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FROM THE OFFICE OF THE CITY MANAGER

April 11, 2019

To: Mayor and City Council Members

From: Mark F. Miller, City Manager
Drew Benson, Assistant to the City Manager

Subject: City Council Budget Questions & Answers – 4.11.19

The following are communications that City Administration would like Council to be made aware of. For questions or comments initiated by citizens, the answers provided in this document have also been sent to the citizens directly.

From: "David Hamilton" <David.Hamilton@troymi.gov>
Date: Thu, Apr 11, 2019 at 8:51 AM -0400
Subject: Budget Questions
To: "Mark F Miller" <Mark.Miller@troymi.gov>, "Lori G Bluhm" <BluhmLG@troymi.gov>

Where is medi-go accounted for? What is its budget for the year?

Can I get data on Troy's housing/property stock every year (addition / subtraction, gain in value, new housing, condemned housing, etc)?

Can I also get data on assessed and taxable value as far back as possible. Especially regarding residential vs business split. I'm curious to see how residential taxable and assessed value has changed over time.

The budget said there are 29 total funds for the City in the budget. I only count 28. What am I missing?

Why was empp/pepel revenue so much less than expected?

What is the 142k supply expenditure for the drug forfeiture fund?

What are all the other library revenues besides taxes? Is library millage dropping due to headlee rollback?

What is the investment income(it's negative) in the general debt fund?

What is the capital projects fund revenue breakdown (in more detail).

Is Niles Barnard house funding included with the historic village capital allocation?

Who runs each road project? Dpw, Rcoc, or mdot? Which do we just provide funding for to another agency, or actually provide our employees, or order contractors directly?

In local roads 6 year CIP- comments for concrete slab replacement says "by dpw" for asphalt pavement overlay "by engineering". What does that mean?

How much are average residential customers charged annually for water/sewer vs business/non-residential?

Sewer/water: how much specifically are we paying glwa vs our own staff or contractors?

Where are the pumping stations?m(not relevant to budget, just curious)

Fleet maintenance:

How much revenue is from other Troy departments vs external?

Assuming the 6-year capital plan is enacted, what will our total capital and infrastructure needs still be in 6 years? Does our current level of funding bring enough capital improvement to improve the condition as a net whole? Or is this just enough to tread water?

Thank you,

David Hamilton
Troy City Council Member

Where is medi-go accounted for? What is its budget for the year? – **Answers: Tom Darling, Financial Services Director**

Medigo expenditures are part of the Recreation Administration "Other Service Charges" total on page 198. The 2020 budgeted amount is \$558,040. Revenues from SMART/Medi-Go is in the Rec Division budget under Interest/Rent; \$196,729 is for medi-go the other funds are for SMART parking rent.

Can I get data on Troy's housing/property stock every year (addition / subtraction, gain in value, new housing, condemned housing, etc)? Can I also get data on assessed and taxable value as far back as possible. Especially regarding residential vs business split. I'm curious to see how residential taxable and assessed value has changed over time. **Answers: Nino Licari, City Assessor**

Attached is what I have. I had some existing spreadsheets that I was able to modify to show the information requested. There are caveats involved.

The first spreadsheet (New Loss Headlee) shows the overall New and Loss and the Headlee Millage Reduction Fraction created by same, since 1978 (the effective year of the 1976 Constitutional Amendment).

The second spreadsheet (Percent Res to CI) details the percentage of the Residential tax base compared to the rest of the roll (Commercial, Industrial and Personal Property) going back to 1953. Taxable Values are used from 1994 forward, as that is what taxes are based on from the passage of the Constitutional Amendment called Proposal A.

I had to create the third and final spreadsheet, as this data did not exist in any easily accessible format. It details the Residential class of property only, both Assessed and Taxable. It includes the parcel count, Assessed Value, loss and new, Taxable Value, loss and addition (New and Additions are different terms). The % changes in these numbers are also there.

There are some seemingly odd fluctuations in the parcel count. These are caused by reclassifications, Condominiums being overlaid on top of existing subdivisions, parcels becoming exempt, or losing their exempt status, and a failed attempt by the State Tax Commission to change some classifications (which they ultimately lost in a court battle, and switched them back).

We do not track demolitions of existing structures, so I cannot provide that information.

