
CITY COMMISSION BUDGET WORKSHOP

January 24, 2019





AGENDA

- General Fund Revenue – historical trends
- FY 18-19 General Fund Revenue – assumptions
- FY 18-19 General Fund Expenditures – assumptions
- FY 18-19 General Fund Options
 - Option 1 – 100% Use of Fund Balance
 - Option 2 – Administrative Recommendation: Department Proposals with Administrative Adjustments
 - Option 3 – Option 2, reductions in hours worked through 6/30/19 for general fund employees, and elimination of administrative adjustments
- Presentations by Police, Fire & Transit
- Questions for Department Heads
- Next Steps – Budget Amendment to City Commission in February

CITY OF BATTLE CREEK

GENERAL FUND REVENUE - HISTORICAL TRENDS

City of Battle Creek Property Tax Collections Fiscal Years Ended or Ending June 30, 2014 Through 2018

Levy <u>July 1</u>	Fiscal Year Ended <u>June 30</u>	Tax <u>Levy</u>	Collections to March <u>Following Levy</u>	Percent <u>Collected</u>
2013	2014	\$ 21,005,303	\$ 20,940,399	99.69%
2014	2015	20,686,120	20,672,222	99.93
2015	2016	20,813,769	20,779,353	99.83
2016	2017	18,905,774	18,872,333	99.82
2017	2018	19,173,957	19,127,382	99.76

CITY INCOME TAX

The City's income tax was approved by voters in 1966. At the same time, residents voted to reduce the maximum general operating millage for property tax from 12.65 to 11.60 mills. Residents of the City pay 1% income tax on all federally taxable income, with a few exceptions, such as pensions, social security and unemployment, etc. Corporation net income is taxed at 1%. Non-resident pay a 0.5% income tax on all income earned performing a job or doing business within the City limits.

For tax years beginning with 2004, there is a \$750 personal exemption allowed on individual returns, with an additional \$750 for taxpayers 65 and over; persons permanently and totally disabled; and dependents of others who are required to file City returns. Subtractions for alimony, Keogh Retirement, and specified unreimbursed employee business expenses are allowed.

Fiscal Year Ended <u>June 30</u>	Gross Collections	Less: Refunds	Net Collections	% Increase Over Prior Year
2014	\$17,759,989	\$1,666,282	\$16,093,707	(0.9)%
2015	18,173,147	1,697,310	16,475,837	2.4
2016	18,808,711	2,394,139	16,414,572	(0.4)
2017	18,462,650	1,881,532	16,581,117	1.0
2018	18,827,058	2,108,467	16,718,591	0.8

City of Battle Creek State Shared Revenues Fiscal Years Ended or Ending June 30, 2014 Through 2018

	Fiscal Years Ended or Ending June 30				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Constitutional	\$ 3,905,356	\$ 3,966,694	\$ 3,962,883	\$ 4,191,285	\$ 4,301,987
Statutory/CVTRS	<u>1,393,833</u>	<u>1,436,386</u>	<u>1,436,386</u>	<u>1,436,386</u>	<u>1,478,653</u>
Total State Shared Revenues	<u>\$ 5,299,189</u>	<u>\$ 5,403,080</u>	<u>\$ 5,399,269</u>	<u>\$ 5,627,671</u>	<u>\$ 5,780,640</u>

