

City of Rochester Hills Seven Year Financial Forecast Fiscal Years 2017-2023



Auditor Presentation Recap

▶ **Structural Surplus**

- *Recurring revenues exceed recurring expenditures*

▶ **Infrastructure Investment**

- *Scaled back during economic downturn*
- *2014-15 increased investment*

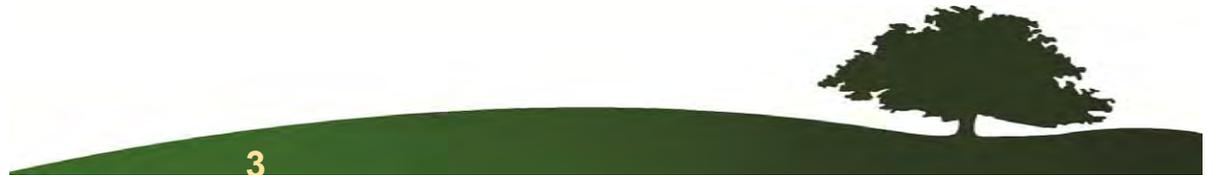
▶ **Why the City of Rochester Hills Unique**

- *No Legacy Costs*
- *Focus Structural Surplus on Infrastructure Investment*



Why Present a 7-Year Forecast

- ▶ Better prepare for the future
- ▶ Prevent surprises
- ▶ Get ahead of potential issues
- ▶ Pro-active instead of re-active
- ▶ Aids in decision making (what if we...)
- ▶ Long-term impacts of decisions and policies



7-Year Forecast Disclaimer

- ▶ Financial Forecast **is NOT intended** to be:
 - *A budget*
 - *A proposed spending plan*
 - *A policy recommendation to City Council*
- ▶ Financial Forecast **is intended** to be:
 - *A projection of the City's Revenues, Expenditures, and Fund Balances based upon a set of assumptions*
 - *Assumes "Status Quo" funding policies*
 - *Includes FY 2016 2nd Qtr Budget Amendment*

Key Assumptions: Revenue

	<i>Prior Forecast (2016-2022)</i>			Current Forecast (2017-2023)	
Taxable Value	2018	1.50%		2018	1.75%
	2019	1.50%		2019	1.50%
	2020-22	1.50%		2020-23	1.25%
State-Shared Revenue	2017-22	1.00%		2018-23	2.00%
Act 51 Gasoline Tax	2017-22	0.00%		2018-23	2.50%
Interest Rates	2018	1.00%		2018	1.00%
	2019	2.00%		2019	1.50%
	2020-22	2.00%		2020-23	2.00%

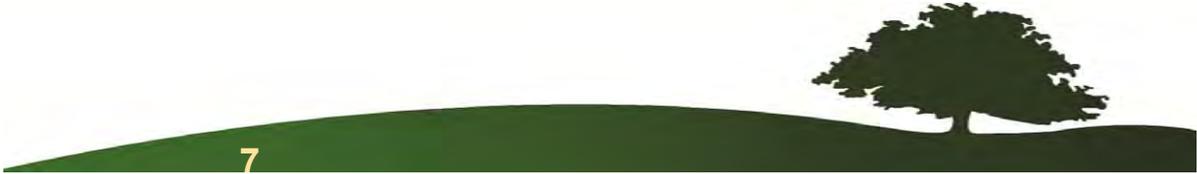


Key Assumptions: Revenue

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

Key Assumptions: Expenditure

	Prior Forecast (2016-2022)			Current Forecast (2017-2023)	
Number of Employees	2017-22	215 FTE		2017-23	215 FTE
Salaries	2017-22	1.00%		2017-23	2.00%
Health Care	2017-22	9.00%		2017-23	9.00%
Inflation	2017-22	1.50%		2017-23	2.00%
OCSO Contract	2017-22	3.00%		2017-23	3.00%
Capital Projects				All CIP projects updated with current cost estimates	

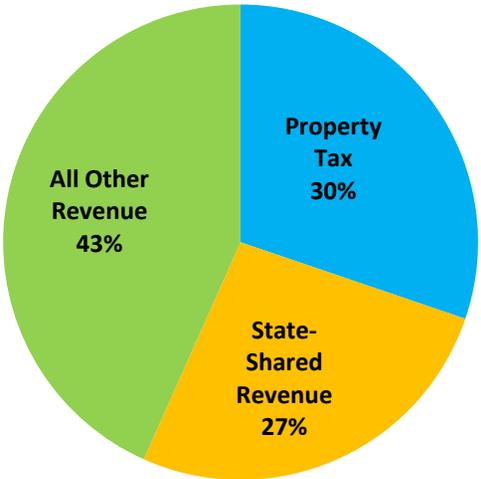


2017-2023 Departmental Forecasts

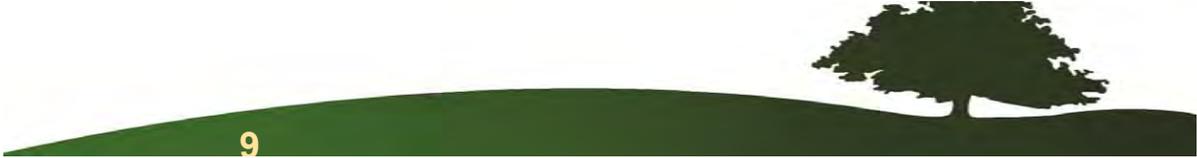
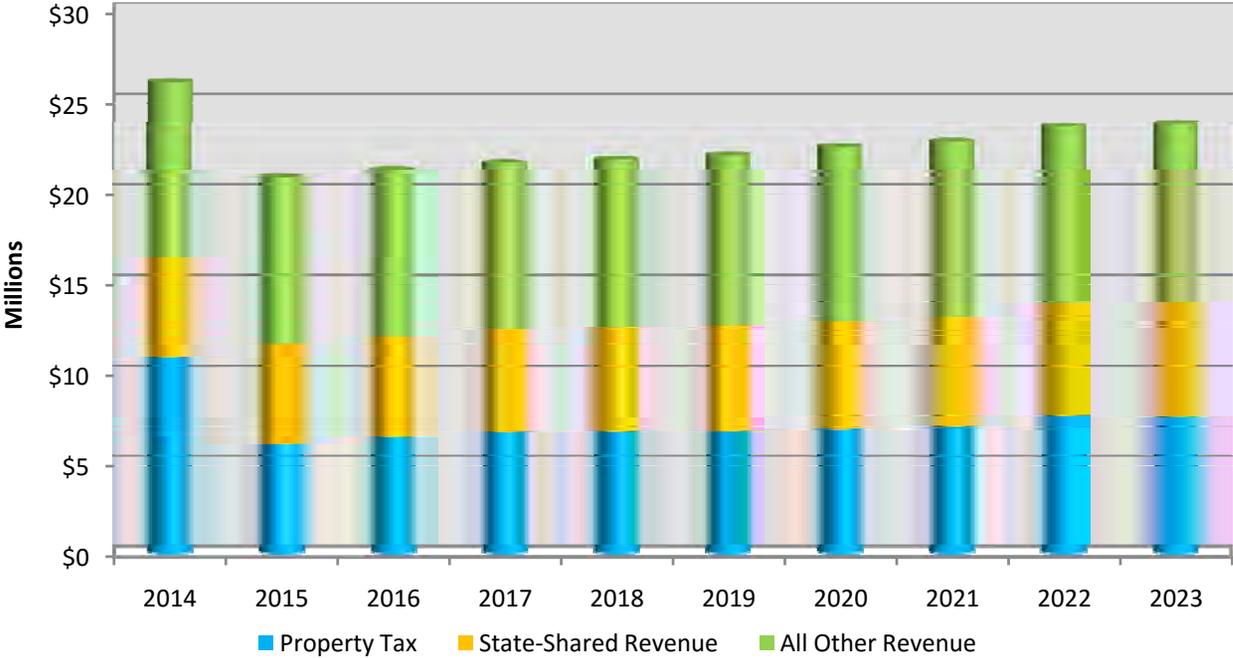