The most accurate new construction number is the “Additions” number in the Taxable Value section. Be aware that it includes more than just new housing. It also includes things such as decks, finished basements, the addition of air conditioning that was not previously there, new garages, sheds, new breezeways, patios, extra bathrooms, etc.

The budget said there are 29 total funds for the City in the budget. I only count 28. What am I missing?

Answers: Tom Darling, Financial Services Director

Agreed 28 funds. Revisions will be made in the final adopted version.

Why was empp/ppel revenue so much less than expected? **Answers: Tom Darling, Financial Services Director**

The exempt manufacturing personal property (empp) is funded by the Local Community Stabilization Authority (LCSA) and reimbursement is based on available funds and disbursement is formula driven. This program is administered by the County and includes empp losses on essential services, qualified losses and prorated qualified losses.

There was no reimbursement in the 2019 fiscal year for prorated qualified losses as there had been in the past. Accordingly, the City did not budget for this type of reimbursements going forward.

What is the 142k supply expenditure for the drug forfeiture fund? **Answers: Tom Darling, Financial Services Director & Frank Nastasi, Police Chief**

From a line item perspective it is as follows:

Federal Justice Funds	\$25K
Federal Treasury Funds	\$25K
State Drug Forfeiture	\$40K
Federal Drug Forfeiture	\$50K
State Criminal Forfeiture	\$ 1K
Federal Criminal Forfeiture	\$ 1K

These funds are allowed to be used for only State or Federally permissible purchases, such as supplies, training, etc.

What are all the other library revenues besides taxes? Is library millage dropping due to headlee rollback?

Answers: Tom Darling, Financial Services Director

Revenues are listed by category on page 223. The largest revenue item other than tax revenues are local contributions which includes penal fines received from Oakland County.

Yes, the Library Millage is dropping due to headlee rollback.

What is the investment income (it's negative) in the general debt fund? **Answers: Tom Darling, Financial Services Director**

The City has segregated interest income (actual cash received) from investment income (year-end adjustments to market value) to provide the reader greater detail on how investment income is generated. Market value adjustments are a temporary adjustment as of a specific date (Year-End) to recognize what a bond would sell for on that date. As interest rates increase, the market value of a bond decreases. As a bond gets closer to the maturity date, the gap between market and par decreases and as such there is no market value adjustment on the maturity date. The City in general holds on to bonds until maturity (or called by the bond issuer). Total net interest/investment income is budgeted a positive \$1K.

What is the capital projects fund revenue breakdown (in more detail). **Answers: Tom Darling, Financial Services Director**

See page 245 which provides a reasonable level of detail. Taxes at \$6.927 million (44% of total) and Transfers detailed by fund at \$7.670 million (49% of total) account for \$14.597 of the total \$15.748 million or 93% of total.

Is Niles Barnard house funding included with the historic village capital allocation? **Answers: Tom Darling, Financial Services Director**

Correct. On page 255 of the budget document the Historic Village department lists \$350,000 in General Repairs, which is allocated for the Nile-Barnard House restoration. Please be advised that this topic will be discussed further at Monday's Study Session.

Who runs each road project? Dpw, Rcoc, or mdot? Which do we just provide funding for to another agency, or actually provide our employees, or order contractors directly? **Answers: William Huotari, City Engineer**

Who manages or performs the Construction Engineering phase of the project is project specific.

- A local residential road overlay is run by the Engineering Dept.
- Most concrete slab replacement projects are managed by DPW as part of the Concrete Pavement contract.
- Federally funded projects are typically run by a consultant selected using the MDOT QBS process.
 - In the case of John R (which is an RCOC road), the RCOC offered to perform the Construction Engineering phase, thereby saving about \$2M to the project that could be used for the physical improvements.
 - **I75 is managed by MDOT and Troy has no direct cost share in the project, other than the betterments that will be coming in 2020.**

In the case of a project on an RCOC road we either share in the local match to other funds or pay the local match to federal funds if the Troy is the lead agency on the project (for example, John R).

