

Seven Year Financial Forecast Fiscal Years 2012-2018

City of Rochester Hills



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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 the first 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
 - Continuing but slowing downturn in citywide taxable values
 - Moderation in funding from the state;
 - A somewhat tight credit market;
 - Improving unemployment levels; and
 - Weak consumer confidence and spending but showing some signs of improvement.



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Key Forecasting Points

● Revenues

- Our Base Year is the Amended (1st quarter) 2011 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)



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Forecasting Assumptions

Revenues

- **Taxable Values**

- -6.25%, FY 2012 *
- -5.0%, FY 2013 **
- -5.0%, FY 2014 **
- 0.0%, FY 2015 **
- 1.0%, FY 2016 **
- 1.0%, FY 2017 **
- 2.0%, FY 2018 **

* Actual

** Estimated

- **Interest Rates**

- 1.0%, 2012
- 1.5%, 2013
- 2.0%, 2014
- 3.0%, 2015
- 3.0%, 2016
- 3.0%, 2017
- 3.0%, 2018



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Forecasting Assumptions

Revenues Continued

- No new millage is introduced.
- All Millages expiring in the Forecasting timeline are renewed at current levels
- **State Shared Revenue**
 - 2.9%, 2012 *
 - 1.0%, 2013
 - 1.0%, 2014
 - 0.0%, 2015
 - 0.0%, 2016
 - 0.0%, 2017
 - 0.0%, 2018

* Reflects adjustment for 2010 census data



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Forecast Assumptions

Revenues Continued

- **Act 51 Revenue**
 - -1.0%, 2012
 - -1.0%, 2013
 - 0.0%, 2014
 - 0.0%, 2015
 - 0.0%, 2016
 - 0.0%, 2017
 - 0.0%, 2018
- Current Millage Rates only adjusted to Headlee Maximum if funding is needed to fill an operating short-fall.



Key Forecasting Points

● *Expenditures*

- *Our Base Year is the Amended (1st quarter) 2011 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
 - 0.0%, 2012
 - 0.0%, 2013
 - 0.5%, 2014
 - 1.0%, 2015
 - 1.0%, 2016
 - 1.0%, 2017
 - 1.0%, 2018
- Changes in Number of Employees
 - None - No additions and No Reductions



Forecast Assumptions

Expenditures Continued

- Health Care (Base Plan)

- 15.0%, 2012
- 10.0%, 2013 *
- 10.0%, 2014 *
- 10.0%, 2015 *
- 10.0%, 2016 *
- 10.0%, 2017 *
- 10.0%, 2018 *

* Assumes a change in the City's Base Health Care plan

- Change in City Share of Pension

- -1.0%, 2012 *
- 0.0%, 2013
- 0.0%, 2014
- 0.0%, 2015
- 0.0%, 2016
- 0.0%, 2017
- 0.0%, 2018

* Assumes a change based on current contract negotiation



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Forecast Assumptions

Expenditures Continued

- Inflation
 - General Citywide Inflation:
 - 1.00% Change
 - Capital Project Inflation:
 - 1.00% Change
- Sheriff Contract
 - 2.0%, 2012
 - 2.0%, 2013
 - 2.0%, 2014
 - 3.0%, 2015
 - 3.0%, 2016
 - 3.0%, 2017
 - 3.0%, 2018

Estimate Provided by Oakland Sheriff
Business Manger



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A Fund Level Focus to our Fiscal Forecast

- For the forecast to be effective we will focus the forecast on 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 revenues.
- Local Street Fund and the Water Resource Fund are the safety valves for General Fund.
 - Note: These two transfers were selected because the transfer was not funding a contract (like Special Police Fund) and the transfers are large enough to accomplish our balancing goal.



General Fund



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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 can have enough revenue to cover *maintenance costs*. We have *not* done that with the Water Resource Fund.
- The General Fund transfer to the Local Street Fund ***DOES NOT*** provide any funding for capital projects.

