

## VILLAGE OF PINCKNEY

### 2018-19 BUDGET EXECUTIVE SUMMARY

**General Fund** Village staff have taken pains to try to anticipate all our needs for the coming year. As many of you are aware, the budget meetings have revealed imbalances between the revenues and the demands placed on them. Although in recent years we have enjoyed unexpected revenue sources such as the ET Rover settlement and the DPW yard rentals, there are no such sources of funding at the present time. The habit of dipping into the fund balance is not sustainable. As of May 30, 2018, the Budget Committee is recommending a freeze on purchases, and will be suggesting that this freeze should be maintained for the coming fiscal year.

This is meant to slow the drop in the fund balance. The Village tries to follow the "values-based" budgeting, meaning we will spend for those things deemed most important. We also have our Capital Improvement Plan, which is important for planning but should not override the importance of balancing the budget.

The tax revenue decreased by 3% over last year; taxable values were slow to recover but are finally on par with the 2009 peak. Unfortunately, the reduction factor makes actual revenue less than 2009. It is anticipated that our MERS pension account will be nearly funded, although the target keeps moving, and the contribution rate was raised to 14.75% from 12.35% for 2018. In March 2019 our MERS contribution rate is expected to increase again but we will not be given that information until later in June 2018.

The budget committee will present a multi-pronged approach, to prevent further dipping into the fund balance, to the Council.

**Police** Council approved the fifth full-time officer for FY 2018 and continue to monitor the benefits for a second year. Major purchase requests have been denied. The Crown Vic is showing its age but also shows the value of having a third vehicle. This year's budget includes the final payment on the SUV. Our retiree, currently on our health insurance plan, will reach the age of 65 and be no longer eligible for village paid health care as of August 1, 2018.

**DPW** Staffing has stabilized nicely in this department. Training expenses are higher this year as they prepare two employees for certification exams. Outside of payroll, the biggest expense in this department is the Dump Truck payment. The Dump Truck will not be paid off until April 2022.

**Major Streets** Same as ever, this fund generally maintains equilibrium – funds come in, and go out again. The Village transfers the maximum allowed amount from this fund to Local Streets. Effective with the state FY 2018, the village was required to allocate 1% of the MTF distribution to facilities and services supporting non-motorized transportation. ACT 51 reporting will want to verify that the money has been both budgeted and spent.

**Local Streets** the Michigan Transportation Fund revenue we expect to receive for FY 2018 has increased 14% over 2017 and 30% over 2016, BUT we still need to rely heavily upon General Highway tax revenue to fund street projects. Whatever we can get into Local Streets we can easily spend, and more. Other projects (see Sewer) have required too many man-hours to allow for Mann Street planning to become

construction but the anticipated project date is now June 2019. Effective with the state FY 2018, the village was required to allocate 1% of the MTF distribution to facilities and services supporting non-motorized transportation. ACT 51 reporting will want to verify that the money has been both budgeted and spent.

**General Highway** Funds are transferred to support Local Streets projects. There are no Highway projects planned for this year.

**Downtown Development Authority** DDA events remain popular and will be maintained by their respective volunteers and fund-raising. A majority of the annual revenue covers the annual bond payment and street light expenses. We anticipate street light expenses to rise this next year as DTE is requiring the village to pay for and stock the equipment and materials for the decorative light repairs. The infrastructure improvement bond will be paid off in October 2019.

**Sewer** A huge undertaking is planned for this fiscal year. A forcemain upgrade/screening building project funded through a USRD loan will begin to mobilize, hopefully, this September. Bids came in well over budget and USRD requires a line-item budget review to negotiate savings with the low bidder. The engineers are optimistic that both the contractor and USRD will accept the proposed changes agreed upon by the Village. The project is budgeted at \$2,949,000.00 for this fiscal year and recommended sewer rate increases, from the rate study, should be adopted.

