

City of East Lansing

FY2019 Budget Overview

Budget Work Session April 10, 2018

Document Overview

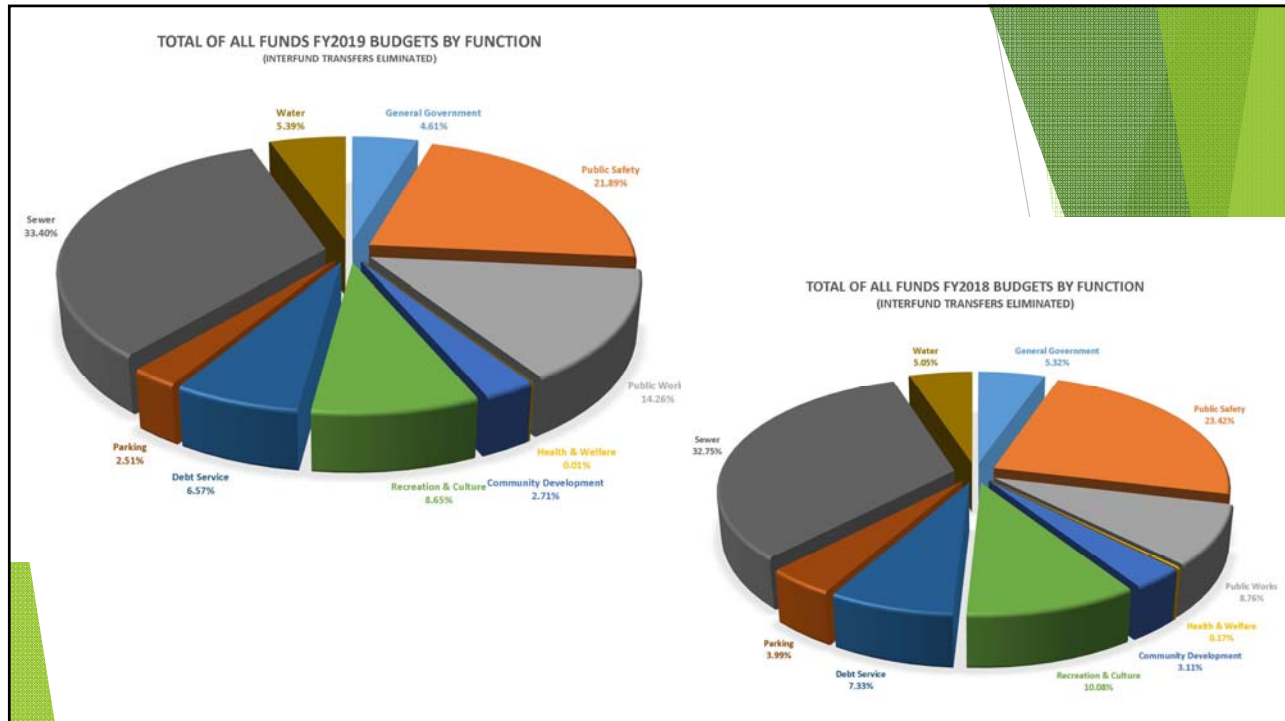
- ▶ Executive Summary
 - ▶ Message from the City Manger
 - ▶ Acknowledgements
 - ▶ Table 1 and Budget in Brief
 - ▶ Personnel Summary (head count for part-time and full-time; contingent hours)
 - ▶ Timetable (budget process through adoption by Council)
- ▶ All funds of the City are budgeted and presented in this document
 - ▶ General Fund
 - ▶ Special Revenue, Debt Service and Capital Improvement Funds
 - ▶ Enterprise Funds
 - ▶ Internal Service Funds
 - ▶ Component Units
- ▶ Supplemental Information - proposed fee schedule comparison

