



**MUNICIPAL BUDGET
EXECUTIVE SUMMARY**

**JULY 1, 2013 – JUNE 30, 2014
SOUTHFIELD, MICHIGAN**

2013-14 RECOMMENDED BUDGET IN A NUTSHELL

- **Big Picture Words to Frame the Dialogue**

- Unprecedented
- Uncharted Waters
- Uncertainty
- Unrelenting Focus

- **Key Details of 2013-14 Budget Plan**

- No use of Fund Balance for Operations; primary goal achieved.
- General Fund Expenditures down \$1,067,580 (1.6%); \$66,667,136 in 2012-13 vs. \$65,599,556 in 2013-14.
- Total Budget essentially flat: \$146,158,547 in 2012-13 vs. \$146,722,609 in 2013-14 (a difference of \$564,062 or four-tenths of one percent), reflecting capital projects funding and a moderate increase of 4.85% in water and sewer rates.
- Infrastructure Investments include 19 projects totaling \$9.7 million. The majority of these projects are budgeted in water and sewer.
- Continued Emphasis on Community Appearance and Code Enforcement: \$500,000 for Housing Standards Initiatives and Tax Base Programs included; exact use to be determined.
- Training Remains Funded to provide necessary skills to do more with less and to provide organizational flexibility.

- **Revenue Snapshot**

- Unprecedented Tax Base Erosion Continues:
(8.5%) for 2013-14;
Overall cumulative loss of 50.02%
- \$985,712 Fund Balance Draw for appeals in General Fund;
-0- needed for operations
- State Shared Revenues Up Significantly. Will require
aggressive monitoring for possible changes in conditions.

SUMMARY STATEMENT

Focus on tax base enhancement, while simultaneously reducing operating costs, is the key to the City's long-term sustainability as an independent and thriving municipality. The factor over which we have the most control continues to be our cost of doing business.

City of Southfield
Notes to the Financial Statements

Source: **6/30/12 Comprehensive Annual Financial Report**
Pages 92 and 93

4. OTHER INFORMATION

A. Fund Balance Constraints (continued)

	<u>Major funds</u>	
	<u>General fund</u>	<u>Local streets</u>
Committed to:		
Specific programs (General)		
Dispatch improvements	\$ 683,590	
Emergency cleanup	628,264	
Equalization reserve	3,303,538	
Tax base initiatives reserve	1,750,000	
Specific programs (Local streets)		
Equalization reserve		\$ 254,651
Specific programs (Cable television)		
Franchise fees – general cable operations		
Equipment replacement		
Donations, memorial trusts & sponsorships		
Special assessment construction		
Assigned to:		
* Encumbrances	104,507	
Subsequent year's expenditures	2,460,586	
Capital improvements		
Special assessment construction		
Unassigned		
General fund	1,709,616	
Block grant		
Neighborhood stabilization program		
Drains at large debt		
	<u>\$ 13,113,210</u>	

* General fund encumbrances relate to computer and other contractual & professional services and operating supplies.

Non-major
funds
 Other
governmental

Council approved earmarks on restricted assets:

Specific programs (Major streets)		
Equalization reserves	\$	26,026
Specific programs (Parks & recreation)		
Equalization reserves		401,879
Bedford woods		131,074
Handicapped programs		12,818
SMART programs		31,552
Specific programs (Library)		
Equalization reserves		581,010
Capital projects		554,676
Residential program initiatives		29,754
Technological development		133,633

2013-2014 PROPOSED INFRASTRUCTURE CAPITAL PROJECTS

FACILITIES MAINTENANCE

Replace Boiler at Fire Station 3	\$ 10,000
Burgh Site Repairs and Maintenance	\$ 25,000
Replace Boiler at Fire Station 5	<u>\$ 80,000</u>
Sub total	\$ 115,000

MAJOR STREETS

Bridge Street Bridge Monitoring	\$ 15,000
Eleven Mile Road (Pernick Drain)	\$ 100,000
Telegraph Road from I-696 to Farmbrook (sprinkler/landscaping)	\$ 400,000
Eleven Mile Road (Inkster Road 2,200 feet east)	\$ 500,000
Evergreen Road prep. work from 10 Mile to I-696	<u>\$ 600,000</u>
Sub total	\$ 1,615,000

WATER & SEWER

Sanitary Pumping Station Upgrades	\$ 150,000
Sewer Cleaning and Condition Assessment	\$ 300,000
New and Replacement Meters	\$ 75,000
Water Main Lining and Replacement	\$ 3,000,000
Water System Rehabilitation	\$ 2,282,624
Water Meters and Automated Reading Devices for Commercial Meters	\$ 650,000
Sewer and Water Utility Assessment Program	\$ 100,000
Elimination of the Magnolia Pumping Station	\$ 500,000
Storm Water Utility Study	\$ 100,000
Replacement of Obsolete Reading System and Failing Meters	<u>\$ 816,496</u>
Sub total	\$ 7,974,120

CAPITAL PROGRAM GRAND TOTAL **\$ 9,704,120**

FACILITIES MAINTENANCE PROPOSED PROJECTS

2013-2014

Replace Boiler at Fire Station 3

The age of the current boiler is 46 years. The repair costs are becoming unjustifiable. Further, the new boiler will be more energy efficient.

Burgh Site Repairs and Maintenance

The Burgh Site buildings need yearly repair to keep them in shape. Annual upkeep on this property's appearance is necessary in order to accommodate private and City events.

Replace Boiler at Fire Station 5

The age of the current boiler is 37 years. The repair costs are becoming unjustifiable. Further, the new boiler will be more energy efficient.

STREETS & HIGHWAYS PROPOSED PROJECTS

2013-2014

The Streets & Highways Department will carefully manage the capital projects planned for the 2013-2014 fiscal year.

Major Street Projects

Bridge Street Bridge Monitoring

Continuation of monitoring the performance of the Bridge Street Bridge, a carbon fiber reinforced polymer (CFRP) bridge completed in 2001. The comparative monitoring of the CFRP bridge, versus the adjacent traditional section, provides data of significance to the entire field of civil and structural engineering; thus, MDOT reimburses the city for this expenditure.

Eleven Mile Road (Pernick Drain)

The bridge over the Pernick Drain on Eleven Mile Road is deteriorating and in poor condition. We will be re-decking, resurfacing and replacing the beams to ensure a safe roadway.

Telegraph Road Farmbrook to I-696 Landscaping and Sprinkler Repair

The Telegraph Road, Farmbrook to I-696 landscaping and sprinkler replacement will be done to maintain the desired appearance of the median.

Eleven Mile Road from Inkster to 2,200 Feet East

Eleven Mile Road from Inkster to 2,200 feet east is deteriorating and in poor condition and will be resurfaced.

Evergreen Road from 10 Mile to I-696

This portion of the project is preparation for the reconstruction of the roadway and the installation of round-a-bouts.

Michigan's road funding crisis

Michigan's road system is at crisis stage. At its foundation is a funding system that guarantees us fewer dollars in the future. Approximately one-half of the state money dedicated to operating the road system is generated from fuel taxes. This tax is not based on the price of gasoline; it is based on every gallon consumed. In 1997, the Legislature set the tax at 19 cents per gallon; today the tax remains at 19 cents per gallon. The other major source of revenue for roads is license plate fees. As we purchase more fuel-efficient cars, the amount of money to care for roads actually diminishes. SEMCOG projects a 60 percent reduction in gas-tax revenues by 2040 simply based on the latest federal fuel economy standards for vehicles.

Over the past decade, the amount of money available to maintain our road system has been static, if not declining. At the same time, the costs associated with maintaining roads have been steadily increasing. Over the last decade, county road commissions and local DPWs have been restructuring their organizations to try and keep the roads in operational order. However, they are battling a war of attrition.

SEMCOG works with the seven counties in Southeast Michigan to inspect over 20,000 miles of major roads. All roads are inspected at least once every two years. This is a legal requirement. In 2004, just 11 percent of the roads in Livingston, Macomb, Monroe, Oakland, Saint Clair, Washtenaw, and Wayne counties were considered in "poor" condition. By 2012, that percentage had jumped to 30 percent. This decline happened despite the large one-time infusion of funding through the federal stimulus.

Most citizens of Michigan are unaware of how little goes into supporting Michigan's road system, compared to other states. The latest information from the U.S. Census report on State and Local Finances by Level of Government indicates that Michigan spent around \$143 per person on road construction in 2010, much lower than the national average of \$292. There are many areas of state government spending where government officials are proud to boast that we are spending significantly less than other states. Road maintenance should not be one of them.

Many local governments have resorted to looking to local taxpayers to fund desperately needed road pro-



Brandy Bekar/The Detroit News

Insufficient road funding forces Michigan to plug potholes rather than build strong roads.

jects. This usually means a request for a dedicated millage for roads. Higher property taxes are not a long-term solution to fixing roads.

We need to urge our legislators to do the following: Find a long-term solution for Michigan's road funding needs. The solution must have a natural growth pattern that allows the fund to grow without the need to return for a legislative fix every few years. The solution must be of sufficient scope to solve the problem. No more kicking the funding can down the road.

