THE CITY OF
BERKLEY
Proposed Budget
FY 17-18

Budget Work Sessions May 8 – 10, 2017
Budget Session 1, May 8, 2017

- 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 8, 2017

- 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.*
Fiscal Year 2019 assumptions:
- Taxable value increase of 3% to yield an overall tax revenue increase of 1.1%
- State Shared Revenue increase of 0%
- 1% salary increase
- 8% health care increase (active and retiree)
- 10% increase in MERS pension costs
- 6% increase in Public Safety pension costs
- Increase in CIP requests of $62,000
- Increase in CERP requests of $840,000 ($950,000 fire truck)
**General Fund**

### Revenues

- **Property taxes**: 64%
- **Licenses and permits**: 7%
- **State and federal sources**: 12%
- **Charges for services**: 9%
- **Fines and forfeitures**: 3%
- **Investment earnings**: 0%
- **Property and equipment rental**: 2%
- **Miscellaneous**: 2%
- **Transfer in**: 1%

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- **Property taxes**
- **Licenses and permits**
- **State and federal sources**
- **Charges for services**
- **Fines and forfeitures**
- **Investment earnings**
- **Property and equipment rental**
- **Miscellaneous**
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

<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>
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<td>1998</td>
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<tr>
<td>2000</td>
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<tr>
<td>2001</td>
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<td>2006</td>
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<td>2007</td>
<td>3.7%</td>
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<td>2009</td>
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<td>2010</td>
<td>0.997%</td>
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<td>2011</td>
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<tr>
<td>2012</td>
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<tr>
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<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>
Property Taxes – Taxable Value vs. SEV

Taxable Value
SEV

$535,799,980
$683,000,240

$500,000,000
$600,000,000
$700,000,000
$800,000,000


$100,000,000
$200,000,000
$300,000,000
$400,000,000
$500,000,000

$-
Property Taxes – Headlee Rollback

Max operating levy per charter: 10 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

Reduces millage when annual growth on existing property is greater than the rate of inflation

<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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<td>1.8927</td>
<td>1.8927</td>
<td>1.0000</td>
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<tr>
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<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>9.2381</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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* Operating plus additional voted 3 mills
## Property Taxes – FY 2018 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>
</thead>
<tbody>
<tr>
<td>City Operating</td>
<td>6.0876</td>
<td>5.9366</td>
<td>$ 3,133,339</td>
</tr>
<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>
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<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>
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<table>
<thead>
<tr>
<th>Special Revenue and Debt:</th>
<th>Tax Rate</th>
<th>Tax Rate</th>
<th>Estimated Levy</th>
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</thead>
<tbody>
<tr>
<td>Sanitation</td>
<td>1.8259</td>
<td>1.7806</td>
<td>$ 939,807</td>
</tr>
<tr>
<td>11 Mile Road Debt</td>
<td>0.5452</td>
<td>0.4927</td>
<td>259,754</td>
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<tr>
<td><strong>Total Special Revenue/Debt Levy</strong></td>
<td><strong>2.3711</strong></td>
<td><strong>2.2733</strong></td>
<td><strong>$ 1,199,561</strong></td>
</tr>
</tbody>
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**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 $75,000 TV</th>
<th>1 Mill Generates (Approx):</th>
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<tbody>
<tr>
<td>Novi</td>
<td>58,416</td>
<td>10.2000</td>
<td>765</td>
<td>$ 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>
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<tr>
<td>Ferndale</td>
<td>20,256</td>
<td>14.3528</td>
<td>1,076</td>
<td>$ 500,000</td>
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<tr>
<td><strong>Berkley</strong></td>
<td><strong>14,970</strong></td>
<td><strong>15.8215</strong></td>
<td>*1,187</td>
<td>$ <strong>500,000</strong></td>
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<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>
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</table>

