

Annual Budget



Acting City Manager **John M. Lamerato**
Assistant City Manager/Finance & Administration ... **John M. Lamerato**
Assistant City Manager/Services **Brian P. Murphy**



Mayor **Louise E. Schilling**
Mayor Pro Tem **Cristina Broomfield**
Councilwoman **Robin Beltramini**
Councilman **Wade Fleming**
Councilman **Martin F. Howrylak**
Councilman **David Lambert**
Councilwoman **Jeanne M. Stine**

Table of Contents



| | |
|--|----|
| City of Troy Organizational Chart | 1 |
| GFOA Distinguished Budget Presentation Award | 2 |
| Executive Staff..... | 3 |
| Location of Troy, Michigan | 4 |
| Budget Overview | 5 |
| Fact Sheet | 9 |
| Community Profile | 10 |
| Reader's Guide..... | 11 |
| City-Wide Action Plan..... | 14 |
| City Goals and Objectives | 15 |
| Budget Policies..... | 16 |
| Budget Calendar..... | 20 |

All Funds Summary

| | |
|--------------------------------------|----|
| Financial Organizational Chart | 22 |
| Executive Summary..... | 23 |
| All Funds Financial Summary | 26 |

General Fund

| | |
|--|----|
| How the City Allocates Its Money | 32 |
|--|----|

Trends and Summaries

| | |
|--|----|
| Summary of Taxes | 33 |
| General Fund Revenue, Expenditures, Fund Balance | 36 |
| Revenue Definitions and Assumptions | 38 |
| General Fund Revenues by Account..... | 40 |
| General Fund Expenditures by Department..... | 44 |
| General Fund Expenditures by Object..... | 48 |
| General Fund Expenditure History by Department..... | 51 |
| General Fund Expenditures by Account | 55 |

Personnel Summary

| | |
|----------------------------|----|
| Trends | 57 |
| Listing by Department..... | 58 |

Council/Executive Administration

| | |
|---------------------|----|
| City Council | 67 |
| City Manager | 68 |
| City Attorney | 74 |

Fire Department

| | |
|----------------------|-----|
| Fire Department..... | 135 |
|----------------------|-----|

Police Department

| | |
|-------------------------|-----|
| Police Department | 177 |
|-------------------------|-----|

Finance Division

Finance and Administration

| | |
|----------------------------------|-----|
| Finance Administration | 96 |
| Accounting/Risk Management | 98 |
| Assessing | 103 |
| City Clerk/Elections | 108 |
| Community Affairs | 114 |
| Human Resources..... | 119 |
| Purchasing..... | 125 |
| Treasurer | 130 |

Services Division

Building Inspection

| | |
|---------------------------|----|
| Building Inspection | 81 |
|---------------------------|----|

Engineering

| | |
|-------------------|----|
| Engineering | 88 |
|-------------------|----|

Library/Museum

| | |
|---------------------|-----|
| Library/Museum..... | 143 |
|---------------------|-----|

Table of Contents



Other General Government

| | |
|----------------------------------|-----|
| City Buildings..... | 152 |
| Planning..... | 153 |
| Real Estate and Development..... | 160 |

Parks and Recreation Department

| | |
|---------------------------|-----|
| Parks and Recreation..... | 167 |
|---------------------------|-----|

Public Works Department

| | |
|------------------------------|-----|
| Public Works Department..... | 185 |
|------------------------------|-----|

Special Revenue Funds

| | |
|--|-----|
| Community Development Block Grant Fund..... | 198 |
| Community Fair Fund..... | 199 |
| Local Street Fund..... | 200 |
| Major Street Fund..... | 200 |
| Budget Stabilization Fund..... | 201 |
| Refuse/Recycling Fund..... | 202 |

Debt Service Funds

| | |
|-----------------------------------|-----|
| General Debt Service Fund..... | 210 |
| 2000 MTF Debt Service Fund..... | 210 |
| Proposal A Debt Service Fund..... | 211 |
| Proposal B Debt Service Fund..... | 211 |
| Proposal C Debt Service Fund..... | 212 |
| Debt Management Summary..... | 213 |

Capital Projects/Special Assessment Funds

| | |
|--|-----|
| Capital Projects Fund..... | 216 |
| Revenues and Expenditures..... | 217 |
| Capital Projects Department Summary..... | 220 |
| Major Roads..... | 225 |
| Local Roads..... | 229 |
| Sidewalks..... | 231 |
| Capital Expenditures..... | 233 |
| Capital Expenditures All Funds..... | 244 |
| Major Capital Projects..... | 265 |
| Special Assessment Revenues & Expenditures..... | 267 |

Enterprise Funds

| | |
|------------------------------|-----|
| Aquatic Center Fund..... | 268 |
| Golf Course Funds..... | 276 |
| Sewer Fund..... | 285 |
| Water Fund..... | 287 |
| Water Main Projects..... | 294 |
| Sanitary Sewer Projects..... | 297 |

