

CITY OF ROCHESTER HILLS



SEVEN YEAR FINANCIAL FORECAST

For Fiscal Years 2013 – 2019

May 21, 2012

INTRODUCTION

PURPOSE OF THE FORECAST

We are once again presenting City Council with a Seven Year Financial Forecast, which is a movement from our normal Five Year Financial Forecast. With the City now producing three year budgets it seemed appropriate that we do a seven year forecasts since two of our forecast years are now contained in our three year budget document.

The City's Financial Forecast was developed and refined to give City Administration and City Council 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. to prevent surprises. The forecast is built based on the City's *current* service levels, programs and policies and what those service levels will look like based on the assumptions used. 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 Seven 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 Financial Forecast is not intended to be a comprehensive financial plan for achieving City Council adopted objectives. ***It is a forecast, based on certain assumptions, of what our financial position could be if current service levels, programs or policies are continued.***

The Financial Forecast also sets the stage for budget development, aiding Department Directors, 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 economic outcomes and their affects 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 Financial Forecast is based on a set of assumptions regarding what is anticipated to happen to the local, regional, state and national economy over the next several years. Those assumptions are applied to 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 Financial Forecast is assuming moderation of the economic downturn, but at a lesser degree, for fiscal years 2013, 2014 and 2015. We anticipate a flattening and then a very modest recovery to begin in fiscal year 2016. Here's a list of issues affecting the economy and the City's ability to generate revenues to deliver its services:

- Reaching the bottom of the downturn in citywide taxable values
- Moderation in funding from the state;
- A somewhat tight credit market;
- Improving unemployment levels (City, County and State); and
- To some extent, improving consumer confidence.

Housing Market Downturn

The housing market slowdown, believed to have started in 2006, is beginning to show sign of lessening and the City Assessor is estimating that it will continue into FY2015. The housing downturn has put pressure on the City's taxable values, which, from our current estimates, will continue until fiscal year 2015.

Funding from the State

The City receives funding from the State in two areas. The first is a share of Sales Tax collections (commonly known as State Shared Revenue). Based on the City's population growth from the 2010 census data, the City will be receiving a larger part of that revenue source. In addition, the State is seeing increased Sales Tax collections which we will share in.

The second is our share of gas and weigh tax (commonly know as ACT 51 funding). Generally, as the economy grows normally you would see growth in our share of Gas and Weigh Tax as people and businesses drive more and use more gasoline but with gasoline prices relatively high and the cost of gas taking a bigger share of consumers and business's budgets, we don't expect to see much growth, if any, in our share of Gas and Weigh Taxes.

Overall, we expect modest growth in our funding from the State.

Tight Credit Market

A tight credit market is seen as continuing in this forecast which makes it difficult for owners of small businesses, across the country, to get financing. A continuing tight credit market also makes it difficult for those that want and can afford to buy a home to be able to do so.

Unemployment Levels

For several months now, we have been seeing improving unemployment news. The U.S. Bureau of Labor Statistics recently reported that the City of Rochester Hills unemployment level had moved to 4.8% (down from a high of 8.7% in July, 2009). During that same period the US seasonally adjusted unemployment rate had moved to 8.3% (down from a high of 9.7% in July, 2009) the State of Michigan moved to 9% (down from a high of 14.8% in July, 2009) and Oakland County moved to 8.2% (down from 14.5% in July, 2009). Unemployment levels are improving, but still need further improvement before consumer confidence will improve.

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 continued unemployment and home equity losses, they are holding tight on spending. Consumer confidence has been at historic lows for several years but there appears to be some light at the end of the tunnel and consumers seem to feel more comfortable about their future. However, higher gasoline and food costs are putting a damper on their household budgets thus stalling any increases in spending.

Key Forecasting Points

The City's Financial Forecast is based on maintaining current programs, services and policies as amended in the current 2012 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) and assumptions on renewals.
- **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. With the release of the 2010 census data, we have incorporated the effects of that information on our revenue sharing forecast.
- **Act 51 Revenue**
Much like 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 May, 2012 Forecast:

- **Taxable Values**
 - -0.69% for FY2013
 - -0.25% for FY2014
 - +0.75% for FY2015
 - +1.00% for FY2016
 - +1.00% for FY2017
 - +2.00% for FY2018
 - +2.00% for FY2019

- **Interest Rates**
 - .35% for FY2013
 - .60% for FY2014
 - 1.2% for FY2015
 - 2.0% for FY2016
 - 2.6% for FY2017-2019

- **New or Replacement Millage introduced**
 - NONE

- **State Shared Revenue**
 - 1.0% for FY2013
 - 1.0% for FY2014
 - 1.0% for 2015 to FY2019

- **Act 51 Revenue**
 - 0.00% for FY2013 to FY2019.

- **Current Millage Rates remain unchanged**
 - Expiring millage(s) are renewed or where allowed, millage(s) moved to their Headlee Limit to meet operating needs provided that change does not increase the City's total millage rate spread from the year before.

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, either current levels are used or the current direction of those discussions may be 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 increase, based on the city's base plan, 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**
This forecast incorporates the Detroit CPI percentage presented in the April 26, 2012 Oakland County Economic Outlook Forecast. This percentage is applied against other expenditures, including Capital Projects, within the City's current budgets.
- **Sheriff Contract**
Working on the advise of 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 May, 2012 Forecast:

- **Salary and Wages**
 - 1.0% for FY2013
 - 0.0% for FY2014 to FY2019.
- **Changes in Number of Employees**
 - None
- **Health Care and other Fringe Benefits**
 - +9.00% for FY2013 to FY2019.
- **Pension (City Share) Change**
 - None
- **Inflation**
 - General Citywide Inflation: Percent Change = +2.20%
 - Capital Project Inflation: Percent Change = +2.20%

Estimate provided by 2012 Oakland County Economic Outlook
- **Sheriff Contract**
 - +3.00% for FY2013 to FY2019

Estimate provided by Business Manager, Oakland County Sheriff Office

THE FORECAST

With assumptions on both the economy and the key forecasting data points in place, let's look at the forecast at the fund level.

GENERAL FUND

| Model Updated May 3, 2012 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| 101 - General Fund | | | | | | | | | |
| City Taxes | \$ 11,772,782 | \$ 10,980,880 | \$ 11,391,830 | \$ 11,363,810 | \$ 11,449,030 | \$ 11,458,910 | \$ 11,467,870 | \$ 11,588,970 | \$ 11,710,340 |
| Licenses & Permits | 2,455,256 | 1,906,580 | 2,108,400 | 2,108,400 | 2,108,400 | 2,108,400 | 2,108,400 | 2,108,400 | 2,108,400 |
| Intergovernmental Revenue | 5,169,261 | 4,531,850 | 5,231,000 | 5,282,000 | 5,333,510 | 5,385,540 | 5,438,090 | 5,491,160 | 5,544,760 |
| Interfund Charges | 3,544,884 | 4,010,640 | 4,010,640 | 4,010,640 | 4,010,640 | 4,050,740 | 4,091,260 | 4,132,160 | 4,173,500 |
| Service Charges | 1,715,452 | 1,527,820 | 1,572,640 | 1,574,130 | 1,578,280 | 1,583,620 | 1,589,170 | 1,594,910 | 1,600,870 |
| Fines & Forfeitures | 501 | 8,000 | 8,000 | 8,000 | 8,000 | 8,120 | 8,240 | 8,360 | 8,490 |
| Investment Earnings | 110,014 | 155,100 | 108,820 | 186,480 | 377,580 | 629,410 | 818,340 | 819,920 | 821,500 |
| Other Revenue | 151,396 | 126,530 | 81,530 | 81,530 | 81,530 | 126,530 | 81,530 | 81,530 | 81,530 |
| Transfer-In | 46,880 | 66,660 | 30,260 | 23,540 | 27,320 | 36,370 | 48,090 | 56,420 | 55,570 |
| 101 - General Fund | \$ 24,966,424 | \$ 23,314,060 | \$ 24,543,120 | \$ 24,638,530 | \$ 24,974,290 | \$ 25,387,640 | \$ 25,650,990 | \$ 25,881,830 | \$ 26,104,960 |

| 101 - General Fund | | | | | | | | | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Personnel Services | \$ 9,166,838 | \$ 9,603,660 | \$ 9,804,380 | \$ 9,924,340 | \$ 10,055,180 | \$ 10,250,300 | \$ 10,410,340 | \$ 10,584,220 | \$ 10,773,110 |
| Operating Supplies | 235,734 | 309,110 | 284,290 | 275,290 | 287,790 | 278,570 | 293,130 | 283,850 | 298,570 |
| Professional Services | 1,254,759 | 1,369,610 | 1,363,380 | 1,353,690 | 1,351,690 | 1,355,030 | 1,374,470 | 1,377,940 | 1,397,680 |
| Interfund Charges | 1,951,889 | 2,310,410 | 2,310,450 | 2,310,490 | 2,310,530 | 2,333,650 | 2,356,970 | 2,380,500 | 2,404,310 |
| Other Expenses | 242,346 | 189,600 | 180,840 | 188,350 | 188,720 | 190,910 | 193,140 | 195,410 | 197,710 |
| Capital Outlay | - | - | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - | - |
| Transfer Out | 6,497,011 | 8,584,380 | 10,599,780 | 10,586,370 | 10,780,380 | 10,979,180 | 11,022,940 | 11,059,910 | 11,033,580 |
| 101 - General Fund | \$ 19,348,578 | \$ 22,366,770 | \$ 24,543,120 | \$ 24,638,530 | \$ 24,974,290 | \$ 25,387,640 | \$ 25,650,990 | \$ 25,881,830 | \$ 26,104,960 |

It should be noted that the City's 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. Until just recently, there were three funds that generally received a majority of transfers from General Fund: Special Police Fund, Local Street Fund and the Water Resource Fund but over the last couple of budget years, the budgets, adopted by City Council, have removed General Fund's support of the Water Resource Fund. We have adjusted our model to only use the Local Street Fund in this forced balancing exercise.