Michael Sedlak, chair, the Southeast Michigan Council of Governments, and Green Oak Charter Township Clerk

Joan Gebhardt, SEMCOG first vice chair,

Schoolcraft College treasurer

Kathy Vosburg, SEMCOG vice chair,

and Macomb County Commissioner

Jeffrey Jenks, SEMCOG vice chair,

and Huntington Woods Commissioner

WATER & SEWER PROPOSED PROJECTS

2013-2014

The Water & Sewer Department has made every effort to keep rate increases to a minimum and still maintain the integrity and reliability of the system. The rate increases passed through to us from the controlling authorities was in excess of 8.9%. Our structured multi-year rating strategy, along with operating efficiencies, and careful capital project budgeting, results in a rate increase of 4.85% to our customers. The proposed rate will generate sufficient revenues to fund our operations, debt retirement and capital expenditures for the coming fiscal year.

Sanitary Pumping Station Upgrades

This is an on-going multi-year program to insure dependable operation of the sanitary pumping stations to prevent back-ups into basements.

Sewer Cleaning and Condition Assessment

This work will be performed on an as needed basis for specifically defined issues.

New and Replacement Meters

These meters are for new construction and replacement of damaged or defective meters throughout the system.

City Wide Water Main Lining and Replacement

Re-Lining of water mains is a cost effective maintenance method when total reconstruction is either not economically feasible or not appropriate to address the problem at hand.

Water System Rehabilitation

The rehabilitation of water mains throughout the city is required as the system ages to alleviate main breaks and disruption of water service to residents and businesses.

Water Meters and Automated Reading Devices for Commercial Meters

This is a multi-year program to replace the large commercial meters throughout the City. As meters age they lose accuracy and measure less than the actual water consumption. Automated meter reading devices enable the Water & Sewer Department to efficiently read meters with less staff and increased productivity.

Sewer and Water Utility Assessment

Conducting a rate study will ensure sufficient funding for maintenance and repair of the water and sewer system throughout the city.

Elimination of the Magnolia Pumping Station

The Magnolia pumping station is outdated and will be removed and reconfigured to gravity flow.

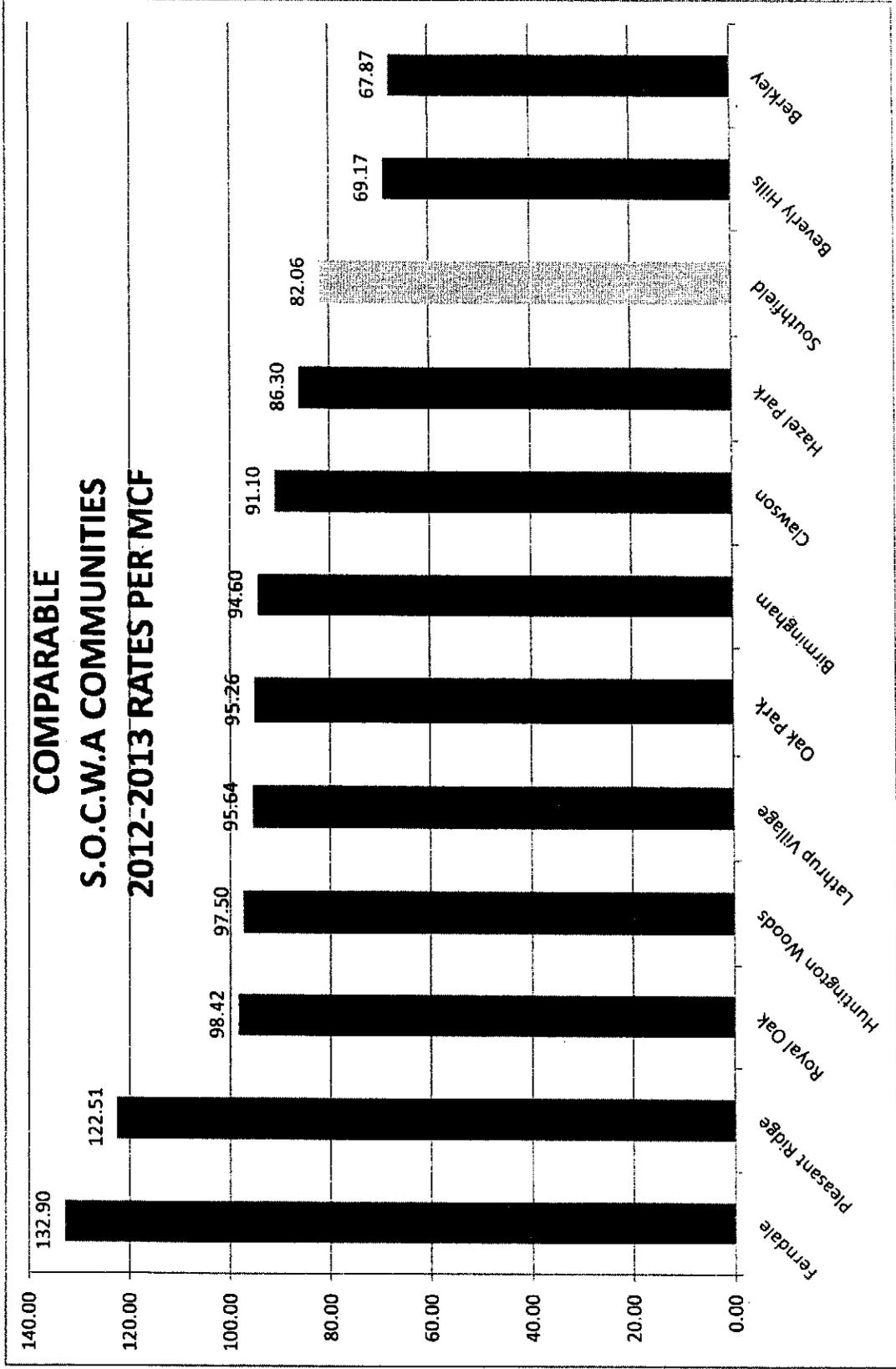
Storm Water Utility Study

Utility study required due to new federal regulations.

Replacement of Obsolete Reading System and Failing Meters

The meter reading system is obsolete and aging meters are failing causing them to run slow.

**COMPARABLE
S.O.C.W.A COMMUNITIES
2012-2013 RATES PER MCF**



MAYOR'S BUDGET MESSAGE

MAYOR'S OFFICE

May 6, 2013

Honorable City Council
Municipal Building
Southfield, Michigan

RE: Presentation of Fiscal Year 2013-14 Budget to Council

Dear Sirs and Mesdames:

Transmitted herewith is the City Administrator's recommended 2013-14 fiscal year budget, pursuant to Chapter VIII, Subsection 8.2 of the Charter of the City of Southfield.

I have reviewed the recommended budget plan and I am satisfied that the budget is sufficient to maintain our quality service levels for the fiscal year beginning July 1, 2013. In keeping with our strategic plan, the 2013-14 fiscal year General Fund budget has been balanced with no use of fund balance reserves for operations. This must remain a primary objective in our financial planning. We cannot afford to rely on our fund reserves for operating costs while we are faced with ever increasing needs for road, facility, and other infrastructure improvements. It is also imperative that we continue to seek new ways to cut costs and increase revenues all while maintaining a constant focus on taxpayer's concerns.

Growing our tax base and repopulating Southfield must be a priority for us as policy makers while also maintaining the City's high level of quality services. It is essential that we address our capital project needs in order to maintain our infrastructure – ensuring Southfield's future economic vitality and ability to attract new residents and business. We must continue to provide the community with exceptional public safety, quality roads and an increased focus on

beautification and curb appeal. This budget transmittal will focus on a strategy to achieve these primary objectives.

Maintaining Southfield's Public Safety, Infrastructure and Curb Appeal

It is essential that we continue to maintain Southfield's high public safety and appearance standards as well as the City's overall infrastructure, including our roads, bridges and facilities.

- **Public Safety: Keeping Southfield Safe & Secure:** This budget is in sync with my strong conviction that public safety remains our top priority at \$39,113,411 or 60% of the total General Fund in the FY 2013-14 recommended budget. This will be accomplished with an overall reduction in the General Fund budget totals of \$65,599,556, a reduction of \$1,067,580 or 1.6% from the FY 2012-13 total of \$66,667,136. The selection of Southfield's new Police Chief and Fire Chief last fall and new Emergency Management Director this spring has solidified the leadership and direction of these crucial frontline departments.
- **Code Enforcement and Community Appearance Efforts:** As part of my strong focus on maintaining Southfield's curb appeal, this budget will continue our comprehensive approach to Code enforcement and community appearance with an even greater emphasis on citizen participation. We will continue to maintain our high community appearance standards by clearly communicating city codes, ordinances and expectations to residents and businesses alike. The City's recently revised Resident Handbook is one example of this outreach, in addition to actively working with neighborhood associations to ensure

that Southfield remains clean and attractive – key components to our desirability to new residents and businesses.

- **Roads, Water, and Facilities:** In reviewing each year's proposed budget, I am energized to see funding allocated for infrastructure investment. In this budget, over \$9.7 million is earmarked for nineteen infrastructure improvements projects in the FY 2013-14.

