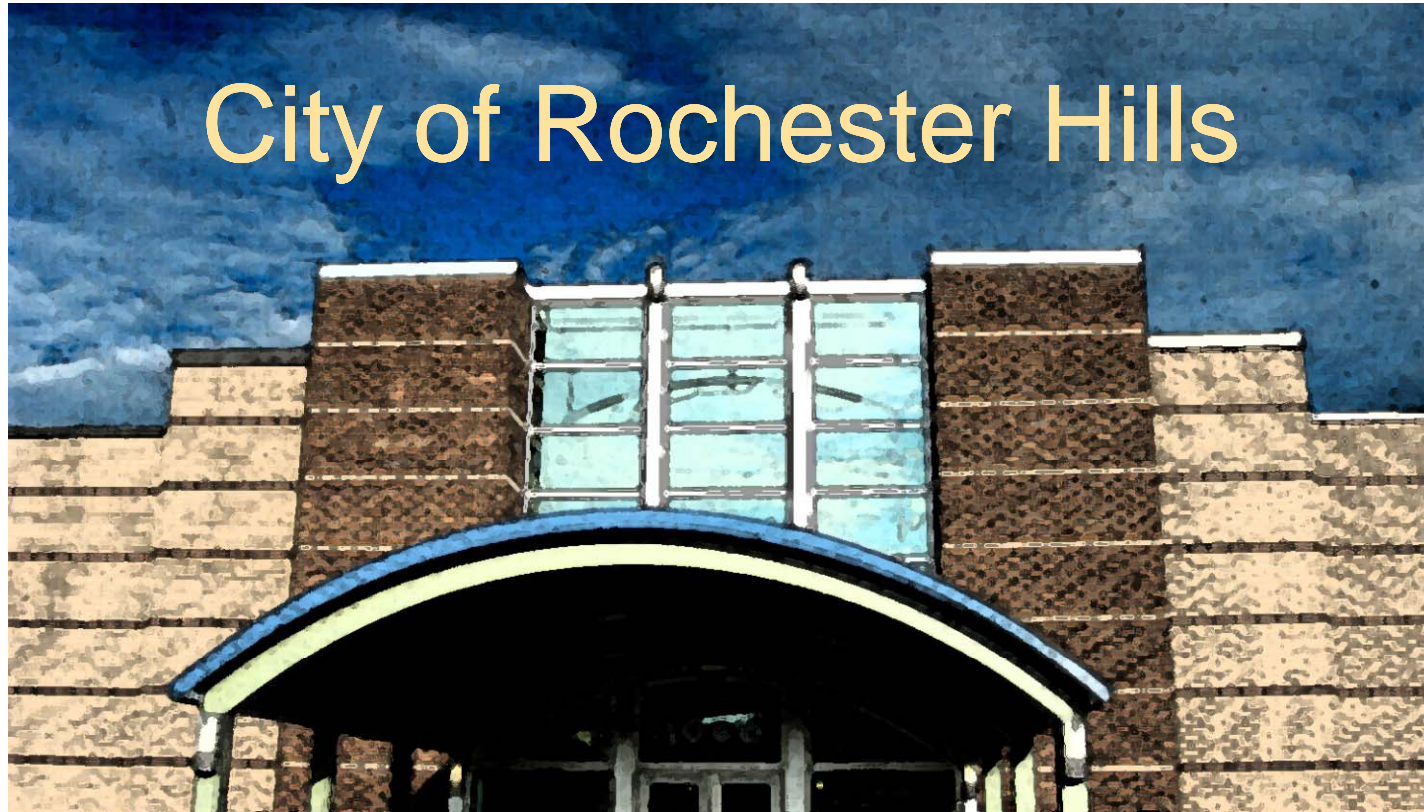


Seven Year Financial Forecast Fiscal Years 2013-2019



Why do we do long range forecasting

- Helps *prevent surprises*
- Helps with *decision making* (What if we...How does this (change) Impact our Budget...).
- Let's us be *pro-active* instead of *re-active*.
- A Financial Forecast is *not* intended to be a budget, a proposed spending plan or a policy recommendation to City Council.
- It is an early step in our budget process. *It helps us establish priorities and allocate our resources appropriately.*

ECONOMIC ASSUMPTIONS

The Assumptions we use are Based on our Current Position in the Business Cycle

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

Key Forecasting Points

► Revenues

- **Our Base Year is our 2012 Amended (1st quarter) Budget and assumes no changes in programs, services or policies**
- **We are Forecasting Changes in:**
 - Taxable Values
 - Interest Rates
 - Future Millage Rates
 - State Shared Revenue
 - Act 51 Funding (Gas and Weigh Tax)

Forecasting Assumptions

Revenues

- **Taxable Values**

- -0.69%, FY 2013 *
- -0.25%, FY 2014 **
- 0.75%, FY 2015 **
- 1.0%, FY 2016 **
- 1.0%, FY 2017 **
- 2.0%, FY 2018 **
- 2.0%, FY 2019 **

*Actual

** Estimated By Assessor

- **Interest Rates**

- .35% for FY2013
- .60% for FY2014
- 1.20% for FY2015
- 2.0% for FY2016
- 2.60% for FY2017-19

Estimated By Treasurer

Forecasting Assumptions

Revenues Continued

- No new millage is introduced.
- All Millage(s) expiring in the Forecasting timeline are renewed at current levels

State Shared Revenue

- 1.0%, FY2013 - 19

Forecast Assumptions

Revenues Continued

Act 51 Revenue

- 0.0%, FY2013 - 19

- Current Millage Rates only adjusted to Headlee Maximum if funding is needed to fill an operating shortfall **AND** the increase does not increase the City's total millage rate

Key Forecasting Points

Expenditures

- **Our Base Year is the 2012 Amended (1st quarter) Budget and assumes no changes in programs, services or policies**
- **We are Forecasting Changes in:**
 - Salary and Wages
 - Changes in the Number of Employees
 - Health Care and other Fringe Benefits
 - City's Share of Pension Contributions
 - Inflation
 - Changes in the Sheriff Contract

Forecast Assumptions

Expenditures

Salary and Wages

- 1.0%, FY2013
- 0.0%, FY2014 – 19

Changes in Number of Employees

- None - No additions and No Reductions

Forecast Assumptions

Expenditures Continued

Health Care (Base Plan)

- 9.0%, FY2013 - 19

Change in City Share of Pension

- **None**

Forecast Assumptions

Expenditures Continued

Inflation

- **General Citywide Inflation:**
2.20% Change
- **Capital Project Inflation:**
2.20% Change

Estimate provided by 2012 Oakland County
Economic Outlook Forecast

Sheriff Contract

- **3.0%, FY2013 – 19**

Estimate Provided by Oakland Sheriff
Business Manger

A Fund Level Focus to our Fiscal Forecast

- For the forecast to be effective we focus in at the **fund level**.
- For **General Fund**, our fiscal forecast model **reduces the amount being transferred to other funds to force General Fund expenditures to equal General Fund revenues**.
- **Local Street Fund is the safety valve for General Fund**.
 - Note: In the past, the safety valve also included the Water Resource Fund but over the last couple of budgets, City Council had determined to not have General Fund transfer to this fund so it has been removed as a safety valve. We use the Local Street fund because any transfer from General Fund was not needed to fund a contractual relationship (like Special Police Fund) and the transfer is large enough to accomplish our balancing goal.

General Fund

General Fund

- ▶ ***For this presentation***, we have adjusted our model so that General Fund makes a transfer to Local Street Fund large enough to make sure that the Local Street Fund will have enough revenue to cover ***maintenance costs***.
- ▶ After meeting the maintenance requirement, General Fund was still able to transfer, to the Local Street Fund, limited funding for ***reconstruction activity***.

