

# Financial Planning Committee

January 10, 2011

## Committee Members

**Joel Petrie – Co-Chair**

**Sharon Chess**

**Scott Helmer**

**John McQuiggin**

**Jacqueline Smith**

**Mark Van Dyke**

**Robert Porter – Co-Chair**

**Daniel Harteau**

**Kathryn Hershberger**

**Greg Pawlica**

**Ben Updyke**

**Dennis Whittie**

**Robert Bruner - Secretary**

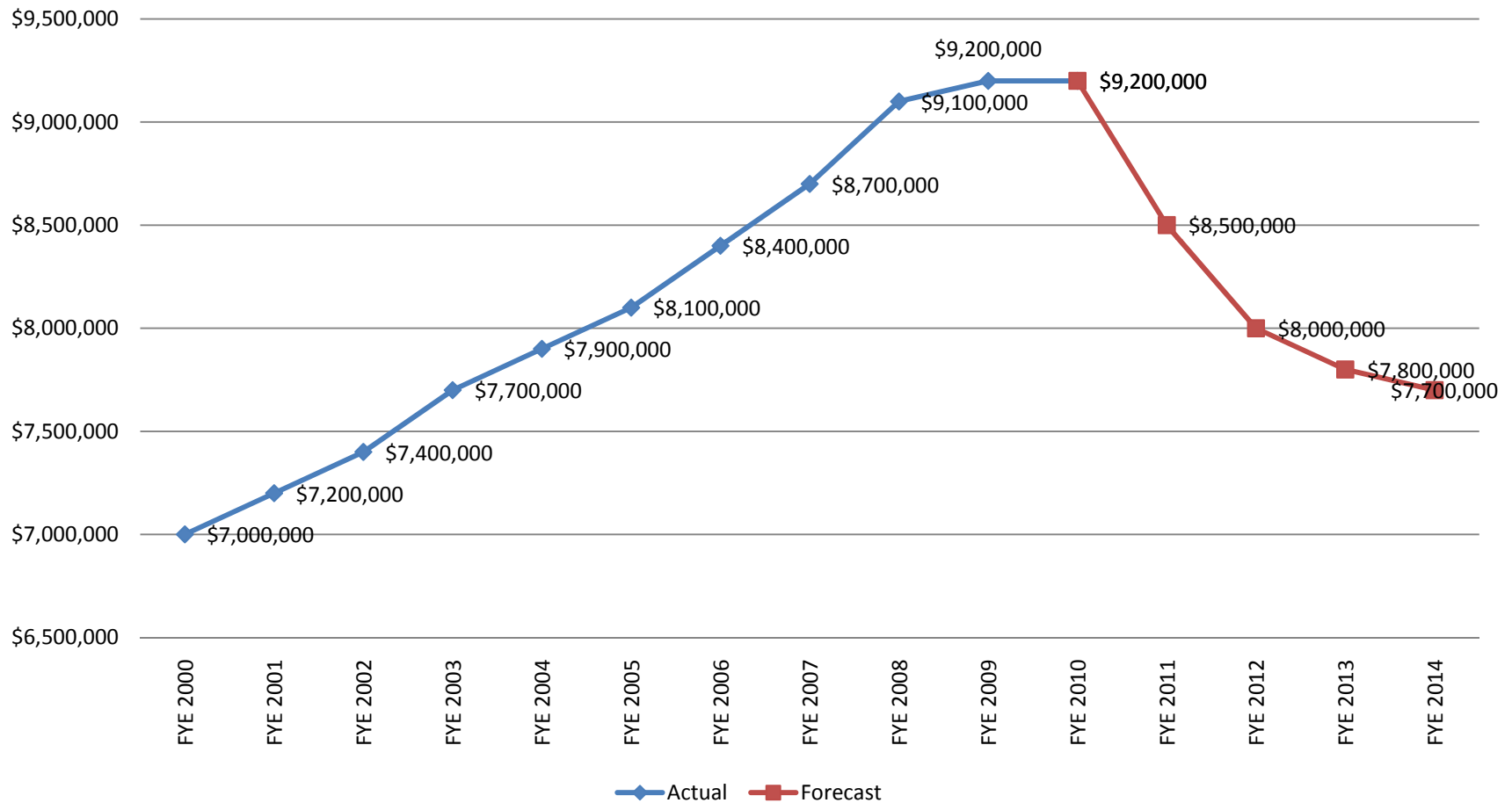
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# **REVENUE FORECASTS**

# Property Tax Revenue Forecast

- The July 2010 forecast was based on the following countywide Taxable Value forecasts:
  - FYE 2012 = -12%
  - FYE 2013 = -5%
  - FYE 2014 = -2.5%
- This forecast is based on the following Ferndale-specific Taxable Value forecasts :
  - FYE 2012 = -6.41%
  - FYE 2013 = -2.67%
  - FYE 2014 = -1.34%

