

Seven Year Financial Forecast Fiscal Years 2014-2020



Why do we do long range forecasting

- Helps us to understand the future & **prevent surprises**
- Let's us get ahead of the issues and not be behind the issues **pro-active** not **re-active**.
- **Establishes priorities for the coming budget plan**
- Helps with **decision making** (*what if we...*)
- Financial Forecast is **not** intended to be a budget, a proposed spending plan or a policy recommendation to City Council.

ECONOMIC ASSUMPTIONS

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

- **Fattening of the economic downturn for FY2014,**
- **Modest recovery in FY2015 and FY2016,**
- **Normal economy for the period of FY2017-FY2020.**
 - **Citywide taxable values – Improving**
 - **Funding from the state – Modest Increases**
 - **Credit market – Softening**
 - **Improving unemployment levels for the City and to a lesser degree the County & the State**
 - **Consumer confidence – Continued Pressure on Household budgets (from higher energy and food costs)**

Key Forecasting Points

▶ Revenues

- Base Year is our 2013 Amended (1st quarter) Budget;
- Assumes no changes in programs, services or policies
- Forecast Changes in:
 - Taxable Values
 - State Shared Revenue
 - Act 51 Funding (Gas and Weigh Tax)
 - Interest Rates
 - Changes in Millage Rates

Forecasting Assumptions

Revenues

Taxable Values

- FY2014 *
 - Real 1.28%
 - Personal 2.91%
- FY2015 **
 - Real 1.50%
 - Personal -7.94%
- FY2016 to FY2017 **
 - Real 1.50%
 - Personal 1.50%
- FY2018 to FY2020 **
 - Real 2.0%
 - Personal 2.0%

*Actual

** Estimated By Assessor

Interest Rates

- .35% for FY2014
- .45% for FY2015
- .65% for FY2016
- 1.0% for FY2017
- 2.0% for FY2018-20

Estimated By Treasurer

Forecasting Assumptions

Revenues Continued

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

State Shared Revenue

- 1.0%, FY2014 - 20

Forecast Assumptions

Revenues Continued

Act 51 Revenue

- 0.0%, FY2014 - 20

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

Key Forecasting Points

Expenditures

- **Base Year is the 2013 Amended (1st quarter) Budget;**
- **Assumes no changes in programs, services or policies;**
- **We are Forecasting Changes in:**
 - **Salary and Wages**
 - **Health Care and other Fringe Benefits**
 - **Changes in the Number of Employees**
 - **Inflation**
 - **Price adjustments in the Sheriff Contract**

Forecast Assumptions

Expenditures

Salary and Wages

- 1.0%, FY2014 – FY2020

No Changes in Number of Employees

Health Care (Core Plan)

- 9.0%, FY2014 - FY2020

No Change in City Share of Pension

Forecast Assumptions

Expenditures Continued

Inflation

- **General Citywide Inflation:**
+1.5% Change
- **Capital Project Inflation:**
+1.5% Change

Sheriff Contract

- .23%, FY2014*
- 1.68%, FY2015*
- 3.0%, FY2016-20**

* Based on current contract

** Estimate Provided by Oakland Sheriff Business Manger



A Fund Level Focus to our Fiscal Forecast

- For the forecast to be effective we focus in at the **fund level**.
- For **General Fund**, our fiscal forecast model **reduces the amount being transferred to other funds to force General Fund expenditures to equal General Fund revenues**.
- **Local Street Fund is the safety valve for General Fund**.
 - Note: We use the Local Street fund because any transfer from General Fund was not needed to fund a contractual relationship (like Special Police Fund). In addition, the transfer is large enough to accomplish our balancing goal.

General Fund



General Fund

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

General Fund

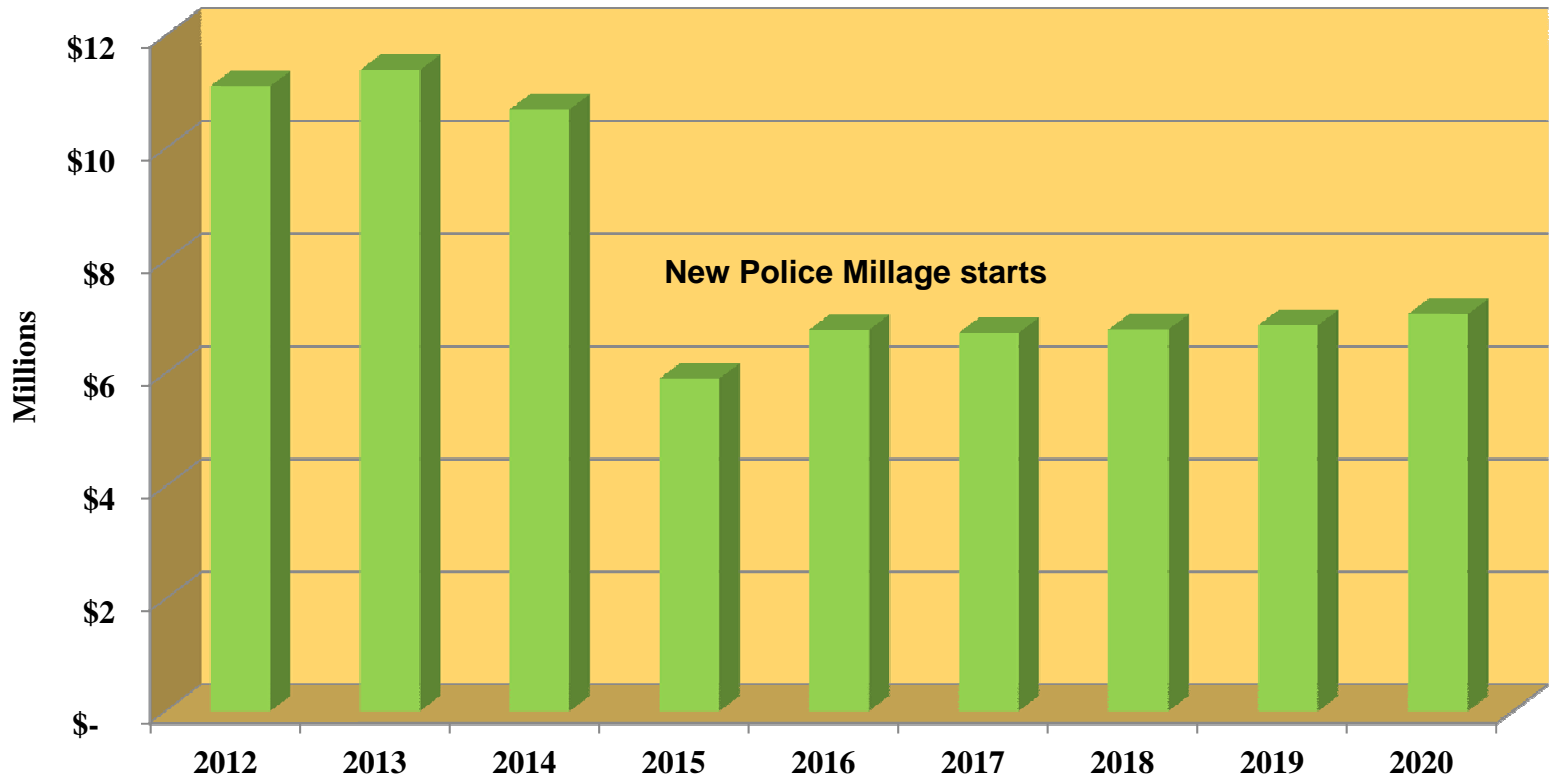
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Model Updated May 1, 2013	Actual	1st Qtr	Projected	Projected	Projected	Estimated	Estimated	Estimated	Estimated
101 - General Fund									
City Taxes	\$ 11,106,216	\$ 11,392,250	\$ 10,696,740	\$ 5,905,840	\$ 6,770,590	\$ 6,718,800	\$ 6,776,400	\$ 6,854,950	\$ 7,050,160
Licenses & Permits	2,554,188	2,212,200	2,142,200	2,142,200	2,142,200	2,142,200	2,142,200	2,142,200	2,142,200
Intergovernmental Revenue	5,300,006	5,330,000	5,382,000	5,434,520	5,487,570	5,541,150	5,595,260	5,649,910	5,705,110
Inter-fund Charges	3,429,472	4,048,720	4,048,720	4,048,720	4,050,880	4,111,660	4,173,340	4,235,940	4,299,490
Service Charges	1,871,347	1,708,140	1,632,380	1,636,290	1,640,370	1,645,710	1,651,240	1,656,980	1,662,940
Fines & Forfeitures	28,019	8,000	8,000	8,000	8,120	8,240	8,360	8,490	8,620
Investment Earnings	90,734	112,270	117,010	140,730	206,580	318,620	639,800	642,550	646,410
Other Revenue	216,103	80,000	95,000	110,000	153,870	110,000	110,000	110,000	153,870
Transfer-In	66,616	26,850	23,530	23,430	24,790	27,560	32,320	45,870	45,110
101 - General Fund	\$ 24,662,700	\$ 24,918,430	\$ 24,145,580	\$ 19,449,730	\$ 20,484,970	\$ 20,623,940	\$ 21,128,920	\$ 21,346,890	\$ 21,713,910

101 - General Fund									
Personnel Services	\$ 9,267,828	\$ 9,851,780	\$ 9,972,980	\$ 10,157,780	\$ 10,371,070	\$ 10,672,800	\$ 10,917,600	\$ 11,174,300	\$ 11,449,310
Operating Supplies	241,826	275,660	255,060	254,060	256,500	258,880	264,060	266,480	271,790
Professional Services	1,213,612	1,485,570	1,561,250	1,513,500	1,501,070	1,546,380	1,540,900	1,579,760	1,585,190
Inter-fund Charges	2,009,257	2,338,890	2,338,930	2,338,970	2,346,310	2,381,570	2,417,310	2,453,580	2,490,430
Other Expenses	56,776	172,980	170,540	153,770	156,420	158,420	160,630	162,950	165,620
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	8,380,016	10,686,620	9,746,820	4,931,650	5,753,600	5,505,890	5,728,420	5,609,820	5,651,570
101 - General Fund	\$ 21,169,315	\$ 24,811,500	\$ 24,045,580	\$ 19,349,730	\$ 20,384,970	\$ 20,523,940	\$ 21,028,920	\$ 21,246,890	\$ 21,613,910



