



City of Berkley, Michigan

Proposed Budget for Fiscal Year 2018-19

Budget Work Sessions May 14 – 16, 2018

Budget Session 1, May 14, 2018



- **General Fund Revenue Overview**
 - Property tax review
 - State Shared Revenue
 - Charges for services
 - Other revenue
- **General Fund Expenditures Overview**
 - Salaries and fringes
 - Contractual services
 - Capital outlay
- **General Fund Fund Balance**

Budget Session 1, May 14, 2018



- City Council – 101
- City Manager – 172
- City Attorney – 210
- City Hall – 265
- Public Safety
 - Public safety administration – 302
 - Dispatch - 306
 - Animal control – 307
 - Public safety officers – 310
- Community Promotion – 284
- Library – 738
- Communications – 750
- Information Technology – 755
- DDA – Fund 814
- Capital Project Funds

Multi Year Budgeting



Advantages

- Improved financial management
- Improved long-range and strategic planning
- Linking operating and capital activities, and planning is beneficial to maintain reserve funds.
- Rolling multi-year budget evolves year-round
- Helps to avoid a last minute discovery of a financial crisis.

Challenges

- Unstable local economy - difficulties in forecasting revenues and expenditures
- Projecting revenues and expenditures may be difficult for some departments.

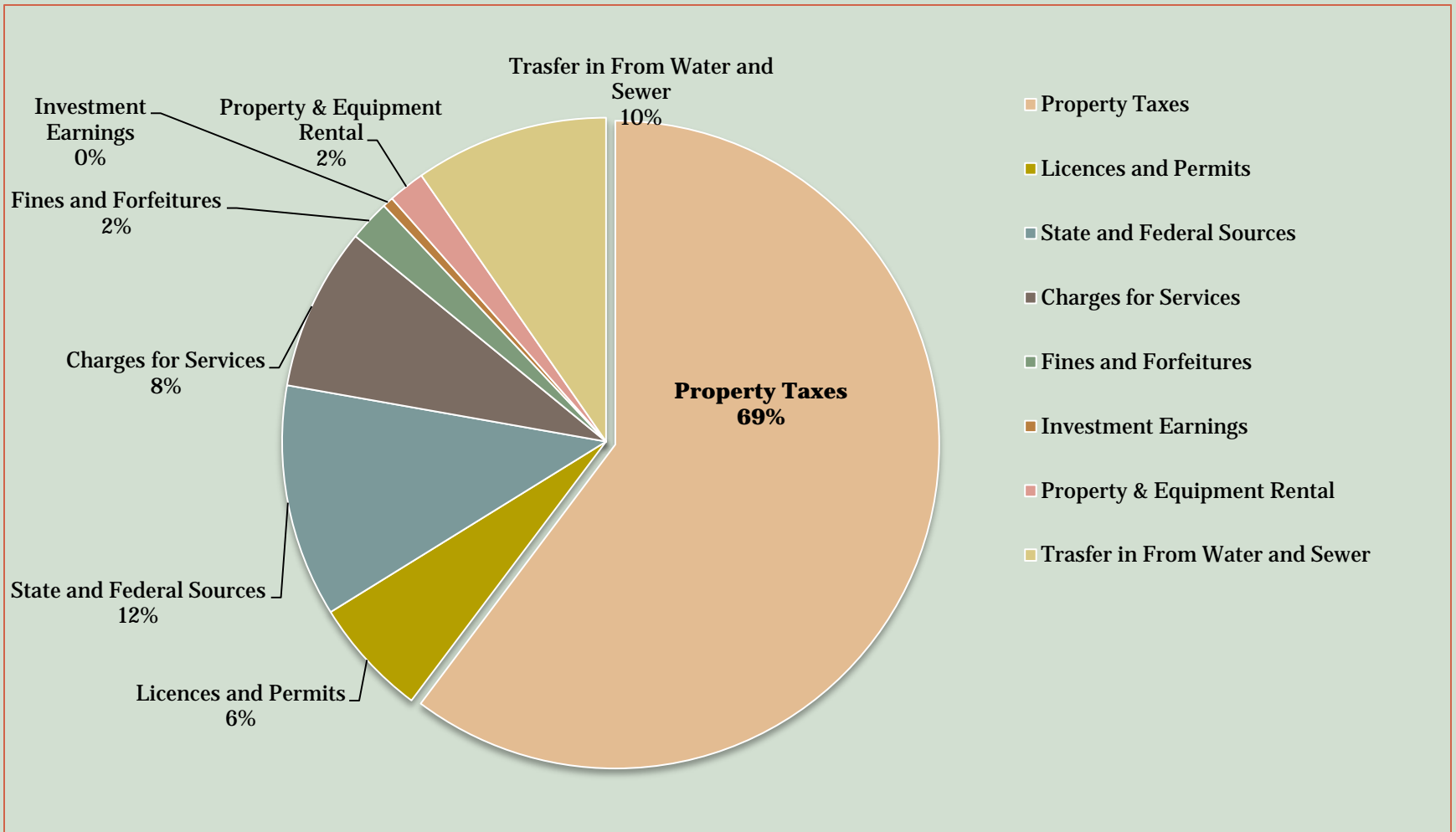
The Michigan Uniform Budget Act, (PA 2 of 1968) still requires an annual budget be approved each year.

General Fund – Overview



- **Fiscal Year 2019 assumptions:**
 - Taxable value increase of 6.6% and a Millage rate decrease of 1.75% estimated to yield an overall tax revenue increase of 5.9%
 - State Shared Revenue increase of 6.6%
 - 2% salary increase
 - 9.8% health care increase (active and retiree)
 - 10% increase in MERS pension costs
 - 6% increase in Public Safety pension costs
 - Decrease in CIP requests of \$511,525
 - Increase in CERP requests of \$1,048,058 (\$900,000 fire truck)

