

a great place to be...

Lee Kilbourn, Mayor  
Ken Charbonneau, Mayor Pro-Tem  
Matthew Charbonneau  
Jan Dzurka  
Matthew Hardy  
Jeff Rahl  
Russell Williams



June 11, 2016

To the Citizens of Auburn Michigan, Honorable Mayor and City Commission:

Dear Mayor Kilbourn,

I am pleased to present to you the City of Auburn's Fiscal Year 2016-2017 Proposed Annual Budget. This budget narrative has been prepared to provide a balanced financial plan for municipal operations with a comparison of projected revenues and expenditures to those of the current year and the audited figures for FY2014-2015. In addition, supporting materials and detailed information on various subjects related to the budget is provided.

I look forward to working with the City Commission to plan for the bright days ahead for this city, and building on the legacy of those who took great strides over the past 70 years.

Sincerely

Patricia Rayl, MPA  
City Administrator

## GOALS FOR FY2016-2017

The City Commission held a goal-setting retreat at the Auburn Library in January to brainstorm priorities for activities, improvements and projects for our community. The goals for this fiscal year include:

### Utilize US-10 More

- Look for way to encourage people to drive into Auburn
- Reduce tree line to increase the park's visibility from US-10

### Keep up-to-date

- Update software/hardware/technology as we can afford
- Encourage staff to attend trainings/professional development activities

### Support local retail shops

- Help businesses grow and work to fill storefronts
- Encourage new development for new business

### Infrastructure Improvements

- Determine which properties have combined storm and sewer
- Create a plan/schedule to treat water infiltration problem areas
- Research programs for possible financial solutions for property owners

### Park Improvements

- Add more physical attractions, e.g. splash pad, with visibility from US-10
- Encourage more events to utilize Auburn Park



## MILLS LEVIED

The City Commission has authority from the City Charter to levy up to two percent of the assessed equalized valuation. This computes to a tax rate of up to 20.0 mills without a vote of the citizens. The 20 mills authorized in the charter have been permanently reduced by the Headlee Millage Reduction Fraction in 2012 to 17.7963 mills.

No increases are proposed in the upcoming FY2016-2017 budget. The City's millage rate has remained steady at 12 mills since July, 2010.

	Actual 2015-2016	Proposed 2016-2017
Operating	9.0	9.0
Road Revolving	<u>3.0</u>	<u>3.0</u>
Total Mills	12.0	12.0

**STATE SHARED REVENUES**

The State of Michigan has given no indication that they will increase revenue sharing. Indeed, the recent budget shortfalls at the state, combined with an anticipated decline in revenue for the coming state’s fiscal year, would make it prudent to expect no increase. Therefore, we have budgeted for revenue sharing remaining equal to last year.

Data from the City Assessor indicates that the taxable value of property located within the City of Auburn decreased—from \$51,124,500 in 2015 to \$50,461,847 in 2016. There was also a decline in the Downtown Development Authority District’s property tax value. The amount of value lost in the DDA District was \$339,919, or just over half of the whole city’s property value loss for 2016.

**ALL FUNDS**

Fiscal Year	Ending Fund Balance
2015-2016 (est.)	\$5,484,880
2016-2017 (est.)	\$5,016,927

**FY2016-2017 Budget**

**All Funds by Revenue vs. Expenditure**

Fund	Revenues	Expenditures	Projected Fund Balance
General Fund	\$1,029,450	\$1,537,180	\$795,390
Major Streets	\$108,000	\$144,984	\$254,865
Local Streets	\$96,200	\$113,884	\$45,349
Street Repair Millage	\$151,300	\$87,000	\$306,767
DDA	\$206,150	\$206,150	\$441,927
Building Permits	\$650	\$650	\$761
Sewer Fund	\$305,650	\$305,458	\$1,119,648
Water Fund	\$345,350	\$342,247	\$1,551,668
Equipment Revolving Fund	\$180,500	\$153,650	\$435,961

## GENERAL FUND

The FY2016-2017 general fund budget proposes using \$507,730 of fund balance reserves. This is attributable to two major items.

