

CITY OF ADRIAN, MICHIGAN



**FY2010-11 ADOPTED BUDGET
AND
GENERAL APPROPRIATIONS ACT**

FOR

OPERATING AND CAPITAL EXPENDITURES

**Approved
May 3, 2010**

**Prepared by:
FINANCE DEPARTMENT**

CITY OF ADRIAN, MICHIGAN
FY2010-11 ADOPTED BUDGET
FOR
OPERATING AND CAPITAL EXPENDITURES

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Budgeting defined: “The equitable distribution of dissatisfaction”.

MEMO



DATE: April 7, 2010
TO: Honorable Mayor and City Commission
FROM: Dane C. Nelson, City Administrator
SUBJECT: City Administrator Budget Recommendations

I thought it would be helpful to provide a memo which outlines my thinking for the budget that we presented for you to consider in the next few days. As said at the last pre-meeting, the challenges facing the City of Adrian are similar to most cities throughout the state and, unfortunately, are not going to be a one-year problem. Throughout my decision making process, I have tried to apply reasoning that will make budget reductions that will continue to be effective for the next few years, until such time as the structural problems of city finance are repaired or property tax values and/or inflation increase.

Some budget facts and assumptions should be listed to understand some of the revenue shortcomings, as well as given expense increases and an assumption regarding pay increases for employees. These are:

- Revenue sharing reduced by \$210,000
- Property taxes reduced by \$214,000
- Building permits down \$54,000
- Investment earnings down \$50,000
- MERS increase \$166,000
- Assume 0% pay increases except earned step increases
- Health care rates increase – average of 11% (high-deductible plan 17%; other BC/BS Plan 7%)
- Expected revenues in General Fund to be \$11,154,667

Important Recommendations – Expenses

Estimated Savings

- | | |
|--|------------------------|
| • Eliminate composting program | \$ 86,000 |
| • Eliminate zoning consultant | \$ 65,000 |
| • Eliminate one full-time library position | \$ 59,744 |
| • Eliminate full-time electrical inspector | Net Savings: \$ 53,411 |
| (Contract out this service for an estimated \$30,000 per year) | |

Important Recommendations – Expenses

Estimated Savings

- | | |
|--|-----------|
| • Furlough days – 1 for firefighters; all other city employees – 2 days with closing of city offices | \$ 43,976 |
| • Seasonal employee savings | \$ 30,000 |
| • Reclassify forester position | \$ 14,090 |
| • Eliminate Saturday recycling | \$ 30,000 |
| • Police – not replace one officer; hire two part-time civilian clerical staff | \$ 26,940 |
| • Reduce Commission public communication budget | \$ 21,000 |
| • Eliminate funding for City Band | \$ 10,000 |
| • Reduce Sister City Program funding | \$ 2,000 |
| • Eliminate Youth Council funding | \$ 2,000 |
| • Eliminate Mayor Exchange Day funding | \$ 2,000 |

ANALYSIS

1. Job Eliminations

- Library – The library has six (6) full-time employees. I considered a reduction of days the library is open, but concluded that this should be a last resort, due to the large city investment and the recent successes in programming and overall use of the library. The library lost its custodian last year in budget reductions, but has not lost any staff employees in the past four years. My belief is that the remaining staff can adjust to this reduction in professional staff. I am also reducing the number of off-site services provided by the library staff in order to reduce part-time employee costs as well.
- Inspection Department – The recommendation is to eliminate the full-time position of the electrical inspector. This position is the most costly position and generally has the fewest inspection numbers. The volume of work has reduced substantially with the reduction of construction projects in the city. Without a full staff of inspectors, however, the city will not be permitted to inspect local school buildings, but this is expected to only be a minor revenue issue. The State has the responsibility to conduct electrical inspections if needed, but I would propose to contract this service on a per-inspection cost as done in other cities and townships. This change will decrease service to citizens with electrical projects, but will not impact a large number of citizens on a yearly basis.
- Police Department – The Police Department is losing one officer, who is taking a position with the federal government. This vacancy is not currently planned to be filled by Chief Collins. Rather, Chief Collins

would prefer to hire two part-time employees to perform reception duties and other clerical duties as needed in the department.

