

City of Bloomfield Hills 2020 Budget



Susan McCarthy, Mayor

William Hosler, Mayor Pro-Tem

Michael Coakley, Commissioner

Sarah McClure, Commissioner

Stuart D. Sherr, Commissioner

City Manager

David Hendrickson

Finance Director/Treasurer

Keith Francis

Director of Public Safety

Noel Clason

City Clerk

Amy Burton

Director of Public Works

Jamie Spivy

City of Bloomfield Hills 2020 Budget Table of Contents



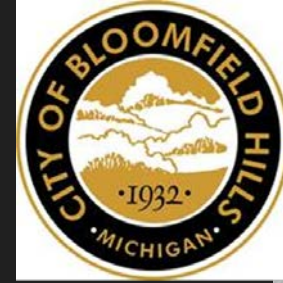
Budget Objectives	3
Major Budget Assumptions:	
Property Taxes	4-11
Personnel Expenditures	12-16
Legacy Costs - Pension	17-20
Legacy Costs - OPEB	21-25
Other Budget Assumptions	26
General Fund	27-33
Major & Local Road Funds	34-37
General Obligation Debt Fund	38-41
Capital Improvement Fund	42-44
Road Construction Fund	45-48
Water & Sewer Fund	49-52
Budget Summary	53-54

City of Bloomfield Hills 2020 Budget



BUDGET OBJECTIVES
• Provide a 3 year budget
• Balanced budgets
• No increase in tax millage
• Complete SW section road and water improvements and continue road and water/sewer improvements - Fund 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
2020 Budget



4

Major Budget Assumption

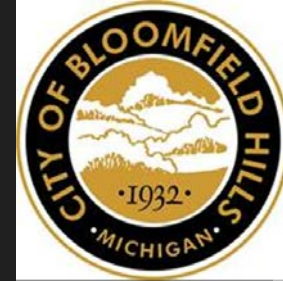
- Property Taxes

City of Bloomfield Hills 2020 Major Budget Assumptions Property Tax Revenues - Property Values

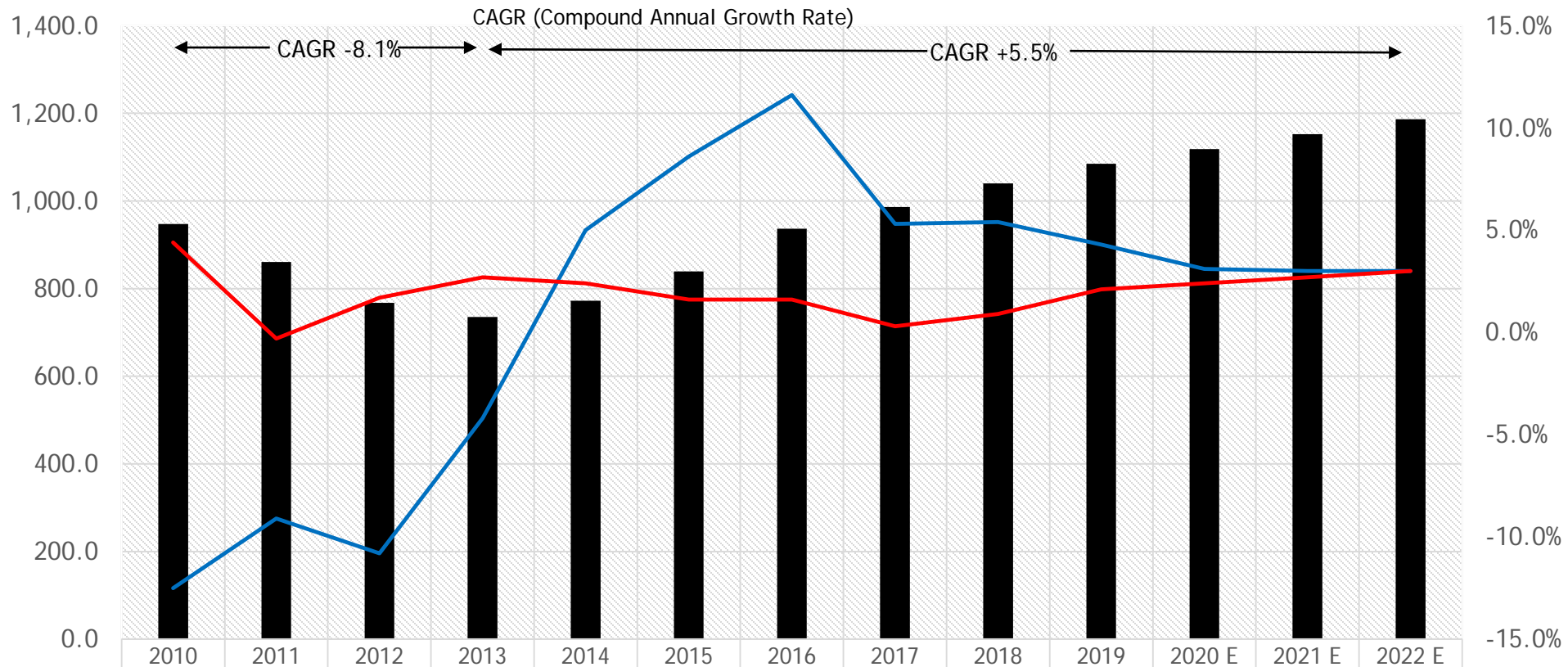


- **Assessed Value (AV):**
 - Determined by the local assessor for each parcel of real property as of December 31st
 - State constitution requires that property be uniformly assessed at no more than 50% of the "usual selling price", often referred to as True Cash Value (TCV)
- **State Equalized Value (SEV):**
 - Equals AV as adjusted following County and State "equalization" so that AV's do not exceed 50% of TCV
 - Prior to Proposal "A" (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) 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 State Equalized Value (SEV) Real & Personal Property Values

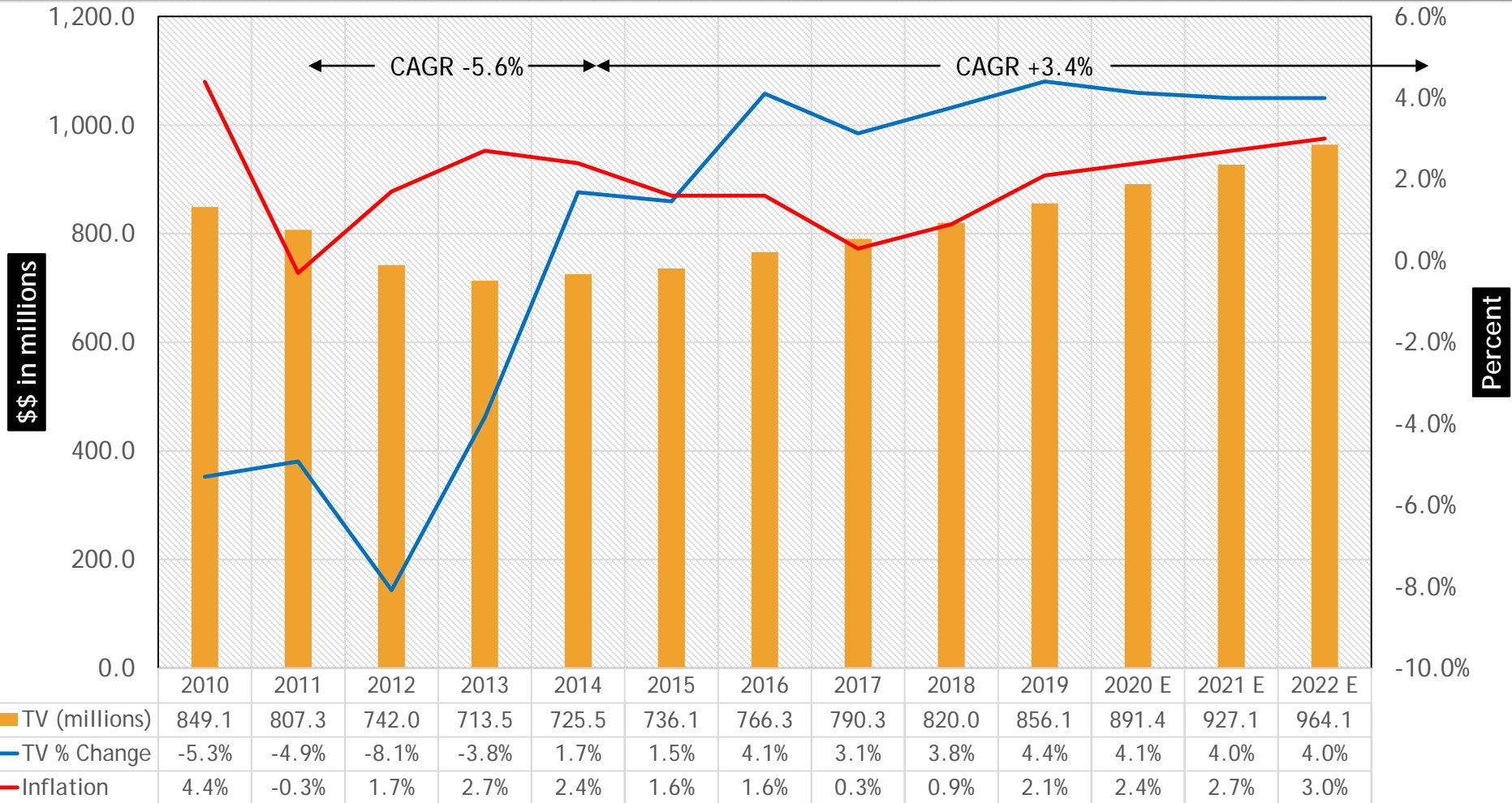
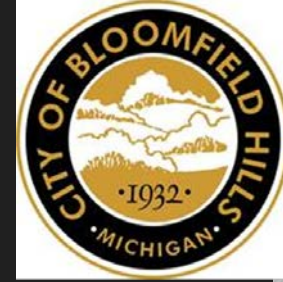


6

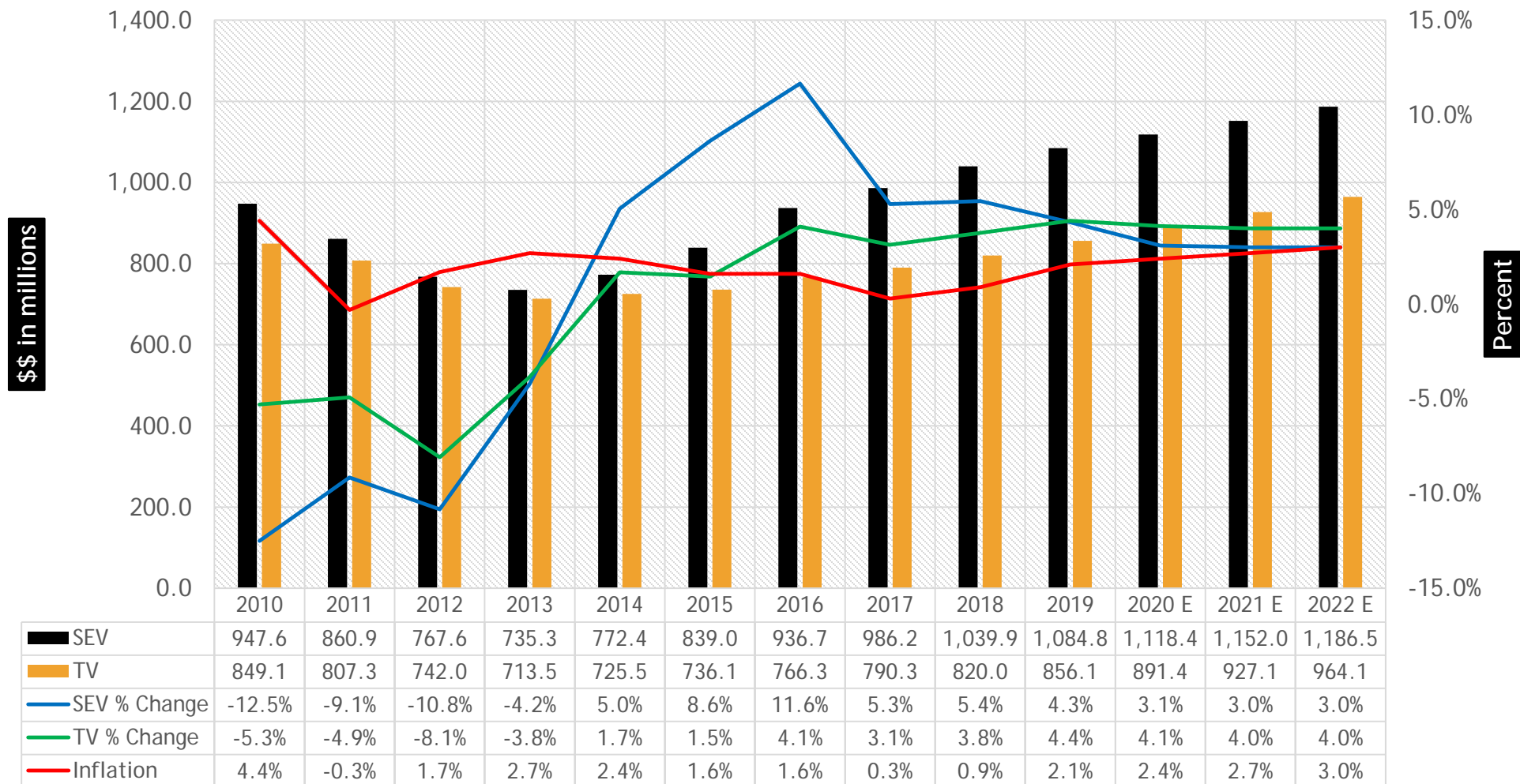


SEV (millions)	947.6	860.9	767.6	735.3	772.4	839.0	936.7	986.2	1,039.9	1,084.8	1,118.4	1,152.0	1,186.5
SEV % Change	-12.5%	-9.1%	-10.8%	-4.2%	5.0%	8.6%	11.6%	5.3%	5.4%	4.3%	3.1%	3.0%	3.0%
Inflation	4.4%	-0.3%	1.7%	2.7%	2.4%	1.6%	1.6%	0.3%	0.9%	2.1%	2.4%	2.7%	3.0%

