



## Village of **ST. CHARLES**

To: Village Council  
From: Matthew S. Lane, Village Manager  
Date: 3/6/2019  
Re: Transmittal Letter for FY 2019-2020 Budget

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Dear President Hoerner and Members of the Village Council:

It is my pleasure to present you with the FY 2019/2020 budget as your chief administrative officer. This document is a reflection of the hard work and commitment of the entire Village staff and Village Council in preparation for the 2019/2020 fiscal year. I have met with each department to discuss the needs of the Village from their perspective and worked side-by-side with them to create the budget before you today. Based on the goals and objectives set by the Village Council through the course of the last few months, we have produced a balanced budget which continues to prioritize transparency and dedication to our employees as we move forward into a decade. This budget also reflects a continuation of our commitment to asset management and maintaining our aging infrastructure and a renewed focus to providing the highest level of public services we can with the resources that we have. As has been my policy since beginning with the Village, fund reserves are used solely to cover the costs associated with one-time purchases or projects and not recurring operations. With that strategy in place, and conservative spending, each fund is able to sustain operations with its annual projected revenues.

We will continue overseeing the four asset management plans we have been working on in this Fiscal Year- Sewer, Storm Sewer, Water, and Streets. This includes a winding down of the SAW Grant. We have budgeted just \$55,000 in the Sewer Fund. We will continue to pursue our Recreation Revitalization strategy with Phase II of the Waterfowl Park Upgrades and will continue our fundraising efforts for our Coal Miners' Park Universal Play Initiative. The DDA will make enhancements to the parking lot safety lighting in the downtown and will also be starting a street sign replacement program. We are continuing to offer more community events and amenities to residents through the continuation of the St. Charles Farmers' Marketplace and Movies in the Park. And though not a direct financial impact, we will be working more closely with community partners to create fun events throughout the Village.

Some of the most significant changes you will see include:

## PERSONNEL

You will see a two percent wage increase for all employees in conjunction with the policies of the Village and the positions step and scales adopted by Council. For those positions which will be replaced, we will be putting in place a step system.

The Blue Care Network health plan will remain the same this year. Healthcare costs have increased by about one percent from the previous year. This is to be expected with inflation. We have enjoyed a number of years of no increase or decreased costs for our plan. The plan we moved to three years ago year has proven to be the best value for the Village, its employees and retirees. As you may recall, in 2016, we moved to a slightly better plan with lower premiums, lower co-pays, and lower out-of-pocket expenses. This same plan has been good for us so far and we will stay with it this year. The only change we are experiencing in the plan itself is a required increase to the out-of-pocket maximum. This increase is the result of provisions of the Affordable Care Act.

We have also budgeted to contribute \$268,299 across the various funds to our MERS pension liability this year. This is part of strategy to address our unfunded liabilities and move closer to full funding. This strategy includes our expected billed amount from MERS and an additional \$80,000 contribution.

We have also budgeted to set aside \$30,000 from across the various funds to build up an OPEB contribution that we will use to set up a trust fund as a means of funding the retiree healthcare liability we face. Last year we made a \$90,000 contribution to the Health Funding Vehicle managed by MERS.

These budgeted items are in compliance with the Council-approved *Pensions and Retiree Health Benefits Funding Policy*. This policy has also been reviewed and approved by the Michigan Department of Treasury as our plan to address our legacy costs as outline in Public Act 202 of 2017.

## OPERATIONS/CAPITAL

We have moved forward the \$100,000 placeholder budgeted last year for environmental site remediation at the Village Office. This will be funded through an inter-fund loan from the Boat Works Fund and paid back over a series of fiscal years moving forward.

We have budgeted \$5,000 to complete phase II of the Waterfowl Park upgrades and \$35,000 to replace the roof on the large pavilion in Coal Miners' Park. Both projects are part of our Recreation Revitalization strategy

The Street Millage Fund does not have a scheduled project this year. We are projecting about \$80,000 in revenue.

The DDA is budgeting for street sign replacement and new parking lot lights in all the publicly controlled lots in the DDA district.

