

CITY OF ROCHESTER HILLS

Fiscal

Julie Jenuwine, Finance Director

DATE: August 22, 2005

TO: Council Members & Residents

RE: 2006 Proposed Budget CC
Questions

This memo is in response to questions submitted by City Council members regarding the Mayor's 2006 Proposed Budget that was delivered at the August 3, 2005 City Council meeting. I hope this helps to answer the questions asked, should you need further information, please do not hesitate to ask.

Council Member Raschke's Questions:

Q: What would be the ramifications if PS-02 Concept Plan for Nowicki Park in the amount of \$25,000 in the Parks line-item 756.801000 (Page 58) is not performed next year?

A: According to Parks Director, we have been trying for the last several years to complete base maps and a site analysis for the three undeveloped park sites (Nowicki, Riverbend and unnamed 10 acre Tienken parcel). Having a base plan that identifies sensitive as well as buildable areas, along with a SWOT (Strengths Weakness Opportunities and Threats) analysis can guide sensible development and will position us to apply for any grants in a timely fashion as they become available in the future. Having said that however, nothing is critical about 2006. No grants are pending.

Q: How are the attendance numbers gathered for the various Parks?

A: Attendance figures are based on actual car counters at the entrances to Spencer, Bloomer and Borden Parks. No numbers are included for the Paint Creek Trail, Avondale or Helen Allen Parks.

Q: What has been the Capital outlay for Park Projects in fiscal years 2002 through 2005?

A: Fiscal year 2002 \$4,511,369 (\$2,200,000 offsetting grants)
Fiscal year 2003 \$378,957 (\$53,771 offsetting CDBG)
Fiscal year 2004 \$453,057 (\$85,565 offsetting CDBG)
Fiscal year 2005 ytd and budgeted \$1,314,284 (\$9,541 offsetting CDBG,\$400,00 TEA grant)

Council Member Hill's Questions:

Q: GF - Since the Youth Council begins in September, will funds be available prior to receipt of any grant?

A: There have been instances where grants have been *awarded* and initial monies have been fronted by the City, which were then reimbursed in the form of a grant.

Q: Isn't any miscellaneous revenue expected this year?

A: 2006, no in General Fund

Q. Mayor - Clothing?

A. Safety gear/clothing for the media staff

Q. What is the total cost of the Festival of the Hills fireworks, and what has the city received to date in donations?

A. The total cost year-to-date of the Festival of the Hills fireworks is \$48,743.80. \$10,158.20 has been booked in the Contributions & Donations-Fireworks account mostly from vendors. Other donations have been made to GRACF. A request from GRACF will be made shortly, once a final cost is known.

Q. Clarify membership & dues duplications under the Mayor and Accounting

A. Memberships budgeted in the Accounting office are budgeted for staff members' memberships in that office. Memberships in the Mayors office are budgeted for the staff members' memberships in the Fiscal area of the Mayors office. People are members to these organizations as opposed to a City membership.

Q. Why does the mayor's Maximum salary show an increase over last year?

A. The Mayor's salary on page 112 of the 2006 Proposed Budget is the current salary of the Mayor, this figure includes longevity.

Q. Why do maximum salaries for certain other positions in the Mayor's cost center appear lower than the maximums shown in 2005?

A. Lower "Wage and Class study" salaries now apply to "red-circled" employees.

Q. Why is Media equipment less than \$25,000 coming from the CIF? And, why isn't it being shown as equipment capitalized in the Mayor's fund, a capital outlay?

A. The City's current fixed asset (capitalization) policy (page 29 of Plan document) indicates that assets over \$3,000 and a useful life of over three years will be capitalized. The proposed media equipment fits that description. Capital Improvement Funds are funds that account for the acquisition of fixed assets by a governmental unit. Rochester Hills funds replacement capital from the Internal Service Funds (Facilities, Fleet and MIS). The General Fund accounts for operating revenue and expenditures.

Q. Accounting & Clerks- Does the city truly have the appropriate number of personnel to meet the workload demand?

A. Benchmarking with other comparable communities can help to determine whether departments have the appropriate number of personnel (assuming departmental functions and responsibilities are similar).

The Accounting Department currently has 2 additional staff members budgeted relative to three years ago. One (Accountant) of those additional positions, hired to implement GASB 34 and implement JDEdwards in 2003 and 2004 is currently vacant. The additional Bookkeeper position is filled. According to the City Accountant, the Accounting Department is currently "sufficiently staffed".