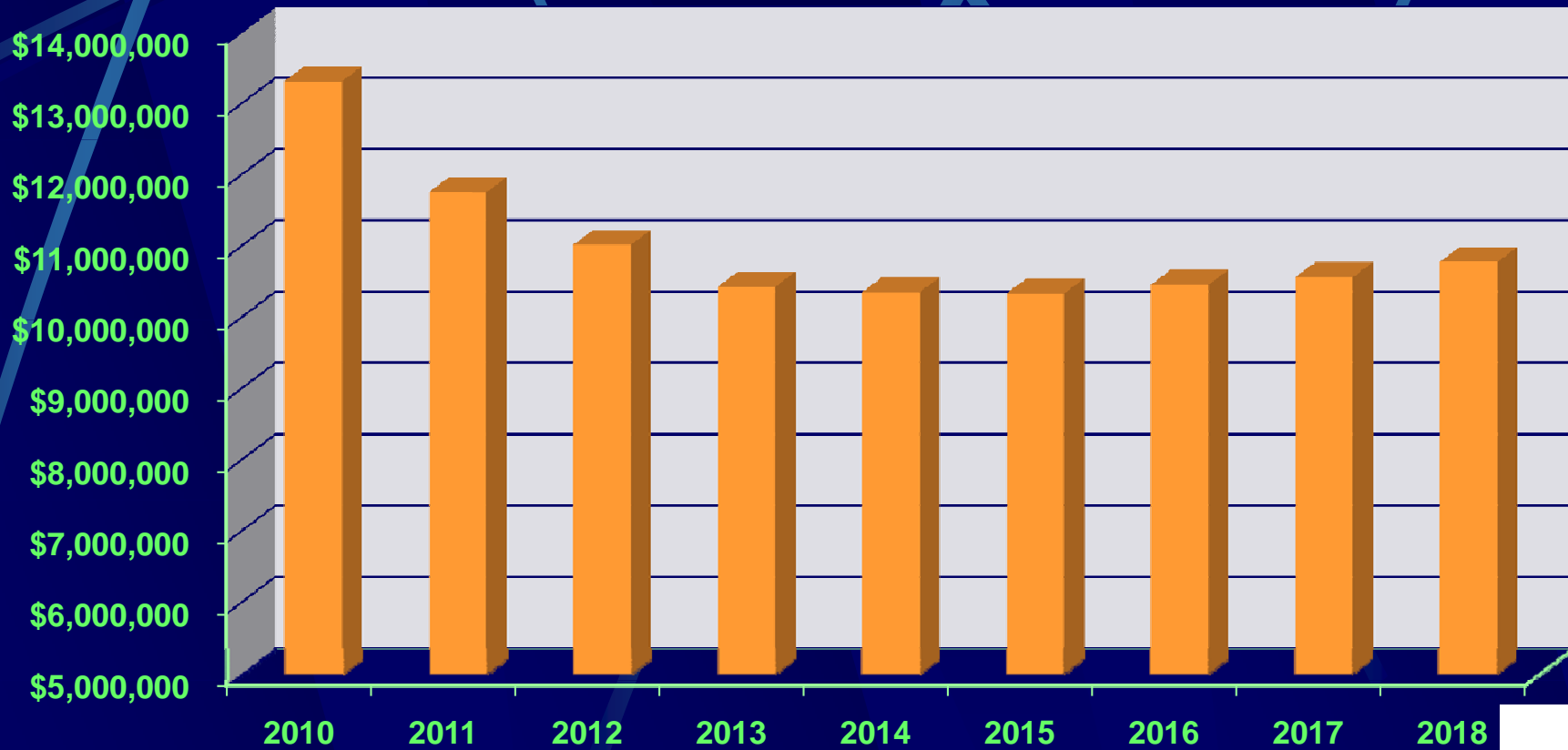


General Fund

Model Updated May 10, 2011									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	1st Qtr B/A	Projected	Projected	Projected	Estimated	Estimated	Estimated	Estimated
101 - General Fund									
City Taxes	\$ 13,316,478	\$ 11,758,130	\$ 11,020,740	\$ 10,434,290	\$ 10,356,610	\$ 10,339,620	\$ 10,461,940	\$ 10,567,170	\$ 10,778,510
Licenses & Permits	2,258,255	1,540,580	1,540,580	1,540,580	1,540,580	1,540,580	1,540,580	1,540,580	1,540,580
Intergovernmental Revenue	4,596,187	4,431,920	4,556,920	4,600,920	4,645,360	4,645,360	4,645,360	4,645,360	4,645,360
Inter-fund Charges	3,899,511	4,114,130	4,099,130	4,099,130	4,133,810	4,175,140	4,216,880	4,259,050	4,301,660
Service Charges	1,672,653	1,332,470	1,339,420	1,377,990	1,379,990	1,382,030	1,384,080	1,386,170	1,388,300
Fines & Forfeitures	14,902	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Investment Earnings	173,920	155,100	269,930	444,580	637,480	1,018,520	1,069,670	1,103,010	1,106,180
Other Revenue	128,069	111,530	86,530	86,530	86,530	86,530	86,530	86,530	86,530
Transfer-In	57,203	48,920	44,470	48,040	55,480	62,640	76,940	76,160	74,910
101 - General Fund	\$ 26,117,178	\$ 23,500,780	\$ 22,965,720	\$ 22,640,060	\$ 22,843,840	\$ 23,258,420	\$ 23,489,980	\$ 23,672,030	\$ 23,930,030
101 - General Fund									
Personnel Services	\$ 9,818,609	\$ 9,705,370	\$ 9,482,560	\$ 9,590,350	\$ 9,793,350	\$ 10,057,180	\$ 10,343,780	\$ 10,651,590	\$ 10,982,500
Operating Supplies	319,322	318,990	300,460	287,990	291,110	294,040	297,000	299,980	302,980
Professional Services	1,319,729	1,518,250	1,390,240	1,384,250	1,377,880	1,396,220	1,400,630	1,419,240	1,423,800
Interfold Charges	2,045,901	2,283,660	2,283,660	2,283,660	2,303,770	2,326,800	2,350,110	2,373,620	2,397,340
Other Expenses	205,716	207,150	205,340	195,670	197,400	199,680	202,000	204,360	206,750
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	8,385,269	6,843,180	6,379,160	6,625,730	7,096,120	7,340,680	7,837,690	8,723,240	8,616,660
101 - General Fund	\$ 22,094,546	\$ 20,876,600	\$ 20,041,420	\$ 20,567,650	\$ 21,059,650	\$ 21,614,600	\$ 22,431,210	\$ 23,672,030	\$ 23,930,030

