

**FISCAL YEAR 2017-18 ANNUAL BUDGET
EXECUTIVE SUMMARY**

Honorable Mayor and City Council:

I am pleased to present to you the FY2017-2018 Budget. The budget document represents the program strategies and resources formulated by City staff during the budget preparation process.

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. As the general economy improves State tax law holds down the taxable value of properties preventing the City's revenues from recovering at the same rate as the general economy. The City's millage rate will see another Headlee roll back due to uncapped properties increasing the City's Taxable Value faster than the rate of inflation. These factors may create unrealistic expectations on how fast the City can recover from the cuts that it has made to its budget in the last several years.

During the past economic downturn, changes in programming and personnel have been made in order to maintain the City's sound financial status. The budget does not include wage increases for this year, however all union contracts have wage and insurance re-openers for FY2017-2018 and the Communications Officers contract will be negotiated this year. Last year a 1% wage increase was approved.

The City Manager is also recommending that Council establish a Committee to evaluate the Non-Affiliated Personnel Policies as it has been 10 years since they were re-

viewed and updated. Some Department Director Positions have been significantly changed over the recent years.

The City Manager and City Treasurer continue to evaluate additional cuts to address the City's budget shortfall. The current budget continues to incorporate a shortfall between revenues and expenditures. The City Treasurer and City Manager have been able to reduce this to \$60,802.

The proposed ending fund balance for June 30, 2018 is \$1,445,430 which is 37% of expenditures. This is slightly higher in terms of dollars and percentages to the ending fund balance that was adopted by the City Council last fiscal year. However, there are some potential expenses explained later in this document that may impact the ending fund balance.

Although Administration would be more comfortable without a budget deficit, the City continues to end the fiscal years in about the same shape as it started.

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's 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. The City continues to provide high quality, responsive services to citizens and the business community.

Several goals established by the City Council for FY 2017-18 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 Community Master and 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 MEDC’s Redevelopment Ready Communities (RRC) program will assist Administration in reviewing City processes and ordinances.

Funding for TIFA and EDC's three façade improvement programs are continued in this budget under TIFA. The programs continue to be altered by the EDC and TIFA to improve them.

This year the City will continue to focus on the development of the rest of the industrial property at the end of Skinner Drive.

- **Council Issue #2 – Traffic Congestion and accessibility 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 and Streetscape Plans. 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 \$80,000 in the “Other Projects” line item to continue to develop parking areas. The city continues to replace deteriorated or lifted sidewalks to maintain pedestrian safety and the walkability of the community. The 2017/2018 CDBG funds will be utilized to improve an ADA ramp.
- **Council Issue #3 – Streetscape Implemented.** The Council reconstituted the Streetscape Committee in October of 2015. The Committee is meeting and developing recommendations for the Council and TIFA. Some of their recent accomplishments include new street furniture, a pedestrian bump-out, parking space painting, an across the road banner pole and flower pots. The Streetscape Committee is working on recommendations for signage. Funds are included in the TIFA budget for these improvements.
- **Council Issue #4 – Rails-to-Trails Funding, Maintenance, Use, and Development.** TIFA approved the purchase of a small section of the CN 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 with the St. Clair County trail system. This link will be a part of the Trail Conservancy’s ef-

fort to connect Lake Michigan with Lake Huron by trails.

- **Council Issue #5 – Orientation and Training for Members of Boards and Commissions.** The FY 2017-18 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.** Administration intends to build on the progress made this past year by including funds to hire a part-time code enforcement officer. The City Manager will continue to coordinate a team oriented approach to code enforcement through the Building, Planning and Police Departments. City Council will be reviewing additional ordinances for consideration of switching to civil infractions rather than misdemeanors.
- **Council Issue #7 – Technology.** The FY 2017-18 Budget includes appropriations to convert the City’s financial software to BSA; allowing for improved technology for residents including credit cards and online payments. The budget also includes funds for the annual maintenance of the City website. The City will continue to improve its social media presence. Administration is also reviewing city-wide technology expenses.