General Fund (101): Revenue

General Fund:
2016 Revenue Sources

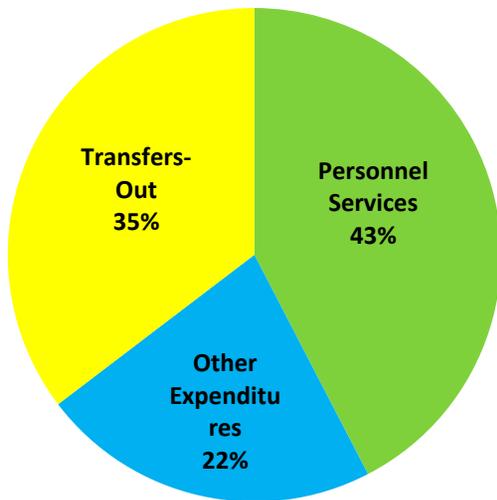


General Fund: Total Revenue Trend

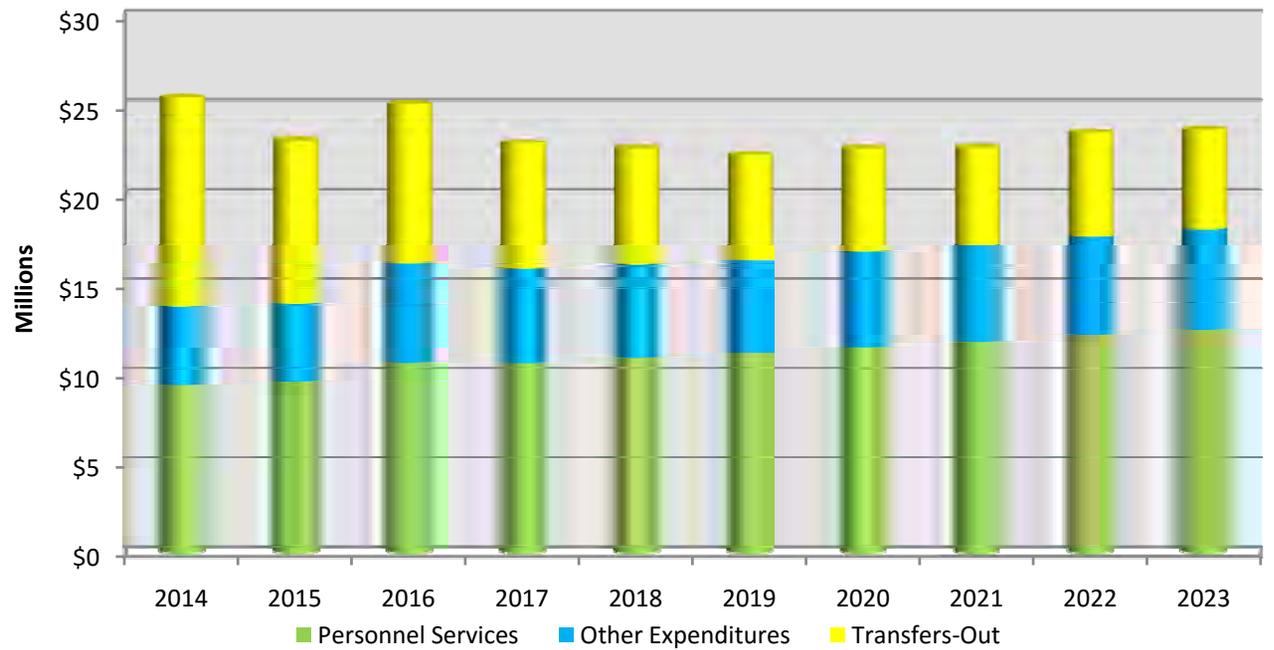


General Fund (101): Expenditures

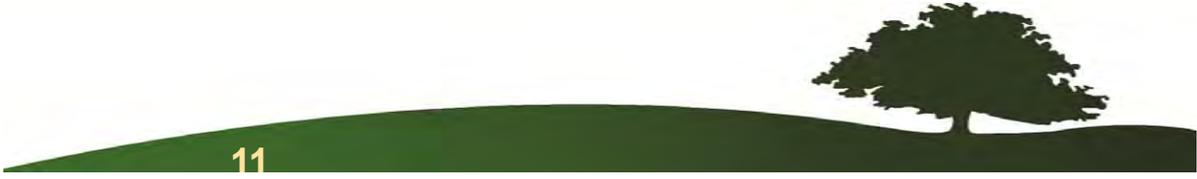
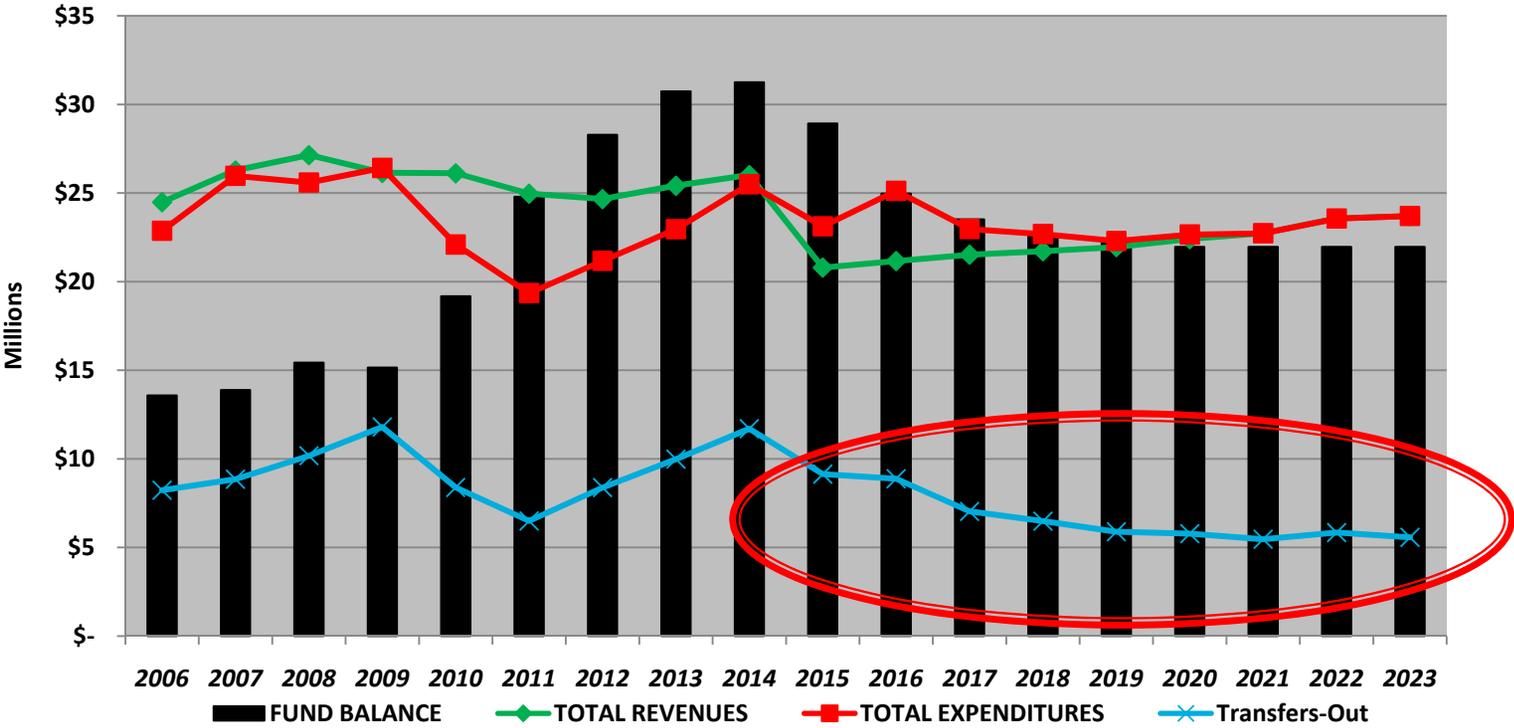
General Fund:
2016 Expenditure Sources



General Fund: Total Expenditure Trend



General Fund (101): Revenues, Expenditures, Changes in Fund Balance



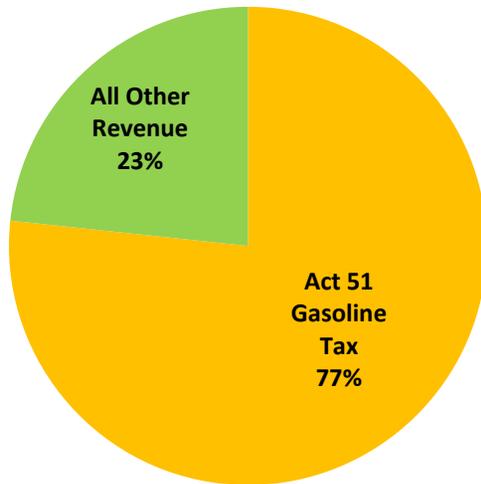
General Fund (101): Takeaway Points

- ▶ 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
- ▶ Use of General Fund balance in 2017-2020 due to “Park” projects included as part of the 2017-2022 CIP
 - Not yet presented as part of Proposed Budget