Document Overview

- ▶ Amounts shown throughout the document:
 - ▶ FY2017 actual amounts
 - ▶ FY2018 amended budget
 - ▶ FY2019 proposed budget
- ▶ Our process also includes estimating FY2018 year end results, not shown in the tables, but may be referenced in the explanatory information
- ▶ FY2019 budget requests include:
 - ▶ 1% cost of living adjustment - per contracts negotiated
 - ▶ 5% step increases for employees not at the top of their scale
 - ▶ 7.3% decrease in total health insurance premiums charged to individual funds
 - ▶ MERS defined benefit plan contribution overall increase 8.3%
 - ▶ General Government indirect cost allocation was adjusted internally based on overall budget amounts - plan to work with consultant during FY2019 to update

Document Overview

- ▶ Vulnerabilities and risks of the budget:
 - ▶ Projected use of fund balance in many of our funds both in FY2018 and FY2019
 - ▶ Limited capital investment - assumes minimal funding for critical items in FY2019 but additional funds could be needed if issues arise during the year
 - ▶ MERS 20-year projection shows even larger contribution requirements going forward - 50% funding ratio as of December 31, 2016 (when excluding the ELMWSA division)
 - ▶ \$1 million supplemental payment included from the General Fund (included in the Police and Fire Department budgets - \$500,000 each)
 - ▶ No prefunding of retiree health care costs - GASB 75 required to be adopted in FY2018, requiring this liability be recorded in the financial statements, impacting the business-type and government-wide activities
- ▶ Consolidated City Budget is presented in Table 1 (page vii)
 - ▶ Total all funds \$106,223,615 for FY2019 compared to \$105,381,511 for FY2018



Property Tax Millage Rates

FY2019 Proposed Millage Rates		FY2018 Actual Millage Rates	
Operating	17.5362	Operating	17.5679
Solid Waste	1.8250	Solid Waste	1.8250
Library	1.9940	Library	1.9976
Debt	0.7715	Debt	0.7946
Total Mills	22.1267	Total Mills	22.1851

FY2019 based on expected Headlee rollback of 0.9982

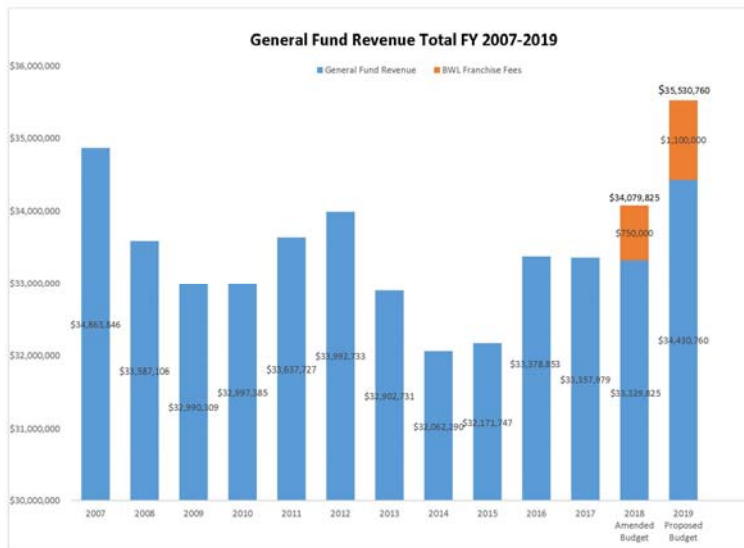
General Fund reduction = \$32,000 Library reduction = \$3,600

Solid Waste maximum levy (under Headlee) for FY2019 is 2.6301 mills

Debt millage in FY2019 (July 2018) will be the final levy for existing debt

General Fund Revenues

- ▶ Total revenue in FY2019 \$35,530,760 - increase of \$1,450,935 from FY2018 amended budget (excluding reappropriated fund balance)
 - ▶ New revenue sources
 - ▶ BWL franchise fees - \$1.1 million in FY2019 and \$950,000 expected in FY2018 (\$750,000 budgeted)
 - ▶ Center City ground lease - \$66,665 in FY2019 (represents 3 months)
 - ▶ Property taxes increasing \$983,570 primarily due to taxable value growth
 - ▶ New value (Costco (partially captured), MSUFCU, personal property)
 - ▶ CPI factor of 2.1%
 - ▶ Other increases include State revenue sharing (\$143,735), PA289 Fire Protection funds (\$118,935), and additional grants namely for the Court and Fire Department (\$386,525)
 - ▶ Revenue reductions expected in Court fines (\$100,000), parking and ordinance fines (\$425,000) and ambulance services (\$100,000) based on prior year and current year activity levels



Historical revenue sources in FY2019 still do not meet the FY2007 revenue levels.