CITY OF BATTLE CREEK

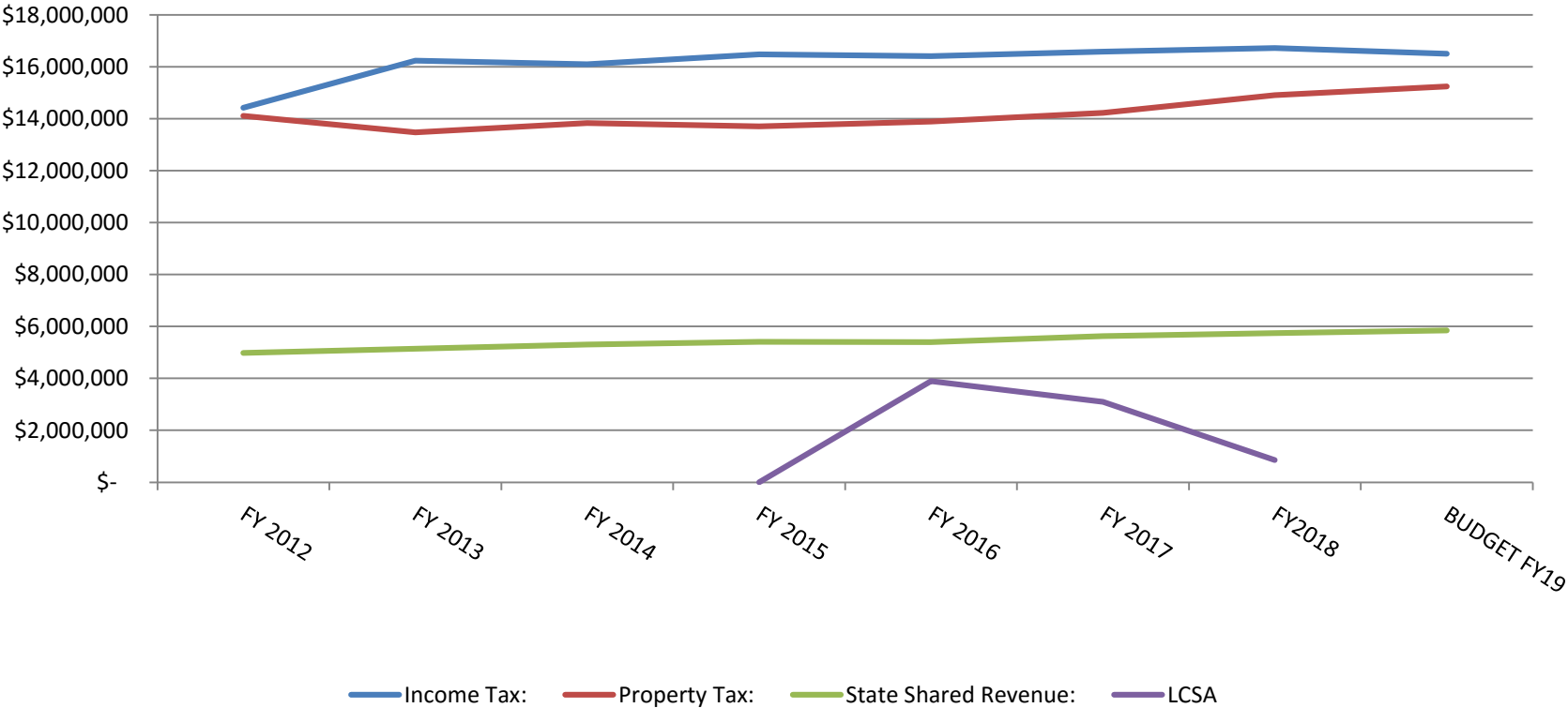
GENERAL FUND REVENUE - HISTORICAL TRENDS

Property Tax (General Fund)	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Budget FY2019
Real Property	\$ 11,506,305	\$ 11,874,166	\$ 11,642,431	\$ 11,779,803	\$ 12,294,324	\$ 12,625,576	\$ 13,054,597
Personal Property	\$ 1,938,723	\$ 1,896,225	\$ 1,908,455	\$ 1,975,552	\$ 1,856,622	\$ 2,102,980	\$ 2,031,866
IFT	\$ 29,732	\$ 67,555	\$ 148,959	\$ 133,814	\$ 73,898	\$ 174,775	\$ 159,763
Total	\$ 13,474,760	\$ 13,837,946	\$ 13,699,844	\$ 13,889,169	\$ 14,224,844	\$ 14,903,331	\$ 15,246,226
% Change over Prior Year	-4.5%	2.7%	-1.0%	1.4%	2.4%	4.8%	2.3%
				Actual FY 2016	Actual FY 2017	Actual FY 2018	Amended Budget FY2019
Local Community Stabilization Act Payments				\$ -	\$ 3,896,307	\$ 3,100,000	\$ 858,178
						-20.44%	-72.32%
State Shared Revenue:	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Budget FY 2019
Statutory	\$ 1,329,768	\$ 1,393,833	\$ 1,436,386	\$ 1,436,386	\$ 1,436,386	\$ 1,478,658	\$ 1,449,413
Constitutional	\$ 3,815,568	\$ 3,905,356	\$ 3,966,694	\$ 3,962,883	\$ 4,191,285	\$ 4,267,402	\$ 4,398,090
Total	\$ 5,145,336	\$ 5,299,189	\$ 5,403,080	\$ 5,399,269	\$ 5,627,671	\$ 5,746,060	\$ 5,847,503
% Change over Prior Year	3.3%	3.0%	2.0%	-0.1%	4.2%	2.1%	1.8%
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY2018
Income Tax:	\$ 14,420,494	\$ 16,234,540	\$ 16,093,708	\$ 16,475,787	\$ 16,414,572	\$ 16,581,117	\$ 16,718,591
Property Tax:	\$ 14,108,503	\$ 13,474,760	\$ 13,837,946	\$ 13,699,844	\$ 13,889,169	\$ 14,224,844	\$ 14,903,331
State Shared Revenue:	\$ 4,979,584	\$ 5,145,336	\$ 5,299,189	\$ 5,403,080	\$ 5,399,269	\$ 5,627,671	\$ 5,746,060
LCSA:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,896,307	\$ 3,100,000
Total	\$ 33,508,581	\$ 34,854,636	\$ 35,230,843	\$ 35,578,712	\$ 35,703,010	\$ 40,329,939	\$ 40,467,982
% Change over Prior Year		4.0%	1.1%	1.0%	0.3%	13.0%	0.3%