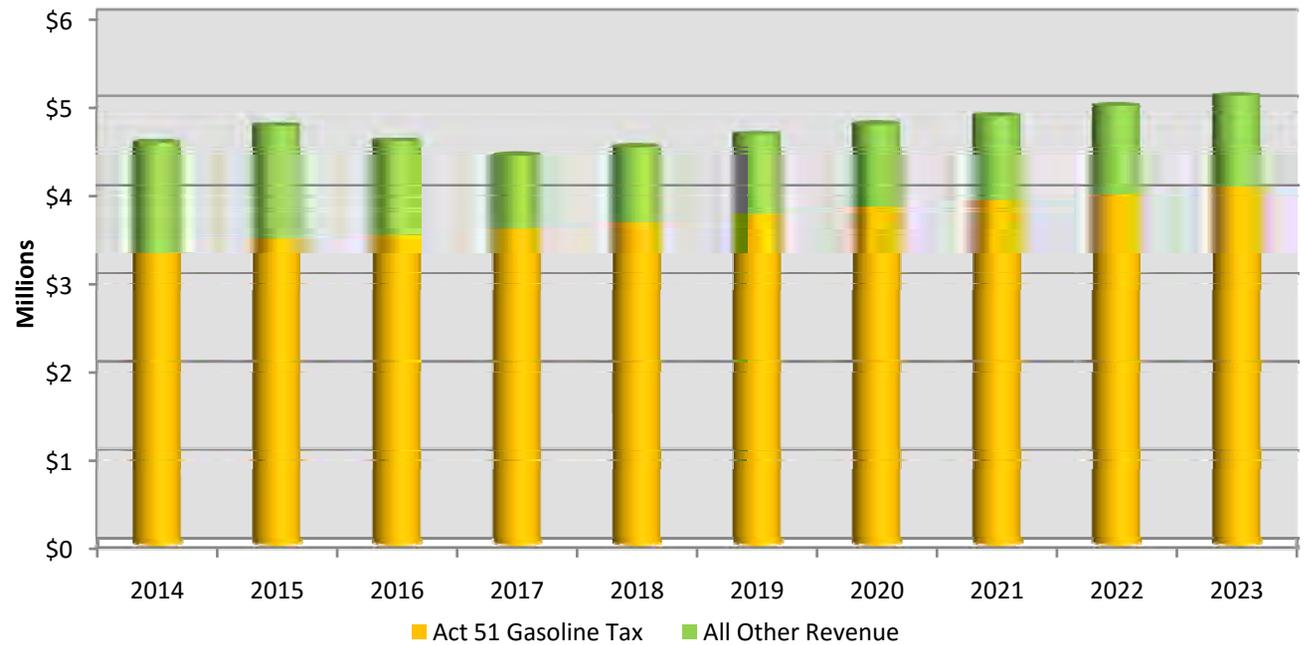


Major Road Fund (202): Revenue

Major Road Fund: 2016 Revenue Sources

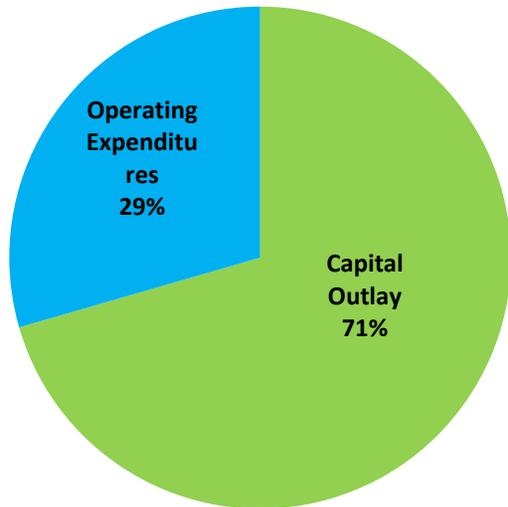


Major Road Fund: Total Revenue Trend

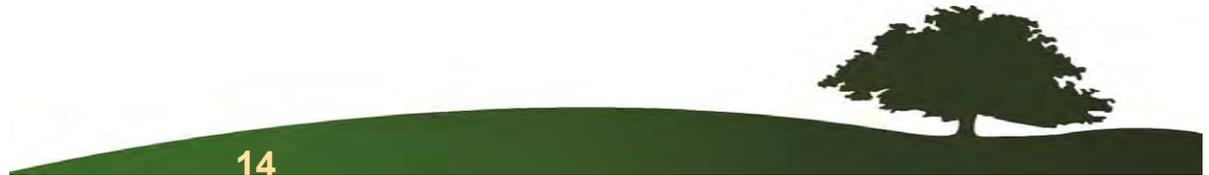
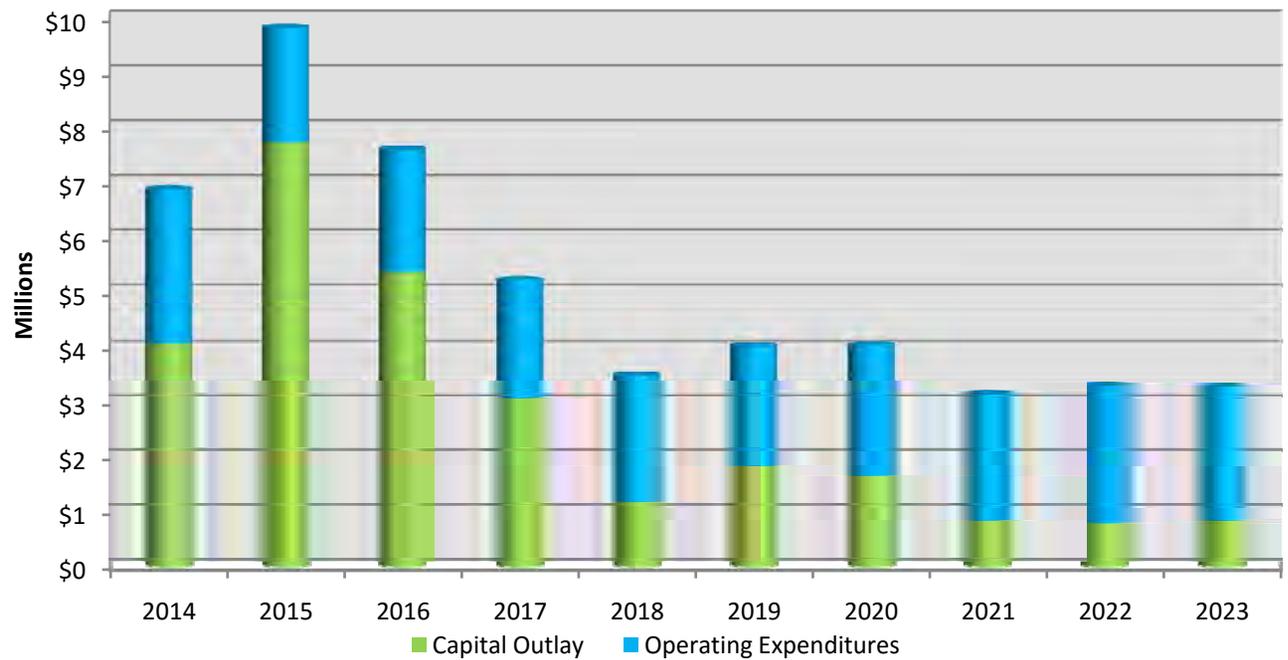


Major Road Fund (202): Expenditures

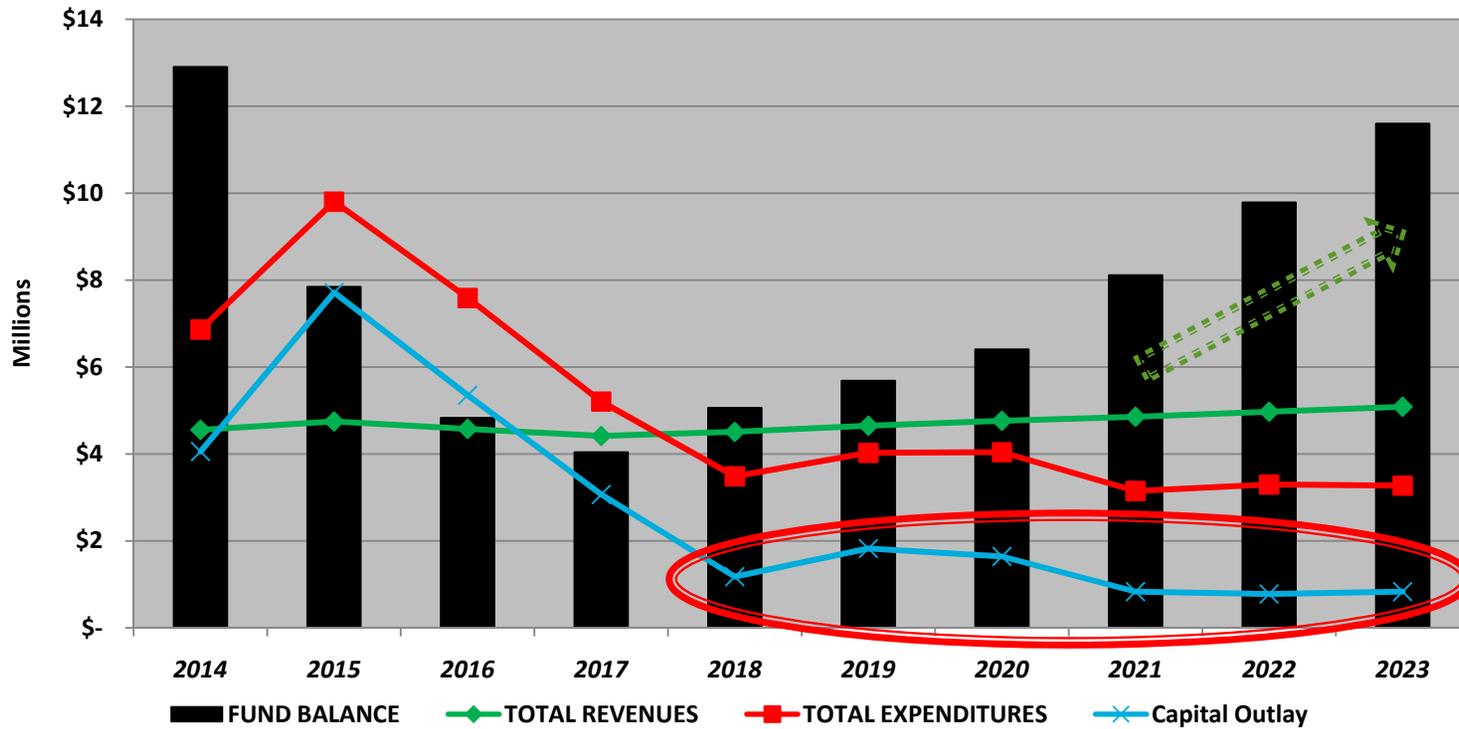
Major Road Fund: 2016 Expenditure Sources



