

CITY OF ROYAL OAK, MICHIGAN

BUDGET IN BRIEF

FISCAL YEAR 2023-2024





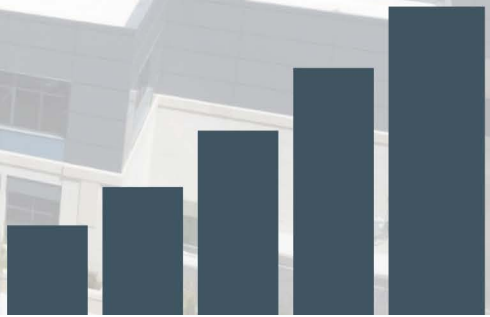


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Welcome to the Budget



The City's Funds

The City's accounts are organized into funds. A fund is a group of related accounts used to control money that has been earmarked for specific activities or objectives. By keeping revenue in its appropriate funds, the City is able to obey laws that require certain money to be spent on specific uses. For example, that means the City may not raise water bills to pay for police services. Of the City's adopted budget, most of the discretionary funds, and decisions on how to spend them, occur with the City's General Fund.



Strategic Planning

In March 2022, City staff and Commissioners engaged in a planning process to identify the goals and objectives that would guide the City's operating goals and priorities and shape the budget through 2025. By combining the Strategic Plan with other initiatives, such as the Aging In Place plan and the Sustainability & Climate Action plan, the City has developed a strong roadmap to follow in making sound financial decisions. This strategic framework is detailed on the next page. To review the complete document, visit www.romi.gov/1723/Strategic-Plan.



Capital Improvement Plan (CIP)

Every year, the City adopts a capital improvement plan for the next five years. Capital improvements include projects such as road construction, park improvements, water and sewer infrastructure, public buildings, public safety vehicles, heavy equipment, and more. Since capital projects tend to be costly, the City may ask voters to approve a special millage to fund a portion of these needs, or the City may issue bonds to help cover the costs. The City then uses the cash generated from the millage or bond sales to pay for these projects.

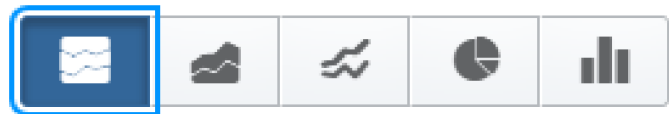
Open Budget

The City of Royal Oak has partnered with OpenGov to enhance transparency and provide residents with a budget document that is easier to understand and navigate. This online tool provides users with different views of the City's budget data by fund, department, revenues and expenditures. The tool can be accessed by visiting the City's website at: <https://www.romi.gov/198/Budget-Documents>, or by using the QR code below.

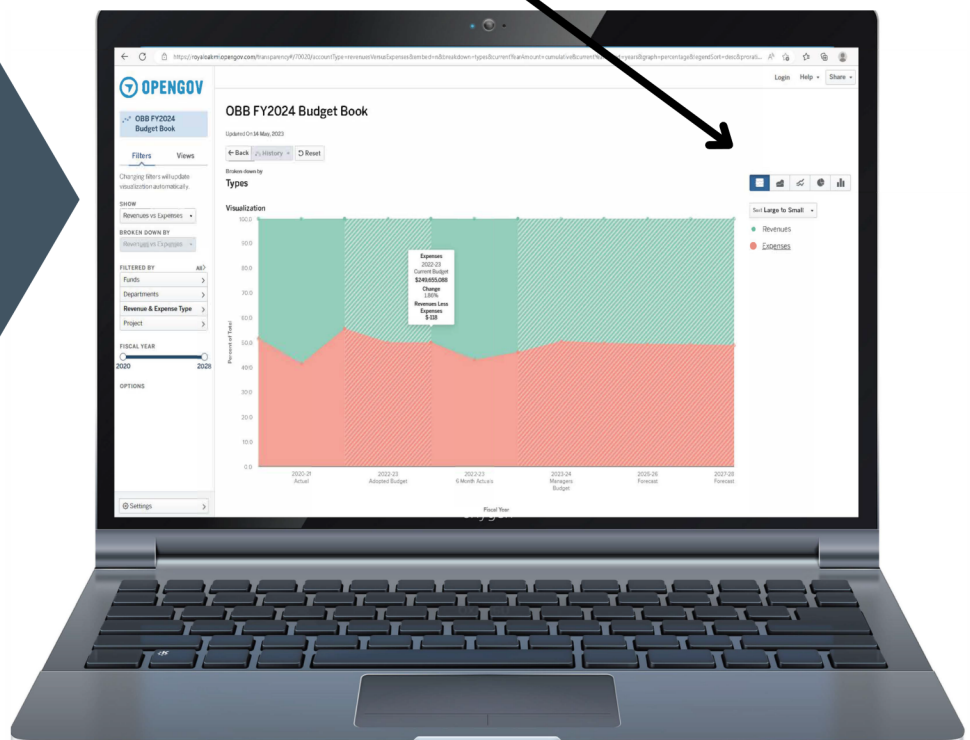
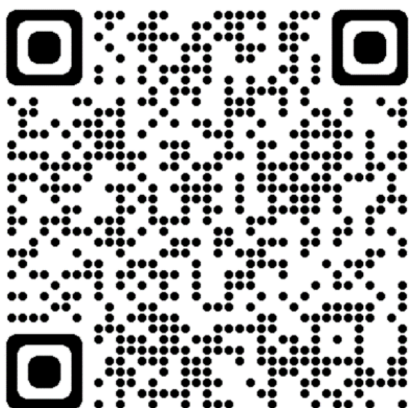
Governmental budgets are composed of funds, departments, and accounts. Using the reporting tool filters, you can choose the combination you want to explore. The City has also saved a few common views for easy reference.

The interactive reporting tool can also be directly accessed at [this link](#).

By clicking on one of these icons, you can choose whether you want to display graphs showing changes over the years, a pie chart for a single year, or download portions into Excel.



Easy viewing from your mobile device, also!



ROYAL OAK STRATEGIC GOALS

View the entire
Strategic Plan at:
www.romi.gov/1723/Strategic-Plan



Welcoming, Engaged, and Livable Community

Royal Oak is a community that promotes diversity and inclusion; encourages people to participate, care, and respect each other; and offers a variety of housing that works for everyone.



Safe, Healthy, and Just City

Royal Oak values health, safety, and justice by ensuring access to services, spaces, and systems for all residents and visitors.



Environmental Leadership

Royal Oak protects the health and safety of the community and provides an exceptional quality of life by instituting aggressive policies and practices to combat climate change and protect the natural environment.



Vibrant Local Economy

Royal Oak pursues policies that encourage sustained business investment and development in the city, by providing employment, core services, and entertainment opportunities for residents and visitors.



Efficient and Effective Services

Royal Oak addresses the needs of our community in a timely and respectful manner while being responsible stewards of taxpayer dollars.



