

# **City of Marshall**

## **FY 2013 & FY 2014** **Financial Forecast**

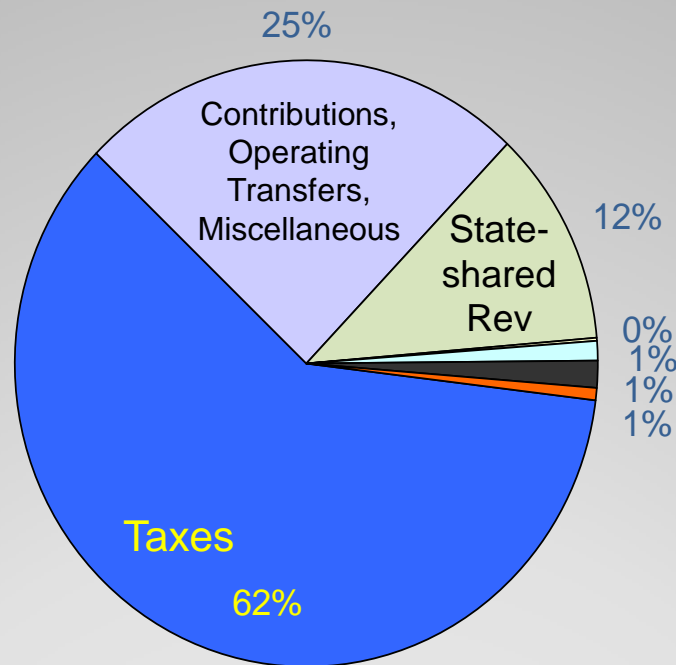
Tom Tarkiewicz, City Manager  
Sandra Bird, Clerk-Treasurer  
City of Marshall  
January 3, 2012

# City Environment

- ◆ Marshall is facing a decline in revenues and an increase in expenditures.
- ◆ The City's property tax revenues declined (-2.1%) in FY 2012 and projected to decline (-2.4%) in FY 2013 from reductions in the assessed values of properties.
- ◆ Headlee and Prop A constrains City revenue.
- ◆ Declining/flat State-shared Revenue from State budget cuts.
- ◆ Personnel fringe benefit costs are increasing at a rate of 22% for pension and an estimated rate of 12% for health care costs.

