



## 2009 PROPOSED BUDGET MESSAGE

August 4, 2008

Dear President Hooper, Vice President Brennan, Council Members and Residents of Rochester Hills:

Good evening! As described in our charter, I address you this evening to deliver the 2009 Proposed Budget. Tonight marks an important stop on a very long and sometimes grueling journey—but not yet to our final destination. It seems fitting that I deliver this document on the week the Olympics begin, and while we are not hosting tens of thousands of athletes and millions of spectators, a similar heroic effort is required. To this point this document has been visioned, assembled, debated, reassembled and debated again, culminating hundreds of hours of preparation. All of this, of course, at the administrative level and absent the vitally important public discussion this administration and this process welcomes. Tonight, we formally deliver the 2009 Proposed Budget for our residents to review and for council's eventual approval.

The FY2009 Proposed Budget process is guided by two principles recently passed by City Council and found at the beginning of the budget plan document. The first is the City's new "Vision Statement" which reads as follows:

*The community of choice for families and business*

The other is the "Mission Statement" that directs the Rochester Hills city government:

*To sustain the City of Rochester Hills as the premier community of choice to live,  
work and raise a family by enhancing our vibrant residential character  
complemented by an attractive business community*

These two principals must continue to guide us as we move forward in this process.

George Bernard Shaw once said, "If all the economists in the world were laid end to end, they still would not reach—a conclusion."<sup>1</sup> As such, predicting the depth and length of our current regional economic struggle continues to challenge us locally.

The Rochester Hills' City administration continues to be faced with the challenge of managing the higher demands for service of a bedroom community with the limited tax base of a maturing community. The current housing crisis, instability with domestic automakers, and rising commodity prices pose all new budgeting and forecasting challenges.

With that in mind, I present tonight, a conservative approach as we move into FY2009. Perhaps the entire crux of this message is captured in the next three sentences.

## THE FY2009 PROPOSAL

The FY 2009 Budget proposes to keep the City of Rochester Hills' total tax (millage) rate at 9.7060, the same as FY2008. It would be the 3rd lowest rate of the 30 cities/villages in Oakland County and the lowest millage rate\* of any City in Oakland County with a population over 5,000. If approved, this would mark the tenth consecutive year that the millage rate has not increased, without the vote of the residents.

\*Source: Oakland County City Certified Tax Rates 2007/2008

Again this year, it is proposed to levy a millage rate below the City's authorized amount and to *not* levy an administrative fee for the City's tax collection services, as 75% of Oakland County cities currently charge. These two measures will leave \$2.5 million in the pockets of Rochester Hills residents and businesses.

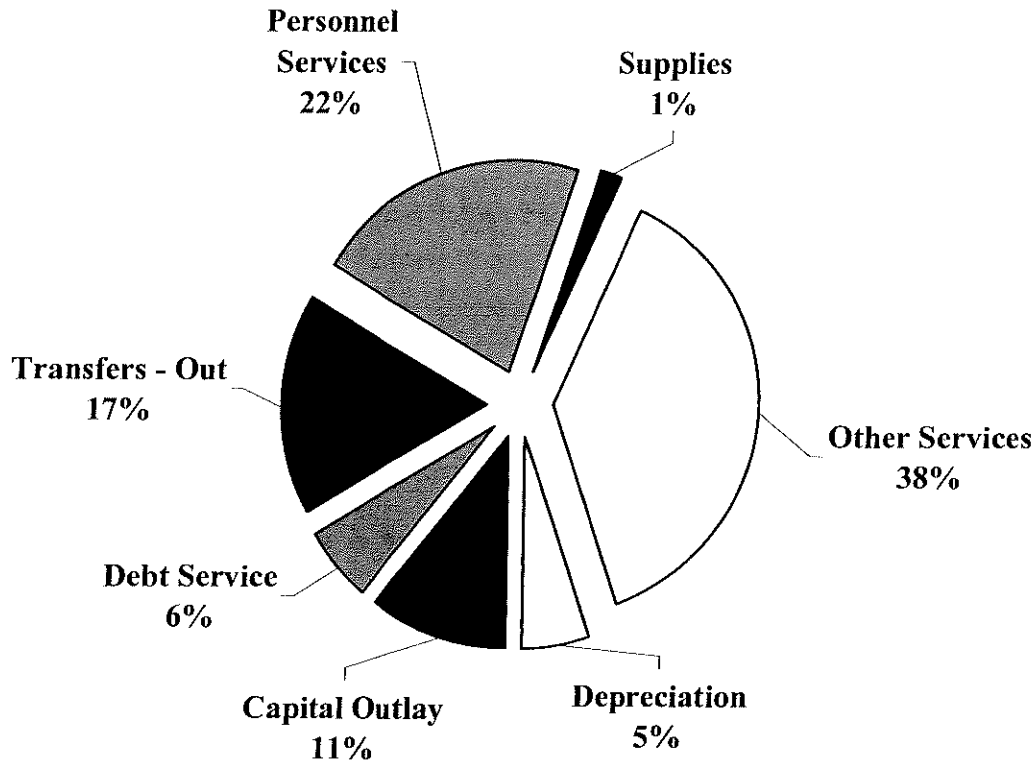
The net affect of declining residential property values with some commercial growth has resulted in taxable value remaining relatively flat this year at approximately \$3.7 billion. For a second year, there will not be a Headlee roll back of the City's millages, as the rate of inflation exceeded taxable value growth. In other words, and this is important, the FY2009 proposed budget manages inflationary cost increases with the same amount of funds by way of increased efficiencies.