Long-Term Fiscal Health

Royal Oak responsibly manages its finances through sound fiscal policy and strategic planning.



Reliable Infrastructure

Royal Oak maintains, replaces, and enhances the city's infrastructure to promote efficient, environmentally responsible, and sustainable delivery of municipal services.

Royal Oak at a Glance

PRINCIPAL EMPLOYERS

William Beaumont Hospital
Royal Oak Public Schools
City of Royal Oak
Flex-n-Gate
Consumers Energy
Detroit Zoo
Kroger
Oakland Comm. College
Holiday Market
Meijer

PUBLIC SAFETY

2022

Annual Calls for Service:
Police: 41,717
Fire/EMS: 6,836

Average Response Time
for EMS Calls: 1 min 51 sec.
Police Patrol Vehicles: 29
Fire Response Vehicles: 8
Ambulances: 4
Fire Stations: 3

INFRASTRUCTURE & UTILITIES:

Streets: 212.42 miles
Sidewalks: 428.45 miles
Water Mains: 220.35 miles
Water Delivered to Customers:
432.7 million gallons per day
Wastewater Sewer
Mains: 362.96 miles
Fire Hydrants: 2,207
Trees in Rights-
of-Way: 18,428

PARKS, RECREATION & SENIOR SERVICES

City Parks: 51
Parks & Green Space: 352 acres
Community/Senior Centers: 2
Soccer, Baseball & Football Fields: 53
Congregate Meals Served: 5,150
Senior Bus Rides: 10,280/year
Senior Activity
Participants: ~18,000
R.O.S.E.S. Jobs: ~800

LIBRARY

Cardholders: 26,500
Books: 143,433
eBooks & eMusic: 1,462,000
Lending Transactions: 449,000
Annual Library Visitors: ~150,000
Reference Questions: 19,800
Programs Offered: 400
Program Attendance: 12,000
Summer Youth
Reading Program
Participants: 550

CITY STATISTICS

Incorporation:
November 8, 1921
Government:
Royal Oak is a charter city operating
under the "Council-Manager"
form of government.
Population: approx. 58,211
Area: 11.83 square miles
Credit Rating: AA+,
very strong

2023-24 BUDGET HIGHLIGHTS



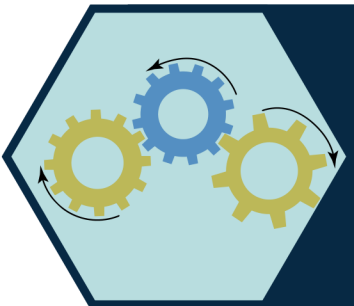
STAFFING

The 2023-2024 fiscal year budget includes the addition of 8 newly created full-time positions. These positions have been added in key departments including Elections, Police, Public Services, Library, District Court, and City Manager/Sustainability to meet the evolving service needs of the community and to support the goals and initiatives that guide the City's operations.



CAPITAL ASSETS

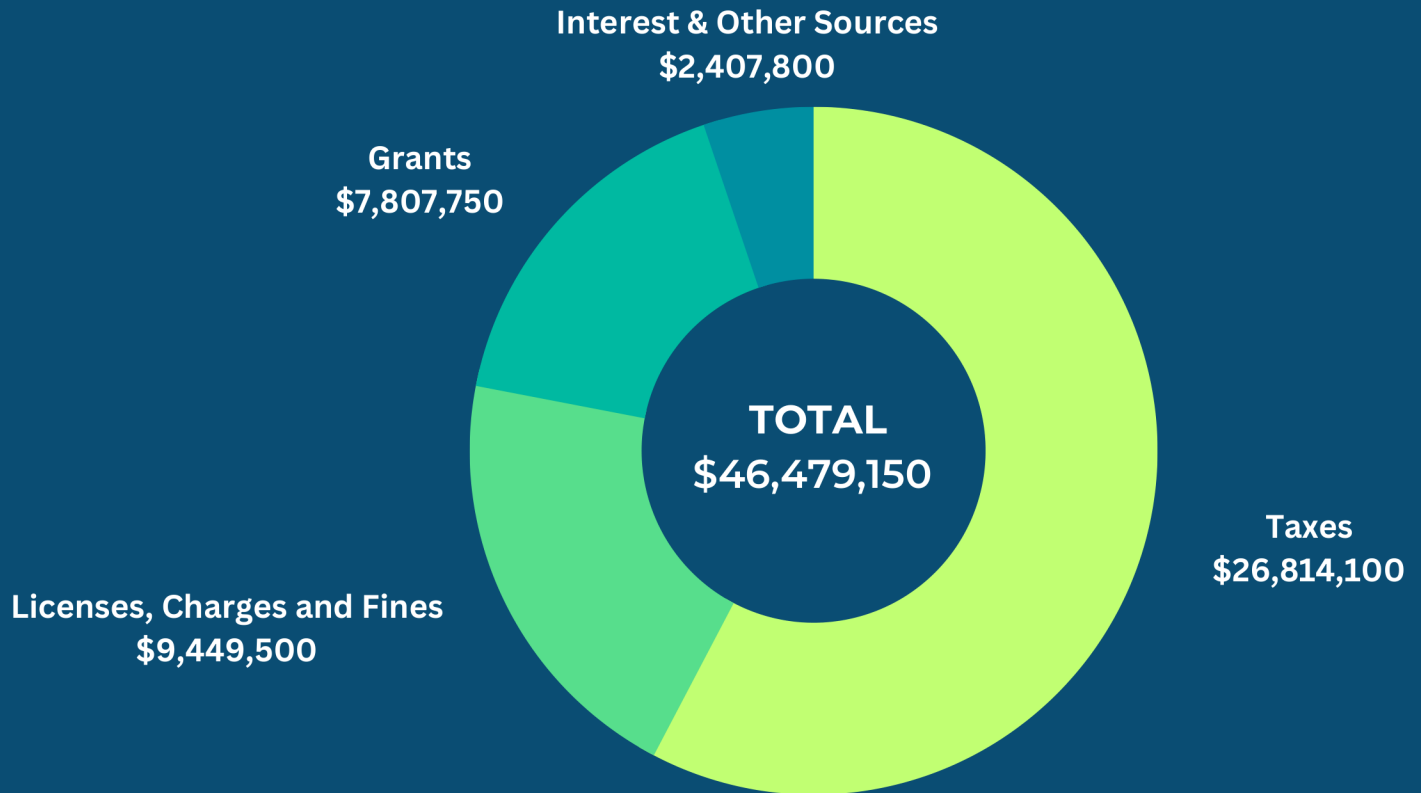
The budget includes over \$28,590,000 of funding for investments in the City's infrastructure, parks, buildings and other long-lived assets. This budget does not call for new debt issuances for the city as budgeted capital projects are accomplished with cash accumulated in funds and current revenues.