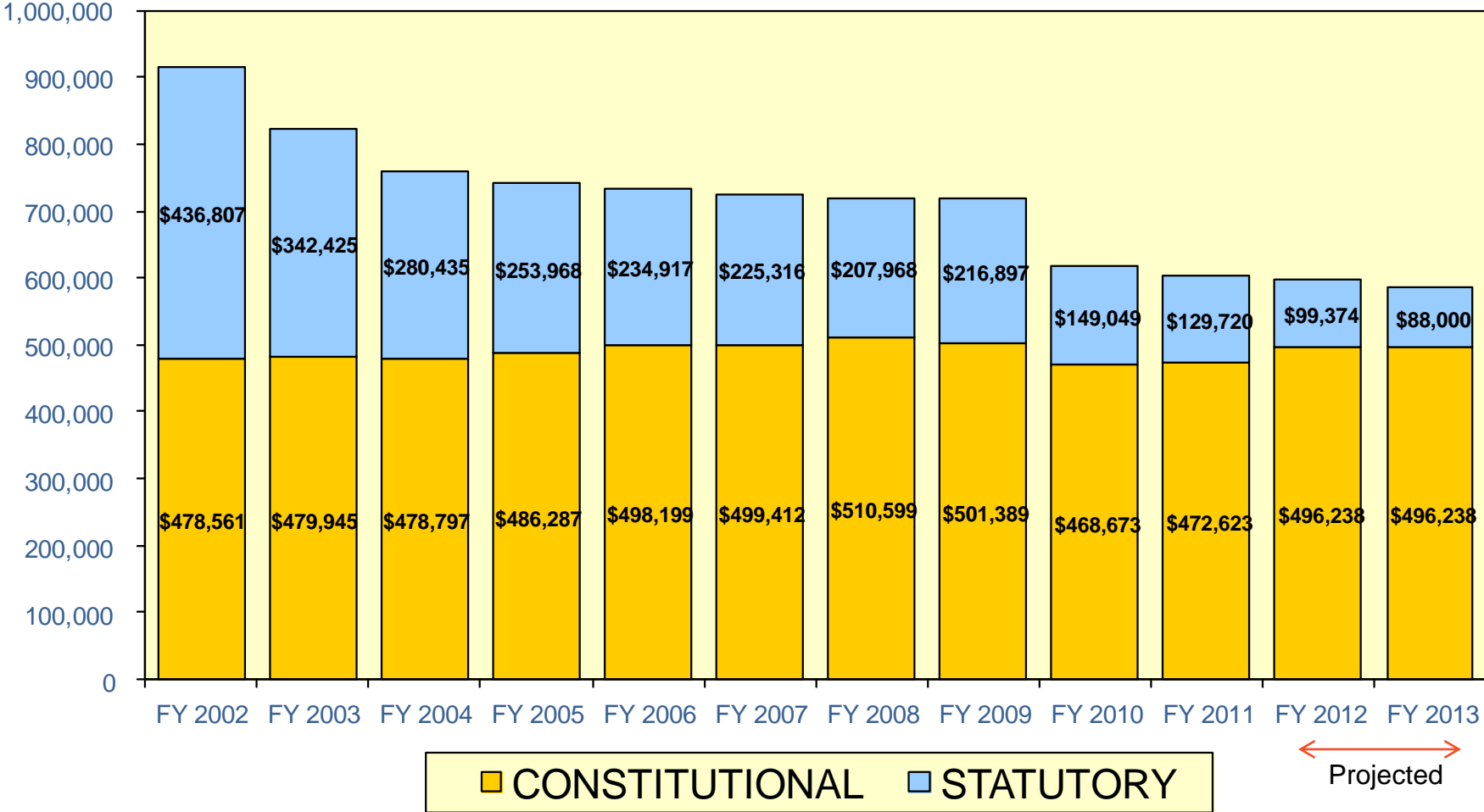
# General Fund Revenue Sources

FY 2012  
Budget



- Taxes
- Contributions, Operating Transfers, Miscellaneous
- Intergovernmental Revenues
- Investment Income
- Fines & Forfeits
- Charges for Services
- Licenses, Permits and Registration

# State-Shared Revenue



# Key Revenue Assumptions – General Fund

	<u>FY 10 Actual</u>	<u>FY 11 Actual</u>	<u>FY 12 Projected</u>	<u>FY 13 Forecast</u>	<u>FY 14 Forecast</u>
Taxes	\$ 3,457,717	\$ 3,256,335 -5.8%	\$ 3,188,286 -2.1%	\$ 3,111,701 -2.4%	\$ 3,111,701 0.0%
State shared revenue	\$ 617,722	\$ 602,343 -2%	\$ 595,612 -1%	\$ 584,238 -2%	\$ 584,238 0%
**Other	\$ 1,009,207	\$ 1,658,678 64%	\$ 1,779,737 7%	\$ 1,641,926 -8%	\$ 1,462,399 -11%
**Charges for Services, Fines & Forfeitures, Licenses & Permits, Operating Trfs., Investment Inc., Miscellaneous Rev.		<i>Increase due to:</i> <i>Admin. Fee \$461,000</i>	<u><i>One-time Revenues:</i></u> <i>Storm Damage Grant \$30,000,</i> <i>Sale of High St. Property \$63,800</i> <i>Enbridge Cost Recovery \$33,700</i>	<u><i>One-time Revenues:</i></u> <i>Sale of Lafferty Property \$198,520</i>	<u><i>One-time Revenues:</i></u> <i>Transfer from Cemetery Trust \$180,000</i>

