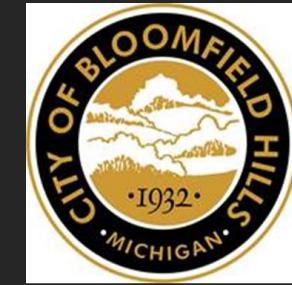


City of Bloomfield Hills

2018-2019 Budget Presentation



Sarah H. McClure, Mayor

Susan McCarthy, Mayor Pro-Tem

Stuart D. Sherr, Commissioner

Michael Coakley, Commissioner

William E. Hosler, Commissioner

City Manager

David Hendrickson

Finance Director / Treasurer

Keith Francis

Director of Public Safety

Noel Clason

City Clerk

Amy Burton

City of Bloomfield Hills

2018-2019 Budget

Table of Contents



2

Organization Chart	3
Budget Message	4
Budget Calendar	5
Budget Objectives	6
Major Budget Assumptions	7-29
Other Budget Assumptions	30
General Fund	31-34
Major & Local Road Funds	35-38
General Obligation Debt Fund	39-41
Capital Improvement Fund	42-44
Road Construction Fund	45-48
Water & Sewer Fund	49-52
Budget Summary	53-54

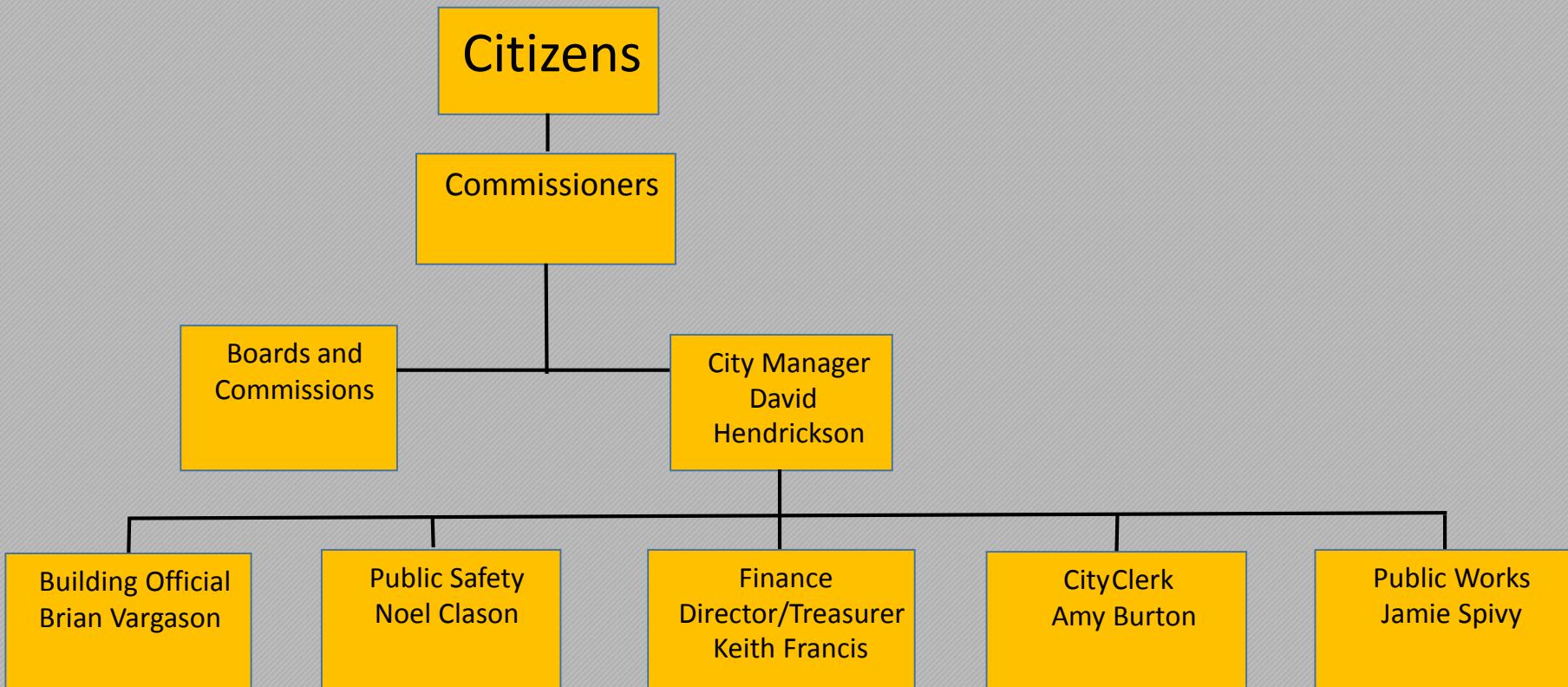
City of Bloomfield Hills

2018-2019 Budget

Organization Chart



3



City of Bloomfield Hills

2018-2019 Budget Message

Keith Francis, Finance Director/Treasurer

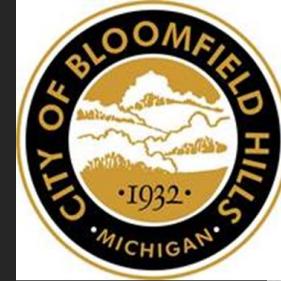
The 2019 budget for the City's seven funds, presented on the pages that follow, was adopted on April 10, 2018. The budget accomplishes the following objectives that were set by the City Commissioners during the budget planning process:

- The budget encompasses a three year look forward, including the budget for 2019, and projections for 2020 and 2021
- Budgets for all funds are balanced without appropriating fund balance
- The City's operating tax millage rate remains the same at 10.6 mills and the Library millage decreased to 0.3785
- The City-wide road improvement initiative continues in 2018 with a \$6 million water and road reconstruction in the southwest section of the City, to be funded 100% internally from the dedicated road millage of 1.1 mills, and funding support from the General Fund, Local Road Fund and Water and Sewer Fund
- Legacy cost funding is on solid footing:
 - Full funding continues for annual mandatory pension contributions and the City is in full compliance with the minimum funding requirements under Public Act 202 passed by the State in December 2017
 - Non-mandatory pre-funding of retiree health care costs will continue and the City is in full compliance with PA 202
 - The General Fund Unassigned Fund Balance remains at 33% of expenditures and will be maintained at this level, in compliance with the City's fund balance policy

In summary, through the diligent efforts of the City Commissioners and staff, the state of the City's financial condition remains very strong. The City is one of a select few governmental entities in Michigan with a AAA bond rating, the highest rating achievable.

I would like to take this opportunity to thank Mayor Sarah McClure, Mayor Pro-Tem Susan McCarthy, Commissioners Stuart Sherr, Michael Coakley, and William Hosler, City Manager David Hendrickson, City Clerk Amy Burton and the administrative staff for their assistance and support during the budget process.

City of Bloomfield Hills 2018-2019 Budget Calendar



5

- January: Project revenues and expenditures for current year for all funds, prepare major budget assumptions, obtain capital expenditure requests from department heads and prepare first draft of budget
- February through April: Hold budget work sessions with City Commission and review budget drafts
- May: Present final budget for approval by General Appropriations Act Resolution
- June: Load budget into financial software for fiscal year July 1, 2018 - June 30, 2019
- July 2018 - June 2019: Monitor budget compared to actual revenues and expenditures monthly and amend budget as needed

City of Bloomfield Hills 2018-2019 Budget



6

BUDGET OBJECTIVES

- Provide a 3 year budget
- Balanced budgets
- No increase in tax millage
- Fund SW section road and water improvements internally - NO NEW BOND ISSUES
- Fund increased pension contributions and ensure compliance with Public Act 202 of 2017
- Resume non mandatory pre-funding of OPEB contribution and ensure compliance with Public Act 202 of 2017
- Maintain General Fund Unassigned Fund Balance in the range of 30 to 35% of expenditures, in compliance with the City's fund balance policy

City of Bloomfield Hills 2018-2019 Budget



7

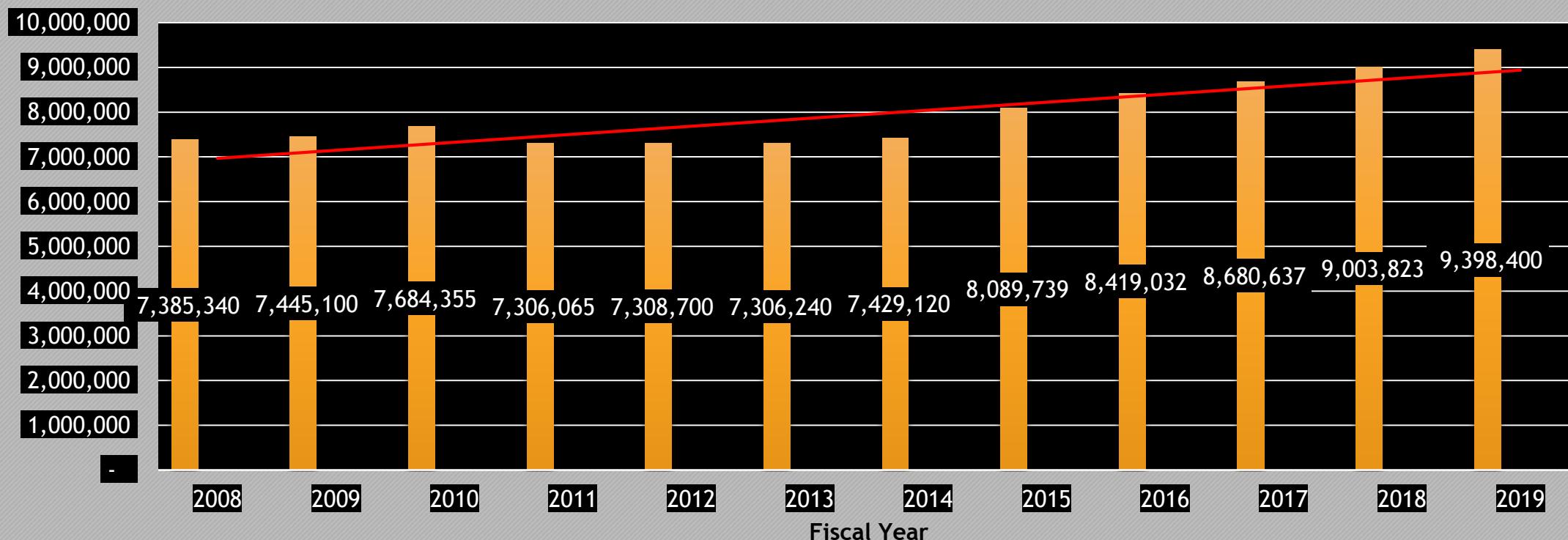
Major Budget Assumption

- Property Tax Revenue

City of Bloomfield Hills Historical and Budgeted Total Property Tax Revenue



8



City of Bloomfield Hills 2018-2019 Budget



9

Property Tax Revenues

- Property Values

City of Bloomfield Hills

Major Budget Assumptions

Property Tax Revenues - Property Values



10

- Assessed Value (AV):
 - Determined by the local assessor for each parcel of real property as of December 31st of the prior year
 - State constitution requires that property be uniformly assessed at no more than 50% of the “usual selling price”, often referred to as True Cash Value (TCV)
- State Equalized Value (SEV):
 - Equals AV as adjusted following County and State “equalization” so that AV’s do not exceed 50% of TCV
 - Prior to Proposal “A” amending the Michigan Constitution in October, 1994, property tax revenues were based on SEV (increases were “uncapped”)
- Taxable Value (TV):
 - Proposal A established TV as the basis for calculation of tax revenues
 - Increases in TV are limited (“capped”) to the percent of change in the Inflation Rate Multiplier (IRM) (established annually by the State Tax Commission) OR 5%, whichever is less, as long as there were no losses or additions to the property. Note: while increases are “capped”, decreases are “uncapped”.
 - Taxable Value: $TV = \text{the lesser of SEV or Capped Value unless the property experience a change of ownership in the prior year, in which case TV will equal SEV}$
 - Capped Value (CV): $CV = (\text{Prior TV} - \text{Losses}) \times (\text{IRM}) + \text{Additions}$

