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Members of the Council
Village of Pinckney
220 S. Howell St.
Pinckney, MI 48169

June 8, 2016

Esteemed Colleagues:

On paper, this year's budget appears to be ever so slightly...less bad. I can't help reflecting on that popular myth of government entities having endless reserves of cash to dole out in all directions, and wondering where that ever came from because once again our budget is pretty tight, there have been some disappointments, and sacrifices have been made. While we can count ourselves lucky that we can pay the service bills and make payroll (without a bail-out from anybody ever), we must continue to keep our planning set on the value-based budgeting model. The best thing we've done lately was to set the fund balance minimum, to which the budget we are now presenting complies. I would like to see us raise it a point or two every year; we shall see.

For now the focus is still on maintaining the services we currently supply. Our intrepid staff members work diligently to ensure that there is a minimum of "slippage" in this. They can tell you stories of the little fires they put out every day in the customer service realm. By my calculations* we have about 2,300 generally satisfied residents, and 100 cranky ones. That's a pretty good average.

The capital improvement project is in development, really. By this time next year we should have a pretty good idea of long-term planning and where it will take us. Most of our major infrastructure is twenty or thirty years old, and major reconstructions and replacements are in our near future. The capital improvement plan will help us, and those coming after us, to keep ahead of things.

I did say there were sacrifices. One project that cannot wait is the planned upgrades for the wastewater force main and lift stations. It's a very big investment for the Village but also very necessary. Short-term it will hurt. Long-term it will pay off in health and safety risk mitigation. A breakage or an accident involving these structures, left alone, would be inevitable and from a good government standpoint, unforgiveable. Then there are rags. That little villages like ours and major cities like New York and D.C. are experiencing major problems from flushable wipes just like we are is no comfort at all. Although we will only feel the beginnings of this project in this budget, it will be haunting us for a while to come.

The DPW will see some changes with Dave Marshall's retirement. I confess I can't at this point offer any speculations on what the short- or long-term impact of that will be, besides a

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different DPW Director. It's bittersweet. I'm not sure that the new dump truck will go very far in making us forget that loss.

Then there's the DDA. The duties of this board were recently assumed by the Planning Commission. Its outstanding obligations of the bond for the Main Street redesign and now for the parking lot remain and take up all its resources. For the time being we are better off keeping the DDA as an entity, hoping that an independent board may be restored in the future. Meanwhile, the volunteers we have relied on for years will work to maintain the downtown events, planning for at least Spooktacular, Light Up the Park, and the St. Patrick's Day events, all self-funded.

I was not on the committee that worked on the first police union contract, but I'm told it was much easier this time. That's one good thing. Once again the question of expanding police services to Putnam Township has come up, but didn't get very far. The PD is a big piece of the budget and in a few years we may have to be a little more creative to maintain services but there are different models and structures out there; we'll think of something.

The Department Heads have delivered bare-bones requests to this budget. Several items we put on hold last year are absent again this year. There is a fair amount of training in the budget and that's wonderful. It's not a cliché to say our people are our greatest asset when it is true. Whatever they need to help them do their jobs, we have to invest.

Next spring we'll have another street reconstruction project (Portage). Post-Marion we could all use a little break but after that we should be rebuilding or repairing somewhere every year. We should always build them the best that we possibly can so they will last. This is the value-added planning we need.

A year ago – or two or three – all we really wanted from our budget was to maintain, maintain, maintain. Now what we should start to look for, if just a little bit, is improve, improve, improve.

Yours,

Linda Lavey

*estimate made following no established statistical rules

VILLAGE OF PINCKNEY

2016 – 2017 BUDGET EXECUTIVE SUMMARY

General Fund Supplies, equipment, personnel, contract services, Internet, training, pensions, insurance, buildings, and the never-ending maintenance are all balanced on the tightrope that is our General Fund. As usual, Village staff again have taken pains to try to anticipate all our needs for the coming year.

Police Staffing, training, and maintaining services are the most significant expenses in this budget this year. We still have the Crown Vic, for limited uses. There are no major purchases requested.

DPW Staffing changes will impact the budget for this fund within reasonable amounts. The major purchase this year is the new dump truck.

Major Streets 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.

Local Streets For this budget (next spring) we will be working on Portage Street. Following from last year's evaluation of the state of our streets and in keeping with the value-based budgeting, we will try to redo a street every year. After Portage should be Mann Street.

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

Downtown Development Authority DDA obligations will be administered by the Planning Commission *servicing as* the DDA. DDA events will be maintained by their respective volunteers and fund-raising.

Sewer This year's budget includes a 4% increase. For utilities (sewer and water), we are in the final year of the previously-arranged five-year cycle of increases. This summer we will have a rate study to tell us about the next five years. The rags (flushable wipes) issue is now insurmountable with the new aerators. Construction of the apparatus to remove them and the building to house it, along with the upgrade of the force main and the lift stations, are a major upcoming expense, but not in this budget year.

