

2016

APPROVED

By Cathy Shaughnessy at 12:35 pm, Sep 26, 2016

**Charter Township of
West Bloomfield**

Finance Department



**GENERAL FUND AND PUBLIC SAFETY
FUND PROJECTION**

Fiscal Years Ended
December 31, 2016 through 2025

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General Fund and Public Safety Fund Projection

The purpose of this projection is to evaluate the fiscal sustainability of the Township's general governmental activities over the upcoming ten years. The Government Finance Officers Association best practices define long-term financial planning as the process of aligning financial capacity with long-term service objectives.

The Township first utilized a ten year projection in 2011 as a means to manage the 2008 economic downturn. In 2011, the voters of West Bloomfield Township approved to levy an additional police and fire millage for the 2013 through 2022 fiscal year budgets; however, the Township at that time anticipated revenue to increase at a rate lower than expenditures. This projection computes the effect of expected changes in available resources and expected changes in the costs associated with its General Fund and Public Safety Fund. It should be noted that this is not a forecast of expected results. The results of this projection are intended to be used by the Township Board to make future budgetary decisions.

This projection is based on the historical results of the Township, the current operating budget, and known or likely changes in conditions, as described in Notes 1 and 2. These assumptions are based on management's best judgment at the time this projection was prepared. The actual revenues and expenditures will vary from these projected amounts.

The goal of the ten year projection is to allow the Township Board to use this document to make informed decisions in its annual budget process and long term capital planning. As a result of those decisions, the actual expenditures are likely to vary, and the amount of actual fund balance is likely to be significantly different than the amounts shown in this projection. A comparison of the initial 2011 to the current projection has been provided in Note 3.

This projection has been completed as of August 31, 2016 and is based on management's judgment at the time. There can be no assurance, however, that these results will be attained.

Respectfully submitted,

Nancy Savickas

Finance Director, Charter Township of West Bloomfield

**Charter Township of West Bloomfield
 Combined General Fund and Public Safety Fund
 Fiscal Years Ended 2011 - 2015
 (all amounts are in thousands of dollars)**

	Audited Results				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue					
Property Taxes	\$21,406	\$29,083	\$28,695	\$29,181	\$29,573
PILOT	-	-	760	759	770
Building Permits	1,342	1,585	1,340	1,389	1,315
State Shared Revenue	4,552	4,685	4,814	4,967	5,057
District Court	1,792	1,267	1,384	1,241	1,036
Interest/Chg FV on investments	276	264	224	724	258
EMS transport	1,294	1,411	1,321	1,428	1,574
Other Charges for Service	1,414	1,296	1,276	1,343	1,320
Cable Franchise Fees	1,174	1,238	1,260	1,313	1,385
All Other (fines, engin fees, misc)	<u>941</u>	<u>938</u>	<u>784</u>	<u>1,206</u>	<u>1,096</u>
Total revenue & transfers	<u>\$34,192</u>	<u>\$41,767</u>	<u>\$41,858</u>	<u>\$43,552</u>	<u>\$43,384</u>
Expenditures					
Salaries and Wages	\$16,937	\$17,188	\$17,835	\$18,860	\$18,691
Health Insurance	3,792	3,267	3,791	3,052	3,055
Retiree Health Care Contribution	3,229	3,691	4,423	2,401	1,843
Pension - D.B. Plan	4,553	4,113	4,405	4,187	3,717
Pension - D.C. Plan	850	820	825	865	958
FICA	1,394	1,388	1,380	1,449	1,446
All Other Personnel Costs	339	506	832	944	1,013
District Court Costs	1,327	1,402	1,390	1,040	989
All Other Operating Costs	3,541	2,870	3,366	3,546	3,453
Transfers to Other Funds	797	1,424	1,171	1,993	4,133
Capital Outlay/ Construction	278	288	205	149	139
Debt Service	<u>255</u>	<u>264</u>	<u>160</u>	<u>2,415</u>	<u>2,437</u>
Total expenditures & transfers	<u>\$37,292</u>	<u>\$37,221</u>	<u>\$39,783</u>	<u>\$40,900</u>	<u>\$41,873</u>
(Shortfall) Surplus	(3,101)	4,547	2,075	2,654	1,511
Fund Balance - Beginning of Year	<u>11,406</u>	<u>8,305</u>	<u>12,852</u>	<u>14,927</u>	<u>17,580</u>
Fund Balance - End of Year	<u>\$8,305</u>	<u>\$12,852</u>	<u>\$14,927</u>	<u>\$17,580</u>	<u>\$19,092</u>
Fund Balance To Revenue	24.29%	30.77%	35.66%	40.37%	44.01%

**Charter Township of West Bloomfield 10 Year Projection
Combined General Fund and Public Safety Fund
Fiscal Years Ended 2016 - 2025**

(all amounts are in thousands of dollars)

