



ANNUAL BUDGET PRESENTATION

May 20, 2024

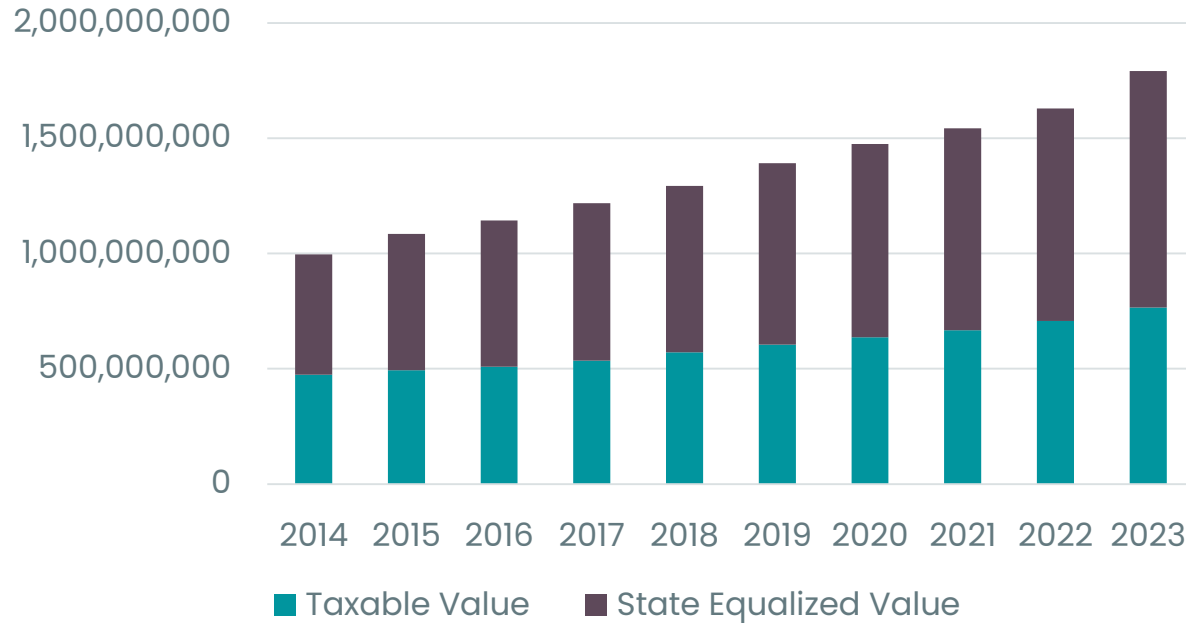
Presented by:
Nate Geinzer, Interim City Manager
Carl Johnson, Finance Director

Setting the Stage



10 Year Trend

Taxable Value & State Equalized Value



2023/2024 Budget vs. Projections

	Revenue	Expenditures	Change in Fund Balance	Beginning Fund Balance	Ending Fund Balance	Fund Balance as % of Expenditures
Actual 6/30/23	14,677,972	15,316,640	-638,668	4,706,698	4,068,030	26.56%
Original Budget 6/30/24	16,642,817	16,592,215	50,602	4,068,030	4,118,632	24.82%
Amended Budget 6/30/24	16,878,364	16,971,412	-93,048	4,068,030	3,974,982	23.42%
Projected Budget 6/30/24	16,731,367	16,508,915	222,452	4,068,030	4,290,482	25.99%

23-24 Capital Project Accomplishments

- City Hall reconfiguration
- Completed grant-funded roof replacement at Community Center
- Began grant-funded HVAC project
- Completed Kenmore/Cornwell water main & pavement project
- Began Wiltshire water main & pavement project
- Completed 5-year sidewalk replacement program
- New street sweeper
- Two vehicles for Public Safety
- F550 for DPW
- DPW hoist replacement
- Sold Vactor truck for 85% of original value

Pension Commitments: Past 5 Years

Public Safety Pension Plan	Total Liability	Total Assets	Actuarial Determined Contribution	Percent Funded
2023	28,760,185	20,337,007	1,143,410	70.71%
2022	27,799,518	19,072,555	1,167,348	68.61%
2021	27,041,507	23,079,740	1,090,661	85.35%
2020	26,407,843	18,772,193	1,013,557	71.09%
2019	25,664,735	18,825,707	774,630	73.35%

