

# Revenue Study Session

---

Troy City Council Special Meeting | August 15, 2022

# About This Presentation

---

**Inspired by the Citizens Research Council (CRC) of Michigan report:**

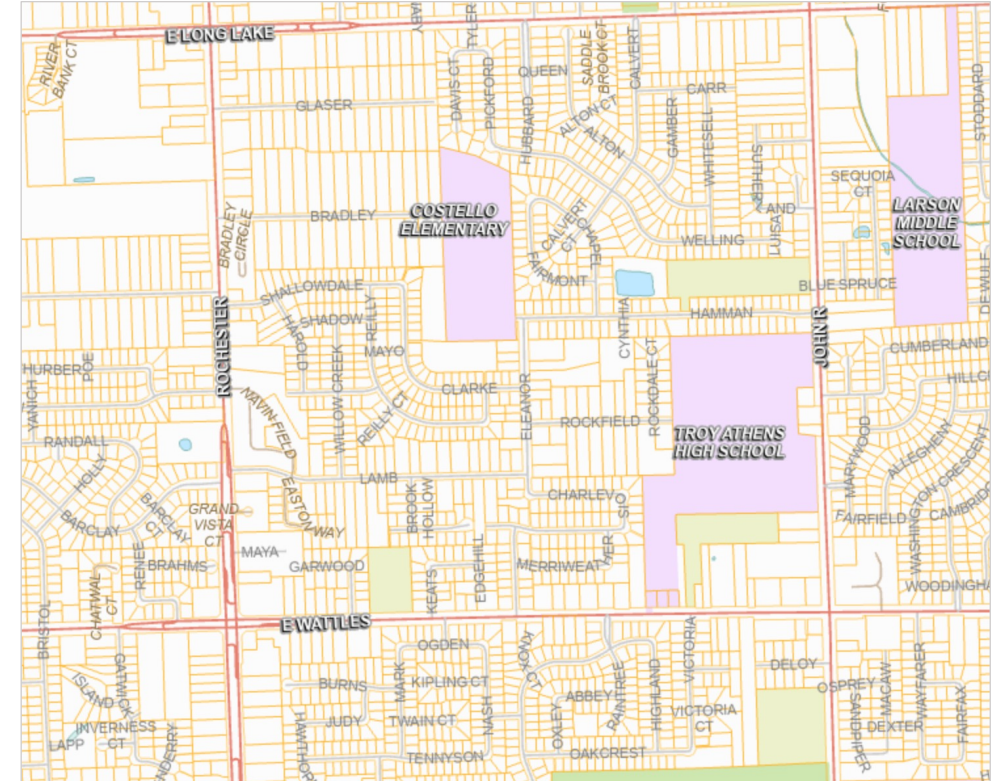
## **Local Governments Respond to Property Tax Base Limitations by Raising Tax Rates**

- Local government officials have responded to Michigan's tax limitations by seeking, and often receiving, increases in tax rates.
- Most counties, cities, and townships, both urban and rural, increased their rates between 2004 and 2020.

# About This Presentation

## How this research is different :

- The CRC report focused on tax rates.
- Tax rates are just half of the equation.
- This research focuses on total city tax levies and average residential city tax bills.



# About This Presentation

---

## How this research is different :

- The CRC report compared 2004 and 2020 because 2004 was the earliest year statewide data available in electronic format.
- This research compares 2002 and 2021 because 2021 is the most recent year data is available and using 2002 as the base year provides a twenty-year time period including before, during, and after the Great Recession.
- Data was sourced from the State of Michigan, Macomb County, Oakland County, and Wayne County and converted from PDF to spreadsheets when necessary.

# About This Presentation

---

## The Goal:

- To provide a high level overview of the City's most important General Fund revenues.

## The Challenge:

- Avoid explaining specific tax limitations:
  - 1978 "Headlee" amendment to the Michigan Constitution
  - Proposal A of 1994
  - City Charter amendment of 2010

# About This Presentation

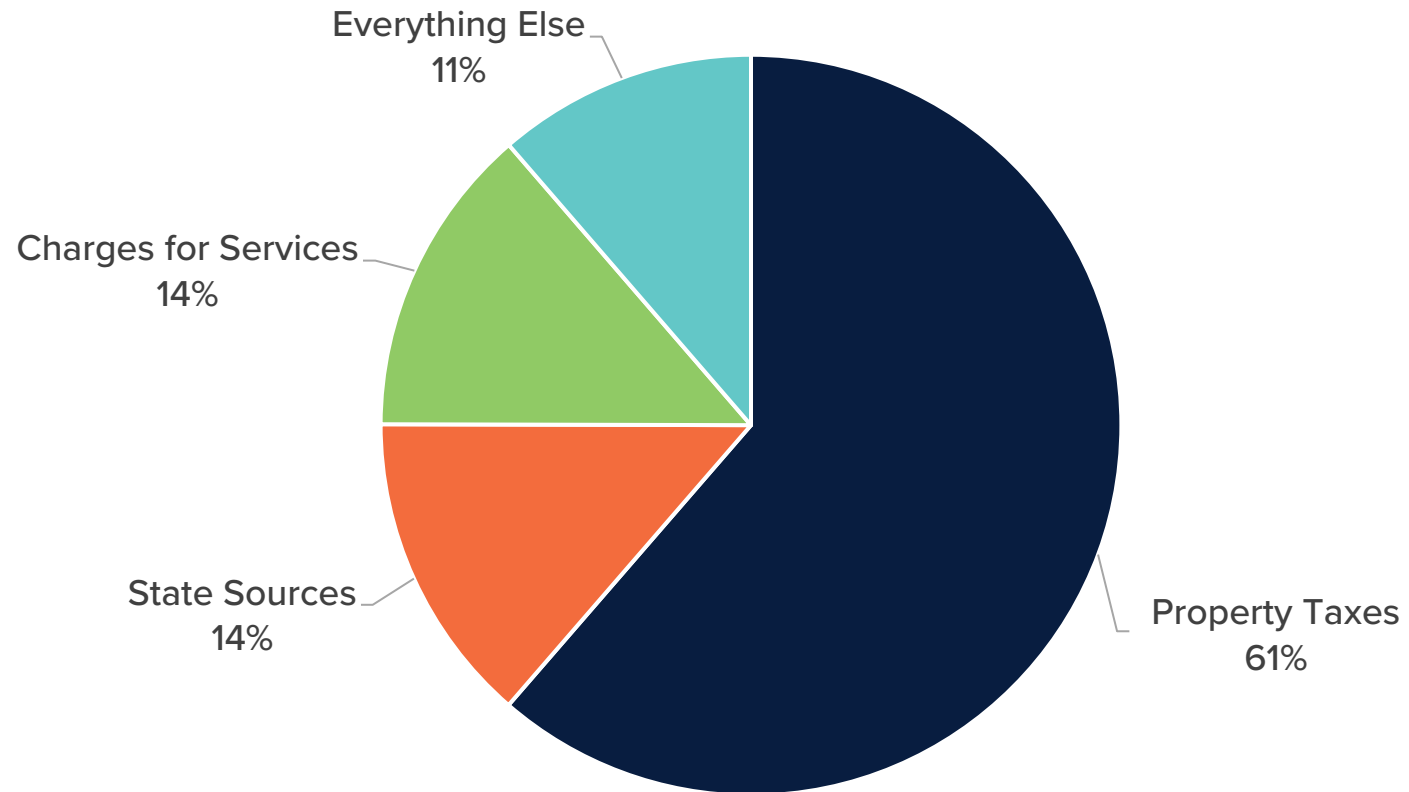
---

## Keep in Mind:

- Property taxes are the only revenue source you need to understand because the rest are largely outside the City's control and/or relatively small.
- You can understand what you need to know about property taxes without understanding specific tax limitations.

# Average General Fund Revenues, 2002-2021

---



# Agenda

---

## **Revenues in Ascending Order**

- Everything Else
- Charges for Services
- State Revenue
- Property Taxes
- Conclusions
- Questions & Answers

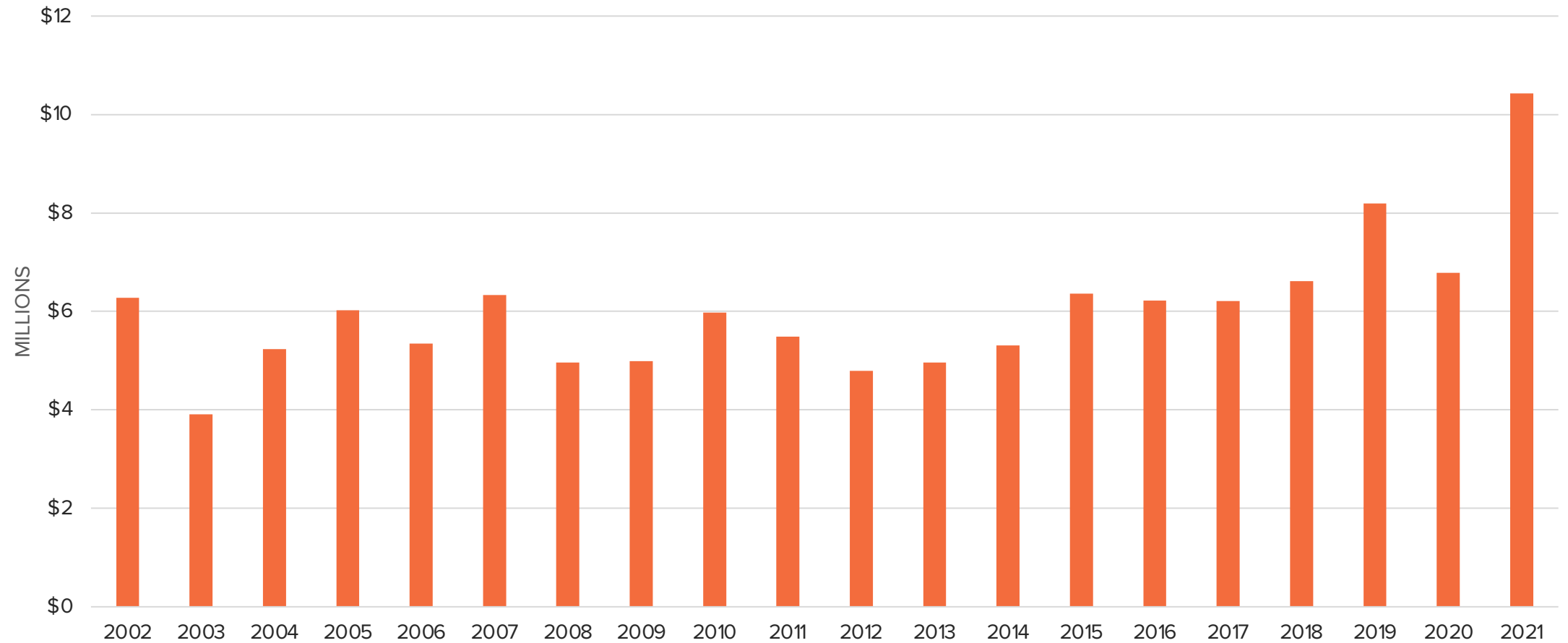


# Everything Else

---

Revenue Study Session

# Everything Else, 2002-2021



# Everything Else, 2002-2021

---

- Fluctuated between 8% and 17% of total General Fund revenues
- Averaged around 14%
- Many depend upon factors outside the City's control

## Examples:

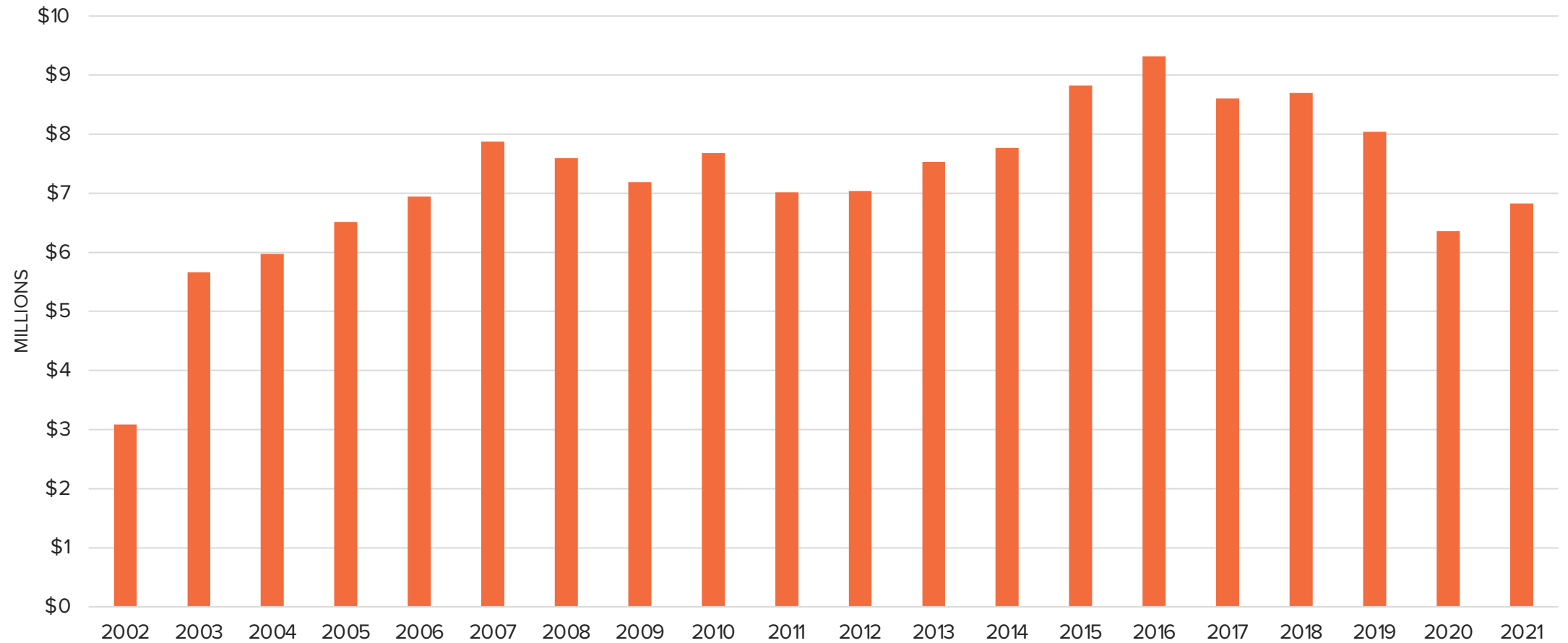
- Other
  - 2% to 5%
- Fines and forfeitures
  - 1% to 3%
- Investment earnings
  - 0 to 3%
  - Negative in 2021

# Charges for Services

---

Revenue Study Session

# Charges for Services, 2002-2021



# Charges for Services

---

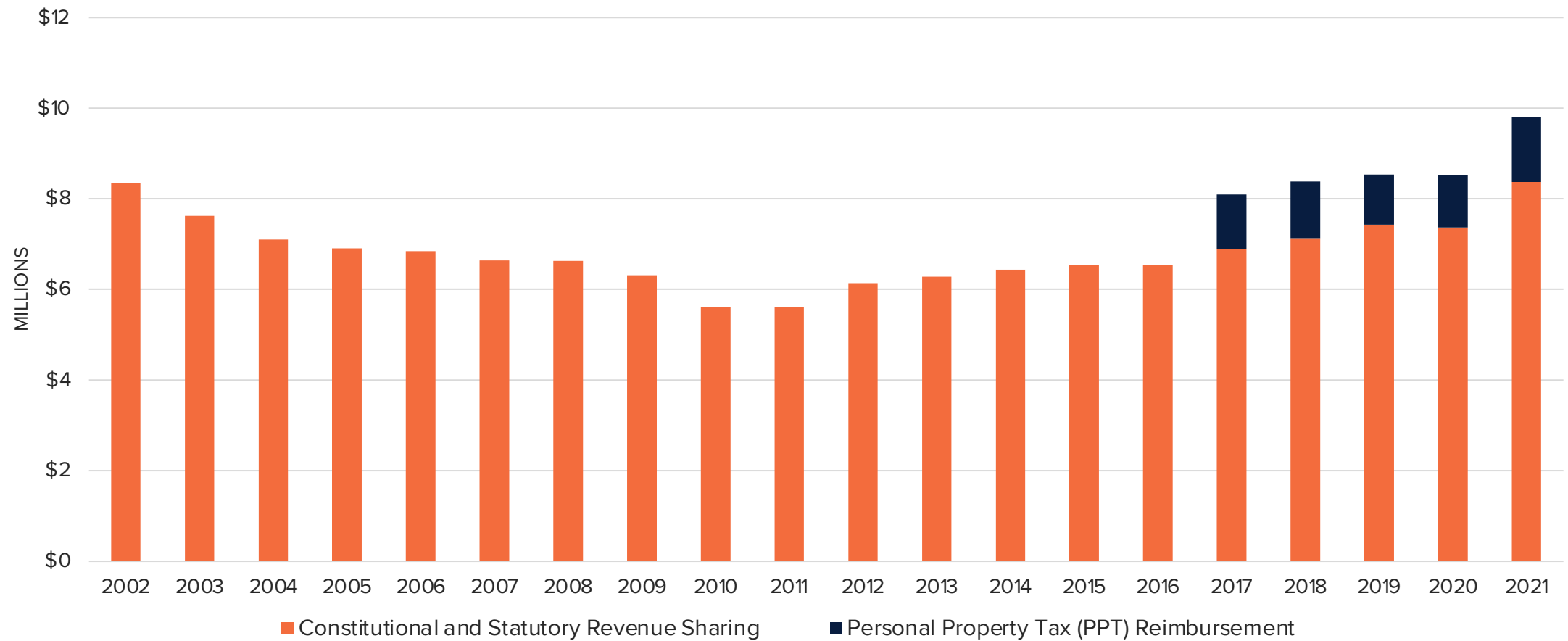
- Fluctuated between 6% and 18% of total General Fund revenues
- Averaged around 14%
- Many depend upon factors outside the City's control
- A comprehensive review is underway

# State Revenue

---

Revenue Study Session

# State Revenue, 2002-2021





# State Revenue Sharing

---

## Constitutional Revenue Sharing

In accordance with the State Constitution of 1963, Article IX, Section 10, as amended, constitutional revenue sharing payments are based on 15% of the 4% portion of Michigan's 6% sales tax collections.



