FRASER CITY COUNCIL – SPECIAL MEETING
TUESDAY – APRIL 22, 2014 – 7:00 P.M.
CITY HALL
AGENDA

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. DISCUSSION OF PROPOSED FISCAL YEAR 2014-2015 BUDGET

    a. Departmental Budgets in order as appears in Draft FY 2014-2015 Budget

    b. Departments to report the following to Council:

        - Department Overview for 2014-2015
        - Challenges/Obstacles Forecast for 2014-2015
        - Changes in the Department/Workforce for 2014-2015
        - Key Assumptions Made When Developing Their 2014-2015 Budget
        - Department Realities for 2014-2015
        - Capital Equipment/Projects Planned (over $10,000) for 2014-2015

4. CITIZEN PARTICIPATION

5. ADJOURNMENT

(Posted Wednesday, April 16, 2014 4:30p.m.)

THE CITY OF FRASER WILL PROVIDE NECESSARY REASONABLE AUXILIARY AIDS AND SERVICES TO INDIVIDUALS WITH DISABILITIES AT THE MEETING UPON FOUR DAYS NOTICE TO:
RANDY WARUNEK, BUILDING DEPARTMENT
(586) 293-3100 EXT 154

IT IS THE POLICY OF THE CITY OF FRASER THAT NO PERSON, ON THE BASIS OF RACE, CREED, COLOR, RELIGION, NATIONAL ORIGIN, OR ANCESTRY, AGE, SEX, MARITAL STATUS, OR DISABILITY SHALL BE DISCRIMINATED AGAINST, EXCLUDED FROM PARTICIPATION, DENIED THE BENEFITS OF, OR OTHERWISE SUBJECTED TO DISCRIMINATION IN ANY PROGRAM OR ACTIVITY FOR WHICH IT IS RESPONSIBLE.

City of Fraser

CENTENNIAL COMMUNITY

MAYOR
Doug Hagerty

COUNCIL
Dan Accavitti, Mayor Pro-Tem
William A. Morelli, Acting Mayor
Matt Hemelberg
Michael C. Carnagie
Paul A. Cilluffo
Barbara L. Jennings

CITY MANAGER
Richard E. Haberman

CITY CLERK
Kathy Kacanowski

April 15, 2014

Mayor Doug Hagerty and Members of City Council,

Attached is the first draft of the FY 2014-2015 Budget. To develop this budget we first estimated the revenues as best current information would allow and took whatever efforts necessary to ensure the expenses matched those revenues. In the end, we were just able to meet that guideline without additional revenues or the use of existing fund balance. To reach this objective we took the numbers from MERS for pension costs as this number saved the City nearly $400,000 and we only posted a modest increase in Retiree Healthcare, even though BCBS's first estimate is flat-line. As such, this budget as presented provides an estimated surplus of only $1.00. Needless to say, this is a marginal result at best. We typically prefer to have at least 2% set in a contingency line to be able to absorb unanticipated expenses such as this year's snowfall.

The reasons for this tight budget are:

Property taxes that essentially flat-lined from last year along with increased costs of goods and services most easily attributed to inflation driven goods such as fuel, older heavy equipment, and some increases in Personnel costs due to step rate increases in our labor agreements.

Loss of Personal Property Taxes for PPT assessments of $40,000 or less by State Law which cost the City approximately $100,000. While the new Statutes promise full reimbursement, that reimbursement is not scheduled to take place until FY 2016.

Possible Revenue Options not in Draft Budget:

Library Millage:

From MCL 397.201, *the city council of each incorporated city may establish and maintain a public library and reading room for the use and benefit of the inhabitants of the city. The city council may levy a tax of not to exceed 1 mill on the dollar annually on all the taxable property in the city.*

This special property tax can only be used to fund Library services and no other purpose. From the point of adoption forward, General Fund monies will no longer be used to fund library services saving the General Fund

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Sanitation Options:

The city council of a city ....may establish and maintain garbage systems or plants for the collection and disposal of garbage in the city or village, and may levy a tax not to exceed 3 mills on the taxable value of all taxable property in the city or village according to the valuation of the property..........The annual garbage tax shall be in addition to the amount authorized to be levied for general purposes by the general law or special charter under which the city or village is incorporated.

As used in this act, "garbage" means any putrescible and nonputrescible solid wastes, except body wastes, and includes ashes, incinerator ash, incinerator residue, street cleanings, solid market wastes, solid industrial wastes, and also rubbish including such items as paper, cardboard, tin cans, yard clippings, wood, glass, bedding, crockery, and litter of any kind.