General Fund Revenue

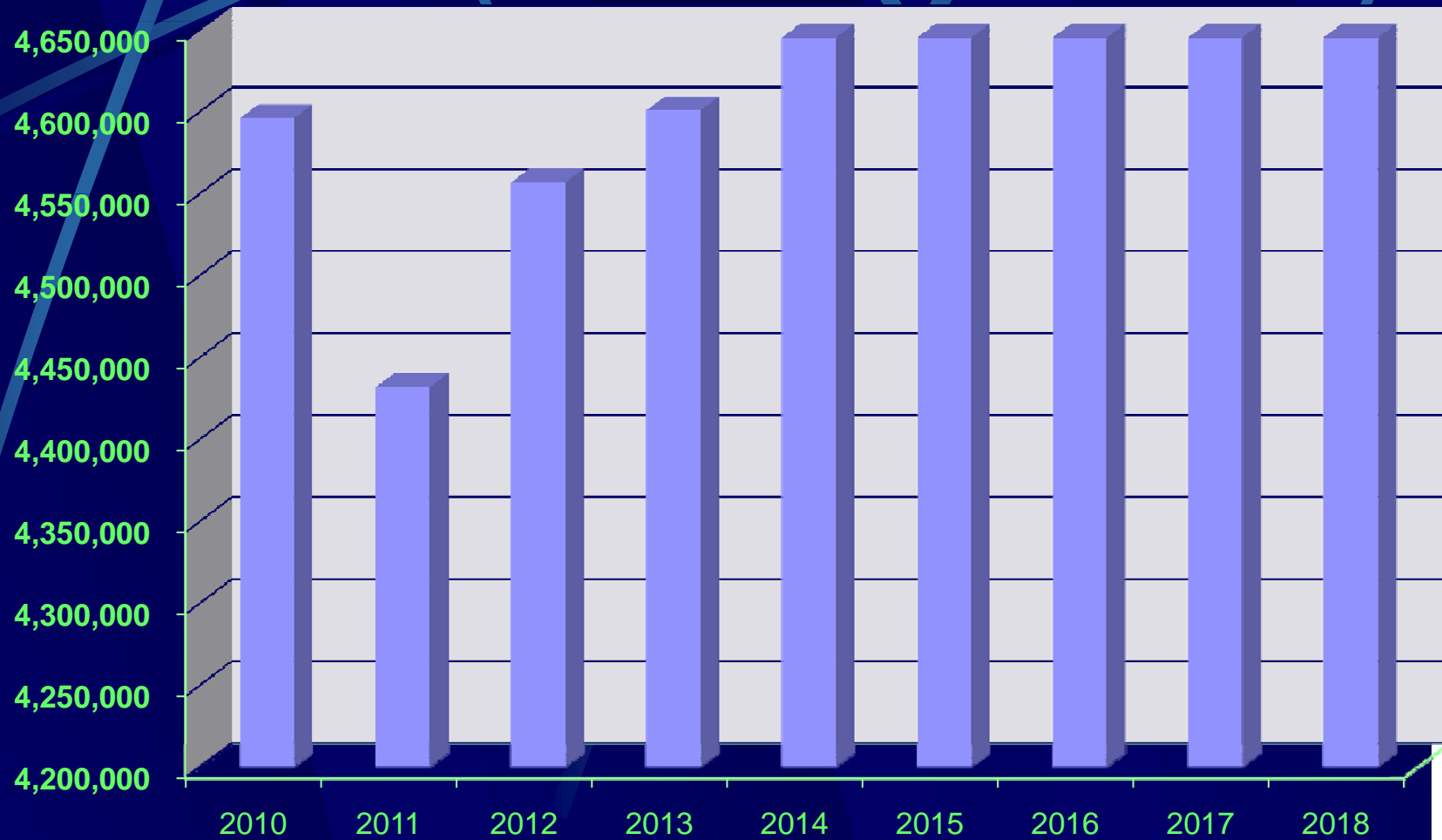
Property Taxes



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General Fund Revenue

State Shared Revenue



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General Fund Expenditures

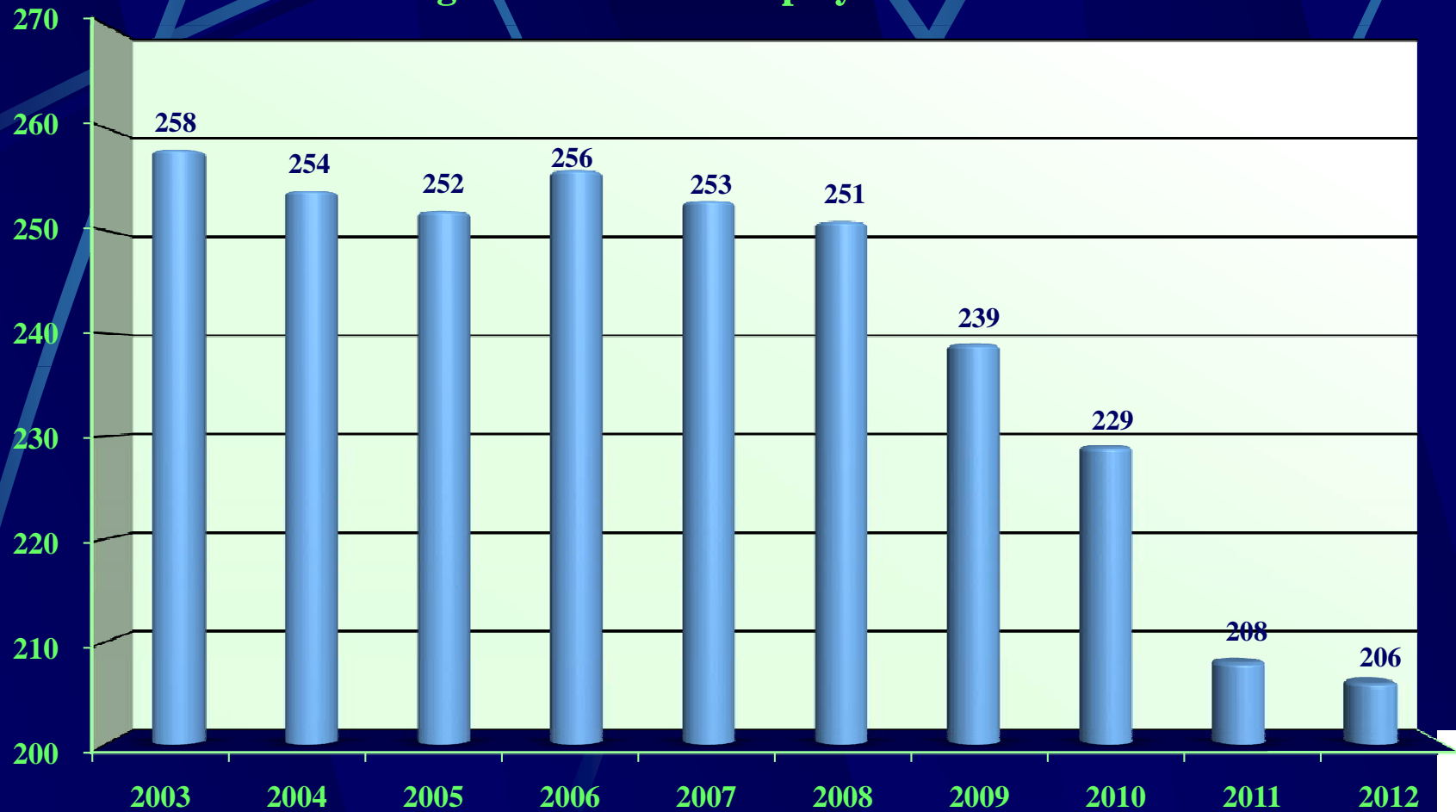
Personnel Services



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General Fund Expenditures

Budgeted Full-Time Employees



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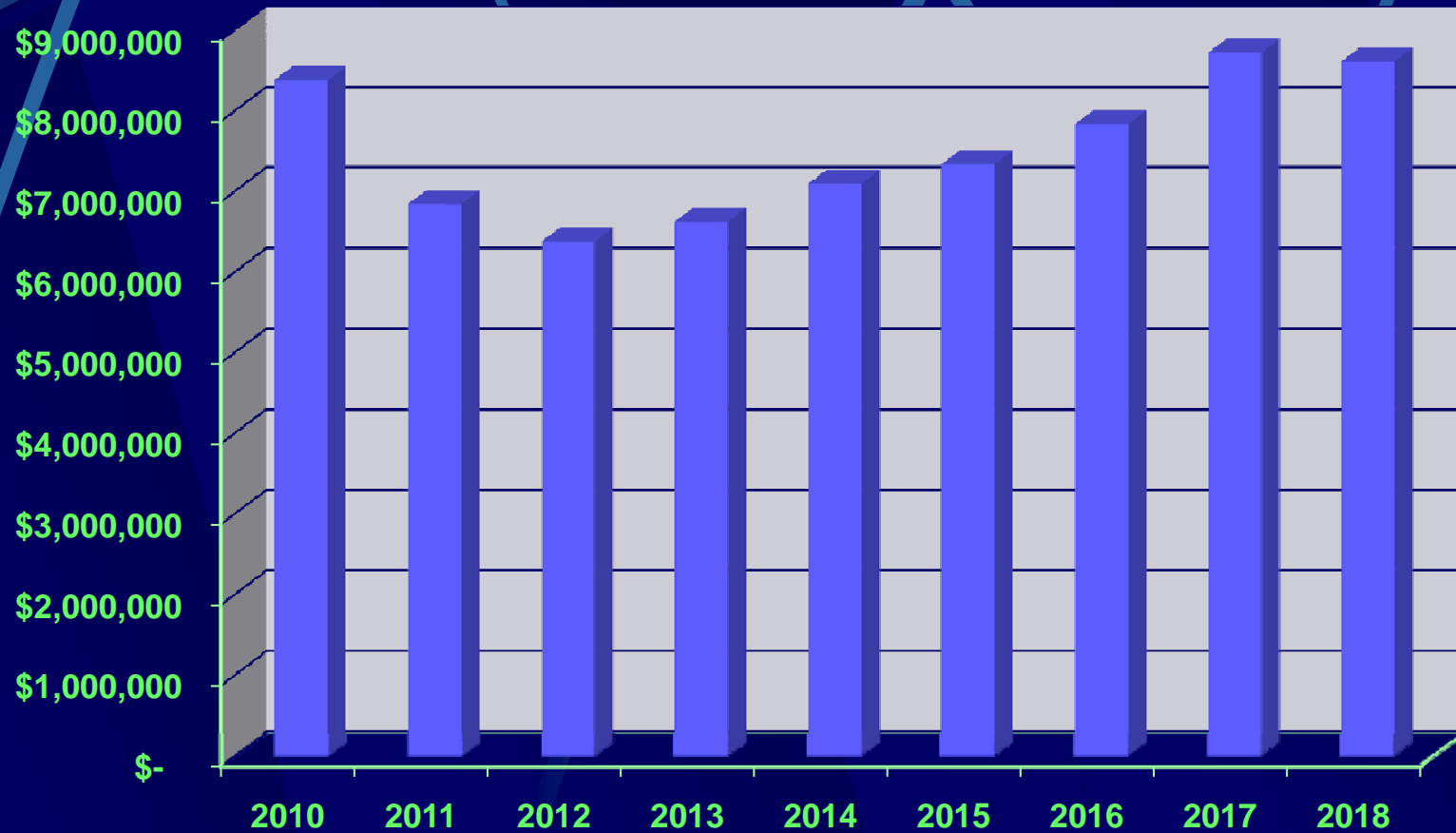
General Fund

