

# City of Rochester Hills Seven Year Financial Forecast Update Fiscal Years 2020-2026



# Why Present a Long-Term Forecast?

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

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



# Long-Term Forecast Disclaimers:

- ▶ Financial Forecast **is NOT intended** to be:
  - *A budget*
  - *A policy recommendation to City Council*
- ▶ Financial Forecast **is intended** to be:
  - *A projection of the City's Revenues, Expenditures, and Fund Balances based upon an updated set of assumptions*
- ▶ Includes Governmental Fund Balance Policy
- ▶ Includes FY 2020 Projected 2<sup>nd</sup> Qtr Budget Amendment
- ▶ Includes COVID-19 Pandemic Projections



# Key Assumptions: Revenue

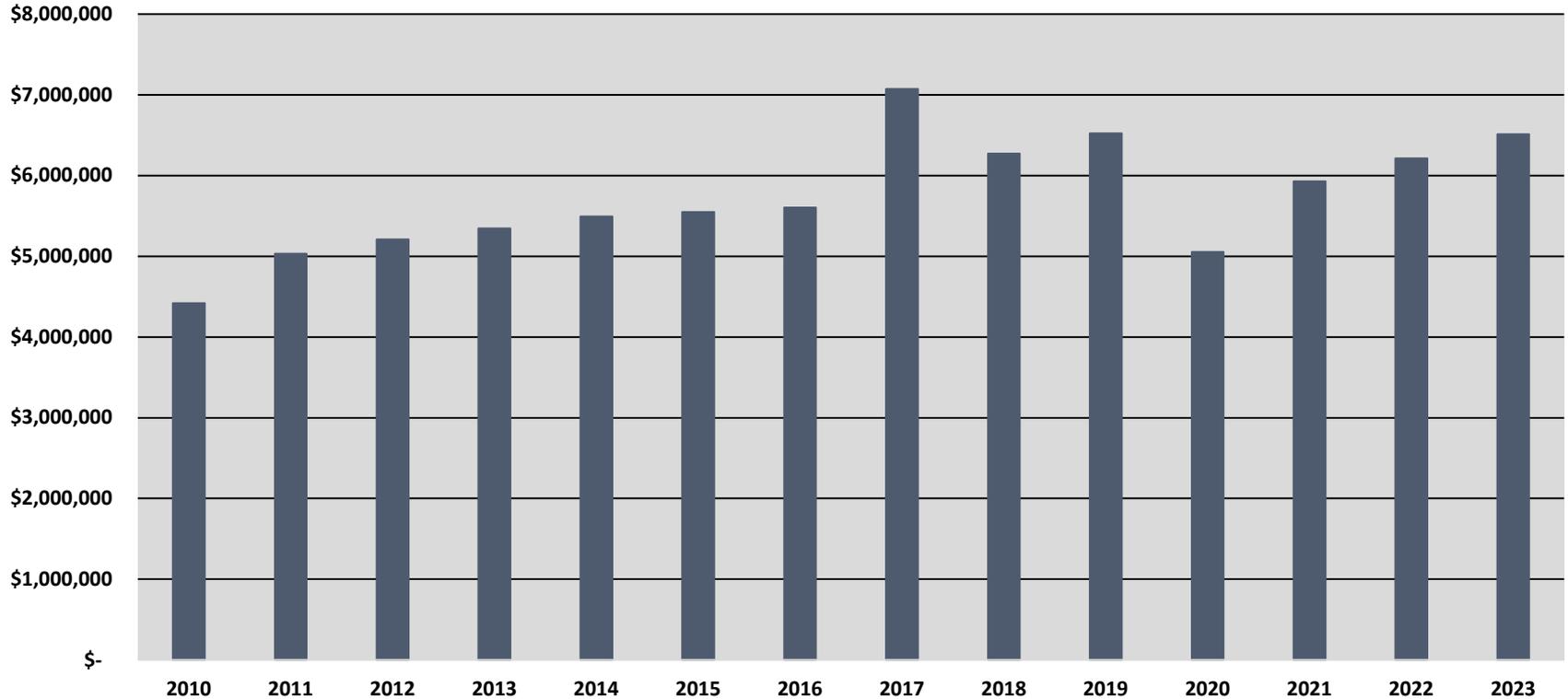
	Prior Forecast (2020-2026)			Current Forecast (2020-2026)	
Taxable Value	2020	4.80%		2020	4.80% *
	2021	3.00%		2021	4.20% *
	2022-26	2.50%		2022-26	2.50%
State-Shared Revenue	2020-26	2.00%		2020	(22.5%)
				2021	17.3%
				2022	5.00%
				2023	5.00%
				2024-26	2.00%
Interest Rates	2020	2.00%		2020	0.50%
	2021-26	1.75%		2021-26	0.25%



\* = Actual



# State-Shared Revenue: Trend & Projection

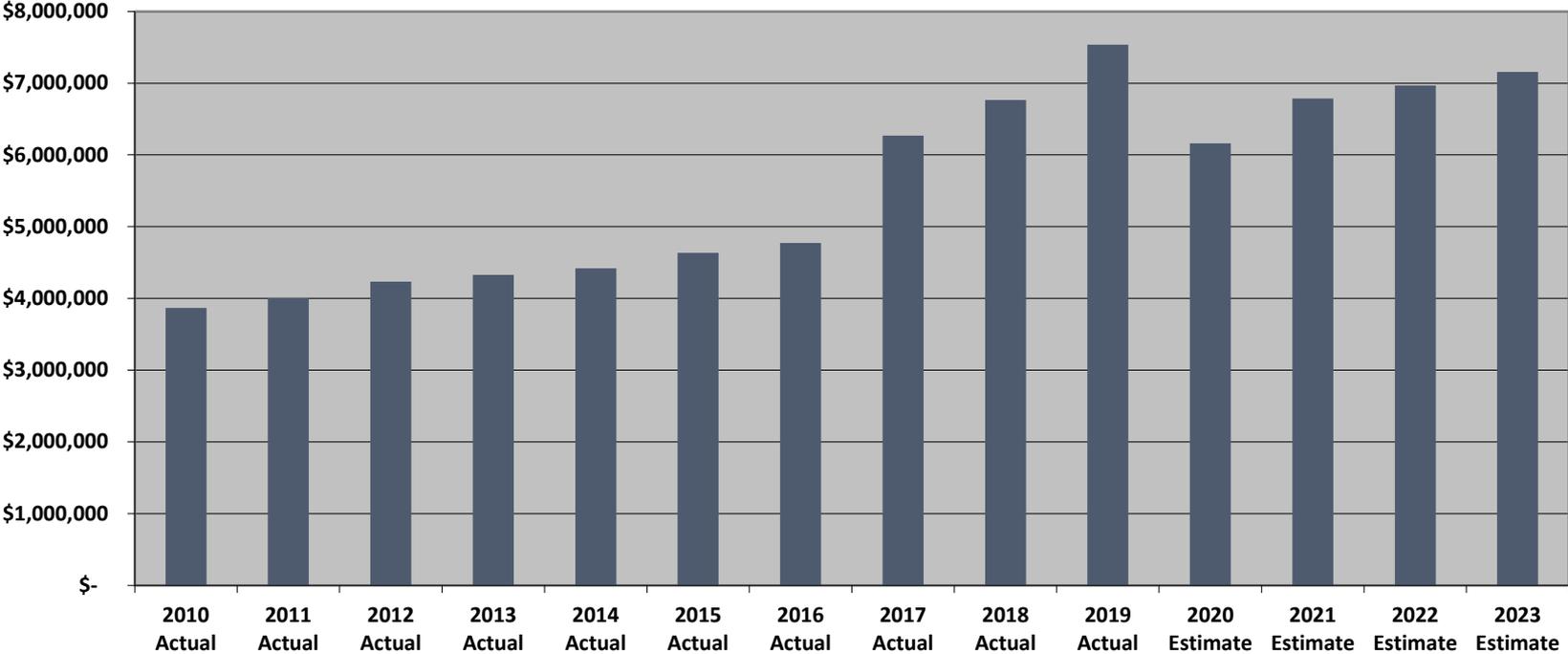


# Key Assumptions: Revenue

	<i>Prior Forecast (2020-2026)</i>		<i>Current Forecast (2020-2026)</i>	
Act 51 Revenue	<i>2020</i>	<i>2.0%</i>	<i>2020</i>	<i>(18.3%)</i>
			<i>2021</i>	<i>10.1%</i>
			<i>2022</i>	<i>2.7%</i>
			<i>2023</i>	<i>2.7%</i>
	<i>2021-26</i>	<i>2.0%</i>	<i>2024-26</i>	<i>2.0%</i>
All Other City Revenues (Building / Parks / Planning)	<i>2020-2026</i>	<i>0.0 – 2.0% Average</i>	<i>2020</i>	<i>(25%) Building &amp; Parks</i>
	<i>Conservative Revenue Estimates</i>		<i>2021</i>	<i>(25%) Less than FY 2018</i>



