

FY 2018 PROPOSED BUDGET HIGHLIGHTS

April 17, 2017

Honorable Mayor and Council Members:

OVERVIEW

Budget Format – The budget format has changed slightly. A formatting change was made to the departmental budget detail page. The column showing the previous year’s revenue budget has been changed to instead show the FY 2016 actual revenues. This makes for a better comparison to the FY 2018 proposed revenues.

A significant accounting change is that beginning July 1, 2017, the Recreation Revenue Fund will be dissolved and the Boating, Pool and Golf Course departments moved to the General Fund. As part of the fund elimination plan it is anticipated that the loan to Recreation Revenue from the Sanitation Fund can be paid off with the remaining funds. If not, the liability will have to be included in the General Fund.

Property Taxes and Millage Rates – The total taxable value of the City (with TIFA, Brownfield & CIA) increased from \$1,414,184,000 to \$1,459,695,000. This is an increase of 3.22% which is higher than the rate of inflation/CPI of .9% for 2016. The Headlee Amendment limits local tax revenue growth by requiring reduction of the tax rates to offset growth in assessed values that exceed the CPI of the previous year. This is done using a Millage Reduction Factor (MRF), or, roll back rate. We do not have final confirmation from the County or State, but we estimate the MRF will be .9850. The millage rates below have already had the MRF applied. Also, it should be noted that even though the Police & Fire Operating Millage was just approved in November, 2016, it is subject to the Headlee rollback provisions. It would had to have been approved after April 1, 2017 to not be subject to a rollback. The result is a loss in property tax revenues of approximately \$108,000.

	FY 2017 Actual		FY 2018 Proposed Budget	
	Millage	Levy	Millage	Levy
Taxable Value (in thousands)				
With TIFA, Brownfield and CIA		1,414,184		1,459,695
Without TIFA, Brownfield and CIA		1,395,019		1,437,732
MRF	.9891 Actual		.985 Est	
Taxes				
Operating	6.2157	8,671,020	6.1224	8,802,319
Sanitation	2.3305	3,251,092	2.2956	3,300,517
Police and Fire Pension	6.1368	8,560,953	6.5590	9,430,084
Publicity, Act 359	0.0359	50,081	0.0347	49,889
Police and Fire Operating	1.9736	2,753,209	4.9250	7,080,830
Voted Street Millage	1.2306	1,716,710	1.2149	1,746,701
Library	0.9120	1,272,257	0.8984	1,291,685
Total Operations	18.8351	26,275,322	22.0500	31,702,025
General Obligation Debt	0.4191	592,685	0.4150	605,773
LSC "Clean Water" Debt	1.9736	2,791,034	1.9439	2,837,495
Total Debt	2.3927	3,383,718	2.3589	3,443,268
Total City Millage	21.2278	29,659,040	24.4089	35,145,293

Personnel – There are some proposed personnel changes in FY 2018 but the final number of full-time positions remains unchanged at 242.

242 Full-time positions FY 2017
 1 Added 1 Cashier in District Court
-1 Deleted Golf Course Crew Leader & Reorganized Other Positions
 242 Full-time positions FY 2018

Wages – The budget includes 2% increases for all benefited positions. This puts total FT wages at \$15,291,908.

The State of Michigan is increasing the minimum wage by another 3.9% after increasing it 4.7% last year. A brief history follows:

<u>Hourly Rate</u>	<u>Effective Date</u>	<u>Percent Change</u>
\$8.50	January 1, 2016	--
\$8.90	January 1, 2017	4.7%
\$9.95	January 1, 2018	4.9%

As a result, the budgets for part-time, seasonal and temporary workers is now at \$2,056,598.

Benefits – Pension costs continue to increase but at a slower rate. The City contribution rates and amounts for both the Police & Fire and General Employee plans are shown in the table below. Police and Fire increased by \$295,687 while the General Employees went up by \$90,110. The result is a total increase in pension costs of \$385,797 for FY 2018.

<u>Fiscal Year</u>	<u>Police & Fire</u>		<u>General</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2018	\$5,898,688	49.28%	\$2,644,314	71.1%
2017	\$5,603,001	48.24%	\$2,554,204	66.8%
2016	\$5,136,032	47.76%	\$2,462,821	59.30%
2015	\$5,024,799	47.25%	\$2,512,506	59.36%
2014	\$4,417,956	42.81%	\$2,561,038	50.52%
2013	\$3,834,745	31.73%	\$2,379,350	41.01%
2012	\$3,479,418	30.57%	\$2,090,393	36.34%

We have also changed the way pension costs are allocated for the General Employee system. Up until now, the percentage contribution was simply applied to each defined benefit (DB) employees' wages. However, because this is a closed system, the percentage rate is going to end up being an astronomical and unrealistic amount over time. Therefore, the costs of defined benefit (DB) employees are instead being allocated based on normal costs while defined contribution (DC) employees are allocated based on the Unfunded Actuarially Accrued Liability (UAAL). At the end of the day, there is no change in the total pension costs allocated, just how it is distributed amongst the various departments so that each is paying their fair share.

Employee health insurance costs have decreased from \$13,213 per active employee to \$12,502 per active employee. Based on approximately 242 positions, the cost savings city wide is \$172,000. The total cost for all benefits is projected at \$11,835,442 for FY 2018.

The City will continue to make payments toward the health care trusts to prefund a portion of the post-employment benefits (OPEB). Approximately \$400,070 will be contributed to the General Employee plan for Water, Sewer and CDI/Permits. Another \$656,960, or, 25%, will be contributed toward the Police & Fire plan. The amounts are based on the most recent OPEB valuation as of June 30, 2014.

