual expenditures will be transferred-out to the Capital Improvement Fund

### General Fund: Revenue / Expenditure / Fund Balance



### General Fund / Takeaway Points:

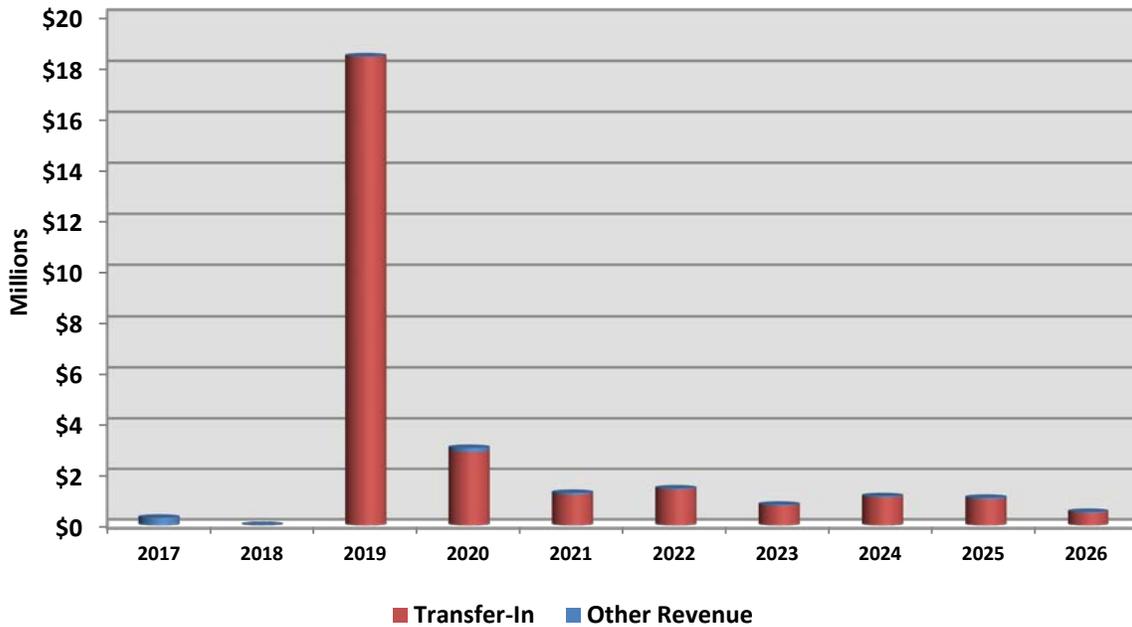
- The General Fund levy is adjusted and set each year to maintain the overall bottom line City millage rate of 10.4605
- FY 2019 includes a Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
  - Moving forward, any General Fund Balance in excess of 80% of annual expenditures will be transferred-out to the Capital Improvement Fund
- 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 operating transfer to the Water Resources Fund (244) to balance

# (420) Capital Improvement Fund Forecast

## Capital Improvement Fund / Revenue Summary:

- The increase in Transfer-In Revenues in FY 2019 is to set the General Fund (101) at 80% of annual operating expenditures
  - Moving forward, any General Fund Balance in excess of 80% of annual expenditures will be transferred-out to the Capital Improvement Fund

## Capital Improvement Fund: Total Revenue Trend

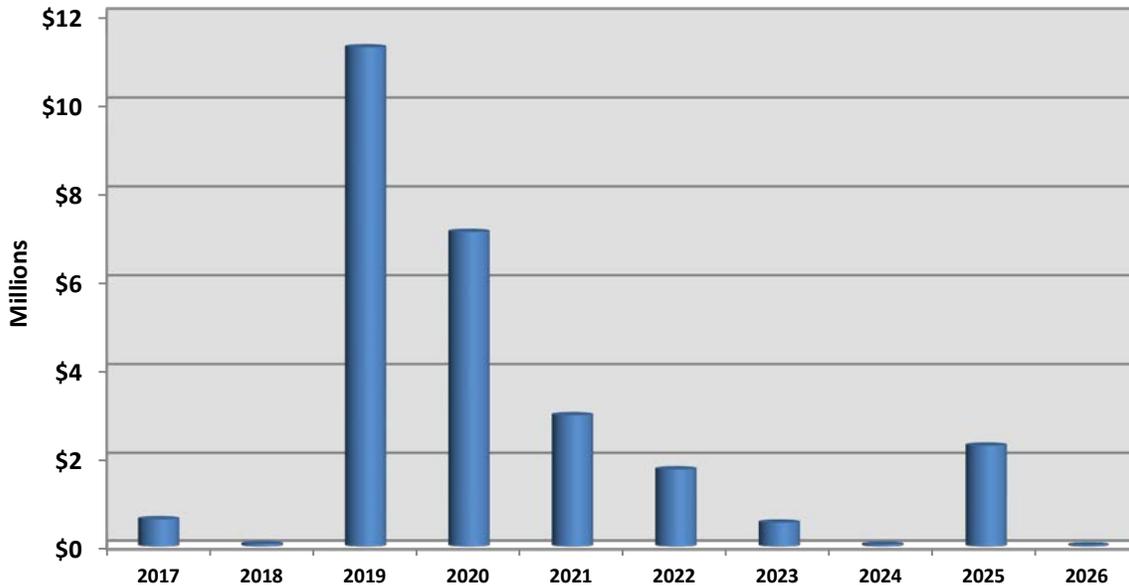


# (420) Capital Improvement Fund Forecast

## Capital Improvement Fund / Expenditure Summary:

- Capital Outlay costs for 2019-2026 include projects as included in the City’s annual Capital Improvement Plan (CIP):
  - 2019 Budget:
    - \$7.5M = Auburn Road Corridor
    - \$0.9M = Local Street projects / School Road Paving
    - \$2.0M = Facility Improvement projects
    - \$0.5M = Technology Improvement projects
  - 2020:
    - \$1.2M = Local Street SAD projects
    - \$2.0M = Facility Improvement projects
    - \$3.7M = Dairy Barn Roof Replacement
  - 2021:
    - \$2.7M = Facility Improvement projects
  - 2022:
    - \$1.5M = Facility Improvement projects

## Capital Improvement Fund: Total Expenditure Trend

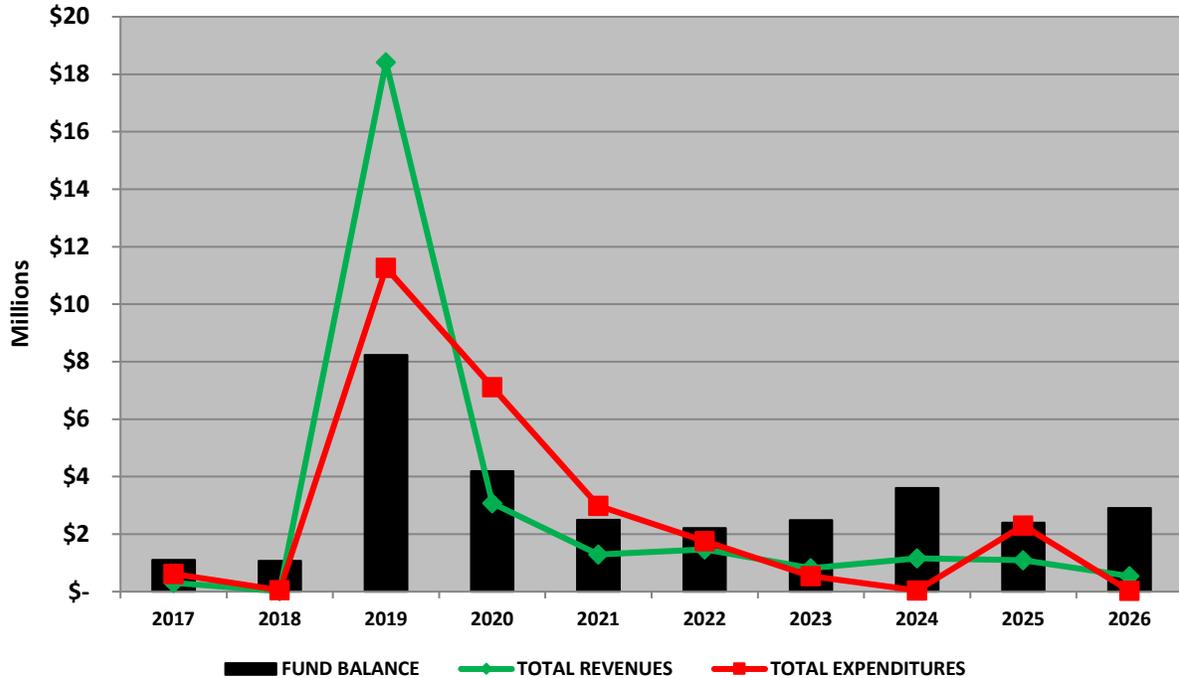


# (420) Capital Improvement Fund Forecast

## Capital Improvement Fund / Revenue, Expenditures, Changes in Fund Balance:

- The increase in Transfer-In Revenues in FY 2019 is to set the General Fund (101) at 80% of annual operating expenditures
  - Moving forward, any General Fund Balance in excess of 80% of annual expenditures will be transferred-out to the Capital Improvement Fund
- Capital Outlay costs for 2019-2026 include projects as included in the City's annual Capital Improvement Plan (CIP)

## Capital Improvement Fund: Rev / Exp / Fund Balance



## Capital Improvement Fund / Takeaway Points:

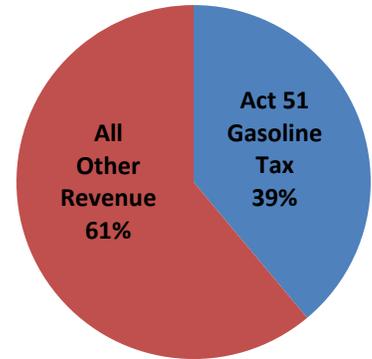
- The mission of the Capital Improvement Fund is to provide a mechanism to fund certain projects identified in the Capital Improvement Plan (CIP)
- Revenues represent the structural surplus of the General Fund maintained at 80% of annual operating expenditures
- Capital Outlay costs include projects as included in the Adopted CIP

# (202) Major Road Fund Forecast

## MAJOR ROAD FUND / REVENUES:

- For FY 2019, the primary sources of Major Road Fund revenue are:
  - 39% = Act 51 Gasoline Tax
  - 61% = All Other Revenue
    - *Please Note: All Other Revenue is a much greater proportion of Major Road Fund Revenues in FY 2019 due to funding from the State of Michigan for the Livernois Reconstruction Project, as well as grants received for Auburn Road Corridor project*

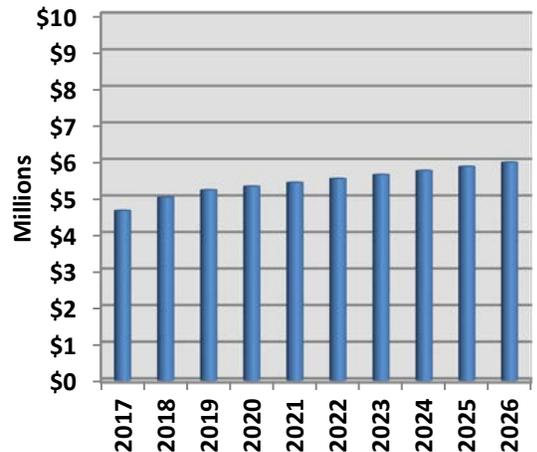
**Major Road Fund:  
FY 2019 Revenue Sources**