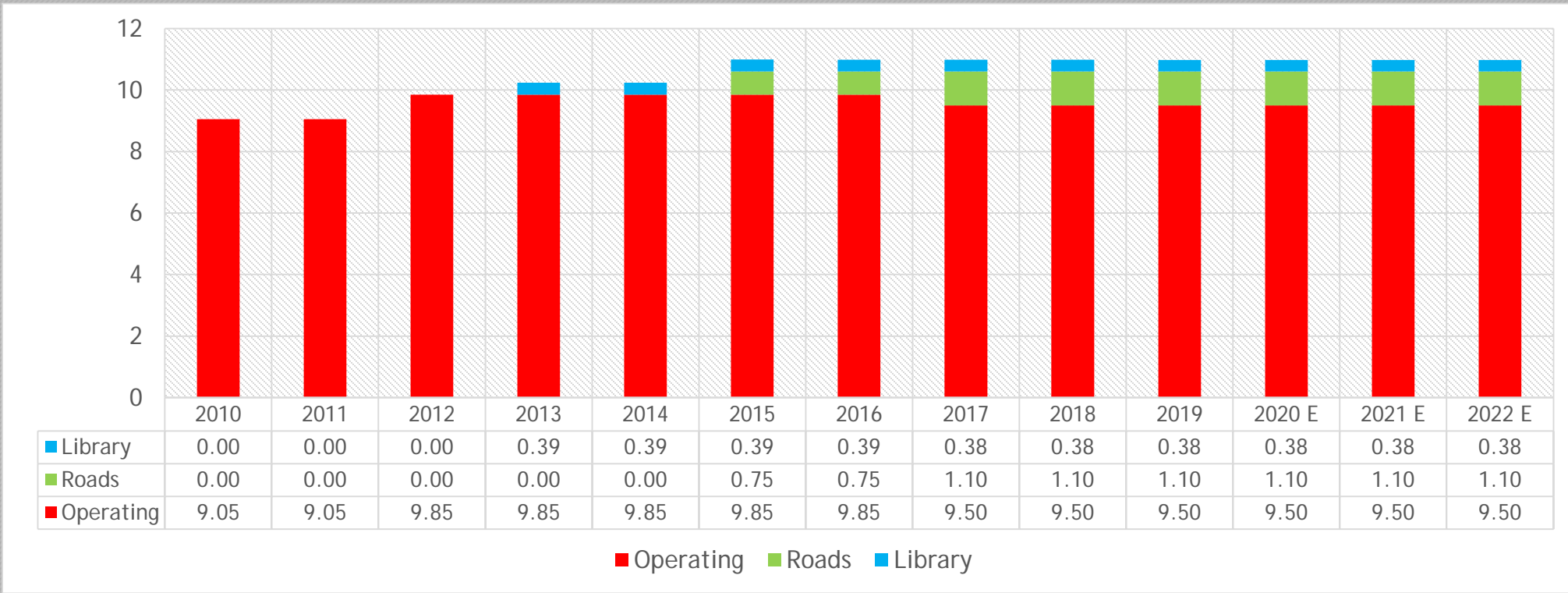
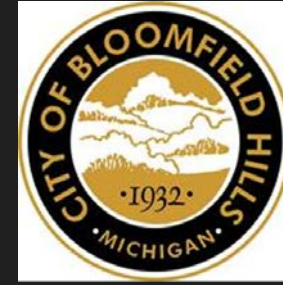
City of Bloomfield Hills Taxable Value (TV) Real & Personal Property Values



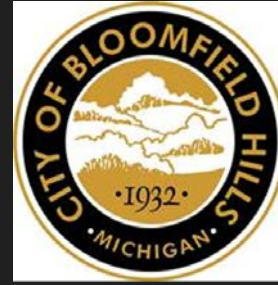
City of Bloomfield Hills State Equalized Value (SEV) & Taxable Value (TV) Real & Personal Property Values



City of Bloomfield Hills City Millage Rates



City of Bloomfield Hills 2020 City Millage Rates



10

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

12/31/2018 Assessment date = "2019 Taxes" = Fiscal 2020 Tax Revenue

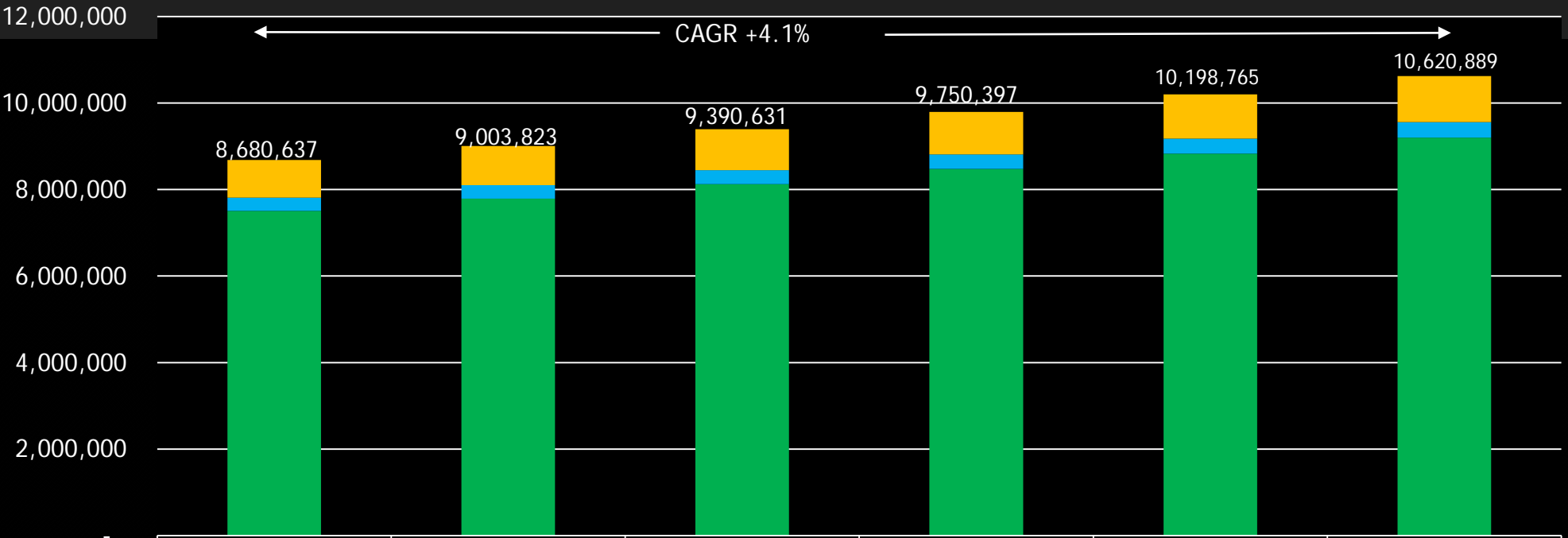
Charter Limit for Operations	20.0000 mills
Permanent Reduction - "Headlee"	<u>-5.7887</u>
Maximum Allowable Millage Levy	14.2113
Operating Millage to be Levied	<u>-10.6000</u>
Allowable Additional Millage	3.6113 (\$3.2 Million)

Operating Mills 10.60

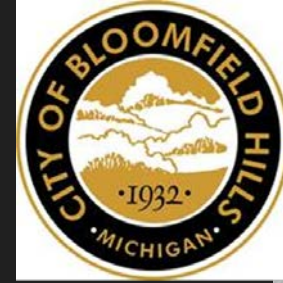
- General Operating 9.50 mills
- Allocated to Roads 1.10 mills

Library Mills 0.3759 (Six year voted millage for Baldwin Library ends in 2020)

City of Bloomfield Hills Property Tax Revenue



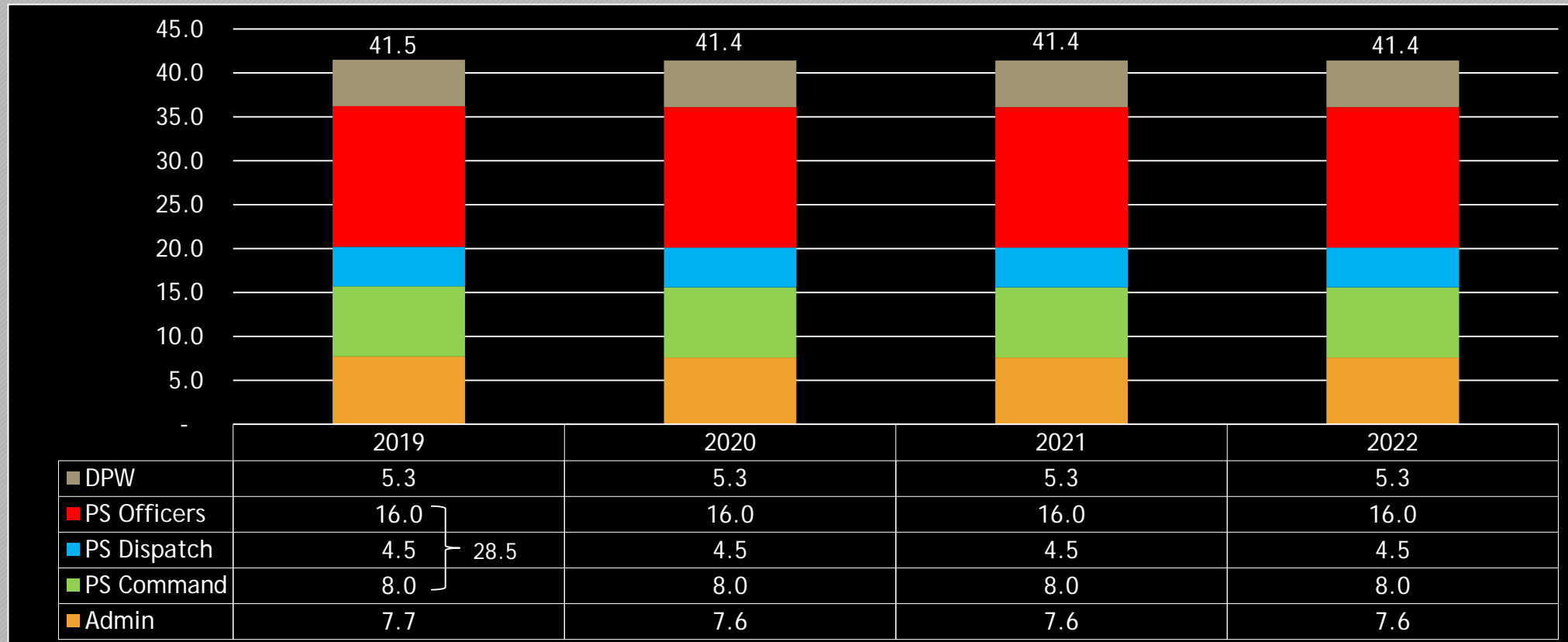
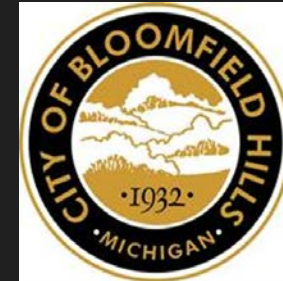
	2017	2018	2019	2020	2021	2022
■ Roads	869,304	901,973	940,902	981,428	1,022,406	1,065,096
■ Library	303,703	312,083	323,756	335,408	346,491	357,236
■ GF Ops	7,507,630	7,789,767	8,125,973	8,475,973	8,829,868	9,198,558