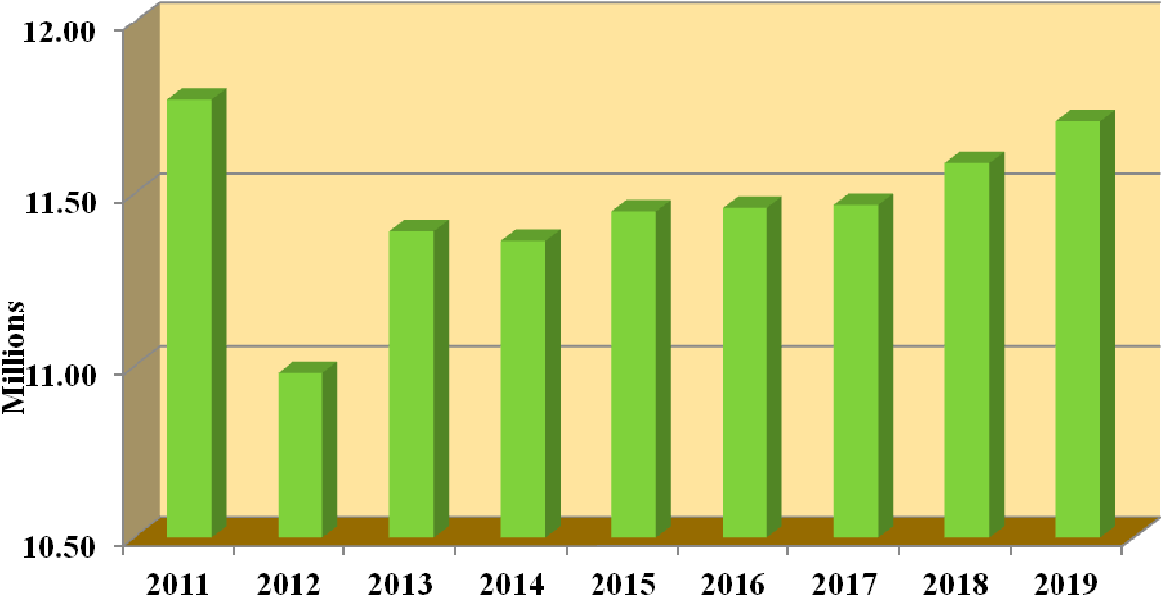
In this forced balancing model, the Local Street Fund was chosen as the safety valve because the transfer to that fund was not funding a contract, like the transfer to the Special Police Fund, and the transfer made to that fund, by General Fund, was large enough to accomplish our forced balancing goal.

For this presentation, we have adjusted our current forecasting model so that General Fund makes at least a transfer to Local Street Fund large enough to make sure that the Local Street Fund can have enough revenue to cover **annual maintenance costs**. But as seen by this forced balance approach General Fund is also able to transfer to the Local Street Fund additional funds for some limited reconstruction projects for Local Streets.

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

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 and 2012, level out in year 2013 and 2014 and show a modest increase in 2015 to 2019.

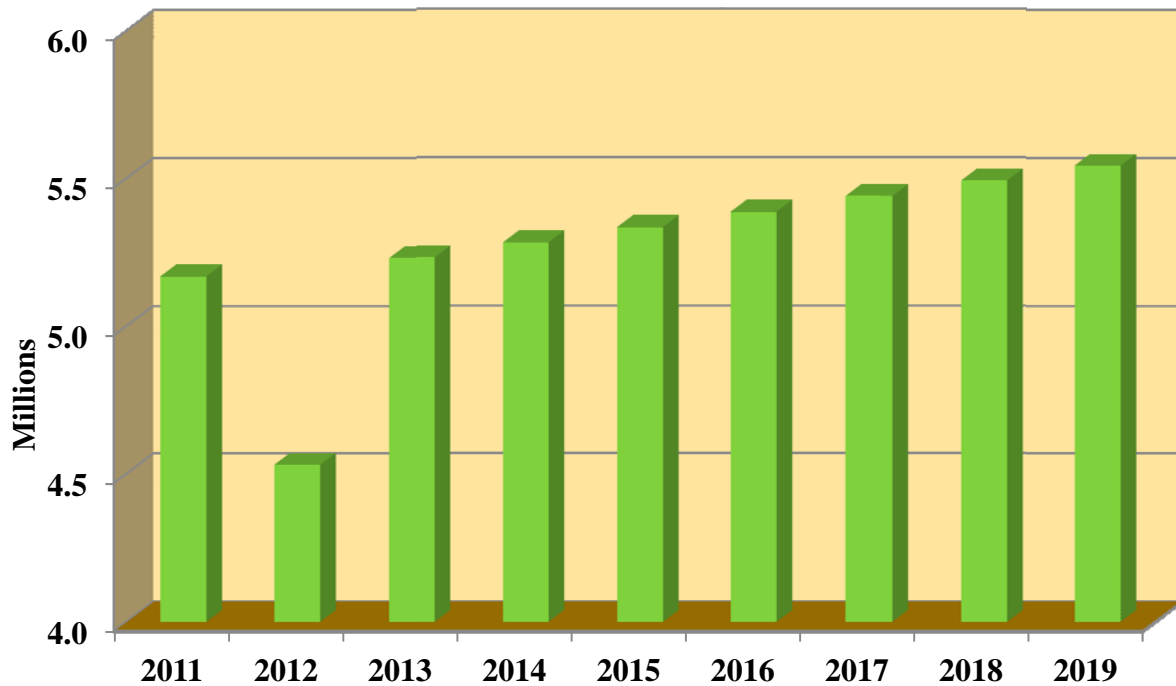
Property Taxes



Note: In FY 2013, the Millage Rate is increased to the Headlee level.

The General Fund's other major revenue source is state shared revenue. As the graph shows, the City's recent positive news on the 2010 census is reflected by growth in this revenue source.

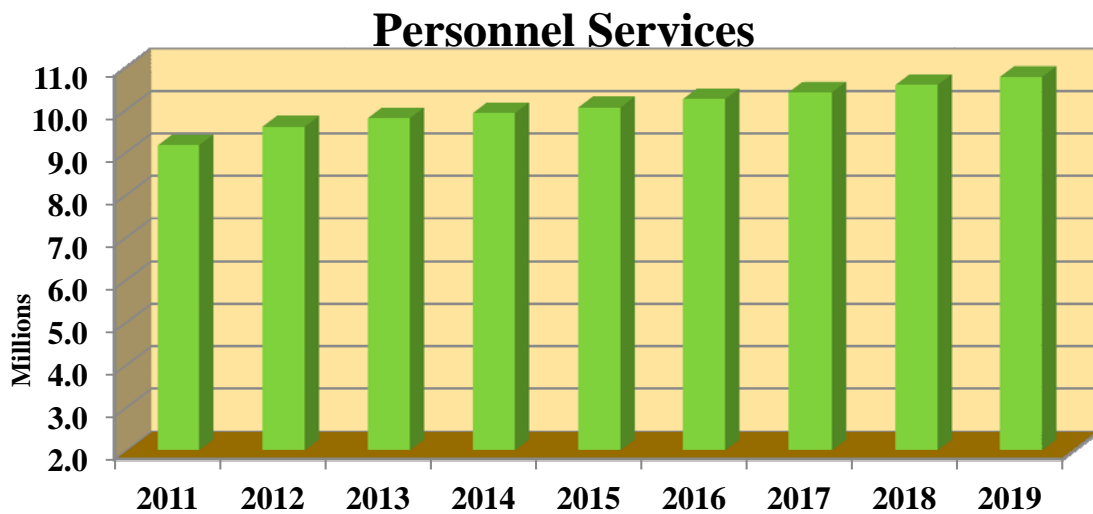
State Shared Revenue



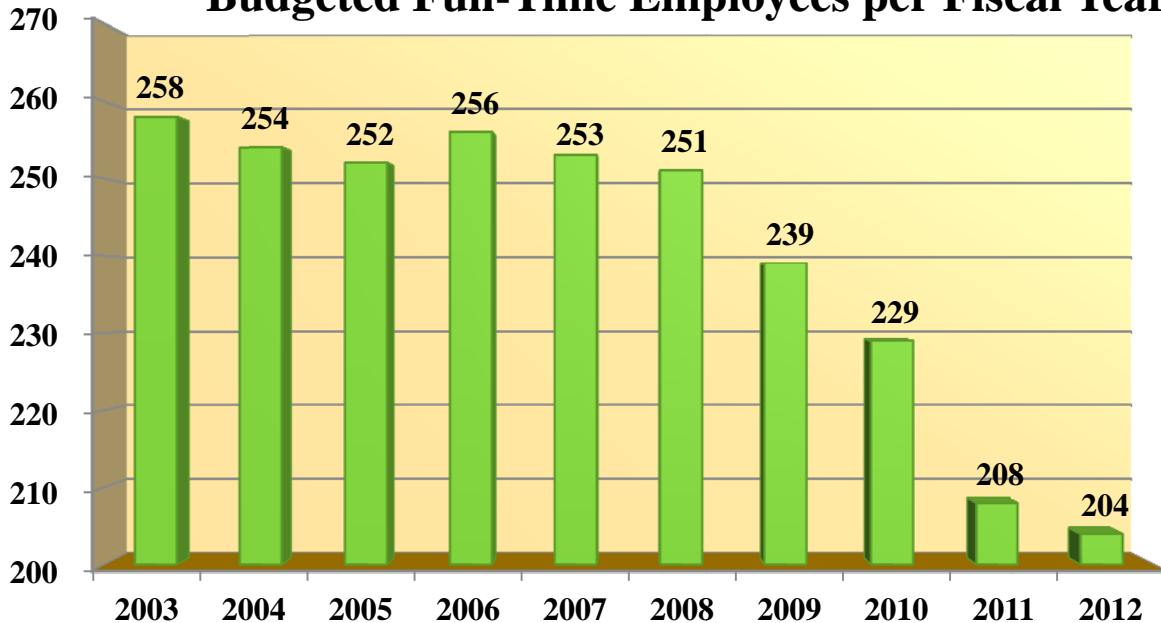
Note: FY 2012 State Shared Revenue will be adjusted in 2nd qtr budget amendment to at least \$5 million

Now let's turn our attention to General Fund's expenditure side.

