



# FY 2023-2024 Recommended Budget Presentation

April 29, 2023

Finance Department

Presented by: Mark Gerber

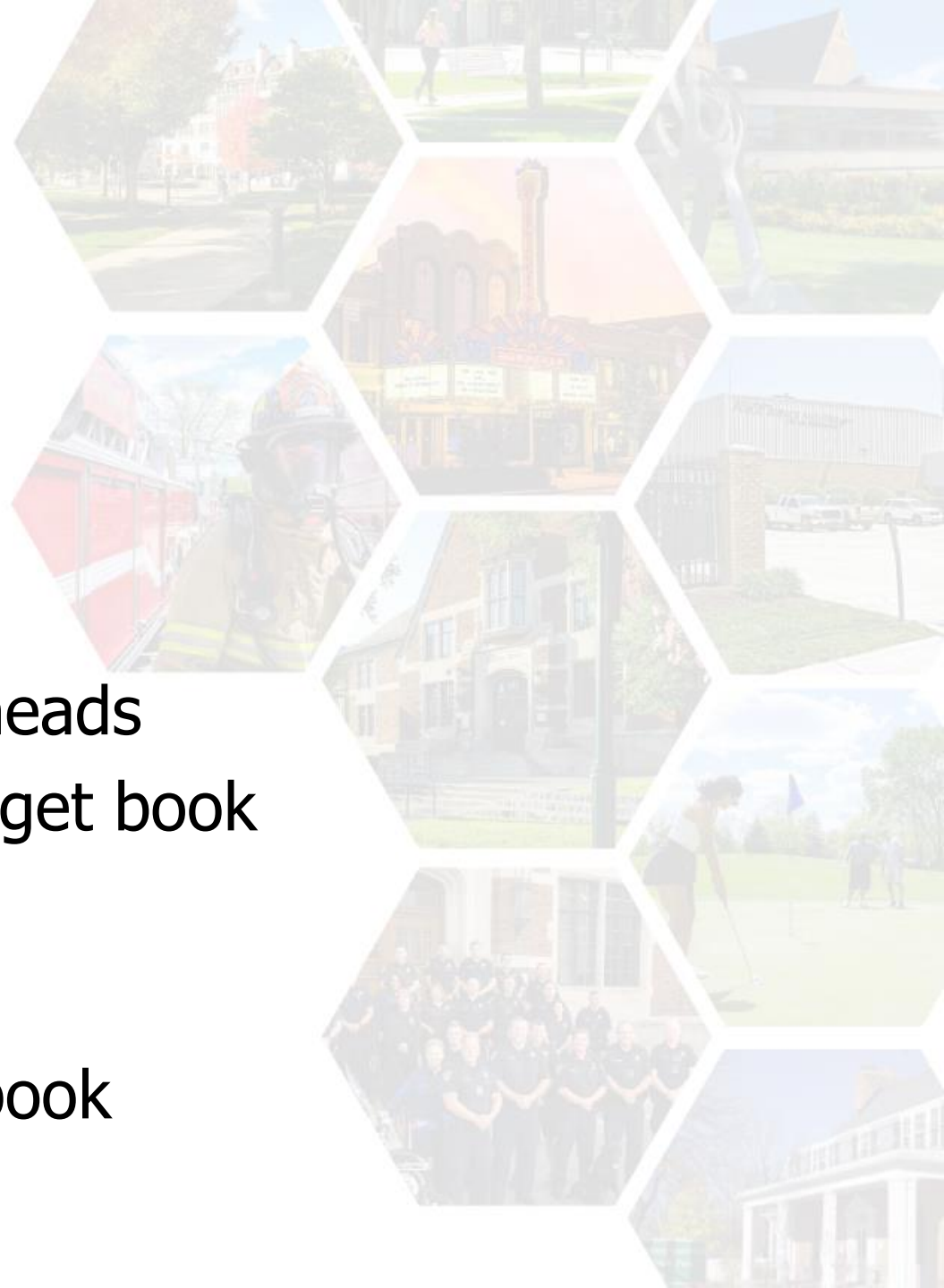


# City Manager Introductory Comments



# Budget Process

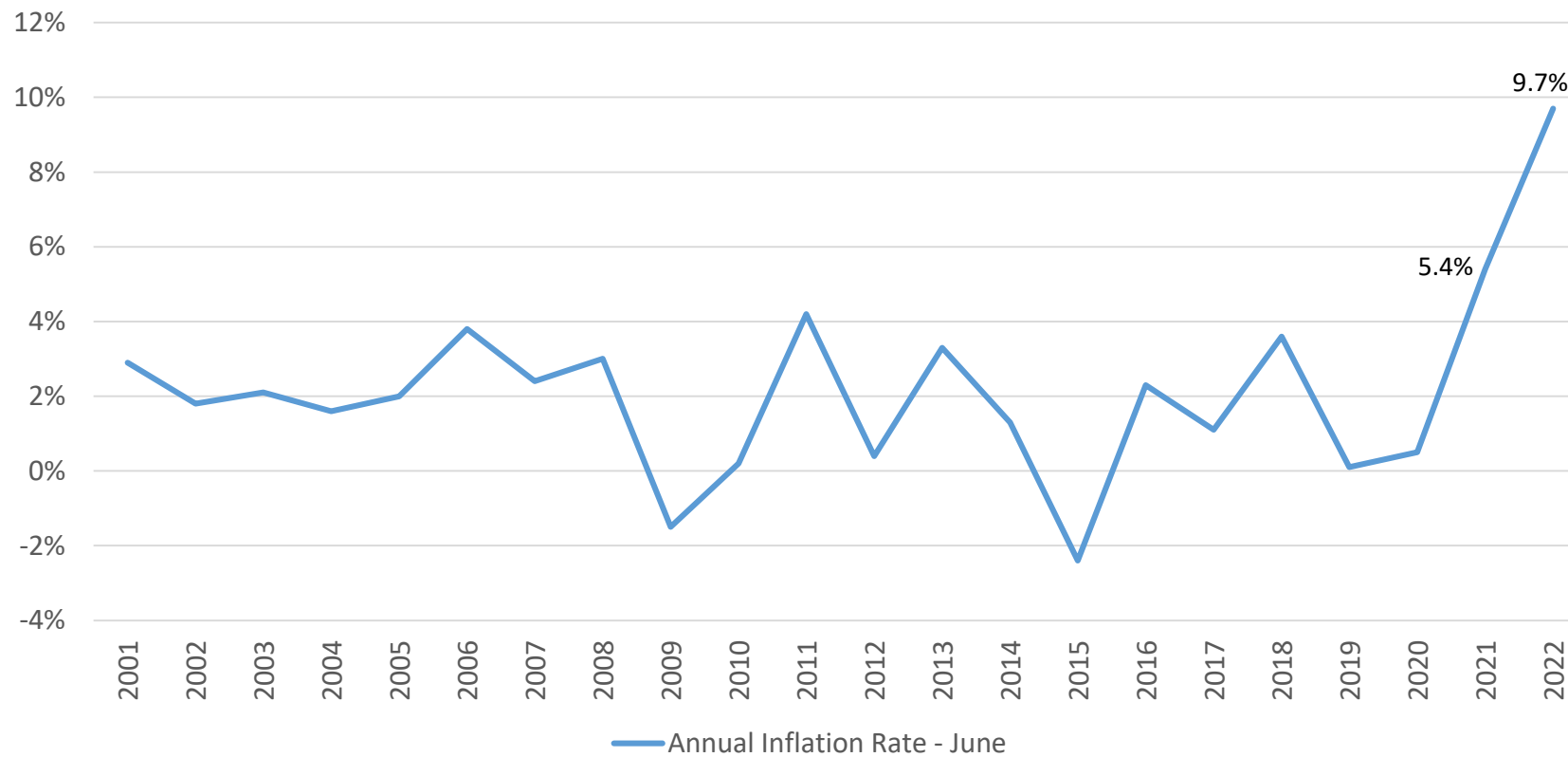
- Nine month process (October – June)
  - Capital spending plans
  - Personnel spending plans
  - Other departmental expenditures
  - Revenue projections
- Manager meetings with department heads