General Fund



Property Taxes – Proposal A



Historical Inflation Rates

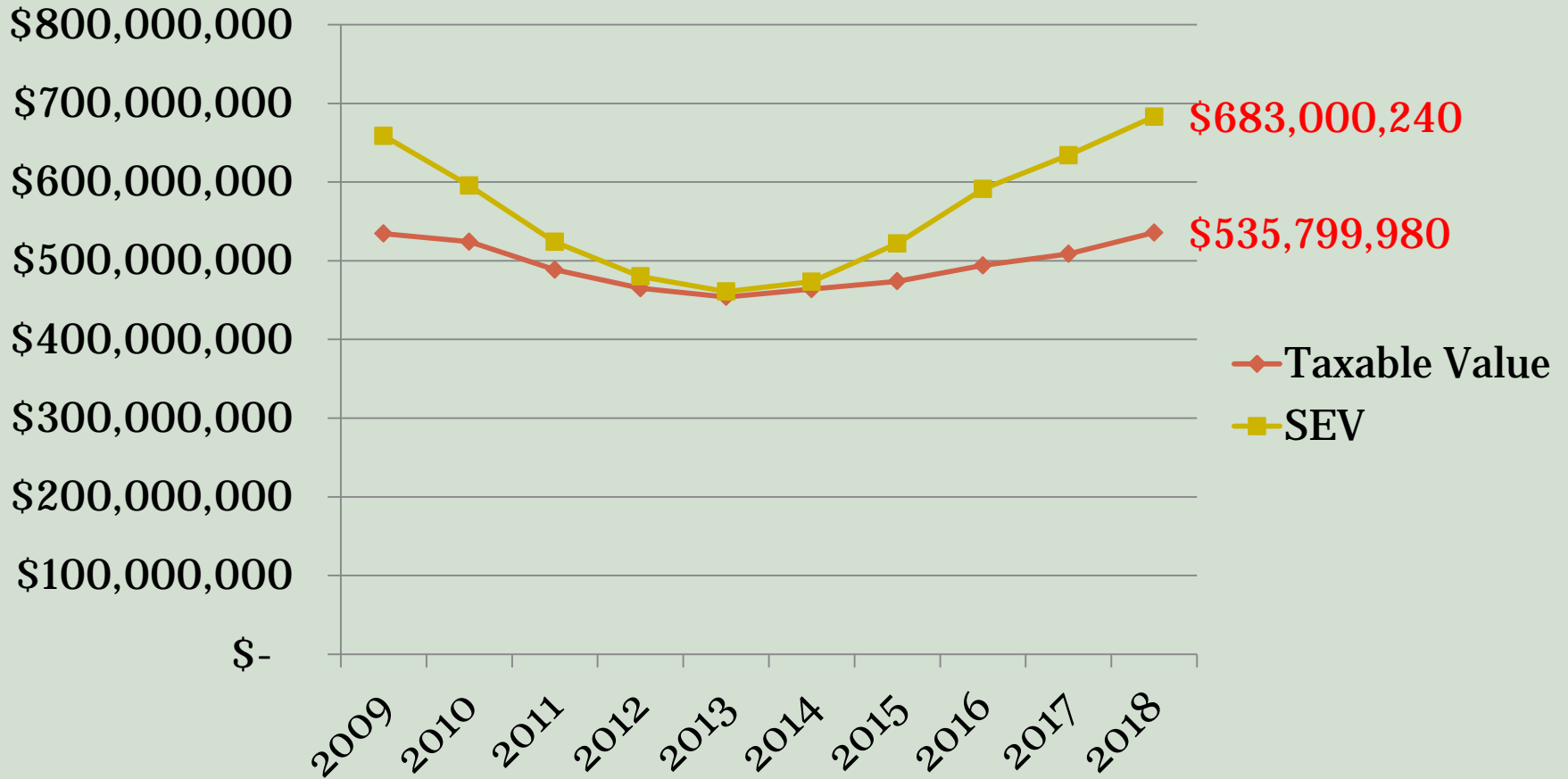
<u>Tax Rate</u>	<u>Inflation Rate</u>
1995	2.6%
1996	2.8%
1997	2.8%
1998	2.7%
1999	1.6%
2000	1.9%
2001	3.2%
2002	3.2%
2003	1.5%
2004	2.3%
2005	2.3%
2006	3.3%
2007	3.7%
2008	2.3%
2009	4.4%
2010	0.997%
2011	1.7%
2012	2.7%
2013	2.4%
2014	1.6%
2015	1.6%
2016	0.3%
2017	0.9%

Prop A limited the growth in taxable value to the lesser of 5% or the rate of inflation.

Example:

Tax year 2016 taxable value	\$75,000
Inflation rate	<u>0.9%</u>
Tax year 2017 taxable value	\$75,675

Property Taxes – Taxable Value vs. SEV



Property Taxes – Headlee Rollback



Fiscal Year	Operating	Public Safety	Sanitation	Reduction Factor
2008	6.3101	1.8927	1.8927	
2009	6.3101	1.8927	1.8927	1.0000
2010	6.3101	1.8927	1.8927	1.0000
2011	6.3101	1.8927	1.8927	1.0000
2012	6.3101	1.8927	1.8927	1.0000
2013	6.3101	1.8927	1.8927	1.0000
2014*	9.3101	1.8927	1.8927	1.0000
2015	9.2831	1.8872	1.8872	0.9971
2016	9.1456	1.8592	1.8592	0.9852
2017	8.9818	1.8259	1.8259	0.9821
2018	8.7590	1.7806	1.7806	0.9752

Reduces millage
when annual growth
on existing property
is greater than the
rate of inflation

* Operating plus additional voted
3 mills

Max operating levy per charter: 10 mills
2014 Voter Approved Operating Millage: 3 mills

Max public safety levy per charter: 3 mills

Max sanitation levy per public act: 3 mills

Total max allowed: 16 mills

Total max reduced to: 12.3202

Loss of mills: 3.6798

Loss of revenue: \$1,969,000

Property Taxes – FY 2019 Levy



Tax Rates per \$1,000 Taxable Assessed Value			
General Fund Purpose:	Tax Rate 2016-17	Tax Rate 2017-18	Estimated Levy 2017-18*
City Operating	6.0876	5.9366	\$ 3,133,339
City Operating - Voter Approved	2.8942	2.8224	1,489,670
Police & Fire Operating	1.8259	1.7806	939,807
Community Promotion	0.0982	0.0933	49,236
Public Act 345	2.5445	2.2684	1,195,549
Total General Fund Levy	13.4504	12.9013	\$ 6,807,601
Special Revenue and Debt:			
Sanitation	1.8259	1.7806	\$ 939,807
11 Mile Road Debt	0.5452	0.4927	259,754
Total Special Revenue/Debt Levy	2.3711	2.2733	\$ 1,199,561
Total	15.8215	15.1746	\$ 8,007,161

	Reduction Factor
2009	1.0000
2010	1.0000
2011	1.0000
2012	1.0000
2013	1.0000
2014*	1.0000
2015	0.9971
2016	0.9852
2017	0.9821
2018	0.9752