John R – Troy is providing the local match (approx. 20% of the total construction cost) to the federal funds. RCOC is providing the CE at no cost to the project. John R was/is a priority for Troy and as such we applied for and secured the federal funds for the PE (design phase), ROW (property acquisition phase) and CON (construction phase). RCOC would have widened the road at sometime in the future, but Troy's long range plan had John R as a higher priority than the RCOC placed on it so we went after the federal funds to get it done sooner. Similar scenarios have taken place on roads such as Big Beaver, Long Lake, etc.

A typical City road (Major, Industrial or Local) the City manages the project and inspection may be done by our own field staff and/or consultant inspection, depending on overall workload, inspector availability and/or experience with whatever type of work may be included in the contract.

The projects indicated on page 274-282 are used to indicate the agency responsible for each project. Each project is indicated for the agency responsible for design, construction, and project oversight and the funding source for each project.

- MR-2. John R Road, Long Lake Road to Square Lake Road (Reconstruction and Widening)
 - Design- City of Troy, Construction- RCOC, Oversight- RCOC, Funding Source- City of Troy, RCOC, Federal
- MR-3. John R Road, Square Lake Road to South Boulevard (Reconstruction and Widening)
 - Design- City of Troy, Construction- RCOC, Oversight- RCOC, Funding Source- City of Troy, RCOC, Federal
- MR-5. Rochester Road, Barclay to Trinway (Reconstruction and Widening)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy, Federal
- MR-10. Maple Road at Rochester Road (Traffic Signal Modernization)
 - RCOC and City of Troy
- MR-11. Long Lake Road at Coolidge Highway (Traffic Signal Modernization)
 - RCOC and City of Troy
- MR-12. Coolidge Highway at Square Lake Road (Traffic Signal Modernization)
 - City of Troy
- MR-13. Coolidge Highway Under I75 (Reconstruction and Widening)
 - Design- City of Troy provides concept and MDOT designs, Construction- MDOT, Oversight- MDOT, Funding Source- MDOT – betterments paid for by City of Troy
- MR-19. Square Lake Road, Coolidge Highway to Crooks Road (Mill and Overlay)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- MR-20. Square Lake Road, Adams Road to Coolidge Highway (Mill and Overlay)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- MR-22. Coolidge Highway, Square Lake to South Boulevard (Mill and Overlay)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- MR-23. Rochester Road, Elmwood to Maple Road (Mill and Overlay)

- Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- MR-30. Oakland County Local Road Improvement Program (OCLRP)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy and Oakland County
- MR-33. Adams Road, Long Lake to Square Lake (Mill and Overlay)
 - Design- RCOC, Construction- RCOC, Oversight- RCOC, Funding Source- City of Troy & RCOC.
- MR-34. 14 Mile, John R to Dequindre (Mill and Overlay)
 - Design- RCOC, Construction- RCOC, Oversight- RCOC, Funding Source- City of Troy, Federal, RCOC, and Madison Heights
- MR-35. 14 Mile, I75 to John R (Mill and Overlay)
 - Design- RCOC, Construction- RCOC, Oversight- RCOC, Funding Source- City of Troy, Federal, RCOC, and Madison Heights
- MR-36. Stephenson, 14 Mile to Maple (Mill and Overlay)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- MR-37. Stephenson, Maple to I75 (Mill and Overlay)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- MR-45. Mini Excavator
 - City of Troy
- MR-46. Tri-Party Program
 - Design- City of Troy, Construction- City of Troy/RCOC (depends on project), Oversight- City of Troy/RCOC (depends on project), Funding Source- City of Troy, RCOC, Oakland County
- MR-49. Industrial Road Maintenance
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- MR-50. Concrete Slab Replacement (Major Roads)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- LR-1 - LR-6. Local Road Maintenance – Concrete Slab Replacement (Sections TBD)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- LR-8. Asphalt Pavement Overlay (Sec. 2, 18 & 30)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- LR-9. Asphalt Pavement Overlay (Sec. 18)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- LR-10. Asphalt Pavement Overlay (Sec. 22)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- LR-11. Asphalt Pavement Overlay (Sec. 9 & 15)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- LR-12. Asphalt Pavement Overlay (Sec. 26 & 27)

- Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy
- LR-13. Asphalt Pavement Overlay (Sec. 20 & 28)
 - Design- City of Troy, Construction- City of Troy, Oversight- City of Troy, Funding Source- City of Troy

In local roads 6 year CIP- comments for concrete slab replacement says "by dpw" for asphalt pavement overlay "by engineering". What does that mean? **Answers: William Huotari, City Engineer & Kurt Bovensiep, Public Works Director**

Concrete Slab Replacement "by DPW"

- DPW administers and manages the Concrete program for the City and thereby is responsible for concrete slab and concrete replacement projects on City Major, Industrial and Local Roads.