However, as indicated in the City Administrator's budget narrative, this reflects the inadequate Act 51 state funding for Local and Major street systems which is below the levels of three years ago. As a result, the vast majority of capital improvement projects in this proposed budget are in water and sewer. We cannot expect a full economic recovery on the state or local level with crumbling roads. The City of Southfield has already taken a proactive approach in seeking much needed funding for several road repair projects through persistence and collaborative partnerships. As such, Southfield has reached an agreement with the Road Commission for Oakland County (RCOC) on a 50/50 split between the City and the RCOC for design engineering fees for Greenfield Road reconstruction. The total estimated fees will be \$250,000, with our share totaling \$125,000, which is already included in our total estimated participation of \$1,033,970, or 28% of the total project cost of \$3,650,000. I applaud the efforts of the many staff, other elected officials and agencies including the DDA, Chamber of Commerce, Providence Hospital and Northland Center in obtaining the 72% outside funding needed for this project. Additionally, the DDA's subsequent \$100,000 commitment reduces the City's financial burden to 25.6% or \$933,970. The reconstruction of Evergreen Road between 10 Mile and I-696 will be initiated 2014.

We continue to invest heavily in capital improvements to ensure water quality and to protect the environment. The proposed budget provides \$7,974,120 for eleven heavy maintenance or system improvement projects. This represents an increase of \$129,120 over the 2012-13 level of \$7,845,000. We are truly maintaining and improving our infrastructure by investing in the future within the limitations of our financial resources.

- **Tree Fund, Water and Sewer Hook Up Assistance Program, CHORE Program, SHIP, Habitat for Humanity and Rebuilding Together-Oakland County, Human Services, the Neighborhood Stabilization Program, and the Southfield Career Center:** These are all existing programs or working relationships that help maintain or improve the City's housing stock, keep residents in their homes, and foster a sense of community. Despite the economic pressures of the day, the proposed budget provides either direct funding or indirect support to all of these neighborhood activities.

Growing the Tax Base

As we all know, Proposal A severely limits the growth potential from existing properties by limiting the annual taxable value appreciation on existing real property to the lesser of 5% or the rate of inflation. However, there is no limitation when it comes to new construction. Simply stated, that is why we must emphasize new development in the City of Southfield. In that regard, I would like to encourage a full public dialogue focusing on what type of new development we should seek and how to most effectively attract the desired new development.

Secondly, I would like to urge a more aggressive and comprehensive approach to repopulating the City. The unprecedented economic challenges in the region in the 10-year period 2000 to 2010, including the out-migration of many young people seeking career opportunities in other states, resulted in a loss of population in the City. Consequently, we need to take bold steps to more effectively market the City to prospective new residents.

Maintaining a High Level of Quality City Services in Tough Times

Since fiscal year 2004-05, we have reduced staffing levels by over 200 FTE's or approximately 25% of the total City complement. This has been accomplished by a combination of attrition, wage and benefit concessions, job training, and technological improvements allowing staff to work more efficiently. We must also recognize City staff for their extraordinary dedication that has helped make these adjustments possible without reducing essential on-the-street services to the public.

However, there are limits to the organization's ability to sustain even more staff cuts and concessions using this same methodology indefinitely. Therefore, I continue to urge, as I have in the past, the development of a more strategic organizational approach for the long haul. If outside assistance were to be required in this regard, I would support such an engagement. We must develop a more sustainable long-term organizational structure for the future of Southfield that is in line with our current revenues.

I look forward to working with City Council in reviewing the proposed 2013-14 budget and in participating in a dialogue focusing on longer-range planning for the continued progress of this great City.

Respectfully submitted,

A handwritten signature in black ink, reading "Brenda L. Lawrence". The signature is written in a cursive style with a large, prominent initial "B".

Brenda L. Lawrence, Mayor

City of Southfield

CITY ADMINISTRATOR'S BUDGET MESSAGE

ADMINISTRATION

April 1, 2013

Honorable Mayor Brenda L. Lawrence
Municipal Building
Southfield, Michigan

Re: Recommended Budget for 2013-14 Fiscal Year

Dear Mayor Lawrence:

Presented herewith, pursuant to Section 8.2 of the Southfield City Charter, is the City Administrator's recommended municipal budget for the fiscal year beginning July 1, 2013.

Serious problems continue on the revenue side. The City's property tax base for 2013-14 will be down by 3.4%, per the City Assessor's submission to state and county authorities. With an allowance for commercial appeals, the budget is built on an overall projected tax base decrease of 8.5%. This marks the fifth consecutive year of tax base decrease. Totaling the decreases over the 5-year period yields a decline of 50.02%: 2009-10: -3.0% actual, 2010-11: -14.5% actual, 2011-12: -13.02% actual, 2012-13: -11.0% projected and 2013-14: -8.5% projected. The property tax base declines shown for fiscal years 2009-10, 2010-11 and 2011-12 are actuals, indicating that those declines are finalized and are a matter of record.

The declines shown for 2012-13 and 2013-14 are projections, comprised of two elements: the decreases per the City Assessor's roll submitted to the state and county authorities, plus an allowance for commercial appeals outstanding. It is interesting to note that the projections for 2012-13 and 2013-14 are below the actual decreases suffered in 2010-11 (-14.5%) and 2011-12 (-13.5%), meaning—though we are still suffering serious losses—the worst is over.

The City's commercial appeals hit their peak in 2010—over 375 appeals outstanding. The figures as of April of 2012 were 261 appeals outstanding, taxable values in controversy of \$531 million, and an estimated City tax revenue loss of \$5.1 million. At this writing, there are still over 200 active commercial appeals. Projections for 2012-13 and 2013-14 are drawn cautiously and have been closely reviewed by both our outside legal counsel and the independent CPA firm responsible for the City's annual audit. Prior to the great recession, typical appeals outstanding were about 50 with a potential revenue loss that could be readily absorbed within the annual General Fund operating budget. At June 30, 2012, the City's General Fund Unassigned Fund Balance stood at \$1,709,616, or 2.6% of the subsequent year's budget. It is our hope that the cautious projections utilized to properly reserve funds for commercial appeals will turn out in the City's favor, so that we can add to this fund balance and/or address some of the sorely needed capital projects outlined in the City's Capital Improvement Plan. We need to keep in mind that these tax base/property tax revenue declines affect the Library and Parks & Recreation activities as well.

No comparable city of our size in the state of Michigan has been hit harder by the great recession. The City's population declined by 6,557, or 8.4%, from 78,296 in the 2000 census to 71,739 in 2010. We have been hit hard by the precipitous out-migration of jobs from the state of Michigan. Though there have been recent improvements in the state's unemployment figures, as of March 2013, the state of Michigan—at 8.5%—ranked 42nd among the 50 states within a range of unemployment percentages from a low of 3.3% for North Dakota to a high of 9.7% in Nevada. The US figure for the month of March was 7.6%. For the month of February, US unemployment was at 7.7%, while Michigan's rate was 8.8%, and the City of Southfield's rate was 10.8%.

With regard to state funding for much needed local road projects, the operative word is stagnation. Act 51 state road funding levels for both our Local and Major street systems are slightly below the levels of three-years ago. The State of Michigan's support for road funding is at or near the bottom in virtually all categories.

In terms of State Shared Revenues (a return of certain portions of sales tax generated within the local units, comprising the City's second largest single source of General Fund revenues), recent improvements have been included in the 2013-14 recommended budget. However, it should be noted that the total for 2013-14, at \$6,334,591, is 35% below the 2001-02 levels. The statutory portion, over which the state legislature has direct control, has declined by 81%, from \$4,677,228 in 2001-02 to \$880,383 in the 2013-14 recommended budget. We are truly facing unprecedented challenges in all major sources of revenue.

SOURCES OF HOPE

How have we addressed these unprecedented challenges to date, and how is the proposed budget plan for 2013-14 going to ensure continued progress? The fundamental answer or "secret" formula for our success to date is that we have concentrated on the areas of the municipal enterprise over which we have the most control. This is the source of our success and the hope for the future. The proposed budget plan maintains that critical focus for the upcoming fiscal year. The consistency and commitment of the Mayor and City Council have been extraordinary over the years during which we have faced what may have looked, at times, like insurmountable hurdles. Further, the steady commitment of City staff under these fiscal pressures has been remarkable. Simply put, what we have done is to focus relentlessly on cutting costs, without cutting services. Staying the course over the years in this relentless pursuit, we

have achieved rather remarkable results. Despite having 25%, or some 200 fewer employees today than ten-years ago, we have—over the years—actually improved service levels in several areas. This is especially notable in the areas of Code Enforcement and community appearance. We continue to make strides in the appearance of the community and in working cooperatively with the neighborhood associations to protect the vitality of the neighborhoods, as well as the attractiveness of the City to current businesses and ones that may be looking for a new or expanded location. Also, worthy of recognition is the teamwork between the Police, Fire, and Emergency Management functions which maximizes the productivity of our human resources. Measures taken in the Police Department to maximize on-the-street service delivery and enhance traffic safety are certainly worthy of recognition, as is the creative efforts of the Fire Department that were instrumental in achieving the reconfigured SAFER grant.