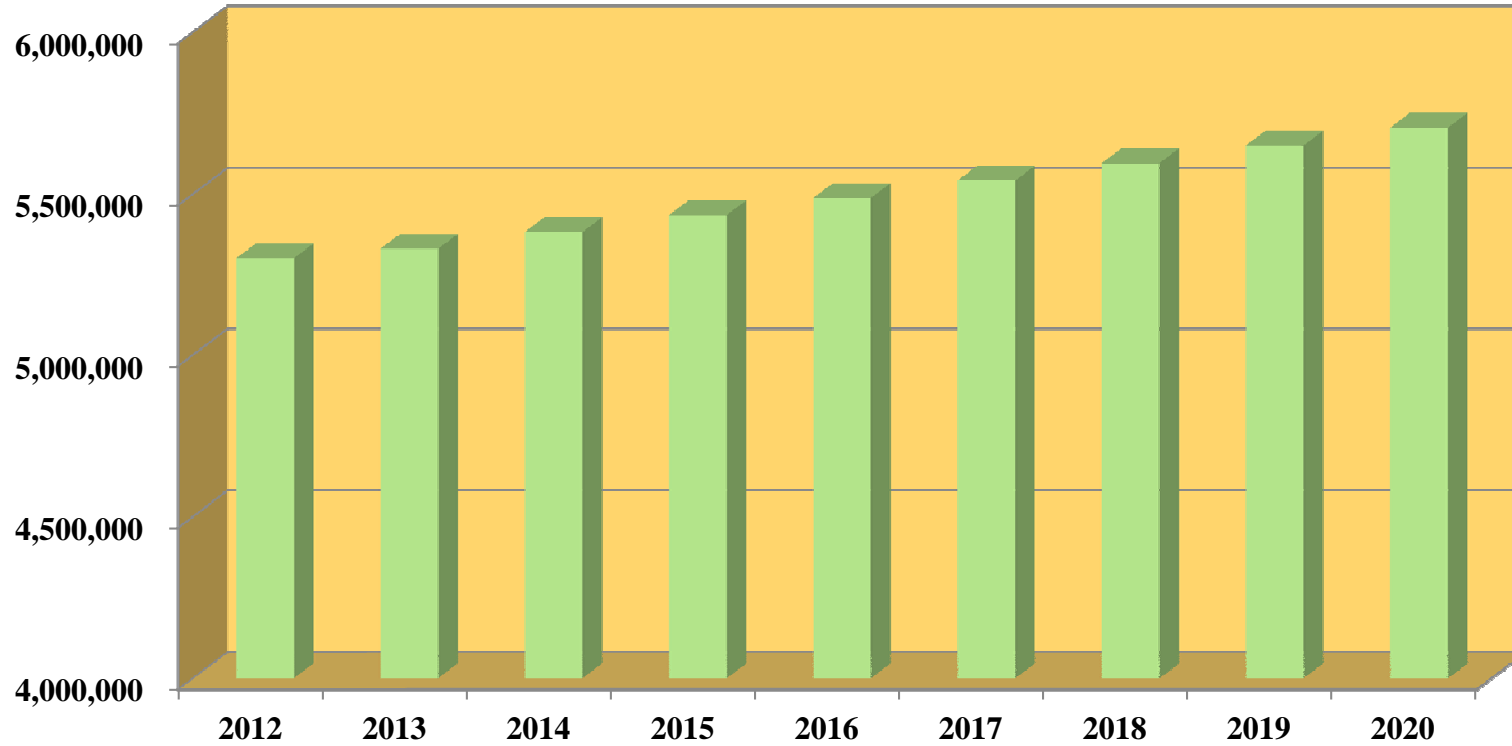
General Fund Revenue

Property Tax



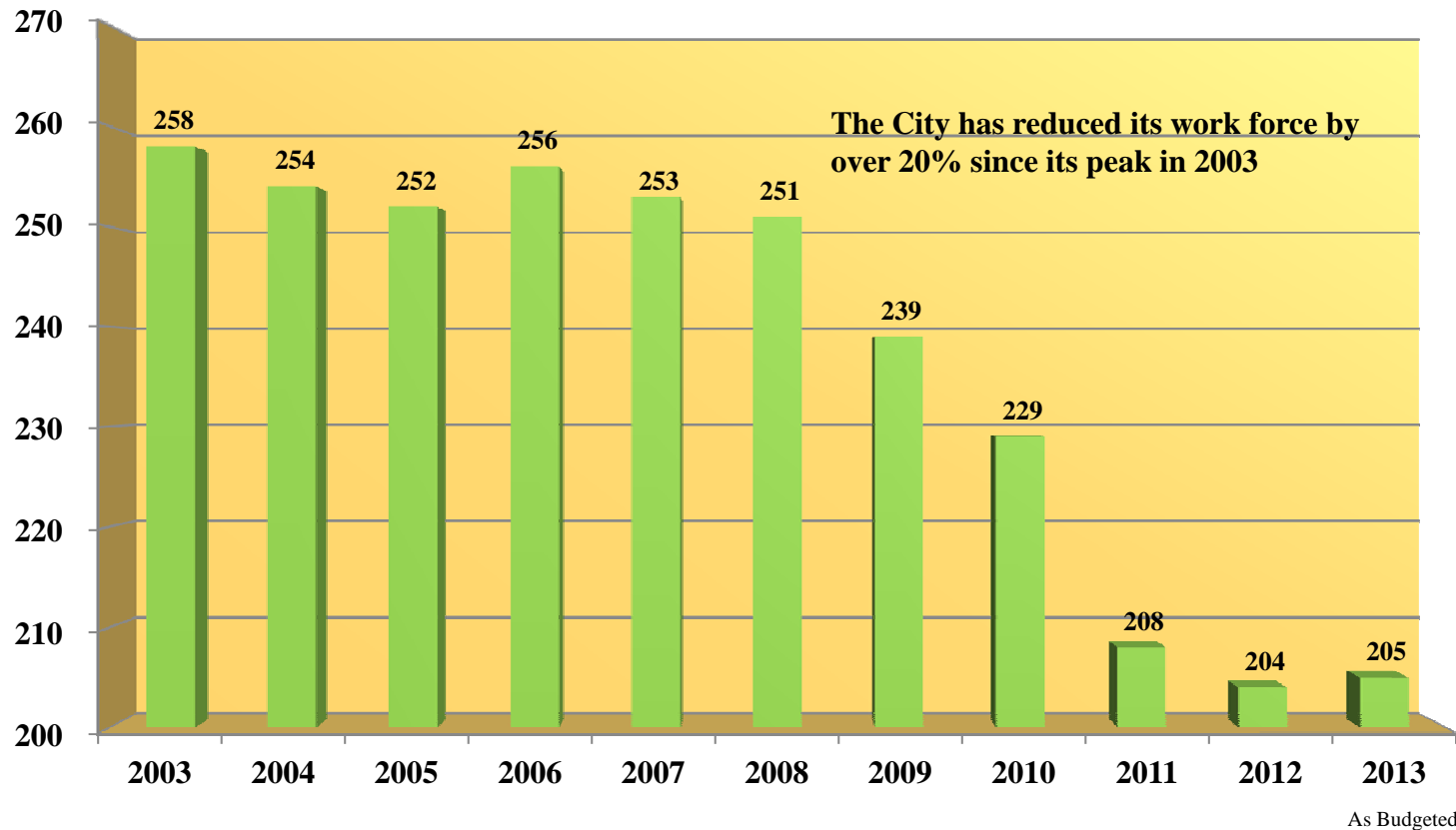
General Fund Revenue

State Shared Revenue



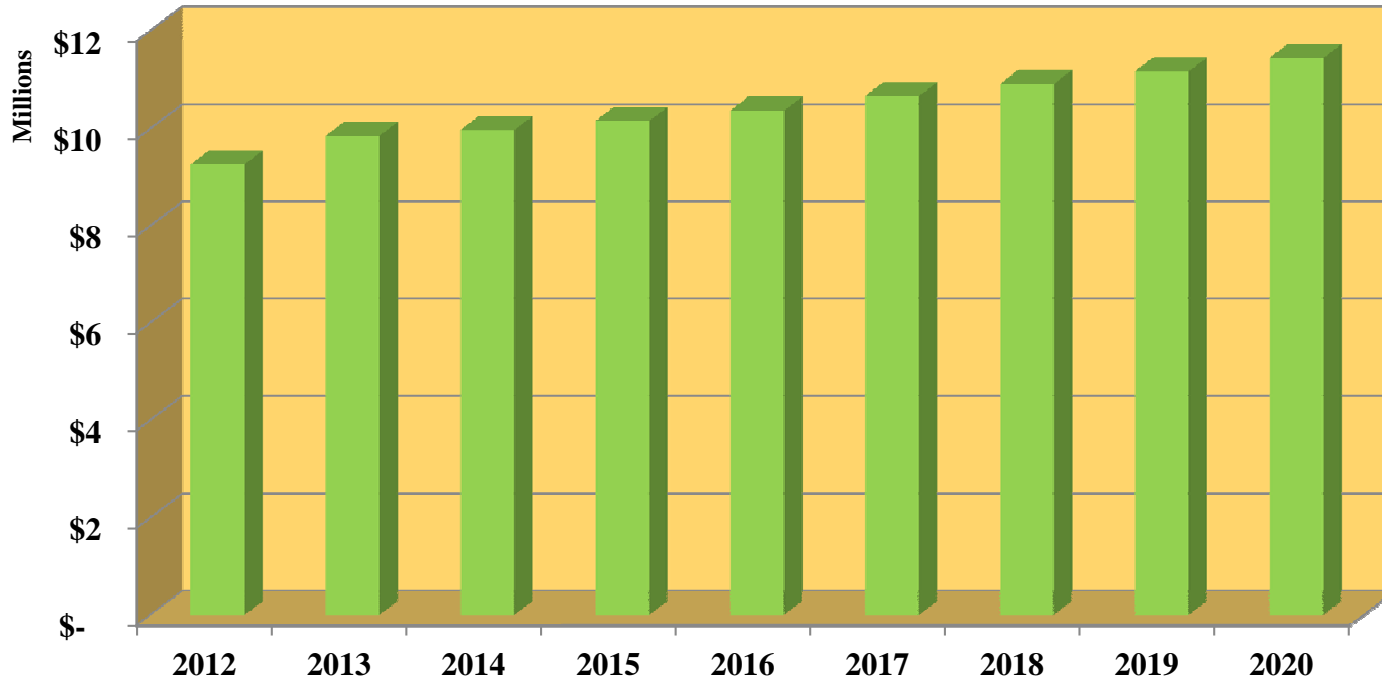
General Fund Expenditures

Budgeted Full-Time Employees per Fiscal Year



General Fund Expenditures

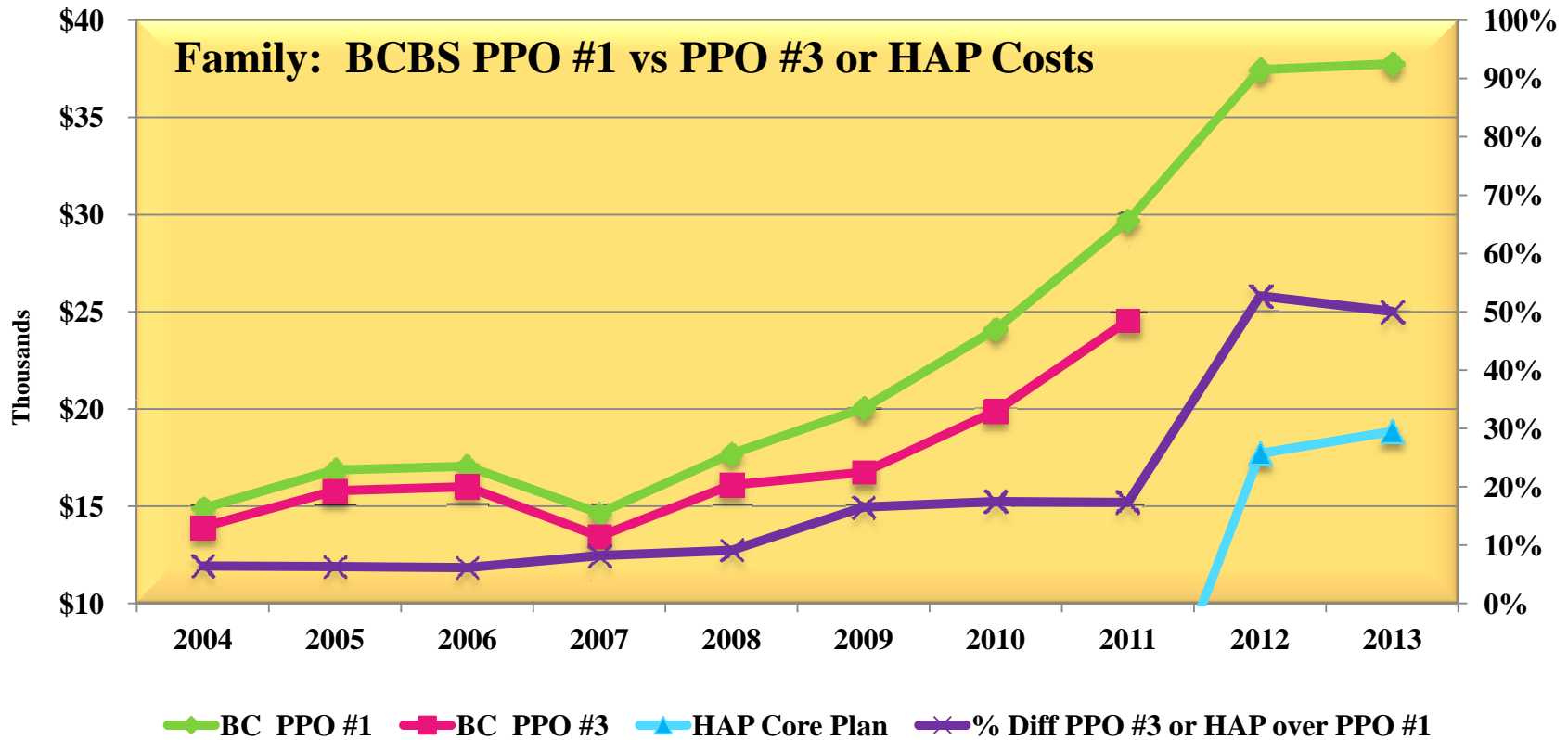
Personnel Services



Even through the City's staff size is not increasing forecasted increases in health care costs and realistic salary adjustments are increasing the Fund's Personnel costs



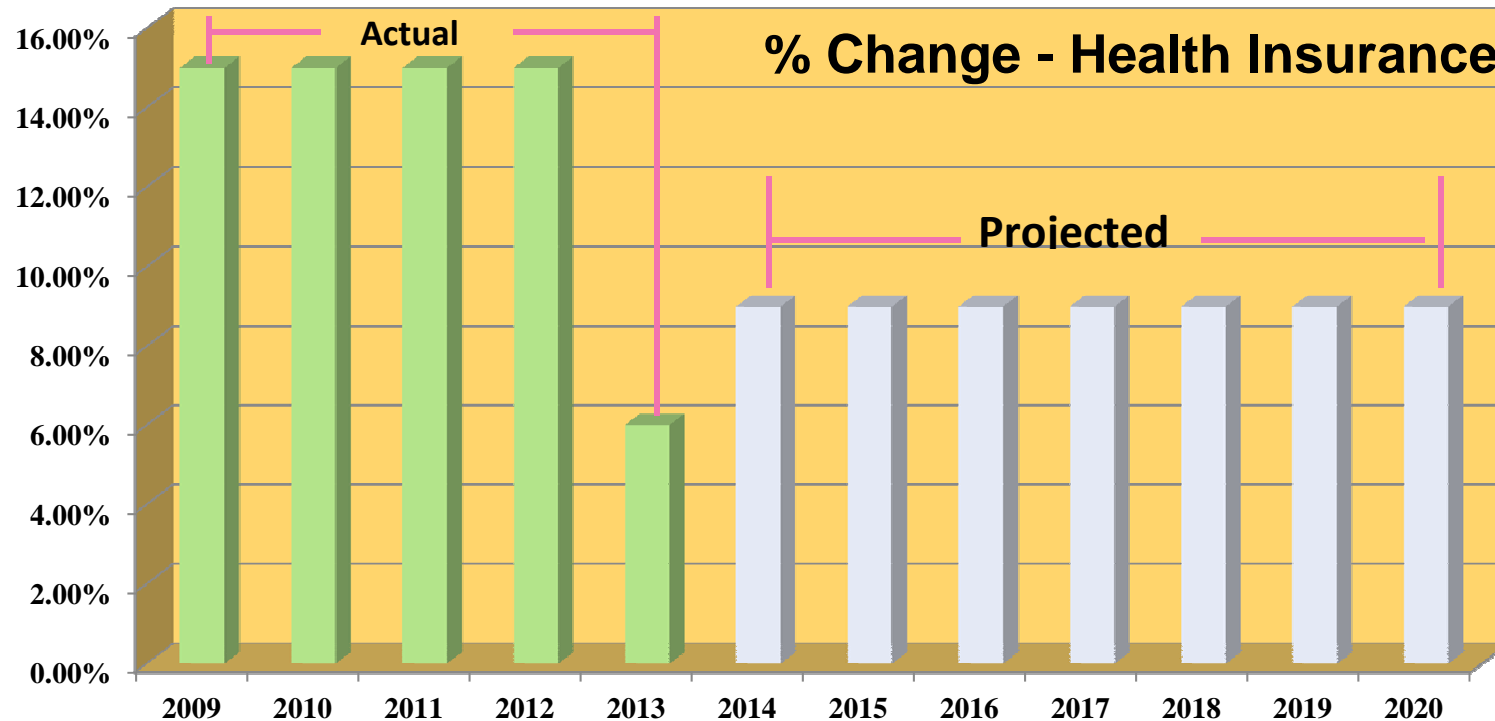
General Fund Expenditures



For a number of years, the City has been working on controlling escalating health care costs. As the following chart shows, since 2004 the City has been re-designing its health care plan by changing deductibles, co-pays and coverage, shifting more responsibilities to employees. Had the City not moved in this direction, the City would have paid 50% more in FY2013 for health care premiums.



General Fund Expenditures



The City's most recent plan re-design, included a change in the City's core health care plan, produced a **savings in FY2012 of approximately \$650,000**. The new core plan will continue to provide savings going forward, however, just like other health care programs, increases in health care costs are estimated to eat into those savings each year going forward. The estimates used for annual increases for the new core plan are based on a 7 year average of premiums. Increases on the old core plan were based on actual City based results.



