



500 West Big Beaver
Troy, MI 48084
troymi.gov

FROM THE OFFICE OF THE CITY MANAGER

April 20, 2020

To: Mayor and City Council Members

From: Mark F. Miller, City Manager
Robert J. Bruner, Assistant City Manager
Robert Maleszyk, Chief Financial Officer
Drew Benson, Assistant to the City Manager

Subject: City Council Budget Questions & Answers – 4.20.2020

The following are communications that City Administration would like Council to be made aware of. In order to ensure that all questions are received and answered, all City Council Questions should be sent to the CITY MANAGER DISTRIBUTION GROUP e-mail address.

From: David Hamilton
Sent: Friday, April 17, 2020 11:28 AM
To: City Manager Distribution Group <CityManager@troymi.gov>
Subject: Budget Questions

- 1.) Why are engineering fees decreasing 25%?
- 2.) Why did retirement benefits decrease \$0.8 million? I know the ARC for the Retiree Healthcare System decreased 2.2 million, while ARC increased 400k for the VFIP?
- 3.) Why is the general fund 2020 estimated revenue \$600,000 more than the 2020 amended budget amount? (I see this is due to Administration Fees. Why were they higher?)
- 4.) Why is there a Sylvan Glen Golf Course expenditure increase in 2020 and 2022 (I'm assuming this is the club house capital expense?). Sanctuary Lake also has a jump in expenditure from 2019 to 2020, why is that?
- 5.) Why do Fleet and IT have big expenditure increases?
- 6.) Why were major and local street funds transfers much less than budgeted?
- 7.) What is the 16% increase in City Attorney Other Service Charges?

8.) Can you further breakdown the Building Inspection Performance indicators, including: Permits issued, plans reviewed, and numbers of inspections? How are all those actions triggered, and how will covid19 affect these in the next year?

9.) Pg 323, there were way less 39230 voters voting in the nov. 2019 election.

10.) Planning code enforcement inspections: how does that process happen, and how will covid19 affect it?

11.) Pg 251 - MR-33 - Do we have to pay an equal share of this road with RCOC? Is Bloomfield Township bordering Adams cause RCOC's share to be slightly higher?

12.) Pg 251 - MR 36 - text is cut off at the bottom.

David Hamilton
Troy Mayor Pro Tem

1.) Why are engineering fees decreasing 25%?

Answers: Robert Maleszyk, Chief Financial Officer

They are conservatively budgeted at \$1,500,000 (\$10,000,000 x 15% charge). 2019 was \$1.26 million and 2018 was \$2.26 million. It varies between activity and escrows being realized into income.

2.) Why did retirement benefits decrease \$0.8 million? I know the ARC for the Retiree Healthcare System decreased 2.2 million, while ARC increased 400k for the VFIP?

Answers: Robert Maleszyk, Chief Financial Officer

You are comparing the general fund to the whole population (Special Revenue Funds, Enterprise Funds, Internal Service, etc.), but also the defined contribution plans are in there as well (401a and RHS).

3.) Why is the general fund 2020 estimated revenue \$600,000 more than the 2020 amended budget amount? (I see this is due to Administration Fees. Why were they higher?)

Answers: Robert Maleszyk, Chief Financial Officer

The 2020 ledger has an entry that needs to be corrected between admin fees revenue and other revenue. The net effect will be zero once journalized.

- 4.) Why is there a Sylvan Glen Golf Course expenditure increase in 2020 and 2022 (I'm assuming this is the club house capital expense?). Sanctuary Lake also has a jump in expenditure from 2019 to 2020, why is that?

Answers: Robert Maleszyk, Chief Financial Officer

Sylvan Glen has budgeted more for capital projects in 2020 and 2022. You are correct about the club house.

Sanctuary Lake is because the actual amounts due not include the debt payments like the budget does. We budget to show the debt payments, but enterprise fund accounting reduces debt and there is only interest expense, not principal.

- 5.) Why do Fleet and IT have big expenditure increases?

Answers: Robert Maleszyk, Chief Financial Officer

Fleet has \$3.5 million for vehicle replacement to upgrade our fleet per our replacement schedule. IT actually is down 12%. Just the opposite explanation. Less capital expended in 2021.

- 6.) Why were major and local street funds transfers much less than budgeted?

Answers: Robert Maleszyk, Chief Financial Officer

Because their costs attributable for reimbursement to the general fund were lower. Lower costs for Snow & Ice Control due to a Mild winter was main reason.

- 7.) What is the 16% increase in City Attorney Other Service Charges?

Answers: Robert Maleszyk, Chief Financial Officer

Legal Consultants increase from \$75k to \$100k for increased legal activity (lawsuits, collective bargaining, etc).

- 8.) Can you further breakdown the Building Inspection Performance indicators, including: Permits issued, plans reviewed, and numbers of inspections? How are all those actions triggered, and how will covid19 affect these in the next year?

