

VILLAGE OF PINCKNEY

2019-20 BUDGET EXECUTIVE SUMMARY

General Fund Village staff tolerated the freeze that the Budget Committee imposed upon them very gracefully. Operations continued with this new austerity almost imperceptible. This had the greatest immediate impact on DPW purchases (see that section for update). Maintaining equilibrium between the income and the outgo remains a challenge. Requests in the budget overall continue to be mostly modest, and several larger-ticket items have necessarily been delayed again. The Village does strive to follow the "values-based" budgeting model, meaning we will spend for those things deemed most important based on community values. We also have our Capital Improvement Plan, which is important for planning but cannot override the responsibility of a balanced budget.

The Village's bid for a Headlee override was unsuccessful in November, but we may consider trying for it again next year. On the upside, there is no Headlee rollback reduction in revenues for this year, as there was last year. It is anticipated that our MERS pension account will be nearly funded, although the target keeps moving, and the contribution rate was raised to 15.08% from 14.75% for 2019. In March 2020, our MERS contribution rate is expected to increase again.

Police After the departure of the original fifth officer and a period of increased part-time, Police Oversight reviewed and again endorsed the fifth full-time officer. Schedule variables create a significant challenge to the PD budget, and this will be closely monitored. New union contract negotiations will begin soon, the eventual impact of which is not known. There are no major purchases requested. New vehicle and body cameras were obtained by a significant grant gained by Chief Newton; their eventual replacement has been added to the CIP. The Chief elected to replace the oldest car with a newer, used car. This car was lost to a crash, but there were no injuries and the insurance provided for purchase of a new replacement, so a pretty good crash after all.

DPW As mentioned above, several large-ticket purchases for the DPW were put off by the freeze. Purchase of the requested Ford 550 is underway, with the chassis on order in 2019 and the build-out budgeted in 2020. Newer staff continue to prepare for certification exams. The search for a camera that will suit all the village needs continues with the plan to get that soon. The new jetter was postponed, but is a high priority to be put back into the budget if possible. Another dump truck payment.

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.

Local Streets The Mann Street project, or some reasonable portion of it, will be underway soon. Whatever we can get into Local Streets we can easily spend, and more. 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. MDOT will be coming through soon (exact date not known at this writing) to resurface Main Street (M-36) and repair some ADA ramps. We have no financial participation in this. The character of the crosswalks in CBD will be changed (MDOT would not replace them in the existing style).

Downtown Development Authority Planning Commission continues as the DDA as well and keep good track of budget items and obligations. The bond for the streetscape has finally come to an end, which will give the DDA a little extra funding for special projects. Through an MEDC grant, a study is being done on the DDA lot, to provide possible uses and help promote the lot for sale and development. DDA events remain popular and will be maintained by their respective volunteers and fund-raising.

Sewer The force main upgrade/screening building project funded through a USRD loan is finally underway, with construction projected to continue until December. Bids came in well over budget and USRD requires a line-item budget review to negotiate savings with the low bidder. Extensive value engineering was performed to make the project affordable

