

April 24, 2015

**THE HONORABLE MAYOR  
AND CITY COUNCIL MEMBERS**

City of Troy  
500 West Big Beaver  
Troy, MI 48084

Dear Mayor and City Council Members:

In accordance with the City Charter I present to you the 2016–2018 City budget.

This budget document incorporates long-term perspective through a three-year budget, establishes links to organizational strategies, focuses budget decisions on results and outcome, and involves and promotes effective communication with stakeholders.

These budget decisions were accomplished at a Council-staff retreat and complemented by City Council study sessions over the past year. Study session topics included:

- Millage discussion and Troy Public Library budget presentation
- Fund Balance Policy
- Review of the Move Across Troy Big Beaver Symposium
- Facility tour and Automation Alley update
- Media Genesis update regarding Troy’s brand
- Mid-year financial update
- Joint meeting with Troy School District
- Review of the Volunteer Firefighter Incentive Plan
- An agreement for non-profit use of public land for a community festival
- Tour of the Maxine and Stuart Frankel art gallery.

City administration’s policy incorporates analysis, benchmarking and long-term projections. Cooperation and education with City Council, the public, and staff are the cornerstones of our budget process. This document represents months of dialogue and the resulting spending encourages a long-term balanced approach toward allocating resources.

In 2016 total General Fund revenues are budgeted at \$56.683 million, an increase of \$1.0 million over the prior year. This increase can primarily be attributed to an increase in tax revenues of \$816,000 and state shared revenues of \$195,000.

Expenditures, both operating and transfers out, are expected at \$61.617 million. This is an increase of \$3.633 million over prior year estimates. The primary contributor to the increase is transfers to the Capital Projects Fund for reconstruction of Fire Station Four (\$3.5 million), Troy Roads Rock 2 (\$1.0 million), and a Fire Pumper Truck (\$585,000).

**General Fund**

	Actual 2014	Estimated 2015	Budget		
			2016	2017	2018
Total Revenues   In Millions	53.586	55.690	56.683	56.847	57.384
Expenditures:					
Operating   In Millions	49.211	55.304	56.457	57.474	58.485
Transfers   In Millions	3.550	3.650	5.160	0.500	0.500
Unassigned Fund Balance   In Millions	\$21.856	\$19.812	\$17.944	\$15.771	\$13.461

The City of Troy practices conservative budgeting management which has accumulated General Fund Fund Balance. For example, from 2008 to 2013 the unassigned General Fund Fund Balance grew from \$8.7 million to \$23.34 million. In 2014, City Council, under recommendation from City staff, adopted a **Fund Balance Policy**.



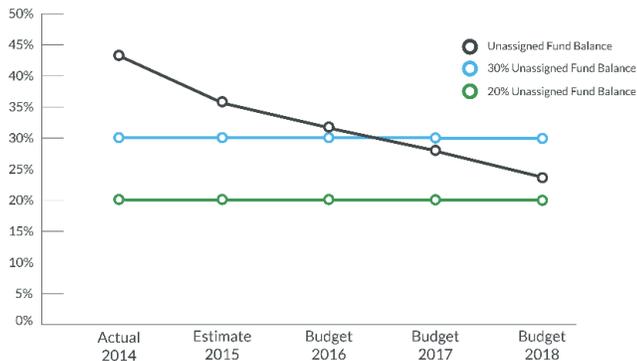
The policy states the General Fund must maintain a minimum unassigned fund balance at a level of 20% to 30% of annual expenditures. This Fund Balance policy is used to guide City administration in future fiscal situations while providing stability and flexibility to respond to unexpected opportunities or economic adversity. Fund Balance is used to cover costs of one time, capital expenditures.

*“We believe a strong community embraces diversity, promotes innovation, and encourages collaboration. We strive to lead by example within the region. We do this because we want everyone to choose Troy as their community for life. We believe in doing government the best.”*

This is also the third consecutive budget year that we established **strategies** to guide our priorities. These strategies influence both short and long-term goals and provide a clear vision for staff and Council. The 2015/16 strategies incorporate thoughtful brainstorming and extensive collaboration between City Council, City management, and department directors.

City Council formally adopted these **ten strategies** at the March 9, 2015 City Council Meeting. It should be noted that these strategies are not listed or prioritized in any particular order. These are simply ten strategies for 2015/16 that we will pursue.

