



City of Fenton

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COUNCIL WORK SESSION AGENDA

Monday, April 2, 2012

City Hall Conference Room

301 South Leroy Street

7:30 PM

1. Call to Order.
2. Roll Call.
3. Citizen Comments: Request by citizens to speak on specific agenda items.
4. Presentation on the City of Fenton Five Year Financial Plan.
5. Discussion on the North LeRoy Street Materials Testing Proposal.
6. Discussion on St. Jude's Episcopal Church directional signage.
7. Discussion on population control of the geese in the Millpond.
8. Discussion on the Keep Genesee County Beautiful Hazardous Waste Program.
9. Discussion on liability insurance for the Fenton Freedom Festival.
10. Council Member Comments.
11. Call to the Audience.
12. Adjournment.

IF ACCOMMODATIONS ARE NEEDED DUE TO A DISABILITY, PLEASE CONTACT THE CITY CLERK'S OFFICE.

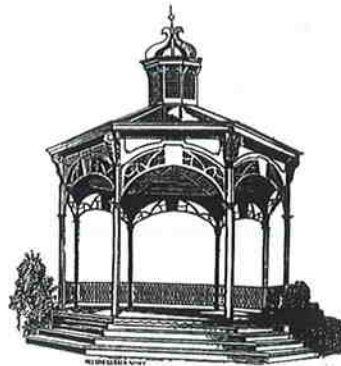
CITY OF FENTON

2012 UPDATE

FIVE YEAR FINANCIAL PLAN

GENERAL FUND

April 2012



CITY OF FENTON, MICHIGAN

MAYOR

B. Sue Osborn, Mayor

CITY COUNCIL

Bradley Jacob

Benjamin Smith

Cheryl King

Les Bland

Patricia Lockwood

Michael Piacentini

CITY MANAGER

Lynn Markland

CITY TREASURER

Cynthia A. Shane

FINANCIAL CONSULTANTS

Stauder, Barch & Associates, Inc.

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INTRODUCTION

This "2012 Update" to the City of Fenton's "Five Year Financial Plan" has been undertaken with the intent of maintaining the City's position as a well managed community with the foresight to plan for the future. This plan was undertaken with a backdrop in the recent past of mounting financial pressures brought about by reductions in state revenue sources and weak economic circumstances. These financial circumstances have not been experienced by the City in nearly two decades and are expected to persist for the foreseeable future.

As has been the case in the past, the "Five Year Financial Plan" was developed utilizing the Financial Modeling Program. The Financial Modeling Program is a computer model of the City's finances that presents an overview of its General Fund activities over the past five years and forecasts the next five years using a set of "most likely" assumptions.

The process begins with an updated development of a five-year historical database of the City's operations. From this database, a number of key elements are extracted to provide a comprehensive overview of the City's General Fund financial activities. These elements include developing annual operating statements, as well as specific data which are used as indicators to discover trends in such areas as fund balance growth, operating surpluses/deficits, growth in property tax revenues, and dependence on intergovernmental revenues. Where it is deemed relevant and informative, values are presented in constant dollars to adjust for inflation.

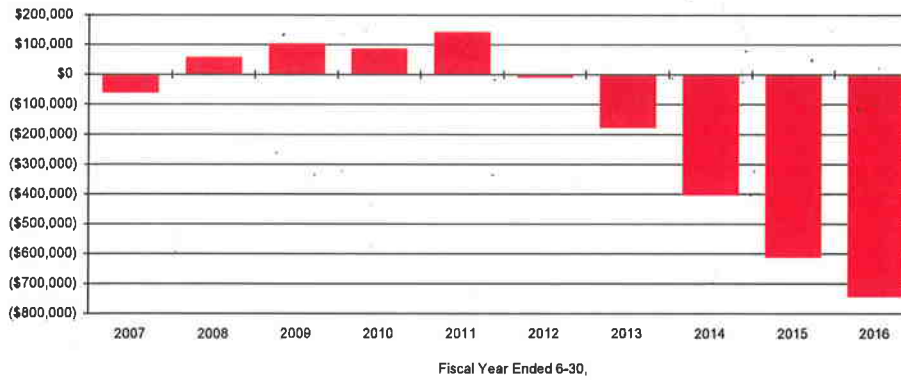
Based upon this evaluation, as well as other data elements, the computer model projects the City's General Fund operating activities five years into the future. The same evaluative processes utilized on the historical data are applied to this projection data. Projected operating statements are developed along with the same trend analyses for fund balances, operating surpluses/deficits, and so on.

The resulting ten-year picture, five years' history and five years into the future, provides a framework in which to view what has happened and what is likely to happen to the City's financial operations.

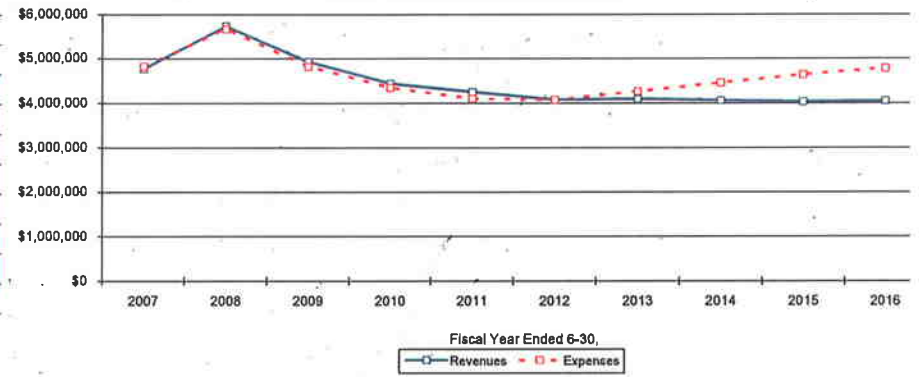
It is hoped that this update and the process that goes into developing it, become usable financial management tools. It is not intended to be another "one-time" study or analysis to be undertaken and then put on the shelf and forgotten. It provides for a systematic and easy to understand approach to viewing and analyzing the financial operating condition of the City. It is our intent to keep this Plan updated on an annual basis, or more frequently if desired, to keep on top of current and potential problem areas. Such a process will allow us to see the future impact of current or proposed policy decisions and financial actions in an organized and coherent fashion.