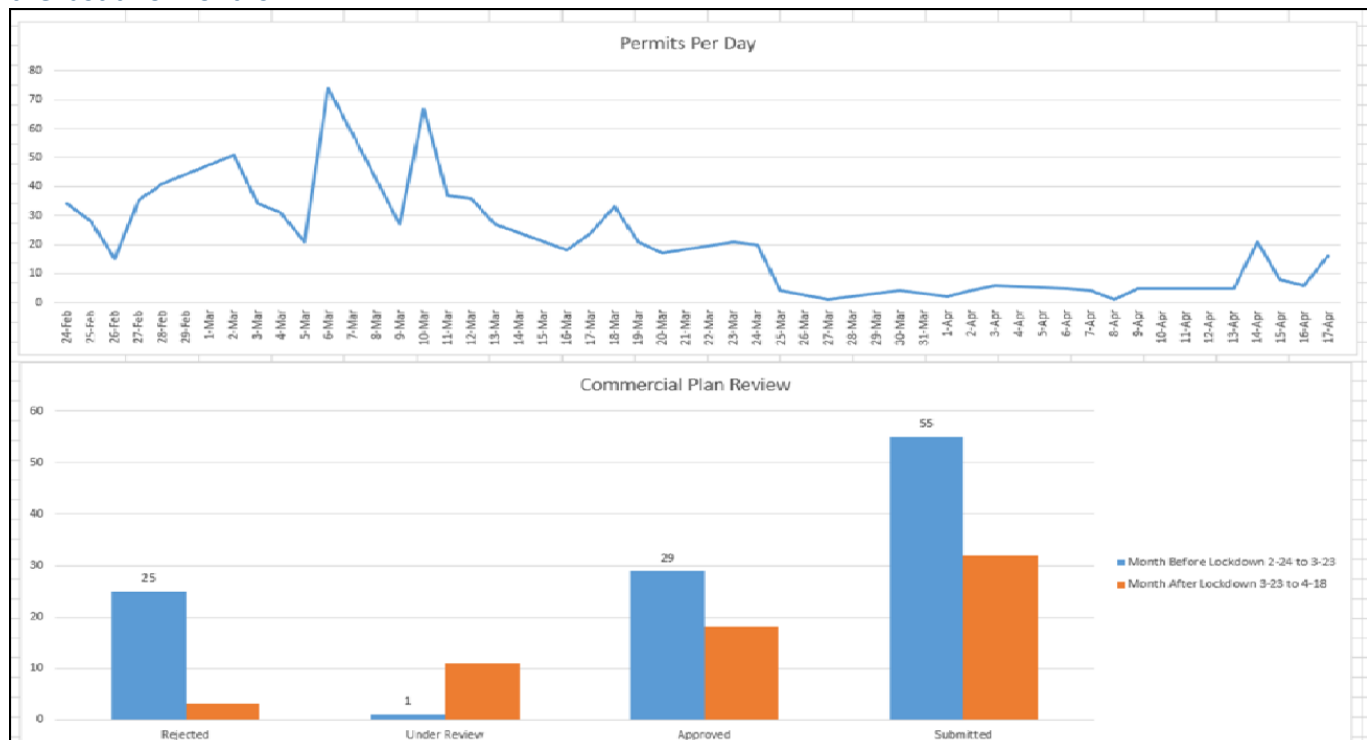
Answers: R. Brent Savidant, Community Development Director & Salim Huerta, Building Official

Below is a chart with the breakout of the number of permits within each category that makes up "Permits Issued", as well as "Plans reviewed", and "Number of Inspections". This data comes from the monthly reports submitted by SAFEBuilt.

| Troy Building Department's service activity report from 2017-4/2020 | | | |
|---|---------|---------|----------|
| | 2017/18 | 2018/19 | 2019/20* |
| Building Permit Issued | 2856 | 2581 | 1710 |
| Electrical Permits Issued | 2514 | 2677 | 1144 |
| Mechanical Permits Issued | 2036 | 1901 | 1672 |
| Plumbing Permits Issued | 1613 | 1668 | 1042 |
| Building Inspections | 7325 | 6624 | 4991 |
| Mechanical Inspections | 3783 | 3505 | 2470 |
| Electrical Inspections | 4172 | 3893 | 2670 |
| Plumbing Inspections | 3178 | 2832 | 1986 |
| Plan Review | 2856 | 2581 | 1710 |

*Year to Date

Below are a series of graphs that show how our permitting and plan review activity has changed over the last two months.



Based on this, we anticipate being below, but close, to our projected volume of work for 2019/2020 assuming that normal activity is allowed prior to the end of the fiscal year. For the next fiscal year, we will need to determine how long this crisis will continue to determine how much of an impact this will have on our future fiscal years.

These actions are triggered by applications being submitted by individuals and companies that are seeking to do applicable work on structures in the City. The required permits, required reviews by the City, and required inspections for each particular project are defined by the City of Troy, and the widely adopted codes it enforces. The performance indicators presented on the 2020-2021 Proposed Budget chart are made of historic data and forecast data prior to the crisis, and would be what we would expect in a normal year.

The City has transitioned all of its Building Inspections services online, and even have the ability to perform some inspections virtually (Not all though). While we are now anticipating some drop in permit applications, plan review requests, and inspection requests for this fiscal year, but we do not know to what degree yet. We did not think it was appropriate to make estimates about those changes without having a full understanding of what the impact will be. Regardless, the City's expenses related to Building Inspections are directly tied to the number of permits, number of reviews, and number of inspections that are performed (per our existing contract with SAFEBuilt where they receive 75% of applicable revenues). So, our expenses will inherently change to reflect the amount of work – and the revenues – that the City receives.

9.) Pg 323, there were way less 39230 voters voting in the nov. 2019 election.

Answers: Aileen Dickson, City Clerk

After review, the numbers on page 323 are incorrect. The correct numbers are: 15,485 voters, 26% turnout for Nov 2019. This will be corrected.

10.) Planning code enforcement inspections: how does that process happen, and how will covid19 affect it?

Answers: R. Brent Savidant, Community Development Director & Paul Evans, Zoning & Compliance Specialist

Code Enforcement inspections happen when the City receives an ordinance complaint, or when a violation is observed by the Housing & Zoning Inspector. The budget figure includes necessary follow up inspections until a violation is corrected.

Code Enforcement inspections are not considered essential under the COVID-19 Governor's Executive Orders, and are not expected to be performed until inspection restrictions are modified.

High inspection counts are typical from mid-April to the end of June. However, since we have never gone a period without performing inspections, there is no precedent predicting what we could return to.

11.) Pg 251 - MR-33 - Do we have to pay an equal share of this road with RCOC? Is Bloomfield Township bordering Adams cause RCOC's share to be slightly higher?

Answers: Robert Maleszyk, Chief Financial Officer

Federal funds are paying 80%. RCOC and Troy pay 10% each. RCOC is paying the cost of the design work and project management 100%.

