



NOTICE OF CITY COMMISSION SPECIAL MEETING
Budget Work Session
May 9, 2024 | 6:00p.m.

Royal Oak residents, visitors to the city and vendors with business before the city commission are welcome to attend all public meetings of the city commission or remotely through viewing options listed below.

Individuals attending the meetings may participate in public comment when a public hearing is opened for comment; and/or when the member of the public has an agenda item. All individuals wishing to speak will raise their hand and after being recognized by the meeting chair, shall proceed to the lectern unless a physical impairment requires adaptive alternative. They shall state their full name (providing accurate spelling) and state the topic(s) to be discussed.

Public comment is welcome for items appearing on the agenda or any matter of city concern. Public comment is made in-person during this portion of the meeting. An individual shall be allowed to speak only once during the public comment portion of a meeting agenda or a public hearing. Speakers shall be limited to a presentation of three minutes. *

Additional Information

Members of the public shall be allowed exhibits, displays and visual aids which will be used in connection with presentations of agenda items coming before the city commission at their meeting. Any member of the public desiring to distribute support materials shall *submit these to the city manager's office the Friday prior meeting*.

**Speakers requesting more than three minutes must have such period of time extended by a vote of the city commission. Any member of the public recognized by the meeting chair whose time to comment, or present has expired will be directed by the meeting chair to cease speaking. Should a second request from the meeting chair be required, the speaker shall immediately cease and failing to do so will cause removal of this individual from the meeting.*



Royal Oak

Agenda

Royal Oak City Commission Meeting

Thursday, May 9, 2024, 6:00 p.m.

City Hall, Room 122

203 S. Troy Street

Royal Oak, Michigan 48067

SPECIAL MEETING BUDGET WORK SESSION

Anyone planning to attend the meeting who has need of special assistance under the Americans with Disabilities Act (ADA) is asked to contact the city clerk's office at 248-246-3050 at least two (2) business days prior to the meeting.

Pages

1.	Call to Order by Mayor Fournier	
2.	Approval of Agenda	
3.	Review of Fiscal Year 2024-2025 Recommended Budget Debra Peck Lichtenberg	2
4.	Public Comment	
5.	Adjournment	



CITY COMMISSION AGENDA ITEM

TITLE	Review of Fiscal Year 2024-2025 Recommended Budget	
SUBMITTING DEPARTMENT	Finance	
PRESENTER	Debra Peck Lichtenberg	
MEETING DATE	May 9, 2024	
SECOND READING REQUIRED	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
CERTIFIED RESOLUTION	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

EXECUTIVE SUMMARY

This is the third budget work session for the city commission for the purposes of preparing and reviewing the [fiscal year 2024-2025 budget which will be recommended](#) by staff for public hearing and adoption at the May 20, 2024 city commission meeting.

Fiscal Impact

BUDGET SUMMARY	
EXPENDITURE REQUIRED	Please refer to the budget document
AMOUNT CURRENTLY BUDGETED	Please refer to the budget document
BUDGET AMENDMENT REQUIRED	NA
FUNDING SOURCE/ GL NUMBER	NA
WAS THIS A BUDGETED EXPENSE?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

OTHER FISCAL IMPACTS: (Select all that apply.)

No fiscal impact Revenue impact (details below)
 Workload impact (details below) Operations Impact (details below)

REVENUE, WORKLOAD AND OPERATIONS IMPACT: The fiscal year 2024-2025 budget provides the framework for operating the City of Royal Oak government which provides all services for the community. The ability to collect taxes and fees; to employ and conduct city services; to pay for material needs and service in the conducting of city services, all center on the budget.

ALIGNMENT WITH COMMISSION APPROVED PLANS, POLICIES, AND PROGRAMS

Please refer to the budget document for specific references to strategic, older adults | aging in place, and sustainability climate action plans.

COMMUNITY ENGAGEMENT

Three budget work sessions will have been conducted. All were public meetings with notice to the public being provided on the city's website; meeting information included in the weekly eBlast communications, and agendas displayed in the lobby at city hall. The public hearing will also be noticed to the public using these three methods, in addition to the notice published in the newspaper.

BOARD AND COMMISSION FEEDBACK

Boards, commissions, and committees are able to provide feedback through their staff liaisons and each department has met separately with the city manager and finance department to present their recommendations.

LEGAL COMMENTS

ATTACHMENTS:

May 9, 2024, Presentation of Budget Overview

CITY COMMISSION

MAY 9, 2024 - BUDGET STUDY SESSION

BUDGET, TAX RATES AND WATER RATES

FOR FISCAL YEAR 2024-2025



BUDGET OVERVIEW

INTERIM CITY MANAGER'S LETTER OF TRANSMITTAL

KEY GOALS:

1. ADVANCE HIGH-PRIORITY INITIATIVES
2. COMMITMENT TO RELIABLE INFRASTRUCTURE
3. BUILD AND ENHANCE COMMUNITY AMENITIES
4. ENHANCE COMMUNICATIONS
5. ACHIEVE LONG-TERM FISCAL HEALTH

What's new?

Staffing:

- No new positions** are included in the proposed budget. Staffing levels are maintained at status quo.

Capital:

- Proposed budget includes over **\$30.3 million** funding for investments in the City's infrastructure, parks, buildings and other long-lived assets.

Operational:

- Proposed budget focuses on **maintaining the City's daily operations at the current levels**, while also providing funding for facility use and operational studies that will evaluate the effectiveness of the current operating structure and opportunities for service expansion and improvements.

“High Impact” Issues:

➤ General Fund and Public Safety Fund

➤ Administration

- The Administration budget includes the revenue sharing payments to MPS related to parking ticket violation revenue. The portion related to fees paid for metered parking sessions is recorded in the Auto Parking Fund.

➤ Streetlighting

- Conversion to LED is estimated to reduce energy costs \$336,750 in 2024-25

➤ Transfers Out

- The most significant expense of the General Fund is the transfer out to support the Public Safety Fund, since the public safety millage only covers a portion of the total costs. Under the current funding scenario, the Public Safety Fund is not sustainable without these annual transfers from the General Fund. These two funds must be combined to produce a more meaningful reporting of this cost relationship.
- The 2024-25 budget also includes a \$500,000 transfer to the Auto Parking Fund (related to parking ticket revenue) and \$150,000 to Senior Service Fund to supplement the tax levy funding.

“High Impact” Issues

- **Recreation Fund** (*p. 267-272*)
 - Continues to have a net operating deficit
 - As part of the overall review of operations, consideration should be given to the true cost of the preschool program and whether it should be continued in the current format, modified, or discontinued.

- **Auto Parking Fund** (*p. 273-278*)
 - Net revenue under MPS agreement is lower than pre-COVID levels
 - Parking meter rates may need to be revised
 - Parking structure rates may need to be revised; return to flat rate after 5:00p.m. or other changes
 - Parking Fund cannot meet debt payments and covenants without General Fund support—even in excess of increased ticket revenue
 - Relying on DDA compliance with loan agreements to assist with debt in excess of the amount historically contributed
 - Capital Projects: The older structures and surface lots are in need of significant improvements; newer structures must be maintained to ensure customer safety and security.

“High Impact” Issues

➤ Water & Sewer Fund *(p. 283-300)*

- Water usage levels have declined significantly in recent years, due to high-efficiency appliances and consumer conservation efforts
- Water rate structure is almost entirely variable in nature, while City costs are largely fixed
 - This puts all “risk” on the City and does not accurately charge current users for the cost of providing their service
 - Shift to a “ready-to-serve” flat fee plus a variable usage fee is a more typical format
- Capital Projects: Aging infrastructure requires significant proactive maintenance and replacement; 2024-25 Budget includes \$6,381,000 in system improvements. An additional \$650,000 is budgeted for sewer televising and root control and sewer asset management planning, along with an additional \$1,290,000 for mandated lead water service line replacements and \$445,750 for water service line inventory.
TOTAL = \$8,766,750

➤ Ice Arena Fund *(p. 301-304)*

- Continues to have a net operating deficit
- Capital Outlay – facility has a significant amount of deferred maintenance and is in need of significant improvements; over \$1 million of capital improvements are needed over the next 5 years

Other Items of Note...

- Golf course management contract is up for renewal.
- **State Construction Code Fund** *(p. 232-235)* continues to accumulate fund balance.
- **ROOTS Fund** *(p. 237-238)* reflects the \$250,000 Erb Family Foundation Grant and the costs of the Arboretum project, spread equally over 2023-24 and 2024-25.
- **Senior Services Fund** *(p. 240-245)* update on status of spending the \$300,000 set aside in General Fund assigned fund balance as part of the 2023-24 budget adoption.
- **Animal Shelter Fund** *(p. 246-249)* is held at “status quo” and continues operating costs at historic levels. If the shelter facility is moved or modified, the budget will need to be amended to reflect the expected change in costs.
- **Miscellaneous Grant Fund** *(p. 252-253)* was the holding fund for the ARPA funds, the remaining ARPA funds have been reallocated to the ARPA Enabled Capital Projects Fund.

Staffing Levels

Based on Home-Base Allocations, not FTEs

Function	2003-04*	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
District Court	23	29	29	30	30	30	30	34	36	36
Administrative Services	85	71	76	79	78	81	81	81	83	83
Library	15	8	8	9	9	9	13	15	17	17
Public Safety	195	154	154	154	154	154	154	162	163	163
Recreation & Public Services	90	59	63	63	63	65	69	70	71	71
Total	408	321	330	335	334	339	347	362	370	370

Other items to note: Berkley Court merged to form 44th District Court in 2015, resulting in added staffing; Recreation & Public Services has contracted out management of Farmers' Market, Ice Arena, Parking, and Golf Course since 2003-04.

Requests for New Positions

NONE Included in the Proposed Budget

Department	Position(s) Requested	Reason for not including at this time
Recreation	Recreation Coordinator (convert part-time position to full-time)	Defer pending recommendations from upcoming operational review of the Department of Public Services and Recreation is completed.
Recreation	Preschool Teacher (convert part-time position to full-time)	Defer pending recommendations from upcoming operational review of the Department of Public Services and Recreation is completed.
Senior Services	Chef/Baker (convert part-time position to full-time)	Defer pending recommendations from upcoming operational review of the Department of Public Services and Recreation is completed.
Parking	Parking Systems Manager (convert part-time position to full-time)	Due to current funding shortfalls in the Auto Parking fund, defer converting this position to full-time until the Infrastructure Committee of the DDA impact of recent changes to the MPS Parking System is better known.
Total	4 denied positions	

Capital Improvement Plan (CIP)

The CIP is a planning tool, with a goal to identify and schedule capital improvements for fiscal years ending 2025-2030. The CIP is incorporated within the City's proposed budget document for fiscal year 2024-2025, along with specific recommendations for funding of these projects.

Funding and Forecasts--

The identified capital projects currently exceed the City's financial resources. Certain items requested for FY 2024-25 have not been recommended for funding due to these limitations. The future year financial forecasts contain reasonable estimates of the funding that may be available, which is generally less than the requests in the CIP document originally presented to the Planning Commission.



The full CIP document is included as the Appendix in the budget document, Beginning on p. 425

Capital Outlay Recommendation

Project Type	Total Requested	Funded	Partially Funded	Not Funded
Water & Sewer (*Total requested increased \$907,000 due to recent bid results)	\$16,159,750*	\$6,441,750	\$2,325,000	\$7,393,000
Sidewalks	\$100,000	\$100,000	-	-
Local Streets	\$6,619,000	\$6,519,000	-	\$100,000
Major Streets	\$7,965,000	\$7,235,747	-	\$729,253
City-Owned Facilities (**Total requested increased \$50,235 due to recent bid results)	\$6,396,162**	\$3,651,162	\$25,000	\$2,720,000
Parks & Grounds	\$3,145,000	\$1,085,000	\$280,000	\$1,780,000
Information Technology	\$364,300	\$364,300	-	-
Vehicles/Equipment/Large Studies/Other	\$2,285,417	\$2,285,417	-	-
Total - adjusted	\$43,034,629	\$27,682,376	\$2,630,000	\$12,722,253

“Global” Budget and Forecast Assumptions

Budget book p.31-32

Revenue:

- Property Taxes +4.0%
- State Shared Revenue +3.0%
- Interest +1.0%
- Charges for Services +5.0%

Personnel:

- Salaries & Related Benefits +4.0%
- Health Insurance +5.0%
- Retirements – Pensions/OPEB +5.0%

Other Expenditures:

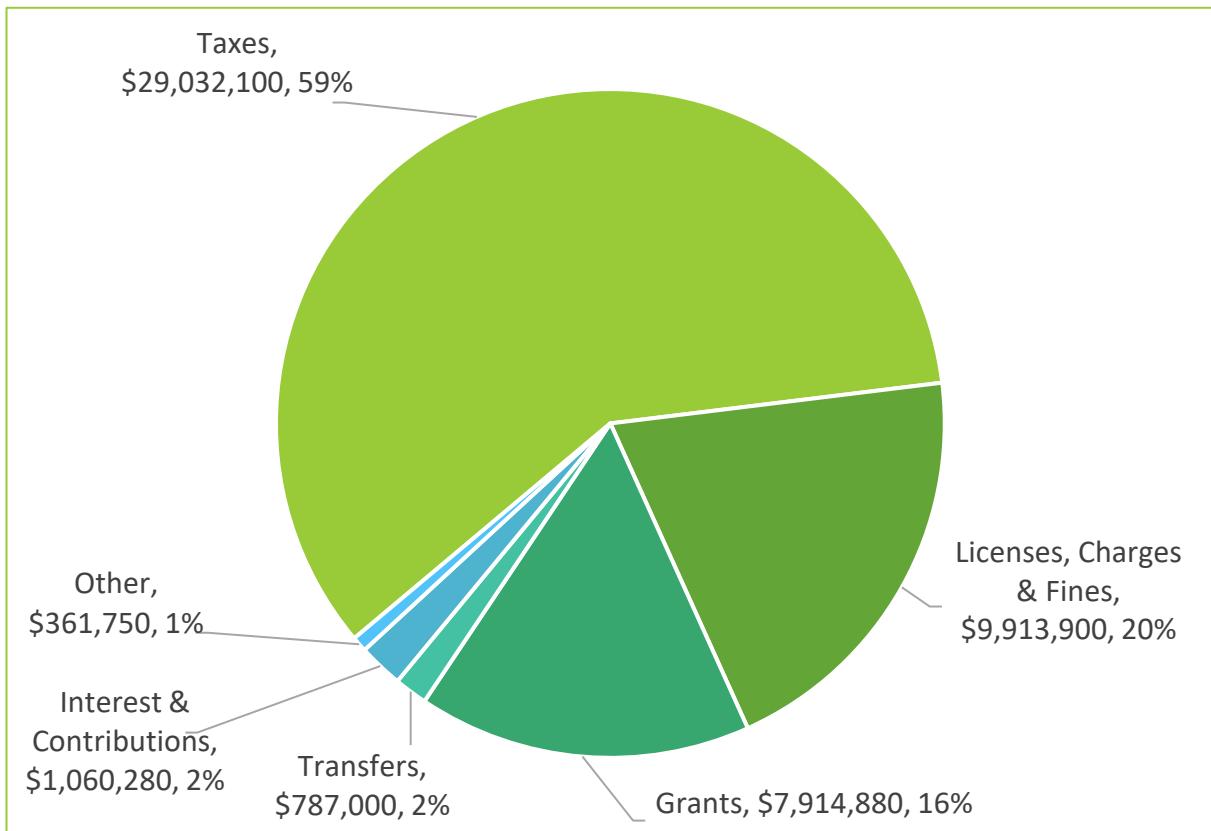
- Electricity +5.0%
- Other Utilities +3.0%
- Construction Supplies +10.0%
- Other General Expenditures +2.0% - 5.0%