Expenditure reductions have continued, as the new BWL money is only slightly more than the supplemental pension payment budgeted.

Hypothetically, if the City had experienced modest revenue growth of 1.5% per year, FY2019 would be at \$41,683,848 leaving a gap of more than \$6 million (even with BWL money)

General Fund Expenditures

- ▶ Includes numerous cuts to personnel in FY2019 - many effective in FY2018
 - ▶ 14 full-time or part-time positions
 - ▶ Finance Assistant
 - ▶ HR/City Clerk Specialist
 - ▶ 5 Sworn Police Officers (eliminated School Resource Officer and Metro Officer)
 - ▶ 2 part-time PACE Officers
 - ▶ Police Recruit Trainee
 - ▶ 2 Firefighter/Paramedics
 - ▶ Part-time Plumbing Inspector
 - ▶ Part-time Vacant Property Coordinator
 - ▶ 6,610 contingent employee hours
 - ▶ Police Cadets and Police Range Instructors
 - ▶ Interns (Assessing, Building, Engineering, and Planning)

General Fund Expenditures (continued)

- ▶ Reduced social service funding:
 - ▶ Grant funding of \$47,000 removed, leaving only the Tri County consortium dues
 - ▶ Reduced support to the Community Relations Coalition by \$23,000
 - ▶ Maintained sponsorship of MLK Jr and Caesar Chavez
- ▶ Eliminated LEAP membership dues (\$15,000)
- ▶ Limited funding for hazardous sidewalk repairs
- ▶ Less neighborhood sidewalk plowing planned
- ▶ Reduction to costs and/or service to televise meetings expected (April 2019)
- ▶ Eliminated all other non-essential operating costs from all departments
 - ▶ Notably, the Court reduced their operating costs by \$90,360 (when excluding the specialty courts and internal charges)
 - ▶ Many important projects or enhancements were postponed, such as p-cards and review of the zoning code

General Fund Expenditures (continued)

- ▶ Additional cuts will need to be made if new revenue is not received in future years as pension payments continue to rise
- ▶ All positions that become vacant will be reviewed for necessity before being filled
 - ▶ Both the Fire and Police Departments will continue to reduce staffing through attrition
 - ▶ The Court has agreed to freeze a position when one becomes available, if feasible, in FY2019 and further reductions considered in future years
- ▶ Mostly grant-leveraged investment in capital planned for FY2019
 - ▶ \$567,000 total in the budget, but \$476,000 funded with grant dollars
 - ▶ \$385,000 for Fire Department air pack replacement (\$350,000 grant)
 - ▶ \$182,000 for sidewalks (\$126,000 grant and \$6,000 of assessments expected)
- ▶ Transfers out include:
 - ▶ Parks & Recreation - total \$2,032,360 (increase of \$35,935, or 1.8%)
 - ▶ CIP - \$141,000 for critical facility repairs and \$99,010 for Avondale Square

General Fund Overall Picture

- ▶ Not a sustainable plan
 - ▶ Departments are already operating at and below bare minimums
 - ▶ Police have already reduced their daily staffing to 4 officers and 1 supervisor
 - ▶ Additional service reductions will have to be made
 - ▶ Limited capital outlay and preventative maintenance
 - ▶ Costs are increasing much faster than revenues, especially healthcare and pension
 - ▶ Pension alone is projected to increase another 10.6% in FY2020 per the MERS 20-year projections
- ▶ Projected to end FY2019 with \$5.6 million, or 15.8% fund balance as a percentage of operating expenditures
 - ▶ Represents just under 2 months of current operations
 - ▶ FY2018 year end estimates result in \$874,081 of fund balance used
 - ▶ Improvement from the \$1.6 million budgeted due to the personnel cuts already made and better than budgeted retiree healthcare costs
 - ▶ FY2019 preliminary budget includes no use of fund balance