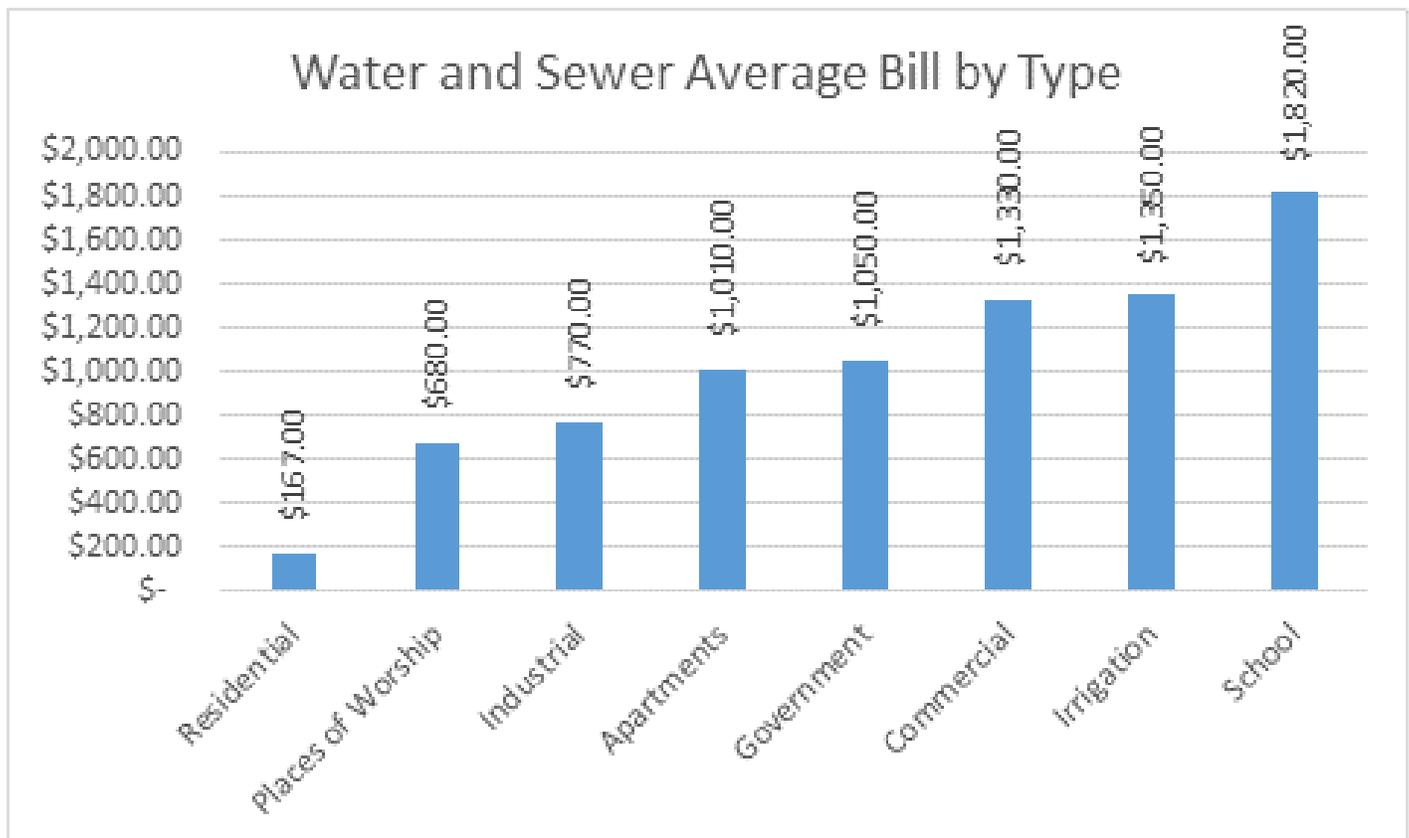
Asphalt Pavement Overlay "by Engineering"

- Asphalt pavement projects are bid out as a contract. The contract is prepared, administered and inspected by the Engineering Dept.

