

PLANNING FOR FUTURE

It's not what we have today....
it's what we leave for future generations

Ravi Yalamanchi

■ What Kind of
Community
do I want to
live in?



■ Why is that important to me?



■ How is that different from how I see things now?





■ What are some of the things that need to happen to have the kind of community I want for future generations?



A Stronger Viable Community

- Excellent Schools
- Well kept neighborhoods
- Cultural Opportunities
- Universities/Colleges
- Successful Businesses
- Employment Opportunities
- Strong Economic Development
- Exceptional Library system
- City Govt. ability to provide essential services effectively
- Effective Transportation System
- Trailways
- Pathways
- Where we care for our children and feel safe in our homes and on our streets.
- Where we care for our elderly
- Parks and Recreational Opportunities for Kids, families and elderly
- Service Clubs



Life Cycle

- In the life cycle the City is rapidly moving from the Growth stage to Maturing.
- This is reflected in our new Master Land Use Plan...which plans for more of redevelopment as new development continues to decline.

State of the City

- Relative to other cities in Oakland County and in the State of MI, Greater Rochester Area has better economic conditions.
- The report masks certain realities.
- However, it Provides an opportunity to be proactive in Planning for Future

Scanning the Environment

Economic – Macro Level

- Personal Income grew at an avg. of 1.35% in 2005 and 1.45% in 2006
- Unemployment Rate: Dec 2000 4.2% to Dec 2006 7.1%
- Between GM, Ford, Delphi and Visteon approximately 130,000 were lost in 2006 alone. Each auto job affects six non-auto jobs.
- Chrysler announces in Feb 2007 to cut 11,000 jobs (of which 1,000 are white collar jobs)
- Suppliers to auto industry file bankruptcies, close plants, operations. Rochester Hills has experienced some of the suppliers closing their operations.

Scanning the Environment

Housing

- In Oakland County, Michigan's wealthiest county, the foreclosure number jumped from 3,754 in 2005 to 7,282, meaning one of every 68 homes. (Free Press – January 25, 2007)
- RealtyTrac noted that nationwide, foreclosure filings were up -- by 42% -- but that increase was dwarfed by the Michigan numbers, which showed 127% more filings in 2006 than in 2005. (Free Press – January 25, 2007)

Scanning the Environment

Economic – Micro Level

- Working families experience stagnation of incomes
- Increase in number of families affected by layoffs and/or buyouts.
- Increase in Senior population. Rochester Hills reported 10.6% as of 2000.
- A segment of population that is growing is retirees, but are not seniors.
- Rise in gas prices, water and sewer, electricity and heating costs.
- State proposes to increase taxes through tax on services.

Taxes

Median Income	\$75,000
Federal Tax	18.00%
Social Security and Medicare	7.65%
State Tax	3.90%
Property Tax	6.00%
Total Taxes % to Income	35.55%

Federal Tax rate has been adjusted to reflect deductions.

Income	\$75,000
Less: Taxes	\$26,663
Income avail after Taxes	\$48,338

Property Taxes

- Third lowest in the County does not mean less taxes.
 - Relatively bigger houses
 - Taxable Value High
- City experienced growth of Taxable value of 5.3% or better annually since 2003.
- For the period 2003 to 2007 residential property taxes rose a total of 15.27%.
- The City will continue to see increase in revenue with increase in Property Taxable Value.

City Tax Structure

Established by Charter

- General Fund – 5.0 mills limited to 3.9133 by Headlee – 2006 levy at 3.7220
- Fire Fund – 2.5 mills limited to 1.9564 by Headlee – 2006 levy at 1.8000

Dedicated Millages

- Special Police I – 0.8405 – limited to 0.7823
- Special Police II – 0.4386 – limited to 0.4260
- Pathway
- Green Space
- RARA and OPC

Tax Structure

- Fits to a Township model
- Using Township model to operate a City
- Limits the ability of the Council to assign dollars based on needs and plan for future on a rolling basis.
- Fund balances of dedicated millages are restrictive
- Fire fund maintains a fund balance of 17.5% of the annual operating expenses.
- Fire Capital Fund will have an estimated balance of \$6.6 million at the end of 2007.

Amend Tax Structure of Charter

- We need a tax structure that does not pit one department against another.
- A tax structure that does not promote protectionism
- A tax structure that is flexible and provides opportunity to plan based on current needs at a macro level rather than one department at a time.

Challenges

Critical Needs

- Local Roads Reconstruction and Ongoing Prevention and Maintenance
- Police Services
- Drain Improvement and Maintenance

Sustaining and Maintaining

- Parks

General Fund Levy will max out....potentially in 2007 under my proposal

Solution

A Vision for the next thirty years to continue to sustain and preserve a viable community in a competitive environment.

Demonstrate to Residents that as City Government we care and will take appropriate steps to continue to provide essential services.