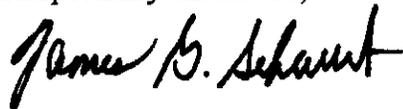
The proposed budget plan embodies this continued commitment. Although, as you review the numbers, you will see that the budget is tightly drawn; it is not bare bones. It reflects a solid capital improvement and infrastructure improvement component. Further, the plan provides funding for housing standards initiatives and business retention/attraction programs, earmarking \$500,000 in new funding for those purposes. These funds are to be utilized as may be deemed appropriate in line with the priorities established by the Mayor and City Council. An upcoming Council initiated visioning session will focus on determining the priorities that will drive the use of those funds, as well as establish future directions in a number of other municipal functions.

The General Fund budget request totals \$65,599,556, a reduction of \$1,067,580, or 1.6%, from the 2012-13 total of \$66,667,136. Public Safety remains the number one priority at \$39,113,411 or 60% of the total General Fund. This is down slightly from 2012-13 levels of \$39,326,517 due

to vacancies and the lower cost of new sworn personnel (the two Cadets recently hired as sworn Police Officers) under recent labor contract provisions. The percentage of the 2012-13 General Fund budget devoted to Public Safety in 2012-13 was 59%. The total budget, at \$146,722,609, increases \$564,062, or four-tenths of one percent. This change reflects an increase of 4.85% in the Water & Sewer rates necessary for funding current and future capital improvements to our aging systems. The City of Southfield's water and sewer rates remain in the lower tier of surrounding communities. The proposed budget includes a total of \$9.71 million in capital projects; \$7.97 million, or 82%, of that total is earmarked for Water & Sewer projects.

The governing body of this city has consistently stood on principle, rather than choosing the lesser path of expediency in the conduct of Southfield's fiscal affairs. Throughout these unprecedented tough times, the Mayor and City Council have confronted the realities, resisted the tendency to go along to get along, and insisted on funding capital projects even though it often required sacrifice at the operating level for departments. This long-range, multi-year approach will enable the City to complete two key capital projects in 2014 (the reconstruction of Evergreen Road between Ten Mile Road and I-696 and the reconstruction of southbound Greenfield Road between Mt. Vernon and Eight Mile Road) that will surely pay dividends in terms of future economic development and redevelopment. The strength of this resolve will carry the City through to better days ahead.

Respectfully submitted,



James G. Scharret
City Administrator

2013-2014 Recommended Budget

City of Southfield

	Recommended Revenues
GENERAL FUND:	
General Operating Levy	28811579 { 14,105,722
Police & Fire Levy	{ 4,705,857
Police & Fire Pension Levy	10,072,741
Tax Administration Fees & Penalties	1,979,927
Sales Tax Returns - Constitutional	5,406,708
Sales Tax Returns - Statutory	880,383
Liquor Licenses	47,500
Sanitation Charges	3,170,523
Building Revenues	1,200,000
Engineering Revenues	671,832
District Court Revenues	4,675,000
Reimbursements	2,493,831
Fees, Licenses & Permits	4,195,478
Investment Income	200,000
Interfund Reimbursements	808,342
Transfer from Committed Fund Balance:	
Equalization Reserve	985,712

TOTAL GENERAL FUND 65,599,556

FACILITIES MAINTENANCE FUND	4,875,987
MOTOR POOL FUND	3,935,755
CABLE TV FUND	1,108,949
PARKS & REC FUND	6,735,640
LIBRARY FUND	7,354,461
MAJOR STREET FUND	8,306,016
LOCAL STREET FUND	5,212,249
WATER & SEWER FUND	48,016,644
DRUG LAW ENFORCEMENT FUND	415,487
DONATIONS, MEM. TRUSTS & SPONSORSHIPS	200,000
(DUPLICATING TRANSFERS)	(12,568,013)
MUNICIPAL SUBTOTAL	<u>139,192,731</u>

COMM. DEVELOPMENT BLOCK GRANT	332,169
N.S.P.*	1,389,500
SECTION 8 HOUSING GRANTS	2,203,989
MICHIGAN WORKS GRANTS	3,300,000
AUTO THEFT GRANT	304,220
TOTAL GRANT FUNDS	<u>7,529,878</u>

TOTAL ALL OPERATING FUNDS 146,722,609

DEBT SERVICE -

TOTAL REVENUES 146,722,609

	Recommended Expenditures
GENERAL FUND:	
Administration	499,922
Fiscal Services/OMB	188,492
Accounting	447,416
Purchasing	108,711
Technology Services	1,692,217
Assessing	692,524
Central Services	1,480,629
Support Services	6,041,307
Human Resources	728,419
Clerk	887,439
Council	166,454
Community Relations	522,399
Court - 46th District	3,465,260
Human Services	231,138
Law	968,988
Mayor's Office	198,750
Public Safety	39,113,411
Community Dev. Administration	1,196,917
Building	1,587,354
Planning	513,597
Streets & Highways	95,311
Transportation	454,771
Engineering	586,504
Sanitation	3,170,523
Treasurer	561,103
TOTAL GENERAL FUND	<u>65,599,556</u>

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DEBT SERVICE -

TOTAL EXPENDITURES 146,722,609

*Neighborhood Stabilization Program

(Current Year Budget Figures for Reference)

2012-2013 Budget City of Southfield

	Approved Revenues
GENERAL FUND:	
General Operating Levy	15,416,090
Police & Fire Levy	16,071,974
Police & Fire Pension Levy	9,195,448
Tax Administration Fees & Penalties	2,145,294
Sales Tax Returns - Constitutional	4,479,648
Sales Tax Returns - Statutory	821,682
Liquor Licenses	47,500
Sanitation Charges	3,232,832
Building Revenues	1,152,000
Engineering Revenues	668,421
District Court Revenues	4,252,172
Reimbursements	1,534,395
Fees, Licenses & Permits	4,177,817
Investment Income	200,000
Interfund Reimbursements	811,277
Transfer from Committed Fund Balance: Equalization Reserve	2,460,586

TOTAL GENERAL FUND 66,667,136

FACILITIES MAINTENANCE FUND	4,953,254
MOTOR POOL FUND	3,842,377
CABLE TV FUND	1,108,381
PARKS & REC FUND	6,980,556
LIBRARY FUND	7,844,049
MAJOR STREET FUND	7,810,387
LOCAL STREET FUND	7,172,542
WATER & SEWER FUND	45,795,560
DRUG LAW ENFORCEMENT FUND	426,319
DONATIONS, MEM. TRUSTS & SPONSORSHIPS (DUPLICATING TRANSFERS)	200,000 (14,342,054)
MUNICIPAL SUBTOTAL	<u>138,458,507</u>

COMM. DEVELOPMENT BLOCK GRANT	515,211
N.S.P.*	1,389,500
SECTION 8 HOUSING GRANTS	2,203,989
MICHIGAN WORKS GRANTS	3,300,000
AUTO THEFT GRANT	291,340
TOTAL GRANT FUNDS	<u>7,700,040</u>

TOTAL ALL OPERATING FUNDS 146,158,547

DEBT SERVICE -

TOTAL REVENUES 146,158,547

	Approved Expenditures
GENERAL FUND:	
Administration	487,978
Fiscal Services/OMB	184,867
Accounting	521,855
Purchasing	243,721
Technology Services	1,674,998
Assessing	673,293
Central Services	1,510,726
Support Services	6,289,959
Human Resources	719,363
Clerk	872,032
Council	166,454
Community Relations	514,714
Court - 46th District	3,535,048
Human Services	348,593
Law	956,653
Mayor's Office	199,046
Public Safety	39,326,517
Community Dev. Administration	1,180,909
Building	1,592,816
Planning	504,394
Streets & Highways	109,590
Transportation	445,718
Engineering	668,421
Sanitation	3,232,832
Treasurer	706,639
TOTAL GENERAL FUND	<u>66,667,136</u>

FACILITIES MAINTENANCE FUND	4,953,254
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TOTAL ALL OPERATING FUNDS 146,158,547

DEBT SERVICE -

TOTAL EXPENDITURES 146,158,547

2013-2014 RECOMMENDED BUDGET
PROPERTY TAX REVENUES AND RATES

	<u>Revenue</u>	<u>Rate*</u>
General Operations	14,105,722	6.6094
Police & Fire	14,705,857	6.8906
Police & Fire Pension	10,072,741	4.7197
Residential Street Maintenance	2,134,191	1.0000
Parks & Recreation	3,734,834	1.7500
Library	5,975,735	2.8000
Public Acts 298/59	520,956	0.2441
<i>471,016 = .2207 & 49,940 = .0234</i>		
Total Operating	<u>51,250,036</u>	<u>24.0138</u>
County Drains at Large	1,136,602	0.4873
Local Development Finance Authority (LDFA) I	617,416	**
Local Development Finance Authority III	327,869	**
DDA/Tax Increment Finance	201,542	**
Smart Zone	128,124	**
Brownfield Redevelopment Authority	202,828	**
Renaissance Zone (Tool and Die)	10,136	**
Grand Total	<u>53,874,553</u>	<u>24.5011</u>
Taxable Valuation (TV)	2,134,191,023	
TV Captured by LDFA I	25,199,515	
TV Captured by LDFA III	13,381,794	
TV Captured by DDA/TIF	8,225,839	
TV Captured by Smart Zone	5,229,308	
TV Captured by Brownfield Redevelopment Authority	8,278,316	
TV Captured by Renaissance Zone (Tool & Die)	413,682	
Total TV	<u>2,194,919,477</u>	