General Fund Fund Balance and Fund Balance Policy



As we evaluate needs against resources our standard is collaboration and innovation. Our success lies in our ability to find the balance in all aspects of allocating resources.

Council-Staff Retreat

**Council-Staff Retreat**

In February 2015 City Council and staff kicked off the year and budgeting season at our annual retreat. The retreat provides a platform to reflect on our accomplishments and prioritize opportunities. Troy continues to work together and move forward. The constant ebb and flow of resources and expectations inspired our theme, **Finding the Balance**.

This exercise in team building encourages collaboration in setting our direction and focus for 2015. Coupled with looking at where we've been, our "Why?" statement continues to guide us:

1. Improve and invest in our assets, both people and infrastructure
2. Define our organizational culture
3. Consistently tell our story
4. Create a sense of place
5. Embrace a sustainable Library
6. Implement a Trails and Pathways Plan and increase walkability
7. Maintain strong Public Safety
8. Improve interaction online and in-person
9. Modernize our wayfinding opportunities
10. Celebrate diversity

Financial Ideas Team

**Financial Ideas Team**

Troy values civic engagement, transparency, and inclusion in our



decision-making process. We took our ten strategies and invited a group of residents to join our **Financial Ideas Team (FIT)**. FIT was asked to give input that would help take our budget from *fat to fit*. FIT is a selection of 14 Troy residents who together represent our exceptional community:

- Suneel Sekhri (*Home Owners Association*)
- Don Edmunds (*Planning Commission*)
- Cindy Kapala (*Resident*)
- Karen Crusse (*Planning Commission*)
- Nick Cherasaro (*Resident*)
- Jim Werpetski (*Resident*)
- Jim Guisinger (*Retired Executive*)
- Jen Hilzinger (*Resident*)
- Tom Perring (*Altair Engineering*)
- Mike DePoli (*Doeren Mayhew*)
- Kathleen Donovan (*Resident*)
- Paul McCown (*Zoning Board of Appeals*)
- Bruce Macpherson (*Resident*)
- Arushi Maheejan (*Teen Advisory Board President*)

Keeping the budget fit, responsible, and easy to understand requires such cooperation.

During presentations with FIT and City Council we highlighted **Troy’s AAA Bond Rating** and strong financial standing in Oakland County and the State of Michigan. Troy has maintained its AAA bond rating as rated by Standard and Poor’s Municipal Bond Rating Analysis.

Troy is one of five cities to receive this rating under a three-year rolling budget that incorporates a five-year outlook. The City’s overall financial profile and financial management practices remain very strong and indicate that these practices are well embedded and sustainable.

The past year has been filled with innovative accomplishments and new initiatives that reflect our commitment to doing government the best. It is through partnerships with City Council, FIT, and staff that we set our budget under the guidance of our 2015/16 ten strategies.

Highlighting these initiatives will demonstrate some ways the 2016 budget allocates resources to achieve our strategies and how we will continue to develop policy and programs working together, moving forward

### Ten Strategies



In 2014 the City of Troy invested \$10.5 million dollars in our roads under the Troy Roads



Rock program. Our **First Strategy**, to **improve and invest in our assets, both people and infrastructure**, continues in 2016 with Troy Roads Rocks 2. This budget includes a \$1.0 million transfer from General Fund Fund Balance for segment replacement which contributes to our overall \$9.4 million spending plan for major, local, and industrial roads. These roads include, but are not limited to, Wattles, John R, Big Beaver, a neighborhood overlay (east of Adams, south of Wattles), Cunningham, Lakeview, and Northfield Parkway by Troy High School.

The City formalized its commitment to intern education by creating the **NEXT Professional Development Program**. NEXT was created as an exciting and unique employment opportunity for students seeking university credit, recent graduates pursuing new work experience, or for those persons who are looking to enrich their career. NEXT Assistants, no longer just “interns”, learn about their interested career while gaining



priceless, hands-on local government experience. Several departments have embraced this program by budgeting funds in 2016.

We are investing in the **health, wellness, education, and appreciation** of our people through a number of programs. This year we are allocating \$5,000 to Human Resources for wellness programs including an annual Wellness Fair, salad day, and walking club. Training and education continue to be priorities. Staff organize Lunch and Learns, safety training, and seek outside continuing education opportunities to remain elite leaders in their field.