GENERAL FUND REVENUES

The FY 2017-18 Budget calls for a general operating ad valorem property tax levy of 16.4417 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. The City’s millage rate is lower due to a Headlee Millage Rollback of .1176. This is the second year that the City has had to reduce its millage rate due to the Headlee Amendment. 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 increased this year by \$7,772,401 to \$171,279,588 from this time last budget cycle (**Source: March 2017 Board of Review**). This increase of 7.7 million in taxable value is less than the increase in assessed values due to the State only increasing taxable values by 9 tenths of a percent. The Richmond Tax Increment Finance Authority will capture \$30,445,379 of the taxable value. One mill for general operating purposes is equal to \$140,834 after TIFA capture. (Last year one mill was equal to \$135,990) The City will realize \$2,315,554 in property tax revenues with a tax levy of 16.4417 mils, the proposed tax base sharing agreement would limit the TIFA capture by \$100,115 for a total tax revenue of \$2,415,669. An additional \$73,000 is budgeted for the 1% administration fee.

Residential property represents \$120,632,787 or 71% of the City’s total taxable value an increase of \$4,300,143; commercial property represents \$36,344,607 or 21% an increase of \$2,315,749; industrial property represents \$4,984,394 or 3% a increase of \$942,909; and personal property represents \$9,327,800 or 5% an increase of \$213,100.

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 \$208,815,650 for FY 2017-18 (Source: March 2017 Board of Review), the value of property which can be taxed will be \$171,279,588. The FY2017-18 loss of tax revenue from Proposal "A", based on a 16.4417 mill tax levy, would be \$623,170.

Meanwhile, State revenue sharing from sales tax will decrease considerably from the FY 2001-02 Budget of \$684,707 to \$517,048 in FY 2017-18, a decrease from FY2001-02 of \$167,659 which would be the equivalent of close to 1.2 general operating mills. State Shared Revenues have increased slightly this year. 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 years, the State legislature has eliminated 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 that impact General Fund operating revenues.

Although property tax revenues have slightly increased from the previous year, the General Fund Budget still has a shortfall. Administration worked with Miller Canfield to obtain a legal opinion and tax base sharing agreement with the TIFA that allowed the City to limit the TIFA capture in FY2016-17 by \$109,975 (24%). The budget calls for extending this agreement one additional year to limit the TIFA capture by \$100,115 in FY2017-18 (20%). 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 Manager's recommended budget is \$158,117. With the proposed limit of \$100,115 on the TIFA capture, the shortfall is \$60,802.

The Communications Officers Contract expires on June 30, 2017. The Teamster, Patrol and Command contracts all have wage and insurance re-openers for FY2017-18. The outcome of these negotiations will likely reduce the end of year fund balance number. The City's Budget may be affected by state legislation on health care and transportation issues, and how well the City is able to negotiate the collective bargaining agreements.

If the City's application for an Assistance to Firefighters Grant for a new ladder truck is successful either this year or next, the City would need to come up with \$100,000 local match. This would impact the ending fund balance as well.

The current proposed budget calls for a June 30, 2018, ending fund balance of \$1,445,430.

GENERAL FUND EXPENSES

CITY COUNCIL. The FY 2017-18 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 meet-

ings 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 full-time coordinator. Last year the City Council approved a partnership with Richmond Community Schools that allowed the Cable Coordinator to teach a TV & Broadcast Media class at the High School level. This year the program will be expanded to allow for two classes. As a result of this partnership the Cable Coordinator position was made a full time position. 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. This year's Cable budget includes the funds to replace the main editing computer and monitor along with the purchase of a control surface to assist with editing.

CITY MANAGER. The City Manager's budget is the same as the previous year. 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 November 2017 Council Election and cover the cost for the absentee mailings for the August 2018 Primary Election. The Elections budget has been decreased due to fewer workers needed for a Council Election. The State is also recommending that local municipalities budget \$1,000 -\$2,000 per precinct for a new statewide voting system purchase. Although this purchase was originally budgeted in FY2016-2017, due to

changes in the Macomb County Clerk's Office, the expense for the new voting system will likely take place in FY2017-2018.

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.

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 \$21,800.

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. This year Administration has decreased the reimbursement line item to \$2,000 to account for property owners petitioning the Michigan Tax Tribunal. In the previous budget this number was \$10,400 to account for the number of petitions that the City had pending with the Tribunal. Presently, the City has no large cases pending with the Tribunal.