## Major Road / Act 51 Gasoline Tax Revenue:

- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Act 51 Gasoline Tax revenues are projected to increase 2.0% per year

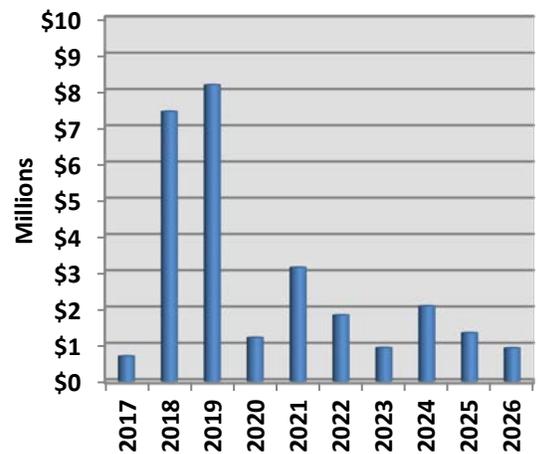
**Major Road Fund:  
Act 51 Gasoline Tax Trend**



## Major Road / Other Revenues:

- The increase in Other Revenue in 2018-2022:
- 2018:
  - \$2.0M from LDFA for Hamlin Road
  - \$920K from Auburn Hills for Hamlin Road
  - \$2.3M from RCOC for Hamlin Road
  - \$1.7M from State of MI for South Blvd & Livernois
  - \$1.2M from MDOT for Auburn Rd jurisdiction change
- 2019:
  - \$4.0M from Capital Improvement Fund (420) for Auburn Corridor Project
    - Sidewalks, Storm Sewer, Parking Lots
  - \$3.6M from State of MI for Federal Share of Livernois
  - \$480K Grant for Auburn Corridor Project
- 2021:

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



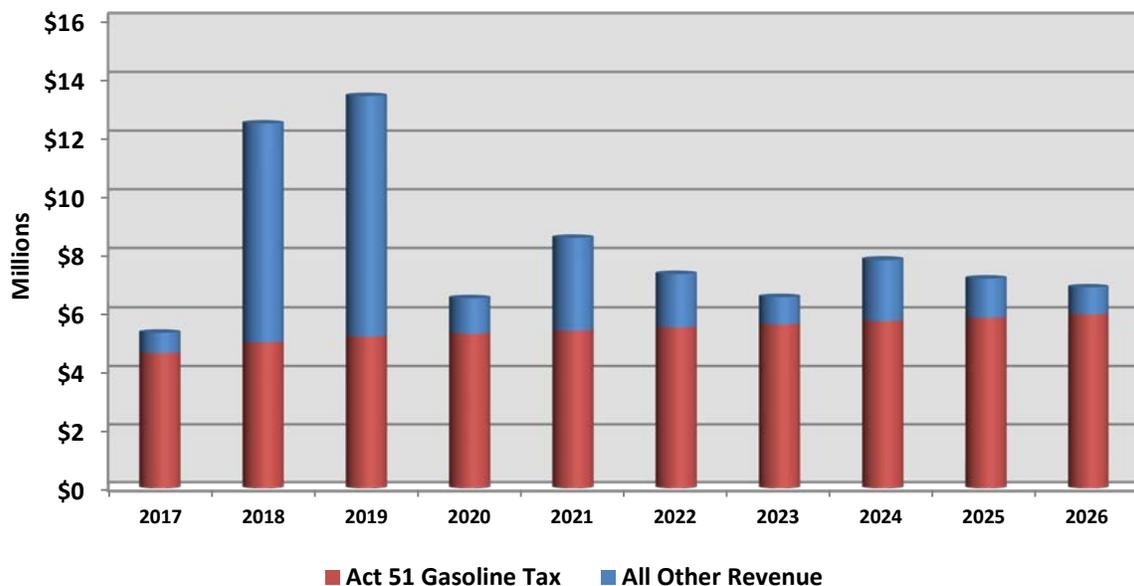
## (202) Major Road Fund Forecast

- \$2.4M from LDFA for Waterview Reconstruction
- 2022:
  - \$1.1M from LDFA for Old Adams / Forester Reconstruction

### Major Road / Revenue Summary:

- Due to changes in the State of MI Gasoline tax, starting in FY 2017 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 2018-2022:
- 2018:
  - \$2.0M from LDFA for Hamlin Road
  - \$920K from Auburn Hills for Hamlin Road
  - \$2.3M from RCOC for Hamlin Road
  - \$1.7M from State of MI for South Blvd & Livernois
  - \$1.2M from MDOT for Auburn Rd jurisdiction change
- 2019:
  - \$4.0M from Capital Improvement Fund (420) for Auburn Corridor Project
    - Sidewalks, Storm Sewer, Parking Lots
  - \$3.6M from State of MI for Federal Share of Livernois
  - \$480K Grant for Auburn Corridor Project
- 2021:
  - \$2.4M from LDFA for Waterview Reconstruction
- 2022:
  - \$1.1M from LDFA for Old Adams / Forester Reconstruction

### Major Road Fund: Total Revenue Trend

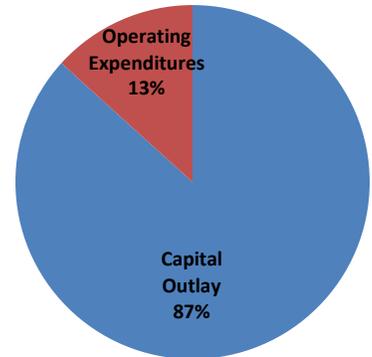


# (202) Major Road Fund Forecast

## MAJOR ROAD FUND / EXPENDITURES:

- For FY 2019, the primary sources of Major Road Fund expenditures are:
  - 13% = Operating Expenditures
  - 87% = Capital Outlay
    - *This proportion will vary based upon the level of capital outlay scheduled in a particular Fiscal Year*

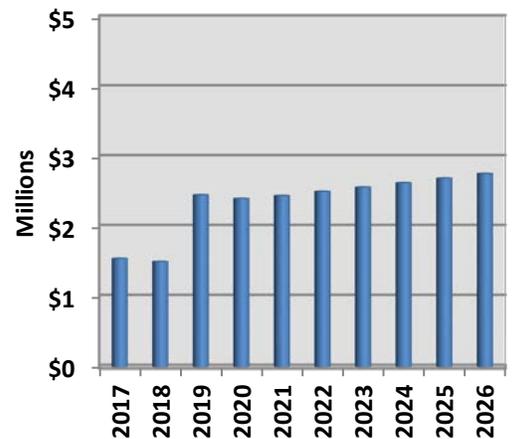
**Major Road Fund:  
FY 2019 Expenditure Sources**



## 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 increase in 2017-2018 to 2019+ is due to actual operating expenditures routinely coming in under budget

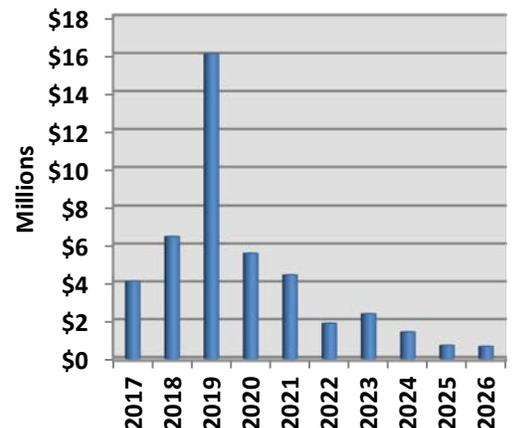
**Major Road Fund:  
Operating Expenditure Trend**



## Major Road Fund / Capital Outlay:

- Capital Outlay costs for 2019-2026 include all Major Road projects as included in the Adopted CIP
  - 2018 = Hamlin [E City Limits]
  - 2019 = Auburn Corridor & Livernois [Avon – Walton]
  - 2020 = Auburn [Rochester-Culbertson], Austin, John R [Avon-Bloomer], Harding
  - 2021 = Avon Industrial, Waterview (LDFA Funded)
  - 2022 = Old Adams & Forester (LDFA Funded)
- 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**

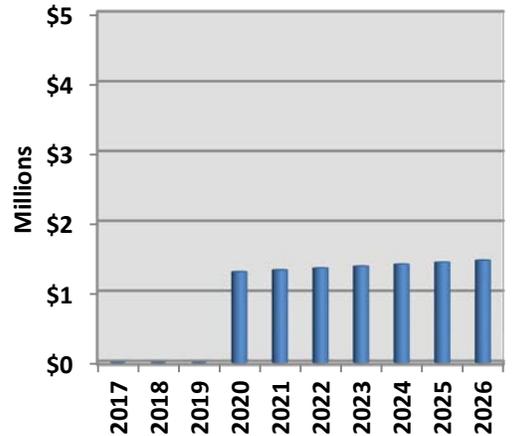


# (202) Major Road Fund Forecast

## Major Road Fund / Transfer-Out:

- Proposed for 2020+ is to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
  - Per Act 51 requirements, a community can transfer up to 50% of Major Road Act 51 monies to the Local Street Fund
  - The City proposes to transfer 25% of Major Road Act 51 monies to the Local Street Fund

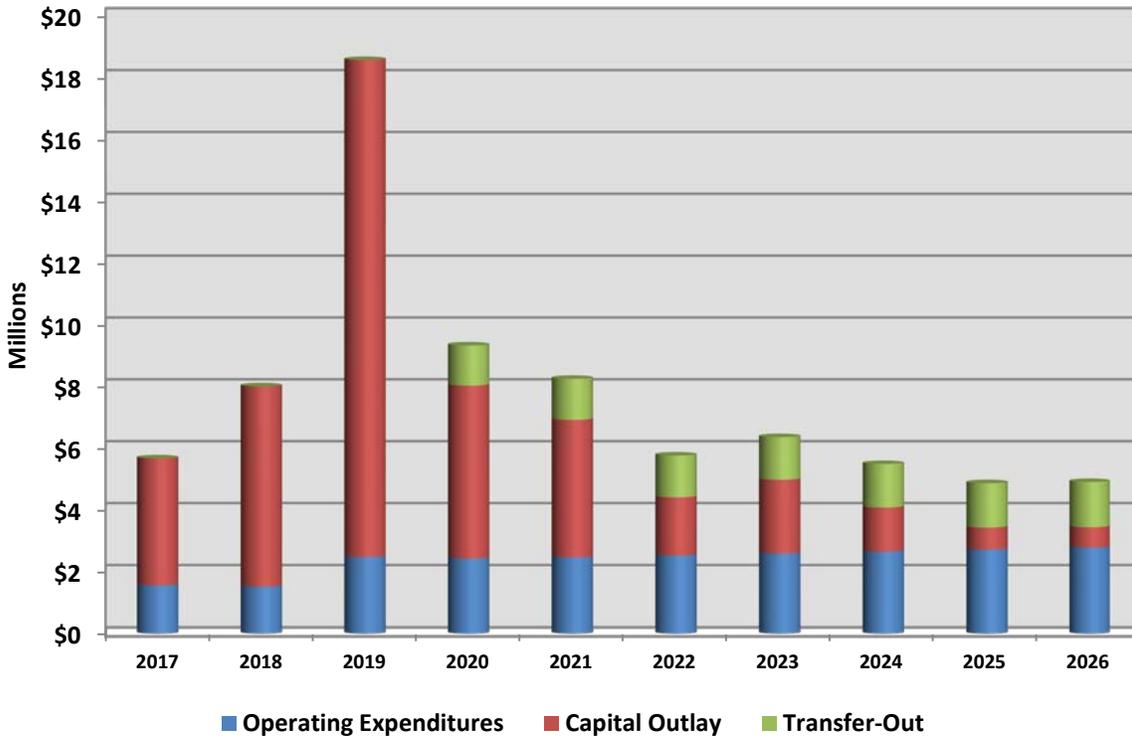
**Major Road Fund:  
Transfer-Out Expenditure Trend**