- Parks Superintendent – Robert Gentry has taken a new position in Oregon, effective at the end of April. His pay is covered 50% in the General Fund and 50% in the Fee Estate Fund. The foreman in the Parks Department, Jim Karle, has a forestry degree from MSU, but will not be in a position to do the entirety of both jobs. The plan is to replace Robert with a person strong in parks management and administrative tasks. Total savings should be between \$25,000 - \$30,000 per year.

2. Other Matters

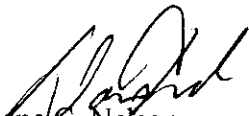
- Zoning Consultant – The Strategic Plan calls for a revision of the zoning and sign ordinances. From a priority standpoint, the recommendation is to either work on these matters in-house or delay the projects until stable funding is available, or in the best case, grant funding.
- Furlough Days – The plan is to close City Hall offices a minimum of 2 days, with all employees receiving no pay for those days. Firefighters would have a minimum of 1 day. At present, furlough days are not able to be utilized due to Union contracts for Union employees in the police and TPOAM bargaining units. As such, we would ask the Unions for authority to issue consistent furlough days, but if not agreed to, temporary layoffs may need to be utilized in these departments to reach the desired consistency and savings.
- Miscellaneous City Programs (Sister City, Mayor's Youth Council, Mayor Exchange, City Band) - These programs, while important, do not rise to the level of priorities of other city programs or services. It is hoped that funding could be achieved from other public or private sources.
- Compost/Recycling – These are well utilized services by city residents. Yet, they are elective in nature. Very simply, some city services will need to be reduced or eliminated due to reduced revenues. Recycling is available to city residents at sites in Adrian Township and Raisin Township. While elimination of these programs is a step backwards, again, measuring these services against police, recreation and the library, it was my conclusion that they were a lesser priority. If restored to the budget, approximately \$120,000 of added cuts must be determined by the Commission.

You should be aware that Jeff, Cindy and I have explored several other areas to reduce costs. Some items considered were reductions of days or hours at the library; elimination of recreation programs along with the reduction of one supervisory position; reduction of 1/2 person in clerical work in the Recreation Department; reduction of one police officer assigned to the OMNI unit and reduction of staff in the Parks and DPW areas. My

conclusion was that these services and personnel changes would have a larger effect on the services at the city offices and should be retained as long as possible.

The goal has been to balance the reduction among several departments. Many departments simply have no room for significant savings, such as in Administration, Clerk, Attorney and Human Resources. Over the past four years, the city has managed to cover increased costs and flat or negative revenues with staff reductions, primarily with non-replacement of retiring employees, and some isolated layoffs. With the increasing pace of revenue loss, it has significantly increased the challenge to meet these revenue changes. We look forward to working with the Commission as we tackle these difficult issues and will certainly understand any changes made to the original proposal from Administration.

Respectfully submitted,



Dane C. Nelson
City Administrator

DCN:bjw

**CITY OF ADRIAN
FY2010-11 BUDGET RECOMMENDATION
Summary of Year-to-Year Changes**

GENERAL FUND

REVENUE:

FY2009-10 ADOPTED BUDGET **\$19,812,299**

LESS EXTRAORDINARY ITEMS:

- SALE OF BONDS (\$7,115,957)
 - DESIGNATED FUND BALANCE - MVP (700,000)

FY2009-10 ADJUSTED BUDGET **\$11,996,342**

FY2010-11 REVENUE BUDGET CHANGES:

- PRIOR YEARS' REVENUE (SAVINGS) (\$600,000)
 - PROPERTY TAXES (213,499)
 - STATE REVENUE SHARING (209,643)
 - BUILDING PERMITS (54,000)
 - INVESTMENT EARNINGS (50,000)
 - TRANSFER FROM MOTOR VEHICLE POOL 146,852
 - TRANSFER FROM ECONOMIC DEV FUND 61,000
 - RENTAL HOUSING REGISTRATION 40,000
 - PARKS & REC ADULT SPORTS USER FEES 29,290
 - OTHER 8,325

FY2010-11 BUDGET RECOMMENDATION **\$11,154,667**

INCREASE / (DECREASE) **(\$841,675)**

EXPENDITURES:

FY2009-10 ADOPTED BUDGET **\$19,812,299**

LESS EXTRAORDINARY ITEMS:

- NEW POLICE DEPARTMENT FACILITY (\$2,795,075)
 - NEW CITY HALL & CHAMBERS BLDG. (2,442,805)
 - PARKS & FORESTRY MAINT. BLDG. (1,179,882)
 - ADRIAN PUBLIC LIBRARY RENOVATION (488,195)
 - MOTOR VEHICLE POOL WORKING CAPITAL (700,000)
 - DPW BUILDING REPAIRS (110,000)
 - BOHN POOL LINER (100,000)

FY2009-10 ADJUSTED BUDGET **\$11,996,342**

FY2010-11 EXPENDITURE BUDGET CHANGES:

- ADRIAN PUBLIC LIBRARY RENOVATION (\$600,000)
 - HEALTH CARE SAVINGS (187,602)
 - REDUCED CITY HALL UTILITY EXPENSES (89,000)
 - ELIMINATE COMPOSTING PROGRAM (86,000)
 - ELIMINATE ZONING CONSULTANT (65,000)
 - REDUCE LIBRARY STAFF & OPERATING (59,744)
 - CONTRACT OUT CERTAIN INSPECTION SERVICES (53,411)
 - FIREFIGHTER'S UNION CONTRACT SETTLEMENT (50,833)
 - REDUCED DEBT SERVICE (SERIES A, B & C BONDS) (50,508)
 - SUCCESSFUL TAX APPEAL TO BOARD OF REVIEW (50,000)
 - FURLOUGH DAYS (FIREFIGHTERS: 1; ALL OTHERS: 2) (43,976)
 - SEASONAL STAFF COST SAVINGS (30,000)
 - ELIMINATE RECYCLING PROGRAM (30,000)
 - RECLASSIFY PARKS & FORESTRY POSITION (14,090)
 - TRADE PATROL OFFICER FOR TWO TWO P.T. CIVILIANS (26,940)
 - REDUCE COMMISSIONERS PUBLIC COMMUNICATIONS (21,000)
 - ELIMINATE CITY BAND FUNDING (10,000)
 - ELIMINATE PIOTTER CENTER FLOOR REPLACEMENT (6,000)
 - REDUCE SISTER CITY PROGRAM FUNDING (2,000)
 - ELIMINATE MAYOR YOUTH COUNCIL FUNDING (2,000)
 - ELIMINATE MAYOR EXCHANGE DAY FUNDING (2,000)
 - INCREASE MERS PENSION CONTRIBUTION 166,176
 - CAPITAL BUDGET ITEMS 165,200
 - INCORPORATION OF STATE USER RATES FOR MVP 152,763
 - CITY PAYMENT OF INCREASED HRA DEDUCTIBLES 89,589
 - OTHER 64,701

FY2010-11 BUDGET RECOMMENDATION **\$11,154,667**

INCREASE / (DECREASE) **(\$841,675)**

CITY OF ADRIAN
FY2010-11 BUDGET

“THE LIST”