General Fund Expenditures

Transfers to Other Funds

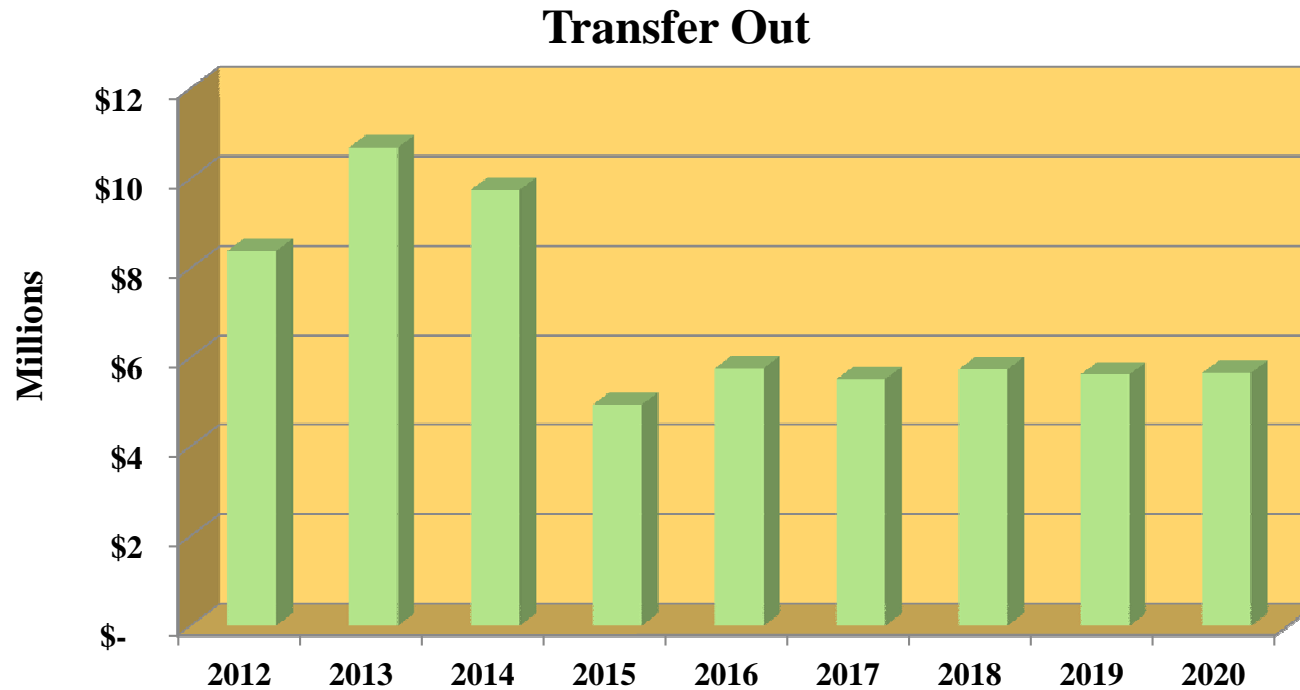
Transfer Out	2012	2013	2014	2015	2016	2017	2018	2019	2020
Major Roads	\$ 294,256	\$ 540,740	\$ 296,710	\$ 299,420	\$ 303,910	\$ 308,470	\$ 314,640	\$ 320,940	\$ 327,350
Local Streets	2,709,430	4,380,950	3,865,420	3,910,530	4,721,320	4,463,340	4,673,180	4,541,670	4,570,300
Special Police	4,720,680	4,923,590	4,863,350	-	-	-	-	-	-
Capital Improve. Fund	185,000	190,000	190,000	190,000	189,850	189,700	189,550	189,390	189,230
Facilities (Common Area)	370,920	551,610	431,610	431,610	438,080	444,650	451,320	458,090	464,960
Retiree Health Trust	99,730	99,730	99,730	99,730	99,730	99,730	99,730	99,730	99,730
E.D.C.	-	-	-	360	710	-	-	-	-
	\$ 8,380,016	\$ 10,686,620	\$ 9,746,820	\$ 4,931,650	\$ 5,753,600	\$ 5,505,890	\$ 5,728,420	\$ 5,609,820	\$ 5,651,570

General Fund makes at least a transfer to Local Street Fund large enough to make sure that the Local Street Fund can have enough revenue to cover *annual maintenance costs*. General Fund is also able to transfer to the Local Street Fund additional funds for some reconstruction activities.

You can also see the introduction of the new Police Service millage, that begins in FY2015, ending the General Fund subsidy for Police Services.



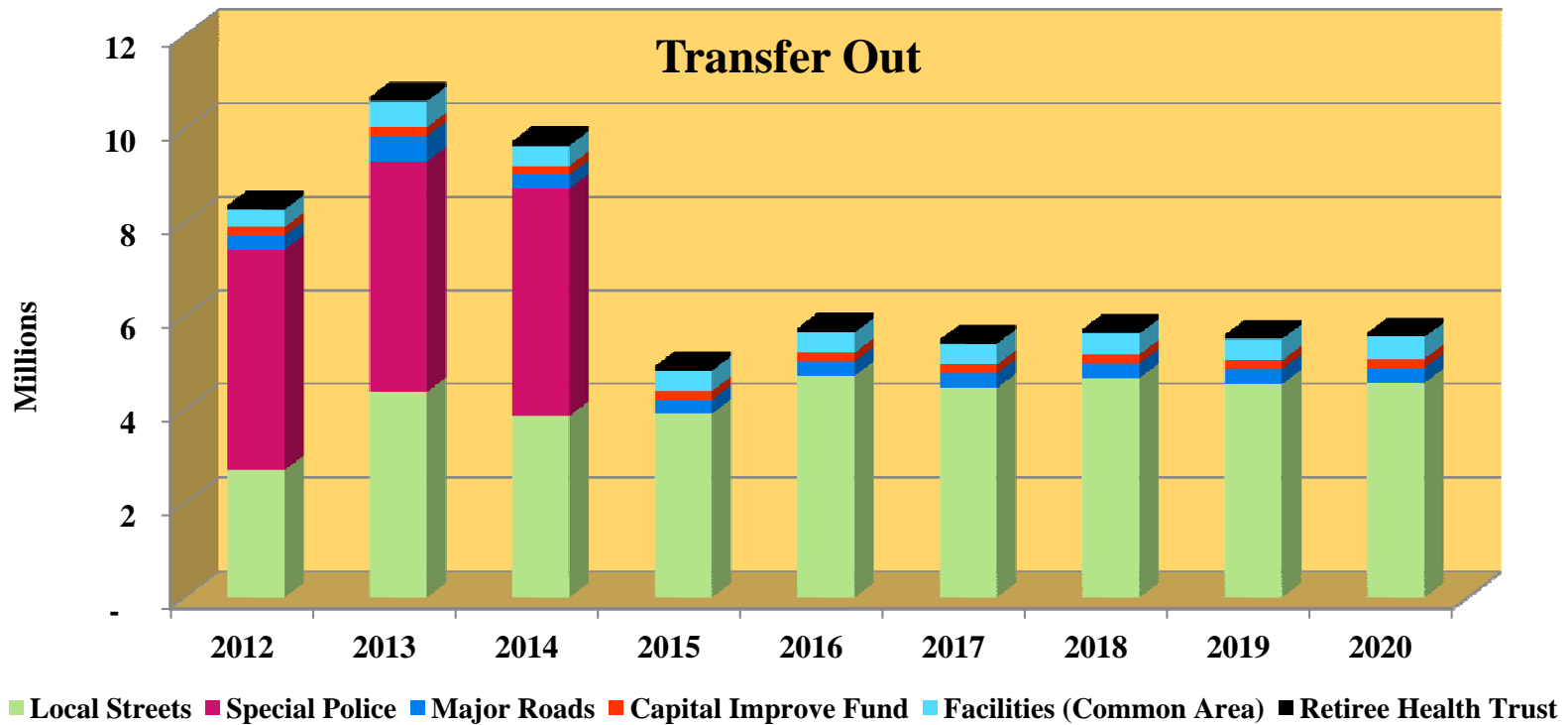
General Fund Expenditures



In FY2014, over 40% of all General Fund revenue (or over 90% of General Fund tax revenue) is transferred to other funds to support their activities and services. In FY2015, those percentages change to 25% and 81% respectively as General Funds ends its subsidy of Police Services.



General Fund Expenditures



As the chart shows, with Special Police having a dedicated millage funding source, General Fund's Transfers Out are more controllable ending some of the pressure it was under before voters provided that dedicated millage.



General Fund

Important Take Away

- Approximately 40% of all FY2014 revenue or over 90% of FY2014 tax revenue collected in General Fund is transferred to other funds to support their activities.
- The fund is fiscally sound following current budget policies and the structure used in the financial model. That soundness generally comes by limiting transfers to other funds.
- The Fund is able to provide approximately \$4 million per year in annual funding to support the Local Street operations and reconstruction.

Major Road Fund

Major Road Fund

Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
202 - Major Road Fund									
City Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	3,267,509	3,105,000	3,105,000	3,105,000	3,105,000	3,105,000	3,105,000	3,105,000	3,105,000
Interfund Charges	20,019	20,000	20,000	20,000	20,000	20,320	20,640	20,960	21,290
Service Charges	213,291	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500
Fines & Forfeitures	-	-	-	-	-	-	-	-	-
Investment Earnings	56,026	49,120	45,840	56,170	65,070	56,900	135,340	156,470	178,850
Other Revenue	30,192	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500
Transfer-In	494,256	840,740	596,710	599,420	603,910	608,470	614,640	620,940	627,350
202 - Major Road Fund	\$ 4,081,292	\$ 4,279,860	\$ 4,032,550	\$ 4,045,590	\$ 4,058,980	\$ 4,055,690	\$ 4,140,620	\$ 4,168,370	\$ 4,197,490

202 - Major Road Fund									
Personnel Services	\$ 717,767	\$ 858,510	\$ 880,320	\$ 893,100	\$ 906,990	\$ 922,320	\$ 939,510	\$ 958,150	\$ 978,390
Operating Supplies	101,560	209,720	181,820	188,070	194,630	202,390	210,510	219,000	227,880
Professional Services	254,362	288,880	301,380	376,380	301,380	280,340	309,350	288,420	317,550
Interfund Charges	487,050	728,110	703,800	703,800	703,800	713,760	723,870	734,120	744,540
Other Expenses	1,411	2,300	2,300	2,300	2,300	2,330	2,360	2,390	2,420
Capital Outlay	978,736	3,789,820	1,830,000	3,977,680	6,270,400	857,420	898,670	847,250	781,250
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	1,361,250	1,125,000	750,000	375,000	-	-	-	-	-
202 - Major Road Fund	\$ 3,902,135	\$ 7,002,340	\$ 4,649,620	\$ 6,516,330	\$ 8,379,500	\$ 2,978,560	\$ 3,084,270	\$ 3,049,330	\$ 3,052,030

Major Road fund will be phasing out its transfer to Local Streets. This is to provide for the long-term sustainability of the Major Road Fund.

Capital Outlay is based on the City's Capital Improvement Plan (CIP). Projects slated for 2014, 2015, and 2016 will be reviewed as we get closer to those years and will most likely be extended and better balanced out into the future.