- Preparation of the recommended budget book
- Public hearing
- Commission approval
- Preparation of the approved budget book



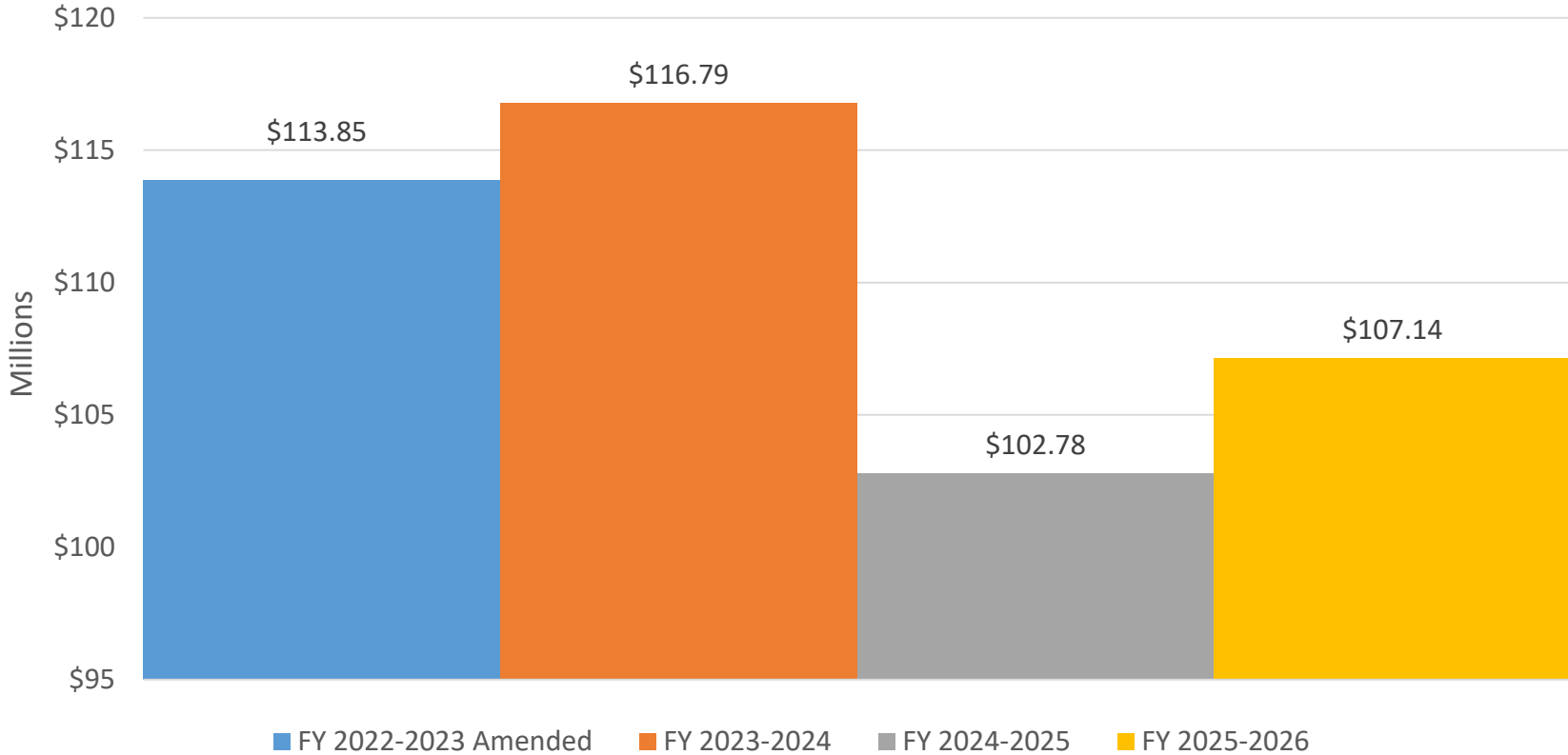
# Spending Plans

- City staff prepares a budget for the next fiscal year and planning amounts for the following two fiscal years.
- This allows the City Manager and Finance Director to view the larger picture and make changes to the spending plan in order to maximize financial stability.

