

**FISCAL YEAR 2014-15 ANNUAL BUDGET
EXECUTIVE SUMMARY**

Honorable Mayor and City Council:

I am pleased to present to you the FY 2014-15 Budget. The budget document represents the program strategies and resources formulated by City staff during the budget preparation process as well as the modifications made by the City Council during the four budget workshops held in April and May.

In these challenging economic times the Administration has continued to prepare an annual city budget that is not only fiscally conservative but continues to move the City forward to achieve the Goals and Objectives of the City Council.

Department Directors submitted conservative budgets that had already been adjusted to the current times. Changes in programming and personnel have been made in order to maintain the City's sound financial status. The budget proposes no wage increases for this year. In recent years, changes have also been made to the number of positions and hours worked for many seasonal and part time staff. The City has also reduced the number of full time staff over the last couple of years.

will impact how the city handles health care, pension costs as well as impacting personal property. As a result of these potential changes, the City Manager and City Treasurer continue to evaluate additional ways to address the City's budget shortfall.

The proposed ending fund balance for June 30, 2015 is \$907,612 which is 23.4% of expenditures. This is a similar fund balance and percentage that was forecast for the budget that the City Council adopted last fiscal year.

Although administration would be more comfortable without a budget deficit, the City continues to end the fiscal years in the same shape as it started. Administration plans to work on health care costs as a way to address some of our expenses. The communicators contract is up this year, so we anticipate that they will begin paying 5% of their health care premium. Also, the City's current health care plan will no longer meet federal standards by December of 2014. It is anticipated that a new plan may lead to cost savings.

The Council Goals and Objectives are incorporated with the departmental missions to formulate a comprehensive plan for providing high quality services to the citizens of Richmond in the most cost-effective manner possible. Following are some of the highlights of the budget:

**CONSISTENCY WITH CITY MISSION
AND GOALS**

The City of Richmond mission statement of "promoting a high quality of life for its residents by providing municipal services and addressing community issues in partnership with its citizens, businesses, and neighbors" is the guiding premise for the preparation of this budget document. While financial

resources are severely constrained as a result of the current economic situation, city council and administration are committed to continuing to provide high quality, responsive services to citizens and the business community.

Several goals established by the City Council for FY 2014-15 continue to be reflected in the preparation of this budget:

- **Council Issue #1 – Promoting Industrial and Commercial Growth.** City Council, EDC, TIFA and City Administration are working with Macomb County Planning and Economic Development to update the TIFA Plans to refocus the EDC and TIFA on both infrastructure and marketing programs. Funds are allocated in TIFA to cover a portion of the City Administration Staff's salary and benefits that work within the TIFA Fund. Administration will continue to work to develop ways to streamline permit processing and formulate creative financing plans for industrial and commercial development, redevelopment, and business retention. The TIFA's façade improvement interest subsidy and Project Clean-Up programs are continued in this budget. Changes have been made to these programs to target assistance to vacant properties. Additional funding has been included to market industrial and commercial properties in St. Clair County as well as the rest of the City. The City is working to market the 32 acres of industrially zoned property at the end of Skinner Drive.
- **Council Issue #2 – Traffic Congestion and Parking on Main Street.** Traffic congestion and

parking on Main Street are being addressed through several projects. The city has implemented several portions of the Master Transportation Plan. Council has identified maintaining parking along Main Street and providing adequate off-street parking for downtown businesses as a priority, and the TIFA has allocated \$200,000 in part to continue acquiring private property to expand parking areas. The city continues to replace deteriorated or lifted sidewalks to maintain pedestrian safety and the walkability of the community. The City is implementing the access management plan and ordinance for Gratiot Avenue.

- **Council Issue #3 – Streetscape Implemented.** The first phase of signage was completed in April 2012. Administration will develop plans for civic and sports related signs at the four main entryways into the City. The Streetscape Committee has developed a list of amenities to finish the Streetscape Project that will be reviewed this year by the TIFA Board and City Council. This year the City Planner will begin facilitating the Streetscape Committee meetings to finalize these last remaining projects.
- **Council Issue #4 – Rails-to-Trails Funding, Maintenance, Use, and Development.** In the spring of 2011 grant funds were used to complete the paving of the Macomb Orchard Trail. Administration is finalizing the purchase of a small section of Canadian National rail corridor to the east of Main Street. The City is working with St. Clair County and

the Trail Conservancy to develop plans to connect Richmond's trail system with the County Park in Columbus and the Bridge to Bay Trail. This is part of the Trail Conservancy's effort to connect Lake Michigan with Lake Huron by trails.

