City of Berkley, Michigan
Proposed Budget for Fiscal Year 2018-19
Budget Work Sessions May 14 – 16, 2018
- **General Fund Revenue Overview**
  - Property tax review
  - State Shared Revenue
  - Charges for services
  - Other revenue

- **General Fund Expenditures Overview**
  - Salaries and fringes
  - Contractual services
  - Capital outlay

- **General Fund Fund Balance**
Budget Session 1, May 14, 2018

- City Council – 101
- City Manager – 172
- City Attorney – 210
- City Hall – 265
- Public Safety
  - Public safety administration – 302
  - Dispatch - 306
  - Animal control – 307
  - Public safety officers – 310
- Community Promotion – 284
- Library – 738
- Communications – 750
- Information Technology – 755
- DDA – Fund 814
- Capital Project Funds
Multi Year Budgeting

**Advantages**
- Improved financial management
- Improved long-range and strategic planning
- Linking operating and capital activities, and planning is beneficial to maintain reserve funds.
- Rolling multi-year budget evolves year-round
- Helps to avoid a last minute discovery of a financial crisis.

**Challenges**
- Unstable local economy - difficulties in forecasting revenues and expenditures
- Projecting revenues and expenditures may be difficult for some departments.

*The Michigan Uniform Budget Act, (PA 2 of 1968) still requires an annual budget be approved each year.*
General Fund – Overview

- Fiscal Year 2019 assumptions:
  - Taxable value increase of 6.6% and a Millage rate decrease of 1.75% estimated to yield an overall tax revenue increase of 5.9%
  - State Shared Revenue increase of 6.6%
  - 2% salary increase
  - 9.8% health care increase (active and retiree)
  - 10% increase in MERS pension costs
  - 6% increase in Public Safety pension costs
  - Decrease in CIP requests of $511,525
  - Increase in CERP requests of $1,048,058 ($900,000 fire truck)
General Fund

- Property Taxes: 69%
- Licences and Permits: 6%
- State and Federal Sources: 12%
- Charges for Services: 8%
- Fines and Forfeitures: 2%
- Investment Earnings: 0%
- Property & Equipment Rental: 2%
- Transfer in From Water and Sewer: 10%
Property Taxes – Proposal A

### Historical Inflation Rates

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Inflation Rate</th>
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<tbody>
<tr>
<td>1995</td>
<td>2.6%</td>
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<tr>
<td>1996</td>
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<tr>
<td>2000</td>
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<td>2001</td>
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<td>2002</td>
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<td>2007</td>
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<td>2009</td>
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<td>2010</td>
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<td>2013</td>
<td>2.4%</td>
</tr>
<tr>
<td>2014</td>
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</tr>
<tr>
<td>2015</td>
<td>1.6%</td>
</tr>
<tr>
<td>2016</td>
<td>0.3%</td>
</tr>
<tr>
<td>2017</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Prop A limited the growth in taxable value to the lesser of 5% or the rate of inflation.

Example:
- Tax year 2016 taxable value $75,000
- Inflation rate 0.9%
- Tax year 2017 taxable value $75,675
Property Taxes – Taxable Value vs. SEV

Taxable Value
SEV

$535,799,980

$683,000,240

$535,799,980

$683,000,240

### Property Taxes – Headlee Rollback

- **Max operating levy per charter:** 10 mills
- **2014 Voter Approved Operating Millage:** 3 mills
- **Max public safety levy per charter:** 3 mills
- **Max sanitation levy per public act:** 3 mills
- **Total max allowed:** 16 mills
- **Total max reduced to:** 12.3202
- **Loss of mills:** 3.6798
- **Loss of revenue:** $1,969,000

#### Fiscal Year Summary

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Operating</th>
<th>Public Safety</th>
<th>Sanitation</th>
<th>Reduction Factor</th>
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<tr>
<td>2008</td>
<td>6.3101</td>
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<tr>
<td>2009</td>
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<td>1.0000</td>
</tr>
<tr>
<td>2014*</td>
<td>9.3101</td>
<td>1.8927</td>
<td>1.8927</td>
<td>1.0000</td>
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<tr>
<td>2015</td>
<td>9.2831</td>
<td>1.8872</td>
<td>1.8872</td>
<td>0.9971</td>
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<tr>
<td>2016</td>
<td>9.1456</td>
<td>1.8592</td>
<td>1.8592</td>
<td>0.9852</td>
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<tr>
<td>2017</td>
<td>8.9818</td>
<td>1.8259</td>
<td>1.8259</td>
<td>0.9821</td>
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<tr>
<td>2018</td>
<td>8.7590</td>
<td>1.7806</td>
<td>1.7806</td>
<td>0.9752</td>
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</table>