Projected Future Operating Results

Assumes Renewal of Public Safety Millages

	Assumption	Note Page #	Budget 2016	Projected Future Operating Results							Assumes Renewal of Public Safety Millages		
				2017	2018	2019	2020	2021	2022	2023	2024	2025	
Revenue	Assumption												
	Change in TV			1.7%	1.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Taxes	Historic Average	6-7	\$30,313	\$30,691	\$31,213	\$31,837	\$32,474	\$33,123	\$33,786	\$34,461	\$35,151	\$35,854	
PILOT	Assume Flat	9	\$765	765	765	765	765	765	765	765	765	765	
Building Permits	Assume 1%-2% inc/yr	9	\$1,330	1,357	1,384	1,411	1,440	1,468	1,483	1,498	1,513	1,528	
State Shared Revenue	Assume 1.5-2.0% inc/yr	8	\$4,947	5,009	5,084	5,160	5,238	5,343	5,449	5,558	5,670	5,783	
District Court	Assume Flat	13	\$1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	
Interest on Investments	Factor of Fund Bal	9	\$323	270	260	250	260	270	290	310	340	370	
EMS transport	Assume 2% inc/yr	9	\$1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757	1,793	
Other Charges for Service	Assume .5% inc/yr	9	\$1,348	1,355	1,361	1,368	1,375	1,382	1,389	1,396	1,403	1,410	
Cable Franchise Fees	Assume 3% inc/yr	9	\$1,380	1,421	1,464	1,508	1,553	1,600	1,648	1,697	1,748	1,801	
Improvement Revolving Fund	Partial Return	8-9	\$0	200	200	100	100	100	100	100	100	-	
All Other (fines, engin fees, misc)	Assume 1% inc/yr	9	\$1,028	1,038	1,049	1,059	1,070	1,081	1,091	1,102	1,113	1,125	
Total revenue & transfers			\$43,953	\$44,656	\$45,360	\$46,071	\$46,917	\$47,807	\$48,710	\$49,631	\$50,579	\$51,447	
Expenditures	Assumption												
	Net Salary Change			1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	
Salaries and Wages	Average Change	9	\$20,337	\$20,496	\$21,048	\$21,292	\$21,830	\$22,037	\$22,618	\$22,885	\$23,475	\$23,779	
Health Insurance	Assume 4% - 5%	10	\$4,081	4,200	4,370	4,570	4,800	5,040	5,290	5,550	5,830	6,120	
Retiree Health Care Contribution	Flat-Closed Plan	11	\$1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760	
Pension - D.B. Plan	Assume 1-2% inc/yr	12	\$3,941	4,025	4,106	4,167	4,230	4,293	4,336	4,379	4,423	4,467	
Pension - D.C. Plan	Adj for Retirements	12	\$1,078	1,095	1,081	1,082	1,099	1,115	1,134	1,111	1,091	1,070	
FICA	Based on Payroll	12	\$1,503	1,520	1,560	1,580	1,620	1,640	1,680	1,700	1,740	1,760	
All Other Personnel Costs	Flat 4 yr, + 2% after	12	\$1,147	1,147	1,147	1,147	1,170	1,193	1,217	1,241	1,266	1,292	
District Court Costs	Assume Flat	13	\$1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,008	
All Other Operating Costs	Assume 1% inc/yr	13	\$4,110	4,151	4,192	4,234	4,276	4,319	4,362	4,406	4,450	4,495	
Capital Outlay	Per Capital Summary	14	\$5,772	3,478	2,976	2,074	1,877	1,775	1,579	1,583	1,700	1,700	
Debt Service - Pension Bonds	Current Debt Service	13	\$591	591	591	591	591	591	591	591	591	591	
Debt service - OPEB Bonds	Current Debt Service	13	\$1,605	1,604	1,606	1,605	1,607	1,605	1,608	1,607	1,607	1,607	
Debt Service-Miscellaneous	Current Debt Service	13	\$225	211	171	149	203	204	256	172	55	135	
Debt Service-Orch Lake Blvd	Est Debt Service	13	-	231	463	463	463	463	463	463	463	463	
Total Expenditures & Transfers			\$47,157	\$45,517	\$46,078	\$45,722	\$46,534	\$47,044	\$47,902	\$48,456	\$49,459	\$50,246	
(Shortfall) Surplus			(3,203)	(861)	(718)	349	384	764	808	1,174	1,120	1,201	
Fund Balance - Beginning of Year			19,092	15,889	15,027	14,309	14,658	15,042	15,805	16,614	17,788	18,908	
Fund Balance - End of Year			\$15,889	\$15,027	\$14,309	\$14,658	\$15,042	\$15,805	\$16,614	\$17,788	\$18,908	\$20,108	
Fund Balance To Revenue			36.15%	33.65%	31.55%	31.82%	32.06%	33.06%	34.11%	35.84%	37.38%	39.09%	

See accompanying Notes for significant revenue and expenditure assumptions

Notes to General Fund and Public Safety Fund Projection

Note 1 – Significant Revenue Assumptions

Below is a discussion of the significant revenue assumptions used in this projection. This discussion is not all-inclusive.

Property Tax Revenue – Until 2009, property values for the Charter Township of West Bloomfield consistently increased due to market conditions. Taxable Value increased greater than the Inflation Rate Multiplier (IRM) due primarily to the uncapping of taxable value following the transfer of ownership of a property and new construction.

Beginning 2009 and continuing through 2012, real estate values throughout southeast Michigan experienced an unprecedented decline. Specifically, the taxable value of real estate in West Bloomfield declined more than 25 percent. The following schedule shows the Township's taxable value for the fiscal years 2006 through 2016 and an estimate for 2017.

