

**FISCAL YEAR 2011-12 ANNUAL BUDGET
EXECUTIVE SUMMARY**

Honorable Mayor and City Council:

I am pleased to present to you the FY 2011-12 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 three budget work sessions held in April.

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. Changes have also been made to the number of positions and hours worked for many seasonal and part time staff.

Due to the challenging economic times and recent developments from the State, the City Manager and City Treasurer will continue to work on the budget figures between the presentation of this Executive Summary and proposed budget and the more detailed Departmental Budget information provided to Council for the Budget Workshops later in April. Administration is continuing to seek ways to contain personnel and health care costs.

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 2011-12 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 have been 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 facade improvement interest subsidy and Project Clean-Up programs are growing in interest and popularity. Changes have been made to these programs to target assistance to foreclosed properties. The city is prepared to work cooperatively to promote appropriate industrial development through the use of financial incentives such as Industrial Facilities Tax (IFT) abatements and Local Development Financing (LDFAs). Additional funding has been included to market industrial and commercial properties in St. Clair County as well as the rest of the City. This year the City will focus on 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 will begin implementation of the new 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 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

menting the access management plan and ordinance for Gratiot Avenue.

- **Council Issue #3 – Streetscape Implemented.** Contracts have been signed to install the Streetscape Sign Package throughout the community. 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.
- **Council Issue #4 – Rails-to-Trails Funding, Maintenance, Use, and Development.** In the spring of 2011 grant funds will pay to pave the gravel portion of the Macomb Orchard Trail. Administration will work with Canadian National to purchase a small section of rail corridor to the east of Main Street. The City will work 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.
- **Council Issue #5 – Orientation and Training for Members of Boards and Commissions.** The FY 2011-12 Budget includes appropriations for continued training and education for City Council, Planning Commission, 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 FY 2011-12 Budget includes appropriations for administrative assistance in the Office of the City Manager to assist in the coordination of a team oriented approach to

code enforcement. This past year, City Council approved ordinance changes that make several violations civil infractions rather than misdemeanors. This will greatly streamline the enforcement process.

GENERAL FUND REVENUES

The FY 2011-12 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 \$7.455 million to \$169,898,810 (**Source: March 2011 Board of Review**). The Richmond Tax Increment Finance Authority will capture \$29,768,944 of the taxable value. One mill for general operating purposes is equal to \$140,129 after TIFA capture. (Last year one mill was equal to \$145,718) The City will realize \$2,333,526 in property tax revenues with a tax levy of 16.6526 mills and an additional \$72,000 from the administration fee.

Residential property represents \$120,119,934 or 70.7% of the City's total taxable value a decrease of more than \$2.2 million over last year. Last year saw a decrease of \$18.68 million; commercial property represents \$35,845,340 or 21.1% a decrease of \$4,440,982; industrial property represents \$4,393,712 or 2.6% a decrease of \$41,827; developmental property represents \$267,924 or .15%; and personal property represents \$9,271,900 or 5.45% a decrease of \$264,250.

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 \$174,658,400 for FY 2011-12 (Source: March 2011 Board of Review), the value of property which can be taxed will be \$169,898,810. The FY2011-12 loss of tax revenue from Proposal "A", based on a 16.6526 mill tax levy, will be \$79,260. Proposal "A" forces many municipalities to levy higher property tax millages than would otherwise be necessary, and those persons recently purchasing a home are disparately affected by property taxes with the uncapping of assessments.

Meanwhile, State revenue sharing from sales tax will decrease considerably from the FY 2001-02 Budget of \$684,707 to \$325,725 in FY 2011-12, a decrease of more than \$358,982 or 52 percent, which would be the equivalent of well over 2 general operating mills. This reduction is based on Governor Snyder's Budget Proposal and includes the elimination of Statutory Revenue Sharing. This reduction in State revenue sharing will prevent the City from providing a general operating tax millage reduction for our citizens in FY 2011-12. Sales Tax revenue sharing fluctuates, sometimes dramatically, with changes in the economy, making it a very unstable revenue source. It should be noted that the Michigan legislature continues to look at revenue sharing and personal property tax changes that could impact General Fund operating revenues.