City of Fenton Projection of General Fund Operating Condition

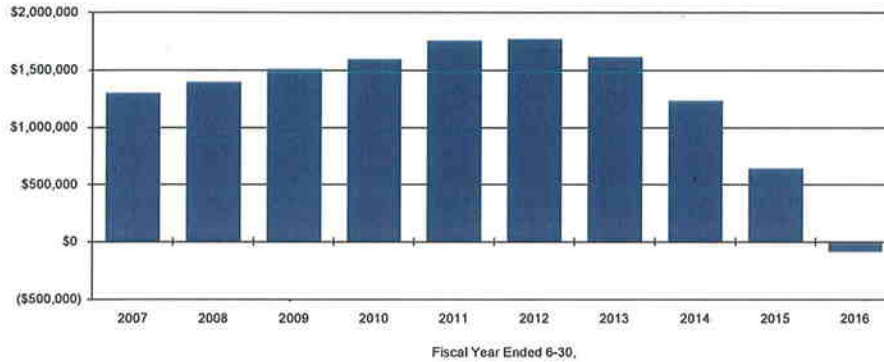
ANNUAL OPERATING SURPLUS/DEFICIT



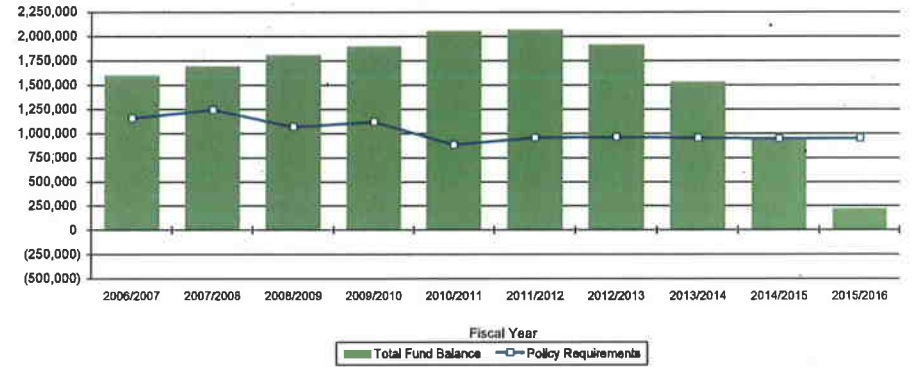
REVENUES VS. EXPENDITURES



FUND BALANCE



Fund Balance vs. Policy Requirements



General Fund Income Statement Projection

	Actual					Projected				
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
REVENUES										
Property Taxes	\$4,350,972	\$4,454,173	\$4,460,367	\$4,393,964	\$3,911,728	\$3,428,900	\$3,425,355	\$3,367,500	\$3,312,864	\$3,299,958
Fees & Charges	422,970	446,845	530,652	451,606	509,032	518,280	506,433	512,461	518,670	525,065
Other Revenues	293,718	905,743	285,101	174,632	175,768	159,850	158,850	158,850	158,850	158,850
Intergovernmental Revenues	891,764	871,905	872,414	744,491	829,199	866,300	892,289	919,058	946,629	975,028
GROSS OPERATING REVENUES	\$5,959,424	\$6,678,666	\$6,148,534	\$5,764,693	\$5,425,727	\$4,973,330	\$4,982,927	\$4,957,868	\$4,937,013	\$4,958,901
Less: Restricted Revenues	(1,185,819)	(948,000)	(1,219,462)	(1,328,572)	(1,178,356)	(901,901)	(892,084)	(898,596)	(905,304)	(912,213)
NET OPERATING REVENUES	\$4,773,605	\$5,730,666	\$4,929,072	\$4,436,121	\$4,247,371	\$4,071,429	\$4,090,843	\$4,059,272	\$4,031,709	\$4,046,687
% Change	0.28%	20.05%	(13.99%)	(10.00%)	(4.25%)	(4.14%)	0.46%	(0.77%)	(0.68%)	0.37%
EXPENDITURES										
Salaries	\$2,132,485	\$2,265,859	\$2,184,442	\$1,950,317	\$1,755,439	\$1,845,388	\$1,917,564	\$1,947,965	\$1,967,684	\$1,987,134
Fringe Benefits	1,115,154	1,101,158	1,139,368	1,103,193	1,083,573	848,075	901,694	1,030,533	1,126,724	1,232,215
Other Expenses	1,584,639	2,305,028	1,501,387	1,296,458	1,266,215	1,384,963	1,446,545	1,481,545	1,547,075	1,567,940
NET OPERATING EXPENDITURES	\$4,832,278	\$5,672,045	\$4,825,195	\$4,349,968	\$4,105,227	\$4,078,426	\$4,265,803	\$4,460,043	\$4,641,483	\$4,787,289
% Change	(2.67%)	17.38%	(14.93%)	(9.85%)	(5.63%)	(0.65%)	4.59%	4.55%	4.07%	3.14%
OPERATING SURPLUS(SHORTFALL)	(\$58,673)	\$58,621	\$103,877	\$86,153	\$142,144	(\$6,997)	(\$174,960)	(\$400,771)	(\$609,774)	(\$740,601)
OTHER SOURCES(USES)										
Restricted Revenues	1,185,819	948,000	1,219,462	1,328,572	1,178,356	901,901	892,084	898,596	905,304	912,213
Other Sources	0	33,974	12,000	0	19,000	20,000	20,000	20,000	20,000	20,000
Other Uses	(1,185,819)	(948,000)	(1,219,462)	(1,328,572)	(1,178,356)	(901,901)	(892,084)	(898,596)	(905,304)	(912,213)
NET INCOME(LOSS)	(\$58,673)	\$92,595	\$115,877	\$86,153	\$161,144	\$13,003	(\$154,960)	(\$380,771)	(\$589,774)	(\$720,601)
FUND BALANCE (Begin. of year)	1,357,924	1,299,248	1,391,843	1,507,718	1,593,873	1,754,812	1,767,815	1,612,855	1,232,065	642,310
Adjustments	(3)	0	(2)	2	(205)					
Loan	0	0	0	0	0					
FUND BALANCE (End of year)	\$1,299,248	\$1,391,843	\$1,507,718	\$1,593,873	\$1,754,812	\$1,767,815	\$1,612,855	\$1,232,065	\$642,310	(\$78,291)
% Change	(4.32%)	7.13%	8.33%	5.71%	10.10%	0.74%	(8.77%)	(23.61%)	(47.87%)	(112.19%)

SUMMARY OVERVIEW AND COMMENTS

The following comments are intended to summarize some of the more pertinent observations and comments which resulted from the development of the "2012 Update" to the City of Fenton's "Five Year Financial Plan". It is anticipated that the Plan, as a whole, will provide a framework within which the City can continue to manage its financial resources in a fiscally responsible manner.

[SPECIAL NOTE ON PROJECTION ASSUMPTIONS: The individual premises used in the projections for the 2012-13 through 2015-16 period are set forth in detail in **APPENDIX A**. Since they are an integral part of this "update", it is recommended that these projection assumptions be thoroughly read and understood.]

