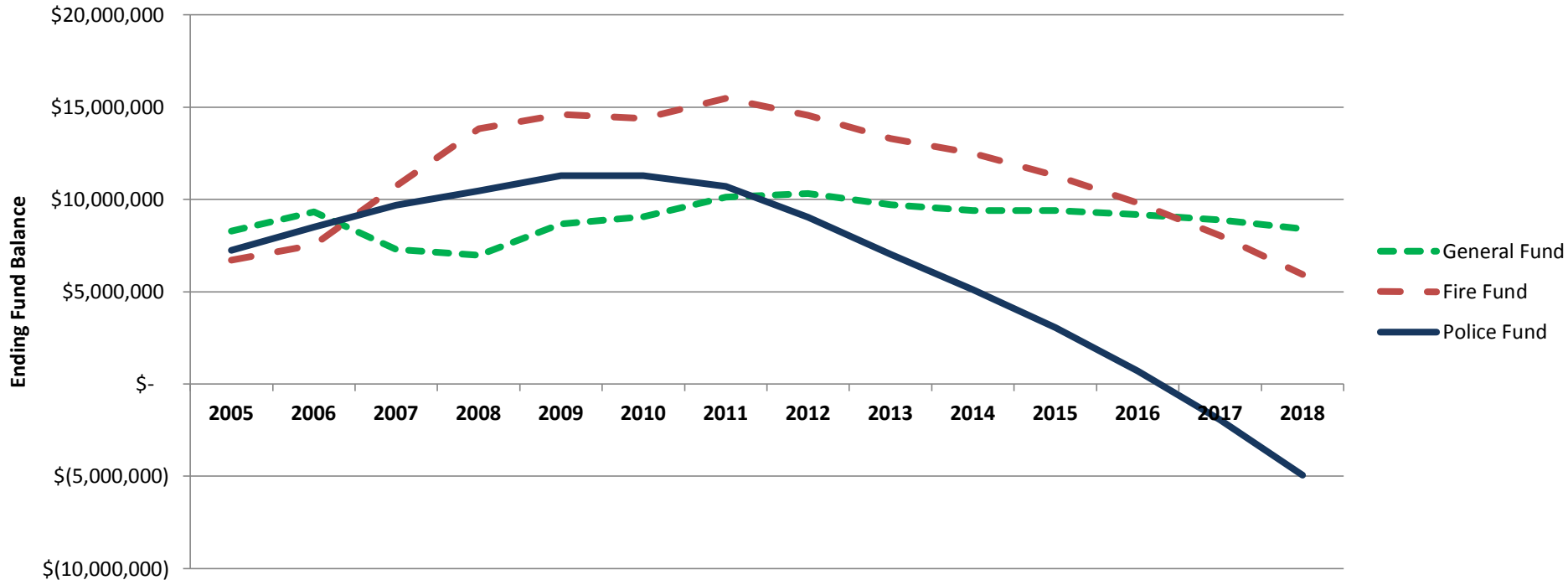


Shelby Charter Township

Police Fund

Outlook for Tax-Supported Funds

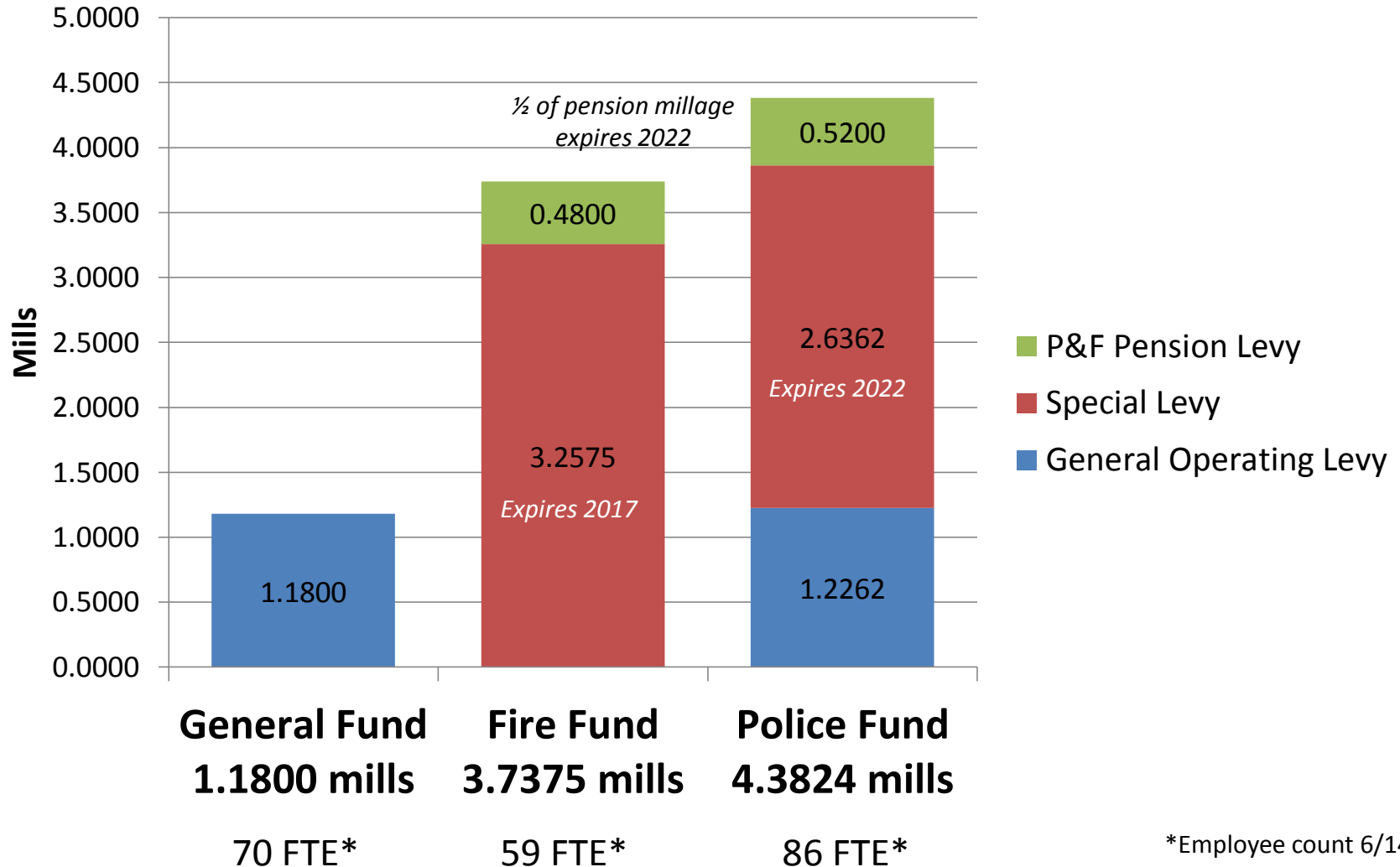


- Police Fund is projected to deplete reserves in FY 2017, if department continues with current level of services, staffing and compensation (assumes dept continues to be operated “as-is”)