The direction from City Council has been clear regarding **employee health insurance** – it is in the best interest of the City to migrate employees to a self-funded Blue Cross Blue Shield Community Blue PPO health insurance plan. With a self-funded plan the City realizes direct cost-savings from our successful wellness initiatives. The City also benefits from standardizing and reducing the number of plans allowing for more efficiency in administration. In exchange, City Council opted out of PA 152 which would have required hard caps or an 80/20 cost share.

In March 2014, after moving employees to the self-funded plan, we estimated the savings for the Classified, Exempt, American Federation of State, County, and Municipal Employees (AFSCME), Troy Fire Staff Officers Association (TFSOA), Troy Communications Supervisors Association (TCSA), and Troy Command Officers Association (TCOA), and Michigan Association of Police (MAP) groups to be over \$580,000 per year. The only remaining bargaining agreement is the Troy Police Officers Association contract which expires

June 2015 and preliminary discussion began in April.

**Legacy costs** are one of the biggest financial challenges facing municipalities. To address these costs existing employees remain in a well-funded defined benefits plan and new hires participate in the defined contribution plan. Currently all legacy costs funding levels stand at:

- The Employee’s Retirement System (ERS) is funded at 101%
- The Troy Retiree Health Care Plan is 59.1% funded
- VFIP is 38.1% funded

The City of Troy’s defined benefits annual required contribution (ARC) is declining as we continue to move away from defined benefit to defined contribution plans and realize solid returns on investments under the oversight over the ERS Board.

**Retiree health insurance** is now capped for most employee groups at a 90% coverage plus 3% per year of service. All new employees are hired in under the retiree health savings plan which carries no legacy costs.

The Troy Fire Department is composed of primarily volunteer members and is the largest volunteer fire department in Michigan. The City established a safe, secure, segregated, and solvent Internal Revenue Service 115 Trust to fund the **Volunteer Firefighter Incentive Plan (VFIP)** and City Council appropriated an additional \$2 million investment in the 2015 budget. The Trust will ensure funds are reserved for incentive payouts and allow for moderately aggressive investments.



Strategy  
**2**

**Strategy Two** is to define our organizational culture. All potential and new employees are introduced to our Why Statement on job postings, meaning we are hiring people who understand and will inspire the work we do. Our culture is also one of transparency and inclusion. The FIT team, study sessions, and the retreat occur throughout the year and reflect our message.

Each department has identified their own values and best practices important to our corporate culture. Communicating our culture to our residents is accomplished by sharing and identifying our **Best Practices**. We are able to showcase exceptional employees while challenging ourselves to always do better. Below is an example of one of these posters displayed throughout City Hall.

**Best Practices | City Manager's Office**

- 1 Troy Story | Community Engagement**  
A process to gain input and develop initiatives based upon a study session with City Council and six different community stakeholder focus groups. Troy Road's Rock is one of the programs to come from "Troy Story", as well as the use for state/county funding.
- 2 Financial Ideas Team | Public Input**  
The Financial Ideas Team (FIT), comprised of 15 Troy residents, gathered to work with the City Manager to develop an understanding of the city's overall financial situation and engage in idea sharing about the future of the city. Working together, moving forward will foster a more inclusive and diverse understanding of the city's financial picture.
- 3 inTeracTion Troy | Customer Service**  
Born out of the themes of "Team, Train, Test." Our motto, "Every, One, Counts," reflects how every individual and every interaction matters.
- 4 NEXt Program | Professional Development**  
Created as an exciting and unique internship opportunity for promising students and professionals who are looking to enrich their careers.
- 5 Council/Staff Retreat | Relationships**  
An annual retreat held to strengthen the working relationship between City Council and city staff, as well as to develop strategies for the upcoming year.

vision collision  
together to reimagine what's possible

The establishment of department and **Citywide Target Habits for Interaction** sets the tone our organization follows as we move ahead. Our Top Five Citywide Target Habits for Interaction are:

1. Be friendly and fair. You are here to help! Give and appreciate feedback as needed.
2. Be timely. Return messages within 24 hours, communicate, and acknowledge when more time is needed. Always follow through!
3. Use and share all of our communication resources. Make sure your information is updated and accessible.
4. Be honest, open, confident, and trustworthy. Present a positive image of the city. We are all here because we believe in making Troy the best.
5. Be okay with saying, "I don't know, but I will find out for you!" Use positive language and recognize when someone needs help.

