



To: The Mayor & City Council
From: Phil Nelson
Subject: Possible Trends
Date: August 31, 2007

Background:

- Over the past year, several presentations have been made to the Council concerning policy considerations that could assist in preparing the City of Troy for what seems to be a fairly uncertain future.
- The Council has approved initiation of documents that are intended to set a pattern for preparation for the future. These documents include: a revamp of the outdated comprehensive master plan; an update of the Park and Recreation Plan that will be an element of the updated master plan; an update of the zoning ordinance; and, while not officially adopted, the Council did consider the Troy Futures Report to be used as a planning tool for the future.
- The Council has adopted an operating and capital budget for 2007/2008 that is intended to address some of the many policy challenges of a community that undoubtedly faces many future changes. Those changes include the facts that: Troy is landlocked and must look for redevelopment projects as the primary way to maintain or increase property values; the demography for the entire southeast region of the state will change to an elderly dominated population; young people are leaving the state in significant numbers; the region's economy is changing from a manufacturing base to a knowledge base, and other pertinent factors that make the need to prepare for and accept change imminent.
- At the last Council meeting, Councilmember Howrylak introduced a motion to instruct the Charter Revision Committee to develop a ballot question to change the City's Charter to freeze property tax levies at 2007/2008 levels. While no definitive direction was given, staff is assuming that the councilman's intent was to limit the only two funds that fall under Charter control, the General Fund and the Capital Construction Fund.
- Staff has started preliminary study of the potential impacts of such a change, the results of which will be addressed in this memo.

Budget Considerations:

- The proposed resolution does not consider the impact of inflation and other factors on the budget as well. Again, according to American City and County Magazine, the Municipal cost index has increased 3.6% over the last year meaning that the budget's buying power has decreased commensurately.
- Staff has prepared charts that show some of the prospective impacts of the proposed Charter change. The tables are based on maintaining service levels at today's standards using basic assumptions in developing the data.
- Table 1 assumes that property valuation levels will stay fairly constant over the next 6 years, and that the State will not continue to arbitrarily reduce shared revenues. The chart also assumes that franchise fees collected from the various utilities stay constant (even though the state legislature's actions could arbitrarily reduce franchise fee revenue).
- On the expenditure side, staff has assumed a constant 3% increase in expenditures to account for increases in the Municipal Cost Index and the Construction Cost Index.
- The chart shows that more and more reserve funds would have to be used to balance the General Fund budget. This would be the case through 2010/2011 when cash reserves would sharply dip below the Council's goal of 10-to-17 % of budgeted expenditures. In fact, even though revenues would stay constant with expenditures in 2009/2010, just over \$3 million dollars would have to be cut from the budget to maintain the minimum 10% cash reserve policy balance. The following year, \$7.5 million would have to be cut from the budget in order to meet minimum cash balance policy totals. The chart indicates that budget cuts would be required in each of the next three years to stay within legal limits and to meet the Council's cash reserve policies.
- In essence, once cash reserves are exhausted, almost \$42 million dollars would have to be cut from the General Fund over a six year period. Logic would say that cuts would be made sooner, but the end result would still be the same, i.e., that service delivery and protection functions in all departments would have to be cut significantly.

Table 2

- Chart 2 is probably more realistic in that it assumes a continued trend toward reduced property values over the next 6 years; more state cuts in shared revenue, reduced interest income from reduced revenues, and more General Fund Reserves being used to finance expenditures.
- The chart also assumes that expenditure totals stay constant with 2007/2008 totals through the 2008/2009 fiscal year.
- The chart shows significant cuts to all departments in the General Fund. The cuts are equal to the total percentage of appropriations that each of the funds has with the total fund expenditures. Cuts were made to

maintain the Council's cash reserve policy. Total reserve percentage for 2013/2014 is 11.4% which means that the 2014/2015 budget will have to show even more significant cuts to stay above the Council reserve totals.