### Expenditures

The **citywide expenditures** for the total FY2009 Proposed Budget amounts to \$119.6 million, an 8% decrease from the 2008 *Amended* Budget. The reductions are mostly in the area of capital projects and personnel. Of the \$119.6 million budgeted, \$31 million is proposed to be transferred between funds or are interfund charges meaning only \$88.5 million dollars is leaving the City's coffers. Real expenditures are down 11.5% relative to the FY2008 Budget. The \$119.6 million budget provides for:

- \$45.4 million / 38% toward Other Expenses, such as contractual police services (\$8.4 million) and water and sewage disposal purchases (\$17 million)
- \$26.1 million / 22% for personnel costs
- \$20.3 million / 17% for transfers-out between funds
- \$12.8 million / 11% for capital projects and capital equipment
- \$6.9 million / 6% to service the debt
- \$6.4 million / 5% toward asset depreciation and
- \$1.7 million / 1% for various supplies

## FY2009 All Funds Summary - Expenditures



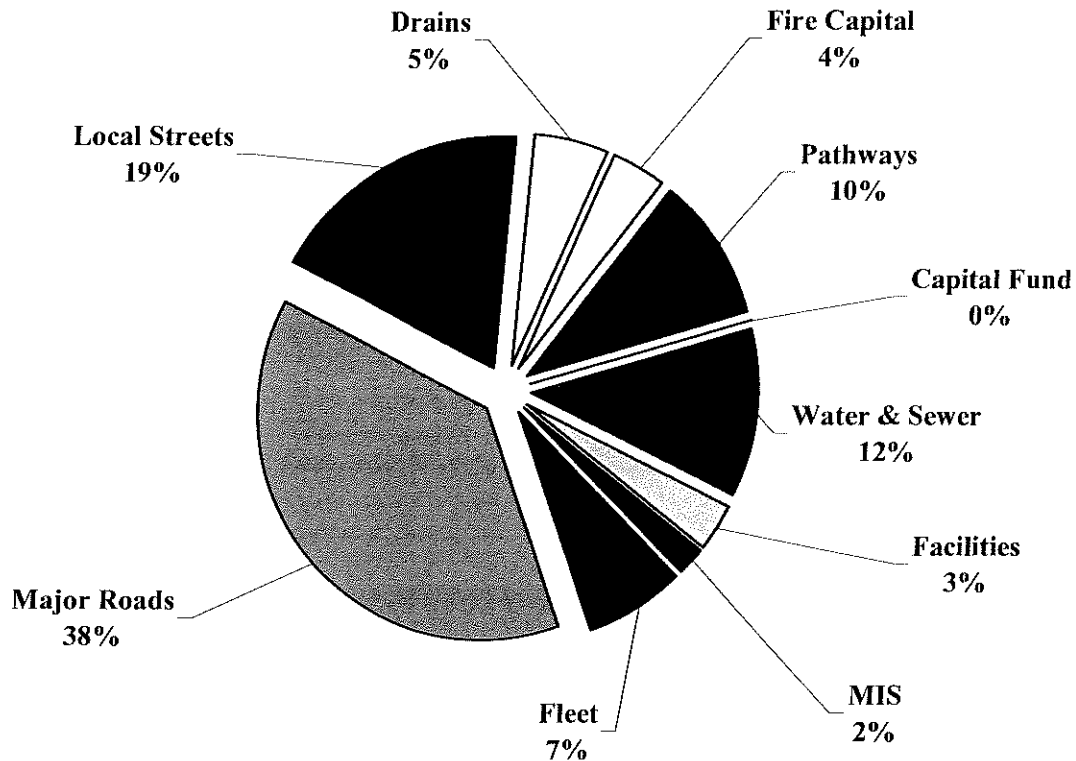
**Personnel Costs** - Recognizing the struggles of the regional economy, the city has actively moved to bring personnel costs in line. These are the toughest decisions a leadership team can make but our forecasts demand we be proactive and not reactive, and as such the proposed budget provides for a 2.8% / \$750,000 decrease in total personnel costs. The personnel cost containment is possible due to the reduction in budgeted overtime and the elimination of thirteen (13) budgeted positions, resulting in 239 Full-time positions, nearly a 5% reduction in the City's staff. The eliminated positions are as follows: Accounting & Elections Clerk, Dispatcher, Customer Service Clerk, Building Permit Technician, Grade Technician, Ordinance Technician, Landscape Architect, Contract Specialist, DPS Permit Clerk, Pump Maintenance Mechanic, Facilities Clerk, Facilities Manager and Mechanic position. One Facilities Crew Leader position is proposed to be added. The result of the staffing reductions currently amount to a savings of approximately \$1 million annually.