According to the City Clerk, there are two full-time positions that are currently staffed with two part-time staff members and all the needs are not being met.

- Q:** Accounting & Clerks-Why the reduction in education funding, e.g. tuition and seminars?
- A:** Clerks Department requested tuition to decrease due to the employee completing their degree. The Accounting Department's tuition request decreased from \$4000 to \$3000, based on recent years' actual expenditures of approximately \$2000 per year.
The Clerks Department's request for Travel & Seminars decreased \$150 due to the request for localized travel for the City Council Liaison, based on the preliminary/fundamental training needs.
The Accounting Department's request for Travel & Seminars decreased due to the removal of the Quest and Midwest users group travel, as those conferences focused more on manufacturing issues as opposed to having municipal content. Yet general "professional development" increased in the event a municipal group is formed.
- Q:** Planning -Why the reduction in Planning Dept personnel?
- A:** This position has been vacant. The monies for the position have not been budgeted in the past years. The department would like to fill the position possibly in years "down the road". The position is being taken out at this time and will be requested in the future if/when it is needed. This is in-line with Council request that if a position is budgeted then the dollars be budgeted also.
- Q:** What's included for \$30,000 in Economic Dev Mktg Printing & Pub?
- A:** The \$30,000 that is included in the Proposed 2006 Budget is broken down as follows:
- \$5,000 is requested as the City of Rochester Hills' share for Phase II of the Smart Zone Marketing partnership rollout which is to provide for Smart Zone press conferences, advertising, CD-ROM updates, website updates and associated costs. The Coordinating Council has yet to determine the actual amount, but the marketing plan estimated that Phase II would cost each partner somewhere between \$5,000-\$11,000 dependent upon local approval
 - Approximately \$15,000 is requested for the City to develop and print its Local SmartZone marketing materials. One tri-fold four-color brochure would be developed and printed.
 - \$2,000 for participation in two or more local trade shows where marketing materials would be distributed
 - Trade shows that may be targeted include the Michigan Real Estate Symposium, ICSC Michigan Conference, MichBio, Michigan Technology Conference and others
 - \$1,000 for a listing and 1/8th page ad in the Regional Chamber's Business Directory, an annual publication
 - \$3,000 for two ad placements (ads developed in-house) in Business Facilities, Site Selection Magazine or Expansion Management Magazine. The City would be featured, as well as the Grand Sakwa and REI sites and the City's technology park property on Hamlin Road
 - \$2,000 for the development of a concept plan for the Interchange Technology Park
 - \$2,000 for the development and printing of a one-page marketing brochure for the Interchange Technology Park

- Q:** Misc. - If we have a Special Lighting fund why not a Solid Waste fund?
- A:** The City does not have a Special Lighting Fund; it does have a Special Lighting Department within the General Fund, for Christian Hills street lighting electric charges. Solid Waste Fund (Special Revenue Fund 226) is proposed to no longer be utilized, beginning in FY 2006, because it does not have a dedicated tax or special assessment. Currently, there are only two expenditures that occur in this fund. Beginning in FY 2006, these expenditures are proposed to be captured in the Ordinance Department's contractual services account line-item, as this is the department that oversees these expenditures. It is reported that the Solid Waste Fund (226) was originally set-up to account for drop-off recycling activity and the exploration of the refuse collection issue.

Should the City decide to provide solid waste collection services in the future, as presented last year to Council (funded by user charges), it is likely that an Enterprise Fund would be set-up to record the activity (in accordance with the Michigan Department of Treasury's Uniform Chart of Accounts), as opposed to a Special Revenue Fund. Under the State's Uniform Chart of Accounts, the Special Revenue Fund of 226 is intended to be used to account for a tax levy or special assessment levy for the purpose of providing garbage and rubbish collection authorized by a vote of the electors of the local unit of government.