CITY OF BATTLE CREEK

GENERAL FUND REVENUE - HISTORICAL TRENDS

General Fund Major Revenue Summary



FY18-19 GENERAL FUND REVENUE CURRENT ASSUMPTIONS

- Adopted General Fund Revenue Budget \$50,653,045
 - Less Budget Reduction Amount (\$2,441,822)
 - **TOTAL REVISED GENERAL FUND REVENUE ASSUMPTION**
\$48,211,223
-
- The revenue reduction amount of \$2,441,822 to adjust the State Aid Revenue – LCSA will come to the City Commission as part of a mid-year budget adjustment in February

ADMINISTRATIVE REVENUE & EXPENDITURE ADJUSTMENTS

- Budget Reduction Amount \$2,441,822
 - Additional Marihuana Revenue (\$118,000)
 - Lobbyist Contract Not Renewed (\$18,000)
 - Transit Transfer Reduction (\$478,201)
 - Street Construction Transfer (\$31,251)
 - Contribution from Risk Fund (\$100,000)
- **BALANCE TO ALLOCATE OUT TO DEPARTMENTS \$1,696,370**
- **Total Budget Used to Calculate Target Amounts \$46,367,954**

FY18-19 GENERAL FUND EXPENDITURE CURRENT ASSUMPTIONS

Total necessary General Fund Expenditure reduction \$2,441,822

- Current Amended General Fund Expenditure Budget \$50,828,634 before reductions
- Less items that cannot be reduced/items that are separately identified for reduction (\$4,460,680)
 - (Debt Service, Transit Allocation, Intermodal Transportation Center, Street Construction, Dispatch)
- **General Fund Expenditure Total used to allocate reductions to departments \$46,367,954**

Equates to a 3.66% Reduction among all general fund departments

OPTION 1 – 100% USE OF FUND BALANCE

- **Take the entire \$2,441,822 out of fund balance**
 - Adjusted FY19 general fund revenue budget = \$46,252,058
 - Estimated undesignated fund balance @ 6/30/19 (6/30/18 balance \$5,958,796 less \$2,441,822) = \$3,516,974
 - Results in general fund undesignated fund balance as a percentage of revenue = 7.6% (below the current minimum 8% according to the fund balance policy).

OPTION 2 - ADMINISTRATION RECOMMENDATION

- Combination of Department Proposed Reductions and Administrative Adjustments to Minimize the Impact to Employees and Transit Services.
- Adjustments were determined using Priority Based Budget considerations and additional historical data trend analysis.