City of Bloomfield Hills

Major Budget Assumptions

Property Tax Revenues - Property Values - Examples



11

Parcel XYZ, a Residential Home - Changes in 2017	2018 SEV (50% of True Cash Value) TCV	2018 Capped Value (CV)	2018 Taxable Value (TV) (Lesser of SEV or CV)	2018-2019 City Taxes Fiscal Year 10.9785 mills
No Changes	\$730,000	\$663,650 (A)	\$663,650	\$7,286
Remodel Kitchen (\$150K) add Indoor Pool (\$250K)	\$900,000 (B)	\$863,650 (C)	\$863,650	\$9,482
Sell for \$1,900,000	\$950,000	N/A in year of sale	\$950,000	\$10,430

(A) Prior year TV x IRM = $\$650,000 \times 1.021 = \$663,650$

(B) Prior year TCV = $\$1,400,000 + \$400,000$ TCV of additions = $\$1,800,000 \times 50\% = \$900,000$

(C) Prior year TV x IRM = $\$650,000 \times 1.021 = \$663,650 + 50\% \times \$400,000$ TCV of additions = $\$863,650$

City of Bloomfield Hills
Major Budget Assumptions
Property Tax Revenues - Property Values - Examples
Calculation Details



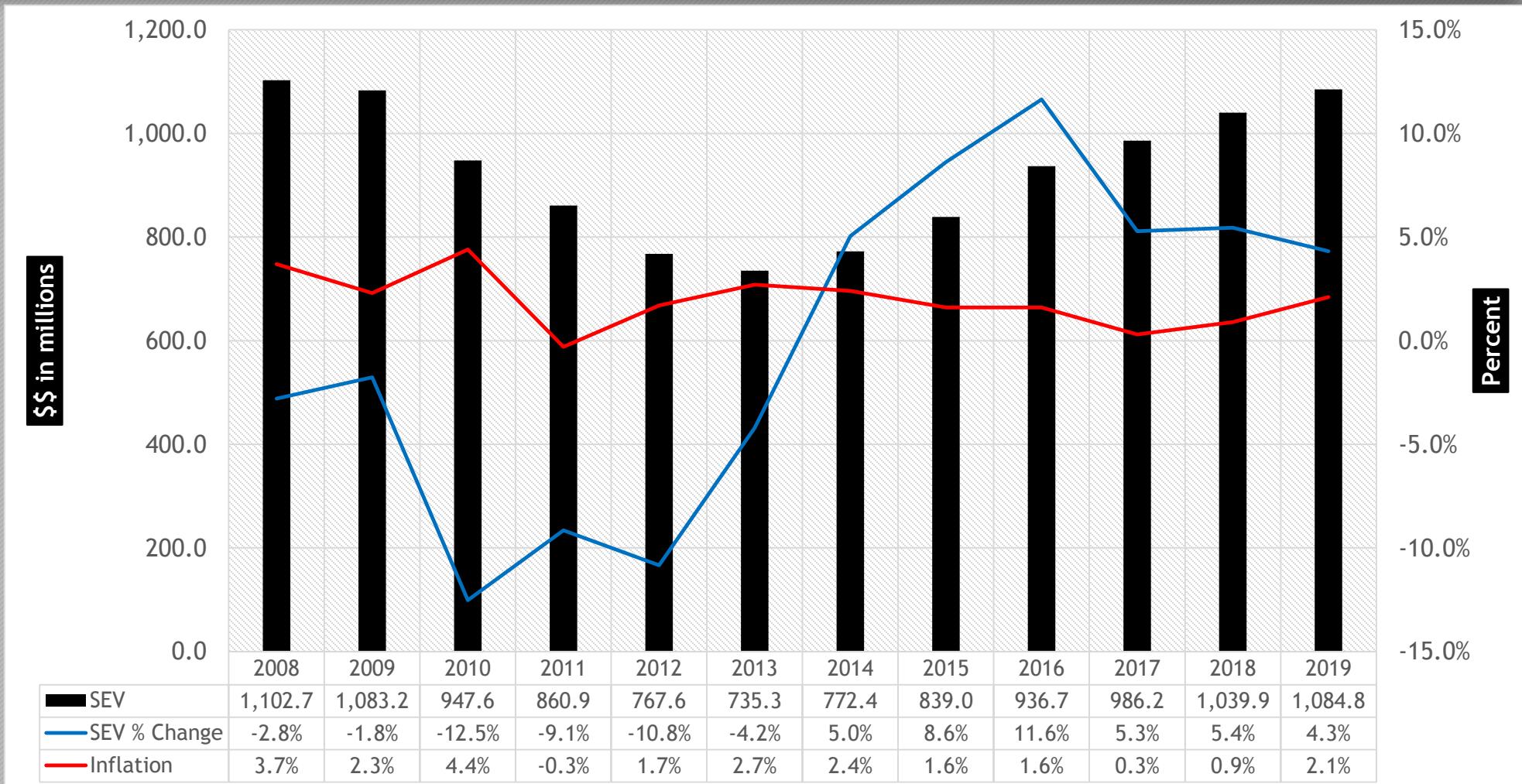
12

- EXAMPLE 1 - No changes to property:
 - SEV: Last year, TCV = \$1,400,000 so SEV = \$700,000. This year, TCV = \$1,460,000 so SEV = \$730,000 (+4.3%)
 - CV: Last year's TV = \$650,000 x 1.021 (IRM) = \$663,650 (+2.1%)
 - TV: TV = \$663,650 (lesser of SEV or CV)
 - City Taxes: TV = \$663,650/1000 = 663.65 x 10.9785 mills = \$7,285.88
- EXAMPLE 2 - Remodeled kitchen valued at \$150,000 added indoor pool valued at \$250,000:
 - SEV: Last year, TCV = \$1,400,000 so SEV = \$700,000. This year, TCV = \$1,800,000, so SEV = \$900,000 (+28.5%)
 - CV: Last year's TV = \$650,000 x 1.021 (IRM) = \$663,650 + \$75,000 + \$125,000 = \$863,650 (+32.9%)
 - TV: TV = \$863,650 (lesser of SEV or CV)
 - City Taxes: TV = \$863,650/1000 = 863.65 x 10.9785 mills = \$9,481.58
- EXAMPLE 3 - Home is purchased for \$1,900,000 during the year:
 - SEV: TCV = \$1,900,000 so SEV = \$950,000
 - CV: Does not apply in the year a home is purchased
 - TV: TV this year = \$950,000 (TV will be the same as the SEV)
 - City Taxes: TV = \$950,000/1000 = 950 x 10.9785 mills = \$10,429.57

City of Bloomfield Hills State Equalized Value (SEV) Real & Personal Property Values