In order to provide first line supervision and to assist with high-level investigation of more sensitive issues, a Patrol Investigator position is proposed to be upgraded to a Detective Sergeant position at the Rochester Hills Oakland County Sheriff's substation.

**Capital Projects** - It continues to be a City goal to timely replace capital infrastructure in an effort to maintain property values, quality of life and uninterrupted services to Rochester Hills'

residents and businesses. \$12.8 million for capital projects are proposed to be funded by cash on hand, with the issuance of debt for only \$1.4 million.

### FY2009 Proposed Capital Outlay by Type



The following are capital projects proposed from the FY2009-2014 Capital Improvement Plan (CIP):

- Storm water/drain improvements for the Rewold, Karas Drain II extension and Water Quality Basin rehabilitation are budgeted at \$1.5 million
- Pathway improvements along John R Road, Hamlin Road, Adams Road, Rain Tree Drive, Avon Road, bank stabilization for the Clinton River Trail as well as city-wide pathway rehabilitation are proposed for \$1.3 million
- Approximately \$1.5 million for water and sewer infrastructure work is proposed. Projects include: the purchase of right-of-way on Washington Road for water main and sanitary sewer extensions and engineering for potential water storage.
- Nearly \$4.9 million / 38% of the citywide capital budget is slated for major road work, as it is a high priority for City residents according to the 2007 City Survey. Proposed projects include Crooks Road, Hamlin Road, Walton Road, Technology Drive, Dutton Road, John R Road, Dorset Road, Hampton Boulevard rehabilitation, Tienken Corridor improvement

study, a new traffic calming program; and Adams Boulevard irrigation. This proposal also includes \$636,250 for major road concrete slab replacement. The projects that have not met warrants at this time are excluded from the budget.

- \$5.2 million is proposed to be transferred from the General Fund to the Local Street Fund to support both local street operations and capital projects. Asphalt overlays for Juengal Orchards, Eyester Avon Gardens and Glidewell Subdivisions totaling \$900,000 are proposed. In addition, citywide concrete slab replacement in the amount of \$1.5 million is included, totaling \$2.4 million for the local street construction budget.
- Building Improvements include \$200,000 for a new cemetery chapel from the Perpetual Care Fund, \$146,250 for HVAC improvements to Fire Station #1, along with numerous improvements to Parks' facilities totaling \$36,000.
- For increased office efficiency, new copier replacements are proposed for \$53,500 in numerous areas of the City.
- Five (5) Fire Department apparatus are requested totaling nearly \$413,000; two (2) replacement ambulances and three (3) fire administration vehicles are proposed for replacement.
- Eight (8) general vehicles, one (1) backhoe, one (1) single axle dump truck and one (1) tractor are proposed in the amount of \$789,000.
- Mowers, a tractor, a trailer, along with various smaller fleet equipment total \$108,000.
- Information technology amounting to \$237,000 is proposed; an upgrade to the Vital Statistics software, financial software system enhanced functionality, computer network upgrades and a replacement plotter.

#### **Other Costs**

Professional Services are proposed to increase 3.7% / \$922,000 mostly due to the anticipated increase in the Oakland County Sheriff contract. Other Expenses are proposed to increase 7.2% / \$1.7 million mostly based on the Detroit water rate and Oakland County Drain Commission sewage disposal rate increases of nearly 12% and 20% respectively. Total Operating Supplies decreased 2.1% / \$38,000; Debt Service payments are proposed to increase 2.1% / \$141,000; and Transfers-out are proposed to increase 3.2%/\$630,000.