Charter Township of West Bloomfield Taxable Value From Michigan Dept of Treasury Form L-4029				
Form Year	For Fiscal Year	Taxable Value	% Change Prior Year	Decline from FY 2009
2005	2006	\$3,821,555,970		n/a
2006	2007	4,018,769,790	5.2%	n/a
2007	2008	4,176,323,770	3.9%	n/a
2008	2009	4,183,812,700	0.2%	n/a
2009	2010	3,966,224,170	-5.2%	-5.2%
2010	2011	3,421,492,960	-13.7%	-18.2%
2011	2012	3,167,981,810	-7.4%	-24.3%
2012	2013	3,113,514,030	-1.7%	-25.6%
2013	2014	3,126,845,320	0.4%	-25.3%
2014	2015	3,188,318,770	2.0%	-23.8%
2015	2016	3,273,356,660	2.7%	-21.8%
Est. 2016	2017	3,328,000,000	1.7%	-20.5%

Transfers of ownership of residential property strongly indicate property values continue to increase. Taxable value increased by 2.7 percent for 2016 and is estimated at 1.7 percent for 2017. This estimate considers increases in market value, the IRM and uncapping of sold properties. It is important to note the Township is still experiencing a 20.4 percent decline in Taxable Value from the high point in 2008. With voter support of two Public Safety Millages, the Township has been able to continue providing exemplary service levels.

The constitutional amendment known as Proposal A provides a mathematical calculation for taxable value. The formula is:

- Prior Year Taxable Value
- Less: Losses (removal of property)
- Increased by the IRM
- Plus: Additions (new construction)

Notes to General Fund and Public Safety Fund Projection

The IRM since the implementation of Proposal A in 1995 is listed on the chart below:

Change in taxable value - Proposal A limit			
1995	2.6%	2007	3.7%
1996	2.8%	2008	2.3%
1997	2.8%	2009	4.4%
1998	2.7%	2010	-0.3%
1999	1.6%	2011	1.7%
2000	1.9%	2012	2.7%
2001	3.2%	2013	2.4%
2002	3.2%	2014	1.6%
2003	1.5%	2015	1.6%
2004	2.3%	2016	0.3%
2005	2.3%	Est. 2017	1.0%
2006	3.3%		

When the Taxable Value increase is greater than the Inflation Rate Multiplier, as it's been for 2016 and 2017, Michigan Law requires a Millage Reduction Factor reducing the maximum authorized millage rates be applied (Headlee Amendment Millage Rollback). The combined impact to Public Safety tax revenue for fiscal years 2016 and 2017 is estimated to be a reduction of \$326,191.

Headlee Amendment Millage Rollback			
Millage			
Form Year	For Fiscal Year	Reduction Factor	Reduction to Tax Revenue
2015	2016	0.9914	\$76,924
Est. 2016	2017	0.9961	\$249,267

The 2016 taxable value (for 2017 fiscal year revenue), before potential adjustments, has already been calculated by the Township's Assessor and is projected to be an increase of 1.7 percent. The Assessor has estimated a taxable value increase of 2.0 percent for 2019 through 2025. Plante & Moran has suggested assuming small or moderate increases of 1.5 to 2.0 percent for long-term planning purposes. A sensitivity analysis has been prepared restating fund balance, based on the Auditors more conservative Taxable Value growth assumption.

Notes to General Fund and Public Safety Fund Projection

Charter Township of West Bloomfield 10 Year Projection Adjusting Tax Growth to 1.5% - 2% Sensitivity Analysis

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Original revenue & transfers	\$44,656	\$45,360	\$46,071	\$46,917	\$47,807	\$48,710	\$49,631	\$50,579	\$51,447
minus projected tax revenue growth	-	(31,213)	(31,837)	(32,474)	(33,123)	(33,786)	(34,461)	(35,151)	(35,854)
plus 1.5-2.0 % tax revenue growth	-	<u>31,151</u>	<u>31,650</u>	<u>32,188</u>	<u>32,767</u>	<u>33,390</u>	<u>34,058</u>	<u>34,739</u>	<u>35,434</u>
Restated Revenue & Transfers	44,656	45,299	45,883	46,632	47,451	48,314	49,227	50,167	51,026
Total Expenditures & Transfers	<u>45,517</u>	<u>46,078</u>	<u>45,722</u>	<u>46,534</u>	<u>47,044</u>	<u>47,902</u>	<u>48,456</u>	<u>49,459</u>	<u>50,246</u>
Surplus/(Deficit) with 1.5-2.0% TV increase	(861)	(780)	162	98	408	412	771	708	780
Fund Balance - Beg of year	<u>15,889</u>	<u>15,027</u>	<u>14,248</u>	<u>14,409</u>	<u>14,507</u>	<u>14,915</u>	<u>15,327</u>	<u>16,098</u>	<u>16,806</u>
Fund Balance - End of year	15,027	14,248	14,409	14,507	14,915	15,327	16,098	16,806	17,586
Fund Balance to Revenue	33.65%	31.45%	31.40%	31.11%	31.43%	31.72%	32.70%	33.50%	34.47%
Fund Balance - end of year - original projection	<u>15,027</u>	<u>14,309</u>	<u>14,658</u>	<u>15,042</u>	<u>15,805</u>	<u>16,614</u>	<u>17,788</u>	<u>18,908</u>	<u>20,108</u>
Difference	<u>\$0</u>	<u>(\$61)</u>	<u>(\$249)</u>	<u>(\$535)</u>	<u>(\$891)</u>	<u>(\$1,286)</u>	<u>(\$1,690)</u>	<u>(\$2,102)</u>	<u>(\$2,522)</u>