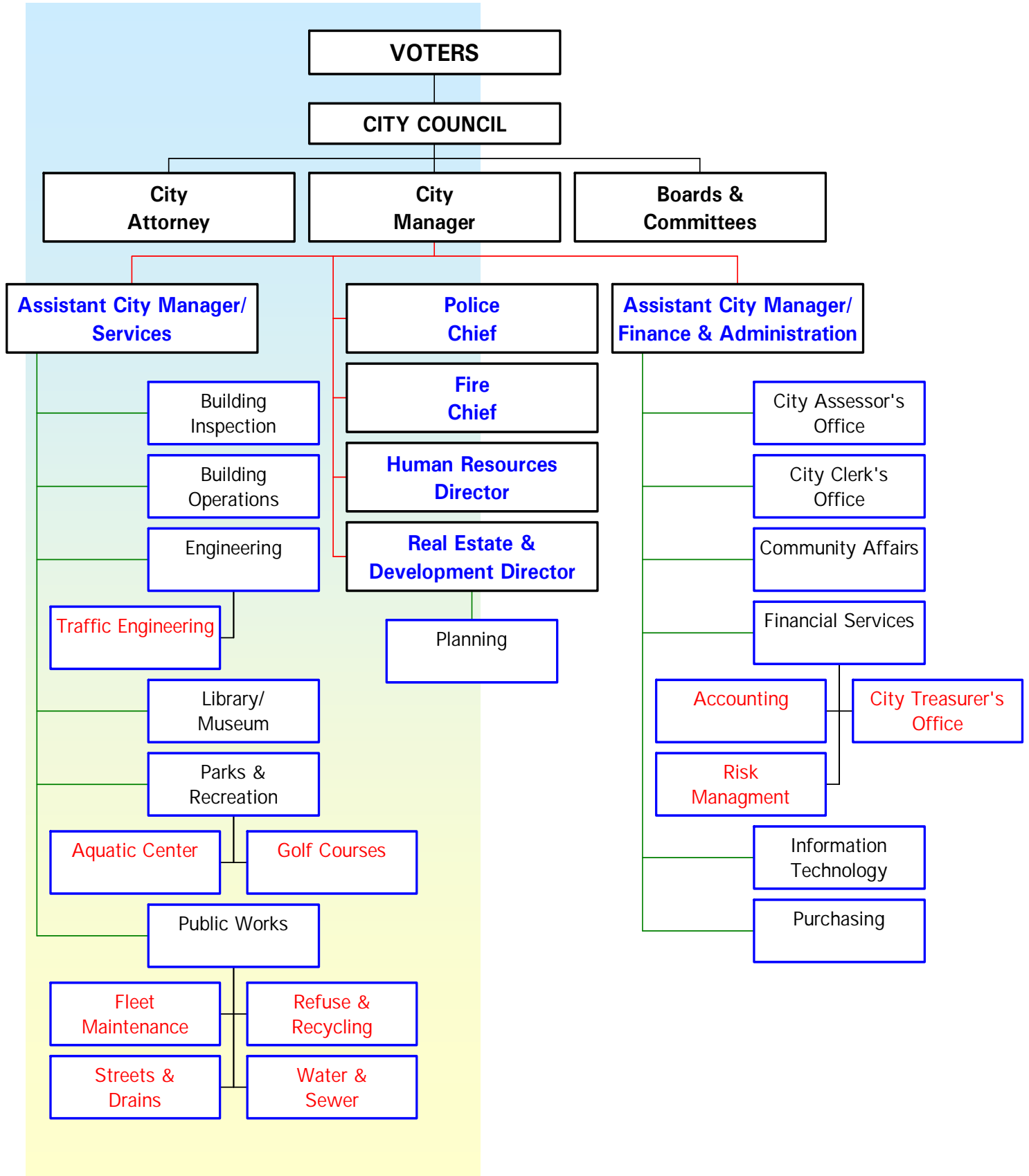
Internal Service Funds

| | |
|--|-----|
| Building Operations Fund..... | 300 |
| Fleet Maintenance Fund..... | 308 |
| Information Technology Fund..... | 320 |
| Compensated Absences Fund..... | 327 |
| Unemployment Compensation Fund..... | 328 |
| Workers' Compensation Fund..... | 329 |

Supplemental Information

| | |
|--|-----|
| General Revenue by Source and Expenditures by Function..... | 330 |
| General Fund Balance Compared to Annual Expenditures..... | 331 |
| Value of Taxable Property..... | 331 |
| Property Tax Levies and Collections..... | 332 |
| Demographic Statistics..... | 333 |
| Computation of Legal Debt Margin..... | 334 |
| Principal Taxpayers..... | 335 |
| Property Values and Construction..... | 336 |
| Collective Bargaining Agreements..... | 337 |
| Economic Information..... | 338 |
| Glossary of Key Concepts..... | 340 |

Organizational Chart



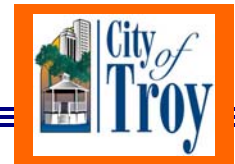


The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Troy, Michigan for its annual budget for the fiscal year beginning July 1, 2005.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