- **Council Issue #5 – Orientation and Training for Members of Boards and Commissions.** The FY 2014-15 Budget includes appropriations for continued training and education for City Council, Planning Commission, TIFA and Board of Review. Administration will assist the city's boards and commissions in identifying and implementing appropriate orientation and training programs.
- **Council Issue #6 – Code Enforcement.** The Office of the City Manager will continue to coordinate a team oriented approach to code enforcement through the Building, Planning and Police Departments. Switching many of the City ordinances to civil infractions has streamlined the enforcement process. Enforcing the clearing of snow from sidewalks still needs to be improved.
- **Council Issue #7 – Technology.** The FY 2014-15 Budget includes appropriations for the annual maintenance of a new City website. Funds are committed in the TIFA Fund to improve technology when City Hall is consolidated with the Police Post.

The FY 2014-15 Budget maintains a general operating ad valorem property tax levy of 16.6526 mills, of which an amount equal to 2 mills will be placed in the Municipal Street Fund for street improvements, a practice started in FY 2001-02. This City's operating millage rate has been the same since FY2005-06. The City will also continue to levy a 1% administration fee on all tax collections as permitted by State law. The tax collection fee charged to school districts was eliminated in FY 2001-02 as a result of levying the administration fee. The City's taxable value has decreased this year by \$714,223 to \$155,340,485 from this time last budget cycle (**Source: March 2014 Board of Review**). This decrease is less than the \$3,097 million decrease in FY 2013-14). The Richmond Tax Increment Finance Authority will capture \$26,402,835 of the taxable value. One mill for general operating purposes is equal to \$128,938 after TIFA capture. (Last year one mill was equal to \$128,906) The City will realize \$2,147,147 in property tax revenues with a tax levy of 16.6526 mills, the proposed tax base sharing agreement would limit the TIFA Capture by \$149,209 for a total tax revenue of \$2,296,356. An additional \$65,000 is budgeted from the 1% administration fee.

Residential property represents \$110,686,852 or 71.25% of the City's total taxable value an increase of \$1,716,073 from last year (last year saw a decrease of \$840,202); commercial property represents \$32,667,735 or 21.03% an increase of \$1,132,682; industrial property represents \$3,913,486 or 2.52% a decrease of \$183,908; developmental property represents \$309,812 or .2% an increase of \$994; and personal property represents \$7,762,600 or 5% a decrease of \$1,117,700.

GENERAL FUND REVENUES

Proposal "A" enacted by a vote of the people in 1994 and effective beginning in

1995 continues to erode municipal revenues. As Council is aware, Proposal "A" established the concept of *taxable value* as the means for determining tax assessments and capped annual assessment increases at 5% or the rate of inflation, whichever is less. While the State Equalized Value (SEV) of the City is \$162,515,100 for FY 2014-15 (Source: March 2014 Board of Review), the value of property which can be taxed will be \$155,340,485. The FY2014-15 loss of tax revenue from Proposal "A", based on a 16.6526 mill tax levy, will be \$119,476.

Meanwhile, State revenue sharing from sales tax will decrease considerably from the FY 2001-02 Budget of \$684,707 to \$511,226 in FY 2014-15, a decrease from FY2001-02 of \$173,481 which would be the equivalent of close to 1.5 general operating mills. State Shared Revenues have increased slightly this year. The City's Constitutional revenue sharing increased due to the 2010 Census figures. However, the overall reduction in State revenue sharing since 2001 will prevent the City from providing a general operating tax millage reduction for our citizens in FY 2014-15. Sales Tax revenue sharing fluctuates, sometimes dramatically, with changes in the economy, making it a very unstable revenue source. It must also be remembered that during the previous few

the income tax, single business tax, and inventory tax revenue sharing payments to municipalities. It should be noted that the Michigan legislature continues to look at revenue sharing and has made changes to personal property tax changes that impact General Fund operating revenues.

