



THE CITY OF  
**BERKLEY**

Proposed Budget  
FY 17-18



**BERKLEY**  
where you want to be

**Budget Work Sessions May 8 – 10, 2017**

# Budget Session 1, May 8, 2017



- **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 8, 2017



- 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 – Fund Balance

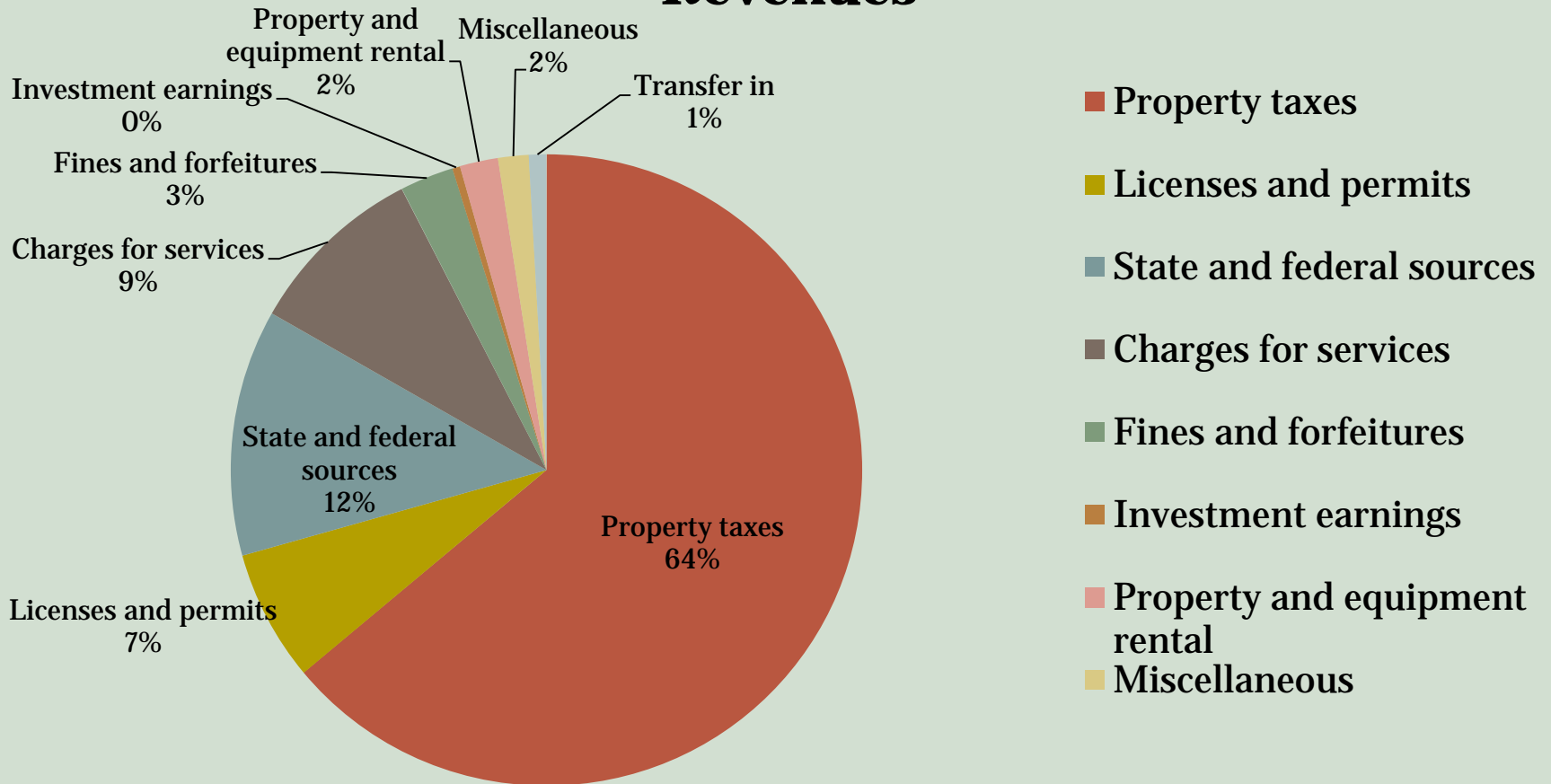


- **Fiscal Year 2019 assumptions:**
  - Taxable value increase of 3% to yield an overall tax revenue increase of 1.1%
  - State Shared Revenue increase of 0%
  - 1% salary increase
  - 8% health care increase (active and retiree)
  - 10% increase in MERS pension costs
  - 6% increase in Public Safety pension costs
  - Increase in CIP requests of \$62,000
  - Increase in CERP requests of \$840,000 (\$950,000 fire truck)

