

CITY OF ROCHESTER HILLS



SEVEN YEAR FINANCIAL FORECAST For Fiscal Years 2019 – 2025



innovative *by* nature

July 16, 2018

We are pleased to present the Rochester Hills City Council with the City's Seven-Year Financial Forecast.

The City's Seven-Year Financial Forecast was developed to give Administration and City Council a forward look at the City's financial picture. This forecast is intended to identify financial trends, issues, and opportunities to enable the City to **proactively** address issues rather than be forced into a **reactive** position.

The City's Seven-Year Forecast is built by projecting *current* service levels, programs, and policies by a set of financial assumptions to envision the impact of those service levels, programs, and policies into the future. New for this year's Seven-Year Forecast is the implementation and impact of the City of Rochester Hills recently adopted Governmental Funds Fund Balance Policy.

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 and is not a formal plan. The Seven-Year Financial Forecast is not intended to be a comprehensive plan for achieving City Council adopted objectives.

The Seven-Year Financial Forecast sets the stage for budget development, by aiding Department Directors, the Mayor, and City Council in establishing priorities and allocating the City's resources most appropriately. The forecast helps to project economic outcomes, their affects on the City's revenues, and the level of services and programs the City may be able to deliver within those forecasted revenue flows.

7-Year Forecast / Executive Summary

101 – General Fund / Takeaway Points:

- The General Fund levy is adjusted and set each year to maintain the overall bottom line City millage rate of 10.4605
- FY 2019 includes a Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
- It is currently forecasted for the General Fund to continue an annual transfer to the Local Street Fund (203) to fund \$5 million of Local Street Rehabilitation per year
- It is currently forecasted for the General Fund to continue an annual operating transfer to the Water Resources Fund (244) to balance

420 – Capital Improvement Fund / Takeaway Points:

- The mission of the Capital Improvement Fund is to provide a mechanism to track and fund certain projects identified in the Capital Improvement Plan (CIP)
- Revenues represent the structural surplus of the General Fund maintained at 80% of annual operating expenditures
- Capital Outlay costs include projects as included in the Adopted CIP

202 – Major Road Fund / Takeaway Points:

- Due to changes in the State of MI Gasoline tax, starting in FY 2017, significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Revenues increased in 2018-2020 due to sources of outside funding for several Major Road projects
- Capital Outlay costs for 2018-2025 include all Major Road projects as included in the Adopted 2019-2024 CIP
- As annual construction eases, it is projected for Major Road fund balance levels to increase into the future

203 – Local Street Fund / Takeaway Points:

- Due to changes in the State of MI Gasoline tax, higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Local Street Fund revenues are balanced between Property Tax, Act 51 Revenue, and Transfers-In from the General Fund
- Transfers-In Revenue decreased from 2018-2019 to set Local Street Fund Balance at 25% of annual expenditures
- Using the current forecast assumptions, the Local Street Fund is able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund

7-Year Forecast / Executive Summary

206 – Fire Operating Fund / Takeaway Points:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The increase in Transfers-Out Expenditures in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
 - Funds to be transferred-out to the Fire Capital Fund (402)
- It is projected the existing Fire millage levy of 2.7000 mill may be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030
- It is projected that approximately \$500,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

402 – Fire Capital Fund / Takeaway Points:

- It is projected the existing Fire millage levy of 2.7000 mill may be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030
- It is projected that approximately \$500,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

207 – Special Police Fund / Takeaway Points:

- In FY 2018, there was an increase from 58 to 60 officers
- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- It is projected that the Special Police Millage II could decrease from 1.4693 (2018) to 1.2861 (2019-2021) to set Special Police Fund Balance at 25% of annual operating expenditures
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off
- Police millage II is projected to levy between 1.2861 to 1.4764 mill over the forecast period
 - *Current Headlee cap millage rate for Police II millage = 2.4298 mill*

244 – Water Resources Fund / Takeaway Points

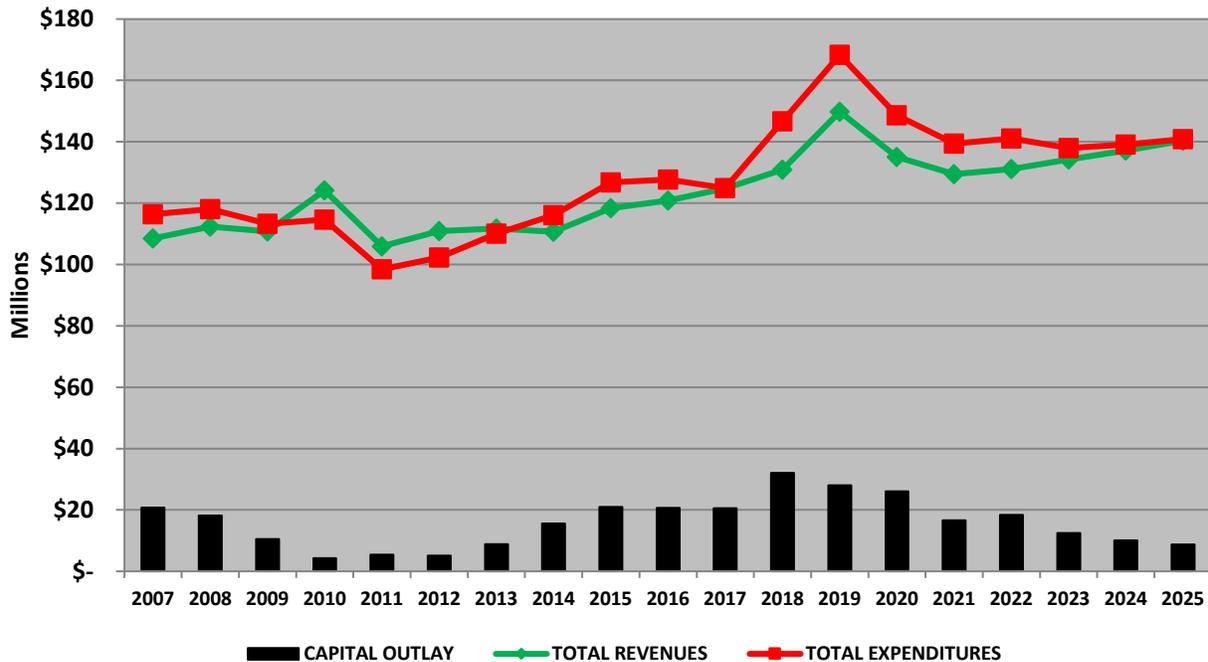
- General Fund is projected to continue funding Water Resources Fund (244) operations to balance expenditures
- Capital Improvement Fund is projected to fund Water Resources Fund (244) capital projects
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- Long-Term potential funding options should be explored as Storm Water infrastructure needs will begin to escalate into the future, this would cause a larger transfer-in from the General Fund and/or Capital Improvement Fund to finance the infrastructure costs

369 – OPC Building Debt Fund / Takeaway Points:

- The last year the OPC Building Debt millage will need to be levied covers FY 2021
 - For FY 2021, it is estimated that the City will need to collect approximately \$700,000 through the OPC Building Debt millage to pay the final year of debt service
 - Estimated rate in the final year of OPC Building Debt millage = 0.1900 mill

7-Year Forecast / Executive Summary

Citywide Grand Total: Revenue / Expenditure / Capital Outlay



Long-Term Citywide Grand Total Revenue, Expenditures, and Capital Outlay / Financial Summary:

- From FY 2010 through FY 2013 the taxable value of the City decreased by 22%
 - In anticipation of the pending economic downturn the City responded by:
 - Aggressively reducing annual operating expenditures to be in-line with anticipated annual operating revenues
 - This included a reduction of the full-time workforce by 20%
 - Reduced capital outlay to fund only:
 - Critical infrastructure projects
 - Projects with City dollars as a participatory share (leveraged City funds)
 - Beginning in FY 2014 taxable values began to increase
- Increase of capital outlay from FY 2014-2020 due to:
 - Rehabilitation of Fire Stations
 - Infrastructure improvements to the City’s Major Roads, Local Streets, Fire Capital, Water & Sewer, Facilities, Technology, and Fleet
- Overall financial outlook for 2019-2025:
 - Overall citywide annual operating revenues able to fund annual operating expenditures
 - Structural Surplus maintained
 - Easing of annual capital outlay as the City appears to be “catching up” on its infrastructure investments in Major Roads, Local Streets, Fire Capital, Water & Sewer, Technology, and Fleet
 - Increased focus over the next few years on improvements to the City’s Facilities

Overall Revenue Assumptions Used in the June 2018 Forecast:

- **Taxable Value:**

- FY 2018 = + 3.36% (actual)
- FY 2019 = + 4.71% (actual)
- FY 2020 = + 3.00% (projected)
- FY 2021-25 = + 2.25% (projected)
 - Projected at slightly above the rate of projected annual inflation

- **Millage Rate:**

OPERATING MILLAGE	Actual 2018	Projected 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023	Estimated 2024	Estimated 2025
Charter Operating	2.2561	2.4822	2.4961	2.5056	2.5816	2.5523	2.5285	2.5054
Local Street I	0.3470	0.3444	0.3444	1.1048	1.1048	1.1048	1.1048	1.1048
Local Street II	0.4753	0.4718	0.4718	-	-	-	-	-
Local Street III	0.2908	0.2886	0.2886	-	-	-	-	-
Fire Fund	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Special Police I	1.1829	1.1742	1.1742	1.1742	1.1742	1.1742	1.1742	1.1742
Special Police II	1.4693	1.2861	1.2861	1.2861	1.4002	1.4295	1.4533	1.4764
Pathway	0.1817	0.1803	0.1803	0.1803	0.1803	0.1803	0.1803	0.1803
RARA: Operating	0.1907	0.1893	0.1893	0.1893	0.1893	0.1893	0.1893	0.1893
OPC: Transportation	0.0979	0.0971	0.0971	0.0971	0.0971	0.0971	0.0971	0.0971
OPC: Operating	0.2352	0.2334	0.2334	0.2334	0.2334	0.2334	0.2334	0.2334
Library: Operating	0.7658	0.7602	0.7602	0.7602	0.7602	0.7602	0.7602	0.7602
TOTAL OPERATING MILLAGE	10.1927	10.2077	10.2215	10.2311	10.4211	10.4211	10.4211	10.4211

DEBT MILLAGE								
Drain Debt Fund	0.0413	0.0394	0.0394	0.0394	0.0394	0.0394	0.0394	0.0394
Older Persons Refunding: 2010 Series	0.2265	0.2134	0.1996	0.1900	-	-	-	-
TOTAL DEBT MILLAGE	0.2678	0.2528	0.2390	0.2294	0.0394	0.0394	0.0394	0.0394

TOTAL MILLAGE RATE	10.4605							
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- The bottom line City millage rate of **10.4605** is held consistent throughout the forecast period of 2019-2025
 - General Fund (Charter Operating) millage is adjusted and set to maintain the bottom-line millage rate each year
- Expiring (non-debt) millage(s) are renewed where allowed
 - Local Street I, II, & III expire after FY 2020; it is anticipated for them to be renewed into a single Local Street millage beginning in FY 2021
 - Older Person's Commission (OPC) Building Refunding Debt millage is set to expire after the debt issue for the OPC Building is retired in FY 2021
- **State Shared Revenue:**
 - State-shared revenue represents the share of sales tax distributed by the State of Michigan to the City of Rochester Hills
 - FY 2019-25 = + 2.0% per year

Overall Revenue Assumptions Used in the June 2018 Forecast:

- **Act 51 Revenue**
 - State of MI Gasoline tax distributed to local units based upon miles of roads
 - FY 2019-25 = + 2.0%

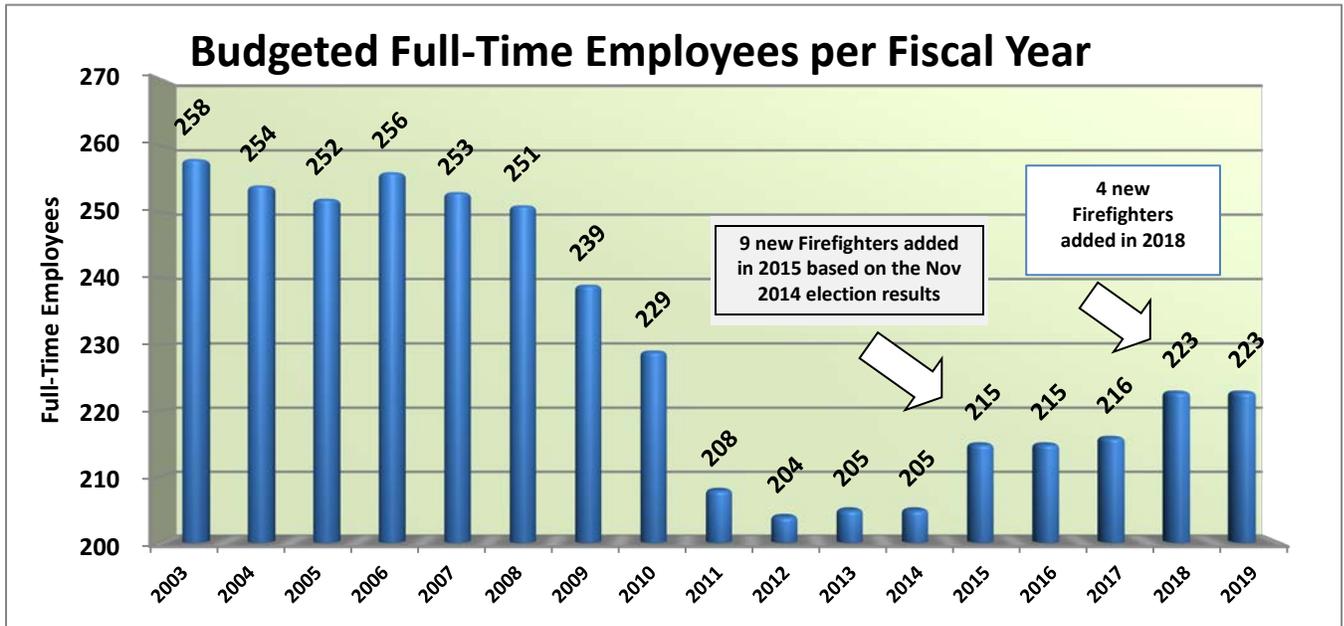
- **Interest Rates:**
 - FY 2018 = + 1.50%
 - FY 2019 = + 2.00%
 - FY 2020-25 = + 2.25%
 - Federal Reserve Board has signaled that they plan to slowly increase the Federal Fund Rate, which will increase City interest rate returns

- **2018 Budget Information**
 - Updated with 2nd Quarter Proposed Budget Amendment data to provide the most up-to-date forecast

- **Capital Projects**
 - All capital projects were reviewed and updated with revised cost estimates based upon current market conditions as part of the FY 2019-2024 CIP process

Overall Expenditure Assumptions Used in the June 2018 Forecast:

- **Change in Number of Employees**
 - 2019-2025 Long-Term Forecast assumes no staffing changes



