



CITY COUNCIL ACTION REPORT

May 5, 2009

TO: John Szerlag, Acting City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance & Administration

SUBJECT: Adoption of the 2009/10 Annual City Budget

Attached is a resolution to formally adopt the 2009/10 annual City budget, per discussions at the April 27, 2009 and May 4, 2009 special City Council meetings.

The Minutes of the May 4, 2009 special Council meeting contain amendments to the proposed annual City budget. City Council directed City Management to make one monetary change to the budget, and that was to increase Capital Fund local road construction from \$2,363,000 to \$3,000,000. This was accomplished by reducing the reserve funding for Civic Center improvements by \$637,000, leaving \$1,113,000 in reserve for those projects.

Other changes to the budget document were to the capital improvement budget policies language.

The budget resolution reflects a total millage rate of 9.28. Final millage rate requirements can be summarized as follows:

General Operating	6.50
Capital	1.53
Refuse	0.75
Debt	<u>0.50</u>
Total Millage Rate	<u>9.28</u>

Final inserts reflecting changes made to the proposed budget document will be prepared and submitted to City Council at the first meeting in June.

It is recommended that City Council approve the 2009/10 annual City budget.

A Special Meeting of the Troy City Council was held Monday, May 4, 2009, at City Hall, 500 W. Big Beaver Road. Mayor Schilling called the Meeting to order at 7:30 PM.

ROLL CALL

PRESENT: Mayor Louise E. Schilling
Robin E. Beltramini
Cristina Broomfield
David Eisenbacher
Wade Fleming
Mary Kerwin

ABSENT: Mayor Pro Tem Martin Howrylak

DISCUSSION ITEM:

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- 1. Proposed Fiscal Year 2009/10 Annual Budget (Available for review at the City Clerk's Office, City Library and on the City's website)**

John M. Lamerato, Assistant City Manager/Finance & Administration presented an overview of the *Capital Projects and Enterprise Funds*

The meeting **RECESSED** at 8:59 PM.

The meeting **RECONVENED** at 9:11 PM.

Budget Wrap-up

Consensus of Council to increase Local Road funding up to three million dollars and have Administration determine which Capital Improvement Project can be reduced to provide the necessary funds.

Council Member Bloomfield requested that Longevity and Vehicle Allowances be discussed further during the Council's Budgeting for Outcome sessions. Council Members Eisenbacher and Fleming agreed that looking at a potential reduction in these areas would be desirable over staff lay-offs.

Council Member Eisenbacher requested that the first check mark on page 21 of the Budget Policies be amended to indicate that capital investments will be considered for enhancement when there is an ability to leverage the city's assets and prioritize improvements when there are matching funds available. On Page 20 first check mark under Capital Improvement Budget Policies be amended by striking enhancement and replace with maintain.

Council Member Beltramini requested that the city have dialog with the residents to ascertain if the citizen's visions are the same as the Council's and then champion their help with the process. Mayor Schilling noted that some people will not participate in dialogs, but would rather complete a survey. She suggested a combination of dialogs and a survey.

Council Member Kerwin indicated that the Council needs to urge the State and County to support local issues.

Council Member Broomfield reminded Council of Mayor Pro Tem Howrylak's concern to have the \$250,000 earmarked from the Budget Stabilization Account to be transferred over to the Undesignated Fund. Administration indicated it appeared to be the Council's consensus to move forward with the \$250,000 as budgeted and then after the audit, consider a possible transfer as a budget amendment.

PUBLIC COMMENT:

Public comment received from:

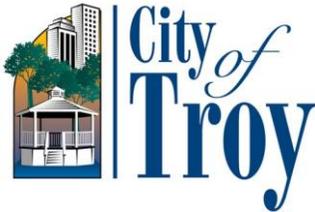
David Ashland
Marvin Reinhardt

ADJOURNMENT

The meeting **ADJOURNED** at 10:24 PM.

Louise E. Schilling, Mayor

Tonni L. Bartholomew, MMC
City Clerk



In recent years changing conditions and fiscal capacities combined with the demand for increased services have forced a reassessment of the role played by local governmental units.

Public officials are charged with the responsibility of ensuring that services are provided within acceptable levels of cost and, when required, seeking alternative methods of financing.

The budgetary process allows for accumulation of financial and performance information relative to these services. It provides the opportunity to analyze and debate the merits of each service as well as to make decisions about the level and cost of the services to be provided.

This budget continues the conservative spending approach that residents of Troy expect from City government. This document also assists our efforts to make the operations of the City more efficient, less costly, and more importantly, to target available resources to functions according to City Council priority rating.

- **Financial Policies**

The City of Troy's financial policies compiled at right set forth basic tenets for overall fiscal management of the City. These policies provide a framework of decision making for City Council and Administration. They should enforce any policy choice, regardless of changing circumstances and conditions.

These policies provide guidelines for evaluating current activities as well as proposals for future programs.