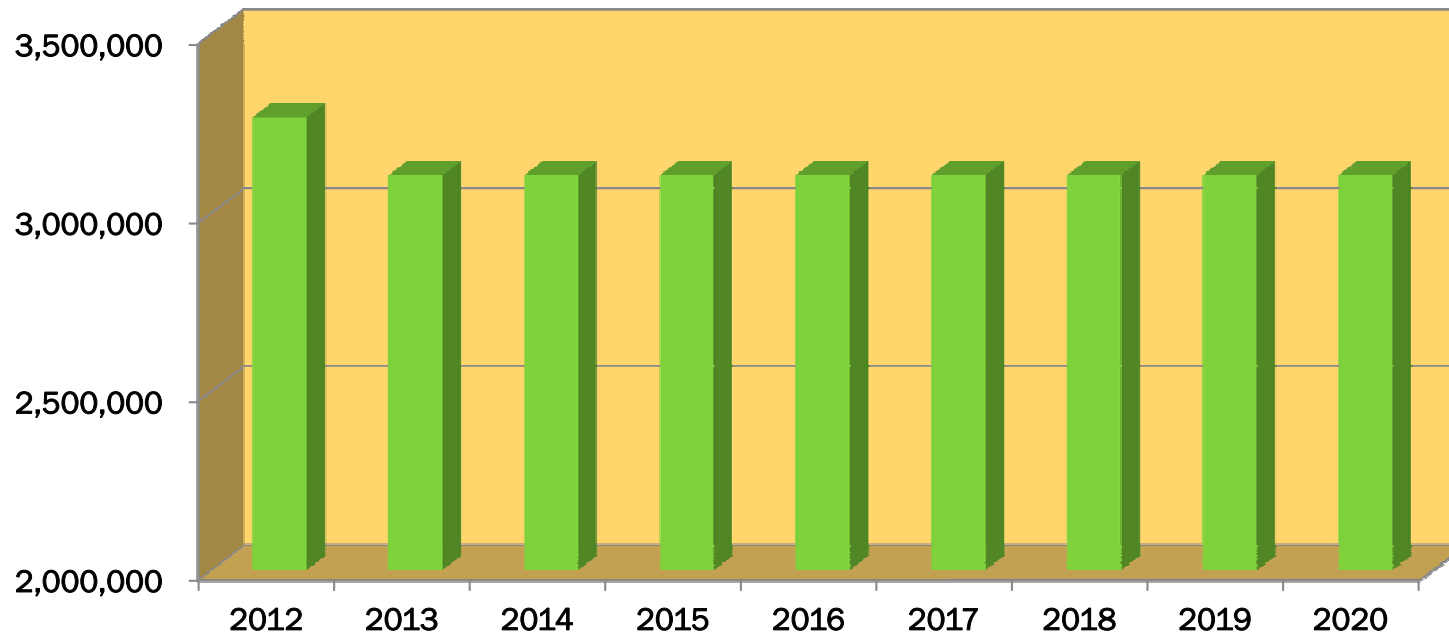
Major Road Fund Fund Balance

Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 179,157	\$ (2,722,480)	\$ (617,070)	\$ (2,470,740)	\$ (4,320,520)	\$ 1,077,130	\$ 1,056,350	\$ 1,119,040	\$ 1,145,460
BEGINNING FUND BALANCE	\$ 15,641,687	\$ 15,820,844	\$ 13,098,364	\$ 12,481,294	\$ 10,010,554	\$ 5,690,034	\$ 6,767,164	\$ 7,823,514	\$ 8,942,554
ENDING FUND BALANCE	\$ 15,820,844	\$ 13,098,364	\$ 12,481,294	\$ 10,010,554	\$ 5,690,034	\$ 6,767,164	\$ 7,823,514	\$ 8,942,554	\$ 10,088,014

Major Road's Fund Balance is used to fund their capital expenditure budget and the fund is positioned well to meet that goal provided it keeps revisiting its CIP projects.

Major Road Fund

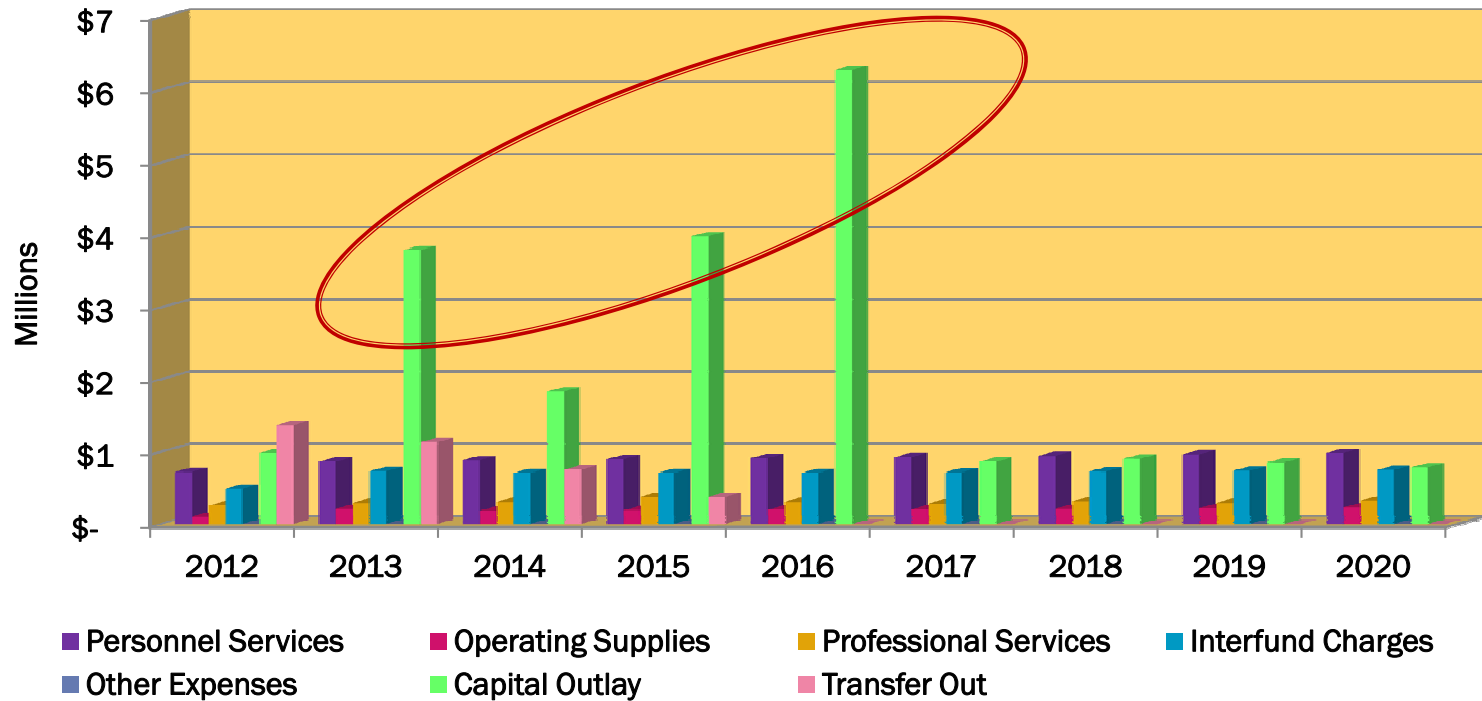
Gas and Weight Tax



We see little to no growth in Gas and Weigh Taxes any time soon which is a major revenue source for both Major and Local Streets.



Major Road Fund



Projects slated for 2014, 2015 and 2016 will be reviewed as we get closer to those years and will most likely be better balanced out into the future



Major Road Fund

Important Take Away

- **Receives more in Act 51 funds than it needs for maintenance costs**
- **That Excess is currently being transferred to Local Street Fund to be used for Local Street maintenance. The fund will be phasing out this transfer over the next two budget/forecasted years**
- **The fund's fund balance is used for construction projects and should last with good prioritization of capital projects and with the phase out of its transfer to Local Streets.**

Local Street Fund

Local Street Maintenance Funding Plan



Local Street

Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
203 - Local Street Fund									
City Taxes	\$ 1,046,300	\$ 1,035,650	\$ 2,504,890	\$ 2,527,740	\$ 2,565,230	\$ 2,603,360	\$ 2,654,760	\$ 2,707,420	\$ 2,761,190
Licenses & Permits	17,400	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Intergovernmental Revenue	1,207,343	1,192,000	1,192,000	1,192,000	1,192,000	1,192,000	1,192,000	1,192,000	1,192,000
Inter-fund Charges	-	-	-	-	-	-	-	-	-
Service Charges	134,940	102,600	107,150	111,630	116,340	121,290	126,480	131,930	137,650
Fines & Forfeitures	-	-	-	-	-	-	-	-	-
Investment Earnings	11,152	10,560	20,390	23,870	34,320	52,790	105,590	105,590	105,590
Other Revenue	23,426	6,330	14,500	220	10,000	-	10,000	-	10,000
Transfer-In	4,070,680	5,505,950	4,627,480	4,362,310	4,903,420	4,749,000	5,049,600	5,005,930	5,127,650
203 - Local Street Fund	\$ 6,511,241	\$ 7,863,090	\$ 8,476,410	\$ 8,227,770	\$ 8,831,310	\$ 8,728,440	\$ 9,148,430	\$ 9,152,870	\$ 9,344,080
Personnel Services	\$ 1,245,659	\$ 1,632,860	\$ 1,675,920	\$ 1,702,390	\$ 1,731,190	\$ 1,767,530	\$ 1,803,270	\$ 1,842,100	\$ 1,884,230
Operating Supplies	217,404	410,250	392,630	397,860	403,350	413,440	423,880	434,690	445,880
Professional Services	156,722	204,050	224,050	204,050	224,050	207,100	227,130	210,230	230,260
Interfund Charges	1,266,870	1,740,040	1,682,520	1,682,520	1,682,520	1,705,730	1,729,280	1,753,180	1,777,440
Other Expenses	118,345	116,800	126,510	131,580	137,720	144,200	151,000	158,140	165,630
Capital Outlay	1,689,146	3,235,000	3,747,540	3,468,250	4,000,910	4,176,936	4,813,870	4,754,530	4,840,640
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	547,650	559,090	627,240	641,120	651,570	313,504	-	-	-
203 - Local Street Fund	\$ 5,241,797	\$ 7,898,090	\$ 8,476,410	\$ 8,227,770	\$ 8,831,310	\$ 8,728,440	\$ 9,148,430	\$ 9,152,870	\$ 9,344,080

Local Roads will be receiving **30% of its funding from property taxes** thanks to voter approval on repurposing of expiring millage(s) which frees up General Fund funding for reconstruction activities.