This millage can be approved by the City Council exclusively. It is a very broad statute used by many Michigan communities to pay for services that would otherwise be cut in a budget crunch. Such services do include leaf pickup, street sweeping, brush pickup, recyclables and our normal trash service. Further, after discussing this with our auditor and City Attorney, we can also pay for equipment used solely for such purposes and apportion costs for equipment that serves a multipurpose role. This also applies to personnel costs related to the above services. This millage could also serve to eliminate the need for any service fee system as discussed above and eliminate the monthly service charge for curbside recycling added to each monthly water utility bill.

In reviewing costs associated with services authorized to be paid for by this millage approximately $1 million of General Fund costs will be covered in a separate Sanitation Fund. This presumes the Council adopts a 2 mil tax for these purposes. Any funds not used for operations in a given year are maintained for capital purchases, such as a replacement street sweeper or partial cost of the Vactor Jet, and can be used under Act 99 for time payment purchases.

Or, the City could simply privatize this service. Current cost/month /single-family residence is $6.74/month. There is also the additional charge related to compost that runs from April through October that would be billed at $2.45/month. Finally, the recycling charge which now appears in the water utility bill would be eliminated and billed directly by our hauler.

To ensure the residents get the best prices the City would go out for bid on a three-year interval and select the lowest cost/best service combination company and award the service contract to that company. However, our residents could choose to go with another service provider as they would be paying the cost.

General Tax Revenue:

The City of Fraser has an authorized millage for general operations of 20 mils which has been reduced by Headlee to 18.4679. The City currently uses less than the fully authorized millage and can approve another .4717 mils.

Expense Comments:

- The State constitutional revenue sharing figure is secure, but the City will still have to abide by the Governor's direction to obtain the EVIP funding. The requirements for EVIP funds continue to become harder to achieve.

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- Many of the assumptions for personnel expenses are based on recent savings from our contract negotiations with the various bargaining units.
- The proposed budget does not have the capabilities to address any capital needs except for Public Safety so the City has potential for equipment failure and infrastructure. However, we have also proposed 5-year Capital Improvement plan for the Council to consider.
- Unlike previous years, the current property tax values will allow a positive adjustment to the City Hall General Obligation Bond to meet this year's principal and interest obligation. As these bonds are backed by taxes an adjustment is required each year and this year this will amount to a reduction of 0.25 mils.

Personnel Recommendations:

With the lost time of our only FTE in Parks and Recreation we found the services were significantly reduced in this Department. It continues to be our belief that the Director's position needs to be changed to full-time with no health insurance, but optional participation in the City's 457 defined contribution pension plan. Because of increased internal revenues from this Department this change will only increase the Parks and Recreation budget by approx $17,000.

Salary increases of 5% for our Finance Director and City Clerk. These increases are still within the range for these positions as provided by MML in its annual salary review.

Four-Year Summary:

Shortly after I began my tenure as City Manager in June 2010, I produced a so-called financial "white paper." In it I noted: "We all know that property values are dropping. We also know that to the average taxpayer in Fraser they are paying less in property taxes than they did on their July 1, 2007 tax bill. We know this because the number of taxable parcels in Fraser has changed little in the past two years, yet in 2007 1 mil of property taxes yielded $621,035. This year (2010) that has dropped to $550,491 a reduction of $70,544 per mil or 11.4%. By 2012 this same number will drop to $484,432 or 12% and another 10% the following year. This dynamic exacerbates an already challenging economy and the City's ability to continue to deliver the quality services Fraser's residents have become accustomed to receiving." It is interesting to note that this year, 2013; our actual dollar value on 1 mil is $446,364 which is just $10,000 more than projected for the 2010-2011 budget. While we had anticipated using additional taxes to cover the shortfall, a myriad of changes on the revenue or expense side carried us up to the last fiscal year without the need of an additional tax increase.

Some of these changes included:

- Purchase of properties through tax foreclosure and selling them at a profit.
- Use of attrition with no replacement and Early Retirement Incentives to shrink our workforce to our current 67 full time employees. (This is down from 117 FTE in 2002.)
- Changes to Retiree Health Insurance in 2011.
- Correction and updating of millages for Ambulance and City Hall bond issues.
- Segregation of debt services supported by the General Fund into their proper location in Water and Sewer, Senior Activity Center and Special Assessment District.
- Use of one-time revenues created through the capitalization of our cell tower leases.
- One time revenues from our Health Insurance Trust.
- Moving the retirement system over to MERS which will generate immediate savings of just under $400,000 in this year's budget.

- ➢ Enactment of PA 152 in 2011 which capped our health care costs by increasing employee contributions.
- ➢ Increasing pension contributions and a 3-year wage freeze through collective bargaining.