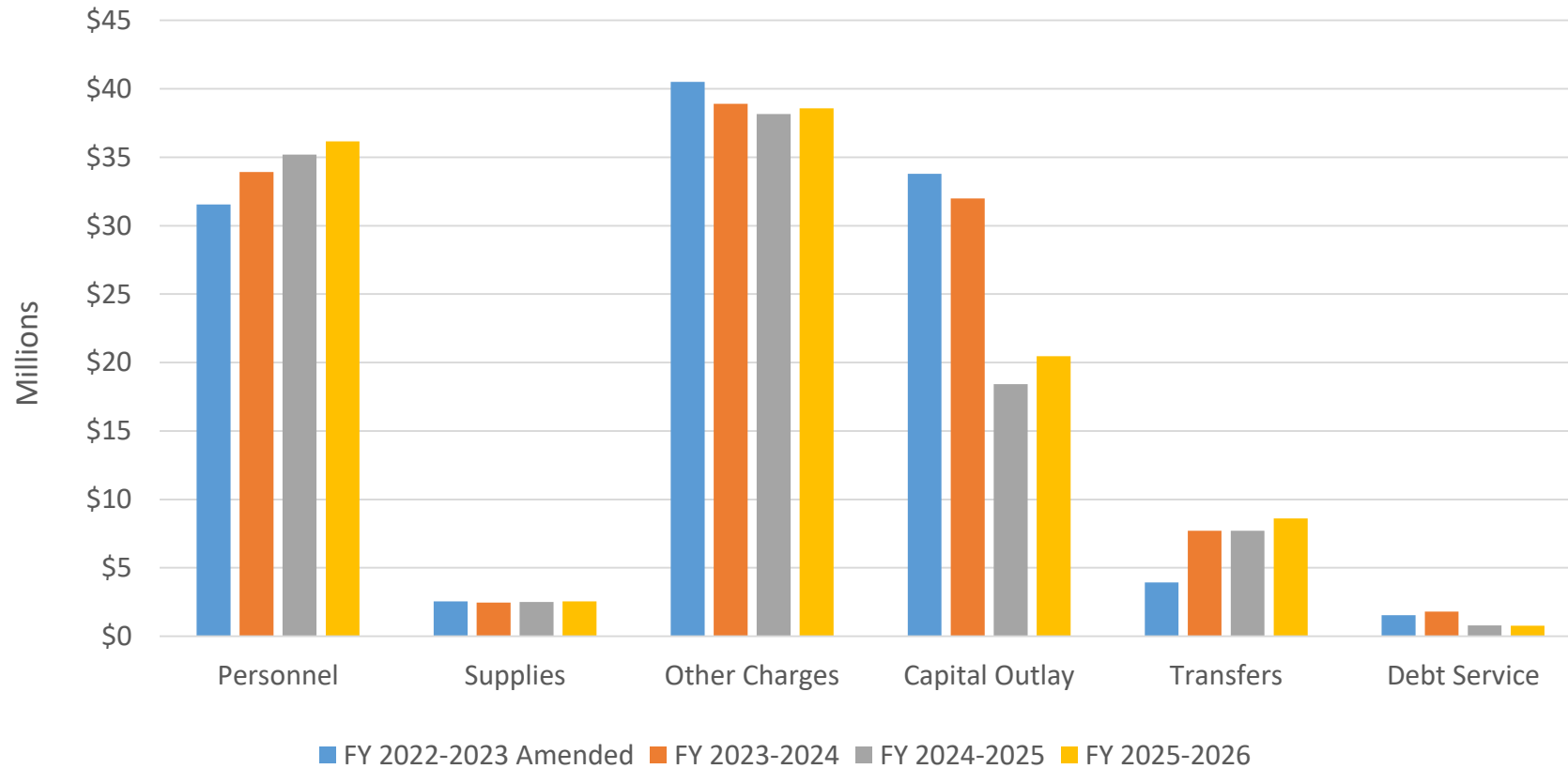
# Historical inflation is the biggest factor in preparing the recommended budget.



# Total Budget Comparison



# Comparison of Budget Categories



# FY 2023-2024 Recommended Budget Highlights

\$28M in capital improvements

- \$8.7M in streets, sidewalks and alley improvements
- \$2.5M in sewer improvements
- \$3M in water improvements
- \$9.7M in parking system improvements
- \$3.3M in library building improvements
- \$.8M in park improvements