Executive Staff



| | |
|---|-------------------------------|
| Acting City Manager..... | John M. Lamerato |
| City Attorney | Lori Grigg Bluhm |
| Assistant City Manager/Finance & Administration | John M. Lamerato |
| Assistant City Manager/Services | Brian P. Murphy |
| City Assessor..... | Leger A. Licari |
| City Clerk | Tonni L. Bartholomew |
| City Engineer | Steven J. Vandette |
| City Treasurer | Sandra L. Kasperek |
| Community Affairs Director | Cynthia A. Stewart |
| Director of Building and Zoning..... | Mark S. Stimac |
| Director of Building Operations | Steven A. Pallotta |
| Financial Services Director | James A. Nash |
| Fire Chief | William S. Nelson |
| Human Resources Director..... | Peggy E. Clifton |
| Information Technology Director | Gertrude M. Paraskevin |
| Library Director | Brian H. Stoutenburg |
| Parks and Recreation Director | Carol K. Anderson |
| Planning Director | Mark F. Miller |
| Police Chief..... | Charles T. Craft |
| Public Works Director | Timothy L. Richnak |
| Purchasing Director | Jeanette Bennett |
| Real Estate & Development Director | Douglas J. Smith |
| Risk Manager..... | Stephen L. Cooperrider |



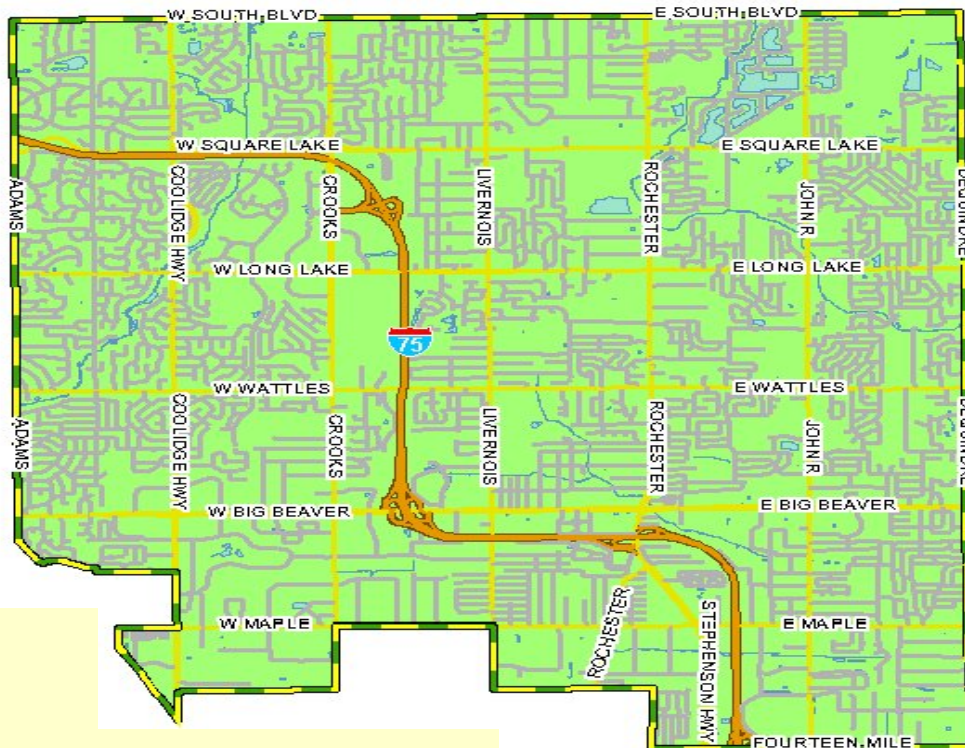
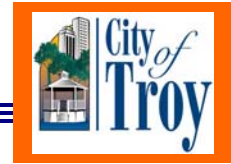
City Seal

The figure represented on the official seal of the City of Troy is that of Athena, mythological Greek goddess of wisdom.

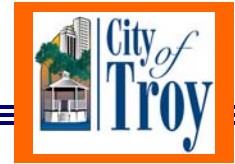
Athena was known as the dispenser of prudent restraint and practical insight, maintainer of law. Her association with civilization and society rather than wilderness and nature earned her reverence as the protectress of Greek cities, including ancient Troy.

Athena's ethical standards and precepts remain worthy today, making her an appropriate symbol for the modern City of Troy and a model for all who live, work, or play here.

Location of Troy, Michigan



Budget Overview



Mayor and City Council

City of Troy
500 West Big Beaver
Troy, MI 48084

May 15, 2006

Dear Mayor and Council Members:

In accordance with the City Charter I present to you the City budget for fiscal year 2006/07. This budget serves not only as a planning guide, but also determines the level of service we will provide to residents, businesses, and visitors. This document also illustrates the City's administrative structure and work plan for the upcoming fiscal year.

Building Upon a Strong Base

Our community's growth and standard of excellence has been achieved by faithful adherence to four principles: a strong sense of volunteerism from our residents, a culture of professionalism within the administrative service, fiscal integrity, and quality of life amenities.

Reliance on these principles has resulted in a municipality in which people aspire to live and work.

While our tax base is strong, we need to achieve a better balance between residential and business properties. Our residential tax base now accounts for approximately 57% (up from 55%) of revenues, while our target is a 50-50 split.

