

# Revenue, Expenditures, and Changes in Fund Balances

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Troy City Council Special Meeting | September 12, 2022

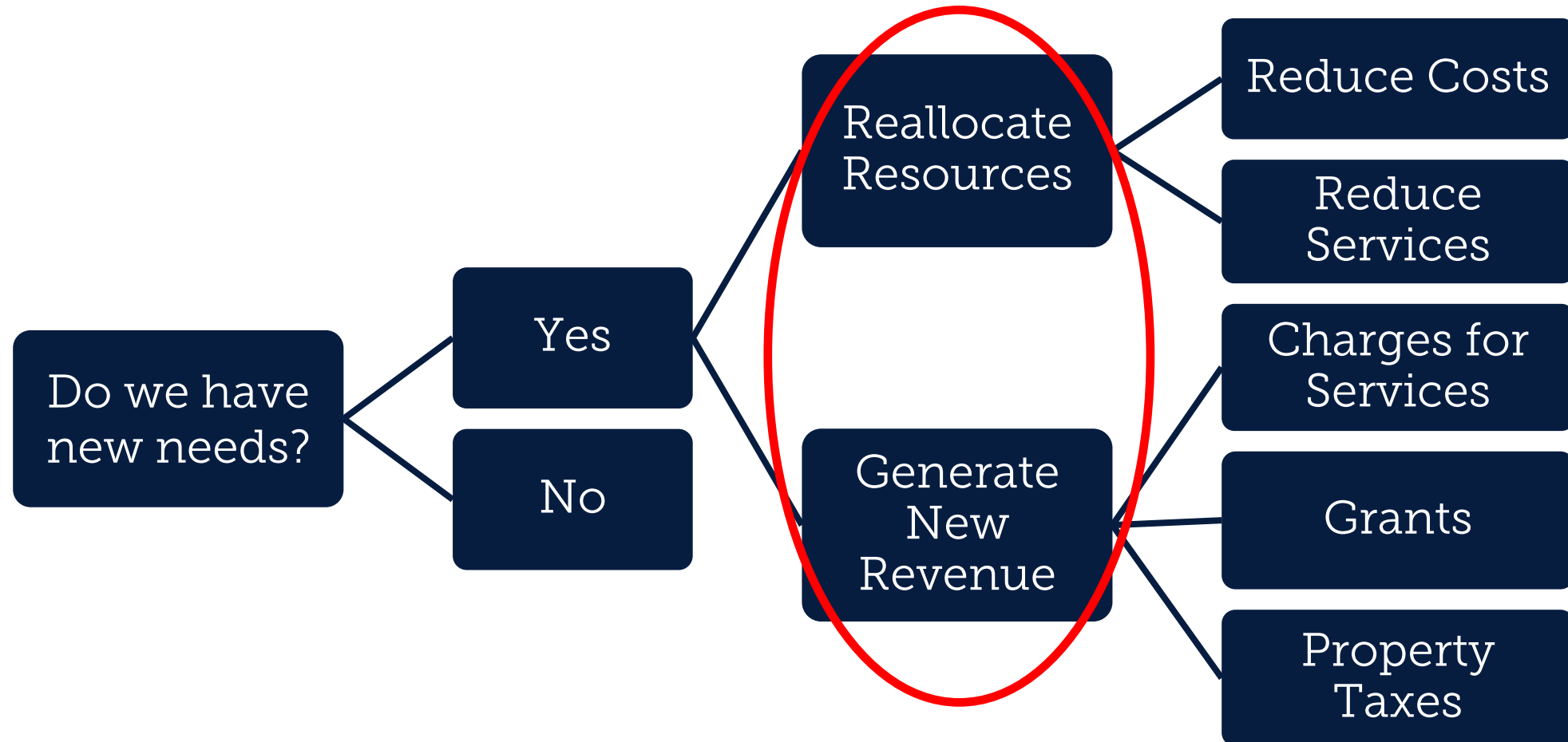
# Process

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- July 25: Resident Budget Priorities Study Presentation
- August 15: Revenue Study Session
- August 22: Expenditure Study Session
- September 12: This Study Session
- October 3: Residential Property Tax Bills Study Session
- October 3: Resident Budget Priorities Study Results Presentation
- November 19: 2022 City of Troy Advance

# Process

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# Agenda

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- Introduction
- Revenue Review
- Expenditure Review
- Comparing Revenues and Expenditures
- Changes in Fund Balances
- Questions & Answers

# Introduction

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Revenue, Expenditures, and Changes in Fund Balances

# Introduction

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## The Goal:

- Provide a high-level overview of the City's trends between 2004 and 2021
- Compare the City's trends to other communities

## The Challenge:

- Avoid jargon
- Stay out of the weeds

# Introduction

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## Comparison Communities

- |                        |                      |
|------------------------|----------------------|
| 1. Bloomfield Township | 7. Royal Oak         |
| 2. Dearborn            | 8. Southfield        |
| 3. Farmington Hills    | 9. St. Clair Shores  |
| 4. Livonia             | 10. Sterling Heights |
| 5. Novi                | 11. Troy             |
| 6. Rochester Hills     | 12. Warren           |

# Revenue Review

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Revenue, Expenditures, and Changes in Fund Balances



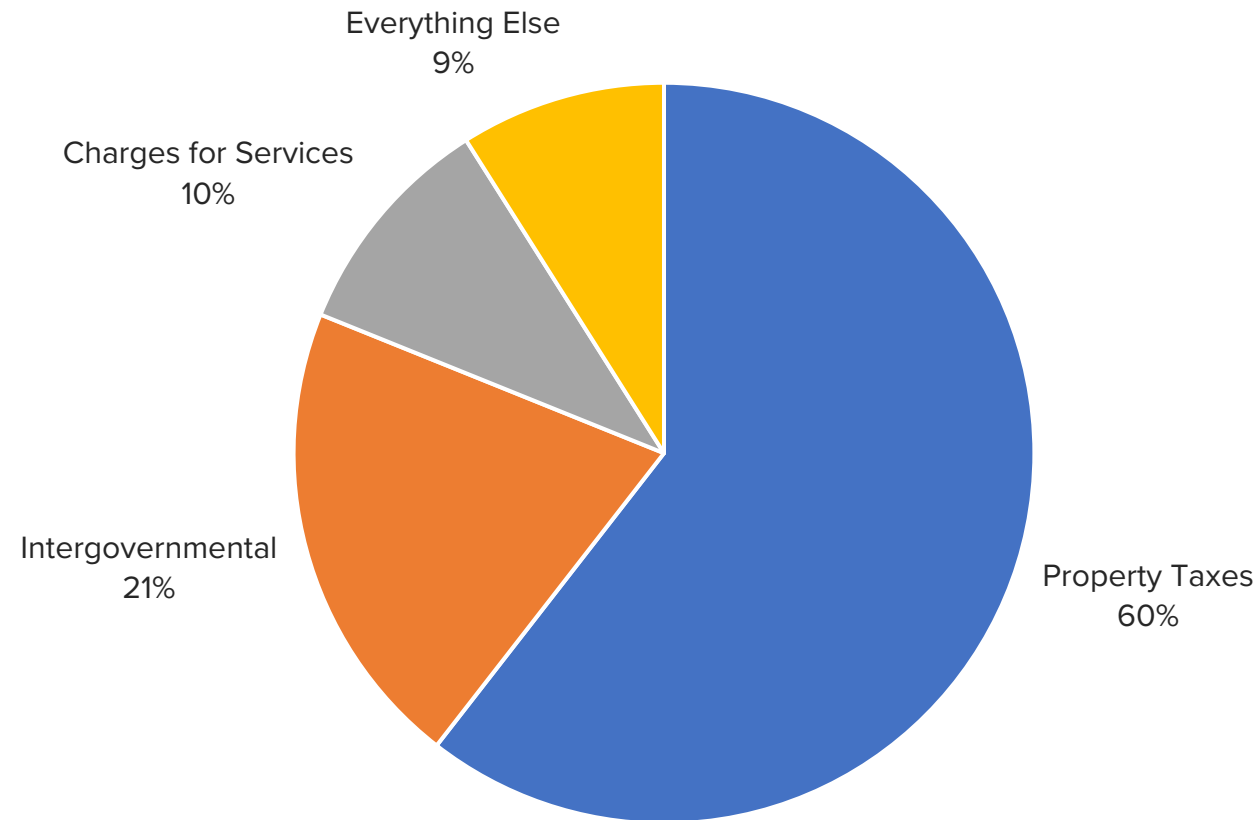
# Revenue Review

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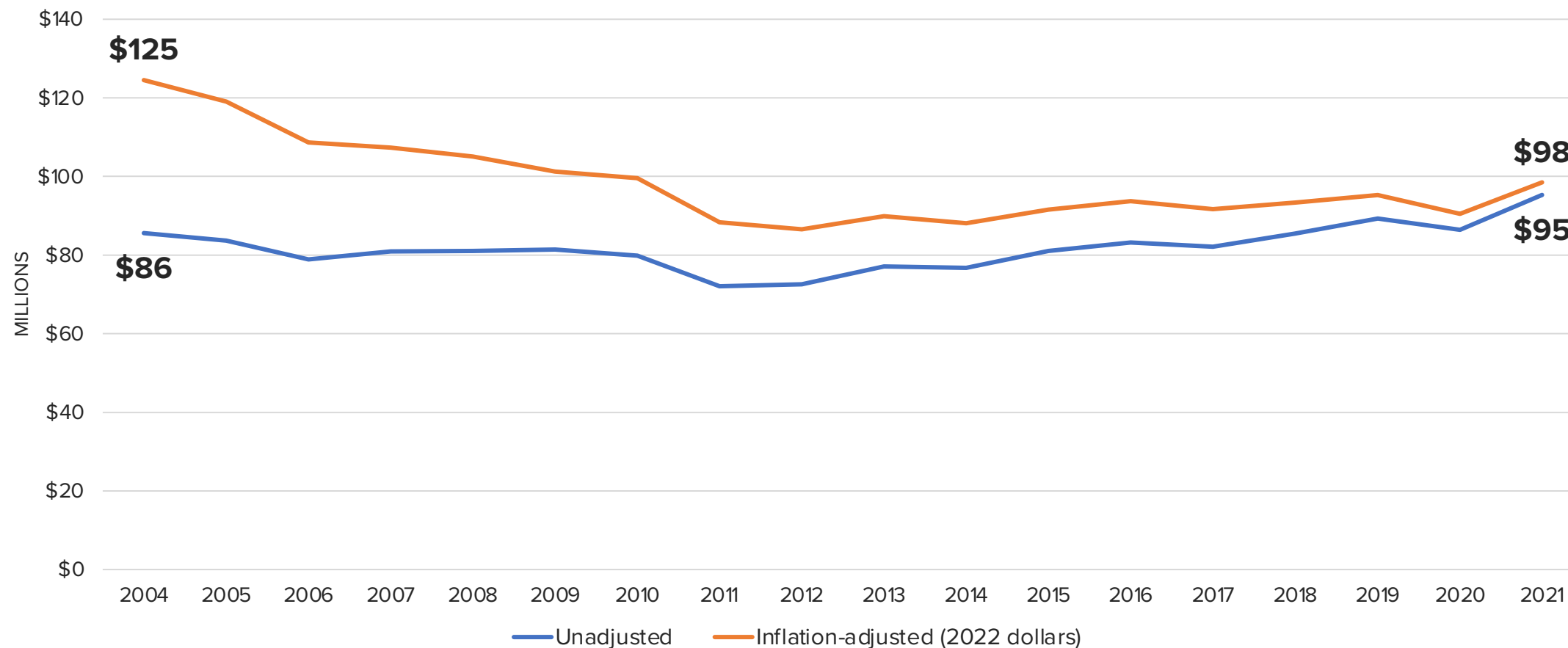
- Property taxes are the only major revenue source within a community's control.
- Other revenue sources are either too small or too dependent upon external factors to be reliable.

# Average Governmental Fund Revenues, 2004-2021

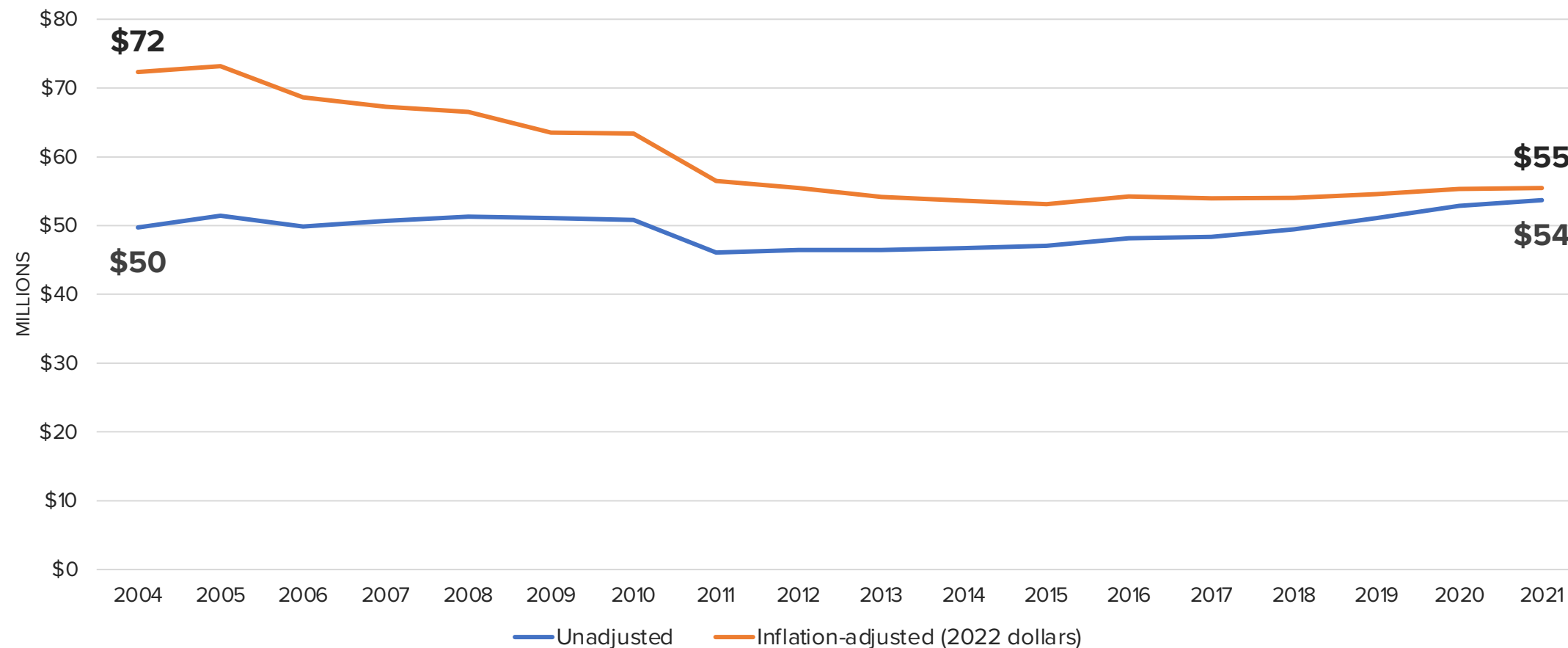
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# Total Governmental Fund Revenues, 2004-2021



# Total Governmental Fund Property Tax Revenues, 2004-2021



# Comparisons

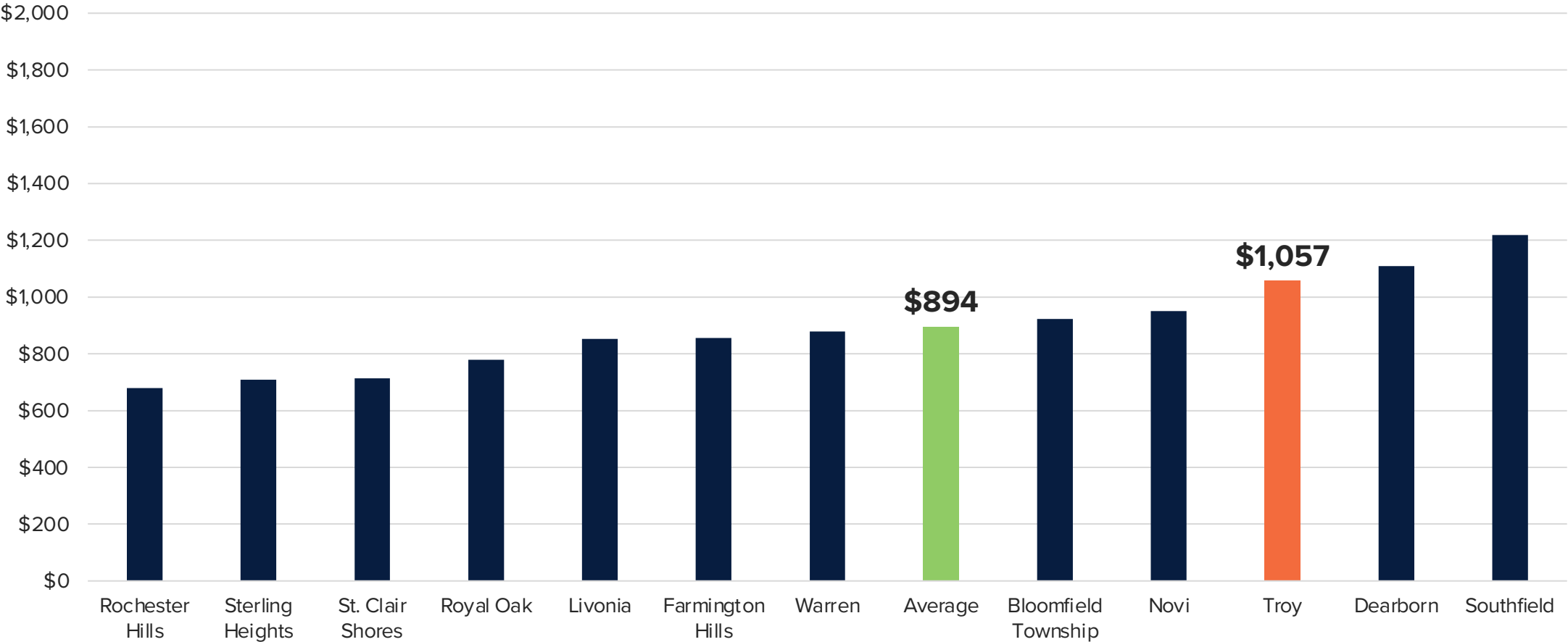
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## Governmental General Revenues in Descending Order

- Total General Governmental Revenue per Capita (the whole pie)
  - This is the total amount of revenue each community receives, and can therefore spend, per resident.
- Total Property Tax Revenue per Capita (the largest piece of the pie)
  - This is the amount of property tax revenue each community receives per resident.