Table 1-Possible Budget Implications from Proposed Mill Rate Freeze

	2006/2007							
Description	Budget	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
General Fund Revenues								
Taxes	\$ 35,473,690	\$ 36,308,690	\$ 36,308,690	\$ 36,308,690	\$ 36,308,690	\$ 36,308,690	\$ 36,308,690	\$ 36,308,690
Business Licenses & Permits	\$ 40,000	\$ 42,000	\$ 43,050	\$ 44,126	\$ 45,229	\$ 46,360	\$ 47,519	\$ 48,707
Non-Bus. Licenses & Permits	\$ 2,019,000	\$ 1,705,500	\$ 1,748,138	\$ 1,791,841	\$ 1,836,637	\$ 1,882,553	\$ 1,929,617	\$ 1,977,857
Federal Grants	\$ 34,500	\$ 55,900	\$ 57,298	\$ 58,730	\$ 60,198	\$ 61,703	\$ 63,246	\$ 64,827
State Agencies	\$ 6,765,000	\$ 6,784,000	\$ 6,946,816	\$ 7,106,593	\$ 7,262,938	\$ 7,415,460	\$ 7,571,184	\$ 7,730,179
Contributions- Local	\$ 140,000	\$ 180,000	\$ 184,500	\$ 189,113	\$ 193,840	\$ 198,686	\$ 203,653	\$ 208,745
Charges for Services-Fees	\$ 1,271,500	\$ 1,159,000	\$ 1,187,975	\$ 1,217,674	\$ 1,248,116	\$ 1,279,319	\$ 1,311,302	\$ 1,344,085
Charges for Services-Rend.	\$ 1,642,100	\$ 1,717,500	\$ 1,760,438	\$ 1,804,448	\$ 1,849,560	\$ 1,895,799	\$ 1,943,194	\$ 1,991,773
Charges for Services-Sales	\$ 151,500	\$ 157,000	\$ 160,925	\$ 164,948	\$ 169,072	\$ 173,299	\$ 177,631	\$ 182,072
Charges for Services-Rec	\$ 3,410,200	\$ 3,565,200	\$ 3,654,330	\$ 3,745,688	\$ 3,839,330	\$ 3,935,314	\$ 4,033,697	\$ 4,134,539
Fines & Forfeits	\$ 1,012,000	\$ 1,027,000	\$ 1,052,675	\$ 1,078,992	\$ 1,105,967	\$ 1,133,616	\$ 1,161,956	\$ 1,191,005
Interest and Rents	\$ 1,443,300	\$ 2,081,600	\$ 2,081,600	\$ 2,081,600	\$ 2,081,600	\$ 2,081,600	\$ 2,081,600	\$ 2,081,600
Other Revenue	\$ 491,900	\$ 510,550	\$ 523,314	\$ 536,397	\$ 549,807	\$ 563,552	\$ 577,640	\$ 592,081
Other Financing Sources	\$ 11,092,120	\$ 4,951,200	\$ 5,074,980	\$ 5,201,855	\$ 5,331,901	\$ 5,465,198	\$ 5,601,828	\$ 5,741,874
Transfers from General Fund Cash Reserves		\$ 3,210,280	\$ 4,574,356	\$ 2,983,197				
Total General Fund Revenue	\$ 64,986,810	\$ 63,455,420	\$ 65,359,083	\$ 64,313,892	\$ 61,882,885	\$ 62,441,148	\$ 63,012,758	\$ 63,598,035
Expenditures								
Legislative	\$ 2,041,140	\$ 2,033,040	\$ 2,094,031	\$ 2,156,852	\$ 2,221,558	\$ 2,288,204	\$ 2,356,851	\$ 2,427,556
Finance	\$ 4,869,370	\$ 5,054,990	\$ 5,206,640	\$ 5,362,839	\$ 5,523,724	\$ 5,689,436	\$ 5,860,119	\$ 6,035,922
Other Gen Government	\$ 2,807,150	\$ 2,701,000	\$ 2,782,030	\$ 2,865,491	\$ 2,951,456	\$ 3,039,999	\$ 3,131,199	\$ 3,225,135
Police	\$ 23,174,400	\$ 24,060,260	\$ 24,782,068	\$ 25,525,530	\$ 26,291,296	\$ 27,080,035	\$ 27,892,436	\$ 28,729,209
Fire	\$ 4,212,260	\$ 4,317,390	\$ 4,446,912	\$ 4,580,319	\$ 4,717,729	\$ 4,859,260	\$ 5,005,038	\$ 5,155,189
Building Inspection	\$ 2,169,250	\$ 2,243,190	\$ 2,310,486	\$ 2,379,800	\$ 2,451,194	\$ 2,524,730	\$ 2,600,472	\$ 2,678,486
Streets	\$ 5,359,530	\$ 5,606,460	\$ 5,774,654	\$ 5,947,893	\$ 6,126,330	\$ 6,310,120	\$ 6,499,424	\$ 6,694,406
Engineering	\$ 3,096,890	\$ 3,136,960	\$ 3,231,069	\$ 3,328,001	\$ 3,427,841	\$ 3,530,676	\$ 3,636,596	\$ 3,745,694
Recreation	\$ 8,744,820	\$ 9,225,600	\$ 9,502,368	\$ 9,787,439	\$ 10,081,062	\$ 10,383,494	\$ 10,694,999	\$ 11,015,849
Library	\$ 5,002,000	\$ 5,066,530	\$ 5,218,526	\$ 5,375,082	\$ 5,536,334	\$ 5,702,424	\$ 5,873,497	\$ 6,049,702
Transfers Out	\$ 3,510,000	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941
Total General Fund Expenditures	\$ 64,986,810	\$ 63,455,420	\$ 65,359,083	\$ 67,319,855	\$ 69,339,451	\$ 71,419,634	\$ 73,562,223	\$ 75,769,090
Undesignated General Fund Cash Balance		\$ 14,312,304	\$ 9,737,948	\$ 6,754,751	\$ 6,754,751	\$ 7,141,963	\$ 7,356,222	\$ 7,576,909
Percentage GF Reserves to GF Budget		23%	15%	10%	10%	10%	10%	10%
Cuts Needed to Maintain Budget Policy				\$ 3,005,963	\$ 7,456,566	\$ 9,365,698	\$ 10,763,724	\$ 12,391,742

- As is indicated on the chart, using the Police Department as an example, budget totals remain the same for two consecutive years, and then decrease by about 5% in 2009/2010.
- It should be noted that even though totals remain the same for two years, the department's buying power would be decreased by the municipal price index of 3.5% per year. Since the vast majority of expenditures for the

department fall in the personnel services funding category, it is not inconceivable that personnel cutbacks would be a part of staying within the budget.