*Mills per \$1,000 of TV

**Total millage of 24.5011 applied to taxable value of LDFA and other special authorities.

2012-13 Tax Rate Compared To 2013-14

	<u>2012-13</u>	<u>2013-14</u>	<u>Increase / (Decrease) Compared To 2012-13</u>
Operating:			
General Operations	6.6094	6.6094	-
Public Safety	6.8906	6.8906	-
Police & Fire Pension	3.9424	4.7197	0.7773
Residential Street Maintenance	1.0000	1.0000	-
Parks & Recreation	1.7500	1.7500	-
Library	2.8000	2.8000	-
Public Acts 298/59	0.2421	0.2441	0.0020
Total Operating	23.2345	24.0138	0.7793
Debt Service:			
County Drains At Large	0.4873	0.4873	-
Total Levy	23.7218	24.5011	0.7793

MILLAGE HISTORY

OPERATING	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03
General Operations	7.0000	6.9566	6.9566	6.9566	6.9566	6.9566	6.9006	6.8284	6.6453	6.6094	6.6094
Public Safety	3.0000	2.9814	2.9814	2.9814	2.9814	2.9814	2.9574	2.9264	2.8479	2.8325	2.8325
Police / Fire Pension	1.5242	1.5900	1.7001	1.6991	1.8109	1.8223	1.7256	1.3820	1.3495	1.2910	1.3063
Res. Street Maint.	1.0000	.9938	.9938	.9938	.9938	.9938	.9858	.9754	.9492	.9440	.9440
R-O-W Appearance	.4625	.4663	.4604	.4644	.4761	.4761	.4548	.4551	.5083	.5348	.4401
Parks & Recreation	1.7500	1.6870	1.7392	1.7392	1.7392	1.7392	1.7252	1.7072	1.6614	1.6524	1.6524
Library	1.0000	.9453	.9498	.9498	.9938	.9938	.9858	1.3054	2.1048	2.0934	2.0934
Total Operating	15.7367	15.6204	15.7813	15.7843	15.9518	15.9632	15.7352	15.5799	16.0664	15.9575	15.8781
Debt Service	.9050	.6969	.6368	.6338	.5103	.4989	.4921	.4679	.3804	.3065	.2748
Drains-at-Large	.3575	-	-	-	-	-	-	-	-	-	-
TOTAL	16.9992	16.3173	16.4181	16.4181	16.4621	16.4621	16.2273	16.0478	16.4468	16.2640	16.1529
OPERATING	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12*	12-13	13-14
General Operations	6.6094	6.6094	6.6094	6.6094	6.6094	6.6094	6.6094	6.6094	6.6094	6.6094	6.6094
Public Safety	2.8325	2.8325	2.8325	2.8325	2.8325	2.8325	2.8325	2.8325	2.8325	2.8325	2.8325
Police / Fire Pension	1.4583	1.6017	1.7096	1.6772	1.7672	1.6889	1.7000	1.8788	3.0004	3.9424	4.7197
Res. Street Maint.	.9440	.9440	.9440	.9440	.9440	.9440	.9440	.9440	1.0000	1.0000	1.0000
R-O-W Appearance	.4913	.4227	.4227	.3361	.2539	.3322	.3370	.1582	.2207	.2421	.2441
Parks & Recreation	1.6524	1.6524	1.6524	1.6524	1.6524	1.6524	1.6524	1.6524	1.7500	1.7500	1.7500
Library	2.0934	2.0934	2.0934	2.0934	2.0934	2.0934	2.0934	2.0934	2.8000	2.8000	2.8000
Total Operating	16.0813	16.1561	16.2640	16.1450	16.1528	16.1528	16.1687	16.1687	22.2711	23.2345	24.0138
Debt Service	.2615	.0277	-	-	-	-	-	-	-	-	-
Drains-at-Large	-	.1590	.0788	.1978	.1900	.1900	.1741	.1741	.3591	.4873	.4873
TOTAL	16.3428	16.3428	16.3428	16.3428	16.3428	16.3428	16.3428	16.3428	22.6302	23.7218	24.5011

*Millage Election 5/3/11 approving 4.9183 additional mills

A. PROPERTY TAX REVENUES - SERVICES PROVIDED

TAX REVENUE FACTORS

13-14 TAX BASE FOR CITY OPERATIONS	\$2,134,191,023
12-13 TAX BASE FOR CITY OPERATIONS	\$2,332,449,206 (198,258,183) or (8.5%)

**CHANGE IN TAX REVENUES FOR
CITY OPERATIONS**

	<u>12-13</u>	<u>13-14</u>	<u>\$ / % Difference</u>
GENERAL FUND:			
General Operating Millage	\$15,416,090	\$14,105,722	(1,310,368) / (8.5%)
Police & Fire Millage	16,071,974	14,705,857	(1,366,117) / (8.5%)
Police & Fire Pension Millage	9,195,448	10,072,741	877,293 / 9.5%
ROADSIDE APPEARANCE PROGRAM (PA298) + PA59*	564,686	520,956	(43,730)** / (7.7%)
RESIDENTIAL STREETS	2,332,449	2,134,191	(198,258) / (8.5%)
PARKS & RECREATION	4,081,786	3,734,834	(346,952) / (8.5%)
LIBRARY	6,530,858	5,975,735	(555,123) / (8.5%)

*PA 59 was first levied in 2012-13. It allows for up to \$50,000 annually for business attraction programs.

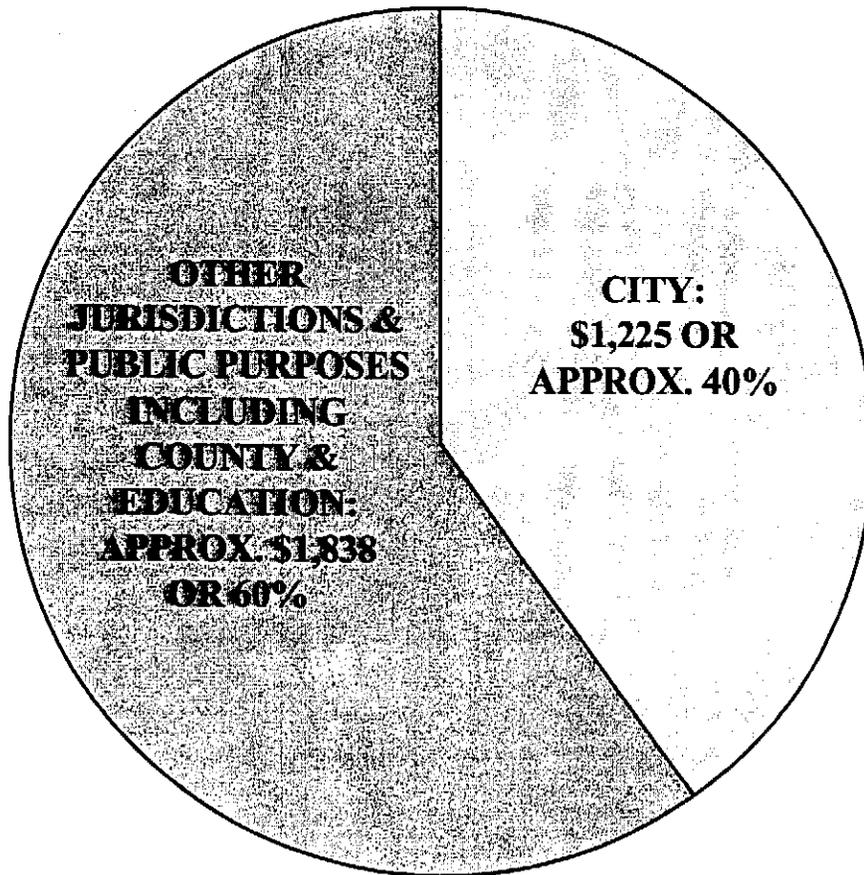
**The millage revenues for the Roadside Appearance program decreased due to the decline in the tax base. However, the function is being aided by part-time summer employees in the Code Enforcement and Public Works activities, and there will no detriment to the appearance of our roadsides.

2013-2014
SERVICES PROVIDED
FOR CITY PROPERTY TAX DOLLARS

<u>MAJOR SERVICES</u>	<u>CITY TAXES/YEAR*</u>
POLICE, FIRE, & EMS	911
PARKS & RECREATION	87
ROADS, APPEARANCE, DRAINS & OTHER	87
LIBRARY	<u>140</u>
TOTAL CITY PROPERTY TAX	\$ 1,225

* For ease of calculation, figures are based on a Southfield home with a market value of \$100,000 and a taxable value of \$50,000.