# State Revenue Sharing

---

## Constitutional Revenue Sharing:

- Approximately 95% of Troy's total revenue sharing
- Accounts for approximately 12% of total General Fund revenues
- The City has no control over Constitutional Revenue Sharing



# State Revenue Sharing



## Statutory Revenue Sharing:

- For fiscal year (FY) 2022, the Legislature continued the City, Village, and Township Revenue Sharing (CVTRS) program.
- Each city, village, or township that received a FY 2021 CVTRS payment is eligible to receive a payment equal to 102% of the local unit's total eligible FY 2021 payment amount.

# State Revenue Sharing

---

## Statutory Revenue Sharing:

- Only 5% of Troy's total revenue sharing
- Account for less than 1% of total General Fund revenues
- Statutory Revenue Sharing increases do not significantly help Troy



# Personal Property Tax (PPT) Reimbursements

---

- Beginning for calendar year 2016, the Local Community Stabilization Authority (LCSA) Act, 2014 Public Act 86, (MCL 123.1341 to 123.1362) requires personal property tax reimbursement for all operating and debt levies.
- Accounts for approximately 2% of total General Fund revenues
- The City has no control over Personal Property Tax Reimbursements

# Property Taxes

---

Revenue Study Session

**Q: How does Troy's experience between  
2002 and 2021 compare to other cities?**

---

Property Taxes

**A: Only 15 cities in Macomb, Oakland, and Wayne counties had less property tax revenue growth than Troy between 2002 and 2021. Six of those 15 cities (40%) are Detroit or were in financial emergency.**

---

Property Taxes



# Comparisons

---

- Troy
  - 10% city tax increase between 2002 and 2021
- Noncontiguous Peers
  - 42% city tax increase between 2002 and 2021
- Select Oakland County Cities
  - 49% city tax increase between 2002 and 2021
- Neighboring Communities
  - 60% city tax increase between 2002 and 2021

# Noncontiguous Peers

---

Revenue Study Session

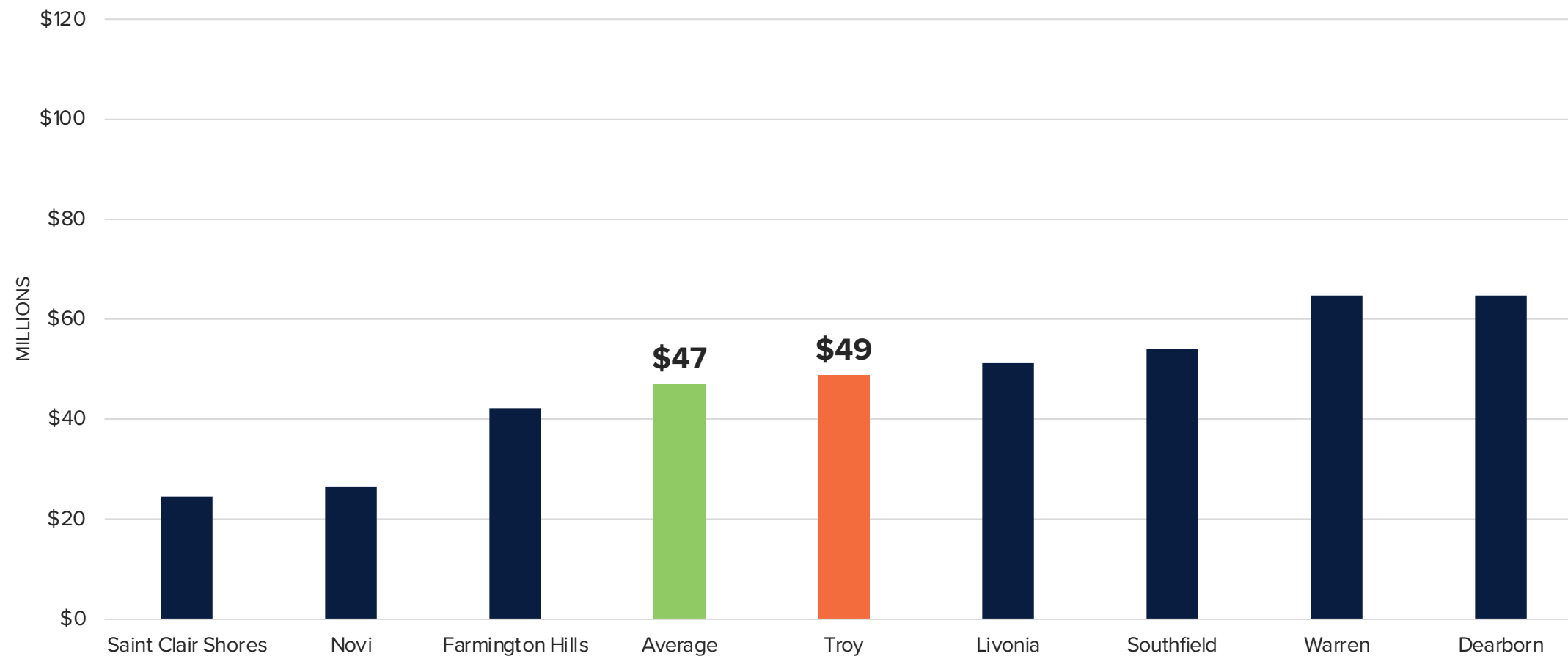
# Noncontiguous Peers

---

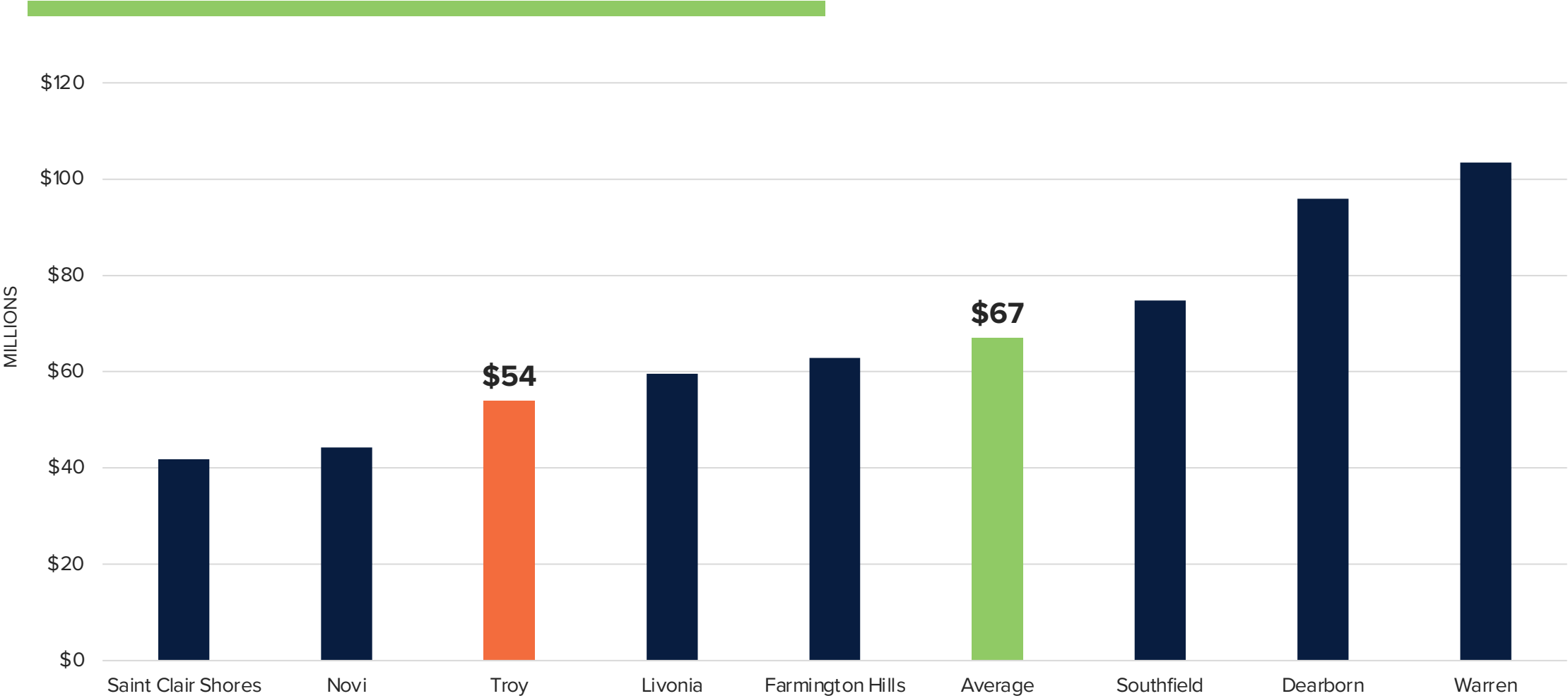
## Includes:

- Dearborn
- Farmington Hills
- Livonia
- Novi
- Saint Clair Shores
- Southfield
- Warren

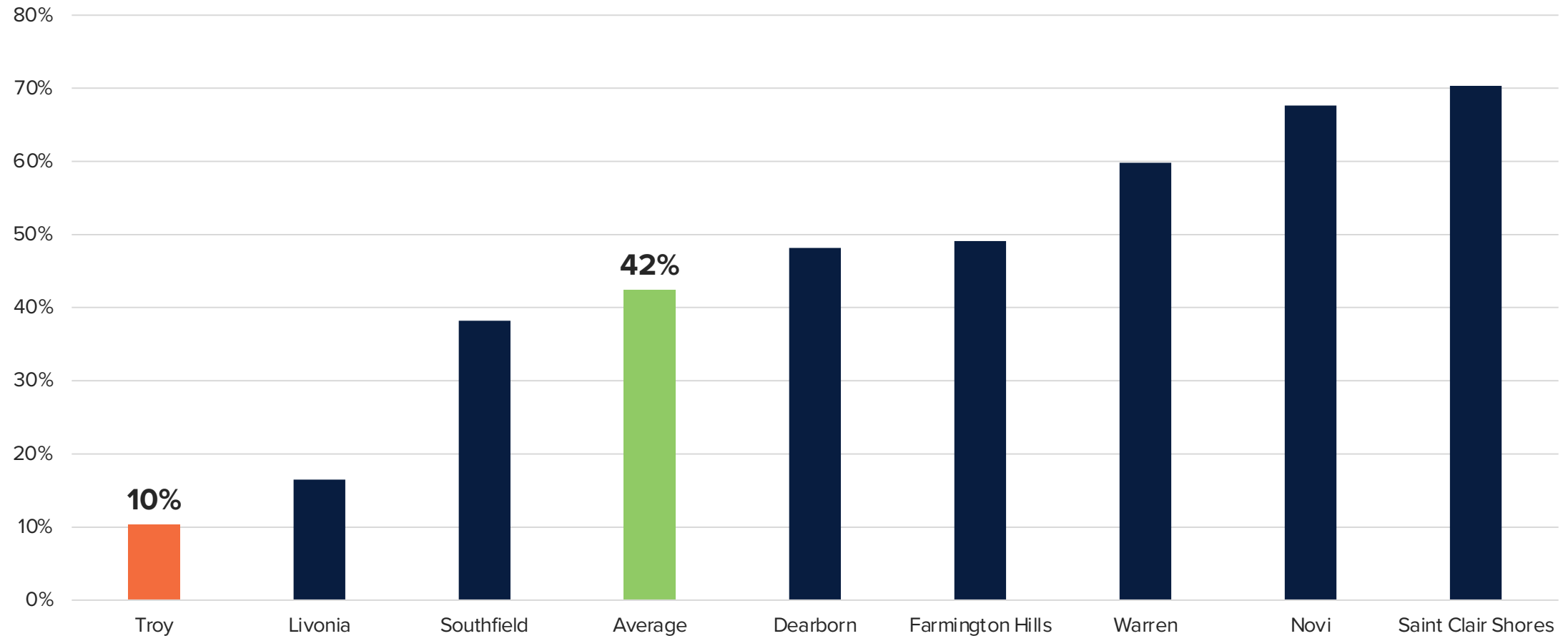
# City Taxes Levied, 2002



# City Taxes Levied, 2021



# City Taxes Levied % Change, 2002-2021



# City Taxes Levied, 2002 and 2021

---

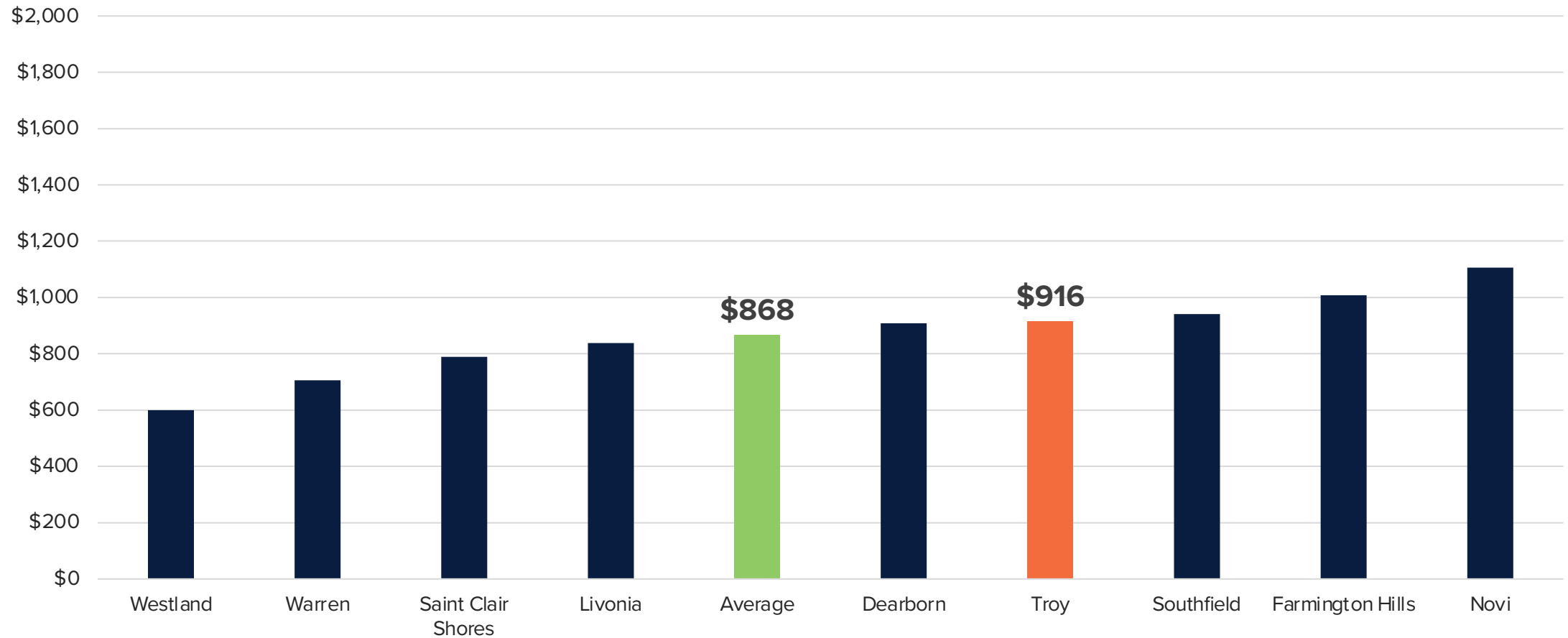
## 2002:

- Troy was nearly 4% greater than the average

## 2021:

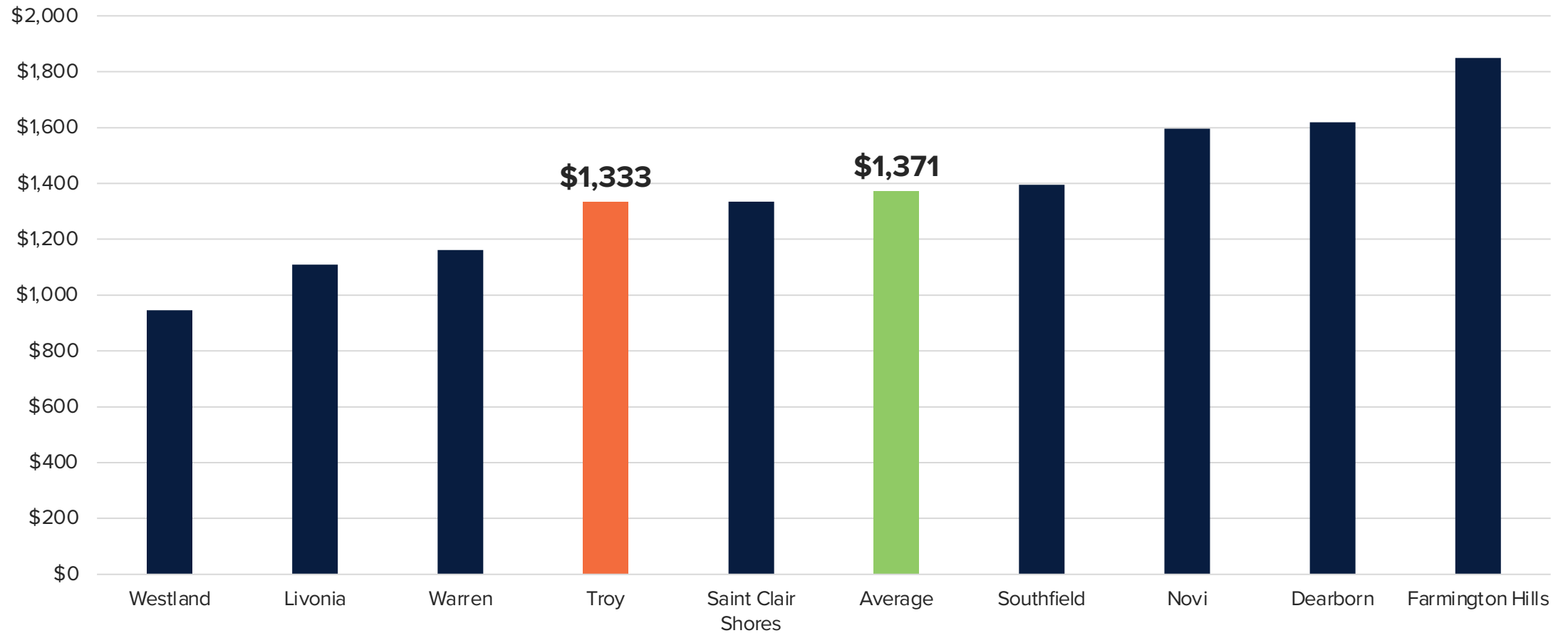
- Troy fell nearly 20% below the average
- Farmington Hills surpassed Troy

# Average Residential City Taxes, 2002



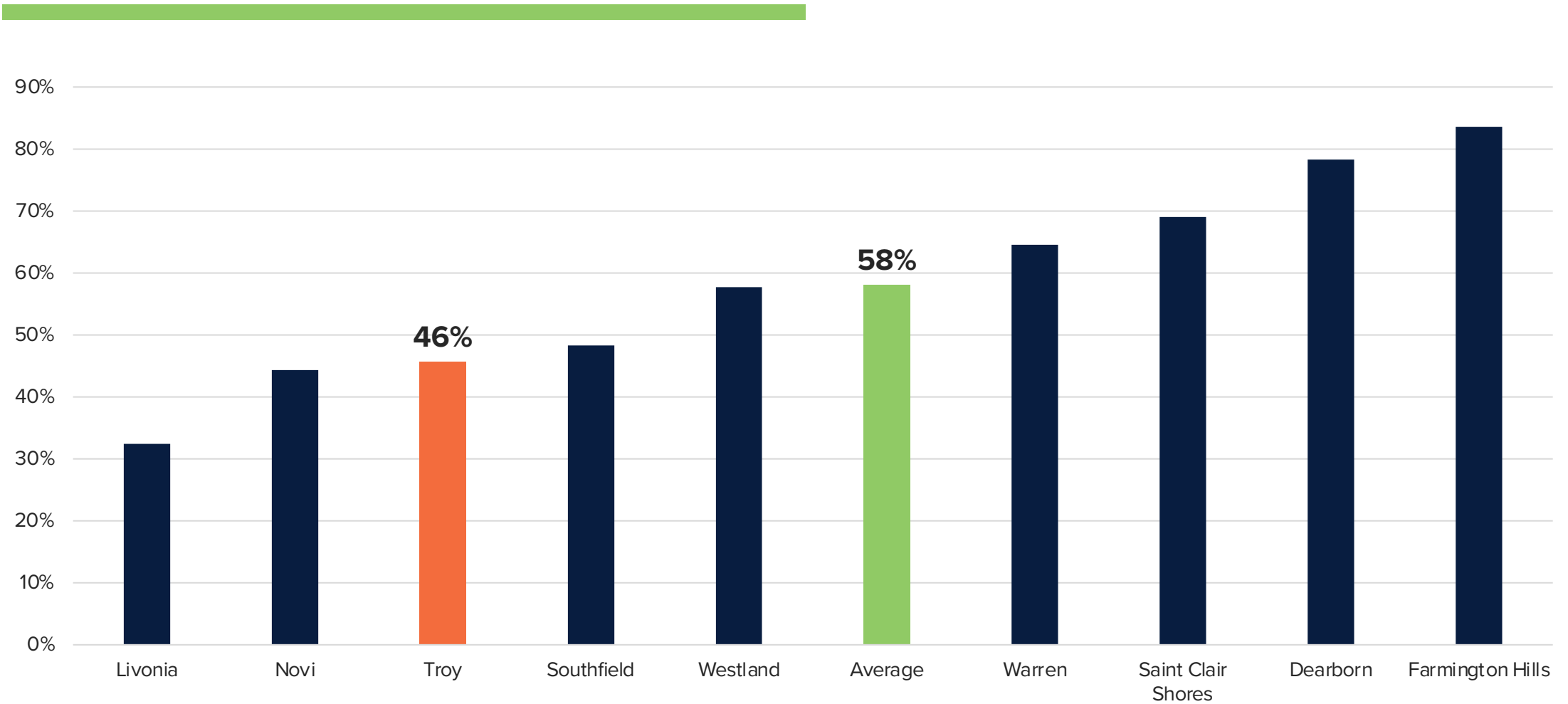


# Average Residential City Taxes, 2021



# Average Residential City Taxes % Change

(2002-2021)



# Average Residential Local Taxes, 2002 and 2021

---

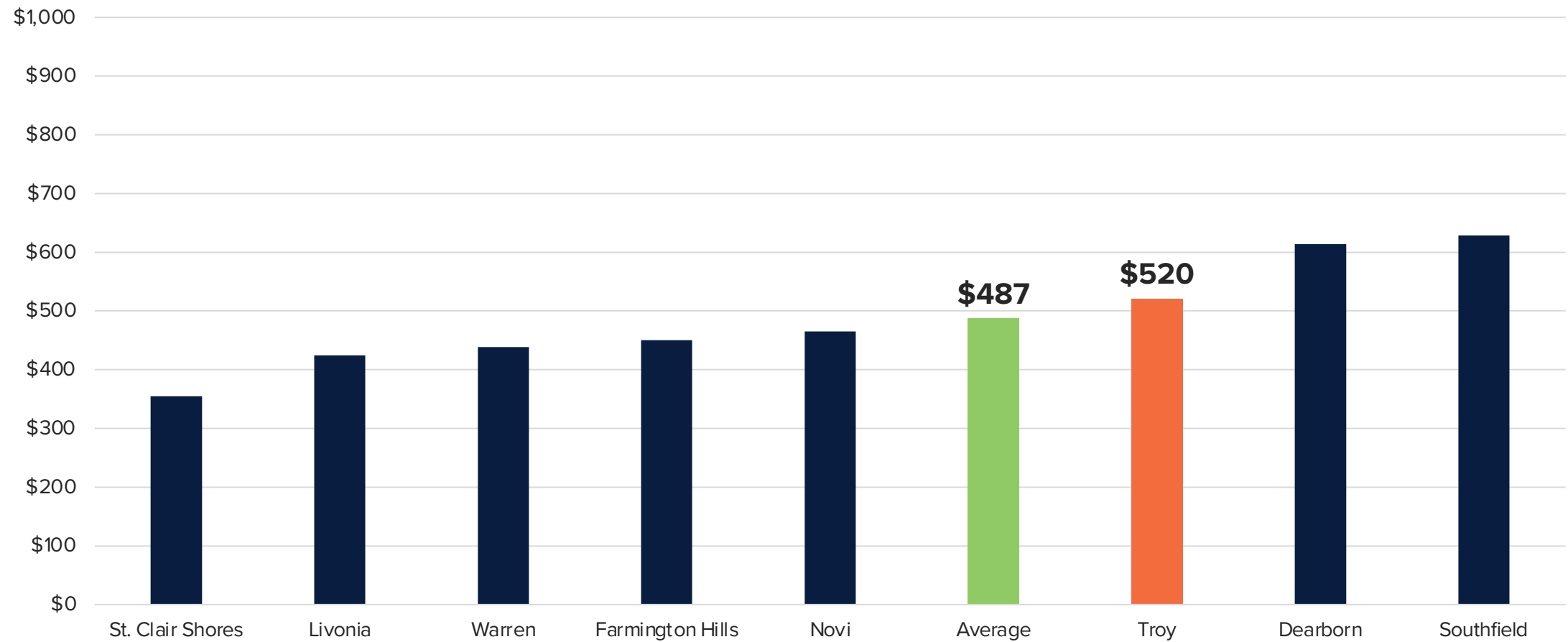
## 2002:

- Troy was nearly 6% greater than the average

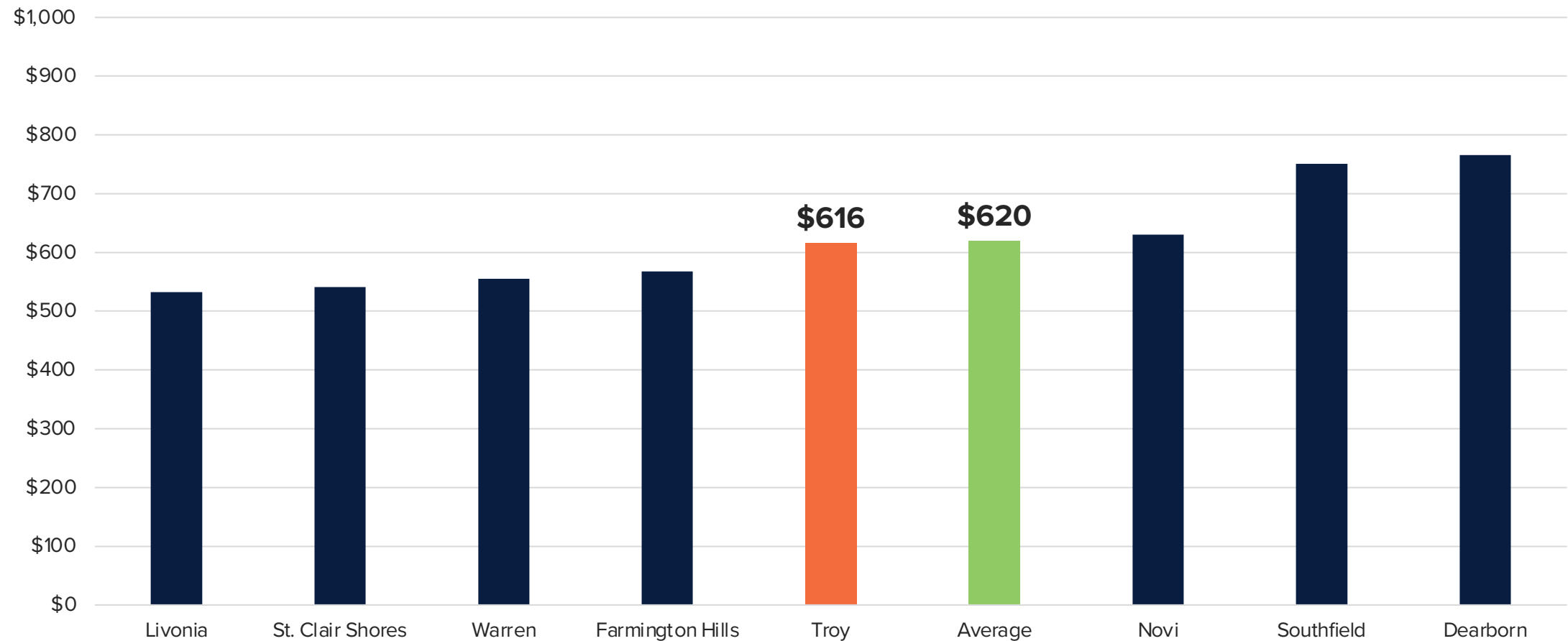
## 2021:

- Troy was nearly 3% less than the average
- Dearborn and Saint Clair Shores surpassed Troy