State Shared Revenue – The following table shows the Township’s actual and estimated state shared revenue payments for 2010 through 2017

	Per State of Michigan Department of Treasury Website					
	<u>Constitutional</u>	<u>Change</u>	<u>CVTRS</u>	<u>Change</u>	<u>Total</u>	<u>Change</u>
2010	\$4,119,945	-3.1%	-	-100.0%	\$4,119,945	-9.4%
2011	4,364,314	5.9%	-		4,364,314	5.9%
2012	4,645,351	6.4%	-		4,645,351	6.4%
2013	4,742,526	2.1%	-		4,742,526	2.1%
2014	4,910,197	3.5%	57,068		4,967,265	4.7%
2015	4,885,764	0.6%	171,208	200.0%	5,056,972	2.9%
2016 Est.	4,832,900	-1.1%	114,136	-33.3%	4,947,036	-2.2%
2017 Est.	\$5,009,000	3.6%	-	-100.0%	\$5,009,000	1.3%

From 2002 to 2010, the State of Michigan Legislature reduced the statutory portion of state shared revenue for all local units as a method to assist the State balance its own budget. By 2010, the statutory portion was completely eliminated for most townships, including the Charter Township of West Bloomfield. The State temporarily reintroduced a statutory payment (CVTRS) in their FY 2014-FY2015 and FY 2015-2016 budgets but has eliminated the Township's CVTRS for their FY 2016-2017.

The constitutional portion of state shared revenue may not be affected by actions of the State Legislature; however, sales tax revenue for the State's fiscal year ending September 30, 2016 is coming in lower than expected. We do expect to see future growth, though modest. The Township has assumed the constitutional portion will increase 1.5 to 2 percent annually for the projection.

Notes to General Fund and Public Safety Fund Projection

Improvement Revolving Fund – In 2009 the Township initiated a SAD Program to provide residents with an opportunity to make necessary neighborhood infrastructure improvements in a cost efficient manner. Projects funded by the Township eliminated bond issuance costs for residents and reduced interest rate risk for the Township. The Improvement Revolving Fund has funded improvements for 910 parcels since its inception. The current projection provides for a \$1 million return of Improvement Revolving Fund collections to the General Fund while maintaining a balance for future projects.

**Improvement Revolving Fund
Summary of Projects
2009-2025**

Eight Approved Projects		\$6,163,686
Transfer From General Fund		1,560,437
Administration Fees Collected	\$265,313	
Administration Fees Pending	207,225	
Interest Collected	229,213	
Interest Pending	\$362,056	1,063,807
		2,624,244
Less: Return to General Fund 2017-2024		1,000,000
Projected Balance		\$1,624,244

Other Revenue Sources – The other sources of revenue, including permits, fines, fees, investment earnings, EMS Transport, PILOT and other miscellaneous sources, are assumed to either remain constant or increase slightly over time. The increases average 1 to 2 percent per year, reflecting an increase in economic activity and other inflationary increases. The Township does not anticipate any significant change, either increase or decrease, in these revenue sources. Altogether, these sources of revenue account for 17 percent of the combined revenue of both the General and Public Safety Funds.

Note 2 - Significant Expenditure Assumptions

Below is a discussion of the significant expenditure assumptions used in this projection. This discussion is not all-inclusive.

Personnel Related Expenditures – West Bloomfield Township’s largest expenditure classification, as is the case with almost all other local units of government, is personnel-related costs. Typically, a governmental unit can be expected to spend 70 percent to 80 percent of its budget on these costs. In 2015 personnel related expenditures totaled nearly \$30.7 million of the General and Public Safety Fund’s \$41.9 million, or 73.3 percent, of expenditures.

Salaries and wages – Of the Township’s six bargaining units, none received a cost of living adjustment between 2010 and 2013. Two of the units had not received a cost of living