* 2016 Berkley Rate
Property Taxes – Historical Tax Rates

<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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<tr>
<td>2014</td>
<td>17.5074</td>
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<td></td>
<td></td>
<td></td>
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<td>2015</td>
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<td></td>
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<tr>
<td>2016</td>
<td>16.9791</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2017</td>
<td>15.8215</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>15.1746</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
### Average Home Owners Tax Levy

<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>
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</thead>
<tbody>
<tr>
<td>City Operating</td>
<td>6.0876</td>
<td>5.9366</td>
<td>$ 457</td>
<td>$ 449</td>
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<tr>
<td>City Operating - Voter Approved</td>
<td>2.8942</td>
<td>2.8224</td>
<td>217</td>
<td>214</td>
</tr>
<tr>
<td>Police &amp; Fire Operating</td>
<td>1.8259</td>
<td>1.7806</td>
<td>137</td>
<td>135</td>
</tr>
<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>
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<tr>
<td>Sanitation</td>
<td>1.8259</td>
<td>1.7806</td>
<td>137</td>
<td>135</td>
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<tr>
<td>11 Mile Road Debt</td>
<td>0.5452</td>
<td>0.4927</td>
<td>41</td>
<td>37</td>
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<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>
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**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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<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>
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<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 - $39,300 decrease due to loss of Pleasant Ridge
- 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** – decrease of 7% due to decrease in open cases from prior to July 1, 2015.

- **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

  - $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 decreased 6% from the prior year
  - Retirees moved to a Medicare Advantage BCBS plan 3/2017
- Required pension contributions increased
  - Public Safety – 4% increase
  - MERS (MERIT and DPW) – 12% increase
## Salaries and Fringes

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<td>City Manager</td>
<td>3.00</td>
<td>2.60</td>
<td>1.60</td>
<td>1.60</td>
<td>1.60</td>
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<td>1.00</td>
<td>1.00</td>
<td>1.00</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>
<td>0.75</td>
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<td>City Clerk/Elections</td>
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<td>1.60</td>
<td>1.60</td>
<td>1.60</td>
<td>1.60</td>
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<td>1.15</td>
<td>1.15</td>
<td>1.15</td>
<td>1.15</td>
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<td>34.00</td>
<td>33.00</td>
<td>32.00</td>
<td>30.00</td>
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<td>Major Streets</td>
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<td>Local Streets</td>
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<td>2.06</td>
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<td>2.21</td>
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<td>2.17</td>
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<td>Recreation Youth/Senior</td>
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<td>0.50</td>
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<td>Arena</td>
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<td>1.30</td>
<td>1.30</td>
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<td>Library</td>
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<td>2.95</td>
<td>2.95</td>
<td>2.95</td>
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<td>Water/Sewer</td>
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<td>7.17</td>
<td>7.19</td>
<td>7.17</td>
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<td>Public Works – DDA</td>
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<td>.34</td>
<td>0.04</td>
<td>0.03</td>
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<td>44th District Court – Berkley Division</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6.00</td>
<td>6.00</td>
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<tr>
<td><strong>Total Full Time Equivalent Positions</strong></td>
<td><strong>70</strong></td>
<td><strong>69</strong></td>
<td><strong>66</strong></td>
<td><strong>71</strong></td>
<td><strong>69</strong></td>
</tr>
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General Fund - Contractual Services

- $1,154,750 – FY 2018 ($4,400 decrease from FY 17)
- 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 2018
- Major Projects:
  - Three Police Vehicles - $112,000
  - In Car Computers – Police Vehicles $30,000
  - Public Safety Building Improvements - $20,000
  - DPW Equipment - $348,000
    - 3/4 Ton Pickup 4 WD with Plow
    - 3/4 Ton Pickup
    - Dump Truck w Plow
General Fund – Capital Outlay

- $1,768,303 FY 2019
- **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 Department Expenditures

- Public Safety: $4,794,317 (43%)
- City Hall: $2,551,168 (23%)
- Public Works: $1,301,273 (12%)
- Transfers - P&R: $320,000 (3%)
- Library: $732,372 (6%)
- Retirees: $1,424,000 (13%)
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
General Fund