Model Updated May 10, 2011

	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	1st Qtr B/A	Projected	Projected	Projected	Estimated	Estimated	Estimated	Estimated
990 - Transfer Out									
Transfer Out - Major Roads	\$ 352,389	\$ 313,080	\$ 293,500	\$ 278,820	\$ 264,880	\$ 264,880	\$ 267,530	\$ 270,210	\$ 275,610
Transfer Out - Local Streets	2,670,280	1,675,450	979,970	1,077,470	1,225,370	1,257,180	1,517,660	2,173,000	1,859,190
Transfer Out - Special Police	3,869,040	4,146,820	4,397,860	4,561,610	4,893,130	5,101,440	5,330,830	5,553,830	5,751,080
Transfer Out - Drain Maintenance Fund	856,660	-	-	-	-	-	-	-	-
Transfer Out - Capital Improve. Fund	97,000	165,000	165,000	165,000	164,850	164,850	164,850	164,850	164,850
Transfer Out - Facilities (Common Area)	436,200	439,130	439,130	439,130	443,520	447,960	452,440	456,960	461,530
Transfer Out - Supple Retiree Health Trust	103,700	103,700	103,700	103,700	103,700	103,700	103,700	103,700	103,700
TRANSFER OUT	\$ 8,385,269	\$ 6,843,180	\$ 6,379,160	\$ 6,625,730	\$ 7,096,120	\$ 7,340,680	\$ 7,837,690	\$ 8,723,240	\$ 8,616,660