Notes to General Fund and Public Safety Fund Projection

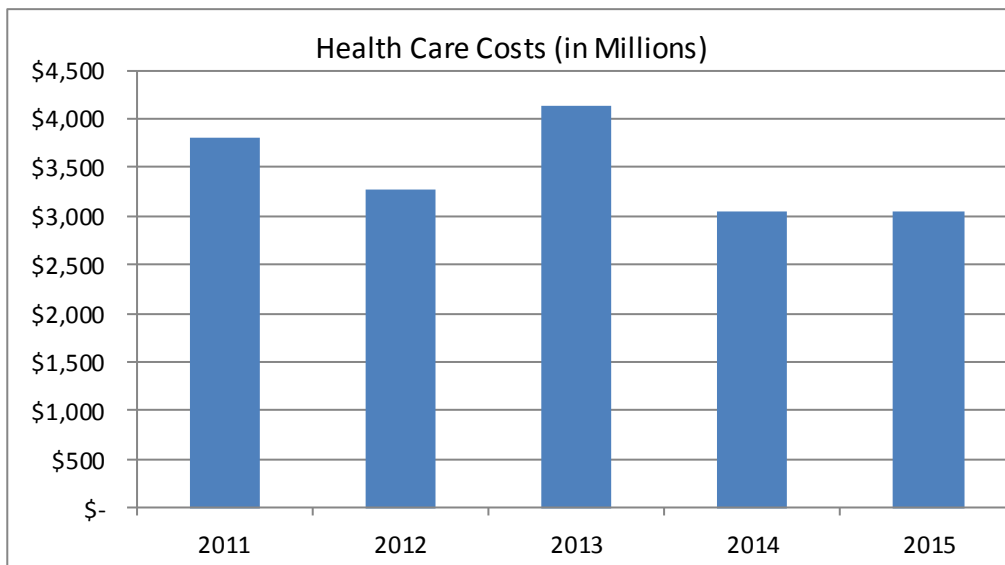
adjustment since 2008. In 2010 and 2011, certain employee groups agreed to accept a total of 16 furlough days in an effort to reduce wage expenditures without layoffs. Additionally, during this timeframe, the Township made significant staffing reductions through attrition.

The Township recognizes and appreciates the sacrifices made by the employees during this time. Effective with 2014 bargaining unit agreements, employees resumed receiving modest cost of living adjustments. The Township has three year agreements with all bargaining units through 12/31/2017.

Looking ahead, the Township is facing new challenges related to personnel, namely an aging workforce that will be approaching retirement and a younger workforce that desires more mobility. As the current workforce retires, the Township will look for ways to become more efficient through re-organization and better use of technology. New employees will certainly be hired, but perhaps not on a “one for one” basis. Some departments may need to expand their roster of employees to continue serving the Township in the manner the citizens of West Bloomfield have come to expect. All bargaining units have negotiated additional benefit tiers for new employees. As the workforce is replaced, additional cost savings will be realized through reduced benefit costs.

Taking all of these factors into consideration, for the purposes of the model, the Township has assumed that salaries and wages may increase by as much as 1.6 percent per year for the duration of the model. This reflects a combination of annual cost of living adjustments and negotiated benefit reductions for all employees.

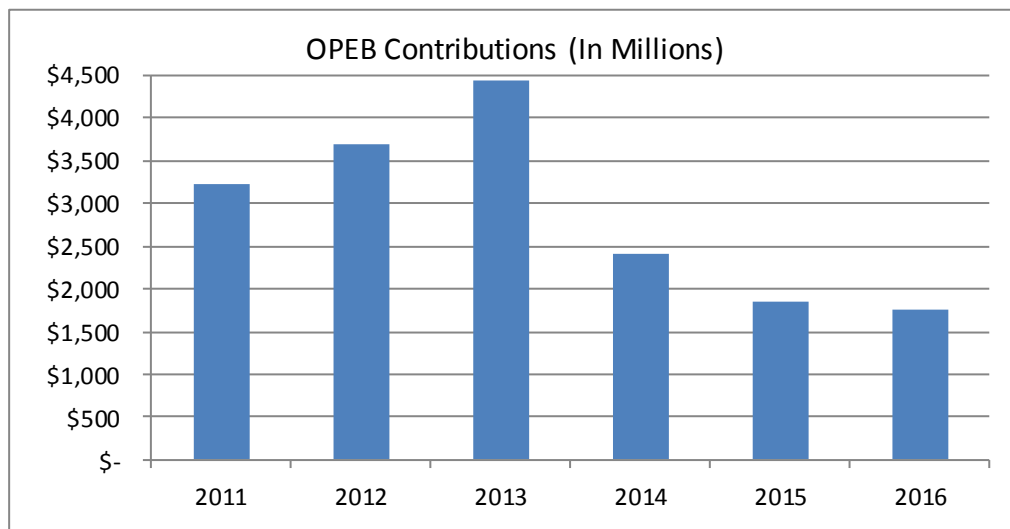
Health Insurance – After several years of double-digit percentage increases related to healthcare premiums during the first decade of the 21st century, healthcare costs, while still increasing, have begun to stabilize. The Township with the support of all bargaining units has moderated healthcare cost increases through negotiating benefit level changes, resulting in cost reductions in certain years as outlined below.



Notes to General Fund and Public Safety Fund Projection

The *Patient Protection and Affordable Healthcare Act* was signed into law in 2010 with implementation for West Bloomfield beginning in 2014. The long-term effects of this Act on the Township are still difficult to quantify. In the short term, the Township's Benefit consultant calculated a less than 1 percent increase for 2017 followed by 4 to 5 percent annual increases thereafter.