12.) Pg 251 - MR 36 - text is cut off at the bottom.

Answers: Robert Maleszyk, Chief Financial Officer

Noted, this will be fixed.

From: David Hamilton

Sent: Sunday, April 19, 2020 11:38 AM

To: Mark F Miller <Mark.Miller@troymi.gov>; City Manager Distribution Group <CityManager@troymi.gov>

Subject: Re: Library & Capital Revenue Detail

Can I get a breakdown of library and capital revenue in this year's budget, similar to what I got last year (as seen below)? I'd like it to include 2019 actual, 2020 estimated and amended, 2021 proposed, and 22 , 23 forecasted.

Thanks,

David Hamilton
Troy Mayor Pro Tem

Answers: Mark F. Miller, City Manager

We did not see an attachment below on the e-mail, so we are unsure how to respond to this. Please share an example of what you meant and we can work on getting that information for you.

From: David Hamilton

Sent: Sunday, April 19, 2020 11:43 AM

To: City Manager Distribution Group <CityManager@troymi.gov>

Subject: More Budget questions

1.) Where does "investment income" in the general fund revenue (pg.75) come from? How are general fund extra funds invested?

2.)PG. 217 (223 in pdf) - Other financing sources, in 2019 actual the \$226539 which was transferred from the Drug Forfeiture fund to capital is counted as General Fund transfer here. The General fund reports transferring \$**1635410** to capital, rather than 1861949.

3.) I noticed in previous budgets, the internal service funds and enterprise funds referred to "net position" because they use full accrual accounting, and the general fund and special funds use fund balance, as they use modified accrual accounting.

This year's budget has fund balance listed for every fund. Is this a change? Or just a different label?

4.) I'm noticing that the 2019 CAFR and the 2019 actual numbers for Water and Sewer are different (Sylvan Glen and Sanctuary Lake are also different by about \$25. My guess is this is just a small change in the advance from Sylvan to Sanctuary). The ending net position numbers are different too. You can see it in 2019 CAFR Pg. 45 (pg. 55 in the PDF) vs. 2021 Budget Pg 261 (Pg 267 in the PDF), Pg 270, and Pg 276. (I've attached the differences to this email)

5.) On Pg 200 of the 2021 Budget (pg 206 in the PDF), in the 2020 estimated expense for CDBG Park Improvements, there is Other Financing Uses for \$286720. Also see \$105,000 for the same for the 2021 Proposed budget. I'm assuming these are transfers to the capital fund.

On Pg. 217, in the Capital Fund, I see these transfers in from CDBG. It is \$361000 for 2020 estimated and \$250,000 for 2021 proposed. Why are these numbers different?

I remember we had several votes on reallocated CDBG funds the last few years. Can you summarize that and how that matches what I'm seeing in the budget?

6.) I'm trying to make a compilation of all our fund balances, to get a sense of reserves we have available should we need to tap into them due to the economic downturn. Do you have a list of available fund balance (cash or liquid), not necessarily unassigned, that can be used to cover expenses should revenue drop? How much of the Water and Sewer net position (and sylvan glen) is liquid, and could be used to cover fallen revenue?

Thanks,

David Hamilton
Troy Mayor Pro Tem

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1. Where does "investment income" in the general fund revenue (pg.75) come from? How are general fund extra funds invested?

Answers: Robert Maleszyk, Chief Financial Officer

We utilize a "pooled cash" system for the City. Investment income is allocated each month to each fund based on their share of the total pool. City funds can be invested by the CFO per the investment policy. We follow State law and invest in safe investments such as CD's up to the FDIC insured amount, Agencies, Commercial Paper, Treasury notes, Municipal bonds, etc.

2. PG. 217 (223 in pdf) - Other financing sources, in 2019 actual the \$226539 which was transferred from the Drug Forfeiture fund to capital is counted as General Fund transfer here. The General fund reports transferring \$**1635410** to capital, rather than 1861949.

Answers: Robert Maleszyk, Chief Financial Officer

Yes, in 2019 ledger the revenue for the two were combined in the ledger. No impact to the financials.

3. I noticed in previous budgets, the internal service funds and enterprise funds referred to "net position" because they use full accrual accounting, and the general fund and special funds use fund balance, as they use modified accrual accounting. This year's budget has fund balance listed for every fund. Is this a change? Or just a different label?

Answers: Robert Maleszyk, Chief Financial Officer

This year we utilized the New World system to produce these statements. They are labeled the same throughout. We will make appropriate change for final budget.

4. I'm noticing that the 2019 CAFR and the 2019 actual numbers for Water and Sewer are different (Sylvan Glen and Sanctuary Lake are also different by about \$25. My guess is this is just a small change in the advance from Sylvan to Sanctuary). The ending net position numbers are different too. You can see it in 2019 CAFR Pg. 45 (pg. 55 in the PDF) vs. 2021 Budget Pg 261 (Pg 267 in the PDF), Pg 270, and Pg 276. (I've attached the differences to this email)

Answers: Robert Maleszyk, Chief Financial Officer

You are correct about the \$25. We will research those and get back to you. Our numbers tie to our ledger, so we need to research.

5. On Pg 200 of the 2021 Budget (pg 206 in the PDF), in the 2020 estimated expense for CDBG Park Improvements, there is Other Financing Uses for \$286720. Also see \$105,000 for the same for the 2021 Proposed budget. I'm assuming these are transfers to the capital fund.

Answers: Robert Maleszyk, Chief Financial Officer

Yes, These are transfers to Capital Fund.

6. On Pg. 217, in the Capital Fund, I see these transfers in from CDBG. It is \$361000 for 2020 estimated and \$250,000 for 2021 proposed. Why are these numbers different?

Answers: Robert Maleszyk, Chief Financial Officer

We set CDBG conservatively at \$150k per year. These will be updated once we get updated numbers.