The FY 2011-12 General Fund Revenue predictions also include a reduction in rental income from \$207,101 to \$55,327 based on

the State's announcement of the closing of the Richmond State Police Post. The \$55,327 in this year's budget is based on the State closing the Post on October 1st. Fiscal Year 2012-13 will see this revenue reduced to zero.

The total impact of decreased property values, revenue sharing reductions and loss of rental income is a projected reduction of General Fund Revenues of \$326,368. Administration is proposing a one time reduction in the TIFA capture of \$300,000, to allow the City Council to determine the best long range solution to the reduction in revenues. This short term one year solution is based on the short notice given by the State regarding the closing of the State Police Post and revenue sharing cuts. There are many facility, personnel and program decisions that need to be made for the long term, now that decisions on the State Budget have been finalized.

The budget calls for a June 30, 2012, ending fund balance of \$775,786. The budget also proposes a contingency of \$7,000.

GENERAL FUND EXPENSES

CITY COUNCIL. The FY 2011-12 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. The

City currently posts the newsletters to the website.

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. 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. Funds are provided to pay Comcast to create a studio connection.

CITY MANAGER. The City Manager's budget provides funding for full-time administrative assistance to the City Manager. The conferences and workshops budget incorporates funds to permit attendance at MLGMA winter institute and MML workshops. 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 the City General Election in November 2011, the Presidential Primary Election in February 2012 and the School Election in May 2012. The City does receive reimbursement from the School for their election in May.

ASSESSING. The budget provides for the salary and wages for the Assessor. Due to budget restrictions the Administrative Assistant, Building Clerk and City Planner assist in measuring houses. The budget also includes an appropriation for annual software support for the Equalizer tax administration software and the purchase of ArcView software and computer hardware upgrades.

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 \$24,750.

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. There are no significant changes proposed for the Board of Review budget.

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.

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. Due to the State Police opting out of their lease, the City is working with the snow removal contractor to reduce the cost of this contract. The Police Chief and Public Service Director will continue to work to complete repairs to the Police Post. There are no major building improvements this year. Funding is included to replace some of the window blinds on the Richmond Police side.

POLICE. The wage and benefits accounts include appropriations to continue the following programs: (1) traffic patrol coverage; (2) bike patrols and community policing; (3) code enforcement activities; and (4) special event police coverage. This year administration is proposing not to fill the part time police secretary position. The Administrative Assistant will help cover some of these duties along with dispatch. Administration is also proposing to eliminate the School Resource Officer and Dare Programs, unless the schools want to cover the cost of these programs. This year the Department will purchase three police vehicles. Last year the City was scheduled to replace three vehicles, but did not have the funding to do this.

TRAFFIC AND SAFETY. The budget includes appropriations for wages and benefits to provide crossing guards at key street intersections for school children. The increase in this budget is due to the schools staggering the start times of the three school facili-

ties. This may be reduced if the school consolidates the starting times.

COMMUNICATIONS. The budget does not provide for a salary increase this year. The City is currently entering contract negotiations with the Communicators, but administration does not anticipate a salary increase based on negotiations with other bargaining units. 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. All code complaints will be funneled through this person, and the complaints sent to the department most equipped to handle the situation. This year 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 secretary/receptionist 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. Beginning last year 15% of the 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 not meet last year. 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 is working with administration to update the City's Plan. Once the overall County Plan is adopted it will be sent to Council for adoption. The City falls underneath the County Plan. Funds have been budgeted to provide for maintenance on two of the four sirens. TIFA has budgeted funds for the sirens at City Hall and the Fire Hall.

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. This year the tree planting program has been

eliminated. Funds are still in place to provide for tree maintenance for newly planted 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 Budget includes an appropriation for the General Fund's portion of the Richmond-Columbus Inter-County Drain Assessment from St. Clair County. The FY 2010-11 budget provided funds for the removal of the cobra style streetlights in the Muttonville area. These lights are no longer necessary in this area and removing them will lower the monthly utility bill.

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 2011-12 expected charge for waste collection, yard waste collection, and curbside recycling services will be \$14.18 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 requested a decrease in the City's contribu-

tion to EMS services from \$29,450 in 2010-11 to \$28,000 in 2011-12.