# Key Expense Assumptions – General Fund

	<u>FY 10 Actual</u>	<u>FY 11 Actual</u>	<u>FY 12 Projected</u>	<u>FY 13 Forecast</u>	<u>FY 14 Forecast</u>
Regular wages	\$ 1,959,998	\$ 1,955,888 ** -0.2%	\$ 2,042,156 4.4%	\$ 2,067,346 1.2%	\$ 2,107,584 1.9%
Retiree health insurance	\$ 297,160	\$ 240,628 -19.0%	\$ 235,938 -1.9%	\$ 265,483 12.5%	\$ 297,341 12.0%
Pension contribution	\$ 107,895	\$ 146,187 35.5% *	\$ 171,703 17.5%	\$ 210,802 22.8%	\$ 257,178 22.0%
Active health insurance	\$ 472,521	\$ 480,982 1.8%	\$ 448,719 -6.7%	\$ 497,517 10.9%	\$ 557,218 12.0%

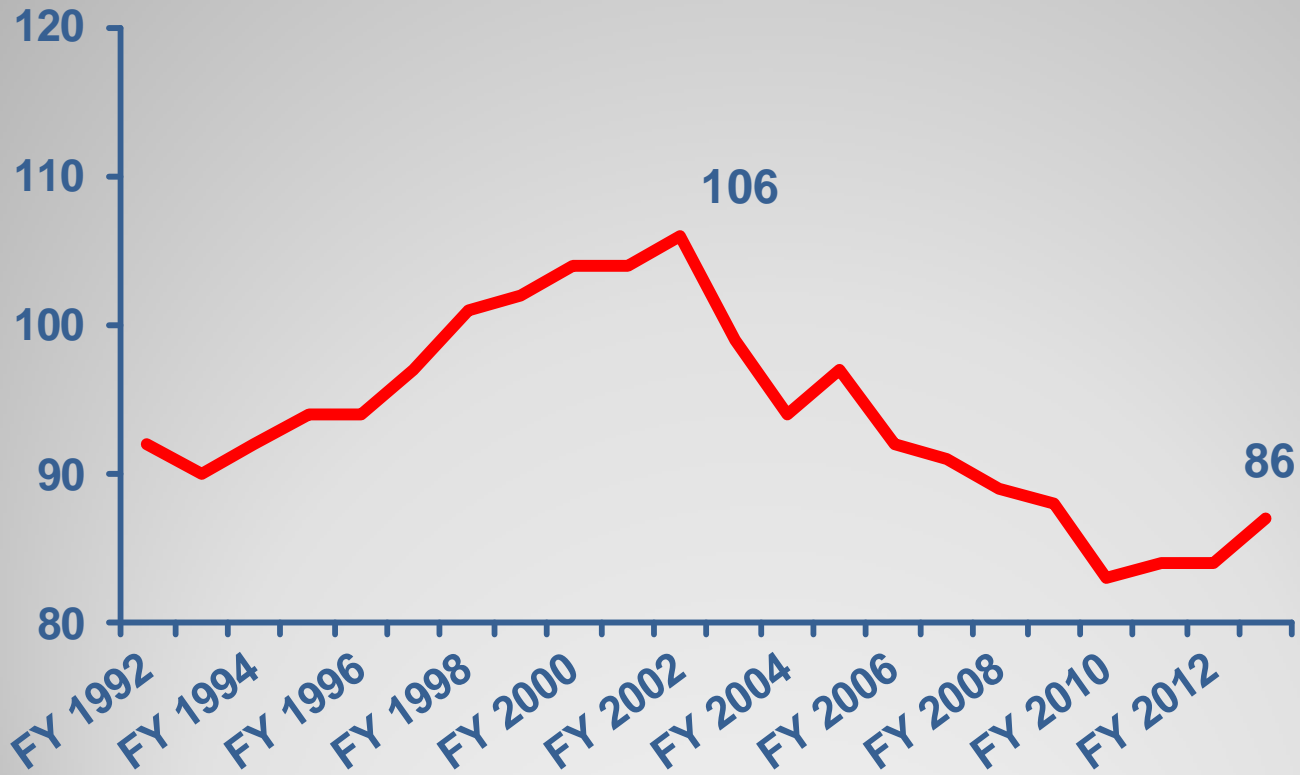
\* Pension Increase in Contribution Rate due to Investment Market Decline in 2008