Capital Outlay – The past practice of delaying capital purchases for building repairs, vehicle replacement and obsolete equipment continues to be a challenge. Following is a summary comparison of just the General Fund capital outlay budget by department, after \$919,000 in requests were eliminated by the City Manager during the department review process. Capital outlay budgets for all departments can be found on the Expenditure Detail page for each department. Note that the budgets for FY 2018 do not reflect a number of capital issues which are being addressed in the Johnson Control Inc project.

<u>General Fund Capital Outlay</u>	<u>Proposed FY 2018</u>	<u>Adopted FY 2017</u>	<u>Adopted FY 2016</u>	<u>Adopted FY 2015</u>
Finance		6,667	9,500	0
Clerk	125,000	13,125		0
General Government			11,000	0
Communications	20,000		58,860	0
Building Maintenance	70,000			
Police	248,500	213,000	210,200	208,073
Fire	107,691	799,400	231,550	207,100
DPW Administration	0	15,000	272,000	15,000
Parks & Rec Admin	18,855	40,000	0	0
Arena	42,000	55,000	63,396	31,000
Parks	122,000	221,500	37,500	20,000
Senior Center				5,000
Boating	5,000			
Pool				
Golf	104,500			
Total General Fund	863,546	1,363,692	894,006	486,173
Year-to-Year Change	(500,146)	469,686	407,833	-

Note: Capital outlay purchases for Information Systems are charged to the Computer Replacement Fund

GENERAL FUND

Overview

The General Fund expenditure budget is now at \$37.1 million, a \$1.9 million (5.4%) increase over last year's adopted budget of \$35.2 million and \$40.4 million the year before. As noted in the previous section the proposed FY 2018 budget includes \$863,000 in capital outlay. With revenues of \$38 million, for the first time in a number of years the budget shows a surplus. The surplus is approximately \$1 million.

Structural Deficit

For the first time in a number of years, the structural deficit has been eliminated. The General Fund current revenues now cover current expenditures. However, this will probably only last for 1 – 2 years. The elimination is largely due to voter approval of 5.0 mills for Police & Fire Operating for three years. Savings were also realized by the General Fund no longer having to make a transfer to the Recreation Revenue Fund to cover any working capital shortfalls.

Fund Balance

As previously mentioned, the proposed budget has a surplus of \$1 million. The *Unrestricted* fund balance as of June 30, 2018 is now estimated at \$10.6 million, which is approximately 28% of total expenditures.

The Government Finance Officers Association (GFOA) establishes local government benchmarks and recommends that cities maintain an unrestricted fund balance of no less than two months of general fund expenditures, or about 17%. The proposed budget will meet this best practice.

MAJOR REVENUES [Page 2]

Taxes [Increase of \$4,499,861]

The Increase/Decrease column of the General Fund revenue page indicates an increase in total property tax revenues of \$4,497,861 which is due to the millage increase for Police & Fire Operating. Also, the FY 2018 budget includes an anticipated reimbursement from the State of Michigan of \$122,142 for lost Personal Property Taxes. Total tax revenue is \$16,845,180.

Licenses and Permits [Decrease of \$110,454]

After several consecutive years of increases, activity has leveled off as several large projects near completion. Revenue from permits and licenses is projected to decrease by over \$220,000 from last year and is an indicator that new construction activity is starting to slow. However, there is a projected increase of \$100,000 in cable franchise fees for the upcoming year and another \$10,700 in rental inspection fees. Fees were adjusted last year based on audit findings that indicated that costs exceeded revenues the past several years. Total license and permit revenue is \$2,398,846,

State Revenue Sharing [Decrease of \$48,225]

The decrease is the result of a reduction in the published State of Michigan Department of Treasury revenue sharing budget for FY 2018. The statutory portion for the City, Village, & Township Revenue Sharing (CVTRS - formerly EVIP) remains virtually unchanged at \$602,183. Total projected revenue for both is \$5,290,505.

Other State and Federal Funds [Increase of \$66,827]

After removing the revenue sharing from the equation, the balance received from other state and federal sources such as CDBG admin fees, grants, liquor tax, State reimbursement for judge's salaries, etc. is expected to increase by \$66,827. Most of this is due to a skate park grant in Parks Department for \$67,900. Total revenues from other State and Federal sources is \$713,382.

Fees and Charges [Increase of \$2,454,003]

Fees and charges tend to fluctuate from year to year, in some cases based on the weather, other concurrent events, etc. as evidenced by the following detail:

1. 606, 607 and 608 – With the Recreation Revenue Fund being eliminated, the Boating, Pool and Golf Course functions are now included in the General Fund. The result is an increase in General Fund revenues of \$1,673,300.
2. 634 - Sidewalk charges increased \$480,000 with the proposed reinstatement of this program.
3. 640 – Rentals increased \$58,433 based on a review of current contracts for cell towers, billboards, property leases, Act 51 rentals, etc.
4. 655 – Court revenues increased \$297,800 based on current department projections.

Total revenues from fees and charges is \$9,152,598.

Contributions from Other Funds [Increase of \$195,767]

These are transfers from other funds to reimburse the General Fund for administrative services such as accounting, legal, purchasing, general management, technology, customer service, etc. Following is a comparison of the current proposed budget and two previous years. Total revenue from contributions is \$3,309,918.