# General Fund



## Revenues



# Property Taxes – Proposal A



## Historical Inflation Rates

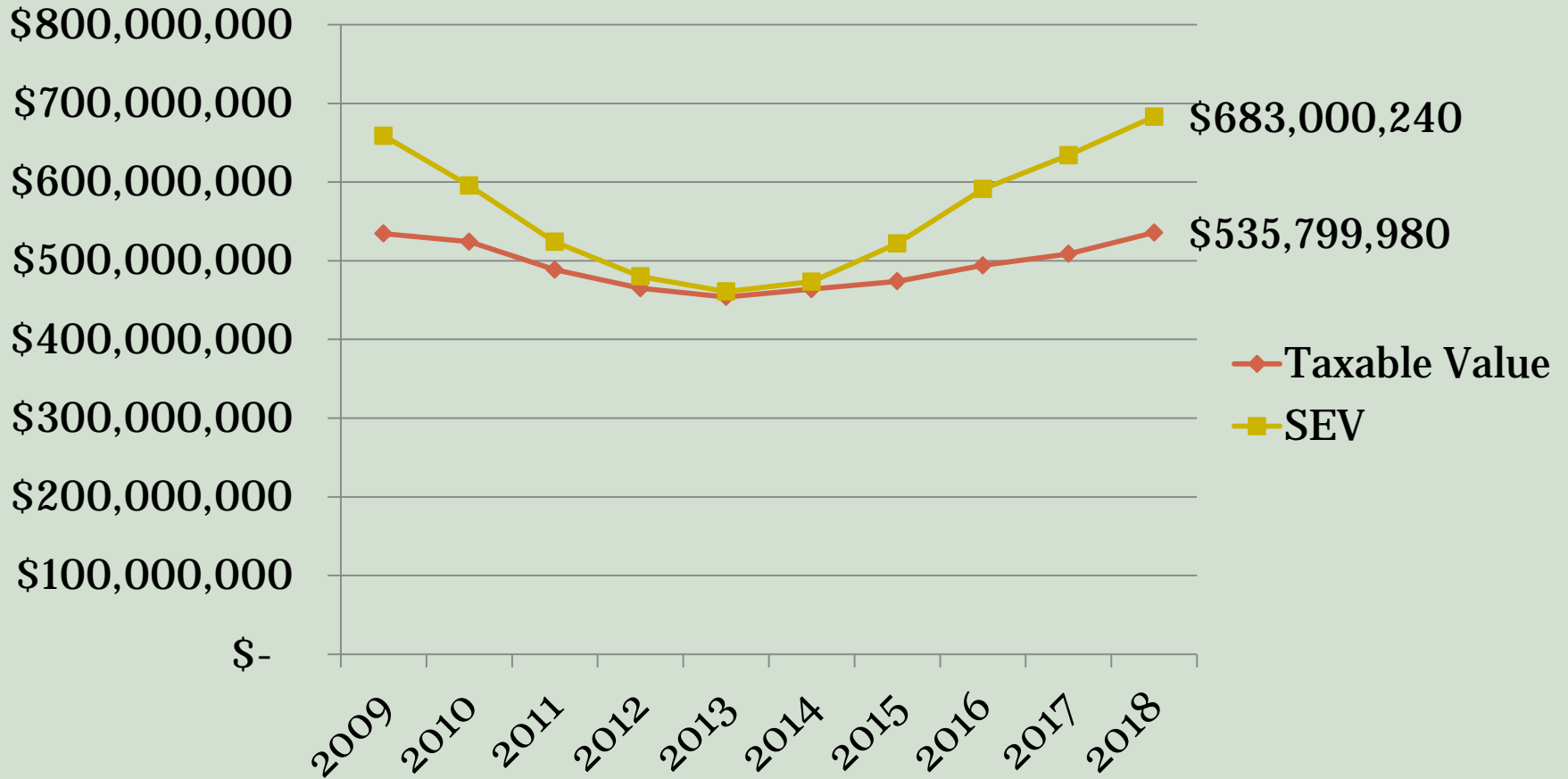
<u>Tax Rate</u>	<u>Inflation Rate</u>
1995	2.6%
1996	2.8%
1997	2.8%
1998	2.7%
1999	1.6%
2000	1.9%
2001	3.2%
2002	3.2%
2003	1.5%
2004	2.3%
2005	2.3%
2006	3.3%
2007	3.7%
2008	2.3%
2009	4.4%
2010	0.997%
2011	1.7%
2012	2.7%
2013	2.4%
2014	1.6%
2015	1.6%
2016	0.3%
2017	0.9%

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  
 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 2018 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
<b>Total General Fund Levy</b>	<b>13.4504</b>	<b>12.9013</b>	<b>\$ 6,807,601</b>
Special Revenue and Debt:			
Sanitation	1.8259	1.7806	\$ 939,807
11 Mile Road Debt	0.5452	0.4927	259,754
<b>Total Special Revenue/Debt Levy</b>	<b>2.3711</b>	<b>2.2733</b>	<b>\$ 1,199,561</b>
<b>Total</b>	<b>15.8215</b>	<b>15.1746</b>	<b>\$ 8,007,161</b>