General Fund

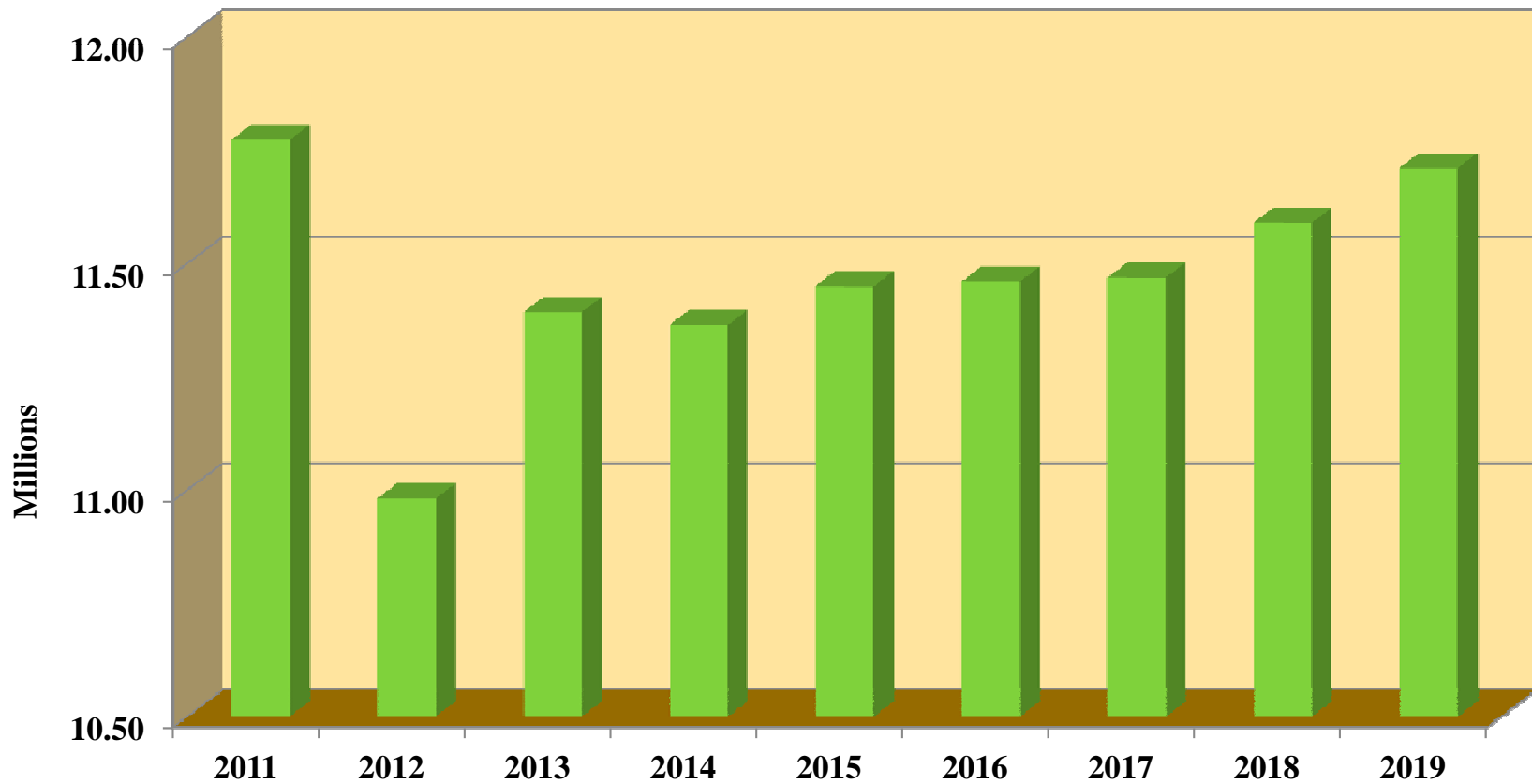
Model Updated May 3, 2012	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	1st Qtr	Projected	Projected	Projected	Estimated	Estimated	Estimated	Estimated
101 - General Fund									
City Taxes	\$11,772,782	\$10,980,880	\$11,391,830	\$11,363,810	\$11,449,030	\$11,458,910	\$11,467,870	\$11,588,970	\$11,710,340
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



General Fund Revenue

Property Taxes

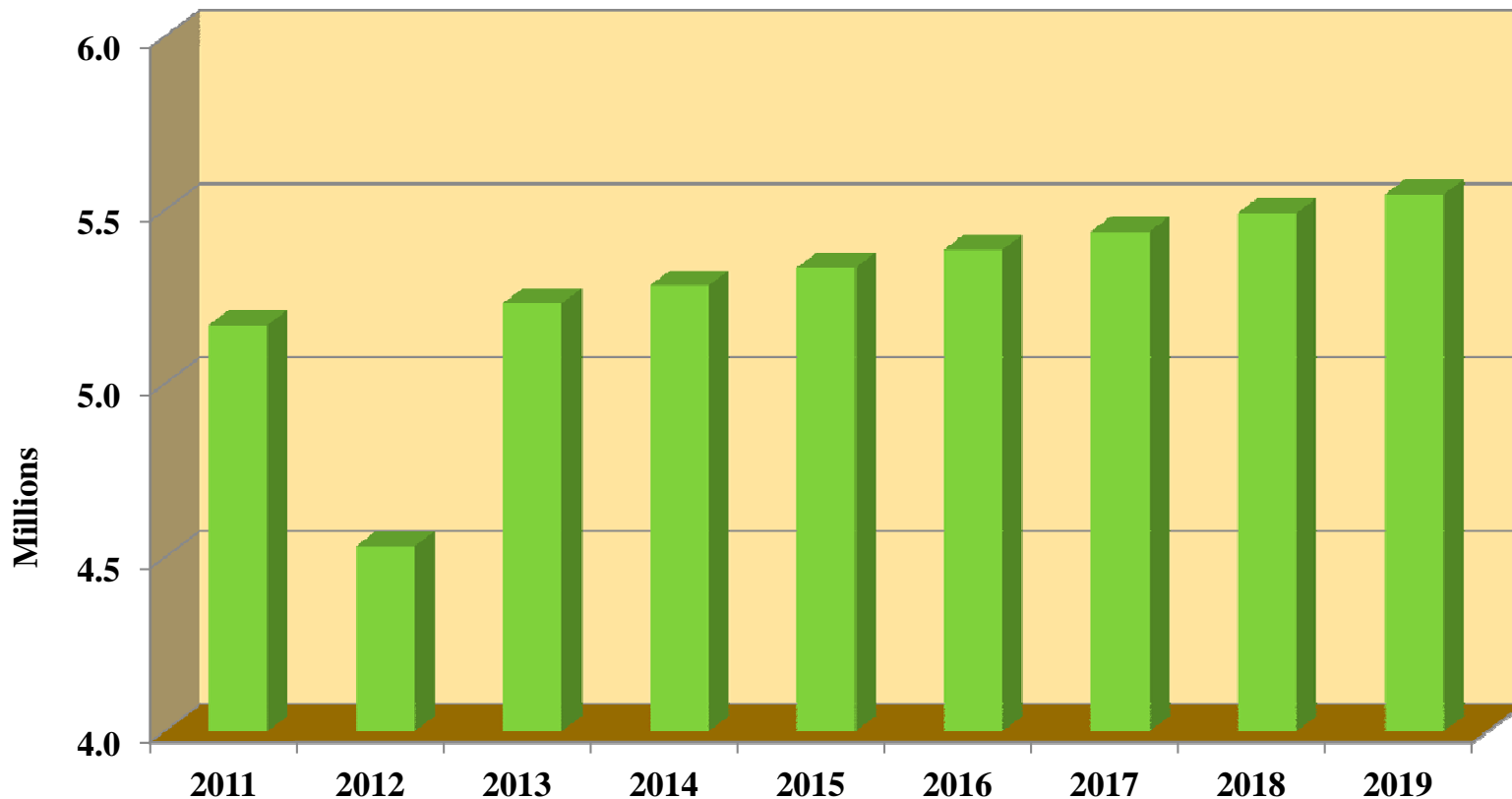


Note: In FY 2013, the Millage Rate is increased to the Headlee level and **did not** increase the total City millage rate