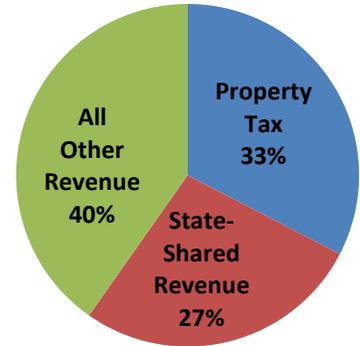
- **Salary and Wages**
 - FY 2019-2025 = + 2.0% per year
 - Recommendations made as part of the 2017 Wage & Compensation Study are included in the Personnel Cost projections
- **Sheriff Contract**
 - 2019-2025 Long-Term Forecast assumes no staffing changes
 - FY 2018 = + 2.73% (per OCSO contract)
 - FY 2019-2025 = + 3.0% per year
- **Health Care**
 - FY 2019-2025 = + 9.0% per year
 - *Based on information provided by City's Healthcare broker*
- **General Inflation**
 - FY 2019-2025 = + 2.0% per year

Financial Forecast – General Fund (101)

GENERAL FUND / REVENUES:

- For FY 2018, the primary sources of General Fund revenue are:
 - 33% = Property Tax
 - 27% = State Shared Revenue
 - 40% = All Other Revenue
 - Charges for Services, License & Permits

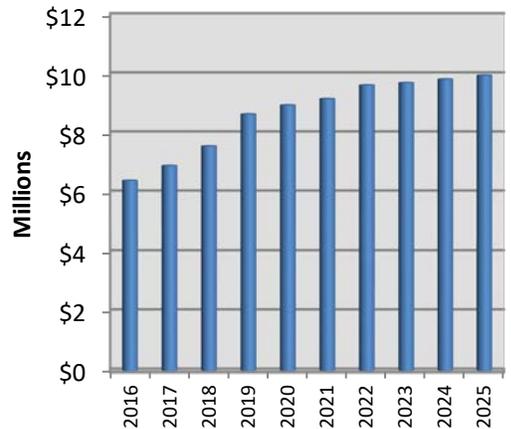
General Fund: FY 2018 Revenue Sources



General Fund / Property Tax Revenue:

- The General Fund levy is adjusted and set each year to maintain the overall bottom line City millage rate of 10.4605

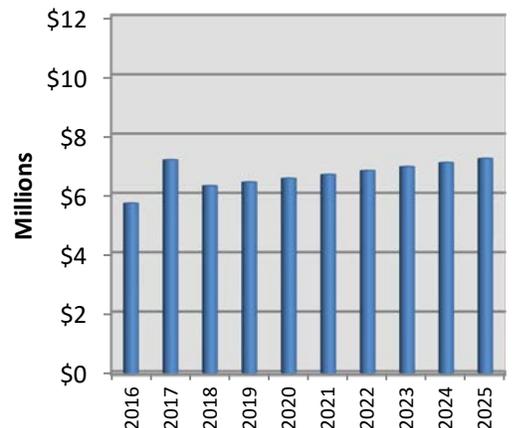
General Fund: Property Tax Trend



General Fund / State Shared Revenue:

- State-Shared revenues are projected to increase 2.0% per year
 - Please note: The increase in FY 2017 due to accounting timing of recognizing State-Shared Revenue

General Fund: State Shared Revenue Trend

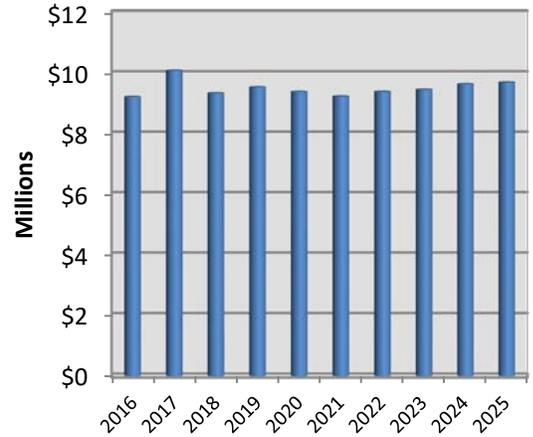


Financial Forecast – General Fund (101)

General Fund / Other Revenues:

- Charges for Services, License & Permits
 - Building, Ordinance, Clerks, Planning, Parks Department, etc...
 - Many of these charges are set to recover the cost of services provided
- Other revenues are projected to increase from 0.0% to 2.0% per year

General Fund: All Other Revenues Trend



General Fund / Revenue Summary:

- General Fund revenues are fairly balanced between Property Tax, State-Shared Revenue, and All Other Revenue

General Fund: Total Revenue Trend

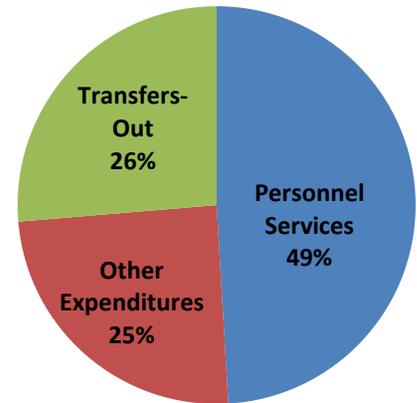


Financial Forecast – General Fund (101)

GENERAL FUND / EXPENDITURES:

- For FY 2018, the primary sources of General Fund expenditures are:
 - 49% = Personnel Services
 - 25% = Other Expenditures
 - Supplies, Services, Interfund Charges, Memberships, etc...
 - 26% = Transfers-Out to other funds

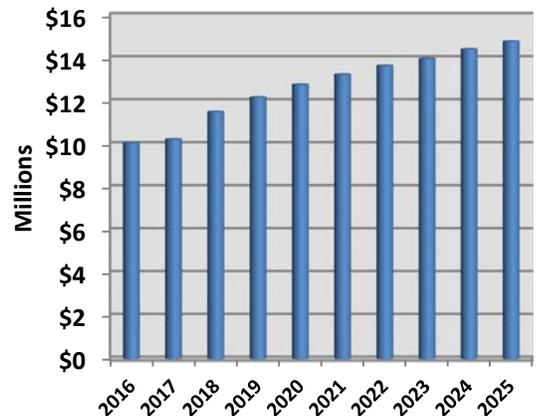
**General Fund: FY 2018
Expenditure Sources**



General Fund / Personnel Services:

- Salary and Wages are projected to increase 2.0% per year
 - Recommendations made as part of the 2017 Wage & Compensation Study are included in the Personnel Cost projections
- Health Care is projected to increase 9.0% per year

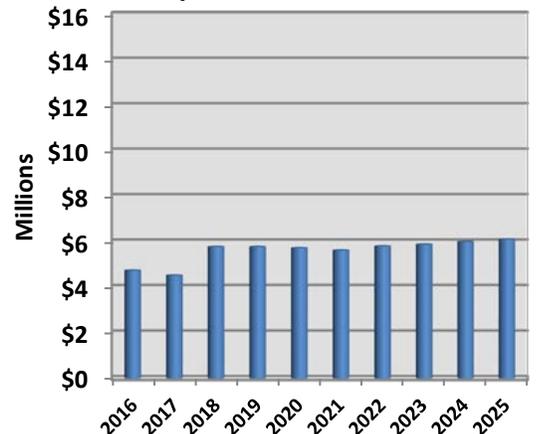
**General Fund: Personnel
Services Trend**



General Fund / Other Expenditures:

- Supplies, Materials, Professional & Contractual Services, Interfund Charges (Facilities & MIS), Printing & Publishing, etc...
- Other expenditures are projected to increase 0% - 2% per year

**General Fund: Other
Expenditures Trend**

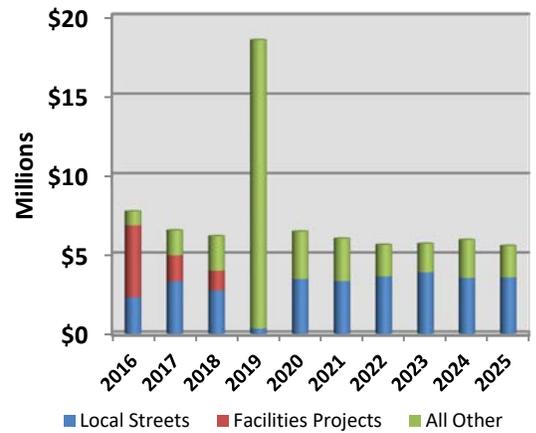


Financial Forecast – General Fund (101)

General Fund / Transfers-Out:

- FY 2016 includes the Fire Station Renovations
- FY 2017-2018 includes Facilities Infrastructure and Park related projects as included in the 2018-2023 CIP
- FY 2019 includes the Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
- It is currently forecasted for the General Fund to continue an annual transfer to the Local Street Fund (203) to fund \$5 million of Local Street Rehabilitation per year
- It is currently forecasted for the General Fund to continue an annual transfer to the Water Resources Fund (244) to balance the 244-Fund

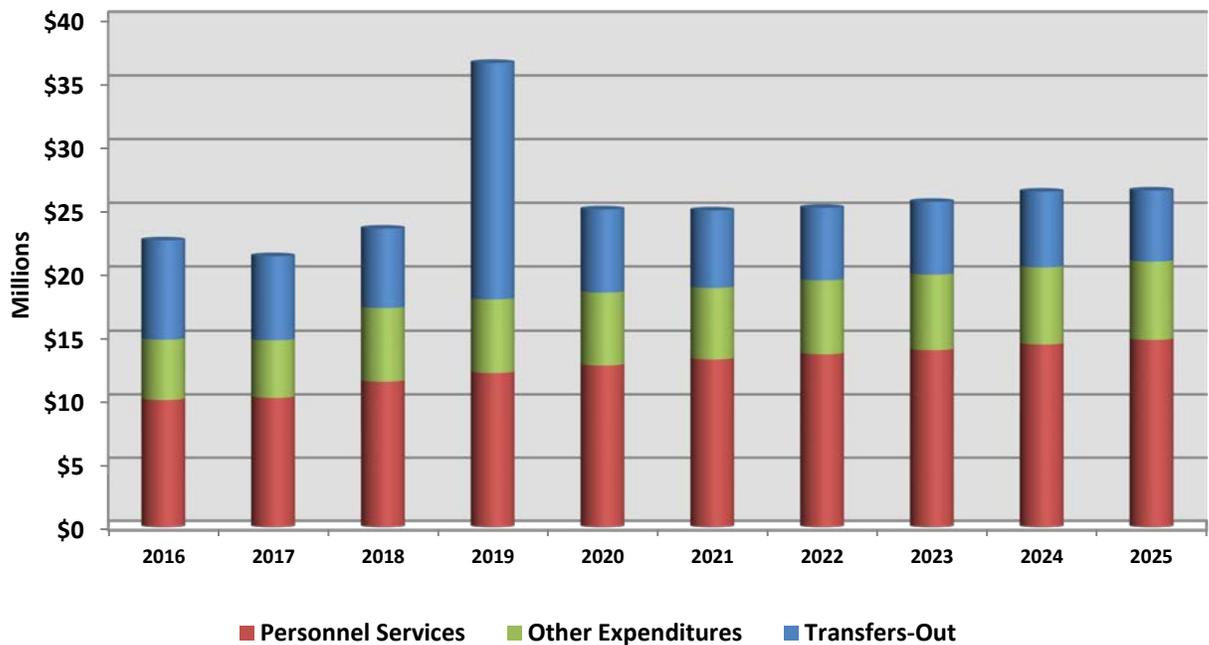
General Fund: Transfers-Out Trend



General Fund / Expenditure Summary:

- FY 2019 includes the Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures
- It is currently forecasted for the General Fund to continue an annual transfer to the Local Street Fund (203) to fund \$5 million of Local Street Rehabilitation per year
- It is currently forecasted for the General Fund to continue an annual transfer to the Water Resources Fund (244) to balance the 244-Fund

General Fund: Total Expenditure Trend

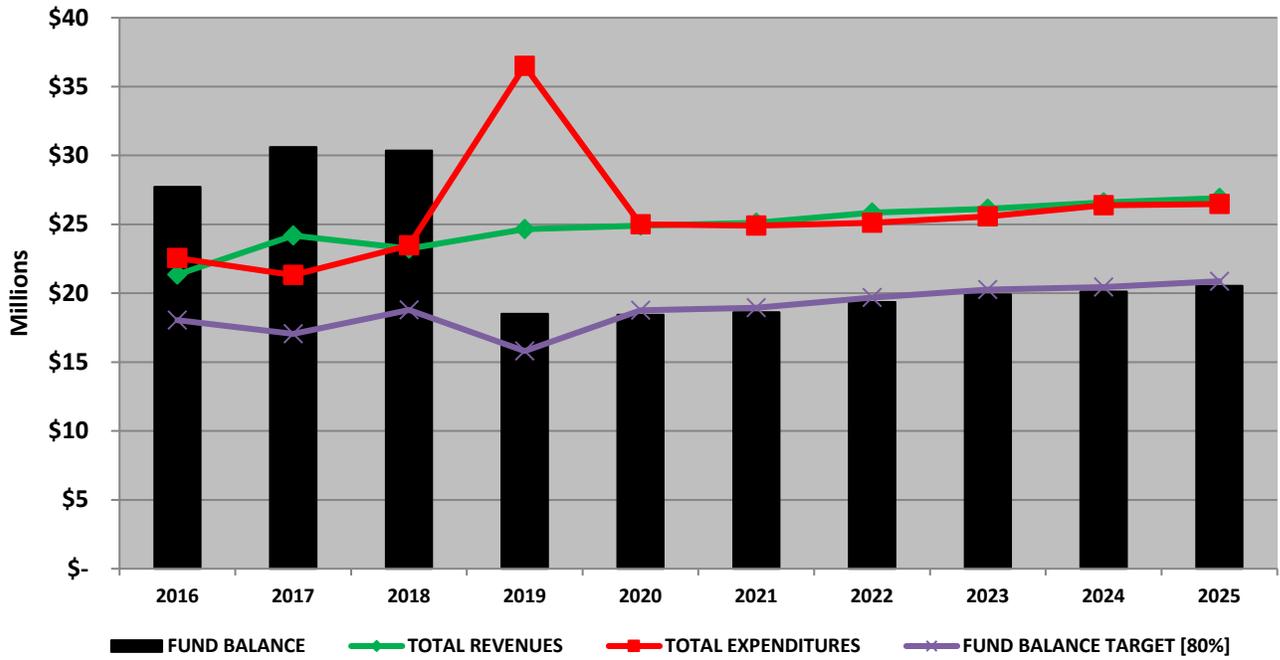


Financial Forecast – General Fund (101)

General Fund / Revenue, Expenditures, and Changes in Fund Balance:

- The decrease in fund balance in FY 2019 is due to Transfer-Out to the Capital Improvement Fund (420) to set the General Fund Balance at 80% of annual expenditures

General Fund: Revenue / Expenditure / Fund Balance



General Fund / Takeaway Points:

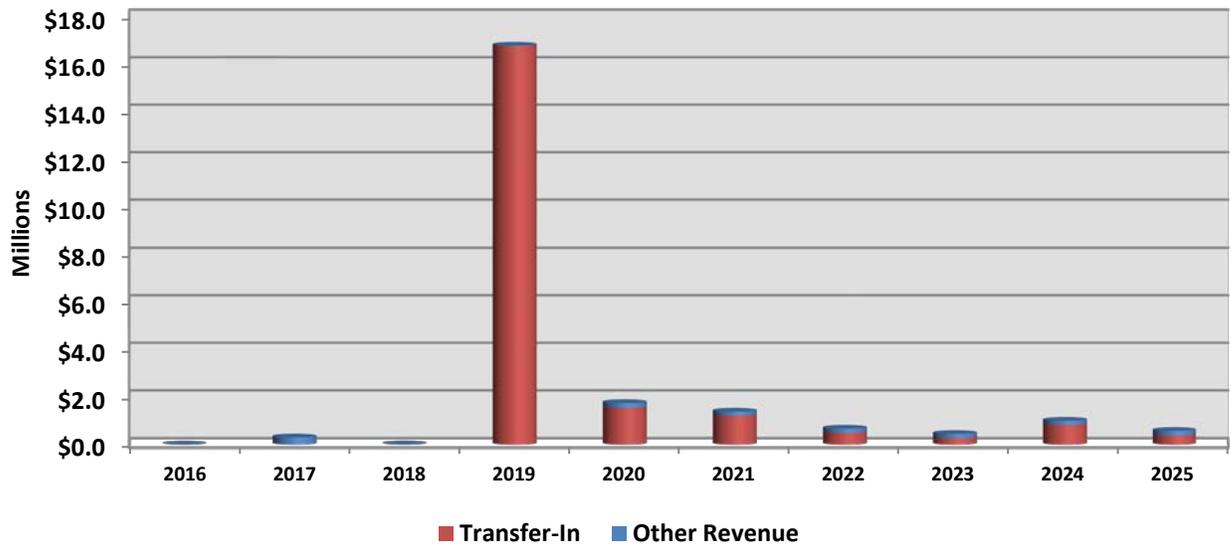
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- It is currently forecasted for the General Fund to continue an annual operating transfer to the Water Resources Fund (244) to balance

Financial Forecast – Capital Improvement Fund (420)

Capital Improvement Fund / Revenue Summary:

- The increase in Transfer-In Revenues in FY 2019 is to set the General Fund (101) at 80% of annual operating expenditures
- Transfer-In Revenues in 2020-2025 represent the structural surplus of the General Fund maintained at 80% of annual operating expenditures

Capital Improvement Fund: Total Revenue Trend

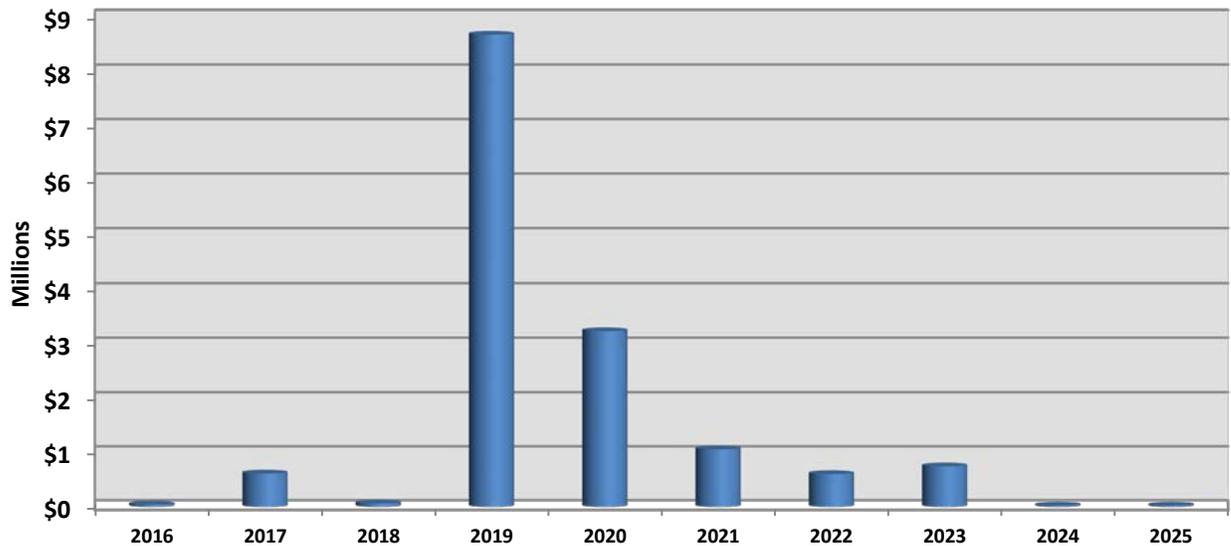


Financial Forecast – Capital Improvement Fund (420)

Capital Improvement Fund / Expenditure Summary:

- Capital Outlay costs for 2019-2025 include projects as included in the Adopted 2019-2024 CIP
 - 2019:
 - \$4.0M = Auburn Road Corridor
 - \$1.4M = Local Street projects
 - \$1.0M = Auburn Road Local Streets
 - \$2.5M = Facility Improvement projects
 - \$0.5M = Technology Improvement projects
 - 2020:
 - \$1.0M = Local Street SAD projects
 - \$2.0M = Facility Improvement projects

Capital Improvement Fund: Total Expenditure Trend

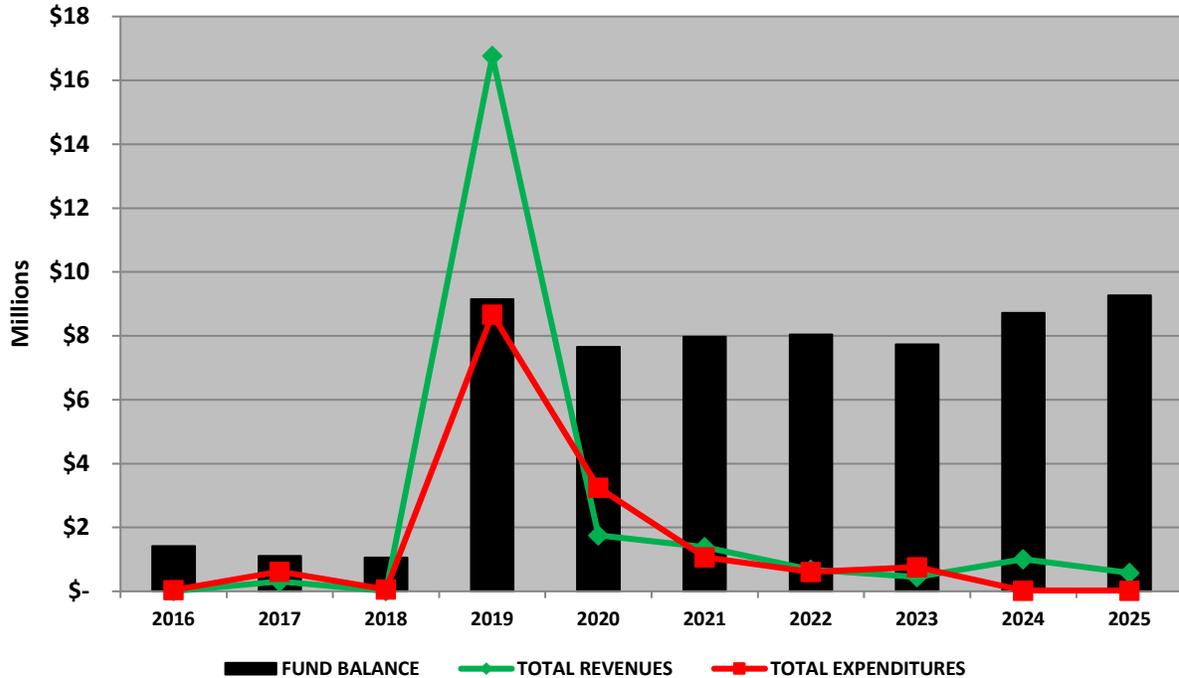


Financial Forecast – Capital Improvement Fund (420)

Capital Improvement Fund / Revenue, Expenditures, Changes in Fund Balance:

- The increase in Transfer-In Revenues in FY 2019 is to set the General Fund (101) at 80% of annual operating expenditures
- Transfer-In Revenues in 2020-2025 represent the structural surplus of the General Fund maintained at 80% of annual operating expenditures
- Capital Outlay costs for 2019-2025 include projects as included in the Adopted 2019-2024 CIP

Capital Improvement Fund: Rev / Exp / Fund Balance



Capital Improvement Fund / Takeaway Points:

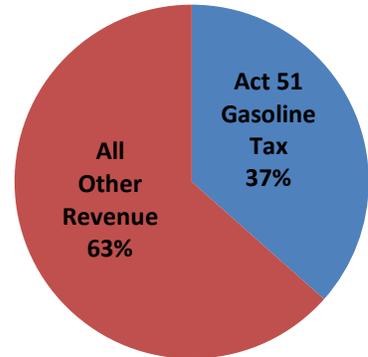
- The mission of the Capital Improvement Fund is to provide a mechanism to track and fund certain projects identified in the Capital Improvement Plan (CIP)
- Revenues represent the structural surplus of the General Fund maintained at 80% of annual operating expenditures
- Capital Outlay costs include projects as included in the Adopted CIP

(202) Major Road Fund Forecast

MAJOR ROAD FUND / REVENUES:

- For FY 2017, the primary sources of Major Road Fund revenue are:
 - 37% = Act 51 Gasoline Tax
 - 63% = All Other Revenue
 - Please Note: All Other Revenue is a much greater proportion of Major Road Fund Revenues in FY 2018 due to funding from the State of Michigan, LDFA, RCOC, and City of Auburn Hills

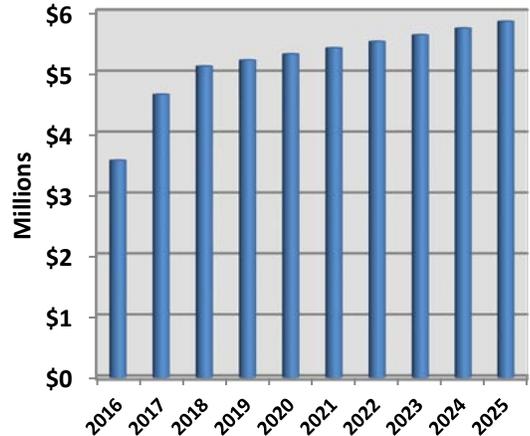
Major Road Fund: FY 2018 Revenue Sources



Major Road / Act 51 Gasoline Tax Revenue:

- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Act 51 Gasoline Tax revenues are projected to increase 2.0% per year

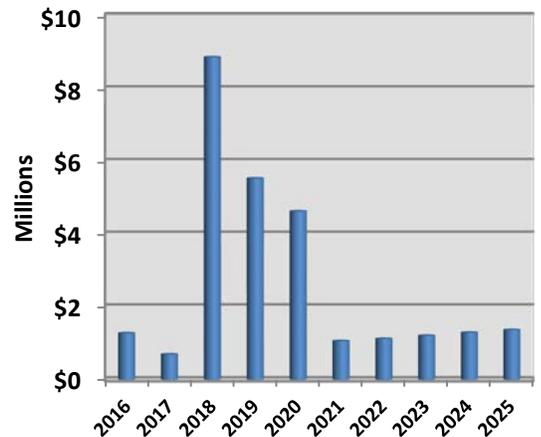
Major Road Fund: Act 51 Gasoline Tax Trend



Major Road / Other Revenues:

- The increase in Other Revenue in 2018-2020:
- 2018:
 - \$2.0M from LDFA for Hamlin Road (East City Limit – Adams)
 - \$1.7M from State of MI for South Blvd & Livernois
 - \$920K from Auburn Hills for Hamlin Road
 - \$2.3M from RCOC for Hamlin Road
 - \$1.2M from MDOT for Auburn Rd jurisdiction change
- 2019:
 - \$4.0M from Capital Improvement Fund (420) for Auburn Corridor Project
 - Sidewalks, Storm Sewer, Parking Lots
 - \$480K Grant for Auburn Corridor Project
- 2020:
 - \$3.6M from State of MI for Federal Share of Livernois

Major Road Fund: All Other Revenue Trend

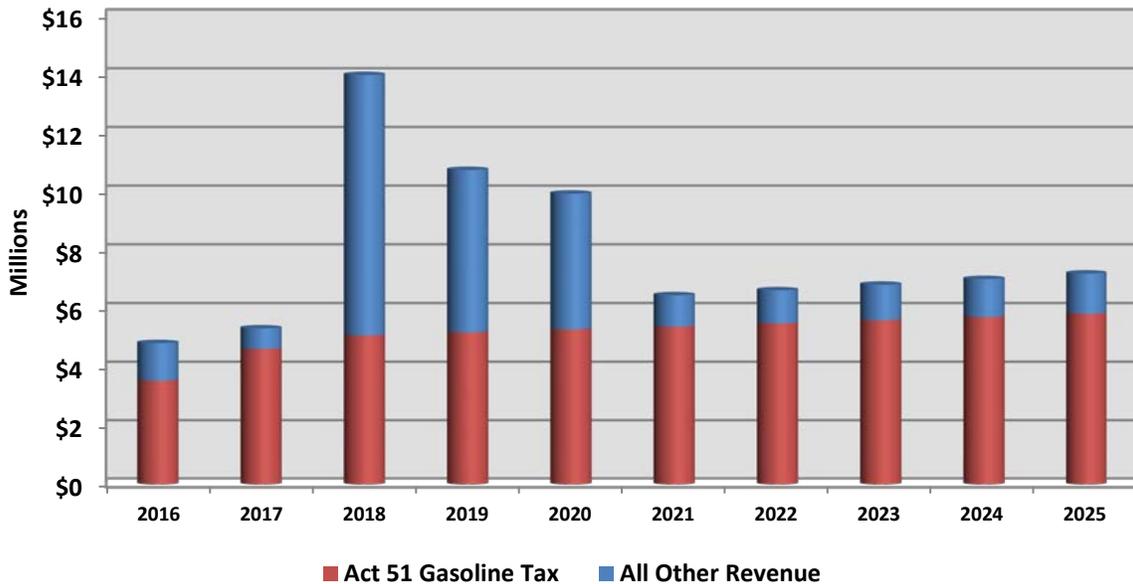


(202) Major Road Fund Forecast

Major Road / Revenue Summary:

- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- The increase in Other Revenue in 2018-2020:
- 2018:
 - \$2.0M from LDFA for Hamlin Road (East City Limit – Adams)
 - \$1.3M from State of MI for South Blvd & Livernois
 - \$0.4M from State of MI / Supplemental Road Appropriation
 - \$0.9M from Auburn Hills for Hamlin Road
 - \$2.3M from RCOC for Hamlin Road
 - \$1.2M from MDOT for Auburn Rd jurisdiction change
- 2019:
 - \$4.0M from Capital Improvement Fund (420) for Auburn Corridor Project
 - Sidewalks, Storm Sewer, Parking Lots
 - \$480K Grant for Auburn Corridor Project
- 2020:
 - \$3.6M from State of MI for Federal Share of Livernois

Major Road Fund: Total Revenue Trend

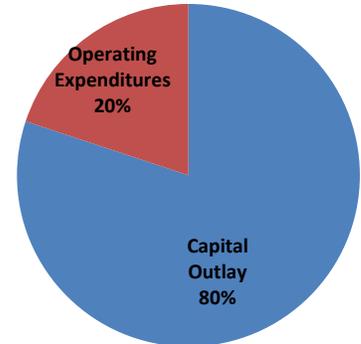


(202) Major Road Fund Forecast

MAJOR ROAD FUND / EXPENDITURES:

- For FY 2018, the primary sources of Major Road Fund expenditures are:
 - 20% = Operating Expenditures
 - 80% = Capital Outlay
 - *This proportion will vary based upon the level of capital outlay scheduled in a particular Fiscal Year*

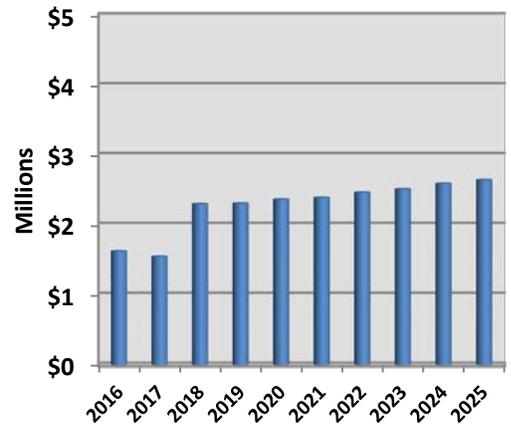
Major Road Fund: FY 2018 Expenditure Sources



Major Road Fund / Operating Expenditures:

- Personnel, Materials, Supplies, Services, Interfund Charges (Fleet), Memberships, etc...
- Operating expenditures are projected to increase 2.0% per year
- The increase in 2018-2025 is due to actual operations coming in under budget in 2016-17 due to less winter maintenance activities

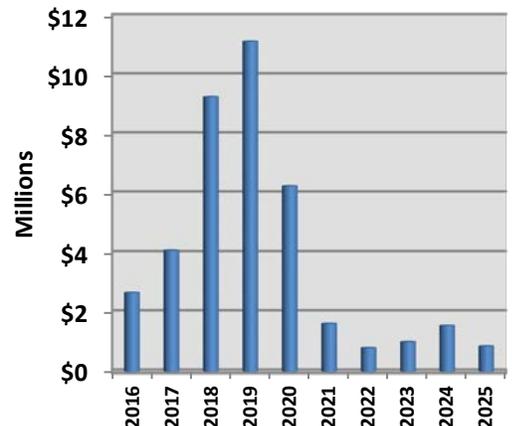
Major Road Fund: Operating Expenditure Trend



Major Road Fund / Capital Outlay:

- Capital Outlay costs for 2018-2025 include all Major Road projects as included in the Adopted 2019-2024 CIP
 - 2018 = Hamlin [E City Limits]
 - 2019 = Auburn Corridor & Livernois [Avon – Walton]
 - 2020 = Auburn [Rochester-Culbertson], Barclay Circle, John R [Avon-Bloomer], Star Batt
- The City continually works with other road agencies to leverage Major Road funding in order to construct needed improvements and rehabilitations to the City’s Major Road network

Major Road Fund: Capital Outlay Trend

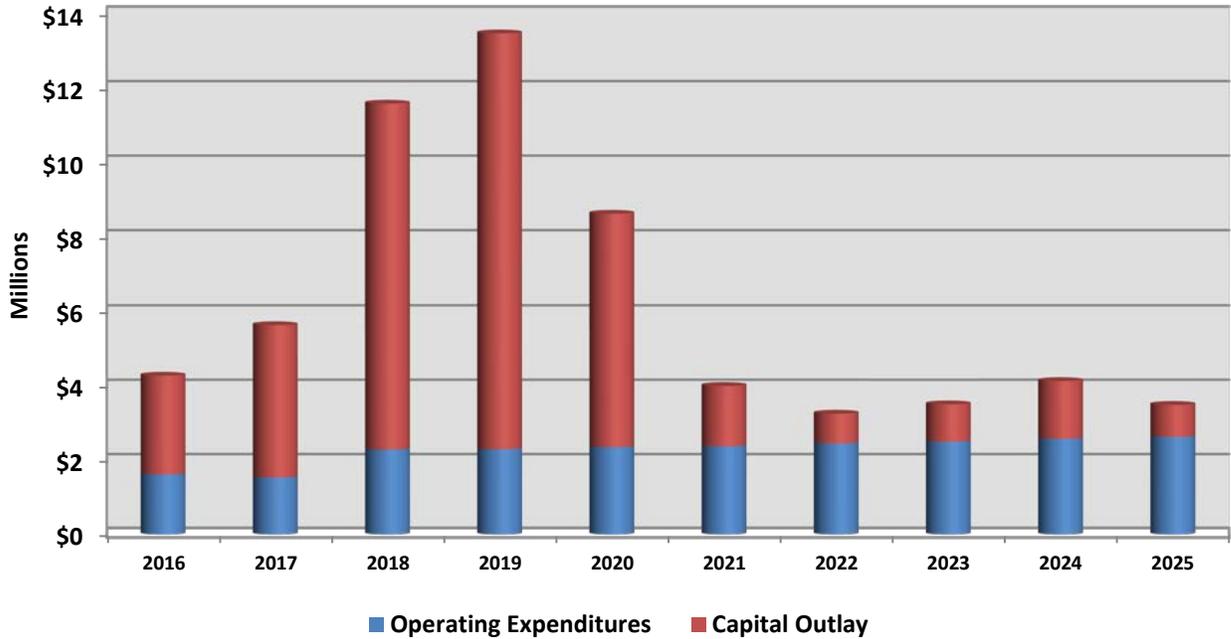


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Major Road Fund / Expenditure Summary:

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 - 2019 = Auburn Corridor & Livernois [Avon – Walton]
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Major Road Fund: Total Expenditure Trend

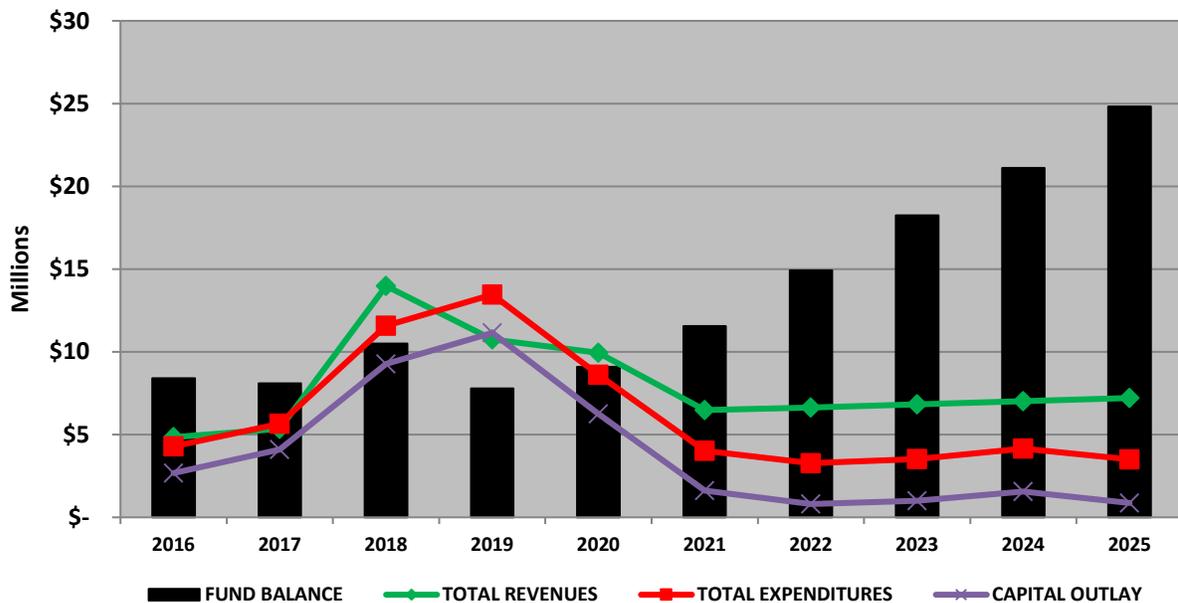


(202) Major Road Fund Forecast

Major Road Fund / Revenue, Expenditures, and Changes in Fund Balance:

- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City’s Major Road & Local Street Funds
- Other Revenues increased in 2018-2020 due to sources of outside funding for several Major Road projects
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 - 2019 = Auburn Corridor & Livernois [Avon – Walton]
 - 2020 = Auburn [Rochester-Culbertson], Barclay Circle, John R [Avon-Bloomer], Star Batt

Major Road Fund: Revenue / Expenditure / Fund Balance



Major Road Fund / Takeaway Points:

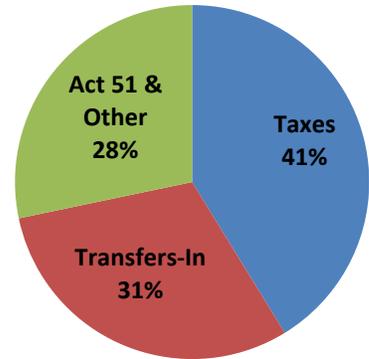
- Due to changes in the State of MI Gasoline tax, starting in FY 2017 significantly higher levels of Act 51 funding has begun to flow into City’s Major Road & Local Street Funds
- Revenues increased in 2018-2020 due to sources of outside funding for several Major Road projects
- Capital Outlay costs for 2018-2025 include all Major Road projects as included in the Adopted 2019-2024 CIP
- As annual construction eases, it is projected for Major Road fund balance levels to increase into the future

(203) Local Street Fund Forecast

LOCAL STREET FUND / REVENUES:

- For FY 2018, the primary sources of Local Street Fund revenue are:
 - 41% = Property Taxes
 - Local Street I, II, III
 - 28% = Act 51 & All Other Revenue
 - 31% = Transfers-In
 - From General Fund

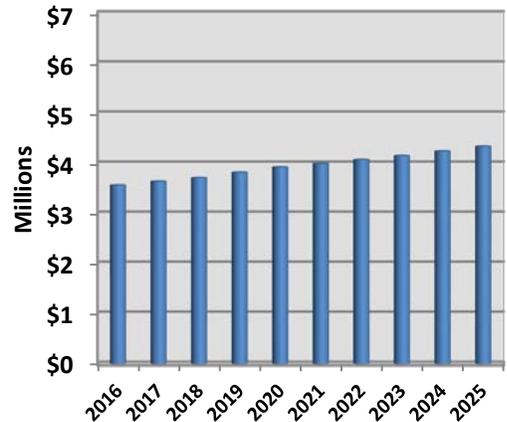
Local Street Fund: FY 2018 Revenue Sources



Local Street Fund / Property Taxes:

- Local Street I, II, III are all set to expire in 2020
 - It is anticipated they will be renewed into a single Local Street millage beginning in FY 2021

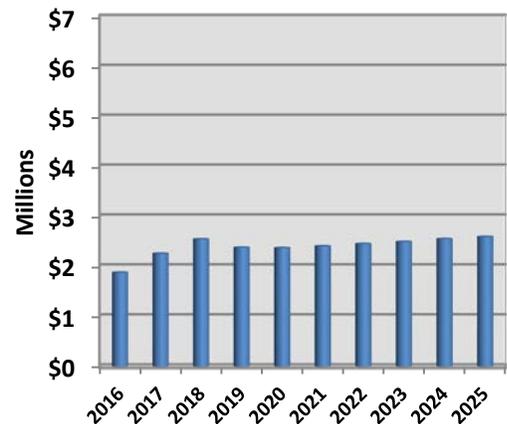
Local Street Fund: Property Tax Trend



Local Street Fund / Act 51 & Other Revenue:

- Due to changes in the State of MI Gasoline tax, higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds

Local Street Fund: Other Revenue Trend

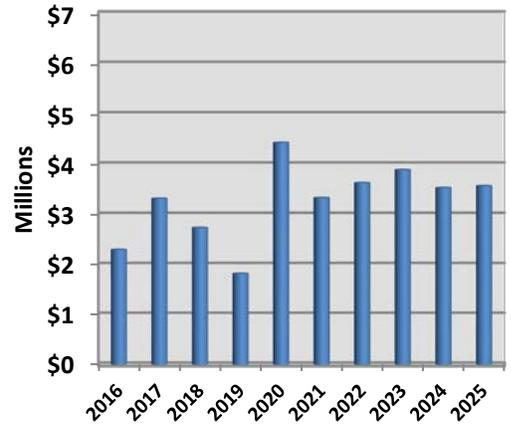


(203) Local Street Fund Forecast

Local Street Fund / Transfers-In:

- Transfers-In decreased from 2018-2019 due to:
 - Reduced Transfer-In from General Fund to set Local Street Fund Balance at 25% of annual expenditures
- Transfer-In increase in 2020 due to:
 - Transfer-In from Capital Improvement Fund (420) for SAD projects

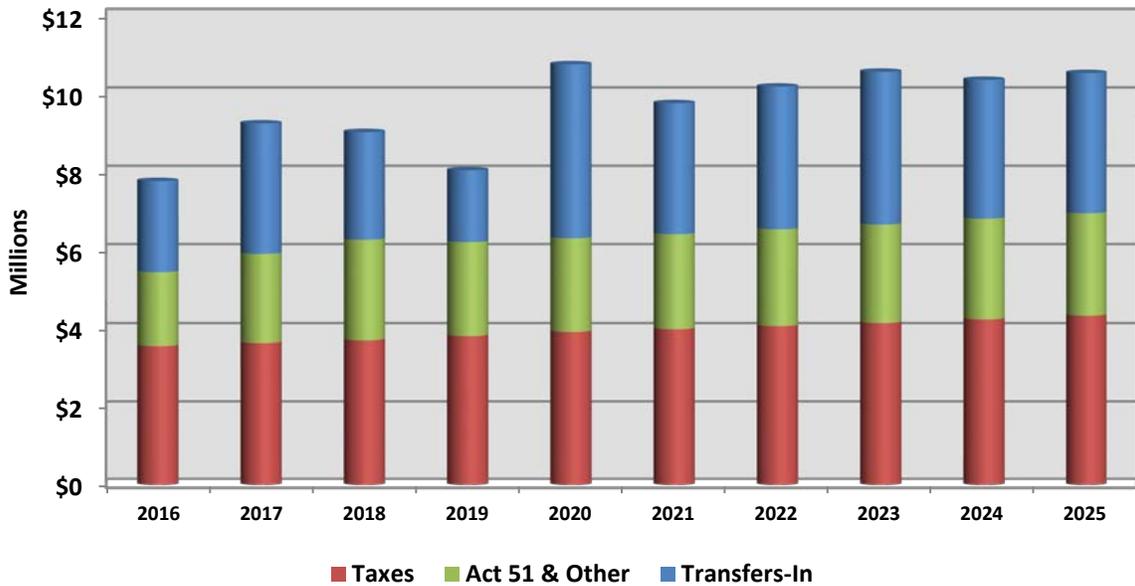
Local Street Fund: Transfers-In Trend



Local Street Fund / Revenue Summary:

- Local Street Fund revenues are balanced between Property Tax, Act 51 Revenue, and Transfers-In from the General Fund
- Transfers-In decreased from 2018-2019 due to reduced Transfer-In from General Fund to set Local Street Fund Balance at 25% of annual expenditures