The first is a \$300,000 one-time payment on MERS retirement pension obligations. Because several employees took advantage of the eligibility to retire at 55 and/or included spouses as beneficiaries, the City of Auburn has over \$1.9million in projected retiree pension costs. This pre-payment will reduce our financial liability as our pension plan's obligation is paid off over the next 15 years, greatly reducing our annual payments. The pre-payment, by contributing now and earning interest over time, will return about \$150,000 in reduced annual fees paid to MERS over the next decade. The MERS defined benefit program will be "frozen" at the end of FY2015-2016, and a new defined contribution retirement plan will take its place. Once this legacy pension is paid off, the remaining retirement obligation will be the much smaller annual 401a defined contribution plan payments.



The second is an allocation of \$185,000 for a capital improvement project at the park. If we receive a USDA Rural Development Grant, the object will be to add a roof over the ice rink/basketball court at Auburn Park. The Downtown Development Authority Board of Directors has committed to funding the project from their TIF revenue, but don't have the full amount to cover the construction costs for the 2017 summer building season. The DDA Board and the City Commission have agreed for the General Fund to pay for the project, with reimbursement to come from the DDA over 3-5 years, and include interest. If the USDA Grant is not awarded, the DDA expects to save up funds over the next 2-3 years to pay for the roof project.

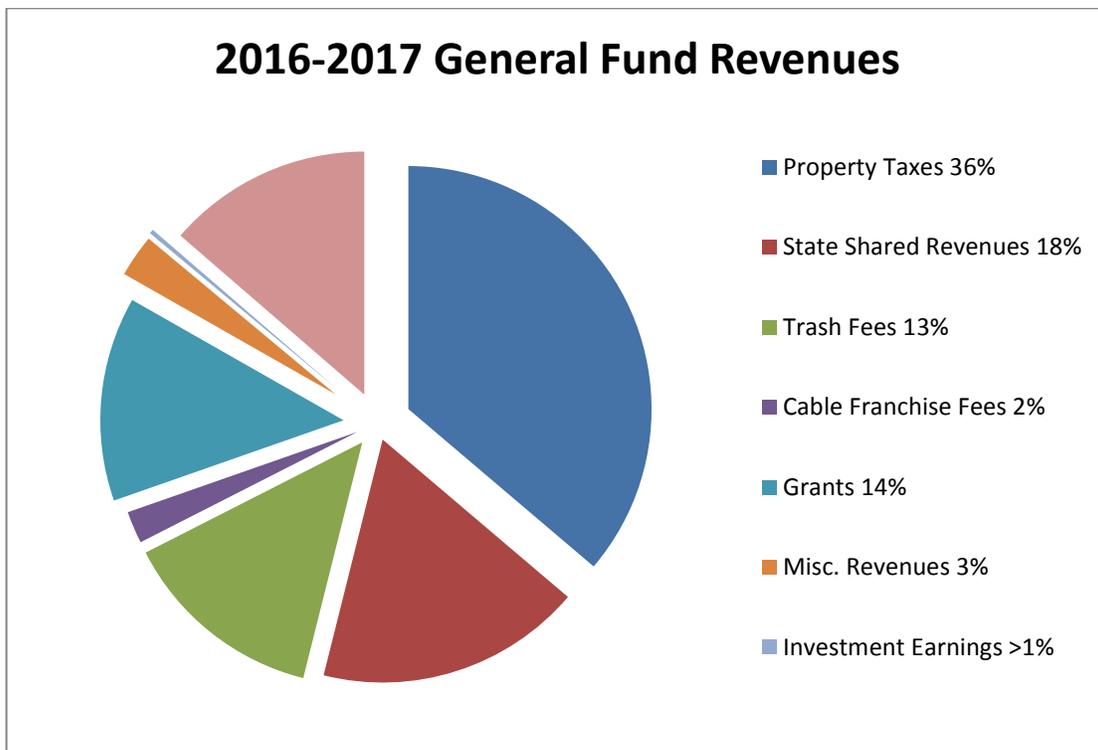
As required by state law, the proposed FY2016-2017 General Fund budget is balanced. The projected fund balance of \$795,390 is well within established guidelines for a municipality the size of Auburn. A good rule of thumb is 25 percent (or three months) of operating expenses. For Auburn, 25 percent of operations would be a \$224,045 fund balance.