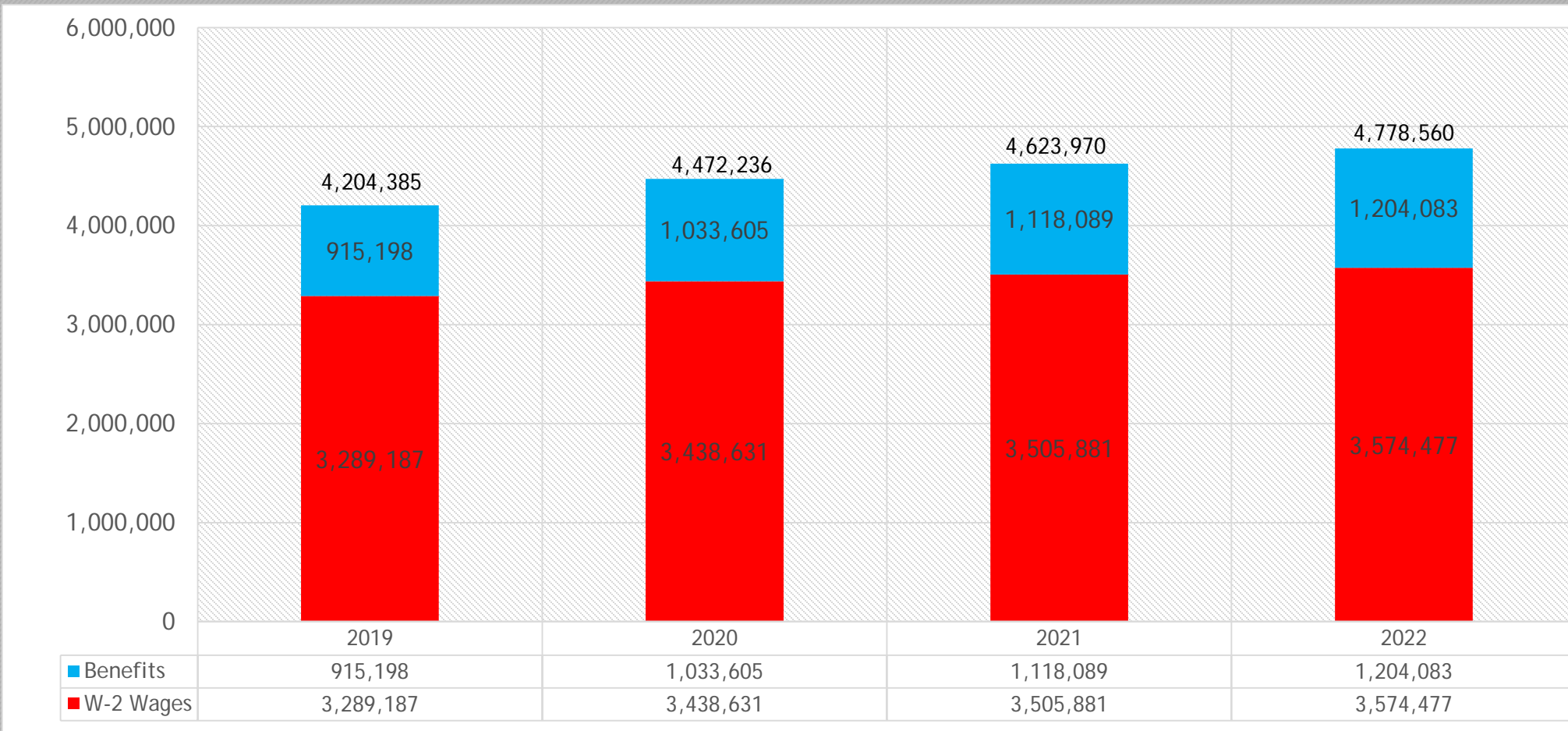
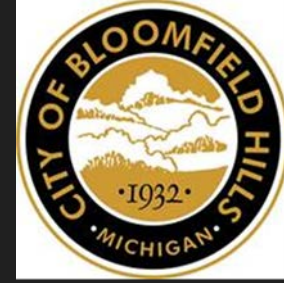
Major Budget Assumption

- Personnel Expenditures

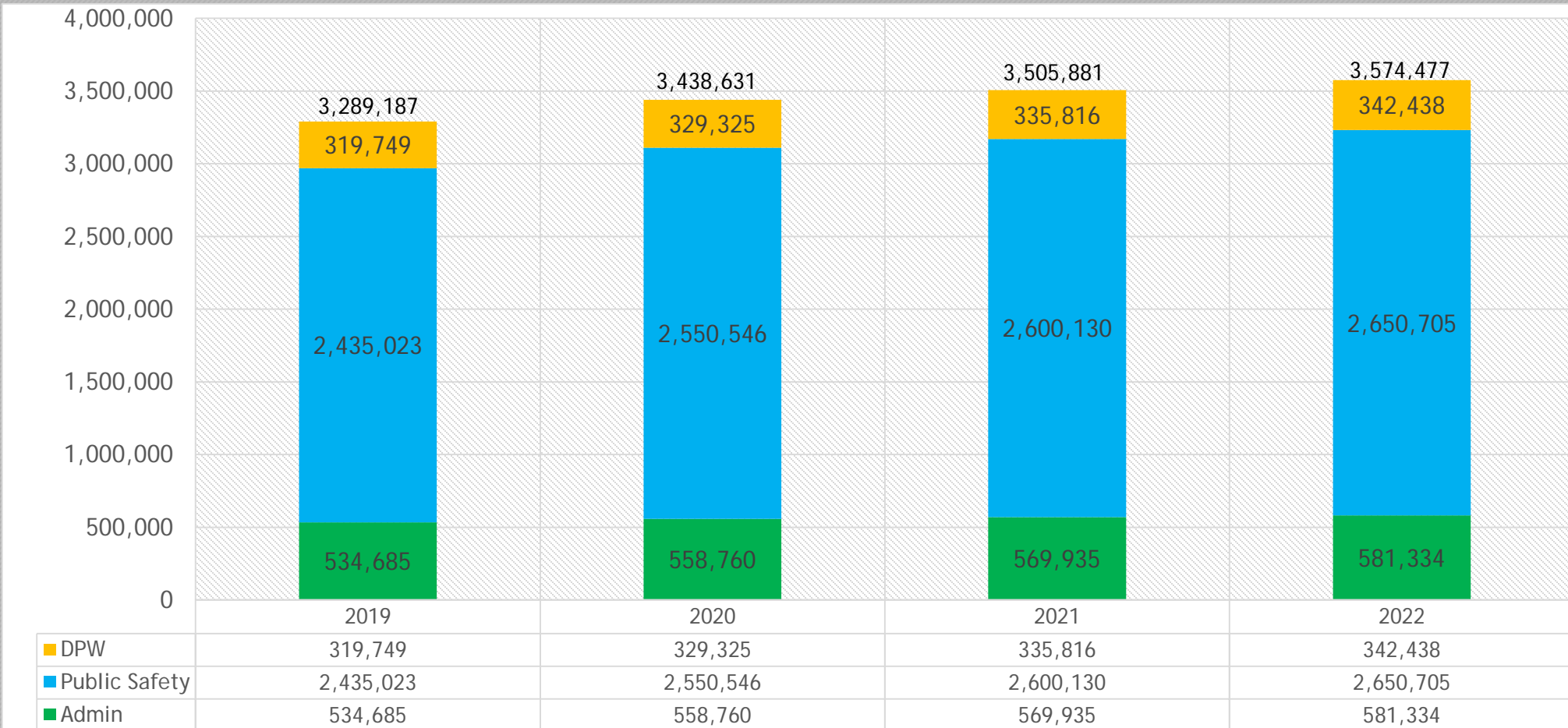
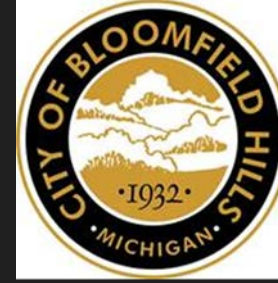
City of Bloomfield Hills Major Budget Assumptions Personnel Expenditures - Headcount - FTE's



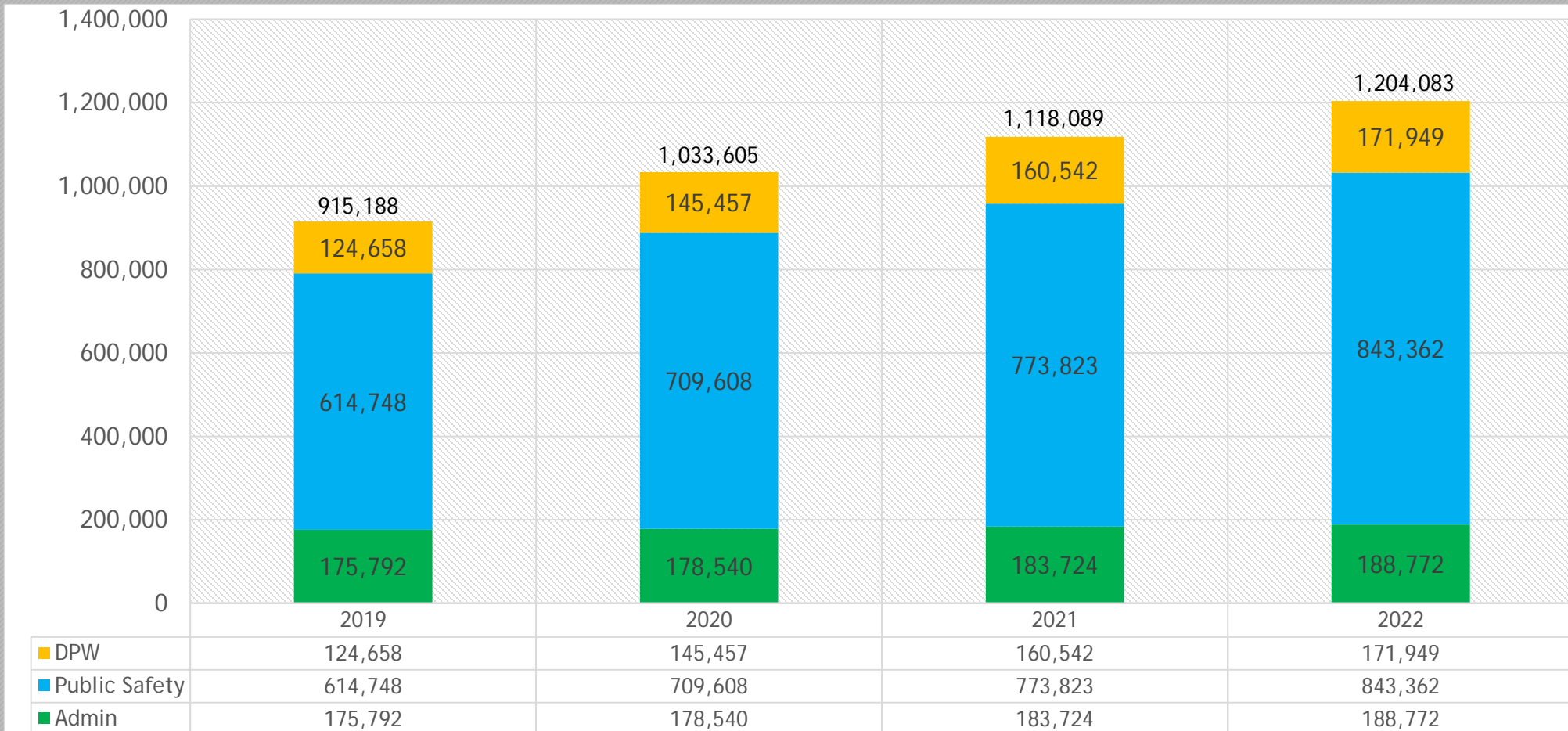
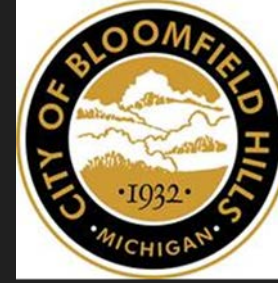
City of Bloomfield Hills Major Budget Assumptions Personnel Expenditures – Wages & Benefits



City of Bloomfield Hills Major Budget Assumptions Personnel Expenditures - Wages by Department



City of Bloomfield Hills Major Budget Assumptions Personnel Expenditures – Benefits by Department



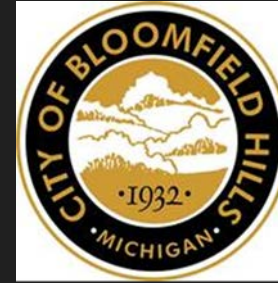


Major Budget Assumption

- Legacy Costs - Defined Benefit Pension
 - Frozen Plan - Public Safety and DPW Union Employees Hired prior to 6/30/2014

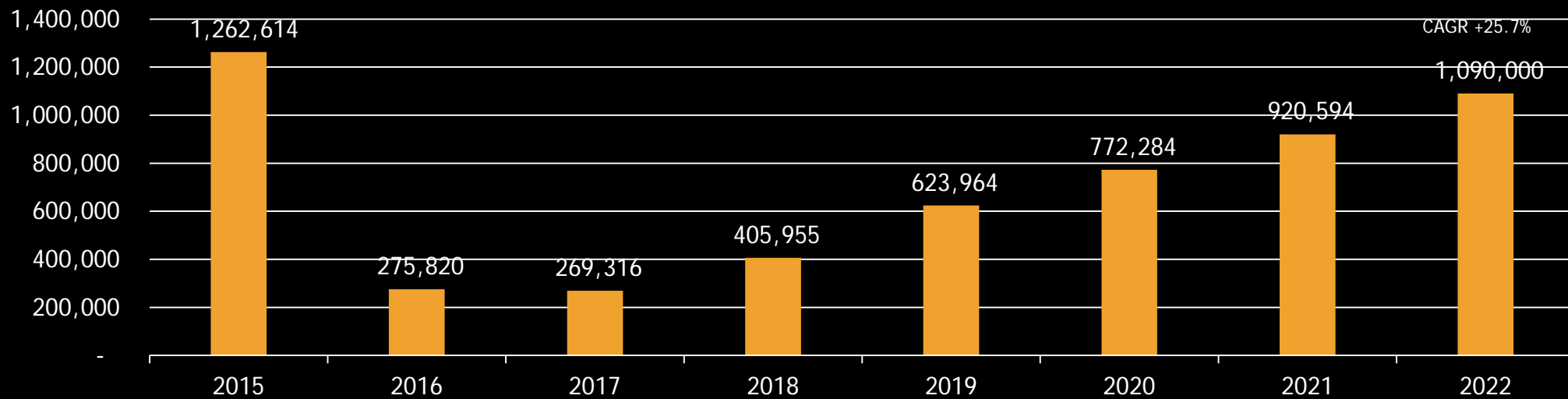
Inactive plan members or beneficiaries currently receiving benefits	47
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	23
Total employees covered by the plan as of December 31, 2017	70