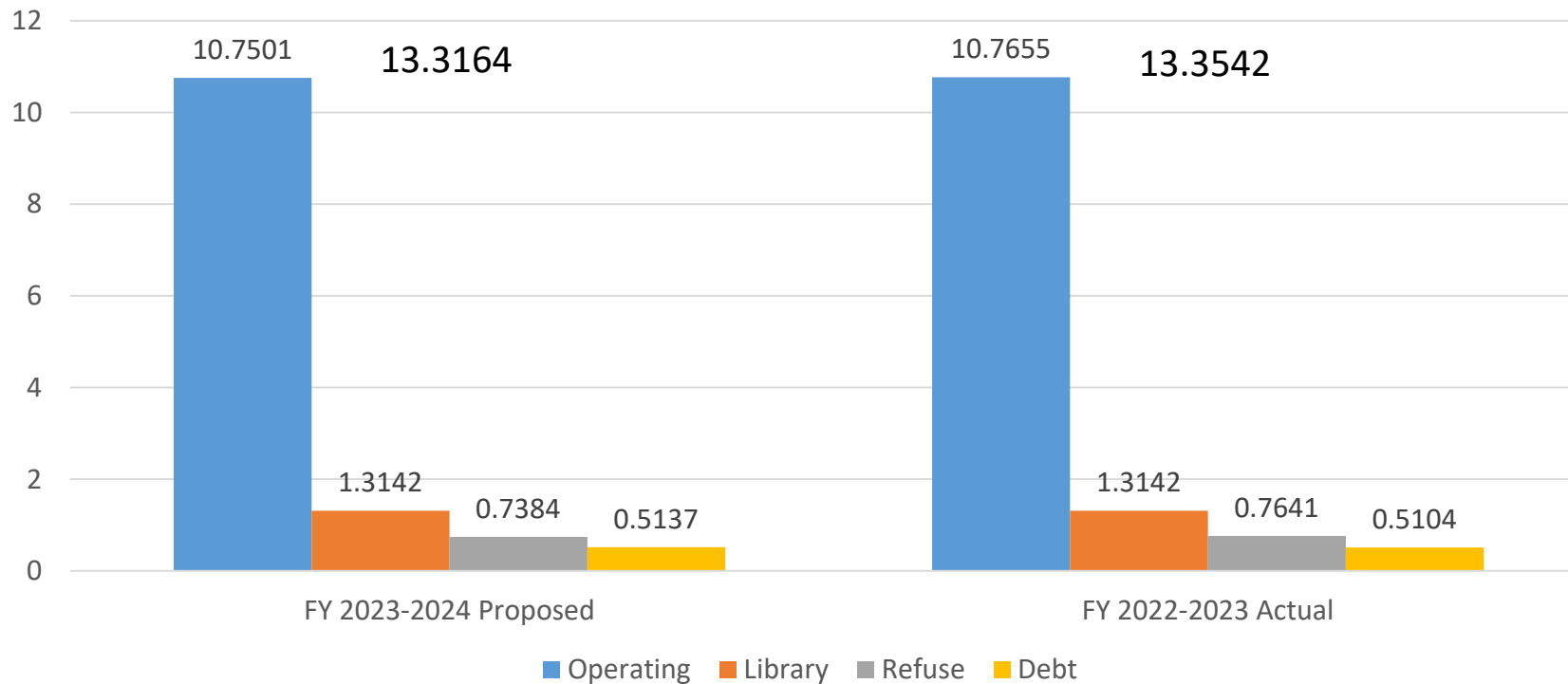
# FY 2023-2024 Recommended Budget Highlights – Property Taxes

Increase in taxable value of 7.8%.

2022-2023 Taxable Value	\$2,961,382,730
Losses	(19,003,734)
Additions	63,213,900
Inflation – capped at 5%	147,118,950
Other (uncapping/MTT/market adjustments)	<u>46,614,964</u>
2023-2024 Taxable Value	<u><u>\$3,193,177,600</u></u>

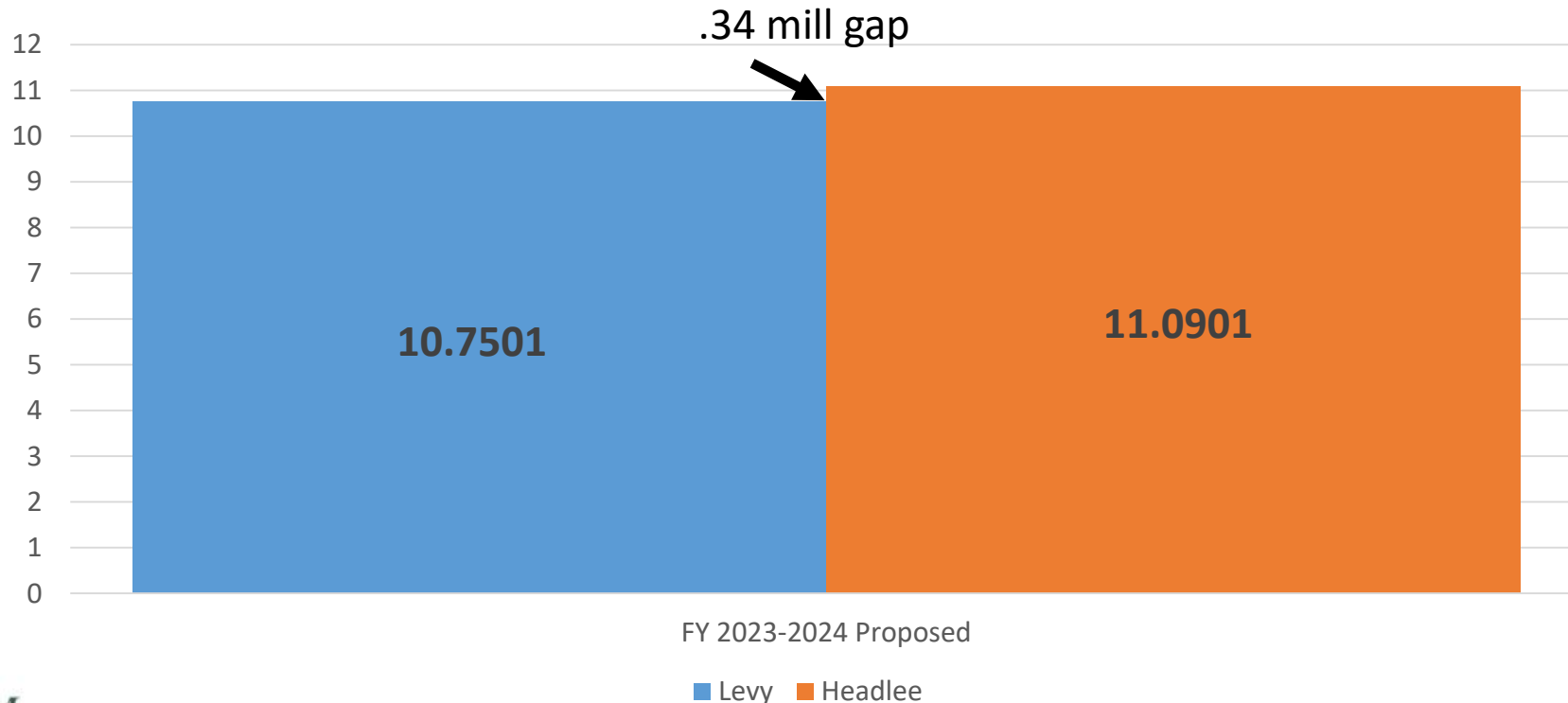
# FY 2023-2024 Recommended Budget Highlights – Property Taxes