Local Street's Dependence on Other Funds

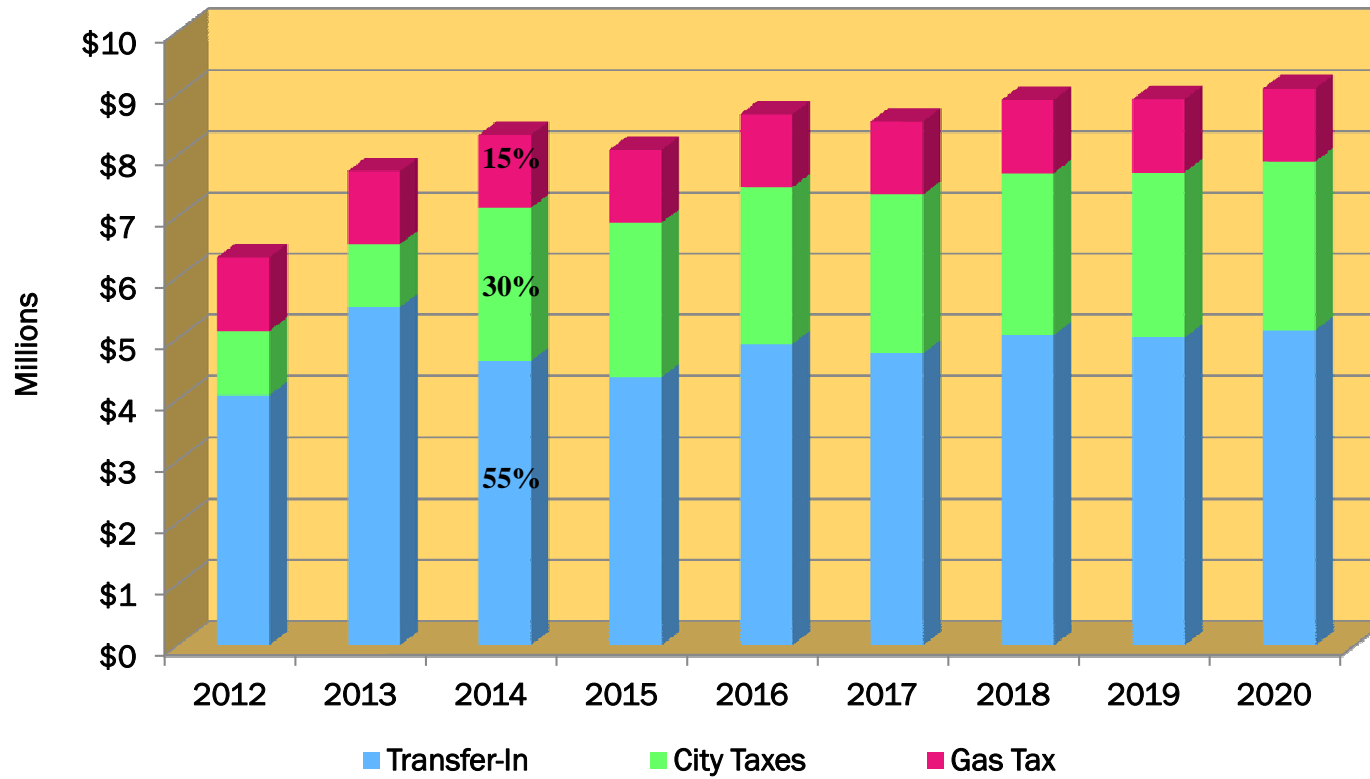
Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transfer In - General Fund	\$ 2,709,430	\$ 4,380,950	\$ 3,877,480	\$ 3,987,310	\$ 4,903,420	\$ 4,749,000	\$ 5,049,600	\$ 5,005,930	\$ 5,127,650
Transfer In - Major Roads	1,361,250	1,125,000	750,000	375,000	-	-	-	-	-
Total Transfer-In	4,070,680	5,505,950	4,627,480	4,362,310	4,903,420	4,749,000	5,049,600	5,005,930	5,127,650
Local Street Fund Total Revenue	\$ 6,511,241	\$ 7,863,090	\$ 8,476,410	\$ 8,227,770	\$ 8,831,310	\$ 8,728,440	\$ 9,148,430	\$ 9,152,870	\$ 9,344,080
Transfers as a% of Revenue	63%	70%	55%	53%	56%	54%	55%	55%	55%
Capital Outlay	1,689,146	3,235,000	3,747,540	3,468,250	4,000,910	4,176,936	4,813,870	4,754,530	4,840,640
Capital Outlay as a % of Transfers	41%	59%	81%	80%	82%	88%	95%	95%	94%

As the table shows, Local Roads depends on about **55%** of its funding from other funds but it also spends **80%** of those transferred dollars on reconstruction activity.



Local Streets Funding

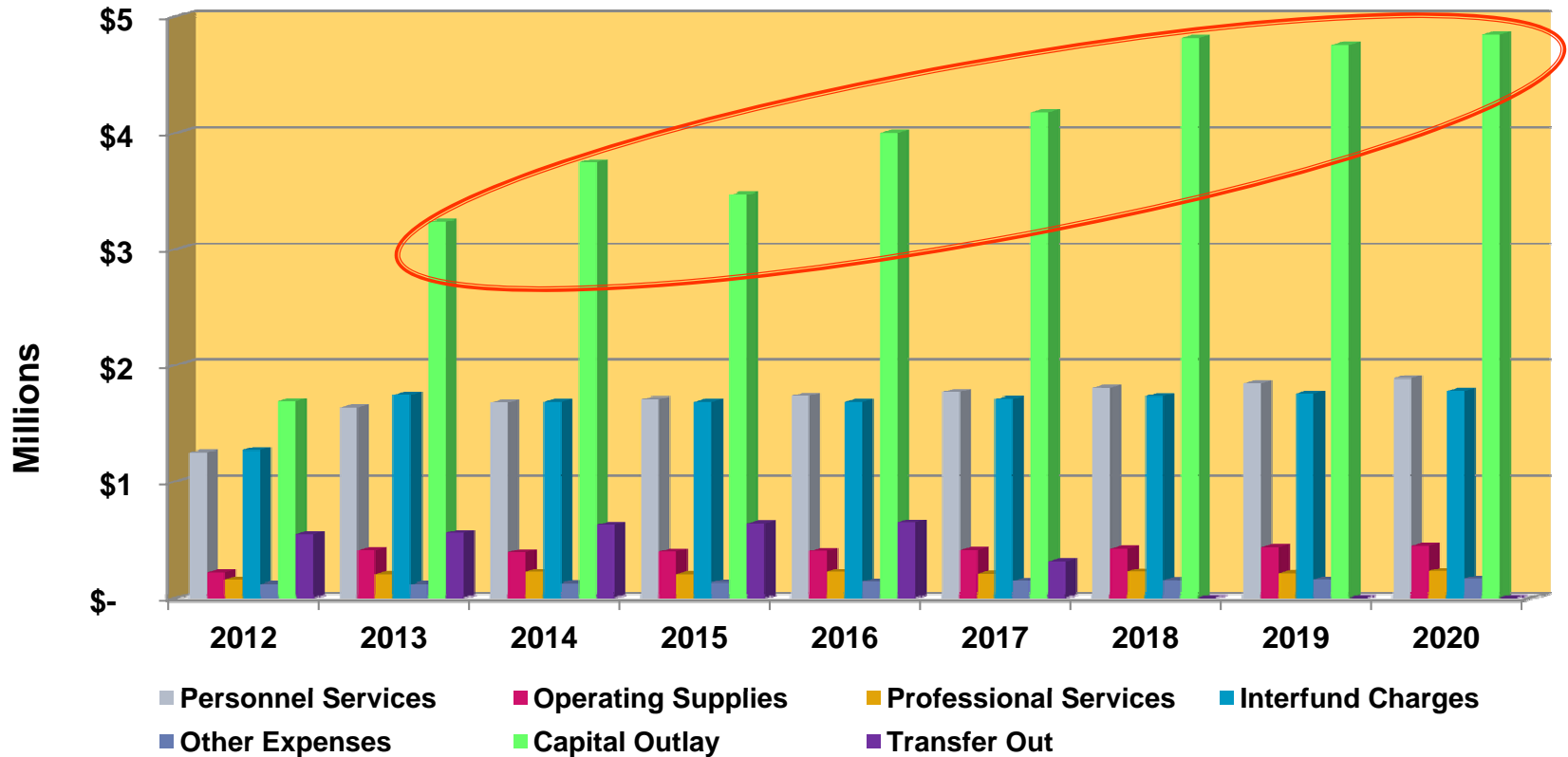
Major Revenue Sources



As the graph shows transfer-in continues to be a major funding source for Local Roads



Local Streets Funding



As the graph shows capital expenditures are a major and growing expenditure for Local Roads