OPTION 2 – ADMINISTRATION RECOMMENDATION

Department	FY19 Amended Budget	Target Reduction	Reduction Scenario- Option 2	Description of Reductions
Mayor & Commission	118,082	4,320	4,320	Reduction of travel, training and supplies expenditures
City Manager	933,731	36,356	39,268	Effective 12/6/18 move 43% of Assistant City Manager's payroll to fund 599 from fund 101
Assessing	1,010,433	36,967	37,513	Elimination of OT (\$6250), reduction in postage (\$2000), reduce worked time salaries for non-exempt employees by 6 hours per week (\$27,183 plus FICA \$2080)
City Treasurer	379,634	13,889	13,889	Reduction of salary/fringes to correct for staffing changes since the budget was developed
Income Tax	681,853	24,946	15,000	Elimination of "budget only" temporary services (\$10,000), reduction of postage (\$5000)
Labor Relations	272,996	9,988	9,988	Reduction of hourly rate charged by outside attorney
Finance	1,162,632	42,535	51,242	Position elimination (\$31,010), 10% Finance Director to 591 (\$9762), 10% Finance Services Manager to 599 (\$6670), reimbursement of Munetrix (\$3800)
Attorney	1,024,063	37,465	20,401	1 Position changed to PT permanent (20 hours)
Purchasing	337,030	12,330	12,159	1 Position changed to PT permanent (20 hours), or split current employee with another department; elimination of 2 subscriptions
Human Resources	442,148	17,705	37,230	Perform certain training in-house rather than outsource (\$20,000), reduce training and travel budgets (\$8500 and \$3000), discontinue tuition reimbursement program (\$10,000), staff allocation adjustments/1 position adjustment \$4270
Community Services - All Business Units Combined	1,153,155	42,188	51,191	Change allocated time for managers and customer service reps - increase to fund 596 - solid waste, decrease fund 101 - general fund

OPTION 2 – ADMINISTRATION RECOMMENDATION

Department	FY19 Amended Budget	Target Reduction	Reduction Scenario- Option 2	Description of Reductions
Fire - Both Business Units Combined	11,096,863	405,978	453,934	Vacancy savings (\$198,297), turnout gear exp reduction (\$52,500), reduction in vehicle rental rate (\$23,250), other cost line item reductions (\$62,800), IAFF holiday pay trade for vacation day (\$40,087), reduction in minimum staffing (19 to 18) (\$55,000), Battalion Chief changes to additional pays and holiday pay (\$22,000)
Police - All Business Units Combined	19,395,093	709,569	811,192	Overtime reduction across the department (\$348,000), 5 unfilled vacancies/new hire salary savings (\$263,021), training/travel/materials savings (\$200,171)
Dispatch			33,247	Budget vs. Actual savings 1st quarter 2019 in request for reimbursement from CCCDA - unknown if it will repeat for 2nd quarter (which ends 6/30/19) based on call volume
Recreation - All Business Units Combined	3,865,927	141,435	158,182	Vacant Position elimination, reduction in marketing, programming efficiencies, and golf course savings
Clerk - All Business Units Combined	603,000	22,061	24,665	Election cost reductions for temp workers, overtime; reduction in civil service testing costs
City Hall Maintenance	464,989	17,012	13,570	Change in security services to Securitas with 9 hour days vs. 11 in budgeted contract (\$3263); change in hours for city hall building cleaning service from 10 to 5 hours daily which requires departments to bring trash and recycle to central per-floor location (\$10,307)
Streets - All Business Units Combined	2,677,035	97,939	150,000	Elimination of entire FY19 general fund transfer for street construction (\$150,000)
Engineering-All Business Units Combined	237,480	8,688	56,000	Elimination of casino revenue restriction for retention basin expenditures
Less: administrative adjustment			(31,251) x	

OPTION 2 – ADMINISTRATION RECOMMENDATION

Department	FY19 Amended Budget	Target Reduction	Reduction Scenario- Option 2	Description of Reductions
"Other" department - all business units combined	410,000	15,000	2,358	BCATS - budget vs. actual for FY19 difference
Information Systems-reduction in internal charge to general fund			34,547	Elimination of vacant position effective 1/1/19
Downtown Development Authority Form 4650 denial reduces property tax revenue - no ability to fund 2013 Capital Improvement Bond debt service or Central Business District maintenance			(280,000)	Responsibility for expenditures move from DDA to General Fund
Health insurance relief			211,559	Estimate for 10 payperiods (Feb-June 2019) for change in composite rate - primarily due to eliminations of H.S.A. payments and movement to BCN health plan by more employees
Impact on General Fund Administrative Charge revenue			(15,057)	Reduction in administrative charges to outside funds due to changes in City Manager and Finance department business units
TOTALS		1,696,371	1,915,147	