# Act 51 Revenue: Trend & Projection



# Key Assumptions: Expenditure

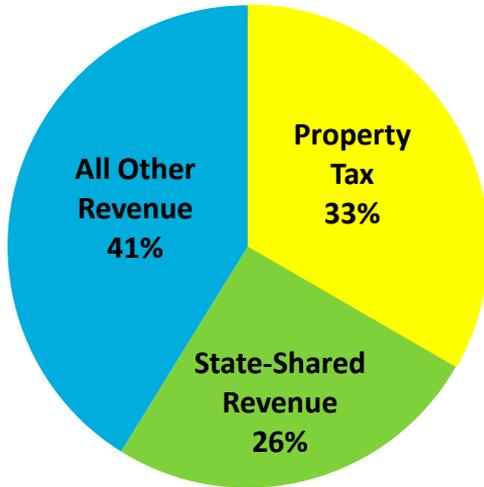
	<i>Prior Forecast (2020-2026)</i>			<b>Current Forecast (2020-2026)</b>	
Number of Employees	2020-26	238 FTE		2020-26	238 FTE
Salary Wage Change	2020-26	2.5%		2020-26	2.5%
Health Care	2020-26	7.0%		2020-26	7.0%
Inflation	2020-26	2.0%		2020-26	2.0%
OCSO Contract	2020-21	2.9%		2020-21	2.9%
	2022-26	3.0%		2022-26	3.0%
OCSO Deputies	2020-26	60		2020-26	60
Capital Projects	All CIP projects updated with current cost estimates			All CIP projects updated with current cost estimates	