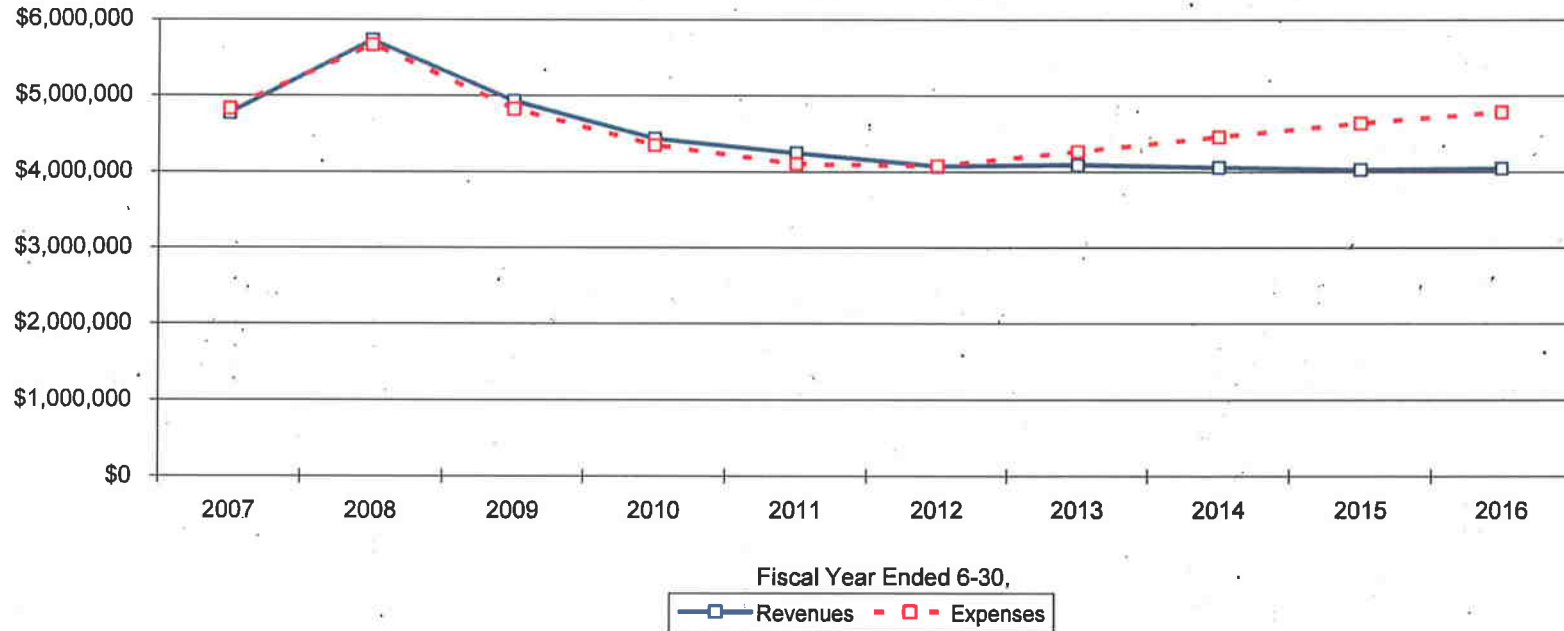
1. As reflected in the 2012-13 budget, the City of Fenton's financial condition is expected to have an operating shortfall of \$6,997. Operating revenues are expected to be down about -4.14% compared to the prior year. Operating expenditures are expected to decline by -0.65%. The previous year had an operating surplus of \$142,144. The current year's budget benefits from a pass-through of \$400,000 of property tax revenue from the Downtown Development Authority (DDA). The General Fund also benefited from a pass-through of \$170,000 from the Local Development Finance Authority (LDFA). The pass-through income from the DDA is expected to decline to \$350,000 next year and then to \$325,000 for the following three years. The pass-through income from the LDFA is expected to remain fairly constant during the projection period. For the end of 2012, the City's total fund balance is projected at 43.42% of net operating revenues. The combined General Fund balance and Budget Stabilization Funds are projected at 50.8% of net operating revenues. These financial ratios have strengthened over the past two years and remain within the City's policy standard.
2. The projection indicates operating deficits in every year of the forecast. The City's financial position is projected to decline substantially in the years ahead and is attributed to slower revenue growth and increasing pension costs.
3. Based on the assumptions utilized, overall operating expenditures are projected to grow at an average annual rate of 3.32% (16.61% for the period). Revenues are expected to decline at a -0.91% average annual rate for the same period (-4.54% overall). This represents an unbalanced match of projected revenues to expenditures which would deplete the general fund balance in Fiscal Year 2015-2016.
4. It is important to recognize that we are looking at a scenario based upon a series of future "what ifs" rather than an "etched in stone" plan. One of the purposes of the City's annual "Update" is to provide a basis to examine the potential fiscal impact of a wide variety of actions and programs, not all of which are under the control of the City.
5. The projection shows operating deficits occurring beginning in Fiscal Year 2012-13. The lack of revenue growth is the catalyst that will impair the City's ability to operate in the same manner that it is accustomed to.

6. Fund balances in excess of the required "audit" reservations and designations as well as the "20% of net operating revenues standard" could normally be made available for other "one-time uses". Based on current assumptions, the City's fund balance will be below the "20% policy standard for the fiscal year 2015-16. Thus, there is no "excess" available to use for other purposes.
7. For the ongoing protection of the City, it is again recommended that the City continue meeting its "desirable" level of unencumbered balances at 20% of net operating revenues for each year. This 20% of operating revenues should be a combination of those funds which are available in the Budget Stabilization Fund as well as in undesignated General Fund balance. The 20% level is considered to be a safe, manageable and acceptable standard for the City of Fenton.
8. It is recommended that, until fund balance levels are restored and increased, the City should be most careful in utilizing any of these funds. The City is not in a position to seriously consider utilization of fund balances for "other" purposes without adversely impacting its overall future financial health. Until healthy revenue growth is restored or expenditure growth eases pace, the City should conserve its fund balances.
9. The City should consider requesting a charter millage increase to pay for increasing operating costs.

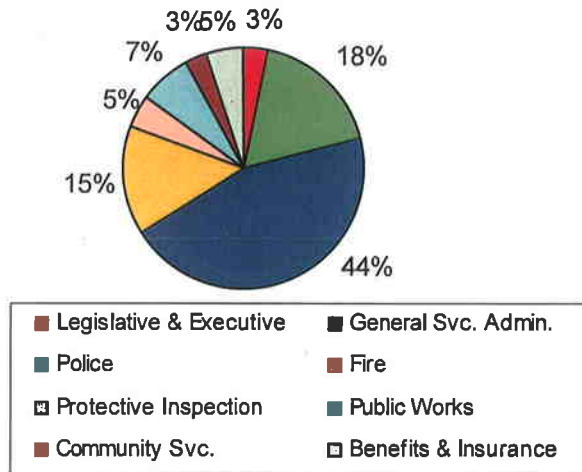
Overall, the "2012 Update" to the City's "Five Year Financial Plan" shows that the City of Fenton currently has an adequate General Fund Balance although the trend over the next several years indicates instability and a potentially serious financial problem. The City should reconsider optional expenditures related to capital outlays. Looking ahead, if capital outlay demands cannot be worked into the budget process, alternative revenue sources may need to be explored. There must be some preventative measures taken now to change the long-term outlook presented with this forecast.

The following pages of the "**2012 Update to the Five Year Financial Plan**" contain individual overviews and comments, with graphs where appropriate, for the City's General Fund operating statements, operating surplus or deficit, property tax revenues, and fund balance.