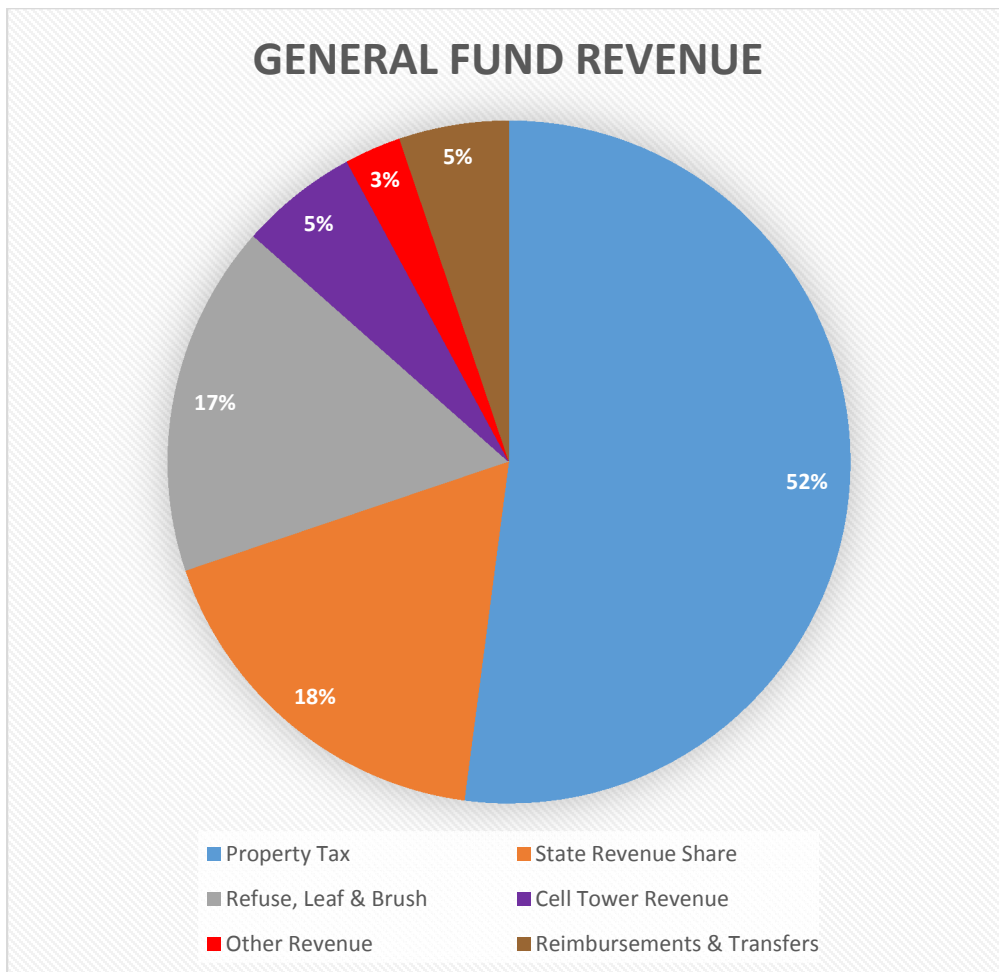
**Water** For this fund, the rate study suggested a 2% increase and stable increases for the length of the study. An adequate fund balance is maintained. The fund is debt free but continuing to receive special assessment payments from Rolling Hills SAD.

**Parks & Recreation** In FY 2018, Council accepted a resolution allocating 10% of unbudgeted revenue to a Parks & Recreation fund. These funds can be used for capital improvements or as matching grant funds. Additionally, 100% of all revenue from Smart Recycling is allocated to Parks & Recreation capital improvement. No projects are planned for this fiscal year.

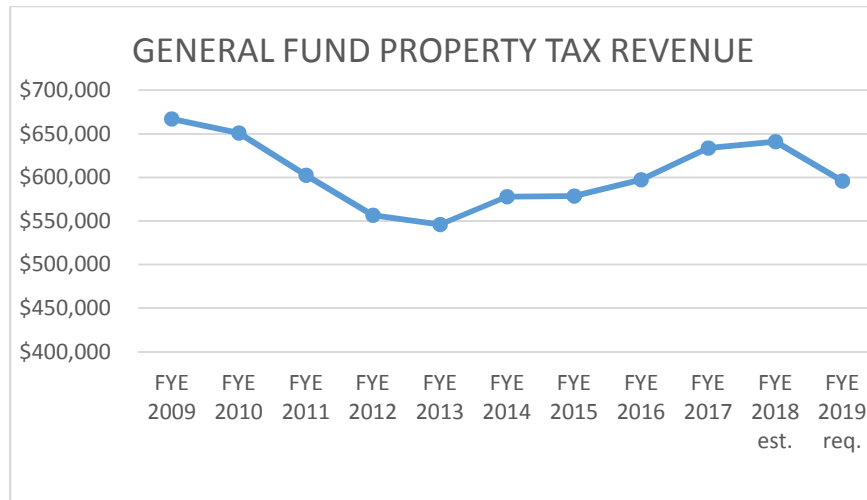
**VILLAGE OF PINCKNEY  
2018 - 2019 BUDGET**

**GENERAL FUND**

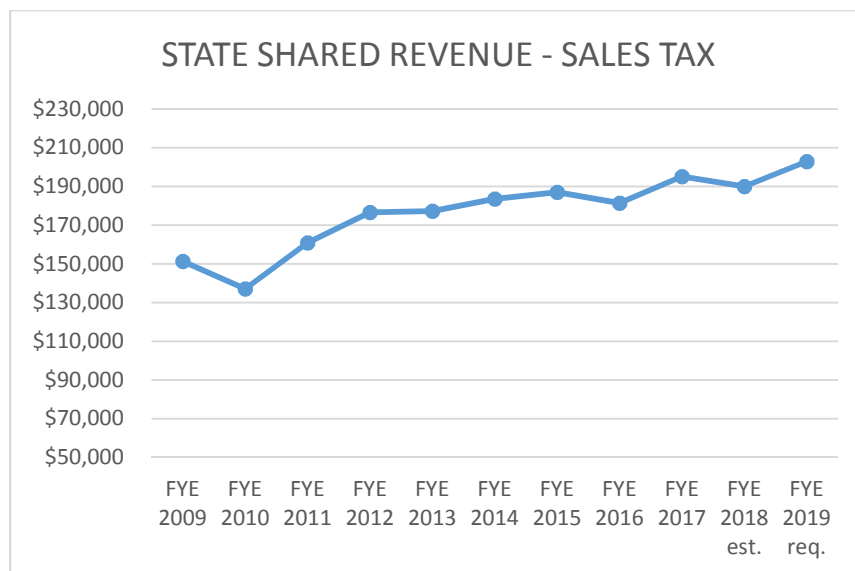
The General fund receives its revenue from a variety of sources, including property taxes, state revenue sharing, fees for services, and cell tower lease revenue. Total revenue is budgeted at \$1,144,236. Revenue is down 10.2% from the previous year.