Contributions from Other Funds	Proposed FY 2018	Adopted FY 2017	Adopted FY 2016
Computer Replacement	33,062	\$50,695	\$50,695
Streets	433,531	432,531	354,800
Court	75,000	75,000	75,000
Golf Capital Fund	50,000	0	0
Utility	1,988,000	1,838,000	1,819,000
Motor Pool	241,000	239,000	232,000
Sanitation	184,325	178,925	171,514
TIFA	170,000	170,000	170,000
PA 345 Pension	35,000	30,000	29,000
TOTAL	3,209,918	\$3,014,151	\$2,902,009
Year-To-Year Change	195,767	112,142	

Other Miscellaneous Revenues [Increase of \$30,267]

675 - Donations for the Special Needs program were increased by \$30,000.

MAJOR EXPENDITURES - BY DEPARTMENT

In this section we will point out major expenditures and variances by department, comparing the current proposed budget to the current year amended budget and the amount of increase or decrease. Page numbers allow you to cross reference the detail information in the budget document. The variance amount is the column on the far right of the Budget Summary page labelled *Increase/Decrease from FY 2017*. For a one page summary of the variances by General Fund department please refer to page 3 of the budget book binder, or the following table:

Department		FY 2017 Budget			FY 2018 Proposed Budget	Increase (Decrease) From FY 2017
		Adopted 06/06/16	Amended 02/21/17	Actual 03/31/17		
101	Legislative	79,131	79,131	57,706	79,170	39
115	Boards and Commissions	214,425	214,425	116,786	331,295	116,870
140	Court	2,202,076	2,227,098	1,658,268	2,425,264	198,166
170	City Manager	536,397	537,912	358,649	511,382	(26,530)
201	Finance	1,178,714	1,201,204	809,241	1,254,446	53,241
210	City Attorney	513,500	513,500	272,401	463,500	(50,000)
215	Clerk/Election	819,364	837,611	458,955	895,361	57,750
241	Assessment	349,989	349,989	227,701	323,657	(26,332)
253	General Government	3,180,145	3,180,145	1,775,686	3,285,876	105,731
255	Communications	357,784	357,774	234,551	383,085	25,311
258	Information Systems	491,645	491,645	273,653	467,271	(24,374)
266	Building Maintenance	540,223	563,999	361,810	604,902	40,903
300	Police	11,283,061	11,336,300	7,744,180	11,210,814	(125,486)
340	Fire	6,491,968	6,559,344	4,269,584	5,964,215	(595,129)
370	Community Services	1,939,983	1,955,283	1,186,923	2,436,146	480,863
450	DPW Administration	756,075	776,330	532,984	606,410	(169,920)
701	P & R Administration	759,883	760,546	531,802	600,601	(159,944)
702	Recreation	237,974	237,974	174,067	256,901	18,926
703	Arena	932,728	1,058,815	747,503	892,506	(166,309)
705	Parks	994,640	1,017,682	659,274	1,113,603	95,921
706	Sr. Center	554,364	555,699	348,225	528,298	(27,401)
708	Boating				239,783	239,783
709	Pool				321,855	321,855
855	Golf				1,180,497	1,180,497
910	Corporate Insurance	824,376	1,364,053	910,020	738,795	(625,258)
	TOTAL	35,238,445	36,176,459	23,709,969	37,115,632	939,174

In the analysis that follows for each department, the changes will typically be broken out by expenditure classification (Personnel, Operating and Capital Outlay) and then line item, program or policy and compared to the previous year.

Also, copies of the most recent *Five Year Forecast* and *Capital Outlay Request* can be found in Exhibit 4 at the end of the budget book binder.

101 – City Council [Pages 4 - 5. Total budget increase \$39]

The City Council budget is relatively status quo with no capital outlay projects or personnel changes.

115 – Boards and Commissions [Pages 6 – 7. Total budget increase of \$116,870]

Boards and Commissions remains fairly status quo with the exception of the addition of the skate park project in the amount of \$110,800. Council takes formal action on the Miscellaneous account 950.000 items.

140 – District Court [Page 6 - 7. Total budget increase \$198,166]

Personnel – Includes 1 additional Cashier position. The increase in wages/salaries of \$61,822 is primarily due to this and the 2% raises mentioned earlier. Fringes have increase by \$130,052 largely due to the new methodology used in allocating pension costs.

Capital Outlay – None.

170 – City Manager [Page 10- 11. Total budget decrease \$26,530]

Personnel – No change in personnel with a \$15,145 decrease in benefit costs for existing staff.

Operating –

810 – This account decreased \$16,500 due to the actuarial services not being needed for bargaining this year.

Capital Outlay – None.

201 – Finance Department [Pages 12 - 13. Total budget increase \$53,241]

Personnel - No change in personnel with an increase of \$50,889 in benefit costs for existing staff. The department continues to assume investment responsibilities since October, 2014 at a savings of \$3,000 per month.

Operating – Allocation of audit charges and other changes resulted in a net increase in operating costs of \$4,826.

Capital Outlay – None.

210 – City Attorney [Pages 14 - 15. Total budget decrease \$50,000]

Operating – The \$50,000 decrease is a result of reductions in arbitration fees & labor attorney costs.

There are no personnel or capital outlay in this budget.

215 – City Clerk [Pages 16 - 17. Total budget increase \$57,750]

Personnel - No change in full-time personnel with a net decrease of \$15,709 for existing staff benefit costs.

Operating Costs – Several line items decreased by a total of \$32,666 due to the reduction in the number of elections in FY 2018.

Capital Outlay – This includes \$125,000 to implement a new state/county voting system.