- Over the 6 year period, cash reserves decrease from \$14.3 million to approximately \$6.7 million

Table 2—Possible Budget Implications from Proposed Mill Rate Freeze

	2006/2007							
Description	Budget	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
General Fund Revenues								
Taxes	\$ 35,473,690	\$ 36,308,690	\$ 35,582,516	\$ 35,226,691	\$ 34,874,424	\$ 34,525,680	\$ 34,180,423	\$ 33,838,619
Business Licenses & Permits	\$ 40,000	\$ 42,000	\$ 43,050	\$ 44,126	\$ 45,229	\$ 46,360	\$ 47,519	\$ 47,519
Non-Bus. Licenses & Permits	\$ 2,019,000	\$ 1,705,500	\$ 1,748,138	\$ 1,791,841	\$ 1,836,637	\$ 1,882,553	\$ 1,929,617	\$ 1,929,617
Federal Grants	\$ 34,500	\$ 55,900	\$ 57,298	\$ 58,730	\$ 60,198	\$ 61,703	\$ 63,246	\$ 63,246
State Agencies	\$ 6,765,000	\$ 6,784,000	\$ 6,716,160	\$ 6,648,998	\$ 6,582,508	\$ 6,516,683	\$ 6,451,516	\$ 6,387,001
Contributions- Local	\$ 140,000	\$ 180,000	\$ 184,500	\$ 189,113	\$ 193,840	\$ 198,686	\$ 203,653	\$ 203,653
Charges for Services-Fees	\$ 1,271,500	\$ 1,159,000	\$ 1,187,975	\$ 1,217,674	\$ 1,248,116	\$ 1,279,319	\$ 1,311,302	\$ 1,311,302
Charges for Services-Rend.	\$ 1,642,100	\$ 1,717,500	\$ 1,760,438	\$ 1,804,448	\$ 1,849,560	\$ 1,895,799	\$ 1,943,194	\$ 1,943,194
Charges for Services-Sales	\$ 151,500	\$ 157,000	\$ 160,925	\$ 164,948	\$ 169,072	\$ 173,299	\$ 177,631	\$ 177,631
Charges for Services-Rec	\$ 3,410,200	\$ 3,565,200	\$ 3,600,852	\$ 3,636,861	\$ 3,673,229	\$ 3,709,961	\$ 3,747,061	\$ 3,784,532
Fines & Forfeits	\$ 1,012,000	\$ 1,027,000	\$ 1,052,675	\$ 1,078,992	\$ 1,105,967	\$ 1,133,616	\$ 1,161,956	\$ 1,161,956
Interest and Rents	\$ 1,443,300	\$ 2,081,600	\$ 2,039,968	\$ 1,999,169	\$ 1,959,185	\$ 1,920,002	\$ 1,881,602	\$ 1,843,970
Other Revenue	\$ 491,900	\$ 510,550	\$ 523,314	\$ 536,397	\$ 549,807	\$ 563,552	\$ 577,640	\$ 577,640
Other Financing Sources	\$ 11,092,120	\$ 4,951,200	\$ 5,074,980	\$ 5,201,855	\$ 5,331,901	\$ 5,465,198	\$ 5,601,828	\$ 5,601,828
Transfers from General Fund Cash Reserves		\$ 3,210,280	\$ 3,722,933	\$ 3,855,878				
Total General Fund Revenue	\$ 64,986,810	\$ 63,455,420	\$ 63,455,720	\$ 63,455,720	\$ 59,479,674	\$ 59,372,411	\$ 59,278,189	\$ 58,871,708
2006/2007								
Budget								
Expenditures								
Legislative	\$ 2,041,140	\$ 2,033,040	\$ 2,033,040	\$ 2,033,040	\$ 1,934,722	\$ 1,836,525	\$ 1,836,525	\$ 1,823,502
Finance	\$ 4,869,370	\$ 5,054,990	\$ 5,054,990	\$ 5,054,990	\$ 4,810,150	\$ 4,715,310	\$ 4,715,310	\$ 4,682,932
Other Gen Government	\$ 2,807,150	\$ 2,701,000	\$ 2,701,000	\$ 2,701,000	\$ 2,569,637	\$ 2,438,306	\$ 2,406,496	\$ 2,389,199
Police	\$ 23,174,400	\$ 24,060,260	\$ 24,060,260	\$ 23,009,410	\$ 22,107,787	\$ 22,962,855	\$ 23,090,217	\$ 22,935,968
Fire	\$ 4,212,260	\$ 4,317,390	\$ 4,317,390	\$ 4,217,390	\$ 4,002,803	\$ 4,049,803	\$ 4,049,803	\$ 4,022,184
Building Inspection	\$ 2,169,250	\$ 2,243,190	\$ 2,243,190	\$ 2,243,190	\$ 2,131,431	\$ 2,019,672	\$ 1,993,287	\$ 1,978,940
Streets	\$ 5,359,530	\$ 5,606,460	\$ 5,606,460	\$ 5,606,460	\$ 5,326,630	\$ 5,246,800	\$ 5,180,861	\$ 5,145,006
Engineering	\$ 3,096,890	\$ 3,136,960	\$ 3,136,960	\$ 3,136,960	\$ 2,985,256	\$ 2,833,552	\$ 2,796,597	\$ 2,776,502
Recreation	\$ 8,744,820	\$ 9,225,600	\$ 9,225,600	\$ 9,225,600	\$ 8,779,447	\$ 8,533,294	\$ 8,533,294	\$ 8,474,197
Library	\$ 5,002,000	\$ 5,066,530	\$ 5,066,530	\$ 5,066,530	\$ 4,821,511	\$ 4,726,492	\$ 4,666,806	\$ 4,634,351
Transfers Out	\$ 3,510,000	\$ 10,000	\$ 10,300	\$ 10,300	\$ 10,300	\$ 9,802	\$ 8,993	\$ 8,927
Total General Fund Expenditures	\$ 64,986,810	\$ 63,455,420	\$ 63,455,720	\$ 62,304,870	\$ 59,479,674	\$ 59,372,411	\$ 59,278,189	\$ 58,871,708