OPERATIONAL

The budget focuses on aligning daily operations—and how they are funded—with the City's Strategic Plan, S-CAP, and other key purpose statements. The adopted budget proposes a total city millage rate of 17.6402 (excluding the DDA levy on the central business district area). This is a slight increase of 0.0622 mill from 2022, mostly due to the addition of voter approved millages for the library, senior services, and parks, recreation and animal shelter operations, offset by reductions in the chapter 20 drain millage rate.

GENERAL FUND REVENUE



Property Taxes

For every \$1,000 in property taxes paid, the City receives approximately \$460. The remaining amount supports the local schools, community college, and county agencies.

Licenses, Charges and Fines

Fees paid for certain permits, rental registrations, vital records, court fines and fees, parking tickets, code enforcement fines, dog licenses, and other charges to ensure the community safety and well-being.

Grants

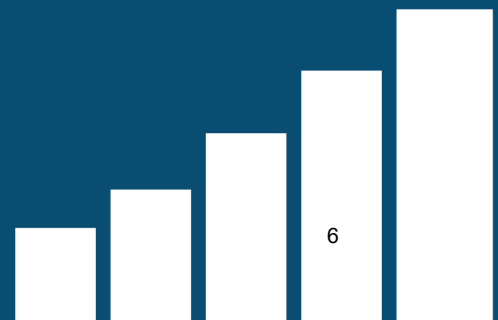
Funds received from federal and state agencies, including the City's portion of the state sales tax collected (called "state shared revenue").

Interest and Other Sources

Interest income earned on bank accounts, transfers from other City funds, contributions, and other miscellaneous revenue.

PLANNED USE OF FUND BALANCE = \$2,862,264

See page 10 for more information about "fund balance"



GENERAL FUND EXPENDITURES

General Government 35.4%

Mayor / Commission	\$ 58,723
District Court	\$ 4,513,858
City Manager	\$ 968,280
City Administrative Services	\$ 11,905,903
Total	\$ 17,446,764

Community and Economic Development 1.3%

Planning and Zoning	\$ 517,700
Economic Development	\$ 139,232
Total	\$ 656,932

Public Safety 0.9%*

Ordinance Enforcement	\$ 371,986
Animal Protection Services	\$ 53,430
Total	\$ 425,416

Public Works 3.8%

Electrical	\$ 110,117
Engineering	\$ 556,174
Street Lighting	\$ 1,202,070
Total	\$ 1,868,361

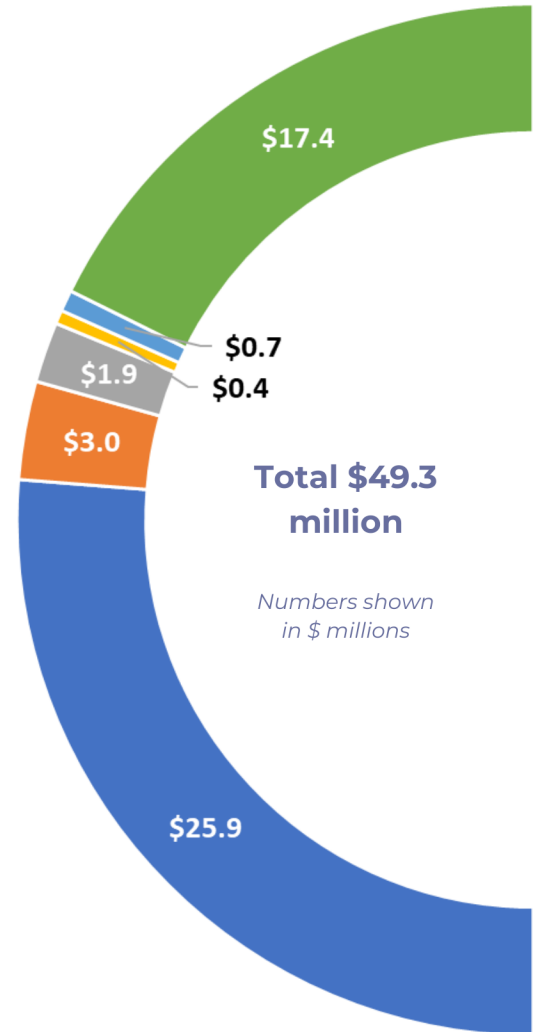
Recreation and Culture 6.2%

Parks and Forestry	\$ 2,440,738
Cable Communications	\$ 154,320
Community Promotion	\$ 442,453
Total	\$ 3,037,511

Transfers-out 52.5%

Transfers-Out to Public Safety Fund*	\$ 23,000,000
Transfers-Out to Debt Service Fund	\$ 2,670,570
Transfers-Out to Other Funds	\$ 235,860
Total	\$ 25,906,430

Expenditures and transfers to other funds total: \$ 49,341,414

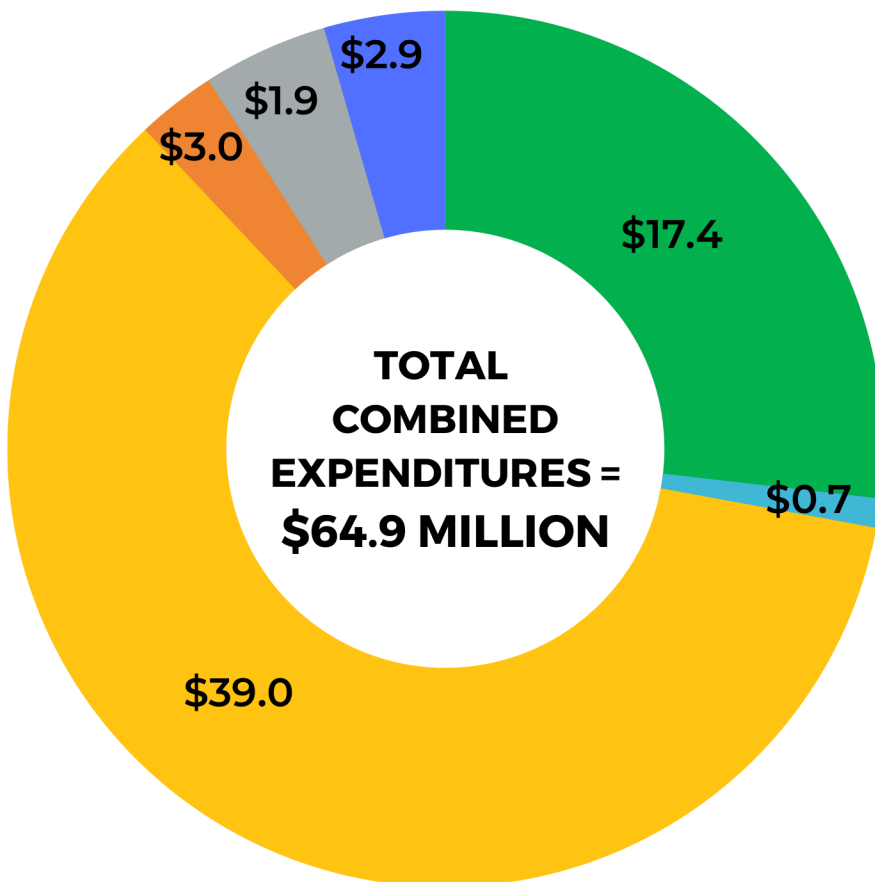
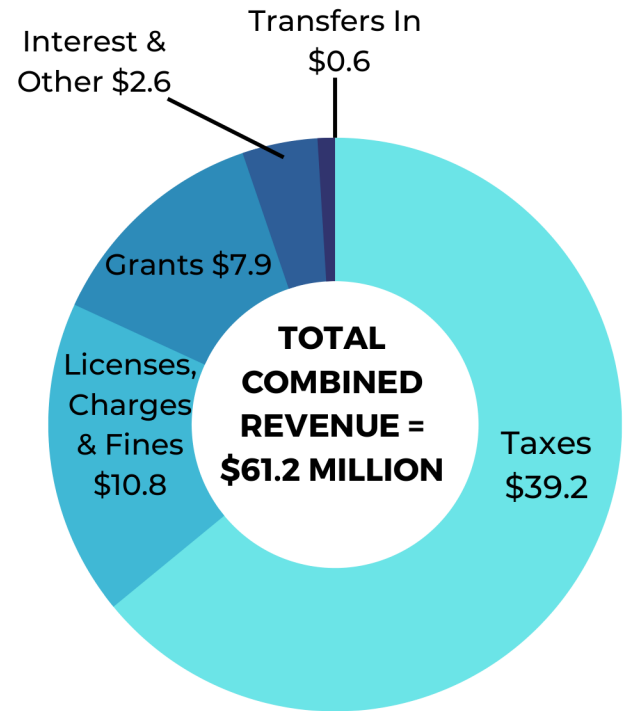