MERS of MI	Total Liability	Total Assets	Actuarial Determined Contribution	Percent Funded
2023	N/A	N/A	1,150,332	N/A
2022	24,416,767	11,982,166	1,390,129	49.07%
2021	23,731,336	13,646,250	1,119,653	57.50%
2020	22,487,966	12,311,940	960,613	54.75%
2019	21,651,733	11,378,958	424,931	52.55%



OPEB Commitments: Past 5 Years

OPEB	Total Liability	Total Assets	Actuarial Determined Contribution	Percent Funded
2023	14,359,955	7,192,453	675,568	50.09%
2022	14,258,100	6,680,695	685,635	46.86%
2021	17,953,275	7,272,274	1,068,849	40.51%
2020	17,755,925	5,528,578	1,074,788	31.14%
2019	19,281,920	5,403,052	No ADC calculated	28.02%

2023 Millage: Changes = Questions

- Had to make some choices to cut non-essential services
 - Monthly chipping for private residential branches
 - Return of yard waste tags
 - Reduced snow and ice removal program for seniors
 - Reduced library hours

2024–2025 Budget: New Approach

- Entire process and approach changed with new Finance Director
- New budget document shows revenues and expenditures at level of adoption instead of line-by-line
- Base for beginning 24/25 budget = amounts discussed and approved in previous year's process with few adjustments
- Department heads reviewed all finance estimates and city manager's recommended two-year budget → proposed changes as needed
- Estimated 2023/24 column: finance department's estimate at the time the budget was created, not the amended budget

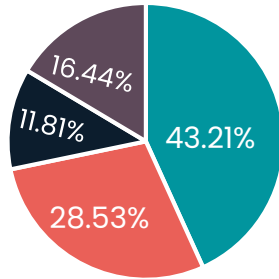
Fiscal Year 2024/2025

RECOMMENDED BUDGET



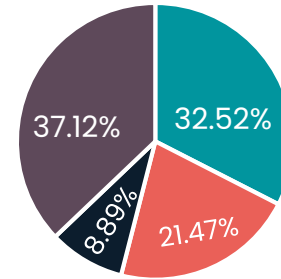
Tax Dollar Distribution

Residential



■ City ■ County ■ Schools ■ State

All Other Properties



■ City ■ County ■ Schools ■ State

Budget Content: Revenues

- Property tax increase of 5% (capped by Headlee)
- State revenue sharing increase of 2% (State of MI sales tax collection estimate)
- Marihuana revenue sharing: \$150,000 (3 licenses at \$50K, up one license from 2024)
- Act 51 increase of 5% per MDOT estimates (City share of gas taxes)
- Final year of one-time ARPA federal grant funds (\$500,000 spread over three years)
- No special assessment revenue – no sidewalk replacement program for 24/25
- No change in solid waste rates for 24/25

Marihuana Revenue Sharing

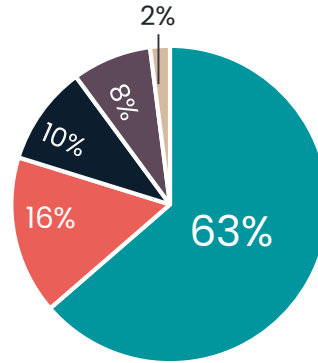
- Received first revenue-sharing payment from the state of \$118,000 for two dispensary licenses
- Three additional licenses projected to be included next year – budgeted for one additional license

10 Years of Headlee Reduction Fraction Impacts

	General	Solid Waste	Infrastructure
2015	16,489	2,606	N/A
2016	83,886	13,833	N/A
2017	101,840	16,948	N/A
2018	146,252	24,268	N/A
2019	133,477	21,999	N/A
2020	124,078	20,458	23,484
2021	125,005	20,686	23,741
2022	142,184	23,631	27,102
2023	121,943	20,088	23,059
2024	81,059	12,332	14,222
Cumulative Annual Rollback	1,076,214	176,847	111,608