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 State to communities within urban counties and through contract with RLEMS. The City also uses some of its SMART bus credit allocations to provide recreational trips for seniors, handicapped individuals, and the general public on a first-come, first-served basis. The SMART bus credit allocation is expected to remain the same.

The city has opted to allocate SMART bus credits for this purpose for the FY 2011-12 Budget to reduce the impact on the General Fund.

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. The budget provides allocations for salaries, wages, and benefits for full-time Library Director, Systems Manager, Children's Programmer, and Library Technician; and part-time Library Clerk, and substitute library workers. Two page positions have been removed. 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 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 \$7,000 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 \$125,685. 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 **Street Improvement Fund** provides a set-aside that combined with the TIFA contribution is equal to 2 mils 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 five years to the Street Improvement Funds to allow the City to reach the \$355,000 mark.

OTHER FUNDS

MAJOR STREETS. The FY 2011-2012 does not provide for any new projects in the Major Street Fund. Skinner Drive from Division Road to the Skinner Drive Extension is proposed to be reconstructed in the TIFA Fund. The budget also includes normal maintenance.

LOCAL STREETS. No local Street Projects are proposed out of the Local Street Fund. The next Local Street Project would be Clarkston and Diane Lane in 2013. The budget includes normal maintenance.

FIRE. The Fire Department is operated utilizing volunteer firefighters and chief who will be paid \$14.00 per run. Ten years ago, the City adjusted the per run average by \$2. This year shows the same adjustment. The budget also includes appropriations for medical screening of all Fire Department personnel, five firefighter turn-out gear; SCBA fit test screenings as required by MIOSHA; additional funds to provide for maintenance for the aerial truck; fire officer training, ladder maintenance training, 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. Funds to lay out Section 9B located parallel to M-19 one section back are proposed in FY 2011-12.

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 salary and benefits of City Staff that work within the fund. Administration are working with the attorneys to limit the amount of capture for one year from the City's General Fund to allow City Council and Administration time to determine the true impact of changes at the State level. The City's budget will need to be adopted prior to many answers on funding being decided during the State's budget process. By limiting the capture for one year, Council will be able to make more informed decisions on how to address the shortfall in City Revenues. There are many facility, personnel and program decisions that need to be made for the long term, once decisions have been finalized at the state level.

Once again funds are allocated for Street-scape Improvements, property acquisition, façade programs and park improvements. Funds are budgeted for the reconstruction of a portion of Skinner Drive.

COMMUNITY DEVELOPMENT BLOCK

GRANT. The budget includes appropriations to purchase the Community Center from TIFA over the next fourteen years. Community service funds are also allocated to pay for a portion of the Senior Services Coordinator. Changes at the federal level may eliminate these funds in future years.

WWTP EQUIPMENT REPLACEMENT.

The budget includes an appropriation of \$5,975 to replace a Muffle Furnace at the Wastewater Treatment Plant.

DPW VEHICLE & EQUIPMENT

REPLACEMENT. This year's budget provides funds to replace a 2001 ½ ton pickup and purchase a small portable generator and snow blower attachment for the skid-steer.

The current balance in the DPW Vehicle & Equipment Replacement Fund allows the general fund to reduce its contribution this year by \$20,000 from what was originally requested by the Department Director.

SANITARY SEWER CONTRIBUTING CAPITAL.

There is no transfer this year.

WATER CONTRIBUTING CAPITAL.

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, the city's share of the Macomb Orchard Trail Commission operation expense, and recreation equipment acquisition and swimming pool operations, staffing, and maintenance. Both Camp Richmond and the Community Pool will continue to see a reduced staffing this year. The pool hours have been restructured to reduce personnel costs.

SANITARY SEWER. The sewer budget includes \$243,316 for principal and interest payments on the State Revolving Loan Fund bond debt. The budget includes appropriations for normal operations

WATER. The budget includes an appropriation for normal operations, but there are no capital improvement projects in the water fund this year.

SIDEWALK CONSTRUCTION. No projects are scheduled for this year.

SUMMARY

The FY 2011-12 Budget is formulated conservatively with the top priority being estab-

lishing sound fiscal planning for operations and capital needs in a time of significant financial constraints.

The City continues to face significant challenges as a result of the diminished economic situation of recent years. 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, 2011