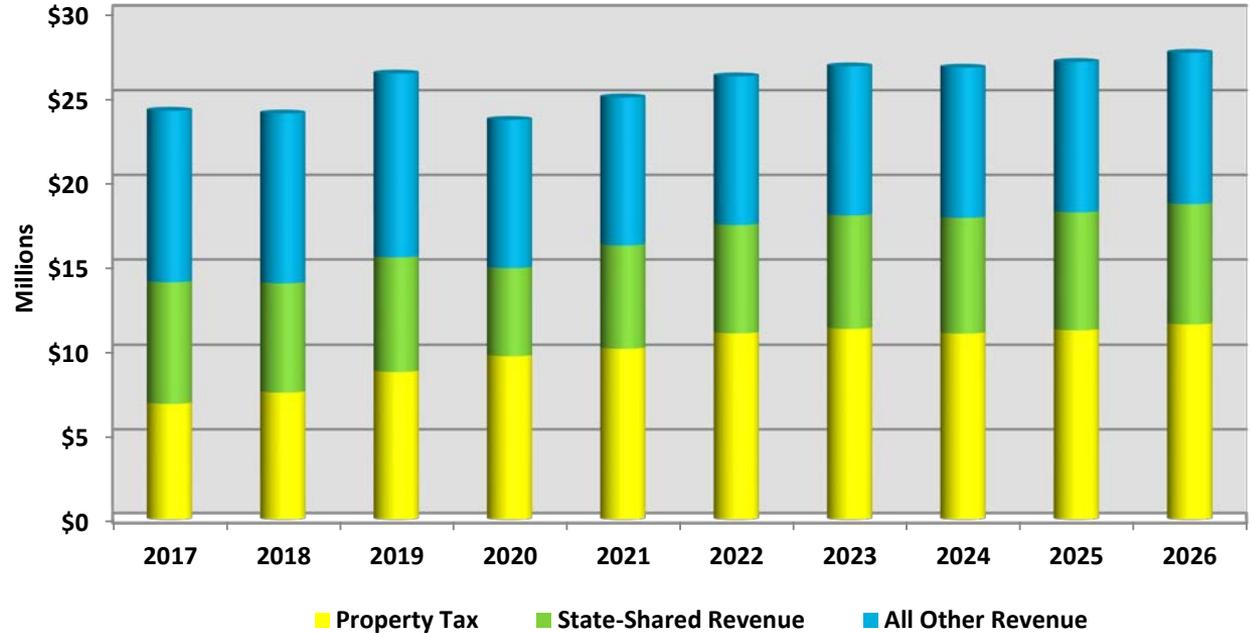
# 2020-2026 Updated Fund Forecasts

# General Fund (101): Revenue

General Fund: FY 2020  
Revenue Sources

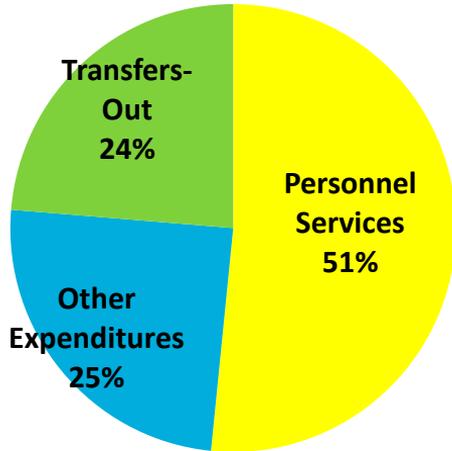


General Fund: Total Revenue Trend

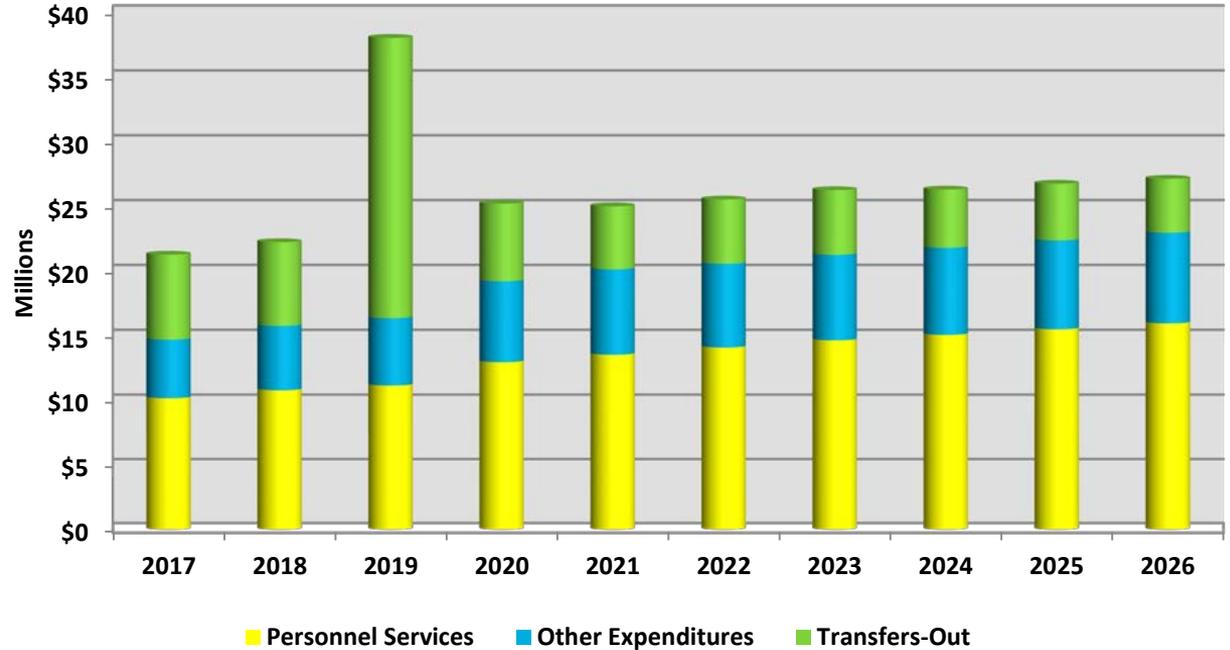


# General Fund (101): Expenditures

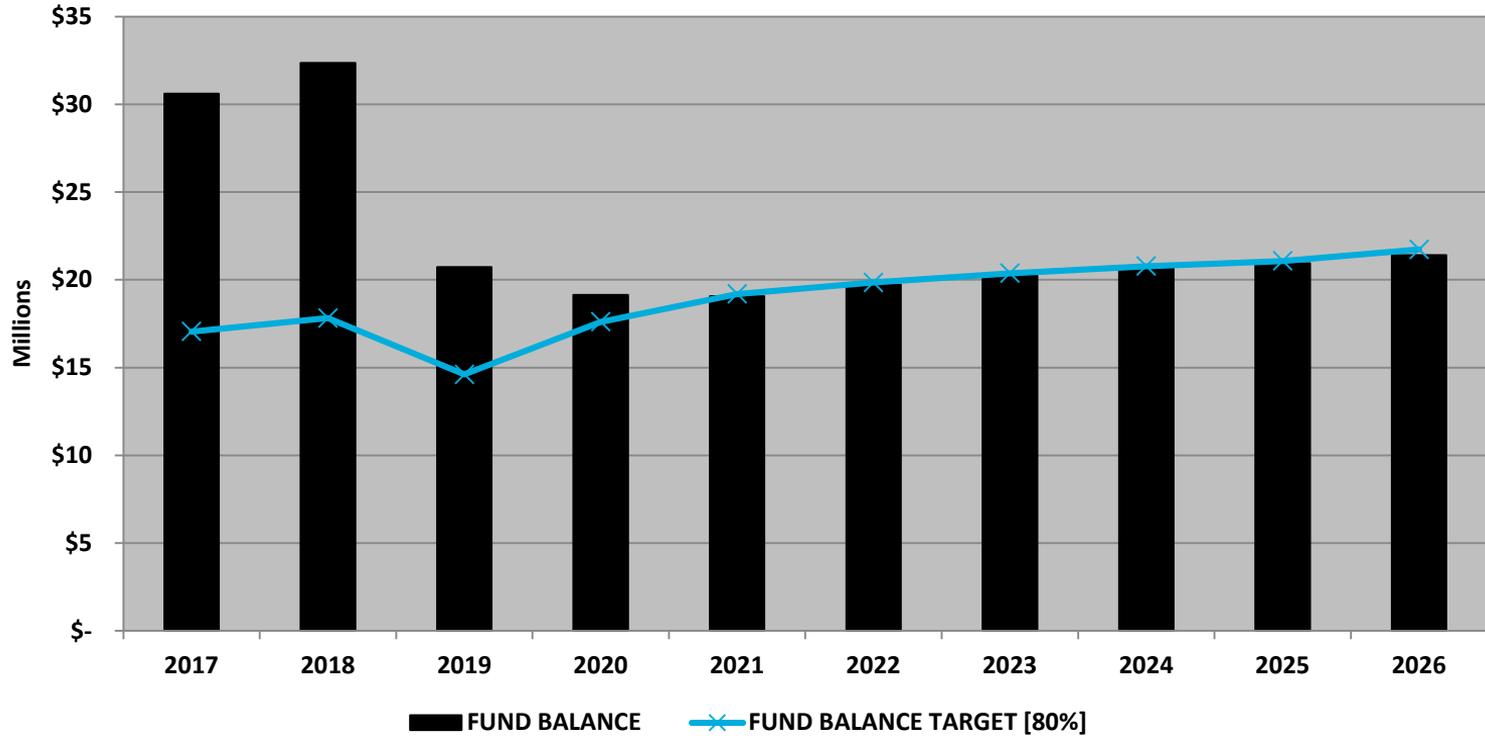
General Fund: FY 2020  
Expenditure Sources