Retiree Healthcare Contribution – The Charter Township of West Bloomfield has been proactively pre-funding its liability related to retiree healthcare, also known as Other Post-Employment Benefits (OPEB) since 2000. The Township has no obligation to make such contributions in advance of when the insurance premiums are due for payment; however, the Township understands the full cost of the retirement benefit promised to its existing employees as well as those former employees who have already retired. Annually, the Township makes an irrevocable contribution to the Township Retiree Healthcare Fund, based on the “actuarial required contribution” or ARC as calculated by the system's actuary. The Retiree Health Care Fund then pays the healthcare premiums for the Township's retirees. Contributions to the Retiree Healthcare Fund since 2011 can be seen here:



From 2008 to 2013, contributions to the Retiree Healthcare Fund increased 8 percent per year on average. Michigan Public Act 329 of 2012 allows communities who meet certain criteria to issue bonds to fund all or a portion of their unfunded pension and OPEB liabilities. The Township received approval to issue \$22,005,000 of OPEB bonds in 2013. The prefunding has significantly reduced the Township's 2014, 2015 and 2016 actuarial required contributions while funding 90.4 percent of the accrued liability. Due to the closing of the Township's OPEB plan and the 2013 prefunding, future contributions are projected to remain flat.

Notes to General Fund and Public Safety Fund Projection

Defined Benefit Pension Plan - The Township contributes to a single-employer defined benefit pension plan that covers police, fire, and general employees. The plan was closed to new general employees hired after October, 2003. Every year, as required by Michigan law, the Township makes their annual required contribution (ARC) to the Pension Plan Trust as calculated by the system’s actuary. Current collectively bargained contracts require employee contributions at various rates. The actuarially calculated contributions, expressed as a percentage of payroll, for the five most recently completed valuations are noted below:

**Charter Township of West Bloomfield
Trend in Pension Required Contributions**

<u>Val Yr</u>	<u>FY</u>	<u>Gen Office</u>	<u>Public Safety</u>
2011	2013	27.8%	25.2%
2012	2014	11.5%	27.7%
2013	2015	5.9%	26.3%
2014	2016	10.0%	27.4%
2015	2017	11.4%	27.4%

The Township in 2013 received approval to issue \$9,235,000 of pension bonds to prefund 100 percent of the actuarially accrued liability for the General Employees’ pension. As of 12/31/2015 the General Employee’s Pension is 99.3 percent funded and the Police and Fire Pension is 81.6 percent funded.

Over the next four years, all employee groups have unrecognized investment losses to be recognized. In the absence of offsetting favorable experience, contribution rates as a percentage of payroll are expected to increase due to unrecognized asset losses by the end of the four years. Future ARC contribution increases are projected to increase one to two percent annually due to the unrecognized asset losses, offset by the General Employees funding level and reduced Police and Fire benefits for tier two employees.

Defined Contribution Pension Plan – The Township provides defined contribution pension benefits to general office employees hired after October 2003 and Tier I Police and Fire as outlined in their defined benefit plan. As established by Township Board resolution and collective bargaining, the Township contributes 1 to 12 percent of employees’ gross earnings for those eligible to participate. Employees can contribute up to 25 percent of their own gross earnings to the plan.

For the purposes of the model, a simplified assumption has been made. The model projects the Township’s contribution to this plan will match the 2015 budgeted amount, plus or minus any change for Tier II benefit levels, plus or minus any change to projected salaries and wages.

FICA and All Other Personnel Costs – For the purposes of the model, these expenditures are projected to increase or decrease at the same rate as salaries and wages. One exception is Workers Compensation, where a moderate reduction has been projected.

Notes to General Fund and Public Safety Fund Projection

District Court Costs – The Charter Township of West Bloomfield is one of four member communities served by the 48th District Court based on a resolution adopted in 1985. Per the terms of that resolution, each of the four member communities receive their share of the revenues generated by the Court, offset by their share of the expenditures incurred by the Court. The allocation amongst the four communities is calculated based on the number of cases arising from each community. As such, there can be significant fluctuations from year to year in both the revenues and expenditures allocated to each community. The following is a summary of the Township’s share of the revenues and expenditures from the Court from 2011 to 2016:

48th District Court (all amounts are in thousands of dollars)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> <u>Budget</u>
District Court Revenue	\$1,792	\$1,267	\$1,384	\$1,241	\$1,036	\$1,020
District Court Expenditures	<u>1,327</u>	<u>1,402</u>	<u>1,390</u>	<u>1,040</u>	<u>1,080</u>	<u>1,008</u>
Annual Surplus/(Deficit)	<u>\$464</u>	<u>(\$135)</u>	<u>(\$6)</u>	<u>\$201</u>	<u>(\$44)</u>	<u>\$12</u>

With such unpredictable fluctuations from year to year, predicting future revenue and expenditures with any accuracy would be quite difficult. For the purposes of the model, the Township has assumed that revenues and expenditures will remain cost neutral at the 2016 amounts.

Other Operating Costs - Other operating costs include contractual services, fuel, legal fees, liability and property insurance, office supplies, telecommunication, utilities, and other miscellaneous costs of doing business. These expenditures have either remained constant or increased slightly over time. For purposes of the projection, these combined costs are assumed to increase at one percent per year.

Debt Service – At present time, the annual debt service payable by the General Fund or the Public Safety Fund totals \$2.48 million. The Township has the 2013 bonding of Civic Center Improvements, the 2013 bonding of Pension and OPEB actuarial accrued liabilities and two installment contracts for general Township vehicles.