City of Bloomfield Hills Legacy Costs - Defined Benefit Pension Plan



18

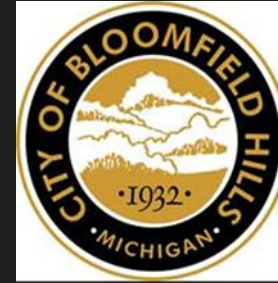
City's Contribution



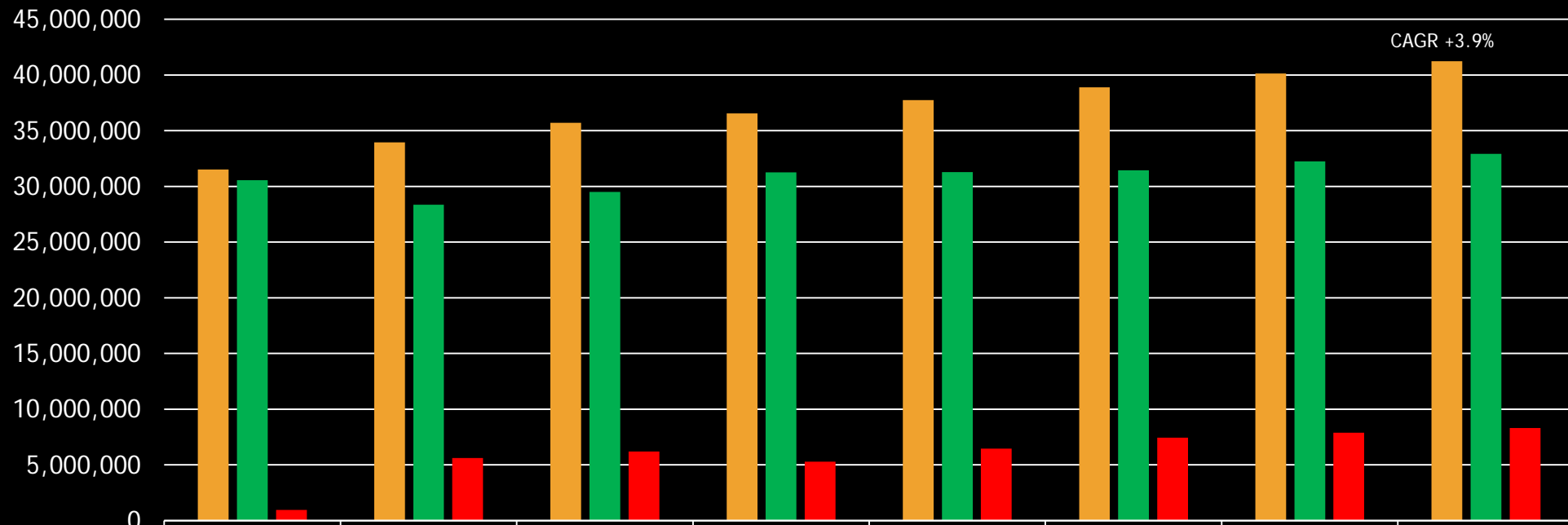
In 2016 MERS made assumption changes, the major of which were:

1. Mortality was adjusted to reflect longer lifetimes
2. Investment rate of return was lowered from 8% to 7.75%

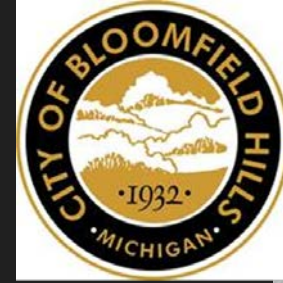
City of Bloomfield Hills Legacy Costs - Defined Benefit Pension Plan



Funding Status



	2015	2016	2017	2018	2019	2020	2021	2022
■ Pension Liability	31,520,275	33,963,578	35,699,755	36,562,995	37,740,630	38,891,990	40,124,093	41,230,177
■ Funded	30,568,174	28,354,251	29,503,008	31,267,229	31,274,250	31,454,801	32,240,109	32,916,260
■ Unfunded	952,101	5,609,327	6,196,747	5,295,766	6,466,380	7,437,189	7,883,984	8,313,917

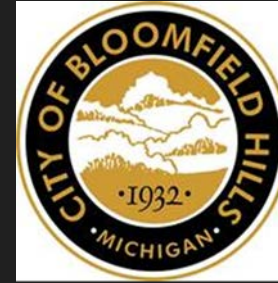


Major Budget Assumption

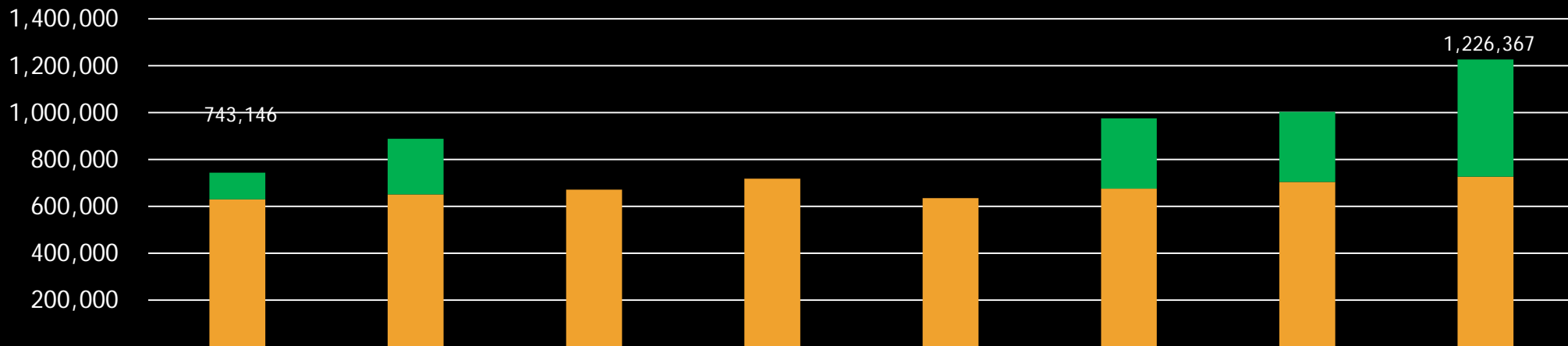
- Legacy Costs - Retiree Health Care ("OPEB")
- Frozen Plan - Public Safety and DPW Union Employees Hired prior to 7/1/2009

Active employees with current health care coverage	13
Active employees without current health coverage (opt-outs)	8
Retirees with coverage	39
Total employees covered by the plan as of June 30, 2018	60

City of Bloomfield Hills Legacy Costs - Retiree Health Care ("OPEB")



City's Contribution

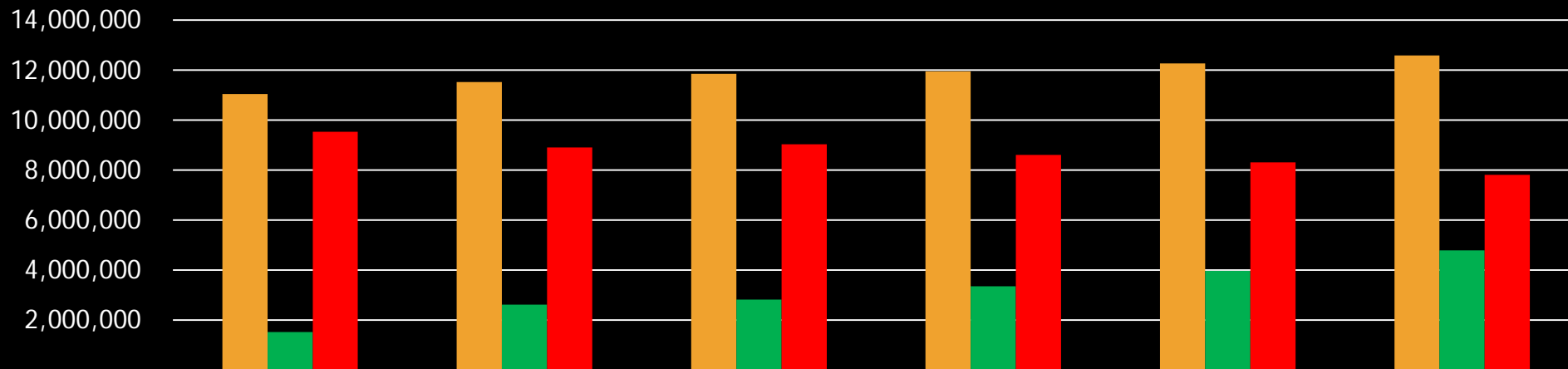


	2015	2016	2017	2018	2019	2020	2021	2022
■ Pre Funding	113,715	236,683	-	-	-	300,000	300,000	500,000
■ Required Funding	629,451	650,982	670,697	718,126	634,850	675,527	703,513	726,367

City of Bloomfield Hills Legacy Costs - Retiree Health Care ("OPEB")

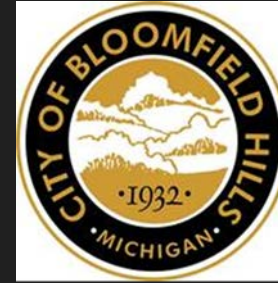


Funding Status

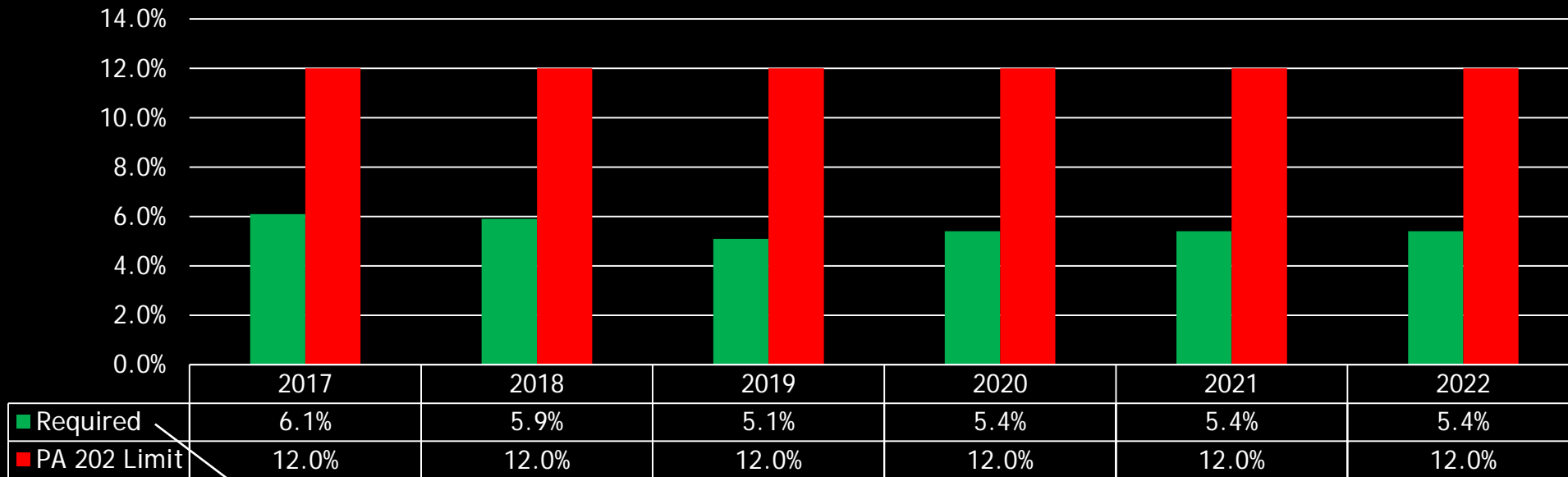


	2017	2018	2019	2020	2021	2022
Total Liability	11,044,714	11,517,981	11,849,515	11,951,106	12,267,367	12,585,905
Funded	1,512,555	2,617,148	2,817,145	3,343,832	3,962,669	4,784,500
Unfunded	9,532,159	8,900,833	9,032,370	8,607,274	8,304,698	7,801,405

City of Bloomfield Hills Legacy Costs - Retiree Health Care ("OPEB")

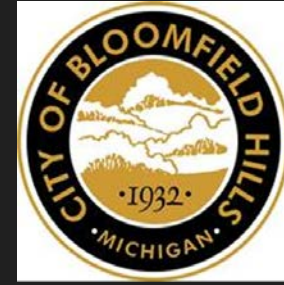


PA 202 of 2017 Compliance - Revenue Test



Required Contribution as a % of Total Governmental Fund Revenues

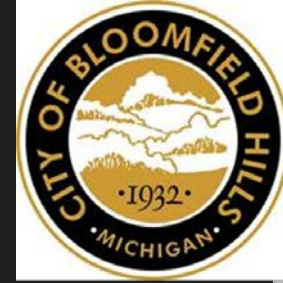
City of Bloomfield Hills 2020 Budget Other Budget Assumptions



26

- State Revenues: Estimates from the State of Michigan
- Other Revenues: Based on historical actuals adjusted for current year operating results/known changes
- Non-Personnel Expenditures: Based on historical actuals adjusted for current year operating results/known changes
- General & Local Road Fund Transfers:
 - Capital Improvement Fund: Approved expenditures
 - Road Improvement Fund: Supplement to property taxes for ongoing internal funding of 2019 road rehab. program
 - Debt Fund: Bonded debt principal, interest and fees