*Net of estimated TIF capture

TV increased 5.25%, operating tax revenue increased 2.7% or \$150,000

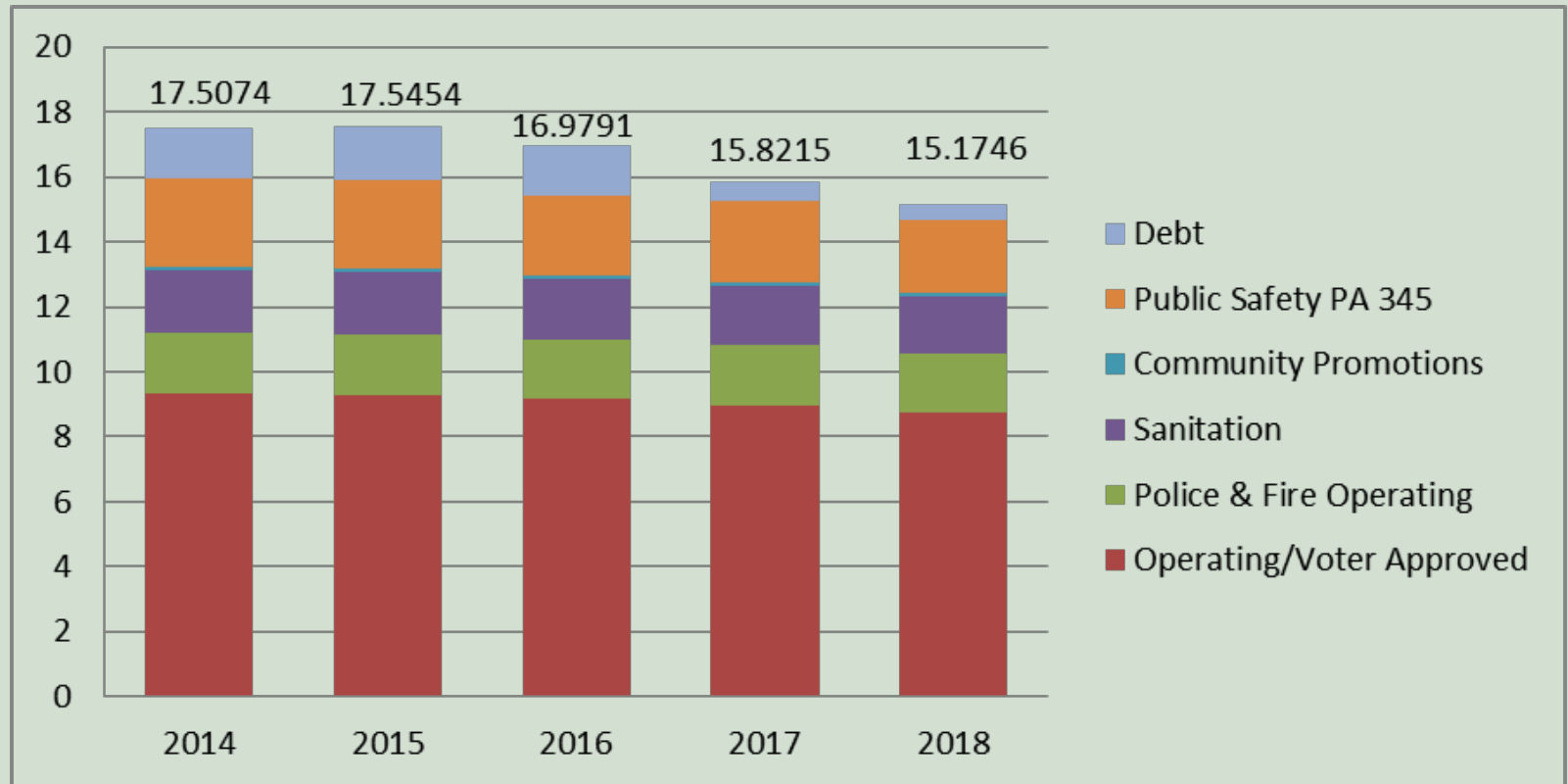
Property Taxes - Neighbors



City	Population	Total City Millage Rate 2015	Property Taxes Paid on \$75,000 TV	1 Mill Generates (Approx):
Novi	58,416	10.2000	765	\$ 3,200,000
Auburn Hills	21,845	10.5602	792	\$ 1,600,000
Birmingham	20,757	11.4943	862	\$ 2,000,000
Beverly Hills	10,267	12.3821	929	\$ 500,000
Ferndale	20,256	14.3528	1,076	\$ 500,000
Berkley	14,970	15.8215	1,187	\$ 500,000
Royal Oak	59,069	17.6796	1,326	\$ 2,400,000
Huntington Woods	6,357	21.5741	1,618	\$ 300,000
Madison Heights	30,267	23.9616	1,797	\$ 800,000
Allen Park	27,566	25.5524	1,916	\$ 800,000
Clawson	11,825	27.2585	2,044	\$ 300,000
Oak Park	29,834	37.6060	2,820	\$ 400,000