	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**

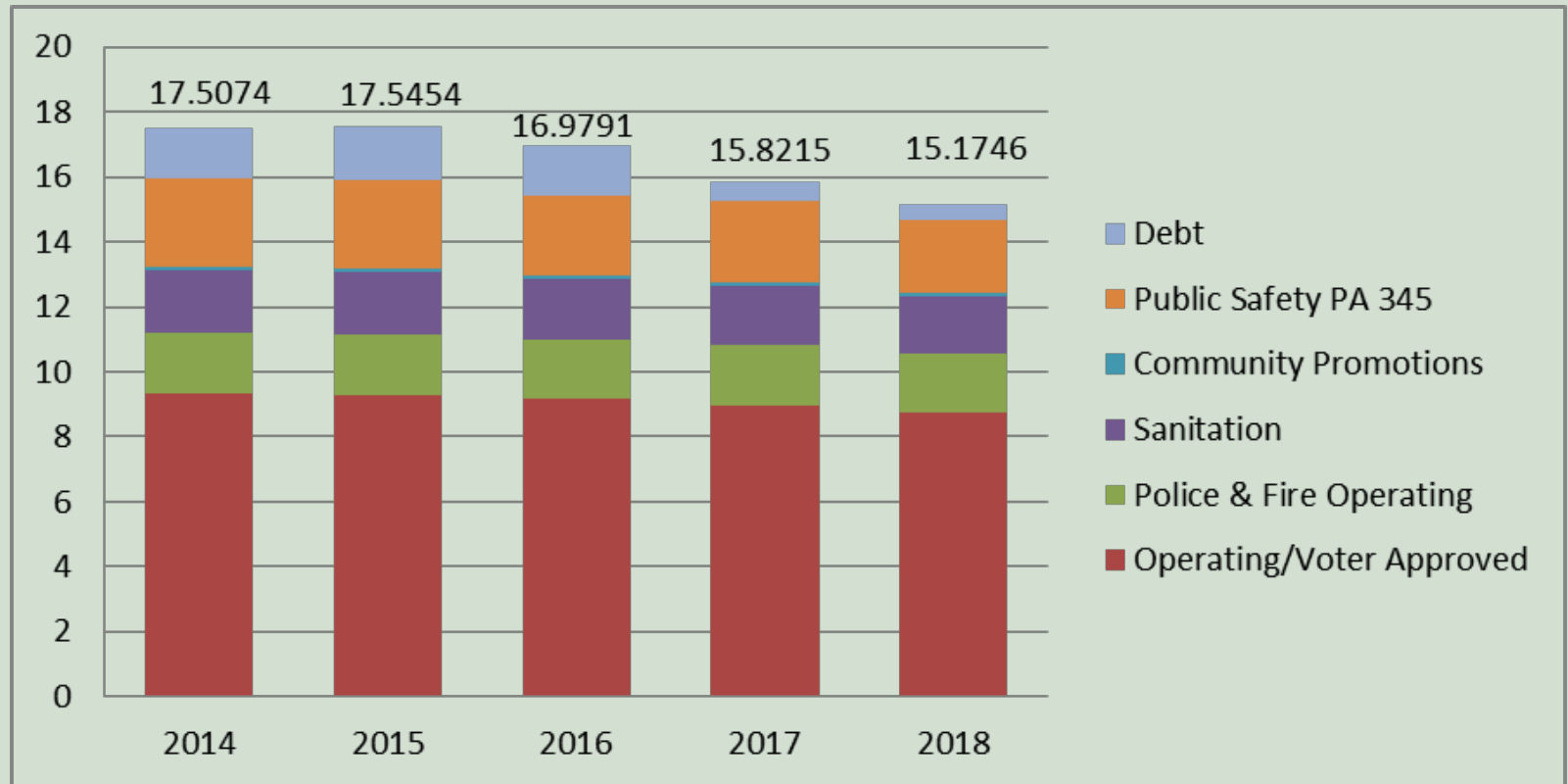
# Property Taxes - Neighbors



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
<b>Berkley</b>	<b>14,970</b>	<b>15.8215</b>	<b>1,187</b>	<b>\$ 500,000</b>
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



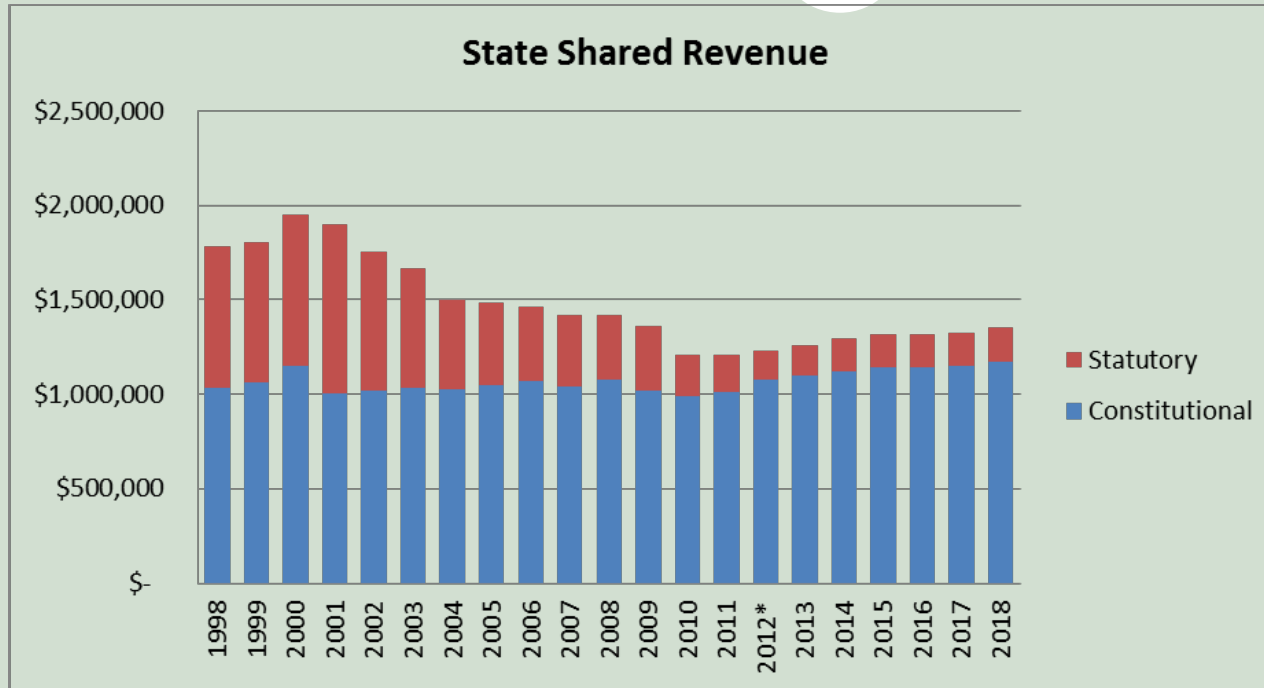
# Property Tax – Average Home Owner



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
<b>Total</b>	<b>15.8215</b>	<b>15.1746</b>	<b>\$ 1,187</b>	<b>\$ 1,148</b>