## Major Road Fund / Expenditure Summary:

- Capital Outlay costs for 2019-2026 include all Major Road projects as included in the CIP
- Proposed for 2020+ is to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)

**Major Road Fund: Total Expenditure Trend**

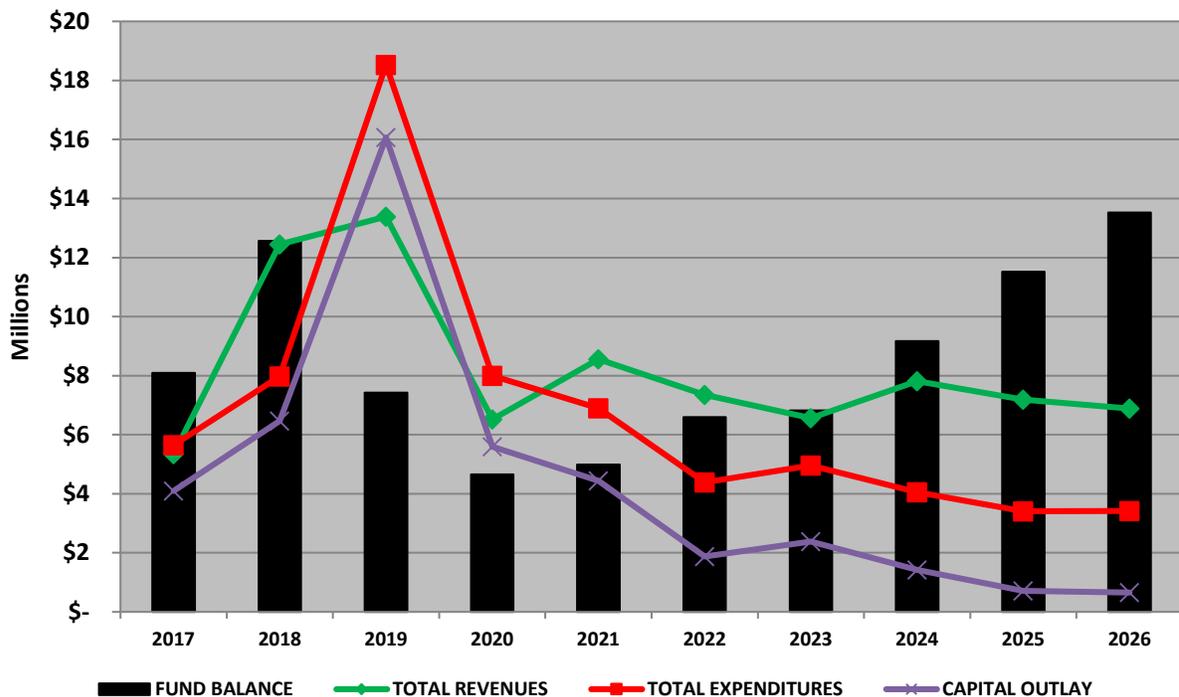


## (202) Major Road Fund Forecast

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

- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Other Revenues increased in 2018-2019 due to sources of outside funding for several Major Road projects
- Capital Outlay costs for 2019-2026 include all Major Road projects as included in the CIP
- Proposed for 2020+ is to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
- 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:

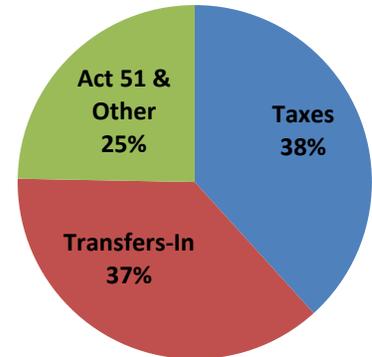
- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Other Revenues increased in 2018-2019 due to sources of outside funding for several Major Road projects
- Capital Outlay costs for 2019-2026 include all Major Road projects as included in the CIP
- Proposed for 2020+ is to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
- 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 2019, the primary sources of Local Street Fund revenue are:
  - 38% = Property Taxes
    - Local Street I, II, III
  - 25% = Act 51 & All Other Revenue
  - 37% = Transfers-In
    - From General Fund and Capital Improvement Fund

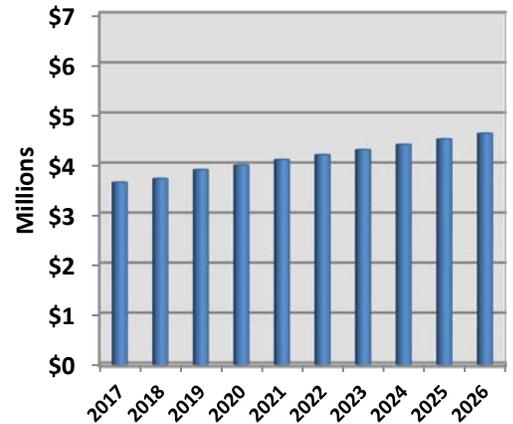
**Local Street Fund:  
FY 2019 Revenue Sources**



## Local Street Fund / Property Taxes:

- 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

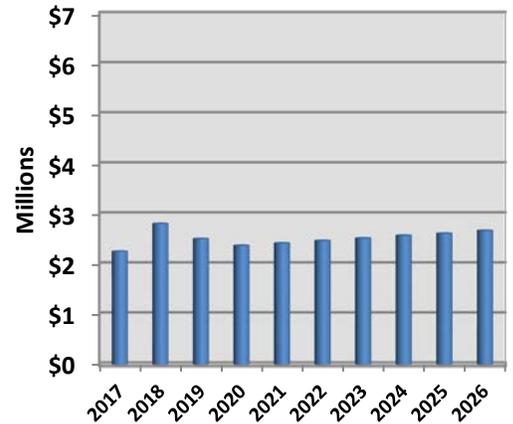
**Local Street Fund:  
Property Tax Trend**



## 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

**Local Street Fund:  
Other Revenue Trend**

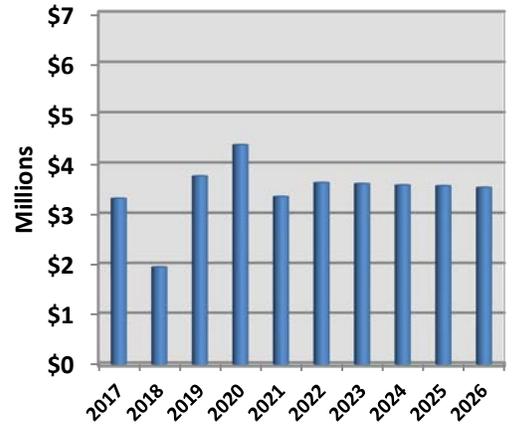


## (203) Local Street Fund Forecast

### Local Street Fund / Transfers-In:

- Moving forward, the annual transfer-in from the General Fund will be in an amount to maintain the Local Street Fund Balance at 25% of annual expenditures
- Transfer-In increase in 2019-2020 due to:
  - Transfer-In from Capital Improvement Fund:
    - 2019 = Auburn Road Corridor
    - 2020 = SAD projects
- Proposed for 2020+ is to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
  - This will reduce the amount of funding required from the General Fund to balance the Local Street Fund

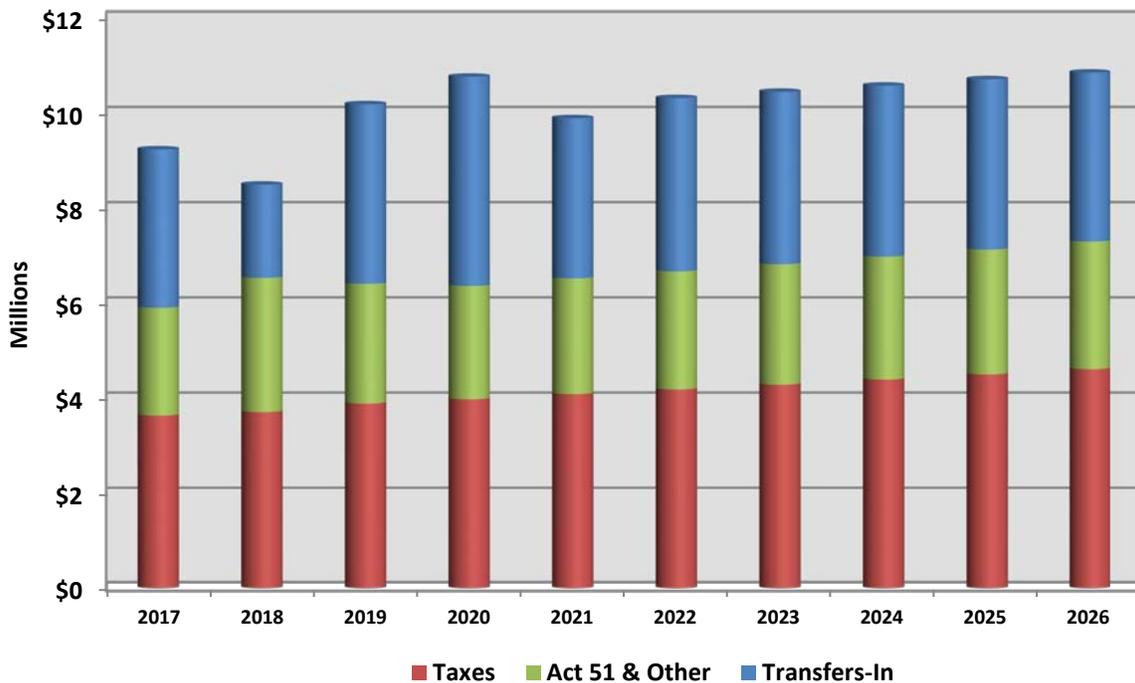
**Local Street Fund:  
Transfers-In Trend**



### Local Street Fund / Revenue Summary:

- Local Street Fund revenues are balanced between Property Tax, Act 51 Revenue, and Transfers-In from the General Fund and Major Road Fund
- Proposed for 2020+ is to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
  - This will reduce the amount of funding required from the General Fund to balance the Local Street Fund

**Local Street Fund: Total Revenue Trend**

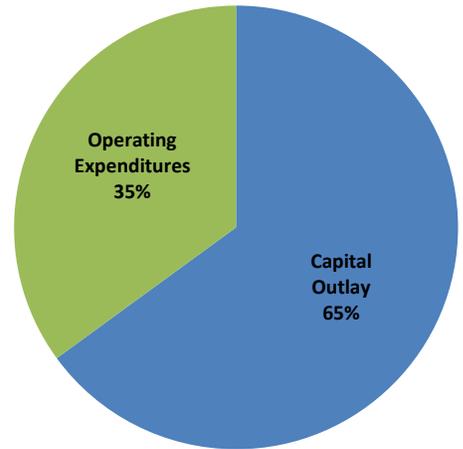


# (203) Local Street Fund Forecast

## LOCAL STREET FUND / EXPENDITURES:

- For FY 2019, the primary sources of Local Street Fund expenditures are:
  - 35% = Operating Expenditures
  - 65% = Capital Outlay
    - FY 2019 = Auburn Road Corridor