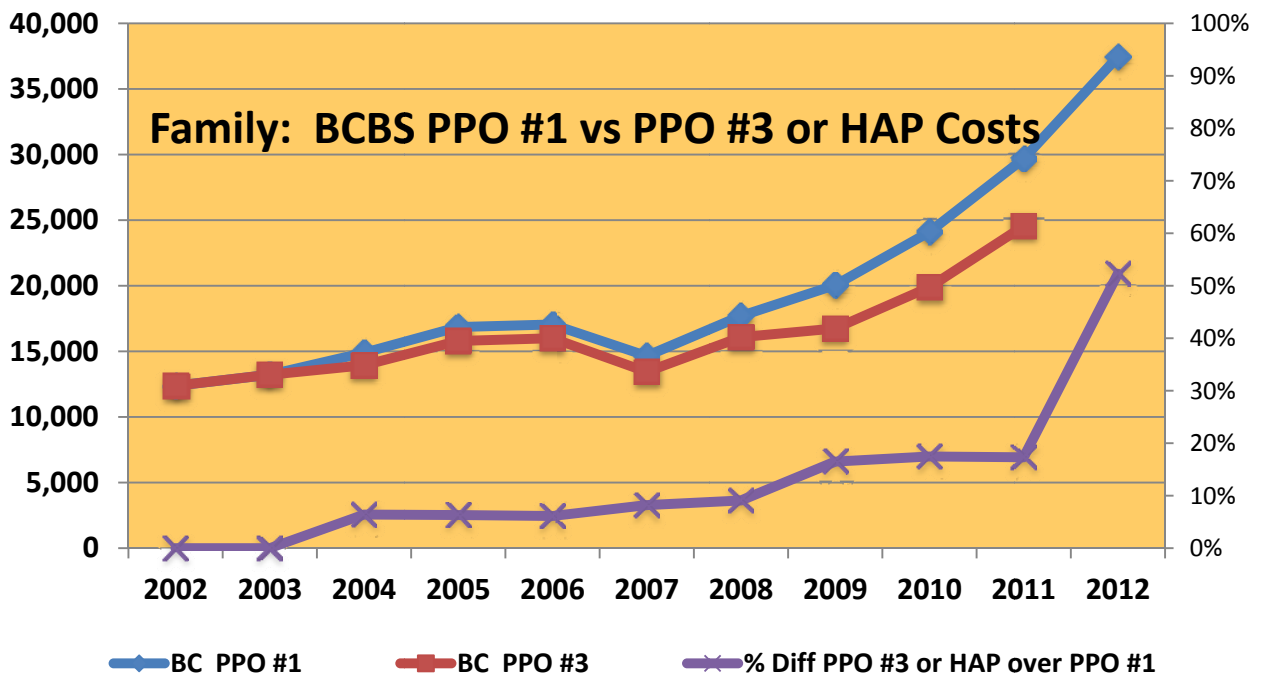
As the following personnel chart shows, personnel costs, because of forecasted increases in health care costs, increase for each of the forecasted years even through the City's staff size has been downsized by over 20% as compared to 2006 levels.



Budgeted Full-Time Employees per Fiscal Year

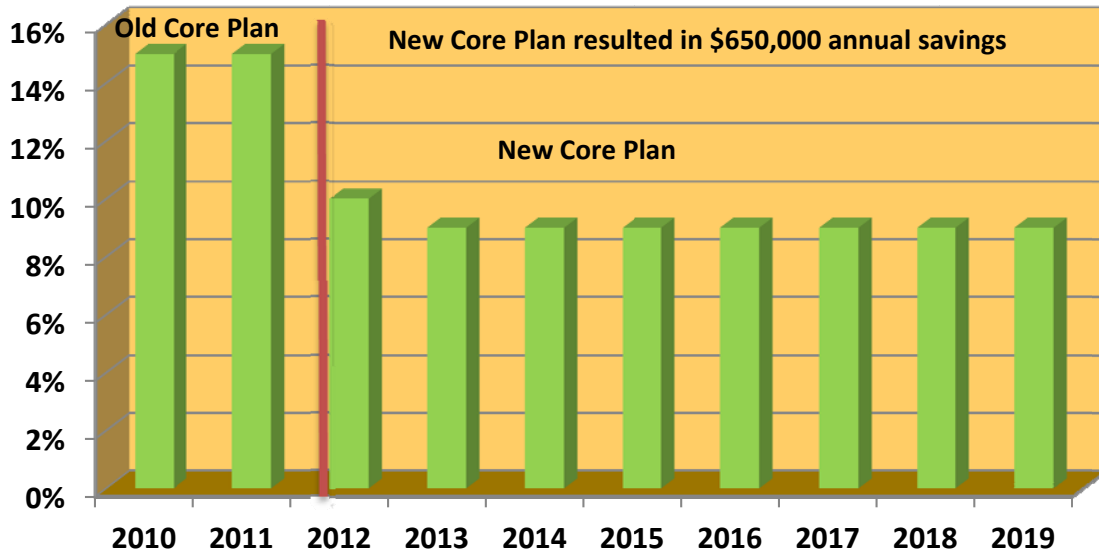


For a number of years, the City has been working on controlling the escalating cost of health care. As the following chart shows, since 2003 the City has been re-designing its health care plan by changing deductables, co-pays and coverage, shifting some of those responsibilities to employees. Had the City not moved in this direction, the City would have paid almost 18% more in 2011 and over 52% more in 2012 for health care premiums.



The City's most recent plan re-design, included a change in the City's core health care plan, which produced immediate savings of approximately \$650,000 in the 2012 budget and will be a continuing savings going forward in future budget years. However, just like all health care programs, increases in health care costs are estimated to eat into those savings each year going forward. The estimates used for annual increases for the new core plan are based on a 7 year average of their premiums. Increases on the old core plan were based on actual City based results.

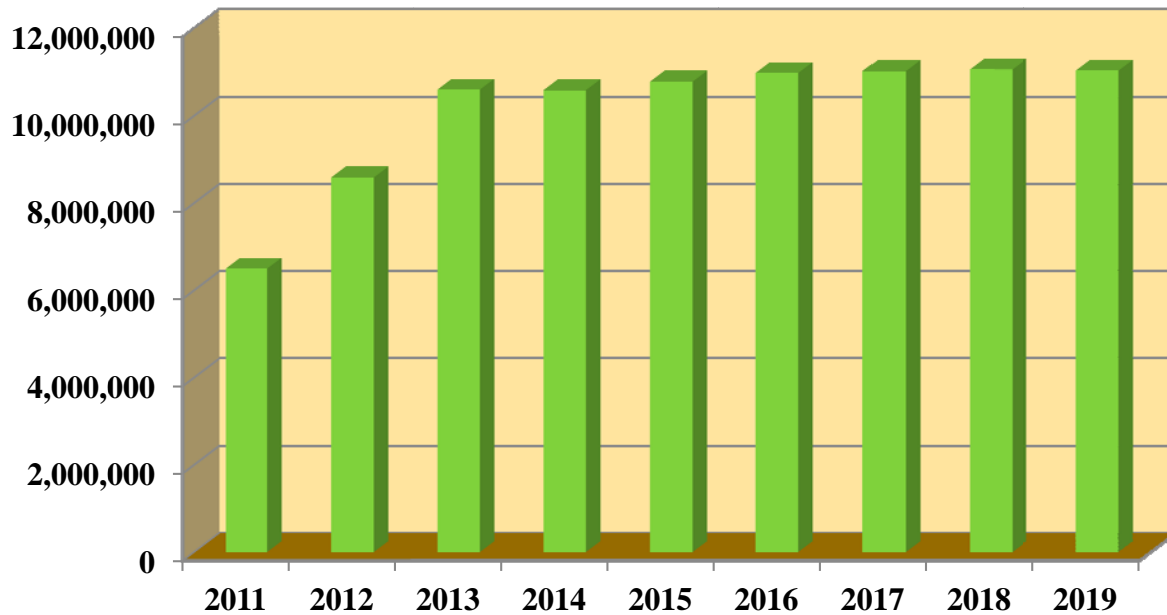
Estimated Annual Increase in Health Care Cost



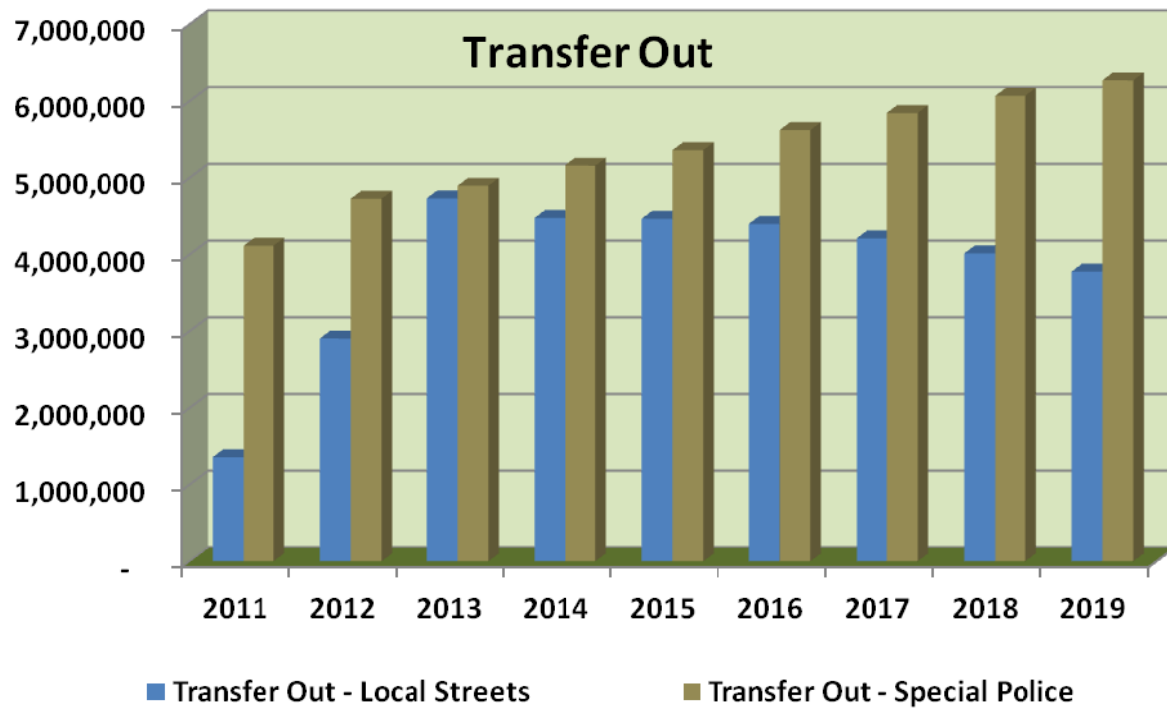
Transfers to other funds increase each year going forward. The larger increases in this area are all related to the funding needs of the Special Police Fund and the Local Road Fund for maintenance related activity and some *limited* reconstruction work. All other transfers remain fairly consistent.