**Fiscal Year 2018 City tax levy savings: \$39**

# State Shared Revenue



2<sup>nd</sup> largest source of revenue

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

\* **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 - \$39,300 decrease due to loss of Pleasant Ridge**
- **Animal Control Services**
- **Grass & Weed Cutting**
- **Gas Sales**
- **Cable Franchise Fees**
- **Public Safety Services**

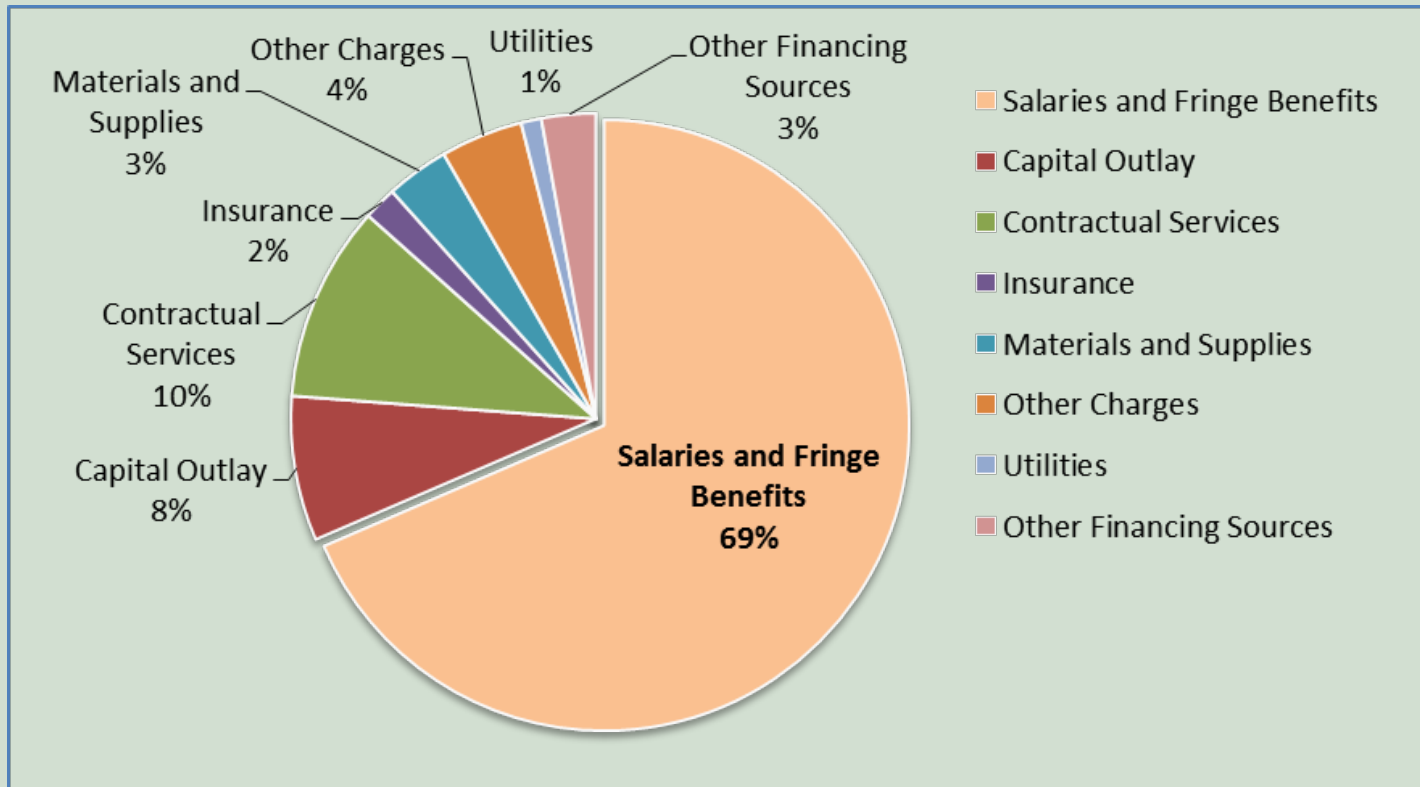
# Other Revenue Highlights



- Licenses and Permits – 12% increase
  - Increase in new builds: 26 – 2014    32 – 2015    46 – 2016
- Fines and Forfeitures – decrease of 7% due to decrease in open cases from prior to July 1, 2015.
- 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 decreased 6% from the prior year
  - Retirees moved to a Medicare Advantage BCBS plan 3/2017
- Required pension contributions increased
  - Public Safety – 4% increase
  - MERS (MERIT and DPW) – 12% increase

# Salaries and Fringes



Department	Budgeted 2017-18	Actual 2016-17	Actual 2015-16	Actual 2014-15	Actual 2013-14
<b>FULL TIME Equivalent Positions</b>					
City Manager	3.00	2.60	1.60	1.60	1.60
Communications	1.00	1.00	1.00	1.00	1.00
Information Technology	1.00	0.75	0.75	0.75	0.75
City Clerk/Elections	2.00	1.60	1.60	1.60	1.60
Finance	3.00	1.15	1.15	1.15	1.15
Treasury	1.00	1.05	1.05	1.05	1.05
Public Safety	34.00	34.00	33.00	32.00	30.00
Building	2.00	1.95	0.95	0.95	0.95
Public Works	12.00	1.55	1.54	1.56	1.52
Garage	1.00	0.60	0.56	0.49	0.49
Parks & Recreation	0	3.50	4.20	4.20	4.20
Public Safety Pension	0	0.15	0.15	0.15	0.15
Major Streets	0	2.30	2.30	2.33	2.36
Local Streets	0	1.89	1.99	2.02	2.06
Solid Waste	0	2.21	2.21	2.17	2.17
Recreation Youth/Senior	5.00	.55	0.50	0.50	0.50
Arena	0	.95	1.30	1.30	1.30
Library	4.00	3.95	2.95	2.95	2.95
Water/Sewer	1.00	7.22	7.17	7.19	7.17
Public Works – DDA	0	0.03	.34	0.04	0.03
44 <sup>th</sup> District Court – Berkley Division	0	0	0	6.00	6.00
<b>Total Full Time Equivalent Positions</b>	<b>70</b>	<b>69</b>	<b>66</b>	<b>71</b>	<b>69</b>