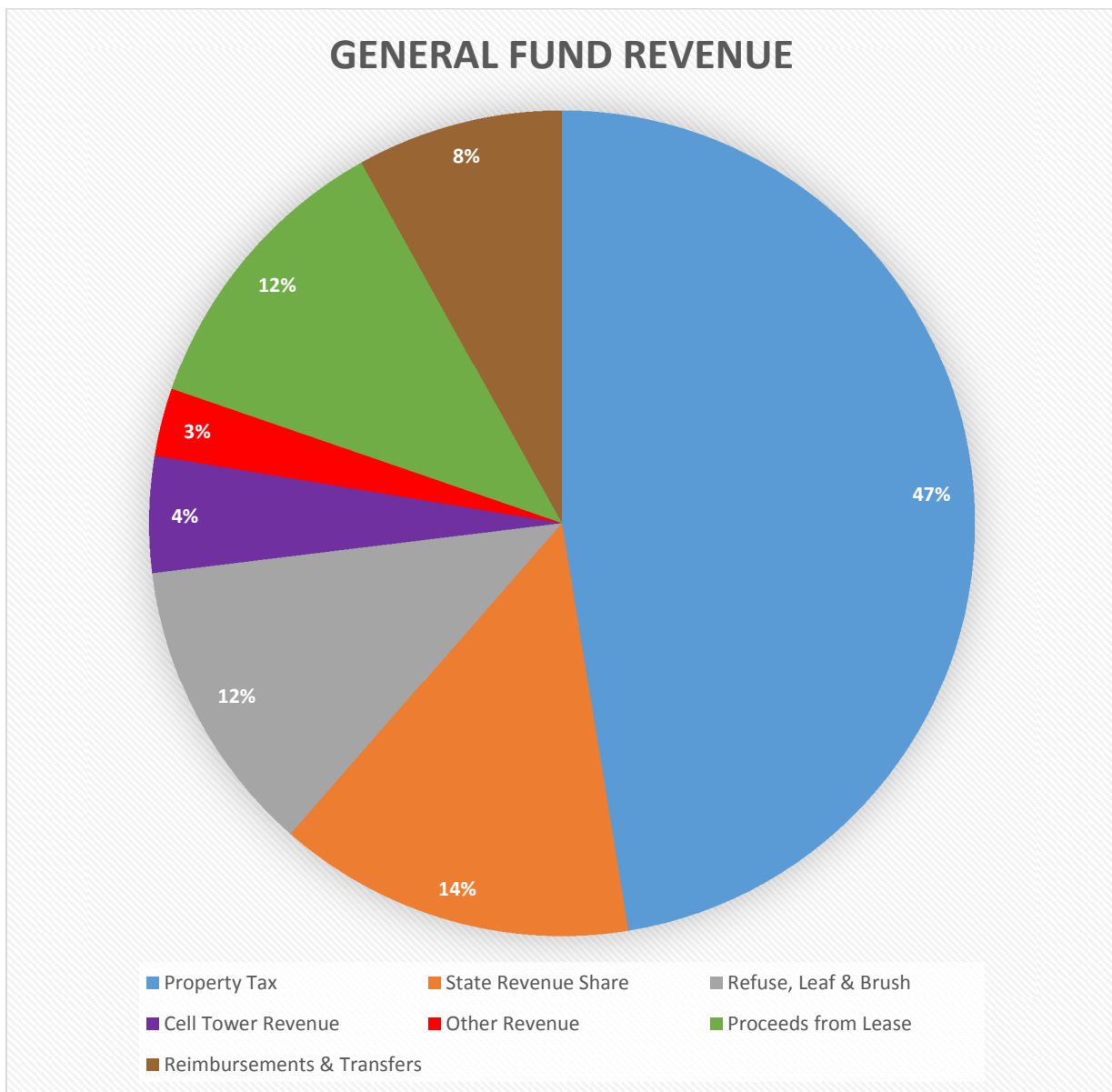
Water Water usage is down in the Village from historical levels, but relatively stable. Usage is the source of funding for operations and maintenance, and also will be addressed by the rate study. In following with the old rate study, this year's increase is 4%. Savings in this fund remain adequate for maintenance, upgrades, and capital replacement.

**VILLAGE OF PINCKNEY
2016 - 2017 BUDGET**

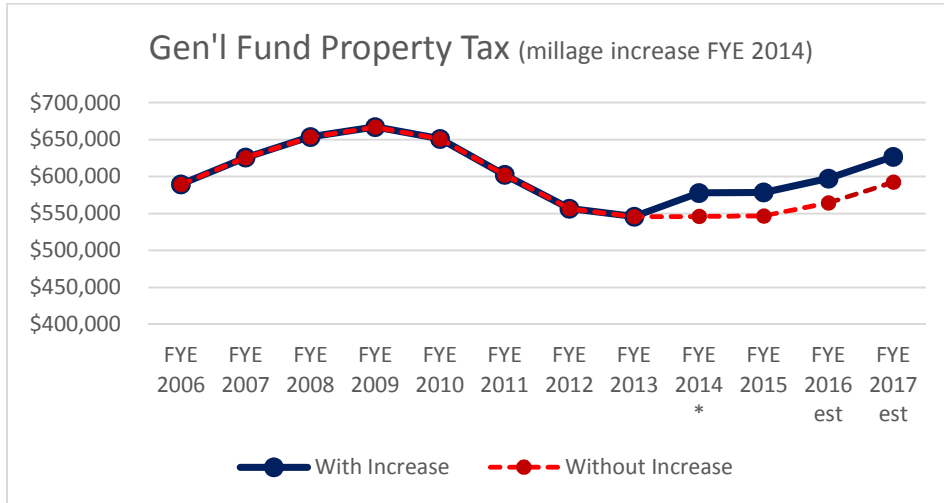
GENERAL FUND

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 \$1,322,050.