241 – Assessing [Pages 18 - 19. Total budget decrease \$26,332]

The Assessing budget is relatively status quo with no capital outlay projects or personnel changes. The majority of the decrease is due to a \$27,773 reduction in benefit costs for current staff.

253 – General Government [Pages 20-21. Total budget increase \$105,731]

There are no personnel assigned to this department. The wages and fringes listed here are accrued leave payouts for retiring employees and health care costs for current retirees. This accounted for \$60,731 of the increase. An additional \$45,000 is budgeted to increase the transfer to the Library to \$75,000. This can be adjusted based on final operating results for FY 2017.

Capital Outlay - None

255 – Communications [Pages 22 - 23. Total budget increase \$25,311]

Personnel - No change in personnel with a decrease of \$3,573 due to a reduction in benefit costs for existing staff.

Operating – Computer use, repair & replacement costs increased \$23,834 from last year. The City continues to lease studio space from South Lake School District in exchange for in-kind services.

Capital Outlay – Includes \$20,000 to upgrade the Nexus video server, television programming and bulletin board system.

258 – Information Systems [Pages 24 - 25. Total budget decrease \$24,374]

Personnel - No change in personnel with \$28,534 of the above change due to decreased benefit costs for existing staff.

Capital Outlay – Capital purchases are budgeted in the Computer Replacement Fund [Page 72]. The Computer Replacement Fund was established to provide a steady source of revenue to allow the City to keep pace with technology changes. The source of revenues is a chargeback to user departments in their 930.090 line item. These funds are then used for routine maintenance, repairs, replacement and upgrades of desktop computers, laptops, servers and system software.

266 – Building Maintenance [Pages 26 - 27. Total budget increased \$40,903]

Personnel – No change in personnel with \$23,955 of the above change due to decreased benefit costs for existing staff.

Operating – Minimal changes resulting in a decrease of \$5,142

Capital Outlay – The budget increase is largely due to a proposed lift truck for \$70,000.

300 – Police [Pages 28 - 29. Total budget decrease \$125,486]

Personnel – There is no change in personnel as total staffing level remains at 89 positions. Per contract, wages will be increased 2% effective July 1, 2017. Based on this and step increases for new officers hired in the last five years, total wages and benefits for existing staff actually decreased \$44,579. The increase in wages is less than expected because there were vacant POA positions at the time the budget was prepared. Because new officers are hired at a lower rate than the officers they replace, the resulting savings in wages and pension alone is \$46,000 per officer.

Operating –

810 – Services decreased by \$41,740. Most of this is due to a reduction in SERESA costs of \$42,530.

930 – Repairs & maintenance increased by \$25,539 primarily due to increases in computer support of \$8,939 and \$17,000 for in-car video systems.

940 – Vehicle rentals decreased by \$75,710 as actual Motor Pool costs allocated for the Police fleet decreased for fuel, repairs and maintenance.

Capital Outlay – The budget includes replacement of 5 high mileage/maintenance vehicles at a total cost of \$195,000. Other items include replacement radios (\$20,000), security cameras & server (\$30,000) and radar units (\$3,500) for a total capital outlay budget of \$248,500. Please refer to the budget book binder for a more detailed justification/cost-benefit analysis.

<u>980-CAPITAL OUTLAY</u>	
(5) Patrol Cars	195,000
Radios	20,000
Security cameras & server	30,000
Radar units	3,500
	<hr/>
	248,500

Revenues – Revenues increased by \$2,888,873 based on the following:

410.000 – Property tax allocation increased by \$2,877,546 based on a formula that pro rates the new 5.0 mill operating between police and fire based on total budgets.

340 – Fire [Pages 30 - 31. Total budget decrease \$595,129]

Personnel – No changes in personnel as total staffing level remains at 50 positions. Wages will be increased 2% on July 1, 2017 along with ongoing step increases for firefighters hired in the last five years. Based on this, total wages and benefits for existing staff increased \$172,767.

Operating –

930 – Repairs & maintenance decreased by \$33,963 due to reductions in computer support of \$15,870 and resealing of the North Station bay floor of \$15,000.

940 – Vehicle rentals had a slight increase of \$5,354 as actual Motor Pool costs for the Fire Dept fleet increased for fuel, repairs and maintenance.

Capital Outlay – This has decreased by \$740,509 for a total of \$107,691 in proposed purchases this year:

<u>980-CAPITAL OUTLAY</u>	
(1) Stryker cots	9,791
Rescue 42 truck kit with strut jacks	6,500
(1) Extrication equipment (.347)	39,000
Radios (10% match)	20,000
(2) Thermal imaging cameras	24,000
(2) Replace bay doors	5,000
(1) Rescue saw replacement	3,400
TOTAL	<u>107,691</u>

Please refer to the budget book binder for additional information and a more detailed justification/cost-benefit analysis on capital outlay projects.

370 – CDI [Pages 32 - 33. Total budget increase \$480,683]

Personnel – No change in personnel with \$51,731 of the above change due to increased wage and benefit costs for existing staff.

Operating –

810 – Services increased by \$72,200 primarily due to increases in rental inspections of \$9,000 and weed control of \$50,000.

930 – Repairs & maintenance increased by \$400,000 due to the sidewalk replacement program being reinstated. Correspondingly, revenues increased by \$480,000 for the resident’s share of these programs.

Capital Outlay – None.

450 – DPW Administration [Pages 34 - 35. Total budget decrease \$169,920]

Personnel - No change in personnel with \$16,053 of the above change due to net of increased wages and decreased benefit costs for existing staff.