REVENUES VS. EXPENDITURES



2011-2012 Expenses by Category



GENERAL FUND

OPERATING STATEMENTS

DEPICTS THE ANNUAL RELATIONSHIP BETWEEN "CURRENT" REVENUES AND EXPENDITURES ON AN HISTORICAL (5 YEAR) AND PROJECTED (5 YEAR) BASIS.

WARNING INDICATION:

REVENUE GROWTH IS SLOWER THAN EXPENDITURE GROWTH AND IS EXHAUSTING OPERATING CASHFLOW

GENERAL FUND HISTORICAL VIEW 2006-07 THROUGH 2010-11:

On a current basis, the City's 2010-11 finances show operating revenues exceeding expenses by \$142,144. The current operating surplus would be less without the \$508,000 revenue pass through from the DDA and LDFA. Over the past five years, operating revenues have decreased 10.77%, an average of -2.15% per year while operating expenditures have decreased 17.31%, an average rate of -3.46% per year.

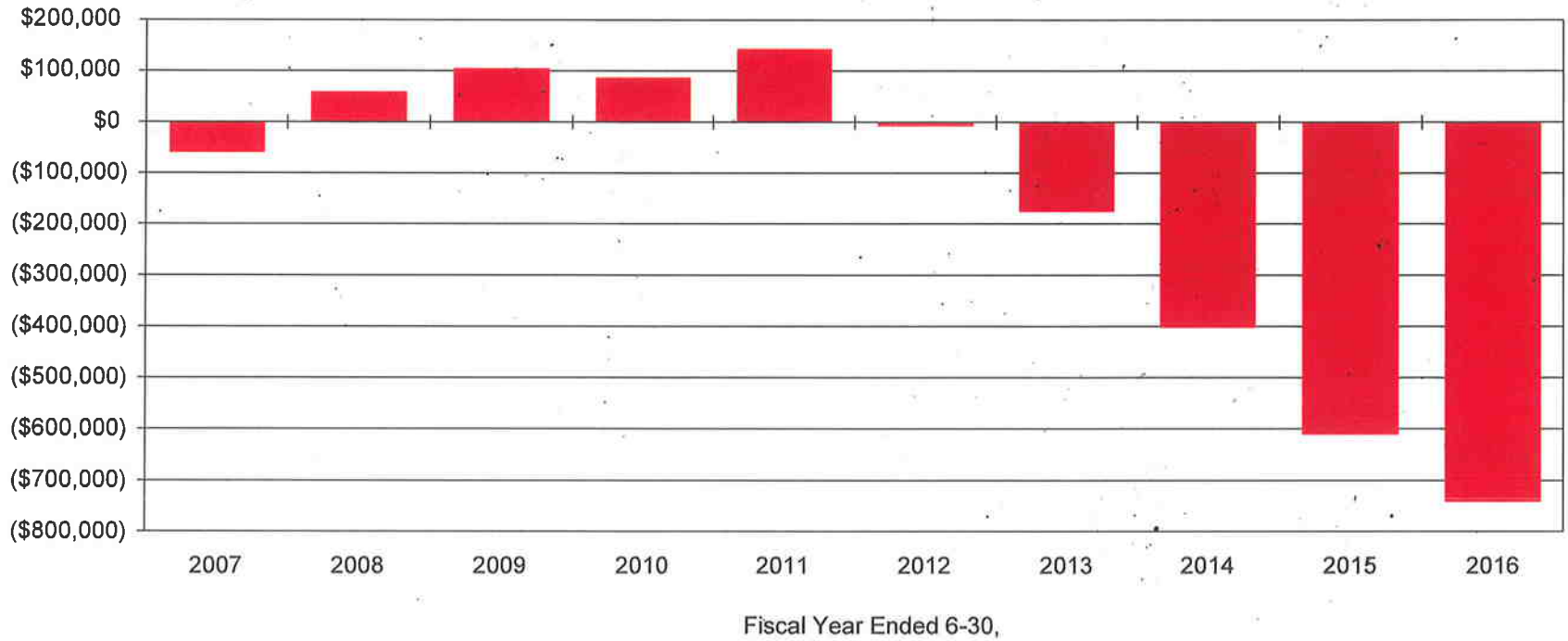
GENERAL FUND FUTURE VIEW 2012-13 THROUGH 2015-16:

Operating revenues are projected to decline at a 0.94% average annual rate (-4.72% for the period) and expenditures are projected to grow at a 0.87% average annual rate (4.37% for the period). This represents an uneven match of projected revenues to expenditures that, if continued would deplete the general fund balance. Aside from the DDA and LDFA property tax revenue pass through, the future property tax revenues are below the assumed 3% rate of inflation. Tax Revenues are expected to decline at 16% this year, increase 1.6% for the next year and decline each year thereafter. Projected revenues do not keep pace with expenditure increases. State Shared Revenues are expected to increase 4.47% in 2012-13 and increase at 3% a year thereafter. Based on the assumptions utilized, it is projected that revenues will not be adequate to meet projected expenditures every year of the projection.

COMMENT:

The City has maintained an adequate level of operating surplus during the past four years despite the declining revenue growth. The operating imbalances projected for 2012-13 through 2015-16 are caused primarily by the lagging revenue growth, which is projected to be more challenging compared to the past few years. Strong control over expenditure growth will be key in maintaining a positive operating position over the next several years.

ANNUAL OPERATING SURPLUS/DEFICIT



GENERAL FUND

ANNUAL OPERATING SURPLUS/DEFICIT

DEPICTS OPERATING SURPLUS/DEFICIT - AN INDICATION WHETHER THIS FUND MAY BE SPENDING MORE THAN IT IS RECEIVING IN A GIVEN YEAR.

WARNING INDICATION:

OPERATING DEFICITS PROJECTED FOR EVERY YEAR OF THE FORECAST

GENERAL FUND HISTORICAL VIEW 2006-07 THROUGH 2010-11:

The City maintained operating surpluses in four of the past five years. The deficit of in 2006-2007 was \$58,673. The surpluses in the following 4 years were \$58,621, \$103,877, \$86,153 and \$142,144.

