



Internal Memo

June 18, 2020

TO: Mayor and City Council
FROM: Mark C. Meyers, City Administrator *WMM*
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 reevaluated 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
<u>Work Comp Dividend</u>	<u>\$35,000</u>
NET	(\$135,000)

General Fund Expenditures

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