Major Road Fund: Total Expenditure Trend



Major Road Fund (202): Revenues, Expenditures, Changes in Fund Balance

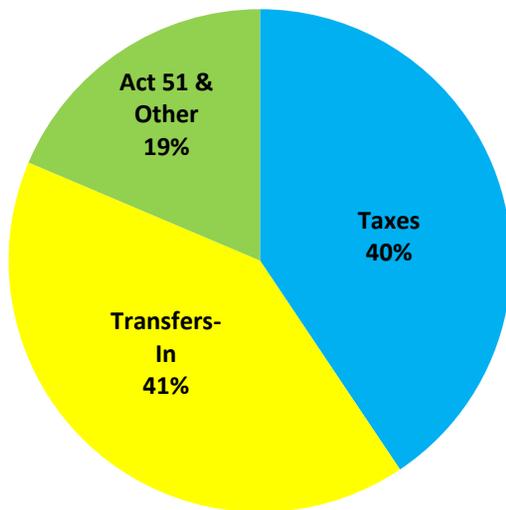


Major Road Fund (202): Takeaways

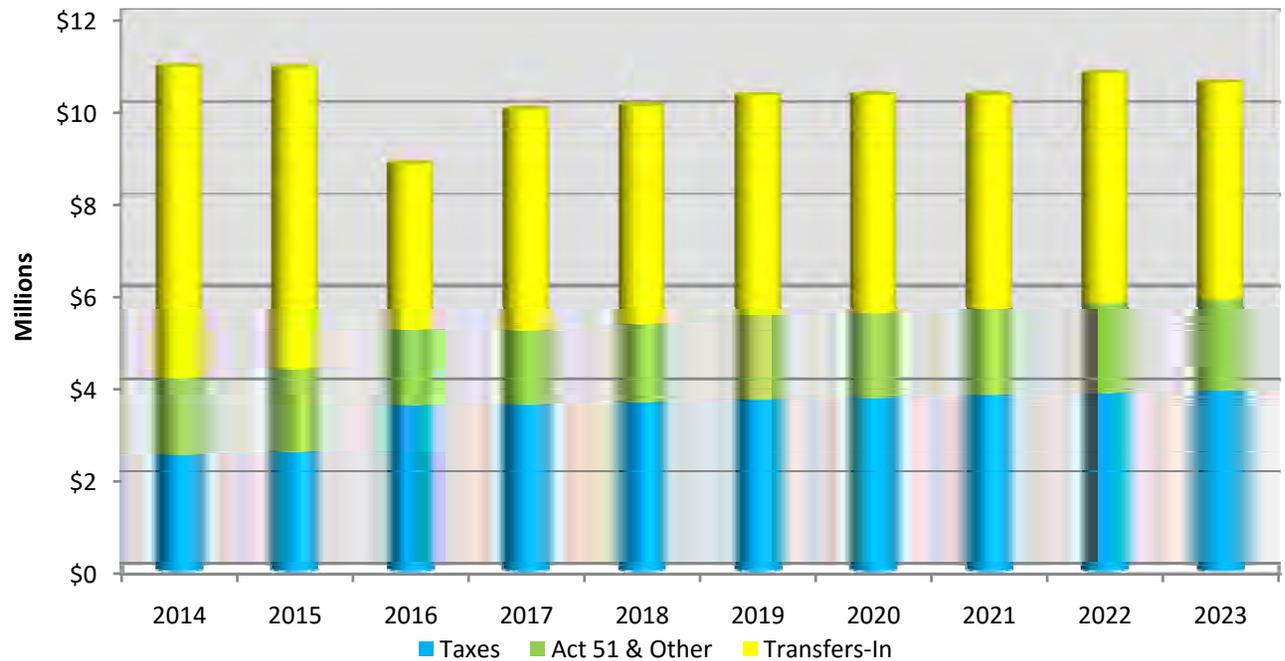
- ▶ **Act 51 Gasoline Tax revenue is projected to increase 2.5% per year**
 - *Legislation recently passed by the State of Michigan suggests that beginning in FY 2019, this revenue source could increase significantly*
 - *Administration feels it is prudent to forecast revenue using current trends*
- ▶ **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 (203): Revenue

Local Street Fund: 2016 Revenue Sources

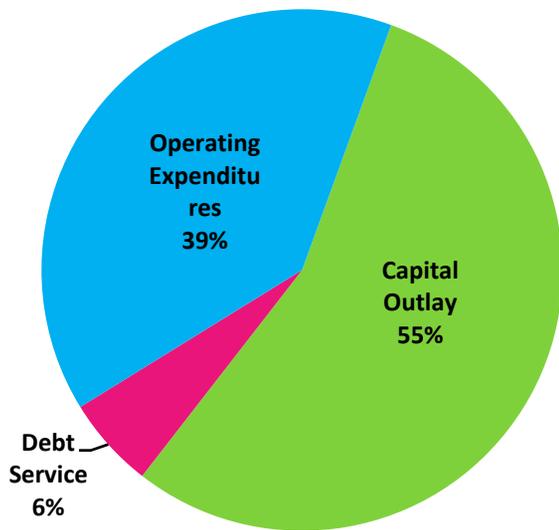


Local Street Fund: Total Revenue Trend

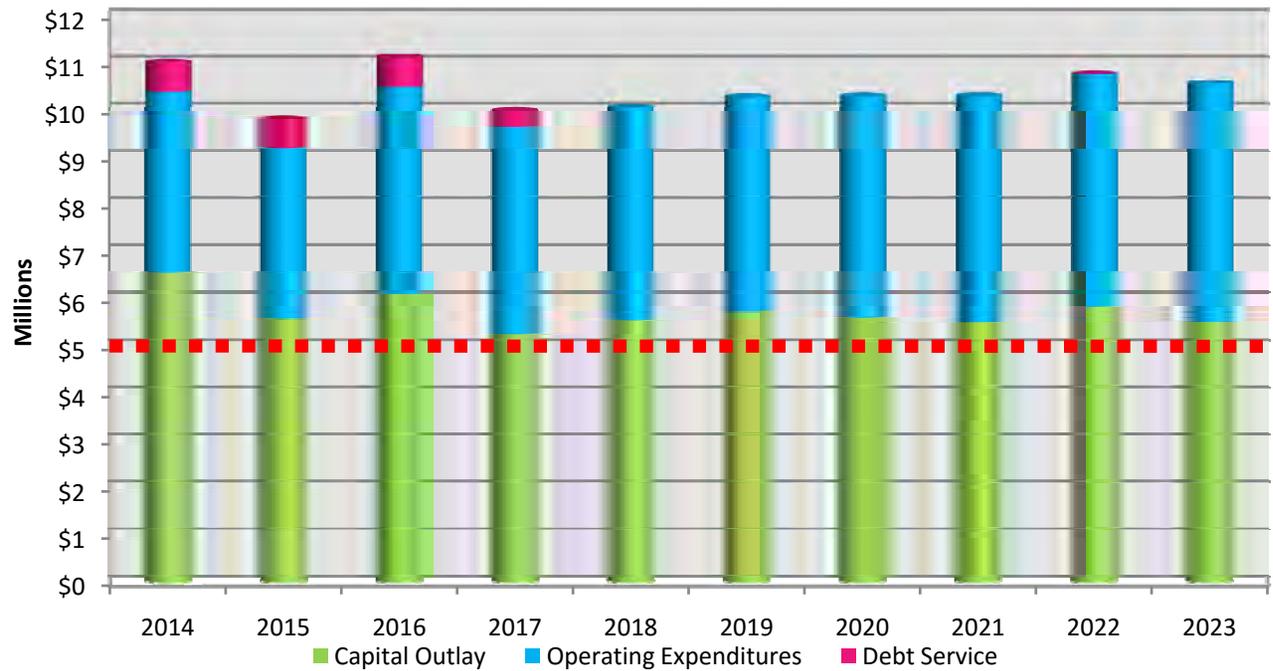


Local Street Fund (203): Expenditures

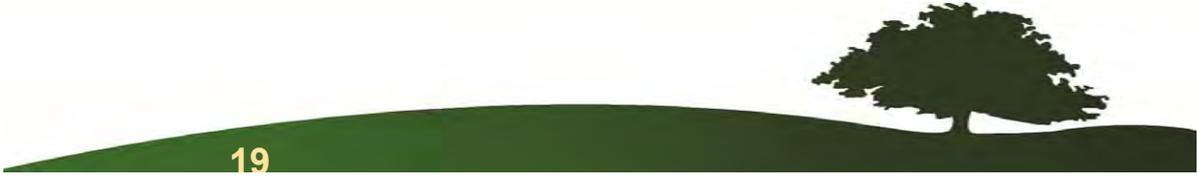
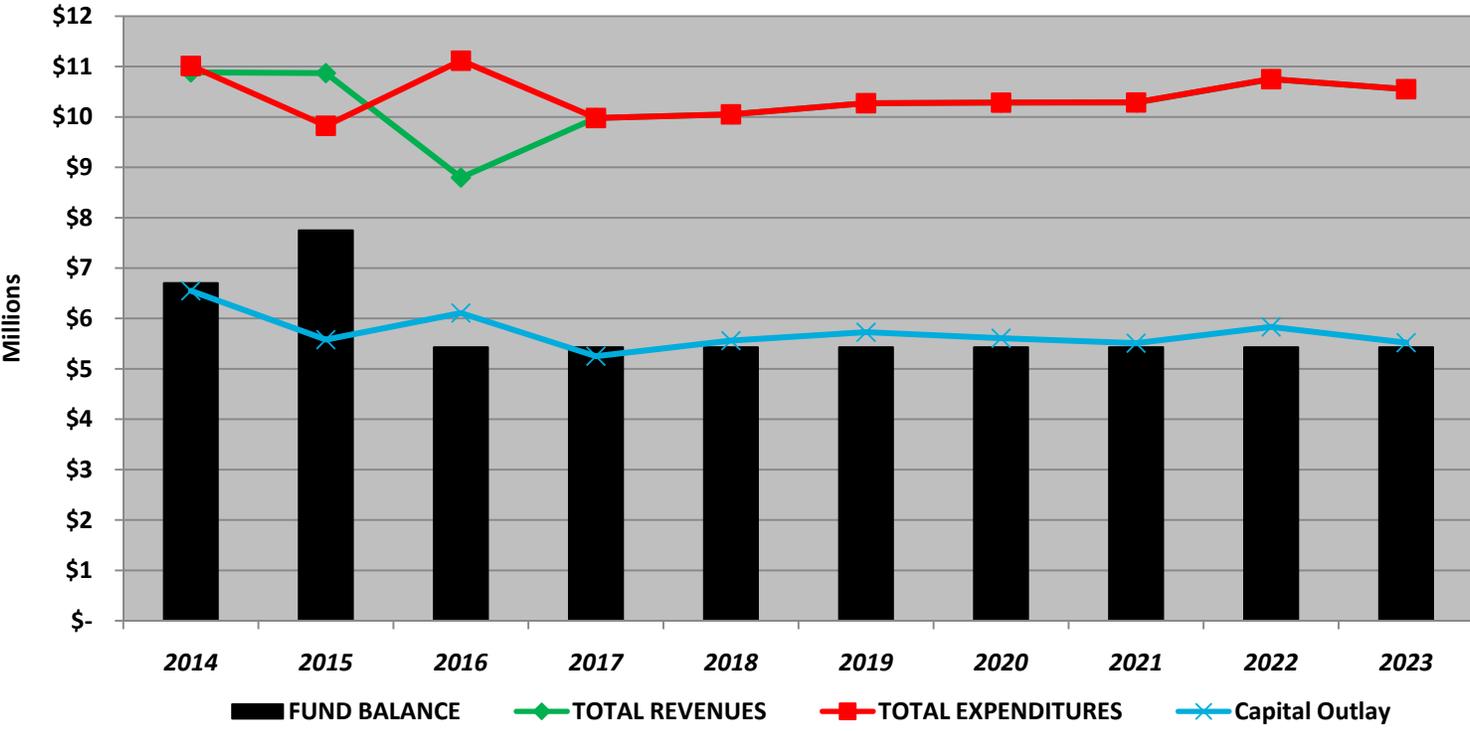
Local Street Fund:
2016 Expenditure Sources