Overall decrease in the tax levy of 0.0378 mills.



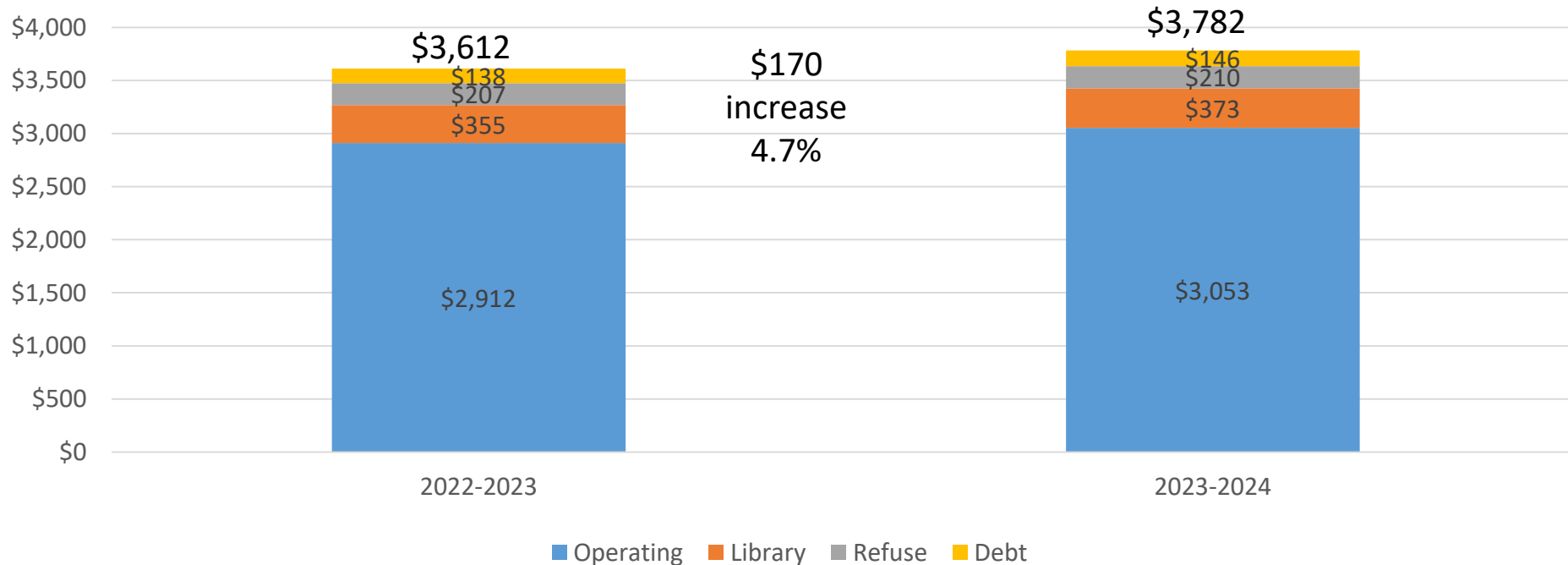
# FY 2023-2024 Recommended Budget Highlights – Property Taxes

Maintains at least a .3 mill gap between Headlee maximum and proposed millage rate.



