



OVERVIEW OF
THE PROPOSED
2016-17 BUDGET

General Fund Revenues

(in millions)

| | <u>2016-17</u> | <u>2015-16</u> |
|------------------------------|----------------|----------------|
| Property Taxes | \$6.4 | \$6.5 |
| Income Tax | 6.2 | 6.1 |
| Licenses & Permits | 0.7 | 0.7 |
| Grants | 0.1 | 0.7 |
| State Shared Revenue | 3.9 | 3.5 |
| Charges for Services & Fines | 1.1 | 1.0 |
| Interest, Rents, & Other | 0.5 | 0.5 |
| Charges to Other Funds | 2.2 | 2.1 |
| Transfers from Other Funds | 1.0 | 0.4 |
| Total | <u>\$22.1</u> | <u>\$21.5</u> |

General Fund Expenditures

(in millions)

| | <u>2016-17</u> | <u>2015-16</u> |
|---|----------------|----------------|
| General Government | \$3.3 | \$3.1 |
| Public Safety | 13.6 | 12.5 |
| Public Works | 1.9 | 2.1 |
| Recreation, Parks & Culture | 2.4 | 2.3 |
| Other Functions | 0.5 | 0.4 |
| Total Operating Exp. w/o Capital | 21.7 | 20.4 |
| Capital Improvements | 0.4 | 1.1 |
| Total | \$22.1 | \$21.5 |

GENERAL FUND HIGHLIGHTS

- Capital improvements includes the re-appropriation of \$300,000 to upgrade both elevators on the west side of the MOC. These improvements are being financed by funds previously set aside in the Land Purchase Fund for that purpose
- \$55,000 in Capital for McMorrان has been reinstated for the upcoming budget
- As employees retire, we will continue to assess each position to determine whether duties can be contracted out, spread to other employees or done with part-time staffing

RUBBISH AND GARBAGE COLLECTION

- Property Tax Revenues began declining in 2008-09 following the crisis in the housing and mortgage markets
- Current operations would result in a deficit of approximately \$230,000 in the upcoming year with current tax revenues as the only source of funding
- Cash reserves in the fund, which were \$1.5 million in 2008, would be nearly depleted by the end of the year
- Without additional revenue, bulk leaf and yard waste pick up and recycling would need to be eliminated to make the fund self-sufficient
- A \$25 annual fee per residential dwelling will continue to be charged in order to maintain our current bulk leaf and yard waste pick up and recycling services

