

CITY OF ROCHESTER HILLS



SEVEN YEAR FINANCIAL FORECAST For Fiscal Years 2017 – 2023



innovative *by* nature

June 6, 2016

We are pleased to present the Rochester Hills City Council 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. The forecast is intended to identify financial trends, issues, and opportunities so the City can **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 through a set of financial assumptions to see the impact of those service levels, programs, and policies into the future.

The Seven-Year Financial Forecast is not intended to be a budget, a proposed spending plan, or a policy recommendation.

As the name implies, this process is a forecast not a 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 appropriately. The forecast helps to identify 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.

Overall Revenue Assumptions Used in the June 2016 Forecast:

- **Taxable Value:**

- FY 2018 = + 1.75%
- FY 2019 = + 1.50%
- FY 2020-23 = + 1.25%

- *Based upon estimates from City Assessing Department*

- **Millage Rate:**

| OPERATING MILLAGE | Actual 2016 | Projected 2017 | Projected 2018 | Projected 2019 | Estimated 2020 | Estimated 2021 | Estimated 2022 | Estimated 2023 |
|--------------------------------------|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Charter Operating | 2.0275 | 2.1012 | 2.0706 | 2.0422 | 2.0401 | 2.0589 | 2.2137 | 2.1602 |
| Local Street I | 0.3542 | 0.3507 | 0.3507 | 0.3507 | 0.3507 | 1.1249 | 1.1249 | 1.1249 |
| Local Street II | 0.4851 | 0.4803 | 0.4803 | 0.4803 | 0.4803 | - | - | - |
| Local Street III | 0.2969 | 0.2939 | 0.2939 | 0.2939 | 0.2939 | - | - | - |
| Fire Fund | 2.7000 | 2.7000 | 2.7000 | 2.7000 | 2.7000 | 2.7000 | 2.7000 | 2.7000 |
| Special Police I | 1.2073 | 1.1954 | 1.1954 | 1.1954 | 1.1954 | 1.1954 | 1.1954 | 1.1954 |
| Special Police II | 1.6036 | 1.5716 | 1.6071 | 1.6405 | 1.6541 | 1.6444 | 1.6970 | 1.7505 |
| Pathway | 0.1856 | 0.1837 | 0.1837 | 0.1837 | 0.1837 | 0.1837 | 0.1837 | 0.1837 |
| RARA: Operating | 0.1948 | 0.1928 | 0.1928 | 0.1928 | 0.1928 | 0.1928 | 0.1928 | 0.1928 |
| OPC: Transportation | 0.1000 | 0.0990 | 0.0990 | 0.0990 | 0.0990 | 0.0990 | 0.0990 | 0.0990 |
| OPC: Operating | 0.2401 | 0.2377 | 0.2377 | 0.2377 | 0.2377 | 0.2377 | 0.2377 | 0.2377 |
| Library: Operating | 0.7816 | 0.7739 | 0.7739 | 0.7739 | 0.7739 | 0.7739 | 0.7739 | 0.7739 |
| TOTAL OPERATING MILLAGE | 10.1767 | 10.1802 | 10.1851 | 10.1900 | 10.2015 | 10.2107 | 10.4181 | 10.4181 |
| DEBT MILLAGE | | | | | | | | |
| Drain Debt Fund | 0.0426 | 0.0424 | 0.0424 | 0.0424 | 0.0424 | 0.0424 | 0.0424 | 0.0424 |
| Older Persons Refunding: 2010 Series | 0.2412 | 0.2379 | 0.2330 | 0.2281 | 0.2166 | 0.2074 | - | - |
| TOTAL DEBT MILLAGE | 0.2838 | 0.2803 | 0.2754 | 0.2705 | 0.2590 | 0.2498 | 0.0424 | 0.0424 |
| TOTAL MILLAGE RATE | 10.4605 | 10.4605 | 10.4605 | 10.4605 | 10.4605 | 10.4605 | 10.4605 | 10.4605 |

- The bottom line City millage rate of **10.4605** is held consistent throughout the forecast period of 2017-2023
 - 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 2017-23 = + 2.0% per year
 - *Based upon recent Legislative update from State Representative Webber*

Overall Revenue Assumptions Used in the June 2016 Forecast:

- **Act 51 Revenue**

- FY 2017-23 = + 2.5% per year
 - *Based upon recent Legislative update from State Representative Webber (for FY 2017-2018)*
 - *Based upon recent changes in legislation from the State of Michigan, and as reported by State Representative Webber, it is possible that Act 51 revenues could increase significantly beginning in FY 2019*
 - *The City is taking a conservative approach to this news and will continue to monitor the issue and adjust assumptions as more information is known*
- Please note: Per MDOT Act 51 requirements:
 - *75% of Act 51 Revenue is received into the (202) Major Road Fund*
 - *25% of Act 51 Revenue is received into the (203) Local Street Fund*

- **Interest Rates ***

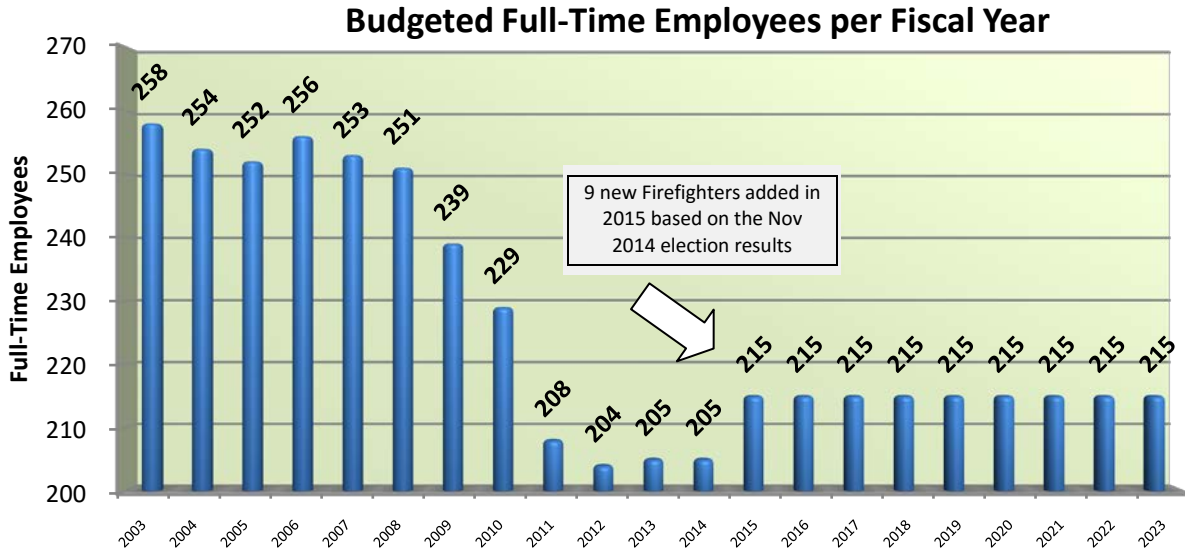
- FY 2017 = + 0.50%
- FY 2018 = + 1.00%
- FY 2019 = + 1.50%
- FY 2020-23 = + 2.00%
- * = *Estimated By City Treasurer*

- **2016 Budget Information**

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

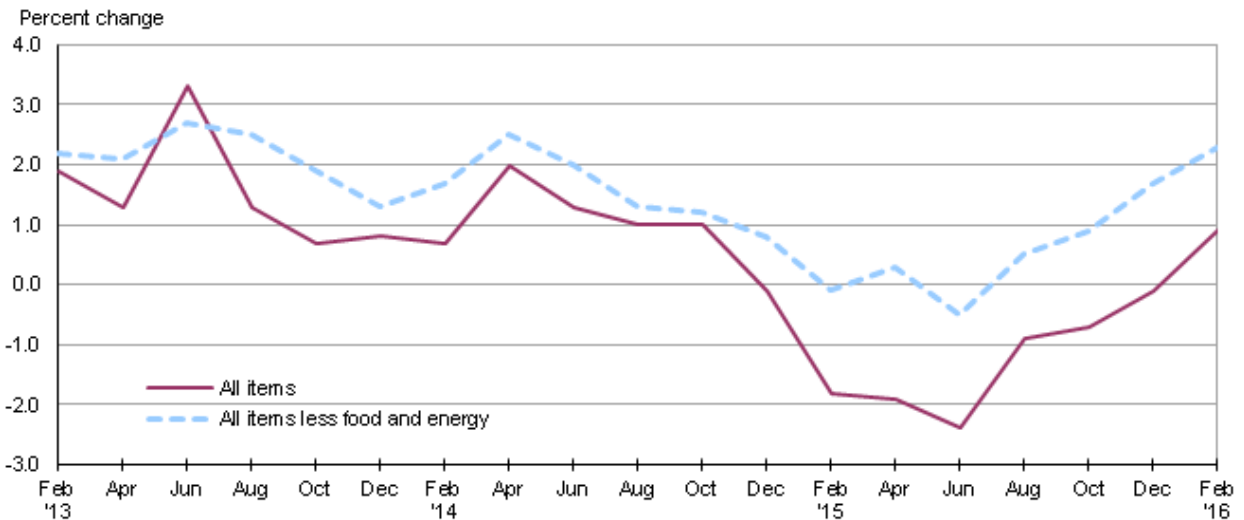
Overall Expenditure Assumptions Used in the June 2016 Forecast:

- **Change in Number of Employees**
 - No change



- **Salary and Wages**
 - FY 2017-2023 = + 2.0% per year
 - Based on recent Union contract annual wage adjustments
- **Health Care**
 - FY 2017-2023 = + 9.0% per year
 - Based on information provided by City's Healthcare broker
- **General Inflation**
 - FY 2017-2023 = + 2.0% per year

Chart 1. Over-the-year percent change in CPI-U, Detroit, February 2013–February 2016



Source: U.S. Bureau of Labor Statistics.

Overall Expenditure Assumptions Used in the June 2016 Forecast:

- **Sheriff Contract**
 - No change in number of deputies contracted
 - Maintain 58 officers
 - FY 2017-2023 = + 3.0% per year
 - *Based on information provided by OCSO Business Manger*

- **Capital Projects**
 - All capital projects were reviewed and updated with revised cost estimates based upon current market conditions as part of the FY 2017-2022 CIP process

7-Year Forecast / Summary of Takeaway Points

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
- It is currently forecasted for the General Fund to continue an annual transfer of funding to the Local Street Fund (203) in order to balance the General Fund so that General Fund revenues equal General Fund expenditures

Major Road Fund / Takeaway Points:

- Act 51 Gasoline Tax revenue is projected to increase 2.5% per year
 - *Legislation recently passed by the State of Michigan suggests that beginning in FY 2019, this revenue source could increase significantly*
 - *Administration feels it is prudent to forecast revenue using current trends*
- Capital Outlay costs for 2017-2023 include all Major Road projects (with updated project budgets) as included in the Adopted 2017-2022 CIP
- It is projected for the Major Road fund balance levels to increase into the future

Local Street Fund / Takeaway Points:

- Using the current forecast assumptions, the Local Street Fund appears able to support an annual Local Street Rehabilitation program of \$5 million per year

Fire Operating Fund / Takeaway Points:

- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to fully fund annual operations

Fire Capital Fund / Takeaway Points:

- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund
- Shortly after the time period included as part of this 7-Year Forecast, the Fire Capital Fund is projected to require additional funding options
- The current projected annual transfer-in from (206) Fire Operating millage is projected to be inadequate to provide for long-term Fire capital needs

Special Police Fund / Takeaway Points:

- 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

Water Resources Fund / Takeaway Points

- It is currently projected that the Water Resources Fund will require additional funding after FY 2019
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- As part of the SAW Grant process, consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs for the fund

OPC Building Debt Fund / Takeaway Points:

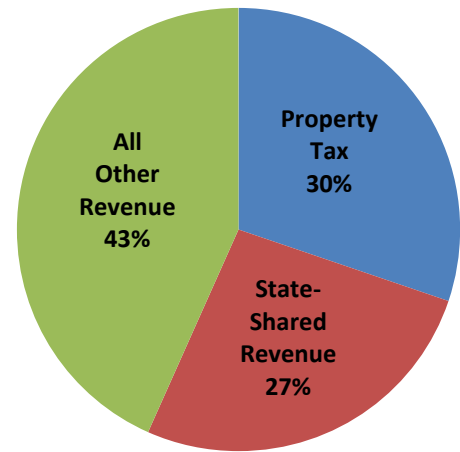
- The last year the OPC Building Debt millage will need to be levied covers FY 2021
 - For FY 2021, it is estimated that the City will need to collect approximately \$700,000 through the OPC Building Debt millage to pay the final year of debt service
 - Estimated rate in the final year of OPC Building Debt millage = 0.2074 mill

Financial Forecast – General Fund (101)

GENERAL FUND / REVENUES:

- For FY 2016, the primary sources of General Fund revenue are:
 - 30% = Property Tax
 - 27% = State Share Revenue
 - 43% = All Other Revenue
 - Charges for Services, License & Permits

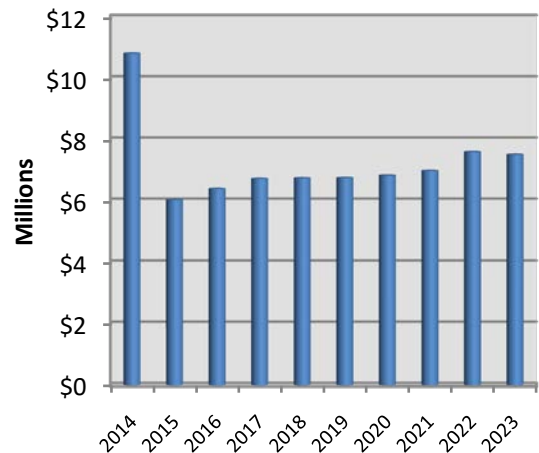
**General Fund:
FY 2016 Revenue Sources**