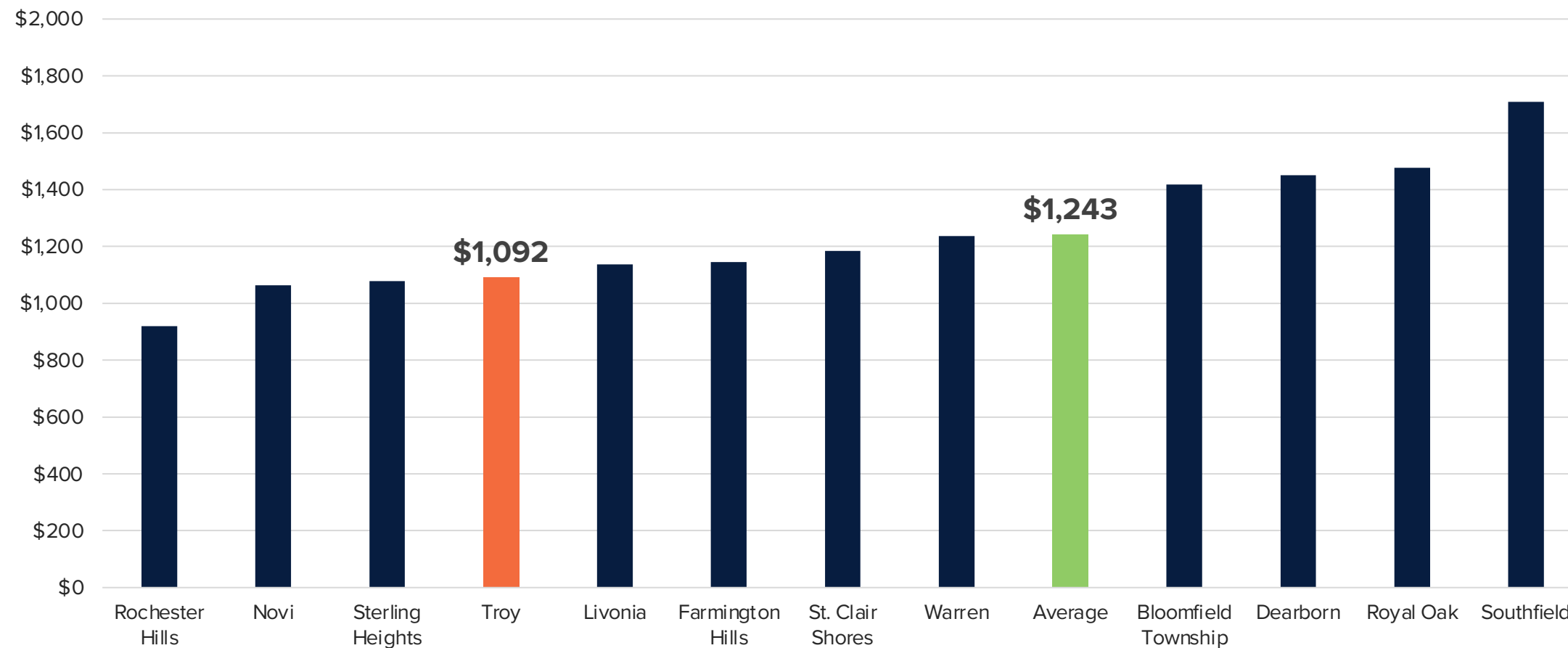
# Total Governmental General Revenue

per Capita 2004



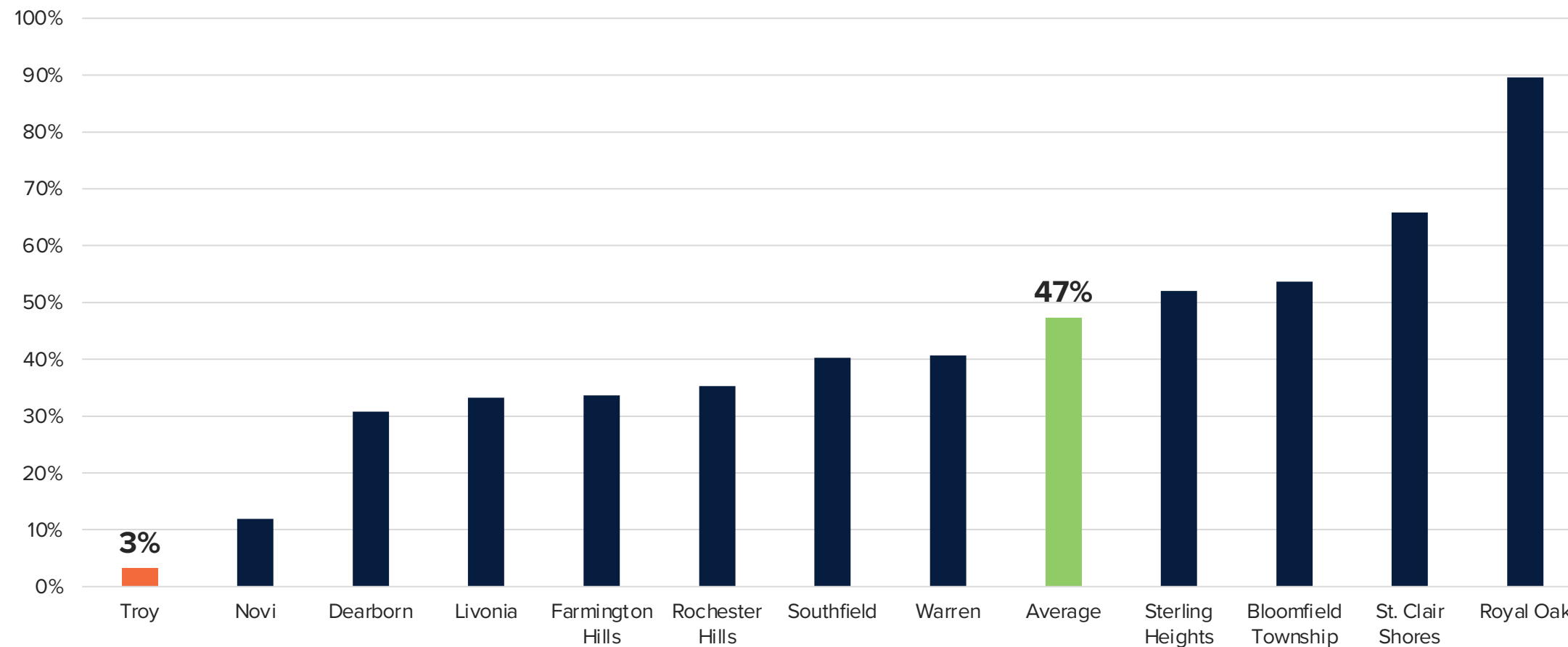
# Total Governmental General Revenue

per Capita 2021



# Total Governmental General Revenue

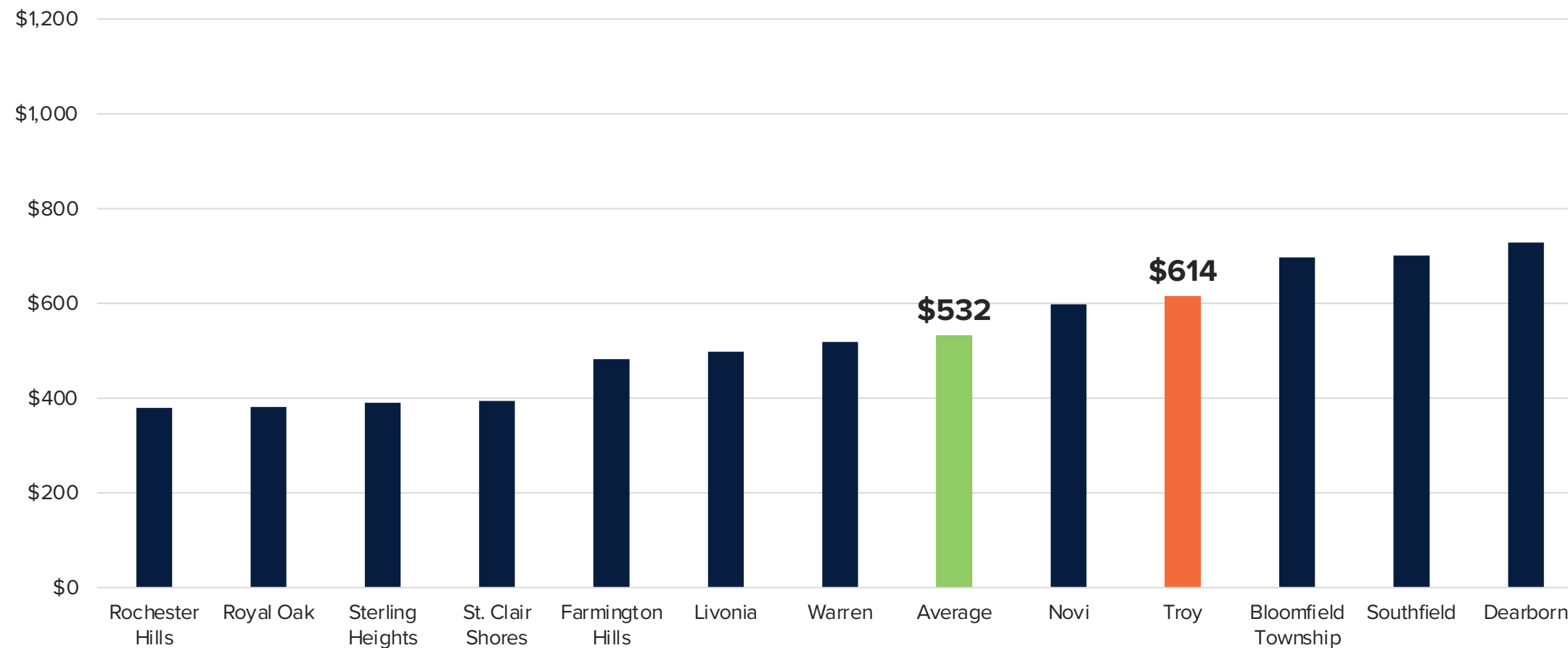
per Capita % Change 2004 and 2021





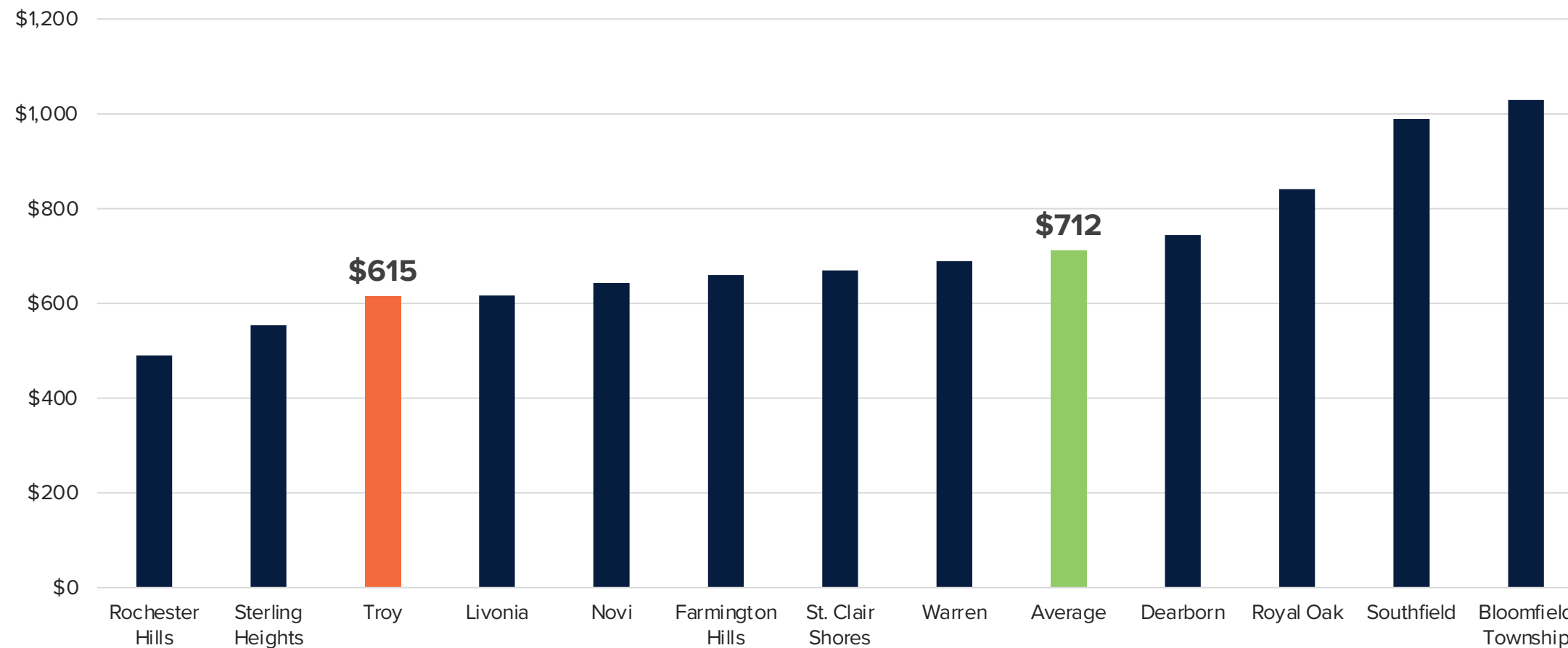
# Total Property Tax Revenue

per Capita 2004



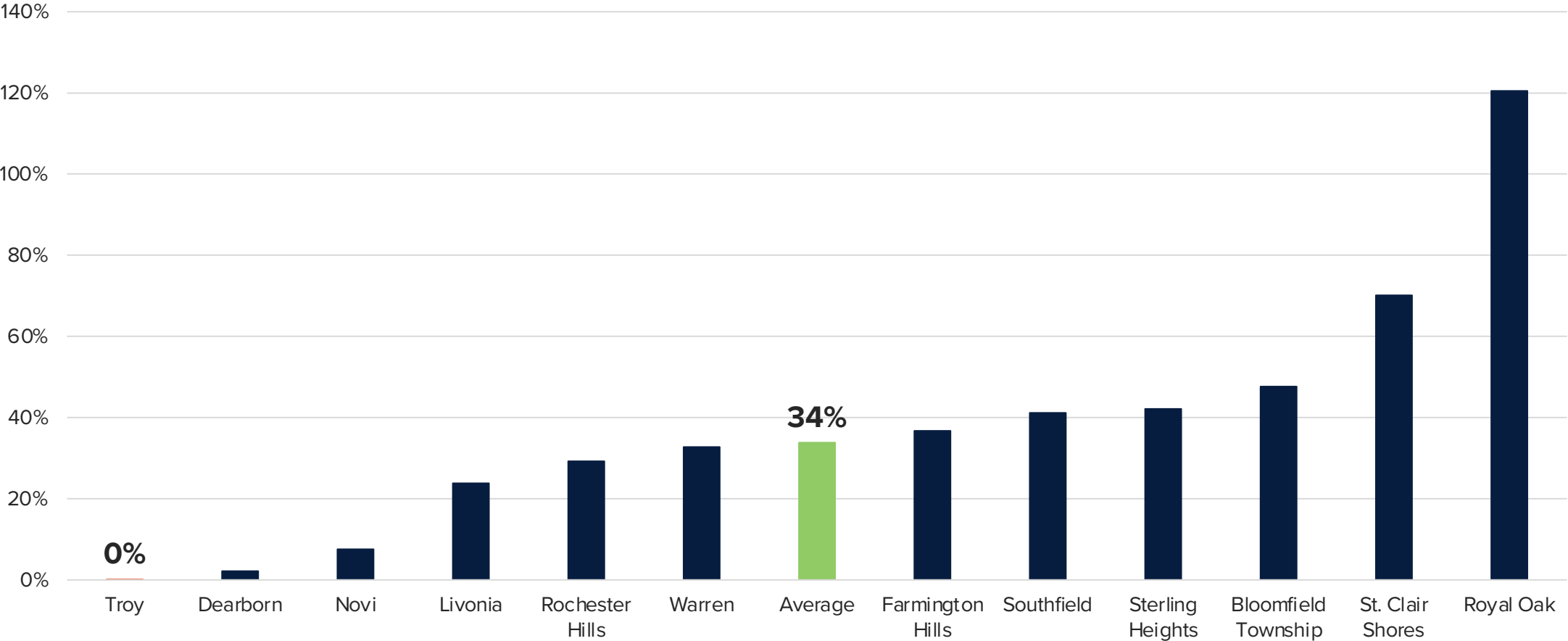
# Total Property Tax Revenue

## per Capita 2021



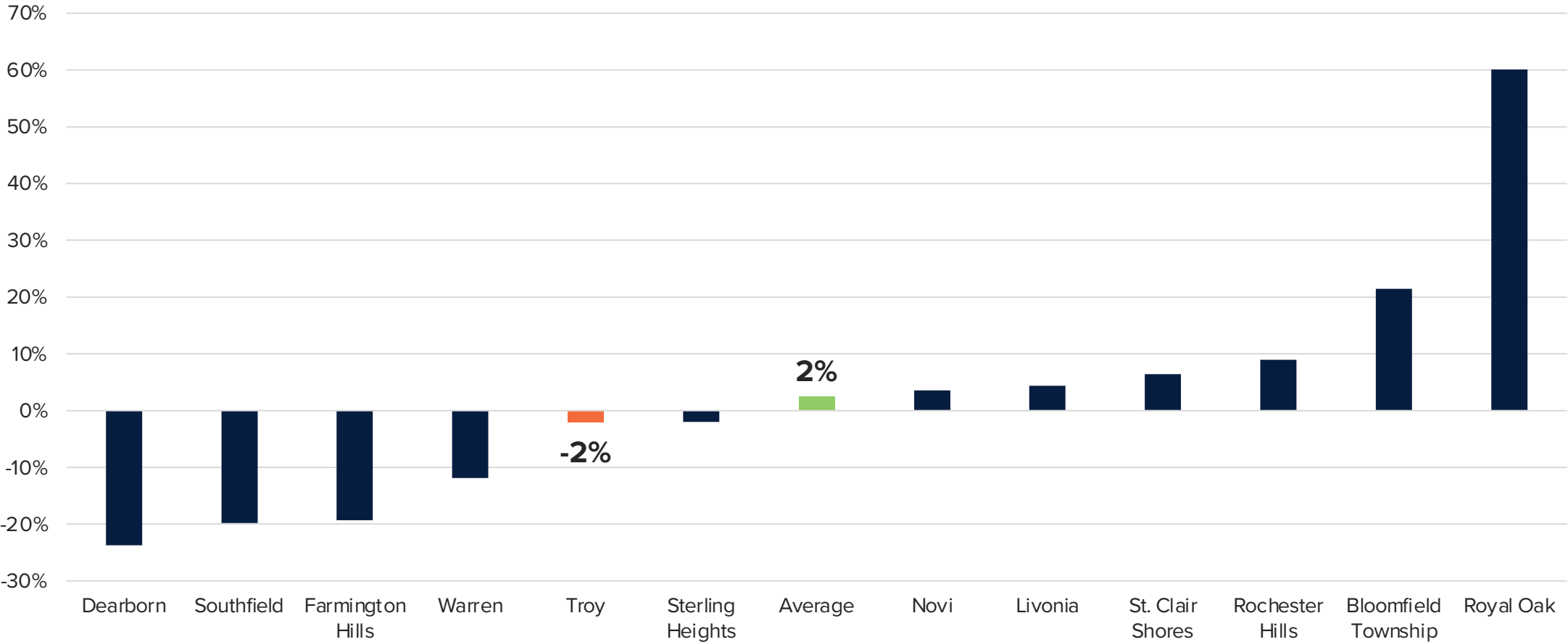
# Total Property Tax Revenue

per Capita % Change 2004 and 2021



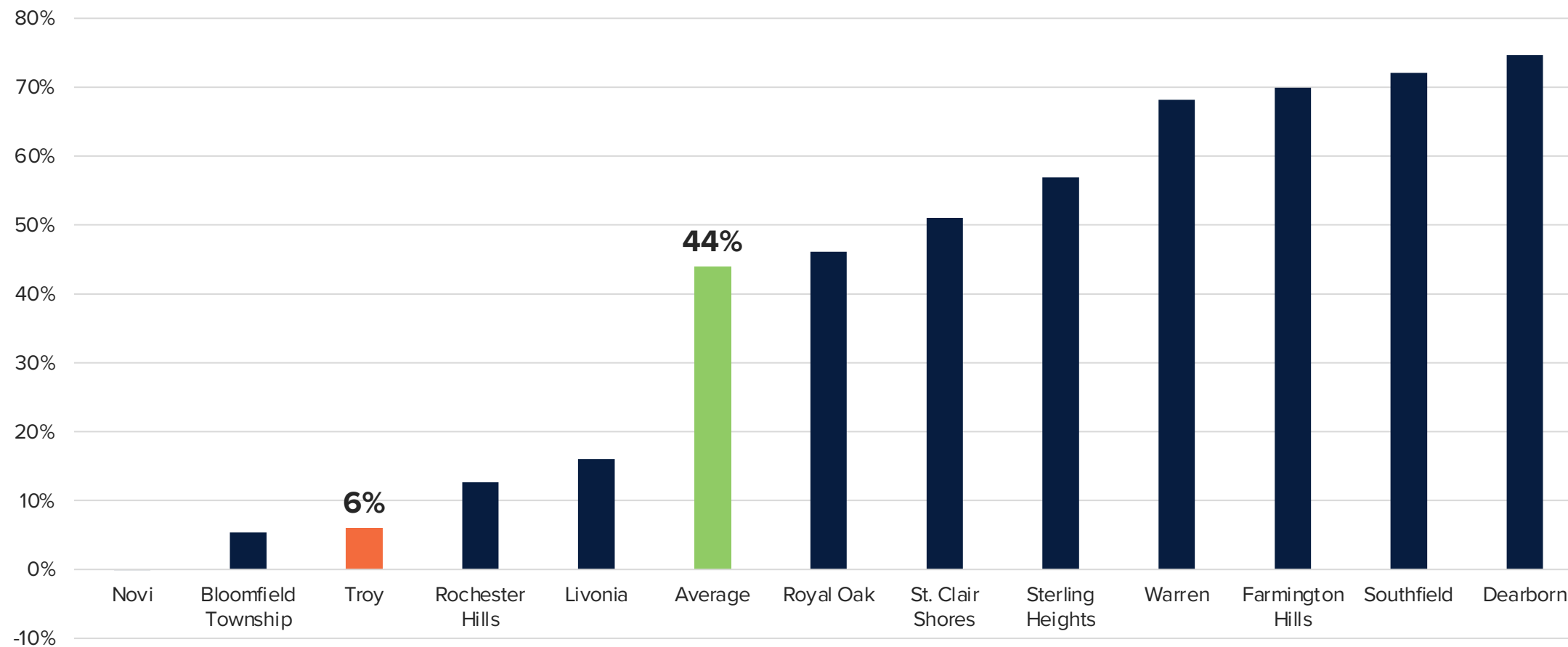
# Taxable Value

per Capita % Change 2004 and 2021



# Community Tax Rates,

% Change 2004 and 2021



# Revenue Conclusions

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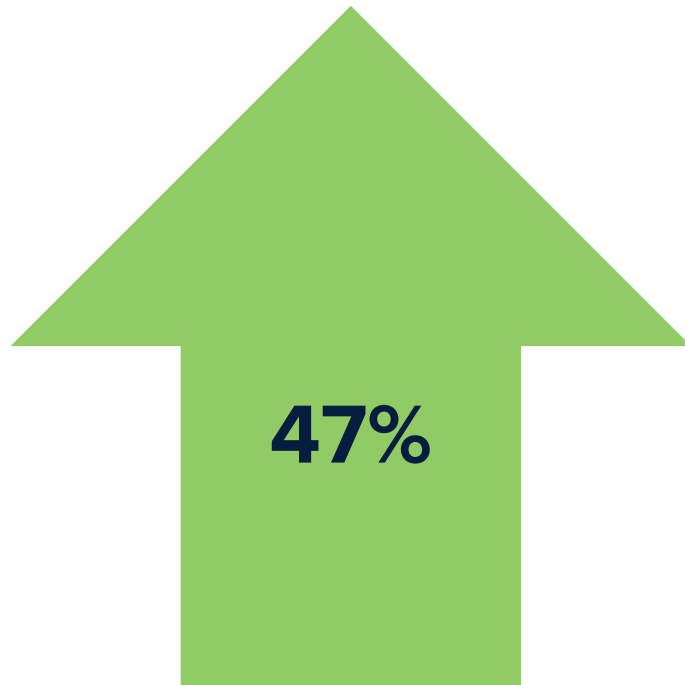
Revenue, Expenditures, and Changes in Fund Balances