Local Street Fund: Total Expenditure Trend



Local Street Fund (203): Revenues, Expenditures, Changes in Fund Balance



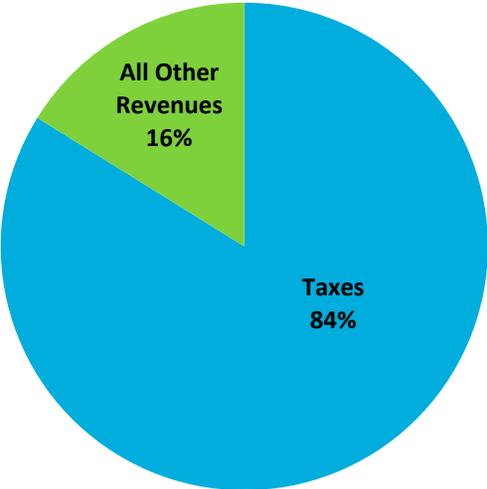
Local Street Fund (203): Takeaway

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

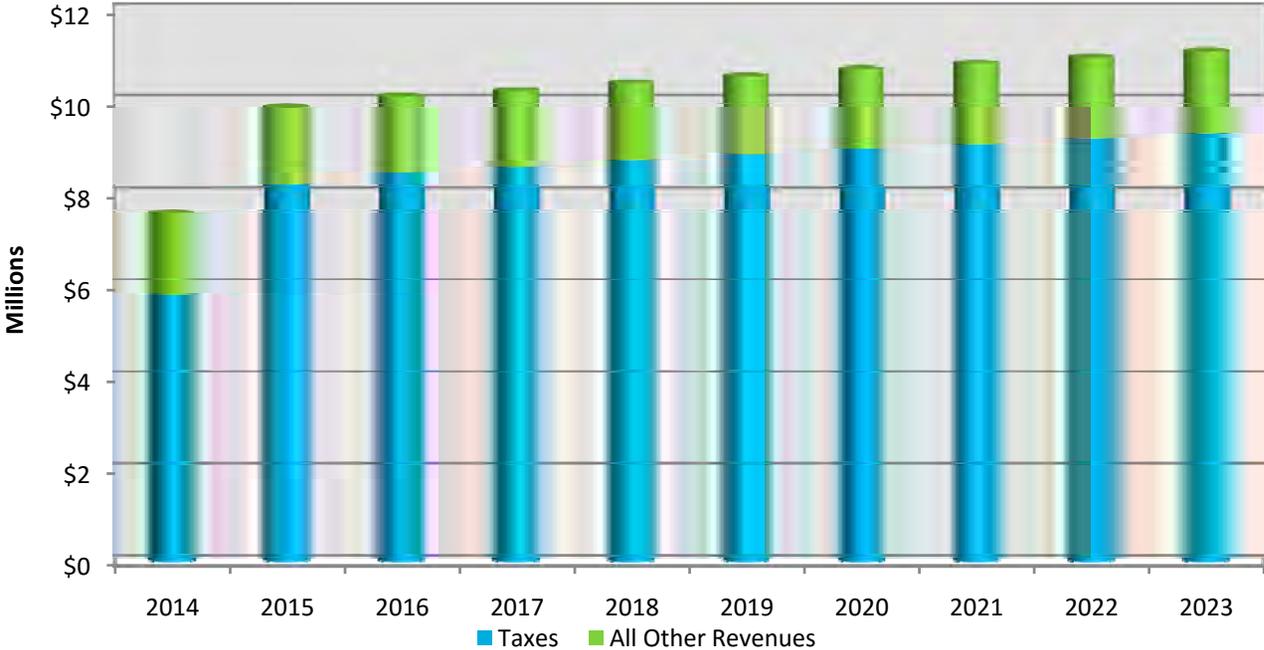


Fire Operating Fund (206): Revenue

Fire Fund:
2016 Revenue Sources

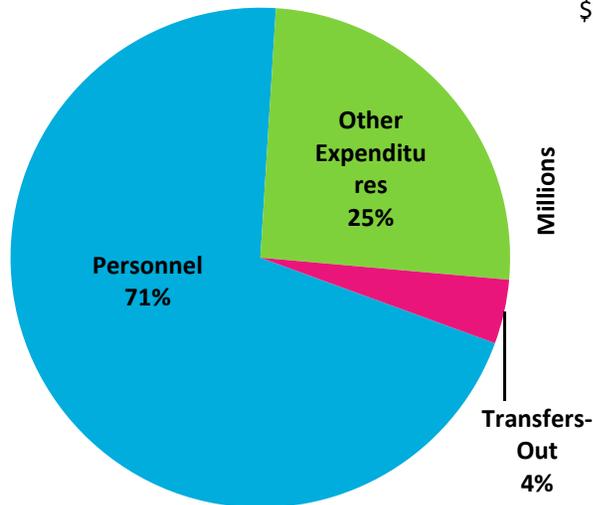


Fire Fund: Total Revenue Trend



Fire Operating Fund (206): Expenditure

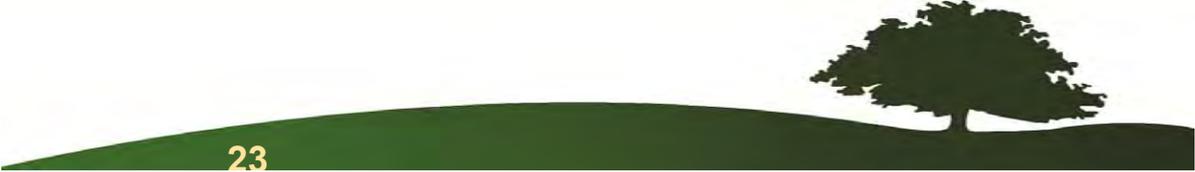
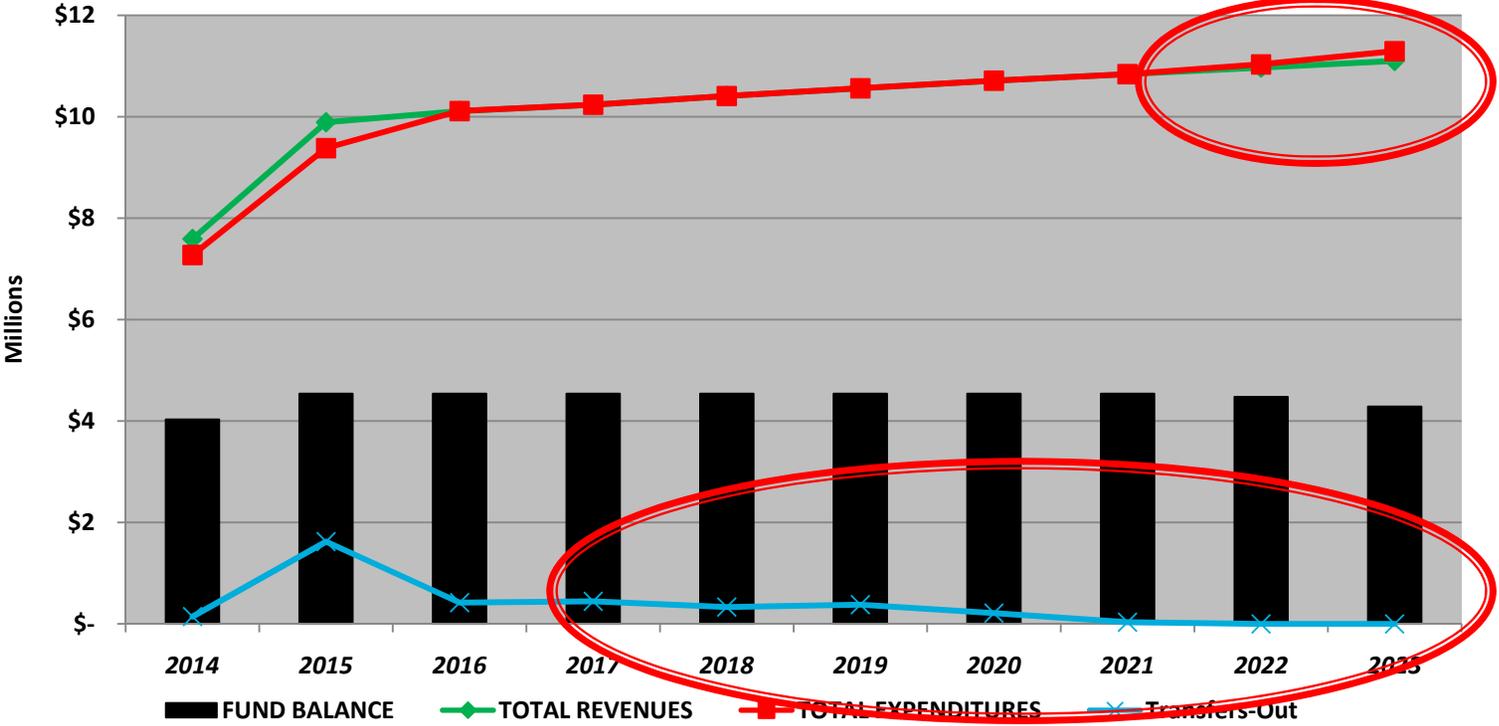
Fire Fund: 2016 Expenditure Sources