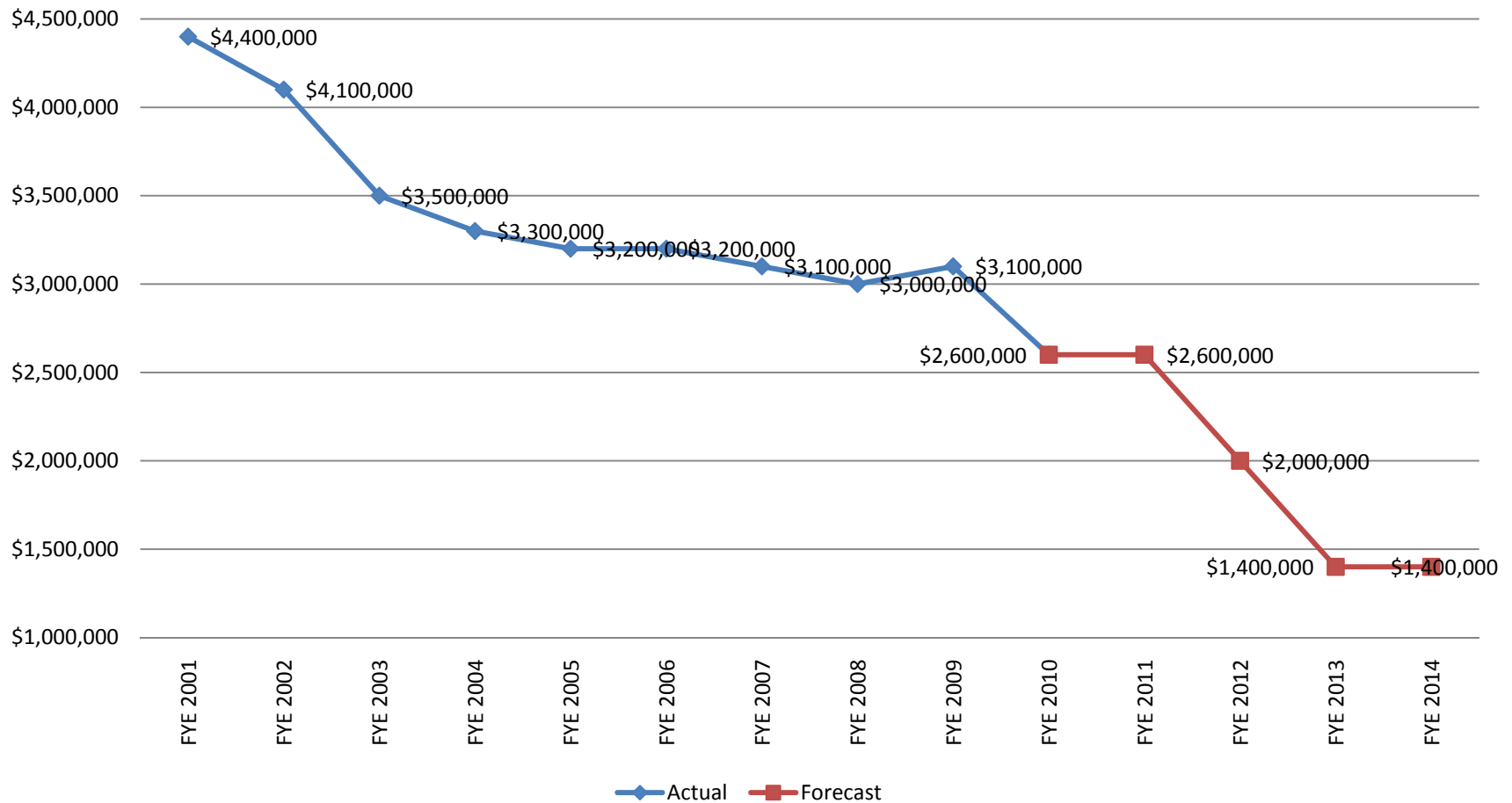
# Property Tax Revenue Forecast



# State Revenue Sharing Forecast

- The July 2010 forecast was based on the assumption that Statutory State Revenue Sharing would be eliminated in State FYE 2011, FYE 2012, or FYE 2013 (City FYE 2012, FYE 2013, or FYE 2014)
- Statutory State Revenue Sharing was not eliminated in State FYE 2011 (City FYE 2012)
- This forecast is based on the assumption that Sharing will be eliminated in State FYE 2012 (City FYE 2013)