TOP LEVEL SUMMARY

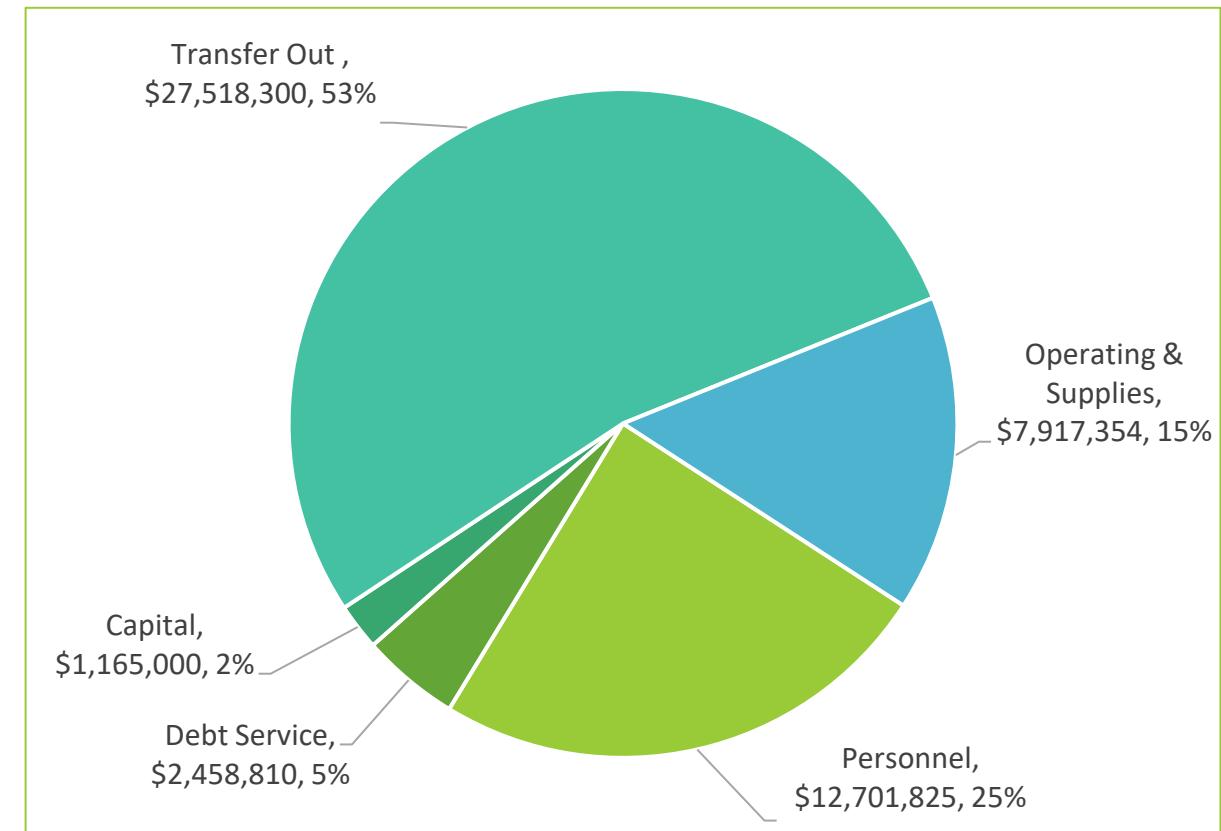
General Fund

Anticipated Use of Fund Balance = \$2,691,379

REVENUE = \$49,069,910



EXPENDITURES = \$51,761,289

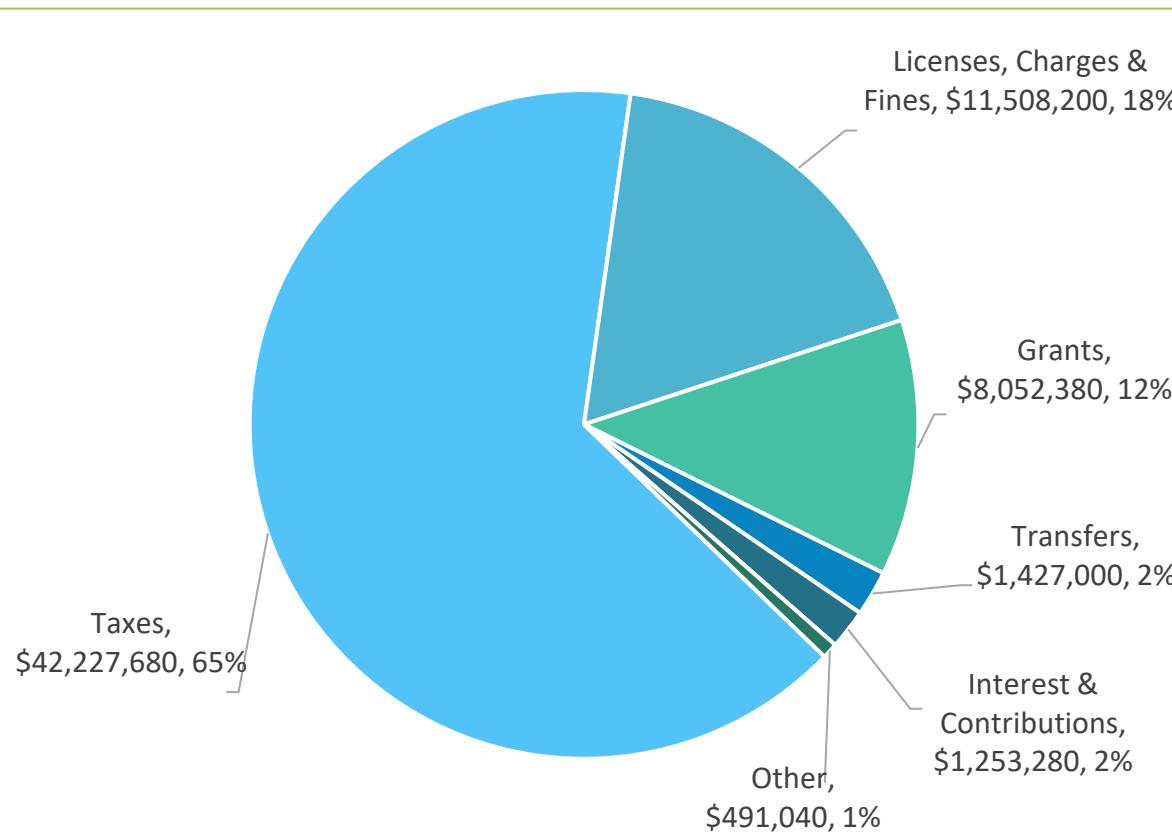


General Fund and Public Safety Fund Combined

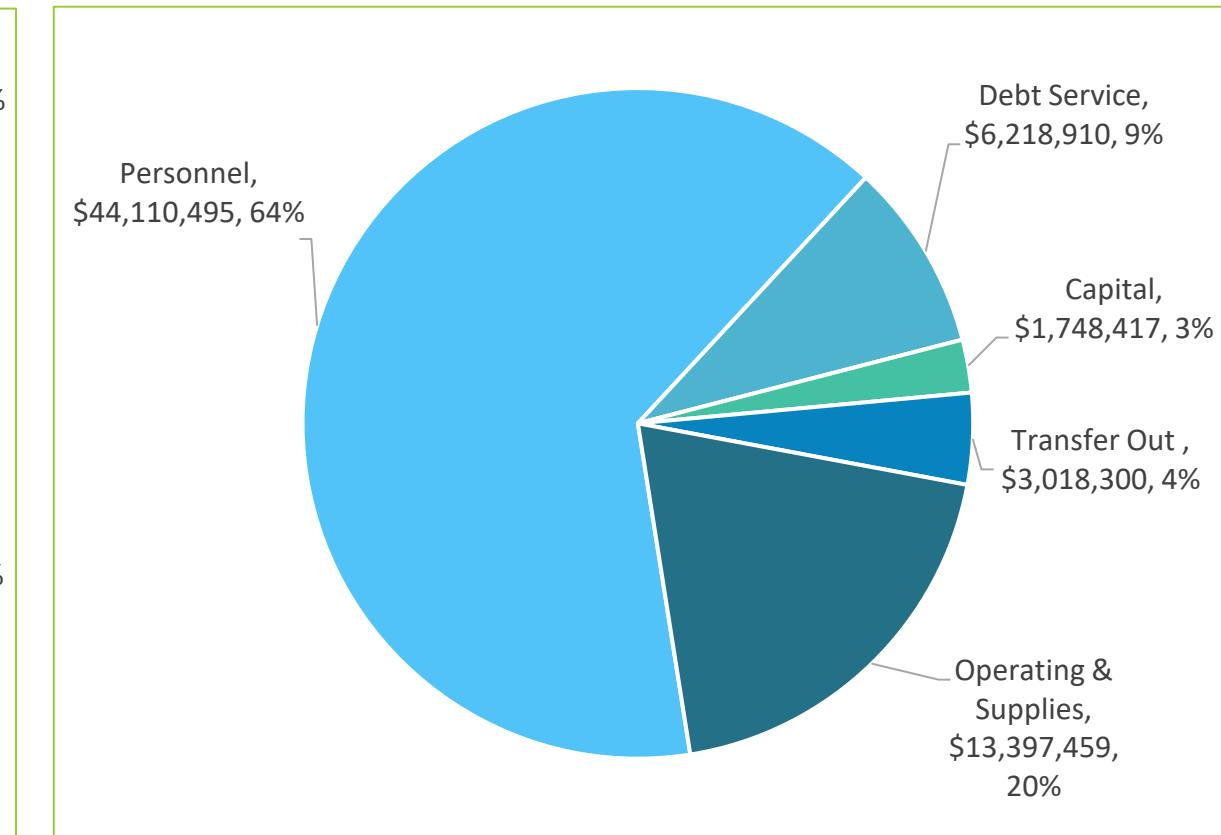
(Interfund Transfer activity totaling \$24.5M eliminated)

Anticipated Combined Use of Fund Balance = \$3,534,001

REVENUE = \$64,959,580



EXPENDITURES = \$68,493,581



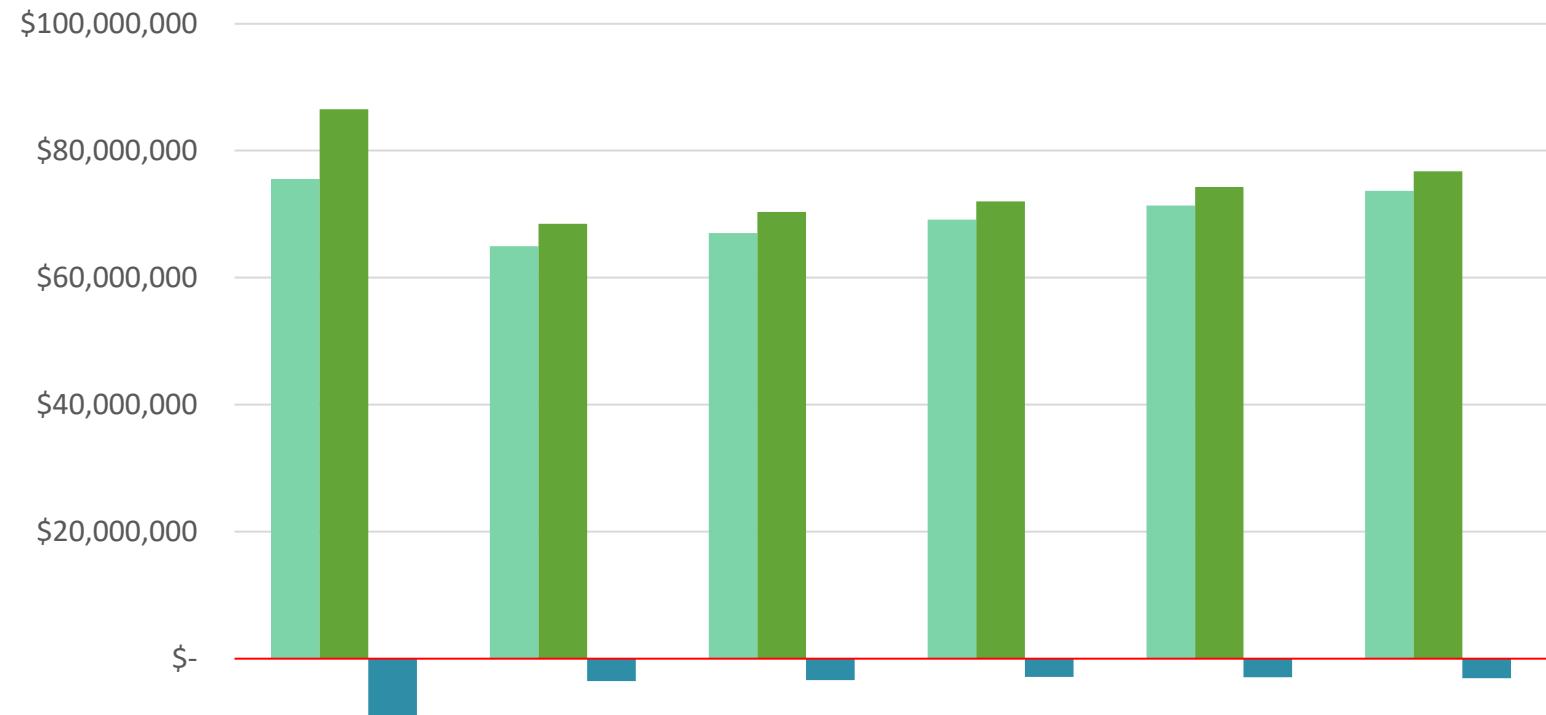
Forecast

General Fund and Public Safety Fund

Cumulative impact on
combined fund balance
2023-2029:

= \$ (26,766,384)

General Fund and Public Safety Fund Combined (*interfund transfers eliminated*)



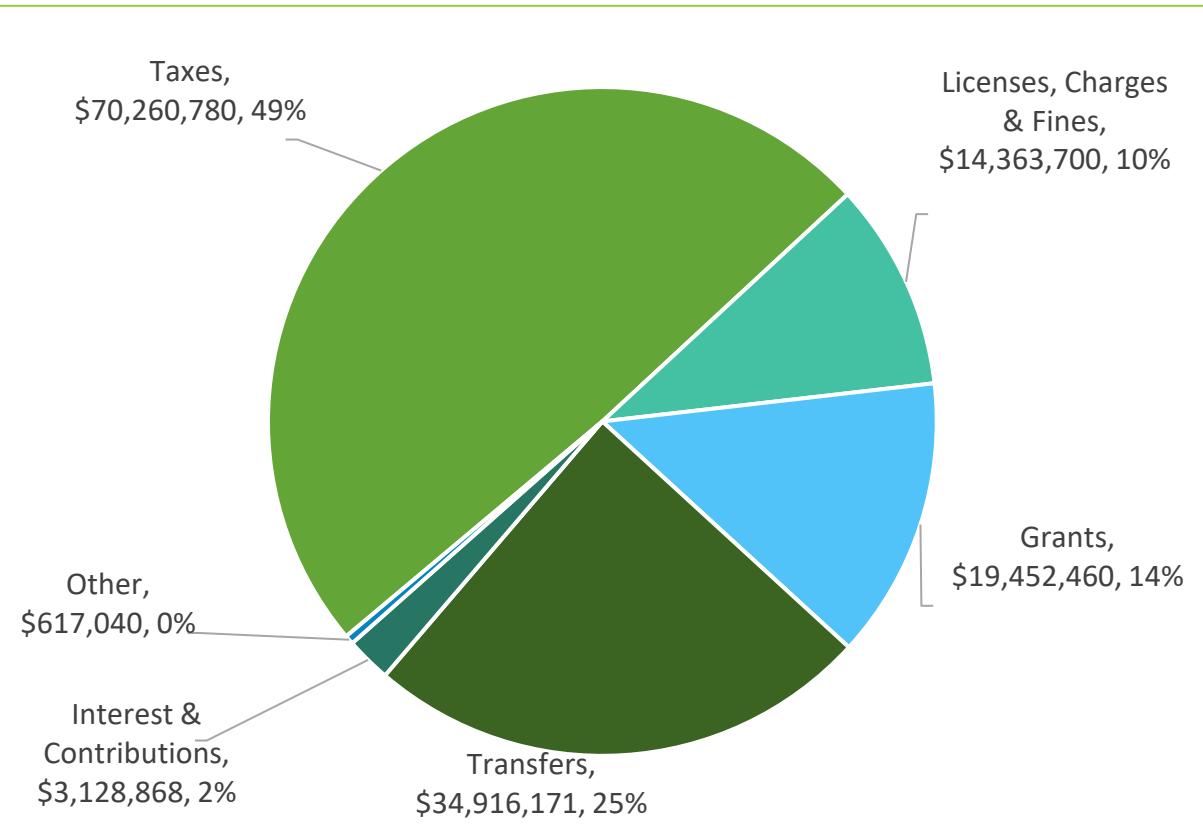
	2023-24 Projected	2024-25 Budget	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Revenue	\$75,538,628	\$64,959,580	\$67,010,830	\$69,147,900	\$71,373,450	\$73,690,420
Expenditures	\$86,542,881	\$68,493,581	\$70,365,810	\$72,012,350	\$74,302,420	\$76,770,150
Net Rev > Exp	\$(11,004,253)	\$(3,534,001)	\$(3,354,980)	\$(2,864,450)	\$(2,928,970)	\$(3,079,730)

All Appropriated Funds Combined

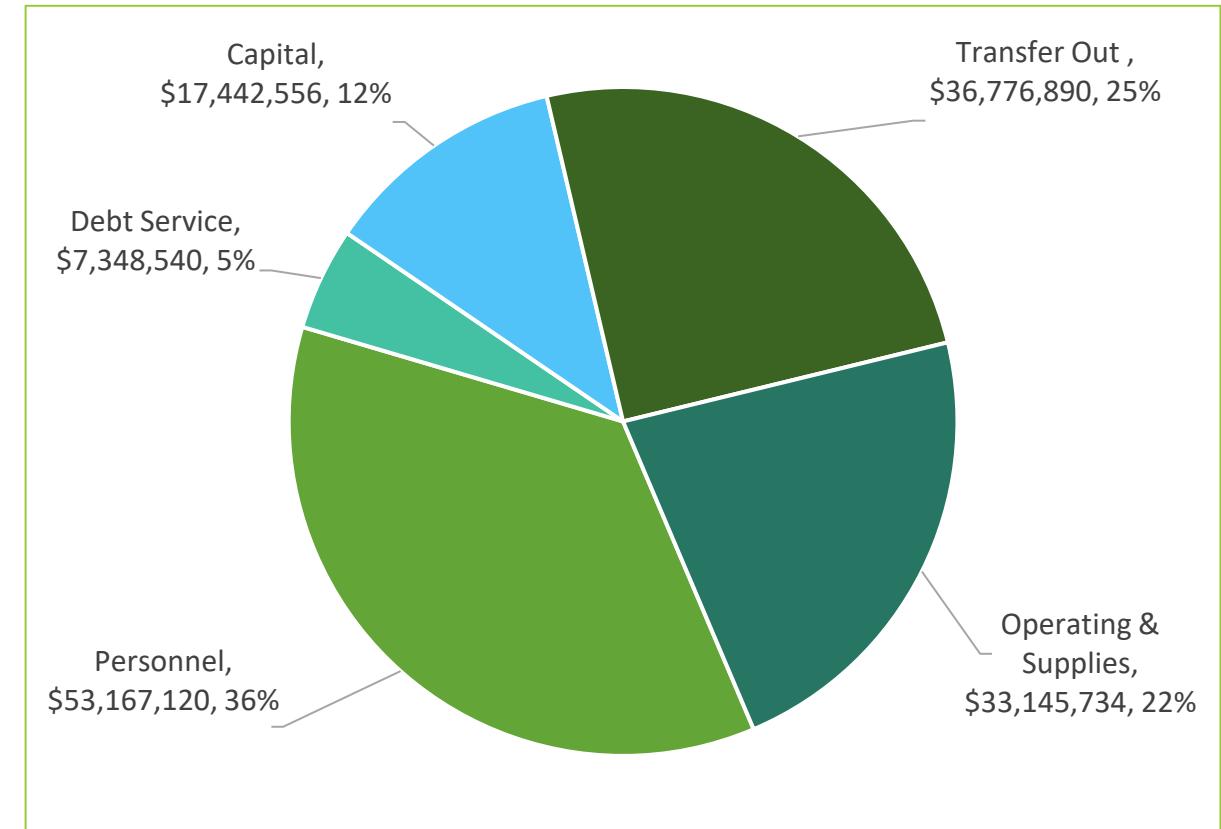
(General & Special Revenue Funds only – includes interfund activity)

Anticipated Use of Fund Balance, net of anticipated increases – All General & Special Revenue Funds Combined = \$5,141,821

REVENUE = \$142,739,019



EXPENDITURES = \$147,880,840



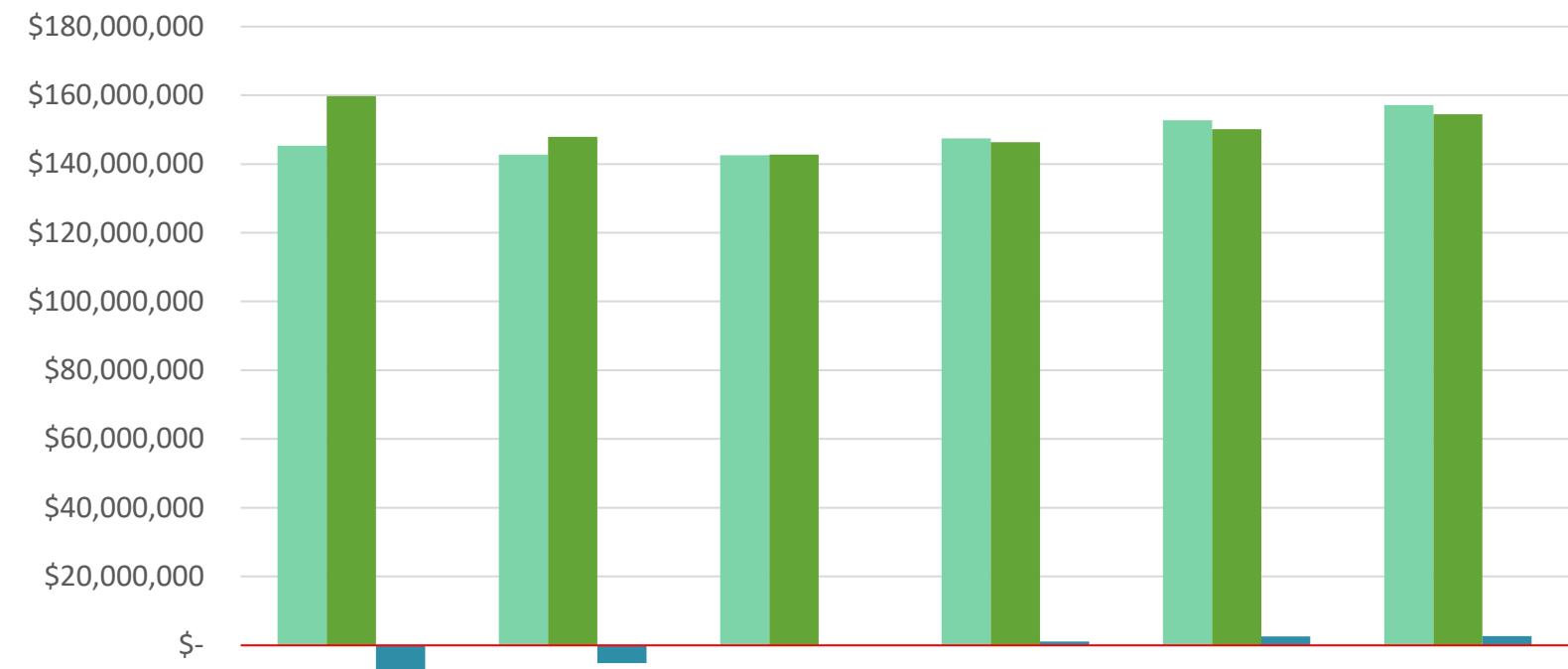
Forecast

All Appropriated Funds Combined
(no elimination of interfund transfers)

Cumulative impact on combined fund balance 2023-2029:
= (\$13,441,244)

2023-24 Projected includes a transfer out of \$21,729,082 to create the ARPA Enabled Capital Projects Fund. This new fund is not part of the data included in this chart, therefore the transfer in is not part of revenue here. Excluding that transfer, the Cumulative impact on combined fund balance 2023-2029 an increase of \$8,287,838.

All Appropriated Funds Combined (General Fund and Special Revenue Funds ONLY)

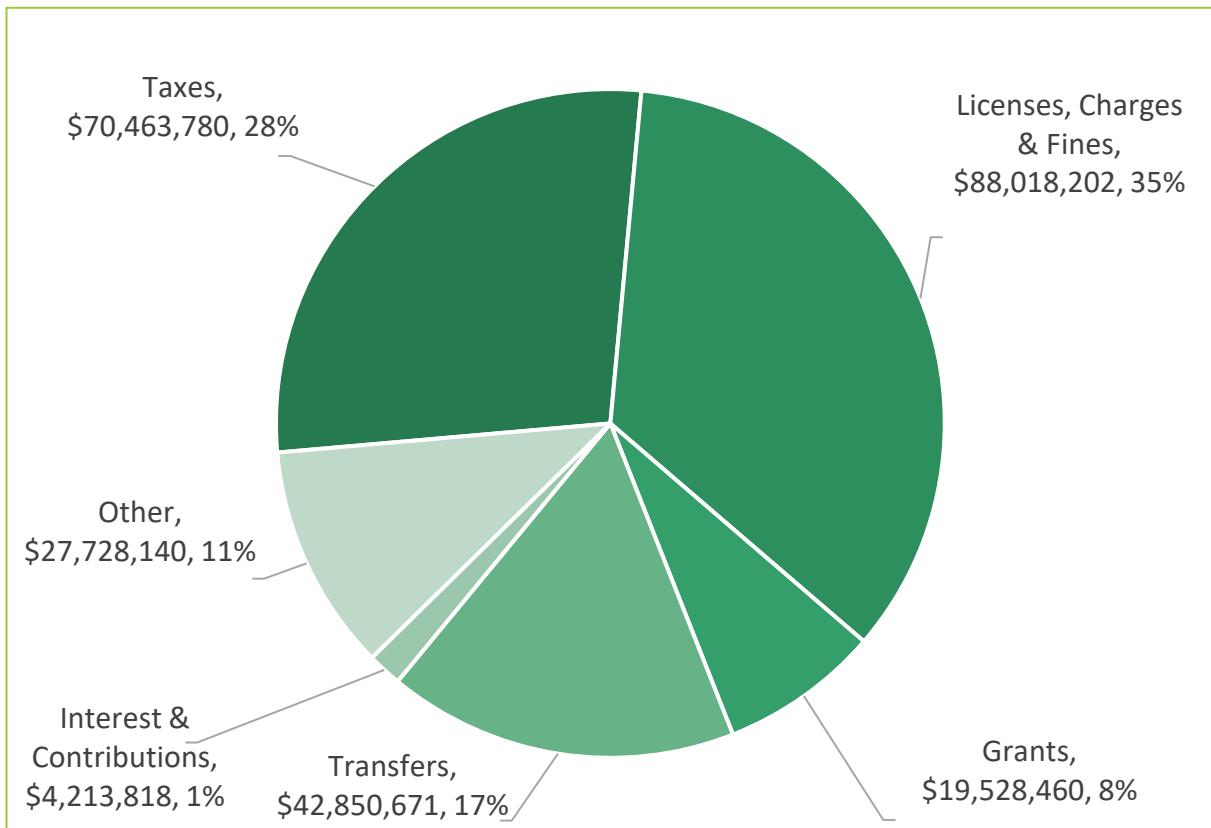


	2023-24 Projected	2024-25 Budget	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Revenue	\$145,300,835	\$142,739,019	\$142,589,595	\$147,415,375	\$152,663,510	\$157,102,295
Expenditures	\$159,749,779	\$147,880,840	\$142,712,474	\$146,361,757	\$150,087,141	\$154,459,882
Net Rev > Exp	(\$14,448,944)	(\$5,141,821)	(\$122,879)	\$1,053,618	\$2,576,369	\$2,642,413