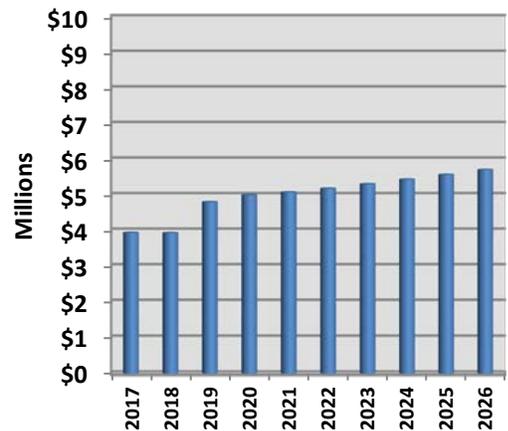
**Local Street Fund:  
FY 2019 Expenditure Sources**



## Local Street Fund / Operating Expenditures:

- Personnel, Materials, Supplies, Services, Interfund Charges (Fleet), Memberships, etc...
- Operating expenditures are projected to increase 2.0% per year
- The increase in 2019-2026 is due to actual operating expenditures routinely coming in under budget

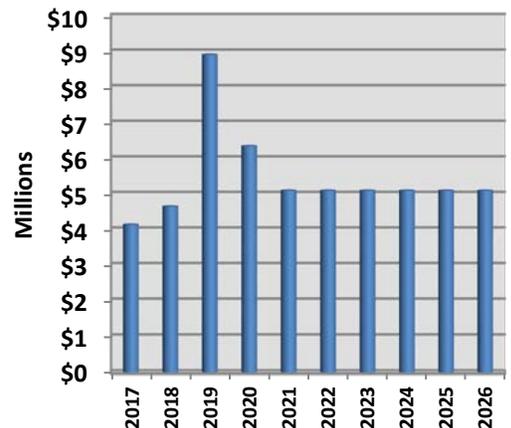
**Local Street Fund:  
Operating Expenditure Trend**



## Local Street Fund / Capital Outlay:

- Using the current forecast assumptions, the Local Street Fund is 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 and the Major Road Fund
- The increase in FY 2019-20 is due to additional Local Street construction projects included as part of the CIP
  - 2019 = Auburn Road Corridor
  - 2020 = SAD projects

**Local Street Fund:  
Capital Outlay Trend**

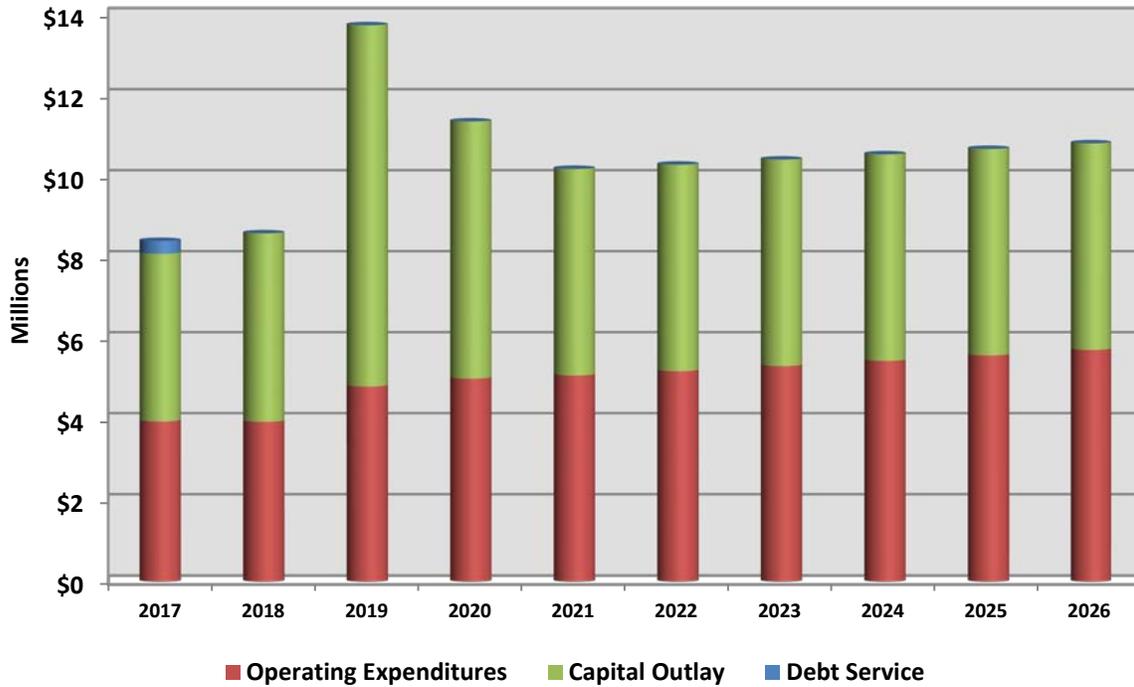


## (203) Local Street Fund Forecast

### Local Street Fund / Expenditure Summary:

- Using the current forecast assumptions, the Local Street Fund is 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 and the Major Road Fund
- The increase in FY 2019-2020 is due to additional Local Street construction projects included as part of the CIP

### Local Street Fund: Total Expenditure Trend

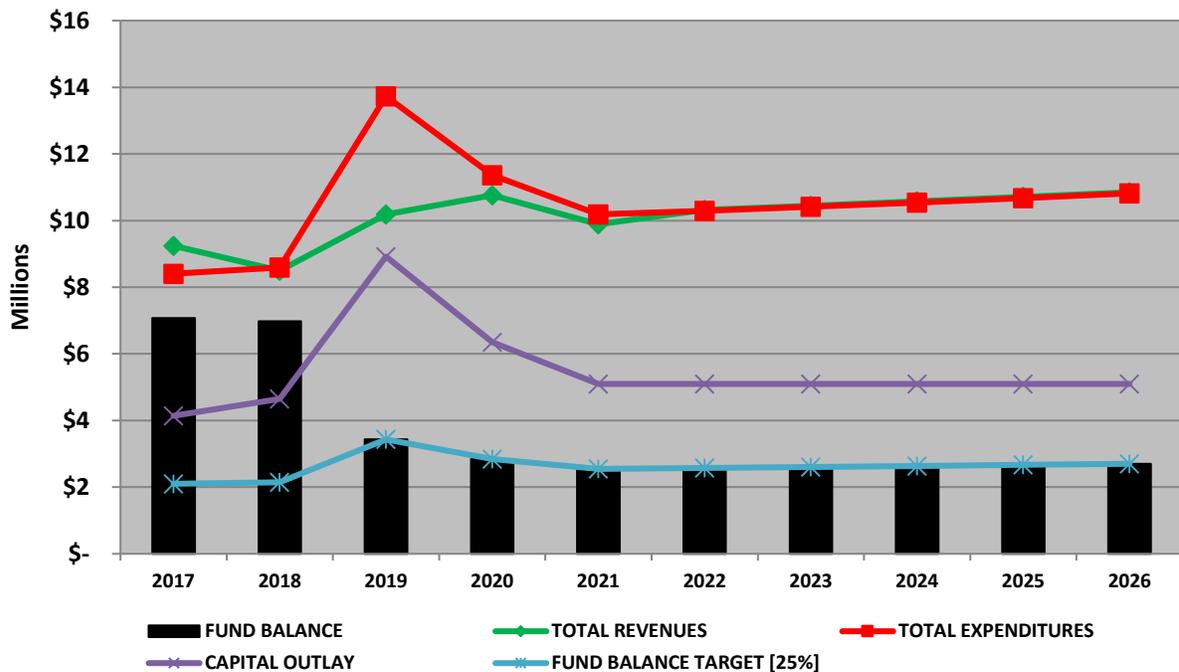


## (203) Local Street Fund Forecast

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

- Transfers-In revenue decreased in FY 2019 to set Local Street Fund Balance at 25% of annual expenditures
  - Moving forward, the annual transfer-in from the General Fund will be in an amount to maintain the Local Street Fund Balance at 25% of annual expenditures
- Using the current forecast assumptions, the Local Street Fund is 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, Major Road Fund, and Capital Improvement Fund

### Local Street Fund: Revenue / Expenditure / Fund Balance



### Local Street Fund / Takeaway Points:

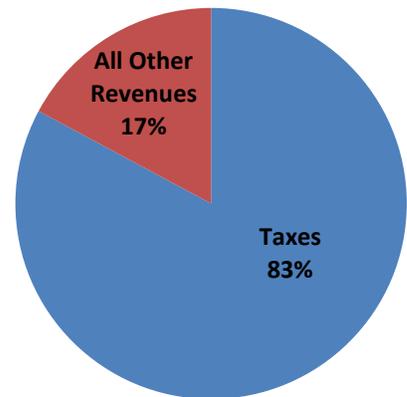
- Transfers-In revenue decreased in 2019 to set Local Street Fund Balance at 25% of annual expenditures
  - Moving forward, the annual transfer-in from the General Fund will be in an amount to maintain the Local Street Fund Balance at 25% of annual expenditures
- Proposed for 2020+ is to re-instate an annual transfer-out from the Major Road Fund (202) to the Local Street Fund (203)
  - This will reduce the amount of funding required from the General Fund
- Using the current forecast assumptions, the Local Street Fund is 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, Major Road Fund, and Capital Improvement Fund

# (206) Fire Operating Fund Forecast

## FIRE OPERATING FUND / REVENUES:

- For FY 2019, the primary sources of Fire Operating Fund revenue are:
  - 83% = Property Taxes
  - 17% = All Other Revenues

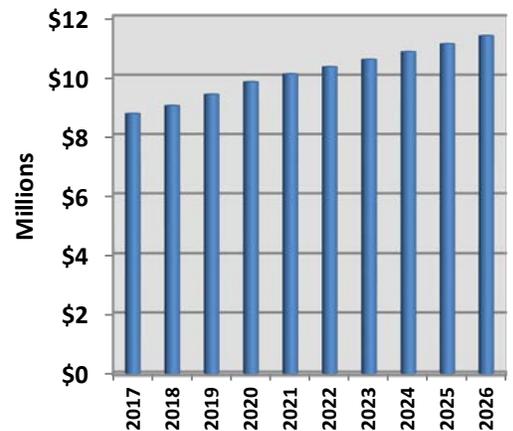
**Fire Fund:  
FY 2019 Revenue Sources**



