City of Hart
Hart, Michigan

June 12, 2018

Honorable Mayor Ron LaPorte
Jason La Fever, Mayor Pro Tem
Jack Wittman, Council
Rob Splane, Council
Joe Frontiera, Council
Karen Thomson, Council
Steve Hegedus, Council

CITY OF HART
HART, MICHIGAN

SUBJECT: FY2019 ANNUAL BUDGET

In accordance with Chapter IX of the City Charter, here is the proposed annual budget for FY2019 (July 1, 2018 – June 30, 2019) for the City of Hart, Michigan. I would like to thank the Mayor, City Council, Committees, Boards, Clerk-Treasurer & Deputies, and City staff for their invaluable assistance in the preparation of this document. I would like to begin by reviewing the FY2018 accomplishments and proposed goals for FY2019.

FY2018 ACCOMPLISHMENTS

In late June, 2017 City Council awarded a $674,251 construction contract to McCormick Sand (Twin Lake, MI)) for Jefferson-Courtland Improvements which included water, sanitary sewer, storm sewer, street, sidewalk and City Hall lower parking lot reconstruction. Substantial project completion was on June 8, 2018.

The City opted-in to the State of Michigan Low-Income Energy Assistance Fund (LIEAF) effective July 1, 2017, a program that aggregates electric utility contributions accessible to customers unable to keep up with payments. By opting in, State regulations allow Hart Hydro Electric to discontinue service during winter months.

In July, 2017 City Council discharged a 2004 agreement with GARCON, the Creeks residential subdivision developer. This action eventually led to City ownership of the project later in 2017.

On July 25, 2017 City Council awarded a construction contract to Kent Power (Kent City) for the 88th Avenue Dual Transformer Project in the amount of $283,690.

City Manager Rickard announced retirement on August 1, 2017 effective August 2, 2018.

City Council accepted a bid for a center-pivot irrigation system from Spring Brook Irrigation (Holland, MI) on August 22, 2017 in the amount of $48,129. Hart BioPure will use this equipment to discharge treated water onto 72 acres of property acquired earlier in 2017.

Also in August, 2017 the City awarded a contract to Hallack Contracting in the amount of $47,880 to demolish the former Sandusky Lumber Company (1868-1912) and Hart Cherry Packers (1923-1973) building in Hart Historic District. The building had lapsed into disrepair and was beyond salvaging.

In December, 2017 City Council selected Michigan Municipal League executive search services to facilitate the City Manager hiring process.

City Council authorized purchased of 2.81 acres property and barn located at 3907 N. Oceana Drive (Hart Twp) for future Hydro Electric facilities, approved on January 23, 2018.

Hart Hydro Electric selected a new 2018 Terex Digger Derrick truck to replace an aging unit. Council approved the $257,256 purchase on February 13, 2018 with expected delivery in October, 2018.

The BioPure irrigation expansion got underway in February, 2018 with the award of a $321,115 contract to Matt's Underground (Alden, MI) for pipeline installation.

In accordance with the City's Administrative Consent Order (ACO) with the MDEQ, the Hydro Geological study moved forward in February, 2018 with Council approval of a $139,000 contract with Raymer Water Wells (Marne, MI).

The City of Hart officially entered the MEDC Redevelopment Ready Community (RRC) program in March, 2018.

On March 27, 2018 City Council approved a $300,000 grant application to the Michigan Natural Resources Trust Fund (MNRTF) for improvements to Veterans Memorial Park on Hart Lake.

City Council approved collective bargaining agreements with the UWUA and POLC on May 8, 2018.

FY2019 GOALS

Successfully transition to a new City Manager.

Design and construct Downtown Pocket Park improvements.

If offered, accept the $300,000 MNRTF grant for Veterans Memorial Park improvements and commence engineering.

Complete and start up BioPure irrigation improvements.

Complete wireless electric and water meter upgrade program.

Complete preliminary and final engineering; award construction contract for BioPure aeration improvements.

Complete a Sewer Use Rate Study concurrent with the SAW Grant workscope in accordance with recommendations from City Auditor SK&T (East Lansing).