Local Street Fund: Total Revenue Trend

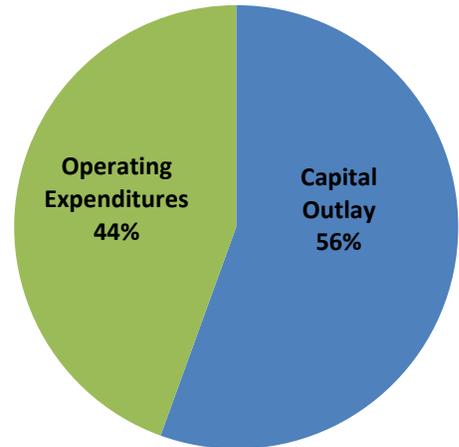


(203) Local Street Fund Forecast

LOCAL STREET FUND / EXPENDITURES:

- For FY 2018, the primary sources of Local Street Fund expenditures are:
 - 44% = Operating Expenditures
 - 56% = Capital Outlay

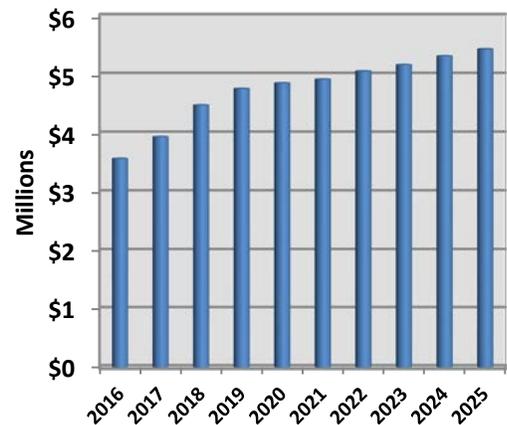
**Local Street Fund: FY 2018
Expenditure Sources**



Local Street Fund / Operating Expenditures:

- Personnel, Materials, Supplies, Services, Interfund Charges (Fleet), Memberships, etc...
- Operating expenditures are projected to increase 2.0% per year

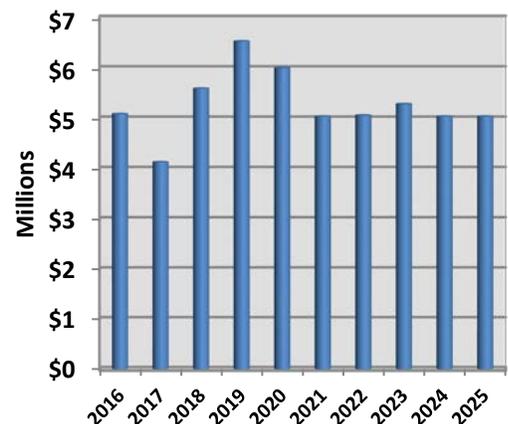
**Local Street Fund: Operating
Expenditure Trend**



Local Street Fund / Capital Outlay:

- Using the current forecast assumptions, the Local Street Fund is able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund
- The increase in FY 2019-20 is due to additional Local Street construction projects included as part of the 2019-2024 CIP

**Local Street Fund: Capital Outlay
Trend**

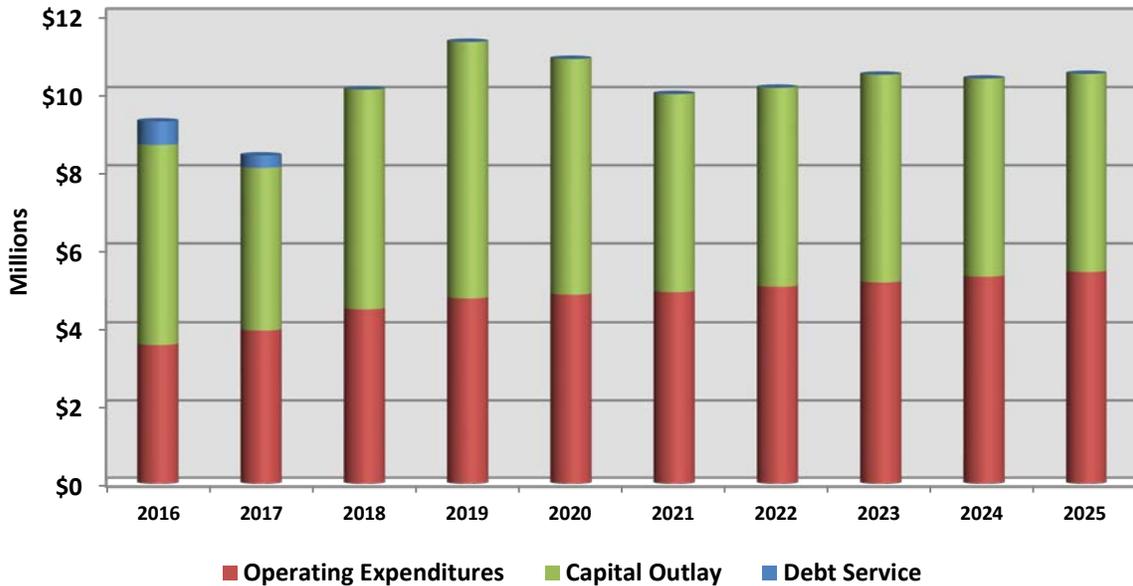


(203) Local Street Fund Forecast

Local Street Fund / Expenditure Summary:

- Beginning in FY 2018, the Local Street Fund no longer has any bonds outstanding
- Using the current forecast assumptions, the Local Street Fund is able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund
- The increase in FY 2019-20 is due to additional Local Street construction projects included as part of the 2019-2024 CIP

Local Street Fund: Total Expenditure Trend

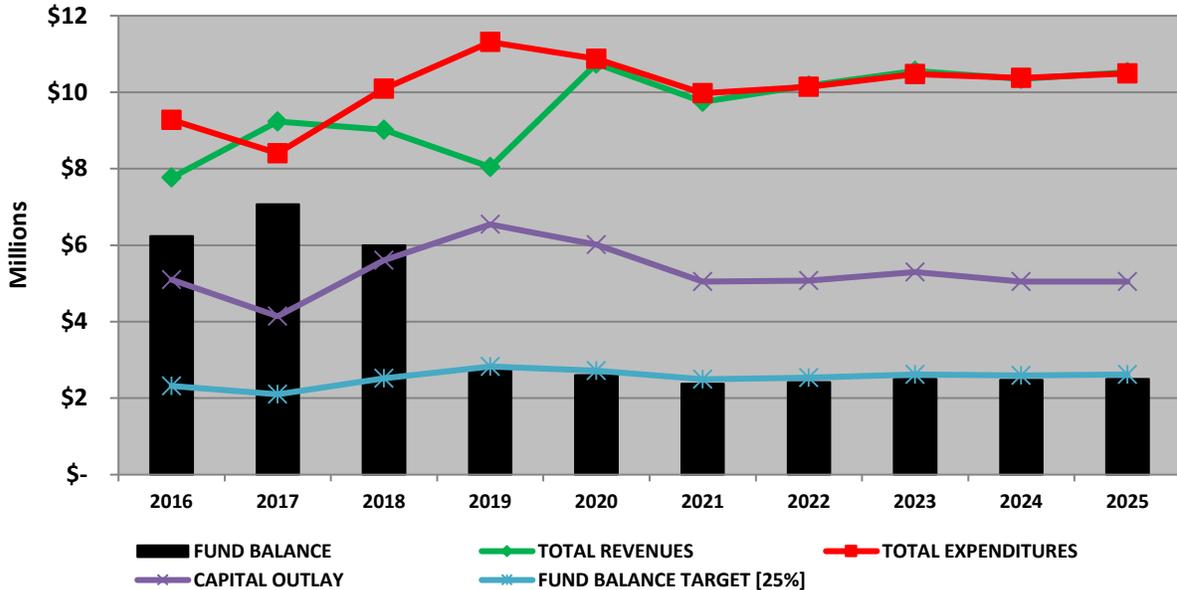


(203) Local Street Fund Forecast

Local Street Fund / Revenue, Expenditures, and Changes in Fund Balance:

- Transfers-In Revenue decreased from 2018-2019 to set Local Street Fund Balance at 25% of annual expenditures

Local Street Fund: Revenue / Expenditure / Fund Balance



Local Street Fund / Takeaway Points:

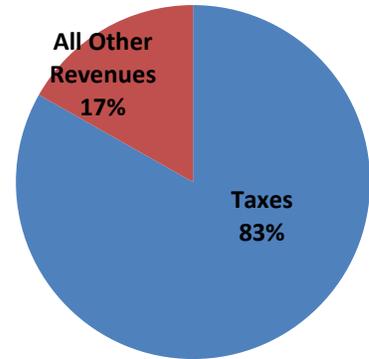
- Due to changes in the State of MI Gasoline tax, higher levels of Act 51 funding has begun to flow into City's Major Road & Local Street Funds
- Local Street Fund revenues are balanced between Property Tax, Act 51 Revenue, and Transfers-In from the General Fund
- Transfers-In Revenue decreased from 2018-2019 to set Local Street Fund Balance at 25% of annual expenditures
- Using the current forecast assumptions, the Local Street Fund is able to support an annual Local Street Rehabilitation program of \$5 million per year within the amount of support funding available from the General Fund

(206) Fire Operating Fund Forecast

FIRE OPERATING FUND / REVENUES:

- For FY 2018, the primary sources of Fire Operating Fund revenue are:
 - 83% = Property Taxes
 - 17% = All Other Revenues

Fire Fund: FY 2018 Revenue Sources



Fire Operating Fund / Property Taxes:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model

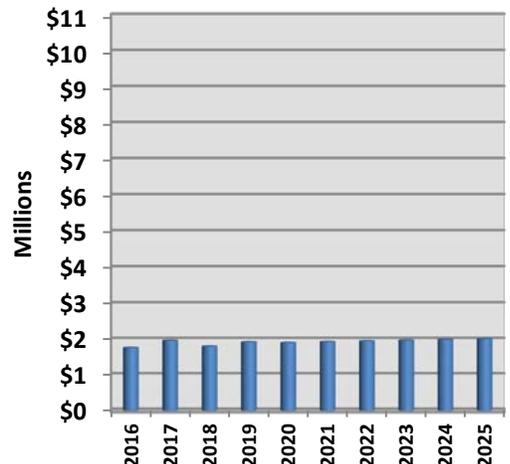
Fire Fund: Property Tax Trend



Fire Operating Fund / Other Revenues:

- The primary source of Other Fire Revenue is EMS Charges for Service
- Other revenues are projected to increase from 0.0% to 2.5% per year

Fire Fund: Other Revenue Trend

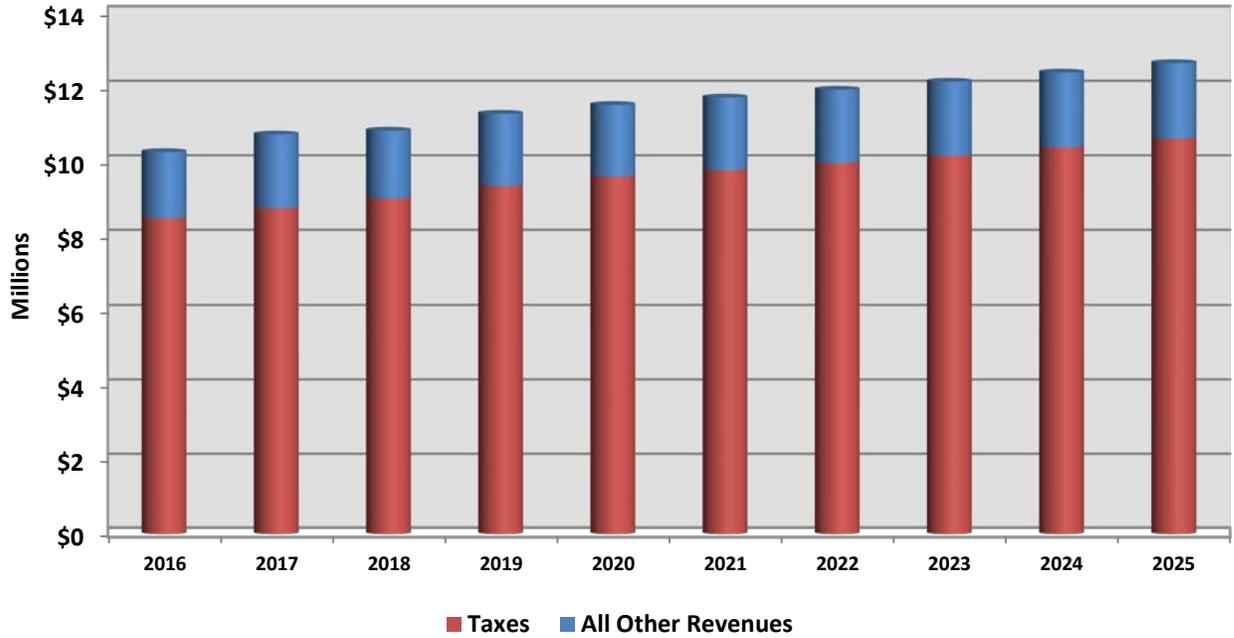


(206) Fire Operating Fund Forecast

Fire Operating Fund / Revenue Summary:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The primary source of Other Fire Revenue is EMS Charges for Service

Fire Fund: Total Revenue Trend

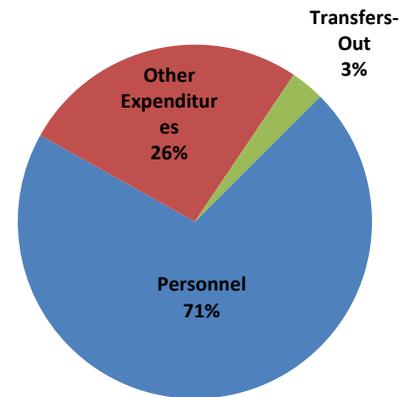


(206) Fire Operating Fund Forecast

FIRE OPERATING FUND / EXPENDITURES:

- For FY 2018, the primary sources of Fire Operating expenditures are:
 - 71% = Personnel
 - 26% = Other Expenditures
 - 3% = Transfer-Out
 - To (402) Fire Capital Fund

Fire Fund: FY 2018 Expenditure Sources



Fire Operating Fund / Personnel Services:

- The increase in 2018 includes the addition of four (4) Firefighters
- Salary and Wages are projected to increase 2.0% per year
- Health Care is projected to increase 9.0% per year

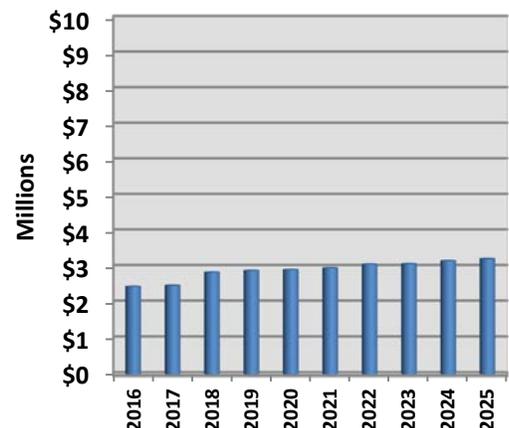
Fire Operating Fund: Personnel Trend



Fire Operating Fund / Other Expenditures:

- Supplies, Services, Interfund Charges (including Fleet & Facilities), Memberships, etc...
- Other expenditures are projected to increase 2.0% per year