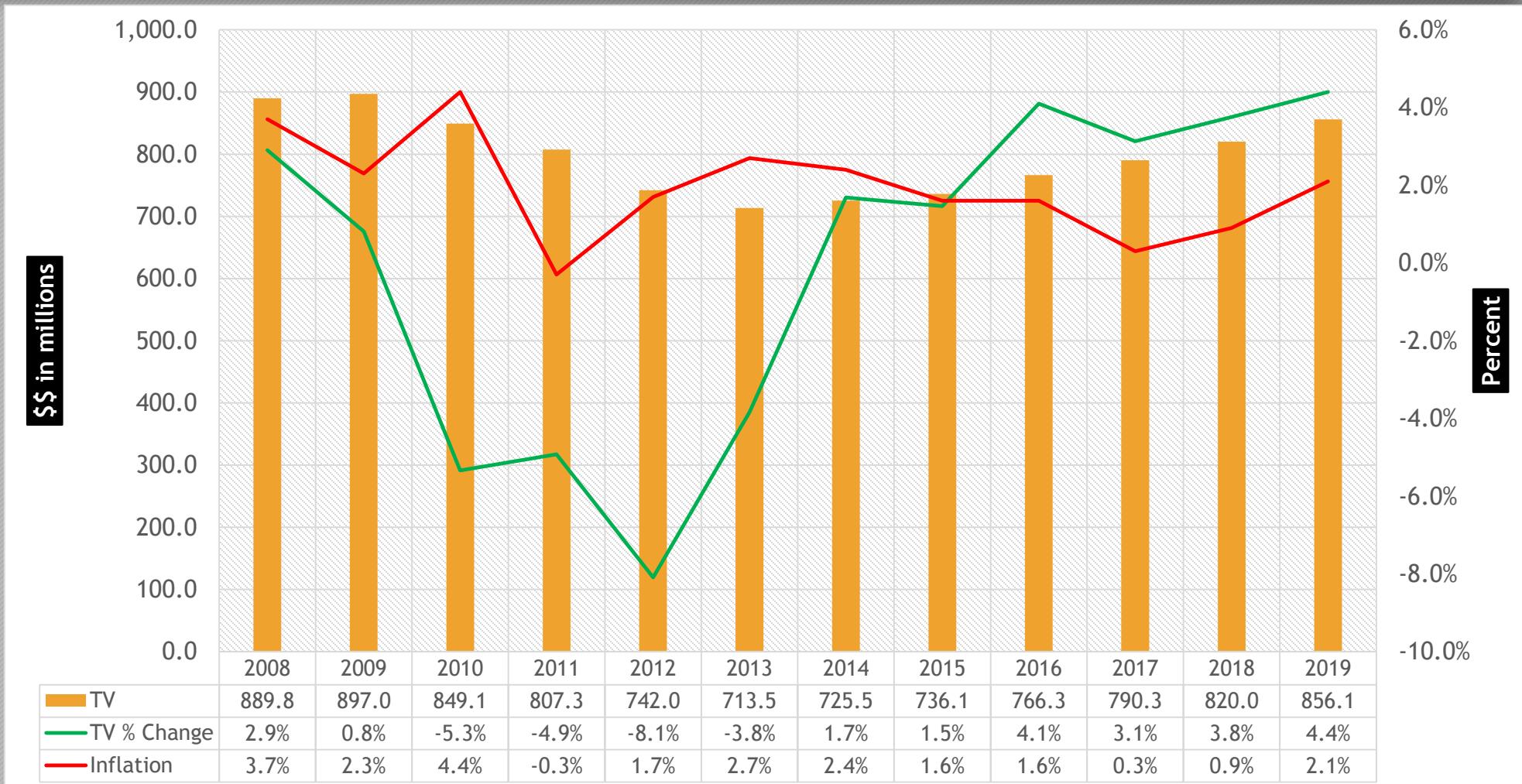
13



City of Bloomfield Hills Taxable Value (TV) Real & Personal Property Values



14



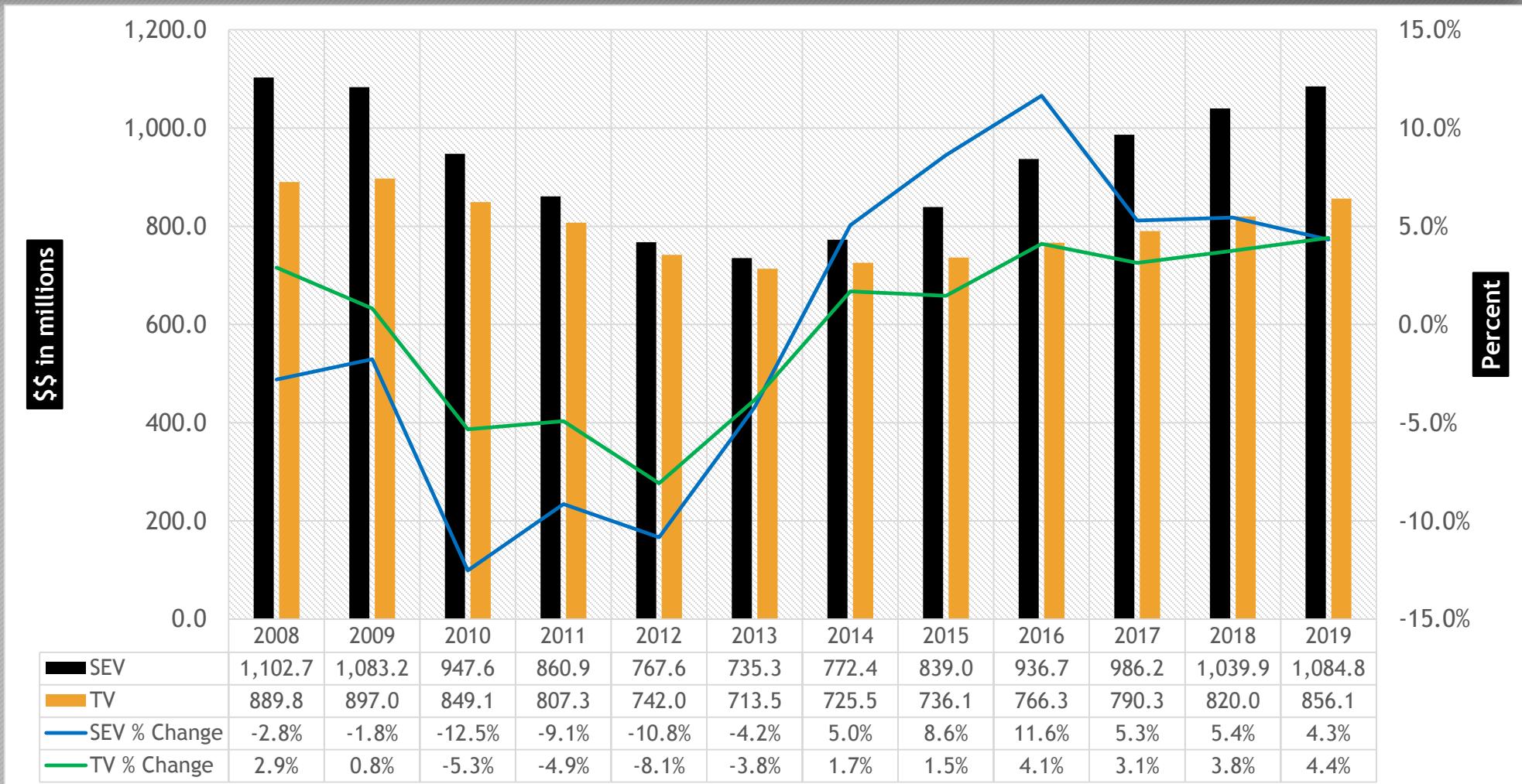
City of Bloomfield Hills

State Equalized Value (SEV) & Taxable Value (TV)

Real & Personal Property Values



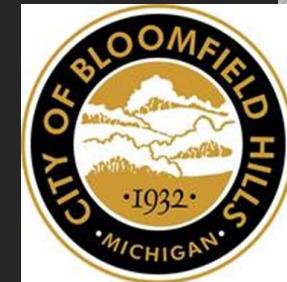
15



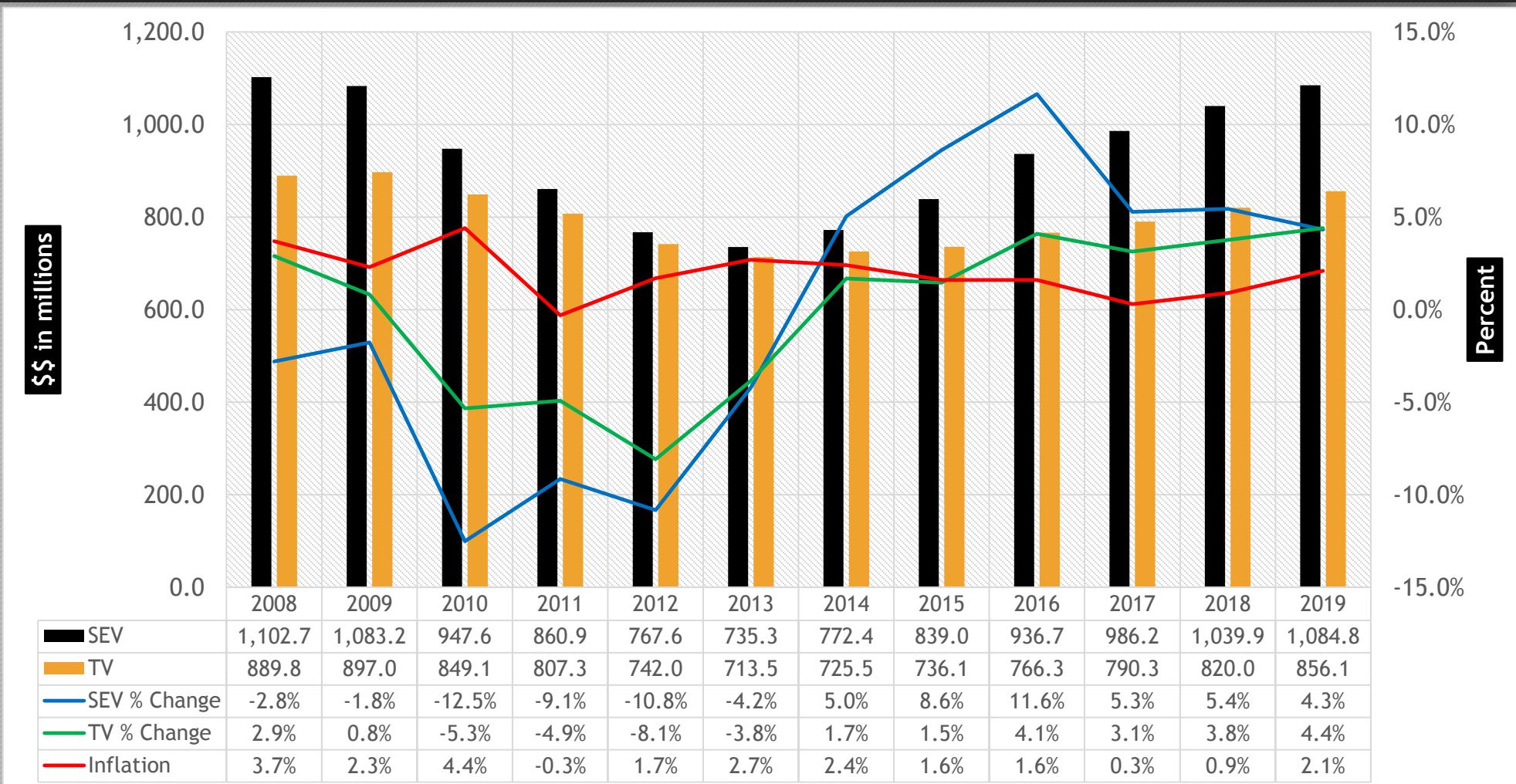
City of Bloomfield Hills

State Equalized Value (SEV) & Taxable Value (TV)

Real & Personal Property Values



16



City of Bloomfield Hills Major Budget Assumptions



17

Property Tax Revenues

City Millage Rates

City of Bloomfield Hills

2018-2019 City Millage Rates



18

1 mill = \$1.00 per \$1,000 of Taxable Value

12/31/2017 Assessment date = 2018-2019 Property Tax Revenue

Charter Limit for Operations	20.0000 mills
Permanent Reduction - "Headlee"	<u>-5.7100</u>
Maximum Allowable Millage Levy	14.2900
Operating Millage to be Levied	<u>-10.6000</u>
Allowable Additional Millage	3.6900 (\$3.16 Million)

Operating Mills 10.60

- General Operating 9.50 mills
- Allocated to Roads 1.10 mills

Library Mills 0.3785 (Six year voted millage for Baldwin Library ends in 2020)

City of Bloomfield Hills

Historical City Millage Rates



19

Fiscal Year	Operations	Roads	Operations & Roads	Library	Total	Increase (Decrease)
2008	8.3000	-	8.3000	-	8.3000	-
2009	8.3000	-	8.3000	-	8.3000	-
2010	9.0500	-	9.0500	-	9.0500	0.7500
2011	9.0500	-	9.0500	-	9.0500	-
2012	9.8500	-	9.8500	-	9.8500	0.8000
2013	9.8500	-	9.8500	0.3900	10.2400	0.3900
2014	9.8500	-	9.8500	0.3900	10.2400	-
2015	9.8500	0.7500	10.6000	0.3900	10.9900	0.7500
2016	9.8500	0.7500	10.6000	0.3866	10.9866	(0.0034)
2017	9.5000	1.1000	10.6000	0.3843	10.9843	(0.0023)
2018	9.5000	1.1000	10.6000	0.3806	10.9806	(0.0037)
2019	9.5000	1.1000	10.6000	0.3785	10.9785	(0.0021)

City of Bloomfield Hills 2018-2019 Budget



20

Major Budget Assumption

- Personnel Expenditures

City of Bloomfield Hills

Major Budget Assumptions

Personnel Expenditures 2018-2019



21

	FTE's	W-2 Wages	Benefits	Total Compensation
Admin	7.7	\$679,338	\$224,814	\$904,152
Public Safety	28.5	\$2,370,213	\$594,659	\$2,964,872
DPW	5.0	\$328,731	\$109,732	\$438,463
Total	41.2	\$3,378,282	\$929,205	\$4,307,487
	Per FTE	\$81,997	\$22,554	\$104,551
	Median	\$72,322	\$18,648	\$90,926

- No increase in headcount
- Admin based on Commission authorization
- Public Safety and DPW based on approved labor agreements
- Health Dental/Disab/Life based rates from insurance consultant
- DB pension and OPEB based on actuary estimates

City of Bloomfield Hills 2018-2019 Budget



22

Major Budget Assumption

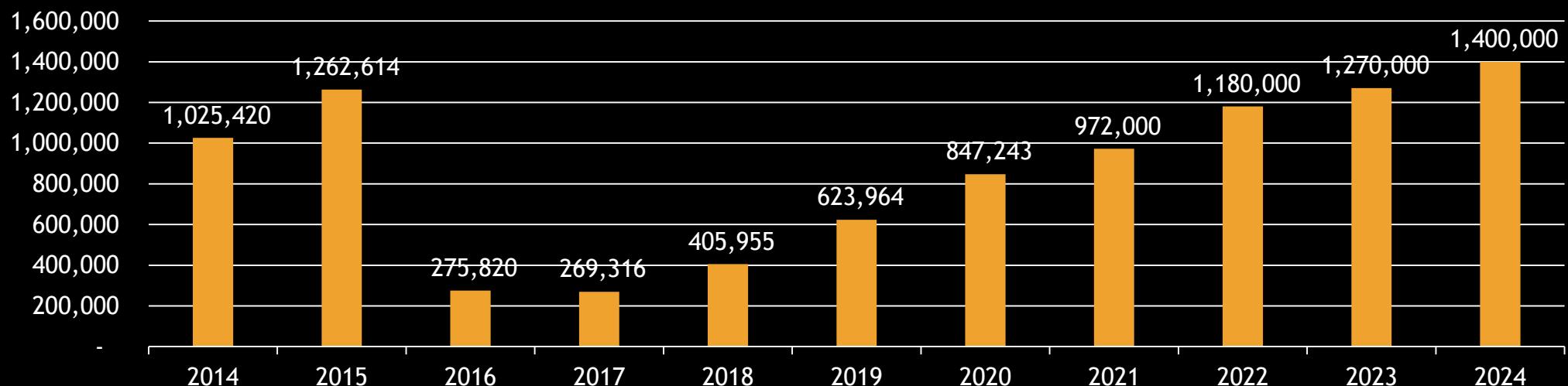
- Legacy Costs

City of Bloomfield Hills Major Budget Assumptions Legacy Costs - Defined Benefit Pension Plan