General Fund Expenditures

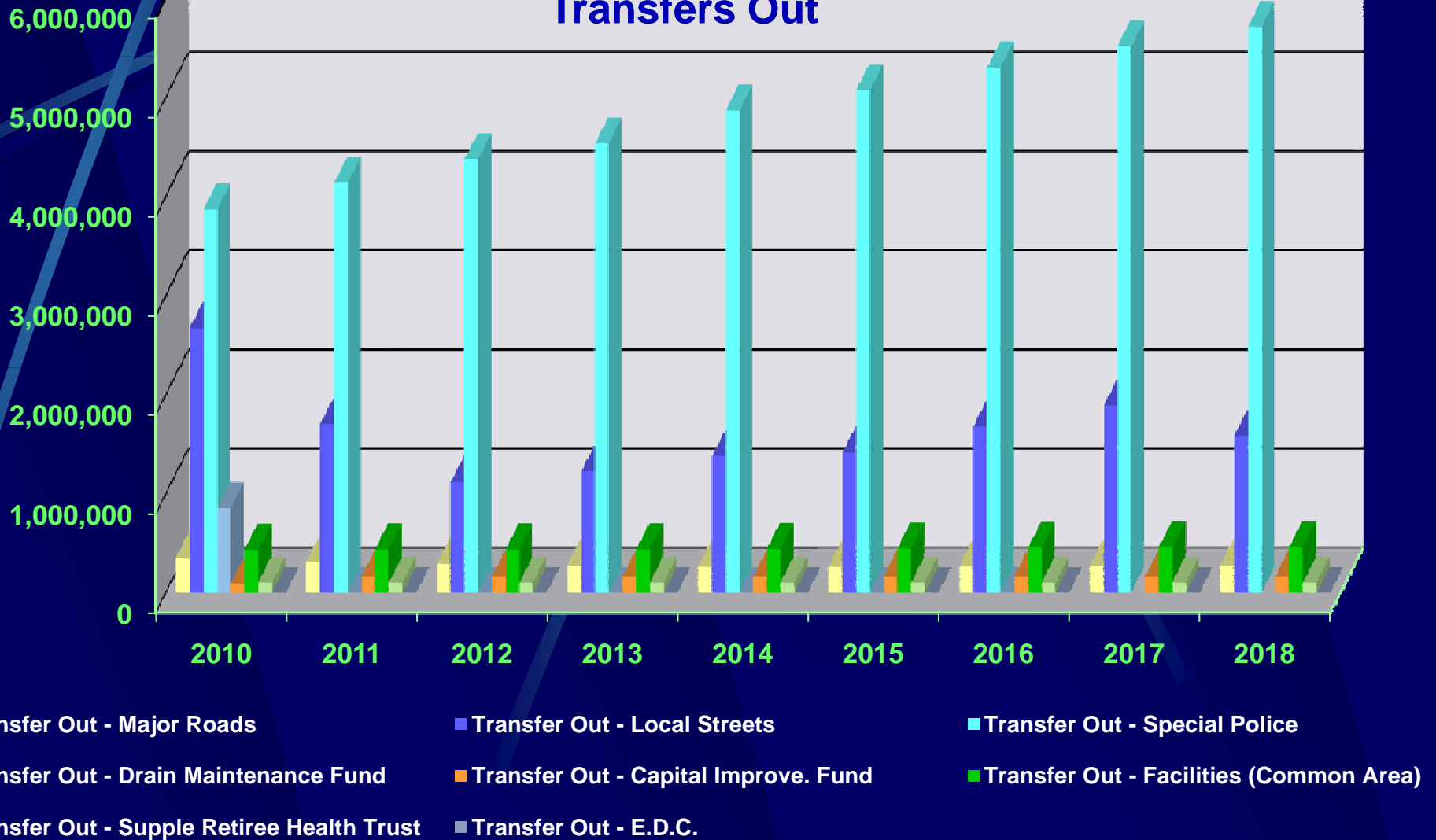
Transfer Out



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General Fund Expenditures

Transfers Out



General Fund

Important Take Ways

- Approximately 1/3 of all 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. The fiscal soundness comes by reducing General Fund transfers to Local Streets, Water Resource Fund and possibility, in the future, Police services if further General Fund expense to revenue balancing is needed.



Major Road Fund



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Major Road Fund

Model Updated May 10, 2011									
	2010 Actual	2011 1st Qtr B/A	2012 Projected	2013 Projected	2014 Projected	2015 Estimated	2016 Estimated	2017 Estimated	2018 Estimated
202 - Major Road Fund									
City Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	3,657,722	4,024,060	2,820,570	2,792,370	2,792,370	2,792,370	2,792,370	2,792,370	2,792,370
Interfund Charges	28,399	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Service Charges	207,246	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500
Fines & Forfeitures	-	-	-	-	-	-	-	-	-
Investment Earnings	139,217	108,100	137,320	198,720	232,190	314,540	161,930	32,110	19,900
Other Revenue	118,683	35,500	35,500	35,500	35,500	35,500	35,500	35,500	35,500
Transfer-In	677,389	513,080	493,500	1,246,400	464,880	464,880	467,530	470,210	475,610
202 - Major Road Fund	\$ 4,828,655	\$ 4,905,240	\$ 3,711,390	\$ 4,497,490	\$ 3,749,440	\$ 3,831,790	\$ 3,681,830	\$ 3,554,690	\$ 3,547,880
202 - Major Road Fund									
Personnel Services	\$ 680,281	\$ 803,220	\$ 819,750	\$ 832,430	\$ 844,790	\$ 867,650	\$ 892,150	\$ 918,410	\$ 946,610
Operating Supplies	113,826	204,270	204,270	204,270	206,320	208,380	210,470	212,570	214,700
Professional Services	469,352	496,630	365,630	360,630	353,990	367,530	360,810	374,570	367,760
Interfund Charges	721,745	906,040	916,380	917,020	926,520	936,130	945,830	955,650	965,560
Other Expenses	1,485	2,300	2,300	2,300	2,320	2,340	2,360	2,380	2,400
Capital Outlay	1,524,024	3,684,610	693,750	2,616,270	1,335,000	5,296,930	4,537,130	617,250	835,320
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	582,190	1,144,410	1,193,060	1,203,260	1,205,500	1,239,760	1,060,210	881,110	840,850
202 - Major Road Fund	\$ 4,092,903	\$ 7,241,480	\$ 4,195,140	\$ 6,136,180	\$ 4,874,440	\$ 8,918,720	\$ 8,008,960	\$ 3,961,940	\$ 4,173,200
	\$ 735,752	\$ (2,336,240)	\$ (483,750)	\$ (1,638,690)	\$ (1,125,000)	\$ (5,086,930)	\$ (4,327,130)	\$ (407,250)	\$ (625,320)