*** 2016 Berkley Rate**

Property Taxes – Historical Tax Rates



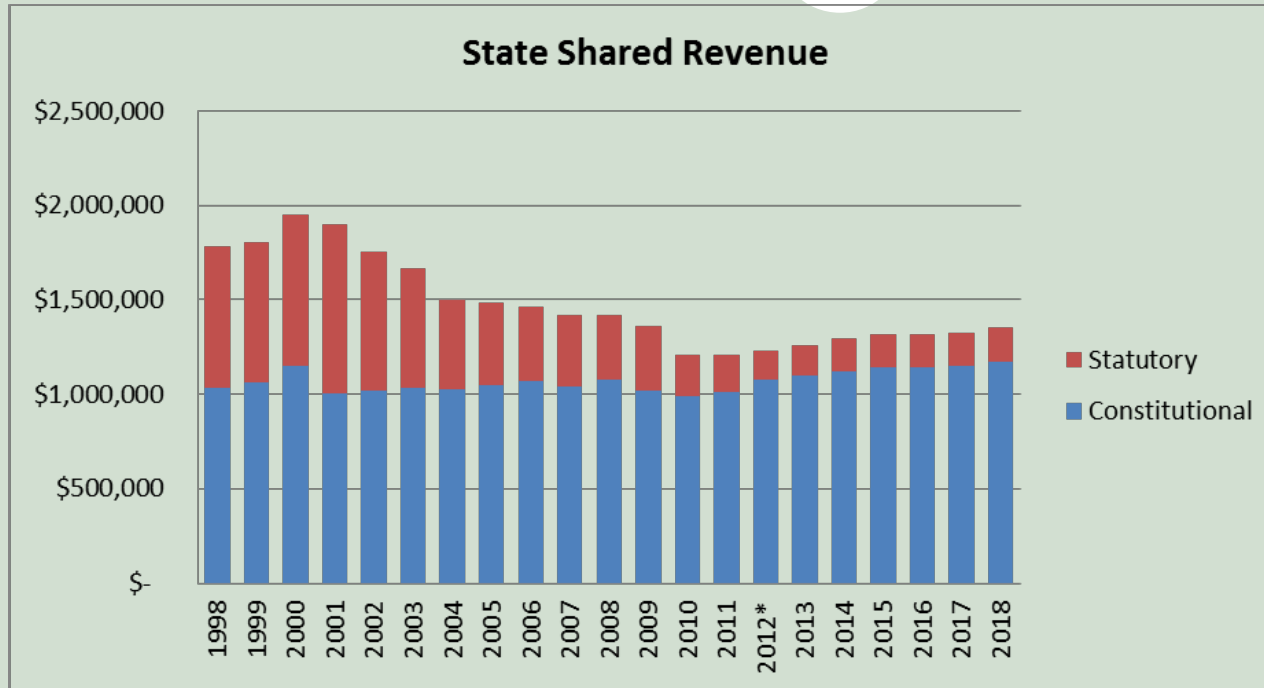
Property Tax – Average Home Owner



Average Home Owners Tax Levy				
\$	150,000	Average Home Value		
\$	75,000	Average Home TV - 2016		
\$	75,675	Average Home TV - 2017 (.9% Inflation Rate)		
Tax Rates per \$1,000 Taxable Assessed Value (TV)				
General Fund Purpose:	Tax Rate 2016-17	Tax Rate 2017-18	2016 Tax Levy (City Only)	2017 Tax Levy (City Only)
City Operating	6.0876	5.9366	\$ 457	\$ 449
City Operating - Voter Approved	2.8942	2.8224	217	214
Police & Fire Operating	1.8259	1.7806	137	135
Community Promotion	0.0982	0.0933	7	7
Public Act 345	2.5445	2.2684	191	172
Sanitation	1.8259	1.7806	137	135
11 Mile Road Debt	0.5452	0.4927	41	37
Total	15.8215	15.1746	\$ 1,187	\$ 1,148

Fiscal Year 2018 City tax levy savings: \$39

State Shared Revenue



2nd largest source of revenue

	2000	2008	2018
Constitutional	\$ 1,149,670	\$ 1,079,094	\$ 1,175,319
Statutory	800,693	342,783	175,461
Total	\$ 1,950,363	\$ 1,421,877	\$ 1,350,780

* **Move from Statutory to EVIP then to CVTRS**

Charges for Services



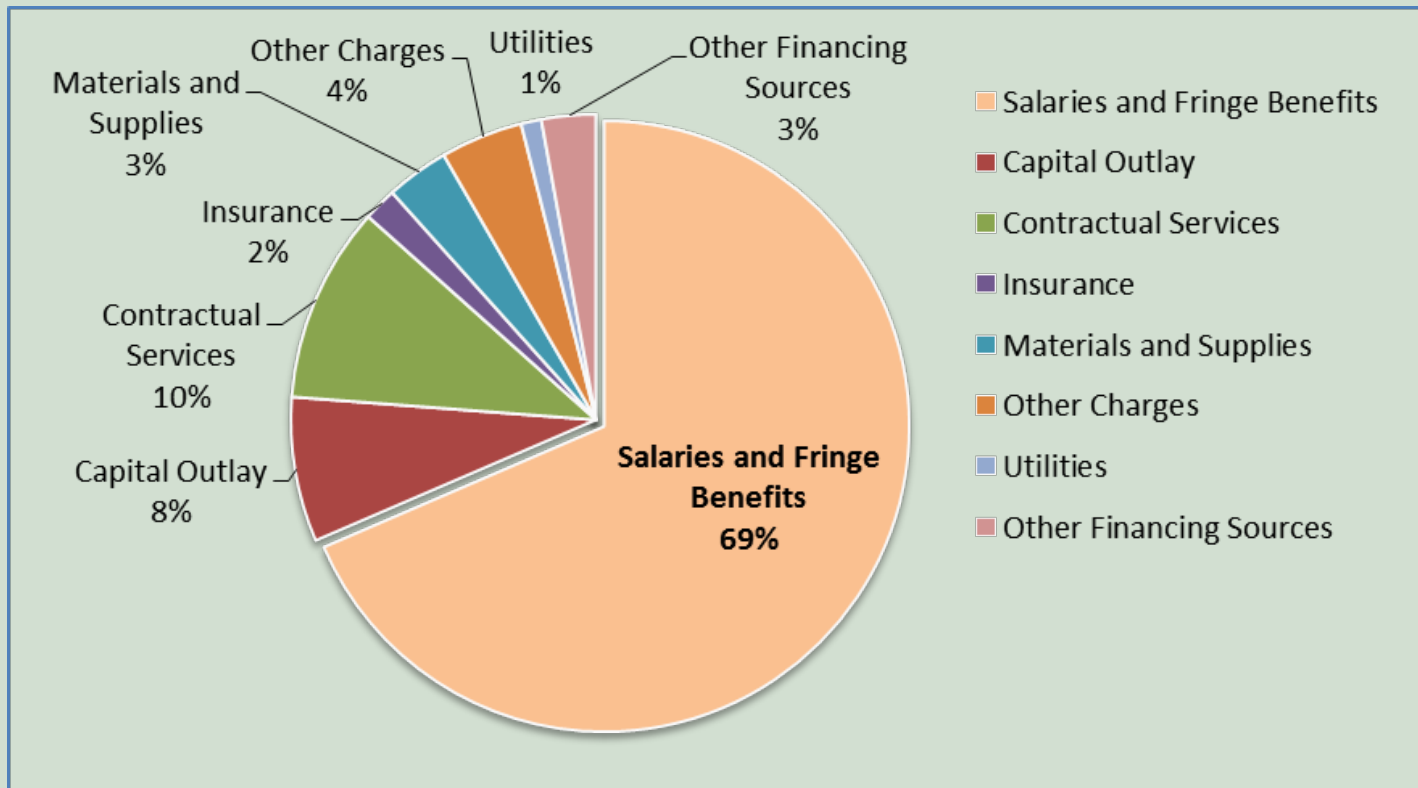
- Breath Test Fee
- Garbage Bags
- Library Services
- Internal Services – Labor
 - To account for administrative department costs; i.e. City Manager, Treasury, Finance). Previously costs were included in wages and salaries in each fund.
- Dispatch Services - **\$18K increase due to new contract**
- Animal Control Services
- Grass & Weed Cutting
- Gas Sales
- Cable Franchise Fees
- Public Safety Services