Summary of Shelby Police Finances

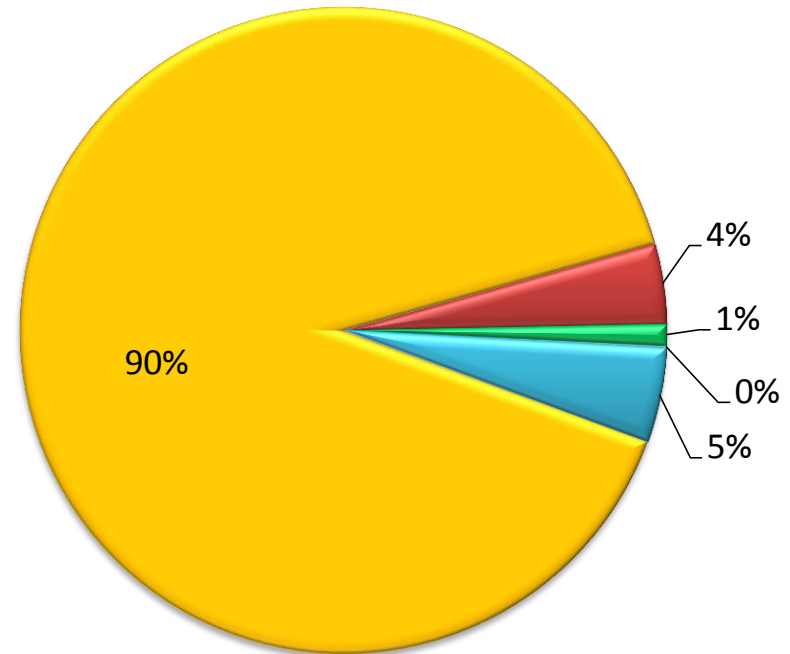
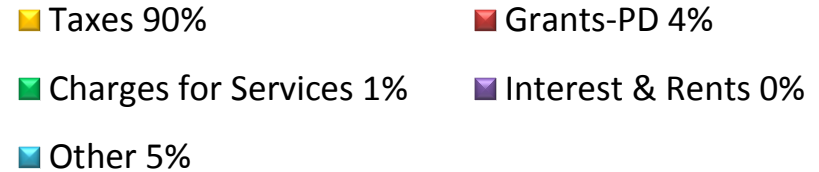
- Declining tax base for five consecutive years
- Limited growth going forward (economic conditions, Proposal A, Headlee)
 - Values expected to return to 2007 level by 2024
- Healthcare, pension & OPEB costs rising
- Department has reduced costs and secured grant funding
 - Continued cost savings efforts focus on preserving levels of service
- Largest expenditure is personnel costs
- Police Fund has largest tax support of any Township operation

Allocation of Property Taxes in Shelby Township (total 9.2999 mills)



Police Fund Revenue Composition

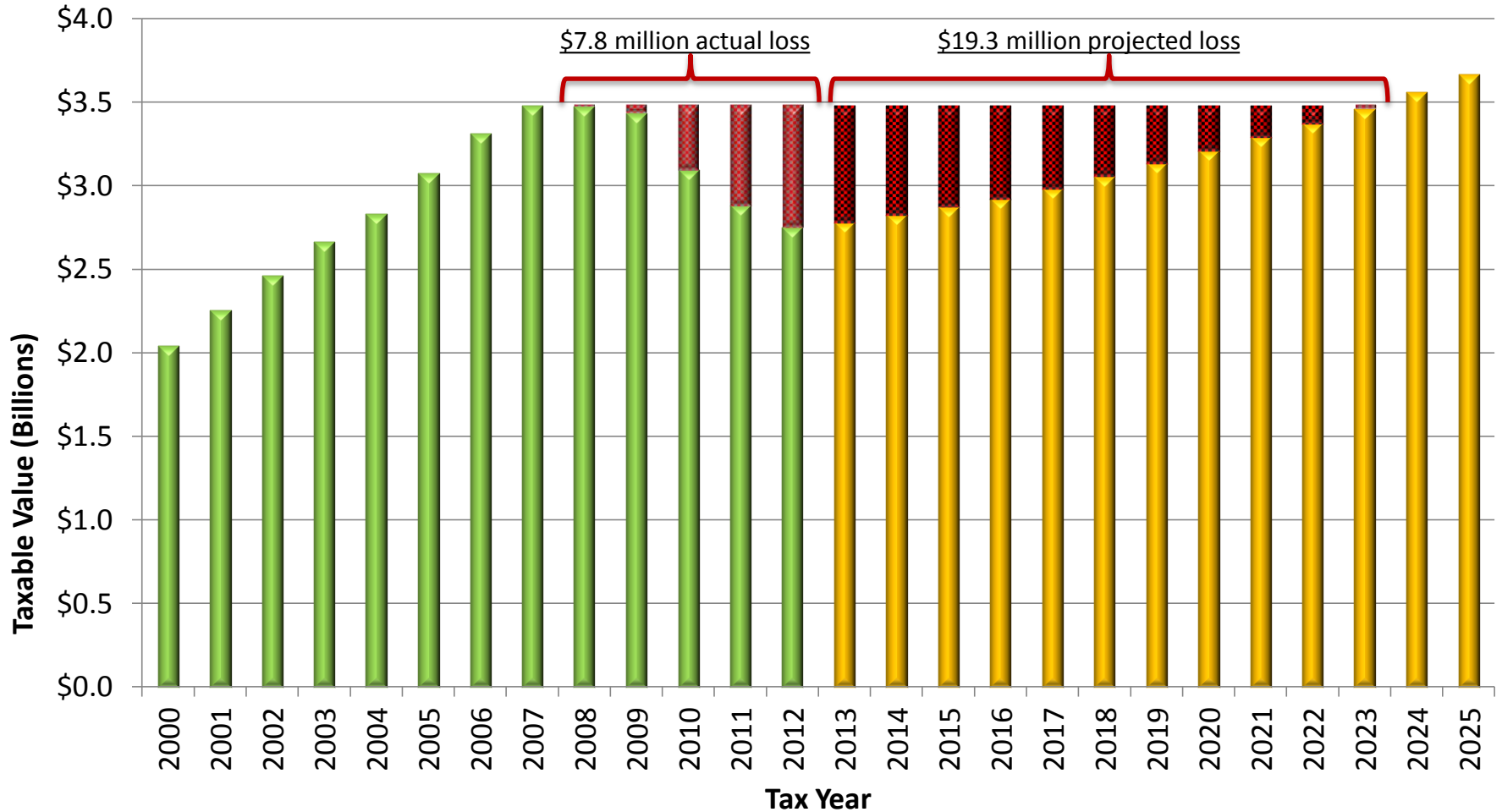
- Property taxes make up 90% of Police Fund revenues
 - Taxable values are stagnate or increasing very slowly
 - Township has seen a loss of 21% of value since its peak in 2007
 - Recent personal property tax changes will further reduce revenues
- Other revenue sources are limited and relatively small