The following table and chart illustrates the changes in the General Fund balance for fiscal years 2011 through 2016.

Fiscal Year	Fund Balance
June 30, 2011	\$1,188,391
June 30, 2012	\$1,280,555
June 30, 2013	\$1,280,555
June 30, 2014	\$1,382,501
June 30, 2015	\$1,303,120
June 30, 2016 (est.)	\$ 854,205
June 30, 2017 (est.)	\$ 795,390

**GENERAL FUND REVENUES**

The following chart illustrates the various proposed General Fund revenue categories and the relative percentage of each.

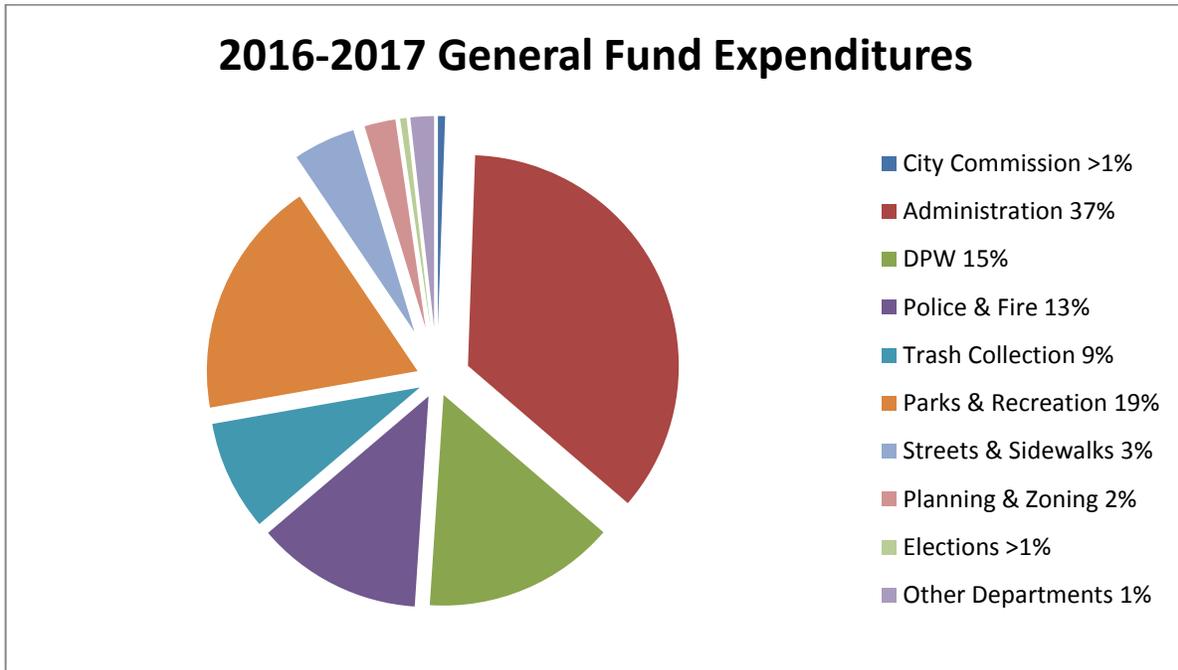


**General Fund Revenues**

Property Taxes	\$372,800
State Shared Revenues	\$182,100
Trash Fees	\$140,000
Cable Franchise Fees	\$22,000
Grants	\$140,000
Misc. Revenues	\$29,050
Investment Earnings	\$3,000
Transfers from Other Funds	\$140,500
	<hr/>
	\$1,029,450

**GENERAL FUND EXPENDITURES**

The following chart illustrates the various proposed General Fund expenditures and the relative percentage of each.