Troy's population is incredibly diverse and talented.

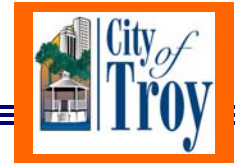
Over 81 languages are spoken in the homes of our school children. Our city is filled with people who are committed to excellence and community involvement.

As Troy transformed from rapid growth to maturity, these values and principles continue to be important. So too, however, will be our need to recognize that Troy's population is much more mobile than it used to be and that technology is a vital part of our everyday lives. Our City government is positioning itself to keep our important values and traditions, and yet keep pace with advancing technology.

Budget Overview

The 2006/07 budget is balanced and financially conservative. It continues the City's philosophy of providing high-quality, dependable services while directing available resources to service areas experiencing the greatest demands.

Developed with City Council's policy goals as direction, this budget addresses current and future community needs and correlates service demands with conservative financial management.



The 2006/07 total millage rate of 9.43 reflects a reduction of .02 mills . This rate includes a capital improvement millage rate of 1.60.

The Debt Service millage rate is .50. Voter approval of 1999 ballot measures A, B, and C was based on maintenance of rate not to exceed .75 for the next 14 years, unless voters approve additional bonds.

Troy successfully meets the challenge of keeping tax rates low by providing strong, responsible leadership and offering efficient City services. This, of course, requires a strong tax base.

The 2006/07 budget for all City funds totals \$144.4 million including all transfers. The General Fund budget of \$65.0 million provides funding toward the majority of services available to City residents; and is up \$4.9 million from last fiscal year or 8.2%. The primary reason for the increase is due to operating transfers out.

When comparing General Fund operating expenses from year to year there is an increase of \$1.5 million or 2.5%, well below the Consumer Price Index of 3.3%.

The estimated Unreserved/Undesignated Fund Balance of \$10.5 million is 16.2% of the General Fund budget.

General Fund operating revenues are projected to increase 4.2% or \$2.2 million over 2005/06 to \$53.9 million.

Charges for services revenue increases are attributable to an increased rate structure and usage of the Community Center.

The General Fund budget also uses \$6.4 million in Fund Balance as a revenue source compared to \$1.3 million last year.

The large increase is used to cover the \$1 million transfer to the Budget Stabilization Fund and \$2.5 million transfer to the Retirees Medical Benefit Trust Fund.

This utilization of Fund Balance also brings the Unreserved/Undesignated Fund Balance into our acceptable range of 15 - 17%.

General Fund operating expenditures will increase by 2.5%. The City does not incrementally budget by adding automatic increases to the prior year's numbers, therefore departments are required to justify their current operations and any increases.

The budget includes first year expenditures of \$100,000 for a master land use plan update.

Capital Improvements

The total capital improvements program of \$19.8 million is composed of projects that benefit the community as a whole.

The projects include technology improvements, park facility upgrades, and street projects.

Several of the capital improvement activities, streets in particular, are made possible by grant funds leveraged with local funds.

The following projects highlight the 2006/07 capital improvements program:



- Neighborhood road repair and replacement
- Major road improvements
- Continuing investment in technology
- Park development and improvements
- Sidewalk program
- Storm drain improvements
- Initial transit center funding
- Civic Center site improvements

Personnel Costs and Staffing Levels

Personnel costs continue to be the largest portion of the General Fund budget at 65%, down from 69.2% last year. The total personnel expenditure for 2006/07 is \$42.2 million, which represents a 1.6% increase over last year's budget, after the reduction of 8 of the 9 full-time positions.

The following 9 positions have been deleted from the 2006/07 budget:

- Assistant to the City Manager (1)
- Librarian (1)
- Library Aide (2)
- Sr. Right-of-Way Representative (1)
- Animal Control Officer (1)
- Parks and Rec. Office Assistant II (1)
- Storm Water Utility Engineer (1)
- Water Dept. Clerk/Typist (1)

We will continue to look at ways to reduce cost through attrition and consolidate activities while trying not to affect the essential services our residents have come to expect.

Future Projects

Our future infrastructure needs are literally hundreds of millions of dollars. Our biggest infrastructure needs are in the area of road improvements, and storm water management. We will, however, continue to endeavor to find funding sources to meet these future projects.

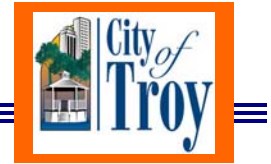
Conclusion

No matter how successful the City of Troy has been to date, our success is and will continue to be dependent on a professional and dedicated workforce, strong adherence to our adopted budget, and political altruism.

The citizens, who are not only our customers but also our partners and stakeholders, have spoken. They want us to provide a community that is responsive to their needs.

In a representative democracy you are charged with making decisions on behalf of our 87,000 residents, and this budget document serves as an excellent planning and control tool to ensure that the will of the majority of residents are carried out.

Our most important objective for the coming year is to continue to enrich and improve the lives of residents of all ages and corporate citizens that, in turn, will provide a great benefit to the community as a whole.



2006/07 Budget at a Glance

The total City budget of \$144.4 million increased by \$6.2 million, or 4.5%, from the previous year.