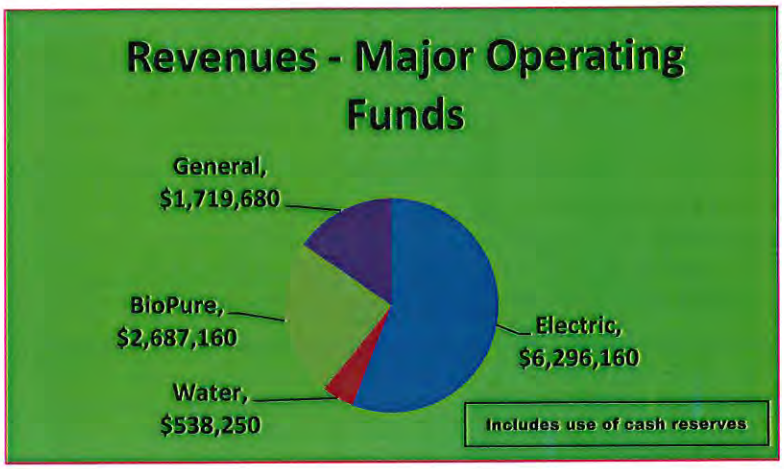
Successfully reinitiate private development in the Creeks project.

Successfully complete additional water quality and compliance studies on the South Branch Pentwater River.

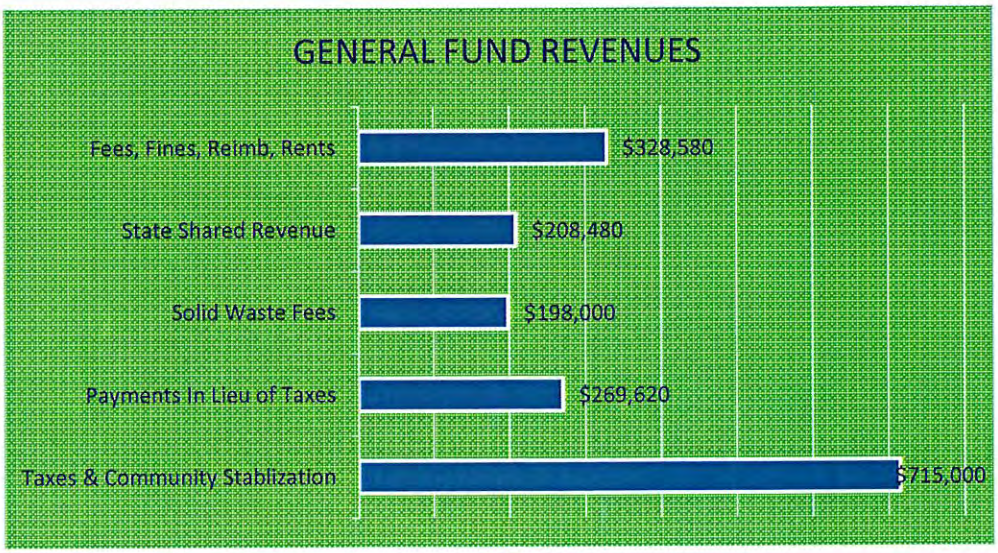
Complete preliminary engineering for Hansen Street and Lincoln Street; and Oceana Drive Water Main Loop.

REVENUES

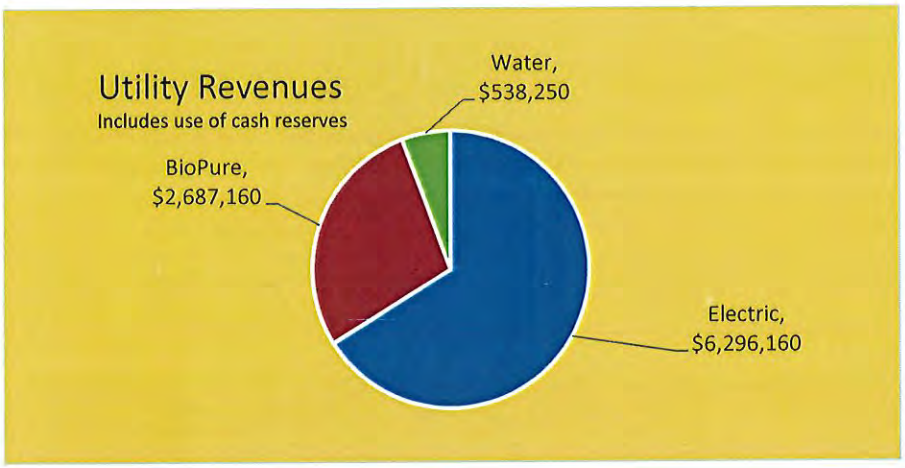
The annual budget contains statements of revenues and expenditures for the fiscal year July 1, 2018 – June 30, 2019. It is also a planning document in that it identifies projects and programs the City will undertake during the year. Here are the major operating funds:



The General Fund has a mix of funding sources. Property taxes receipts are quite flat; however, the State's Local Community Stabilization funding program is underway which is designed to replace personal property taxes. Payments in-lieu of taxes (PILOT) from City utility operating revenues have plateaued partially attributable to mandatory energy efficiency projects implemented since State adoption of PA 295. State revenue sharing has increased slightly due to an improved business climate. Residential solid waste collection fees are unchanged at $21.90 monthly. This budget assumes no use of General Fund cash reserves.