# Revenue Conclusions

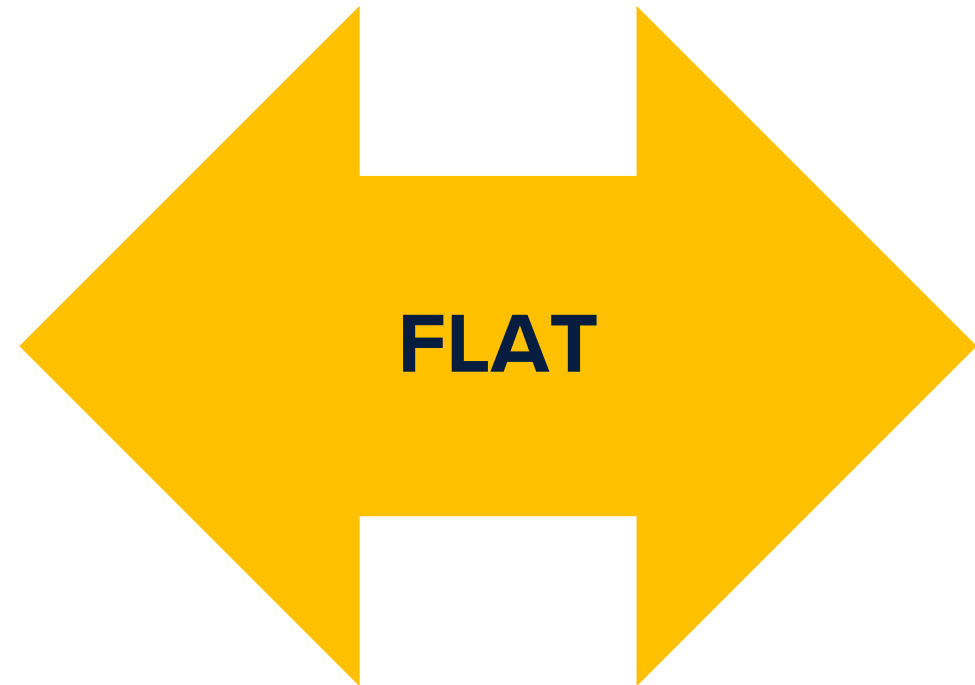
Total Governmental Revenue per Capita

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**Average**



**Troy**

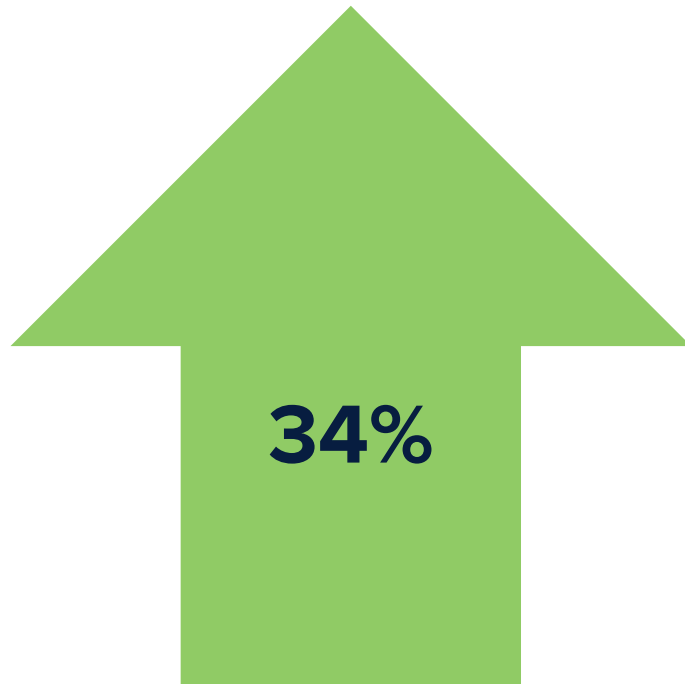


# Revenue Conclusions

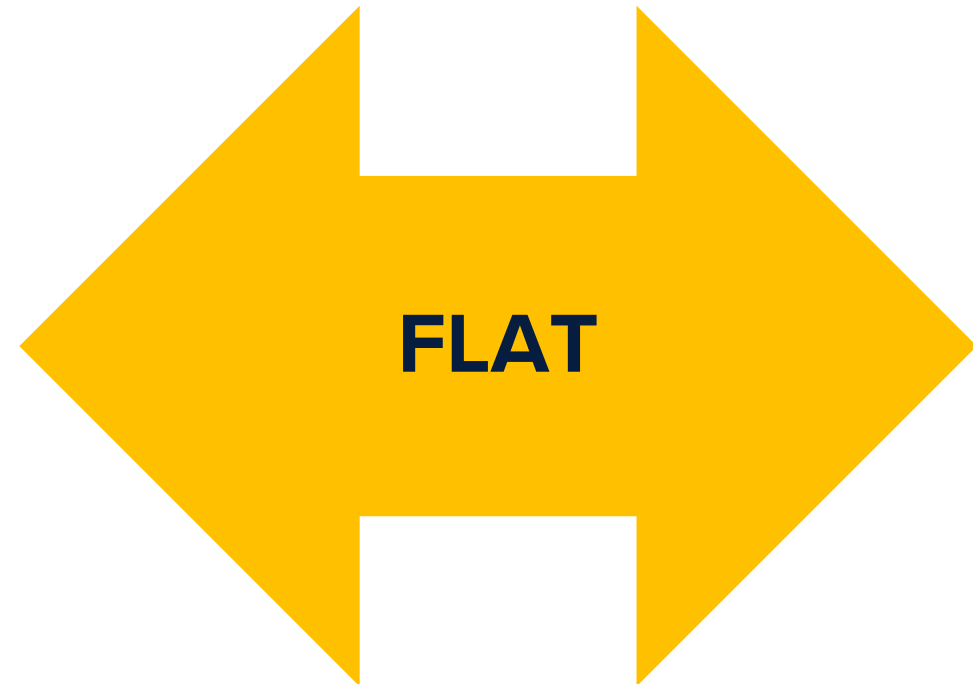
Total Property Tax Revenue per Capita

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**Average**



**Troy**



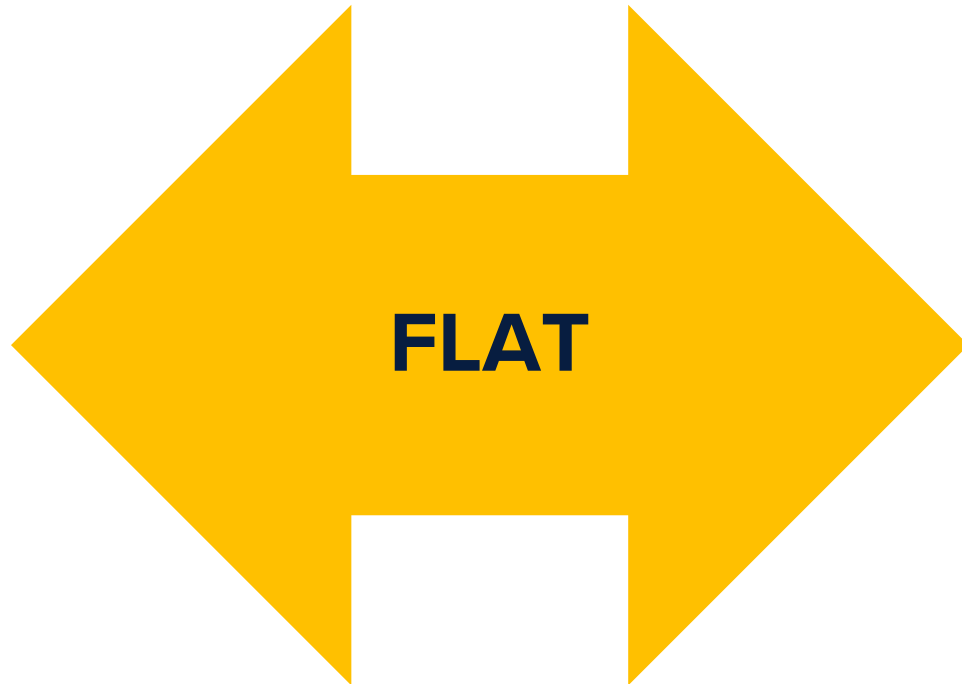


# Revenue Conclusions

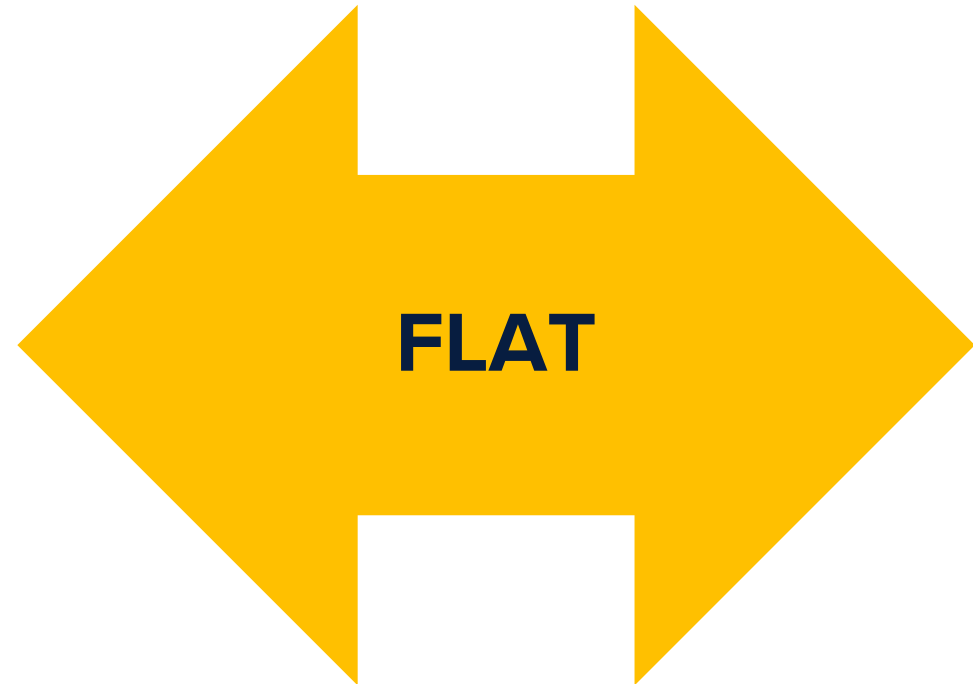
Taxable Value per Capita

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**Average**



**Troy**

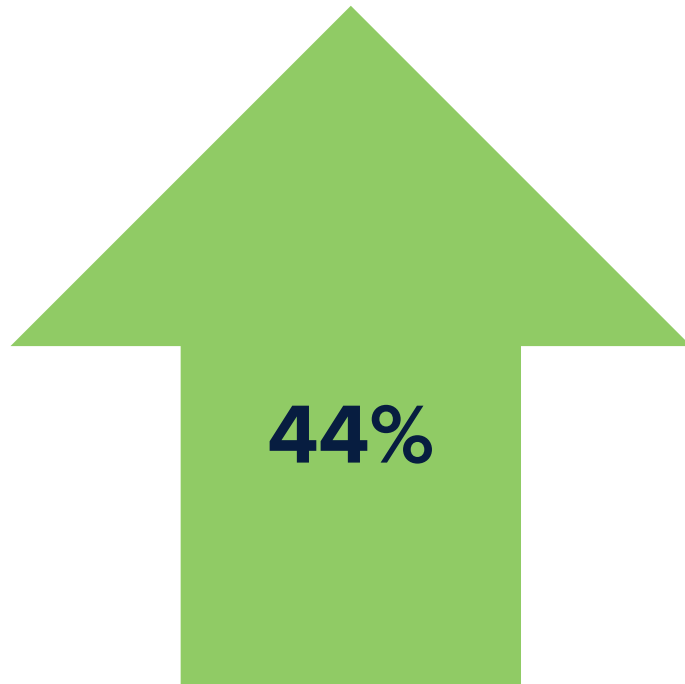


# Revenue Conclusions

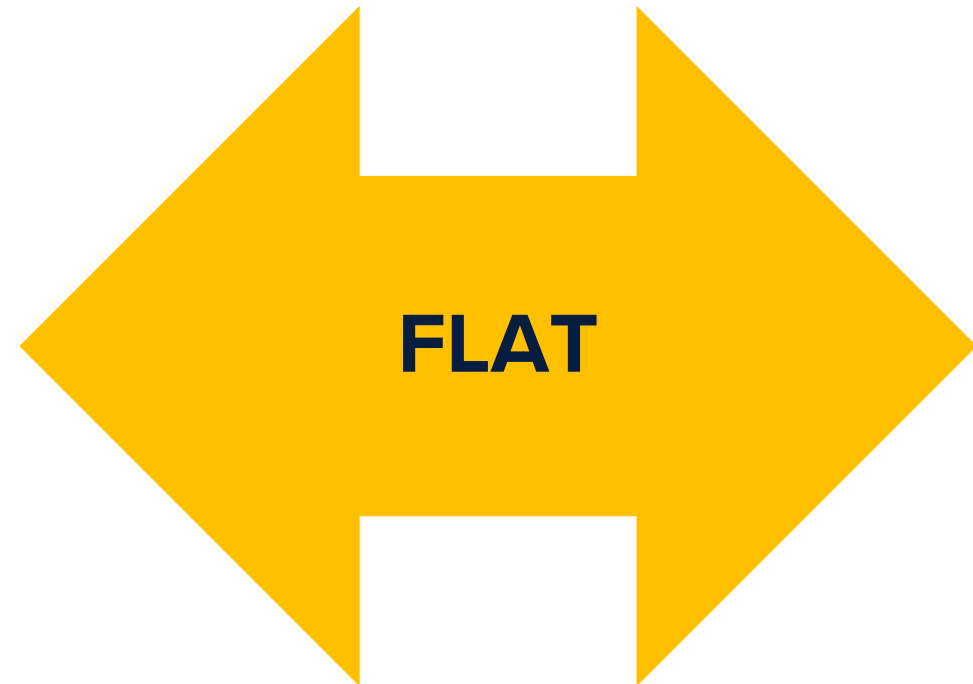
## Community Tax Rates

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**Average**



**Troy**



# Revenue Conclusions

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- On average, total governmental revenue per capita increased 47% between 2004 and 2021.
- This is due in large part to property tax revenue per capita increasing 34% on average.
- Taxable Value per capita was flat but voters increased property tax rates 44% on average.
- Troy's property tax rate was flat because the debt millage was last levied in 2020 and the library millage increased in 2021.

# Expenditure Review

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Revenue, Expenditures, and Changes in Fund Balances

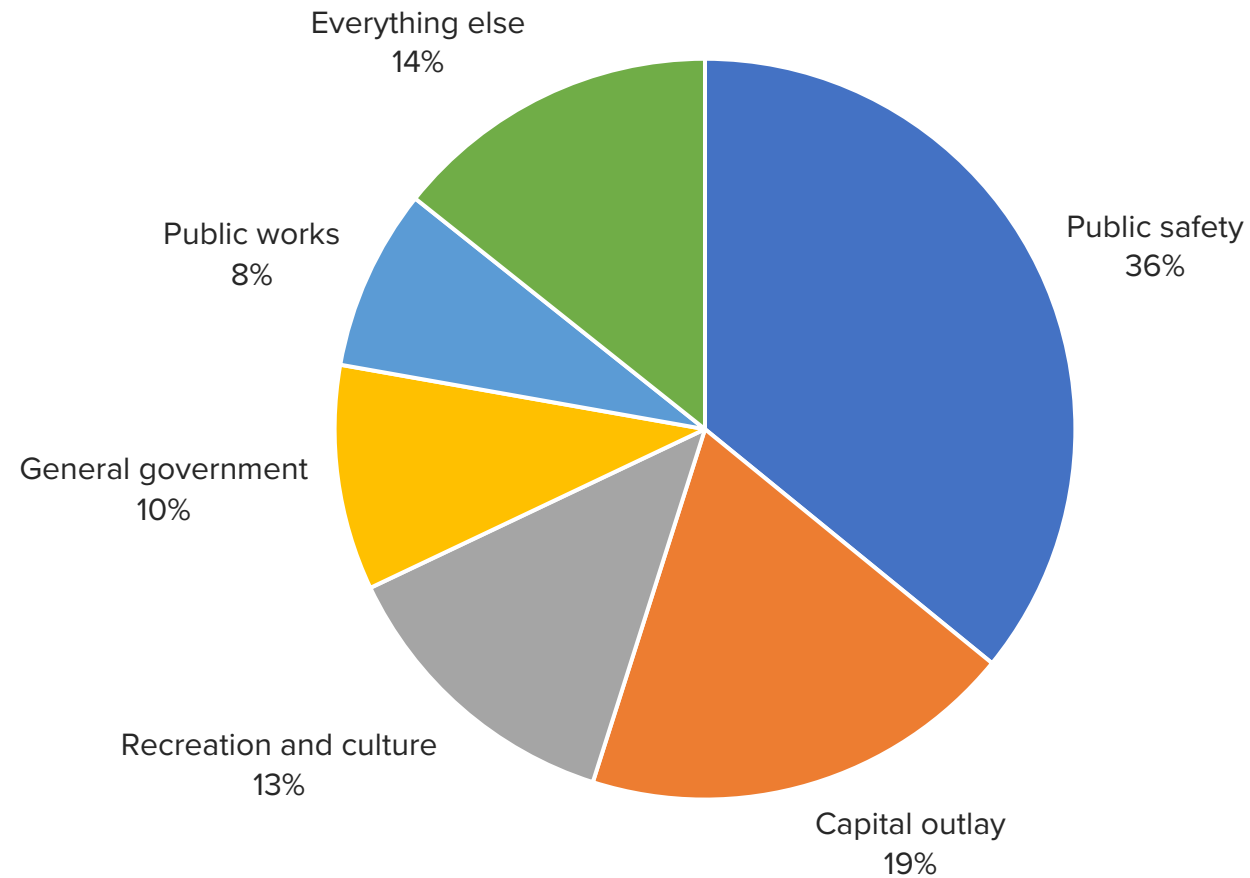
# Expenditure Review

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- Unlike the federal government, a community cannot spend more money than it has so revenues constrain expenditures.
- Governing bodies (like City Council) can reallocate resources, but only voters can significantly increase revenues because voters must approve any local property tax rate increases or new property taxes.

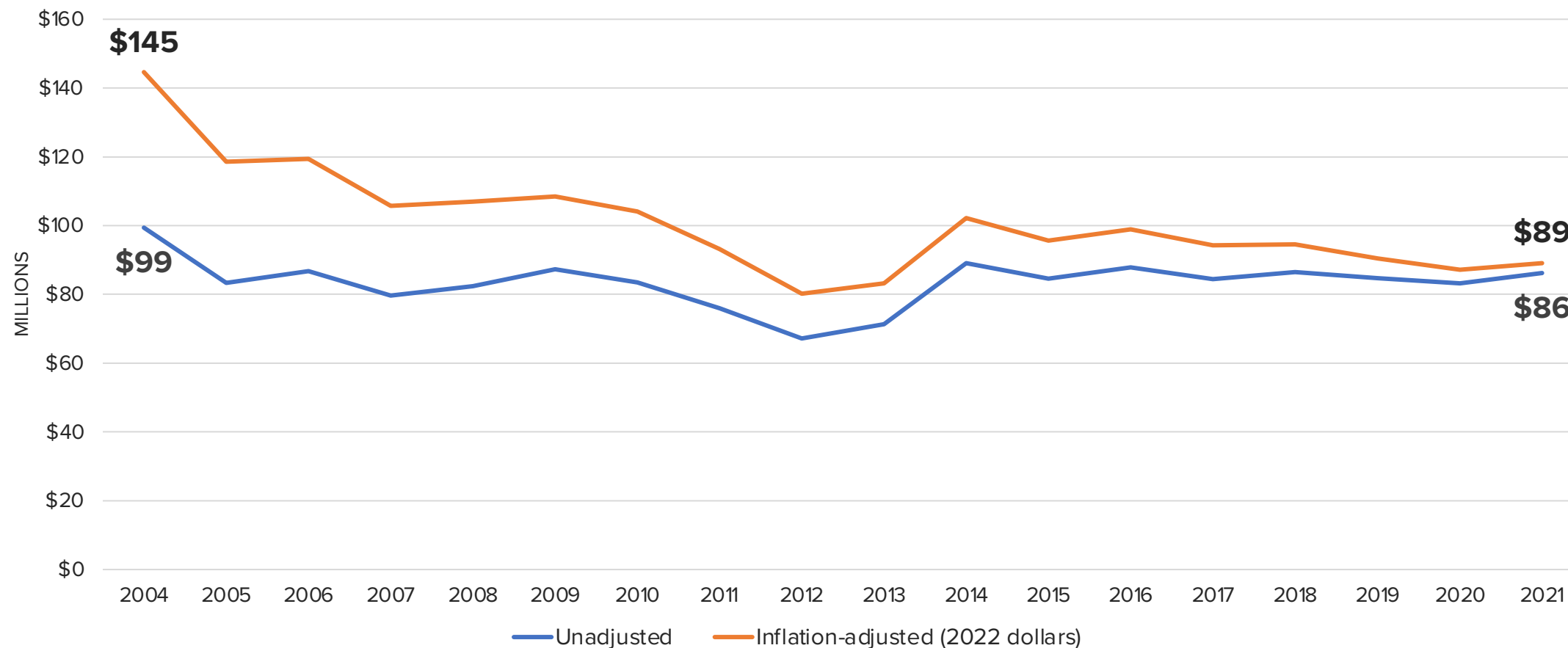
# Average Governmental Fund Expenditures