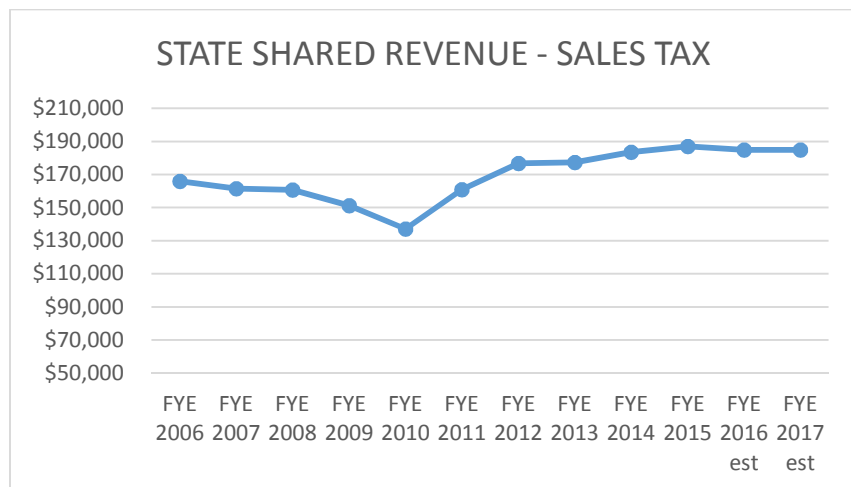
General Fund revenue by source is shown below.



The largest portion of general fund revenue is from property taxes, which includes real property tax, personal property tax, and the administrative fee. FY 2017 property tax revenue has increased 5.0% from the FYE 2016 budget due to an increase in taxable values. However, the increase in revenue was somewhat offset by a “Headlee” Millage Reduction fraction of 0.9949 for the first time since 2006, which reduced the General Fund millage rate to 8.4201 mils. FY 2017 tax revenue shows continued growth from the lowest point in 2013 and brings property tax revenue back to 2007 and 2011 levels. The following chart shows the historical property tax revenues.