Capital Outlay based on CIP. The CIP plan will be revised as project(s) get new and updated time frames, costs and city share requirements

Major Road Fund Fund Balance

<i>Model Updated May 10, 2011</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	2nd Qtr B/A	Projected	Projected	Projected	Estimated	Estimated	Estimated	Estimated
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 735,752	\$ (2,336,240)	\$ (483,750)	\$ (1,638,690)	\$ (1,125,000)	\$ (5,086,930)	\$ (4,327,130)	\$ (407,250)	\$ (625,320)
BEGINNING FUND BALANCE	\$ 15,332,439	\$16,068,191	\$ 13,731,951	\$13,248,201	\$11,609,511	\$10,484,511	\$ 5,397,581	\$ 1,070,451	\$ 663,201
ENDING FUND BALANCE	\$ 16,068,191	\$13,731,951	\$ 13,248,201	\$11,609,511	\$10,484,511	\$ 5,397,581	\$ 1,070,451	\$ 663,201	\$ 37,881

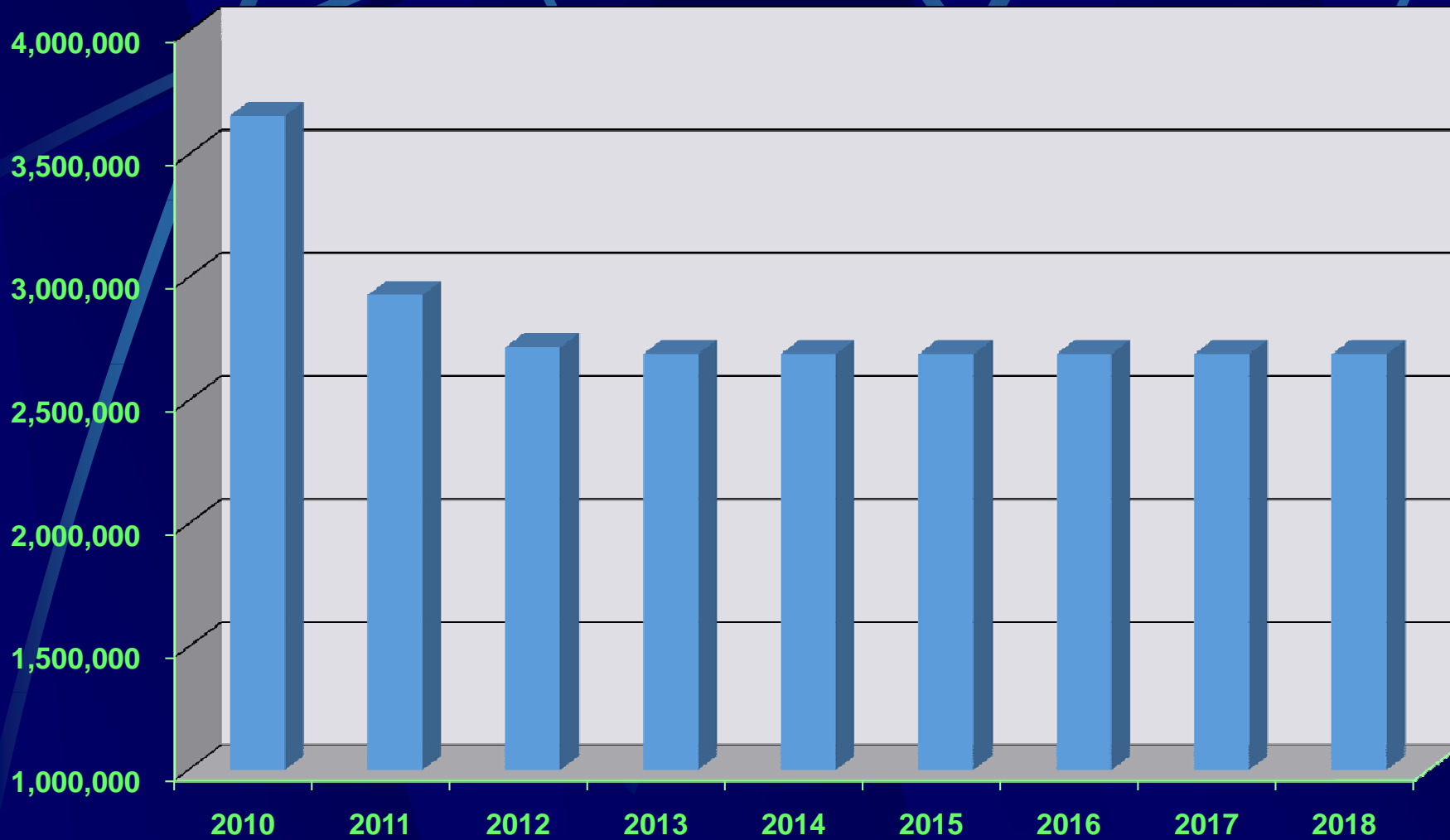
As CIP project plan gets revised so will the need to use the fund's fund balance. It is not our intent to let the fund's fund balance become negative.