*Operating plus additional voted 3 mills

- Reduces millage when annual growth on existing property is greater than the rate of inflation
### Property Taxes – FY 2019 Levy

#### Tax Rates per $1,000 Taxable Assessed Value

<table>
<thead>
<tr>
<th>General Fund Purpose</th>
<th>Tax Rate 2016-17</th>
<th>Tax Rate 2017-18</th>
<th>Estimated Levy 2017-18*</th>
</tr>
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<tbody>
<tr>
<td>City Operating</td>
<td>6.0876</td>
<td>5.9366</td>
<td>$ 3,133,339</td>
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<tr>
<td>City Operating - Voter Approved</td>
<td>2.8942</td>
<td>2.8224</td>
<td>1,489,670</td>
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<td>Police &amp; Fire Operating</td>
<td>1.8259</td>
<td>1.7806</td>
<td>939,807</td>
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<tr>
<td>Community Promotion</td>
<td>0.0982</td>
<td>0.0933</td>
<td>49,236</td>
</tr>
<tr>
<td>Public Act 345</td>
<td>2.5445</td>
<td>2.2684</td>
<td>1,195,549</td>
</tr>
<tr>
<td><strong>Total General Fund Levy</strong></td>
<td><strong>13.4504</strong></td>
<td><strong>12.9013</strong></td>
<td><strong>$ 6,807,601</strong></td>
</tr>
</tbody>
</table>

| Special Revenue and Debt:            |                  |                  |                        |
| Sanitation                           | 1.8259           | 1.7806           | 939,807                |
| 11 Mile Road Debt                    | 0.5452           | 0.4927           | 259,754                |
| **Total Special Revenue/Debt Levy**  | **2.3711**       | **2.2733**       | **$ 1,199,561**        |
| **Total**                            | **15.8215**      | **15.1746**      | **$ 8,007,161**        |

*Net of estimated TIF capture

**TV increased 5.25%, operating tax revenue increased 2.7% or $150,000**
## Property Taxes - Neighbors

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>Total City Millage Rate 2015</th>
<th>Property Taxes Paid on $75,000 TV</th>
<th>1 Mill Generates (Approx):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Novi</td>
<td>58,416</td>
<td>10.2000</td>
<td>765</td>
<td>$ 3,200,000</td>
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<tr>
<td>Auburn Hills</td>
<td>21,845</td>
<td>10.5602</td>
<td>792</td>
<td>$ 1,600,000</td>
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<tr>
<td>Birmingham</td>
<td>20,757</td>
<td>11.4943</td>
<td>862</td>
<td>$ 2,000,000</td>
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<tr>
<td>Beverly Hills</td>
<td>10,267</td>
<td>12.3821</td>
<td>929</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Ferndale</td>
<td>20,256</td>
<td>14.3528</td>
<td>1,076</td>
<td>$ 500,000</td>
</tr>
<tr>
<td><strong>Berkley</strong></td>
<td><strong>14,970</strong></td>
<td><strong>15.8215</strong></td>
<td><strong>1,187</strong></td>
<td><strong>$ 500,000</strong></td>
</tr>
<tr>
<td>Royal Oak</td>
<td>59,069</td>
<td>17.6796</td>
<td>1,326</td>
<td>$ 2,400,000</td>
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<tr>
<td>Huntington Woods</td>
<td>6,357</td>
<td>21.5741</td>
<td>1,618</td>
<td>$ 300,000</td>
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<tr>
<td>Madison Heights</td>
<td>30,267</td>
<td>23.9616</td>
<td>1,797</td>
<td>$ 800,000</td>
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<tr>
<td>Allen Park</td>
<td>27,566</td>
<td>25.5524</td>
<td>1,916</td>
<td>$ 800,000</td>
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<tr>
<td>Clawson</td>
<td>11,825</td>
<td>27.2585</td>
<td>2,044</td>
<td>$ 300,000</td>
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<tr>
<td>Oak Park</td>
<td>29,834</td>
<td>37.6060</td>
<td>2,820</td>
<td>$ 400,000</td>
</tr>
</tbody>
</table>