Revenue by Source

General Fund



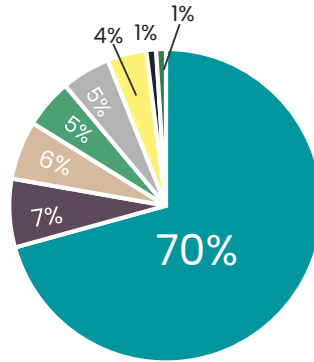
- Property Taxes
- Federal Grants, State Sources
- Licenses & Permits, Other Revenue
- Charges for Services
- Fines & Forfeitures, Investment Income

Budget Content: Expenditures

- Salary increase assumed at 3% for non-union
- Self-insured health care costs lower than expected but assumed 7% increase
- New Facilities Dept. created in General Fund → removed facilities-related costs from City Hall, Library, Public Safety, and DPW departments
- Operating costs increased from 1-10% based on current trends and high inflation rate
- General Fund revenues equal expenditures → all non-operating funds going toward capital needs
- Major & Local Streets Funds invest all available funds into street operations and repaving roads
- Infrastructure Fund subsidizes both roads and unfunded lead service line replacement mandate

Expenditures by Expense

General Fund



- Salaries & Fringes
- Contractual Services
- Capital Outlay
- Materials & Supplies
- Transfers to Other Funds
- Other Charges
- Utilities
- Insurance

Capital



Expenditure Context

- Average costs of construction, repair, and maintenance have increased 40-50% since COVID
- Nationwide abundance of necessary infrastructure projects = competition for skilled labor and materials

Revenues into Capital

Infrastructure Fund	Mills	Revenue
2020	1.9612	1,163,870
2021	1.9239	1,199,464
2022	1.8833	1,228,653
2023	1.8507	1,278,488
2024	1.8507	1,361,268
2025	1.8334	1,421,000

**Note: Voters approved 2.0000 mills in Nov. 2018*

Capital Expenditures

- Expenditures use operating funds in General Fund (property taxes, state revenue sharing, charges for services)
- Special Revenue/Capital Improvement Funds use state grants, property taxes, and user fees
- Enterprise Fund uses water and sewer fees collected for all capital items

Public Works	Parks & Recreation	Public Safety	Library
Wall & roof repairs	Bacon Park pavilion repairs & restoration	Car computers, patrol cars, body cameras	Parking lot repairs
Annual water line replacement & road paving project (Street, Water & Sewer Funds)	Pickup truck, tables, chairs	Locker room & fitness room renovations	
Equipment including asphalt roller, skid loader, pickup truck, skid steer			

Utilities Fund



State of our Utilities

- 120 lead service line replacements per year
- ½ mile of water main replacement per year
 - Road projects done in conjunction with larger water main project
- Budgeting to structurally line several sections of combined sewer system: more cost-effective and less intrusive than physical excavation
 - 50% of system has been lined over 20+ years
- Current rate of water main and road replacement: 100 years before every pipe and road segment has been replaced

Lead & Copper Rule Impacts

- Unfunded mandates for lead water service replacements: \$1.25M per year
 - May need to double the program based on proposed EPA guidance
- Cost limits ability to address other critical needs due to finances and labor
- Continue to pursue other avenues for funding, but support typically goes to overburdened communities

Residential Water & Sewer Rate Change

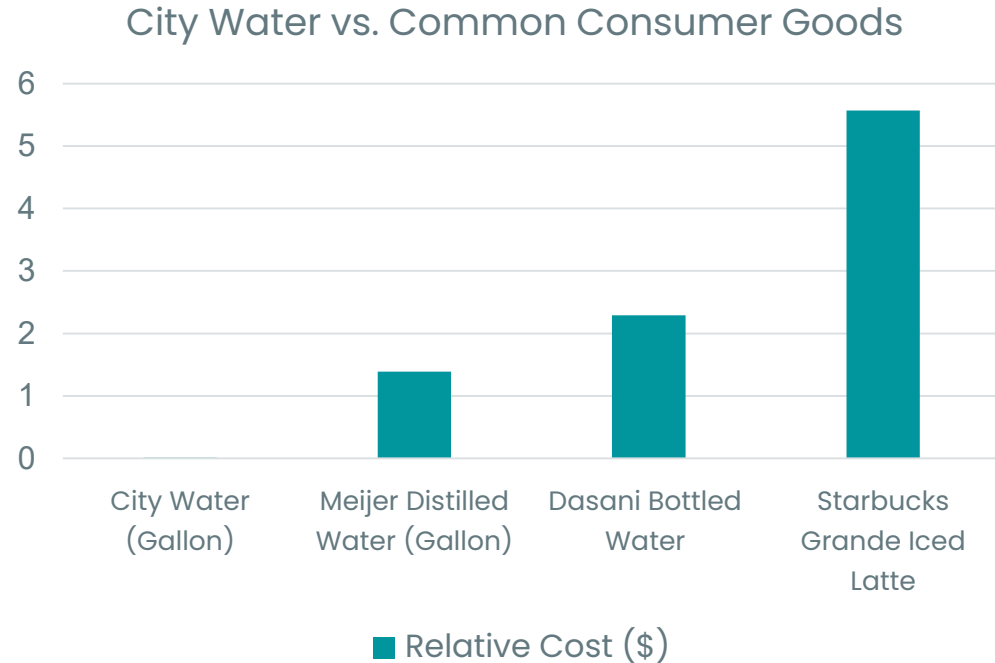
- No change in fixed rates, variable rates increased by 10% as planned during the 2023-24 budget process
- Overall increase of 2.75% (fixed + variable costs on each billing)