General Fund Revenue

State Shared Revenue

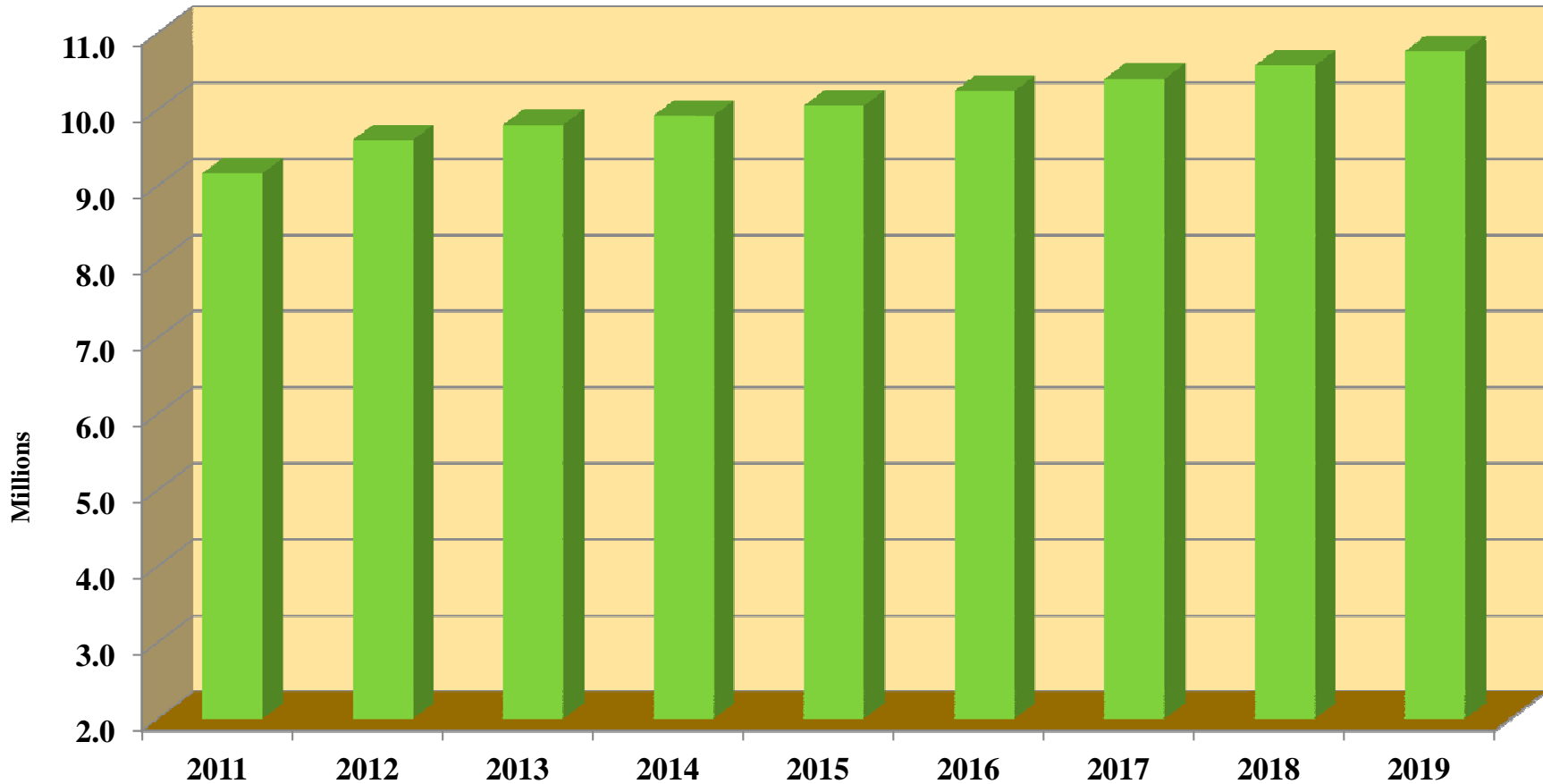


Note: FY 2012 State Shared Revenue will be adjusted in 2nd qtr budget amendment to at least \$5 million



General Fund Expenditures

Personnel Services

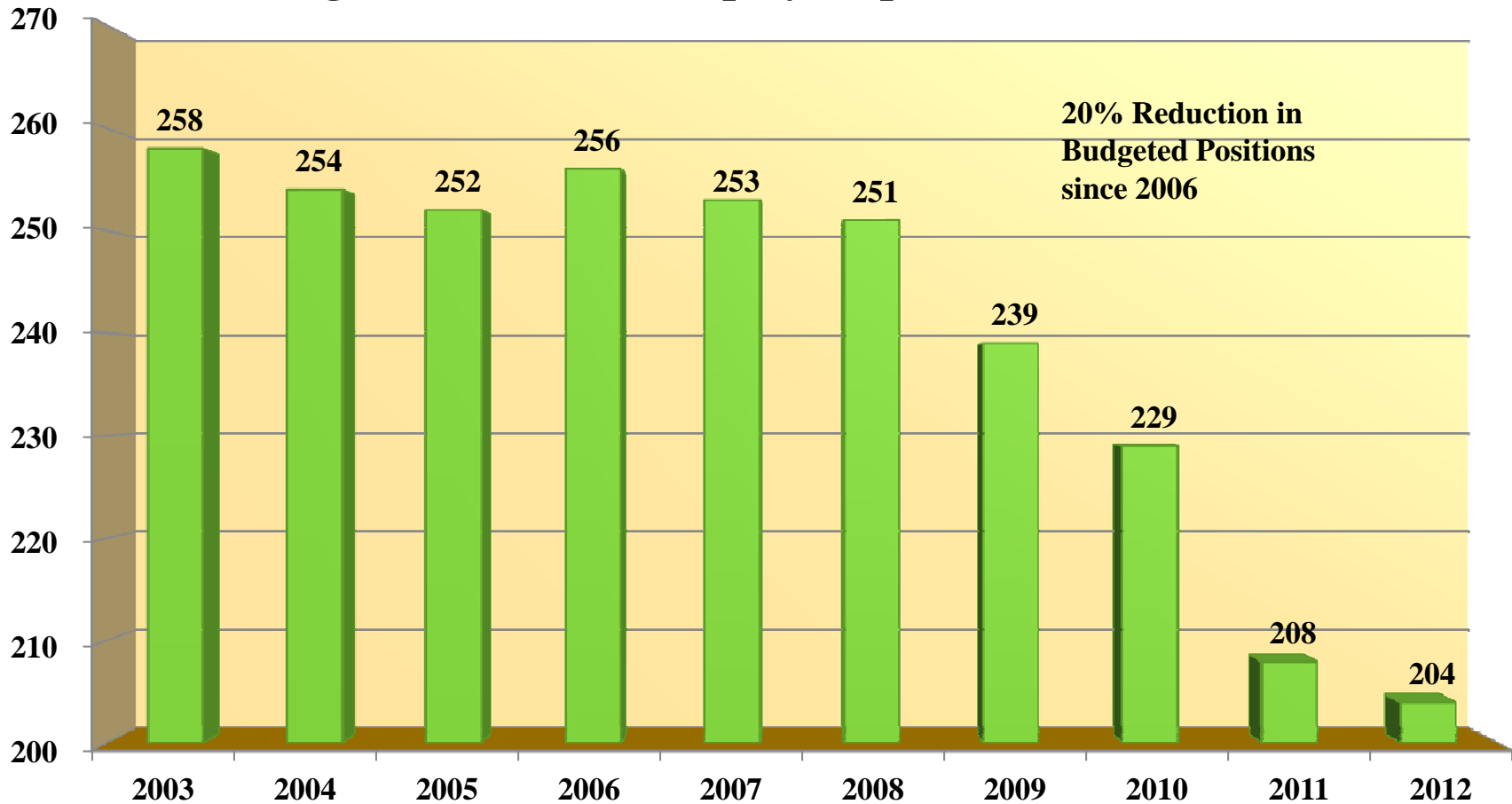


Even through the City's staff size has been downsized by over 20% since 2006 forecasted increases in health care costs are increasing the Fund's Personnel costs