Operating –

940 – Vehicle rentals decreased by \$119,080 as Motor Pool costs allocated for the fleet decreased for fuel, repairs and maintenance.

Capital Outlay – Decreased by \$28,276 to zero.

701 - Parks & Recreation Administration [Pages 36 - 37. Total budget decrease \$159,944]

Personnel - No change in personnel with \$3,611 of the above change due to increased wages and decreased benefit costs for existing staff.

Operating –

810 – Services increased by \$17,500 with the addition of a five year master plan.

960 – Transfers decreased \$152,731 with the elimination of the Recreation Revenue Fund transfer to cover minimum working capital requirements.

Capital Outlay – Decreased by \$21,145 based on the following projects for FY 2018.

<u>980-CAPITAL OUTLAY</u>	
Curb and sidewalk repairs	10,655
Carpeting	8,200
	<hr/>
	18,855

702 – Recreation [Pages 38 - 39. Total budget increase \$18,926]

The Recreation budget is relatively status quo with no capital outlay projects or personnel changes. However, temporary wages and benefits increased by \$24,326 due to the combined effect of increased hours and a higher minimum wage.

703 – Arena [Page 40 - 41. Total budget decrease \$166,309]

Personnel - No change in personnel with \$25,921 of the above decrease due to the reallocation of unfunded pension liability.

Operating –

940 – Overall vehicle rentals went down by \$15,606 as actual Motor Pool costs for the Zambonis decreased for fuel, repairs and maintenance. Note that this line item of \$53,732 now includes a Motor Pool rental of \$20,000/year for five years for the purchase of a new Zamboni. Please refer to the budget book binder for a more detailed justification/cost-benefit analysis.

Capital Outlay – Decreased by \$126,213 with the following proposed projects for FY 2018:

<u>980-CAPITAL OUTLAY</u>	
Locker room renovations	30,000
Upgrade to Gardens electrical panel	12,000
TOTAL	42,000

705 – Parks [Pages 42 - 43. Total budget increase \$95,921]

Personnel – The Golf Course Superintendent is no longer allocated 40% to Parks. The overtime hours have increased and so has the budget – by \$23,600. The net result of these and the reallocation of unfunded pension is a reduction of \$36,959 in personnel costs.

Operating –

920 – Utility costs have increased by \$6,000 as rates and consumption have gone up.

930 – Repairs & maintenance to the building and equipment increased \$7,452.

940 – Vehicle rentals were increased by \$15,123 as actual Motor Pool costs for the Parks Dept fleet increased for fuel, repairs and maintenance. Rentals also increased because Motor Pool is going to transfer 3 used pickups to the Parks Department that are being replaced in Water & Sewer.

Capital Outlay – Increased from \$18,195 to \$122,000 with the following projects proposed for FY 2018:

<u>980-CAPITAL OUTLAY</u>	
Blossom Heath Beach House - repaint	35,000
Kyte-Monroe – horse shoe pit lighting	12,000
Veterans Memorial Park – splash park	11,500
Replace playground equipment	60,000
Replace BBQ grills in parks	3,500
TOTAL	122,000

706 – Senior Center [Pages 44 - 45. Total budget decrease \$27,401]

Personnel - No change in personnel with an increase of \$27,311 due to increased wages and benefit costs for existing staff, the majority of which is due to reallocation of the unfunded pension liability.

Operating –

940 – Vehicle rentals decreased by \$52,365 as Motor Pool costs allocated for the fleet decreased for fuel, repairs and maintenance.

Capital Outlay – None. The building expansion project is still in process.

708 – Boating [Pages 46 - 47. Total budget increase \$14,413]

Personnel – No change in personnel with \$12,619 of the above change due to increased salary and benefit costs for existing temporary staff such as minimum wage increases. Dock attendant hours were also increased slightly from 4,941 to 5,245.

Operating –
Slight increase of \$1,794 to operating costs.

Capital Outlay – The only capital outlay item is \$5,000 to replace five power pedestals in the marina.

Revenues – The revenue budget has increased by \$18,680 from \$291,620 to \$310,300. This is primarily due to an increase of boat well rentals of \$16,680.

<u>BOATING REVENUES</u>	
607.100 Wells Blossom Heath	10,000
607.200 Wells Lac St Clair	180,000
607.300 Transient Wells	2,000
607.400 Pump Out Charges	100
607.500 Boat Ramp Annual	20,000
607.600 Boat Ramp Daily	90,000
606.200 Miscellaneous	1,200
607.800 Boat Storage Rental	7,000
TOTAL	310,300

709 – Pool [Pages 48 - 49. Total budget increase \$11,038]

Personnel – No change in personnel with \$5,992 of the above change due to increased salary and benefit costs for existing temporary staff such as minimum wage increases.

Operating –
920 – Utilities increased by \$7,500

Capital Outlay – None

Revenues – The revenue budget has decreased by \$32,194 - from \$206,194 to \$174,000 - as a result of a projected decline in attendance. i.e. 2016 was perfect in terms of weather and not likely to be repeated, although we can only hope.

<u>POOL REVENUES</u>	
606-Pool	
- Pool	100,000
- Concessions	24,000
- Waterslide	50,000
TOTAL	174,000

855 – Golf Course [Pages 50 - 51. Total budget decrease \$209,754]

Personnel – The Golf Course staffing has been reorganized. The previous Crew Leader has been promoted to Superintendent with 100% of his costs allocated to the Golf Course. The Crew Leader position has been eliminated and the Office Manager position upgraded to Operations Manager. A new temporary position has been created for an Assistant Superintendent. The net result of the reorganization and other changes has resulted in a decrease in personnel costs of \$42,971.