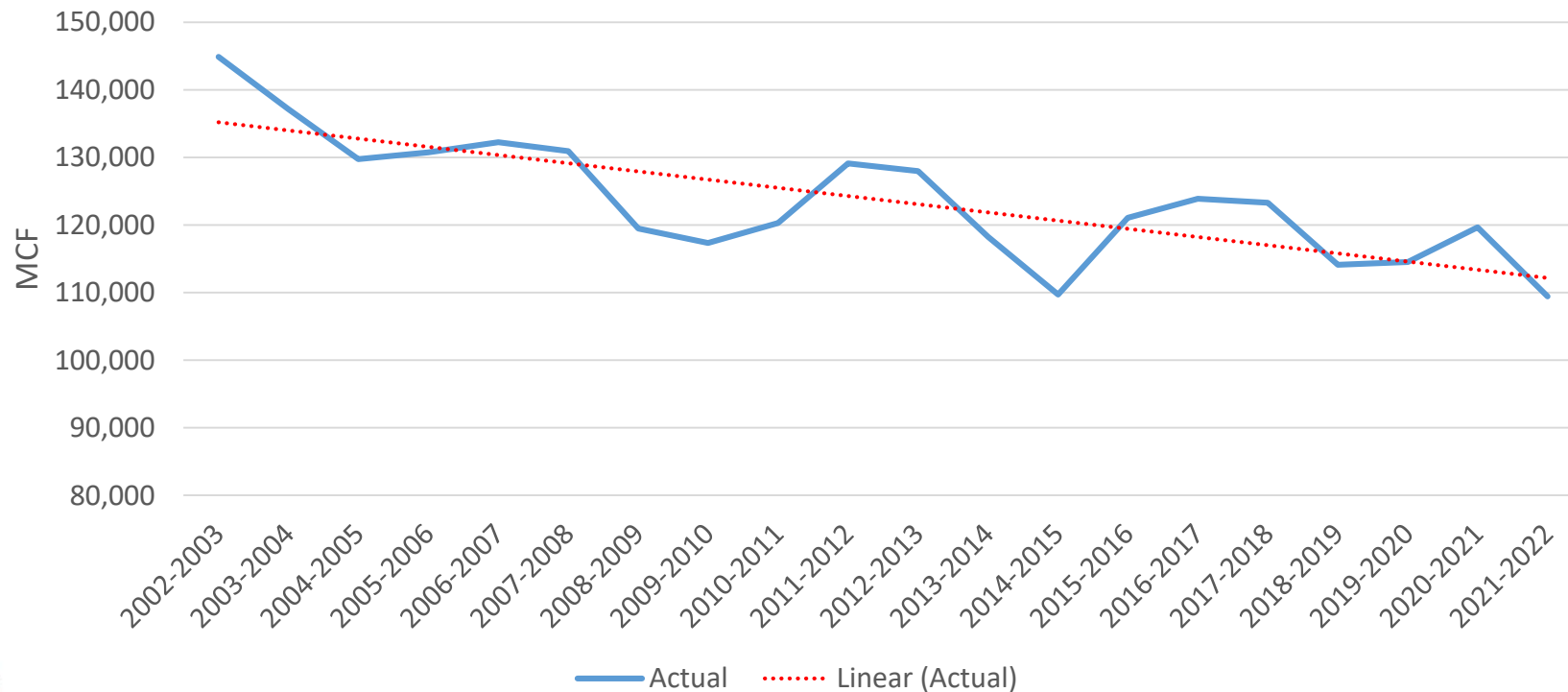
# FY 2023-2024 Recommended Budget Highlights – Property Taxes

Average Homeowner with Taxable Value of \$270,500 in FY 2022-2023 and \$284,000 in FY 2023-2024 (7.9% inflation rate, capped to 5% due to Proposal A)



# FY 2023-2024 Recommended Budget Highlights – Water and Sewer

Water Consumed by the City Continues to Decrease Over Time



# FY 2023-2024 Recommended Budget Highlights – Water and Sewer

## Basic Formula for Calculating Rates

Operating Costs

– Other Service Revenues (inspections/interest)