2004-2021



# Total Governmental Fund Expenditures

2004-2021



# Comparisons

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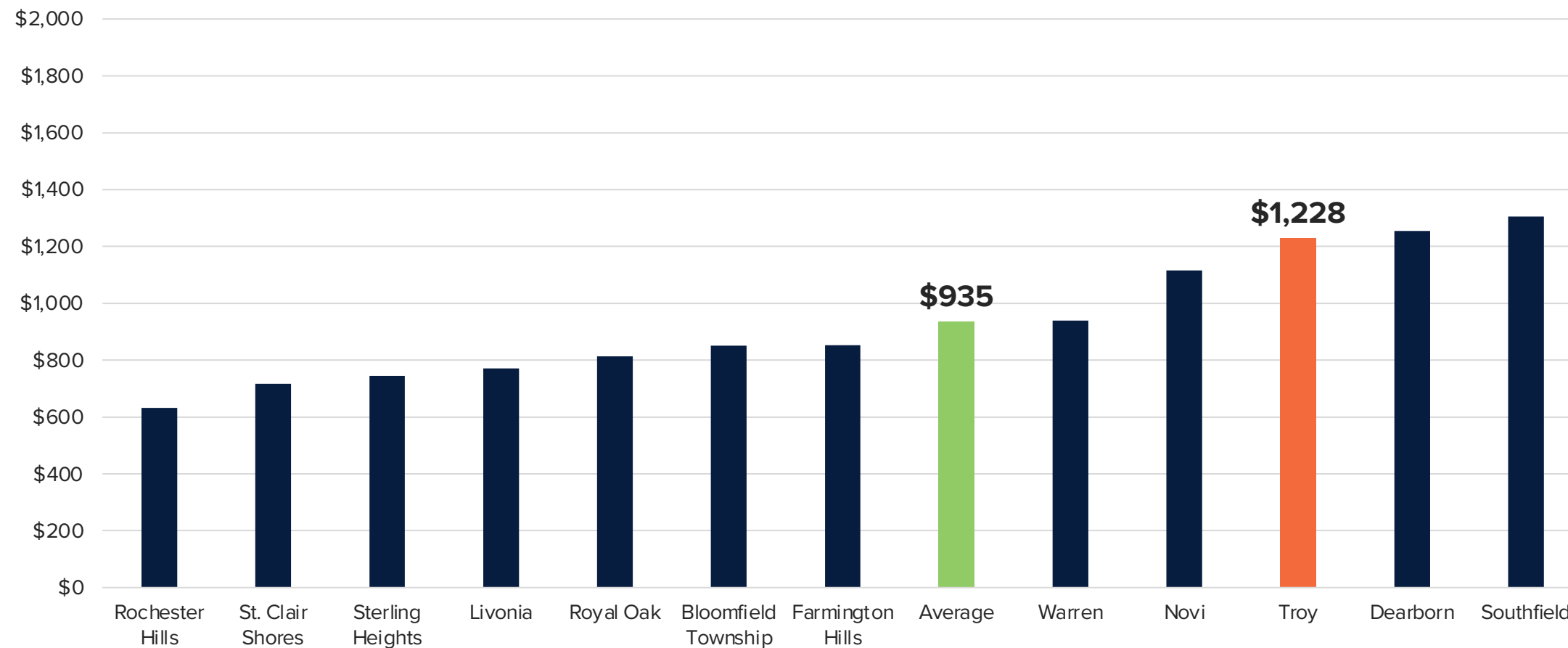
## **Governmental Expenditures in Descending Order**

- Total Government
- Public Safety
- Public Works
- Recreation and Culture
- General Government