## Fire Operating Fund / Property Taxes:

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

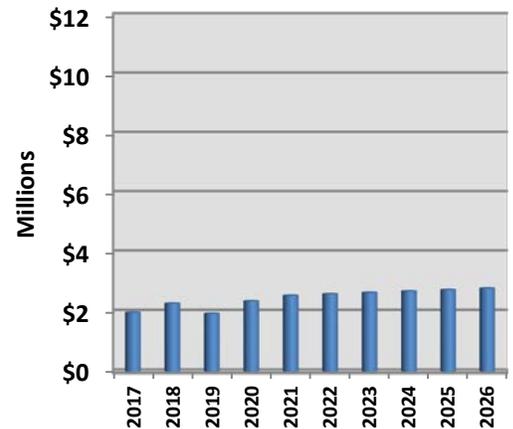
**Fire Fund:  
Property Tax Trend**



## 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**

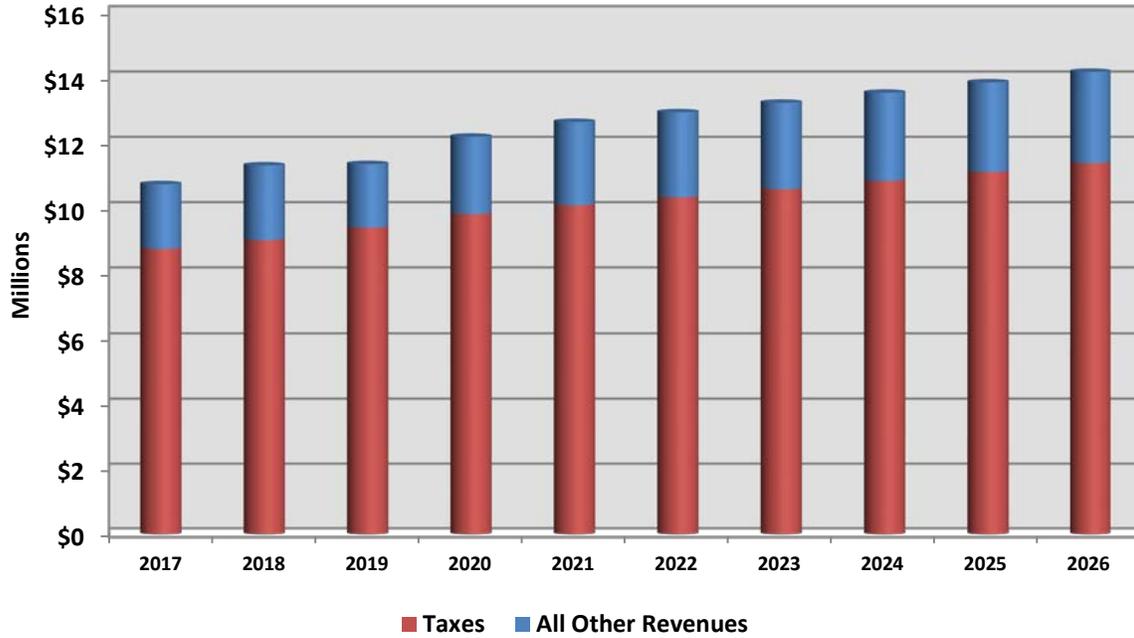


## (206) Fire Operating Fund Forecast

### 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

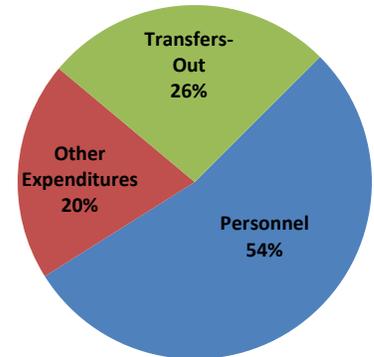


# (206) Fire Operating Fund Forecast

## FIRE OPERATING FUND / EXPENDITURES:

- For FY 2019, the primary sources of Fire Operating expenditures are:
  - 54% = Personnel
  - 20% = Other Expenditures
  - 26% = Transfer-Out
    - *FY 2019 includes the Transfer-Out to the Fire Capital Fund (402) to set the Fire Operating Fund Balance at 25% of annual expenditures*

**Fire Fund:  
FY 2019 Expenditure Sources**



## Fire Operating Fund / Personnel Services:

- 10 x additional City Staff members to Fire Fund
  - 8 x Firefighter – Emergency Medical Technicians
    - Part-Time Firefighter hours reduced to offset
  - 2 x Fire Inspectors
    - Fire Inspection Fees to serve as a source of funding

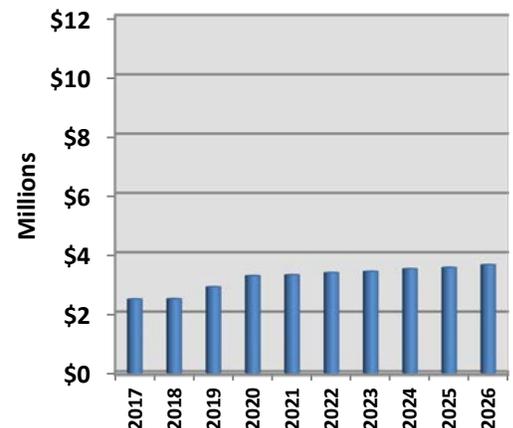
**Fire Operating Fund:  
Personnel Trend**



## 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**

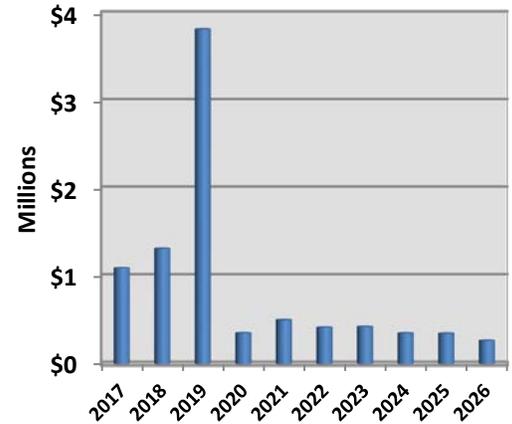


## (206) Fire Operating Fund Forecast

### Fire Operating Fund / Transfer-Out:

- The increase in Transfers-Out in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
  - Funds transferred-out to the Fire Capital Fund (402)
  - Moving forward, the annual transfer-out to the Fire Capital Fund will be in an amount to maintain the Fire Operating Fund Balance at 25% of annual operating expenditures

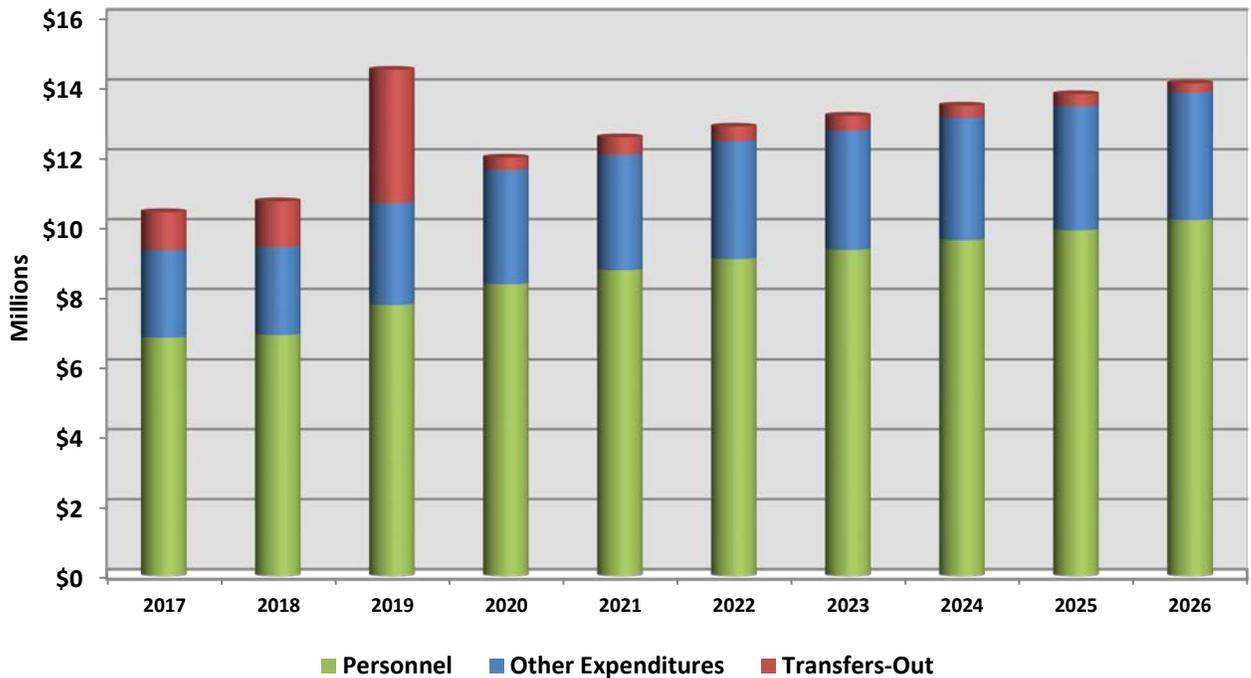
**Fire Operating Fund:  
Transfer-Out Trend**



### Fire Operating Fund / Expenditure Summary

- The increase in Transfers-Out in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures

**Fire Fund: Total Expenditure Trend**

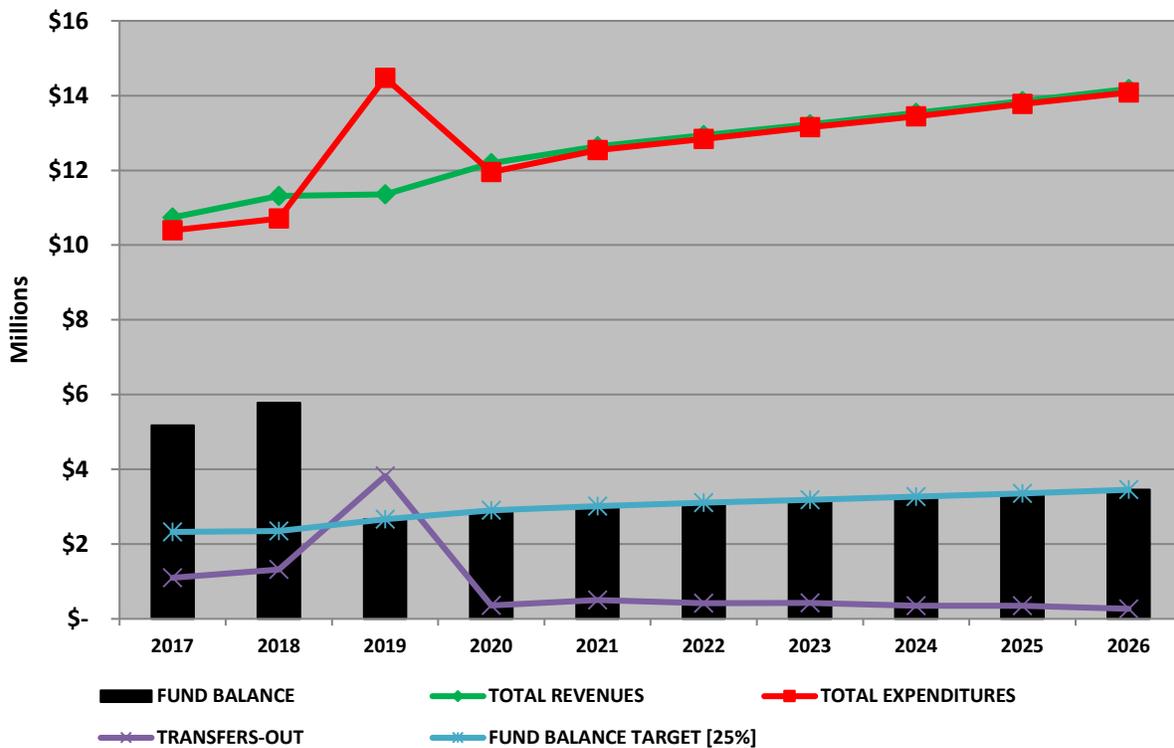


## (206) Fire Operating Fund Forecast

### 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 Transfers-Out Expenditures in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
  - Funds to be transferred-out to the Fire Capital Fund (402)
  - Moving forward, the annual transfer-out to the Fire Capital Fund will be in an amount to maintain the Fire Operating Fund Balance at 25% of annual operating expenditures
- It is projected the existing Fire millage levy of 2.7000 mill will be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030+