General Fund / Property Tax Revenue:

- The decrease in Property Tax in FY 2015 is due to the voter approved Police II millage
 - 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
- 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

**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 1.0% per year

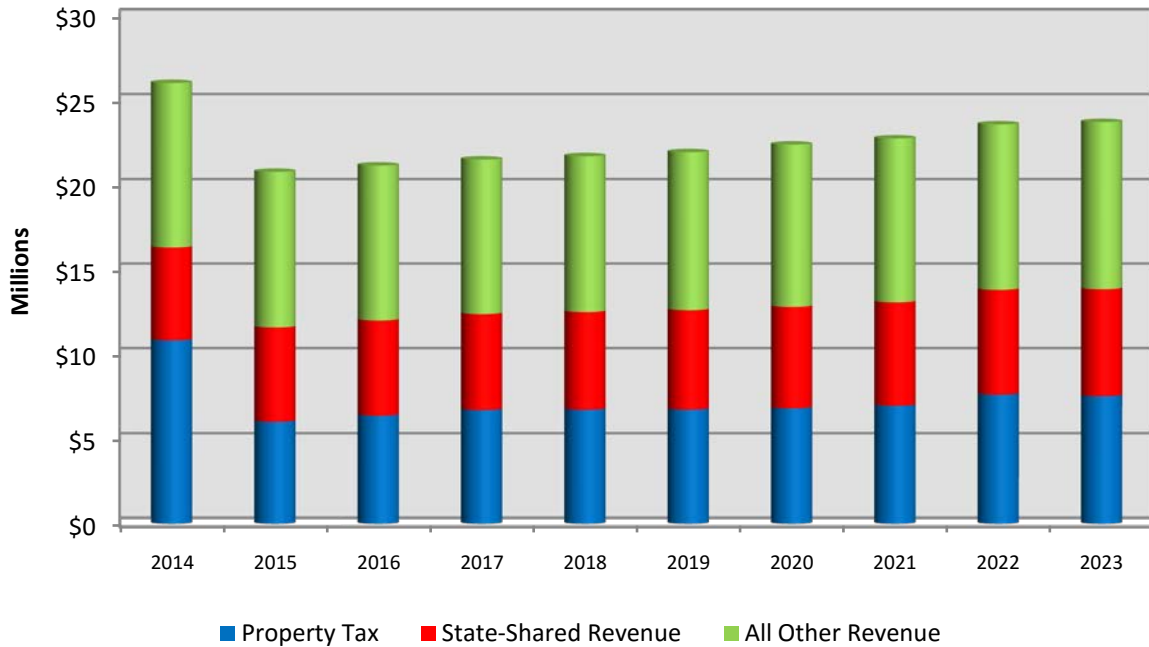
**General Fund:
All Other Revenues Trend**



General Fund / Revenue Summary:

- General Fund total revenues are projected to increase by an average of 1.75% per year

General Fund: Total Revenue Trend

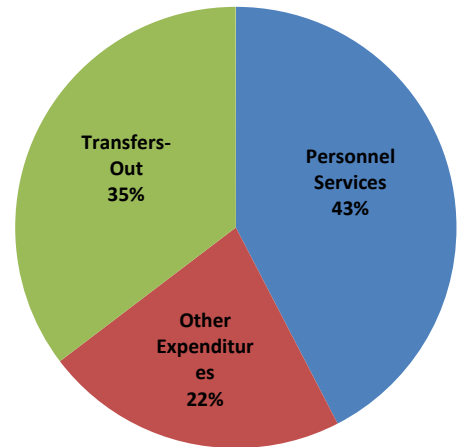


Financial Forecast – General Fund (101)

GENERAL FUND / EXPENDITURES:

- For FY 2016, the primary sources of General Fund expenditures are:
 - 43% = Personnel Services
 - 22% = Other Expenditures
 - Supplies, Services, Interfund Charges, Memberships, etc...
 - 35% = Transfers-Out

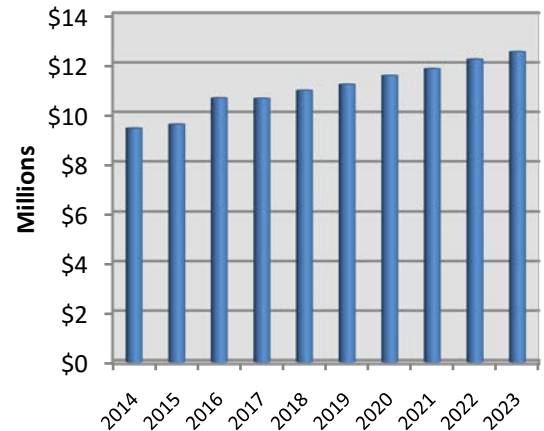
**General Fund:
FY 2016 Expenditure Sources**



General Fund / Personnel Services:

- Salary and Wages are projected to increase 2.0% per year
- Health Care is projected to increase 9.0% per year
- The increase from FY 2014-15 to 2016 is primarily due to personnel vacancies in 2014-15 resulting in lower expenditures than budgeted

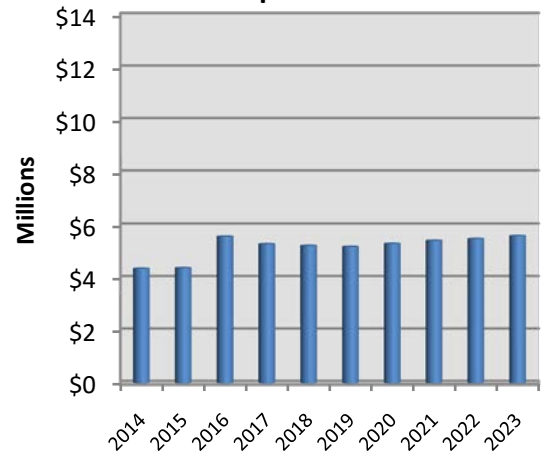
**General Fund:
Personnel Services Trend**



General Fund / Other Expenditures:

- Supplies, Materials, Professional & Contractual Services, Interfund Charges (Facilities & MIS), Printing & Publishing, etc...
- Other expenditures are projected to increase 2.0% per year
- The increase from FY 2014-15 to 2016 is primarily due to various departments working within their departmental budgets

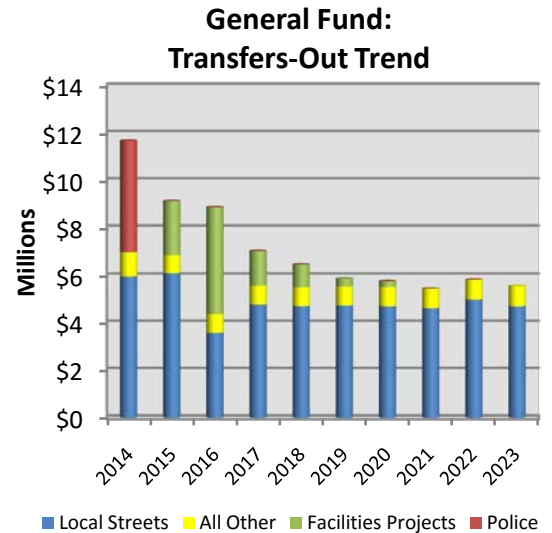
**General Fund:
Other Expenditures Trend**



Financial Forecast – General Fund (101)

General Fund / Transfers-Out:

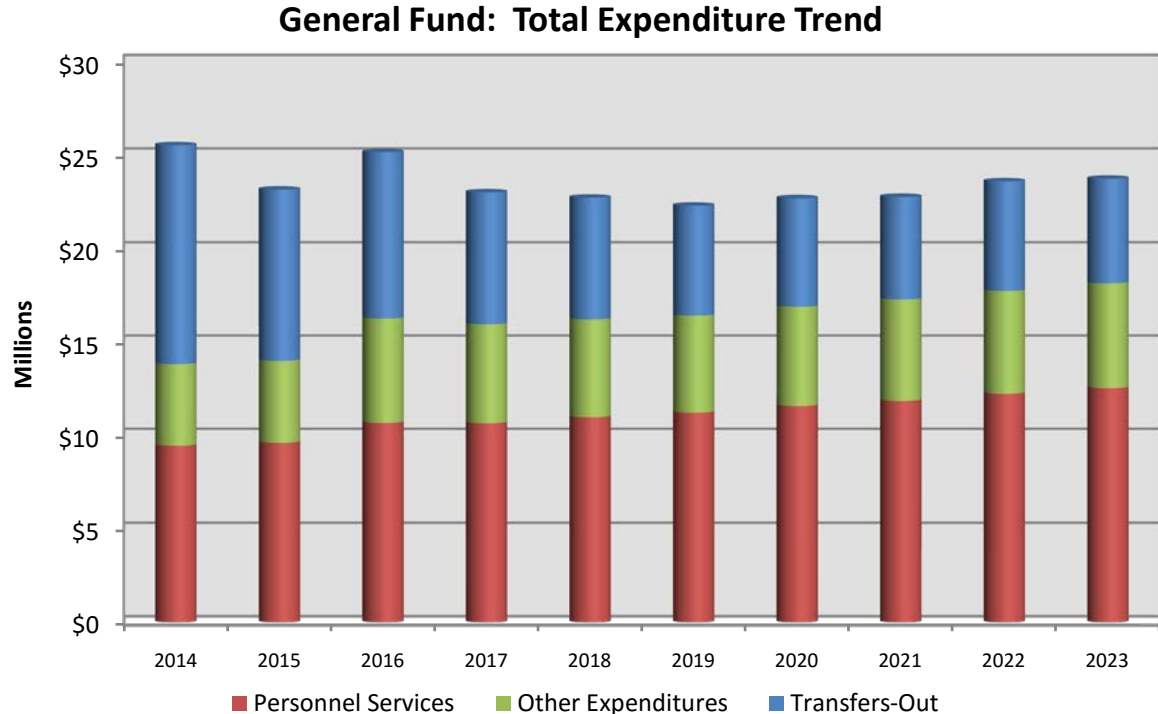
- The decrease in Transfer-Out from 2014 to 2015 is due to the voter approved Police Millage II
- FY 2015-2016 Facilities Projects include the Fire Station Renovations
- FY 2017-2020 Facilities Projects include primarily “Park” related projects as included in the 2017-2022 CIP
 - Please note: “Park” related projects as included in the 2017-2022 CIP are currently forecasted to be funded from General Fund Balance



- It is currently forecasted for the General Fund to continue an annual transfer of funding to the Local Street Fund (203) in order to balance the General Fund so that General Fund revenues equal General Fund expenditures

General Fund / Expenditure Summary:

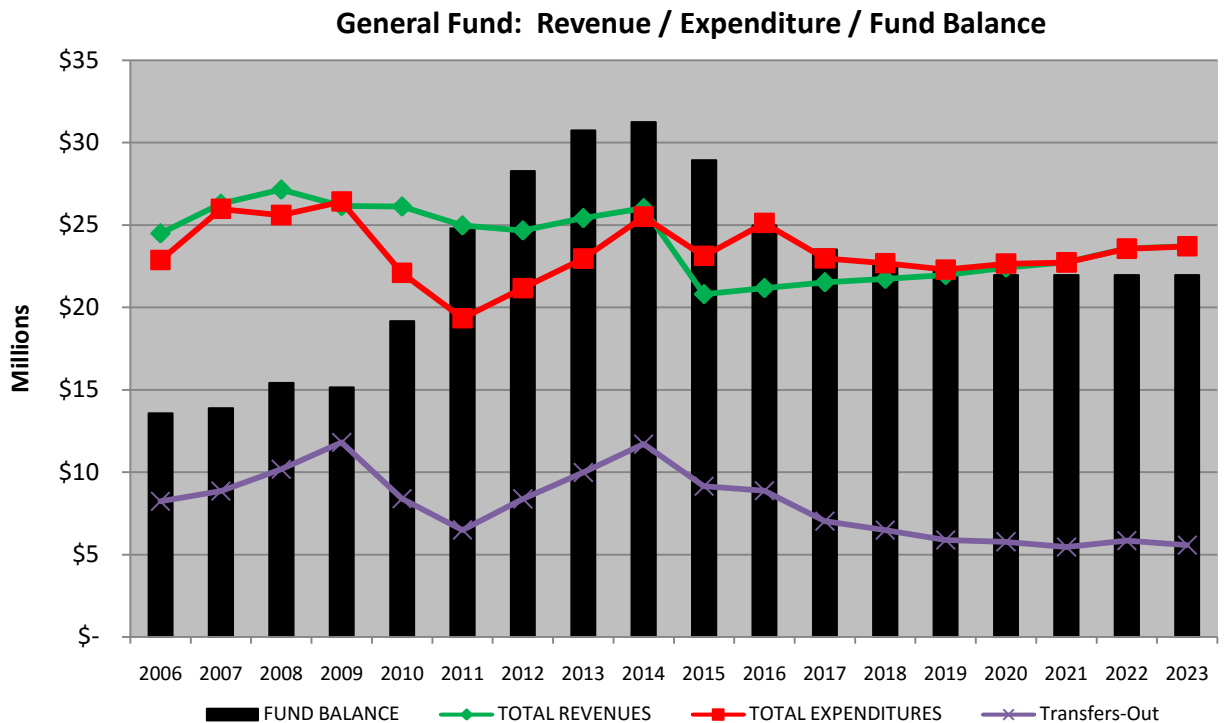
- General Fund total expenditures are projected to increase by an average of 1.75% per year



Financial Forecast – General Fund (101)