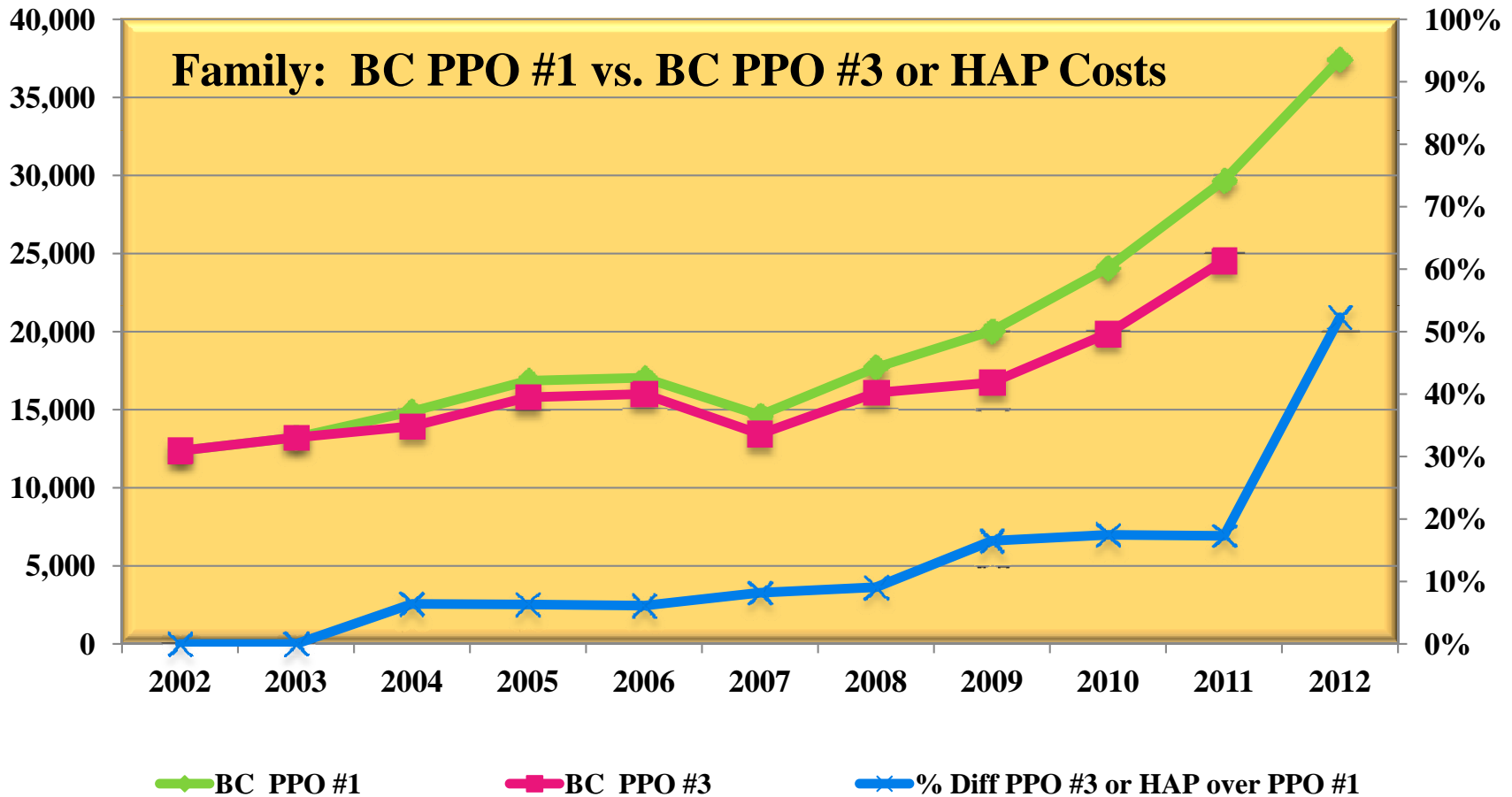


General Fund Expenditures

Budgeted Full-Time Employees per Fiscal Year



General Fund Expenditures

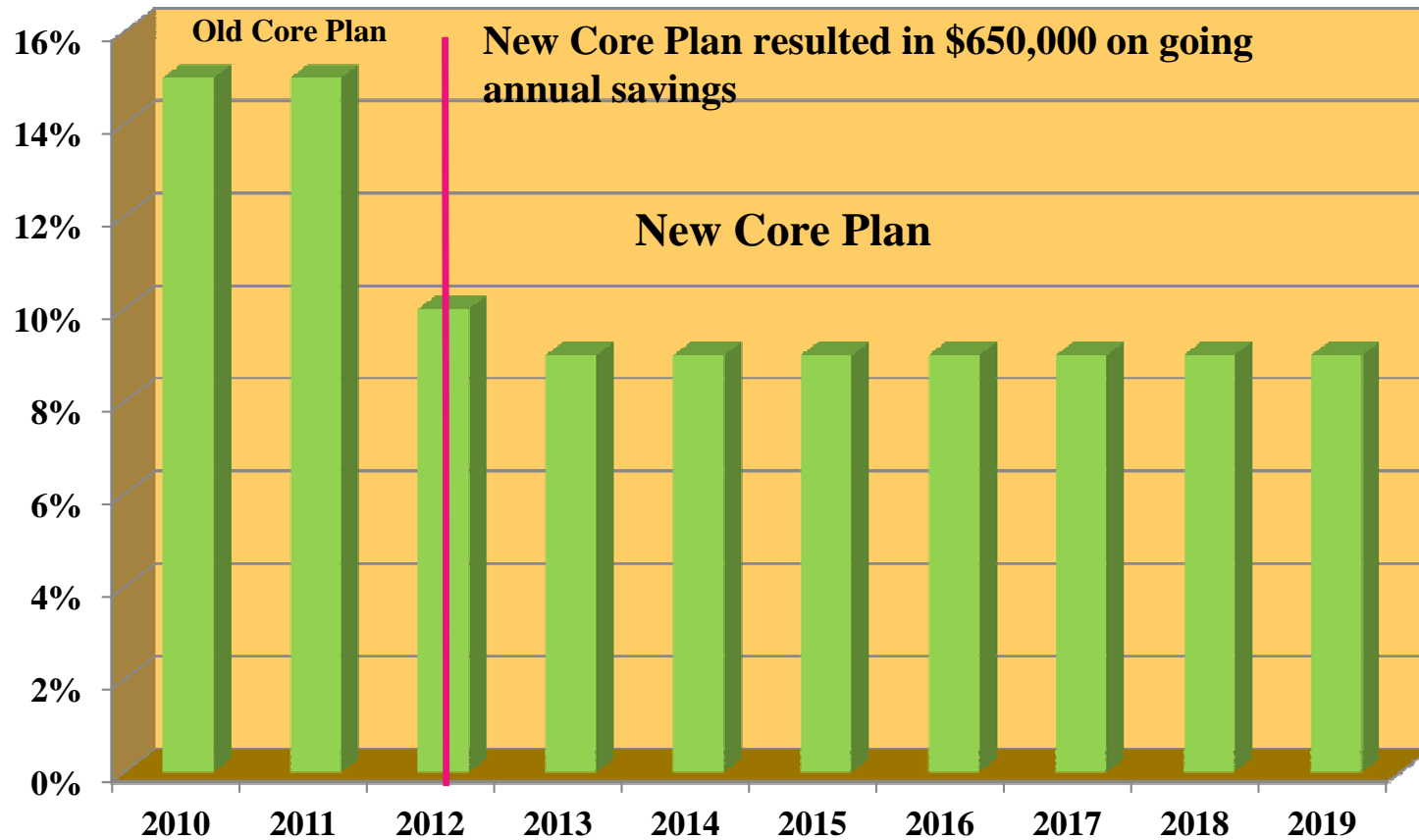


For a number of years, the City has been working on controlling escalating health care costs. As the following chart shows, since 2003 the City has been re-designing its health care plan by changing deductibles, co-pays and coverage, shifting some of those responsibilities to employees. Had the City not moved in this direction, the City would have paid almost 18% more in FY2011 and over 52% more in FY2012 for health care premiums.



General Fund Expenditures

Estimated Annual Increase in Health Care Cost



Estimated annual increases for the new core (base) plan are based on a 7 year average of their past premium adjustments.



General Fund Expenditures

	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

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*. General Fund is also able to transfer to the Local Street Fund additional funds for some *limited* reconstruction activities for Local Streets.



General Fund Expenditures

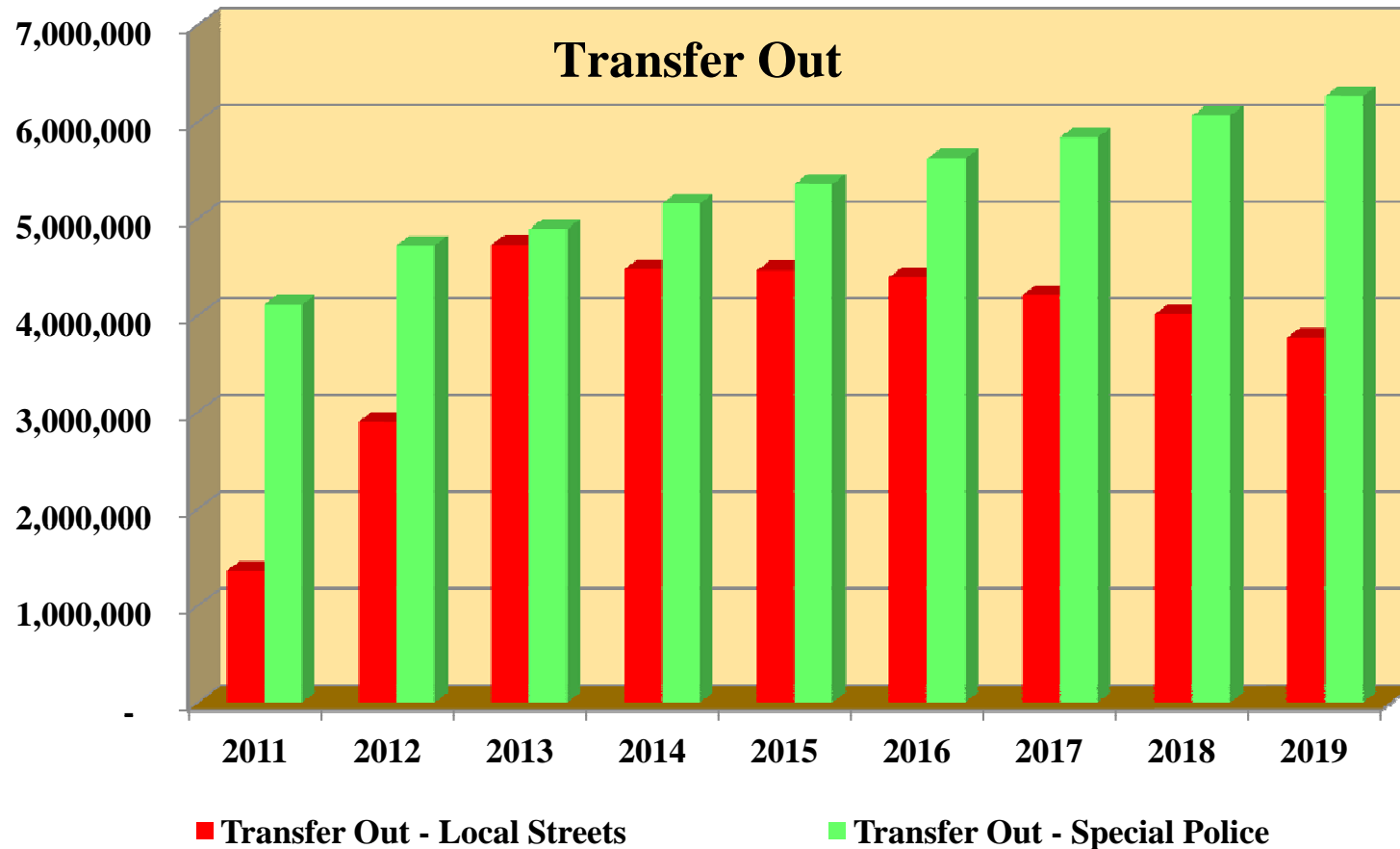
TRANSFER OUT



Over 40% of all revenue or over 90% of tax revenue collected in General Fund is transferred to other funds to support their activities and services.