Special Revenue Funds

- ▶ Parks and Recreation Fund (page 59)
 - ▶ Projected to end FY2019 with \$69,158, or 1.6% fund balance as a percentage of operating expenditures
 - ▶ If actual amounts for year end and/or FY2019 are unfavorable, the General Fund would need to transfer additional funds
 - ▶ FY2019 General Fund transfer request is \$2,032,360 (of which \$10,000 is earmarked for the Summer Solstice Jazz Festival)
 - ▶ Recommending a host of fee increases which are highlighted on page 61-62
 - ▶ Minimal capital outlay budgeted
 - ▶ Fitness center equipment replacement of \$8,000
 - ▶ Does not include funding for the Aquatic Center equipment replacement reserve - FY2016 was the last year this was budgeted
 - ▶ No reserve exists at this point as these funds have been depleted
 - ▶ This fund will be discussed in greater detail on May 9

Special Revenue Funds (continued)

- ▶ Seniors Fund (page 75)
 - ▶ Projected FY2019 fund balance of \$159,106, or 42.3%
 - ▶ Receiving additional contributions improving the fund balance level
 - ▶ FY2019 General Fund transfer remained flat with that of FY2018
- ▶ Library Fund (page 85)
 - ▶ Projected FY2019 fund balance of \$1,267,515, or 52.6%
 - ▶ Also receiving larger contributions in recent years
 - ▶ Budget request includes approximately \$100,000 to replace the boiler
- ▶ Community Development Block Grant Fund (page 89)
 - ▶ Eliminated the human service agency funding and most of the Capital Area Housing Partnership funding (small amount remaining for those who began the program in FY2018)
 - ▶ \$110,245 was left unallocated by staff - recommending Council consider allocating to the Avondale Square Section 108 loan and/or eligible neighborhood infrastructure
 - ▶ This fund will be discussed in further detail on April 17

Special Revenue Funds (continued)

- ▶ Public Art Fund (page 93)
 - ▶ FY2019 projected fund balance is \$71,729, or 118.6%
 - ▶ General Fund contribution in FY2019 is expected to be \$16,625
 - ▶ \$10,500 for cultural arts grants
 - ▶ \$6,125 based on the 1% of capital spending ordinance
- ▶ Art Festival Fund (page 97)
 - ▶ Fund balance remains below the 8-15% policy threshold (FY2019 projection of \$10,725 or 5.8%)
 - ▶ We monitor this fund closely to ensure it doesn't go into a deficit situation, and would recommend an additional General Fund subsidy in June, if needed
 - ▶ FY2019 transfer from the General Fund is increasing to \$10,000 to cover the general government indirect charge and other operating expenditures

Capital Improvement Fund (page 105)

- ▶ This fund will be discussed in more detail on April 17
- ▶ The Wilson Road project (in conjunction with MSU) is new in the FY2019 budget
 - ▶ Total project cost is \$7.6 million - expected to be 30% complete at end of FY2018
 - ▶ MDOT grant of \$2.5 million and MSU financing \$5.1 million
 - ▶ City will receive up to \$50,000 for administrative and overhead costs from MSU
- ▶ Avondale Square
 - ▶ All lots sold and homes in place
 - ▶ General Fund subsidy of \$99,010 needed to cover debt payments
 - ▶ CDBG and Brownfield reimbursement cover the remaining \$207,305 in debt
- ▶ Property Demolition
 - ▶ Currently no property proceeding through the dangerous building process
 - ▶ FY2019 budget is zero

Capital Improvement Fund (continued)