Other Revenue Highlights



- Licenses and Permits – **12% increase**
 - Increase in new builds: **26 – 2014** **32 – 2015** **46 – 2016**
- Fines and Forfeitures
- Investment earnings
- Property and Equipment Rental
- Contributions and Donations
- Miscellaneous (Medicare Part D reimbursement, insurance reimbursement, sale of fixed assets, prisoner board reimbursement)
- Transfers In

General Fund Expenditures



Total expenditures = \$11,123,130

Salaries and Fringes



- **\$7,623,602** FY 2018.
 - **\$244,333** or **3.2%** greater than FY 2017
- Includes active salary and fringes as well as retiree health care costs
- All funds salary costs increased **4%** due to negotiated contract increases and 1 new DPW staff
- Health care costs increased **9.8%** from the prior year
 - Retirees moved to a Medicare Advantage BCBS plan 3/2017
 - **Self Funding Platform**
- Required pension contributions increased
 - Public Safety – **4%** increase
 - MERS (MERIT and DPW) – **12%** increase

Salaries and Fringes



FULL TIME Equivalent Positions by Department	Budgeted 2018-19	Actual 2017-18	Actual 2016-17	Actual 2015-16	Actual 2014-15
City Manager	2	3	2.6	1.6	1.6
Communications	1	1	1	1	1
Information Technology	1	1	0.75	0.75	0.75
City Clerk/Elections	2	2	1.6	1.6	1.6
Finance	3	3	1.15	1.15	1.15
Treasury	1	1	1.05	1.05	1.05
Public Safety	35	34	34	33	32
Community Development	3	2	1.95	0.95	0.95
Public Works	12	12	1.55	1.54	1.56
Garage	2	1	0.6	0.56	0.49
Parks & Recreation	0	0	3.5	4.2	4.2
Public Safety Pension	0	0	0.15	0.15	0.15
Major Streets	0	0	2.3	2.3	2.33
Local Streets	0	0	1.89	1.99	2.02
Solid Waste	0	0	2.21	2.21	2.17
Recreation Youth/Senior	5	5	0.55	0.5	0.5
Arena	0	0	0.95	1.3	1.3
Library	3	4	3.95	2.95	2.95
Water/Sewer	1	1	7.22	7.17	7.19
Public Works – DDA	0	0	0.03	0.34	0.04
44 th District Court- Berkley	0	0	0	0	6
Total Full Time Equivalent Positions	71	70	69	66.31	71

General Fund - Contractual Services



- **\$1,154,750 – FY 2019 (\$4,400 decrease from FY 18)**
- **Consultant Fees**
- **Audit Fees**
- **Legal Services**
- **Actuarial Services**
- **Inspections in Building Department**
- **Library Co-Op**
- **Assessing Services**
- **Wayfinding**

General Fund - Capital Outlay



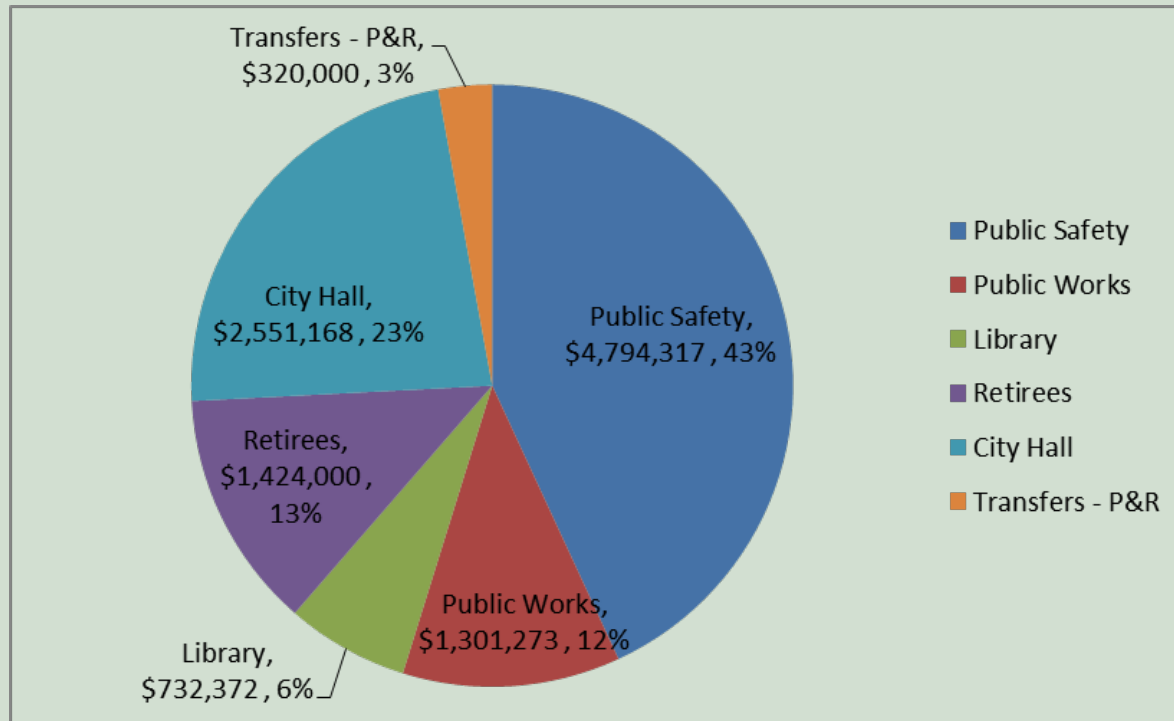
- **\$853,097 FY 2019**
- **Major Projects:**
 - Aerial Ladder Firetruck and Fire Hall expansion- **\$1,175,000**
 - Three Police Vehicles - **\$112,000**
 - In Car Computers – Police Vehicles **\$30,000**
 - DPW Equipment - **\$348,000**
 - ✦ **¾ Ton Pickup 4 WD with Plow**
 - ✦ **¾ Ton Pickup**
 - ✦ **Dump Truck w Plow**

General Fund – Capital Outlay



- **\$1,768,303 FY 2020**
- **Major Projects:**
 - **Salt dome - \$100,000**
 - **Firehall bay extension - \$20,000**
 - **Fire ladder truck - \$950,000**
 - **2 patrol cars - \$74,000**
 - **Dump truck - \$250,000**
 - **Animal control truck - \$35,000**
 - **Portable truck hoist - \$60,000**