- **Revenues**
  - Property taxes
  - Licenses and permits
  - State and federal revenue sources
  - Charges for services
  - Fines and forfeitures
  - Investment earnings
  - Property and equipment rental
  - Miscellaneous
City Council, City Manager, City Attorney

- City Council (Dept 101) – consistent with prior years

- City Manager (Dept 172)
  - Shift in salary and fringes - 3 full time staff, 100% of time budgeted
  - Remaining expenditures consistent with prior years

- City Attorney (Dept 210)
  - Labor attorney - $50,000, union negotiations begin Jan 2018
  - City attorney
    - Monthly retainage fee
    - $8,000 – Brand trademark
City Hall (Dept 265)

- Contractual services - $100,000, architectural fees for city buildings
- Wayfinding - $75,000
- 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
- Cable franchise admin fees ($32,000) moved to Communications Dept 750
- Building maintenance – $23,000, estimate based on previous years
- Office equipment rental - $10,000, postage machine and copier
Community Promotion

- Community Promotion (Dept 284)
  - City can levy up to $50,000 for community promotion
- City-wide memberships - $14,685 (i.e. Clinton River Watershed, MML, WA3, SEMCOG, NLC)
- Website hosting and updates - $5,700
- Contractual Services – $24,605, Cable production
- Berkley Buzz Magazine- $16,000
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>Fiscal Year</th>
<th>Budget Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 15 Actual</td>
<td>$3,790,665</td>
</tr>
<tr>
<td>FY 16 Actual</td>
<td>$3,507,750</td>
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<tr>
<td>FY 17 Projected</td>
<td>$4,182,841</td>
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<tr>
<td>FY 18 Recommended</td>
<td>$4,221,991</td>
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<tr>
<td>FY 19 Recommended</td>
<td>$5,215,564</td>
</tr>
</tbody>
</table>
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. In FY 17, part of the retirement costs were charged to Police Admin. Costs are properly account for in PSO Dept
- Office supplies and stationary accounts were combined into one account (728-000 and 729-000)
Public Safety

- 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
    - $3,000 - 2nd floor conference room security door
    - $20,200 – Public Safety building improvements
  - Vehicles
    - $83,000 - 2 Ford Utility Vehicles
    - $29,500 - 1 Administrative Vehicle
  - $30,000 - Car computers replacement
  - FY 2019 – Fire Truck $950,000
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 - $732,372
• Salary and fringes – savings in MERS closed retirement plan
• 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 17
    - Increase due to moving Cable Franchise Admin Fee from City Hall Dept to Communications - $24,000
    - $4,000 Camera Upgrade in Council Chambers
    - MERS retirement fund savings

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

- IT (Dept 755)
- $187,437 Total Dept Budget
- New philosophy for IT in FY 18; an item was to be budgeted in IT if the IT administrator was responsible for the ordering and installation of the software/hardware being purchased
- Office equipment - $70,000
  - Tablets for council - $8,000
  - Tablets for directors - $12,000
  - New phone system - $50,000

![Graph showing budget allocations for different fiscal years]
Information Technology

- IT (continued)
- **Computer Software - $26,200**
  - Microsoft licensing - $15,000
  - Anti virus renewal - $2,100
  - Backup software renewal - $2,000
  - Fiberlink Ipad management – annual - $5,500
MERS, PSO Retirees, and Transfers Out

- **Benefits – MERS Retirees (Dept 954)**
  - 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
- **Transfers Out**
  - Recreation Revolving Fund
Downtown Development Authority (DDA)

- **Combined Fund 814 (DDA) and 815 (DDA-TIF)**
  - **Fund 814 DDA**
    - Previously:
      - Accounted for 2 mill levy of DDA District
      - Accounted for administrative costs, special events, and street maintenance
  - **Fund 815 – DDA – TIF**
    - Previously:
      - Accounted for DDA capture
      - Accounted for capital projects
Downtown Development Authority (DDA)

- **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
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