**PROPERTY TAX DOLLAR DISTRIBUTION
(\$100,000 HOME, TAXABLE VALUE OF \$50,000)**



B. OVERVIEW - REVENUES AND EXPENDITURES

KEY ASSUMPTIONS

- STATE SHARED REVENUES PER STATE PROJECTIONS & FULL EVIP
- TREASURER'S PROJECTION FOR INVESTMENT INCOME
- NO USE OF FUND BALANCE FOR OPERATIONS IN GENERAL FUND
- 0% ACROSS-THE-BOARD WAGE ADJUSTMENT
- MANAGED ATTRITION PROGRAM CONTINUES
- CONTINUOUS MONITORING OF ECONOMIC CONDITIONS
- MULTI-YEAR FINANCIAL PLANNING FOCUS

TEN YEAR PERSONNEL SUMMARY
2003-04 THROUGH 2013-14

Beginning Personnel Count (FTE's*)	851.78
2013-14 Personnel Count	<u>633.76</u>
Total Personnel Count Reduction	218.02 FTE'S or 25.6% reduction

*Full-time equivalent

BUDGET COMPARISONS
GENERAL FUND REVENUES

	12-13 ADOPTED BUDGET	13-14 RECOMM. BUDGET	% CHANGE
General Operating Levy	15,416,090	14,105,722	(8.5) ¹
Police & Fire Levy	16,071,974	14,705,857	(8.5) ²
Police & Fire Pension Levy	9,195,448	10,072,741	9.5 ³
Tax Administration Fees & Penalties	2,145,294	1,979,927	(7.7) ⁴
Sales Tax Returns - Constitutional	4,479,648	5,406,708	20.7 ⁵
Sales Tax Returns - Statutory	821,682	880,383	7.1 ⁶
Liquor Licenses	47,500	47,500	-
Sanitation Charges	3,232,832	3,170,523	(1.9)
Building Department Revenues	1,152,000	1,200,000	4.2
Engineering Revenues	668,421	671,832	0.5
District Court Revenues	4,252,172	4,675,000	9.9 ⁷
Reimbursements	1,534,395	2,493,831	62.5 ⁸
Fees, Licenses, and Permits	4,177,817	4,195,478	0.4
Investment Income	200,000	200,000	-
Interfund Reimbursements	<u>811,277</u>	<u>808,342</u>	<u>(0.4)</u>
Total Revenues Exclusive of Fund Balance	64,206,550	64,613,844	n/a
Transfer From Committed Fund Balance:			
Equalization Reserve	<u>2,460,586</u>	<u>985,712</u>	<u>(59.9) ⁹</u>
Total From General Fund	<u>66,667,136</u>	<u>65,599,556</u>	<u>(1.6)</u>

GENERAL FUND REVENUES FOOTNOTES

- 1) Reflects decline of 8.5% in taxable values.
- 2) Reflects decline of 8.5% in taxable values.
- 3) Increase in Police and Fire pension actuarial requirements, coupled with a decrease in the tax base, producing a millage increase of .7773 mills or 19.7% (from a 2012-13 level of 3.9424 mills to a 2013-14 level of 4.7197 mills).
- 4) Primarily reflects the reduction in taxable values.
- 5 & 6) This represents a combined State Shared Revenue increase of \$985,761 or 18.6%. There are three primary reasons for this increase:
 - A gradually improving state economy helps both elements (Constitutional primarily, and Statutory secondarily).
 - We have received 100% of potential Statutory revenues under the EVIP (economic vitality incentive program) since its inception and are now utilizing the state's projections for these revenues. We have been extremely cautious in our past estimates and are now confident that we can safely use the state's projections moving forward.
 - The most significant factor in the increase of the largest element—Constitutional—is the increased accuracy of recent projections by the state. For the first time in the last several years, we are using the state's projections, without discounting them for potential error or major fluctuations.

Two Significant Caveats in Viewing These Numbers:

- State Shared Revenues will be very closely monitored for two reasons: 1) greater reliance this year on state projections; and 2) legislative proposals hinting at potential “raiding” of these funds for road financing.
 - While we are certainly pleased with these increases, we need to keep in mind that our proposed 2013-14 total for State Shared Revenues is 35% below 2001-02 levels for the Constitutional portion and 81% below 2001-02 levels for the Statutory portion.
- 7) Projections for Court Revenues are based on analysis of 2012-13 fiscal year results per the CAFR.
 - 8) The increase is primarily due to revenues from the SAFER grant for firefighter staffing.
 - 9) Less reliance on fund balance to handle commercial appeals due to the decline in the rate of decline in the tax base. The cautious figure of -8.5% for 2013-14 is the lowest rate of annual decline in the last 4-years of budget: the 2010-11 figure was -14.50% (actual/audited); 2011-12 was 13.02% (actual/audited) and the 2012-13 projection was -11%.

BUDGET COMPARISONS
GENERAL FUND EXPENDITURES

	12-13 <u>ADOPTED BUDGET</u>	13-14 <u>RECOMM. BUDGET</u>	<u>%</u>
Administration	487,978	499,922	2.4%
Fiscal Services / OMB	184,867	188,492	2.0%
Accounting	521,855	447,416	(14.3) ¹
Purchasing	243,721	108,711	(55.4) ²
Technology Services	1,674,998	1,692,217	1.0
Assessing	673,293	692,524	2.9
Central Services	1,510,726	1,480,629	(2.0)
Support Services	6,289,959	6,041,307	(4.0)
Human Resources	719,363	728,419	1.3
Clerk	872,032	887,439	1.8
Council	166,454	166,454	-
Community Relations	514,714	522,399	1.5
46th District Court	3,535,048	3,465,260	(2.0)
Human Services	348,593	231,138	(33.7) ³
Law	956,653	968,988	1.3
Mayor	199,046	198,750	(0.2)
Emergency Management	53,985	28,464	(47.3) ⁴
Police	24,645,965	24,125,680	(2.1)
Fire	14,626,567	14,959,267	2.3
Community Development Administration	1,180,909	1,196,917	1.4
Building	1,592,816	1,587,354	(0.3)
Planning	504,394	513,597	1.8
Streets and Highways	109,590	95,311	(13.0) ⁵
Transportation	445,718	454,771	2.0
Engineering	668,421	586,504	(12.3) ⁶
Sanitation	3,232,832	3,170,523	(1.9)
Treasurer	706,639	561,103	(20.6) ⁷
Total General Fund	<u>66,667,136</u>	<u>65,599,556</u>	<u>(1.6)</u>

GENERAL FUND EXPENDITURES FOOTNOTES

1-7) All reductions are due to attrition within the given departments.

BUDGET COMPARISONS
ALL FUNDS

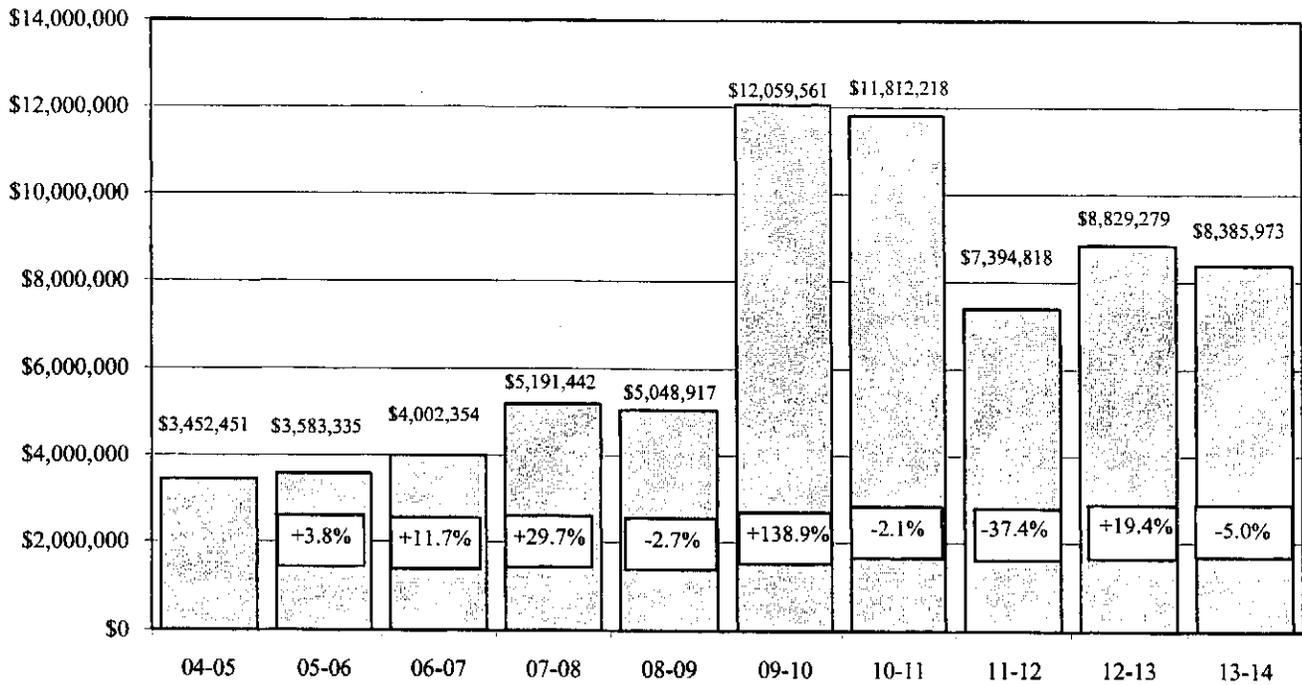
<u>FUND</u>	12-13 ADOPTED BUDGET	13-14 RECOMM. BUDGET	% <u>CHANGE</u>
General Fund	\$66,667,136	\$65,599,556	(1.6)
Facilities Maintenance Fund	4,953,254	4,875,987	(1.6)
Motor Pool Fund	3,842,377	3,935,755	2.4
Cable TV Fund	1,108,381	1,108,949	-
Parks and Recreation Fund	6,980,556	6,735,640	(3.5)
Library Fund	7,844,049	7,354,461	(6.2) ¹
Major Street Fund	7,810,387	8,306,016	6.3 ²
Local Street Fund	7,172,542	5,212,249	(27.3) ³
Water and Sewer Fund	45,795,560	48,016,644	4.9
Drug Law Enforcement Fund	426,319	415,487	(2.5)
Donations, Mem.Trusts and Sponsorships	200,000	200,000	-
(Less Duplicating Transfers)	<u>(14,342,054)</u>	<u>(12,568,013)</u>	<u>n/a</u>
Municipal Subtotal	138,458,507	139,192,731	0.5
Community Development Block Grant	515,211	332,169	(35.5) ⁴
Neighborhood Stabilization Program	1,389,500	1,389,500	-
Section 8 Housing Grants	2,203,989	2,203,989	-
Michigan Works Grants	3,300,000	3,300,000	-
Auto Theft Grant	291,340	304,220	4.4
Total Budget	<u>\$146,158,547</u>	<u>\$146,722,609</u>	<u>0.4</u>