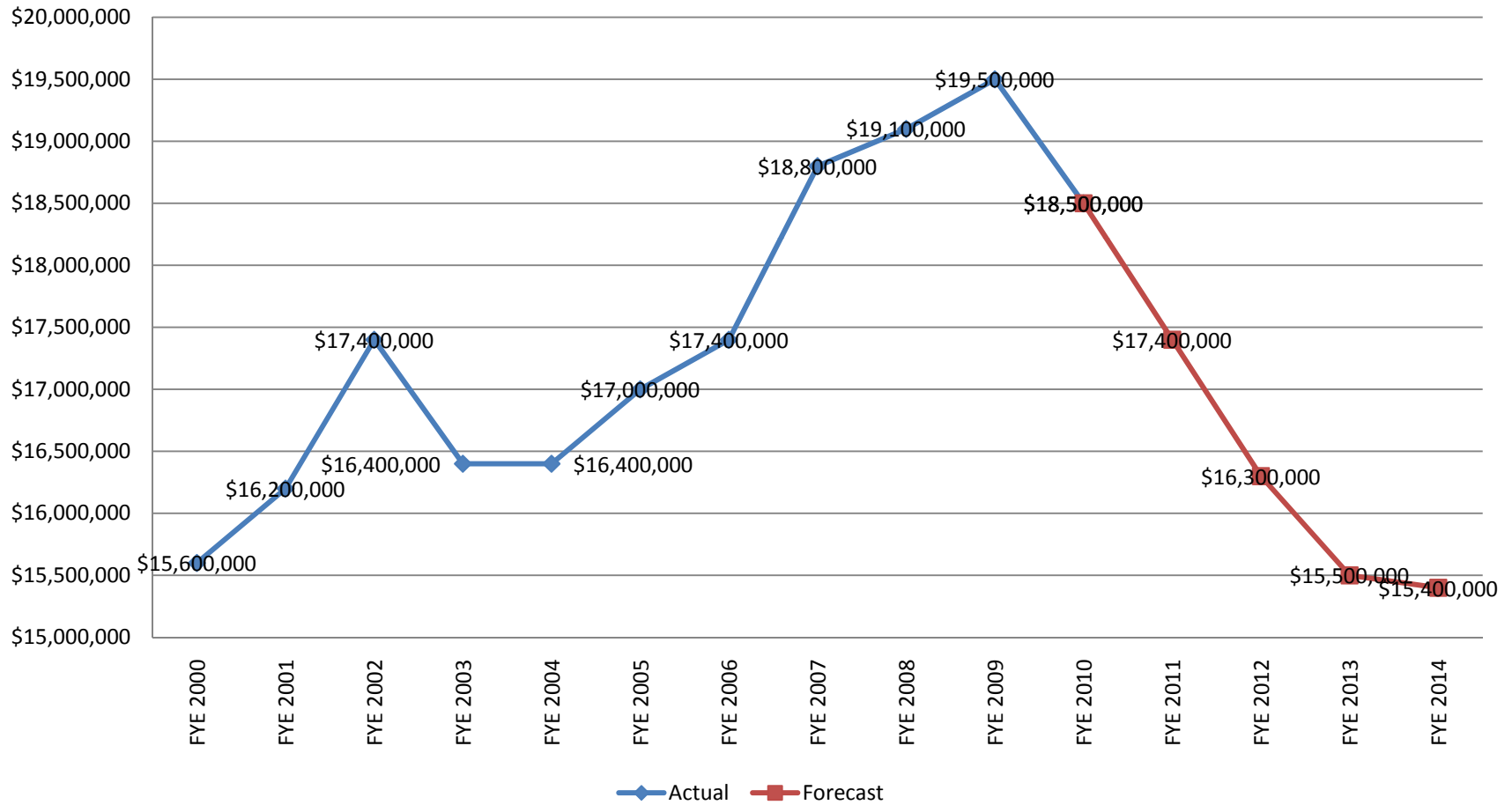
# State Revenue Sharing Forecast



# Total General Fund Revenue Forecast

- July 2010 forecast:
  - FYE 2012 = \$14.5 - \$15.3 million
  - FYE 2013 = \$12.4 - \$13.8 million
  - FYE 2014 = \$10.6 - \$12.5 million
- This forecast:
  - FYE 2012 = \$16.3 million
  - FYE 2013 = \$15.5 million
  - FYE 2014 = \$15.4 million