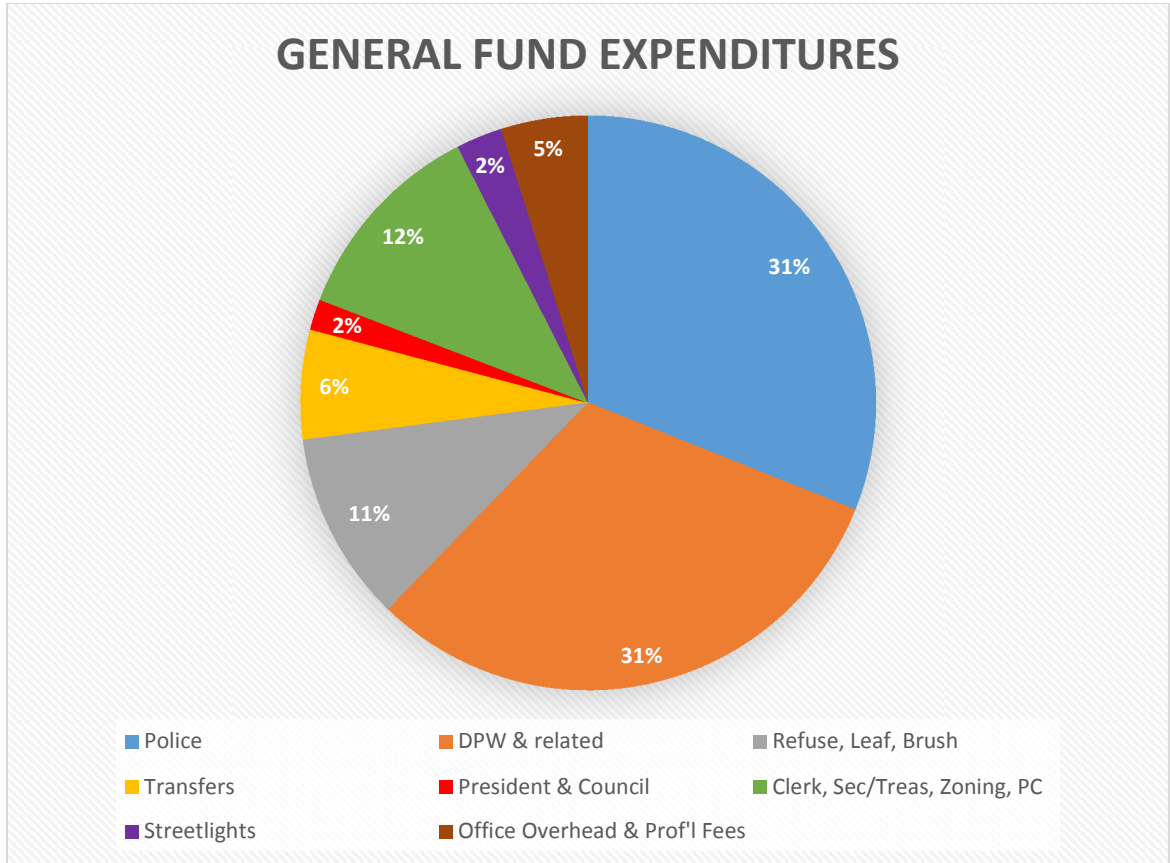


The next largest general fund revenue source is from State Shared Revenue – Sales Tax. The Village receives only Constitutional Revenue Share. After decreasing from 2006 to 2010, the Village has seen a steady increase in State Shared Revenue, but it seems to be reaching a plateau, which corresponds to the State’s reduced projections of revenue. A chart of the historical state shared revenue received is shown below.

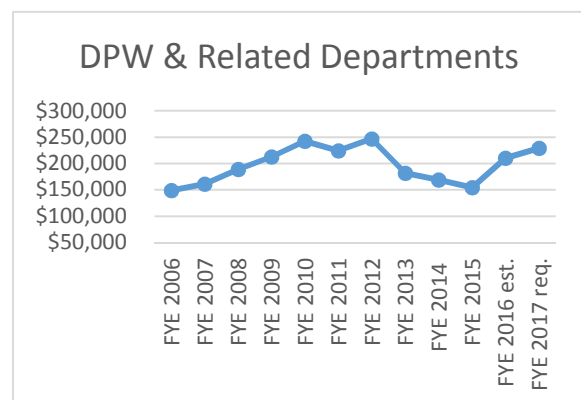
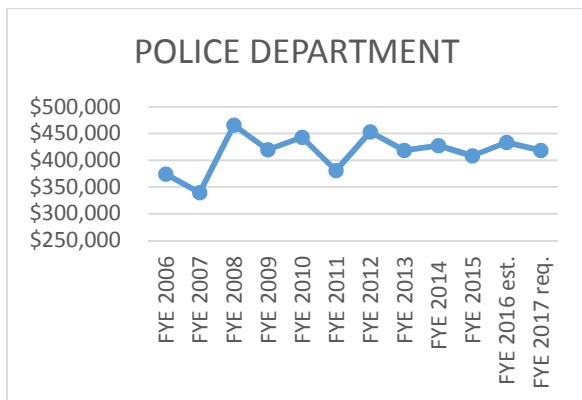


The General Fund has total budgeted expenditures of \$1,348,259. Services most people associate with local government, such as police, tax collection, general DPW activities, and planning & zoning are funded here. The budget anticipates using \$26,209 of cash reserves to balance the budget.

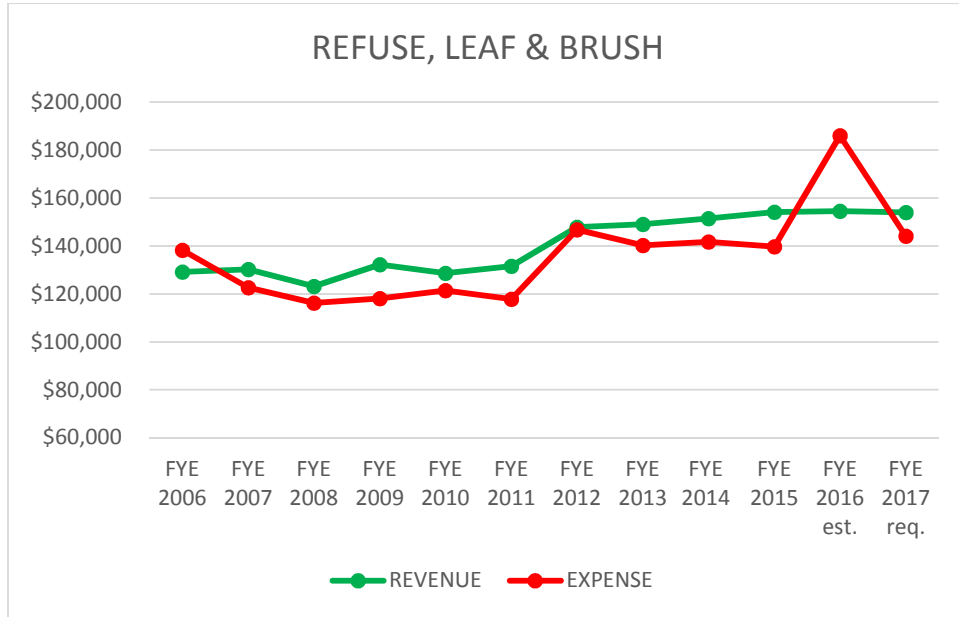
General Fund expenditures by area are shown below.



Historical expenditures for the largest 2 departments are shown in the following charts. DPW budgeted expenditures reflect the purchase of a new dump truck.



Refuse, Leaf & Brush expenditures along with the related charge for service is charted below. Revenues are in line with expenditures, and any excess cash has been transferred to capital replacement savings. The spike in expenditures for 2016 reflects the purchase of a new chipper.



