

CITY OF ROCHESTER HILLS



FIVE YEAR FINANCIAL FORECAST

For Fiscal Years 2011 - 2015

May 24, 2010

INTRODUCTION

PURPOSE OF THE FORECAST

The Five Year Financial Forecast has been developed to help provide a forward look at the City's revenues and expenditures based on a set of future assumptions. The forecast is intended to identify financial trends, shortfalls, and issues so the City can *proactively* address them rather than be forced into a *reactive* posture i.e. it helps prevent surprises. It does so by forecasting future fiscal results based on the City's *current* service levels, programs and policies. It also provides a snapshot of what the future will look like based on the decisions that have already been made and helps to clarify financial areas needing attention.

The Five 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 not a plan. The Five Year Financial Forecast is not intended to be a comprehensive financial plan for achieving City Council objectives. ***It is a forecast of what our financial position would be if current service levels, programs or policies are continued.***

The Five Year Financial Forecast also sets the stage for the budget process, aiding both the Mayor and City Council in establishing priorities and allocating resources appropriately. This year's forecast addresses the current economic conditions being felt both within our community, the state and the nation. The forecast will help identify the effects the economic downturn will have on the City's revenues and the level of services and programs the City will be able to deliver within those forecasted revenue streams.

It should also be noted that the City does forecast the effects the assumptions will have on its Water and Sewer (Enterprise) Fund but, since the nature of this fund is to set rates at levels to cover operating expenses, the forecast is used more for assisting the Water and Sewer Technical Review Committee than in setting service levels.

KEY ISSUES AFFECTING THE ASSUMPTIONS DRIVING THE FORECAST

The Five Year Financial Forecast (FYFF) is based on a set of assumptions regarding what is expected to happen to the local, regional, state and national economy over the next several years. Those assumptions are applied to both the City's revenues and expenditures, which in turn highlight the City's ability to deliver services and programs in the near future at current levels.

ECONOMIC ASSUMPTIONS

The FYFF is assuming a continuation of the economic downturn into fiscal years 2011, 2012 and 2013. We anticipate a flattening and then a modest recovery in taxable values to begin in fiscal year 2014. Here's a list of issues affecting the economy and the City's ability to generate revenues to deliver its services:

- Continuing downturn in citywide taxable values and less funding from the state;
- A tight credit market;
- Continued high unemployment levels; and
- Weak consumer confidence and spending

Housing Market Downturn

The housing market slowdown, believed to have started in 2006, has worsened and is expected to continue into 2014. The housing downturn is putting pressure on the City's taxable values, which, from our current estimates, will continue its downward slide into fiscal year 2013.

Tight Credit Market

A continued tight credit market is causing difficulties for owners of small businesses, across the country, to get financing. Many of them recently told Federal officials that they would expand and hire more workers if they could only just get financing. A tight credit market is also making it difficult for those that want and can afford to buy a home be able to do so.

Consumer Driven Recession

Consumer spending is a key driver for business activity and local revenue generation. Consumer spending comprises about two-thirds of the U.S. economy. As consumers face possible or continued unemployment and home equity losses, they are holding tight on spending. Consumer confidence has been at historic lows for several years now and doesn't show any correction in the near term. Until consumers feel more comfortable about their future don't expect consumer spending to pick up.

Rising Unemployment

The U.S. Bureau of Labor Statistics recently reported that Oakland County's unemployment rate, in February 2010, was at 13.6%, up from 10.4% last year at the same time and for the state, the March, 2010 unemployment rate was at 14.9% up from 13.3% from the year before. Unemployment continues to be an issue effecting housing (and taxable values) and consumer spending.

Key Forecasting Points

The City's Five Year Financial Forecast is based on maintaining current programs, services and policies as amended in the current budget. It then focuses on key revenue and expenditure data points and applies assumptions of the future on those key data points. The forecast does not try to forecast every data point but focuses on the items that are strategic to the City's ability to delivery services, programs and policies.

Revenues

The key revenue points measured and forecasted by the City include:

- **Taxable Values**

Working with the City's Assessor, changes in taxable values are multiplied against current assessments and millage rates to forecast property tax revenue.

- **Interest Rates**

Working with the City Treasurer, estimated interest rates are applied against current investable balances to forecast future interest income revenue.

- **Current Millage Rates remain unchanged**

Assumptions are also applied on current millage rates (with or without changes).

- **New or Replacement Millage introduced**

We also make the assumption that no new or replacement millage will be introduced to fill funding gaps.

- **State Shared Revenue**

Working off the Michigan Department of Treasury web site, our current collection experience and with general knowledge from the public domain, we also incorporate an adjustment factor for state shared revenue.

- **Act 51 Revenue**

Much like the state shared revenue, we also incorporate a forecast for Act 51 revenue (gas and weight tax) a key funding source for Major and Local roads.

Assumptions used in the April 8, 2010 Forecast:

- **Taxable Values**

-11.30% for FY2011, -12.00% for FY2012, -5.00% for FY2013, 0.00% for FY2014 and +1.00% for FY2015.

- **Interest Rates**

.75% for FY2011, 1.25% for FY2012, 1.50% for FY2013, 2.00% for FY2014, 2.0% for FY 2014 and 2.00% for FY2015.

- **New or Replacement Millage introduced**

NONE

- **State Shared Revenue**

-2.00% for FY2011, -1.00% for FY2012, 0.00% for FY2013, 0.00% for FY2014 and 0.00% for 2015.

- **Act 51 Revenue**

-1.00% for FY2011, -1.00% for FY2012, -1.00% for FY2013, -1.00% for FY2014 and -1.00% for FY2015.

- **Current Millage Rates remain unchanged**

YES

Expenditures

Just like Revenues we also forecast expenditures. The key expenditure points measured and forecasted by the City include:

- **Salary and Wages**

Current agreements with union and non-union groups are used to forecast salary and wage changes. Where no agreements are available or the City is in union discussion, current levels are used.

- **Changes in the Number of Employees**

Any planned changes, for the future, if known, are incorporated into the forecast.

- **Health Care and other Fringe Benefits**

Working with the City's health consultant, Human Resource Department and based on the City's recent health care experience, future health care costs are forecasted. We use the largest increase, based on the city's three health care plans, to forecast *all* health care costs.

- **Pension (City's Share) Change**

Any planned changes in the City's share of pension contributions are incorporated into the forecast.

- **Inflation**

The City's best guess for future inflation is applied against other expenditures, including Capital Projects, within the City's current budgets.

- **Sheriff Contract**

Working with the Business Manager from the Sheriff's office, an estimate of future cost increases in the Sheriff's contract are forecasted.

Assumptions used in the April 8, 2010 Forecast:

- **Salary and Wages**

0.00% for FY2011, 0.00% for FY2012, 0.00% for FY2013, 0.00% for FY2014 and 0.00%, for FY2015

- **Changes in Number of Employees**

None

- **Health Care and other Fringe Benefits**

+15.00% for FY2011, +15.00% for FY2012, +15.00% for FY2013, +15.00% for FY2014 and +15.00% for FY2015.

- **Pension (City Share) Change**

No Change

- **Inflation**

General Citywide Inflation: Percent Change = +1.00%

Capital Project Inflation: Percent Change = +1.00%

- **Sheriff Contract**

+1.00% for FY2011, +1.50% for FY2012, +2.00% for FY2013, +3.00% for FY2014 and +3.00% for FY2015.

THE FORECAST

With assumptions on both the economy and the key forecasting data points in place, our first look at the forecasted financial position of the City is ready.