The Township anticipates participating in the eventual reconstruction of Orchard Lake Boulevard. The current projection for West Bloomfield Township’s share of the project is up to \$7 million. The model assumes this project will be funded, in part, with the issuance of a \$5.1 million bond in 2017, payable over 15 years at an estimated interest rate of 4.3 percent.

Notes to General Fund and Public Safety Fund Projection

For the purposes of the model, no additional debt service has been included. All other capital purchases are assumed to be paid for in the year of acquisition. See Capital Outlay section below.

Capital Outlay – In an effort to offset the revenue losses the Township experienced during the economic downturn and to limit the use of fund balance, numerous capital projects were delayed or partially completed to reduced costs. In doing so, the Township understood this was not a long term solution. Through utilization of engineering studies and the creation of a Capital Improvement Program the Township has prioritized capital projects including the rebuild of Fire Station No 3. It's anticipated that significant capital spending will be required over the next few years to compensate for earlier delays and reductions in capital spending.

The Township also participates with the Road Commission of Oakland County on a number of road projects through Tri Party Funding and other agreements. Major projects include the completion of the Northwest Connector project, widening of Maple Road from Drake Road to Orchard Lake Boulevard, reconstruction of the Maple and Orchard Lake intersection, reconstruction of Orchard Lake Boulevard as well as other identified future projects. With limited State and Federal funding, West Bloomfield Township has joined other Townships across Michigan in providing funding for road projects, even though there is no requirement by law to do so and no statutory revenue source for these expenditures. This projection provides for road funding of \$7.6 million 2016 through 2018 and \$3.8 million 2019 through 2025. Annual debt service of \$463,000 has been projected for the widening of Orchard Lake Blvd starting in 2017.

Major capital projects are funded through the Township's two capital project funds. Through systematic transfers from the General and Public Safety funds, the costs associated with these major projects can be spread beyond a single fiscal year. The Township has managed to build reserves for some of these projects, but will require significant transfers over the next few years to provide funding should all projects materialize. A yearly summary of capital projects follows:

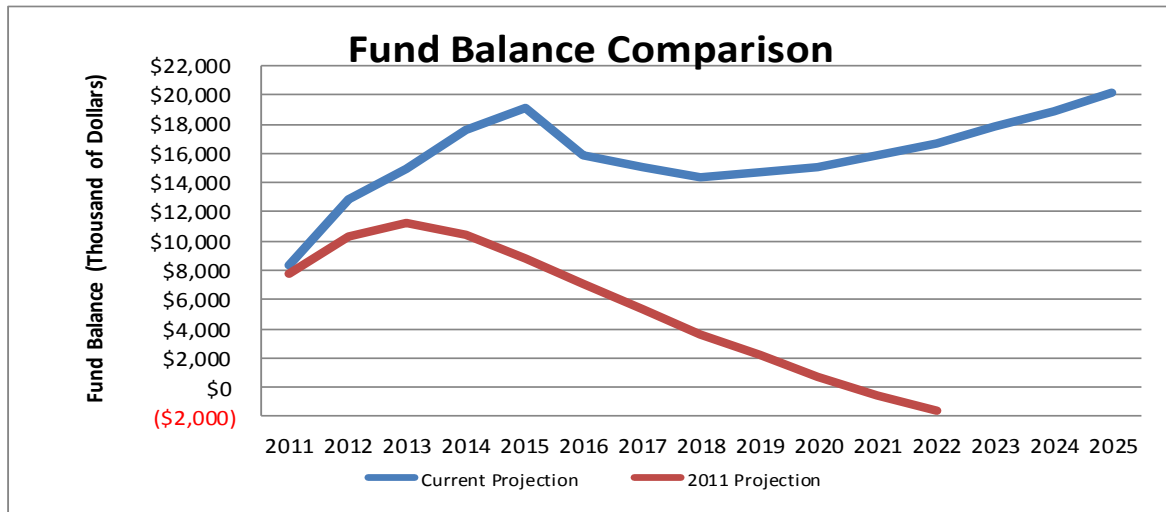
Notes to General Fund and Public Safety Fund Projection

Capital Project Funds 401 & 402 10 Year Projection

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Road Projects	\$3,619,131	\$2,460,806	\$1,500,000	\$500,000	\$780,000
Township Building & Grounds	574,600	289,000	210,000	317,500	100,000
IT Equipment	174,790	90,020	170,680	190,680	80,680
Police and Fire Buildings	3,341,983	1,121,000	468,000	375,000	125,000
Police and Fire Vehicles & Equipment	<u>227,000</u>	<u>487,000</u>	<u>241,000</u>	<u>1,218,000</u>	<u>811,000</u>
Total Capital Outlay	<u>\$7,937,504</u>	<u>\$4,447,826</u>	<u>\$2,589,680</u>	<u>\$2,601,180</u>	<u>\$1,896,680</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Road Projects	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Township Building & Grounds	50,000	100,000	50,000	100,000	50,000
IT Equipment	80,680	190,680	331,580	80,680	54,920
Police and Fire Buildings	90,000	142,000	107,000	212,000	177,000
Police and Fire Vehicles & Equipment	<u>298,000</u>	<u>333,000</u>	<u>723,000</u>	<u>326,000</u>	<u>326,000</u>
Total Capital Outlay	<u>\$1,018,680</u>	<u>\$1,265,680</u>	<u>\$1,711,580</u>	<u>\$1,218,680</u>	<u>\$1,107,920</u>