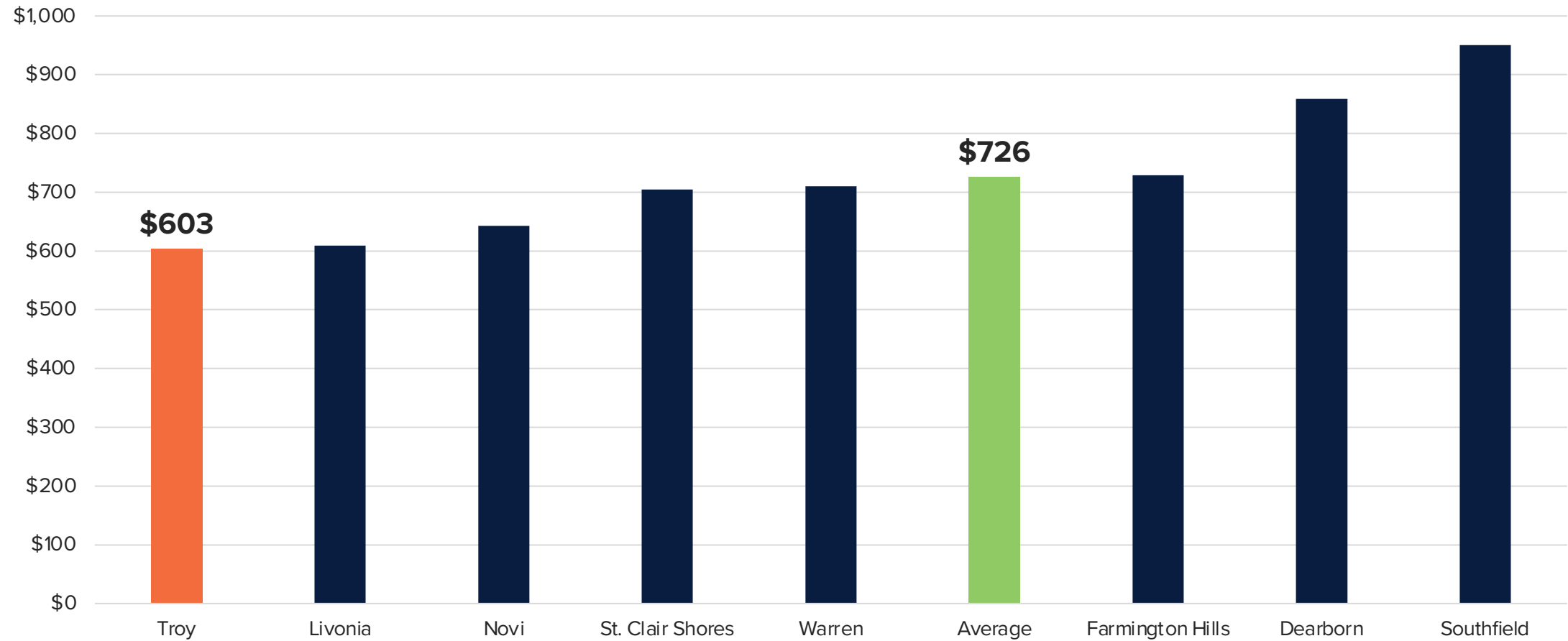
# City Taxes per Capita, 2000



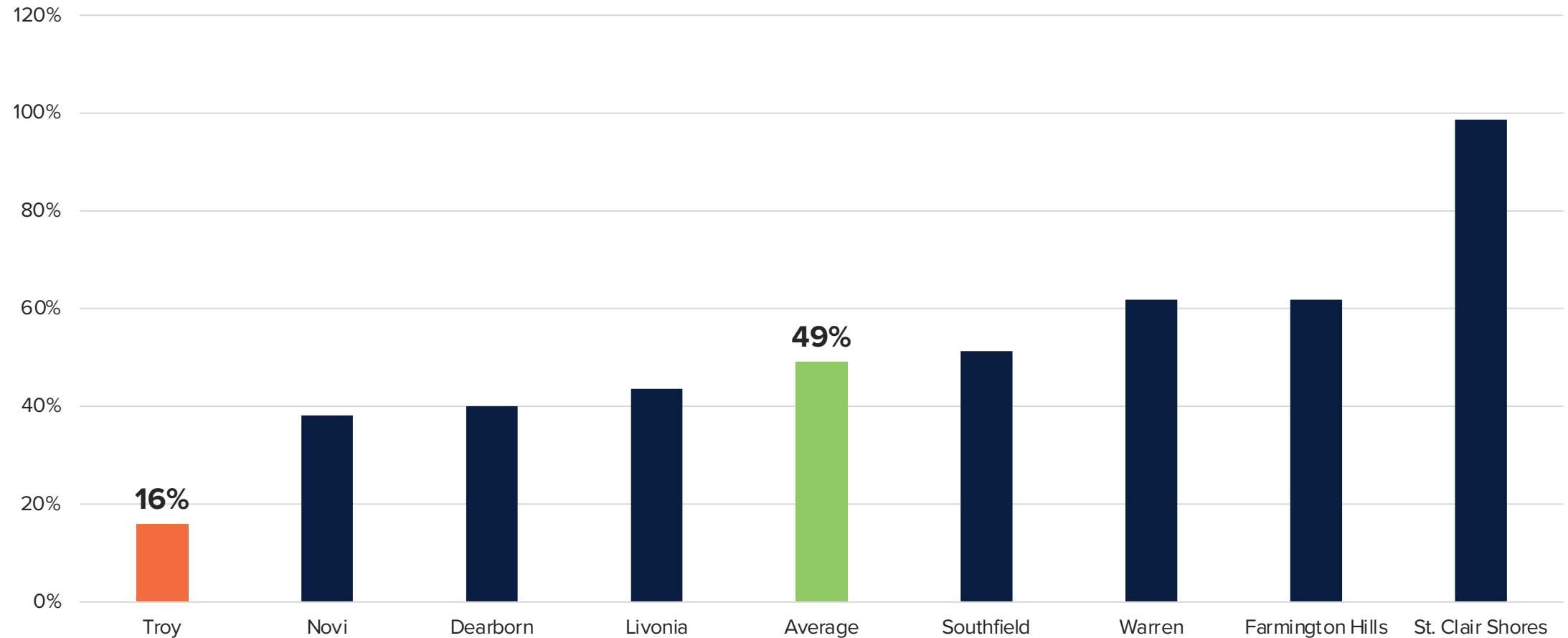
# City Taxes per Capita, 2010



# City Taxes per Capita, 2020



# City Taxes per Capita % Change, 2000 and 2020



# City Taxes per Capita, 2000 and 2020

---

## 2002:

- Troy was nearly 7% greater than the average

## 2020:

- Troy was nearly 17% less than the average
- All cities surpassed Troy



# Select Oakland County Cities

---

Revenue Study Session

# Oakland County Cities

---

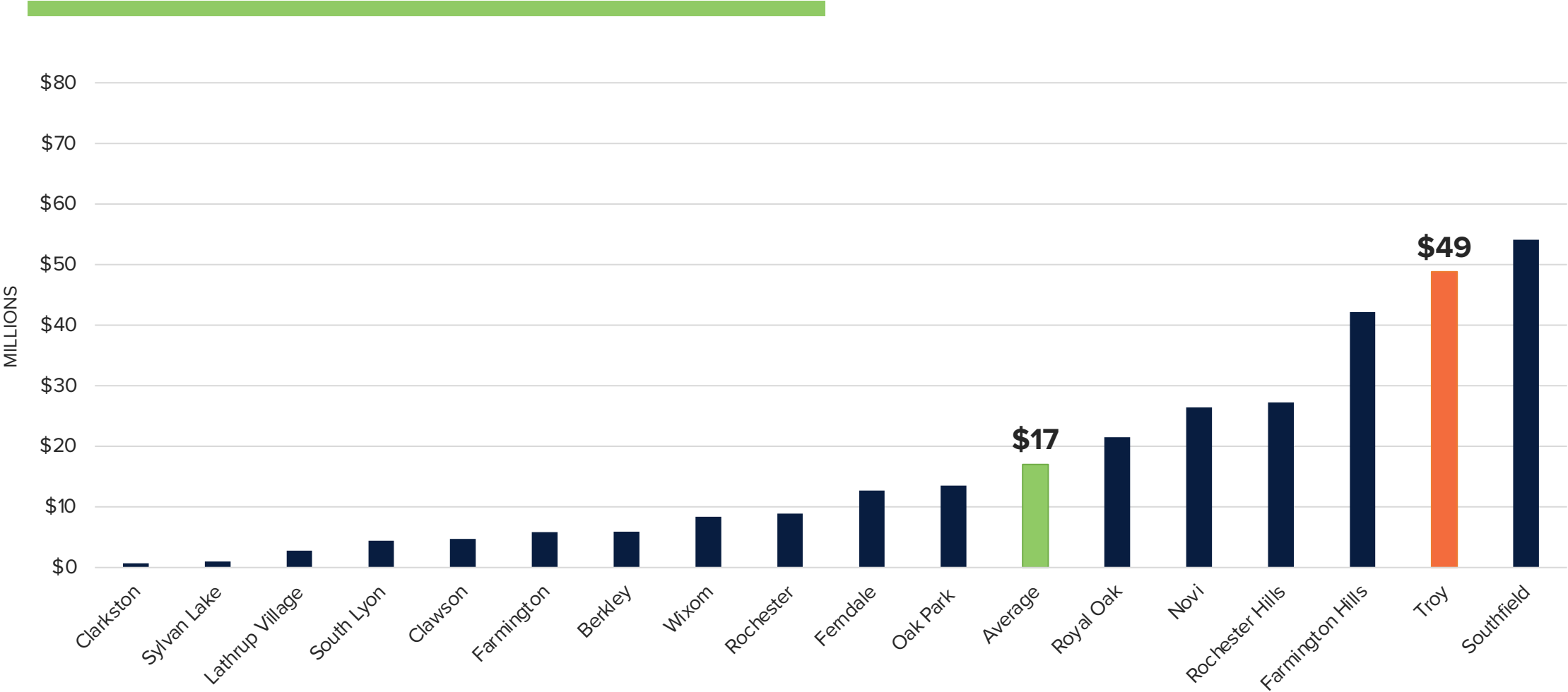
## **Excludes Bottom Five:**

- Auburn Hills
- Hazel Park
- Madison Heights
- Pontiac
- Walled Lake

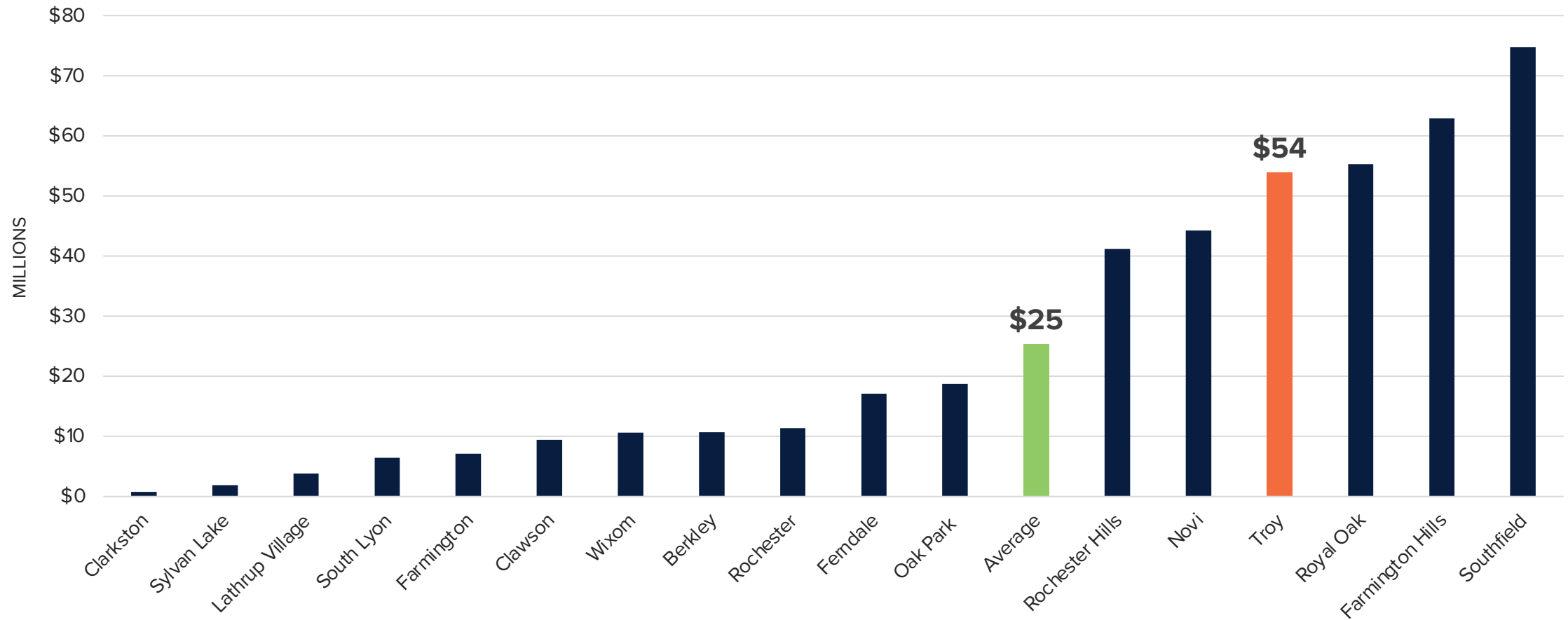
## **Excludes Top Eight:**

- Birmingham
- Bloomfield Hills
- Huntington Woods
- Keego Harbor
- Lake Angelus
- Northville
- Orchard Lake
- Pleasant Ridge

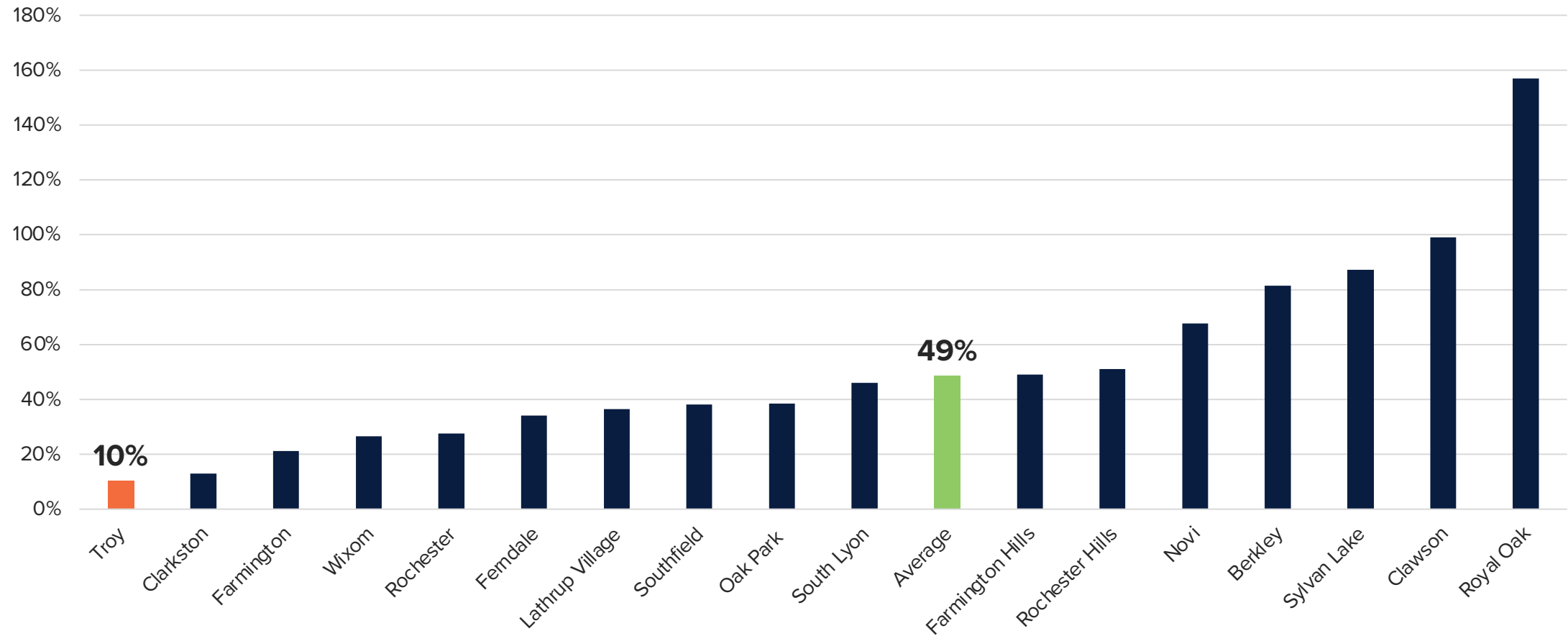
# City Taxes Levied, 2002



# City Taxes Levied, 2021



# City Taxes Levied % Change, 2002-2021



# City Taxes Levied, 2002 and 2021

---

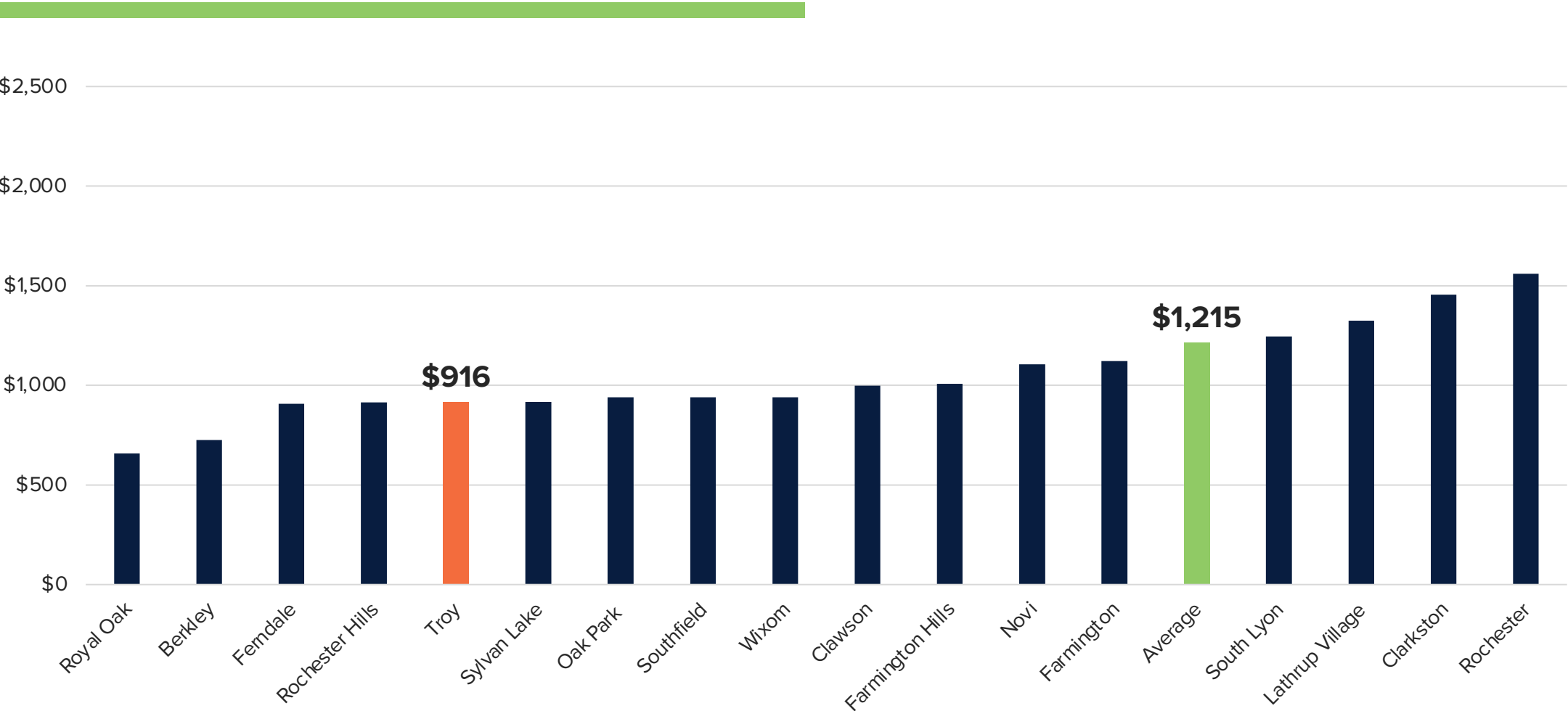
## 2002:

- Troy was 187% greater than the average

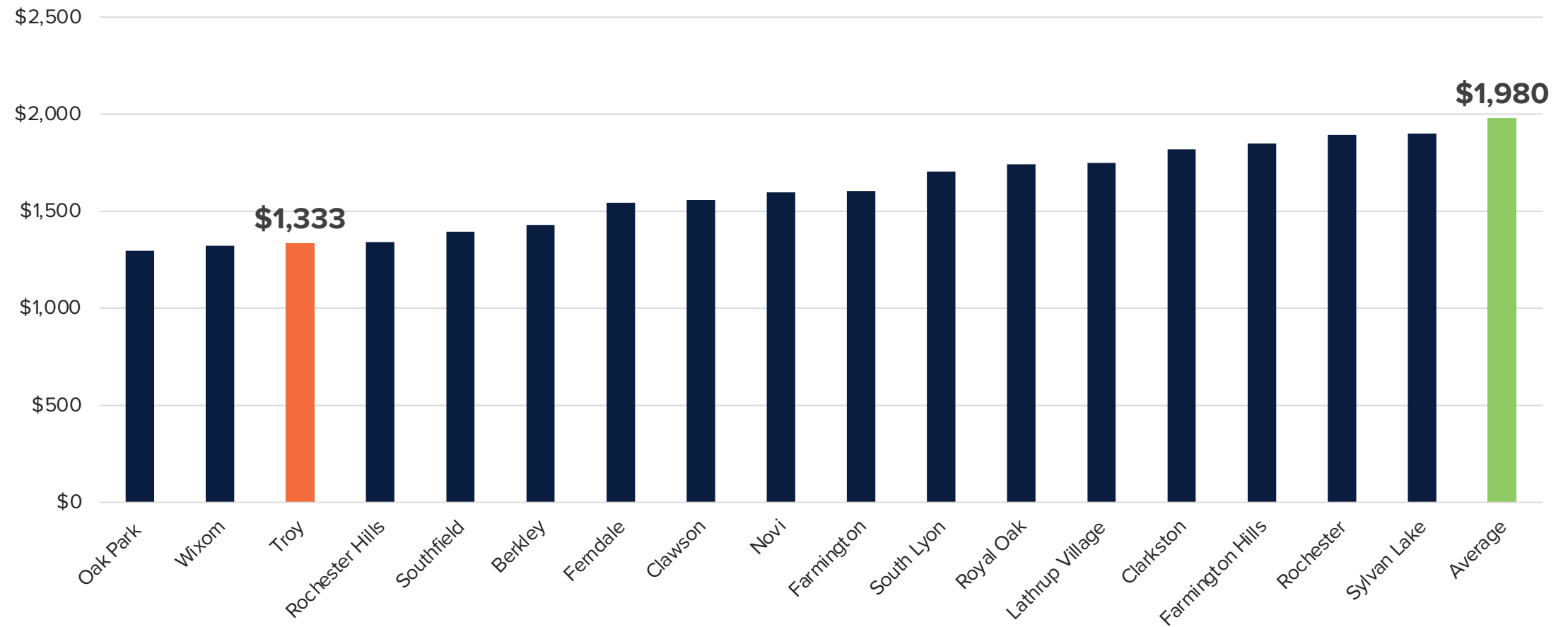
## 2021:

- Troy was nearly 113% greater than the average
- Farmington Hills and Royal Oak surpassed Troy

# Average Residential City Taxes, 2002



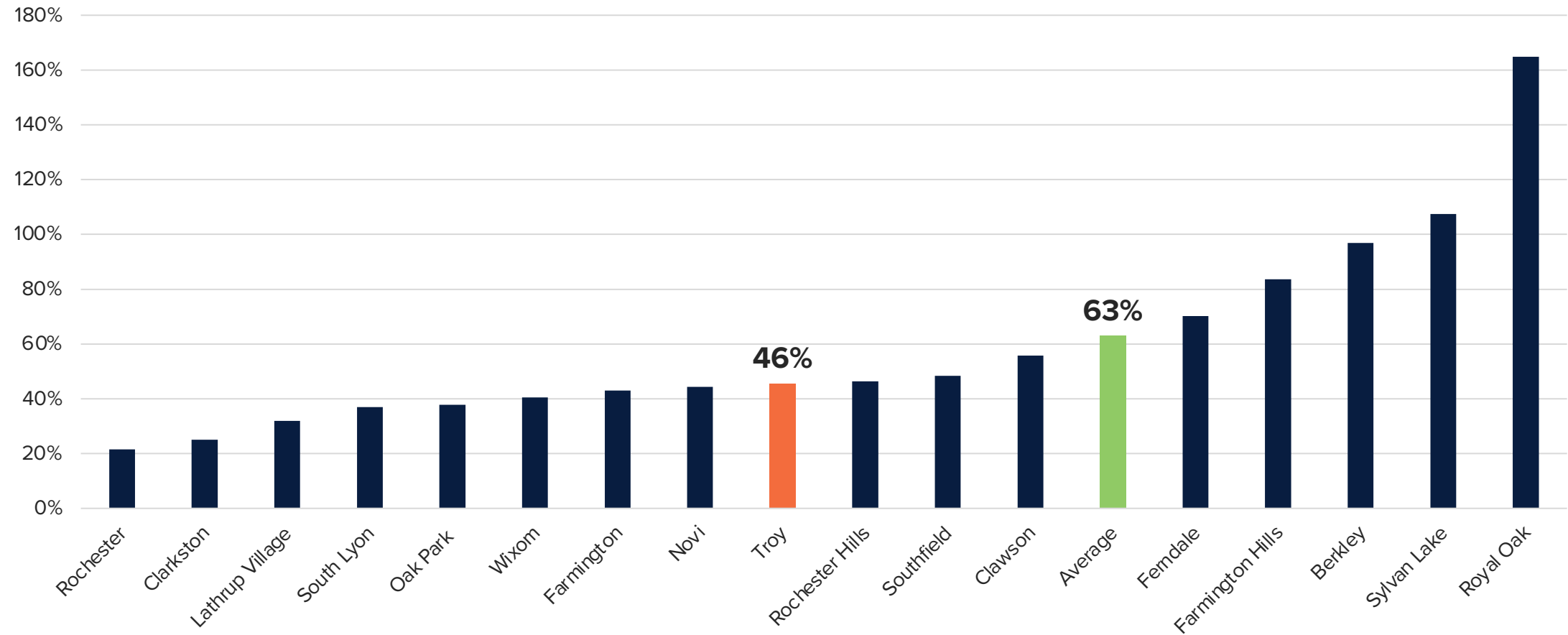
# Average Residential City Taxes, 2021





# Average Residential City Taxes % of Change

(2002-2021)



# Average Residential City Taxes, 2002 and 2021

---

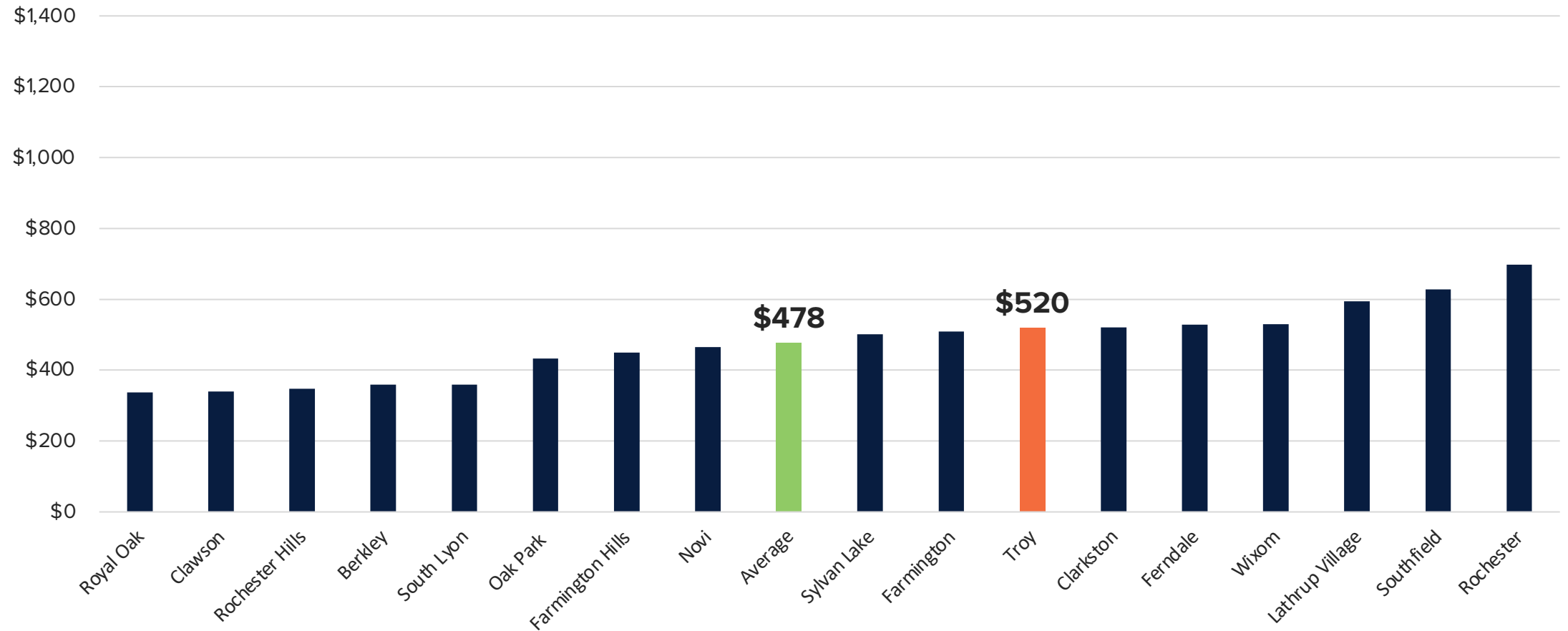
## 2002:

- Troy was nearly 25% less than the Oakland County average

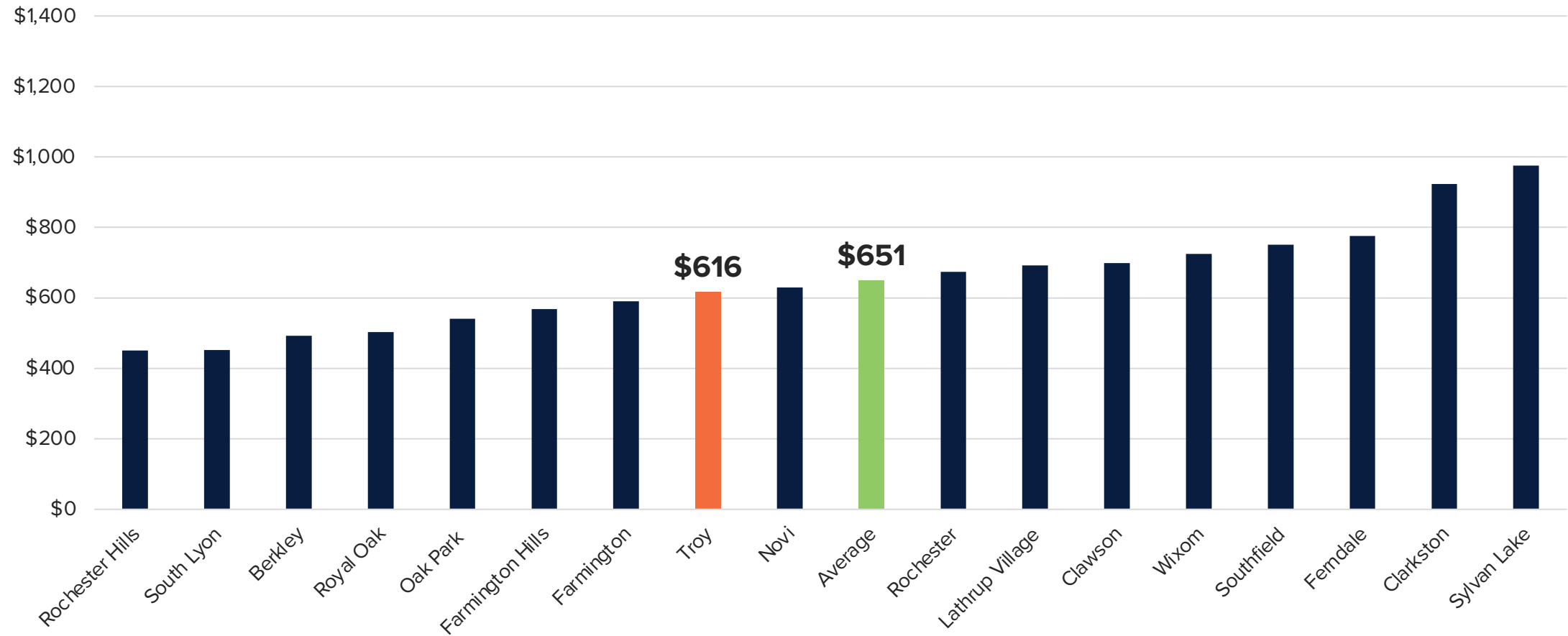
## 2021:

- Troy was nearly 33% less than the Oakland County average
- Berkley, Ferndale, Rochester Hills, and Royal Oak surpassed Troy