*This represents a portion of the Public Safety related expenditures of the City. An additional \$23,000,000 is transferred from the General Fund to the Public Safety Fund to add to the funding from the Public Safety Property Tax Millage. Combined, 55.5% of the General Fund expenditures are supporting public safety initiatives.

GENERAL FUND AND PUBLIC SAFETY FUND

The Public Safety Fund was created to track the revenue generated by the dedicated Public Safety millage along with the expenditures for police, fire, and ambulance services. Since this dedicated millage was only intended to supplement the funding support from the general operating millage --and not cover the entire cost--a significant transfer is made from the General Fund each year to cover the remaining costs.

In the budget for fiscal year 2023-2024, that transfer amount is expected to be \$23 million. To show this funding relationship more clearly, the City also presents these two funds combined. In this combined view, the transfer between the two funds is eliminated from both the combined revenue and combined expenditures.



EXPENDITURES - Shown in \$ millions:

General Government	\$	17.4
Community & Economic Development	\$	0.7
Public Safety	\$	39.0
Public Works	\$	1.9
Recreation & Culture	\$	3.0
Transfers Out	\$	2.9
TOTAL	\$	64.9

FISCAL YEAR 2023-2024

ENTERPRISE FUNDS

Expenditures

Total = \$45.3

All numbers shown in \$ millions

\$36.4

Water & Sewer Fund



\$5.8

Auto Parking Fund



\$0.3

Arts, Beats & Eats Fund



\$1.4

Ice Arena Fund



\$0.6

Farmers' Market Fund

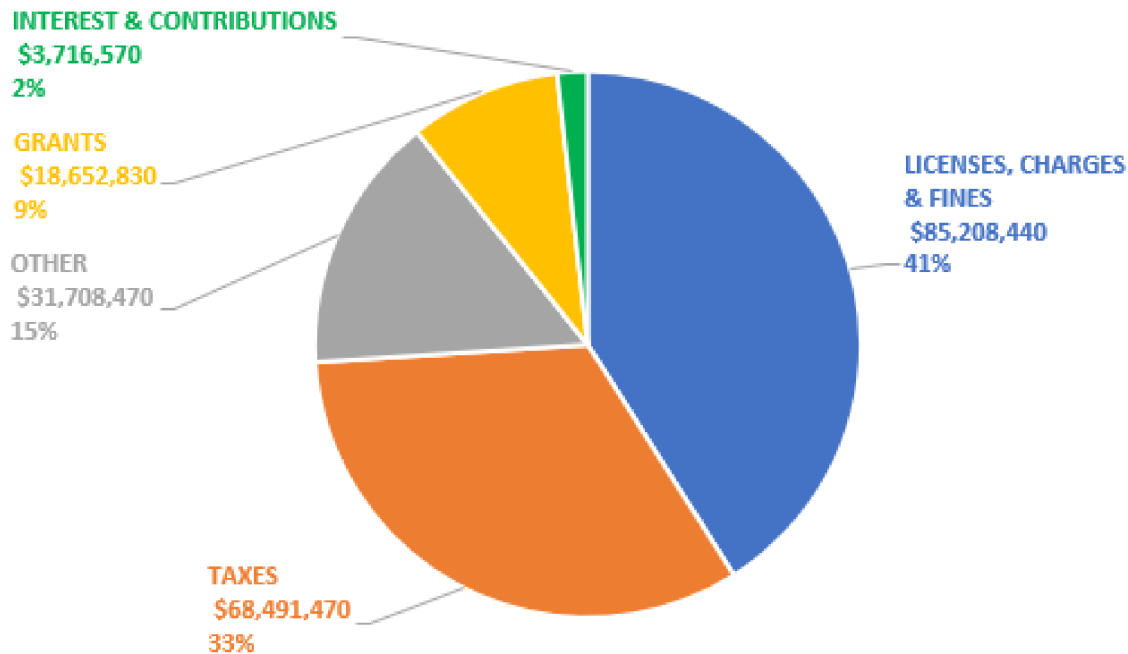


\$0.8

Recreation Fund



CITYWIDE REVENUE



CITYWIDE REVENUE BY CATEGORY TOTAL = \$207,777,780

EXCLUDES INTERFUND TRANSFERS OF \$29,114,830

Revenue is the City's income used to fund operations. Typical revenue sources are taxation, licenses and permits, inter-governmental agreements (e.g., state grants), charges for goods and services, fines and forfeitures, contributions and donations, reimbursements, interest and rent, and gains on the sale of investments or disposal of capital assets.

This chart includes all of the City's revenue for all fund types, which includes not only the general fund, but also the special revenue, debt service, capital project, enterprise, internal service, and fiduciary funds. These other fund types are explained more on the next page.

What is "FUND BALANCE"?