23

City's Contribution

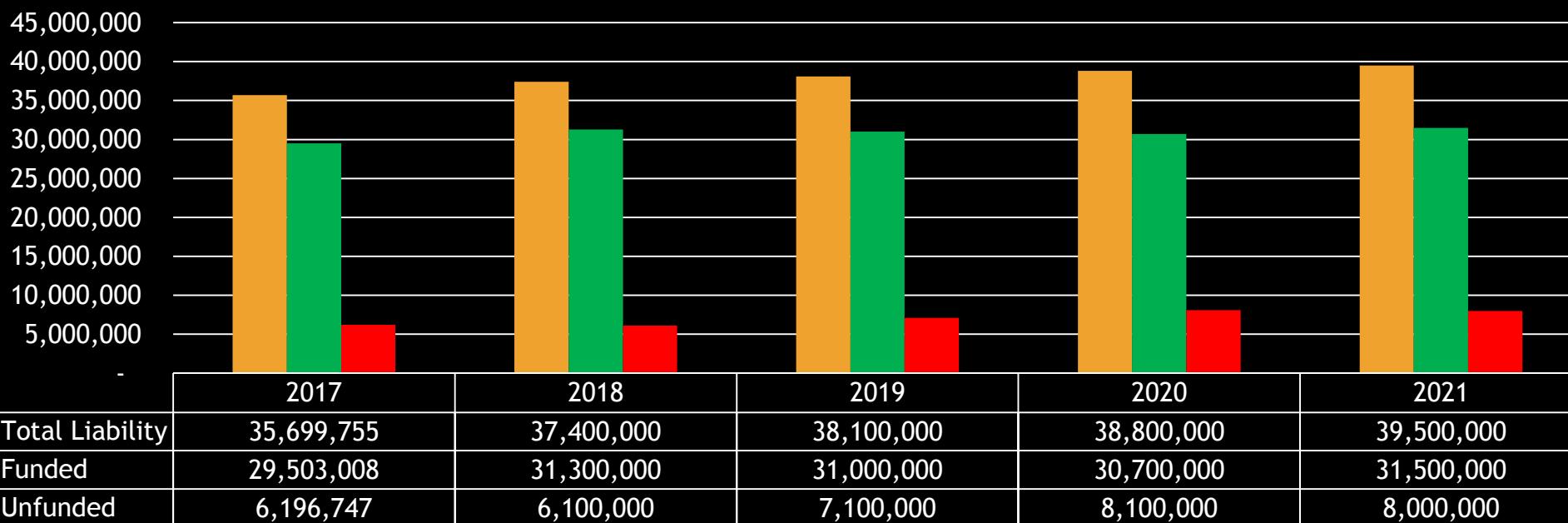


City of Bloomfield Hills Major Budget Assumptions Legacy Costs - Defined Benefit Pension Plan



24

Funding Status



City of Bloomfield Hills Major Budget Assumptions Legacy Costs - Defined Benefit Pension Plan



25

PA 202 of 2017 - Funding Test

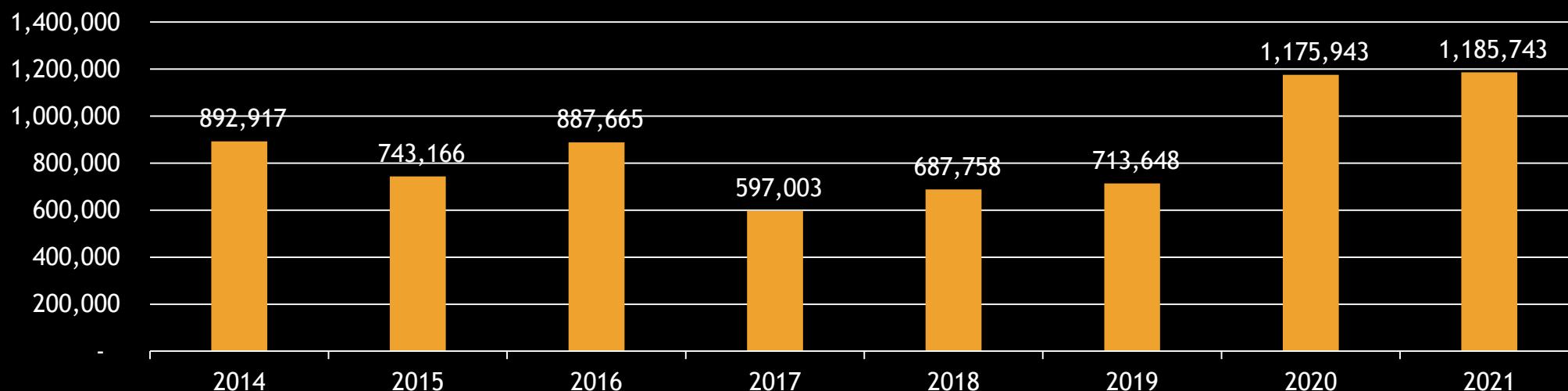


City of Bloomfield Hills Major Budget Assumptions Legacy Costs - Retiree Health Care (“OPEB”)



26

City's Contribution



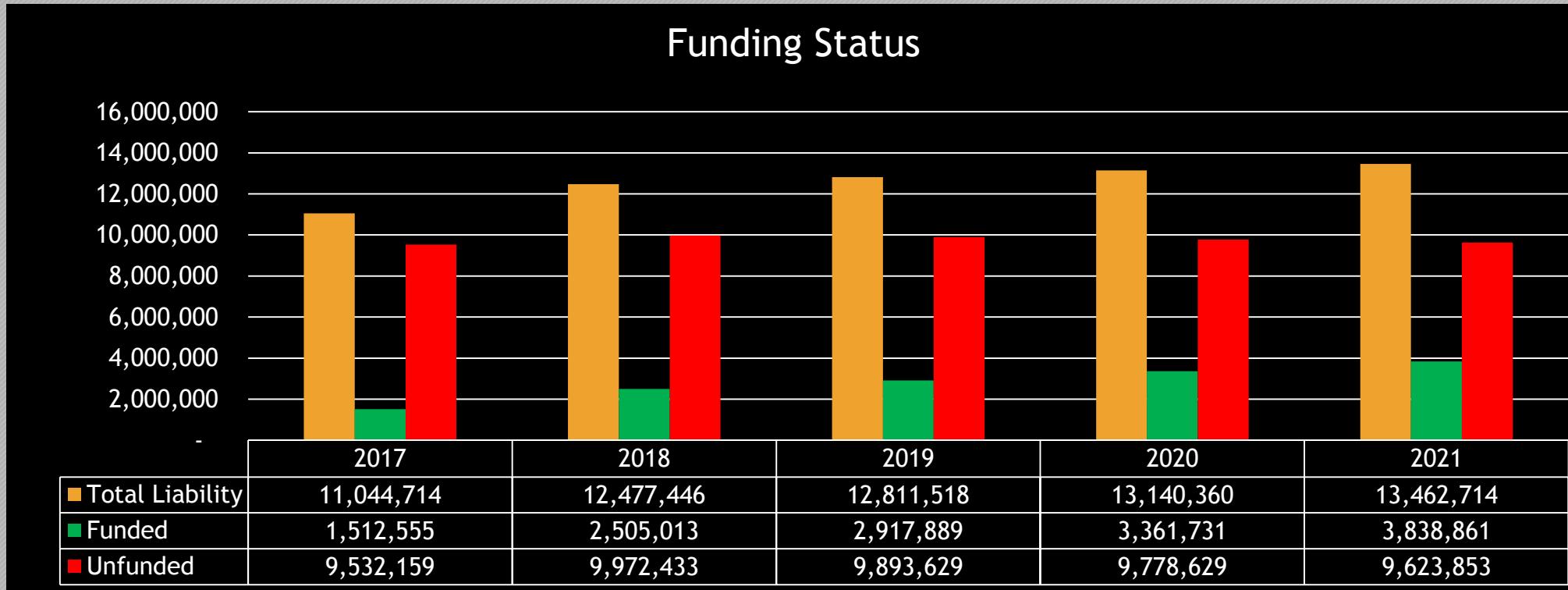
City of Bloomfield Hills

Major Budget Assumptions

Legacy Costs - Retiree Health Care (“OPEB”)



27

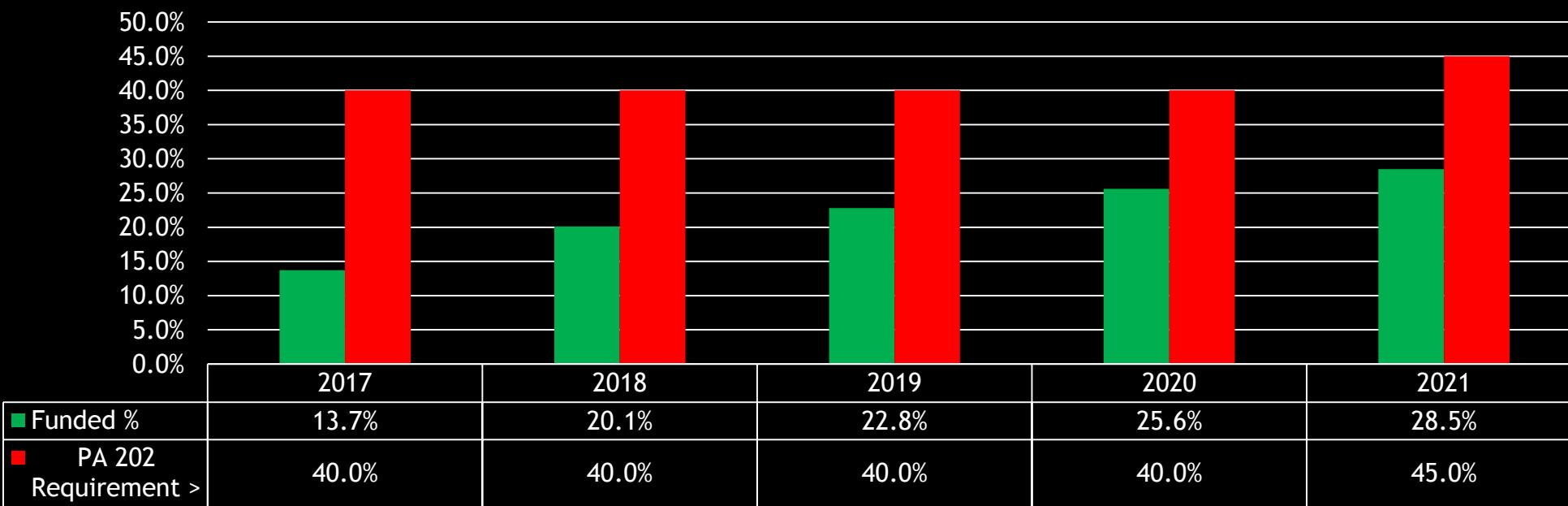


City of Bloomfield Hills Major Budget Assumptions Legacy Costs - Retiree Health Care (“OPEB”)