\*\* Savings from Dispatch Wages

# What Have We Done to Reduce Costs?

- ✓ Personnel - 18% reduction in the last eight years
- ✓ Combined City/County Dispatch Services
- ✓ Contract Assessing Services with the County
- ✓ Reduced Active and Retiree Health Costs
- ✓ Reduced Liability Insurance Costs
- ✓ Reduced Workers Compensation Insurance Costs

# Significant reduction in staffing levels contributed to lower cost of providing City services.



**FY 2013  
General Fund  
Budget Forecast**

# How Targets Are Calculated

- Expenses – project existing service levels into the future with adjustments for bargaining unit agreements, inflation, and other known factors.
- Revenues – project property tax collections, state shared revenue, and other fee income.
- Budget Shortfall – Gap between anticipated revenues and expenses. (\$373,940) for FY 2013 and (714,174) for FY 2014.

# General Fund Target Development

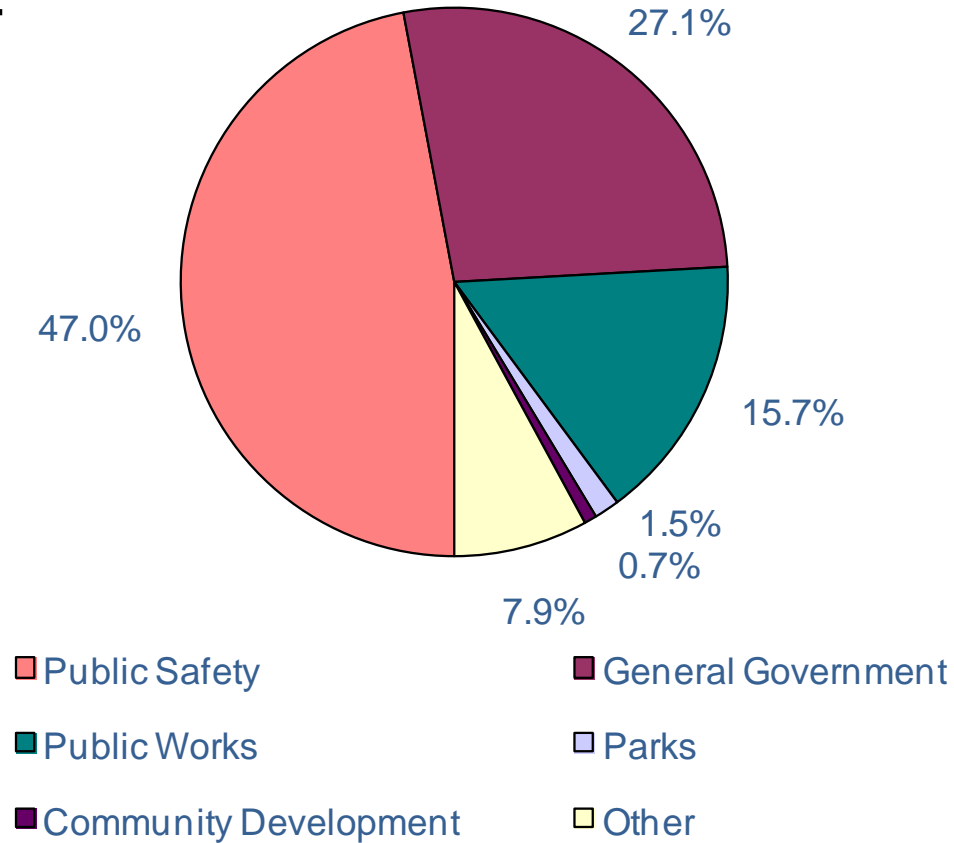
	Actual FY 11	Projected FY 12	Target FY 13	Target FY 14
<u>Ongoing Operations</u>				
Revenues	\$ 5,517,356	\$ 5,563,635	5,337,865	5,158,338
Expenditures	5,344,517	5,562,786	5,711,805	5,872,513
Surplus/(Deficit)	172,839	849	(373,940)	(714,175) (340,235)
Percent to Expenditures			-6.5%	-6.2%
Target Percent Decrease to Exp. (excluding Non-Dept. budget)			-7.6%	-7.2%
Target Percent Decrease to Exp. (excluding Non-Dept. budget and Wages/Fringes)			-18.2%	-20.3%
			<i>Equally distributed across depts.</i>	