* 2016 Berkley Rate
Property Taxes – Historical Tax Rates

- Debt
- Public Safety PA 345
- Community Promotions
- Sanitation
- Police & Fire Operating
- Operating/Voter Approved

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt</th>
<th>Public Safety PA 345</th>
<th>Community Promotions</th>
<th>Sanitation</th>
<th>Police &amp; Fire Operating</th>
<th>Operating/Voter Approved</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td>17.5074</td>
<td>17.5454</td>
<td>16.9791</td>
<td>15.8215</td>
<td>15.1746</td>
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</tr>
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</table>

The graph shows the historical tax rates for different categories from 2014 to 2018.
Property Tax – Average Home Owner

<table>
<thead>
<tr>
<th>General Fund Purpose:</th>
<th>Tax Rate 2016-17</th>
<th>Tax Rate 2017-18</th>
<th>2016 Tax Levy (City Only)</th>
<th>2017 Tax Levy (City Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Operating</td>
<td>6.0876</td>
<td>5.9366</td>
<td>$457</td>
<td>$449</td>
</tr>
<tr>
<td>City Operating - Voter Approved</td>
<td>2.8942</td>
<td>2.8224</td>
<td>217</td>
<td>214</td>
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<tr>
<td>Police &amp; Fire Operating</td>
<td>1.8259</td>
<td>1.7806</td>
<td>137</td>
<td>135</td>
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<tr>
<td>Community Promotion</td>
<td>0.0982</td>
<td>0.0933</td>
<td>7</td>
<td>7</td>
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<tr>
<td>Public Act 345</td>
<td>2.5445</td>
<td>2.2684</td>
<td>191</td>
<td>172</td>
</tr>
<tr>
<td>Sanitation</td>
<td>1.8259</td>
<td>1.7806</td>
<td>137</td>
<td>135</td>
</tr>
<tr>
<td>11 Mile Road Debt</td>
<td>0.5452</td>
<td>0.4927</td>
<td>41</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15.8215</strong></td>
<td><strong>15.1746</strong></td>
<td><strong>$1,187</strong></td>
<td><strong>$1,148</strong></td>
</tr>
</tbody>
</table>

Fiscal Year 2018 City tax levy savings: $39
State Shared Revenue

2nd largest source of revenue

* Move from Statutory to EVIP then to CVTRS

<table>
<thead>
<tr>
<th>Year</th>
<th>Constitutional</th>
<th>Statutory</th>
<th>Total</th>
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<tbody>
<tr>
<td>2000</td>
<td>$1,149,670</td>
<td>$800,693</td>
<td>$1,950,363</td>
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<tr>
<td>2008</td>
<td>$1,079,094</td>
<td>$342,783</td>
<td>$1,421,877</td>
</tr>
<tr>
<td>2018</td>
<td>$1,175,319</td>
<td>$175,461</td>
<td>$1,350,780</td>
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</table>
Charges for Services

- Breath Test Fee
- Garbage Bags
- Library Services
- Internal Services – Labor
  - To account for administrative department costs; i.e. City Manager, Treasury, Finance). Previously costs were included in wages and salaries in each fund.
- Dispatch Services - $18K increase due to new contract
- Animal Control Services
- Grass & Weed Cutting
- Gas Sales
- Cable Franchise Fees
- Public Safety Services
Other Revenue Highlights

- **Licenses and Permits** – 12% increase
- **Fines and Forfeitures**
- **Investment earnings**
- **Property and Equipment Rental**
- **Contributions and Donations**
- **Miscellaneous** (Medicare Part D reimbursement, insurance reimbursement, sale of fixed assets, prisoner board reimbursement)
- **Transfers In**
General Fund Expenditures

Total expenditures = $11,123,130
Salaries and Fringes

- **$7,623,602 FY 2018.**
  - $244,333 or 3.2% greater than FY 2017
- Includes active salary and fringes as well as retiree health care costs
- All funds salary costs increased 4% due to negotiated contract increases and 1 new DPW staff
- Health care costs increased 9.8% from the prior year
  - Retirees moved to a Medicare Advantage BCBS plan 3/2017
  - Self Funding Platform
- Required pension contributions increased
  - Public Safety – 4% increase
  - MERS (MERIT and DPW) – 12% increase
### Salaries and Fringes