General Fund Expenditures

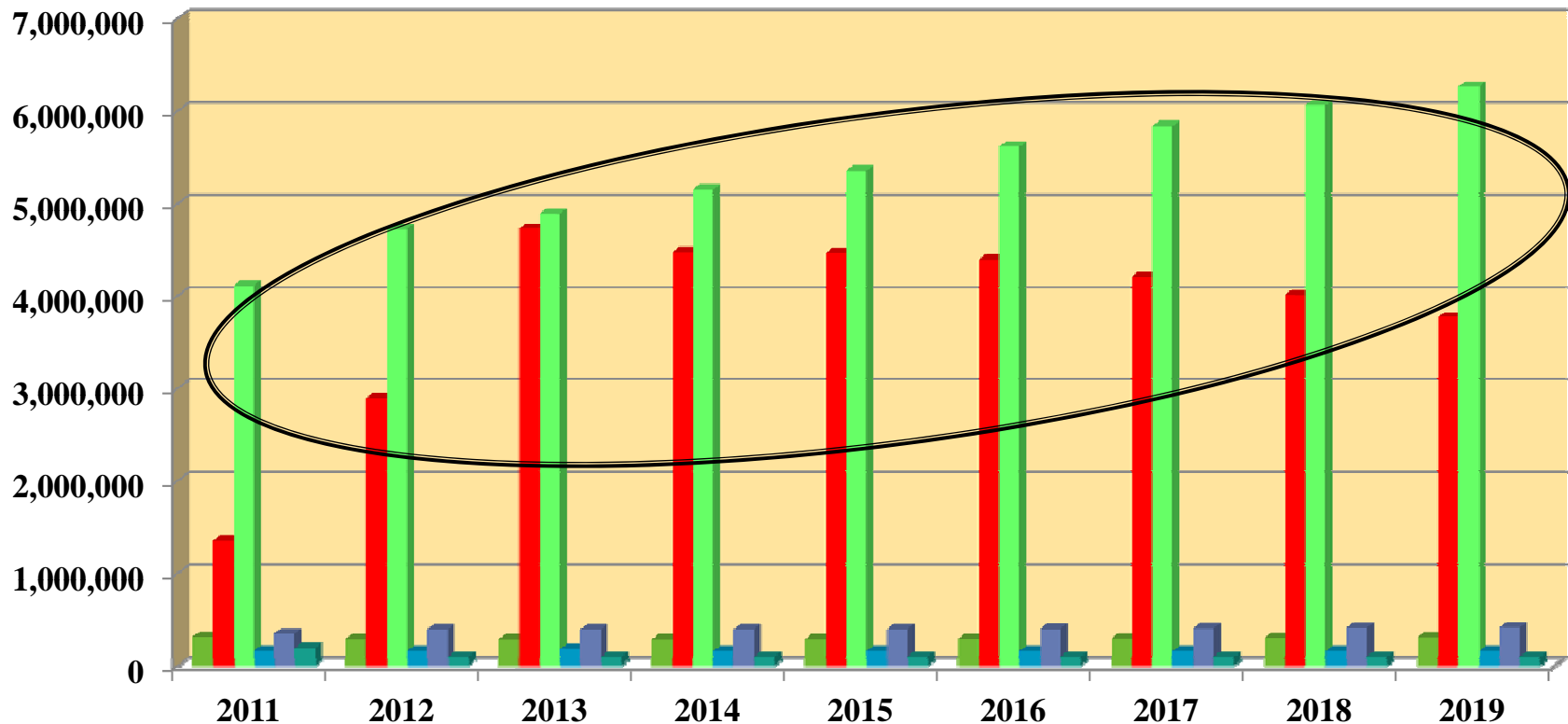


Here you can see just how quickly the needs of the Special Police Fund and the Local Street Fund increase over the next several years and the pressure it puts on the General Fund.



General Fund Expenditures

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



■ Transfer Out - Major Roads
■ Transfer Out - Special Police
■ Transfer Out - Facilities (Common Area)

■ Transfer Out - Local Streets
■ Transfer Out - Capital Improve. Fund
■ Transfer Out - Supple Retiree Health Trust



General Fund

Important Take Away

- Approximately 40% of all revenue or over 90% of tax revenue collected in General Fund is transferred to other funds to support their activities.
- The fund is fiscally sound following current budget policies and the structure used in the financial model. That soundness generally comes by limiting transfers to other funds.



Major Road Fund

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 be 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 the future years.

Capital Outlay 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.



Major Road Fund Fund Balance

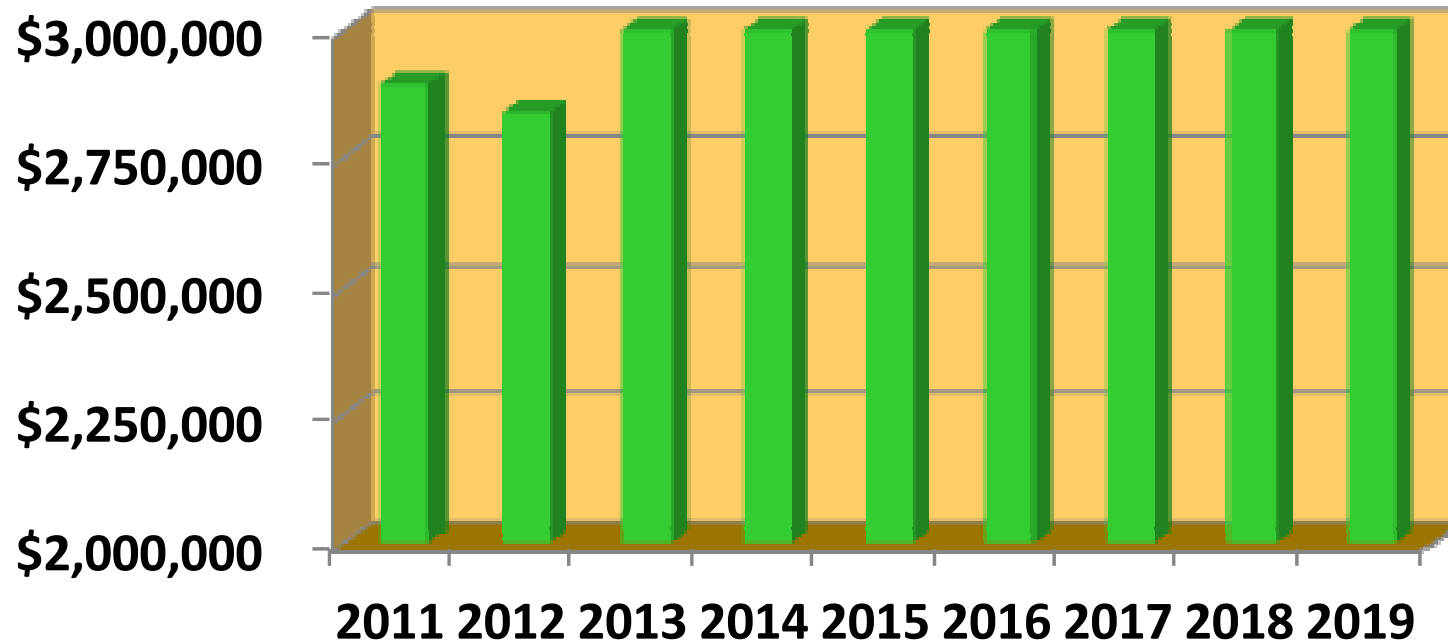
Model Updated May 3, 2012	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	1st Qtr	Projected	Projected	Projected	Estimated	Estimated	Estimated	Estimated
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(426,504)	(1,600,200)	(1,137,750)	(560,870)	(3,794,780)	(2,982,630)	998,550	906,780	985,520
BEGINNING 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

Major Roads Fund Balance is used to fund it's capital expenditure budget and positioned well to meet that goal.