- Q:** Transfer Out - Variance Transfer – What is planned for the \$1.7 million if the street millage fails?
- A:** It is currently budgeted in the Capital Improvement Fund to add to fund balance. The 2006 budget can be amended in 2006, should there be a determination to utilize the monies in another fashion.
- Q:** Major Roads - Membership & Dues – 42% increase?
- A:** The Traffic Improvement Association membership allocated entirely to the Major Road traffic.
- Q:** If the street millage passes, what is eliminated from Major Roads if monies are transferred to Local Roads?
- A:** Nothing will be eliminated in the Major Roads Fund based on current fund balance and projected project costs and timelines.
- Q:** Fire - Please summarize the budget amendments causing the \$.5 million fund balance increase from the adopted 2005 budget to the amended 2005 budget
- A:** The reason for the additional \$500,000 draw from the Fire Capital Fund (402) Fund Balance in the 2005 Amended Budget is due to a 1st quarter 2005 Budget Amendment for the purchase of two (2) new American LeFrance Fire Trucks in the total amount of \$515,570. These trucks were budgeted for replacement in 2004 however, due to longer production time, the City did not receive delivery of the trucks until May of 2005.

- Q:** Why is more than \$.75 million being transferred to the fire capital fund versus a reduction in the millage levy?
- A:** An attempt to accumulate for future replacement of apparatus. Based on future replacement schedule, the average capital apparatus replacement needs for years 2007-2011 is estimated at \$987,624 each year. Projected needs for fiscal year 2012 is \$484,033 and 2013 is \$2,516,278.
- Q:** Why are purchases less than \$25,000 coming out of the fire capital fund? Didn't we go over this last year and determine this fund was for various major facility and apparatus purchases?
- A:** Based on the City's current fixed asset (capitalization) policy of expenditures over \$3,000 and have a useful life of three years.
- Q:** What is Fire Extinguisher Trainer \$8,500?
- A:** It is a device that safely contains fires when demonstrating/training the proper use of fire extinguishers.
- Q:** Why aren't funds transferred from fire to fleet for travel & seminars relating to the service/training related to fire apparatus?
- A:** Historically, the Mechanic's *local* training fire apparatus registration has been expensed directly from the Fire Department. In the 2006 proposed budget, there are *out-of-state* training expenditures that can be charged to the fire department through the Fleets (606206) typical revenue account, should the costs be incurred.
- Q:** EMS – Why only 20% of the wages for 6 requested full time personnel being allocated to EMS service?
- A:** Twenty percent was estimated by the former Fire Chief and was confirmed by the current Fire Chief, for the 2006 budget preparation. The recently appointed Chief has indicated that once he evaluates the operation closer, that percentage may change.
- Q:** In five years, will the fire millage be able to support this level of spending?
- A:** The 10 year forecast indicates that it is possible.
- Q:** Are all actual expenditures of the EMS fund being shown? Are revenues truly covering expenses?
- A:** Most of the direct expenditures of the EMS operation are accounted for in the EMS department. There are indirect costs that may be associated with the EMS operation such as: insurance, support staff, facilities occupancy charge, general administrative charge, MIS charge, and legal that are accounted for in the Fire Administrative department.
- Q:** Pathways - Please explain the reason for reduced millage levy when historically there have been complaints regarding lack of additional pathways, and explanations given referring to a lack of available funds.
- A:** \$2.2 million fund balance is projected for the Pathway Construction Fund at the end of 2005. There are \$2.7 million dollars in pathway improvements in the next six years, according to the updated 2006 CIP. Therefore, the millage was not proposed to be levied to its maximum due to the already high balance and anticipation that a renewal will be requested next year.

- Q:** OPC - Please explain inclusion of proposed transportation millage.
- A:** The OPC proposed transportation millage was included in the total City's total millage because it is a renewal. Although there is a request for a levy in addition to the renewal, it's all or nothing. The budget assumes any renewals pass and new requests don't pass, in order to compare 2005 budgeted services/programs to 2006 proposed budgeted services/programs, as closely as possible.
- Q:** CIF -999661 – transfer out to fleet – Parks Trailer \$8,000? Why not out of parks?
- A:** Capital is budgeted to be funded by the Capital Improvement Fund, which is funded by the General Fund (same as Parks).
- Q:** S&W - Why the increase in DPS Facility bonds revenue?
- A:** Due to the increase in the projected DPS Facility costs (escalating material costs were indicated in the CIP and presentation to Council in July).
- Q:** 976000 - Why the elimination of FA-08 site prep?
- A:** Funding source unknown. 2006 CIP indicates City/private funding source. A budget amendment can be proposed should a source of funding be found. Since this revenue would be material and is not reasonably known, it is not budgeted at this time.
- Q:** Why the elimination of WS-22 water reservoir bond proceeds?
- A:** Bond proceeds were eliminated because the project expense did not make the Mayor's Proposed 2006 budget. As of August 19, the bond proceeds have been placed into the Mayor's Proposed budget.