

ADOPTED BUDGET FY 2017-18 PROJECTION ASSUMPTIONS

For many years, the city of Royal Oak has developed a budget document that includes a four year projections. The projections in the FY2017-18 budget document make numerous assumptions.

REVENUES

Property tax revenue is assumed to increase at 2.5% with no Headlee reduction in the millage rates throughout the forecast. Most significant, the forecast assumes the continuation of the renewal of the 5 year public safety millage (approval occurred on November 8, 2016), which provides for the continuation of the significant transfer out of the general fund to the public safety fund. The projections include general fund transfers to the public safety fund growing from \$18.7 million in the current year budget to \$19.6 million. State Shared revenue is estimated to increase 2% each year. The cable franchise fee was projected to increase by 2% each year based upon historic trend however the fy 16-17 year ended with a slight decrease, therefore this assumption should be changed. A 3% annual increase is projected for the indirect cost revenue due to projected personnel cost increases. The projection assumes an annual \$1,347,500 transfer in from the DDA for its contribution to the civic center project. All other revenues are assumed to remain constant.

EXPENDITURES

Most labor bargaining units have settled multi-year contracts which provide for a 2.5% annual wage increase. A 3.5% full-time wage (and wage based benefits) increase is utilized in the projections across all bargaining units (and all funds) to take into consideration the wage steps as many of the positions are more recently filled and not at the top of their pay. A 2.5% part-time wage increase is utilized. Medical is assumed to increase 4% which would be the average increase in the last two years. The projections assume the two retirement trusts earns the actuarial rate of return at (net) 7.75% resulting in no increase in the annual contribution. Street lighting (a significant cost to the general fund) is projected to increase 2% in each year of the projections. All projects in the CIP have been included in the projected years (with the exception of park projects) whether funding is available or not. Most all other expenditures are assumed to remain constant. The general fund assumes an annual debt payment of \$2.4 million for the civic center project in the projections.