28

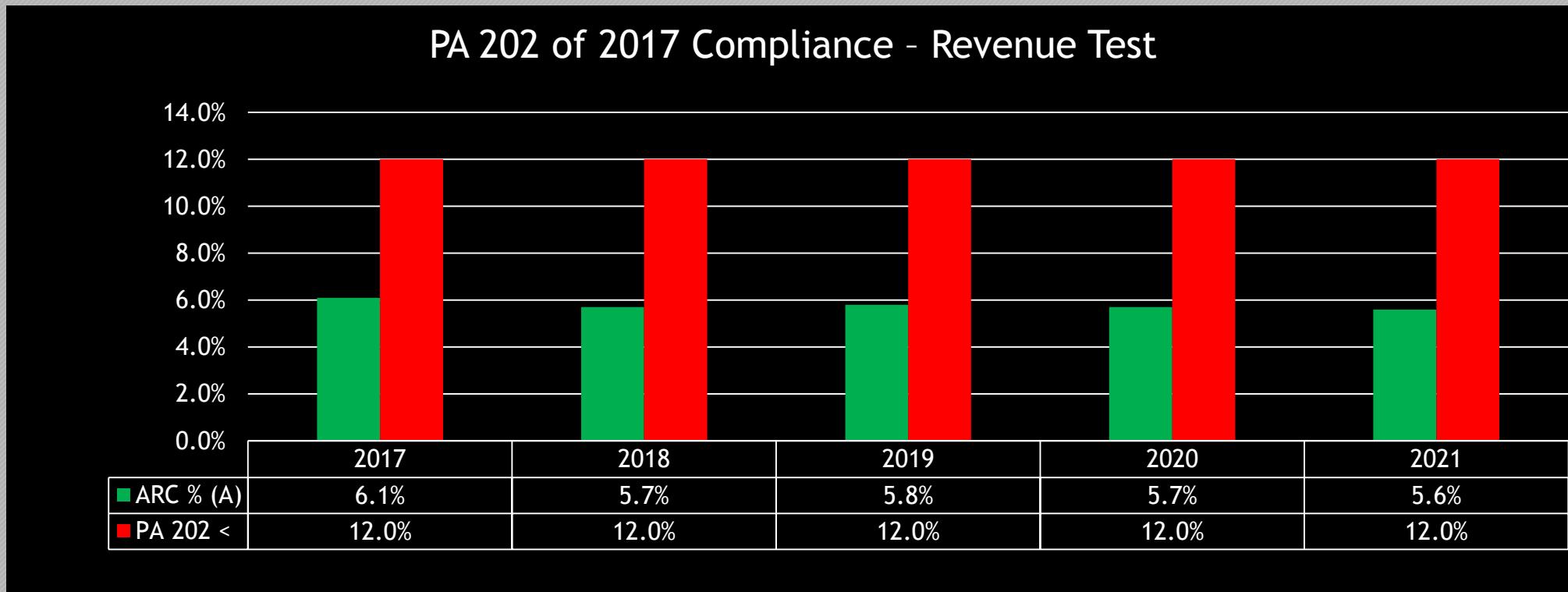
PA 202 of 2017 Compliance - Funding Test



City of Bloomfield Hills Major Budget Assumptions Legacy Costs - Retiree Health Care (“OPEB”)



29



(A) Annual Required Contribution (ARC) for OPEB as a % of Total
Governmental Fund Revenues

City of Bloomfield Hills

Other Budget Assumptions



30

- Intergovernmental Revenues: Estimates from the State of Michigan
- Other Revenues: Based on historical actuals adjusted for current year operating results/changes
- Non-Personnel Expenditures: Based on historical actuals adjusted for current year operating results/changes
- General Fund Transfers To:
 - Capital Improvement Fund: Approved expenditures
 - Road Improvement Fund: Supplement to property taxes for internal funding of 2018 road rehab. program
 - Debt Fund: Bonded debt principal, interest and fees
- Major Road Fund to Local Road Fund: Up to 100% of Major Road Fund gas & weight tax revenues
- Local Road Fund to Road Improvement Fund: Supplement to property taxes for internal funding of 2018 road rehab. program