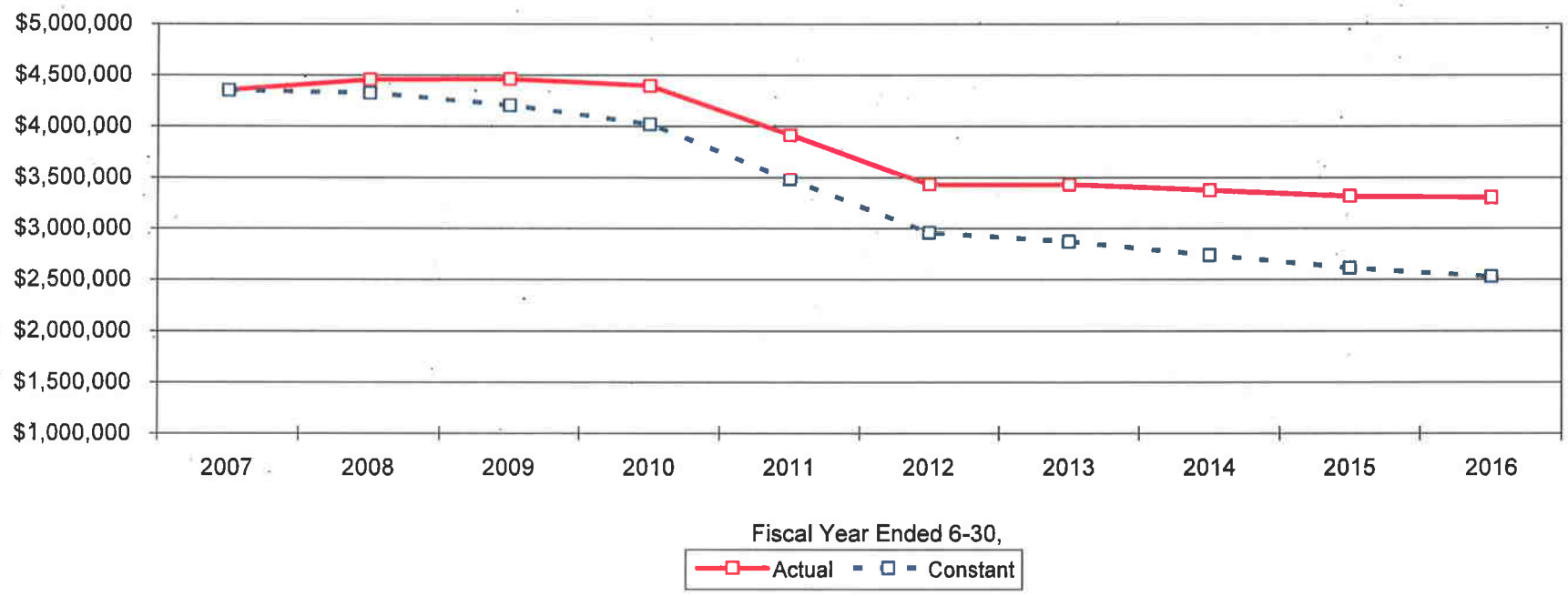
GENERAL FUND FUTURE VIEW 2012-13 THROUGH 2015-16:

The projection shows operating deficits occurring in every year of the forecast. Reoccurring expenditures and employment benefits are expected to cause expenditure growth beyond resources for the next several years. Projection of persistent operational deficits indicates that a structural operating imbalance is developing. The projection also indicates that the General Fund would be depleted in 2016 and the Budget Stabilization Fund would be approximately \$220,000 lower (to \$79,599) that same year.

COMMENTS:

The projected operating deficits are a major concern. Without corrective action, serious financial stress will result.

PROPERTY TAX REVENUES Actual vs. Constant Dollars



GENERAL FUND
PROPERTY TAX REVENUES

DEPICTS THE CHANGE IN PROPERTY TAX REVENUES IN BOTH ACTUAL AND CONSTANT (ADJUSTED FOR INFLATION) DOLLARS.

WARNING INDICATION:

PROJECTED GRADUAL DECREASE IN PROPERTY TAXES WILL IMPAIR CITY OPERATIONS

GENERAL FUND HISTORICAL VIEW 2006-07 THROUGH 2010-11:

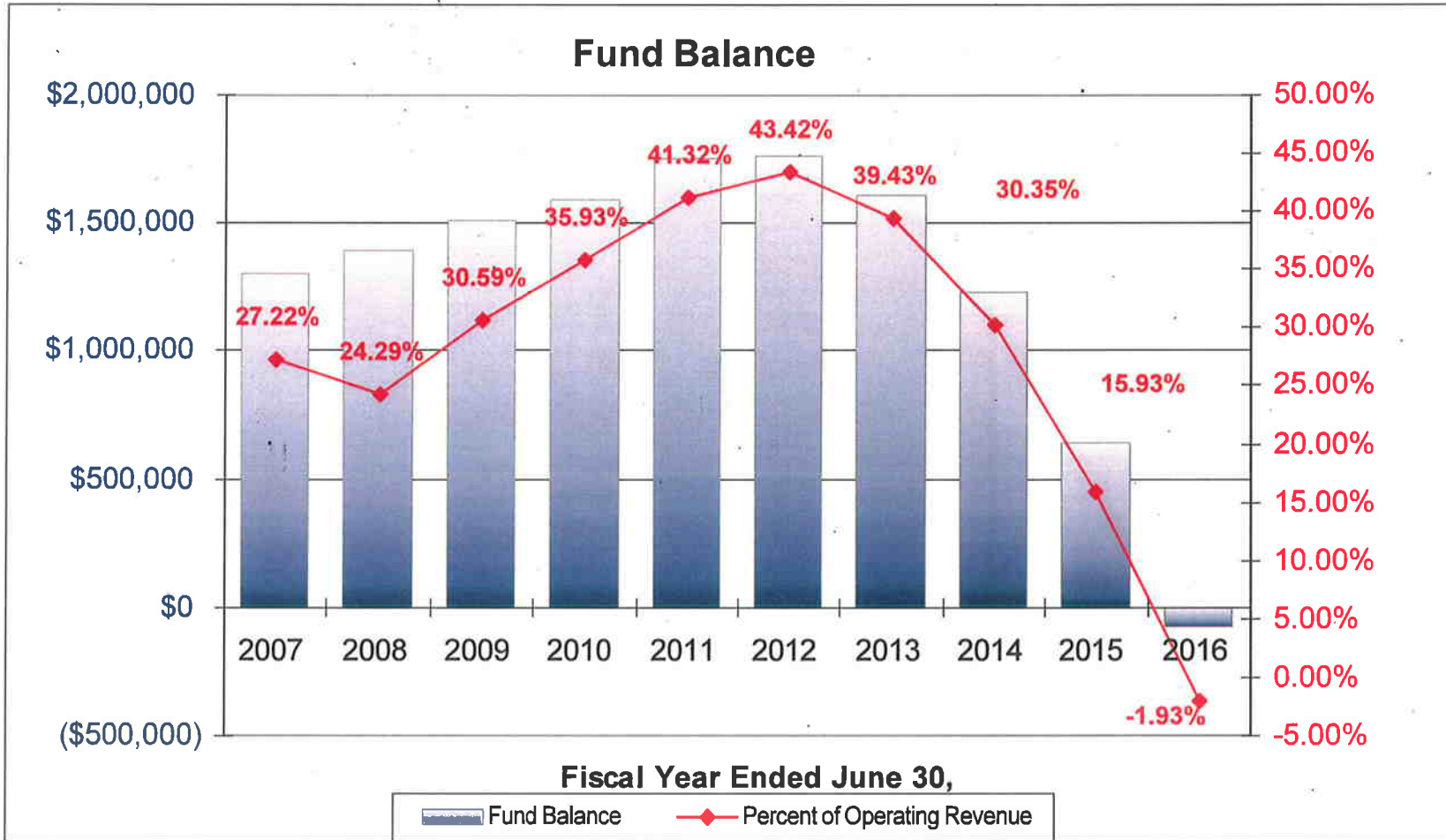
While property tax dollars received by the City decreased \$319,261 (-7.55%) from the end of 2006-07 to the end of 2010-11, property tax revenues, when adjusted for inflation, have decreased \$634,355 or -15%. Prior to Fiscal Year 2006-07 the operating millage was 11.00. Since Fiscal Year 2006-07 the millage was reduced to 10.6226 due to limitations imposed by the Headlee amendment to the State constitution and adjusted below 11.00.