# General Fund - Contractual Services



- **\$1,154,750 – FY 2018 (\$4,400 decrease from FY 17)**
- **Consultant Fees**
- **Audit Fees**
- **Legal Services**
- **Actuarial Services**
- **Inspections in Building Department**
- **Library Co-Op**
- **Assessing Services**
- **Wayfinding**

# General Fund - Capital Outlay



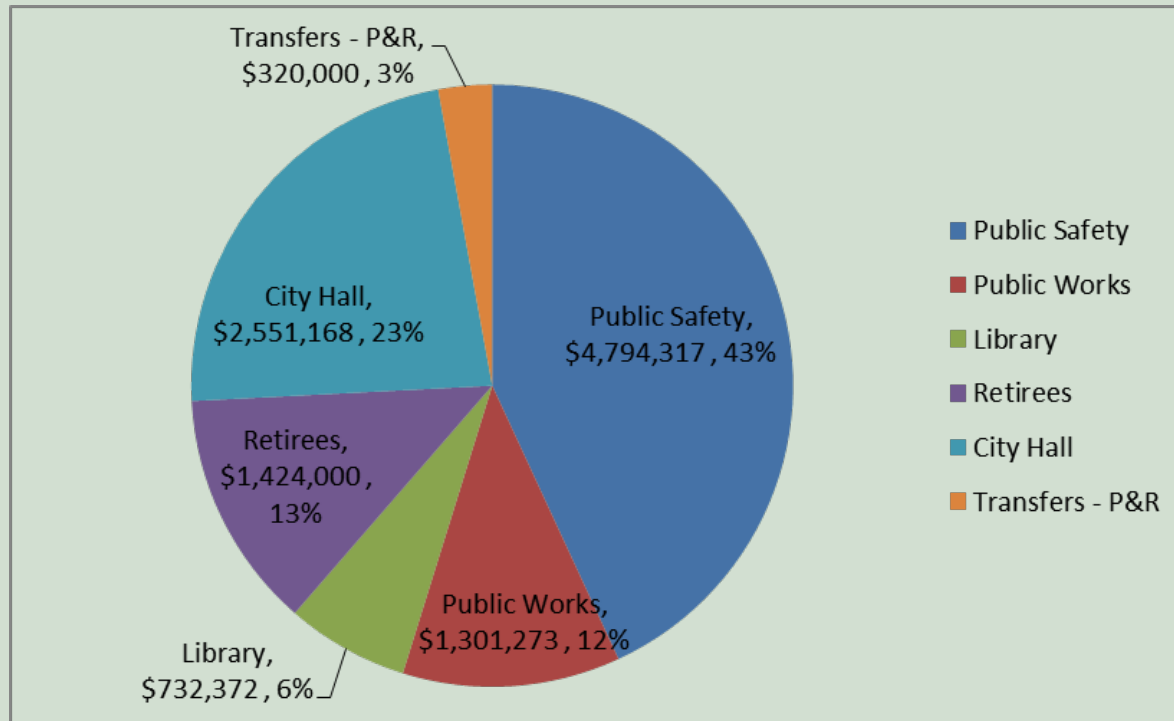
- **\$853,097 FY 2018**
- **Major Projects:**
  - Three Police Vehicles - \$112,000
  - In Car Computers – Police Vehicles \$30,000
  - Public Safety Building Improvements - \$20,000
  - DPW Equipment - \$348,000
    - ✦ ¾ Ton Pickup 4 WD with Plow
    - ✦ ¾ Ton Pickup
    - ✦ Dump Truck w Plow

# General Fund – Capital Outlay



- **\$1,768,303 FY 2019**
- **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