City of Bloomfield Hills 2018-2019 Budget



31

General Fund

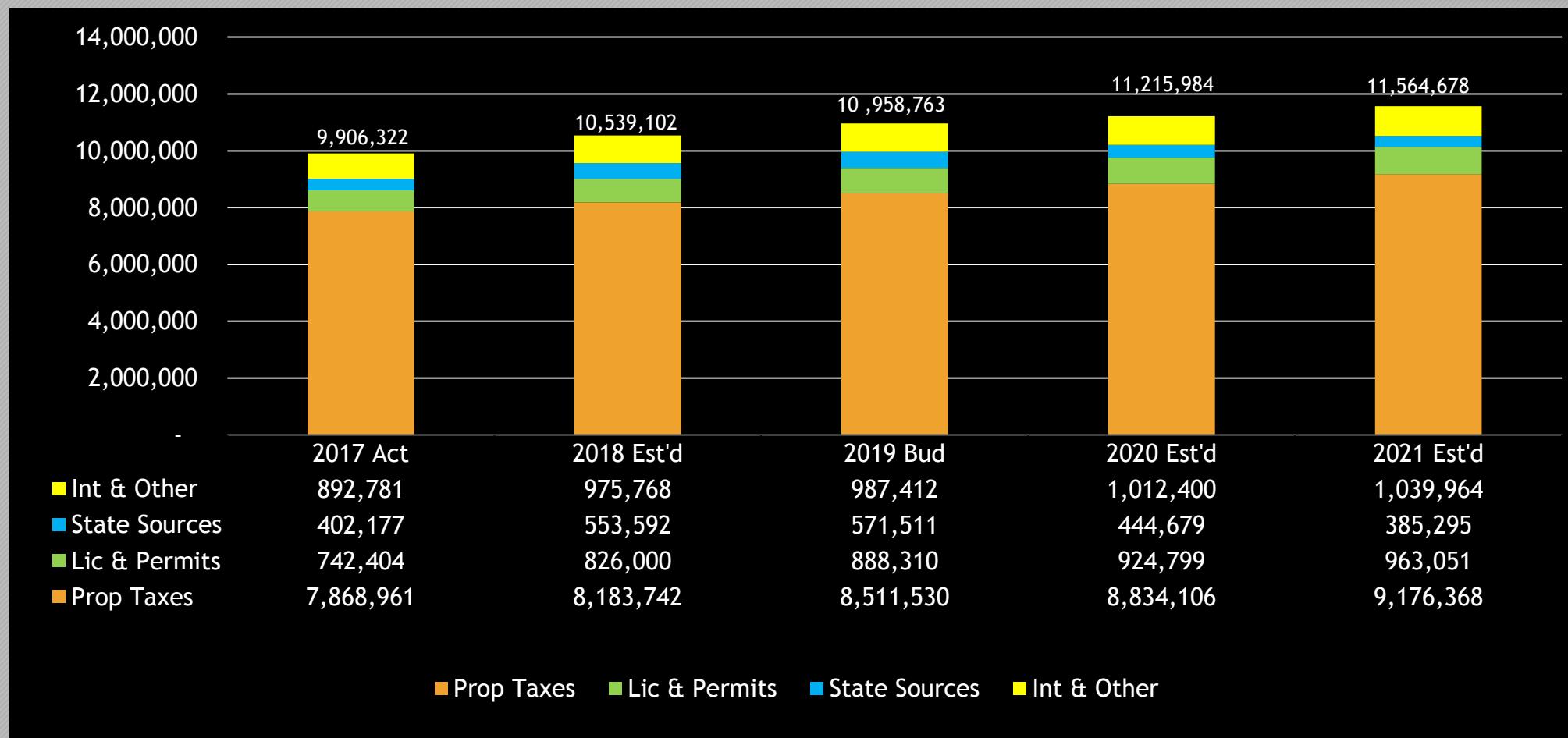
City of Bloomfield Hills

General Fund

Revenue Summary



32



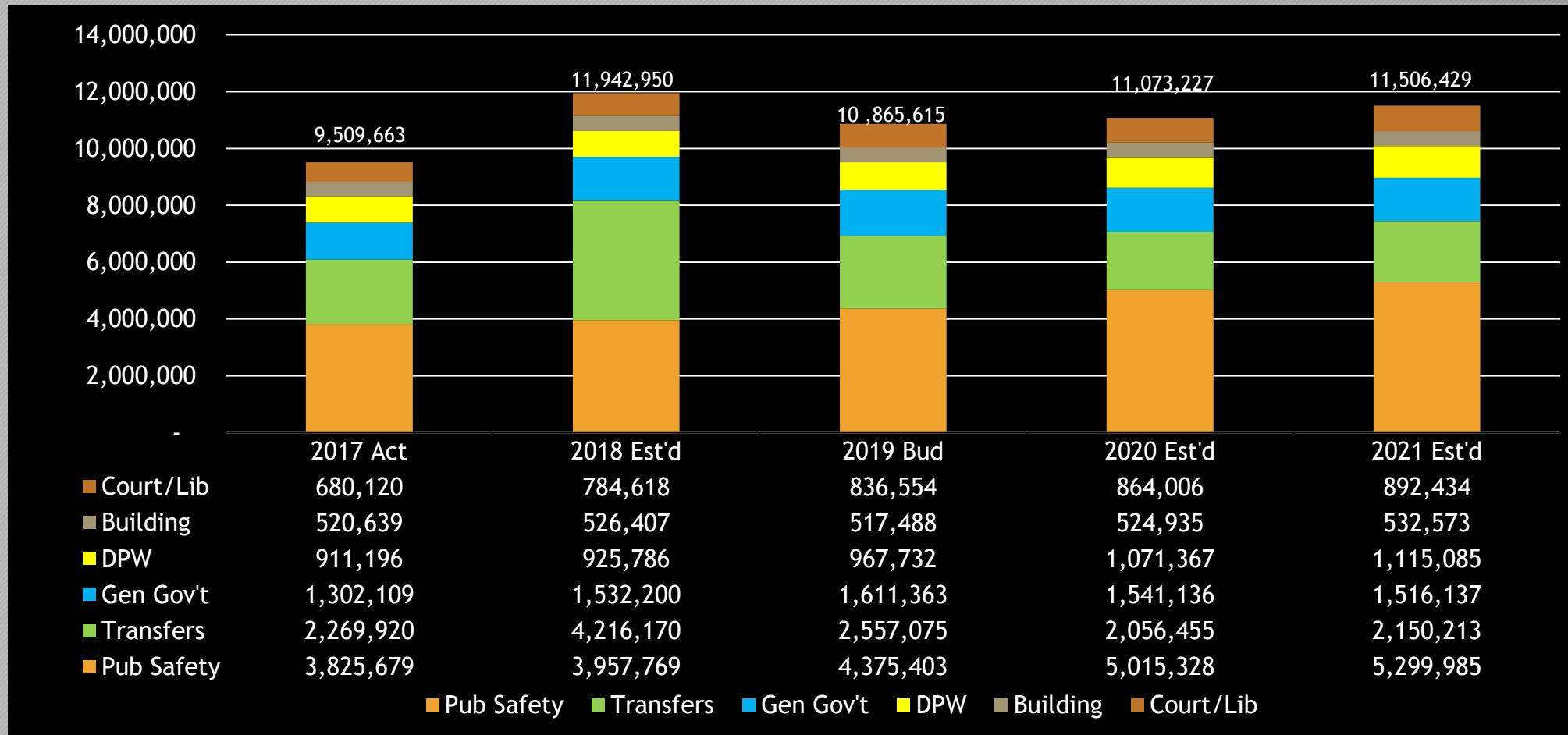
City of Bloomfield Hills

General Fund

Expenditure Summary



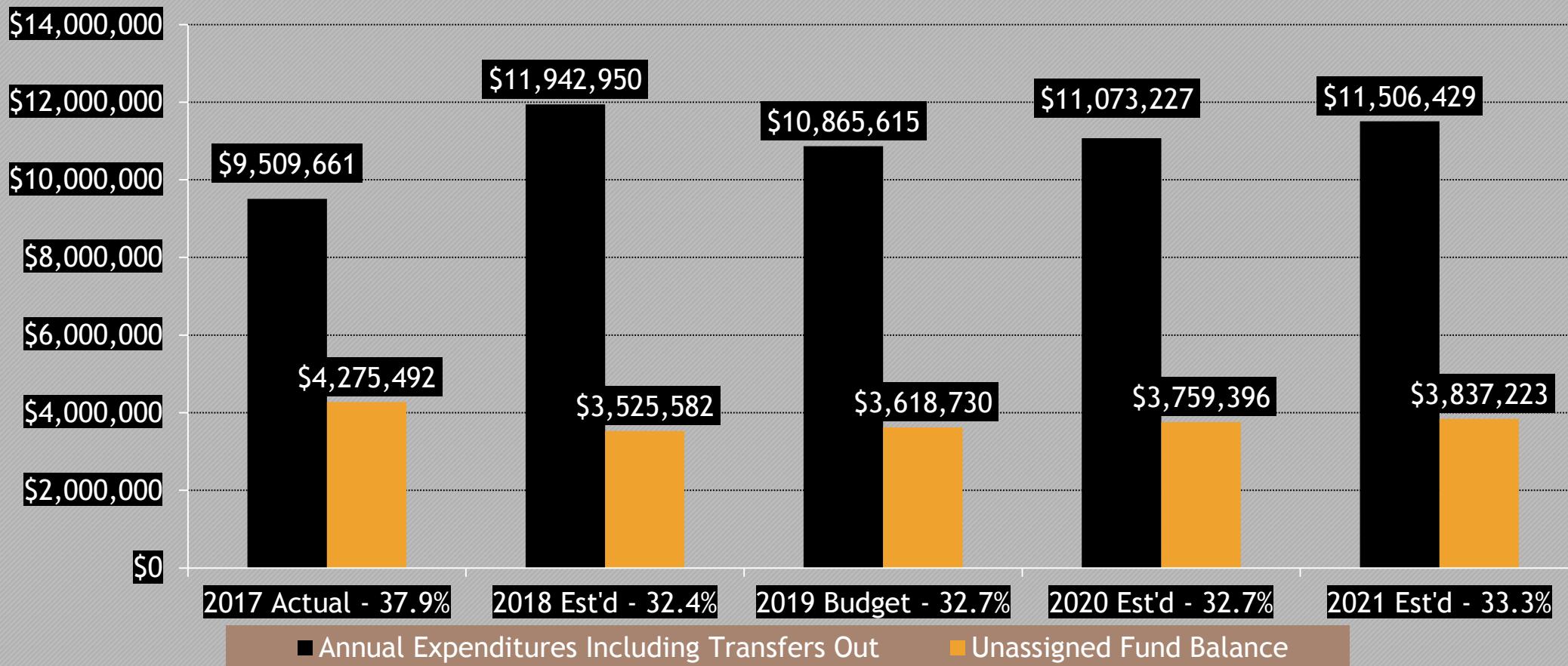
33



City of Bloomfield Hills General Fund – Fund Balance



34



City of Bloomfield Hills 2018-2019 Budget



35

Major & Local Road Funds

City of Bloomfield Hills Major & Local Road Funds 2018- 2019



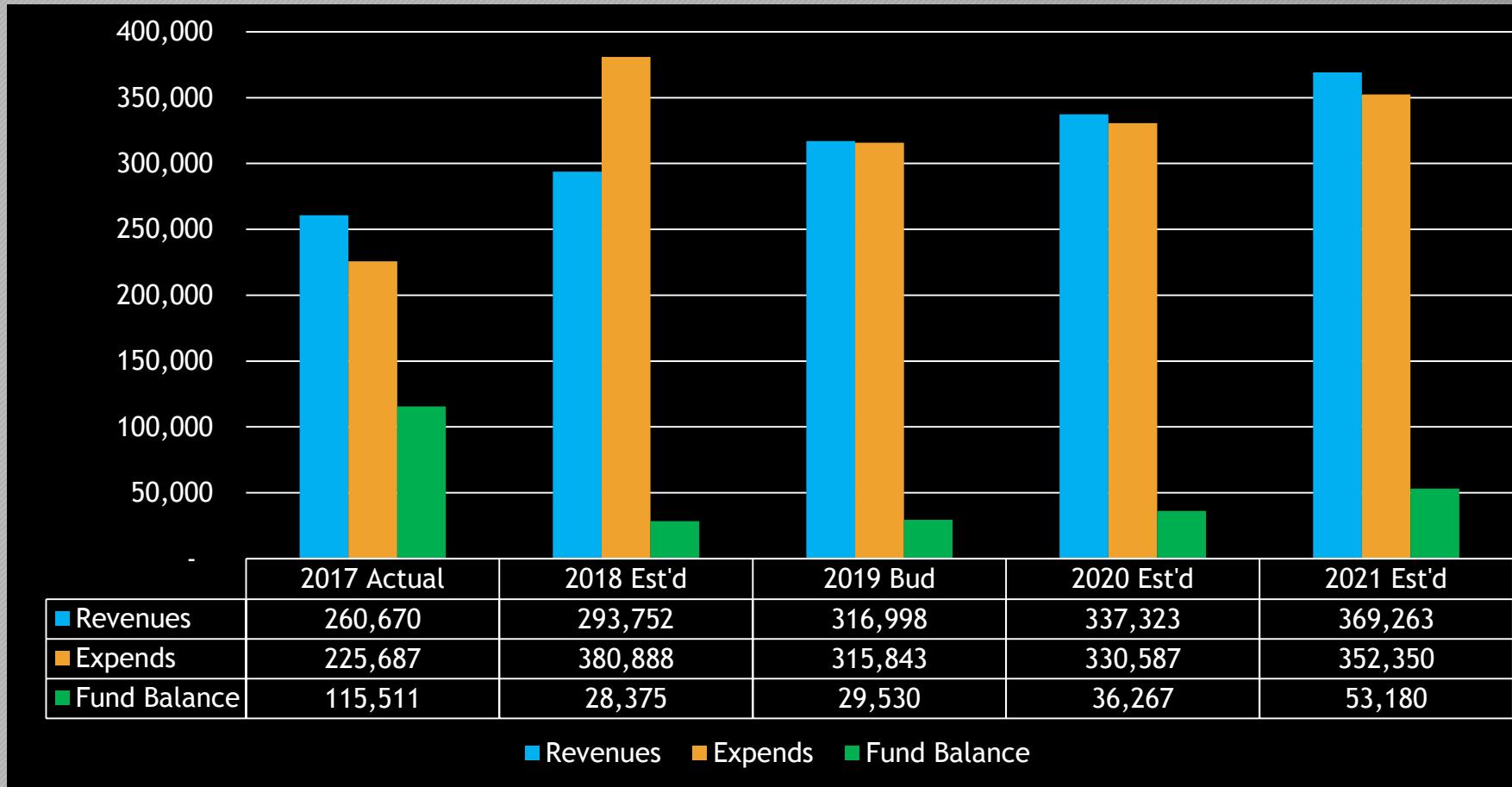
36

- Major revenue source is State gas and weight tax (Act 51 funds)
- Accounts for routine and winter maintenance
- 10% of Act 51 revenue transferred to General Fund for administration
- 50% of Major Roads Act 51 revenue transferred to Local Roads Fund
 - Road improvement plan submitted to State allows 100% transfer
- A reimbursement is made to the General Fund for applicable DPW wages and equipment costs
- The City has 8.83 miles of major roads and 24.81 miles of local roads