GENERAL FUND FUTURE VIEW 2012-13 THROUGH 2015-16:

Assuming the City continues to levy all of its available millage for operating purposes each year, actual property tax revenues are projected to decrease by \$611,770 (-15.6%) from the end of 2012-13 through the end of 2015-16. The Property Tax Revenue decline is projected at -12% this year and an average of 1% annually for the following 4 years. This projection is expected to be below the projected rate of inflation, assumed at 3%. The current authorized millage rate is 10.6226 mills which has been eroded from the 13 mills permitted by the City's Charter due to Headlee imposed millage reductions. Property tax revenues for the projection period include DDA pass throughs of \$400,000 for this year, \$350,000 for next year and \$325,000 for the following 3 years and LDFA pass throughs of \$170,000 per year.

COMMENTS:

It is expected that the City will see a marginal loss in its tax base over the next 5 years; however, the rate of decline will be less than the past few years. This is consistent with the forecast the recovering housing market will have with much of the State. It is unclear whether the business park development and recent housing development will have a significant impact on future tax base growth. It should be noted however, that the majority of the tax base growth in the business park is captured by the Downtown Development Authority and Local Development Finance Authority and is not available for General Fund use (with the exception of the current agreement with the DDA and LDFA to supplement the General Fund).



GENERAL FUND

FUND BALANCE

DEPICTS THE LEVEL OF FUND BALANCE AS A PERCENTAGE OF OPERATING REVENUES.

WARNING INDICATION:

DISSIPATING FUND BALANCE AS EXPENSES OUTPACE REVENUES.

GENERAL FUND HISTORICAL VIEW 2006-07 THROUGH 2010-11:

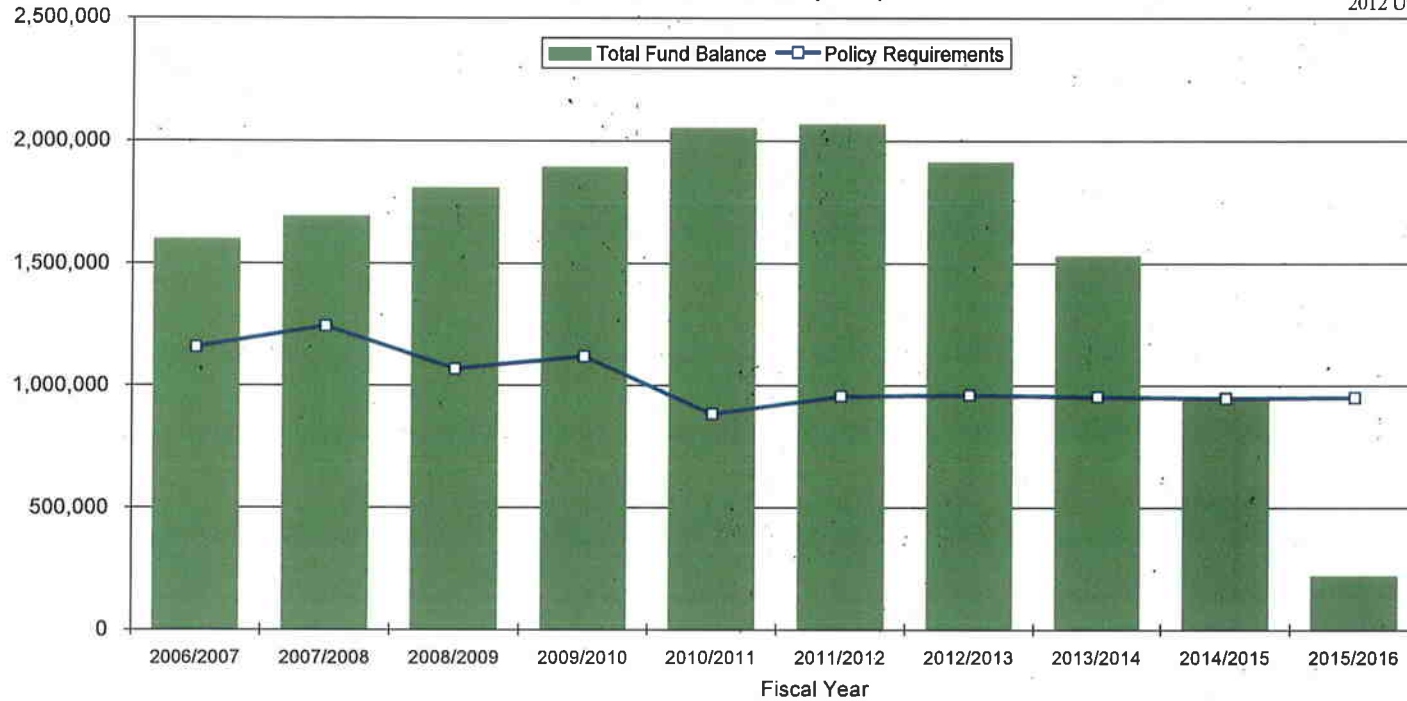
Over the past 5 years the City's General Fund Balance increased 29%. There was an operating loss for 1 year, 2006-2007, out of the past 5 years.

GENERAL FUND FUTURE VIEW 2012-13 THROUGH 2015-16:

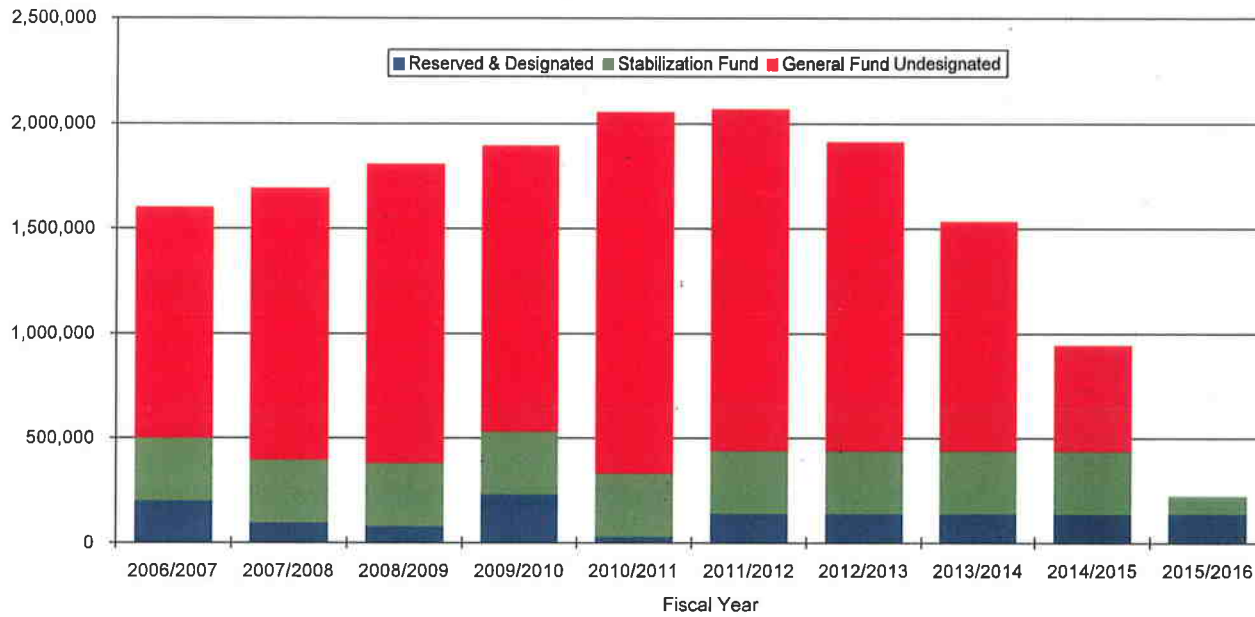
The City's General Fund balance is projected to be depleted in 2016 and the Budget Stabilization Fund is projected to decline by 73% to \$79,599 in 2016. By 2013-2014 the General Fund and the Budget Stabilization Fund combined would be at about 5.5% of net operating revenues which is below the City's stated minimum acceptable balance of 23.5% (20% undesignated balance plus allowances for reservations and designations).

** The City's overall current fund balance condition would be considered strong. However budget projections for the next few years indicate a serious financial problem without corrective action.

Fund Balance vs. Policy Requirements



Composition of Fund Balance



COMPOSITION OF CITY'S FUND BALANCE

On the preceding and following pages the City of Fenton's total fund balance status for both the past five years, 2006-07 through 2010-11 and the five year projection period, are presented and discussed. This discussion includes consideration of the City's Budget Stabilization Fund since this fund is part of the City's financial operations safety net. The following is a brief description of the breakdowns and nomenclature used in the graph, supporting detail and following recommendation:

1. "Reservations" are those items for which commitments have been made and are almost totally restricted from any other future use. (An example would be a "Reservation for Prepaid Items" which at audit time must be accounted for even though the purchased items had not yet been paid for.) Historically the City's "reservations" have provided funding for parks and cemetery. Future Reservations are forecasted to be less since parks and cemetery expenses are no longer included in the general fund
2. "Designations" are usually to provide for a more broadly based "intention to spend" and are more susceptible to subsequent changes. (An example would be a "Designation for Subsequent Year's Expenditures" which would be the amount, or draw from fund balance which the City would be intending to use to balance the next year's budget. Depending on actual circumstances, this intent may or may not be fulfilled, or it may be amended.) The historical pattern of the City's "designations" over the past five years provided the basis for the projection period through 2015-16.
3. "Undesignated" balance refers to that portion of fund balance which is unencumbered in any way and which would be available for use at the discretion of the City.
4. "Budget Stabilization Fund" refers to those funds set aside from prior years to (a) protect against potential future deficits, (b) prevent involuntary service or personnel reductions and (c) protect against various kinds of disasters. This fund is established under Act 30 of Public Acts of 1978, has been funded since 1984 and with an additional allocation of \$168,000 in 1989-90, currently has a balance of \$299,524 which is 6.3% of the 2012-13 estimated operating revenues.
5. "Excess" refers to those funds within the General Fund balance which are in excess of those required for City "reservations", "designations" and meeting the City's "20% undesignated" goal.

CITY OF FENTON - 2012 GENERAL FUND BALANCE ANALYSIS

COMPOSITION OF FUND BALANCE	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
Reserved & Designated	203,361	98,144	82,747	233,423	34,333	142,500	143,180	142,075	141,110	141,634
Undesignated	1,095,887	1,293,699	1,424,971	1,360,450	1,720,479	1,625,315	1,469,676	1,090,010	501,201	0
TOTAL GENERAL FUND	1,299,248	1,391,843	1,507,718	1,593,873	1,754,812	1,767,815	1,612,855	1,232,085	642,310	141,634
Budget Stabilization Fund	299,524	299,524	299,524	299,524	299,524	299,524	299,524	299,524	299,524	79,599
TOTAL	1,598,772	1,691,367	1,807,242	1,893,397	2,054,336	2,067,339	1,912,379	1,531,609	941,834	221,233
FUND BALANCE AS A PERCENTAGE OF NET OPERATING REVENUES										
Reserved & Designated	4.3%	1.7%	1.7%	5.3%	0.8%	3.5%	3.5%	3.5%	3.5%	3.5%
Undesignated	23.0%	22.6%	28.9%	30.7%	40.5%	39.9%	35.9%	26.9%	12.4%	0.0%
TOTAL GENERAL FUND	27.2%	24.3%	30.6%	35.9%	41.3%	43.4%	39.4%	30.4%	15.9%	3.5%
Budget Stabilization Fund	6.3%	5.2%	6.1%	6.8%	7.1%	7.4%	7.3%	7.4%	7.4%	2.0%
TOTAL	33.5%	29.5%	36.7%	42.7%	48.4%	50.8%	46.7%	37.7%	23.4%	5.5%
FUND BALANCE VS. POLICY REQUIREMENT (Undesignated + Budget Stabilization Fund at least 20% of Net Operating Revenues)										
Total Fund Balance	1,598,772	1,691,367	1,807,242	1,893,397	2,054,336	2,067,339	1,912,379	1,531,609	941,834	221,233
Less: Policy Requirements	1,158,082	1,244,277	1,068,561	1,120,647	883,807	956,786	961,348	953,929	947,452	950,972
Amount Over/(Under) Requirements	440,690	447,090	738,681	772,750	1,170,529	1,110,553	951,031	577,680	(5,617)	(729,738)
FUND BALANCE "REQUIRED"	24.3%	21.7%	21.7%	25.3%	20.8%	23.5%	23.5%	23.5%	23.5%	23.5%
FUND BAL OVER/(UNDER)	9.2%	7.8%	15.0%	17.4%	27.6%	27.3%	23.2%	14.2%	-0.1%	-18.0%

FUND BALANCE RECOMMENDATIONS

1. It is recommended that, for the ongoing protection of the City, Fenton continue to reaffirm its "desirable" level of unencumbered balances to be maintained at 20% of net operating revenues for each year. This 20% of operating revenues should be comprised of a combination of those funds which are available in the Budget Stabilization Fund as well as in undesignated General Fund balance. The 20% level is considered to be a safe, manageable and acceptable standard for the City.
2. Fund balances in excess of the required "audit" reservations and designations as well as the "20% of net operating revenues standard" could normally be made available for other "one-time uses". The City is not in a position to seriously consider utilization of fund balances for "other" purposes without adversely impacting its overall future financial health. Until healthy revenue growth is restored, new revenue sources implemented or expenditure growth eases pace; the City should conserve its fund balances.
3. It is recommended that until the structural imbalance of revenues and expenditures causing this depletion of General Fund Balance is corrected, the City not consider any other use of these funds and to delay or seek alternate financing for capital outlays. The City should examine or give consideration to a charter millage increase to pay for increasing operating costs.