Strategy  
**3**

In 2015 we will **consistently tell our story** to execute **Strategy Three**. In January we unveiled the project 15 for Fifteen. Sometimes, we fall into the trap of comparing statistics when talking about our community. We focus on numbers and they become our story. But what kind of story is that? Shared experiences deliver a response that facts and figures cannot explain. 15 for Fifteen is a collection of stories from our business community along the Maple Road corridor that are more than just numbers.

As we share who we are today we remember that 2015 marks the **60<sup>th</sup> anniversary of Troy's incorporation** as a City. All year we are hosting activities at City facilities and parks to celebrate this milestone.



The Troy Historical Society, Troy Nature Society, Troy Public Library, and Troy Recreation have spearheaded outstanding programs that honor this occasion. The celebration will culminate at the big 60<sup>th</sup> Birthday Party where we will reflect on Troy's transformation from a humble farming settlement to the modern, urban, and vibrant community of today.

In the 2016 budget \$50,000 was allotted under community promotions to cover the costs of the 15 for Fifteen, 60<sup>th</sup> birthday celebrations, summer concerts, the Council-staff retreat, and for other marketing efforts.



**Strategy Four** provokes creating a sense of place. Troy is focusing on community engagement as we work through the 2015 Master Plan update. The collaboration process began with 20 Troy High and Troy Athen's seniors. Each student was asked to use one word to describe Troy today and one word for what they wanted it to be in ten years. Some examples include:

Troy Today	Troy in Ten Years
Opportunity	Educated
Versatile	Pedestrian-Friendly
Suburbia	Modern
Safe	Changing
Busy	Professional
Close	Expanded
Boring	More Diverse

This prompted thoughtful and engaging dialogue with an impressive group of young adults. This format was duplicated for Neighborhood Association members and will be used in other Master Plan focus groups.

The City of Troy has created an identity around its first-class **Recreation and Community Center facility**. Our Community Center offers a wide variety of children,

family, and senior programming as well as adaptive programs to meet the needs of our diverse Troy community.

2016 revenues, collected from programs and membership fees, are expected at \$3.705 million. Expenditures are estimated at \$3.303 million. The remaining \$402,190 will be contributed to administrative costs. The Recreation programs are clearly financially self-sustaining.



Our Family Aquatic Center was voted Metro Detroit's Best Swimming Pool. The annual Aquatic Center budget reflects the cost-neutral objective of the department and shows steadily increasing revenues over recent years. Increases in season pass sales, private and group swim lessons, party rentals, and securing unique sponsorship opportunities have driven growth.

Offering premiere services is engrained in Troy's identity and a key factor in creating place. The **Troy Historical Society** receives \$75,000 from the City's General Fund to support operational costs of the Troy Historic Village. The **Troy Nature Society** also receives \$75,000 to support educational



programming provided at the Lloyd A. Stage Nature Center. Although the City owns both the Historic Village and Nature Center these non-profit organizations operate the facilities with minimal cost to the City.



Another invaluable asset to the City of Troy is the Troy Public Library. This year **Strategy Five** is to **embrace a sustainable Library.**

The Troy Public Library is in its final year of a 0.7 dedicated millage, which brings in \$3,088,500 annually in revenue. The Library generates an additional \$438,810 in revenue from various sources including; penal fines, state aid, rental fees, and one-time capital contributions.

Expenditures of \$3,667,690 comprise the Library's operating budget. It provides for a six-day, 55-hour per week schedule and a staff of 8.5 full-time and 67 part-time employees.

In 2015 funds were used to accommodate the Library's Capital projects, such as the drive-up book drop, improved signage and wayfinding aids, and updating the Library's outdated light panels. In 2016, we are budgeting for necessary building repairs such as repairs to the roof and the second phase of the wayfinding plan.

The fifth and final Library Millage levy is in July 2015. City management's recommendation to Council is a 0.7 mill renewal. This will require City Council to vote on and approve millage proposal language to be submitted to the County Clerk by August 11, 2015 for it to appear to voters on the November 3, 2015 general election.