| | 2011 Actual | 2012 1st Qtr | 2013 Projected | 2014 Projected | 2015 Projected | 2016 Estimated | 2017 Estimated | 2018 Estimated | 2019 Estimated |
|-----------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 990 - Transfer Out | | | | | | | | | |
| Major Roads | \$ 313,951 | \$ 293,500 | \$ 291,340 | \$ 290,610 | \$ 292,790 | \$ 295,710 | \$ 298,670 | \$ 304,650 | \$ 310,740 |
| Local Streets | 1,356,670 | 2,902,440 | 4,730,640 | 4,475,910 | 4,464,390 | 4,395,574 | 4,209,760 | 4,012,290 | 3,774,510 |
| Special Police | 4,111,730 | 4,724,790 | 4,894,150 | 5,156,200 | 5,358,880 | 5,619,600 | 5,842,840 | 6,067,230 | 6,268,480 |
| Capital Improve. Fund | 165,000 | 165,000 | 185,000 | 165,000 | 165,000 | 165,000 | 165,000 | 165,000 | 165,000 |
| Facilities (Common Area) | 353,330 | 398,920 | 398,920 | 398,920 | 398,920 | 402,910 | 406,940 | 411,010 | 415,120 |
| Supple Retiree Health Trust | 196,330 | 99,730 | 99,730 | 99,730 | 99,730 | 99,730 | 99,730 | 99,730 | 99,730 |
| E.D.C. | - | - | - | - | 670 | 656 | - | - | - |
| TRANSFER OUT | \$ 6,497,011 | \$ 8,584,380 | \$ 10,599,780 | \$ 10,586,370 | \$ 10,780,380 | \$ 10,979,180 | \$ 11,022,940 | \$ 11,059,910 | \$ 11,033,580 |

TRANSFER OUT

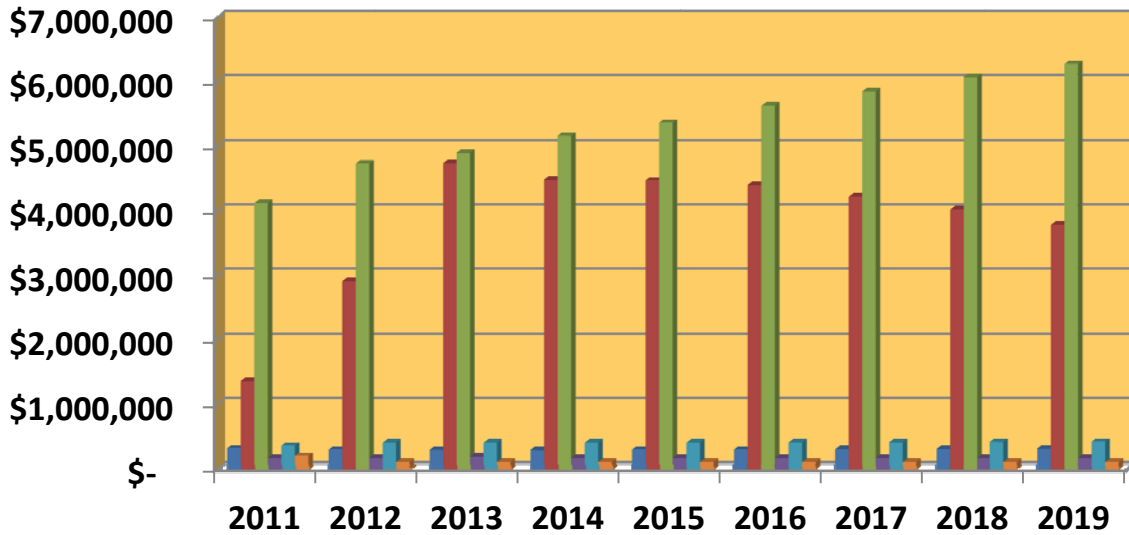


Over 40% of all revenue collected in General Fund is transferred to other funds to support their activities and services.



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

Here's a more detailed look at the **Transfer-Out section of General Fund**:



- Major Roads
- Special Police
- Facilities (Common Area)
- Local Streets
- Capital Improve. Fund
- Supple Retiree Health Trust

Important take away based on the forecast for this fund:

- Over 40% of all revenue collected in General Fund is transferred to other funds to support their activities and services.
- The fund is fiscally sound following current budget policies and the structure used in the financial model. The fiscal soundness comes by reductions in General Fund transfers to Local Streets, Water Resources and possibility, in the future, Police services if further General Fund expense to revenue balancing is needed.

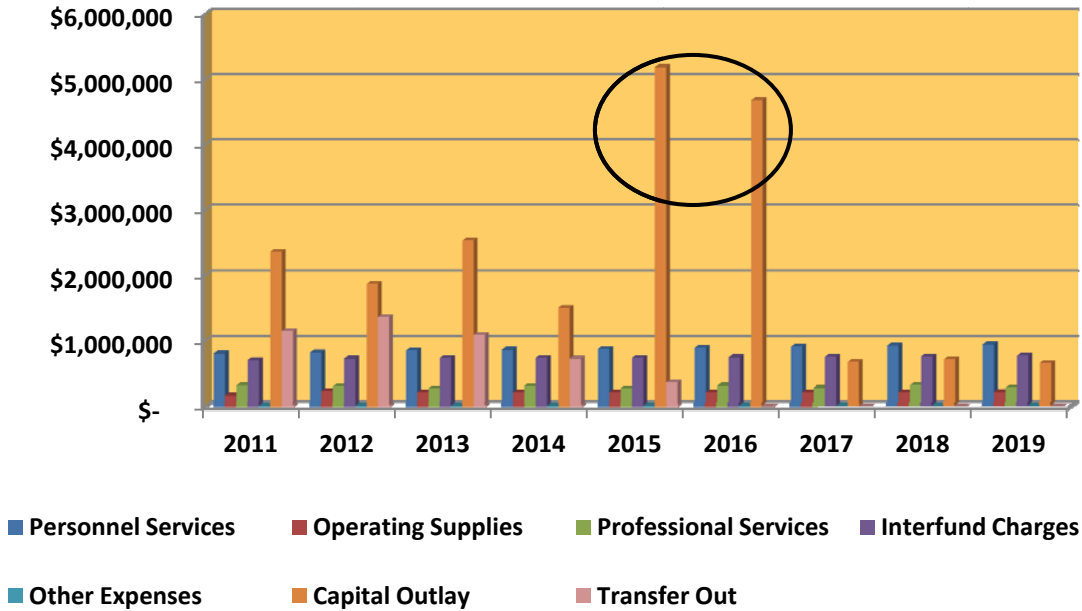
MAJOR ROAD FUND

| Model Updated May 3, 2012 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| City Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses & Permits | - | - | - | - | - | - | - | - | - |
| Intergovernmental Revenue | \$ 4,183,453 | 2,838,570 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Interfund Charges | 18,589 | 24,000 | 20,000 | 20,000 | 20,000 | 20,010 | 20,020 | 20,030 | 20,040 |
| Service Charges | 190,209 | 204,500 | 184,500 | 166,500 | 150,300 | 135,720 | 122,600 | 110,790 | 100,160 |
| Fines & Forfeitures | - | - | - | - | - | - | - | - | - |
| Investment Earnings | 78,512 | 108,100 | 49,150 | 77,420 | 148,110 | 170,960 | 144,700 | 170,660 | 194,240 |
| Other Revenue | 86,841 | 35,500 | 35,500 | 35,500 | 35,500 | 35,500 | 35,500 | 35,500 | 35,500 |
| Transfer-In | 513,951 | 493,500 | 1,258,920 | 490,610 | 492,790 | 495,710 | 498,670 | 504,650 | 510,740 |
| 202 - Major Road Fund | \$ 5,071,554 | \$ 3,704,170 | \$ 4,548,070 | \$ 3,787,860 | \$ 3,833,630 | \$ 3,814,100 | \$ 3,725,710 | \$ 3,705,660 | \$ 3,683,470 |
| 202 - Major Road Fund | | | | | | | | | |
| Personnel Services | \$ 805,888 | \$ 821,320 | \$ 850,620 | \$ 862,800 | \$ 876,070 | \$ 890,490 | \$ 906,760 | \$ 924,430 | \$ 943,620 |
| Operating Supplies | 161,442 | 224,520 | 206,520 | 206,520 | 206,520 | 208,590 | 210,680 | 212,790 | 214,930 |
| Professional Services | 318,417 | 301,780 | 271,780 | 311,780 | 271,780 | 314,550 | 277,050 | 320,030 | 282,430 |
| Interfund Charges | 703,762 | 726,500 | 736,840 | 737,500 | 738,170 | 745,880 | 753,690 | 761,570 | 769,550 |
| Other Expenses | 1,733 | 2,300 | 2,300 | 2,300 | 2,300 | 2,320 | 2,340 | 2,360 | 2,380 |
| Capital Outlay | 2,362,406 | 1,866,700 | 2,530,260 | 1,505,000 | 5,184,140 | 4,678,700 | 672,420 | 713,670 | 662,250 |
| Debt Service | - | - | - | - | - | - | - | - | - |
| Transfer Out | 1,144,410 | 1,361,250 | 1,087,500 | 725,000 | 362,500 | - | - | - | - |
| 202 - Major Road Fund | \$ 5,498,058 | \$ 5,304,370 | \$ 5,685,820 | \$ 4,350,900 | \$ 7,641,480 | \$ 6,840,530 | \$ 2,822,940 | \$ 2,934,850 | \$ 2,875,160 |