7. I remember we had several votes on reallocated CDBG funds the last few years. Can you summarize that and how that matches what I'm seeing in the budget?

Answers: Robert Maleszyk, Chief Financial Officer

We will need time to review and summarize this information. While we do not have the answer right now, we will work on this and share the information as soon as possible.

8. I'm trying to make a compilation of all our fund balances, to get a sense of reserves we have available should we need to tap into them due to the economic downturn. Do you have a list of available fund balance (cash or liquid), not necessarily unassigned, that can be used to cover expenses should revenue drop? How much of the Water and Sewer net position (and sylvan glen) is liquid, and could be used to cover fallen revenue?

Answers: Robert Maleszyk, Chief Financial Officer

Our updated Financials through March 31, 2020, we have bank balances of \$126 million. You need to be careful when looking at fund balances. You cannot use Special revenue funds or Enterprise funds for other purposes. Water and Sewer combined has approx. \$40 million in working capital.

From: David Hamilton

Sent: Sunday, April 19, 2020 12:52 PM

To: City Manager Distribution Group <CityManager@troymi.gov>

Subject: Budget

Water Fund Pg 45 and Pg. 276 have different expenditure numbers, causing a different ending fund balance number, for Proposed 2021 Budget. This also causes the All Funds Expenditure numbers on Pg. 35 and Pg 36 to be different. Also changes the 179,276,079 expenditure figure that is in many parts of the document.

David Hamilton
Troy Mayor Pro Tem

Answers: Robert Maleszyk, Chief Financial Officer

We corrected Capital for \$50,000. Page 276 didn't get updated. All other pages are fine. Will correct p 276 for final budget.

From: Rebecca A. Chamberlain-Creangă
Sent: Monday, April 20, 2020 1:51 AM
To: City Manager Distribution Group <CityManager@troymi.gov>
Subject: April 20 Special Meeting - Budget Study Session questions

Dear Mark and team,

Many thanks to you, Rob, your department heads and all city staff for their hard work on the FY 2020-21 proposed budget! As I shared this weekend, my father, a longtime city councilor, always said that studying and adopting the city's budget was one of the most important responsibilities of a council member - because you are stewarding the community's resources. So, with great humility and honor, I spent this weekend carefully reading the proposed budget. My initial questions are as follows:

- As a way to encourage resident engagement with the budget, could we consider creating two slides of infographics of key highlights from the FY20-21 budget? The budget is a long, dense document, and infographics help boil it down to the essentials for residents to provide input on. I know the City did this in 2017, and it was well received by the public. In this *Stay Home, Stay Save* environment, the infographics would be shared electronically for input, as opposed to set up in the library and community center.
 - Mayor Pro Tem Hamilton had the good idea of trying to find a way to break things down by household, showing what something costs per household. This helps to break down the numbers, showing real impact on residents.
- Related to the new staff positions proposed in the budget, what is the decision-making criteria used by the City when determining whether a departmental work need is best filled by an FTE, part-time employee, consultant, contractor, intern, etc.? (e.g., duration of work need, volume of work need)
- A resident in my neighborhood had a question about the full-time marketing position proposed for the library: Do other towns with their own libraries have this?
- I also heard from a resident that he was expecting to see a note in the budget about expected shortfalls due to the pandemic. I wonder if it would make sense to include a short explanation of how the city is prepared to address a possible downturn - and well placed to withstand it? This would help readers understand that we are cognizant of the current environment.
- I looked closely at the Enterprise Funds, in particular at the 2 golf course funds and the Aquatic Center Fund. All 3 list indicators - projected for the rest of this fiscal year 2019-20 and for fiscal year 2020-21 (e.g., 46,000 rounds of golf in 2020 and 46,790 in 2021 at Sylvan Glen, for example) - that I question will be met given the pandemic. Even if all 3 can open this summer, their admissions rates will not be the same as in prior years.
 - The same can also be said of the Troy Community Center, although I recall its operations/supplies/staffing come from the General Fund.
 - This leads me to a related question, what would be the impact on the budget if the Aquatic Center and 2 golf courses open, but admissions are a fraction of the usual volume. I imagine it would take a toll on expenses for these enterprises to be in full operation (e.g., lawn maintenance, sprinklers/water use), but not experience the same volume of patrons.
- Charges for Services is expected to generate \$8.2 million in revenue. However, the Parks and Recreation program fees and Community Center pass fees will likely be down next fiscal year due to the aftermath of the pandemic with people not wanting to congregate in groups for some time. How might this affect expected revenue from these sources?

- We have heard that the Troy Historic Village and Stage Nature Center are struggling in this economic environment. I recall reading in the budget that the City - along with building maintenance and grounds work - budgets apx. \$100,000 for each institution for general operating support. Given how important these institutions are to the social fabric of our city, would there be flexibility in the budget to provide more general operating support this year?
 - I also say this knowing that we're proposing \$404,000 out of the Capital Projects Fund for Historical Village improvements to exterior building repairs, roof replacements, walkways, etc. It would be a shame to invest in the exterior only to have the organization running the place struggling to keep the doors open.
- I also recall reading that both the Nature Center and Historic Village were included in the Parks and Recreation Plan adopted in December 2019 - and the plan would allow the City to apply for DNR grant funding. Would this be a possibility to help both financially?
 - On p. 4, why is the Troy Historic Village not under Recreation? Does this relate to its contractual relationship with the City?
- I read somewhere in the budget that resources from the current fiscal year for community engagement work will be carried over into this next FY20-21, given that they were not used this fiscal year. Is this true?
- Just to make sure I understand, Act 51 revenue from the state is used only for major and local streets (to maintain and repair), right?
 - And is Act 51 the sole funding source for the Major and Local Street Funds (as a Special Revenue Fund)?
 - And is this why it was important last week in the city council meeting to approve new local roads, which impacts our overall number of local and major roads reported to the state - which in turn impacts the amount of Act 51 funding we receive (along with other factors stated on p. 23 of the budget)?
- We know Act 51 funding with decrease in the year ahead (gas prices have decreased, etc.). However, with the state's fiscal year running October 1 to September 30 and our fiscal year running July 1 to June 30, what time span is used by the state to determine the amount that we then receive in FY20-21?
 - This question was addressed in Mayor Pro Tem Hamilton's question/answer last week, but the only information I saw was "it is calculated annually." Does this mean during the state's fiscal year? And is it during the fiscal year prior to the fiscal year they pay out in? I'm just trying to see if the low gas prices - and hence lower Act 51 funding - will impact us starting on July 1, 2020 or later in our fiscal year? Or it will not impact us until the next fiscal year 2021-22?