- ▶ Facility projects
 - ▶ Projects completed in FY2018:
 - ▶ City Hall ADA sidewalk replacement and parking lot improvements
 - ▶ Fire Station 1 boiler replacement
 - ▶ ELHCC partial roof replacement
 - ▶ City Hall freight elevator replacement
 - ▶ Exceeded estimates by approximately \$175,000 - additional transfer will be needed
 - ▶ Projects anticipated to be done in FY2019:
 - ▶ Repair concrete ceiling in basement below Hannah pool (\$20,000)
 - ▶ Replace stairs at emergency exit from gym at Hannah Center (\$15,000)
 - ▶ Replace overhead doors at Fire Station 1 (\$35,000)
 - ▶ Replace roof, eaves, and soffits at Orchard Street Pump House (\$46,000)
 - ▶ Upgrade Hannah Theatre sound system (\$50,000) (funded partially by a grant)
 - ▶ \$166,000 total work scheduled (\$141,000 transferred from the General Fund)

Parks Capital Improvement Fund (page 109)

- ▶ This fund will be discussed in more detail on May 9
- ▶ The majority of activity in this fund relates to projects funded by the Ingham County Trails and Parks millage
 - ▶ Much of the trail and pedestrian bridge work is expected to be completed by June 30, 2018
 - ▶ Due to the reimbursement process, a cash shortfall of \$260,000 is expected
 - ▶ Anticipating that the Insurance and Benefits Fund will cover the shortfall and advance this amount in FY2018; full amount repaid in FY2019 after the grant dollars are received
 - ▶ A budget amendment will be brought to Council in June for this matter, if needed
- ▶ Other projects included in FY2019:
 - ▶ Patriarche Park baseball field improvements (\$113,410)
 - ▶ Northern Tier Trail extension through White Park (\$117,250)
 - ▶ These other projects are funded by grant dollars and various community donations (both organizations and individuals)

Insurance and Benefits Fund (page 149)

- ▶ Houses all expenses related to health insurance and other fringe benefits, workers compensation, and general liability insurance with manual premiums charged to each fund based on employee or retiree
- ▶ Designed to accumulate and maintain adequate reserves to cover self-insurance retention amounts as well as anticipated fluctuations in the self-funded portion of the insurance plans (wrap and high deductible)
 - ▶ Balance expected to be \$3.9 million at the end of FY2019
 - ▶ If self funded pieces remain consistent and we have no large claims, we could elect to utilize some of these funds to make an additional supplemental pension payment
- ▶ Last OPEB prefunding contribution completed in FY2015, only a partial payment
 - ▶ As of March 2018, the Retirement Health Funding Vehicle trust has approximately \$15.6 million in plan assets - this is restricted and can only be used for retiree health care costs

Downtown Development Authority (page 163)

- ▶ Special operating millage in FY2019 expected to be 1.7007 (FY2018 levy was 1.7319 mills) due to Headlee rollback
- ▶ In conjunction with the Center City development, the DDA is funding a large sidewalk project in the adjacent area
- ▶ FY2019 will be the first year with a significant principal payment on the Evergreen property debt
 - ▶ \$290,000 of principal (compared to \$25,000 in FY2018)
 - ▶ Variable interest rate - expected to see significant increase in FY2019
- ▶ More than half of the fund balance is projected to be used in FY2019
 - ▶ \$331,718 or 18.7% remaining at the end of FY2019
 - ▶ The surplus from the Evergreen properties will be depleted and general DDA fund balance will be used to cover the debt
 - ▶ The City has pledged its full faith and credit as a backstop to the debt and would be responsible for any amount the DDA can not pay

Timetable (page xxvii)

- ▶ Budget work sessions are scheduled to discuss specific topics
 - ▶ April 17 - CDBG, Capital Improvements, and Parking Funds
 - ▶ April 24 - Major Street, Local Street, Solid Waste, Water, and Sewer Funds
 - ▶ May 9 (Wednesday) - Parks & Recreation and Parks Capital Improvements
 - ▶ May 15 - available for any additional topics, if needed
- ▶ Public Hearing on the budget and tax rates at the regular meeting on May 9
- ▶ Adoption of the budget resolution, tax rates and fee schedule on May 22
- ▶ Each work session meeting will be followed up with a summary of questions asked along with the answers and related attachments, if necessary
- ▶ Please feel free to email or call George and/or Jill with any other questions or comments