## One-time Net Expenditures / Use of Prior Year Fund Balance Reserves:

City Hall Painting	45,700	
Tree & Stump Removal	53,900	
Downtown Parking Study	10,375	
Cronin Building Repairs-HVAC Uni	9,953	
Surplus/(Subsidized Amount)	52,911	849
Percent to Expenditures	1%	0%

# General Fund Expenditures by Service Area

FY 2012  
Budget



# Other Funding Considerations

	<u>FY 2013</u>	<u>FY 2014</u>
	Projected	Projected
Retiree Health Insurance - Unfunded Future Liability	315,500	315,500
<i>Note: Cumulative Balance</i>	<i>1,751,084</i>	<i>2,066,584</i>
Police Facility Lease Payment	145,920	145,920
Fire/City Hall Renovations Debt Service Payment	205,000	205,000
Roads – Additional GF Contribution from Road Report	90,000	90,000
Roads – Capital Improvements from CIP	690,250	247,750
Total	<u>1,446,670</u>	<u>1,003,670</u>
Additional Target Reductions:		
% to Operating Expenditures	25.3%	17.9%

# Budget Implications

## NECESSITIES

- Maintain core services
- Continue investment in infrastructure
- Maintain adequate fund balance reserves

## POTENTIAL IMPACTS

- Difficult choices lie ahead
- Further reductions in staffing – impact on service delivery is at risk
- Increase revenues to offset Property Taxes and State-shared Revenue reductions
- Collaborative/Cooperative Agreements

# Potential Savings to Reduce Costs FY 2013 & FY 2014

Raise Millage or Other Revenue Enhancements

Use of General Fund Reserves

Defer Capital Outlays

Reduce Staff/Eliminate Services

# REVENUE ENHANCEMENTS

ONE TIME AND ON-GOING

# ONE TIME REVENUE ENHANCEMENTS

Available General Fund Operating Reserve (Total reserve=\$1,453,876)	\$ 400,000
Working Capital Reserve	<u>\$ 500,000</u>
TOTAL AVAILABLE	\$ 900,000

# ON-GOING REVENUE ENHANCEMENTS

(Subject to Council approval only)

Solid Waste Millage Levy	\$91,387
1% Tax Collection Admin. Fee	\$133,037
CCCDA Contribution Savings–Call Reduction	\$30,000
Increase Millage to Cap – 3.3245 Mills	<u>\$592,804</u>
TOTAL AVAILABLE	\$847,228

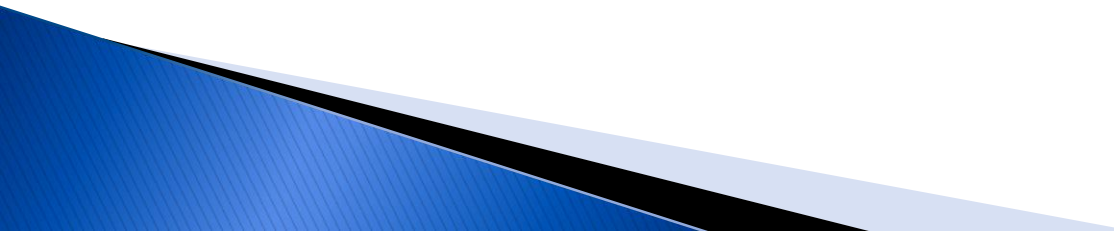
# ON-GOING REVENUE ENHANCEMENTS

(Subject to Voter approval)