City of Bloomfield Hills Major Road Fund



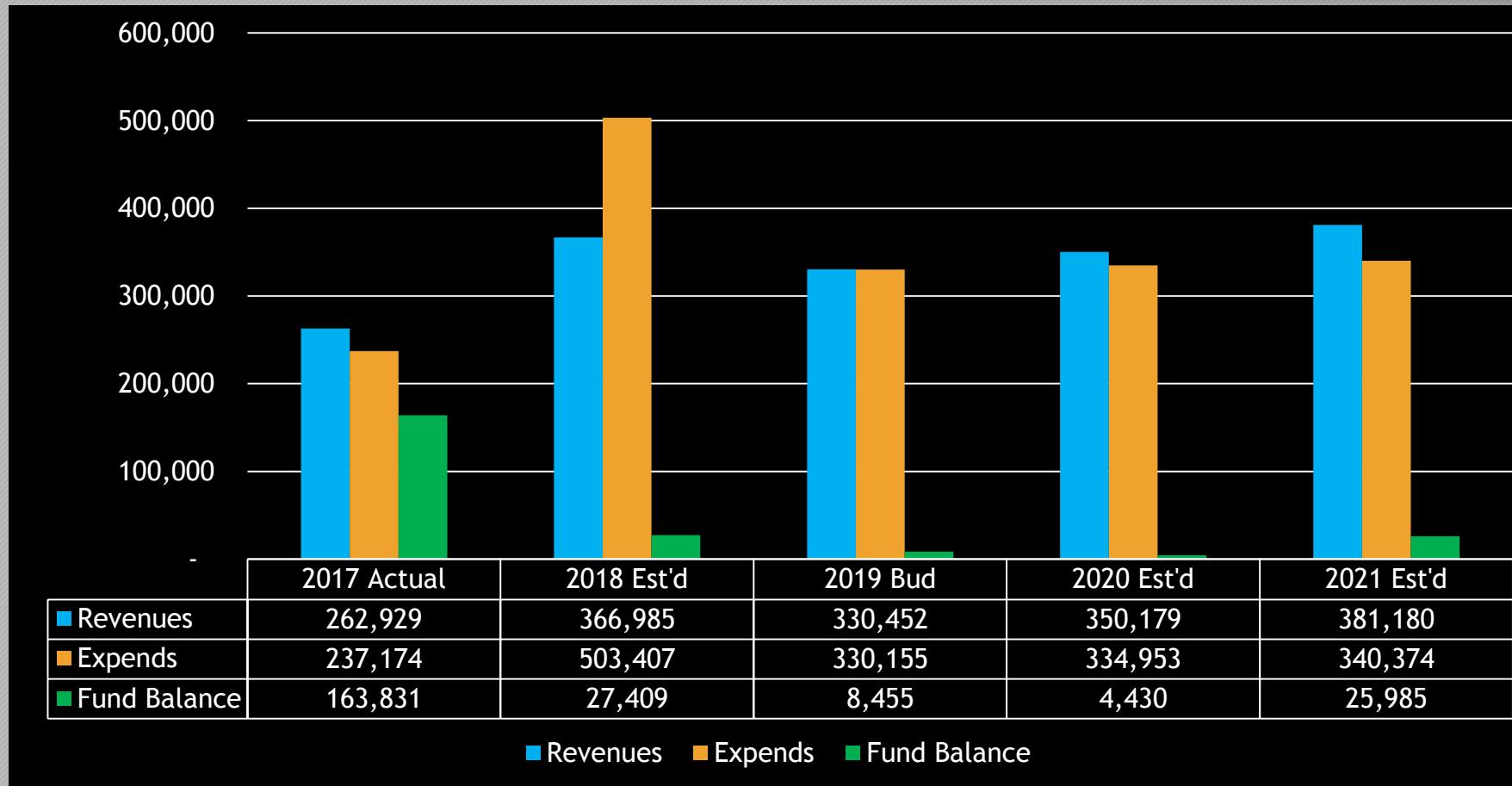
37



City of Bloomfield Hills Local Road Fund



38



**City of Bloomfield Hills
2018-2019 Budget**



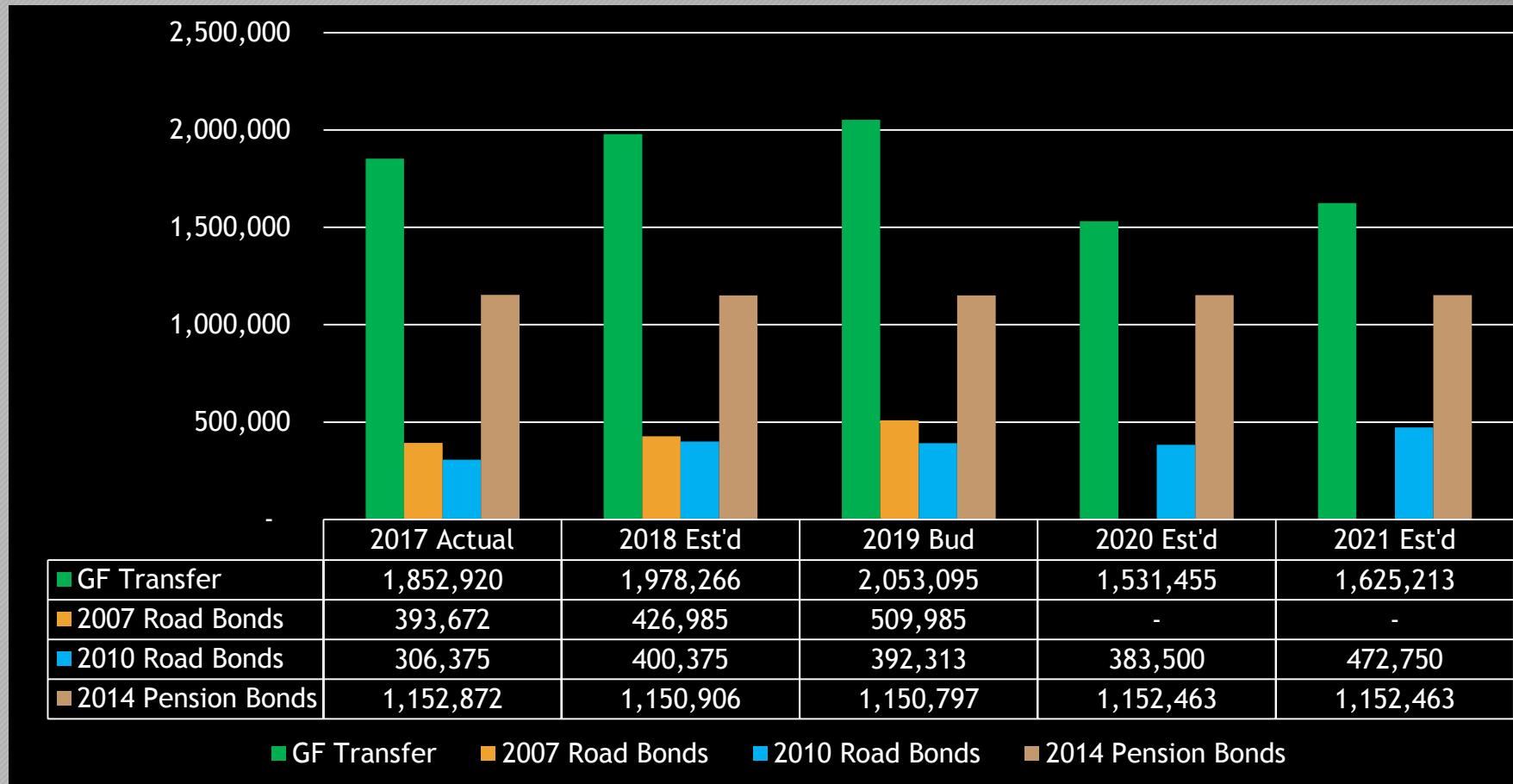
39

General Obligation Debt Fund

City of Bloomfield Hills General Obligation Debt Fund



40



Expenditures include bond principal, interest & paying agent fees

City of Bloomfield Hills General Obligation Debt Fund Amortization Schedules



41

2007 ROAD BONDS

Fiscal Year	Principal	Rate	Interest	Total
2018/19	500,000	3.80%	9,500	509,500
	<u>500,000</u>		<u>9,500</u>	<u>509,500</u>

2010 ROAD BONDS

Fiscal Year	Principal	Rate	Interest	Total
2018/19	300,000	2.88%	91,813	391,813
2019/20	300,000	3.00%	83,000	383,000
2020/21	400,000	3.125%	72,250	472,250
2021/22	400,000	3.375%	59,250	459,250
2022/23	500,000	3.50%	43,750	543,750
2023/24	500,000	3.50%	26,250	526,250
2024/25	500,000	3.50%	8,750	508,750
	<u>2,900,000</u>		<u>385,063</u>	<u>3,285,063</u>

PENSION OBLIGATION BONDS

Fiscal Year	Principal	Rate	Interest	Total
2018/19	685,000	1.70%	465,297	1,150,297
2019/20	695,000	2.20%	452,455	1,147,455
2020/21	715,000	2.37%	436,963	1,151,963
2021/22	730,000	2.60%	419,000	1,149,000
2022/23	750,000	2.83%	398,898	1,148,898
2023/24	775,000	3.03%	376,544	1,151,544
2024/25	800,000	3.20%	352,003	1,152,003
2025/26	825,000	3.40%	325,178	1,150,178
2026/27	855,000	3.55%	295,976	1,150,976
2027/28	885,000	4.00%	263,100	1,148,100
2028/29	925,000	4.00%	226,900	1,151,900
2029/30	960,000	4.00%	189,200	1,149,200
2030/31	1,000,000	4.00%	150,000	1,150,000
2031/32	1,040,000	4.00%	109,200	1,149,200
2032/33	1,085,000	4.00%	66,700	1,151,700
2033-34	<u>1,125,000</u>	<u>4.00%</u>	<u>22,500</u>	<u>1,147,500</u>
	<u>13,850,000</u>		<u>4,549,912</u>	<u>18,399,912</u>

City of Bloomfield Hills 2018-2019 Budget



42

Capital Improvement Fund

City of Bloomfield Hills
Capital Improvement Fund
2018- 2019



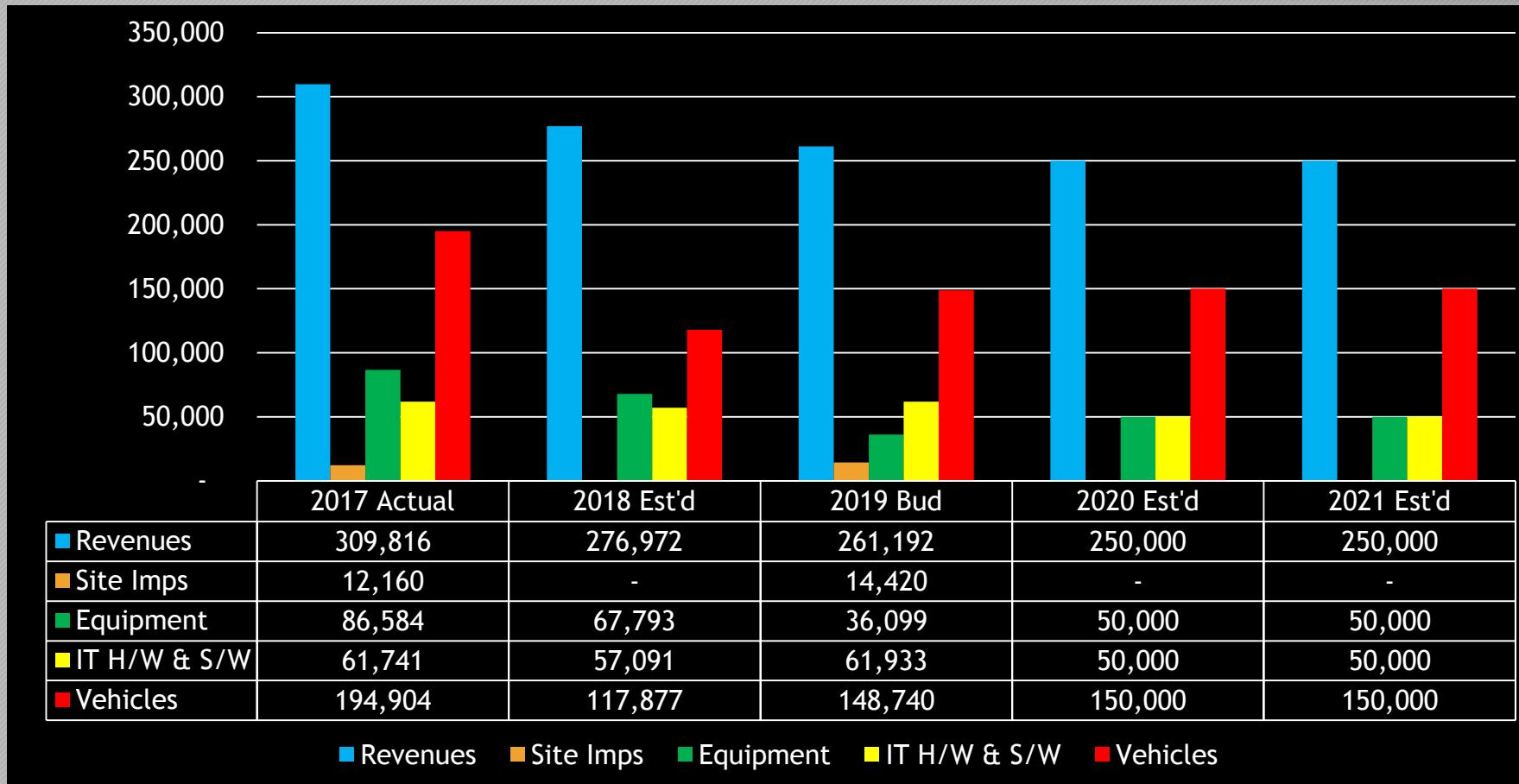
43

- Tracks yearly expenditures for capital purchases of \$1,000 or more
- Purchases are funded by a Transfer from the General Fund, except for large capital purchases, which are financed externally