### Fire Operating Fund: Revenue / Expenditure / Fund Balance



### Fire Operating Fund / Takeaway Points:

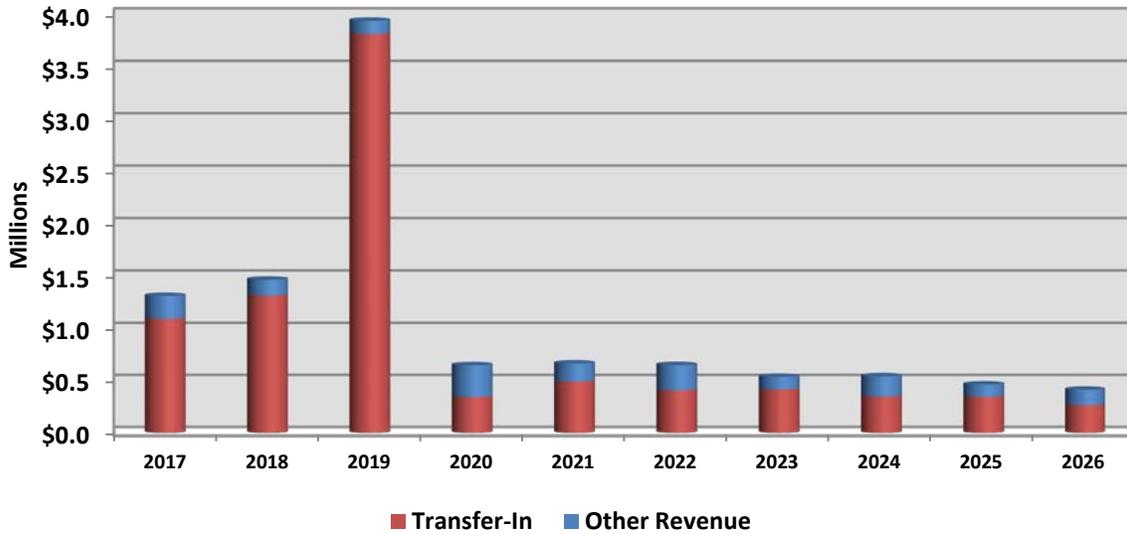
- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The increase in Transfers-Out Expenditures in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
  - Moving forward, the annual transfer-out to the Fire Capital Fund will be in an amount to maintain the Fire Operating Fund Balance at 25% of annual operating expenditures
- It is projected the existing Fire millage levy of 2.7000 mill will be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030+

# (402) Fire Capital Fund Forecast

## Fire Capital Fund / Revenue Summary:

- The increase in Transfers-In Revenues in FY 2019 is to set the Fire Operating Fund (206) at 25% of annual operating expenditures
  - Moving forward, the annual transfer-out to the Fire Capital Fund will be in an amount to maintain the Fire Operating Fund Balance at 25% of annual operating expenditures

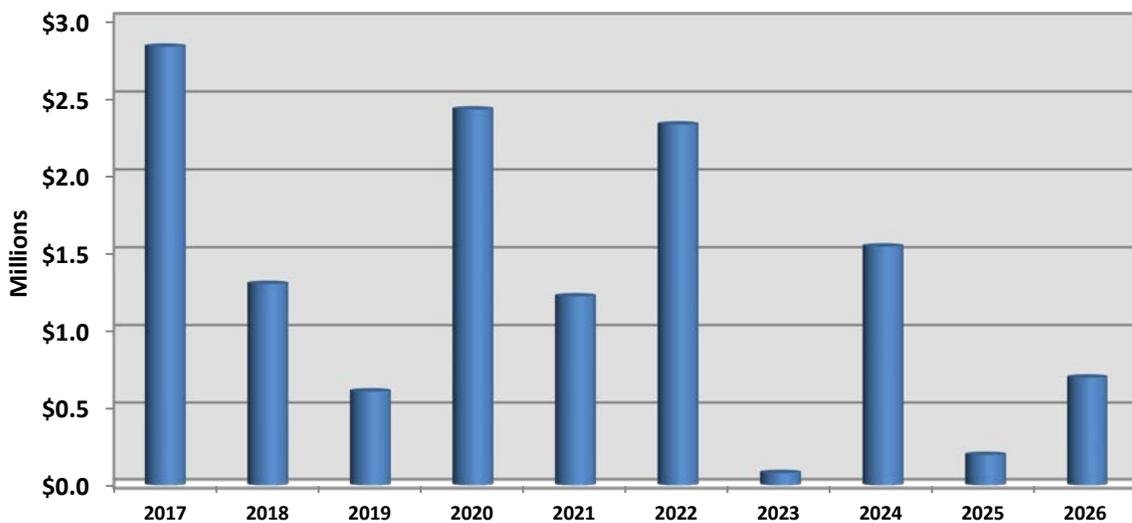
## Fire Capital Fund: Total Revenue Trend



## Fire Capital Fund / Expenditure Summary:

- Capital Outlay costs for 2019-2026 include all Fire Capital (with updated project budgets) as included in the CIP

## Fire Capital Fund: Total Expenditure Trend

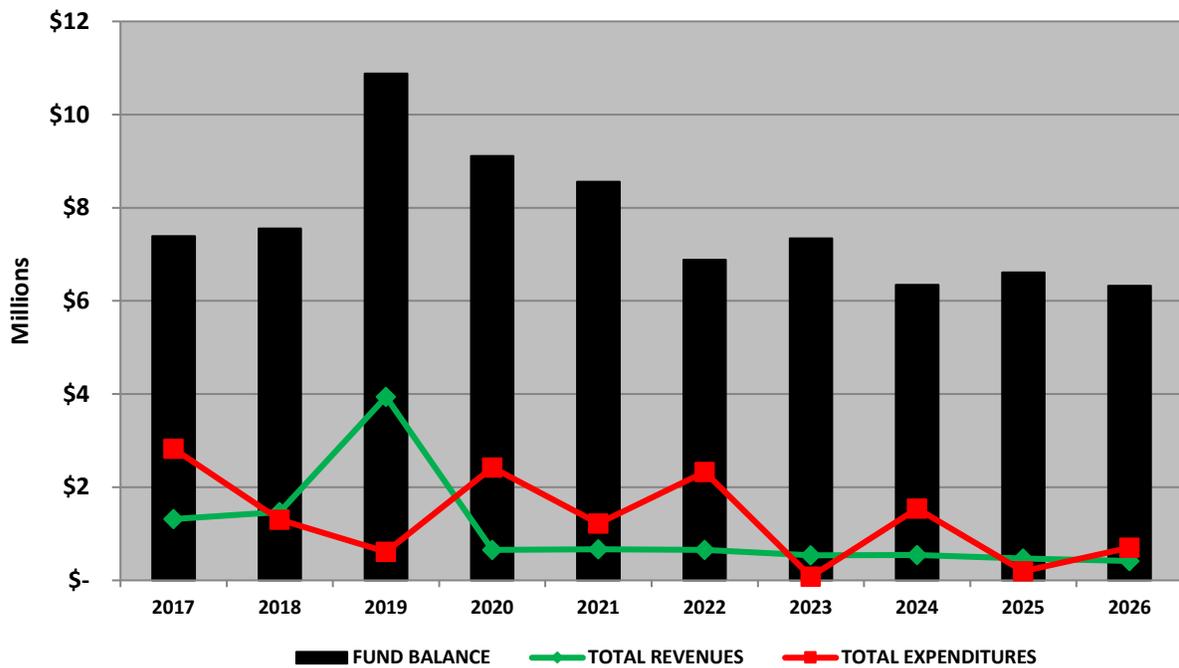


# (402) Fire Capital Fund Forecast

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

- The increase in Transfers-In Revenues in FY 2019 is to set the Fire Operating Fund (206) at 25% of annual operating expenditures
  - Moving forward, the annual transfer-out to the Fire Capital Fund will be in an amount to maintain the Fire Operating Fund Balance at 25% of annual operating expenditures
- Capital Outlay costs for 2019-2026 include all Fire Capital (with updated project budgets) as included in the CIP
- It is projected the existing Fire millage levy of 2.7000 mill will be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030+

## Fire Capital Fund: Revenue / Expenditure / Fund Balance



## Fire Capital Fund / Takeaway Points:

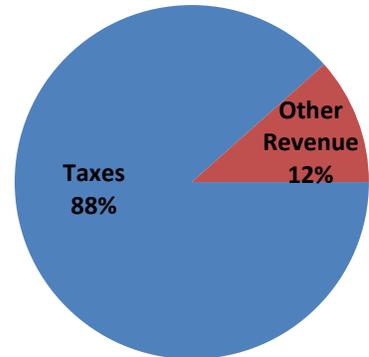
- Capital Outlay costs for 2019-2026 include all Fire Capital (with updated project budgets) as included in the CIP
- It is projected the existing Fire millage levy of 2.7000 mill will be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030+

# (207) Special Police Fund Forecast

## SPECIAL POLICE FUND / REVENUES:

- For FY 2019, the primary sources of Special Police Fund revenue are:
  - 88% = Property Taxes
  - 12% = All Other Revenues

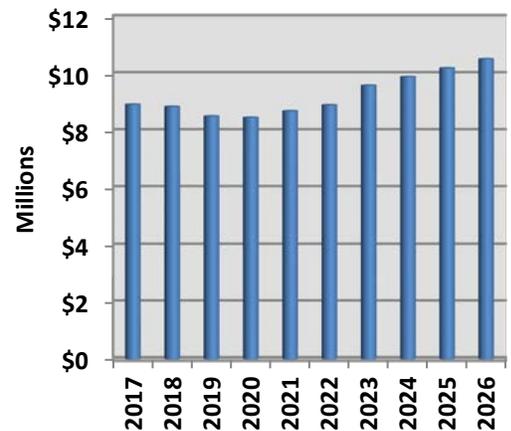
**Special Police Fund:  
FY 2019 Revenue Sources**



## 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
- Special Police Millage II reduced (2019-2022) to set Special Police Fund Balance at 25% of annual operating expenditures

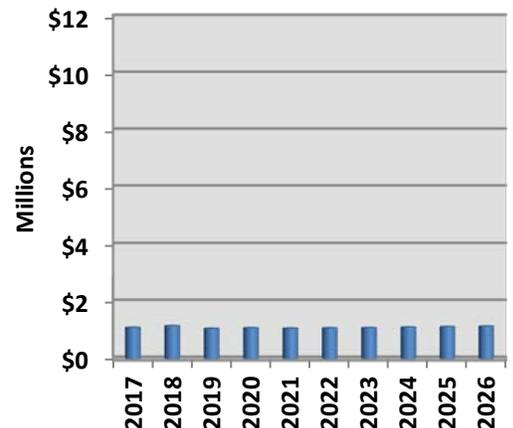
**Special Police Fund:  
Property Tax Trend**