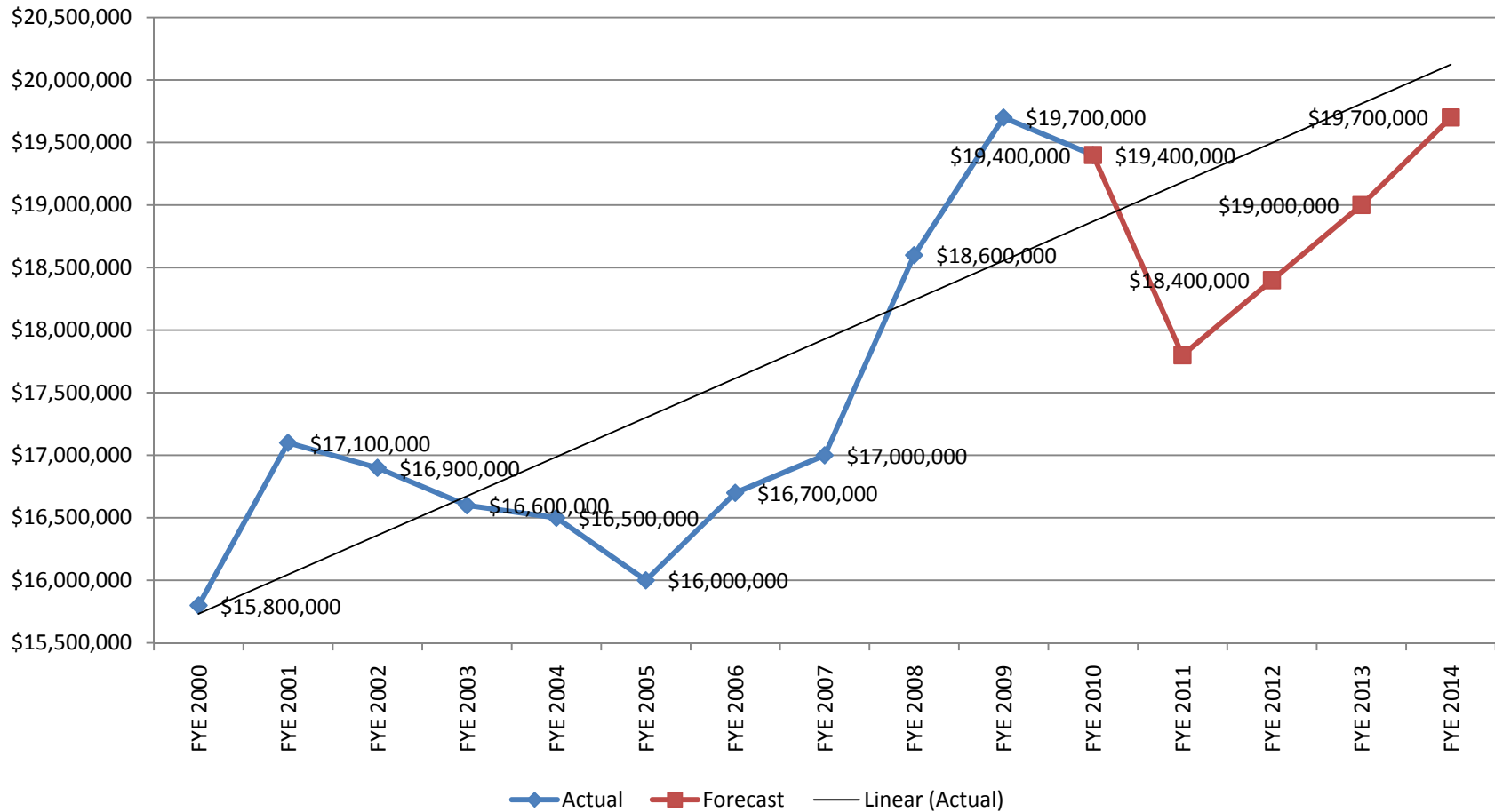
# Total General Fund Revenue Forecast



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# **EXPENDITURE FORECASTS**

# Total General Fund Expenditure Forecast



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# **BACKGROUND & RECOMMENDATIONS**

# Background & Overview

- The Committee's Charge
- Actions The Committee Took Over 14 Weeks
- History & Purpose of City Government
- How Taxes Are Collected (**Headlee Explanation**)
- Explanation of Deficit – General Fund

# Overview of Tax Collection

- ***Taxes collected in July 2010 will fund City operations from July 1, 2010 through June 30, 2011 but reflect the value of the property on December 2008***
- ***There is a lag effect.***