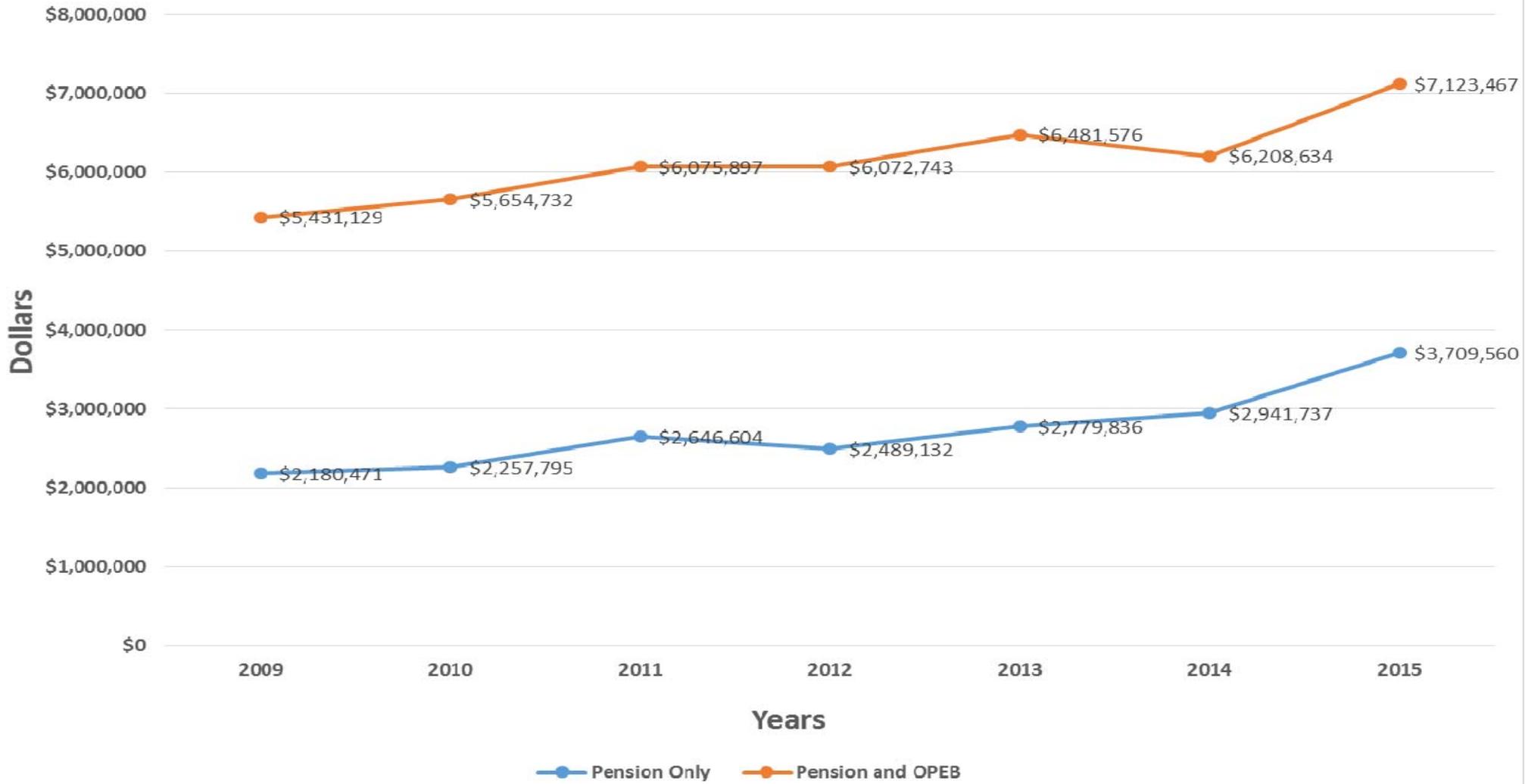
OTHER HIGHLIGHTS

- A \$1.1 million dollar loan repayment has been previously received in the loan revolving fund. The Department of Housing and Urban Development (HUD) has restricted these funds
- \$350,000 is being proposed for use in housing improvements with the remaining \$750,000 being used for projects to reconstruct downtown parking lots. Since some of these funds will not be expended by year end, these funds have been re-appropriated in 2016-17
- A contribution from the DDA of \$100,000 will be used for street paving in the Glenwood and Beers Street area
- For the second consecutive year, the proposed budget includes an additional \$500,000 “Down Payment” on our \$100 million unfunded liabilities, thereby improving our funding levels over time
- Most other funds and programs have been maintained at current levels
- The proposed budget includes projections for the fiscal years ending June 30, 2018 and 2019, in order to facilitate three year planning