Residential Rates (excluding stormwater)	FY 2024	FY 2025	% Change
Water Service (variable)	4.82	5.30	9.96%
Sewer Service (variable)	5.39	5.93	10.02%
Ready to Serve Water (fixed)	13.74	13.74	0.00%
Ready to Serve Sewer (Fixed)	13.19	13.19	0.00%
Total	37.14	38.16	2.75%

Utilities Capital Projects/Investments

- Street + Water & Sewer Funds: Annual water line replacement & road paving project
- Water & Sewer Fund: Annual sewer lining & lead line replacement
- Equipment purchases including pickup truck, sewer truck & camera
- Water meter, water valves, manholes, and hydrant replacements

Cost of Water



Solid Waste Fund



Solid Waste Fund Context

- Funds collection of refuse, recycling, yard waste, curbside leaves
- In prior years, fund was not able to cover all costs related to solid waste and required transfers from General Fund
 - Salary & benefits for existing FTE came out of General Fund when Solid Waste had annual operating shortfall
- Brought back yard waste tags and added commercial waste fee to increase revenue in account and return all solid waste expenditures to fund, including FTE

Solid Waste Summary

Solid Waste Fund	2025	2024	2023	2022
10% of Revenue (Max)	203,000	195,000	155,000	154,000
Internal Service (City Current)	192,000	192,000	120,000	110,000
Below Max	11,000	3,000	35,000	44,000

Internal Services



What are Internal Services?

- Administrative costs incurred within General Fund that support operations of various special revenue, enterprise, trust, and component unit funds. Allocations set annually by City Council through budget process
- Include costs incurred within departments like City Clerk, Finance, Legal, Treasury, Communications, IT, Community Promotions, and City Manager
- Act 51 funds (Major & Local Streets) set by State of MI and CDBG federal grants set by Oakland County establish 10% rule for administrative costs that should be charged to these restricted funds
- 10% rule: City can charge administrative fees up to 10% of annual revenues within Major & Local Streets, Solid Waste, Water & Sewer, Public Safety Pension, and DDA funds
- Most municipalities in MI follow similar allocations to ensure funds properly reflect the true cost of providing their services

Internal Services Summary

Fund	2025	2024	2023	2022
Major Streets	135,000 (10%)	122,000 (10%)	50,000	20,000
Local Streets	49,000 (10%)	52,000 (10%)	35,000	10,000
Solid Waste	192,000 (9.5%)	192,000 (9.9%)	120,000	110,000
Water & Sewer	400,000 (4.4%)	400,000 (5.4%)	400,000	360,000
Public Safety Pension	25,000 (0.9%)	25,000 (1.2%)	25,000	20,000
DDA	20,000 (5.4%)	20,000 (5.4%)	20,000	10,000

Next Fiscal Year & Beyond



Adopted Fiscal Year 2023-2024 Budget

Adopted Version

Last Updated 05/05/23

Introduction

Budget Overview

Departments

Capital Improvements

 Print



<https://city-brighton-mi-budget-book.cleargov.com/13988/introduction/transmittal-letter>

THANK YOU.