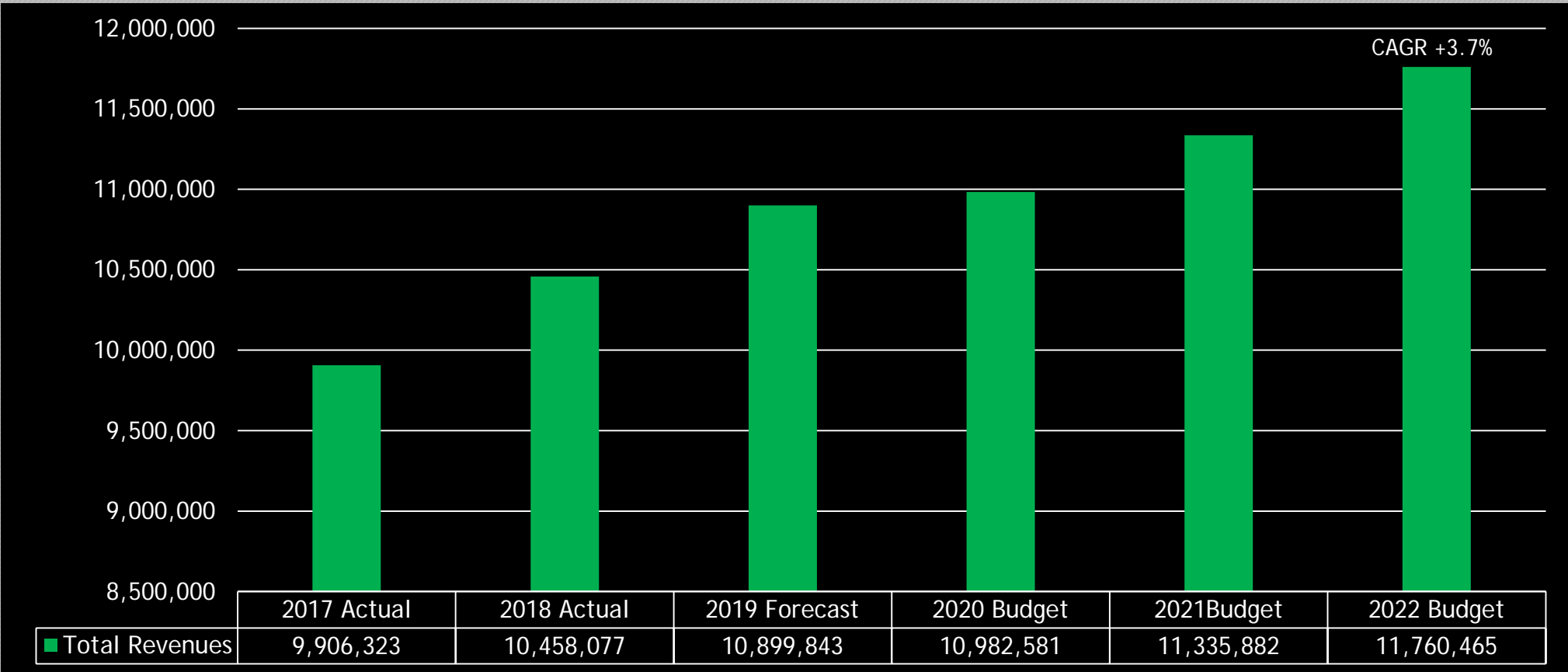
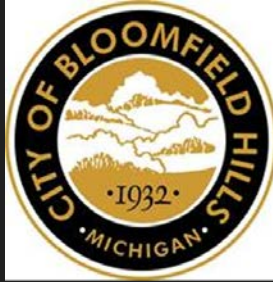
City of Bloomfield Hills
2020 Budget



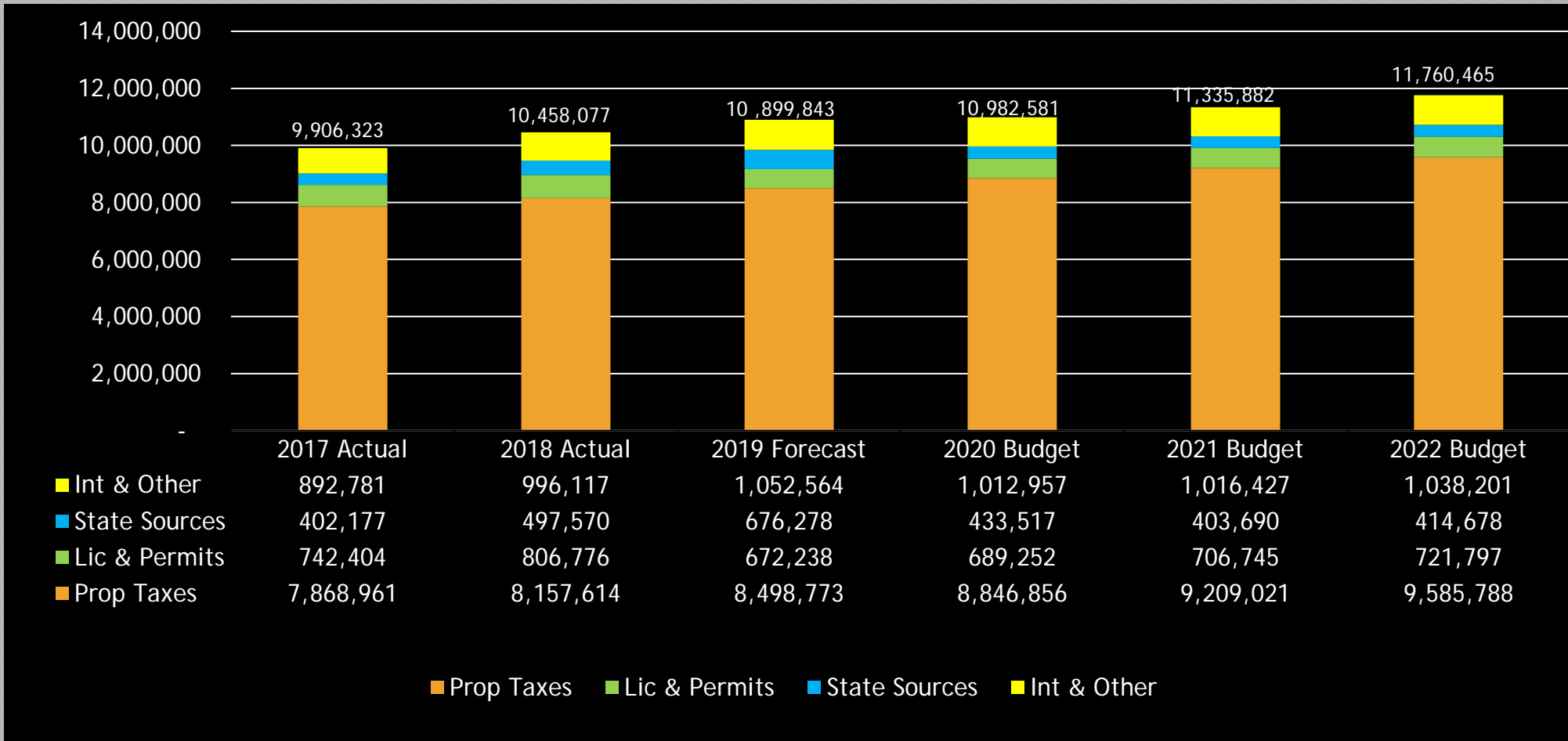
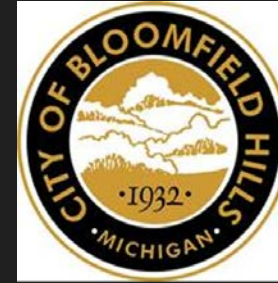
27

General Fund

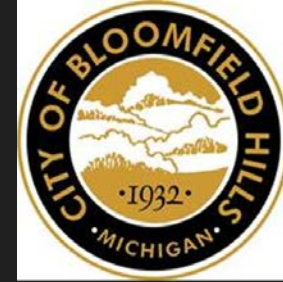
City of Bloomfield Hills General Fund Total Revenues



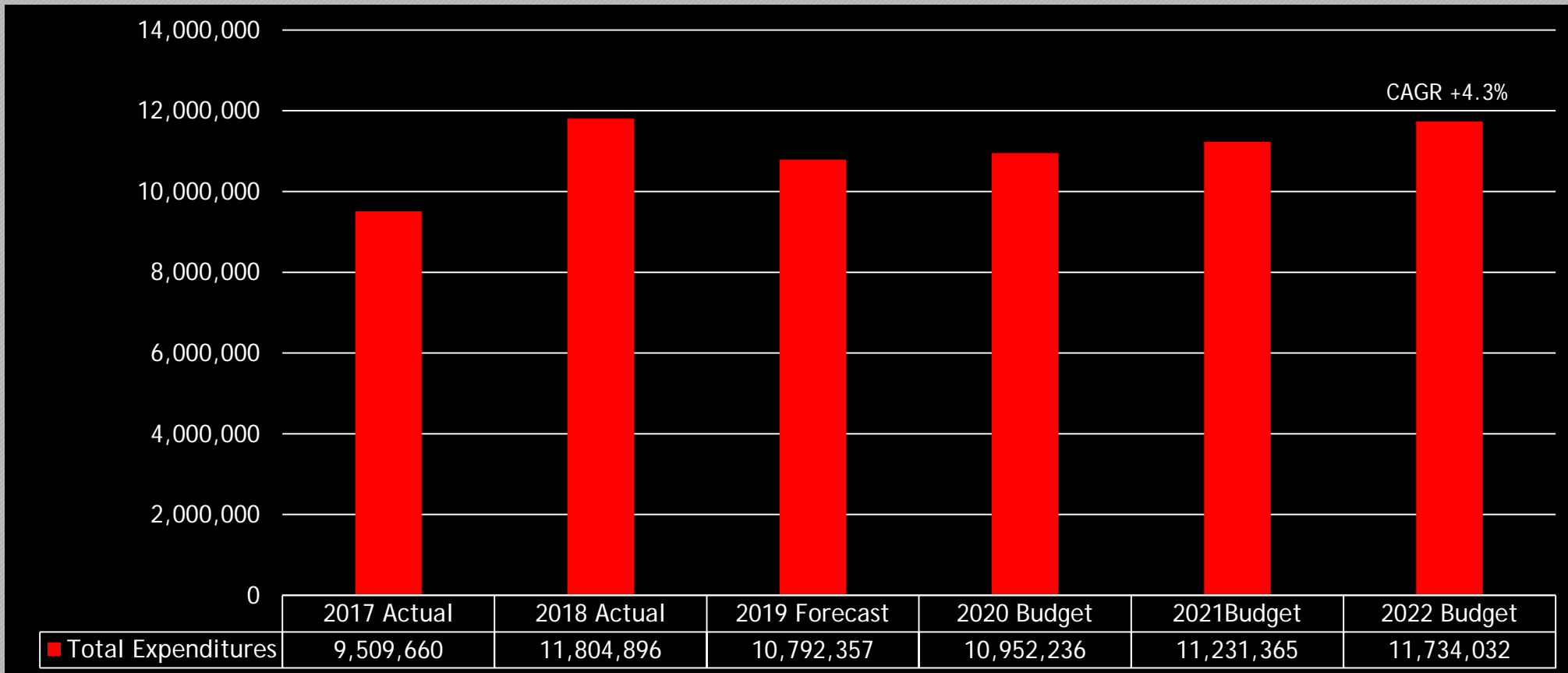
City of Bloomfield Hills General Fund Revenue Summary



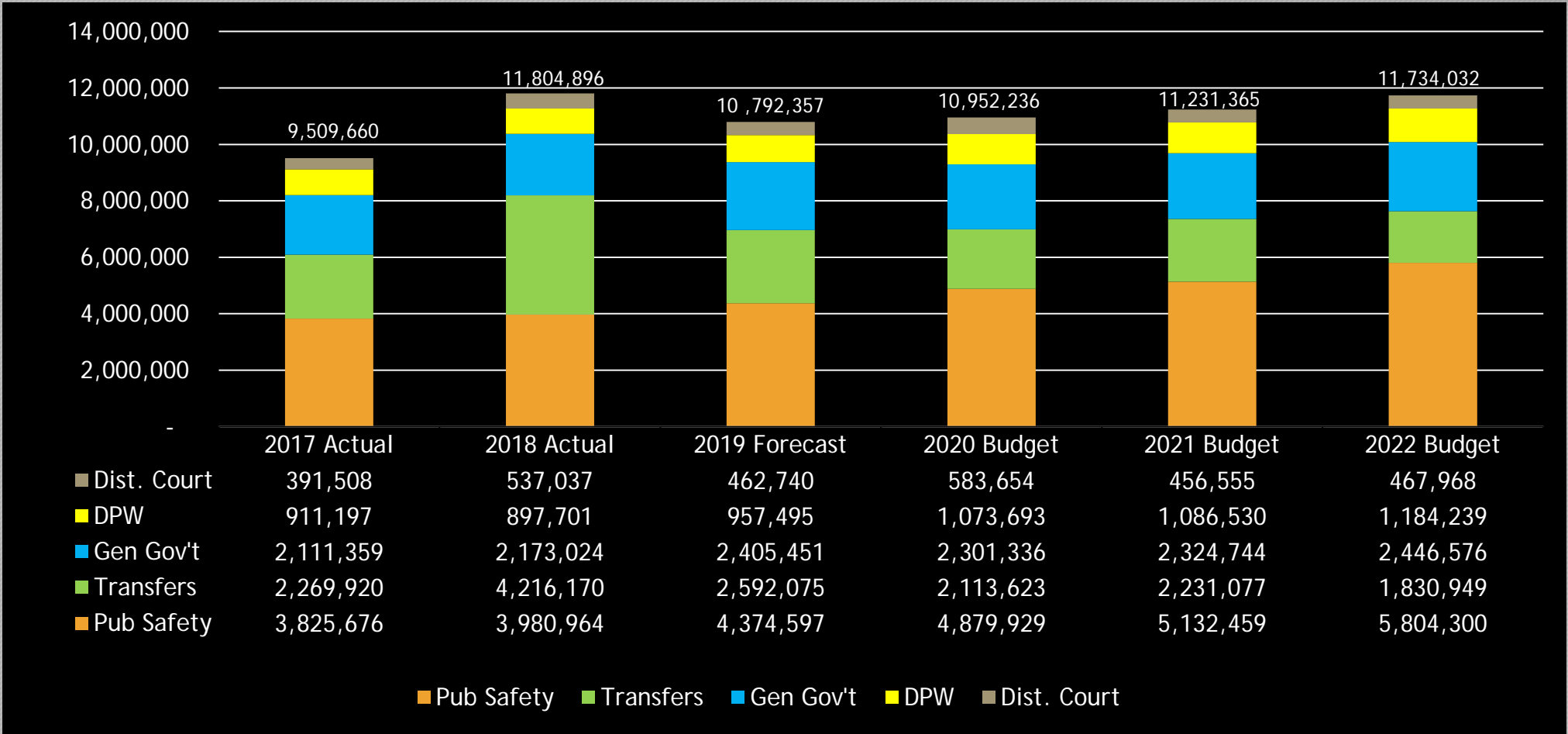
City of Bloomfield Hills General Fund Total Expenditures