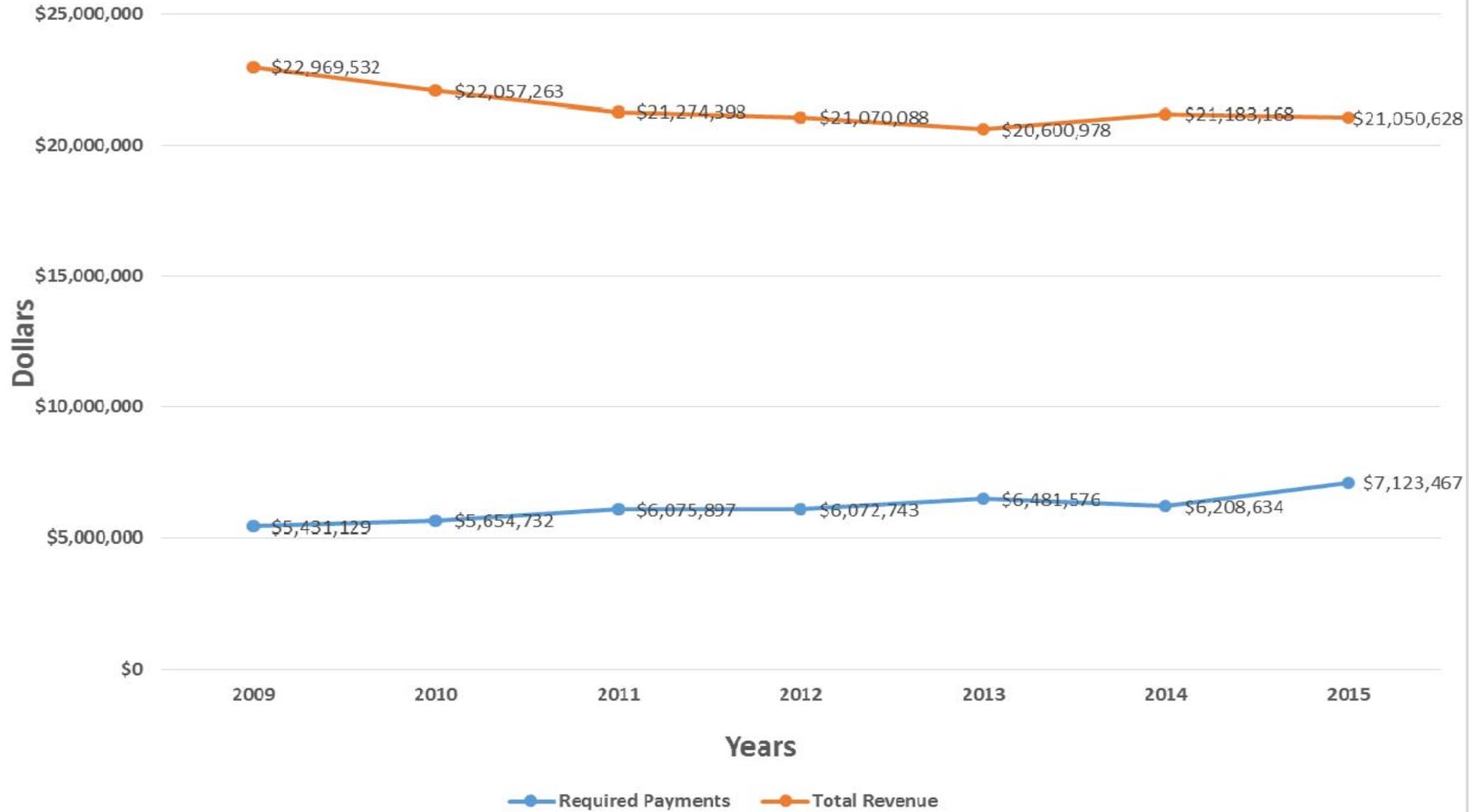
GENERAL FUND HIGHLIGHTS

- MERS has conducted an experience study to determine what changes need to be made to their actuarial assumptions in order to adequately fund pension funds of all of their participants, which includes the City of Port Huron
- The study has shown that three main changes need to be made to ensure that municipalities have enough assets in their pension plan to provide for the benefits that are expected to be paid. These changes are:
 - Adjusting the mortality table because people are living longer
 - Lowering the assumed rate of return from 8 percent to 7.75 percent
 - Requiring a shorter fixed amortization period for gains, losses and unfunded amounts. Since 2005, MERS has been gradually reducing the amortization period to help ensure that pension costs of current employees do not shift onto future generations
- The results of the experience study will be applied to our next actuarial valuation which is expected to be available during the summer of 2016. The resulting increases in our pension costs could be substantial, profoundly affecting the City's budget for the next decade

Pension and OPEB Payments



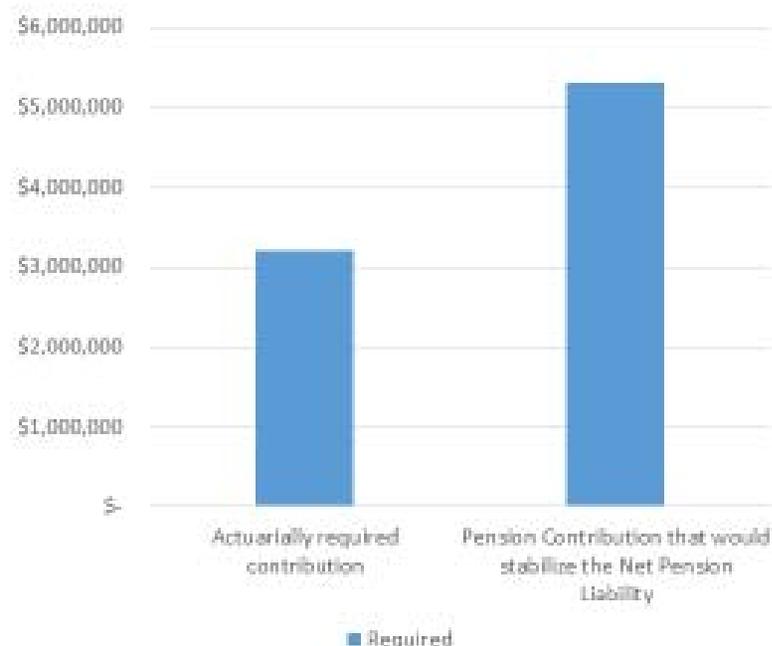
General Fund Total Revenue and Required Payments