Management's recommendation for renewal comes after extensive consideration and conversations at City Council study sessions,

with FIT, the Library's executive team, and residents. Under this proposal the 0.7 mills would continue to cover the Library's operating budget and Library Fund Balance would be used to purchase Library materials.

A subsidy from the City's Capital Fund, an average of \$170,000 annually, would cover the Library's capital project needs. This is a fiscally responsible approach in embracing the Library and addressing funding needs while maintaining the balance.

Due to the uncertainty of this issue this budget proposal includes only a **one-year Library budget.** This will allow for the funding issue to be removed from the overall budgeting process and discussion, giving City Council separate time to resolve the funding issue and ballot language.

We have already taken preliminary steps in 2015 to accomplish **Strategy Six, implement a Trails and Pathways Plan and increase walkability.**



In the last Parks and Recreation Master Plan survey residents listed "trails for walking/biking" as their first choice for new facilities and over half of respondents rated trails and pathways as "very important".

City staff has developed an extensive pathways plan that begins at the Civic Campus and connects to the Clinton River Trail in the northwest section of the City. The Capital Fund budget allocates \$1.0 million per year over the next three years, accounting for the expectation that staff will secure 50% of the funds through state and federal grants.

Troy is also looking at the opportunity to transform Big Beaver Road into a pedestrian-friendly corridor under the **Move Across**



**Troy initiative.** The limited opportunity to safely move within the boulevard restricts access for residents and the business community to many dining and retail options. These restrictions encouraged staff to explore alternative, best practice pedestrian technologies to help everyone move more safely.

This began with the Move Across Troy Big Beaver Symposium which brought together intellectuals, business stakeholders, residents, City Council, State and County officials, and staff to discuss pedestrian mobility options to be implemented in future planning decisions. Our consultant on the project, Mark de la Vergne of Sam Schwartz Engineering, helped us identify three priority projects at Automation Alley, the I-75 interchange, and the Civic Center Campus crossing which we will address in future planning decisions.

Last year’s focus groups identified the need to replace **Fire Station Four**. \$3.5 million is included in fiscal year 2016 to reconstruct the outdated station (built in 1968) with drive-through bays, space for storage of equipment, and facilities to support the daily operations of the fire station.

There is also a General Fund transfer of \$585,000 for a **new Pumper Truck** that will aid the Troy Fire Department in providing the highest possible level of fire protection, rescue, and hazard mitigation services to the community. These two projects are also beneficial for maintaining our Insurance Services Office (ISO) rating of three.

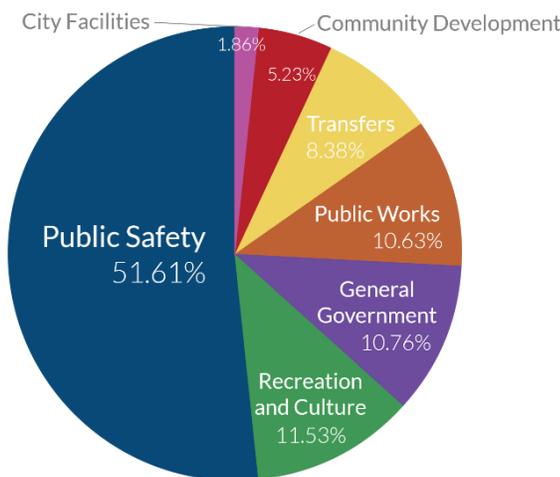
The **Troy Police Department** added an additional police officer to complement the current officer on patrol at the Somerset Collection. Under the agreement, Somerset Collection will fully-fund the cost of the two full-time police officers.

The Troy Police Department also partners with multiple community groups to promote a safer and healthier Troy. The **Troy Community Coalition (TCC)** works to reduce the use of alcohol and dangerous drugs. TCC reaches 1,000 Troy School District 4<sup>th</sup> Graders to teach responsible decision making and consequences of bad choices. The \$25,000 allocation funds summer camp workers to advise 50 at-risk youths on healthy lifestyle choices.

The Police Department diverts approximately 40 juveniles annually to the **Troy Youth Assistance (TYA)** caseworker. This keeps young people out of the criminal justice system and allows families to be involved for a substantial, positive life change.