Operating –

810 – Services increased \$9,000 as credit card service fees went up by \$5,000 and a new golf cart service contract was added for \$6,000.

920 – Utility costs are projected to decrease by \$21,850.

930 – Repairs & maintenance increased \$14,617 as machinery & equipment repairs are expected go up by \$10,000.

940 – 960 – Rentals and transfers decreased \$112,050 due to one-time costs last year for purchase of the golf carts.

Capital Outlay – Capital outlay decreased by \$46,500 with the following proposed projects for FY 2018:

<u>980-CAPITAL OUTLAY</u>	
Equipment hoist	6,500
Cart path replacement	40,000
Sprayer	58,000
TOTAL	<u>104,500</u>

Revenues – The revenue budget has decreased by \$102,000 - from \$1,341,000 to \$1,239,000. This is because last year's budget included \$102,000 from the sale of golf carts and a larger contribution from the Golf Capital Fund.

<u>GOLF COURSE REVENUES</u>	
Contrib. from Golf Capital	50,000
608.100 Greens fees	60,000
608.150 Greens fees riding	650,000
608.175 Greens fees league	280,000
608.200 Cart rental	45,000
608.300 Retail sales	38,000
608.400 Memberships	18,000
608.600 Golf outing revenue	50,000
608.500 Clubhouse Rent	24,000
608.800 Clubhouse Utility Share	24,000
TOTAL	<u>1,239,000</u>

135 - Golf Course Capital Fund [Page 74.]

Revenues – The additional \$1.00 in greens fees per round is projected to generate \$50,000 in FY 2018.

These funds and any fund balance carried over from the previous year are transferred in their entirety to the Golf Course for approved capital outlay projects.

910 – Insurance [Pages 52 - 53. Total budget decrease \$625,258]

This budget is based on premium contributions and actual claims experience and is adjusted at year end via carryovers.

LIBRARY FUND [Pages 54 - 55. Total budget decrease \$5,281]

Personnel – No change in personnel with \$26,552 of the above change due to increased wage and benefit costs for existing staff.

Operating –

920 – Utility costs increased 6.5% in the amount of \$5,477.

930 – Repair & maintenance costs decreased by \$6,910 as computer support costs dropped.

Capital Outlay – Decreased by \$30,500 to \$100,000 and now only includes funding for new books and materials. This was previously funded based on carryover of which there may not be as much. Included in the budget book is a 10 year history of actual expenditures for consideration.

980-CAPITAL OUTLAY	
New books and materials	100,000
TOTAL	100,000

Revenues – Revenues are up slightly – by \$60,222. The General Fund transfer is necessary to balance the budget. This can be adjusted based on actual carryover funds available at year end.

LIBRARY FUND REVENUES (.8984 mills)	
410-Property Taxes	1,301,586
657-Library Fines / Fees	45,000
657 Library Coffee House	1,000
State Aid	39,000
Library Penal Fine	52,000
675.000 Donations	4,000
Transfer from General Fund	75,000
TOTAL	1,517,586

SANITATION FUND [Pages 56 - 57. Total budget increase \$97,227]

There are no personnel or capital outlay in this budget.

Operating –

810 – Services increased \$84,436 for rubbish collection, disposal and hauling costs

940 – Vehicle rentals were increased by \$7,657 as actual Motor Pool costs increased for insurance, fuel, repairs and maintenance.

Revenues –

<u>SANITATION FUND REVENUES (2.2956</u>	
<u>mills)</u>	
410-Property Tax	3,325,817
695.520 Cart sales (less sales tax)	75,000
664-Interest earned	30,000
TOTAL	3,430,817

POLICE & FIRE PA 345 FUND [Pages 58 and 74. Increased \$470,873]

This special revenue fund is used to account for revenues and expenditures related to pension and post-employment benefits (OPEB) for police officers and fire fighters. This budget also includes pre-funding 25% of the OPEB liability in the amount of \$656,960.

There are no personnel or capital outlay in this budget.

Revenues –

<u>P & F ACT 345 FUND</u>	
<u>REVENUES</u>	<u>(6.5590 mills)</u>
410-Property Tax	9,430,272
TOTAL	9,430,272

UTILITY FUND [Page 60]

The transition to the regional Great Lakes Water Authority (GLWA) is now complete. The GLWA estimates the cost of supplying drinking water to customers to be 90% fixed and does not fluctuate based on usage. Therefore, in order to make up the revenue shortfall from lower water sales the GLWA has changed to more of a fixed fee method of billing their wholesale customers. The rate methodology for water purchases has been modified to collect 60% of revenue as a fixed cost, regardless of consumption. This effectively increases the unit cost of drinking water.

The following table provides a brief comparison of utility rates and consumption.