The GASB 45 (OPEB) Other Post Employment Benefits actuarial valuation for the City's only defined contribution program (Supplemental Retiree Healthcare benefit) has been completed and there are sufficient monies designated in the General, Fire and Water & Sewer Funds to cover the \$1.9 million actuarial accrued liability should a trust be established. The budget provides \$54,000 for the "pay-as-you-go" method of funding until further discussions occur regarding how City Council would like to proceed the funding of this benefit.

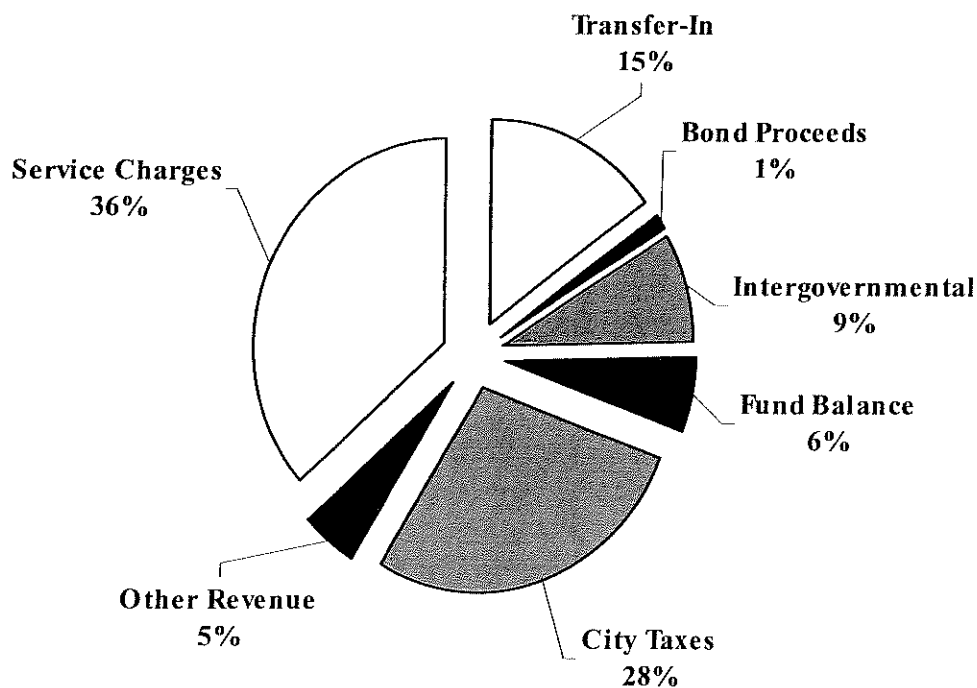
Just as the administration has already adjusted the operations for the current economic conditions, we will continue to explore additional cost saving measures as a highest priority during these uncertain times.

### Revenues

The **citywide revenues** are estimated to be \$119.6 million to balance expenditures. The most significant projected revenues include the following:

- \$43.7 million / 36% from City service charges
- \$33.2 million / 28% derived from taxes
- \$18.4 million / 15% represent transfers from other funds
- \$10.2 million / 9% from State and Federal sources
- \$7 million / 6% from fund balances
- \$5.7 million / 5% from investment earnings, licenses, fines and other revenue and
- \$1.4 million / 1% from bond proceeds

### **FY2009 All Funds Summary - Revenues**



Total tax revenues are budgeted to remain relatively constant although the *general* millage levy is proposed to decrease nearly 0.10 mill from 3.8 to 3.7, due to the need to increase the City's unlimited General Obligation Bond 1998 Series millage levy to cover a higher debt payment.

State Shared Revenue is budgeted to remain relatively flat as the 2% increase in statutory payment recently approved at the State level amounts to an additional \$12,000. Act 51 revenue (supported by the gas tax and vehicle registration) is budgeted to decrease 5% based on the

assumption that less gas will be purchased due the continued elevation of gas prices. Licenses / Permits are projected to decline slightly due to a conservative timeline assumed for economic recovery in the state.

Investment earnings are projected to decrease due to a decline in projected interest rates and decreases in fund balances based on withdrawals to fund capital projects.

This evening, I am pleased to report that there is no use of fund balance as a revenue source to balance *operating* expenditures although the region is experiencing some “stormy weather”. Should economic indicators not begin to show improvement, then the City Council is requested to support the development of a comprehensive policy for the utilization of the City’s fund balances.