Although these are separate Departments, there is a very close working relationship between the two to ensure each program is successful.

How much are average residential customers charged annually for water/sewer vs business/non-residential? **Answers: Kurt Bovensiep, Public Works Director**

We were able to produce an analysis of the average water and sewer bill by type



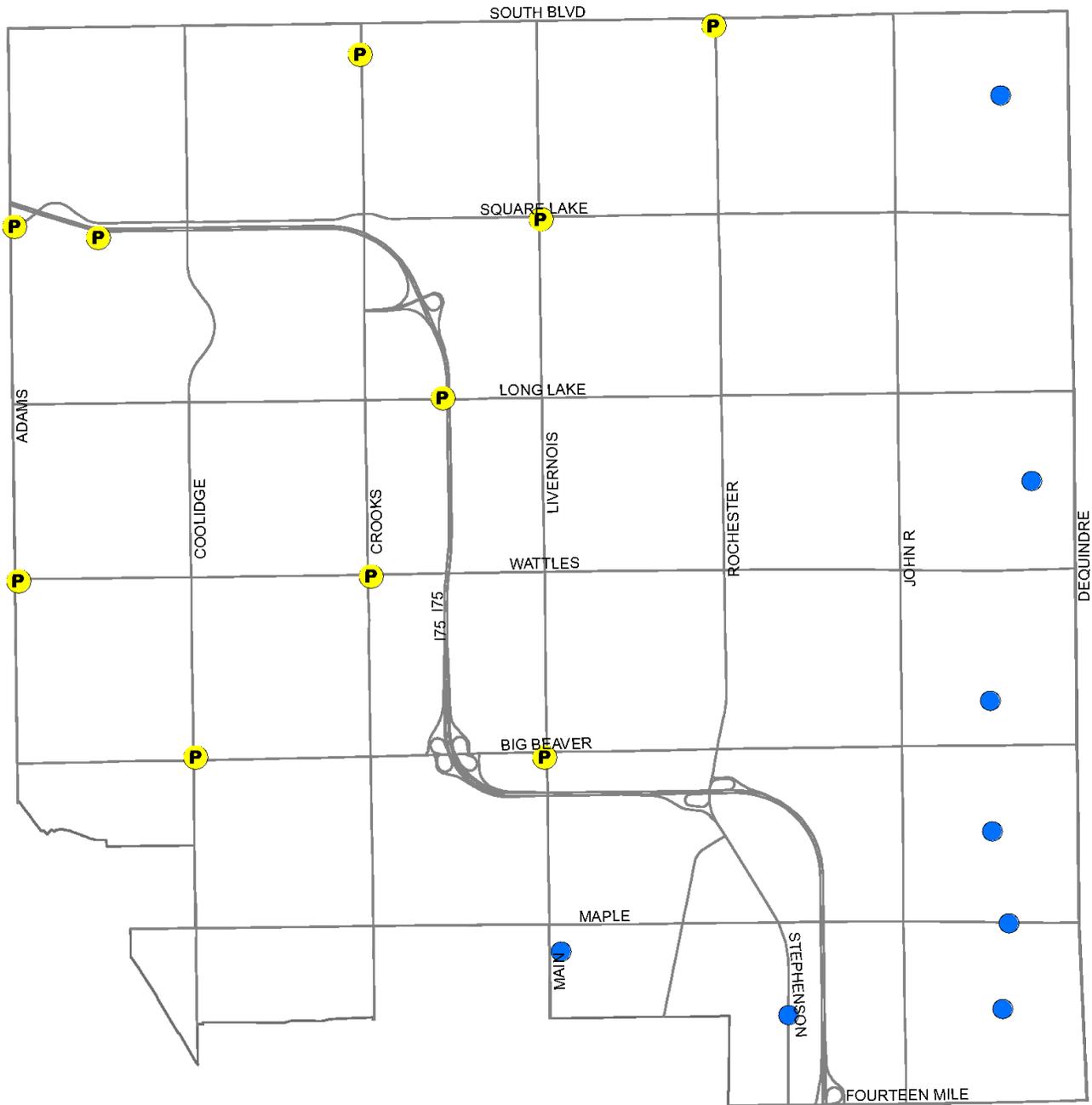
Sewer/water: how much specifically are we paying glwa vs our own staff or contractors? **Answers: Tom Darling, Financial Services Director & Kurt Bovensiep, Public Works Director**