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

- Overall General Fund Balance has grown considerably from FY 2006-14 as General Fund revenues have consistently outpaced General Fund expenditures
- The decrease in Transfers-Out from 2009-2011 was in response to the decreases in taxable value with a reduction to the Local Street Fund to provide only for Local Street operations (no Local Street Rehabilitation funding)
- The increase in Transfers-Out from 2011-2014 was in response to a stabilizing economy and increases to the Local Street Fund to support a Local Street Rehabilitation program
- The decrease in revenues, expenditures, and transfers-out FY 2015 was due to the new Police II millage which reduced the General millage levy and eliminated the General Fund transfer-out subsidy to the Police Fund
- The decrease in fund balance in FY 2015-16 is due to the General Fund contribution for the Fire Station renovation projects
 - Funding was transferred to Facilities Fund in both FY 2015 and 2016



General Fund / Takeaway Points:

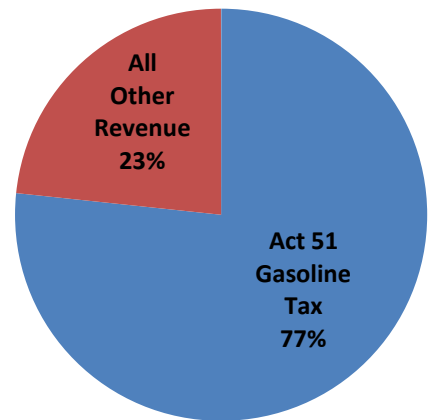
- The General Fund levy is adjusted and set each year to maintain the overall bottom line City millage rate of 10.4605
- It is currently forecasted for the General Fund to continue an annual transfer of funding to the Local Street Fund (203) in order to balance the General Fund so that General Fund revenues equal General Fund expenditures

(202) Major Road Fund Forecast

MAJOR ROAD FUND / REVENUES:

- For FY 2016, the primary sources of Major Road Fund revenue are:
 - 77% = Act 51 Gasoline Tax
 - 23% = All Other Revenues

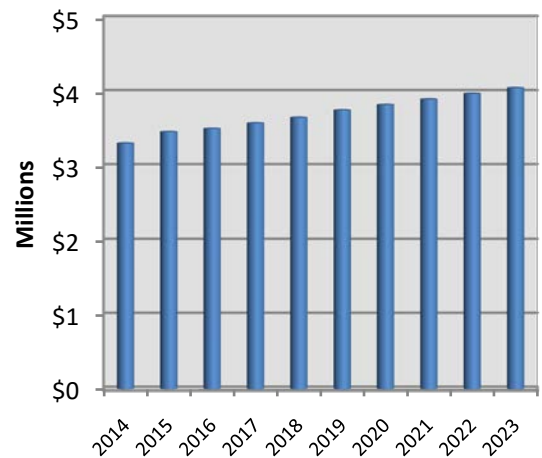
**Major Road Fund:
FY 2016 Revenue Sources**



Major Road / Act 51 Gasoline Tax Revenue:

- Act 51 Gasoline Tax revenue is projected to increase 2.5% per year
 - *Legislation recently passed by the State of Michigan suggests that beginning in FY 2019, this revenue source could increase significantly*
 - *Administration feels it is prudent to forecast revenue using current trends*
 - *As more information is known this critical revenue source will be updated*

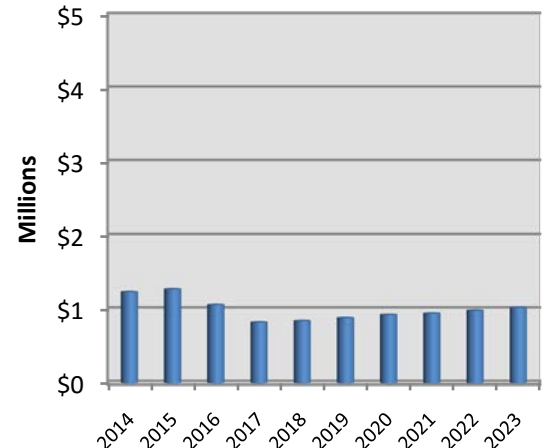
**Major Road Fund:
Act 51 Gasoline Tax Trend**



Major Road / Other Revenues:

- Other revenues are projected to increase from 0.0% to 1.0% per year

**Major Road Fund:
All Other Revenue Trend**

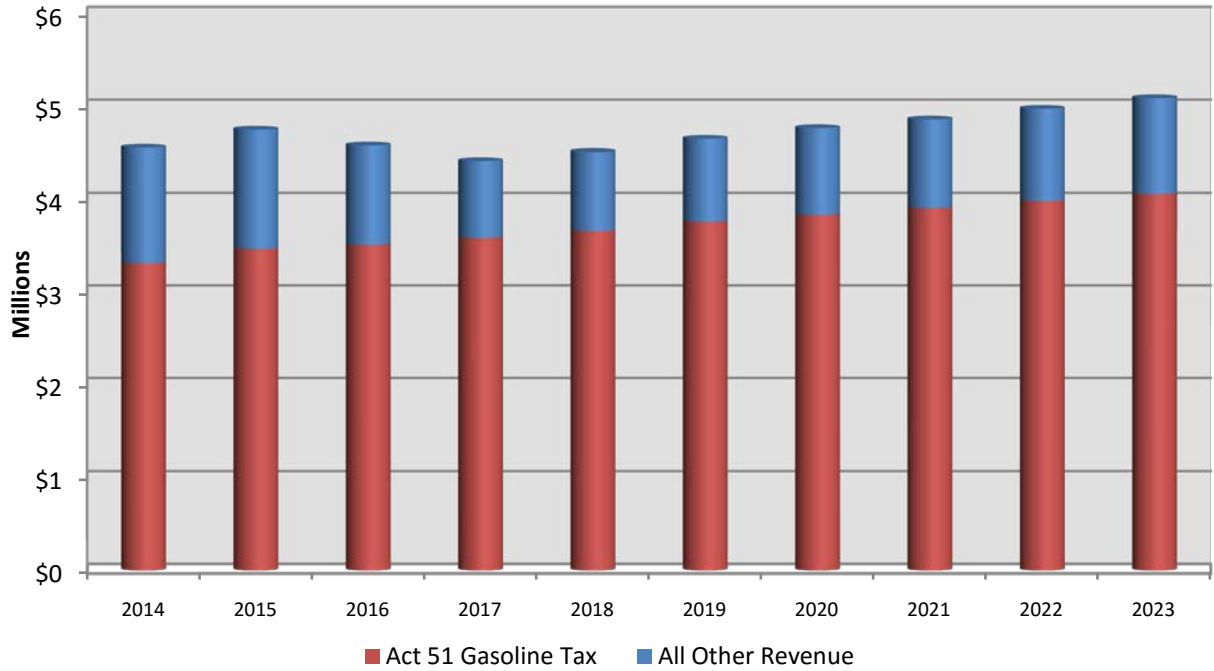


(202) Major Road Fund Forecast

Major Road / Revenue Summary:

- Major Road Fund total revenues are projected to increase by an average of 2.4% per year

Major Road Fund: Total Revenue Trend

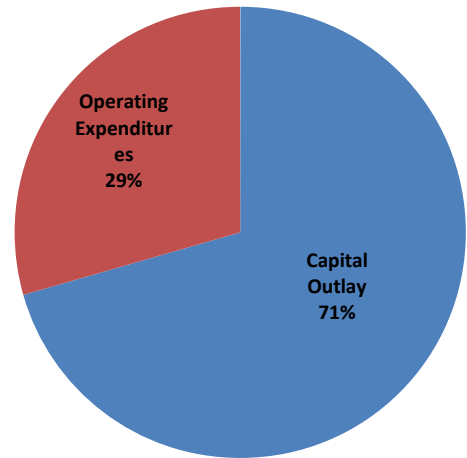


(202) Major Road Fund Forecast

MAJOR ROAD FUND / EXPENDITURES:

- For FY 2016, the primary sources of Major Road Fund expenditures are:
 - 29% = Operating Expenditures
 - 71% = Capital Outlay
 - Keep in mind this proportion will vary based upon the level of capital outlay scheduled in a particular Fiscal Year

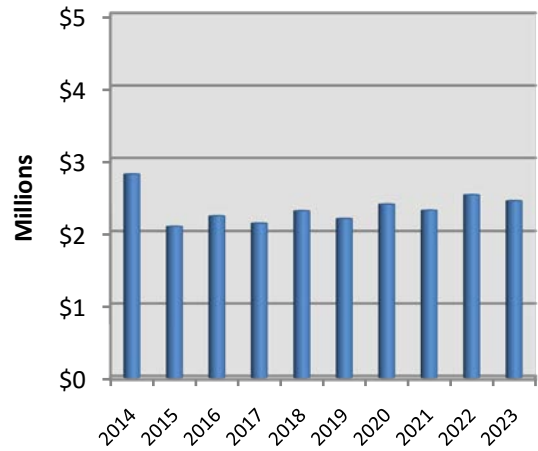
**Major Road Fund:
FY 2016 Expenditure Sources**



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 decrease from 2014 to 2015 was due in large part to higher Winter Maintenance activities in FY 2014

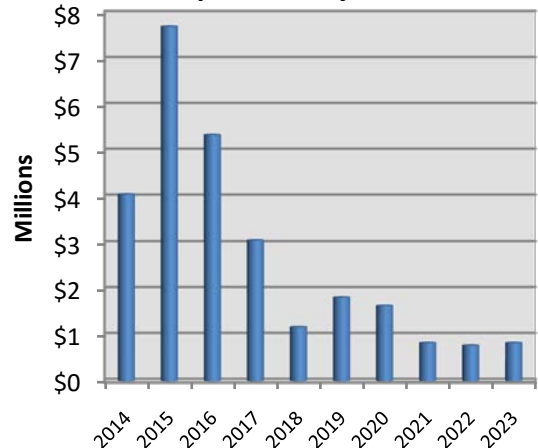
**Major Road Fund:
Operating Expenditure Trend**



Major Road Fund / Capital Outlay:

- Capital Outlay costs for 2017-2023 include all Major Road projects (with updated project budgets) as included in the Adopted 2017-2022 CIP
- 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**

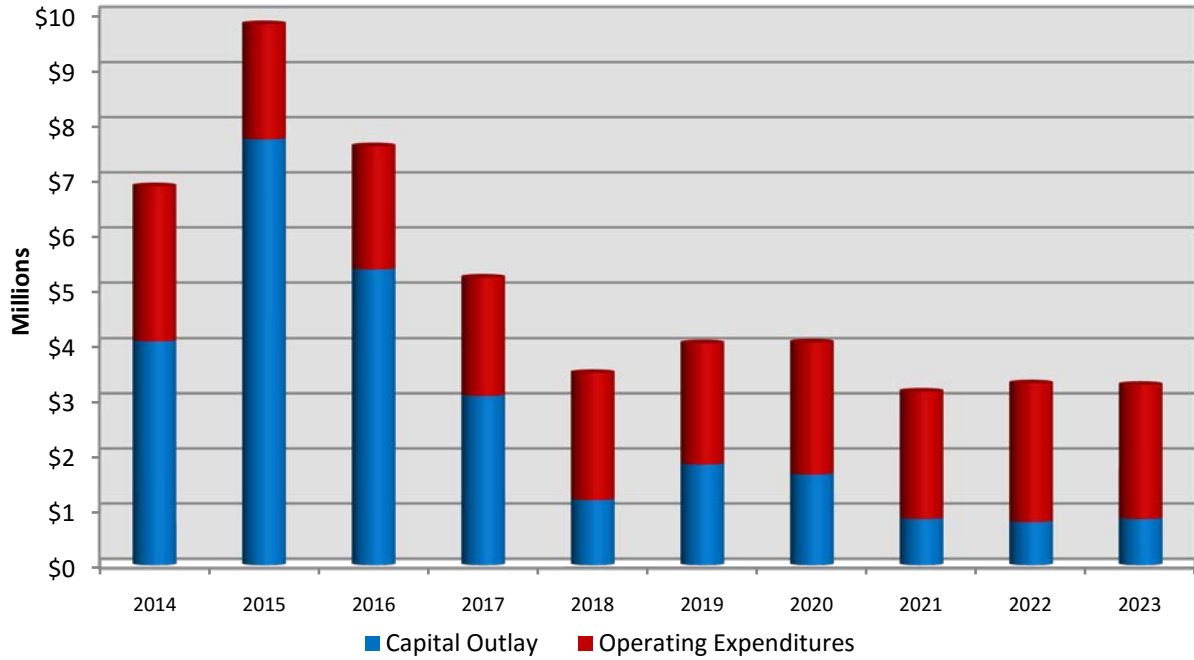


(202) Major Road Fund Forecast

Major Road Fund / Expenditure Summary:

- Operating expenditures are projected to increase 2.0% per year
- Capital Outlay costs for 2017-2023 include all Major Road projects (with updated project budgets) as included in the Adopted 2017-2022 CIP