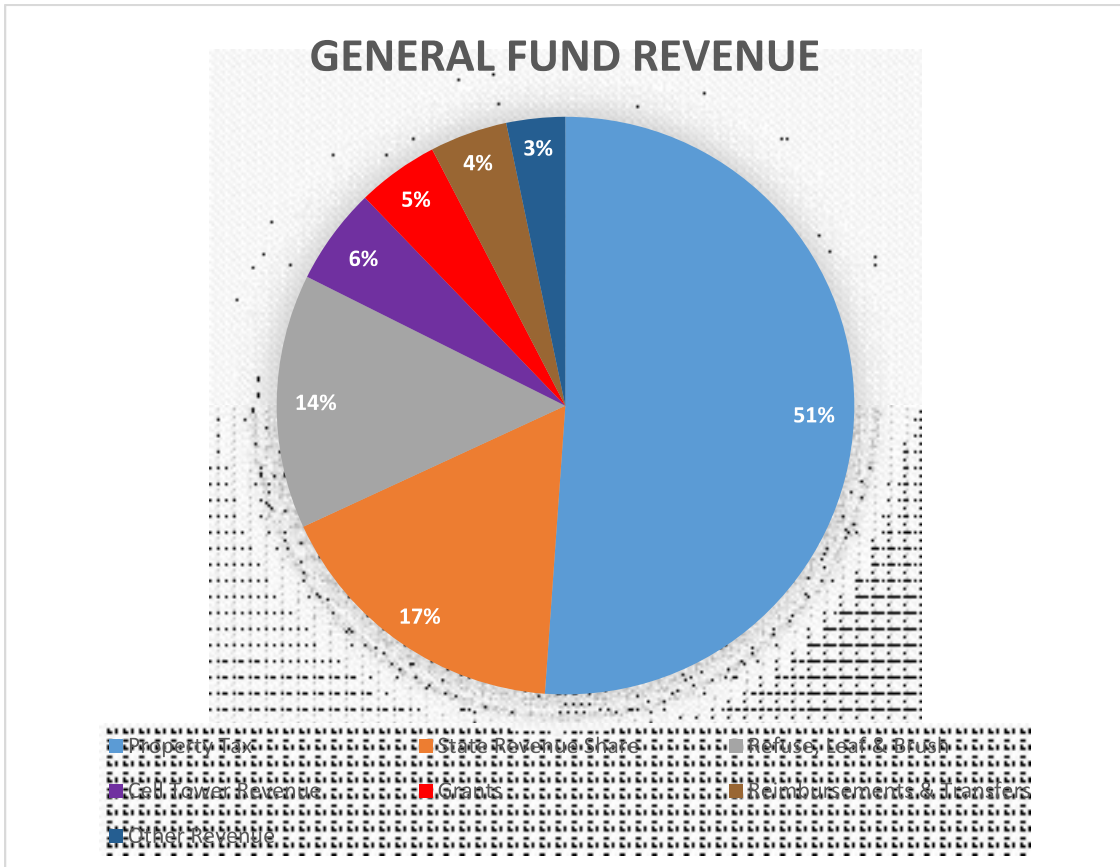
Water For this fund, the rate study suggested a 2% increase and stable increases for the length of the study. An adequate fund balance is maintained. The fund is debt free but continuing to receive special assessment payments from Rolling Hills SAD.

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. The Village has won a modest grant from the Michigan State Housing Development Authority's Neighborhood Enhancement Program, for improvements to Loy Bond Park and the surrounding neighborhood. There is no match for this grant.