In 2015 the City of Troy was once again named the safest city in Michigan and we will continue to **maintain strong public safety** under **Strategy Seven**. This budget allocates 51.6% of the General Fund to public safety.



TYA is a referral resource for the Police Department in issues of incorrigibility and entry level substance abuse. The \$10,000 allotment fills the funding gap and help keeps Troy families intact. An additional \$2,500 is budgeted for Avondale Youth Assistance to provide services to the Troy residents within the Avondale School District.



High-quality customer service is essential for success and good governing and the City recognizes this under **Strategy Eight, improve interaction online and in-person.**

inTeracTion Troy is the “Team, Train, Test” initiative that was created as an ongoing commitment to this philosophy. We value each staff person as an integral member of our Team. We Train in best practices utilizing both internal and external resources and we Test to see our effectiveness. **inTeracTion Troy** is about long-term, cultural change. This program is administered by staff in the City Manager’s Office, therefore funds of \$45,000 are provided to build the Team, Train, and Test.

One element that will influence inTeracTion Troy and administrative decisions this year is results of the City of Troy’s first Public Opinion Survey. This survey was conducted in partnership with the Public Affairs Research Laboratory at Oakland University. The final report presents the findings of an omnibus public opinion survey of Troy registered voters that was conducted in the winter of 2015.

The purpose was to solicit citizen input toward assisting the City in prioritizing and improving existing services and programs and in planning for the future. At a study session in 2015, staff and City management will share the attitudes, concerns, and values

of local residents as very important factors in the decision-making process.

Our online presence has also seen some major improvements over the last year. The Troy Family Aquatic Center launched a new website with easy online class registration, information, birthday party reservations, and facility rentals. This complements the improvements made to Troy Public Library’s website and the road construction website, TroyRoadsRock.com. Our Information Technology staff is also working across all departments to increase online payment capabilities, plan submittals, and e-permitting.

This fiscal year Troy Public Library will implement stage two of its signage and wayfinding plan. This project falls within **Strategy Nine, modernize our wayfinding opportunities.** City facilities will be evaluated as we explore ways to help residents and visitors navigate the City Civic Center and City Hall.



**Strategy Ten is celebrate diversity.** Troy is the second most diverse city in Michigan and over 80 languages are spoken throughout our community. To supplement our continued effort to diversify representation on our boards and committees, City Council and management will be reinstating the Ethnic Issues Advisory Board. The Ethnic Issues Advisory Board promotes an environment enriched by harmonious relationships and open communication within our diverse community through education and multicultural exchange.



These ten strategies represent important policy, direction, and program opportunities.



Our innovation and progressive thinking will continue to move Troy forward.

Water and Sewer Funds

**Water and Sewer Funds**

The Water and Sewer Funds are completely self-supporting and do not receive funding from property taxes or other City funds. The City purchases water and sewage disposal services from the City of Detroit through the Detroit Water and Sewer Department (DWSD), who has direct influence over the rates the City of Troy must charge its users.

The City of Detroit filed bankruptcy in July 2013. After 17 months of restructuring, state financial assistance, and emergency management oversight, Detroit emerged from bankruptcy in December 2014. Part of the restructuring included the creation of a regional water authority to effectively replace the DWSD. The Great Lakes Regional Water Authority is in the early establishment stages and the effects to water and sewer costs over the mid to long-term are unknown.

The short-term effects, however, are known. Water costs charged to the City of Troy have two components; a fixed-rate factor and a variable rate per usage. The City's cost for water is expected to increase approximately \$1.9 million or 19% based on combination increases to these components and greater reliance on fixed costs.

The Oakland County Water Resource Commission (OCWRC) establishes rates for the two sanitary sewer systems used in the City of Troy, although the majority of charges are a direct result of pass through charges from the DWSD. The fees charged by the OCWRC are a 100% fixed cost per month fee. Estimated increases to the two systems are expected to be 3.6% and 3.7% respectively.

As a result of these changes, management recommends a combined increase of 7% to water and sewer rates in 2016. This is an increase of 2% in sewer rates, which has not seen an increase in the last three years, and an 11% increase to water rates. This is in line with past practices of passing on City of Detroit increases to City of Troy ratepayers.

