city of Norton Shores
4814 Henry Street Norton Shores, Michigan 49441 www.nortonshores.org

June 30, 2020

Council Meeting of July 7, 2020
Subject: FY 2021 Budget Adjustments

The Honorable Mayor
and
Members of the City Council

Ladies and Gentlemen:

Pursuant to the discussion at the June 23, 2020 work session, City council is requested to formalize budget adjustments for Fiscal Year 2021.

Due to the COVID-19 pandemic and resulting economic downturn, State shared revenue is predicted to be approximately $210,000 less than estimated in the approved FY21 budget. Therefore, staff recommends several revenue and expenditure adjustments as outlined on the attached resolution.

It should also be noted that any shortfalls in the major and local street funds will be evaluated mid-year and potentially adjusted.

A resolution is attached for Council's consideration.

Respectfully submitted,

Mark C. Meyers
City Administrator

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Attachment

Norton Shores will not discriminate against any individual or group because of race, sex, religion, age, national origin, color, marital status, handicap or political beliefs or other legally protected characteristics.

RESOLUTION

WHEREAS, the COVID-19 pandemic and resulting economic downturn is predicted to reduce the amount of State shared revenue the City will receive in Fiscal Year 2021.

NOW, THEREFORE, BE IT RESOLVED that the Norton Shores City Council approves Fiscal Year 2021 budget adjustments as follows:

General Fund Revenues

Reduced revenue sharing	($210,000)
Increase Administrative Fee to non-general funds by 2.5%	$ 40,000
Workers Compensation Dividend	$ 35,000
Net	($135,000)

General Fund Expenditures

Eliminate Parks & Rec Coordinator Position	$65,000
Maintain Administrative Services Administrative Assistant vacancy (net contractor expense)	$ 39,000
TIFA Fund to pay District Lighting	$ 18,500
MPTC 1% general and up to 1% merit increase	$ 9,000
Net	$131,500

At a regular meeting of the City Council of the City of Norton Shores, held remotely on the 7th day of July 2020, the foregoing resolution was moved for adoption by Council Member Beecham. The motion was supported by Council Member Hylland.

Ayes: Council Members Beecham, Flanders, Hylland, Jurkas, Morgenstern, Moulatsiotis, Olson and Mayor Nelund

Nays: Council Member Sladick

Resolution declared adopted.

Taylor Hobby

Taylor Hobby, Acting City Clerk

city of Norton Shores 50th Anniversary 1968-2018

Internal Memo

June 18, 2020

TO: Mayor and City Council

FROM: Mark C. Meyers, City Administrator MCM

SUBJECT: FY 2021 Budget Adjustments – General Fund; Street Funds

BACKGROUND

As indicated in my fiscal year 2021 budget message, the COVID-19 pandemic and resulting economic downturn would require the City Council to adjust the FY 2021 budget in order to balance. The two most significant negative revenue impacts effect State shared revenue, and Act 51 street funding.

With regard to revenue sharing, which is derived from sales tax income, based on State Treasury's most recent estimating conference held May 15, as well as staff's experience with such estimates, revenue sharing is predicted to be down $210,000. This effects the general fund. In addition, Act 51 revenue, which is derived from gas and weight tax, is estimated to be down $166,000 for FY 2021. This effects the major and local street funds

GENERAL FUND

The budget committee has participated in four webinars sponsored by the Michigan Municipal League and State Treasury in the past three months and developed revenue enhancements and expenditure reductions. Attached is a list related to balancing the general fund.

In terms of revenues, staff is recommending that the administrative fee charged to non-general funds be increased from 10% to 12.5%. The current amount charged has been in place for decades. The increase was reviewed by our auditing firm and it is confirmed to be a reasonable and justified amount. Further, the City received a worker's compensation insurance dividend check that was greater than budgeted and the amount would be put toward next year's premium which has decreased.

In terms of expenditures, staff is recommending implementing a selective hiring freeze, especially for non-public safety positions, that are funded through the general fund tax levy. The administrative assistant position in the Administrative Services Department is currently vacant and an independent contractor has been hired to assist with elections. It is recommended that the vacancy be continued (net the contractor's expense) for the foreseeable future. Also, staff is

recommending eliminating the Park & Recreation Coordinator position. The division would be reorganized with those duties being completed by the Park & Recreation Supervisor in the future. Further, street lighting has historically been funded 100% by the general fund. Staff recommends that the lighting in the Tax Increment Finance Authority (TIFA) be paid by that fund. It is an eligible expense per the TIFA plan. Lastly, a 2% appropriation for a general increase as well as a 2% appropriation for merit increases for MPTC (non-union) employees are included in the FY 2021 budget. I am recommending that the city implement a 1% general increase and up to 1% merit increase (for those not at the top of their pay range). However, the general increase amount will be revaluated mid-year for a potential additional increase up to the budgeted amount January 1st if the budget outlook is improving.

Furthermore, as I stated in my budget message, payments above the pension and OPEB ARCs will be delayed until mid-to-late fiscal year. That will allow us to reassess the revenue picture and, if necessary, adjust those amounts downward. Also, if revenues do not improve, we could consider utilizing fund reserves. As City Council is aware, we have completed a 3-year program to build up the fund balance from 15% to 24%.

A note about fiscal year 2020: although revenue sharing income is estimated to be down $130,000, we received more in personal property tax from the State than was budgeted. Also, expenditures were less than budgeted due to less travel, training and other expenses during the Stay Home orders.

STREET FUNDS

Due to the forecast reduction in Act 51 revenues, we may have to delay some projects until fiscal year 2022. Based on timing, the projects may include two sidewalk projects. However, historically we are not able to complete all budgeted projects in a given fiscal year simply based on the amount of work we wish to accomplish and the amount of time it takes to do so. If that is the case again, balancing the street funds may not be an issue. Regardless, the work will get done, it just may take a bit longer.

Staff will present its recommendations to balance the FY 2021 budgets at the June 23 work session. In the meantime, please contact Finance Director Mike Huston or me with any questions.

FY 2021 Budget Adjustments

June 18, 2020

General Fund Revenues

Revenue Sharing (est.)	($210,000)
Increase Admin. Fee to non-general funds	$40,000
Work Comp Dividend	$35,000
NET	($135,000)

General Fund Expenditures

Eliminate P&R Coord. Position	$65,000
Maintain Vacancy Admin. Asst. in Admin. Srvcs. Dept. (net contractor)	$39,000
Have TIFA pay for Lighting in the District	$18,500
Conservative MPTC General and Merit Increases	$9,000
NET	$131,500