I am sure more questions will arise as we continue to dive into the budget during our study session tomorrow evening. I look forward to learning more and carrying on the conversation!

With all good wishes,
Rebecca

1. As a way to encourage resident engagement with the budget, could we consider creating two slides of infographics of key highlights from the FY20-21 budget? The budget is a long, dense document, and infographics help boil it down to the essentials for residents to provide input on. I know the City did this in 2017, and it was well received by the public. In this *Stay Home*,

Stay Save environment, the infographics would be shared electronically for input, as opposed to set up in the library and community center.

- Mayor Pro Tem Hamilton had the good idea of trying to find a way to break things down by household, showing what something costs per household. This helps to break down the numbers, showing real impact on residents.

Answers: Mark F. Miller, City Manager

We can create something similar to what was done in 2017 after the budget meeting. This will take some time to design.

2. Related to the new staff positions proposed in the budget, what is the decision-making criteria used by the City when determining whether a departmental work need is best filled by an FTE, part-time employee, consultant, contractor, intern, etc.? (e.g., duration of work need, volume of work need)

Answers: Jeanette Menig, Human Resources Director

We received 16 requests for new or modified positions in advance of this year's budget. Each request was reviewed by our committee who evaluated the need and value/benefit of the position (what isn't getting done/what new initiatives could be added, etc.), potential to get the work done through other means (outsource, part-time, temp), potential revenue generation, and the impact on succession planning.

3. A resident in my neighborhood had a question about the full-time marketing position proposed for the library: Do other towns with their own libraries have this?

Answers: Robert J. Bruner, Assistant City Manager

Yes, most libraries of Troy's size (i.e. Rochester Hills, Novi, Canton, Clinton Macomb, Sterling Heights, West Bloomfield) have a full time marketing/PR/communications. Many libraries in smaller communities (i.e. Birmingham, Bloomfield, Lake Orion) have these positions as well. Some are called Community Relations Specialist, Marketing and Program Coordinator, Public Relations and Programs Coordinator.

TPL's Marketing Coordinator position originated in the 2012-2015 Library Strategic Plan. As a result, the position of Marketing Coordinator was implemented in 2015. This position was a full time position, split between the Recreation Department and TPL. The Marketing Coordinator was to work 20 hours for each department. However, given that this position was only able to spend 20 hours per week working for each department, some initiatives plateaued, i.e. reaching out to underserved segments of the community, people who had never used TPL before, fundraising initiatives, etc.

This, along with the advent of the library millage, was the impetus to give each department its own full time Marketing Coordinator. The library millage historically has required significant effort in the creation of content neutral information for the public, and the Recreation Department's efforts were going to suffer if a change was not made.

4. I also heard from a resident that he was expecting to see a note in the budget about expected shortfalls due to the pandemic. I wonder if it would make sense to include a short explanation of how the city is prepared to address a possible downturn - and well placed to withstand it? This would help readers understand that we are cognizant of the current environment.

Answers: Robert Maleszyk, Chief Financial Officer

The first slide of tonight's budget presentation outlines much of what you're asking. This presentation will be available to the public. Below are the key points:

- These are unprecedented times – We do not fully know what that will mean financially
 - COVID-19 had created a set of circumstances that struck suddenly, and harshly.
 - We still do not know how much this will impact the overall economy, let alone here in Troy.
 - Because of this, it is incredibly difficult to create a budget that fully takes into account the financial impact in the future.
 - The City is financially sound right now
 - While we have seen decreases in revenue, we have also seen commensurate decreases in costs.
 - Troy is not reliant on income taxes, sales taxes, or other forms of revenue generation that are more closely tied to the day-to-day economy
 - Our budgets are always very conservative, which offsets unforeseen circumstances
 - The City has a solid fund-balance, as well as enough cash on hand to weather this crisis
 - The proposed budget is built on normal circumstances, but can ALWAYS be amended
5. I looked closely at the Enterprise Funds, in particular at the 2 golf course funds and the Aquatic Center Fund. All 3 list indicators - projected for the rest of this fiscal year 2019-20 and for fiscal year 2020-21 (e.g., 46,000 rounds of golf in 2020 and 46,790 in 2021 at Sylvan Glen, for example) - that I question will be met given the pandemic. Even if all 3 can open this summer, their admissions rates will not be the same as in prior years. The same can also be said of the Troy Community Center, although I recall its operations/supplies/staffing come from the General Fund.

Answers: Robert Maleszyk, Chief Financial Officer

Budget is created starting back in January and finished in March. Numbers are normal circumstance. Once we have a better understanding of how long this crisis will last, and the restrictions that will be in place, we will be able to better project the usage of those facilities.

- This leads me to a related question, what would be the impact on the budget if the Aquatic Center and 2 golf courses open, but admissions are a fraction of the usual volume. I imagine it would take a toll on expenses for these enterprises to be in full operation (e.g., lawn maintenance, sprinklers/water use), but not experience the same volume of patrons.

Answers: Robert Maleszyk, Chief Financial Officer

Correct, there we have to monitor and react to lower revenue numbers.

6. Charges for Services is expected to generate \$8.2 million in revenue. However, the Parks and Recreation program fees and Community Center pass fees will likely be down next fiscal year due to the aftermath of the pandemic with people not wanting to congregate in groups for some time. How might this affect expected revenue from these sources?