A substantial portion of the increase is attributable to the additional transfers to the Budget Stabilization Fund and Retiree Medical Benefits Trust Fund.

The average homeowner's tax bill for City services, based on a taxable value of \$118,834, will amount to \$1,121 compared to \$1,067 last year.

The City has reduced its full-time work force by 9 positions to 476, which represents 5.49 employees for every 1,000 Troy residents and approximately 4.53 employees per 1,000 people who work in the city. The 9 positions were reduced through attrition. Job responsibilities were redistributed among current employees and through the addition of part-time employees.

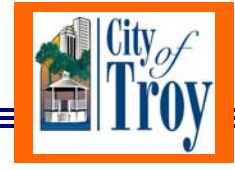
The budget calls for a large increase in the reliance on Fund Balance reserves, mainly attributable to the \$1 million transfer to the Budget Stabilization Fund and the \$2.5 million transfer to the Retiree Medical Benefits Trust Fund. The Undesignated General Fund reserves are anticipated to equal at least 16.2% of the recommended budget.

Due to passage of Proposal A, homeowners have seen, at most, a 3.3% adjustment in taxable property value despite a 4.9% average increase in market values.

The budget includes funding for the following services and programs:

- \$9.2 million - Funding for street construction projects, utilizing grants and capital funds
- \$.6 million - Sidewalks
- \$.7 million - Investment in technology
- \$2.2 million - Parks development and improvements
- \$6.6 million - Water main replacements
- \$5.2 million - Sanitary sewer improvements
- \$1.2 million - Storm drain improvements
- \$.3 million - Museum improvements
- \$.9 million - Removal and replacement of diseased Ash trees

Community Profile



Troy is a vibrant community with a strong sense of civic pride and dedicated community leaders. Troy is a balanced community that is rich with cultural diversity, community wellness, and economic vitality.

Troy was incorporated June 13, 1955. Since incorporation the city has been governed by a seven-member city council, including mayor, all of which serve four-year terms. Under the council-manager form of government, the mayor and city council appoint two officials; the city manager and the city attorney. In turn, the city manager appoints all department directors and employees.

The 2006 estimated population for Troy is 87,159; 6,200 residents or 7.7% greater than the 2000 census. In terms of population, Troy is the 13th largest city in Michigan. Troy's total property value is the second highest in the state.

Troy's economic base is strong and balanced. The median effective buying income per household is approximately \$64,630. There are 32,431 households and a median age of 38. Seven school districts serve Troy.

Troy is a full-service community with public transportation provided by a regional authority. The City of Troy currently maintains fourteen developed park sites, eight of which are major parks. City parks provide a variety of recreational opportunities from baseball diamond complexes to miles of developed walking, jogging, and bicycle riding pathways.

Troy has 610 acres of parkland (active and passive). Additionally, the total for City and private parks, including two golf courses, is 1,441 acres.

Troy has received many awards from various professional associations and municipal services organizations for innovative

approaches to service delivery and quality improvements.

Troy enjoys a solid reputation for municipal planning and growth management. Its development of a new comprehensive master land use plan and proposed corridor studies will guide development of the Big Beaver corridor, other business corridors, and high quality mixed residential development as the community's most significant focal points.

The strong commercial and industrial business environment is a mix of service, product, and technological employers. This impressive mix of business opportunities has allowed Troy to maintain low unemployment rates. Principal employers include:

- Advanced Technology Vehicles
- Arvin Meritor
- AT&T
- Corporate System Development
- Delphi
- Entech Personnel Services, Inc.
- Flagstar Bank
- Fisher Corp.
- Kelly Services
- LaSalle Bank (formerly Standard Federal)
- Magna International
- National City Bank
- Syntel, Inc.
- Target Corporation
- Textron Automotive
- Thyssen Krupp
- University Physicians Group
- William Beaumont Hospital
- Yarema Tool & Die

The city of Troy also enjoys a wide variety of fine restaurants, churches, and retail shops. The city occupies 34.3 square miles, and over 98% of land is developed.



As you review Troy's budget document, note that it is organized by fund type. Fund types are distinguished by laminated tabs and include:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds

The General Fund is further divided into major divisions or departments. These departments are comprised of several activities or offices. For example, within Other General Government there are three offices including City Buildings, Planning, and Real Estate and Development.

Each department contains:

- Functional Organizational Chart
- Funding Level Summary
- Key Departmental Trends
- Service Statement
- Performance Objectives
- Organizational Chart
- Summary of Budget Changes

Functional Organizational Charts, Department at a Glance summaries, and Key Departmental Trends provide a quick overview of the entire department.

The Funding Level Summary lists costs by object and division for the prior two fiscal years, the current year and proposed budget. The costs include both direct and indirect overhead costs of the function.

The Organization Chart and Staff Summary illustrate the number of budgeted positions and internal office structure.

Performance Objectives give specific objectives that the activity hopes to achieve in the current year, while the Performance Indicators provide a listing of key measurements of the activity's output and efficiency.

Finally, the Summary of Budget Changes provides a detailed explanation of the funding level changes that have taken place, along with 8 years of operating budget history.