The City of Troy purchases water from GLWA and pays OCWRC (Oakland County Water Resource Commission) for the disposal of sewage. The cost to purchase water and dispose of sewage has an estimated cost of \$25,188,300 in the 2020 Budget. The cost to operate the city's water and sewer infrastructure is budgeted at \$6,675,100. The operations cost does not include any capital investments but does include employees, contractors, equipment, and supplies.

Water Purchased for Resale (GLWA) is budgeted at \$13,774,800 (75% of budgeted operating costs) for 2020. Sewage Disposal Fees (OCWRC) is budgeted at \$10,950,000 (81% of budgeted operating costs) for 2020.

Where are the pumping stations? (not relevant to budget, just curious) **Answers: Kurt Bovensiep, Public Works Director**

See map below



Legend

- P Pressure Reducing Valve
- Sewer Lift Station

Fleet maintenance:

How much revenue is from other Troy departments vs external? **Answers: Tom Darling, Financial Services Director & Kurt Bovensiep, Public Works Director**

The Fleet Maintenance Division is an Internal Service Fund that receives its revenue from charging for vehicle and equipment use from City of Troy Departments and from performing repair work for organizations outside the City of Troy referred to as insourcing. Vehicle and equipment charges to departments are adjusted annually depending on the revenue required to operate the Fleet Maintenance Division. The insourcing revenue assists by reducing the required revenue from city departments. The 2020 Budget estimates that the Fleet Division will receive the following:

Fund: 661 - MOTOR POOL	2020		
	Proposed	2021 Forecast	2022 Forecast
<i>Insourcing Revenue</i>	\$48,600.00	\$51,060.00	\$52,880.00
<i>City Department Revenue</i>	\$4,296,490.00	\$4,408,150.00	\$4,472,170.00
<i>Other Revenue</i>	\$475,100.00	\$547,810.00	\$559,140.00
REVENUES Total	\$4,820,190.00	\$5,007,020.00	\$5,084,190.00

Rent income from internal charges is budgeted at \$4,032,580 for 2020 and is part of the Interest and Rents amount on page 341 totaling \$4,296,490.

Assuming the 6-year capital plan is enacted, what will our total capital and infrastructure needs still be in 6 years? Does our current level of funding bring enough capital improvement to improve the condition as a net whole? Or is this just enough to tread water? **Answers: Tom Darling, Financial Services Director & William Huotari, City Engineer**

It's not a simple answer. A 6-year plan is already enacted and has been for several years. We budget for only 3 years. As an example:

Capital Needs (Roads ONLY):

- \$19M – Major Roads
- \$26M – Industrial Roads
- \$134M – Local Roads

Capital Budget 6-Year CIP (Roads ONLY):

- \$29.676M – Major Roads
 - Includes ROW funds for Rochester and matches to federal funds/RCOC funds
 - Straight up Major Road “maintenance” type work (Concrete slab, overlay, etc). is about \$8.53M
- \$6M – Industrial Roads
- \$18.2M – Local Roads

The current required funding to bring all roads to a good condition is \$179 million. The city's 6-year CIP proposes to invest \$33 million in maintenance type work. Considering roads continue to decline during the next 6 years that is not part of the current \$179 million worth of needs, the city's investment in roads is cautious enough to maintain all roads in a minimum of fair condition. Meaning, we are only able to repair

roads that become in poor condition or maintain and improve fair condition roads such that they move into a good condition with the current funding.

The City's capital needs will not deteriorate or be solved in 6 years. As it stands today and into the foreseeable future, capital will be budgeted on a priority basis using available funding.

Taxes which is one of the primary funding sources for capital is anticipated to grow slower than the costs of replacing capital.

The only indirect control that the City can have on generating revenues for capital appears to be transfers from the General Fund that is generated from tight operating controls to generate surpluses for the availability to be transferred.

Other options would be to get a voter approved Unlimited General Obligation (tax backed) bond if the City had a specific large project that was desired to be pursued.