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<tr>
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<th></th>
<th></th>
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<td>3</td>
<td>2.6</td>
<td>1.6</td>
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<td>1</td>
<td>1</td>
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<td>Information Technology</td>
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<td>0.75</td>
<td>0.75</td>
<td>0.75</td>
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<td>1.6</td>
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<td>32</td>
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<td>0.15</td>
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<td>Recreation Youth/Senior</td>
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<td>0.95</td>
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<td>Library</td>
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<td>2.95</td>
<td>2.95</td>
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<td>Water/Sewer</td>
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<td>7.17</td>
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<td>Public Works – DDA</td>
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<td>0.03</td>
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<td>44&lt;sup&gt;th&lt;/sup&gt; District Court- Berkley</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total Full Time Equivalent Positions</strong></td>
<td><strong>71</strong></td>
<td><strong>70</strong></td>
<td><strong>69</strong></td>
<td><strong>66.31</strong></td>
<td><strong>71</strong></td>
</tr>
</tbody>
</table>
$1,154,750 – FY 2019 ($4,400 decrease from FY 18)
- Consultant Fees
- Audit Fees
- Legal Services
- Actuarial Services
- Inspections in Building Department
- Library Co-Op
- Assessing Services
- Wayfinding
General Fund - Capital Outlay

- **$853,097 FY 2019**
- **Major Projects:**
  - Aerial Ladder Firetruck and Fire Hall expansion - $1,175,000
  - Three Police Vehicles - $112,000
  - In Car Computers – Police Vehicles $30,000
  - DPW Equipment - $348,000
    - ¾ Ton Pickup 4 WD with Plow
    - ¾ Ton Pickup
    - Dump Truck w Plow
General Fund – Capital Outlay

- $1,768,303 FY 2020
- Major Projects:
  - Salt dome - $100,000
  - Firehall bay extension - $20,000
  - Fire ladder truck - $950,000
  - 2 patrol cars - $74,000
  - Dump truck - $250,000
  - Animal control truck - $35,000
  - Portable truck hoist - $60,000
General Fund – Fund Balance

Industry standard: 10%-20% fund balance to expenditures ratio

State of Michigan fiscal distress indicator is 13%

Level of fund balance necessary depends on:
• Risk Tolerance
• Known upcoming spending
• Size of community
City Council, City Manager, City Attorney

- City Council (Dept 101) – consistent with prior years
- City Manager (Dept 172)
  - Decreased to 2 full time staff
  - Remaining expenditures consistent with prior years
- City Attorney (Dept 210)
  - Labor attorney - $25,000, union negotiations begin Jan 2019
  - City attorney- Monthly retainage fee of approximately $5,300
City Hall

- City Hall (Dept 265)
  - Contractual services - Architectural fees for city buildings (if needed)
  - Wayfinding - $52,500 for Joint Project with DDA
  - Liability insurance for City Hall moved 100% to dept vs spread across all City Hall departments (insurance costs in City Hall, Public Safety, Library, Parks & Rec, Public Works, and W&S
  - Loss expenses – $20,000, estimated deductibles
  - Building maintenance – $14,000, estimate based on previous years
  - Office equipment rental - $8,500, postage machine and copier
Community Promotion

- Community Promotion (Dept 284)
  - City can levy up to $50,000 for community promotion
- City-wide memberships -$14,694 (i.e. Clinton River Watershed, MML, WA3, SEMCOG, NLC)
- Website hosting and updates - $5,700
- Contractual Services – $53,000, Cable production
- Berkley Buzz Magazine- $13,500
Public Safety

- Public Safety Administration (Dept 302):
  - Slight increase over prior year
    - Increase insurance costs
    - FY 19 increase due to increased retirement costs
Public Safety

• Dispatch (Dept 306)
  ○ Department decrease of $159,500 or 34%
  ○ Retirement savings – MERS closed plan fixed rate
  ○ Decrease in E-911 maintenance costs due to new 911 system put into service FY 2017 (no fees for first 5 years)
  ○ Building improvements and 911 system new in FY 17. These costs are not in FY 18

• Animal Control (Dept 307)
  ○ Consistent with prior years
Public Safety

Public Safety Operations
Dept 310

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15 Actual</td>
<td>$3,790,665</td>
</tr>
<tr>
<td>FY16 Actual</td>
<td>$3,507,750</td>
</tr>
<tr>
<td>FY17 Projected</td>
<td>$4,182,841</td>
</tr>
<tr>
<td>FY18 Recommended</td>
<td>$4,221,991</td>
</tr>
<tr>
<td>FY19 Recommended</td>
<td>$5,215,564</td>
</tr>
</tbody>
</table>
Public Safety

- **Public Safety Operations**
  - $4,221,991 Total budget, increase of $39,150 or 1% from PY
  - 1 Chief, 3 Lieutenants, 6 Sergeants, 18 PSO’s
  - $49,000 or 10% increase in HDLO. Assumes 2 open Lieutenant positions will have family health care plans
  - $55,000 or 8% increase in retirement costs.
Public Safety Operations (continued)

- Vehicle and fire truck maintenance higher than FY 15 and Fy 16 actuals due to aging vehicles and expected higher maintenance issues.