Local Street Fund

Important Take Away

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

Fire Fund



Fire Fund

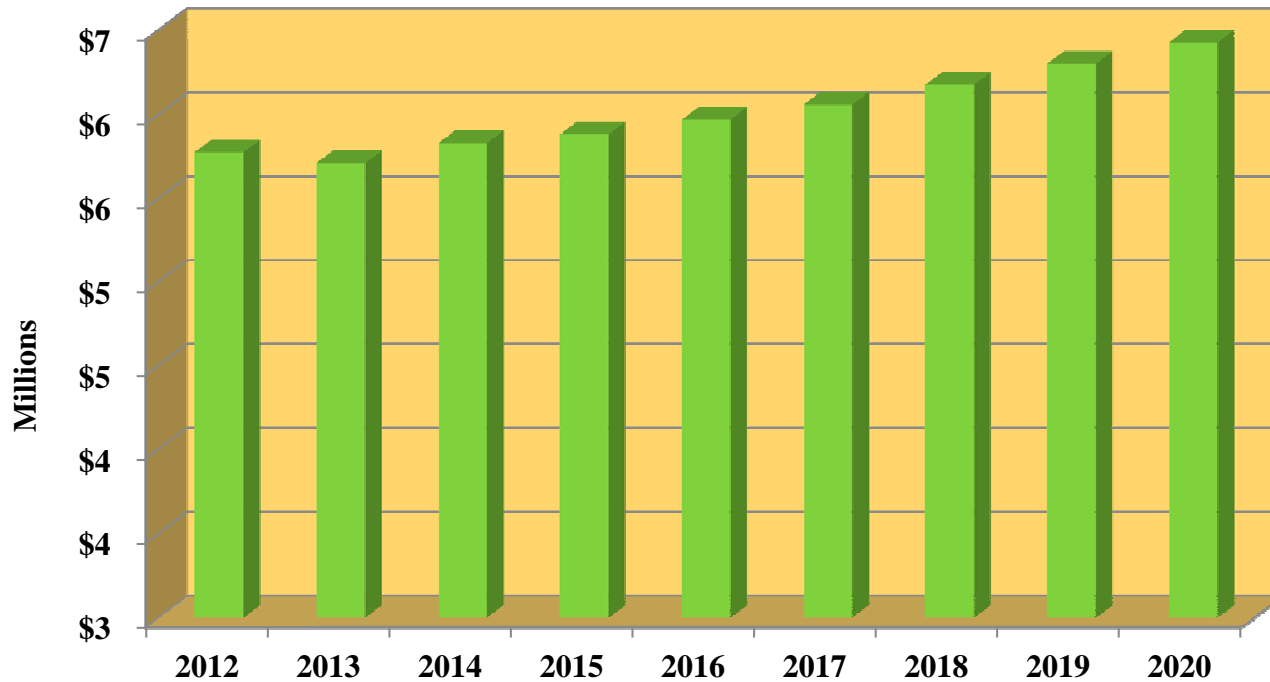
Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
206 - Fire Operating Fund									
City Taxes	\$ 5,775,345	\$ 5,710,880	\$ 5,829,290	\$ 5,882,490	\$ 5,969,730	\$ 6,058,460	\$ 6,178,090	\$ 6,300,680	\$ 6,425,830
Licenses & Permits	5,300	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Intergovernmental Revenue	730	-	-	-	-	-	-	-	-
Interfund Charges	-	-	-	-	-	-	-	-	-
Service Charges	1,561,409	1,569,250	1,594,250	1,619,250	1,619,250	1,635,710	1,652,350	1,669,160	1,686,150
Fines & Forfeitures	20,412	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Investment Earnings	19,097	22,230	22,320	28,820	41,920	64,930	131,070	132,310	133,560
Other Revenue	26,397	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Transfer-In	5,756	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950
206 - Fire Operating Fund	\$ 7,414,446	\$ 7,323,310	\$ 7,466,810	\$ 7,551,510	\$ 7,651,850	\$ 7,780,050	\$ 7,982,460	\$ 8,123,100	\$ 8,266,490
Personnel Services	\$ 4,749,403	\$ 5,024,480	\$ 5,209,700	\$ 5,256,330	\$ 5,307,030	\$ 5,384,950	\$ 5,450,360	\$ 5,521,150	\$ 5,597,810
Operating Supplies	79,732	91,050	90,050	90,050	90,050	91,430	92,820	94,220	95,640
Professional Services	335,303	352,550	373,380	403,500	409,190	415,600	427,660	437,550	444,080
Interfund Charges	1,368,354	1,499,900	1,523,900	1,499,900	1,523,900	1,546,770	1,569,980	1,593,540	1,617,460
Other Expenses	39,967	63,660	61,640	59,830	59,830	60,490	61,150	61,810	62,490
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	439,110	291,670	208,140	241,900	261,850	280,810	380,490	414,830	449,010
206 - Fire Fund	\$ 7,011,869	\$ 7,323,310	\$ 7,466,810	\$ 7,551,510	\$ 7,651,850	\$ 7,780,050	\$ 7,982,460	\$ 8,123,100	\$ 8,266,490

The stabilization of taxable values has greatly improved the out look of the Fire Fund. The fund is in a position to add to its Capital Fund.



Fire Fund Revenues

Taxes

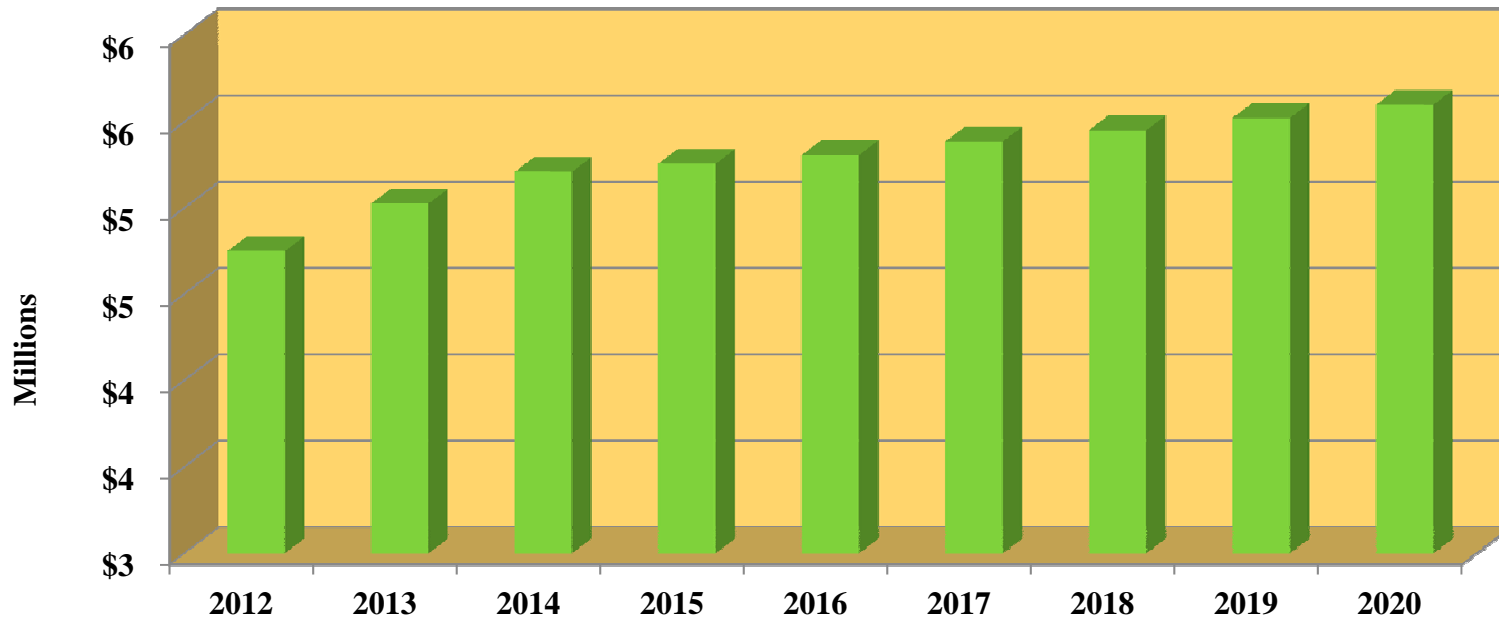


In FY 2012 Fire Fund Millage was raised to its Headlee limit and remains there in the forecast. The increase did not increase the total City millage rate.



Fire Fund Expenses

Personnel Services



Personnel costs now reflect the recently settled collective bargaining agreement. Like all funds, future increases in health care costs are also driving increases in Personnel Costs. In addition, their staff generally starts younger and move, in health care, from single to married then from married to family plans, each of those steps add to the cost of health care.



Fire Fund

Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 402,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BEGINNING FUND BALANCE	\$ 3,073,339	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916
ENDING FUND BALANCE	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916	\$ 3,475,916

Transfer Out - Fire Apparatus Fund	405,990	258,550	175,020	208,780	228,730	247,690	347,370	381,710	415,890
Transfer Out - Supple Retiree Trust	33,120	33,120	33,120	33,120	33,120	33,120	33,120	33,120	33,120
	\$ 439,110	\$ 291,670	\$ 208,140	\$ 241,900	\$ 261,850	\$ 280,810	\$ 380,490	\$ 414,830	\$ 449,010

The stabilization of taxable values has greatly improved the out look of the Fire Fund. The fund is in a position to add modest amounts to its Capital Fund.



Fire Fund

Important Take Away

- In FY2012, millage rate needed to be set at the Headlee limit where it is today in the model. The increase DID NOT increase the City's total millage rate.
- With the stabilization of Taxable Values, the Fire Fund is able to support current service delivery levels *and* contribute to its Capital Fund.