Undesignated General Fund Cash Balance \$ 14,312,304 \$ 10,589,371 \$ 6,733,493 \$ 6,733,493 \$ 6,733,493 \$ 6,733,493 \$ 6,733,493 \$ 6,733,493

Percentage GF Reserves to GF Budget 22.6% 16.7% 10.8% 11.3% 11.3% 11.4% 11.4%

Capital Construction Fund:

The other part of the property tax mill levy freeze would involve the Capital Construction Fund. This account is funded by a 1.6 mill property tax levy, state and federal grants, contributions from the county road fund, charges for service, primarily through the sidewalk replacement fund, drug forfeiture funds, interest on idle funds, and operating transfers from the Major Street and Special Assessment fund, and from re-appropriation of fund balance of the fund.

Again, tables were prepared showing potential impacts on the Capital Construction Fund should the property tax mill levy be ratified.

Table 3

- Property tax revenues start to decrease based on declining property values
- Already approved federal grants increase from the 2009 through the remainder of the study period.
- Operating transfers in continue at stable trends even though shared revenue funds are showing signs of declining.
- On the expenditure side, staff put a higher priority on construction of hike and bike trails since that was the highest priority listed in the approved Park and Open Space Plan adopted by the council.
- The majority of the funding over the next six years goes for road reconstruction. Even at \$73.8 million, the amount is insufficient to keep road conditions at satisfactory levels.
- Departmental capital outlay is indicated at about 56% of past yearly totals

Table 4

- Chart 4 is probably more realistic in the property tax revenue totals as it reflects less funding as a result of reduced property values.
- Already approved federal grants increase from the 2009 through the remainder of the study period.
- Operating transfers in continue at stable trends even through shared revenue funds are showing signs of declining
- On the expenditure side, total funds decrease by about \$7 million from Chart 3. Projected expenditures for streets are reduced by approximately \$3 million dollars and funding for park development is decreased by approximately \$2.4 million.

Legal Considerations:

- It is virtually impossible that the Charter Revision Committee can meet to formulate language, and that the language can be approved by the

Table 3
Possible Impact of Mill Rate Freeze on Capital Construction Fund

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	Totals	
Revenues										
Taxes	8,291,000	8,440,000	8,271,200	8,188,488	8,106,603	8,025,537	7,945,282	7,865,829	48,402,939	
Federal Grants	305,000			2,200,000	2,650,000	2,590,000	759,800	759,800	8,959,600	
State Grants	1,409,000	4,219,000	459,000						459,000	
Contributions-Local		245,000							-	
Charges for Service	150,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	450,000	
Fines and Forfeitures		246,180							-	
Interest and Rents	607,200	807,200	650,000	650,000	650,000	650,000	650,000	650,000	3,900,000	
Other Revenue	335,260		150,000	150,000	150,000	150,000	150,000	150,000	900,000	
Operating Transfer In	14,907,000	15,709,560	12,000,000	11,500,000	11,615,000	11,731,150	11,848,462	11,966,946	70,661,558	
									-	
Total Revenues	26,004,460	29,741,940	21,605,200	22,763,488	23,246,603	23,221,687	21,428,543	21,467,575	133,733,096	
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	Cumulative	Annual
Expenditures									Totals	Average
Departmental Capital Outlay	10,980,330	6,216,010	2,531,200	3,443,488	3,771,603	4,116,687	4,074,543	3,132,575	21,070,096	3,511,683
City Hall Improvements	2,078,000	4,288,000	750,000	1,000,000	500,000	250,000	250,000	250,000	3,000,000	500,000
Major Roads	6,415,700	10,150,000	9,959,000	10,000,000	10,500,000	10,350,000	8,519,000	9,500,000	58,828,000	9,804,667
Local Roads	2,061,630	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	15,000,000	2,500,000
Sidewalks	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	3,600,000	600,000
Drains	370,000	1,000,000	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000	500,000
Drains-Debt Service	255,830	260,930	265,000	270,000	275,000	280,000	285,000	285,000	1,660,000	276,667
Parks Development	736,320	2,896,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	12,000,000	2,000,000
Fire Vehicles	800,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	2,400,000	400,000
Subdivision Improvements	996,000	850,000	800,000	800,000	800,000	800,000	800,000	800,000	4,800,000	800,000
Library/Museum Improv.	710,650	581,000	550,000	500,000	650,000	675,000	750,000	750,000	3,875,000	645,833
Hike and Bike Trails			750,000	750,000	750,000	750,000	750,000	750,000	4,500,000	750,000
Total Capital Expenditures	26,004,460	29,741,940	21,605,200	22,763,488	23,246,603	23,221,687	21,428,543	21,467,575	133,733,096	22,288,849
Cash Balance	1,626,900	1,626,900	1,626,900	1,626,900	1,626,900	1,626,900	1,626,900	1,626,900		

Attorney General for the November election. The first time that the question could be put on the ballot would be sometime in 2008.

- The city is already subject to the Headlee Amendment which requires local voter approval for increasing tax rates above the rates authorized by law or Charter; and, requires rolling back or decreasing millage rates so the total amount of taxes paid on existing property increases by no more than the rate of inflation during periods when property values increase by more than the rate of inflation. It should be noted that the City is levying .4

of foreclosed homes—usually at depressed prices—to be part of the mix in figuring assessments, a move that could help drive down property assessments in some communities as much as 8%”.