General Governmental Funds (all funds except Water and Sewer)

Model Updated April 8, 2010	2009	2010	2011	2012	2013	2014	2015
TOTAL REVENUE w/o W&S	Actual	Budget	Projected	Estimated	Estimated	Estimated	Estimated
City Taxes	\$ 33,421,565	\$ 31,986,460	\$ 27,428,279	\$ 23,797,068	\$ 22,666,403	\$ 21,768,526	\$ 21,863,461
Licenses & Permits	1,684,742	1,460,390	1,460,390	1,423,640	1,389,463	1,357,677	1,328,117
Intergovernmental Revenue	11,039,731	10,268,050	9,456,610	9,250,170	9,477,656	9,308,140	9,233,849
Interfund Charges	11,156,583	11,939,520	11,947,890	12,055,453	12,179,651	12,308,973	12,431,434
Service Charges	3,248,037	3,165,090	3,144,010	3,142,378	3,204,133	3,218,472	3,232,980
Fines & Forfeitures	358,716	432,500	407,500	407,620	407,742	407,867	407,995
Investment Earnings	1,240,434	2,022,190	1,212,341	1,096,485	1,198,767	1,361,104	1,320,091
Other Revenue	3,465,382	366,050	371,110	304,682	300,399	297,355	295,242
Transfer-In	14,421,686	13,464,890	12,152,557	9,981,920	10,184,314	8,728,892	9,049,404
TOTAL REVENUE w/o W&S	\$ 80,036,876	\$ 75,105,140	\$ 67,580,687	\$ 61,459,415	\$ 61,008,529	\$ 58,757,006	\$ 59,162,573

TOTAL EXPENDITURE w/o W&S	2009	2010	2011	2012	2013	2014	2015
Personnel Services	\$ 20,720,859	\$ 21,590,190	\$ 21,790,618	\$ 22,326,524	\$ 22,854,538	\$ 23,458,641	\$ 24,150,126
Operating Supplies	974,312	1,459,100	1,351,867	1,365,385	1,379,039	1,392,829	1,406,758
Professional Services	11,537,654	13,454,950	12,691,486	12,852,456	13,007,946	13,319,006	13,596,460
Interfund Charges	7,937,719	8,485,050	8,502,461	8,577,683	8,669,286	8,765,758	8,855,109
Other Expenses	2,251,590	2,300,680	2,354,945	2,272,973	2,332,896	2,318,414	2,379,164
Depreciation	2,092,232	2,215,170	2,313,060	2,007,153	2,050,196	2,065,239	2,158,264
Capital Outlay	8,974,803	10,813,830	4,682,980	5,657,359	10,741,381	6,146,631	10,795,827
Debt Service	6,867,369	6,277,830	4,503,295	3,915,924	3,862,988	3,005,645	2,967,065
Transfer Out	17,924,432	15,551,230	13,939,507	11,746,280	11,676,244	10,220,822	10,555,084
TOTAL EXPENDITURE w/o W&S	\$ 79,280,969	\$ 82,148,030	\$ 72,130,218	\$ 70,721,736	\$ 76,574,515	\$ 70,692,985	\$ 76,863,856

This first pass at the City's financial forecast is what could be considered the high level view. It incorporates all **General Governmental Funds** and gives an overall forecasted financial position of the City but doesn't give the level of detail necessary for management to make decisions related to service delivery and program offerings.

Issues such as planned use of fund balance for capital projects (Major Roads, Green Space, etc.) are not adjusted or reconciled with this high level forecast.

To make the forecast more effective it is better and certainly more useful to look at the financial forecast at the fund level.

To illustrate this approach here's a look at the City's **General Fund**.

Model Updated April 8, 2010							
101 - General Fund	2009 Actual	2010 Amended	2011 Projected	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated
City Taxes	\$13,742,204	\$ 13,229,870	\$ 11,740,060	\$10,338,900	\$ 9,825,673	\$ 9,826,518	\$ 9,925,050
Licenses & Permits	1,665,018	1,442,390	1,442,390	1,405,640	1,371,463	1,339,677	1,310,117
Intergovernmental Revenue	4,872,509	4,642,730	4,392,730	4,350,230	4,350,230	4,350,230	4,350,230
Interfund Charges	3,983,955	4,316,680	4,334,050	4,365,475	4,412,773	4,464,426	4,508,442
Service Charges	1,347,760	1,322,690	1,301,610	1,293,398	1,350,661	1,348,406	1,346,076
Fines & Forfeitures	(9,216)	8,000	8,000	8,120	8,242	8,367	8,495
Investment Earnings	303,494	628,000	628,000	203,030	239,960	317,791	311,411
Other Revenue	146,864	86,530	86,530	86,530	86,530	86,530	86,530
Transfer-In	89,000	168,000	185,000	185,000	185,000	185,000	185,000
101 - General Fund	\$26,141,589	\$ 25,844,890	\$ 24,118,370	\$22,236,322	\$21,830,531	\$21,926,945	\$ 22,031,350

101 - General Fund	2009 Actual	2010 Amended	2011 Projected	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated
Personnel Services	\$ 10,356,222	\$ 10,669,550	\$ 10,684,940	\$ 10,976,425	\$ 11,247,951	\$ 11,559,121	\$ 11,915,845
Operating Supplies	283,568	409,000	360,840	364,448	368,093	371,774	375,492
Professional Services	1,278,288	1,444,750	1,392,360	1,404,856	1,417,478	1,430,225	1,443,100
Interfund Charges	2,391,013	2,380,100	2,379,101	2,402,892	2,426,921	2,451,190	2,475,702
Other Expenses	307,418	214,280	194,200	158,499	160,084	161,685	163,302
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Transfer Out	11,801,960	10,783,680	9,106,929	6,929,200	6,392,345	6,657,606	6,884,943
101 - General Fund	\$26,418,469	\$ 25,901,360	\$ 24,118,370	\$22,236,322	\$22,012,872	\$22,631,602	\$ 23,258,384

It should be noted that the City's current forecasting model, used in forecasting General Fund, forces expenditures to equal revenues (as best as we can). To be able to achieve that goal, the forecast (for General Fund) reduces the amount being transferred to other funds. Three funds generally receive the majority of transfers from General Fund: Special Police Fund, Local Road Fund and the Drain Maintenance Fund.

In this forced balancing model, the Local Road Fund and the Drain Maintenance Fund were chosen as the safety valve. They were chosen because they are not funding a contract, like the transfer to the Special Police Fund, and the transfers made to these two funds are large enough to accomplish this forced balancing goal. This would not be the case if the Drain Maintenance Fund alone had been chosen.

990 - Transfer Out	2009 Actual	2010 Amended	2011 Projected	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated
Transfer Out - Major Roads	\$ 366,470	\$ 352,890	\$ 313,080	\$ 275,510	\$ 261,730	\$ 261,730	\$ 264,350
Transfer Out - Local Streets	5,290,120	5,119,610	3,587,797	859,226	-	-	-
Transfer Out - Special Police	3,585,300	3,816,130	4,567,662	5,151,546	5,483,122	5,743,763	5,963,815
Transfer Out - Drain Maintenance Fund	697,630	856,660	-	-	-	-	-
Transfer Out - Capital Improve. Fund	82,040	81,810	81,810	81,810	81,810	81,810	81,810
Transfer Out - Facilities (Common Area)	454,100	452,880	452,880	457,409	461,983	466,603	471,269
Transfer Out - Supple Retiree Health Trust	1,326,300	103,700	103,700	103,700	103,700	103,700	103,700
TRANSFER OUT	\$11,801,960	\$ 10,783,680	\$ 9,106,929	\$ 6,929,200	\$ 6,392,345	\$ 6,657,606	\$ 6,884,943

For this presentation, we have adjusted our current forecasting model so that General Fund makes a transfer to Local Road Fund large enough to make sure that the Local Road Fund can have enough revenue to cover **maintenance costs**. We have **not** done that with the Drain Maintenance Fund.

The General Fund transfer to the Local Road Fund **DOES NOT** provide for any capital projects in that fund.