At this time the city administration is not recommending passing on 100% of rate increase to residents due to the unknown and unpredictable nature of sales volume. DWSD rates have a significant fixed cost factor in determining the amount charged to the City of Troy. Thus, sales volumes can assist in offsetting rate increases. Weather, new construction, and efficient technologies are all volume contributing factors. Our inability to perfectly forecast these variables means we will continue to assess rates on a yearly basis.

DDA Debt

**DDA Debt Recovery and Restructuring**

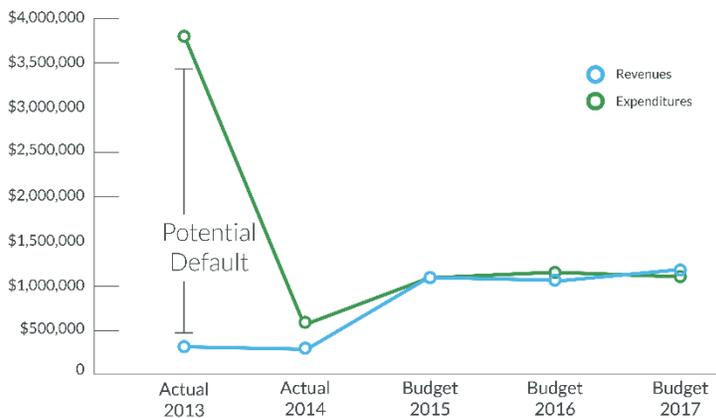
In 2013, in order to prevent further deterioration and to encourage economic development, a restructured Tax Increment Financing and Development Plan was approved for the Troy Downtown Development Authority (TDDA). The revised plan eliminated properties that were a negative draw on the aggregate value of the TDDA.

The three functions authorized under the plan (debt service, maintenance costs and administrative fees) have seen positive changes in the upcoming fiscal year. This budget demonstrates that the revision of the plan provides for sufficient revenue to service the bonds and thereby eliminates the threat of default.



In 2013, tax capture was \$320,854 and total revenues, including interest income, was \$324,677. Expenditures were astronomically greater at \$3,730,205 due to the debt service requirement. After restructuring the plan, the projected 2016 tax capture revenues are \$1,170,850. The debt service payment is \$950,763. Remaining expenditures include allocations toward enhanced corridor maintenance. This financially demonstrates the success of the restructuring.

Troy Downtown Development Authority Budget



The debt repayment outlook is strong and better than initially expected. Debt payments range between \$900,000 and \$1.3 million dollars and revenues increase steadily to \$3.5 million in 2034 when the TDDA will pay off its bond debt.



### Our Local Economy

The City of Troy is the economic hub of Oakland County due to a commitment to a system that is fast, fair, and predictable. One indicator of this success is new construction and the valuation of those permits. While there is not a large amount of greenfields to develop, infill development and renovation complements the commercial and office vacancy rate reduction.

Office and industrial vacancy rates have declined over the last three years with steady improvements. The current office vacancy rate is 20.3% in the first quarter of 2015, down from 22.8% at the same time in 2014 and 26% in 2013. Industrial vacancy rates are particularly noteworthy at 4.1%, almost half of the 2013 8% rate.

### Vacancy Rates

	26%	22.8%	20.3%
Office			
Industrial	8%	6%	4.1%
	2013 Q1	2014 Q1	2015 Q1

The number of building permits issued increased slightly from 2012 to 2013, but saw a large jump in 2014. Project valuations had significant increases since 2012 indicating larger and new construction projects.

### Building Department Activity

Permits Issued	1,955	1,966	2,226
Permit Valuation	\$136,225,319	\$131,078,501	\$195,108,526
	2012	2013	2014

The Building Inspection Department continues to operate under contract with SAFEbuilt. Prior to the privatization of this department the City's General Fund was subsidizing operations at a cost of approximately \$1.0 million per year. Under this contract, which was renewed on July 1, 2013 for five years, SAFEbuilt receives 75% of building permit fees, plan review fees, certificates of occupancy fees, and inspection fees. SAFEbuilt also performs nearly 20 other inspection functions for which they receive no compensation. SAFEbuilt consistently delivers a five-day-or-less turnaround time for residential plan reviews and 10-day-or-less turnaround for commercial properties.