- The city is also subject to Proposal A which defined a special class of property—Homestead. Homestead is treated differently than the other classes of property as these properties are exempt from the local school tax of 18 mills. No other class has this exemption. Schools were provided with state funds, generated by the state sales tax to offset the loss of property tax revenues.

Policy Considerations:

- The city’s property tax levy was 9.48 mills from 1996 through 2001, was decreased to 9.45 mills from 2002 through 2005, and was decreased to 9.43 mills in 2006. The Council recently lowered the mill rate to 9.28 mills by reducing the Refuse and Recycling millage by .15 mills. While the assessed value of properties grew, so did the local, regional and national economies. While the city was holding mill levies fairly constant, the state legislature was busy mandating new programs without funding, and reducing the city’s shared revenues by over \$8 million dollars over the past 8 years. The legislature continued their pattern of usurping Home Rule statutes by imposing laws that reduce local control of rights-of-way and lowering cable television franchise fees commensurately.
- Through all of these reductions in funding and constant mill rates, staff has continued to provide excellent services, maintain extraordinary bond ratings, and win budgeting and comprehensive annual financial reporting awards for the last 10 years. The most significant fact is that General Fund expenditures for 2006-2007 were reduced by 2.4%
- The further the city gets behind in maintaining infrastructure, the more chance there is that at some point in time, the city will have to consider issuing bonds to make essential upgrades. As example of potential fiscal impacts of bond issuance to pay for infrastructure, a \$30 million dollar bond issue with an amortization period of 25 years could carry a total repayment cost of approximately \$56 million. The most deleterious part of a bond issue to pay for capital improvements is that the infrastructure will be worn out and need replacement prior to the time the debt on the bonds is paid.
- The most logical question to ask is what impact local property taxes have on personal income. Are city property taxes at such exorbitant levels that they cause a burden to home and property owners? Table 5 shows the impacts of ad valorem property taxes on typical Troy taxpayers. Table 5 shows the total impact of the city’s levy of 9.28 mills on properties of various values. Annual property taxes range from \$601 for properties valued at \$150,000 to \$2,606.43 for properties valued at \$650,000. Using a real estate industry standard formula for purchasing a residence that states that families can usually afford to pay 25% of their gross incomes

for house payments, staff has calculated that the typical property in Troy uses about 1.4% of annual income for payment of property taxes levied by the City of Troy.

- There still seems to be some confusion as to what taxes are being paid by property owners in Troy. Most people look at their tax statement and since it comes from the City of Troy make an assumption that Troy gets all of the taxes that have to be paid. **In reality, the city gets about 26.5% of taxes paid.** Other taxing entities that get a various percentage of tax dollars include:
 - The Troy School District at 27.2%;
 - Oakland County government at 13.3%;
 - Oakland Community College at 4.5%;
 - The Intermediate School District at 9.6%;
 - S.M.A.R.T at 1.7%; and,
 - State Education at 17.2% of the total tax bill.
- **This breakdown means that education gets 58.5% of all funds collected. It also means that of the total tax bill, 73.5% goes to other taxing entities that have operations inside the City of Troy.**
- The truest policy decision should focus on the legacy that the City Council will leave to the City of Troy if this amendment should pass. There are those who advocate the political ideology that cutting taxes will starve the beast—the beast being government. Those who follow this ideology advocate spending government funds on only certain priorities, even though citizen surveys indicate that people have expectations of the best service possible and who want a comprehensive city at a low price. Over many years, city staff has done a phenomenal job in maintaining peak service delivery within the funds that have been appropriated. This has been proven time and time again by citizen surveys that show over 94% of those citizens responding feel that services are good to excellent. Staff has shown that there are about \$459 million dollars in unfunded capital improvements that should be done over the next 20 years. The answer to solving this challenge does not come in cutting taxes. It comes with careful fiscal planning and in discussions with the property owners of Troy.
- Staff has attached several spreadsheets showing the true impact of property taxes on property owners. The first, Table 5, shows the impact of all 9.28 mills on Troy property owners. The average value of a single family house in Troy is about \$300,000. This means that the owner of a property valued at \$300,000 pays \$1,202.97 in City of Troy taxes, or about \$3.30 per day.
- Table 6 shows property tax impact removing the Refuse and Recycling mill rate. The owner of property valued at \$300,000 would pay \$1,114.83 in property taxes, or about \$3.05 per day.
- Table 7 shows the impact of only those programs, projects and functions that are a part of the General Fund. The 6.50 mills that pays for such

services as Police, Fire, streets, parks and recreation, library/museum, administration, etc. costs the owner of a \$300,000 property \$842.60 per year, or about \$2.31 per day.

- Table 8 shows the impact of the Capital Construction Fund on property owners in the City. The owner of property valued at \$300,000 pays about \$207.41, or about 57 cents per day for capital construction projects.

In conclusion, staff hopes that Council shares the same pride that we do in the fact that we are rated (just to name a few):

- The fifth safest city in the United States with a population over 75,000
- The second highest rated library in the State
- The third ranked motor pool in North America
- One of five entrepreneurial cities in Michigan as rated by the University in Michigan
- The third highest assessed valuation in the state (it should be noted that we were second, but Sterling Heights has moved past Troy)
- One of three governmental units in Michigan and one of 60 organizations nationwide that maintains a AAA bond rating from all bond rating agencies
- Recipient of 8 straight Budgeting Awards given by the Government Finance Officers Association
- Recipient of 10 straight Comprehensive Annual Financial Report Awards given by the Government Finance Officers Association

The previous awards were listed solely to show that it takes resources that are provided by the home and business owners of the community to make a model city. The awards also point out that the City of Troy has one of the most conscientious, hard working and dedicated staffs of any city in the United States. City staff understands that there are economic challenges and fully understands that close scrutiny has to be given to each and every expenditure. Staff has an extremely significant stake in the future of the community and we take our jobs very seriously.