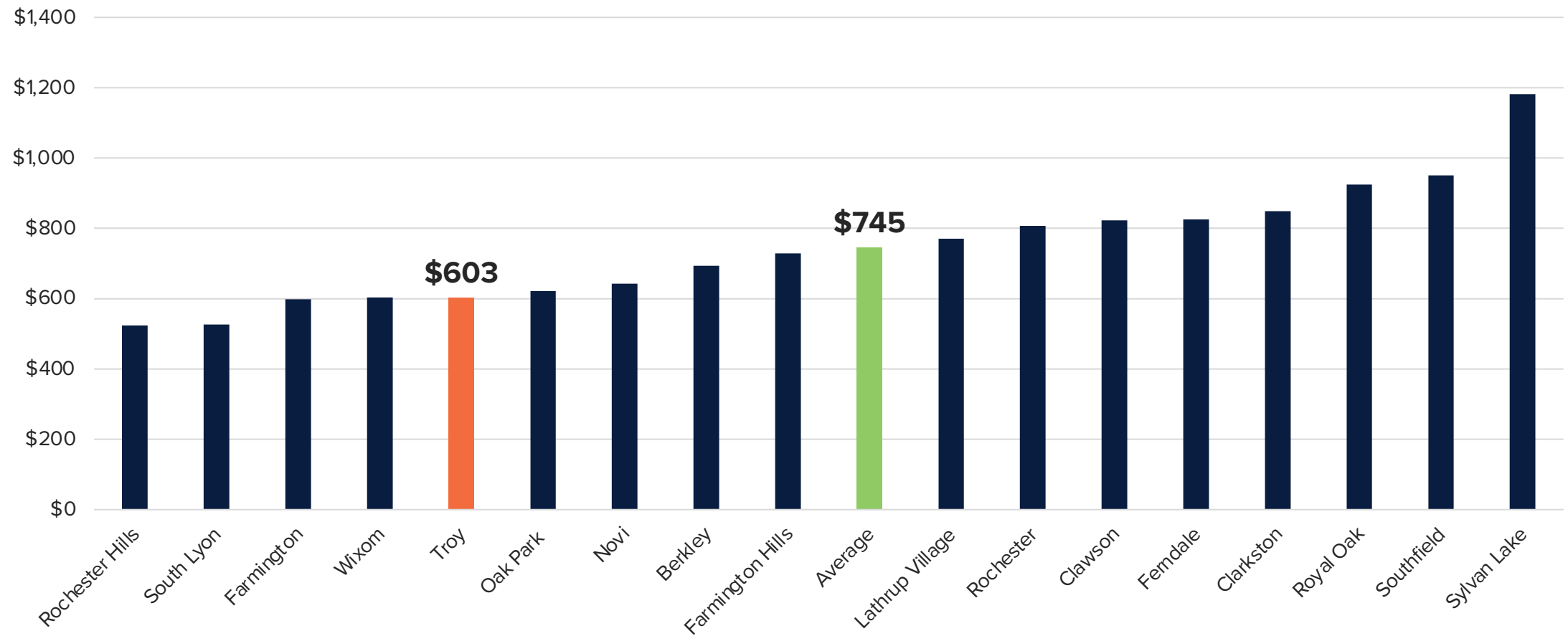
# City Taxes per Capita, 2000



# City Taxes per Capita, 2010

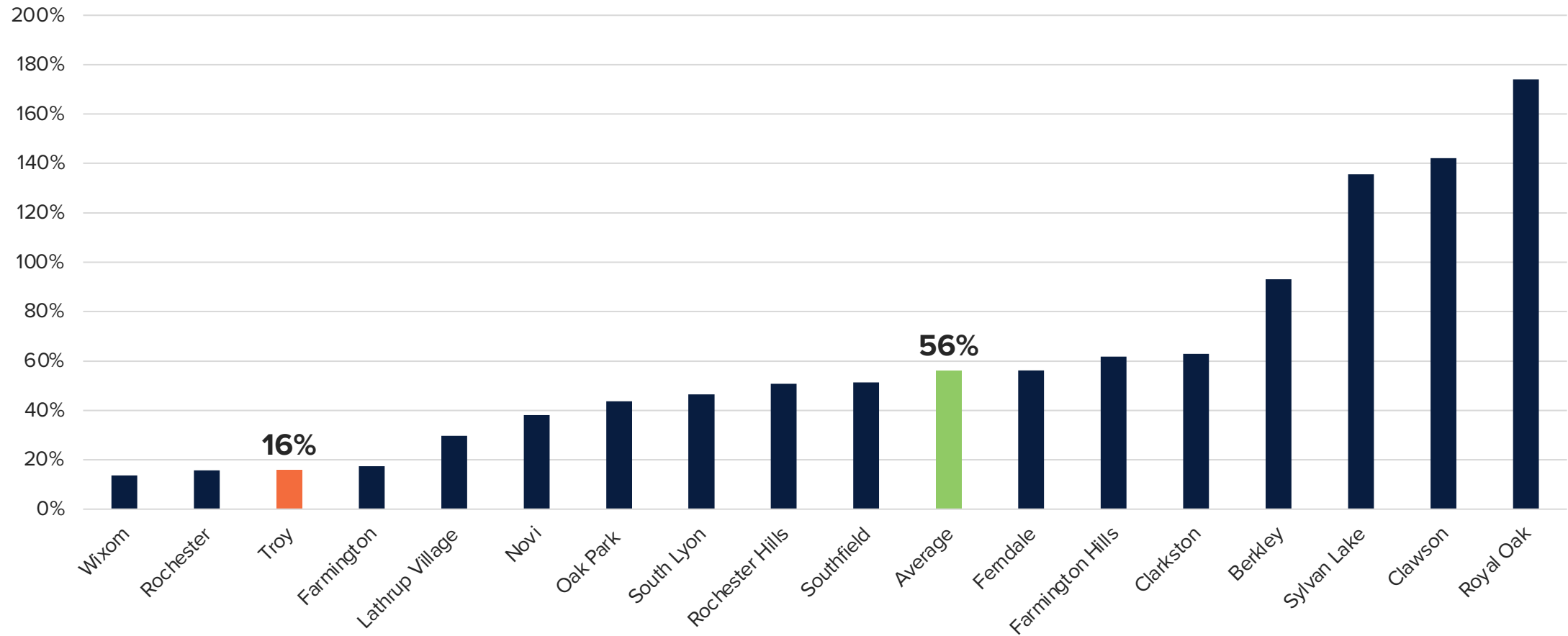


# City Taxes per Capita, 2020



# City Taxes per Capita % Change

(2000-2020)



# City Taxes per Capita, 2000 and 2020

---

## 2000:

- Troy was nearly 9% greater than the average

## 2020:

- Troy was more than 19% less than the average
- Berkley, Clawson, Farmington Hills, Novi, Oak Park , Royal Oak, and Sylvan Lake surpassed Troy
- Wixom fell behind Troy

# Neighboring Communities

---

Revenue Study Session



# Neighboring Communities

---

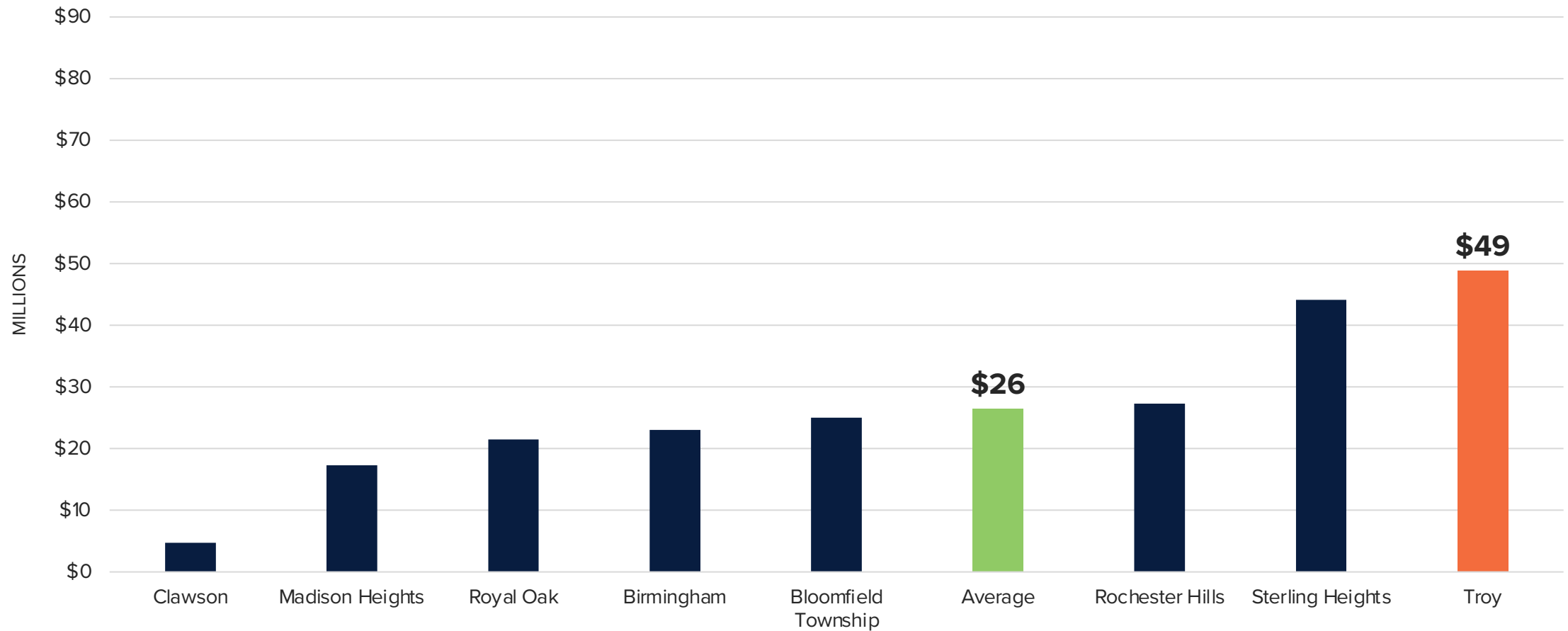
## **Includes:**

- Birmingham
- Bloomfield Township
- Clawson
- Madison Heights
- Rochester Hills
- Royal Oak
- Sterling Heights