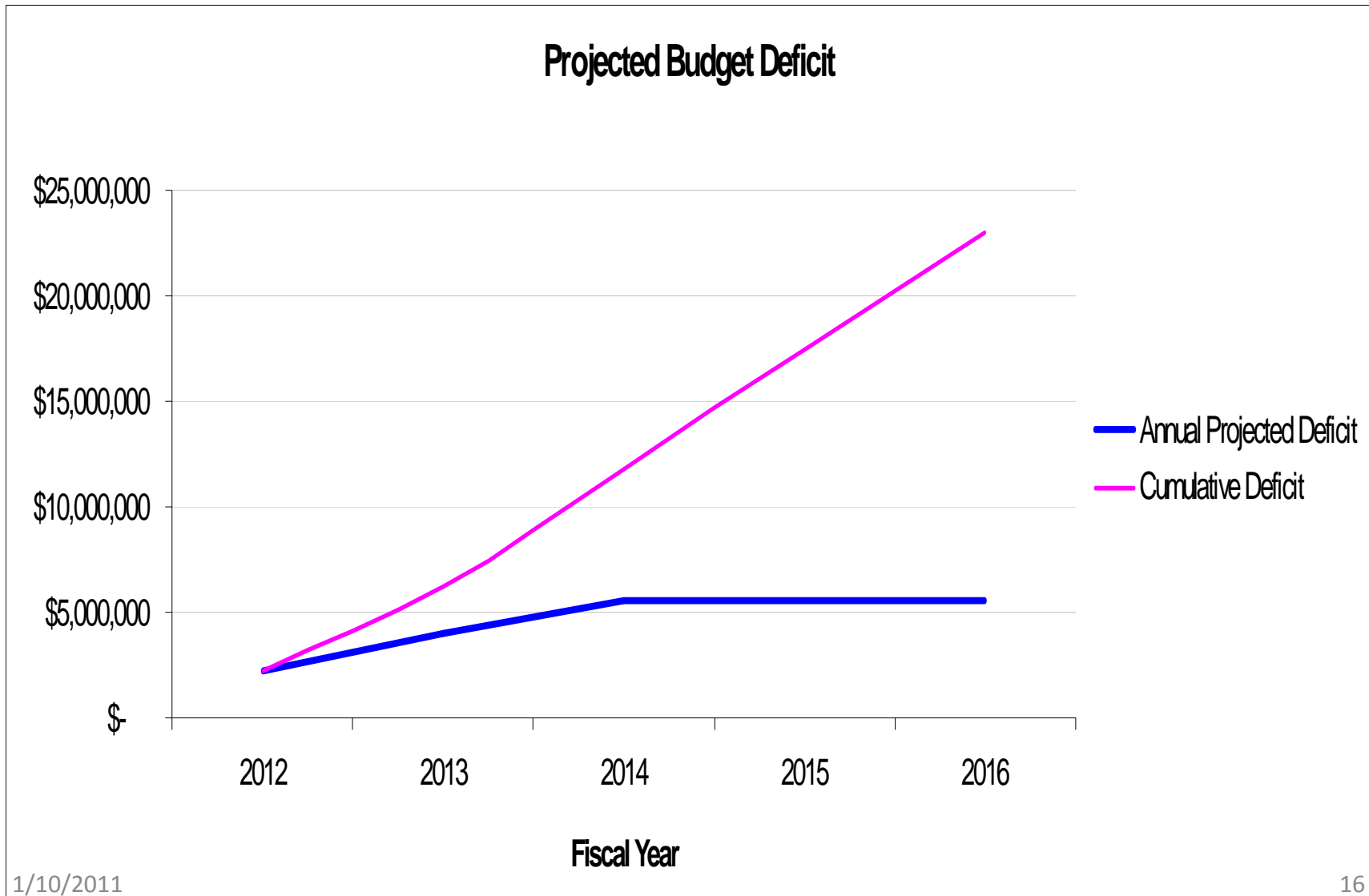
# Cost Cuts & Operational Improvements

- Remodel City Hall to improve Efficiency & accommodate lower staffing
- Staff Reductions
- Reduced Operating Hours
- New Software Training