UTILITY FUND OPERATING STATISTICS					
WATER & SEWER	Actual	Actual	Adopted	Proposed	% Increase
	FY 2015	FY 2016	FY 2017		
Water Sold (in mcf)	214,200	195,000	199,000	199,000	0.0%
Water Purchased (in mcf)	255,000	217,000	221,000	207,000	-6.3%
Loss	16%	10%	10%	10%	
Water Consumption Rate (in mcf)	\$36.33	\$41.70	\$44.70	\$47.38	6.0%
Sewage Disposal Rate (in mcf)	\$53.39	\$56.57	\$60.64	\$64.25	6.0%
Storm Sewer Rate - Quarterly Residential Rate (per implementation study)	\$8.52	\$8.52	\$8.52	\$8.52	0.0%
GLWA Water Rate (per mcf)	\$12.32	\$12.96	\$13.62	\$15.31	12.4%
SMDS Sewer Rate (per mcf)	\$30.43	\$36.97	\$41.11	\$43.00	4.6%
Billing Charge Per Bill	\$5.00	\$15.00	\$16.08	\$17.10	6.3%
Operation & Maintenance	\$0.49	\$0.49	\$0.49	\$0.49	0.0%
Cost of one gallon of water before fixed chgs.	\$0.012	\$0.013	\$0.014	\$0.015	
Avg. Quarterly bill based on 2.5 mcf	\$238.31	\$269.69	\$288.44	\$305.19	5.8%

Rates – For FY 2018 the effective commodity unit cost of water from the GLWA has increased 12.4% and the relative sewer increase is 4.6%. Based on a proposed across the board rate increase of 6.0%, the average residential customer that uses 2.5 mcf will see a 5.8% increase in their bill.

Revenues – While rates have steadily increased due to the pass through charges from the GLWA, working capital in the Utility Fund has declined from \$21.4 million on July 1, 2015 to \$10.0 million projected as of June 30, 2018 – a decrease of \$11.4 million. In other words, the City has been absorbing a significant portion of the GLWA rate increases in order to lessen the cost to residents.

Expenditures – The Water Department capital outlay budget includes almost \$3 million for infrastructure improvements. The Sewer Department operating budget includes \$3.5 million to televise and clean all sanitary sewer mains, repair high priority sewer lines and begin a root treatment program. The Storm Sewer Department capital outlay budget includes almost \$300,000 in improvements to the system.

	**** UTILITY ****		
	FY 2016	FY 2017	FY 2018
BEG WORKING CAPITAL 7/1	21,435,809	20,478,929	13,104,618
REVENUES:			
Water Consumption Charges	8,004,081	8,895,300	9,428,620
Sewage Disposal Charges	10,855,291	12,067,360	12,785,750
Storm Sewer Charges	1,150,109	1,177,369	1,177,369
Tap Fees	39,850	30,000	30,000
Billing Charge	1,824,745	1,958,930	2,083,190
Rentals/Spec Assess		16,200	16,200
Repairs, Misc.	74,124	51,000	51,000
IWC Charges	256,926	420,000	420,000
Penalties	282,673	220,000	220,000
Interest Earned	40,670	50,000	50,000
Sale of Equipment	(63,765)		0
Property Taxes	2,450,072		0
Grant - Incl \$320,000 Carryover	1,153,702		0
Contribution - Clean Water	452,248		0
TOTAL	26,520,725	24,886,159	26,262,129
OPERATING EXPENSES			
Water	8,821,385	16,436,587	12,435,829
Sewer	13,421,999	15,903,620	17,644,426
Storm Sewer	1,280,572	2,330,263	1,710,661
TOTAL	23,523,956	34,670,470	31,790,916
Changes in Curr Assets & Liab	487,526		
Less: Principal Payments	(2,548,878)	incl in above	incl in above
Less: Capital Purchases	(4,328,504)	incl in above	incl in above
Plus: Depreciation	2,436,207	2,410,000	2,436,000
END WORKING CAPITAL 6/30	20,478,929	13,104,618	10,011,832

860 - Water [Pages 61 - 62. Total budget decrease \$4,000,758]

Personnel – No change in full-time personnel with \$29,856 of the above change due to increased wage and benefit costs for existing staff.

Operating –

760 – Water purchases from GLWA have increased by \$159,590 to \$3,168,840.

930 – Repairs & maintenance decreased \$68,854 based on the amended budget but is exactly the same as last year’s adopted budget of \$509,843. This is because last year’s budget was the final year of the meter replacement program.

940 – Vehicle rentals were reduced by \$42,299 as actual Motor Pool costs for the Water Dept fleet decreased for fuel, repairs and maintenance.

960 – The General Fund transfer increased by \$71,250 as a result of increased administrative costs being passed on.

Capital Outlay – After taking out the carryovers from FY 2017, capital outlay has increased by \$264,400 to \$3,587,000. Proposed vehicle acquisitions and infrastructure projects for FY 2018 include:

<u>980-CAPITAL OUTLAY</u>	
.001 (1) Stump grinder	50,000
.001 SCADA Remote Pressure Readers	100,000
.001 (3) Pickups	130,000
Paint interior of 10 Mile storage tank	450,000
<u>.893 Local Water Main Replacements:</u>	
12 Mile (Harper to Jefferson)	1,550,000
Clairwood (Dead End) WM Exten	72,000
Nine-Mack Drive WM Replacement	275,000
14 Mile (SS-02) PRV Rebuild	960,000
TOTAL	<u>3,587,000</u>

870 – Sanitary Sewer [Pages 63 - 64. Total budget increase \$1,740,806]

Personnel – No change in full-time personnel with \$11,552 of the above change due to decreased benefit costs for existing staff.

Operating –

820 – Sewage disposal costs paid to South East Macomb Sanitary District (SEMSD) have increased slightly by \$14,687 to \$9,321,087. These represent 100% fixed costs that the City pays regardless of the amount of flow.

930 – Repairs & maintenance increased by \$3,024,925 as the City has added \$3,570,000 to televise and clean all sanitary sewer mains, repair high priority sewer lines and begin a root treatment program.