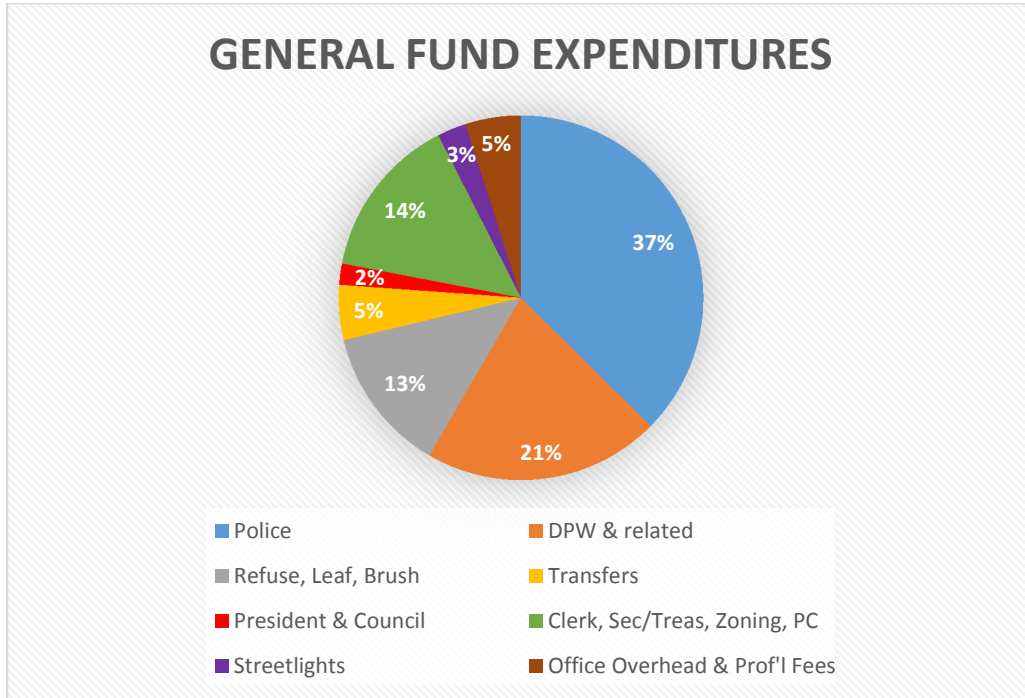
The largest portion of general fund revenue is from property taxes, which includes real property tax, personal property tax, and the administrative fee. FY 2019 property values increased 4% from FYE 2018, however, any increase in revenue was offset by a “Headlee” Millage Reduction fraction of 0.9914, which reduced the General Fund millage rate to 8.3175 mils. FY 2019 tax revenue still shows growth from the lowest point in 2013 and has property tax revenue back to 2010 levels, however, it is down 3% from the previous year. The following chart shows the historical property tax revenues.



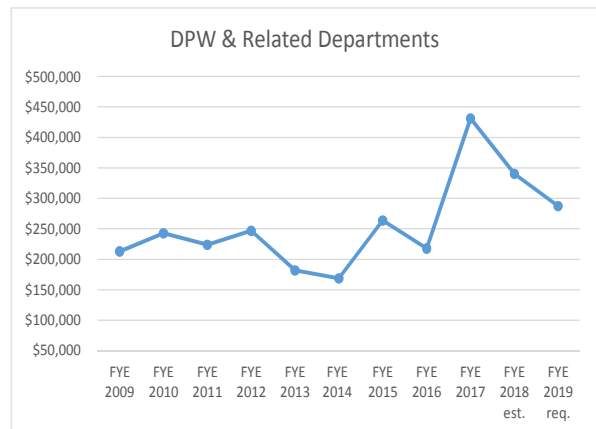
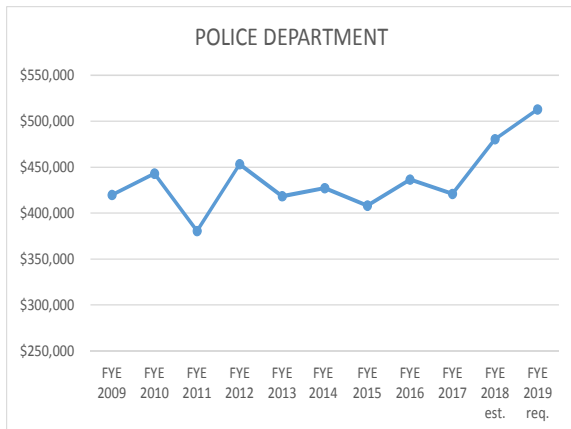
The next largest general fund revenue source is from State Shared Revenue – Sales Tax. The Village receives only Constitutional Revenue Share. After decreasing from 2006 to 2010, the Village has seen an increase in State Shared Revenue, with projected revenue to be the highest in more than ten years. A chart of the historical state shared revenue received is shown below.