Major Road Fund: Total Expenditure Trend

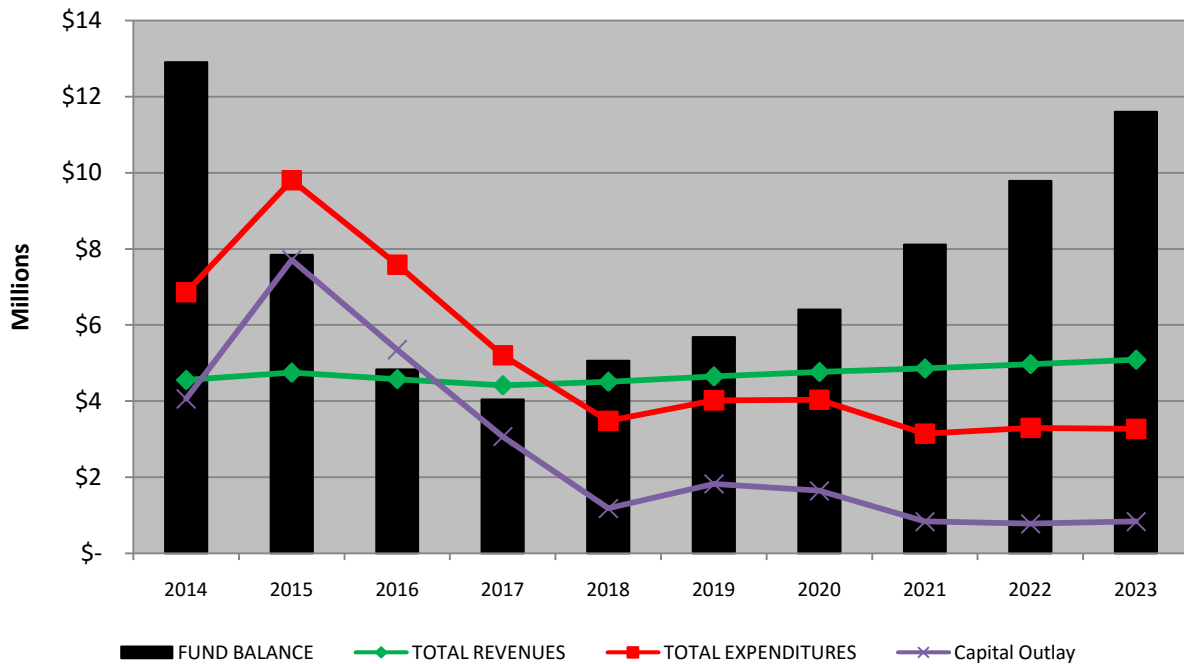


(202) Major Road Fund Forecast

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

- Overall Major Road Fund balance has decreased due to large amounts of capital outlay expended on the major road network from FY 2014-17
- Capital Outlay costs for 2017-2023 include all Major Road projects (with updated project budgets) as included in the Adopted 2017-2022 CIP
- It is projected for Major Road fund balance levels to increase into the future

Major Road Fund: Revenue / Expenditure / Fund Balance



Major Road Fund / Takeaway Points:

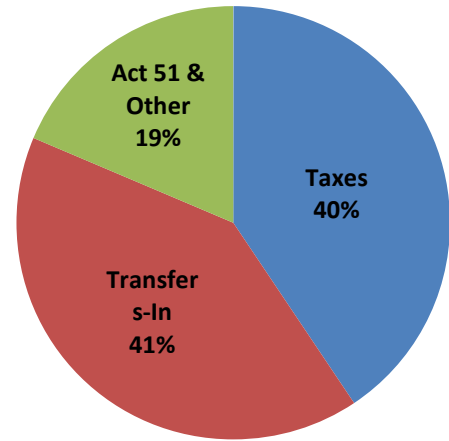
- Act 51 Gasoline Tax revenue is projected to increase 2.5% per year
 - Legislation recently passed by the State of Michigan suggests that beginning in FY 2019, this revenue source could increase significantly
 - Administration feels it is prudent to forecast revenue using current trends
- Capital Outlay costs for 2017-2023 include all Major Road projects (with updated project budgets) as included in the Adopted 2017-2022 CIP
- 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 2016, the primary sources of Local Street Fund revenue are:
 - 40% = Property Taxes
 - Local Street I, II, III
 - 19% = All Other Revenues
 - Includes Local Street Fund share of Act 51 Funding
 - 41% = Transfers-In
 - From General Fund

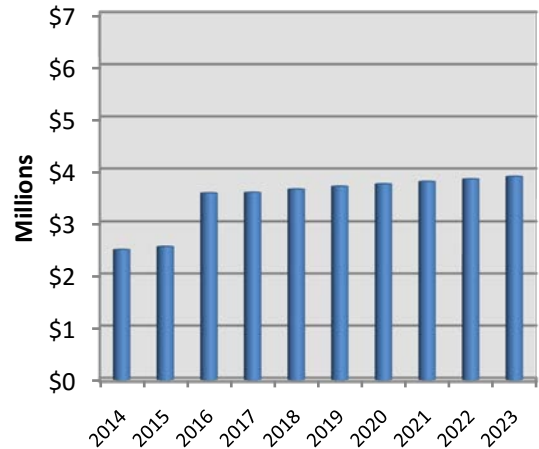
**Local Street Fund:
FY 2016 Revenue Sources**



Local Street Fund / Property Taxes:

- The increase from 2015-2016 is due to the approval of Local Street III
 - Repurpose of expired Green Space millage
- Local Street I, II, III are all set to expire in 2020
 - It is anticipated they will all be renewed into a single Local Street millage beginning in FY 2021

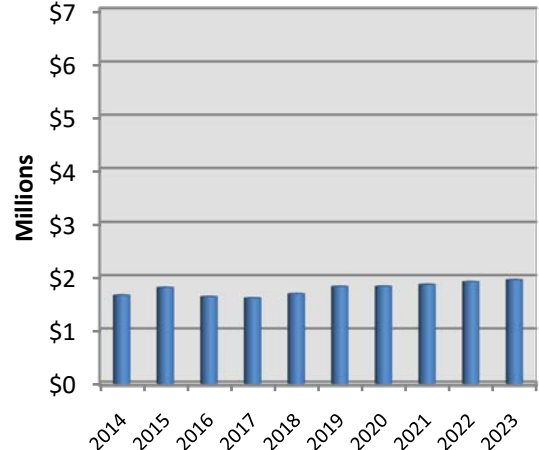
**Local Street Fund:
Property Tax Trend**



Local Street Fund / Other Revenues:

- Other revenues are projected to increase from 0.0% to 2.5% per year
- Act 51 Gasoline Tax revenue projected to increase 2.5% per year
 - 25% of Act 51 Revenue is received into the (203) Local Street Fund
 - Legislation recently passed by the State of Michigan suggests that beginning in FY 2019, this revenue source could increase
 - Administration feels it is prudent to forecast revenue using current trends
 - As more information is known this critical revenue source will be updated

**Local Street Fund:
Other Revenue Trend**

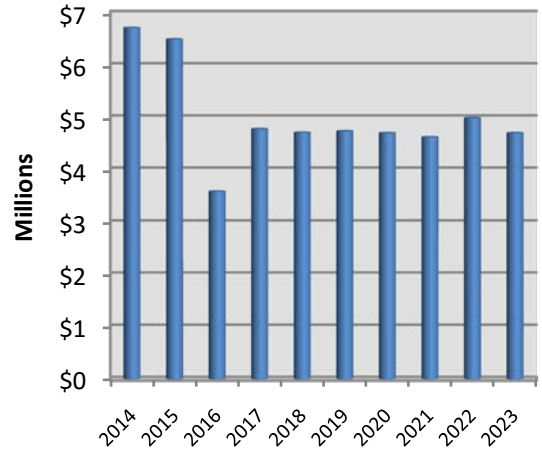


(203) Local Street Fund Forecast

Local Street Fund / Transfers-In:

- Transfers-In decreased from 2014-15 to 2016 due to:
 - Large amounts of Local Street construction activity completed in 2014-15 (funded from the General Fund)
 - Redirection of \$1.5 million of General Fund monies in FY 2016 from the Local Street Fund to the Facilities Fund for the renovation of Fire Station #4.

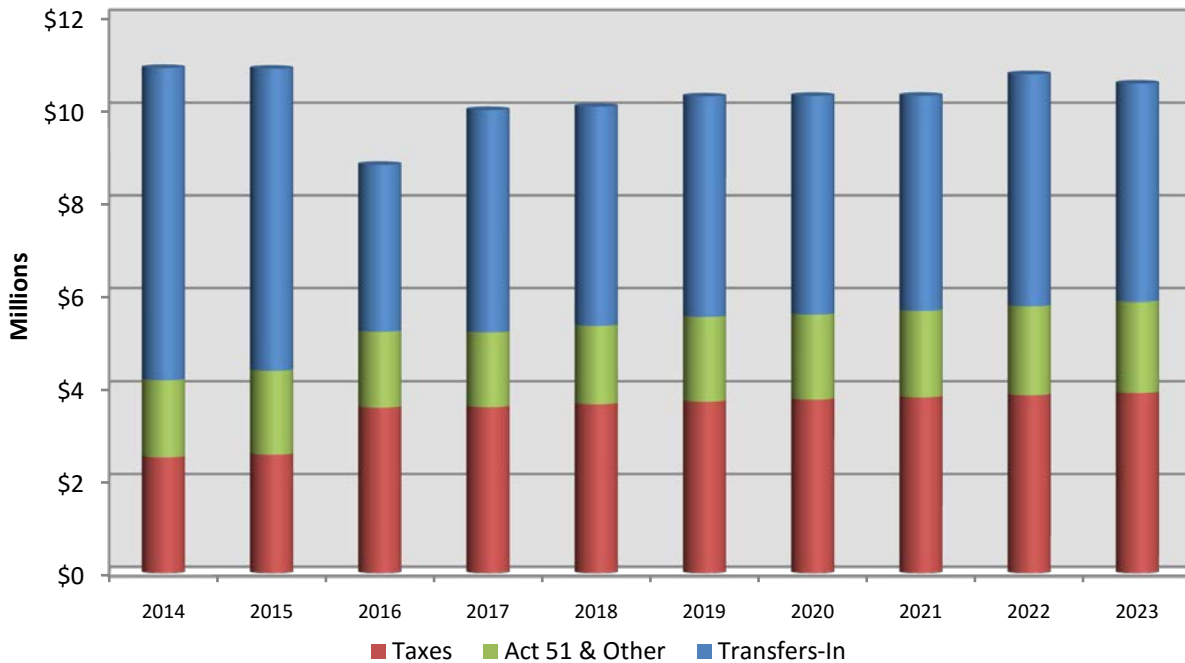
**Local Street Fund:
Transfers-In Trend**



Local Street Fund / Revenue Summary:

- Local Street Fund total revenues are projected to increase by an average of 1.2% per year

Local Street Fund: Total Revenue Trend

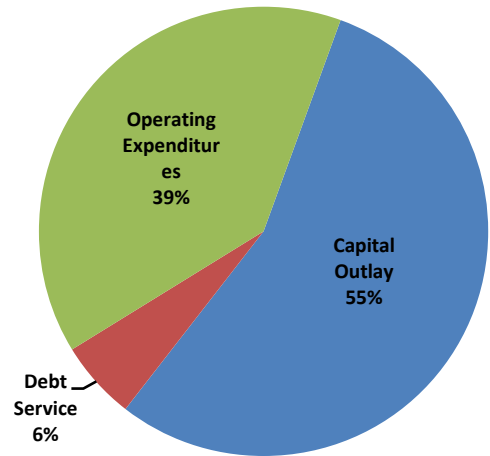


(203) Local Street Fund Forecast

LOCAL STREET FUND / EXPENDITURES:

- For FY 2016, the primary sources of Local Street Fund expenditures are:
 - 39% = Operating Expenditures
 - 6% = Debt Service
 - 55% = Capital Outlay

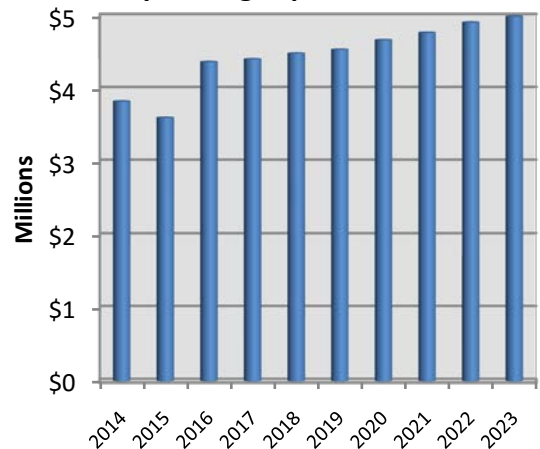
**Local Street Fund:
FY 2016 Expenditure Sources**



Local Street Fund / Operating Expenditures:

- Personnel, Materials, Supplies, Services, Interfund Charges (Fleet), Memberships, etc...
- Operating expenditures are projected to increase 2.0% per year
- The decrease from 2014 to 2015 was due in large part to higher Winter Maintenance activities in FY 2014
- The increase from FY 2014-15 to 2016 is primarily due to DPS working within their departmental budget

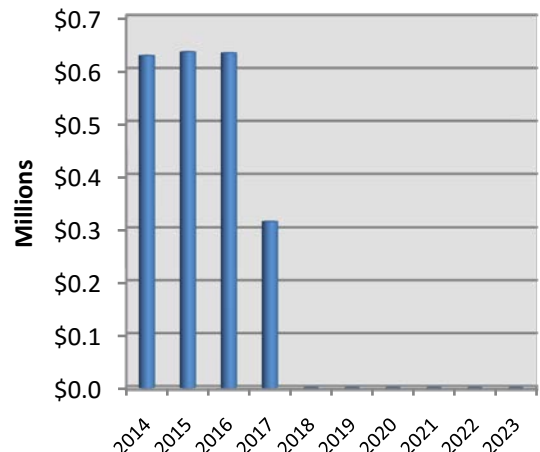
**Local Street Fund:
Operating Expenditure Trend**



Local Street Fund / Debt Service

- In FY 2016, the Local Street Fund will payoff the 2001 Local Street Improvement bond debt
- In FY 2017, the Local Street Fund will payoff the 2002 Local Street Improvement bond debt
- After FY 2017, the Local Street Fund no longer has any Local Street Improvement bonds outstanding

**Local Street Fund:
Debt Service Trend**

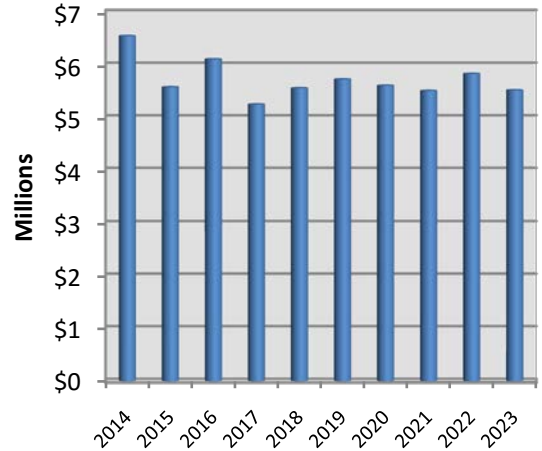


(203) Local Street Fund Forecast

Local Street Fund / Capital Outlay:

- The Local Street Fund allocates all annual funding (after budgeting for debt service and operational expenditures) to the Local Street Rehabilitation program.
- Using the current forecast assumptions, the Local Street Fund is projected to be able to support an annual Local Street Rehabilitation program of \$5 million per year

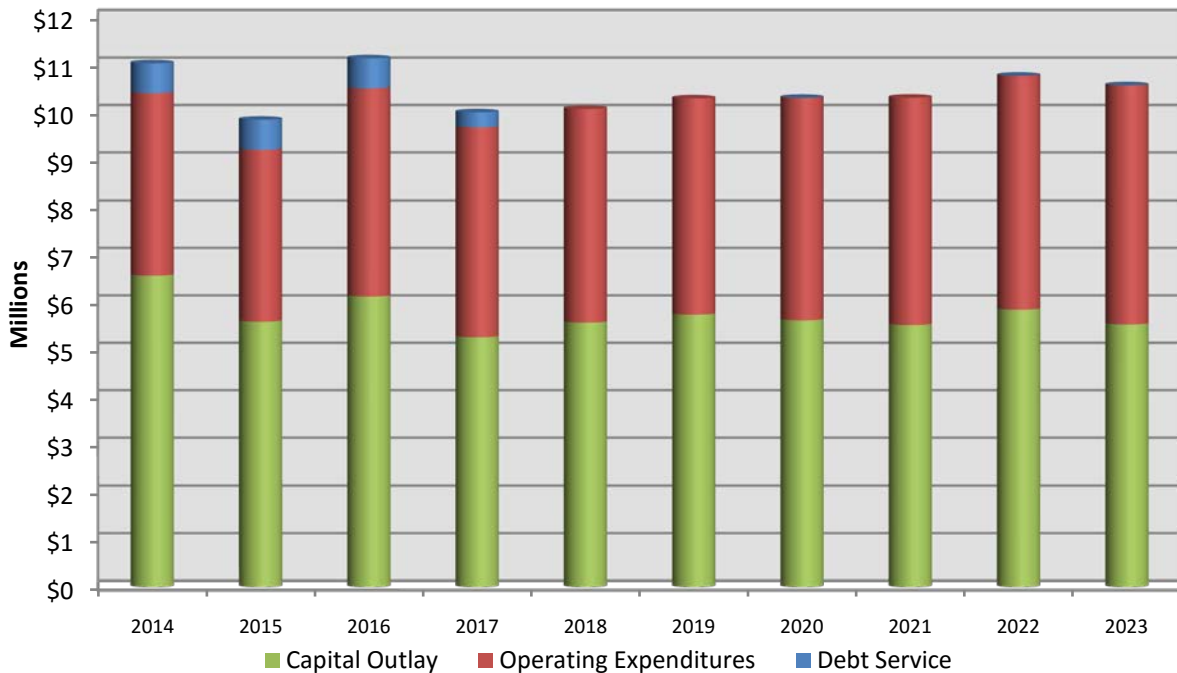
**Local Street Fund:
Capital Outlay Trend**



Local Street Fund / Expenditure Summary:

- In total, Local Street Fund Total Expenditures are projected to increase by an average of 1.2% per year
- Operating expenditures are projected to increase 2.0% per year
- After FY 2017, the Local Street Fund no longer has any bonds outstanding
- Using the current forecast assumptions, the Local Street Fund appears able to support an annual Local Street Rehabilitation program of \$5 million per year

Local Street Fund: Total Expenditure Trend

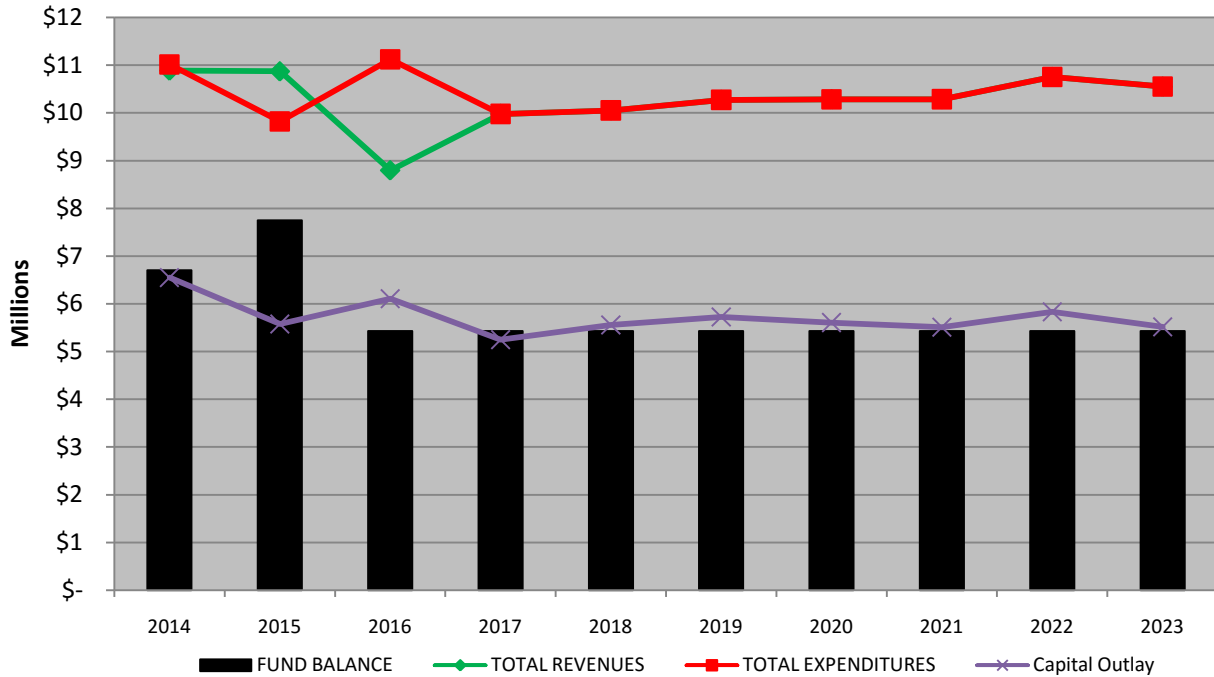


(203) Local Street Fund Forecast

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

- Fund Balance decreased in FY 2016 due to:
 - The redirection of \$1.5 million in General Fund monies from the Local Street Fund to the Facilities Fund for the renovation of Fire Station #4.
 - To maintain the same level of funding for the FY 2016 Local Street Rehabilitation Program, the Local Street fund is utilizing \$1.5 million of Fund Balance
 - Funding for Hickory Lawn and Norton Lawn SAD projects

Local Street Fund: Revenue / Expenditure / Fund Balance



Local Street Fund / Takeaway Points:

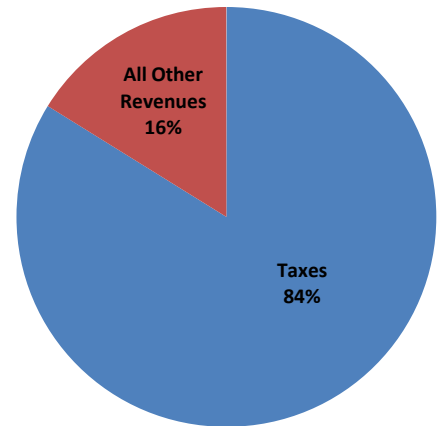
- Using the current forecast assumptions, the Local Street Fund appears able to support an annual Local Street Rehabilitation program of \$5 million per year

(206) Fire Operating Fund Forecast

FIRE OPERATING FUND / REVENUES:

- For FY 2016, the primary sources of Fire Operating Fund revenue are:
 - 84% = Property Taxes
 - 16% = All Other Revenues

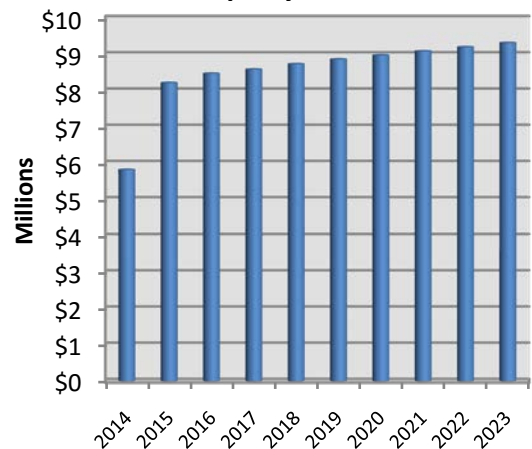
**Fire Operating Fund:
FY 2016 Revenue Sources**



Fire Operating Fund / Property Taxes:

- The increase from 2014 to 2015 is due to the new Fire Charter millage approved by voters in November of 2014
 - The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model

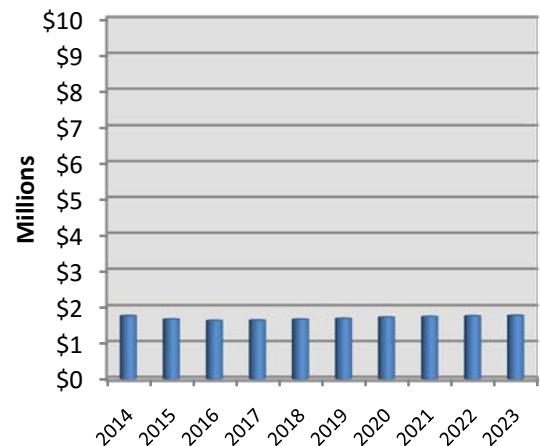
**Fire Operating Fund:
Property Tax Trend**



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 Operating Fund:
Other Revenue Trend**

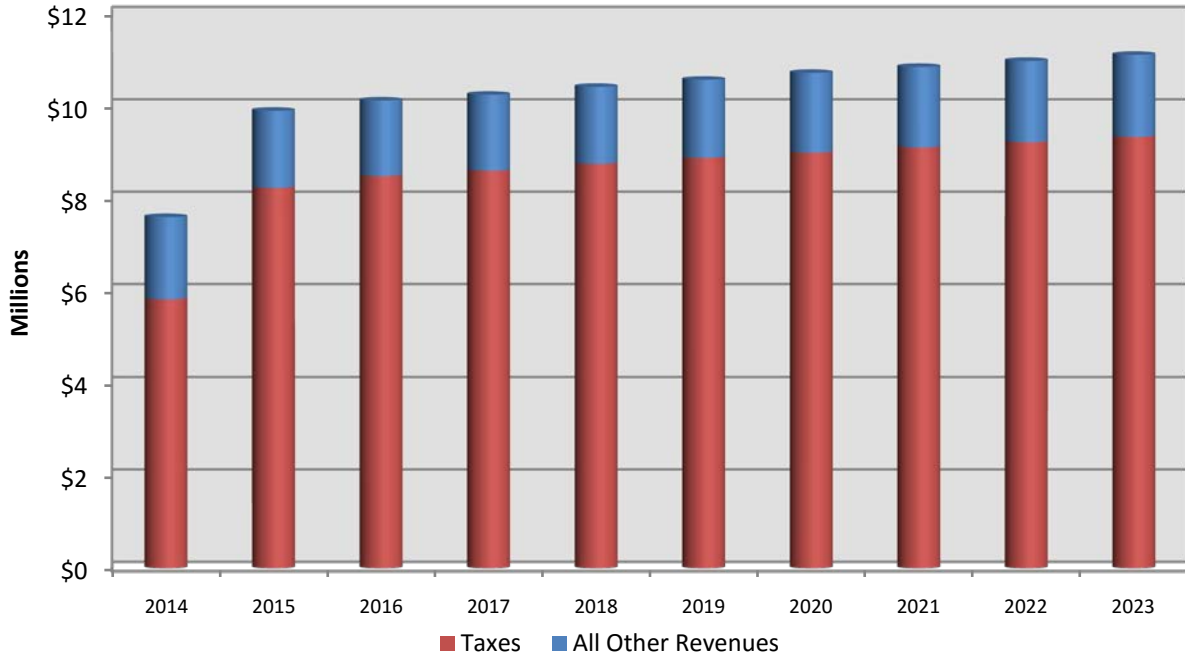


(206) Fire Operating Fund Forecast

Fire Operating Fund / Revenue Summary:

- The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- Fire Operating Fund total revenues are projected to increase by an average of 1.3% per year

Fire Operating Fund: Total Revenue Trend

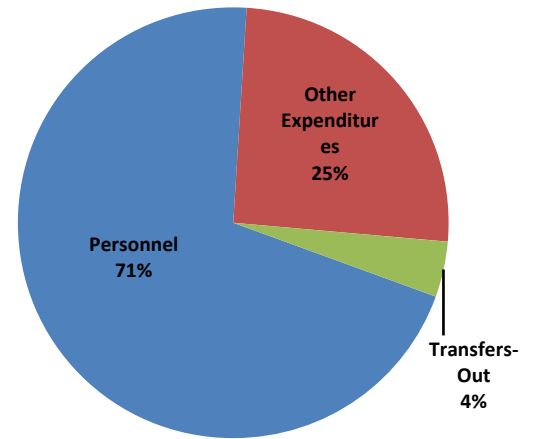


(206) Fire Operating Fund Forecast

FIRE OPERATING FUND / EXPENDITURES:

- For FY 2016, the primary sources of Fire Operating expenditures are:
 - 71% = Personnel
 - 25% = Other Expenditures
 - 4% = Transfer-Out
 - To (402) Fire Capital Fund