Based on the assumptions discussed above and the adjustment to the model for the General Fund, the following forecast gives a better picture of the City's General Fund

Model Updated April 8, 2010							
	2009	2010	2011	2012	2013	2014	2015
203 - Local Street Fund	Actual	Amended	Projected	Estimated	Estimated	Estimated	Estimated
City Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	10,549	10,000	10,000	10,000	10,000	10,000	10,000
Intergovernmental Revenue	1,154,510	1,119,710	1,108,920	1,058,231	1,047,648	1,037,172	1,026,800
Interfund Charges	-	-	-	-	-	-	-
Service Charges	18,118	22,550	22,550	22,550	22,550	22,550	22,550
Fines & Forfeitures	-	-	-	-	-	-	-
Investment Earnings	17,756	33,340	19,336	42,262	23,432	1,692	1,269
Other Revenue	49,871	13,170	19,890	17,418	15,563	14,172	13,129
Transfer-In	5,412,266	5,519,970	4,587,797	1,859,226	1,000,000	-	-
203 - Local Street Fund	\$ 6,663,070	\$ 6,718,740	\$ 5,768,493	\$ 3,009,686	\$ 2,119,194	\$ 1,085,586	\$ 1,073,748
Additional Needed from Gen Fund, Major Rds or CIF			\$ (1,096,958)	\$ 1,728,599	\$ 2,720,317	\$ 3,907,692	\$ 4,034,097
			\$ 4,671,535	\$ 4,738,286	\$ 4,839,511	\$ 4,993,278	\$ 5,107,846

203 - Local Street Fund							
Personnel Services	\$ 1,346,186	\$ 1,579,540	\$ 1,615,390	\$ 1,661,605	\$ 1,712,219	\$ 1,770,166	\$ 1,836,538
Operating Supplies	248,519	429,010	428,170	432,452	436,776	441,144	445,555
Professional Services	232,654	247,930	277,930	280,709	283,516	286,352	289,215
Interfund Charges	1,531,626	1,783,960	1,801,320	1,820,543	1,839,983	1,859,642	1,879,523
Other Expenses	1,064	1,800	1,800	1,818	1,836	1,855	1,873
Capital Outlay	1,619,326	2,995,360	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Transfer Out	417,200	520,120	546,925	541,158	565,180	634,120	655,141
203 - Local Street Fund	\$ 5,396,577	\$ 7,557,720	\$ 4,671,535	\$ 4,738,286	\$ 4,839,511	\$ 4,993,278	\$ 5,107,846

Model Updated April 8, 2010							
990 - Transfer Out	2009	2010	2011	2012	2013	2014	2015
	Actual	Amended	Projected	Estimated	Estimated	Estimated	Estimated
Transfer Out - Major Roads	\$ 366,470	\$ 352,890	\$ 313,080	\$ 273,280	\$ 259,610	\$ 259,610	\$ 262,210
Transfer Out - Local Streets	5,290,120	5,119,610	3,501,769	1,728,599	2,720,317	3,907,692	4,034,097
Transfer Out - Special Police	3,585,300	3,816,130	4,567,662	5,178,715	5,591,650	5,854,836	6,077,705
Transfer Out - Drain Maintenance Fund	697,630	856,660	-	-	-	-	-
Transfer Out - Capital Improve. Fund	82,040	81,810	81,810	81,810	81,810	81,810	81,810
Transfer Out - Facilities (Common Area)	454,100	452,880	452,880	457,409	461,983	466,603	471,269
Transfer Out - Supple Retiree Health Trust	1,326,300	103,700	103,700	103,700	103,700	103,700	103,700
TRANSFER OUT	\$ 11,801,960	\$ 10,783,680	\$ 9,020,901	\$ 7,823,512	\$ 9,219,070	\$ 10,674,250	\$ 11,030,791

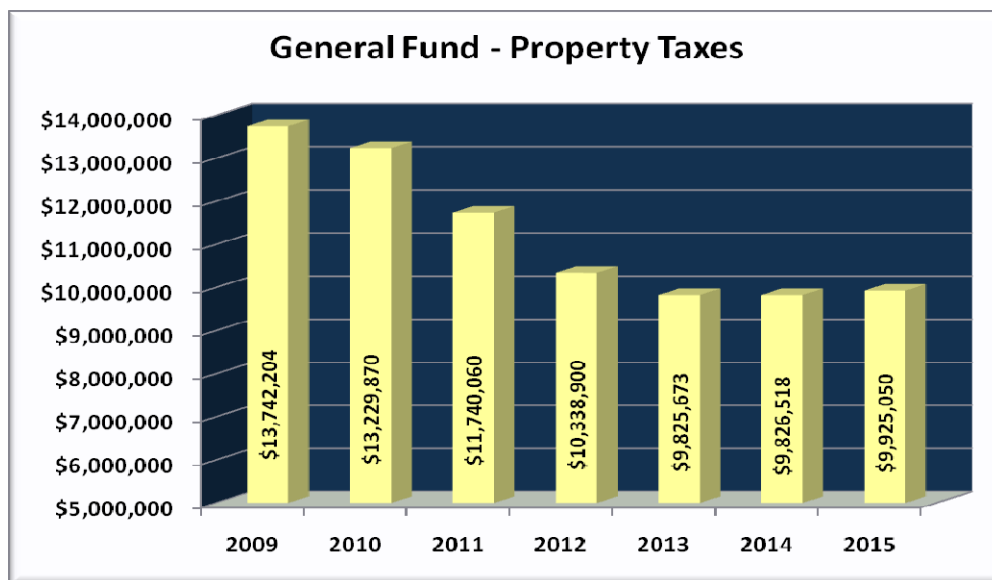
Model Updated April 8, 2010							
	2009	2010	2011	2012	2013	2014	2015
101 - General Fund	Actual	Amended	Projected	Estimated	Estimated	Estimated	Estimated
City Taxes	\$ 13,742,204	\$ 13,229,870	\$ 11,740,060	\$ 10,338,900	\$ 9,825,673	\$ 9,826,518	\$ 9,925,050
Licenses & Permits	1,665,018	1,442,390	1,442,390	1,405,640	1,371,463	1,339,677	1,310,117
Intergovernmental Revenue	4,872,509	4,642,730	4,392,730	4,350,230	4,350,230	4,350,230	4,350,230
Interfund Charges	3,983,955	4,316,680	4,438,600	4,471,070	4,519,425	4,572,144	4,617,237
Service Charges	1,347,760	1,322,690	1,301,610	1,293,398	1,350,661	1,348,406	1,346,076
Fines & Forfeitures	(9,216)	8,000	8,000	8,120	8,242	8,367	8,495
Investment Earnings	303,494	628,000	628,000	203,030	239,960	318,031	311,878
Other Revenue	146,864	86,530	86,530	86,530	86,530	86,530	86,530
Transfer-In	89,000	168,000	185,000	185,000	185,000	185,000	185,000
101 - General Fund	\$ 26,141,589	\$ 25,844,890	\$ 24,222,920	\$ 22,341,918	\$ 21,937,183	\$ 22,034,903	\$ 22,140,613

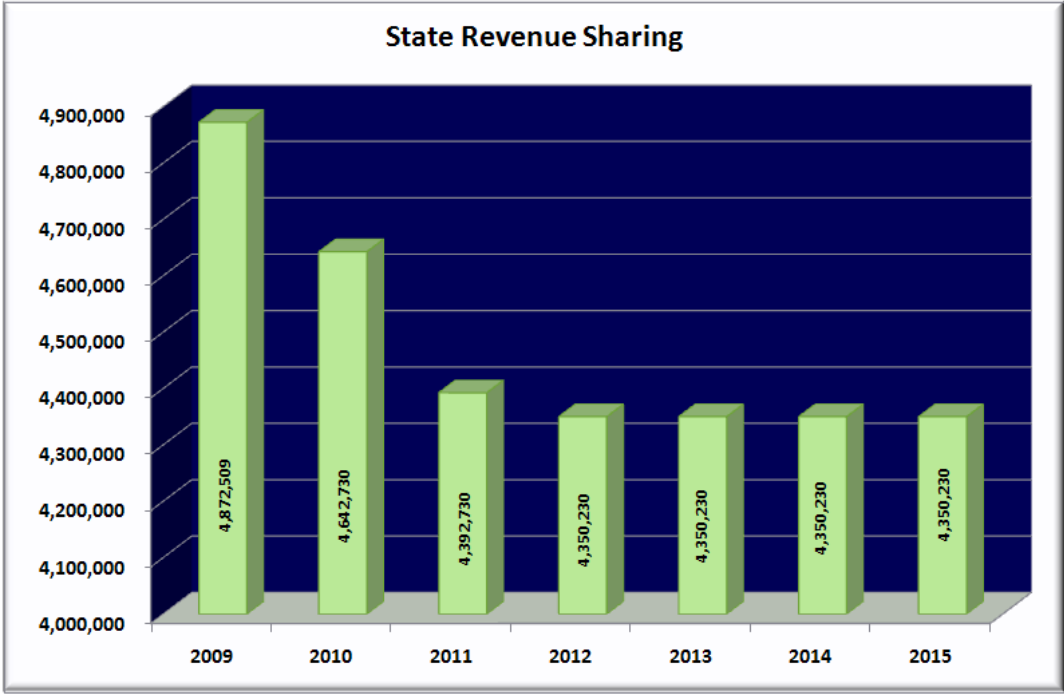
101 - General Fund	2009	2010	2011	2012	2013	2014	2015
Personnel Services	\$ 10,363,030	\$ 10,669,550	\$ 10,684,940	\$ 10,976,425	\$ 11,247,951	\$ 11,559,121	\$ 11,915,845
Operating Supplies	283,568	409,000	360,840	364,448	368,093	371,774	375,492
Professional Services	1,278,288	1,444,750	1,392,360	1,404,856	1,417,478	1,430,225	1,443,100
Interfund Charges	2,391,013	2,380,100	2,379,101	2,402,892	2,426,921	2,451,190	2,475,702
Other Expenses	307,418	214,280	194,200	158,499	160,084	161,685	163,302
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Transfer Out	11,801,960	10,783,680	9,020,901	7,823,513	9,219,070	10,674,251	11,030,791
101 - General Fund	\$ 26,425,277	\$ 25,901,360	\$ 24,032,342	\$ 23,130,635	\$ 24,839,598	\$ 26,648,246	\$ 27,404,232

\$ (283,688) \$ (56,470) \$ 190,578 \$ (788,717) \$(2,902,415) \$(4,613,343) \$(5,263,619)

As it shows, fiscal year 2011 has a small surplus and fiscal years 2012 through 2015 produce deficits.