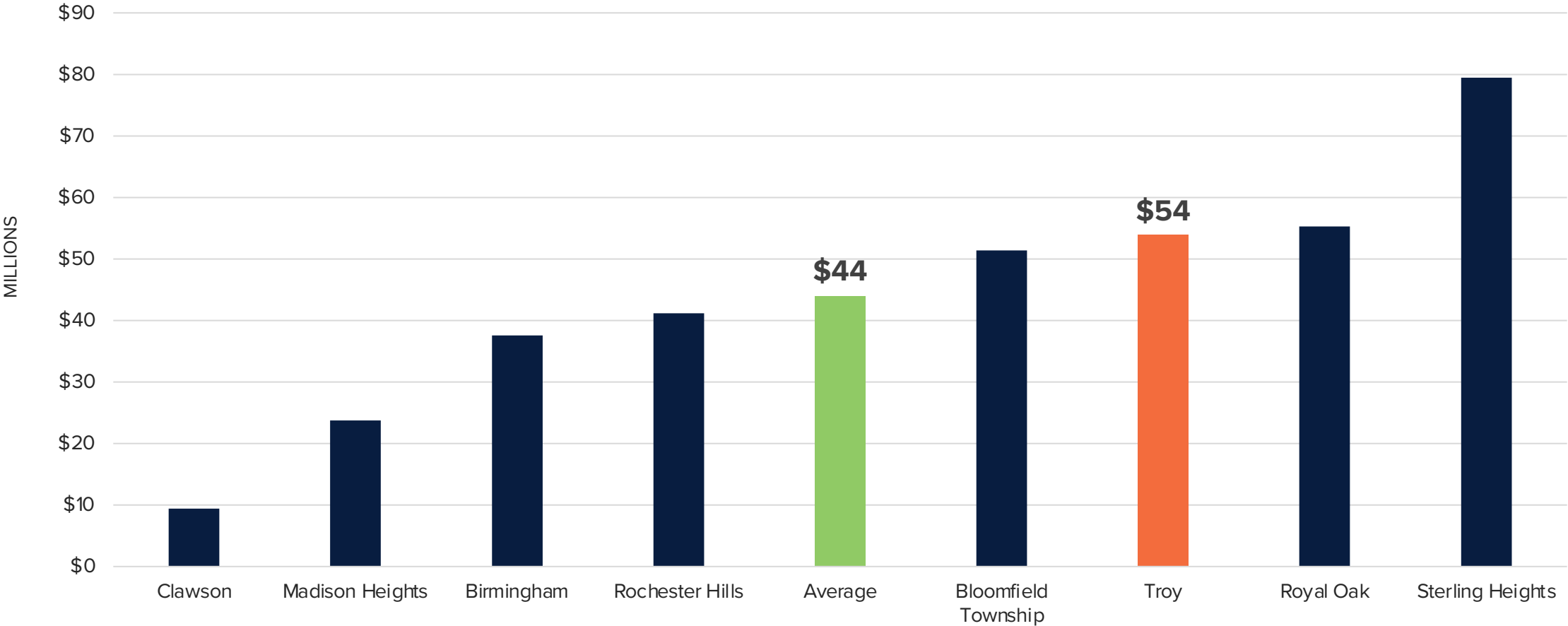
## **Excludes Diagonals:**

- Auburn Hills
- Shelby Township
- Warren

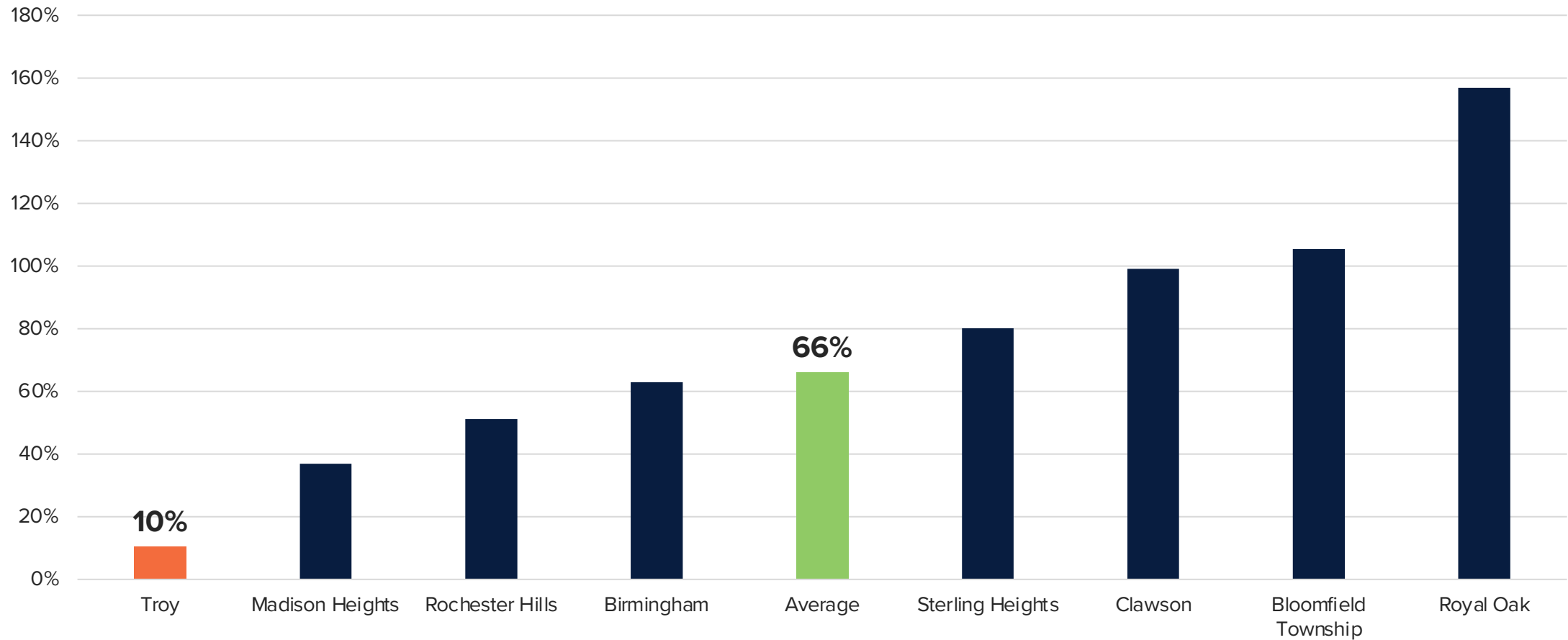
# Local Taxes Levied, 2002



# Local Taxes Levied, 2021



# Local Taxes Levied % Change, 2002-2021



# Local Taxes Levied, 2002 and 2021

---

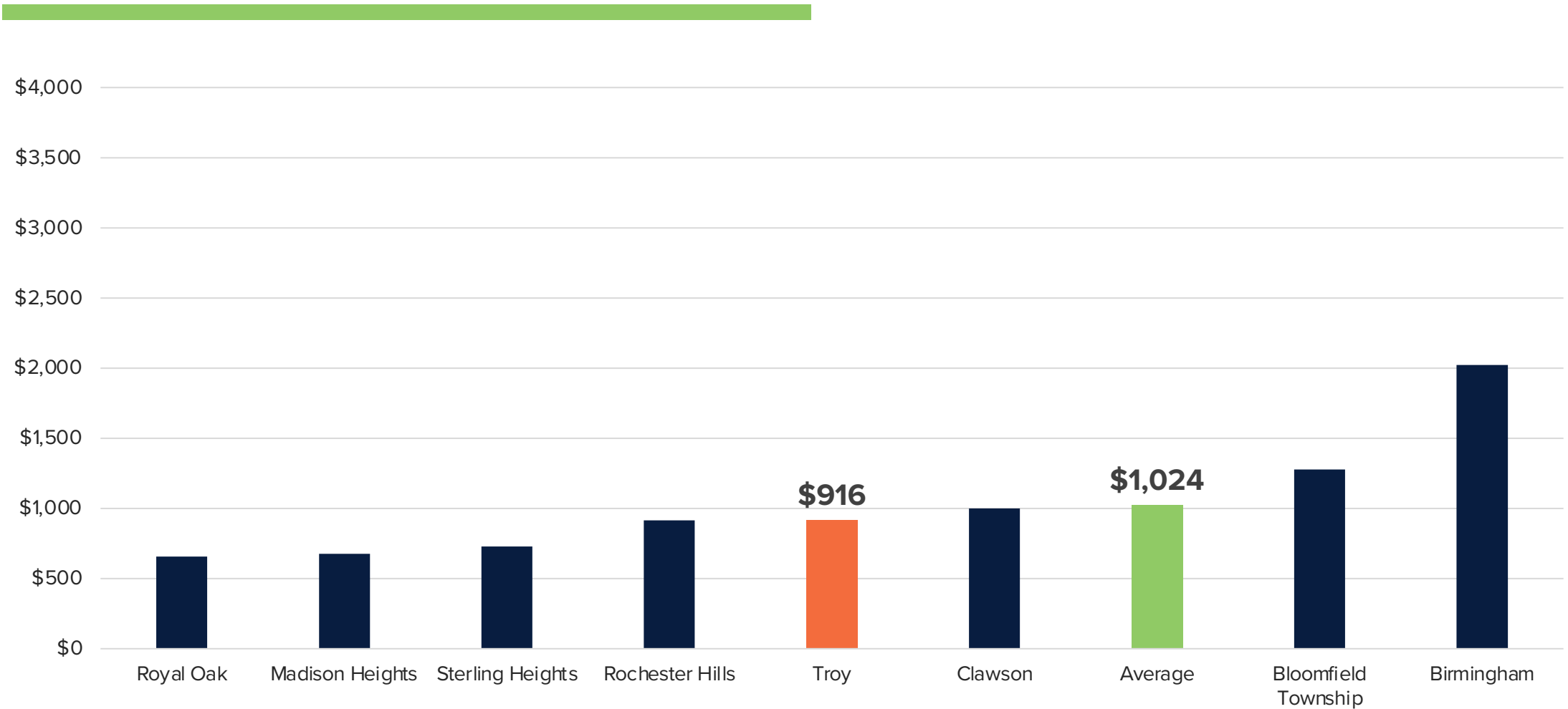
## 2002:

- Troy was more than 84% greater than the average

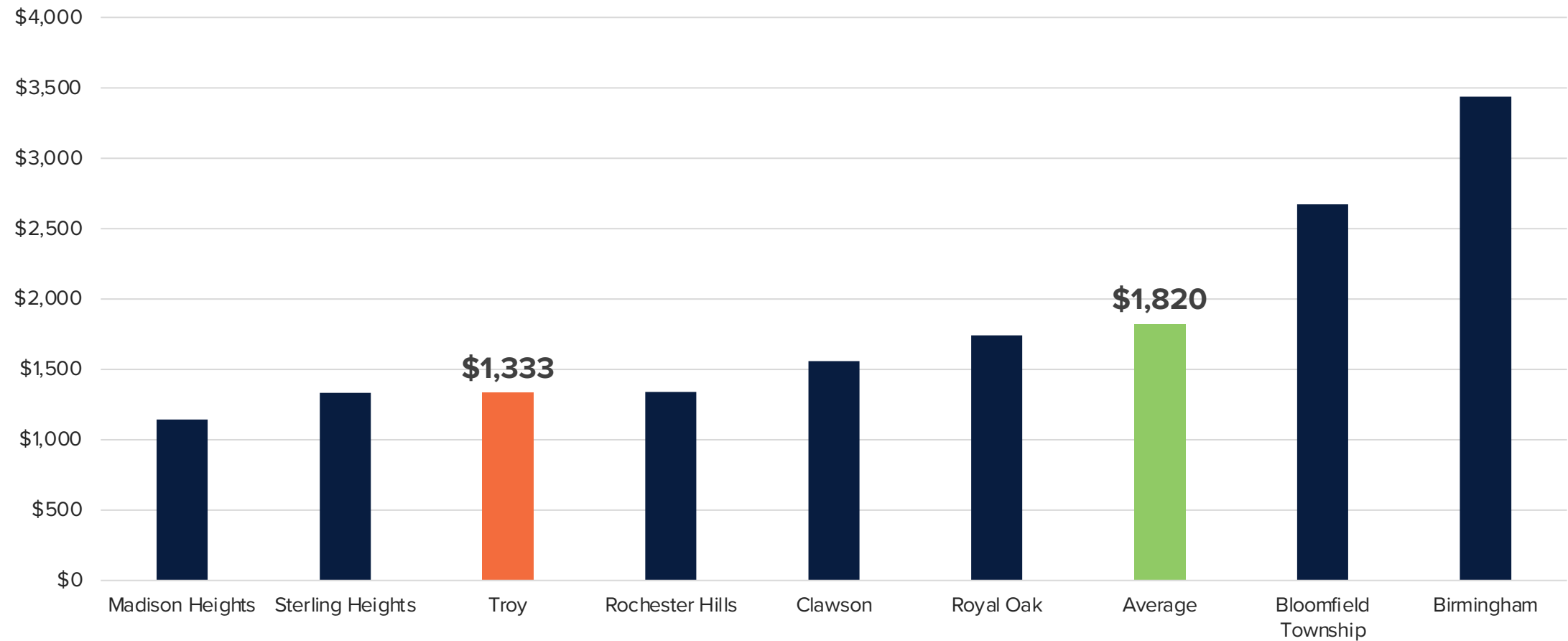
## 2021:

- Troy was only 22% greater than the average
- Royal Oak and Sterling Heights surpassed Troy

# Average Residential Local Taxes, 2002

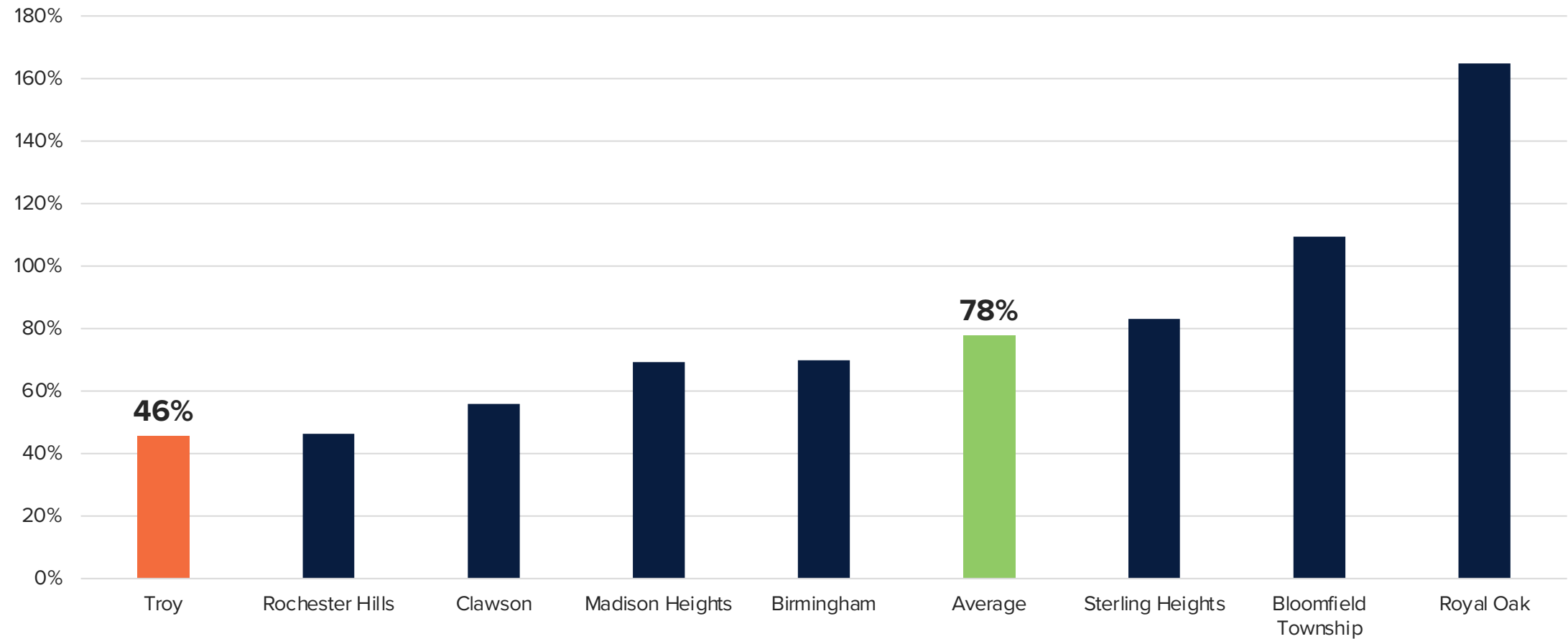


# Average Residential Local Taxes, 2021



# Average Residential Local Taxes % Change

(2000-2021)





# Average Residential Local Taxes, 2002 and 2021

---

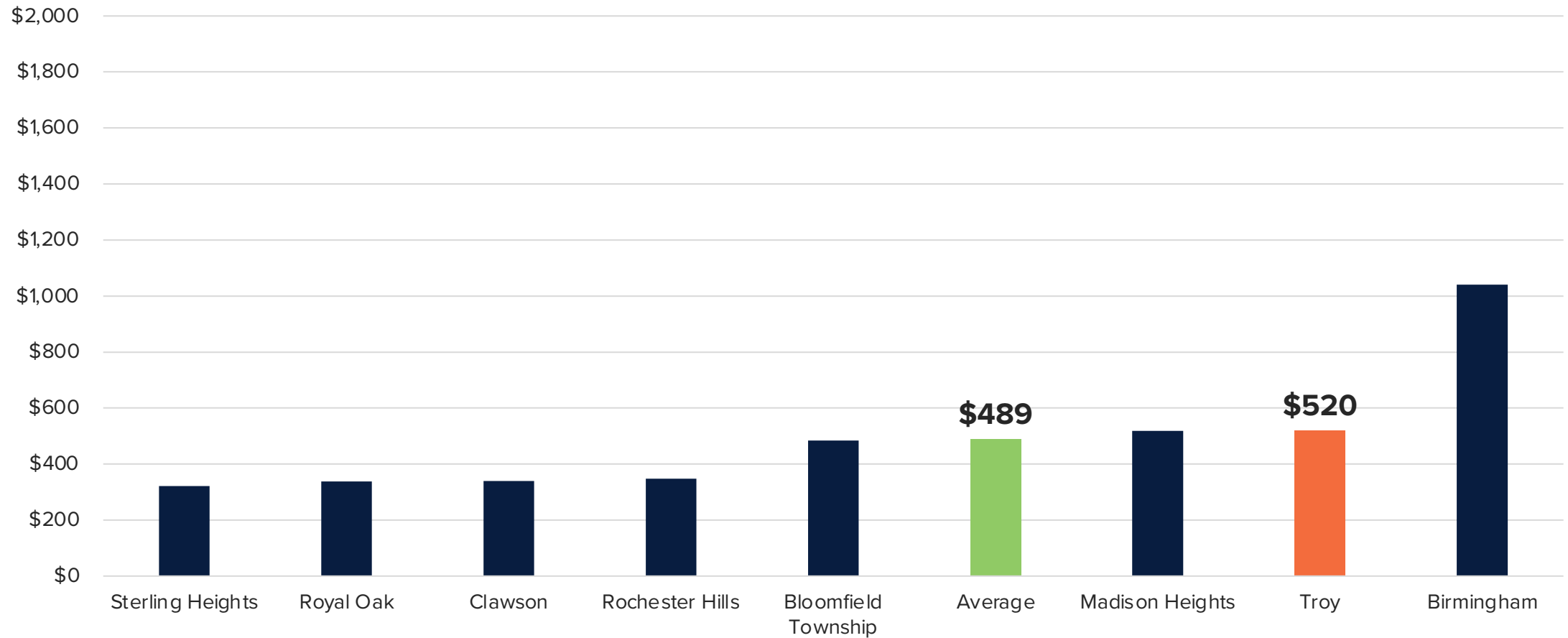
## 2002:

- Troy was nearly 11% less than the average

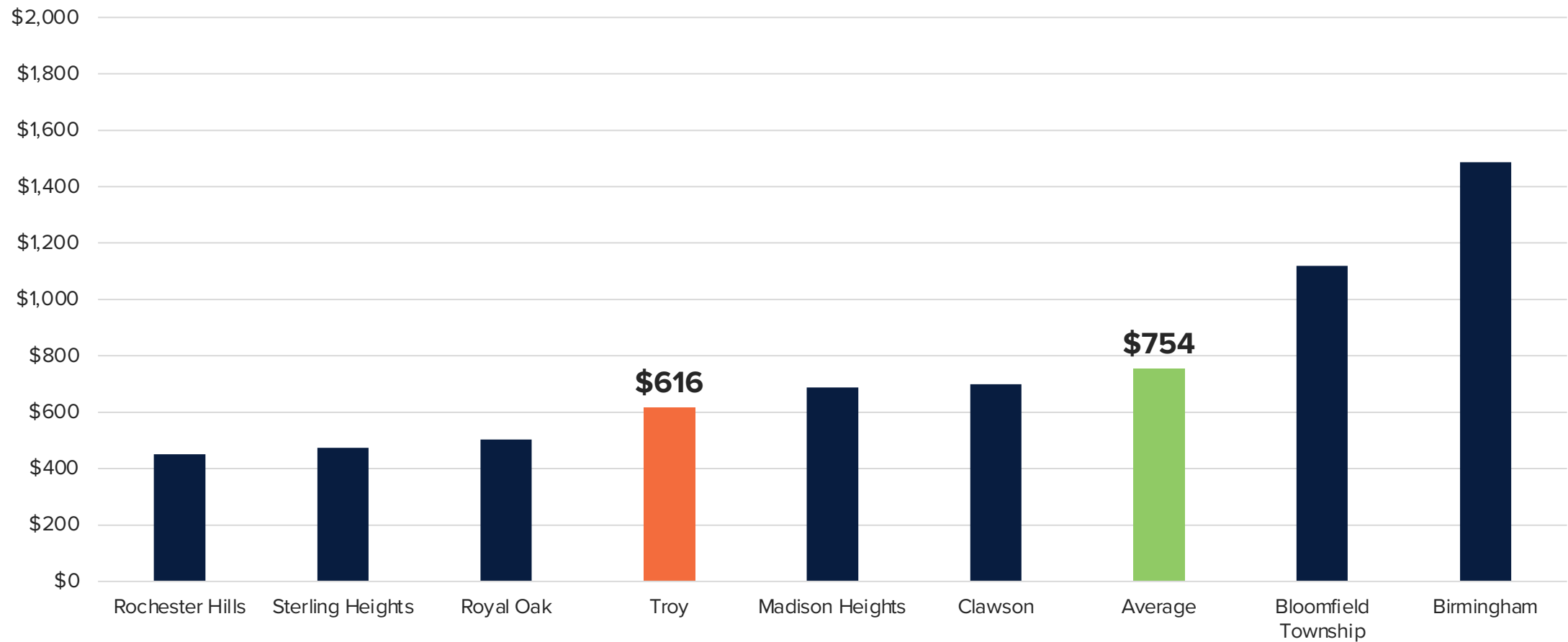
## 2021:

- Troy was nearly 27% less than the average
- Royal Oak and Rochester Hills surpassed Troy