Conclusion and Moving Forward:

At this juncture, I believe it is important that the City approach this year with a look to the future and try to address anticipated and known pressures that will seriously impact the City's future budgets. These are:

- ➢ Significant increases in retiree healthcare costs
- ➢ Continued increases in the cost of goods and services
- ➢ Upcoming labor negotiations
- ➢ A complete changeover of personal property taxes through the elimination and replacement strategy by the State with an unknown impact
- ➢ Slowly increasing revenues to offset the cost increases.
- ➢ Capital needs that will come up such as major equipment or other items that arise on an untimely basis.

The five-year budget estimate included in this year shows an accumulated deficit of approximately $450,000. It would seem prudent that we address the shortfall in the current fiscal year. This would ensure adequate revenues for any given year, ensure adequate contingency funds in each fiscal year, and purchase time for the cumulative effect of Proposal A and Headlee to provide a positive and steady revenue stream from our property tax revenues.

Sincerely,

Richard E. Haberman
City Manager

GENERAL FUND
5 YEAR BUDGET FORECAST

	Actual	Actual	Actual	Budget	Budget	Forecast				
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
GENERAL FUND REVENUES										
Taxes	10,892,355	10,338,311	9,956,866	8,557,847	8,703,157	8,727,979	8,858,899	9,036,077	9,216,798	9,401,134
Licenses & Permits	210,617	128,248	272,130	169,428	185,250	186,750	189,551	192,395	196,242	200,167
Intergovernmental	2,395,905	2,243,675	2,140,116	2,354,141	1,414,954	1,602,956	1,627,000	1,659,540	1,692,731	1,726,586
Charges for Services	-	-	384,611	241,900	182,000	211,450	214,622	217,841	222,198	226,642
Interest	84,869	24,366	166,999	344,000	287,000	312,500	317,188	321,945	328,384	334,952
Other Revenues	1,175,365	1,187,524	443,021	404,243	288,715	317,596	322,360	327,195	333,739	340,414
Fines & Forfeitures					1,022,350	1,076,500	1,092,648	1,114,500	1,136,790	1,159,526
TOTAL GENERAL FUND REVENUES	**14,759,111**	**13,922,124**	**13,363,743**	**12,071,559**	**12,083,426**	**12,435,731**	**12,622,267**	**12,869,494**	**13,126,884**	**13,389,421**
GENERAL FUND EXPENDITURES										
General Government	2,911,142	2,749,674	2,123,119	2,017,829	1,797,022	1,870,237	1,907,642	1,945,795	1,994,439	2,044,300
Public Safety	7,897,650	7,630,375	6,985,901	6,362,743	6,332,025	6,358,289	6,485,455	6,615,164	6,780,543	6,950,057
Public Works	1,386,080	1,494,273	1,302,149	581,096	521,422	560,722	571,936	583,375	597,960	612,909
Community and Economic Dev.	-	-	29,807	27,815	23,353	18,891	19,269	19,654	20,146	20,649
Recreation and Culture	705,780	498,979	740,534	681,477	605,576	819,875	836,273	852,998	874,323	896,181
Other Governmental Functions	1,113,152	1,071,732	1,754,743	2,400,599	2,567,255	2,627,241	2,679,786	2,733,382	2,801,716	2,871,759
Legislative	-	-	61,991	-	77,047	78,975	80,555	82,166	84,220	86,325
Capital Outlay	918,993	858,046	489,710	-	-	-	-	-	-	-
Legal					116,000	**101,500**	**101,500**	**101,500**	**101,500**	**101,500**
TOTAL GENERAL FUND EXPENDITURES	***14,932,797***	***14,303,079***	***13,487,954***	***12,071,559***	***12,039,700***	***12,435,730***	***12,682,415***	***12,934,033***	***13,254,846***	***13,583,680***
NET OF REVENUES/APPROPRIATIONS	***(173,686)***	***(380,955)***	***(124,211)***	***-***	***43,726***	***1***	***(60,148)***	***(64,539)***	***(127,963)***	***(194,259)***
BEGINNING FUND BALANCE	***2,919,798***	***2,746,112***	***2,365,157***	***2,240,946***	***2,240,946***	***2,284,672***	***2,284,673***	***2,224,525***	***2,159,986***	***2,032,024***
ENDING FUND BALANCE	***2,746,112***	***2,365,157***	***2,240,946***	***2,240,946***	***2,284,672***	***2,284,673***	***2,224,525***	***2,159,986***	***2,032,024***	***1,837,765***

REVENUES

EXPENDITURES