The economy, demographics and the general nature of this community, region and state will continue to change. While the future seems uncertain, the Council has to concentrate on policies that set the pathways to the future by focusing on developing plans and policies that are flexible enough to meet the next series of changes that will face Troy. Now is the time to understand that government or business, interest groups or other interested parties cannot individually meet the challenges of the future. Instead, if this city, region and state are going to succeed, all interested parties will have to form partnerships that find the way to the future.

Other states have tried property tax freezes through such initiatives as the Taxpayers Bill of Rights (TABOR) in Colorado and Proposition 13 in California and have seen disastrous results in terms of maintaining infrastructure. The

Colorado Department of Transportation has stated that they can no longer afford to build new roadways and has taken a stance of road maintenance only. The results have been that all new expressways in the Denver Metropolitan area are now toll roads. As an example of new fees without public input, E470 that circles the east side of Denver from Thornton to Parker, a distance of 42 miles costs \$9.75 (one-way), which is about 3 days of property tax payments for the owner of a \$300,000 home in Troy. Additionally, the voters of Colorado also had to vote to suspend TABOR for three years in order to give CDOT adequate funding to fix major highways in the state.

Michigan Futures completed a study that provides insight as to providing a near term and longer term roadmap to the future for the State. The most serious of the principles states that “an investment in higher education, research and innovation, while providing our institutions with the capacity to become more agile and market smart”. **The report also indicates that tax reductions are not the key to the future**

**Table 5
Total City of Troy Property Tax Impact**

Property Value	\$ 150,000	\$ 175,000	\$ 200,000	\$ 250,000	\$ 275,000	\$ 300,000	\$ 350,000	\$ 400,000	\$ 450,000	\$ 500,000	\$ 650,000
Assessment Ratio	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%
Taxable Value	\$ 64,815	\$ 75,618	\$ 86,420	\$ 108,025	\$ 118,828	\$ 129,630	\$ 151,235	\$ 172,840	\$ 194,445	\$ 216,050	\$ 280,865
City Property Tax Rate (2006-07)	0.00928	0.00928	0.00928	0.00928	0.00928	0.00928	0.00928	0.00928	0.00928	0.00928	0.00928
Annual Property Taxes-City Only	\$ 601.48	\$ 701.73	\$ 801.98	\$ 1,002.47	\$ 1,102.72	\$ 1,202.97	\$ 1,403.46	\$ 1,603.96	\$ 1,804.45	\$ 2,004.94	\$ 2,606.43
Monthly Property Tax Equivalent	\$ 50.12	\$ 58.48	\$ 66.83	\$ 83.54	\$ 91.89	\$ 100.25	\$ 116.96	\$ 133.66	\$ 150.37	\$ 167.08	\$ 217.20
Daily Property Tax Equivalent	\$ 1.65	\$ 1.92	\$ 2.20	\$ 2.75	\$ 3.02	\$ 3.30	\$ 3.85	\$ 4.39	\$ 4.94	\$ 5.49	\$ 7.14
Daily Cost/Person Tax Equiv.	\$ 0.61	\$ 0.71	\$ 0.82	\$ 1.02	\$ 1.12	\$ 1.23	\$ 1.43	\$ 1.63	\$ 1.84	\$ 2.04	\$ 2.65
Est. Monthly House Payment	\$ 900	\$ 1,050	\$ 1,200	\$ 1,500	\$ 1,650	\$ 1,800	\$ 2,100	\$ 2,400	\$ 2,700	\$ 3,000	\$ 3,900
Est. Yearly House Payment	\$ 10,800	\$ 12,600	\$ 14,400	\$ 18,000	\$ 19,800	\$ 21,600	\$ 25,200	\$ 28,800	\$ 32,400	\$ 36,000	\$ 46,800
Est. Annual Household Income	\$ 43,200	\$ 50,000	\$ 57,600	\$ 72,000	\$ 80,000	\$ 86,400	\$ 100,000	\$ 115,200	\$ 129,600	\$ 144,000	\$ 187,200
% of Income for House Payment	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Percent Property Taxes of Annual Income	1.39%	1.40%	1.39%	1.39%	1.38%	1.39%	1.40%	1.39%	1.39%	1.39%	1.39%
Examples of Service Costs--Daily Basis											
Daily Cost of Police Protection	0.26	0.31	0.35	0.44	0.48	0.53	0.62	0.70	0.79	0.88	1.14
Daily Cost of Fire Protection	0.04	0.05	0.05	0.07	0.07	0.08	0.09	0.11	0.12	0.13	0.17
Daily Cost of Library/Museum	0.06	0.07	0.08	0.10	0.11	0.12	0.13	0.15	0.17	0.19	0.25
Daily Cost of Parks & Rec	0.10	0.12	0.13	0.16	0.18	0.20	0.23	0.26	0.30	0.33	0.43
Daily Cost of Administration	0.02	0.03	0.03	0.04	0.04	0.05	0.05	0.06	0.07	0.08	0.10
Total Cost of All General Fund	\$ 0.74	\$ 0.87	\$ 0.99	\$ 1.24	\$ 1.36	\$ 1.48	\$ 1.73	\$ 1.98	\$ 2.22	\$ 2.47	\$ 3.21