Based on FY 2012 actual revenues

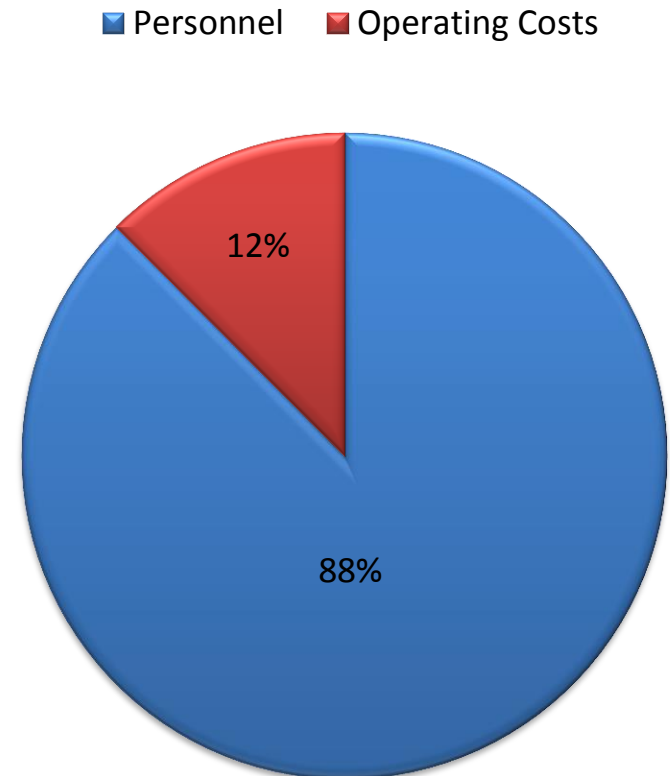
Lost Tax Base Requires Years to Recoup

The loss of taxable value over 16 years amounts to **\$27 million in lost Police Fund revenues**, including operating and pension millages.