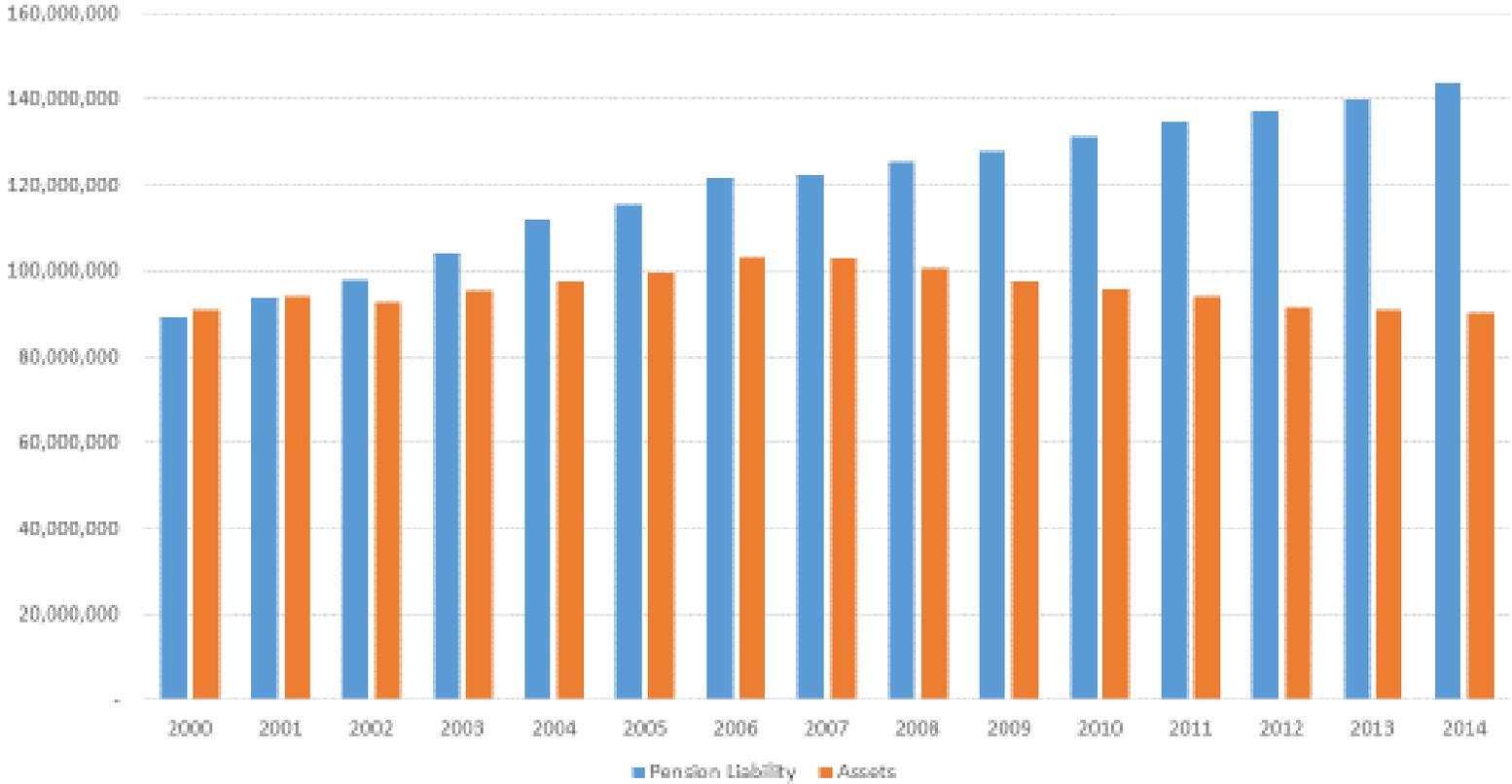
Joe Heffernan, CPA, Partner
Governmental Practice &
Professional Standards
Plante & Moran, PLLC

Cost of Pension Benefits

| Components of pension costs: | |
|---|-------------------------|
| Normal service costs | 1,788,178 |
| Pension administrative costs | 188,311 |
| Less employee contributions | <u>(1,153,294)</u> |
| Cost of current year benefits | 823,195 |
| Cost of previous years' underfunding: | |
| Interest on the NPL (\$50 million @8.25%) | 4,187,587 |
| Amortization of investment & experience differences | <u>303,698</u> |
| Total cost of pensions | <u>5,314,480</u> |
| | |
| Required annual contribution | <u>3,205,523</u> |