## 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**

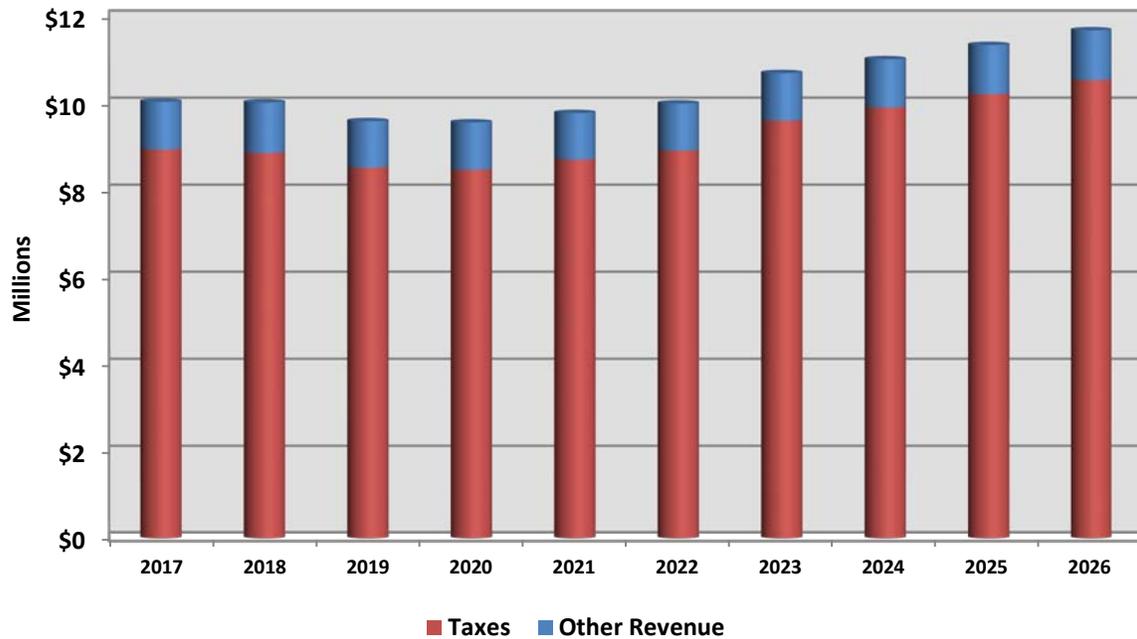


## (207) Special Police Fund Forecast

### 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
- Special Police Millage II reduced (2019-2022) to set Special Police Fund Balance at 25% of annual operating expenditures
  - Moving forward, the Special Police Millage II will be set to maintain the Special Police Fund Balance at 25% of annual operating expenditures

### Special Police Fund: Total Revenue Trend

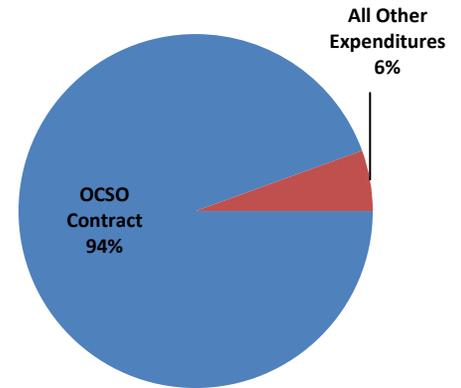


# (207) Special Police Fund Forecast

## SPECIAL POLICE FUND / EXPENDITURES:

- For FY 2019, the primary sources of Special Police Fund expenditures are:
  - 94% = OCSO Contract
  - 6% = All Other Expenditures

**Special Police Fund:  
FY 2019 Expenditure Sources**



## Special Police Fund / OCSO Contract:

- FY 2020-26 Long-Term Forecast assumes no staffing changes
  - FY 2019 = + 0.15% (per OCSO contract)
  - FY 2020 = + 2.92% (per OCSO contract)
  - FY 2021 = + 2.91% (per OCSO contract)
  - FY 2022-26 = + 3.00% per year

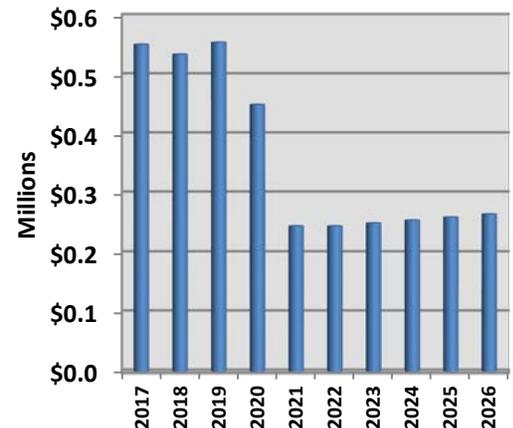
**Special Police Fund:  
OCSO Contract Trend**



## 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 2019-2021 is a result of the debt related to the new OCSO Substation construction being paid off
- In FY 2021, the debt related to the OCSO Substation construction will be paid off

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

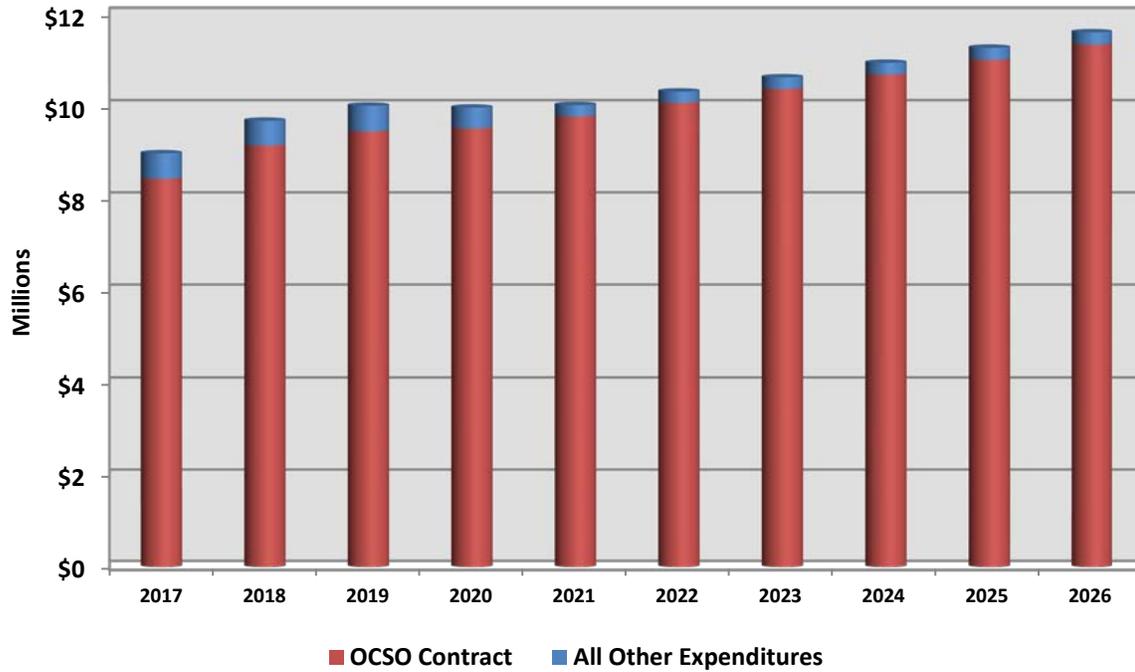


## (207) Special Police Fund Forecast

### Special Police Fund / Expenditure Summary:

- No change in OCSO officers included in Long-Term Forecast
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off

### Special Police Fund: Total Expenditure Trend

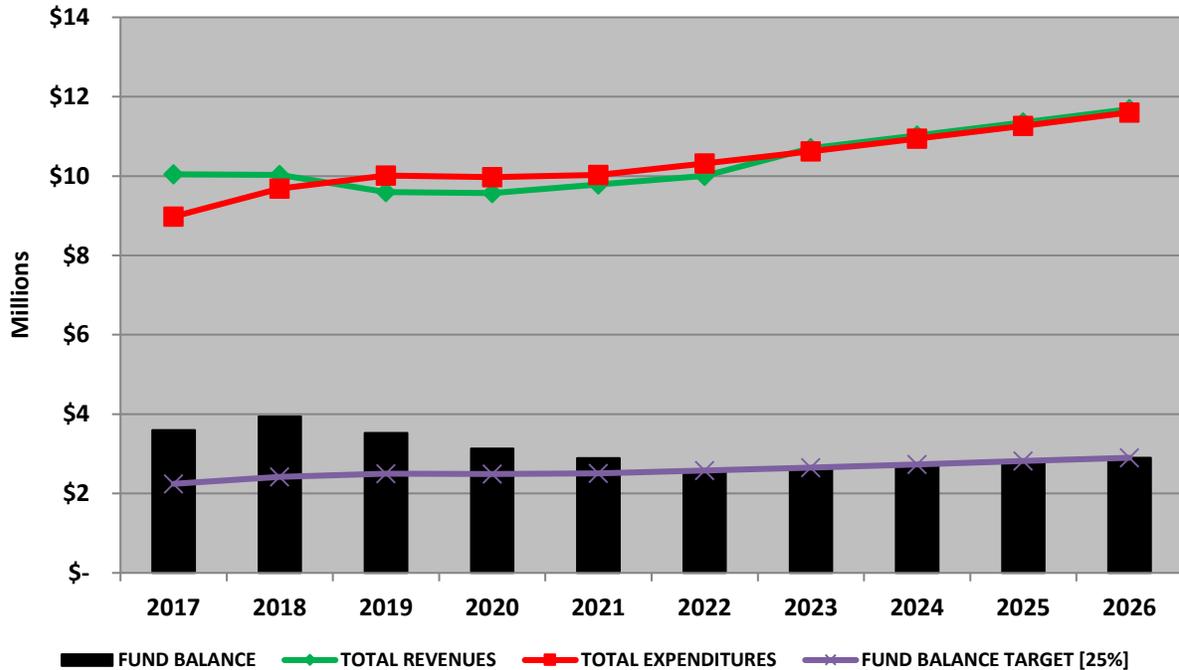


## (207) Special Police Fund Forecast

### 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
- Special Police Millage II reduced (2019-2022) to set Special Police Fund Balance at 25% of annual operating expenditures
  - Moving forward, the Special Police Millage II will be set to maintain the Special Police Fund Balance at 25% of annual operating expenditures

**Special Police Fund: Revenue / Expenditure / Fund Balance**



### Special Police Fund / Takeaway Points:

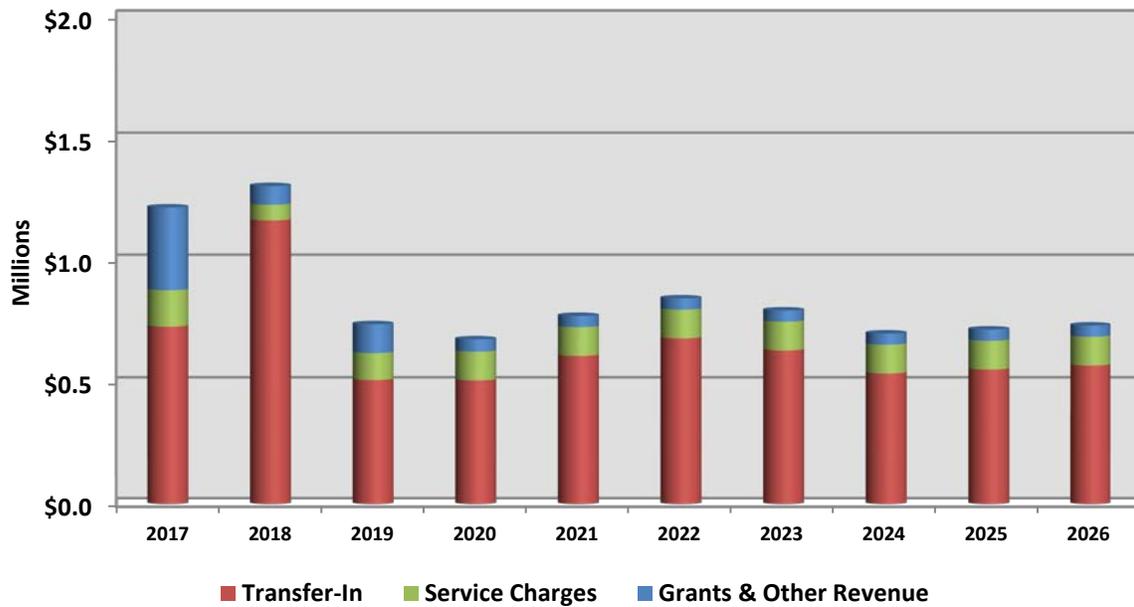
- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- Special Police Millage II reduced (2020-2022) to set Special Police Fund Balance at 25% of annual operating expenditures
  - Moving forward, the Special Police Millage II will be set to maintain the Special Police Fund Balance at 25% of annual operating expenditures
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off