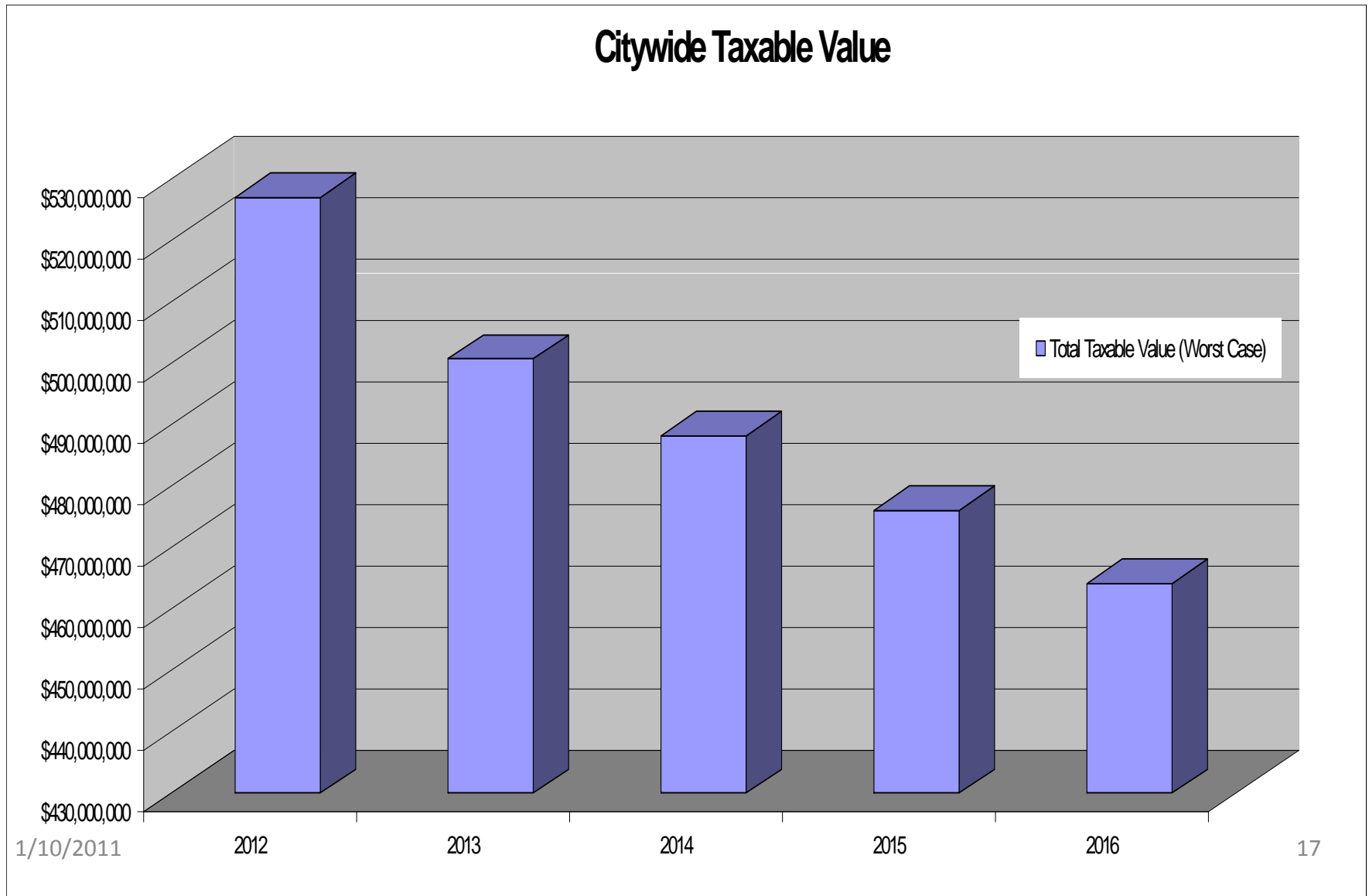
# Recent Actions Taken

- Police Department Layoffs
- Fire Department Layoffs
- General Staff reduction in other Departments
- Cross Training of Employees

# Current Budget Status



# Declining Property Values = Revenue Loss



# Committee Vision

- **Overview Executive Summary**
- Short Term – 12 months
- Mid-Term – 1-3 Years
- Long Term – 3-5 Years