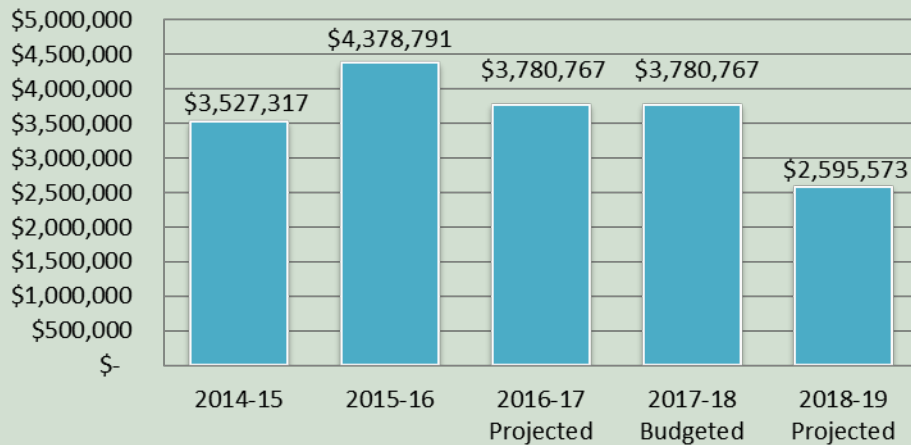
General Fund Department Expenditures



General Fund – Fund Balance



**General Fund
Fund Balance**



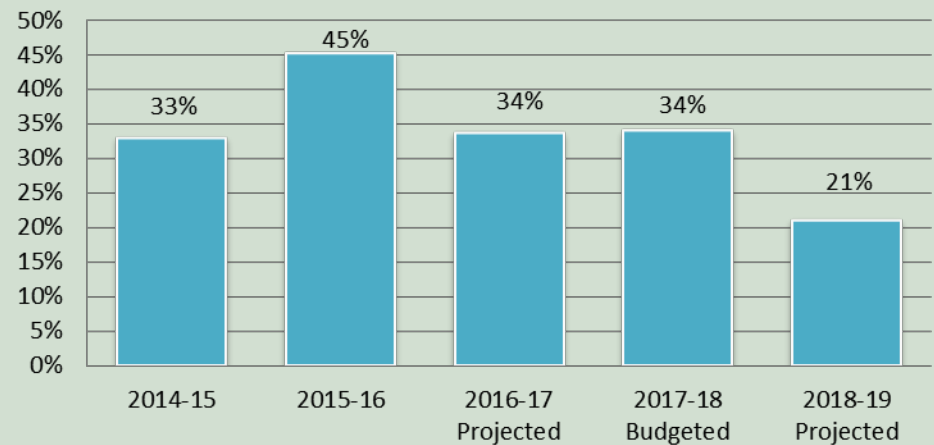
Industry standard: 10%-20% fund balance to expenditures ratio

State of Michigan fiscal distress indicator is 13%

Level of fund balance necessary depends on:

- Risk Tolerance
- Known upcoming spending
- Size of community

**General Fund
Fund Balance %**



City Council, City Manager, City Attorney



- **City Council (Dept 101)– consistent with prior years**
- **City Manager (Dept 172)**
 - Decreased to 2 full time staff
 - Remaining expenditures consistent with prior years
- **City Attorney (Dept 210)**
 - Labor attorney - \$25,000, union negotiations begin Jan 2019
 - City attorney- Monthly retainage fee of approximately \$5,300

City Hall



- **City Hall (Dept 265)**
 - Contractual services - Architectural fees for city buildings (if needed)
 - Wayfinding - \$52,500 for Joint Project with DDA
 - Liability insurance for City Hall moved 100% to dept vs spread across all City Hall departments (insurance costs in City Hall, Public Safety, Library, Parks & Rec, Public Works, and W&S)
 - Loss expenses – \$20,000, estimated deductibles
 - Building maintenance – \$14,000, estimate based on previous years
 - Office equipment rental - \$8,500, postage machine and copier

Community Promotion

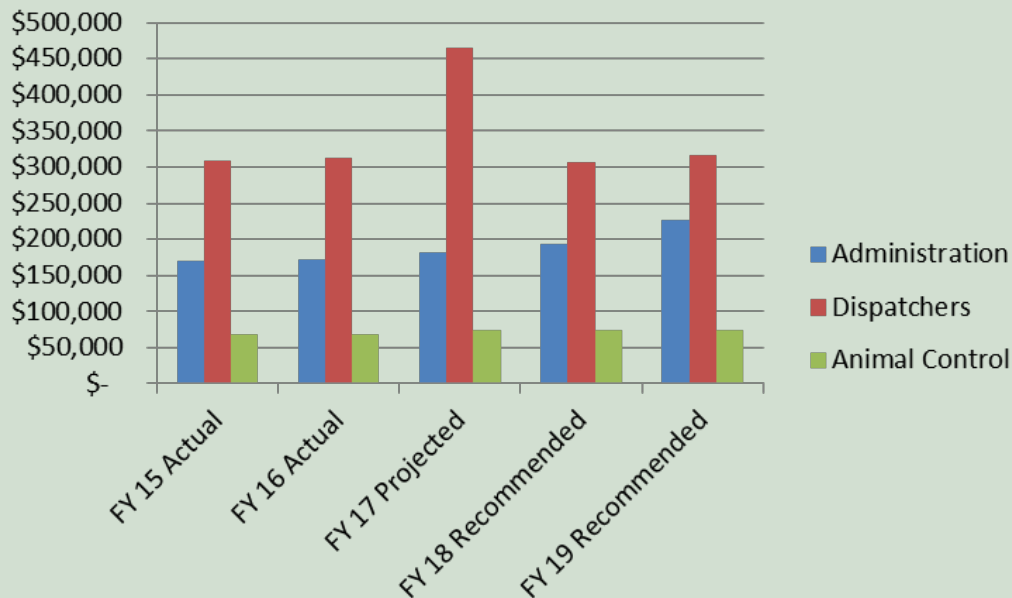


- **Community Promotion (Dept 284)**
 - City can levy up to \$50,000 for community promotion
- **City-wide memberships - \$14,694 (i.e. Clinton River Watershed, MML, WA3, SEMCOG, NLC)**
- **Website hosting and updates - \$5,700**
- **Contractual Services – \$53,000, Cable production**
- **Berkley Buzz Magazine- \$13,500**

Public Safety



- **Public Safety Administration (Dept 302):**
 - Slight increase over prior year
 - ✦ Increase insurance costs
 - ✦ FY 19 increase due to increased retirement costs