In June 2014 Village Council approved a Fund Balance Policy with a minimum fund balance requirement of 55% of expenditures. Although the recommended 2016-2017 Budget is using fund balance to balance the budget, the ending fund balance is projected to remain above the required minimum balance.

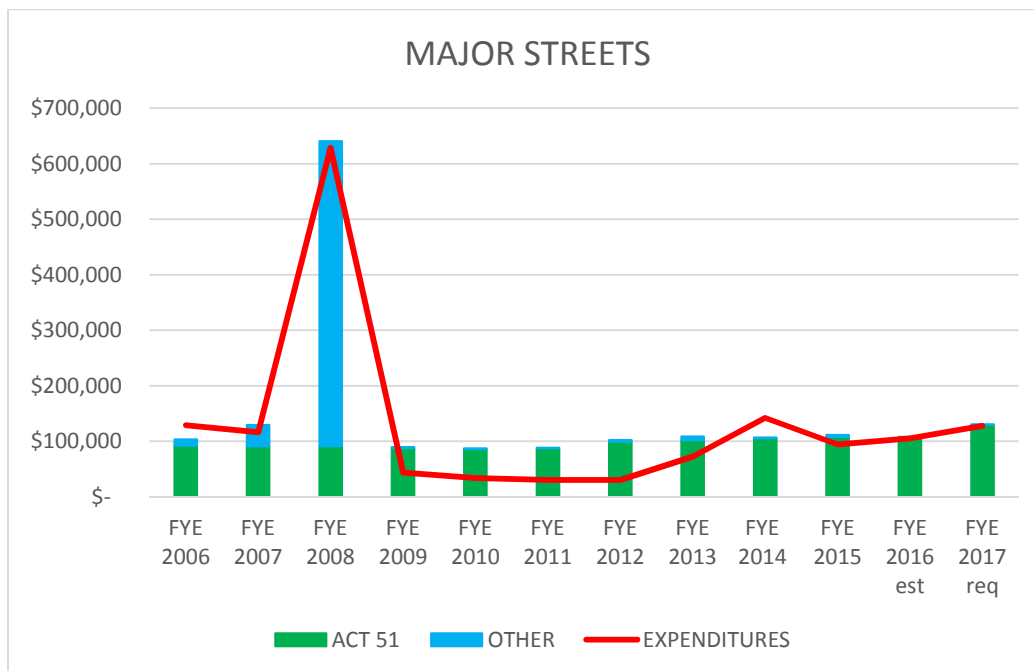
(The General Fund Budget is on the next page)

GENERAL FUND BUDGET

Revenues	1,322,050
Council Expenditures	16,315
President Expenditures	5,390
Clerk Departmental Expenditures	96,910
Auditors Expenditures	4,000
Secretary Expenditures	24,860
Treasurer Expenditures	3,575
Elections Expenditures	1,500
Building & Grounds Expenditures	19,030
Legal Fees	12,000
Office Overhead Expenditures	46,740
Police Expenditures	418,809
DPW Expenditures	397,260
Streetlight Expenditures	35,000
Refuse, Leaf & Brush Expenditures	144,140
Planning Commission Expenditures	11,655
Zoning Administrator Expenditure	20,125
Economic Development	3,350
Parks & Recreation Expenditures	4,000
Transfers	<u>83,600</u>
Total Expenditures	1,348,259
Net Revenue over(under) Expenditures	(26,209)
Beginning Fund Balance	<u>783,425</u>
Ending Fund Balance	757,216

STREETS

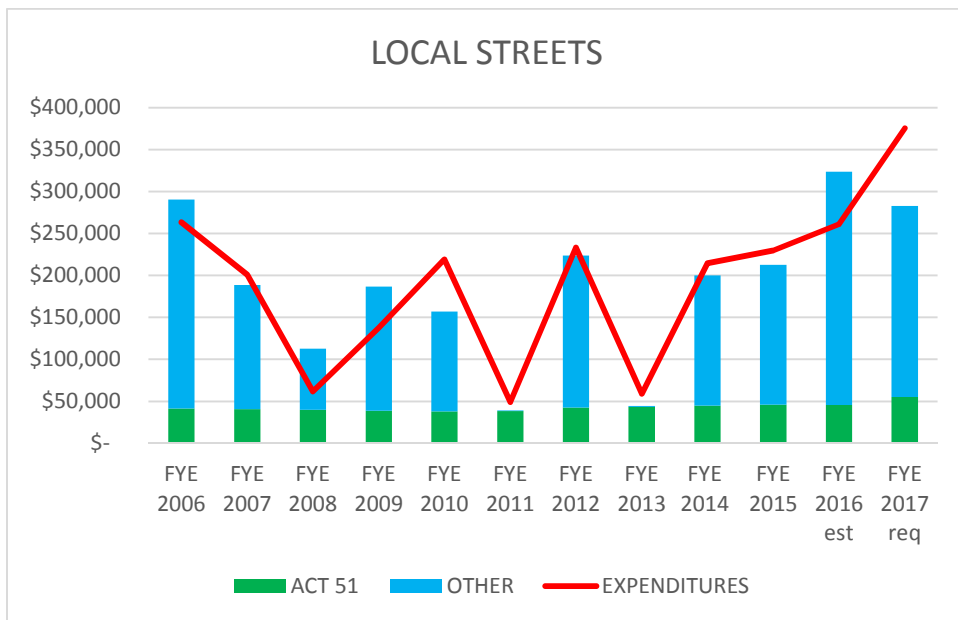
Major Street revenue is primarily from Act 51. There are no major street projects planned for the 2016-2017 year. Expenditures primarily consist of labor & equipment for street maintenance, subcontract services for tree removal, street sweeping, crack-filling, sidewalk repair, and GIS consulting, as well as winter and routine maintenance. Major street revenue and expenditures are shown below.