ALL FUNDS FOOTNOTES

- 1) Library Fund decrease reflects 8.5% decline in tax base, tightening of operations and decreased hours.
- 2 & 3) Major and Local Streets, taken together, reflect a decrease of \$1,464,664 or 9.8%.
- 4) Declining federal Block Grant funding and increasing uncertainty.

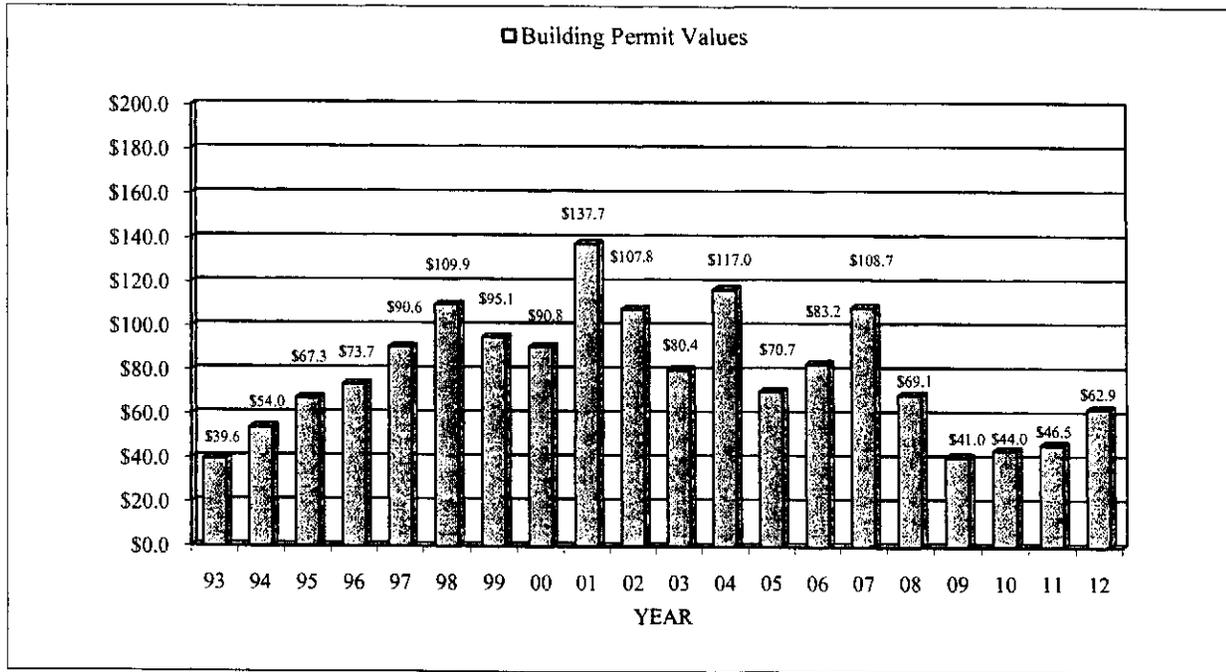
10 YEAR COMPARISON

MAJOR GRANT REVENUES



New Neighborhood Stabilization Program (NSP) dollars and substantial increase in employment grants reflected in 2009-10 and 2010-11. 2012-13 and 2013-14 figures include the Staffing for Adequate Fire and Emergency Response (SAFER) grant.

GROWTH AND PROPERTY VALUATION TRENDS

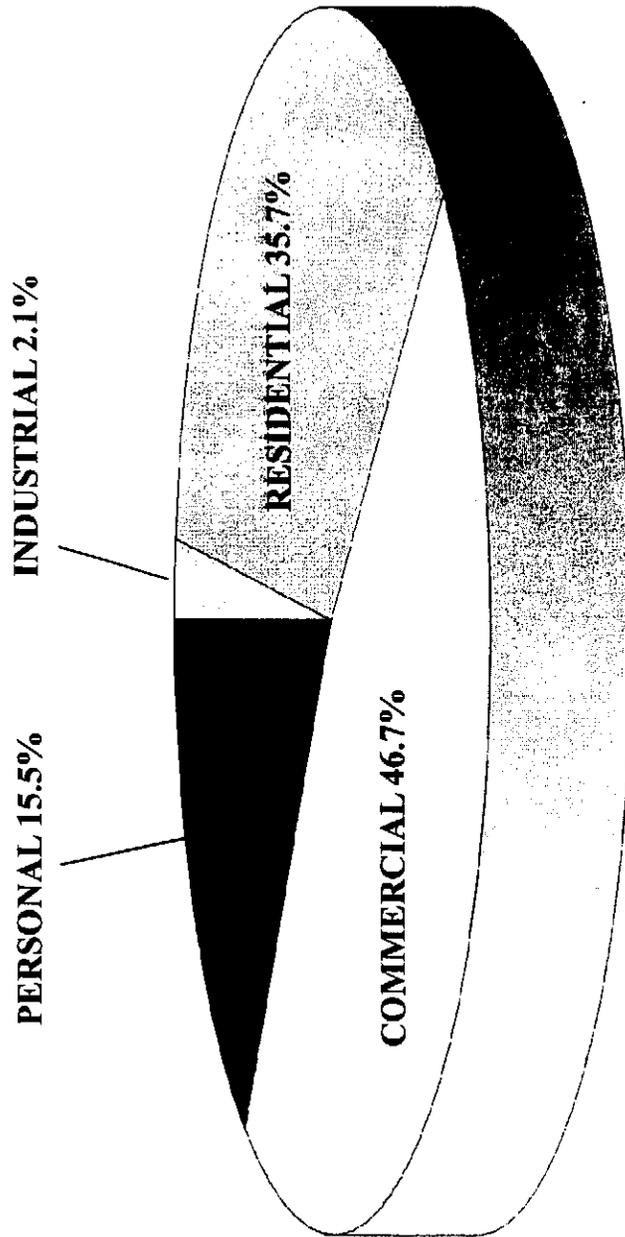


TAXABLE VALUE (TV)

<u>YEAR</u>	<u>RESIDENTIAL</u>	<u>ALL OTHER</u>	<u>TOTAL TV MILLIONS</u>	<u>% GROWTH</u>
1993-94	35.9	64.1	2,308	2.0
1994-95	37.3	62.7	2,295	(0.6)
1995-96	37.5	62.5	2,339	1.9
1996-97	37.7	62.3	2,425	3.7
1997-98	37.9	62.1	2,514	3.7
1998-99	36.7	63.3	2,708	7.7
1999-00	37.2	62.8	2,826	4.4
2000-01	37.7	62.3	2,930	3.7
2001-02	38.5	61.5	3,079	5.1
2002-03	39.3	60.7	3,231	4.9
2003-04	41.0	59.0	3,268	1.1
2004-05	41.9	58.1	3,387	3.6
2005-06	43.0	57.0	3,482	2.8
2006-07	43.8	56.2	3,605	3.5
2007-08	44.6	55.4	3,726	3.4
2008-09	44.6	55.4	3,753	0.7
2009-10	42.6	57.4	3,656	(2.6)
2010-11	37.6	62.4	3,105	(15.1)
2011-12	35.3	64.7	2,695	(13.2)
2012-13	35.1	64.9	2,399	(11.0)*
2013-14	35.7	64.3	2,134	(8.5) estimate*

*Projections, including an allowance for appeals.