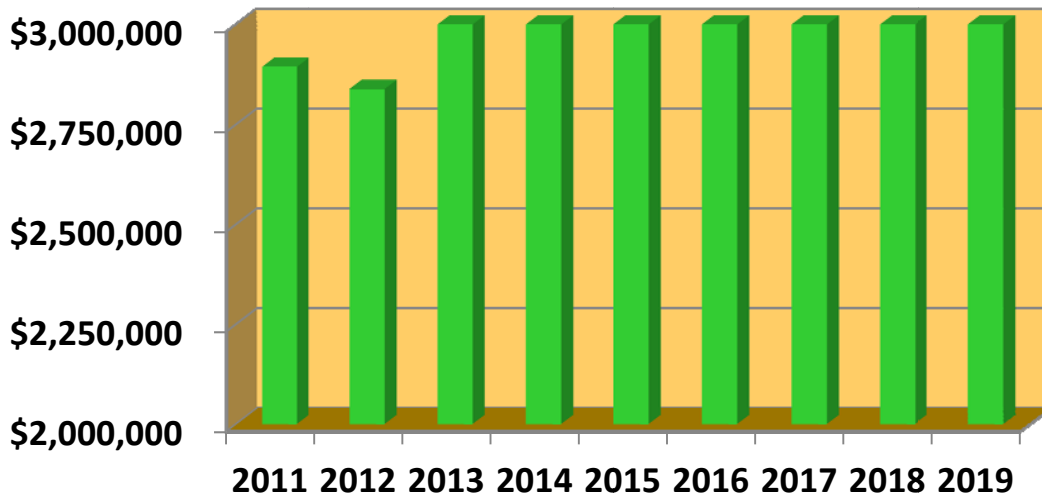
In the Transfer out area, you will notice that the Major Road fund will going through a phase out process related to its transfer to Local Roads. This decision will be discussed in more detail under the Local Street Fund but generally the need for Major Roads to make the transfer becomes less in future years.

Capital Outlay in the model is based on the CIP. The CIP will be revised as project(s) get updated time frames, costs and city share requirements. Projects slated for 2014, 2015 and 2016 will be revised as we get closer to those years and will most likely be extended and better balanced out into the future. It is not our intent to let the fund balance become fully depleted.

| Model Updated May 3, 2012 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------------|-------------|-------------|------------|-------------|-------------|-----------|-----------|-----------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | (426,504) | (1,600,200) | (1,137,750) | (560,870) | (3,794,780) | (2,982,630) | 998,550 | 906,780 | 985,520 |
| BEGINNING FUND BALANCE | 16,068,191 | 15,641,687 | 14,041,487 | 12,903,737 | 12,342,867 | 8,548,087 | 5,565,457 | 6,564,007 | 7,470,787 |
| ENDING FUND BALANCE | 15,641,687 | 14,041,487 | 12,903,737 | 12,342,867 | 8,548,087 | 5,565,457 | 6,564,007 | 7,470,787 | 8,456,307 |



Gas and Weigh Tax



We see little to no growth in Gas and Weigh Taxes any time soon which is a major revenue source for both Major and Local Streets.

Important take away based on the forecast for this fund:

- Receives more in Act 51 funds than it needs for maintenance costs
- The portion of that difference it receives in Act 51 funding and what the fund needs for maintenance costs will be transferred to Local Road Fund to be used for maintenance and operations. The fund will be phasing out this transfer over the next three forecasted years
- The fund's fund balance is used for construction projects and should last for a while with good prioritization of capital projects.

LOCAL STREET FUND

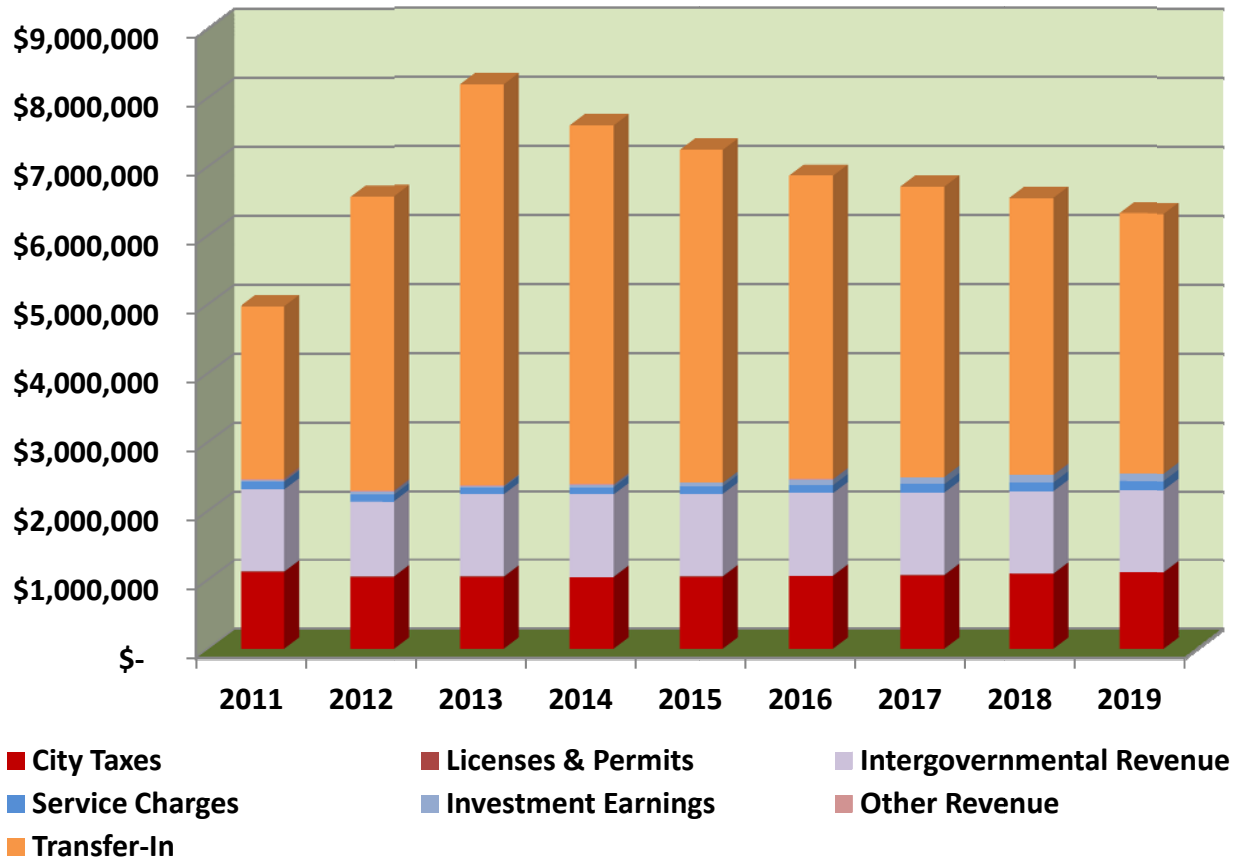
The Local Street Fund has many challenges. Its biggest challenge is it does not have enough dedicated revenue to *maintain* its roads system in a safe and passable condition and must rely on the help of other funds. We have approached this funding challenge much like a four legged stool. Where ACT 51 funding provides 26%, Local Street millage provides 23%, Major Roads provides 23% and General Fund makes up the difference or 28%. General Fund will also be providing some limited funding for reconstruction activity.



| Model Updated May 3, 2012 | 2011 Actual | 2012 1st Qtr | 2013 Projected | 2014 Projected | 2015 Projected | 2016 Estimated | 2017 Estimated | 2018 Estimated | 2019 Estimated |
|---------------------------|----------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 203 - Local Street Fund | | | | | | | | | |
| City Taxes | \$ 1,114,870 | \$ 1,043,490 | \$ 1,037,490 | \$ 1,034,910 | \$ 1,042,660 | \$ 1,052,630 | \$ 1,062,700 | \$ 1,083,480 | \$ 1,104,680 |
| Licenses & Permits | 6,925 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Intergovernmental Revenue | 1,191,107 | 1,087,050 | 1,192,000 | 1,192,000 | 1,192,000 | 1,192,000 | 1,192,000 | 1,192,000 | 1,192,000 |
| Interfund Charges | - | - | - | - | - | - | - | - | - |
| Service Charges | 114,438 | 98,820 | 102,600 | 107,150 | 111,630 | 116,010 | 120,610 | 125,440 | 130,510 |
| Fines & Forfeitures | - | - | - | - | - | - | - | - | - |
| Investment Earnings | 11,930 | 40,770 | 16,720 | 26,320 | 48,650 | 80,900 | 105,170 | 105,170 | 105,170 |
| Other Revenue | 34,904 | 17,910 | 6,330 | 15,060 | 220 | 10,000 | - | 10,000 | - |
| Transfer-In | 2,501,080 | 4,263,690 | 5,818,140 | 5,200,910 | 4,826,890 | 4,395,574 | 4,209,760 | 4,012,290 | 3,774,510 |
| 203 - Local Street Fund | \$ 4,975,254 | \$ 6,561,730 | \$ 8,183,280 | \$ 7,586,350 | \$ 7,232,050 | \$ 6,857,114 | \$ 6,700,240 | \$ 6,538,380 | \$ 6,316,870 |
| 203 - Local Street Fund | | | | | | | | | |
| Personnel Services | \$ 1,305,775 | \$ 1,625,490 | \$ 1,684,980 | \$ 1,712,260 | \$ 1,741,940 | \$ 1,778,950 | \$ 1,815,470 | \$ 1,855,130 | \$ 1,898,200 |
| Operating Supplies | 318,347 | 392,340 | 394,840 | 394,840 | 394,840 | 398,790 | 402,790 | 406,830 | 410,910 |
| Professional Services | 152,341 | 203,550 | 173,550 | 203,550 | 173,550 | 205,580 | 175,280 | 207,630 | 177,030 |
| Interfund Charges | 1,208,619 | 1,676,510 | 1,687,070 | 1,689,750 | 1,692,490 | 1,710,810 | 1,729,340 | 1,748,070 | 1,767,040 |
| Other Expenses | 136,236 | 113,690 | 118,020 | 123,650 | 129,500 | 135,710 | 142,230 | 149,070 | 156,250 |
| Capital Outlay | 761,636 | 2,002,500 | 3,569,970 | 2,837,700 | 2,464,840 | 1,982,058 | 2,123,108 | 2,171,650 | 1,907,440 |
| Debt Service | - | - | - | - | - | - | - | - | - |
| Transfer Out | 550,280 | 547,650 | 554,850 | 624,600 | 634,890 | 645,216 | 312,022 | - | - |
| 203 - Local Street Fund | \$ 4,433,233 | \$ 6,561,730 | \$ 8,183,280 | \$ 7,586,350 | \$ 7,232,050 | \$ 6,857,114 | \$ 6,700,240 | \$ 6,538,380 | \$ 6,316,870 |

Local Street's Dependence on Other Funds

| Model Updated May 3, 2012 | 2011 Actual | 2012 1st Qtr | 2013 Projected | 2014 Projected | 2015 Projected | 2016 Estimated | 2017 Estimated | 2018 Estimated | 2019 Estimated |
|----------------------------|----------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Transfer In - General Fund | \$ 1,356,670 | \$ 2,902,440 | \$ 4,730,640 | \$ 4,475,910 | \$ 4,464,390 | \$ 4,395,574 | \$ 4,209,760 | \$ 4,012,290 | \$ 3,774,510 |
| Transfer In - Major Roads | 1,144,410 | 1,361,250 | 1,087,500 | 725,000 | 362,500 | - | - | - | - |



As the graph shows, Local Roads depends on over 50% of the funding it needs to perform *maintenance* from other Funds (General and Major). It is important to remember that there is only *limited* funding provided for subdivision road reconstruction activity. Any major reconstruction activity will need a new funding source.