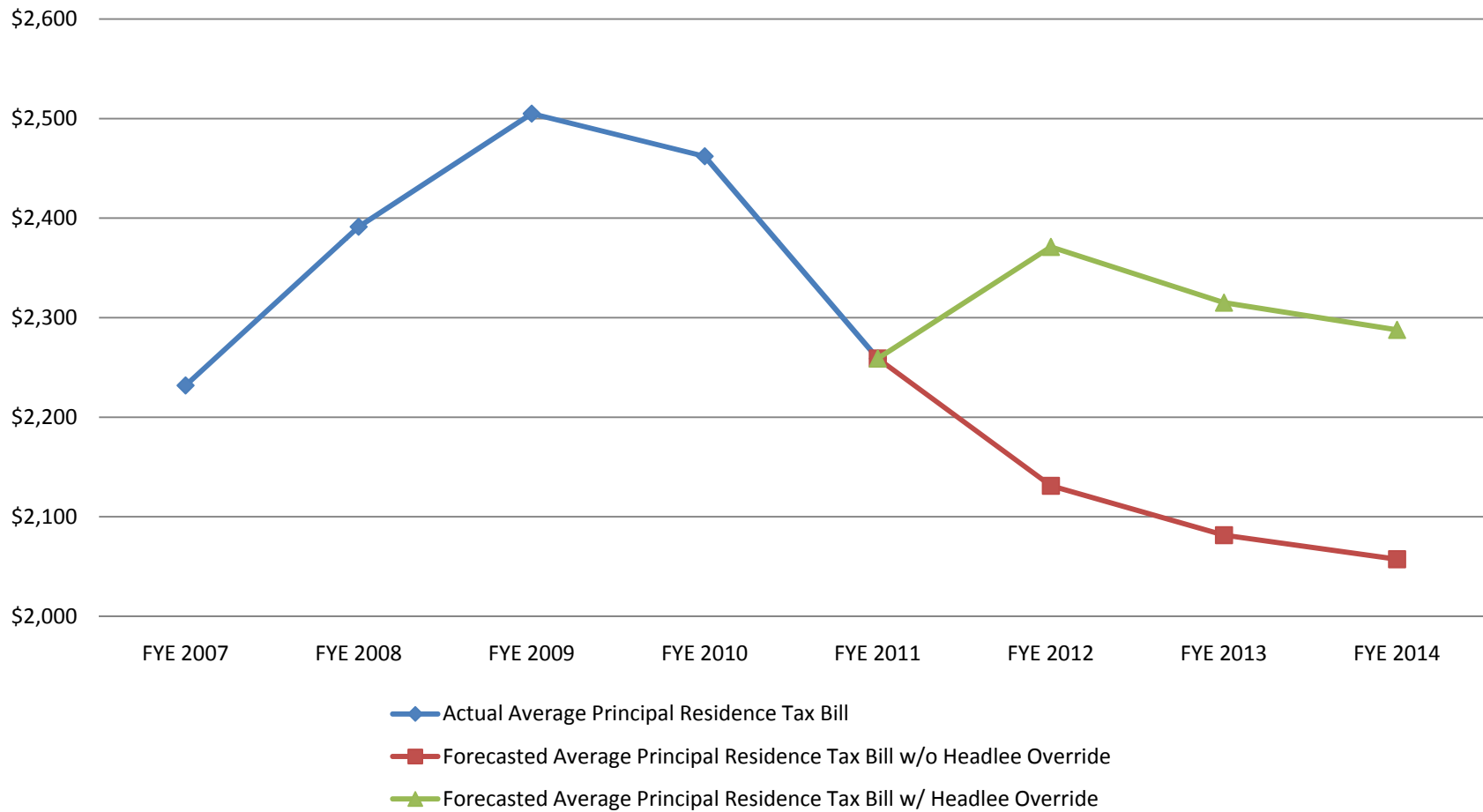
# Three Possibilities

- Headlee Override
- Dedicated Public Safety
- If No Millage is Passed
- \*Further Cost Cuts will be required under any of the three Options.

# Headlee Override

- The City Charter limits the City's general millage rate to "two per centum" (20 mills)
- The City's general millage rate was permanently reduced from 20 mills to 14.5448 mills by "Headlee Rollback" in FYE 2007 and it has been 14.5448 mills ever since
- A Headlee Override would allow the City to levy 20 mills or less at the Council's discretion

# Average Principal Residence Tax Bill



# Headlee Override

## Further Cost Reductions Required

- Reduction of Public Safety Expenses by \$750,000 annually
- Two to Three year wage freeze for all union and non-union employees
- Consider consolidation of Department Heads
- Ensure utilization of new City Hall design & Software System to continue to reduce operating costs.

# Short Term Core Cuts & Revenue Increases

- Fire Department
  - Staff Changes Through Attrition
  - Assess Revenue Opportunities
- Police Department
  - Assess Revenue Opportunities
- City Council Consideration
  - Fee Management
  - Wage Freezes

# Short Term Core Cuts & Revenue Increases

DPW – Tree Planting

Sidewalk – Temporary Suspension

Dream Cruise & Special Events

Kulick Center – Fees & Rentals

Freeze on Hiring Consultants

# Mid-Term Core Cuts & Revenue Increases

- Encourage Public-Private Partnerships
- Consider Revision of Master Plan to reflect current financial condition