Answers: Robert Maleszyk, Chief Financial Officer

Correct, there we have to monitor and react to lower revenue numbers.

7. We have heard that the Troy Historic Village and Stage Nature Center are struggling in this economic environment. I recall reading in the budget that the City - along with building maintenance and grounds work - budgets apx. \$100,000 for each institution for general operating support. Given how important these institutions are to the social fabric of our city, would there be flexibility in the budget to provide more general operating support this year?

I also say this knowing that we're proposing \$404,000 out of the Capital Projects Fund for Historical Village improvements to exterior building repairs, roof replacements, walkways, etc. It would be a shame to invest in the exterior only to have the organization running the place struggling to keep the doors open.

I also recall reading that both the Nature Center and Historic Village were included in the Parks and Recreation Plan adopted in December 2019 - and the plan would allow the City to apply for DNR grant funding. Would this be a possibility to help both financially?

Answers: Robert Maleszyk, Chief Financial Officer

You are correct, the City does provide \$100,000 to each organization for general operating support, along with the full burden of capital expenses. The proposed budget was prepared before the pandemic began so it does not include any additional compensation for the Troy Historical Society or Troy Nature Society in response to COVID-19. However, City staff is working with both societies to assess the needs of these City facilities and may recommend a budget amendment to increase the appropriation for services pursuant to those agreements.

As for DNR grants – There are a wide range of grants, including the DNR, that can support operations, programming, and/or capital needs for organizations like this. Both organizations are regular applicants and recipients of grant funding, and they will likely be seeking those funds now more than ever. To what degree funding will be available, and how those funds will be allowed to be used, is still unknown.

- On p. 4, why is the Troy Historic Village not under Recreation? Does this relate to its contractual relationship with the City?

Answers: Robert J. Bruner, Assistant City Manager

Regarding the Organizational Chart on page 4 of the proposed budget, it is attempting to illustrate that the City's relationship with the Troy Nature Society is primarily managed by the Recreation Director and the City's relationship with the Troy Historical Society is primarily managed by the Assistant City Manager. However, Public Works also plays an important role as the City owns both facilities and maintains the buildings and grounds.

8. I read somewhere in the budget that resources from the current fiscal year for community engagement work will be carried over into this next FY20-21, given that they were not used this fiscal year. Is this true?

Answers: Robert Maleszyk, Chief Financial Officer

If you are referring to re-appropriation of capital projects, then yes.

9. Just to make sure I understand, Act 51 revenue from the state is used only for major and local streets (to maintain and repair), right?
 - a. And is Act 51 the sole funding source for the Major and Local Street Funds (as a Special Revenue Fund)?

Answers: Robert Maleszyk, Chief Financial Officer

Correct, Act 51 revenue from the state is used only for major and local streets to maintain and repair. ACT 51 funds are the primary revenue source, but there is also some minor investment income as well.

- And is this why it was important last week in the city council meeting to approve new local roads, which impacts our overall number of local and major roads reported to the state - which in turn impacts the amount of Act 51 funding we receive (along with other factors stated on p. 23 of the budget)?

Answers: Robert Maleszyk, Chief Financial Officer

Yes.

10. We know Act 51 funding with decrease in the year ahead (gas prices have decreased, etc.). However, with the state's fiscal year running October 1 to September 30 and our fiscal year running July 1 to June 30, what time span is used by the state to determine the amount that we then receive in FY20-21?

Answers: Robert Maleszyk, Chief Financial Officer

Act 51 is received monthly. We will receive less in this current fiscal year as there are less taxes being generated. It will impact us into 2021 as well if this trend continues. We should have enough resources to still transfer funds to the Capital account in 2021. We have fund balances in both Major and Local roads just for this type of issue.

11. This question was addressed in Mayor Pro Tem Hamilton's question/answer last week, but the only information I saw was "it is calculated annually." Does this mean during the state's fiscal year? And is it during the fiscal year prior to the fiscal year they pay out in? I'm just trying to see if the low gas prices - and hence lower Act 51 funding - will impact us starting on July 1, 2020 or later in our fiscal year? Or it will not impact us until the next fiscal year 2021-22?

Answers: Robert Maleszyk, Chief Financial Officer

Lower State tax revenue will impact us in the 2020 fiscal year as the State will have to adjust their budget as well. We simply do not know what that impact will be yet.

From: Ethan Baker
Sent: Monday, April 20, 2020 10:01 AM
To: Mark F Miller <Mark.Miller@troymi.gov>
Subject: Council Budget

Just a reminder that I'm curious what/where these funds go!

| GENERAL FUND General Government/Council And Executive Administration | | | | | | | | |
|--|--------------------|--------------------|-----------------------|---------------------|-------------------|--------------|-------------------|-------------------|
| Council | | | | | | | | |
| | 2018 Actual Amount | 2019 Actual Amount | 2020 Estimated Amount | 2020 Amended Budget | 2021 Proposed | % Change | 2022 Proposed | 2023 Proposed |
| Fund: 101 GENERAL FUND | | | | | | | | |
| Expenditure | | | | | | | | |
| Department: 102 Council | | | | | | | | |
| Business Unit: 102 Council | | | | | | | | |
| Personal Services | \$ 15,840 | \$ 15,847 | \$ 15,850 | \$ 15,850 | \$ 15,860 | 0.06% | \$ 16,170 | \$ 16,500 |
| Supplies | 1,848 | 770 | 2,200 | 2,850 | 2,900 | 1.75% | 2,950 | 3,000 |
| Other Service Charges | 67,217 | 44,496 | 77,720 | 77,720 | 83,590 | 7.55% | 84,810 | 86,040 |
| Department Total: Council | \$ 84,906 | \$ 61,113 | \$ 95,770 | \$ 96,420 | \$ 102,350 | 6.15% | \$ 103,930 | \$ 105,540 |

Ethan Baker
Mayor of Troy

Answers: Mark F. Miller, City Manager

Below are the largest components of the City Council budget, and examples of what are included in those allocations.