Providing superior customer service is also a core value of the organization and one that aligns with the City of Troy's strategies.

Millage Rates

Millage Rates

The total General Fund millage rate is set at **10.50 mills**. This reflects 6.50 mills for general operating, 1.53 mills for capital, 1.07 mills for the Refuse Fund, 0.70 mills for Troy Public Library, and 0.70 for debt recovery. **No changes to these millage rates are proposed in the 2016 budget.**

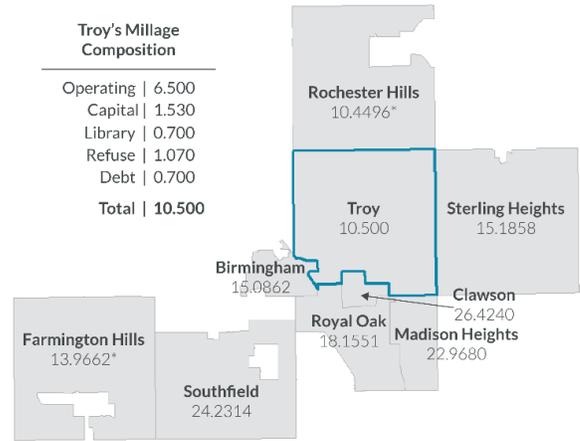
A recent rebalancing of the Refuse Fund's revenues and expenditures allowed for a refuse millage reduction from 1.09 mills to 1.07 mills in the 2015 budget. The Refuse Fund operates as a Special Revenue Fund of the City. The proposed millage for the 2016 budget calls for no change in the 1.07 mills. The refuse budget remains relatively comparable to the prior year with an overall increase of \$127,000, or 2.86%, due to contracted service requirements.

On June 30, 2016 the current 0.7 dedicated Library mills will expire. Management's recommendation to renew the millage and subsidize Library capital needs from the City's Capital Fund demonstrates a willingness to rebalance levels of resources annually to ensure conservative and comprehensive tax rates for residents.

Finally, the 0.7 mills for debt service is used to pay off debt from the construction of the Troy Community Center and Troy Police Department as well as funds for streets projects such as Big Beaver Road.

Troy continues to be a low tax community in southeast Michigan and our millage rate

remains the lowest against neighboring communities.



\*Rochester Hills does not include Refuse Collection. Farmington Hills does not include Library cost. Troy cost is included.

Legislative Impact

Legislative Impacts

Proposal 1, a bill to provide funding to fix roads and bridges, is on the May 5 ballot. Proposal 1 would increase the state sales tax from six to seven percent, while exempting fuel. In exchange gas and diesel taxes would increase.

Additional money would also be raised including \$200 million for schools, \$116 million for public transportation, \$111 million for cities, and \$173 million for the state's general fund. The entirety of taxes paid at the pump would be dedicated to roads. But, in order to do that, other funding has to be found to fill the holes in the state budget that would be created by exempting fuel from the sales tax.

If Proposal 1 were to pass the City of Troy would see an additional investment through state, county, and local funding of \$3,446,470 for roads and \$772,600 in constitutional revenue sharing.



## Closing

This year the process of developing a three-year spending plan was driven by our 2015/16 Ten Strategies. These strategies are the combined efforts of City Council, management, staff, and community members and guide our policy and spending plan under a clear message. As our ideas and initiatives evolve we will continue to develop innovative programs to best serve our residents.

I would like to thank the staff of our entire organization for thoroughly reviewing their operations and dedicating the time to create this responsible spending plan.

I want to thank Director of Financial Services Thomas Darling for compiling this comprehensive and easy-to-understand budget document.

Special thanks to Assistant to the City Manager Sehrish Salah-Ud-Din, Management Analyst Maggie Hughes, and Office Coordinator Beth Tashnick for their continued contribution, oversight, and production of the 2015/16 budget.

I would also like to thank the community residents of the Financial Ideas Team for donating their time and for providing valuable insight.

Finally I wish to thank the Mayor and City Council members for their assistance in advancing the concept of a total team approach, which began at the Finding the Balance retreat. Together we can continue to be inspired by our Why statement and strive to make Troy the gold standard community.

Respectfully submitted,



Brian Kischnick,  
City Manager