Special Police Fund

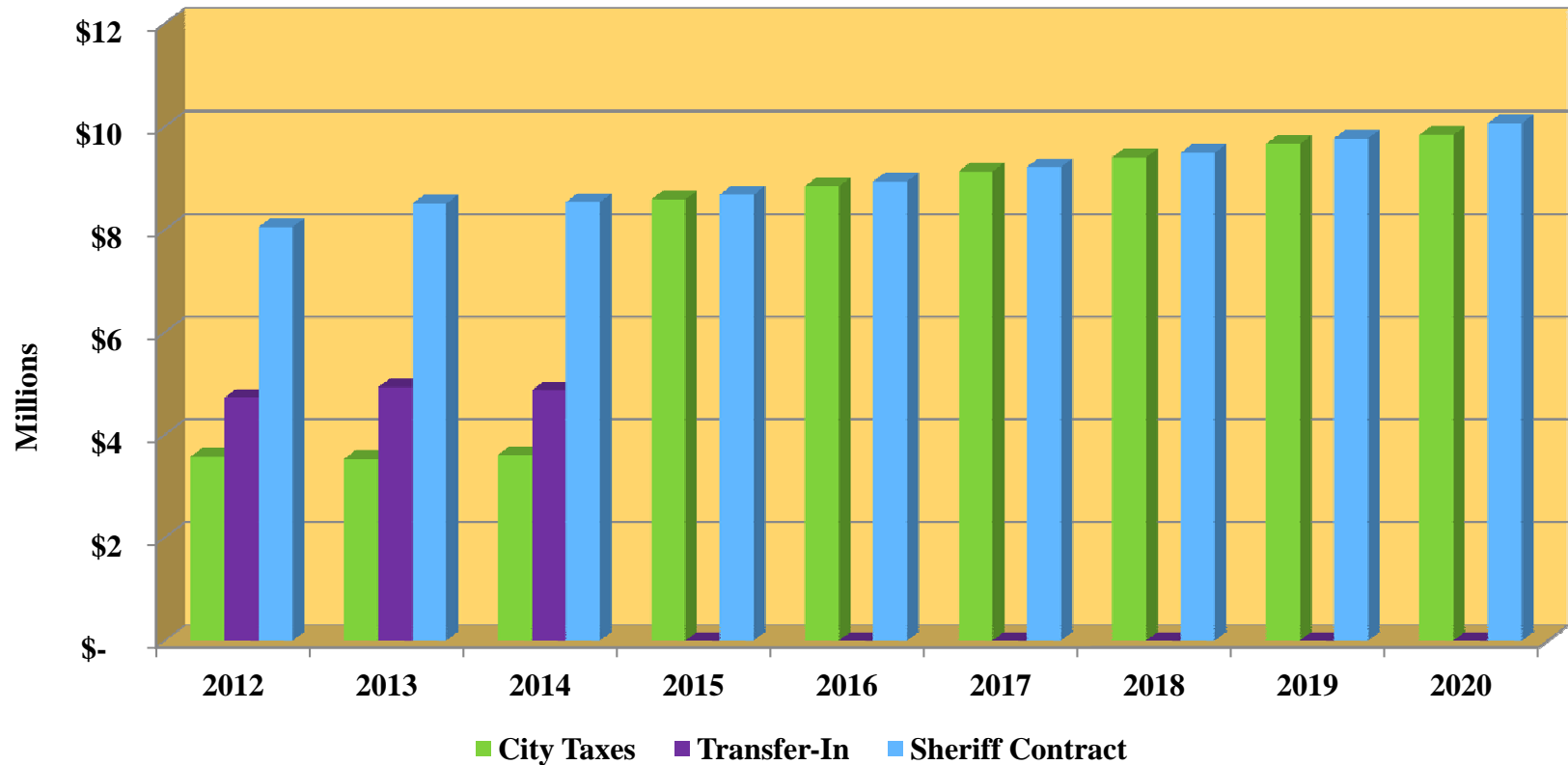
Special Police Fund

Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
207 - Special Police Fund									
City Taxes	\$ 3,566,945	\$ 3,526,680	\$ 3,599,800	\$ 8,592,090	\$ 8,846,180	\$ 9,128,780	\$ 9,402,340	\$ 9,663,850	\$ 9,838,660
Licenses & Permits	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	291,624	288,650	289,500	293,910	301,800	309,930	318,300	326,930	335,810
Interfund Charges	-	-	-	-	-	-	-	-	-
Service Charges	161,137	157,040	157,410	159,370	162,880	166,490	170,210	174,040	177,990
Fines & Forfeitures	325,991	380,000	380,000	380,000	380,000	380,000	380,000	380,000	380,000
Investment Earnings	6,621	8,580	9,840	23,830	35,250	10,180	20,360	20,360	20,360
Other Revenue	13,649	-	-	-	-	-	-	-	-
Transfer-In	4,720,680	4,923,590	4,863,350	-	-	-	-	-	-
207 - Special Police Fund	\$ 9,086,646	\$ 9,284,540	\$ 9,299,900	\$ 9,449,200	\$ 9,726,110	\$ 9,995,380	\$10,291,210	\$10,565,180	\$10,752,820
207 - Special Police									
Personnel Services	\$ 192,420	\$ 215,190	\$ 199,070	\$ 200,830	\$ 202,740	\$ 204,770	\$ 207,030	\$ 209,490	\$ 212,160
Operating Supplies	9,669	16,500	16,500	16,500	16,500	16,760	17,020	17,280	17,540
Professional Services	8,055,172	8,508,430	8,536,170	8,681,860	8,942,220	9,210,440	9,486,710	9,771,270	10,064,360
Interfund Charges	160,772	204,780	204,780	204,780	204,780	207,860	210,970	214,130	217,340
Other Expenses	(11,806)	14,450	13,200	25,850	26,190	26,220	26,250	26,280	26,310
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	357,243	325,190	330,180	319,380	333,680	329,330	343,230	326,730	215,110
207 - Special Police	\$ 8,763,470	\$ 9,284,540	\$ 9,299,900	\$ 9,449,200	\$ 9,726,110	\$ 9,995,380	\$10,291,210	\$10,565,180	\$10,752,820

We can see the effect of the new Police Service millage plus the renewal of the two expiring millage(s) and the end of the General Fund's subsidy in FY2015.



Special Police Fund



With the level of contracted officers staying at the same level (57 sworn officers), the cost of the sheriff contract moves upward from \$8 million in 2012 to about \$10 million by 2020 (25% increase), based on current assumptions used in the forecasting model.



Special Police Fund

Important Take Away

- In FY2015 Police Services will be no longer need a subsidy from General Fund as it's voter approved dedicated millage begins.
- Sheriff Contract Pricing Adjusts each Year which will require the millage to rise to offset those increases.

Water Resources Fund

Water Resources Fund

Model Updated May 1, 2013	2012	2013	2014	2015	2016	2017	2018	2019	2020
244 - Water Resources Fund									
City Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	23,091	103,000	-	-	-	-	-	-	-
Interfund Charges	-	-	-	-	-	-	-	-	-
Service Charges	44,036	18,700	18,700	18,700	18,700	18,700	18,700	18,700	18,700
Fines & Forfeitures	-	-	-	-	-	-	-	-	-
Investment Earnings	2,747	3,500	3,500	3,500	3,500	10,630	11,490	1,560	-
Other Revenue	9,356	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Transfer-In	-	-	-	-	-	-	-	-	-
244 - Water Resources Fund	\$ 79,230	\$ 137,200	\$ 34,200	\$ 34,200	\$ 34,200	\$ 41,330	\$ 42,190	\$ 32,260	\$ 30,700
244 - Water Resources Fund									
Personnel Services	\$ 299,478	\$ 200,440	\$ 205,110	\$ 207,590	\$ 210,300	\$ 213,360	\$ 216,710	\$ 220,340	\$ 224,280
Operating Supplies	11,379	18,000	18,000	18,000	18,000	18,280	18,560	18,840	19,130
Professional Services	32,305	41,250	43,250	45,250	45,250	45,930	46,620	47,310	48,010
Interfund Charges	146,652	93,920	93,920	93,920	93,920	95,140	96,370	97,610	98,890
Other Expenses	111,206	168,490	168,490	162,790	155,520	157,860	160,230	162,640	165,080
Capital Outlay	23,796	103,000	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-	-	-
244 - Water Resources Fund	\$ 624,817	\$ 625,100	\$ 528,770	\$ 527,550	\$ 522,990	\$ 530,570	\$ 538,490	\$ 546,740	\$ 555,390



Water Resources Fund

EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	2012	2013	2014	2015	2016	2017	2018	2019	2020
	\$ (545,586)	\$ (487,900)	\$ (494,570)	\$ (493,350)	\$ (488,790)	\$ (489,240)	\$ (496,300)	\$ (514,480)	\$ (524,690)
BEGINNING FUND BALANCE	\$ 3,573,693	\$ 3,028,106	\$ 2,540,206	\$ 2,045,636	\$ 1,552,286	\$ 1,063,496	\$ 574,256	\$ 77,956	\$ (436,524)
ENDING FUND BALANCE	\$ 3,028,106	\$ 2,540,206	\$ 2,045,636	\$ 1,552,286	\$ 1,063,496	\$ 574,256	\$ 77,956	\$ (436,524)	\$ (961,214)

In the 2011 Financial Forecast the Water Resource Fund was headed on a path of being out of fund balance by 2015. Since that presentation, the Department of Public Services has put together a plan to defer capital improvement projects. The postponement of those projects and adjustments in other expenditures, the fund is projected last into FY2019 before all available resources are gone.

DPS will need to address and begin to put in place more items contained within their plan for this fund to survive beyond 2019.

Water Resource Fund

Important Take Away

- Has no dedicated funding source. Must make fund balance last as long as possible to pay for maintenance costs related to the City's drain system.
- The Department needs to bring more items identified in their plan forward and put them in place if this fund is to survive beyond 2019.
- Many of the City's drains were constructed under Chapter 20 of the Michigan Drain Code which obligates the City to pay Oakland County Water Resources for maintenance related work. This limits the City's ability to contain maintenance costs. The City needs to work towards gaining control over the maintenance of those drains.

Millage Opportunities

Green Space

- Tax year 2014 for FY2015, will be the last year Green Space millage can be spread.
- It may be an opportunity to ask voters if they would like to repurpose that expiring millage for Local Streets or Water Resources (for drain maintenance)

OPERATING MILLAGE	FY2012	FY2013	FY2014	FY2015	FY2016
Green Space / Natural Features	0.2972	0.2972	0.2972	0.2972	-
Property Taxes	\$ 874,310	\$ 869,820	\$ 881,820	\$ 889,890	

Critical Forecasted Factors to Focus on

- 40% of *General Fund* revenue or 90% of *General Fund* tax revenue is transferred to other funds.
- *Local Streets* needs additional funding sources if it is wants to perform any major subdivision road reconstruction activity. General Fund is able to give some limited support in this area.
- *Water Resource Fund* needs a future funding source to pay for the maintenance performed by Oakland County Water Resources if it is to survive beyond 2019
- There could be an **opportunity to repurpose an expiring Millage** without increasing the overall City Millage Rate

In Summary

- Like many governments, the City was faced with an economic downturn, which challenged our ability to deliver programs and services supported by property taxes and state revenues.
- With Council's support we have been able to manage during the worst of the economic storm. Our careful prioritization of services and programs has made a difference.
- As we were told by the City's Audit firm, the Financial Forecast has helped us get ahead of issues and address them before they became problems. Working together, we have been able to use the fiscal forecast to move the City to a three year approach to budgeting, to bring services and expenses in line with revenue resources and to become pro-active on those issues affecting our ability to deliver services to our citizens.
- We appreciate Council's support. Without it, we might not have been able to manage during the economic storm.
- There will always be financial challenges that lie ahead for the City but with careful planning many of these challenges can and will be turned into opportunities.

Q & A