30

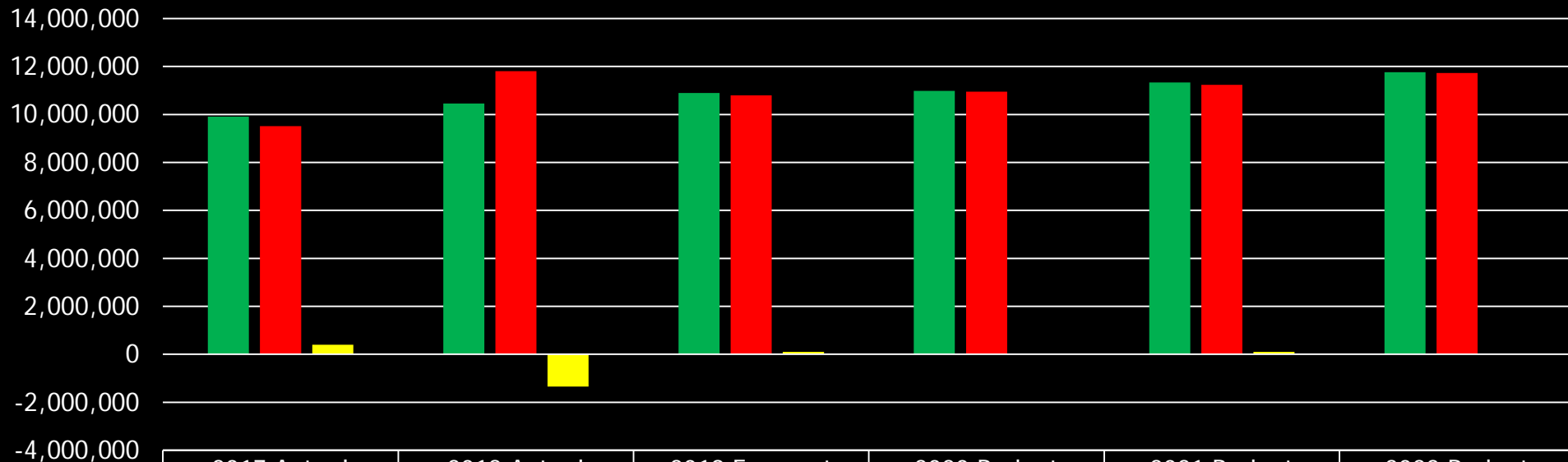


City of Bloomfield Hills General Fund Expenditure Summary



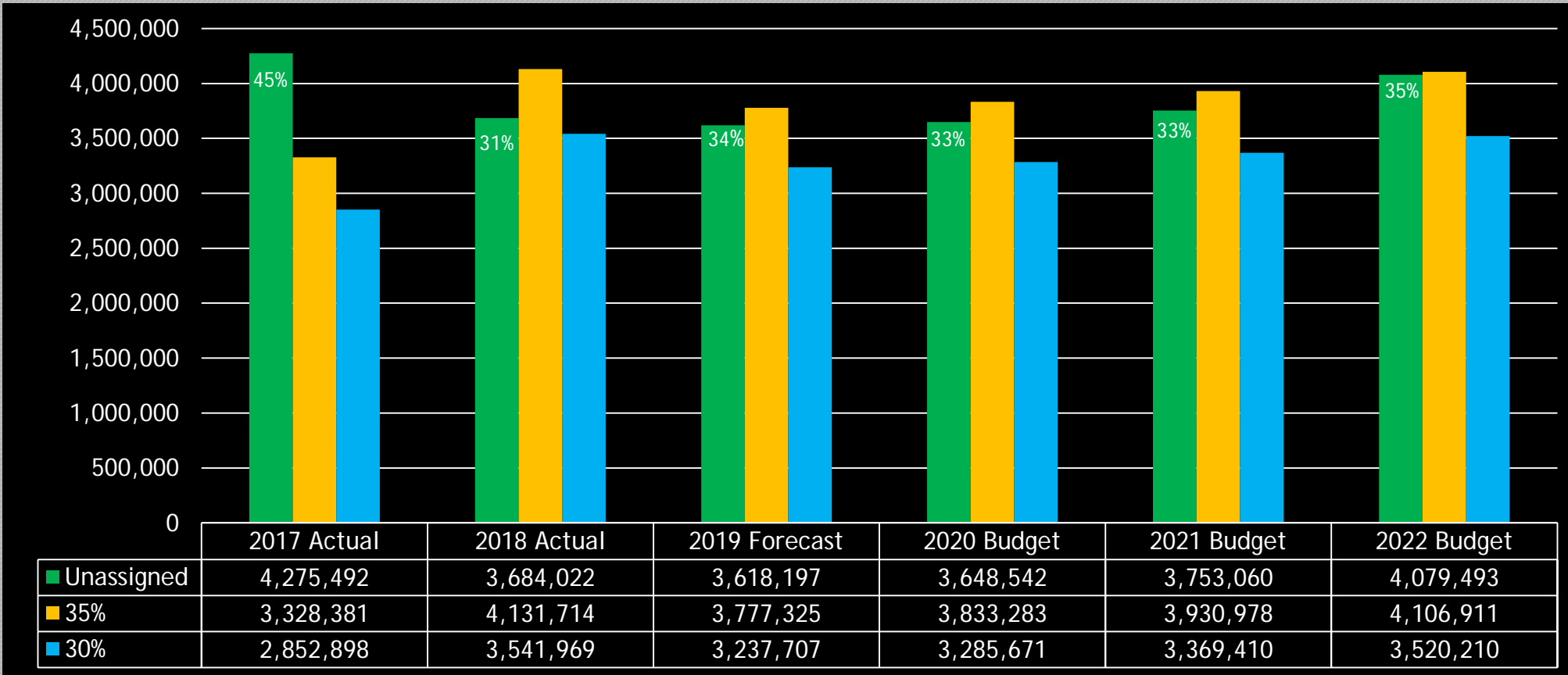
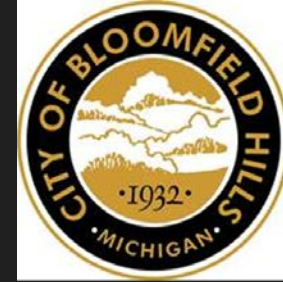
City of Bloomfield Hills General Fund Change in Total Fund Balance

32



	2017 Actual	2018 Actual	2019 Forecast	2020 Budget	2021 Budget	2022 Budget
■ Revenues	9,906,322	10,458,077	10,899,843	10,982,581	11,335,882	11,760,465
■ Expenditures	9,509,660	11,804,896	10,792,357	10,952,236	11,231,365	11,734,032
■ FB Change	396,661	-1,346,819	107,486	30,345	104,517	26,433

City of Bloomfield Hills General Fund – Unassigned Fund Balance



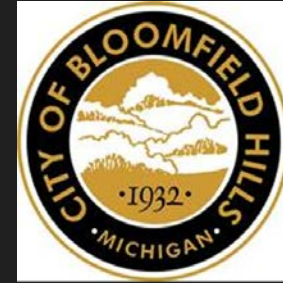
City of Bloomfield Hills
2020 Budget



34

Major & Local Road Funds

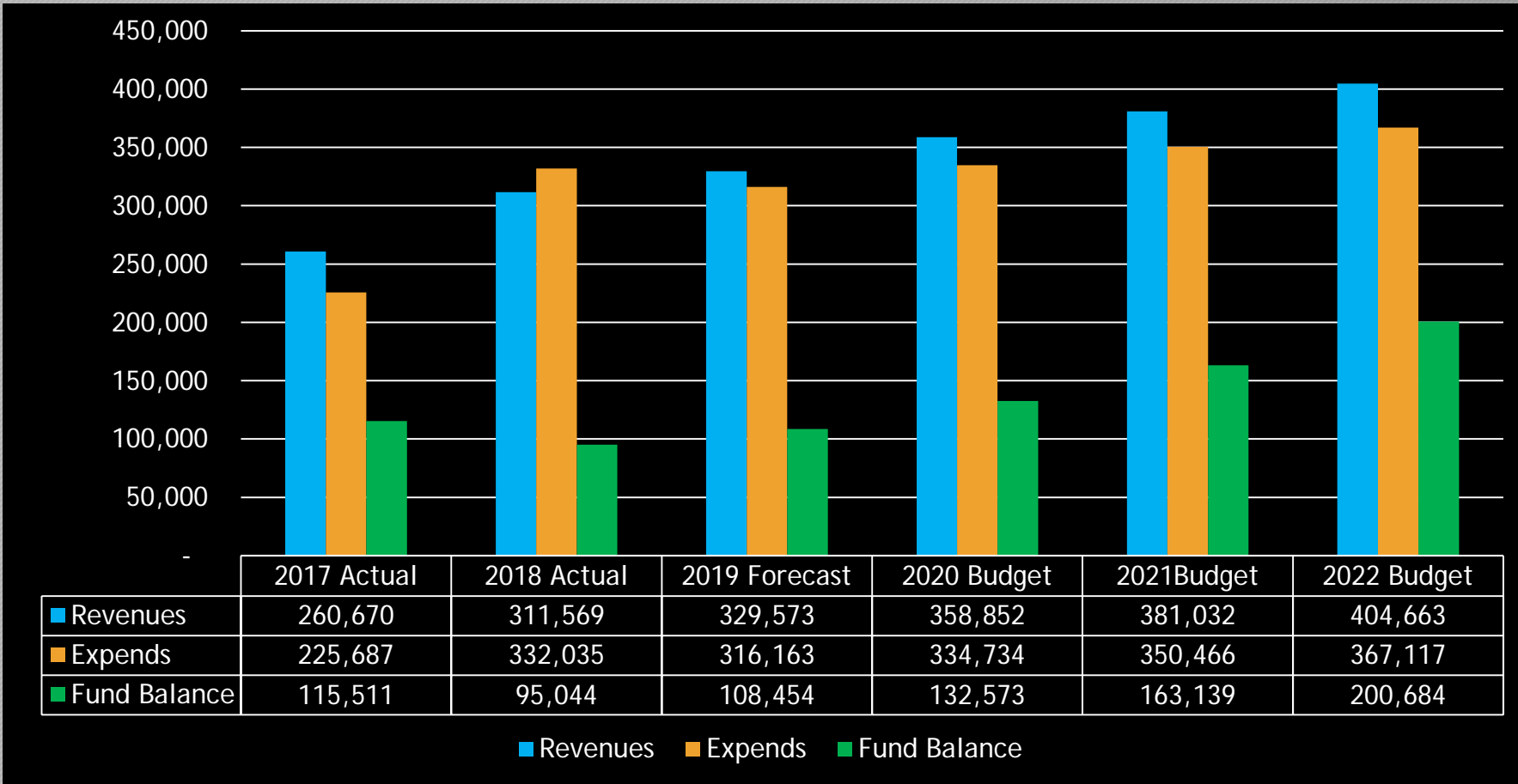
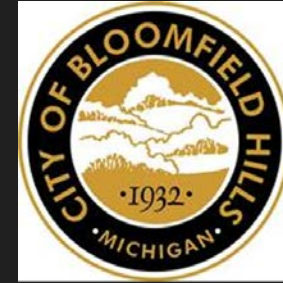
City of Bloomfield Hills Major & Local Road Funds 2020 Budget