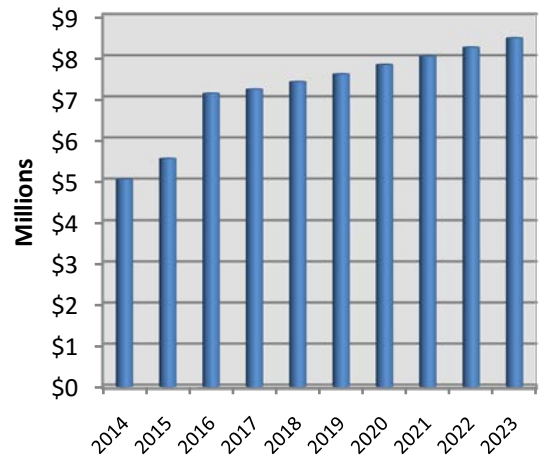
**Fire Operating Fund:
FY 2016 Expenditure Sources**



Fire Operating Fund / Personnel Services:

- The increase in Personnel Services from 2014-15 to 2016 is due to the restructuring of Fire Department operations and the addition of nine (9) new Full-Time Firefighters hired after the voter approved Fire Charter millage increase
- Salary and Wages are projected to increase 2.0% per year
- Health Care is projected to increase 9.0% per year

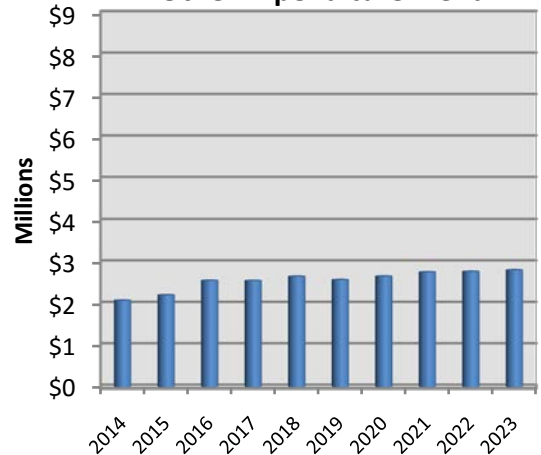
**Fire Operating Fund:
Personnel Trend**



Fire Operating Fund / Other Expenditures:

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

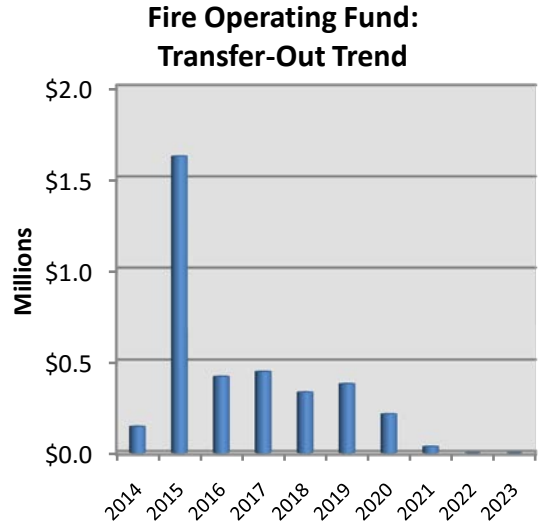
**Fire Operating Fund:
Other Expenditure Trend**



(206) Fire Operating Fund Forecast

Fire Operating Fund / Transfer-Out:

- The increase in Transfers-Out FY 2015 is due to the increase in the FY 2015 Fire millage combined with the salary lapse in time before hiring the nine (9) new Full-time firefighters.
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund



Fire Operating Fund / Expenditure Summary

- The increase in Personnel Services from 2014-15 to 2016 is due to the restructuring of Fire Department operations and the addition of nine (9) new Full-Time Firefighters hired after the voter approved Fire Charter millage increase
- The increase in Transfers-Out FY 2015 is due to the increase in the FY 2015 Fire millage combined with the salary lapse in time before hiring the nine (9) new Full-time firefighters.
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund
- Fire Operating Fund total expenditures are projected to increase by an average of 1.6% per year

Fire Operating Fund: Total Expenditure Trend

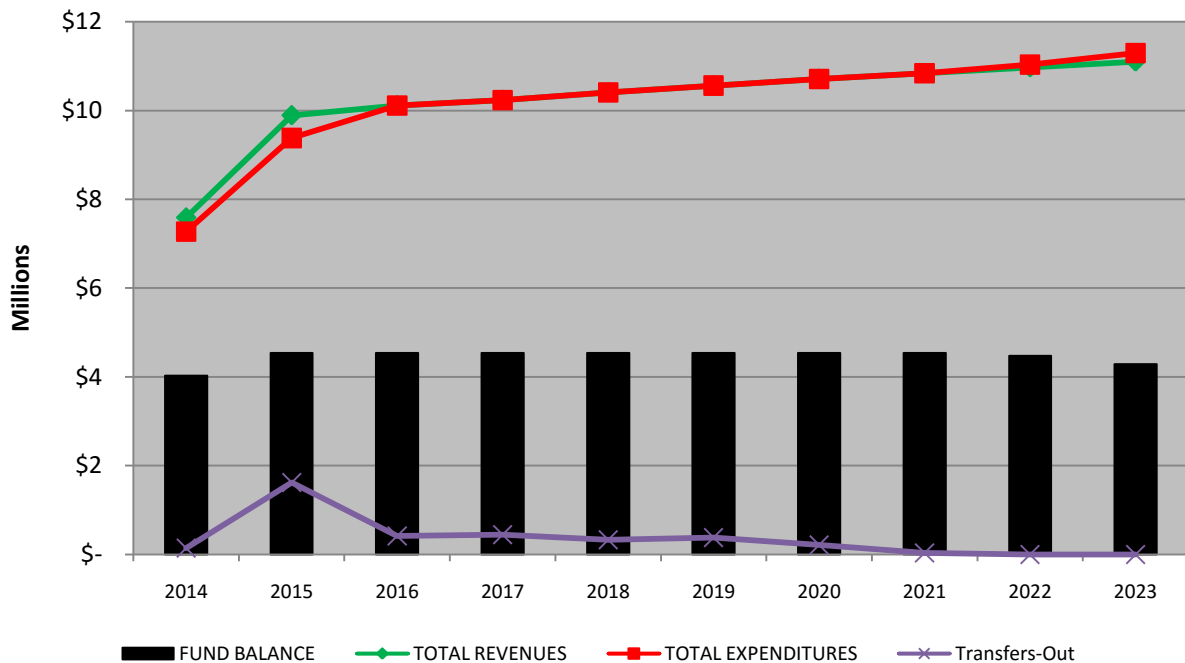


(206) Fire Operating Fund Forecast

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

- The increase in total revenues from 2014 to 2015 is due to the new Fire Charter millage approved by voters in November of 2014
 - The Fire millage level is maintained at the existing levy of 2.7000 mill throughout this forecast model
- The increase in total expenditures from 2014 to 2015 is due to the restructuring of Fire Department operations and the addition of nine (9) new Full-Time Firefighters hired after the voter approved Fire Charter millage increase
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to fully fund annual operations

Fire Operating Fund: Revenue / Expenditure / Fund Balance



Fire Operating Fund / Takeaway Points:

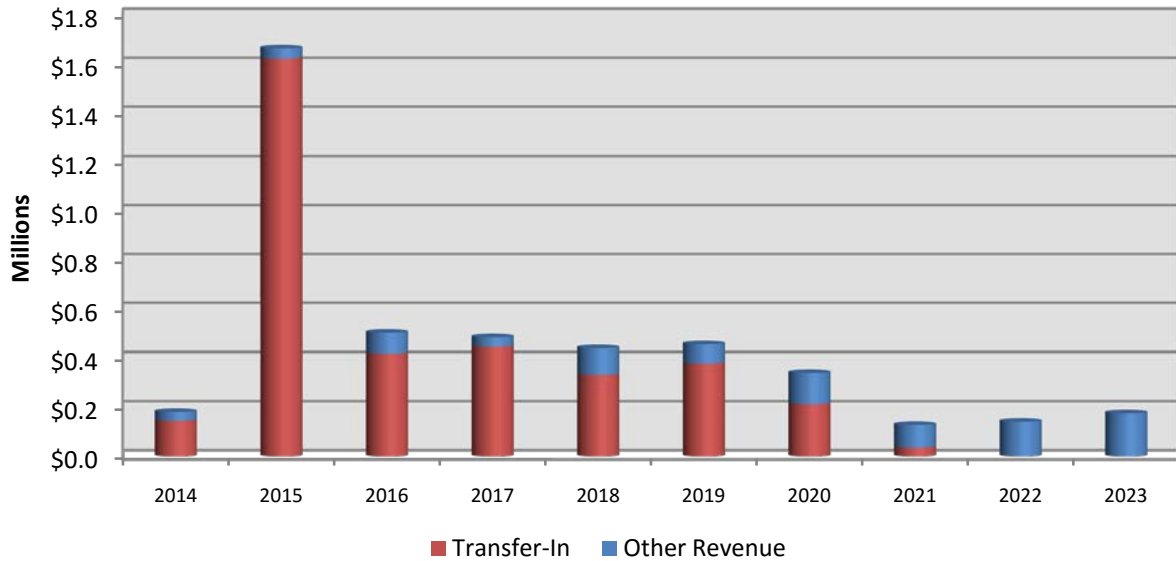
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to fully fund annual operations

(402) Fire Capital Fund Forecast

Fire Capital Fund / Revenue Summary:

- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund

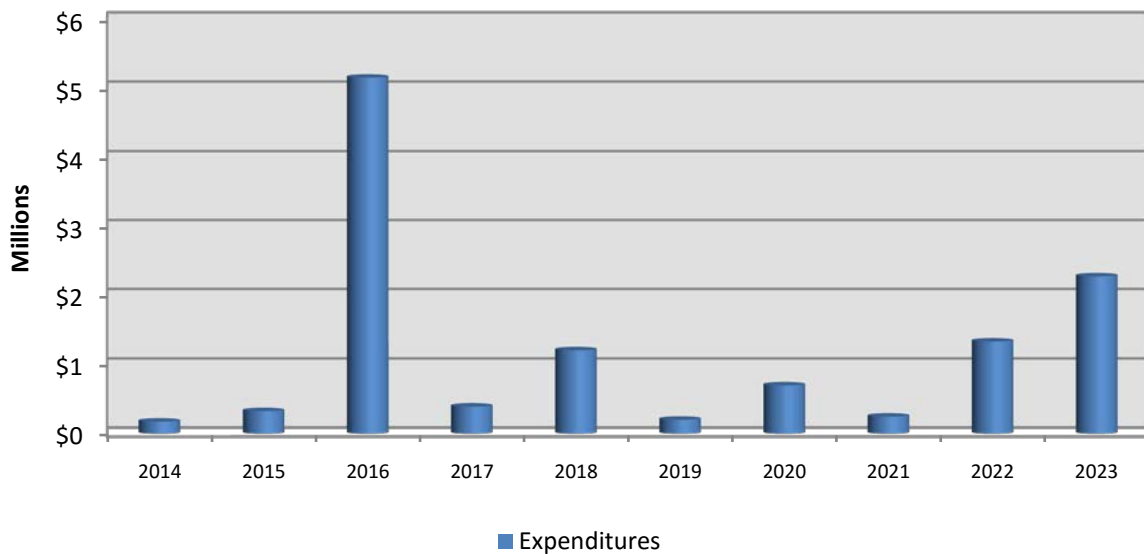
Fire Capital Fund: Total Revenue Trend



Fire Operating Fund / Expenditure Summary:

- Capital Outlay costs for 2017-2023 include all Fire Capital (with updated project budgets) as included in the Adopted 2017-2022 CIP

Fire Capital Fund: Total Expenditure Trend

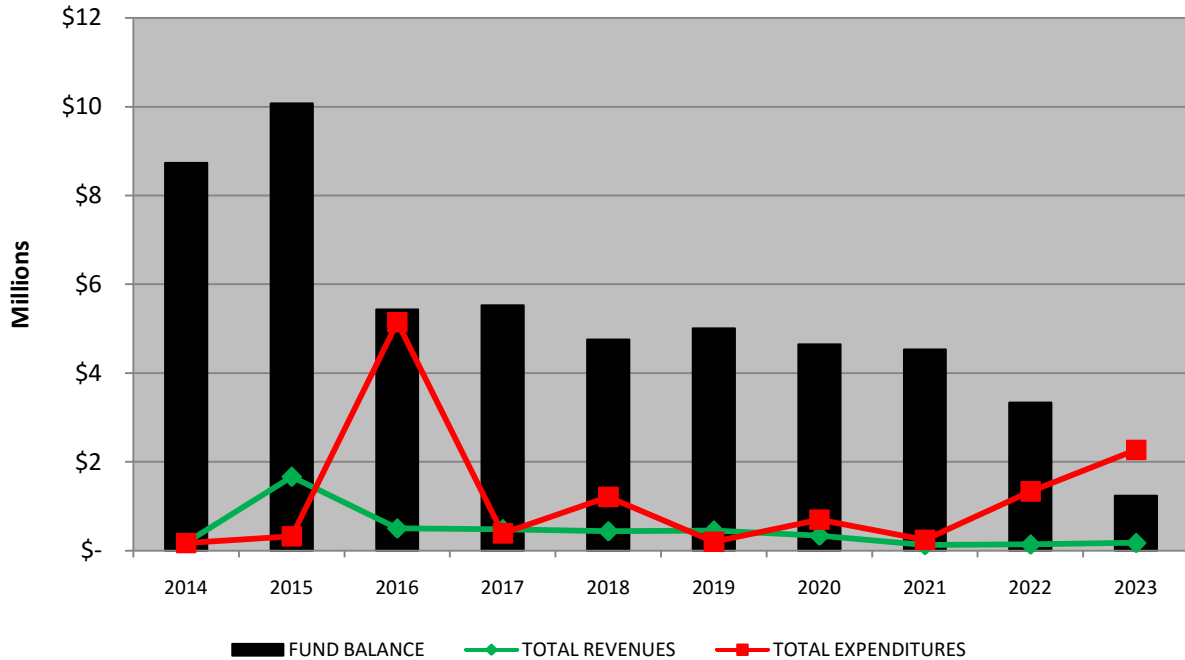


(402) Fire Capital Fund Forecast

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

- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund
- Capital Outlay costs for 2017-2023 include all Fire Capital (with updated project budgets) as included in the Adopted 2017-2022 CIP