Fire Operating Fund: All Other Expenditure Trend

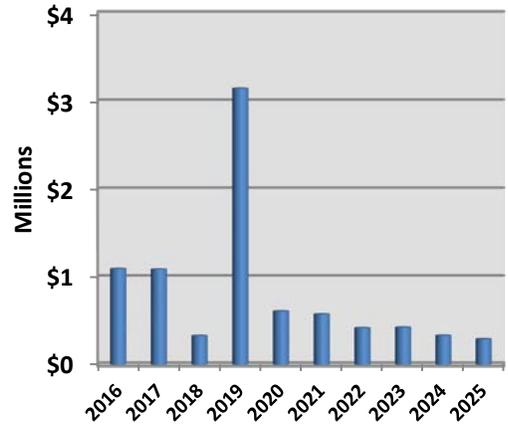


(206) Fire Operating Fund Forecast

Fire Operating Fund / Transfer-Out:

- The increase in Transfers-Out in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
 - Funds to be transferred-out to the Fire Capital Fund (402)
- It is projected the existing Fire millage levy of 2.7000 mill may be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030
- It is projected that approximately \$500,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

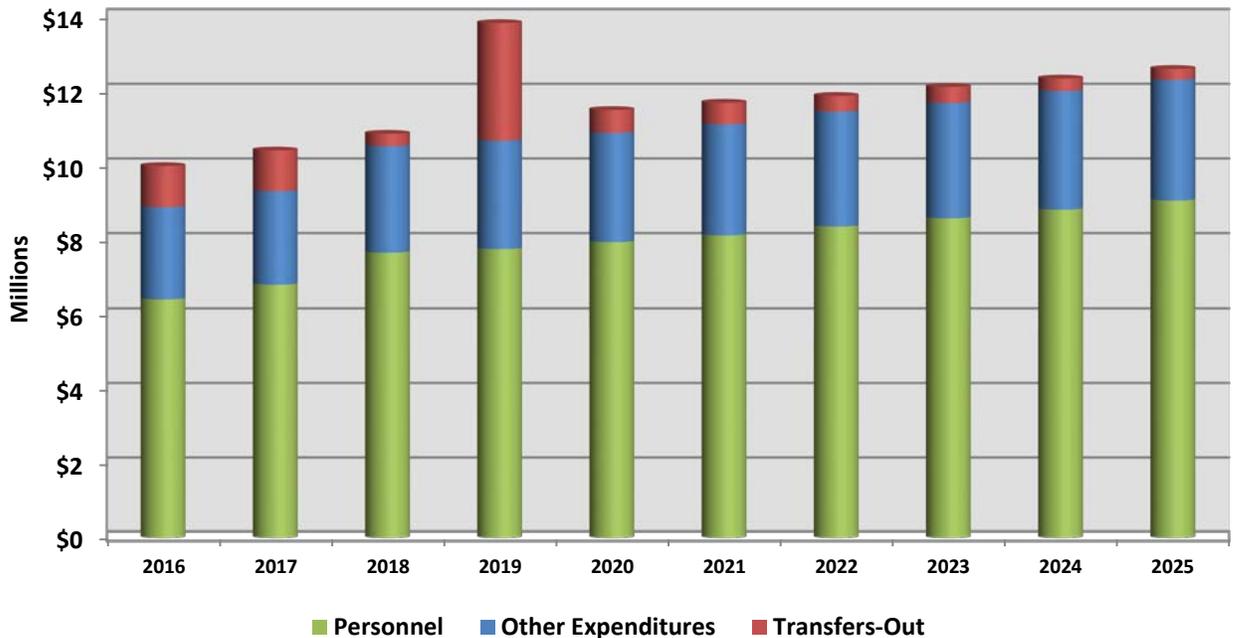
**Fire Operating Fund:
Transfer-Out Trend**



Fire Operating Fund / Expenditure Summary

- The increase in Transfers-Out in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures

Fire Fund: Total Expenditure Trend

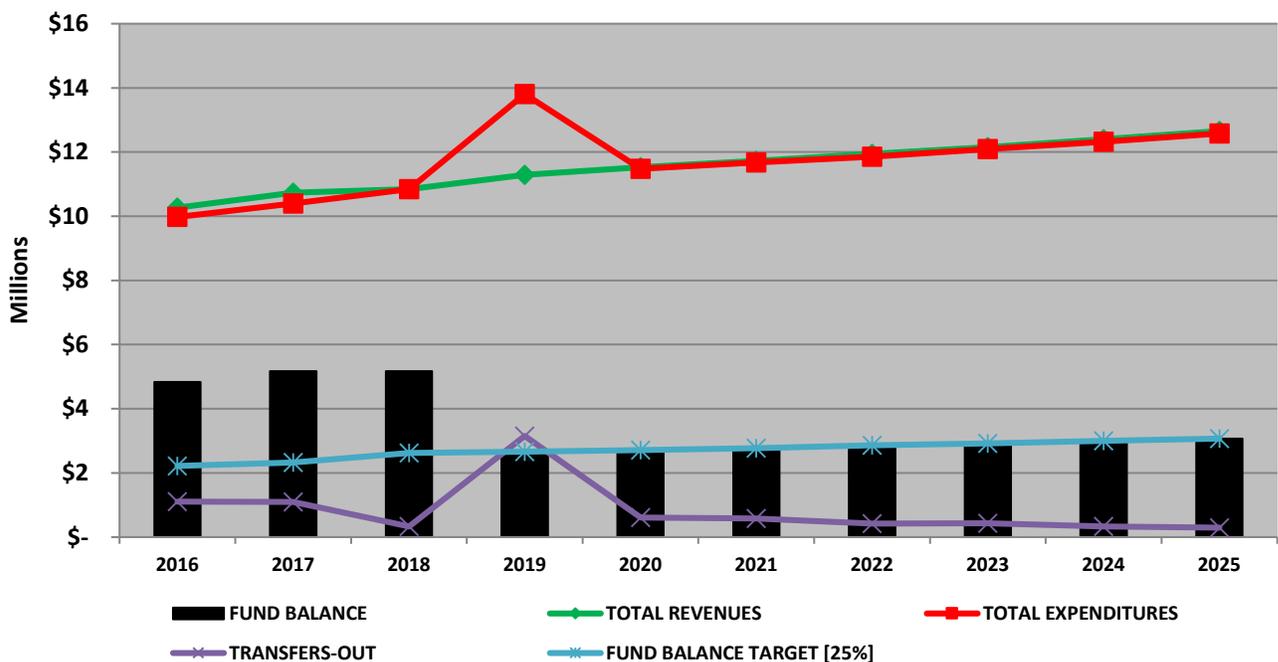


(206) Fire Operating Fund Forecast

Fire Operating Fund / Revenue, Expenditures, Changes in Fund Balance:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The increase in Transfers-Out Expenditures in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
 - Funds to be transferred-out to the Fire Capital Fund (402)
- It is projected the existing Fire millage levy of 2.7000 mill may be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030
- It is projected that approximately \$500,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

Fire Operating Fund: Revenue / Expenditure / Fund Balance



Fire Operating Fund / Takeaway Points:

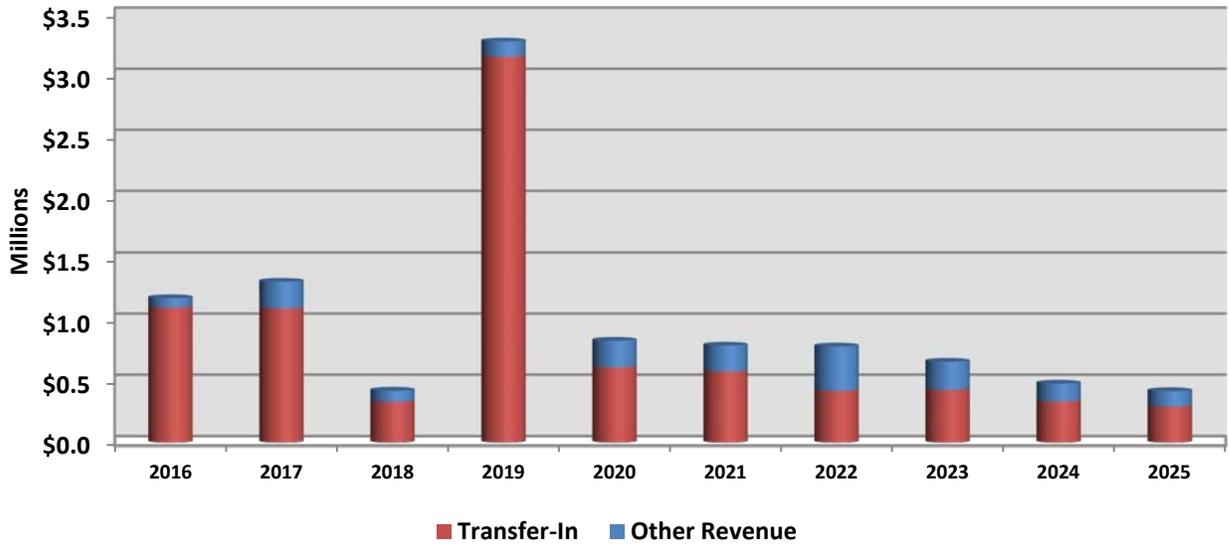
- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The increase in Transfers-Out Expenditures in FY 2019 is to set the Fire Operating Fund at 25% of annual operating expenditures
 - Funds to be transferred-out to the Fire Capital Fund (402)
- It is projected the existing Fire millage levy of 2.7000 mill may be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030
- It is projected that approximately \$500,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

(402) Fire Capital Fund Forecast

Fire Capital Fund / Revenue Summary:

- The increase in Transfers-In Revenues in FY 2019 is to set the Fire Operating Fund (206) at 25% of annual operating expenditures
- It is projected that approximately \$500,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

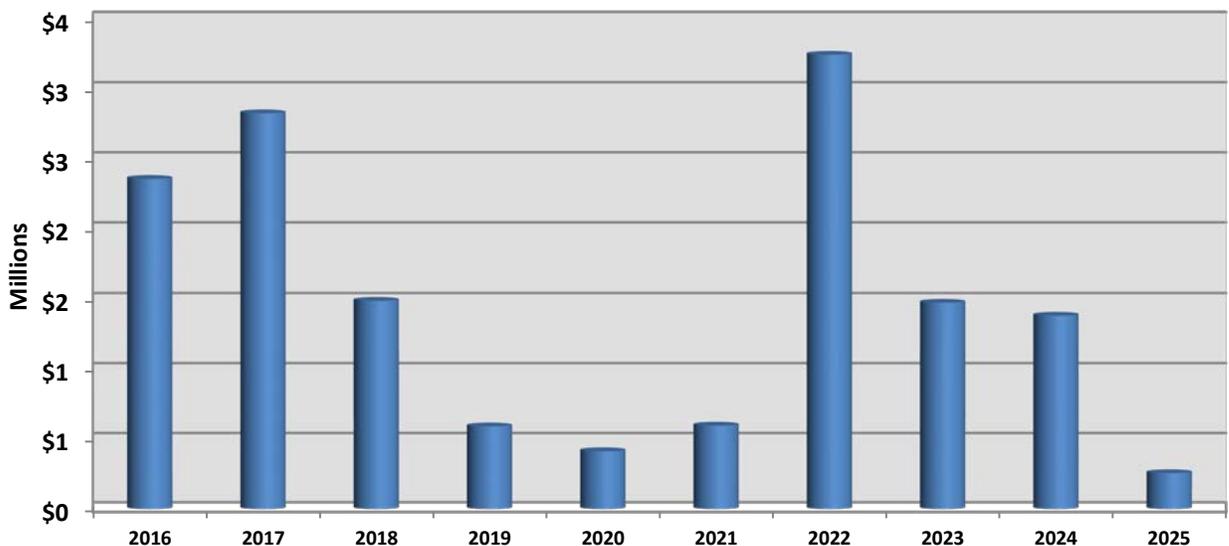
Fire Capital Fund: Total Revenue Trend



Fire Capital Fund / Expenditure Summary:

- Capital Outlay costs for 2019-2025 include all Fire Capital (with updated project budgets) as included in the Adopted 2019-2024 CIP

Fire Capital Fund: Total Expenditure Trend

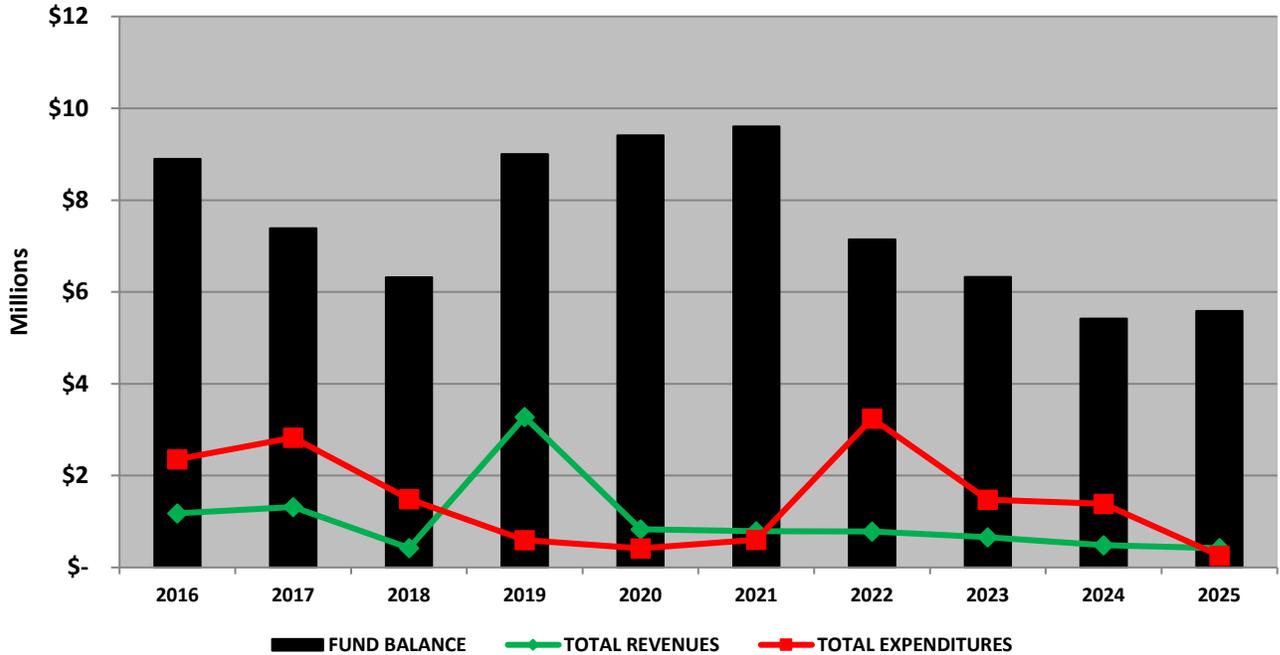


(402) Fire Capital Fund Forecast

Fire Capital Fund / Revenue, Expenditures, Changes in Fund Balance:

- The increase in Transfers-In Revenues in FY 2019 is to set the Fire Operating Fund (206) at 25% of annual operating expenditures
- Capital Outlay costs for 2019-2025 include all Fire Capital (with updated project budgets) as included in the Adopted 2019-2024 CIP
- It is projected the existing Fire millage levy of 2.7000 mill may be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030

Fire Capital Fund: Revenue / Expenditure / Fund Balance



Fire Capital Fund / Takeaway Points:

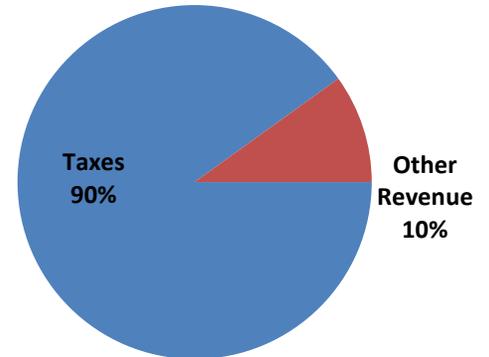
- It is projected the existing Fire millage levy of 2.7000 mill may be adequate to contribute funding to the Fire Capital Fund (402) through FY 2030
- It is projected that approximately \$500,000 should be contributed annually to provide adequate long-term funding to the (402) Fire Capital Fund

(207) Special Police Fund

SPECIAL POLICE FUND / REVENUES:

- For FY 2018, the primary sources of Special Police Fund revenue are:
 - 90% = Property Taxes
 - 10% = All Other Revenues

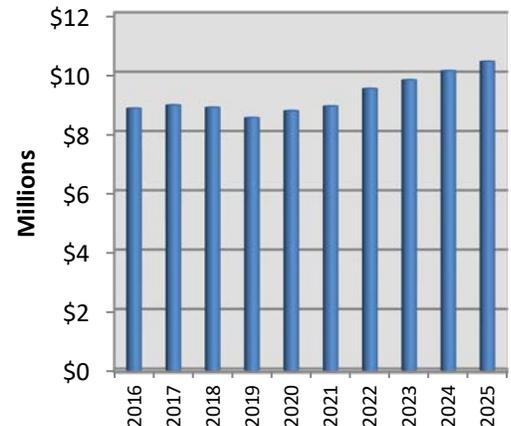
Special Police Fund: FY 2018 Revenue Sources



Special Police Fund / Property Taxes:

- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- It is projected that the Special Police Millage II could decrease from 1.4693 (2018) to 1.2861 (2019-2021) to set Special Police Fund Balance at 25% of annual operating expenditures

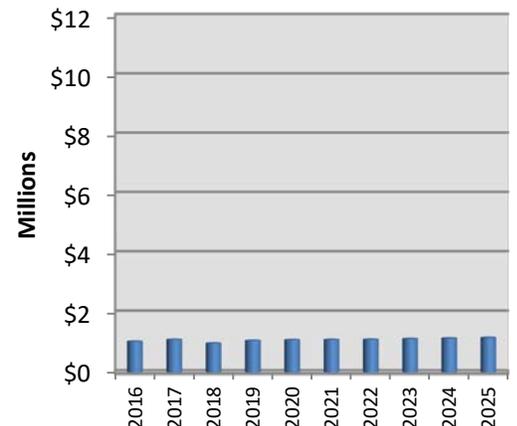
Special Police Fund: Property Tax Trend



Special Police Fund / Other Revenues:

- Includes Fines, District Court Fees, Charges for Service, etc...
- Other revenues are projected to increase from 0.0% to 3.0% per year

Special Police Fund: Other Revenue Trend

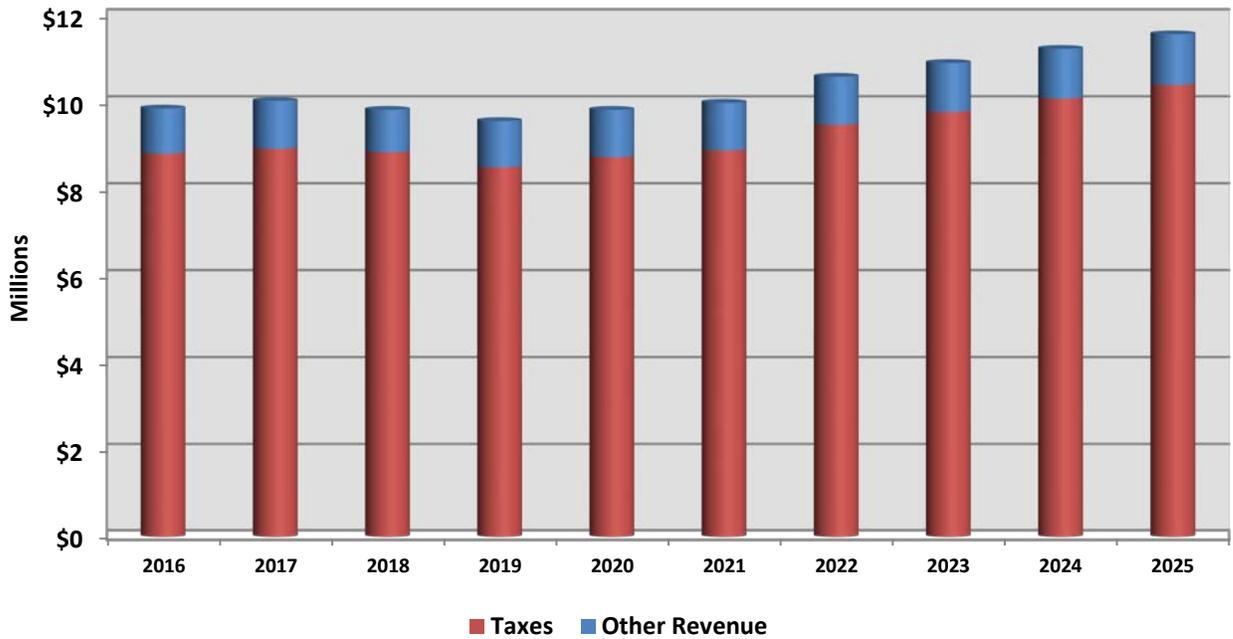


(207) Special Police Fund

Special Police Fund / Revenue Summary:

- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- It is projected that the Special Police Millage II could decrease from 1.4693 (2018) to 1.2861 (2019-2021) to set Special Police Fund Balance at 25% of annual operating expenditures
 - Current Headlee cap millage rate for Police II millage = 2.4298 mill
 - *The City is projecting to levy considerably less than the maximum levy allowable for Police millage II*

Special Police Fund: Total Revenue Trend

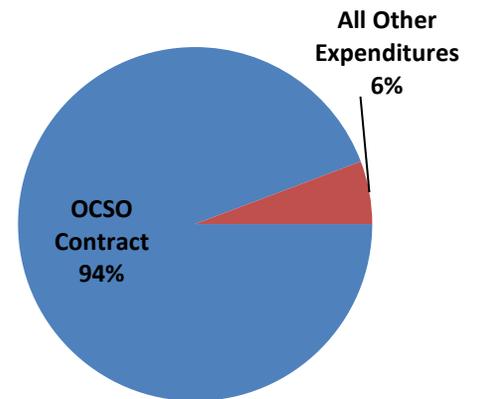


(207) Special Police Fund

SPECIAL POLICE FUND / EXPENDITURES:

- For FY 2017, the primary sources of Special Police Fund expenditures are:
 - 94% = OCSO Contract
 - 6% = All Other Expenditures

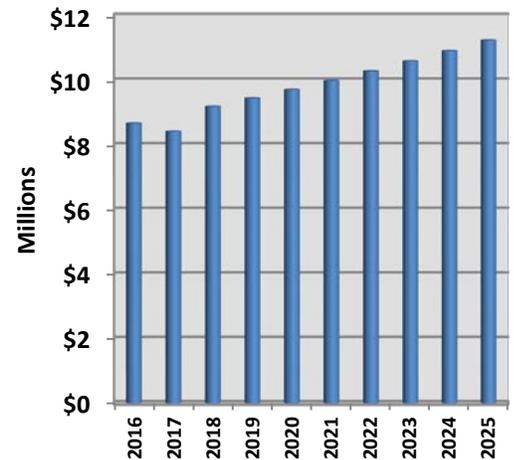
**Special Police Fund: FY 2018
Expenditure Sources**



Special Police Fund / OCSO Contract:

- In FY 2018 increase from 58 to 60 officers
- FY 2019-2024 = + 3.0% per year
- No change in OCSO officers included in Long-Term Forecast

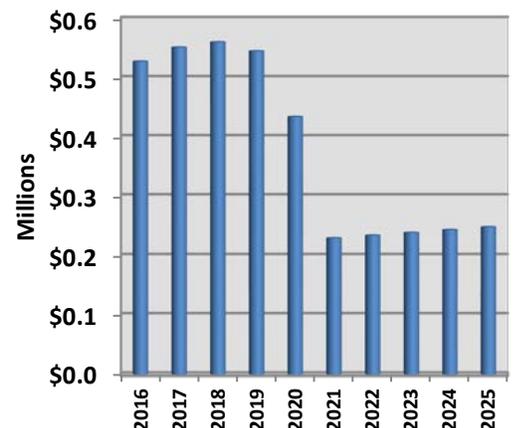
**Special Police Fund:
OCSO Contract Trend**



Special Police Fund / Other Expenditures:

- Supplies, Services, Interfund Charges (including Facilities), Memberships, Debt Service, etc...
- Other expenditures are projected to increase 2.0% per year
- The decrease from FY 2018-2021 is a result of the debt related to the new OCSO Substation construction being paid off
- In FY 2021, the debt related to the OCSO Substation construction will be paid off

**Special Police Fund: All Other
Expenditure Trend**

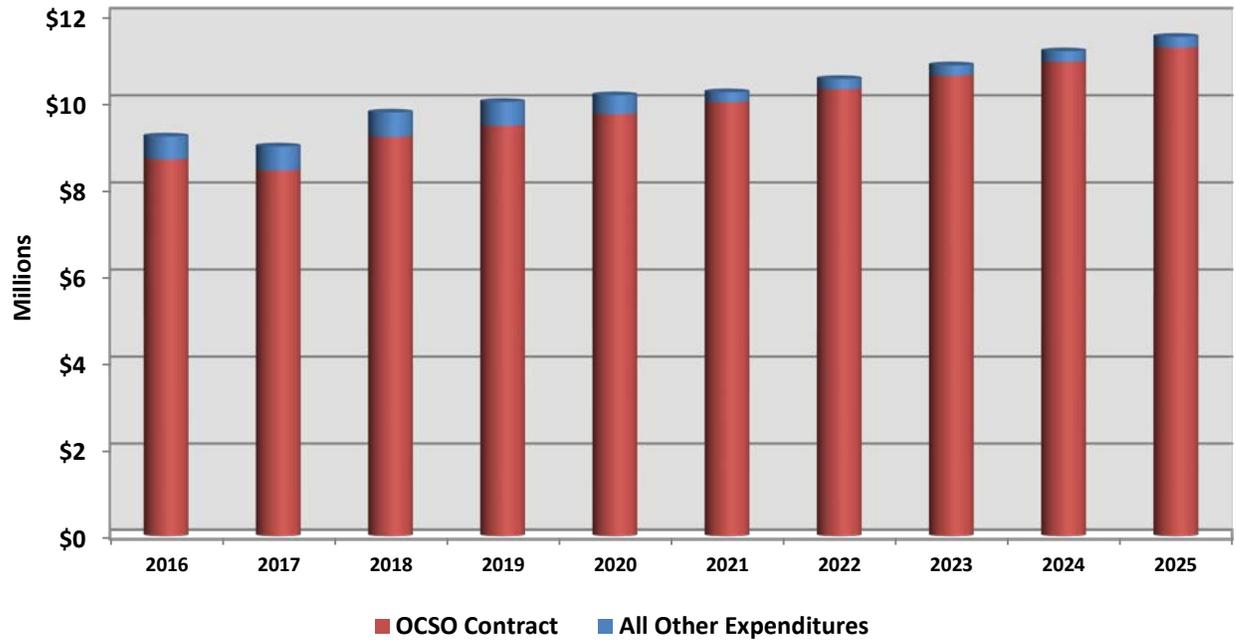


(207) Special Police Fund

Special Police Fund / Expenditure Summary:

- In FY 2018 increase from 58 to 60 officers
- No change in OCSO officers included in Long-Term Forecast
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off

Special Police Fund: Total Expenditure Trend

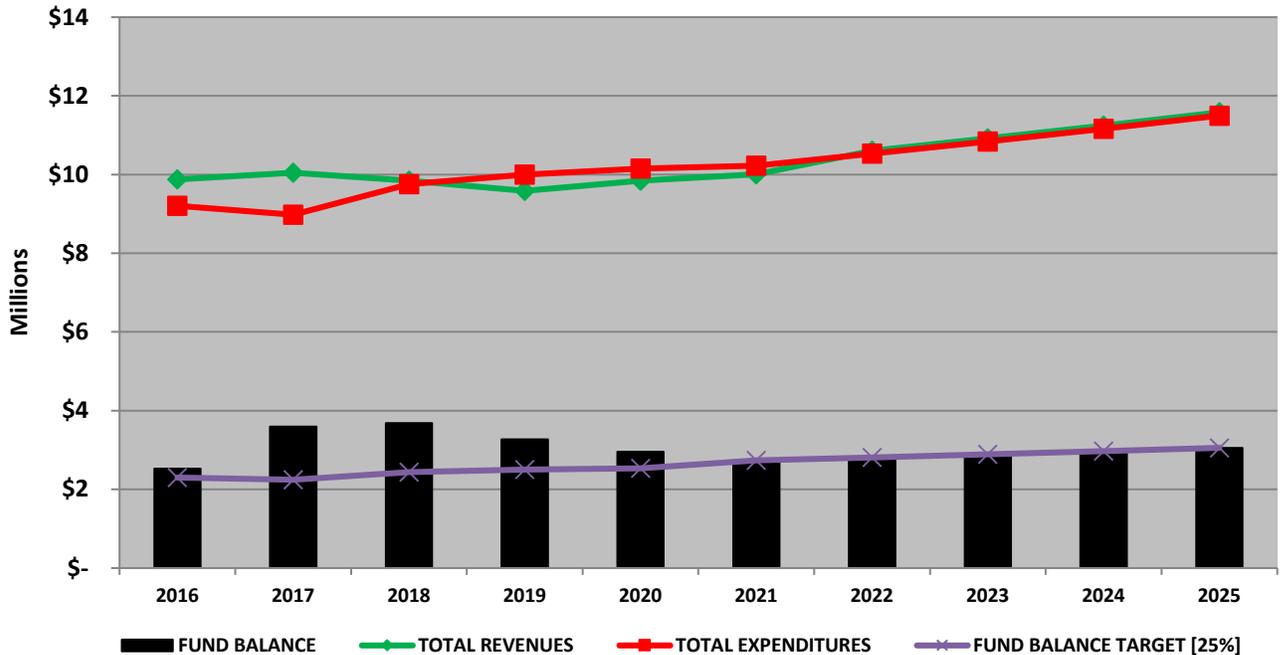


(207) Special Police Fund

Special Police Fund / Revenue, Expenditures, Changes in Fund Balance:

- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- It is projected that the Special Police Millage II could decrease from 1.4693 (2018) to 1.2861 (2019-2021) to set Special Police Fund Balance at 25% of annual operating expenditures

Special Police Fund: Revenue / Expenditure / Fund Balance



Special Police Fund / Takeaway Points:

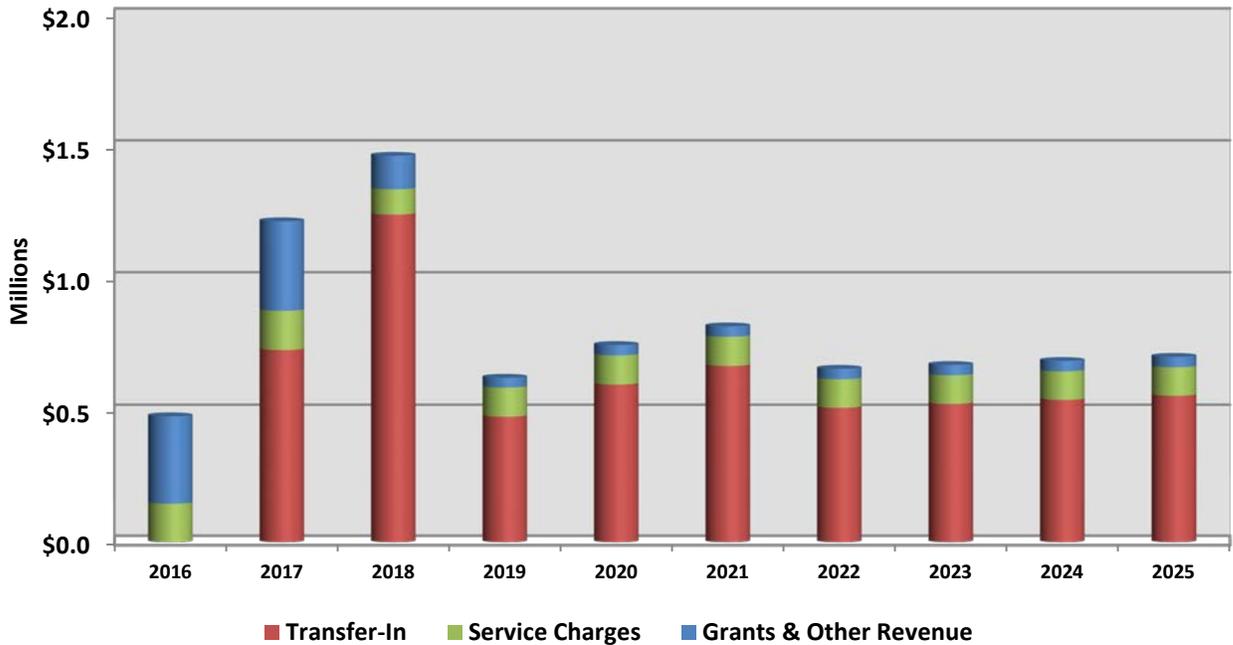
- In FY 2018 increase from 58 to 60 officers
- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result
- It is projected that the Special Police Millage II could decrease from 1.4693 (2018) to 1.2861 (2019-2021) to set Special Police Fund Balance at 25% of annual operating expenditures
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off
- Police millage II is projected to levy between 1.2861 to 1.4764 mill over the forecast period
 - *Current Headlee cap millage rate for Police II millage = 2.4298 mill*

(244) Water Resources Fund

Water Resources Fund / Revenue Summary:

- Water Resources Fund has very little in dedicated revenue sources
 - Beginning in FY 2017 the primary source of funding comes from the General Fund Transfer-In to balance expenditures
 - General Fund is projected to continue funding Water Resources (244) Fund to balance 244-Fund expenditures
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements

Water Resources Fund: Total Revenue Trend

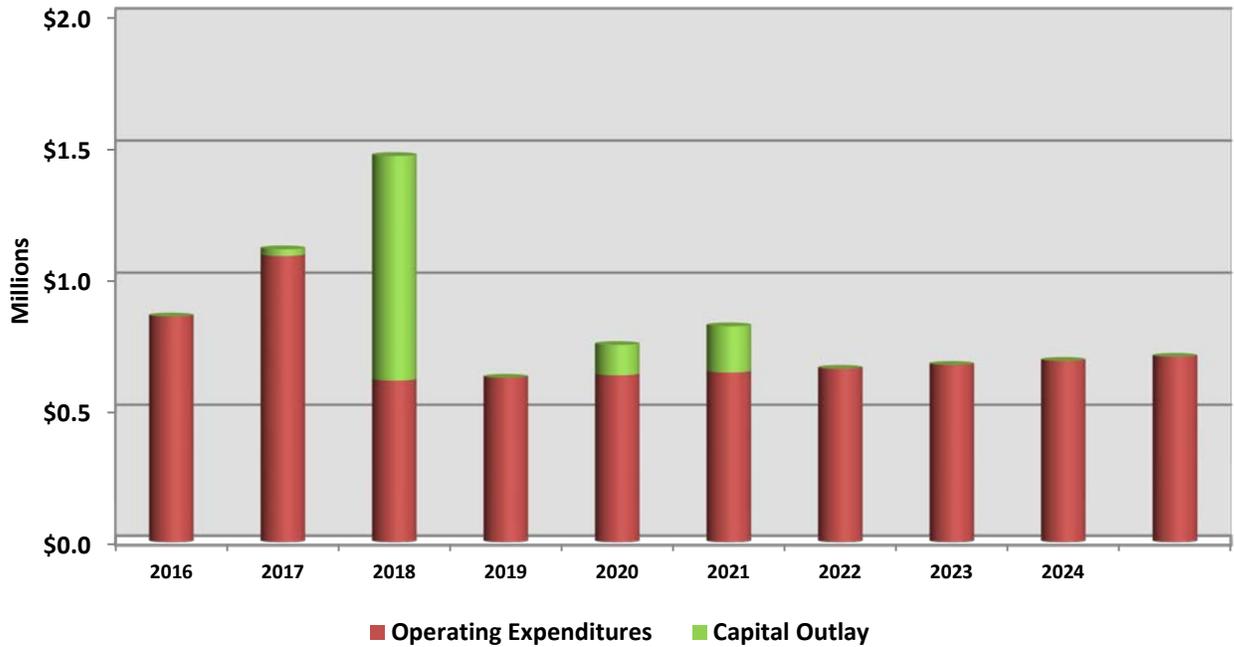


(244) Water Resources Fund

Water Resources Fund / Expenditure Summary:

- The increase in Capital Outlay in FY 2018 is due to Hamilton Relief Drain Repair and Avon Creek projects funded by Transfer-In from the General Fund (101)
- Capital projects included in 2019-2024 per the Adopted 2019-2024 CIP are proposed to be funded by Transfer-In from the Capital Improvement Fund (420)
 - No additional infrastructure projects are included in the projection at this time
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements

Water Resources Fund: Total Expenditure Trend

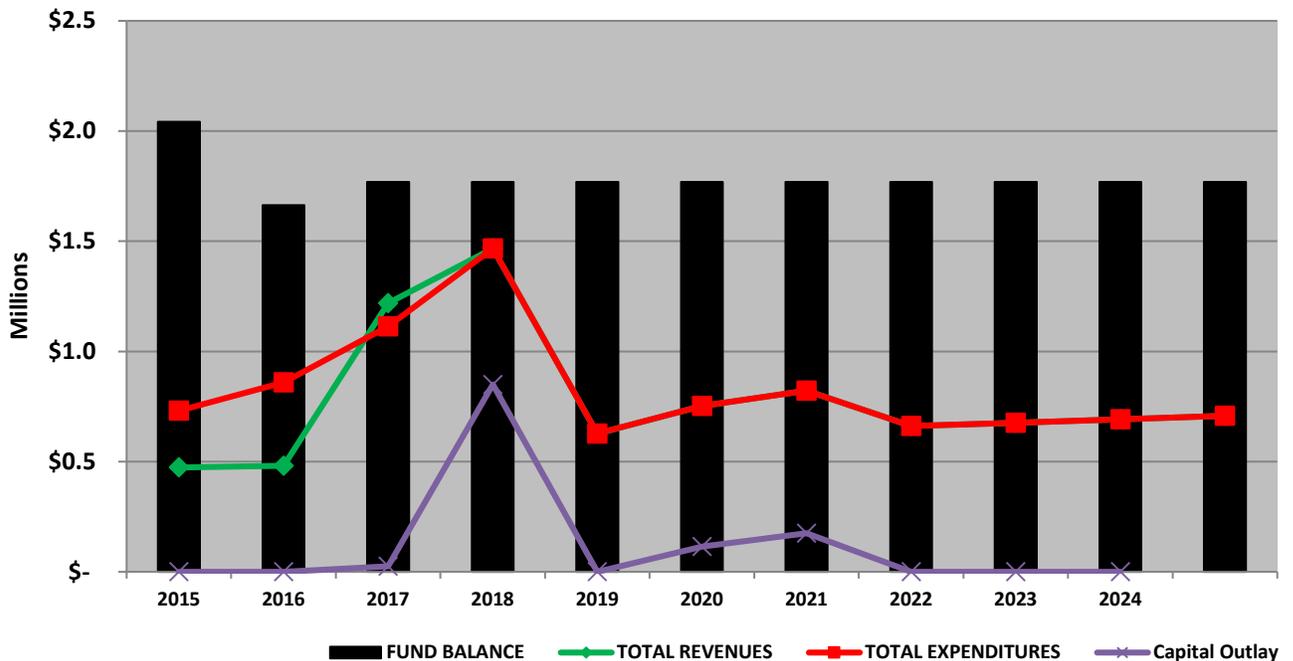


(244) Water Resources Fund

Water Resources Fund / Revenue, Expenditures, Changes in Fund Balance:

- No use of Water Resources Fund balance is projected
- Water Resources Fund has very little in dedicated revenue sources
 - Primary funding currently from General Fund transfer-in to balance operating expenditures
 - General Fund is projected to continue funding Water Resources (244) Fund to balance 244-Fund expenditures
 - Capital Improvement Fund is projected to fund Water Resources Fund (244) capital projects
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements

Water Resources Fund: Revenue / Expenditure / Fund Balance



Water Resources Fund / Takeaway Points

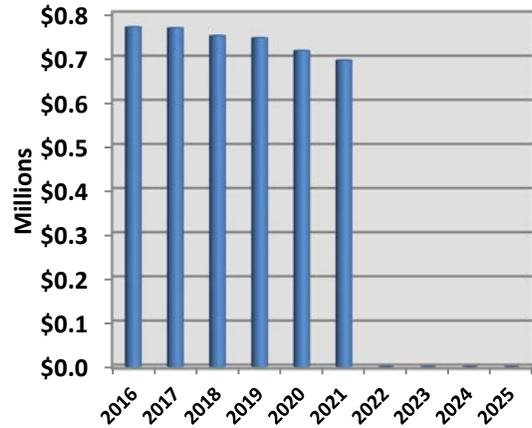
- General Fund is projected to continue funding Water Resources Fund (244) operations to balance expenditures
- Capital Improvement Fund is projected to fund Water Resources Fund (244) capital projects
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- Long-Term potential funding options should be explored as Storm Water infrastructure needs will begin to escalate into the future, this would cause a larger transfer-in from the General Fund and/or Capital Improvement Fund to finance the infrastructure costs

(369) OPC Building Debt Service Fund

OPC BUILDING DEBT SERVICE FUND

- For FY 2018, the primary source of OPC Building Debt revenue is Property Tax
- The last year the millage will be levied is for FY 2021
 - For FY 2021, it is estimated that the City will need to collect approximately \$700,000 through the OPC Building Debt millage to pay the final year of debt service
 - Estimated rate in the final year of OPC Building Debt millage = 0.1900 mill

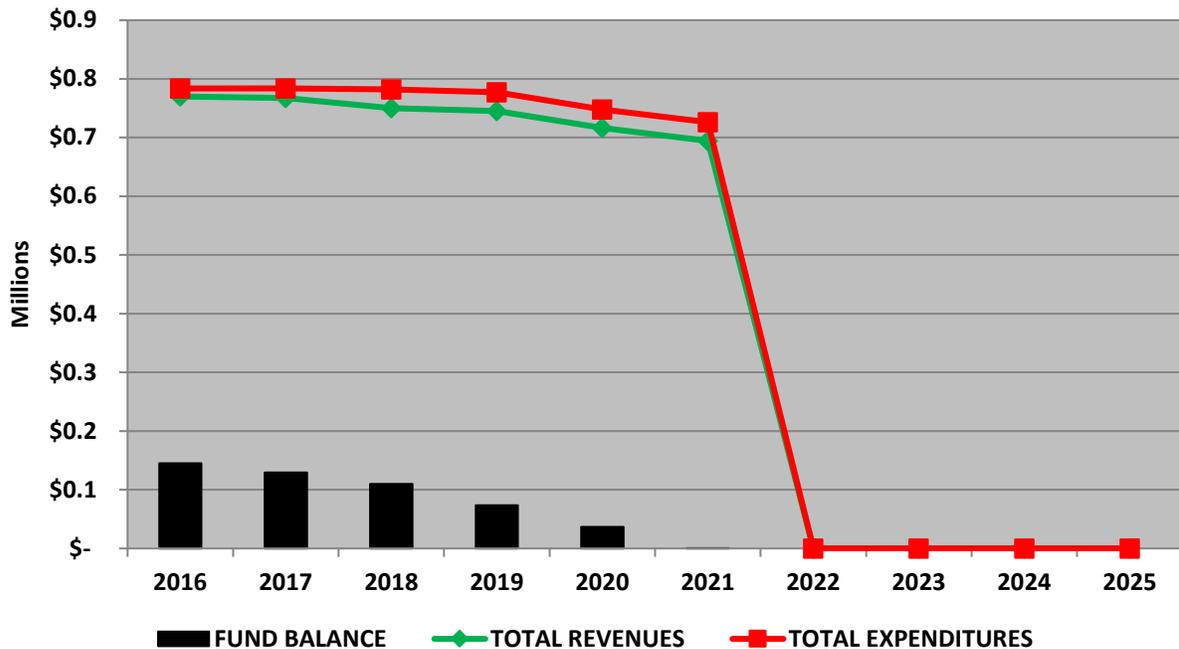
**OPC Building Debt Fund:
Property Tax Trend**



OPC Building Debt Fund / Revenue, Expenditures, Changes in Fund Balance:

- A portion of (369) OPC Building Debt fund balance is utilized each year over the remaining life of the debt issue

OPC Building Debt Fund: Rev / Exp / Fund Balance



OPC Building Debt Fund / Takeaway Points:

- The last year the OPC Building Debt millage will need to be levied covers FY 2021
 - For FY 2021, it is estimated that the City will need to collect approximately \$700,000 through the OPC Building Debt millage to pay the final year of debt service
 - Estimated rate in the final year of OPC Building Debt millage = 0.1900 mill

Final Thoughts of the Seven Year Forecast

- Like many governments nationwide and especially in the State of Michigan, the City of Rochester Hills faced a major economic downturn, which challenged our ability to deliver programs and services supported by property taxes and state revenues
- With City Council's support we have been able to manage through the worst of the economic storm
 - By City Council and Administration working together, we carefully prioritized services and programs
- As we have been told by the City's Auditor, the Long-Term Financial Forecast has helped the City to get ahead of issues and address them before they become greater problems
 - We have been able to use the projections of the Long-Term Financial Forecast to move the City to a three-year approach to budgeting
 - We have brought services and expenses in line with revenue resources
 - We have become pro-active on those issues affecting our ability to deliver services to our citizens
 - Including investments in infrastructure
- We appreciate Council's support, without it we might not have been able to manage during the economic downturn as successfully
- There will always be financial challenges but with careful planning many of these challenges can and will be turned into opportunities