Major Road Fund

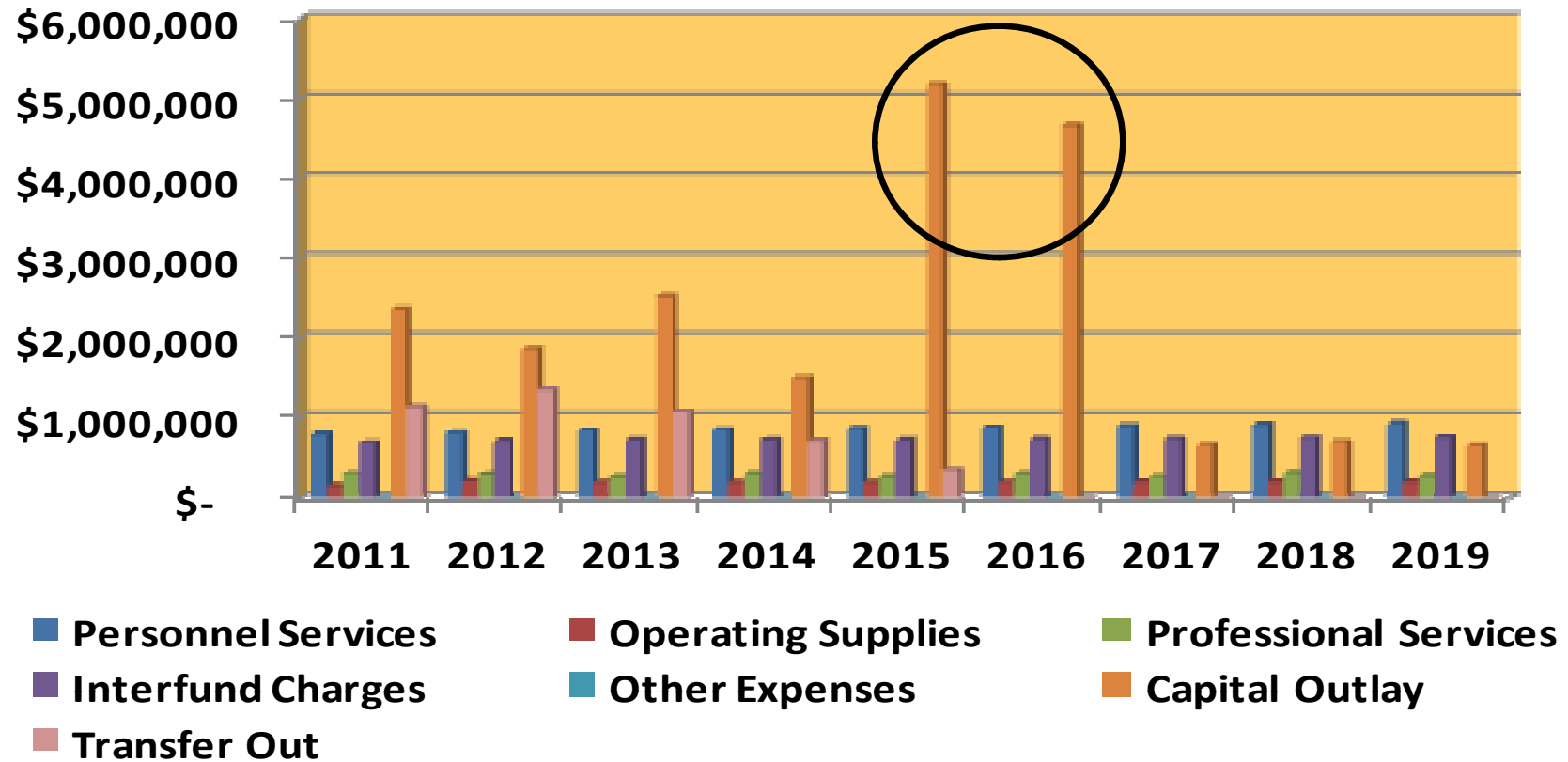
Gas and Weigh Tax



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.



Major Road Fund



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



Major Road Fund

Important Take Away

- **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 and with the phase out of its transfer to Local Streets.**



Local Street Fund

Local Street Maintenance Funding Plan



Local Street

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

The forecast does indicate that some limited reconstruction funding will be available from General Fund



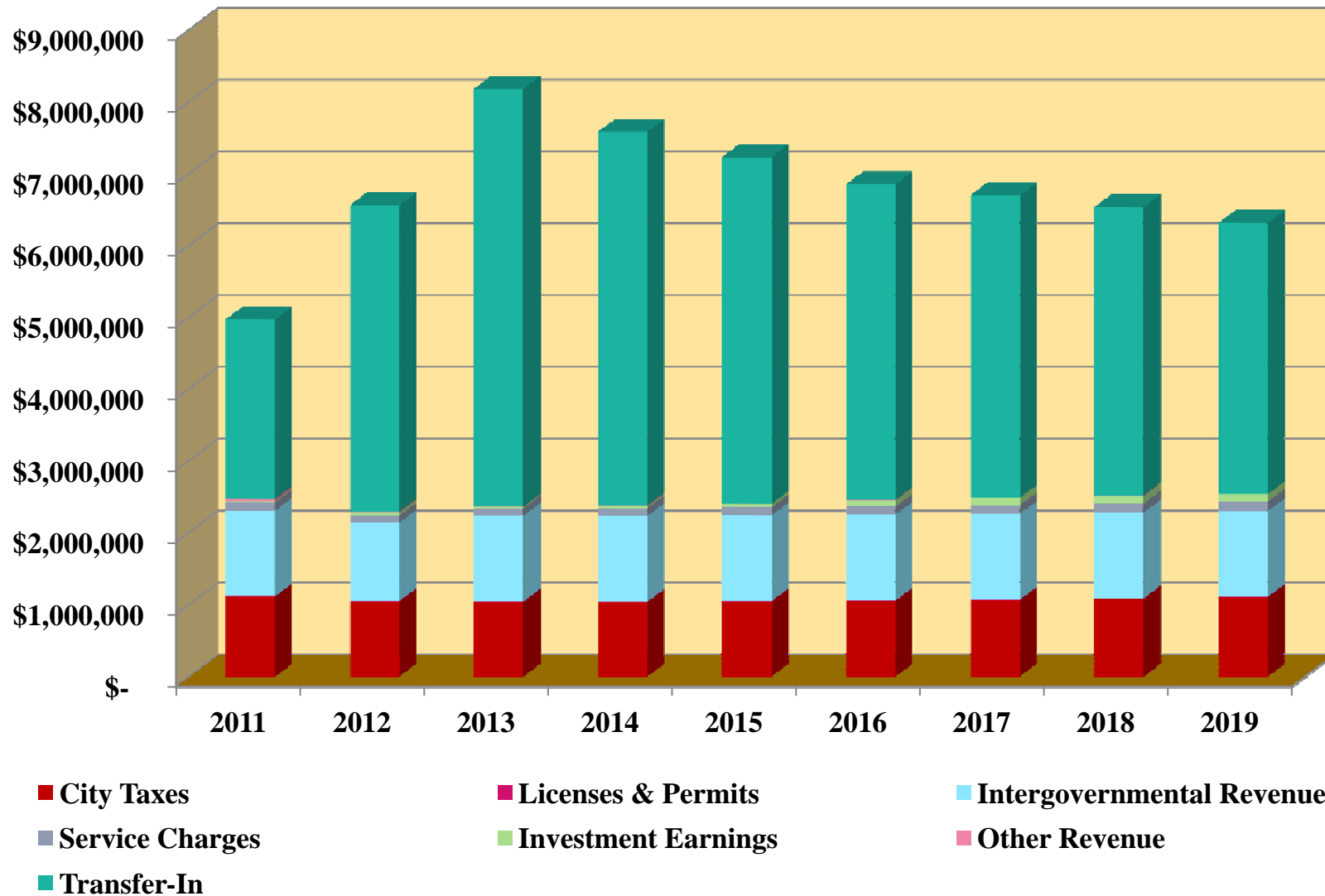
Local Street's Dependence on Other Funds

Model Updated May 3, 2012	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	1st Qtr	Projected	Projected	Projected	Estimated	Estimated	Estimated	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).



Local Streets Funding



As this graph shows transfer-in is a major funding source for Local Roads



Local Street Fund

Important Take Away

- The fund does not receive enough Act 51 (Gas Tax) funding to cover its maintenance costs.
- The only dedicated funding sources for Local Streets is Act 51 funding and the recently voter approved Local Street millage.
- Local Streets has no funding source available for the reconstruction of subdivision (Local) streets and must relay on General Fund for *limited* support of its reconstruction needs.