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 Fund-Balance, BS&A software and audit services. The FY 2017-18 Treasurer Budget includes appropriations to convert the City's financial software to BSA; allowing for improved technology for residents including credit cards and online payments.

BUILDINGS AND GROUNDS CHPD. Beginning last year administration developed a new combined department to cover the consolidated City Hall and Police Post. Similar line items were combined into common line items that cover both the City Hall (CH) and Police Department (PD). Line items that were not similar were given a designation of CH or PD to designate which department is charging to that line item.

The budget includes appropriations for wages and benefits for DPW maintenance services and wages and benefits for part-time janitorial services at the building; building equipment maintenance to continue the annual inspection and servicing of the heating/cooling system; building maintenance contracts such as lawn maintenance, snow removal, and mechanical systems and fire suppression system annual inspections.

Contractual services for City Hall's computer maintenance, engineering, 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 and post office box.

Funds have been budgeted in Sewer, Water and TIFA to cover a percentage of these costs related to the City Hall portion of the building.

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 special event wages were left in the Police Budget this year.

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 to cover the cost of dispatching the Fire Department.

CODE ENFORCEMENT. Funds have been budgeted to hire a part-time code enforcement officer. The City will continue to handle code enforcement functions primarily through the Police Department, however, the City Manager's office will coordinate a team approach to code enforcement. The City handles most code complaints through civil infractions instead of misdemeanors.

BUILDING DEPARTMENT. 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. The majority of the increase in this budget is due to the increase in building activity within the City.

PLANNING. The budget reflects the salary and benefit costs for the full-time Planning and Zoning Administrator position. Fifteen

percent of the Planner's salary and benefit 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 and may 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 52.5% 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 2.78% of the cost of a part-time secretarial position for the department, with the remaining percentages allocated to the Major Streets, Local Streets, Water, and Sewer Funds.

PUBLIC WORKS. The budget provides for portions of the wages and benefits of public works personnel which are attributable to General Fund functions that 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.

Funds are allocated to maintain existing trees within the right-of-way.

Funds required for a new salt barn and masonry wall around the DPW Yard are included in the Public Works budget and Water, Sewer, Streets and TIFA Funds. Although placed in the budget, further work and review will be required by Council and Administration prior to going out to bid.

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 2018-19 budget does not have any projects being funded out of the General Fund.

REFUSE COLLECTION AND DISPOSAL. In 2016, the City awarded a new five year contract extension to Waste Management, Inc. The current contract expires June 30, 2021. The FY 2017-18 expected charge for waste collection, yard waste collection, and curbside recycling services will be \$15.85 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 a contract with Richmond-Lenox EMS (RLEMS). The City of Richmond pays a stipend to help offset the costs of service to residents. RLEMS maintained the City's contribution to EMS services at \$12,000 for FY2017-18.

Instead of paying EMS the \$12,000, this amount will be transferred from the General Fund to the Sewer Fund to pay back the expense of extending the sewer to accommodate the new EMS facility in 2016/2017.

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. Marketing and economic development activities are funded out of the TIFA.

LOIS WAGNER MEMORIAL LIBRARY. The library budget provides allocations for salaries, wages, and benefits for a full-time Library Director, Children's Programmer, and Library Technician; and part-time Library Clerk, Systems Manager and substitute library workers. 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 from 51 hours per week to 44 hours per week. Evening (other than Thursday) and Saturday hours are being maintained. The new hours allow for reduced personnel costs.

The budget includes increases for library book purchases and other types of media.

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 increase to \$129,741. The City pays 3.6 mils 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 **Recreation and Cemetery Funds** also receive transfers from the City's General Fund to allow for operations.

The **DPW Equipment Replacement Fund** is receiving an additional 5% of equipment rental revenue this year. The recent equipment rental transfer has been 20% due to economic shortfalls. The equipment rental transfer prior to the economic downturn of 35% will be reinstated as the economy improves.

The **Street Improvement Fund** provides a set-aside that combined with the TIFA contribution is equal to 2 mils of the 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 and the General Fund will transfer a combined \$280,000 this year. The City's portion was increased by \$28,000. Beginning in 2017 the City will see an increase in transportation funding received from MDOT due to the passage of a transportation bill in the Michigan legislature.