APPENDIX A

PROJECTION ASSUMPTIONS

Appendix A contains a summary of the general economic assumptions as well as the specific Operational program assumptions upon which the future projections contained in this report were made.

NOTES TO PROJECTION ASSUMPTIONS

General Assumptions

1. No increases in wages are assumed for 2012, 2% increases for 2013, 1.5% increase for 2014 and 1% increase for 2015 & 2016.
2. Expenditures for contracts shall reflect terms of current contract, if any and inflation is years thereafter.
3. Attrition has reduced the number of full time employees. Two lay-offs have occurred.
4. New dispatch equipment will be purchased by the DDA

Revenues

5. Property tax revenues are calculated assuming the current operating levy of 10.6226. Headlee could roll back this millage in future years. The current CPI from 2011 is 2.7%. The 2013 tax revenue is calculated on estimated taxable values for that year which is a 1% increase.
6. Additional real property taxes in 2013 are a result of a change in the method of capturing taxes for the DDA and LDFA. Reduction is reflected in personal property taxes.
7. Personal Property tax revenue is phased out over a three year period (2013-2015) as anticipated by the legislature. No substitute revenue is assumed.
8. Revenue sharing from the DDA decreases from \$400,000 in 2012 to \$350,000 in 2013 and \$325,000 annually thereafter.
9. The city's state revenue sharing has increased in 2012 due to an increase in population in the 2010 census.

Expenditures

10. Police shift policy changed from 2 person per shift to 1 person per shift, reducing overtime costs.
In future years 2 person shift will be resumed.
11. Health insurance plans have changed. Policies have a higher deductible which the city funds.
Funded the deductible at the end of 2011 with \$110,000, which should cover the expense for two fiscal years. Annually funding of deductible of \$50,000 begins in 2014. The employees are contributing 20% of their health plan costs. Benefits are increased annually by 10%.
12. Retiree health care costs have reduced by 62%. Retirees over 65 years are participating in a Medicare Gap program. For retirees under 65 years, health insurance policies have a higher deductible which is funded 50/50 by city and employee.
13. City hall telephone costs are reduced by 50% in 2012, assuming services from a new provider.
14. Police dispatch wages and benefits are expensed in the 911 Fund. A contribution from General Fund to the 911 Fund cover the costs of dispatch staff that is not paid for by the 911 surcharges. All dispatch positions except two persons are reduced to part time.
15. New carpeting will be installed in the library FYE 2012.

APPENDIX B

PROJECTION DETAIL

The following projections detail present the individual account impact of all the assumptions made in the Five Year Financial Plan. The detail indicated for 2006/07 through 2010/11 is the actual audited data and the detail for 2011/12 is the current year's budget. The 2012/13-2015/16 information is based on preliminary budget planning.

PROJECTION DETAIL

	Actual					Projected					NOTES
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	
REVENUES											
TAXES											
Current Real Prop. Taxes	3,340,892	3,396,731	3,413,514	3,349,124	2,941,064	2,447,700	2,596,535	2,622,500	2,648,725	2,675,213	5 6
DDA Revenue Sharing	300,000	300,000	330,000	330,000	330,000	400,000	350,000	325,000	325,000	325,000	8
LDFA Revenue Sharing	200,000	200,000	200,000	200,000	178,000	170,000	170,000	170,000	170,000	170,000	
Current Pers. Prop. Taxes	330,560	377,266	352,226	346,732	299,544	286,000	182,000	121,940	40,240	0	7
Current IFT	24,948	23,421	17,339	10,836	14,029	10,000	10,000	10,000	10,000	10,000	
Pilot/MSHDA	8,666	8,384	14,678	15,603	13,722	15,000	15,000	15,000	15,000	15,000	
Mobile Home Revenue	600	1,200	1,202	1,653	683	1,200	1,200	1,200	1,200	1,200	
Interest & Pen. Tax Trust	33,786	35,557	36,707	33,116	38,940	18,000	18,000	18,000	18,000	18,000	
Tax Admin. Fees	111,520	111,614	94,701	106,900	95,746	81,000	82,620	83,859	84,698	85,545	
TOTAL TAXES	4,350,972	4,454,173	4,460,367	4,393,964	3,911,728	3,428,900	3,425,355	3,367,500	3,312,864	3,299,958	
Plan Review Fees											
LICENSES & PERMITS											
Business Licenses & Permits	128,824	140,844	145,603	157,756	174,470	170,000	170,000	170,000	170,000	170,000	
Zoning Permits	9,468	10,125	7,885	7,310	9,786	10,080	10,382	10,694	11,015	11,345	
Building Permits	45,236	41,879	49,240	19,278	32,004	40,000	40,000	40,000	40,000	40,000	
Marriage Licenses	20	0	60	0	0	0	0	0	0	0	
Site Plan Review Fees	3,096	2,253	5,070	1,876	5,571	3,000	3,000	3,000	3,000	3,000	
Special Land Use Fees	4,305	1,375	2,131	1,832	3,738	1,500	1,500	1,500	1,500	1,500	
Plan Review Fees	14,836	15,257	15,731	6,835	11,535	15,000	13,500	13,500	13,500	13,500	
Splits	100	150	0	150	480	0	0	0	0	0	
TOTAL LICENSES & PERMITS	205,885	211,883	225,720	195,037	237,584	239,580	238,383	238,694	239,015	239,346	
STATE SHARED REVENUES											
State Police Grants	10,000	9,025	0	12,754	0	0	0	0	0	0	
Ash Borer Grant	14,500	0	0	0	0	0	0	0	0	0	
Revenue Sharing - Statutory	0	0	0	0	0	22,600	23,278	23,976	24,696	25,436	9
Grant Fire Dept.	0	0	49,022	0	23,750	0	0	0	0	0	
Sales Tax	856,183	851,481	811,891	721,565	793,649	831,546	856,492	882,187	908,653	935,912	
Liquor Licenses	11,081	11,399	11,501	10,172	11,800	12,154	12,519	12,894	13,281	13,679	
Inventory Tax Reimbursement	0	0	0	0	0	0	0	0	0	0	
TOTAL STATE SHARED REVENUES	891,764	871,905	872,414	744,491	829,199	866,300	892,289	919,058	946,629	975,028	