Fire Fund

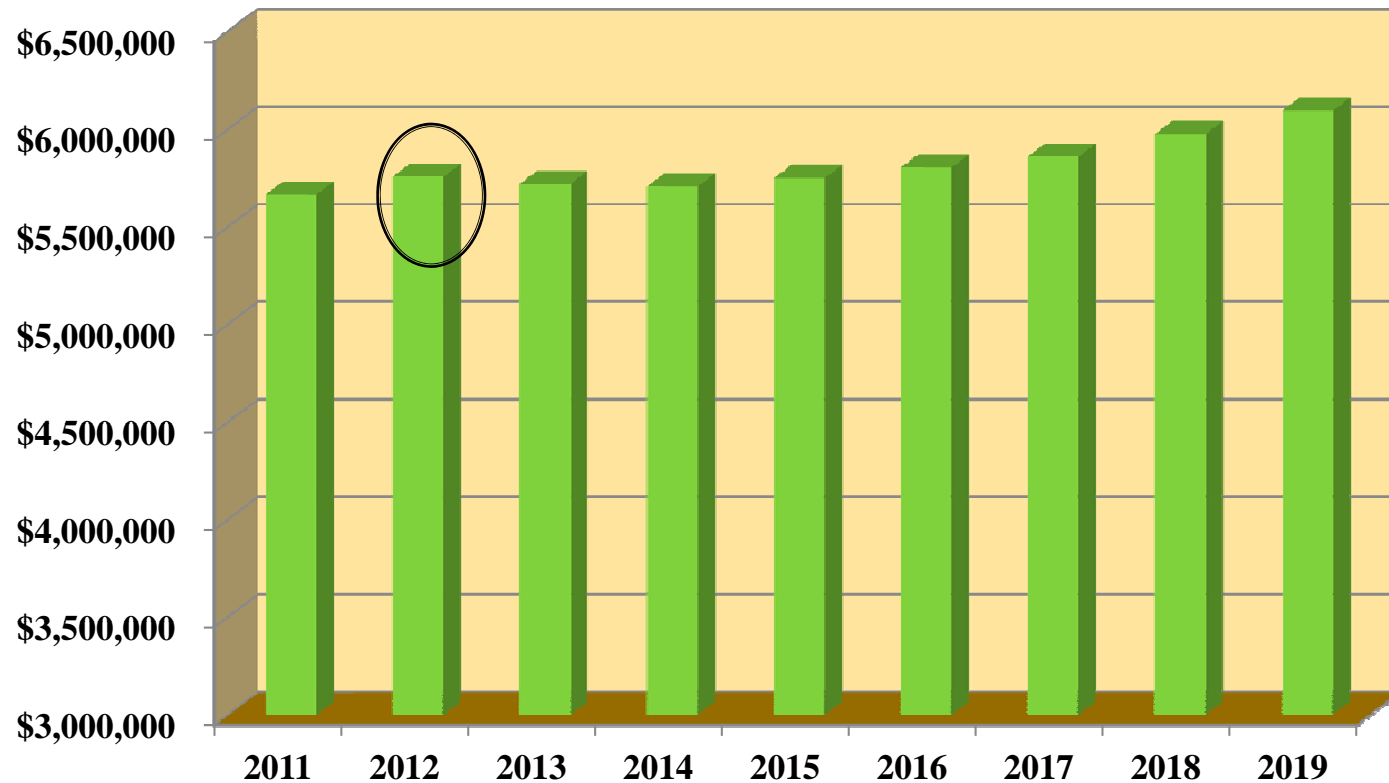
Fire Fund

Model Updated May 3, 2012	2011 Actual	2012 1st Qtr	2013 Projected	2014 Projected	2015 Projected	2016 Estimated	2017 Estimated	2018 Estimated	2019 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



Fire Fund Revenues

City Taxes

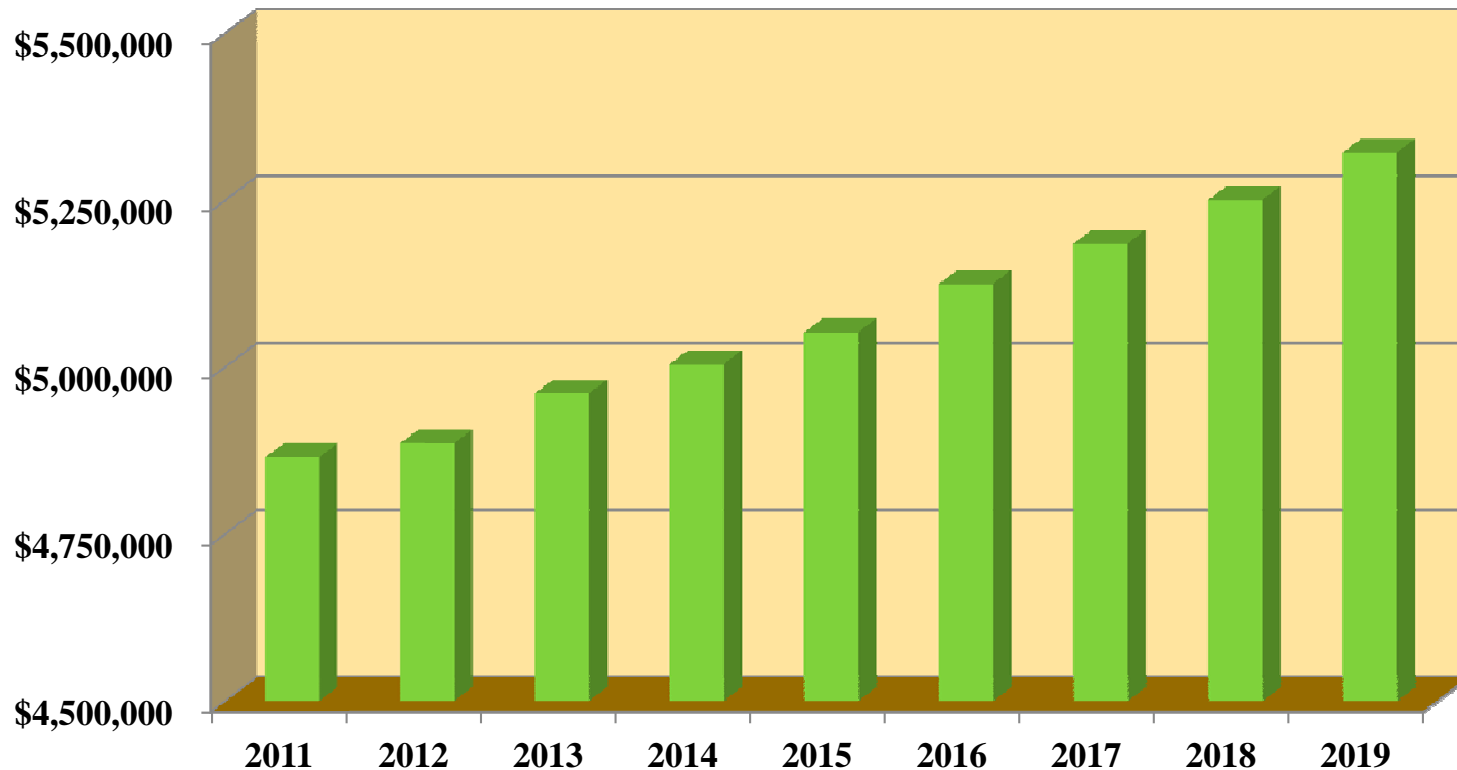


In FY 2012 Fire Fund Millage is raised to its Headlee level a move that was needed to support current service level delivery. The increase **did not** increase the total City millage rate.



Fire Fund Expenses

Personnel Services



Like all funds, future increases in health care costs are driving increases in Personnel Costs. In addition, increases in health care costs may be affecting Fire but for a different reason. Their staff generally start younger and move, in health care, from single to married then married to family plans, each of those steps add to the cost of health care.



Fire Fund

	2011 Actual	2012 1st Qtr	2013 Projected	2014 Projected	2015 Projected	2016 Estimated	2017 Estimated	2018 Estimated	2019 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 concern that starting in FY 2014 and beyond the Fire Fund millage would not be able to support the Fire operation and that their fund balance would not be in conformance with our Fund Balance policy by FY2017. That is not the case with the latest estimates of Taxable Value changes provided by the City Assessor. The fund may now actually be in a position to again add to its Capital Fund.



Fire Fund

Important Take Away

- In FY2012, millage rate needed to be at the Headlee limit to be able to fund service delivery levels. The increase DID NOT increase the City's total millage rate.
- With the stabilization of Taxable Values, the Fire Fund is able to support current service delivery levels and may want to start adding to its Capital Fund again.

Special Police Fund

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



Special Police Fund

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 in the form of a millage rate based on the forecast** , for the 10 year ballot period starting in FY 2015 (2015-2024), suggested by the committee in one of their recommendations.