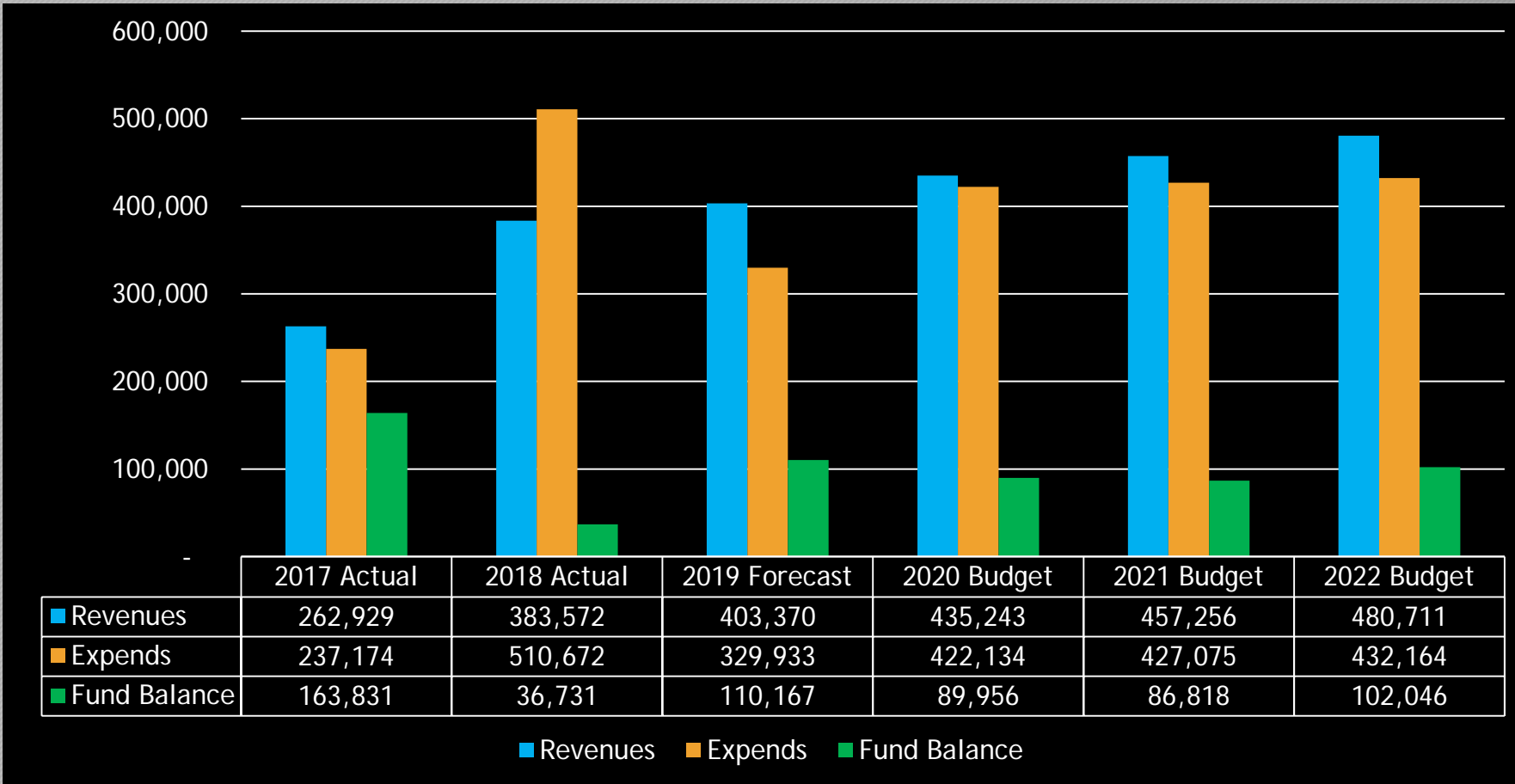
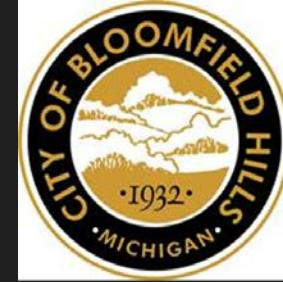
35

- 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
- A transfer is made from Local Roads Fund to Road Construction Fund for the road rehabilitation project
- 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



City of Bloomfield Hills Local Road Fund



City of Bloomfield Hills
2020 Budget



38

General Obligation Debt Fund

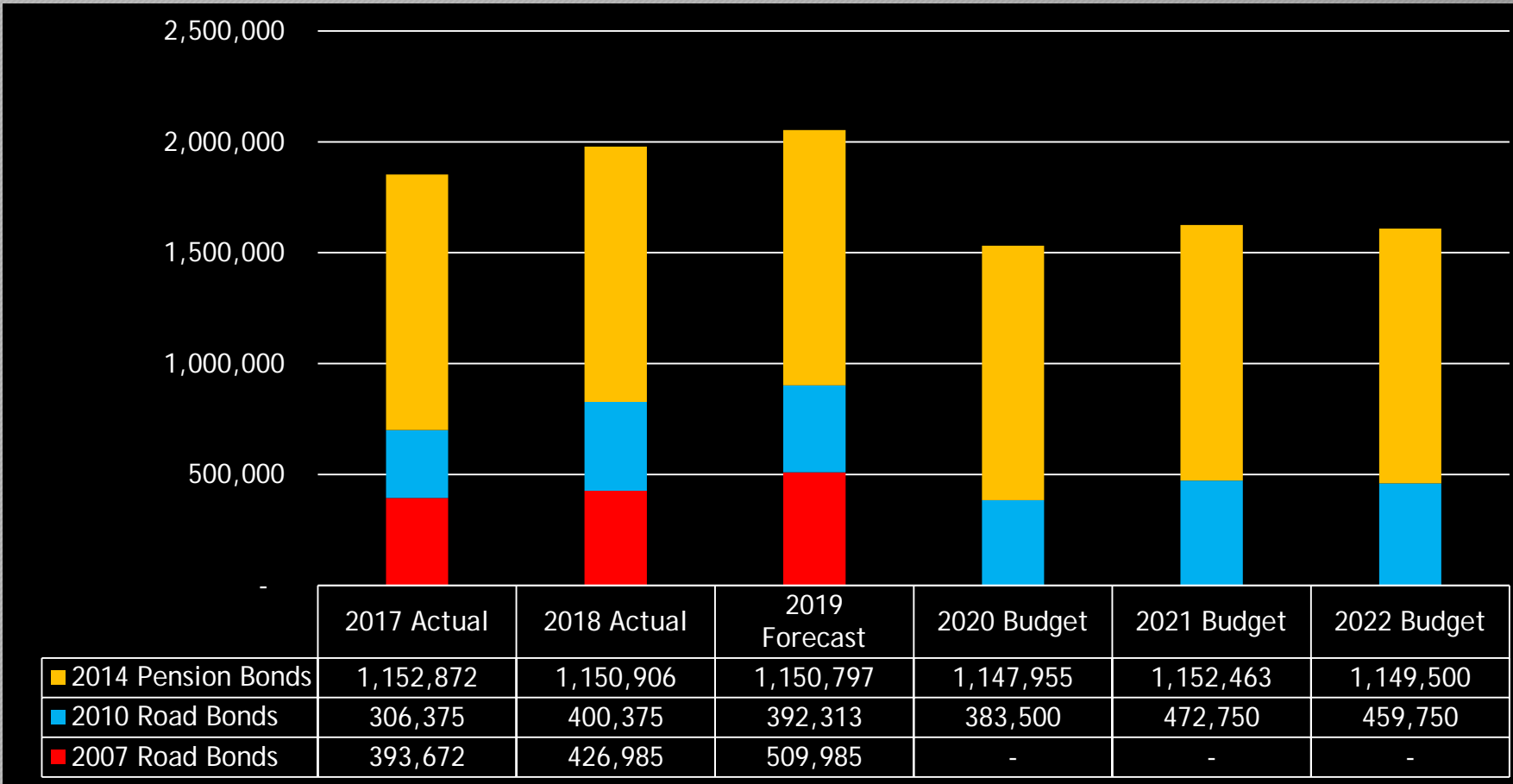
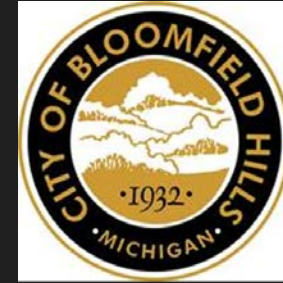
City of Bloomfield Hills
General Obligation Debt Fund
2020 Budget



39

- Funds the payment of principal, interest and paying agent fees for the 2010 road bonds and the pension obligation bonds.
- Payments are funded by a Transfer from the General Fund.

City of Bloomfield Hills General Obligation Debt Fund Debt Service Expenditures



Expenditures include bond principal, interest & paying agent fees

City of Bloomfield Hills General Obligation Debt Fund Amortization Schedules



2010 ROAD BONDS

Fiscal Year	Principal	Rate	Interest	Total
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>2,600,000</u>		<u>293,250</u>	<u>2,893,250</u>

PENSION OBLIGATION BONDS

Fiscal Year	Principal	Rate	Interest	Total
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	1,125,000	4.00%	22,500	1,147,500
	<u>13,165,000</u>		<u>4,084,615</u>	<u>17,249,615</u>

City of Bloomfield Hills
2020 Budget



42

Capital Improvement Fund

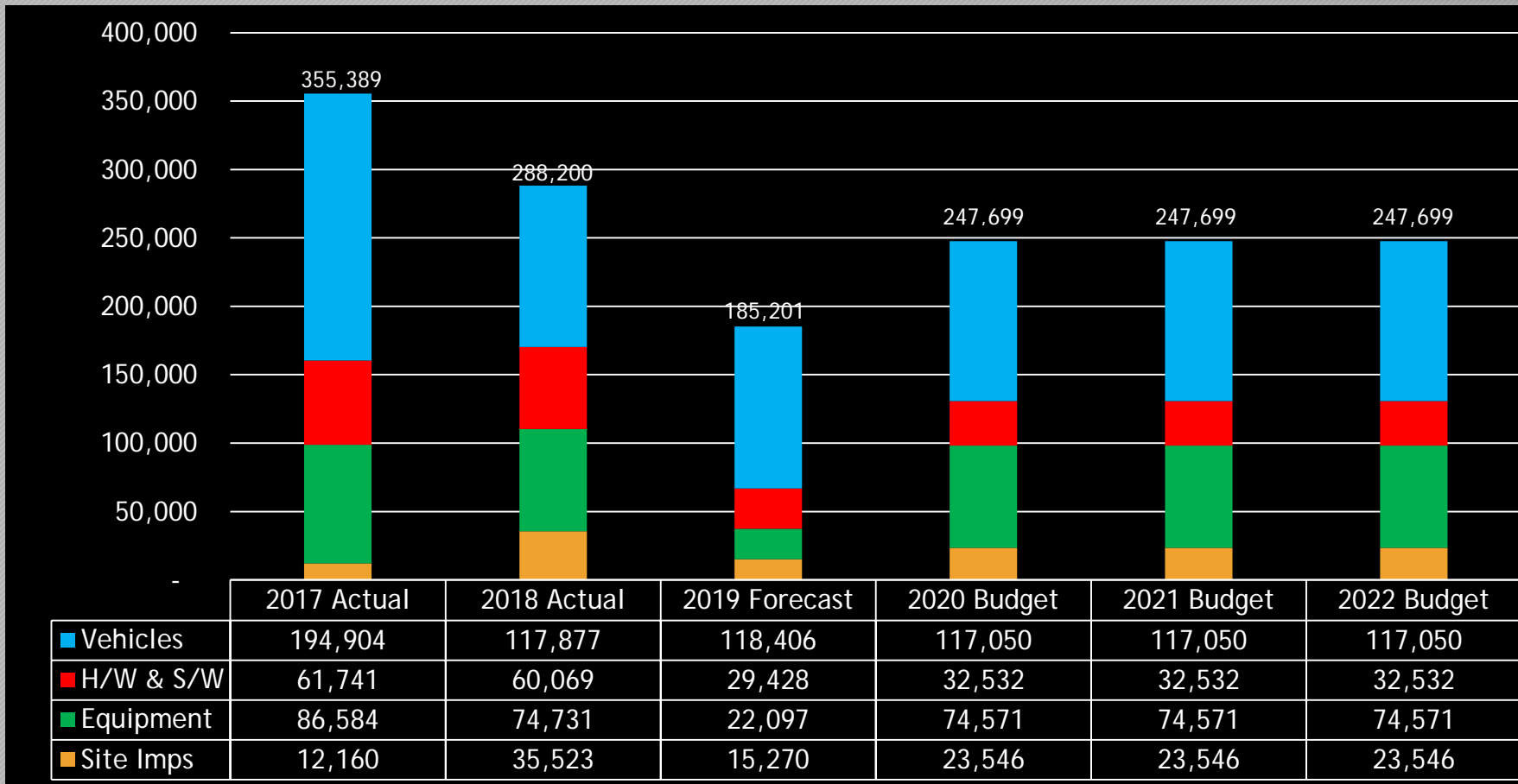
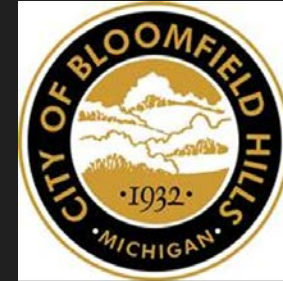
City of Bloomfield Hills
Capital Improvement Fund
2020 Budget



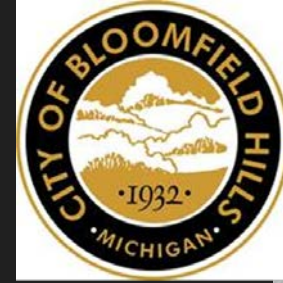
43

- Accounts for investment in capital purchases of \$1,000 or more with a useful life exceeding one year
- Investments include vehicles and operating equipment used by Public Safety and DPW, computer hardware and software used by all City staff, including componentry used to back-up all City information systems pursuant to the City's disaster recovery plan
- Investment recommendations stem from a systematic plan to replace and retire (sell/trade-in) assets in service in order to maximize useful life and minimize downtime for unexpected repairs and maintenance at critical times
- Funded by a transfer from the General Fund and proceeds from asset dispositions

City of Bloomfield Hills Capital Improvement Fund Capital Replacement Expenditures