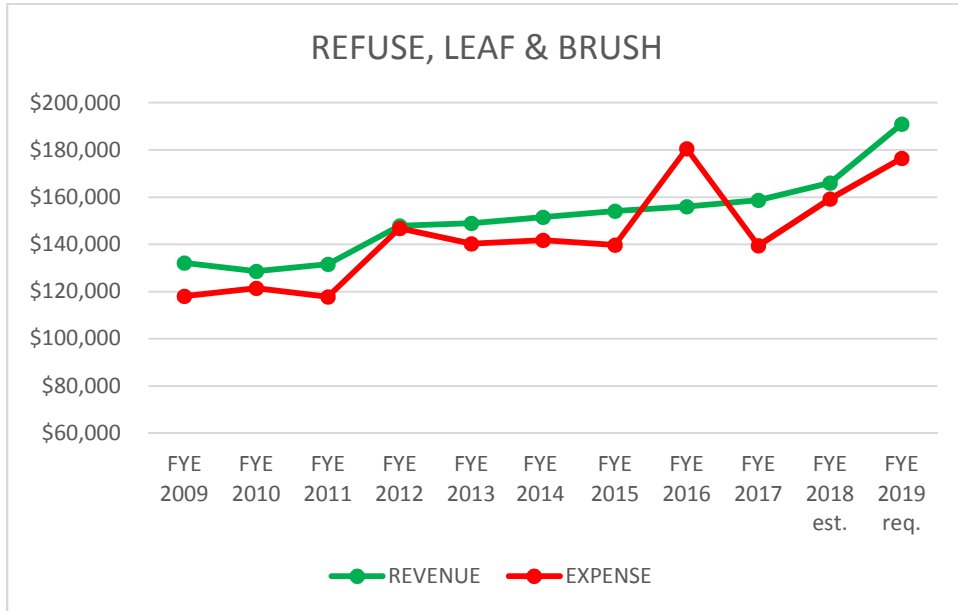
The General Fund has total budgeted expenditures of \$1,371,088. Services most people associate with local government, such as police, tax collection, general DPW activities, and planning & zoning are funded here. The budget anticipates using \$226,852 of cash reserves to balance the budget.



Historical expenditures for the largest two departments are shown in the following charts. The Police Department budget reflects the hiring of a 5<sup>th</sup> full-time officer in FY 2018. DPW expenditures reflect the purchase of a new dump truck in FY 2017. However, in May 2018, the budget committee recommended a freeze on purchasing non-essential items for the remainder of FY 18 and FY 19. In FY 2019, both departments requested new vehicles. These requests were cut from the proposed budgets.



Refuse, Leaf & Brush expenditures along with the related charge for service are charted below. Revenues are in line with expenditures, and any excess cash generated based on a negotiated rate with the refuse provider, supplements the cost of leaf & brush. The spike in expenditures for 2016 reflects the purchase of a new chipper. The increase in expenditures for 2018 is largely due to the new contract with the refuse company. In FY 2019, Council recommended a rate increase to help cover overages costs to labor and equipment repair, as the current rate subsidized by the Refuse Rate as revenue does not cover expenses.