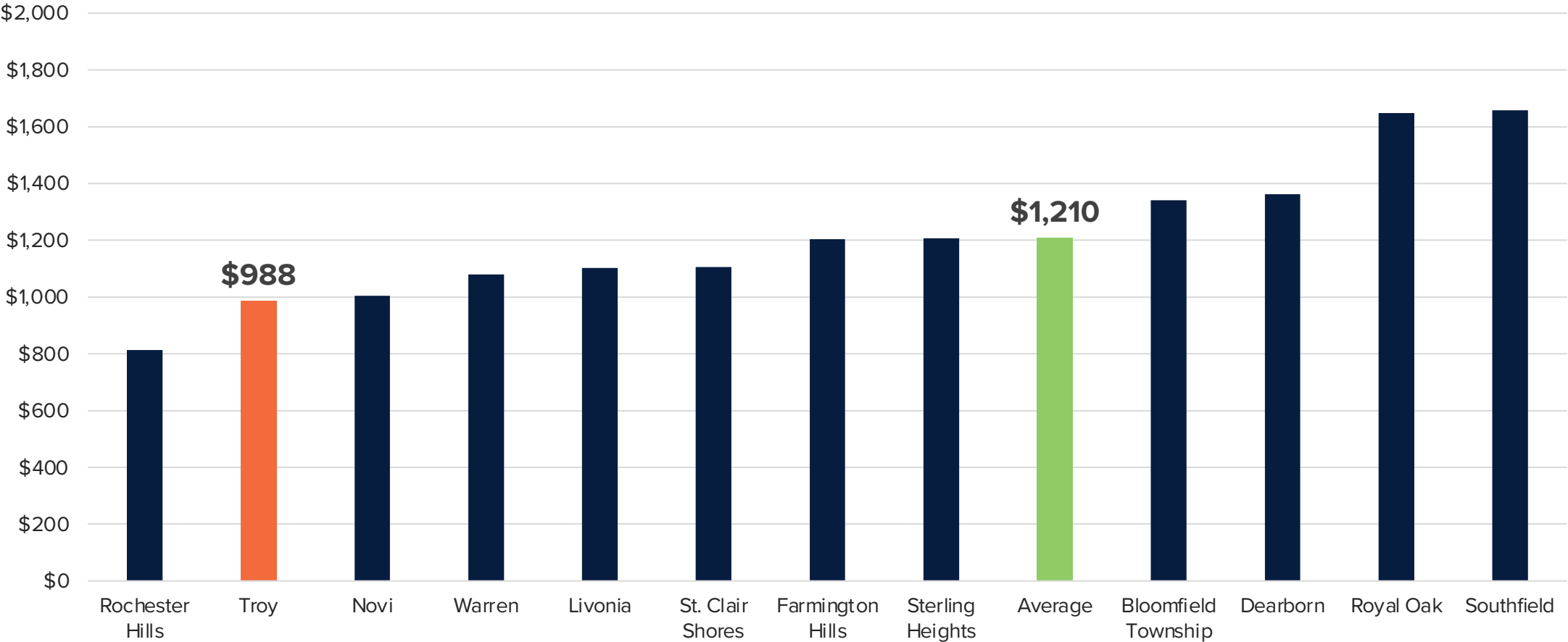


# Total Government

## Expenditures per Capita, 2004

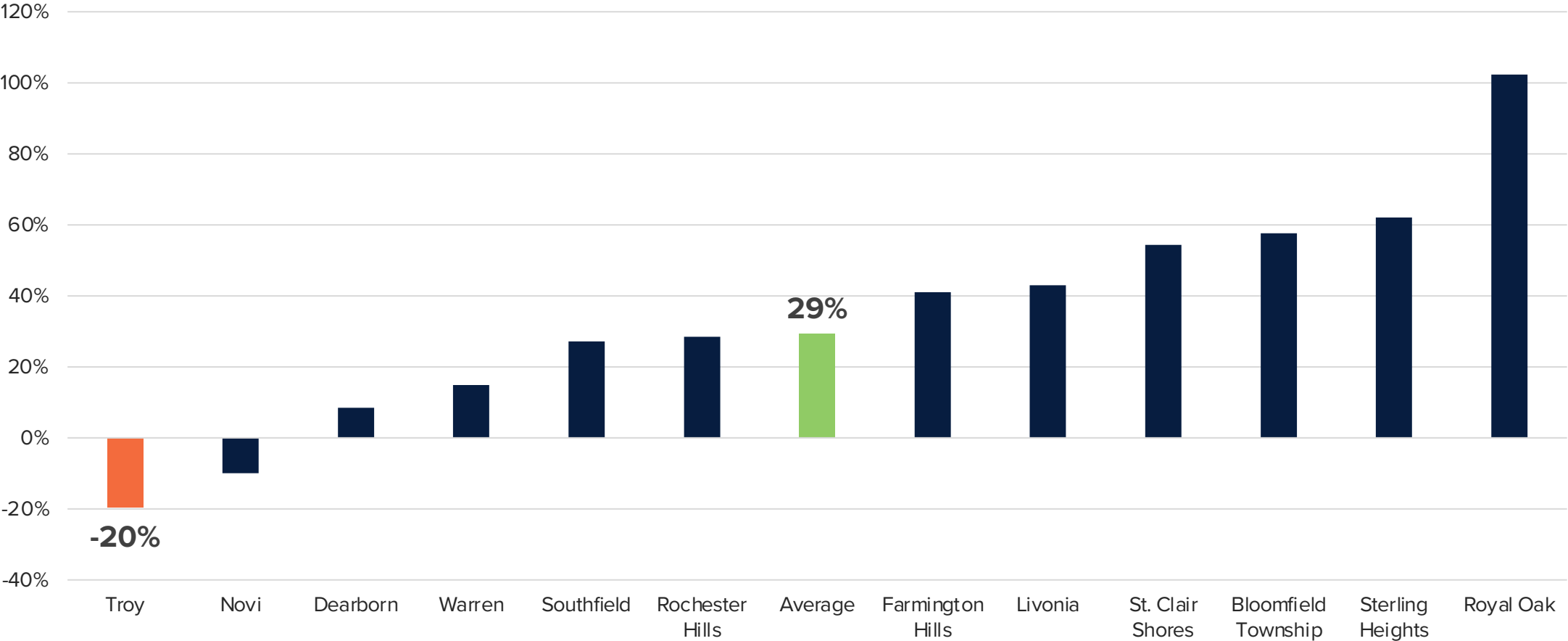


# Total Government Expenditures per Capita, 2021



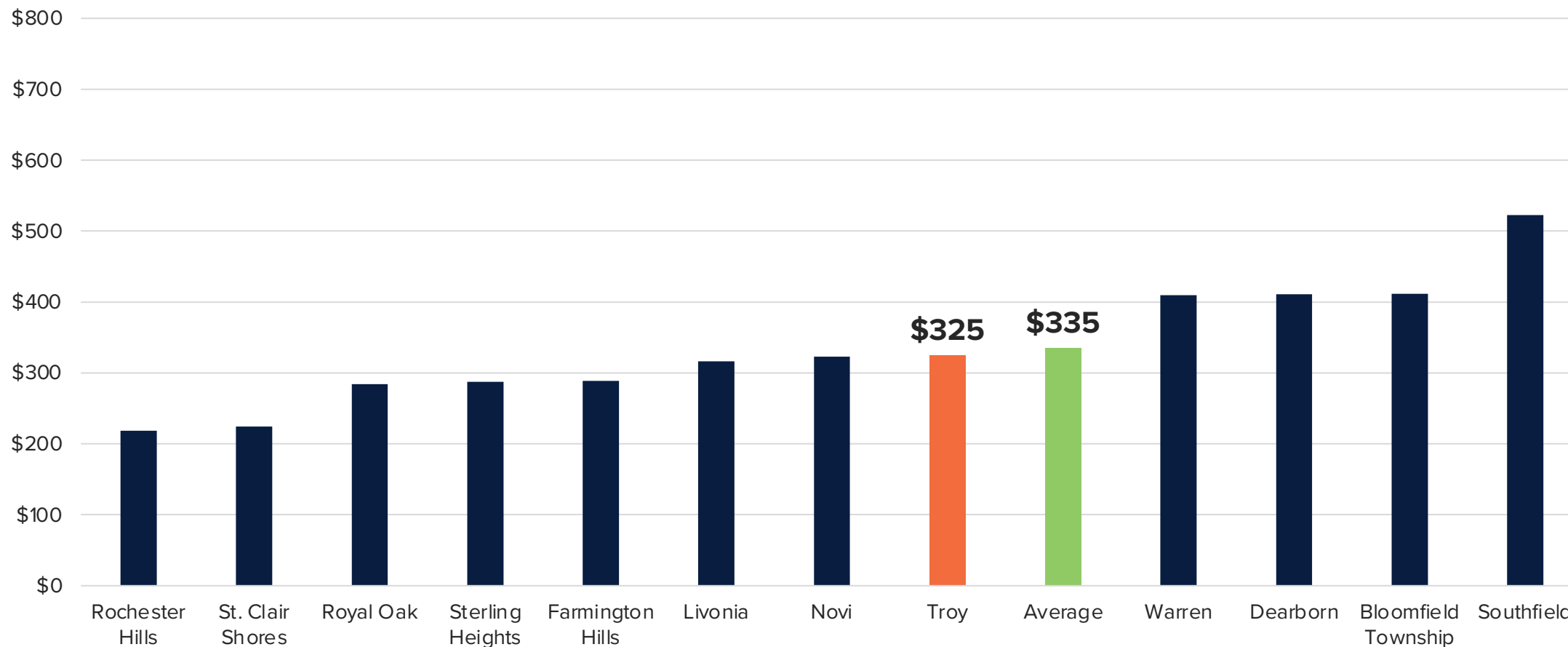
# Total Government

## Expenditures per Capita % Change 2004 and 2021



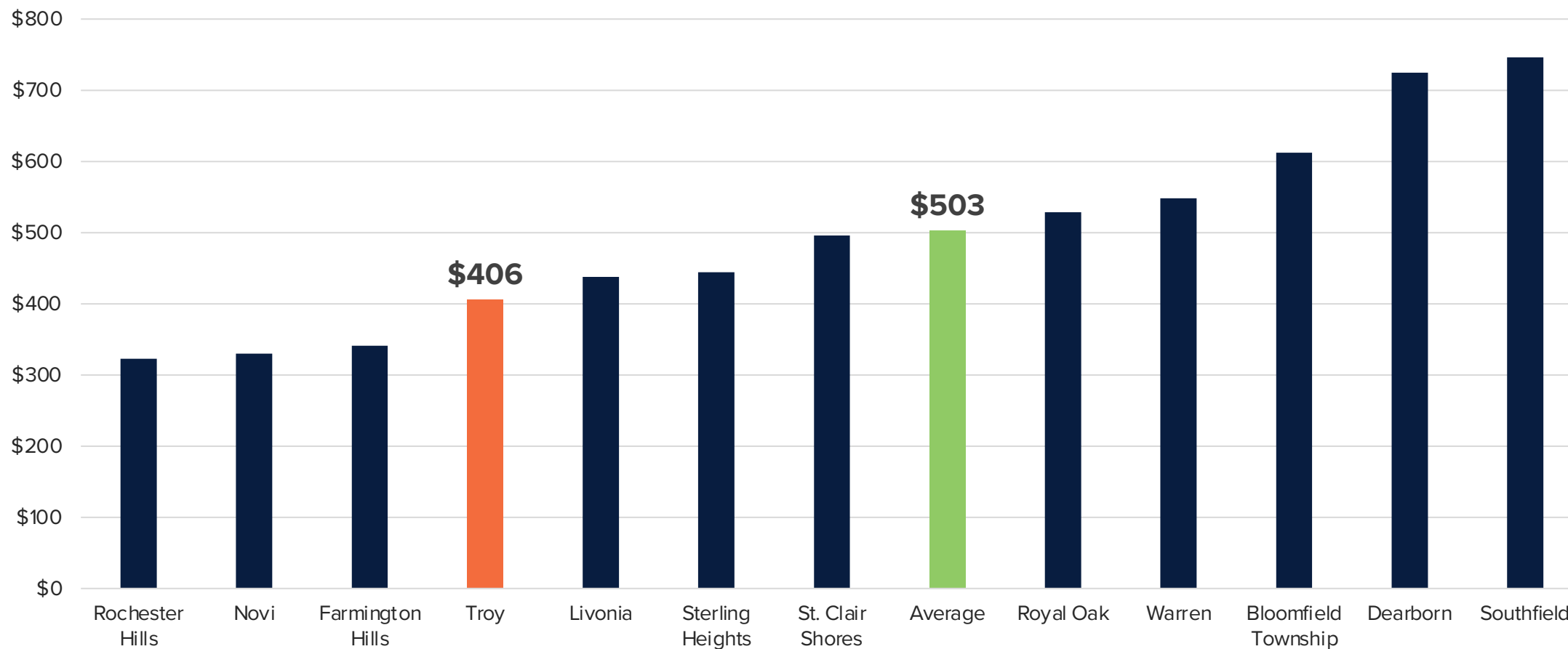
# Public Safety

Expenditures per Capita, 2004



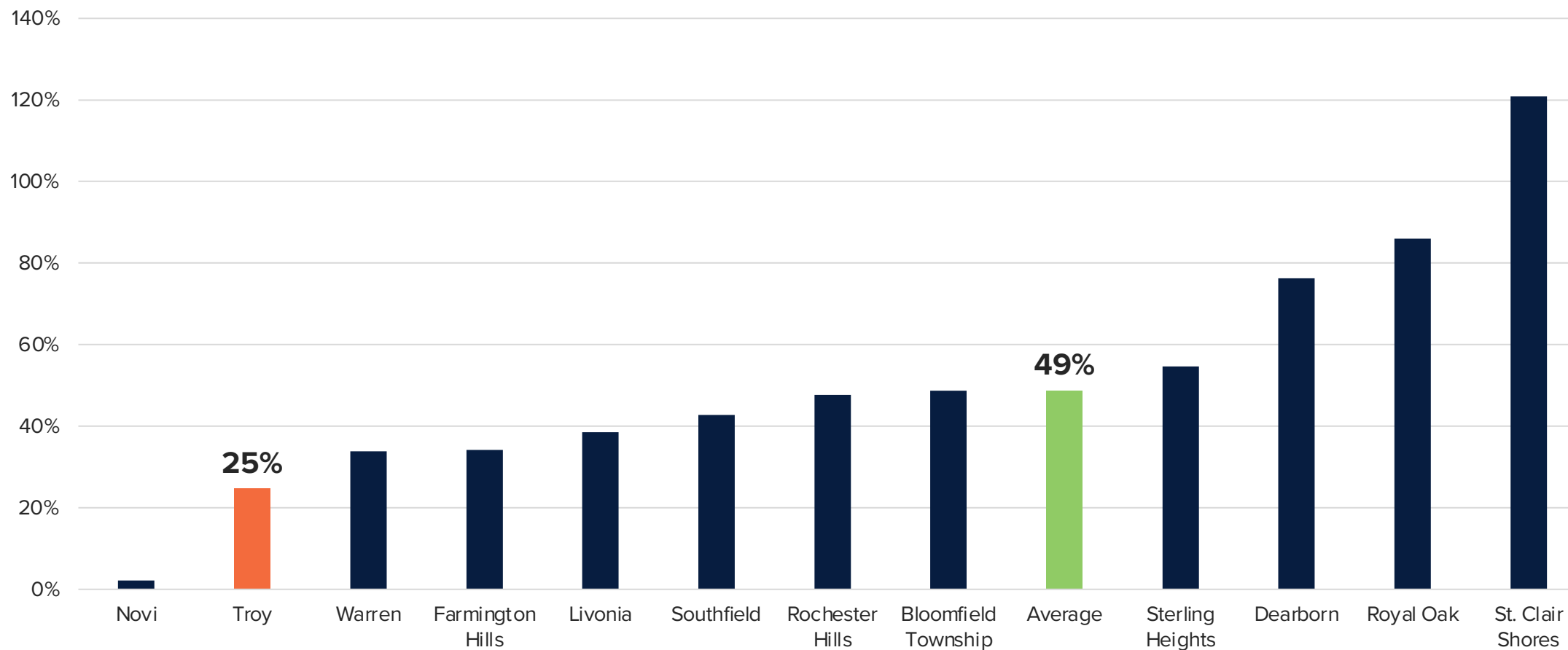
# Public Safety

Expenditures per Capita, 2021



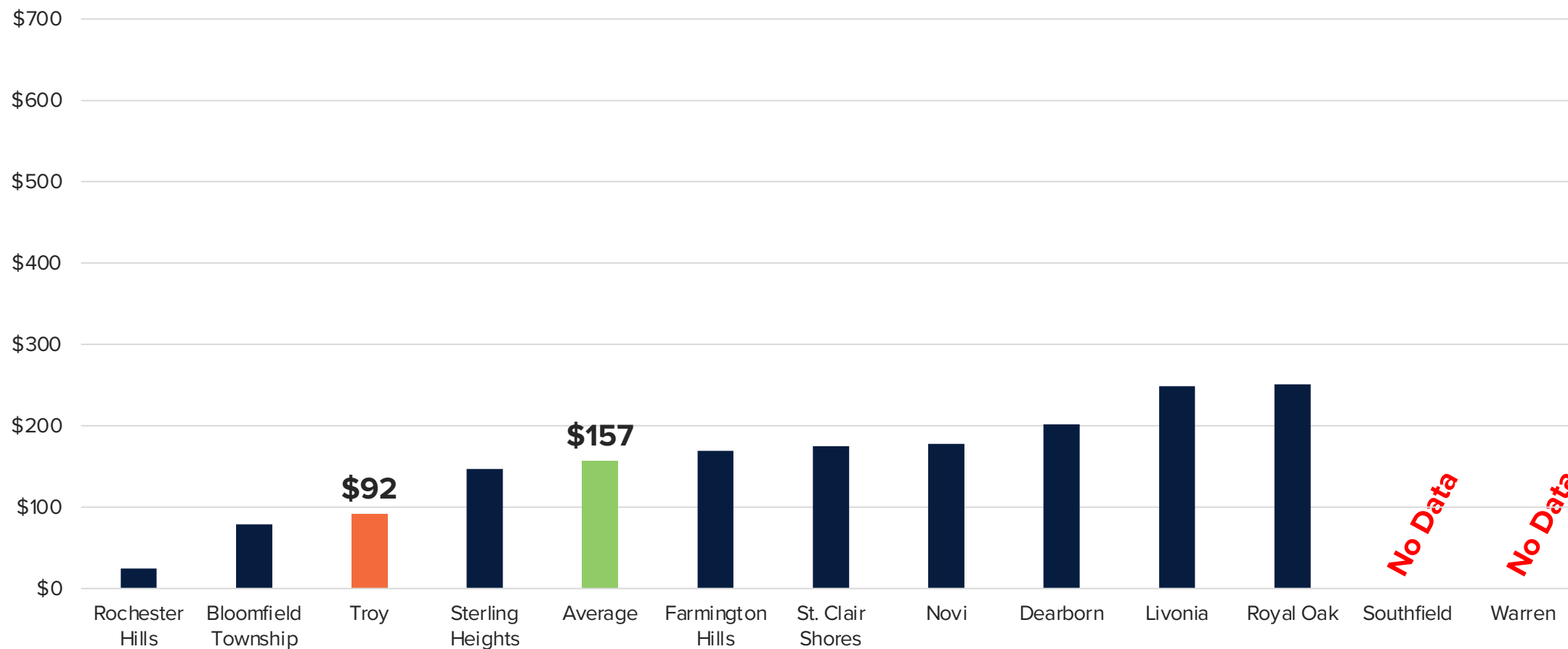
# Public Safety

## Expenditures per Capita % Change 2004 and 2021



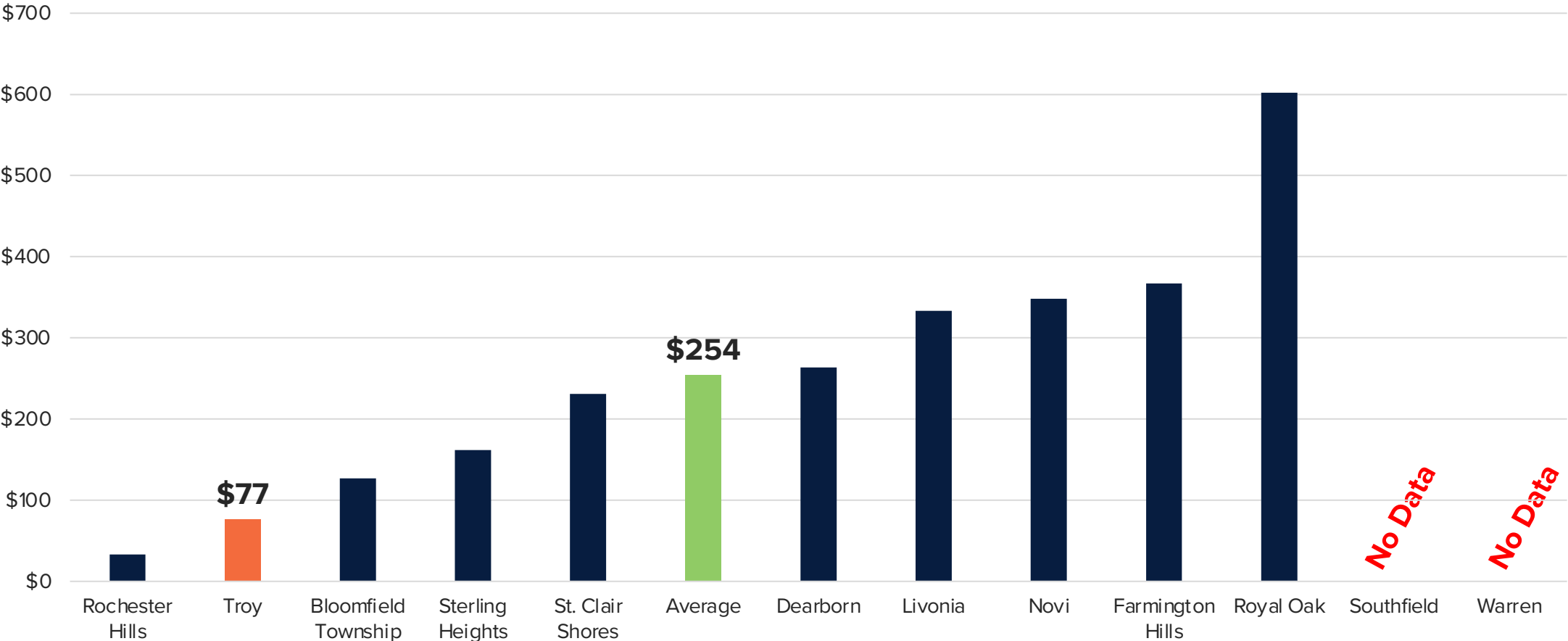
# Public Works

Expenditures per Capita, 2004



# Public Works

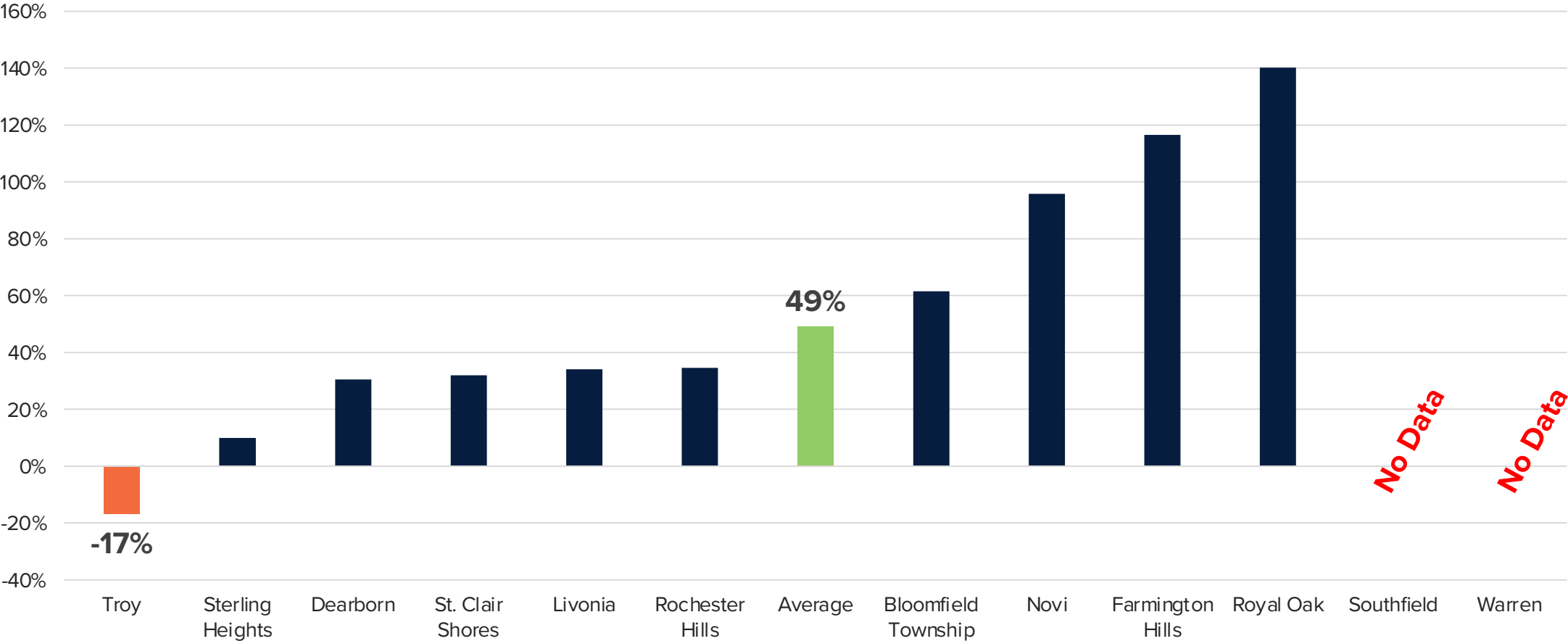
Expenditures per Capita, 2021





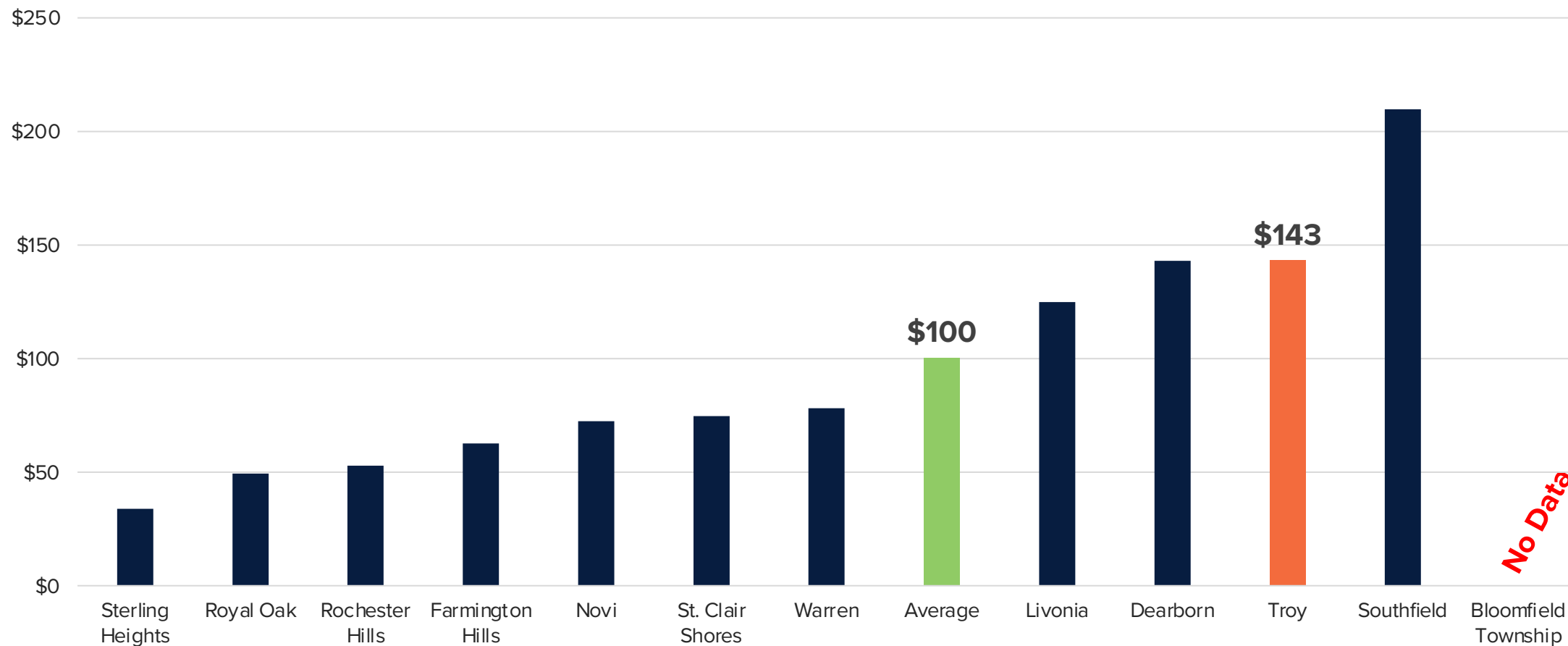
# Public Works

Expenditures per Capita % Change 2004 and 2021



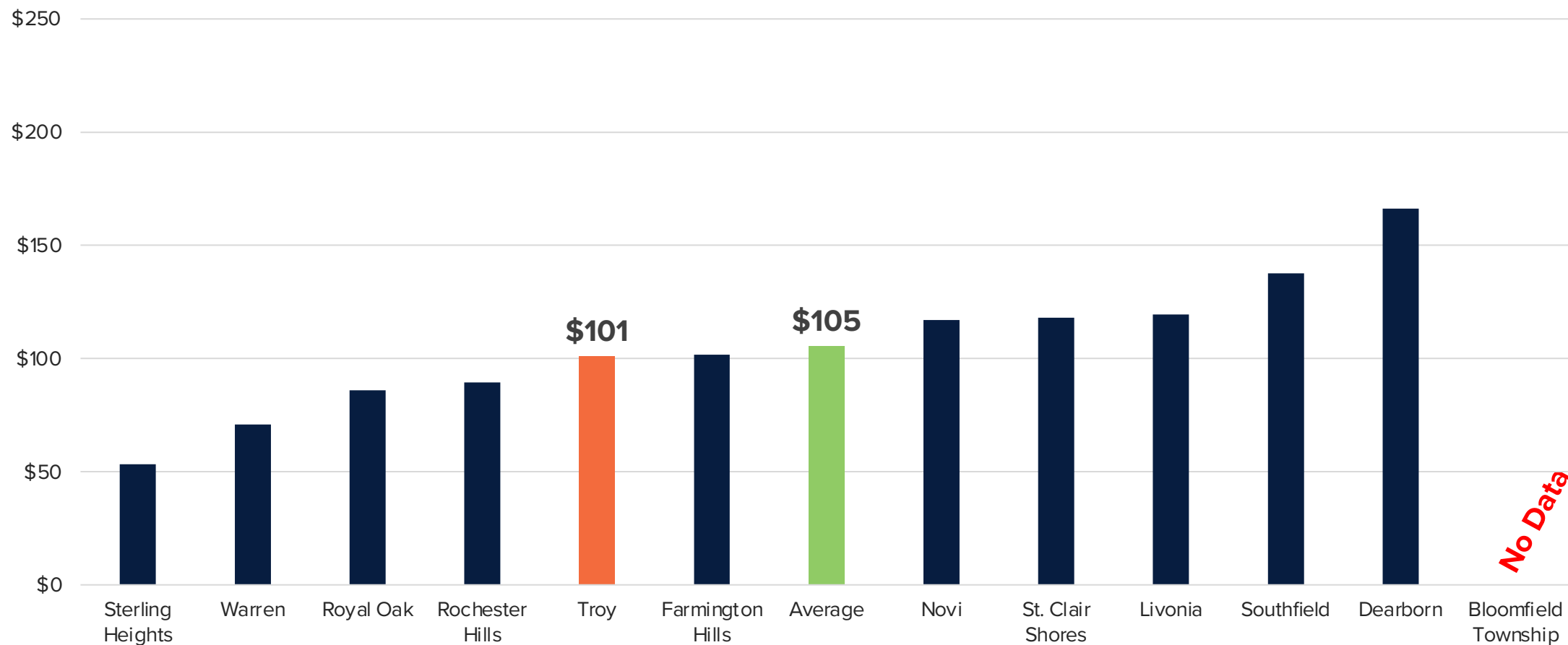
# Recreation and Culture

Expenditures per Capita, 2004



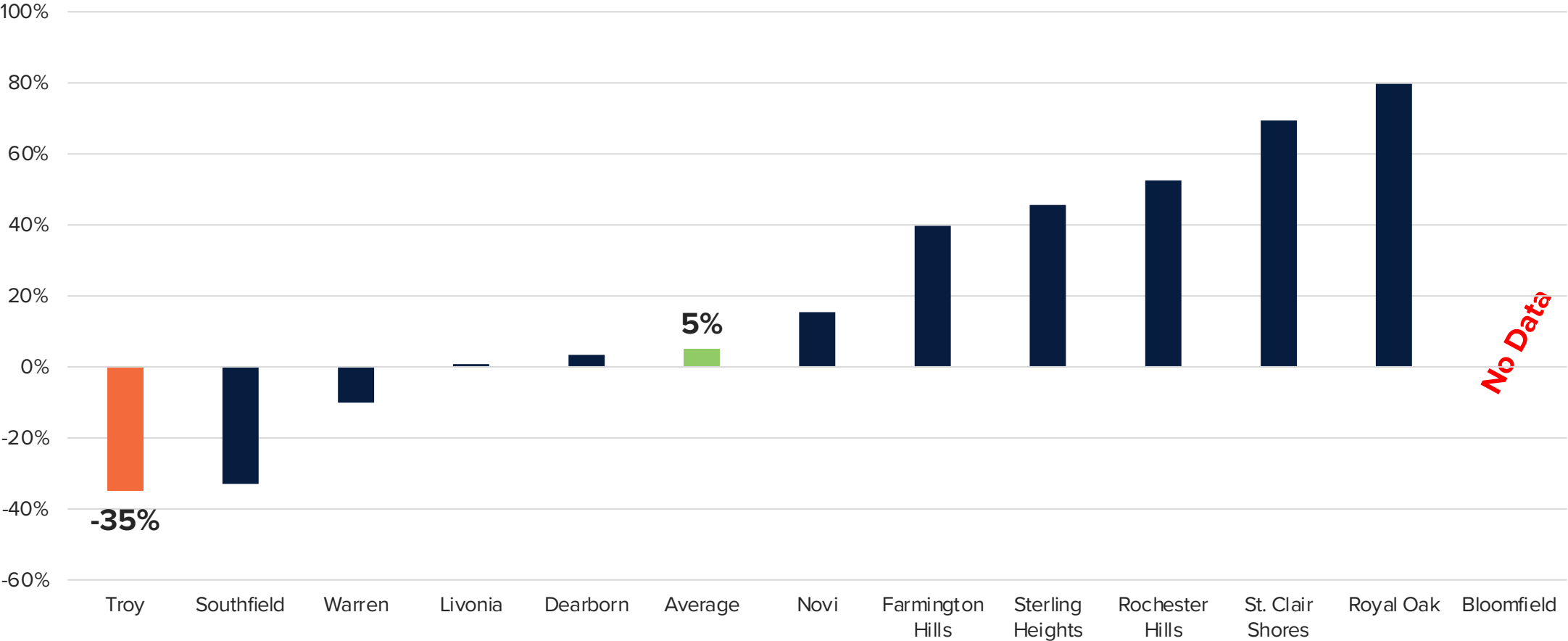
# Recreation and Culture

## Expenditures per Capita, 2021



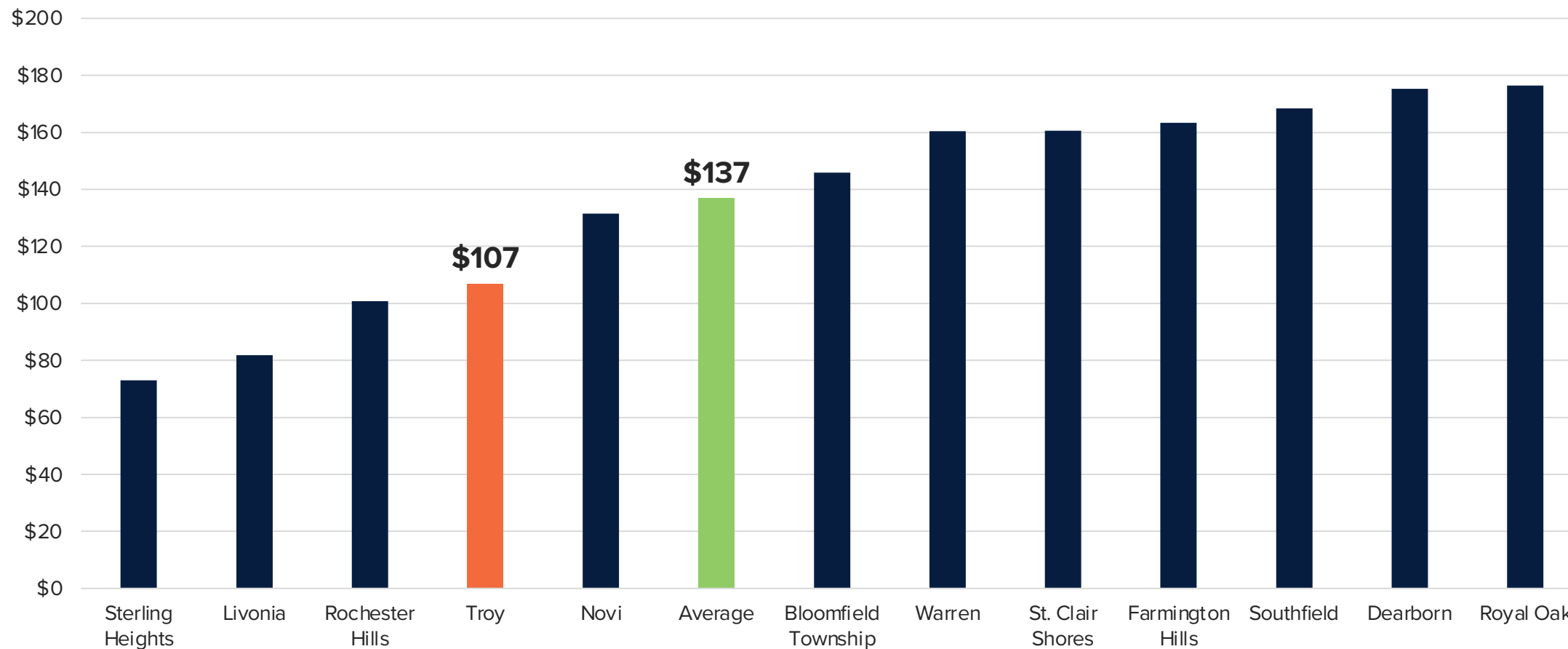
# Recreation and Culture

Expenditures per Capita % Change 2004 and 2021



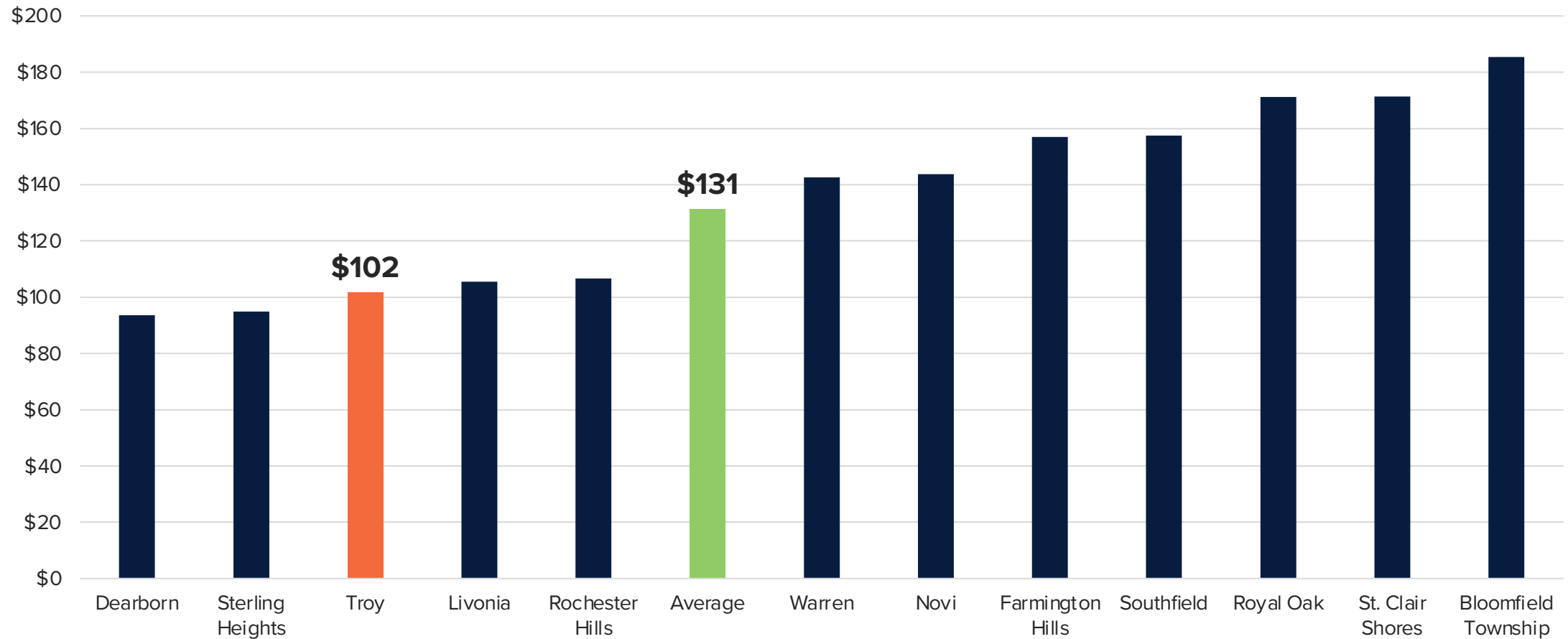
# General Government

## Expenditures per Capita, 2004



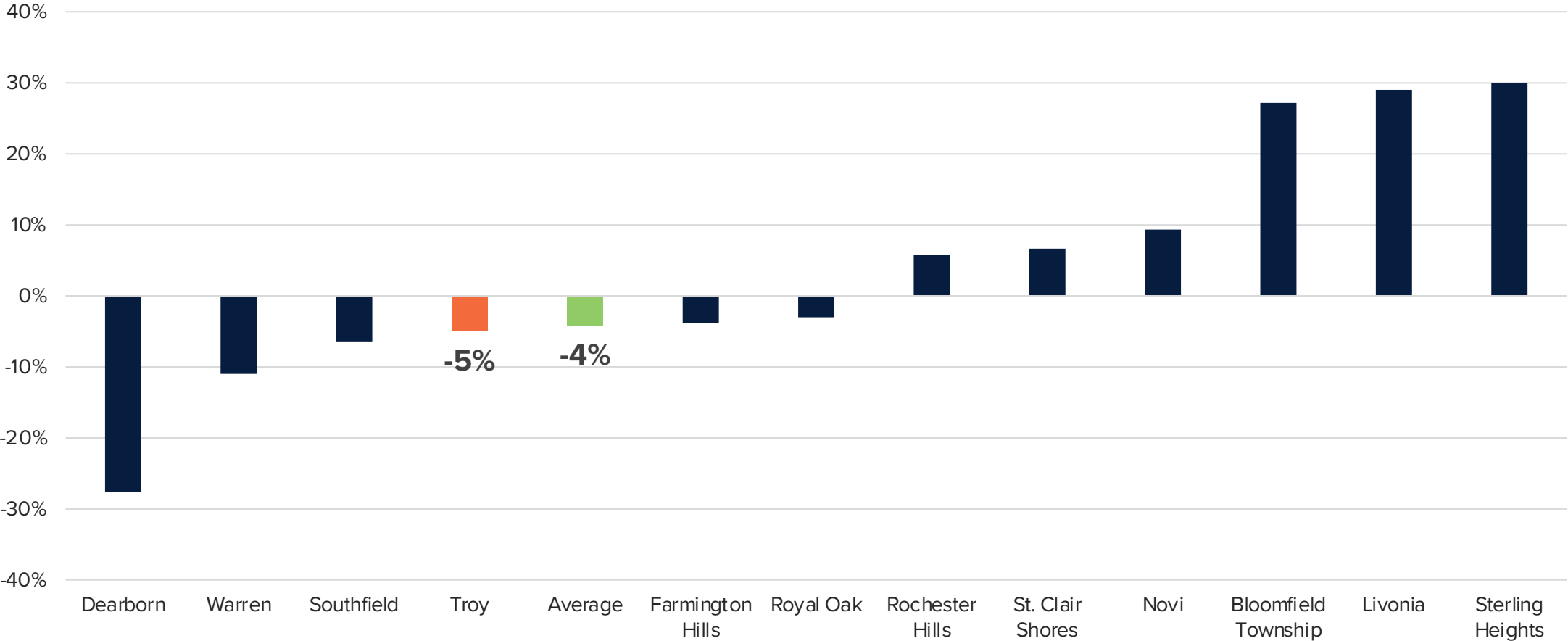
# General Government

## Expenditures per Capita, 2021



# General Government

Expenditures per Capita % Change 2004 and 2021