**General Fund Expenses**

City Commission	\$8,370
Administration (includes MERS payment)	\$549,670
DPW	\$226,610
Police & Fire	\$195,600
Trash Collection	\$130,000
Parks & Recreation	\$281,700
Streets & Sidewalks	\$73,314
Planning & Zoning	\$36,660
Elections	\$7,575
Other Departments	\$27,681
	\$1,537,180

**MAJOR AND LOCAL STREET FUNDS**

Street funding in Michigan is derived from the Gas & Weight Tax. The City of Auburn receives an annual portion of this based on a formula established in Act 51 of 1951. This money is further divided between major and local street funds. General fund money can be transferred to both funds, but street fund money cannot be transferred to other funds, except that up to 50 percent of Major Streets revenue can be transferred annually to the Local Street Fund.



In FY2016-2017, Moll Street is planned to be resurfaced, in conjunction with a water line upgrade project. Also, in preparation for a large project next year to resurface Auburn Road from Jaycee Drive to Midland Road, there will be expenses for engineering. The Auburn Road resurfacing project is scheduled for FY2017-2018, but there will be initial planning costs that will appear in this fiscal year.

The City of Auburn is part of the Midland Area Transportation Study (MATS) which submitted a Transportation Improvement Plan (TIP) for 2017-2020 to MDOT. The TIP allows us to get federal and state dollars for road projects; however, only Midland and Auburn Roads are eligible for federal/state dollars.

<u>Major Streets Fund Expenses</u>		<u>Local Streets Fund Expenses</u>	
Signs/Signals	\$5,000	Signs/Signals	\$9,000
Winter Maintenance	\$19,000	Winter Maintenance	\$15,000
Street Admin.	\$800	Maintenance	\$89,884
Maintenance	\$70,184		\$113,884
Transfer to Local	\$50,000		
	<u>\$144,984</u>		

The City of Auburn maintains 4.02 miles of major streets and 8.48 miles of local streets. Winter is always brutal on our streets. The DPW crew will be spending time crack sealing streets this summer in addition to replacing pavement and repairing catch basins where needed. Also, any street signs that are faded will be replaced.

**STREET REPAIR FUND**

As shown on the chart on page 3, the City of Auburn levies 3 mills for road improvements. With the Moll Street project costs more than the Water Fund has on hand, I am proposing the Water Fund be allocated \$60,000 from the Street Repair Fund. I am also recommending a transfer to the General Fund of \$27,000 for operating expenses. As the chart on page 3 shows, the estimated fund balance is over \$360,000.

**DOWNTOWN DEVELOPMENT AUTHORITY FUND**

The mission of the Downtown Development Authority (DDA) is to create and implement development plans, provide physical improvements to the District, promote economic growth and to correct and prevent deterioration in the DDA District thereby establishing a downtown that is healthy, viable and economically sound for the future. It was created in 1992, and authorized by Michigan Act 197 of 1975.

<b>DDA Fund Expenditures</b>	
COMMUNITY PAVILION	\$112,000
FACADE IMPROVEMENTS	\$40,000
WAGES & BENEFITS	\$20,450
STREET LIGHTING	\$7,000
CONSULTANT FEES	\$5,000
COMMUNITY ENHANCEMENTS	\$1,000
INFRASTRUCTURE IMP & EQUIPMENT	\$1,000
REPAIRS/MAINTENANCE	\$4,500
EQUIPMENT/VEHICLE RENTAL	\$4,800
DUES	\$3,200
PARK/PARKING LOT/STREET MAINT	\$3,000
SIGNAGE & MARKETING	\$2,000
OFFICE SUPPLIES & OTHER	\$1,400
PRINTING AND PUBLISHING	\$500
MOWING CONTRACT	\$300
	<hr/>
	\$206,150

**SEWER FUND**

The Sewer Fun supports the day-to-day activities of the wastewater collection system, and one lift station that directs the water flow to the Bay County wastewater treatment facility. The Sewer Fund budget includes sanitary line televising and cleaning of the distribution system. This preventative maintenance program is designed to address both structural deficiencies and help reduce storm water infiltration to the sanitary sewer system.

The SAW Grant expenditures have not been budgeted as the cost of work done by the DPW and Fleis & VandenBrink is unknown at this time. There is approximately \$335,918 still left in our SAW Grant.