Frequently Asked Questions

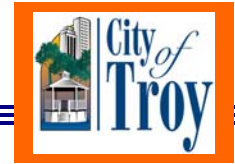
Your budget contains a lot of information! How can I find summary information quickly?

Information within the All Funds Summary tab provides a quick overview of the City's total budget. It explains how the funds are organized as well as total revenue and expenditures trends. The Executive Summary provides a general overview explaining how the City plans to utilize its resources and highlights some of the more significant changes to the City's budget.

The information within the Trends & Summaries tab also contains a multitude of useful information about the City's largest fund – the General Fund.

I notice that each office has a Funding Level Summary. How can I get more detailed expenditure information by account within each office?

The City Manager's Office produces a separate line-item budget on CD that details each office's expenditure accounts.



How can I quickly find the location of certain offices within the budget document?

The Table of Contents at the beginning of the budget lists all offices in the order in which they appear in the document.

Where can I find out how many employees are within each department?

There is a schedule within the Personnel Summary tab that lists all position titles and number of employees within each office.

How much do you spend in the General Fund on salaries for employees?

Within the Trends & Summaries tab, there is both an Expenditure and Revenue by Account History, which provides the reader with the total dollars spent in each account.

How can I find out information about your capital budget?

Our capital budget is incorporated in the annual budget document. It details the funds appropriated for specific facilities, equipment, vehicles, and improvement projects. A listing, description, and City map geographically depicting the location of all projects can be found within the Capital Projects tab.

Uniform Budgeting Act

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act.

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

Budget Process

In establishing the budgetary information within the budget document, the City follows steps and deadlines outlined in the City Charter:

- a. On or before the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The annual operating budget includes proposed expenditures and the means of financing them for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds.



- b. After the City Manager has submitted the proposed budget to the City Council, they review the recommendations and hold public hearings to obtain taxpayer comments.
- c. On or before the third Monday in May, the budget is legally adopted through passage of an Appropriations Ordinance for each fund which takes effect the following July 1.
- d. The Appropriations Ordinance is the legislative vehicle that allows for expenditure of funds throughout the City. The Ordinance is based on the approved and adopted budget and is the final product of the budget cycle.
- e. The City Manager is authorized to transfer budgeted amounts within budgetary centers (major activity or department); however, any revisions that alter the total expenditures of any budgetary center must be approved by the City Council.

In addition to the Charter requirements, the administrators of all City offices have made budget requests to the City Manager, which he has reviewed before arriving at his proposed budget recommendations.

The Budget Calendar outlines the entire budget process by month.

The City adopts its budget by budgetary center in accordance with the State's legal requirement, and is the level of classification detail at which expenditures may not legally exceed appropriations.

The adopted budget is prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP), except that: operating transfers are treated as revenues and expenditures. The modified accrual basis of accounting is utilized in the preparation of budgets for all governmental fund types that are contained within this document.

Expenditures, other than accrued interest on long-term debt are recorded at the time liabilities are incurred, and revenues are recorded when received in cash, except for material and/or available revenues which should be accrued to properly reflect the tax levied and revenues earned.

The accrual basis of accounting is utilized in developing the Enterprise Fund, and Internal Service Fund budgets.

Budgets are monitored carefully each month, and progress is reported quarterly. Necessary amendments are approved by City Council periodically.

A budget is considered balanced if the Fund Balance projected to the end of the budget year is positive.



City goals and objectives span not only the timeframe for the upcoming budget, but several years. In fact, some decisions City Council makes will have a multi-generational impact. An overview of our action plan consisting of objectives and tasks is outlined below.

Enhance the Flow of Information

This includes continued expansion of our GIS system; continued implementation of the Hansen customer service, the new document imaging system, financial software system evaluation, and implementation of an automatic water meter reading system.

Address Citizen Input and Concerns

In order to improve communication, we will continue implementation of a citizens concern process tied to work orders. We will also utilize our web site, newsletter, utility bills, and kiosks to inform and interact with our residents. The *Futures* project will provide information on the preferred vision of Troy.

Maintain High Level of Service

This will be accomplished through expansion of our web site, review of operational procedures, and property maintenance enforcement.

Promote Culture of Professionalism

Involves selective education and training of staff and Council Members, continuing our internship program, maintaining an environment that establishes a positive identity, continue to pursue achievement awards, and begin implementation of *Lean Six Sigma* to the organization.

Determine Appropriate Staffing Levels

This pertains to determining future needs and assessing the number of employees needed to meet those needs, evaluating benefit levels, privatization and regionalization of City services when functional to do so, and

the Efficiency Committee review of the table of organization.

Expansion of Electronic Function

This incorporates document management and imaging, expansion of online transactions, expansion of the sewer video program, and the electronic inspection process for field inspectors.

Prioritize Capital Projects

This includes building and maintaining infrastructure and facilities to meet existing and future needs. These projects include road improvements, technology upgrades, development of park sites, a transit center, and rehabilitation of Museum facilities.

Uphold Fiscal Integrity

As always, prepare balanced budgets, maintain low tax rate, seek the GFOA Distinguished Budget Presentation Award, and maintain a AAA bond rating.

