

CITY OF ROCHESTER HILLS

Fiscal

Julie Jenuwine, Finance Director

DATE: March 31, 2005

TO: Public Safety Committee

RE: Police Millage and Subsidy

This memo is in response to the committee's request for information regarding the Police millage and the General Fund subsidy to the Special Police Fund.

Currently, there are two Police Millages. The first millage, currently levied at 0.7942 (due to Headlee rollback – original levy was 0.8405), began December 1994 to generate revenue in fiscal year 1995 for twenty years, through fiscal year 2014.

A second Police Millage, currently levied at 0.4326 (due to Headlee rollback – original levy was 0.4386), was first levied in December 2002 to generate tax revenue for fiscal year 2003 for five years, through fiscal year 2007.

The total levy for fiscal year 2005 amounts to 1.2268.

Attached are schedules demonstrating the minimum tax levy/millage of 0.8992 that would be necessary in fiscal year 2006 (December 2005 levy) to replace the existing General Fund subsidy to the Police Fund, as requested by the committee.

Assumptions utilized in the forecast to determine the minimum millage are as follow:

- 58 deputies are contracted in all future years, as in fiscal year 2005
- An approximate 4% annual OCSD contractual increase through 2008
- OCSD contract cost is unknown beyond 2008, therefore estimated at a 4% annual increase
- City employee wages increase 2% each year
- City employee health benefit costs increase to \$20,000 in 2006, based on an average, and 12% thereafter
- Operating expenditures increase 2% each year except for Interfund charges
- Interfund charges (general administration, MIS and occupancy) increase 5%
- Taxable Value growth rate decreases each year, as the City builds out (*see table for each years details*)
- Headlee rollback increases each year (*see table for each years details*)
- Keep a target fund balance at 15% of operating expenditures, as opposed to the current policy for this fund (due to the subsidy)

Should you need further information, please do not hesitate to ask.

Attachments: Special Police Fund Forecast Schedule