Public Safety

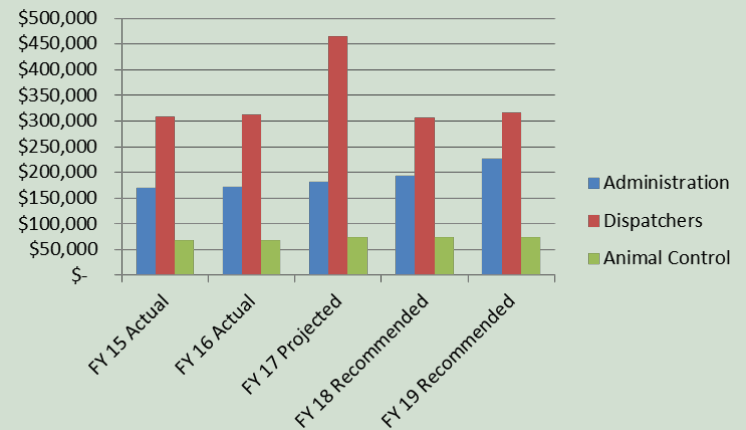


- **Dispatch (Dept 306)**

- Department **decrease of \$159,500 or 34%**
- Retirement savings – MERS closed plan fixed rate
- **Decrease in E-911 maintenance costs due to new 911 system put into service FY 2017 (no fees for first 5 years)**
- **Building improvements and 911 system new in FY 17. These costs are not in FY 18**

- **Animal Control (Dept 307)**

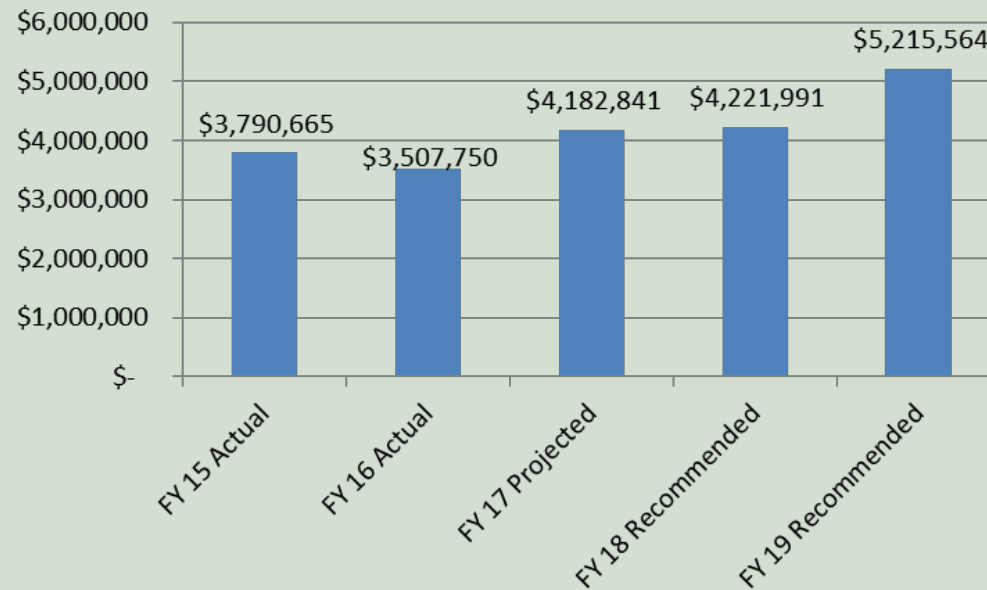
- **Consistent with prior years**



Public Safety



Public Safety Operations Dept 310



Public Safety



- **Public Safety Operations**

- **\$4,221,991** Total budget, increase of **\$39,150** or **1%** from PY
- 1 Chief, 3 Lieutenants, 6 Sergeants, **18** PSO's
- **\$49,000** or **10% increase** in HDLO. Assumes 2 open Lieutenant positions will have family health care plans
- **\$55,000** or **8%** increase in retirement costs.

Public Safety



- **Public Safety Operations (continued)**
 - Vehicle and fire truck maintenance **higher than FY 15 and Fy 16 actuals** due to aging vehicles and expected higher maintenance issues.
 - Building Improvements
 - ✦ \$27,450 - 2nd floor conference Room and EOC Improvements
 - ✦ \$10,000- Extension of exhaust system in Fire Hal
 - ✦ \$275,000 – Fire Hall Expansion
 - Vehicles
 - ✦ \$81,000 - 2 Ford Utility Vehicles
 - ✦ \$45,000 –Pick up Truck
 - ✦ \$900,000- Aerial Ladder Fire Truck

Public Safety Retirement Fund



- **Revenues**

- Property taxes **\$743,054 or 43%**
- Investment Earnings **\$1,000,000 or 57%**

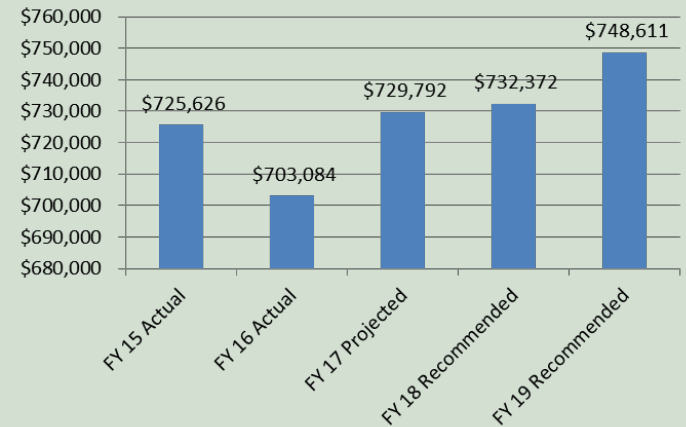
- **Expenses**

- Salary and fringes **\$1,772,636**
 - ✦ **47 retirees**
- Contractual services **\$187,245**
 - ✦ Investment advisors
 - ✦ Investment managers
 - ✦ Audit services
 - ✦ Annual actuarial valuation

Library



- **Library (Dept 738)**
- **Dept Expenditures - \$723,072**
- **Salary and fringes –**
 - Decreased FTE staff through retirement
- **Building improvements**
 - **Replace stacking chairs and tables - \$16,000**
 - **Replace carpet in meeting room - \$6,000**