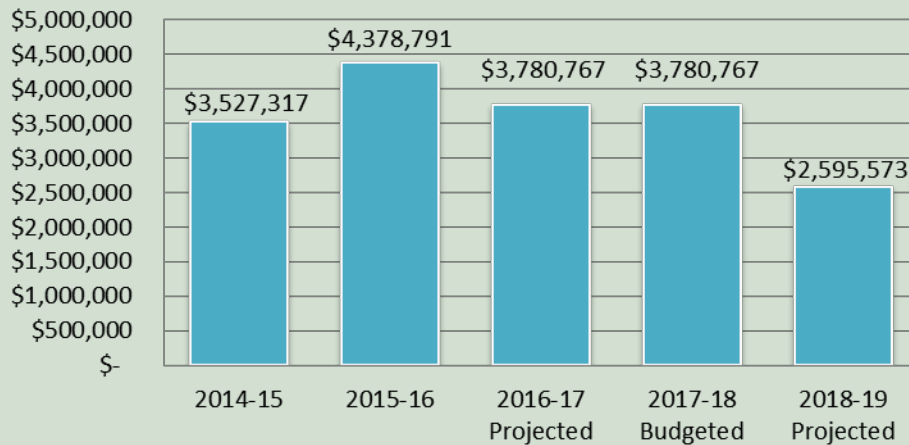
# General Fund Department Expenditures



# General Fund – Fund Balance



**General Fund  
Fund Balance**



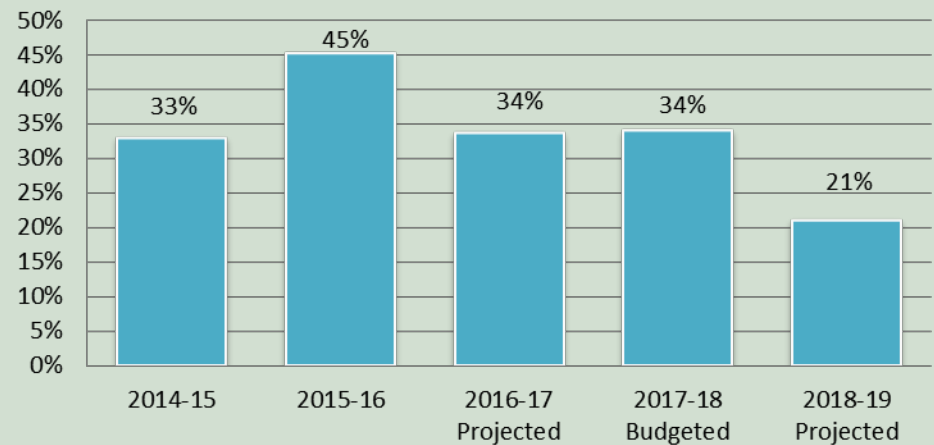
Industry standard: 10%-20% fund balance to expenditures ratio

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 %**





# General Fund



- **Revenues**
  - Property taxes
  - Licenses and permits
  - State and federal revenue sources
  - Charges for services
  - Fines and forfeitures
  - Investment earnings
  - Property and equipment rental
  - Miscellaneous

# City Council, City Manager, City Attorney



- **City Council (Dept 101)– consistent with prior years**
- **City Manager (Dept 172)**
  - Shift in salary and fringes - 3 full time staff, 100% of time budgeted
  - Remaining expenditures consistent with prior years
- **City Attorney (Dept 210)**
  - Labor attorney - \$50,000, union negotiations begin Jan 2018
  - City attorney
    - ✦ Monthly retainage fee
    - ✦ \$8,000 – Brand trademark

# City Hall



- **City Hall (Dept 265)**
  - Contractual services - \$100,000, architectural fees for city buildings
  - Wayfinding - \$75,000
  - 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
  - Cable franchise admin fees (\$32,000) moved to Communications Dept 750
  - Building maintenance – \$23,000, estimate based on previous years
  - Office equipment rental - \$10,000, postage machine and copier

# Community Promotion

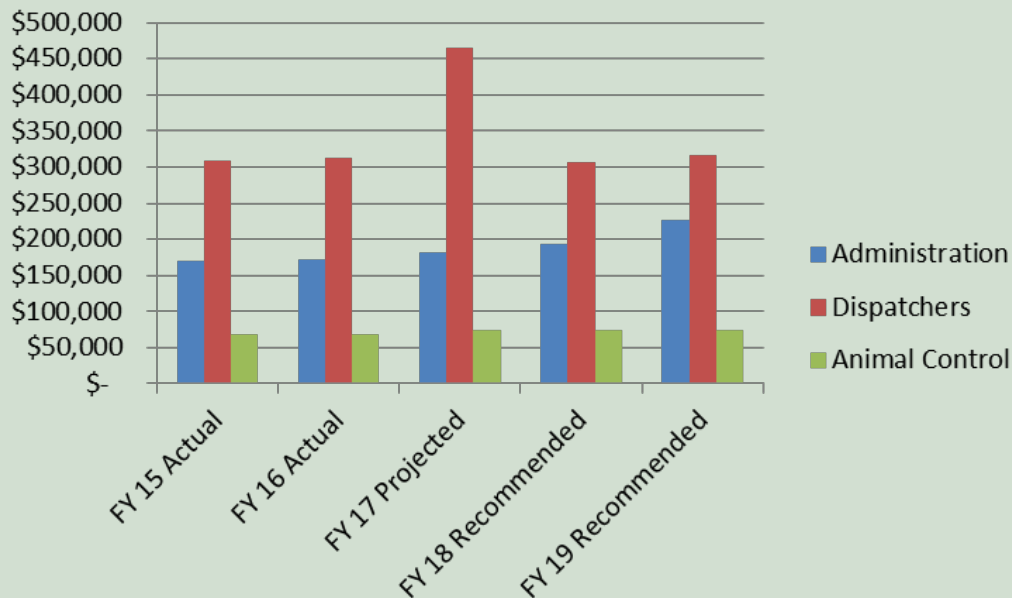


- **Community Promotion (Dept 284)**
  - City can levy up to \$50,000 for community promotion
- **City-wide memberships - \$14,685 (i.e. Clinton River Watershed, MML, WA3, SEMCOG, NLC)**
- **Website hosting and updates - \$5,700**
- **Contractual Services – \$24,605, Cable production**
- **Berkley Buzz Magazine- \$16,000**