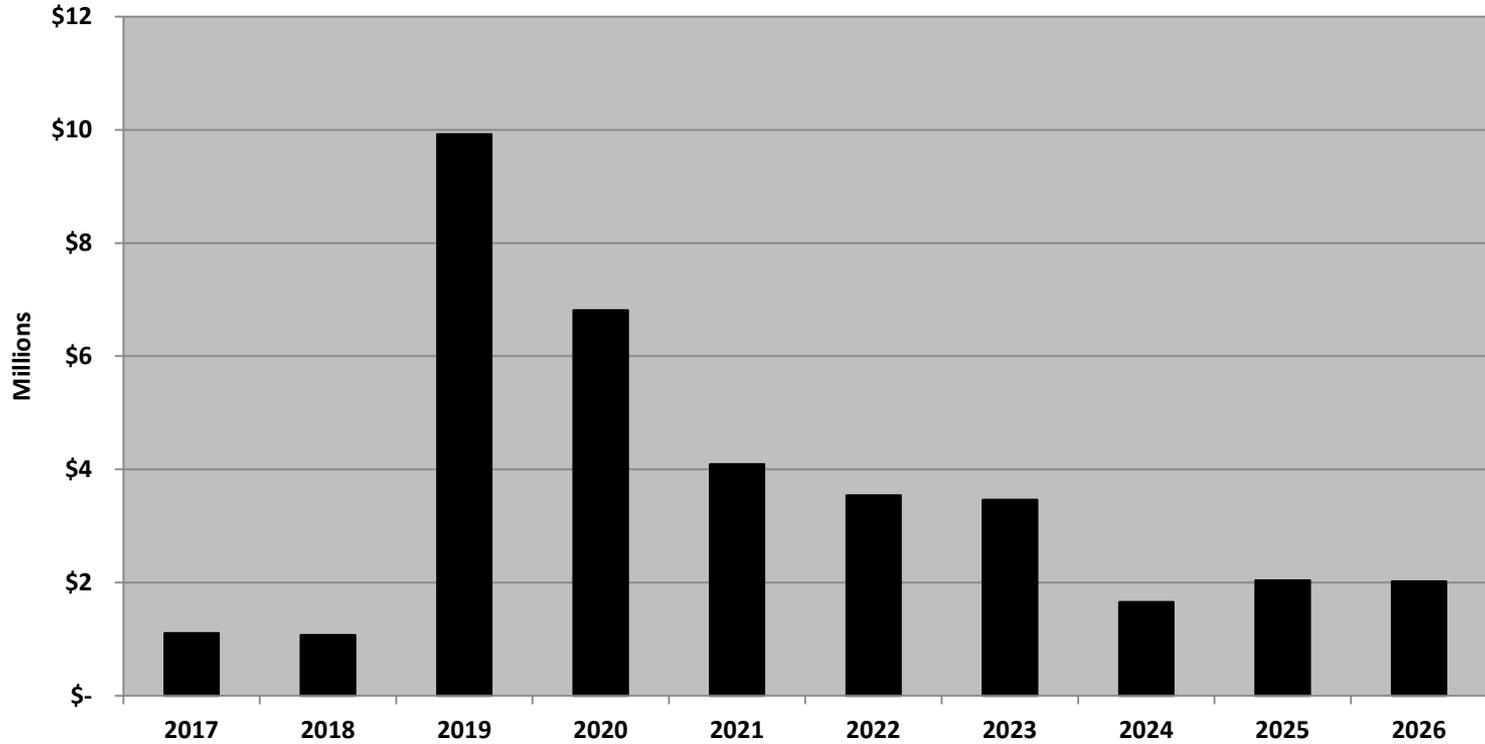
General Fund: Total Expenditure Trend



# General Fund (101): Changes in Fund Balance

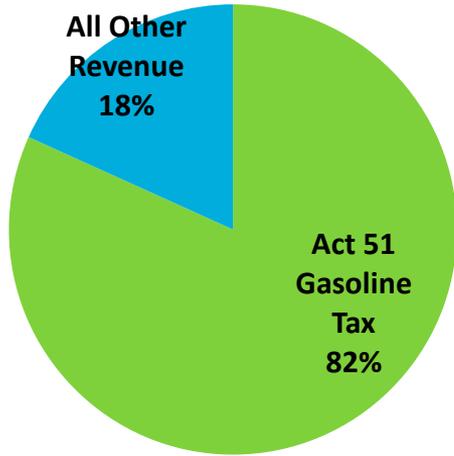


# Capital Improvement Fund (420): Changes in Fund Balance

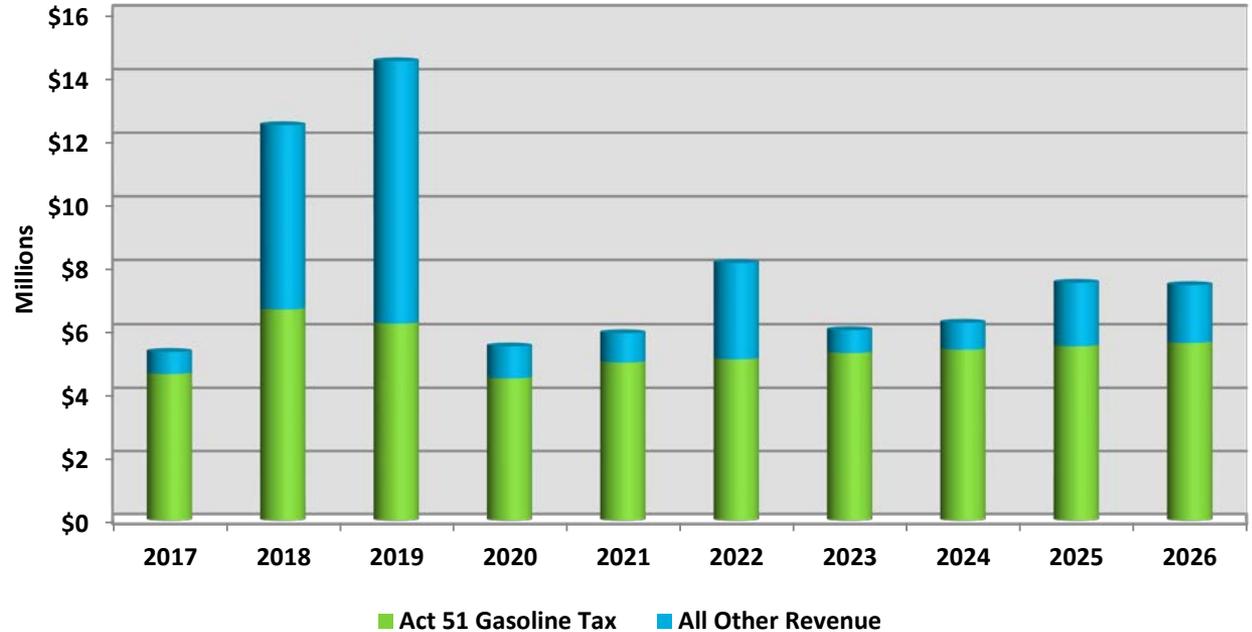


# Major Road Fund (202): Revenue

Major Road Fund: FY 2020  
Revenue Sources

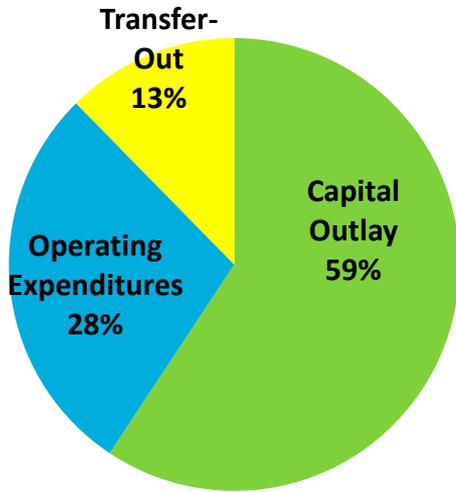


Major Road Fund: Total Revenue Trend

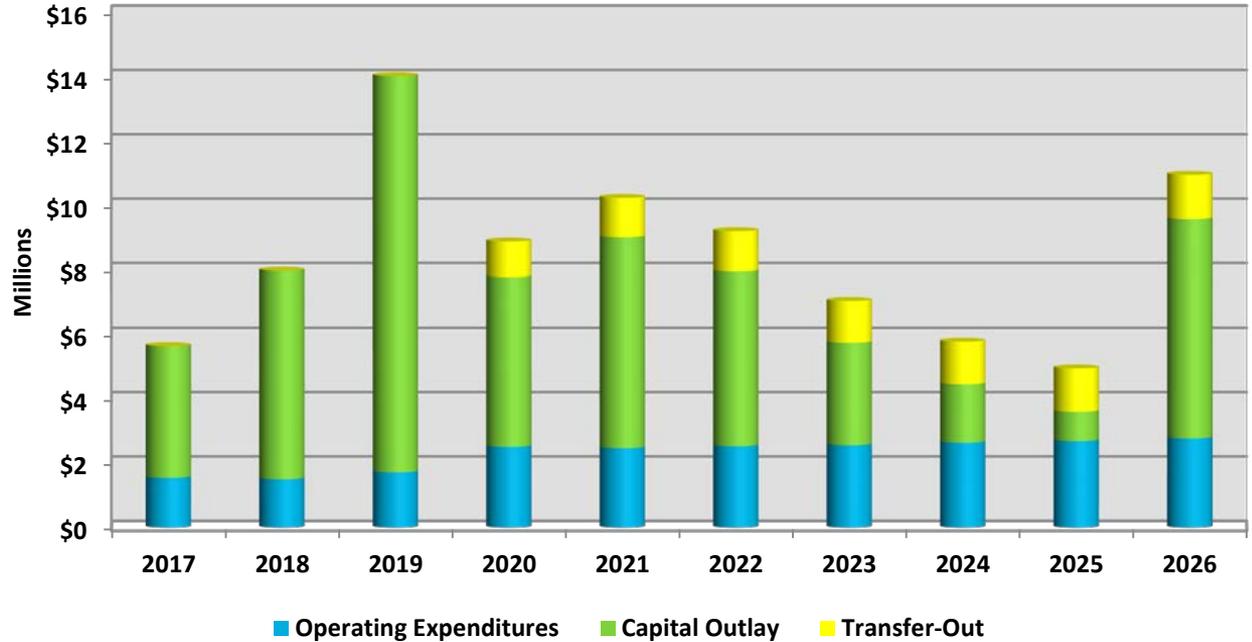


# Major Road Fund (202): Expenditures

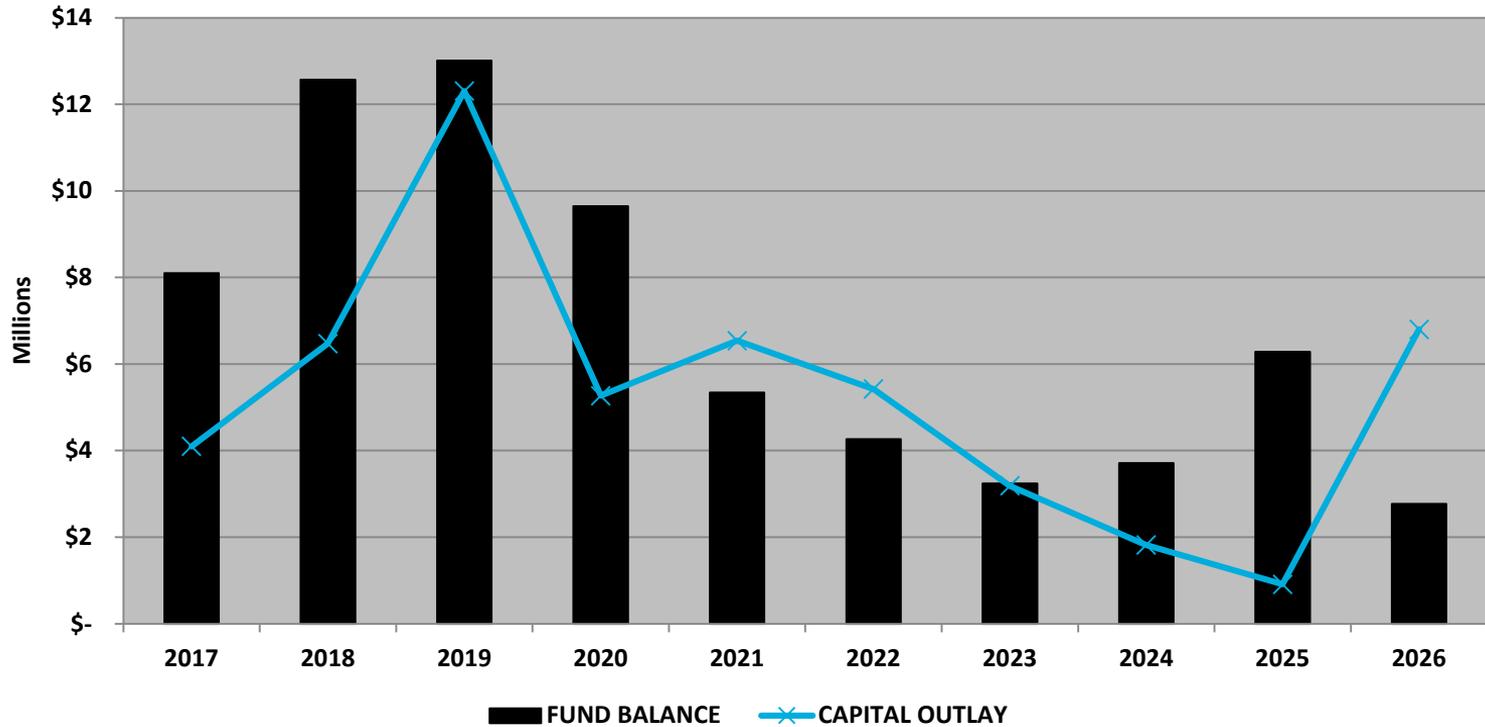
Major Road Fund: FY 2020  
Expenditure Sources