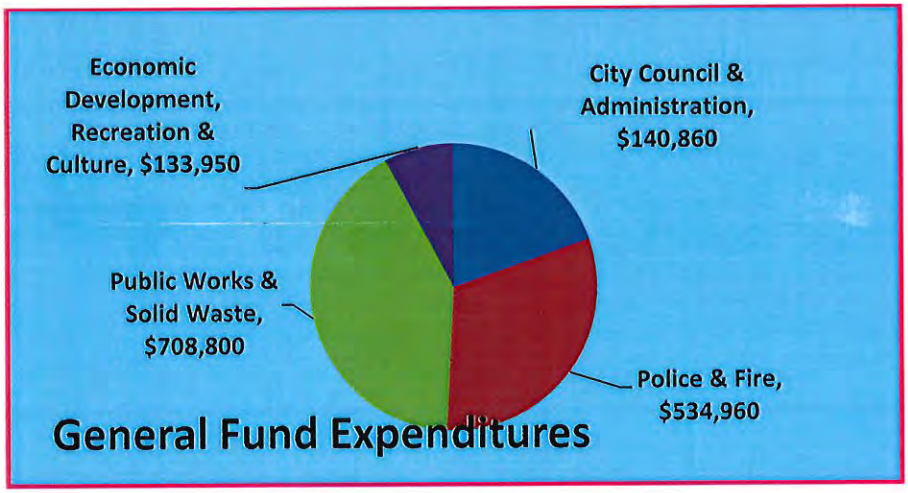


Here is the breakdown of utility revenues which are derived predominately from rates applied to water, sewer and electric services.