COMPOSITION OF TAXABLE VALUE

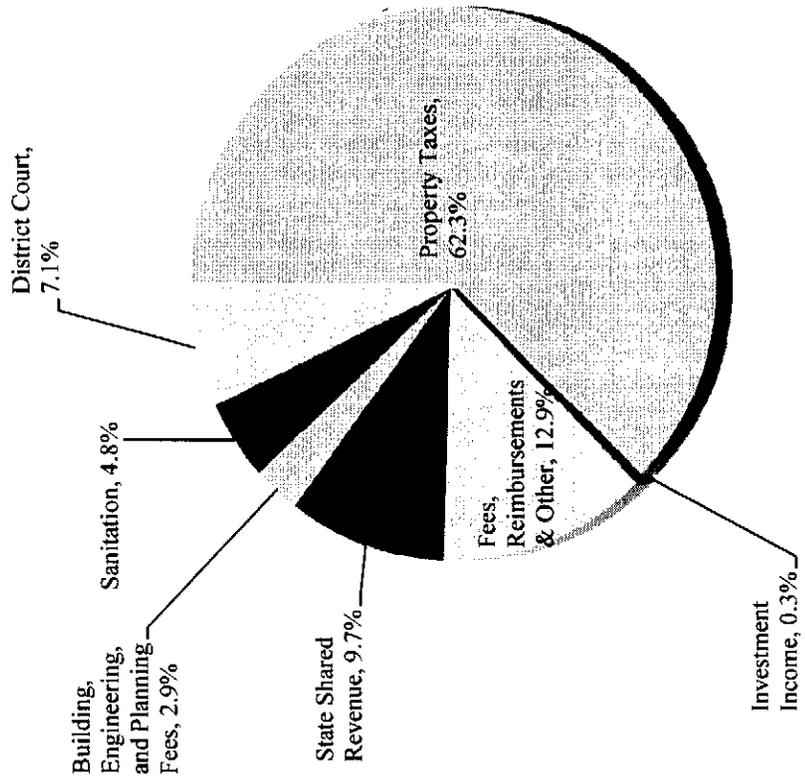


PERSONAL PROPERTY TAX LEGISLATIVE UPDATE

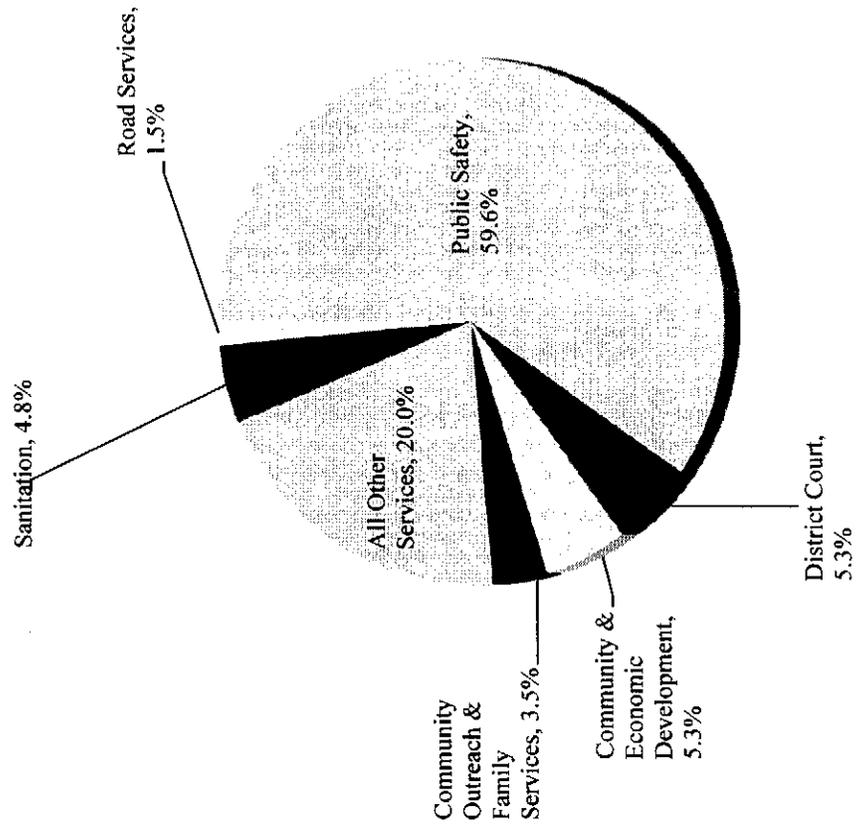
- **NO EFFECT IN 2013-2014**
- **ESTIMATED TAX REVENUE LOSS BEGINNING 2014-2015:
\$750,000 ONE-TIME. THIS IS BEST CASE.**
- **UNCERTAINTY BEYOND 2014-15**

GENERAL FUND

REVENUES

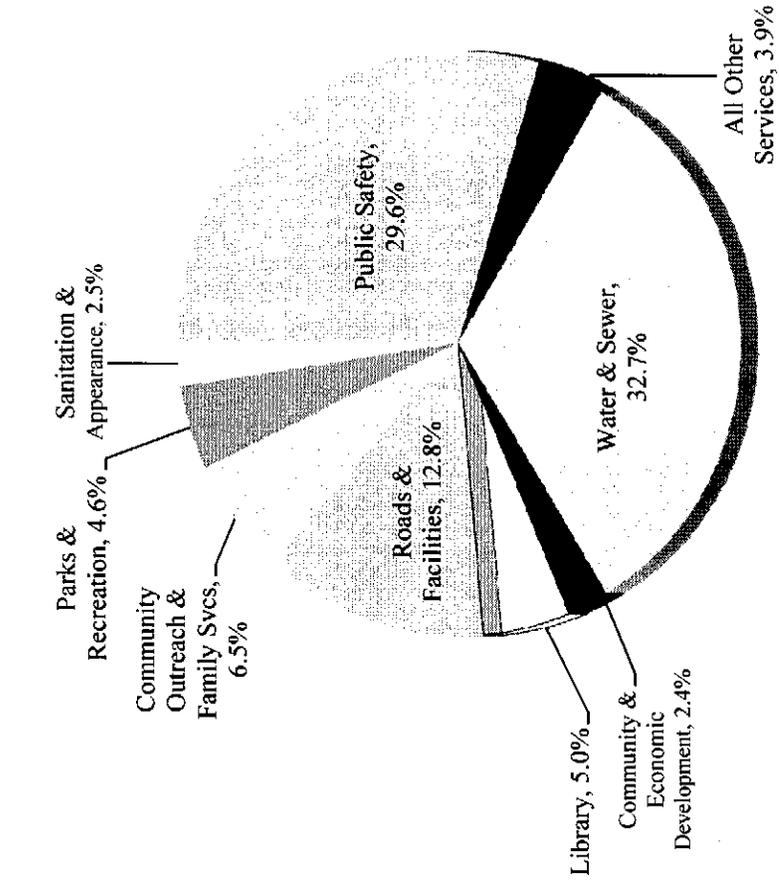


EXPENDITURES

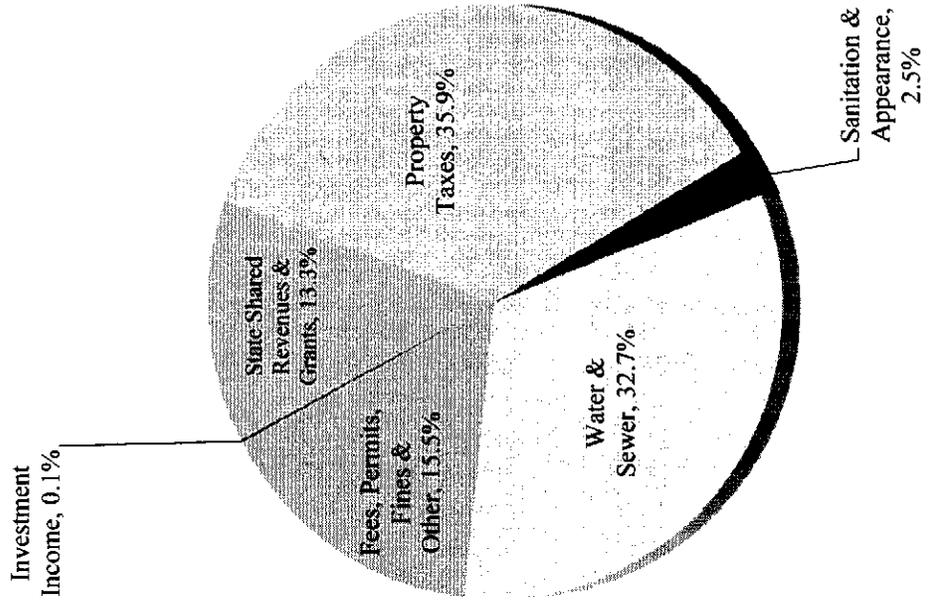


ALL FUNDS

EXPENDITURES



REVENUES



PROCESS

6/3 COUNCIL BUDGET STUDY SESSION

**6/4-6/16 RE-REVIEW OF ALL BUDGET DETAIL AND
DEVELOPMENT OF BUDGET VIDEO**

**6/17 BUDGET ADOPTION (SPECIAL MEETING)
BUDGET VIDEO (6:30 P.M.)**

7/01 NEW FISCAL YEAR BEGINS