- ▶ Tax restructuring:
  - Income tax with property tax
- ▶ Dedicated millage for:
  - Road & sidewalk improvements
  - Police & fire operations
  - Fire station reconstruction

# EXPENDITURE REDUCTIONS

# EXPENDITURE REDUCTIONS

- ▶ The following list of expenditure reductions are shown in order of priority.
  - ▶ The complete FY 2013 list will need to occur if no revenue enhancements are approved by the Council for FY 2013.
  - ▶ The complete FY 2014 list will need to occur if no revenue enhancements are approved by the Council for FY 2014.
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# EXPENDITURE REDUCTIONS FY 2013 GENERAL FUND

• Compost Center Fund Balance Usage	\$ 5,000
• Eliminate MPACT contribution	\$ 7,500
• Eliminate Sister Cities delegation contribution	\$ 3,000
• Eliminate Town Crier	\$ 3,792
• Reduce Manager conference & travel expenses	\$ 1,650
• Reduce Council conference & travel expense	\$ 1,000
• Delay Capital Outlay	\$18,242
• Eliminate Airport subsidy	\$90,000

# EXPENDITURE REDUCTIONS FY 2013 GENERAL FUND

• Eliminate overtime personnel for Special Events	\$15,000
• Eliminate paid Police reserve officers	\$ 7,500
• Eliminate crossing guard program	\$27,784
• Eliminate Spring trash pickup	\$10,000
• Eliminate equipment costs for leaf, Christmas tree, and brush pickup	\$25,000

# EXPENDITURE REDUCTIONS FY 2013 GENERAL FUND

• Do not fill DPW position due to retirement. (Related to leaf, Christmas tree and brush pickups)*	\$64,234
• Do not fill Firefighter position due to retirement. This will cause one person on a shift on approximately 90 days a year. This shift would not be backfilled with overtime.	\$72,841
• Eliminate Police officer position.	\$19,000
• Miscellaneous expenditure reductions	\$ 2,400
<b>TOTAL FY 2013 EXPENDITURE REDUCTIONS</b>	<b>\$373,943</b>

\*Pickups entail 2,300 man hours.

# FY 2013 Reductions Impact

- ▶ 3 Full time positions eliminated
- ▶ Approximately 90 days with one firefighter on duty
- ▶ No leaf pickup
- ▶ No brush pickup
- ▶ No Spring trash pickup
- ▶ No Christmas tree pickup
- ▶ No special events assistance with overtime
- ▶ No school crossing guards
- ▶ No Town Crier
- ▶ No Sister City contribution
- ▶ No MPACT contribution

# EXPENDITURE REDUCTIONS FY 2014 GENERAL FUND

• Compost Center Fund Balance Usage	\$30,000
• Eliminate MPACT contribution	\$ 7,500
• Eliminate Sister Cities delegation contribution	\$ 3,000
• Eliminate Town Crier	\$ 3,792
• Reduce Manager conference & travel expenses	\$ 1,650
• Reduce Council conference & travel expense	\$ 1,000
• Eliminate Airport subsidy	\$90,000
• Eliminate overtime personnel for Special Events	\$15,000
• Eliminate paid Police reserve officers	\$ 7,500
• Eliminate crossing guard program	\$27,784

# EXPENDITURE REDUCTIONS FY 2014 GENERAL FUND

• Eliminate Spring trash pickup	\$10,000
• Eliminate equipment costs for leaf, Christmas tree, and brush pickup	\$25,000
• Do not fill DPW position due to retirement. (Related to leaf, Christmas tree and brush pickups)	\$66,578
• Do not fill Firefighter position due to retirement. This will cause one person on a shift on approximately 90 days a year. This shift will not be backfilled with overtime.	\$75,255
• Eliminate Police officer position.	\$25,500
• Delay Capital Outlay	\$103,800