<u>GENERAL FUND (101)</u>		<u>Amount</u>
1)	Solid waste Collection System	\$(160,000)
	a. Eliminate Recycling Program	30,000
	b. Eliminate Composting Program	86,000
2)	Potential Layoffs	
	a. Adrian Public Library – Library Assistant-Adult Services	\$ 59,744
	b. Inspection Department – Electrical Inspector	53,411
3)	Parks & Recreation	
	a. Island Park-Maple Shelter Roof Replacement	\$ 41,000
	b. Skate Park Supervision (Revenue \$5,000)	(12,000)
4)	Police Facility Building Expenses	
	a. Janitorial Services	\$ 14,400
	b. Custodial Supplies	4,000
	c. Property Insurance	5,000
	d. Electrical	16,000
	e. Heat	5,000
	f. Water	5,000
	g. Building Maintenance	12,000
	Total	<u>\$ 61,400</u>
5)	City Commission Budget	
	a. Eliminate Mayor’s Exchange Day Funding	\$ 2,000
	b. Eliminate Mayor’s Youth Council Funding	2,000
6)	Transportation Account	\$ 43,300
7)	City Commission 20% Pay Reduction	\$ 6,000

ECONOMIC DEVELOPMENT FUND (276)

- 1) Contribution to Lenawee Economic Development Corporation \$ 25,000
(Resolution #R07-160, dated October 1, 2007, established
Declining annual contribution as follows:
FY2007-08 \$41,000; FY2008-09 \$30,000;
FY2009-10 \$19,000 FY2010-11 \$15,000, with
Adjustments to maintain the level of contribution at a blended
proportion of population and taxable wealth, equivalent to 18%
of total governmental contributions, excluding County of Lenawee.

DOWNTOWN DEVELOPMENT AUTHORITY FUND (280)

- 1) Maiden Lane Abandonment/Enhancement Project \$ 120,000

LOCAL DEVELOPMENT FINANCE AUTHORITY FUND (282)

- 1) Installation of Sign Promoting Property Development \$ 2,000

UTILITY FUNDS – SEWER (590) and WATER (591)

- 1) Revisit Recommended five (5%) percent user rate increase.

CITY OF ADRIAN
FY2010-11 BUDGET

“THE LIST”- REVISED

(Commission Suggested Changes to Administrator’s Recommended Budget,
resulting in PROPOSED BUDGET)

	<u>Amount</u>
<u>GENERAL FUND (101)</u>	
1) Police Facility Building Expenses	
a. Janitorial Services	\$ 14,400
b. Custodial Supplies	4,000
c. Property Insurance	5,000
d. Electrical	16,000
e. Heat	5,000
f. Water	5,000
g. Building Maintenance	<u>5,000</u>
Sub-Total	\$ 54,400
a. Police Dept. – Eliminate one (1) PT Office Assistant	\$(15,207)
b. Fire Dept. – Eliminate Uniforms	(8,550)
c. Econ. Dev. Fund – Reduce Lenawee EDC Contribution	(10,000)
d. Fire Dept. – Eliminate Defibrillators	(9,000)
e. Police Dept. – Add Drug Forfeiture Funds	<u>(11,643)</u>
Sub-Total	<u>\$(54,400)</u>
Total	\$ -0-
2) City Commission Budget	
a. Partially add back Mayor’s Exchange Day Funding	\$ 250
b. Partially add back Mayor’s Youth Council Funding	500
c. Reduce Commissioner Public Communication Account	<u>(750)</u>
Total	\$ -0-
<u>ECONOMIC DEVELOPMENT FUND (276)</u>	
1) Reduce Contribution to Lenawee EDC	\$(10,000)
2) Increase Contribution to General Fund	<u>10,000</u>
Total	\$ -0-
<u>LOCAL DEVELOPMENT FINANCE AUTHORITY FUND (282)</u>	
1) Installation of Sign Promoting Property Development	\$ 2,000
2) Increase Prior Year Revenue	<u>2,000</u>
Total	\$ -0-
<u>UTILITY FUNDS – SEWER (590) and WATER (591)</u>	
1) Proposed Budget includes four (4%) percent user rate increase.	