Fire Capital Fund: Revenue / Expenditure / Fund Balance



Fire Capital Fund / Takeaway Points:

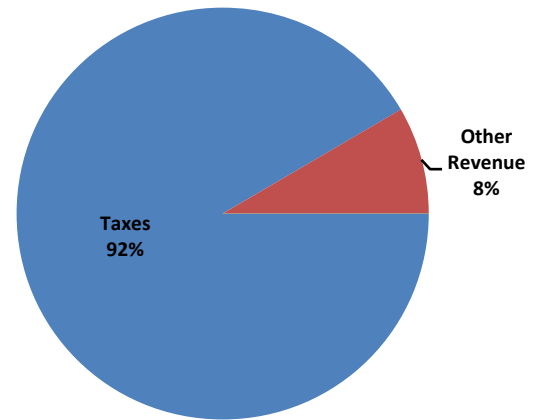
- It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to contribute funding to the (402) Fire Capital Fund
- Shortly after the time period included as part of this 7-Year Forecast, the Fire Capital Fund is projected to require additional funding options
- The current projected annual transfer-in from (206) Fire Operating millage is projected to be inadequate to provide for long-term Fire capital needs

(207) Special Police Fund

SPECIAL POLICE FUND / REVENUES:

- For FY 2016, the primary sources of Special Police Fund revenue are:
 - 92% = Property Taxes
 - 8% = All Other Revenues

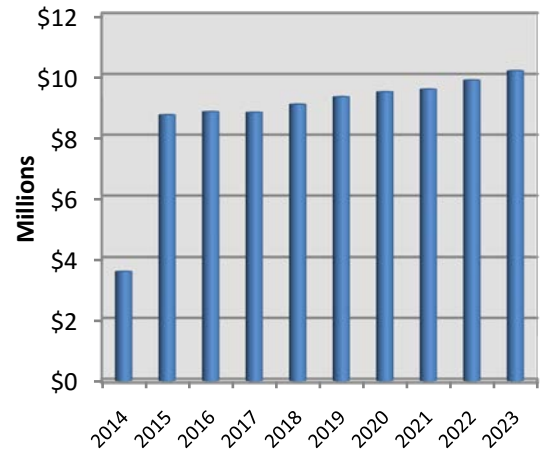
**Special Police Fund:
FY 2016 Revenue Sources**



Special Police Fund / Property Taxes:

- The increase in Property Tax in FY 2015 is due to the voter approved Police II millage
 - 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

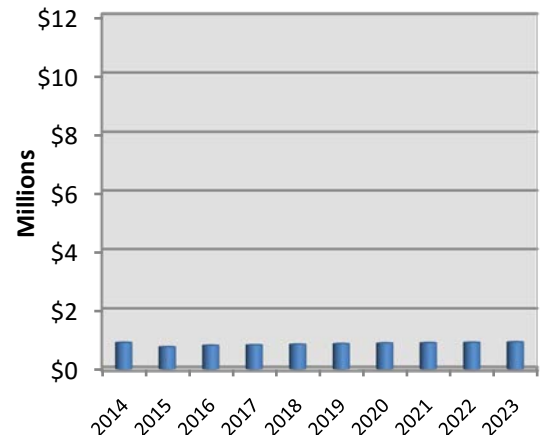
**Special Police Fund:
Property Tax Trend**



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**

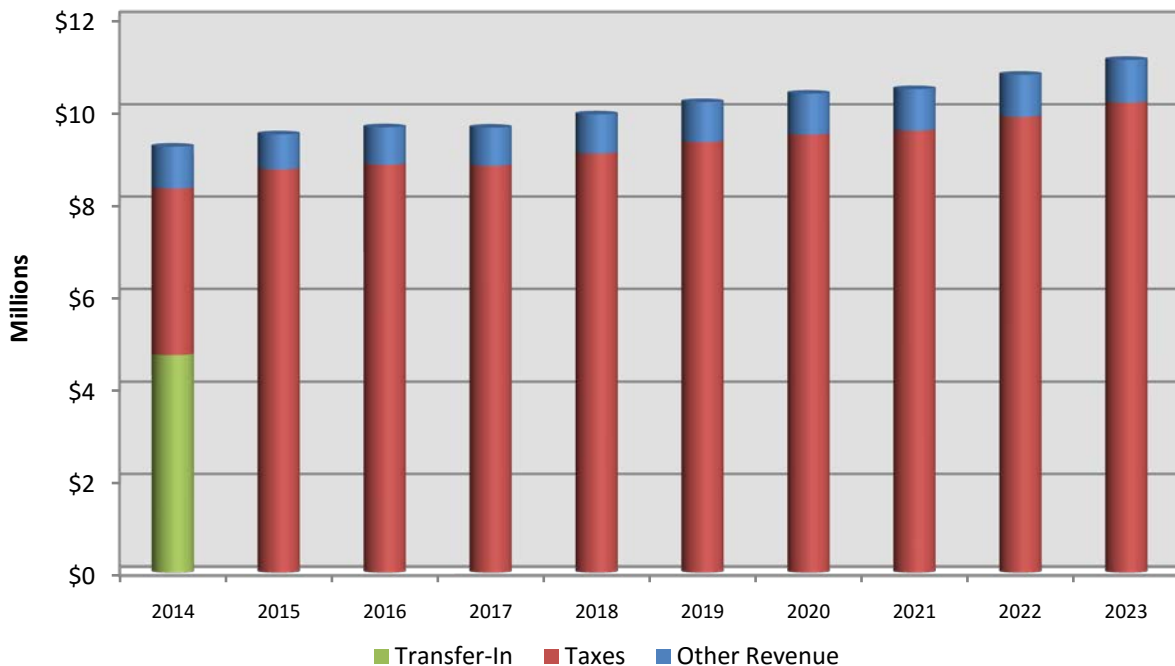


(207) Special Police Fund

Special Police Fund / Revenue Summary:

- Transfer-In from General Fund was eliminated starting in FY 2015 due to the approval of Police II millage which replaced the annual General Fund subsidy to support policing services
 - 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
- Police millage II is projected to levy between 1.5716 to 1.7505 mill over the forecast period
 - Current Headlee cap millage rate for Police II millage = 2.4735 mill
 - The City is projecting to levy far less than the maximum levy allowable for Police millage II
- Special Police Fund total revenues are projected to increase by an average of 2.4% per year

Special Police Fund: Total Revenue Trend

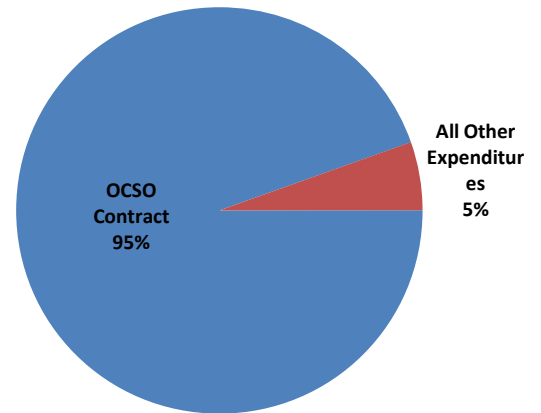


(207) Special Police Fund

SPECIAL POLICE FUND / EXPENDITURES:

- For FY 2016, the primary sources of Special Police Fund expenditures are:
 - 95% = OCSO Contract
 - 5% = All Other Expenditures

**Special Police Fund:
FY 2016 Expenditure Sources**



Special Police Fund / OCSO Contract:

- No change in number of deputies contracted
 - Maintain 58 officers
- FY 2017-2023 = + 3.0% per year
 - *Based on information provided by OCSO Business Manger*

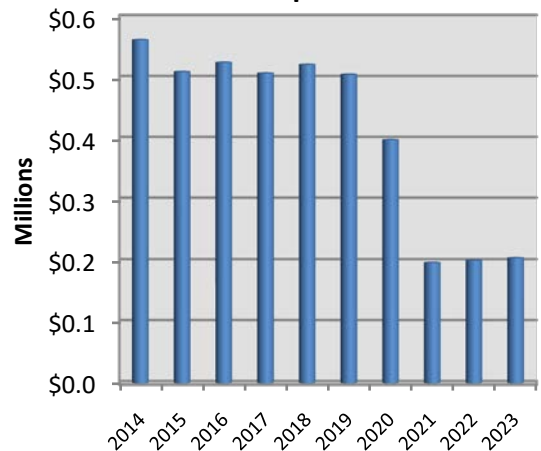
**Special Police Fund:
OCSO Contract Trend**



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 2019 to 2021 is a result of the debt related to the new OCSO Substation construction being paid off

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

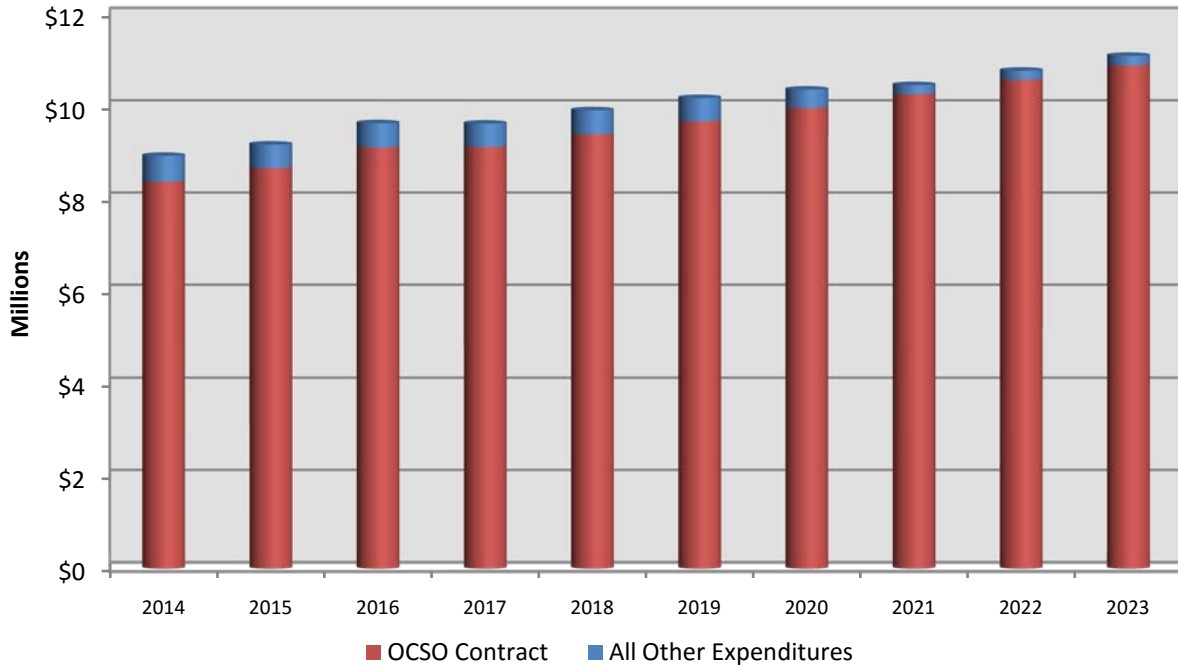


(207) Special Police Fund

Special Police Fund / Expenditure Summary:

- No change in number of deputies contracted
 - Maintain 58 officers
 - FY 2017-2023 = + 3.0% per year
- In FY 2021, the debt related to the new OCSO Substation construction will be paid off
- Special Police Fund total expenditures are projected to increase by an average of 2.4% per year

Special Police Fund: Total Expenditure Trend

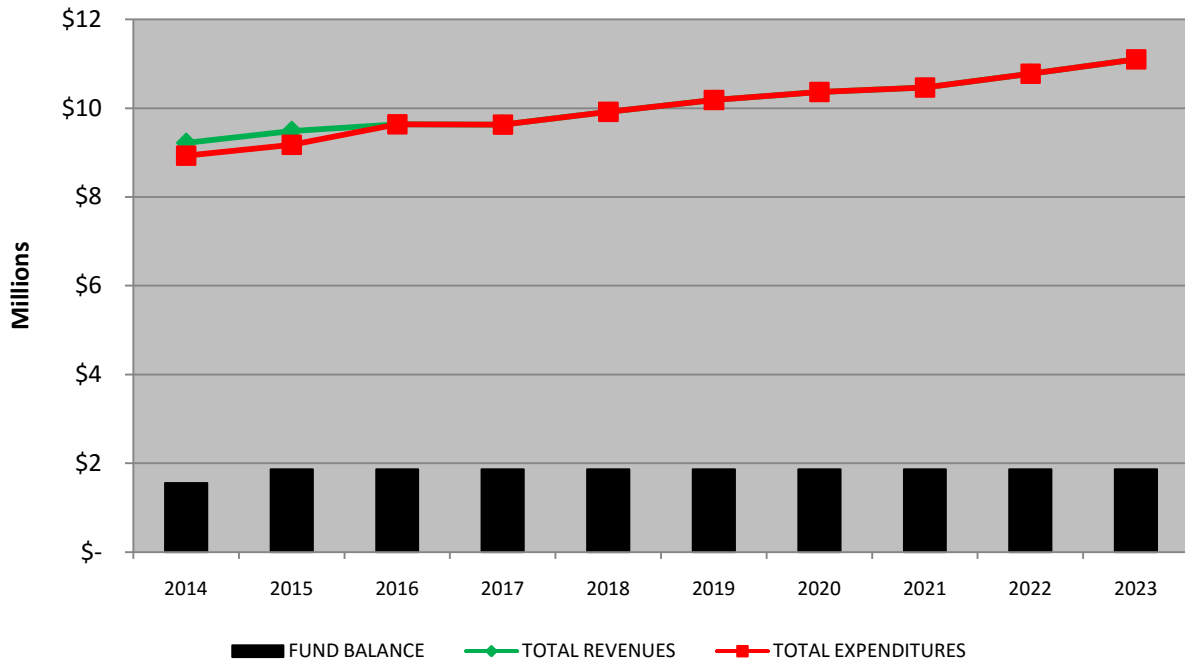


(207) Special Police Fund

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

- Transfer-In from General Fund was eliminated starting in FY 2015 due to the approval of Police II millage which replaced the annual General Fund subsidy to support policing services
 - 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