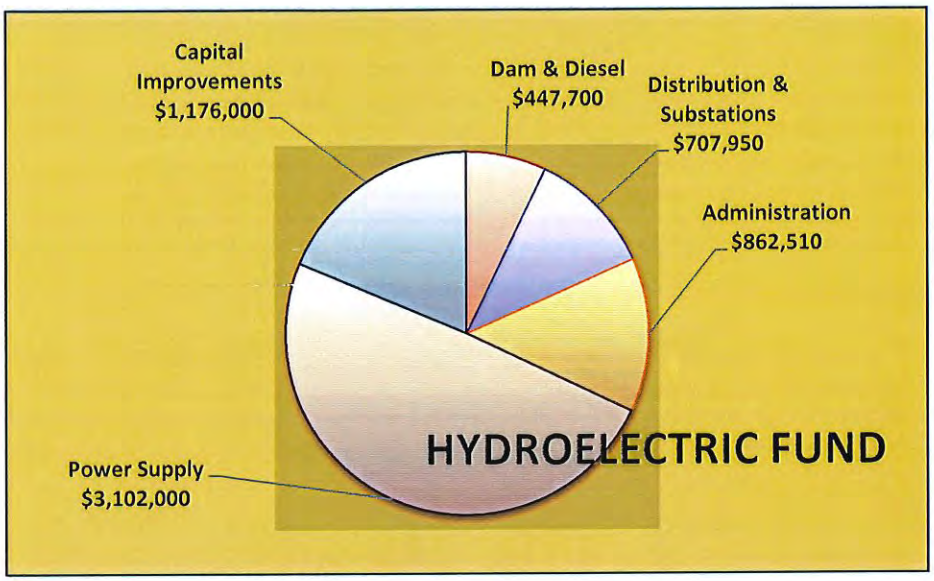


EXPENDITURES

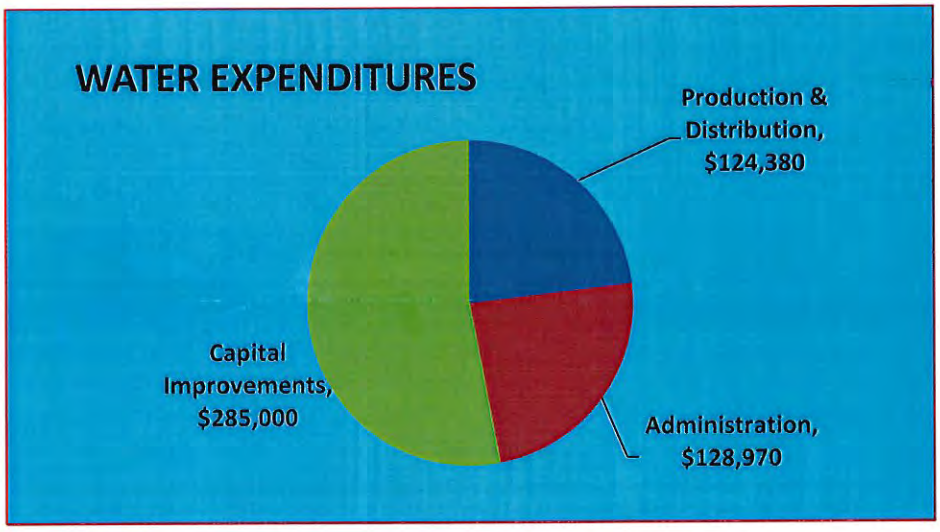
This chart shows the major General Fund expense categories with Police & Public Safety and Public Works expending 70% of revenues. The City supports Hart Cemetery, Hart Area Fire Board, Hart Main Street, Hart Area Recreation, Starting Block Kitchen Incubator and Hart Historic District. The Council-Administration section tracks expenditures for the required overhead of conducting governmental business.



The Hydroelectric Fund is the largest cost center in the budget with the purchase of electric energy products from the Michigan Public Power Agency accounting for 49% of costs. Capital improvements include utility truck replacements, new metering technology; and lighting improvements.

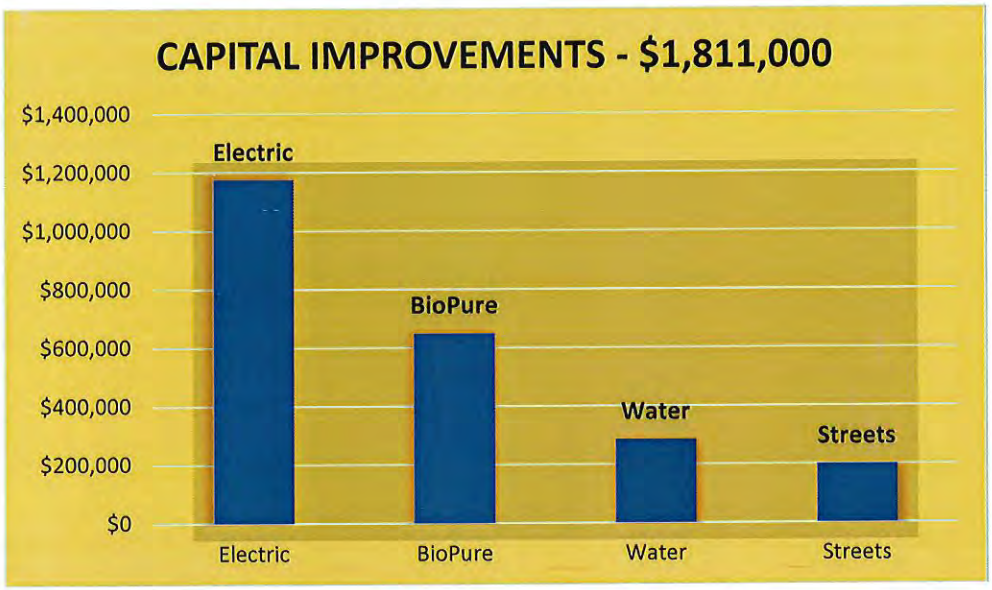


Here are the cost centers in the BioPure & Water funds with the wastewater treatment component being the most costly due to significant electric power usage and biosolids removal.



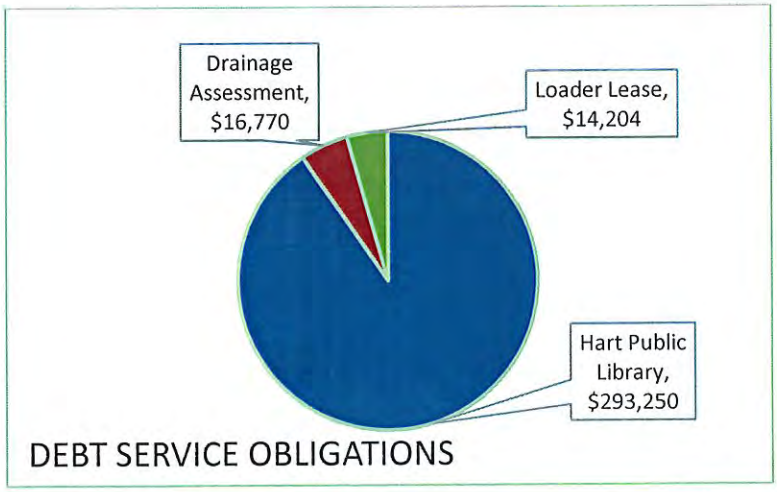
CAPITAL IMPROVEMENTS

Proposed FY2019 capital improvements include major efforts for BioPure energy efficient aeration improvements ($600,000); digger derrick and bucket trucks replacements ($500,000); electric and water meters upgrades ($400,000); State Street Booster Bypass ($100,000); and downtown pocket park improvements ($100,000).