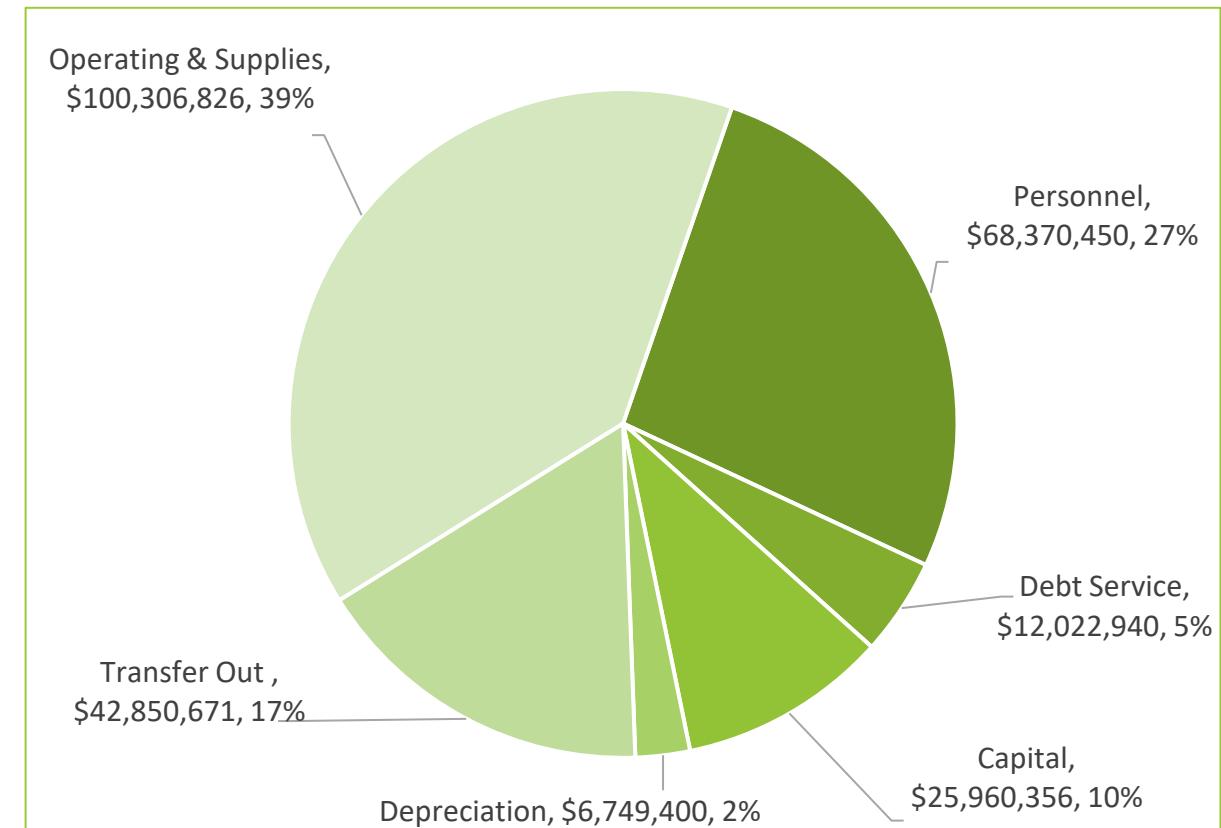
ALL Funds Combined

(includes interfund activity)

REVENUE = \$252,803,071



EXPENDITURES = \$256,260,643



PROJECTED FUND BALANCES

RESERVE TRENDS AND RAINY-DAY FUNDS
REVIEW FUND BALANCE POLICY

Fund Balance Policies

As reaffirmed by Commission on May 22, 2023

The current policies include:

- ✓ General Fund: Unassigned FB maintained between 10-25% of budgeted expenditures
- ✓ Non-Major Enterprise Funds: Transfers to the General Fund cannot reduce the net non-capital assets by more than 20 percent in any fiscal year*
- ✓ Auto Parking Enterprise Fund: Transfers to the General Fund cannot reduce the net non-capital assets by more than 20 percent in any fiscal year*
- ✓ State Construction Code Fund: Unassigned FB shall not be less than 50% of budgeted expenditures

**The only anticipated transfers to the General Fund are from the DDA (not an enterprise fund) and the direct reimbursement of Arts, Beats & Eats expenditures incurred by the General Fund; Fund Balance Policy conditions are met for these items.*

General Fund Balances and Reserves

as a % of Budgeted Expenditures

(Top section includes forecast assumption of \$1 million per year in capital outlay)

General Fund Summary	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
<u>GENERAL FUND - FUND BALANCE COMPONENTS:</u>						
Non-spendable Fund Balance (assume no change)	124,527	124,527	124,527	124,527	124,527	124,527
Restricted Fund Balance (assume no change)	882,192	882,192	882,192	882,192	882,192	882,192
Assigned Fund Balance (assume no change)	526,231	526,231	526,231	526,231	526,231	526,231
UNASSIGNED FUND BALANCE	10,504,927	7,813,548	5,119,148	2,378,558	(628,582)	(2,871,972)
Ending Total Fund Balance	12,037,877	9,346,498	6,652,098	3,911,508	904,368	(1,339,022)
<u>UNASSIGNED FUND BALANCE AS A PERCENTAGE OF BUDGETED EXPENDITURES</u>						
	19.8%	15.1%	9.6%	4.3%	-1.1%	-5.0%
<u>ALTERNATIVE STATISTIC:</u>						
<u>GENERAL FUND - UNASSIGNED FUND BALANCE WITH \$0 CAPITAL OUTLAY ASSUMPTION</u>						
UNASSIGNED FUND BALANCE	10,504,927	7,813,548	5,119,148	2,378,558	(628,582)	(2,871,972)
CAPITAL OUTLAY ASSUMED IN FORECAST	769,230	1,165,000	1,000,000	1,000,000	1,000,000	1,000,000
ADJUSTED UNASSIGNED FUND BALANCE, EXCLUDING CAPITAL OUTLAY IMPACT	11,274,157	9,747,778	8,053,378	6,312,788	4,305,648	3,062,258
ADJUSTED UNASSIGNED FUND BALANCE AS A PERCENTAGE OF BUDGETED EXPENDITURES, EXCLUDING CAPITAL OUTLAY	21.6%	19.3%	15.4%	11.7%	7.7%	5.4%

General Fund and Public Safety Fund

Combined Fund Balances and Reserves *(interfund transfers eliminated)*
as a % of Budgeted Expenditures

GENERAL FUND AND PUBLIC SAFETY FUND COMBINED						
FUND NO.						
101 & 207	General Fund and Public Safety Fund Combined - Summary	2023-24	2024-25	2025-26	2026-27	2027-28
						2028-29
	<u>FUND</u>					
	Total Combined Revenue	72,938,628	64,959,580	67,010,830	69,147,900	71,373,450
	Total Combined Expenditures	86,542,881	68,493,581	70,365,810	72,012,350	74,302,420
	Net combined change in fund balance	(13,604,253)	(3,534,001)	(3,354,980)	(2,864,450)	(2,928,970)
	Total combined fund balance	11,582,274	8,048,273	4,693,293	1,828,843	(1,100,127)
	Combined fund balance as a percentage of expenditures	13.4%	11.8%	6.7%	2.5%	-1.5%
	<u>ALTERNATIVE STATISTIC:</u>					
	Adjusted combined fund balance, excluding General Fund capital outlay	12,351,504	9,982,503	7,627,523	5,763,073	3,834,103
	Adjusted combined fund balance, excluding General Fund capital outlay, as a percentage of expenditures	14.4%	14.8%	11.0%	8.1%	5.2%
						2.3%

What has contributed to declining General Fund fund balance?

A few examples...

Elections – Passage of Proposal 22-2 mandating multiple drop boxes, early voting, prepaid postage on all ballot materials, etc., also requires additional staffing.

Engineering and Capital Costs – Costs of materials and labor has increased significantly. On construction projects, we typically spend the most money on concrete, asphalt and ductile iron water main, however, almost all pay items are increasing as well. As an example:

Typical Unit Pricing:	7" Concrete (\$/SY)	Hot Mix Asphalt (\$/Ton)	8" Ductile Iron Water Main (\$/LF)
2016	\$45.00	\$82.00	\$115.00
2019	\$50.00	\$113.00	\$130.00
2024	\$65.00	\$116.00	\$160.00
<i>% increase 2016 to 2024</i>			
	44%	41%	39%

Technology – Criminal Justice system requirements have added ~\$50,000/yr. Adding public WiFi in multiple city buildings and parks has added \$30,000/yr. Supply chain issues during COVID increased hardware costs.

What has contributed to declining General Fund fund balance?

A few examples...

Police:

Technology

- Axon Products
 - Body worn cameras, In car videos, Tasers, Interview room recording system, cloud based digital evidence storage.
 - These products offer transparency and add a less lethal use of force option.
 - In 2019, the cost of this 5-year subscription was just over \$1 million.
 - In 2023, we added equipment to outfit all supervisors, detectives, and plain clothes officers for \$134,500 over 5 years.
 - Now, all staff has access to BWC and less lethal use of force options while working mandatory uniform events such as the Woodward Dream Cruise and Arts, Beats, and Eats.
 - Axon equipment and services have increased from \$1.2 Million to \$1.8 million compared from 2019 to now.
 - The current contract expires at the end of 2024; renewal costs will be approximately \$1.8 million for the year 2025 – 2030.

Added Services

- Crisis Intervention Team (CIT)
 - This program certifies police officers in mental health response.
 - To become certified, a police officer must attend 40 hours of training.
 - This training removes them from patrol duties and must be backfilled with overtime.
 - Currently, we have 22 CIT certified police officers and seeking to increase the team.
- Co-responder program (CORE)
 - The co-responder program is new and was created in 2024.
 - This program partners mental health clinicians with patrol officers who co-respond to those experiencing a mental health crisis.
 - Collaboration between Oakland Community Health Network and four communities: Royal Oak, Madison Heights, Ferndale, & Hazel Park.
 - The cost of this innovative program is \$120,000 per year per municipality.
- Staffing at Special Events
 - The number of special events continues to increase with two events requiring all sworn staff to work

Mandates

- Emergency Medical Dispatch (EMD)
 - EMD was added during 2024.
 - This technology and training are mandated by the Oakland County Medical Control Authority.
 - The initial cost of the software was \$50,000, plus \$5,000 annual costs.
 - All staff, including new 911 dispatchers as they are onboarded, must be trained in EMD.
- Accreditation
 - Although not mandated yet, being accredited through the Michigan Association of Chiefs of Police is a law enforcement best practice.
 - The standards require continual training in De-escalation, Use of Force, Active Assailant, Critical Incident Stress Management, Mental Health Response, Biased Influence Policing, Ethics, and many others.
 - Staying current on required training now comes at a significant cost.

What has contributed to declining General Fund fund balance?

A few examples...

Fire & Ambulance:

- EMS equipment service costs \$1.2 million over next 5 years, as proposed
 - Ensures Royal Oak has latest, cutting edge medical equipment responding to residents.
 - Includes equipment replacement - costs just for Life packs is going from \$45K to \$60k/each.
- Addition of a third daily staffed ambulance at Rochester Rd Station #3 which adds response capacity for City residents
- Increase in number of personnel (7) – Six are to staff the 3rd ambulance and One added to expand inspection abilities
- Equipment costs increasing between 3%-20% annually
 - Apparatus costs went from roughly \$500,000 to over \$700,000 for pumpers and from \$1,000,000 to \$1,400,000 for engines in recent years.
- PPE costs for firefighters have increased from \$4k per firefighter to over \$6k.

What has slowed the decline?

A few key items...

- ❑ Transfer in of over \$4.5 million in ARPA grant funding for general operations.
- ❑ Passage of new millages to help fund Parks, Forestry, Animal Shelter, and Senior Services.
- ❑ High CPI index levels produce higher than average property tax revenue increases.
- ❑ Difficulty in filling certain positions – especially in Public Safety, resulting in artificially low personnel costs.
- ❑ Increase in interest rates resulting in higher investment returns.
- ❑ Funding from the State of Michigan has increased over recent years, although the trend is not predictable.

Role of the Forecast

Why have the actual results typically been more positive than the forecast?

Forecasts alert us to what the financial future may be, if no changes in our path is made.

But we use this information to MAKE changes, therefore, we can often improve the outcomes.

Examples of major swings in the General Fund (GF) forecast:

In 2021-22:

- + State Shared Revenue exceeding original SOM estimates
- + Increases in parking violation revenue from MPS system
- Decrease in Court revenue & parking violations
- + Police/Fire vacancies reduced GF transfer
- + GF personnel vacancies in various departments (Code Enforcement, Court, Economic Development, Building Maintenance, Attorney, HR, etc.)
- + Capital Projects delayed or canceled
- + Contracted Services delayed or canceled (Master Plan update, election tabulator maintenance, etc.)
- Revenue sharing with MPS, per contract (offset to revenue increase above)
- Added Winter Blast sponsorship

Overall impact = \$2,327,025 improvement over original budget

Budgeted loss = (\$8,078,030), Actual loss = (\$5,751,005)

Role of the Forecast

Why have the actual results typically been more positive than the forecast?

Forecasts alert us to what the financial future may be, if no changes in our path is made.

But we use this information to MAKE changes, therefore, we can often improve the outcomes.