# Expenditure Conclusions

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Revenue, Expenditures, and Changes in Fund Balances

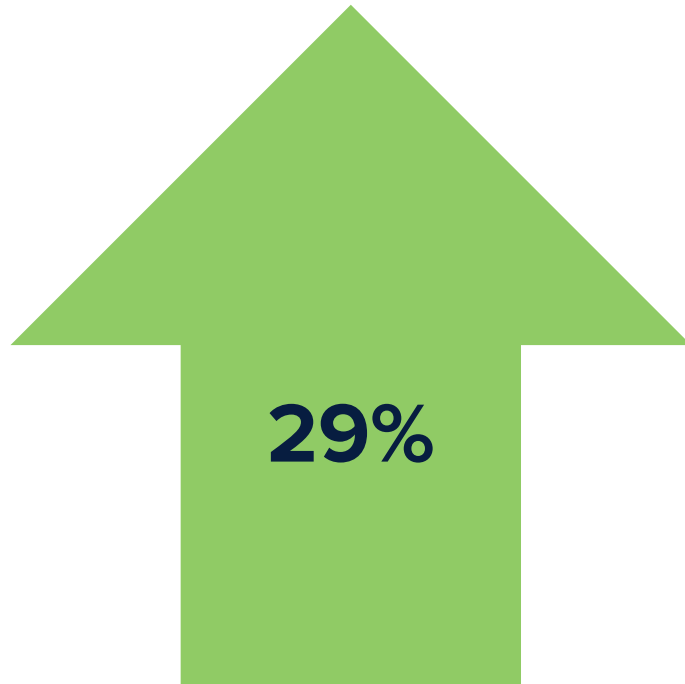


# Expenditure Conclusions

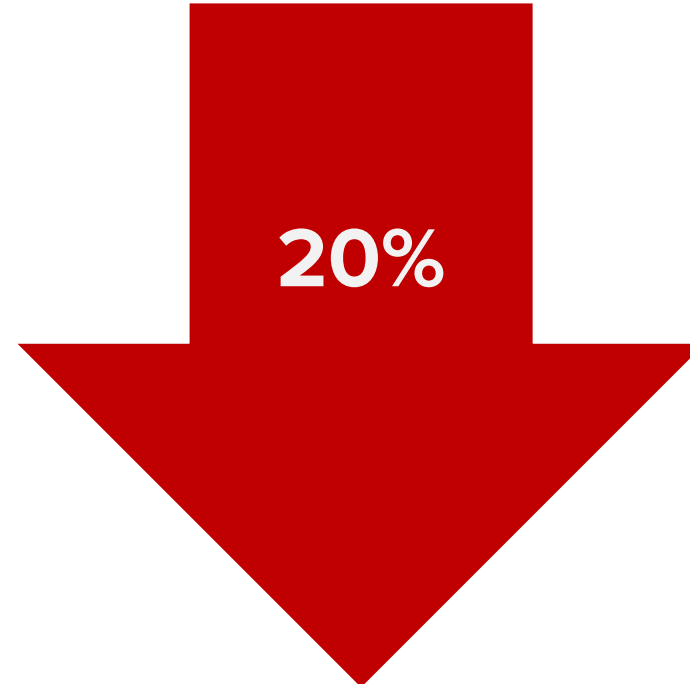
Total Government

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**Average**



**Troy**

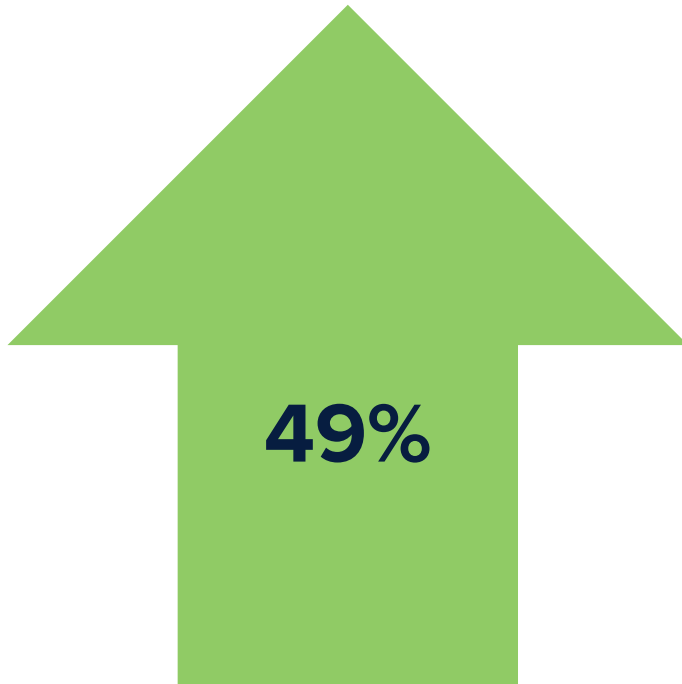


# Expenditure Conclusions

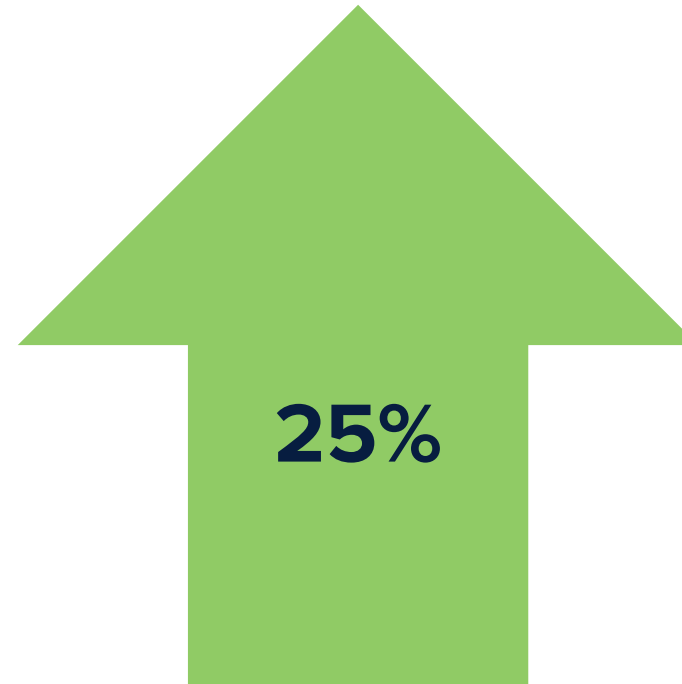
Public Safety

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**Average**



**Troy**

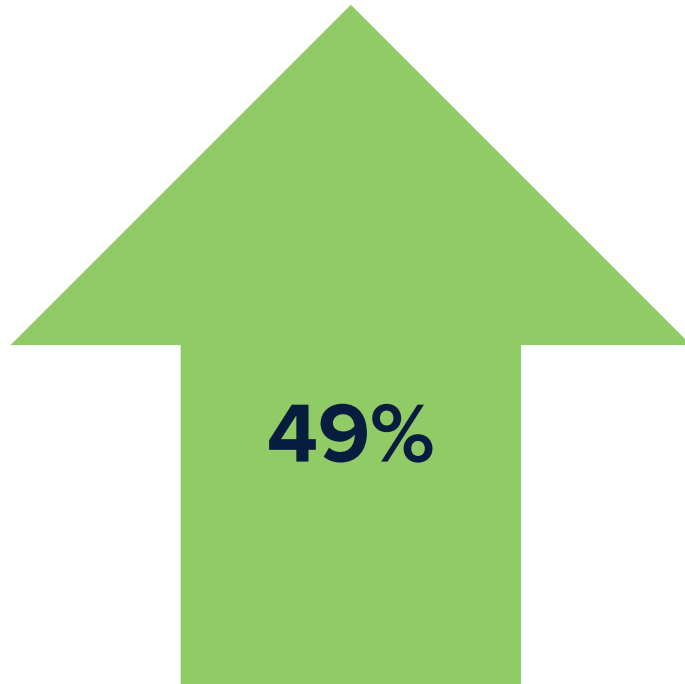


# Expenditure Conclusions

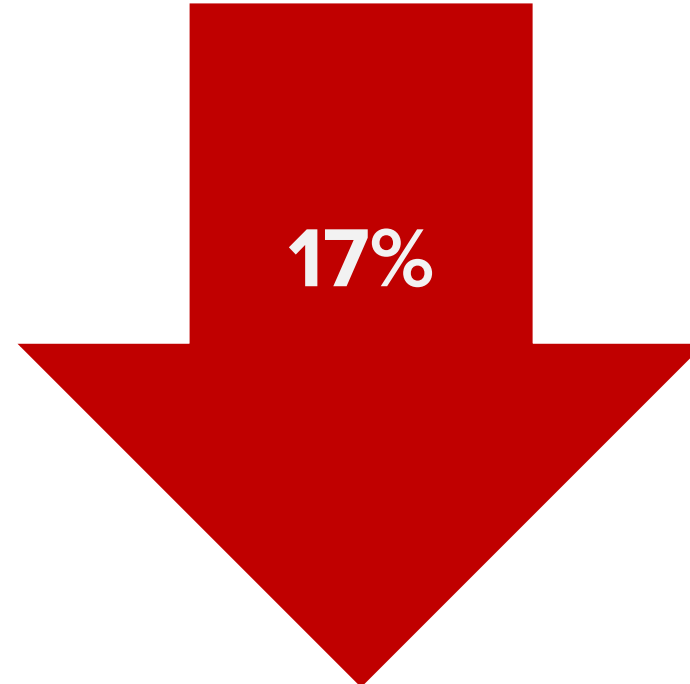
Public Works

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**Average**



**Troy**

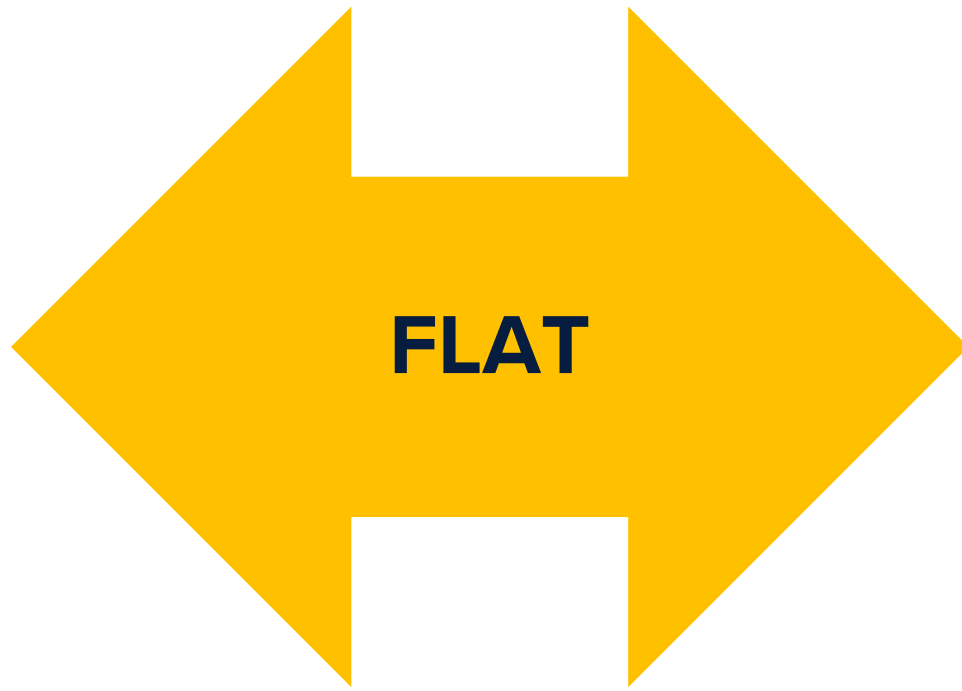


# Expenditure Conclusions

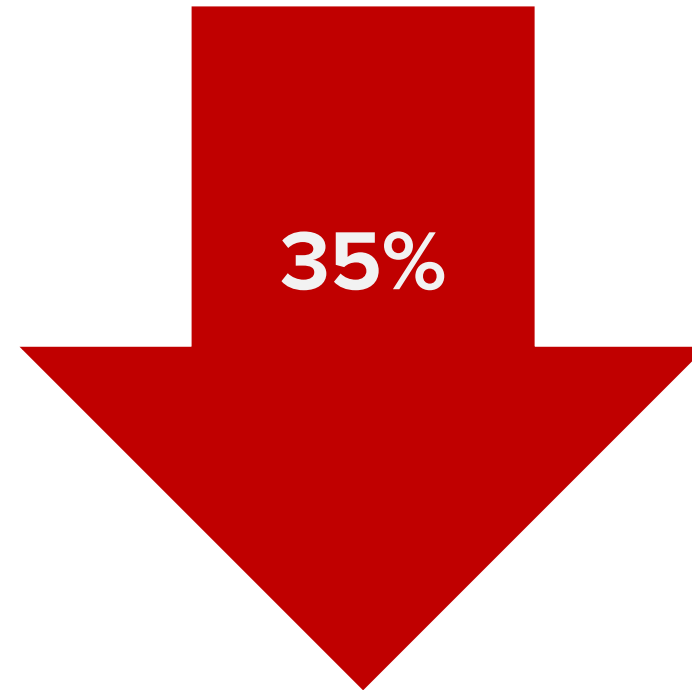
Recreation and Culture

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**Average**



**Troy**

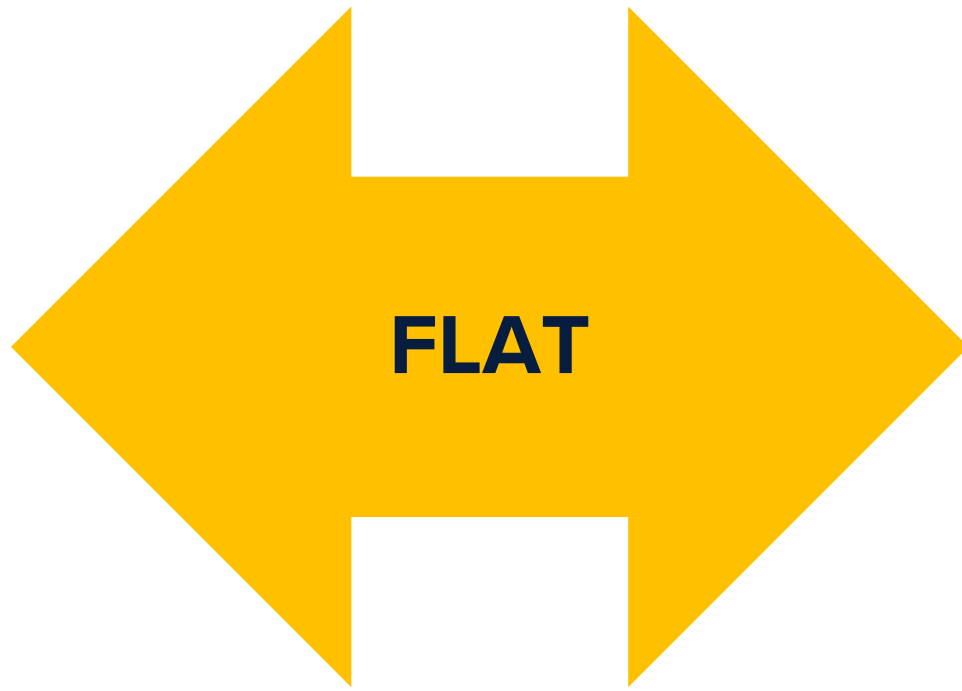


# Expenditure Conclusions

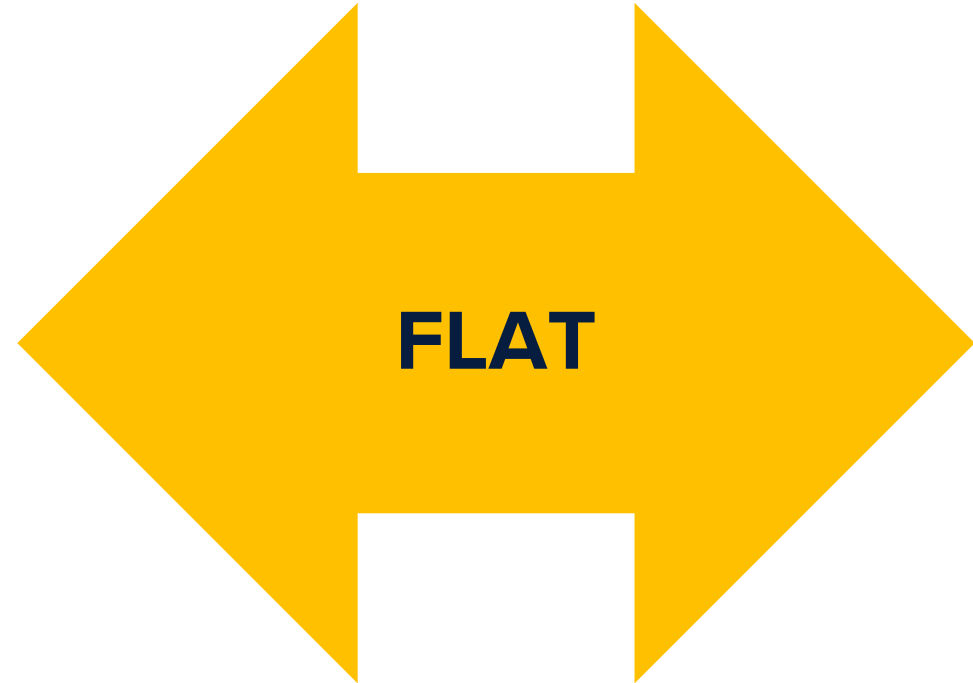
General Government

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**Average**



**Troy**



# Expenditure Conclusions

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- Since Troy's revenues were flat between 2004 and 2021, Troy decreased public works, recreation and culture, and general government expenditures to increase public safety spending.
- Since other communities increased revenues, they had more resources to allocate and increased both public safety and public works expenditures by nearly 50%.