Special Police Fund: Revenue / Expenditure / Fund Balance



Special Police Fund / Takeaway Points:

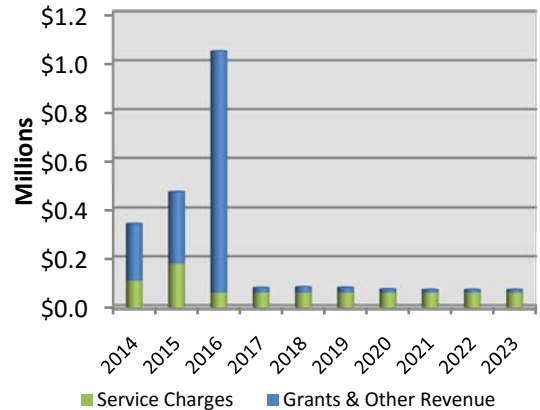
- The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result

(244) Water Resources Fund

Water Resources Fund / Revenue Summary:

- Water Resources Fund has very little in dedicated revenue sources
 - Primarily Charge for Services
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- Grant revenue funding for 2014-2016 comes from the SAW Grant

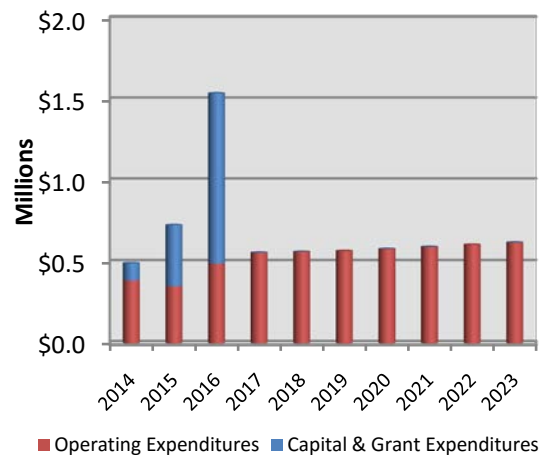
**Water Resources Fund:
Total Revenue Trend**



Water Resources Fund / Expenditure Summary:

- Current Water Resources Fund expenditures range from \$550,000 to \$600,000 per year
- Grant expenditures for 2014-2016 comes from the SAW Grant (offsetting revenue)
- As part of the SAW Grant process, consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs for the fund
 - The plan is anticipated to be nearing completion in the early Fall of FY 2016

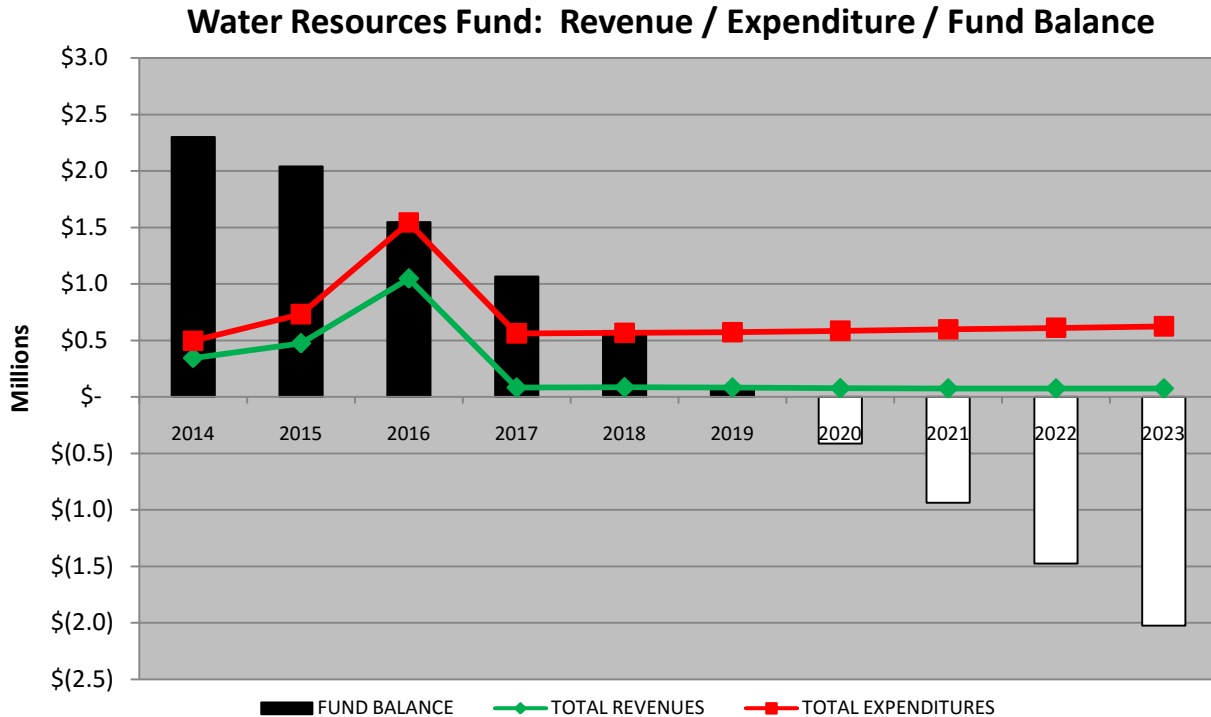
**Water Resources Fund:
Total Expenditure Trend**



(244) Water Resources Fund

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

- Water Resources Fund has very little in dedicated revenue sources
- Current Water Resources Fund expenditures range from \$550,000 to \$600,000 per year
- It is currently projected that the Water Resources Fund will require additional funding after FY 2019



Water Resources Fund / Takeaway Points

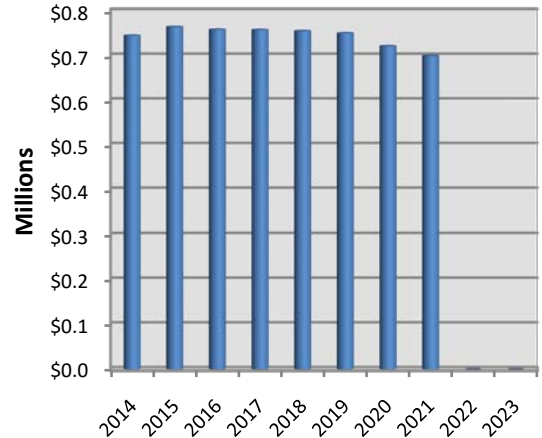
- It is currently projected that the Water Resources Fund will require additional funding after FY 2019
- The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements
- As part of the SAW Grant process, consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs for the fund

(369) OPC Building Debt Service Fund

OPC BUILDING DEBT SERVICE FUND

- For FY 2016, the primary source of OPC Building Debt revenue is Property Tax
- The last year the millage will 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 = 0.2074 mill

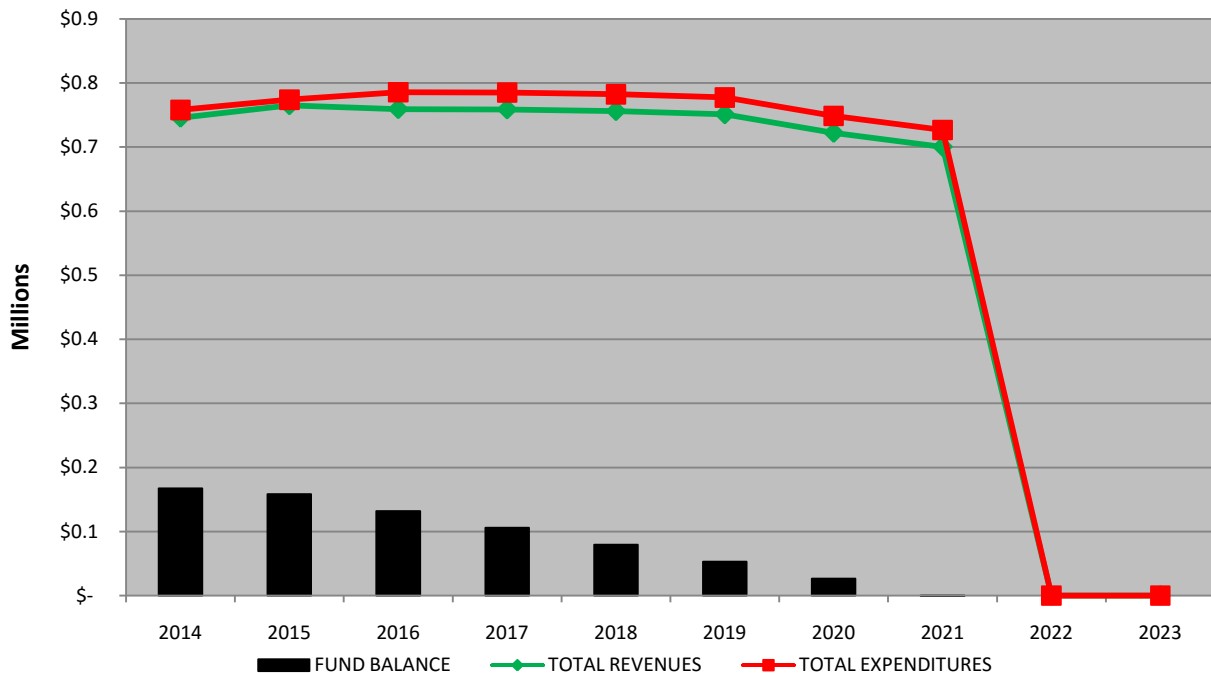
**OPC Building Debt Fund:
Property Tax Trend**



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

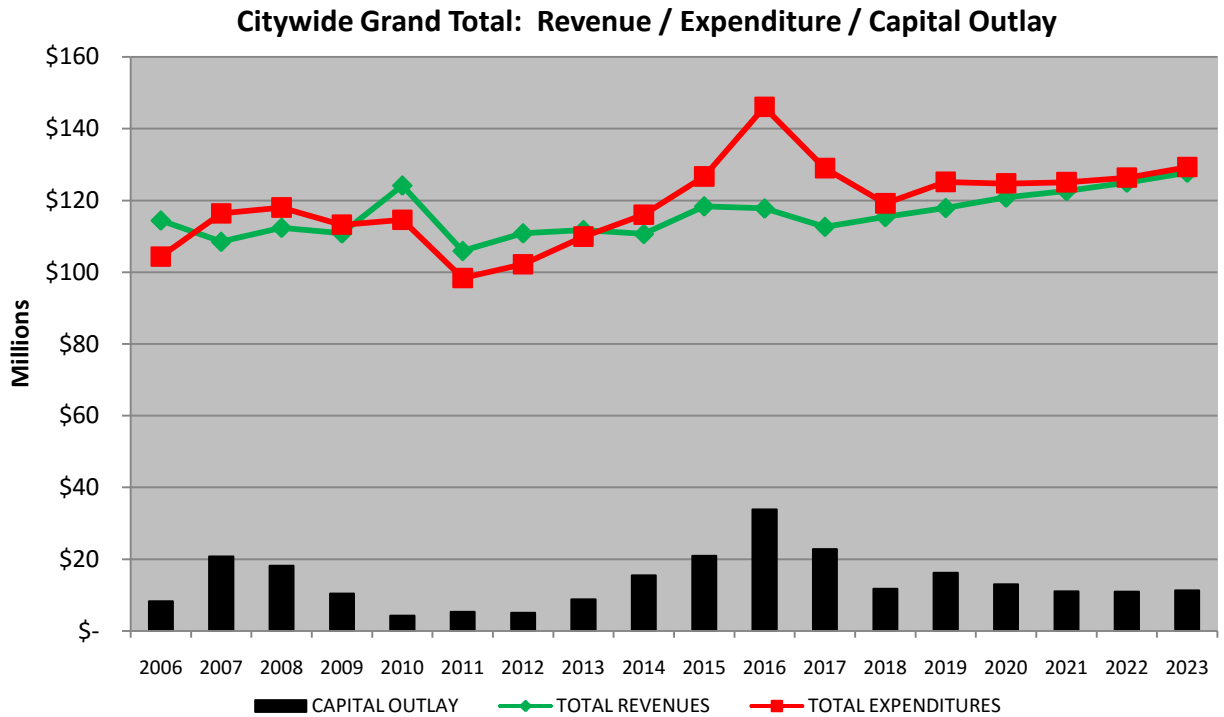
OPC Building Debt Fund: Revenue / Expenditure / Fund Balance



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 = 0.2074 mill

Grand Total Citywide Financial Summary (2006-2023)



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 8.25% from FY 2014 to FY 2017
- Increase of capital outlay from FY 2014-2017 due to:
 - Rehabilitation of Fire Stations (FY 2015-16)
 - Infrastructure improvements as a result from several years of little capital investment during the economic downturn
 - Major Roads, Local Streets, Fire Capital, Water & Sewer
- Overall financial outlook for 2017-2023:
 - Overall citywide annual operating revenues appear able to fund annual operating expenditures
 - Structural Surplus
 - Easing of annual capital outlook as the City appears to be “catching up” on its infrastructure investments in Major Roads, Local Streets, Fire Capital, Water & Sewer

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 careful prioritized services and programs
- As we have been told numerous times by the City's Auditor, the 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 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
- I/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