- \$14,700 for City Council wages (**Personal Services**)
 - Also includes FIC & mandatory Workers Comp/Unemployment
- \$2,900 for Office Supplies & Postage (**Supplies**)
- \$12,000 for Special Studies & Research (**Other Service Charges**)
 - Based on previous year expenditures, and projected uses
 - Examples include: Plante Moran Report, City Council investigation, etc.
- \$30,850 for internal service charges for Information Technology (**Other Service Charges**)
 - Laptops, helpdesk, etc.
 - Based on number of computers
- \$30,600 for memberships & dues (**Other Service Charges**)
 - SEMCOG membership (\$10,000)
 - MML membership (\$12,500)
 - National League of Cities (\$6,800)
 - Others as needed
- \$5,000 for Education & Training (**Other Service Charges**)
 - For City Council members to attend trainings.
- \$5,000 for Other (**Other Service Charges**)
 - Includes group pictures, nameplates, and any other charges that are attributable to City Council

From: Edna Abraham [mailto:edna.abraham@troymi.gov]
Sent: Monday, April 20, 2020 12:07 PM
To: City Manager Distribution Group <CityManager@troymi.gov>
Subject: Questions for the Budget Study Session

Please see below for my questions/comments on the submitted budget.

- It appears that 20/21 budget assumes normal operation of all city buildings, services, programming, etc. at the start of the fiscal year and at similar levels of revenue and expenditures as this current budget year. Understanding that the COVID-19 situation remains dynamic, it seems unlikely that the assumptions around the 20/21 FY operations / revenue / expenditures will hold, which would then impact subsequent FYs. What would be the process to update the 3-yr budget to reflect any assumptions due to the “new normal” that is still unfolding?

- City policy requires the unassigned fund balance to fall within 20-30% with a requirement for a plan to address if it falls above or below this range. The unassigned fund balance falls below 20% in years 2 and 3 of this budget. What is the process to address this? Similarly, if the budget assumptions do not hold and year 1 falls below 20%, when would that be addressed?
- With city buildings being closed in this fiscal year with a TBD reopen date, the operations cost to maintain buildings should be lower. Are those lower operations costs factored into the 3-yr budget? Similarly, are the lowered revenues due to program cancelations from this fiscal year also factored into the budget?
- State Shared Revenue: when does the state commit funds to cities?
- Police Staffing: does the TSD help fund School Resource Officers, similar to how Somerset helps fund the officer assigned there?
- Library: what millage assumption was used for years 2 & 3 in the budget? Has there been a date assigned for when we would have a specific study session on the library, as previously discussed?
- Parks and Rec: programming is a significant revenue stream for the city. What assumptions were made about the level of programming (fitness center, live classes, virtual classes, room rentals) in the 3-yr budget? Is the additional head for a recreation supervisor warranted in 20/21?
- Stage Nature Center / Troy Historic Village: with the loss of revenue from the cancellation of programming (COVID closure), is it anticipated that more than \$100k of funding will be needed for each organization to keep them afloat and to meet our contractual obligations?
- Special events: does the proposed budget include funding/contributions for Winter Wonderland, holiday lights on Big Beaver, Troy Family Daze?
- Recycling Credits: how much is the decrease in credits? With SOCCRA being closed to drop-offs in this fiscal year, is there any concern that rates would have to increase to address a further reduction in recycling credits?

Answers: Multiple

1. It appears that 20/21 budget assumes normal operation of all city buildings, services, programming, etc. at the start of the fiscal year and at similar levels of revenue and expenditures as this current budget year. Understanding that the COVID-19 situation remains dynamic, it seems unlikely that the assumptions around the 20/21 FY operations / revenue / expenditures will hold, which would then impact subsequent FYs. What would be the process to update the 3-yr budget to reflect any assumptions due to the “new normal” that is still unfolding?

Answers: Robert Maleszyk, Chief Financial Officer

City Council always has the ability to amend the budget as needed, especially to reflect new circumstances. As more information becomes available, City Management will submit budget

amendments for this fiscal year, and should longer-term changes be warranted, those budget amendments (and/or study sessions to discuss) will be presented as well.

2. City policy requires the unassigned fund balance to fall within 20-30% with a requirement for a plan to address if it falls above or below this range. The unassigned fund balance falls below 20% in years 2 and 3 of this budget. What is the process to address this? Similarly, if the budget assumptions do not hold and year 1 falls below 20%, when would that be addressed?

Answers: Robert Maleszyk, Chief Financial Officer

The policy is for the current year. The budget in year 2 and 3 have fallen below the threshold in previous years budgets. If we are forecasting a budget that falls below the threshold in the current year, we will be submitting a plan to Council to address these shortfalls to get us within policy.

3. With city buildings being closed in this fiscal year with a TBD reopen date, the operations cost to maintain buildings should be lower. Are those lower operations costs factored into the 3-yr budget? Similarly, are the lowered revenues due to program cancellations from this fiscal year also factored into the budget?

Answers: Robert Maleszyk, Chief Financial Officer

No, there are no decreases in this budget to reflect the expected decrease cost to maintain buildings, and no decreases in the budgeted revenues due to program cancellations.

That is not to say that we do not expect those figures to change, but we do not know what those will be yet, and to not feel comfortable making assumptions at this time. We will likely need to amend the budget to reflect new realities, which can be done when that information is available.

4. State Shared Revenue: when does the state commit funds to cities?

Answers: Robert Maleszyk, Chief Financial Officer

The State of Michigan's Fiscal year starts October 1, and their budget outlines the budgeted state revenue sharing, Act 51 funds, etc. Like any other entity, the State also has the ability to amend its budget, which can impact the funding that City's receive. Currently, we receive our State revenue sharing bi-monthly, and we receive Act 51 funds monthly. We do not know if/how those state shared revenues will change based on this crisis and lower state revenues.