Major Road Fund: Total Expenditure Trend

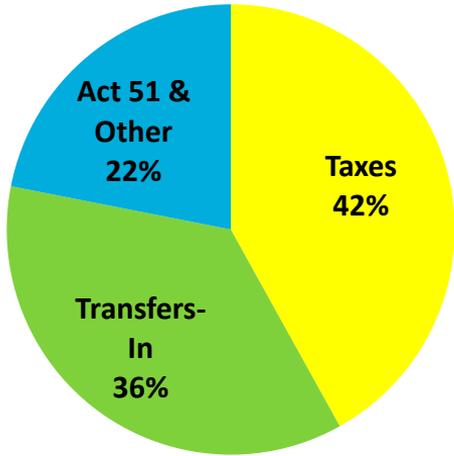


# Major Road Fund (202): Changes in Fund Balance

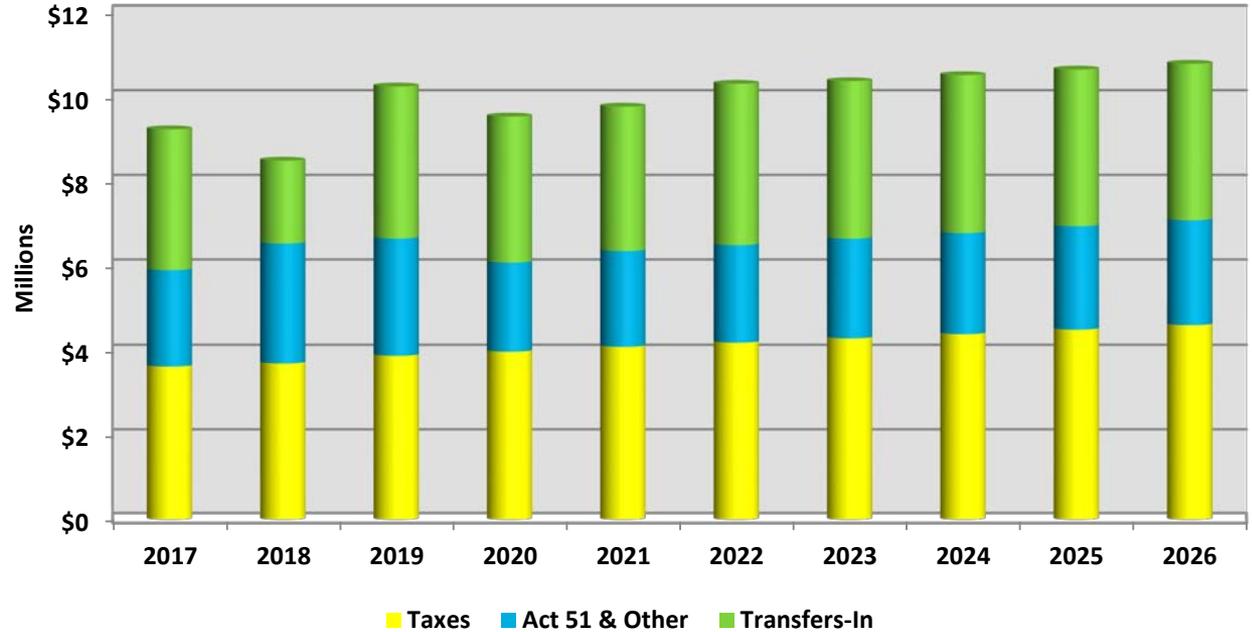


# Local Street Fund (203): Revenue

Local Street Fund: FY 2020  
Revenue Sources

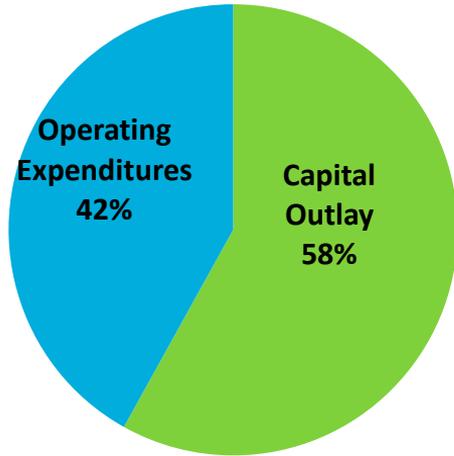


Local Street Fund: Total Revenue Trend

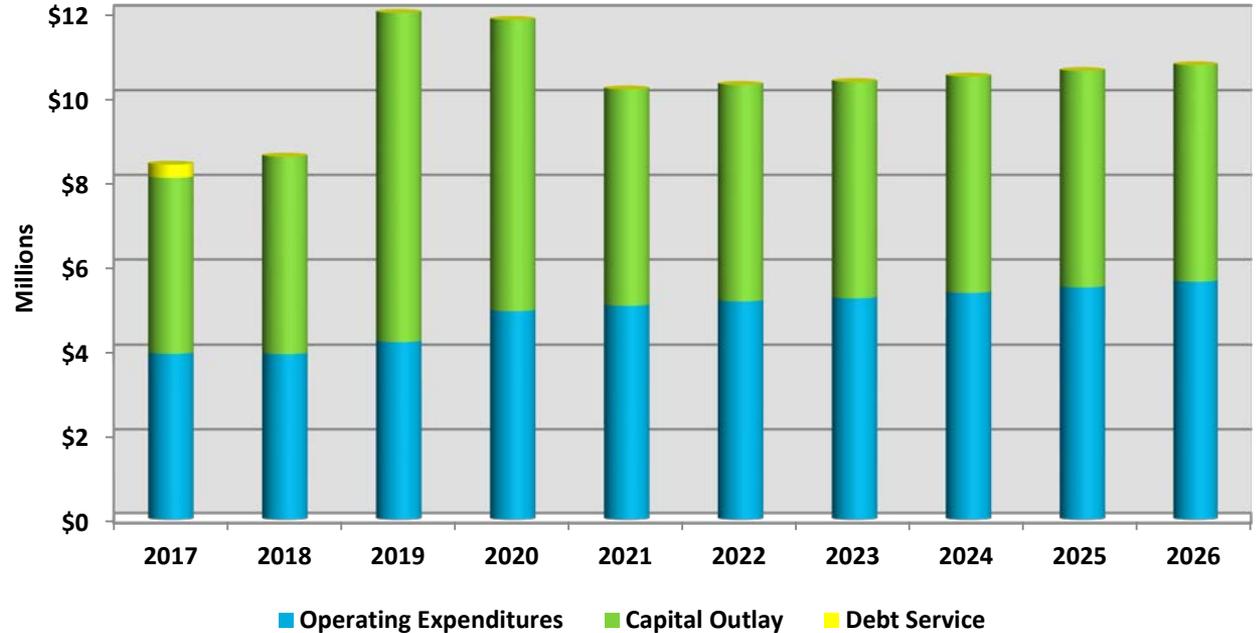


# Local Street Fund (203): Expenditures

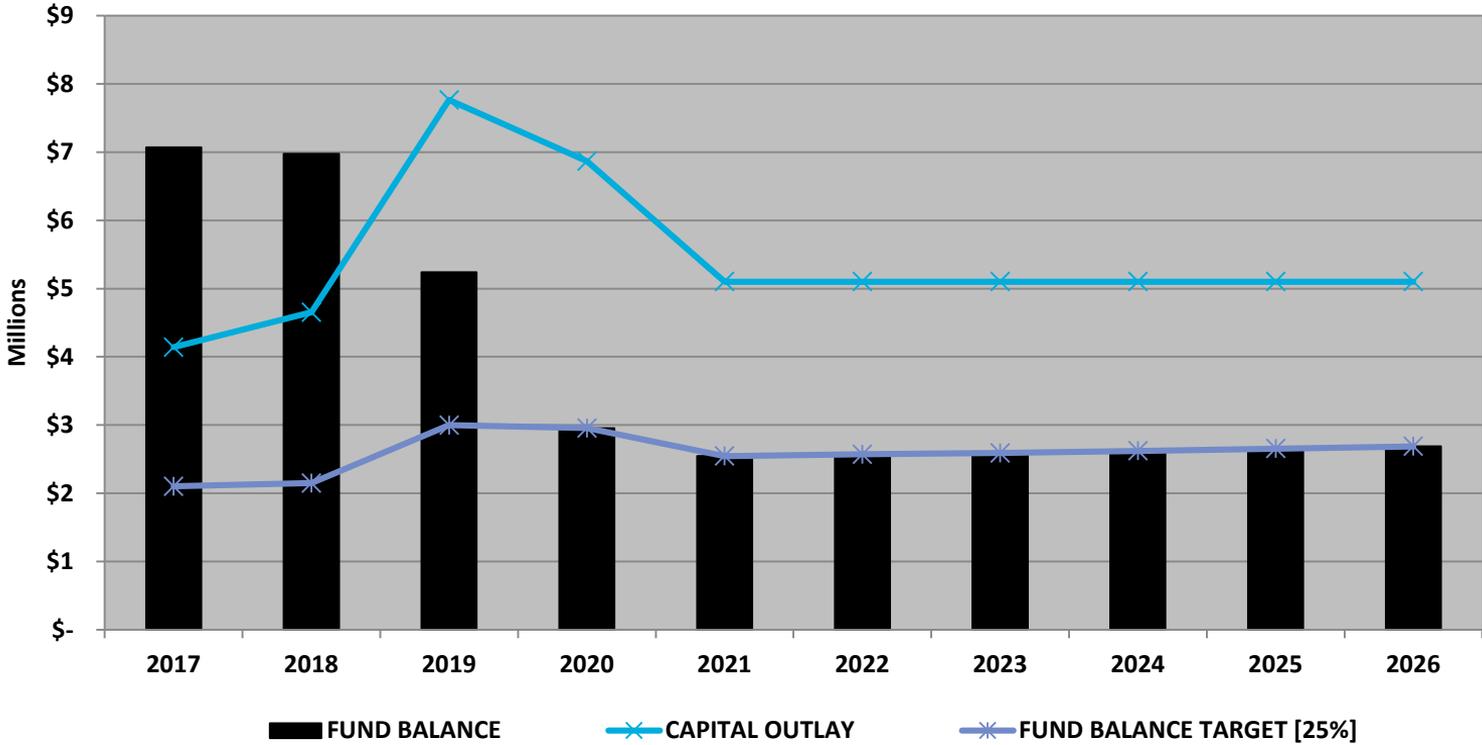
Local Street Fund: FY 2020  
Expenditure Sources