MAJOR STREET BUDGET

Revenues	130,500
Expenditures	<u>127,540</u>
Net Revenue over(under) Expenditures	2,960
Beginning Fund Balance	<u>390,059</u>
Ending Fund Balance	393,019

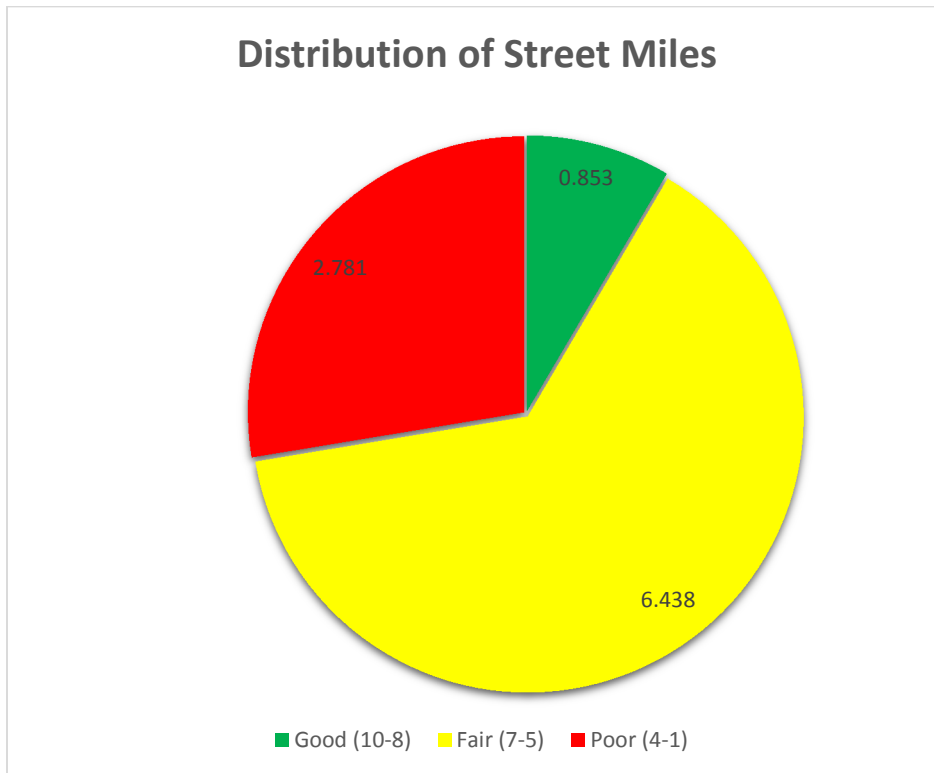
Local Street Fund also receives Act 51 revenue, however a much lower amount. This fund is much more dependent upon transfers from the Major Street Fund and General Highway Fund. In addition to similar type expenditures as the Major Street Fund, Local Streets has a reconstruction project in the 2016-2017 budget. Portage Street is scheduled to undergo a complete reconstruction in Spring 2017. Therefore, the maximum allowable transfer from Major Streets is budgeted and a transfer from the General Highway Fund will pay for the balance of the project. Local street revenue and expenditures are shown below.



LOCAL STREET BUDGET

Revenues	282,900
Expenditures	<u>375,380</u>
Net Revenue over(under) Expenditures	(92,480)
Beginning Fund Balance	<u>115,603</u>
Ending Fund Balance	23,123

General Highway Fund had been levying 2 mils for many years. However, with the depletion of the fund balance in Local Streets with upcoming projects, it is recommended that the millage be maintained at 4 mils. The transfer of \$207,900 in 2015-2016 combined with the budgeted transfer of \$163,000 in 2016-2017 to Local Streets will eliminate any growth in the General Highway fund balance for future road projects. According to the PASER rating of the Village roads, it was determined that 64% of roads are in the “fair” category and in need of preventative maintenance. 28% of the roads are 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.