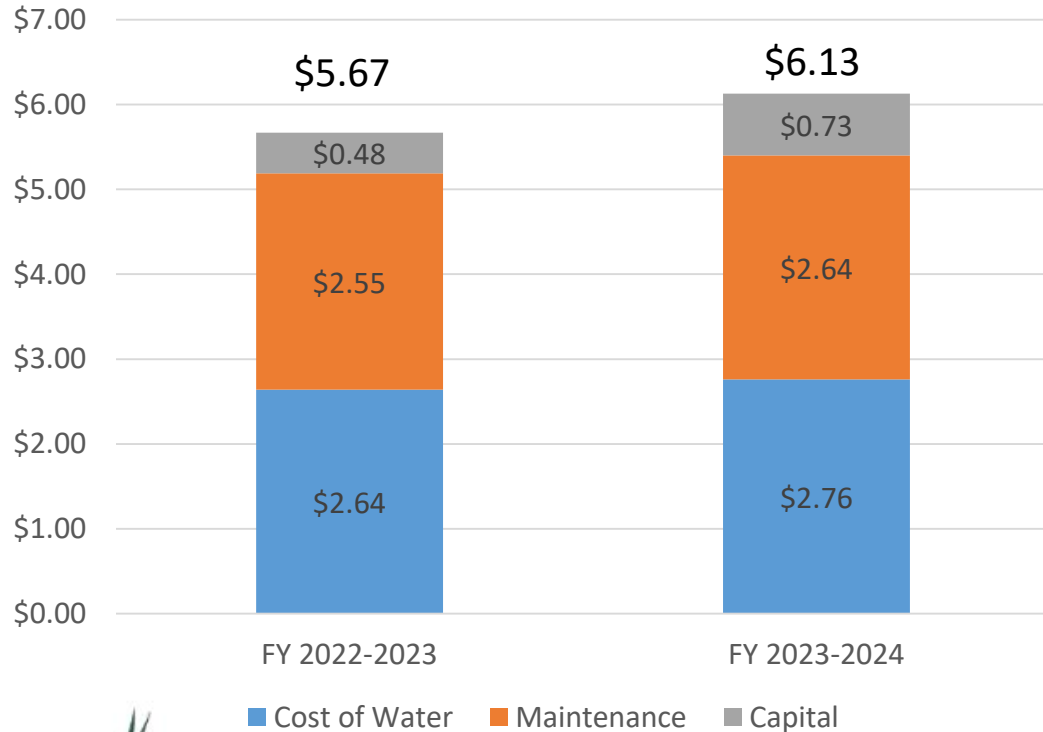
= Net Operating Costs

/ Estimated Units of Water Sold

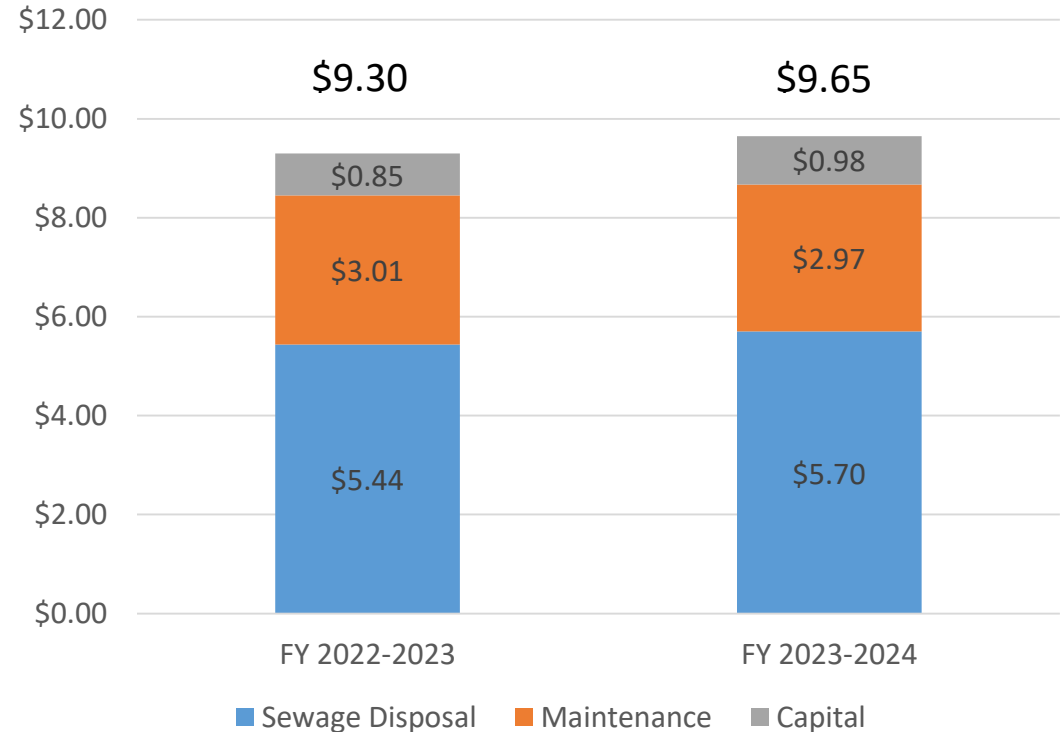
Water Consumption ↓ = Rates ↑

# FY 2023-2024 Recommended Budget Highlights – Water and Sewer

## Water Rates Proposed to Increase \$.46 or 8%



## Sewer Rates Proposed to Increase \$.35 or 4%



# FY 2023-2024 Recommended Budget Highlights – Water and Sewer

Water Rate Increase of \$.46 or 8%

- Significant portion of the increase (\$.24) is related to shifting the source of funding of \$200,000 in capital improvements from property taxes to water rates.
- Cost of water increased the rate \$.09. This is outside the control of the City.
- City maintenance costs increased the rate \$.06.
- The decrease in water consumption increased the rate \$.07.
- Average residential user would see an annual increase of \$41 or just over \$3 per month.



# FY 2023-2024 Recommended Budget Highlights – Water and Sewer

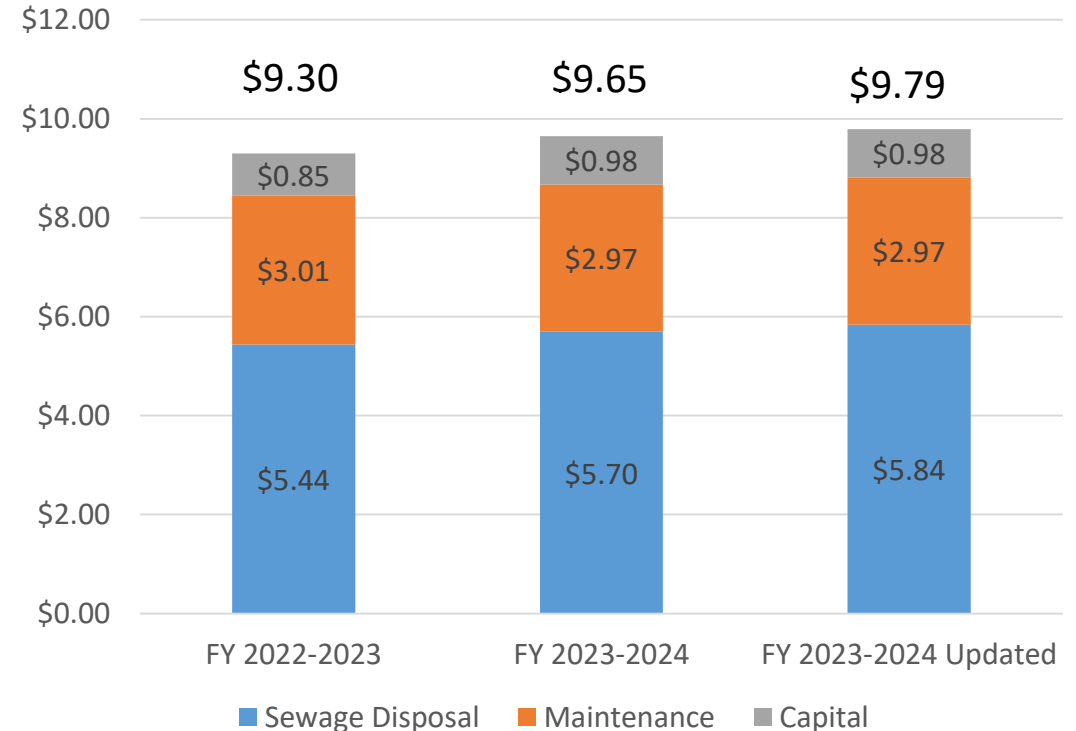
Sewer Rate Increase of \$.35 or 4%

- Sewage disposal costs increased the rate \$.21.
- Increasing the amount for capital improvements (\$100,000) increased the rate \$.12.
- The decrease in water consumption increased the rate \$.10.
- A decrease in operating costs plus an increase in other operating income decreased the rate by \$.08.
- Average residential user would see an annual increase of \$32 or less than \$3 per month.