# 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

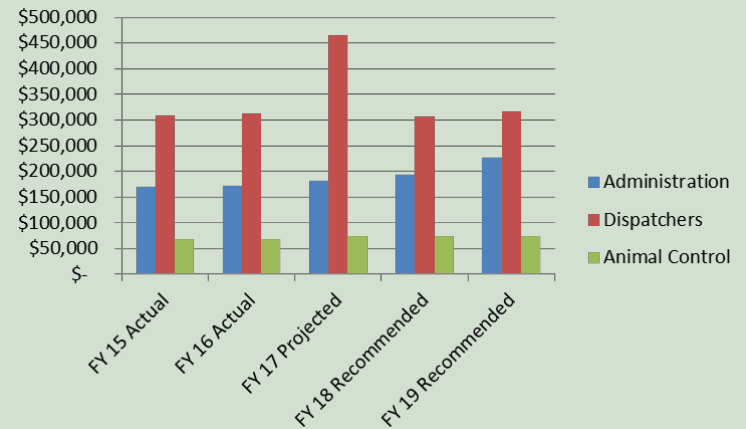


- **Dispatch (Dept 306)**

- 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)**

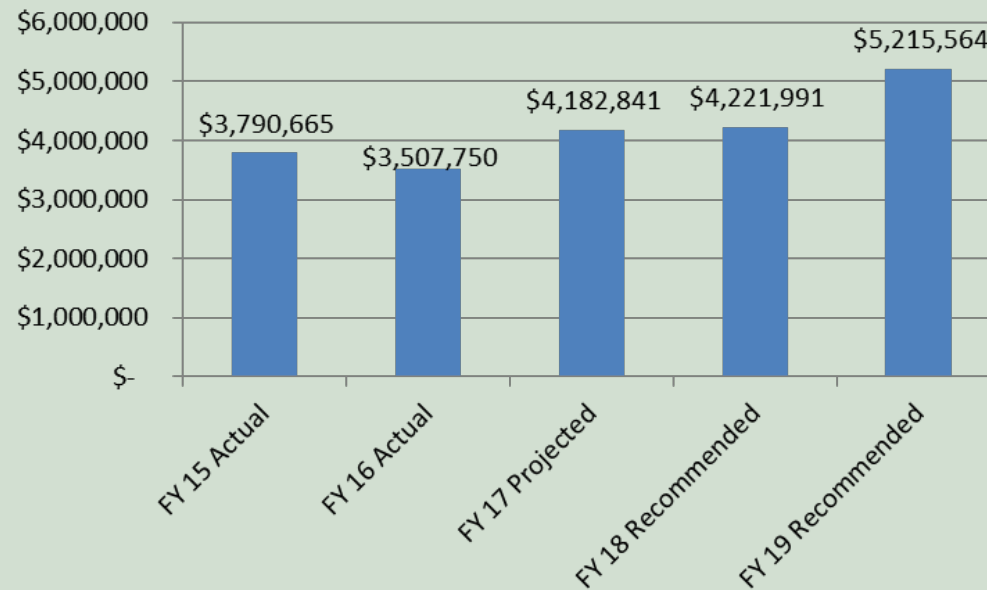
- Consistent with prior years



# 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. In FY 17, part of the retirement costs were charged to Police Admin. Costs are properly account for in PSO Dept
- Office supplies and stationary accounts were combined into one account (728-000 and 729-000)



# 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
    - ✦ \$3,000 - 2<sup>nd</sup> floor conference room security door
    - ✦ \$20,200 – Public Safety building improvements
  - Vehicles
    - ✦ \$83,000 - 2 Ford Utility Vehicles
    - ✦ \$29,500 - 1 Administrative Vehicle
  - \$30,000 - Car computers replacement
  - FY 2019 – Fire Truck \$950,000

# Public Safety Retirement Fund



- **Revenues**

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

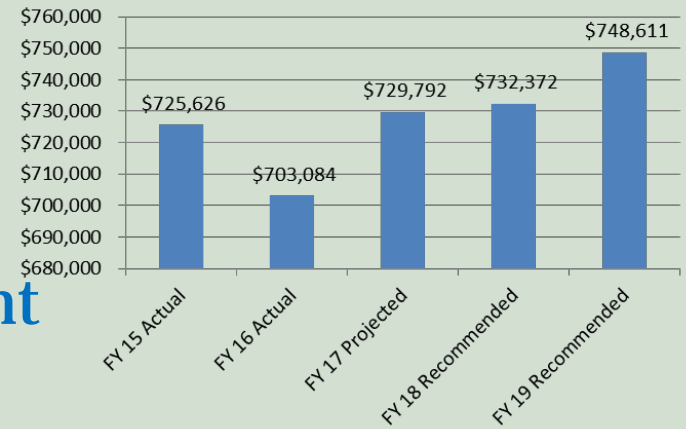
- **Expenses**

- 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 - \$732,372**
- **Salary and fringes – savings in MERS closed retirement plan**
- **Building improvements**
  - **Replace stacking chairs and tables - \$16,000**
  - **Replace carpet in meeting room - \$6,000**

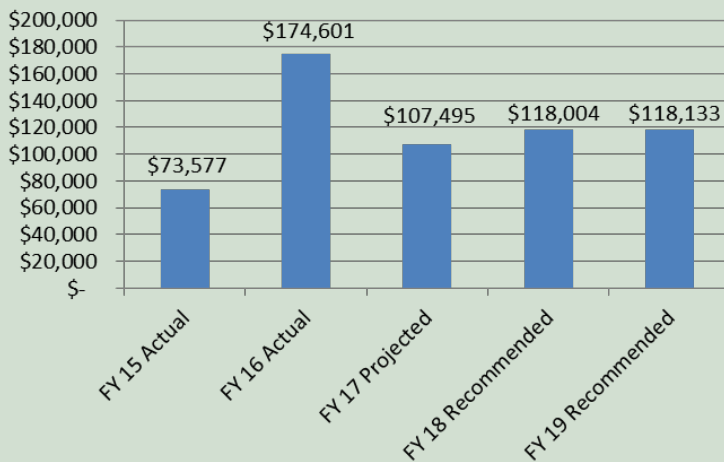


# Communications



- **Communications (Dept 750)**

- **\$118,004 Total dept budget, increase of \$10,500 or 10% over FY 17**
  - ✦ Increase due to moving Cable Franchise Admin Fee from City Hall Dept to Communications - \$24,000
  - ✦ \$4,000 Camera Upgrade in Council Chambers
  - ✦ MERS retirement fund savings