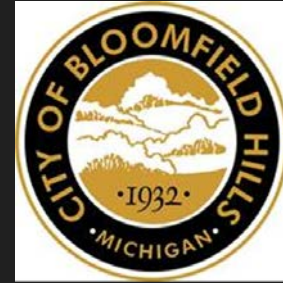
City of Bloomfield Hills
2020 Budget



45

Road Construction Fund

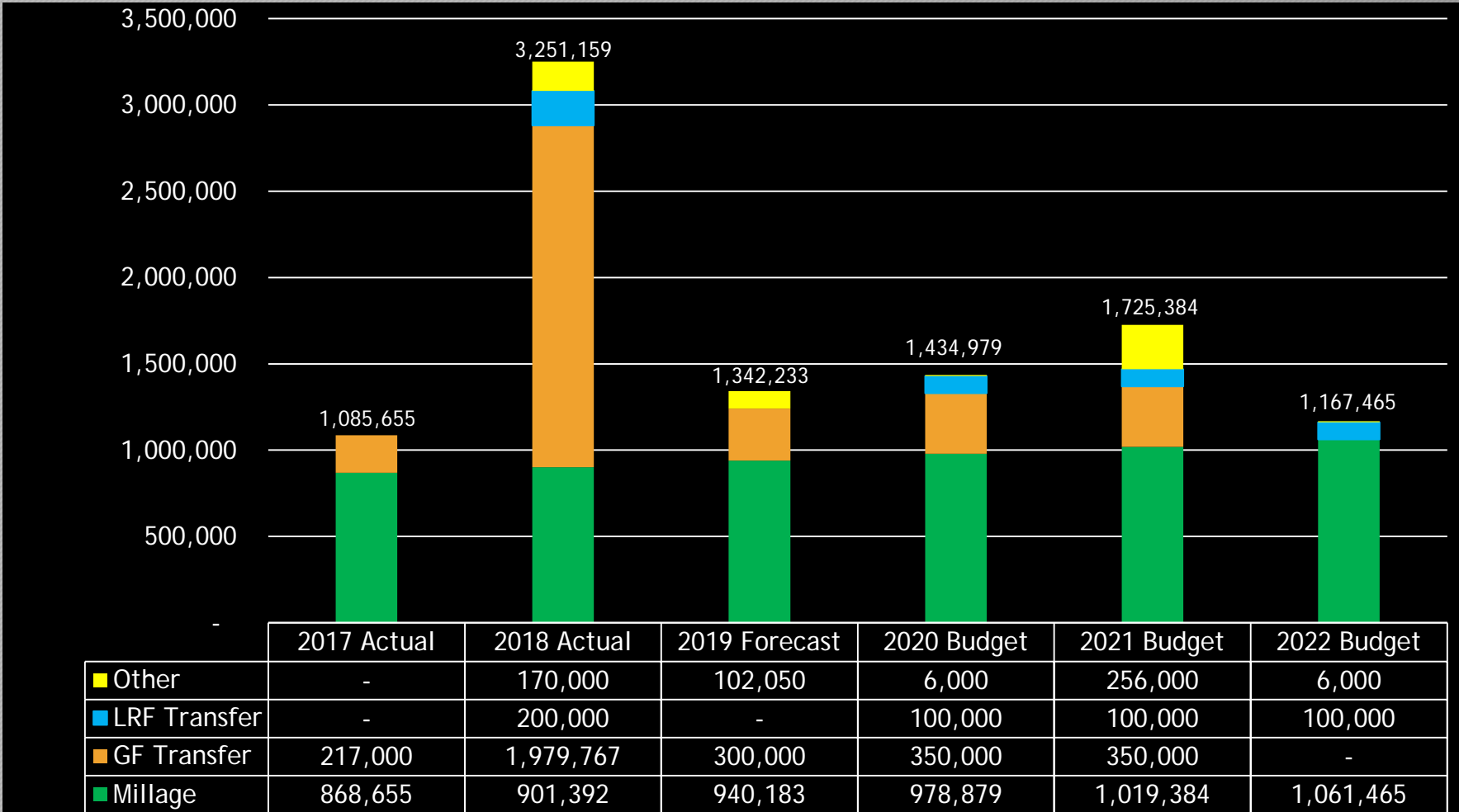
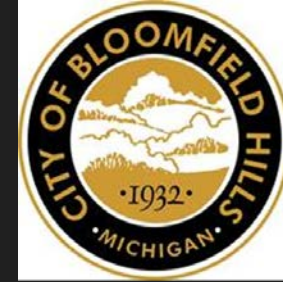
City of Bloomfield Hills Road Construction Fund 2020 Budget



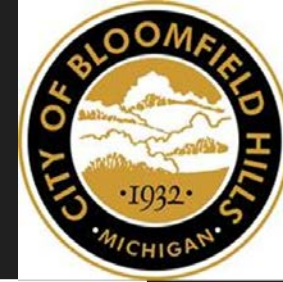
46

- Accounts for significant repairs and replacement of city roads pursuant to an ongoing City-wide plan
- Funding Sources:
 - Dedicated millage of 1.10 mills and General Fund and Local Road Fund transfers
- Completed N/W section road and water improvements in 2017/2018:
 - Manorwood Drive, Renton Court, Chestnut, Woodwind
- Road and water improvements in S/W section were started in 2018 and will be completed in the spring of 2019:
 - \$2 million of Road Improvements and \$4 million of Water improvements
- Additional road and water improvements planned through 2022 include:
 - 2020: \$1.4 million primarily for Hickory Grove - Lahser to Opdyke
 - 2021: \$2.3 million primarily for Rathmor, West Valley & Kensington
 - 2022: \$1.1 million for remaining road program completion
- All costs internally funded - No tax increase and no new bonded debt

City of Bloomfield Hills Road Construction Fund Revenue Sources



City of Bloomfield Hills Road Construction Fund Road Rehabilitation Projects



48

	2017	2018	2019	2020	2021	2022
N/W Section	1,092,496	886,444				
S/W Section			1,360,309			
Hunt Club, Balfour, Pine Gate		345,583				
Lahser - Long Lk/Hickory Grove		166,853				
Cranbrook, Hilltop, et.al.		640,000				
Brady Lane		413,174				
Country Club to Vaughn			96,190			
Hickory Grove E&W				1,077,164		
Kensington					1,075,000	
Rathmor/W Valley					873,721	
Trowbridge Ct.				104,449		
Whysall & Endicott				200,000		
Willow Glen, et.al.					350,000	
Other		7,910	21,881	27,438	27,987	1,028,547
Total	1,092,496	2,459,964	1,478,381	1,409,051	2,326,708	1,028,547

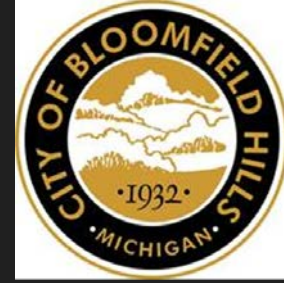
City of Bloomfield Hills
2020 Budget



49

Water & Sewer Fund

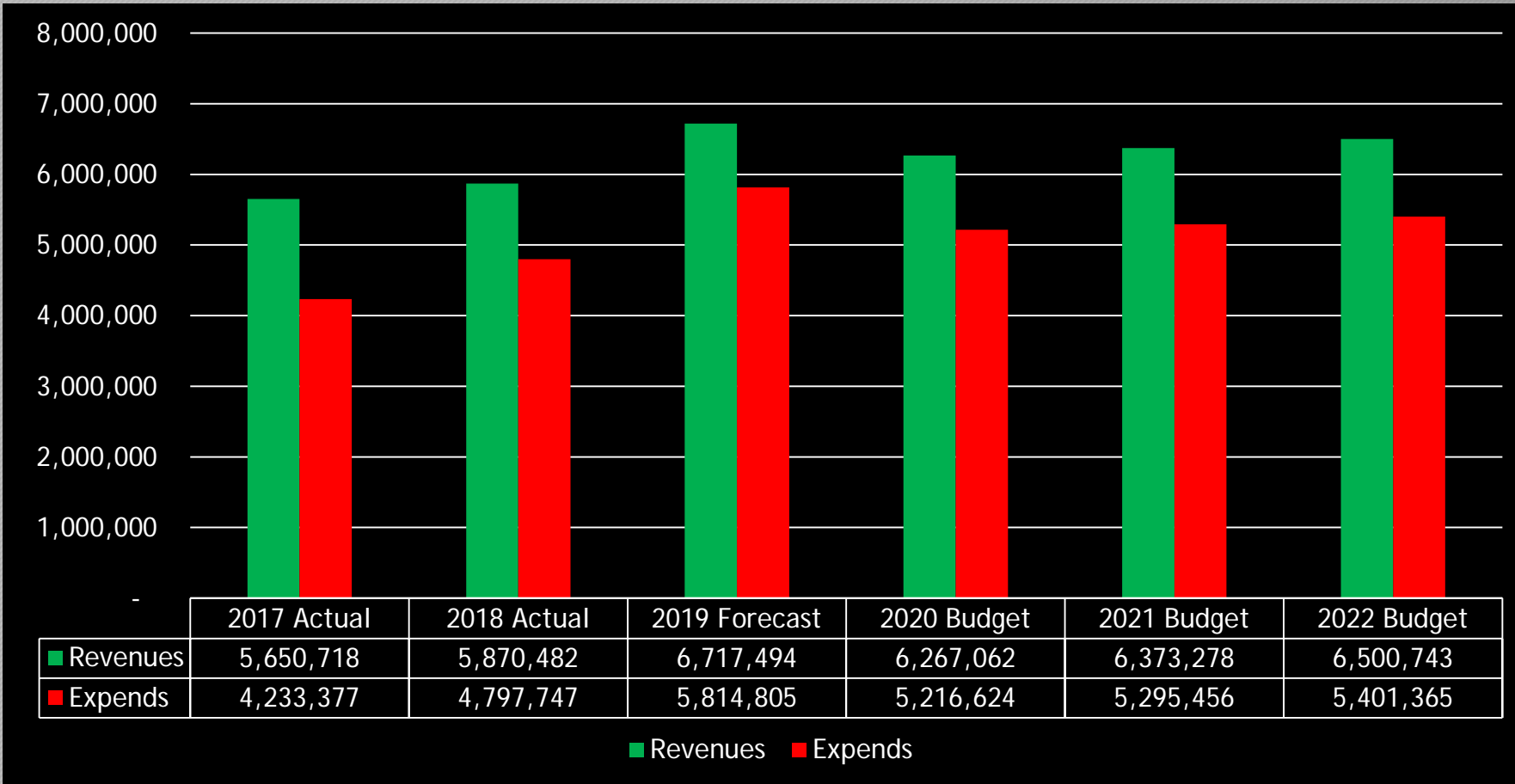
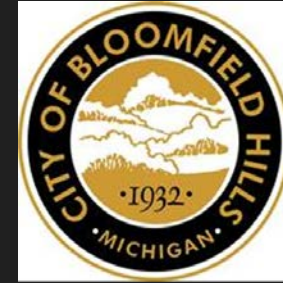
City of Bloomfield Hills Water & Sewer Fund 2020 Budget



50

- An Enterprise Fund which operates like a for-profit business
- A budget for this fund is not mandatory, but is considered best practice
- Revenues include:
 - User Fees which vary depending on usage and weather
 - Capital Charges for infrastructure, maintenance and bond payments
- Expenses include:
 - Oakland County - Cost to maintain, bill and collect
 - Interest on bonded debt
 - A small allocation for staff wage and benefits

City of Bloomfield Hills Water & Sewer Fund Revenues and Expenditures



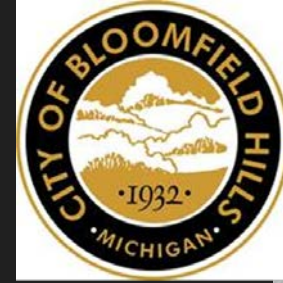
City of Bloomfield Hills Water & Sewer Fund Amortization Schedule



- The following 2015 Water and Sewer bonds are recorded in the Water and Sewer Fund and are funded from user charges

2015 WATER & SEWER BONDS				
Fiscal Year	Principal	Rate	Interest	Total
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	<u>365,000</u>	2.00%	<u>3,650</u>	<u>368,650</u>
	<u>2,370,000</u>		<u>170,794</u>	<u>2,540,794</u>

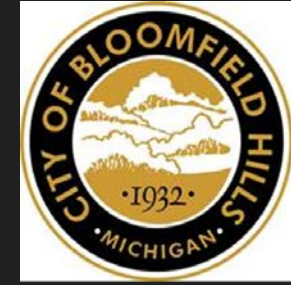
City of Bloomfield Hills
2020 Budget



53

Budget Summary

City of Bloomfield Hills 2020 Budget Summary



54

BUDGET OBJECTIVE	BUDGET RESULT
<ul style="list-style-type: none"> • Provide a 3 year budget. 	<ul style="list-style-type: none"> • Budgets included for 2020, 2021 and 2022
<ul style="list-style-type: none"> • Balance budgets without using fund balance. 	<ul style="list-style-type: none"> • Done
<ul style="list-style-type: none"> • Do not increase the City's tax millage. 	<ul style="list-style-type: none"> • Millage rates remain at 9.5 mills for operations and 1.10 mills for roads. Library millage of 0.3759 down slightly (rollbacks).
<ul style="list-style-type: none"> • Fund SW section and ongoing road and water & sewer improvements internally. 	<ul style="list-style-type: none"> • Internal funding provided by property tax millage, GF transfers and W&S capital improvement charges.
<ul style="list-style-type: none"> • Fund increased pension contributions and ensure compliance with Public Act 202 of 2017. 	<ul style="list-style-type: none"> • The budgets included full funding for pension contributions, projected to increase from \$0.6 million in 2019 to \$1.1 million in 2022. The funded % is 80%+, well in excess of the 60% required under P.A. 202 of 2017.
<ul style="list-style-type: none"> • Resume non mandatory pre-funding of OPEB contribution and ensure compliance with Public Act 202 of 2017. 	<ul style="list-style-type: none"> • The budgets include pre-funding contributions of \$300K, \$300K and \$500K for 2020, 2021 and 2022, respectively, increasing the funded % to 38%, nearing the 40% requirement of P.A. 202. The City meets the revenue test as the required OPEB contributions will not exceed the 12% limit under P.A. 202.
<ul style="list-style-type: none"> • Maintain General Fund Unassigned Fund Balance of 30 to 35% of expenditures, in compliance with the City's fund balance policy 	<ul style="list-style-type: none"> • Unassigned fund balance is budgeted at 33% in 2020 and 2021 and at 35% in 2022.