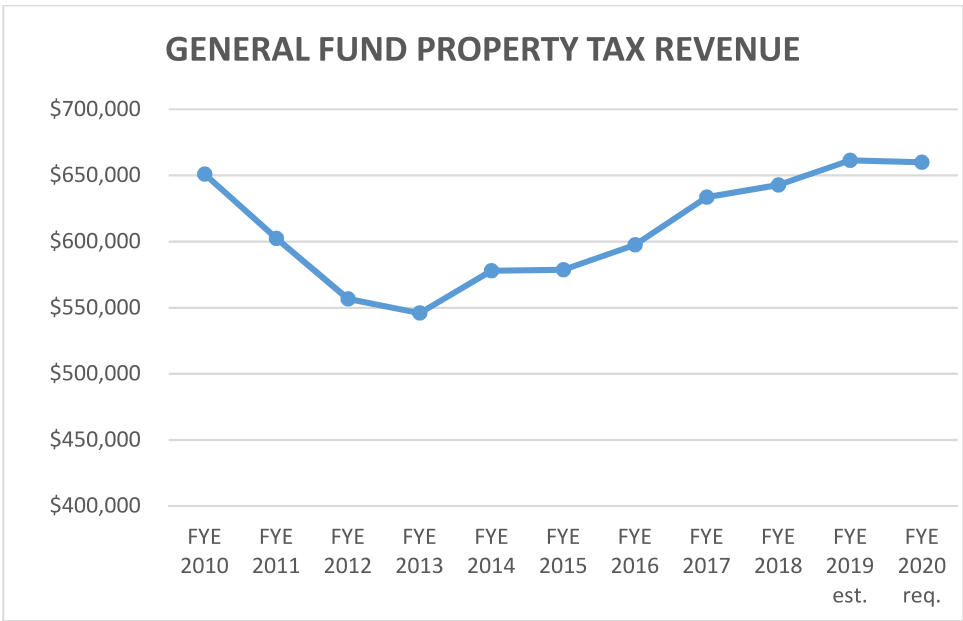
VILLAGE OF PINCKNEY
2018 - 2019 BUDGET

GENERAL FUND

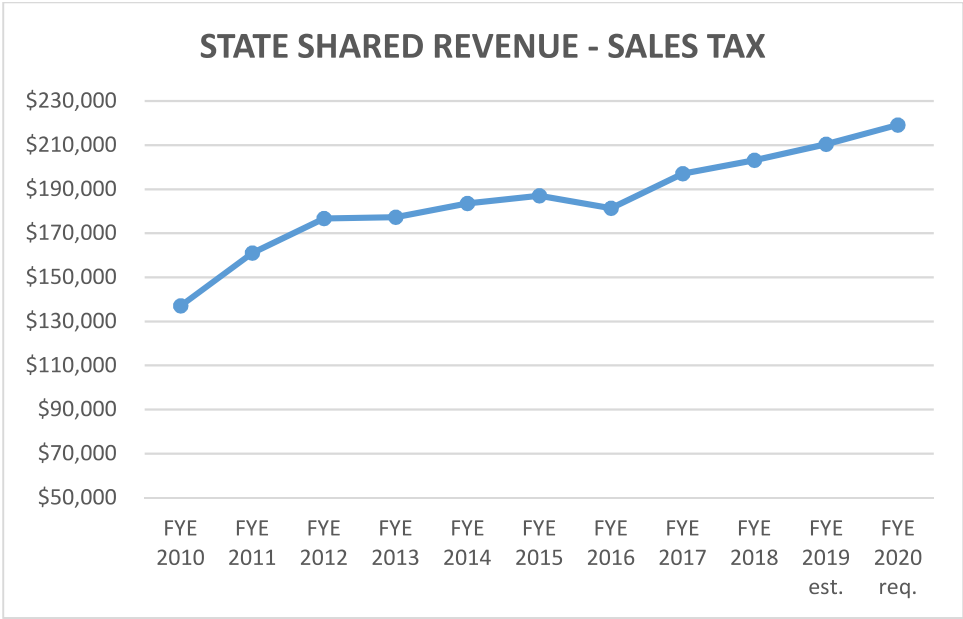
The General fund receives its revenue from a variety of sources, including property taxes, state revenue sharing, fees for services, and cell tower lease revenue. Total revenue is budgeted at \$1,291,099. Revenue is up slightly from the previous year.