Table 6—Property Tax For Services Excluding Refuse and Recycling Fund

Property Value	\$ 150,000	\$ 175,000	\$ 200,000	\$ 250,000	\$ 275,000	\$ 300,000	\$ 350,000	\$ 400,000	\$ 450,000	\$ 500,000	\$ 650,000
Assessment Ratio	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%
Taxable Value	\$ 64,815	\$ 75,618	\$ 86,420	\$ 108,025	\$ 118,828	\$ 129,630	\$ 151,235	\$ 172,840	\$ 194,445	\$ 216,050	\$ 280,865
City Property Tax Rate (2006-07)	0.0086	0.0086	0.0086	0.0086	0.0086	0.0086	0.0086	0.0086	0.0086	0.0086	0.0086
Annual Property Taxes-City Only	\$ 557.41	\$ 650.31	\$ 743.21	\$ 929.02	\$ 1,021.92	\$ 1,114.82	\$ 1,300.62	\$ 1,486.42	\$ 1,672.23	\$ 1,858.03	\$ 2,415.44
Monthly Property Tax Equivalent	\$ 46.45	\$ 54.19	\$ 61.93	\$ 77.42	\$ 85.16	\$ 92.90	\$ 108.39	\$ 123.87	\$ 139.35	\$ 154.84	\$ 201.29
Daily Property Tax Equivalent	\$ 1.53	\$ 1.78	\$ 2.04	\$ 2.55	\$ 2.80	\$ 3.05	\$ 3.56	\$ 4.07	\$ 4.58	\$ 5.09	\$ 6.62
Daily Cost/Person Tax Equiv.	\$ 0.57	\$ 0.66	\$ 0.76	\$ 0.95	\$ 1.04	\$ 1.14	\$ 1.32	\$ 1.51	\$ 1.70	\$ 1.89	\$ 2.46
Est. Monthly House Payment	\$ 900	\$ 1,050	\$ 1,200	\$ 1,500	\$ 1,650	\$ 1,800	\$ 2,100	\$ 2,400	\$ 2,700	\$ 3,000	\$ 3,900
Est. Yearly House Payment	\$ 10,800	\$ 12,600	\$ 14,400	\$ 18,000	\$ 19,800	\$ 21,600	\$ 25,200	\$ 28,800	\$ 32,400	\$ 36,000	\$ 46,800
Est. Annual Household Income	\$ 43,200	\$ 50,000	\$ 57,600	\$ 72,000	\$ 80,000	\$ 86,400	\$ 100,000	\$ 115,200	\$ 129,600	\$ 144,000	\$ 187,200
% of Income for House Payment	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Percent Property Taxes of Annual Income	1.29%	1.30%	1.29%	1.29%	1.28%	1.29%	1.30%	1.29%	1.29%	1.29%	1.29%
Examples of Service Costs--Daily Basis											
Daily Cost of Police Protection	0.24	0.29	0.33	0.41	0.45	0.49	0.57	0.65	0.73	0.81	1.06
Daily Cost of Fire Protection	0.04	0.04	0.05	0.06	0.07	0.07	0.09	0.10	0.11	0.12	0.16
Daily Cost of Library/Museum	0.05	0.06	0.07	0.09	0.10	0.11	0.12	0.14	0.16	0.18	0.23
Daily Cost of Parks & Rec	0.09	0.11	0.12	0.15	0.17	0.18	0.21	0.24	0.27	0.31	0.40
Daily Cost of Administration	0.02	0.02	0.03	0.04	0.04	0.04	0.05	0.06	0.06	0.07	0.09
Total Cost of All General Fund	\$ 0.69	\$ 0.80	\$ 0.92	\$ 1.15	\$ 1.26	\$ 1.37	\$ 1.60	\$ 1.83	\$ 2.06	\$ 2.29	\$ 2.98