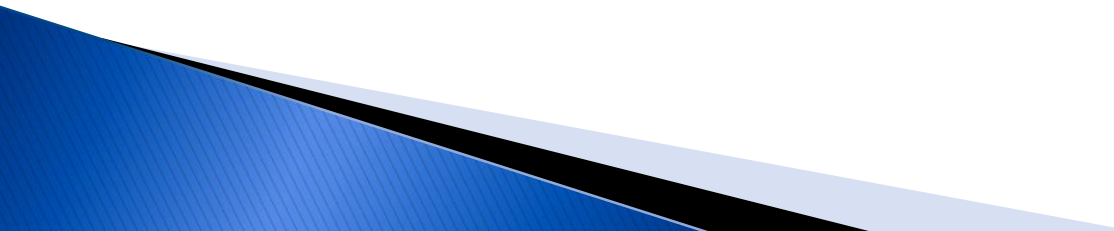
# EXPENDITURE REDUCTIONS FY 2014 GENERAL FUND

• Freeze wages	\$ 6,395
• Combine Police Chief and Fire Chief positions into Director of Public Safety position, when the Fire Chief retires.	\$ 60,000
• Electric Dept does not bill for Chapel GF electric	\$ 825
• Electric Dept does not bill for City Hall GF electric	\$ 40,000
• Eliminate one part time Police clerical, counter open only four hours per day	\$ 13,500
• 15% of GF BCU contract funded by Electric Dept.	\$ 25,275
• Eliminate part time Police Detective position	\$ 22,000

# EXPENDITURE REDUCTIONS FY 2014 GENERAL FUND

Eliminate a PSB position, counter open only four hours per day	\$ 18,892
Eliminate a Finance position, counter open only four hours per day	\$ 11,450
Miscellaneous expenditure reductions	\$ 22,500
<b>TOTAL FY 2014 EXPENDITURE REDUCTIONS</b>	<b>\$714,196</b>

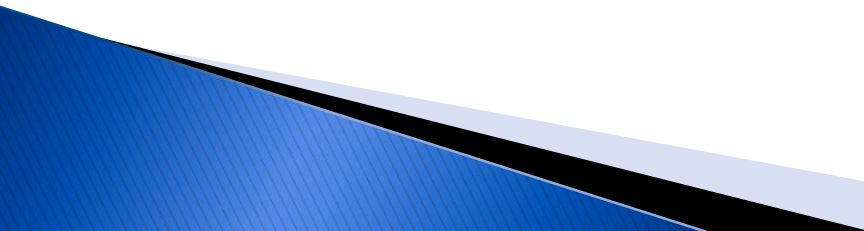
# FY 2014 Reductions Impact

- ▶ 3 Additional full time positions eliminated
  - ▶ 3 Part time positions eliminated
  - ▶ Approximately 90 days with one firefighter on duty
  - ▶ One less Police officer
  - ▶ One less part time Police detective
  - ▶ 50% reduction of City Hall, PSB, and Police Department front counter business hours
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# FY 2014 Reductions Impact

- ▶ No leaf pickup
- ▶ No brush pickup
- ▶ No Spring trash pickup
- ▶ No Christmas tree pickup
- ▶ No special events assistance with overtime
- ▶ No school crossing guards
- ▶ No Town Crier
- ▶ No Sister City contribution
- ▶ No MPACT contribution

# WHAT'S NEXT

- ▶ City Council reviews enhancements and expenditure reductions.
  - ▶ January 17<sup>th</sup> – City Council holds a public hearing, discusses and directs the City Manager to develop the FY 2013 General Fund budget with enhancements and/or expenditure reductions.
  - ▶ April 2<sup>nd</sup> – Council receives the FY 2013 budget
  - ▶ April – Council holds budget work sessions
  - ▶ May – Council holds budget public hearing and adopts FY 2013 budget
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**QUESTIONS?**