

**FISCAL YEAR 2012-13 ANNUAL BUDGET
EXECUTIVE SUMMARY**

Honorable Mayor and City Council:

I am pleased to present to you the FY 2012-13 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 work sessions 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.

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 some seasonal and part time staff.

Due to the challenging economic times and possible changes in revenues from the State, the City Manager and City Treasurer will continue to work with the City Council even after the adoption of this budget to continue to find sources of revenues and ways to reduce costs. During the budget workshops Administration and the City Council agreed to use the quarterly workshops and possible special meetings to review departments and service levels in an effort to reduce costs

beyond what is proposed in this budget. The State appears to be continuing to pass legislation that will impact how the city handles health care and pension costs. Work needs to be done in this area as three collective bargaining contracts expire at the end of the 2012/13 fiscal year.

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 2012-13 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 loan and Project Clean-Up programs are growing in interest and popularity. These programs are administered by the EDC. 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 is implementing 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 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 new City signage developed by the Streetscape Committee was completed in the Spring of 2012. 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 were used to complete the paving 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 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 connection 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 2012-13 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 2012-13 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. City Council changed the ordinance to make several violations civil infractions rather than misdemeanors. This has greatly streamlined the enforcement process.

GENERAL FUND REVENUES

The FY 2012-13 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 \$10,746 million to \$159,151,901

(Source: March 2012 Board of Review). The Richmond Tax Increment Finance Authority will capture \$28,026,338 of the taxable value. One mill for general operating purposes is equal to \$131,125 after TIFA capture. (Last year one mill was equal to \$140,129) The City will realize \$2,183,581 in property tax revenues with a tax levy of 16.6526 mils and an additional \$70,000 from the administration fee.

Residential property represents \$109,810,981 or 69% of the City’s total taxable value a decrease of more than \$10.3 million over last year (last year saw a decrease of \$2.2 million); commercial property represents \$35,864,295 or 22.5% an increase of \$18,955; industrial property represents \$4,131,404 or 2.6% a decrease of \$262,308; developmental property represents \$309,421 or .19% an increase of \$41,497; and personal property represents \$9,035,800 or 5.6% a decrease of \$236,100.

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 \$162,426,500 for FY 2012-13 (Source: March 2012 Board of Review), the value of property which can be taxed will be \$159,151,901. The FY2012-13 loss of tax revenue from Proposal “A”, based on a 16.6526 mill tax levy, will be \$54,531.

Meanwhile, State revenue sharing from sales tax will decrease considerably from the FY 2001-02 Budget of \$684,707 to \$413,786 in FY 2012-13, a decrease of \$270,921 or 40 percent, which would be the equivalent of over 2 general operating mills. This

reduction is based on Governor Snyder's Budget Proposal and includes the continuation of the EVIP program. The City's Constitutional revenue sharing increased due to the 2010 Census figures. This reduction in State revenue sharing will prevent the City from providing a general operating tax millage reduction for our citizens in FY 2012-13. Sales Tax revenue sharing fluctuates, sometimes dramatically, with changes in the economy, making it a

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 personal property tax changes that could impact General Fund operating revenues.

The FY 2012-13 General Fund Revenue predictions also include the elimination of the rental income from the State Police Post. Last year's budget did see an increase in revenues beyond the \$55,327 budgeted for in rental income, due to the State taking longer to vacate the building. The City received \$155,326 so far in Fiscal Year 2011-12.

The total impact of decreased property values, revenue sharing reductions is a projected reduction of General Fund Revenues of \$137,498. Due to the increased level of revenues, the ending fund balance is within a comfortable level, however long term the City still needs to find the additional \$307,125 to have a sustainable budget. There are several personnel and benefit issues that will need to be addressed during Fiscal Year 2012/13. The City's Budget will be affected by state legislation on health care and how well the city is able to negotiate the three collective bargaining

agreements that expire this year. Due to many of the personnel costs being unknown, administration will continue to work with the City Council to find ways to balance the budget.

The budget calls for a June 30, 2013, ending fund balance of \$873,340.

GENERAL FUND EXPENSES

CITY COUNCIL. The FY 2012-13 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. 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 to pay Comcast to create a studio connection have been backed out of the budget until a decision is made on City Hall and the Police

Post space.

CITY MANAGER. The City Manager's budget provides funding for full-time administrative assistance to the City Manager. 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 Primary Election in August 2012, the Presidential Election in November of 2012. The school elections are now scheduled with the November election.

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 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 \$22,300. Legal fees have also been budgeted in TIFA to assist with costs associated with tribunal cases involving properties within the TIFA District.

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 budgeted a larger amount in the Reimbursement line item (\$15,000) 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 several large commercial cases that would impact the budget more significantly. The worst case scenario would be approximately \$82,220 if the Tribunal found completely in favor of the petitioners.

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

provided by the SMART milage 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. 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. 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 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

DEBT SERVICE. The only General Fund debt obligation is the payment to Lenox Township for the Muttonville Urban Co-

operation Act Agreement, which will decrease to \$121,743. 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 of \$116,077 from the General Fund. 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 Department** is funded through a combination of registration fees and a transfer out of \$191,915 from the General Fund.

The **Street Improvement Fund** provides a set-aside (\$102,000) 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 six years to the Street Improvement Funds to allow the City to reach the \$355,000 mark.

OTHER FUNDS

MAJOR STREETS. The FY 2012-2013 provides for the reconstruction of the portion

of Beebe Street classified as a Major Street. Beebe Street from Division Road to Washington Street is classified as major. The budget also includes funding to enclose a portion of the ditch along Muttonville Lane.

LOCAL STREETS. The FY 2012-2013 provides for the reconstruction of the portion of Beebe Street classified as a Local Street. Beebe Street from Washington Street to Madison Street is classified as local.

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; funds to provide for maintenance for the trucks; 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. During the budget discussions throughout the upcoming fiscal year, Administration and City Council will determine if the City should limit the amount of capture from the City's General

Fund to lessen the impact of changes in the City's revenues.

Once again funds are allocated for Streetscape Improvements, property acquisition, façade programs and park improvements. Funds have been carried over from the FY11/12 budget to construct a bathroom/concession building at the School's athletic field. 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.

COMMUNITY DEVELOPMENT BLOCK GRANT. The budget includes appropriations to purchase the Community Center from TIFA. The lease-purchase will be complete in 2016. 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 \$138,800 to replace the YSI dissolved oxygen meter, replace the boilers at the plant and replace the muffin monster.

DPW VEHICLE & EQUIPMENT REPLACEMENT. This year's budget provides funds to purchase a laptop computer with GPS in order to comply with a state mandate in regards to Act 51 reporting.

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 and swimming pool operations, staffing, and

Community Pool will continue to see a reduced staffing this year. The pool hours have been restructured to reduce personnel costs.

SANITARY SEWER. The sanitary sewer budget includes a 2% increase to the rates. The sewer budget also includes \$240,040 for principal and interest payments on the State Revolving Loan Fund bond debt. The budget includes appropriations for normal operations

WATER. The Budget includes a 2% increase in the rates. 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 2012-13 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
June 6, 2012