Important take away based on the forecast for this fund:

- The fund does not receive enough Act 51 (Gas Tax) funding to cover its maintenance costs.
- The only dedicated funding sources for Local Roads is Act 51 funding and the recently voter approved Local Street millage.
- There is only a limited funding source available for the reconstruction of subdivision (Local) streets.

Fire Fund

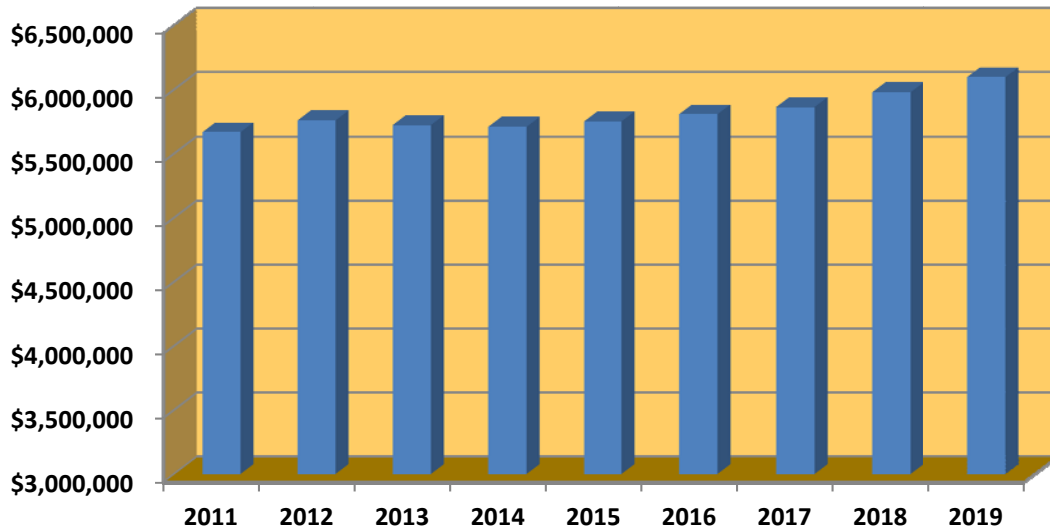
| Model Updated May 3, 2012 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| 206 - Fire Operating Fund | | | | | | | | | |
| City Taxes | \$ 5,667,027 | \$ 5,759,010 | \$ 5,722,990 | \$ 5,708,730 | \$ 5,751,440 | \$ 5,807,130 | \$ 5,863,440 | \$ 5,978,820 | \$ 6,096,560 |
| Licenses & Permits | 5,350 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Intergovernmental Revenue | - | - | - | - | - | - | - | - | - |
| Interfund Charges | - | - | - | - | - | - | - | - | - |
| Service Charges | 1,480,284 | 1,528,250 | 1,527,250 | 1,527,250 | 1,527,250 | 1,542,710 | 1,558,340 | 1,574,130 | 1,590,090 |
| Fines & Forfeitures | 3,621 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Investment Earnings | 17,358 | 37,300 | 22,280 | 40,360 | 84,560 | 148,620 | 204,280 | 217,280 | 231,680 |
| Other Revenue | 34,561 | 2,000 | 2,000 | 2,000 | 2,000 | 1,500 | 1,500 | 1,500 | 1,500 |
| Transfer-In | 9,470 | 5,950 | 5,950 | 5,950 | 5,950 | 5,950 | 5,950 | 5,950 | 5,950 |
| 206 - Fire Operating Fund | \$ 7,217,671 | \$ 7,345,510 | \$ 7,293,470 | \$ 7,297,290 | \$ 7,384,200 | \$ 7,518,910 | \$ 7,646,510 | \$ 7,790,680 | \$ 7,938,780 |
| 206 - Fire Fund | | | | | | | | | |
| Personnel Services | \$ 4,865,125 | \$ 4,885,820 | \$ 4,960,640 | \$ 5,004,390 | \$ 5,052,000 | \$ 5,124,600 | \$ 5,185,080 | \$ 5,250,580 | \$ 5,321,560 |
| Operating Supplies | 94,896 | 92,050 | 88,050 | 88,050 | 88,050 | 88,950 | 89,850 | 90,760 | 91,670 |
| Professional Services | 314,947 | 343,500 | 327,700 | 332,050 | 339,050 | 343,260 | 350,130 | 359,720 | 364,460 |
| Interfund Charges | 1,355,094 | 1,477,650 | 1,452,650 | 1,476,650 | 1,452,650 | 1,467,190 | 1,481,870 | 1,496,690 | 1,511,660 |
| Other Expenses | 83,118 | 69,610 | 64,220 | 64,220 | 64,220 | 64,600 | 64,980 | 65,360 | 65,740 |
| Capital Outlay | - | - | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - | - |
| Transfer Out | 65,160 | 33,120 | 33,120 | 33,120 | 33,120 | 33,120 | 33,120 | 33,120 | 33,120 |
| 206 - Fire Fund | \$ 6,778,340 | \$ 6,901,750 | \$ 6,926,380 | \$ 6,998,480 | \$ 7,029,090 | \$ 7,121,720 | \$ 7,205,030 | \$ 7,296,230 | \$ 7,388,210 |

Note: In FY 2012 the Fire Fund Millage was raised to its Headlee Max of 1.9564. The increase was needed to support current service level delivery.

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | \$ 439,331 | \$ 443,760 | \$ 367,090 | \$ 298,810 | \$ 355,110 | \$ 397,190 | \$ 441,480 | \$ 494,450 | \$ 550,570 |
| BEGINNING FUND BALANCE | \$ 2,634,009 | \$ 3,073,339 | \$ 3,517,099 | \$ 3,884,189 | \$ 4,182,999 | \$ 4,538,109 | \$ 4,935,299 | \$ 5,376,779 | \$ 5,871,229 |
| ENDING FUND BALANCE | \$ 3,073,339 | \$ 3,517,099 | \$ 3,884,189 | \$ 4,182,999 | \$ 4,538,109 | \$ 4,935,299 | \$ 5,376,779 | \$ 5,871,229 | \$ 6,421,799 |

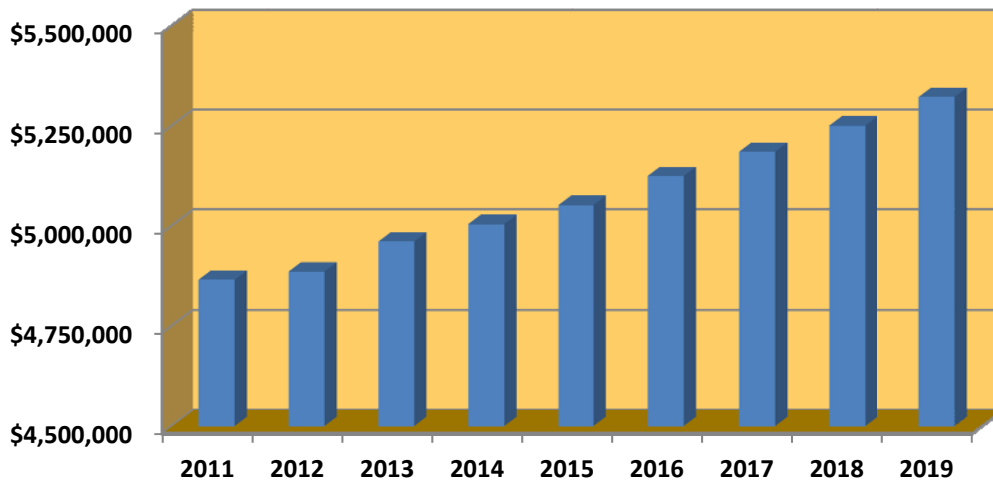
As you can see the stabilization of taxable values have greatly improved the out look of the Fire Fund. Last year at this time, we were concerned that starting in FY 2014 and beyond the Fire Fund millage would not be able to support the Fire operation and that by FY2017 their fund balance would not be in conformance with our Fund Balance policy. That is now not the case with the latest estimates of Taxable Value changes provided by the City Assessor.

City Taxes



In FY 2012, Fire Fund Millage is raised to its Headlee level a move that was needed to support current service level delivery.

Personnel Services



Like all funds, future increases in health care costs are driving increases in Personnel Costs

Important take away based on the forecast for this fund:

- In FY2012, millage rate needed to be at the Headlee limit to be able to fund current service delivery levels.
- With the stabilization of Taxable Values, the Fire Fund is able to support current service delivery levels.