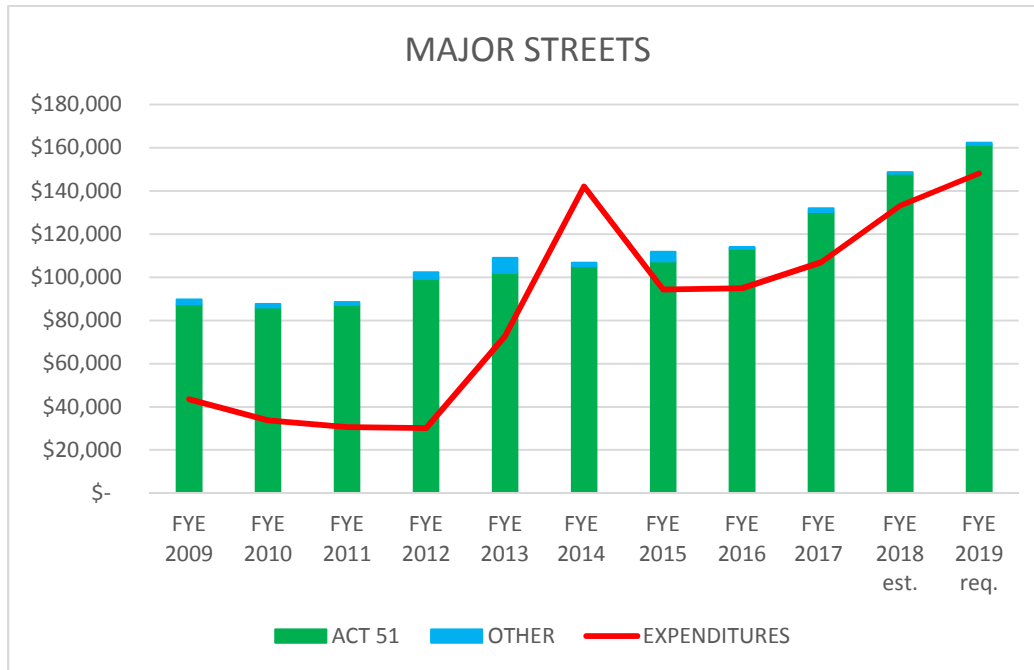
In June 2014 Village Council approved a Fund Balance Policy with a minimum fund balance requirement of 55% of expenditures. Although the recommended 2018-2019 Budget is using fund balance to balance the budget, the ending fund balance is projected to remain above the required minimum balance.

**GENERAL FUND BUDGET**

Revenues	1,144,236
Village Council Expenditures	19,941
Village President Expenditures	5,702
Village Clerk Expenditures	122,713
Auditors Expenditures	4,000
Secretary Expenditures	13,045
Village Treasurer Expenditures	4,928
Elections Expenditures	1,750
Building & Grounds Expenditures	43,521
Legal Fees	14,000
Office Overhead Expenditures	45,907
Police Expenditures	512,997
DPW Expenditures	236,340
Streetlight Expenditures	35,000
Refuse, Leaf & Brush Expenditures	176,525
Planning Commission Expenditures	12,469
Zoning Administrator Expenditures	43,769
Economic Development	3,900
Parks & Recreation Expenditures	7,621
Transfers	<u>66,960</u>
Total Expenditures	1,371,088
Net Revenue over(under) Expenditures	(226,852)
Beginning Fund Balance	<u>1,151,875</u>
Ending Fund Balance	925,023

## STREETS

**Major Street** revenue is primarily from Act 51 (Michigan Transportation Fund distributions). This revenue is expected to increase approximately 9% from 2018 to 2019. There are no major street projects planned for the 2018-2019 year. Expenditures primarily consist of labor & equipment for street maintenance, subcontract services for tree removal, street sweeping, crack-filling, sidewalk repair, and GIS consulting, as well as winter and routine maintenance. Major street revenue and expenditures are shown below.

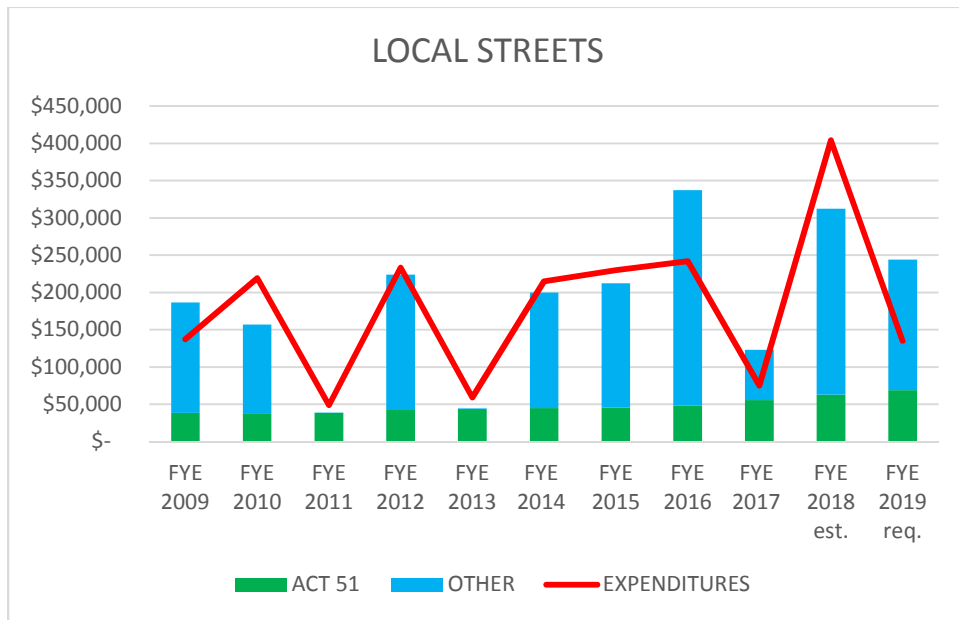


### MAJOR STREET BUDGET

Revenues	162,385
Expenditures	<u>148,114</u>
Net Revenue over (under) Expenditures	14,271
Beginning Fund Balance	<u>488,861</u>
Ending Fund Balance	503,132



**Local Street Fund** also receives Act 51 revenue (Michigan Transportation Fund distributions), however a much lower amount. This revenue is also expected to increase approximately 9% from 2018 to 2019. The Local Street Fund is much more dependent upon transfers from the Major Street Fund and General Highway Fund. In addition to similar type expenditures as the Major Street Fund, Local Streets had planned for a reconstruction project in the 2018-2019 budget. However, due to the limited time resources due to a large project in the Sewer department and limited resources in Local Streets, the Mann Street has been pushed to FY 2020. The maximum allowable transfer from Major Streets is budgeted and a transfer from the General Highway Fund to build funds for this future project. Local street revenue and expenditures are shown below.



