

**FISCAL YEAR 2018-19 ANNUAL BUDGET
EXECUTIVE SUMMARY**

Honorable Mayor and City Council:

I am pleased to present to you the FY2018-2019 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. For the third year in a row, 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.

The City Manager and City Treasurer continue to evaluate additional cuts to address the City's budget shortfall. The current budget incorporates a \$408,102 shortfall between revenues and expenditures. However, \$306,700 of this shortfall is due to the purchase of a new Quint Ladder truck for the Fire Department. Without this purchase the shortfall is \$101,401. The proposed ending fund balance for June 30, 2019 is \$1,385,880 which is 31.6% of expenditures.

The budget includes a 2% wage increase for this year in accordance with the approved

union contracts and wage and insurance re-openers. Last year a 3% wage increase was approved.

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 2018-19 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 façade improvement programs are continued in this budget under TIFA. The programs continue to be altered by the EDC and TIFA to improve them and operate with lower funding levels.

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 2018/2019 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.** The City recently purchased 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 effort to connect Lake Michigan with Lake Huron by trails.
- **Council Issue #5 – Orientation and Training for Members of Boards and Commissions.** The FY 2018-19 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. 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.** Administration completed the conversion to the BS&A financial software in FY 2017-18. The FY2018-19 Budget 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 2018-19 Budget calls for a general operating ad valorem property tax levy of 16.3117 mills, of which an amount equal to 1.8 mills will be placed in the Municipal Street Fund for street improvements. The City's millage rate is lower due to a Headlee Millage Rollback of .1316. This is the third 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 City's taxable value has increased this year by \$10,170,781 to \$181,267,425 from this time last budget cycle (**Source: March 2018 Board of Review**). The Richmond Tax Increment Finance Authority will capture \$33,527,850 of the taxable value. One mill for general operating purposes is

equal to \$147,740 after TIFA capture. (Last year one mill was equal to \$140,834) The City will realize \$2,409,884 in property tax revenues with a tax levy of 16.3117 mills, the proposed tax base sharing agreement would limit the TIFA capture by \$98,441 for a total tax revenue of \$2,508,325. An additional \$73,000 is budgeted for the 1% administration fee.

Residential property represents \$127,191,096 or 72% of the City's total taxable value an increase of \$6,698,835; commercial property represents \$38,546,370 or 20% an increase of \$2,230,281; industrial property represents \$5,664,859 or 3% an increase of \$680,465; and personal property represents \$9,865,100 or 5% an increase of \$561,200.

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 \$218,472,600 for FY 2018-19 (Source: March 2018 Board of Review), the value of property which can be taxed will be \$181,267,425. The FY2018-19 loss of tax revenue from Proposal "A", based on a 16.3117 mill tax levy, would be \$606,880.

Meanwhile, State revenue sharing from sales tax has decreased considerably from the FY 2001-02 Budget of \$684,707 to \$551,000 in FY 2018-19, a decrease from FY2001-02 of \$133,707 which would be the equivalent of close to one general operating mill. 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 FY2017-18 by \$100,115 (20%). The budget calls for extending this agreement one additional year to limit the TIFA capture by \$98,441 in FY2018-19 (18%). The current General Fund Revenue line items include the limits on the TIFA capture.

The shortfall between revenues and expenditures in the City budget is \$408,102. However, there are several one-time purchases in this budget including \$306,700 toward the Fire Department's Quint that contribute to the shortfall this year. The City's General Fund – fund balance is able to accommodate these purchases and the City will still end the fiscal year in sound financial shape.

The current proposed budget calls for a June 30, 2019, ending fund balance of \$1,385,880, which is 31.6% of total expenditures in the General Fund.

GENERAL FUND EXPENSES

CITY COUNCIL. The FY 2018-19 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 additional funds in FY2018-2019 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 full-time coordinator. The last two years the City Council approved a partnership with Richmond Community Schools that allowed the Cable Coordinator to teach two TV & Broadcast Media classes at the High School level. 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. Last year, the City worked with Comcast to create a studio connection and begin broadcasting our own Channel 6. This year's Cable budget includes the funds to purchase additional cameras for the studio in City Hall.

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 August 2018 Primary Election and the November 2018 General Election. These are larger elections that require additional workers.

ASSESSING. The budget provides for the salary and wages for the Assessor. Due to budget restrictions the Building Clerk assists 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 \$25,700. Additional funding has been put in place to account for legal expenses related to Muttonville and potential Tax Tribunals.

CITY CLERK. The budget provides 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 increased the reimbursement line item to \$10,000 to account for property owners potentially petitioning the Michigan Tax Tribunal.

CITY TREASURER. The General Fund Budget provides for a portion of the salary and benefits of the Treasurer and Deputy positions, with the remaining percentages allocated to the Major Streets, Local Streets, Water, Sewer and TIFA Funds. The

Treasurer's budget includes the contract for audit services.

BUILDINGS AND GROUNDS CHPD. Beginning in FY2015-2016, 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 the above costs related to the City Hall portion of the building.