Special Police Fund

| Model Updated May 3, 2012 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| 207 - Special Police Fund | | | | | | | | | |
| City Taxes | \$ 3,803,958 | \$ 3,556,850 | \$ 3,536,530 | \$ 3,527,730 | \$ 3,554,100 | \$ 3,588,050 | \$ 3,622,380 | \$ 3,693,210 | \$ 3,765,460 |
| Licenses & Permits | - | - | - | - | - | - | - | - | - |
| Intergovernmental Revenue | 285,450 | 281,140 | 288,650 | 296,370 | 304,330 | 312,530 | 320,980 | 329,680 | 338,640 |
| Interfund Charges | - | - | - | - | - | - | - | - | - |
| Service Charges | 193,524 | 159,700 | 163,040 | 166,480 | 170,020 | 173,670 | 177,430 | 181,300 | 185,280 |
| Fines & Forfeitures | 421,300 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 |
| Investment Earnings | 7,663 | 17,070 | 8,590 | 14,700 | 29,560 | 13,890 | 18,060 | 18,060 | 18,060 |
| Other Revenue | 3,432 | - | - | - | - | - | - | - | - |
| Transfer-In | 4,111,730 | 4,724,790 | 4,894,150 | 5,156,200 | 5,358,880 | 5,619,600 | 5,842,840 | 6,067,230 | 6,268,480 |
| 207 - Special Police Fund | \$ 8,827,057 | \$ 9,110,550 | \$ 9,261,960 | \$ 9,532,480 | \$ 9,787,890 | \$ 10,078,740 | \$ 10,352,690 | \$ 10,660,480 | \$ 10,946,920 |
| 207 - Special Police | | | | | | | | | |
| Personnel Services | \$ 196,990 | \$ 216,740 | \$ 216,110 | \$ 219,330 | \$ 222,840 | \$ 226,630 | \$ 230,790 | \$ 235,310 | \$ 240,240 |
| Operating Supplies | 10,501 | 16,500 | 17,500 | 17,500 | 17,500 | 17,680 | 17,860 | 18,040 | 18,220 |
| Professional Services | 7,926,709 | 8,313,220 | 8,508,430 | 8,763,580 | 9,026,380 | 9,297,100 | 9,575,940 | 9,863,140 | 10,158,960 |
| Interfund Charges | 182,241 | 184,330 | 184,330 | 184,330 | 184,330 | 186,180 | 188,040 | 189,920 | 191,820 |
| Other Expenses | 38,285 | 21,920 | 10,400 | 10,510 | 10,510 | 10,620 | 10,730 | 10,840 | 10,950 |
| Capital Outlay | - | - | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - | - |
| Transfer Out | 341,221 | 357,840 | 325,190 | 337,230 | 326,330 | 340,530 | 329,330 | 343,230 | 326,730 |
| 207 - Special Police | \$ 8,695,946 | \$ 9,110,550 | \$ 9,261,960 | \$ 9,532,480 | \$ 9,787,890 | \$ 10,078,740 | \$ 10,352,690 | \$ 10,660,480 | \$ 10,946,920 |

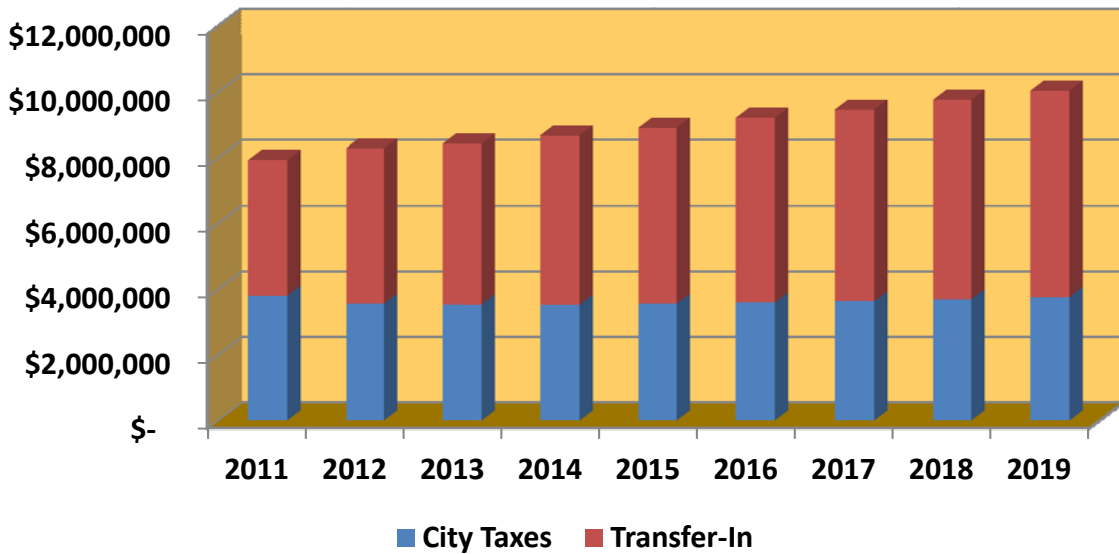
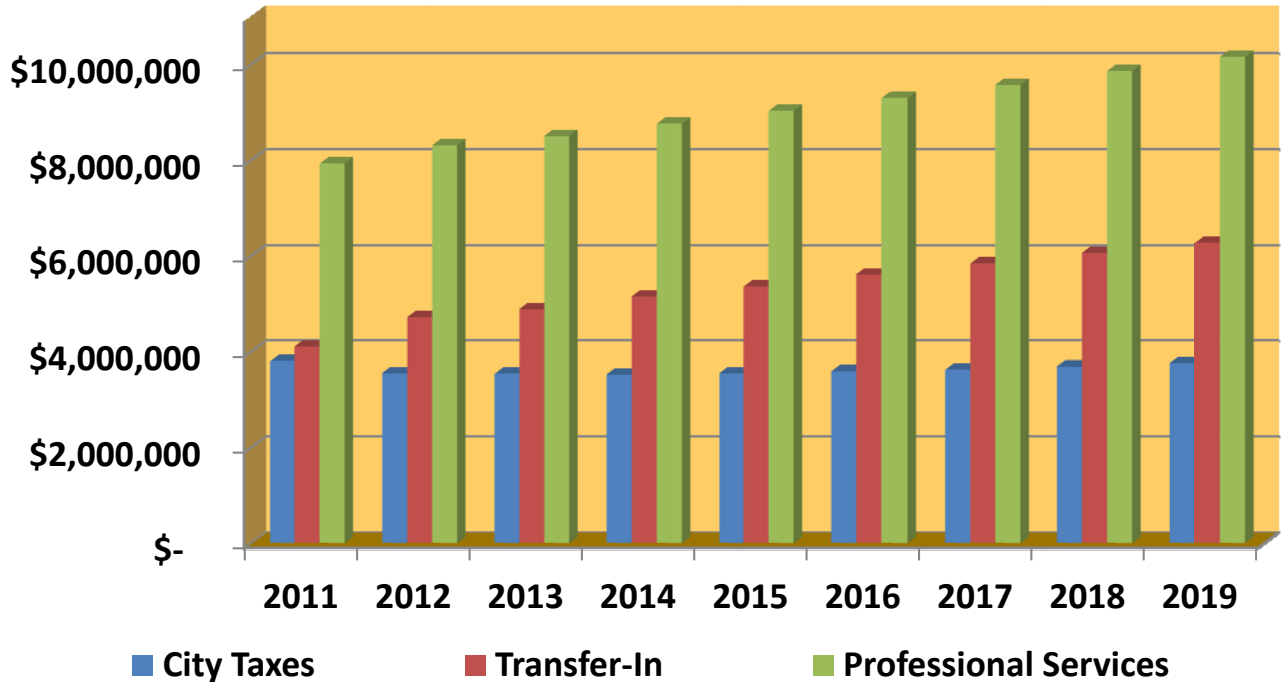
Now that the Police and Road Technical Committee has presented its recommendation(s) to City Council it seemed appropriate that we look at the cost of police services, for the 10 year ballot period starting in FY 2015 (2015-2024), suggested by the committee in one of their recommendations.

| Model Updated May 3, 2012 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated |
| 207 - Special Police Fund | | | | | | | | | | | | | | |
| City Taxes | \$ 3,803,958 | \$ 3,556,850 | \$ 3,536,530 | \$ 3,527,730 | \$ 3,554,100 | \$ 3,588,050 | \$ 3,622,380 | \$ 3,693,210 | \$ 3,765,460 | \$ 3,839,210 | \$ 3,914,444 | \$ 3,992,711 | \$ 4,072,540 | \$ 4,153,953 |
| Licenses & Permits | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intergovernmental Revenue | 285,450 | 281,140 | 288,650 | 296,370 | 304,330 | 312,530 | 320,980 | 329,680 | 338,640 | 347,870 | 357,380 | 367,170 | 377,260 | 387,650 |
| Interfund Charges | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Service Charges | 193,524 | 159,700 | 163,040 | 166,480 | 170,020 | 173,670 | 177,430 | 181,300 | 185,280 | 189,380 | 193,610 | 197,960 | 202,440 | 207,060 |
| Fines & Forfeitures | 421,300 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 | 371,000 |
| Investment Earnings | 7,663 | 17,070 | 8,590 | 14,700 | 29,560 | 13,890 | 18,060 | 18,060 | 18,060 | 18,060 | 18,060 | 18,060 | 18,060 | 18,060 |
| Other Revenue | 3,432 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer-In | 4,111,730 | 4,724,790 | 4,894,150 | 5,156,200 | 5,358,880 | 5,619,600 | 5,842,840 | 6,067,230 | 6,268,480 | 6,382,050 | 6,399,856 | 6,639,309 | 6,887,050 | 7,143,407 |
| 207 - Special Police Fund | \$ 8,827,057 | \$ 9,110,550 | \$ 9,261,960 | \$ 9,532,480 | \$ 9,787,890 | \$ 10,078,740 | \$ 10,352,690 | \$ 10,660,480 | \$ 10,946,920 | \$ 11,147,570 | \$ 11,254,350 | \$ 11,586,210 | \$ 11,928,350 | \$ 12,281,130 |
| 207 - Special Police | | | | | | | | | | | | | | |
| Personnel Services | \$ 196,990 | \$ 216,740 | \$ 216,110 | \$ 219,330 | \$ 222,840 | \$ 226,630 | \$ 230,790 | \$ 235,310 | \$ 240,240 | \$ 245,610 | \$ 251,450 | \$ 257,810 | \$ 264,740 | \$ 272,290 |
| Operating Supplies | 10,501 | 16,500 | 17,500 | 17,500 | 17,500 | 17,680 | 17,860 | 18,040 | 18,220 | 18,400 | 18,580 | 18,760 | 18,940 | 19,120 |
| Professional Services | 7,926,709 | 8,313,220 | 8,508,430 | 8,763,580 | 9,026,380 | 9,297,100 | 9,575,940 | 9,863,140 | 10,158,960 | 10,463,650 | 10,777,480 | 11,100,730 | 11,433,670 | 11,776,600 |
| Interfund Charges | 182,241 | 184,330 | 184,330 | 184,330 | 184,330 | 186,180 | 188,040 | 189,920 | 191,820 | 193,740 | 195,670 | 197,630 | 199,610 | 201,620 |
| Other Expenses | 38,285 | 21,920 | 10,400 | 10,510 | 10,510 | 10,620 | 10,730 | 10,840 | 10,950 | 11,060 | 11,170 | 11,280 | 11,390 | 11,500 |
| Capital Outlay | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer Out | 341,221 | 357,840 | 325,190 | 337,230 | 326,330 | 340,530 | 329,330 | 343,230 | 326,730 | 215,110 | - | - | - | - |
| 207 - Special Police | \$ 8,695,946 | \$ 9,110,550 | \$ 9,261,960 | \$ 9,532,480 | \$ 9,787,890 | \$ 10,078,740 | \$ 10,352,690 | \$ 10,660,480 | \$ 10,946,920 | \$ 11,147,570 | \$ 11,254,350 | \$ 11,586,210 | \$ 11,928,350 | \$ 12,281,130 |