5. Police Staffing: does the TSD help fund School Resource Officers, similar to how Somerset helps fund the officer assigned there?

Answers: Robert Maleszyk, Chief Financial Officer

Yes, TSD pays for a portion of each position.

6. Library: what millage assumption was used for years 2 & 3 in the budget? Has there been a date assigned for when we would have a specific study session on the library, as previously discussed?

Answers: Robert Maleszyk, Chief Financial Officer

The budget assumptions for years 2 and 3 in the budget are just rough numbers based on our current revenue at .7 mills. These were used entirely as placeholders, knowing that the current millage will expire.

City Management has planned to have a study session about the Library millage in June, but has not scheduled that formally with City Council yet. Once the budget is worked out, City Management will begin prioritizing the scheduling of that meeting.

7. Parks and Rec: programming is a significant revenue stream for the city. What assumptions were made about the level of programming (fitness center, live classes, virtual classes, room rentals) in the 3-yr budget? Is the additional head for a recreation supervisor warranted in 20/21?

Answers: Robert Maleszyk, Chief Financial Officer

No assumptions about the level of programming have changed in this budget as it relates to the impact of COVID-19. This is because we do not currently have enough information to accurately make those assumptions.

The addition of the Recreation Supervisor is based on normal circumstance, and even if the position were approved, it would not be filled until it is financially and operationally appropriate to do so.

8. Stage Nature Center / Troy Historic Village: with the loss of revenue from the cancellation of programming (COVID closure), is it anticipated that more than \$100k of funding will be needed for each organization to keep them afloat and to meet our contractual obligations?

Answers: Robert J. Bruner, Assistant City Manager

The proposed budget was prepared before the pandemic began so it does not include any additional compensation for the Troy Historical Society or Troy Nature Society in response to COVID-19. However, City staff is working with both societies to assess the needs of these City facilities and may recommend a budget amendment to increase the appropriation for services pursuant to those agreements.

9. Special events: does the proposed budget include funding/contributions for Winter Wonderland, holiday lights on Big Beaver, Troy Family Daze?

Answers: Robert Maleszyk, Chief Financial Officer

The proposed budget recommends funding/contributions in line with what the City has done in previous years prior to COVID-19. As more information becomes available, there may be a need to cancel or adjust these events, and the City's contribution to these events. Any potential changes will be brought to City Council as they become relevant.

10. Recycling Credits: how much is the decrease in credits? With SOCCRA being closed to drop-offs in this fiscal year, is there any concern that rates would have to increase to address a further reduction in recycling credits?

Answers: Robert Maleszyk, Chief Financial Officer

The decrease in credits is variable, and tied to the value of the recyclable materials at a given time. Significant decreases in recycling credits could require an increase in the refuse millage rate, but it is all dependent on circumstances we do not know at this time. City Management recommends to continue to review the refuse millage rate on an annual basis in order to adjust that rate as needed.

From: Ellen C Hodorek

Sent: Monday, April 20, 2020 12:39 PM

To: City Manager Distribution Group <CityManager@troymi.gov>

Subject: Budget Study Session Questions

Hello:

The proposed budget document is outstanding; thorough, detailed and professional. I am looking forward to the presentation tonight. A few questions:

An overall question on my mind: how vulnerable is our budget to the probable economic impacts of the pandemic? Does the budget amendment process allow us to be sufficiently nimble to react and respond? (Thinking of the Nature Center, Historic Village/Museum, Parks & Rec, Golf, Aquatic Center, etc.)

How many school resource officers did we have before the Great Recession?

Is the contract-for-services approach to staffing needs sufficient support for our Engineering Department? (The local/main road work needs after the I-75 expansion strike me as being a challenge going forward.)

The Library funding vis-à-vis the millage cap and our AAA bond rating is weighing on my mind; I assume a study session for June timeframe is still being planned?

Thank you,

Ellen

1. An overall question on my mind: how vulnerable is our budget to the probable economic impacts of the pandemic? Does the budget amendment process allow us to be sufficiently nimble to react and respond? (Thinking of the Nature Center, Historic Village/Museum, Parks & Rec, Golf, Aquatic Center, etc.)

Answers: Robert Maleszyk, Chief Financial Officer

Yes, the budget amendment process will be nimble enough for us to react and respond to changing circumstances once we have more information about how this all will financially impact the City. There may be tough decisions to make at those times.

2. How many school resource officers did we have before the Great Recession?

Answers: Robert Maleszyk, Chief Financial Officer

We do not know right off hand. We will look into this and provide an answer to Council.

3. Is the contract-for-services approach to staffing needs sufficient support for our Engineering Department? (The local/main road work needs after the I-75 expansion strike me as being a challenge going forward.)

Answers: Robert Maleszyk, Chief Financial Officer

There are pros and cons to using the contract for services approach, especially for the Engineering Department. As our need for services increase, there are increasing costs that could potentially be lower if the services were provided with City Staff. These needs are variable though, and to this point, the Engineering Department have not stated it is an immediate need to fundamentally change their operating model.

4. The Library funding vis-à-vis the millage cap and our AAA bond rating is weighing on my mind; I assume a study session for June timeframe is still being planned?

Answers: Mark F. Miller, City Manager

Yes, we are still planning for a study session to discuss Library funding in the June timeframe. We will share more information with Council soon.

From: David Hamilton

Sent: Monday, April 20, 2020 12:18 PM

To: City Manager Distribution Group <CityManager@troymi.gov>

Subject: Budget

How do the administrative charges in the General Fund Other Revenue work?

Do those revenues count as expenses to each of the 11 funds listed there? Or is the tax/fee revenue representing this not counted in those funds and just listed here?

David Hamilton

Troy Mayor Pro Tem

Answers: Robert Maleszyk, Chief Financial Officer

Yes, they are corresponding expenses in each fund.