- Building Improvements
  - $27,450 - 2nd floor conference Room and EOC Improvements
  - $10,000 - Extension of exhaust system in Fire Hall
  - $275,000 – Fire Hall Expansion

- Vehicles
  - $81,000 - 2 Ford Utility Vehicles
  - $45,000 – Pick up Truck
  - $900,000 - Aerial Ladder Fire Truck
Public Safety Retirement Fund

- **Revenues**
  - Property taxes $743,054 or 43%
  - Investment Earnings $1,000,000 or 57%

- **Expenses**
  - Salary and fringes $1,772,636
    - 47 retirees
  - Contractual services $187,245
    - Investment advisors
    - Investment managers
    - Audit services
    - Annual actuarial valuation
• Library (Dept 738)
• Dept Expenditures - $723,072
• Salary and fringes –
  ○ Decreased FTE staff through retirement
• Building improvements
  ○ Replace stacking chairs and tables - $16,000
  ○ Replace carpet in meeting room - $6,000
Communications

- Communications (Dept 750)
  - $118,004 Total dept budget, increase of $10,500 or 10% over FY 18
    - Cable Production increased to $23,000 to film ZBA meetings
    - $1,000 Camera Upgrade in Council Chambers

Note FY 16, City underwent a fiber optic project
Information Technology

- **IT (Dept 755)**
- **$187,437 Total Dept Budget**
- **Licensing & Maintenance - $70,000**
  - Computer Software- $37,000
  - Replacement (50%) of Office Computers- $40,000
Information Technology

- IT (continued)
- New phone system - $50,000
  - Stan is the Man
MERS, PSO Retirees, and Transfers Out

- **Benefits – MERS Retirees (Dept 954)**
  - We continue to see HDLO savings due to Medicare Advantage plan effective 3/2017
  - MERIT closed plan fixed cost.

- **PSO Pension System (Dept 955)**
  - No planned OPEB contributions in FY 18 or 19
  - Changes following PA 202 and moving forward

- **Transfers Out**
  - Recreation Revolving Fund- Changes in Rec Revolving Fund will require sustained transfer moving forward.
Downtown Development Authority (DDA)

- **Downtown Development Authority (814)**
- **Revenue**
  - Tax Revenues, 2 mills, $39,735 or 13.9%
  - Property tax capture, $193,756 or 67.5%
  - State Reimbursement – PPT, $31,160 or 10.9%
  - Contributions/Donations, $20,000 or 7.0%
- **Expenditures**
  - Placemaking Programing/Public Art $15,000
  - Design Guideline $50,000
  - Facade Grant Incentive Program $20,000
  - Streetscape Improvements $60,000
  - Wayfinding $40,000
Downtown Development Authority (DDA)

**DDA Fund Expenditures**

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>$52,558</td>
</tr>
<tr>
<td>2015-16</td>
<td>$52,012</td>
</tr>
<tr>
<td>2016-17</td>
<td>$283,245</td>
</tr>
<tr>
<td>2017-18</td>
<td>$375,219</td>
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<tr>
<td>2018-19</td>
<td>$275,265</td>
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</tbody>
</table>

**DDA Fund Balance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>$162,764</td>
</tr>
<tr>
<td>2015-16</td>
<td>$152,490</td>
</tr>
<tr>
<td>2016-17</td>
<td>$197,160</td>
</tr>
<tr>
<td>2017-18</td>
<td>$108,621</td>
</tr>
<tr>
<td>2018-19</td>
<td>$126,876</td>
</tr>
</tbody>
</table>

- 2014-15: 310%
- 2015-16: 293%
- 2016-17: 70%
- 2017-18: 29%
- 2018-19: 46%
Capital Project Funds

- **Court Building Fund**
  - $100,000 transfer out to General Fund - architectural costs

- **Sidewalk Fund**
  - Account for special assessment levies
  - Construction costs related to City-wide sidewalk program
    - Engineering costs charged to Major/Local Streets