Let's now take a closer look at future revenue sources in General Fund. As the charts show, property tax revenues decrease from years 2011 to 2013, level out in year 2014 and show a very modest increase in 2015. Other revenue sources, such as state shared revenue also show signs of decreases but at a slower pace.



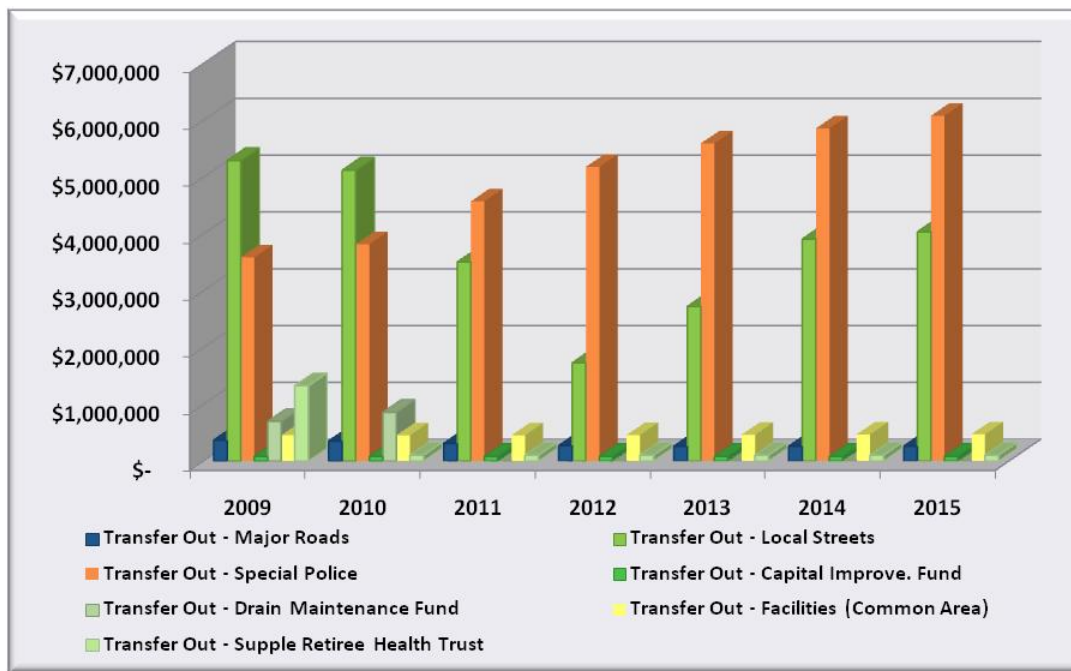


Now let's turn our attention to General Fund's expenditure side. As the charts show, personnel costs, related to increases in health care costs, increase for each forecasted year. Transfers to other funds also increase each year going forward. The increases in the transfer out area are all related to the needs of both the Special Police Fund and the Local Road Fund. All other expenditures remain fairly consistent.





Here a closer look at the **Transfer-Out section of General Fund**:



The above charts show just how quickly the needs of the Special Police Fund and the Local Road Fund increase over the next five years and the pressure it puts on the General Fund.

Falling property taxes and state revenues along with raising costs are not just a General Fund issue they are also affecting all funds that depend on either millage rates and or state tax collections for their funding sources.

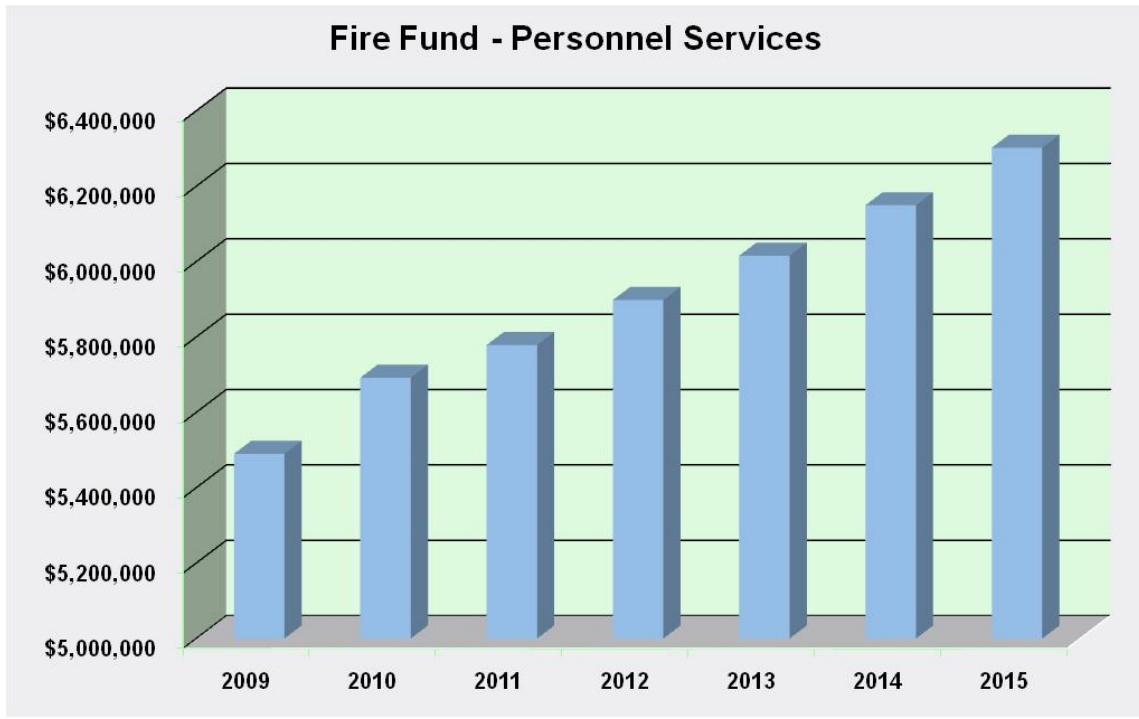
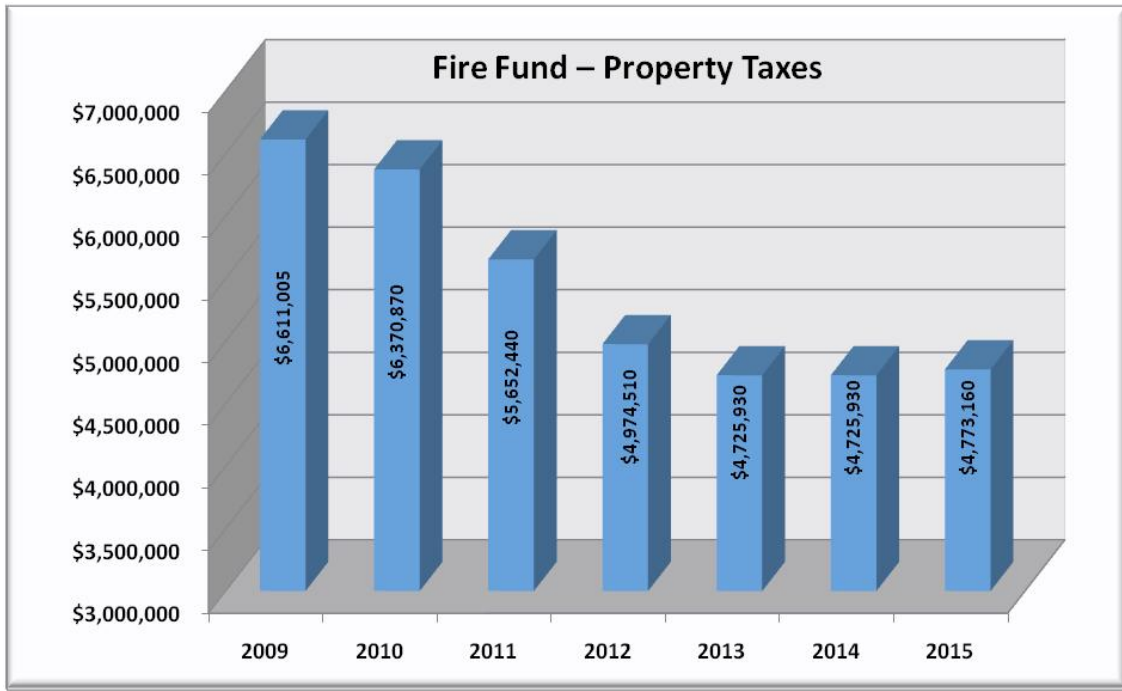
Let's take a closer look at some of those funds:

Fire Fund

Model Updated April 8, 2010							
	2009	2010	2011	2012	2013	2014	2015
206 - Fire Operating Fund	Actual	Amended	Projected	Estimated	Estimated	Estimated	Estimated
City Taxes	\$ 6,611,005	\$ 6,370,870	\$ 5,652,440	\$ 4,974,510	\$ 4,725,930	\$ 4,725,930	\$ 4,773,160
Licenses & Permits	8,675	8,000	8,000	8,000	8,000	8,000	8,000
Intergovernmental Revenue	-	-	-	-	-	-	-
Interfund Charges	78,500	90,000	90,000	90,900	91,809	92,727	93,654
Service Charges	1,291,078	1,341,050	1,341,050	1,354,010	1,367,109	1,380,349	1,393,732
Fines & Forfeitures	26,316	8,500	8,500	8,500	8,500	8,500	8,500
Investment Earnings	35,884	100,000	37,799	51,457	39,559	-	-
Other Revenue	12,829	2,000	2,000	1,500	1,500	1,500	1,500
Transfer-In	-	7,000	10,000	10,000	10,000	10,000	10,000
206 - Fire Operating Fund	\$ 8,064,288	\$ 7,927,420	\$ 7,149,789	\$ 6,498,877	\$ 6,252,407	\$ 6,227,006	\$ 6,288,546

206 - Fire Fund							
	2009	2010	2011	2012	2013	2014	2015
Personnel Services	\$ 5,490,065	\$ 5,692,050	\$ 5,778,828	\$ 5,898,256	\$ 6,015,901	\$ 6,149,848	\$ 6,302,479
Operating Supplies	117,704	123,050	117,977	119,156	120,348	121,551	122,767
Professional Services	179,036	247,640	245,295	248,859	251,348	253,861	256,400
Interfund Charges	1,414,836	1,499,710	1,499,710	1,513,467	1,527,362	1,541,395	1,555,569
Other Expenses	124,934	68,050	70,675	52,565	53,091	53,622	54,158
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Transfer Out	593,860	21,600	21,600	21,600	21,600	21,600	21,600
206 - Fire Fund	\$ 7,920,435	\$ 7,652,100	\$ 7,734,085	\$ 7,853,905	\$ 7,989,650	\$ 8,141,878	\$ 8,312,974

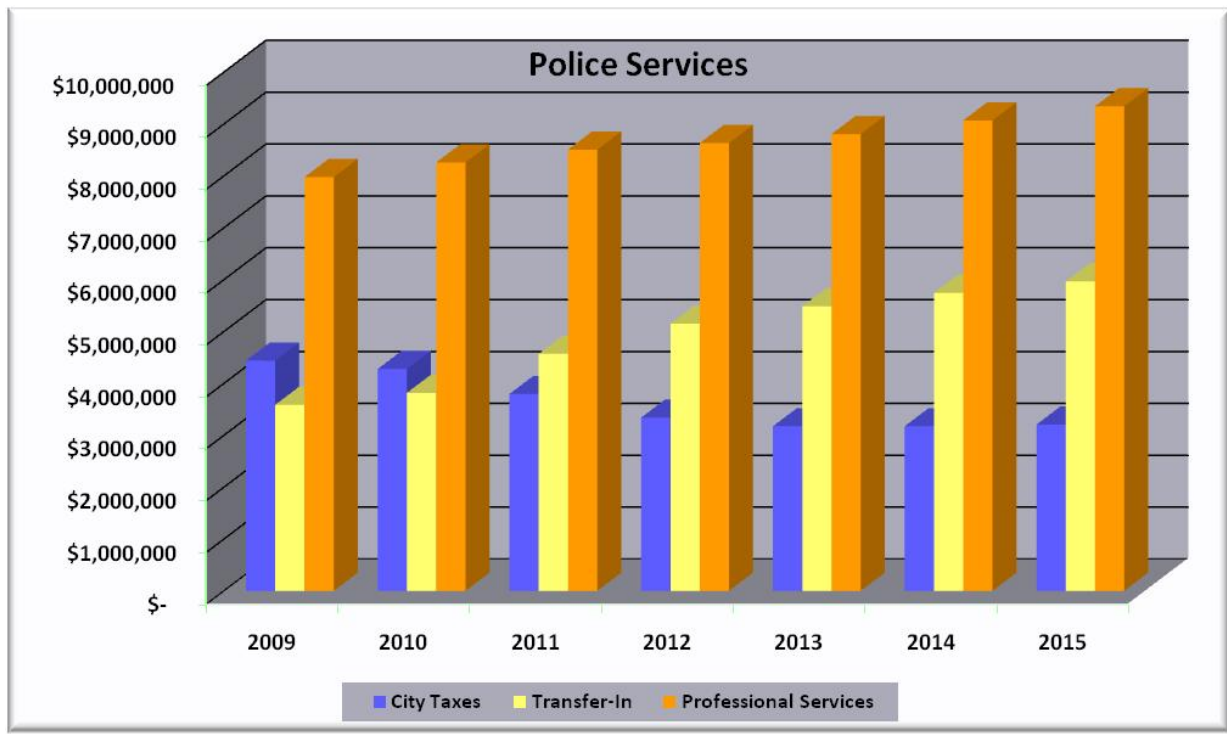
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	2009	2010	2011	2012	2013	2014	2015
	\$ 143,852	\$ 275,320	\$ (584,296)	\$ (1,355,027)	\$ (1,737,242)	\$ (1,914,872)	\$ (2,024,428)
BEGINNING FUND BALANCE	\$ 1,794,465	\$ 1,938,318	\$ 2,213,638	\$ 1,629,342	\$ 274,315	\$ (1,462,927)	\$ (3,377,800)
ENDING FUND BALANCE	\$ 1,938,318	\$ 2,213,638	\$ 1,629,342	\$ 274,315	\$ (1,462,927)	\$ (3,377,800)	\$ (5,402,228)