OPTION 2 – ADMINISTRATION RECOMMENDATION

- Target Reduction \$2,441,822
- Adjusted Target Reduction \$1,696,370 for departments
- Departments identified reductions as shown above: \$1,915,147
 - \$218,776 over adjusted target
- Administrative adjustments of \$294,875 to minimize employee impact and effect on Transit services (add back in most currently filled positions identified for elimination (\$92,833), add back in tuition reimbursement program (\$10,000), elimination of vacant Human Resources position/various departmental revenue enhancements (\$102,492), and add back \$294,534 to the general fund transfer to transit)
- Department reductions plus/minus administrative adjustments \$1,620,272
- This is short of the adjusted target by \$76,098
- **Proposed Use of Fund Balance in the Amount of \$76,098**
 - Fund Balance would remain within fund balance policy at 12.72%

OPTION 3 – INCLUDES OPTION 2 REDUCTIONS & 5% PAY DECREASE FOR GF EMPLOYEES

Option 3 has all the elements of option 2 and also includes:

- Reduction in hours for general fund employees from 40 to 38 per week (5% pay reduction) effective 2/1/19 through 6/30/19
- Equates to \$218,979 expenditure reduction between wages, social security/Medicare, retirement, and workers compensation
- Proposed department reductions of \$1,915,147
- Elimination of most administrative adjustments included in Option 2 of \$192,383
- Keeps the add back of \$294,534 to Transit
- Keeps some administrative adjustments of \$102,492

Total Option 3 expenditure reduction = \$1,942,084

This exceeds the adjusted department target of \$1,696,370 by \$245,714

FIRE DEPARTMENT PRESENTATION

- **Total reductions proposed of \$453,934**
- Fire Admin reductions in the amount of \$336,837
- IAFF MOA with a value of \$95,087
- OSP MOA with a value of \$22,000

FIRE DEPARTMENT PRESENTATION

- **Fire Department Minimum Staffing Supported by NFPA Standard 1710 (Best practice but not legislatively or statutorily bound to the Standard)**
 - Applies to career fire departments and provides the MINIMUM requirements for resource deployment for fire suppression.
 - 16-18 firefighters on initial alarm within 8 minutes, 90% of the time
 - 11-15 initial fire ground task must be safely completed during fire suppression
 - Interior firefighting “2in/2out” firefighter rescue team (out) for firefighter operations team (in)
 - Fire Flashover conditions significantly reduced when firefighter efforts commence within 4-6 minutes of arrival.

FIRE DEPARTMENT PRESENTATION

- **What is the Impact of Reducing Fire Minimum Staffing (When BCFD is at Minimum)?**
 - Potential delay in start-up of firefighting operations (2in/2out).
 - Potential increase in “Flashover” conditions (dangerous life-threatening to firefighters).
 - Potential decrease in safely conducting the 11-15 initial fire ground task.
 - Potential increase in property loss (residential/commercial).

FIRE DEPARTMENT PRESENTATION

- Organization of Supervisory Personnel (Battalion Chiefs)
 - Implementation of the “Shift Commander” staffing initiative; Battalion Chief additional pay significantly reduced/eliminated. When an assigned BC is off on accrued leave, Shift Commanders (Senior Captains) are designated to provide emergency response supervision and limited administrative functions.
 - Holiday Pay modifications, to recognize savings. Straight pay instead of 2.5xpay.
 - Impact to emergency services delivery: minimal, if any...
 - Memorandum of Agreement regarding these changes has been verbally approved but pending member ratification.