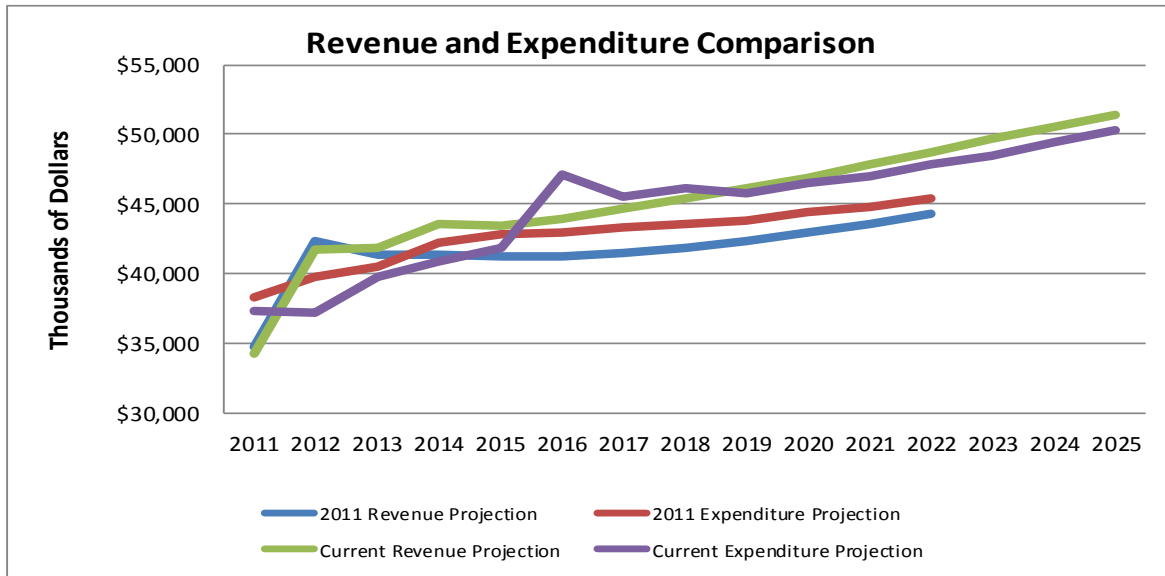
Note 3 – Comparison to 2011 Projection

The Township first utilized a 10 year Projection in response to the rapid decline in property values and resulting tax revenues in 2011. This forward looking approach has allowed decision makers to implement numerous cost reducing initiatives while funding new initiatives. With a stronger than anticipated rebound to our housing market and state economy helping to improve revenues and a continued focus on cost saving measures, the Township’s resulting fund balance has improved since first projected.



The Township is able to project an aligning of financial capacity with long term service objectives as represented by the green and purple lines below. Modest revenue improvements combined with continued attention to holding expenses has allowed the Township to project a long term structurally balanced budget. Long term fiscal sustainability will be dependent on the Township's ability to hold cost increases (driven significantly by the cost of pension, retiree health care and current employee health care) within the limits of expected revenue increases.

Notes to General Fund and Public Safety Fund Projection



Due to the combined effect of Proposal A and the Headlee Amendment to the Township's tax revenues, future revenue increases are predicted to be at or below the rate of inflation. In the years following the 2008 housing crisis municipalities routinely estimated how many years before their tax revenues would come back to their 2008 levels. Municipalities across the state of Michigan have begun to realize this is not going to be the case and long term planning must realize the revenue reductions from 2008 have created permanent structural reductions.

In the event the Township's revenue growth continues to show improvement, the potential for millage rate reductions with the 2022 public safety renewals exist, albeit modest. The below sensitivity analysis provides a restatement of fund balance assuming both public safety millages are renewed with a .25 mill reduction.

Charter Township of West Bloomfield
10 Year Projection with 2022 .25 Mills Public Safety Reduction

	Sensitivity Analysis									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Original revenue & transfers	\$44,656	\$45,360	\$46,071	\$46,917	\$47,807	\$48,710	\$49,631	\$50,579	\$51,447	
minus .25 mill 2022	-	-	-	-	-	(916)	(934)	(953)	(972)	
Restated Revenue & Transfers	44,656	45,360	46,071	46,917	47,807	47,794	48,696	49,626	50,475	
Total Expenditures & Transfers	45,517	46,078	45,722	46,534	47,044	47,902	48,456	49,459	50,246	
Surplus/(Deficit)	(861)	(718)	349	384	764	(108)	240	167	229	
Fund Balance - Beg of year	15,889	15,027	14,309	14,658	15,042	15,805	15,698	15,938	16,105	
Fund Balance - End of year	15,027	14,309	14,658	15,042	15,805	15,698	15,938	16,105	16,334	
% of Fund Balance to Revenue	33.65%	31.55%	31.82%	32.06%	33.06%	32.84%	32.73%	32.45%	32.36%	
Fund Balance - end of year - original projection	15,027	14,309	14,658	15,042	15,805	16,614	17,788	18,908	20,108	
Difference	\$0	\$0	\$0	\$0	\$0	(\$916)	(\$1,850)	(\$2,803)	(\$3,775)	