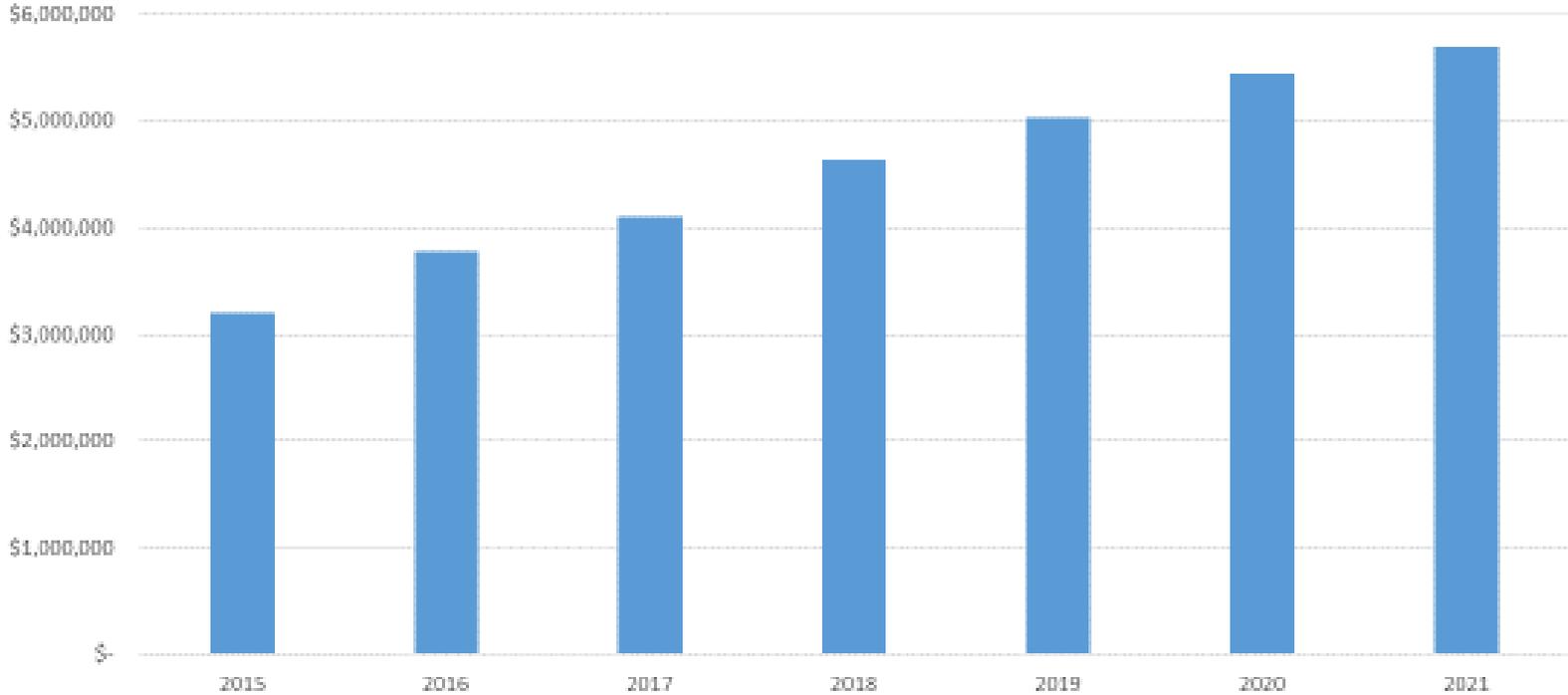


History of the Pension Plan Funding



Projection of Future Contributions

from p.11 of the 2014 Valuation:



GENERAL FUND HIGHLIGHTS

- The magnitude of the changes expected due to the MERS experience study has necessitated the preparation of a budget without major structural changes
- Once we receive our MERS actuarial study, we will spend three to six months working with MERS and our financial partners at Plante Moran to determine our options to reduce or slow the growth of our legacy costs. Our goal will be to determine the steps needed to present a budget for 2017-18 which reduces or eliminates the reliance on operating transfers
- The upcoming proposed budget includes transfers from the Land Purchase Fund of \$635,000 to finance operations as well as \$330,000 for capital improvements

OVERVIEW OF
THE PROPOSED
2016-17 BUDGET