Promote Economic Development and Redevelopment Goals

This includes adoption of Brownfield Redevelopment plans, re-development of industrial/commercial properties on Maple Road, the Big Beaver corridor study, the Maple Road corridor study, and blight reduction.

Recognize Diversity and Encourage Participation

An important part of this objective is recognition of changing demographics and adjusting services accordingly and providing cultural programming and services.

Goals and Objectives



The City of Troy engages in a strategic planning process annually. This process commences with an initial planning session, usually facilitated by a consultant.

Following the planning session, City Council adopts goals. Then the City Manager arranges individual sessions with Council members to discuss a preferred future for the City of Troy.

These responses are summarized and distributed to City Council prior to a second

planning session where objectives are discussed. Open meeting discussions ensue to achieve a consensus on Troy's future vision.

The culmination of the strategic planning process is development of a budget document for City Council approval.

The goals and objectives listed below are the products of the process outlined above; they were reviewed by City Council on January 16, 2006.

Goals

- I Minimize cost and increase efficiency of City government
- II Retain and attract investment while encouraging redevelopment
- III Effectively and professionally communicate internally and externally
- IV Creatively maintain and improve public infrastructure
- V Annually improve the strategic plan
- VI Protect life and property

Objectives

- 1. Enhance the flow of information (Goals III)
- 2. Address citizen input and concerns (Goals III, IV, VI)
- 3. Maintain high level of service (All Goals)
- 4. Promote culture of professionalism (All Goals)
- 5. Determine appropriate staffing levels (Goals I, II, IV, VI)
- 6. Expand electronic functions (Goals I, III, IV, VI)
- 7. Prioritize capital projects (Goals I, II, IV, VI)
- 8. Promote economic development and redevelopment (Goals I, II, IV, VI)
- 9. Uphold fiscal integrity (Goals I, II)
- 10. Recognize diversity and encourage participation (Goal III)





In recent years, changing conditions and fiscal capacities coupled with the demand for increased services have forced a reassessment of the role local government units play.

Public officials are charged with the responsibility to ensure that all services are being planned and provided within acceptable levels of cost and, when required, to seek alternative methods of financing. The budgetary process allows for the accumulation of financial and performance information relative to these services. It provides the opportunity to analyze and debate the merits of each service as well as to make decisions about the level and cost of the services to be provided.

This budget continues the conservative spending approach that the residents of Troy have come to expect from City government. This document also assists our efforts to make the operations of the City more efficient, less costly, and more importantly, to target available resources to specific needs of the community.

Financial Policies

The City of Troy's financial policies compiled below set forth basic tenets for overall fiscal management of the City. These policies provide a framework to assist the decision-making process of the City Council and Administration. They should enforce any policy choice, regardless of changing circumstances and conditions.

These policies provide guidelines for evaluating both current activities as well as proposals for future programs.

1. The budget process will place emphasis on those personnel and management areas of long-term importance: employee relations, work simpler – more effectively, office automation, implementation of new technologies, long-term workforce planning, management incentives, and use of the *Interest Based Bargaining* technique.
2. Expansion of existing service programs or addition of a new service program is only considered in the proposed budget when a revenue source can support all of the ongoing cost, or when the requesting department can identify an existing service which can be reduced or eliminated. Programs financed with grant money shall be budgeted in special funds and, when grant revenues are reduced or eliminated, the service program shall be adjusted accordingly.
3. The City will maintain a budgetary control system to ensure adherence to the budget and prepare monthly reports comparing actual revenues and expenditures to budgeted amounts. The City will report its financial performance quarterly.
4. The City will monitor departmental expenditures on a monthly basis to ensure conformity to budgets.
5. The City stresses results, integrating performance measurement and productivity indicators with the budget.
6. The City will avoid budgetary practices or procedures that balance current period expenditures at the expense of future years' revenues.



7. The budget strives to provide for adequate maintenance of capital facilities and equipment, and for their orderly replacement.
8. The budget will provide for adequate levels of funding for all retirement systems.
9. The City will develop and maintain accounting and budgetary control systems to adequately safeguard the assets held in public trust.
10. The Operating and Capital Budgets will fully describe the major goals to be achieved and the services and programs to be delivered based upon the levels of funding anticipated or provided.
11. The City will finance essential City services that have a City-wide benefit in the budget from revenue sources which are generated from a broad base, i.e. property taxes, State revenue sharing, assessments, and fees.
12. The City will seek to minimize the impact in use of property tax financing by seeking alternative financing for City services that focus on user fees for responsive services, upgrading, and/or enhancing of the property tax base.
13. Special assessment financing formulas and user fee rate structures will accurately charge the cost of service provided to the benefiting property owners and customers served while being sensitive to the needs of low-income people.

Revenue Policies

1. The City will make every attempt to maintain a diversified and stable revenue base to shelter it from short- or long-term fluctuations in any one revenue source.
2. The City will project its annual revenues by an objective and thorough analytical process.
3. The City will maintain sound appraisal procedures and practices to reflect current property values.
4. The City will establish user charges and set fees for services for its enterprise funds at a level that fully supports the total direct and indirect costs of the activities. Indirect costs include the recognition of annualized depreciation of capital assets. Cash flow requirements to adequately defray bond retirement and capital outlay will become a primary determinant in the development of user charges.
5. The City will follow an aggressive policy of collecting revenues.
6. The City will review fees/charges annually and design or modify revenue systems to include provisions that automatically allow charges to grow at a rate that keeps pace with the cost of providing the service.