Examples of major swings in the General Fund (GF) forecast:

In 2022-23:

- + Voters approved new Parks millage – first levied Winter 2022 tax bill (added \$2.2M)
- + State Shared Revenue exceeding original SOM estimates
- + Interest rates increased, earning more income on higher cash balances from ARPA transfer
- + Additional ARPA funding recognized in GF
- + Better than expected Court revenue (budget decreased due to prior year shortfalls)
 - While MPS parking violations increased, the revenue fell short of budget expectations
- + GF personnel vacancies in various departments (Court, Economic Development, Treasury, Clerk, Assessing, etc.)
- + Contracted Services delayed or canceled (Renewable energy/facility study, etc.)
 - Increased capital outlay for unanticipated purchases
 - Increased utility costs for water (splashpads/water features in parks) & electricity
 - Added Ice Rink sponsorship

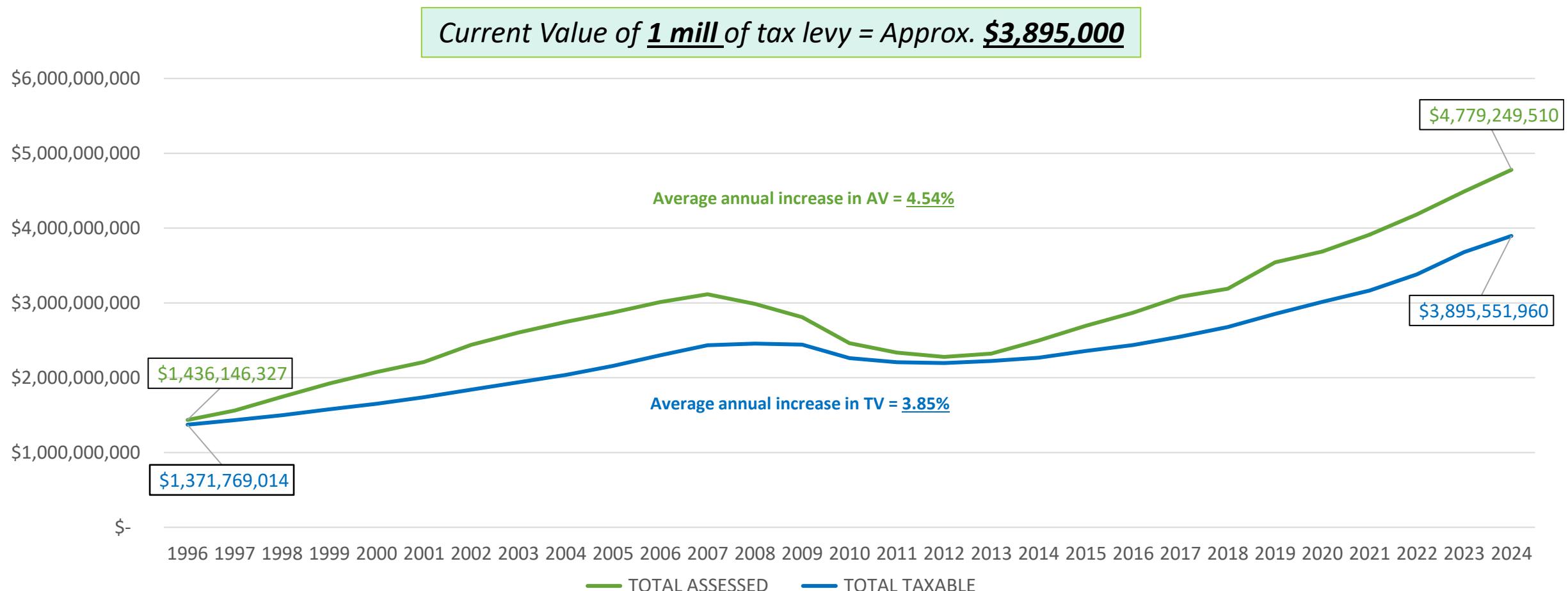
Overall impact = \$3,351,770 improvement over original budget

Page 33 of 68
Original Budget = (\$222,170), Actual Result = \$3,129,600

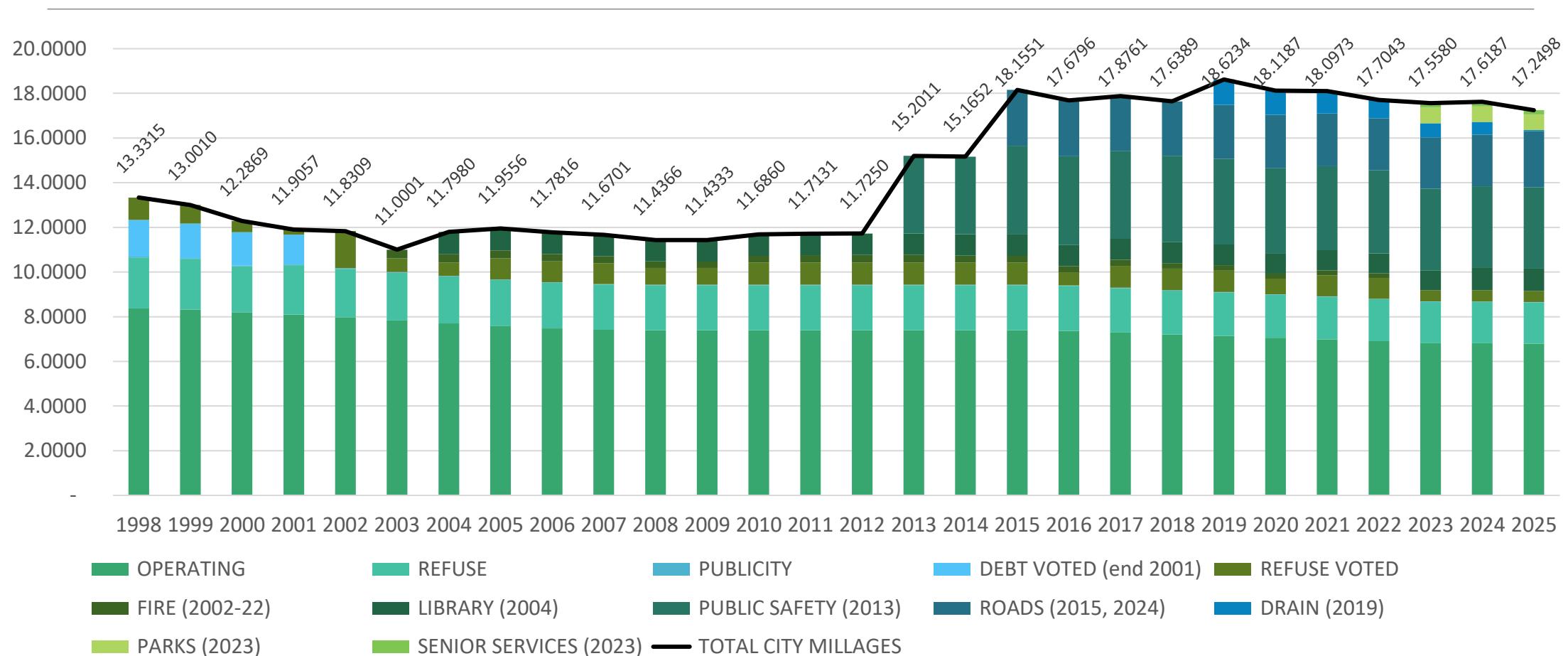
TRENDS IN PROPERTY TAXES

HISTORICAL VIEWS OF PROPERTY VALUES, MILLAGE RATES, AND
STATUTORY LIMITATIONS

History of Assessed vs. Taxable Values

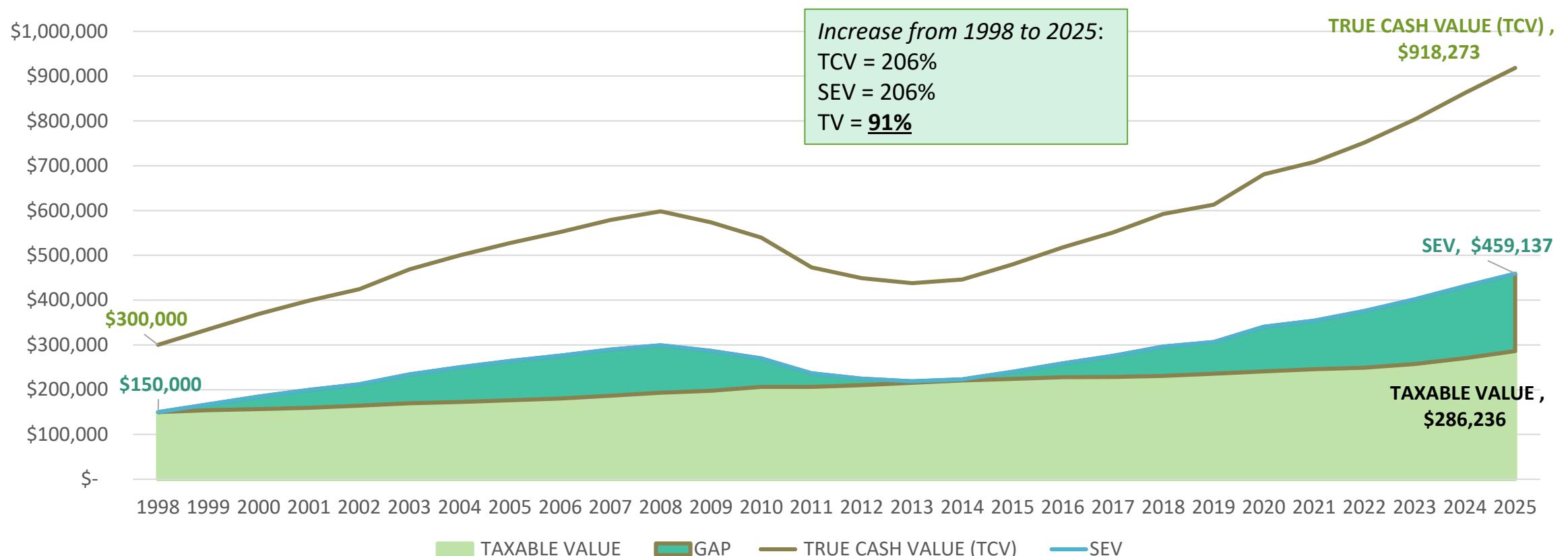


History of City Millage Rates



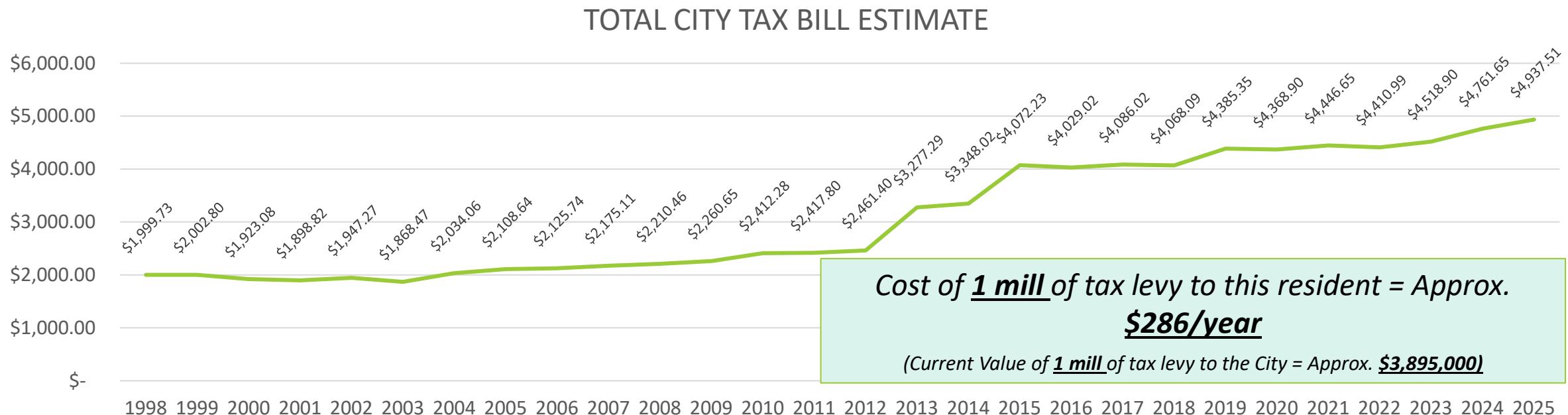
Home Value for a Long-time Resident

Based on a home valued at \$300,000 TCV in 1998, with no change in ownership



Tax Bill Impact – City Millage Rates

For a resident with a home worth \$300,000 true cash value in 1998

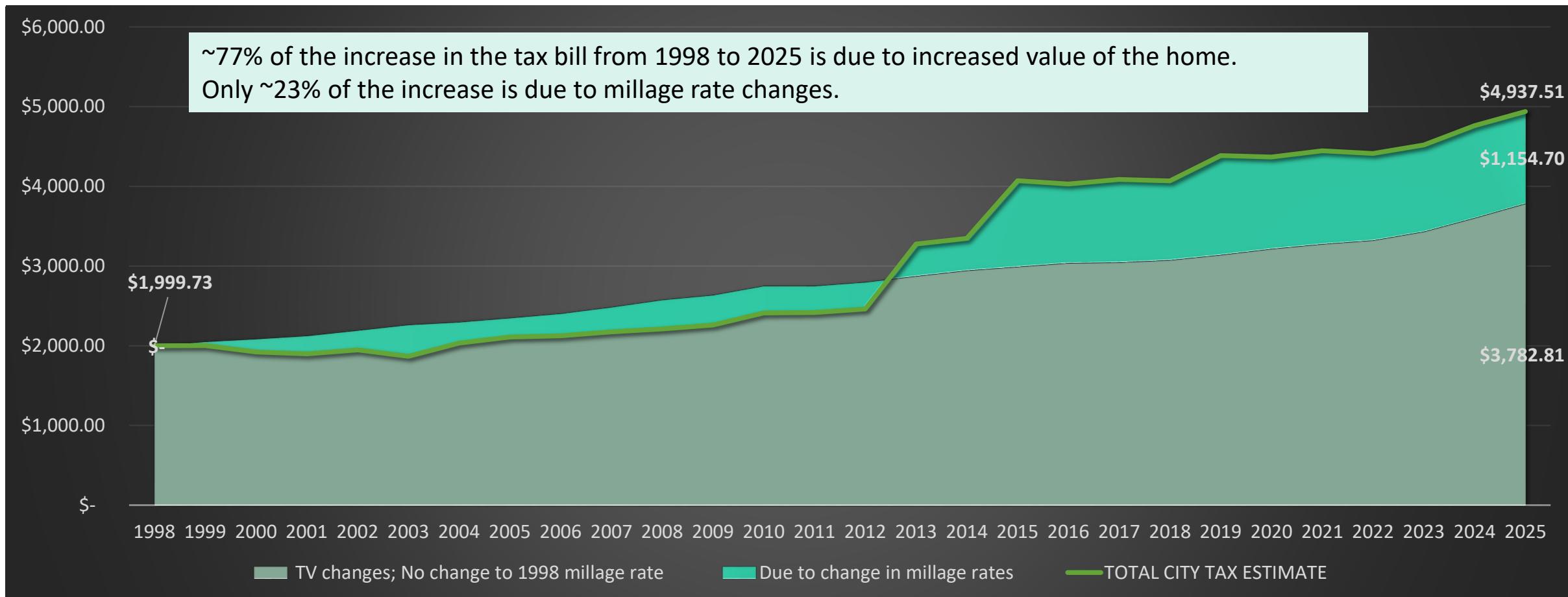


Starting with a home valued in 1998 at \$300,000 – taxable value of \$150,000 at a millage rate of 13.3315 – tax = \$1,999.73

In 2025, the same home (capped) is valued at \$918,273 – however, taxable value is only \$286,236, with millage rate of 17.2498 – tax = \$4,937.51.
This is an average increase of ~3.8% per year.