Funds have been included in the Buildings & Grounds CHPD Budget as well as other funds to cover crack sealing/patching the parking lot (\$10,000 total all funds) and to paint the metal portion of the City Hall roof (\$55,000 all funds) and to switch the

remaining fluorescent lights to LED lighting.

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. Funds have been included for the purchase of one new patrol vehicle (SUV).

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 three 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 are budgeted for 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 in the back of the DPW Yard are included in the Major and Local Street Funds.

STREET LIGHTING. The budget includes appropriations for the continuation of the general street lighting program. The TIFA Fund covers 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 2018-19 expected charge for waste collection, yard waste collection, and curbside recycling services will be \$16.37 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 FY2018-19. 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 built in 2016/2017. This is the last year that funds will be transferred to the Sewer Fund.

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 hours allow for reduced personnel costs.

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

well as an increase in the programming 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 increase to \$140,222. 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. This will bring the transfer to 30%. 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 1.8 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 \$270,000 this year. The City received an additional \$34,974 in Act 51 Funds in April of 2018.

OTHER FUNDS

MAJOR STREETS. The FY 2018-2019 Major Street budget includes \$112,000 to resurface Division Road within the City limits. This is our 20% local match of this project. The remaining 80% is federal transportation dollars obtained through the Macomb County Federal Aid Committee overseen by the Macomb County Department of Roads.

LOCAL STREETS. The FY 2018-2019 Local Street budget includes \$150,000 to mill and overlay Monroe Street from Parker to Grove; and Pierce Street from Main to Karen.

FIRE. The Fire Department is operated utilizing volunteer firefighters and a volunteer chief who are currently paid \$14.00 per run. The proposed budget includes funding to allow for this per run amount to be increased to \$18.00. 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; funds to provide for truck maintenance; ladder and hose testing/maintenance, and training. This year the budget includes funding to continue replacing older radios. The largest change in this year's Fire budget is \$306,700 in the equipment acquisition line item that will go toward the purchase of a new Quint.

The current Fire Contracts increased the Equipment Replacement Fund contributions made by each community from \$11,000 to \$12,000. The budget includes a transfer out to the General Fund to reimburse the City for 10% of dispatching costs.

CEMETERY. The FY 2018-2019 Cemetery budget provides for the seasonal part-time help for cemetery maintenance. The FY 2018-2019 Cemetery budget includes \$6,100 for the purchase of a new mower. If the old mower makes it through the upcoming summer, these funds will be used to update the Chapel. The budget also reduces the transfer in to the Cemetery Fund from the General Fund, as the Cemetery Fund Balance does not require a full transfer in from the General Fund.

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

TAX INCREMENT FINANCE

AUTHORITY. The City and TIFA have worked together on a tax base sharing agreement to limit the TIFA capture in in FY2016-17 by \$109,975 (24%) and \$100,115 in FY2017-18 (20%). This year the budget limits the TIFA capture by \$98,441 in FY2018-19 (18%).

Once again funds are allocated for streetscape improvements, property acquisition/parking development and façade programs. TIFA will have a proposed fund balance of \$204,318 at the end of FY2018-19.

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 and to provide \$500 each to Turning Point and Care House.

WWTP EQUIPMENT REPLACEMENT.

The FY 2018-2019 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. Tetra Tech and DPW continue to evaluate this switch to liquid chlorine.

DPW VEHICLE & EQUIPMENT REPLACEMENT.

The FY 2018-2019 DPW Vehicle and Equipment Replacement budget includes \$150,000 for the purchase of a plow truck. It also includes a transfer in of 30% of the equipment rental revenues. There will need to be an additional \$73,500 transfer to cover the cost of the plow truck. Depending on the actual number that the 30% generates, the \$73,500 might be reduced.

Included with the DPW Vehicle & Equipment Replacement budget is a memo from the Public Service Director on the cost of alternatives to leaf collection. Administration is recommending that Council discuss this in more detail at the July Quarterly Roundtable.

SANITARY SEWER CONTRIBUTING CAPITAL.

The FY 2018-2019 Sanitary Sewer Contributing Capital budget includes a transfer of \$60,000 to cover any outstanding costs of the 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 2018-2019.

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. This year adjustments were made to the top positions in the pool and camp staff along with the rental workers to keep pace with previous increases to lifeguard and camp counselor wages due to increases in the minimum wage. The budget includes funding for crack sealing of the paved areas of Beebe Street Park where appropriate and to convert the Community Center to LED lighting.

SANITARY SEWER. The budget also includes \$239,500 in debt service, \$25,000

in matching funds for the SAW Grant, and \$55,000 for the roof of the administration building at the WWTP. The budget includes a \$2.75 increase to the ready to serve charge.

WATER. The FY 2018-2019 Water budget includes a \$0.75 increase to the ready-to-serve charge. The budget also includes \$30,000 for planned well cleaning at Well #3.

SUMMARY

The FY 2018-19 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 14, 2018