

GENERAL ASSUMPTIONS FOR THE ESTIMATED FUTURE YEARS IN FY 20-21 THROUGH FY 24-25

For many years, the city of Royal Oak has developed a budget document that includes four years future revenue and expenditure estimates. The estimates in the fiscal year 20-21 budget document make numerous assumptions for future years through fiscal year 24-25 and are as follows:

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. There is a universal assumption that all millages are renewed. The projections include general fund transfers/revenues to the public safety fund growing from \$21 million in the current year budget to \$23.51 million in the last year of the forecast. The general fund transfer to the senior citizen center fund is expected to grow to over \$428,000 as soon as next fiscal year. State Shared revenue is estimated to increase 2% each year however that is based upon an assumption that state shared revenue will be \$1,002,000 lower than the State of MI estimate for FY20-21. The cable franchise fee is projected to decrease by -7.5% each year based upon recent trend (its assumed fewer people are using traditional cable). Interest revenue is estimated to decrease 15% due to lower fund balance projections. A 2% annual increase is projected for the indirect cost revenue due to projected personnel cost increases. The estimates assume an annual \$737,000 transfer in to the general fund from the DDA for its contribution to the civic center project.

The major street fund Act 51 revenue was reduced by \$752,000 relative to the State of Michigan's estimated revenue projection for FY20-21. There is a 0% increase in Act 51 revenue extrapolated through years FY24-25.

The local street fund Act 51 revenue was reduced by \$95,000 relative to the State of Michigan's estimated revenue projection for FY20-21. There is a 0% increase in Act 51 revenue extrapolated through years FY24-25.

All other revenues are assumed to remain constant.

EXPENDITURES

Full-time employee wages (and wage based benefits) are assumed to increase 2.5% to 4.5%, depending on the department. The higher percentage increase is due to significant percentage of staff within certain departments that will be climbing their wage scale in addition to an assumed cost of living increase. A 2.5% part-time wage increase is utilized. Defined benefit pension/retiree healthcare contributions are assumed to increase 5% through FY24-25. Medical is assumed to increase 5% which was the average increase in recent years. General liability coverage costs are assumed to increase by 5%.

All non-personnel operating costs are estimated to remain flat. All projects in the CIP have been included in the future estimated years (with the exception of park projects) whether funding is available or not.