- ✓ The budget process involves personnel and management areas of long-term importance: enhance the livability and safety of the community; maintain or upgrade infrastructure and quality of life venues; and rebuild reflecting the values of the community.
- ✓ Expansion of existing service programs or addition of a new service program is only considered in the proposed budget when a revenue source can support all of the ongoing cost, or when the requesting department can identify an existing service which can be reduced or eliminated. Programs financed with grant money shall be budgeted in special funds and, when grant revenues are reduced or eliminated, the service program shall be adjusted accordingly.
- ✓ The City will maintain a budgetary control system to ensure adherence to the budget and prepare monthly reports comparing actual revenues and expenditures to budgeted amounts. The City will report its financial performance quarterly.
- ✓ The City will monitor departmental expenditures on a monthly basis to ensure conformity to budgets.
- ✓ The City stresses results, integrating performance measurement and productivity indicators with the budget.
- ✓ The City will avoid budgetary practices or procedures that balance current period expenditures at the expense of future years' revenues.



- ✓ The budget strives to provide for adequate maintenance of capital facilities and equipment, and for their orderly replacement.
- ✓ The budget will provide for adequate levels of funding for all retirement systems and other postemployment benefits.
- ✓ The City will develop and maintain accounting and budgetary control systems to adequately safeguard the assets held in public trust.
- ✓ The Operating and Capital Budgets will fully describe the major goals to be achieved and the services and programs to be delivered based upon the levels of funding anticipated or provided.
- ✓ The City will finance essential City services that have a City-wide benefit in the budget from revenue sources which are generated from a broad base, i.e. property taxes, State revenue sharing, assessments, and fees.
- ✓ The City will seek to minimize the impact in use of property tax financing by seeking alternative financing for City services that focus on user fees for responsive services; upgrading; and enhancing the property tax base.
- ✓ Special assessment financing formulas and user-fee rate structures will accurately charge the cost of service provided to the benefiting property owners and customers served while being sensitive to the needs of low-income people.

- **Revenue Policies**

- ✓ The City will make every attempt to maintain a diversified and stable revenue base to shelter it from short- or long-term fluctuations in any one revenue source.
- ✓ The City will project its annual revenues by an objective and thorough analytical process.
- ✓ The City will maintain sound appraisal procedures and practices to reflect current property values.
- ✓ The City will establish user charges and set fees for services for its enterprise funds at a level that fully supports the total direct and indirect costs of the activities. Indirect costs include the recognition of annualized depreciation of capital assets. Cash flow requirements to adequately defray bond retirement and capital outlay will become a primary determinant in the development of user charges.
- ✓ The City will follow an aggressive policy of collecting revenues.
- ✓ The City will review fees/charges annually and design or modify revenue systems to include provisions that automatically allow charges to grow at a rate that keeps pace with the cost of providing the service.

- **Reserve Policies**

The City will strive to maintain an unreserved, undesignated General Fund balance of 10 -17 % of the General Fund budget.



Funds in excess of 17 % will be transferred to the Budget Stabilization Fund or the Capital Projects Fund.

- **Accounting, Auditing, and Financial Reporting Policies**

- ✓ An independent audit will be performed annually.
- ✓ The City will produce comprehensive annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP), the body of accounting and financial reporting standards, conventions, and practices that have authoritative support from standard setting bodies such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

- **Investment Policies**

- ✓ The City will conduct a cash-flow analysis of all funds on a regular basis. Disbursement, collection, and deposit of all funds will be scheduled to insure maximum investment capabilities.
- ✓ When permitted by law, the City will pool cash from several different funds for investment purposes to maximize potential earnings.
- ✓ The City will analyze market conditions and potential investments to maximize its yield, while maintaining the integrity, diversification, and safety of the principal.
- ✓ The City's accounting system will provide regular information concerning cash position and investment performance.

- **Debt Policies**

- ✓ The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues, and where the issuance of long-term debt is required, it will pay back the bonds within a period not to exceed the expected useful life of the project.
- ✓ The City will attempt to keep the average maturity of general obligation bonds at or below 20 years.
- ✓ When possible, the City will use special assessment, revenue, tax increment, or other self-supporting bonds.
- ✓ The City will not incur long-term debt to support current operations.
- ✓ The City will maintain a sound relationship with all bond rating agencies and will keep them informed about our current capital projects.

- **Capital Improvement Budget Policies**

- ✓ Capital investments will foster Troy's goal of preserving and **enhancing maintaining** its infrastructure.
- ✓ The City will attempt to maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.
- ✓ The City will maintain the fiscal integrity of its operating debt service and capital improvement budgets in order to provide services, and construct and maintain public facilities, streets, and utilities.



2009/10
Budget

BUDGET POLICIES

- ✓ The City will implement a multi-year plan for capital improvements, with proposed funding sources, and update it annually.
- ✓ The City shall make all capital improvements in accordance with an adopted capital acquisition program.
- ✓ The City will coordinate decision-making for the Capital Improvement Budget with the Operating Budget to make effective use of the City's limited resources for operating and maintaining existing services and facilities.
- ✓ The City will use inter-governmental assistance to finance only those capital improvements that are consistent with the adopted capital improvement plan, City priorities, and for which operating and maintenance costs have been included in the operating budget.
- ✓ The City will maintain a responsible and prudent fiscal condition to minimize long-term interest expense when financing capital improvements.
- ✓ **Capital investments will be enhanced when there is the ability to leverage City assets and prioritize improvements when there are matching funds available.**
- ✓ The capital dollar threshold has been established at \$5,000.

- ***Amendment Policies***

The City Manager is authorized to transfer budgeted amounts within budgetary functions; however, any revisions that alter the total expenditure of any budgetary function must be approved by a majority of the members elect of the City Council.