OTHER FUNDS

MAJOR STREETS. The FY 2017-2018 Major Street budget includes \$104,000 to reconstruct a portion of Park Street.

LOCAL STREETS. The FY 2017-2018 Local Street budget includes \$101,000 to mill and overlay Karen Street.

FIRE. The Fire Department is operated utilizing volunteer firefighters and a volunteer chief who are paid \$14.00 per run. The budget also includes appropriations for medical screening of all Fire Department personnel, boots, replacement of damaged turnout gear; extrication suits, SCBA fit test screenings as required by MIOSHA; additional funds to provide for maintenance of the aerial truck; fire officer training, ladder maintenance, and other training. This year the budget includes additional funding to begin replacing older radios. The current Fire Contracts increased the Equipment Replacement Fund contributions made by each community from \$10,000 to \$11,000. The budget includes a transfer out to General Fund to reimburse the City for 10% of dispatching costs.

CEMETERY. The FY 2017-2018 Cemetery budget provides for the seasonal part-time help for cemetery maintenance. The FY 2017-2018 Cemetery budget includes \$6,000 for the purchase of a new mower and \$4,000 for the planting of trees in the cemetery expansion area.

MAUSOLEUM. The Mausoleum budget provides for operation and maintenance of the Mausoleum.

TAX INCREMENT FINANCE

AUTHORITY. This year the TIFA is being asked to provide for a portion of the operational costs of City Hall. The City and TIFA have worked together on a tax base sharing agreement to limit the TIFA capture in FY2015-16 by \$153,866 (34%); in FY2016-17 by \$109,975 (24%). This year the budget limits the TIFA capture by \$100,115 in FY2017-18 (20%). .

Once again funds are allocated for streetscape improvements, property acquisition/parking development and façade programs. TIFA will have a proposed fund balance of \$42,623 at the end of FY2017-18.

COMMUNITY DEVELOPMENT BLOCK

GRANT. Recently, Macomb County has changed the administration of the County's CDBG funds back to an annual allocation. Council approved using a majority of the funds to improve the handicapped ramps. Fifteen percent of the City's allocation will help pay a portion of the Senior Services Coordinator's wages.

WWTP EQUIPMENT REPLACEMENT.

The FY 2017-2018 WWTP Equipment Replacement budget includes \$25,000 to convert the WWTP from chlorine gas to liquid chlorine for disinfection. This amount was transferred from the FY 2016-2017 budget.

DPW VEHICLE & EQUIPMENT

REPLACEMENT. The FY 2017-2018 DPW Vehicle and Equipment Replacement budget includes \$15,440 for loan payment 5 of 5 to TIFA for the purchase of a street sweeper and \$35,000 for the purchase of a new service truck.

SANITARY SEWER CONTRIBUTING CAPITAL. The FY 2017-2018 Sanitary Sewer Contributing Capital budget includes a transfer of \$220,000 for abandonment of the Mar-Mac lift station and the construction of a gravity sewer to facilitate the abandonment.

WATER CONTRIBUTING CAPITAL No transfers are budgeted for the FY 2017-2018.

RECREATION. The budget includes appropriations for Recreation Department salaries and wages. The Recreation Director position was restructured to a part-time Recreation Director working solely for the Recreation Department. The budget also includes appropriations for the community center, park property and equipment maintenance, Camp Richmond, and swimming pool operations, staffing, and maintenance. In recent years, the pool hours have been restructured to reduce personnel costs.

The Recreation Director is recommending wage adjustments for the Camp Director, Pool Director and senior Park Maintenance Person.

SANITARY SEWER. The budget also includes \$238,000 in debt service, \$50,000 in matching funds for the SAW Grant (10% of 500,000), and \$11,000 for SCADA upgrades.

WATER. The FY 2017-2018 Water budget includes a \$2.00 increase to the ready-to-serve charge. The budget also includes \$26,000 for planned well cleaning and \$11,000 for SCADA upgrades.

SUMMARY

The FY 2017-18 Budget is formulated conservatively with the top priority being establishing sound fiscal planning for operations and capital needs in a time of 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
June 1, 2017