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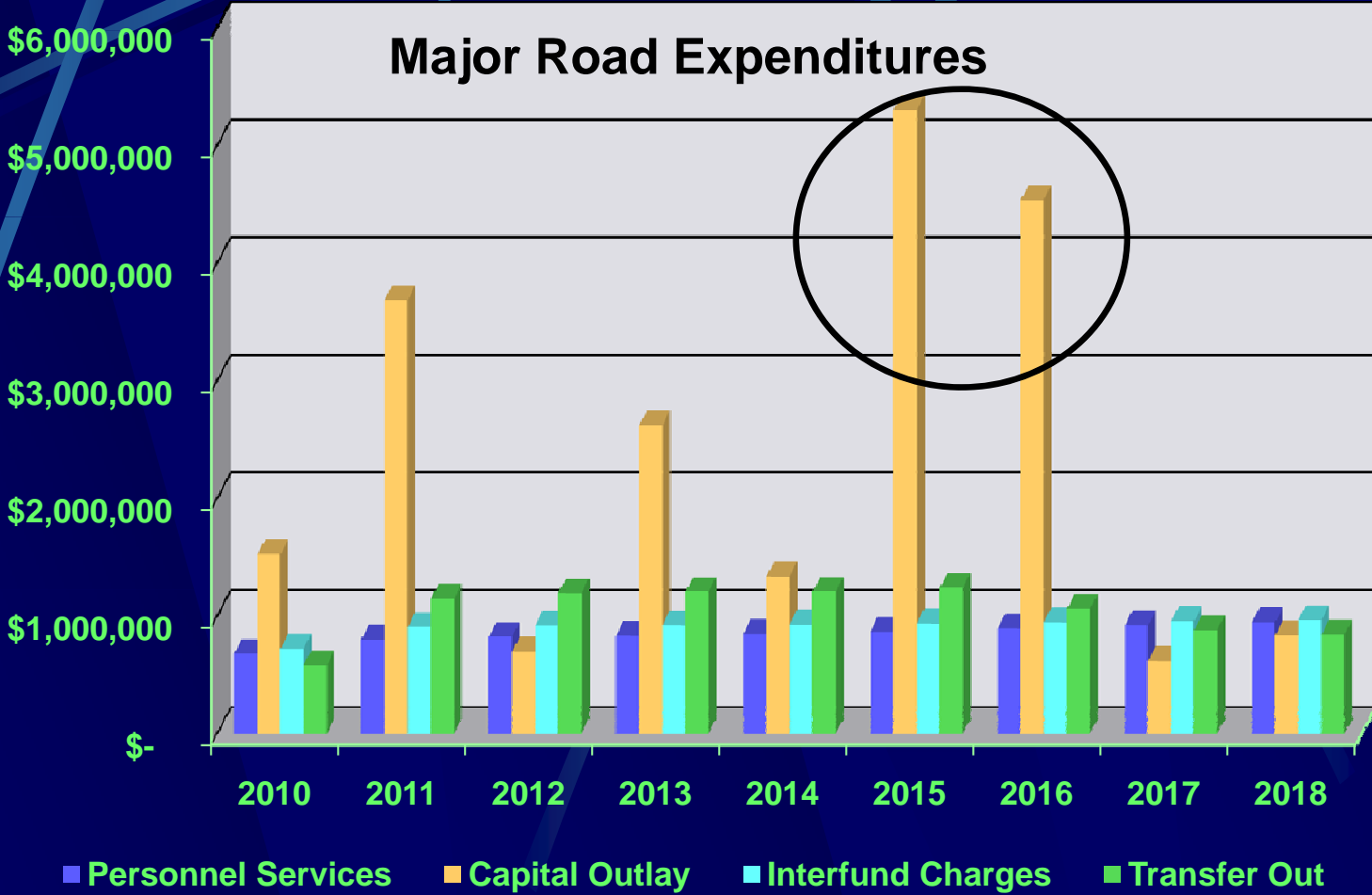
Major Road Fund

Gas & Weight Tax



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Major Road Fund



The City has Leveraged the Major Road Fund Balance well

<u>Project Name</u>	<u>Project Cost</u>	<u>City Share \$ & %</u>
M-59	\$60,000,000	\$473,000 or .8%
Walton Blvd Rehabilitation	\$2,800,000	\$339,546 or 12%
Adams Rd Rehabilitation	\$1,264,000	\$255,500 or 20%
Crooks Rd Reconstruction	\$3,475,000	\$137,500 or 4%
Dequindre Road	\$1,762,250	\$35,230 or 2%

Major Road Fund

Important Take Away

- Receives more in Act 51 funds than it needs for maintenance costs at the present time
- The difference it receives in Act 51 funding and what the fund needs for maintenance costs is used to provide support for Local Roads
- The fund's fund balance is used for construction projects.
- The fund will need to be more selective in its future capital projects because there are more projects than fund balance.