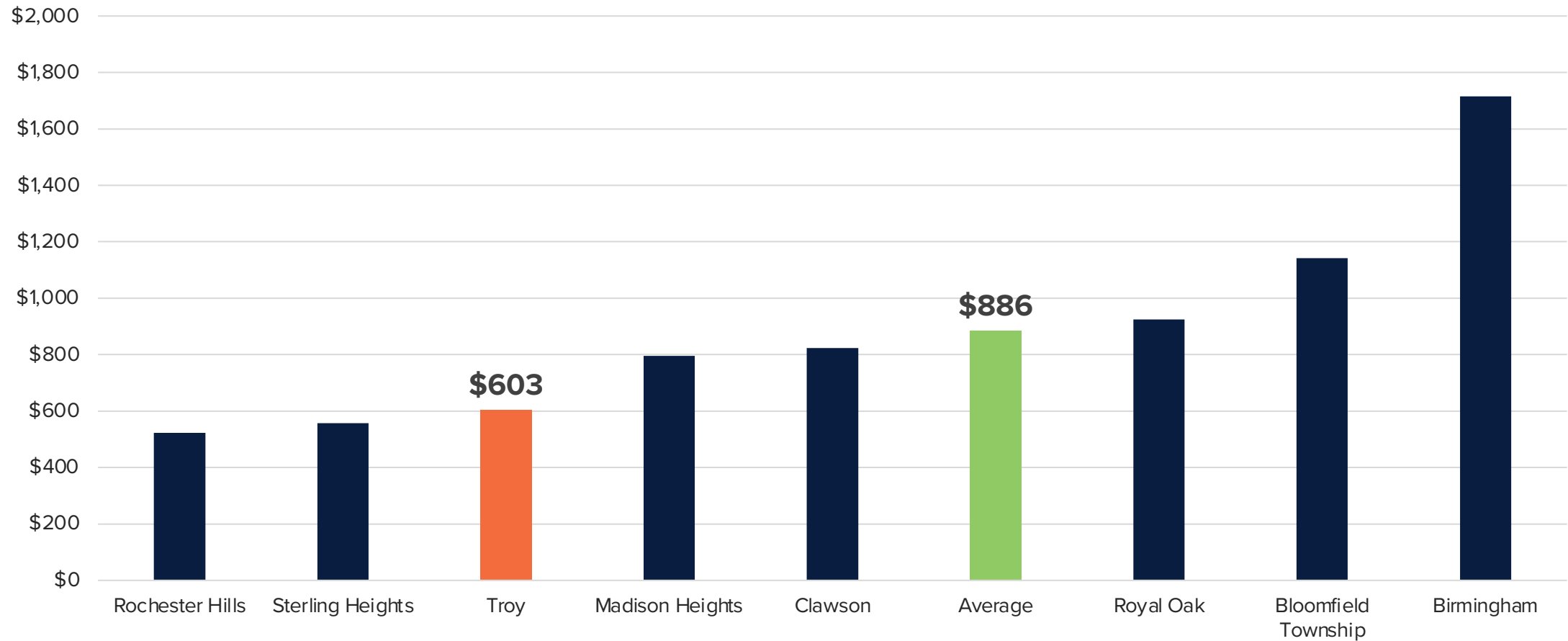
# Local Taxes per Capita, 2000



# Local Taxes per Capita, 2010

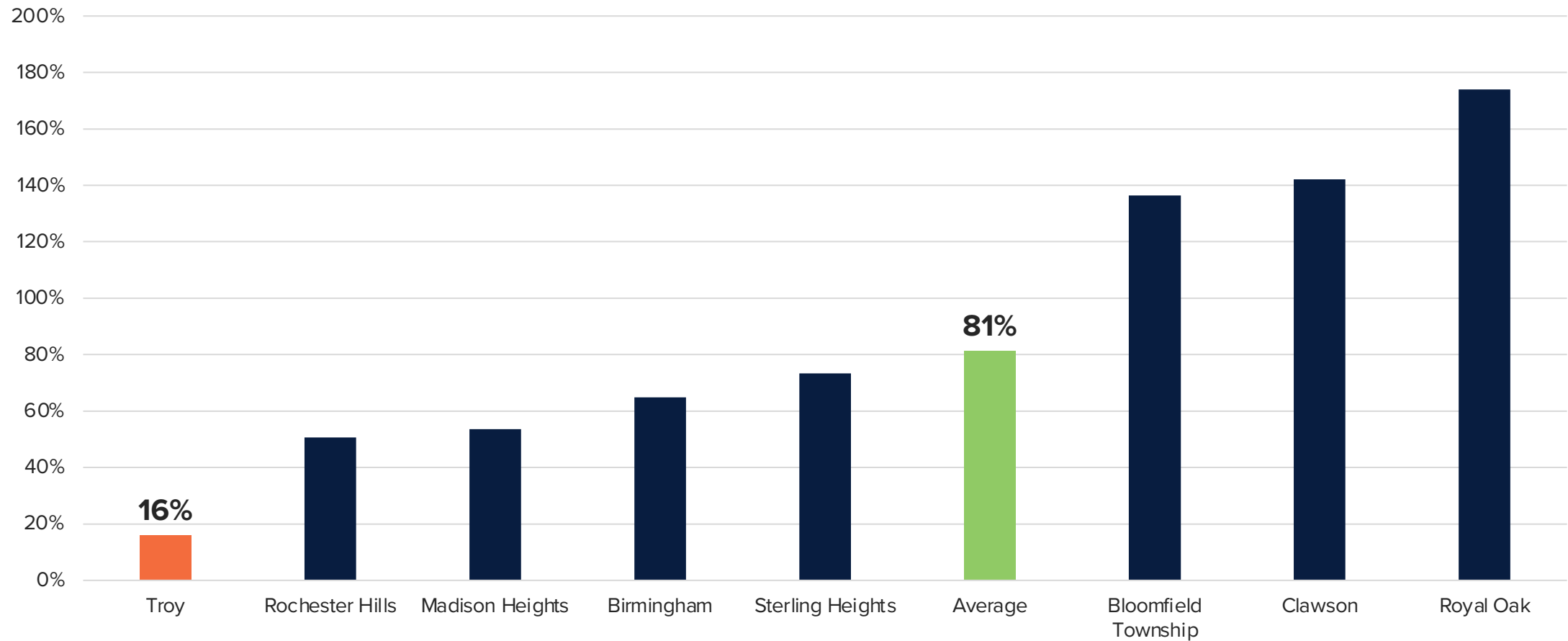


# Local Taxes per Capita, 2020



# Local Taxes per Capita % Change

(2000-2021)



# Local Taxes per Capita, 2000 and 2020

---

## 2002:

- Troy was nearly 7% greater than the average

## 2020:

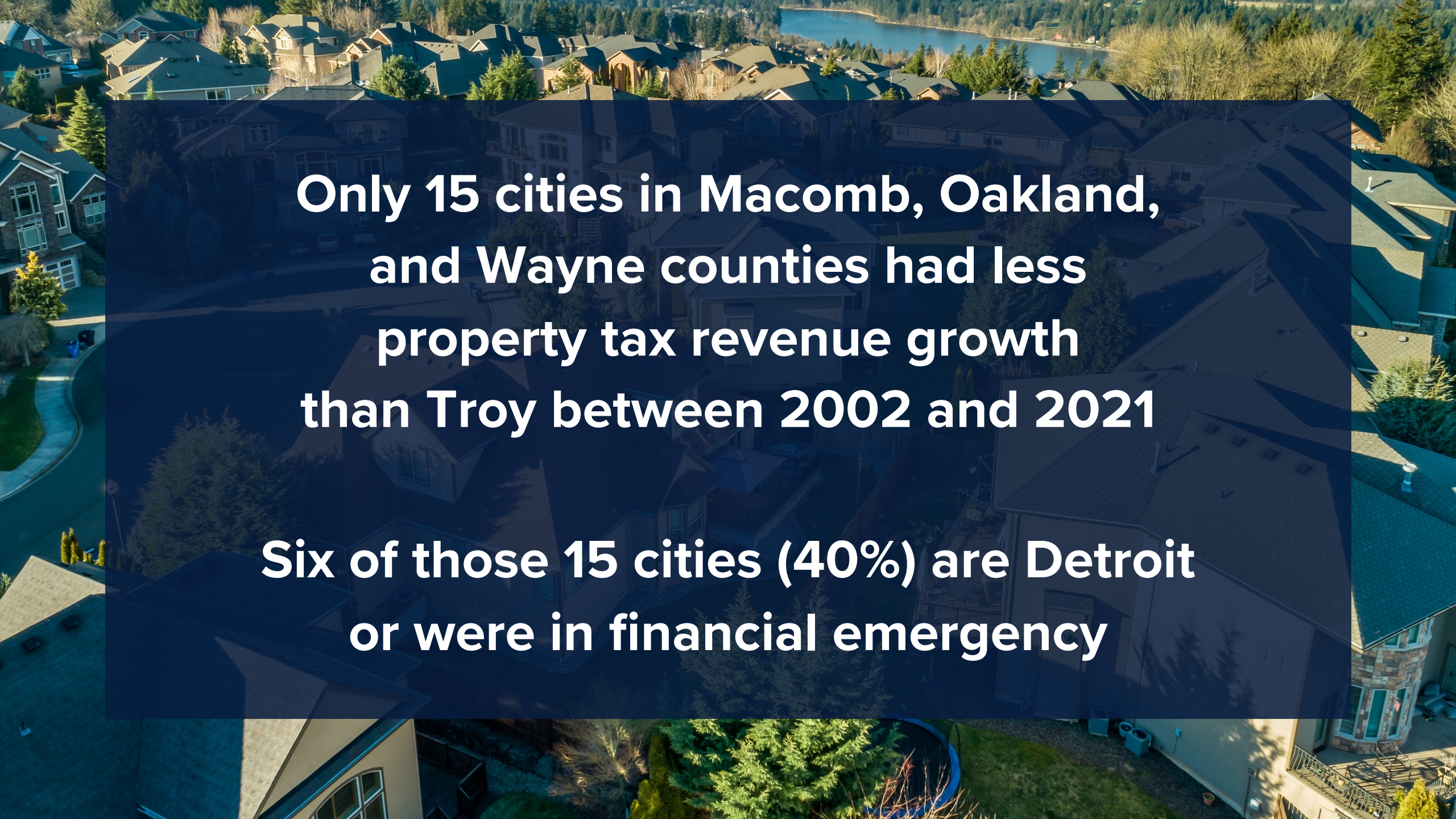
- Troy was nearly 32% less than the average
- All communities surpassed Troy

# Conclusions

---

Revenue Study Session



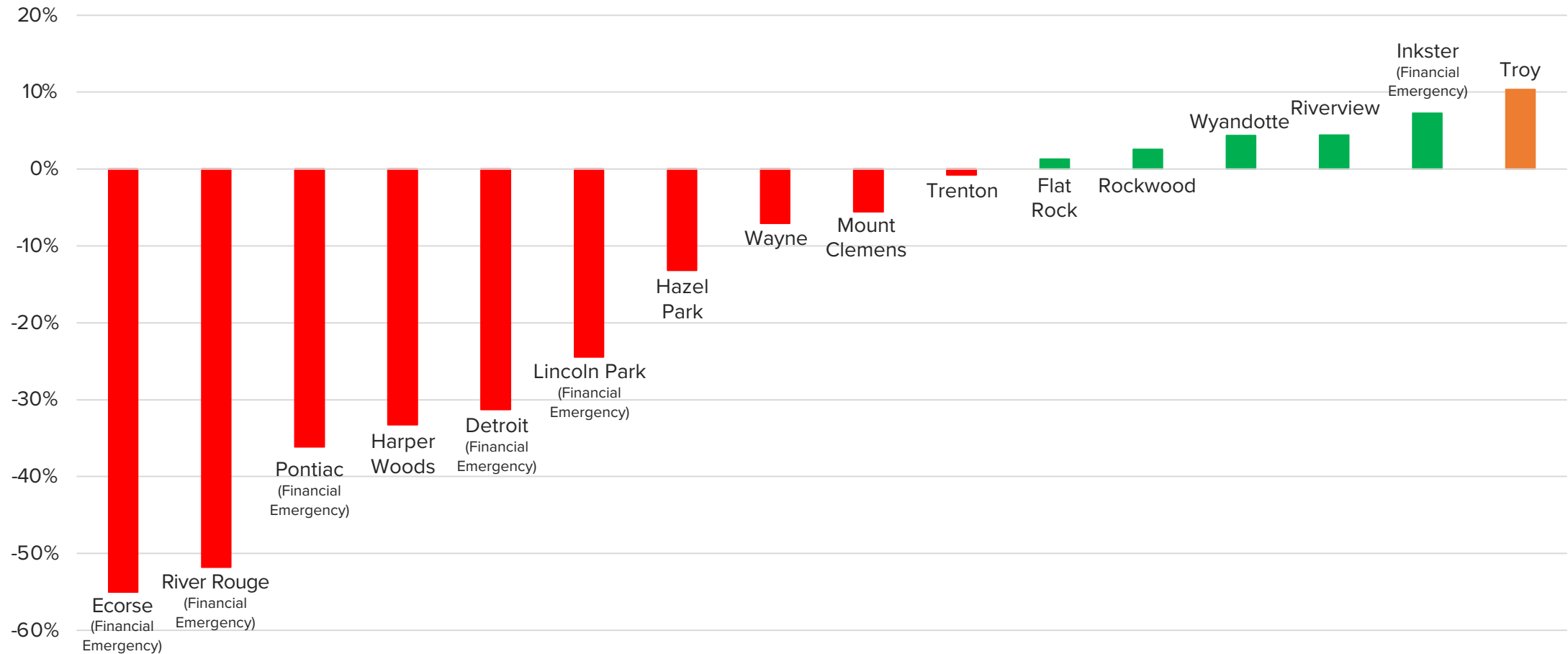
An aerial photograph of a suburban neighborhood with numerous houses, green lawns, and trees. In the background, a large blue lake is visible, surrounded by more trees and some distant buildings. The scene is captured from a high angle, looking down on the houses.

**Only 15 cities in Macomb, Oakland,  
and Wayne counties had less  
property tax revenue growth  
than Troy between 2002 and 2021**

**Six of those 15 cities (40%) are Detroit  
or were in financial emergency**



# Conclusions



# Conclusions

---

- Although the City is not on the brink of financial emergency, it will struggle to maintain current programs, services, facilities and infrastructure without a tax increase.
- The last 20 years have been financially challenging for the City.
- The Headlee Amendment requires voters to approve any local property tax increases or new property taxes so only voters can decide what the next 20 years will be like for the City.

# Questions and Answers

---

Revenue Study Session

# Sources

---

Revenue Study Session

# Sources

---

## **City of Troy Annual Comprehensive Financial Report (formerly known as Comprehensive Annual Financial Report or CAFR ), 2002-2021**

- [troymi.gov/departments/city\\_manager/financial\\_services/financial\\_documents.php](http://troymi.gov/departments/city_manager/financial_services/financial_documents.php)

## **State of Michigan Ad Valorem Property Tax Levy Reports, 2002-2021**

- [michigan.gov/taxes/property/reports/ad-valorem-property-tax-levy-reports](http://michigan.gov/taxes/property/reports/ad-valorem-property-tax-levy-reports)

# Sources

---

## County Apportionment Reports

- Macomb: [finance.macombgov.org/finance-ApportionmentReport](https://finance.macombgov.org/finance-ApportionmentReport)
- Oakland: [oakgov.com/mgtbud/budgets-reports/Pages/tax-reports.aspx](https://oakgov.com/mgtbud/budgets-reports/Pages/tax-reports.aspx)
- Wayne: [waynecounty.com/departments/mb/equalization/county-apportionment.aspx](https://waynecounty.com/departments/mb/equalization/county-apportionment.aspx)

## County Equalization Reports

- Macomb: [equalization.macombgov.org/Equalization-reports](https://equalization.macombgov.org/Equalization-reports)
- Oakland: [oakgov.com/mgtbud/budgets-reports/Pages/assessing.aspx](https://oakgov.com/mgtbud/budgets-reports/Pages/assessing.aspx)
- Wayne: [waynecounty.com/departments/mb/equalization/county-equalization.aspx](https://waynecounty.com/departments/mb/equalization/county-equalization.aspx)

# Sources

---

## **L-4023 Analysis for Equalized Valuations**

- [michigan.gov/treasury/local/stc/property/l4023](https://michigan.gov/treasury/local/stc/property/l4023)

## **L-4046 Taxable Valuations**

- [michigan.gov/treasury/local/stc/taxable-valuations](https://michigan.gov/treasury/local/stc/taxable-valuations)