The total impact of decreased property values will result in a projected reduction of General Fund Revenues from property tax collections of \$6,219. This is an improvement from the loss of \$148,397 two

years ago. Administration worked with Miller Canfield to obtain a legal opinion and tax base sharing agreement with the TIFA that will allow the City to limit the TIFA Capture in FY2012-13 by \$184,669 and limit the TIFA capture in FY2013-14 by \$150,000. Administration is recommending extending this agreement one additional year to limit the TIFA Capture by \$149,209 in FY2014-15. The current General Fund Revenue line items include the limits on the TIFA Capture. Without limiting the capture from TIFA the overall shortfall between revenues and expenditures in the City Managers Recommended budget is \$331,496. With the proposed limit of \$149,209 on the TIFA capture, the City Treasurer and City Manager are continuing to look for an additional \$213,120. There are several personnel and benefit issues that will need to be addressed during Fiscal Year 2014/15. The current Union contracts have wage and insurance re-openers and the Communicators' contract expires June 30, 2014. The City's Budget will be affected by state legislation on health care and how well the city is able to negotiate the collective bargaining agreements.

The current proposed budget calls for a June 30, 2015, ending fund balance of \$907,612.

GENERAL FUND EXPENSES

CITY COUNCIL. The FY 2014-15 Budget provides for compensation for the Mayor at \$60.00 per regular meeting attended and for councilors at \$50.00 per regular meeting attended. The budget provides for continued membership in the Michigan Municipal League, Michigan Municipal League Legal Defense Fund, Southeast Michigan Council of Governments, Traffic Safety Association of Macomb County, and Richmond Area Chamber of Commerce. The Budget also provides funds for Council members to

attend training sessions and committee meetings put on by these organizations. The printing and publishing provided for in this department puts out the City Calendar.

CABLE TELEVISION SERVICES. The budget includes an appropriation to provide for Cable TV production through a part-time coordinator. The City withdrew from NEMC in July 2004 and to begin broadcasting its programming through Channel 12 and 900. The Cable Budget does provide for a part time Cable Coordinator. In previous years, the Coordinators hours were reduced from 38 hours per week to 34 hours per week. Due to changes in Comcast policies the cable budget also includes \$1,500 to reimburse the Cable Commission for a portion of their cable bills. Cable Franchise fees over the years have been rolled into the General Fund - Fund Balance that would enable Comcast to create a studio connection.

CITY MANAGER. The City Manager's budget has been reduced due to the reduction in staffing at City Hall. Last year the Administrative Assistant to the City Manager position was eliminated. The budget includes an appropriation for the City Manager's membership in the Michigan Local Government Management Association and the Michigan Society of Planning.

ELECTIONS. The budget for elections provides the resources necessary to conduct an August Primary and Gubernatorial Election in November 2014.

ASSESSING. The budget provides for the salary and wages for the Assessor. Due to budget restrictions the Building Clerk and City Planner assist in measuring houses. The budget also includes an appropriation for annual software support for the Equalizer assessing administration software and the

ArcView software and a new computer. The cost of moving to BSA.net has been moved to the TIFA Fund under the City Hall/Police Post budget.

LEGAL SERVICES. The cost for legal services has declined dramatically over the several years since we began tracking these expenses in one department from more than \$90,000 in FY 2000-01 to a proposed appropriation of \$23,500. Legal fees have also been budgeted in TIFA to assist with costs associated with tribunal cases involving properties within the TIFA District. Increases in commercial tax tribunal cases have caused an increase in this line item.

CITY CLERK. The budget provides for an appropriation for the City Clerk's and Secretary/Receptionist's salary and benefits. The Clerk's wages and benefits are split between the General, Water, Sewer and TIFA funds. The Secretary/Receptionist's salary and benefits are split between General, Water, Sewer and Cemetery Funds. Appropriations are also provided for contractual services for printing of ordinance supplements to the city code; printing and publishing for legal notices; memberships in the Macomb County Clerks Association, International Institute of Municipal Clerks, and the Michigan Association of Municipal Clerks.

BOARD OF REVIEW. Again this year administration has budgeted \$15,000 in the reimbursement line item to account for the larger number of property owners petitioning the Michigan Tax Tribunal. In the past the budget was amended when Tribunal rulings were delivered, however administration felt that it was more accurate to budget a figure in this line item with the recent increase in the number of tribunal cases. There are two remaining large

commercial cases that would impact the budget more significantly. The worst case scenario would be approximately \$5,081 if the Tribunal found completely in favor of the petitioners. In fiscal year 2013-14 the City had outstanding Tribunal liabilities of over \$100,000.