# Long Term Core Cuts & Revenue Increases

- Regionalization of Public Safety
- Explore Opportunities for Auto Parking Fund

# Dedicated Public Safety Millage Scenario

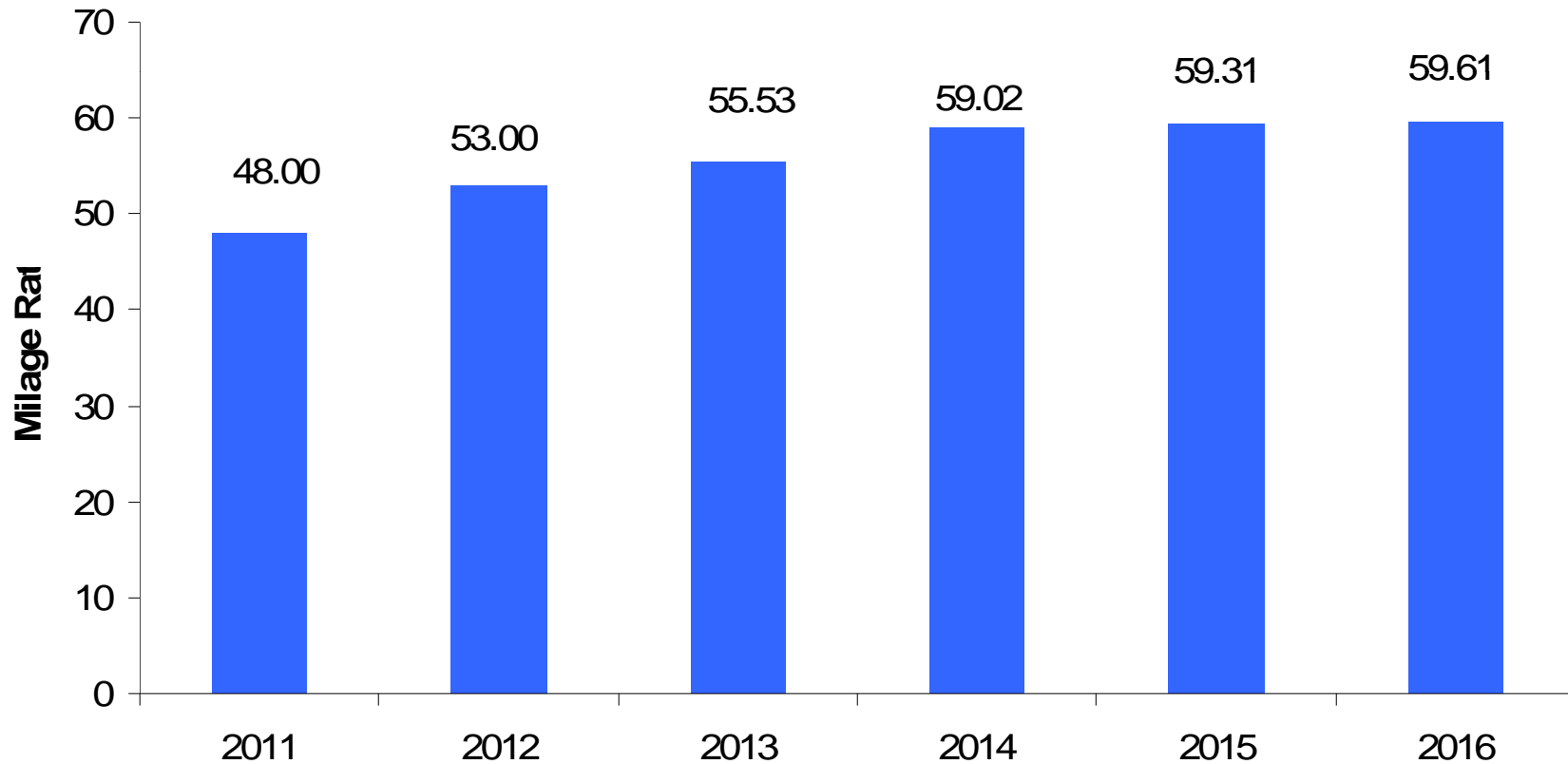
- *Option A: Cumulative Five Year Impact of a 5 mil Public Safety Millage*  
*\$13,398,276*
- *Option B: Cumulative Five Year Impact of a 10 mil Public Safety Millage*  
*\$26,000,000*

# Dedicated Public Safety Millage Scenario

- **Option A:** Requires further cuts but represents a millage rate that maybe accepted by voters and approved.
- **Option B:** Requires a millage rate that exceeds what the Committee believes is justifiable. Without an adjustment to the Cost of running City Government, costs will continue to escalate and another millage increase likely needed within 5 years.

# Additional Taxes Required To Maintain Current Service Levels

*Millage Rate Required to Maintain Current Service Levels*



# If No Millage is Passed

- What Happens If Voters Strike Down a Millage?
- \$18,000,000 - \$24,000,000 Cumulative 5 Year Deficit
- Council Forced To Take Drastic Measures

# Conclusion

- Headlee Override Scenario
- Why We Recommend
  - Keep Majority of Services at Current Operating Levels
  - Least Millage Impact to Property Owners
- Sunrise / Sunset Clause
  - Cap of 5.4552 – Total 20 Mils
  - December 31, 2015
  - 7.2-7.4 Mils Reduction