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated |
| Estimated Value - 1.0000 Mill | \$3,130,770 | \$2,933,450 | \$ 2,913,350 | \$ 2,906,070 | \$ 2,927,870 | \$ 2,957,140 | \$ 2,986,720 | \$ 3,046,450 | \$ 3,107,380 | \$ 3,169,530 | \$ 3,232,917 | \$ 3,297,576 | \$ 3,363,527 | \$ 3,430,798 |

Cost of Police Services Millage | 2.77757431 3.10574579 3.179144284 3.28019628 3.343007032 3.408272858 3.466240558 3.499312314 3.522877794 3.51710506 3.48117477 3.513554012 3.546381397 3.579671906

Based on the assumptions used in our long-range forecasting model, the cost of police services, in year 2015 to 2024 could range from 3.43 mills to 3.58 mills provided the assumptions become actual results.



As both graphs show, as tax values fall and contract costs increase, General Fund becomes an ever increasing major funding source for the Special Police fund. Even with the FY2011 reduction in the number of contracted officers, the cost of the contract moves upward quickly from \$8 million in 2011 to just over \$10 million in 2019 based on current assumptions. You can also see from both the charts that the General Fund subsidy becomes the dominating funding source for Police Services growing from about 50% in 2011 to about 60% in 2019.

Important take away based on the forecast for this fund:

- Current Millages (I & II) will expire in tax year 2013 for FY2014. This forecast assumes renewal at current levels.
- Sheriff Contract Pricing Adjusts each Year which puts pressure on the Fund and since the two current police millage(s) are at their maximum level, those contract cost increases flow through to General Fund adding to pressure on that fund
- By 2019 General Fund will be providing approximately 60% of the funding needed to pay for police services.

Water Resource Fund

| Model Updated May 3, 2012 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| 244 - Water Resources Fund | | | | | | | | | |
| City Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses & Permits | 590 | - | - | - | - | - | - | - | - |
| Intergovernmental Revenue | 97,078 | 38,000 | - | - | - | - | - | - | - |
| Interfund Charges | - | - | - | - | - | - | - | - | - |
| Service Charges | 25,293 | 23,700 | 23,700 | 23,700 | 23,700 | 23,700 | 23,700 | 23,700 | 23,700 |
| Fines & Forfeitures | - | - | - | - | - | - | - | - | - |
| Investment Earnings | 8,438 | 30,550 | 10,540 | 14,550 | 22,080 | 25,330 | 17,890 | 2,460 | - |
| Other Revenue | 22,296 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Transfer-In | - | - | - | - | - | - | - | - | - |
| 244 - Water Resources Fund | \$ 153,695 | \$ 104,250 | \$ 46,240 | \$ 50,250 | \$ 57,780 | \$ 61,030 | \$ 53,590 | \$ 38,160 | \$ 35,700 |
| 244 - Water Resources Fund | | | | | | | | | |
| Personnel Services | \$ 309,659 | \$ 244,990 | \$ 249,700 | \$ 252,770 | \$ 256,100 | \$ 259,730 | \$ 263,800 | \$ 268,230 | \$ 273,050 |
| Operating Supplies | 11,434 | 18,000 | 18,000 | 18,000 | 18,000 | 18,180 | 18,360 | 18,540 | 18,730 |
| Professional Services | 56,457 | 36,550 | 36,550 | 36,550 | 36,550 | 36,920 | 37,290 | 37,660 | 38,030 |
| Interfund Charges | 170,355 | 165,900 | 166,280 | 166,660 | 167,050 | 168,920 | 170,810 | 172,730 | 174,660 |
| Other Expenses | 114,410 | 153,900 | 161,170 | 161,170 | 153,900 | 155,440 | 156,990 | 158,560 | 160,150 |
| Capital Outlay | 235,487 | 48,000 | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - | - |
| Transfer Out | - | - | - | - | - | - | - | - | - |
| 244 - Water Resources Fund | \$ 897,801 | \$ 667,340 | \$ 631,700 | \$ 635,150 | \$ 631,600 | \$ 639,190 | \$ 647,250 | \$ 655,720 | \$ 664,620 |

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| | Actual | 1st Qtr | Projected | Projected | Projected | Estimated | Estimated | Estimated | Estimated |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | \$ (744,106) | \$ (563,090) | \$ (585,460) | \$ (584,900) | \$ (573,820) | \$ (578,160) | \$ (593,660) | \$ (617,560) | \$ (628,920) |
| BEGINNING FUND BALANCE | \$ 4,317,799 | \$ 3,573,693 | \$ 3,010,603 | \$ 2,425,143 | \$ 1,840,243 | \$ 1,266,423 | \$ 688,263 | \$ 94,603 | \$ (522,957) |
| ENDING FUND BALANCE | \$ 3,573,693 | \$ 3,010,603 | \$ 2,425,143 | \$ 1,840,243 | \$ 1,266,423 | \$ 688,263 | \$ 94,603 | \$ (522,957) | \$ (1,151,877) |

You may recall that in last year's Financial Forecast the Water Resource Fund was headed on a path of being out of all funding, including fund balance reserves, by 2015. Since that presentation, the Department of Public Services has put together a long-term plan in an attempt to match expenditures with available funding sources. Part of that plan was the suspending of all capital improvement projects. The postponement of those projects has resulted in the fund being able to exist for approximately three more years before all available resources are gone.

DPS will need to address and begin to put in place more items contained within their long range plan for this fund if this fund is to survive beyond 2018.

Important take away based on the forecast for this fund:

- Has no funding source. Must make fund balance last as long as possible to pay for maintenance costs related to the City's drain system.
- Department needs to bring more items identified in their long range plan forward and put them in place if this fund is to survive beyond 2018.
- Many of the City's drains were constructed under Chapter 20 of the Michigan Drain Code which obligates the City to pay Oakland County Water Resources for maintenance related work. This limits the City's ability to contain maintenance costs. The City needs to work towards gaining control over the maintenance of those drains.

Millage Opportunities

Over the next several years, there will be opportunities for the City to look at and possibility repurpose expiring millages. Let's look at those opportunities.

Drain Debt

Over the next couple years, several of our Drain Debt Millages (Fund # 331) will be expiring. In addition, we will also be using available fund balance reserves to fund Drain Debt payments

It may be an opportunity to ask voters if they would like to repurpose those expiring millages for Local Streets, Fire, Police or Water Resources (for drain maintenance)

| DEBT MILLAGE | Actual 2011 | Actual 2012 | Projected 2013 (1) | Estimated 2014 | Estimated 2015 | Estimated 2016 | Estimated 2017 | Estimated 2018 | Estimated 2019 |
|---|-------------|-------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Drain Debt Fund | 0.6018 | 0.4057 | 0.0526 | 0.0826 | 0.0776 | 0.0775 | 0.0759 | 0.0738 | 0.0730 |
| | | | | | | | | | |
| City Wide Millage Rate | 9.7060 | 9.7060 | 9.5239 | 9.5590 | 9.5570 | 9.2610 | 9.2567 | 9.2489 | 9.2417 |
| | | | | | | | | | |
| Available for Possible Voter Approved Repurposing | | | 0.1821 | 0.1470 | 0.1490 | 0.4450 | 0.4493 | 0.4571 | 0.4643 |

(1) Drain Debt Fund Balance(s) used to help fund debt payment

Green Space

Tax year 2014 for Fiscal Year 2015, will be the last year Green Space millage can be spread.

It may be an opportunity to ask voters if they would like to repurpose that expiring millage for Local Streets, Fire, Police or Water Resources (for drain maintenance)

| OPERATING MILLAGE | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|--------|--------|--------|--------|--------|------|------|------|
| Green Space / Natural Features | 0.2972 | 0.2972 | 0.2972 | 0.2972 | 0.2972 | - | - | - |

Critical Factors to Focus on

- 40% of General Fund is transferred to other funds. Those transfers put pressure on General Fund and limit the services it delivers.
- Local Streets needs additional funding sources if it is wants to perform any major subdivision road reconstruction activity.
- Police Millage I & II expire in Tax Year 2013 and current Police Millage(s) only provide about 40% of the cost of police services into the future. The remainder is paid for by General Fund.
- Water Resource Fund needs a future funding source to pay for the maintenance performed by Oakland County Water Resources if it wishes to survive past 2018
- There could be an opportunities to seek voter approval to repurpose expiring Drain Debt and Green Space Millages.

SUMMARY

- Like many governments, the City was faced with an economic downturn, which challenged our ability to deliver programs and services supported by property taxes and state revenues.
- With Council's support we have been able to manage during the worst of the economic storm. Your careful prioritization of services and programs has made a difference
- Working together we have been able to use the fiscal forecast to move the City to a three year approach to budgeting, to bring services and expenses in line with revenue resources and to become pro-active and not re-active to those factors affecting our ability to deliver services to our citizens.

There are still financial challenges that lie ahead for the City but with careful planning many of these challenges can and will be turned into opportunities.