- Short Term
- Long Term

Solution

Short Term

- Submit to voters in November 2007 for renewal of expiring police millage.
- Do not increase any taxes for the next four years.
 - Increase in taxes affects Residents and Businesses.
 - Small Businesses are trying to sustain currently.
- For the immediate four years prepare a sustainability budget and strictly adhere to it.
 - Fund Balance Policy...Maintain at least 15% - 20% of annual operating expenditures – Consider to cap it at 15%.
 - General Obligation Refunding Bonds – for 2002 Series and 1998 Series will end a levy of approx. 0.3793 in 2010

Solution

Short Term (cont'd)

- Maintain funding for Prevention and Maintenance of roads
- Continue to Fund local road reconstruction at 2007 level.
- Maintain current level Police Services
- Maintain transfer to Major Roads at .1 mil – Major Road has estimated fund balance of \$11.4 million at the end of 2007.
- Limit transfer to Capital Improvement Fund to .1 mil instead of .25 mil – has estimated fund balance of \$2.93 million at the end of 2007.

Solution

Short Term (Contd.)

- Eliminate City Administrator Position permanently from budget.
- Consolidate City Dispatch with County Dispatch
- Create a public/private partnership to form an independent non-profit entity and move Museum and Environmental Center from City operations.
 - Provide 100% funding for first two years
 - Reduce funding to 50% next two years
 - After four years provide limited funding

Operating Millages	2005	2006	2007
General Fund (Charter)	3.2169	3.7220	3.8708
Fire Fund (Charter)	1.9000	1.8000	1.6512
Special Police I (Voted)	0.7895	0.7823	
Special Police II (Voted)	0.4300	0.4260	
Public Improvement Drains	0.3526	0.0000	
Pathway (Voted)	0.1281	0.1858	
R.A.R.A Operating (Voted)	0.1586	0.1950	
OPC Operating (Voted)	0.2426	0.2403	
OPC Transportation (Voted)	0.0900	0.0891	
Open Space (Voted)	0.3000	0.2972	

If we moved the City Dispatch to County Dispatch and reduced the Fire millage, it would allow to increase the General Fund adding an additional revenue of \$520,000. This can be used for roads or combination. The Challenge with this we will max out the General Fund Levy under Headlee.

Solution

Short Term (cont'd)

- Minimizing Process time and eliminating barriers/bottlenecks for developments, businesses.
- Developing effective Management Systems
 - Good Example: Asset Management System proposed by DPS Director
- Explore cost benefits to leasing of vehicles versus purchase and outsourcing opportunities.
- Continue and Strengthen our efforts of Economic Development through retention and recruitment of Light Industrial, Technology, R&D and Bio-tech companies.
- Mr. Hooper's recommendations of "Spending Reductions"

Solution

A Plan for the next thirty years to continue to sustain and preserve a viable community.

Long Term

- Complete Strategic Plan by end of 2007 or no later than March of 2008.
- Use Strategic Plan as guidance for providing services.
- Explore for partnerships/collaborations and possibility of consolidation of services with surrounding communities.
 - Good Example – Fire Department collaboration with other communities

Solution

Long Term (Cont'd)

- In 2007, establish a Committee of residents, businesses, and members of the Council to review the tax structure.
- Committee to develop a recommendation of new tax structure to consolidate millages into the general fund. Submit to Voters for approval in November 2008.
 - Provide for better fiscal planning by Council
 - Have the flexibility and ability to plan based on needs on a continuous five year rolling base.

Action Items

- Mayor to provide his proposal, such as restructuring or other ways, to address the challenges.
- Mayor should recommend to Council budget reductions and freezes for 2007.
- Council should take all recommendations from Council members and Mayor...develop a framework by April/May 2007.
- Conduct Town Hall meetings for resident input throughout the City June thru July 2007

Conclusion

- Do not raise taxes for the next four years.
- Eliminate dedicated millages
- Amend the Tax Structure
- If we do not change the Tax Structure...
 - We will be facing the challenge of the Charter General Fund operating millage maximizing out due to Headlee.
 - Council will be going to the residents for separate dedicated millages, such as Police Millage III levy of 1.26 and a future Parks Millage levy of 1.0 and other dedicated millages on a continuous basis and/or
 - Do major cuts in City departments to sustain essential public services.

Forging Ahead

- With right attitude and a common sense approach to our challenges we can make positive things happen.
- We cannot eliminate risk but sure can minimize risk with effective planning.
- By being proactive we will be ahead of many communities with proper planning.
- Surviving during challenging times, planning and forging ahead will help us sustain for long term.
- The easy solution is to raise taxes the difficult thing to do is to think differently and act differently.
- Challenging times require innovative thinking



Any ???
(Hopefully None)

Sources

- <http://www.bea.gov> (Bureau of Economic Analysis)
- [Http://www.bls.gov](http://www.bls.gov) (Bureau of Labor Statistics)
- [Http://www.freep.com](http://www.freep.com)
- City of Rochester Hills – 2007 Adopted Budget Plan