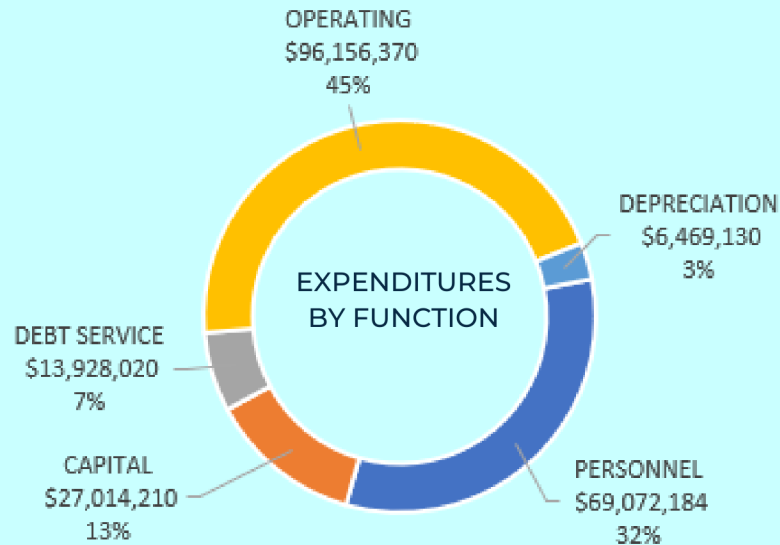
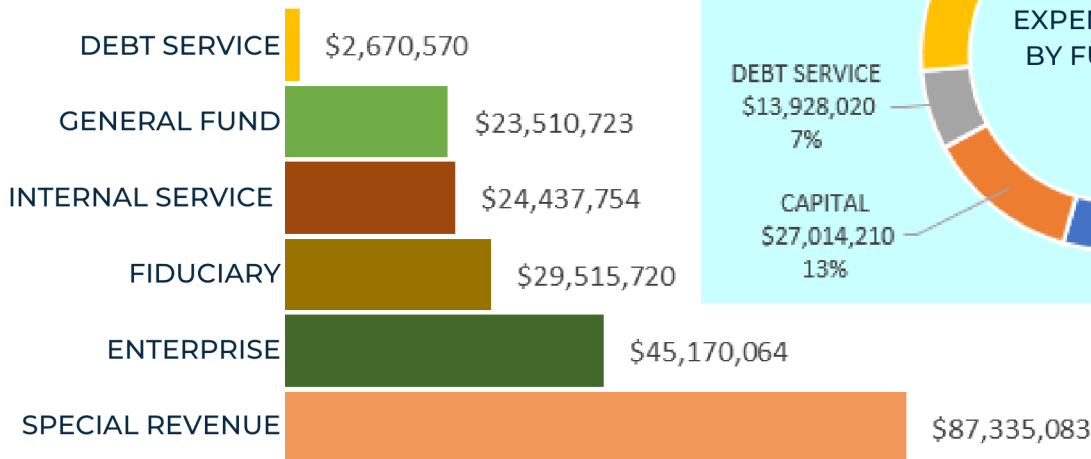
Fund balance is an accounting term to describe the difference between a fund's assets and liabilities. A portion of fund balance may be restricted to only be used in certain ways due to legal restrictions or Commission action. The remainder that does not have restrictions is called "unassigned fund balance". This unassigned portion is commonly referred to as the "rainy day fund".

The City of Royal Oak has instituted a policy to maintain an unassigned fund balance in the General Fund in the range of 10%-25% of budgeted expenditures. The adopted budget for the 2023-2024 fiscal year projects an unassigned fund balance of 16.7%, which complies with this policy.

CITYWIDE EXPENDITURES

**TOTAL CITYWIDE
EXPENDITURES = \$212,639,914**
EXCLUDES INTERFUND TRANSFERS OF \$29,114,830

EXPENDITURES BY FUND TYPE



GENERAL FUND - is the City's major operating fund, accounting for all financial resources of the City except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS - are funds used to record transactions in which a funding source is legally restricted for specific expenditures. The Major and Local Streets funds and the Public Safety Fund are examples of special revenue funds.

DEBT SERVICE FUNDS - are funds established to finance and account for the payment of interest and principal on all tax supported debt, serial and term, including those payable for special assessments.

CAPITAL PROJECTS FUNDS - are funds used to account for the development of municipal capital facilities.

ENTERPRISE FUNDS - are funds established to account for operations that are financed and operated in a manner similar to a private business, i.e., the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Water & sewer is an example of an enterprise fund.

INTERNAL SERVICE FUNDS - are funds used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis. Included in this category are the information technology, motor pool, and worker's compensation funds.

FIDUCIARY FUNDS - are funds used to account for assets held by the city in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. These include the Employees' Retirement System.

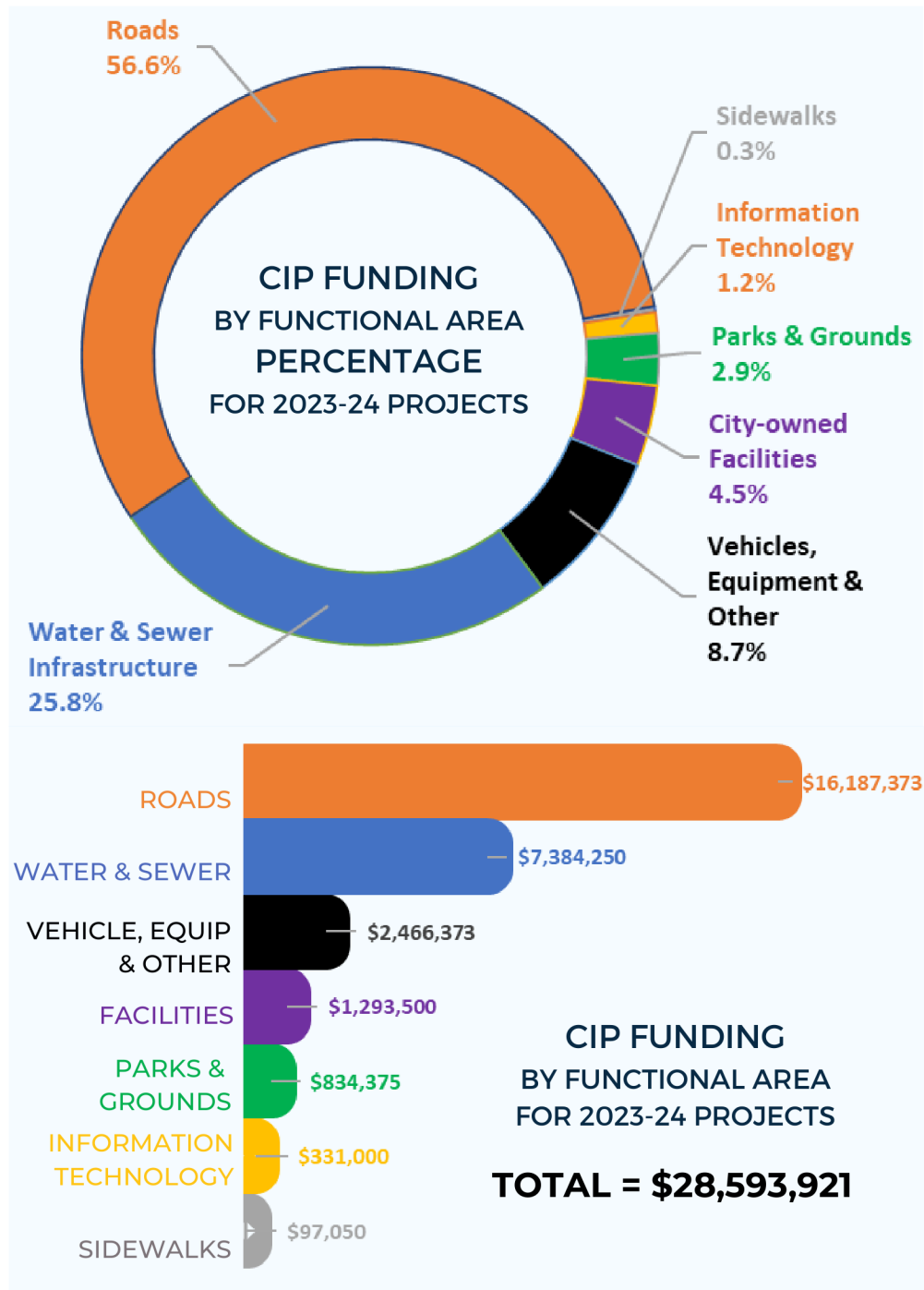
CAPITAL IMPROVEMENT PLAN (CIP)