Tax Bill Impact –Millage Rate vs. TV Changes

For a resident with a home worth \$300,000 true cash value in 1998



PROPOSED CITY MILLAGE RATES FOR 2024-25

Headlee Rollback Factor = 0.9968

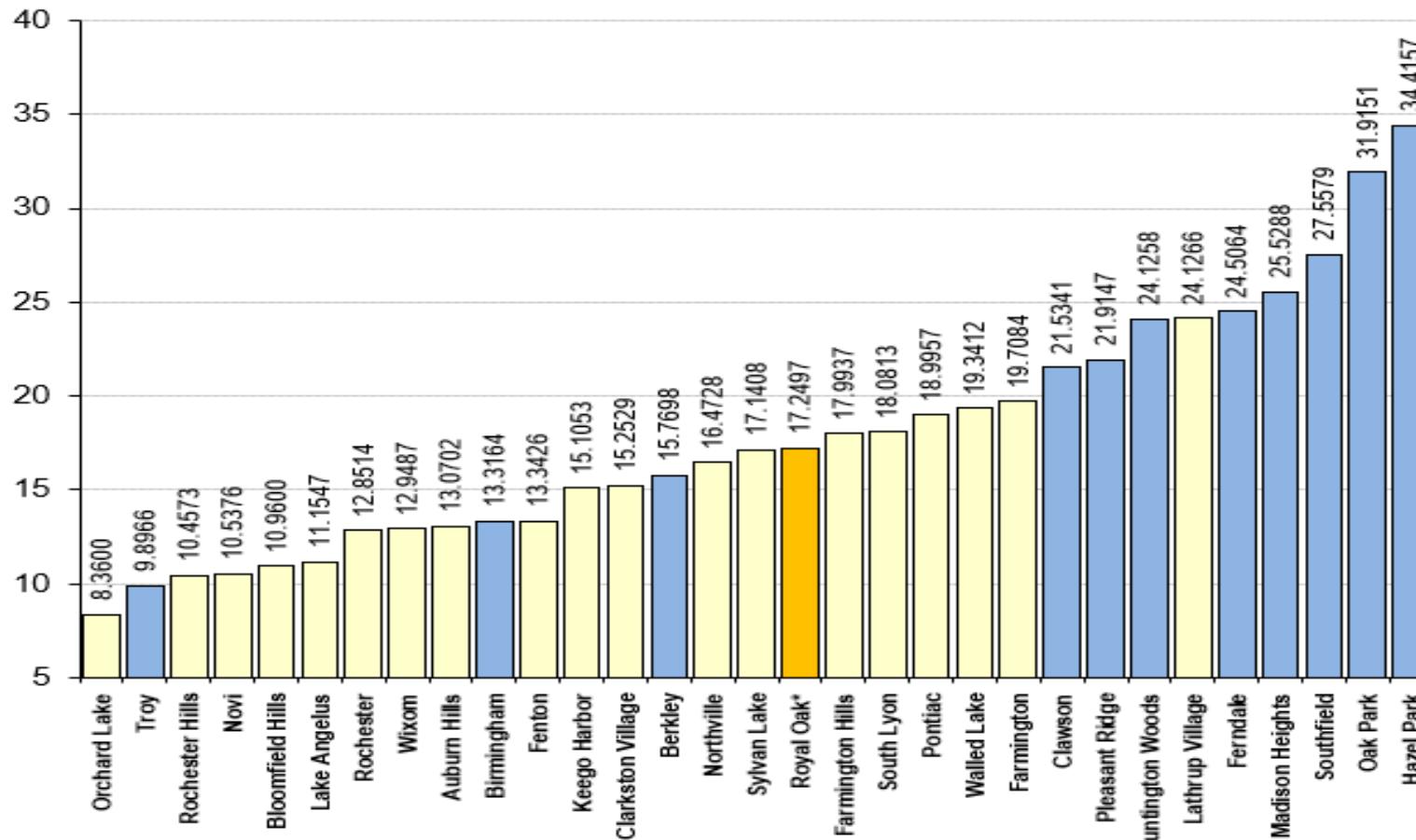
CPI Inflation Factor (Headlee) = 5.1%

Proposal A Limited CPI Factor = 5%

Millage	2023-24 Millage Rates	2024-25 Proposed Millage Rates	Change
Operating	6.8118	6.7900	(0.0218)
Refuse	1.8571	1.8512	(0.0059)
Refuse – Voted	0.5000	0.5000	-
Publicity	0.0134	0.0128	(0.0006)
Library - Voted	1.0000	0.9968	(0.0032)
Public Safety - Voted	3.6615	3.6498	(0.0117)
Roads – Voted (2023)	2.3026	2.5000	0.1974
Senior Services – Voted	0.2000	0.1994	(0.0006)
Parks - Voted	0.7000	0.6978	(0.0022)
Drain Bonds - GWK	0.5723	0.0520	(0.5203)
Total	17.6187	17.2498	(0.3689)
DDA	1.6003	1.5951	(0.0052)

Millage Rate Comparison

Blue bar represents a bordering neighbor



Average Millage Rate = 18.1757

Note: The City of Royal Oak's millage rate is for fiscal year 2024-25, however the rest of the community's rates are from 2023-24 as they were not available for the upcoming fiscal year as of the date of this publication.

Where does my tax dollar go?



For every tax dollar collected, **only \$0.45** stays with the City of Royal Oak.

The remaining \$0.55 are distributed to other taxing authorities, including schools, OCC, Oakland County and various other agencies.

...and how is that 45 cents used?



The remaining \$0.06 is used to fund these general government support services:

Mayor / Commission
District Court
City Manager
Elections
Finance
Assessing
City Attorney

City Clerk
Human Resources
Administration
Treasury
City Office Building
Building Maintenance
Community Engagement

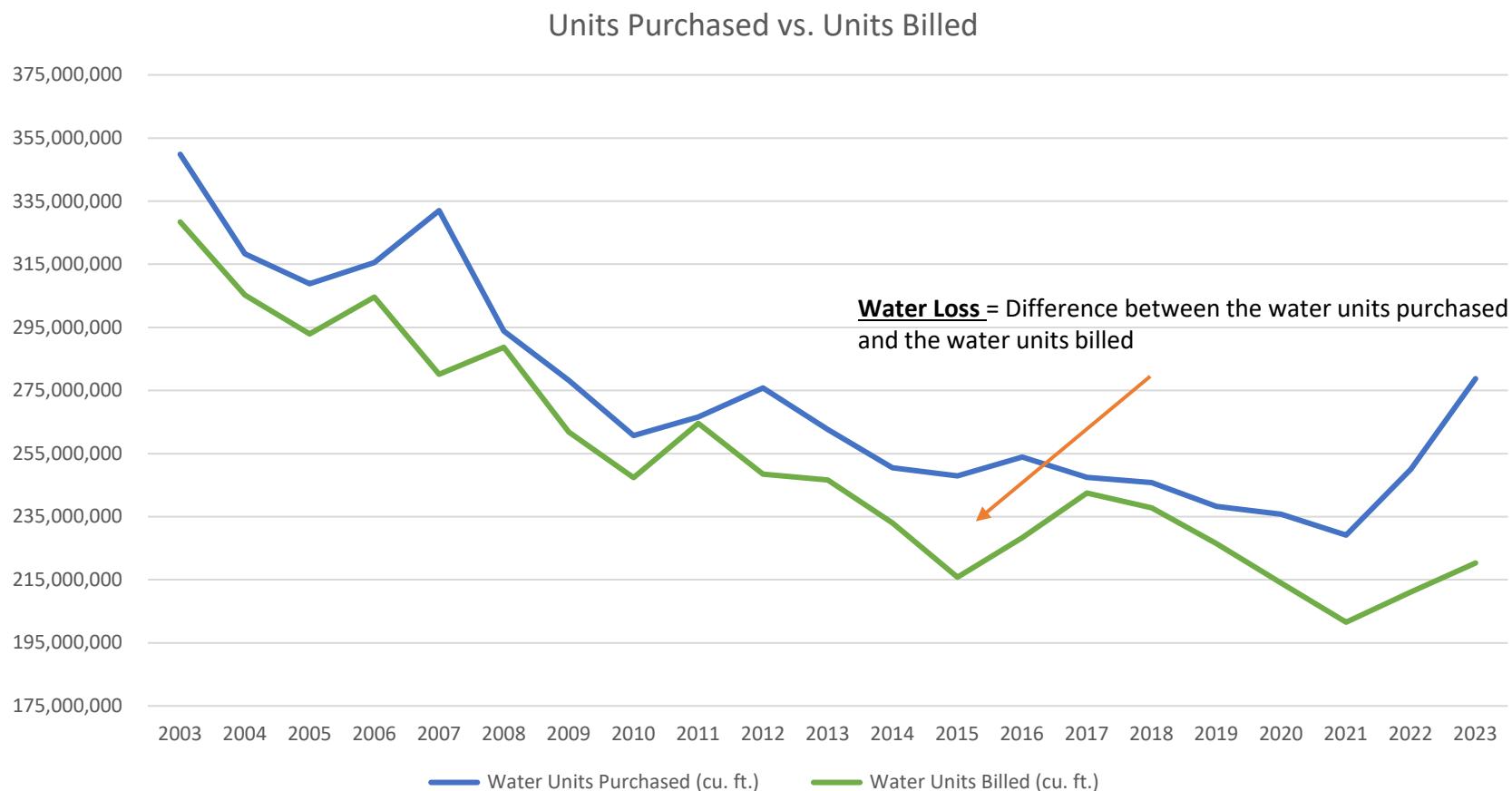
How the \$0.18 of City Operating millage is allocated...



WATER & SEWER RATE SETTING

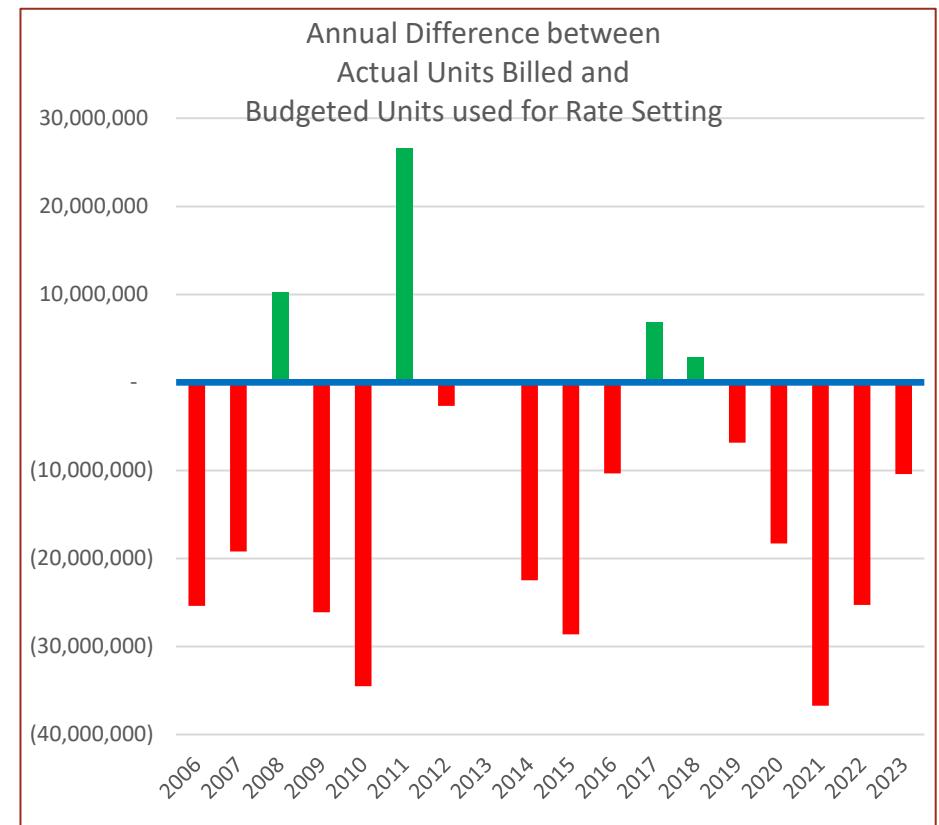
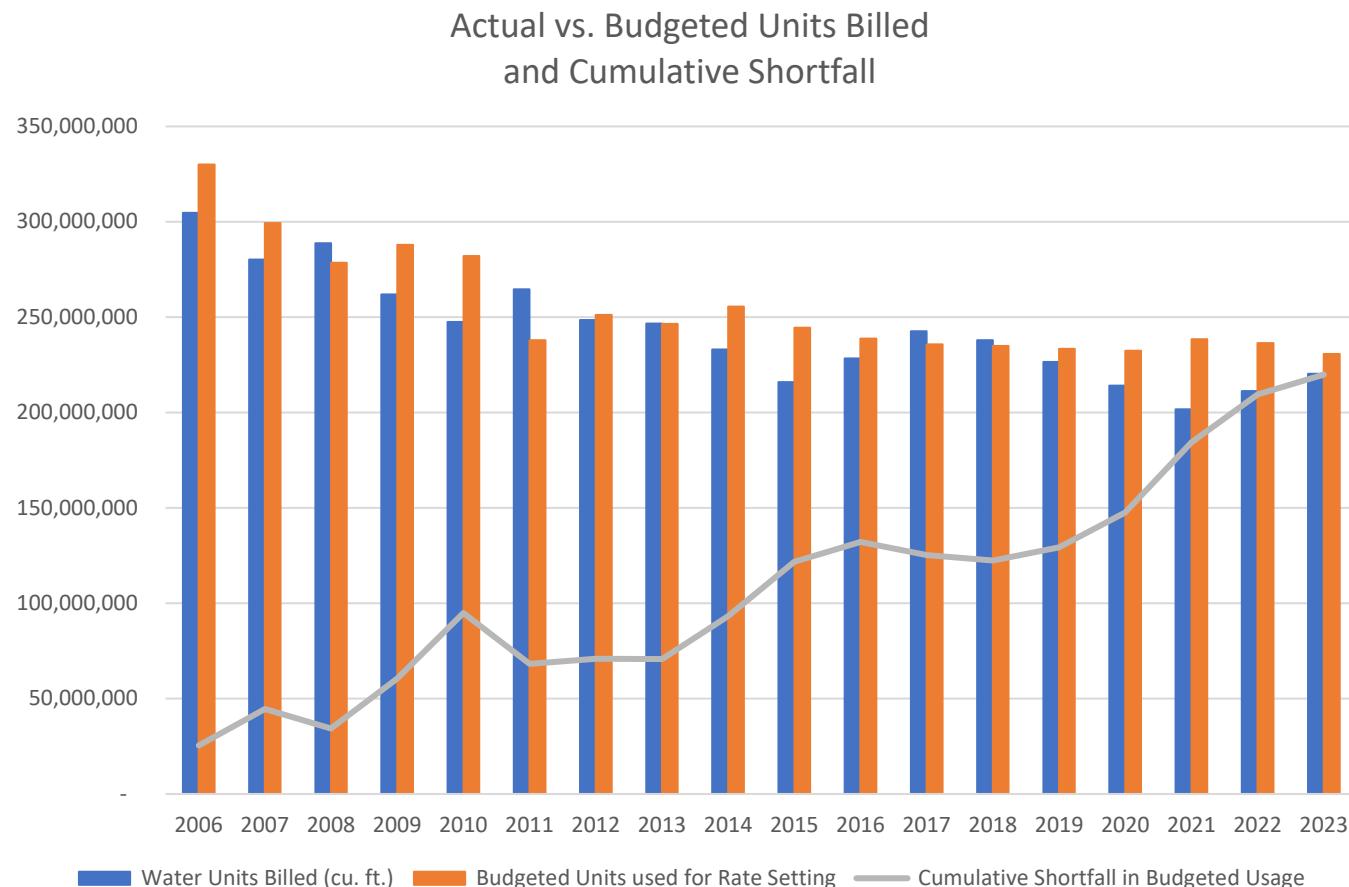
HISTORICAL VIEWS OF WATER USAGE, RATES, AND PROPOSED RATE IMPACT