<b>Sewer Fund Expenditures</b>	
BAY COUNTY BILLINGS	\$180,000
REPAIRS/MAINTENANCE	\$40,000
EQUIPMENT/VEHICLE RENTAL	\$7,000
SEMINARS/WORKSHOPS/TRAINING	\$1,250
OFFICE SUPPLIES	\$2,000
OPERATING SUPPLIES	\$5,000
OTHER	\$2,408
DEPRECIATION EXPENSE	\$38,000
TRANS TO GENERAL FUND	\$29,650
	<hr/>
	\$305,458

**WATER FUND**

The city’s water system is classified as an enterprise fund, and functions similar to a business. Fund revenue is generated from fees charged to water customers. The Water Fund pays for routine maintenance to the water system, which includes hydrant flushing, customer connections/disconnections, and required quality testing. Additionally, capital improvement upgrades to the water lines are paid for with this fund.

<u>Water Fund Expenditures</u>	
WATER PURCHASES	\$120,000
WATER PROJECT: MOLL STREET	\$75,000
REPAIRS/MAINTENANCE	\$16,000
EQUIPMENT/VEHICLE RENTAL	\$15,000
ENGINEERING	\$14,000
OFFICE SUPPLIES	\$2,000
OTHER	\$2,997
DEPRECIATION EXPENSE	\$40,000
TRANS TO GENERAL FUND	\$57,250
	<u>\$342,247</u>

**EQUIPMENT REVOLVING FUND**

The Equipment Revolving Fund is designed to cover the costs of purchasing, maintaining and operating vehicles and equipment over the long-term.

There has been discussion about purchasing a single-axel dump truck to replace the snow plow and salt spreader, as the current truck is getting worn out. Additionally, getting a new backup power generator for the lift station is under consideration. These two items are not in the budget, but can be added with the approval of the City Commission whenever the opportunity presents itself during the fiscal year.

<u>Equipment Revolving Fund Revenues</u>	
GENERAL FUND RENTALS	\$75,000
MAJOR STREET RENTALS	\$19,500
LOCAL STREETS RENTALS	\$36,000
DDA - EQUIPMENT/VEH RENTAL	\$7,000
SEWER FUND RENTALS	\$5,500
WATER FUND RENTALS	\$29,000
INTEREST	\$1,000
MISCELLANEOUS	\$7,500
	<u>\$180,500</u>

**Equipment Revolving Fund Expenditures**

OPERATING SUPPLIES	\$5,000
GAS AND OIL	\$10,000
UNIFORMS	\$3,000
AUDIT	\$1,000
INSURANCE	\$12,500
UTILITIES	\$3,000
POLE BARN	\$9,000
REPAIRS/MAINTENANCE	\$25,000
REPAIR/MAINT-BLDG & GRNDS	\$5,000
MISCELLANEOUS	\$750
DEPRECIATION EXPENSE	\$46,000
EQUIPMENT	\$7,000
TRANS TO GENERAL FUND	<u>\$26,400</u>
	\$153,650

**RECOMMENDATIONS**

It is recommended that copies of this proposed budget be placed on display in the City Clerk's office at City Hall, at the Auburn Branch of the Bay County Library and on the City's website for public examination.

The City Charter requires that the budget be adopted by resolution with or without amendment no later than June 30 of each year, and that a public hearing be held prior to adoption. I am recommending the public hearing be scheduled for June 11, 2016. The budget may be adopted at this meeting. Legislation enacted in 1995 allows the Truth In Taxation hearing to be combined with the Charter-mandated hearing. The public hearing and adoption can be on the same date. At this same meeting the tax rate can be set.

In the 2014-2015 budget letter created by then-city manager JoElla Krantz, she states: "However, I believe that the economic conditions and trends that have resulted in these fiscal challenges will continue for some time and an increase in the general operating millage will be necessary in the next couple of years."

It is my intention to create a city-wide Capital Improvement Plan (CIP) for both our streets and our water/sewer system. It is important to maintain our infrastructure, and we can expect cost savings over time if we reduce or eliminate stormwater from being treated by the Bay County sanitation system. Having such a CIP will be valuable in fixing the immediate infrastructure needs and then annual planning to address the remaining needs in a systematic, prioritized fashion.

Respectfully submitted,



Patricia Rayl  
City Administrator