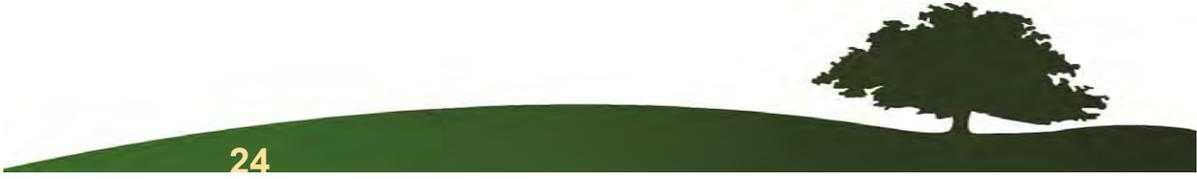
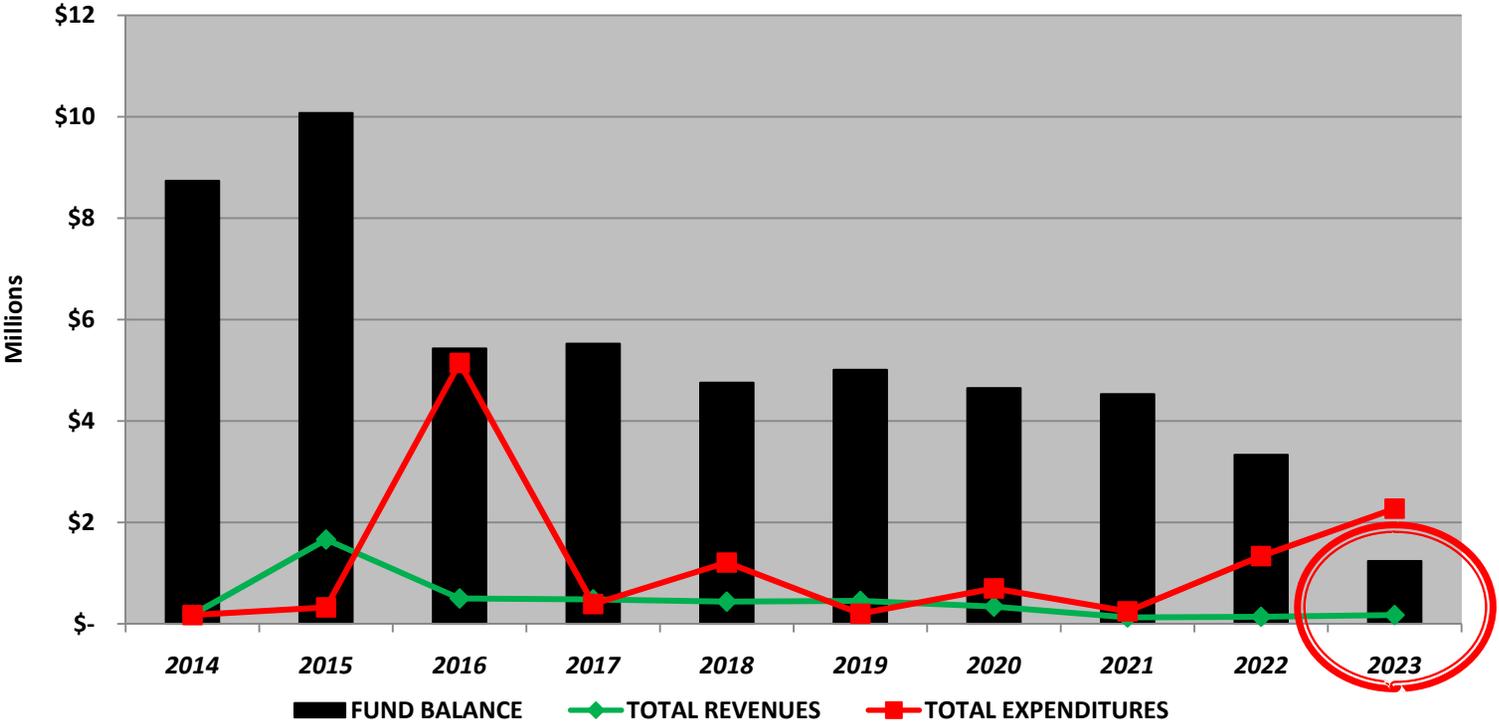
Fire Fund: Total Expenditure Trend



Fire Operating Fund (206): Revenues, Expenditures, Changes in Fund Balance



Fire Capital Fund (402): Revenues, Expenditures, Changes in Fund Balance



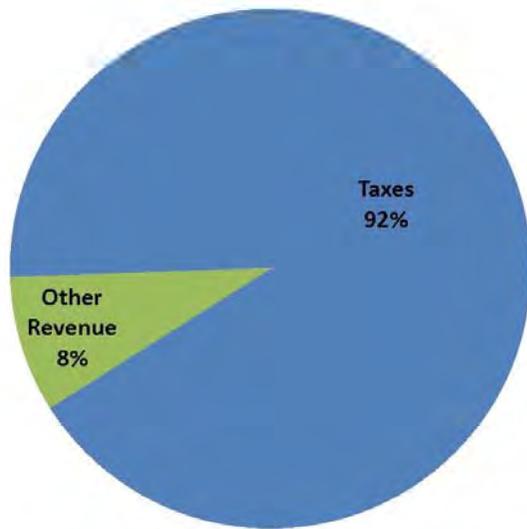
Fire Fund (206 & 402): Takeaways

- ▶ It is projected that by FY 2022, the existing Fire millage levy of 2.7000 mill will not be adequate to fully fund Fire Operating Fund (206) annual operations
- ▶ 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 (402) is projected to require additional funding options