Declining Water Usage



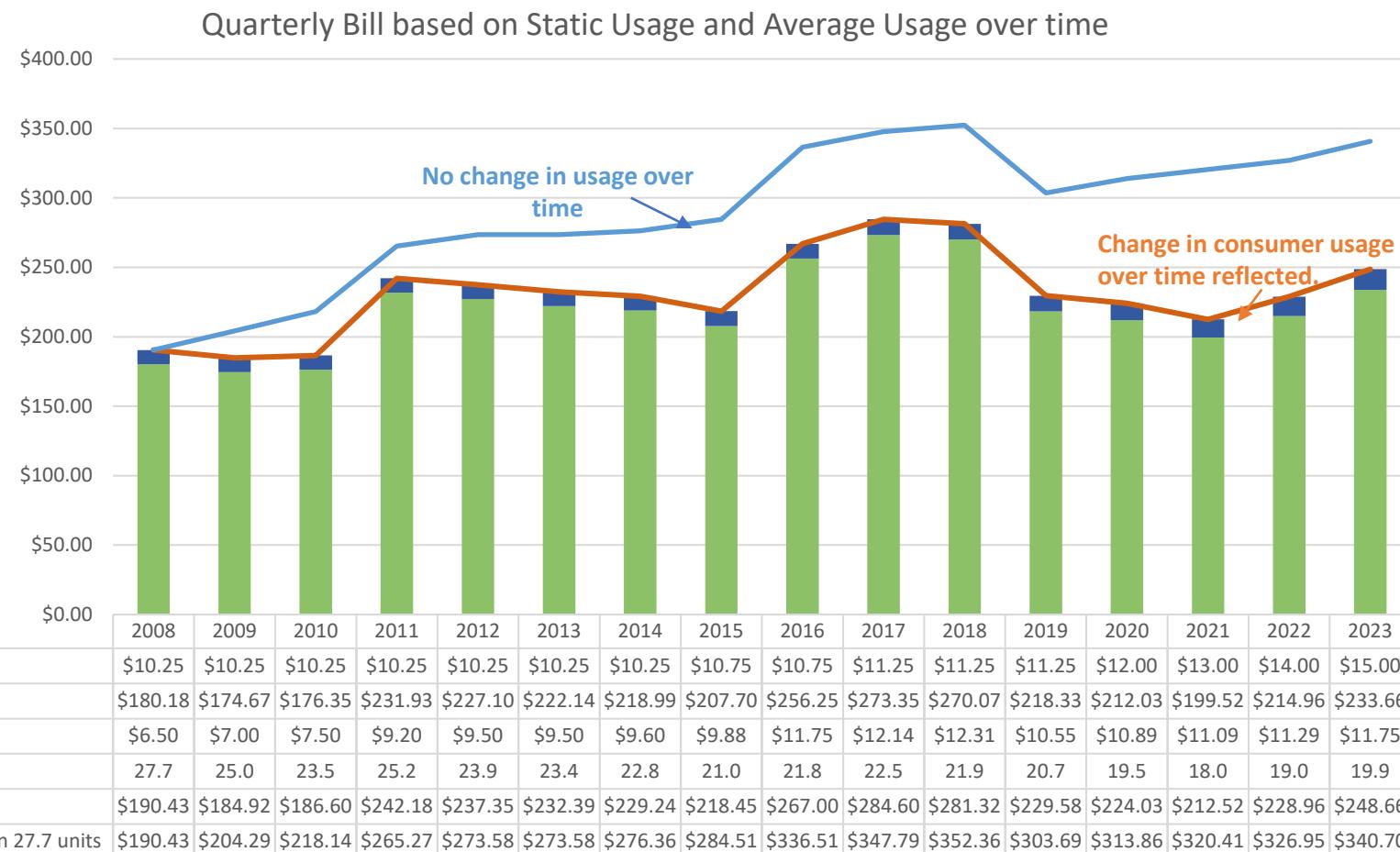
Usage Shortfall

Actual Billed Compared to Usage Budgeted in Establishing Rates

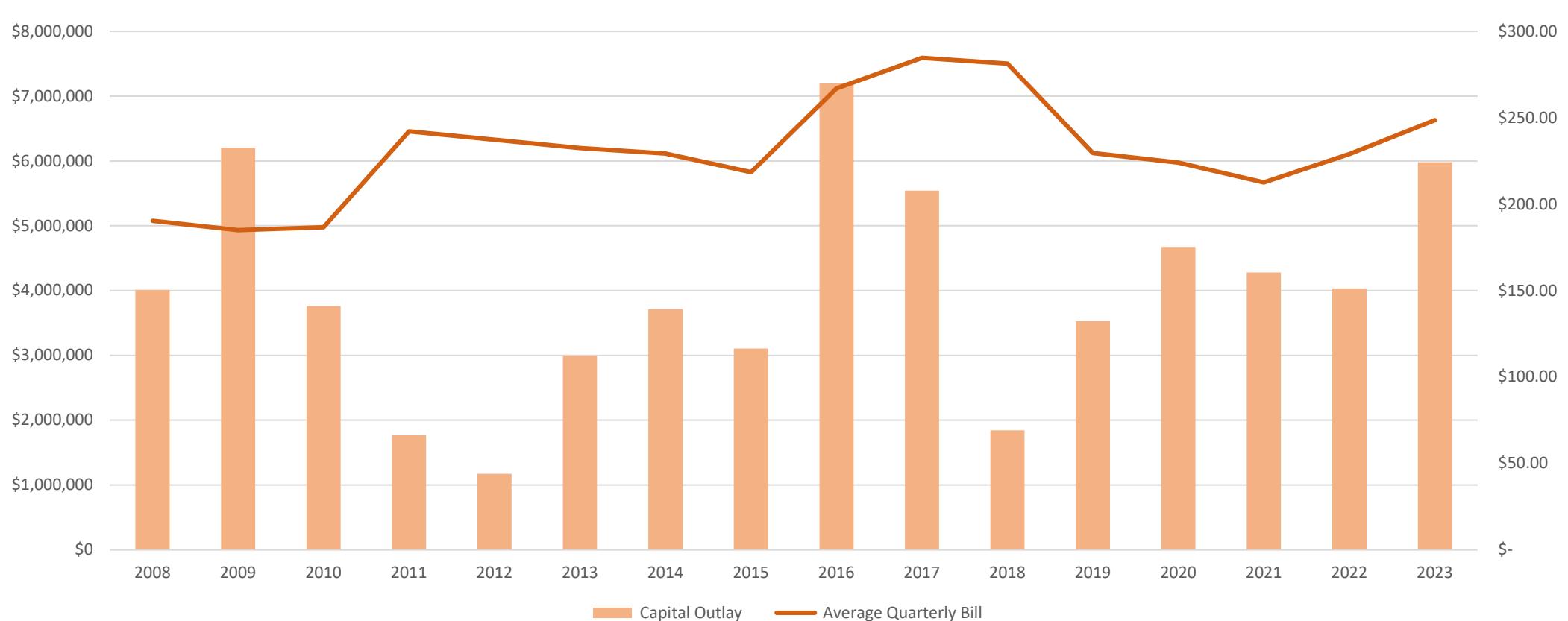


Average Quarterly Bill over time

2.0% = Average annual increase for the average user whose use is declining over the 15-year period, as shown.



Impact of Capital Outlay swings on Average Billing



When adequate reserves exist, rates can be increased slowly over time to meet capital improvement needs, rather than needing to increase sharply in years of higher capital project activity.

Proposed Water & Sewer Rates

effective for billings after July 1, 2024

Utility Billing Rate Structure					
	Current 2023-24	Proposed 2024-25	Difference	% Change	
Usage 20 units or less					
Metered water, per unit	\$ 4.480	\$ 4.930	\$ 0.450	10.0%	
Sewerage chg., per unit	\$ 8.700	\$ 9.220	\$ 0.520	6.0%	
Variable rates, per unit	\$ 13.180	\$ 14.150	\$ 0.970	7.4%	
Flat Rate - Admin/svc fee, per quarterly bill	\$ 16.000	\$ 16.000	\$ -	0.0%	
Usage >20 units					
Metered water, per unit	\$ 5.15	\$ 5.67	\$ 0.52	10.1%	
Sewerage chg., per unit	\$ 10.01	\$ 10.60	\$ 0.59	5.9%	
Variable rates, per unit	\$ 15.16	\$ 16.27	\$ 1.11	7.3%	
Flat Rate - Admin/svc fee, per quarterly bill	\$ 16.00	\$ 16.00	\$ -	0.0%	
Other Non-Standard Users:					
Outside city water only commodity charge, <20 units	\$ 6.72	\$ 7.40	\$ 0.67	10.0%	
Outside city water only commodity charge, over 20 units	\$ 7.73	\$ 8.50	\$ 0.78	10.1%	
Sewer only charge, based on 30 unit assumed usage	\$ 300.15	\$ 318.09	\$ 17.94	6.0%	

Impact of Proposed Water & Sewer Rates

at various usage levels

Typical one-person household, low utility user at 5 units/quarter

	2023-24	2024-25	Difference
Admin/svc fee	\$ 16.00	\$ 16.00	\$ -
Metered water	\$ 22.40	\$ 24.65	\$ 2.25
Sewerage chg.	\$ 43.50	\$ 46.10	\$ 2.60
Quarterly Bill	\$ 81.90	\$ 86.75	\$ 4.85
Annual W/S costs	\$ 327.60	\$ 347.00	\$ 19.40
<i>% increase</i>			5.9%
<i>\$\$ increase per quarterly bill</i>			\$ 4.85
<i>\$\$ increase per month</i>			\$ 1.62

Typical Utility Consumer, with an average use of 16 units/quarter

(55.6% of the City's utility consumers use less than 20 units per quarter)

	2023-24	2024-25	Difference
Admin/svc fee	\$ 16.00	\$ 16.00	\$ -
Metered water	\$ 71.68	\$ 78.88	\$ 7.20
Sewerage chg.	\$ 139.20	\$ 147.52	\$ 8.32
Quarterly Bill	\$ 226.88	\$ 242.40	\$ 15.52
Annual W/S costs	\$ 907.52	\$ 969.60	\$ 62.08
<i>% increase</i>			6.8%
<i>\$\$ increase per quarterly bill</i>			\$ 15.52
<i>\$\$ increase per month</i>			\$ 5.17

Typical high utility use consumer, with an average use of 48 units/quarter

(44.44% of the City's utility consumers use over 20 units per quarter, including commercial users)

	2023-24	2024-25	Difference
Admin/svc fee	\$ 16.00	\$ 16.00	\$ -
Metered water	\$ 233.80	\$ 257.35	\$ 23.55
Sewerage chg.	\$ 454.28	\$ 481.28	\$ 27.00
Quarterly Bill	\$ 704.08	\$ 754.63	\$ 50.55
Annual W/S costs	\$ 2,816.32	\$ 3,018.52	\$ 202.20
<i>% increase</i>			7.2%
<i>\$\$ increase per quarterly bill</i>			\$ 50.55
<i>\$\$ increase per month</i>			\$ 16.85

Vacant property, no recorded utility use in a quarter

	2023-24	2024-25	Difference
Admin/svc fee	\$ 16.00	\$ 16.00	\$ -
Metered water	\$ -	\$ -	\$ -
Sewerage chg.	\$ -	\$ -	\$ -
Quarterly Bill	\$ 16.00	\$ 16.00	\$ -
Annual W/S costs	\$ 64.00	\$ 64.00	\$ -
<i>% increase</i>			0.0%
<i>\$\$ increase per quarterly bill</i>			\$ -
<i>\$\$ increase per month</i>			\$ -

BUDGET RESOLUTION AND POLICIES

Resolutions To Be Adopted

Resolution One: **Budget Resolution**

Includes adoption of budget for the General Fund and the 17 Special Revenue Funds

Resolution Two: **Set Tax Rates**

Establishes all millage rates to be levied in the fiscal year 2024-25

Resolution Three: **Authorize Tax Administrative Fee**

Authorizes the City to include a 1% administrative fee to offset the cost of creating and administering tax bills on behalf of the City and other taxing agencies

Authorizes the City to charge late payment penalties

Resolution Four: **Water and Sewage Disposal Rates**

Establishes the rates to take effect for bills issued on or after July 1, 2024

Resolution Five: **Purchases**

Authorizes administration to pay certain utility and regulated monopoly invoices prior to Commission approval, when necessary

Resolutions To Be Adopted (continued)

Resolution Six: Purchasing

Establishes purchasing threshold and guidelines

Resolution Seven: Transfer

Gives authority to Finance Director for administrative transfers with appropriation levels and between Major and Local Street funds

Resolution Eight: PEG Fees

Allocates a portion of PEG fees collected to Community Media Network

Resolution Nine: Financial Policies

Reaffirm the following policies:

Attrition

Investments

Retirement Contributions

Debt Management

Capital Assets and Capital Improvement Projects

Fund Balances

Self-Supporting Funds

Questions?

Comments?

Thoughts?