940 – Vehicle rentals were increased by \$37,587 as actual Motor Pool costs for the Sewer Dept fleet increased for fuel, repairs and maintenance.

960 – The General Fund transfer increased by \$71,250 as a result of increased administrative costs being passed on.

Capital Outlay – Capital outlay has decreased by \$1,406,742 when compared to the FY 2017 amended budget with proposed projects and vehicle replacements for FY 2018 as follows:

<u>980-CAPITAL OUTLAY</u>	
.001 (1) Pickup 4X4	50,000
Clairwood (Jefferson to LSC)	100,000
Beste (Gaffke to 12 Mile)	635,000
TOTAL	<u>785,000</u>

452 – Storm Sewer [Pages 65 - 66. Total budget decrease \$619,602]

Personnel – No change in full-time personnel with \$7,132 of the above change due to decreased benefit costs for existing staff.

Operating –

930 – Repairs & maintenance decreased \$129,425 because of budget amendments included in FY 2017 for \$154,425.

Capital Outlay – The decrease of \$499,181 was for several non-recurring projects that were carried over or included in FY 2017 - the SAW grant project and renovations at Kyte-Monroe. The capital outlay projects for FY 2018 include the following:

<u>980-CAPITAL OUTLAY</u>	
Pump station flatbed & crane lift	30,000
Sewer camera	100,000
SCADA improvements	50,000
Misc pump repairs	100,000
TOTAL	<u>280,000</u>

MOTOR POOL FUND [Pages 67 - 68. Total budget decrease \$501,375]

Personnel – No change in full-time personnel with \$28,443 of the above change due to decreased benefit costs for existing staff.

Operating –

750 – Operating supplies decreased \$100,000 based on fuel prices being lower than a year ago.

960 – The General Fund transfer increased by \$3,000 as a result of higher administrative costs being passed on.

Capital Outlay – The only capital outlay item is \$100,000 for the purchase of a Zamboni for the Arena that will be paid back to the Motor Pool over 5 years. Otherwise, vehicles and equipment are charged directly to each department.

Revenues – The Motor Pool generates \$1,231,399 in revenue from chargebacks to other departments for fuel, repairs and maintenance.

<u>MOTOR POOL REVENUES</u>	
695-Miscellaneous	
640-Rental Charges to Departments	1,231,399
664-Interest earned	1,000
TOTAL	1,232,399

MAJOR AND LOCAL STREET FUNDS [Pages 70 - 71. Total budget decrease \$630,827]

Personnel – No change in full-time personnel with \$29,485 of the above change due to decreased benefit costs for existing staff.

Operating –

810 – Services increased \$25,000 over last year’s adopted budget due to adding the PASERS rating system for asset management.

920 – Utility expenses were increased by \$20,000 based on historical costs.

930 – Repairs & maintenance increased by \$122,000 due to addition of a Forestry Grant in the amount of \$100,000. Other increases included \$20,000 to the salt budget due to higher unit prices.

940 – Vehicle rentals were increased by \$36,857 as actual Motor Pool costs for the Street Dept fleet increased for fuel, repairs and maintenance.

960 – Transfer for debt service decreased by \$195,009 with the payoff of the DTE-LED loan.

Capital Outlay – Capital outlay costs show a decrease of \$545,800 as compared to the FY 2017. Proposed projects for FY 2018 include:

<u>980 – STREET PROJECTS:</u>	
Clairwood (Jefferson to LSC) – Millage	650,000
Beste (Gaffke to 12 Mile) – Millage	680,000
Malvern (Colony to Canterbury)	420,000
Nine – Mack Reconstruction – TIP	216,000
10 Mile Resurfacing (L. Mack to Jefferson) - TIP	250,000
TOTAL	2,216,000

Revenues – MDOT revenues increased by \$240,650, from \$4,466,005 to \$4,706,655. The \$810,060 transfer from the Municipal Street Fund is the balance of the street millage proceeds available for street projects.

<u>STREET REVENUES</u>	
MVH Fund Revenues	4,706,655
Transfer from Municipal Street Fund	810,060
Interest Revenues	6,500
Tree Replacement	8,000
695.000 Miscellaneous revenue	14,500
695.000 Code enforcement clean-up	7,000
636.000 Right of Way Fees (Metro Act)	185,000
Block Grant	420,000
Forestry grant	100,000
TOTAL	6,257,715

MUNICIPAL STREET FUND [Page 69. Total budget increase of \$30,858.]

There are no personnel or capital outlay in this budget. The street improvement projects are budgeted in the Major and Local Funds.

Operating –

920 – The largest expenditure is \$950,000 for street lighting.

960 – Transfers – A portion of the unexpended balance is being transferred to Local Streets in the amount of \$810,060 to fund road projects.

Revenues – Property tax revenues of \$1,760,060 will be generated.

DRUG LAW ENFORCEMENT FUND [Pages 72 - 73.]

Personnel – None.

Operating – Reduction of \$11,960.

Capital Outlay – None.

Revenues – No change.

<u>DLEF REVENUES</u>	
500-Seizure, Forfeiture & Sale - Federal & State Combined	183,300
664-Interest Earned	500
TOTAL	<u>183,800</u>

DEBT [Page 75]

A complete debt schedule showing principal and interest payments for FY 2018 can be found on page 75 of the budget document. Payments decreased slightly from \$5,362,960 in FY 2017 to \$5,236,159.

Hopefully this synopsis has been helpful. As always, please contact me at any time if you have questions.

Michael E. Smith
City Manager