CITY TREASURER. The General Fund Budget provides for a portion of the salary and benefits of the Treasurer position, with the remaining percentages allocated to the Major Streets, Local Streets, Water, Sewer and TIFA funds. The Treasurer's budget includes service contracts for the FundBalance, BS&A software and audit services.

CITY HALL BUILDINGS AND GROUNDS. The budget includes appropriations for wages and benefits for DPW maintenance services at City Hall; building equipment maintenance to continue the annual inspection and servicing of the heating/cooling system; contractual services for computer maintenance, engineering, janitorial, high speed internet, and website domain and hosting services; office equipment maintenance for the postage scale and scale software, mailing machine, computers, and copier; equipment rental for the postage meter, post office box, and safe deposit box. Funds have been budgeted in Sewer, Water and TIFA to cover a percentage of the routine costs of City Hall associated with these funds. When City Hall is consolidated with the Police Post, the City Hall and Police Post Buildings and Grounds departments will need to be reformatted and adjusted.

POLICE - BUILDINGS AND GROUNDS. The budget includes appropriations for the wages and benefits for part-time janitorial services, and for building maintenance contracts such as lawn maintenance, snow

removal, and mechanical systems and fire suppression system annual inspections. The Police Chief and Public Service Director continue to work together to maintain the Police Post. There are no major building improvements this year.

POLICE. The wage and benefits accounts include appropriations to continue the following programs: (1) traffic patrol coverage; (2) community policing; (3) code enforcement activities; and (4) special event police coverage. The police budget also includes the purchase of three 3 police vehicles. The General Fund will purchase one vehicle and over the next two years will pay back the TIFA fund for the purchase of the other two vehicles.

TRAFFIC AND SAFETY. The budget includes appropriations for wages and benefits to provide crossing guards at key street intersections for school children.

COMMUNICATIONS. The budget includes funds for the two full time and several part time communications officers. The Fire Fund reimburses the General Fund for 10% of the costs of communications services.

CODE ENFORCEMENT. Due to limited funds, the city will continue to handle code enforcement functions primarily through the Police Department rather than establishing a separate code enforcement officer position. However, the City Manager's office is working to coordinate a team approach to code enforcement. Recently, changes have been made to make many ordinance violations civil infractions instead of misdemeanors.

BUILDING DEPARTMENT. The Building Fund expenses are offset by permit fees, and the City is required by State law to

hold excess building revenues in reserve. The city employs a full-time Building Clerk and a part-time Building Official and contracts with others for electrical, mechanical, and plumbing inspection services. Beginning in 2001-02, the city began tracking revenue surpluses in the Building Fund in accordance with applicable law, and there is currently no surplus for the Building Department.

PLANNING. The budget reflects the salary and benefits costs for the full-time Planning and Zoning Administrator position. Fifteen percent of the Planner's salary and benefits costs will be provided through TIFA. The budget also provides for the continuation of in-house training programs for the Planning Commission.

BOARD OF ZONING APPEALS. The budget does not provide for any expenditures. The BZA did meet last year, but may meet more frequently in coming years due to development increasing. Any training will be covered out of other budgets.

EMERGENCY PREPAREDNESS. The City Manager currently serves as Emergency Management Coordinator with the City Planner and Police Chief as back up. Macomb County Emergency Management has updated the City's Plan. Due to our population size, the City falls underneath the County Plan. Funds have been budgeted to provide for maintenance on the four sirens.

PUBLIC SERVICE DIRECTOR. The budget provides for 42.5% of the Public Service Director's salary and benefits, with the remaining percentages allocated to the Major Streets, Local Streets, Water, and Sewer funds. The budget also includes resources for 10% of the cost of a part-time secretarial position for the department, with

the remaining costs to be charged to the Water Fund and Sewer Fund.

PUBLIC WORKS. The budget provides for portions of the wages and benefits of public works personnel which are attributable to General Fund functions which cannot be properly allocated to other funds. The percentages allocated to General Fund and the other funds are based upon historical data trends for each position. The budget also includes appropriations for continuation of the tree maintenance programs; city clock maintenance; and equipment maintenance. The City tree planting program continues to be dormant due to the reduction in City revenues. Funds are still in place to provide for tree maintenance for mature trees.