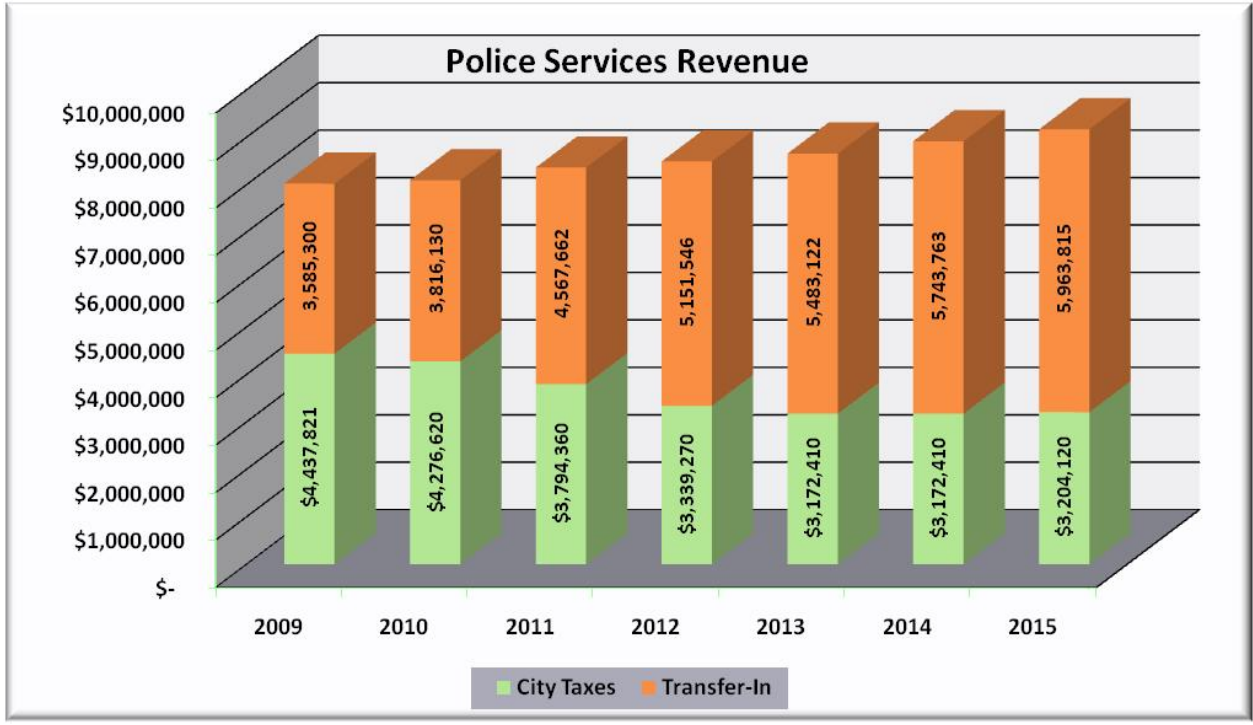


Special Police Fund

Model Updated April 8, 2010							
	2009	2010	2011	2012	2013	2014	2015
207 - Special Police Fund	Actual	Amended	Projected	Estimated	Estimated	Estimated	Estimated
City Taxes	\$ 4,437,821	\$ 4,276,620	\$ 3,794,360	\$ 3,339,270	\$ 3,172,410	\$ 3,172,410	\$ 3,204,120
Licenses & Permits	-	-	-	-	-	-	-
Intergovernmental Revenue	277,979	268,750	275,880	279,553	284,524	292,130	299,964
Interfund Charges	-	-	-	-	-	-	-
Service Charges	252,140	196,500	196,500	190,120	181,512	184,867	188,322
Fines & Forfeitures	341,616	416,000	391,000	391,000	391,000	391,000	391,000
Investment Earnings	21,151	45,000	17,108	25,670	29,552	39,403	39,720
Other Revenue	14,819	-	14,600	14,600	14,600	14,600	14,600
Transfer-In	3,585,300	3,816,130	4,567,662	5,151,546	5,483,122	5,743,763	5,963,815
207 - Special Police Fund	\$ 8,930,826	\$ 9,019,000	\$ 9,257,110	\$ 9,391,759	\$ 9,556,721	\$ 9,838,172	\$ 10,101,540

207 - Special Police							
Personnel Services	\$ 186,858	\$ 186,140	\$ 186,140	\$ 186,349	\$ 186,575	\$ 186,815	\$ 187,070
Operating Supplies	12,576	17,500	17,500	17,675	17,852	18,030	18,211
Professional Services	7,974,261	8,258,010	8,503,800	8,631,330	8,803,901	9,067,905	9,339,829
Interfund Charges	209,145	194,880	194,880	196,829	198,797	200,785	202,793
Other Expenses	52,900	12,870	13,510	2,020	2,040	2,061	2,081
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Transfer Out	357,145	349,600	341,280	357,556	347,556	362,576	351,556
207 - Special Police	\$ 8,792,885	\$ 9,019,000	\$ 9,257,110	\$ 9,391,759	\$ 9,556,721	\$ 9,838,172	\$ 10,101,540

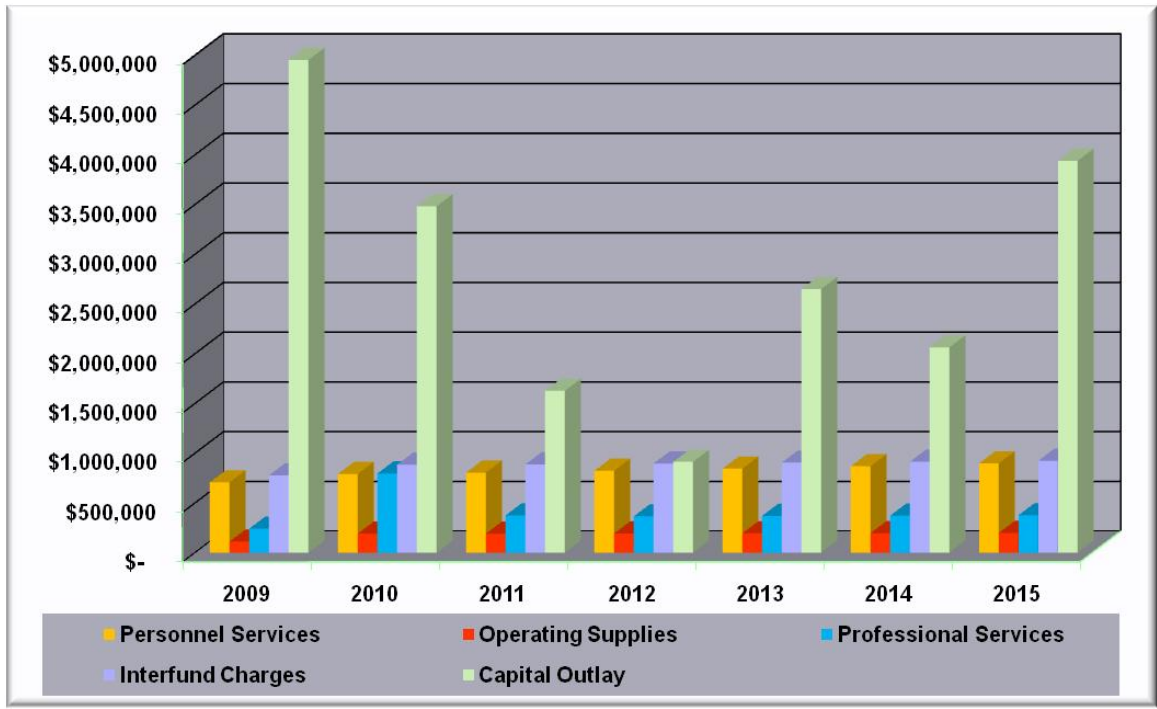
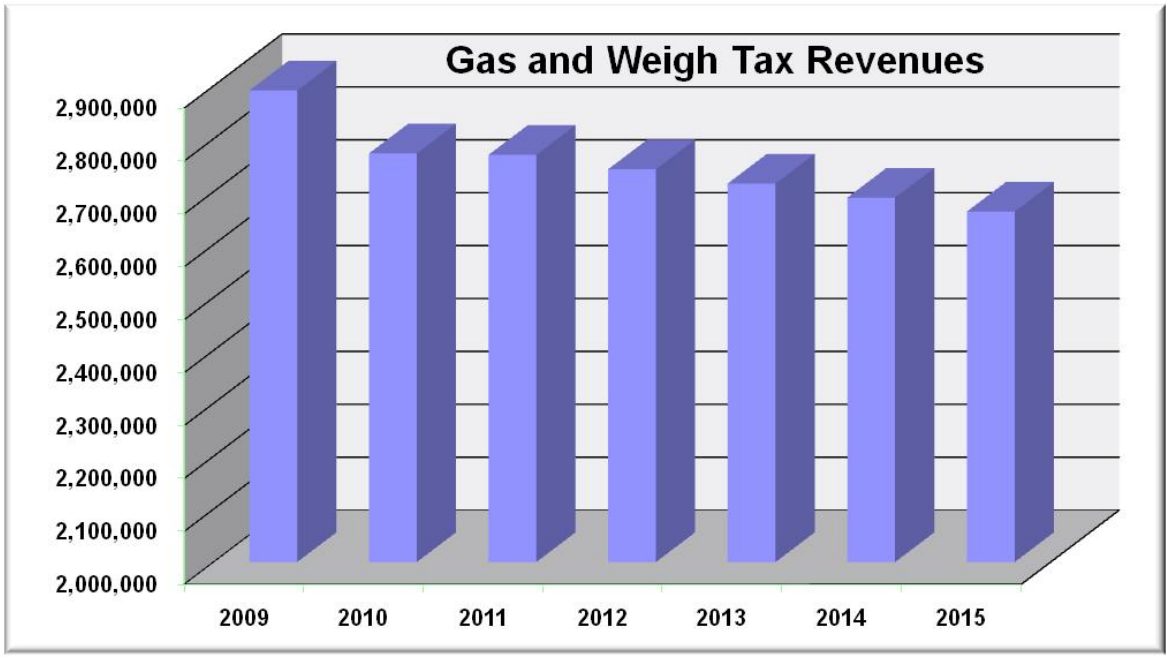