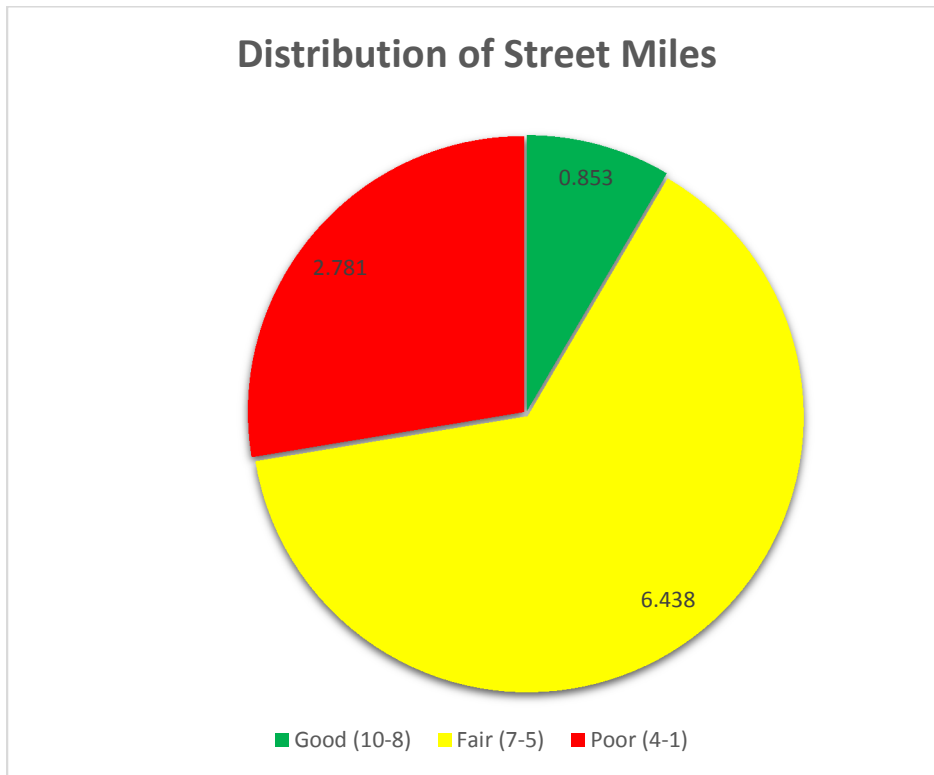
**LOCAL STREET BUDGET**

Revenues	244,100
Expenditures	<u>135,096</u>
Net Revenue over(under) Expenditures	109,004
Beginning Fund Balance	<u>110,185</u>
Ending Fund Balance	219,189

**General Highway Fund** had been levying 2 mils for many years. However, with the depletion of the fund balance in Local Streets, it is recommended that the millage be maintained at 4 mils. The transfer of \$207,800 in 2015-2016 combined with the budgeted transfer of \$175,000 in 2017-2018 to Local Streets will restrict the growth in the General Highway fund balance for future road projects. According to the 2015 PASER rating of the Village roads, it was determined that 64% of roads were in the “fair” category and in need of preventative maintenance; 28% of the roads were in the “poor” category and no amount of preventative maintenance will improve them...they are in need of reconstruction. That leaves 8% in the “good” category that need no work. NOTE: The roads have not been rated since 2015 and it is likely that some road segments have moved from good to fair or from fair to poor since that time.

A local stabilization share has been implemented by the state to help subsidize the loss in Personal Property Tax but for the village this amount is minimal.

This fund, along with the General Fund, took a hit from the Headlee rollback with our property values being higher than the previous year but revenue being lower.