STREET LIGHTING. The budget includes appropriations for the continuation of the general street lighting program. The TIFA fund is being asked to cover the lighting costs of the ornamental street lights that have been installed from Howard Street north to Park Street. The ornamental lights were installed by TIFA to provide an aesthetic improvement in our downtown districts. These lights are closer together and at a higher rate than the average street lights normally installed by the City.

CAPITAL IMPROVEMENTS. The FY 2014-15 budget does not have any projects being funded out of the General Fund.

REFUSE COLLECTION AND DISPOSAL. In 2011, the city awarded a new five year contract extension to Waste Management, Inc. The current contract expires June 30, 2017. The FY 2014-15 expected charge for waste collection, yard waste collection, and curbside recycling services will be \$15.05 per household per month. Property owners pay the fee with their summer taxes together with a \$5.00

annual administration fee.

EMERGENCY MEDICAL SERVICES.

EMS services are provided through contract with Richmond-Lenox EMS (RLEMS). The City of Richmond pays a stipend to help offset the costs of service to residents. RLEMS submitted a decrease in the City's contribution to EMS services from \$25,200 in 2013-14 to \$24,000 in 2014-15.

COMMUNITY TRANSIT. Community Transit services for senior citizens and the handicapped are provided through Suburban Mobility Authority for Regional Transportation (SMART) bus credit funds provided by the SMART millage to communities within urban counties. The City of Richmond provides these services through contract with RLEMS.

ECONOMIC DEVELOPMENT. The budget does not provide for allocations for the EDC. The City is currently working with Macomb County Planning and Economic Development Department to update the TIFA Plan and marketing and economic development activities will be funded out of the TIFA.

LOIS WAGNER MEMORIAL LIBRARY. Currently, the budget provides allocations for salaries, wages, and benefits for full-time Library Director, Children's Programmer, and Library Technician; and part-time Library Clerk, Systems Manager and substitute library workers. In 2012, the City combined the Library and Recreation Directors positions. The Director's position is funded out of the Library (75%) and Recreation (25%) budgets. The budget also provides funding for the continued membership in the Suburban Library Cooperative of Macomb, including utilization of the cooperative's SIRSI/i-Bistro cataloging system.

The budget continues the restructured hours of the Library that were reduced from 51 hours per week to 44 hours per week. Evening (other than Thursday) and Saturday hours are being maintained. The new hours adopted last year allow for reduced personnel costs.

The budget allocates \$4,145 for library book purchases, and \$193 for other types of media. This is a significant reduction from previous years. At one time the total book budget was close to \$28,000. There are no major building improvements included in this budget

CONTINGENCY. The budget provides an allocation for General Fund contingencies in the amount of \$5,000 in accordance with the provisions of the city charter.

DEBT SERVICE. The only General Fund debt obligation is the payment to Lenox Township for the Muttonville Urban Cooperation Act Agreement, which will decrease to \$112,878. The City pays 3.6 mills annually in September to Lenox Township under the agreement based upon the current taxable value of the properties in the Muttonville district. The agreement expires in 2018.

TRANSFERS OUT. The **Fire Department** is funded through contracts with the townships of Casco, Columbus, and Richmond as well as a city contribution. The budget reflects the city's share of the contribution toward operating and equipment replacement costs. Under the contracts, the operating expenses of the Fire Department cannot increase by more than 10% annually.

The **Street Improvement Fund** provides a set-aside that combined with the TIFA contribution is equal to 2 mills general

operating tax levy to provide a perpetual street improvement program. Currently, a 20-year capital plan for street improvements is in place which requires \$355,000 annually to complete. Due to a recent downturn in the economy, the city has not reached \$355,000. TIFA is being asked to fund a couple of road projects in the upcoming fiscal years, to account for this. TIFA will provide a contribution for the next six years to the Street Improvement Funds to allow the City to reach the \$355,000 mark.

OTHER FUNDS

MAJOR STREETS. The FY 2014-2015 Major Street budget does not have any reconstruction projects.

LOCAL STREETS. The FY 2014-2015 Local Street budget does not have any reconstruction projects. TIFA is repaving Down Street.