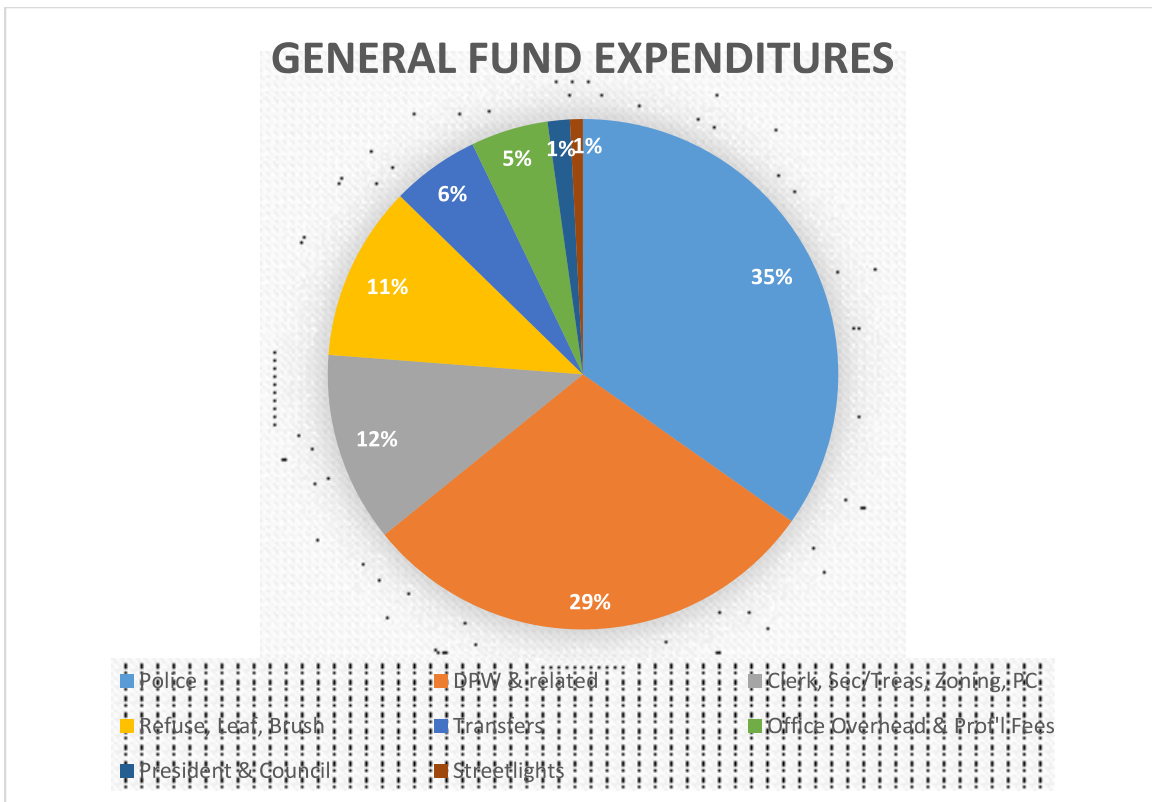
The largest portion of general fund revenue is from property taxes, which includes real property tax, personal property tax, and the administrative fee. There was no Headlee rollback for this fiscal year, and there is no change in the millage requested. Tax revenue still shows growth from the lowest 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.



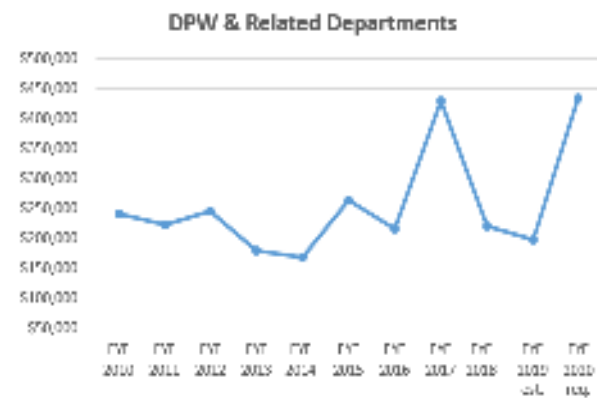
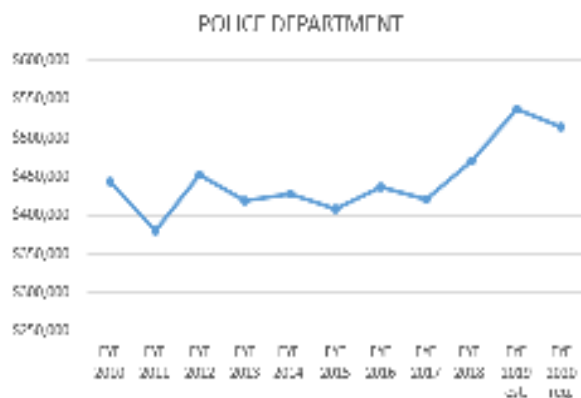
The next largest general fund revenue source is from State Shared Revenue – Sales Tax. The Village receives only Constitutional Revenue Share. After decreasing from 2006 to 2010, the Village has seen an increase in State Shared Revenue, with projected revenue to be the highest in more than ten years.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