Major Roads

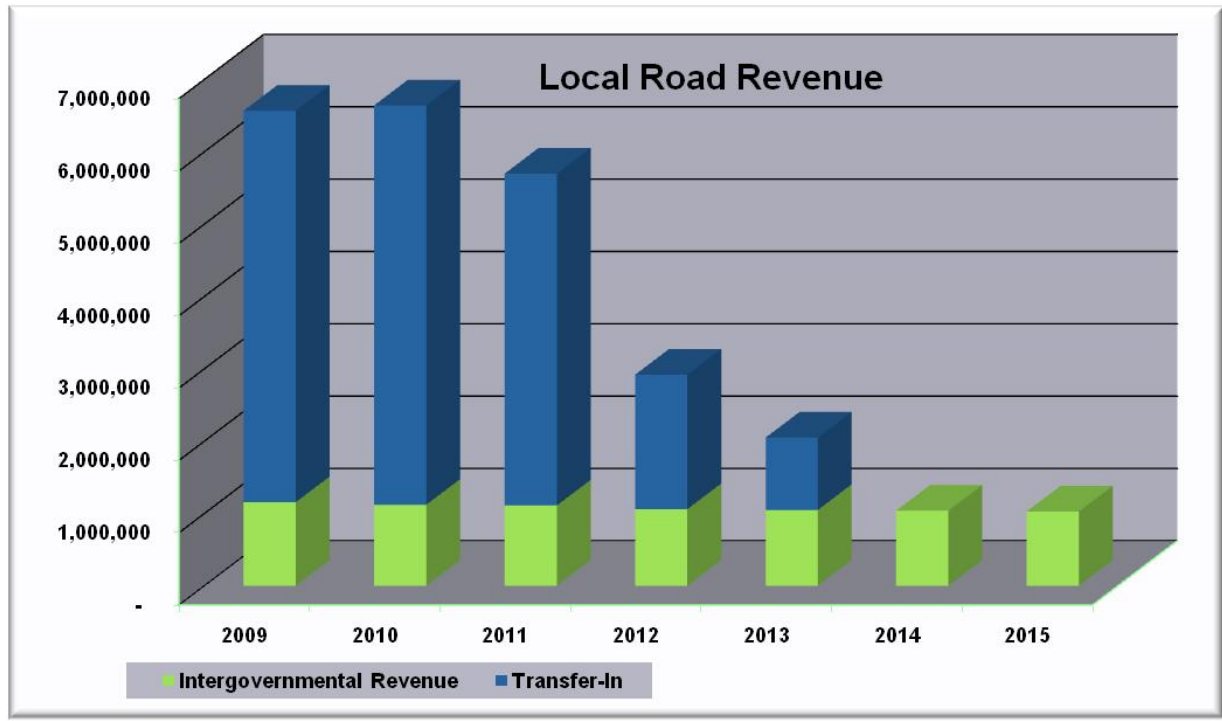
Model Updated April 8, 2010

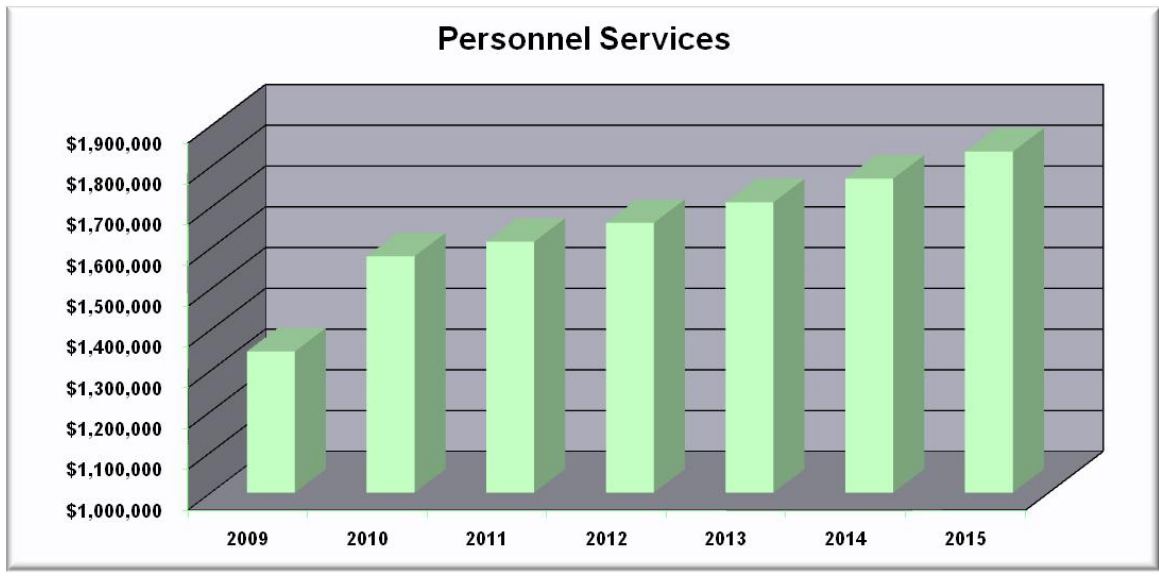
	2009 Actual	2010 Amended	2011 Projected	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated
202 - Major Road Fund							
City Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-
Gas and Weight Taxes	2,891,351	2,772,410	2,769,690	2,742,493	2,715,573	2,688,927	2,662,553
Grants and Reimbursements	250,222	461,560					
Interfund Charges	21,114	23,000	23,000	23,230	23,462	23,697	23,934
Service Charges	202,521	199,500	199,500	199,500	199,500	199,500	199,500
Fines & Forfeitures	-	-	-	-	-	-	-
Investment Earnings	163,162	230,000	98,981	161,487	199,993	254,775	239,060
Other Revenue	1,628	500	500	500	500	500	500
Transfer-In	1,414,470	723,190	513,080	475,510	1,229,290	461,730	464,350
202 - Major Road Fund - Revenues	\$ 4,944,469	\$ 4,410,160	\$ 3,604,751	\$ 3,602,720	\$ 4,368,318	\$ 3,629,130	\$ 3,589,898
Personnel Services	\$ 706,063	\$ 790,250	\$ 804,220	\$ 822,312	\$ 843,699	\$ 868,181	\$ 896,221
Operating Supplies	111,030	190,290	189,930	191,829	193,748	195,685	197,642
Professional Services	240,720	795,280	374,580	364,676	368,323	372,006	375,726
Interfund Charges	775,674	884,220	886,160	895,242	904,418	913,691	923,062
Other Expenses	1,451	2,300	2,300	2,323	2,346	2,370	2,393
Capital Outlay	4,952,889	3,482,110	1,626,070	912,460	2,649,870	2,062,950	3,939,400
Debt Service	-	-	-	-	-	-	-
Transfer Out	3,300	400,360	-	-	-	-	-
202 - Major Road Fund - Expenditures	\$ 6,791,127	\$ 6,544,810	\$ 3,883,260	\$ 3,188,842	\$ 4,962,404	\$ 4,414,883	\$ 6,334,444