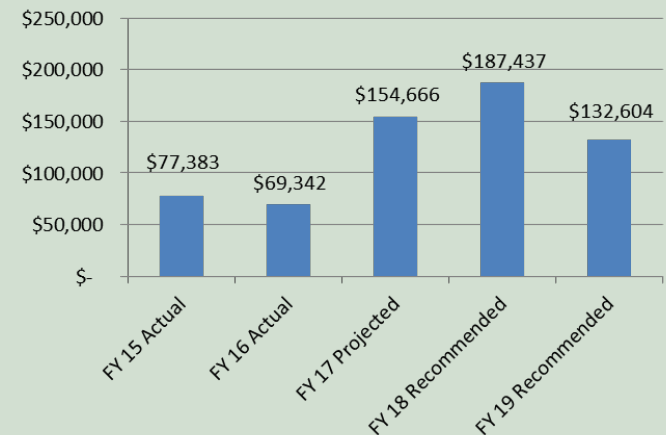


Note FY 16, City underwent a fiber optic project

# Information Technology



- IT (Dept 755)
- \$187,437 Total Dept Budget
- New philosophy for IT in FY 18; an item was to be budgeted in IT if the IT administrator was responsible for the ordering and installation of the software/hardware being purchased
- Office equipment - \$70,000
  - Tablets for council - \$8,000
  - Tablets for directors - \$12,000
  - New phone system - \$50,000



# Information Technology



- IT (continued)
- Computer Software - \$26,200
  - Microsoft licensing - \$15,000
  - Anti virus renewal - \$2,100
  - Backup software renewal - \$2,000
  - Fiberlink Ipad management – annual - \$5,500

# MERS, PSO Retirees, and Transfers Out



- **Benefits – MERS Retirees (Dept 954)**
  - 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**
- **Transfers Out**
  - Recreation Revolving Fund

# Downtown Development Authority (DDA)



- **Combined Fund 814 (DDA) and 815 (DDA-TIF)**
  - **Fund 814 DDA**
    - ✦ **Previously:**
      - Accounted for 2 mill levy of DDA District
      - Accounted for administrative costs, special events, and street maintenance
  - **Fund 815 – DDA – TIF**
    - ✦ **Previously:**
      - Accounted for DDA capture
      - Accounted for capital projects



# Downtown Development Authority (DDA)



- **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%

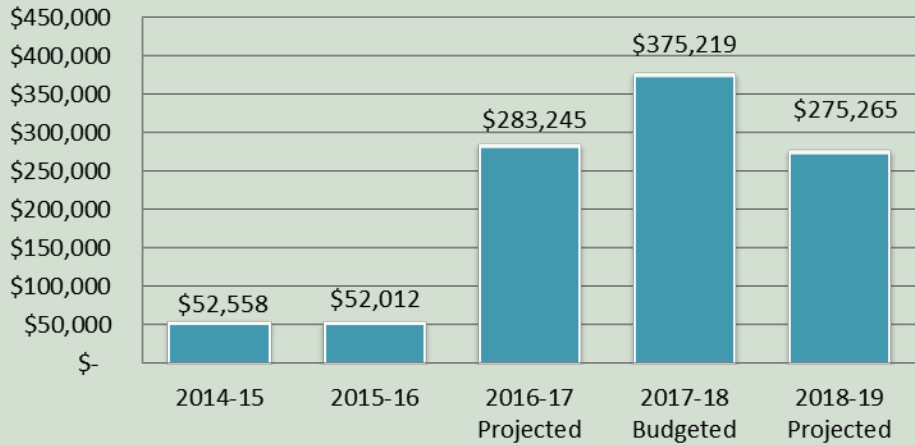
- **Expenditures**

- Placemaking Programing/Public Art \$15,000
- Design Guideline \$50,000
- Facade Grant Incentive Program \$20,000
- Streetscape Improvements \$60,000
- Wayfinding \$40,000

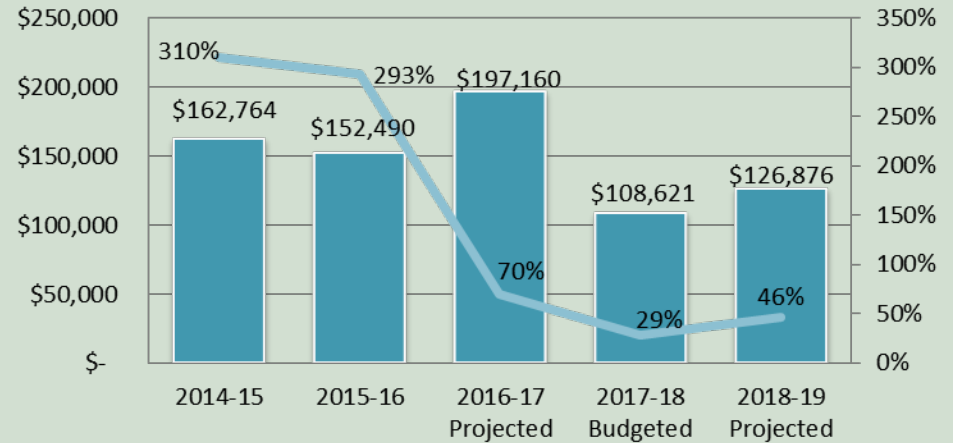
# Downtown Development Authority (DDA)



**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