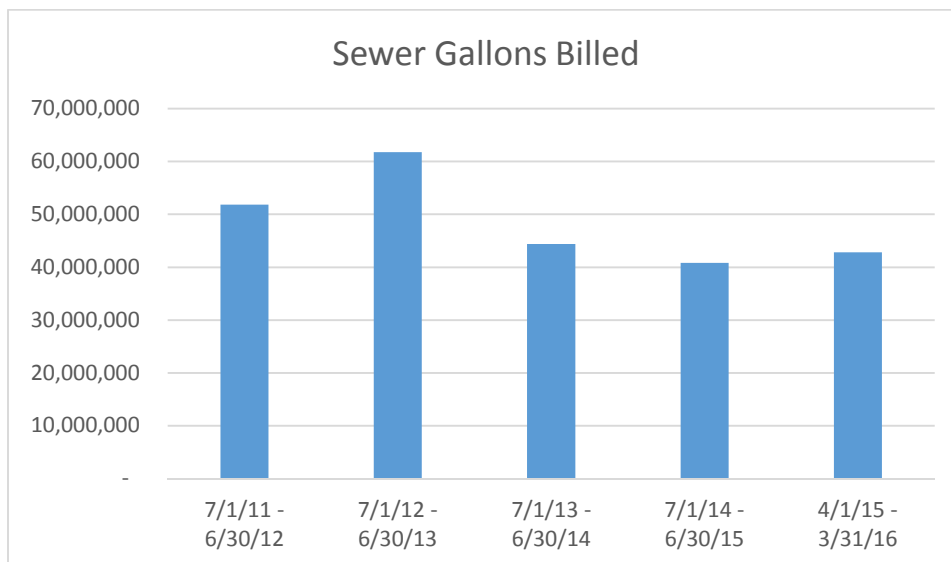


GENERAL HIGHWAY FUND

Revenues	303,500
Expenditures	<u>277,350</u>
Net Revenue over(under) Expenditures	26,150
Beginning Fund Balance	<u>193,870</u>
Ending Fund Balance	220,020

ENTERPRISE FUNDS

SEWER The most recent rate study dated April 2012 recommended a series of rate increases to keep up with rising costs and to be able to set money aside for future capital replacement. The Village is in year 5 after the rate study which shows a recommended 2% increase in commodity rates (which in turn affects the flat rates too). However, it was decided to maintain a 4% increase considering the rising cost of operations, combined with the need for future capital replacement reserves and debt service reserves for the upcoming project (pump station upgrades, force main replacement, and screening building). The Village anticipates updating the rate study in FY 2017. Billed usage has remained slightly above 40 million gallons per year for the last 3 years. The chart below shows the billed usage over the past 5 years (*note: the period 4/1/15 – 3/31/16 overlaps the previous period by one billing quarter in order to show a full 12 month cycle*).

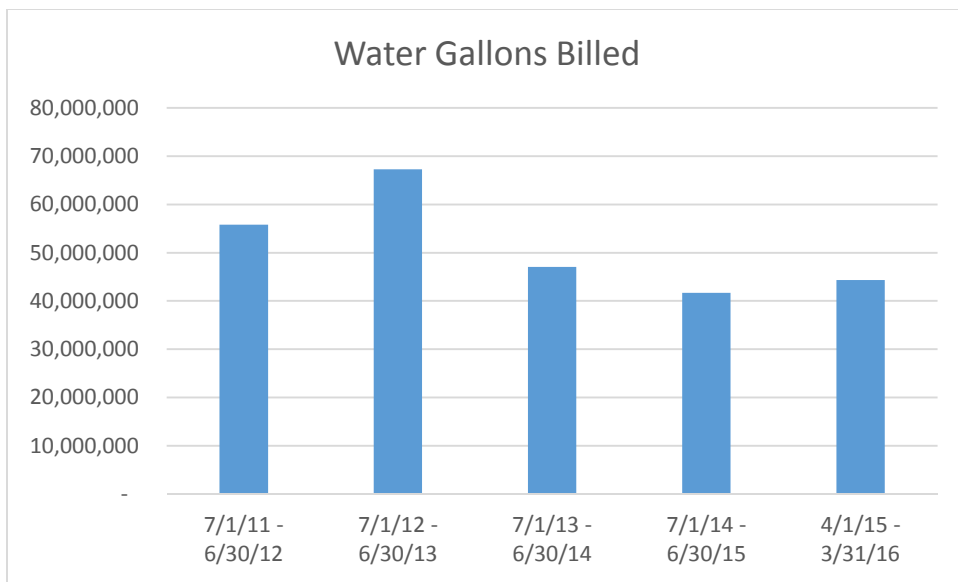


The 2016 – 2017 budget includes \$19,125 of capital expenditures, as well as \$180,000 of depreciation, a non-cash expense. Debt service for the 2016-2017 year will approximate \$51,000. Additional non-recurring budgeted expenditures include \$5,000 rate study, \$40,000 hydrogeological study, and \$30,000 to complete sludge removal. It is anticipated that the recommended budget will not generate any cash to be restricted and set aside in capital replacement savings.

SEWER BUDGET

Revenues	436,500
Expenditures	<u>615,555</u>
Net Revenue over(under) Expenditures	(179,055)
Beginning Fund Balance	<u>5,295,332</u>
Ending Fund Balance	5,116,267

WATER The most recent rate study dated April 2012 also recommended a series of rate increases for water in order to keep up with rising costs and to be able to set money aside for future capital replacement. The Village is in year 5 after the rate study which shows a recommended 4% increase in commodity rates. However, even with a rate increase utility billing revenue is expected to only show a modest increase due to the decrease in usage. 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. The Village anticipates updating the rate study in FY 2017. The chart below shows the billed usage over the past 5 years (*note: the period 4/1/15 – 3/31/16 overlaps the previous period by one billing quarter in order to show a full 12 month cycle*).