Special Police Fund

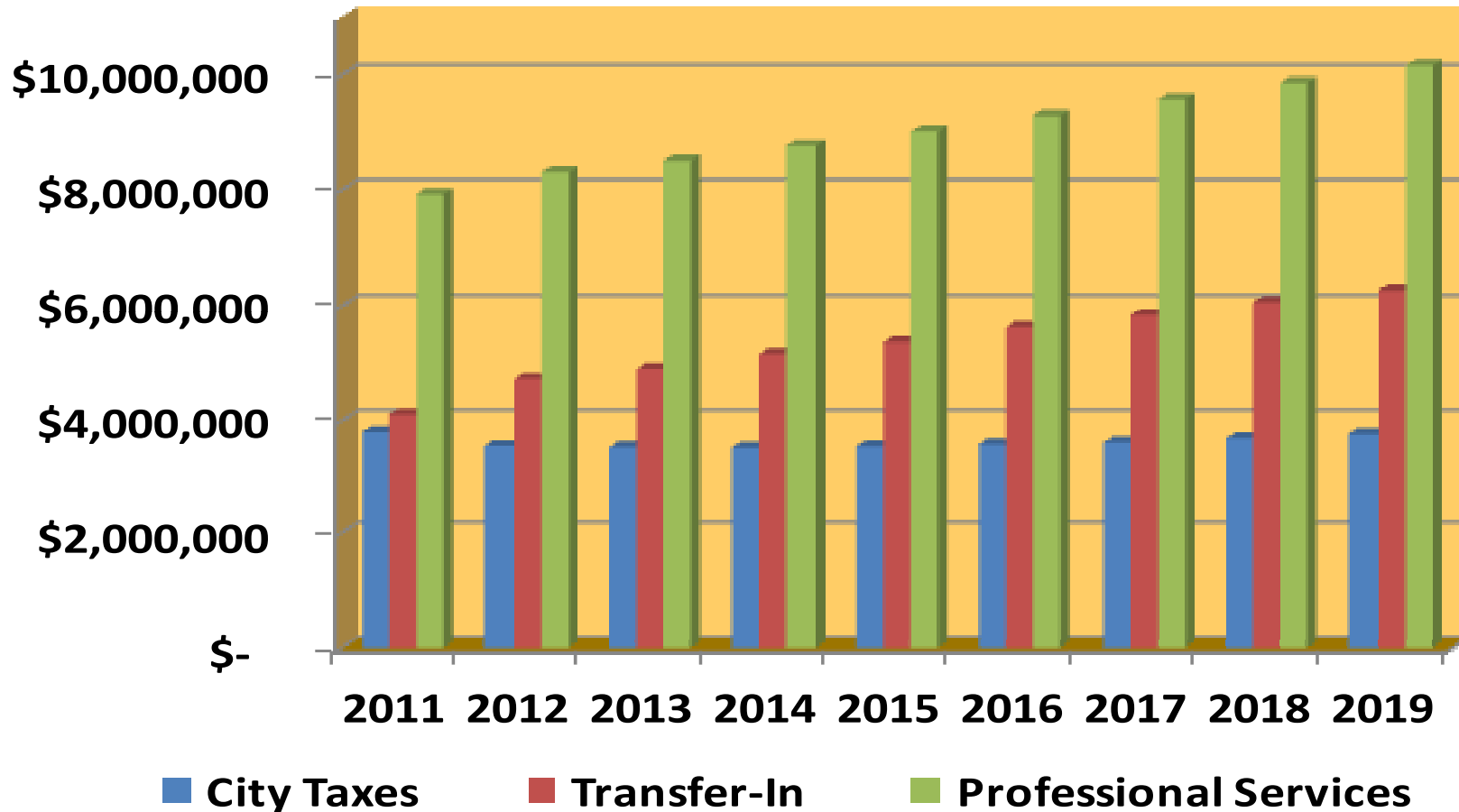
Model Updated May 3, 2012	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Actual	1st Qtr	Projected	Projected	Projected	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
207 - Special Police Fund														
City Taxes	\$ 3,803,958	\$ 3,556,850	\$ 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.**



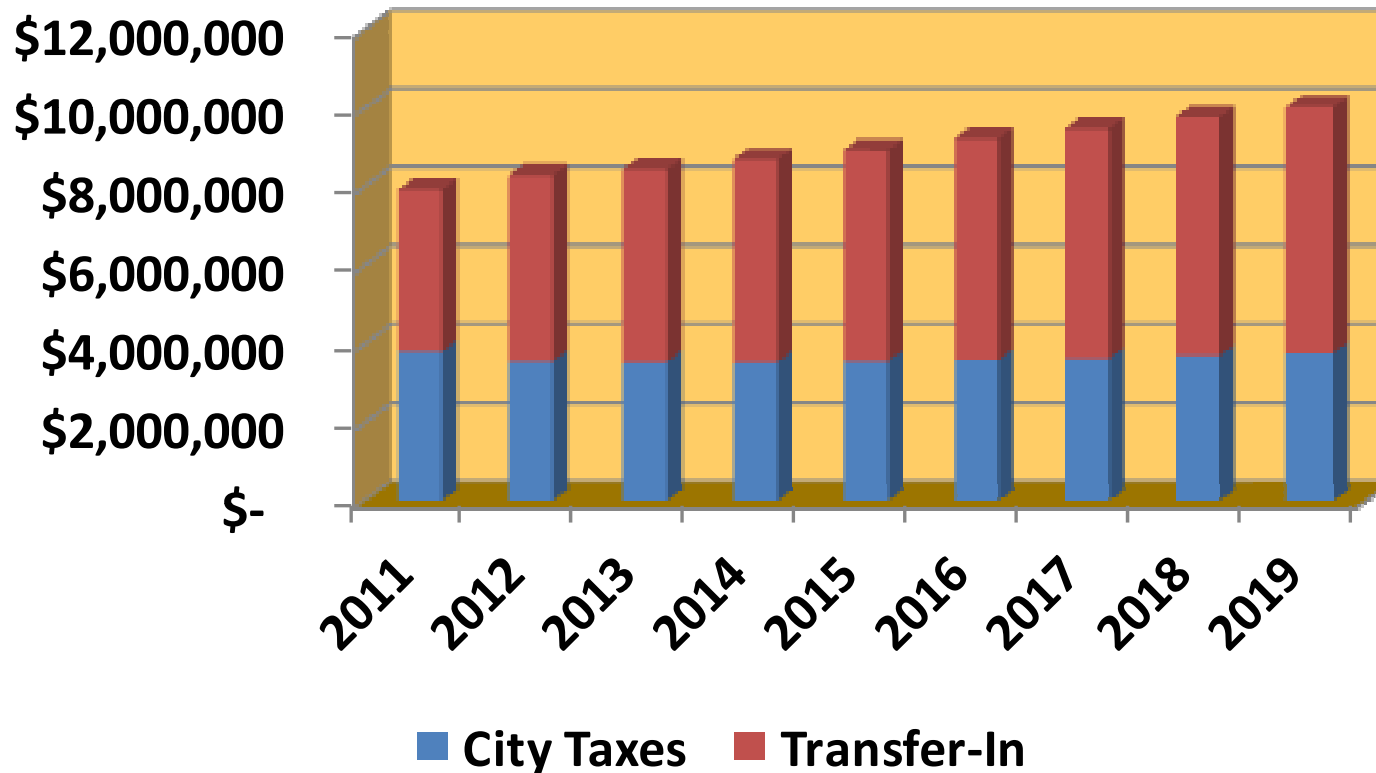
Special Police Fund



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.



Special Police Fund



As tax values fall and contract costs increase General Fund becomes an ever increasing major funding source for the Special Police fund. You can also see from 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.



Special Police Fund

Important Take Away

- **Current Millage (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 millages are at their maximum level those contract cost increases flow through to General Fund adding pressure to that fund**
- **By 2019 General Fund will be providing approximately 60% of the funding needed to pay for police services.**

Water Resources Fund

Water Resources 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

Water Resources Fund

	2011 Actual	2012 1st Qtr	2013 Projected	2014 Projected	2015 Projected	2016 Estimated	2017 Estimated	2018 Estimated	2019 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 years 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-range 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 began to put in place more items contained within their long range plan for this fund to survive beyond 2018.



Water Resource Fund

Important Take Away

- 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

Drain Debt

- Over the next couple years several of our Drain Debt Millage(s) will be expiring.
- It may be an opportunity to ask voters if they would like to repurpose those expiring millage(s) for Roads, 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
			9.5163						
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



Millage Opportunities Continued

Green Space

- Tax year 2014 for FY2015, 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 Roads, 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 all revenue or 90% of tax revenue of *General Fund* is transferred to other funds. Those transfers are putting pressure on General Fund and limit the services it can deliver.
- *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 in the future. The remainder is paid for by General Fund at an ever increasing pace.
- *Water Resource Fund* needs a future funding source to pay for the maintenance performed by Oakland County Water Resources if it is the survive beyond 2018
- There could be an **opportunity to repurpose expiring Millages** without increasing the overall City Millage Rate



In Summary

- **As we were told by the City's Audit firm, the Financial Forecast has helped us get ahead of issues and address them before they became problems.**
- **Working together we have been able to use the financial forecast to move to a multi-year approach to budgeting and to become proactive and not re-active**
- **We appreciate Council's support. Without it we might not have been able to manage during this economic storm.**



Q & A