CITY COMMISSION

MAY 20, 2024

BUDGET PUBLIC HEARING AND ADOPTION,
INCLUDING GENERAL APPROPRIATIONS ACT



FOR FISCAL YEAR 2024-2025

Coming Soon...



Thank you!

More details from the budget work sessions held January 29th, February 29th and May 9th are available on the City's website.



City of Royal Oak
Master Administrative Fee Schedule

Effective July 1, 2023

*This fee schedule lists various fees for services established annually by the City Commission.
Any fees established by City Charter or City Ordinance are limited to the amount established therein.
Other fees may exist outside of this document and may be incorporated in later versions.*

ADDITIONAL BACKUP

DO NOT USE

DISCARDED SLIDES TO FOLLOW

Link Between Planning Commission Approval and funding

The Planning Commission approves the projects included in the CIP for viability and compliance with the Master Plan. An estimated time frame is included with that document.

As the financial budget process moves forward, the planned date for the completion of certain projects may be shifted from the dates presented to the Planning Commission. This is part of the “funding” process and allows for the best alignment of project timing with the available resources throughout the forecast period.

All projects from the “Recommended Capital Improvement Plan” document continue to be included, however, these projects are proposed to be funded in a different fiscal year than originally presented:

CIP #	Year Planned in “Recommended Capital Improvement Plan”	Year Proposed for funding in the City’s Annual Budget and Forecast
2024-9	2023-24	2025-26
2024-10	2023-24	2025-26
2024-13	2023-24 & 2024-25	2024-25 & 2025-26
2024-16	2023-24 & 2024-25	2025-26 & 2026-27
2024-32	2025-26	2026-27
2024-34	2024-25	2026-27 & 2027-28
2024-36	2023-24	2027-28 & 2028-29
2024-37	2025-26	2026-27
2024-38	2024-25	2026-27 & 2027-28
2024-41	2023-24	2026-27
2024-49	2025-26	2028-29
2024-50	2023-24	2025-26

Capital Project Requests

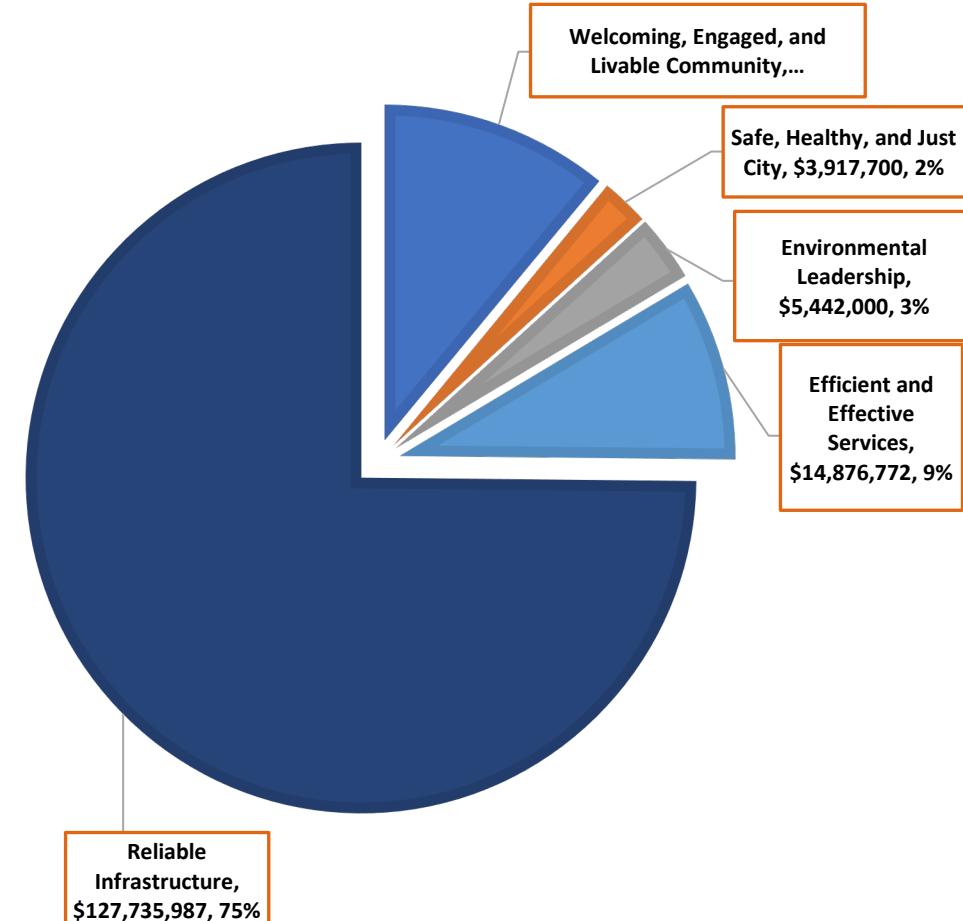
	Budget		Forecast					Total
	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27	Fiscal Year 2027-28	Fiscal Year 2028-29		
Water & Sewer	\$7,384,250	\$7,871,250	\$6,735,500	\$5,824,000	\$6,561,000	\$6,698,000	\$41,074,000	
Sidewalks	\$97,050	\$100,200	\$103,450	\$552,550	\$1,000,000	\$1,000,000	\$2,853,250	
Local Streets	\$9,893,700	\$6,378,500	\$2,334,900	\$1,936,400	\$725,400	\$580,500	\$21,849,400	
Major Streets	\$6,293,673	\$5,481,199	\$6,287,199	\$7,028,300	\$6,939,500	\$7,762,800	\$39,792,670	
City-owned Facilities*	\$1,293,500	\$1,654,000	*\$935,000	*\$1,850,000	*\$100,000	*\$0	*\$5,832,500	
Parks and Grounds	\$834,375	\$3,610,000	\$4,910,000	\$4,560,000	\$3,610,000	\$3,200,000	\$20,724,375	
Information Technology	\$331,000	\$316,000	\$316,000	\$316,000	\$316,000	\$316,000	\$1,911,000	
Vehicle/Equipment /Lg. Studies/Other	\$2,466,373	\$2,191,900	\$2,240,070	\$2,138,367	\$2,439,458	\$1,523,804	\$12,999,972	
Total	\$28,593,921	\$27,603,049	\$23,862,119	\$24,205,617	\$21,691,358	\$21,081,104	\$147,037,167	

BY PRIORITY LEVEL:

Essential/Mandated	\$3,102,473	\$1,031,700	\$815,200	\$748,800	\$752,500	\$756,300	\$7,206,973
Important	\$21,413,873	\$20,967,850	\$14,616,420	\$16,425,817	\$18,491,358	\$20,163,804	\$112,079,112
Value Added	\$117,000	\$0	\$200,000	\$1,300,000	\$0	\$0	\$1,617,000
Desired	\$3,960,575	\$5,603,499	\$8,230,499	\$5,731,000	\$2,447,500	\$161,000	\$26,134,072

Total amount **funded** in proposed 2023-24 Budget = **\$28,593,921**.

**TOTAL PROJECT VALUE BY PRIMARY STRATEGIC GOAL ALIGNMENT
PROJECT INCEPTION TO FY 2028-29**
TOTAL = \$170,678,459



Project Priority Definitions:	
Essential/Mandated	This project MUST be addressed due to legal or risk management issues.
Important	This project aligns strongly with the strategic goals and core services of the City and has a high community impact.
Value Add	This project will add value to the community and/or services the City provides, however, these items generally go beyond the core services of the City. While these projects must still align with strategic goals, these items may be seen as the "bells and whistles" that take an initiative to the next level of service.
Desired	This project will provide a desired enhancement to the community, aligns well with the strategic goals, and may go beyond the core services of the City.

Impact of Various Levels of Capital Outlay on General Fund Unassigned Fund Balance, as a % of Total Expenditures



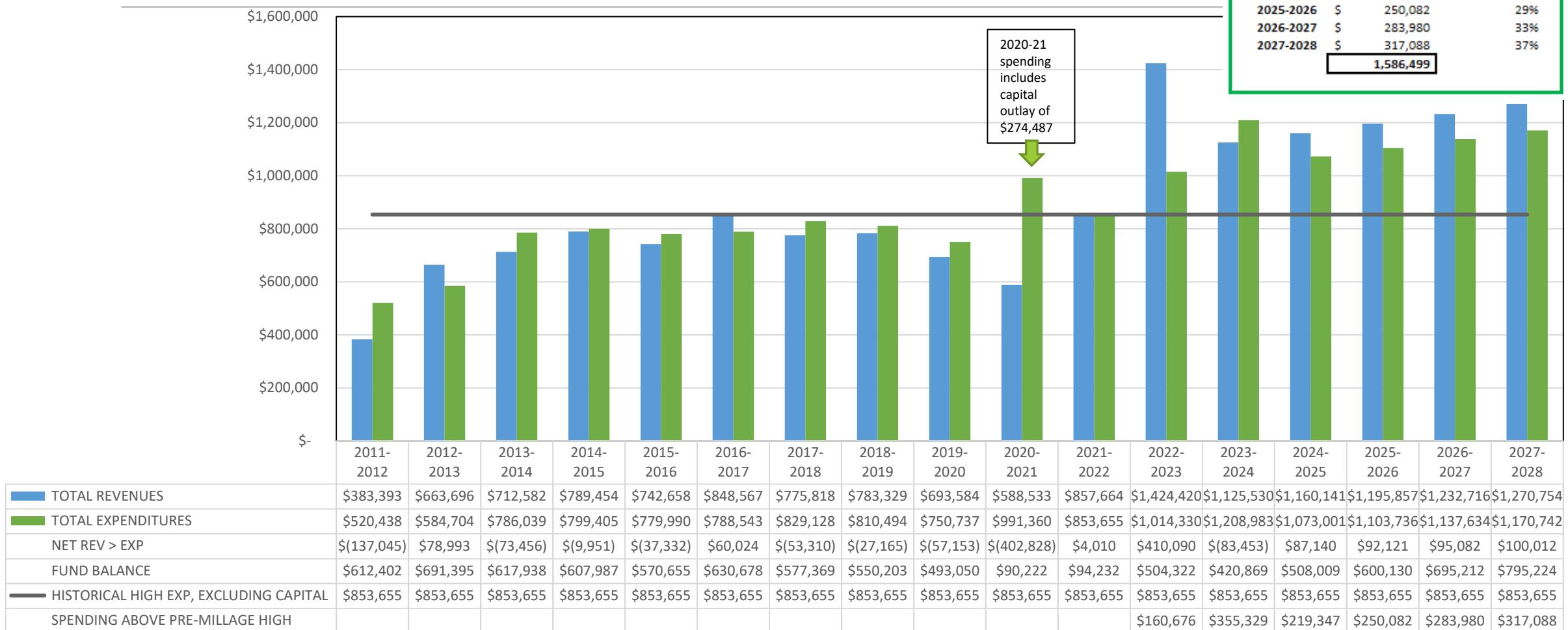
Senior Services Fund

Revenue History, Budget & Forecast



Senior Services Fund

History of Revenue & Spending, including Budget & Forecast



Senior Services Fund

Immediate Impact Items

And

Next Steps in Aging in Place Plan Implementation

In response to the question of what additional "immediate impact" items could potentially be funded to further support the Senior Center, the following information was provided by Yolanda Botello, Senior Center Coordinator:

"The Senior Center has 350 chairs that patrons use in rooms and outdoors for programs that need to be replaced. In the past year over 30 have broken due to the age and use. They are also very heavy and uncomfortable for long periods of seating. I had to purchase chair cushions that people check out.

We have 4 older couches that need to be replaced. They are very low as well and the seniors have trouble getting in and out of them.

Also, we would like to purchase 2 to 3 electric vehicles for use in our transportation program for door-to-door services."

Total Estimated cost for the chairs, racks, and couches = \$25,000

In addition, related to the use of ARPA funds and next steps in the Aging in Place Plan, the following information was provided by Susan Barkman, Assistant to the City Manager:

"The City Commission allocated \$227K of ARPA funds to match County ARPA funds. This will fund many immediate impact needs of senior center, including entry way doors, ADA bathrooms, updated flooring, and improved amenities. Staff does not want to replace furniture until this construction work is completed.

City Manager's Office staff will be working with the Senior Center to put together a pilot program for additional transportation to improve and expand the senior center's transportation service. This additional service would focus on using EVs rather than additional buses. Costs for this request are not yet known, but could include 2-3 EVs, including one that would be custom built for wheelchair access. Charging stations and additional staff costs would also be a part of this pilot. Staff anticipates this that this pilot will help us determine the level of service needed, and the impacts of EVs on the service if it were expanded to include additional EVs. We had anticipated that this request would be included in the 24-25 budget, but we can add it at as a mid-year adjustment.

Currently, in the Community Engagement budget, we have \$10K to assist in the community engagement and communications efforts of the related bringing in programs like driver fit, developing the Royal Oak expert series, and supporting awareness of services."

MODIFICATIONS TO THE POSTED DRAFT VERSION OF THE MASTER ADMINISTRATIVE FEE SCHEDULE

Page 8 – Line inadvertently omitted;
no change from prior year.
The fee should appear as:

CITY OF ROYAL OAK Master Administrative Fee Schedule <u>Effective July 1, 2023</u>	
<i>(Note: fees contained herein are subject to periodic changes including additions, deletions and rate changes. Updates may be posted in a separate addendum. Please contact the department directly if you have any questions).</i>	
City Clerk (continued)	
SERVICE	Fee
<u>Applications and Permits:</u>	
Arts, Beats and Eats (ABE) Parking Station Application	\$ 185.00
ABE Parking Station - fee for existing regular parking station	\$ 150.00
ABE Parking Station - premium for lots with 50+ spaces	\$ 40.00
ABE Parking Station - late fee (with previous parking station for ABE)	\$ 150.00

Page 9 – Amount entered incorrectly;
no change from prior year.
The fee should appear as:

CITY OF ROYAL OAK Master Administrative Fee Schedule <u>Effective July 1, 2023</u>	
<i>(Note: fees contained herein are subject to periodic changes including additions, deletions and rate changes. Updates may be posted in a separate addendum. Please contact the department directly if you have any questions).</i>	
City Clerk (continued)	
Service	Fee
<u>City Commission Chamber Rental:</u>	
one hour or less (door attendant / room)	\$15.00 / \$100.00
more than 1 hour, less than 2 hours (door attendant / room)	\$30.00 / \$100.00
more than 2 hours, less than 3 hours (door attendant / room)	\$45.00 / \$100.00
more than 3 hours, less than 4 hours (door attendant / room)	\$60.00 / \$135.00
more than 4 hours, less than 5 hours (door attendant / room)	\$75.00 / \$170.00