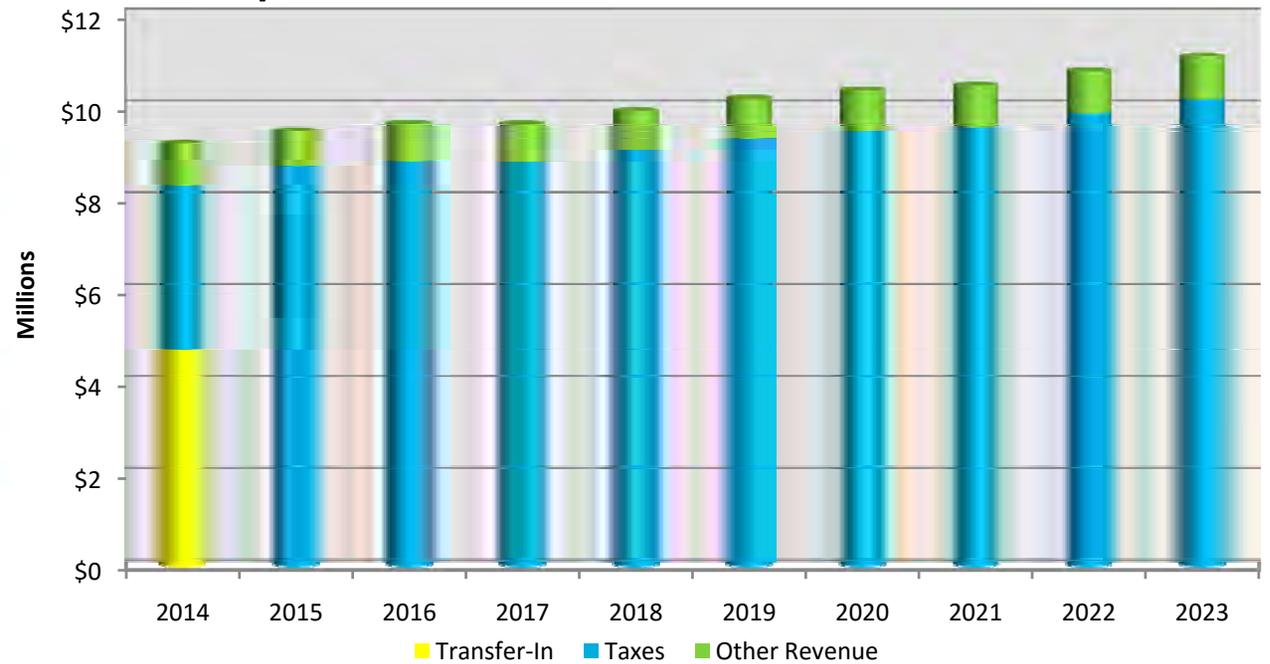


Special Police Fund (207): Revenue

Special Police Fund:
FY 2016 Revenue Sources

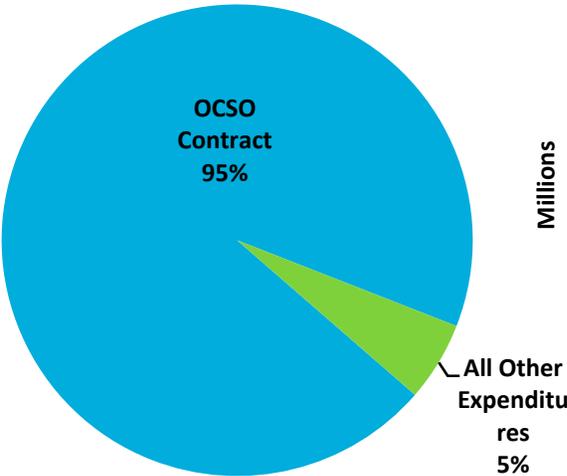


Special Police Fund: Total Revenue Trend

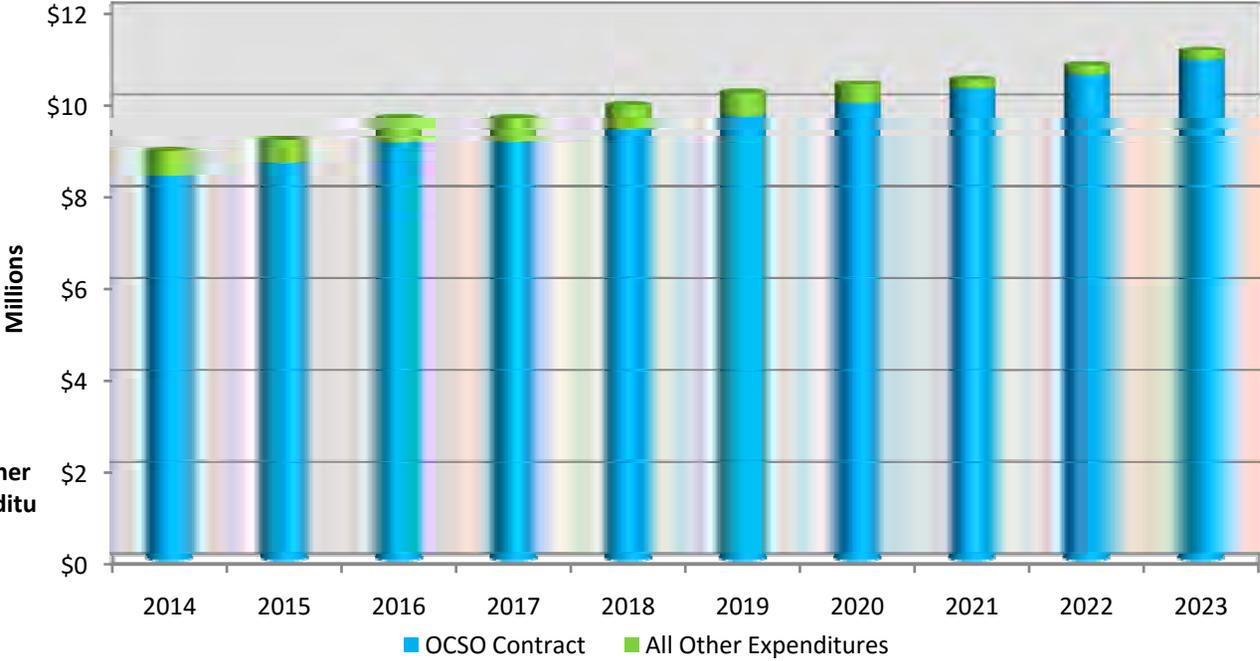


Special Police Fund (207): Expenditure

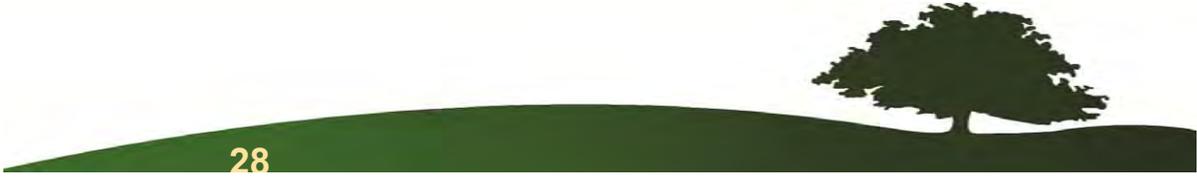
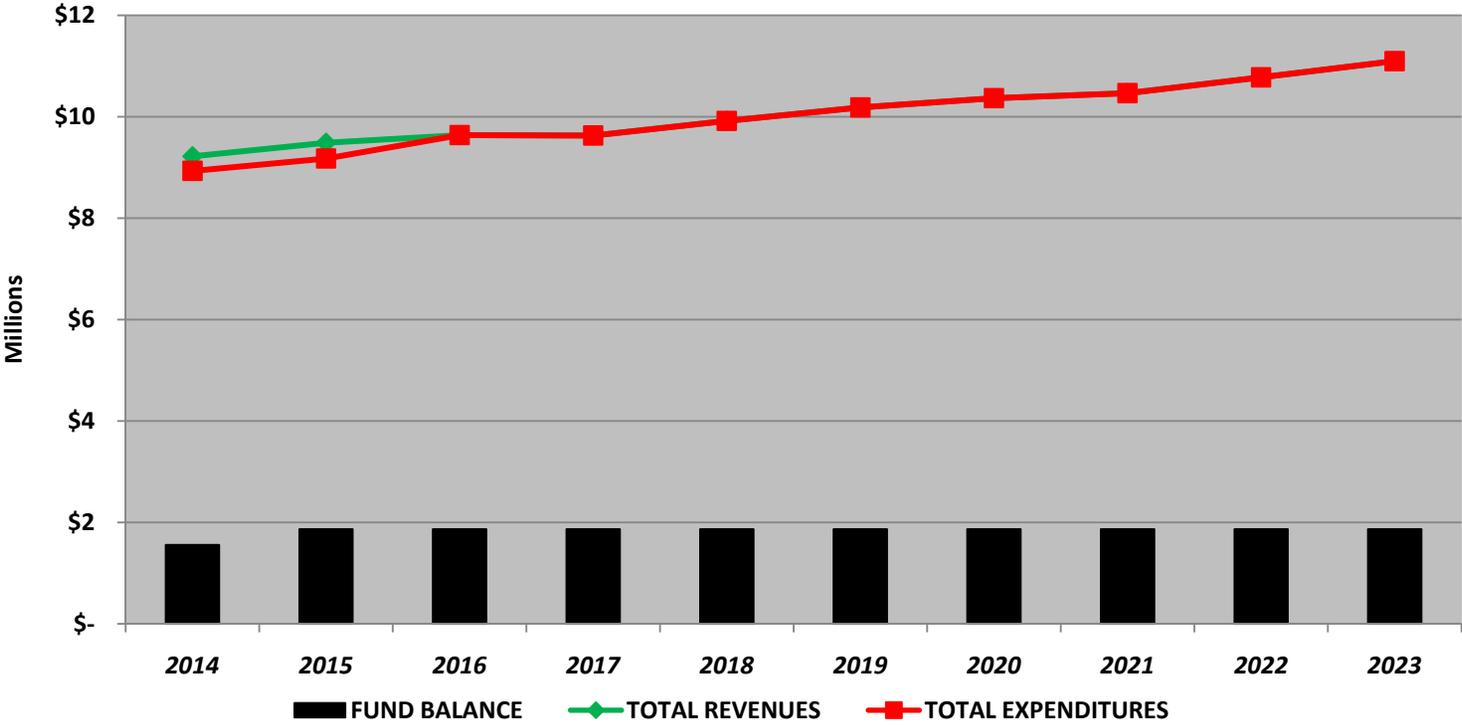
Special Police Fund:
2016 Expenditure Sources



Special Police Fund: Total Expenditure Trend



Special Police Fund (207): Revenues, Expenditures, Changes in Fund Balance



Special Police Fund (207): Takeaways

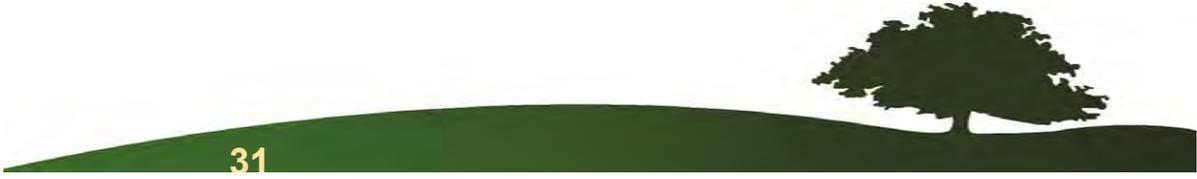
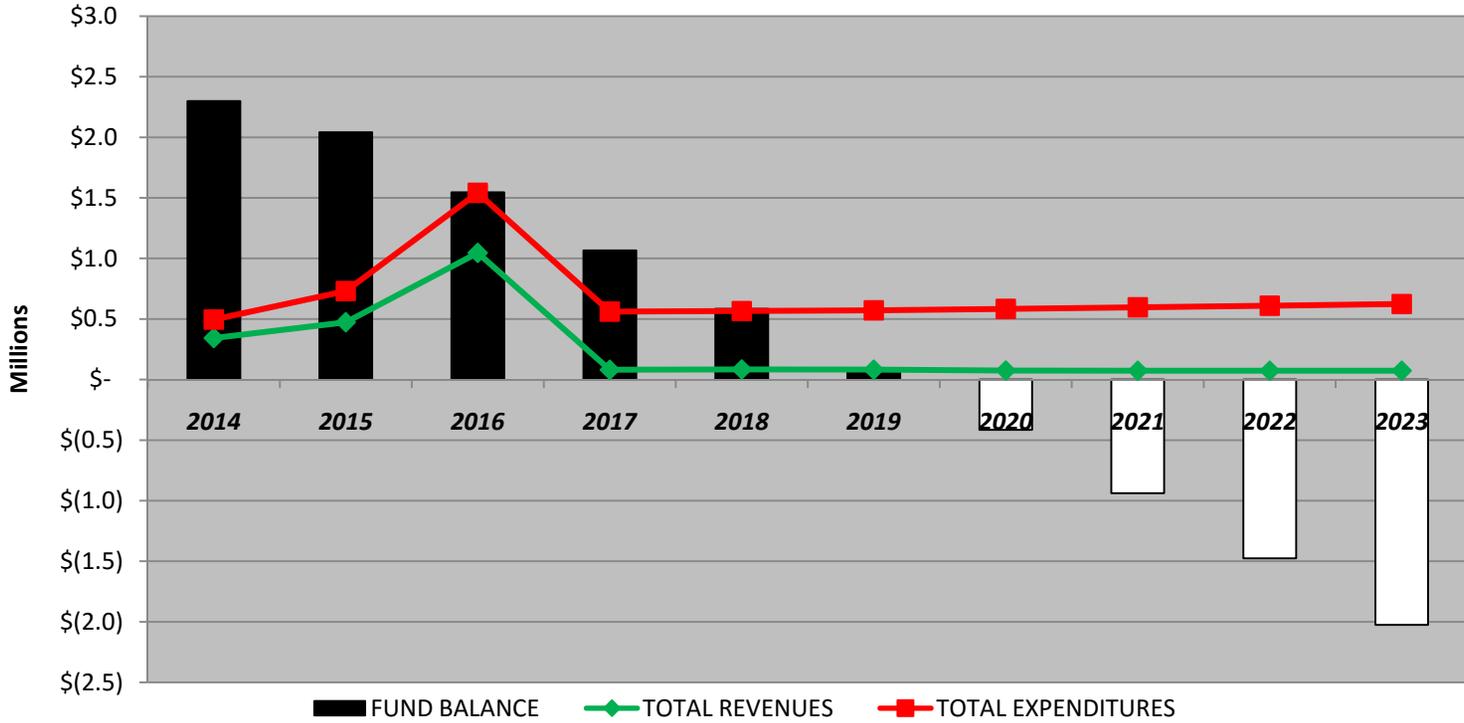
- ▶ The General Fund levy is decreased by the corresponding amount of Special Police II millage each year so that there is no net increase to the bottom line millage rate as a result