Table 7
Property Tax Impact of Services Funding in the General Fund

Property Value	\$ 150,000	\$ 175,000	\$ 200,000	\$ 250,000	\$ 275,000	\$ 300,000	\$ 350,000	\$ 400,000	\$ 450,000	\$ 500,000	\$ 650,000
Assessment Ratio	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%
Taxable Value	\$ 64,815	\$ 75,618	\$ 86,420	\$ 108,025	\$ 118,828	\$ 129,630	\$ 151,235	\$ 172,840	\$ 194,445	\$ 216,050	\$ 280,865
City Property Tax Rate (2006-07)	0.0065	0.0065	0.0065	0.0065	0.0065	0.0065	0.0065	0.0065	0.0065	0.0065	0.0065
Annual Property Taxes-City Only	\$ 421.30	\$ 491.51	\$ 561.73	\$ 702.16	\$ 772.38	\$ 842.60	\$ 983.03	\$ 1,123.46	\$ 1,263.89	\$ 1,404.33	\$ 1,825.62
Monthly Property Tax Equivalent	\$ 35.11	\$ 40.96	\$ 46.81	\$ 58.51	\$ 64.36	\$ 70.22	\$ 81.92	\$ 93.62	\$ 105.32	\$ 117.03	\$ 152.14
Daily Property Tax Equivalent	\$ 1.15	\$ 1.35	\$ 1.54	\$ 1.92	\$ 2.12	\$ 2.31	\$ 2.69	\$ 3.08	\$ 3.46	\$ 3.85	\$ 5.00
Daily Cost/Person Tax Equiv.	\$ 0.43	\$ 0.50	\$ 0.57	\$ 0.72	\$ 0.79	\$ 0.86	\$ 1.00	\$ 1.14	\$ 1.29	\$ 1.43	\$ 1.86
Est. Monthly House Payment	\$ 900	\$ 1,050	\$ 1,200	\$ 1,500	\$ 1,650	\$ 1,800	\$ 2,100	\$ 2,400	\$ 2,700	\$ 3,000	\$ 3,900
Est. Yearly House Payment	\$ 10,800	\$ 12,600	\$ 14,400	\$ 18,000	\$ 19,800	\$ 21,600	\$ 25,200	\$ 28,800	\$ 32,400	\$ 36,000	\$ 46,800
Est. Annual Household Income	\$ 43,200	\$ 50,000	\$ 57,600	\$ 72,000	\$ 80,000	\$ 86,400	\$ 100,000	\$ 115,200	\$ 129,600	\$ 144,000	\$ 187,200
% of Income for House Payment	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Percent Property Taxes of Annual Income	0.98%	0.98%	0.98%	0.98%	0.97%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%
Examples of Service Costs--Daily Basis											
Daily Cost of Police Protection	0.18	0.22	0.25	0.31	0.34	0.37	0.43	0.49	0.55	0.62	0.80
Daily Cost of Fire Protection	0.03	0.03	0.04	0.05	0.05	0.06	0.06	0.07	0.08	0.09	0.12
Daily Cost of Library/Museum	0.04	0.05	0.05	0.07	0.07	0.08	0.09	0.11	0.12	0.13	0.18
Daily Cost of Parks & Rec	0.07	0.08	0.09	0.12	0.13	0.14	0.16	0.18	0.21	0.23	0.30
Daily Cost of Administration	0.02	0.02	0.02	0.03	0.03	0.03	0.04	0.04	0.05	0.05	0.07
Total Cost of All General Fund	\$ 0.52	\$ 0.61	\$ 0.69	\$ 0.87	\$ 0.95	\$ 1.04	\$ 1.21	\$ 1.39	\$ 1.56	\$ 1.73	\$ 2.25

Table 8
Property Tax Impact of the Capital Construction Fund

Property Value	\$ 150,000	\$ 175,000	\$ 200,000	\$ 250,000	\$ 275,000	\$ 300,000	\$ 350,000	\$ 400,000	\$ 450,000	\$ 500,000	\$ 650,000
Assessment Ratio	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%	43.21%
Taxable Value	\$ 64,815	\$ 75,618	\$ 86,420	\$ 108,025	\$ 118,828	\$ 129,630	\$ 151,235	\$ 172,840	\$ 194,445	\$ 216,050	\$ 280,865
City Property Tax Rate (2006-07)	0.0016	0.0016	0.0016	0.0016	0.0016	0.0016	0.0016	0.0016	0.0016	0.0016	0.0016
Annual Property Taxes-City Only	\$ 103.70	\$ 120.99	\$ 138.27	\$ 172.84	\$ 190.12	\$ 207.41	\$ 241.98	\$ 276.54	\$ 311.11	\$ 345.68	\$ 449.38
Monthly Property Tax Equivalent	\$ 8.64	\$ 10.08	\$ 11.52	\$ 14.40	\$ 15.84	\$ 17.28	\$ 20.16	\$ 23.05	\$ 25.93	\$ 28.81	\$ 37.45
Daily Property Tax Equivalent	\$ 0.28	\$ 0.33	\$ 0.38	\$ 0.47	\$ 0.52	\$ 0.57	\$ 0.66	\$ 0.76	\$ 0.85	\$ 0.95	\$ 1.23
Daily Cost/Person Tax Equiv.	\$ 0.11	\$ 0.12	\$ 0.14	\$ 0.18	\$ 0.19	\$ 0.21	\$ 0.25	\$ 0.28	\$ 0.32	\$ 0.35	\$ 0.46
Est. Monthly House Payment	\$ 900	\$ 1,050	\$ 1,200	\$ 1,500	\$ 1,650	\$ 1,800	\$ 2,100	\$ 2,400	\$ 2,700	\$ 3,000	\$ 3,900
Est. Yearly House Payment	\$ 10,800	\$ 12,600	\$ 14,400	\$ 18,000	\$ 19,800	\$ 21,600	\$ 25,200	\$ 28,800	\$ 32,400	\$ 36,000	\$ 46,800
Est. Annual Household Income	\$ 43,200	\$ 50,000	\$ 57,600	\$ 72,000	\$ 80,000	\$ 86,400	\$ 100,000	\$ 115,200	\$ 129,600	\$ 144,000	\$ 187,200
% of Income for House Payment	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Percent Property Taxes of Annual Income	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%
Examples of Service Costs--Daily Basis											
Daily Cost of Police Protection	0.05	0.05	0.06	0.08	0.08	0.09	0.11	0.12	0.14	0.15	0.20
Daily Cost of Fire Protection	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.03
Daily Cost of Library/Museum	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.04
Daily Cost of Parks & Rec	0.02	0.02	0.02	0.03	0.03	0.03	0.04	0.05	0.05	0.06	0.07
Daily Cost of Administration	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02
Total Cost of All General Fund	\$ 0.13	\$ 0.15	\$ 0.17	\$ 0.21	\$ 0.23	\$ 0.26	\$ 0.30	\$ 0.34	\$ 0.38	\$ 0.43	\$ 0.55