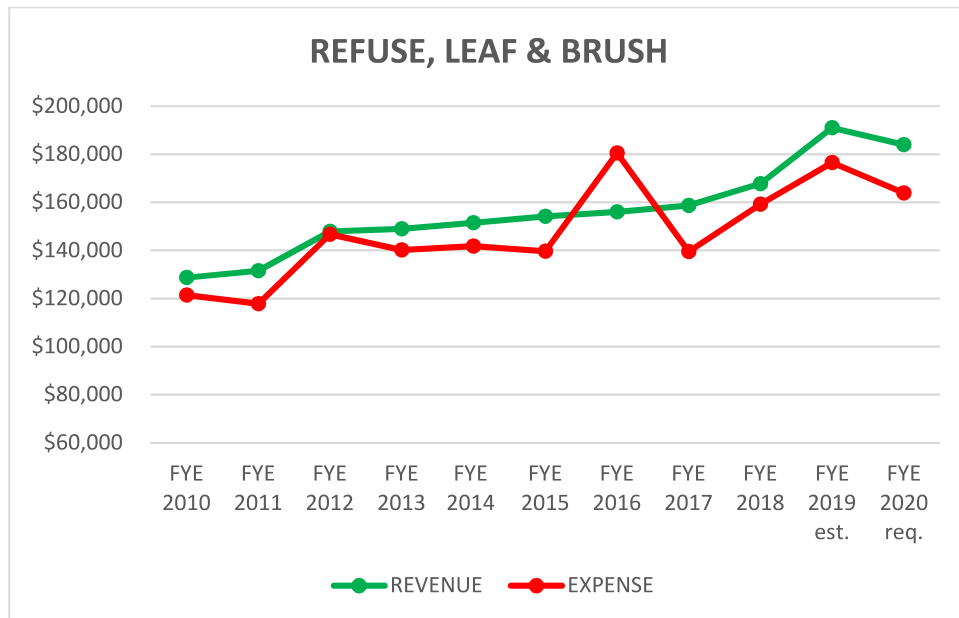
The General Fund has total budgeted expenditures of \$1,477,968. Services most people associate with local government, such as police, tax collection, general DPW activities, and planning & zoning are funded here. The budget anticipates using \$186,869 of cash reserves to balance the budget, slightly less than last year's draw.



Historical expenditures for the largest two departments are shown in the following charts. The Police Department budget reflects the hiring of a 5th full-time officer in FY 2018. DPW expenditures reflect the purchase of a new dump truck in FY 2017. Both departments experienced some cuts or denials in the coming year's budget, but the spending freeze has mostly lifted.



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. 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. Budget Committee is not requesting a rate increase this year.



In June 2014 Village Council approved a Fund Balance Policy with a minimum fund balance requirement of 55% of expenditures. Although the recommended 2019-2020 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

<u>REVENUES (est.)</u>	1,291,099
<u>EXPENDITURES (est.)</u>	
VILLAGE COUNCIL	15,154
VILLAGE PRESIDENT	5,699
VILLAGE CLERK	89,548
AUDITORS	4,000
SECRETARY	19,905
VILLAGE TREASURER	5,456
BUILDINGS & GROUNDS	51,923
LEGAL FEES	12,500
OFFICE OVERHEAD	52,097
POLICE DEPARTMENT	513,914
DEPT OF PUBLIC WORKS	335,395
STREET LIGHTS	12,000
REFUSE, LEAF & BRUSH	163,855
PLANNING COMMISSION	18,869
ZONING ADMINISTRATOR	44,103
ECONOMIC DEVELOPMENT	3,900
PARKS & RECREATION	47,299
TRANSFER	<u>82,351</u>
TOTAL EXPENDITURES (est.)	1,477,968
NET REVENUE OVER (UNDER) EXPENDITURES	(186,869)
BEGINNING FUND BALANCE	1,193,221
ENDING FUND BALANCE	1,006,352

STREETS

Major Street revenue is primarily from Act 51 (Michigan Transportation Fund). There are no major street projects planned for the 2019-2020 year. Expenditures primarily consist of labor & equipment for street maintenance, subcontract services for tree removal, street sweeping, crack-filling, GIS consulting, and sidewalks, plus winter and routine maintenance. Major street revenue and expenditures are shown below.