***Detailed explanations for these proposed revenues and expenditures, in addition to noteworthy comments, can be found within each department’s significant notes section in the Budget Plan Document and the technical appendix book.***

## **2008 ACCOMPLISHMENTS**

I am proud to announce a partial list of this year’s accomplishments as follow:

- Over \$2.6 million of concrete road replacement is underway throughout the City.
- The rehabilitation of John R Road, Brewster Road, and Meadowfield Drive has commenced.
- Heritage Oaks Sub, Birch Tree Lane and Court, Mount Oak, Sherwood Forest and Sherwood Drive rehabilitation are also proceeding as planned.
- Austin Drive water main and road extension are aggressively moving forward in order to accommodate a new business venture in the City.
- The Spencer Park trail loop around the lake and the handicapped parking area have been paved with aggregate from the John R reconstruction project.
- To assist with the City’s strategic planning the draft Master Thoroughfare Plan and the Facilities Master Plan are being implemented.
- An Excavator and five dump trucks have been replaced in the Fleet in order to provide reliable service.
- The Fire Department placed sixty-two (62) new Self Contained Breathing Apparatus (SCBA) with locator devices into service.

- An EMS computer system was purchased with a Department of Homeland Security Grant. This electronic EMS reporting system eliminates paper copies and will reduce the Fire Department's billing service costs by thousands of dollars each year.
- By purchasing two *stock* (as opposed to custom) replacement Rescue Pumpers the City saved over \$100,000 in addition to placing them into service six months earlier than planned.
- The Fire Department saved \$20,000 by hosting the State's mandatory Emergency Medical Technician (EMT) training with neighboring departments.
- A trailer stocked with generators and emergency equipment valued at \$18,000 was obtained through a CERT grant.
- We are the first city in Michigan to implement an internet payment option for *all* City fees and services to improve City collections and customer convenience.
- Began participation in paymode configuration, which will allow the City to electronically receive payments made through bank online bill payment services, providing expedited receipt of payments and less administrative work.
- A new customer service inquiry software was implemented. The new system is integrated with the City's GIS system to perform infrastructure analysis and resource reporting.
- We successfully hosted the 2008 Festival of the Hills Fireworks event that grew in both attendance and display. It is one of the largest fireworks display in the state and it is completely funded by private donations.
- The "*Sound the Alarm*" campaign was initiated entirely with donations from city employees, businesses and elected officials. The idea behind the campaign is to ensure that there is a working smoke detector in every Rochester Hills' home. City Council members, city employees and myself went door-to-door in the manufactured home communities installing 200 smoke detectors and replacing nearly 140 batteries.
- Successfully coordinated a workforce reduction resulting in the elimination of thirteen (13) positions while minimizing layoffs.
- Settled the labor contract with the City's Fire Fighters, thereby avoiding binding arbitration.
- Resurrected the employee's Safety Committee and implemented safety program improvements including workplace assessments and targeted training to reduce the number and severity of workplace injuries and to further reduce personnel costs.



- Formed an employee Wellness Committee to facilitate a “well living” culture for City employees by raising the awareness on the six dimension of wellness, in an effort to positively impact the City’s costs associated with employee health, including health and disability insurance, as well as attendance and productivity.
- Earned the GFOA Distinguished Budget Presentation Award for the City’s 2008 Budget Document, Rochester Hills is one of only twenty cities in Michigan that received this award.
- Successfully transitioned into the new and more efficient Department of Public Service building.
- The City’s Building Department became the first in the State and 8<sup>th</sup> in the nation to receive departmental accreditation from the International Accreditation Service (IAS)
- Finally, without getting into to much detail, our economic development and redevelopment prowess continues to keep us in the headlines (this weeks Crain’s for an example) and the envy of most of Southeast Michigan. Rest assured we look forward to bringing you updates about the latest good news very soon.

And frankly, the list goes on and on.

## CONCLUSION

As you can see, 2008 has already been a year of proud accomplishments and ambitious plans. The administration has appreciated this Council’s support, creative thinking, debate and dialogue in so many of our endeavors. Our success is a shared success and we now invite the Council’s full participation in crafting our final FY2009 budget. As the elected representatives, your critical thought, collective voice and eventual support is vital as together we strive to move our city forward. As you know, the 2009 Proposed Budget document not only serves as a financial plan, but also as a policy document, an operations guide, and a communications device to our residents for the next fiscal year for City of Rochester Hills municipal government.

I would like to thank the City Council for their dedication in communicating their goals and objectives that have guided the administration in preparing this budget. We look forward to the discussions ahead and commit together our shared vision of making Rochester Hills the community of choice to live, work and raise a family. I look forward to our Budget Workshops on August 18 and 25.

Respectfully Submitted,



Bryan K Barnett, Mayor  
City of Rochester Hills