The City of Royal Oak's Capital Improvement Program (CIP) is a planning tool, with the goal to identify and schedule capital improvements for fiscal years ending 2024-2029.

The CIP is an opportunity to formulate strategic long-term policy decisions that extend beyond the 2023-2024 fiscal year. Each year, the City of Royal Oak invests significant time and resources to design, construct, and maintain the infrastructure and facilities needed to deliver municipal services to residents and businesses. Because of the high costs associated with building and maintaining capital assets, the City must carefully balance the need for such assets with our requirements to sustain a strong financial position.

The full 5-year CIP document is available by visiting:
<https://stories.opengov.com/royal-oakmi/published/leyB132ax>

**TOTAL COST OF
ALL PROJECTS IN THE 5-YEAR
CIP PLAN FOR 2024-2029 =
\$147,037,167**

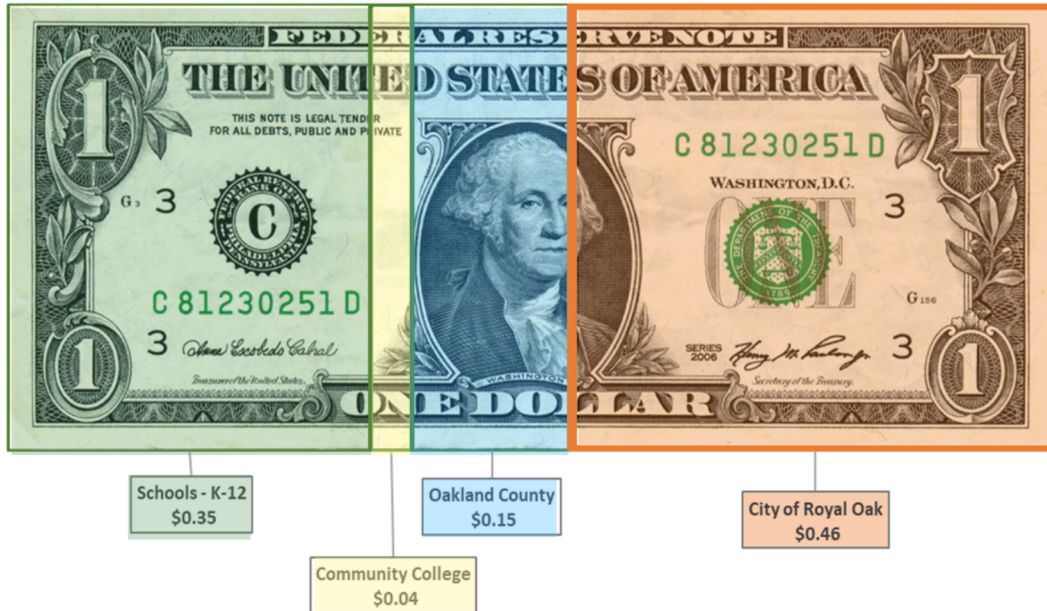


What is a capital improvement?

A capital improvement is defined as any new equipment, construction, acquisition, or improvement to public lands, buildings, or structures more than \$10,000 on an individual basis with a minimum life expectancy of three years. Maintenance-oriented, operational, or continuous expenditures are not considered to be capital improvements.

Your Tax Dollar at Work

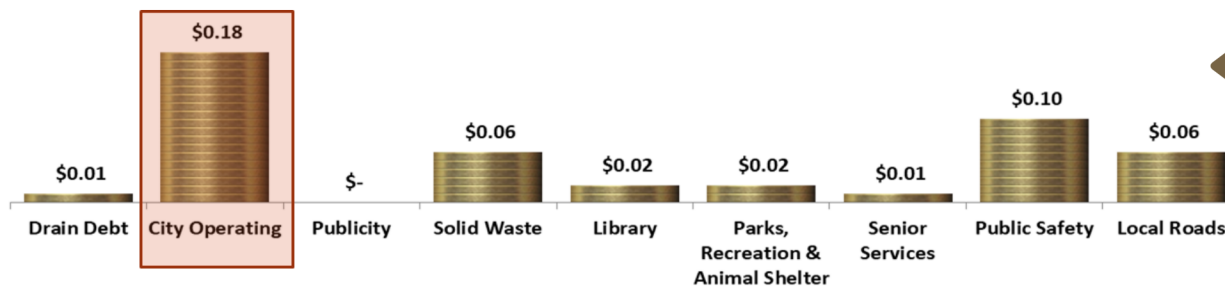
Where does my tax dollar go?



For every tax dollar collected, only \$0.46 stays with the City of Royal Oak.

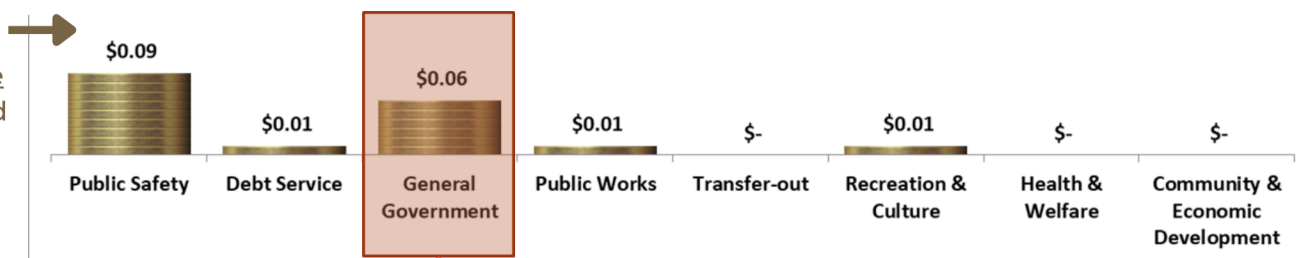
The remaining \$0.54 is distributed to other taxing authorities, including schools, Oakland Community College, Oakland County, and various other agencies.