MAJOR STREET BUDGET

Revenues	173,006
Expenditures	<u>171,951</u>
Net Revenue over(under) Expenditures	1,055
Beginning Fund Balance	<u>482,959</u>
Ending Fund Balance	484,014

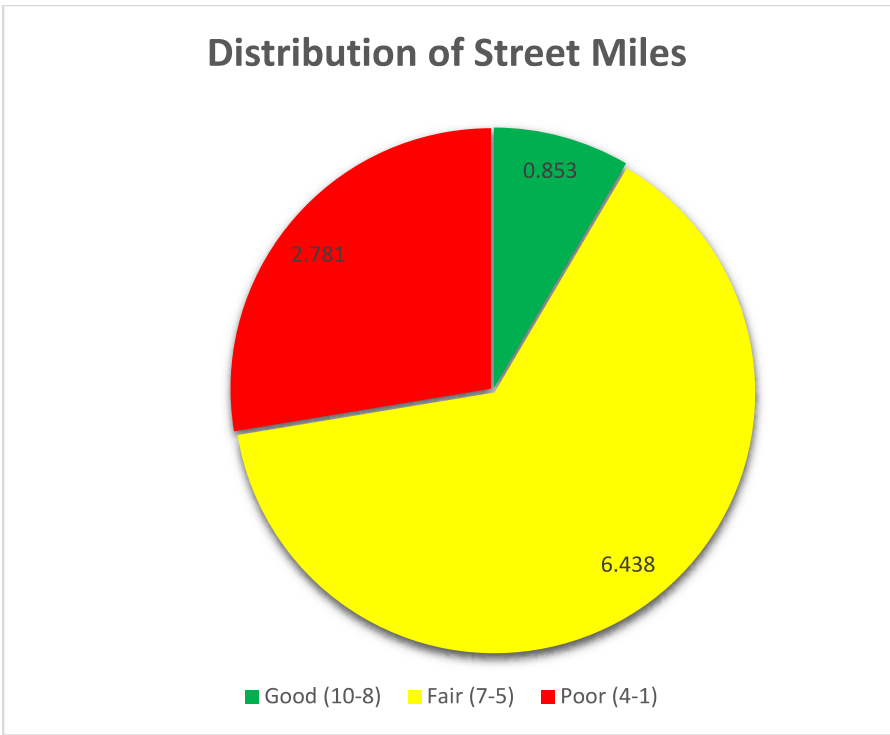
Local Street Fund also receives Act 51 revenue (Michigan Transportation Fund distributions), however a much lower amount. The Local Street Fund is much more dependent upon transfers from the Major Street Fund and General Highway Fund. The Mann Street project was necessarily altered by both its initial high cost, which caused it to be divided into phases, and the need to finish the storm drain for it before MDOT resurfaces M-36. This work should be starting very soon. 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	332,763
Expenditures	<u>275,996</u>
Net Revenue over(under) Expenditures	56,767
Beginning Fund Balance	<u>224,057</u>
Ending Fund Balance	280,824

General Highway Fund had been levying two mils for many years. However, with the depletion of the fund balance in Local Streets, it is recommended that the millage be maintained at four 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.



GENERAL HIGHWAY FUND

Revenues	328,800
Expenditures	<u>280,012</u>
Net Revenue over(under) Expenditures	48,788
Beginning Fund Balance	<u>449,401</u>
Ending Fund Balance	498,189

ENTERPRISE FUNDS

SEWER The Village completed a rate study in 2017 in preparation for a large sewer project. The USDA-RD financing for the sewer upgrade project is in place. The initial rate increase was the highest expected and started last year. Subsequent rate increases recommended by the rate study are at 3%. Billed usage has remained slightly above 40 million gallons per year for the last four years after dropping from a peak of over 60 million gallons in FY 2013.

The 2019-2020 budget includes continuation of the USDA-RD upgrade project, as well as \$168,500 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 2019-2020 year will be approximate \$138,500 (Principal and Interest for both the SRF loan and the USRD loan). In addition, the sewer-related expenses of the Mann Street Project are estimated to be \$85,000. 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	541,264
Expenditures	<u>669,480</u>
Net Revenue over(under) Expenditures	(128,216)
Beginning Fund Balance	<u>5,384,946</u>
Ending Fund Balance	5,256,730

Note: USDA-RD project \$3,023,000 new construction, \$2,949,000 Other Financing

WATER The Village completed a rate study in 2017 and it recommends a 2% increase in water rates for FY 2020 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 5 years after dropping from a peak of almost 70 million gallons in FY 2013.