# FY 2023-2024 Recommended Budget Highlights – Water and Sewer (Update)

- Based on preliminary rate information from Oakland County Water Resources Commissioner
- Preliminary sewage disposal costs will be \$117,830 more than proposed due to higher than expected costs in the Evergreen-Farmington system.

## Updated Sewer Rates Proposed to Increase \$.49 or 5.2%

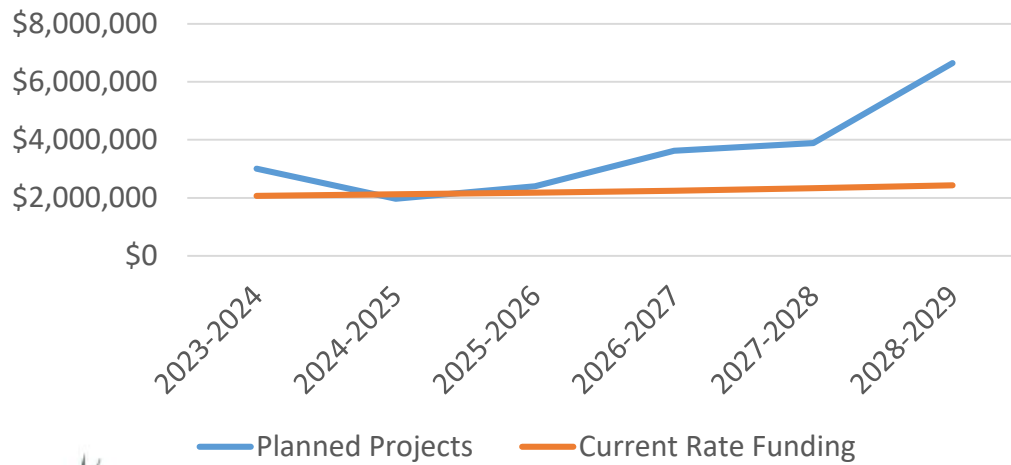


# FY 2023-2024 Recommended Budget Highlights – Water and Sewer

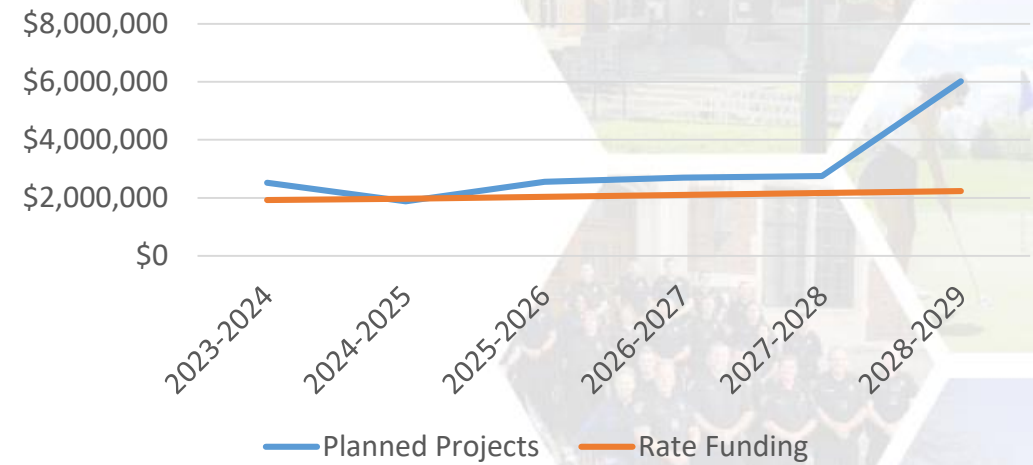
Why do we need to keep increasing rates for capital improvements?

- Depreciation alone is not enough to cover future capital improvements.

Future Water Projects



Future Sewer Projects



### *Significant Notes to Amounts from Prior Year's Budget*

1. **711.00 Labor Burden** – The increase of \$22,120, or 15.1%, is due to a rise in medical expenses and retirement contributions.
2. **811.00 – Other Contractual Services** – The budget of \$35,000 includes costs for a traffic consulting (\$10,000), bike pedestrian counts (\$10,000), scanning (\$10,000), and bike facilities (\$5,000).
3. **825.01 Downtown Action Plan** – The budget of \$20,000 is for the VIA signs.
4. **942.00 Computer Equipment Rental** – The increase of \$3,450, or 14.0%, reflects an overall increase of 15.0% for rental charges and a change in cost allocation.
5. **981.01 Public Improvements** – The budget of \$100,000 shows the cost of purchasing a gateway sign and pole-based wayfinding signs (16).

### *Significant Notes to 2024-2025 Planned Amounts*

1. **811.00 Other Contractual Service** – The budget of \$96,000 includes costs for a traffic consulting (\$10,000), bike pedestrian counts (\$10,000), scanning (\$8,000), bike facilities (\$10,000), the multi-modal plan update (\$50,000), and a survey of the Little San Fran neighborhood (\$8,000).
2. **942.00 Computer Equipment Rental** – The increase of \$4,200, or 15.0%, reflects an overall 15.0% increase in rental charges.
3. **981.01 Public Improvements** – The budget of \$40,000 represents the cost for a gateway sign.

### *Significant Notes to 2025-2026 Planned Amounts*

1. **811.00 Other Contractual Services** – The budget of \$38,000 includes costs for traffic consulting (\$10,000), bike pedestrian counts (\$10,000), scanning (\$8,000), and bike facilities (\$10,000).
2. **942.00 Computer Equipment Rental** – The increase of \$3,230, or 10.0%, reflects an overall 10.0% increase in rental charges.