Police Fund Expenditures

- Largest expense is personnel
 - Wages, benefits, retiree costs
- To make an impact on the budget, Twp needs to address personnel costs
- Pension millage shortfall requires about \$750,000 per year be paid out of operating funds (fewer \$ for other svcs)
- Police Fund is currently about \$2M out of balance
 - Revenue gap is expected to grow each year going forward

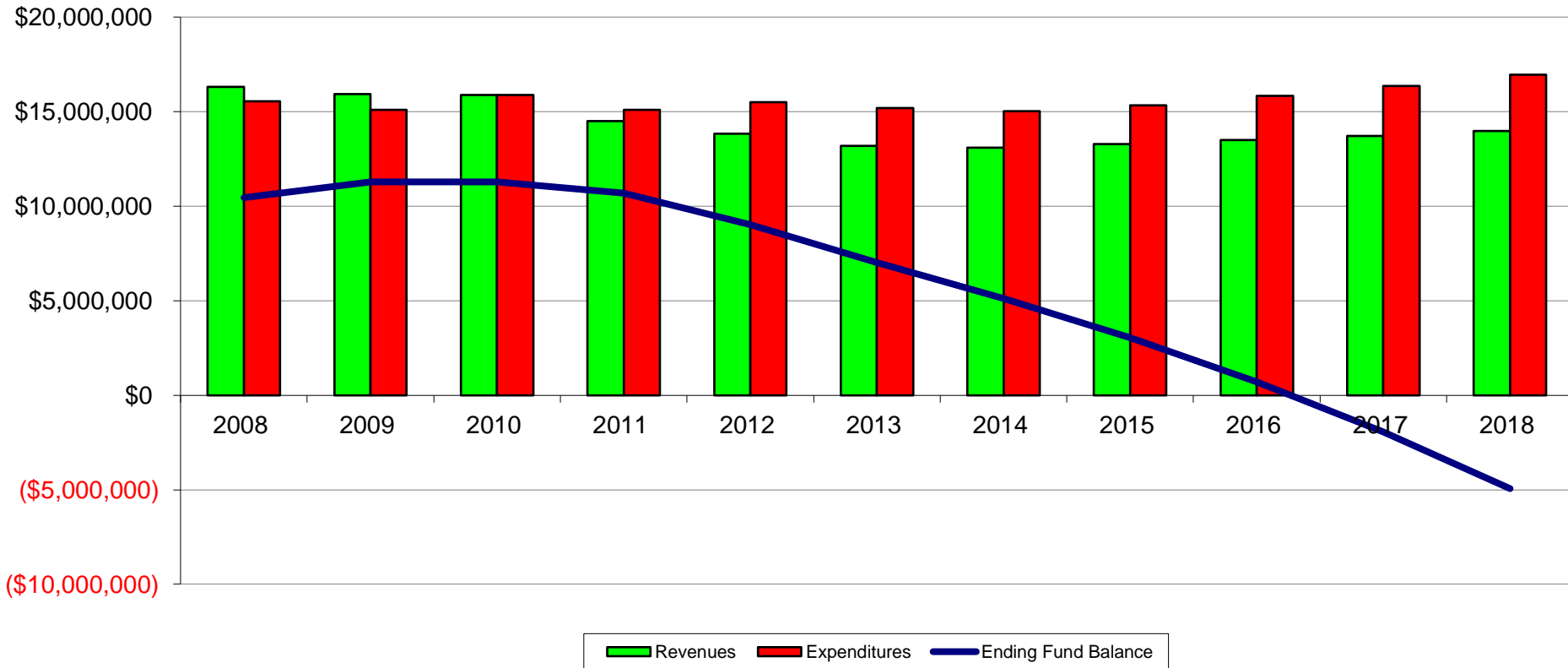


FY 2012 actual expenditures, less grant expenses

Police Fund Financial Outlook

Assuming Budget Remains "As Is"

Revenues, Expenditures and Fund Balance
POLICE FUND 2008-2018



Source: Shelby Twp five-year financial model

Greatest Impacts on Police Fund

- 5 years of losses in tax base
- Very slow future growth in taxable value
- Rapidly rising healthcare costs for active employees and retirees
- Corresponding rapid increases in set-asides for retiree healthcare liability
- Pension funding requirements exceed pension revenues

What Are Some Options?

In addition to the options presented by the Chief, the Twp may consider:

- Contract police services
- Share services
- Pursue more grants
- Further actuarial assumption changes on pension