Local Street Fund: Total Expenditure Trend

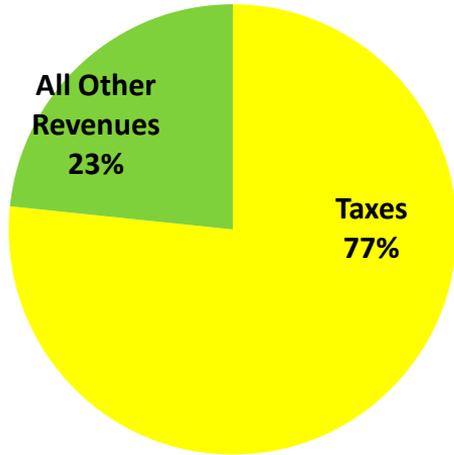


# Local Street Fund (203): Changes in Fund Balance

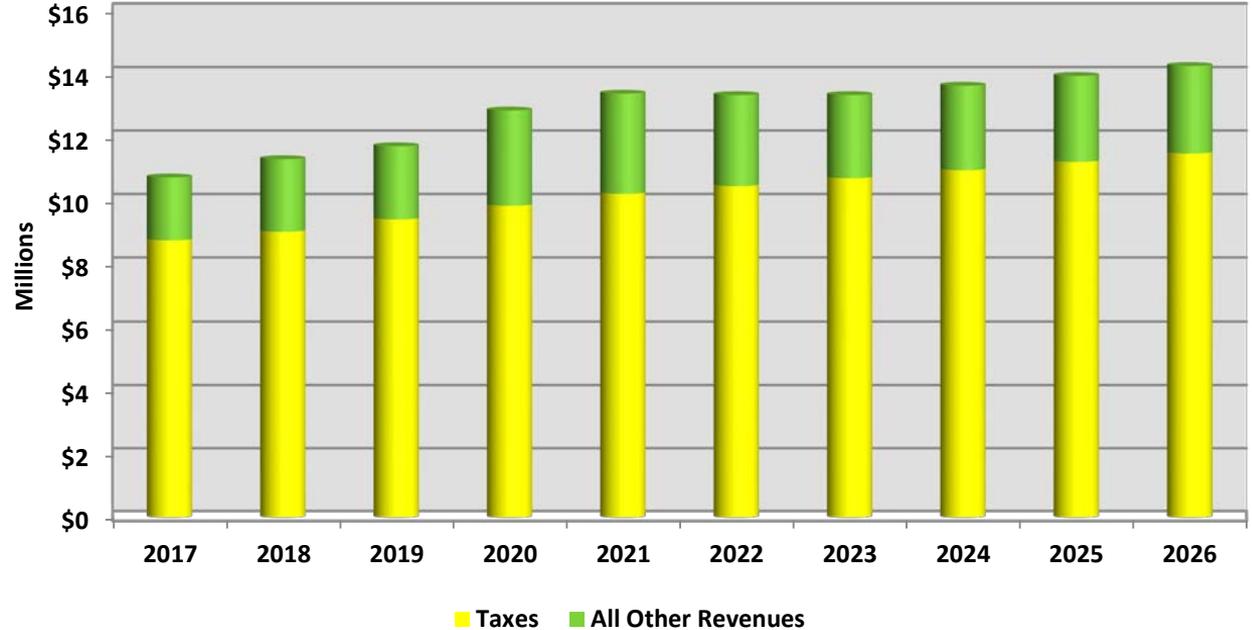


# Fire Operating Fund (206): Revenue

Fire Fund: FY 2020  
Revenue Sources

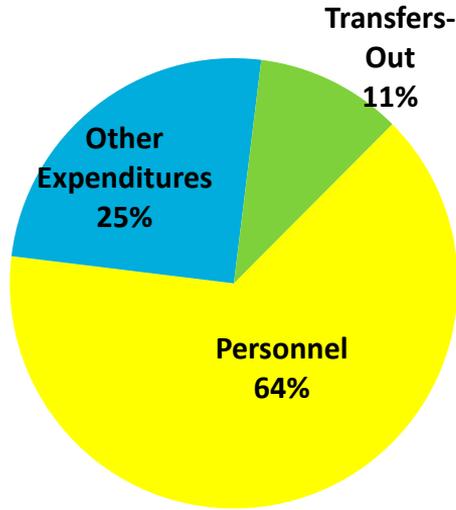


Fire Fund: Total Revenue Trend

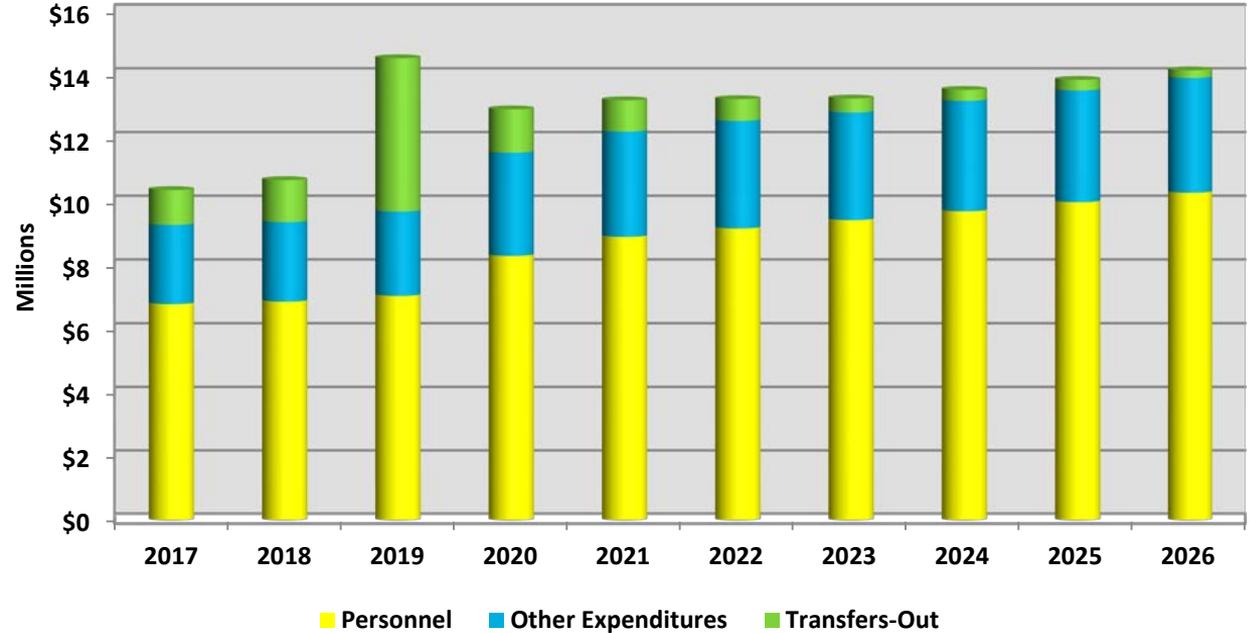


# Fire Operating Fund (206): Expenditure

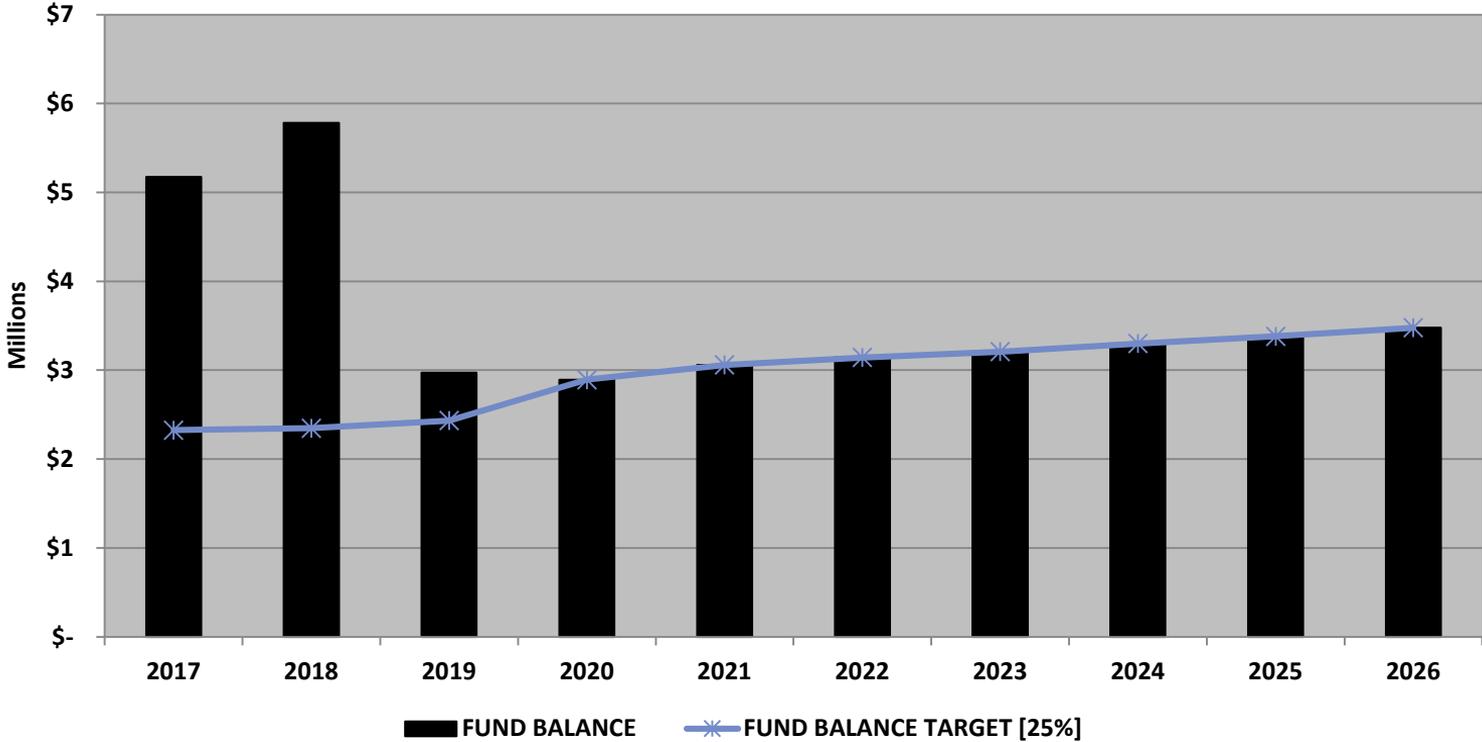
Fire Fund: FY 2020  
Expenditure Sources