Here is a fund-by-fund breakdown of the major expenses:

## GENERAL FUND

The General Fund is projected to be \$1,063,523 in FY 2019/2020. That is a \$1,458, or about a one percent, increase from the previous fiscal year. This is mainly due to the increase in healthcare costs of about one percent and two percent salary increases. These items are offset by decreases in some expenses and reduced salaries for recently-hired positions.

With the exception of some capital expenditures, the general fund has revenue that meets expenses based on small increases in state revenue sharing and small increases in property tax revenue projected to come in. The budget shows balanced revenues and expenditures.

## MAJOR STREETS

The Major Streets fund is projected to be \$180,900 in FY 2019/2020. We are budgeting revenue with the expectation that funds will neither increase nor decrease from last year. We hope it comes in higher but I am not comfortable that any increases are reasonably assured at this time. We have mostly completed the expenses for the asset management plan and it has been removed from the budget.

There is an increased transfer to local streets to help that fund remain sustainable.

## LOCAL STREETS

The Local Streets Fund is projected to be \$106,700 in FY 2019/2020. We are budgeting revenue with the expectation that funds will neither increase nor decrease from last year. We hope it comes in higher but I am not comfortable that any increases are reasonably assured at this time. We have mostly completed the expenses for the asset management plan and it has been removed from the budget.

There is an increased transfer from major streets to help offset expenses. We are not expecting to use fund balance.

## VILLAGE STREET MILLAGE FUND

The Street Millage Fund is projected to be \$80,465 in FY 2019/2020. We are expecting a slight increase in interest revenue because we are building up the fund balance in this fund. There are no projects scheduled this year.

## BOATWORKS

The Boatworks Fund is projected to be \$100,000 in FY 2019/2020. This will be for an inter-fund loan to the General Fund for an environmental site remediation project. This will be carried forward from last year, as the project was unable to be completed.

## DOWNTOWN DEVELOPMENT AUTHORITY

The DDA Fund is expected to be \$161,683 in FY 2019/2020. Expenditures include funding for parking lot lighting, street sign replacements and preliminary engineering for a street scape project for South Saginaw Street. In addition, we have increased the budget allocated to the summer Hydration and Maintenance Specialists to \$10,000.

## INDUSTRIAL PARK

The Industrial Park Fund is projected to be only \$12,261 in FY 2019/2020. With the expiration of the Tax Increment Finance District, the only source of revenue will be the Sprint cell tower lease. These funds are expected to pay for electricity for the street lights and the remainder to be transferred to the general fund.

## SEWER

The Sewer Fund is expected to be \$215,090 in FY 2019/2020. This includes \$50,000 for expenses related to the final year of the SAW Grant. Our match is \$5,000 (our 10 percent match) of which is reimbursable with grant funds. This match is being paid for using Undesignated Net Position.

## WATER

The Water Fund is expected to be \$500,344 for FY 2019/2020. There is no projected increase to the water rates this fiscal year. We are including a water reliability study, and enhanced cross connection program into this budget. We are expecting to contribute \$8,174 to fund balance.

## EQUIPMENT

The Equipment Fund is projected to be \$150,700 in FY 2019/2020. We have no anticipated capital expenses this year. We expect to contribute \$17,256 to fund equity.

## RETIREMENT

The Retirement Fund was set up last year to account for expenditures for both normal and unfunded MERS pension costs. The budget costs for this fund are \$268,299. This includes \$187,799 in annual required contributions (ARC) and an additional \$80,500 contribution toward our unfunded liability.

## OPEB

The OPEB fund will continue to collect and deposit \$30,000 annually into our Health Funding Vehicle.

I would like to thank the Village Council for your input and guidance throughout the budget process this year. I look forward to working with you and the staff throughout FY 2019-2020 to accomplish the tasks and projects contained herein. As you know, the budget is a “living, breathing document” and I think we are in a good position to handle any situation we may face throughout the year.

Best Regards,

Matthew S. Lane  
Village Manager