City of Bloomfield Hills Capital Improvement Fund



44



City of Bloomfield Hills 2018-2019 Budget



45

Road Construction Fund

City of Bloomfield Hills Road Construction Fund 2018- 2019



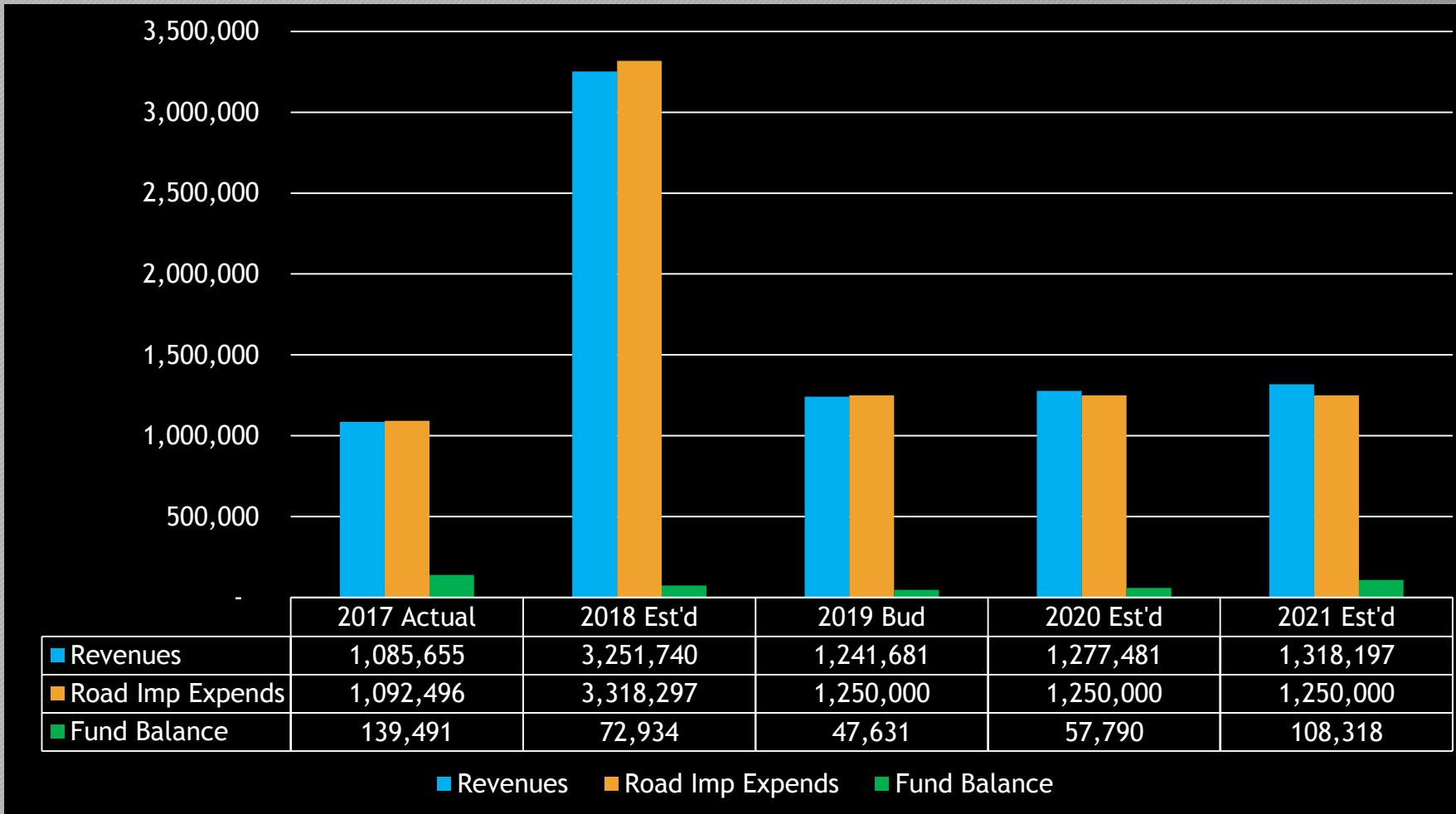
46

- Accounts for significant repairs and replacement of city roads
- Funding Sources:
 - Dedicated millage 1.10 mills
 - General Fund transfers
 - Local Road Fund Transfers
 - Water & Sewer Fund Transfers
- Completed N/W section road and water improvements in 2017-2018:
 - Manorwood Drive, Renton Court, Chestnut, Woodwind
- Starting similar road and water improvements in S/W section:
 - Lahser to Cranbrook - Spring 2018 for completion in Fall 2018
 - \$2 million of Road Improvements and \$4 million of Water improvements
 - Internally funding - No tax increase and no new bond issue
- Planning ongoing annual investment of approximately \$1.2 million to continue improving roads

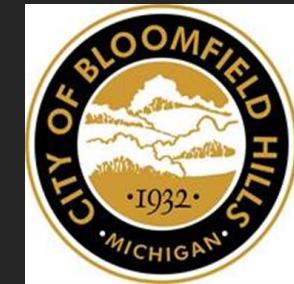
City of Bloomfield Hills Road Construction Fund



47



City of Bloomfield Hills Road Construction Fund



48

Revenues	2017 Act.	2018 Est'd	2019 Bud	2020 Est'd	2021 Est'd
Prop Taxes	868,655	901,973	941,681	977,481	1,018,197
GF Transfer	217,000	1,979,767	300,000	300,000	300,000
Local Street Transfer	-	200,000	-	-	-
Donations	-	170,000	-	-	-
Total Revs	1,085,655	3,251,740	1,241,681	1,277,481	1,318,197

Expenditures	2017 Act.	2018 Est'd	2019 Bud	2020 Est'd	2021 Est'd
N/W Section - Manorwood, et.al.	1,092,496	986,973	-	-	-
Hunt Club, Balfour, Pine Gate	-	345,583	-	-	-
Lahser - Long Lk - Hick. Grove	-	166,853	-	-	-
Cranbrook, Hilltop, et. al.	-	1,068,888	-	-	-
S/W Section - Lahser to Cranbrook	-	750,000	1,250,000	-	-
To Be Determined	-	-	-	1,250,000	1,250,000
Total Expenditures	1,092,496	3,318,297	1,250,000	1,250,000	1,250,000

City of Bloomfield Hills 2018-2019 Budget



49

Water & Sewer Fund

City of Bloomfield Hills Water & Sewer Fund 2018- 2019



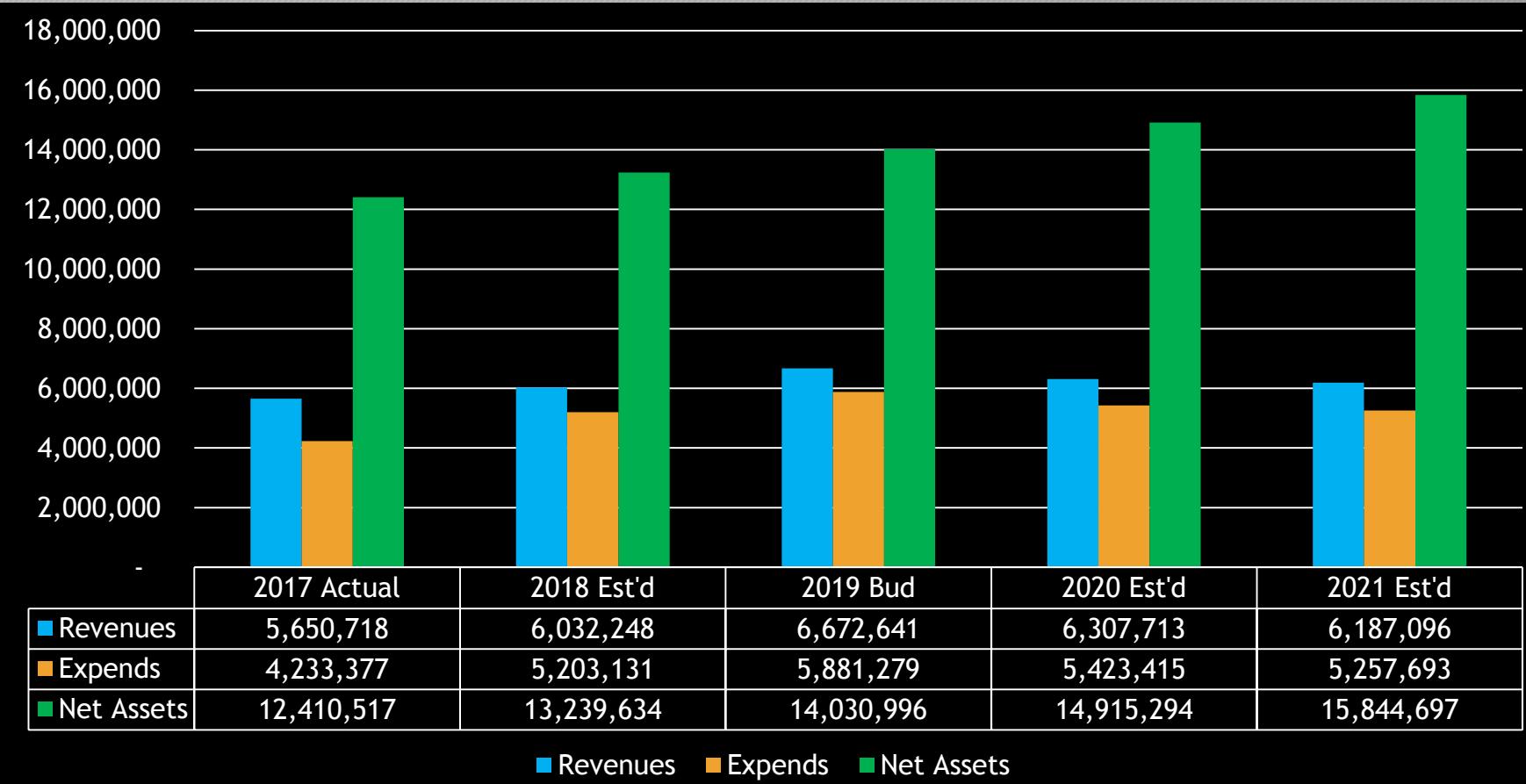
50

- An Enterprise Fund which operates like a for profit business
- A budget for this fund is not mandatory, but is considered best practice
- Only fund that is accounted for on the full-accrual basis
- Revenue includes:
 - User Fees which vary depending on usage and weather
 - Capital Contributions which are fixed fees and used to pay for current and future maintenance and debt
- Expenses include some of the following:
 - Oakland County - Cost to maintain, bill and collect
 - Interest on debt (unlike the other funds, the debt principal is carried on the balance sheet and yearly payments reduce the liability)
 - Depreciation (unlike the other funds, new construction is carried on the balance sheet and expensed over the life of the asset)
 - A small allocation of General Fund costs including staff wage and benefits

City of Bloomfield Hills Water & Sewer Fund



51



**City of Bloomfield Hills
Water & Sewer Fund
2015 Bonds - Amortization Schedule**



52

2015 WATER & SEWER BONDS

Fiscal Year	Principal	Rate	Interest	Total
2018/19	310,000	2.25%	51,675	361,675
2019/20	315,000	2.25%	44,644	359,644
2020/21	325,000	2.00%	37,850	362,850
2021/22	330,000	2.00%	31,300	361,300
2022/23	335,000	2.00%	24,650	359,650
2023/24	345,000	2.00%	17,850	362,850
2024/25	355,000	2.00%	10,850	365,850
2025/26	365,000	2.00%	3,650	368,650
	<u>2,680,000</u>		<u>222,469</u>	<u>2,902,469</u>

City of Bloomfield Hills 2018-2019 Budget



53

Budget Summary

City of Bloomfield Hills

2018-2019 Budget

Summary



54

• BUDGET OBJECTIVE	• BUDGET RESULT
• Provide a 3 year budget	• Done: Budget included for 2018-2019 and estimates included for 2019-2020 and 2020-2021
• Balanced budgets	• Done: All of the budgets above are balanced without using fund balance
• No increase in tax millage	• Done: millage rates remain at 9.5 mills for operations and 1.10 mills for roads. Library millage of 0.3785 decreases slightly each year due to rollbacks
• Fund SW section road and water improvements internally - NO NEW BOND ISSUES	• Done: Road improvements (2 million) to be funded from millage, General Fund & Local Street Fund. Water improvements (4 million) to be funded from Water & Sewer Fund
• Fund increased pension contributions and ensure compliance with Public Act 202 of 2017	• Done: Due to MERS assumptions changes, pension contributions increase from \$406 thousand in 2017-2018 to \$972 thousand in 2020-2021. City will be in compliance (not underfunded) with P.A. 202 of 2017
• Resume non mandatory pre-funding of OPEB contribution and ensure compliance with Public Act 202 of 2017	• Done: Pre-funding appropriation of \$450 thousand included in 2019-2020 and 2020-2021, including \$225 thousand "catch-up" contribution in each year for funding suspension in 2016-2017 and 2017-2018. City will be in compliance (not underfunded) with P.A. 202 of 2017
• Maintain General Fund Unassigned Fund Balance in the range of 30 to 35% of expenditures, in compliance with the City's fund balance policy	• Done: 32.7%, 32.7% and 33.3% in 2018-2019, 2019-2020, and 2020-2021, respectively