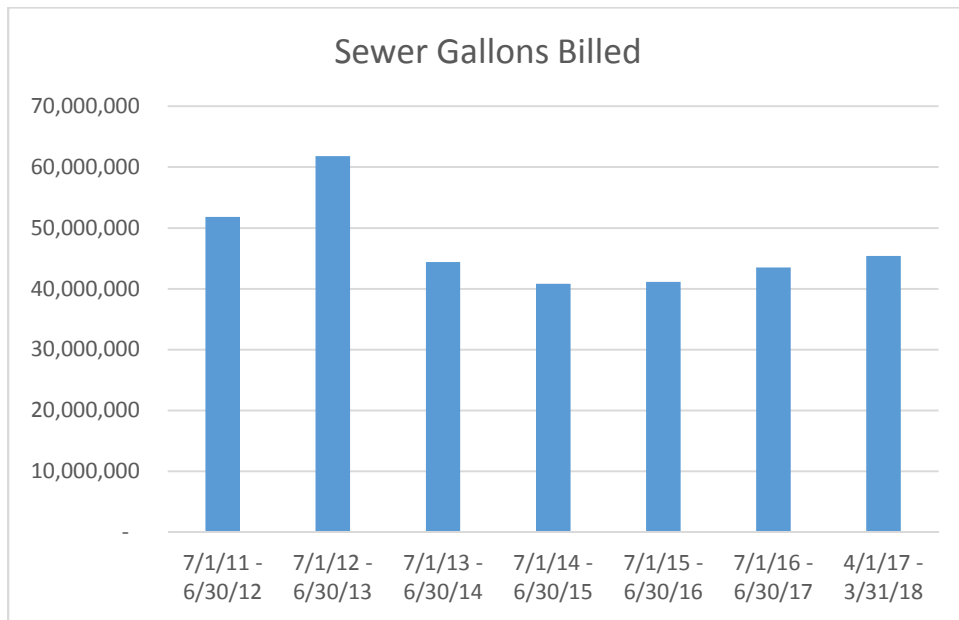
**GENERAL HIGHWAY FUND**

Revenues	292,658
Expenditures	<u>295,086</u>
Net Revenue over(under) Expenditures	(2,428)
Beginning Fund Balance	<u>454,357</u>
Ending Fund Balance	451,929

## ENTERPRISE FUNDS

**SEWER** The Village recently completed a rate study in 2017 in preparation for a large sewer project. The Village has been approved for USDA-RD financing of a system improvement (pump station upgrades, force main replacement, and screening building), and a substantial higher rate increase will be necessary this fiscal year to pay for the debt service. The Village anticipates starting the project in September 2018. Billed usage has remained slightly above 40 million gallons per year for the last 4 years after dropping from a peak of over 60 million gallons in FY 2013

The 2018 – 2019 budget includes \$3,023,000 for new construction (\$2,949,000) and SCADA equipment (\$74,000) for the lift stations, as well as \$185,000 of depreciation, a non-cash expense. Based on the start time of the project construction and SCADA installation may not be completed until the next fiscal year. Debt service for the 2018-2019 year will approximate \$131,397 (Principal and Interest for both the SRF loan and the USRD loan). It is anticipated that the recommended budget will not generate any additional cash to be committed and set aside in capital replacement savings.

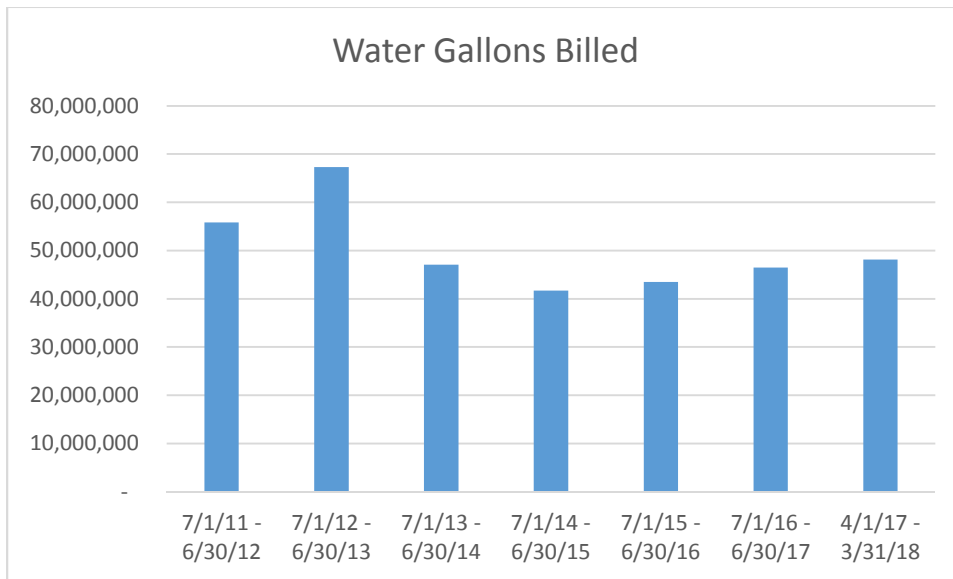


### SEWER BUDGET

Revenues	3,613,509
Expenditures	<u>3,713,047</u>
Net Revenue over(under) Expenditures	(99,538)
Beginning Fund Balance	<u>5,138,905</u>
Ending Fund Balance	5,039,367

**WATER** The Village completed a rate study in 2017 and it recommends a 2% increase in water rates for FY 2019 to cover the cost of operations. The Village is considered to be a mature community where water consumption is decreasing as homes become more efficient, and there is little to no new development. Billed usage has remained between 40 – 50 million gallons per year for the last 4 years after dropping from a peak of almost 70 million gallons in FY 2013

The 2018 – 2019 budget includes \$42,200 of capital expenditures including a new Sensus meter reader and a trace line locator, as well as \$143,000 of depreciation, a non-cash expense. The water fund is currently debt free. It is anticipated that the recommended budget will not generate any additional cash to be committed and set aside in capital replacement savings.