Reserve Policies

The City will strive to maintain an unreserved, undesignated General Fund balance of 15 -17 percent of the General Fund budget. Funds in excess of 17 percent will be transferred to the Budget Stabilization Fund.



Accounting, Auditing, and Financial Reporting Policies

1. An independent audit will be performed annually.
2. The City will produce comprehensive annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP), the body of accounting and financial reporting standards, conventions, and practices that have authoritative support from standard setting bodies such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

Investment Policies

1. The City will conduct a cash-flow analysis of all funds on a regular basis. Disbursement, collection, and deposit of all funds will be scheduled to insure maximum investment capabilities.
2. When permitted by law, the City will pool cash from several different funds for investment purposes to maximize potential earnings.
3. The City will analyze market conditions and potential investments to maximize its yield, while maintaining the integrity, diversification, and safety of the principal.
4. The City's accounting system will provide regular information concerning cash position and investment performance.

Debt Policies

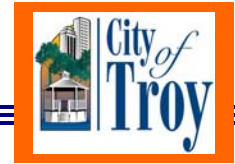
1. The City will confine long-term borrowing to capital improvements or

projects that cannot be financed from current revenues, and where the issuance of long-term debt is required, it will pay back the bonds within a period not to exceed the expected useful life of the project.

2. The City will attempt to keep the average maturity of general obligation bonds at or below 20 years.
3. When possible, the City will use special assessment, revenue, tax increment, or other self-supporting bonds.
4. The City will not incur long-term debt to support current operations.
5. The City will maintain a sound relationship with all bond rating agencies and will keep them informed about our current capital projects.

Capital Improvement Budget Policies

1. Capital investments will foster Troy's goal of preserving and enhancing its infrastructure.
2. The City will attempt to maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.
3. The City will maintain the fiscal integrity of its operating debt service and capital improvement budgets in order to provide services, and construct and maintain public facilities, streets, and utilities.

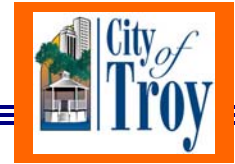


4. The City will implement a multi-year plan for capital improvements, with proposed funding sources, and update it annually.
5. The City shall make all capital improvements in accordance with an adopted capital acquisition program.
6. The City will coordinate decision-making for the Capital Improvement Budget with the Operating Budget to make effective use of the City's limited resources for operating and maintaining existing services and facilities.
7. The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the adopted capital improvement plan, City priorities, and for which operating and maintenance costs have been included in the operating budget.
8. The City will maintain a responsible and prudent fiscal condition to minimize long-term interest expense when financing capital improvements.
9. The capital dollar threshold has been established at \$5,000.

Amendment Policies

The City Manager is authorized to transfer budgeted amounts within budgetary functions; however, any revisions that alter the total expenditure of any budgetary function must be approved by a majority of the members elect of the City Council.

Budget Calendar



July

- 11th Approved 2005/06 budget document distributed at the first City Council meeting in July
- *** Begin preparing updated Municipal Improvements Plan (MIP)
- *** Begin monitoring budget performance

October

- *** Revenue and expenditure forecast prepared
- *** Updated revenue study of fees and charges prepared
- 17th Quarterly financial performance report prepared

November

- *** Capital Budget Unit (CBU) develops capital requests and presents the CBU's capital improvement report to the City Manager

December

- 5th Prior year annual audit released
- *** Preparation of general fund review and multi-year financial plan
- *** The City Manager's final capital recommendations are reported to all offices and included in the proposed budget
- *** Assistant City Manager/Finance and Administration prepares personnel costs and operating cost targets for proposed budget
- *** Distribute operating budget manual and revenue worksheets

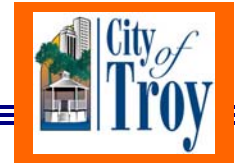
January

- *** Revenue Worksheets due from all departments
- *** Preparation of the water supply and sewerage disposal system rate analysis
- 23rd Quarterly financial performance report prepared

February

- *** Operating budget worksheets due from departments
- *** 2006/07 revenue forecast prepared by City management
- *** City management analyzes departments' budget requests
- *** Assistant City Manager/Finance and Administration prepares proposed budget document

Budget Calendar



April

- *** City Manager makes final proposed budget recommendations
- 17th Proposed budget document presented to the City Council
- *** City Council workshops - budget review, questions and adjustments
- 24th Budget notice published in local newspaper
- 24th Quarterly financial performance report prepared

May

- *** Workshops continue
- 15th Public hearing for budget
- *** City Manager prepares approved 2006/07 budget document incorporating City Council adjustments
- 15th City Council adopts taxation resolution and appropriations ordinance

June

- 19th Assistant City Manager/Finance and Administration prepares final current year budget amendment