FIRE. The Fire Department is operated utilizing volunteer firefighters and chief who will be paid \$14.00 per run. The budget also includes appropriations for medical screening of all Fire Department personnel, boots, replacement of damaged turn-out gear; extrication suits, SCBA fit test screenings as required by MIOSHA; additional funds to provide for maintenance for the aerial truck; fire officer training, ladder maintenance, and other training. The budget includes a transfer out to General Fund to reimburse the City for 10% of dispatching costs.

CEMETERY. The Cemetery Budget maintains the seasonal part-time help for cemetery maintenance.

MAUSOLEUM. There are no substantial changes to the Mausoleum budget. The Cemetery Perpetual Care Fund was

eliminated by ordinance in 2004, and a portion of the assets were transferred to the Mausoleum Fund.

TAX INCREMENT FINANCE

AUTHORITY. This year the TIFA is being asked to provide for a portion of the operational costs of City Hall. Administration received an attorney's opinion and tax base sharing agreement from Miller Canfield to limit the amount of capture for both the budgets if FY2012-13 (\$184,669) and FY2013-14 (\$150,000) from the City's General Fund. In addition, Administration is proposing a limit of \$149,209 on the FY2014-15 Budget.

Once again funds are allocated for Streetscape Improvements, property acquisition, façade programs and park improvements. The TIFA fund has an allocation to provide for Police and Dispatch costs for special events that occur within the TIFA District designed to bring people into the District. TIFA Budget has an allocation for the consolidation of City Hall into the Police Post, which will reduce the TIFA fund balance. TIFA will have a proposed fund balance of \$324,012 at the end of FY2014-15.

The TIFA fund continues to support local businesses within the district through their facade programs and the funding of events designed to bring people into the district. There is also an appropriation for property acquisition for potential parking improvements. TIFA will also help fund the purchase of the police vehicles with the General Fund paying TIFA back over the next two years.

COMMUNITY DEVELOPMENT BLOCK

GRANT. Macomb County has changed the administration of the County's CDBG funds to rotate the community allocations on a

three year rotation. The City will not receive an allocation in FY2014-15. Last year Macomb County allocated additional funds to pay off the purchase of the Community Center from TIFA. In the past, community service funds were allocated to pay for a portion of the Senior Services Coordinator. Changes by the County will require the City's General Fund to cover this expense this year.

WWTP EQUIPMENT REPLACEMENT.

The budget includes an appropriation of \$2,100 to replace lab equipment (convection oven).

DPW VEHICLE & EQUIPMENT REPLACEMENT.

This year's budget includes a \$15,440 loan payment to TIFA for the purchase of the new street sweeper. The City and TIFA entered into a five year loan agreement without interest. The contribution from the General Fund has been reduced from a requested 25% to 20%.

SANITARY SEWER CONTRIBUTING CAPITAL.

There is no transfer this year.

There is no transfer this year.

RECREATION. The budget includes appropriations for Recreation Department salaries and wages. The budget also includes appropriations for staffing the community center, park property and equipment maintenance, seasonal programs, Camp Richmond, golf and tennis lessons and swimming pool operations, staffing, and maintenance. Last year, the pool hours were restructured to reduce personnel costs.

Administration and Council are currently looking into the possibility of restructuring

how Recreation Programming is provided to Richmond residents. One potential change would be to provide services through a contractual arrangement with the Youth Regional Complex - the Aud. A goal of any new arrangement would be to lessen the burden on the Library & Recreation Director.

SANITARY SEWER. The sanitary sewer budget does not include a rate increase this year, but does include a \$1 increase in the "Readiness to Serve" charge. The sewer budget also includes \$238,410 for principal and interest payments on the State Revolving Loan Fund bond debt. The budget includes appropriations for normal operations

WATER. The water budget does not include a rate increase this year, but does include a \$1 increase in the "Readiness to Serve" charge. The budget includes an appropriation for normal operations, but there are no major capital improvement projects in the water fund this year.

SUMMARY

The FY 2014-15 Budget is formulated conservatively with the top priority being establishing sound fiscal planning for operations and capital needs in a time of significant financial constraints. In light of the current economic climate, the city must continue to be conservative in planning its revenues and expenditures.

Sincerely,

Jon Moore, City Manager
May 28, 2014