**WATER BUDGET**

Revenues	337,120
Expenditures	<u>361,877</u>
Net Revenue over(under) Expenditures	(24,757)
Beginning Fund Balance	<u>4,017,217</u>
Ending Fund Balance	3,992,460

## **SPECIAL ASSESSMENT DISTRICTS**

**ROLLING HILLS** The Rolling Hills Special Assessment District covers the Village's taking control of the sanitary lift station that serves the community as well as improvements to their water system connections. The only remaining activity is the receipt of principal and interest income and depreciation expense.

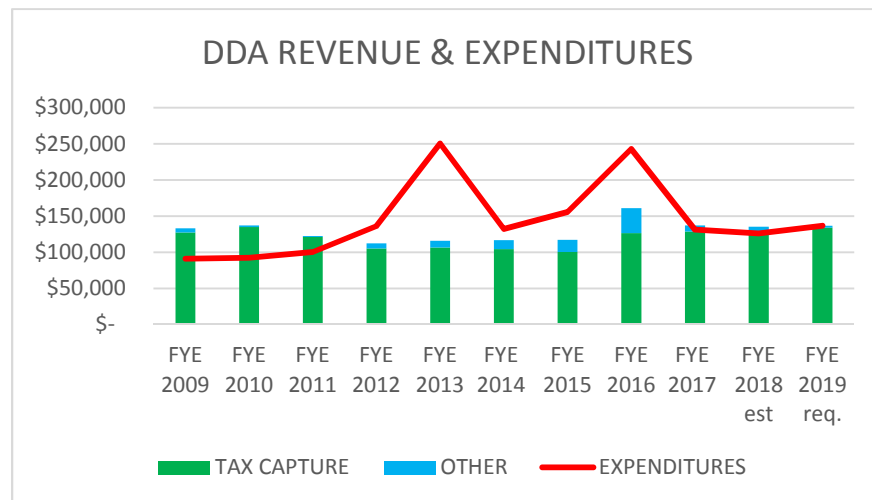
### **ROLLING HILLS SAD BUDGET**

Revenues	1,343
Expenditures	<u>1,701</u>
Net Revenue over(under) Expenditures	(358)
Beginning Fund Balance	<u>69,962</u>
Ending Fund Balance	69,604

## DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

Historically the DDA tax capture has paid for the annual debt service related to the streetscape bond, utility bills for the streetlights in the district, special events, snow removal, beautification, façade grants, and other maintenance items. The DDA tax capture has not experienced any growth in recent years since a peak in 2010. The land that was purchased in Fiscal Year 2012-2013 was split, and the street-front parcel remains for sale. The south parcel was developed into a parking lot with a total cost of approximately \$265,000. Due to the extent of this project, DDA expenditures have been greatly pared back and reconfigured. Events have become self-funded through fundraising efforts. A chart of historical DDA Revenue & Expenditures is below.

The DDA budget includes an increase in street lights as DTE is requiring the village to stock the parts for the decorative street lights. Additionally there is capital outlay of \$2000 for sidewalk improvements in the district. The annual bond payment, including interest, is \$38,283 and \$1500 has been transferred to Capital replacement savings.



The recommended DDA Budget follows:

### DOWNTOWN DEVELOPMENT AUTHORITY BUDGET

Revenues	136,650
Expenditures	<u>136,648</u>
Net Revenue over(under) Expenditures	2
Beginning Fund Balance	<u>76,243</u>
Ending Fund Balance	76,245

## CEMETERY

Revenue from sales of lots and columbarium niches is estimated at a conservative level. A portion of each sale (20%) is restricted to perpetual care and cannot be spent on operations. Normal operating expenditures budgeted include such items as lawn mowing, tree removal, and fence repairs. In Fiscal Year 2011-2012 a transfer of \$100,000 was made from General Fund to establish a spendable portion of perpetual care.

### CEMETERY BUDGET

Revenues	10,400
Expenditures	<u>19,153</u>
Net Revenue over(under) Expenditures	(8,753)
Beginning Fund Balance	<u>145,198</u>
Ending Fund Balance	136,445
(includes permanent perpetual care of \$31,233)	

## OTHER POLICE DEPARTMENT FUNDS

The Village currently has 4 other minor funds related to the police department that receive revenue either from grants, fees for services, or contributions. The following 2 funds have budgeted activity for FY 2019:

### POLICE TRAINING BUDGET

Revenues	800
Expenditures	<u>800</u>
Net Revenue over(under) Expenditures	0
Beginning Fund Balance	<u>1551</u>
Ending Fund Balance	1551

### POLICE K-9 BUDGET

Revenues	2,000
Expenditures	<u>4,057</u>
Net Revenue over(under) Expenditures	(2,057)
Beginning Fund Balance	<u>4557</u>
	2500