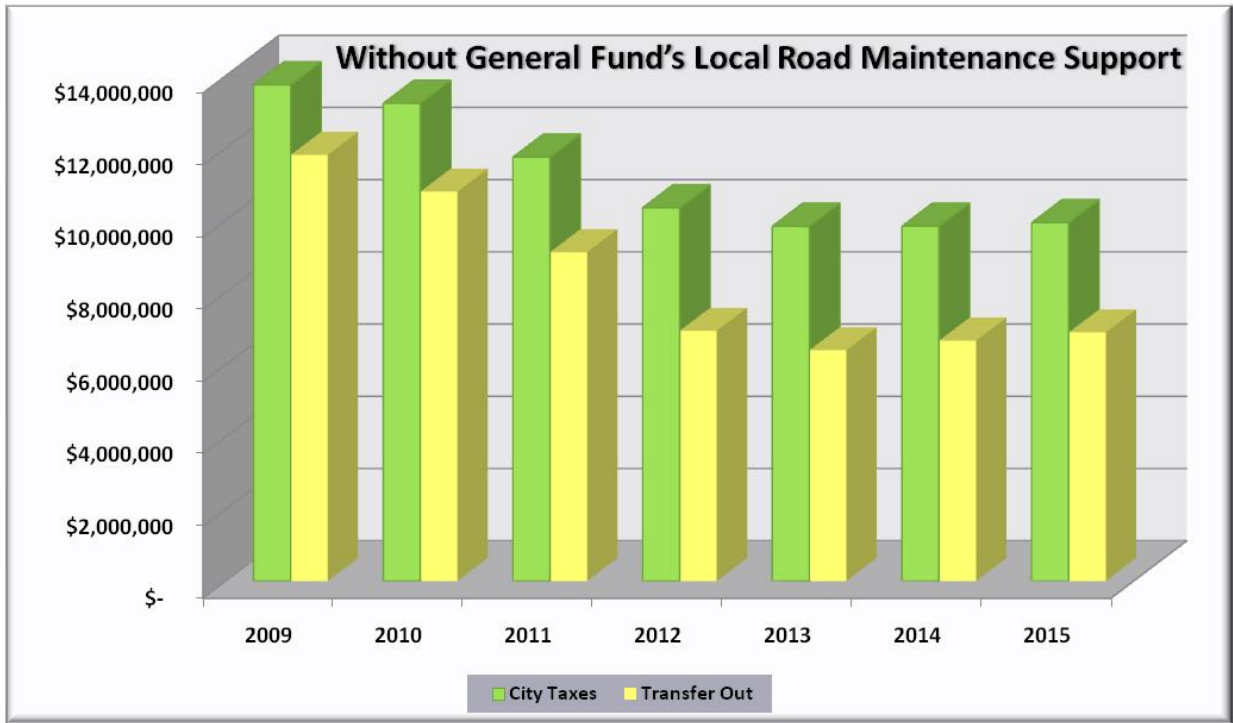
Local Roads

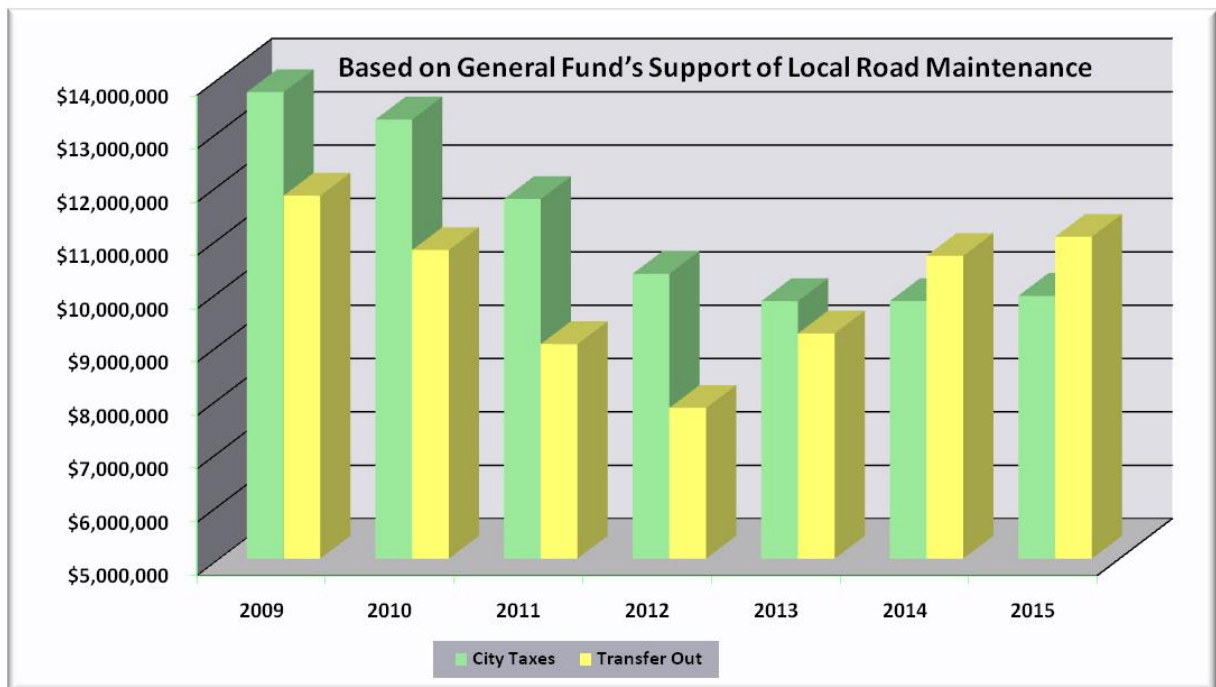
Model Updated April 8, 2010							
	2009	2010	2011	2012	2013	2014	2015
203 - Local Street Fund	Actual	Amended	Projected	Estimated	Estimated	Estimated	Estimated
City Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	10,549	10,000	10,000	10,000	10,000	10,000	10,000
Intergovernmental Revenue	1,154,510	1,119,710	1,108,920	1,058,231	1,047,648	1,037,172	1,026,800
Interfund Charges	-	-	-	-	-	-	-
Service Charges	18,118	22,550	22,550	22,550	22,550	22,550	22,550
Fines & Forfeitures	-	-	-	-	-	-	-
Investment Earnings	17,756	33,340	19,336	42,262	23,432	1,692	1,269
Other Revenue	49,871	13,170	19,890	17,418	15,563	14,172	13,129
Transfer-In	5,412,266	5,519,970	4,587,797	1,859,226	1,000,000	-	-
203 - Local Street Fund	\$ 6,663,070	\$ 6,718,740	\$ 5,768,493	\$ 3,009,686	\$ 2,119,194	\$ 1,085,586	\$ 1,073,748
203 - Local Street Fund							
Personnel Services	\$ 1,346,186	\$ 1,579,540	\$ 1,615,390	\$ 1,661,605	\$ 1,712,219	\$ 1,770,166	\$ 1,836,538
Operating Supplies	248,519	429,010	428,170	432,452	436,776	441,144	445,555
Professional Services	232,654	247,930	277,930	280,709	283,516	286,352	289,215
Interfund Charges	1,531,626	1,783,960	1,801,320	1,820,543	1,839,983	1,859,642	1,879,523
Other Expenses	1,064	1,800	1,800	1,818	1,836	1,855	1,873
Capital Outlay	1,619,326	2,995,360	1,000,000	1,000,000	1,000,000	-	-
Debt Service	-	-	-	-	-	-	-
Transfer Out	417,200	520,120	546,925	541,158	565,180	634,120	655,141
203 - Local Street Fund	\$ 5,396,577	\$ 7,557,720	\$ 5,671,535	\$ 5,738,286	\$ 5,839,511	\$ 4,993,278	\$ 5,107,846
Less: Capital Outlay	1,619,326	2,995,360	1,000,000	1,000,000	1,000,000	-	-
Operating Cost	3,777,251	4,562,360	4,671,535	4,738,286	4,839,511	4,993,278	5,107,846





Here's an interesting observation. As the two charts show below, the amount of property taxes collected by General Fund is almost the same amount that is transferred out and, if General Fund fully funds Local Road Maintenance, more is transferred out of General Fund than is collected in property Taxes.





SUMMARY

- Like many governments, the City is faced with an economic downturn that will put pressure on funds and their programs and services supported by property taxes and state revenues.
- The economic downturn will last for several more years.
- Increases in expenditures, mainly from health care costs and transfers to other funds, will add to the pressure that General Fund and other funds will be under during this downturn.
- Council's careful prioritization of services and programs will be needed.
- The City's Strategic Plan will be more important than ever.
- The City will need to bring services in line with revenue sources.

There are many financial challenges that lie ahead for the City but with careful planning many of these challenges can be turned into opportunities. Our focus will need to be directed to a priority driven budget.