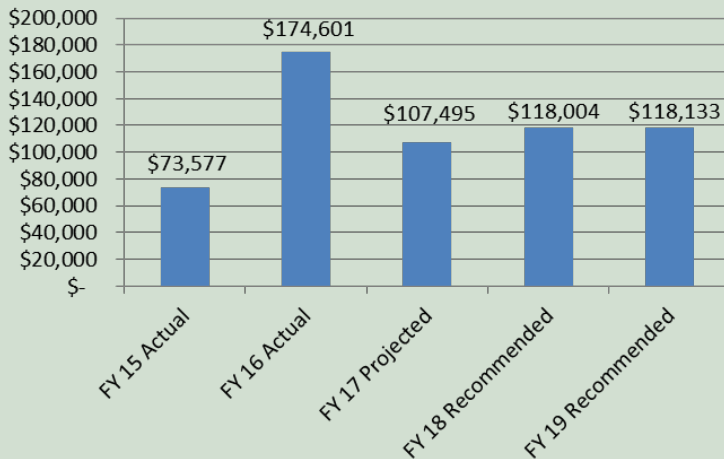
Communications



- **Communications (Dept 750)**

- **\$118,004** Total dept budget, **increase of \$10,500 or 10%** over **FY 18**

- ✦ **\$23,000** Cable Production increased to film ZBA meetings
- ✦ **\$1,000** Camera Upgrade in Council Chambers

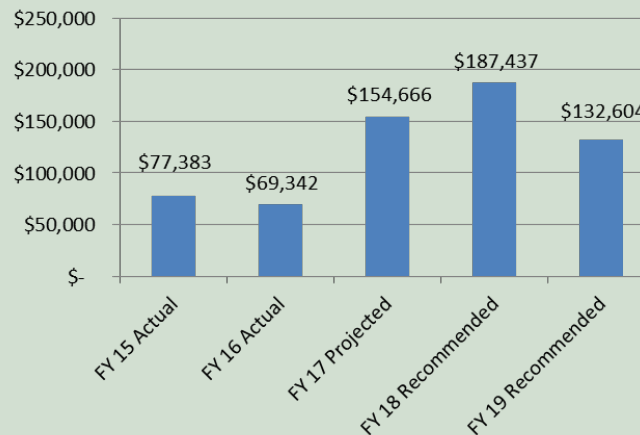


Note FY 16, City underwent a fiber optic project

Information Technology



- IT (Dept 755)
- **\$187,437** Total Dept Budget
- Licensing & Maintenance - **\$70,000**
 - Computer Software- **\$37,000**
 - Replacement (50%) of Office Computers- **\$40,000**



Information Technology



- IT (continued)
- New phone system - \$50,000
 - Stan is the Man

MERS, PSO Retirees, and Transfers Out



- **Benefits – MERS Retirees (Dept 954)**
 - We continue to see HDLO savings due to Medicare Advantage plan effective 3/2017
 - MERIT closed plan fixed cost.
- **PSO Pension System (Dept 955)**
- **No planned OPEB contributions in FY 18 or 19**
- **Changes following PA 202 and moving forward**
- **Transfers Out**
 - Recreation Revolving Fund- Changes in Rec Revolving Fund will require sustained transfer moving forward.

Downtown Development Authority (DDA)

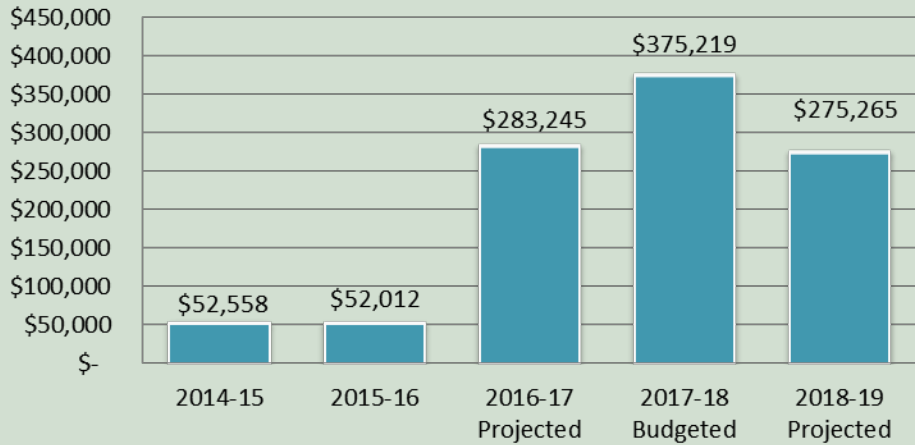


- **Downtown Development Authority (814)**
- **Revenue**
 - Tax Revenues, 2 mills, \$39,735 or **13.9%**
 - Property tax capture, \$193,756 or **67.5%**
 - State Reimbursement – PPT, \$31,160 or **10.9%**
 - Contributions/Donations, \$20,000 or **7.0%**
- **Expenditures**
 - Placemaking Programing/Public Art \$15,000
 - Design Guideline \$50,000
 - Facade Grant Incentive Program \$20,000
 - Streetscape Improvements \$60,000
 - Wayfinding \$40,000

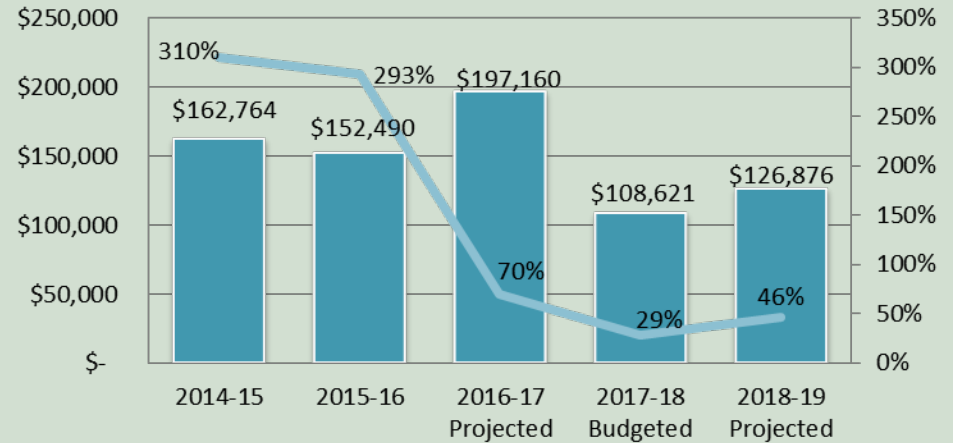
Downtown Development Authority (DDA)



DDA Fund Expenditures



DDA Fund Fund Balance



Capital Project Funds



- **Court Building Fund**
 - **\$100,000** transfer out to General Fund - architectural costs
- **Sidewalk Fund**
 - Account for special assessment levies
 - Construction costs related to City-wide sidewalk program
 - ✦ Engineering costs charged to Major/Local Streets