

Report to Rochester Hills City Council
Police and Road Millage TRC

The Rochester Hills City Council formed a Committee to study Police and Road Millage options and make recommendations to the Council. This is the report of that Committee to the City Council.

Police and Road Millage Technical Review Committee:

The Police and Road Millage TRC was initially formed in 2007 with the appointment of 3 Members of Council (Brennan, Rosen & Webber). The specific purpose and charge of the committee (attachment 1) was approved by the City Council on February 25, 2008. Four citizen appointments to the committee were approved on March 31, 2008 (Dalton, Funk, Hetrick & Tilove).

Committee Discussions:

The committee met initially on March 6, 2008, prior to citizen appointments, and discussed the extent of its charge and the recent election defeat history of both Police and Road millage in Rochester Hills. The Council Members of the Committee concluded that a complete study of all items was not possible in the short time available.

Following appointment of the Citizen members, the committee also met in April, May and June of 2008. The discussion centered on the realities facing the City (Council) regarding placing any new millage on upcoming 2008 elections. Given the economic conditions in our region, including job losses, home values declining and accelerating inflation, it is extremely unlikely a millage for any reason would pass at this coming November election. Furthermore, there is no sense in proposing a mileage if it is doomed to fail.

The committee recognized the generally accepted future funding requirements for Police and local road repair and maintenance. Police funding now requires about 1 mil from the general fund and will increase over the next five or more years to about 2 mils. Local road needs have been estimated at \$50 million or more over the next 10 years which equates to about 2 mils. Regardless of the exact amounts, the committee recognizes that neither funding need can be provided from present revenues.

Furthermore, the committee is aware of projections and recent experience with tax collection and other revenues indicate the first declines the City has ever experienced. Current projections indicate there will be significant declines in future revenues totaling 10 to 15% over the next 3 to 5 years. Such declines in revenue, coupled with increased demands for funding appear to result in an irreconcilable deficit.

The committee also recognized the difficult voter education issues associated with any millage election. The committee believes that residents and taxpayers will not be inclined to enact tax increases to make up for projected shortfalls in revenue until they

witness or experience actual reductions in service brought about by decreased revenues. Simply warning of potential revenue needs will not be recognized. The City has always managed to get everything done, and everyone is accustomed to that.

The committee extensively discussed the need for voters and residents to be thoroughly aware of the consequences of not being able to fund essential core services such as Police and Roads. The committee believes education will require active Council participation in explaining and demonstrating the required funding and the results of not having sufficient funding. Some members of the committee believe it would take a minimum of a year or more of experience and voter education to provide sufficient momentum to pass any substantial millage for either Police and/or Road funding. Some members of the committee believe it may be possible to ask voters for a millage in 2008 if budget cuts are identified sufficiently.

Committee Conclusions and Recommendations:

The committee recommends against proposing a significant millage for either Police or Roads in 2008. The committee further recommends that the City (Council) first address the projected funding shortfalls for 2009 before proposing any millage for later in 2009.

For the short term, the committee recommends the City (Council) utilize two approaches to deal with the projected and actual shortfalls: efficiency improvements to continue services at reduced levels of funding; service reductions to correspond to the reduced funding level. This is based on the committee conclusion that the City (Council) has limited viable short term alternatives available to counter budget shortfalls. The committee believes that maintaining adequate levels of essential services for Public Safety, Health and Welfare are a high priority in Rochester Hills. The committee recognizes the City Council has the responsibility to establish a budget for 2009 that maintains essential services and then provide discretionary services commensurate with any reduced revenues. After the 2009 budget process identifies any necessary reductions, the City Council can consider requesting voter approval of one or more, large or small millage during 2009.

In the longer term, the committee recognizes there will be need for additional secure funding for Police services in the form of a dedicated millage because existing funding sources will not suffice. The committee additionally recommends that the City (Council) begin the education process and explain to residents and taxpayers clearly and frequently the reasons for all reductions in services. Once taxpayers recognize that the City has reduced waste and done everything to reduce expenses they may be more willing to consider long term increased funding for essential Police needs.

In the case of roads, the committee recognizes that a major shift in road funding is underway as a result of high fuel prices and the resulting conservation. Conventional sources of funding road construction and maintenance will be less available and the City will need to look to various alternatives in the longer term. The committee believes that going forward will require a different approach to road funding. The committee believes

the alternatives include a dedicated bond millage for construction, a dedicated millage for construction and maintenance, or to re-look at the issue of cost sharing with taxpayers in the form of SAD's (special assessment districts).

Overall, the committee was deeply divided over its recommendations for short term and long term solutions. The committee did not conclude there was a single, generally accepted approach.

Submitted by:
James Rosen
On behalf of the Committee

June 18, 2008