# Comparing Revenues and Expenditures

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Revenue, Expenditures, and Changes in Fund Balances

# Comparing Revenues and Expenditures

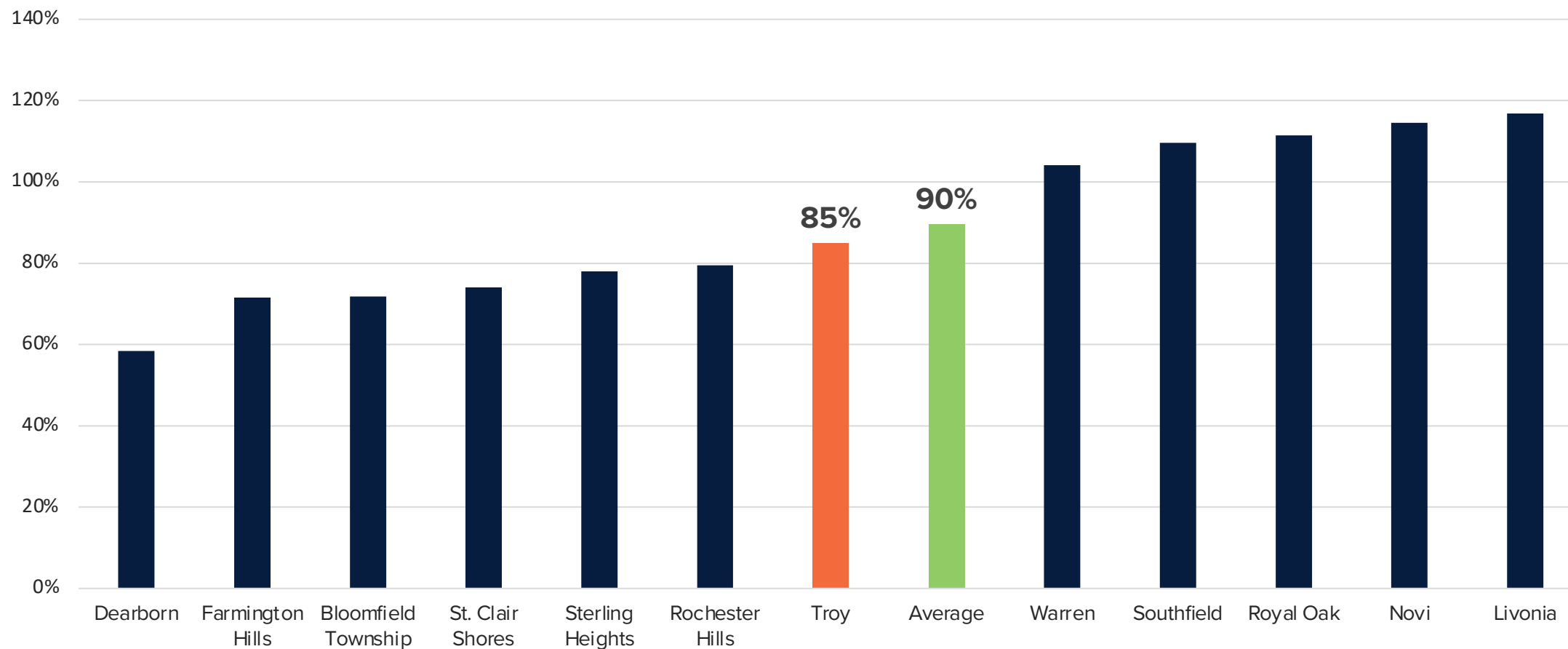
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- Property taxes are each community's largest revenue source.
- Public safety is each community's largest expenditure.
- The following compares property tax revenue and public safety expenditures.



# Public Safety Expenditures

As a % of Property Tax Revenue | 2004



# Comparing Revenues and Expenditures

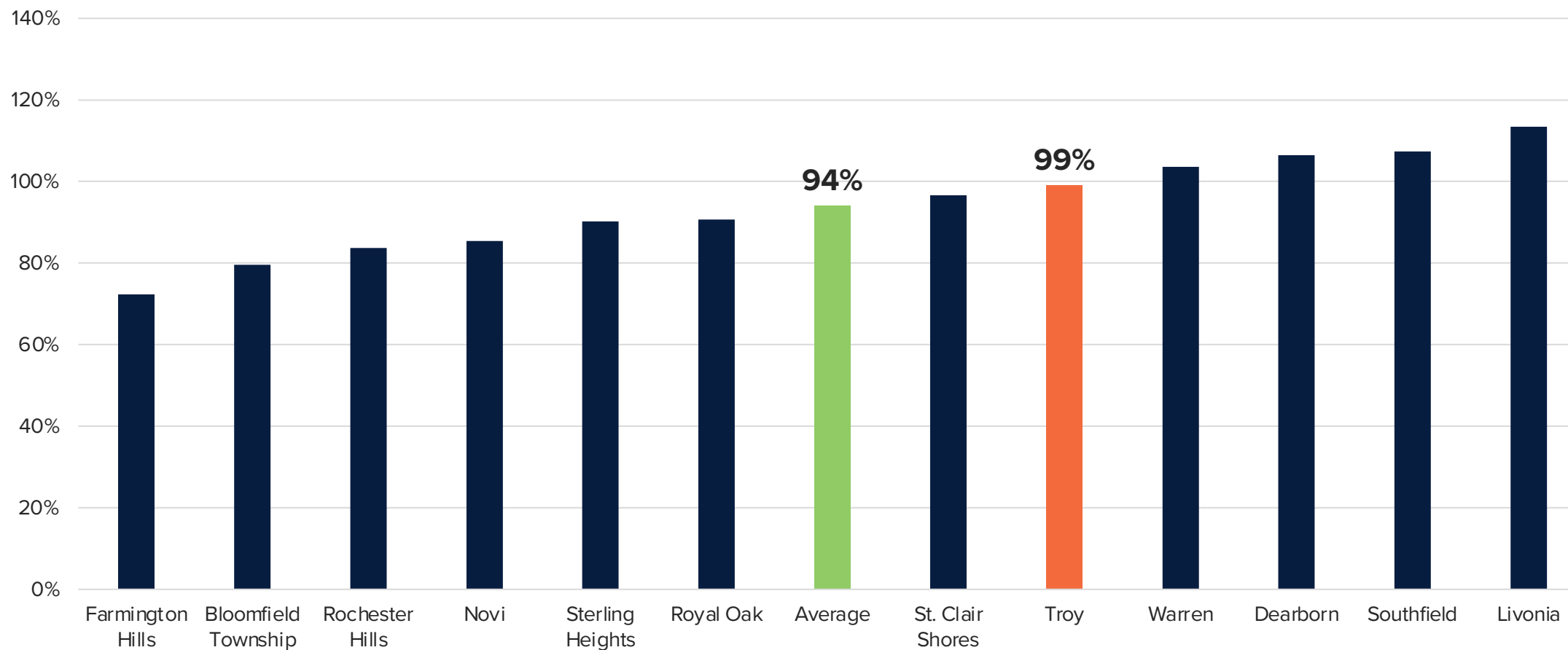
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## 2004

- On average, communities were spending 90% of property tax revenue on public safety.
- Warren, Southfield, Royal Oak, Novi, and Livonia were spending more on public safety than they were receiving in property tax revenue.
- This means they were relying on state and/or other revenue sources to fund public safety spending.
- Troy was only spending 85% of property tax revenue on public safety.

# Public Safety Expenditures

As a % of Property Tax Revenue | 2021



# Comparing Revenues and Expenditures

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## 2021

- On average, public safety expenditures and property tax revenue grew at about the same rate between 2004 and 2021.
- Warren, Southfield, and Livonia were still spending more on public safety than they were receiving in property tax revenue.
- Only two communities, Dearborn and Troy, did NOT have one or more dedicated fire, police, and/or public safety millage.

# Comparing Revenues and Expenditures Conclusions

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Revenue, Expenditures, and Changes in Fund Balances

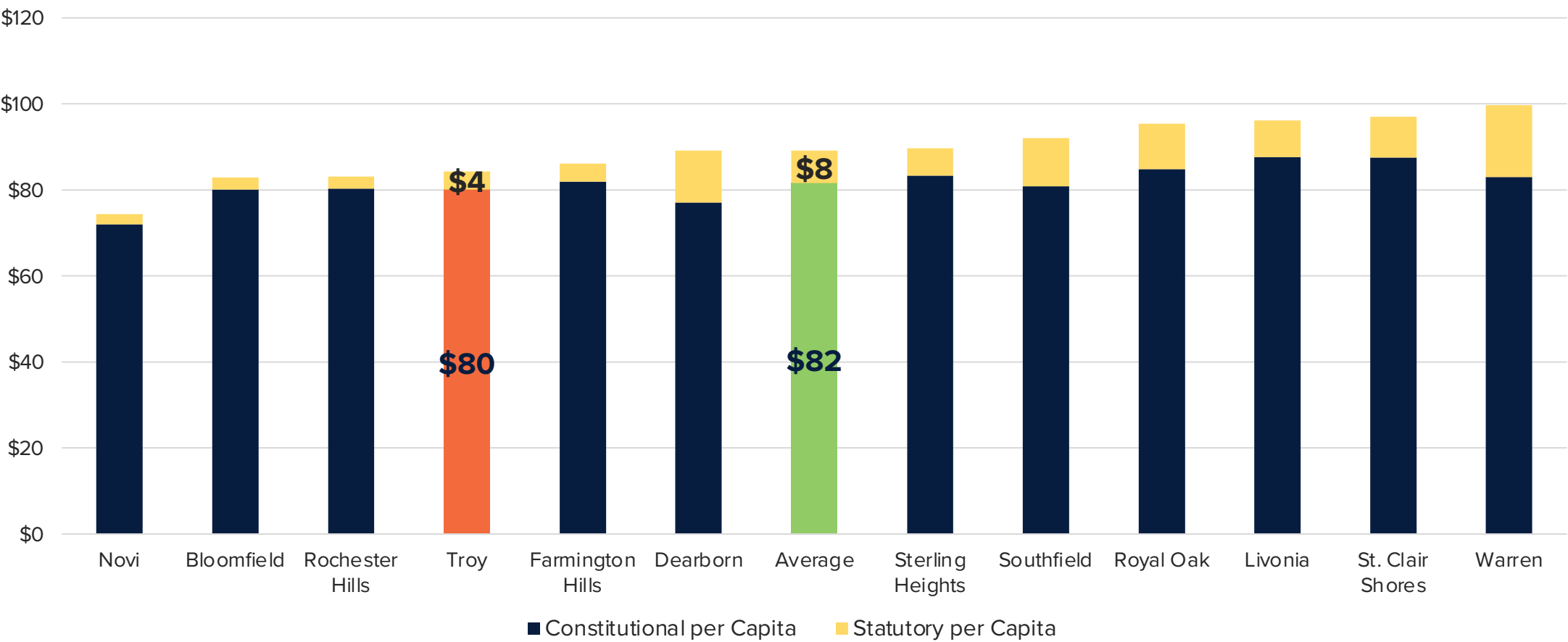
# Conclusions

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- It will be difficult for Troy to sustain spending 99% of property tax revenue on public safety.
- Communities like Warren, Southfield, and Livonia can afford to spend more on public safety than they receive in property tax revenue because they receive more State Revenue Sharing than communities like Troy.

# Revenue Sharing per Capita,

## State Fiscal Year 2020 Actuals



# Conclusions

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- Troy's State Revenue Sharing per capita is more similar to communities like Farmington Hills and Rochester Hills than it is Warren and Livonia.
- Farmington Hills and Rochester Hills spent 72% and 84% of general property tax revenue on public safety respectively in 2021 and both had one or more dedicated millage.



# Changes in Fund Balances

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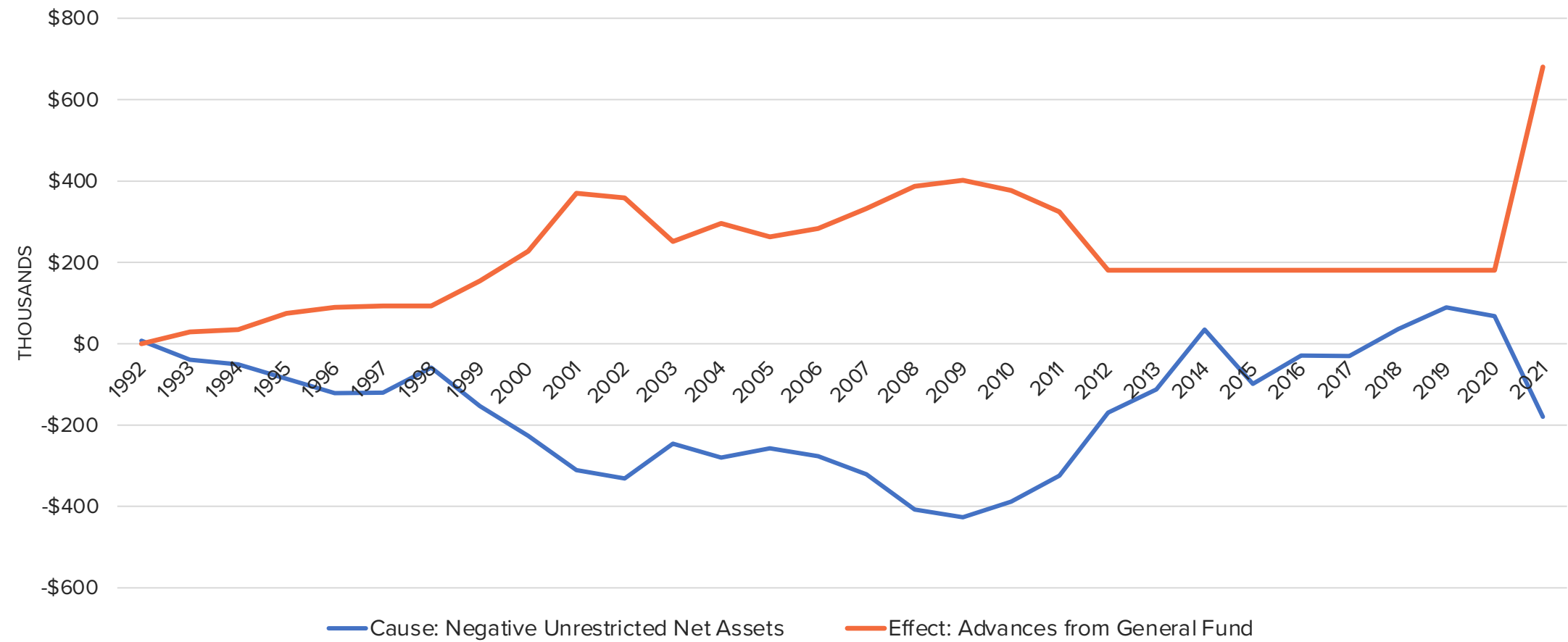
Revenue, Expenditures, and Changes in Fund Balances

# About Fund Balances

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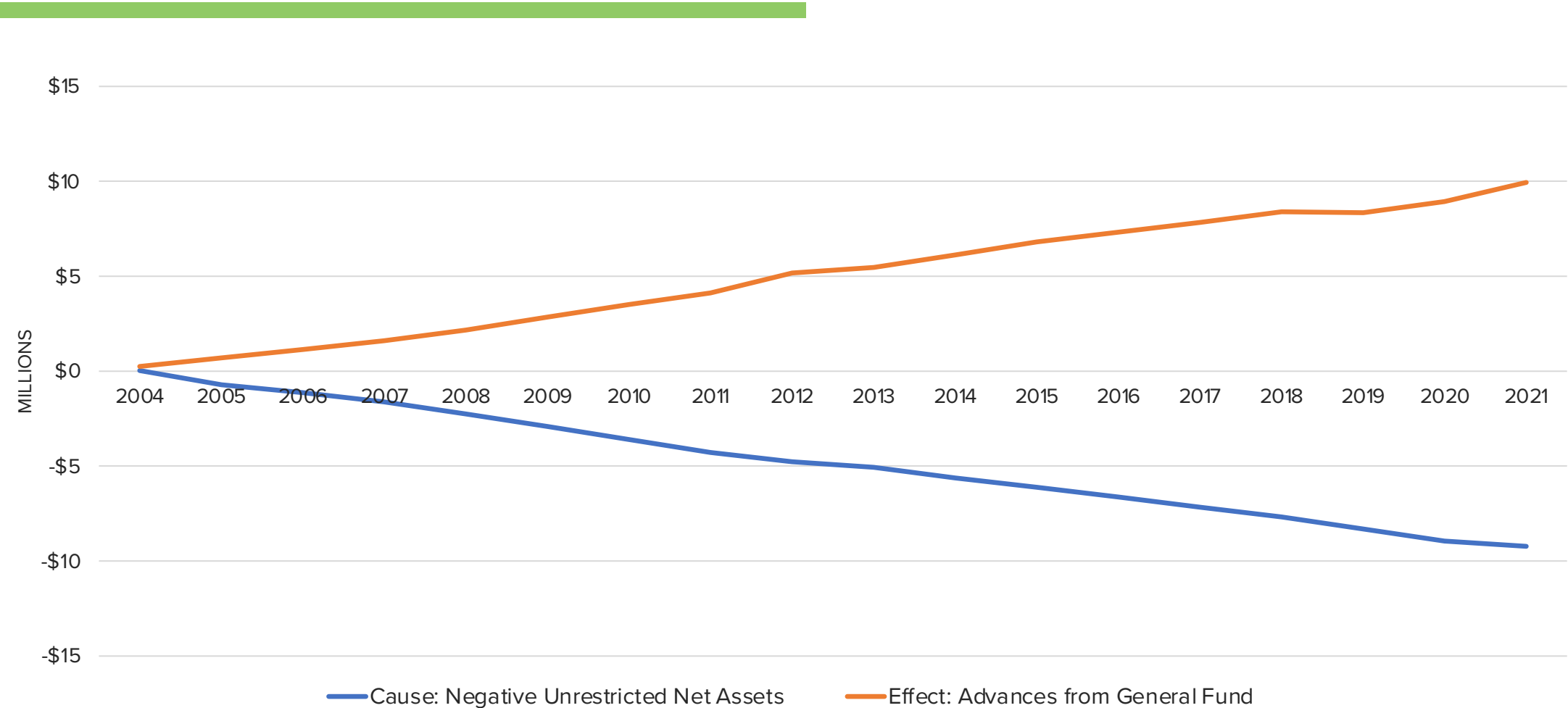
- Not all fund balance is a “rainy day” fund.
- Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- For example, Troy’s General Fund advances (“loans”) money to the Aquatic Center Fund and Sanctuary Lake Golf Course Fund. Those advances are nonspendable General Fund Balance.