FIRE DEPARTMENT PRESENTATION

■ IAFF Local 335

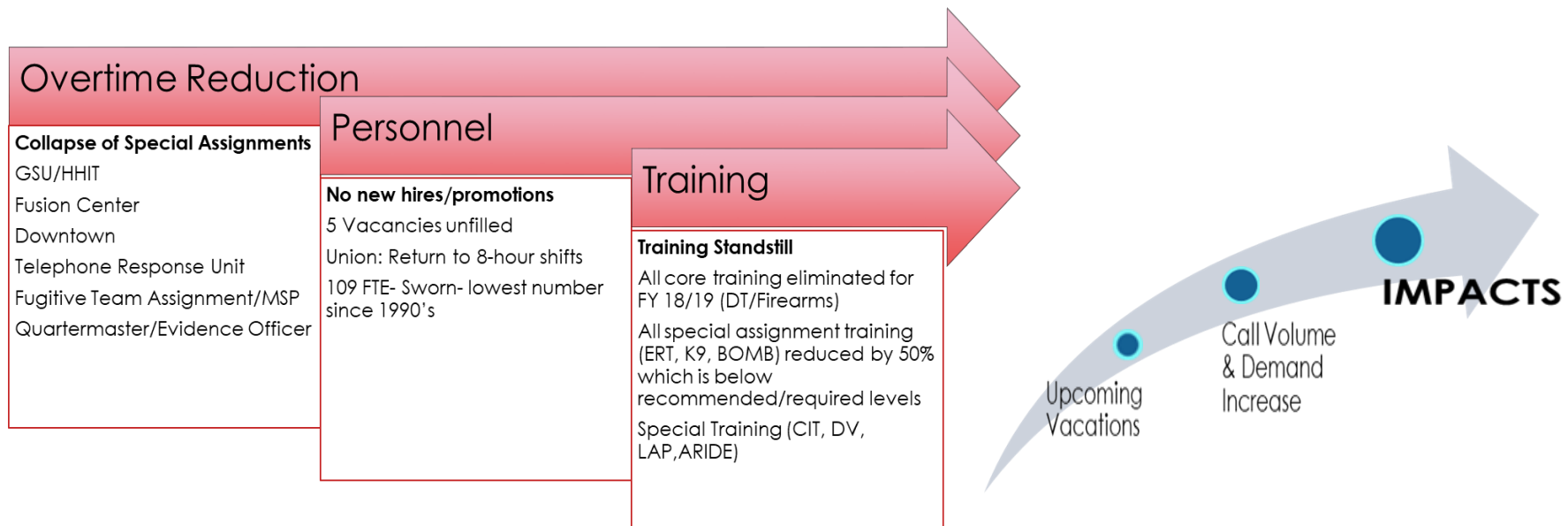
- Reduction of minimum staffing provision from 19 to 18 on duty members. ARFF Station 7, staffed with one member.
- Holiday Pay modifications, each member will reduce their holiday payment by 24 hours.
- Implementation of the “Shift Commander” staffing initiative; Battalion Chief additional pay significantly reduced/eliminated. When an assigned BC is off on accrued leave, Shift Commanders (Senior Captains) are designated to provide emergency response supervision and limited administrative functions.
- Impact to emergency services delivery: minimal, if any...
- Memorandum of Agreement regarding these changes has been verbally approved but pending member ratification.

POLICE DEPARTMENT PRESENTATION

- **Total reductions proposed of \$811,192**
- Use of PBB Model gave target points but not used exclusively.
- Overtime reduction of \$348,000
- Personnel line item reductions of \$263,021
- Training & Misc. reductions of \$200,171

POLICE DEPARTMENT PRESENTATION

Budget Breakdown



Violent Crime Response-Current plan to retain scaled asset employment, WILL IMPACT overtime reduction plan.

POLICE DEPARTMENT PRESENTATION

Impact on Operation

- **GSU/HHIT-** 60-80% Reduction
- **Fusion-** BC Personnel only 50%
- **Downtown Officer-** Reassigned to Patrol
- **Telephone Response Unit-** 50% reduction
- **Fugitive Team-** Reassigned to Patrol
- **Quartermaster/Evidence Officer-** Reassigned to Patrol
- **Performance Impact-** Lack of training
- **Personnel-** call volume remain same with less staff- may increase loss work time
- **Equipment Purchases-** No significant purchases of new or replacement equipment. (Hospital Communication, Fleet accident repair(reduced), special Animal Control Programs-CAT MGMT, ASK partnership, Defensive Tactics/Training Equipment)

FACT-

Mandate to respond, CFS effectively and safely.