DEBT SERVICE

Here are the City's remaining debt obligations. The Hart Area Public Library reimburses the City of Hart Building Authority for 100% of their debt obligation leaving a total balance of $41,627 due from City sources. All other debt service obligations have been retired.



STAFFING

This budget funds 24 full-time and 2 part-time existing positions; and one new part-time position for FY2019.

FY2019 Staffing Levels			
Department	**Full-time**	**Part-time**	**New Position**
City Hall, Historic	5	2 & volunteers	½ time code enforcement
Main Street	1	1 intern & volunteers	
Police	5	2	
Public Works	4	1	
Hydro	6	0	
BioPure	3	0	
TOTAL	**24**		

SUMMARY

Utility Rates and Fees – There are no electric, water, sewer or trash base rate increases proposed with this budget. However, electric rates will see minor increases due to fuel cost adjustments. The City will review BioPure rates in 2019, the final year of Stormwater, Asset Management & Wastewater (SAW) Grant implementation.

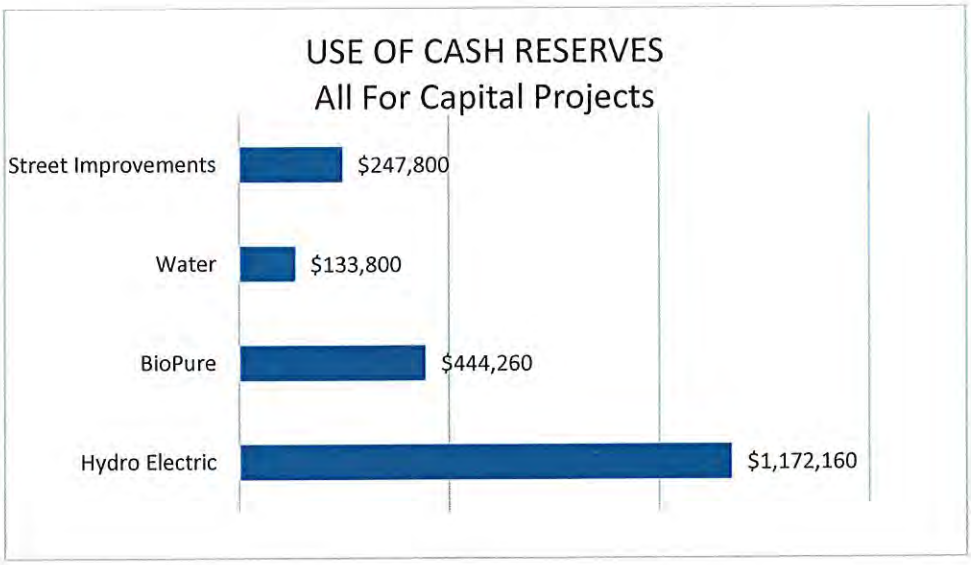
Taxes – Taxable values increased $1,145,309 (2.5%) from $46,710,551 to $47,855,860. However, due to Headlee rollback, City-wide millage rates will be reduced from 15.1806 to 14.8405 resulting a modest $1111 increase of operating revenues to $710,205. In 2014, Hart City voters extended the 2-mill street improvement tax through 2019; and a 0.4998 15-year Cemetery millage renewal is scheduled for voter action in November, 2018.

Grants – The City anticipates $600,000 SAW grant proceeds in 2018 - 2019.

Debt – No new debt is proposed for FY2019.

Staffing – The FY2019 budget includes funding for a new ½ time code enforcement officer.

Use of Cash Reserves – This budget includes an aggressive capital plan to address technology needs, energy efficiency improvements, aging electric utility trucks, and much-needed street improvements. All capital projects are funded with current cash reserves, not new debt.



RECOMMENDATION

Here is the grand total budget including use of cash reserves, transfers and inter-fund payments:

	REVENUES	EXPENDITURES
GRAND TOTAL FY2019	**$12,325,770**	**$12,096,880**

I recommend adoption of Resolution 18-41 approving the FY2019 Annual Budget & 6-Year Capital Improvement Program as presented on June 12, 2018.

Respectfully,

Stan Rickard
City Manager