The 2019-2020 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	228,647
Expenditures	<u>329,304</u>
Net Revenue over(under) Expenditures	(40,657)
Beginning Fund Balance	<u>4,468,458</u>
Ending Fund Balance	4,427,801

SPECIAL ASSESSMENT DISTRICTS

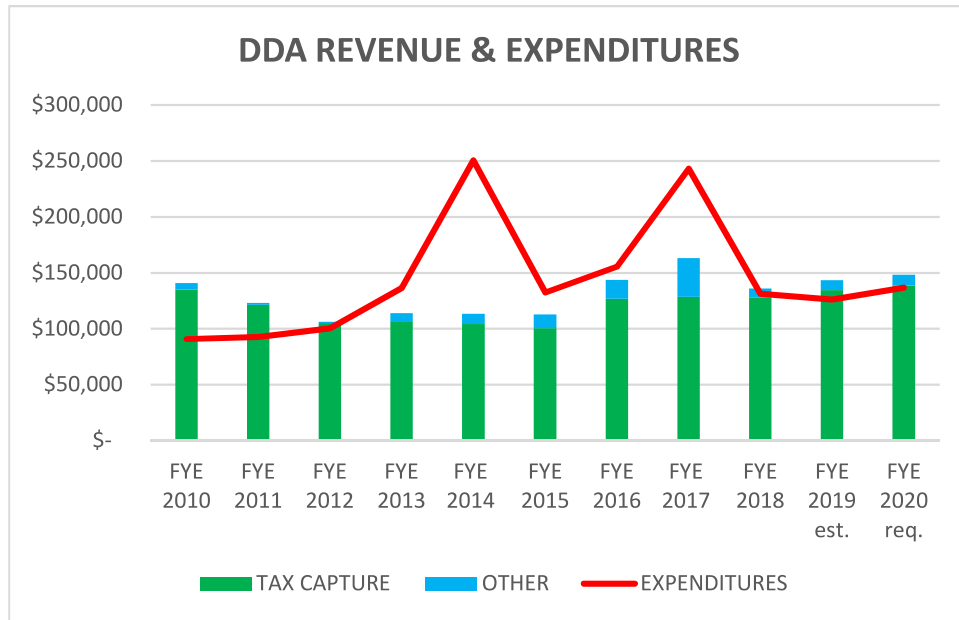
ROLLING HILLS The Rolling Hills Special Assessment District covers the Village’s taking control of the sanitary lift station that serves the community as well as improvements to their water system connections. The only remaining activity is the receipt of principal and interest income and depreciation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

ROLLING HILLS SAD BUDGET

Revenues	1,400
Expenditures	<u>1,559</u>
Net Revenue over(under) Expenditures	(159)
Beginning Fund Balance	<u>69,679</u>
Ending Fund Balance	69,520

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	147,600
Expenditures	<u>133,995</u>
Net Revenue over(under) Expenditures	13,605
Beginning Fund Balance	<u>64,687</u>
Ending Fund Balance	78,292

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	23,261
Expenditures	<u>23,261</u>
Net Revenue over(under) Expenditures	0
Beginning Fund Balance	<u>145,111</u>
Ending Fund Balance	145,111
(includes permanent perpetual care of \$36,933)	

OTHER POLICE DEPARTMENT FUNDS

The Village currently has three other minor funds related to the Police Department that receive revenue either from grants, fees for services, or contributions. Resignation of the K-9 officer necessitated discontinuation of the K-9 Program. Funds from that program were reallocated toward the used car purchase. The following fund have budgeted activity for FY 2020:

POLICE TRAINING BUDGET

Revenues	1,014
Expenditures	<u>465</u>
Net Revenue over(under) Expenditures	549
Beginning Fund Balance	<u>1,262</u>
Ending Fund Balance	1,811