Water Resources Fund (244)

- ▶ Water Resources Fund has very little in dedicated revenue sources
- ▶ Current Water Resources Fund expenditures range from \$550,000 to \$600,000 per year
- ▶ As part of the SAW Grant process, storm water consultants are developing a Storm Water Management plan detailing future operating, maintenance, and infrastructure needs for the fund

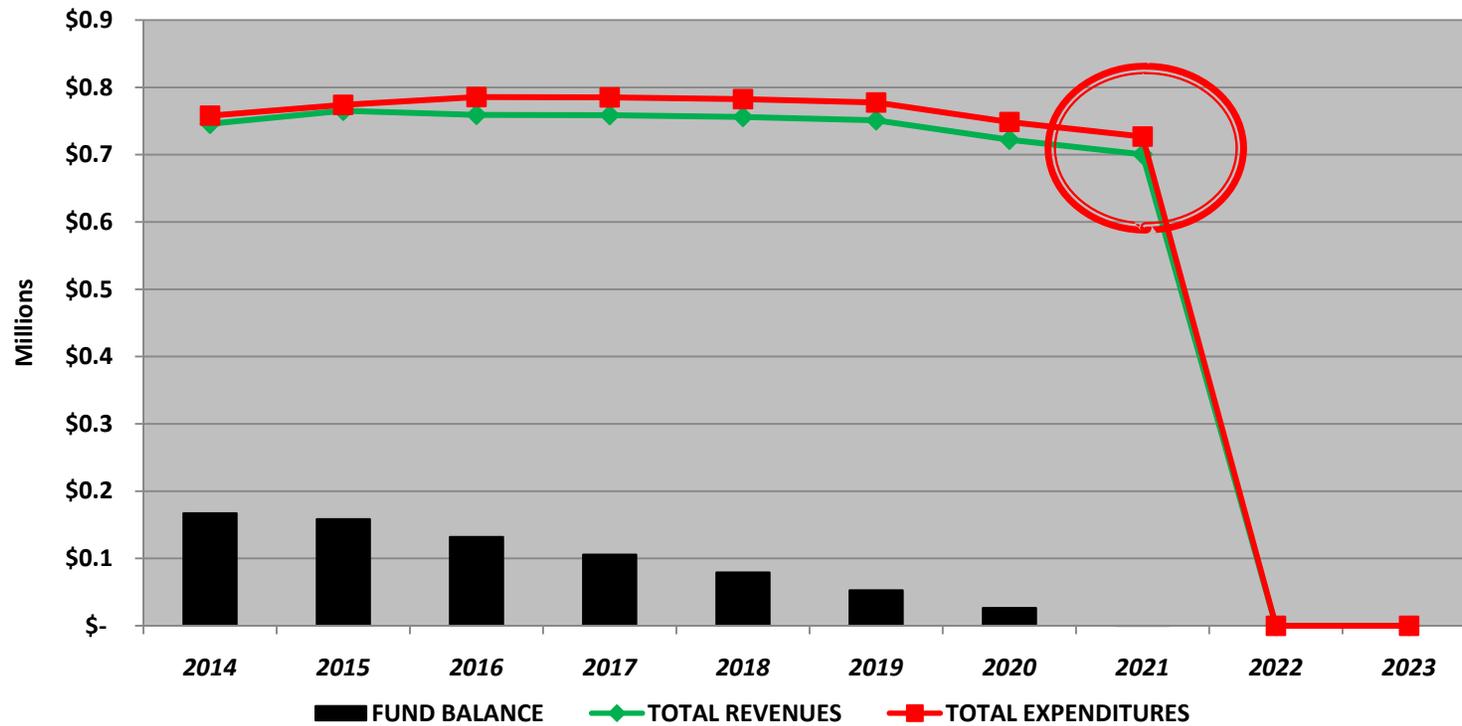
Water Resources Fund (244): Revenues, Expenditures, Changes in Fund Balance



Water Resources Fund (244): Takeaways

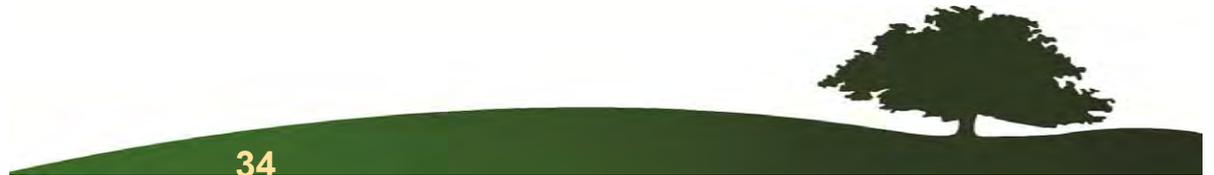
- ▶ Water Resources Fund has very little in dedicated revenue sources
- ▶ Current Water Resources Fund expenditures range from \$550,000 to \$600,000 per year
- ▶ It is currently projected that the Water Resources Fund will require additional funding after FY 2019
- ▶ The Public Safety & Infrastructure Committee is currently exploring potential funding options for Water Resources operations, maintenance, and infrastructure improvements

OPC Building Debt Fund (369): Revenues, Expenditures, Changes in Fund Balance



OPC Building Debt Fund (369): Takeaways

- ▶ **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



Takeaway Summary

▶ **General Fund:**

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

▶ **Major Road Fund:**

- Capital Outlay costs include all Major Road projects 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**

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

Takeaway Summary

▶ Fire Operating & 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 or capital replacement
- Shortly after the time period included as part of this 7-Year Forecast, the Fire Capital Fund is projected to require additional funding options

▶ Special Police Fund:

- 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

Takeaway Summary

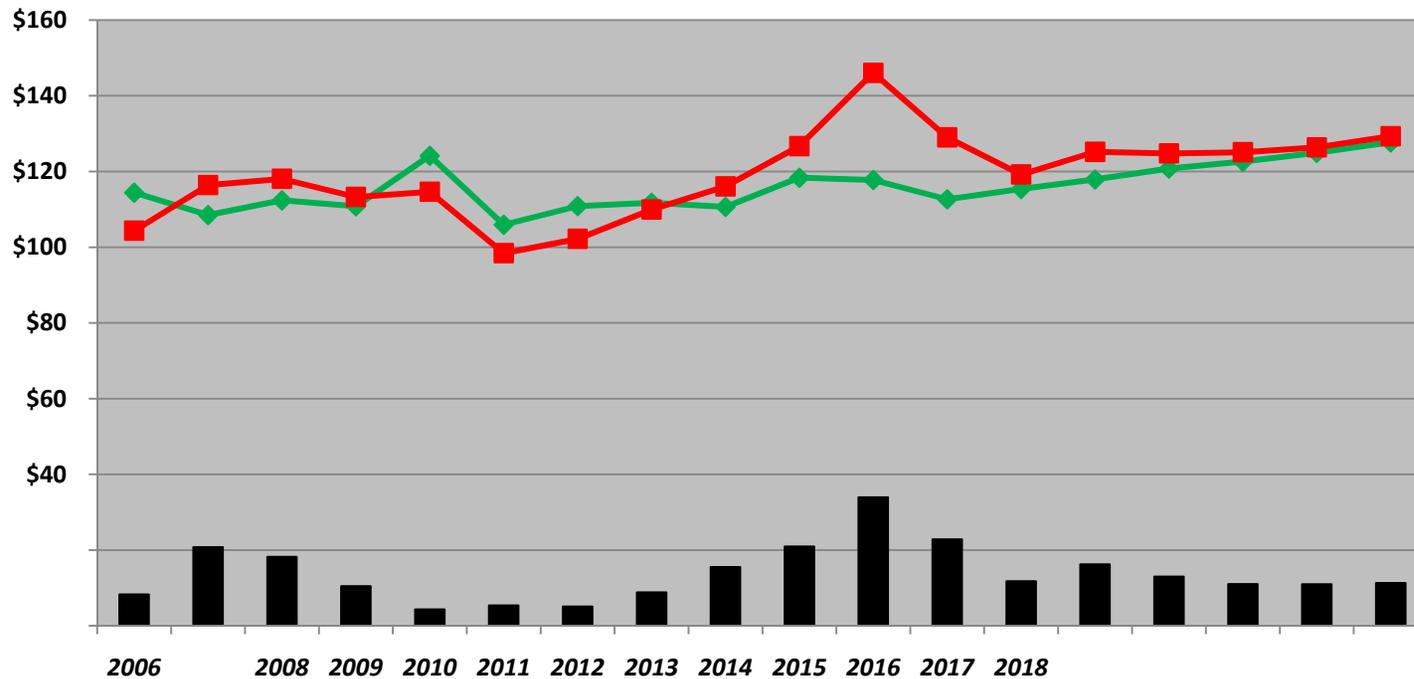
▶ **Water Resources Fund:**

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▶ **OPC Building Debt Fund:**

- 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

Citywide Grand Total: Revenue, Expenditures, and Capital Outlay



Closing Comments

- ▶ The Seven-Year 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
- ▶ 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



Questions