...and how is that 46 cents used?



Of the \$0.46 of each tax dollar retained by the City, \$0.28 is from dedicated millages that can only be used for the specific purpose approved by the voters.

The remaining \$0.18 of City Operating millage is unrestricted and can be used for general City operations.



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

Mayor / Commission
District Court
City Manager
Elections
Finance

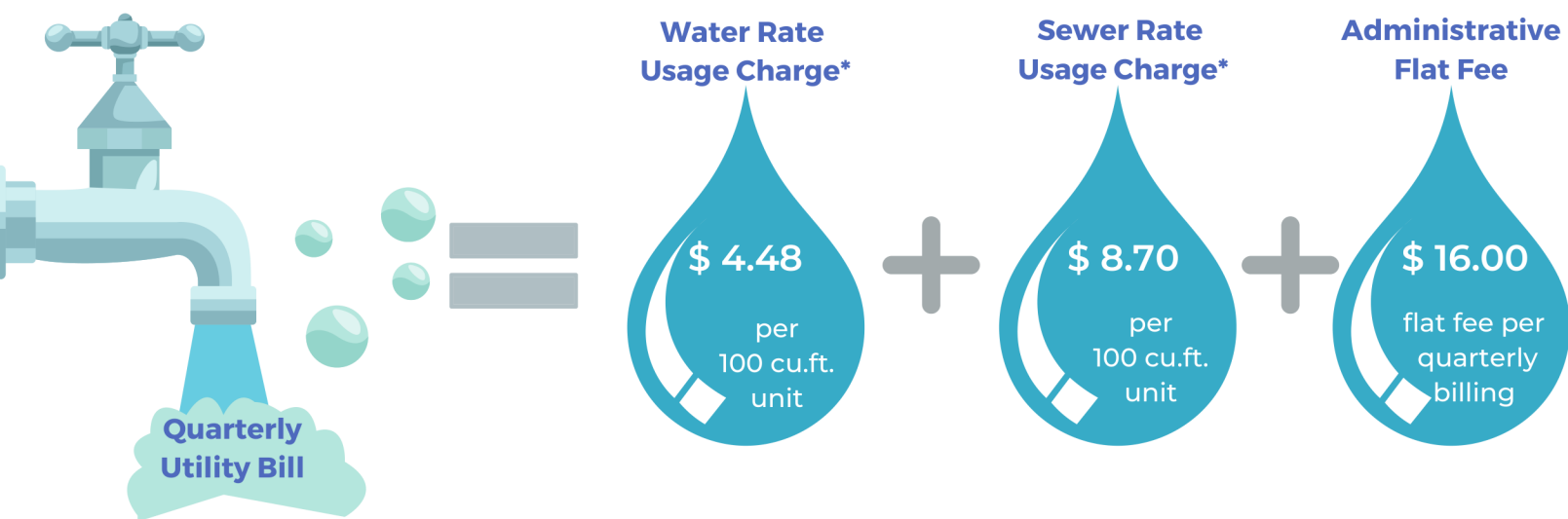
Assessing
City Attorney
City Clerk
Human Resources
Administration

Treasury
City Office Building
Building Maintenance
Community Engagement

WATER & SEWER RATES

The amount customers pay for their quarterly water & sewer service covers the costs of operating the system, including purchasing clean water, disposing of wastewater, maintaining and improving the underground infrastructure, and administrative functions. You can control your quarterly bill by monitoring your water usage. For tips on how to avoid billing surprises, visit the City website at www.romi.gov/water-billing.

The quarterly bill is broken down into these three components:



Every bill includes a charge for water and a charge for sewer based on the actual amount of water used.

- It is assumed that every drop of water that comes out of the faucet will eventually go down the drain, so the same usage amount is used for both calculations.
- A flat rate administrative fee is added to every bill to cover some of the costs of creating and collecting the bills.
- *A 15% premium is charged for each unit in excess of 20 units in a quarter.

Did you know...

Customers who use large amounts of water pay an additional surcharge?

A leaking toilet or dripping faucet are the most common causes of high bills?

If you are getting ready to move, the City will calculate a “final bill” as of the day you request—even if it is the middle of a billing cycle?

AMERICAN RESCUE PLAN ACT (ARPA)

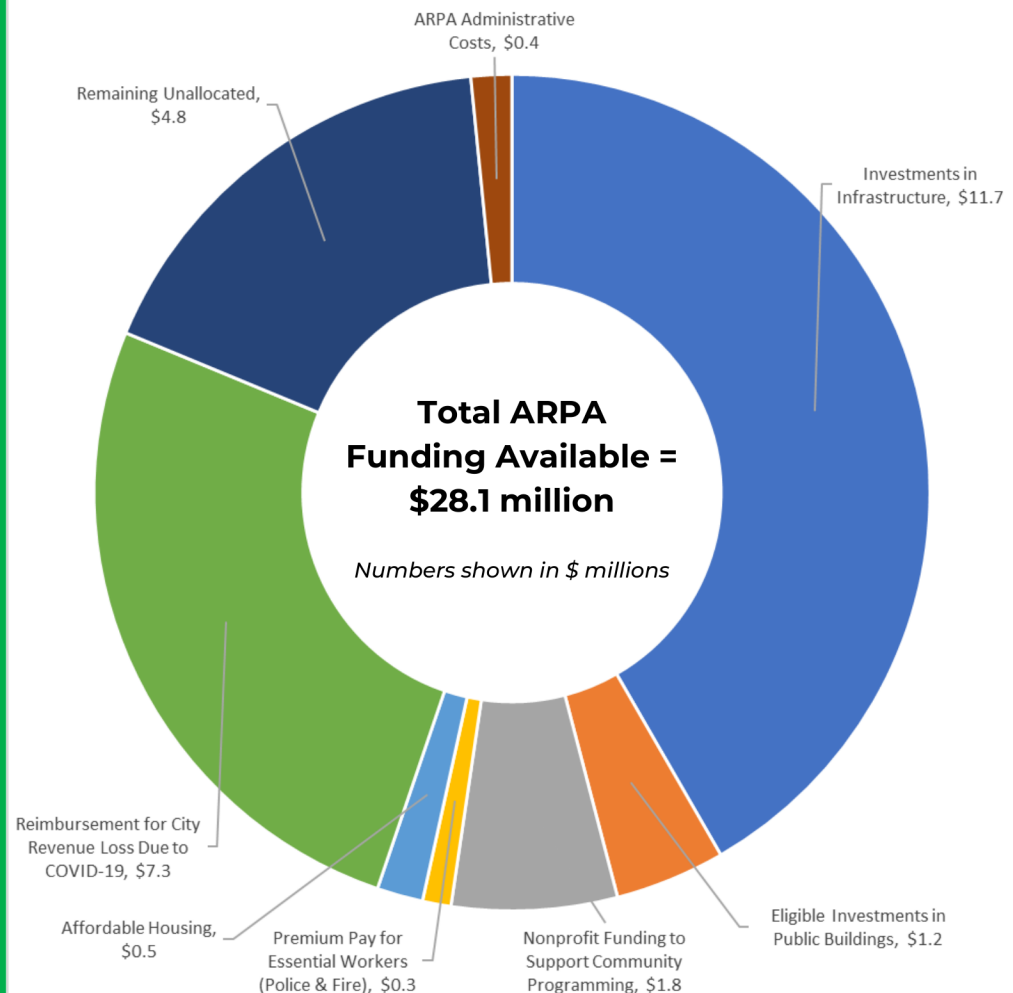
The American Rescue Plan Act (ARPA) was signed into law by President Joseph Biden in March 2021. Pursuant to ARPA, the City's direct allocation of \$28,107,502.00 can be spent on four broad eligible uses:

1. To respond to the COVID-19 public health emergency and its negative impacts;
2. To provide premium pay for essential workers;
3. To make necessary water, sewer, and broadband infrastructure investments; and
4. To provide government services to the extent of eligible governments' revenue losses.

After a series of community engagement sessions and in-depth City Commission consideration, the City's ARPA Allocation Plan was adopted on February 27, 2023.

For more details on the decision-making process and the specific projects planned, visit:

www.romi.gov/1654/American-Rescue-Plan-Act-ARPA



Partial list of proposed projects:

Investments in Infrastructure: Green infrastructure, water main improvements, lead water pipe replacement, LED streetlight conversion, etc.

Eligible Investments in Public Buildings: Farmers' Market and Orson Starr home improvements, IT infrastructure upgrades.

Nonprofit Funding to Support Community Programming: YMCA Community Center and nonprofit grants.

Premium Pay for Essential Workers (Police & Fire)

Affordable Housing: Rental assistance & housing initiatives.

Reimbursement for City Revenue Loss Due to COVID-19: Animal Shelter build-out, library IT upgrades, revenue replacement.

YEAR IN REVIEW AND PREVIEW

STATEMENT OF OVERALL POSITION

The City's 2023-2024 budget is predicated on the following goals:

- **Advancing high-priority initiatives** – The City Commission has approved several plans and initiatives (e.g. Sustainability-Climate Action Plan, Aging in Place, Human Right Ordinance, etc.) which encompass objectives that create a welcoming and inclusive community, provide housing opportunities for a variety of individuals, combat climate change, and protect the natural environment.
- **Commitment to reliable infrastructure** – Careful planning outlines the means of maintaining, replacing, and enhancing the City's infrastructure. The capital improvement plan, along with the ARPA implementation strategy, address public infrastructure improvements and capital purchases that result in the efficient delivery of services that the community desires.
- **Build and enhance community amenities** – The allocation of the ARPA funds, along with grant opportunities from federal, state, and county sources, enable the City to conduct improvements at the Senior Center, construct a new public restroom facility located downtown, build a new animal shelter facility, and explore the feasibility of a new joint YMCA/City community center. Combined, these efforts will provide more resources and services to seniors, youth, and families in the area.
- **Enhancing communications** – Expanding outreach includes making residents aware of resources, and better connecting with stakeholders. This is a priority. This also translates to a public-facing budget community tool, such as the one being utilized now through our partner, OpenGov. This shows the budget in an understandable format, even to non-financial users. This overall approach brings about greater transparency and trust in the City's functions.
- **Achieve long-term fiscal health** – Being prepared for future economic downturns and meeting current obligations is a focus of the proposed spending plan. Many factors can add financial pressures for the City, including, but not limited to, aging population, pensions and health-care costs, and infrastructure maintenance and renewal. Sustainable decision making will assure thoughtful consideration of alternatives and opportunities to minimize the financial consequences of depleted resources and/or unanticipated circumstances.

ORGANIZATIONAL ACCOMPLISHMENTS OVER THE PAST YEAR

- **Aging In Place Plan.** This plan reflects the needs and ideas of members of the community and provides general direction on the City's future development with respect to the needs of our growing older adult population.
- **Parks and Recreation Master Plan.** The comprehensive 5-year Recreation Master Plan document focuses on all aspects of parks, facilities, open spaces, recreation and programming.
- **Community Benefits Guidelines.** A statement of development principles was created to encourage environmental sustainability, attainable housing, labor and economic development, public safety and wellness, and diversity, equity and inclusion in projects requiring city commission approval.

YEAR IN REVIEW AND PREVIEW



DEVELOPMENT ACTIVITY AND INFRASTRUCTURE IMPROVEMENTS

In the 2022-23 fiscal year alone, over \$200 million in new construction projects are under way or nearing completion, including:

- **Baker College's** \$28 million campus in downtown Royal Oak opened in January of this year. It serves 1,500 students and 50 staff.
- **Oakland Community College** broke ground on its new \$70 million state-of-the-art culinary institute this year.
- Adding to the vibrancy of our city, brokerage firm Colliers International, publicly traded **Agree Realty**, and design and planning firm HED, all made the decision to relocate their headquarters to Royal Oak during 2022.

This past November, the City along with our real estate advisor, Plante Moran CRESA, received the prestigious Impact Award from Detroit CREW for the Royal Oak Civic Center Project, a development that includes the City's new city hall, police station, Centennial Commons Park, the 11 Mile parking deck, and the \$70 million Henry Ford Outpatient Health Center.

Several major road improvements and capital improvement projects were conducted this past year. They include:

- **S. Main and E. Lincoln Avenue improvements.** This included asphalt resurfacing, concrete pavement replacement, sections of curb and gutter replacement, adding handicap ramps, traffic calming islands, and green infrastructure improvements.
- **Green infrastructure improvements at Pioneer Park,** near the intersection of Woodward Avenue and Normandy Road. The project entailed the installation of a large rain garden, which included earth excavation, drainage structures and piping, rain garden soil mix, plantings and mulch, sidewalk and curbing, grass restoration and fencing.
- **Installation of electrical infrastructure needed for ice rink project at Centennial Commons Park.** This entailed boring a line approximately 200 feet, providing a transformer pad and necessary switches. This provides the necessary energy for the outdoor ice rink that was offered from November 2022 to March 2023 and opens up the opportunity for more events that can be held in the park.

COMMITMENT TO FINANCIAL EXCELLENCE

The City has recently affirmed an AA rating (outlook stable) from the Fitch bond rating agency (November 2022). Sound financial management and policies pave the way for accomplishing the City's goals, such as maintaining a fund balance exceeding the 10% minimum of expenditures, building capital reserve funds for future investments in capital projects, and using one-time funds, such as the American Rescue Plan and other grants, for one-time expenditures, not on-going expenses.



CITY COMMISSION

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