# Aquatic Center Fund Net Position, 1992-2021



# Sanctuary Lake Golf Course Fund Net Position

2004-2021



# About Fund Balances

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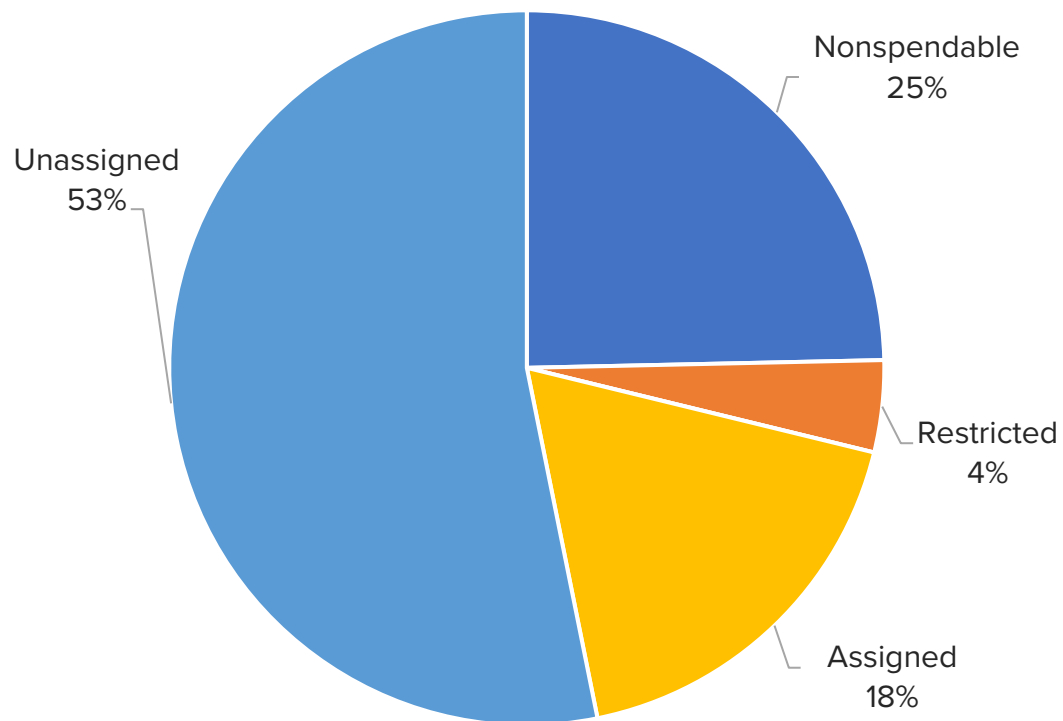
## **Fund balance includes several components:**

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

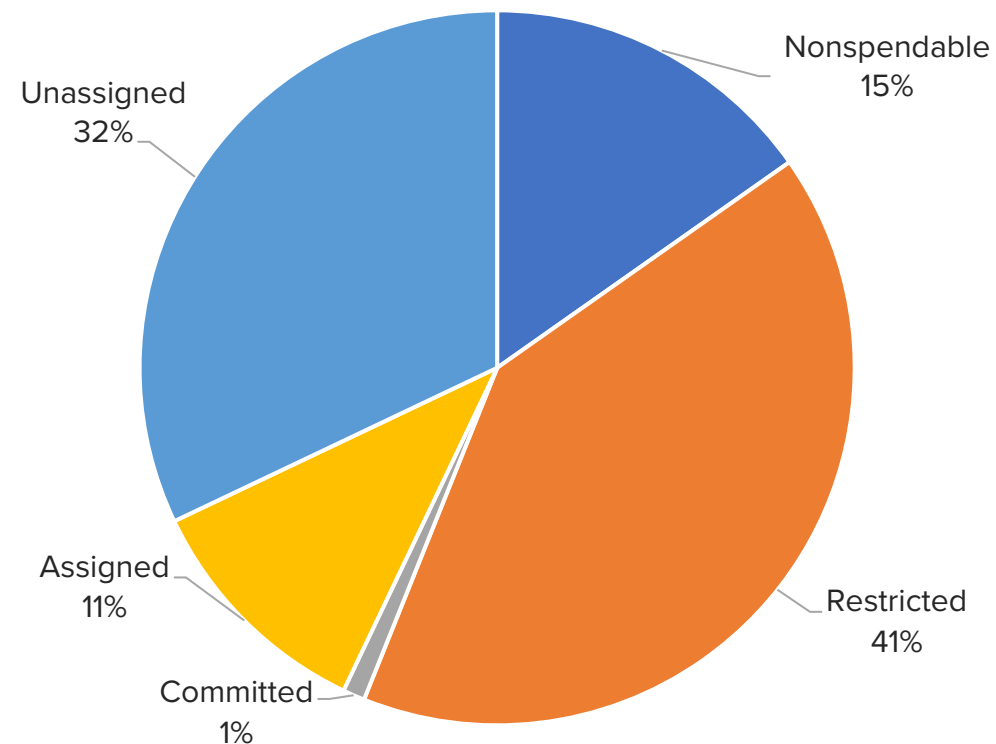
# Example: Troy 2021

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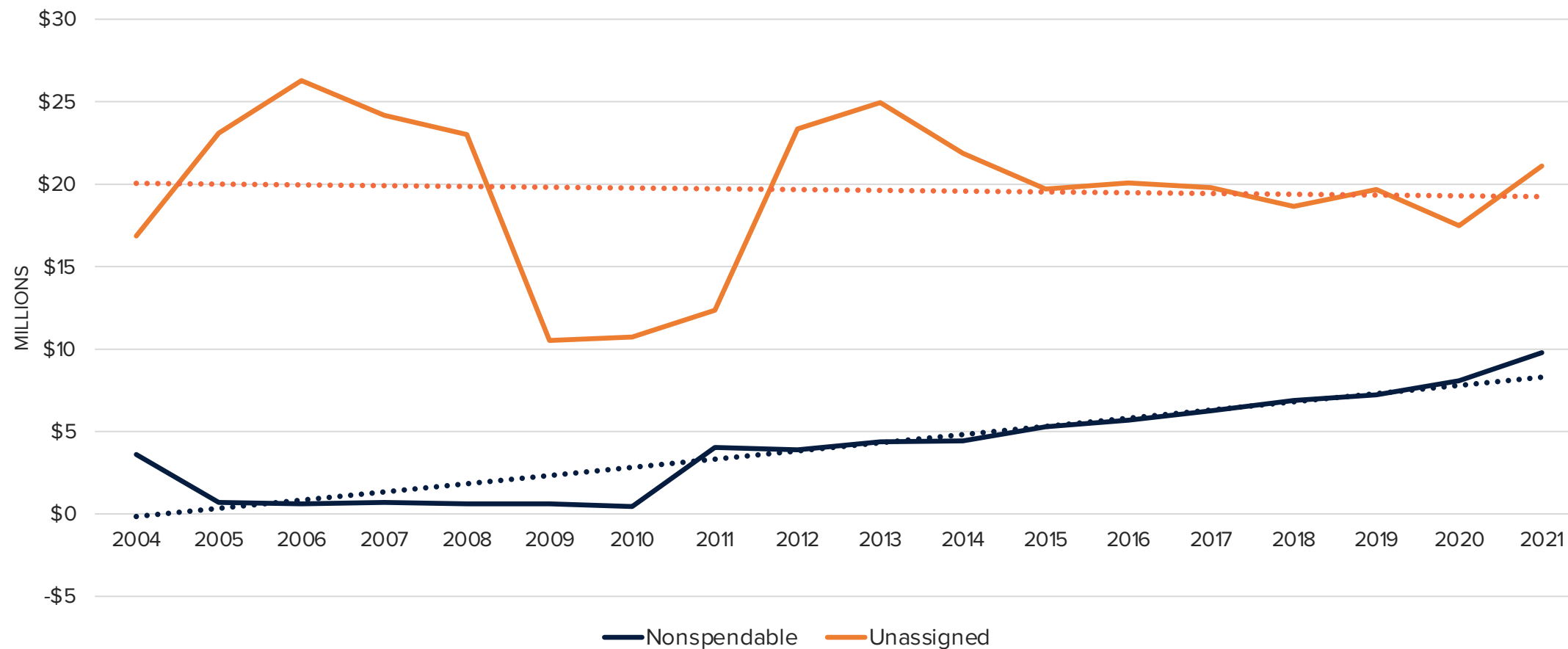
## General Fund Balance



## Total Governmental Fund Balances



# Troy General Fund Balance, 2004-2021



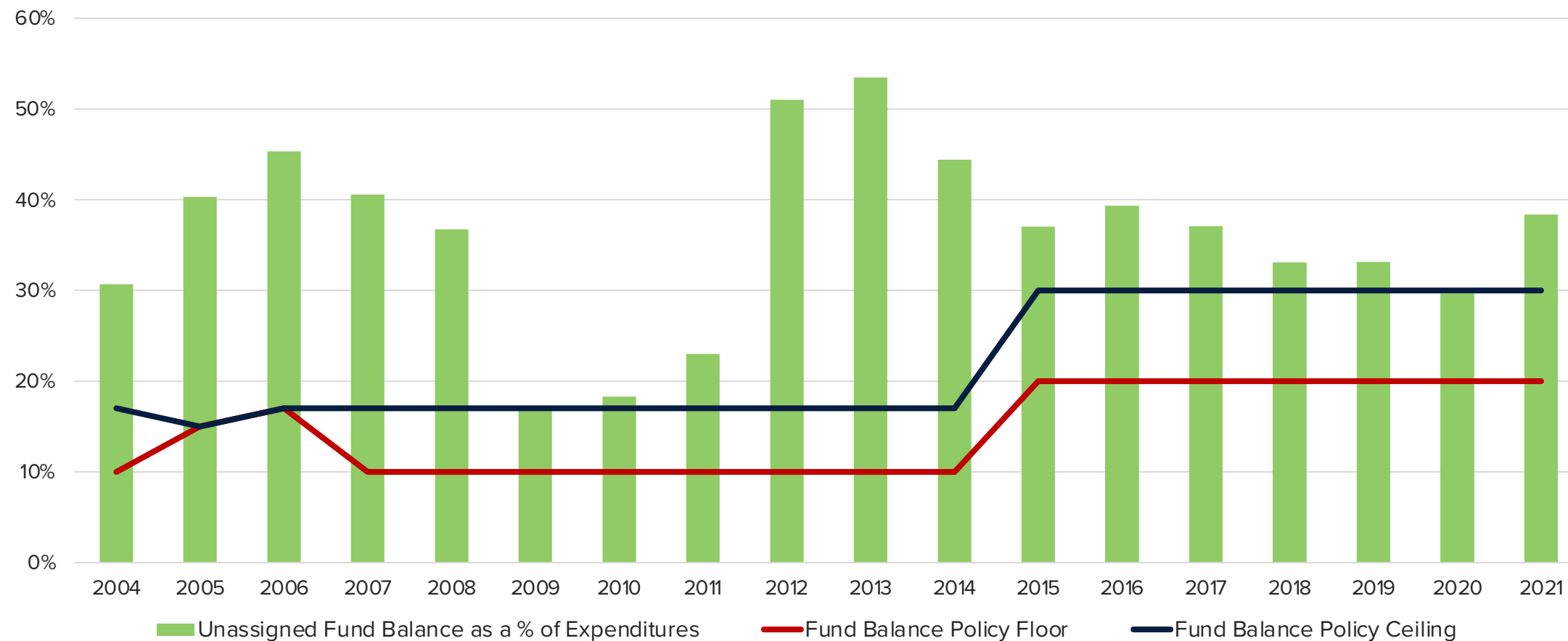
# Troy's Fund Balance Policy

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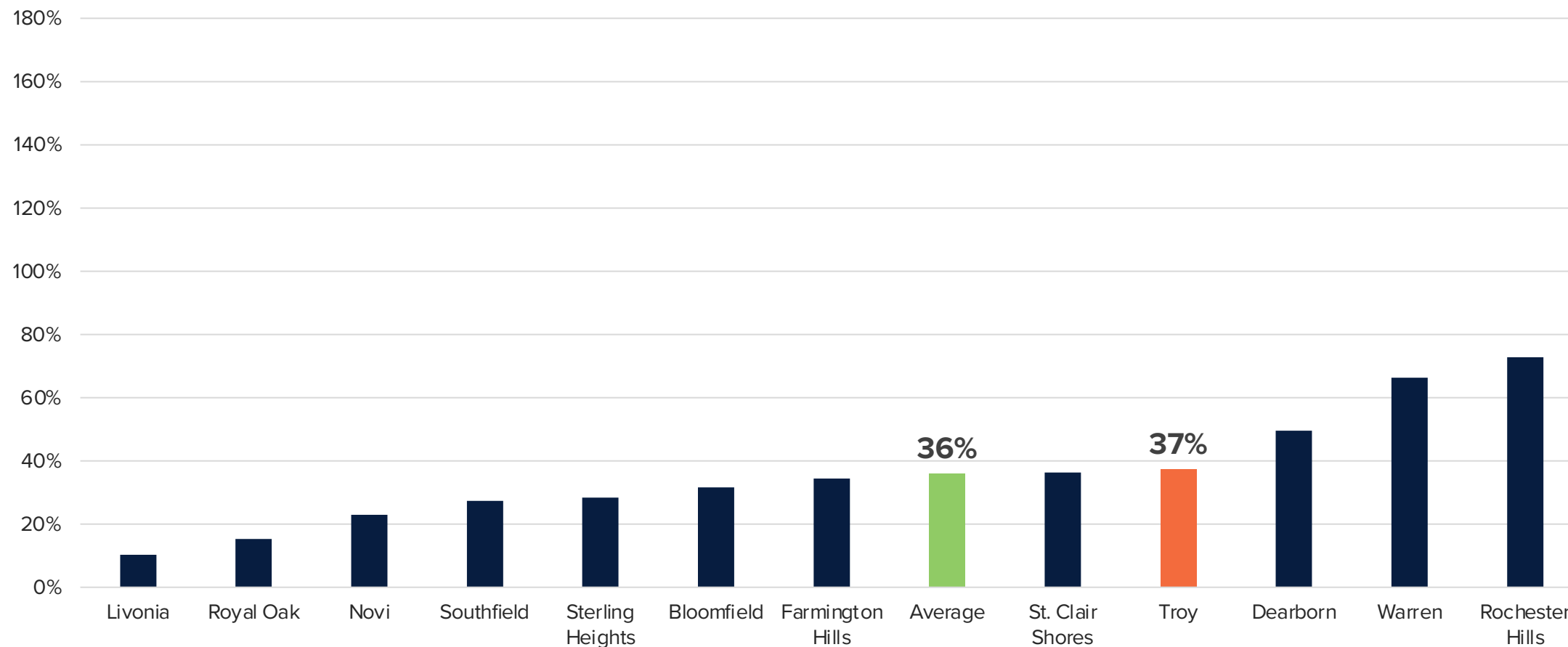
- The City has established a policy to maintain a minimum unassigned fund balance for the General Fund at a level of 20% to 30% of annual expenditures.
- This is to provide stability and flexibility to respond to unexpected adversity and/or opportunities.
- The use of fund balance is appropriate as part of a financial plan and one-time expenditures.



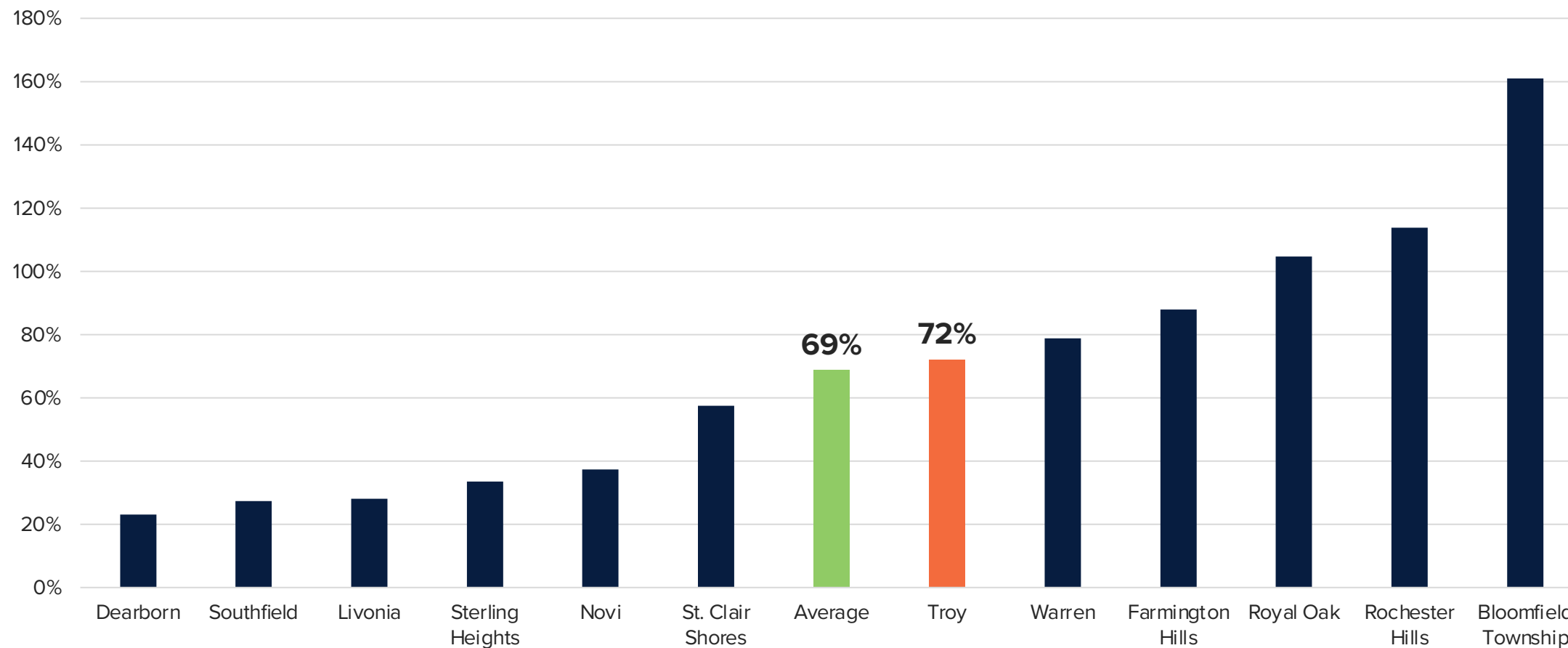
# Troy General Fund Balance, 2004-2021



# General Fund Balance as a % of Expenditures, 2004

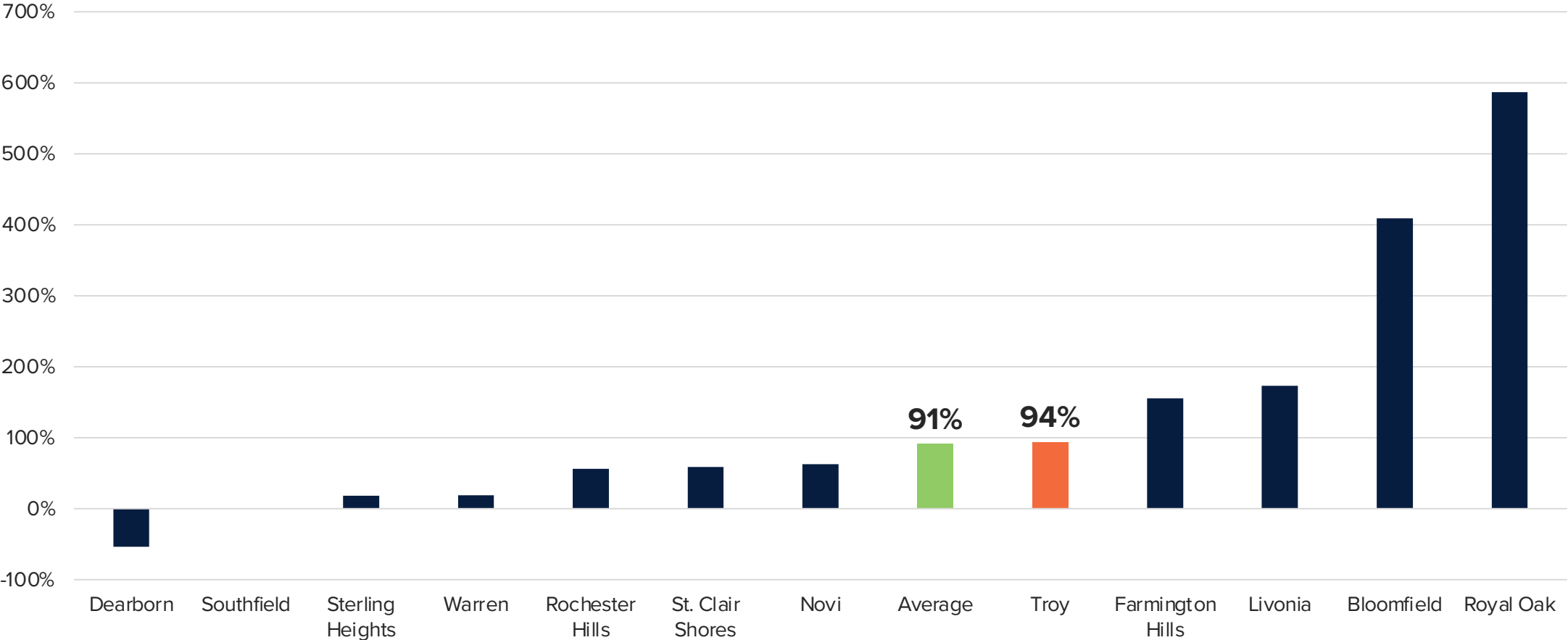


# General Fund Balance as a % of Expenditures, 2021



# General Fund Balance as a % of Expenditures,

## % Change 2004 and 2021



# Fund Balance Conclusions

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Revenue, Expenditures, and Changes in Fund Balances

# Fund Balance Conclusions

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- It is unlikely the Aquatic Center Fund will ever repay the advances from the General Fund.
- It is more likely this nearly \$700,000 nonspendable fund balance ("loan") will be written-off.
- It is possible the Sanctuary Lake Golf Course Fund will repay the advances from the General Fund after the golf course bonds are repaid in 2028.
- In the meantime, the debt to the General Fund will likely grow.

# Fund Balance Conclusions

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- On average, Troy and the comparison communities nearly doubled General Fund Balance as a percentage of expenditures between 2004 and 2021.
- Troy's General Fund balance grew by 48% but expenditures were flat.
- The comparison communities increased General Fund balance by 60% and increased expenditures by 20%.

# Questions & Answers

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Revenue, Expenditures, and Changes in Fund Balances