The 2016 – 2017 budget includes \$9,000 of capital expenditures, as well as \$140,000 of depreciation, a non-cash expense. Additional non-recurring budgeted expenditures include \$7,000 for plumbing supplies for new SCADA equipment, and \$37,500 for water meters to complete replacement of remaining old meters. It is anticipated that the recommended budget will not generate any cash to be restricted and set aside in capital replacement savings.

WATER BUDGET

Revenues	225,000
Expenditures	<u>366,511</u>
Net Revenue over(under) Expenditures	(141,511)
Beginning Fund Balance	<u>3,789,564</u>
Ending Fund Balance	3,648,053

SPECIAL ASSESSMENT DISTRICTS

PORTAGE DELLS The Portage Dells Special Assessment District covers water system infrastructure to that neighborhood. The only remaining activity is the receipt of interest income and depreciation expense.

PORTAGE DELLS SAD BUDGET

Revenues	1,150
Expenditures	<u>7,847</u>
Net Revenue over(under) Expenditures	(6,697)
Beginning Fund Balance	<u>389,478</u>
Ending Fund Balance	382,781

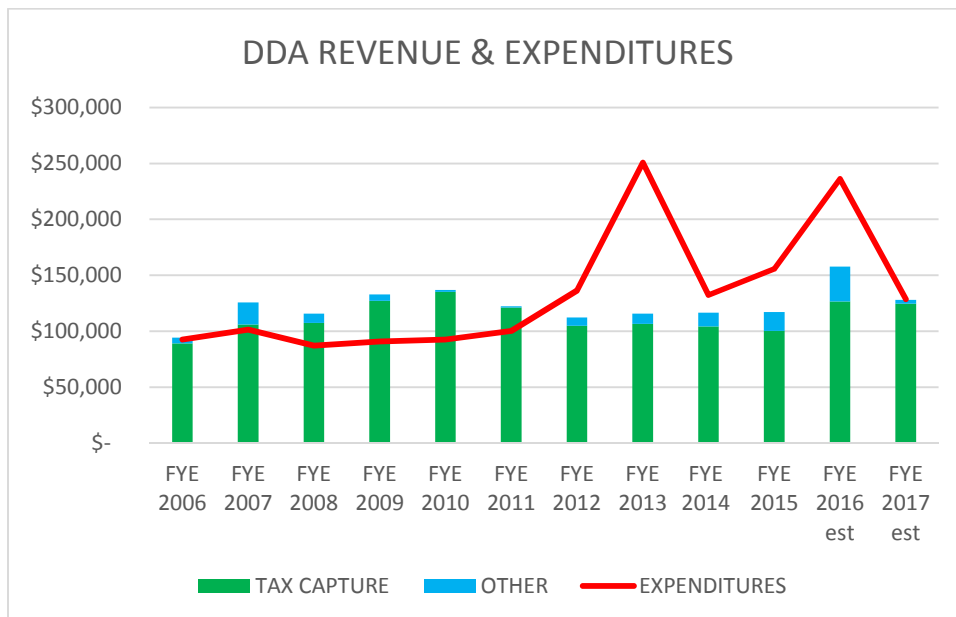
ROLLING HILLS The Rolling Hills Special Assessment District covers the Village's taking control of the lift station that serves the community. The only remaining activity is the receipt of interest income and depreciation expense.

ROLLING HILLS SAD BUDGET

Revenues	1,600
Expenditures	<u>1,701</u>
Net Revenue over(under) Expenditures	(101)
Beginning Fund Balance	<u>69,947</u>
Ending Fund Balance	69,846

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 is 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. It is estimated that any required transfer from the General Fund in FY 2016 will be paid back in FY 2017. A chart of historical DDA Revenue & Expenditures is below.



The recommended DDA Budget follows:

DOWNTOWN DEVELOPMENT AUTHORITY BUDGET

Revenues	128,000
Expenditures	<u>128,565</u>
Net Revenue over(under) Expenditures	(565)
Beginning Fund Balance	<u>5,282</u>
Ending Fund Balance	4,717

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. The 2015-2016 budget includes \$1,000 for the preservation of headstones to be spent from spendable perpetual care.

CEMETERY BUDGET

Revenues	10,400
Expenditures	<u>17,055</u>
Net Revenue over(under) Expenditures	(6,655)
Beginning Fund Balance	<u>141,844</u>
Ending Fund Balance	135,189
(includes permanent perpetual care of \$24,800)	

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 have budgeted activity for FY 2017:

POLICE TRAINING FUND

Revenues	800
Expenditures	<u>800</u>
Net Revenue over(under) Expenditures	0
Beginning Fund Balance	<u>1,255</u>
Ending Fund Balance	1,255

POLICE K-9 FUND

Revenues	700
Expenditures	<u>3,995</u>
Net Revenue over(under) Expenditures	(3,295)
Beginning Fund Balance	<u>3,657</u>
Ending Fund Balance	362