## (244) Water Resources Fund Forecast

### Water Resources Fund / Revenue Summary:

- Water Resources Fund has very little in dedicated revenue sources
  - Beginning in FY 2017 the primary source of funding comes from the General Fund Transfer-In to balance expenditures
  - General Fund is projected to continue funding Water Resources (244) Fund to balance 244-Fund expenditures
- 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**

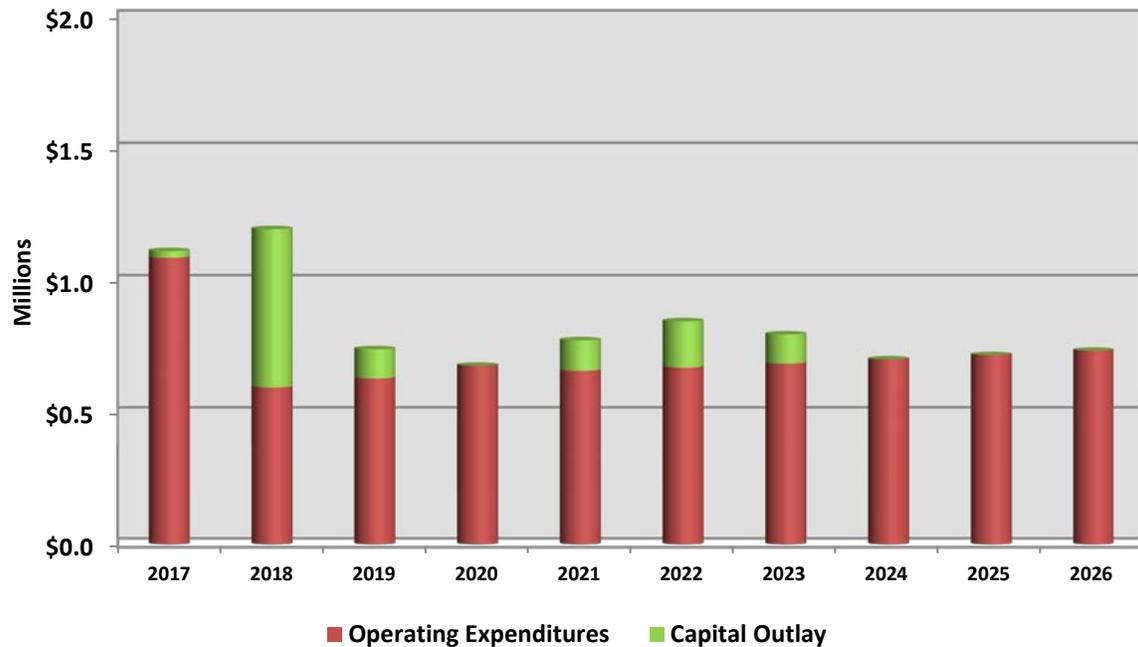


## (244) Water Resources Fund Forecast

### Water Resources Fund / Expenditure Summary:

- The increase in Capital Outlay in FY 2018 is due to Hamilton Relief Drain Repair and Avon Creek projects
- Capital projects included in 2019-2026 per the CIP are proposed to be funded by Transfer-In from the Capital Improvement Fund (420)
- 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**

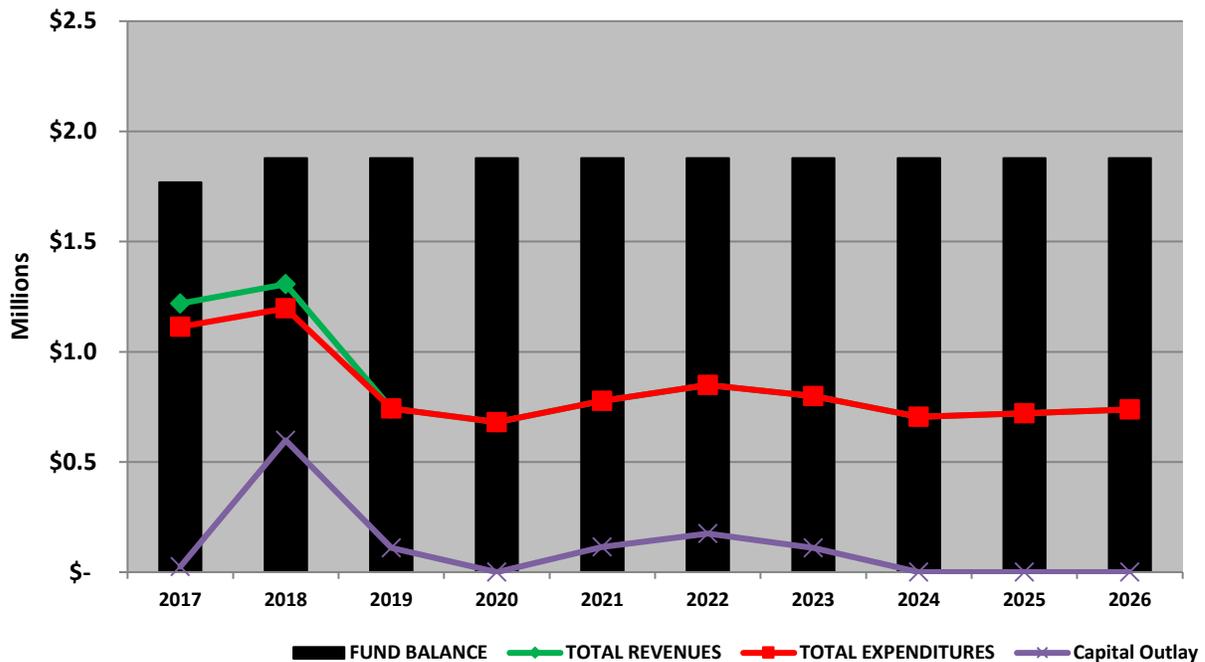


## (244) Water Resources Fund Forecast

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

- No use of Water Resources Fund balance is projected
- Water Resources Fund has very little in dedicated revenue sources
  - Primary funding currently from General Fund transfer-in to balance operating expenditures
  - Capital Improvement Fund is projected to fund Water Resources Fund (244) capital projects
- 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

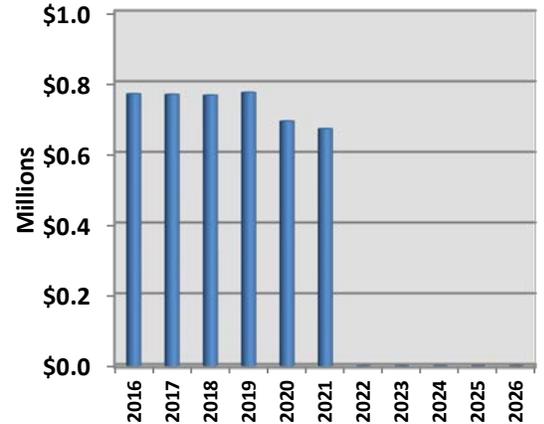
- General Fund is projected to continue funding Water Resources Fund (244) operations to balance expenditures
- Capital Improvement Fund is projected to fund Water Resources Fund (244) capital projects
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- Long-Term potential funding options should continue to 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 and/or Capital Improvement Fund to finance the infrastructure costs

# (369) OPC Building Debt Service Fund Forecast

## OPC BUILDING DEBT SERVICE FUND

- For FY 2019, 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 \$660,000 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 = 0.1793 mill

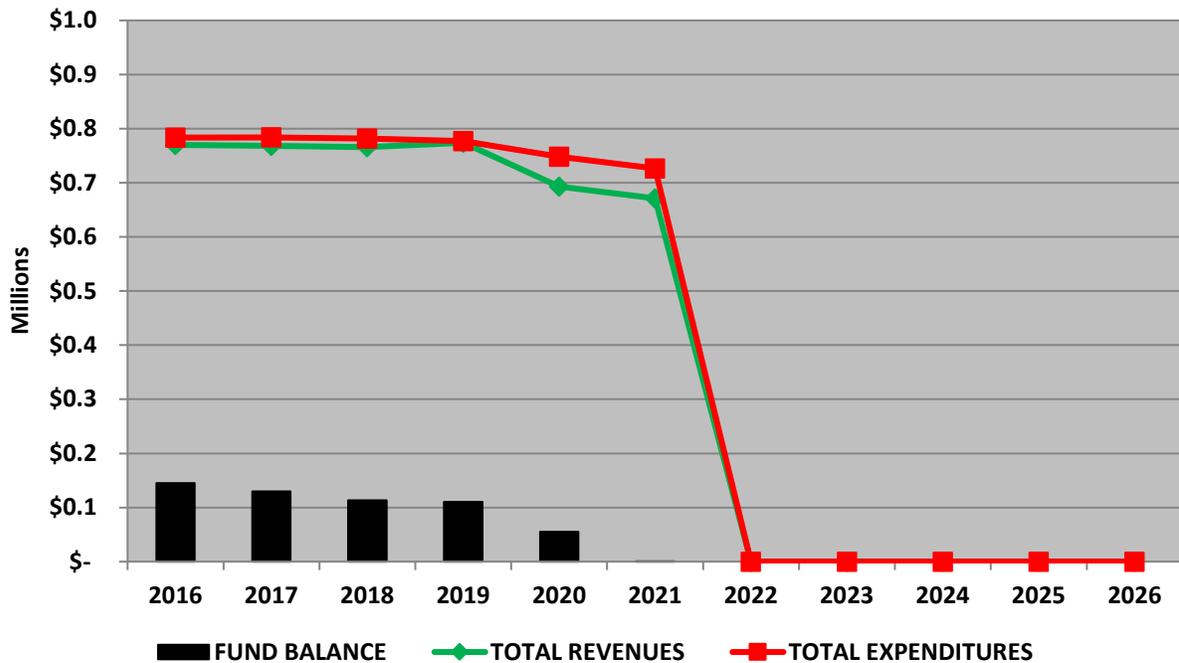
**OPC Building Debt Fund:  
Property Tax Trend**



## 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 millage will be levied is for FY 2021
  - For FY 2021, it is estimated that the City will need to collect approximately \$660,000 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 = 0.1793 mill

## **Final Thoughts of the Seven Year Forecast**

- Like many governments nationwide and especially in the State of Michigan's metro Detroit region, the City of Rochester Hills faced a major economic downturn during the last recession which challenged our ability to deliver programs and services supported by property taxes and state revenues
- With City Council's support we managed through the economic storm
  - By City Council and Administration working together, we carefully prioritized services and programs
- The Long-Term 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 Long-Term 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