ASSUMPTION-

Call Volume not impacted by budget restraints

RESTRAINT-

Positioned poorly to respond pro-actively to crime and community requirements under these conditions

TRANSIT PRESENTATION

Budget Reduction Proposal

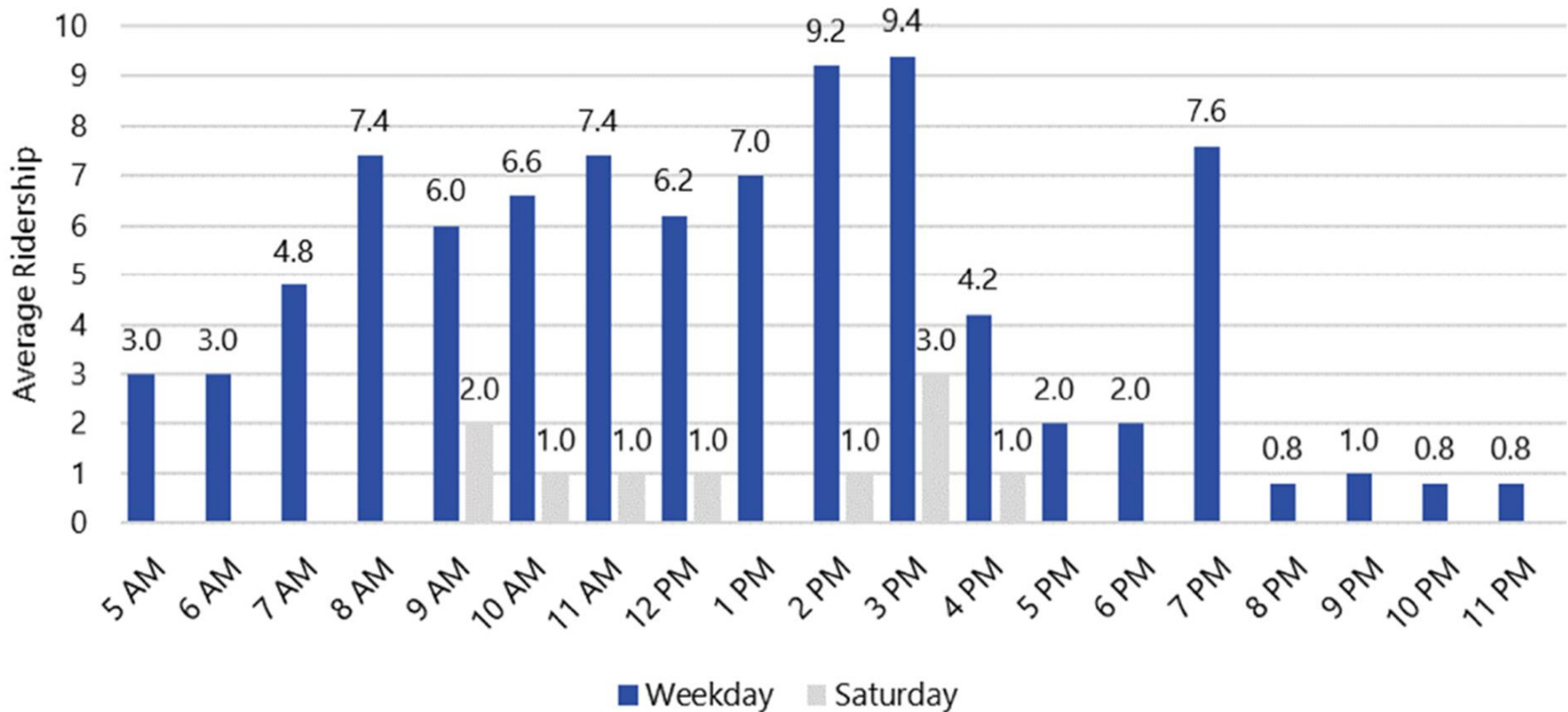
Proposed measure		FTE Impact	Ridership Loss	Farebox Rev Loss	Annual Cost Savings	State Rev Loss	FY 19 General Fund Reduction	Notes
1	Eliminate funded vacant position	1 Utility worker	n/a	\$ -	\$ 43,806	\$ 16,646	\$ 27,160	Position is currently vacant
2	Eliminate funded vacant position	1 Utility worker II	n/a	\$ -	\$ 46,165	\$ 17,543	\$ 28,622	Position is currently vacant
3	Straight time Saturday service	n/a	n/a	\$ -	\$ 58,636	\$ 22,282	\$ 36,354	Past practice
4	Eliminate Tele-transit & on demand response at 6:45 PM	1 Dispatcher	4,423	\$ 14,152	\$ 227,482	\$ 86,443	\$ 42,296	Service is not mandated by FTA
Totals					\$ 376,089	\$ 142,914	\$ 134,432	
Fare structure changes		Current fare	Increase	Revenue				
2	Eliminate transfers (add fare for all trips)	No cost	\$ 1.25	\$ 142,386				
3	ADA Paratransit	\$2.00	\$ 1.00	\$ 5,319.40				
				\$ 147,706				
					Increased revenue	\$ 49,235.18		Fares increase for March - June
					General Fund Impact	\$ 183,667		Reduction in allocation from General Fund