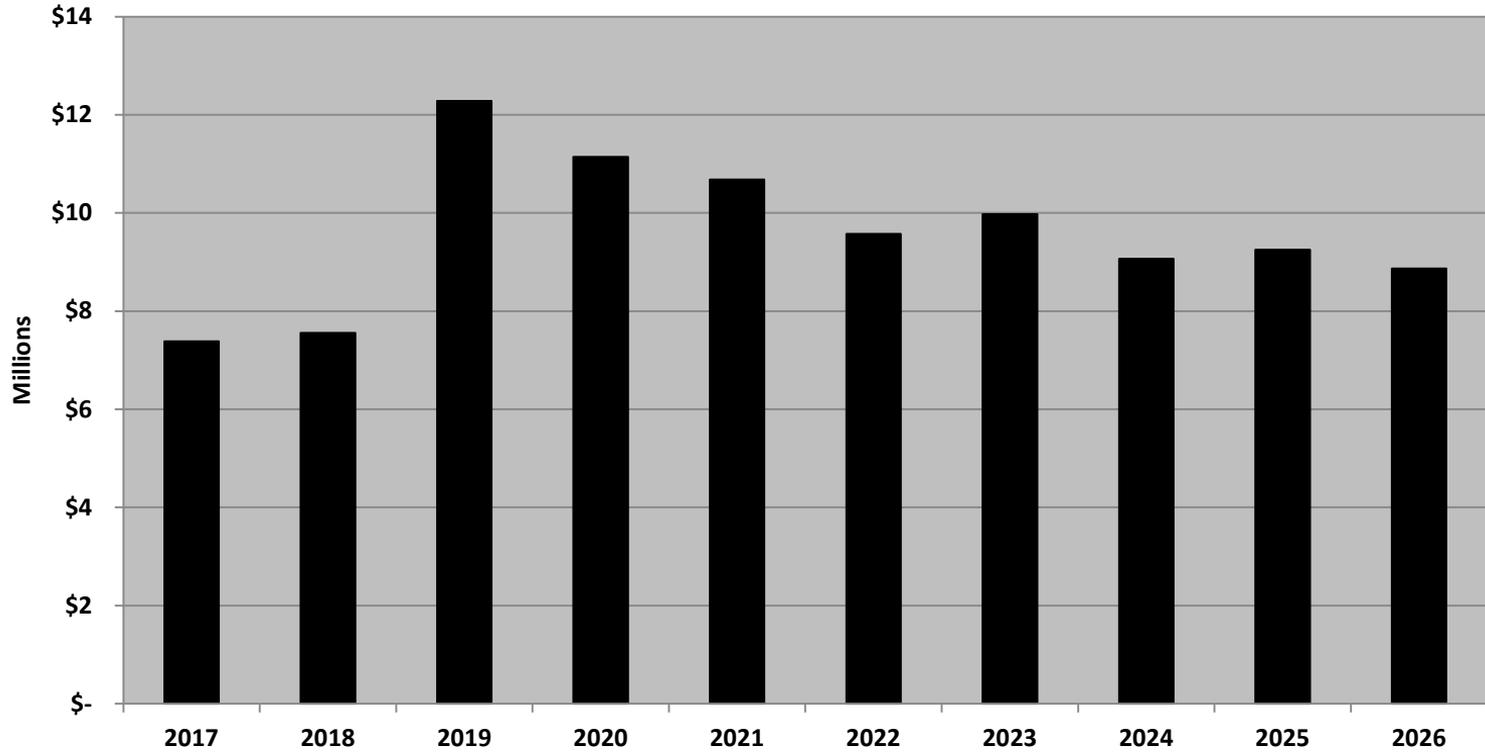
Fire Fund: Total Expenditure Trend



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

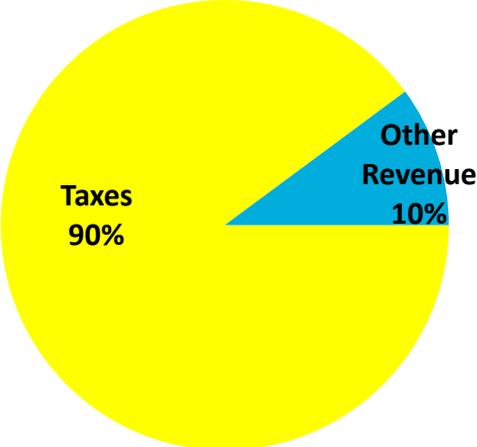


# Fire Capital Fund (402): Changes in Fund Balance

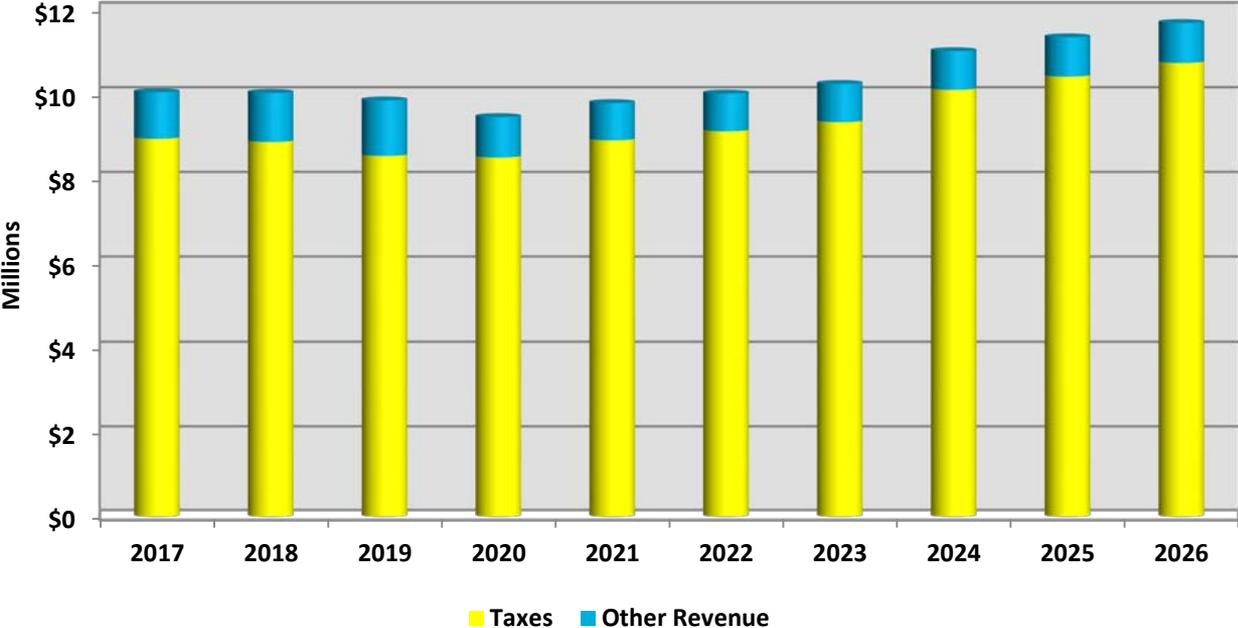


# Special Police Fund (207): Revenue

Special Police Fund: FY 2020 Revenue Sources

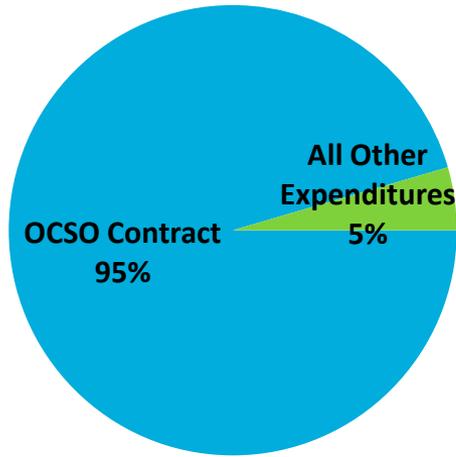


Special Police Fund: Total Revenue Trend

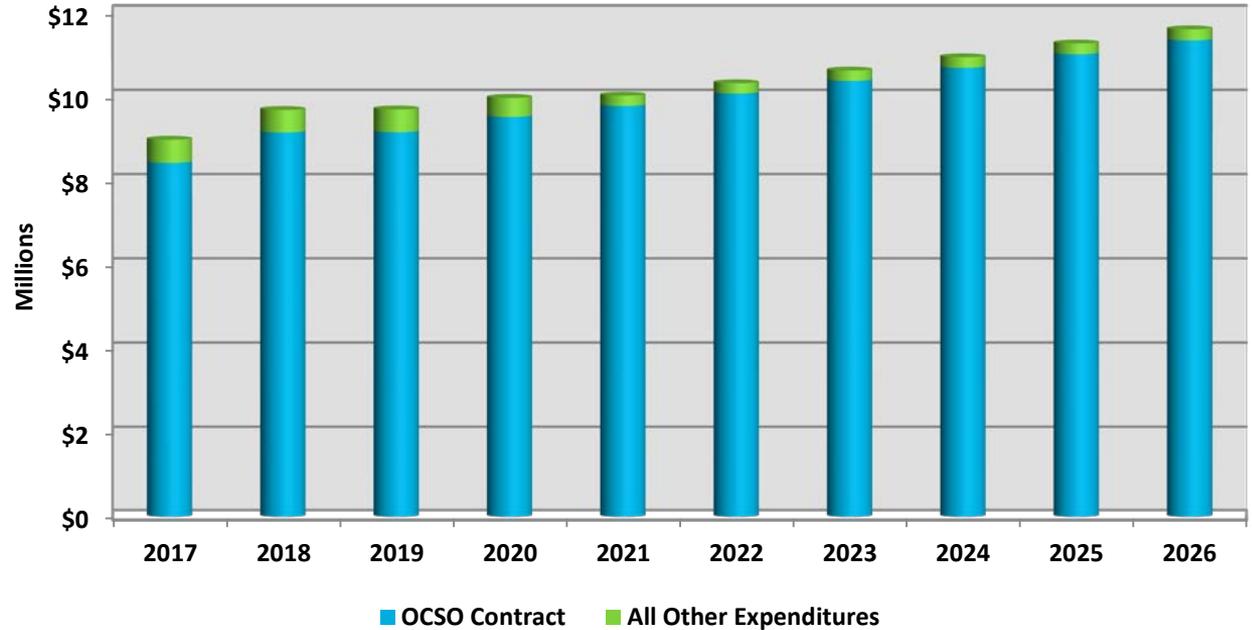


# Special Police Fund (207): Expenditure

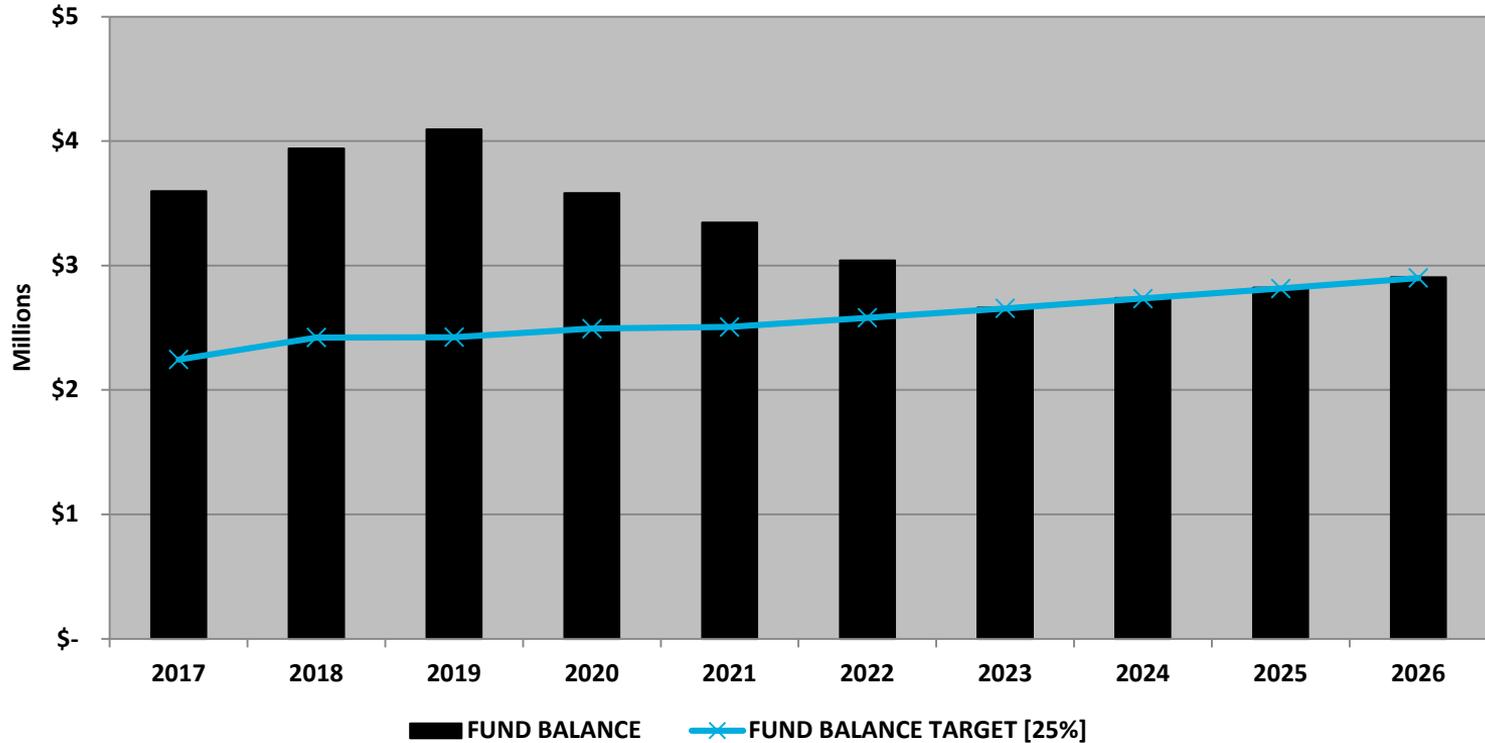
Special Police Fund: FY  
2020 Expenditure Sources



Special Police Fund: Total Expenditure Trend



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



# Fund Balance Summary

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



# Takeaways

- ▶ **Excellent Financial position as of 12/31/2019**
  - Structural Surplus
  - Conservative Projections
  - Strong Fund Balances
- ▶ **Fund Balance Policy**
  - Defines financial parameters
- ▶ **COVID-19 Impacts**
  - State-Shared Revenue, Act 51, Departmental, Investment Income
  - Additional Costs (PPE) / FEMA
- ▶ **Long-Term Projections**
  - Constantly monitoring and adjusting



# Questions / Comments