- General fund captures savings from vacant, funded utility worker and utility work II position
 - September 10, 2018 – June 30, 2019
- Straight-time service on Saturdays
 - Currently overtime pay
- Elimination of night-time tele-transit service (after 6:45pm)
- Fare increase
 - Eliminate transfers
 - Increase paratransit fee

TRANSIT PRESENTATION

Figure 69 | Tele-Transit Passengers per Hour



TRANSIT PRESENTATION: BUDGET CHALLENGES

Fiscal Year	2018	2017	2016	2015	2014
Operating Revenue:					
Fare Revenue	\$366,929	\$373,132	\$406,121	\$423,951	\$419,361
Miscellaneous	\$2,740	\$2,251	\$1,597	\$6,620	\$6,344
Operating Revenue Subtotal	\$369,669	\$375,383	\$407,718	\$430,571	\$425,705
Grants					
Federal	\$1,089,708	\$1,056,508	\$1,038,384	\$1,019,955	\$1,179,607
State	\$1,461,654	\$1,474,841	\$1,476,092	\$1,501,481	\$1,593,883
Local Grant	\$938,230	\$938,230	\$938,230	\$888,230	\$888,230
Grant Revenue Subtotal	\$3,489,592	\$3,469,579	\$3,452,706	\$3,409,666	\$3,661,720
Total Revenue	\$3,859,261	\$3,844,962	\$3,860,424	\$3,840,237	\$4,087,425
Operating Costs					
Service	\$4,504,844	\$4,313,102	\$3,940,559	\$4,248,033	\$4,617,428
Total Operating Costs*	\$4,504,844	\$4,313,102	\$3,940,559	\$4,248,033	\$4,617,428
Revenues minus Costs	(\$645,583)	(\$468,140)	(\$80,135)	(\$407,796)	(\$530,003)
<i>* includes depreciation</i>					

TRANSIT PRESENTATION: BUDGET CHALLENGES

Table 37 | Operating Budget Forecast - Scenario 1: No Fare Changes

Fiscal Year	2019	2020	2021	2022	2023
Operating Revenue					
Fare Revenue	\$456,093	\$456,093	\$456,093	\$456,093	\$456,093
Operating Revenue Subtotal	\$456,093	\$456,093	\$456,093	\$456,093	\$456,093
Grants					
Federal (5307)	\$1,057,581	\$1,057,581	\$1,079,790	\$1,102,466	\$1,125,618
State	\$1,523,051	\$1,557,307	\$1,588,453	\$1,620,222	\$1,652,627
Local (City)	\$938,230	\$938,230	\$956,995	\$976,134	\$995,657
Grant Revenue Subtotal	\$3,518,862	\$3,553,118	\$3,625,238	\$3,698,822	\$3,773,901
Total Revenue	3,974,955	4,009,211	4,081,331	4,154,915	4,229,994
Operating Costs					
Service	\$4,972,522	\$5,121,697	\$5,275,348	\$5,433,609	\$5,596,617
Total Operating Costs	\$4,972,522	\$5,121,697	\$5,275,348	\$5,433,609	\$5,596,617
Anticipated Deficit (Total Revenues minus Total Costs)	\$997,567	\$1,112,486	\$1,194,017	\$1,278,693	\$1,366,623

QUESTIONS AND DISCUSSION





NEXT STEPS

- Budget Amendment to City Commission in February
- Reductions go into effect once approved by Commission, some already in effect to achieve full savings
- Continue this work for the FY20 budget